Annual Report 2010

NLB Leasing

Contents

Statement of the Management Board

Dear shareholders, business partners and employees!

The economic crisis with the change of economic environment triggered lower consumption, lower production and limited financial sources on one side, and additional demands from regulators of financial markets on the other side. This significantly affected the structure and operations of financial sector of the economy, and therefore in 2010 financial companies tried to adapt to these situations. With this purpose in the second half of 2010 a new strategy of NLB Group was formed, based on which new strategic directions were defined also for the NLB Leasing Group.

Within the new strategy of NLB Leasing, the process of further reorganization of leasing companies of the NLB Group was defined in compliance and accordance with the basic strategic directions of the parent NLB d.d. In 2010, the parent company NLB Leasing Ljubljana disposed the companies NLB Leasing d.o.o. Beograd and NLB Real Estate d.o.o. Beograd. The first one was disposed to the parent company NLB d.d., and the second one to NLB Srbija d.o.o. within the NLB Group. The reorganization process will continue in 2011, and will represent one of the key goals of the company. Based on the disposal of two subsidiaries, the balance sheet total of the NLB Leasing Group significantly decreased in 2011, and now amounts to EUR 487 million. Beside the disposal, a slightly lower commercial activity and additional impairments charged to claims also contributed to the lower balance sheet total.

Due to these new conditions, we faced an extremely limited possibility of concluding new qualitative investments, and thus in 2010 we focused mainly on management of outstanding claims, provision of sufficient liquidity and management of financial risks. We adopted several other measures in the operations of the NLB Leasing Group and its controlling company NLB Leasing d.o.o. Ljubljana, and thus lowered the adverse affects of economic environment. These are especially: focus on recovery and disposal of deprived leasing objects, cost efficiency, personnel reorganization and harmonization of the NLB Leasing Group with NLB d.d., as well as increased risk management. At the same time, with adopted plan parameters and additional directions of the NLB Group, the commercial realization was consistent and target-oriented, at the presumption that it was subject mainly to liquidity capabilities and market demand.

The above contributes to the fact that the NLB Leasing Group concluded the financial year with a negative profit and loss in the amount of EUR 20.9 million. Due to extremely difficult economic situation in all markets where the NLB Leasing Group is present, a prudent policy of operations was adopted, and consequently high impairments were charged to claims which resulted in negative profit and loss. Beside that, we also faced an increase in financial costs, lack of adjustment of active and passive side of balance sheet, and based on strategic directions of the NLB Group also a decrease of balance sheet total and slack of operation of all leasing companies.

Despite adverse conditions, we continued to invest in internal and external education of our employees, in tools for risk management and optimization of operation process, and in upgrade of our information technology. Based on this, in 2010 we successfully completed the renovation project of the basic software application in all leasing companies of the NLB Group. The new solution is based on a modern architecture with the use of modern technologies and will enable significantly easier management of all additional demands that financial institutions receive these days from regulators.

Even though some parameters already show some revival of certain economic segments and geographic regions in both economic and financial field, we still assess the current status as unclear and uncertain. Trust is weak, all subjects are significantly more cautious than before the crisis, and adverse effects of the crisis are visible in all segments of life and operations. Despite the uncertain future, together with the employees of the NLB Leasing Group we will strive to maintain corporate social responsibility, a comprehensive offer and upgrade of our services, and at the same time focus on the satisfaction of our clients and business partners.

Samo Turk,
Member of the Management Board

Borut Simonič,
Chairman of the Management Board

Key Financial data

Table 1:
Overview of key financial data

In thousand of Euros	NLB Leasing Group		NLB Leasing Ljubljana	
	2010	**2009**	**2010**	**2009**
Balance sheet indicators				
Balance sheet total	486.734	619.457	377.370	498.035
Equity	15.468	31.958	20.760	31.312
Debt to equity (D/E)	30,5	18,4	17,2	14,9
Profit and loss statement indicators				
Profit before tax	-27.635	-7.369	-22.010	-6.885
Profit after tax	-23.748	-6.077	-18.052	-5.374
a) attributable to equity holders of parent	-20.890	-6.219	-	-
b) attributable to minority interest	-2.858	142	-	-
Revenue	74.366	88.819	40.530	41.249
Profitability indicators				
Return on average equity before taxes (ROE v %)*	-	-	-	-
Return on average equity before taxes (ROA v %)*	-	-	-	-
Other indicators				
Number of employees	105	122	69	69
Total assets per employee	4.636	5.078	5.469	7.218

*Indicator calculation for 2010 and 2009 is not meaningful because of the loss for the year.
Source: NLB Leasing

1 Business report

NLB Leasing Group

Introduction

The NLB Leasing Group is part of the largest Slovenian banking and financial group, the NLB Group, comprising 51 member companies as at 31 December 2010. The main business of NLB Group is banking, beside that it has also been developing other financial activities such as leasing, factoring, forfeiting, export financing, insurance and asset management.

As at 31 December 2010 the NLB Group includes 3 leasing companies and 6 branches in Slovenia as well as 7 leasing companies and 5 branches in the Southeast European markets. NLB Leasing Ljubljana has been earmarked within the NLB Group as the development leader and coordinator of this business segment. As of 31 December 2010 the company in Ljubljana has 4 subsidiaries which comprise the consolidated NLB Leasing Group and together with associated companies represents the wider group of NLB Leasing Group. The wider group has 180 employees, while the NLB Leasing Group has 105 employees.

This Report presents the business and financial data of the consolidated NLB Leasing Group, which together with its companies and branches is present in both domestic and foreign markets. With 10 companies, NLB Leasing represents an important activity within the NLB Group, and with its presence on the Slovene and Southeast European markets builds up the universality of banking and financial services of the NLB Group. Over the past years, the development strategy of the NLB Leasing Group has been focused mostly on Southeast European markets, which then enjoyed high growth rates, however recent significant changes marked by the financial and economic crisis necessitates adjustment of the current business process and adjustment of future strategic direction. To adapt to the new market situation and optimize operations, the process of reorganization of the leasing activities within the NLB Group began in 2009, and measures were adopted to manage the financial crisis. At the same time NLB Leasing complies with the basic strategic direction of NLB Group and ensures harmonisation of mutual procedures and rules.

The reorganisation process of leasing activities within the NLB Group which began in 2009, continued with intensity throughout 2010. For this purpose, in the second half of 2010, the companies NLB Leasing Beograd and NLB Real Estate were sold by the parent company NLB Leasing Ljubljana (the first one to NLB d.d. and the second one to NLB Srbija d.o.o.). NLB Real Estate was later merged to the company NLB Srbija d.o.o. The company NLB Leasing Beograd became a subsidiary of NLB d.d., and is thus no longer included in the consolidated financial statements of the NLB Leasing Group.

Figure 1:
Market presence – leasing companies in NLB Group with their business units

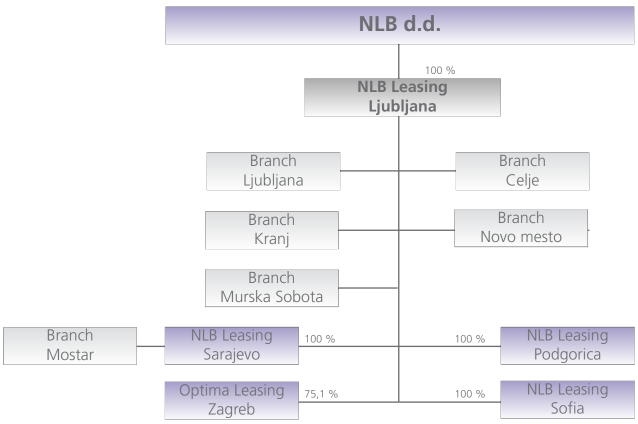
Source: NLB Leasing

In the third quarter of 2010 the disposal process of the company NLB Leasing Sarajevo began. With the signature of the agreement for transfer of shares in the company NLB Leasing Sarajevo, on 13 January 2011 the company became a property of NLB d.d.

NLB Leasing Group offers leasing services to private individuals, legal entities and to sole traders. Financial leasing and operating leasing are the two main activities of the NLB Leasing Group. As a universal provider of leasing services, NLB Leasing Group offers leasing for all kinds of assets including motor vehicles, equipment, boats, real estate and property development. In the past, the companies of NLB Leasing Group beside classic leasing activities (financial and operating) offered also loans and carried out their own real estate projects, and thus followed the operating policies of that time.

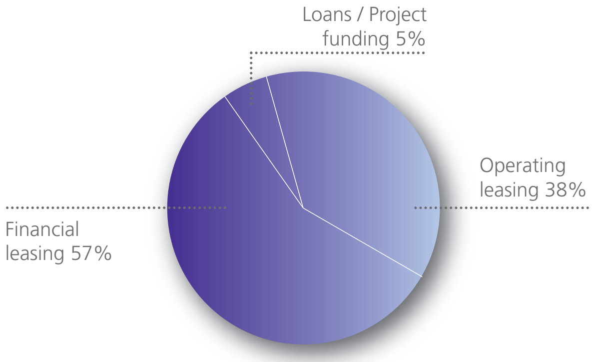
With the financial and economic crisis, the leasing companies faced decreased demand on market and less reliable payment by their customers on one hand, and limited acquisition of financial resources on the other hand. Financial regulators requirements became stricter, which additionally limited operational possibility of leasing companies. Consequently, the companies of NLB Leasing Group cut down their activities to two basic types of leasing services (financial and operating).

Figure 2:
NLB Leasing Group organisation chart as at 31 December 2010



Source: NLB Leasing

Figure 3:
Structure of newly activated investments of the NLB Leasing Group in 2010



Source: NLB Leasing

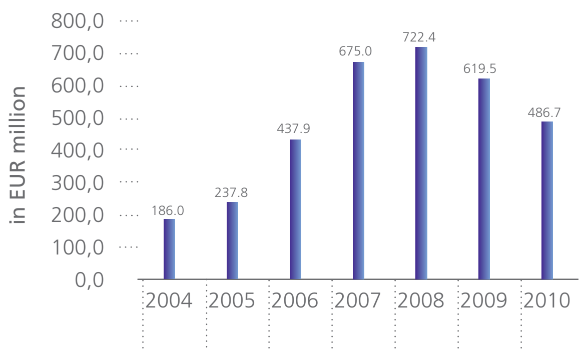
Awards and recognitions

After the realization of new transactions in 2009 in Europe, the NLB Leasing Group with its five subsidiaries ranked 58th in the Leaseurope TOP 75. This list is drawn up by one of the two most important leasing associations in Europe (Leaseurope), bringing together national leasing associations of which the Association of leasing companies of Slovenia is a member. The members represent approximately 93% of the whole European leasing market. .

Growth and development

Market reaction to the problems caused by the liquidity crisis in international financial markets had a significant effect on growth in the leasing business. In 2010 and 2009, there was a substantial decrease in new investment in the market, which resulted in lower turnover for individual leasing companies. The NLB Leasing Group tried to adapt to these circumstances by taking various measures, nevertheless it suffered in both 2009 and 2010 a decrease in its balance sheet total and equity. The strategic focus of the NLB Group and related reorganization of the leasing group within NLB Group also contributed to this decrease.

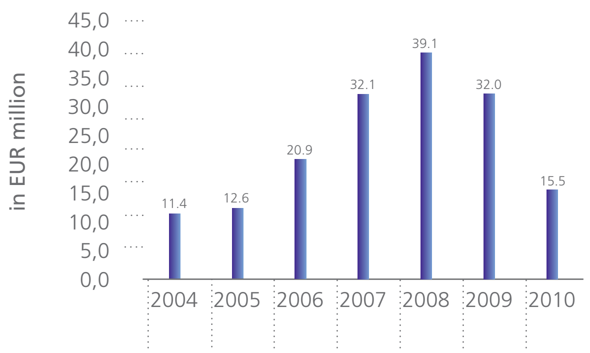
Figure 4:
Movement of balance sheet assets of assets of the NLB Leasing Group Ljubljana



Source: NLB Leasing

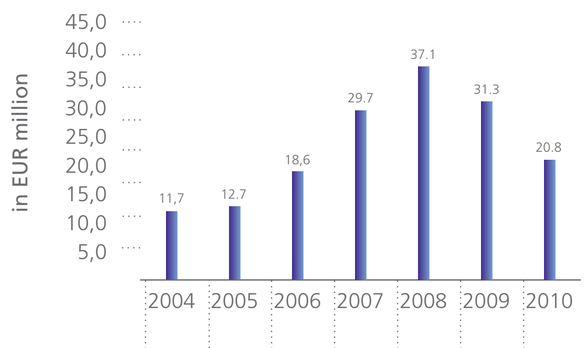
Figure 5:
Movement of balance sheet the company NLB Leasing

Figure 6:
Movement of equity of the NLB Leasing Group



Source: NLB Leasing

Figure 7:
Movement of equity of the company NLB Leasing Ljubljana



Strategy

Changed economic situation with reduced economic activity and additional requirements of financial market regulators demand adjustments from financial institutions, especially in the field of capital adequacy and corporate operation. NLB Group and NLB Leasing Group adapt to the current and future market situation with new strategies that are focused mainly on rationalization and consolidation.

Mission

The NLB Leasing Group's mission is to be a reliable and dependable long-term partner offering good quality leasing services for present and future clients. We aim through our business to create added value and growth for the whole Group.

Values

Our business values are:

- tradition - trust - excellence;
- focus on our clients;
- competent and professional staff;
- initiative.

Strategic objectives and goals

Difficult market situation triggered the need for renovation of future strategic focus of leasing activities within the NLB Group. Based on and within the strategic goals of the NLB Group, the new Strategy of leasing activities within the NLB Group defines implementation of leasing as a complementary activity to banking services on the Slovene market and other strategic markets of the NLB Group, and at the same time remaining the universal activity (movable property leasing and real estate leasing). In accordance with the adopted strategy of the NLB Group, vehicle leasing (movable property leasing) is defined as primary leasing activity, and leasing of other objects as supplementary activity.

Based on the given direction, market focus in the coming years will be mainly vehicle leasing, which represents spread of portfolio, as well as standardized products and extremely developed secondary market (sale of used vehicles).

Further, within the new strategy, geographical strategic markets are defined. In future, the NLB Group will strategically carry out its leasing activities in Slovenia, Bosnia and Herzegovina, Macedonia and Montenegro, whereas Croatia, Serbia and Bulgaria are not deemed as strategic markets and a gradual retreat of leasing activities from these markets is planned. In accordance with the defined directions, further reorganization process of leasing companies within the NLB Group shall take place.

Goals of the new strategic focus:

- increase market share of vehicle financing in Slovenia and other strategic markets;
- spread of existent portfolio;
- partnership with network of authorized vehicle sellers;
- reduce the volume and share of outstanding claims;
- optimization of organization and operation of leasing companies within the NLB Group.

Major Events

Major events in the financial year 2010 within the NLB Leasing Group were:

- appointment of a new president and members of the Supervisory Board of NLB Leasing Ljubljana (March 2010);
- disposal of the business share of NLB Leasing Beograd to the parent company Nova Ljubljanska banka, d.d. (March 2010);
- disposal of the business share of NLB Real Estate d.o.o. Beograd to NLB Srbija d.o.o. (April 2010);
- merger of NLB Real Estate d.o.o. Beograd to NLB Srbija d.o.o. (June 2010);
- completion of the renovation or replacement project of the basic software solution in all leasing companies of the NLB Leasing Group (July 2010);
- appointment of a new president of the Supervisory Board of NLB Leasing Ljubljana – Mr. Marko Jazbec was replaced by Mr. Samo Nučič (November 2010);
- capital increase of NLB Leasing Ljubljana in the amount of EUR 7.5 million (December 2010);
- capital increase of the subsidiary Optima Leasing d.o.o. Zagreb in the amount of EUR 5.5 million (December 2010).

Major events after the financial year end within the NLB Leasing Group:

- disposal of the business share of NLB Leasing Sarajevo to the parent company Nova Ljubljanska banka, d. d. (January 2011);
- capital increase of the subsidiary Optima Leasing d.o.o. Zagreb in the amount of EUR 1.8 million (February 2011).

Plans for 2011

In 2011 the NLB Leasing Group will follow closely developments in the market and adapt its activity to the circumstances in order to maintain its significant market position in the Slovenia and strategically defined markets of Southeast Europe. The Group will adapt its activities in seeking new opportunities for investments, managing the existing portfolio, controlling costs, and maintaining its suppliers' network. The main emphasis will also be on ensuring adequate financial resources for the entire group of companies in the NLB Leasing Group, as well as managing credit and non-credit risks.

Based on its strategic plan the NLB Leasing Group will in 2011 continue with the structural and business reorganisation of leasing activities within the NLB Group with the aim of optimising its business processes and maximising efficiency.

The Group will also pursue its group-wide harmonization processes that are the standardisation of operations in the NLB Group.

Performance Analysis

Macroeconomic Envronment - Slovenia

In 2011 the economic environment in Slovenia remained complex, despite visible improvement compared to the previous year. Gross domestic product started to strengthen, yet mainly due to increased demand from abroad. Strong export stance of the economy contributed to a positive growth that according to Institute of Macroeconomic Analysis and Development, amounted to 1.2%. Despite the export being increased by more than 10% on annual basis, there was still no growth of household consumption and investment growth, which are important indicators of the overall economy status. Recovery of world and local economy affected also inflation. In 2009, the average inflation rate was only 0.9%, whereas last year the average inflation rate increased to 2.1% due to higher prices of energy products and higher prices of some sewage and refuse disposal services.

Compared to 2009, the status of labour market significantly worsened, especially in the second half of the year when once again several people registered at the Employment Service of Slovenia who lost their job due to companies' bankruptcy, and also due to the new pension scheme legislation.

2010 was extremely demanding also for the Slovene leasing sector, as especially of companies in many economic sectors additionally intensified. On overall leasing sector level there were higher impairments compared to one year ago. Impairment growth was especially influenced by financial holding companies and construction companies, the latter being the most critical one. The consequence of higher impairments was also worsened profit and loss compared to one year ago.

Table 2:
Movements in key macroeconomic indicators in Slovenia and the EMU in the period 2008 - 2010

	2008	2009	2010
Slovenia			
GDP (real growth in %)	3.7	-8.1	1.2
Average annual inflation rate* (in %)	5.5	0.9	2.1
Surveyed unemployment rate – ILO (in %)	4.4	5.9	7.2
Current account of payment balance (in % GDP)	-6.7	-1.5	-1.2
Public debt (in % GDP)	22.5	35.4	37.9**
Budget deficit/surplus (in % GDP)	-1.8	-5.8	-5.6**
EMU			
GDP (real growth in %)	0.4	-4.1	1.7
Average annual inflation * (in %)	3.3	0.3	1.6
Surveyed unemployment rate – ILO (in %)	7.5	9.4	10.0
Current account of payment balance (in % GDP)	-1.7	-0.6	0.2*
Public debt (in % GDP)	69.8	79.2	84.1***
Budget deficit/surplus (in % GDP)	-1.9	-6.3	-6.5*

* Forecast IMF
** Forecast MF RS
*** Forecast European Commission
Source: UMAR, IMF, Ministry of Finance RS, ECB, European Commission

Southeast Europe

In 2009 the strategic markets of Southeast Europe were affected by the financial and economic crisis which resulted in a substantial fall of economic activities, and in 2010 the situation started to gradually improve. The trend of negative economic growth, which was present in all monitored countries, except Kosovo, gradually changed and at the end of 2010 the monitored companies recorded positive economic growth on annual basis, with the exception of Croatia. Despite improved macroeconomic status, the economic growth remains poor, especially due to a decreased domestic demand and decreased foreign investment. Non-financial sector remains extremely vulnerable; construction is decreasing, whereas banking sector faces numerous non-performing loans. The biggest economic growth of 4.7% was reached in Kosovo, whereas in other companies the economic growth amounted to 0.2 to 1.8% GDP, with the exception of Croatia where the economic fall amounted to 1.4% GDP.

In the second half of 2009, there was a decrease of consumer goods recorded on strategic markets of Southeast Europe, and similar trend continued also throughout the past year. Low inflation rates continued in Croatia, Montenegro, Macedonia and Bosnia and Herzegovina, whereas in Kosovo, where deflation was reached last year, there was already price increase recorded in the second half of the year. Out of all monitored companies only Serbia faced high and increasing inflation that amounted to 10.3% by the end of 2010.

Due to decreased economic activity and significantly weak non-financial sector, the labour market status did not improve in 2010. In 2010, the unemployment rate compared to 2009 increased in all monitored companies. Kosovo continues to have the highest unemployment rates by far, at over 45%, followed by slightly more than 30% in Macedonia, whereas in Croatia the registered unemployment rate reached almost 20%. In other countries the unemployment rate remains between 10% and 20%. In 2010, the salary increase rate saw a significant slowdown in all countries, with Croatia facing negative growth of gross wage, except in Serbia and Bulgaria where there was a slightly higher growth rate.

Table 3:
Movements in key macroeconomic indicators in member countries of the NLB Leasing Group in the period 2008 - 2010

	BiH	Montenegro	Croatia	Macedonia	Serbia	Bulgaria
GDP (real growth in %)						
2010	0.4*	1.0*	-1.4	0.9*	1.8*	0.2
2009	-3.0	-5.7	-5.2	-0.5	-3.1	-5.0
2008	5.3	6.9	2.3	5.0	5.5	6.0
Inflation rate (in %)	2.0	0.5	1.1	1.6	6.8	2.4
2010	0.0	3.4	2.4	-0.4	8.2	2.5
2009	7.7	8.6	6.1	8.3	12.5	12.0
2008	42.4*	12.1*	18.8	34.3*	19.2*	9.2
Degree of registered unemployment (in %)	42.7	11.3	16.7	32.2	19.0	9.1
2010	40.6	15.1	13.7	33.8	18.8	6.3
2009	-4.7*	-21.1*	-2.8*	-4.9*	-7.6*	0.3
2008	-6.2	-33.1	-5.5	-7.3	-7.0	-10.3
Current account of the balance of payments (in % GDP)	-14.9	-53.2	-9.2	-12.7	-22.2	-25.1
2010	-4.0*	-4.0*	-4.3*	-2.6*	-4.3*	-3.9
2009	-4.7	-2.3	-3.1	-2.7	-4.3	-0.9
2008	-4.8	1.2	-0.8	-0.9	-2.5	3.1
Budget deficit/surplus (in % GDP)						
2010	-4.0*	-4.0*	-4.3*	-2.6*	-4.3*	-3.9
2009	-4.7	-2.3	-3.1	-2.7	-4.3	-0.9
2008	-4.8	1.2	-0.8	-0.9	-2.5	3.1

*Business Monitor International, forecast for 2010
Source: Central banks of individual countries

Business environment of leasing activity

Business environment – Slovenia

The Slovene leasing market is divided mainly between companies or groups that act as universal leasing providers in the market and "captive leasing companies" that are owned by vehicle distributors. The latter offer exclusively the leasing of personal and commercial vehicles leasing. Among those which reached high market share in 2010 are Summit Leasing, Porsche Leasing and Daimler AC Leasing. The largest universal leasing providers are Hypo Leasing, SKB Leasing and NLB Leasing.

In the last 2 years, the Slovene leasing market registered significantly lower new leasing volume compared to 2008 and 2007. The comparison between 2009 and 2008 shows that the 2009 new turnover was only 58% of that of 2008, and this is the first time we have experienced negative growth. In 2010, the leasing activity further decreased by 1%, and the total volume of new turnover amounted to EUR 1.641,7 million (in 2009: 1.655,4). In the following, there is a table of new leasing turnover volume per quarters for 2010, 2009 and 2008 which shows that the highest volume of new turnover since the beginning of 2009 was reached in the last quarter of 2010.

Table 4:
New leasing volume in the Slovene leasing market per quarters 2008 - 2010 in million EUR

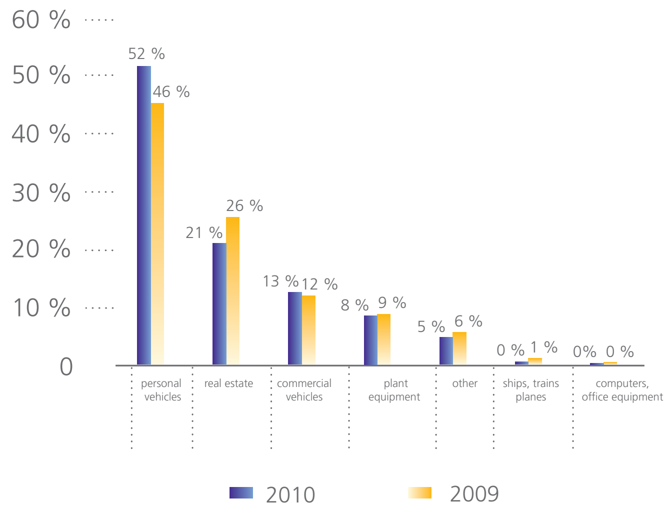
Period	New leasing volume
1 - 3 2008	760.9
4 - 6 2008	811.8
7 - 9 2008	753.4
10 - 12 2008	532.6
1 - 3 2009	439.7
4 - 6 2009	436.3
7 - 9 2009	381.0
10 - 12 2009	398.3
1 - 3 2010	372.6
4 – 6 2010	435.0
7 - 9 2010	372.2
10 - 12 2010	461.9

Source: Bank Association of Slovenia

As mentioned above, the Slovene leasing market suffered a decline of 1% in 2010, whereas 2009 this decline was significantly higher and amounted to 42%. Average growth in the last eight years reached 14%, with the last three years experiencing the lowest growth. Compared to the year 2009, there has been more investment in the leasing of personal and commercial vehicles in 2010, with less investment in the leasing of other equipment. The volume of personal vehicles increased by 13%, and the volume of commercial vehicles by 1%. The largest decline was registered at ship, train, plane equipment (-58%), and at computer and office equipment (-38%). The highest growth was reached at personal vehicles (EUR 101.0 million more than in 2009), and the biggest decline at real estate (EUR 79.6 million less than in 2009). In 2010, personal vehicles had the largest market share in the overall Slovene leasing market (52%). Followed by real estate (21%), commercial vehicles (13%) and plant equipment (8%). come the closest to the 2008 volume at 70% and had the largest market share of the whole leasing market in Slovenia in 2009, followed by real estate, commercial vehicles and equipment.

Based on the business profile of leases, the private-service sector represented 41% of the Slovene movable property in 2010, followed by private individuals (29%) and industry (19%). The Slovene real estate leasing market in 2010 was dominated by the private-service sector (63%), followed by industry (17%). Private individuals represented only 2% of the cost of all investments in real estate.

Figure 8:
Structure of new leasing volume in Slovenia



Source: BAS

The largest players on the market in 2010 were still Hypo Leasing, SKB Leasing, Summit Leasing and NLB Leasing. These companies together have a combined market share of 65.3%. Leasing companies in 2010 financed EUR 1,641.7 million worth of investments in the Slovene market, while the corresponding figure for 2009 was EUR 1,655.4 million. Financial leasing represented EUR 956.4 million (58%) in 2010, while operating leasing represented EUR 221.5 million (13%), loans EUR 147.3 million (9%), and stock financing EUR 316.4 million (19%).

NLB Leasing companies operating in Slovenia (NLB Leasing Ljubljana, NLB Leasing Koper and NLB Leasing Maribor) achieved a 10.4% market share (7.1% in 2009), out of which NLB Leasing Ljubljana a market share of 4.9%. Market share of leasing companies in Slovenia is defined based on the purchase cost of new leasing volume; if the market share was calculated on same the basis as is used for banking (i.e. balance sheet total), the NLB Leasing would have a 10.9% market share, and 2nd position in the market.

Table 5:
New leasing volume (purchase and financed value) by BAS data in 2010

in million of euros	Purchase price	Rating	Market share %	Financial value	Rating	Market share %
HYPO LEASING	400.7	1	24.4	351.4	1	25.1
SKB-SKUPINA SG	320.2	2	19.5	286.6	2	20.5
SUMMIT LEASING	180.2	3	11.0	163.5	3	11.7
COMPANIES NLB LEASING	**170.1**	**4**	**10.4**	**149.9**	**4**	**10.7**
PORSCHE LEASING	162.0	5	9.9	131.3	5	9.4
VBS LEASING+VBS HIŠA	86.4	6	5.3	64.8	7	4.6
DAIMLER AC LEASING	82.7	7	5.0	74.9	6	5.3
UNICREDIT LEASING	57.4	8	3.5	48.2	8	3.4
SKUPINA KBM LEASING	43.9	9	2.7	36.5	9	2.6
ALEASING	35.6	10	2.2	27.1	10	1.9
FINOR	28.8	11	1.8	19.0	11	1.4
PROBANKA LEASING	27.6	12	1.7	14.0	12	1.0
BKS-LEASING	19.9	13	1.2	12.8	13	0.9
MICRA T	11.9	14	0.7	7.9	15	0.6
SPARKASSEN / IMMORENT	9.5	15	0.6	8.0	14	0.6
VBKS LEASING	4.9	16	0.3	4.0	16	0.3
TOTAL	**1,641.7**		**100.0**	**1,399.8**		**100.0**

Source: BAS

Business environment – Southeast Europe

The NLB Leasing Group is present in the Slovene and South Eastern European markets; the individual markets are very diverse and changeable, and so the Group adopts a flexible approach and adapts its operations to the specificities of the individual markets.

In 2010 the financial system of Southeast Europe somewhat recovered from the recession in 2009. Nevertheless, the road to complete recovery is still long. The biggest issue represent non-performing loans, restrictive measures of local regulators, inflation pressure and profitability of operations.

The Croatian leasing market was in 2010 marked with difficult conditions, especially lower demand, increased volume of non-performing loans and currency movement. The NLB Leasing Group together with Optima Leasing Zagreb reached 1.1% market share and thus ranked 11th. The most sought after leasing products in Croatia include properties, primarily in Zagreb and the touristic area, and personal vehicles.

The Bosnian leasing market also experienced a financial crisis and loss of liquidity, and consequently lower demand in 2010. Market situation and adoption of the Decision on minimum amount and manner for allocating, managing and maintaining the reserves for loan losses and risk management of the leasing company brought in a number of changes to leasing company's operations. According to this decision, the impairments are charged exclusively on delays at adjustments, and the leasing company is obliged to form reserves in the amount of 100% for matured and non-matured debts with delay greater than 180 days (movable property), or 360 days (real estate), and to register debts in off-balance until payment/write-off.

Montenegro has undergone huge change in the last few years as a result of foreign investment and aid, a trend that is evident particularly in the real estate and on stock market. Demand for property financing through leasing was significantly lower in the past two years; personal cars, real estate, and commercial vehicles represent the lion's share of leasing investments.

The Bulgarian leasing market experienced serious liquidity problems in 2010 as well as lower supply and demand because of the country's dependence on investors from other European markets. The focus of operations in 2010 was on active management of the existing portfolio, and there were no new investments.

The NLB Leasing Group was in 2010 present in 5 countries in addition to Slovenia, with a sister company in Skopje also covering the Macedonian market. The market share held by the NLB Leasing Group in individual markets is shown in table 6.

Table 6:
Market share of NLB Leasing Group by individual markets in 2010

	Market share %	Company Rating
Slovenia	10.4	4
Serbia*	1.5	20
Montenegro	23.0	3
Croatia	1.1	11
Bosnia	3.3	7
Bulgaria	0.0	-

*Market share of financial and operating leasing. NLB Leasing Beograd has 2.1% market share at financial leasing and ranks 13th, and does not hold any operating leasing.
Source: Statistical data of leasing associations and of NLB Leasing

European Union leasing market

According to the latest research, in 2010 there were 4.9% more new leasing volume concluded in the European leasing market compared to 2009. LeasEurope estimates the volume of new leasing volume in 2010 to EUR 227 billion. This figure shows that European lessees and lessors are stronger and forecast greater volumes also in 2011. The amount of new leasing volume increased in all segments, the most in the segment of real estate leasing (12.3%), slightly less in vehicles (5.9.%) and the least in the segment of plant equipment leasing (2.1%).

The researches show that despite general growth of the European leasing market, there are different growth patterns and leasing activity structures across individual regions. Bigger growth was thus reached mainly in West-European and Scandinavian countries. In the vehicles segment big growth was reached in Spain, Portugal and Scandinavian countries, and in the segment of plant equipment Great Britain prevailed. Several countries of central and Eastern Europe suffered declines in the segment of vehicles, plant equipment and real estate also in 2010.

Expectations for 2011 in EU countries continue to be a bit uncertain; the re-growth of leasing activity is subject to forecast investment and consumption growth. The ultimate outcome still depends on how successfully individual markets recovers, in particular the financial markets, where there was still no improvement in 2010. We can continue to expect a similar spread of leasing services by type of equipment as in previous years. This means leasing investments in personal and commercial vehicles, and plant equipment is likely to continue to be predominant.

Review of Operations

The financial year required constant fine-tuning of the NLB Leasing Group's strategy to adapt to changes on financial markets and the Group thereby managed to maintain its position as a universal leasing provider.

In 2010, NLB Leasing Group had a lower volume of new leasing volume compared to the previous year (it needs to be considered that the structure of the NLB Leasing Group changed in 2010 – NLB Leasing Beograd and NLB Real Estate are at the end of 2010 no longer part of the Group, their data is thus not disclosed in tables and figures for 2010, whereas the data is disclosed in 2009). The new leasing volume decreased for the first time in 2008 when the decrease was 29% compared to 2007. In 2009 the new leasing volume decreased by 60%, and in 2010 by additional 16%. Average annual growth in the new leasing volume between 2004 and 2010 was 10%. NLB Leasing Ljubljana, which enjoyed average annual growth of up to 21% over the past seven years, realized 32% more new leasing volume in 2010 compared to 2009.

In 2010, the NLB Leasing Group concluded EUR 96.5 million worth of new leasing volume, which represents 16% less than in 2009. Compared to 2009, the biggest decrease was in the category "ships, trains, planes", computer and office equipment commercial vehicles and equipment. Significant increase occurred in the category of real estate, which is a consequence of bigger real estate investment concluded by the NLB Leasing Ljubljana Group.

The largest absolute decrease in new leasing volume compared to 2009 was also in the category "ships, trains, planes", with personal vehicles on the 2nd spot which in 2010 decreased by EUR 8.4 million. The total new leasing volume in 2010 decreased by EUR 18.7 million compared to 2009, where it should be noted that in 2009 NLB Leasing Group included also NLB Leasing Beograd and NLB Real Estate Beograd.

The new leasing volume in 2010 can be split between Slovenia and the Southeast Europe region: the Slovene market achieved 83% and the South East Europe region 17% of all new leasing volume in the NLB Leasing Group. In 2010 the turnover of foreign companies decreased, whereas in previous years, it had increased. These companies contributed 52% of new leasing volume in 2007, and 59% in 2008. Despite the lower new leasing volume, the group companies in foreign markets managed to retain their market position, as the competition also had a lower new leasing volume than in 2009.

Figure 9:
New leasing volume - NLB Leasing Group in 2004-2010 (in million EUR)

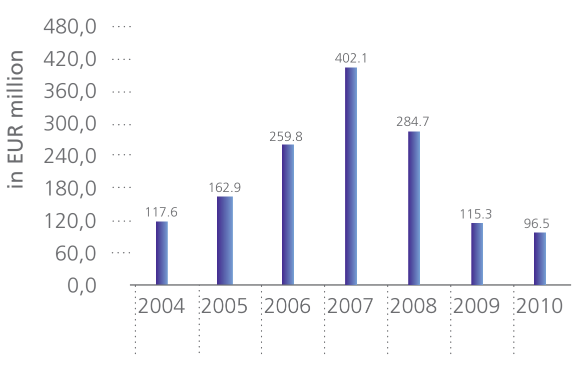
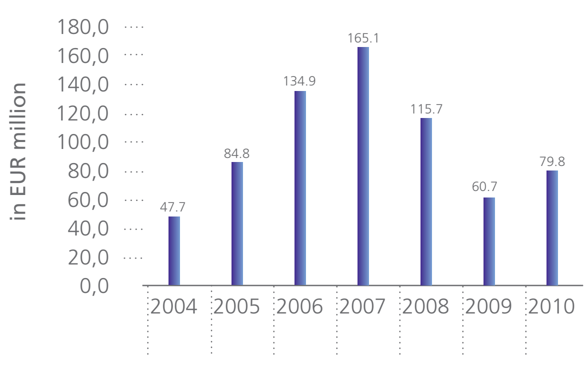


Figure 10:
New leasing volume - NLB Leasing Ljubljana in 2004-2010 (in million EUR)



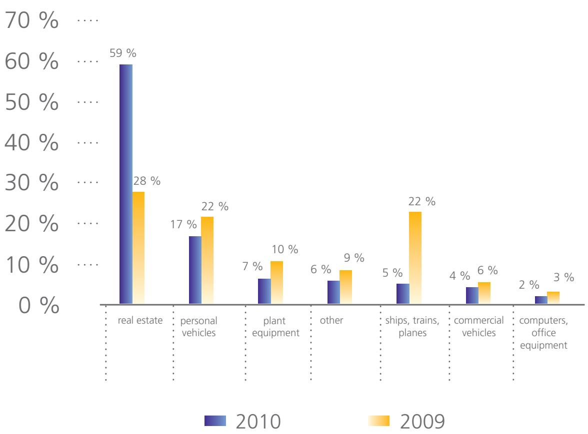
Source: NLB Leasing

Table 7:
Breakdown of new leasing volume of the NLB Leasing Group

	2010		2009		2010/2009
	million EUR	%	million EUR	%	Index
Personal vehicles	16.5	17	24.8	22	66
Commercial vehicles	4.1	4	6.8	6	61
Computers, office equipment	1.9	2	3.9	3	49
Equipment	6.4	7	12.1	10	53
Real estate	57.1	59	31.7	28	180
Ships, trains, planes	4.9	5	25.9	22	19
Other	5.7	6	10.0	9	57
TOTAL	**96.5**	**100**	**115.3**	**100**	**84**

Source: NLB Leasing

Figure 11:
Breakdown of new leasing volume of the NLB Leasing Ljubljana Group



Source: NLB Leasing

Figure 12:
Breakdown of new leasing volume of the NLB Leasing Group

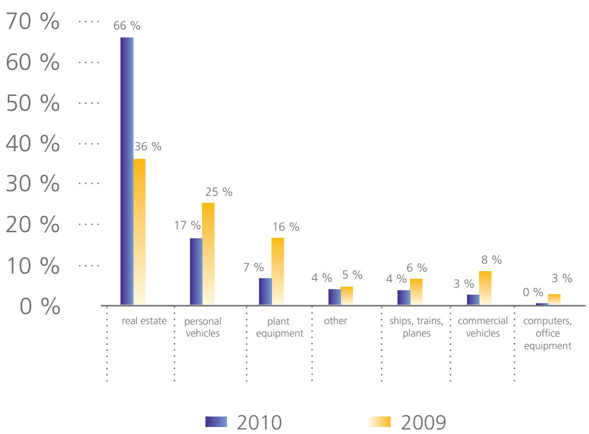


Table 8:
New leasing volume by companies in the NLB Leasing Group in 2010 (in Euro million)

	OSV	KOV	RAO	POP	NPR	LVL	DRU	Total
NLB Leasing Ljubljana	13.2	3.1	0.2	2.9	52.7	2.2	5.5	**79.8**
NLB Leasing Sarajevo	0.5	0.2	0.1	2.4	1.1	0.0	0.0	**4.3**
NLB Leasing Podgorica	1.6	0.6	0.6	0.1	2.4	0.1	0.0	**5.5**
Optima Leasing Zagreb	1.1	0.3	1.1	1.0	0.8	2.5	0.2	**6.9**
NLB Leasing Sofia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
NLB Leasing Group	**16.5**	**4.1**	**1.9**	**6.4**	**57.1**	**4.9**	**5.7**	**96.5**

Legend: OSV – personal vehicles; KOV – commercial vehicles; RAO – computers, office equipment, POP – equipment; NPR – real estate; LVL – ships, trains, planes; DRU – other
Source: NLB Leasing

Financial results of the NLB Leasing Group in 2010

The NLB Leasing Group faced extremely demanding trading conditions in 2010 as a result of the global recession and its impact on the economy. The actual level of economic activity was lower than expected in all markets where the NLB Leasing Group was present. As a consequence, financial discipline deteriorated on one hand, and on the other, the level of demand in the market fell significantly. Because of the recession, nominal financing costs remained high, despite the fall in reference interest rates. Financial sources received in 2010 had significantly higher margins than those at which banks had provided to NLB Leasing Group in the previous years.

In 2010, the NLB Leasing Group sought opportunities for new investments in the changed market conditions - notably the difficulty in obtaining sufficient and suitable sources of finance, and an increasing lack of financial discipline - and accordingly adopted a prudent policy in recognising a high level of impairment provisions of its receivables. In 2010 the NLB Leasing Group concluded EUR 96.5 million of new leasing volume (compared to EUR 115.3 million in 2009), the lower volume of commercial activity being a consequence of lower demand, (non-)availability of financial sources that exist in the market, and owner's strategy to trim the balance sheet. In 2010, the NLB Leasing Group continued with the reorganization of companies and disposed two subsidiaries. Consequently, the balance sheet total of the NLB Leasing Group decreased significantly from EUR 619 million to EUR 487 million.

The NLB Leasing Group concluded the financial year 2010 with a loss of EUR 23.7 million (major shareholders: EUR 20.9 million). The financial year was concluded with a loss also in subsidiaries, with negative profit and loss resulting mainly from impairment charge, and in the case of Optima Leasing d.o.o. Zagreb also from exchange rate differences. The NLB Leasing Group had a positive profit and loss before the impairment charge of receivables.

Table 9:
Key trading indicators of the NLB Leasing Group

	2010	2009
New leasing volume (in million EUR)	96.5	115.3
Average leasing duration (years)	14.7	4.3
Debt to equity (D/E)	30.5	18.4
ROE % (before taxes)*	-	-
ROA % (before taxes)*	-	-
Profit after taxes (in thousand EUR)	-20.890	-6.219
Total revenue (in thousand EUR)	74.366	88.819

*Indicator calculation for 2010 and 2009 is not meaningful because of net loss realised.
Source: NLB Leasing

Financial results of NLB Leasing Ljubljana in 2010

NLB Leasing Ljubljana concluded this financial year with a negative profit and loss in the amount of EUR 18.052 million (in 2009 the loss amounted to EUR 5.374 million). The loss is a consequence of the increase in outstanding claims , followed by additional impairments charged to claims and assets – company's profit and loss before taxes and before impairments charged would in 2010 amount to EUR 3.4 million.

The balance sheet total of NLB Leasing Ljubljana has significantly decreased, from EUR 498 million (as per 31 December 2009) to EUR 377 million (as per 31 December 2010). As mentioned, the decrease of balance sheet total is a mainly a result of the disposal of two subsidiaries, as well as lower commercial activity and new impairments charged to claims.

In 2010, the company concluded new investments of EUR 79.8 million (in 2009: EUR 60.7 million), the major part of these new investments represents financing real estate investment based on which the average maturity of new investments at NLB Leasing Ljubljana significantly increased, and consequently also the maturity of new investments of the NLB Leasing Group.

Table 10:
Key trading indicators of NLB Leasing Ljubljana

	2010	2009
New leasing volume (in million EUR)	79.8	60.7
Average leasing duration (years)	16.6	2.7
Debt to equity (D/E)	17.2	14.9
ROE % (before taxes)*	-	-
ROA % (before taxes)*	-	-
Profit after taxes (in thousand EUR)	-18.052	-5.374
Total revenue (in thousand EUR)	40.530	41.249

*Indicator calculation for 2010 and 2009 is not meaningful because of net loss realised.
Source: NLB Leasing

Risk Management

Risk Management is vital to achieving business objectives, as its aim is to assess all kinds of risks to enable a timely response and to lower exposure to risks. In 2010, we placed an emphasis on the continued development of our risk management covering both credit and non-credit risks. In 2010, the company and Group adopted a renewed Methodology of credit grouping and Methodology of receivables impairment and provisioning rate for credit risks.

Credit risks

Leasing distinguishes itself from other forms of financing in that the lesser has a security against non-repayment of its investment in the form of the leased asset, which it purchased on the basis of an order placed by the lessee. Collateral in the form of an ownership of an object does not replace the credit rating of the lessee.

The NLB Leasing Group is exposed to credit risk in its portfolio, represented by the risk of losses resulting from the default by individual lessees' on the obligations arising from their leasing contracts.

Credit risk management requires special attention in the current economic and financial conditions. In addition to carrying out credit ratings of customers in order to minimise credit risk, the NLB Leasing Group also applies certain other security measures in its operations. These include the following:

- increasing the lessees participation in the financing of the investment;
- adapting the period of lease according to the nature of the leased asset;
- requiring additional instruments and/or forms of collateral (bills of exchange, guarantees, mortgages, pledge on movable assets).

When monitoring its operations, the NLB Leasing Group constantly strives to improve its credit risk management in approving investments and to reduce the share of overdue outstanding receivables.

In 2010 the company adopted the Methodology of credit rating and definition of borrowing limit, and amended Methodology of impairment of receivables and provisioning for credit risks according to the International Financial Reporting Standards and regulations of the Bank of Slovenia.

The first document represents an upgrade of the current credit rating system in a way that it expands the methodological basis of the credit ratings, defines the analysis process of financial statements and financial indicators, and determines guidelines for credit rating. The current method of credit rating determination in the company was mainly based on delays in settlement of obligations by the customers.

The second document upgrades the current system of impairments, especially impairments of receivables and provisioning on a group level (portfolio approach) for companies, sole traders, and natural persons. It is based on classification of customers and receivables into groups and subgroups that represent the type of customer and with the credit rating also their business performance, financial status and current relationship with the company, especially in terms of settlement of obligations.

Managing non-credit risks

The NLB Leasing Group monitors non-credit risks within its non-credit risk management policy. The adopted policies on liquidity, interest rate and currency risk follow the recommendations and guidelines, prepared within the Development and minimum standards programme on risk management in the NLB Group.

The NLB Leasing Group independently developed an IT application to monitor non-credit risks.

Interest rate risk

In 2010 the NLB Leasing Group started to monitor the exposure to interest rate risk using interest rate spreads. The methodology is based on classifying cash flows of financial instruments subject to interests into time intervals in accordance with their residual maturity at fixed interest rate, or with a period of re-definition of interest rate at variable interest rate.

A major part of the NLB Leasing Group's investment is at a variable interest rate, being the Euribor interest rate for the six-month deposits plus a margin, since the interest rates on the Group's own bank borrowing are structured in a similar way. To a lesser extent the NLB Leasing Group finances its investments with fixed interest rate borrowings.

Currency and foreign exchange risk

The NLB Leasing Group regularly monitors currency and foreign exchange risks according to its policy on currency and foreign exchange risk. The Group maintains a prudent policy in managing currency and foreign exchange risk, closing open currency positions within set limits. The portfolio share in CHF is relatively low, as the new investments in 2010 were made in Euro or with Euro-value clause. The currency mismatch in Euro is mostly a result of structure imbalance of resources, or responsibilities of the NLB Leasing Group's companies.

Operating risks

Within the NLB Leasing Group operations are monitored for operating risks since 2008. These risks relate to deficiencies or errors in the operation of internal processes, systems or to human error or are due to external events. Management of operating risks aims at limiting the volume of potential loss and lowering the possibility of their occurrence to the level that is acceptable for the company in terms of financial damage.

The purpose of managing operating risks is to monitor loss events, identify risks, asses and manage risks.

Source of financing and cash flow

In 2010 harsh conditions at financial markets continued. The NLB Leasing Group's companies responded to the new conditions by obtaining more finance from banks in the NLB Group, transferring leasing companies financing to NLB d.d., and by reducing the commercial activity. NLB d.d. granted part of the financial sources in the amount of EUR 7.5 million through capital injection. Capital injection and long-term loans to refinance existing short-term loans significantly improved the maturity structure of sources of the NLB Leasing Group, as part of the long-term sources increased.

Information technology

In accordance with the plan, the renovation project of the basic software solution in all leasing companies of the NLB Leasing Group was smoothly finished in 2010. The project that was started in 2009, was successfully completed in July 2010, and after six months of use and completed transfer to new year its performance can be fully confirmed. The new solution is based on a modern architecture with the use of modern technologies and will enable significantly easier management of all additional demands that financial institutions receive these days from regulators. Additionally, the new architecture enables significantly greater flexibility which is extremely important in these times.

In addition to the renovation of the basic software solution, in 2010 the NLB Leasing Group continued with the project of documentation system implementation. Beside the company in Ljubljana, the documentation system is now implemented also in sister companies in Koper, Maribor and in subsidiary in Zagreb. With this project the NLB Leasing Group managed to achieve an even higher rate of unity and regularity of processes in its leasing companies.

2010 saw the completion of the project of business continuity implementation of NLB Leasing Ljubljana. After the implementation in Ljubljana, the project expanded to all other companies in accordance with good practice. At the moment the project of business continuity implementation is completed also in the sister company in Koper, and commences in the company in Maribor.

Three bigger projects were not the only issue in 2010. Adapting to market situations also represented focusing on better efficiency and bigger added value of information technology. A lot was done in the field of integration and automation of processes. After the implementation of a unified server for e-mail in 2009, a unified access to e-mail via mobile phones was established in 2010 through BlackBerry system.

Corporate Governance and Social Responsibility

Corporate governance of the NLB Leasing Group

NLB Leasing Ljubljana, as the parent company and in line with established business principles, provides corporate governance for the NLB Leasing Group by following fundamental doctrines of corporate administration and management as well as other standards that ensure effective business supervision.

The most important mechanism is risk management which monitors and manages various types of risks (credit and non-credit alike). In addition, the controlling company defines the roles or responsibilities of various bodies and other organizational units and ensures that they operate in a goal congruent way towards meeting business objectives and harmonises business practices for all markets where we are present. In this way the controlling company aims to ensure a smooth and co-ordinated operation of the business in the various areas of the individual group companies, mainly through checking the accuracy of correct financial reporting, which is essential for the preparation of consolidated financial statements at the Group level and other reporting that need to be submitted by the subsidiary companies. The system of corporate governance in NLB Leasing Group also has the following mechanisms:

- methods of harmonization and standardization;
- strategic conferences (where all leasing companies in the Group are present);
- meetings of regional directors and of directors of leasing companies in NLB Group

The corporate governance is exercised in accordance with fundamental principles of the Corporate Governance Policy of the NLB Group, which governs the management and supervision of the whole Group. In line with general corporate regulations, the NLB Leasing Group is governed at a corporate level through the appropriate Group governing bodies by means of:

- votes held at NLB Leasing Group shareholders' meetings,
- votes held at NLB Leasing Group Supervisory Board meetings,
- appointing members to the NLB Leasing Management Board.

Human resource management

As at 31 December 2010 the NLB leasing Group had for 105 employees compared to 122 as at 31 December 2009. The decrease is the result of the organisational restructuring and disposal of NLB Leasing Beograd and NLB Real Estate Beograd. There was a need to increase the number of employees at two companies, NLB Leasing Sarajevo and Optima Leasing Zagreb. To optimize business processes, the first company employed one new employee, and the latter two.

Employees in the NLB Leasing Group are encouraged to be innovative, dynamic, customer-focused through our education, training and motivation programmes. The NLB Leasing Group organised professional training seminars and social events in 2010, encouraging team work amongst employees and creating a positive working environment. Employees in the NLB Leasing Group also took part in external seminars in 2010, organized across various fields of expertise, which further developed their knowledge.

Table 11:
Number of employees by company in the NLB Leasing Group

Company	31. 12. 2010	31. 12. 2009
NLB Leasing, d. o. o., Ljubljana	69	69
NLB Leasing, d. o. o., Sarajevo	10	9
NLB Leasing Podgorica, d. o. o.	7	7
Optima Leasing, d. o. o., Zagreb	16	14
NLB Leasing Sofia, e. o. o. d.	3	3
NLB Leasing d.o.o., Beograd *	-	19
NLB Real Estate, d. o. o., Beograd *	-	1
NLB Leasing skupina	105	122

*Companies NLB Leasing Beograd and NLB Real Estate were at the end of 2010 no longer a part of the NLB Leasing Group.
Source: NLB Leasing

Internal audit

The internal audit function of NLB Leasing Ljubljana operates in accordance with the International Standards of Professional Conduct in Internal Auditing, the Code of Professional Ethics of Internal Auditors and the Code of the Principles of Internal Auditing. It has an independent, objective, expert and advisory function within the Company and evaluates the Company's internal control system, operational and other key risks as well as the overall management of the business. The main function of internal audit is to provide the Company's management board with an impartial assessment of the administration and assurance on the effectiveness of the Company's risk management with the assessment whether key risks are adequately managed and whether internal control system is efficient.

The internal audit performs its function for all leasing companies in the NLB Group. There are 2 workers employed at the internal audit department. In 2010 the internal audit department conducted five full regular and extraordinary internal audit assignments, for which it monitors the implementation of audit reports. In addition the internal audit department monitored the implementation of recommendations, provided during the inspection by the Bank of Slovenia, Croatian Financial Services supervisory agency - Hanfa and Banking agency of the federation of Bosnia and Herzegovina. The internal audit department also acts as a liaison between the Company's own employees and external auditor PricewaterhouseCoopers as well as other companies in the Group throughout the year. The other activities of the internal audit department related to providing advice and coordinating ongoing projects.

The operation of the internal audit department is set out in the *Regulations governing the functioning of Internal Audit* and the operation guidelines are in accordance with *Manual for the work of internal auditors* of the NLB's Internal Audit Centre. The planning of audits is based on an analysis of the inherent and control risks that are present in the NLB Leasing Group. In performing internal audits most emphasis is placed on the internal control system and risk management, which is consistent with the COSO (the Committee of Sponsoring Organization of the Treadway Commission) model. Internal audit reports regularly to the management and supervisory boards of NLB Leasing Ljubljana, Internal Audit Centre of NLB d.d., and, if required, to external regulators.

Corporate Social Responsibility

Environmental protection

In 2010 the NLB Leasing Group was in full compliance with the legislation governing health and safety at work, fire protection and protection of environment. Training of employees in this field was conducted in accordance with the guidelines of the NLB Leasing Group and organized at least once in the current financial period.

The promotion of environmental and fire-safety awareness among employees and business partners is also part of our corporate social responsibility.

Sponsorships and donations

NLB Leasing Group is actively involved in sports, cultural and charitable events.

On the sporting front we are together with our parent company the main sponsor of the NLB League (basketball), in our capacity we sponsor the Volleyball Club ACH Volley, Volleyball Club Olimpija, Male Volleyball Club Kočevje, Sailing Club Horizont, NK Maribor, the Sports Journalist Association and many smaller sports clubs and associations.

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In 2010 the NLB Leasing Group was involved also with the following organizations and institutions: Red Cross Slovenia, Društvo za pomoč prezgodaj rojenim otrokom – Association for prematurely born infants, Rotary Club Zagorje Kum, Rotary Club Carniola, Slovenian Science Foundation, Lions Club Koper Obala, Zavod 7, Slovensko društvo staršev otrok z rakom – Slovene Childhood Cancer Parents Association.

In addition, the NLB Leasing Group responded to calls for help when a significant part of Ljubljana was flooded. With its contribution, the NLB Leasing Group supported the charitable concert, organized by volunteers from Črna vas together with the exceptional Slovene musicians. The proceeds from the ticket sales were entirely used for the damage rehabilitation, the assets were received by beneficiaries or those in distress.

2 Annual Report

Audited Financial Statements 2010
NLB Leasing, d. o. o., Ljubljana

In accordance with Slovene Accounting Standards

Contents

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INDEPENDENT AUDITOR'S REPORT

To the shareholder of NLB Leasing d.o.o., Ljubljana

Report on the financial statements

We have audited the accompanying financial statements of NLB Leasing d.o.o., Ljubljana, which comprise the statement of financial position, balance sheet as at 31 December 2010 and the statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Slovenian Accounting Standards and the disclosure requirements of the Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of NLB Leasing d.o.o., Ljubljana as of 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with Slovenian Accounting Standards and the disclosure requirements of the Companies Act.

This version of our report is a translation from the original, which was prepared in Slovene. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

***PricewaterhouseCoopers d.o.o.**, Cesta v Kleče 15, SI-1000 Ljubljana, Slovenija*
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Matična št.: 5717159, Davčna št.: SI35498161

Report on other legal and regulatory requirements

Management is also responsible for preparing the management report as required by the Slovenian Companies Act. Our responsibility is to assess whether the management report is consistent with the accompanying financial statements of the Company. Our work regarding the management report is performed in accordance with ISA 720 and is restricted to assessing whether the management report is consistent with the accompanying financial statements of the Company.

The management report is consistent with the accompanying financial statements.

Ljubljana, 21 April 2011

PricewaterhouseCoopers d.o.o.

Mojca Vrečar
Certified Auditor

Francois Mattelaer
Partner

Balance Sheet

	In thousand of euros	N	31. 12. 2010	31. 12. 2009
	Assets		**377,370**	**498,035**
A)	**Non-current assets**		**226,920**	**347,491**
I.	**Intangible assets, non-current deferred costs and accrued revenue**		**317**	**203**
1.	Non-current licences	**3.1.1**	309	194
5.	Other non-current deferred costs		8	9
II.	**Property, plant and equipment**	**3.1.2**	**12,820**	**13,200**
1.	Land and buildings		4,695	4,816
2.	Other plant and equipment		8,125	8,384
3.	Property, plant and equipment being acquired		-	-
III.	**Investment property**	**3.1.3**	**37,601**	**5,579**
IV.	**Non-current financial assets**	**3.1.4**	**167,891**	**324,781**
1.	Non-current financial assets other than loans		635	8,820
	a) Shares in group companies		635	8,820
	b) Other non-current financial investments		-	-
2.	Non-current financial assets and receivables from finance leases		167,256	315,961
	a) Non-current loans to group companies		42,899	178,015
	b) Non-current loans to others		18,776	15,300
	c) Non-current receivables from finance leases to group companies		13	18
	d) Non-current receivables from finance leases to others		105,568	122,628
V.	**Non-current trade receivables**	**3.1.5**	**7**	**7**
1.	Non-current trade receivables		7	7
VI.	**Deferred tax asset**	**3.1.6**	**8,284**	**3,721**
B)	**Current assets**		**150,248**	**150,371**
I.	**Assets (disposal group) held for sale**	**3.1.7**	**4,979**	**4,498**
II.	**Inventories**	**3.1.8**	**10,335**	**11,874**
1.	Work in progress		3,980	7,778
2.	Products and merchandise		6,355	4,096
III.	**Current financial assets**	**3.1.9**	**126,305**	**125,926**
1.	Current loans to group companies		34,850	12,497
2.	Current loans to others		44,033	59,016
3.	Current receivables from finance leases		47,422	54,413
IV.	**Current trade receivables**	**3.1.10**	**3,998**	**3,940**
1.	Current trade receivables due from group companies		61	61
2.	Current trade receivables		1,761	1,163
3.	Current trade receivables due from others		2,176	2,716
V.	**Cash and cash equivalents**	**3.1.11**	**4,631**	**4,133**
C)	**Prepayments and accrued income**	**3.1.12**	**202**	**173**

Balance Sheet

	In thousand of euros	N	31. 12. 2010	31. 12. 2009
	Equity and liabilities		**377,370**	**498,035**
A)	**Equity**		**20,760**	**31,312**
I.	**Called-up capital**		**28,481**	**20,981**
1.	Share capital		28,481	20,981
II.	**Capital reserves**		**-**	**7,268**
III.	**Revenue reserves**		**-**	**3,061**
1.	Legal reserves		-	431
2.	Other revenue reserves		-	2,630
IV.	**Revaluation surplus**		**-**	**2**
V.	**Retained earnings**		**-**	**-**
VI.	**Net profit or loss for the period**		**(7,721)**	**-**
B)	**Provisions and non-current accruals**		**1,207**	**1,296**
1.	Retirement and similar provisions	**3.2.1**	96	106
2.	Non-current accrued costs and deferred revenue	**3.2.2**	1,111	1,190
C)	**Non-current liabilities**		**206,432**	**176,378**
I.	**Non-current financial liabilities**	**3.2.3**	**206,432**	**176,378**
1.	Non-current financial liabilities to group companies		100,371	20,372
2.	Non-current financial liabilities to banks		106,010	155,562
3.	Other non-current financial liabilities		51	444
Č)	**Current liabilities**		**148,662**	**288,924**
I.	**Current financial liabilities**	**3.2.4**	**145,267**	**284,063**
1.	Current financial liabilities to group companies		41,459	153,564
2.	Current financial liabilities to banks		103,808	130,499
II.	**Current trade payables**	**3.2.5**	**3,395**	**4,861**
1.	Current trade payables to group companies		1	2
2.	Current trade payables to suppliers		1,574	2,512
3.	Current trade payables - advances received		734	1,092
4.	Other current trade payables		1,086	1,255
D)	**Accruals and deferred income**	**3.2.6**	**309**	**125**

The notes 44 -71 are an integral part of these financial statements.

Income statement

In thousand of euros	N	2010	2009
1. Net sales	**4.1**	**7,236**	**4,976**
a) Net sales of goods and services		3,320	1,669
b) Revenue from operating leases and investment property		3,916	3,307
2. Change in value of inventory	**4.2**	**6,273**	**2,970**
3. Other operating income	**4.3**	**1,551**	**474**
a) Operating income from revaluation of fixed assets		88	258
b) Other revaluation operating income		1,463	216
4. Cost of goods, materials and services	**4.4**	**(10,392)**	**(5,169)**
a) Cost of goods sold and of materials		(7,296)	(2,967)
b) Cost of services		(3,096)	(2,202)
5. Employment costs	**4.5**	**(2,830)**	**(3,132)**
a) Salaries		(1,934)	(2,122)
b) Social contributions		(344)	(386)
c) Other employment costs		(552)	(624)
6. Write downs in value	**4.6**	**(3,679)**	**(4,857)**
a) Depreciation and amortisation		(1,658)	(2,233)
b) revaluation operating expenses associated with intangible and tangible fixed assets		(912)	(845)
c) revaluation operating expenses associated with operating current assets		(1,109)	(1,779)
7. Other operating expenses	**4.7**	**(340)**	**(518)**
8. Financial revenue from shares and interests	**4.8**	**999**	**1,697**
a) financial revenue from interests in group companies		-	950
b) financial revenue from other investments		999	747
9. Financial revenue from loans and finance leases	**4.9**	**24,381**	**31,036**
a) financial revenue from loans to group companies		6,461	9,956
b) financial revenue from loans to others		3,981	5,075
c) financial revenue from finance leases to Group Companies		1	25
d) financial revenue from finance leases		11,554	12,976
e) financial revenue from the reversal of impairments		2,384	3,004
10. Financial expenses from impairments and investment write-offs	**4.10**	**(28,923)**	**(15,496)**
11. Financial expenses from financial liabilities	**4.11**	**(16,348)**	**(18,909)**
a) financial expenses from loans payable to Group companies		(6,252)	(5,624)
b) financial expenses from bank loans		(8,810)	(12,018)
c) financial expenses from other financial liabilities		(1,286)	(1,267)
12. Financial expenses from trade payables	**4.12**	**(10)**	**(17)**
a) financial expenses from liabilities to suppliers		-	(17)
b) financial expenses from other liabilities		(10)	-
13. Other revenue	**4.13**	**90**	**96**
14. Other expenses	**4.14**	**(18)**	**(36)**
15. Income tax	**4.15**	**(605)**	**(903)**
16. Deferred tax	**4.15**	**4,563**	**2,414**
17. Net loss for the period	**4.16**	**(18,052)**	**(5,374)**
18. Other comprehensive income		**-**	**-**

The notes 44 -71 are an integral part of these financial statements.

Cash flow statement using format II (indirect method)

	In thousand of euros	2010	2009
A)	**Cash flows from operating activities**		
a)	**Items from the Income statement**		
	Operating revenue (excluding revaluations) and financial revenue from trade receivables	7,326	5,073
	Operating expenses (excluding depreciation) and financial expenses from trade payables	(7,317)	(6,174)
	Income tax and other taxes not included in operating expenses	(270)	19
		(261)	**(1,082)**
b)	**Changes in net current assets in balance sheet items (including prepayments, deferred expenses and tax liabilities)**		
	Opening less closing trade receivables	(406)	693
	Opening less closing deferred costs and accrued revenue	(29)	(3)
	Opening less closing deferred tax assets	-	-
	Opening less closing assets (disposal group) held for sale	1,202	2,286
	Opening less closing inventories	(7,935)	(1,499)
	Closing less opening operating liabilities	(1,538)	(924)
	Closing less opening accrued costs, deferred revenue and provisions	105	(309)
	Closing less opening deferred tax liabilities	-	-
		(8,601)	**244**
c)	**Net cash outflow from operating activities**	**(8,862)**	**(838)**
B)	**Cash flows from investing activities**		
a)	**Cash inflows from investing activities**		
	Cash inflows from interest and dividends deriving from investing activities	19,686	29,076
	Cash inflows from the disposal of intangible assets	-	-
	Cash inflows from the disposal of property plant and equipment	1,994	1,814
	Cash inflows from the disposal of investment properties	441	41
	Cash inflows from the disposal of non-current assets	180,456	31,954
	Cash inflows from the disposal of current investments	7,439	60,049
		210,016	**122,934**
b)	**Cash outflows from investing activities**		
	Cash outflows to purchase intangible fixed assets	(192)	(39)
	Cash outflows to property, plant and equipment	(4,148)	(2,854)
	Cash outflows to purchase investment properties	(26,560)	(28)
	Cash outflows to purchase non-current investments	(50,410)	(35,096)
	Cash outflows to purchase current investments	(5,036)	(25,207)
		(86,346)	**(63,224)**
c)	**Net cash inflow from investing activities**	**123,670**	**59,710**
C)	**Cash flows from financing activities**		
a)	**Cash inflows from financing activities**		
	Cash inflows from paid-in capital	7,500	-
	Cash inflows from increasing long-term borrowing	38,707	15,054
	Cash inflows from increasing short-term borrowing	31,796	252,029
		78,003	**267,083**
b)	**Cash outflows from financing activities**		
	Cash ouflows for the payment of interest	(13,830)	(21,347)
	Cash outflows for the repayment of capital	-	-
	Cash outflows for the repayment of long-term borrowings	(111,212)	(97,203)
	Cash outflows for the repayment of short-term borrowings	(67,271)	(204,660)
	Dividends paid	-	(377)
		(192,313)	**(323,587)**
c)	**Net cash outflows from financing activities**	**(114,310)**	**(56,504)**
Č)	**Cash and cash equivalents at end of period**	**4,631**	**4,133**
x)	Net cash inflow for the period (sum of net cash flows Ac, Bc and Cc)	**498**	**2,368**
y)	Cash and cash equivalents at beginning of period	**4,133**	**1,765**

Statement of changes in Equity

In thousand of euros	Called-up capital	Capital reserves	Revenue reserves		Revaluation surplus	Retained earnings	Net profit or loss for the period	Total Equity
	Share capital		Legal reserves	Other revenue reserves		Net profit brought forward	Net loss for the period	
As at 1 January 2010	**20,981**	**7,268**	**431**	**2,630**	**2**	**-**	**-**	**31,312**
Transfers to Equity	**7,500**	**-**	**-**	**-**	**-**	**-**	**(18,052)**	**(10,552)**
Additional capital contributions	7,500	-	-	-	-	-	-	7,500
Transfer of income for the period	-	-	-	-	-	-	(18,052)	(18,052)
Other additions to Equity	-	-	-	-	-	-	-	-
Transfers within Equity	**-**	**(7,268)**	**(431)**	**(2,630)**	**(2)**	**-**	**10,331**	**-**
Allocation of profit to other capital accounts by resolutions of Management and Supervisory Boards	-	-	-	-	-	-	-	-
Transfer to cover loss for the period	-	(7,268)	(431)	(2,630)	(2)	-	10,331	-
Other transfers in Equity	-	-	-	-	-	-	-	-
Transfers from Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Payment of dividends	-	-	-	-	-	-	-	-
Other comprehensive income for the period	-	-	-	-	-	-	-	-
As at 31 December 2010	**28,481**	**-**	**-**	**-**	**-**	**-**	**(7,721)**	**20,760**

In thousand of euros	Called-up capital	Capital reserves	Revenue reserves		Revaluation surplus	Retained earnings	Net profit or loss for the period	Total Equity
Transfers to Equity	Share capital		Legal reserves	Other revenue reserves		Net profit brought forward	Net loss for the period	
As at 1 January 2009	**20,981**	**7,268**	**431**	**2,892**	**2**	**5,112**	**377**	**37,063**
Transfers to Equity	**-**	**-**	**-**	**-**	**-**	**-**	**(5,374)**	**(5,374)**
Additional capital contributions	-	-	-	-	-	-	-	-
Transfer of income for the period	-	-	-	-	-	-	(5,374)	(5,374)
Other additions to Equity	-	-	-	-	-	-	-	-
Transfers within Equity	**-**	**-**	**-**	**(262)**	**-**	**(4,735)**	**4,997**	**-**
Allocation of profit to other capital accounts by resolutions of the Management and Supervisory Boards	-	-	-	-	-	377	(377)	-
Transfer to cover net loss for the period	-	-	-	(262)	-	(5,112)	5,374	-
Other transfers within Equity	-	-	-	-	-	-	-	-
Transfers from Equity	**-**	**-**	**-**	**-**	**-**	**(377)**	**-**	**(377)**
Payment of dividends	-	-	-	-	-	(377)	-	(377)
As at 31 December 2009	**20,981**	**7,268**	**431**	**2,630**	**2**	**-**	**-**	**31,312**

Notes to the Statement of changes in Equity

Capital reserves comprise:

- Share premium of Euro 5,254 thousand
- Capital reserves arising on the merger with NLB Leasing Murska Sobota, d. o. o. of Euro 343 thousand
- Capital reserves arising on the merger with NLB Leasing Velenje, d. o. o. of Euro 183 thousand
- An equity revaluation of Euro 1,488 thousand

The loss for the current period is Euro 18,052 thousand.

Annex to Statement of changes in Equity - Reconciliation of the accumulated loss

In thousand of euros	2010	2009
Net loss for the period	(18,052)	(5,374)
Retained earnings	-	5,112
Decrease in revenue reserves	2,630	262
Decrease in legal reserves	431	-
Decrease in capital reserves	7,268	-
Decrease in revaluation of equity	2	-
Accumulated loss	**(7,721)**	**-**

Statement of management's responsibility

The management hereby approves the financial statements for the year ended 31 December 2010 and the accompanying accounting policies and notes to the financial statements.

The management is responsible for the preparation of the annual report in and ensuring that it represents a true and fair presentation of the assets and liabilities and the results of its operations for the year ended 31 December 2010.

The management confirms that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgments and estimates have been made in preparing the financial statements. The management also confirms that financial statements, together with the notes hereto, have been prepared on the basis of assumption of going concern and in accordance with the legislation in force and Slovenian Accounting Standards.

The management is also responsible for maintaining proper accounting records, taking reasonable steps to safeguard assets and to prevent and detect fraud and any other irregularities or discrepancies.

The tax authorities are entitled to inspect company operations at any time within five years following the year in which a tax assessment was due, which can as a result give rise to additional tax liabilities, interest and penalties in respect of Corporate income tax or other taxes and charges. The management is not aware of any circumstances which could lead to eventual liabilities in this regard.

Ljubljana, 21.4.2011

Samo Turk
Member of the Management Board

Borut Simonič,
Chairman of the Management Board

Notes to the Company financial statements

1 BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

The financial statements of NLB Leasing d.o.o. Ljubljana (hereafter referred to as NLB Leasing Ljubljana) have been prepared in accordance with the 2006 Slovenian Accounting Standards (hereafter referred to as SRS 2006) and the Companies Act (ZGD-1). The data presented in the financial statements are based on accounting records and books of account that are kept in accordance with SRS 2006.

The Company also draws up consolidated financial statements in accordance with SRS 2006, which include NLB Leasing Ljubljana and all of its subsidiaries (hereafter referred to as the Leasing Group). All of the subsidiaries where NLB Leasing Ljubljana has more than half of the voting rights either directly or indirectly are fully consolidated. The consolidated and Company financial statements are available at the Company's registered office and on www.nlbleasing.si. The annual report of the NLB Group as parent company of the NLB Leasing d.o.o. Ljubljana is avaliable on www.nlb.si.

In order to obtain accurate information of the financial position and results of the entire Leasing Group, it is necessary to read the individual financial statements of NLB Leasing Ljubljana in conjunction with the consolidated financial statements.

The preparation of the financial statements involves certain fundamental accounting assumptions: the accrual basis, going concern and the qualitative characteristics of financial statements; i.e. understandibility, relevance, reliability and comparability. The accounting framework also involves the application of the following accounting principles: prudence, substance over form and materiality.

Items presented in the financial statements are measured in the currency of the primary economic environment where the company operates. The financial statements are presented in euros, which is the company's functional and presentational currency.

Items presented on the face of the income statement and balance sheet, have been sub-divided in order to present a more realistic picture. Any subsection containing the term "group" includes relations both towards the NLB Leasing Group as well as towards the NLB Group. A more detailed breakdown of accounts "in the group" has been disclosed in the notes to the financial statements.

2 ACCOUNTING POLICIES

2.1 Intangible assets

Intangible assets include investments in concessions, patents, licences, trademarks and similar rights and long-term deferred costs. They are non-monetary assets and generally do not exist in physical form. Intangible assets are recognized at acquisition, if it is likely that future economic benefits can be derived from them and it is possible to measure their acquisition cost reliably.

Following the initial recognition, intangible assets are measured using the cost method.

All intangible assets have a finite useful life. Their book value is reduced based on accumulated amortisation and impairment losses. Intangible assets with a finite useful life are amortised within their respective useful life. Amortisation is applied on a straight-line basis.

The carrying values of intangible assets must be re-assessed in detail at the end of each financial year. If the expected useful life of individual intangible assets with a finite useful life differs significantly from the previous assessment and if expected economic benefits deriving from the assets changes significantly, it is necessary to adjust the amortisation period and method accordingly.

The difference between net sale proceeds and the book value of intangible assets sold is included under revaluation operating revenues, if the net sale proceeds are greater that the book value, or under revaluation operating expenses, if the book value is greater than the net sale proceeds.

The company also reviews whether an individual intangible asset was impaired on the date of preparation of the financial statements, by comparing its book value to its recoverable value. The recoverable value is the higher of the value in use and the realisable value. Any impairment identified is recognised immediately in the income statement.

2.2 Property, plant and equipment

Property, plant and equipment represents assets owned by the Company or held under a finance lease, or controlled by the Company in some other way, which are used in creating products and rendering services or for leasing out or for administrative purposes, and are expected to remain in use for more than one accounting period.

Property, plant and equipment is initially recognised at cost. The cost of property, plant and equipment comprises the purchase price, import duties and other non-refundable charges and all other costs that may be directly attributable to bringing the assets to the location and condition for their intended use as far as is necessary, as well as an estimate of decommissionings, removal and restoration costs. If the acquisition value of an item of property, plant and equipment tangible fixed asset is high, it is divided into subcomponents. The Company shows as property, plant and equipment not only non-current assets which it uses itself but also assets let out on operating leases.

Subsequently accrued costs which are linked to the said assets increase its acquisition value if future benefits rise in relation to preliminary estimates.

Investments in property, plant and equipment owned by other entities are also shown as property, plant and equipment.

Following initial recognition, the company measures property, plant and equipment according to the cost model, which requires an asset to be measured at cost less accumulated depreciation and impairment losses.

Accounting for depreciation begins on the first day of the following month once the asset is fit for use. The Group uses a straight-line depreciation method. Depreciation is calculated based on the original acquisition value of depreciable assets less the eventual estimated residual value. Depreciation is calculated at a rate which reflects the useful life of the assets and is set for an individual fixed asset and is disclosed in amortisation/depreciation notes below.

The residual value and useful life of assets is reviewed on the balance sheet date and duly adjusted in so far as the management's expectation differs from previous estimates.

Each year, the company also assesses whether there are indications of impairment of propety, plant and equipment. If it is found that such indications are present, valuation methods are used to estimate the recoverable amounts of the assets.. The recoverable amount is the higher of the value in use or net realisable value. If the recoverable amount is higher than book value, the asset does not require impairment, whereas if the recoverable amount is lower than the book value an impairment charge is taken immediately in the income statement.

2.3 Depreciation and amortisation

Amortisation and depreciation rates are determined by the company based on the useful life of individual tangible and intangible assets, and a straight-line method of amortisation or depreciation is used.

The depreciation rates for property, plant and equipment are:

- buildings
  3.0%
- computer equipment (hardware and software)
  50.0%
- freight vehicles, mechanical equipment
  20.0% to 25.0%
- personal motor vehicles
  12.5% to 20.0%
- other equipment
  20 % to 25.0%

The amortisation rates for intangible assets are:

- capitalised costs of investment in PPE of other entities
  10.0%

The Company may for business reasons depreciate individual tangible fixed asset over its useful economic at rates which differ from the maximum rates permitted for tax purposes according to the Corporate Income Tax Act and which it must follow when preparing its tax accounts.

Property, plant and equipment, the useful economic life of which is more than one year and which has an acquisition cost of EUR 500 or less, is expensed.

2.4 Financial investments

Financial assets are presented as non-current (i.e. long-term) or current (short-term). Non-current financial assets are those which the company holds for more than a year and does not intend to sell. Those long-term financial assets which mature within one year following the balance sheet statement date are transferred to current financial assets.

Upon initial recognition, financial assets may be classified as one of the following:

- financial assets measured at fair value through profit and loss;
- financial assets held to maturity;
- loans and receivables;
- available for sale financial assets.

Financial assets include shares in group companies, long-term and short-term loans receivable, finance lease receivables and derivatives. The company has no other types of financial assets.

The revaluation of financial assets involves a change to its book value. It may involve a revaluation of a financial asset to its fair value, a revaluation of a financial asset due to impairment, or the revaluation of a financial asset as a result of the reversal of its impairment.

Financial assets are derecognised when a contractual right to cash flow deriving from them expires or when the respective financial asset is transferred and the transfer meets the conditions for derecognition.

The book value of financial assets in the balance sheet represents a possible exposure to credit risk.

a) Investments in subsidiaries

Investments in subsidiaries are recorded at cost. When determing if there is an impairment of investments in subsidiaries, the company compares the carrying amount of the investment to its recoverable value, which is the higher of the value in use and the net selling price. If the carrying amount of the investment is higher, the difference is recognised as impairment in the income statement.

b) Derivatives

Derivatives are instruments whose values change based on a change in a certain variable, such as an interest rate, currency, price, exchange rate, price index, creditworthiness and other similar variables. Derivatives are always classified as financial assets measured at fair value through profit and loss.

Derivatives are initially recognised in the balance sheet at cost, which is equal to the fair value of a payment made or received. Derivatives are subsequently measured at fair value, which is determined based on their published market price, the discounted future cash flow model or by using a pricing model as appropriate.

c) Loans and receivables from finance leases

Loans and financel lease receivables are measured based using amortised cost which, means that all expenses and revenues directly connected to the loan are accrued (credit or debit) and proportionately recognised in the income statement income according to the duration of the contract.

Upon concluding an agreement, a lease is classified as a finance lease when practically all risks and rewards associated with the ownership of the leased asset is transferred. Assets subject to finance leases are shown as receivables in the amount of the net investment upon initial recognition in the balance sheet. Receivables in respect of finance lease assets given are measured as the difference between the sum of contractual lease payments and unguaranteed residual value of the asset with the total interest receivable included in the rent. All costs and revenues that relate directly to the contract are added to or deducted from the initial value of the receivables and are progressively transferred to the income statement according to the duration of the contract. In tnis way the company ensures that finance lease receivables are accounted for in accordance with the amortised cost and the effective interest rate method. Interest (contractual and penalty) from non-current and current financial assets is charged in accordance with the terms of the contract or general provisions of the law and are included under financial revenue in the income statement.

Finance lease loans and receivables which it is believed will not be settled at all or will only be settled in part, are classed as doubtful, or rather questionable, and if they are subject to legal proceedings, they are classed as disputed

Provisions against finance lease loans and receivable (impairments) are recognised on a quarterly basis.

Provisions or impairments are made only if the Company, based on objective evidence, evaluates that in certain cases collateral provided for the finance lease loans and receivables cannot be capitalized in accordance with the contract or a loss is still expected.

When the company estimates that customers, based on their credit ratings, will repay their outstanding liability in full, provisions or impairment do not need to be recognised.

All finance lease loans and receivables due from natural persons which are above a given amount and overdue by a given number of days are individually reviewed for impairment. All legal entities which are leasing customers are allocated to a credit rating group from A to E. All loans and receivables in groups D and E as well as the highest value receivables in groups B to C are individually assessed for impairment. For the remaining financial loans and receivables in groups B to E, which are not individually assessed or where an individual assessment does not show any signs of impairments, a group provision for impairment is recognised on a group basis. Impairment provisions are recognized only a group basis for receivables in group A. A 100% impairment provision is recognized, after an individual assessment, for all operating lease receivables overdue by more than 90 days.

Unrecoverable loans and receivables are those for which all legal means for collection have been exhausted and so the amount of the loss is final. In the event of later repayment of a loan which has been written off, the amount received is recognised as revenue in the income statement.

Since finance leases represent the majority of the company's loan portfolio is financial, there is security over the loans in the form of legal ownership over the leased asset until the final instalment is paid.

Financial assets denominated in a foreign currency are converted to the local currency at the balance sheet date. Any increase in loans is recognised as financial revenue, and conversely any decrease is recognised as financial expense.

2.5 Inventories

Inventories include primarily construction projects under development which the company intends to make available on a finance lease.

Inventories are recognised in the accounting records if it is probable that they will generate economic benefits, and if their purchasing value (cost) can be measured with a degree of reliability. Inventories are derecognised at the moment they are used or sold.

Inventories are initially recognised at cost which represents the purchase price, import and other duties and other direct costs of purchasing. The purchase price is reduced for any discounts granted.

Work in progress is valued at acquisition cost plus any associated costs, using the production costs method.

Inventory revaluation is a change in its book value. It is carried out either at the end of the financial year or during the course the year. Inventories are valued at the lower of carrying value or net realisable value. Increases in value of inventories are not recognised. Assets are revalued in the event of impairment, if their book value exceeds their net realisable value.

2.6 Assets (disposal groups) held for sale

Owned non-current assets are those whose carrying amount will be recovered mainly through selling the asset rather than through subsequent use. This condition is only met when the asset is available for immediate sale in its current state. The management must be committed to sell, and the sale must be carried out within one year from the date of initial recognition as non-current assets held for sale. Owned non-current assets which are held for sale are measured at the lower of book value or fair value less selling costs. Gains or losses arising on disposal or revaluation are presented in the income statement under revaluation operating revenue or expenses.

Non-current assets held for sale include the repossessed vehicles, equipment and property of lessees who have defaulted on their contractual obligations.

2.7 Receivables

Receivables are mostly from customers (in connection with products and merchandise sold and services rendered as well as other assets sold) or other financers of sold products and rendered services. Receivables can also be from the Company's suppliers (in respect of advance payments, overpayments, security given), employees, participants in the allocation of the company's profit or loss (tax receivables due from the state), providers of finance and the users of financial investments.

Receivables are divided into long-term and short-term receivables according to the due date of their payment. Long term trade receivables represent receivables due from customers, which fall due after more than one year. The portion of long-term receivables falling due within a year of the balance sheet statement date is included in short-term trade receivables.

Receivables are initially recognised in amounts shown on the corresponding source documents, on the assumption that they will be paid.

Provisions against receivables (impairments) are recognised on a quarterly basis.

When the company estimates that customers, based on their credit ratings, will repay their outstanding liability in full, provisions or impairment do not need to be recognised.

Provisions or impairments are made only if the Company, based on objective evidence, evaluates that in certain cases collateral provided for the finance lease loans and receivables cannot be capitalized in accordance with the

contract or a loss is still expected.
All finance lease loans and receivables due from natural persons which are above a given amount and overdue by a given number of days are individually reviewed for impairment. All legal entities which are leasing customers are allocated to a credit rating group from A to E. All loans and receivables in groups D and E as well as the highest value receivables in groups B to C are individually assessed for impairment. For the remaining financial loans and receivables in groups B to E, which are not individually assessed or where an individual assessment does not show any signs of impairments, a group provision for impairment is recognised on a group basis. Impairment provisions are recognized only a group basis for receivables in group A.

Unrecoverable loans and receivables are those for which all legal means for collection have been exhausted and so the amount of the loss is final. In the event of later repayment of a loan which has been written off, the amount received is recognised as revenue in the income statement.

a) Operating leases

A lease is classified as an operating lease when no significant risks and rewards associated with the ownership of the leased asset are transferred. Assets leased on an operating lease are recognised in the balance sheet statement in accordance with their nature, and operating lease revenue is recognised on a straight line basis over the duration of the lease term. Upon initial recognition the company follows the principle of substance over form, and subsequent changes in estimates and circumstances do not cause changes to the classification of the lease (as operating or finance).

The Company has security against the non-payment of operating lease obligations in the form of legal ownership of the underlying asset until settlement of the final lease instalment.

2.8 Deferred tax

Deferred tax assets are recognised for all deductible temporary differences, but only if it is probable that there will be future taxable profits against which the deferred tax assets can be utilised.

Deferred tax liabilities are amounts of income tax that will have to be paid in future periods as a result of taxable temporary differences.

In the year ended 31 December 2010 deferred tax assets calcaluated using a tax rate of 20%.

2.9 Investment property

Investment property is property which is owned with the purpose of leasing out on an operating lease and with the aim of capital appreciation.

Investment property is initially recognised at cost, which comprises the purchase price plus any associated costs of acquistion.

The company's investment property is subsequently measured using the fair value model. The fair value is determined by a certified valuer on the basis of International Valuation Standards. The fair value is based on current market prices. Gains or losses on revaluation to the fair value are recognised in the income statement.

The company includes the following types of property in investment property:

- land held for long-term capital appreciation and not for sale in the near future in the course of ordinary operations;
- owned buildings leased out on operating leases.

If the company owns property where a part of a building is leased out, this part is included under investment property, if the part in question may be sold separately. The part intended for own use is accounted for separately in the form of the Company's own fixed assets.

2.10 Cash and cash equivalents

Cash is initially recognised in the amount that emanates from the corresponding source documents. Cash expressed in foreign currency is converted into the local currency using the exchange rate on the date of receipt.

Cash held in foreign currency accounts is revalued on a monthly basis using the Bank of Slovenia middle exchange rate.

Cash includes cash in hand, deposits, cash in the process of collection and cash equivalents; the latter are investments which may be converted quickly or in the near future into known amounts of cash and where the risk of a change in value is insignificant. These include short-term deposits and cash held on deposit with an original maturity date of up to 90 days.

2.11 Prepayments and accruals

Prepayments and accruals are receivables and other assets and liabilities which are expected to arise in the next or subsequent accounting periods, which are likely to arise and the amount of which can be reliably estimated. The purpose of accruals is to present all revenues and expences in the income statement in the period they relate to, irrespective of whether they were actually paid or received at that time.

We distinguish between prepayments, deferred costs, and accrued revenue (i.e. accrued assets), on the one hand, and accrued expences and deferred revenues (i.e. accrued liabilities) on the other hand.

Accruals are not subject to revaluation. However, during the course of the financial year and in the course of preparing the financial statements, it is necessary to check existance as well as the company's entitlement or liability to them, and adjust them accordingly.

2.12 Equity

The total capital of the company is divided into share capital, capital reserves, reserves from profits, retained earnings from previous years, net profit or loss for the financial year and revaluation surplus (or deficit).

Share capital is recognised financial contributions or as contributions in kind. When recognising share capital, the decisive factor is the capital recorded in the companies' register.

Capital reserves are divided into: capital surplus, general capital revaluation adjustment and other capital reserves.

Reserves from profits represent part of the net profit purposely retained from previous year, mainly to cover the future losses. Reserves are further subdivided into legal reserves, reserves for the purchase of own shares, statutory reserves and other revenue reserves. Revenue reserves are recognised by resolution of the competent corporate governing body.

Retained earnings from previous years are recognised when a resolution concerning the allocation of profit from a previous period is passed (excluding amounts for covering previous year losses, amounts for reserves and shares of capital owners).

The revaluation surplus relates to the increase of book value of property, plant and equipment.

Dividends paid to the owners reduce the capital of the Company in the period they were approved by the owners.

2.13 Provisions and long-term accrued costs and deferred revenue

Provisions are recognised if the company has any legal or indirect liabilities as a result of a past event, the amount of which may be reliably estimated and where it is probable that settlement of the said liabilities will result in an outflow of resources embodying economic benefits.

The company has established provisions relating to employee benefits, which include long-service benefits, severance pay upon retirement and other benefits and which are calculated based on actuarial calculation taking into account the number of employees, estimate fluctuations in the workforce, long-term salary growth and pensioniable age.

A provision may be used only for the purpose for which it was originally recognised.

The company's long-term accrued costs and deferred revenue include deferred operating lease deposits, which are recognised as income proportionately over the duration of the lease agreement.

2.14 Liabilities

Current and non-current liabilities are initially recognised in the amounts shown in the corresponding source documents.

Non-current liabilities are disclosed as non-current financial liabilities and non-current operating liabilities. Non-current financial liabilities represent long-term loans. Non-current financial liabilities are increased by accrued interest and reduced by amounts repaid and any other forms of settlement, if an agreement has been concluded with the respective creditors. The carrying value of non-current liabilities is equal to their original value, less for repayments of the principal and transfers to current liabilities, unless there is a need to revalue the liability. All expenses relating financial liabilities are accrued and recognised as expenses proportionally over the repayment period of the liability.

Short-term financial liabilities represent short-term loans payable. Current operating liabilities include advances and security received from clients, liabilities to both domestic and foreign suppliers, liabilities for uninvoiced goods and services, liabilities towards employees, liabilities to state institutions and other liabilities.

A revaluation of liabilities denominated in foreign currencies is performed at the balance sheet date using the Bank of Slovenia middle exchange rate.

2.15 Revenue

Revenue is subdivided between operating revenue, financial revenue and other revenues. Revenue is recognised if the increase in economic benefits in a respective period is linked to an increase in assets or reduction of liabilities and if the increase in economic benefits can be reliably measured.

a) Operating revenue

Operating revenue is revenues from sales and other operating revenue associated with the sale of products and services.

Revenue from sales comprises the selling price of products, merchandise and material sold, including services rendered, within an accounting period. Revenue from the sale of products, merchandise and materials is measured on the basis of the sales prices stated on invoices and other documents, less for any discounts approved upon sale or subsequently, including early payment discounts. Revaluation operating revenue arises on the sale of property, plant and equipment and intangible assets as surplus of their sales values over their book values.

b) Financial revenue

Financial revenue represents revenue from investments. It arises in relation to financial assets and receivables in the form of interest charged, shares in profits in other entities and revaluation financial revenue. Revaluation financial revenue arises on the derecognition of financial assets.

Dividends and other shares in profits are recognised as revenue when the company becomes entitled to receive the payment.

Financial revenue also includes revenues foregn exchange gains.

Fees charged to clients upon concluding finance lease agreements are deferred according to the duration of the respective agreement. Only the portion relating to the current accounting period is be recognised as revenue.

c) Other revenues

Other revenues include unusual items (extraordinary revenue) and other revenues that that increases the Company's net profit.

2.16 Expenses

Expenses are classified as operating expenses, financial expenses and other expenses.

a) Operating expenses

Operating expenses are in principle equal to the costs accrued during the period plus opening inventory and less closing inventory. The cost of goods sold, employment costs and revaluation operating expenses, which were not accounted for as costs, also count as operating expenses.

Operating expenses includes all costs incurred during the period, subdivided by type, such as the cost of materials, cost of services and employment costs, depreciation, amortization and other costs.

Revaluation operating expenses arise in relation to property, plant and equipment, intangible assets and current assets as a result of their impairment, if the reduction in their value is not covered by a revaluation surplus arising from their prior revaluation.

b) Financial expenses

Financial expenses are expenses from financial liabilities from impairment and write-offs of financial assets. Expenses categorised as financial include interest payable, while expenses relating to investments include revaluation losses arising from impairment. Financial expenses also include foreign exchange losses.

Fees paid to banks for loan agreements concluded are deferred in accordance with the duration of the respective loan agreement. Expenses are recognised only of in respect of the portion of the costs which relate to the current accounting period.

c) Other expenses

Other expenses include unusual items (extraordinary expenses) and other expenses which reduce the Company's profit.

3 NOTES TO THE BALANCE SHEET

3.1 Assets

3.1.1 Intangible assets

In thousand of euros	Other long-term deferred costs	Capitalised costs of investments in PPE of other entities	Concessions, patents, licences etc.	Total
Cost				
Balance as at 1 January 2010	**9**	**18**	**247**	**274**
Opening balance of merged companies	-	-	-	-
Write-offs	(1)	-	(10)	(11)
Additions	-	-	151	151
Transfers to PPE	-	(18)	-	(18)
Balance as at 31 December 2010	**8**	**-**	**388**	**396**
Adjustments to net book value				
Balance as at 1 January 2010	**-**	**(8)**	**(63)**	**(71)**
Write-offs	-	-	9	9
Transfers to PPE	-	10	-	10
Amortisation	-	(2)	(25)	(27)
Balance as at 31 December 2010	**-**	**-**	**(79)**	**(79)**
Balance as at 31 December 2009	**9**	**10**	**184**	**203**
Balance as at 31 December 2010	**8**	**-**	**309**	**317**

No intangible fixed assets of the company are subject to a pledge as security for loans. The majority of the intangible assets relate to the upgrade of the IT support for NOVA, by the supplier Globus Marine Int. d.o.o., Ljubljana.

In thousand of euros	Capitalised costs of investments in PPE of other entities	Concessions, patents, licences etc.	Total
Cost			
Balance at 1 January 2009	**19**	**132**	**151**
Write-offs	(3)	(5)	(8)
Additions	2	120	122
Balance at 31 December 2009	**18**	**247**	**265**
Value adjustment			
Balance at 1 January 2009	**(9)**	**(55)**	**(64)**
Write-offs	3	5	8
Amortisation	(2)	(13)	(15)
Balance at 31 December 2009	**(8)**	**(63)**	**(71)**
Net book value at 31 December 2008	**10**	**77**	**87**
Net book value at 31 December 2009	**10**	**184**	**194**

3.1.2 Property, Plant and Equipment

In thousand of euros	Land	Buildings	Assets put out on operating leases	Furniture and other equipment	Capitalised costs of investments in PPE of other entities	Total
Acquisition cost						
Balance at 31 December 2009	**1,030**	**4,032**	**11,647**	**975**	**-**	**17,684**
Write-offs	-	-	-	-	-	-
Purchases	-	-	3,976	4,649	-	8,625
Sales	-	-	(4,390)	(4,575)	-	(8,965)
Transfer from intangible assets	-	-	-	-	18	18
Transfer from assets held for sale	-	-	14	-	-	14
Balance at 31 December 2010	**1,030**	**4,032**	**11,247**	**1,049**	**18**	**17,376**
Adjustment of net book value						
Balance at 31 December 2009	**-**	**(246)**	**(3,666)**	**(572)**	**-**	**(4,484)**
Write-offs	-	-	(2,910)	(16)	-	(2,926)
Transfer from intangible assets	-	-	-	-	(10)	(10)
Sales	-	-	4,390	92	-	4,482
Depreciation	-	(121)	(1,349)	(162)	-	(1,632)
Reversal of impairment	-	-	14		-	14
Balance at 31 December 2010	**-**	**(367)**	**(3,521)**	**(658)**	**(10)**	**(4,556)**
Balance at 31 December 2009	**1,030**	**3,786**	**7,981**	**403**	**-**	**13,200**
Balance at 31 December 2010	**1,030**	**3,665**	**7,726**	**391**	**8**	**12,820**

At 31 December 2010 no property, plant or equipment of the company was subject to pledges as security for loans or of any other kind. The Company judges on the basis of available data as at 31 December 2010, that there no signs of impairment of property, plant and equipment.

Future revenue from operating leases is disclosed in the Net revenue from sales note in the notes on the Income Statement (4.1).

The company does not have in its records any fixed property, plant or equipment acquired through finance leases.

In thousand of euros	Land	Buildings	Assets made available on operating leases	Furniture and other equipment	Total
Acquisition cost					
Balance at 31 December 2008	**1,030**	**4,230**	**13,580**	**1,089**	**19,929**
Write-offs	-	-	(808)	(207)	(1,015)
Purchases	-	47	2,755	128	2,930
Sales	-	-	(3,998)	(35)	(4,033)
Transfer to investment property	-	(245)	-	-	(245)
Transfer from assets held for sale	-	-	118	-	118
Balance at 31 December 2009	**1,030**	**4,032**	**11,647**	**975**	**17,684**
Adjustments to net book value					
Balance at 31 December 2008	**-**	**(127)**	**(3,459)**	**(538)**	**(4,124)**
Write-offs	-	-	161	115	276
Sales	-	-	1,513	20	1,533
Depreciation	-	(119)	(1,927)	(172)	(2,218)
Reversal of impairments	-	-	46	3	49
Balance at 31 December 2009	**-**	**(246)**	**(3,666)**	**(572)**	**(4,484)**
Balance at 31 December 2008	**1,030**	**4,103**	**10,121**	**551**	**15,805**
Balance at 31 December 2009	**1,030**	**3,786**	**7,981**	**403**	**13,200**

3.1.3 Investment property

In thousand of euros	Buildings	Land	Total
Balance at 1 January 2010	**5,307**	**272**	**5,579**
Acquisitions	31,907	-	31,907
Sales	(759)	-	(760)
Transfer from assets held for sale	1,019	-	1,019
Balance at 31 December 2010	**37,474**	**272**	**37,745**
Impairments			
Balance at 1 January 2010	**-**	**-**	**-**
Impairments	(144)	-	(144)
Balance at 31 December 2010	**(144)**	**-**	**(144)**
Balance at 31 December 2009	**5,307**	**272**	**5,579**
Balance at 31 December 2010	**37,330**	**272**	**37,601**

Investment property includes:

- two residential houses in the amount of Euro 61 thousand,
- a parking lot in the amount of Euro 150 thousand,
- flats in the amount of Euro 658 thousand,
- a part of a parking lot and office building in Ljubljana in the amount of Euro 966 thousand,
- part of an office building in Kranj in the amount of Euro 2,997 thousand,
- business premises in Maribor in amount of Euro 276 thousand,
- the office building Modri Kvadrat in Ljubljana in the amount of Euro 31,907 thousand
- an office building in Žižki in the amount of Euro 730 thousand

An interest was expressed in letting some of the property classified as held for resale, so this property has accordingly been transferred to investment property.

In accordance with internal policy and the valuations obtained from certified valuers, investment properties were revalued in the amount of Euro 144 thousand.

In 2010 revenue from rents from investment property amounted to Euro 1,517 thousand (2009: Euro 461 thousand).

3.1.4 Non-current financial assets

In thousand of euros	2010	2009
Non-current financial assets (excluding loans)	**635**	**8,820**
Shares and interests in group companies	635	8,820
Non-current loans receivable	**61,675**	**193,315**
Long-term loans receivable from group companies	83,633	179,444
Transfer to current loans receivable	(34,850)	(1,000)
Non-current loans receivable from companies	27,523	27,875
Transfer to current loans receivable	(6,532)	(12,228)
Impairment of loans	(8,099)	(776)
Non-current finance lease receivables	**105,581**	**122,646**
Non-current finance lease receivables from group companies	13	18
Non-current finance lease receivables from others	165,537	185,179
Transfer to current loans receivables	(47,305)	(54,391)
Impairment of finance lease receivables	(12,664)	(8,160)
Total	**167,891**	**324,781**

a) Statement of changes in non-current financial assets excluding loans

In thousand of euros	Shares and shareholdings in group companies	Total
Acquisition costs		
Balance as at 31 December 2009	**9,252**	**9,252**
Additions	5,527	5,527
Sale of subidiary companies	(7,989)	(7,989)
Balance as at 31 December 2010	**6,790**	**6,790**
Impairments		
Balance as at 31 December 2009	**(432)**	**(432)**
Increase	(5,723)	(5,723)
Reversal	-	-
Balance as at 31 December 2010	**(6,155)**	**(6,155)**
Balance as at 31 December 2009	**8,820**	**8,820**
Balance as at 31 December 2010	**635**	**635**

In 2010 there was in increase in capital of the subsidiary company Optima Leasing d.o.o. Zagreb, the investments in the subsidiary companies NLB Leasing d.o.o. Belgrade and NLB Real Estate d.o.o. Belgrade were sold and the investment in a subsidiary company was impaired.

b) Statement of changes in long-term loans receivable

In thousand of euros	Non-current loans to group companies	Non-current loans to others	Total
Cost			
Balance at 31 December 2009	**178,444**	**15,647**	**194,091**
Additions	-	23,351	23,351
Transfer to current loans receivable	(34,850)	(6,532)	(41,382)
Decrease	(94,811)	(11,475)	(106,286)
Balance at 31 December 2010	**48,783**	**20,991**	**69,774**
Impairments			
Balance at 31 December 2009	**(429)**	**(347)**	**(776)**
Increase	(5,586)	(1,948)	(7,534)
Write-offs	-	-	-
Reversal	131	80	211
Balance at 31 December 2010	**(5,884)**	**(2,215)**	**(8,099)**
Balance at 31 December 2009	**178,015**	**15,300**	**193,315**
Balance at 31 December 2010	**42,899**	**18,776**	**61,675**

c) Maturity of loans receivable

In thousand of euros	2010	2009
Less than 1 year	93,204	79,015
Between 1 and 5 years	69,774	186,085
More than 5 years	-	8,006
Total	**162,978**	**273,106**

d) Statement of changes in finance lease receivables

In thousand of euros	Finance lease of equipment	Finance lease of property	Total
Cost			
Balance at 31 December 2009	**48,561**	**82,245**	**130,806**
Additions	25,562	19,740	45,302
Transfer to current receivables	-	(47,305)	(47,305)
Transfer	38,778	15,613	54,391
Repayment	(41,956)	(22,993)	(64,949)
Balance at 31 December 2010	**70,945**	**47,300**	**118,245**
Impairments			
Balance at 31 December 2009	**(4,875)**	**(3,285)**	**(8,160)**
Increase	(4,738)	(1,091)	(5,829)
Write-offs	-	-	-
Reversal	680	645	1,325
Balance at 31 December 2010	**(8,933)**	**(3,731)**	**(12,664)**
Balance at 31 December 2009	**43,686**	**78,960**	**122,646**
Balance at 31 December 2010	**62,012**	**43,569**	**105,581**

The company records its long-term receivables from finance leases according to the net principle, whereby the balance is reduced by deferred approval fees relating to the lease agreements entered into and any adjustments in the value of receivables in accordance with Company practice. Receivables from finance leases are secured by means of ownership of the leased assets. In addition, there are other forms of security in place, such as bills of exchange, guarantees and mortgages.

The portion of non-current finance lease receivables which fall due within 12 months of the balance sheet date is transferred to current finance lease receivables.

e) Breakdown of current and non-current finance lease receivables by maturity

In thousand of euros	2010	Gross receivables	Deferred revenue	Current value
Less than 1 year		57,424	(6,555)	50,869
Between 1 and 5 years		82,038	(12,355)	69,683
More than 5 years		54,702	(6,140)	48,562
Total		**194,164**	**(25,050)**	**169,114**
In thousand of euros	**2009**	**Gross receivables**	**Deferred revenue**	**Current value**
Less than 1 year		67,781	(8,374)	59,407
Between 1 and 5 years		102,933	(12,345)	90,588
More than 5 years		46,505	(6,287)	40,218
Total		**217,219**	**(27,006)**	**190,213**

*Impairments are not included in the above figures

f) Overdue receivables

In thousand of euros	2010	2009
Overdue loans receivable	12,295	6,745
Overdue finance lease receivables	23,250	16,004
Overdue trade receivables	1,877	2,428
Total	**37,422**	**25,177**

*Impairments are not included in the above figures

g) Interests in group companies

In thousand of euros		% Ownership		Value		Equity		Net profit or loss of subsidiary	
Group company	**Address**	**31.12.2010**	**31.12.2009**	**31.12.2010**	**31.12.2009**	**31.12.2010**	**31.12.2009**	**31.12.2010**	**31.12.2009**
NLB Leasing Podgorica, d. o. o.	Stanka Dragojevića 44 A, 81000 Podgorica	100.00	100.00	200	200	1,374	1,911	(536)	(178)
NLB Leasing, d. o. o., Sarajevo	Zmaja od Bosne 14c, 71000 Sarajevo	100.00	100.00	435	434	(3,392)	319	(3,713)	223
Optima Leasing, d. o. o., Zagreb	Miramarska 24, 10000 Zagreb	75.10	75.10	-	197	(10,398)	941	(11,475)	578
NLB Leasing, d. o. o., Beograd	Bul. Mihaila Pupina 165 v, 11070 Novi Beograd	-	100.00	-	7,979	-	8,271	-	625
NLB Real Estate, d. o. o., Beograd	Bul. Mihaila Pupina 165 v, 11070 Novi Beograd	-	100.00	-	10	-	(90)	-	(37)
NLB Leasing Sofia, e. o. o. d.	36 Dragan Tsankov Blvd., 1040 Sofia	100.00	100.00	-	-	(3,636)	(2,315)	(1,321)	(1,350)
Total				**635**	**8,820**	**(16,052)**	**9,037**	**(17,045)**	**(139)**

The capital and net profit are stated based on the local balance sheets of the subsidiaries converted into Euros at the Bank of Slovenia exchange rate at the balance sheet date.

The companies NLB Leasing d.o.o. Belgrade and NLB Real Estate d.o.o. Belgrade were sold to NLB d.d. Ljubljana in the year ended 31 December 2010. The sale price of NLB Leasing d.o.o. Belgrade was the same its book value. The sale price of NLB Real Estate d.o.o. Belgrade was EUR 1, giving rise to a loss on disposal of EUR 10 thousand.

3.1.5 Non-current trade receivables

In thousand of euros	2010	2009
Other non-current trade receivables	7	7
Total	**7**	**7**

Long-term operating receivables represent payments made into the residential property reserve fund.

3.1.6 Deferred tax assets

In thousand of euros	Impairment of receivables	Provisions for liabilities	Non-recognised depreciation/amortisation	Other	Total
Balance at 31.12.2009	**3,608**	**21**	**69**	**23**	**3,721**
Increase	4,305	-	7	1,145	5,457
Decrease	(882)	-	-	(12)	(894)
Balance at 31.12.2010	**7,031**	**21**	**76**	**1,156**	**8,284**

All increases or decreases in deferred tax assets are recognised in the income statement. Deferred tax assets represent the amount of income tax which will be reimbursed in the future periods in respect of deductible temporary differences and have been calculated using the applicable corporate income tax rate of 20%.

3.1.7 Assets available for sale (disposal group)

In thousand of euros	Repossessed vehicles	Repossessed equipment	Repossessed property	Total
Cost				
Balance at 31 December 2009	**655**	**40**	**4,037**	**4,732**
Increase	2,585	272	4,008	6,865
Decrease	(1,256)	(102)	(4,241)	(5,599)
Transfer to Investment property	-	-	(1,019)	(1,019)
Balance at 31 December 2010	**1,984**	**210**	**2,785**	**4,979**
Impairments				
Balance at 31 January 2009	**-**	**-**	**(234)**	**(234)**
Increase	-	-	-	-
Reversal	-	-	234	234
Balance at 31 December 2010	**-**	**-**	**-**	**-**
Balance at 31 December 2009	**655**	**40**	**3,803**	**4,498**
Balance at 31 December 2010	**1,984**	**210**	**2,785**	**4,979**

The company includes in assets held for sale inventories of property and equipment which were repossessed from lessees who had defaulted on their contractual obligations.

In the case of some the repossessed property it was decided to continue with the construction work (which was unfinished) or to carry additional construction (maintenance) work. This property was transferred to inventory. Property which was leased out was transferred to investment property.

A new valuation of the repossessed property was performed in the year ended 31 December 2010 and an impairments was recognised on this basis.

All the remaining assets are in the process of being sold and are expected to be sold in 2011.

3.1.8 Inventories

In thousand of euros	Work in progress	Inventories	Other goods	Total
Balance at 31 December 2009	**7,778**	**4,085**	**11**	**11,874**
Increase	6,570	3,671	-	10,241
Decrease	(10,368)	(752)	-	(11,120)
Other transfers	-	-	(11)	(11)
Balance at 31 December 2010	**3,980**	**7,004**	**-**	**10,984**
Impairments				
Balance at 31 December 2009	**-**	**-**	**-**	**-**
Additions	-	(649)	-	(649)
Balance at 31 December 2010	**-**	**(649)**	**-**	**(649)**
Balance at 31 December 2009	**7,778**	**4,085**	**11**	**11,874**
Balance at 31 December 2010	**3,980**	**6,355**	**-**	**10,335**

Work in progress includes property under construction for future sale or letting under finance lease, while inventories include already constructed property which is held for sale. The largest project completed and sold in 2010 was the STS construction in Koper for euro 9,605 thousand. Completed and purchased property as well as property previously included in assets held for sale are included in inventories.

In the case of repossessed property which was transferred fom assets held for resale, a new valuation was obtained at the year and an impairments recognised on this basis.

There were no inventory surpluses or shortfalls in the 2010 year end stock-take. In the year ended 31 December 2010, the Company did not pledge any inventories as security against its liabilities.

3.1.9 Current financial assets

In thousand of euros	2010	2009
Current loans to group companies	-	11,497
Current portion of non-current loans to group companies	34,850	1,000
Current loans to others	51,822	54,290
Current portion of non-current loans to others	6,532	12,228
Impairment of current loans	(14,321)	(7,502)
Current finance lease receivables	3,577	59,407
Current portion of non-current receivables	47,292	-
Impairment of finance lease receivables	(3,447)	(4,994)
Total	**126,305**	**125,926**

Short-term deposits with an original maturity of up to 90 days are included within cash and cash equivalents.

a) Statement of changes in current loans receivable and finance lease receivables

In thousand of euros	Current loans to group companies	Current loans to others	Current finance lease receivables	Total
Cost				
Balance at 31 December 2009	**12,497**	**66,518**	**59,407**	**138,422**
Increase	20,029	5,797	6,499	32,325
Transfer from non-current loans	34,850	6,532	47,292	88,674
Decrease	(32,526)	(20,493)	(62,329)	(115,348)
Balance at 31 December 2010	**34,850**	**58,354**	**50,869**	**144,073**
Impairments				
Balance at 31 December 2009	**-**	**(7,502)**	**(4,994)**	**(12,496)**
Additions	-	(7,520)	(526)	(8,046)
Reversal	-	701	2,073	2,774
Balance at 31 December 2010	**-**	**(14,321)**	**(3,447)**	**(17,768)**
Balance at 31 December 2009	**12,497**	**59,016**	**54,413**	**125,926**
Balance at 31 December 2010	**34,850**	**44,033**	**47,422**	**126,305**

3.1.10 Trade receivables

In thousand of euros	2010	2009
Trade receivables	**1,821**	**1,224**
Trade receivables from group companies	61	61
Trade receivables from customers	4,220	2,983
Impairment of trade receivables	(2,460)	(1,820)
Advances and security given	**252**	**216**
Other current receivables	**1,925**	**2,500**
Current receivables from the state	1,768	2,343
Other current receivables	202	202
Impairment of other current receivables	(45)	(45)
Total	**3,998**	**3,940**

Trade receivables relate to finance and operating lease charges and the sale of fixed assets and assets available for sale.

Short-term advances of Euro 252 thousand (2009: Euro 216 thousand) relate to payments to suppliers for goods and services which had not yet been received as at 31 December 2010, mostly representing advance payments for purchase of equipment to be leased out to customers on finance leases.

Receivables due from the state mostly represent corporate income tax receivables of Euro 665 thousand (2009: Euro 441 thousand), statutory sick pay of Euro 6 thousand and withholding tax in the amount of Euro 1,097 thousand (2009: Euro 746 thousand).

a) Statement of changes in trade receivables

In thousand of euros	Current trade receivables	Advances given	Other current receivables	Total
Cost				
Balance at 31 December 2009	**3,044**	**216**	**2,545**	**5,805**
Increase	21,901	9,822	15,816	47,539
Decrease	(20,664)	(9,781)	(16,391)	(46,836)
Balance at 31 December 2010	**4,281**	**257**	**1,970**	**6,508**
Impairments				
Balance at 31 December 2009	**(1,820)**	**-**	**(45)**	**(1,865)**
Additions	(925)	(5)	-	(930)
Write-offs	32	-	-	32
Reversal	253	-	-	253
Balance at 31 December 2010	**(2,460)**	**(5)**	**(45)**	**(2,510)**
Balance at 31 December 2009	**1,224**	**216**	**2,500**	**3,940**
Balance at 31 December 2010	**1,821**	**252**	**1,925**	**3,998**

3.1.11 Cash and cash equivalents

In thousand of euros	2010	2009
Cash on current account	3,531	1,633
Short-term deposits and call deposits	1,100	2,500
Total	**4,631**	**4,133**

Short-term deposits have an original maturity date of less than 90 days.

3.1.12 Prepayments and accrued income

In thousand of euros	2010	2009
Current deferred costs	92	66
Current accrued income	89	63
VAT on advances received	21	44
Total	**202**	**173**

Deferred costs relate primarily to prepaid costs of materials and services relating to the current period.

Prepayments and deferred costs recognised in the year ended 31 December 2009 were used up in the current period.

3.2 Liabilities

3.2.1 Provisions

In thousand of euros	2010	2009
Provision for jubilee awards	7	9
Provision for retirement benefits	89	97
Total	**96**	**106**

In year ended 31 December 2010 the Company paid out Euro 2 thousand of jubilee awards already provided for and did not recognize any additional provision for jubilee awards. The provision for retirement awards was reduced by Euro 8 thousand.

The calculation of the provisions for retirement and benefits payment was performed in 2008 and was based on the following assumptions:

- an average monthly gross salary in the amount of Euro 1,467.00;
- a starting salary of I. tariff class of the Collective bargaining agreement for banks and savings institutions in the Republic of Slovenia in amount of Euro 378.23;
- estimated annual salary growth of 4.75%;
- average salary growth in RS in amount of 4.5% annually;
- increase in amount of benefits and one-off retirement payment of 4.5% annually;
- estimation of employee fluctuation of 6% for up to 30 years, from 30 to 40 years 3%, from 40 to 50 years 2%, from 50 to 60 years 1%, over 60 years 0%;
- discount factor of 7.75%.

3.2.2 Long-term accrued costs and deferred revenue

In thousand of euros	2010	2009
Balance at 1 January 2010	**1,190**	**1,485**
Increase	317	192
Decrease	(396)	(487)
Balance at 31 December 2010	**1,111**	**1,190**

In accordance with Slovenian, operating lease revenue is recognised proportionately over the duration of the lease agreement. Deposits received are accrued by setting-up long-term provisions which are gradually released to the income statement.

3.2.3 Non-current financial liabilities

In thousand of euros	2010	2009
Non-current loans payable to group companies	**100,371**	**20,372**
Non-current loans payable to group companies	102,215	23,844
Transfer of current portion of loans	(1,844)	(3,472)
Non-current loans payable to domestic banks	**69,458**	**100,041**
Non-current loans payable to domestic banks	118,615	153,135
Transfer of current portion of loans	(49,157)	(53,094)
Non-current loans payable to foreign banks	**36,552**	**55,521**
Non-current loans payable to foreign banks	51,458	75,695
Transfer of current portion of loans	(14,906)	(20,174)
Other non-current financial liabilities	**51**	**444**
Total	**206,432**	**176,378**

Other non-current financial liabilities relate to the liability to NLB d.d. in respect of derivative financial instruments for hedging against interest rate risk (Interest Rate Swaps – IRS), classified and measured at faie value through the income statement.

3.2.4 Current financial liabilities

In thousand of euros	2010	2009
Current loans payable to group companies	**41,459**	**153,564**
Current loans payable to group companies	38,061	150,092
Current portion of long-term loans	3,398	3,472
Current loans payable to domestic banks	**88,902**	**94,745**
Current loans payable to domestic banks	41,299	41,651
Current portion of long-term loans	47,603	53,094
Current loans payable to group companies	**14,906**	**35,754**
Current loans payable to foreign banks	-	15,580
Current portion of long-term loans	14,906	20,174
Total	**145,267**	**284,063**

Current financial liabilities are liabilities for the financing of the Company's operations, which need to be repaid within no more than 1 year and which need to be repaid in cash.

a) Maturity of financial liabilities

Outstanding balance due at 31 December 2010	Up to 1 year	1 to 5 years	More than 5 years	Total
- Loans payable to group companies	41,459	100,422	-	141,881
- Loans payable to domestic banks	88,902	56,168	13,290	158,360
- Loans payable to foreign banks	14,906	36,552	-	51,458
Total	**145,267**	**193,142**	**13,290**	**351,699**

Outstanding balance due at 31 December 2009	Up to 1 year	1 to 5 years	More than 5 years	Total
- Loans payable to group companies	145,809	10,235	97	156,141
- Loans payable to domestic banks	102,802	95,975	8,870	207,647
- Loans payable to foreign banks	35,452	54,654	6,547	96,653
Total	**284,063**	**160,864**	**15,514**	**460,441**

Long-term and short-term liabilities are guaranteed with pledged receivables and/or soft letters of comfort from the parent company.

3.2.5 Current operating liabilities

In thousand of euros	2010	2009
Current liabilities to group companies	**1**	**2**
Current liabilities to suppliers	**1,574**	**2,512**
Current liabilities to domestic suppliers	1,541	2,492
Current liabilities to foreign suppliers	2	-
Current liabilities for uncharged goods and services	31	20
Short-term advances and security received	**734**	**1,092**
Short-term advances received	708	934
Security received from lessees	26	158
Current liabilities to employees	**121**	**123**
Salaries	93	95
Other payments to employees	28	28
Liabilities to the state and state institutions	**214**	**98**
Corporate income tax	72	-
Other current liabilities to the state and state institutions	142	98
Other current liabilities	**751**	**1,034**
Liabilities arising from the waiver of receivables	-	218
Other current operating liabilities	751	816
Total	**3,395**	**4,861**

Liabilities for uninvoiced goods and services of Euro 31 thousand relate to property development projects. Goods and services were accounted in accordance with the respective contracts and the company has yet to receive invoices for the goods received and services rendered. Trade payables relate primarily to financial leases.

3.2.6 Accruals and deferred income

In thousand of euros	2010	2009
Accrued expenses	308	110
Deferred revenue	-	1
VAT on deposit and advances paid	1	14
Total	**309**	**125**

The majority of accrued costs relate to untaken holiday in the current financial year in amount of Euro 74 thousand (2009: Euro 48 thousand).

Accruals from 2009 were used up in the current period.

3.3 Off-balance sheet assets and liabilities

In thousand of euros	2010	2009
Security and pledges given	-	30
Derivative financial instruments - Interest rate swaps	1,823	11,262
Total	**1,823**	**11,292**

3.3.1 Maturity of off-balance sheet assets and liabilities

In thousand of euros	2010	2009
Within 1 year	1,210	4,619
Between 1 and 5 years	266	2,077
More than 5 years	347	4,596
Total	**1,823**	**11,292**

4 NOTES TO THE INCOME STATEMENT

4.1 Net revenue from sales

In thousand of euros	2010	2009
Net revenue from operating leases	2,645	2,846
Revenue from investment property	1,517	461
Other rental income	30	8
Revenue from the sale of goods purchased for resale	771	-
Revenue from the sale of goods produced	223	-
Other revenue from sales	2,050	1,661
Total	**7,236**	**4,976**

Net revenue between group companies relate to rendering services rendered to group companies.

Net revenues from operating leases represents monthly rental payments for use of the leased asset. The amount of rents for operating leases that company would receive in the future based on contracts currently in force amounts to Euro 32,276 thousand:

- Less than 1 year EUR 2,904 thousand
- from 1 to 5 years EUR 11,139 thousand
- More than 5 years EUR 18,233 thousand

As at 31 December 2010, the company had also concluded some property rental agreements in addition to operating lease contracts, in respect of properties which are included under investment property in the balance sheet. The largest of the latter are a property in Kranj let to NLB d.d. and a property in Ljubljana let out to the Slovene national tax authority. The monthly rent of the property in Kranj is Euro19 thousand and of the building in Ljubljana Euro199 thousand.

Other net sales revenues in the amount of Euro 2,296 thousand (2009: Euro 1,661 thousand) are revenues generated from fees charged in respect of payment reminders, handling charges or approval commission in relation to operating leases and handling charges for the early termination of lease agreement. Revenue from group companies was Euro 176 thousand.

All net sales revenue is measured based on the sales prices that were stated on invoices or other corresponding source documents.

4.2 Change in the value of inventories produced and work in progress

In the year ended 31 December 2010, the change in the value of finished goods and work in progress was Euro 6,273 thousand (2009: Euro 2,970 thousand) and relates to the capitalised costs of inventory in respect of property development projects, based on the applied concept of presenting costs according to their nature ("nature of cost method"). Most of this relates to the STŠ investment in Koper.

4.3 Other operating revenue (including revaluation operating revenue)

In thousand of euros	2010	2009
Revaluation operating revenue - fixed assets	88	258
Reversal of impairments	1,454	207
Revaluation operating revenue - assets held for sale	-	9
Release of provisions	9	-
Other	-	-
Total	**1,551**	**474**

Operating revenues from the revaluation of property, plant and equipment represent profits from the of the Group's own fixed assets (mostly motor vehicles) which had been made available on operating leases.

Operating revenue from the reversal of bad debts provisions represents revenue arising from the reversal of impairments of receivables recognised in previous periods.

4.4 Cost of goods materials and services

In thousand of euros	2010	2009
Cost of goods sold	**(752)**	**-**
Cost of materials	**(6,544)**	**(2,967)**
Cost of materials	(6,412)	(2,855)
Energy	(67)	(55)
Office supplies and technical literature	(51)	(48)
Write-off of low-value goods	(3)	(4)
Other materials costs	(11)	(5)
Cost of services	**(3,096)**	**(2,202)**
Intellectual services	(600)	(487)
Bank and insurance fees and charges	(898)	(315)
Trade fairs, advertising and entertainment	(381)	(307)
Maintenance of PPE	(315)	(272)
Postage, telephone and transport	(182)	(168)
Refund of expenses to employees	(71)	(84)
Rent	(128)	(65)
Education and training	(32)	(61)
Cost of services provided by individuals not registered as traders	(12)	(28)
Other services	(477)	(415)
Total	**(10,392)**	**(5,169)**

The cost of materials relates primarily to property development projects.

Cost of other services represents mostly the costs of project documentation and telecommunications connections in property development projects. Accrued costs relating to the repossession of the equipment of customers who have defaulted on their contractual provisions are also included in the above costs. The majority of the insurance costs of Euro 749 thousand are insurance premiums are recharged to lessees in accordance with the leases.

4.5 Employment costs

In thousand of euros	2010	2009
Salaries and compensation	(1,935)	(2,122)
Pension contributions	(190)	(212)
Social security contributions	(154)	(174)
Allowance for annual leave, reimbursements and other payments to employees	(382)	(480)
Additional pension contributions	(95)	(96)
Employer contributions	-	-
Provision for untaken holiday	(74)	(48)
Total	**(2,830)**	**(3,132)**

4.6 Depreciation and impairment of non-current and current assets

In thousand of euros	2010	2009
Depreciation and amortisation	**(1,658)**	**(2,233)**
Amortisation of intangible assets	(27)	(15)
Depreciation of buildings	(121)	(119)
Depreciation of equipment and spare parts	(1,510)	(2,099)
Revaluation operating expenses	**(2,021)**	**(2,624)**
Revaluation operating expenses relating to intangible assets and PPE	(912)	(845)
Revaluation operating expenses relating to receivables	(1,109)	(1,253)
Revaluation operating expenses relating to assets held for sale	-	(103)
Revaluation operating expenses relating to inventory	-	(423)
Total	**(3,679)**	**(4,857)**

Revaluation operating expenses in respect of non-current assets relate to losses of the sale of assets – primarily on operating leases. The depreciation expense relating to assets let out on operating leases amounted to Euro 1,350 thousand.

4.7 Other operating expenses

In thousand of euros	2010	2009
Other taxes or duties not connected to employment or other types of costs	(105)	(249)
Other costs	(235)	(269)
Total	**(340)**	**(518)**

Other taxes or duties not connected to labour costs or other types of costs include Euro 96 thousand of withholding tax on interest on foreign loans (2009: Euro 237 thousand). Other costs relate to student work, court and other administrative costs and membership fees for the Bank Association of Slovenia.

4.8 Financial revenue from shares and interests

In thousand of euros	2010	2009
Financial revenue from shares and interests in group companies	539	950
Financial revenue from other investments	460	747
Total	**999**	**1,697**

Financial revenue from shares in group companies relate to distributions of profits from the subsidiary company NLB Leasing Beograd in the amount of Euro 539 thousand (2009: Euro 950 thousand).

Financial revenue from other investments includes bank interest on deposits and cash held on accounts amounting to Euro 16 thousand (2009: Euro 19 thousand), revenue from financial assets at fair value through profit and loss in the amount of Euro 431 thousand (2009: Euro 503 thousand) and revenues from interest on swap agreements amounting to Euro 13 thousand (2009: Euro 72 thousand).

4.9 Financial revenue from loans and finance leases

In thousand of euros	2010	2009
Financial revenue from loans to group companies	6,461	9,956
Financial revenue from loans to others	3,981	5,075
Financial revenue from finance leases with group companies	1	25
Financal revenue from finance leases with others	11,554	12,976
Financial revenue from the reversal of impairments	2,384	3,004
Total	**24,381**	**31,036**

Financial revenue from loans relates to accrued interest on loans including accrued foreign exchange gains in the amount of Euro 660 thousand (2009: Euro 435 thousand).

Financial revenue from finance leases includes interest on finance leases of equipment and property, fees and other handling charges which are deferred and proportionately taken to the income account over the duration of the agreements and foreign exchange gains on operating receivables amounting to Euro 2,958 thousand (2009: Euro 852 thousand).

For commercial reasons, NLB Leasing Ljubljana has decided not to disclose the interest rates it charges on finance leases, operating leases and loans; this information is considered to be confidential commercial information.

Financial revenue from the reversal of impairments relates to impairments on loans and finance leases recognised in previous years.

4.10 Impairment and write-off of financial assets

In thousand of euros	2010	2009
Impairment of loans receivable and finance lease receivables	(22,270)	(14,827)
Impairment of investment in subsidiary companies	(5,723)	(200)
Valuation of derivative financial instruments	(920)	(469)
Loss on disposal subsidairy companies	(10)	-
Total	**(28,923)**	**(15,496)**

Because of its bad trading results a 100% impairment charge was recognised in respect of Optima Leasing d.o.o. Zagreb in the amount of Euro 5,273 thousand. The loss on disposal of subsidiary company relates to NLB Real Estate d.o.o. Belgrade.

4.11 Financing expenses arising from financial liabilities

In thousand of euros	2010	2009
Financing expenses arising from loans payable to group companies	(6,252)	(5,624)
Financing expenses arising from bank loans	(8,810)	(12,018)
Financing expenses arising from other financial liabilities	(1,286)	(1,267)
Total	**(16,348)**	**(18,909)**

Financial expenses for financial liabilities represent financing expenses including primarily the interest expense on loans and foreign exchange losses arising from the revaluation of foreign currency denominated financial liabilities (i.e. in Chf). Foreign exchange losses on finance leases amounted to Euro 1,015 thousand (2009: Euro 825 thousand), on loans Euro 2,154 thousand (2009: Euro 468 thousand). Financial expenses arising from other financial liabilities include include interest of Euro 269 thousand on interest rate swaps (2009: Euro 442 thousand).

For commercial reasons, NLB Leasing Ljubljana has decided not to disclose the interest rates on its own sources of financing; this information is considered to be confidential commercial information.

4.12 Financial expenses arising from operating liabilities

In thousand of euros	2010	2009
Financial expenses arising from trade payables	-	(17)
Financial expenses arising from other operating liabilities	(10)	-
Total	**(10)**	**(17)**

Financial expenses arising from operating liabilities include contractual late payment interest.

4.13 Other revenue

In thousand of euros	2010	2009
Compensation and penalties received	4	11
Income from the disposal of investment property	17	41
Other exceptional income	69	44
Total	**90**	**96**

Penalties and compensation received relate to finance and operating lease contracts.

4.14 Other expenses

In thousand of euros	2010	2009
Other expenses	(18)	(36)
Total	**(18)**	**(36)**

Other expenses comprise extraordinary expenses, costs not connected to the Company's operations and donations.

4.15 Current and deferred tax

In thousand of euros	2010	2009
Current tax	(605)	(903)
Deferred tax	4,563	2,414
Total	**3,958**	**1,511**

Computation of income tax on profits

In thousand of euros	2010	2009
Taxable revenue	36,277	37,423
Tax deductible expenses	(33,154)	(32,993)
Difference between taxable revenue and tax deductible expenses	**3,123**	**4,430**
Change in taxable profits as a result of changes in accounting policies	-	-
Increase in taxable profits as a result of prior year tax reliefs claimed	36	-
Taxable profits before reliefs	**3,159**	**4,430**
Tax reliefs	(134)	(133)
Taxable profits after reliefs	**3,025**	**4,297**
Income tax on profits	**605**	**903**

In tax computation for the year ended 31 December 2010, income tax on profits was calculated by applying a tax rate of 20% to taxable profits after reliefs.

4.16 Net loss after tax for the period

In thousand of euros	2010	2009
Income		
Net revenue from sales	7,236	4,976
Change in value of inventory and work in progress	6,273	2,970
Other operating revenue	1,551	474
Financial revenue	25,380	32,733
Other revenue	90	96
Total	**40,530**	**41,249**
Expenses		
Cost of goods, materials and services	(10,392)	(5,169)
Employment costs	(2,830)	(3,132)
Depreciation, amortisation and impairments	(3,679)	(4,857)
Other operating expenses	(340)	(518)
Financing expenses	(45,281)	(34,422)
Other expenses	(18)	(36)
Total	**(62,540)**	**(48,134)**
Tax	3,958	1,511
Net loss for the period	**(18,052)**	**(5,374)**

In thousand of euros	2010	2009
Type of profit/loss		
Profit/loss from operations	(2,181)	(5,256)
Profit/loss from financing activities	(19,901)	(1,689)
Profit/loss from other activities	72	60
Tax	3,958	1,511
Net loss after tax for the period	**(18,052)**	**(5,374)**

Net profit or loss after revaluation of capital to take account of inflation

In thousand of euros	Capital at 31 December 2010	Calculated effect of inflation	Net loss after tax
Capital - all categories excluding current year loss	20,165	595	(18,647)

We revualued the movement in capital (the payment of a dividend in december) using the consumer goods price index for 2010 which was 1.9%.

5 SUMMARY OF TRANSACTIONS BETWEEN RELATED PARTIES

In thousand of euros	2010	2009
Income statement		
1. Net revene from sales	**612**	**485**
a) Net revenue from sales from group companies	245	117
– In NLB Leasing group	206	97
– In NLB group	39	20
b) Revenue from operating leases and investment property	367	368
– In NLB Leasing group	5	1
– In NLB group	362	367
2. Cost of goods, materials and services	**(74)**	**(73)**
– in NLB Leasing group	-	-
– in NLB group	(74)	(73)
3. Financial revenue from shares and interests	**999**	**1,687**
a) Financial revenue from interests in group companies	539	950
– in NLB Leasing group	539	950
b) financial revenue from other financial investments	460	737
– In NLB Leasing group	-	153
– In NLB group	460	584
4. Financial revenue from loans receivable and finance leases	**6,461**	**9,981**
– In NLB Leasing group	3,897	9,618
– In NLB group	2,564	363
5. Financial expenses arising from impairments in financial assets	**(11,607)**	**(1,098)**
– In NLB Leasing group	(11,607)	(629)
– In NLB group	-	(469)
6. Financing expenses arising from financial liabilities	**(6,252)**	**(5,624)**
a) financial expenses arising from loans payable	(5,033)	(5,182)
– In NLB group	(5,033)	(5,182)
b) financial expenses arising from other financial liabilities	(1,219)	(442)
– In NLB group	(1,219)	(442)

Statement of financial position

In thousand of euros	2010	2009
Assets		
I. Non-current financial assets	**43,547**	**186,853**
1. Non-current financial assets excluding loans	635	8.820
a) shares and interests in group companies	635	8.820
– In NLB Leasing group	635	8.820
b) other non-current financial assets	-	-
– In NLB group	-	-
2. Long-term loans receivable and finance lease receivables	42,912	178,033
– In NLB Leasing group (loans)	42,899	178,015
– In NLB Leasing group (finance leases)	-	-
– In NLB group (finance leases)	13	18
III. Current financial assets - loans	**34,850**	**12,497**
– In NLB Leasing Group	**34,850**	**12,497**
IV. Current trade receivables	**61**	**61**
– In NLB Leasing Group	23	8
– In NLB group	38	53
III. Cash and cash equivalents	**4,103**	**1,622**
– In NLB group	4,103	1,622

Liabilities

In thousand of euros	2010	2009
I. Provisions and long-term accruals	**17**	**29**
1. Long-term accruals	17	29
– In NLB group	17	29
II. Non-current liabilities	**100,422**	**10,332**
1. Non-current financial liabilities	100,371	9,888
– In NLB group	100,371	9,888
2. Other non-cuurent financial liabilities	51	444
– In NLB group	51	444
III. Current liabilities	**41,460**	**145,811**
1. Current financial liabilities	41,459	145,809
– in NLB group	41,459	145,809
2. Current financial liabilities	1	2
– in NLB group	1	2

Transactions between related parties were carried out at arm’s length and did not result in any loss for the Company.

Other Important Disclosures

Receivables from and liabilities due to members of the Management Board, Supervisory Board members and employees based on individual employment contracts.

The company has receivables from loans and finance leases of Euro 123 thousand (2009: Euro 148 thousand) due from employees on individual employment contracts and liabilities in respect of gross salaries for December 2010 of Euro 25 thousand (2009: Euro 35 thousand)

Earnings of Management Board members and other employees on individual employment contracts, including Supervisory Board members

In 2010, employees on individual contracts for the performance of specific jobs received gross earnings in the amount of Euro 578 thousand (2009: Euro 671 thousand). Members of the Supervisory Board receive any remuneration in the year ended 31 December 2010 (2009: Euro 16 thousand).

Auditor's fees

Pursuant to Article 57 of the Companies Act (ZGD-1), the company is obliged to carry out an audit of its operations, the fees for which amounted to Euro 27 thousand (2009: Euro 24 thousand).

Foreign currency and method of converting into domestic currency

In order to maintain their real values, receivables or liabilities denominated in foreign currencies are revalued according to the contractual exchange rate that is agreed between parties as the contractual exchange rate. Receivables due from finance leases and short-term and long-term loans receivable are generally accounted for at the contractual selling exchange rate set by NLB d.d.

Cash is expressed in Euro.

Liabilities in the form of long-term and short-term loans payable, including interest, are converted according to the selling corporate exchange rate set by NLB d.d. Liabilities due to foreign entities are valued using the middle exchange rate of the Bank of Slovenia.

Receivables and liabilities in foreign currency are expressed exclusively in CHF.

Segmental reporting

The main characteristic of leasing, which distinguishes it from other forms of financing is that the lessor is the legal owner of the leased item until the final instalment of the lease has been paid and in the fact that the selling price of the lease is usually greater than the value of receivables at any given time for the duration of the leasing agreement - i.e. exposure of the lessor to credit risk. Based on these characteristics we believe that risks for individual products are similar for all types of client (financial and operating lease of equipment and property to corporates, retail lending). Therefore, the company has not defined any separate segments, but rather defined a geographical breakdown of its corporate activities on a secondary level, a summary of which is presented below. The term "abroad" includes countries of the former Yugoslavia and countries in the EU.

In thousand of euros			2010		
	Slovenia	**Abroad**	**Total**	**%Slovenia**	**% Abroad**
1. Revenue from operations and financing	33,808	6,529	40,337	83.8 %	16.2 %
2. Operating and financing expenses	(53,795)	(8,744)	(62,539)	86.0 %	14.0 %
3. Assets	242,649	134,721	377,370	64.3 %	35.7 %
4. Liabililities	316,985	60,385	377,370	84.0 %	16.0 %

In thousand of euros			2009		
	Slovenia	**Abroad**	**Total**	**% Slovenia**	**% Abroad**
1. Revenue from operations and financing	24,132	14,419	38,551	62.6 %	37.4 %
2. Operating and financing expenses	(15,083)	(4,396)	(19,479)	77.4 %	22.6 %
3. Assets	250,438	247,597	498,035	50.3 %	49.7 %
4. Liabilities	378,553	119,482	498,035	76.0 %	24.0 %

Cash flow statement

The cash flow statement has been composed according to format II following the indirect method. The basis for the cash flow statement is the company's profit and loss statement, the balance sheet statement and additional data from the company's analytical records. In order to ensure that the cash inflows in the cash flow statement are as close as possible to cash receipts and similarly cash outflows to cash payments, the Company made various adjustments to the balance sheet data including the elimination of amortisation costs, effective exchange rate differences, impairments and allowances.

Events after the balance sheet statement date

In January 2011 the subsidiary company NLB Leasing d.o.o. Sarajevo was sold, while the sale of the subsidiary company NLB Leasing d.o.o. Podgorica is under way. In February 2011, the Company made a capital injection of Euro 1,826,294.47 into its subsidiary company Optima Leasing d.o.o. Zagreb. There were no other events which might significantly affect the Company's financial statements.

Important disclosures relating to financial year 2010

In April 2010, NLB Leasing Ljubljana sold it's 100% share of investments in NLB Leasing Beograd to Nova Ljubljanska banka d.d.; the Company's 100% share in NLB Real Estate d.o.o., Belgrade was also sold.

Annual report approval

Supervisory Board approved annual report of the NLB Leasing d.o.o., Ljubljana an NLB Leasing Group at regular meeting on 15 june 2010.

Audited Financial statement of NLB Leasing Group 2010

In accordance with Slovene Accounting Standards

pwc

INDEPENDENT AUDITOR'S REPORT

To the shareholder of NLB Leasing d.o.o., Ljubljana

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of NLB Leasing Group, which comprise the consolidated statement of financial position, consolidated balance sheet as at 31 December 2010 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Slovenian Accounting Standards and the disclosure requirements of the Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

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

This version of our report is a translation from the original, which was prepared in Slovene. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of NLB Leasing Group as of 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with Slovenian Accounting Standards and the disclosure requirements of the Companies Act.

Report on other legal and regulatory requirements

Management is also responsible for preparing the management report as required by the Slovenian Companies Act. Our responsibility is to assess whether the management report is consistent with the accompanying consolidated financial statements of the NLB Leasing Group. Our work regarding the management report is performed in accordance with ISA 720 and is restricted to assessing whether the management report is consistent with the accompanying consolidated financial statements of the NLB Leasing Group.

The management report is consistent with the accompanying consolidated financial statements.

Ljubljana, 19 May 2011

PricewaterhouseCoopers d.o.o.

Mojca Vrečar
Certified Auditor

Francois Mattelaer
Partner

Contents

Balance sheet

	In thousand of euros	N	31. 12. 2010	31. 12. 2009
	Assets		**486,734**	**619,457**
A)	**Non-current assets**		**276,073**	**351,762**
I.	**Intangible assets, non-current deferred costs**	**3.1.1**	**712**	**570**
1.	Non-current licences		704	561
2.	Other non-current deferred costs	**3.1.2**	8	9
II.	**Property, plant and equipment**	**3.1.3**	**23,782**	**32,231**
1.	Land and buildings		4,762	4,932
	a) Land		1,030	1,030
	b) Buildings		3,732	3,902
2.	Other plant and equipment		19,020	27,299
3.	Property, plant and equipment being acquired		-	-
III.	**Investment property**	**3.1.4**	**48,778**	**17,632**
IV.	**Non-current financial assets**	**3.1.5**	**194,490**	**297,577**
1.	Non-current financial assets other than loans		-	-
	a) Other non-current financial investments		-	-
2.	Non-current financial assets and receivables from finance leases		194,490	297,577
	a) Non-current loans to others		25,750	26,843
	b) Non-current receivables from finance leases		168,740	270,734
V.	**Non-current trade receivables**	**3.1.6**	**24**	**7**
1.	Non-current trade receivables		24	7
VI.	**Deffered tax assets**	**3.1.7**	**8,287**	**3,745**
B)	**Current assets**		**210,405**	**267,365**
I.	**Assets (disposal group) held for sale**	**3.1.8**	**10,378**	**14,223**
II.	**Inventories**	**3.1.9**	**26,774**	**11,874**
1.	Work in progress		3,980	7,778
2.	Products and merchandise		22,794	4,096
III.	**Current financial assets**	**3.1.10**	**145,465**	**195,457**
1.	Current loans		48,880	63,014
2.	Current receivables from finance leases		96,585	132,443
IV.	**Current trade receivables**	**3.1.11**	**10,372**	**15,466**
1.	Current trade receivables due from buyers		4,349	4,452
2.	Current trade receivables due from others		6,023	11,014
V.	**Cash and cash equivalents**	**3.1.12**	**17,416**	**30,345**
C)	**Prepayments and accrued income**	**3.1.13**	**256**	**330**

	In thousand of euros	N	31. 12. 2010	31. 12. 2009
	Equity and liabilities		**486,734**	**619,457**
A)	**Equity**		**15,468**	**31,958**
I.	**Called-up capital**		**28,481**	**20,981**
1.	Share capital		28,481	20,981
II.	**Capital reserves**		**-**	**7,268**
III.	**Revenue reserves**		**-**	**3,061**
1.	Legal reserves		-	431
2.	Other revenue reserves		-	2,630
IV.	**Revaluation surplus**		**-**	**2**
V.	**Retained earnings**		**-**	**1,881**
VI.	**Net profit and loss for the period**		**(10,533)**	**-**
VII.	**Equity consolidation adjustment**		**146**	**(1,469)**
VIII.	**Capital of minority owners**		**(2,626)**	**234**
B)	**Provision and non-current accruals**		**1,257**	**1,426**
1.	Retirement and similar provisions	**3.2.1**	116	131
2.	Other provisions	**3.2.1**	30	105
3.	Non-current accrued costs	**3.2.2**	1,111	1,190
C)	**Non-current liabilities**		**207,778**	**192,171**
I.	**Non-current financial liabilities**	**3.2.3**	**207,557**	**191,974**
1.	Non-current financial liabilities to banks		207,506	191,530
2.	Other non-current financial liabilities		51	444
II.	**Non-current trade receivables**	**3.2.4**	**81**	**77**
1.	Non-current trade receivables – advances received		81	77
III.	**Deferred tax assets**	**3.2.5**	**140**	**120**
Č)	**Current liabilities**		**261,877**	**393,731**
I.	**Current financial liabilities**	**3.2.6**	**255,706**	**381,990**
1.	Current financial liabilities to banks		255,706	381,990
III.	**Current trade payables**	**3.2.7**	**6,171**	**11,741**
1.	Current trade payables to suppliers		1,826	2,639
2.	Current trade payables – advances received		3,107	6,563
3.	Other current trade payables		1,238	2,539
D)	**Accruals and deferred income**	**3.2.8**	**354**	**171**

The notes are an integral part of these financial statements.

Income statement

In thousand of euros	N	2010	2009
1. Net sales	**4.1**	**14,715**	**13,426**
a) Net sales of goods and services		5,081	3,225
b) Revenue from operating leases and investment property		9,634	10,201
2. Change in value of inventory and work in progress	**4.2**	**6,273**	**2,970**
3. Other operating income (with revaluation operating income)	**4.3**	**2,595**	**845**
a) Operating income from revaluation of fixed assets		1,080	629
b) Other revaluation operating income		1,515	216
4. Cost of goods, materials and services	**4.4**	**(12,481)**	**(7,013)**
a) Cost of goods sold and materials		(7,762)	(3,077)
b) Cost of services		(4,719)	(3,936)
5. Employment costs	**4.5**	**(3,969)**	**(4,614)**
a) Salaries		(2,832)	(3,264)
b) Social contributions		(480)	(572)
c) Other employment costs		(657)	(778)
6. Write downs in value	**4.6**	**(15,300)**	**(10,044)**
a) Depreciation and amortisation		(5,730)	(7,113)
b) Revaluation operating expenses associated with intangible and tangible fixed assets		(2,398)	(1,029)
c) Revaluation operating expenses associated with operating current assets		(7,172)	(1,902)
7. Other operating expenses	**4.7**	**(1,138)**	**(1,620)**
8. Financial revenues from shares and interests	**4.8**	**1,579**	**961**
a) Financial revenue from other investments		1,579	961
9. Financial revenues from loans and finance leases	**4.9**	**48,256**	**67,825**
a) Financial revenues from loans		10,296	15,236
b) Financial revenues from finance lease		34,350	47,717
c) Financial revenues from the reversal of impairments		3,610	4,872
10. Financial revenues from operating receivables	**4.10**	**718**	**2,292**
a) Financial revenues from operating receivables from others		718	2,292
11. Financial expenses from impairments and investment write-offs	**4.11**	**(30,140)**	**(22,699)**
12. Financial expenses from financial liabilities	**4.12**	**(38,708)**	**(49,617)**
a) Financial expenses from bank loans		(34,558)	(38,904)
b) Financial expenses from other financial liabilities		(4,150)	(10,713)
13. Financial expenses from trade payables	**4.13**	**(235)**	**(515)**
a) Financial expenses from liabilities to suppliers and bills payables		(118)	(178)
b) Financial expenses from other liabilities		(117)	(337)
14. Other revenue	**4.14**	**230**	**500**
15. Other expenses	**4.15**	**(30)**	**(66)**
16. Income tax	**4.16**	**(622)**	**(1,111)**
17. Deferred tax	**4.16**	**4,509**	**2,403**
18. Net loss for the period	**4.17**	**(23,748)**	**(6,077)**
a) Majority shareholders		(20,890)	(6,219)
b) Minority shareholder		(2,858)	142

The notes are an integral part of these financial statements.

Statement of Comprehensive Income

In thousand of euros	31. 12. 2010	31. 12. 2009
19. NET PROFIT OR LOSS FOR THE PERIOD	**(20,890)**	**(6,219)**
20. Changes in the surplus from the revaluation of intangible assets and tangible fixed assets	-	-
21. Changes in the surplus from the revaluation of financial assets available for sale	-	-
22. Gains and losses arising from translation of financial statements of companies abroad	146	(1,469)
23. Other components of comprehensive income	-	-
24. Other comprehensive income for the period	**146**	**(1,469)**
25. Total comprehensive income for the period	**(20,744)**	**(7,688)**

Cash flow statement using format II (indirect method)

In thousand of euros	2010	2009
A) Cash flows from operating activities		
a) Items from the Income statement		
Operating revenue (excluding revaluations) and financial revenue from trade receivables	32,295	13,520
Operating expenses (excluding depreciation) and financial expenses from trade payables	(28,645)	(10,515)
Income tax and other taxes not included in operating expenses	(289)	(336)
	3,991	**2,669**
b) Changes in net current assets in balance sheet items		
Opening less closing trade receivables	5,424	(2,403)
Opening less closing deferred costs and accrued revenue	29	98
Opening less closing deferred tax assets	-	-
Opening less closing assets (disposal group) held for sale	7,860	2,286
Opening less closing inventories	(24,442)	(1,499)
Closing less opening operating liabilities	43	(1,971)
Closing less opening accrued costs, deferred revenue and provisions	102	(305)
Closing less opening deferred tax liabilities	-	-
	(10,984)	**(3,794)**
c) Net cash inflow or net cash outflow at operating activities (a + b)	**(6,993)**	**(1,125)**
B) Cash flows from investing activities		
a) Cash inflows from investing activities		
Cash inflows from interest and dividends deriving from investing activities	14,232	32,288
Cash inflows from the disposal of intangible assets	-	-
Cash inflows from the disposal of tangible fixed assets	10,066	6,540
Cash inflows from the disposal of investment properties	441	41
Cash inflows from the disposal of non-current assets	90,950	68,567
Cash inflows from the disposal of current assets	14,770	99,277
	130,459	**206,713**
b) Cash outflows from investing activities		
Cash outflows to purchase intangible fixed assets	(306)	(200)
Cash outflows to purchase tangible fixed assets	(5,143)	(9,241)
Cash outflows to purchase investment properties	(26,560)	(28)
Cash outflows to purchase non-current investments	(63,313)	(74,236)
Cash outflows to purchase current investments	(21,242)	(44,211)
	(116,564)	**(127,916)**
c) Net cash inflows or net cash outflows from investing activities (a + b)	**13,895**	**78,797**
C) Cash flows from financing activities		
a) Cash inflows from financing activities		
Cash inflows from paid-in capital	7,500	-
Cash inflows from increasing long-term borrowing	33,180	10,757
Cash inflow from increasing short-term borrowing	39,901	283,790
	80,581	**294,547**
b) Cash outflows from financing activities		
Cash outflows for the payment of interests	(8,630)	(28,042)
Cash outflows from the repayment of capital	-	-
Cash outflows for the repayment of long-term borrowings	(18,718)	(97,681)
Cash outflows for the repayment of short-term borrowings	(73,064)	(251,371)
Dividends paid	-	(377)
	(100,412)	**(377,471)**
c) Net cash inflows or net cash outflows from financing activities (a + b)	**(19,831)**	**(82,924)**
Č) Cash and cash equivalents end of period	**17,416**	**30,345**
x) Net cash inflow for the period (sum of net cash flows Ac, Bc and Cc)	**(12,929)**	**(5,252)**
y) Cash and cash equivalents at beginning of period	**30,345**	**35,597**

Statement of changes in Equity

In thousand of euros	Called-in capital	Capital reserves	Revenue reserves		Revaluation surplus	Retained earnings	Net profit or loss for the period	Equity consolidati on adjustment	Minority owners equity	Total equity
	Share capital		Legal reserves	Other revenue reserves		Net profit brought forward	Net profit for the period			
As at 1 January 2010	**20,981**	**7,268**	**431**	**2,630**	**2**	**1,881**	**-**	**(1,469)**	**234**	**31,958**
Transfers to equity	**7,500**	**-**	**-**	**-**	**-**	**-**	**(20,890)**	**-**	**(2,858)**	**(16,248)**
Additional capital contributions	7,500	-	-	-	-	-	-	-	-	-
Transfer of income for the period	-	-	-	-	-	-	(20,890)	-	(2,858)	(23,748)
Other additions to equity	-	-	-	-	-	-	-	-	-	-
Transfers within equity	**-**	**(7,268)**	**(431)**	**(2,630)**	**(2)**	**(1,342)**	**(10,357)**	**146**	**-**	**-**
Allocation of profit to other capital accounts by resolutions of Management and Supervisory Boards	-	-	-	-	-	-	-	-	-	-
Transfer to cover loss for the period	-	(7,268)	(431)	(2,630)	(2)	(1,342)	(10,357)	146		-
Other transfers in equity	-	-	-	-	-	-	-	-	-	-
Transfers frome quity	**-**	**-**	**-**	**-**	**-**		**-**	**1,469**	**(2)**	**1,467**
Other decrease in equity	-	-	-	-	-	-	-	-	-	-
Payment of dividends	-	-	-	-	-	-	-	-	-	
Exchange rate differences	-	-	-	-	-	-	-	1,469	(2)	1,467
Other comprehensive income for the period										
As at 31 December 2010	**28,481**	**-**	**-**	**-**	**-**	**-**	**(10,533)**	**146**	**(2,626)**	**15,468**

In thousand of euros	Called-in capital	Capital reserves	Revenue reserves		Revaluation surplus	Retained earnings	Net profit or loss for the period	Equity consolidati on adjustment	Minority owners equity	Total equity
	Share capital		Legal reserves	Other revenue reserves		Net profit brought forward	Net profit for the period			
As at 1 January 2009	**20,981**	**7,268**	**431**	**2,892**	**2**	**7,647**	**947**	**(1,160)**	**133**	**39,141**
Transfers to equity	**-**	**-**	**-**	**-**	**-**	**-**	**(7,532)**	**-**	**142**	**(7,390)**
Additional capital contributions	-	-	-	-	-	-	-	-	-	-
Transfer of income for the period	-	-	-	-	-	-	(6,585)	-	142	(6,443)
Other additions to equity	-	-	-	-	-	-	-947	-	-	-
Transfers within equity	**-**	**-**	**-**	**(262)**	**-**	**(5,389)**	**6,585**	**-**	**-**	**-**
Allocation of profit to other capital accounts by resolutions of Management and Supervisory Boards	-	-	-	-	-	-	-	-	-	-
Transfer to cover loss for the period	-	-	-	(262)	-	(5,389)	6,585	-	-	-
Other transfers in equity	-	-	-	-	-	-	-	-	-	-
Transfers from equity	**-**	**-**	**-**	**-**	**-**	**(377)**	**-**	**(309)**	**(41)**	**(727)**
Other decrease in equity	-	-	-	-	-	-	-		(44)	(44)
Payment of dividends	-	-	-	-	-	(377)	-	-	-	(377)
Exchange rate differences	-	-	-	-	-	-	-	(309)	3	(306)
As at 31 December 2009	**20,981**	**7,268**	**431**	**2,630**	**2**	**1,881**	**-**	**(1,469)**	**234**	**31,958**

Notes to the Statement of changes in Equity

The net loss for the year ended 31 December 2010 is partially covered by net income brought forward from prior years and by reserves.

Annex to Statement of changes in Equity – Balance sheet profit / loss

In thousand of euros	2010	2009
Balance sheet profit/(loss)		
Net loss and profit for the period	(20,890)	(6,219)
Net income brought forward	26	7,838
Decrease in revenue reserves	2,630	262
Decrease in legal reserves	431	-
Decrease in capital reserves	7,268	-
Decrease in revaluation of equity	2	-
Balance sheet profit/(loss)	**(10,533)**	**1,881**

Statement of management's responsibilities

The management hereby approves the Group financial statements for the year ended 31 December 2010 and the accompanying accounting policies and notes to the financial statements.

The management is responsible for the preparation of the annual report and ensuring that it represents a true and fair presentation of the Group's assets and liabilities and the results of its operations for the year ended 31 December 2010.

The management confirms that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in preparing the financial statements. The management also confirms that financial statements, together with the notes hereto, have been prepared on the basis of assumption of going concern and in accordance with the applicable legislation and Slovenian Accounting Standards.

The management is also responsible for maintaining proper accounting records and for taking reasonable steps to safeguard assets and to prevent and detect fraud and any other irregularities or discrepancies.

The tax authorities are entitled to inspect company operations at any time within five years following the year in which a tax assessment was due, which can as a result give rise to additional tax liabilities, interest and penalties in accordance with the Corporate Income Tax act (ZDDPO-2) or other taxes and charges. The management is not aware of any circumstances which could lead to eventual liabilities in this regard.

Ljubljana, 19.5.2011

Samo Turk,
Member of the Management Board

Borut Simonič,
Chairman of the Management Board

Notes to the Group financial statements

1 BASIS FOR THE PREPARATION OF THE GROUP FINANCIAL STATEMENTS

The financial statements of NLB Leasing Group (hereinafter referred to as Group) have been prepared in accordance with the 2006 Slovenian Accounting Standards (hereinafter referred to as SRS 2006) and the Companies Act (ZGD-1). The numbers presented in the financial statements are based on accounting records and books of account that are kept in accordance with Slovenian Accounting Standards.

In addition to the Group's financial statements, financial statements have also been prepared for the individual group companies in accordance with local legislation. All subsidiaries where NLB Leasing Ljubljana has more than half of the voting rights, either directly or indirectly are fully consolidated. Consolidated and individual financial statements are available at the Company's registered office.

The preparation of financial statements involves certain fundamental accounting assumptions: the accruals basis, going concern and the qualitative characteristics of financial statements, i.e.: understandability, relevance, reliability and comparability. The accounting framework also involves the application of following the basic accounting principles: prudence, substance over form and materiality.

Items presented in the financial statements of individual group companies are measured in the currency of the primary economic environment where the company operates. The financial statements are presented in Euros, which is the Group's functional and presentation currency. The income statement and balance sheet of group companies whose functional currency is different from the presentational currency are translated into the presentational currency in the following way:

- assets and liabilities are translated according at the final exchange rate on the balance sheet date;
- revenue, expenses and costs are translated at the average exchange rate;
- all accrued currency differences are recognised in equity.

In the consolidation, foreign exchange differences relating to the translation of net investments in foreign entities are shown separately in capital.

Subsidiaries of the Group are included in the Group financial statements according to the full consolidation method. The process of consolidation involves: eliminating the investment made by the parent company against the capital of the subsidiary, eliminating all receivables and liabilities between Group companies as well as all revenues and expenses generated within the Group. Accounting policies within the group have been harmonised in order to ensure the suitability of the data. The minority interest is shown in the statement of changes in equity.

Pursuant to the provisions of SRS 24 and SRS 25, the Group does not include "group" items in the balance sheet or income statement. The balance of receivables and liabilities between companies within the NLB Group and currency differences within the NLB and NLB Leasing group are included in under other items within the same category.

In the year ended 31 December 2010 the parent company sold its majority stake in its subsidiary companies NLB Leasing d.o.o. Beograd and NLB Real Estate d.o.o. Beograd, as is shown in the line »Sale of subsidiary companies« in the Statement of Changes in Equity.

2 ACCOUNTING POLICIES

2.1 Intangible assets

Intangible assets include investments in concessions, patents, licences, trademarks and similar rights and long-term deferred costs. They are non-monetary assets and generally do not exist in physical form.

Following the initial recognition, intangible assets are measured using the cost method.

All intangible assets have a finite useful life. Their book value is reduced based on accumulated amortisation and impairment losses. Intangible assets with a finite useful life are amortised within their respective useful life. Amortisation is applied on a straight-line basis.

The carrying values of intangible assets must be re-assessed in detail at the end of each financial year. If the expected useful life of individual intangible assets with a finite useful life differs significantly from the previous assessment and if expected economic benefits deriving from the assets changes significantly, it is necessary to adjust the amortisation period and method accordingly.

The difference between net sale proceeds and the book value of intangible assets sold is included under revaluation operating revenues, if the net sale proceeds are greater that the book value, or under revaluation operating expenses, if the book value is greater than the net sale proceeds.

The company also reviews whether an individual intangible asset was impaired on the date of preparation of the financial statements, by comparing its book value to its recoverable value. The recoverable value is the higher of the value in use and the realisable value. Any impairment identified is recognised immediately in the income statement.

2.2 Property, plant and equipment

Property, plant and equipment represents assets owned by the Group or held under a finance lease, or controlled by the Group in some other way, which are used in creating products and rendering services or for leasing out or for administrative purposes, and are expected to remain in use for more than one accounting period.

Property, plant and equipment are initially recognised at cost. The cost of property, plant and equipment comprises the purchase price, import duties and other non-refundable charges and all other costs that may be directly attributable to bringing the assets to the location and condition for their intended use as far as is necessary, as well as an estimate of decommissioning, removal and restoration costs. If the acquisition value of an item of property, plant and equipment tangible fixed asset is high, it is divided into subcomponents. Subsequently accrued costs which are linked to the said assets increase its acquisition value if future benefits rise in relation to preliminary estimates.

Investments in property, plant and equipment owned by other entities are also shown as property, plant and equipment.

Following initial recognition, the company measures property, plant and equipment according to the cost model, which requires an asset to be measured at cost less accumulated depreciation and impairment losses.

Accounting for depreciation begins on the first day of the following month once the asset is fit for use. The Group uses a straight-line depreciation method. Depreciation is calculated based on the original acquisition value of depreciable assets less the eventual estimated residual value. Depreciation is calculated at a rate which reflects the useful life of the assets and is set for an individual fixed asset and is disclosed in amortisation/depreciation notes below.

The residual value and useful life of assets is reviewed on the balance sheet date and duly adjusted in so far as the management's expectation differs from previous estimates.

Each year, the Group also assesses whether there are indications of impairment of property, plant and equipment. If it is found that such indications are present, valuation methods are used to estimate the recoverable amounts of the assets. The recoverable amount is the higher of the value in use or net realisable value. If the recoverable amount is higher than book value, the asset does not require impairment, whereas if the recoverable amount is lower than the book value, an impairment charge is recognised immediately in the income statement.

2.3 Depreciation and amortisation

Amortisation and depreciation rates are determined by the company based on the useful life of individual tangible and intangible assets and a straight-line method of amortisation or depreciation method is used.

The depreciation rates for property, plant and equipment are:

• buildings	2.0 - 3.0%
• computer equipment	20.0 - 50.0%
• freight vehicles	14.3 - 25.0%
• personal motor vehicles	10.0 - 50.0%
• other equipment	20.0 - 25.0%

The amortisation rates for intangible assets are:

• capitalised costs of investment in PPE of other entities	10.0 - 100.0%
• other intangible assets	10.0 - 25.0%

2.4 Financial investments

Financial assets are presented as non-current (i.e. long-term) or current (short-term). Non-current financial assets are those which the company holds for more than a year and does not intend to sell. Those long-term financial assets which mature within one year following the balance sheet statement date are transferred to current financial assets.

Upon initial recognition, financial assets may be classified as one of the following:

- financial assets measured at fair value through profit and loss;
- financial assets held to maturity;
- loans and receivables;
- available for sale financial assets.

Financial assets include shares in group companies, long-term and short-term loans receivable, finance lease receivables and derivatives. The company has no other types of financial assets.

The revaluation of financial assets involves a change to its book value. It may involve a revaluation of a financial asset to its fair value, a revaluation of a financial asset due to impairment, or the revaluation of a financial asset as a result of the reversal of its impairment.

Financial assets are derecognised when a contractual right to cash flow deriving from them expires or when the respective financial asset is transferred and the transfer meets the conditions for derecognition.

The book value of financial assets in the balance sheet represents a possible exposure to credit risk.

a) Derivative financial instruments

Derivatives are instruments whose values change based on a change in a certain variable, such as an interest rate, currency, price, exchange rate, price index, creditworthiness and other similar variables. Derivatives are always classified as financial assets measured at fair value through profit and loss.

Derivatives are initially recognised in the balance sheet at cost, which is equal to the fair value of a payment made or received. Derivatives are subsequently measured at fair value, which is determined based on their published market price, the discounted future cash flow model or by using a pricing model as appropriate.

b) Financial investments in loans and finance lease receivables

Loans and finance lease receivables are measured based using amortised cost which, means that all expenses and revenues directly connected to the loan are accrued (credit or debit) and proportionately recognised in the income statement income according to the duration of the contract.

Upon concluding an agreement, a lease is classified as a finance lease when practically all risks and rewards associated with the ownership of the leased asset is transferred. Assets subject to finance leases are shown as receivables in the amount of the net investment upon initial recognition in the balance sheet. Receivables in respect of finance lease assets given are measured as the difference between the sum of contractual lease payments and unguaranteed residual value of the asset with the total interest receivable included in the rent. All costs and revenues that relate directly to the contract are added to or deducted from the initial value of the receivables and are progressively transferred to the income statement according to the duration of the contract. In this way the company ensures that finance lease receivables are accounted for in accordance with the amortised cost and the effective interest rate method. Interest (contractual and penalty) from non-current and current financial assets is charged in accordance with the terms of the contract or general provisions of the law and are included under financial revenue in the income statement.

Finance lease loans and receivables which it is believed will not be settled at all or will only be settled in part, are classed as doubtful, or rather questionable, and if they are subject to legal proceedings, they are classed as disputed.

Provisions against finance lease loans and receivable (impairments) are recognised on a quarterly basis.

Provisions or impairments are made only if the Company, based on objective evidence, evaluates that in certain cases collateral provided for the finance lease loans and receivables cannot be capitalized in accordance with the contract or a loss is still expected.

When the company estimates that customers, based on their credit ratings, will repay their outstanding liability in full, provisions or impairment do not need to be recognised.

All finance lease loans and receivables due from natural persons which are above a given amount and overdue by a given number of days are individually reviewed for impairment. All legal entities which are leasing customers are allocated to a credit rating group from A to E. All loans and receivables in groups D and E above a given amount, as well as a significant proportion by value of the riskiest loans in credit-rating groups, A, B and C are reviewed individually. Bad debt provisions are assessed on a group basis for all the remaining financial investments which have not been assessed individually. In the case of operating lease receivables, 100% impairment provisions are recognized for all overdue lease payments after a given time on the basis of an individual review.

Unrecoverable loans and receivables are those for which all legal means for collection have been exhausted and so the amount of the loss is final. In the event of later repayment of a loan which has been written off, the amount received is recognised as revenue in the income statement.

Since finance leases represent the majority of the company's loan portfolio is financial, there is security over the loans in the form of legal ownership over the leased asset until the final instalment is paid.

Financial assets denominated in a foreign currency are converted to the local currency at the balance sheet date. Any increase in loans is recognised as financial revenue, and conversely any decrease is recognised as financial expense.

2.5 Inventories

Group inventories include primarily construction projects under development which the Group intends afterwards to make available on a finance lease.

Inventories are recognised in the accounting records if it is probable that they will generate associated economic benefits, and if their acquisition value (cost) can be measured with a degree of reliability. Inventories are derecognised the moment when they are used or sold.

Inventories are initially recognised at cost, which is composed of the purchase price, import and other dues and other direct costs of acquisition. The purchase price is reduced for any discounts granted.

Work in progress is valued based at acquisition cost plus any associated costs, using the production costs method. In consumption of stock, the company uses the first in, first out (FIFO) pricing method.

Stock revaluation is a change in its book value. It is carried out either at the end of the financial year or during the course thereof. Inventories are valued at the lower of carrying value or net realizable value. Increases in the value of inventories are not recognised. Assets are revalued in the case of impairment, if their book value exceeds their net realisable value.

2.6 Assets held for sale (disposal group)

Owned non-current assets are those whose carrying amount will be recovered mainly through selling the asset rather than through subsequent use. This condition is only met when the asset is available for immediate sale in its current state. The management must be committed to sell, and the sale must be carried out within one year from the date of initial recognition as non-current assets held for sale. Owned non-current assets which are held for sale are measured at the lower of book value or fair value less selling costs. Gains or losses arising on disposal or revaluation are presented in the income statement under revaluation operating revenue or expenses.

Non-current assets held for sale include the repossessed vehicles, equipment and property of lessees who have defaulted on their contractual obligations.

2.7 Receivables

Receivables are mostly from customers (in connection with products and merchandise sold and services rendered as well as other assets sold) or other financers of sold products and rendered services. Receivables can also be from Group suppliers (in respect of advance payments, overpayments, security given), employees, participants in the allocation of the Group's profit or loss (tax receivables due from the state), providers of finance and the users of financial assets.

Receivables are divided into long-term and short-term receivables according to the due date of their payment. Long-term trade receivables represent receivables due from customers, which fall due after more than one year. The portion of long-term receivables falling due within a year of the balance sheet date is included in short-term trade receivables.

Receivables are initially recognised in amount shown on the corresponding source documents, on the assumption that they will be paid.

a) Operating leases

A lease is classified as an operating lease when no significant risks and rewards associated with the ownership of the leased asset are transferred. Assets leased on an operating lease are recognised in the balance sheet statement in accordance with their nature, and operating lease revenue is recognised on a straight line basis over the duration of the lease term. Upon initial recognition the company follows the principle of substance over form and subsequent changes in estimates and circumstances do not cause changes to the classification of the lease (as operating or finance).

The Company has security against the non-payment of operating lease obligations in the form of legal ownership of the underlying asset until settlement of the final lease instalment.

2.8 Deferred tax

Deferred tax assets are recognised for all deductible temporary differences, but only if it is probable that there will be future taxable profits against which the deferred tax assets can be utilised. Deferred tax liabilities are amounts of income tax that will have to be paid in future periods as a result of taxable temporary differences.

2.9 Investment property

Investment property is property which the company does not use directly in order to carry out its business activity, but is rather owned with the purpose of leasing out on an operating lease and of with the aim of capital appreciation.

Investment property is initially recognised at cost, which comprises the purchase price and associated costs.

The investment property is subsequently measured using the fair value model. The fair value is determined by a certified valuer on the basis of International Valuation Standards. The fair value is based on current market prices. Gains or losses on revaluation to the fair value are recognised in the income statement.

The group includes the following types of property in investment property:

- land for long-term capital appreciation and not for sale in the near future in the course of ordinary operations;
- land whose future use the company has not yet determined;
- owned buildings leased out on operating leases.

If the Group owns property where a part of a building is leased out, this part is included under investment property, if the part in question may be sold separately. The part intended for own use is accounted for separately in the form of the Group's own fixed assets.

2.10 Cash and cash equivalents

Cash is initially recognised in the amount that emanates from the corresponding source documents. Cash expressed in foreign currency is converted into the local currency using the exchange rate on the date of receipt.

Cash held in foreign currency accounts is revalued on a monthly basis using the Bank of Slovenia middle exchange rate.

Cash includes cash in hand, deposits, cash in the process of collection and cash equivalents; the latter are investments which may be converted quickly or in the near future into known amounts of cash sums and where the risk of a change in value is insignificant. These include short-term deposits and cash held on deposit with an original maturity date of up to 90 days.

2.11 Prepayments and accruals

Prepayments and accruals are receivables and other assets and liabilities which are expected to arise in the next or subsequent accounting periods, which are likely to arise and whose amount of which can be reliably estimated. The purpose of accruals is to present all in the income statement revenue and expenditure in the period to which they relate, irrespective of whether they were actually paid or received at that time.

We distinguish between prepayments, deferred costs and accrued revenue (i.e. accrued assets), on the one hand, and accrued expenses and deferred revenues (i.e. accrued liabilities), on the other hand.

Accruals are not subject to revaluation. However, during the course of the financial year and in the course of preparing the financial statements, it is necessary to check existence as well as the Group's entitlement or liability to them and adjust them accordingly.

2.12 Equity

The total capital of the company is divided into share capital, capital reserves, reserves from profits, retained earnings from previous years, net profit or loss for the financial year and revaluation surplus (or deficit).

Share capital is recognised as financial contributions or contributions in kind. When recognising capital the decisive factor is the capital recorded in the companies' register.

Capital reserves are divided into: capital surplus, general capital revaluation adjustment and other capital reserves.

Reserves from profits represent part of the net profit purposely retained from previous years mainly to cover future losses. Reserves are further subdivided into legal reserves, reserves for the purchase of own shares, statutory reserves and other revenue reserves. Revenue reserves are recognised by resolution of the competent corporate governing body.

Retained earnings from previous years are recognised when a resolution concerning the allocation of profit from a previous period is passed (excluding amounts for covering previous year losses, amounts for reserves and shares of capital owners).

The revaluation surplus refers to increase of book value of property, plant and equipment.

Dividends paid to the owners reduce the capital of the company in the period when they were approved by the owners.

2.13. Provisions and long-term accrued costs and deferred revenue

Provisions are recognised if the Group has any legal or indirect liabilities as a result of a past event, the amount of which may be reliably estimated and where it is probable that settlement of the said liabilities will result in an outflow of resources embodying economic benefits. The Group has established provisions relating to employee benefits, which include long-service benefits, severance pay upon retirement and other benefits.

A provision may be used only for the purpose for which it was originally recognised.

The Group's long-term accrued costs and deferred revenue include deferred operating lease deposits.

2.14 Liabilities

Current and non-current liabilities are initially recognised in the amounts shown in the corresponding source documents.

Non-current liabilities are disclosed as non-current financial liabilities and non-current operating liabilities. Non-current financial liabilities represent long-term loans. Non-current financial liabilities are increased by accrued interest and reduced by amounts repaid and any other forms of settlement, if an agreement has been concluded with the respective creditors. The carrying value of non-current liabilities is equal to their original value, less for repayments of the principal and transfers to current liabilities, unless there is a need to revalue the liability.

Short-term financial liabilities represent short-term loans payable. Current operating liabilities include advances and security received from clients, liabilities to both domestic and foreign suppliers, liabilities for uninvoiced goods and services, liabilities towards employees, liabilities to state institutions and other liabilities.

A revaluation of liabilities denominated in foreign currencies is performed at the balance sheet date using the Bank of Slovenia middle exchange rate.

2.15 Revenue

Revenue is subdivided between operating revenue, financial revenue and other revenues. Revenue is recognised if the increase in economic benefits in a respective period is linked to an increase in assets or reduction of liabilities and if the increase in economic benefits can be reliably measured.

a) Operating revenue

Operating revenue is revenues from sales and other operating revenue associated with the sale of products and services.

Revenue from sales comprises the selling price of products and services rendered, within an accounting period. Revenue from the sale of products is measured on the basis of the sales prices stated on invoices and other documents, less for any discounts approved upon sale or subsequently, including early payment discounts.

Revaluation operating revenue arises on the sale of property, land and equipment and intangible assets as surplus of their sales values over their book values.

b) Financial revenue

Financial revenue represents revenue from investments. It arises in relation to financial assets and receivables in the form of interest charged and revaluation financial revenue. Revaluation financial revenue arises on the derecognition of financial assets. Financial revenue also includes revenues foreign exchange gains.

Fees charged to clients upon concluding finance lease agreements are deferred according to the duration of the respective agreement. Only the portion relating to the current accounting period is recognised as revenue.

c) Other revenues

Other revenues include unusual items (extraordinary revenue) and other revenues that that increases the Group's net profit.

2.16 Expenses

Expenses are classified as operating expenses, financial expenses and other expenses.

a) Operating expenses

Operating expenses include all costs accrued in the financial year, itemised as the cost of materials, cost of services, labour costs, depreciation and amortisation and other expenses.

Revaluation operating expenses arise in relation to property, land and equipment, intangible assets and current assets as a result of their impairment or sale below their book value.

b) Financial expenses

Financial expenses are expenses from financial liabilities from impairment and investment expenses. Expenses categorised as financial include interest payable, while expenses relating to investments include revaluation losses arising from impairment which occur in relation to financial investments due to their impairment. Financial expenses also include foreign exchange losses.

Fees paid to banks for loan agreements concluded are deferred in accordance with the duration of the respective loan agreement. Expenses are recognised only of in respect of the portion of the costs which relate to the current accounting period.

c) Other expenses

Other expenses include unusual items (extraordinary expenses) and other expenses which reduce the Group's profit.

2.17 Taxes

Income tax return is prepared separately by each individual company within the Group, taking into account local tax regulations.

2.18 Cash-flow statement

Cash-flow statement is prepared using the indirect method (version II). The basis for the preparation of the cash-flow statement is the income statement, balance sheet of two consecutive years, and additional data from analytical records of the companies.

3 NOTES TO THE BALANCE SHEET

3.1 Assets

3.1.1 Intangible assets

In thousand of euros	Other Intangible assets	Long-term deferred costs	Total
Purchase value			
Balance as at 1 January 2010	**678**	**9**	**687**
Opening balance of merged companies	(132)	-	(132)
Write-offs	(1)	(1)	(2)
Purchase	414	-	414
Transfers	(9)	-	(9)
Exchange rate differences	(2)	-	(2)
Balance as at 31 December 2010	**948**	**8**	**956**
Adjustments to net book value			
Balance as at 1 January 2010	**(213)**	**-**	**(213)**
Opening balance of merged companies	56	-	56
Write-offs	-	-	-
Sales	9	-	9
Amortisation	(96)	-	(96)
Transfers from/to tangible asssets	-	-	-
Balance as at 31 December 2010	**(244)**	**-**	**(244)**
Balance as at 31 December 2009	**465**	**9**	**474**
Balance as at 31 December 2010	**704**	**8**	**712**

No intangible fixed assets of the Group are subject to pledges as security for loans.

In thousand of euros	Capitalised costs of investments in PPE of other entities	Other long-term deferred costs	Total
Purchase value			
Balance as at 1 January 2009	**120**	**408**	**528**
Disposal of subsidiaries	-	(20)	(20)
Write-offs	(3)	(5)	(8)
Purchase	2	298	300
Exchange rate differences	(7)	(3)	(10)
Balance as at 31 December 2009	**112**	**678**	**790**
Adjustment of net book value			
Balance as at 1 January 2009	**(14)**	**(174)**	**(188)**
Disposal of subsidiaries	-	4	4
Write-offs	3	5	8
Amortisation	(5)	(52)	(57)
Exchange rate differences	-	4	4
Balance as at 31 December 2009	**(16)**	**(213)**	**(229)**
Balance as at 31 December 2008	**106**	**234**	**340**
Balance as at 31 December 2009	**96**	**465**	**561**

3.1.2 Non-current accruals

Non-current accrual of the Group is input value added tax in the amount of Euro 8 thousand that derives from rental fee for investment property.

3.1.3 Property, Plant and Equipment

In thousand of euros	Land	Buildings	Rented euqipment	Furniture and other equipment	Total
Balance as at 1 January 2010	**1,030**	**4,156**	**40,125**	**1,689**	**47,000**
Opening balance of merged companies	-	-	(818)	(277)	(1,095)
Purchase	-	-	4,056	4,733	8,789
Sales	-	(51)	(10,535)	(4,575)	(15,161)
Transfer from tangible assets	-	-	(1,873)	18	(1,855)
Echange rate differences		-	(291)	3	(288)
Balance as at 31 December 2010	**1,030**	**4,105**	**30,664**	**1,591**	**37,390**
Adjustment of net book value					
Balance as at 1 January 2010	**-**	**(254)**	**(13,562)**	**(953)**	**(14,769)**
Opening balance of merged companies	-	-	332	197	529
Write-offs	-	-	(2,044)	(16)	(2,060)
Disposal	-	4	8,027	92	8,123
Amortisation	-	(123)	(5,199)	(312)	(5,634)
Transfer from tangible assets	-	-	-	(10)	(10)
Reversal of impairment	-	-	13	13	26
Exchange rate differences	-	-	105	82	187
Balance as at 31 December 2010	**-**	**(373)**	**(12,328)**	**(907)**	**(13,608)**
Balance as at 31 December 2009	**1,030**	**3,902**	**26,563**	**736**	**32,231**
Balance as at 31 December 2010	**1,030**	**3,732**	**18,336**	**684**	**23,782**

At 31 December 2010 no property, plant or equipment of the company was subject to pledges as security for loans or of any other kind. The Group does not have in its records any fixed property, plant or equipment acquired through finance leases.

The Group judges on the basis of available data as at 31 December 2010 that there are no signs of impairment of property, plant and equipment.

In thousand of euros	Land	Buildings	Construction work in progress	Rented equipment	Furniture and other equipment	Total
Purchase value						
Balance as at 1 January 2009	**2,213**	**4,354**	**3,721**	**42,860**	**1,916**	**55,064**
Disposal of subsidiaries	(1,183)	-	(3,721)	-	(2)	(4,906)
Write-offs	-	-	-	(808)	(187)	(995)
Purchase	-	47	-	8,498	234	8,779
Sales	-	-	-	(11,471)	(85)	(11,556)
Transfer	-	-	-	173	(173)	-
Transfer to investment property	-	(245)	-	-	-	(245)
Transfer from assets held for sale	-	-	-	118	-	118
Exchange rate differences	-	-	-	142	(14)	128
Balance as at 31 December 2009	**1,030**	**4,156**	**-**	**39,512**	**1,689**	**46,387**
Adjustment of net book value						
Balance as at 1 January 2009	**-**	**(132)**	**-**	**(9,559)**	**(873)**	**(10,564)**
Opening balance of merged companies	-	-	-	-	-	-
Write-offs	-	-	-	248	116	364
Sales	-	-	-	2,993	79	3,072
Amortisation	-	(122)	-	(7,242)	(287)	(7,651)
Reversal of impairment	-	-	-	46	3	49
Exchange rate differences	-	-	-	(48)	9	(39)
Balance as at 31 December 2009	**-**	**(254)**	**-**	**(13,562)**	**(953)**	**(14,769)**
Balance as at 31 December 2008	**2,213**	**4,222**	**3,721**	**33,301**	**1,043**	**44,500**
Balance as at 31 December 2009	**1,030**	**3,902**	**-**	**25,950**	**736**	**31,618**

3.1.4. Investment property

In thousand of euros	Buildings	Land	Total
Purchase value			
Balance as at 1 January 2010	**17,360**	**272**	**17,632**
Acquisitions	31,907	704	32,611
Sales	(1,464)	-	(1,464)
Transfer from non-current assets held for sale	1,018	-	1,018
Impairments	(1,019)	-	(1,019)
Balance as at 31 December 2010	**47,802**	**976**	**48,778**

Investment property includes:

- one residential house in the amount of Euro 61 thousand,
- a parking lot in Ljubljana in the amount of Euro 150 thousand,
- flats in the amount of Euro 658 thousand,
- a part of a parking lot and office building in Ljubljana in the amount of Euro 966 thousand,
- part of an office building in Kranj in the amount of Euro 2,997 thousand,
- business premises in Maribor in amount of Euro 276 thousand,
- the office building Modri Kvadrat in Ljubljana in the amount of Euro 31,907 thousand
- an office building in Žižki in the amount of Euro 730 thousand
- an office building and property in the Republic of Serbia and Bosnia and Herzegovina in the amount of Euro 2,111 thousand,
- an office building in Podgorica in the amount of Euro 9,066 thousand.

In accordance with the internal policy and valuations obtained from certified valuers, revaluation of investment property in NLB Leasing Podgorica is not needed. NLB Leasing d.o.o. Ljubljana and NLB Leasing Sarajevo conducted a revaluation in the amount of Euro 1,019 thousand.

An interest was expressed in letting some of the property classified as held for resale, so this property has accordingly been transferred to investment property.

The Group includes recognized revenues from rents from investment property in the amount of Euro 1,734 thousand (2009: Euro 1,369 thousand).

In 2010 there were no significant maintenance and repair expenses on investment property.

3.1.5 Non-current financial assets

In thousand of euros	2010	2009
Non-current loan receivables	**25,750**	**26,843**
Non-current loan receivables from others	40,550	43,673
Transfer to current loans receivable	(6,701)	(16,483)
Impairment of loans	(8,099)	(347)
Non-current finance lease receivables	**168,740**	**270,734**
Non-current finance lease receivables from other	246,811	388,403
Transfer to current lease receivables	(60,494)	(107,722)
Impairment of finance lease receivables	(17,577)	(9,947)
Total	**194,490**	**297,577**

a) Statement of changes in non-current financial assets and loans

In thousand of euros	Non-current loans to others
Purchase value	
Balance as at 1 January 2010	**27,190**
Increase	25,464
Transfer to current loan receivables	(6,701)
Decrease	(12,091)
Exchange rate differences	(13)
Balance as at 31 December 2010	**33,849**
Impairments	
Balance as at 1 January 2010	**(347)**
Formation	(7,832)
Write-off	80
Balance as at 31 December 2010	**(8,099)**
Balance as at 31 December 2009	**26,843**
Balance as at 31 December 2010	**25,750**

b) Statement of changes in non-current finance lease receivables

In thousand of euros	Finance lease of equipment	Finance lease of property	Total
Purchase value			
Balance as at 1 January 2010	**166,586**	**114,095**	**280,681**
Opening balance of merged companies	(64,279)	-	(64,279)
Increase	75,507	42,918	118,425
Decrease	(56,954)	(30,587)	(87,541)
Transfer to current loan receivables	(2,364)	(58,130)	(60,494)
Exchange rate differences	(213)	(262)	(475)
Balance as at 31 December 2010	**118,283**	**68,034**	**186,317**
Impairments			
Balance as at 1 January 2010	**(6,662)**	**(3,285)**	**(9,947)**
Opening balance of merged companies	285	-	285
Formation	(7,624)	(2,322)	(9,946)
Write-off	-	-	-
Reversal	808	1,223	2,031
Exchange rate differences	-	-	-
Balance as at 31 December 2010	**(13,193)**	**(4,384)**	**(17,577)**
Balance as at 31 December 2009	**159,924**	**110,810**	**270,734**
Balance as at 31 December 2010	**105,090**	**63,650**	**168,740**

The Group records its long-term receivables from finance leases according to the net principle, whereby the balance is reduced by deferred approval fees relating to the lease agreements entered into and any adjustments in the value of receivables in accordance with the adopted methodology.

Receivables from finance leases are secured by means of ownership of the leased assets. In addition, there are other forms of security in place, such as bills of exchange, guarantees and mortgages.

The portion of non-current finance lease receivables which fall due within 12 months of the balance sheet date is transferred to current finance lease receivables.

c) Breakdown of current and non-current finance lease receivables by maturity

In thousand of euros	Gross receivable	Deferred revenue	Current value
Less than 1 year	119,921	(10,226)	109,695
From 1 to 5 years	146,336	(22,093)	124,243
More than 5 years	70,148	(8,087)	62,061
Total	**336,405**	**(40,406)**	**295,999**

*Impairments are not included in the above figures

d) Overdue receivables

In thousand of euros	
Overdue loan receivables	12,605
Overdue finance lease receivables	71,350
Overdue trade receivables	1,877
Total	**85,832**

3.1.6 Non-current trade receivables

In thousand of euros	2010	2009
Other non-current finance lease receivables	24	7
Total	**24**	**7**

Non-current trade receivables represent payments made into the residential property reserve fund.

3.1.7 Deferred tax assets

In thousand of euros	Impairment of receivables	Provisions for liabilities	Non-recognized depreciation/amortisation	Other	Total
Balance as at 1 January 2010	**3,609**	**25**	**69**	**42**	**3,745**
Increase	4,304	-	25	1,146	5,475
Decrease	(882)	(1)	(18)	(32)	(933)
Balance as at 31 December 2010	**7,031**	**24**	**76**	**1,156**	**8,287**

Deferred tax assets represent the amount of income tax which will be reimbursed in the future periods in respect of deductible temporary differences and have been calculated using the applicable corporate income tax rate of 20%.

All increases or decreases in deferred tax assets are recognised in the income statement.

3.1.8 Assets (disposal group) available for sale

In thousand of euros	Repossessed vehicles	Repossessed equipment	Repossessed property	Total
Purchase value				
Balance as at 1 January 2010	**2,354**	**1,019**	**11,088**	**14,461**
Opening balance of merged companies	(521)	(911)	-	(1,432)
Increase	2,679	563	7,998	11,240
Decrease	(2,349)	(102)	(10,418)	(12,869)
Transfer to investment property	-	-	(1,018)	(1,018)
Balance as at 31 December 2010	**2,163**	**569**	**7,650**	**10,382**
Impairments				
Balance as at 1 January 2010	**(4)**	**-**	**(234)**	**(238)**
Formation	-	-	-	-
Reversal	-	-	234	234
Balance as at 31 December 2010	**(4)**	**-**	**-**	**(4)**
Balance as at 31 December 2009	**2,350**	**1,019**	**10,854**	**14,223**
Balance as at 31 December 2010	**2,159**	**569**	**7,650**	**10,378**

The Group includes in assets held for sale inventories of property and equipment which were repossessed from lessees who had defaulted on their contractual obligations.

Property which was leased out was transferred to investment property.

All the remaining assets are in the process of being sold and are expected to be sold in 2011.

3.1.9 Inventories

In thousand of euros	Work in progress	Inventory	Other goods	Total
Purchase value				
Balance as at 1 January 2010	**7,778**	**4,085**	**11**	**11,874**
Increase	6,570	3,671	17,873	28,114
Decrease	(10,368)	(752)	(572)	(11,692)
Other transfers	-	-	(11)	(11)
Balance as at 31 December 2010	**3,980**	**7,004**	**17,301**	**28,285**
Impairments				
Balance as at 1 January 2010	**-**	**-**	**-**	**-**
Formation	-	(649)	-	(649)
Other transfers	-	-	(862)	(862)
Balance as at 31 December 2010	**-**	**(649)**	**(862)**	**(1,511)**
Balance as at 31 December 2009	**7,778**	**4,085**	**11**	**11,874**
Balance as at 31 December 2010	**3,980**	**6,355**	**16,439**	**26,774**

Work in progress includes property under construction for future sale or letting under finance lease, while inventories include already constructed and bought property that were previously disclosed in the item assets held for sale.

The largest project completed and sold in 2010 was the STS construction in Koper for EUR 9,605 thousand. Completed and purchased property as well as property previously included in assets held for sale is included in inventories.

In the case of repossessed property which was during the year transferred from assets held for resale, a new valuation was obtained at the year end and impairment was recognised on this basis.

There were no inventory surpluses or shortfalls in the 2010 year end stock-take.

In the year that ended on 31 December 2010, the Group did not pledge any inventories as security against its liabilities.

3.1.10 Current financial assets

In thousand of euros	2010	2009
Current loans to others	58,368	54,425
Current portion of non-current loans to others	6,701	16,483
Impairment of current loans	(16,189)	(7,894)
Current finance lease receivables	115,627	144,528
Impairment of finance lease receivables	(19,042)	(12,085)
Total	**145,465**	**195,457**

Short-term deposits with an original maturity of up to 90 days are included within cash and cash equivalents.

a) Statement of changes in current loans receivable and finance lease receivables

In thousand of euros	Current loans	Current finance lease receivables	Total
Purchase value			
Balance as at 1 January 2010	**70,908**	**144,528**	**215,436**
Sale of subsidiary	-	(28,859)	(28,859)
Increase	9,347	8,984	18,331
Transfer from non-current loans	6,701	60,494	67,195
Decrease	(21,887)	(69,520)	(91,407)
Balance as at 31 December 2010	**65,069**	**115,627**	**180,696**
Impairments			
Balance as at 1 January 2010	**(7,894)**	**(12,085)**	**(19,979)**
Sale of subsidiary	-	2,433	2,433
Formation	(9,302)	(9,962)	(19,264)
Reversal	1,007	572	1,579
Balance as at 31 December 2010	**(16,189)**	**(19,042)**	**(35,231)**
Balance as at 31 December 2009	**63,014**	**132,443**	**195,457**
Balance as at 31 December 2010	**48,880**	**96,585**	**145,465**

b) Exclusion of items at consolidation of loans and finance lease receivables

In thousand of euros	2010	2009
Company		
NLB Leasing, d. o. o., Beograd	-	105,974
NLB Leasing, d. o. o., Sarajevo	44,821	44,688
NLB Leasing Podgorica, d. o. o.	30,972	31,155
NLB Leasing Sofija, e. o. o. d.	7,270	8,105
NLB Real Estate, d. o. o.	-	590
Total	**83,063**	**190,512**

* Loan impairments are not included in the above figures

3.1.11 Current trade receivables

In thousand of euros	2010	2009
Current trade receivables from customers	**4,349**	**4,452**
Current trade receivables from customers	7,746	6,391
Impairment of trade receivables	(3,397)	(1,939)
Advances and security given	**2,525**	**7,406**
Advances given	4,400	-
Impairment of advances given	(1,875)	-
Other current receivables	**3,498**	**3,608**
Current receivables from the state	1,845	2,999
Other current receivables	4,555	654
Impairment of other current receivables	(2,902)	(45)
Total	**10,372**	**15,466**

Trade receivables relate to finance and operating lease charges and the sale of fixed assets and assets available for sale.

Short-term advances of Euro 2,525 thousand (2009: Euro 7,406 thousand) relate to payments to suppliers for goods and services. The biggest portion represents advance payments for purchase of equipment to be leased out to customers on finance leases.

Receivables due from the state mostly represent corporate income tax receivables of Euro 665 thousand (2009: Euro 805 thousand), withholding tax of Euro 1,097 thousand (2009: Euro 746 thousand) and value added tax.

a) Statement of changes in trade payables

In thousand of euros	Current trade receivables	Advances given	Other current trade receivables	Total
Purchase value				
Balance as at 1 January 2010	**6,384**	**7,406**	**3,653**	**17,443**
Sale of subsidiary	(228)	(195)	(783)	(1,206)
Increase	32,983	10,637	16,501	60,121
Decrease	(31,359)	(13,429)	(18,642)	(63,430)
Transfer	-	-	5,741	5,741
Exchange rate differences	(34)	(19)	(70)	(123)
Balance as at 31 December 2010	**7,746**	**4,400**	**6,400**	**18,546**
Impairments				
Balance as at 1 January 2010	**(1,932)**	**-**	**(45)**	**(1,977)**
Formation	(1,792)	(1,874)	(2,857)	(6,523)
Write-off	31	-	-	31
Reversal	296	-	-	296
Transfer	-	(1)	-	(1)
Balance as at 31 December 2010	**(3,397)**	**(1,875)**	**(2,902)**	**(8,174)**
Balance as at 31 December 2009	**4,452**	**7,406**	**3,608**	**15,466**
Balance as at 31 December 2010	**4,349**	**2,525**	**3,498**	**10,372**

3.1.12 Cash and cash equivalents

In thousand of euros	2010	2009
Cash in hand	**2**	**13**
Cash in hand	2	13
Cash in bank and other financial institutions	**17,414**	**30,332**
Cash on current account	13,241	21,398
Short-term deposits and call deposits	4,173	8,934
Total	**17,416**	**30,345**

Short-term deposits represent bound assets that have an original maturity date of less than 90 days, and overnight deposits.

3.1.13 Current accruals

In thousand of euros	2010	2009
Current deferred costs or expenses	135	145
Current accrued income	100	141
VAT on advances received	21	44
Total	**256**	**330**

Deferred costs relate primarily to prepaid costs of materials and services relating to the current period.

Deferred costs recognised in the year that ended on 31 December 2009 were used up in the current period.

3.2 Liabilities

3.2.1 Provisions

In thousand of euros	2010	2009
Provisions for jubilee awards	7	25
Provisions for retirement benefits	109	106
Provisions for future liabilities	30	105
Total	**146**	**236**

In year ended 31 December 2010 the Group paid out Euro 2 thousand of jubilee awards already provided for and did not recognize any additional provision for jubilee awards.

The provision for retirement awards was reduced by Euro 8 thousand. Last actuary liabilities based on retirement benefits and jubilee awards were calculated in 2008, but only for the company NLB Leasing Ljubljana.

3.2.2 Long-term accrued costs and deferred revenue

In thousand of euros	
Balance as at 1 January 2010	**1,190**
Increase	331
Decrease	(410)
Balance as at 31 December 2010	**1,111**

Long-term accrued costs represent accrued long-term lodgings for operational lease.

3.2.3 Non-current financial liabilities

In thousand of euros	2010	2009
Non-current loans payable to the companies within the NLB Group	**98,495**	**22,514**
Non-current loans payable to the companies within the NLB Group	107,843	25,986
Transfer to current portion of loans	(9,348)	(3,472)
Non-current loans payable to domestic banks	**69,458**	**104,845**
Non-current loans payable to domestic banks	117,061	157,939
Transfer to current portion of loans	(47,603)	(53,094)
Non-current loans payable to foreign banks	**39,553**	**64,171**
Non-current loans payable to foreign banks	54,459	84,345
Transfer to current portion of loans	(14,906)	(20,174)
Other non-current financial liabilities	**51**	**444**
Total	**207,557**	**191,974**

3.2.4 Non-current trade liabilities

In thousand of euros	2010	2009
Liabilities based on advances	81	77
Total	**81**	**77**

3.2.5 Deferred tax liabilities

In thousand of euros	Impairment of loans and receivables	Deferred taxes for fixed assets	Total
Balance as at 1 January 2010	**6**	**114**	**120**
Increase	-	35	35
Decrease	(6)	(9)	(15)
Balance as at 31 December 2010	**-**	**140**	**140**

Deferred tax liabilities derive from the difference between the calculated and recognized amortisation at NLB Leasing d.o.o. Podgorica.

3.2.6 Current financial liabilities

In thousand of euros	2010	2009
Current loans payable to the companies within the NLB Group	**151,898**	**243,736**
Current loans payable to the companies within the NLB Group	142,550	240,264
Current portion of long-term loans	9,348	3,472
Current loans payable to domestic banks	**88,902**	**102,802**
Current loans payable to domestic banks	41,299	49,708
Current portion of long-term loans	47,603	53,094
Current loans payable to foreign banks	**14,906**	**35,452**
Current loans payable to foreign banks	-	15,278
Current portion of long-term loans	14,906	20,174
Total	**255,706**	**381,990**

a) Maturity of financial liabilities

In thousand of euros				
Oustanding balance due at 31 December 2010	**Up to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
- loans payable to companies within the NLB Group	151,898	98,546	-	250,444
- loans payable to other banks	103,808	95,721	13,290	212,819
Total	**255,706**	**194,267**	**13,290**	**463,263**

In thousand of euros				
Oustanding balance due at 31 December 2009	**Up to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
- loans payable to companies within the NLB Group	243,736	22,861	97	266,694
- loans payable to other banks	138,254	153,599	15,417	307,270
Total	**381,990**	**176,460**	**15,514**	**573,964**

Long-term and short-term liabilities are guaranteed with pledged receivables and/or soft letters of comfort from the parent company.

3.2.7 Current operating liabilities

In thousand of euros	2010	2009
Current liabilities to suppliers	**1,826**	**2,639**
Current liabilities to suppliers	1,793	2,619
Current liabilities for uncharged goods and services	33	20
Short-term advances and security received	**3,107**	**6,563**
Short-term advances received	1,032	6,405
Security received from lessees	2,075	158
Current liabilities to employees	**143**	**181**
Salaries	115	126
Other payments to employees	28	55
Liabilities to the state and state institutions	**238**	**1,142**
Value added tax liabilities	-	973
Corporate income tax liabilities	72	56
Other liabilities to the state and state institutions	166	113
Other current liabilities	**857**	**1,216**
Liabilities arising from the waiver of receivables	-	218
Current liabilities from tax on property transfer	-	126
Other current operating liabilities	857	872
Total	**6,171**	**11,741**

Liabilities for uninvoiced goods and services relate to property development projects of NLB Leasing, where goods and services were accounted in accordance with the respective contracts and the company has yet to receive invoices for the goods received and services rendered.

Other current liabilities relate primarily to liabilities in accordance with the credit note from the concluded leasing agreement to NLB Leasing Ljubljana.

3.2.8 Accruals and deferred income

In thousand of euros	2010	2009
Accrued costs	343	152
Deferred revenue	8	5
VAT on deposit and advances paid	3	14
Total	**354**	**171**

The majority of accrued costs relate to untaken holiday in the current financial year in amount of Euro 74 thousand and other costs.

Accruals from 2009 were used up in the current period.

3.3 Off-balance sheet assets and liabilities

In thousand of euros	2010	2009
Securities and pledges given	-	30
Derivative financial instruments - interest rate swaps	1,823	11,262
Total	**1,823**	**11,292**

3.3.1 Maturity of off-balance sheet assets and liabilities

In thousand of euros	2010	2009
Within 1 year	1,210	4,619
Between 1 and 5 years	266	2,077
More than 5 years	347	4,596
Total	**1,823**	**11,292**

4 NOTES TO THE INCOME STATEMENT

4.1 Net revenue from sales

In thousand of euros	2010	2009
Net revenue from operating leases	8,073	8,832
Revenue from investment property	1,634	1,369
Other rental income	30	8
Net revenue from goods purchased for resale	1,024	-
Revenue from goods produced	223	-
Other revenue from sales	3,731	3,217
Total	**14,715**	**13,426**

Other net sales revenues in the amount of Euro 3,731 thousand (2009: Euro 3,217 thousand) are revenues generated from fees charged in respect of payment reminders, handling charges or approval commission in relation to operating leases and handling charges for the early termination of lease agreement, and revenues generated from other services individual companies render for leaseholders (insurance, commissions for operating lease grant etc.).

All net sales revenue is measured based on the sales prices that were stated on invoices or other corresponding source documents.

Net revenues from operating leases represent monthly rental payments for use of the leased asset. The amount of rents for operating leases that Group would receive in the future based on contracts currently in force amounts to Euro 41,776 thousand:

- Less than 1 year Euro 7,337 thousand;
- From 1 to 5 years Euro 14,744 thousand;
- More than 5 years Euro 19,695 thousand.

As at 31 December 2010 the Group had also concluded some property rental agreements in addition to operating lease contracts, in respect of properties which are included under investment property in the balance sheet. Characteristics of these agreements:

- Rental agreements for business premises, total undiscounted value amounts to Euro 377 thousand;
- Rental agreements for parking lots, in the amount of from Euro 250 to 637 per month;
- Rental agreements for apartment areas; in the amount from Euro 450 to 1,200 per month
- Rental agreement for company building in Podgorica, the total rental value amounts to an average of Euro 63,170 thousand;
- Rental of business premises in the Republic of Serbia and Bosnia and Herzegovina, total rental value amounts to Euro 25,160 thousand per month.

4.2 Change in the value of inventories produced and work in progress

In the year ended 31 December 2010, the change in the value of finished goods and work in progress was Euro 6,273 thousand (2009: Euro 2,970 thousand) and relates to the capitalised costs of inventory in respect of property development projects of NLB Leasing Ljubljana, based on the applied concept of presenting costs according to their nature ("nature of cost method").

4.3 Other operating revenue (including revaluation operating revenue)

In thousand of euros	2010	2009
Revaluation operating revenue - fixed assets	1,080	629
Reversal of impairments	1,506	207
Revaluation operating revenue - assets held for sale	9	9
Total	**2,595**	**845**

Operating revenues from the revaluation of property, plant and equipment represent profits from the of the Group's own fixed assets (mostly motor vehicles) which had been made available on operating leases.

Operating revenue from the reversal of bad debts provisions represents revenue arising from the reversal of impairments of receivables recognised in previous periods.

4.4 Cost of goods materials and services

In thousand of euros	2010	2009
Cost of goods sold	**(752)**	**-**
Cost of materials	**(7,010)**	**(3,077)**
Cost of materials	(6,332)	(2,858)
Energy	(109)	(102)
Office supplies and technical literature	(74)	(101)
Write-off of low-value goods	(8)	(4)
Other material costs	(487)	(12)
Cost of services	**(4,719)**	**(3,936)**
Intellectual services	(1,082)	(866)
Maintenance of PPE	(472)	(627)
Trade fairs, advertising and entertainment	(531)	(501)
Bank and insurance fees and charges	(952)	(440)
Rent	(307)	(340)
Postage, telephone and transport	(274)	(322)
Refund of expenses to employees	(116)	(128)
Education and training	(32)	(99)
Cost of services provided by individuals not registered as traders	(13)	(54)
Other services	(940)	(559)
Total	**(12,481)**	**(7,013)**

The cost of materials relates primarily to property development projects for further construction of property of NLB Leasing Ljubljana. Cost of other services represents mostly the costs of project documentation and telecommunications connections in property development projects. Accrued costs relating to the repossession of the equipment of customers who have defaulted on their contractual provisions are also included in the above costs.

In the year ended 31 December 2010 the Group had costs of Euro 307 thousand from the rent of business premises (2009: Euro 340 thousand). Most companies have rented business premises for an indefinite time period with a notice period (except NLB Leasing Sarajevo). The total rent cost amounts to Euro 28 thousand/month on average (2009: Euro 28 thousand/month).

4.5 Employment costs

In thousand of euros	2010	2009
Salaries and compensations	(2,832)	(3,264)
Pension contribtuions	(225)	(286)
Social security contributions	(255)	(286)
Additional pension contributions	(429)	(104)
Allowance for annual leave, reimbursements and other payments	(104)	(560)
Employer contributions	(33)	(20)
Provision for untaken holiday	(88)	(68)
Other employment costs	(3)	(26)
Total	**(3,969)**	**(4,614)**

4.6 Depreciation and impairment of non-current and current assets

In thousand of euros	2010	2009
Depreciation and amortisation	**(5,730)**	**(7,113)**
Amortisation of intangible assets	(96)	(57)
Depreciation of buildings	(123)	(122)
Depreciation of equipment and spare parts	(5,511)	(6,934)
Revaluation operating expenses	**(9,570)**	**(2,931)**
Revaluation operating expenses relating to intangible assets and PPE	(2,398)	(1,029)
Revaluation operating expenses relating to current assets, except finance leases and investment property	(6,523)	(1,372)
Revaluation operating expenses relating to assets held for sale	-	(107)
Revaluation operating expenses relating to inventory	(649)	(423)
Total	**(15,300)**	**(10,044)**

The purchase value of fixed assets, placed for operating lease, amounted to Euro 30,664 thousand in 2010, and in 2009 to Euro 39,512 thousand.

Depreciation of buildings derives from depreciation of the business building of NLB Leasing Ljubljana and depreciation of the building owned by NLB Leasing Sarajevo.

Revaluation operating expenses in respect of non-current assets relate primarily to losses of the sale of motor vehicles on operating leases.

Revaluation operating expenses in respect of current assets relate to new revaluation adjustments for operating receivables in accordance with the adopted methodology.

4.7 Other operating expenses

In thousand of euros	2010	2009
Other taxes or duties not connected to employment or other types of costs	(388)	(418)
Other expenses	(750)	(1,202)
Total	**(1,138)**	**(1,620)**

Other taxes or duties not connected to labour costs include Euro 96 thousand of withholding tax on interest on foreign loans (2009: Euro 237 thousand). Other costs relate to court and other administrative costs and membership fees for the Bank Association of Slovenia.

4.8 Financial revenue from shares and interests

In thousand of euros	2010	2009
Financial revenue from other investments	1,579	961
Total	**1,579**	**961**

Financial revenue from other investments includes bank interest on deposits and cash held on accounts amounting to Euro 16 thousand (2009: Euro 19 thousand), revenue from financial assets at fair value through profit and loss in the amount of Euro 431 thousand (2009: Euro 503 thousand) and revenues from interest on swap agreements amounting to Euro 13 thousand (2009: Euro 72 thousand).

4.9 Financial revenue from loans and finance leases

In thousand of euros	2010	2009
Financial revenue from loans to others	10,296	15,236
Financial revenue from finance leases to others	34,350	47,717
Financial revenue from the reversal of impairments	3,610	4,872
Total	**48,256**	**67,825**

Smaller portion of financial revenue relates to accrued interest on loan and leasing agreements within the NLB Group, the majority of which represents accrued foreign exchange gains that derive primarily from volatility of exchange rate movements of Serbian dinar and Croatian kuna.

Financial revenue from the reversal of impairments relates to reversed impairments on loans and finance leases.

4.10 Financial revenues from operating receivables

In thousand of euros	2010	2009
Financial revenue from operating receivables to others	718	2,292
Total	**718**	**2,292**

The majority of financial revenue from operating receivables represents exchange rate gains from operations of NLB Leasing Beograd and Optima Leasing Zagreb.

4.11 Impairment and write-off of financial assets

In thousand of euros	2010	2009
Impairment of loans receivable and finance lease receivables	(29,220)	(22,230)
Valuation of derivative financial instruments	(920)	(469)
Total	**(30,140)**	**(22,699)**

4.12 Financing expenses arising from financial liabilities

In thousand of euros	2010	2009
Financing expenses arising from bank loans	(34,558)	(38,904)
Financing expenses arising from other financial liabilities	(4,150)	(10,713)
Total	**(38,708)**	**(49,617)**

A significant portion of financial expenses represent negative exchange rate difference deriving from volatility of exchange rate movements of Serbian dinar and Croatian kuna.

4.13 Financial expenses arising from operating liabilities

In thousand of euros	2010	2009
Financial expenses arising from liabilities to suppliers and notes payable	(1)	(178)
Financial expenses arising from other operating liabilities	(234)	(337)
Total	**(235)**	**(515)**

The majority of financial expenses arising from operating liabilities represent negative exchange rate differences at operations of subsidiaries.

4.14 Other revenue

In thousand of euros	2010	2009
Compensations and penalties received	125	200
Income from the disposal of investment property	17	93
Revenues from revaluation of investment property	-	121
Other exceptional income	88	86
Total	**230**	**500**

Penalties and compensation received relate to finance and operating lease contracts.

4.15 Other expenses

In thousand of euros	2010	2009
Contractual penalties	(2)	(20)
Other expenses	(28)	(46)
Total	**(30)**	**(66)**

Other expenses comprise extraordinary expenses, costs not connected to the Group's operations and donations.

4.16 Income tax and deferred tax

In thousand of euros	2010	2009
Income tax	(622)	(1,111)
Income/expenses from deferred tax	4,509	2,403
Total	**3,887**	**1,292**

4.17 Net profit or loss for the period

In thousand of euros	2010	2009
Income		
Net revenue from sales	14,715	13,426
Change in value of inventory and work in progress	6,273	2,970
Other operating revenue	2,595	845
Financial revenue	50,553	71,078
Other revenue	230	500
Total	**74,366**	**88,819**
Expenses		
Cost of goods, materials and services	(12,481)	(7,113)
Employment costs	(3,969)	(4,614)
Depreciation, amortisation and impairments	(15,300)	(10,044)
Other operating expenses	(1,138)	(1,520)
Financing expenses	(69,083)	(72,831)
Other expenses	(30)	(66)
Total	**(102,001)**	**(96,188)**
Tax	3,887	1,292
Net profit and loss for the period	**(23,748)**	**(6,077)**
a) majority shareholders	(20,890)	(6,219)
b) minority shareholders	(2,858)	142

In thousand of euros	2010	2009
Type of profit/loss		
Profit/loss from operations	(9,305)	(6,050)
Profit/loss from financing activities	(18,530)	(1,753)
Profit/loss from other activities	200	434
Tax	3,887	1,292
Net profit and loss for the period	**(23,748)**	**(6,077)**
a) majority shareholders	(20,890)	(6,219)
b) minority shareholders	(2,858)	142

Other Important Disclosures

NLB Leasing Group

As at 31 December 2010 NLB Leasing Group comprises of parent company and subsidiaries in which the parent company holds the absolute majority of members.

NLB Leasing Group comprises of:

- NLB Leasing, d. o. o., Ljubljana
- NLB Leasing Podgorica, d. o. o.
- NLB Leasing, d. o. o., Sarajevo
- NLB Leasing Sofia, e. o. o. d.
- Optima Leasing, d. o. o., Zagreb

Names of the Board Members and members of other bodies

Bodies of the companies that comprise NLB Leasing Group are assembly, Supervisory Board and Management Board (Director).

Managements or directors of the companies:

- NLB Leasing, d. o. o., Ljubljana
  - President of the Management Board: Borut Simonič
  - Board Member: Samo Turk

- NLB Leasing Podgorica, d. o. o.
  - Executive Director: Milan Marković

- NLB Leasing, d. o. o., Sarajevo
  - Executive Director: Zdravko Kukovič
    Director: Amela Kalisi

- NLB Leasing Sofia, e. o. o. d.
  - Director: Dimitar Atanasov Angelov
  - Procurator: Vito Cigoj

- Optima Leasing, d. o. o., Zagreb
  - President of the Management Board: Ana Kralj
  - Board Member: Romana Fišer

The Supervisory Board of NLB Leasing, d. o. o., Ljubljana had the following structure as at 22 February 2010:

- President: Alojz Slavko Jamnik
- Member: Jože Gašper Filiplič
- Member: Manja Kerstein
- Member: Božo Štor ml.
- Member: Marko Herzog

As at 31 December 2010, the Supervisory Board of NLB Leasing, d. o. o., Ljubljana had the following structure:

- President: Samo Nučič
- Member: Nataša Veselinovič
- Member: Mateja Pfeifer
- Member: Uršula Kovačič Košak
- Member: Tadej Krašovec

The Supervisory Board of NLB Leasing, d. o. o., Sarajevo has the following structure:

- President: Borut Simonič
- Member: Marko Herzog
- Member: Nihat Hamšić

The Board of Directors of NLB Leasing, d. o. o., Podgorica has the following structure:

- President: Borut Simonič
- Member: Črtomir Mesarič
- Member: Marko Herzog

The Supervisory Board of Optima Leasing, d. o. o., Zagreb has the following structure:

- President: Borut Simonič
- Member: Goran Crnčević
- Member: Marko Herzog

The Supervisory Board of NLB Leasing Sofia, e. o. o. d. has the following structure:

- President: Borut Simonič
- Member: Vito Cigoj
- Member: Marko Herzog

Important events in the companies of NLB Leasing Group

In March 2010 NLB Leasing d.o.o. Ljubljana sold its 100% share of investment in NLB Leasing d.o.o. Beograd to NLB d.d., and its 100% share of investment in NLB Real Estate d.o.o. Beograd which was merged to NLB Srbija d.o.o. Beograd.

Financial statements

The companies that comprise NLB Leasing Group were audited within the scope as defined by an independent auditor of the company. Business year equals financial year.

Consolidated annual report is prepared by the parent company and is available at the headquarters of the parent company NLB Leasing, d. o. o., Ljubljana, Šlandrova ul. 2, Ljubljana.

Consolidated financial statements of the NLB Leasing Group for the business year 2010 are prepared in accordance with the Slovene Accounting Standards and fundamental accounting presumptions, i.e. going concern, consistent constancy and strict observance of the event.

Segmental reporting

The main characteristic of leasing, which distinguishes it from other forms of financing is that the lessor is the legal owner of the leased item until the final instalment of the lease has been paid and in the fact that the selling price of the lease is usually greater than the value of receivables at any given time for the duration of the leasing agreement - i.e. exposure of the lessor to credit risk. Based on these characteristics we believe that risks for individual products are similar for all types of client (financial and operating lease of equipment and property to corporates, retail lending). Therefore, the company has not defined any separate segments, but rather defined a geographical breakdown of its corporate activities on a secondary level, a summary of which is presented below. The term "abroad" includes countries of the former Yugoslavia and countries in the EU.

In thousand of euros	Slovenia	Abroad	Total	% Slovenia	% Abroad
2010					
1.Revenue from operations and finances	33,808	40,588	74,396	45.4 %	54.6 %
2.Operating and financing expenses	(53,795)	(48,206)	(102,001)	52.7 %	47.3 %
3.Assets	242,649	244,085	486,734	49.9 %	50.1 %
4.Liabilities	316,985	169,749	486,734	65.1 %	34.9 %

* All incomes and expenses of the Group are included in the segmental analysis.

In thousand of euros	Slovenia	Abroad	Total	% Slovenia	% Abroad
2009					
1.Revenue from operations and finances	25,597	55,164	80,761	31.7 %	68.3 %
2.Operating and financing expenses	(24,266)	(28,582)	(52,848)	45.9 %	54.1 %
3.Assets	253,181	366,276	619,457	40.9 %	59.1 %
4.Liabilities	486,138	133,319	619,457	78.5 %	21.5 %

Cash flow statement

The cash flow statement has been composed according to format II following the indirect method. The basis for the cash flow statement is the profit and loss statement of each company, the balance sheet statement from two consecutive years and additional data from the companies' analytical records. In order to ensure that the cash inflows in the cash flow statement are as close as possible to cash receipts and similarly cash outflows to cash payments, the Group made various adjustments to the balance sheet data including the elimination of amortisation costs, effective exchange rate differences, impairments and allowances.

Receivables from and liabilities due to members of the Management Board, Supervisory Board members and employees based on individual employment contracts

The Group has receivables due from employees on individual employment contracts in the amount of Euro 162 thousand (2009: Euro 198 thousand) and liabilities in respect of gross salaries in the amount of Euro 25 thousand (2009: Euro 104 thousand).

Earnings of Management Board members and other employees on individual employment contracts, including Supervisory Board members

In 2010, employees on individual contracts for the performance of specific jobs within the Group received gross earnings in the amount of Euro 1,060 thousand (2009: Euro 1,096 thousand), and Members of the Supervisory Board received gross earnings in the amount of Euro 9 thousand (2009: Euro 49 thousand).

Auditor's fees

Pursuant to Article 57 of the Companies Act (ZGD-1), the parent company is obliged to carry out an audit of its individual and consolidated financial statements. The overall fee for the selected certified auditor in the Group amounted to Euro 78 thousand in 2010 (2009: Euro 99 thousand), and relates to the audit of the annual reports of individual companies of the Group, as well as the consolidated annual report.

Events after the balance sheet statement date

In January 2011 the subsidiary company NLB Leasing d.o.o. Sarajevo was sold, while the sale of the subsidiary company NLB Leasing d.o.o. Podgorica is under way. In February 2011, the Company made a capital injection of Euro 1,826,294.47 into its subsidiary company Optima Leasing d.o.o. Zagreb. There were no other events which might significantly affect the Company's financial statements.

Important disclosures relating to financial year 2010

In March 2010, NLB Leasing d.o.o., Ljubljana sold its 100% share of investments in NLB Leasing, d.o.o., Beograd and NLB Real Estate d.o.o. Beograd to Nova Ljubljanska banka d.d.

Annual report approval

Supervisory Board approved annual report of the NLB Leasing d.o.o., Ljubljana an NLB Leasing Group at regular meeting on 15 june 2010.