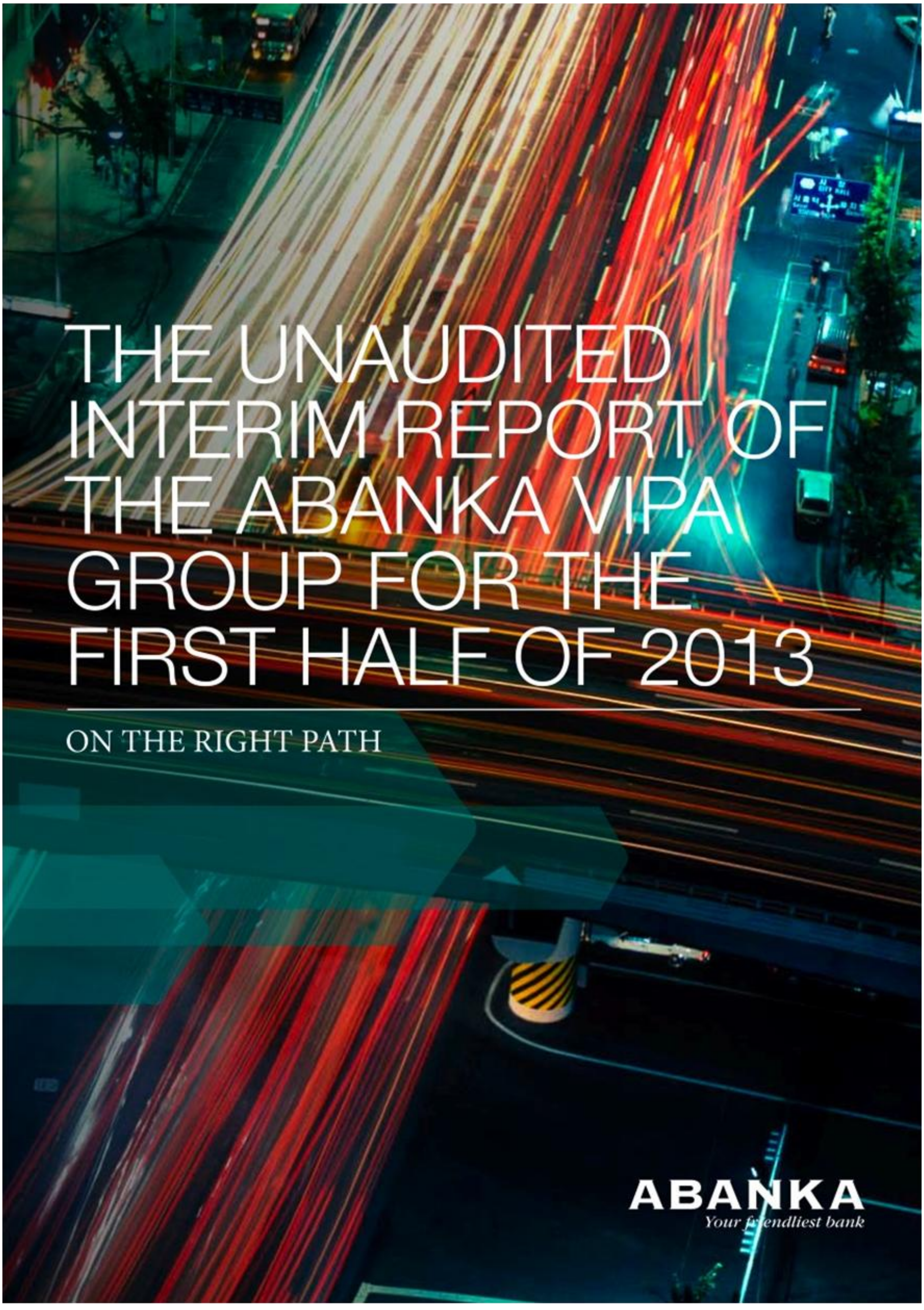
THE UNAUDITED INTERIM REPORT OF THE ABANKA VIPA GROUP FOR THE FIRST HALF OF 2013

ON THE RIGHT PATH



ABANKA
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FINANCIAL HIGHLIGHTS AND PERFORMANCE INDICATORS – THE ABANKA VIPA GROUP

STATEMENT OF FINANCIAL POSITION (EUR thousand)	30 June 2013	31 Dec. 2012
Total assets	**3,450,734**	3,614,012
Total amount of deposits of the non-banking sector, measured at amortised cost	**2,177,014**	2,139,636
Total amount of loans and advances to the non-banking sector, measured at amortised cost	**2,287,028**	2,515,942
Total equity	**137,795**	165,644

INCOME STATEMENT (EUR thousand)	Jan.-June 2013	Jan.-June 2012
Net interest income	**32,908**	36,734
Net non-interest income	**11,897**	18,022
Labour costs, general and administration costs	**(24,893)**	(25,025)
Depreciation	**(2,842)**	(2,951)
Impairments and provisions	**(39,169)**	(41,816)
Profit or loss from ordinary operations before tax	**(22,099)**	(15,036)
Corporate income tax on ordinary operations	**2,573**	(658)

STATEMENT OF COMPREHENSIVE INCOME (EUR thousand)	Jan.-June 2013	Jan.-June 2012
Other comprehensive income before tax	**(9,791)**	7,712
Income tax relating to components of other comprehensive income	**1,468**	(1,732)

INDICATORS	Jan.-June 2013	Jan.-June 2012
Capital adequacy ratio	**9.7%**	9.8%
Performance (in %)		
- return on assets after tax[(1)]	**(1.1)** *	(0.7) *
- return on equity after tax[(2)]	**(25.6)** *	(13.5) *

* Annualized figures are calculated linearly on the basis of the first 6 months.

Notes:

Data and performance indicators have been calculated according to the Indicator Methodology Calculation which the Bank of Slovenia set out its Decision on the Books of Account and Annual Reports of Banks and Savings Banks (Official Gazette of the Republic of Slovenia, No. 17/2012).

(1) The indicator equals the ratio **profit/loss after tax/average assets**. Average assets have been calculated as the average amount of assets as at the last day of each quarter, including the amount of assets as at the last day of December of the previous year.

(2) The indicator equals the ratio **profit/loss after tax/average equity**. Average equity has been calculated as the average amount of equity as at the last day of each quarter, including the amount of equity as at the last day of December of the previous year.

FINANCIAL HIGHLIGHTS AND PERFORMANCE INDICATORS – ABANKA VIPA

STATEMENT OF FINANCIAL POSITION (EUR thousand)	30 June 2013	31 Dec. 2012
Total assets	**3,436,130**	3,597,986
Total amount of deposits of the non-banking sector, measured at amortised cost	**2,185,693**	2,144,129
- from legal and other persons, who pursue a business activity[1]	**1,040,776**	957,790
- retail	**1,144,917**	1,186,339
Total amount of loans and advances to the non-banking sector, measured at amortised cost	**2,301,524**	2,527,155
- from legal and other persons, who pursue a business activity[1]	**1,779,339**	2,000,735
- retail	**522,185**	526,420
Total equity	**142,813**	168,558
Impairments of financial assets and provisions	**409,607**	423,238
Off-balance sheet items (B.1 to B.4)	**985,116**	1,122,163

INCOME STATEMENT (EUR thousand)	Jan.-June 2013	Jan.-June 2012
Net interest income	**31,883**	35,293
Net non-interest income	**11,704**	17,168
Labour costs, general and administration costs	**(22,904)**	(22,931)
Depreciation	**(2,481)**	(2,566)
Impairments and provisions	**(38,265)**	(41,565)
Profit or loss before tax from ordinary operations	**(20,063)**	(14,601)
Corporate income tax from ordinary operations	**2,624**	(445)

STATEMENT OF COMPREHENSIVE INCOME (EUR thousand)	Jan.-June 2013	Jan.-June 2012
Other comprehensive income before tax	**(9,771)**	8,150
Income tax relating to components of other comprehensive income	**1,465**	(1,735)

NUMBER OF EMPLOYEES	30 June 2013	31 Dec. 2012
	888	880

SHARES	30 June 2013	31 Dec. 2012
Number of shareholders	**1,112**	1,115
Number of shares	**7,200,000**	7,200,000
Proportion of par-value shares in share capital (in EUR)	**1.00**	4.17
Book value per share (in EUR)	**19.86**	23.44

Note:

[1] non-financial corporations, public sector entities, other financial institutions, sole proprietors, foreign corporate entities and non-profit institutions serving households.

INDICATORS	Jan.-June 2013		Jan.-June 2012	
Capital adequacy ratio	**9.9%**		9.8%	
– Capital of the Bank - for capital adequacy purposes (in thousand of EUR)	**264,254**		333,997	
Quality of assets and contingent liabilities (in %)				
Impairments of financial assets at amortised cost and provisions	**11.27**		8.83	
Performance (in %)				
- interest margin(1)	**1.79**	*	1.69	*
- financial intermediation margin(2)	**2.44**	*	2.51	*
- return on assets before tax(3)	**(1.12)**	*	(0.70)	*
- return on equity before tax(4)	**(24.93)**	*	(12.52)	*
- return on equity after tax(5)	**(21.67)**	*	(12.90)	*
Operational costs (in %)				
- operational costs/average assets	**1.42**	*	1.22	*
Liquidity (in %)				
– liquid assets/current financial liabilities to the non-banking sector, measured at amortised cost	**57.83**		47.90	**
– liquid assets/average assets	**23.83**		17.77	

* Annualized figures are calculated linearly on the basis of the first 6 months.

Notes:

Data and performance indicators have been calculated according to the Indicator Methodology Calculation which the Bank of Slovenia set out its Decision on the Books of Account and Annual Reports of Banks and Savings Banks (Official Gazette of the Republic of Slovenia, No. 17/2012).

(1) The indicator equals the ratio **net interest income/average assets**.

(2) The indicator equals the ratio **(net interest income+net non-interest income)/average assets**.

(3) The indicator equals the ratio **profit/loss before tax/average assets**.

(4) The indicator equals the ratio **profit/loss before tax/average equity**.

(5) The indicator equals the ratio **profit/loss after tax/average equity**.

(6) **Average assets** have been calculated as the average amount of assets over the last 7 months as at the last day of each month, including the amount of assets as at the last day of December of the previous year.

(7) **Average equity** has been calculated as the average amount of equity over the last 7 months as at the last day of each month, including the amount of equity as at the last day of December of the previous year.

** In accordance with the Decision on Books of Account and Annual Reports of (Savings) Banks, the Bank of Slovenia amended its Guidelines for Compiling the Statement of Financial Position, Income Statement and Statement of Comprehensive Income and for Calculating the Performance Indicators of (Savings) Banks, which took effect on 1 November 2012 and changed the methodology for calculating certain data and performance indicators for the first half of 2012.

PRESENTATION OF THE BANK AND THE GROUP

ABOUT THE BANK

Abanka Vipa d.d. (hereinafter: Abanka) is a bank with a long tradition in the Slovene banking sector. The origins of Abanka d.d. date back to 1955, when the bank operated as a branch of the Yugoslav Bank for Foreign Trade. In 1977, the branch was renamed Jugobanka – Temeljna banka Ljubljana. Abanka began using its current name on 1 January 1990, when it was transformed into a joint-stock company. On 31 December 2002 Banka Vipa merged with Abanka. Since that time, the Bank has operated under the name Abanka Vipa d.d., abbreviated to Abanka d.d. In October 2008 the shares of Abanka were listed on the Ljubljana Stock Exchange. As at the end of June 2013, Abanka had a market share of 7.6%.

Abanka is a universal bank with authorisation to provide banking and other financial services. Through our extensive network of 41 branches across Slovenia, e-banking, our advisory services and personal approach, we offer comprehensive financial services ranging from traditional banking and banking-insurance services to investment banking. In the scope of its investment banking, Abanka also manages the mutual retirement fund AIII VPS.

Abanka has also established its reputation internationally. With regard to inter-bank operations, Abanka uses a network of correspondent banks across the globe to meet its customers' needs for international payment transactions.

Abanka's range of services is further supplemented by financial fund management, factoring, project financing, leasing, asset management and real estate activities with own property provided by its subsidiaries in Slovenia: Abanka Skladi d.o.o., Afaktor d.o.o. along with the subsidiaries Afaktor - faktoring finansiranje d.o.o. in Serbia and Afaktor - faktoring d.o.o. in Croatia, Argolina d.o.o., Aleasing d.o.o. with its participation in two associated companies in Bosnia and Herzegovina – ASA Aleasing d.o.o. and Agradnja d.o.o. – Analožbe d.o.o. and Anepremičnine d.o.o.

SERVICES OF THE BANK

As at 30 June 2013 Abanka was authorised to provide the following mutually recognised financial services under Article 10 of the Banking Act:

SERVICE	LICENCE ISSUED
1. Acceptance of deposits;	YES
2. Lending including, inter alia	
- consumer loans,	YES
- mortgage loans,	YES
- factoring, with or without recourse,	YES
- financing of commercial transactions (including forfeiting);	YES
3. Financial leasing: leasing of assets for a period which is approximately the same as the life expectancy of the leased assets, where the lessee derives most benefit from the use of the leased assets and assumes total transaction risk;	NO
4. Payment services;	YES
5. Issuance and administering of payment instruments (e.g. travellers' cheques and bankers' drafts insofar as this service is not covered by point 4);	YES
6. Issuance of guarantees and other commitments;	YES
7. Trading for own account or for the account of customers in:	YES
- money market instruments,	YES
- foreign exchange, including currency exchange transactions,	YES
- financial futures and options,	YES
- exchange and interest-rate instruments,	YES
- transferable securities;	YES
8. Participation in the issuance of securities and services related to such issues;	YES
9. Advice to undertakings relating to mergers and acquisitions;	YES
10. Money intermediation on inter-bank markets;	NO
11. Portfolio management and advice;	YES
12. Safekeeping of securities and other services related to the safekeeping of securities;	YES
13. Credit reference services: collection, analysis and provision of information on creditworthiness;	YES
14. Renting of safe deposit boxes;	YES
15. Investment services and operations and ancillary investment services set out in Article 10 of the Financial Instruments Market Act.	YES

Abanka is also authorised to provide the following other financial services under Article 11 of the Banking Act:

SERVICE	LICENCE ISSUED
1. Insurance brokerage in accordance with the law governing the insurance business;	YES
2. Payment system management services;	NO
3. Pension fund management in accordance with the law governing pension and disability insurance;	YES
4. Custodian services provided according to the Investment Funds and Management Companies Act;	YES
5. Credit brokerage in consumer and other loans;	NO
6. Finance leasing brokerage and administrative services for investment funds.	YES

BANK PROFILE

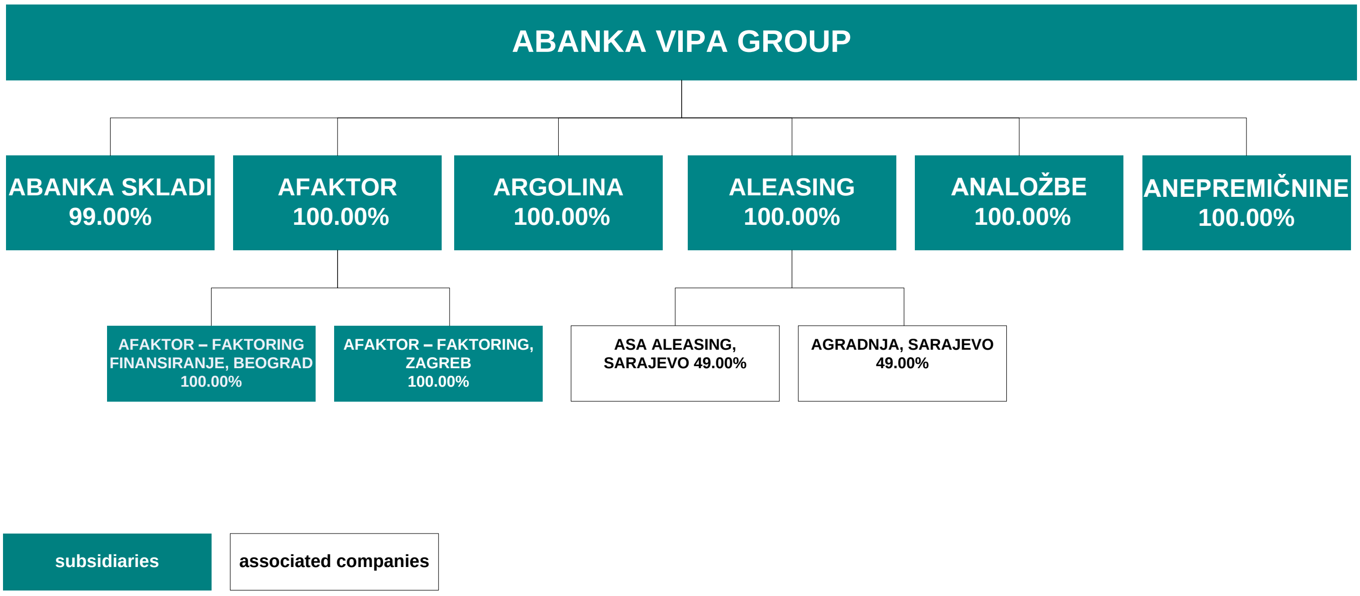
Abanka is entered in the Companies Register kept by the District Court in Ljubljana under registration no. 1/02828/00.

Registered office: Slovenska cesta 58, 1517 Ljubljana
Transaction account: SI56 0100 0000 0500 021
SWIFT: ABANSI2X
Tax number: 68297530
VAT identification number: SI68297530
Company registration number: 5026024
Share capital: EUR 7,200,000.00
Telephone: (+386 1) 47 18 100
Fax: (+386 1) 43 25 165
Website: http://www.abanka.si
E-mail: info@abanka.si

ABOUT THE GROUP

As at 30 June 2013, in addition to Abanka, as the parent company, the Abanka Vipa Group (hereinafter: the Abanka Group) included the following:

- **subsidiaries**: Abanka Skladi d.o.o., Afaktor d.o.o. with its **two subsidiaries –** Afaktor-faktoring, finansiranje d.o.o. in Serbia and Afaktor-faktoring d.o.o. in Croatia – Argolina d.o.o., Aleasing d.o.o. with its **two associated companies** in Bosnia and Hercegovina – ASA Aleasing d.o.o. and Agradnja d.o.o. - Analožbe d.o.o. and Anepremičnine d.o.o.



Structure as at 30 June 2013

The following table indicates the year the subsidiaries were included in the Abanka Group, their activities and the Abanka Group's equity shareholding as at 30 June 2013.

Subsidiary	Included in the Abanka Group	Activity	Equity shareholding	Nominal Value of Stakes as at 30 June 2013 (in EUR thousand)
Abanka Skladi d.o.o.	1994	financial fund management	99.00%	842
Afaktor d.o.o.	2002	factoring	100.00%	1,505
Argolina d.o.o.	2003	project financing	100.00%	1,052
Aleasing d.o.o.	2003	leasing	100.00%	4,902
Analožbe d.o.o.	2006	asset management	100.00%	100
Anepremičnine d.o.o.	2013	real estate activities with own property	100.00%	500

Significant business events in the subsidiaries in the first half of 2013:

Abanka Skladi d.o.o:

- its core business is financial fund management. Gregor Žvipelj, M.Sc., is the President of the Management Board and Andrej Petek, CFA, is its member. The Supervisory Board has the following composition: Gregor Hudobivnik, Chairman of the Supervisory Board, Boštjan Herič, M.Sc., Deputy Chairman and Nataša Damjanovič, member;
- on 13 June 2013, Abanka Skladi družba za upravljanje d.o.o. and Triglav Skladi družba za upravljanje d.o.o. concluded an Agreement on the Transfer of Fund Management, whereby management of the sub-funds of the umbrella fund ABANKA SKLADI would be transferred to Triglav Skladi d.o.o. In accordance with the Investment Funds and Management Companies Act, Triglav Skladi has to obtain the approval of the Securities Market Agency prior to the agreed transfer.

Afaktor Group:

- in the first half of 2013, factoring in Afaktor-faktoring d.o.o., Zagreb, was suspended and the company went dormant. In June the registered office in Zagreb was moved;
- in the given situation, the performance of both remaining companies was good and the number of new customers increased; however, since the Group’s volume of operations decreased due to the business reduction in Croatia, the figure was lower than at the end of the first half of 2012;
- export factoring remained the dominant service in Slovenia and will continue to be the central service provided in that country;
- this year the company began to provide domestic factoring without recourse, thus increasing its range of factoring services;
- the majority of transactions is still based on annual factoring agreements;
- further upgrading of individual functions in the software application and implementation of automatic controls for the prevention of operational and credit risk damages as well as the prevention of money laundering and terrorist financing;
- synergies between the Afaktor Group and the Abanka Group were achieved in operations with shared customers, especially in directing their enquiries to the Afaktor Group or to the Bank (joint approach to Afaktor Group’s and Abanka's customers);
- a decrease in borrowings from the parent company has been planned for the companies Afaktor in Zagreb and Afaktor in Belgrade.

Analožbe d.o.o.:

- in the first half of 2013, Analožbe was focused on the management of own assets, simultaneously making efforts to reduce operating costs.

Argolina d.o.o.:

- the company is dormant, however in the first half of 2013 it focused on seeking solutions on how to disinvest, swap its assets for more liquid types and/or complete an investment project.

Anepremičnine d.o.o.:

- the company was founded on 31 May 2013 by assuming a portion of assets from Aleasing d.o.o., which were transferred in accordance with a demerger plan;
- on the day the demerger was entered in the Companies Register, the new company assumed a portion of the assets of the transferring company, Aleasing d.o.o., and as its successor entered all legal relations concerning the demerged assets, previously held by Aleasing d.o.o.;

- its core business is real estate activities with own property; Gregor Žvipelj, M.Sc., is the General Manager. Boštjan Herič, M.Sc., is the Chairman of the Supervisory Board, Gregor Hudobivnik Deputy Chairman and Miha Štepec, M.Sc., a member of the Supervisory Board;
- its strategic objectives are as follows: to centralise the management of the real property portfolio, including the property either seized or owned by the Group, enabling a relatively fast sale of individual assets given the current market situation; to establish efficient risk management covering the real property portfolio as a whole; to provide project funding for completing the seized and unfinished real property developments, to make market appraisals and assessments of land and real property provided as (additional) loan collateral, to analyse the real property market and compare price movements of residential and commercial real property as required by the Group;
- its main task is to manage the real property portfolio in a more uniform, transparent and predictable manner that will enable value maximisation and suitable profitability.

Aleasing d.o.o.:

- in the first half of 2013, Aleasing as a transferring company successfully transferred a portion of its assets by establishing a new company Anepremičnine;
- this transfer enabled financial restructuring and reduced the impact of non-performing assets on the regular operations of Aleasing;
- intensive recovery and sale of seized leasing objects decreased the volume of overdue claims and inventories;
- document flow software optimisation;
- providing IT equipment and software required for the operation of the newly established Anepremičnine.

ASA Aleasing d.o.o.:

- through the capital increase in the first half of 2013 ASA Aleasing d.o.o. became an associated company of the subsidiary Aleasing d.o.o.;
- ownership structure: Aleasing d.o.o. (49.0%), ASA Auto d.o.o. (33.8%) and ASA Finance d.d. (17.2%);
- Alma Kadrić is the General Manager, Radovan Jereb, M.Sc. Econ., is the Chairman of the Supervisory Board and Miha Štepec, M.Sc., (replacing Anica Vehovar), Vesna Babić Hodović, Peter Kroyer and Senad Olovčić serve as members of the Supervisory Board.

Agradnja d.o.o.:

- is an engineering, construction and real property company based in Sarajevo;
- it was established aiming to build a business and residential complex in the vicinity of Sarajevo;
- through the capital increase in the first half of 2013 Agradnja d.o.o. became an associated company of the subsidiary Aleasing d.o.o.;
- ownership structure: Aleasing d.o.o. (49%) and ASA Finance d.d. (51%);
- Sanin Granov is the General Manager.

MAJOR BUSINESS EVENTS IN THE FIRST HALF OF 2013 AND AFTER THE FIRST HALF OF 2013

- On 18 February 2013, the three-round public share offering, based on a resolution passed at the 25th regular General Meeting of Shareholders of Abanka, was concluded. A total of 8,662,980 shares worth EUR 36,384,516.00 were subscribed and paid in, representing 40.43% of all newly issued Abanka shares. Out of that total, 8,648,689 shares worth EUR 36,324,493.80 and accounting for 40.36% of all newly issued shares were subscribed and paid in, based on subscription certificates that include conditions and limitations set out in the Prospectus. As less than 11,904,762 of newly issued shares were subscribed and paid in, the public offering failed according to the Prospectus.
- On 19 February 2013, the Bank of Slovenia sent to Abanka a Decree on Additional Measures to Increase Capital, whereby the Bank of Slovenia required from the Bank's Management Board to convene a general meeting of shareholders by 30 April 2013 at the latest and propose at that meeting a share capital increase under new conditions.
- In response to that, the Management Board proposed to the Supervisory Board convening another general meeting of shareholders to decide on the share capital increase under such conditions that the Management and Supervisory Boards deem appropriate for strengthening the capital base of the Bank. The proposed recapitalisation totals EUR 90 million and any exceeding amounts, at a price of at least EUR 1 per share paid in by 31 July 2013 at the latest, and the pre-emptive rights of the existing shareholders will be excluded. Not only the present major shareholders but also other interested and potentially interested investors will be invited to subscribe to shares.
- On 22 February 2013, the international rating agency Moody's changed Abanka's Long-Term Deposit Rating to "Caa3" and its Preferred Stock Non-Cumulative Rating to "C". Abanka's Bank Financial Strength Rating was affirmed at "E". The Outlook remains negative. The agency stated that the downgrades reflect Abanka's failure to carry out a capital increase as planned.
- On 8 March 2013, the Supervisory Board took note of a time schedule of activities planned for increasing the Bank's capital through the paying in of new shares and approved the proposed method for covering the net loss generated in 2012. Furthermore, it approved draft resolutions for the General Meeting of Shareholders, deciding on a capital increase through the paying in EUR 90 million for new shares.
- On 5 April 2013, the following ratings of Abanka were affirmed by the Fitch Ratings international rating agency: Long-Term Foreign Currency Issuer Default Rating at "B-", Short-Term Foreign Currency Issuer Default Rating at "B", Support Rating at "5" and Support Rating Floor at "B-". Abanka's Viability Rating was downgraded to "cc" and the Hybrid Capital Instrument Rating to "C". The Bank's Long-Term Foreign Currency Issuer Default Rating maintained a negative outlook. According to the agency's expectations Abanka was in need of additional capital. The capital position of the Bank could also be adversely affected by further deterioration in the asset quality due to the weak operating environment in Slovenia.
- On 8 April 2013, the General Meeting of Shareholders voted in favour of reducing share capital which as at the day the resolution was adopted amounted to EUR 30,045,067.60. The share capital was to be decreased to cover part of the loss posted for 2012 amounting to EUR 22,845,067.60 and after the decrease was to total EUR 7,200,000.00. The General Meeting of Shareholders voted in favour of a share capital increase totalling EUR 90 million, at a price of at least EUR 1 per share and with the exclusion of the existing shareholders' pre-emptive rights.
- On 26 April 2013, Abanka published a notice to exercise the option to cancel the interest payment under the hybrid capital instrument which would have otherwise fallen due on 3 May 2013.
- The international ratings agency Fitch Ratings affirmed hybrid capital instrument at 'C' due to the Abanka's notice of the cancellation of interest payment published on 26 April 2013 on the website of Ljubljana Stock Exchange – Seonet.
- Pursuant to the resolution of the 26th General Meeting of Shareholders of Abanka Vipa d.d. of 8 April 2013, the Ljubljana District Court entered the simplified reduction of share capital from EUR 30,045,067.60 to EUR 7,200,000.00 in the Companies Register on 21 May 2013. The simplified reduction of share capital is part of the preparatory activities to increase the share capital and relates to a change in the ratio between individual bookkeeping components of Tier 1 capital, the scope of which remains unchanged. The share capital reduction in no way affects the Bank's capital adequacy.

- On 29 May 2013, the 27th Abanka's General Meeting of Shareholders appointed Aleš Aberšek, Aljoša Uršič and Snežana Šušteršič to a four-year term as member of the Supervisory Board, starting on 30 May 2013, whilst Vladimir Mišo Čeplak, M.Sc., was reappointed as member for the next four years.
- A change in the corporate status of the subsidiary Aleasing financiranje, svetovanje, trženje d.o.o., arising from the demerger plan of 14 March 2013, was entered in the Companies Register on 31 May 2013. Aleasing d.o.o. (as a transferring company) demerged a portion of its assets by establishing a new company Anepremičnine trgovanje z lastnimi nepremičninami d.o.o. On the day the demerger was entered in the Companies Register (i.e. 31 May 2013), the newly established company Anepremičnine d.o.o. assumed a portion of the assets of the transferring company, Aleasing d.o.o., and as its successor entered all legal relations concerning the demerged assets, previously held by Aleasing d.o.o.
- Abanka Vipa d.d. received from the Ljubljana District Court an action, filed on 6 May 2013 by the shareholder PanSlovenian Shareholders' Association, requesting the annulment of resolutions no. 2 (amendments to the Articles of Association), 3 (share capital reduction) and 4 (share capital increase through monetary contributions) adopted at the 26th General Meeting of Shareholders on 8 April 2013. The Bank will respond to the action by the set deadline.
- Abanka Skladi družba za upravljanje d.o.o. and Triglav Skladi družba za upravljanje d.o.o. concluded an Agreement on the Transfer of Fund Management, whereby management of the sub-funds of the umbrella fund ABANKA SKLADI shall be transferred to Triglav Skladi d.o.o. In accordance with the Investment Funds and Management Companies Act, Triglav Skladi has to obtain the approval of the Securities Market Agency prior to the agreed transfer. Parallel to this, Abanka Vipa and Triglav Skladi signed an Agreement on the Provision of Services Related to Mutual Fund Investment Coupons, which stipulates their long-term cooperation in the marketing of mutual funds.
- On 13 June 2013, the Supervisory Board of Abanka was briefed that the Management Board selected the companies Houlihan Lokey (Europe) Limited and Alta Skupina to act as its consultants in the capital increase process.
- At the 16th regular session of the Abanka's Supervisory Borad, held on 20 June 2013, Janko Gedrih was appointed Chairman of the Supervisory Board, succeeding the outgoing Chairman Andrej Andoljšek, who remained on the Supervisory Board as a member.
- On 10 July 2013 the Supervisory Board took note of the Management Board's proposal to file an initiative for the implementation of measures for transferring of the bad debt to the Bank Asset Management Company and assessed that this would have a positive bearing on the process of capital strengthening of the Bank.
- After informing the Supervisory Board, the Bank, in accordance with the Act Determining the Measures of the Republic of Slovenia to Strengthen Bank Stability, sent to the Inter-Ministerial Working Group at the Ministry of Finance an initiative to take measures under the Decree on the Implementation of Measures to Strengthen Bank Stability. The Bank received a resolution ascertaining that at its 18th regular session, held on 18 July 2013, the Government of the Republic of Slovenia, as proposed by the Inter-Ministerial Working Group, established that Abanka Vipa d.d. met the conditions for applying measures aimed at strengthening bank stability.
- Before taking any measures according the above mentioned decree, an independent asset quality review and a stress test should be conducted. Abanka has already started these activities with selected consultants.
- In view of the facts related to the transfer of bad debt to the Bank Asset Management Company, Abanka asked the Bank of Slovenia to extend the deadline for the payment of new monetary contributions towards its share capital, set out in the decree of 19 February 2013. On 30 July 2013, the Bank of Slovenia approved an extension of the deadline for the payment of new cash contributions to Abanka Vipa d.d.'s share capital until 31 December 2013, and set the requirement that the Bank must ensure an appropriate level of capital by no later than 31 December 2013 in order to achieve a Tier 1 capital ratio of at least 9.5% and an overall capital adequacy ratio of at least 11.8% on a consolidated basis.

FINANCIAL RESULTS FOR THE FIRST HALF OF 2013

The unaudited consolidated financial statements of the Abanka Group for the first half of 2013 include the subsidiaries Abanka Skladi, Afaktor, Argolina, Aleasing, Analožbe and Anepremičnine, alongside Abanka as the parent bank. The participations of the subsidiary Aleasing in the associated companies ASA Aleasing and Agradnja are consolidated under the equity method.

The unaudited consolidated financial statements of the Abanka Group for the first half of 2012 include the subsidiaries Abanka Skladi, Afaktor, Argolina, Aleasing and Analožbe, alongside Abanka as the parent bank. The participation of Aleasing in the joint venture company ASA Aleasing is consolidated under the equity method.

The semi-annual report including the unconsolidated and consolidated financial statements has not been audited.

PERFORMANCE AS VIEWED THROUGH THE INCOME STATEMENT

In the first half of 2013, the **Abanka Group** generated a **loss before tax** of EUR 22,099 thousand. **Consolidated loss after tax** in the reporting period amounted to EUR 19,526 thousand, compared to the first half of 2012 when Group posted a loss after tax of EUR 15,694 thousand.

As at 30 June 2013, **Abanka** reported a **loss before tax** of EUR 20,063 thousand, which was reflected in a negative return on equity of 24.9%, while in the first half of 2012 its loss before tax was EUR 14,601 thousand. As at 30 June 2013 **net income from deferred taxes** amounted to EUR 2,624 thousand (vs. **net expenses from deferred taxes** in the first half of 2012 of EUR 445 thousand). **The Bank's loss after tax** totalled EUR 17,439 compared to EUR 15,046 thousand, in the first half of 2012. Return on equity after tax was negative, at 21.7%.

The **Abanka Group's interest income** in the first half of 2013 totalled EUR 71,686 thousand, a decrease of 26.3% compared to the first half of 2012, while **its interest expenses** totalled EUR 38,778 thousand, which was 35.9% less than incurred in the first half of 2012. **The Abanka Group's net interest income** earned in the first six months of 2013 thus totalled EUR 32,908 thousand or 10.4% below the level recorded in the same period of 2012.

Abanka's interest income in the first half of 2013 was EUR 70,197 thousand or 26.2% less compared to the first half of 2012, whereas its **interest expenses** totalled EUR 38,314 thousand or 36.0% less than in the corresponding period of 2012. Abanka's **net interest income** thus amounted to EUR 31.883 thousand, which was 9.7% less than in the same period of the previous year, mostly because of the loan portfolio shrinkage.

In the first half of 2013, the **Abanka Group** posted EUR 14,607 thousand in **net fees and commissions** or 3.6% less than in the first half of 2012. **Abanka** contributed EUR 14,275 thousand to **net fees and commissions**, which was 3.6% less than in the first six months of last year.

Other net non-interest expenses (excluding net fees and commissions) **of the Abanka Group** in the first half of 2013 amounted to EUR 2,710 thousand (in the same period of 2012, **other net non-interest income** totalled EUR 2,865 thousand). **Other net non-interest expenses of Abanka** (excluding net fees and commissions) in the first half of 2013 amounted to EUR 2,571 thousand (in the respective period of 2012 **Abanka** posted EUR 2,362 thousand in other net non-interest **income**).

The **Abanka Group's operating costs** in the reporting period totalled EUR 27,735 thousand and were 0.9% lower than in the first half of 2012. Labour costs of EUR 15.485 thousand were 3.7% lower than in the same period of 2012, whilst depreciation expenses amounted to EUR 2,842 thousand, also having decreased by 3.7% compared to the same period of 2012. On the other hand general and administrative expenses increased by 5,2% over the same period of 2012 and totalled EUR 9,408 thousand. At 55.8%, labour costs represented the largest proportion of total expenses, followed by general and administrative expenses at 33.9% and depreciation expenses which accounted for 10.3% of the total.

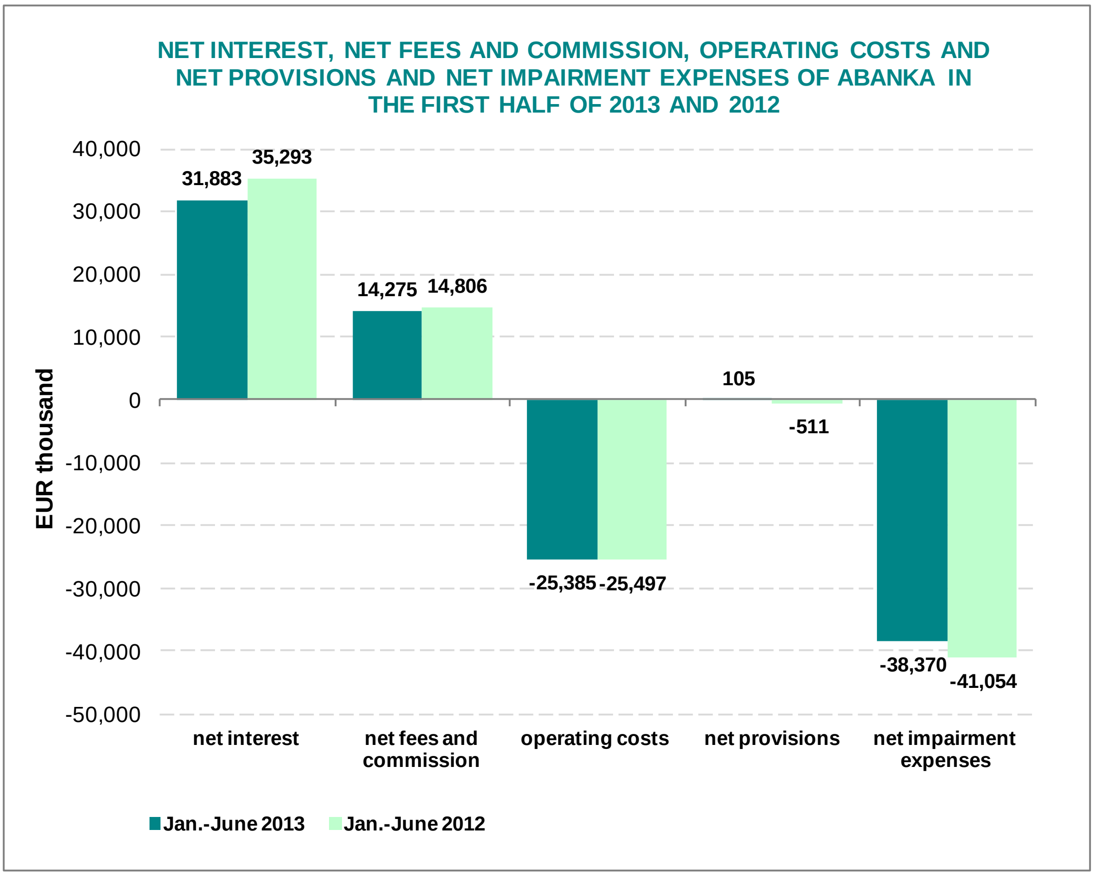
Abanka's operating costs in the first half of 2013 were EUR 25,385 thousand in total, which was 0.4% less than in the same period of 2012. Compared to the first half of the previous year, labour costs were 3.5% lower and totalled EUR 14,414 thousand, whereas depreciation expenses equalled EUR 2,481 thousand and were 3.3% below the amount reported for the first half of 2012. General and administrative expenses amounted to EUR 8,490 thousand and were 6.2% higher than in the first six months of 2012. At 56.8%, labour costs accounted for the largest part of total expenses, followed by general and administrative expenses at 33.4% and depreciation expenses, which made up 9.8% of the total. The increase of general and administrative expenses compared with the same period last year was mostly effected by the cost of the strengthening of the capital base of the Bank. Without these costs, the operating costs of Abanka in the reporting period would have been 2.3% lower compared to the first half of 2012.

The **Abanka Group's operating income** in the first half of 2013 amounted to EUR 17,070 thousand, while in the first half of 2012 the Group posted an operating income of EUR 26,780 thousand. **Abanka's operating income** in the reporting period totalled EUR 18,202 thousand, compared to EUR 26,964 thousand posted for the same period last year.

In the reporting period, the **Abanka Group** had EUR 39,169 thousand of **net provisioning and impairment expenses** (compared to EUR 41,816 thousand in the first half of 2012), of which **net provisioning income** totalled EUR 87 thousand (in the same period of 2012, net provisioning **expenses** totalled EUR 631 thousand). N**et impairment expenses** amounted to EUR 39,256 thousand (EUR 41,185 thousand in the corresponding period of 2012).

In the first half of 2013, **Abanka** incurred EUR 38,265 thousand of **net provisioning and impairment expenses** (in the same period of 2012, net provisioning and impairment expenses totalled EUR 41,565 thousand). **Abanka's net provisioning income** totalled EUR 105 thousand (in the same period of 2012, **net provisioning expenses** totalled EUR 511 thousand), whereas the Bank's **net impairment expenses** amounted to EUR 38,370 thousand (EUR 41,054 thousand in the first half of 2012).

As quality of its credit portfolio deteriorated, in the first half of 2013 Abanka had to form additional impairments in the amount of EUR 37,221 thousand, whereas its additional impairments in the first half of 2012 totalled EUR 38,785 thousand. Furthermore, Abanka impaired the available-for-sale financial securities by EUR 1,149 thousand, while in the same period of 2012 the respective impairments totalled EUR 2,250 thousand.



PERFORMANCE AS VIEWED THROUGH THE STATEMENT OF FINANCIAL POSITION

Consolidated total assets as at 30 June 2013 amounted to EUR 3,450,734 thousand, which was EUR 163,278 thousand or 4.5% below the level posted as at the end of 2012. The combined balance sheet assets of consolidated subsidiaries, which equalled EUR 119.040 thousand, accounted for 3.4% of consolidated total assets (vs. 3.6% as at the end of 2012). After the elimination of inter-company transactions, the consolidated total assets of the Abanka Group exceeded Abanka's total assets by 0.4% or EUR 14,604 thousand.

Total assets of Abanka as at 30 June 2013 amounted to EUR 3,436,130 thousand, which was EUR 161,856 thousand or 4.5% below the level posted at the 2012 year-end.

Loans and receivables to non-bank customers accounted for the largest proportion of consolidated balance sheet assets, amounting to EUR 2,287,028 thousand as at 30 June 2013. At the reporting date, Abanka's loans and receivables to non-bank customers totalled EUR 2,301,524 thousand, having experienced a decrease of 8.9% over the end of 2012, or EUR 225,631 thousand in nominal terms. Loans extended by the Bank to domestic and foreign corporate customers and sole proprietors decreased by 10.0%, loans to the public sector dropped by 18.9%, and retail loans decreased by 0.8%.

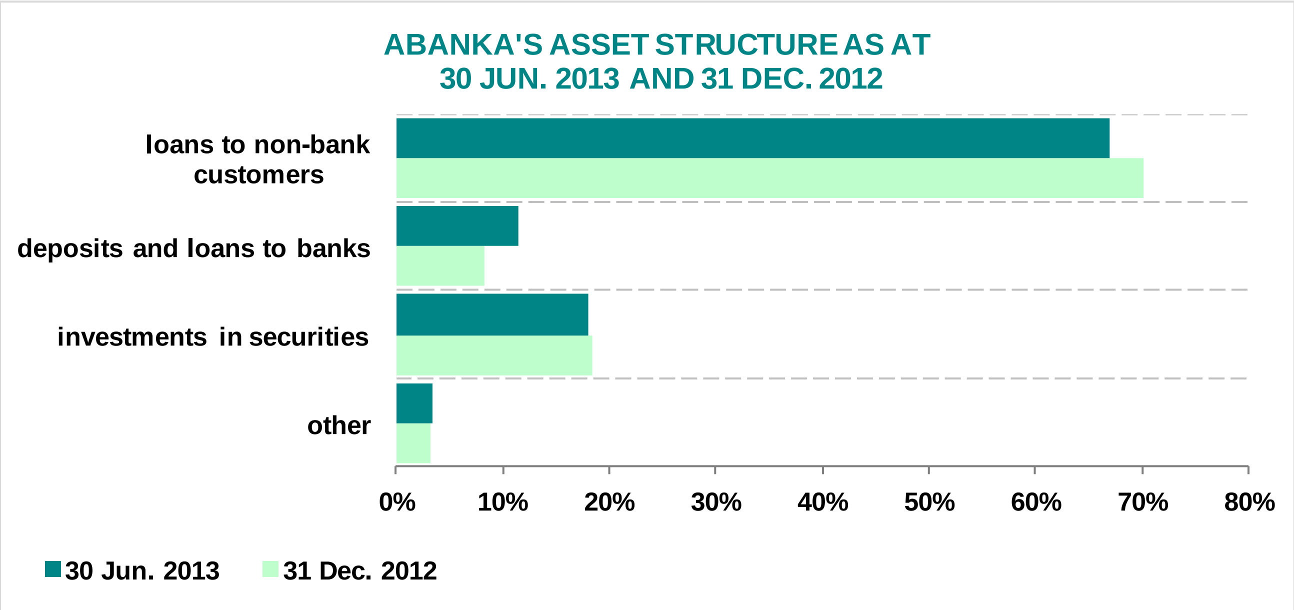
As at 30 June 2013, the Abanka Group's loans and receivables to banks totalled EUR 395,841 thousand, having risen by 33.4% over the end of 2012. Abanka's loans and receivables to banks totalled EUR 393,545 thousand, up by 33.1% compared to the corresponding period of 2012.

As at 30 June 2013, the value of Abanka Group's investments in securities was EUR 622,344 thousand, which was 6.1% or EUR 40,145 thousand less than as at 31 December 2012. Abanka's investments in securities stood at EUR 622,052 thousand as at the reporting date and were 6.0% or EUR 40,057 lower than as at the end of 2012.

Equity investments in subsidiaries of Abanka as at the reporting date amounted to EUR 8,901 thousand, the same as at the end of 2012.

As at 30 June 2013, tangible and intangible assets of the Abanka Group totalled EUR 57,933 thousand, having decreased by EUR 864 thousand or 1.5% over the end of 2012. As at the reporting date, tangible and intangible assets of Abanka amounted to EUR 38,402 thousand. This was 1.3% or EUR 489 thousand less than at the 2012 year-end.

The graph below shows the structure of Abanka's assets as at 30 June 2013 and as 31 December 2012.



As at the reporting date, **consolidated balance sheet liabilities** were composed of EUR 3,312,939 thousand of total liabilities and EUR 137,795 thousand of total equity. On the same date, the **Bank's balance sheet liabilities** were made up of EUR 3,293,317 thousand of liabilities and EUR 142,813 thousand of total equity.

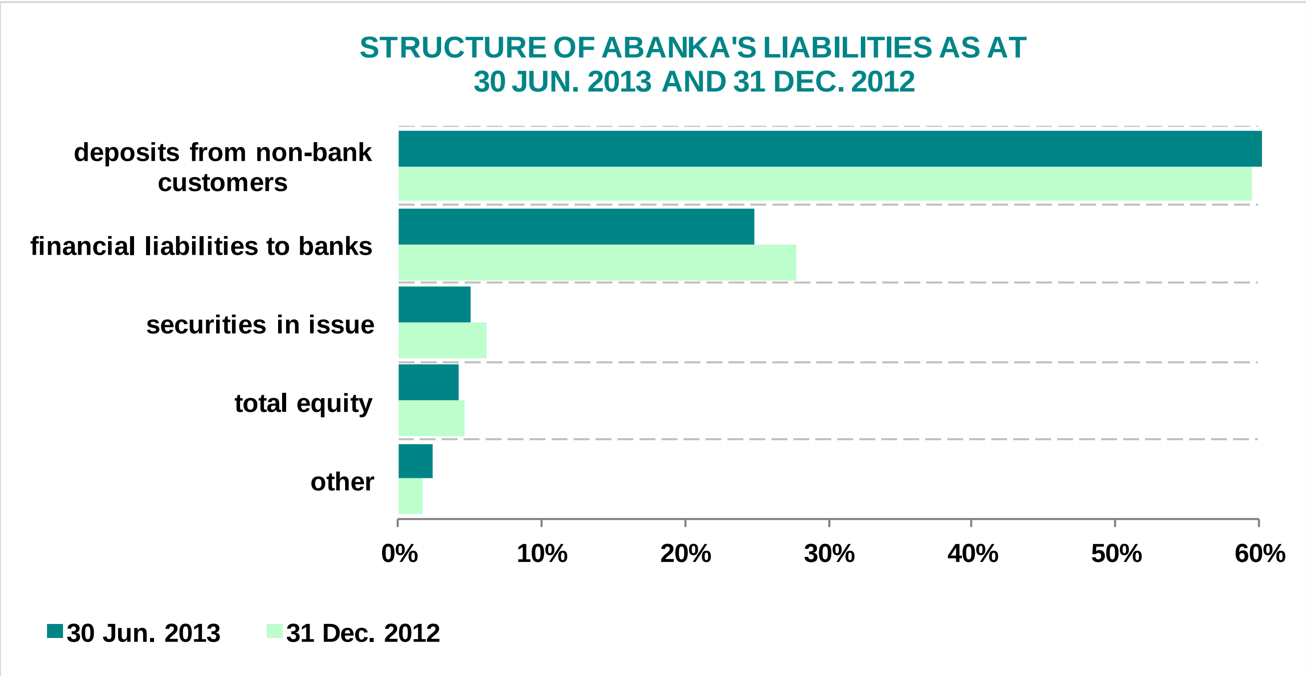
Deposits from non-bank customers represented the bulk of total liabilities of the Abanka Group. In the first half of 2013, they increased by 1.7% or EUR 37,378 thousand to EUR 2,177,014 thousand. As at 30 June 2013, deposits from non-bank customers in Abanka amounted to EUR 2,185.693 thousand, after having increased by 1.9% or EUR 41,564 thousand (deposits from the public sector increased by 25.9%, meanwhile deposits from retail customers decreased by 3.5% and deposits from domestic and foreign corporate customers and sole proprietors decreased by 19.6%). In total deposits from non-bank customers, the largest share was accounted for by retail customers (52.4%), followed by deposits from the public sector (34.3%) and deposits from domestic and foreign corporate customers and sole proprietors (13.3%).

As at the reporting date, the Abanka Group's financial liabilities to banks amounted to EUR 875,204 thousand, which was 14.1% less than as at 31 December 2012. Abanka's financial liabilities to banks as at 30 June 2013 equalled to EUR 850,648 thousand, which represents a 14.8% decrease compared to the 2012 year-end.

Securities in issue of the Abanka Group equalled those of Abanka. In the first half of 2013, they decreased by EUR 49,426 thousand, reaching EUR 173,832 thousand as at 30 June 2013.

The total equity of the Abanka Group as at 30 June 2013 totalled EUR 137,795 thousand, which was 16.8% less compared to the end of 2012, whereas the total equity of Abanka amounted to EUR 142,813 thousand, decreasing in the same period by 15.3%.

The graph below shows the structure of Abanka's liabilities as at 30 June 2013 and 31 December 2012.



PERFORMANCE IN THE FIRST HALF OF 2013

Corporate Banking

The Slovene economy remained in a precarious state in the first half of 2013. The sovereign and bank credit ratings were further downgraded, which is why foreign funds were relatively expensive for the Government and practically unavailable to banks. This created an extra pressure to further cut the volume of corporate lending by Slovene banks, and at the same time increased competition for funding on the domestic market.

The 2012 trend of declining investment activity in the corporate sector persevered in the fist half of 2013 as well, whereas in the public sector investment activity was slightly stronger. Borrowers in the latter sector require long-term loans for investment projects, where the Bank could not compete, mainly due to shorter maturity of its sources of funds. The financial and economic downturn, which was in 2012 especially felt in the construction and financial holdings sectors, made a significant impact also on other sectors (e.g. trade) in the first half of 2013, already beginning to emerge in Q4 2012. Continued drops in the activity of export-oriented companies that have so far, despite the crisis, been in a better shape compared to those mainly directed at domestic consumption, add to the above concerns.

The lowered sovereign rating of Slovenia caused negative responses of foreign banking institutions also in terms of limits for guarantees and letter of credit, which makes it harder for export-oriented companies to complete started projects and to remain competitive in acquiring new businesses.

In 2013, the Bank’s investment portfolio also suffered in the part that depends on divesting non-core assets of individual borrowers, mainly due to the illiquid domestic real property market. There was a significant increase in the number of procedures, necessary business and financial restructuring of companies and a lack of equity capital in these processes. All the activities undertaken by the Government to attract foreign investors are therefore more than welcome.

The first half of 2013 also saw a continued rise in the number of company insolvency procedures. These continued to burden banks’ portfolios in the form of increased overdue claims and reduced repayment capacity of borrowers in the long run at the same time. For this reason the Bank intensified its efforts to transfer part of its bad debt to the Bank Asset Management Company set up by the Government.

Investment Under Special Treatment Department of Abanka systematically monitored more complex cases of restructuring and bad debt due to insolvent companies. In the first half of 2013, the Investment Under Special Treatment Department stopped to work as part of the Corporate Banking Division and organised it under the Risk Management Division. The bank also focused on intensive collection of outstanding receivables at all levels. The changing quality of the loan portfolio requires constant monitoring of the value of all types of collateral and the policy of credit risk mitigation is adjusted accordingly.

In the first half of the year the Bank seriously reorganised the Corporate Banking Division. The main purpose was to improve operational efficiency and customer relationship management. In this way the Bank aims to bring its products and services closer to micro companies. Therefore, the relationship management with this segment was included in the Retail Banking. The relationship management with large, medium-sized and small companies was organised into three regional departments: Central Slovenia, Eastern Slovenia and Western Slovenia. These will effectively manage relationships with corporate customers in their respective regions, putting special emphasis on increasing the volume of operations with SMEs, which will get the most attention in terms of lending and other services provided by the Bank.

Abanka’s loans to corporate customers as at 30 June 2013 dropped down to EUR 1,779.339 thousand, after a decrease of EUR 221,396 thousand or 11.1% over the 2012 year-end. The market share of loans to corporate customers as at 30 June 2013 was 8.2% compared to 8.8% as at the 2012 year-end. The share of loans to corporate customers in total assets dropped from 55.6% as at 31 December 2012 to 51.8% as at 30 June 2012. In the first half of 2013, loans extended to domestic corporate customers decreased by 10.7%, loans to the public sector by 18.9%, loans to sole proprietors by 6.9% and loans to foreign corporate customers by 2.2%.

As at 30 June 2013, **deposits from corporate customers in Abanka** increased by 8.7% and reached EUR 1,040,776 thousand over the 2012 year-end. The market share of deposits from corporate customers decreased from 10.7% at the end of 2012 to 10.0% at 30 June 2013. As at 30 June 2013, deposits from the public sector increased by 25.9%, meanwhile deposits from corporate customers decreased by 20.6%, deposits from sole proprietors by 4.7%, and deposits from foreign corporate customers by 33.6%. In total balance sheet liabilities, the share of deposits from corporate customers by the end of June 2013 totalled 30.3%. That compares with 26.6% as at the end of 2012.

Retail Banking

In the first half of 2013, the situation on both the international and domestic financial markets remained uncertain. Current economic and market conditions strongly affect the way customers think and who they trust, which in turn affects their financial operations. Abanka's main goal, therefore, remains retaining the existing customers and their trust, as well as increasing the existing market shares in individual customer and product segments. Regardless of the above, the segment of micro companies was transferred to the Retail Banking Division in April. This will enable the Bank to improve sales performance, customer relationship management, asset and risk management and cost effectiveness. Just as in 2012, in the first half of 2013 the Bank continued to realise its strategy of increasing the volume of operations in the Branch Network, mainly to increase customer orientation as well as to optimise sales results monitoring. Additional focus is also on private banking made available to demanding customers.

In addition to the sale of deposits, great emphasis was placed on individual marketing of long-term loans attracting new customers, opening of new personal accounts with sight deposits and raising the satisfaction of the existing customers by increasing the volume of operations and cross-selling services with a high added value.

In order to raise the quality of its services, the Bank implemented a centralised customer complaint procedure. All respective findings are systematically used to continuously improve business processes and individual banking services.

In accordance with the branch network expansion plan, a new branch office was opened in January at the Mercator shopping centre in Novo mesto, which includes several new features from Abanka's redefined branch concept.

Regarding the development of services and sales channel, focus is on services which meet customers' needs and expectations – thus, in 2013 Abanka upgraded the Visa Electron credit card which enables payment in instalments. The number of instalments can be selected for every purchase separately.

Abanka is continuously focused on improving the existing sales channels and customer experience – e-banking, ATMs, SMS notices and new innovative sales channels, such as mobile bank, social networking, etc. Opening a special purpose savings account was made available through Abanet Internet banking.

Abanka and its strategic partner Zavarovalnica Triglav constantly strengthen their partnership and provide a full range of insurance products for their customers – personal, health, accident, and non-life insurance.

Abanka Skladi and Triglav Skladi concluded an Agreement on the Transfer of Fund Management, whereby management of the sub-funds of the umbrella fund Abanka Skladi would be transferred to Triglav Skladi. Abanka's existing investors will gain from the transfer in terms of the breadth of investment opportunities and additional investment potential, which will at the same time increase the diversity and attractiveness of the range of products and services.

In accordance with its plans, Abanka continues with the automation of procedures in the front office and the optimisation of business processes, primarily to reduce the workload of the sales staff by eliminating tasks not directly related to customer activities. This includes setting up an integrated control system for retail and micro-enterprise banking.

In the segment of product marketing communication, regional marketing activities were continued in the reporting period. They significantly help raise the profile of Abanka and its branch network as well as contribute to better sales results in certain environments. The sales guidelines for active customers were supported by numerous marketing activities for both deposits and loans. Probably the most high-profile campaign was the launching of a new Visa Electron credit card that enables payment by instalments and that already achieved excellent sales results. Like many years before, a number of successful marketing activities aimed at young customers were carried out in the first six months; among which a prize game on the Akeš Facebook page was the most important. Abanka also focused on pensioners, offering them favourable terms for deposits. A new Facebook Abanka platform was introduced and gained popularity, represeting an excellent opportunity for the Bank to communicate with its customers.

As at 30 June 2013, **Abanka's loans to retail customers** totalled EUR 522,185 thousand, the majority of which was accounted for by domestic retail loans, as loans to foreign retail customers totalled only EUR 932 thousand. Retail loans decreased by 0.8%, while their share in balance sheet assets increased from 14.6% as at the end of 2012 to 15.2% as at 30 June 2013. The market share of retail lending as at the reporting date totalled 6.5% as well as at the end of 2012.

Deposits from retail customers in Abanka as at 30 June 2013 stood at EUR 1,144,917 thousand, of which deposits from foreign retail customers amounted to only EUR 39,840 thousand. In the first half of 2013, deposits from retail customers fell by 3.5% in total, with those from domestic customers decreasing by 3.4% and those from foreign customers decreasing by 5.2%. As at the reporting date and at the end of 2012, deposits from retail customers represented 33,0% of total balance sheet liabilities. The market share of deposits from retail customers decreased to 7.9% as at 30 June 2013 from 8.0% as at the end of 2012.

Operations with Other Banks

The manner of solving the Cypriot financial crisis and the difficult macroeconomic environment in the eurozone deepened the debt crisis in Europe even further in the first half of 2013. Moreover, the performance of Slovene banks was heavily influenced by international pressures and the speculations, whether Slovenia would be the next country to request international financial assistance. In the first half of 2013, the trend of deleveraging Slovene banks outside Slovenia continued. The primary sources of funds and the instruments of the European Central Bank (ECB) will remain the main sources of financing of Slovene banks also in the future.

The European countries are striving to find a middle path between austerity measures and lower public expenditure on the one hand and the economic growth on the other, much-needed for sustainable public finances. Due to the continuing harsh economic situation in Europe and low expectations with regard to inflation and economic growth over the next year, the Governing Council of the ECB lowered the interest rate on main refinancing operations to 0.5% at its May meeting.

Just as in 2012, in the first half of 2013 Abanka, paid special attention not only to short-term and structural liquidity, but also to the process of restructuring the sources of financing with the long-term goal of increasing the share of deposits in total liabilities. In this way the Bank is pursuing the goal of minimising its dependence on foreign financing by changing the financing structure and, consequently, significantly reducing its sensitivity to unstable conditions in international financial markets.

As at 30 June 2013, the **Abanka Group's loans and receivables to banks** totalled EUR 395,841 thousand. **Abanka's loans and receivables to banks and cash and balances with the central bank** as at the reporting date amounted to EUR 393,545 thousand, which was EUR 97,973 thousand or 33.1% more than as at 31 December 2012. The increase was influenced by the deposits with the central bank. Their share in total assets increased from 8.2% as at 31 December 2012 to 11.5% as at 30 June 2013.

As at the reporting date, the **Abanka Group's financial liabilities to banks** amounted to EUR 875,204 thousand, and **those of Abanka** to EUR 850,648 thousand. The latter decreased by 14.8% or EUR 148,222 thousand over 31 December 2012. Financial liabilities to banks thus represented 24.8% of total balance sheet liabilities as at 30 June 2013, compared with 27.8% as at 2012 year-end.

Securities

Given the volatilily in the financial markets, the management of debt securities on the trading and banking book demanded the Bank to continue with a conservative and prudent investment policy, i.e. invest in investment-grade, highly liquid bonds.

Abanka is still actively participating as a “market maker” in MTS Slovenija, as an official liquidity provider, as well as the primary dealer in Slovene government bond issues. By launching the flexible forward product in 2013, the Abanka broadened its range of products, adapting it to the needs of corporate customers, particularly small and medium-sized enterprises that are often unable to specify the exact dates of foreign-currency payments.

As at 30 June 2013, **Abanka Group's investments in securities** amounted to EUR 622,344 thousand and exceeded that of Abanka by EUR 292 thousand (the entire amount accounted for by investments in securities of Abanka Skladi). As at the reporting date, **Abanka’s investments in securities** stood at EUR 622,052 thousand and were 6.0% lower than as at 31 December 2012. In total balance sheet assets, the share of investments in securities decreased from 18.4 % as at 31 December 2012 to 18.1% as at 30 June 2013. The securities portfolio included both equity and debt securities.

As at 30 June 2013, the equities portfolio of Abanka was worth EUR 21,434 thousand, which represented a 19.3% decrease compared to the 2012 year-end. As at the reporting date, the equities portfolio accounted for 3.4% of the total securities held by the Bank.

The debt securities portfolio of Abanka as at 30 June 2013 totalled EUR 600,618 thousand and represented 96.6% of the total securities held by the Bank, after a decrease of 5.5% over the 2012 year-end or EUR 34,931 thousand in nominal terms.

Securities in issue of the Abanka Group equal **those of Abanka.** Total securities in issue as at 30 June 2013 amounted to EUR 173,832 thousand, which was 22.1% or nominally EUR 49,426 thousand less compared to the previous year's end. In total balance sheet liabilities, their share decreased from 6.2% as at 31 December 2012 to 5.1% as at 30 June 2013. As at the reporting date, debt securities amounted to EUR 55,032 thousand and were 47.2% or EUR 49,176 thousand lower in comparison with the 2012 year end (certificates of deposits decreased by EUR 49,171 thousand), whereas subordinated liabilities amounted to EUR 118,800 thousand and remained at approximately the same level.

Equity Investments

As at 30 June 2013, Abanka’s equity investments in subsidiaries amounted to EUR 8,901 thousand, the same as at 31 December 2012.

Payment Transactions

As regards domestic and cross-border payment transactions, in the first half of 2013 Abanka processed 17,812 orders in the Target 2 system (8.2% market share) worth EUR 28,027,590 thousand, which accounted for 17.8% of the market share, as well as 5,152,647 orders in the SEPA low-value payment system, which included domestic payment transactions using internal loan payments (ILP) (10.3% market share), amounting to EUR 2,016,011 thousand and representing a market share of 9.7%. Thus, compared with the same period last year, Abanka recorded an 11.7% increase, while the banking system recorded a 0.5% decrease. As much as 46.6% of the orders processed through the SEPA low-value payment system were accepted through the popular Abatočka sales channel (merchants’ point-of-sale). In the first half of 2013, an increase of 53.7% orders were processed, over the corresponding period of 2012. Apart from domestic payment transactions, the Bank processed 139,893 orders in the cross-border payment transactions through the external loan payment system (ELP) worth EUR 993,984 thousand and accounting for 10.9% of the market share in terms of the number of processed orders and 14.6% of the market share in terms of their total value.[1]

At the beginning of 2013 Abanka, together with other banks, the Bank of Slovenia and the processing centre, concluded the demanding project of migrating direct debit to SDD (Sepa Direct Debit). In the first six months of 2013, 4.4 million transactions were processed through this payment system worth EUR 155,574 thousand and representing a 32.7% market share.

Card and ATM Operations

By the end of June 2013, 255,900 cards were issued, 1.7% more than their total number as at the 2012 year-end. The bulk was accounted for by BA Maestro (as much as 59.3%), which also functions as a personal account card (151,849 cards) and the biggest growth was recorded by Visa Electron cards, the number of which rose by 7.1% (52,568 cards).

In the first half of 2013, there were 5.9 million POS terminal transactions with Abanka-issued cards, which was 1.4% more than in the same period of 2012. The total amount of these transactions reached EUR 274,106 thousand, representing a decline of 2.5% over the first half of 2012.

Abanka has an extensive network of points of sale for all types of card products, which enable transactions via Abanka-held POS terminals or through terminals of other banks. On the basis of agreements with merchants (an decrease by 10,9% in the first half of 2013), transactions were carried out at 18,101 points of sale of Abanka where 10.7 million transactions with all types of cards were recorded in the reporting period. This was much as 3.0% more than in the same period of 2012 and nominally amounted to EUR 453,522 thousand or 5.0% more than in the first half of 2012.

The extensive ATM network is one of Abanka's current sales channels. With 276 ATMs as at 30 June 2013 Abanka increased its market share to 15.5% and become the second strongest bank in terms of ATM network size. Abanka's ATMs processed 3.0 million cash withdrawals worth EUR 286,024 thousand, as well as 929 thousand other transactions, such as account balance checks, cash deposits, invoice payments etc. The number of ATM withdrawals decreased by 3.0% but their value increased by 0.8%. The number of other transactions, i.e. cash deposits and payments via the universal payment order, increased by 8%, while the number of account balance checks decreased by 4.0% compared to the same period of last year.

Investment Brokerage

In the first half of 2013, Abanka contributed on average 4.65% to the total volume of trading on the Ljubljana Stock Exchange. In this period, the total volume of trading by members of the Ljubljana Stock Exchange amounted to EUR 374,575 thousand and Abanka contributed EUR 17,403 thousand to this amount. Abanka's lower share in the volume of trading at the Ljubljana Stock Exchange is mostly due to the reduced trading for own account in the domestic market.

As at the end of 2012, the financial instrument portfolio under management was worth EUR 11,372 thousand and increased to EUR 11,389 thousand by the end of the first half of 2013.

[1] This system does not include Unicredit, Banka Koper and SKB banka.

AIII Mutual Pension Fund

The first months of 2013 were positive for AIII VPS mutual pension fund. Despite great price fluctuations in capital markets, particularly the prices of Slovene sovereign bonds, the fund achieved a return on equity of 0.85% in the in the first half of the year 2013.

Custody and Administrative Services

At the beginning of 2013, Abanka was successful in maintaining the leading position in both services, which remains the Bank's priority.

Abanka is the sole provider of administrative services offering this service not only to investment funds but also to insurance companies and mutual pension funds.

In 2013, the entire IT system for the support of custody and administrative services was upgraded.

Total Equity and Ownership Structure

As at 30 June 2013, the total equity of the Abanka Group and Abanka amounted to EUR 137,795 thousand and EUR 142,813 thousand, respectively. In the first half of 2013, the Bank’s capital decreased by 15.3% or EUR 25,745 thousand and accounted for 4.2% of total balance sheet liabilities. The decrease in equity in the reporting period resulted from an operating loss of EUR 17,439 thousand and revaluation surplus, which decreased by EUR 8,306 thousand compared to 31 December 2012 when it amounted to EUR 4,847 thousand.

The unaudited book value per share as at 30 June 2013 was EUR 19.86. It was calculated as the ratio of total capital components to the number of subscribed shares as at 30 June 2013, decreased by the number of treasury shares held as at 30 June 2013. Capital components also include net loss for the first half of 2013.

As at 30 June 2013 the total number of shares entered in the share register, kept by the Central Securities Clearing Corporation (KDD), was 7,198,874. The Bank's share capital as at the reporting date stood at EUR 7,200 thousand and was divided into 7,200,000 ordinary shares.

The ten largest shareholders of Abanka along with their equity holdings as at 30 June 2013 are shown in the table and compared to 31 December 2012.

TEN LARGEST SHAREHOLDERS OF THE BANK

	30 June 2013			31 Dec. 2012		
	Number of shares	**Holding in %**	**Rank**	**Number of shares**	**Holding in %**	**Rank**
ZAVAROVALNICA TRIGLAV d.d.	1,843,377	25.6	1	1,843,377	25.6	1
SAVA d.d.	1,715,841	23.8	2	1,715,841	23.8	2
GORENJSKA BANKA d.d.	1,061,220	14.7	3	1,061,220	14.7	3
DELNIŠKI VZAJEMNI SKLAD TRIGLAV STEBER GLOBAL	527,258	7.3	4	527,258	7.3	4
HIT d.d.	442,705	6.1	5	442,705	6.1	5
VIPA HOLDING d.d. - in liquidation	266,896	3.7	6	266,896	3.7	6
DAIMOND d.d.	255,907	3.6	7	255,907	3.6	7
ZVON ENA HOLDING d.d. - in bankruptcy proceedings	174,331	2.4	8	174,331	2.4	8
SLOVENSKA ODŠKODNINSKA DRUŽBA s.s.	161,119	2.2	9	161,119	2.2	9
NFD 1, mešani fleksibilni podsklad - Jugovzhodna Evropa	106,000	1.5	10	106,000	1.5	10
Ten largest	6,554,654	91.0		6,554,654	91.0	
Other shareholders	645,346	9.0		645,346	9.0	
All shareholders	**7,200,000**	100.0		**7,200,000**	100.0	

Note: NFD 1, mešani fleksibilni podsklad - Jugovzhodna Evropa, was NFD 1, delniški podsklad as at 31 December 2012.

As at 30 June 2013, the ten largest shareholders held 6,554,654 shares or 91.0% of Abanka's share capital. As at 30 June 2013, Zavarovalnica Triglav d.d. participated in Abanka's equity with 25.6%, Sava d.d. with 23.8%, Gorenjska banka d.d. with 14.7% and Delniški vzajemni sklad Triglav Steber Global with 7.3%.

The total number of shareholders in Abanka was 1,125 as at 30 June 2012, 1,115 as at the end of 2012 and 1,112 as at 30 June 2013. The number of redeemed own shares (i.e. treasury shares) was 9,213 both as at 30 June 2013 and 31 December 2012, which accounted for 0.1% of the Bank's share capital. Abanka established a treasury share fund of redeemed own shares.

RISK MANAGEMENT IN THE FIRST HALF OF 2013

In the first half of 2013, Abanka continued to face with difficult macroeconomic conditions: in the first quarter, the recession deepened and the unemployment rate reached the highest level since 1993. The high indebtedness of Slovene companies and the lack of payment discipline contributed to liquidity problems and increased the number of companies in insolvency proceedings. This contributed towards a further deterioration of the situation in the Slovene banking system. Negative economic trends in the first half of 2013 also continued in the euro area, where the sixth consecutive quarter of contraction was recorded at the end of March, and the unemployment rate exceeded 12%. In late June, in response to an announced decrease in stimulus measures of the Federal Reserve, volatility in international financial markets was renewed, and the required yield on the sovereign bonds of advanced economies increased.

In the first half of 2013, the Bank's lending activity continued to be reduced. The policy of limiting lending growth and a selective approach to granting new loans, together with the deleveraging of companies influenced on decrease not only the volume of loans to non-bank customers but also total assets as consequence. As a result of reduced risk-bearing capacity, the tight economic situation and general uncertainty, lending is focused on clients, sectors and countries with relatively low risk levels. Increasing credit risk dispersion is the policy of the Bank. In order to limit concentration risks, Abanka pays particular attention to the limit system, taking into account ownership relations and business cooperation among its customers so that groups of related parties are treated as a single risk. Through the comprehensive and coordinated risk management system operated at the Group level, Abanka attentively monitors and governs the operations of its subsidiaries.

Abanka primarily focused on measures aimed at reducing credit portfolio risks. These measures include a stricter and more in-depth credit rating analysis of clients, as well as acquiring additional collateral of higher quality. The Bank introduced an expert model for automated credit scoring of corporate clients. This model was developed in-house in order to accelerate the credit scoring of mainly small-sized clients, to create a document trail of credit scoring criteria and to enable more impartial risk assessment of corporate clients. The emphasis is on the careful monitoring of problem clients and the more active recovery of non-performing loans. In order to improve problem loan management, the Risk Management Division was reorganised and among others include the Investment Under Special Treatment Department. In corporate banking, a central database was established, which includes data on losses by defaulters. On the basis of this database, it will be possible to calculate the actual rate of recovery per overdue amount, and to use these data to decide on collective impairments and provisions as well as calculate capital requirements for credit risk.

In the reporting period, Abanka was intensely engaged with activities connected to transferring its bad debt to the Bank Asset Management Company (Družba za upravljanje terjatev bank; hereinafter: DUTB). Preliminary analyses were performed to assess the economic value of the debt to be transferred to DUTB and the impact such a transfer would have on the profits and capital adequacy of the Bank, of which the Supervisory Board was duly informed. Abanka's goal is to decrease the share of non-performing loans in its total credit portfolio.

Harsh economic conditions continue to deteriorate the quality of the credit portfolio and increase total overdue claims. In the first half of 2013, the volume of non-performing loans additionally increased, as did the share of non-performing loans in the total loans. In the first six months of the year, the share of non-performing loans to non-bank customers rose by 5.8 percentage points and reached 30.7% as at 30 June 2013. The non-performing loan coverage ratio decreased.

The table below shows the amount of non-performing loans given to non-bank customers, their share in total loans and the non-performing loans coverage ratio as at 30 June 2013 and 31 December 2012 (non-consolidated data).

	30 June 2013	31 Dec 2012
Non-performing loans (in EUR thousand)	824,371	728,920
Share of NPLs in total loans (in %)	30.7	24.9
NPL coverage ratio (in %)	46.5	54.4

In the reporting period, the Bank continued to operate in a difficult liquidity situation. Its total borrowing from the wholesale credit market slightly decreased, primarily as a result of repayments of loans from other banks and lower debt to the European Central Bank. The Bank managed its liquidity position by matching the received primary sources of funds with the loans granted to non-banking institutions. Moreover, throughout this period, Abanka reached the prescribed liquidity indicator and carried out test reporting of the liqudity indicator LCR (Liquidity Coverage Ratio), launched by the ECB to standardise the requirements for ensuring liquidity in the euro area. The LCR was on the increase in the first half of 2013, which shows that the Bank's short-term liquidity has improved. Abanka also carried out test reporting on the new liquidity indicator Net Stable Funding Ratio (NSFR), which is being introduced in order to monitor the long-term liquidity of banks in the euro area.

In May 2013, the European Central Bank decreased the key interest rate from 0.75% to 0.50%, while Euribor interest rates remained at the historical low levels. The Bank fluently adapted its interest rate policy to conditions in the domestic and international markets, thus retaining a competitive position in raising primary sources of funds. Uncertainty with regard to interest rate trends was reduced by closing interest rate positions according to individual time buckets. The bank managed foreign exchange risk by carefully monitoring the changes of foreign exchange rates and closing positions according to currency or currency group. The foreign exchange risk was relatively low, as the Bank operated with a low share of foreign currencies in the total assets, as well as conducting limited and strictly controlled trade in foreign currencies.

In the first six months of the year, the Bank additionally reduced its market risk appetite, even though international financial markets optimism grew increasingly in the first five months. In May, major global stock indices achieved their historically highest levels, which were followed by renewed volatility in June, primarily in bond markets. The volume of the trading equity and debt securities portfolio, maintained by the Bank to achieve short-term profits, decreased to only around one fifth of the average volume over the previous five years. The trading portfolio consists of liquid domestic and foreign securities. The Bank placed additional restrictions on the equity part of the banking book portfolio, the purpose of which is to exploit long-term opportunities in capital markets. The size of the debt securities portfolio of the banking book, serving as an assets and liabilities management tool, remained relatively unchanged. This portfolio consists of domestic and foreign government debt instruments and bonds of European banks suitable to be pledged as collateral to the European Central Bank. In the first half of 2013, the value at risk (VaR) of the trading book of financial instruments at the 95% confidence level considerably decreased to EUR 74 thousand as at 30 June 2013. However, the VaR of the banking book remained relatively constant due to more volatile bond markets. The value of the securities portfolio is the most susceptible to the lowering of the Slovene government's sovereign debt rating and a consequently higher required yield, the decline in stock index prices and the poor liquidity of domestic securities. Trading in derivative financial instruments with other companies was performed to hedge against interest and currency risks. To avoid additional exposure to market risk, the Bank is selling off derivative financial instruments to high-street European banks. Trading in more complex financial instruments is not allowed.

In terms of operational risk management, the Bank carried out regular preventive activities aimed at limiting the occurrence of incidents and other loss events, as well as correction activities aimed to prevent their reoccurrence. Considerable emphasis was placed on fraud risk management; specifically, the internal fraud risk management procedure was upgraded. The process of outsourcing risk management was also upgraded, as outsourcing risk was identified to be an important component of operational risk. A plan was formulated on how to upgrade the business continuity system, which will be implemented by the end of 2013. In addition, business continuity plans underwent stress testing.

In the framework of the Internal Capital Adequacy Assessment Process (ICAAP), the Bank defined the risk profile assessment. In this way, it identified the material risks arising from its core business and set up measures with the purpose of risk mitigation. Abanka compared the risk profile assessment with its risk-bearing capacity. Based on the results of the analysis, appropriate measures were adopted, enabling the Bank to assume risks within its risk-bearing capacity. In the reporting period, Abanka evaluated the adequacy of its capital level and quality in relation to its risk profile by calculating internal capital needs. This calculation not only takes into account the capital requirements for credit, market and operational risks (calculated according to the applicable rules set out in Pillar 1 of the Basel II banking accord), but also takes into consideration internal capital needs (under Pillar 2) for all other risks not fully or not at all included in Pillar 1 (e.g. concentration risk, interest rate risk, liquidity risk, reputational risk, profitability risk, strategic risk, capital risk, etc.). Abanka regularly carried out stress testing and sensitivity analyses, the results of which were used to provide additional information on the Bank's potential losses and its capital needs should one of the selected scenarios occur. The ICAAP process identified the need to raise additional capital, which spurred the adoption of capital strengthening measures.

In the framework of the Supervisory Review and Evaluation Process and based on its own methodology, back in 2012, the Bank of Slovenia expressed an expectation that, according to its existing risk profile and the negative impacts of the economic environment, Abanka will maintain a capital adequacy ratio above the level achieved in the reporting period, as explained in Note 11 – Capital and capital adequacy in the Financial Report. Abanka plans to achieve the capital adequacy ratios, expected by the Bank of Slovenia, by raising its share capital through the issue of shares; it is simultaneously preparing other measures designed to fulfil the mentioned expectations.

SIGNIFICANT TYPES OF RISKS AND HAZARDS IN THE SECOND HALF OF 2013

Lending activity will continue to be poor in the second half of 2013, due to the fact that the Government and the Bank have limited access to sources of funding and owing to difficult economic conditions that increase bad debt and decrease the quality of the credit portfolio. A significant improvement of the credit portfolio quality can be expected only after bad debt will have been transferred to DUTB. Abanka continued implementing measures based on tightened credit standards. In the future, it will continue paying particular attention to bad debt recovery and placing great emphasis on improving capital adequacy. In the second half of the year, the Bank will intensify its efforts in order to eventually fulfil the conditions for eventual applying the IRB approach to calculate capital requirements for credit risk in the future and in order to improve portfolio management of credit risk.

The Bank’s focus on lending as the core banking business is the main reason its market risk appetite decreased. However, the realisation of collaterals in lending operations and potential debt-to-equity swaps may lead to a growth of the equity and debt securities portfolio, which may in turn − at least temporarily − increase the market risk exposure of the Bank.

In the second half of 2013, the liquidity situation will most likely continue to be affected by the uncertainty and mistrust in international financial markets. As result, Abanka is less likely to take out new credit from foreign banks. In such circumstances, the Bank will continue to pursue the policy of stimulating the growth of primary sources of funds and maintaining an adequate volume and quality of liquidity reserves. The lending activity will thus continue to depend on the volume of primary sources of funds that the Bank will manage to raise. Particular attention will be dedicated to the requirements of the CRD IV Directive, as regards to the introduction of two new ratios: the Liquid Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

Abanka will continue adapting the interest rates on its products to the conditions in monetary and capital markets, as well as managing and monitoring interest risk and responding appropriately to foreign exchange rate changes.

Furthermore, it will continue paying adequate attention to the management of fraud risk, outsourcing risk and other types of operational risks. In accordance with the adopted plan the Bank will also upgrade its business continuity system.

In the framework of the ICAAP, Abanka will continue to regularly monitor its risk profile, assess its risk-bearing capacity, carry out stress tests, calculate internal capital needs, the capital level and ICAAP capital adequacy ratios, and further use of the system of early detection of increased risk and reporting to the Management and Supervisory Boards.

CHANGES TO THE SUPERVISORY BOARD

In the first half of 2013, the composition of the Supervisory Board changed. At the beginning of 2013, the Supervisory Board had eight members: Andrej Andoljšek as Chairman, Andrej Slapar as Deputy Chairman, and Branko Pavlin, M.Sc., Vladimir Mišo Čeplak, M.Sc., Franci Strajnar M.Sc., Slaven Mićković, Ph.D., Kristina Ana Dolenc and Janko Gedrih as members.

On 8 January 2013, Slaven Mićković, Ph.D., member of the Supervisory Board, resigned his office in Abanka. The terms of office of Branko Pavlin, M.Sc., and Vladimir Mišo Čeplak, M.Sc., members of the Supervisory Board, expired on 29 May 2013.

The General Meeting of Shareholders held on 29 May 2013 appointed Aleš Aberšek, Aljoša Uršič and Snežana Šušteršič members of the Supervisory Board with a four-year term of office. They took office on 30 May 2013, whilst Vladimir Mišo Čeplak, M.Sc., was reappointed for another four years.

At its 16th regular session, held on 20 June 2013, the Supervisory Board elected Janko Gedrih its Chairman, who replaced the former Chairman Andrej Andoljšek. Mr Andoljšek will continue to serve on the Supervisory Board as a member.

CHANGES TO THE MANAGEMENT BOARD

In the first half of 2013, the composition of Management Board remained unchanged. The Management Board has two members: Jože Lenič, M.Sc. Econ., as President and Igor Stebernak as a member.

FINANCIAL REPORT

CONTENT

(All amounts in EUR thousand unless otherwise stated)

INTERIM FINANCIAL STATEMENTS OF ABANKA VIPA D.D. AND THE ABANKA VIPA GROUP

UNAUDITED INCOME STATEMENT OF ABANKA VIPA D.D.

Ser. No.	ITEM DESCRIPTION	AMOUNT Period ended 30 June 2013	AMOUNT Period ended 30 June 2012
1	2	3	4
1	Interest income	70,197	95,159
2	Interest expenses	(38,314)	(59,866)
3	**Net interest income (1 + 2)**	**31,883**	**35,293**
4	Dividend income	486	1,362
5	Fee and commission income	20,319	20,688
6	Fee and commission expenses	(6,044)	(5,882)
7	**Net fee and commission income (5 + 6)**	**14,275**	**14,806**
8	Realised gains on financial assets and liabilities not measured at fair value through profit or loss	1,279	1,794
9	Net gains on financial assets and liabilities held for trading	1,628	2,903
10	Losses on financial assets and liabilities designated at fair value through profit or loss	(374)	(1,227)
11	Exchange differences	(3)	(64)
12	Net gains on derecognition of assets other than held for sale	3	-
13	Net other operating expenses	(5,584)	(2,405)
14	Administration costs (Note 3)	(22,904)	(22,931)
15	Depreciation and amortisation (Note 3)	(2,481)	(2,566)
16	Provisions (Note 4)	105	(511)
17	Impairment (Note 4)	(38,370)	(41,054)
18	Total loss from non-current assets held for sale	(6)	(1)
19	TOTAL LOSS BEFORE TAX FROM CONTINUING OPERATIONS (3 + 4 + 7 + 8 +9 +10 + 11 + 12 + 13 + 14 + 15 + 16 + 17 + 18)	(20,063)	(14,601)
20	Tax income/(expense) related to loss from continuing operations (Note 5)	2,624	(445)
21	TOTAL LOSS AFTER TAX FROM CONTINUING OPERATIONS (19 + 20)	(17,439)	(15,046)
22	**NET LOSS for the financial year (21)**	**(17,439)**	**(15,046)**
			in EUR
23	Basic earnings per share (Note 6)	(2.43)	(2.09)
24	Diluted earnings per share (Note 6)	(2.43)	(2.09)

Interim financial statements of Abanka Vipa d.d. were approved for issue by the Management Board on 31 July 2013 and signed on its behalf by:

Management Board

Igor STEBERNAK
Member

Jože LENIČ, M.Sc.Econ.
President

The notes on pages 47 to 67 form an integral part of these interim financial statements.

(All amounts in EUR thousand unless otherwise stated)

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME OF ABANKA VIPA D.D.

Item No.	ITEM DESCRIPTION	AMOUNT	
		Period ended 30 June 2013	Period ended 30 June 2012
1	2	3	4
1	**NET LOSS FOR THE FINANCIAL YEAR AFTER TAX**	**(17,439)**	**(15,046)**
2	**OTHER COMPREHENSIVE (LOSS)/INCOME AFTER TAX (3+6)**	**(8,306)**	**6,415**
3	**Available-for-sale financial assets (4+5)**	**(9,771)**	**8,150**
4	Net valuation (losses)/gains taken to equity	(11,008)	7,574
5	Net losses transferred to profit or loss	1,237	576
6	**Income tax relating to components of other comprehensive (loss)/income**	**1,465**	**(1,735)**
7	**TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR AFTER TAX (1+2)**	**(25,745)**	**(8,631)**

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Management Board

Igor STEBERNAK
Member

Jože LENIČ, M.Sc.Econ.
President

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(All amounts in EUR thousand unless otherwise stated)

UNAUDITED STATEMENT OF FINANCIAL POSITION OF ABANKA VIPA D.D.

Ser. No.	Designation of Item		ITEM DESCRIPTION	AMOUNT As at 30 June 2013	AMOUNT As at 31 December 2012
	1		2	3	4
1	A.	1.	Cash and cash balances with the central bank	335,242	214,708
2	A.	2.	Financial assets held for trading	19,783	20,469
3	A.	3.	Financial assets designated at fair value through profit or loss	2,515	11,515
4	A.	4.	Available-for-sale financial assets	440,355	496,132
5	A.	5.	Loans and receivables	2,369,734	2,613,727
			- loans to banks	58,303	80,864
			- loans to non-bank customers (Note 7)	2,301,524	2,527,155
			- other financial assets	9,907	5,708
6	A.	6.	Held-to-maturity investments	175,781	152,982
7	A.	16.	Non-current assets held for sale	2,163	1,938
8	A.	10.	Property and equipment	34,389	35,136
9	A.	11.	Investment property	76	78
10	A.	12.	Intangible assets	4,013	3,755
11	A.	13.	Investments in subsidiaries	8,901	8,901
12	A.	14.	Tax assets	40,239	36,086
			- current tax assets	46	-
			- deferred tax assets	40,193	36,086
13	A.	15.	Other assets	2,939	2,559
14			**TOTAL ASSETS** (from 1 to 13)	**3,436,130**	**3,597,986**
15	P.	1.	Deposits and loans from the central bank	455,202	533,857
16	P.	2.	Financial liabilities held for trading	12,796	17,931
17	P.	3.	Financial liabilities designated at fair value through profit or loss	8,785	8,760
18	P.	4.	Financial liabilities measured at amortised cost	2,788,977	2,841,626
			- deposits from banks	10,784	11,263
			- deposits from non-bank customers	2,185,584	2,134,035
			- loans from banks	384,662	453,750
			- loans from non-bank customers	109	10,094
			- debt securities issued (Note 10)	55,032	104,208
			- subordinated liabilities (Note 10)	118,800	119,050
			- other financial liabilities	34,006	9,226
19	P.	9.	Provisions	26,068	26,248
20	P.	10.	Tax liabilities	242	226
			- deferred tax liabilities	242	226
21	P.	11.	Other liabilities	1,247	780
22			TOTAL LIABILITIES (from 15 to 21)	3,293,317	3,429,428
23	P.	13.	Share capital	7,200	7,200
24	P.	14.	Share premium	143,288	143,288
25	P.	16.	Revaluation reserves	(3,459)	4,847
26	P.	17.	Reserves from profit	13,463	13,463
27	P.	18.	Treasury shares	(240)	(240)
28	P.	19.	Loss from the current year	(17,439)	-
29			TOTAL EQUITY (from 23 to 28)	142,813	168,558
30			**TOTAL LIABILITIES AND EQUITY** (22 + 29)	**3,436,130**	**3,597,986**

Interim financial statements of Abanka Vipa d.d. were approved for issue by the Management Board on 31 July 2013 and signed on its behalf by:

Management Board

Igor STEBERNAK
Member

Jože LENIČ, M.Sc.Econ.
President

The notes on pages 47 to 67 form an integral part of these interim financial statements.

(All amounts in EUR thousand unless otherwise stated)

UNAUDITED STATEMENT OF CHANGES IN EQUITY OF ABANKA VIPA D.D. FOR THE PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2013

Item No.	ITEM DESCRIPTION	Share capital	Share premium	Revaluation reserves	Reserves from profit	Loss from the current year	Treasury shares (equity deduction item)	Total equity (from 3 to 8)
1	2	3	4	5	6	7	8	9
1	**OPENING BALANCE FOR THE REPORTING PERIOD**	**7,200**	**143,288**	**4,847**	**13,463**	**-**	**(240)**	**168,558**
2	**Comprehensive loss for the financial year after tax**	**-**	**-**	**(8,306)**	**-**	**(17,439)**	**-**	**(25,745)**
3	**CLOSING BALANCE FOR THE REPORTING PERIOD (1+2)**	**7,200**	**143,288**	**(3,459)**	**13,463**	**(17,439)**	**(240)**	**142,813**

(All amounts in EUR thousand unless otherwise stated)

UNAUDITED STATEMENT OF CHANGES IN EQUITY OF ABANKA VIPA D.D. FOR THE PERIOD FROM 1 JANUARY 2012 TO 30 JUNE 2012

Item No.	ITEM DESCRIPTION	Share capital	Share premium	Revaluation reserves	Reserves from profit	Loss from the current year	Treasury shares (equity deduction item)	**Total equity** (from 3 to 8)
1	2	3	4	5	6	7	8	9
1	**OPENING BALANCE FOR THE REPORTING PERIOD**	**30,045**	**153,117**	**(10,706)**	**56,473**	**-**	**(240)**	**228,689**
2	**Comprehensive loss for the financial year after tax**	**-**	**-**	**6,415**	**-**	**(15,046)**	**-**	**(8,631)**
3	**CLOSING BALANCE FOR THE REPORTING PERIOD (1+2)**	**30,045**	**153,117**	**(4,291)**	**56,473**	**(15,046)**	**(240)**	**220,058**

Interim financial statements of Abanka Vipa d.d. were approved for issue by the Management Board on 31 July 2013 and signed on its behalf by:

Management Board

Igor STEBERNAK
Member

Jože LENIČ, M.Sc.Econ.
President

The notes on pages 47 to 67 form an integral part of these interim financial statements.

(All amounts in EUR thousand unless otherwise stated)

UNAUDITED CASH FLOW STATEMENT OF ABANKA VIPA D.D.

Designation	ITEM DESCRIPTION	AMOUNT	
		Period ended 30 June 2013	Period ended 30 June 2012
1	2	3	4
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**		
a)	Total loss before tax	(20,063)	(14,601)
	Depreciation and amortisation	2,481	2,566
	Impairments of intangible assets	-	19
	Net losses from exchange differences	3	64
	Net (gains) from financial assets held to maturity	(21)	-
	Net (gains) from sale of tangible assets	(3)	(25)
	Other (gains) from investing activities	(2,794)	(2,315)
	Other losses from financing activities	386	1,935
	Net unrealised losses from non-current assets held for sale	6	1
	Net unrealised (losses)/gains in revaluation reserves from financial assets available for sale (excluding effect of deferred tax)	(9,771)	8,150
	Other adjustments to total profit or loss before tax	(105)	536
	Cash flow from operating activities before changes in operating assets and liabilities	**(29,881)**	**(3,670)**
b)	**Decreases in operating assets (excl. cash & cash equivalents)**	**283,956**	**173,318**
	Net decrease in financial assets held for trading	688	1,829
	Net decrease in financial assets designated at fair value through profit or loss	9,000	10,328
	Net decrease in financial assets available for sale	55,783	18,672
	Net decrease in loans and receivables	219,096	137,930
	Net (increase) in non-current assets held for sale	(231)	(1)
	Net (increase)/decrease in other assets	(380)	4,560
c)	**(Decreases)/increases in operating liabilities**	**(135,205)**	**1,713**
	Net (decrease)/increase in financial liabilities to central bank	(78,655)	251,866
	Net (decrease)/increase in financial liabilities held for trading	(5,135)	3,816
	Net increase in financial liabilities designated at fair value through profit or loss	25	307
	Net (decrease) in deposits, loans and receivables measured at amortised cost	(2,731)	(139,061)
	Net (decrease) in debt instruments in issue measured at amortised cost	(49,176)	(122,877)
	Net increase in other liabilities	467	7,662
d)	**Cash flow from operating activities (a+b+c)**	**118,870**	**171,361**
e)	**Income taxes (paid)/refunded**	**-**	**1,824**
f)	**Net cash flow from operating activities (d+e)**	**118,870**	**173,185**

(All amounts in EUR thousand unless otherwise stated)

UNAUDITED CASH FLOW STATEMENT OF ABANKA VIPA D.D. (continued)

Designation	ITEM DESCRIPTION	AMOUNT	
		Period ended 30 June 2013	Period ended 30 June 2012
1	2	3	4
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
a)	**Receipts from investing activities**	**120,496**	**21,744**
	Receipts from the sale of tangible assets	5	25
	Receipts from the sale of financial assets held to maturity	120,491	21,719
b)	**Cash payments on investing activities**	**(142,478)**	**(68,024)**
	(Cash payments to acquire tangible assets)	(873)	(1,330)
	(Cash payments to acquire intangible assets)	(1,130)	(745)
	(Cash payments to acquire held to maturity investments)	(140,475)	(65,949)
c)	**Net cash flow from investing activities (a+b)**	**(21,982)**	**(46,280)**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
a)	**Cash proceeds from financing activities**	**-**	**-**
b)	**Cash payments on financing activities**	**(636)**	**(1,973)**
	(Cash repayments of subordinated liabilities) (Note 10)	(636)	(1,973)
c)	**Net cash flow from financing activities (a+b)**	**(636)**	**(1,973)**
D.	Effects of change in exchange rates on cash and cash equivalents	(264)	2,302
E.	**Net increase in cash and cash equivalents (Af+Bc+Cc)**	**96,252**	**124,932**
F.	**Opening balance of cash and cash equivalents**	**278,635**	**421,901**
G.	**Closing balance of cash and cash equivalents (D+E+F) (Note 12)**	**374,623**	**549,135**

Interim financial statements of Abanka Vipa d.d. were approved for issue by the Management Board on 31 July 2013 and signed on its behalf by:

Management Board

Igor STEBERNAK
Member

Jože LENIČ, M.Sc.Econ.
President

The notes on pages 47 to 67 form an integral part of these interim financial statements.

(All amounts in EUR thousand unless otherwise stated)

UNAUDITED CONSOLIDATED INCOME STATEMENT OF THE ABANKA VIPA GROUP

Item No.	ITEM DESCRIPTION	AMOUNT Period ended 30 June 2013	AMOUNT Period ended 30 June 2012
1	2	3	4
1	Interest income	71,686	97,269
2	Interest expenses	(38,778)	(60,535)
3	**Net interest income (1+2)**	**32,908**	**36,734**
4	Dividend income	489	1,374
5	Fee and commission income	20,796	21,161
6	Fee and commission expenses	(6,189)	(6,004)
7	**Net fee and commission income (5+6)**	**14,607**	**15,157**
8	Realised gains on financial assets and liabilities not measured at fair value through profit or loss	1,290	1,794
9	Net gains on financial assets and liabilities held for trading	1,631	2,903
10	Losses on financial assets and liabilities designated at fair value through profit or loss	(374)	(1,227)
11	Exchange differences	162	27
12	Net gains on derecognition of assets other than held for sale	45	16
13	Net other operating expenses	(5,084)	(1,808)
14	Administration costs (Note 3)	(24,893)	(25,025)
15	Depreciation and amortisation (Note 3)	(2,842)	(2,951)
16	Provisions (Note 4)	87	(631)
17	Impairment (Note 4)	(39,256)	(41,185)
18	Share of loss of associates and joint ventures accounted for using the equity method	(863)	(213)
19	Total loss from non-current assets held for sale	(6)	(1)
20	TOTAL LOSS BEFORE TAX FROM CONTINUING OPERATIONS (3+4+7+8+9+10+11+12+13+14+15+16+17+18+19)	(22,099)	(15,036)
21	Tax income/(expense) related to loss from continuing operations (Note 5)	2,573	(658)
22	TOTAL LOSS AFTER TAX FROM CONTINUING OPERATIONS (20+21)	(19,526)	(15,694)
23	**NET LOSS for the financial year (22)**	**(19,526)**	**(15,694)**
	a) Loss attributable to owners of the parent	(19,526)	(15,694)
	b) Loss attributable to non-controlling interests	-	-
			in EUR
24	Basic earnings per share (Note 6)	(2.72)	(2.18)
25	Diluted earnings per share (Note 6)	(2.72)	(2.18)

Interim financial statements of the Abanka Vipa Group were approved for issue by the Management Board on 31 July 2013 and signed on its behalf by:

Management Board

Igor STEBERNAK
Member

Jože LENIČ, M.Sc.Econ.
President

The notes on pages 47 to 67 form an integral part of these interim financial statements.

(All amounts in EUR thousand unless otherwise stated)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ABANKA VIPA GROUP

Item No.	ITEM DESCRIPTION	AMOUNT Period ended 30 June 2013	AMOUNT Period ended 30 June 2012
1	2	3	4
1	**NET LOSS FOR THE FINANCIAL YEAR AFTER TAX**	**(19,526)**	**(15,694)**
2	**OTHER COMPREHENSIVE (LOSS)/INCOME AFTER TAX** (3+5+8)	**(8,323)**	**5,980**
3	**Foreign currency translation** (4)	**-**	**(414)**
4	Translation losses taken to equity	-	(414)
5	**Available-for-sale financial assets** (6+7)	**(9,791)**	**8,126**
6	Net valuation (losses)/gains taken to equity	(11,014)	7,533
7	Net losses transferred to profit or loss	1,223	593
8	**Income tax relating to components of other comprehensive (loss)/income**	**1,468**	**(1,732)**
9	**TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR AFTER TAX (1+2)**	**(27,849)**	**(9,714)**
	a) Attributable to owners of the parent	(27,849)	(9,713)
	b) Attributable to non-controlling interests	-	(1)

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(All amounts in EUR thousand unless otherwise stated)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ABANKA VIPA GROUP

Item No.	ITEM DESCRIPTION	AMOUNT As at 30 June 2013	AMOUNT As at 31 December 2012
1	2	3	4
1	Cash and cash balances with the central bank	335,242	214,708
2	Financial assets held for trading	19,958	20,641
3	Financial assets designated at fair value through profit or loss	2,515	11,515
4	Available-for-sale financial assets	440,472	496,340
5	Loans and receivables	2,357,790	2,603,881
	- loans to banks	60,599	81,970
	- loans to non-bank customers (Note 7)	2,287,028	2,515,942
	- other financial assets	10,163	5,969
6	Held-to-maturity investments	175,781	152,982
7	Non-current assets held for sale	2,163	1,938
8	Property and equipment	53,628	54,692
9	Investment property	1,878	809
10	Intangible assets	4,305	4,105
11	Investments in associates and joint ventures accounted for using the equity method	271	-
12	Tax assets	41,636	37,476
	- current tax assets	89	38
	- deferred tax assets	41,547	37,438
13	Other assets	15,095	14,925
14	**TOTAL ASSETS** (from 1 to 13)	**3,450,734**	**3,614,012**
15	Deposits and loans from the central bank	455,202	533,857
16	Financial liabilities held for trading	12,796	17,931
17	Financial liabilities designated at fair value through profit or loss	8,785	8,760
18	Financial liabilities measured at amortised cost	2,807,337	2,859,253
	- deposits from banks	10,784	11,263
	- deposits from non-bank customers	2,177,014	2,129,631
	- loans from banks	409,218	473,862
	- loans from non-bank customers	-	10,005
	- debt securities issued (Note 10)	55,032	104,208
	- subordinated liabilities (Note 10)	118,800	119,050
	- other financial liabilities	36,489	11,234
19	Provisions	26,969	27,131
20	Tax liabilities	242	226
	- deferred tax liabilities	242	226
21	Other liabilities	1,608	1,210
22	TOTAL LIABILITIES (from 15 to 21)	3,312,939	3,448,368
23	Share capital	7,200	7,200
24	Share premium	143,288	143,288
25	Revaluation reserves	(3,774)	4,549
26	Reserves from profit	13,638	13,638
27	Treasury shares	(240)	(240)
28	Retained earnings (including loss from the current year)	(22,325)	(2,799)
29	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (from 23 to 28)	137,787	165,636
30	Equity attributable to non-controlling interests	8	8
31	TOTAL EQUITY (29 + 30)	137,795	165,644
32	**TOTAL LIABILITIES AND EQUITY** (22 + 31)	**3,450,734**	**3,614,012**

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(All amounts in EUR thousand unless otherwise stated)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE ABANKA VIPA GROUP FOR THE PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2013

Item No.	ITEM DESCRIPTION	Share capital	Share premium	Revaluation reserves	Reserves from profit	Retained earnings (including loss from the current year)	Treasury shares (equity deduction item)	**Equity attributable to owners of the parent** (from 3 to 8)	Equity attributable to non-controlling interests	**Total equity** (9 + 10)
1	2	3	4	5	6	7	8	9	10	11
1	**OPENING BALANCE FOR THE REPORTING PERIOD**	**7,200**	**143,288**	**4,549**	**13,638**	**(2,799)**	**(240)**	**165,636**	**8**	**165,644**
2	**Consolidated comprehensive loss for the financial year after tax**	**-**	**-**	**(8,323)**	**-**	**(19,526)**	**-**	**(27,849)**	**-**	**(27,849)**
3	**CLOSING BALANCE FOR THE REPORTING PERIOD (1+2)**	**7,200**	**143,288**	**(3,774)**	**13,638**	**(22,325)**	**(240)**	**137,787**	**8**	**137,795**

(All amounts in EUR thousand unless otherwise stated)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE ABANKA VIPA GROUP FOR THE PERIOD FROM 1 JANUARY 2012 TO 30 JUNE 2012

Item No.	ITEM DESCRIPTION	Share capital	Share premium	Revaluation reserves	Reserves from profit	Retained earnings (including loss from the current year)	Treasury shares (equity deduction item)	**Equity attributable to owners of the parent** (from 3 to 8)	Equity attributable to non-controlling interests	**Total equity** (9 + 10)
1	2	3	4	5	6	7	8	9	10	11
1	**OPENING BALANCE FOR THE REPORTING PERIOD**	**30,045**	**153,117**	**(10,794)**	**57,556**	**1,662**	**(240)**	**231,346**	**10**	**231,356**
2	**Consolidated comprehensive loss for the financial year after tax**	**-**	**-**	**5,981**	**-**	**(15,694)**	**-**	**(9,713)**	**(1)**	**(9,714)**
3	Covering of the loss brought forward	-	-	-	(731)	731	-	**-**	-	**-**
4	**CLOSING BALANCE FOR THE REPORTING PERIOD (1+2+3)**	**30,045**	**153,117**	**(4,813)**	**56,825**	**(13,301)**	**(240)**	**221,633**	**9**	**221,642**

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(All amounts in EUR thousand unless otherwise stated)

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT OF THE ABANKA VIPA GROUP

Designation	ITEM DESCRIPTION	AMOUNT	
		Period ended 30 June 2013	Period ended 30 June 2012
1	2	3	4
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**		
a)	Total loss before tax	(22,099)	(15,036)
	Depreciation and amortisation	2,842	2,951
	Impairments of tangible assets, intangible assets and other assets	21	30
	Share of the loss of associates and joint ventures accounted for using the equity method	863	213
	Net (gains) from exchange differences	(162)	(27)
	Net (gains) from financial assets held to maturity	(21)	-
	Net (gains) from sale of tangible assets	(45)	(41)
	Other (gains) from investing activities	(2,794)	(2,315)
	Other losses from financing activities	386	1,935
	Net unrealised losses from non-current assets held for sale	6	1
	Net unrealised (losses)/gains in revaluation reserves from financial assets available for sale (excluding effect of deferred tax)	(9,791)	8,126
	Other adjustments to total profit or loss before tax	(87)	656
	Cash flow from operating activities before changes in operating assets and liabilities	**(30,881)**	**(3,507)**
b)	**Decreases in operating assets (excl. cash & cash equivalents)**	**286,637**	**187,141**
	Net decrease in financial assets held for trading	685	1,841
	Net decrease in financial assets designated at fair value through profit or loss	9,000	10,328
	Net decrease in financial assets available for sale	55,874	18,722
	Net decrease in loans and receivables	221,495	153,618
	Net (increase) in non-current assets held for sale	(231)	(1)
	Net (increase)/decrease in other assets	(186)	2,633
c)	**(Decreases) in operating liabilities**	**(134,558)**	**(12,295)**
	Net (decrease)/increase in financial liabilities to central bank	(78,655)	251,866
	Net (decrease)/increase in financial liabilities held for trading	(5,135)	3,816
	Net increase in financial liabilities designated at fair value through profit or loss	25	307
	Net (decrease) in deposits, loans and receivables measured at amortised cost	(1,998)	(152,683)
	Net (decrease) in debt instruments in issue measured at amortised cost	(49,176)	(122,877)
	Net increase in other liabilities	381	7,276
d)	**Cash flow from operating activities (a+b+c)**	**121,198**	**171,339**
e)	**Income taxes (paid)/refunded**	**(55)**	**1,836**
f)	**Net cash flow from operating activities (d+e)**	**121,143**	**173,175**

(All amounts in EUR thousand unless otherwise stated)

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT OF THE ABANKA VIPA GROUP (continued)

Designation	ITEM DESCRIPTION	AMOUNT	
		Period ended 30 June 2013	Period ended 30 June 2012
1	2	3	4
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
a)	**Receipts from investing activities**	**120,832**	**22,033**
	Receipts from the sale of tangible assets	341	314
	Receipts from the sale of financial assets held to maturity	120,491	21,719
b)	**Cash payments on investing activities**	**(143,886)**	**(68,775)**
	(Cash payments to acquire tangible assets and investment properties)	(1,141)	(2,067)
	(Cash payments to acquire intangible assets)	(1,136)	(759)
	(Cash payments for the investment in associates)	(1,134)	-
	(Cash payments to acquire held to maturity investments)	(140,475)	(65,949)
c)	**Net cash flow from investing activities (a+b)**	**(23,054)**	**(46,742)**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
a)	**Cash proceeds from financing activities**	**-**	**-**
b)	**Cash payments on financing activities**	**(636)**	**(1,973)**
	(Cash repayments of subordinated liabilities) (Note 10)	(636)	(1,973)
c)	**Net cash flow from financing activities (a+b)**	**(636)**	**(1,973)**
D.	Effects of change in exchange rates on cash and cash equivalents	(264)	2,302
E.	**Net increase in cash and cash equivalents (Af+Bc+Cc)**	**97,453**	**124,460**
F.	**Opening balance of cash and cash equivalents**	**279,189**	**423,741**
G.	**Closing balance of cash and cash equivalents (D+E+F) (Note 12)**	**376,378**	**550,503**

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SELECTED NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF COMPLIANCE

The interim financial statements of Abanka Vipa d.d. and the Abanka Vipa Group for the half-year ended 30 June 2013 have been compiled in accordance with IAS 34, "Interim Financial Reporting". Annual financial statements of the Bank and of the Group have been compiled in accordance with the International Financial Reporting Standards as adopted by the European Union. The interim half-yearly financial statements contain less comprehensive explanatory notes and disclosures than the financial statements that form part of the annual report. The half-yearly financial statements have been compiled in condensed form, and must therefore be read in conjunction with the annual financial statements for the 2012 financial year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in the annual financial statements for the year ended 31 December 2012.

The Group has chosen not to early adopt the following standards and interpretations that have been issued and endorsed by EU, but which do not yet take effect for accounting periods beginning on 1 January 2013:

- IAS 27 (revised) "Separate Financial Statements" (effective 1 January 2014);

Revised IAS 27 includes the existing requirements of IAS 27, IAS 28 and IAS 31. The standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been incorporated into IFRS 10, Consolidated Financial Statements.

- IAS 28 (revised) "Investments in Associates and Joint Ventures" (effective 1 January 2014);

The main change is that for any retained portion of the investment that has not been classified as held for sale, the equity method is applied until the disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture. In the case of the cessation of significant influence or joint control when significant influence was succeeded by joint control, the retained interest in the investment is not re-measured.

- IFRS 10 "Consolidated Financial Statements" (effective 1 January 2014);

The standard provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008).

- IFRS 11 "Joint Arrangements" (effective 1 January 2014);

The standard supersedes and replaces IAS 31, Interest in Joint Ventures. IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10.

- IFRS 12 "Disclosure of Interests in Other Entities" (effective 1 January 2014);

The standard requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.

The application of the new interpretations mentioned above will not affect the valuation of items in the Group's financial statements, but the application of some of them will affect their presentation and disclosure.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The disclosure of critical accounting estimates and judgments in applying accounting policies are based only on consolidated statements, as there are no significant differences between the Bank and the Group; the total assets of the Bank account for 99.6% (31 December 2012: 99.0%) of the total assets of the Group.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and advances

The Group constantly monitors the quality of its credit portfolio and assesses credit risk losses. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans, before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

When determining impairment losses on a particular asset in the loan portfolio, credit spreads are taken into account in the process of discounting the estimated future cash flows of the financial instrument. For wider credit spreads, the Group charges higher interest rates which, in turn, result in increased impairment losses.

The Group regularly measures the impact of the deterioration of the credit portfolio on the amount of credit risk losses, on profit or loss, as well as on regulatory capital and the capital adequacy ratio of the Group. It employs sensitivity analyses to provide additional information on potential credit risk losses and necessary impairments of financial assets.

Stress tests for credit risk are performed on the basis of various sensitivity analyses. One such analysis assumes that 2% of A, B, C and D loans are downgraded by one credit rating category. The result showed that credit risk losses would increase by 1.6% (30 June 2012: 2.1%) or EUR 6.5 million (30 June 2012: EUR 8.2 million). The other sensitivity analysis was conducted in accordance with the assumption that 1% of A, B and C loans are downgraded by one credit rating category, 1% of these loans are downgraded by two credit rating categories and 2% of D-rated loans are downgraded by one credit rating category. The result of the latest sensitivity analysis has shown that credit risk losses would rise by 2.9% (30 June 2012: 3.8%) or EUR 11.7 million (30 June 2012: EUR 15.1 million).

(b) Impairment of available for-sale equity investments

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in their fair value below their cost. The Group considers a significant decrease in the fair value of financial assets below their cost to be at least a 40% decrease in their fair value as compared to their average cost. A prolonged decrease in the fair value of financial assets below their cost is considered to be a period of at least nine months from the date when the fair value of the relevant equity investments first fell below their average cost and remained lower throughout that period (in the said period, the Group continuously recognises a loss in fair value reserve in relation to the relevant equity investments).

In addition, the Group estimates the usual fluctuation in share prices. Impairment may be also appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows. Had all the declines in fair value below cost had been considered significant or prolonged, the Group would have suffered an additional loss of EUR 91 thousand in its interim financial statements for the period ended 30 June 2013 (30 June 2012: EUR 4,691 thousand loss), being the transfer of the total debit balance in the fair value reserve to profit or loss.

(c) Held-to-maturity investments

The Group follows the IAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Group is required to reclassify the entire category as available-for-sale. The investments would therefore be measured at fair value and not at amortised cost. If all held-to-maturity investments were to be so reclassified, the reserve in shareholders' equity would decrease by EUR 1,337 thousand for the period ended 30 June 2013 (30 June 2012: EUR 1,864 thousand decrease).

(d) Fair value of financial assets and liabilities

Fair value is the price at which a financial instrument could be exchanged in an orderly transaction between market participants at the measurement date, other than in a forced sale or liquidation, and is best evidenced by a quoted active market price. The best reflection of fair value is an exit price in an active market which is represented as a principal market for assets or liabilities.

The estimated fair values of financial instruments have been determined by the Group using available market information where it exists, and appropriate valuation methodologies. However, judgement is required to interpret market data in order to determine the estimated fair value. Market quotations may be outdated or reflect distressed sale transactions and therefore may not represent the fair values of financial instruments. The management has used all available market information in estimating the fair value of financial instruments.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 1: The quoted market price for the financial instrument in an active market
- Level 2: Valuation techniques based on observable inputs
- Level 3: Valuation techniques using mostly unobservable inputs.

Financial instruments carried at fair value

Trading securities, other securities at fair value through profit or loss, investment securities available for sale and financial derivatives, including those classified as repurchase receivables, are carried in the statement of financial position at their fair value.

Fair values were determined based on quoted market prices except for certain investment securities available for sale for which there were no available external independent market price quotations or market prices did not reflect actual fair values and certain trading securities.

The Group uses widely recognised valuation models for determining the fair value of financial instruments. Valuation techniques are primarily based on using observable market data, which reduces the need for management judgement and estimation, and also reduces the uncertainty associated with the determination of fair values. Valuations include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, the Garman-Kohlhagen model for option pricings and other valuation models. The assumptions and inputs used in valuation techniques include market foreign currency exchange rates, market interest rates, price volatilities and correlations, expected cash flows and other inputs in order to determine the fair values of financial instruments.

In accordance with the Group's rules on valuing financial instruments, the Group does not use its valuation model for assets with a value of less than EUR 10 thousand, nor does it apply the model to any cases where quality valuation input data cannot be provided.

The Group valued financial instruments at cost, when their fair value could not be determined. The reasons for the inability to determine fair values were that some financial instruments were not traded in an active market, which clearly defined their fair value, and that there was no active market participant or seller to make an offer for those financial instruments or assets.

(All amounts in EUR thousand unless otherwise stated)

The Group is willing to sell at a reasonable price those investments that are valued at cost in the event interested potential buyers exist.

VALUATION METHODOLOGY FOR FINANCIAL INSTRUMENTS OF THE GROUP MEASURED AT FAIR VALUE

As at 30 June 2013	Quoted prices in active markets (1)	Valuation techniques based on observable market data (2)	Valuation techniques incorporating information other than observable market data (3)	**Total**
Financial assets measured at fair value				
Financial assets held for trading	2,524	15,344	2,090	**19,958**
– debt securities	888	1,993	–	**2,881**
– equity securities	515	–	5	**520**
– derivatives	946	13,338	2,085	**16,369**
– unit linked investments	175	–	–	**175**
– other	–	13	–	**13**
Financial assets designated at fair value through profit or loss	2,410	–	105	**2,515**
– equity holdings	–	–	105	**105**
– unit linked investments	2,410	–	–	**2,410**
Available-for-sale financial assets	413,398	23,529	3,545	**440,472**
– debt securities	398,531	23,425	–	**421,956**
– equity securities	14,867	104	2,854	**17,825**
– equity holdings	–	–	691	**691**
Total financial assets	**418,332**	**38,873**	**5,740**	**462,945**

(All amounts in EUR thousand unless otherwise stated)

As at 30 June 2013	Quoted prices in active markets (1)	Valuation techniques based on observable market data (2)	Valuation techniques incorporating information other than observable market data (3)	Total
Financial liabilities measured at fair value				
Financial liabilities held for trading	–	12,796	–	**12,796**
– derivatives	–	12,788	–	**12,788**
– spot transactions	–	8	–	**8**
Financial liabilities designated at fair value through profit or loss	8,785	–	–	**8,785**
– structured deposit	8,785	–	–	**8,785**
Total financial liabilities	**8,785**	**12,796**	**–**	**21,581**

FAIR VALUE TRANSFERS

	Level 1		Level 2		Level 3	
As at 30 June 2013	from	to	from	to	from	to
Available-for-sale financial assets (debt securities)	–	10,248	(10,248)	–	–	–
Available-for-sale financial assets (equity securities)	–	2	(2)	–	–	–
Total	**–**	**10,250**	**(10,250)**	**–**	**–**	

In the first half of 2013, the Group transferred a debt security, available-for-sale, totalling EUR 10,248 thousand from Level 2 to Level 1 of the fair value hierarchy, based on the observation that the quoted market price allows for Level 1 classification. For the same reason the Group transferred one equity security, available-for sale, totalling EUR 2 thousand.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE OF THE GROUP AT LEVEL 3 OF THE FAIR VALUE HIERARCHY

	Financial assets held for trading			**Financial assets designated at fair value though profit or loss**	**Available-for-sale finacial assets**			**Financial liabilities held for trading**
	Equity securities	Derivatives	**Total**	**Equity holdings**	Equity securities	Equity holdings	**Total**	**Derivatives**
As at 1 January 2013	5	2,206	**2,211**	**281**	3,452	680	**4,132**	**3**
Total gains/(losses)	–	(118)	**(118)**	**(176)**	(589)	11	**(578)**	**–**
– in profit or loss	–	(118)	**(118)**	**–**	(326)	11	**(315)**	**–**
– in other comprehensive income	–	–	**–**	**–**	(263)	–	**(263)**	**–**
Purchases	–	–	**–**	**–**	–	–	–	**–**
Sales, redemptions, settlements	–	(3)	**(3)**	**–**	(9)	–	**(9)**	**(3)**
Transfers to level 3	–	–	**–**	**–**	–	–	**–**	**–**
As at 30 June 2013	**5**	**2,085**	**2,090**	**105**	**2,854**	**691**	**3,545**	**–**
Gains/(losses) in profit or loss for assets/liabilities held as at 30 June 2013	–	**(118)**	**(118)**	**–**	**(321)**	**11**	**(310)**	**–**

(All amounts in EUR thousand unless otherwise stated)

The Group did not recognize that changing one or more of the inputs to reasonably possible alternative assumptions would change the fair value significantly.

FINANCIAL INSTRUMENTS OF THE GROUP NOT MEASURED AT FAIR VALUE

	Carrying value		Fair value	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Financial assets				
Cash and cash balances with the central bank	335,242	214,708	335,242	214,708
Loans and receivables	2,357,790	2,603,881	2,322,603	2,617,974
– loans to banks	60,599	81,970	59,362	81,802
– loans to non-bank customers	2,287,028	2,515,942	2,253,078	2,530,203
– retail customers	545,110	553,322	507,962	538,510
– corporate entities	1,741,918	1,962,620	1,745,116	1,991,693
– other financial assets	10,163	5,969	10,163	5,969
Held-to-maturity investments	175,781	152,982	173,415	152,564
Financial liabilities				
Deposits and loans from central bank	455,202	533,857	455,202	533,857
Financial liabilities measured at amortised cost	2,807,337	2,859,253	2,758,417	2,815,176
– deposits from banks	10,784	11,263	10,379	11,568
– deposits from non-bank customers	2,177,014	2,129,631	2,209,496	2,162,483
– retail customers	1,040,667	1,186,174	1,145,784	1,195,426
– corporate entities	1,136,347	943,457	1,063,712	967,057
– loans from banks	409,218	473,862	427,395	469,259
– loans from non-bank customers - corporate entities	–	10,005	–	9,965
– debt securities issued	55,032	104,208	55,032	104,208
– subordinated liabilities	118,800	119,050	19,626	46,459
– other financial liabilities	36,489	11,234	36,489	11,234
Loan commitments	125,336	153,047	160	358

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments carried at other than fair value in the financial statements.

- Loans to banks

Loans to banks include inter-bank placements and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed-interest-bearing deposits is based on discounted cash flows, using prevailing money-market interest rates for debts with a similar credit risk and remaining maturity.

- Loans to non-bank customers

Loans are net of provisions for impairment. The estimated fair value of loans represents the discounted amount of the estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine the fair value.

- Held-to-maturity investments

Held-to-maturity investments comprise securities. The fair value of held-to-maturity assets is based on the market prices from Bloomberg (BGN) or discounted values.

(All amounts in EUR thousand unless otherwise stated)

- Deposits and loans from banks and non-bank customers and subordinated deposits

The estimated fair value of deposits with no stated maturity, including non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed-interest-bearing deposits and other borrowings not quoted on an active market is based on discounted cash flow, using interest rates on new debts with a similar remaining maturity. The discount rates used were consistent with the Group's credit risk.

- Debt securities issued and subordinated debt securities

Total fair value is calculated on the basis of the prices quoted in an active securities market.

3. ADMINISTRATION COST AND DEPRECIATION AND AMORTISATION

	Abanka		Group	
ADMINISTRATION COST	1 January – 30 June 2013	1 January – 30 June 2012	1 January – 30 June 2013	1 January – 30 June 2012
Staff costs	14,414	14,938	15,485	16,082
Services	7,853	7,282	8,731	8,182
Material	637	711	677	761
Total administration cost	**22,904**	**22,931**	**24,893**	**25,025**

	Abanka		Group	
DEPRECIATION AND AMORTISATION	1 January – 30 June 2013	1 January – 30 June 2012	1 January – 30 June 2013	1 January – 30 June 2012
Property and equipment	1,616	1,785	1,904	2,111
Investment property	2	2	10	2
Intangible assets	863	779	928	838
Total depreciation and amortisation	**2,481**	**2,566**	**2,842**	**2,951**

After having reassessed the useful life of fixed assets, the Group changed its depreciation rates in the first half of 2013. Due to a changed accounting assessment, the halfyear depreciation charge of the Group in 2013 was EUR 146 thousand less than it would have been without this change.

(All amounts in EUR thousand unless otherwise stated)

4. IMPAIRMENT AND PROVISIONS

	Abanka		Group	
IMPAIRMENT	1 January – 30 June 2013	1 January – 30 June 2012	1 January – 30 June 2013	1 January – 30 June 2012
Impairment of financial assets:				
- available-for-sale financial assets	1,149	2,250	1,149	2,267
- loans to non-bank customers (Note 7)	37,184	38.775	38,016	38,878
- other financial assets	37	10	70	10
Impairment of non-financial assets:				
- property and equipment	–	–	5	–
- intangible assets	–	19	–	–
- other non-financial assets	–	–	16	30
Total impairment	**38,370**	**41,054**	**39,256**	**41,185**

	Abanka		Group	
PROVISIONS	1 January – 30 June 2013	1 January – 30 June 2012	1 January – 30 June 2013	1 January – 30 June 2012
- Other provisions	129	–	129	–
- Provisions for guarantees and commitments	(234)	511	(216)	631
Total provisions	**(105)**	**511**	**(87)**	**631**

Severe economic conditions have been continuing in 2013, further deteriorating the creditworthiness of the Group's customers and increasing defaults. In the first half of 2013 the Group made impaiments in amount of EUR 39,256 thousand among which were certain major customers who underwent insolvency proceedings. Most additional impairments were formed against exposure to manufacturing, financial and insurance companies, especially holding companies and construction.

In the first half of 2013, the Group also impaired those available-for-sale equity securities whose fair value decreased steadily or substantially bellow their value at cost.

5. INCOME TAXES

In the first half of 2013, Abanka recorded a net loss. Abanka adjusted deferred tax assets and recorded deferred tax assets to tax loss in the amount of EUR 3,009 thousand (first half of 2012: EUR 2,628 thousand) which, in accordance with the Slovenian Corporate Income Tax Act, can be carried forward indefinitely. Including net expenses from deferred taxes from other activities in the amount of EUR 385 thouand (first half of 2012: 3,073 thousand) from the first half of 2013, net income from deferred taxes in the amount of EUR 2,624 thousand (first half of 2012: EUR 445 thousand) were recognised.

In the first half of 2013, the Group recorded a net loss. The Group adjusted deferred tax assets and recorded deferred tax assets to tax loss in the amount of EUR 3,009 thousand (first half of 2012: EUR 2,628 thousand) which, in accordance with the Slovenian Corporate Income Tax Act, can be carried forward indefinitely. Including net expenses from deferred taxes from other activities in the amount of EUR 385 thouands (first half of 2012: 3,264 thousand) from the first half of 2013, net income from deferred taxes in the amount of EUR 2,624 thousand (first half of 2012: EUR 636 thousand) were recognised. Current tax expenses amounted EUR 51 thousand (first half of 2012: EUR 22 thousand).

6. EARNINGS PER SHARE

Basic earnings per share of the Bank and of the Group for the first half of 2013 and the first half of 2012 is calculated by dividing the net profit or loss, attributable to equity holders, by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, which the Bank or the Group did not have as at 30 June 2013 nor as at 30 June 2012.

	Abanka		Group	
	1 January – 30 June 2013	1 January – 30 June 2012	1 January – 30 June 2013	1 January – 30 June 2012
Loss attributable to equity holders of the Bank in EUR thousand	(17,439)	(15,046)	(19,526)	(15,694)
Weighted average number of ordinary shares in issue	7,190,787	7,190,787	7,190,787	7,190,787
Number of treasury shares	9,213	9,213	9,213	9,213
Basic earnings per share (expressed in EUR per share)	**(2.43)**	**(2.09)**	**(2.72)**	**(2.18)**
Diluted earnings per share (expressed in EUR per share)	**(2.43)**	**(2.09)**	**(2.72)**	**(2.18)**

7. LOANS TO NON-BANK CUSTOMERS

	Abanka		Group	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Corporate entities	2,147,868	2,383,654	2,118,854	2,353,624
Retail customers	537,016	540,360	564,831	572,051
Gross loans	2,684,884	2,924,014	2,683,685	2,925,675
Provision for impairment	(383,360)	(396,859)	(396,657)	(409,733)
Net loans	**2,301,524**	**2,527,155**	**2,287,028**	**2,515,942**

Receivables for interest are recognised together with the underlying financial instrument. All loans were written down to their recoverable amounts.

The shrinking of the credit portfolio is explained in Note 11, Capital and capital adequacy.

(All amounts in EUR thousand unless otherwise stated)

MOVEMENTS IN PROVISIONS FOR IMPAIRMENTARE AS FOLLOWS:

	Abanka			Group		
	Corporate entities	Retail customers	Total	Corporate entities	Retail customers	Total
As at 1 January 2012	**318,905**	**11,603**	**330,508**	**318,556**	**15,838**	**334,394**
Provision for impairment	112,372	4,485	116,857	112,825	5,052	117,877
Write-offs	(48,358)	(2,148)	(50,506)	(40,377)	(2,161)	(42,538)
As at 31 December 2012	**382,919**	**13,940**	**396,859**	**391,004**	**18,729**	**409,733**
Provision for impairment (Note 4)	36,106	1,078	37,184	36,830	1,186	38,016
Write-offs	(50,496)	(187)	(50,683)	(50,898)	(194)	(51,092)
As at 30 June 2013	**368,529**	**14,831**	**383,360**	**376,936**	**19,721**	**396,657**

8. PLEDGED ASSETS

Data for the Bank and the Group are identical.

	Group	
	30 June 2013	31 December 2012
Available-for-sale financial assets	339,354	394,188
Loans to banks	18,915	16,761
Loans to non-bank customers	86,687	94,096
Held-to maturity investments	174,737	149,327
Total pledged assets	**619,693**	**654,372**

Assets are pledged as collateral for the Eurosystem (ECB) claims and for the purposes of Deposit Guarantee Scheme, guaranteed claims of investors, VISA credit card transactions and financial derivative transactions and for other liabilities.

9. PRIMARY SEGMENT INFORMATION

The Group provides services in three business segments:

- Retail banking – incorporating personal accounts (of residents and non-residents), savings accounts, domestic and foreign currency fixed-term deposits, annuity and dedicated savings, Abanet online banking, AbaSMS mobile services, mobile bank, loans, account overdrafts, insurance services, funds, AIII, payment cards, investments to securities, Abacent, gold, leasing, safe deposit boxes, MoneyGram, "design your own card", payment transactions and payment instruments, e-accounts;
- Corporate banking – incorporating transaction accounts, account overdrafts, loans and deposits with different terms, payment cards, certificates of deposits, documentary operations, guarantees, letters of credit, payment transactions and payment instruments, Abatočka, cash management, Abakredit, e-account, on-line banks (Abacom and Abanet), on-line payment service, AbaSMS mobile service; and
- Financial markets – incorporating trading with financial instruments, liquidity management, ALM, investment banking and inter-bank relations.

The Group's operational activities in the fields of custody and administrative services, IT and banking technology are not disclosed separately but are included in the "Other" segment. The "Other" segment also includes the activities of subsidiaries (leasing, factoring, investment management and other activities) and the valuation of the associates in the consolidated statements.

For the purpose of intra-company accounting, transactions between segments were treated on the basis of an agreed and harmonised set of transfer instruments to account for the transfers of various effects (internal transfers/allocation of indirect costs by business segment, debiting overheads to commercial segments, internal transfers of earnings between business segments).

Liabilities, interest expenses and other non-interest expenses from financing were allocated to those business segments that generated them. No other material expense items are attributed to business segments.

Assets and liabilities by business segment represent a majority of the statement of financial position assets and liabilities, but they exclude tax receivables that are disclosed at the group level and not allocated to business segments. The Central Back Office's activities and activities of the ATM and Card Operations Back Office Unit are also not accounted for by business segment.

Business segment results depend on the system of opportunity interest rates, which is based on alternative/opportunity interest rates applied to interest-bearing assets and liabilities items, aimed at establishing opportunity income and expenses. This serves as a basis for calculating opportunity interest margins for individual business segments of assets (as the difference between earned income and opportunity income) as well as opportunity interest margins for individual segments of expenses (as the difference between opportunity expenses and incurred expenses). This is also the basis for establishing positive and negative opportunity interest margins and consequently positive or negative contributions to the performance of individual business segments.

Business segments are reported to the Management Board.

(All amounts in EUR thousand unless otherwise stated)

PRIMARY SEGMENT INFORMATION

As at 30 June 2013	Retail banking	Corporate banking	Financial markets	Other	Total
External net income[1]	3,306	41,571	(1,426)	4,553	48,004
Revenues from other segments	–	–	–	–	–
Segment result	(1,618)	(33,019)	20,610	(7,209)	(21,236)
Operating loss					(21,236)
Share of results of associates	–	–	–	(863)	(863)
Loss before tax					(22,099)
Income tax expense					2,573
Net loss for the period					**(19,526)**
Segment assets	562,338	1,758,219	1,010,102	90,723	3,421,382
Investments in associates	–	–	8,901	(8,630)	271
Unallocated assets					29,081
Total assets					**3,450,734**
Segment liabilities	1,180,713	352,473	1,594,160	173,247	3,300,593
Unallocated liabilities					12,346
Total liabilities					**3,312,939**
Other segment items					
Capital expenditure	135	31	–	2,111	2,277
Depreciation and amortisation	520	126	11	2,185	2,842
Net impairment and provision charge	(369)	(36,610)	(1,154)	(1,036)	(39,169)
Other non-cash expenses	–	–	–	–	–
[1]**Including**					
- interest income	11,413	45,757	13,026	1,490	71,686
- interest expenses	(13,283)	(9,572)	(15,456)	(467)	(38,778)
- dividend income	–	–	486	3	489
- fee and commission income	7,450	7,369	745	5,232	20,796
- fee and commission expenses	(2,274)	(1,983)	(227)	(1,705)	(6,189)

(All amounts in EUR thousand unless otherwise stated)

As at 30 June 2012	Retail banking	Corporate banking	Financial markets	Other	Total
External net income¹	5,507	56,616	(13,079)	4,221	53,265
Revenues from other segments	–	–	–	–	–
Segment result	(5,825)	(19,181)	9,826	144	(15,036)
Operating loss					(14,823)
Share of results of joint ventures	–	–	–	(213)	(213)
Loss before tax					(15,036)
Income tax expense					(658)
Net loss for the period					**(15,694)**
Segment assets	567,340	2,262,385	1,295,017	87,876	4,212,618
Investments in joint ventures	–	–	4,310	(4,006)	304
Unallocated assets					26,241
Total assets					**4,239,163**
Segment liabilities	1,256,653	1,034,181	1,682,699	36,722	4,010,255
Unallocated liabilities					7,266
Total liabilities					**4,017,521**
Other segment items					
Capital expenditure	606	121	31	2,068	2,826
Depreciation and amortisation	551	132	14	2,254	2,951
Net impairment and provision charge	(2,026)	(37,268)	(2,259)	(263)	(41,816)
Other non-cash expenses	–	–	–	–	–
¹Including					
- interest income and similar income	13,663	63,473	18,022	2,111	97,269
- interest expenses and similar expenses	(13,697)	(13,407)	(32,760)	(671)	(60,535)
- dividend income	–	–	1,362	12	1,374
- fee and commission income	7,494	9,339	583	3,745	21,161
- fee and commission expenses	(1,953)	(2,789)	(286)	(976)	(6,004)

Capital expenditure relates to purchases of tangible and intangible assets in the first half year of 2013 and 2012.

(All amounts in EUR thousand unless otherwise stated)

10. ISSUE, REPURCHASE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

Data for the Bank and the Group are identical.

		Group	
DEBT INSTRUMENTS	Interest rate on 30 June	30 June 2013	31 December 2012
Certificates of deposit (falling due: 2013 do 2020)	3.8 % - 5.95 %	39,920	89,091
Bonds 14th, due 24 March 2015, in EUR	6M EURIBOR + 2.5%	15,112	15,117
Total debt securities issued		**55,032**	**104,208**

		Group	
SUBORDINATED LIABILITIES	Interest rate on 30 June	30 June 2013	31 December 2012
Subordinated loan	**3M EURIBOR + 1,9 %**	**118,800**	**119,050**

The Group did not issue dividend bonds, convertible bonds or bonds with a pre-emptive right to the purchase of shares.

The fourth coupon of the 14th issue AB14bonds of EUR 20.09 matured on 24 March 2013. The coupon consisted of interest. The total settled amount of the matured AB14 coupons was EUR 301 thousand.

In the first halfyear of 2013 the Bank paid interest on the subordinated loan in the amount of EUR 636 thousand.

According to the Subordinated Loan Agreement, issued by Afinance B.V. on 18 January 2007, governing the issuance of EUR 120,000,000 Floating Rate Perpetual Loan Participation Notes (ISIN:XS0283183084) − i.e. the hybrid capital instrument − the Bank decided to cancel the payment of interest amounting to EUR 625 thousand which fell due on 3 May 2013. The Bank exercised its right under Clause 4.2. (b) (ii) of the Agreement to fully cancel payment of interest on the hybrid capital instrument. According to the Prospectus on the issue, dated 18 January 2007, the Bank may pursuant to Clause 4.2. (b) (ii) of the Subordinated Loan Agreement cancel interest payment if its most recent annual unconsolidated IFRS compliant financial statements show no balance-sheet profit.

11. CAPITAL AND CAPITAL ADEQUACY

As at 30 June 2013 the regulatory capital of the Abanka totalled EUR 264,254 thousand, which is EUR 17,432 thousand less than at the end of 2012. As at 30 June 2013 the total capital requirements of the Abanka totalled EUR 214,026 thousand, which is EUR 19,554 thousand less than at the end of 2012. At the same date, the capital adequacy ratio (CAR) was 9.88% or 0.23 p.p. more than at the end of 2012, the Tier 1 ratio was 6.20% or 0.15 p.p. less than at the end of 2012 and the core Tier 1 ratio was 5.27% or 0.13 p.p. less than at the end of 2012.

As at 30 June 2013 the regulatory capital of the Abanka Vipa Group totalled EUR 258,667 thousand, which is EUR 19,750 thousand less than at the end of 2012. As at 30 June 2013 the total capital requirements of the Abanka Vipa Group totalled EUR 214,215 thousand, which is EUR 19,568 thousand less than at the end of 2012. At the same date, the capital adequacy ratio (CAR) was 9.66% or 0.13 p.p. more than at the end of 2012, the Tier 1 ratio was 5.95% or 0.26 p.p. less than at the end of 2012 and the core Tier 1 ratio was 5.06% or 0.22 p.p. less than at the end of 2012.

(All amounts in EUR thousand unless otherwise stated)

Although the legal capital adequacy ratio of 8% was met on a consolidated and unconsolidated basis, the Bank of Slovenia, on the basis of stress testing scenarios, required a consolidated capital adequacy ratio at 11.4% and a consolidated tier 1 capital ratio at 9.1%.

Measures taken by the Bank by 8 April 2013 to strengthen its capital position were presented in the Annual Report for 2012. According to the resolution passed by the General Meeting of Shareholders on 8 April 2013, the process of the Bank's capital increase is underway. Furthermore, the Shareholders voted in favour of increasing share capital by EUR 90 million at a price of at least EUR 1 per share, excluding pre-emptive rights of the existing shareholders. The Management Board of Abanka selected the companies Houlihan Lokey and Alta Skupina to act as its consultants in the capital increase process, with the purpose of including in this process not only the present shareholders of the Bank, but also external, mainly foreign, investors.

Concerning the project of a potential capital alliance between Abanka and Gorenjska banka, an assessment of synergies and a due diligence investigation were completed, while an IT project team continues with other activities.

In the first half of 2013, the Bank continued to pursue activities aimed at decreasing capital requirements, decreasing the volume of the credit portfolio and restructuring the credit portfolio by replacing high-risks loans with less risky ones and optimising collateral structure.

12. CASH FLOW STATEMENT

The cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition.

	Abanka		Group	
CASH AND CASH EQUIVALENTS	30 June 2013	30 June 2012	30 June 2013	30 June 2012
Cash and cash balances with the central bank	335,242	340,587	335,242	340,587
Loans and receivables to banks	39,381	208,548	41,136	209,916
Total cash and cash equivalents	**374,623**	**549,135**	**376,378**	**550,503**

	Abanka		Group	
CASH FLOWS FROM INTEREST AND DIVIDENDS	1 January – 30 June 2013	1 January – 30 June 2012	1 January – 30 June 2013	1 January – 30 June 2012
Interest paid	40,821	62,399	41,261	63,086
Interest received	64,726	92,406	67,626	95,933
Dividends received	206	778	208	784

13. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no material changes in the Group's contingent liabilities or contingent assets in the first half of 2013.

As at 30 June 2013 the Bank or the Group had no capital expenditure commitments. In the first half of 2013 there were no significant additions and disposals of property and equipments.

As at 30 June 2013 and 31 December 2012, there were some legal proceedings against the Group; however, management considers that the provision booked is appropriate and no further loss is expected.

The total amount of legal proceedings as at 30 June 2013 for which Abanka is a defendant and for which provisions were made was EUR 305 thousand (31 December 2012: EUR 6 thousand). The total amount of legal proceedings for which the Group is a defendant and for which provisions were made was EUR 4,713 thousand (31 December 2012: EUR 4,291 thousand). Abanka made provisions for these legal proceedings on the basis of an estimated future cash flow of EUR 178 thousand (31 December 2012: EUR 49 thousand), while the Group made provisions of EUR 1,006 thousand (31 December 2012: EUR 877 thousand). For all other legal proceedings, the Group estimates that it is less than probable that a cash outflow will be required to settle the proceedings.

In addition to the major legal disputes in which the Bank acts as the defendant and which were disclosed in the Annual Report for 2012, the following major legal disputes took place in the first half of 2013:

- Td inženiring d.o.o.

The plaintiff filled a suit against the subsidiary Aleasing for damages due to the latter's withdrawal from the non-binding offer of informative nature (made in 2008) to continue financing of the construction of residential buildings. The plaintiff alleges to have incurred economic damage in the form of a loss of profit amounting to EUR 1.2 million. The date of the main hearing has not been fixed yet.

With reference to the disputes disclosed in the Annual Report for 2012 the following important developments occurred:

- MIP d.d. (in bankruptcy proceedings)

Abanka's subsidiary ABANKA SKLADI d.o.o. is a defendant in a lawsuit filed by MIP d.d. (in bankruptcy proceedings) claiming the annulment of an agreement and payment of EUR 2,839,040 plus legal default interest as of the day proceeds were accepted. The court of first instance ruled against the subsidiary ABANKA SKLADI d.o.o., to which the defendant duly filed an admissible appeal. On 13 May 2013, the Company was served a decision of the Koper Higher Court which in part upheld the appeal of the Company against MIP d.d. – in bankruptcy proceedings. The Court dismissed the appeal in the part in which the Company claimed the annulment of a legal transaction. The decision of the court of first instance, which concerns the remaining part of the claim (the payment of EUR 2,839,040), exclusive of accrued interest and other fees & charges, legal fees and inadmissibility of a set-off defence, was annulled by the Higher Court and the case was referred back for a fresh judgement. Principal including due interest from 30 October 2007 to 30 June 2013 amounted EUR 4,407,784.61.

Major legal disputes brought to an end in the first half of 2013:

- Mab transport d.o.o. (in bankruptcy proceedings)

On 13 July 2012, Abanka's subsidiary Aleasing d.o.o. was served a lawsuit filed by Mab transport d.o.o. (in bankruptcy proceedings) as plaintiff for the nullity of a registered claim and the nullity of the registered right to be fully repaid from the bankruptcy estate in the amount of EUR 2,173,152.59. The claim of the plaintiff was upheld by the court, against which Aleasing will not appeal. The fact that the case was lost will entail the payment by Aleasing of attorney's fees, but not the payment of the claimed amount.

In the first half of 2013, no major settlements in legal disputes occurred.

14. RELATED-PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise a significant influence over the other party in making financial or operational decisions.

Related parties of the Bank include key management personnel (the Management Board of the Bank, executive directors of the Bank, members of the Supervisory Board of the Bank, all of these persons' close family members and individual companies in which these persons have significant influence), entities with significant influence on the Bank, associates and subsidiaries.

Related parties of the Group include key management personnel (the Management Board of the Bank, members of the Management Boards and directors of subsidiaries, executive directors of the Bank, members of the Supervisory Board of the Bank, all of these persons' close family members and individual companies in which these persons have significant influence), entities with significant influence on the Bank and associates.

A number of banking transactions have been entered into with related parties in the normal course of business. The volume of transactions involving related parties for the first half of the year 2013 and the first half of the year 2012 is as follows:

(All amounts in EUR thousand unless otherwise stated)

RELATED-PARTY TRANSACTIONS OF THE BANK

Type of related party	Key management personnel		Entities with a significant influence		Associates and joint ventures		Subsidiaries	
Financial assets and income	30 June 2013	30 June 2012	30 June 2013	30 June 2012	30 June 2013	30 June 2012	30 June 2013	30 June 2012
Loans								
Loans	28,318	11,673	31,378	66,944	32,457	32,587	85,359	115,506
Interest income and fee income	668	210	998	1,743	1,372	754	2,310	2,787
Financial assets designated at fair value through profit or loss								
Debt securities	–	–	2,410	2,420	–	–	–	–
Gains/(losses)	–	–	(55)	73	–	–	–	–
Financial assets held for trading								
Equity securities	–	–	–	744	–	–	–	–
Gains/(losses)	–	–	16	(3)	–	–	–	–
Available-for-sale financial assets								
Debt securities	–	–	7,929	9,874	–	–	–	–
Interest income	–	–	330	363	–	–	–	–
Equity securities	–	–	1,620	2,195	–	–	8,901	4,310
Gains/(losses)	–	–	300	39	–	–	–	
Other financial assets	**25**	**–**	**310**	**227**	**–**	**2**	**19**	**20**
Other operating income	**–**		**–**	–	**–**	–	**81**	**66**
Undrawn loans grated (off-balance sheet records)	**104**	**82**	**5,670**	**7,035**	**–**	**–**	**3,897**	**2,605**
Guarantees								
Guarantees issued	–	–	–	–	–	–	–	–
Guarantee fee income	–	5	6	11	–	–	3	–
Comfort letters								
Risky	–	–	–	–	–	–	5,000	5,000
Non-risky	–	–	–	–	–	–	30,550	39,550
Financial liabilities and expenses								
Deposits								
Deposits	3,177	6,585	3,655	46,872	–	29	8,573	4,437
Interest expenses	61	116	70	827	–	–	19	29
Other financial liabilities measured at amortised cost								
Debt securities issued and subordinated liabilities	3,575	3,442	9,669	11,708	–	–	–	–
Interest expenses	102	89	305	316	–	–	–	–
Other financial liabilities	**–**	**–**	**39**	**17**	**–**	**–**	**111**	**74**
Administration costs	**–**	**–**	**–**	–	**–**	–	**81**	**66**
Provisions for guarantees and commitments								
Provisions	7	1	30	104	–	–	66	337
Net provision income/(expenses)	–	–	183	(5)	–	–	20	120
Fiduciary activities	**–**	**–**	**6**	**12**	**–**	**–**	**–**	**–**

(All amounts in EUR thousand unless otherwise stated)

RELATED-PARTY TRANSACTIONS OF THE GROUP

Type of related party	Key management personnel		Entities with a significant influence		Associates and joint ventures	
Financial assets and income	30 June 2013	30 June 2012	30 June 2013	30 June 2012	30 June 2013	30 June 2012
Loans						
Loans	22.368	11.733	31.378	66.944	32.457	32.587
Interest income and fee income	669	212	998	1.743	1.372	754
Financial assets designated at fair value through profit or loss						
Debt securities	–	–	2.410	2.420	–	–
Gains/(losses)	–	–	(55)	73	–	–
Financial assets held for trading						
Equity securities	–	–	–	744	–	–
Gains/(losses)	–	–	16	(3)	–	–
Available-for-sale financial assets						
Debt securities	–	–	7.929	9.874	–	–
Interest income	–	–	330	363	–	–
Equity securities	–	–	1.620	2.195	–	–
Gains/(losses)			300	39	–	–
Other financial assets	**25**	**–**	**310**	**227**	**–**	**2**
Other operating income			**–**	**–**	**–**	**–**
Undrawn loans grated (off-balance sheet records)	**111**	**82**	**5.670**	**7.035**	**–**	**–**
Guarantees						
Guarantees issued	–	–	–	–	–	–
Guarantee fee income	–	5	6	11	–	–
Comfort letters						
Risky	–	–	–	–	–	–
Non-risky	–	–	–	–	–	–
Financial liabilities and expenses						
Deposits						
Deposits	3.399	6.747	3.655	46.872	–	–
Interest expenses	62	118	70	827	–	–
Other financial liabilities measured at amortised cost						
Debt securities issued and subordinated liabilities	3.575	3.442	9.669	11.708	–	–
Interest expenses	102	89	305	316	–	–
Other financial liabilities	**–**	–	**39**	**17**	**–**	**–**
Administration costs	**–**	–	**–**	**–**	**–**	**–**
Provisions for guarantees and commitments						
Provisions	7	1	30	104	–	–
Net provision income/(expenses)	–	–	183	(5)	–	–
Fiduciary activities	**–**	–	**6**	**12**	**–**	**–**

The Republic of Slovenia is regarded as related party with significant influence due to its indirect ownership which exceeds 20%.

As at 30 June 2013 the Abanka holds debt securities of the Republic of Slovenia among its investments in the amount of EUR 168,154 thousand (30 June 2012: EUR 285,008 thousand) and deposits among the liabilities in the amount of EUR 604,675 thousand (30 June 2012: EUR 388,215 thousand).

The Bank also has contractual relations with state-related companies.

Individually significant transactions with government related entities present mainly long-term loans and borrowings. As at 30 June 2013 the total amount of individually significant long-term loans amounted to EUR 70,000 thousand (1 agreement) (30 June 2012: 1 agreements in total amount of EUR 70,000 thousand), of long-term borrowings amounted to EUR 316,582 thousand (12 agreements) (30 June 2012: 17 agreements in total amount of EUR 366,764 thousand).

The total amount of the remaining (individually insignificant) loans as at 30 June 2013 amounted to EUR 6,535 thousand (30 June 2012: EUR 22,754 thousand) and borrowings amounted to EUR 64,330 thousand (30 June 2012: EUR 92,329 thousand).

In the first half of 2013 interest income from transactions with state-related companies amounted to EUR 507 thousand (first half of 2012: EUR 718 thousand), interest income from derivative financial instruments amounted to EUR 940 thousand (first half of 2012: EUR 1,353 thousand), net loss from derivative financial instruments equalled EUR 1,584 thousand (first half of 2012: EUR 3,123 thousand), interest income from available-for-sale debt securities amounted to 1,062 thousand (first half of 2012: EUR 838 thousand) and interest expenses on deposits amounted to EUR 6,981 thousand (first half of 2012: 6,949 thousand).

15. SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS

The Group does not generate any seasonal or cyclical income, nor does it usually have any significant one-off income.

The interim financial statements are prepared using the same accounting policy for deferring expenses that will be used at the year end.

16. THE NATURE AND AMOUNT OF UNUSUAL ITEMS

In the first half of 2013 there were no unusual items that, in terms of their nature, scope or occurrence, could have an impact on assets, debts, capital, net profit or loss or cash flow.

17. THE EFFECT OF ACQUISITIONS AND DISPOSALS DURING THE INTERIM PERIOD

In the first half of 2013 there were no acquisitions and disposals in the subsidiaries or in the joint venture company.

18. EVENTS OCCURRING AFTER INTERIM DATE

The following business events that occurred after the reporting period may have impact on the business decisions of the Report's users:

- On 10 July 2013 the Supervisory Board took note of the Management Board's proposal to file an initiative for the implementation of measures for transferring of the bad debt to the Bank Asset Management Company and assessed that this would have a positive bearing on the process of capital strengthening of the Bank.
- After informing the Supervisory Board, the Bank, in accordance with the Act Determining the Measures of the Republic of Slovenia to Strengthen Bank Stability, sent to the Inter-Ministerial Working Group at the Ministry of Finance an initiative to take measures under the Decree on the Implementation of Measures to Strengthen Bank Stability. The Bank received a resolution ascertaining that at its 18th regular session, held on 18 July 2013, the Government of the Republic of Slovenia, as proposed by the Inter-Ministerial Working Group, established that Abanka Vipa d.d. met the conditions for applying measures aimed at strengthening bank stability.
- Before taking any measures according the above mentioned decree, an independent asset quality review and a stress test should be conducted. Abanka has already started these activities with selected consultants.
- In view of the facts related to the transfer of bad debt to the Bank Asset Management Company, Abanka asked the Bank of Slovenia to extend the deadline for the payment of new monetary contributions towards its share capital, set out in the decree of 19 February 2013. On 30 July 2013, the Bank of Slovenia approved an extension of the deadline for the payment of new cash contributions to Abanka Vipa d.d.'s share capital until 31 December 2013, and set the requirement that the Bank must ensure an appropriate level of capital by no later than 31 December 2013 in order to achieve a Tier 1 capital ratio of at least 9.5% and an overall capital adequacy ratio of at least 11.8% on a consolidated basis.

STATEMENT OF THE MANAGEMENT'S RESPONSIBILITIES

The management of the Bank has approved the financial statements of Abanka Vipa d.d. and consolidated financial statements of the Abanka Vipa Group for the half – year ended 30 June 2013 (pages 33 to 46), the applied accounting policies, and the notes to the financial statements (pages 47 to 67) of the interim report.

The management of the Bank is responsible for preparing the Financial Statements for the half-year 2012 and 2013, which give a true and fair representation of the financial position of the Bank and of the Group as at 30 June 2013, and the results of its operations for the half-year ended 30 June 2013.

The management confirms that the accounting policies adopted for the half – year ended 30 June 2013 are consistent with those of the annual financial statements for the year ended 31 December 2012. The Management Board also confirms that the financial statements including the notes have been compiled on a going concern basis for the Bank and the Group, and are in accordance with current legislation and the International Accounting Standard 34.

The management is also responsible for the proper management of accounting, taking appropriate measures to protect the Group's assets, as well as preventing and discovering fraud, other irregularities or illegal acts.

In the period ended 30 June 2013 Abanka Vipa d.d. did not start any related party transactions under unusual market conditions.

Ljubljana, 31 July 2013

Management Board

Igor STEBERNAK
Member

Jože LENIČ, M.Sc.Econ.
President