ANNUAL REPORT 2013

NLB Leasing

CONTENTS

STATEMENT OF THE MANAGEMENT BOARD

DEAR BUSINESS PARTNERS, OWNERS AND EMPLOYEES,

The operations of NLB Leasing Ljubljana (hereinafter: the Company) in 2013 were again marked by extremely difficult macroeconomic conditions, which have greatly affected the results achieved. The high loss is primarily a result of the deteriorated situation in the subsidiary Optima Leasing from Zagreb, which consequently required capital increase in the total amount of EUR 25.0 million. Moreover, NLB Leasing Ljubljana revalued its assets and derecognised deferred taxes due to the new legislation and practice. Despite the high loss, which was not planned, the Company operated successfully and has fulfilled the majority of the goals set in its strategy and business and financial plan.

Among other adopted measures which will, in our opinion, have positive impacts on the Company's operations, minimising the new non-performing receivables and reaching final financial goals in the near future, we would like to point out the following:

- Intensifying efforts in the field of sale of inventories and repossessed assets;
- Careful monitoring of first signs of deterioration of client operations and careful monitoring of clients during the so-called intensive care;
- Implementing a more conservative approach for entering into new business with an additional emphasis on the judgment of client creditworthiness;
- Implementing a new methodology of the NLB Group for client classification and the formation of provisions.

The Company operated in accordance with the five-year strategy adopted in 2012, which anticipates further operations of the Company with a gradual decrease in the amount of total assets and restructuring of assets. During the period from 2013 to 2017, it is expected that total assets will reduce, primarily due to active management of non-performing receivables and sale of inventories, whereas new business should be entered into especially in the field of movable property lease with an emphasis on personal and commercial vehicles.

Janez Saje
Member of the
Management Board

Andrej Pucer
President of the
Management Board

KEY FINANCIAL INDICATORS

TABLE 1: OVERVIEW OF KEY FINANCIAL INDICATORS FOR 2013 AND 2012

In EUR thousand	NLB Leasing Ljubljana 2013	NLB Leasing Ljubljana 2012
Balance sheet indicators		
Total assets	326,266	398,792
Equity	10,816	12,971
Debt to equity (D/E)	29.2	29.7
Income statement indicators		
Loss before tax	-57,956	-49,117
Loss after tax	-72,155	-51,894
Revenue	45,107	49,907
Profitability indicators		
Return on average equity before taxes (ROE in %)*	-	-
Return on average assets before taxes (ROA in %)*	-	-
Other indicators		
Number of employees	77	79
Total assets per employee	4,237	5,048

* Indicator calculation is meaningless because of the loss generated for the year.
Source: NLB Leasing

1 BUSINESS REPORT

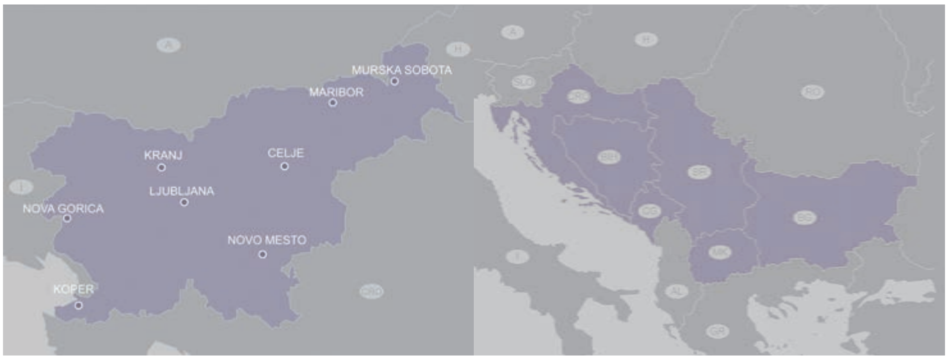
PRESENTATION

In 1990, Ljubljanska banka d. d. established the company Ljubljanska banka leasing d. o. o. Ljubljana, which was later renamed LB Leasing d. o. o. Ljubljana. Over time, the company was again renamed NLB Leasing d. o. o. Ljubljana (hereinafter: NLB Leasing Ljubljana) and it kept on growing and expanding in Slovenia, on the markets of former Yugoslavia, and even Bulgaria. Today, the Company's registered office is at Šlandrova ulica 2, 1231 Ljubljana – Črnuče, Slovenia.

NLB Leasing is a part of the NLB Group and includes seven companies present on the Slovenian market and Southeast European markets, building up the universality of banking and financial services of the NLB Group.

As at 31 December 2013, the NLB Group includes one leasing company with eight branches in Slovenia and six companies on the Southeast European markets. NLB Leasing Ljubljana has been earmarked as the development leader and coordinator of this business segment within the NLB Group. NLB Leasing companies have a total of 146 employees, of which NLB Leasing Ljubljana alone employs 77 people.

FIGURE 1: PRESENCE OF NLB LEASING



Source: NLB Leasing

This report presents the business and financial data of **NLB Leasing Ljubljana**, which, together with its subsidiaries and branches, is present in both, domestic and foreign markets. Over the past years, the NLB Group's development strategy was based on growth and development, and focused on Southeast European markets, which at the time enjoyed high growth rates. However, the recession and downturn in the investment activity shifted the focus of leasing activities primarily to the Slovenian market.

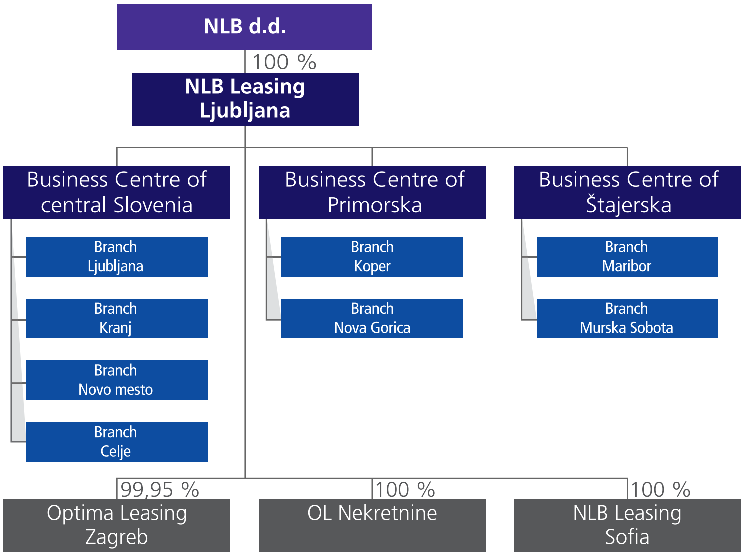
ORGANISATIONAL AND OWNERSHIP STRUCTURE OF NLB LEASING LJUBLJANA

The structure of NLB Leasing company did not change significantly compared to the year-end 2012. Based on the capital increase of two subsidiaries in Croatia at the end of 2012 and in 2013, NLB Leasing Ljubljana's ownerships share in the subsidiaries has changed, namely in OL Nekretnine it increased to 100%, and in Optima Leasing to 99.97%. The Company has remained a 100% owner of NLB Leasing Sofia, which no longer enters into new transactions.

The Company implemented major organisational and ownership decisions in 2012. It adjusted to the difficult market situation by adopting new strategic guidelines, particularly on the Slovenian market, where three NLB Leasing companies merged. NLB Leasing Koper and NLB Leasing Maribor were merged by acquisition to NLB Leasing Ljubljana, under which three business centres operate currently: Business Centre of central Slovenia, Business Centre of Primorska and Business Centre of Štajerska.

As at 31 December 2013, NLB Leasing Ljubljana has the following subsidiaries:
- Optima Leasing d. o. o. Zagreb;
- OL Nekretnine d. o. o. Zagreb;
- NLB Leasing Sofia e. o. o. d.

FIGURE 2: NLB LEASING LJUBLJANA ORGANISATION CHART AS AT 31 DECEMBER 2013



Source: NLB Leasing

STRATEGY

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

VALUES, VISION AND MISSION

The vision and mission of the leasing are based on the **basic values** as: **security, reliability, client-centricity, quality, professional competences, proactive operations,** and **result-orientation.**

The vision of NLB Leasing companies in the medium-term period is to remain a leasing group generating profit regardless of the risks taken. Operations of the leasing group are focused on Slovenia.

Mission: To be a reliable partner that clients can count on. The Company provides first-class services to its clients and solutions necessary for reaching their goals.

STRATEGIC GUIDELINES AND GOALS

Market situation triggered the need for renovation of future strategic focus of leasing activities within the NLB Group. The new strategy of leasing activities within the NLB Group defines implementation of leasing as a complementary activity to banking services. In accordance with the adopted strategy of the NLB Group, vehicle (movable property) leasing is defined as the primary lease activity, whereas leasing of other objects is merely a supplementary activity.

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

New strategic guidelines:

- Gradual decrease of total assets with sustainable maximisation of value for the shareholder;
- Portfolio diversification;
- Partnerships with networks of authorised vehicle sellers;
- Reduction of the volume and share of outstanding overdue receivables;
- Active management and disinvestment of Company's real estate.

PLANS FOR 2014

In 2014, NLB Leasing Ljubljana will follow the set strategic guidelines and endeavor to keep its important role on the Slovenian leasing market by implementing adjustable and responsive operations. It will adapt its activities to seeking new opportunities for investments, managing the existing portfolio, controlling costs and maintaining its suppliers' network. The emphasis will also be on ensuring adequate financial resources as well as managing credit and non-credit risks. At the same time, it will also continue with its harmonization and standardization processes in the operations of the NLB Group.

MAJOR EVENTS IN 2013

Major business events in 2013:

- Capital increase of the subsidiary Optima Leasing, d.o.o., Zagreb in the amount of EUR 25.0 million (December 2013);
- Capital increase of the subsidiary NLB Leasing Ljubljana by NLB d.d. in the amount of EUR 70.0 million (December 2013).

Major business events after the end of the financial year 2013:

- The sole owner Nova Ljubljanska banka d.d. abolished the Supervisory Board of the Company (March 2014);
- The three-member Management Board changed to a two-member Management Board (April 2014).

CORPORATE GOVERNANCE OF THE NLB LEASING GROUP

NLB Leasing Ljubljana is included in the NLB Leasing Group's management and control system as a part of the comprehensive corporate governance in the NLB Group.

In terms of comprehensive corporate management processes, which are primarily defined by NLB d.d. as the controlling company of the Group, one of most important roles is assumed by risk management, which monitors and manages various types of risks (credit and non-credit risks). NLB Leasing Ljubljana cooperates with leasing companies in all other areas, primarily in terms of the content coordination and preparation of common methodology solutions. Special attention is paid to the area of accounting and controlling, with an emphasis on ensuring accurate financial statements and reports.

The system of corporate governance in the NLB Leasing Group also has the following mechanisms:

- Methods of harmonisation and standardisation;
- Preparation of common methodology bases by individual fields of lease activities;
- Meetings of consultation bodies and directors of leasing companies (where all leasing companies of NLB Leasing are present).

Corporate governance of the NLB Leasing Group 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 NLB Group. In line with general corporate regulations, 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 representatives of NLB Leasing Ljubljana Management Board to supervisory bodies of its members.

INTERNAL AUDIT

Internal audit department of NLB Leasing Ljubljana operates as an independent, objective and advisory function in evaluation of the control system, risk management and management of business operations. The department operates in accordance with the International Standards of Professional Conduct in Internal Auditing, Code of Professional Ethics of Internal Auditors and the Code of the Principles of Internal Auditing.

In 2013, the internal audit department conducted four independent regular and extraordinary audits, monitoring the implementation of audit recommendations. In addition, the internal audit department cooperated on two extraordinary audits conducted by the Internal Audit Centre of NLB d.d. in a leasing company of the NLB Group. Moreover, the internal audit department acts as liaison between the Company's own employees and the external auditor 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 the on-going projects. The operation of the internal audit department is set out in the Regulations governing the functioning of Internal Audit whereas the operation guidelines are included in the Manual for the work. The planning of audits is based on the determination of audit environment and risk analysis of individual audit unit (integrated risk, control risk and importance or materiality) in individual leasing company of the NLB Group. In performing internal audits, the major emphasis is placed on the internal control system and risk management, which is consistent with the COSO model (The Committee of Sponsoring Organization of the Treadway Commission). The internal audit department regularly reports to the Management and Supervisory Boards of the Company, the Internal Audit Centre of NLB and to external regulators, if necessary.

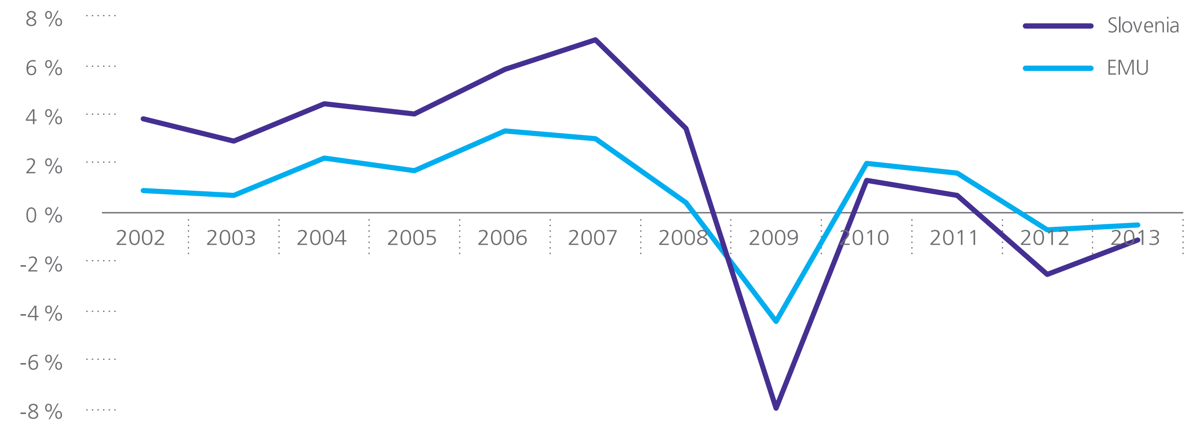
ECONOMIC ENVIRONMENT IN 2013

MACROECONOMIC ENVIRONMENT

The harsh economic situation in Slovenia and foreign markets, in particular the uncertainty and high unemployment rate, experienced in the previous year continued in 2013. This resulted in an additional shrinkage in credit activity in the wider Eurozone despite the efforts made by the European Central Bank to turn this trend by lowering the key interest rate on two occasions in the total amount of 0.5 p. p. to reach 0.25%. In addition to the high unemployment rate, which stood at 12% at the end of 2013, the lower consumption was also affected by measures to decrease budget imbalances which had finally started to disappear. The high amount of cash in the financial system as a result of past stimulation measures implemented by central banks, led to a further decrease in the general level of interest rates alongside the already mentioned decrease in the key interest rate in 2013.

In 2013, the situation in the Slovene banking system was once again marked by the shrinkage of the credit activity, deterioration of credit portfolios and deleveraging of banks, particularly to foreign creditors. This has resulted in fewer loans offered, whereas the difficult economic situation limited the demand for loans by all economic sectors.

FIGURE 3: REAL GROWTH OF GDP IN SLOVENIA AND EMU



Source: Eurostat

After a 2.5% drop in 2012, the GDP in Slovenia decreased by 1.1% in 2013 with a lower negative dynamic evident in all categories of spending with the exception of government spending. The difficulties in the deeply indebted non-financial corporate sector were evident in the increased number of bankruptcy proceedings, which reached a record high number of 941 in 2013, which was 58% more than in 2012.

The high unemployment rate, which reached 13.5% at the year-end 2013 (0.5 p. p. more than in 2012), was reflected in a further decrease in private spending by 2.7% and retail trade by 3.5% and the consequent drop in loans to households in the Slovene banking system by 4.2%. The drop in the credit activity of the Slovene banking system was further affected by the drop in government loans by 5.2%.

Similar to the wider Eurozone, inflation in Slovenia also gradually decreased. In December, inflation stood at 0.7% on the annual level, whereas the average 12-monthly growth in prices dropped from 2.7% in 2012 to 1.8% in 2013.

TABLE 2: MOVEMENT OF KEY MACROECONOMIC INDICATORS FOR SLOVENIA AND EMU

Slovenia	**2013**	**2012**	**2011**
GDP (real growth in %)	-1.1	-2.5	0.7
Average annual inflation - HICP (in %)	1.9	2.8	2.1
Surveyed unemployment rate – ILO (in %)	10.2	8.9	8.2
Current account of payment balance (in % GDP)	6.5	3.3	0
Public debt (in % GDP)	71.7*	54.4	47.1
Budget deficit/surplus (in % GDP)	-14.7*	-4.0	-6.4
EMU			
GDP (real growth in %)	-0,4	-0,7	1,6
Average annual inflation - HICP (in %)	1,4	2,5	2,7
Surveyed unemployment rate – ILO (in %)	12	11,4	10,1
Current account of payment balance (in % GDP)	2,7*	1,3	0,1
Public debt (in % GDP)	92,7**	90,6	87,3
Budget deficit/surplus (in % GDP)	-3,1	-3,7	-4,2

* First estimate
** Data for the 3rd quarter of 2013
Source: Eurostat, SORS, IMAD, Ministry of Finance RS, European Commission

STRATEGIC MARKETS OUTSIDE OF SLOVENIA

The strategic markets of the NLB Group outside of Slovenia, which include Bosnia and Herzegovina, Serbia, Macedonia, Montenegro and Kosovo, saw improvement in the economic growth through higher net exports, primarily due to a slight recovery of the European economy. Nevertheless, it needs to be pointed out that household spending, government spending, and investment spending have remained weak and that a majority of countries will now have to deal with the painful process of the financial consolidation together with the deleveraging of deeply indebted companies and even households in certain places. Inflation measures with the movements of the index of consumer prices further decreased in 2013, primarily as a consequence of the above-mentioned weak domestic consumption alongside the absence of price pressure on the international market of raw materials. Low domestic consumption and consequently lower imports, and the recovery of exports helped to decrease the deficit in the current account of the balance of payments of most countries which, nonetheless, remains high.

SLOVENE LEASING MARKET

In recent years, the Slovene leasing market has been facing a drop in the activity and a substantially lower volume of new lease contracts than in the years before the recession. The Leasing Committee of the Bank Association of Slovenia prepares and controls the statistic overview of the leasing activity. In addition to the financed value of new lease contracts, the statistic includes the volume of new financing measured at the purchase price of new lease contracts. Such comparison of newly concluded lease contracts on the Slovene leasing market shows that the volume of new lease contracts recorded in 2013 (EUR 1,295.1 million) was 1.7% lower than in 2012 (EUR 1,317.3 million).

TABLE 3: NEW LEASING VOLUME (PURCHASE AND FINANCED VALUE) BY BAS DATA IN 2013

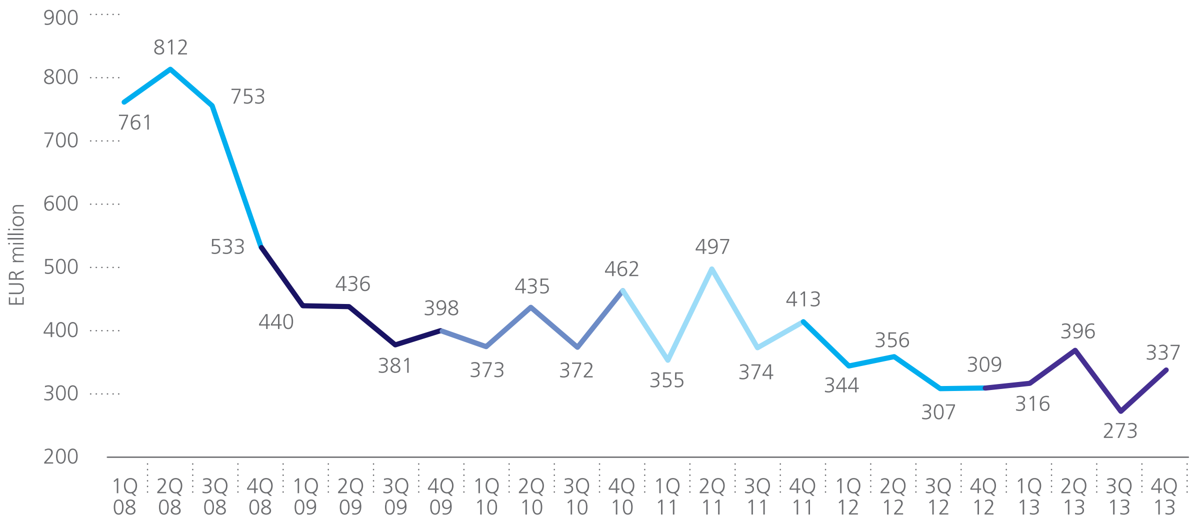
In EUR million	**New leasing volume 2013**					
	purchase price	**GRADE**	**MS %**	**financed value**	**GRADE**	**MS %**
SKB-GROUP SG	382.1	1	29.5	340.4	1	30.8
PORSCHE LEASING	181.7	2	14.0	152.5	3	13.8
HYPO LEASING	179.4	3	13.9	161.2	2	14.6
SUMMIT	170.1	4	13.1	149.6	4	13.6
UNICREDIT LEASING	103.8	5	8.0	87.7	5	7.9
VBS LEASING+VBS HIŠA	96.4	6	7.4	74.3	6	6.7
NLB LEASING GROUP	**71.9**	**7**	**5.6**	**56.1**	**7**	**5.1**
FINOR	46.1	8	3.6	33.7	8	3.1
BKS-LEASING	21.5	9	1.7	15.3	9	1.4
ALEASING	19.1	10	1.5	14.4	10	1.3
SPARKASSEN	11.7	11	0.9	9.3	11	0.8
VBKS LEASING	5.2	12	0.4	4.1	12	0.4
KBM LEASING GROUP	1.9	13	0.1	1.8	13	0.2
DBS LEASING	1.6	14	0.1	1.4	14	0.1
PROBANKA LEASING	1.0	15	0.1	0.8	15	0.1
MICRA T	0.8	16	0.1	0.7	17	0.1
RAIFFEISEN	0.8	17	0.1	0.7	16	0.1
TOTAL	**1295.1**		**100.0**	**1103.9**		**100.0**

Source: BAS

In terms of new leasing volume, SKB Leasing, Porsche Leasing, Hypo Leasing and Summit Leasing played the major role on the market in 2013. These companies together account for a 70.5% market share. The volume of finance lease in 2013 stood at EUR 688.1 million (53%), operating lease at EUR 184.9 million (14%), loans at EUR 52.1 million (4%) and the volume of financing of inventories at EUR 370.1 million (29%).

The market share of NLB Leasing Ljubljana, defined based on the purchase price of new leasing, was 5.6% in 2013, ranking the Company to the 7th position. This means that the market share slightly decreased compared to 2012 when it stood at 6.1%. The company activated new lease contracts in the amount of EUR 71.9 million in 2013, i.e. EUR 56.1 million of new net lease contracts. If the market share was calculated on the basis of total assets, NLB Leasing would have a 9.4% market share and the 2nd position in the market.

FIGURE 4: OVERVIEW OF NEW LEASING VOLUME (PURCHASE PRICE) BY QUARTERS OF YEAR BETWEEN 2008 AND 2013 IN EUR MILLIONS

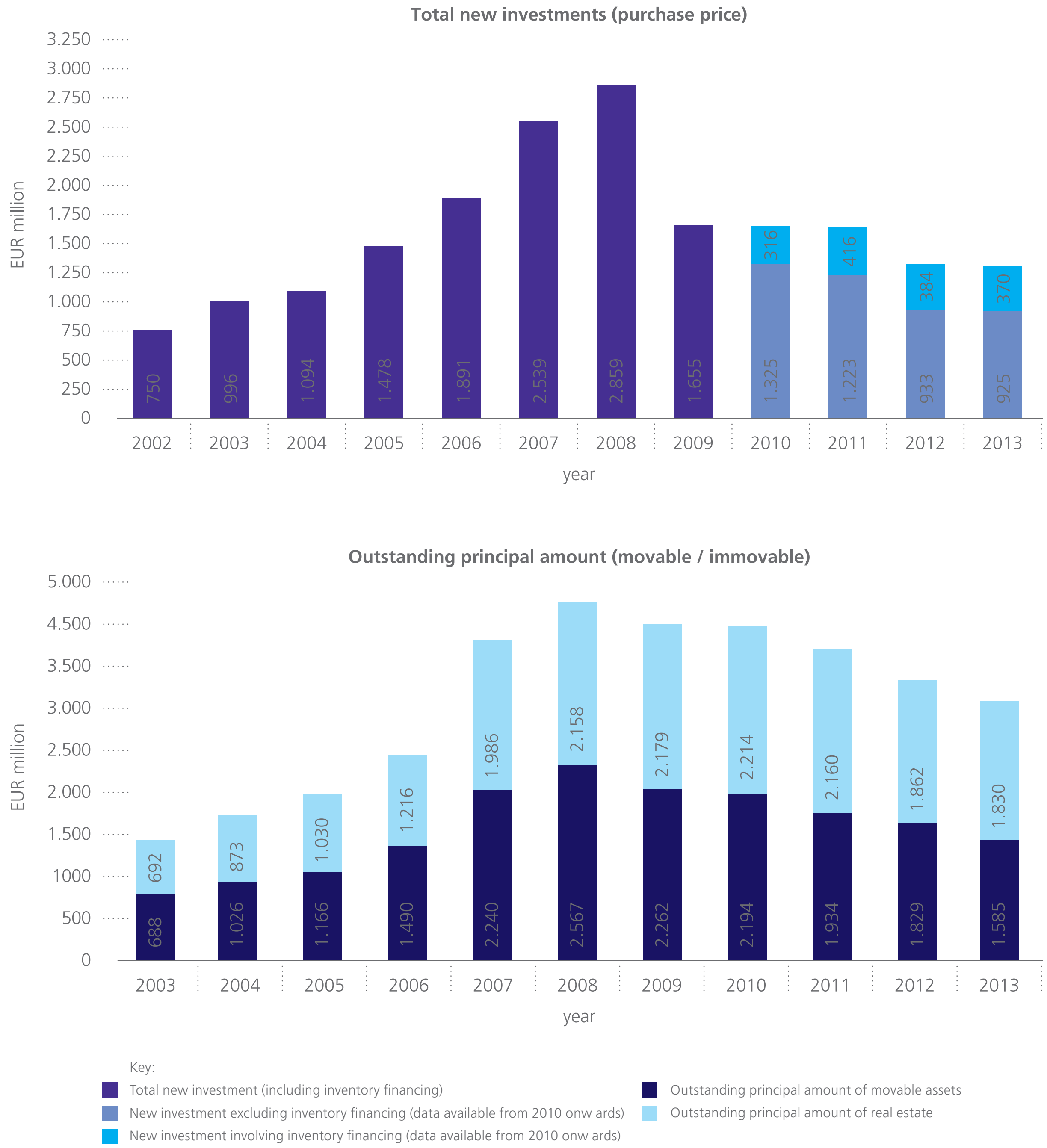


Source: BAS

The movements of the volume of new leasing by individual quarters of the year (Figure 4 above) in recent years show a trend in the growth of leasing activity from the last quarter of 2012 to the second quarter of 2013 inclusive, since the growth in new leasing was achieved in three consecutive quarters of the year compared to the previous quarter. This trend, however, stopped in the third quarter of 2013, when the lowest volume of new leasing was recorded over the period of the last few years. A higher volume of new leasing was again recorded in the last quarter of 2013, which points to an improvement in the market situation, although the realised volume in this quarter was still lower than the volumes recorded before 2012.

The figures below show a decrease in the volume of leasing activity, i.e. the volume of newly concluded lease contracts as well as the volume of outstanding principals have been decreasing since 2008.

FIGURE 5: NEW LEASING VOLUME AND THE REMAINDER OF PRINCIPALS IN THE YEARS BETWEEN 2002 AND 2013



Source: BAS

After a large drop in the volume of new leasing was recorded in 2009, the following two years did not see such a steep fall, while it again substantially decreased in 2012 and 2013. In the period of the last five years the average decrease in the leasing market stood at 13% annually. Compared to 2012, the volume of new lease contracts for personal and commercial vehicles increased, while the volume of other types of equipment decreased. The growth in the volume of personal vehicles in 2013 was minimal, while a higher growth was recorded in commercial vehicles (9%). The major decrease was recorded in the group of equipment, which includes ships, trains and airplanes (72%). With EUR 20.2 million, absolute growth was the highest in commercial vehicles, while the absolute drop was recorded in other equipment, which comprises leasing objects that are not included in other defined categories. The absolute drop of this type of equipment stood at EUR 18.8 million.

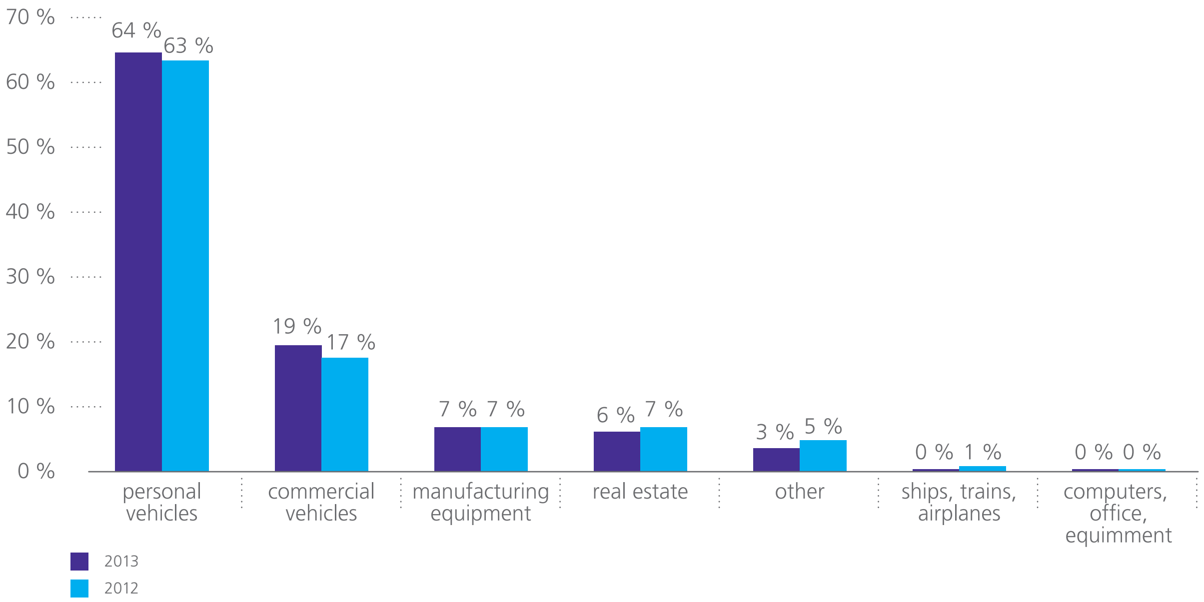
TABLE 4: THE VOLUME OF NEW LEASE CONTRACTS BY TYPE OF EQUIPMENT IN 2013 AND 2012 (PURCHASE PRICE)

In EUR millions	2013	2012
Personal vehicles	834.8	832.8
Commercial vehicles	250.4	230.2
Computers, office equipment	1.9	3.1
Manufacturing equipment	84.5	92.9
Real estate	76.8	86.5
Ships, trains, airplanes	2.4	8.6
Other	44.3	63.1
TOTAL	**1,295.1**	**1,317.3**

Source: BAS

Personal vehicles accounted for the highest percentage in the structure of new leasing in 2013; in 2013, personal vehicles held the largest share in the structure of the entire leasing market in 2013 (64%). Personal vehicles are followed by commercial vehicles (19%), manufacturing equipment (7%) and real estate (6%).

FIGURE 6: STRUCTURE OF LEASING IN SLOVENIA FOR 2013 AND 2012



Source: BAS

The statistic data for the leasing market in Slovenia show that the majority of lessees taking movable property under lease belong to the private-service sector (38%) and natural persons (35%). The leasing of real estate is mainly granted to lessees from the private-service sector (81%), whereas natural persons accounted for only 4% of the purchase price of all lease contracts in 2013.

EUROPEAN LEASING MARKET

Leaseurope, an organisation representing the leasing activity in Europe, conducted a study and presented the preliminary results for 2013, which it estimated as being encouraging. New lease contracts in 2013 had increased by 1.9% compared to 2012.

The leasing of vehicles has remained the pillar of the entire leasing market and its growth. The transactions in this segment increased by 5.2% compared to 2012. On the other hand, new lease contracts for leasing equipment dropped by 1.0%, but despite this there was evidence of a slight progress as the drop was lower than in 2012. The major drop in new leasing was recorded in the leasing of real estate, which dropped 13% in 2013 and recorded truly low volumes in several countries.

Despite the quite positive image of the entire European market, there are still significant differences in the growth at national levels. According to Leaseurope, the majority of South European markets have stabilised, while the more mature markets of the Central Europe, particularly the British leasing market, contributed the largest share to growth.

In the light of the above-mentioned, it can be concluded that the European leasing market is on the rise. Progress is especially evident in some of the more vulnerable economies where volumes of leasing services show signs of recovery. A comparison of annual results with those from the first half of 2013 show that the second half of the year was significantly better, and likewise, the results of the first quarter of 2014 show very positive prospects for 2014.

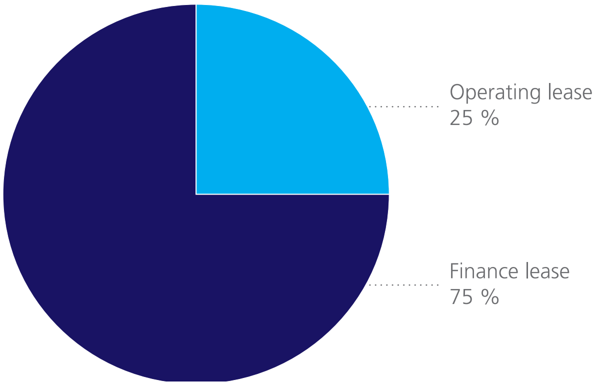
OPERATIONS OF NLB LEASING D. O. O.

NLB Leasing Ljubljana is a universal leasing company, which provides a wide range of leasing services to natural persons, legal entities and sole traders. The Company's clients and partners come from all economic activities. The Company tries to find the most rational options for their wishes regarding the leasing activity. In the past the Company also provided loans and implemented its own real estate projects in addition to the traditional leasing activity (finance and operating lease) and in this way followed the development strategy of that time. The beginning of the financial and economic crisis forced leasing companies to face a reduced market demand and late-payment culture on the one hand, and limited acquiring of financial resources on the other hand. The requirements of the regulators also became stricter, which additionally limited the opportunities for operations of leasing companies. As a result, the Company has adapted its strategic options and shrunk its activities to two basic types of services (finance and operating lease), while at the same time focusing on the financing of movable property.

Finance lease is a type of financing in which a lessee concludes a lease contract in order to become the owner of the object of lease at the end of the contractual relationship. This actually means financing the purchase of assets. During the contractual relationship, the legal owner of the asset is the lessor, while the lessee is the economic owner and user of the object. Once the lessee has paid all the liabilities determined in the contract, he/she becomes the owner of the object of lease.

Operating lease is intended primarily for the users who want to use the object of lease for a certain period and are not interested in purchasing or owning such object after the end of the period of use.

FIGURE 7: STRUCTURE OF NEW LEASING VOLUME OF NLB LEASING LJUBLJANA IN 2013



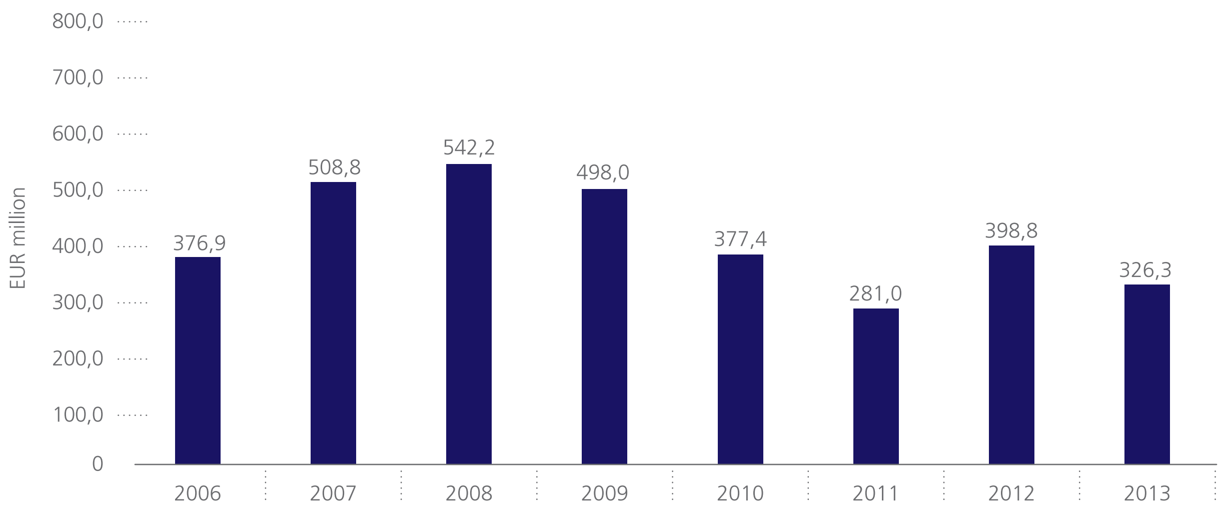
Source: NLB Leasing

STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT FOR 2013

Under the difficult general economic situation in Slovenia, NLB Leasing made every effort to end the 2013 financial year successfully, but it was nevertheless unable to avoid the high cost of risks that severely burdened its business position and result. At the end of 2013, the Company's total assets stood at EUR 326.3 million, which is an 18% decrease compared to the end of 2012. The Company's equity also decreased in 2013, by 17%. The volume of the Company's portfolio is shrinking in accordance with the strategic guidelines based on which the Company will restructure most of its portfolio, increasing the share of movable property in the portfolio with an emphasis on personal vehicles and decreasing the share of other equipment and real estate.

The uncertain economic situation in Slovenia resulted in a lower demand by all groups of entities, companies, citizens and the state. Such a trend has been present in the last few years, which is also evident in the drop in the total assets of the Company. The figure below shows the decrease in the total assets from 2009 onwards, with the exception of the year 2012 when the Company recorded an increase in total assets due to the systematic restructuring of our group of companies. Our sister companies from Koper and Maribor were merged to NLB Leasing Ljubljana in 2012.

FIGURE 8: MOVEMENTS IN THE TOTAL ASSETS OF NLB LEASING LJUBLJANA



Source: NLB Leasing

In 2013, the Company continued ensuring its professionalism, personal approach and quality of services to best meet the needs of its clients. At the same time, the Company successfully continued optimising its costs. The deepened economic crisis, deteriorated solvency and many companies in difficulty or even having to initiate bankruptcy proceedings, importantly affected the increase in risks shown in the Company's financial result. Based on the risks, the Company formed additional impairments of receivables, inventories and investment property, which importantly contributed to the negative performance of the Company in 2013.

The Company ended 2013 with a net loss in the amount of EUR 72.155 million. The reasons for the loss are mainly the following:

- the impairment of the capital investment of Optima Leasing d.o.o. in the amount of EUR 25.0 million as a result of capital increase of the company in the same amount;
- the formation of additional impairments in the value of receivables, primarily as a result of new assessments of insurance values, deterioration of the clients' grades, and additional requirements regarding group impairments for natural persons;
- the derecognition of deferred taxes based on the new legislation and business practice;
- negative effects of the valuation of investment property;
- negative effects of the valuation of inventories;
- impairments of fixed assets as a result of the acquired new value assessments.

TABLE 5: KEY TRADING INDICATORS OF NLB LEASING LJUBLJANA IN 2013 AND 2012

	2013	2012
New leasing volume in EUR million	71.9	80.5
Average leasing duration (years)	3.5	3.4
Debt to equity (D/E)	29.2	29.7
ROE % (before taxes)*	-	-
ROA % (before taxes)*	-	-
Net loss in EUR thousand	-72,155	-51,894
Total revenue in EUR thousand	45,107	49,907

* Indicator calculation is not reasonable due to generated net loss.
Source: NLB Leasing

The business result of the Company was also largely affected by the situation in the financial markets where in 2013 it was even more difficult to obtain financial resources compared to the previous year; therefore, the nominal financing cost stayed at a high level. The majority of resources were obtained under less favourable conditions than those granted to the Company by banks in previous years.

Due to the mitigated negative economic trends, the Company adapted its operations to the changed market situation, to the issue of ensuring sufficient and suitable sources of finance, to the increased late-payment culture and the consequently conservative policy to form impairments of receivables.

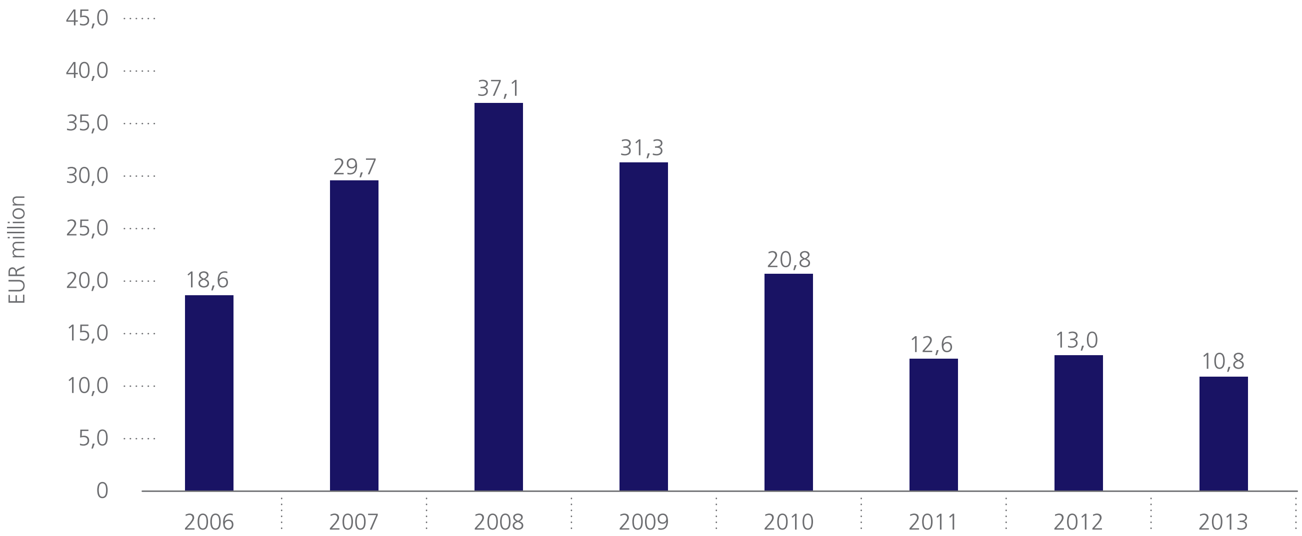
In 2013, the Company generated EUR 71.9 million in new leasing volume (in 2012: EUR 80.5 million). A major part of the value of new lease contracts in 2013 was allocated to the financing of personal vehicles, which was consistent with the strategic guidelines that anticipated the services of finance lease and the financing of real estate as the key pillars in the following years.

FINANCING AND MANAGEMENT OF LIQUIDITY IN 2013

In 2013, the Company adjusted to the limited financial markets and to obtaining new sources of finance by endeavouring to best balance its liquidity with own inflows from repayments, and by drawing new loans for all other necessary financial resources. This way the Company ensured all financial resources needed to balance its liquidity.

In December 2013, the Company received a capital increase in the amount of EUR 70.0 million, EUR 25.0 million of which was used to further increase capital of its subsidiary Optima Leasing d. o. o. Zagreb, and the rest was intended to cover other negative effects and ensure a suitable capital structure. The equity of the Company as at 31 December 2013 stood at EUR 10.8 million, and the share of equity in the total assets accounted for 3.3%.

FIGURE 9: MOVEMENTS OF EQUITY OF NLB LEASING LJUBLJANA



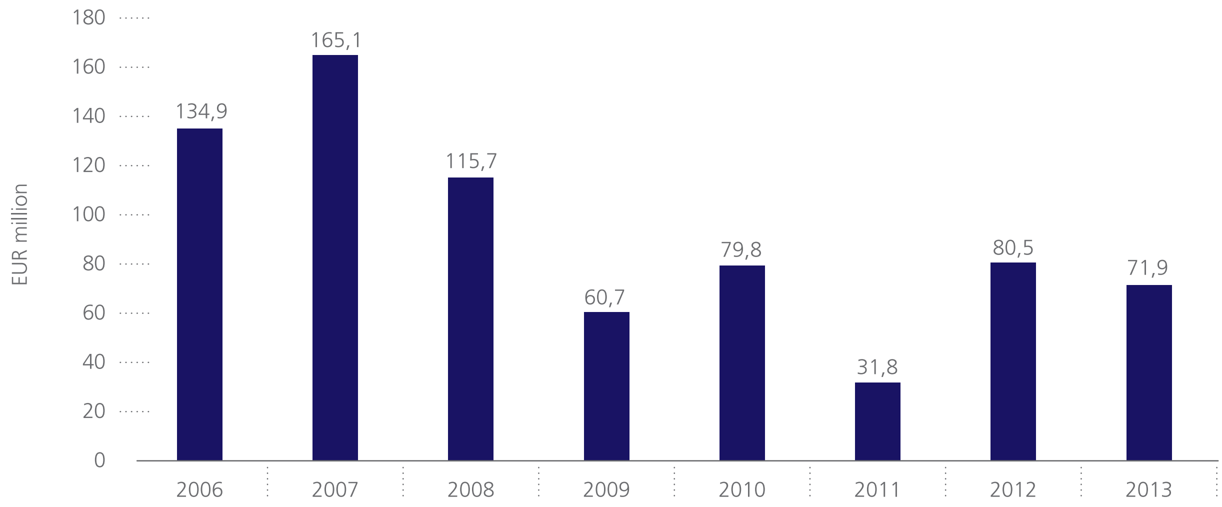
Source: NLB Leasing

COMMERCIAL OPERATING RESULTS IN 2013

The uncertain economic situation did not decrease as much as planned in 2013. It seems that 2014 will continue in the light of many economic and political unknowns, which will only deepen the uncertainty. As a consequence, we cannot expect a recovery in the leasing activity. The Company is endeavouring to adapt to the market situation as much as possible and offer only the best to its clients, while at the same time it endeavours to stay well-established and important on the Slovene leasing market.

In 2013, NLB Leasing Ljubljana recorded a lower volume of new leasing compared to 2012. It concluded and activated EUR 71.9 million in new lease contracts, which is 11% less than in 2012. Compared to 2012, the growth of new lease contracts was recorded only in the field of personal vehicles, while all other types showed lower volumes.

FIGURE 10: NEW LEASING VOLUME OF NLB LEASING LJUBLJANA FROM 2006 TO 2013 (IN EUR MILLION)



Source: NLB Leasing

The major absolute decrease in the volume of lease contracts compared to 2012 was realised in commercial vehicles and real estate, the total volume of which was EUR 9.7 million lower in 2013 than in 2012.

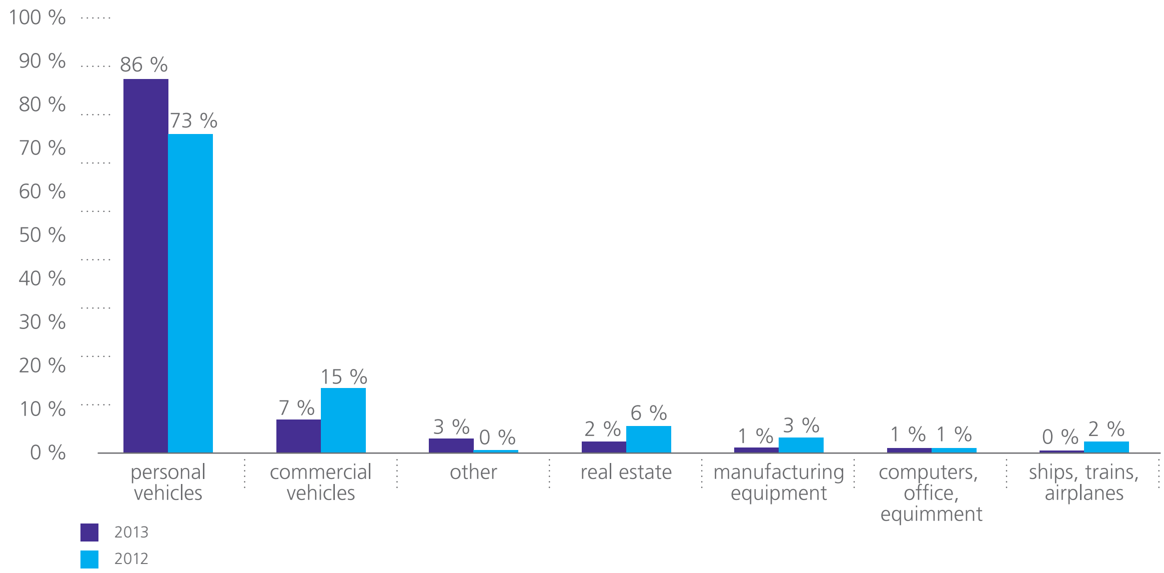
TABLE 6: STRUCTURE OF NEW LEASING VOLUME OF NLB LEASING LJUBLJANA (IN EUR MILLION AND IN %)

	2013		2012		2013/2012
	EUR million	%	EUR million	%	Index
Personal vehicles	61.6	86	58.9	73	105
Commercial vehicles	5.3	7	11.9	15	45
Computers, office equipment	0.4	1	0.5	1	86
Manufacturing equipment	0.6	1	2.6	3	23
Real estate	1.6	2	4.8	6	34
Ships, trains, airplanes	0.1	0	1.8	2	6
Other	2.2	3	0.0	0	-
TOTAL	**71.9**	**100**	**80.5**	**100**	**89**

Source: NLB Leasing

In 2013, personal vehicles accounted for 86% of the total new lease contracts concluded by NLB Leasing Ljubljana, which is 13 percentage points more than in 2012 and 40 percentage points more than in 2011. Personal vehicles are followed by commercial vehicles, which accounted for a significantly lower share in new leasing than personal vehicles. The Company did not finance other types of equipment in high volumes in 2013.

FIGURE 11: STRUCTURE OF NEW LEASING VOLUME OF NLB LEASING LJUBLJANA IN 2013 AND 2012



Source: NLB Leasing

RISK MANAGEMENT

The bases for risk management in NLB Leasing Ljubljana are defined with risk management standards of the NLB Group. The standards apply for the fields of credit, non-credit and operational risks, and they represent the bases for all of the applicable business policies, organisation, work procedures and the reporting system.

Leasing companies of the NLB Group consider risk management as one of the key activities in the implementation of business policies with the aim to achieve all of the set business and strategic objectives. A conservative approach in the field of risk management is especially important in the relatively difficult macroeconomic situation which the NLB Group had to face in 2013. The Company, therefore, paid the needed attention to measuring and assessing, and in particular to warning about all types of risks and cooperation in decision-making processes in order to ensure timely implementation of suitable measures.

CREDIT RISK

Credit risk management policies are equal for the banks as well as other financial institutions included in the NLB Group. In 2013, the Company paid special attention to the proper classification of clients in grades, monitoring clients' operations with a special emphasis on legal entities, credit portfolio analysis focusing particularly on transactions concluded on or after 2011 (the enforcement of new policies by the owner), and the formation of impairments of receivables and provisions in accordance with the applicable methodology.

In order to ensure better diversification in the conclusion of new transactions and to focus on the leasing of real estate, 2013 saw the beginning of the preparations to enter the SISBON system (credit information system for the field of natural persons). The project will be finished in 2014. The use of SISBON data will additionally improve the process of estimating the creditworthiness of clients (natural persons).

When monitoring its operations, the Company constantly strives to improve its credit risk management in approving investments and to reduce the share of overdue outstanding receivables. For this purpose, the Company applies certain other approaches, in addition to NLB standards:

- 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, and pledge on movable assets) as well as active monitoring of the existing operations.

NON-CREDIT RISK MANAGEMENT

In the field of non-credit risk management, the Company pays most attention to monitoring and managing interest rate, currency and liquidity risks, all within the framework of policies and limits determined for the NLB Group companies.

OPERATING RISKS

During the year, the Company closely monitored loss events, annually identified risks in the processes where loss events may occur, prepared the Company's operative risk profile and the tolerance calculation. On the basis of analyses, the Company confirmed the measures taken to mitigate risks and determined certain new risks, all in order to minimise potential loss events.

INFORMATION TECHNOLOGY

In the field of IT, process and cost optimisation procedures were continued in 2013. The availability of the business software was higher than in the previous years, having increased to 99.99%. There were no issues or incidents recorded in other IT fields as well.

The largest project in 2013, also from the IT perspective, was the change of user software. In accordance with the announced end of support to our former version of the user operation system and office package, we upgraded both in 2013, which also required changing 80 percent of work stations. The project was finished in time, without any problems for users, and in accordance with the planned financial framework.

We have also started the activities on the SISBON project, which represents a connection with a Slovene electronic information system for the exchange of information about the credit rating of individual clients in order to ensure a more comprehensive monitoring of financial discipline and indebtedness of natural persons. The application of IT is vital for the introduction of the SISBON system. A successful conclusion of the project in 2014 will represent another part in the mosaic of high-quality risk management.

HUMAN RESOURCE MANAGEMENT

As a part of the NLB Group, NLB Leasing endeavours to be active in the field of social responsibility and relationships to its employees. An integral part of the corporate social responsibility is the Family Friendly Company certificate, which the Company applies as a part of the NLB Group. This way, the Company is improving work processes and the quality of the working environment and ensuring better work-life balance.

During the difficult economic situation, the care for our employees is one of the most important values, which we are well aware of and we believe that our employees are the foundation for our further success and development. The Company's human resource policy, therefore, follows the values and strategic guidelines, based on which new recruitments in 2013 were carefully planned and coordinated with the optimisation of work processes. Based on the merger of Slovene NLB Leasing companies in May 2012 and the further optimisation in 2013, the number of employees in the Company increased, but compared to the situation before the merger it decreased. As at 31 March 2012, all three merged companies had a total of 91 employees; the number of employees dropped to 77 by 31 December 2013. Compared to the situation before the merger, the number of employees dropped by 14 (15%).

At the level of the consolidated group, the number of employees decreased compared to the previous year (31 December 2012: 102 employees; 31 December 2013: 96 employees).

TABLE 7: NUMBER OF EMPLOYEES BY COMPANY IN THE NLB LEASING GROUP IN 2013 AND 2012

Company	31 December 2013	31 December 2012
NLB Leasing, d. o. o., Ljubljana	77	79
Optima Leasing, d. o. o., Zagreb	17	20
NLB Leasing Sofia, e. o. o. d.	2	2
OL Nekretnine, d. o. o.	0	1
NLB Leasing Group	96	102

Source: NLB Leasing

The Company and its employees pay a great deal of attention to acquiring knowledge and education, which is evidenced by the educational structure of the employees, which is at a very high level. Some of the employees are enrolled in part-time education and training, and moreover, the Company ensures additional professional education and training for its employees within NLB Group's internal seminars and educational events.

TABLE 8: EDUCATIONAL STRUCTURE OF EMPLOYEES IN NLB LEASING LJUBLJANA

Level of education	31 December 2013	31 December 2012
Level V	24	25
Level VI	16	17
Level VII or higher	37	37

Source: NLB Leasing

To improve communication among employees, the Company introduced internal assessment of all employees using the 360° method in 2013, which has increased feedback flow and coordination of work processes. Assessment results will also contribute to the further formation of the HR policy and career plans for employees.

CORPORATE SOCIAL RESPONSIBILITY

CARE FOR HEALTH AND SAFETY OF EMPLOYEES, AND ENVIRONMENTAL PROTECTION

Education and training in the field of occupational health and safety and fire safety are integral parts of the training for all employees. NLB Leasing observes the legislation and based on it prepares annual plans to inform its employees with what is new in this field.

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

SPONSORSHIPS AND DONATIONS

We support our social environment by providing sponsorships and donations. We strive for excellent results and support the efforts made to achieve them. In 2013, we sponsored the Slovene national handball team, which achieved outstanding results: the men's senior team ended fourth at the World Championship, the junior team finished ninth and the cadet team eighth.

Source: Slovene national handball team: Škof, Zorman. Photo: Uroš Hočevar

The 1st NLB Leasing league also achieved some outstanding results. Gorenje Velenje and Celje Pivovarna Laško clubs were ranked among the TOP 16 clubs in the European Champions League.

NLB Leasing
Prva liga

We also supported sailing teams. The JK Horizont team is one of the best Slovene sailing teams, having defended the title of the ECHO champion for the third successive year, alongside other great results achieved in 2013.

Source: NLB Leasing

2 FINANCIAL REPORT

Financial Report of NLB Leasing d. o. o.

Pursuant to the Slovene Accounting Standards (SAS).

CONTENTS

Building a better
working world

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the owner of NLB Leasing d.o.o.

Report on Financial statements

We have audited the accompanying financial statements of NLB Leasing d.o.o., which comprise the balance sheet as at December 31, 2013, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement 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 with the requirements of the Slovenian Companies Act related to the preparation of the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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., as of December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with Slovenian Accounting Standards and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements.

Other Matter
The financial statements of NLB Leasing d.o.o. for the year ended 31 December, 2012 were audited by another auditor who issued unqualified audit opinion with emphasis of matter on June 10, 2013.

Report on Other Legal and Regulatory Requirements
Management is also responsible for preparing the business report in accordance with the Slovenian Companies Act. Our responsibility is to assess whether the business report is consistent with the audited financial statements. Our work regarding the business report is performed in accordance with ISA 720, and restricted to assessing whether the business report is consistent with the financial statements and does not include reviewing other information originated from non-audited financial records.

The business report is consistent with the audited financial statements.

Ljubljana, June 24, 2014

Janez Uranič
Director

Ernst & Young d.o.o.
Dunajska 111, Ljubljana

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 3

Simon Kolenc
Certified Auditor

BALANCE SHEET

EUR thousand	Notes	31.12.2013	31.12.2012
ASSETS		**326,266**	**398,792**
A. Long-term assets		**183,049**	**255,435**
I. Intangible assets and long-term deferred costs	**3.1.1**	**584**	**614**
1. Concessions, trademarks and licences		577	607
2. Other long-term deferred costs		7	7
II. Property, plant and equipment	**3.1.2**	**13,715**	**19,018**
1. Land and buildings		6,367	6,594
3. Other plant and equipment		7,348	12,355
4. Property, plant and equipment being acquired		0	69
III. Investment property	**3.1.3**	**31,341**	**51,415**
IV. Long-term investments	**3.1.4**	**137,375**	**170,157**
1. Long-term investments, except loans		576	799
a) Other long-term investments		576	799
2. Long-term loans issued and finance lease receivables		136,799	169,358
a) Long-term loans to others		5,524	7,751
b) Long-term finance lease receivables from the group		24	0
c) Long-term finance lease receivables		131,251	161,607
V. Long-term operating receivables	**3.1.5**	**34**	**32**
1. Long-term operating receivables due from others		34	32
VI. Deferred tax assets	**3.1.6**	**0**	**14,199**
B. Current assets		**143,108**	**143,246**
I. Inventories	**3.1.7**	**72,872**	**46,843**
1. Work in progress		1,787	1,976
2. Products and merchandise		71,085	44,867
II. Short-term investments	**3.1.8**	**66,985**	**90,807**
1. Short-term loans issued and finance lease receivables		66,985	90,807
a) Short-term loans to group companies		0	335
b) Short-term loans to others		15,000	23,433
c) Short-term finance lease receivables from the group		0	2
d) Short-term finance lease receivables		51,985	67,037
III. Short-term operating receivables	**3.1.9**	**2,639**	**5,476**
1. Short-term operating receivables from group companies		50	60
2. Trade receivables		2,070	3,070
3. Short-term operating receivables due from others		519	2,346
IV. Cash and cash equivalents	**3.1.10**	**612**	**120**
C. Short-term deferred costs and accrued revenue	**3.1.11**	**109**	**111**
D. OFF-BALANCE SHEET ASSETS		**364,797**	**435,079**

BALANCE SHEET

EUR thousand	Notes	31.12.2013	31.12.2012
EQUITY AND LIABILITIES		**326,266**	**398,792**
A. Equity	**3.2.1**	**10,816**	**12,971**
I. Called-up capital		**23,600**	**38,481**
1. Share capital		23,600	38,481
II. Capital surplus		**70,000**	**0**
III. Retained earnings or accumulated loss		**(10,629)**	**0**
IV. Net profit or loss for the year		**(72,155)**	**(25,510)**
B. Provisions and long-term accrued and deferred items	**3.2.2**	**5,096**	**5,190**
1. Provisions for pensions and similar obligations		109	90
2. Other provisions		4,406	4,345
3. Long-term accrued costs and deferred revenue		581	755
C. Long-term liabilities		**184,251**	**204,400**
I. Long-term financial liabilities	**3.2.3**	**184,248**	**204,397**
1. Long-term financial liabilities to group companies		165,220	163,569
2. Long-term financial liabilities to banks		18,528	40,828
3. Other long-term financial liabilities		500	0
II. Long-term operating liabilities	**3.2.4**	**3**	**3**
1. Other long-term operating liabilities		3	3
D. Short-term liabilities		**125,305**	**175,361**
I. Short-term financial liabilities	**3.2.5**	**120,960**	**171,381**
1. Short-term financial liabilities to group companies		87,425	123,710
2. Short-term financial liabilities to banks		33,535	47,671
II. Short-term operating liabilities	**3.2.6**	**4,345**	**3,980**
1. Short-term operating liabilities to group companies		24	24
2. Supplier payables		661	1,136
3. Short-term operating liabilities from advances		1,053	1,709
4. Other short-term operating liabilities		2,607	1,111
E. Accrued costs and deferred revenue	**3.2.7**	**798**	**870**
F. OFF-BALANCE SHEET LIABILITIES	**3.2.8**	**364,797**	**435,079**

Notes are an integral part of the financial statements and should be read in conjunction with them.

INCOME STATEMENT - FORMAT I

EUR thousand	Notes	2013	2012
1. Net sales revenue	**4.1**	**8,967**	**8,782**
a) Sale of products and services		948	955
b) Sale of merchandise		1,153	532
c) Rental income		6,866	7,295
2. Other operating revenue (including revaluation operating revenue)	**4.2**	**14,998**	**9,547**
a) Gains from revaluation of fixed assets		14,279	8,545
b) Revaluation operating revenue from reversal of impairments recognised in the past		682	804
c) Reversal of provisions		37	198
3. Costs of goods, materials and services	**4.3**	**(3,119)**	**(2,561)**
a) Costs of goods and materials sold		(1,481)	(816)
b) Costs of services		(1,638)	(1,745)
4. Employee benefit costs	**4.4**	**(3,826)**	**(3,998)**
a) Payroll costs		(2,881)	(3,048)
b) Other social security insurance costs		(186)	(196)
c) Pension insurance costs		(227)	(249)
d) Other labour costs		(532)	(505)
5. Write-downs	**4.5**	**(24,372)**	**(14,725)**
a) Depreciation and amortisation		(1,911)	(2,864)
b) Revaluation operating expenses from fixed assets		(15,874)	(8,801)
c) Revaluation operating expenses from current assets		(6,587)	(3,060)
6. Other operating expenses	**4.6**	**(430)**	**(275)**
7. Financial income from shares and interests	**4.7**	**1,282**	**1,440**
a) Financial income from stakes in group companies		0	114
b) Financial income from other investments		1,282	1,326
8. Financial income from loans issued and finance lease	**4.8**	**18,909**	**30,859**
a) Financial income from loans to group companies		460	2,917
b) Financial income from loans to others		12,162	16,848
c) Financial income from reversal of loan impairments		6,287	11,094
9. Financial income from operating receivables	**4.9**	**24**	**19**
a) Financial income from operating receivables due from group companies		3	2
b) Financial income from operating receivables due from others		21	17
10. Financial expenses for investment impairment and write-downs	**4.10**	**(46,627)**	**(61,584)**
11. Financial expenses from financial liabilities	**4.11**	**(16,014)**	**(16,026)**
a) Financial expense for borrowings from group companies		(10,969)	(9,651)
b) Financial expenses for borrowings from banks		(2,871)	(5,517)
c) Financial expenses for other financial liabilities		(2,174)	(858)
12. Financial expenses from operating liabilities	**4.12**	**(48)**	**(396)**
a) Financial expense from operating liabilities to group companies		(29)	(80)
b) Financial expenses for supplier payables and bills payable		(13)	(23)
c) Financial expenses from other operating liabilities		(6)	(293)
13. Other revenue	**4.13**	**927**	**117**
14. Other expenses	**4.14**	**(8,627)**	**(316)**
15. Deferred tax	**4.15**	**(14,199)**	**(2,777)**
16. Net profit or loss for the year		**(72,155)**	**(51,894)**

STATEMENT OF OTHER COMPREHENSIVE INCOME

EUR thousand	2013	2012
Net profit or loss for the financial year	(72,155)	(51,894)
Total comprehensive income for the period	**(72,155)**	**(51,894)**

Notes are an integral part of the financial statements and should be read in conjunction with them.

The Management Board of NLB Leasing d. o. o. has approved the financial statements and notes thereto.

Ljubljana, June 2014

Janez Saje

Member of the Management Board

Andrej Pucer

President of the Management Board

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

	Format II		
	EUR thousand	**2013**	**2012**
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**		
a)	**Cash flows derived from the income statement items**	**(14,128)**	**(1,180)**
	Operating revenue (except from revaluation) and financial income from operating receivables	9,049	8,830
	Operating expense (except for revaluation) and financial expenses from operating activities	(8,978)	(7,233)
	Income tax and other taxes not included in operating expenses	(14,199)	(2,777)
b)	**Changes in net operating assets in balance sheet items (including accruals and deferrals, provisions and deferred tax assets and liabilities)**	**4,995**	**(9,218)**
	Opening less closing operating receivables	1,333	4,380
	Opening less closing deferred costs and accrued revenue	2	108
	Opening less closing deferred tax assets	14,199	1,974
	Opening less closing inventories	(10,775)	(14,617)
	Closing less opening operating liabilities	365	(620)
	Closing less opening accrued costs and deferred revenue, and provisions	(129)	(443)
c)	**Net cash from operating activities (a+b)**	**(9,133)**	**(10,398)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
a)	**Cash receipts from investing activities**	**101,401**	**198,869**
	Cash receipts from disposals of property, plant and equipment	14,269	12,596
	Cash receipts from disposal of long-term investments	63,276	133,969
	Cash receipts from disposal of short-term investments	23,856	52,304
b)	**Cash disbursements from investing activities**	**(75,192)**	**(164,614)**
	Cash disbursements to acquire intangible assets	(59)	(32)
	Cash disbursements to acquire property, plant and equipment	(18,149)	(14,626)
	Cash disbursements to acquire investment property	(20)	0
	Cash disbursements to acquire long-term investments	(56,964)	(135,509)
	Cash disbursements to acquire short-term investments		(14,447)
c)	**Net cash from investing activities (a+b)**	**26,209**	**34,255**
C.	**CASH FLOWS FROM FINANCING ACTIVITY**		
a)	**Cash receipts from financing activities**	**204,130**	**331,730**
	Cash proceeds from paid-in capital	25,000	46,604
	Cash proceeds from increase in long-term financial liabilities	128,154	129,006
	Cash proceeds from increase in short-term financial liabilities	50,976	156,120
b)	**Cash disbursements from financing activities**	**(220,714)**	**(356,264)**
	Interest paid on financing activities	(13,633)	(16,026)
	Cash repayments of equity		0
	Cash repayments of long-term financial liabilities	(103,303)	(177,634)
	Cash repayments of short-term financial liabilities	(103,778)	(162,604)
	Dividends and other profit shares paid		
c)	**Net cash from financing activities (a+b)**	**(16,584)**	**(24,534)**
D.	**CLOSING BALANCE OF CASH (x+y)**	**612**	**120**
x)	**Net cash inflow or outflow for the period (Ac+Bc+Cc)**	**492**	**(677)**
y)	**Opening balance of cash - total**	**120**	**797**
	Opening balance of cash - merger by acquisition		**465**
	Opening balance of cash		**332**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

	EUR thousand	I. Called-up capital	II. Capital surplus	III. Profit reserves	IV. Retained earnings or accumulated loss	V. Net profit or loss for the year	VI. Total
A.1.	**Balance at the end of the prior period - 31 Dec 2012**	**38,481**	**0**	**0**	**0**	**(25,510)**	**12,971**
A.2.	**Opening balance of the reporting period - 1 Jan 2013**	**38,481**	**0**	**0**	**0**	**(25,510)**	**12,971**
B.1.	**Changes in equity – transactions with owners**	**0**	**70,000**	**0**	**0**	**0**	**70,000**
	d) Additional paid-in capital	0	70,000	0	0	0	**70,000**
B.2.	**Total comprehensive income for the period**	**0**	**0**	**0**	**0**	**(72,155)**	**(72,155)**
	a) Net profit or loss for the year	0	0	0	0	(72,155)	**(72,155)**
B.3.	**Movements within equity**	**(14,881)**	**0**	**0**	**(10,629)**	**25,510**	**0**
	a) Appropriation to other equity elements	0	0	0	(25,510)	25,510	**0**
	a) Appropriation of net profit to other equity elements according to resolution of the management and supervisory bodies	(14,881)	0	0	14,881	0	**0**
C.	**Closing balance of the reporting period - 31 Dec 2013**	**23,600**	**70,000**	**0**	**(10,629)**	**(72,155)**	**10,816**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

	EUR thousand	I. Called-up capital	II. Capital surplus	III. Profit reserves	IV. Retained earnings or accumulated loss	V. Net profit or loss for the year	VI. Total
A.1.	**Balance at the end of the prior period - 31 Dec 2011**	**28,481**	**0**	**0**	**0**	**(15,049)**	**13,432**
A.2.	**Opening balance of the reporting period - 1 Jan 2012**	**28,481**	**0**	**0**	**0**	**(15,049)**	**13,432**
	Merger by acquisition - 1 Jan 2012	**0**	**7,058**	**33**	**961**	**(2,419)**	**5,633**
B.1.	**Changes in equity – transactions with owners**	**10,000**	**35,800**	**0**	**0**	**0**	**45,800**
	a) Additional paid-in capital	10,000	35,800	0	0	0	**45,800**
B.2.	**Total comprehensive income for the period**	**0**	**0**	**0**	**0**	**(51,894)**	**(51,894)**
	a) Net profit or loss for the year	0	0	0	0	(51,894)	**(51,894)**
B.3.	**Movements within equity**	**0**	**(42,858)**	**(33)**	**(961)**	**43,852**	**0**
	a) Appropriation to other equity elements	0	0	0	(961)	961	**0**
	b) Appropriation of net profit to other equity elements according to resolution of the management and supervisory bodies		(42,858)	(33)	0	42,891	**0**
C.	**Closing balance of the reporting period - 31 Dec 2012**	**38,481**	**0**	**0**	**0**	**(25,510)**	**12,971**

Notes are an integral part of the financial statements and should be read in conjunction with them.

DISCLOSURES TO THE STATEMENT OF CHANGES IN EQUITY

In the financial year under review, the Company incurred operating loss in the amount of EUR 72,155 thousand. In accordance with the resolution adopted by the sole partner at the end of 2013, a capital injection of EUR 70,000 thousand was paid and recognised in the capital surplus.

ACCUMULATED LOSS

EUR thousand	2013	2012
a) Net profit or loss for the year	(72,155)	(51,894)
b) Retained earnings or accumulated loss brought forward	(10,629)	(16,507)
c) Decrease in profit reserves	0	33
d) Decrease in capital surplus	0	42,858
Accumulated loss	**(82,784)**	**(25,510)**

Accumulated loss in the amount of EUR 78,600 thousand was settled by EUR 70,000 thousand of the capital surplus, and by EUR 8,600 thousand reduction of the share capital.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

Then Management Board has approved the financial statements for the year ended 31 December 2013, as well as the accounting policies used and notes to the financial statements presented in this Annual Report.

The Management Board is responsible for the preparation of the annual financial statements that give a true and fair presentation of the financial position of the Company and of its financial performance for the year ended 31 December 2013.

The Management Board confirms that the appropriate accounting policies were consistently applied, and that the accounting estimate were made under the principle of prudence and good management. The Management Board also confirms that the financial statements and notes thereof have been compiled under the assumption of a going concern, and in accordance with the applicable legislation and the Slovene Accounting Standards.

The Management Board is also responsible for appropriate accounting practices, for the adoption of appropriate measures to safeguard the assets and to prevent and detect fraud and any other irregularities or illegal acts.

The Tax Authorities may, at any time within a period of 5 years after the end of the year for which a tax assessment was due, carry out an audit of the company's operations, which may lead to assessment of additional tax liabilities, default interest, and penalties with regards to corporate income tax (ZDDPO-2) or other taxes and levies. The Management Board is not aware of any circumstances that may result in a significant tax liability.

Ljubljana, June 2014

Janez Saje
Member of the Management Board

Andrej Pucer
President of the Management Board

NOTES TO THE FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The financial statements of NLB Leasing, d. o. o., Ljubljana (hereafter: NLB Leasing Ljubljana) have been prepared in accordance with the Slovene Accounting Standards 2006 (hereafter: SAS 2006) and the Companies Act (ZGD-1). The financial statement data are derived from the bookkeeping documents and books of account, which are kept in compliance with the Slovene Accounting Standards.

The following basic accounting assumptions were used in the preparation of the financial statements: accrual basis of accounting, going concern assumption and qualitative characteristics of the financial statements, which include principally understandability, relevance, reliability and comparability. In adopting the relevant accounting policies, the following fundamental accounting principles were complied with: prudence, substance over form, and materiality.

The financial statement items are presented in the currency of the primary economic environment in which the Company operates. The financial statements are presented in euros (EUR), which is the functional and presentation currency of the Company.

Foreign currency translation
To preserve real values of receivables and liabilities denominated in foreign currency, they are measured at the exchange rate agreed by the parties to the contract as the contractual exchange rate. Receivables on account of finance lease, as well as short-term and long-term loans issued, are mostly recognised at the contractually agreed selling rate of NLB d. d.

Cash and cash equivalents are presented in euros.

Liabilities stemming from long-term and short-term interest bearing borrowings are restated using the business selling rate of NLB d. d. Liabilities to foreign creditors are measured at the Bank of Slovenia mean exchange rate.

Receivables and liabilities in foreign currency are presented exclusively in Swiss francs (CHF).

Consolidated financial statements
Under provisions of the Slovene accounting standards, a controlling entity that is also a subsidiary and as such controlled by another entity domiciled in the Republic of Slovenia, is not required to compile consolidated financial statements.

NLB Leasing d. o. o. is controlled by its parent NLB d. d., with its registered office in Slovenia. The consolidated financial statements of the NLB Group are available at the following address: Trg republike 2, Ljubljana.

Nature of business operations
The Company offers lease services to personal and legal entities, as well as to sole proprietors. The Company's primary activities comprise finance and operating lease. In addition to ordinary finance and operating lease, in the past the Company offered lending facilities and was involved in the development of its own real estate projects, and thus followed the development strategy adopted at that time. After the onset of the financial and economic crisis, leasing companies faced reduction in market demand, as well as the lack of payment discipline on the one hand and limited availability of financial resources on the other. Stricter regulatory requirements additionally limited the business potential of leasing companies. Consequently, the Company cut down its activity to two primary services: finance and operating lease, whilst at the same time focussing primarily on lease of movable property, in particular cars.

1.1 Going concern principle

The adopted strategy of NLB Leasing d. o. o. anticipates a gradual decrease of its total assets, which at 31 December 2013 amounted to EUR 326.3 million.

In 2013 NLB Leasing d.o.o. incurred a net loss of EUR 72.2 million. Subsequently, the loss incurred in 2013 together with the accumulated loss brought forward from previous periods in the amount of EUR 10.6 million, exceeds the amount of the Company's capital. The loss reported in 2013 is substantially due to the following reasons:

- impairment of the equity investment of subsidiary Optima Leasing d.o.o. in the amount of EUR 25.0 million after a capital increase of the company in that same amount;
- additional impairment of receivables resulting mainly from new assessed value of collateral, deteriorating customer credit rating, and additional requirements regarding group impairments relating to natural persons;
- reversal of deferred tax according to the new legislation and new business practices;
- negative impact of investment property valuation;
- negative impact of inventory valuation;
- fixed assets impairment based on new valuation assessments.

In 2013 the Company continued to provide high level of professionalism, personal approach and high-quality services to meet its customer needs to the fullest possible extent. At the same time it successfully continued its cost optimisation policy. Deepening economic crisis, deteriorating liquidity and a large number of entities struggling in the face of these challenges, had a significant impact on the increase of risks, which was reflected in the Company's financial result. In response to the increased risks the Company recognised additional impairments and receivable allowances, which had an important effect on its operating result in the financial year 2013.

With the aim of improving its general business model and operating result, NLB Leasing d.o.o. is pursuing certain measures and activities which will continue in the future and which encompass the following:

- Intense sale of inventories/repossessed assets;
- Intense focus on ICL/PN customers and adoption of the relevant solutions;
- A more conservative approach to agreeing new contracts,
- Focussing on cost cutting,
- Changes in interest rates charged on assets.

Pursuant to the resolution adopted by the General Meeting of the sole partner, in the beginning of 2014 the capital restructuring of the Company was carried out in the following stages:

1. settlement of the current loss by EUR 70,000 thousand of the capital surplus and
2. settlement of the remaining losses (current loss and losses brought forward) through the reduction of the share capital (simplified share capital reduction) resulting in the share capital decrease from EUR 23.6 million to EUR 15 million; the residual EUR 4.184 million of losses is left unsettled.

The loss settlement described above will ensure capital adequacy of the Company. Pursuant to the adopted financial plan, in 2014 the Management Board expects the Company to generate profit, which will prevent any additional burden being placed on the capital or endangering the Company's capital adequacy.

The Company's business result depends also on the conditions in the financial markets, where availability of financial resources was additionally limited in 2013; this meant that the nominal financing costs remained at a rather high level. New financial resources were granted at higher margins than those the Company was able to agree with the banks in the past.

To mitigate negative economic movements the Company adjusted its business operations to the changed market conditions, the issues concerning sufficient provision of suitable financial resources, increased lack of financial discipline and consequently a more conservative approach to the recognition of high level of receivable impairments.

In 2013 the Company realised EUR 71.9 million of new investments (2012: EUR 80.5 million). Majority of new investments relate to financing of cars, which is in line with the strategic policy, according to which finance lease and movable property funding will be the two key pillars of the Company's operations in the next few years.

Accordingly, the Management Board has assessed that the financial statements preparation under the going concern assumption was appropriate.

2 ACCOUNTING POLICIES

2.1 Intangible assets

Intangible assets comprise investments in property rights and long-term deferred costs. Intangible assets are identifiable non-monetary assets without physical substance.

The cost of intangible assets is recognised when future economic befits are likely to flow to the company and providing their costs can be reliably measured.

Subsequent to initial recognition, intangible assets are measured under the cost model.

All intangible assets held by the Company have finite useful lives. The carrying amount of an intangible asset is reduced through its amortisation and any potential impairment. Intangible assets with final useful lives are amortised over their useful life period using the straight-line amortisation method.

The assets' carrying amounts are reassessed at the end of each financial year. When the expected useful life of the intangible asset with finite useful life is significantly different from previous estimates, and when there is a material change in the expected economic benefits of the asset, its amortisation period and method should be modified accordingly.

The difference between net gains on disposal and the carrying amount of the intangible assets disposed of, is transferred to revaluation operating revenue if the net gains on disposal exceed the carrying amount, or to the revaluation operating expenses, if the asset's carrying amount exceeds the net gains on its disposal.

On the reporting data, the Company compares the intangible asset's carrying amount with its recoverable amount to determine whether the intangible asset has been impaired. The recoverable amount is the higher of the asset's value in use or fair value, less costs to sell. Any impairment losses are immediately recognised in profit or loss.

2.2 Property, plant and equipment

An item of property, plant and equipment is a tangible asset owned or held under finance lease for use in the production of products or supply of services, for rental to others, or for administrative purposes, and is expected to be used during more than one accounting period.

The items of property, plant and equipment are recognised at cost. The cost of an item of property, plant and equipment comprises its purchase price, import duties and non-refundable purchase levies, as well directly attributable costs of bringing the asset to the condition necessary for its intended use including the estimate of the costs of dismantling and removing the item and restoring the site on which it is located. If the cost of an item of property, plant and equipment is significant, it may be allocated to its individual parts. In addition to fixed assets used by the Company, vehicles and equipment in operating lease are also included in the items of property, plant and equipment.

Subsequent expenditure on an item of property, plant and equipment increases its initial cost if it increases future economic benefits of the asset above the initially assessed benefits. Investments in leasehold improvements are also included in property, plant and equipment.

After initial recognition, the items of property, plant and equipment are recognised under the cost model, less accumulated depreciation and any impairment losses.

Depreciation of an item of property, plant and equipment begins when the item is made available for its intended use. Depreciation is accounted for using the straight-line depreciation method. Depreciation is accounted for on the basis of the cost of an item of depreciable assets, reduced by any assessed residual value. Depreciation is accounted for using depreciation rates that reflect the useful life of individual assets and which are stated in the notes to depreciation costs.

The asset's residual value and its useful life are reviewed on the balance sheet date and adjusted if the expectations differ from the previous assessments.

The Company assesses at each balance sheet date whether there are any indications of impairment of property, plant and equipment, based on valuations of a certified appraiser and Eurotax information. When there are signs of the assets' impairment, the Company assesses their recoverable amount. The asset's recoverable amount is the greater of the value in use or its net selling price. When the value in use exceeds the asset's carrying amount, there is no need for impairment, whereas if the contrary is true, the impairment loss is recognised immediately in the profit or loss.

2.3 Depreciation and amortisation

Depreciation and amortisation rates are determined on the basis of assessed useful lives of individual items of intangible assets and property, plant and equipment, using the straight-liner depreciation method.

The following depreciation rates are applied to equipment:

	2013
	%
* Buildings	2.5–10
* Computer hardware and software	20–50
* Cars	12.5–20
* Other equipment	12.5–33.33
* Leasehold improvements	10

The following depreciation rates are applied to equipment:

	2012
	%
* Buildings	2.5–10
* Computer hardware and software	20–50
* Cars	12.5–20
* Other equipment	12.5–25
* Leasehold improvements	10

Amortisation rates applied to intangible assets

	2013
	%
* Concessions, trademarks and licences	
- Computer software	10–50
- Brand name	10

Amortisation rates applied to intangible assets

	2012
	%
* Concessions, trademarks and licences	
- Computer software	10–50
- Brand name	10

For commercial purposes, an entity may depreciate an individual item of fixed assets using depreciation rates that differ from maximum depreciation rates recognised for tax purposes pursuant to the Corporate Income Tax Act

(ZDDPO-2); in doing so, the entity must account for the higher than prescribed rates in its income tax declaration.

The entire cost of an item of property, plant and equipment whose useful life extends beyond 12 months and whose individual cost does not exceed EUR 500, is expensed when the asset is put to its intended use.

2.4 Investments

Investments are financial assets recognised in the balance sheet as long-term or short-term investments. Long-term investments are investments that an investor entity intends to hold for a period of more than 12 months and which are not held for trading. Long-term investments that mature within a period of 12 months after the balance sheet date, are transferred to short-term investments.

On initial recognition, investments are classified as:

• Financial assets at fair value through profit or loss;
• Financial assets held to maturity;
• Investments in loans;
• Available-for-sale financial assets.

Investments are investments in the equity of group companies, long-term and short-term loans issued, receivables due from finance lease, and derivative financial instruments. The Company has no other types of investments.

Revaluation of investments is the recognition of an adjustment to their carrying amount. It usually appears as an adjustment of investments to their fair value, revaluation of investments resulting from impairment or revaluation of investments due to the reversal of their impairment.

A financial asset is de recognised when contractual rights to cash flows expire or when a financial asset is transferred and the transfer meets the criteria for de recognition of the asset.

Carrying amount of investments recognised in the balance sheet may be exposed to the credit risk.

a) Investments in subsidiaries

Investment in subsidiaries are recognised as a financial asset in the balance sheet if it is probable that the expected future economic benefits attributable to the assets will flow to the entity and the cost of the assets can be measured reliably.

In the separate financial statements investments in subsidiaries are recognised at cost.

Dividends are recognised as revenue in the period when they are received.

To assess whether investments in subsidiaries should be impaired, the Company compares the investment's carrying amount and its recoverable amount. If the carrying amount of the investment exceeds its recoverable amount, the difference is recognised as an impairment loss in the profit or loss.

b) Derivatives

A derivative is a financial instrument whose value changes as a result of changes in a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating, or similar variables. Derivatives are always classified into a group of financial assets at fair value through profit or loss.

In the balance sheet, derivatives are initially recognised at cost, which is the fair value of the consideration received or granted. Derivative financial instruments are measured at fair value through profit or loss, determined on the basis of published market price, discounted future cash flows method or by use of pricing models.

c) Investments in loans

Investments in loans and finance lease receivables are measured at amortised costs using the effective interest rate method by allocating costs and revenue directly associated with the loans to the credit or debit of the basic item, and their gradual transfer to the profit or loss over the duration of the transaction.

Assets under finance lease are initially recognised in the balance sheet as receivables in the amount equal to the net investment. Recognition of the finance lease income must reflect continued periodic level of return of the lessor's investment in the finance lease.

A lease is classified as a finance lease if substantially all of the risks and benefits associated with the ownership of an asset have been transferred. Assets under finance lease are initially recognised in the balance sheet at an amount equal to the net investment. Finance lease receivables are measured as the difference between the sum of all instalments under the agreement and the unguaranteed residual value of the assets and the sum of the finance lease income covered by the instalments. All costs and income directly attributable to the lease are either added to or deducted from the initial balance of receivables and gradually transferred to the profit or loss over duration of the contract.

Investments in loans and finance lease receivables are not recognised if they are not settled or if an individual client is classified into D or E credit rating group.

Loans and finance lease receivables which are expected not to be collected or not collected in full amount are recognised as doubtful, whereas if court proceedings have been initiated in respect of receivables, they are recognised as disputed.

Since the majority of the Company's portfolio comprises finance lease, collateral is provided by legal title to the leased asset until the final instalment is paid.

d) Impairment of financial assets

Any impairments of financial assets and other receivables are determined on a monthly basis. The Company monthly verifies the amounts of impairments. In addition, provisions are set aside or impairments are recognised for damage events or fraud identified in the previous month.

Impairments are recognised when there is objective evidence that the Company will not be able to redeem certain collateral issued for loans or finance lease receivables in accordance with contractual provisions, or when the Company expects to incur loss in respect of those items.

When it is assessed that, considering individual client's credit rating, their past record of liability settlement and the value of assets leased, the clients will repay the contractually agreed amount in full and within the agreed deadlines, the impairment is not recognised.

Investments (loans and finance lease receivables) to natural persons above certain amounts are checked for impairment individually, whereas group impairment assessment is made for loans and finance lease receivables relating to natural persons below the threshold. Corporate entities are classified into A to E credit rating groups based on their credit worthiness. All D and E investments above a certain amount as well as a significant share of the most exposed receivables in excess of certain amount in C credit rating group are verified individually, whereas group impairment is made of the remaining C to E investments. In addition, group impairment is also made for receivables classified as A and B credit rating groups. Impairment of operating lease receivables that are reviewed individually for impairment, is recognised in total amount of due and outstanding lease instalments over the certain number of days in default.

Impairment losses on financial assets at amortised cost are recognised as the difference between the asset's carrying amount and present value of expected future cash flows discounted using the effective interest rate determined at the initial recognition. The carrying amount of an asset is reduced through accumulated depreciation, while the impairment loss is recognised in the profit or loss. Through their impairment, the value of financial assets is reduced to their fair value.

Unrecoverable assets are those in respect of which the Company has exhausted all legal remedies relating to their collection and their impairment is final. On subsequent settlement of financial assets that were written-off, the repaid amount is recognised as revenue in the profit or loss.

2.5 Inventories

Inventories include projects under construction for the purpose of subsequent lease or sale, inventory of merchandise and repossessed equipment from terminated finance lease contracts.

Inventories are recognised in the books of account if it is probable that economic benefits that are associated with them will flow to the entity and the cost of purchase or their cost value can be measured reliably. Inventories are derecognised when they are consumed or sold.

On initial recognition inventories are measured at purchase prices increased by import and other duties as well as direct costs of acquisition. The purchase price is reduced by discounts received.

Inventory of work in progress is measured at purchase prices and costs of acquisition, using the production cost method.

The revaluation of inventories is the recognition of an adjustment to their carrying amount. It may be carried out either at the end of or during the financial year. Inventories are measured at the lower of initial cost and net realisable value, in accordance with the valuations performed by certified appraisers. Inventories are not revalued to account for their appreciation in value. The inventories are revalued if their carrying amount exceeds their net realisable value.

2.6 Receivables

Receivables are predominantly amounts owed by customers for products and goods sold and services provided, as well as amounts owed by suppliers for advances granted, prepayments and collateral issued, by employees, and by the state on account of tax paid.

In terms of maturity, receivables are classified as long-term and short-term receivables. Long-term operating receivables are amounts due from customers that mature within a period of more than one year. Current amounts of long-tern receivables that mature within 12 months of the balance sheet date are reported as short-term operating receivables.

On initial recognition, receivables are recognised at fair values recorded in the relevant documents under assumption that they will be collected.

Receivables are not recognised if they are not settled or if an individual client is classified into D or E credit rating group.

The same method of assessing receivable impairment and write-off is used as the one applied to financial assets as described in Note 2. 4. d.

a) Operating lease

A lease is classified as an operating lease if substantially all of the risks and rewards associated with the ownership are retained by the lessor. Assets under operating lease are recognised in the balance sheet as part of the group of assets to which they belong. Lease payments are recognised on a straight-line basis over the lease term. On initial recognition, the Company complies with the principle of substance over form; any subsequent changes in estimates and circumstances do not affect classification of the lease.

With regards to operating lease, collateral is provided by legal title to the leased asset until the final instalment is paid.

2.7 Deferred tax

Deferred tax assets are recognised for all deductible temporary differences, but only if it is probable that future taxable profit will be available against which deductible temporary differences may be utilised.

Since it is uncertain whether in the foreseeable future the Company will be able to utilise all the deductible differences, in 2013 the Company derecognised all temporary deductible differences.

2.8 Investment property

Investment property comprises property, plant and equipment, which are held for the purpose of operating lease and appreciation in the investment's value.

Initially, investment property is recognised at cost, comprising the purchase price and directly attributable costs of acquisition.

Subsequent to initial recognition, investment property is carried under the fair value model determined by a certified appraiser in accordance with the International Valuation Standards, using the following valuation techniques: market approach, income approach and cost approach.

Gains and losses on fair value measurement are recognised in the profit or loss.

The following assets are classified as investment property:

- land held for capital appreciation rather than sale in the ordinary course of business, and
- buildings owned and leased out under operating lease.

When an entity has at its disposal property of which one part is leased, the leased part is reclassified to investment property providing it can be disposed of separately. The part of the property held for the entity's own use is recorded separately as an item of the entity's own assets.

2.9 Cash and cash equivalents

On initial recognition, the cash is recorded in the amount that derives from the relevant document. Cash, denominated in foreign currency, is translated into the domestic currency on the date of the document.

Cash deposited on the foreign currency transaction account is revalued monthly and at the year-end using the reference exchange rate of the ECB.

Cash comprises cash on hand, deposit money, cash in transit and cash equivalents. Cash equivalents are short-term highly liquid investments that re readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents also include short-term deposits at banks with maturity of no more than 3 months.

2.10 Deferred and accrued items

Short-term accruals and deferrals are receivables and other assets and liabilities expected to arise within one year. Their incurrence is probable and their amount is reliably estimated. Accruals and deferrals are recognised in order for the Company to disclose in the profit or loss all revenue and expenses of the period to which they refer regardless of whether they had been received (paid) or not.

They are divided into deferred costs and accrued revenue, and accrued costs and deferred revenue. Deferred costs and accrued revenue comprise short-term deferred costs or short-term deferred expenses and short-term accrued revenue, whereas deferred costs and accrued revenue comprise short-term accrued costs or short-term accrued expenses and short-term deferred revenue.

Accrued and deferred items are not revalued. At the balance sheet date and during the financial year, the realistic need for and justification of the amounts of short-term deferred and accrued items is verified and if necessary, adjusted.

2.11 Equity

Total equity of an entity consists of share capital, capital surplus, profit reserves, retained net earnings or accumulated loss brought forward from previous years, net profit or loss of the financial year, and revaluation surplus.

Share capital is recognised on payment of the contributions in cash and in kind received by the entity. The decisive factor for the recognition is the subscribed capital.

The profit or loss reported by the Company is the difference between the revenue and expenses, less income tax payable taking into consideration deferred tax recognised on account of temporary deductible differences.

2.12 Provisions and long-term accrued costs and deferred revenue

A provision is recognised when the Company has present obligations (legal or constructive) as a result of past events, a reliable estimate can be made of the amount of obligation, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

The Company has set aside provisions for employee benefits comprising jubilee awards, termination benefits on retirement and other obligations. They are accounted for on the basis of actuarial calculation considering the number of employees, staff turnover, pension qualifying period and similar.

Provisions may only be used to cover the costs for which they were originally created.

Long-term accrued costs and deferred revenue comprise deferred revenue from operating lease deposits, which are transferred to revenue on a straight-line basis over the entire term of the lease contract.

2.13 Liabilities

Liabilities are recognised in the balance sheet when the obligation arises under a contract or another legal act, taking into account the contractual date or the date of cash receipts or statements of accounts associated with them.

On initial recognition short-term and long-term liabilities are measured at amounts arising from relevant documents evidencing their incurrence.

After initial measurement they are disclosed at amortised cost using the effective interest method.

Long-term liabilities comprise long-term financial liabilities and long-term operating liabilities. Long-term financial liabilities are long-term borrowings. Long-term liabilities are increased by accrued interest or reduced by the amounts paid and by possible other means of settlement if so agreed with creditors. The carrying amount of long-term liabilities is equal their initial value reduced by repayments of the principal and the amounts transferred to short-term liabilities until the need arises for their revaluation. All costs directly attributed to the financial liabilities are deferred and transferred to costs in proportion to the period of repayment of the liability.

Short-term financial liabilities are short-term borrowings as well as current amounts of long-term borrowings. Short-term operating liabilities are advances and collateral received from customers, payables to local and foreign suppliers, payables to employees, payables to the state and state institutions and other short-term liabilities.

2.14 Revenue

Revenue is classified into operating revenue, financial revenue and other revenue. Revenue is recognized if the increase of economic benefits in the financial period is related to the increase of assets or decrease of a debt, and if these increases can be reliably measured.

Revenue is not recognised if it has not been settled or if an individual client is classified into D or E credit rating group.

a) Operating revenues

Operating revenues are revenues from sales and other operating revenues associated with products and services.

Sales revenue comprises the sales value of products and merchandise sold, as well as services rendered in the accounting period. Revenue from the sale of products and merchandise, and the rendering of services, are measured at selling prices stated in invoices or other documents, less discounts approved either when the sale is made or subsequently, including those granted for early payment. The majority of revenue is composed of rents earned on investment property and operating leases.

Revaluation operating revenue arises predominantly on disposal of intangible assets and property, plant and equipment as a surplus of their sale value over their carrying amount.

b) Financial income

Financial income is investment income. It appears in relation to investments as well as in association with receivables in the form of accrued interest, shares in the profit, and as revaluation financial revenue.

Dividends and other profit shares paid are recognised when the Company's right to dividends is established.

Financial income from investments also comprises exchange rate gains resulting from translation of foreign currency into the local currency at the settlement date or at the year-end.

The income, which is charged to the customers on conclusion of finance lease contracts, is deferred over the term of individual finance lease contract. Only the amounts relating to the current accounting period are recognised as revenue.

c) Other revenue

Other revenue comprises unusual items (extraordinary revenue) and other revenue increasing profit or loss.

2.15 Expenses

Expenses are classified into operating, financial and other expenses.

a) Operating expenses

Operating expenses are in principle equal to the calculated costs in the accounting period, increased by the costs held in the opening inventories, and decreased by the costs held in the closing inventories. Operating expenses also include the cost of goods sold, costs of employees' participation in the expanded profit and revaluation operating expenses that were not considered in costs.

All the costs incurred in the financial year and reported according to their natural types such as costs of materials, costs of services, labour costs, costs of amortisation and depreciation, and other costs are also included in the operating expenses.

Revaluation operating expenses arise on impairment of intangible assets, property, plant and equipment and current assets, unless the decrease in their value has not been covered by equity revaluation surplus resulting from their previous increase in value.

b) Financial expenses

Financial expenses include financing expenses and investment expenses. Financing expenses primarily comprise interest paid, while investment expenses predominantly have the nature of revaluation financial expenses which arise on impairment of investments. Financial expenses also comprises exchange rate losses resulting from translation of foreign currency into the local currency at the settlement date or at the year-end.

Financial expenses are recognised in the profit or loss using the amortised cost method.

c) Other expenses

Other expenses comprise unusual items and other expenses reducing profit or loss.

2.16 Income tax

The Company is liable to payment of corporate income tax at legally prescribed rates applied to the tax basis, in consideration of any tax add-ons and tax allowances.

2.17 Statement of cash flows

The cash flow statement is prepared using the indirect method (Format II). The cash flow statement is presentation of data presented in the profit or loss, the balance sheet of the two consecutive financial years, and additional data from an entity's analytical records. To ensure the cash flows match as closely as possible the receipts and cash outflows are as close as possible to expenditure, an entity is required to make a number of adjustments to the balance sheet data such as: elimination of amortisation and depreciation costs, and elimination of the exchange rate effect, impairments and allowances.

2.18 Exposure to risk and risk management

The Company is exposed to a variety of risks including credit risk, currency risk, interest-rate risk and operational risk

Credit risk
Credit risk is the risk of losses incurred by the Company due to the failure of the debtor to fulfil its contractual obligations for any reason whatsoever.

Credit risk arises in relation to risk exposed assets as well as the off-balance sheet items. Risk exposed items include long-term and short-term investments of the Company, short-term operating receivables including advances issued, as well as approved but not yet utilised investments.

The Company regularly performs analysis of its credit portfolio and has identified criteria applied in the assessment of the debtors and its credit exposure to them. This requires a detailed and regular monitoring of any changes.

To ensure efficient credit risk management, the Company has implemented a system of debtor classification into individual credit rating groups.

When assessing credit risk, the Company considers the debtor's ability to meet its contractual obligations (in the relevant amounts and on a timely basis) as well as the collateral received.

Any potential impairments resulting from credit risk are recognised in the profit or loss.

Interest-rate risk
Interest-rate risk is the risk of losses from interest-sensitive balance sheet and off-balance sheet positions. Interest-rate risk arises as a result of changes in market interest rates.

Interest-rate risk exposure is assessed using the interest spread method.

To monitor and manage interest-rate risk, the Company monthly reviews its exposure to interest rate in terms of the local and foreign currency, in line with the adopted policy of interest-rate risk management.

The Company's principal objective is to ensure minimum interest spread between interest-sensitive balance sheet assets and liabilities.

Currency risk
Currency risk is the risk of losses due to currency mismatch of receivables and liabilities resulting from market quotations and mismatch of foreign currency cash flows.

To ensure efficient monitoring of currency risk, the Company issues monthly reports on exposure to currency risk in line with the adopted currency risk management policy.

The net open position under the gross principle method is used to measure currency risk, not considering impairments in the open positions. A position is determined for each individual currency as well as for all the currencies together.

The Company strives to keep its net open positions as closed as possible, however it does have a certain gap between the balance sheet assets and liabilities per individual currency.

Liquidity risk
Liquidity risk is the risk of losses due to the fact that the Company is unable to settle all of its matured liabilities.

Liquidity risk is closely tied to other risks the Company is exposed to such as credit risk, interest-rate risk and currency risk.

The Company manages its liquidity risk at the operational and structural level. At the operational level, the Company manages its liquidity risk by monitoring and planning cash flows, raising of borrowings, placing of deposits and similar measures, whereas at the structural level, the risk is managed by regular monitoring and computing of structured liquidity ratios.

To ensure efficient monitoring of liquidity risk, the Company issues monthly reports on its exposure to liquidity risk in line with the adopted liquidity risk management policy.

Operational risk
Operational risk is the risk of losses due to inadequate and inaccurate performance of internal processes, misconduct on the part of employees, inappropriate or inaccurate running of the systems and also due to external events. Operational risk includes legal risk, but it does not include strategic risk or risk of loss of reputation.

To mitigate the risk and probability of major damages occurring and to minimise potential and actual losses, the Company has adopted an efficient operational risk management policy.

3 NOTES TO THE BALANCE SHEET

3.1 Assets

3.1.1 INTANGIBLE ASSETS AND LONG-TERM DEFERRED COSTS

EUR thousand	31.12.2013	31.12.2012
Concessions, trademarks and licences	952	893
Other long-term deferred costs	7	7
Amortisation of concessions, trademarks and licences	(375)	(286)
Total	**584**	**614**

Movement of intangible assets in 2013

EUR thousand	Long-term deferred costs	Concessions, trademarks and licences	TOTAL
Cost:			
Balance at 31 Dec 2012	**7**	**893**	**900**
Additions	0	59	**59**
Balance at 31 Dec 2013	**7**	**952**	**959**
Accumulated amortisation:			
Balance at 31 Dec 2012	**0**	**(286)**	**(286)**
Amortisation	0	(89)	**(89)**
Balance at 31 Dec 2013	**0**	**(375)**	**(375)**
Carrying amount:			
Balance at 31 Dec 2012	**7**	**607**	**614**
Balance at 31 Dec 2013	**7**	**577**	**584**

Movement of intangible assets in 2012

v tisoč EUR	Long-term deferred costs	Concessions, trademarks and licences	TOTAL
Cost:			
Balance at 31.12.2011	**8**	**393**	**401**
Merger by acquisition	**0**	**550**	**550**
Additions	0	38	**38**
Disposals	(1)	(88)	**(89)**
Balance at 31 Dec 2012	**7**	**893**	**900**
Accumulated amortisation:			
Balance at 31.12.2011	**0**	**(115)**	**(115)**
Merger by acquisition	**0**	**(165)**	**(165)**
Disposals	0	81	**81**
Amortisation	0	(87)	**(87)**
Balance at 31 Dec 2012	**0**	**(286)**	**(286)**
Carrying amount:			
Balance at 31.12.2011	**8**	**278**	**286**
Balance at 31 Dec 2012	**7**	**607**	**614**

At year-end, majority of the items of intangible assets comprise property rights and long-term deferred costs. Property rights relate to acquisition of software, whereas long-term deferred costs are costs of input VAT as a temporarily non-deductible item charged on the Company's own property in Ljubljana as a result of taxable lease of a part of the facility to tenants. The amount of long-term deferred costs is reduced annually by the relevant amount of deducted input VAT.

No items of intangible assets have been pledged as collateral for liabilities.

3.1.2 PROPERTY, PLANT AND EQUIPMENT

EUR thousand	31.12.2013	31.12.2012
Property	**7,926**	**7,926**
Land measured under the cost model	1,429	1,429
Buildings measured under the cost model	6,497	6,497
Accumulated depreciation of property	**(1,559)**	**(1,332)**
Depreciation of property	(1,559)	(1,332)
Carrying amount	**6,367**	**6,594**
Equipment and other items of property, plant and equipment	**14,018**	**18,801**
Equipment measured under the cost model	1,466	1,389
Equipment in operating lease	12,534	17,394
Capitalised costs of leasehold improvements	18	18
Accumulated depreciation of equipment	**(6,670)**	**(6,446)**
Depreciation of equipment	(1,186)	(1,137)
Accumulated depreciation of equipment under operating lease	(4,155)	(5,297)
Depreciation of capitalised costs of leasehold improvements	(14)	(12)
Impairment of equipment in operating lease	(1,315)	0
Carrying amount	**7,348**	**12,355**
Advances for acquisition of property, plant and equipment	**0**	**69**
Total	**13,715**	**19,018**

Movement in property, plant and equipment in 2013

EUR thousand	Land	Buildings	Assets in operating lease	Furniture and other equipment	Capitalised costs of leasehold improvements	Advances for acquisition of property, plant and equipment	Total
Cost:							
Balance at 31 Dec 2012	**1,429**	**6,497**	**17,394**	**1,389**	**18**	**281**	**27,009**
Additions	0	0	4,476	193	0	1,165	**5,835**
Disposals / Transfers	0	0	(9,337)	(116)	0	(1,249)	**(10,702)**
Balance at 31 Dec 2013	**1,429**	**6,497**	**12,534**	**1,466**	**18**	**198**	**22,142**
Accumulated depreciation:							
Balance at 31 Dec 2012	**0**	**(1,332)**	**(5,297)**	**(1,137)**	**(12)**	**(212)**	**(7,990)**
Disposals / Transfers	0	0	2,655	31	0	0	**2,686**
Depreciation	0	(227)	(1,513)	(80)	(2)	0	**(1,822)**
Revaluation	0	0	(1,315)	0	0	14	**(1,301)**
Balance at 31 Dec 2013	**0**	**(1,559)**	**(5,470)**	**(1,186)**	**(14)**	**(198)**	**(8,427)**
Carrying amount:							
Balance at 31 Dec 2012	**1,429**	**5,165**	**12,097**	**252**	**6**	**69**	**19,018**
Balance at 31 Dec 2013	**1,429**	**4,938**	**7,064**	**280**	**4**	**(0)**	**13,715**

Movement in property, plant and equipment in 2012

EUR thousand	Land	Buildings	Assets in operating lease	Furniture and other equipment	Capitalised costs of leasehold improvements	Advances for acquisition of property, plant and equipment	Total
Cost:							
Balance at 31.12.2011	**1,030**	**4,032**	**10,585**	**980**	**19**	**470**	**17,116**
Merger by acquisition	**402**	**2,477**	**6,944**	**533**	**0**	**384**	**10,740**
Additions	0	0	10,581	61	0	3,984	14,626
Disposals / Transfers	(3)	(12)	(10,716)	(185)	(1)	(4,557)	(15,474)
Balance at 31 Dec 2012	**1,429**	**6,497**	**17,394**	**1,389**	**18**	**281**	**27,008**
Accumulated depreciation:							
Balance at 31.12.2011	**0**	**(488)**	**(3,441)**	**(770)**	**(11)**	**0**	**(4,710)**
Merger by acquisition	**0**	**(616)**	**(1,843)**	**(399)**	**0**	**0**	**(2,858)**
Increase	0	0	0	0	0	(212)	(212)
Disposals / Transfers	0	0	2,441	127	0	0	2,568
Depreciation	0	(228)	(2,454)	(95)	(1)	0	(2,778)
Balance at 31 Dec 2012	**0**	**(1,332)**	**(5,297)**	**(1,137)**	**(12)**	**(212)**	**(7,990)**
Carrying amount:							
Balance at 31.12.2011	**1,030**	**3,544**	**7,144**	**210**	**8**	**470**	**12,406**
Balance at 31 Dec 2012	**1,429**	**5,165**	**12,097**	**252**	**6**	**69**	**19,018**

The items of property, plant and equipment include: property such as buildings, which serve as offices where the Company performs its activities in various locations including Ljubljana, Kranj, Nova Gorica, Koper and Maribor and the related land (including parking spaces); equipment owned by the Company comprises vehicles, office furniture and computer hardware; equipment in operating lease; investments in leasehold improvements; and advances for acquisition of property, plant and equipment.

None of the items of property, plant and equipment are pledged as collateral for liabilities or for any other reason and no items of property, plant and equipment have been acquired under finance lease.

The Company has no commitments for acquisition of property, plant and equipment. Based on the valuations available as at 31 December 2013, the Company estimates that there are no indications of any additional impairment of the items of property, plant and equipment.

In the financial year under review, the Company recognised EUR 1,315 thousand of impairment loss from fixed assets.

3.1.3 INVESTMENT PROPERTY

EUR thousand	31.12.2013	31.12.2012
Investment property measured under the fair value model	37,504	51,611
Revaluation of investment property at fair value	(6,163)	(196)
Total:	**31,341**	**51,415**

Movement in investment property in 2013

EUR thousand	Investment buildings	Investment land	Total
Cost:			
Balance at 31 Dec 2012	**51,354**	**61**	**51,415**
Merger by acquisition	**0**	**0**	**0**
Additions	20	0	**20**
Disposals - Transfers	(13,891)	0	**(13,891)**
Revaluation	(6,173)	(30)	**(6,203)**
Balance at 31 Dec 2013	**31,310**	**31**	**31,341**

Movement in investment property in 2012

EUR thousand	Investment buildings	Investment land	Total
Cost:			
Balance at 31.12.2011	**39,839**	**211**	**40,050**
Merger by acquisition	**2,942**	**0**	**2,942**
Additions	10,100	0	**10,100**
Disposals - Transfers	(1,397)	(84)	**(1,481)**
Revaluation	(130)	(66)	**(196)**
Balance at 31 Dec 2012	**51,354**	**61**	**51,415**

Investment property includes investments acquired for the purpose of their lease.

Investment property is measured at fair value. Pursuant to the Company's internal policy and valuation assessments made by certified appraisers of property, revaluation of the investment property was recognised through profit or loss using the income method.

Rental income from investment property reached EUR 2,573 thousand in 2013 (2012: EUR 3,868 thousand), whereas costs related to the investment property amounted to EUR 16 thousand (2012: EUR 165 thousand).

3.1.4 LONG-TERM INVESTMENTS

EUR thousand	31.12.2013	31.12.2012
Long-term investments, excluding loans	**576**	**799**
Shares and interests in the Group	78,157	53,147
Impairment of shares and interests in the Group	(78,157)	(53,147)
Other long-term investments	576	799
Long-term loans issued	**5,524**	**7,751**
Long-term loans to group companies	7,187	7,858
Impairment of loans issued to group companies	(7,187)	(7,523)
Transfer to short-term investments	0	(335)
Other long-term loans issued	18,317	23,896
Impairment of other loans issued	(7,681)	(7,511)
Transfer to short-term investments	(5,112)	(8,634)
Long-term finance lease receivables	**131,275**	**161,607**
Long-term finance lease receivables from the group	24	3
Long-term finance lease receivables due from others	229,392	261,442
Impairment of finance lease receivables	(46,156)	(32,799)
Transfer to short-term loans	(51,985)	(67,039)
Total:	**137,375**	**170,157**

a) Movement in long-term investments, except loans in 2013

EUR thousand	Shares and interests in the Group	Other long-term investments	TOTAL
Cost			
Balance at 31 Dec 2012	**53,147**	**799**	**53,946**
Increase	25,010	0	25,010
Decrease	0	(223)	(223)
Balance at 31 Dec 2013	**78,157**	**576**	**78,733**
Impairment			
Balance at 31 Dec 2012	**(53,147)**	**0**	**(53,147)**
Increase	(25,010)		(25,010)
Balance at 31 Dec 2013	**(78,157)**	**0**	**(78,157)**
Balance at 31 Dec 2012	**0**	**799**	**799**
Balance at 31 Dec 2013	**0**	**576**	**576**

a1) Movement in long-term investments, except loans in 2012

EUR thousand	Shares and interests in the Group	Other long-term investments	TOTAL
Cost			
Balance at 31.12.2011	**7,950**	**0**	**7,950**
Merger by acquisition	**41**	**569**	**610**
Increase	45,356	230	45,586
Disposal of subsidiary	(200)	0	(200)
Balance at 31 Dec 2012	**53,147**	**799**	**53,946**
Impairment			
Balance at 31.12.2011	**(7,750)**	**0**	**(7,750)**
Merger by acquisition	**(41)**	**0**	**(41)**
Increase	(45,356)	0	(45,356)
Disposal of subsidiary	0	0	0
Balance at 31 Dec 2012	**(53,147)**	**0**	**(53,147)**
Balance at 31.12.2011	**200**	**0**	**200**
Balance at 31 Dec 2012	**0**	**799**	**799**

Long-term investments, except loans comprise investments in subsidiaries. Other long-term investments include two hedged items which are two related investments - two financial lease contracts approved to the same lessee. The interest rate swap used to hedge the investment is measured at fair value in line with the formally adopted internal document; the revaluation effect is recognised in the profit or loss.

In 2013 the Company made a capital injection into the capital of Optima Leasing d.o.o., Zagreb, amounting to EUR 25,000 thousand. The investment increase on account of the capital injection was in the same financial year impaired in its entire amount.

At 2013 year-end, the balance of investments in equity holdings of subsidiaries are presented below:

EUR thousand		Investment		Equity stake		Equity		Net profit or loss	
Subsidiary	**Registered office**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**
NLB Leasing Sofia, e.o.o.d.	Bulgaria	200	200	100.00%	100.00%	(6,544)	(5,878)	(666)	(962)
Optima Leasing d.o.o., Zagreb	Croatia	60,131	35,134	99.97%	99.82%	1,996	(27,402)	(23,294)	(9,413)
OL Nekretnine d.o.o., Zagreb	Croatia	17,826	17,813	100.00%	99.93%	(2)	1.211	(1,200)	484

b) Movement in long-term loans in 2013

EUR thousand	Long-term loans to group companies	Other long-term loans	TOTAL
Cost			
Balance at 31 Dec 2012	**0**	**9,195**	**9,195**
Increase		260	**260**
Decrease	(671)	(5,839)	**(6,510)**
Transfer to short-term loans	671	2,698	**3,369**
Balance at 31 Dec 2013	**0**	**6,314**	**6,314**
Impairment			
Balance at 31 Dec 2012	**0**	**(1,444)**	**(1,444)**
Increase	(45)	(1,321)	**(1,366)**
Decrease	380	1,152	**1,532**
Transfer to short-term investments	(335)	823	**488**
Balance at 31 Dec 2013	**0**	**(790)**	**(790)**
Balance at 31 Dec 2012	**0**	**7,751**	**7,751**
Balance at 31 Dec 2013	**0**	**5,524**	**5,524**

b1) Movement in long-term loans in 2012

EUR thousand	Long-term loans to group companies	Other long-term loans	TOTAL
Cost			
Balance at 31.12.2011	**0**	**11,051**	**11,051**
Merger by acquisition	**0**	**1,425**	**1,425**
Increase	1,183	868	**2,051**
Decrease	(28,530)	(5,514)	**(34,044)**
Transfer to short-term loans	27,347	1,365	**28,712**
Balance at 31 Dec 2012	**0**	**9,195**	**9,195**
Impairment			**0**
Balance at 31.12.2011	**0**	**(4,284)**	**(4,284)**
Merger by acquisition	**0**	**(616)**	**(616)**
Increase	(630)	(778)	**(1,408)**
Decrease	1,131	728	**1,859**
Transfer to current amounts	(501)	3,506	**3,005**
Balance at 31 Dec 2012	**0**	**(1,444)**	**(1,444)**
Balance at 31.12.2011	**0**	**6,767**	**6,767**
Balance at 31 Dec 2012	**0**	**7,751**	**7,751**

c) Maturity of loans issued

EUR thousand	2013	2012
Up to 1 year	19,170	22,493
1 to 5 years	2,819	4,962
More than 5 years	3,515	4,299
Total:	**25,504**	**31,754**

Amounts of long-term loans issued that mature within 1 year include loans that have already matured and are outstanding. All long-term loans that have matured and are outstanding, as well as those maturing in the next 12 months from the balance sheet date are recognised in the balance sheet as short-term investments. Current amounts of long-term loans issued include the relevant allowances or impairments recognised on account of the credit risk.

In the table above the data relating to the maturity structure of loans issued is expressed in net amounts.

Collateral received by the Company for long-term loans issued include mortgages and bills of exchange.

The Company is exposed to a variety of risks including credit risk, currency risk, and interest-rate risk.

d) Movement in long-term finance lease receivables in 2013

EUR thousand	Finance lease of equipment	Finance lease of property	TOTAL
Cost			
Balance at 31 Dec 2012	**68,199**	**96,725**	**164,924**
Increase	70,661	5,870	**76,531**
Decrease	(82,704)	(25,855)	**(108,559)**
Transfer to current amounts	5,121	2,061	**7,182**
Balance at 31 Dec 2013	**61,277**	**78,801**	**140,078**
Impairment			
Balance at 31 Dec 2012	**(452)**	**(2,865)**	**(3,317)**
Increase	(4,242)	(14,062)	**(18,304)**
Decrease	3,258	1,688	**4,946**
Transfer to current amounts	1,191	6,681	**7,872**
Balance at 31 Dec 2013	**(245)**	**(8,558)**	**(8,803)**
Balance at 31 Dec 2012	**67,747**	**93,860**	**161,607**
Balance at 31 Dec 2013	**61,032**	**70,243**	**131,275**

d1) Maturity of long-term finance lease receivables

EUR thousand	Gross receivables	Deferred revenue	Present value
Up to 1 year	123,662	(8,815)	114,847
1 to 5 years	110,942	(22,528)	88,414
More than 5 years	29,620	(3,465)	26,155
Total at 31 Dec 2013:	**264,224**	**(34,808)**	**229,416**

d) Movement in long-term finance lease receivables in 2012

EUR thousand	Finance lease of equipment	Finance lease of property	TOTAL
Cost			
Balance at 31 Dec 2011	**68,766**	**37,837**	**106,603**
Merger by acquisition	**32,565**	**101,322**	**133,887**
Increase	85,571	2,301	**87,872**
Decrease	(91,926)	(20,994)	**(112,920)**
Transfer to current amounts	(26,777)	(23,741)	**(50,518)**
Balance at 31 Dec 2012	**68,199**	**96,725**	**164,924**
Impairment			**0**
Balance at 31 Dec 2011	**(10,744)**	**(5,910)**	**(16,654)**
Merger by acquisition	**2,368**	**2,024**	**4,392**
Increase	(5,552)	(5,443)	**(10,995)**
Decrease	2,033	2,243	**4,276**
Transfer to current amounts	11,443	4,221	**15,664**
Balance at 31 Dec 2012	**(452)**	**(2,865)**	**(3,317)**
Balance at 31 Dec 2011	**58,022**	**31,927**	**89,949**
Balance at 31 Dec 2012	**67,747**	**93,860**	**161,607**

d2) Maturity of long-term finance lease receivables at 31 Dec 2012

EUR thousand	Gross receivables	Deferred revenue	Present value
Up to 1 year	107,676	(10,416)	97,260
1 to 5 years	115,430	(22,011)	93,419
More than 5 years	81,241	(10,475)	70,766
Total at 31 Dec 2012:	**304,347**	**(42,902)**	**261,445**

Long-term finance lease receivables are either decreased or increased by:

- transfer of current amounts to short-term investments that mature within the next 12 months after the balance sheet date, as well as receivables matured and outstanding;
- commission fee and expenses on approval, which are allocated over the term of the loan contract;
- impairment of loans and finance lease receivables; and
- interest accrued on the balance sheet date considering the date of the final instalment before the cut-off date and the date of the next instalment.

Long-term finance lease receivables maturing within a period of one year also include receivables that have already matured and are outstanding.

In the table above the data relating to the maturity structure of long-term lease receivables is expressed in net amounts. In 2013 the Company wrote-off a total of EUR 389 thousand of long-term finance lease receivables (2012: EUR 44 thousand).

Finance lease receivables are collateralised with legal title to the leased asset. In addition, bills of exchange, guarantees and other collateral have also been granted to the Company.

The Company is exposed to a variety of risks including credit risk, currency risk, and interest-rate risk. The most recent assessment of the credit risk was performed as at 31 December 2013.

3.1.5 LONG-TERM OPERATING RECEIVABLES

EUR thousand	31.12.2013	31.12.2012
Long-term operating receivables due from others	34	32
Total:	**34**	**32**

Movement in long-term operating receivables in 2013

EUR thousand	Other operating receivables
Cost	
Balance at 31 Dec 2012	**32**
Increase	3
Decrease	(1)
Balance at 31 Dec 2013	**34**

Movement in long-term operating receivables in 2012

EUR thousand	Other operating receivables
Cost	
Balance at 31 Dec 2011	**7**
Merger by acquisition	**30**
Increase	2
Decrease	(7)
Balance at 31 Dec 2012	**32**

Long-term operating receivables also comprise funds paid-in into the reserve fund. These are receivables with no maturity.

3.1.6 DEFERRED TAX ASSETS

EUR thousand	31.12.2013	31.12.2012
Deferred tax on account of loan impairments and receivable allowances	0	13,941
Deferred tax on account of provisions for employee benefits	0	8
Deferred tax on account of depreciation not recognised for tax purposes	0	74
Deferred tax on account of other purposes	0	176
Total:	**0**	**14,199**

Movement in deferred tax assets in 2013

EUR thousand	Impairment of loans and receivables	Provisions for liabilities	Depreciation not recognised for tax purposes	Other	TOTAL
Balance at 31 Dec 2012	**13,941**	**8**	**74**	**176**	**14,199**
Increase	1,037	0	0	0	**1,037**
Decrease	(14,977)	(8)	(74)	(176)	**(15,235)**
Balance at 31 Dec 2013	**0**	**0**	**0**	**0**	**0**

Movement in deferred tax assets in 2012

EUR thousand	Impairment of loans and receivables	Provisions for liabilities	Depreciation not recognised for tax purposes	Other	TOTAL
Balance at 31 Dec 2011	**10,973**	**17**	**85**	**2,329**	**13,404**
Merger by acquisition	**3,565**	**7**	**0**	**0**	**3,572**
Increase	3,226	0	2	0	3,228
Decrease	(3,823)	(16)	(13)	(2,153)	(6,005)
Balance at 31 Dec 2012	**13,941**	**8**	**74**	**176**	**14,199**

Deferred tax assets are amounts of income tax credits which the taxpayer will utilise in future fiscal years through a reduction in the income tax payable at a future date when those deferred tax assets can be utilised.

The Company reversed the total amount of deferred tax assets as it is uncertain that deductible temporary differences can be utilised in a foreseeable future.

3.1.7 INVENTORIES

EUR thousand	31.12.2013	31.12.2012
Work in progress	1,787	1,976
Property acquired for the market (inventory of merchandise)	26,466	16,634
Repossessed equipment and property	37,527	26,838
Vehicles in operating lease of up to 1 year	7,092	1,395
Total:	**72,872**	**46,843**

Movement in inventories in 2013

EUR thousand	Work in progress	Property acquired for the market	Repossessed equipment and property	Vehicles in operating lease	Total
Cost					
Balance at 31 Dec 2012	**1,976**	**16,634**	**26,838**	**1,395**	**46,843**
Increase	409	15,020	19,857	13,555	**49,097**
Decrease	(404)	(-1,047)	(9,168)	(7,858)	**(18,733)**
Impairment	(193)	(4,141)	0	0	**(4,334)**
Balance at 31 Dec 2013	**1,787**	**26,466**	**37,527**	**7,092**	**72,872**

Movement in inventories in 2012

EUR thousand	Work in progress	Property acquired for the market	Repossessed equipment and property	Vehicles in operating lease	Total
Cost					
Balance at 31 Dec 2011	**1,880**	**1,886**	**19,754**	**0**	**23,520**
Merger by acquisition	**547**	**2,451**	**7,122**	**0**	**10,120**
Increase	111	13,030	15,323	1,889	**30,353**
Decrease	(205)	(400)	(14,637)	(494)	**(15,736)**
Impairment	(357)	(333)	(724)	0	**(1,414)**
Balance at 31 Dec 2012	**1,976**	**16,634**	**26,838**	**1,395**	**46,843**

The inventories comprise work in progress, merchandise, equipment repossessed due to termination of finance lease contracts and vehicles in operating lease of up to one year.

Inventory of work in progress relates to property construction, whereas inventory of merchandise include property - flats. Repossessed equipment and property comprise inventory of repossessed assets due to termination of finance lease contracts as a result of non-compliance with contractual provisions. Inventories also include vehicles in operating lease of up to 1 year. Under the Slovene accounting standards, vehicles in operating lease for up to 1 year do not meet criteria for classification as property, plant and equipment and therefore, they are recognised as inventories.

All of the inventories are held for sale. Inventories are measured at the lower of initial cost and net realisable value. The value of inventories is also impacted by the time of intended sale. Inventories that are held for sale within a period of one year are not discounted; inventories that are to be sold within one to two years are discounted using discount factor 0.04; and inventories expected to be sold in a period of two to three years are discounted using the discount factor 0.08.

The last valuation of inventories was made at 2013 year-end. No inventories have been pledged as collateral and no inventory surplus or deficit was established at the annual physical stock count performed at the year-end.

3.1.8 SHORT-TERM INVESTMENTS

EUR thousand	31.12.2013	31.12.2012
Short-term loans issued	**15,000**	**23,768**
Current amounts of long-term loans issued to group companies	7,187	7,858
Current amounts of impairments of long-term loans issued to group companies	(7,187)	(7,523)
Other short-term loans issued	36,301	40,272
Current amounts of other long-term loans issued	12,316	14,701
Impairment of other short-term loans issued	(26,441)	(25,473)
Current amounts of impairments of other long-term loans issued	(7,176)	(6,067)
Short-term finance lease receivables	**51,985**	**67,039**
Short-term finance lease receivables	993	992
Short-term finance lease receivables from the group	6	3
Current amounts of long-term finance lease receivables	89,331	96,517
Impairment of finance lease receivables	(993)	(992)
Impairment of finance lease receivables due from the group	(6)	0
Current amounts of impairment of finance lease receivables	(37,346)	(29,481)
Total:	**66,985**	**90,807**

Movement in short-term investments in 2013

EUR thousand	Short-term loans to group companies	Other short-term loans	Short-term finance lease receivables	TOTAL
Cost				
Balance at 31 Dec 2012	**7,858**	**54,973**	**97,512**	**160,343**
Increase	0	17,629	5	**17,634**
Decrease	0	(21,288)	(4)	**(21,292)**
Transfer of current amounts	(671)	(2,698)	(7,182)	**(10,551)**
Balance at 31 Dec 2013	**7,187**	**48,616**	**90,331**	**146,134**
Impairment				
Balance at 31 Dec 2012	**(7,523)**	**(31,540)**	**(30,473)**	**(69,536)**
Increase	0	(1,392)	0	**(1,392)**
Decrease	0	138	0	**138**
Transfer of current amounts	336	(823)	(7,872)	**(8,359)**
Balance at 31 Dec 2013	**(7,187)**	**(33,617)**	**(38,345)**	**(79,149)**
Balance at 31 Dec 2012	**335**	**23,433**	**67,039**	**90,807**
Balance at 31 Dec 2013	**0**	**14,999**	**51,986**	**66,985**

Movement in short-term investments in 2012

EUR thousand	Short-term loans to group companies	Other short-term loans	Short-term finance lease receivables	TOTAL
Cost				
Balance at 31 Dec 2011	**35,198**	**59,739**	**25,229**	**120,166**
Merger by acquisition	**0**	**7,534**	**25,325**	**32,859**
Increase	7	14,431	9	**14,447**
Decrease	0	(25,366)	(3,569)	**(28,935)**
Transfer to current amounts	(27,347)	(1,365)	50,518	**21,806**
Balance at 31 Dec 2012	**7,858**	**54,973**	**97,512**	**160,343**
Impairment				
Balance at 31 Dec 2011	**(8,024)**	**(25,323)**	**(731)**	**(34,078)**
Merger by acquisition	**0**	**(2,759)**	**(14,069)**	**(16,828)**
Increase	0	(5,659)	(9)	**(5,668)**
Decrease	0	5,707	0	**5,707**
Transfer to current amounts	501	(3,506)	(15,664)	**(18,669)**
Balance at 31 Dec 2012	**(7,523)**	**(31,540)**	**(30,473)**	**(69,536)**
Net amount at 31 Dec 2011	**27,174**	**34,416**	**24,498**	**86,088**
Net amount at 31 Dec 2012	**335**	**23,433**	**67,039**	**90,807**

Short-term loans issued and short-term finance lease receivables are recognised under short-term investments. Short-term loans issued include current amounts of long-term loans and short-term loans issued for a period of up to 12 months.

Short-term finance lease receivables are composed of current amounts of long-term finance lease receivables and those short-term receivables for the recovery of which court proceedings are in progress.

Short-term loans issued and current amounts of long-term loans issued are collateralised with mortgages and bills of exchange.

Current amounts of finance lease receivables for the lease of property and equipment are collateralised with ownership of the lease assets, guarantees and other collateral. Short-term finance lease receivables in relation to which a dispute has been instigated are not collateralised.

The Company is exposed to a variety of risks including credit risk, currency risk, and interest-rate risk. In 2013 the Company had no financial instruments used for risk hedging. The most recent assessment of the credit risk was performed as at 31 December 2013.

3.1.9 SHORT-TERM OPERATING RECEIVABLES

EUR thousand	31.12.2013	31.12.2012
Short-term trade receivables	**2,120**	**3,130**
Short-term operating receivables due from group companies	50	60
Short-term trade receivables	11,265	10,094
Impairment of short-term trade receivables	(9,194)	(7,024)
Advances and collateral granted	**80**	**95**
Other advances and collateral granted	251	262
Collateral granted	0	1
Impairment of advances and collateral granted	(171)	(168)
Short-term receivables on account of financial income	**5**	**6**
Interest receivable	53	54
Impairment of short-term receivables on account of financial income	(48)	(48)
Other short-term receivables	**434**	**2,245**
Short-term receivables to the state	280	1,973
Other short-term receivables	860	935
Impairment of other short-term receivables	(706)	(663)
Total:	**2,639**	**5,476**

Structure of short-term operating receivables - gross amount:

Due and outstanding	10,461
Not matured	2,299
Total	**12,760**

Movement in short-term operating receivables in 2013

EUR thousand	Short-term trade receivables	Advances and collateral	Receivables on account of financial income	Other short-term receivables	TOTAL
Cost					
Balance at 31 Dec 2012	**10,917**	**263**	**54**	**2,908**	**14,142**
Increase	32,153	7,959	2	23,405	**63,518**
Decrease	(31,755)	(7,970)	(2)	(25,173)	**(64,900)**
Balance at 31 Dec 2013	**11,315**	**251**	**53**	**1,140**	**12,760**
Impairment					
Balance at 31 Dec 2012	**(7,787)**	**(168)**	**(48)**	**(663)**	**(8,003)**
Formation	(2,003)	(51)	(1)	(147)	**(2,054)**
Reversal	595	48	0	104	**643**
Balance at 31 Dec 2013	**(9,194)**	**(171)**	**(48)**	**(706)**	**(9,414)**
Balance at 31 Dec 2012	**3,130**	**95**	**6**	**2,245**	**5,476**
Balance at 31 Dec 2013	**2,120**	**80**	**5**	**434**	**2,639**

Movement in short-term operating receivables in 2012

EUR thousand	Short-term trade receivables	Advances and collateral	Receivables on account of financial income	Other short-term receivables	TOTAL
Cost					
Balance at 31 Dec 2011	**10,496**	**256**	**0**	**3,759**	**14,511**
Merger by acquisition	**1,108**	**4**	**1,147**	**1,087**	**3,346**
Increase	32,418	8,885	12	27,336	**68,651**
Decrease	(33,868)	(8,882)	(1,105)	(29,274)	**(73,129)**
Balance at 31 Dec 2012	**10,154**	**263**	**54**	**2,908**	**13,379**
Impairment					
Balance at 31 Dec 2011	**(5,613)**	**(167)**	**0**	**(74)**	**(5,780)**
Merger by acquisition	**(595)**	**(202)**	**(161)**	**(504)**	**(958)**
Formation	(1,225)	(172)	(28)	(248)	**(1,425)**
Reversal	409	373	141	163	**923**
Balance at 31 Dec 2012	**(7,024)**	**(168)**	**(48)**	**(663)**	**(7,240)**
Net amount at 31 Dec 2011	**4,883**	**89**	**0**	**3,685**	**8,657**
Net amount at 31 Dec 2012	**3,130**	**95**	**6**	**2,245**	**5,476**

Majority of short-term trade receivables are invoiced costs of finance and operating lease, rent, and other short-term receivables.

Advances and collateral amounting to EUR 80 thousand were granted to the suppliers of goods and services.

Short-term receivables on account of financial income are interest charged on short-term loans issued to suppliers of cars to finance inventories.

Majority of other short-term receivables are amounts due from the state and include VAT receivable, receivables on account of income tax prepayments, withholding tax on interest paid abroad and refundable sickness benefit. Other short-term receivables are receivables from insurance companies for damages resulting from operating lease contracts, and disputed receivables.

Short-term trade receivables on account of finance and operating lease are collateralised with bills of exchange, whereas other short-term receivables are not collateralised and as such present the Company's exposure to credit risk. The most recent assessment of the credit risk was performed as at 31 December 2013.

3.1.10 CASH AND CASH EQUIVALENTS

EUR thousand	31.12.2013	31.12.2012
Cash on transaction account at the bank	612	120
Total:	**612**	**120**

Cash and cash equivalents comprise credit balance on the Company's transaction account. The Company has no cash in hand or cash register.

3.1.11 SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUE

EUR thousand	31.12.2013	31.12.2012
Short-term deferred costs and expenses	99.7	96
VAT from advances received	9.7	15
Total:	**109**	**111**

Movement of short-term deferred costs and accrued revenue in 2013

EUR thousand	
Balance at 31 Dec 2012	**111**
Increase	332
Decrease	(333)
Balance at 31 Dec 2013	**109**

Movement of short-term deferred costs and accrued revenue in 2012

EUR thousand	
Balance at 31 Dec 2011	**173**
Merger by acquisition	**45**
Increase	208
Decrease	(315)
Balance at 31 Dec 2012	**111**

Short-term deferred costs and expenses are recognised on account of invoices received in 2013, while the actual costs and expenses will be incurred in 2014. They include deferred costs of advertising, insurance premiums, subscription and similar costs.

Total amount of deferred costs and expenses recognised in 2012 was utilised during the year under review.

3.2 Equity and liabilities

3.2.1 EQUITY

EUR thousand	31.12.2013	31.12.2012
Called-up capital	**82,971**	**38,481**
Share capital - capital contributions	82,971	38,481
Net profit or loss	**(72,155)**	**(25,510)**
Net profit or loss for the year	(72,155)	(25,510)
Total:	**10,816**	**12,971**

The Company's share capital represents the capital contribution of its sole owner Nova Ljubljanska d. d., Ljubljana.

3.2.2 PROVISIONS AND LONG-TERM ACCRUED AND DEFERRED ITEMS

EUR thousand	31.12.2013	31.12.2012
Provisions for jubilee awards	27	19
Provisions for termination benefits on retirement	82	72
Provisions for off-balance sheet liabilities	180	119
Provisions for onerous contracts	4,226	4,226
Long-term accrued costs and deferred revenue	581	754
Total:	**5,096**	**5,190**

Movement of provisions and long-term deferred costs and accrued revenue in 2013

EUR thousand	Provisions for jubilee awards	Provisions for termination benefits on retirement	Provisions for off-balance sheet liabilities	Provisions for contingent liabilities	Long-term accrued costs and deferred revenue	TOTAL
Balance at 31 Dec 2012	**19**	**72**	**119**	**4,226**	**754**	**5,190**
Increase	11	12	96	0	170	289
Decrease	(2)	(1)	(35)	0	(344)	(383)
Balance at 31 Dec 2013	**27**	**82**	**180**	**4,226**	**581**	**5,096**

Movement of provisions and long-term deferred costs and accrued revenue in 2012

EUR thousand	Provisions for jubilee awards	Provisions for termination benefits on retirement	Provisions for off-balance sheet liabilities	Provisions for onerous contracts	Long-term accrued costs and deferred revenue	TOTAL
Balance at 31.12.2011	**15**	**70**	**235**	**4,226**	**828**	**5,374**
Merger by acquisition	**8**	**29**	**67**	**0**	**511**	**615**
Increase	0	0	164	0	294	**458**
Decrease	(4)	(27)	(347)	0	(879)	**(1,257)**
Balance at 31 Dec 2012	**19**	**72**	**119**	**4,226**	**754**	**5,190**

Under requirements of SAS 10.44 and IAS 19, the Company recognised provisions for off-balance sheet liabilities, contingent losses and employee benefits as at the year-end.

Provisions for off-balance sheet liabilities are set aside on account of the credit risk associated with long-term investments approved but not yet utilised. Provisions for onerous contracts were created in previous periods in line with contractual commitments. Provisions for employee benefits were recognised for non-current employee benefits such as jubilee awards and termination benefits on retirement based on actuarial calculation.

The most recent actuarial calculation was made as at 30 September 2013. Actuarial account is made separately for each employee, considering costs of termination benefits to which an employee is entitled to under employment contract, as well as costs of all expected jubilee awards paid for years of services with the Company until retirement.

In line with IAS 19 requirements, if an employer has not created a fund to cover future financial liabilities on account of employee entitlements, the book reserve method should be applied. The Company assesses its liability to employees that incurred in the accounting period including accrual of the present value of the liability due to the approximation of the deadline.

According to IAS 19 the present value is determined using discounted interest rate equal to market yields on high quality corporate bonds. Currencies of bond yields used must be consistent with the currency of the obligation being discounted. Annual discounted interest rate of 7.8% was used.

The following assumptions were used in the actuarial computation: salary increase in the Republic of Slovenia, growth in the amounts of termination benefits and jubilee awards, staff turnover, mortality rate of the employees and retirement conditions.

Long-term accrued costs and deferred revenues comprise items of long-term deferred revenue from deposits paid on operating lease contracts and approval fee and commission charged. Paid deposits and fee and commission are recognised on a straight-line basis over the total rental instalments from individual contract. Amounts recognised as long-term accrued revenue will be transferred to revenue in the periods from 2014 onwards.

3.2.3 LONG-TERM FINANCIAL LIABILITIES

EUR thousand	**31.12.2013**	**31.12.2012**
Long-term borrowings from group companies	**165,220**	**162,862**
Long-term borrowings from group companies	228,158	280,937
Transfer to current amounts	(62,938)	(118,075)
Long-term borrowings from local banks	**11,953**	**28,949**
Long-term borrowings from local banks	20,571	46,432
Transfer to current amounts	(8,618)	(17,483)
Long-term borrowings from foreign banks	**6,576**	**11,879**
Long-term borrowings from foreign banks	11,909	20,172
Transfer to current amounts	(5,334)	(8,293)
Other long-term financial liabilities to the group	**500**	**707**
Total:	**184,248**	**204,397**

Long-term financial liabilities include liabilities from borrowings raised on the basis of loan contracts. On initial recognition, long-term financial liabilities are measured at amounts recorded in loan contacts, on the basis of which monetary assets are paid to a transaction account, decreased by repaid amounts.

Long-term financial liabilities are reduced by transfer of current amounts that mature within a period of 12 months and bank's fee and commission charged on approved borrowings.

Information on interest rates charged on borrowings is considered a business secret, the publishing of which might have a negative effect on the Company's future operations. The interest rate on long-term borrowings is chiefly variable and comprises one-month, three-month or six-month EURIBOR or LIBOR and the mark-up. The mark-up for borrowings from related parties is between 0.85 and 4.60 percentage points. The mark-up for borrowings from unrelated entities ranges from 0.65 to 5.60 percentage points.

The Company carefully monitors the movement of interest rates and mitigates the interest risk by agreeing matching variable interest rates for assets.

No collateral was issued by the Company for long-term or short-term borrowings.

Maturity of payments at 31 Dec 2013				**EUR thousand**
Long-term financial liabilities to:	**Up to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Group companies	87,425	163,404	2,316	**253,145**
Local banks	28,164	10,374	1,579	**40,117**
Foreign banks	5,371	6,576	0	**11,947**
Total at 31 Dec 2013:	**120,960**	**180,353**	**3,895**	**305,208**

Maturity of payments at 31 Dec 2012				**EUR thousand**
Long-term financial liabilities to:	**Up to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Group companies	123,710	132,522	31,047	**287,279**
Local banks	39,334	27,347	1,602	**68,283**
Foreign banks	8,337	11,879	0	**20,216**
Total at 31 Dec 2012:	**171,381**	**171,748**	**32,649**	**375,778**

3.2.4 LONG-TERM OPERATING LIABILITIES

EUR thousand	**31.12.2013**	**31.12.2012**
Long-term operating liabilities from advances	3	3
Total:	**3**	**3**

Long-term operating liabilities are recognised on account of long-term deposits received.

3.2.5 SHORT-TERM FINANCIAL LIABILITIES

EUR thousand	**31.12.2013**	**31.12.2012**
Short-term borrowings from group companies	**87,425**	**123,710**
Short-term borrowings from group companies	24,487	5,635
Current amounts of long-term borrowings	62,938	118,075
Short-term borrowings from local banks	**28,164**	**39,334**
Short-term borrowings from local banks	19,546	21,851
Current amounts of long-term borrowings	8,618	17,483
Short-term borrowings from foreign banks	**5,371**	**8,337**
Current amounts of long-term borrowings from foreign banks	37	44
Current amounts of long-term borrowings	5,334	8,293
Total:	**120,960**	**171,381**

Current amounts of long-term financial liabilities from borrowings are recognised under short-term financial liabilities. They mature within a period of 12 months after the balance sheet date. In addition, they also include short-term borrowings.

The interest rate on borrowings is chiefly variable and comprises one-month, three-month or six-month EURIBOR or LIBOR and the mark-up. The mark-up for borrowings from related parties is between 0.85 and 4.60 percentage points. The mark-up for borrowings from unrelated entities ranges from 0.65 to 5.60 percentage points.

3.2.6 SHORT-TERM OPERATING LIABILITIES

EUR thousand	31.12.2013	31.12.2012
Short-term liabilities to suppliers	**685**	**1,160**
Short-term operating liabilities to group suppliers	24	24
Short-term operating liabilities to local suppliers	614	578
Short-term operating liabilities to foreign suppliers	7	537
Short-term operating liabilities for uncharged goods and services	41	21
Advances and deposits received	**1,053**	**1,709**
Advances	913	1,571
Deposits	140	138
Short-term liabilities to suppliers	**235**	**252**
Short-term liabilities for salaries	205	201
Short-term liabilities for other receipts from employment	30	51
Payables to the state and state institutions	**1,650**	**127**
VAT payable	154	87
Employer's contributions on salaries	1,496	40
Other short-term liabilities	**721**	**732**
Short-term liabilities from salary deductions	13	11
Other short-term operating liabilities	708	721
Total:	**4,345**	**3,980**

Short-term operating liabilities also include payables to suppliers that have not yet matured. Majority of liabilities are payable to suppliers of equipment in finance lease.

Long-term advances and deposits received are monetary assets from loan contracts as well as lease agreements representing deposits paid on contracts that have yet to be activated and contractual overpayments of receivables that are yet to mature.

Short-term payables to employees are amounts calculated in respect of December salary, which was paid in January 2014.

Payables to the state and state institutions include contributions on December salaries and VAT charged.

Other short-term liabilities relate to salary deductions and liabilities associated with sublease agreements.

3.2.7 ACCRUED COSTS AND DEFERRED REVENUE

EUR thousand	31.12.2013	31.12.2012
Accrued costs and expenses	566	600
Short-term deferred revenue	231	262
VAT on advances	1	8
Total:	**798**	**870**

Movement of short-term accrued costs and deferred revenue in 2013

EUR thousand	Accrued costs	Deferred revenue	VAT on advances	TOTAL
Balance at 31 Dec 2012	**600**	**262**	**8**	**870**
Increase	3,044	0	37	**3,081**
Decrease	(3,078)	(31)	(44)	**(3,153)**
Balance at 31 Dec 2013	**566**	**231**	**1**	**798**

Movement of short-term accrued costs and deferred revenue in 2012

EUR thousand	Accrued costs	Deferred revenue	VAT on advances	TOTAL
Balance at 31.12.2011	**416**	**343**	**27**	**786**
Merger by acquisition	**183**	**84**	**0**	**267**
Increase	3,061	178	264	**3,503**
Decrease	(3,060)	(343)	(283)	**(3,686)**
Balance at 31 Dec 2012	**600**	**262**	**8**	**870**

Accrued costs were recognised on account of liabilities for accrued costs of fringe benefits of members of the Management Board pursuant to individual contracts of employment and provisions for vacation entitlement not utilised, as well as current amounts of long-term deferred revenues from deposits paid on operating lease contracts. Accrued revenue is gradually transferred to revenue in accordance with monthly computation of rent. Short-term accrued costs also include VAT in advances which are disclosed at gross amounts.

3.2.8 OFF-BALANCE SHEET ASSETS AND LIABILITIES

EUR thousand	31.12.2013	31.12.2012
Derivatives - swaps	3,887	4,222
Undrawn borrowings raised from group companies	11,381	12,568
Receivable assignment	5,549	5,549
Unused credit on business cards and undrawn overdraft on transaction account.	611	611
Undrawn loans issued	680	224
Collateral received	329,842	406,425
Other off-balance sheet records	12,847	5,480
Total:	**364,797**	**435,079**

assets and liabilities are recognised in the off-balance sheet records:

- Derivatives - interest rate swap agreed on the principal of two loans which mature in 2026
- Undrawn borrowings
- Silent assignment of receivables
- Unused credit on business cards and undrawn overdraft on transaction account.
- Undrawn loans issued - finance lease agreements that have not been activated by the year-end
- Collateral received - mortgages granted as collateral for loans and market value of lease items under finance lease and
- Other off-balance sheet items encompassing contingent liabilities for legal actions brought against the Company, guarantees received and written-off receivables.

The Company reports no liabilities for guarantees issued.

4 NOTES TO THE INCOME STATEMENT

4.1 NET SALES REVENUE

EUR thousand	2013	2012
Revenue from the sale of services	948	955
Revenue from the sale of merchandise	1,153	532
Rental income from equipment	3,485	3,735
Rental income from property	3,380	3,560
Total:	**8,967**	**8,782**

Net revenue from services rendered comprises fee charged on reminders, insurance fee and commission, penalties for early repayment of contractual amounts and other costs charged to lessees on account of finance and operating leases.

Net revenue from the sale of merchandise was earned on sale of property acquired for the market.

Rental income was earned on operating leases of equipment and property.

Future income from operating lease agreements in 2013

EUR thousand	
Future income maturity up to 1 year	6,126
Future income maturity from 1 to 5 years	18,403
Future income maturity over 5 years	45,051
Total	**69,580**

Future income from operating lease agreements in 2012

EUR thousand	
Future income maturity up to 1 year	4,908
Future income maturity from 1 to 5 years	12,959
Future income maturity over 5 years	54,981
Total	**72,848**

4.2 OTHER OPERATING REVENUE (INCLUDING REVALUATION OPERATING REVENUE)

EUR thousand	2013	2012
Gains from revaluation of fixed assets	14,279	8,545
Revaluation operating revenue from reversal of impairments recognised in the past	682	804
Revenue from reversal of provisions	37	198
Total:	**14,998**	**9,547**

Majority of gains from revaluation of fixed assets are selling values of the Company's own fixed assets sold - motor vehicles in operating lease. Under IAS 16.68 A, revenue is recognised at selling values exclusive of VAT, in contrast to the disposal of the Company's own assets that were not in operating lease. Revenue from disposal of the Company's own assets is reported as gains or losses on disposal.

Revaluation operating revenue from reversal of impairments relate to impairments recognised on account of the operating receivables' exposure to credit risk and which were subsequently reversed as those receivables were recovered.

Revenue from reversal of provisions comprises provisions for employee benefits (termination benefits and jubilee awards) set aside in accordance with actuarial computation and which were subsequently reversed due to termination of employment relationships.

4.3 COSTS OF GOODS, MATERIALS AND SERVICES

EUR thousand	2013	2012
Costs of goods sold	**(1,214)**	**(481)**
Costs of materials	**(267)**	**(335)**
Costs of materials	0	0
Costs of power supply	(204)	(204)
Costs of spare parts and materials used in maintenance of fixed assets	(4)	(33)
Write-off of small tools	(8)	(11)
Costs of office stationery and professional literature	(44)	(80)
Other costs of material	(7)	(7)
Costs of services	**(1,638)**	**(1,745)**
Costs of postal and telecommunications services	(195)	(221)
Costs of maintenance and overhaul of property, plant and equipment	(340)	(333)
Rent	(38)	(61)
Reimbursement of work related costs	(39)	(68)
Costs of payment transactions, bank charges and insurance premiums	(143)	(133)
Costs of intellectual and personal services	(331)	(452)
Costs of trade fairs, advertising and hospitality	(190)	(257)
Costs of services provided by natural persons not performing activity inclusive of taxes and levies	(54)	(46)
Costs of other services	(307)	(174)
Total:	**(3,119)**	**(2,561)**

4.4 EMPLOYEE BENEFITS

EUR thousand	2013	2012
Salaries and salary substitutes	(2,350)	(2,488)
Payroll costs	(445)	(451)
Pension insurance costs - borne by the Company	(115)	(126)
Holiday pay, reimbursement of costs and other receipts	(395)	(388)
Employer's contributions - other social security insurance costs	(186)	(196)
Employer's contributions - pension insurance costs	(227)	(239)
Provisions for holiday entitlement not utilised	(86)	(110)
Provisions for retirement benefits and jubilee awards	(22)	0
Total:	**(3,826)**	**(3,998)**

At 31 December 2013 the Company employed a total of 77 staff (31 December 2012: 79 employees).

4.5 WRITE-DOWNS

EUR thousand	2013	2012
Amortisation and depreciation	**(1,911)**	**(2,864)**
Amortisation of intangible assets	(89)	(88)
Depreciation of buildings	(227)	(228)
Depreciation of equipment and spare parts	(1,595)	(2,548)
Revaluation operating expenses	**(22,461)**	**(11,861)**
Revaluation operating expenses associated with intangible assets and property, plant and equipment	(15,874)	(8,801)
Revaluation operating expense from short-term receivables	(2,253)	(1,853)
Revaluation operating expenses from inventories	(4,334)	(1,207)
Total:	**(24,372)**	**(14,725)**

Amortisation and depreciation charges arise on amortisation of intangible assets and depreciation of property, plant and equipment under the straight-line basis using amortisation and depreciation rates identified in the accounting policies in the section Intangible assets and property, plant and equipment.

Revaluation operating expenses from fixed assets represent recognition of an adjustment of the carrying amount of disposed equipment in operating lease; no revaluation operating expense from impairment of fixed assets were recognised by the Company.

Revaluation operating expenses from short-term receivables are receivable allowances recognised due to their exposure to credit risk.

Revaluation operating expenses from inventories were recognised on impairment of the carrying amount of inventories to their recoverable amount.

4.6 OTHER OPERATING EXPENSES

EUR thousand	2013	2012
Costs of provisions	**(96)**	**(8)**
Provisions for jubilee awards	0	0
Provisions for termination benefits	0	0
Provisions for off-balance sheet liabilities	(96)	(8)
Other expenses	**(334)**	**(267)**
Duties irrespective of labour costs or other costs	(64)	(51)
Payments to students on industrial placement	(35)	(49)
Other costs	(235)	(167)
Total:	**(430)**	**(275)**

Provisions were set aside for off-balance sheet liabilities for long-term investments approved but not yet utilised.

The other costs are levies independent of employee benefit costs or other costs, awards to students on industrial placement, and other costs incurred by the Company. Levies that are independent of other costs comprise urban land rates, contributions for the disabled as the Company employs insufficient number of the disabled to meet the set quota, and withholding tax paid on interest to foreign lenders. Other costs are court fees and non-deductible input VAT and which results from both taxable and non-taxable activities.

4.6A STRUCTURE OF COSTS AND OPERATING EXPENSES

EUR thousand	2013	2012	2013%	2012%
Costs of goods and materials sold	(1,214)	(481)	3.82	2.21
Costs of materials	(267)	(335)	0.84	1.54
Costs of services	(1,638)	(1,745)	5.16	8.02
Employee benefit costs	(3,826)	(3,998)	12.05	18.37
Amortisation and depreciation	(1,911)	(2,864)	6.02	13.16
Revaluation operating expenses	(22,461)	(12,068)	70.75	55.44
Provisions	(96)	(8)	0.30	0.04
Other expenses	(334)	(267)	1.05	1.23
Total:	**(31,747)**	**(21,766)**	**100.00**	**100.00**

4.7 FINANCIAL INCOME FROM SHARES AND INTERESTS

EUR thousand	2013	2012
Financial income from stakes in group companies	0	114
Financial income from other investments	1,282	1,326
Total	**1,282**	**1,440**

Financial income from equity holdings in group companies earned in 2012 represents gains on disposal of subsidiary NLB Leasing Podgorica to the parent and owner NLB d.d.

Financial income from other investments represents gains on revaluation of derivative financial instruments measured at fair value through profit or loss. The Company agreed financial instrument contracts to hedge against interest-rate risk.

4.8 FINANCIAL INCOME FROM LOANS ISSUED AND FINANCE LEASE

EUR thousand	2013	2012
Financial income from loans to group companies	362	1,785
Financial income from loans to others	300	910
Financial lease income from group companies	98	1
Financial lease income	11,228	14,887
Financial income from reversal of loan impairments to group companies	97	1,131
Financial income from reversal of loan impairments	1,561	6,489
Financial income from reversal of finance lease impairments	4,628	4,605
Default interest income	552	929
Other financial income	82	122
Total:	**18,909**	**30,859**

Financial income from loans and finance lease agreements comprises interest on loan contracts and finance lease of property and equipment. They also include deferred fee and commission on these transactions.

Financial income from derecognition of impairments of loans and finance leases relates to impairments made in the past on account of the credit risk expose arising from loans issued and finance leases, and which were subsequently reversed.

Default interest was charged on all receivables settled with a delay.

Other financial income arose on appreciation in the value of receivables and liabilities.

4.9 FINANCIAL INCOME FROM OPERATING RECEIVABLES

EUR thousand	2013	2012
Financial income from operating receivables due from group companies	3	2
Financial income from operating receivables due from others	21	17
Total:	**24**	**19**

Financial income from operating receivables due from the group comprises interest on transaction and foreign currency account balances.

Financial income from operating receivables due from others encompasses default interest charged on due and outstanding receivables.

4.10 FINANCIAL EXPENSES FOR IMPAIRMENT AND WRITE-DOWN OF INVESTMENTS

EUR thousand	2013	2012
Financial expenses for impairment of loans to group companies	(45)	(630)
Financial expenses for impairment of loans	(2,717)	(6,382)
Financial expenses due to finance lease impairment	(18,358)	(7,943)
Financial expenses due to impairment of investments in the group	(25,010)	(45,356)
Financial expenses from revaluation of financial instruments - swaps	(498)	(1,273)
Total:	**(46,627)**	**(61,584)**

Financial expenses from impairment of loan and finance leases relates to additional impairments made on account of the credit risk exposure.

Financial expenses from impairments of investments in the group relate to impairment of equity investments which appreciated in value in 2013.

Financial expenses from revaluation of financial instruments predominantly relate to revaluation of derivative financial instruments used for interest rate hedging of individual investments.

4.11 FINANCIAL EXPENSES FROM FINANCIAL LIABILITIES

EUR thousand	2013	2012
Financial expenses for borrowings from group companies	(10,969)	(9.501)
Financial expenses for borrowings from banks	(2,871)	(5,517)
Financial expenses for other financial liabilities	(2,174)	(1.008)
Total:	**(16,014)**	**(16,026)**

Financial expenses for borrowings from group companies comprise interest paid and fee and commission charged when the contracts were agreed and which are allocated over the entire term of the contracts.

Financial expenses from bank borrowings also include interest accrued on borrowings raised from local and foreign banks, and fee and commission charged.

Financial expenses for other financial liabilities are exchange rate losses.

4.12 FINANCIAL EXPENSES FROM OPERATING LIABILITIES

EUR thousand	2013	2012
Financial expenses for liabilities to group companies	(29)	(80)
Financial expenses for trade payables	(13)	(23)
Financial expenses for other operating liabilities	(6)	(293)
Total:	**(48)**	**(396)**

Financial expenses from liabilities to group companies include exchange rate losses on purchases of foreign currencies and default interest charged. Financial expenses for trade payables are default interest charged by suppliers.

4.13 OTHER REVENUE

EUR thousand	2013	2012
Financial income from investment property	869	13
Insurance proceeds	46	29
Other revenue	12	75
Total:	**927**	**117**

Income from investment property, insurance proceeds and other income are recognised under other revenue. Income from investment property arose on the investment property's appreciation in value. Insurance proceeds were received from insurance companies on account of motor vehicles which were written-off as a result of accidents and theft of equipment in operating lease. The remaining amount of revenue comprises overpayments received and which, according to account balances confirmations, are no longer accounted for.

4.14 OTHER EXPENSES

EUR thousand	2013	2012
Loss on measurement of investment property	(7,072)	(207)
Other expenses	(1,555)	(109)
Total:	**(8,627)**	**(316)**

Losses on measurement of investment property are recognised under other expenses. In addition, other expenses include tax payable according to the decision of the Tax Authorities issued following a tax inspection of VAT relating to different periods where the Company reported surplus of VAT credits over VAT payable. These surpluses resulted from termination of finance lease contracts and repossession of the relevant assets.

4.15 NET PROFIT OR LOSS FOR THE FINANCIAL YEAR

EUR thousand	2013	2012	2013%	2012%
Revenue				
Net sales	8,967	8,782	19.88	17.30
Change in inventories	0	0	0.00	0.00
Other operating revenue	14,998	9,547	33.25	18.81
Financial income	20,215	32,318	44.82	63.66
Other revenue	927	117	2.06	0.23
Total:	**45,107**	**50,764**	**100.00**	**100.00**
Expenses				
Costs of goods, materials and services	(3,119)	(2,561)	3.03	2.56
Employee benefit costs	(3,826)	(3,998)	3.71	4.00
Write-downs	(24,372)	(14,932)	23.65	14.95
Other operating expenses	(430)	(275)	0.42	0.28
Financial expenses	(62,689)	(78,006)	60.83	78.10
Other expenses	(8,627)	(109)	8.37	0.11
Total:	**(103,063)**	**(99,881)**	**100.00**	**100.00**

EUR thousand		
Profit / loss from:	**2013**	**2012**
Operating profit / loss	(7,782)	(3,437)
Financial profit / loss	(42,475)	(45,688)
Other operating profit / loss	(7,700)	8
Deferred tax	(14,199)	(2,777)
Net profit or loss for the financial year	**(72,155)**	**(51,894)**

Disclosure of the profit or loss, restated on the basis of the consumer prices index

EUR thousand				2013
	Amount	% of increase	Impact	Adjusted net profit or loss
Equity net of current profit or loss	82,971	0.70%	581	(26,091)
Net profit or loss for the year	(25,510)			
2013 consumer price index		0.70%		

Disclosure of the profit or loss, restated on the basis of the consumer prices index

EUR thousand				2012
	Amount	% of increase	Impact	Adjusted net profit or loss
Equity net of current profit or loss	38,481	2.70%	1,039	(26,549)
Net profit or loss for the year	(25,510)			
2012 consumer price index		2.70%		

4.16 INCOME TAX AND DEFERRED TAX

EUR thousand	2013	2012
Income tax	0	0
Deferred tax assets and liabilities	(14,199)	(2,777)
Total:	**(14,199)**	**(2,777)**

Income tax

EUR thousand	2013	2012
Revenue computed under accounting principles	45,107	50,764
Adjustment of revenue to tax recognised revenue (decrease)	(7,010)	(13,032)
Tax recognised revenue	**38,097**	**37,732**
Revenue computed under accounting principles	(103,063)	(99,881)
Expenses adjusted to tax recognised expenditure - decrease	53,534	65,206
Expenses adjusted to tax recognised expenditure- increase	(421)	(84)
Tax recognised expenditure	**(49,950)**	**(34,759)**
Difference between revenue and expenses for accounting and tax purposes	**(11,853)**	**2,973**
Increase of the tax basis	0	3
Total tax basis	**(11,853)**	**2,976**
Loss settlement	0	(2,976)

At 2013 year-end, the Company discloses unsettled tax losses of EUR 12,887 thousand (2012: EUR 1,033 thousand).

5 RELATED PARTY TRANSACTIONS

BALANCE SHEET

EUR thousand	2013	2012
ASSETS	**686**	**577**
A. Long-term assets	**24**	**0**
I. Long-term investments	**24**	**0**
- other companies in the NLB Group	24	0
B. Current assets	**662**	**577**
I. Short-term investments	**0**	**337**
- other companies in the NLB Group	0	337
II. Short-term operating receivables	**50**	**120**
- NLB	46	46
- other companies in the NLB Group	4	74
III. Cash and cash equivalents	**612**	**120**
- NLB	612	120
D. Off-balance sheet assets	**23,506**	**24,978**
EQUITY AND LIABILITIES	**253,169**	**287,303**
C. Long-term liabilities	**165,720**	**163,569**
I. Long-term financial liabilities	**165,720**	**163,569**
- NLB	165,720	163,569
D. Short-term liabilities	**87,449**	**123,734**
II. Short-term financial liabilities	**87,425**	**123,710**
- NLB	87,425	123,710
II. Short-term operating liabilities	**24**	**24**
- NLB	23	23
- other companies in the NLB Group	1	1

INCOME STATEMENT

EUR thousand	2013	2012
1. Net sales revenue	**393**	**419**
- NLB	364	373
- other companies in the NLB Group	29	46
4. Other operating revenue (including revaluation operating revenue)	**23**	**3**
- other companies in the NLB Group	23	3
5. Costs of goods, materials and services	**(84)**	**(127)**
- NLB	(77)	(121)
- other companies in the NLB Group	(7)	(6)
7. Write-downs	**(2)**	**(4)**
- other companies in the NLB Group	(2)	(4)
9. Financial income from shares and interests	**707**	**114**
- NLB	707	0
- other companies in the NLB Group	0	114
10. Financial income from loans issued and finance lease	**460**	**2,917**
- NLB	362	602
- other companies in the NLB Group	98	2,315
11. Financial income from operating receivables	**3**	**2**
- NLB	3	2
12. Financial expenses for investment impairment and write-downs	**(25,559)**	**(46,690)**
- NLB	(498)	(704)
- other companies in the NLB Group	(25,061)	(45,986)
13. Financial expenses from financial liabilities	**(11,115)**	**(9,505)**
- NLB	(11,115)	(9,505)
14. Financial expenses from operating liabilities	**(29)**	**(80)**
- NLB	(29)	(80)

6 OTHER SIGNIFICANT DISCLOSURES

Receivables and liabilities to members of the Management Board and employees with individual employment contracts and members of the Supervisory Board

The Company reports EUR 86 thousand of receivables on account of finance lease and loans issued to employees with individual contract of employment (2012: EUR 79 thousand), and liabilities for gross salaries amounting to EUR 50 thousand (2012: EUR 54 thousand).

Remuneration of members of the Management Board and employees with individual employment contracts and members of the Supervisory Board

In 2013 a total EUR 636 thousand of gross income was paid to employees with individual employment contracts (2012: EUR 638 thousand). No income was paid to members of the Supervisory Board in 2013 or 2012.

Costs of the auditor

Pursuant to Article 57 of the Companies Act ZGD-1, the Company is obliged to have its annual financial statements audited. Total amount paid to auditors in 2013 for the audit of the Annual Report was EUR 24 thousand (2012: EUR 40 thousand).

Segment reporting

One of the features of leasing activities that differs from other financing activities is the fact that the lessor retains its legal title to the leased assets until the payment of the final financial instalment and the selling price of the leased asset is at any time during the lease higher than the amount of receivables; it is the latter that presents the lessor's exposure to the credit risk. Due to the above characteristics, risks stemming from individual products are similar (finance and operating lease of equipment and property to legal entities, natural persons and others). Accordingly, the Company had not identified separate business segments; instead, a geographical segment was identified at the secondary level of its activities as illustrated below.

EUR thousand	Slovenia	EU and other countries	Total	Share in Slovenia	Share in EU and other countries
1. Revenue	45,070	37	45,107	99.92%	0.08%
2. Expenses	(102,960)	(103)	(103,063)	99.90%	0.10%
3. Assets	282,531	43,735	326,266	86.60%	13.40%
4. Liabilities	313,594	12,672	326,266	96.12%	3.88%

Subsequent events

Since the current loss and accumulated loss brought forward exceed half of the Company's capital and those losses cannot be settled against retained earnings or reserves, the Management Board has proposed to the Supervisory Board a financial restructuring of the Company which includes, among other, reduction of the share capital to cover losses under simplified capital reduction procedure.
At the beginning of 2014 the Company settled most of its losses against capital surplus and through the process of a simplified capital reduction.