Deželna Banka Slovenije

Always near you

2014 Annual report

DEŽELNA BANKA SLOVENIJE

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DEŽELNA BANKA SLOVENIJE 2014 ANNUAL REPORT

Management Board

Member of the Management Board	President of the Management Board
Mojca Štajner	Sonja Anadolli

DEŽELNA BANKA SLOVENIJE d.d.
LJUBLJANA
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Ljubljana, March 2015

A) BUSINESS REPORT

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	Deželna banka Slovenije Group	2014	2013	2012
1.	**Statement of financial position** (in EUR thousand)			
	Total assets	928,256	869,570	893,715
	Total deposits by non-banking sector measured at amortised cost	702,154	645,811	616,358
	- Corporates	111,294	125,672	125,550
	- Retail	590,860	520,139	490,808
	Total loans to non-banking sector measured at amortised cost	623,725	643,184	631,020
	- Corporates	497,181	522,947	514,258
	- Retail	126,544	120,237	116,762
	Total equity	46,748	45,434	62,529
	Impairments of financial assets measured at amortised cost, and provisions	(103,063)	(86,379)	(68,843)
	Off-balance sheet operations (B.1. to B.4.)	86,377	63,666	64,277
2.	**Income statement** (in EUR thousand)			
	Net interest income	21,038	20,739	20,235
	Net non-interest income	17,018	5,236	6,591
	Employee benefits cost, overhead and administrative expenses	21,956	15,705	16,702
	Depreciation and amortisation	2,607	2,369	2,742
	Impairments of financial assets measured at amortised cost, and provisions	12,600	26,318	15,524
	Profit/loss on ordinary activities before tax	1,695	(18,417)	(8,192)
	Income tax on ordinary activities	(296)	1,065	625
3.	**Comprehensive income after tax** (in EUR thousand)			
	Total comprehensive income for the year after tax	1,401	(17,102)	(6,379)
4.	**No. of employees** (at the end of period)			
	No. of employees	621	364	361
5.	**Shares**			
	No. of shareholders	261	260	259
	No. of shares*	3,742,583	3,743,268	3,743,268
	Par value (in EUR)	4.172926	4.172926	4.172926
	Book value (in EUR)	12.490859	12.130352	16.690858
6.	**Selected indicators**			
a)	**Capital adequacy ratio** (in %)**	12.18	10.21	11.33
	- **Equity** (in EUR thousand)**	55,695	53,277	68,357
b)	**Quality of assets and commitments** (in %)			
	- Impairments of financial assets measured at amortised cost and provisions for commitments/Classified active balance sheet items and classified off-balance sheet items	9.46	9.19	7.39
c)	**Profitability** (in %)			
	Interest margin	2.34	2.37	2.20
	Financial intermediation margin	4.23	2.96	2.92
	Return on assets (ROA) before tax	0.19	(2.10)	(0.89)
	Return on equity (ROE) before tax	3.62	(31.89)	(12.15)
	Return on equity (ROE) after tax	2.99	(30.04)	(11.23)
d)	**Operating expenses** (in %)			
	Operating expenses/Average assets	2.73	2.06	2.12

Notes: The indicators have been calculated in compliance with the Bank of Slovenia Regulation on the Books of Account and Annual Reports of Banks and Savings Banks.

* The number of shares is according to the records of the Slovene Central Securities Clearing Corporation KDD, less treasury shares. Shares issued in the capital increase at the end of 2014 are not recognised in equity as at 31 December 2014, as they had not yet been recorded in the KDD central register then.

** As at 1 January 2014 Regulation 575/2013 entered into effect, stipulating changes in elements of and deductions from capital. The calculation of capital and capital adequacy as at 31 December 2013 also follows the new Regulation so as to ensure comparability of calculations.

I.2. KEY FINANCIAL DATA FOR DEŽELNA BANKA SLOVENIJE d. d.

	Deželna banka Slovenije d. d.	2014	2013	2012
1.	**Statement of financial position** (in EUR thousand)			
	Total assets	890,061	855,994	866,847
	Total deposits by non-banking sector measured at amortised cost	702,697	645,810	617,097
	- Corporates	111,804	125,671	126,289
	- Retail	590,893	520,139	490,808
	Total loans to non-banking sector measured at amortised cost	621,942	646,727	633,453
	- Corporates	498,325	530,293	520,457
	- Retail	123,617	116,434	112,996
	Total equity	46,817	45,407	62,478
	Impairments of financial assets measured at amortised cost, and provisions	(88,752)	(83,974)	(63,935)
	Off-balance sheet operations (B.1. to B.4.)	86,444	65,678	64,378
2.	**Income statement** (in EUR thousand)			
	Net interest income	22,240	21,419	21,102
	Net non-interest income	8,258	5,196	5,870
	Employee benefits cost, overhead and administrative expenses	14,811	14,893	15,830
	Depreciation and amortisation	1,499	1,736	1,928
	Impairments of financial assets measured at amortised cost, and provisions	12,567	29,518	17,176
	Profit/loss on ordinary activities before tax	1,621	(19,532)	(8,012)
	Income tax on ordinary activities	(278)	2,211	432
3.	**Comprehensive income after tax** (in EUR thousand)			
	Total comprehensive income for the year after tax	1,410	(17,071)	(6,392)
4.	**No. of employees** (at the end of period)			
	No. of employees	355	355	352
5.	**Shares**			
	No. of shareholders	261	260	259
	No. of shares*	3,743,268	3,743,268	3,743,268
	Par value (in EUR)	4.172926	4.172926	4.172926
	Book value (in EUR)	12.506898	12.130352	16.690858
6.	**Selected indicators**			
a)	**Capital adequacy ratio** (in %)**	12.03	10.04	11.47
	- **Equity** (in EUR thousand)**	55,806	53,291	65,886
b)	**Quality of assets and commitments** (in %)			
	- Impairments of financial assets measured at amortised cost and provisions for commitments/Classified active balance sheet items and classified off-balance sheet items	8.96	8.91	6.87
c)	**Profitability** (in %)			
	Interest margin	2.55	2.49	2.37
	Financial intermediation margin	3.49	3.09	3.03
	Return on assets (ROA) before tax	0.15	(2.01)	(0.85)
	Return on equity (ROE) before tax	3.42	(32.03)	(11.78)
	Return on equity (ROE) after tax	2.84	(28.40)	(11.14)
d)	**Operating expenses** (in %)			
	Operating expenses/Average assets	1.86	1.93	2.00
e)	**Liquidity** (in %)			
	Average liquidity assets/Average short-term deposits by non-banking sector measured at amortised cost	32.19	26.59	33.30
	Average liquidity assets/Average assets	17.91	14.33	16.81

Notes: The indicators have been calculated in compliance with the Bank of Slovenia Regulation on the Books of Account and Annual Reports of Banks and Savings Banks.

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II. STATEMENT BY THE MANAGEMENT BOARD

Deželna banka Slovenije d. d. is a cooperative bank as it is majority owned by the cooperative system. Its priority focus is agriculture and the countryside, and working within the cooperative system. The Bank's customers receive as much as one half of all agricultural subsidies distributed in Slovenia, and this despite the fact that deposits placed in the Bank represent only around 2% of all deposits in the country's banking system.

At the year-end of 2014, the Bank successfully raised EUR 4.4 million of additional capital, paid by the Bank's owners and external investors. The Bank of Slovenia set the minimum capital adequacy ratio for Deželna banka Slovenije d. d. at 11.4%, and the minimum tier 1 capital ratio at 9.1%. These requirements refer to the Deželna banka Slovenije Group applying prudential consolidation. With the capital increase successful, the Bank has met both capital adequacy ratios as at 31 December 2014.

Rehabilitation of system-relevant banks (so-called too-big-to-fail banks) continued in 2014, gradually stabilising conditions in the banking system. Lending, especially to corporate entities, has nevertheless not ceased to decline.

Deželna banka Slovenije d. d. improved its business performance in 2014, ending the year with a profit before tax of EUR 1,621 thousand. Profit on ordinary activities before impairments was EUR 14,188 thousand, a considerable increase from 2013 when it totalled EUR 9,986 thousand. Using a prudent investment policy and optimising our sources of financing, we increased net interest income from the year before. Furthermore, we increased our financial intermediation margin, and consistent with the process of rationalising operations, cut costs and improved our economy of operation.

The Bank recorded good sales results in 2014, with assets collected from the retail segment – our most important and stable source of funding – up 14%, and retail loans and advances up 9%. The amount of collected deposits and good liquidity situation enabled the Bank to decrease its exposure to the banking sector. We focused on maintaining a high level of quick liquidity, and on securing a supply of secondary liquidity in the form of top rated government bonds and borrowings.

The Bank's total assets amounted to EUR 890 million at the end of 2014, up 4%. The optimised balance sheet structure resulted in an interest margin of 2.55%, an indicator that has ranked the Bank among the leading Slovene banks for quite a while.

Developments in the banking system and the weakening economic activity drove us to form additional impairments and provisions for our credit portfolio; however, they were substantially lower compared to the year before. With diligent monitoring and risk management, the Bank successfully manages credit and other risks. We therefore believe that due to last year’s capital increase the Bank will be able to maintain an appropriate capital adequacy with its own funds, proportionate to its risk profile.

In the area of lending, our approach remained conservative. Focus was placed on in-depth analyses and getting to know our customers, while also devoting considerable attention to assessing and managing risks and obtaining collateral for our transactions. We will continue to direct our efforts towards sustainable economy and growing industries, such as agriculture, renewable energy resources, high-tech industries, and social entrepreneurship.

The Bank became actively involved in rescuing Semenarna Ljubljana, d. d., a seed-providing company with an over century-long tradition of preserving indigenous plant species and quality seeds for the Slovene agriculture, who is an important partner of Slovene cooperatives and farmers. At the beginning of 2014 the Bank injected new capital in and acquired Semenarna, becoming its 100%-owner.

Deželna banka Slovenije d. d. preserved the status of one of the most affordable banks for individuals as well as companies in 2014. Our services and special offers are available to customers in 85 branch offices across the country, which we – as opposed to the majority of other banks in Slovenia – are not shutting down. In addition, we offered customers the option to make payments via UPN forms at selected cooperative and other stores. Our services were extended to running fiduciary accounts, and we stepped up the marketing of life and property insurance that we sell for various insurers. To enable our rural customers whom we traditionally target the most, to bank and make use of other financial services at a single location, we entered into an exclusive agency agreement with the mutual insurance company Agro Zavarovalnica to sell specialised agricultural crop and fruit insurance. We attended to the young by cooperating with the Slovene Rural Youth Association, and by promoting the culture of saving among children at selected primary schools around Slovenia. We remained loyal to our orientation of a responsible company, giving financial support all year long to local organisations and individuals, whether through projects or to help them get through difficult times in their lives. Deželna banka Slovenije d. d. remained in 2014 the selected exclusive agent of the Bank of Slovenia for the promotion and sale of commemorative and collector coins which the Republic of Slovenia issues each year in honour of various events.

Priorities are still to strengthen our capital base and ensure capital adequacy, preserve the stability of the Bank's operations, increase all types of revenue, and implement efficient risk management. The year 2015 has numerous challenges in store for all of us, which we eye with optimism. We see them as an opportunity to make improvements, and we believe that together with colleagues and numerous loyal as well as new customers we will know how to make the best of them.

Management Board

Member of the Management Board	President of the Management Board
Mojca Štajner	Sonja Anadolli

DEŽELNA BANKA SLOVENIJE d.d. LJUBLJANA 1

Ljubljana, 2 March 2015

III. REPORT OF THE SUPERVISORY BOARD

The framework for the operations of the Supervisory Board, and its powers and responsibilities are set by the legislation and the Bank's internal acts, and by other legal norms stipulating the operations of banks.

They are representatives of the Bank's shareholders, and have the required knowledge and experience to adopt decisions in the best interest of the Bank. They act and decide on the Board independently, professionally, honestly and comprehensively. There is no special division of tasks between them, and individual members also operate on two Supervisory Board committees.

In 2014 the Board met at 13 regular and one extraordinary meeting, and additionally convened six correspondence meetings. It monitored and supervised the Bank's operations throughout the year at these meetings, consistent with its legal and Statutes-based powers. It promptly adopted decisions with respect to all relevant current and development issues, provided opinions, initiatives and consents that the Bank's Management Board required to adopt specific business decisions, and all along monitored how the adopted decisions were being implemented.

A quorum was reached at all meetings, where the Board displayed diligence and a quality performance.

Here are the more important topics that the Supervisory Board dealt with at its regular meetings:

The Bank's financial operations

At all its meetings in 2014 the Board monitored the Bank's financial operations and reviewed periodic operations reports. It approved the Bank's 2013 Annual Report and adopted the operations plan for 2015, keeping a close watch on the Management Board's activities aimed at cutting operations costs, and monitoring the profitability of the Bank's branches. It analysed the Bank's performance indicators against the Slovene banking average and against peers.

The Board adopted the Deželna banka Slovenije Development Strategy 2015–2019.

Risk

The Board reviewed the Bank's risk profile and the internal capital adequacy assessment process (ICAAP). On a quarterly basis it discussed a detailed written credit risk analysis and was informed of the other risks in the Bank. It monitored the Bank's business with overleveraged yet promising companies.

Capital

The Board promptly monitored the situation and plans for meeting capital adequacy requirements in the period 2015–2019. In order to maintain an adequate amount of capital, the Bank raised EUR 4,367,232.00 of additional capital by means of a share issue in 2014.

Management of the Bank

Together with the Management Board, the Supervisory Board convened for 22 April 2014 the Bank's 29th Annual General Meeting, which reviewed the 2013 Annual Report and all its constituent elements. The Annual Report was first reviewed and approved by the Board, who offered a positive opinion with respect to the certified auditor's report. The AGM adopted all the proposed agenda items, apart from the one referring to the Bank's authorized capital, and discharged the Board from liability with respect to its work in 2013.

On 14 October 2014 the Board convened the 30th AGM in order to discuss the increase of share capital by means of cash contributions. The AGM passed the proposed resolution.

Internal audit of the Bank

The Board reviewed the Internal Audit Department report for the second half of 2013, for the full year 2013, and for the first half of 2014. It gave its consent to the prepared Internal Audit Department operations plan for 2015.

Operations of subsidiaries

In 2014 the Board devoted special attention to analysing the operations of the Bank's subsidiary DBS Leasing d. o. o., focusing on how it ran its real-estate projects and scrutinizing its plan for the future development of its movable-assets business.

The Bank's internal acts

The Board reviewed and gave its consent to numerous updated internal acts of the Bank. In addition, it gave its consent to the Deželna banka Slovenije d. d. Policy on Handling Overleveraged Yet Promising Companies.

Other important activities

The Board reviewed letters from the auditor Deloitte revizija d. o. o., Ljubljana, and regulatory measures imposed by the Bank of Slovenia and other regulators. It reviewed the state of legal actions filed against the Bank, decided on giving its consent to the decisions of the Management Board when so stipulated by the legislation and the Statutes, and performed other required tasks.

Operations of Supervisory Board committees

Pursuant to Article 42 of the Statutes, the Board had appointed two committees:

- The Audit Committee, which operated in the following composition in 2014: Peter Vrisk, Chair, Marjan Janžekovič, member, Primož Žerjav, member, Andraž Grum PhD, member – independent expert (Committee member until 15 April 2014), and Damijan Korošec, member and representative of the Bank's second largest shareholder. In 2014 the Board met at 12 regular and one extraordinary meeting, discussing issues related to the Bank's financial operations and giving its opinion on the other documents reviewed by the Supervisory Board;

- The Remuneration Committee, which operated in the following composition in 2014: Marjan Janžekovič, Chair, Peter Vrisk, member, Ivan Lenart, member, and Nikolaj Maver, member. In 2014 the Committee met at three meetings. It monitored all important organisation- and human resource-related activities in the Bank, focusing on employee benefits cost rationalisation measures.

Given the above, the Supervisory Board has assessed its cooperation with the Management Board and the appointed auditor as well as the Bank's expert departments as good, of high quality and constructive. This cooperation facilitated, together with the relevant and timely reports, information briefs and explanations provided throughout 2014, the Supervisory Board's prompt, complete, diligent and accountable monitoring of how the Bank's business was run.

The Supervisory Board's resolution on reviewing and approving the Annual Report

Pursuant to the provisions of the Slovene Companies Act and Article 41 of the Deželna banka Slovenije d. d. Statutes, the DEŽELNA BANKA SLOVENIJE d. d. Supervisory Board adopted, at its 35th regular meeting of 17 March 2015, the following

RESOLUTION

Based on our review, the Deželna banka Slovenije d. d. Supervisory Board hereby approves the DEŽELNA BANKA SLOVENIJE 2014 Annual Report, and expresses its positive opinion of the Auditor's Report by Deloitte revizija d. o. o., Ljubljana, for financial year 2014.

Ljubljana, 17 March 2015

President of the Supervisory Board
Peter Vrisk

IV. GENERAL INFORMATION ON THE BANK

IV.1. HISTORY SINCE INCORPORATION

The Bank was incorporated at its founders' meeting in the Celje Narodni dom on 18 January 1990, and started operations on 15 May the same year. Through its continuing operations in the cooperative system, as well as through its cooperation with savings and loan undertakings, cooperatives, the agricultural and forestry sectors, and the wider agro-food sector, it has provided efficient financial support to their activities and development. At the same time, it maintained its legal status of a joint stock company and conducted its operations in line with economic and banking principles.

The scope of its operations and its market share gradually increased. Always operating with adequate capital, the Bank had guaranteed its operations were safe throughout, and had regularly monitored the development of banking so as to promptly introduce new banking and financial services and products into its offer.

Until 30 June 2004 Slovenia's agricultural sector was serviced by two financial institutions: the agricultural cooperative bank Slovenska zadružna kmetijska banka d. d. Ljubljana, and the association of savings and loan undertakings Zveza hranilno kreditnih služb Slovenije, p. o. (referred to as ZHKS). In 2004 the former successfully acquired the assets and liabilities of ZHKS, and received a capital injection from ZHKS. Along with the merger by acquisition the bank changed its name from „Slovenska zadružna kmetijska banka d. d. Ljubljana" to „Deželna banka Slovenije d. d.".

The Bank has made significant headway after the merger with respect to its development, operations growth, profitability, organisation, orderliness and information support, as well as with respect to its operational efficiency in general.

By drawing fresh capital and appropriating generated profits, the Bank has been strengthening its capital structure ever since incorporation. Two capital increases were carried out in 2007, with two share issues placed on the market, worth EUR 35,981 thousand. The Bank has also been strengthening its capital structure by issuing subordinated debt; the last issue was in 2013, raising EUR 2.6 million.

At the end of 2014 the Bank again raised additional capital, with investors paying 485,248 new shares in the total issue value of EUR 4,367,232.00. The capital increase was recorded in the companies' register on 16 January 2015, with the Bank's share capital up EUR 2,024,904.05 due to the increase, now totalling EUR 17,811,083.54.

IV.2. BANK'S SERVICES

Deželna banka Slovenije d. d. is licensed to provide banking services, which include accepting deposits from the public and lending for the banks' own account, and it is also licensed to provide mutually recognised and ancillary financial services.

In 2014 the Bank was licensed to provide the following mutually recognised financial services under Article 10 of the Slovene Banking Act (ZBan-1):

Service

1. Accepting deposits;
2. Lending, which includes:

   – Consumer credits,
   – Mortgage credits,
   – Factoring, with or without recourse,
   – Financing of commercial transactions, including forfeiting;
4. Payment transactions;
5. Issuing and managing other payment instruments (such as travellers' cheques and bank bills) that do not fall under the services of item 4 hereunder;
6. Issuing of guarantees and other commitments;
7. Trading for own account or for accounts of customers in:
   – Money market instruments,
   – Foreign exchange, including currency exchange transactions,
   – Financial futures and options,
   – Foreign exchange and interest-rate instruments,
   – Transferable securities;
8. Participation in securities issues and the provision of services related to such issues;
9. Counselling and services relating to mergers and the purchase of undertakings;
11. Portfolio management and counselling;
12. Safekeeping of securities and other services relating to safekeeping;
13. Credit rating services: collection, analysis and provision of information on creditworthiness;
15. Investment services and operations, and ancillary investment services from Article 10(1) of the Slovene Markets in Financial Instruments Act.

It was also licensed to provide the following ancillary financial services under Article 11 of ZBan-1:

Service

1. Insurance brokerage pursuant to the act governing the insurance business;
6. Leasing.

IV.3. GOVERNING BODIES

General Meeting of Shareholders

The Annual General Meeting (AGM) is convened by the Management Board at least once a year and additionally when this is urgent or in the Bank's best interest. The AGM may also be convened by the Supervisory Board, especially when the Management Board had not done so in due time or when this is necessary to ensure the Bank's smooth operations.

Pursuant to the Deželna banka Slovenije d. d. Statutes, the AGM adopts decisions on:
- The appropriation of distributable profit as proposed by the Management Board and Supervisory Board;
- Endorsing the annual report in case it was not approved by the Supervisory Board or if the Management Board and Supervisory Board leave this decision to the AGM;
- The Internal Audit Department annual report and the related Supervisory Board opinion;
- Discharging the Management Board and Supervisory Board from liability;
- Nominating and recalling Supervisory Board members;
- Capital increases and decreases, except in cases when the Statutes stipulate the decision to be in the competence of the Management Board;
- Adopting amendments and supplements to the Statutes;
- The dissolution of the Bank and changes of its status;
- Appointing auditors;
- The AGM Rules of Procedure;

- Issues related to managing the Bank's business if so requested by the Management Board after the Supervisory Board had refused its consent;
- Other matters as provided for by the law.

The AGM adopts decisions with a simple majority of the votes cast, except in cases where the law stipulates a three-quarters majority. Each no par value share with a voting right carries one vote. All shares belong to the same class.

Pursuant to the Statutes and the law, shareholders may propose that additional items be added to the AGM agenda or file counterproposals to individual items of the agenda.

Supervisory Board

The Supervisory Board supervises how the Bank's business is being run. In 2014 the Board was composed of:
- Peter Vrisk, Chair,
- Marjan Janžekovič, Deputy Chair,
- Ivan Lenart, member,
- Nikolaj Maver, member,
- Primož Žerjav, member.

Supervisory Board committees

The Audit Committee provides the Supervisory Board with expertise related to operations compliance, risk management, internal audit and internal control system, assessment of the contents of annual reports. It also helps determine areas of audit and conducts other related tasks.

In 2014 the Remuneration Committee was composed of:
- Peter Vrisk, Chair,
- Marjan Janžekovič, member,
- Primož Žerjav, member,
- Andraž Grum, PhD, member (until 15 April 2014),
- Damijan Korošec, member.

The Remuneration Committee provides the Supervisory Board with expert support in appointing the Management Board and in stipulating their rights and obligations, as well provides advice with respect to various staffing and related issues.

In 2014 the Remuneration Committee was composed of:
- Marjan Janžekovič, Chair,
- Peter Vrisk, member,
- Ivan Lenart, member,
- Nikolaj Maver, member.

Management Board

In 2014 the Bank Management Board was composed of:
- Sonja Anadolli, President.
- Mojca Štajner, Member.

The Management Board runs and manages the Bank autonomously and at its own responsibility. Pursuant to the Slovene Banking Act, the two members of the Management Board represent the Bank jointly.

The Management Board bears full responsibility with respect to the Bank, including the adoption and monitoring of its strategic objectives and their implementation, the strategy of assuming and managing risk, corporate governance and corporate values.

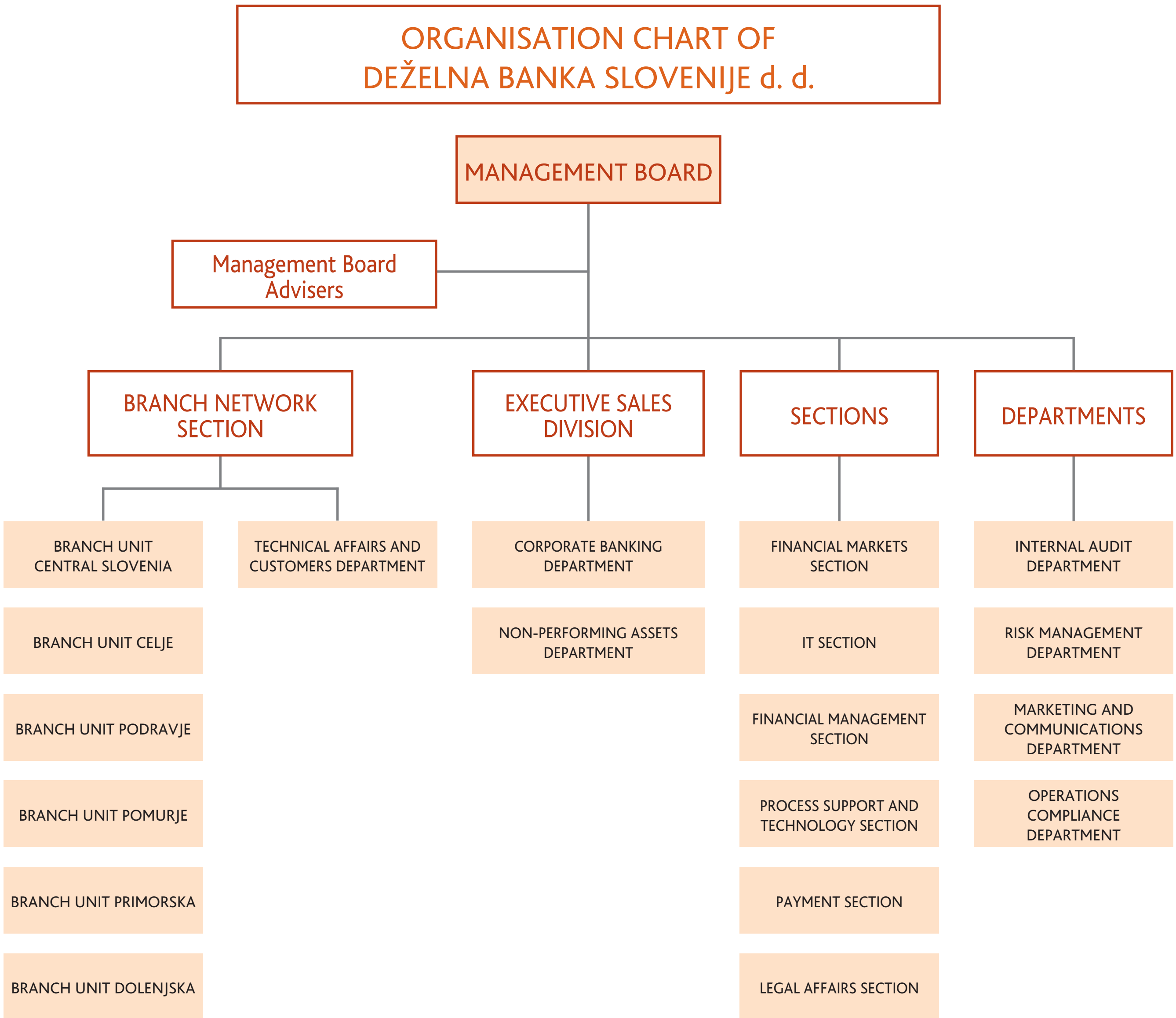
IV.4. THE BANK'S ORGANISATION CHART

The Bank's business processes are managed and conducted within divisions. In terms of functions, the Bank's operations are run within internal organisational units, such as the Management Board, executive divisions, sections, departments and services.

Executive divisions are headed by executive directors, sections by directors of sections, and departments by heads and/or directors of departments. An executive division may consist of sections and/or departments headed by directors, and sections may be further divided into services and departments headed by heads of departments or services.

In terms of its territorial presence, the Bank's head office is in Ljubljana while its external organisational units are spread across the country, where it operates through branch units, branches I and branches II. External organisational units constitute the Bank's branch network. Branch units are run, directed and supervised by directors of branch units.

Organisation chart as at 31 December 2014



V. GROUP OF ASSOCIATED COMPANIES

Deželna banka Slovenije d. d. is the controlling company in the Deželna banka Slovenije Group (hereafter Group). As at 31 December 2014 the Group included four subsidiaries: the leasing company DBS Leasing d. o. o. (hereafter DBS Leasing), the real estate company DBS Nepremičnine d. o. o., which trades in the Group's property (hereafter DBS Nepremičnine), the seed-producer Semenarna Ljubljana, proizvodnja in trgovina, d. d. (hereafter Semenarna), and the Croatia-based real estate company DBS Adria d. o. o. (hereafter DBS Adria).

Deželna banka Slovenije d. d. draws up consolidated financial statements for the entire Group.

Group companies as at 31 December 2014:

	Status	DBS's stake in %
DBS d. d.	Controlling company	-
DBS Leasing d. o. o.	Subsidiary	100
DBS Nepremičnine d. o. o.	Subsidiary	100
Semenarna Ljubljana, d. d.	Subsidiary	100
DBS Adria d. o. o.	Subsidiary	100

Performance indicators of the Group's subsidiaries for 2014:

	DBS Leasing d. o. o.		DBS Nepremičnine d. o. o.		Semenarna Ljubljana, d. d.		DBS Adria d. o. o.	
	2014	2013	2014	2013	2014	2013	2014	2013
Total assets (in EUR thousand)	13,244	24,493	7,775	9,501	30,832	-	146	-
Equity (in EUR thousand)	980	(3,119)	7,741	9,230	824	-	0.4	-
Profit/loss before tax (in EUR thousand)	(2,897)	(5,860)	(1,489)	(151)	180	-	(3)	-
Income tax (in EUR thousand)	-	(1,146)	-	-	10	-	1	-
Profit/loss after tax (in EUR thousand)	(2,897)	(7,006)	(1,489)	(151)	170	-	(2)	-
Return on assets (ROA) before tax (in %)	(14.29)	(17.69)	(15.57)	(1.78)	0.55	-	(1.92)	-
Return on equity (ROE) before tax (in %)	(364.86)	(313.46)	(16.49)	(1.80)	13.14	-	(777.78)	-
No. of employees (at the end of period)	7	9	0	0	259	-	0	-
Total assets/No. of employees (in EUR thousand)	1,892	2,721	-	-	119	-	-	-

DBS Leasing d. o. o.

Registered address: Kolodvorska ulica 9, 1000 Ljubljana, Slovenia
Company ID number: 2160854
Business: 64.910 Financial leasing
Share capital: EUR 3,881 thousand
Manager: Andrej Rajh (until 31 December 2014)
Deputy President of the Supervisory Board: Mojca Štajner

DBS Leasing is a universal leasing company offering the full range of leasing services, both for movable (cars, machines, equipment and utility vehicles) and immovable property (real estate). It complements the range of the Bank's and Group's financial services especially by financing agricultural machinery and equipment.

The company reported EUR 2.897 thousand of loss for the year in 2014, mainly attributable to impairments and write-offs of investments, and the revaluation of real estate. The company's assets were down 45% in 2014, to EUR 13,244 thousand, the most due to the sale of real estate. The majority of investments are financial lease and loan receivables, investment property, and inventories of real estate. The largest item under equity and liabilities is borrowings.

The company actively manages financial risk, and manages credit risk by diligently assigning credit ratings to each potential client. Interest rate risk is managed by linking the majority of assets and liabilities to the six-month Euribor rate, and liquidity risk is managed with the help of the controlling Bank, which balances the maturity periods of its liabilities and assets. The company also devotes numerous efforts to decreasing late payments from lessees, and has decreased the volume of bad receivables, especially in the area of vehicle and equipment leases, by undertaking vigilant monitoring of missing payments. With major and more problematic customers, legal procedures for recovery have continued.

In 2014 the founder injected EUR 7 million of new capital into the company. Last year the Group rehabilitated DBS Leasing and cut the Bank's exposure toward it by means of a gradual disposal of DBS Leasing's property, with certain lines of business transferred to the Bank. Related activities will continue in 2015.

DBS Nepremičnine d. o. o.

Registered address: Kolodvorska ulica 9, 1000 Ljubljana, Slovenia
Company ID number: 6290540
Business: 68.100 Buying and selling of own real estate
Share capital: EUR 8,305 thousand
Manager: Tevž Korent

DBS Nepremičnine was founded in January 2013 and is 100%-owned by the Bank. The company's core business is selling the Group's property, renting and developing real estate projects. A minor share of its real estate was transferred to the Bank in 2014.

The company reported EUR 1,489 thousand of operating loss in 2014.

Semenarna Ljubljana, d. d.

Registered address: Dolenjska cesta 242, 1000 Ljubljana, Slovenia
Company ID number: 5005574
Business: 46.210 Wholesale of grain, seeds and animal feeds
Share capital: EUR 5,710 thousand
President of the Management Board: Aleš Šabeder
President of the Supervisory Board: Peter Vrisk

The company's core business includes retailing, wholesale and growing of grain, seeds and animal feeds; retail trade in specialized gardening equipment and pet stores; growing vegetable crops, melons and root crops, producing the seeds of vegetables, seasonal herbs and green vegetables, growing flowers and other ornamental plants; production of seeds, seedling vegetables, fruit tree nursery plants, vine grafts and ornamental plants.

Despite all obstacles and poor business performance in the past years, Semenarna remains the largest production, trade and exports company in Slovenia and the wider region. After rationalizing operations and adjusting its business to the needs of various market segments, the company managed to improve its results in 2014. Sales were up the most in the wholesale segment and exports (up 17% in both), while in the Kalia retail segment where sales totalled EUR 16 million, which is 59% of Semenarna's overall revenue, sales were up according to plans (8% increase). Total sales revenue for 2014 amounted to EUR 28 million, up 11% compared to the year before, profit for the year totalling EUR 170 thousand. The company's total assets were up to EUR 30,832 thousand. With these results Semenarna has built strong foundations for future growth and business success in the coming period.

At the end of January 2014, DBS d. d. injected new capital into and thus acquired Semenarna Ljubljana, d. d., which is now 100%-owned by the Bank.

Semenarna has the following subsidiaries, all seed-producing companies: Sjemenarna Zagreb, Semenarna Beograd, Semenarna Kosove, and Semenarna Hungaria. They are all undergoing bankruptcy or winding-up procedures, and since the related investments have been fully impaired Semenarna does not consolidated them.

DBS Adria d. o. o.

Registered address: Cvjetno naselje 26, Samobor, Croatia
Company ID number: 0103191000 (court ID number: 080906254)
Business: L68.320 Management of real estate on a fee or contract basis
Share capital: EUR 3 thousand
Manager: Jožef Berdnik

The company was incorporated in March 2014 and is 100%-owned by the Bank. Its core business is selling the Group's property, renting and developing real estate projects.

In 2014 the company reported EUR 2 thousand of loss for the year. Total assets amounted to EUR 146 thousand at the end of 2014. The majority of investments were inventories of real estate, while the majority of liabilities were borrowings from banks.

VI. THE BANK'S PERFORMANCE IN 2014

VI.1. GENERAL ECONOMIC ENVIRONMENT[1]

Short-term indicators in the euro area pointed to a continuation of growth in the last quarter of 2014; oil prices continued to fall in December, reaching their five-year low. Production volume in manufacturing, the value of construction put in place, and turnover in retail trade increased in October year-on-year, and business climate indicators also improved a little in October and November. Like other institutions, the European Central Bank lowered its economic growth projections for 2015 (1.0%) in December on expectations of weaker exports and investment growth.

The relative position of the Slovene economy within the European Monetary Union and the European Union improved for the third consecutive year, however it remained weaker compared to the pre-crisis period. The turnaround after 2010 had come mainly as the result of lower wages and lower employment, the industries with the largest impact being those of the tradable sector. Short-term indicators of economic activity in Slovenia that are mainly based on foreign demand, had remained high at the beginning of the last quarter of 2014, with the indicators relying primarily on domestic demand, declining. Real merchandise exports in October of 2014 remained on a similar level as in the previous month but had increased considerably year-on-year. With growth recorded in all groups according to technology intensity, production volume in manufacturing rose in October, and was also significantly larger year-on-year. The construction activity, on the other hand, had declined again in October, and after months of growth, turnover in retail trade also fell that month. The economic sentiment indicator, which had been improving until mid-2014, remained more or less unchanged in the second half of the year, but its value was much higher than at the end of 2013. The labour market situation continued to improve. Visible year-on-year growth had been observed in certain private sector activities, which recorded higher indicators of economic activity than a year earlier.

The year-on-year inflation at the end of 2014 (0.2%) was the lowest since independence. The low inflation was mainly the result of lower prices of energy and, to a certain extent, food and durable goods, while services drove prices up. Similar price movements marked the entire euro area, which recorded deflation in December (–0.2%).

The rehabilitation of the most exposed state-owned banks in the Slovene banking system continued last year. Bank lending activity continued to decline. The volume of loans to domestic non-banking sectors – excluding October's transfer of EUR 1.1 billion of claims to the BAMC[2] – was down EUR 1.3 billion in the eleven months to November 2014, which was a decrease approximately a third smaller than in the same period of 2013. Banks only increased lending to the government; the volume of corporate loans, loans to non-financial institutions and retail loans decreased, but the decline more than halved. Retail and government deposits rose in 2014, while banks continued to reduce payables to the rest of the world and the European Central Bank. After a substantial increase in September, the share of arrears of more than 90 days had dropped to 13.2% in October.

VI.2. THE BANK'S BUSINESS POLICY

The Deželna banka Slovenije d. d. business policy pursues objectives that bring the Bank closer to its key strategic objectives.

The Bank is directing a major segment of its activities into recovering non-performing loans. As a matter of priority market focus, it is targeting retail customers, the agro-food sector, rural clients, and SMEs. We are

1 Institute of Macroeconomic Analysis and Development of the Republic of Slovenia (IMAD).
2 Bad Assets Management Company, i.e. the so-called bad bank.

strengthening efficient marketing activities and looking to provide our customers with a complete banking service within our branch network, aiming at increasing interest and all types of non-interest income. We plan to develop banking products to service the financing of cooperatives, organic food production, renewable energy resources, green economy, increased food chain self-sufficiency, and social entrepreneurship. Investment services are being developed together with several Slovene insurers and with a foreign insurer specialised in agricultural insurance. In rendering our services we are striving for excellent responsiveness both in terms of quality and time. We are devoted to preserving stability and an adequate maturity of our financial resources, and with respect to investments we intend to increase the quality of our portfolio, placing a major focus on ensuring adequate collateral covers for our receivables. We are set to improving the Bank's risk management and lending functions, further rationalising work processes, and increasing operating efficiency in all business segments. Changes in our system of limits are increasing the responsibility of our employees. We are developing and rationalising the Bank's information system and technological equipment, with a view to be more efficient and effective, and continuing with cost rationalisation measures across all areas. We are leading a wise human resources policy and ensuring life-long education and training of employees.

To account for the persisting stringent economic situation, slow economic recovery and the related uncertainty, the Bank will operate in a highly conservative manner. Priorities are still to strengthen our capital base and ensure capital adequacy, preserve the stability of the Bank's operations, increase all types of revenue, and implement efficient risk management. By reaching these objectives, Deželna banka Slovenije d. d. will maintain its position among Slovenia's top 14 banks according to total assets at the year-end of 2015, and reaffirm its place among the top three according to stage of development and wide-spread branch network. The Bank will remain the country's leading lender servicing the agro-foods sector, rural areas, manufacturing activities, high-tech and tourism activities, as well as the leader in distributing EU and government grants.

VI.3. THE BANK'S PERFORMANCE – BUSINESS SECTION

VI.3.1. CORPORATE BANKING

Corporate lending

Corporate deleveraging continued in Slovenia in 2014, reflected in the banking sector as a decrease in lending, especially as a decline in loans granted to the non-banking sector. The liquidity situation in the Slovene economy remained difficult in 2014, but there were first signs of recovery. According to the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES), the number of business entities with outstanding liabilities decreased, as did the average daily amount of overdue outstanding liabilities. Nevertheless, the number of new corporate insolvency procedures started in 2014 was high.

On account of an increasing volume of non-performing and bad assets, and the further shrinking of lending and falling interest rates, corporate banking in 2014 was challenging. The Bank tried to compensate for lower interest income with higher non-interest income and income from accompanying services, which are becoming increasingly important for the Bank's performance.

The Bank's lending policy focused on risk management, safety of investment and adequate returns. Sales efforts were dispersed selectively, with the Bank allowing exposure to corporates and cooperatives with adequate credit ratings and operations that generate enough cash-flow to repay loans. Attention was at the same time devoted to acquiring adequate collateral for loans to customers.

The Bank's investments into loans to non-financial companies, the government and other financial institutions totalled EUR 404,844 thousand at the end of 2014, a decrease by EUR 43,345 thousand, or 10%, compared to the year-end of 2013. Exposure to construction industry and financial leasing customers as well as large companies was reduced. In order to increase non-interest income, the Bank stepped up guarantee transactions, with guarantees totalling EUR 46,576 thousand at the end of 2014, up 62% year-on-year. Fee and commission on issued guarantees increased by 17% in 2014.

Stringent economic conditions drove the Bank to apply a conservative investment policy and disperse its exposure among SMEs and cooperatives with good credit ratings, operating in the manufacturing industry, high-tech industries, ecology-related industries, the energy sector, the tourism industry and the agro-food sector. As a rule, financial holdings and construction companies were not financed. With customers identified as posing increased risk, action for recovery was intensified or additional collateral demanded.

In granting loans to customers, the Bank paid close attention to the expected cash-flow from operations. Reasons for borrowing and means for repayment were studied carefully. In addition to a sufficient cash flow, which is the necessary condition for granting a loan, the Bank demanded adequate collateral for its exposure toward a customer.

As to managing non-performing loans, the Bank continued renegotiating receivables from customers with adequate business models and market potential for further operations. Where it was estimated that repayment would be higher if seizing the collateral rather than upon renegotiation, action for recovery was stepped up. Consistent with the Slovene principles of renegotiation adopted by the Bank Association of Slovenia, and the recommendations of the Bank of Slovenia, the Bank was actively engaged in interbank agreements on renegotiating loans to customers exposed to several creditor banks.

Running accounts, and electronic banking for corporate customers – DBS PRONET

The number of active corporate transactional accounts increased by 18% in 2014. This increase was followed by a favourable trend in E-banking, with 90% of our corporate customers that have an active transactional account with us using DBS PRONET at the end of 2014.

Payment transactions

In 2014 the Bank followed trends in state-of-the-art developments in payment transactions and complied with legal requirements. In addition to individual credit transfers, we offer our customers SEPA mass payments, SEPA direct debit, payment cards, and the issuing and paying of e-invoices. We are integrated into modern payment systems due to extensive maintenance and upgrades of our information support, which we undertake to offer our clients high-quality services. The majority of payments transacted for our corporate clients in the past year were internal and domestic transactions via the SEPA IKP payment scheme and via TARGET2, and international and cross-border transactions via the SEPA EKP system.

With respect to international operations, we offer our clients guarantees, letters of credit, collection and cheques, and maintain good business relations with other banks by adequately servicing our current account and correspondent banking network as well as by offering services to other banks.

Corporate deposits

Corporate deposits and certificates of deposit, including deposits by the state, amounted to EUR 90,785 thousand as at 31 December 2014, down 16% compared to the previous year. The decrease is attributable to a reduction in government deposits by 29%, and to the reduction in corporate deposits by 11%, with the number of depositors up. The Bank adjusted its activity aimed at collecting corporate deposits to the liquidity situation, thereby monitoring markets and investment opportunities.

VI.3.2. RETAIL BANKING AND BRANCH NETWORK

Retail banking was largely influenced by the general economic situation, which has had a strong impact on the economic situation of retail customers – the general public, farmers and private entrepreneurs.

The Bank has responded to the situation with flexible pricing and a tailor-made approach to customers; we have focused on servicing our year-long customers, with strong efforts also invested into attracting new ones. In 2014 the Bank continued marketing special offers, which increased the number of our customers and the scope of our business.

Collected funds

The balance of collected funds from retail customers, including foreign entities and non-profit institutions serving households, amounted to EUR 611,912 thousand at the end of 2014. This was up EUR 73,576 thousand, or 14%, compared to the end of 2013. An increase in collected assets was reported despite the fact that uncertain economic conditions throughout Europe are driving more and more people to keep their savings in cash, or in their homes, or in rented safety deposit boxes. On the other hand, citizens continue to channel funds across the border, since having one's savings in other countries does not reduce the prospects of receiving social transfers in the Republic of Slovenia.

Due to two Slovene banks that had offered extremely high deposit rates having entered controlled liquidation, passive interest rates in the banking sector had fallen considerably. Our Bank considerably lowered deposit rates, which had a positive impact on our reported interest margin, and despite lower passive rates we did not record an outflow of funds in the retail segment. In addition, the Bank managed to preserve a favourable maturity structure of assets throughout the year, keep sight deposits stable, and retain a satisfactory volume of long-term deposits.

Loans and advances

The balance of loans and advances to retail customers amounted to EUR 217,098 thousand at the end of 2014, an increase by EUR 18,560 thousand, or 9%, compared to the year-end of 2013. In an effort to step up lending, the Bank continued marketing package banking offers to customers and maintained a flexible tailor-made approach in reviewing credit applications. Even more than in the past we focused on safety and on mitigating risks in lending.

We managed to preserve our retail credit portfolio at the existing level of quality in 2014 despite the difficult conditions in the lending business. Expedient and intensified daily debtor treatment has helped the Bank keep the volume of overdue receivables from our retail customers at a manageable level.

Transactional accounts

One of the more important strategic objectives of the Bank's branch network is to keep increasing the number of personal transactional accounts, especially the so-called full-functionality transactional accounts. The opening of transactional accounts is closely related to the cross-marketing of products, which come in packages that enable customers to expand their cooperation with the Bank to several areas and banking services. In an effort to increase the number of transactional accounts, the Bank continued marketing special offers, such as the Sowing Package, the Harvest Package, the Farmer Offer, the Entrepreneur Offer. Our primary focus is with customers that ask for E-banking accounts.

Administering payment transactions through the branch network

The number of payment orders processed at teller lines has been decreasing, which is a result of increasing competition in the market, and it is also due to our active redirecting our clients to make use of E-banking: as much as 41% of all payments are currently transacted via E-banking. We are also witnessing more and more non-banking providers of payment transactions in the market, which offer payment services at low prices.

DBS branch units' supply of cash

The Bank receives cash from the depository bank NLB d. d. The cost of cash supply decreased in 2014 compared to the year before, mainly due to more cash inflows at the Bank's branches.

Numismatics

The Bank continued dealing in collector and commemorative coins in 2014, with numismatics having a substantial contribution to the Bank's maintaining its visibility.

Marketing mutual funds

In cooperation with portfolio manager KD Skladi, družba za upravljanje, d. o. o., the Bank remained active in the area of mutual fund marketing. The volume of investments was small, as the situation in the securities markets continues to deter individuals from investing into funds.

Electronic banking for individuals – DBS NET

In 2014 we recorded an increase in both the number of transactional accounts with the E-banking functionality, and the number of E-bank users. This is mainly the result of our actively redirecting customers to process payment transactions via the E-bank.

Insurance brokerage

In 2014 the Bank maintained cooperation with the business partners – insurance companies – for which it provides insurance brokerage. The volume of insurance business was up, both with respect to the number of insurance policies sold and their value.

ATM network

As at 31 December 2014 the Bank's ATM network consisted of 39 machines, which is the same as at the year-end of 2013. The number of ATM transactions was slightly down compared to the previous year.

Payment cards

The Bank's active marketing of a wide range of services related to transactional accounts in 2014 resulted in an increase in the number of issued Activa Maestro debit cards and Activa MasterCard credit cards. Unfortunately our credit cards market share is not as large as with other banking products offered to retail customers.

Marketing UPN forms via outsourcers

In 2014 the Bank outsourced the marketing of standard payment orders (so-called UPN forms) to five providers, two of whom were cooperative stores. The Bank will proceed to market the processing of UPN forms via all interested outsourcers that report a sufficient volume of payment transactions.

VI.3.3. OPERATIONS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Operations with domestic and foreign banks in 2014 comprised borrowings, deposits received, deposits placed, conversions and operations in foreign exchange derivatives. A proportion of these operations included transactions with which the Bank managed net open foreign exchange positions.

The Bank's borrowings from the interbank money market were down EUR 6,847 thousand, attributable to an overall decrease in borrowings. At the end of 2014, the Bank's borrowings from the European Central Bank totalled 30,402 thousand.

As to investments, the Bank reduced exposure to the banking sector. Excess liquid assets were placed as short-term deposits, usually with maturities of up to one month.

VI.3.4. SECURITIES TRANSACTIONS

Debt securities

The Bank's portfolio of debt securities as at 31 December 2014 was worth EUR 129,328 thousand, up 7% year-on-year. In line with the adopted strategy, the Bank replaced matured debt securities with new ones, focusing mainly on top rated securities that meet the criteria for eligible underlying assets of the Eurosystem.

The Bank participated in the Republic of Slovenia treasury bills auctions, both for its house account and for the clients' account. As for other debts securities, our portfolio included certificates of deposit and commercial papers.

In purchasing new debt securities, decisions were based on the Bank's needs, which depended on the maturity periods of our liabilities, the liquidity ratio, the capital adequacy ratio, safety, and return on investment. Due to the ongoing global crisis the Bank's investment policy in the past year was generally very conservative.

In 2014 the Bank made an early repurchase of a proportion of its DEZEL Float 06/15 bond issue worth EUR 3,050 thousand. The redeemed bonds were cancelled from the Euroclear/Clearstream securities register and delisted from trading on the Luxembourg Stock Exchange. Following this partial redemption, the total nominal value of our government-guaranteed bonds now totals EUR 72,387 thousand.

Equities

Investments into domestic equities that make up the Bank's trading portfolio of company shares and mutual funds, totalled EUR 340 thousand as at 31 December 2014.

Equity investments

Equity holdings in subsidiaries represent 98% of the Bank's total equity participation. At the end of 2014, they totalled EUR 13,274 thousand, up EUR 4,044 thousand from the beginning of the year. The investment in Semenarna accounted for EUR 3,681 thousand of the increase, and the incorporation of DBS Adria for EUR 3 thousand. After the mid-year capital increase and impairments, the investment in DBS Leasing totalled EUR 1,923 thousand at the end of the year, and the investment in DBS Nepremičnine totalled – after impairments – EUR 7,667 thousand.

VI.4. FINANCIAL RESULT AND FINANCIAL POSITION

VI.4.1. FINANCIAL RESULT

DEŽELNA BANKA SLOVENIJE GROUP

A component part of the Group's consolidated financial statements for 2014 are the statements of Semenarna, a new company in the Group, which have significantly increased certain statement of financial position items compared to 2013.

In 2014 the Group reported EUR 1,399 thousand of profit after tax (2013: EUR 17,352 thousand of loss after tax). It is attributable to the Bank's and Semenarna's profit for the year, and the surplus value above the cost of the merger established in the consolidation process, i.e. negative goodwill. Subsidiaries DBS Leasing, DBS Nepremičnine and DBS Adria, on the other hand, ended the period with losses.

Group net interest income amounted to EUR 21,038 thousand, an increase by EUR 299 thousand year-on-year. The majority of interest income results from the Bank's operations, including loans, borrowings, deposits and securities. The consolidation of subsidiaries into Group statements has increased financing expenses and decreased net interest income by EUR 1,202 thousand. Net fee and commission income amounted to EUR 5,031 thousand, down EUR 92 thousand from a year earlier. The majority of fees and commissions refer to the operations of the Bank. The consolidation of Semenarna has upped fee and commission expense by EUR 700 thousand, mainly related to financial services and payment transaction services.

Net gains on the derecognition of assets other than non-current assets available for sale were recorded in the amount of EUR 9,165 thousand (2013: EUR 263 thousand). Consolidation allocated into this item Semenarna's revenues from the sale of goods, products and services, as well as non-financial income and costs of material.

Other net operating gains totalled EUR 2,837 thousand (2013: EUR 11 thousand).

Net impairment charges for loans and other assets amounted to EUR 12,399 thousand, of which impairment losses on loans totalled EUR 8,508 thousand, down EUR 15,059 thousand from the year before. Net provision expenses totalled EUR 201 thousand, an increase by EUR 508 thousand compared to 2013.

DEŽELNA BANKA SLOVENIJE d. d.

The Bank's performance results improved considerably from the year before. It reported EUR 1,621 thousand of profit before tax, profit after tax amounting to EUR 1,343 thousand (2013: EUR 17,321 thousand of loss after tax). Comprehensive income was positive and totalled EUR 1,410 thousand. The Bank's operating profit before impairments and provisions was also up considerably, to EUR 14,188 thousand (2013: EUR 9,986 thousand).

Net interest income was up EUR 821 thousand from 2013, to EUR 22,240 thousand, mainly attributable to higher interest income from loans to the government and retail loans, and from held-to-maturity securities by other issuers. Interest expense for deposits and borrowings from banks, for government deposits, corporate deposits, and issued bonds, decreased, with interest expense for retail deposits and deposits by the central bank increasing.

Fee and commission results also improved. Net fee and commission income totalled EUR 5,721 thousand, up EUR 636 thousand from 2013. Fee and commission income was up for running transaction accounts, granting overdrafts to customers in retail banking, for interbank settlements in the Activa processing centre, for payment transactions, for issued guarantees, for securities trading on behalf of customers, for lending transactions, and for agency and consignment services. Fee and commission expense was down mainly on government-issued guarantees for own bonds.

Impairment charges on investments decreased considerably from the previous year. Net impairments amounted to EUR 12,744 thousand (2013: EUR 29,488 thousand), with loan impairments totalling EUR 5,318 thousand, down EUR 20,013 thousand from 2013. Net impairment losses on other assets totalled EUR 7,426 thousand, up EUR 3,269 thousand from 2013. A major item was impairments of equity investments in the subsidiaries DBS Leasing and DBS Nepremičnine, in the total amount of EUR 6,640 thousand. The impairment charge against investment property contributed EUR 272 thousand of net expenses, and the impairment of other assets EUR 514 thousand of expenses.

Reversed provisions contributed EUR 177 thousand of realised net income (2013: EUR 30 thousand of net expenses). Provisions for off-balance-sheet items contributed EUR 280 thousand of net income, with provisions for long-service awards and severance pays increasing expenses by EUR 102 thousand. Provisions for the National Housing Saving Scheme increased expenses by EUR 1 thousand.

Other net operating gains totalled EUR 2,258 thousand (2013: EUR 739 thousand of net loss). Gains included EUR 238 thousand of lease payments, EUR 3,295 thousand of denationalisation income, and EUR 24 thousand of income from hedged receivables. Losses included EUR 573 thousand of balance sheet tax and EUR 571 thousand of financial transaction tax.

In 2014 the Bank reported EUR 3,115 thousand of net denationalisation income (2013: EUR 169 thousand).

The rationalisation of operations and driving down costs continued in 2014. Operating expenses totalled EUR 16,310 thousand (2013: EUR 16,629 thousand). Employee benefits cost amounted to EUR 10,123 thousand, up EUR 183 thousand from 2013, costs of material and services totalled EUR 4,688 thousand, down EUR 265 thousand, and amortisation and depreciation costs totalled EUR 1,499 thousand, down EUR 237 thousand year-on-year.

The Bank recovered a total of EUR 3,824 thousand of overdue loan receivables in 2014 (2013: EUR 1,833 thousand).

VI.4.2. FINANCIAL POSITION

DEŽELNA BANKA SLOVENIJE GROUP

The Group's total assets amounted to EUR 928,256 thousand at the end of 2014, up EUR 58,686 thousand since the beginning of the year. The total assets of subsidiaries amounted to EUR 52,701 thousand, representing 6% of the Group's total assets (31 December 2013: 4%). After the elimination of inter-company relationships, the Group's total assets exceed the Bank's total assets by EUR 38,195 thousand, i.e. by 4%. According to the balance as at 31 December 2014, the consolidation of Semenarna has increased Group assets by EUR 30,832 thousand.

Loans and advances at Group level amounted to EUR 629,380 thousand at the end of December, down EUR 15,902 thousand, with loans and advances to banks up EUR 1,817 thousand to EUR 2,909 thousand. Loans and advances to customers (including the government) were down EUR 19,459 thousand to EUR 623,725 thousand. The consolidation of Semenarna increased loans and advances at Group level by 1,125 thousand, mainly attributable to trade receivables.

Property, plant and equipment at Group level increased significantly with the consolidation of Semenarna, by EUR 21,930 thousand, the assets' carrying amount as at 31 December 2014 totalling EUR 36,471 thousand. The increase was further reflected in higher depreciation and amortisation costs.

Long-term investments in the capital of subsidiaries were deduced from investments in the consolidation process, in the total amount of EUR 13,274 thousand.

The consolidation increased the item other assets, which totalled EUR 36,755 thousand at the year-end of 2014. The consolidation of Semenarna increased the inventories of materials by EUR 7,186 thousand.

Financial liabilities measured at amortised cost (including deposits, loans, bonds, subordinated liabilities and other financial liabilities) totalled EUR 875,548 thousand at the end of December, up EUR 53,619 thousand. The consolidation of Semenarna increased liabilities measured at amortised cost by EUR 28,117 thousand, which includes financing sources outside the Group – borrowings from banks and trade payables. Deposits and borrowings from banks and the central bank were down EUR 13,333 thousand to EUR 70,410 thousand year-on-year, while deposits from customers, including government deposits (but excluding bonds and subordinated liabilities), increased by EUR 56,343 thousand to EUR 702,154 thousand. Borrowings from customers totalled EUR 1,290 thousand at the end of December, an increase by this same amount year-on-year.

DEŽELNA BANKA SLOVENIJE d. d.

The Bank's total assets amounted to EUR 890,061 thousand at the end of 2014, up EUR 34,067 thousand. The increase was mainly attributable to retail deposits, with government deposits and corporate deposits as well as long-term borrowings from banks and the central bank down from the year before.

Corporate deposits, including government deposits, decreased by EUR 16,689 thousand in 2014. Under investments, loans and advances in this segment were down EUR 43,345 thousand, mainly attributable to a decrease in corporate loans by EUR 50,937 thousand, with loans to the government up EUR 7,592 thousand.

Retail deposits increased by EUR 73,576 thousand in 2014, with retail loans and advances up EUR 18,560 thousand.

On the liabilities side, the Bank decreased borrowings and deposits from banks by EUR 7,600 thousand, and cut its borrowing from the central bank by EUR 20,243 thousand. Under investments, deposits at the central bank were up EUR 11,187 thousand, and loans and advances to banks up EUR 16,426 thousand.

Equity investments in subsidiaries totalled EUR 13,274 thousand at the end of 2014, up EUR 4,044 thousand from the beginning of the year. Equity investments in DBS Leasing, DBS Nepremičnine, Semenarna and DBS Adria totalled EUR 1,923 thousand, EUR 7,667 thousand, EUR 3,681 thousand and EUR 3 thousand, respectively, at the year-end of 2014.

In 2014 the Bank's inventories of real estate and investment property were up EUR 13,481 thousand to EUR 19,382 thousand at the end of the year, with inventories of real estate up EUR 10,174 thousand, and investment property up EUR 3,307 thousand.

VI.5. EQUITY

The Group's equity as at 31 December 2014 amounted to EUR 46,748 thousand, up EUR 1,314 thousand year-on-year.

The Bank's equity as at 31 December 2014 amounted to EUR 46,817 thousand, up EUR 1,410 thousand year-on-year.

Audited share book value as at 31 December 2014 was EUR 12.506898. It is calculated as follows: share capital less treasury shares, divided by the number of shares recorded in the central securities register of the Slovene Central Securities Clearing Corporation (KDD) less treasury shares.

The Bank's ten largest shareholders as entered in the KDD central securities register as at 31 December 2014:

Shareholder	Number of shares	Stake in %, considering all shares recorded in KDD
Kapitalska zadruga, z. b. o., Ljubljana	1,734,324	45.976
KD Kapital d. o. o., Ljubljana	377,181	9.999
Banca Popolare di Cividale S.C.p.A., Cividale del Friuli	210,511	5.581
ČZD Kmečki glas, d. o. o., Ljubljana	200,000	5.302
SRC.SI d. o. o., Ljubljana	188,022	4.984
KB1909 S.p.A., Gorizia	185,110	4.907
KD Group d. d., Ljubljana	179,441	4.757
Zadružna zveza Slovenije, z .o. o., Ljubljana	131,115	3.476
Adriatic Slovenica d. d. Koper, Kritno premoženje	88,050	2.334
Zveza bank RZZOJ, Celovec	82,026	2.174
Total	3,375,780	89.490

The Bank's share capital amounts to EUR 15,786,179.49 and is divided into 3,783,000 ordinary no par value shares of the same class. The KDD central securities register has on record 3,772,235 no par value shares. The different numbers are due to the fact that certain shareholders have not yet changed their paper stock into dematerialised securities. As at 31 December 2014 the Bank held 28,967 repurchased treasury shares, which is 0.77% of all issued shares.

Additional capital was raised at the end of 2014, with investors paying 485,248 new shares in the total issue value of EUR 4,367,232.00. The capital increase was recorded in the companies' register on 16 January 2015. The Bank's share capital was up EUR 2,024,904.05 due to the increase, totalling EUR 17,811,083.54. As the newly issued shares from the capital increase had not been recorded in the KDD central securities register as at 31 December 2014, the capital increase is not recognised under equity in the statement of financial position.

VI.6. MARKETING AND COMMUNICATION

The majority of the Bank's marketing and sales activities were targeted at new customers, especially from the agro-food sector. We were successful with direct marketing efforts launched upon the closing of competitor banks' branches, following the strategy of maintaining a widespread branch network itself. Well-targeted special offers, and promotional and marketing campaigns at fairs and via partners attracted a wide pool of potential customers.

The special offer of long-term deposits, which was marketed both locally and state-wide, encouraged existing and new customers to save. By lowering charges on UPN processing and tailoring them to each microenvironment, the Bank raised the turnout at its branches. The number of DBS Plus Points increased last year, which is where customers can pay UPN forms under the Bank's terms outside its branches, i.e. in selected cooperative stores and at contractual partners. Analyses carried out by the media and individual institutions again ranked the Bank among the lowest-cost banking providers, which we advertised across all marketing channels. Our cooperation with innovative young enterprises within the framework of the Slovene Center for Entrepreneurship and Executive Development (CEED) became closer, and we strengthened the marketing of real estate held by the Bank and its subsidiaries DBS Nepremičnine d. o. o. and DBS Leasing d. o. o.

In cooperation with the insurer Agro Zavarovalnica, the Bank intensely marketed agricultural insurance for crops and fruit. Special offers were designed for farmers and agricultural cooperatives to help them finance their activities, which we advertised regularly in specialised media and at selected (local) events and fairs, of which the most important one is the Agra Fair, the agriculture and food industry fair in Gornja Radgona. Cooperation with the Slovene Rural Youth Association continued successfully, increasing the number of the Bank's new customers among young farmers. The Bank maintained its position of the leading bank servicing the agro-food sector in 2014.

With sponsorships and donations the Bank came to the aid of individuals and local organisations, remaining loyal to its mission of a socially responsible entity.

A moderate media appearance strategy was pursued, with the Bank making public statements required by the law and senior management making appearances at well-chosen events. The Bank's communication support accompanied issues of Republic of Slovenia commemorative and collector coins, which were sold exclusively at 25 of the Bank's branches.

VI.7. DEVELOPMENT OF THE BANK

VI.7.1. INVESTMENTS

For several years now the Bank has devoted a lot of attention to refurbishing its branches or moving them to technically and spatially more appropriate locations, as well as into making them compliant with security and other banking standards. Investments and maintenance work on the wider infrastructure in 2014 included partially refurbishing the branches in the town of Komen and Cerkno, and renovating and increasing the Trata branch. The Bank replaced old UPN readers with new and more advanced devices, which in addition to reading UPN forms feature a scan facility. We also refurbished the majority of client computers, which are managed centrally.

The Bank fostered a level of security consistent with the security standards of the Bank Association of Slovenia.

VI.7.2. INFORMATICS AND BANKING TECHNOLOGY

Information infrastructure was upgraded and consolidated in 2014. The Oracle Sun architecture was migrated to the Intel Linux platform, and we launched Oracle Virtualisation, which hosts the Bank's key business processes, such as databases, application servers, and web services.

With respect to application software the Bank developed and upgraded software support for its operations. Information sharing is becoming increasingly important, both in terms of the business environment and regulatory requirements. The largest project was reporting under the new banking legislation, i.e. the European directive, which involved producing all required reports in 2014 with in-house know-how.

VI.7.3. HUMAN RESOURCE MANAGEMENT

On account of severe economic conditions and their impact on banking, the Bank maintained a restrictive human resources policy in 2014. In all organisational units that required additional hiring, we strove to solve the staffing deficit by means of redundant employees from other posts. In other words, all new human resource requirements were primarily catered for with internal resources or by reorganising and optimising work processes. Hiring new staff from the market was limited and only happened when the Bank did not have suitable existing employees that could be reassigned to other posts, either because this option did not exist or because the relevant posts that needed filling were at a remote location. As at 31 December 2014 the Bank had 355 employees, the same as in 2013.

Employees' education profile:

31 December 2014	Less than or level IV	Level V	Level VI or higher	Total
No. of staff	11	170	174	355
% of staff	3	48	49	100

31 December 2013	Less than or level IV	Level V	Level VI or higher	Total
No. of staff	11	171	173	355
% of staff	3	48	49	100

Employees by gender:

31 December 2014	Women	Men	Total
No. of staff	284	71	355
% of staff	80	20	100

31 December 2013	Women	Men	Total
No. of staff	289	66	355
% of staff	81	19	100

The average age of our employees at the year-end of 2014 was 45.7, whereby 3.7% of our staff had limited capability for work.

The Bank's active and rational policy of staff education and training continued in 2014.

VI.8. INTERNAL AUDIT DEPARTMENT

The Internal Audit Department's operations are based on the Rules of Operation of the Deželna banka Slovenije d. d. Internal Audit Department, which stipulate its powers, responsibilities and operations. It is an independent organisational unit, directly subordinated to the Management Board.

The Supervisory Board reviewed the Internal Audit Department report for the second half of 2013, for the full year 2013, and for the first half of 2014, and gave its consent to the prepared Internal Audit Department operations plan for 2015.

VII. CORPORATE GOVERNANCE STATEMENT OF DEŽELNA BANKA SLOVENIJE d. d. FOR THE YEAR ENDED 31 DECEMBER 2014

VII.1. CORPORATE GOVERNANCE CODE USED, AND NON-COMPLIANCE

Deželna banka Slovenije d. d. is a public company under Article 99 of the Slovene Markets in Financial Instruments Act, as its bonds are traded on the Luxembourg Stock Exchange (Bourse de Luxembourg). Since its shares are not listed on any regulated market, it is not a public limited company.

Being predominantly in cooperative hands, Deželna banka Slovenije d. d. complies with its internal Corporate Governance Policy rather than with the Slovene Corporate Governance Code as adopted by the Ljubljana Stock Exchange, the Managers' Association of Slovenia and the Slovene Directors' Association as at 8 December 2009.

The Deželna banka Slovenije d. d. Corporate Governance Policy is available on the following websites:
– Deželna banka Slovenije d. d. website http://www.dbs.si,
– Ljubljana Stock Exchange website http://seonet.ljse.si.

One of the core guidelines of Deželna banka Slovenije d. d., stipulated even its Statutes, is providing financial services to the cooperative sector in Slovenia. Pursuant to Article 38 of the Statutes, the Supervisory Board is, as a rule, presided over by a representative of a cooperative shareholder, while the AGM always appoints several people from the cooperative sector into the Supervisory Board.

In addition to complying with its Corporate Governance Policy the Bank also abides by all provisions laid down in the valid regulations governing public companies.

VII.2. OUTLINE OF MAIN CHARACTERISTICS OF INTERNAL CONTROLS AND RISK MANAGEMENT RELATED TO FINANCIAL REPORTING

The Bank has set up an internal control system with related administrative and accounting steps for all its business processes, including: operating procedures, accounting, reporting, risk exposure limits and material controls. Pursuant to the law the Bank has an Internal Audit Department, which assesses the adequacy and efficiency of existing internal controls, conducts examinations, gives advice and draws up reports.

Two separate sections of internal controls are the function of the prevention of money laundering and terrorist financing, and the function of ensuring compliance of the Bank's operations with the legislation. The Bank has set up an efficient system of risk management related to the prevention of money laundering and terrorist financing.

We have adopted strategies and policies for determining, measuring and assessing, managing and monitoring the risks the Bank is or could be exposed to in the course of its operations. Books of account, business documentation and other administrative records are kept in a manner so as to reveal at any time whether the Bank's operations comply with risk management regulations.

The adequacy of our internal control system and risk management is inspected annually by external auditors that examine the Bank's annual report.

As at 1 July and 11 August 2014 Deželna banka Slovenije d. d. received the Bank of Slovenia Decree and Decision, respectively, ordering it to increase its share capital by 31 December 2014 pursuant to the provisions of the Decree.

The Deželna banka Slovenije d. d. 30th AGM as at 14 October 2014 passed the resolution to increase share capital by maximally EUR 4,636,588.28.

The capital increase process included investors subscribing and paying 485,248 new shares in the total issue value of EUR 4,367,232.00; the capital increase was successfully completed.

The Bank had the increased share capital, now totalling EUR 17,811,083.54, entered into the companies register as at 16 January 2015.

Major direct and indirect shareholdings

As at 31 December 2014 the Bank had four shareholders on qualified stakes (over 5%):

1. Kapitalska zadruga, z. b. o., Ljubljana	1,734,324 shares (45.976%)
2. KD Kapital d. o. o., Ljubljana	377,181 shares (9.999%)
3. Banca Popolare di Cividale S.C.p.A., Cividale del Friuli	210,511 shares (5.581%)
4. ČZD Kmečki glas, d. o. o., Ljubljana	200,000 shares (5.302%)

All Bank's issued shares are of the same class and carry the same rights. None of the shareholders have special control rights.

Shareholder agreements

The Bank's Management Board has no knowledge of any shareholder agreements existing that could result in a restriction of the transfer of securities or voting rights.

The Bank's rules on appointments

The Bank's Management Board has at least two and not more than three members. The President of the Management Board is appointed by the Supervisory Board, for a maximally five-year renewable term. Members of the Management Board are appointed by the Supervisory Board at the proposal of the President of the Management Board, for a maximally five-year renewable term. The Supervisory Board may recall a member of the Management Board or cancel the appointment of the President in case the relevant person has seriously breeched their obligations or is unable to manage the Bank, as well as for statutory reasons. Management Board members may also be removed without justification. When a Management Board member resigns their post they must do so on a six-month's notice. In case of such a removal or resignation from office the Supervisory Board appoints a new member into the Management Board without delay. Such a temporary appointment overlaps with the remaining term of the member that was removed or had resigned.

Members of the Supervisory Board are elected by the AGM with a simple majority of the votes cast, for a four-year re-electable term. The AGM recalls members of the Supervisory Board with a three-quarter majority of the votes cast.

Amendments and supplements of the Statutes are adopted by the AGM with a three-quarter majority of the votes cast.

Authorisations of the members of management, Item 9 of Article 70(6) of the Companies Act ZGD-1

In connection with the government guarantee for issued bonds, as at 11 June 2013 the Deželna banka Slovenije d. d. AGM authorised the Management Board to increase the Bank's share capital by maximally EUR 7,893,089.74, which represents a half of the Bank's share capital. The increase is subject to the prior approval of the Supervisory Board, and must be effected within five years of the related Amendment of the Statutes being entered into the companies' register (i.e. from 14 June 2013). Over the course of the relevant five years the Management Board may increase share capital several times; however, the aggregate amount cannot exceed the said nominal amount.

The Management Board runs the Bank autonomously and at its own responsibility, in the best interest of the Bank. Cases in which the Management Board needs the consent of the Supervisory Board to act are stipulated in Article 42 of the Bank's Statutes.

Bank employees on management contracts

The Bank's employees working on management contracts are entitled to severance pay in case their contract is terminated due to changes of the Bank's status, organization, or other major changes in its operations.

B) FINANCIAL STATEMENTS

CONTENTS

Deželna banka Slovenije Group

Consolidated financial statements under International Financial Reporting Standards
for the year ended 31 December 2014

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Management Board hereby approves the financial statements of the Deželna banka Slovenije Group for the financial year ended 31 December 2014 (pages 41 to 44 of the Annual Report), along with the accounting principles used and notes to the financial statements (pages 45 to 106 of the Annual Report).

We hereby reaffirm our responsibility for the Annual Report, which is a true and fair presentation of the Group's financial standing as at 31 December 2014, and for the results of its operations for the year ended on the same day.

The Bank's Management Board confirms that suitable accounting policies were consistently adhered to, and that accounting estimates were conducted in accordance with fair value. The financial statements were drawn up on the assumption of going concern and pursuant to the legislation and stipulations of International Financial Reporting Standards as adopted by the European Union.

The Management Board is responsible for the appropriate management of accounts, for the adoption of the measures required to safeguard company assets, and for the detection and prevention of fraud and other irregularities and illegal activities.

The Tax Authority may conduct a tax inspection of the current reporting period at any time within the following five years, and in this connection impose additional tax assessments and penalties. The Management Board knows of no circumstances that could give rise to a potential material liability in this regard.

Member of the Management Board	President of the Management Board
Mojca Štajner	Sonja Anadolli

DEŽELNA ... A SLOVENIJE d.d.
LJUBLJANA
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Ljubljana, 2 March 2015

INDEPENDENT AUDITOR'S REPORT

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
to the owners of DEŽELNA BANKA SLOVENIJE d.d.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Deželna banka Slovenije d.d. and its subsidiaries (hereinafter: "the Group"), which comprise the statement of financial position as at 31 December 2014, 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 notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 selected procedures 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 group'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 group'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 consolidated financial statements give a true and fair view of the financial position of the Deželna banka Slovenije Group as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Emphasis of Matter – Capital Increase

We draw attention to disclosures in notes *3.5 Capital management* and *44. Share capital* to the consolidated financial statements, describing that the value of capital increase is part of the capital adequacy calculation as at 31 December 2014 in accordance with the regulator's approval. Since the capital increase was registered into the Companies Register on 16 January 2015, the amount of capital increase is not yet recorded as a part of share capital as at 31 December 2014.
Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The management is also responsible for the preparation of the business report in accordance with the requirements of the Companies Act (ZGD-1). Our responsibility is to provide an assessment of whether the business report is consistent with the audited financial statements. Our procedures have been conducted in accordance with the International Standard on Auditing 720 and are limited solely to assessing of whether the business report is consistent with the audited financial statements. In our opinion, the business report is consistent with the audited financial statements.

DELOITTE REVIZIJA d.o.o.

Katarina Kadunc
Certified Auditor

For signature please refer to the original Slovenian version.

DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

Yuri Sidorovich
President of the Board

Ljubljana, 9 March 2015

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

I. Consolidated financial statements as at 31 December 2014

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

in EUR thousand

Code	Items	Note	1-12 2014	1-12 2013
1	Interest income and similar income		33,276	35,393
2	Interest expense and similar expense		12,238	14,654
3	**Net interest income** (1 - 2)	5	**21,038**	**20,739**
4	Dividends	6	2	11
5	Fee (commission) income		7,865	7,412
6	Fee (commission) expense		2,834	2,289
7	**Net fee (commission) income** (5 - 6)	7	**5,031**	**5,123**
8	Realised gains/losses from financial assets and liabilities not measured at fair value through profit or loss	8	(35)	(33)
9	Net gains/losses from financial assets and liabilities held for trading	9	108	(240)
10	Foreign exchange translation	10	(90)	101
11	Net gains/losses on derecognition of assets other than non-current assets held for sale	11	9,165	263
12	Other net operating gains/losses	12	2,837	11
13	Administrative expenses	13	21,956	15,705
14	Depreciation and amortisation	14	2,607	2,369
15	Provisions	15	201	(307)
16	Impairment charge	16	12,399	26,625
17	Negative goodwill	17	802	0
18	**PROFIT/LOSS FROM CONTINUOUS OPERATIONS BEFORE TAX** (3 + 4 + 7 + 8 + 9 + 10 + 11 + 12 - 13 - 14 - 15 - 16 + 17)		**1,695**	**(18,417)**
19	Tax	18	296	(1,065)
20	**PROFIT/LOSS FROM CONTINUOUS OPERATIONS AFTER TAX** (18 - 19)		**1,399**	**(17,352)**
21	**PROFIT/LOSS FOR THE YEAR** (20)		**1,399**	**(17,352)**
				in EUR
22	Basic profit/loss per share	19	0.37	(4.64)
23	Diluted profit/loss per share	19	0.37	(4.64)

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

in EUR thousand

Code	Items	Note	1-12 2014	1-12 2013
1	**PROFIT/LOSS FOR THE YEAR AFTER TAX**		**1,399**	**(17,352)**
2	**OTHER COMPREHENSIVE INCOME AFTER TAX** (3 + 4)		**2**	**250**
3	**ITEMS NOT TO BE RECLASSIFIED INTO PROFIT/LOSS** (3.1.)		**(195)**	**0**
3.1	Actuarial gains/losses for defined benefit pension plans	46	(195)	0
4	**ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS** (4.1 + 4.2)		**197**	**250**
4.1	Available-for-sale financial assets (4.1.1.)	22 b	229	314
4.1.1	Gains/losses in revaluation surplus		229	314
4.2	Tax related to items that may be reclassified to profit or loss	42 c	(32)	(64)
5	**TOTAL COMPREHENSIVE INCOME AFTER TAX** (1 + 2)		**1,401**	**(17,102)**
	a) Attributable to owners of the parent		1,401	(17,102)

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

in EUR thousand

Code	Items	Note	2014	2013
1	Cash, balances at central banks, and sight deposits at banks	20	80,599	50,305
2	Financial assets held for trading	21	483	550
3	Available-for-sale financial assets	22	22,409	30,151
4	Loans and advances		629,380	645,282
	- Loans and advances to banks	23	2,909	1,092
	- Loans and advances to customers	24	623,725	643,184
	- Other financial assets	25	2,746	1,006
5	Held-to-maturity investments	26	107,133	91,047
6	Non-current assets held for sale, and discontinued operations	27	1,614	433
7	Property, plant and equipment	28	36,471	14,541
8	Investment property	29	5,688	3,881
9	Intangible assets	30	1,262	1,187
10	Income tax assets	31	6,462	5,597
	- Deferred tax assets		6,462	5,597
11	Other assets	32	36,755	26,596
12	**TOTAL ASSETS** (from 1 to 11)		**928,256**	**869,570**
13	Trading liabilities	33	19	11
14	Financial liabilities measured at amortised cost		875,548	821,929
	- Deposits by banks and central banks	34	208	914
	- Deposits by customers	35	702,154	645,811
	- Borrowings from banks and central banks	36	70,202	82,829
	- Borrowings from customers	37	1,290	0
	- Debt securities	38	72,387	75,245
	- Subordinated liabilities	39	14,671	14,541
	- Other financial liabilities	40	14,636	2,589
	Provisions	41	2,511	1,327
15	Income tax liabilities	42	2,017	166
	- Current tax liabilities		657	0
	- Deferred tax liabilities		1,360	166
16	Other liabilities	43	1,413	703
17	**TOTAL LIABILITIES** (from 13 to 16)		**881,508**	**824,136**
18	Share capital	44	15,786	15,786
19	Share premium	45	28,915	28,915
20	Revaluation surplus	46	708	706
21	Revenue reserves	47	940	671
22	Treasury shares	48	(682)	(671)
23	Retained earnings/loss (including profit/loss for the year)	49	1,081	27
24	**EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT** (from 18 to 23)		**46,748**	**45,434**
25	TOTAL EQUITY (24)		46,748	45,434
26	**TOTAL EQUITY AND LIABILITIES** (17 + 25)		**928,256**	**869,570**

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

in EUR thousand

Code	Items	Share capital	Share premium	Accumulated other comprehensive income	Revenue reserves	Retained earnings/loss (including profit/loss for the year)	Treasury shares (deduction)	**Equity attributable to owners of the parent** (from 3 to 8)	**Total equity** (9)
1	2	3	4	5	6	7	8	9	10
1	**OPENING BALANCE FOR THE PERIOD (before adjustment)**	**15,786**	**28,915**	**706**	**671**	**27**	**(671)**	**45,434**	**45,434**
2	**OPENING BALANCE FOR THE PERIOD** (1)	**15,786**	**28,915**	**706**	**671**	**27**	**(671)**	**45,434**	**45,434**
3	Comprehensive income for the year after tax	0	0	2	0	1,399	0	1,401	**1,401**
4	Allocation of net profit to revenue reserves	0	0	0	269	(269)	0	0	**0**
5	Other	0	0	0	0	(76)	(11)	(87)	**(87)**
6	**CLOSING BALANCE FOR THE PERIOD** (2 + 3 + 4 + 5)	**15,786**	**28,915**	**708**	**940**	**1,081**	**(682)**	**46,748**	**46,748**

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

in EUR thousand

Code	Items	Share capital	Share premium	Accumulated other comprehensive income	Revenue reserves	Retained earnings/loss (including profit/loss for the year)	Treasury shares (deduction)	**Equity attributable to owners of the parent** (from 3 to 8)	**Total equity** (9)
1	2	3	4	5	6	7	8	9	10
1	**OPENING BALANCE FOR THE PERIOD (before adjustment)**	**15,786**	**38,930**	**456**	**7,977**	**51**	**(671)**	**62,529**	**62,529**
2	**OPENING BALANCE FOR THE PERIOD** (1)	**15,786**	**38,930**	**456**	**7,977**	**51**	**(671)**	**62,529**	**62,529**
3	Comprehensive income for the year after tax	0	0	250	0	(17,352)	0	(17,102)	**(17,102)**
4	Other*	0	(10,015)	0	(7,306)	17,328	0	7	**7**
5	**CLOSING BALANCE FOR THE PERIOD** (2 + 3 + 4)	**15,786**	**28,915**	**706**	**671**	**27**	**(671)**	**45,434**	**45,434**

* Settlement of loss for the year

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

in EUR thousand

Code	Items	2014	2013
A.	CASH FLOWS FROM OPERATING ACTIVITIES		
a)	**Interest received**	**33,630**	**34,481**
	Interest paid	(13,263)	(14,485)
	Dividends received	2	11
	Fee and commission received	7,836	7,437
	Fee and commission paid	(2,834)	(2,291)
	Realised gains on financial assets and liabilities not measured at fair value through profit or loss	185	805
	Realised losses on financial assets and liabilities not measured at fair value through profit or loss	(9)	(17)
	Net trading income	116	(556)
	Cash payments to employees and suppliers	(18,921)	(16,365)
	Other income	3,866	1,351
	Other expenses	(1,802)	(2,104)
	Cash flows from operating activities before changes in operating assets and liabilities	**8,806**	**8,267**
b)	**(Increases)/decreases in operating assets (no cash equivalents)**	**(18,479)**	**(7,392)**
	Net (increase)/decrease in financial assets held for trading	55	597
	Net (increase)/decrease in available-for-sale financial assets	7,897	24,287
	Net (increase)/decrease in loans and advances	2,818	(33,316)
	Net (increase)/decrease in non-current assets held for sale	0	(433)
	Net (increase)/decrease in other assets	(29,249)	1,473
c)	**Increases/(decreases) in operating liabilities**	**54,142**	**(9,155)**
	Net increase/(decrease) in trading liabilities	6	3
	Net increase/(decrease) in deposits and borrowings measured at amortised cost	51,779	(2,044)
	Net increase/(decrease) in issued debt securities measured at amortised cost	(2,850)	(7,546)
	Net increase/(decrease) in other liabilities	5,207	432
č)	**Cash flows from operating activities** (a + b + c)	**44,469**	**(8,280)**
e)	**Net cash from operating activities** (č)	**44,469**	**(8,280)**
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
a)	**Investing inflows**	**56,118**	**49,933**
	Proceeds from sale of property, plant and equipment, and investment property	727	453
	Proceeds from sale of held-to-maturity investments	55,391	49,480
b)	**Investing outflows**	**(68,207)**	**(41,393)**
	(Purchase of property, plant and equipment, and investment property)	(574)	(792)
	(Purchase of intangible long-term assets)	(20)	(46)
	(Purchase of held-to-maturity investments)	(67,613)	(40,555)
c)	**Net cash from investing activities** (a - b)	**(12,089)**	**8,540**
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
a)	**Inflows from financing activities**	**0**	**2,900**
	Issue of subordinated liabilities	0	2,900
b)	**Outflows from financing activities**	**0**	**(300)**
	(Repayment of subordinated liabilities)	0	(300)
c)	**Net cash from financing activities** (a - b)	**0**	**2,600**
D.	**Effects of exchange rates on cash and cash equivalents**	**257**	**(53)**
E.	**Net increase in cash and cash equivalents** (Ae + Bc + Cc)	**32,380**	**2,860**
F.	**Opening balance of cash and cash equivalents** (Note 20 b)	**50,751**	**47,944**
G.	**Closing balance of cash and cash equivalents** (D + E + F) (Note 20 b)	**83,388**	**50,751**

The accompanying notes form an integral part of the consolidated financial statements.

The Management Board of Deželna banka Slovenije d. d. hereby approves the consolidated financial statements and the notes to the statements.

Member of the Management Board
Mojca Štajner

President of the Management Board
Sonja Anadolli

BANKA SLOVENIJE DEŽELNA d.d. LJUBLJANA 1

Ljubljana, 2 March 2015

II. Notes to the consolidated financial statements for 2014

1. GENERAL INFORMATION

The Deželna banka Slovenije Group (hereafter Group) consists of the bank Deželna banka Slovenije d. d. (hereafter Bank) and its subsidiaries DBS Leasing d. o. o. (hereafter DBS Leasing), real estate company DBS Nepremičnine d. o. o. (hereafter DBS Nepremičnine), seed-producer Semenarna Ljubljana, proizvodnja in trgovina, d. d. (hereafter Semenarna), and real estate company DBS Adria d. o. o., družba za poslovanje z nepremičninami (hereafter DBS Adria).

Deželna banka Slovenije d. d. is a Slovenian private company limited by shares, with its business address Deželna banka Slovenije d. d., Kolodvorska 9, Ljubljana, Slovenia.

Deželna banka Slovenije d. d. is a public company under Article 99 of the Slovenian Markets in Financial Instruments Act, as its bonds are traded on the Luxembourg Stock Exchange (Bourse de Luxembourg). Since its shares are not listed on any regulated market, it is not a public limited company.

DBS Leasing is a universal leasing company engaged in financial leases of vehicles, equipment and real estate. DBS Nepremičnine is a company engaged in selling the Group's real estate, renting it out, and developing real estate projects. DBS Adria is a company engaged in real estate activities.

The core business of Semenarna is retail sale, wholesale and processing.

At the beginning of 2014 Deželna banka Slovenije d. d. injected additional capital into Semenarna, gaining control over it and recognising it as a subsidiary.

Semenarna is the largest seed-producer, seed-wholesaler and seed-retailer, and seed exports company in Slovenia and the region. The company's core business includes retailing, wholesale and processing – wholesale of grain, seeds and animal feeds; retail trade in specialized gardening equipment and pet stores; growing vegetable crops and root crops, producing the seeds of vegetables, seasonal herbs, green vegetables, flowers; production of vegetable seeds and seedling vegetables, fruit tree nursery plants, vine grafts and ornamental plants.

Semenarna entered compulsory composition on 9 July 2012. The Ljubljana District Court issued a resolution confirming the compulsory composition on 14 January 2013 and it became final on 6 February 2013. The resolution requires the company to settle up to 50% of the claims of ordinary creditors within four years of the compulsory composition becoming final, i.e. by 6 February 2017.

After injecting new capital into Semenarna in the form of in-cash contributions during compulsory composition in 2013, the Bank became the company's largest individual shareholder, obtaining 47.55% of its shares worth a total of EUR 432,700.

As at 15 January 2014 the Bank invested new capital in Semenarna by purchasing 4,800,000 shares. The capital increase was recorded in the companies' register on 13 February 2014. The Bank purchased the additional shares by means of a debt-to-equity conversion, with the purchase price totalling EUR 2,770,873. The fair value of consideration paid for shares represents the best market price, as the Bank purchased claims subject to the debt-to-equity conversion from a bidder in a public tender.

After the capital increase, the ownership stake of Deželna banka Slovenije d. d. in share capital totalled 96.0592%. In July 2014 the Bank purchased the remaining shares and became the 100% owner of Semenarna.

This capital increase made Semenarna solvent and represents a significant contribution toward its financial reconstruction. Being a majority shareholder enables the Bank to exercise direct control over the company's operations, and easier supervision of the financial reconstruction and corporate reorganisation. Wholesale operations engage Semenarna in transactions with agricultural cooperatives, who are the Bank's customers, which is why additional positive synergistic effects can be expected in this area.

The consolidation process recognised negative goodwill as the excess of the controlling company's (Deželna banka Slovenije d. d.) interest in the net fair value of identifiable assets, liabilities and contingent liabilities above the cost of the business combination (Note 17).

The Group prepares disclosures subject to prudential consolidation (Chapter 3). In addition to the controlling company Deželna banka Slovenije d. d., subsidiaries DBS Leasing and DBS Nepremičnine have been included in prudential consolidation under Directive 2013/36/EU (CRD IV) and Regulation 575/2013/EU (CRR).

In 2014 the consumer price index was up 0.2% (2013: 1.8%). From 1 January 2007 Slovenia's national currency has been the euro, which has thus also become the functional and presentation currency of the Bank's financial statements. All amounts in the financial statements and related notes are given in euro thousands, unless specified otherwise.

2. CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

2.1. Basis for the presentation of financial statements

Financial statements have been prepared under the International Financial Reporting Standards (IFRS) as adopted by the EU.

The policies set out below have been consistently applied in the financial statements for all the years presented.

The preparation of financial statements under IFRS as adopted by the EU requires the use of certain critical accounting estimates, which influence the value of reported assets and liabilities, the disclosure of potential assets and liabilities on the reporting date, and the amount of income and expenditure in the reported period. It also requires the management to select accounting policies of the Group according to its own judgement. The areas of operation for which certain estimates and judgements have been taken into account that are relevant for the understanding of consolidated financial statements are disclosed in Note 4.

Changes in accounting policies

In financial year 2014 the Group did not adopt or apply accounting policies different from those applied in previous periods, such as would have a material effect on the financial statements of the current year.

Statement of financial position tables have been prepared in compliance with the Regulation on the Books of Account and Annual Reports of Banks and Savings Banks, as issued by the Bank of Slovenia. Under assets, the new methodology has included sight deposits at banks in the item cash, balances at central banks and sight deposits at banks (Note 20 a). And under liabilities, borrowings from banks and central banks now include long-term borrowings from the central bank (Note 36).

Standards and interpretations effective for the current period

The following standards, amendments to the valid standards, and interpretations, as issued by the International Accounting Standards Board (IASB) and adopted by the EU, apply to the reporting period:

- *IFRS 10 „Consolidated Financial Statements",* adopted by the EU on 11 December 2012 (effective for annual periods starting on or after 1 January 2014);
- *IFRS 11 „Joint Arrangements",* adopted by the EU on 11 December 2012 (effective for annual periods starting on or after 1 January 2014);
- *IFRS 12 „Disclosure of Interests in Other Entities",* adopted by the EU on 11 December 2012 (effective for annual periods starting on or after 1 January 2014);
- *IAS 27 (amended in 2011) „Separate Financial Statements",* adopted by the EU on 11 December 2012 (effective for annual periods starting on or after 1 January 2014);
- *IAS 28 (amended in 2011) „Investments in Associates and Joint Ventures",* adopted by the EU on 11 December 2012 (effective for annual periods starting on or after 1 January 2014);
- *Amendments to IFRS 10 „Consolidated Financial Statements", IFRS 11 „Joint Arrangements" and IFRS 12 „Disclosure of Interests in Other Entities"* – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods starting on or after 1 January 2014);
- *Amendments to IFRS 10 „Consolidated Financial Statements", IFRS 12 „Disclosure of Interests in Other Entities" and IAS 27 (amended in 2011) „Separate Financial Statements"* – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods starting on or after 1 January 2014);
- *Amendments to IAS 32 „Financial Instruments: Disclosures"* – Offsetting Financial Assets and Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods starting on or after 1 January 2014);
- *Amendments to IAS 36 „Impairment of Assets"* – Recoverable Amounts Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods starting on or after 1 January 2014);
- *Amendments to IAS 39 „Financial Instruments: Recognition and Measurement"* – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods starting on or after 1 January 2014).

Our adoption of these amendments to the valid standards did not cause any changes in the Group's accounting policies.

Standards and interpretations issued by the IASB and adopted by the EU; not yet effective

On the day of these financial statements being approved the following standards, amendments to the valid standards, and interpretations, as issued by the IASB and adopted by the EU, had been issued but were not yet effective:

- *Amendments to different standards „Improvements of IFRS (2010–2012 cycle)",* issued under the annual improvements of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), mainly eliminating inconsistencies and interpretations in the text, adopted by the EU on 17 December 2014 (amendments are mandatory for annual periods starting on or after 1 February 2015);
- *Amendments to different standards „Improvements of IFRS (2011–2013 cycle)",* issued under the annual improvements of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40), mainly eliminating inconsistencies and interpretations in the text, adopted by the EU on 18 December 2014 (amendments are mandatory for annual periods starting on or after 1 January 2015);
- *Amendments to IAS 19 „Employee Benefits"* – Defined Benefit Plans: Employee Contributions, adopted by the EU on 17 December 2014 (effective for annual periods starting on or after 1 February 2015);
- *IFRIC 21 „Levies",* adopted by the EU on 13 June 2014 (effective for annual periods starting on or after 17 June 2014).

The Group decided not to adopt these standards, amendments and interpretations before they take effect. The Group expects its adoption of these standards, amendments and interpretations to not have a major effect on the financial statements over the initial period of use.

Standards and interpretations issued by the IASB but not yet adopted by the EU

IFRS as adopted by the EU do currently not differ in any major respect from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following standards, amendments and interpretations which were not yet approved for use in the EU as at 31 December 2014 (the effective dates given below apply to the entire IFRS):

- *IFRS 9 „Financial Instruments"* (effective for annual periods starting on or after 1 January 2018);
- *IFRS 14 „Regulatory Deferral Accounts"* (effective for annual periods starting on or after 1 January 2016);
- *IFRS 15 „Revenue from Contracts with Customers"* (effective for annual periods starting on or after 1 January 2017);
- *Amendments to IFRS 10 „Consolidated Financial Statements" and IAS 28 „Investments in Associates and Joint Ventures"* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods starting on or after 1 January 2016);
- *Amendments to IFRS 10 „Consolidated Financial Statements", IFRS 12 „Disclosure of Interests in Other Entities" and IAS 28 „Investments in Associates and Joint Ventures"* – Investment Entities: Applying the Consolidation Exception (effective for annual periods starting on or after 1 January 2016);
- *Amendments to IFRS 11 „Joint Arrangements"* – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods starting on or after 1 January 2016);
- Amendments to IAS 1 *„Presentation of Financial Statements"* – Disclosure Initiative (effective for annual periods starting on or after 1 January 2016);
- *Amendments to IAS 16 „Property, Plant and Equipment" and IAS 38 „Intangible Assets"* – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods starting on or after 1 January 2016);
- *Amendments to IAS 16 „Property, Plant and Equipment" and IAS 41 „Agriculture"* – Agriculture: Bearer Plants (effective for annual periods starting on or after 1 January 2016);
- *Amendments to IAS 27 „Separate Financial Statements"* – Equity Method in Separate Financial Statements (effective for annual periods starting on or after 1 January 2016);
- *Amendments to different standards „Improvements of IFRS (2012–2014 cycle)",* issued under the annual improvements of IFRS (IFRS 5, IFRS 7, IFRS 19 and IAS 34), mainly eliminating inconsistencies and interpretations in the text (amendments are mandatory for annual periods starting on or after 1 January 2016).

The Group assumes that its adoption of these standards, amendments and interpretations of valid standards will not have a major effect on the Group's financial statements over the initial period of use.

2.2. Consolidation

Subsidiaries have been fully consolidated from the day the Bank gained control over them. The Groups' consolidated statements do not include intra-group transactions and unrealised gains and losses. In order to ensure compliance with the Bank's guidelines, the accounting policies of the two subsidiaries have been adjusted as appropriate.

2.3. Critical accounting estimates

Certain assumptions and estimates are needed in preparing financial statements, which affect the amounts of assets and liabilities reported for the financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and receivables

The Group's credit risk management includes quarterly assessments of whether there is any objective evidence of impairment for each individually significant loan. If so, a detailed impairment is calculated to determine whether an impairment loss should be recognised in the income statement.

In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows of a portfolio of loans. This evidence may include observable data indicating that there has been an adverse change in the payment status of a group of borrowers, or deteriorated economic conditions and circumstances. Future cash flows of a group of financial assets are estimated based on historical loss experience for assets with credit risk characteristics similar to those in that group. Individual estimates are based on the projected future cash flows, using all relevant information on the borrower's financial position and liquidity.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly, in order to reduce any differences between loss estimates and actual loss experience.

Loans that were individually assessed for impairment and for which no signs of impairment exist are then grouped together with loans with similar credit risk characteristics, based on historical loss experience.

(b) Impairment of available-for-sale equity instruments

Available-for-sale equity instruments are impaired when their fair value has dropped substantially or over a prolonged period below their cost. The decision of what constitutes a substantial and prolonged drop is based on estimates. In making these estimates, the Group takes into account, *inter alia*, the normal share price volatility (fluctuations). Further signs of impairment also include evidence of the issuer's deteriorated financial position, deteriorated industry performance, changes in technology and in operations.

(c) Held-to-maturity investments

Pursuant to the guidelines of IAS 39, the Group classifies into held-to-maturity investments its financial assets with fixed or determinable payments and fixed maturity. In making this classification, the Group relies on its judgement, evaluating its intention and ability to hold such investments to maturity. Should the Group fail to keep these investments to maturity (except in the case of specific circumstances, such as if its sells an insignificant stake close to maturity), it will be required to reclassify the entire class as available-for-sale assets. In such an event, the investments would therefore have to be revalued to fair value.

(d) Fair value of investment property

The fair value of investment property reflects market conditions as at the date of the statement of financial position. The estimated value of investment property is based on mean value calculated using the comparable sales method, and on the income valuation approach.

(e) Tax

The Group is subject to income taxes only in Slovenia. To determine the amount of income tax payable, some estimates are required. The Group recognises income tax and deferred tax liabilities based on estimates of whether it will have to settle them. Should the final tax outcome be different from the amounts recognised by the Group, such differences will impact the income tax and deferred tax provisions in the respective period.

2.4. Segment reporting

The Group has issued bonds that are traded on the regulated capital markets, therefore it prepares segmental reporting (Note 4).

2.5. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank and its subsidiaries operate. The financial statements are presented in euros, which is the functional and presentation currency of the Bank and its subsidiaries.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates effective at the date of the transaction. Foreign exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange differences in available-for-sale equities are recognised with valuation gains/losses in revaluation surplus in equity.

Income and expenses in foreign currency are translated into their euro-equivalent applying the exchange rates effective at the date of the transaction.

Gains and losses resulting from purchases and sales of foreign exchange are recognised in the income statement under foreign exchange translation.

2.6. Interest income and expense

Interest income and expense is recognised in the income statement for all instruments measured at amortised cost, using the effective rate method.

The effective rate method is a method of calculating financial assets' or liabilities' amortised cost and a method of allocating interest income and expense over a requisite period.

The effective interest rate is the interest rate used to precisely discount the estimated future cash flows for the entire period of the expected useful life of a financial instrument or for a shorter period when needed, up to the net current value of a financial asset or liability.

In calculating the effective interest rate the Group must estimate cash flows taking into account all contractual conditions of the transaction in the relevant financial instrument, but cannot consider future credit losses. The calculation of the effective interest rate includes all paid amounts: instalments, fees, costs.

Once a financial asset or a group of similar financial assets has been written down as a result of impairment loss, interest income is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss.

2.7. Fee and commission income and expense

Fee and commission is generally recognised when the service has been provided. Fee and commission for agency services in a transaction or for participation in the agency of a transaction for a third person is recognised when the transaction has been concluded. Fee and commission for portfolio management and other consultancy services is recognised on the basis of requisite service agreements when the services have been provided. Fee and commission for international and domestic payment transactions is recognised when the respective service has been provided.

Fee and commission included into the calculation of the effective interest rate is recognised under interest income or expense.

2.8. Financial assets

The Group classifies its financial assets into the following groups: financial instruments at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The management determines the classification of investments upon initial recognition.

(a) Financial instruments at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and financial instruments designated at fair value through profit or loss.

The Group only holds financial assets held for trading.

(b) Loans and receivables

Loans and receivables are financial instruments with fixed or determinable payments that are not traded in an active market, other than: (a) those that are intended for sale in the short term, which are classified as held-for-trading, and those that are designated at fair value through profit or loss upon initial recognition; (b) those that are designated as available-for-sale upon initial recognition; or (c) those for which the holder may not recover the majority of its initial investment, for reasons other than credit deterioration.

(c) Held-to-maturity investments

Held-to-maturity investments are financial instruments with fixed or determinable payments and fixed maturity, which the Group has the positive intention of holding to maturity. Should the Group sell more than a negligible amount of held-to-maturity investments, the entire category would be re-classified under available-for-sale financial assets.

(d) Available-for-sale financial assets

Available-for-sale financial assets are those the Group intends to hold for an indefinite period of time, and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or prices of financial instruments.

(e) Measurement and recognition

Purchases and sales of financial instruments at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets are recognised as at the date the transaction was concluded – the date on which the Group committed to carry out the purchase or sale of the respective instrument. Derivatives are recognised on the trade date.

Financial assets, apart from financial instruments at fair value through profit or loss, are initially measured at fair value plus transaction costs. Financial assets carried at fair value through profit and loss are initially recognised at fair value, while the transaction costs are expensed in the income statement. A financial asset is derecognised when the contractual rights to cash flows have expired or if all risks and benefits of the ownership of a financial asset are transferred. A financial liability is derecognised solely when the contractual obligation has been met, revoked or has lapsed.

Financial assets available-for-sale and financial assets at fair value through profit or loss are measured at fair value. Loans and receivables as well as held-to-maturity investments are measured at amortised cost applying the effective interest rate. Gains and losses from changes in the fair value of the financial assets at fair value through profit or loss are included in the income statement in the period in which they arise. Gains and losses from changes in the fair value of available-for-sale financial assets are recognised directly in equity until the financial asset is sold or impaired, at which time they are recognised in the income statement. Any cumulative gains or losses previously included in equity are recognised in the income statement.

Interest from the effective interest rate and exchange differences in monetary assets available-for-sale are recognised in the income statement. Dividends from available-for-sale financial assets are recognised in the income statement, upon the establishment of the holder's right to payment.

Fair values of financial instruments traded in an active market are based on market prices.

If a financial instrument is not traded in an active market, the Group determines its fair value by using valuation models.

2.9. Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there exists a legal right to offset the amounts and the intention to either settle on a net basis or to realise the asset and settle the liability simultaneously.

2.10. Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events (or „loss events") that occurred after the initial recognition of the asset(s) and that event has had an impact on the estimated future cash flows of the financial asset or group of financial assets, which can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:
- Delinquency in contractual payments of principal or interest,
- Cash flow difficulties experienced by the borrower,
- Breach of loan covenants or terms,
- Initiation of bankruptcy proceedings or compulsory composition,
- Deterioration of the borrower's competitive position.

The Group first assesses whether objective evidence of impairment exists for financial assets that are significant individually (the customer's total exposure exceeds 0.5% of the Bank's capital), and individually or collectively for financial assets that are not significant individually. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether individually significant or not, it includes the asset in a group of financial assets with similar credit risk characteristic and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included into the collective assessment of impairment. Impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred yet), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through an allowance account and the loss amount is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the cash flow discount rate and measurement of impairment losses are determined with the current effective interest rate, contractually stipulated.

The calculation of the present value of the estimated future cash flows of collateralised financial assets reflects the anticipated cash flows that may result from foreclosure, decreased by the costs of obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of collective assessment of impairment, financial assets are classified into groups from A to E, on the basis of similar credit risk characteristics, especially on the basis of estimates of the future financial standing of the borrower, its capacity to ensure adequate cash inflows to promptly meet its future liabilities towards the Group, the type and scope of collateral or off-balance sheet engagements towards a borrower, and the borrower's meeting its liabilities towards the Group in past periods.

The requisite impairments for a group of financial assets that are evaluated collectively are estimated on the basis of historical loss experience for assets with similar credit risk characteristics. Actual losses are adjusted according to current data, which reflect the effects that had no influence on the period in which actual losses were incurred, and according to detached effects of past periods, which no longer exist. The Group regularly reviews the adequacy of the methodology and estimates used for determining future cash flows.

Companies are classified into sub-groups according to the credit rating of each borrower. The Group calculates the anticipated loss from credit risk for different sub-groups on the basis of an aggregate migration matrix and average rate of default for different sub-classes. The annual migration matrix shows the probability of the migration of customers between internal rating classes within one year. In estimating losses, both historical loss experience as well as factors reflecting the current situation are considered.

The Group divides retail customers into two groups: households, and private entrepreneurs and farmers without a personal identification number. It further distributes both groups into sub-classes according to the credit rating of the financial asset or off-balance sheet commitment. The anticipated loss from credit risk for an individual sub-class is determined on the basis of the regularity of settling liabilities with the Group.

The Group does not impair or form provisions for sovereign exposure, central bank exposure, bank exposure and exposure with high-class collateral.

The Group calculates the percentages of expected impairment losses from credit risk in the collective assessment of companies annually, or in case of substantially changed circumstances in the Group and/or in the market, during the year as well.

The Group regularly reviews the methodology and assumptions in assessing impairments. Impairment estimates must be adjusted to any changed circumstances in the Group and/or the market and legislation.

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

If the impairment amount decreases in the following period and this decrease is objectively related to an event that occurred after the impairment was recognised (such an event is for instance a borrower's improved credit rating), the initially recognised impairment losses are reversed through loan impairments, and the reversal is recognised in the income statement as income from the reversal of impairment.

(b) Available-for-sale financial assets

The Group assesses at each date of the statement of financial position whether there is objective evidence that financial assets or a group of financial assets available-for-sale are impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the assets are impaired. If any such evidence of impairment exists for available-for-sale financial assets, the cumulative loss, which is recognised in equity – measured as the difference between estimated costs and current fair value, decreased by impairment losses recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement of available-for-sale equity instruments cannot be reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, impairment losses are reversed through the income statement.

2.11. Property, plant and equipment, and intangible assets

All property, plant and equipment as well as intangible assets are initially stated at cost. The cost of property, plant and equipment is composed of its purchasing price and all the costs that can be directly attributed to the asset.

Assessments are made each year whether there are indications that property, plant and equipment may be impaired. If any such indication exists, the Group estimates the recoverable amount. If value in use exceeds the carrying value, assets are not impaired. If the assets carrying amount is higher than its estimated recoverable amount, the carrying amount is decreased to its recoverable amount. The recoverable amount is fair value less the cost of selling, or value in use, whichever is higher.

After initial recognition, property, plant and equipment is measured at the cost model less depreciation.

The following are the annual depreciation and amortisation rates used:

	2014	2013
	%	%
Buildings	2.0-4.0	2.0-4.0
Computer equipment	20.0-30.0	20.0-30.0
Software	10.0-20.0	10.0-20.0
Motor vehicles	12.5-20.0	12.5-20.0
Other equipment	4.0-30.0	4.0-30.0

Intangible assets, which mainly include software, are stated in the statement of financial position at cost less depreciation and accumulated impairment losses.

Depreciation of intangible assets is provided on a straight-line basis. General software is amortised over five years, with dedicated software being amortised over ten.

Assets in the course of transfer or manufacture/implementation are not depreciated until they are available for use.

The Group assesses the remaining value of assets upon each reporting period as well as their useful lives, and adjusts their values as appropriate.

Gains and losses incurred upon disposal of property, plant and equipment are determined by reference to the difference between their carrying amount and net profit upon disposal, and are taken into account in determining operating profit. Maintenance and repairs are charged to the income statement during the financial period in which they are incurred. Should these assets increase the Group's future economic benefits, their carrying amount shall also recognise subsequent costs.

2.12. Investment property

Upon acquisition the Group recognised investment property at cost, which includes the purchase price and all related costs.

After initial recognition, investment property was restated at fair value.

In determining the fair value of investment property, we used the discounted future gains method.

Fair value is based on market prices as at the date of the statement of financial position.

Investment property is property, plant and equipment not used directly by the Group for its operations but held with the purpose of giving it into operating lease. Any gain or loss arising from a change in fair value is recognised in the income statement. If there is a change in use due to the commencement of owner occupation, investment property is transferred to owner occupied property.

Property, plant and equipment received for repayment of claims is initially measured at fair value. After initial recognition the Group measures property, plant and equipment received for repayment of claims at fair value, using the fair value method.

2.13. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is deemed to be met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Non-current assets are classified as held for sale if the owner is committed to the sale and this commitment is stated in writing, whereupon the sale must be completed within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

2.14. Leases

A lease is a finance lease if the risks and rewards incidental to ownership of a leased asset are transferred. A lease is an operating lease if the risks and rewards incidental to ownership of a leased asset are not transferred.

(a) The Group is the lessee

All leases where the Group is the lessee are operating leases. The Group leases certain business premises and ATM venues. Payments made under operating leases are charged to the income statement proportionately over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor is recognised as an expense in the period of termination.

(b) The Group is the lessor

The Group gives business premises and motor vehicles into operating lease. In case of assets given into operating lease, all payments made under operating leases constitute income generated from investment property, and are recognised in the income statement proportionate to the period of the lease agreement. Costs incurred in obtaining lease payments are recognised as costs. Initial direct costs incurred by the lessor in negotiating and agreeing an operating lease are added to the leased asset's book value and recognised as costs in the period of the lease on the same basis as lease income.

When assets are leased out under a finance lease, the present value of lease payments is recognised as a receivable from a finance lease. The difference between the gross receivable and the present value of the receivable is recognised as long-term deferred costs. Finance lease income is recognised systematically over the entire term of the lease and reflects a constant periodic rate of return. It is only the subsidiary DBS Leasing d. o. o. that gives assets into finance lease in the Group.

2.15. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise: cash and balances at central bank, loans to banks with less than 90 days maturity from the date of acquisition, treasury bills and debt securities available-for-sale with less than 90 days maturity from the date of acquisition.

2.16. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow will be required to settle it, and a reliable estimate of the amount of the obligation can be made. Risks arising out of contingent liabilities and commitments are assessed similarly to risks arising out of loans. All increases in liabilities arising out of estimated expenses required to settle the liabilities under contractual terms, are included into provisions.

2.17. Provisions for severance pays and long-service awards

Pursuant to the Slovenian legislation, employees retire upon meeting certain predetermined criteria, whereupon they are entitled to severance pay, which is paid out in a single amount. Employees are likewise entitled to long-service awards upon every 10 years of employment.

Provisions have been made for long-service awards, severance pays upon retirement and other long-term benefits.

Provisions are measured as the current value of future cash flows. All gains and losses are recognised in the income statement.

2.18. Tax

Taxation has been provided for in the income statement pursuant to the Slovenian legislation in force from time to time. The tax item in the income statement comprises current tax and deferred tax. Current tax is calculated on the basis of taxable profit for the year, applying the tax rates enacted at the date of the statement of financial position.

Corporate income tax is levied on taxable profits at the rate of 17%.

Pursuant to the Slovenian Corporate Income Tax Act, current corporate income tax is charged at the rate of 17% off the established tax base (in 2013: 17%).

Deferred tax is provided on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets and deferred tax liabilities are measured at the tax rates that are reliably expected to be effective in the financial year in which deferred tax assets will be received and deferred tax liabilities settled, and are based on tax rates (and tax regulations) enacted at the date of the statement of financial position.

The most important temporary differences arise from tax loss, impairment of investments in subsidiaries, valuation of financial assets, and provisions.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary deductible differences can be utilised.

Deferred tax related to the revaluation of available-for-sale investments to fair value is recognised directly in equity and subsequently transferred to the income statement together with the deferred revaluation profit or loss.

Deferred tax liabilities are recognised on account of a revaluation of available-for-sale financial assets.

2.19. Borrowings

Borrowings are initially recognised in the statement of financial position at the value of their issue proceeds net of transaction cost incurred. Borrowings are subsequently stated at amortised cost using the effective interest method.

2.20. Equity

(a) Share issue costs

Additional costs that the Group can directly attribute to the issue of new shares or options or a concluded transaction are shown in equity in their net amount as a direct deduction from equity (without the related amount of income tax).

(b) Dividends on ordinary shares

Dividends on ordinary shares are charged to equity in the period in which they are approved by the Bank's owners.

Dividends for the year past are declared at the AGM after the date of the statement of financial position.

(c) Treasury shares

If the Group purchases treasury shares, the consideration paid is deducted from total shareholders' equity. Where such shares are subsequently sold, any consideration received is included in shareholders' equity.

2.21. Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make agreed payments to reimburse the contract holder for a loss it incurs due to a borrower's defaulting. The Group issues such financial guarantees to other banks, financial institutions and other customers to secure loans, limits and other banking facilities.

Financial guarantee contracts are initially recognised at fair value plus the fee received. Fee income is recognised in the income statement on a straight-line basis, over the entire term of the financial guarantee contract. The Group subsequently recognises them at the higher of the initial measurements less fee income received, on a straight-line basis over the entire term of the financial guarantee contract, and less the best estimate of the expenditure required to settle the obligation under the financial guarantee as at the reporting date. These estimates are based on the historical cost convention and experience in similar business, as well as the management's judgement.

2.22. Fiduciary activities

The Group offers its customers, corporate as well as retail, the services of asset management and the services of lending under authorisation. For these services, customers are charged a fee. Details are explained in Note 51. These assets are not included into the Group's statement of financial position.

3. MANAGING FINANCIAL RISK AT GROUP LEVEL

To the risks it is or could be exposed to the Group devotes special attention. For this purpose it has set up an independent risk management function, whose effectiveness is guaranteed by a transparent organisation structure and delimitation of competences. The supervisory boards of the Bank and the subsidiary as well as the senior management take an active part in the process of risk management.

In relation to assuming and managing risk, the Group has adopted relevant strategies and policies for assuming and managing major banking risks. In 2014 the Group continued meeting the requirements of the capital accord and the new regulatory framework for banks. It additionally upgraded risk management, especially the management of credit risk. The Supervisory Board continually monitored the Group's exposure to risk, its risk profile and its risk taking capacity.

The Group is subject to prudential consolidation. In addition to the controlling company Deželna banka Slovenije d. d., subsidiaries DBS Leasing and DBS Nepremičnine have been included in prudential consolidation under Directive 2013/36/EU (CRD IV) and Regulation 575/2013/EU (CRR), with subsidiaries DBS Leasing and DBS Nepremičnine already included under the previous legislation in force. Consistent with the provisions of Article 4(1) and 4(18) of the Regulation, DBS Nepremičnine is considered an ancillary services undertaking and therefore one of the financial sector entities under Article 4(1) and 4(27c) of the Regulation. Subsidiaries DBS Leasing and DBS Nepremičnine are included in prudential consolidation under Article 18 of the Regulation. Consistent with Article 19 of the Regulation subsidiaries DBS Adria and Semenarna are not included in prudential consolidation, hence their share of interest, liquidity and foreign exchange risk has been disregarded. Notwithstanding their exclusion from prudential consolidation, the impact of their share of interest, liquidity and foreign exchange risk on the Group is estimated as negligible (i.e. not greater than similar exposures).

The Bank successfully raised EUR 4.4 million of capital in 2014 and thus met all the capital adequacy requirements imposed by the Bank of Slovenia. As the newly issued shares had not been recorded in the Central Securities and Clearing Corporation (KDD) securities register, the capital increase is not included in the balance of share capital as at 31 December 2014 (Note 44). It has, however, been taken into account – with the Bank of Slovenia's permission – in the calculation of capital adequacy as at 31 December 2014.

The common goal of the strategies and policies of taking and managing risk is to prevent and limit any losses due to individual risks.

3.1. Credit risk

We estimate the Group to be most exposed to credit risk, which is the risk that a borrower will cause a financial loss to the Group by failing to discharge an obligation when due, for whatever reason. The Group forms impairments and provisions for potential losses, recognised as at the date of the statement of financial position. Significant changes in the economy or in the health of a particular industry segment that represents a concentration in the credit portfolio can result in losses that are different from those provided for as at the date of the statement of financial position. The management therefore pursue a prudent credit risk management strategy.

The Group manages the level of credit risk it is willing to undertake by capping the amount of risk it is willing to take in relation to one borrower or group of borrowers, and by capping the amount of risk it is willing to take in relation to individual geographical and industry segments. These risks are regularly monitored and subject to annual or more frequent reviews.

The portfolio exposed to credit risk includes statement of financial position receivables (loans, debt securities, equity investment, interest, fee and commission, etc.) as well as off-balance sheet liabilities (guarantees, letters of credits, working capital loans, etc.) with companies, banks, financial institutions, the public sector, individuals and other customers.

Depending on the risk category of a borrower, as expressed by their credit rating, and the risk of a particular business, which is also influenced by the guarantees provided, appropriate impairment provisions are formed for credit risk.

In order to reduce capital requirements for credit risk, the Group only considered first-class and appropriate guarantees in 2014, consistent with regulations.

3.1.1. Measuring credit risk

(a) Loans and receivables
In 2014 the Group determined credit risk pursuant to the valid regulations. To this end it drew up its credit portfolio quality analyses, into which it included data on:
- Migration of customers among credit rating classes,
- Movements of relevant impairments,
- Provisioning of impairments for individual types of credit exposure.

More on forming provisions and impairments is given in Chapter 3.1.3.

(b) Debt securities
In assuming exposure to credit risk when buying debt securities in 2014 the Group used the classification into credit rating classes according to issuing states and other issuers, the kind used by i.e. Moody's or credit rating agencies of their level, whereby it specified the minimum acceptable credit rating limit for the respective securities.

3.1.2. Control over limiting credit risk, and guidelines on mitigating credit risk

The Group manages, limits and controls credit risk concentration wherever it is detected, especially in relation to individual customers and groups of customers, economy sectors, activities, industries and geographical regions.

Exposure to credit risk is managed with a system of limits, which stipulates the maximum acceptable credit risk limit. This risk is regularly monitored and examined. Credit risk limits of exposure are stipulated for individual customers, sectors, regions and industries.

The maximum possible total exposure of the Group towards a corporate customer is approved – at the proposal of the Risk Management Department – by the Credit Committee, and when the threshold of large exposure is greatly exceeded, also by the Bank's Supervisory Board. Limits are determined by considering the basic principles of banking, especially safety and liquidity.

(a) Collateral
The Group employs a variety of ways to mitigate credit risk, pursuant to its Internal Policy on Collateral, which stipulates the acceptability of different types of collateral.

As a rule, the Group collateralises all loans. To reduce credit risk losses to the greatest extent possible, customers are asked to provide additional collateral as soon as signs of deterioration in their creditworthiness appear.

Most collateral is real estate, evaluated according to appraisals by certified appraisers in compliance with the International Valuation Standards (IVS) or an internal methodology. We consider the value of such collateral to be evaluated adequately.

(b) Off-balance-sheet commitments
Guarantees and letters of credit as well as unused loans granted represent the same credit risk for the Group as loans. The Group regularly monitors maturity dates of loan commitments, since especially long-term commitments represent a higher credit risk than short-term commitments.

3.1.3. Guidelines on forming impairments and provisions

Pursuant to IAC 39 the Group establishes impairments and impairment losses for all financial assets measured at amortised cost, in compliance with the adopted internal methodology of assessing credit risk losses.

The Group assesses credit risk losses for loans and advances, other held-to-maturity investments and off-balance-sheet commitments.

The Group impairs financial assets and forms provisions for off-balance-sheet commitments, whether in case of a collective or individual assessment, when it has objective or impartial evidence that it will not be able to collect all due claims in compliance with contractual stipulations. Exposures with high-quality collateral are not impaired nor are there provisions formed for them.

The Group establishes impairment losses for financial assets and off-balance-sheet commitments individually or collectively. When it finds for an individual assessment of a financial asset or off-balance-sheet commitment classified into category P that the individual impairment or provision is no longer needed, it re-groups them into the relevant category A to C and re-assigns them into collective assessment.

The Group regularly examines the methodology of assessing credit risk losses and assumptions used in assessing losses.

Impairments and provisions are based on each of the six credit rating categories, as evident from the below table:

		2014		2013
Credit rating grade	Total claims for classification (%)	Share of provisions and impairment charges (%)	Total claims for classification (%)	Share of provisions and impairment charges (%)
1. A	62.5	0.0	63.3	0.1
2. B	10.7	1.2	12.7	1.6
3. C	0.5	5.9	2.8	9.4
4. D	0.0	19.3	0.0	22.7
5. E	0.1	91.2	0.1	100.0
6. P	26.2	35.2	21.1	40.8
	100.0	9.5	100.0	9.2

In 2014, the share of impairments and provisions increased by 0.3 of a percentage point compared to 2013.

The share of receivables grouped into category P increased significantly in 2014 as compared to the year before. We must point out that it was a specific interpretation of the Regulation on the Assessment of Credit Risk Losses of Banks and Savings Banks that caused an extraordinary shift of certain customers to category P; these were all the customers whose loans were in some way renegotiated by the Bank.

3.1.4. Total exposure to credit risk before collateral held or other credit enhancements

The table below illustrates the net values of the Group's exposure to credit risk – whereby not considering any collateral held by the Group or any other enhancements of credit quality – and the average exposure amount in the reported period, for 31 December 2014 as compared to the balance at 31 December 2013. Comparable data for 2013 have been recalculated under the new rules of Directive 2013/36/EU (CRD IV) and Regulation 575/2013/EU (CRR).

The exposure levels for balance-sheet and off-balance-sheet assets are given on the basis of net carrying amounts as reported in the statement of financial position, including off-balance-sheet figures, grouped into categories of exposure pursuant to CRR/CRD IV.

			2014		2013*
	Exposure category	Net exposure	Average exposure	Net exposure	Average exposure
01	Central government and central banks	333,167	313,646	308,615	261,952
02	Regional and local government	19,361	15,525	11,578	10,397
03	Public sector	38,235	35,446	20,635	28,614
06	Institutions	34,728	26,684	10,324	36,141
07	Corporate customers	55,389	71,505	87,129	97,777
08	Retail customers	182,038	205,156	261,964	295,498
09	Collateralised with mortgages on residential property	176,955	151,620	94,159	71,900
10	Past due items	75,103	63,372	66,348	37,487
11	Regulatory high risk categories	11,758	27,293	19,772	43,708
15	Other exposure	36,479	29,561	23,318	27,524
16	Equity exposure	6,577	5,034	1,743	1,314
	As at 31 December	969,790	944,842	905,585	912,312

* Comparable data for 2013 have been recalculated under the new rules of CRR/CRD IV.

The Group manages and will continue to maintain the lowest possible exposure toward credit risk, consistent with the Bank's strategy and capital restrictions.

3.1.5. Loans and receivables

To minimise exposure to credit risk, in 2014 the Group again focused its operations on companies and groups with a high credit rating and on transactions with customers that have both a good credit-worthiness and guarantee adequate collateral.

(a) Loans and receivables non past due and not impaired

		2014		2013*
	Loans to customers	Loans to banks	Loans to customers	Loans to banks
Non past due and not impaired	157,931	2,896	156,198	1,092
Impaired	558,725	0	571,427	0
Gross amounts	**716,665**	**2,896**	**727,625**	**1,092**
Less impairment allowance	(92,292)	0	(84,441)	0
Net amounts	**624,373**	**2,896**	**643,184**	**1,092**

* The new methodology changed the 2013 amount of loans to banks.

The total value of loans and receivables in financial year 2014 was down 1.26% from 2013, with loans to banks up and loans to customers down. The reported loan loss provisions totalled EUR 92,292 thousand (2013: EUR 84,441 thousand).

(b) Loans and receivables individually assessed as impaired

Loans and advances to customers (loans and receivables)

Individually impaired loans to customers and receivables from customers, before considering cash flows from collateral held by the Group, amounted to EUR 228,672 thousand at the year-end of 2014 (2013: EUR 188,843 thousand).

This gross figure of individually impaired loans and receivables according to categories, together with the fair value of their collateral that the Groups holds as a guarantee, breaks down into:

2014	Retail	Corporate		Banks	Total
	Loans and receivables	Large	SME*		
Individually impaired loans	77,429	59,405	91,838	29,425	258,097
- Past due up to 15 days	66	0	16	0	82
- Past due 16 to 30 days	37	0	157	0	194
- Past due 31 to 90 days	308	4,994	1,980	0	7,282
- Past due over 90 days	75,108	19,497	63,721	0	158,326
Impairment charge	51,372	15,894	23,626	0	90,892
Fair value of collateral	36,957	37,226	87,650	0	161,833

2013	Retail	Corporate		Banks	Total
	Loans and receivables	Large	SME*		
Individually impaired loans	66,015	30,791	92,037	6,811	195,654
Fair value of collateral	37,002	17,011	97,754	0	151,767

* Micro, small and medium enterprises.

Loans and advances to banks (loans and receivables)

The total gross amount of loans to and receivables from banks as at 31 December 2014 totalled EUR 29,425 thousand (2013: EUR 6,811 thousand), whereby no individually impaired loans were reported.

(c) Renegotiated loans and receivables

Consistent with the Regulation on the Assessment of Credit Risk Losses of Banks and Savings Banks and its stipulations on renegotiated receivables, the Group treats renegotiated financial assets as financial assets received – due to the debtor's inability to pay their debt under the initially agreed terms of the original loan agreement – under amended terms (by means of an additional agreement) or under a new loan agreement that stipulates a partial or full repayment of the original debt. Agreements with a renegotiation clause also fall into this category. As already mentioned, the Group treats renegotiated assets very restrictively due to the new Regulation on the Assessment of Credit Risk Losses of Banks and Savings Banks. The interpretation of the Regulation resulted in certain customers being moved to category P in 2014 despite our estimates that the credit risk associated with those customers had not deteriorated considerably.

The value of exposure for which a new agreement on repayment conditions was reached and which would otherwise fall due, amounted to a total of EUR 91,893 thousand as at 31 December 2014 (2013: EUR 61,030 thousand).

	2014	2013
Retail loans and receivables:		
– Loans and advances	91,893	61,030
Total	**91,893**	**61,030**

3.1.6. Debt securities and bills

The table below shows the balance of debt securities in the banking book (HTM) according to Standard & Poor's ratings, as at 31 December 2014:

Credit rating	2014	2013
A+, A, A-	98,606	81,052
Below BBB- (non-investment grade)	0	4,041
Non-rated	8,527	5,954
Total	**107,133**	**91,047**

The proportion of debt securities with higher ratings increased in 2014 compared to 2013, mainly the result of additional Republic of Slovenia bonds in our portfolio. The share of unrated debt securities was up from the previous year, mainly the result of the purchase of commercial papers and certificates of deposit issued by domestic entities. The Group's proprietary portfolio did not include non-investment grade debt securities.

3.1.7. Collateral acquired by prescription

In 2014 the Group acquired assets by calling on the collateral held as guarantee, namely:

Asset	Carrying amount
Property	6,522

Assets acquired through prescription are sold as soon as possible, and the proceeds used to reduce outstanding debt.

3.1.8. Breakdown of all exposure categories according to remaining maturity: up to 1 year and over 1 year

The table below gives the remaining maturities according to categories of exposure. Comparable data for 2013 have been recalculated under the new rules of CRR/CRD IV.

		Remaining maturity as at 31 December 2014			Remaining maturity as at 31 December 2013*		
	Exposure category	Up to 1 year	Over 1 year	TOTAL	Up to 1 year	Over 1 year	TOTAL
01	Central government and central banks	175,057	158,111	333,168	89,757	218,858	308,615
02	Regional and local government	1,500	17,861	19,361	666	10,912	11,578
03	Public sector	20,140	18,095	38,235	9,606	11,029	20,635
06	Institutions	34,718	10	34,728	6,279	4,045	10,324
07	Corporate customers	29,977	25,412	55,389	58,623	28,506	87,129
08	Retail customers	62,786	119,252	182,038	76,262	185,702	261,964
09	Exposure collateralised with mortgages on residential property	38,892	138,063	176,955	34,444	59,715	94,159
10	Past due items	43,258	31,845	75,103	48,218	18,130	66,348
11	Regulatory high risk categories	11,576	182	11,758	15,708	4,064	19,772
15	Other exposure	36,332	146	36,478	23,076	242	23,318
16	Equity exposure	6,577	0	6,577	1,743	0	1,743
	As at 31 December	460,813	508,977	969,790	364,381	541,203	905,585

* Comparable data for 2013 have been recalculated under the new rules of CRR/CRD IV.

At the year-end of 2014, over 47% of the Group's exposure would mature within one year, and almost 53% in over one year. In terms of value, exposure decreased the most towards retail customers, while it increased the most with respect to loans secured with mortgages on residential property.

3.1.9. Risk concentration of financial assets exposed to credit risk

(a) Regional (geographical) areas

The following table analyses the Group's exposures at their carrying amounts as classified into regions as at the year-ends of 2014 and 2013. Comparable data for 2013 have been recalculated under the new rules of CRR/CRD IV. Counterparties are grouped according to domicile.

The Group conducts its business primarily in Slovenia, while exposure to other countries arises mainly from treasury and investment banking services.

Exposure according to geographical segments, broken down into major exposure categories:

		2014				2013*			
	Exposure category	Slovenia	Other EU member states	Other countries	TOTAL	Slovenia	Other EU member states	Other countries	TOTAL
01	Central government and central banks	329,741	3,426	0	333,167	305,236	3,379	0	308,615
02	Regional and local government	19,361	0	0	19,361	11,578	0	0	11,578
03	Public sector	38,235	0	0	38,235	20,635	0	0	20,635
06	Institutions	22,596	12,131	1	34,728	10,269	54	1	10,324
07	Corporate customers	55,239	149	1	55,389	87,124	2	3	87,129
08	Retail customers	181,609	176	253	182,038	260,853	517	594	261,964
09	Collateralised with mortgages on residential property	176,425	327	203	176,955	94,159	0	0	94,159
10	Past due items	74,955	0	148	75,103	66,348	0	0	66,348
11	Regulatory high risk categories	11,758	0	0	11,758	19,772	0	0	19,772
15	Other exposure	36,479	0	0	36,479	23,318	0	0	23,318
16	Equity exposure	6,574	3	0	6,577	1,743	0	0	1,743
	As at 31 December	952,975	16,212	611	969,790	901,035	3,952	598	905,585
	Impaired exposure	92,901	44	15	92,960	85,294	1	34	85,329
	Past due exposure as at 31 December,	116,140	43	162	116,345	98,869	0	1	98,870
	of which impaired	67,993	43	14	68,050	58,836	0	0	58,836

* Comparable data for 2013 have been recalculated under the new rules of CRR/CRD IV.

Exposure to Slovenia increased by 5.76 of a percentage point from 2013.

(b) Economy sectors – industries

The following table analyses exposures to credit risk by industry. Comparable data for 2013 have been recalculated under the new rules of CRR/CRD IV.

Exposure according to industry, broken down into major exposure categories, as at 31 December 2014:

	Exposure category	Finances and insuran.	Trade industry	Manu-facturing	Constru-ction	Expert, scient. & technical activities	Fo-reign per-sons	Reale-state servi-ces	Cate-ring	Public admin. & craft services	Agric. and hun-ting	Transp. and wareho-using	Cuture, entert. & recreat. activities	Other various busin. activities	Inform. & commu-nication activities	Other activi-ties	House-holds	TOTAL
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
01	Central government and central banks	55,217	0	0	0	0	0	0	0	277,950	0	0	0	0	0	0	0	333,167
02	Regional and local government	0	0	0	0	0	0	0	0	19,361	0	0	0	0	0	0	0	19,361
03	Public sector	863	1,923	0	2,633	1,024	0	0	0	4	0	0	14	0	0	31,774	0	38,235
06	Institutions	34,728	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34,728
07	Corporate customers	3,117	19,725	16,667	5,313	1,595	0	271	24	161	589	56	333	2,783	2,101	2,471	183	55,389
08	Retail customers	1,476	16,927	7,401	3,562	4,416	181	377	1,829	0	2,530	2,065	78	1,104	1,720	4,144	134,228	182,038
09	Collateralised with mortgages on residential property	1,909	35,939	15,800	4,836	2,734	311	1,916	3,879	30	7,657	1,383	1,325	122	1,341	7,113	90,660	176,955
10	Past due items	2,399	13,805	10,366	19,407	6,770	0	10,379	4,544	0	856	121	5	154	264	182	5,851	75,103
11	Regulatory high risk categories	3,409	249	53	768	7,059	0	1	41	0	3	104	0	23	0	44	4	11,758
15	Other exposure	1	0	0	0	0	0	0	0	0	0	0	0	0	0	36,026	452	36,479
16	Equity exposure	259	3,681	0	0	21	0	3	0	2,556	0	0	0	0	57	0	0	6,577
	As at 31 December 2014	103,378	92,249	50,287	36,519	23,619	492	12,947	10,317	300,062	11,635	3,729	1,755	4,186	5,483	81,754	231,378	969,790
	Impaired exposure	7,419	14,165	8,039	23,125	24,099	43	3,172	2,034	139	710	1,892	67	131	431	159	7,335	92,960
	Past due exposures,	10,108	11,532	12,647	32,547	30,900	43	4,346	2,607	11	785	1,795	53	202	74	190	8,506	116,346
	of which impaired	5,273	5,653	6,139	19,306	20,975	43	1,749	1,056	10	521	1,581	46	68	23	57	5,551	68,051

Exposure according to industry, broken down into major exposure categories, as at 31 December 2013:

	Exposure category	Finances and insuran.	Trade industry	Manu-factu-ring	Constru-ction	Expert, scient. & technical activities	Fo-reign per-sons	Reale-state servi-ces	Cate-ring	Public admin. & craft services	Agric. and hun-ting	Transp. and wareho-using	Cuture, entert. & recreat. activities	Other various busin. activities	Inform. & commu-nication activities	Other activi-ties	House-holds	TOTAL
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
01	Central government and central banks	44,023	0	0	0	0	0	0	0	264,592	0	0	0	0	0	0	0	308,615
02	Regional and local government	0	0	0	0	0	0	0	0	11,578	0	0	0	0	0	0	0	11,578
03	Public sector	1,400	2,169	0	2,000	646	0	0	0	7	0	0	3	0	0	14,410	0	20,635
06	Multilateral development banks	10,324	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10,324
07	International organizations	18,918	29,343	19,262	5,450	5,192	0	289	60	5	1,327	0	1,131	2,748	1,722	1,682	0	87,129
08	Institutions	2,427	22,809	11,039	4,071	6,782	501	1,892	2,639	0	5,765	1,961	99	1,729	1,590	5,018	193,642	261,964
09	Corporate customers	1,252	33,053	14,448	3,046	4,376	0	10,688	2,805	249	3,444	1,065	1,492	46	219	6,738	11,238	94,159
10	Retail customers	2,589	7,585	8,864	26,375	4,274	0	1,135	6,627	111	1,902	122	1	0	915	175	5,673	66,348
11	Collateralised with mortgages on residential property	3,318	4,113	59	893	11,190	0	0	44	0	21	98	0	23	0	0	13	19,772
15	Past due items	0	0	0	0	0	0	0	0	0	0	0	0	0	0	22,819	499	23,318
16	Regulatory high risk categories	259	0	0	0	22	0	0	0	1,405	0	0	0	0	57	0	0	1,743
	As at 31 December 2013	84,510	99,072	53,672	41,835	32,482	501	14,004	12,175	277,947	12,459	3,246	2,726	4,546	4,503	50,842	211,065	905,585
	Impaired exposure	7,582	12,955	7,035	21,042	20,303	1	2,883	1,617	99	786	1,965	96	188	425	224	7,848	85,049
	Past due exposures,	2,743	13,605	9,321	21,322	19,434	0	1,786	2,248	122	2,480	1,852	53	90	68	69	8,036	83,229
	of which impaired	2,254	7,708	4,229	17,315	16,848	0	1,279	959	10	637	1,626	42	64	22	60	5,773	58,826

* Comparable data for 2013 have been recalculated under the new rules of CRR/CRD IV.

Exposure to the expert, scientific and technical activities, and the trade industry decreased the most in 2014 as compared to 2013, while exposure to the public administration, the financial and insurance industry was up the most.

3.1.10. Capital requirements according to exposure categories

The Group calculates the capital requirement for credit risk according to the standardised approach. The ratings of an external credit rating agency are used to determine exposure towards the central government and central banks.

Comparable data for 2013 have been recalculated under the new rules of CRR/CRD IV.

			2014		2013*
	Exposure category	Net exposure	Capital requirement	Net exposure	Capital requirement
01	Central government and central banks	333,167	583	308,615	0
02	Regional and local government	19,361	310	11,578	185
03	Public sector	38,235	578	20,635	293
06	Institutions	34,728	555	10,324	149
07	Corporate customers	55,389	3,502	87,129	6,234
08	Retail customers	182,038	8,901	261,964	14,264
09	Collateralised with mortgages on residential property	176,955	6,764	94,159	5,839
10	Past due items	75,103	7,295	66,348	6,590
11	Regulatory high risk categories	11,758	1,326	19,772	2,365
15	Other exposure	36,479	2,144	23,318	1,398
16	Equity exposure	6,577	527	1,743	139
	As at 31 December	969,790	32,485	905,585	37,456

* Comparable data for 2013 have been recalculated under the new rules of CRR/CRD IV.

The capital requirement dynamics for credit risk followed the change in the structure of net exposure by category.

3.2. Market risk

The Group undertakes exposure to market risk, which is the risk of decreased asset value or profitability due to volatile market prices, foreign exchange rates or relevant interest rates; however, the Group's exposure in this respect is relatively low. Changes of the Euribor rate were the most important market risk factor in 2014.

The Group's risk management policy is based on the current and expected market conditions, realised and planned financial data, valid regulations and existing risk management systems. The Group complies with the policy of dispersed portfolios and invests in highly liquid assets in countries with a high credit rating, avoiding investments with speculative-grade ratings. The market risk management policy includes general guidelines, objectives and approaches aimed at:

- Minimising loss from credit risk,
- Facilitating sufficient liquidity,
- Minimising the loss of the Bank's net income and the loss of the Bank's capital economic value due to floating interest rates,
- Minimising negative impact on the income statement caused by market risk.

Deviations from the strategy's set framework and risk management policies are monitored through reports on following the guidelines and through the system of limits and indicators, which are discussed by the Bank's committees and the Management Board.

The department responsible for stipulating the acceptable level of risk, for measuring and monitoring risk exposure, and for checking that exposure remains within the set limits, is organisationally separated from the departments where risk occurs.

Pursuant to the Deželna banka Slovenije d. d. Rules on Organisation, the following units participate in the Bank's risk management function:

- Liquidity Commission,
- Financial Markets Section,
- Financial Management Section,
- Process Support and Technology Section,
- Risk Management Department,
- Assets and Liabilities Management Committee, and
- Treasury Division Investment Committee.

The Group calculates the capital requirement for market risk under the standardised approach, pursuant to the provisions of the Regulation on the Calculation of Capital Requirements for Market Risk for Banks and Savings Banks. The table below shows capital requirements for market risk according to types of financial instruments.

	2014	2013
Equity instruments	54	56
Debt instruments	15	19
SUM OF CAPITAL REQUIREMENTS FOR MARKET RISK	**69**	**75**

Market risk management is based on a diversified system of limits (limits on equity and debt security positions, limits on exposure to individual types of issuers, etc.), which the Group regularly reviews and adjusts, if necessary.

Due to the increased volatility of capital markets (compared to bond markets and money markets), the Group devotes special attention to its equity positions. To this end it has in place the additional „stop-loss" limit system for each position on both the domestic and foreign markets, which daily examines the set limits. Value-at-Risk is calculated over a time horizon (on a monthly basis in the reports to the Assets and Liabilities Management Committee) for each position as well as for both sub-portfolios (domestic and foreign equities) and the joint portfolio, in order to detect any potential increased risk due to exposure to increased volatility.

With respect to the bond portfolio on the trading book, the Group calculates the time profile for each position and the related extent of exposure to loss in economic value in the event of an interest rate shock (so-called

„basis point value"). The value of the average-duration bond portfolio on the trading book over a time horizon is also monitored. All these calculations are conducted once per month, and their results are included into the report to the Assets and Liabilities Management Committee.

In 2014 the Group was primarily exposed to interest rate risk, as well as, to a lesser degree, to foreign exchange risk.

3.2.1. Methods for measuring risk related to trading in trading portfolio equities

To measure and manage market risk, the Group applies the Value-at-Risk method (VaR) for its equity trading portfolio. VaR measures the risk of loss on a specific portfolio of financial assets for a 10-day time horizon, with a 99% level of confidence.

The Group trades in equities in the domestic and foreign stock markets. The below table shows the VaR for the Slovenian sub-portfolio and the entire equity portfolio. All Slovenian equities on the trading book are unlisted securities whose fair value is established applying the generally accepted valuation models based on market items. For illiquid securities, which include unlisted stock, the VaR used is 16%, corresponding to the capital requirement for market risk in these types of financial instruments.

VaR value as at 31 December 2014:

Market	Portfolio value	VaR as % of portfolio value	VaR
Slovenia	340	16	54
Total	**340**	**16**	**54**

As at 31 December 2014 the equity portfolio had a VaR of EUR 54 thousand (2013: EUR 56 thousand).

3.2.2. Methods for measuring risk related to trading in trading portfolio debt securities

BPV (basis point value)

Basis point value (BPV) denotes the change in the market value of a trading book position, attributable to the parallel movement in the yield curve. BPV tells us how much value financial instruments will gain or lose depending on the market interest rate, i.e. change in yield. For a parallel movement in the yield curve by 200 basis points, BPV as at 31 December 2014 amounted to EUR 2 thousand (2013: EUR 5 thousand).

3.2.3. Foreign exchange risk

Foreign exchange risk represents the Group's potential loss due to the mismatch between assets and liabilities in different currencies. Foreign exchange risk is monitored and managed on a daily basis. Limits of maximum acceptable exposures to foreign exchange risk are clearly defined and monitored daily.

The Financial Markets Section balances currency positions and exposure to foreign exchange risk by taking the following measures:
- Spot and forward purchases and sales of foreign exchange in the interbank market,
- Setting daily mean rates and exchange rates,
- Entering into purchases and sales of foreign exchange with legal entities and individuals.

In 2014 the Group promptly balanced the differences between purchases and sales of foreign exchange, which were mainly the result of payment and foreign exchange transactions. Exposure towards financial instruments denominated in foreign currencies was very low and consistent with the set limits.

Assets and liabilities as at 31 December 2014 and 31 December 2013 according to currency are given in the following tables:

FOREIGN EXCHANGE RISK as at 31 December 2014					
Balance sheet items	**EUR**	**USD**	**CHF**	**OTHER**	**TOTAL**
Cash, balances at central banks, and sight deposits at banks	79,331	194	207	210	79,942
Financial assets held for trading	469	14	0	0	483
Available-for-sale financial assets	22,409	0	0	0	22,409
Loans	623,338	1,727	2,707	562	628,334
- Loans and advances to banks	607	1,727	0	562	2,896
- Loans and advances to customers	621,666	0	2,707	0	624,373
- Other financial assets	1,065	0	0	0	1,065
Held-to-maturity investments	107,133	0	0	0	107,133
Property, plant and equipment	13,109	0	0	0	13,109
Investment property	5,688	0	0	0	5,688
Intangible assets	968	0	0	0	968
Long-term equity participation in subsidiaries, associates and joint ventures	3,681	0	0	3	3,684
Income tax assets	5,985	0	0	0	5,985
- Deferred tax assets	5,985	0	0	0	5,985
Other assets	29,244	0	0	0	29,244
TOTAL ASSETS (1)	**891,355**	**1,935**	**2,914**	**775**	**896,979**
Trading liabilities	14	0	0	5	19
Financial liabilities measured at amortised cost	842,387	1,935	2,407	711	847,440
- Deposits by banks and central banks	161	0	0	0	161
- Deposits by customers	697,194	1,930	2,407	709	702,240
- Borrowings from banks and central banks	49,725	0	0	0	49,725
- Debt securities	72,387	0	0	0	72,387
- Subordinated liabilities	14,671	0	0	0	14,671
- Other financial liabilities	8,249	5	0	2	8,256
Provisions	1,577	0	0	0	1,577
Income tax liabilities	863	0	0	0	863
- Current tax liabilities	654	0	0	0	654
- Deferred tax liabilities	209	0	0	0	209
Other liabilities	1,133	0	0	0	1,133
TOTAL LIABILITIES (2)	**845,974**	**1,935**	**2,407**	**716**	**851,032**
MISMATCH (1) less (2)	**45,381**	**0**	**507**	**59**	**45,947**
Off-balance sheet liabilities	**86,445**	**0**	**0**	**0**	**86,445**

FOREIGN EXCHANGE RISK as at 31 December 2013					
Balance sheet items	**EUR**	**USD**	**CHF**	**OTHER**	**TOTAL**
Total assets	865,752	344	2,882	592	869,570
Total liabilities	817,985	2,138	3,391	622	824,136
Mismatch (1) less (2)	**47,767**	**(1,794)**	**(509)**	**(30)**	**45,434**
Off-balance sheet liabilities	**61,681**	**1,810**	**62**	**113**	**63,666**

As at 31 December 2014 the Group did not report capital requirements for foreign exchange risk, as its net currency position did not exceed 2% of the Group's capital.

3.2.4. Interest rate risk

The Group additionally monitors exposure to interest rate risk with reference to items in the banking book. It does this by using the methodology of interest rate sensitivity gap reports according to type of maturity and time periods relative to the following setting of interest rates (gap analysis). The results are communicated to the Assets and Liabilities Management Committee on a monthly basis.

Measuring, monitoring and examining interest rate risk in the Group is kept separate from adopting decisions on banking positions, which prevents conflicts of interest. This is conducted by the Risk Management Department, which regularly monitors all activities in this area.

With the gap analysis the Group performs sensitivity tests to determine the effect of changes in market interest rates on the amount of net interest income in the following 12 months, as well as the exposure of the banking book economic value in the event of a standard parallel 200-basis-point interest rate shock. The latter result is used as the basis for computing the Group's additional capital requirement for interest rate risk under the second pillar; it is computed as the 6-month mean exposure of the banking book economic value assuming a standard interest rate shock.

Aside from simulations of interest income, the Group also monitors their 12-month history of performance, as well as the performance of the weighted average active and passive interest rates, and the difference between them, as well as other relevant qualitative and/or quantitative ratios of exposure to interest rate risk.

For the purposes of balancing interest rate risk on the banking book, the Group has in place a two-stage system of limits for each interest rate gap. The first stage is a position limit for each established gap, calculated using a proprietary methodology, while the second is a limit for the total exposure of the banking book economic value with the final risk limit set at 10% of the Group's capital.

According to the balance as at 31 December 2014 the Group had at its disposal an adequate amount of capital to offset the potential losses from interest rate risk. In the event of a sudden and unexpected parallel movement of the yield curve by 200 basis points, the effect of the changed interest rate never exceeded 10% of the value of capital.

The impact of the 200 basis points change in interest rates on the total exposure of the banking book economic value amounted to EUR 3,116 thousand as at 31 December 2014, which is 5.5% of capital.

Interest income sensitivity to interest rate movements as at 31 December 2014:

Scenario*	Expected net interest	Change in basic scenario	Change in basic scenario
Basic scenario	21,814		
One-time curve shift (+2%) - immediate shock	25,140	3,326	13.23%
One-time curve shift (-2%) - immediate shock	14,455	(7,359)	(50.91)%
Curve shift (+2%) - gradually over 12 months	24,017	2,203	9.17%
Curve shift (-2%) - gradually over 12 months	17,764	(4,050)	(22.80)%
Curve shift (+2%) - immediate shock, only money market interest (EURIBOR)	29,142	7,328	25.14%
Curve shift (-2%) - immediate shock, only money market interest (EURIBOR)	21,296	(518)	(2.43)%
Curve shift (+2%) - gradually over 12 months, only money market interest (EURIBOR)	25,723	3,909	15.20%
Curve shift (-2%) - gradually over 12 months, only money market interest (EURIBOR)	21,541	(273)	(1.27)%

* The scenario presupposes that the interest rate cannot be negative.

The following tables outline exposure to interest rate risk as at 31 December 2014 and 31 December 2013. Financial instruments are recorded at carrying amounts and categorised into time periods according to the subsequent change in interest rate or maturity.

INTEREST RATE RISK as at 31 December 2014									
Balance sheet item	TOTAL	Non-interest bearing	Total accrued interest	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Cash, balances at central banks, and sight deposits at banks	79,942	0	79,942	78,053	0	1,889	0	0	0
Financial assets held for trading	483	360	123	0	0	0	80	43	0
Available-for-sale financial assets	22,409	1,019	21,390	0	0	0	561	20,829	0
Loans	628,334	12,593	615,741	251,158	25,824	223,426	97,396	14,770	3,167
- Loans to banks	2,896	607	2,289	0	2,289	0	0	0	0
- Loans to customers	624,373	10,921	613,452	251,158	23,535	223,426	97,396	14,770	3,167
- Other financial assets	1,065	1,065	0	0	0	0	0	0	0
Held-to-maturity investments	107,133	1,712	105,421	0	0	19,772	4,580	47,170	33,899
Long-term equity participation in subsidiaries, associates and joint ventures, accounted for using the equity method	3,684	3,684	0	0	0	0	0	0	0
Other assets	29,244	29,244	0	0	0	0	0	0	0
TOTAL ASSETS	**871,229**	**48,612**	**822,617**	**329,211**	**25,824**	**245,087**	**102,617**	**82,812**	**37,066**
Trading liabilities	19	19	0	0	0	0	0	0	0
Financial liabilities measured at amortised cost	847,440	12,823	834,617	307,454	102,238	174,186	181,064	66,439	3,236
- Deposits by banks and central banks	161	0	161	161	0	0	0	0	0
- Deposits by customers	702,240	3,901	698,339	290,325	102,238	95,566	176,035	33,539	636
- Borrowings from banks and central banks	49,725	58	49,667	12,969	0	6,269	29	30,400	0
- Debt securities	72,387	36	72,351	0	0	72,351	0	0	0
- Subordinated liabilities	14,671	571	14,100	4,000	0	0	5,000	2,500	2,600
- Other financial liabilities	8,256	8,256	0	0	0	0	0	0	0
Other liabilities	1,133	1,133	0	0	0	0	0	0	0
TOTAL LIABILITIES	**848,592**	**13,975**	**834,617**	**307,454**	**102,238**	**174,186**	**181,064**	**66,439**	**3,236**
Net exposure to interest rate risk	**22,637**	**34,637**	**(12,000)**	**21,757**	**(76,414)**	**70,901**	**(78,447)**	**16,373**	**33,830**

INTEREST RATE RISK as at 31 December 2013									
Balance sheet item	TOTAL	Non-interest bearing	Total accrued interest	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Total assets	844,364	42,159	802,205	260,507	60,336	250,042	148,683	41,775	40,862
Total liabilities	822,643	8,981	813,662	279,761	155,760	168,251	171,386	34,452	4,052
Net exposure to interest rate risk	**21,721**	**33,178**	**(11,457)**	**(19,254)**	**(95,424)**	**81,791**	**(22,703)**	**7,323**	**36,810**

Interest rate risk in 2014 arose mainly out of the imbalance between the maturities of interest-rate-sensitive investments and liabilities, and out of the subsequent determination of interest rates.

3.2.5. Average interest rates as at 31 December

		2014		2013
	EUR	USD	EUR	USD
Assets		%		%
Cash and balances at central banks	0.11	0.00	0.60	0.00
Sight deposits at banks	0.00	0.05	0.01	0.05
Loans and advances to banks	0.01	0.10	0.43	0.26
Loans and advances to customers	3.55	0.00	3.87	0.00
Investment securities - debt	2.99	0.00	4.14	0.00
Liabilities				
Deposits and borrowings from banks	1.66	0.00	1.75	0.00
Borrowings from central bank	0.15	0.00	0.25	0.00
Deposits by customers	0.97	0.04	1.60	0.24
Subordinated liabilities	5.88	0.00	5.94	0.00
Liabilities for issued long-term securities	1.29	0.00	1.50	0.00

3.3. Liquidity risk

The Group's liquidity situation depends on the set of activities for meeting required cash flows as well as on the availability of liquidity assets that at all times ensure immediate fulfilment of matured financial obligations with customers. For this purpose the Group holds on its portfolio adequate amounts of cash and highly liquid securities that can be liquidated immediately and without loss in carrying value.

The Group has in place a set of stress scenarios, which are applied to the current liquidity gaps on a monthly basis, as stipulated by future cash flows ordered according to contractual maturity. All stress test scenario outcomes have designated limits, with the critical limit being defined at one-month's survival. This means that in the event of a stress test scenario coming true, the Group has to be able to settle all its liabilities solely from excess liquidity – thus without using up liquidity reserves – for one month.

Further, the Group monitors a wide array of interim liquidity trends and structural liquidity ratios. It has requisite limits designated for all values of the monitored ratios, and regularly examines them.

In 2014 the Group had at its disposal an adequate pool of liquidity reserves, which can be utilised to settle any liabilities as well as off-balance sheet liabilities. In addition, it has at its disposal adequate secondary liquidity (liquid debt securities, loans to the RS eligible as collateral with the European Central Bank, etc.) which it could easily and efficiently liquidate and use in case of a liquidity stress event that compromised the daily system of liquidity management, such as e.g. an unexpected large-scale withdrawal of deposits.

All the results of regular liquidity risk monitoring are communicated to the Assets and Liabilities Management Committee once a month.

The following tables summarise the Group's exposure to liquidity risk as at 31 December 2014 and 31 December 2013. Financial instruments are recorded at undiscounted amounts and categorised into time periods according to maturity.

LIQUIDITY RISK as at 31 December 2014							
Balance sheet item	**Demand**	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Cash, balances at central banks, and sight deposits at banks	78,053	0	1,890	0	0	0	79,943
Financial assets held for trading	359	0	0	85	43	0	487
Available-for-sale financial assets	338	0	784	592	20,839	0	22,553
Loans	53,254	11,306	40,031	212,492	222,046	155,966	695,095
- Loans to banks	607	2,290	0	0	0	0	2,897
- Loans to customers	51,582	9,016	40,031	212,492	222,046	155,966	691,133
- Other financial assets	1,065	0	0	0	0	0	1,065
Held-to-maturity investments	0	629	20,832	5,747	55,770	41,709	124,687
Long-term equity participation in subsidiaries, associates and joint ventures, accounted for using the equity method	0	0	0	0	0	3,684	3,684
Other assets	0	0	0	0	29,244	0	29,244
TOTAL ASSETS	**132,004**	**11,935**	**63,537**	**218,916**	**327,942**	**201,359**	**955,693**
Trading liabilities	19	0	0	0	0	0	19
Financial liabilities measured at amortised cost	287,876	111,358	98,799	264,032	86,919	5,908	854,892
- Deposits by banks and central banks	161	0	0	0	0	0	161
- Deposits by customers	287,685	103,102	97,305	179,604	37,224	1,214	706,134
- Borrowings from banks and central banks	30	0	1,262	9,461	38,195	1,795	50,743
- Debt securities	0	0	232	72,588	0	0	72,820
- Subordinated liabilities	0	0	0	2,379	11,500	2,899	16,778
- Other financial liabilities	0	8,256	0	0	0	0	8,256
Other liabilities	0	0	0	0	0	1,134	1,134
TOTAL LIABILITIES	**287,895**	**111,358**	**98,799**	**264,032**	**86,919**	**7,042**	**856,045**
Net exposure to liquidity risk	**(155,891)**	**(99,423)**	**(35,262)**	**(45,116)**	**241,023**	**194,317**	**99,648**

LIQUIDITY RISK as at 31 December 2013							
Balance sheet items	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Total assets	69,679	49,276	72,159	171,970	387,472	183,220	933,776
Total liabilities	254,578	109,399	96,883	179,262	191,424	9,104	840,650
Net exposure to liquidity risk	**(184,899)**	**(60,123)**	**(24,724)**	**(7,292)**	**196,048**	**174,116**	**93,126**

The sight deposits bracket liquidity gap is indeed deeply in the negative, however, financial liabilities in this group include total sight deposits, and this despite the fact that central bank regulations stipulating the calculation of liquidity positions allow for a 60% stability of deposits.

Based on the conducted analyses, the Group estimates that its off-balance-sheet positions do not contribute particularly to its exposure to liquidity risk, which is why they were not included into the above table.

3.4. Fair value of financial assets and liabilities

3.4.1. Financial instruments not measured at fair value

					2014					2013
	Carrying amount				Fair value	Carrying amount				Fair value
		Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
Assets										
Loans and advances to banks	2,909	0	0	2,909	2,909	1,092	0	0	1,092	1,092
Loans and advances to customers	623,725	0	0	623,725	623,725	643,184	0	0	643,184	643,184
Held-to-maturity debt securities	107,133	116,846	0	0	116,846	91,047	91,574	0	0	91,574
Total assets	**733,767**	**116,846**	**0**	**626,634**	**743,480**	**735,323**	**91,574**	**0**	**644,276**	**735,850**
Liabilities										
Deposits by banks	208	0	0	208	208	914	0	0	914	914
Deposits by customers	702,154	0	0	702,154	702,154	645,811	0	0	645,811	645,811
Borrowings from banks and central banks	70,202	0	0	70,202	70,202	82,829	0	0	82,829	82,829
Borrowings from customers	1,290	0	0	1,290	1,290	0	0	0	0	0
Debt securities - issued bonds	72,387	71,184	0	0	71,184	75,245	72,250	0	0	72,250
Subordinated liabilities	14,671	0	0	14,671	14,671	14,541	0	0	14,541	14,541
Total liabilities	**860,912**	**71,184**	**0**	**788,525**	**859,709**	**819,340**	**72,250**	**0**	**744,095**	**816,345**

(a) Loans and advances to banks
The estimated fair value of loans and advances to banks is based on discounted cash flows using prevailing market interest rates for debts with similar credit risk and remaining maturity. The fair value of loans to commercial banks is estimated to closely resemble their carrying amount. Fixed-rate credit operations are short-term, meaning the contractual interest rates do not differ considerably from end-of-year market interest rates, while the Group does not have any long-term loans to banks. This is why the fair value of loans to commercial banks is the same as their carrying amount.

(b) Loans and advances to customers
Loans and advances are net of provisions for impairment. The fair value of loans to customers is estimated to closely resemble their carrying amount. Fixed-rate loans are mostly short-term, meaning the contractual interest rates do not differ considerably from end-of-year market interest rates, while long-term fixed-rate loans represent only a negligible share of total loans to customers.

(c) Held-to-maturity debt securities
Held-to-maturity debt securities are stated at amortised cost. Their fair value as at 31 December 2014 was calculated using market prices formed in the markets where they are listed.

(d) Deposits and borrowings

The Group's long-term debt has no market value. Fair value is estimated as the discounted amount of future cash flows, taking into account market interest rates that the Group would currently have to pay for new deposits with similar characteristics and the same remaining maturity. Since most borrowings are linked to floating market interest rates, the fair value of deposits does not substantially differ from their carrying amounts.

The fair value of sight deposits to the depository institution depends on the expectations of the timing and amounts of withdrawals of the existing balance, the level of prevailing interest rates with similar terms, the costs of servicing these deposits and the depository institution's – thus the Group's – own credit risk. This is especially important for sight deposits.

The estimated fair value of other deposits is based on discounted contractual cash flows using market interest rates that the Group would currently have to pay for new deposits with similar remaining maturity.

For deposits from banks and deposits from other customers there are no differences between carrying amount and fair value.

(e) Bonds

The Group's issued bonds are recognised at fair value. Fair value is calculated using the market price on the market where the bonds are listed as at the date of the statement of financial position.

3.4.2. Financial instruments measured at fair value

Financial instruments measured at fair value in the financial statements:

2014	Level 1	Level 2	Level 3	**Total**
Financial assets held for trading (Note 21 a)	124	0	359	**483**
Available-for-sale financial assets (Note 22 a)	867	0	21,542	**22,409**
Investment property (Note 29)	0	0	5,688	**5,688**
Financial liabilities held for trading (Note 34)	0	0	19	**19**
2013	Level 1	Level 2	Level 3	**Total**
Financial assets held for trading (Note 21 a)	198	0	352	**550**
Available-for-sale financial assets (Note 22 a)	1,382	0	28,769	**30,151**
Investment property (Note 29)	0	0	3,881	**3,881**
Financial liabilities held for trading (Note 34)	0	11	0	**11**

The fair value of investments is measured at three levels:

Level 1: Level 1 includes investments into listed equity and debt securities whose fair value equals their market price, i.e. the last official closing price.

Level 2: Level 2 includes investments in unlisted debt securities and derivative financial instruments. Fair value for Level 2 investments is determined through an internal methodology. The value of unlisted debt securities for which fair value cannot be calculated even from external data sources is determined using the discounted value method. Unlisted mutual fund shares are measured at their net asset value, which is published daily. If a transaction is concluded in the market and thereafter a market price forms for a security previously measured according to the Bank's internal methodology, the security is restated at the market price.

Level 3: Level 3 includes unlisted equities, receivables and payables associated with the purchase and sale of foreign exchange, and investment property at fair value. The valuation of equities that do not have quoted prices is based on market observables. Key parameters are compared with those of similar assets and liabilities traded in an active market, with the data coming from Bloomberg or another reliable source. In determining their fair value the Group applies the same internal methodologies as for Level 2 instruments.

3.5. Capital management

Capital management is a continuous process of determining and maintaining the sufficient scope and quality of capital. The Group must always have at its disposal an adequate amount of capital and capital adequacy, which is stipulated by law and depends on the scope and type of services performed by the Group as well as on the risks these services expose the Group to. In determining the amount and categories of capital, the Group abides by statutory provisions related to capital and use of capital as well as those related to the relations and restrictions of various capital components.

As at 1 January 2014, Regulation 575/2013 (CRR) entered into effect, stipulating changes in instruments of and deductions from capital. The presented calculation of capital and capital adequacy as at 31 December 2013 likewise followed the new Regulation so as to ensure comparability.

The Group's capital consists of tier I and tier II capital. Under the new Regulation, tier I capital consists of common equity tier I and additional tier I capital. Common equity tier I includes: paid capital instruments meeting the conditions for inclusion into common equity tier I, share premium, revenue reserves, retained earnings/loss, treasury shares, intangible assets, and deferred tax assets associated with future returns and not arising out of temporary differences. Loss, treasury shares, intangible assets, and deferred tax assets associated with future returns and not arising out of temporary differences[1] constitute deductions from common equity tier 1 capital.

According to the balance as at 31 December 2013 and 31 December 2014, the Group did not have additional tier I capital.

The Group's tier II capital consists of subordinated debt (subordinated liabilities with contractual maturities of 5 years and 1 day, or longer). The amount of subordinated debt included into tier II capital decreases on a straight-line basis over the final five years prior to maturity (i.e. prior to repayment).

Capital may never drop below the amount stipulated by the Slovenian Banking Act Zban-1 and must always equal minimally the sum of minimum capital requirements.

1 A transitional period applies to this deduction item, with 20% being deduced in 2014.

		2014	2013
COMMON EQUITY TIER I CAPITAL: INSTRUMENTS AND RESERVES			
1	Capital instruments and the related share premium	17,811	15,786
	of which: instrument type 1	17,811	15,786
2	Retained earnings and revenue reserves	859	728
3	Accumulated other comprehensive income and other reserves	31,257	28,915
4	Common equity tier I capital before regulatory adjustments	49,927	45,429
COMMON EQUITY TIER I CAPITAL: REGULATORY ADJUSTMENTS			
5	Intangible assets (deductions for associated tax liabilities)	(968)	(1,187)
6	Deferred tax assets associated with future profits and not arising out of temporary differences (deductions for associated tax liabilities if conditions from Article 38(3) are met)	(614)	0
7	Direct and indirect holdings in own common equity tier I capital instruments	(671)	(671)
8	Loss for the year	0	(30)
9	Regulatory adjustments applied to common equity tier I in respect of amounts subject to pre-CRR treatment	(2,252)	(1,888)
10	Total regulatory adjustments to common equity tier I capital	(2,252)	(1,888)
11	Common equity tier I capital	47,675	43,541
12	**TIER I CAPITAL (common equity tier I + additional tier I)**	**47,675**	**43,541**
TIER II CAPITAL: INSTRUMENTS AND RESERVES			
13	Capital instruments and the related share premium	8,019	9,735
14	Tier II capital before regulatory adjustments	8,019	9,735
15	**TIER II CAPITAL**	**8,019**	**9,735**
16	**TOTAL CAPITAL (tier I + tier II)**	**55,695**	**53,277**
17	Total risk-weighted assets	457,150	521,708
CAPITAL RATIOS AND CAPITAL BUFFERS			
18	**Common equity tier I capital** (%)	**10.43**	**8.35**
19	**Tier I capital** (%)	**10.43**	**8.35**
20	**Total capital** (%)	**12.18**	**10.21**
21	Common equity tier I capital that qualifies as capital buffer (%)	10.43	8.35
22	Direct and indirect equity holdings in financial sector entities where the institution does not have a significant investment (amount below 10% threshold, reduced by permitted short positions)	259	259
23	Direct and indirect equity holdings on common equity tier I capital instruments of financial sector entities where the institution has a significant investment (amount below 10% threshold, reduced by permitted short positions)	3	0
24	Deferred tax assets arising out of temporary differences (amount under 10% threshold, reduced by associated tax liabilities if conditions from Article 38(3) are met)	2,917	1,779

The calculation of capital as at 31 December 2014 includes EUR 4,367.2 thousand of new capital raised in the Group's capital increase (Note 44). The Group's tier I capital is therefore up from the year before, and tier II capital down – in 2014 the Group did namely not issue additional subordinated debt instruments.

The Group's capital requirements for credit risk have decreased mainly due to the formation of additional impairments in 2014. Exposure decreased the most in retail and corporate banking. On account of the capital increase and reduction of capital requirements (especially for credit risk), the Group's capital adequacy ratio improved.

The Group monitors capital and capital needs at the level of the Group. Given the Group's internal capital adequacy assessment, we estimate the reported capital adequacy ratio as appropriate for managing the risk of potential losses. The Bank and the Group will continue to operate an adequate amount of capital to sustain their normal operations.

The Bank of Slovenia did not impose a new minimum capital adequacy ratio for the Deželna banka Slovenije Group in 2014 on the basis of the ICAAP/SREP process. Rather, the Bank of Slovenia's requirement from its 2013 ICAAP/SREP remained in place, having imposed a joint capital adequacy assessment on a consolidated basis of 142.3% of pillar 1 capital requirements and a capital adequacy ratio of 11.4% (and the tier 1 capital ratio of minimally 9.1%).

In June 2014 the Bank of Slovenia issued a decree demanding the Bank to raise additional capital and meet the minimum capital adequacy ratios imposed in 2013. The Bank complied, and implemented the capital increase process which was successfully completed at the end of 2014. After the capital increase, the Bank's and the Group's capital adequacy ratios exceed requirements.

3.5.1. Internal capital adequacy assessment

For making an internal assessment of its risk-based capital requirements and internal capital adequacy, the Group employs its own methodology based on the requisite internal instructions for implementing stress tests, which it can use to assess its risk-based capital requirements under the second pillar of the Basel Capital Accord, and include them into its collective risk assessment. It thereby takes into account the capital requirement for credit risk, which is not included into the calculation of the capital requirement for credit risk under the first pillar (portfolio downgrade risk due to changed economic conditions, concentration risk and remaining risk from hedging), as well as its requirement for interest rate risk, liquidity risk, market liquidity risk, equity risk, capital risk, reputation risk, profitability risk (this includes the additional capital requirement related to deviations in passive interest rates), strategic risk, Group management risk, and the additional requirements related to compliance with the Bank of Slovenia regulations. When calculating capital adequacy, to be discussed at a Management Board meeting or the Assets and Liabilities Management Committee meeting, the impact of the Group's planned future business is also estimated.

An adequate amount, type and allocation of requisite capital is maintained as dictated by the Group's risk profile, which facilitates our ability to settle all liabilities. Risk profile is examined once a year and special attention is devoted to the assessment of internal control areas.

3.5.2. Financial leverage

The leverage ratio is calculated as the Group's capital measure divided by its total exposure measure. The capital measure is the tier 1 capital, and the total exposure measure is the sum of the exposure values of all items and off-balance-sheet items not deducted when determining the capital measure.

The quarterly leverage ratio is calculated as the arithmetic mean of monthly leverage ratios, and as at 31 December 2014 it amounts to:

	2014
Leverage ratio - applying the definition of tier I capital without transitional provisions	0.0505
Leverage ratio - applying the definition of tier I capital with transitional provisions	0.0521

3.6. Managing operational risk

Operational risk is the risk of loss due to an inappropriate or unsuccessful implementation of internal processes, the human factor, system operations or external factors. Operational risk also includes IT risk and legal risk.

The Group uses the Policy of Assuming and Managing Operational Risk (the Policy defines the basic goals, competences and responsibilities, as well as the manner of identification, assessment, monitoring and management of operational risk), examining and supplementing it, if required, at least once a year.

Regular reporting on events associated with operational risk has been in place since 1 April 2007. The Group has developed its proprietary application support for systematic monitoring of loss events arising out of operational risk, which is regularly updated and supplemented. Integrated into this system are measures to resolve operational risk events and prevent repeat events. Since the final quarter of 2010 operational risk events have been additionally monitored according to key risk indicators. Reports on operational risk events are promptly presented to the management boards of the Bank and subsidiary and the Bank's Internal Audit Department, while the Operational Risk Committee receives them on a quarterly basis.

The Group calculates capital requirements for operational risk using the simple approach. In 2014 it started preparing for the calculation of capital requirements using the standardised approach.

3.7. Asset encumbrance

(a) Assets

					2014
		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
		010	040	060	090
010	**Assets of the reporting institution**	**51,900**	**-**	**845,079**	**-**
030	Equity instruments	0	0	679	810
040	Debt securities	20,525	23,774	108,803	114,403
120	Other assets	0	-	68,314	-

(b) Collateral received

			2014
		Fair value of encumbered collateral received or own debt securities issued	Fair value of received collateral or own debt securities issued available for encumbrance
		010	040
130	**Collateral received by the reporting institution**	**0**	**3**
150	Equity instruments	0	0
160	Debt securities	0	3
230	Other collateral received	0	0
240	**Own debt securities issued other than own covered bonds or ABSs**	**0**	**0**

(c) Encumbered assets/collateral received and related liabilities

			2014
		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	**640,776**	**49,380**

(d) Information on the importance of encumbrance

The Group's encumbered assets include placed cash deposits and investments in debt securities available for sale or held to maturity.

A proportion of cash deposits are placed in the guarantee fund run by the KDD, the Bank being a KDD settlement member. Another share of cash deposits is collateral that the central counterparty demanded as a condition for access to the trading service.

A proportion of the Group's investments in top rated debt securities are reserved for investors' guaranteed deposits, and another share for investor's guaranteed receivables.

A major segment of encumbered assets constitutes investments pledged into the pool of assets as security for using ECB operations. The pool of assets includes, in the largest proportion, non-marketable assets (loans to banks), followed by domestic securities and securities deposited abroad. 16% of this pool of assets is used as collateral for a borrowing from the ECB.

4. SEGMENT REPORTING

Equity and liabilities, and investments are allocated into business segments as they were obtained or made, and the relevant interest and non-interest income and expense is recognised in the same way. Opportunity income and expense is allocated into segments using transfer pricing. Income effects among business segments were calculated using inter-company methodologies for the transfer of assets and overheads (indirect costs). Tax assets and liabilities are not allocated into segments and are given at Group level.

There is no separate account of operations analysis according to geographical segments. The main geographical segment is Slovenia, which is where the Group generates the vast majority of its revenue.

The Group is organised into three classes (segments) of business:
- Corporate banking: lending, guarantees and documents, deposits for companies and organisations, current accounts, payments;
- Retail banking: lending; transactional accounts for individuals, sole traders, non-profit institutions serving households, and foreign entities; limits (overdrafts); bank cards; payments and ATM operations; foreign exchange; deposits; and savings;
- Financial markets: the Bank's liquidity management, trading in financial instruments, investment banking, operations with other banks;
- The Group's administrative, IT and banking technology activities are allocated into the relevant business segments, while leasing transactions, the real estate business, Semenarna's retail, wholesale and production transactions are reported under the item other.

Balance at 31 December 2014

	Financial markets	Retail banking	Corporate banking	Other	Total
Net income from customers*	7,883	6,381	12,782	11,010	**38,056**
Segment result	(7,562)	8,751	(2,113)	2,619	**1,695**
Operating profit					**1,695**
Gross profit					**1,695**
Tax					**(296)**
Net profit					**1,399**
Segment assets	372,626	224,511	235,903	56,041	**889,081**
External assets	-	-	-	39,175	**39,175**
Total assets	372,626	224,511	235,903	95,216	**928,256**
Segment liabilities	133,434	611,892	91,770	38,779	**875,875**
External liabilities**	-	-	-	5,633	**5,633**
Total liabilities	133,434	611,892	91,770	44,412	**881,508**
Investment financing	115	82	297	8,424	**8,919**
Depreciation and amortization	208	663	628	1,108	**2,607**
Net impairment charges and provisions	213	(374)	5,302	7,459	**12,600**
***Includes:**					
Interest income	11,308	9,110	12,875	(17)	**33,276**
Interest expense	(2,453)	(7,186)	(1,414)	(1,185)	**(12,238)**
Dividends	2	-	-	-	**2**
Fee and commission income	153	5,550	2,109	53	**7,865**
Fee and commission expense	(900)	(1,161)	(30)	(743)	**(2,834)**
Realized gains/losses from financial assets and liabilities not measured at fair value through profit or loss	34	43	(8)	(104)	**(35)**
Net gains/losses from financial assets and liabilities held for trading	41	62	5	-	**108**
Foreign exchange translation	-	-	-	(90)	**(90)**
Net gains/losses from derecognition of assets other than non-current assets held for sale	-	-	-	9,165	**9,165**
Other net operating gains/losses	(302)	(37)	(756)	3,932	**2,837**

** Financial markets segment liabilities include payables associated with new shares from the capital increase.

Balance at 31 December 2013

	Financial markets	Retail banking	Corporate banking	Other	Total
Net income from customers*	8,082	4,060	14,473	(640)	**25,975**
Segment result	(8,280)	7,047	(18,299)	1,115	**(18,417)**
Operating loss					**(18,417)**
Gross loss					**(18,417)**
Tax					**1,065**
Net loss					**(17,352)**
Segment assets	344,383	202,772	270,229	27,660	**845,044**
External assets	-	-	-	24,526	**24,526**
Total assets	344,383	202,772	270,229	52,186	**869,570**
Segment liabilities	146,174	538,444	108,186	27,638	**820,442**
External liabilities	-	-	-	3,694	**3,694**
Total liabilities	146,174	538,444	108,186	31,332	**824,136**
Investment financing	30	236	102	-	**368**
Depreciation and amortization	213	722	801	633	**2,369**
Net impairment charges and provisions	1,086	453	23,941	838	**26,318**
***Includes:**					
Interest income	11,458	8,432	15,343	160	**35,393**
Interest expense	(2,943)	(8,733)	(2,138)	(840)	**(14,654)**
Dividends	11	-	-	-	**11**
Fee and commission income	124	5,331	1,866	91	**7,412**
Fee and commission expense	(1,178)	(1,027)	(31)	(53)	**(2,289)**
Realized gains/losses from financial assets and liabilities not measured at fair value through profit or loss	773	(1)	(18)	(787)	**(33)**
Net gains/losses from financial assets and liabilities held for trading	(289)	57	(8)	-	**(240)**
Foreign exchange translation	91	-	-	10	**101**
Net gains/losses from derecognition of assets other than non-current assets held for sale	219	1	14	29	**263**
Other net operating gains/losses	(184)	-	(555)	750	**11**

Since Semenarna had not been consolidated in 2013, a direct comparison with 2014 is not possible.

5. INTEREST INCOME AND EXPENSE

	2014	2013
Interest income and similar income		
Deposits at central bank	60	35
Financial assets held for trading	10	14
Available-for-sale financial assets	1,001	1,466
Loans to banks	14	49
Loans to customers	27,993	29,227
Held-to-maturity investments	3,863	4,227
Financial leasing	280	372
Other assets	55	3
TOTAL	**33,276**	**35,393**
Interest expense and similar expense		
Deposits and borrowings from banks	1,587	1,404
Borrowings from central bank	59	285
Deposits by customers	8,600	10,869
Bonds	1,263	1,460
Certificates of deposit	203	265
Subordinated liabilities	233	234
Subordinated deposits and loans	269	137
Interest paid on other liabilities	24	0
TOTAL	**12,238**	**14,654**
NET INTEREST INCOME	**21,038**	**20,739**

6. DIVIDEND INCOME

	2014	2013
Dividends on available-for-sale financial assets	2	1
Dividends on financial assets held for trading	0	10
TOTAL	**2**	**11**

7. FEE AND COMMISSION INCOME AND EXPENSE

	2014	2013
Fee and commission income		
Payment transactions	3,535	3,431
Agency services	134	136
Administrative services	3,289	3,067
Guarantees issued	452	385
Securities trading	136	104
Credit operations	319	289
TOTAL	**7,865**	**7,412**
Fee and commission expense		
Banking services	719	685
Securities trading	94	103
Payment transactions	652	440
Republic of Slovenia guarantee for issued bonds	782	1,050
Fees and commissions to Semenarna's retail franchises	308	0
Fees and commissions to Semenarna's sales representatives	264	0
Other services	15	11
TOTAL	**2,834**	**2,289**
NET FEE AND COMMISSION INCOME	**5,031**	**5,123**

8. REALISED GAINS/LOSSES FROM FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014	2013
Realised gains		
- Available-for-sale financial assets	34	127
- Loans and advances measured at amortised cost	149	29
- Financial liabilities measured at amortised cost	2	649
TOTAL	**185**	**805**
Realised losses		
- Loans and advances measured at amortised cost	211	821
- Financial liabilities measured at amortised cost	9	17
TOTAL	**220**	**838**
REALISED GAINS/LOSSES	**(35)**	**(33)**

9. NET GAINS/LOSSES FROM FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

	2014	2013
Net gains/losses from trading in equity instruments	(12)	(138)
Net gains/losses from trading in debt securities	(2)	(75)
Net gains/losses from foreign exchange trading	98	77
Net gains/losses from derivatives held for trading	24	(104)
TOTAL	**108**	**(240)**

10. FOREIGN EXCHANGE TRANSLATION

	2014	2013
Positive translation differences	532	1,125
Negative translation differences	622	1,024
TOTAL	**(90)**	**101**

11. NET GAINS/LOSSES ON DERECOGNITION OF ASSETS OTHER THAN NON-CURRENT ASSETS HELD FOR SALE

	2014	2013
Gains		
Derecognition of property, plant and equipment	227	24
Derecognition of investments in subsidiaries, associates and joint ventures	0	215
Derecognition of other assets, apart from assets held for sale	28,331	127
TOTAL	**28,558**	**366**
Losses		
Derecognition of property, plant and equipment, and other assets	19,393	103
TOTAL	**19,393**	**103**
TOTAL	**9,165**	**263**

The significant increase in gains and losses is the result of EUR 9,046 thousand net from subsidiary Semenarna, and includes sales revenues, change in the value of inventories of products and work in progress, and the related costs of goods, materials and services.

12. OTHER NET OPERATING GAINS/LOSSES

	2014	2013
Gains		
Income from non-banking services	79	6
Leases and rents (Note 29 b)	76	75
Denationalisation income	3,462	225
Other	1,022	1,038
TOTAL	**4,639**	**1,344**
Losses		
Taxes	41	123
Contributions	206	99
Membership fees and similar	106	95
Expenses for investment property under operating lease	5	0
Tax on total assets	573	515
Financial services tax	571	441
Other operating expenses	300	60
TOTAL	**1,802**	**1,333**
OTHER NET OPERATING GAINS/LOSSES	**2,837**	**11**

Denationalisation income refers to assets received from denationalisation procedures. Other operating expenses include balance sheet tax expense and financial transaction tax expense.

Denationalisation acquisitions by asset type

			2014			2013
	Income	Expense	**Total**	Income	Expense	**Total**
Buildings						
- Acquisitions - restitution in kind	313	0	**313**	0	0	**0**
- Damages, settlements	2,982	0	**2,982**	50	0	**50**
- Leases and rents	167	0	**167**	175	0	**175**
- Revaluation of investment property	0	308	**(308)**	0	43	**(43)**
- Legal and consulting services, and duties	0	39	**(39)**	0	13	**(13)**
TOTAL	**3,462**	**347**	**3,115**	**225**	**56**	**169**

The direct and indirect net denationalisation income in 2014 amounted to a total of EUR 3,115 thousand (2013: EUR 169 thousand).

13. ADMINISTRATIVE EXPENSES

	2014	2013
Labour costs		
Gross wages	11,483	7,606
Social security contributions	830	553
Pension insurance contributions	1,015	678
Other contributions, depending on gross wages	13	(1)
Severance pays and compensations	109	16
Other labour costs	2,229	1,398
Total	**15,679**	**10,250**
Overhead and administrative expenses		
Costs of material	617	551
Costs of services*	5,660	4,904
Total	**6,277**	**5,455**
TOTAL	**21,956**	**15,705**

* Costs of services in 2014 include EUR 70 thousand for auditing services, of which EUR 62 thousand was paid to the auditor Deloitte revizija d. o. o., Ljubljana, for auditing the Group's and the Bank's financial statements and the business report as included into the Annual Report, and for its services rendered in compliance with the ZBan-1 and its executive regulations.

14. DEPRECIATION AND AMORTISATION

	2014	2013
Depreciation of property, plant and equipment (Note 28)	2,311	2,104
Amortisation of intangible assets (Note 30)	296	265
TOTAL	**2,607**	**2,369**

15. PROVISIONS

	2014	2013
Net provisions for off-balance-sheet liabilities	**51**	**(348)**
Expenses for created provisions	3,663	3,627
Income from released provisions	3,612	3,975
Net provisions for pensions and other employee benefit provisions	**105**	**97**
Expenses for created provisions	108	97
Income from released provisions	3	0
Net provisions for tax suits and other pending legal cases	**44**	**(60)**
Expenses for created provisions	44	0
Income from released provisions	0	60
Net provisions for other provisions	**1**	**4**
Expenses for created provisions	1	4
NET PROVISIONS	**201**	**(307)**

16. IMPAIRMENT CHARGE

	2014	2013
Net impairments of financial assets not measured at fair value through profit or loss	**8,508**	**23,987**
Net impairments of financial assets measured at cost	**0**	**131**
Impairments of equity investments measured at cost	0	131
Net impairments of available-for-sale financial assets	**0**	**289**
Impairments of available-for-sale debt securities	0	289
Net impairments of loans and receivables	**8,493**	**23,617**
Impairment of loans	18,099	32,460
Reversed impairment of loans	9,606	8,843
Net impairments of other financial assets	**15**	**(50)**
Impairment of other financial assets	71	166
Reversed impairment of other financial assets	56	216
Net impairments of other assets	**3,891**	**2,638**
Net impairments of investment property	**293**	**642**
Impairments of investment property	329	642
Reversed impairments of investment property	36	0
Net impairments of other assets	**3,598**	**1,996**
Impairments of real estate inventory	3,598	1,996
NET IMPAIRMENTS	**12,399**	**26,625**

17. NEGATIVE GOODWILL

	2014	2013
Negative goodwill	802	0
TOTAL	**802**	**0**

Negative goodwill was recognised in the consolidation process as the excess of the controlling company's (Deželna banka Slovenije d. d.) interest in the net fair value of identifiable assets, liabilities and contingent liabilities above the cost of the business combination (Chapter 1).

Negative goodwill was recognised in the consolidation process using the acquisition method as the excess of the controlling company's (Deželna banka Slovenije d. d.) interest in the net fair value of identifiable assets, liabilities and contingent liabilities above the cost of the business combination (Chapter 1).

Negative goodwill consists of the cost of the business combination, totalling EUR 3,456 thousand, and the net fair value of assets, liabilities and contingent liabilities, totalling EUR 4,983 thousand. The net fair value of assets, liabilities and contingent liabilities exceeds the cost value by EUR 1,527 thousand before tax. As to net fair value, the fair value of assets exceeds their carrying amount by EUR 4,266 thousand, of which the fair value of property exceeds its carrying amount by EUR 6,719 thousand, and the fair value of buildings is lower from their carrying amount by EUR 2,453 thousand. Deferred taxes reduce negative goodwill by EUR 725 thousand, so that it totals EUR 802 thousand after tax. Deferred tax expense associated with the higher fair value of property amounts to EUR 1,142 thousand and increases deferred tax liabilities, while income from deferred taxes associated with the lower fair value of buildings total EUR 417 thousand and increase deferred tax assets (Note 42). The lower value of buildings has driven depreciation costs down EUR 51 thousand, with the associated deferred tax expense totalling EUR 9 thousand and increasing deferred tax liabilities (Note 42).

a) Net value of assets, liabilities and contingent liabilities

	Semenarna acquisition-date carrying amount	Semenarna acquisition-date fair value	Excess value
Assets	30,731	34,997	4,266
of which			
- buildings	10,810	8,357	(2,453)
- property	3,324	10,043	6,719
Liabilities and contingent liabilities	30,014	30,014	0
Net value of assets, liabilities and contingent liabilities	**717**	**4,983**	**4,266**

b) Determining acquisition-date negative goodwill

	Acquisition-date value
Cost value of acquisition	3,456
Net value of assets, liabilities and contingent liabilities	4,983
Negative goodwill before tax	**1,527**
Deferred taxes	
- Deferred tax assets (buildings)	417
- Deferred tax expense (property)	(1,142)
TOTAL	**(725)**
Negative goodwill after tax	**802**

18. TAX

	2014	2013
Income tax	657	0
Deferred tax (Note 42 d)	(361)	(1,065)
TOTAL	**296**	**(1,065)**
Profit/loss before tax	1,695	(18,417)
Tax under the 17% tax rate	288	(3,131)
Non-taxable income	(18)	(85)
Non-deductible expense	1,005	2,151
TOTAL	**296**	**(1,065)**
Effective tax rate (in %)	17	6

* The last tax inspection was in 2005 for financial year 2004.

The competent Tax Office may conduct a tax inspection of the current accounting period any time within the following five years after the reported tax year, and in this connection impose additional taxation and penalties. The Group's management knows of no circumstances that could give rise to additional liabilities in this regard.

19. EARNINGS/LOSS PER SHARE (EPS)

Basic earnings/loss per share is calculated by dividing profit/loss for the year by the weighted average number of issued ordinary shares:

	2014	2013
Net profit/loss (in EUR thousand)	1,399	(17,352)
Weighted average number of issued ordinary shares	3,742,583	3,743,268
Basic and diluted earnings/loss per share (in EUR per share)	0.373806	(4.635522)

Basic earnings per share in 2014 amounted to EUR 0.373806 (2013: EUR 4.635522 of basic loss per share). The weighted average number of issued ordinary shares less treasury shares and less the treasury shares held by Semenarna, recorded in the KDD central securities register in 2014 was 3,742,583 (2013: 3,743,268).

Book value per share at Group level totalled EUR 12.490859 as at 31 December 2014. It was calculated as follows: share capital less treasury shares, divided by the number of shares recorded in the KDD central securities register, less treasury shares. Following the capital increase, book value per share at Group level as at 31 December 2014 totalled EUR 11.536170.

The Group has not issued any financial instruments convertible into shares.

20. CASH, BALANCES AT CENTRAL BANKS, AND SIGHT DEPOSITS AT BANKS

a) Breakdown

	2014	2013
Cash		
Cash and cash equivalents	9,652	5,809
Settlement account and minimum reserves at central bank	53,962	19,112
Other deposits at central bank	1,889	24,910
Sight deposits at banks	15,096	474
TOTAL (Note 20 b)	**80,599**	**50,305**

Under the new methodology this item includes EUR 15,096 thousand of sight deposits at banks, which have been deducted from the item loans and advances to banks (Note 23).

The Group has met its obligation regarding the minimum reserve on the settlement account at the central bank. The amount of minimum reserves is adjusted to the ECB system. The Group calculates the required amount pursuant to regulations – 0% for: time deposits with agreed maturity of over 2 years, sight deposits with maturity of over 2 years, repurchase agreements and debt securities with agreed maturity of over 2 years; and 1% for: overnight deposits, deposits with agreed maturity of up to 2 years, sight deposits with maturity of up to 2 years and debt securities with agreed maturity of up to 2 years.

The minimum reserve assets are available for the Bank to use in its daily operations. However, the Group must ensure that the settlement account is credited on a daily basis with a specific average amount calculated for each period.

In 2014 the ECB imposed negative interest on excess reserves, starting 11 June 2014.

- Minimum reserves for compliance period from 1 January 2014 to 31 December 2014 amounted to EUR 6,339 thousand on average, with excess reserves for the second half-year totalling an average EUR 6,159 thousand.
- The (annual) interest rate for assets deposited on the minimum reserves account was 0.25% from 1 January 2014 to 10 June 2014, 0.15% from 11 June 2014 to 9 September 2014 (–0.10% for excess reserves), and 0.05% from 10 September 2014 to 31 December 2014 (–0.20% for excess reserves).

Minimum reserves generated EUR 7 thousand of profit for the Group in 2014 (EUR 11 thousand of income, against which EUR 4 thousand was paid for excess reserves).

b) Movements

	As at 1 January 2014	Foreign exchange difference	Net increase/ (decrease)	As at 31 December 2014
Cash and balances at central bank (Note 20 a)	50,305	49	30,244	80,598
Loans and advances to banks (Note 23 a)	446	208	2,136	2,790
TOTAL	**50,751**	**257**	**32,380**	**83,388**

21. FINANCIAL ASSETS HELD FOR TRADING

a) Breakdown

	2014	2013
Equities		
- Unlisted	340	352
Bonds		
- Listed	124	198
Loans held for trading	19	0
TOTAL	**483**	**550**

a) Movements

	2014	2013
Derivatives		
As at 1 January	0	1
- Valuation	0	(1)
As at 31 December	**0**	**0**
Equities		
As at 1 January	352	462
- Acquisition	0	249
- Sale	0	(279)
- Revaluation	(12)	(104)
- Reclassification	0	24
As at 31 December	**340**	**352**
Debt securities		
As at 1 January	198	365
- Acquisition	10	91
- Sale	(88)	(184)
- Revaluation	4	(74)
As at 31 December	**124**	**198**
Loans*		
As at 1 January	0	4
- Increase	19	18,437
- Sale	0	(18,441)
As at 31 December	**19**	**0**
TOTAL	**483**	**550**

* Loans include receivables from the purchase and sale of foreign exchange.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

a) Breakdown

	2014	2013
Equities		
- Unlisted	338	338
Bonds		
- Listed	22,071	26,150
- Unlisted	0	3,663
TOTAL	**22,409**	**30,151**

Available-for-sale financial assets at Group level decreased in 2014 by EUR 7,742 thousand, of which bank bonds were down EUR 3,663 thousand and government bonds down EUR 4,079 thousand.

b) Movements

	2014	2013
As at 1 January	30,151	54,954
Purchases	2,221	6,919
Sale	(10,192)	(31,716)
Reclassification	0	3
Write-downs	0	(420)
Margin	0	97
Fair value adjustment (Note 46 a)	229	314
As at 31 December	**22,409**	**30,151**

23. LOANS AND ADVANCES TO BANKS

a) Breakdown

	2014	2013
Short-term loans	2,909	1,092
TOTAL	**2,909**	**1,092**

Under the new methodology, EUR 15,096 thousand of sight deposits at banks is included in the item cash, balances at central banks, and sight deposits at banks (Note 20 a). Short-term loans and advances to banks were up EUR 1,817 thousand in 2014 and totalled EUR 2,909 thousand at the end of the year. In terms of territory, loans and advances to domestic banks increased by EUR 1,371 thousand, and loans to foreign banks by EUR 446 thousand.

Loans and advances to banks with the original maturity of up to three months, in the amount of EUR 2,790 thousand (2013: EUR 920 thousand) are recognised in the cash flow statement as cash equivalents (Note 20 b).

24. LOANS AND ADVANCES TO CUSTOMERS

a) Breakdown

	2014	2013
Loans and advances	691,568	698,905
Financial lease	9,916	10,883
Working capital loans	19,250	17,837
Revaluation allowance	(97,009)	(84,441)
TOTAL	**623,725**	**643,184**

The Group has pledged a proportion of its financial lease receivables, worth EUR 7,512 thousand, as collateral for its borrowings (2013: EUR 8,520 thousand).

b) Movements in revaluation allowance

	2014	2013
As at 1 January	84,441	65,729
*Opening for Semenarna	4,330	0
Enhancements (through impairments)	18,099	32,459
Repayments (through impairments)	(9,606)	(8,844)
Write-downs	(531)	(3,832)
Suspended income (net)	276	111
Debt-to-equity conversion	0	(1,182)
As at 31 December	**97,009**	**84,441**

c) Loans and advances to customers include financial lease receivables

	2014	2013
Gross financial lease receivables		
Past due up to 1 year	5,733	5,955
Past due from 1 to 5 years	1,546	1,864
Past due over 5 years	2,637	3,064
TOTAL	**9,916**	**10,883**
Revaluation allowances	(4,304)	(4,262)
Net financial lease receivables	**5,612**	**6,621**

25. OTHER FINANCIAL ASSETS

a) Breakdown

	2014	2013
Trade receivables	5,224	901
Interest receivable	3	3
Fee and commission due	152	136
Other receivables	890	518
Other prepayments and deferred income	20	59
Other financial assets revaluation allowance	(3,543)	(611)
TOTAL	**2,746**	**1,006**

b) Movements in revaluation allowance

	2014	2013
As at 1 January	611	660
*Opening for Semenarna	2,825	0
Enhancements (through impairments)	71	166
Repayments (through impairments)	(56)	(216)
Write-downs	92	1
As at 31 December	**3,543**	**611**

26. HELD-TO-MATURITY INVESTMENTS

a) Breakdown

	2014	2013
Held-to-maturity debt securities		
Short-term bank securities	7,140	0
Short-term government securities	9,983	14,875
Short-term securities issued by non-financial institutions	1,386	5,954
Long-term bank securities	4,074	4,041
Long-term government securities	84,550	66,177
TOTAL	**107,133**	**91,047**

b) Movements

	2014	2013
As at 1 January	91,047	99,327
Purchases	71,357	47,934
Maturities	(55,271)	(56,214)
As at 31 December	**107,133**	**91,047**

27. NON-CURRENT ASSETS HELD FOR SALE, AND DISCONTINUED OPERATIONS

	2014	2013
Equity investments held for sale	0	433
Property, plant and equipment held for sale	1,614	0
TOTAL	**1,614**	**433**

28. PROPERTY, PLANT AND EQUIPMENT

2014	Land and buildings	Computers	Furniture and other equipment	Motor vehicles	PPE under construction	Total
Cost						
As at 1 January	12,537	4,459	11,273	3,064	0	31,333
Increases*	29,015	831	5,625	101	927	36,499
*Of which increases by Semenarna	24,697	831	5,625	101	0	31,254
Transfer from PPE under construction	58	185	397	287	(927)	0
Decreases	(4)	(7)	(244)	(1,288)	0	(1,543)
As at 31 December	41,606	5,468	17,051	2,164	0	66,289
Revaluation allowance						
As at 1 January	2,887	4,228	8,365	1,312	0	16,792
Increases**	5,894	794	4,966	71	0	11,725
**Of which increases by Semenarna	5,893	794	4,966	71	0	11,724
Decreases	0	(29)	(130)	(851)	0	(1,010)
Depreciation and amortisation	708	184	961	458	0	2,311
As at 31 December	9,489	5,177	14,162	990	0	29,818
Net carrying value						
As at 1 January	9,650	231	2,908	1,752	0	14,541
As at 31 December	32,117	291	2,889	1,174	0	36,471

The net carrying value of real estate held as collateral for loans is EUR 14,102 thousand.

2013	Land and buildings	Computers	Furniture and other equipment	Motor vehicles	PPE under construction	Total
Cost						
As at 1 January	12,531	4,490	11,232	3,810	0	32,063
Increases	0	1	3	216	227	447
Transfer from PPE under construction	6	52	169	0	(227)	0
Decreases	0	(84)	(131)	(962)	0	(1,177)
As at 31 December	12,537	4,459	11,273	3,064	0	31,333
Revaluation allowance						
As at 1 January	2,554	4,029	7,614	1,183	0	15,380
Decreases	0	(87)	(137)	(467)	0	(691)
Depreciation and amortisation	333	286	888	596	0	2,103
As at 31 December	2,887	4,228	8,365	1,312	0	16,792
Net carrying value						
As at 1 January	9,977	461	3,618	2,627	0	16,683
As at 31 December	9,650	231	2,908	1,752	0	14,541

29. INVESTMENT PROPERTY

a) Breakdown

	2014	2013
Long-term investments into investment property		
- Land	206	171
- Buildings	5,482	3,710
TOTAL	**5,688**	**3,881**

The Group had no investment property held as collateral for loans in 2014 (2013: EUR 1,023 thousand).

b) Movements

	2014	2013
As at 1 January	3,881	4,521
Increase	3,616	2
Revaluation allowance	(1,809)	(642)
As at 31 December	**5,688**	**3,881**

Income from investment property leases, in the amount of EUR 243 thousand (2013: EUR 220 thousand), is recognised among other net operating gains/losses (Note 12). Operating lease contracts may be terminated during the lease period.

Investment property is categorised into Level 3 of the fair value hierarchy. In determining fair value, the comparable sales method is used. Fair value is determined on the basis of market prices data. The Group increased its investment property in 2014 by EUR 36 thousand (2013: EUR 0 thousand). Fair value revaluation (impairment) is recognised under impairment charge. The Group recorded EUR 392 thousand worth of impairment charges against investment property in 2014 (2013: EUR 642 thousand) (Note 16).

30. INTANGIBLE ASSETS

			2014			2013
	Intangible assets	Intangible assets under construction	Total	Intangible assets	Intangible assets under construction	Total
Cost						
As at 1 January	3,305	0	3,305	3,454	94	3,548
Increases	856	67	923	2	47	49
Decreases	0	0	0	(292)	0	(292)
Transfer from intangible assets under construction	35	(35)	0	141	(141)	0
As at 31 December	4,196	32	4,228	3,305	0	3,305
Revaluation allowance						
As at 1 January	2,118	0	2,118	2,145	0	2,145
Depreciation and amortisation	552	0	552	265	0	265
Decreases	296	0	296	(292)	0	(292)
As at 31 December	2,966	0	2,966	2,118	0	2,118
As at 1 January	**1,187**	**0**	**1,187**	**1,309**	**94**	**1,403**
As at 31 December	**1,230**	**32**	**1,262**	**1,187**	**0**	**1,187**

The Group holds no intangible assets received as guarantee for liabilities, and holds no assets with limited ownership rights. Intangible assets include the Group's licences under lease.

31. TAX ASSETS

	2014	2013
Deferred tax assets (Note 42 b)	6,462	5,597
TOTAL	**6,462**	**5,597**

Outstanding tax loss for 2014 amounts to EUR 33,395 thousand. Deferred tax assets were formed in the amount of EUR 5,676 thousand, impairments of deferred tax assets totalling EUR 2,608 thousand.

32. OTHER ASSETS

	2014	2013
VAT refund receivables for the tax period	614	1
Accrued and short-term deferred costs	456	204
Long-term deferred operating costs	40	15
Materials inventory	7,209	367
Real estate inventory	26,288	25,592
Stock of coins held for sale	146	145
Prepayments - buildings	85	0
Prepayments - equipment	0	9
Prepayments to suppliers for current assets	251	134
Other prepayments	82	122
Other advance tax refund receivables	39	5
Consideration receivable	1,539	0
Other	6	2
TOTAL	**36,755**	**26,596**

The net carrying value of inventories of real estate held as collateral for loans is EUR 1,462 thousand (2013: EUR 5,009 thousand). Impairment charges against inventories of real estate amounted to EUR 3,598 thousand in 2014 (Note 16).

33. TRADING LIABILITIES

	2014	2013
Derivatives held for trading	0	11
Other trading liabilities	19	0
TOTAL	**19**	**11**

34. DEPOSITS BY BANKS AND CENTRAL BANKS

	2014	2013
Demand deposits by banks	161	16
Short-term deposits by banks	47	898
TOTAL	**208**	**914**

35. DEPOSITS BY CUSTOMERS

	2014	2013
Sight deposits	312,264	270,189
Short-term deposits	158,282	195,605
Long-term deposits	231,608	180,017
TOTAL	**702,154**	**645,811**

36. BORROWINGS FROM BANKS AND CENTRAL BANKS

	2014	2013
Short-term borrowings from banks	3,260	1,404
Long-term borrowings from banks	36,540	30,780
Long-term borrowings from central bank	30,402	50,645
TOTAL	**70,202**	**82,829**

Under the new methodology this item includes EUR 30,402 thousand of long-term borrowings from the central bank (2013: EUR 50,645 thousand).

37. BORROWINGS FROM CUSTOMERS

	2014	2013
Long-term borrowings from customers	1,290	0
TOTAL	**1,290**	**0**

38. DEBT SECURITIES

a) Breakdown

	2014	2013
Lond-term bearer bonds with the maturity over 2 years	72,387	75,245
TOTAL	**72,387**	**75,245**

In 2010 the Bank issued bonds worth EUR 100,000 thousand under a government guarantee, with the maturity of five years. The bond pays a 1.2% premium to 3-month Euribor, with coupon payments due each quarter – on 18 March, 18 June, 18 September and 18 December, or on the closest working day. In 2014 the Bank made an early repurchase of a proportion of its bond issue, in the total nominal value of EUR 3,050 thousand. The redeemed bonds were cancelled from the Euroclear/Clearstream securities register and delisted from trading on the Luxembourg Stock Exchange. At the end of 2014, they totalled EUR 72,387 thousand, down EUR 2,858 thousand from the beginning of the year.

39. SUBORDINATED LIABILITIES

a) Breakdown

	2014	2013
Subordinated liabilities		
- To banks	6,625	6,627
- To non-financial institutions	2,761	2,629
- To other financial institutions	5,285	5,285
TOTAL	**14,671**	**14,541**

	Date subscribed	Amount	Currency	Interest rate (%)	Maturity date
Subordinated liabilities					
	2. 10. 2008	710	EUR	6m Euribor + 2.70	30. 10. 2015
	6. 10. 2008	305	EUR	6m Euribor + 2.90	30. 10. 2015
	7. 10. 2008	183	EUR	7.70	30. 10. 2015
	7. 10. 2008	458	EUR	7.70	30. 10. 2015
	7. 10. 2008	161	EUR	7.70	30. 10. 2015
	7. 10. 2008	275	EUR	7.70	30. 10. 2015
	20. 5. 2009	532	EUR	6.50	20. 5. 2016
	20. 5. 2009	171	EUR	6.70	20. 5. 2016
	20. 5. 2009	171	EUR	6.70	20. 5. 2016
	20. 5. 2009	459	EUR	6.70	20. 5. 2016
	20. 5. 2009	267	EUR	6.70	20. 5. 2016
	26. 5. 2009	51	EUR	6m Euribor + 4.00	26. 5. 2016
	26. 5. 2009	460	EUR	6m Euribor + 4.00	26. 5. 2016
	24. 6. 2009	510	EUR	6m Euribor + 3.50	24. 6. 2016
	30. 9. 2009	4,052	EUR	6m Euribor + 5.00	30. 9. 2016
	20. 12. 2012	2,063	EUR	6m Euribor + 6.00	20. 12. 2019
	20. 12. 2012	184	EUR	8.20	20. 12. 2019
	20. 12. 2012	162	EUR	8.20	20. 12. 2019
	20. 12. 2012	460	EUR	8.20	20. 12. 2019
	20. 12. 2012	276	EUR	8.20	20. 12. 2019
	23. 10. 2013	531	EUR	6.20	3. 11. 2020
	23. 10. 2013	53	EUR	6.20	3. 11. 2020
	23. 10. 2013	85	EUR	6.20	3. 11. 2020
	23. 10. 2013	85	EUR	6.20	3. 11. 2020
	23. 10. 2013	96	EUR	6.20	3. 11. 2020
	23. 10. 2013	32	EUR	6.20	3. 11. 2020
	23. 10. 2013	106	EUR	6.20	3. 11. 2020
	30. 10. 2013	106	EUR	6.20	10. 11. 2020
	30. 10. 2013	711	EUR	6.20	10. 11. 2020
	30. 10. 2013	531	EUR	6.20	10. 11. 2020
	30. 10. 2013	32	EUR	6.20	10. 11. 2020
	30. 10. 2013	319	EUR	6.20	10. 11. 2020
	30. 10. 2013	74	EUR	6.20	10. 11. 2020
TOTAL		**14,671**			

Subordinated liabilities include subordinated deposits, loans and certificates of deposit eligible for inclusion into tier II capital, consistent with the CRR (Note under 3.5., Capital Management). Subordinated debt was issued over the years in order to maintain the required capital adequacy. The difference in the amount of EUR 130 thousand in subordinated liabilities in 2014 is attributable to interest payable and deferred interest.

40. OTHER FINANCIAL LIABILITIES

	2014	2013
Profit sharing - dividend payments	37	37
Wages and salaries	774	460
Taxes and contributions	378	241
Suppliers	3,197	614
Other liabilities	5,045	733
Charges being collected	12	11
Retail-banking charges being collected	54	0
Accrued costs	415	350
Accrued expenses	99	62
Other accruals and income collected in advance	29	0
Long-term liabilities associated with Semenarna's compulsory composition	4,514	0
Other long-term liabilities	40	0
Other	42	81
TOTAL	**14,636**	**2,589**

The item other liabilities includes EUR 4,367 thousand received for newly issued shares. The amount will be restated in equity once the shares are recorded in the companies' register and the KDD central securities register (Note 44 a).

41. PROVISIONS

a) Breakdown

	2014	2013
Provisions for pensions and similar payables to employees (Note 41 b and c)	1,711	996
Provisions for off-balance-sheet liabilities (Note 41 d)	328	278
Provisions for pending legal cases (Note 41 e)	54	10
Other provisions (Note 41 f)	418	43
TOTAL	**2,511**	**1,327**

Under the item other provisions, the Group recognises provisions in the amount EUR 25 thousand for the National Housing Saving Scheme (NSVS). The Group had participated at five NSVS tenders, of which loans were not fully drawn in the last four and the Group therefore has related liabilities to refund the Housing Fund of the Republic of Slovenia for premiums received. The Group did not participate in the tenders after 2009.

On the basis of the second, third, fourth and fifth 5-year scheme, which had all already expired, and the 10-year scheme the Group has estimated that there was a 95% chance of premiums being refunded and has therefore formed provisions in the amount of 95% of the premiums paid for the remaining schemes. These are long-term provisions, which the Group will gradually phase out by 2015 at the latest, when the last 10-year scheme expires.

b) Provisions for pensions and similar payables to employees

	2014	2013
Provisions for severance pays	1,489	805
Provisions for long-service awards	222	191
TOTAL	**1,711**	**996**

The actuarial calculation of provisions for severance pays and long-service awards to employees included the following assumptions: average earnings growth in the Republic of Slovenia is expected as follows: 1.3% annually in 2015, 1.8% annually in 2016, and 3.0% annually in subsequent years; the calculation of liabilities for severance pays takes into account an employee's period of employment; the selected discount factor is 2.1% annually. Assumptions on employment fluctuations and the company's related payables: it is assumed that employment fluctuation depends primarily on the employees' age; the mortality rates used are from the Slovenian reference population mortality table for 2007; it is assumed that employees will exercise their right to retire upon reaching their full retirement age, and therefore the employer will not incur liabilities for long-service awards projected to fall due at a later date.

c) Movements in provisions for pensions and similar payables to employees

	2014	2013
As at 1 January*	996	928
*Opening for Semenarna	480	0
Provisions made during the year	300	97
Provisions utilised during the year	(65)	(29)
As at 31 December	**1,711**	**996**

Recalculated payables to employees total EUR 1,711 thousand, for which we had to form as at 31 December 2014 additional provisions of EUR 300 thousand. The increase in payables comprising EUR 86 thousand of costs for the period and EUR 19 thousand of long-service awards, was charged to profit and loss, while the proportion associated with the actuarial deficit for severance pays, totalling EUR 195 thousand, was charged to comprehensive income (Note 46).

The actuarial deficit for severance pays was formed in comprehensive income in the amount of EUR 195 thousand (Note 46).

d) Movements in provisions for off-balance-sheet liabilities

	2014	2013
As at 1 January	278	625
Provisions made during the year (Note 15)	3,663	3,627
Provisions released during the year (Note 15)	(3,613)	(3,974)
As at 31 December	**328**	**278**

e) Movements in provisions for pending legal cases

	2014	2013
As at 1 January	10	840
Provisions made during the year	44	0
Provisions utilised during the year	0	(770)
Provisions released during the year	0	(60)
As at 31 December	**54**	**10**

f) Movements in other provisions

	2014	2013
As at 1 January*	43	61
*Opening for Semenarna	393	0
Provisions made during the year	1	4
Provisions released during the year	(19)	(22)
As at 31 December	**418**	**43**

42. INCOME TAX LIABILITIES

a) Breakdown

	2014	2013
Current tax liabilities	657	0
Deferred tax liabilities	1,360	166
TOTAL	**2,017**	**166**

b) Deferred tax liabilities and assets according to statement of financial position items

	2014	2013
1. Deferred tax liabilities		
Available-for-sale financial assets	209	166
Land valuation	1,142	0
Depreciation and amortisation	9	0
TOTAL	**1,360**	**166**
2. Deferred tax assets		
Provisions for severance pays and long-service awards	199	135
Available-for-sale investment securities	32	21
Impairment of securities	190	195
Impairment of equity participation	2,556	1,427
Tax relief	0	18
Tax loss	3,068	3,801
Other provisions	417	0
TOTAL (Note 31)	**6,462**	**5,597**
Net deferred tax (2 - 1)	**5,102**	**5,431**

Deferred tax assets arising from the impaired equity investment, assets, loans, financial leasing, unspent allowances and tax losses, were collectively impaired and the impairment charge totals EUR 3,671 thousand.

c) Movements in deferred taxes

	2014	2013
As at 1 January	5,431	4,431
Available-for-sale financial assets - fair value valuation (Note 46 a)	(32)	(64)
Building valuation	417	0
Land valuation	(1,142)	0
Depreciation and amortisation	(9)	0
Impairment of securities	(6)	66
Impairments of loans and receivables	0	(250)
Impairment of equity participation	1,130	700
Impairments of assets	0	(15)
Financial lease impairment	0	(490)
Provisions for severance pays and long-service awards	64	17
Tax relief	(18)	5
Tax loss	(733)	1,041
Other provisions	0	(10)
As at 31 December	**5,102**	**5,431**

d) Deferred taxes in the income statement contain the following temporary differences

	2014	2013
Impairment of securities	(6)	66
Provisions for employee benefits	(2)	17
Other provisions	0	(10)
Tax relief	(18)	(9)
Tax loss	(733)	1,042
Depreciation and amortisation	(9)	0
Impairments	1,129	(41)
TOTAL (Note 18)	**361**	**1,065**

Deferred tax assets and liabilities for 2014 were calculated using the tax rate expected to apply in the period a particular receivable is collected, which is 17% (2013: 17%).

43. OTHER LIABILITIES

a) Breakdown

	2014	2013
Payments received in advance	218	94
Taxes payable	322	443
Outstanding taxes payable	523	0
Accruals	350	166
TOTAL	**1,413**	**703**

44. SHARE CAPITAL

a) Breakdown

	No. of ordinary shares	Subscribed value
As at 1 January 2013	3,783,000	15,786
As at 31 December 2013/1 January 2014	3,783,000	15,786
As at 31 December 2014	**3,783,000**	**15,786**

The Bank's share capital is divided into 3,783,000 ordinary no par value shares of class A, of which 3,772,235 are recorded in the KDD central securities register. At the end of 2014 the Bank raised additional capital, with investors paying 485,248 new shares in the total issue value of EUR 4,367,232.00. The capital increase was recorded in the companies' register on 16 January 2015. The Bank's share capital was up EUR 2,024,904.05 due to the increase, totalling EUR 17,811,083.54. As the newly issued shares from the capital increase had not been recorded in the KDD central securities register as at 31 December 2014, the capital increase has not been recognised under equity in the statement of financial position (Note 40).

b) Shareholders with over 5% of share capital

		2014
Shareholder	No. of shares	Stake in shareholders' equity in KDD
Kapitalska zadruga, z. b. o., Ljubljana	1,734,324	45.976
KD Kapital d. o. o., Ljubljana	377,181	9.999
Banca Popolare di Cividale S.C.p.A., Cividale del Friuli	210,511	5.581
ČZD Kmečki glas, d. o. o., Ljubljana	200,000	5.302

At the year-end of 2014, 261 shareholders of Deželna banka Slovenije d. d. were recorded in the KDD central securities register, of which 96 were domestic legal entities, 160 domestic individuals, and five foreign entities (2013: 260 shareholders). The number of the Bank's shareholders increased by one in 2014. In the capital increase at the end of 2014 investors paid 485,248 new shares; the balance as at 31 December 2014 does not include the newly issued shares as they had not yet been recorded in the KDD central securities register (Note 44 a).

45. SHARE PREMIUM

	2014	2013
As at 1 January	28,915	38,930
Settlement of loss for the year	0	(10,015)
As at 31 December	**28,915**	**28,915**

After shares issued in the capital increase are recorded in the central securities register, EUR 2,342,327.95 will be restated under share premium (Note 44 a).

46. ACCUMULATED OTHER COMPREHENSIVE INCOME

a) Accumulated other comprehensive income associated with available-for-sale financial assets

	2014	2013
As at 1 January	706	456
Other revaluation surplus	(195)	0
Net gains/losses from changes in fair value of available-for-sale financial assets (Note 22 b)	229	314
Deferred taxes (Note 42 c)	(32)	(64)
As at 31 December	**708**	**706**

Other revaluation surplus refers to the actuarial deficit for severance pays (Note 41 c).

47. REVENUE RESERVES

a) Breakdown

	2014	2013
Reserves for treasury shares	671	671
Reserves under Statutes	269	0
TOTAL	**940**	**671**

In 2014 the Group reported EUR 1,399 thousand of net profit. Pursuant to the Statutes, 20% of profit for the year, which amounts to EUR 269 thousand, was allocated to reserves under Statutes.

Share premium and statutory reserves can only be used up under the following terms:
1. If the total amount of share premium and statutory reserves is less than 10% of share capital, they can only be used to:
- Offset loss for the financial year if it cannot be offset against net profit from previous periods or other revenue reserves;
- Offset loss from previous periods if it cannot be offset against net profit for the year or other revenue reserves;
2. If the total amount of share premium and statutory reserves is at least 10% of share capital, their surplus amount can be used to:
- Increase share capital;
- Offset loss for the financial year if it cannot be offset against net profit from previous periods and if at the same time revenue reserves are not used for dividend payments to shareholders;
- Offset net loss from previous periods if it cannot be offset against net profit for the year and if at the same time revenue reserves are not used for dividend payments to shareholders.

Other revenue reserves cannot be used for dividend payments to shareholders or other entities.

b) Reserves for treasury shares

	2014	2013
As at 1 January	671	671
As at 31 December	**671**	**671**

c) Reserves under Statutes

	2014	2013
As at 1 January	0	2,706
Settlement of loss for the year	0	(2,706)
Transfer from net profit	269	0
As at 31 December	**269**	**0**

48. TREASURY SHARES

	2014	2013
Repurchase of treasury shares - ordinary	(682)	(671)
TOTAL	**(682)**	**(671)**

49. RETAINED EARNINGS (INCLUDING PROFIT/LOSS FOR THE YEAR)

	2014	2013
Net profit/loss for the year	1,130	(30)
Retained earnings	(49)	57
TOTAL	**1,081**	**27**

50. OFF-BALANCE SHEET LIABILITIES

a) Breakdown by type of contingent liabilities and commitments

	2014	2013
Guarantees	46,571	28,738
Commitments to extend credit	39,765	32,924
Letters of credit	41	2,004
TOTAL	**86,377**	**63,666**
Provisions (Note 41 a and d)	(328)	(278)

51. FIDUCIARY ACTIVITIES

a) Investment and ancillary investment services for customers

	2014	2013
Fee (commission) income associated with investment and ancillary investment services and transactions for clients	**146**	**104**
Reception, transmission and execution of orders	131	90
Managing dematerialised securities accounts for clients	15	14
Fee (commission) expense associated with investment and ancillary investment services and transactions for clients	**39**	**67**
Fees associated with KDD and similar organisations	36	66
Fees associated with the stock exchange and similar organisations	3	1

	2014	2013
ASSETS	**131,619**	**121,488**
Claims on settlement account and current accounts for clients' assets	130,696	121,358
- From financial instruments	130,616	121,325
- From the KDD or the Bank's settlement account for sold financial instruments	58	3
- From other settlement systems and institutions for sold financial instruments	22	30
Clients' cash	923	130
- On the settlement account for clients' assets	878	64
- On banks' current accounts	45	66
LIABILITIES	**131,619**	**121,488**
Liabilities of settlement account and of current accounts for clients' assets	131,619	121,488
- With clients from cash and financial instruments	131,603	121,432
- With KDD or the Bank's settlement account for purchased financial instruments	0	8
- With other settlement systems and institutions for purchased financial instruments	0	33
- With the Bank and the Bank's settlement account for fees, expenses, etc.	16	15

b) Other agency services

The Group manages assets in the total amount of EUR 133,491 thousand (2013: EUR 123,937 thousand) in the name and for the accounts of third parties. Assets under management are accounted for separately from the Group's assets. Income and expenses from operations in the name of third parties and for the accounts of third parties are credited or charged to the originator, therefore no liabilities arise for the Group from these operations. The Group charges the related service fees to the originator. In 2014 these fees amounted to EUR 106 thousand (2013: EUR 67 thousand). For acting as agent in the sale of numismatic coins, the Group charged fees in the amount of EUR 28 thousand in 2014 (2013: EUR 45 thousand).

52. RELATED PARTY TRANSACTIONS

Ordinary activities include numerous banking transactions with related parties. These transactions are carried out on commercial terms and conditions, and at market rates.

a) Volume of banking transactions among related parties

	Management Board / CEO / Holder of Procuration		Senior management on individual contracts		Close family members of the Management or Supervisory Board / CEO / Holder of Procuration / senior management on individual contracts		Companies related to the Management or Supervisory Board / CEO / Holder of Procuration / senior management on individual contracts, and to their close family members		Bank's shareholders* (10 largest shareholders - without DBS)		Supervisory Board members	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Loans and deposits												
As at 1 January	211	62	523	558	25	45	9,609	4,274	1,082	6,729	96	27
Increase	398	197	200	194	24	8	30	30,791	105,060	66	15	325
Decrease	(140)	(48)	(298)	(229)	(12)	(28)	(9,632)	(25,456)	(105,267)	(5,713)	(56)	(256)
As at 31 December	469	211	425	523	37	25	7	9,609	875	1,082	55	96
Interest income	9	5	14	17	1	1	367	467	57	63	2	3
Revaluation allowance	2	0	0	1	0	0	105	336	1	19	0	0
Deposits and borrowings												
As at 1 January	25	25	248	464	44	93	1,139	380	13,981	11,917	114	104
Increase	585	478	1,379	1,237	417	86	61,310	29,039	219,281	102,576	661	918
Decrease	(569)	(478)	(1,459)	(1,453)	(420)	(135)	(62,179)	(28,280)	(222,830)	(100,512)	(656)	(908)
As at 31 December	41	25	168	248	41	44	270	1,139	10,432	13,981	119	114
Interest expense	0	0	5	9	2	1	6	81	597	479	4	5
Guarantees issued	0	0	0	0	0	0	0	55	1,549	1,559	0	0
Fee and commission received	0	0	2	2	0	0	139	46	81	21	1	1
Full operational lease granted												
As at 1 January	0	0	0	0	0	0	0	0	3	2	0	0
Increase	0	0	0	0	0	0	0	0	86	30	0	0
Decrease	0	0	0	0	0	0	0	0	(82)	(29)	0	0
As at 31 December	0	0	0	0	0	0	0	0	7	3	0	0
Lease income	0	0	0	0	0	0	0	0	60	23	0	0
Full operational lease received												
As at 1 January	0	0	0	0	0	0	4	1	0	2	0	0
Increase	0	0	0	0	0	0	52	49	26	24	0	0
Decrease	0	0	0	0	0	0	(52)	(46)	(26)	(26)	0	0
As at 31 December	0	0	0	0	0	0	4	4	0	0	0	0
Lease expense	0	0	0	0	0	0	52	0	5	0	0	0

* The reported shareholders represent 90.36% of shareholders' equity.

b) Remuneration of senior management

	2014	2013
Wages and other short-term benefits	2,011	1,483
Performance bonuses	0	1
TOTAL	**2,011**	**1,484**

The remuneration of the Management Board and others on management contracts includes gross wages, pay for annual leave, fringe benefits, cost reimbursement and supplementary pension insurance.

The Management Board and others on management contracts held 20 shares (0.001% of share capital) as at 31 December 2014. As at 31 December 2013 they held 20 shares (0,001% of share capital).

c) Remuneration of Supervisory Board members and members of Supervisory Board committees

	2014	2013
Wages and other short-term benefits	161	97
TOTAL	**161**	**97**

The amount includes the earnings of Supervisory Board members, members of the Supervisory Board Remuneration Committee and members of the Supervisory Board Audit Committee.

d) Remuneration of members of managerial and supervisory bodies in 2014

Position / Earnings	Fixed earnings	Variable earnings	Cost reimbursement	Supplem. pension insurance	Fringe benefits	Other remuner., severance pays
Management Board of the Bank	**256**	**0**	**2**	**5**	**10**	**0**
- Sonja Anadolli, President of the MB	138	0	1	3	7	0
- Mojca Štajner, Member of the MB	118	0	1	2	3	0
Supervisory Board of the Bank	**46**	**51**	**3**	**0**	**0**	**0**
- Peter Vrisk, President	14	13	0	0	0	0
- Marjan Janžekovič, Deputy President	8	13	1	0	0	0
- Primož Žerjav, member	8	9	0	0	0	0
- Ivan Lenart, member	8	8	1	0	0	0
- Nikolaj Maver, member	8	8	1	0	0	0
Supervisory Board of the subsidiary	**0**	**39**	**0**	**0**	**12**	**0**
- Sonja Anadolli, President	0	1	0	0	0	0
- Sonja Anadolli, Deputy President	0	4	0	0	4	0
- Mojca Štajner, member	0	3	0	0	0	0
- Martin Hočevar, member	0	0	0	0	0	0
- Andraž Grum, Deputy President	0	4	0	0	0	0
- Andraž Grum, member	0	2	0	0	0	0
- Maša Grgurevič Alčin, member	0	2	0	0	0	0
- Primož Žerjav, President	0	6	0	0	0	0
- Tomo Sokolić, member	0	2	0	0	0	0
- Miha Štepec, member	0	2	0	0	0	0
- Marija Mojca Bohinec, member	0	2	0	0	0	0
- Peter Vrisk, President	0	6	0	0	4	0
- Drago Martinčič, member	0	5	0	0	4	0
Senior management in subsidiaries	**218**	**0**	**5**	**2**	**19**	**93**
- Andrej Rajh, CEO	74	0	1	2	14	31
- Jožef Berdnik, Holder of Procuration	16	0	0	0	0	0
- Andraž Grum, CEO	2	0	0	0	0	0
- Tevž Korent, CEO	2	0	0	0	0	0
- Andrej Latin, Member of the MB	24	0	2	0	0	38
- Aleš Šabeder, President of the MB	100	0	2	0	5	0
- Jožef Berdnik, Executive Director	0	0	0	0	0	24
TOTAL	**520**	**90**	**10**	**7**	**41**	**93**

The table shows the earnings of Management Board members of the Bank and subsidiaries, and of Supervisory Board members, pursuant to the requirement of Article 294 of the Companies Act.

53. REMUNERATION SYSTEM AND SIGNIFICANT BUSINESS CONTACTS

Remuneration system

The system of remuneration in the Group is based on the Remuneration Policy for Staff with a Special Nature of Work („Remuneration Policy"), which lays down the system of remuneration and performance bonuses for the categories of staff having a material impact on the Group's risk profile by virtue of performing their work tasks and assignments: either by being risk takers, cooperating in risk management, or by having control and supervision functions.

The necessary preconditions for variable pay are the Group's reporting a profit for the assessment period and its reaching and exceeding all basic objectives. Due to the reported loss for financial year 2013, no funds have been allocated for variable pay to employees whose work is of a specific nature.

Significant business contacts

A significant indirect business contact exists if a member of the Management Board or Supervisory Board, or their close family member, is a business partner, holder of a qualifying stake in Group companies, managing director or member of the senior management in a company or organisation that is in a business relationship with the Group. In this respect the Group promotes the culture of avoiding significant direct and indirect business contacts that would fit the criteria from Article 23 c of the Bank of Slovenia Regulation on Disclosures by Banks and Savings Banks.

54. EVENTS AFTER THE REPORTING PERIOD

Following the capital increase at the end of 2014, the Deželna banka Slovenije d. d. share capital increase was recorded in the companies' register as at 16 January 2015. An additional 485,248 Deželna banka Slovenije d. d. shares with the ticker symbol SZBR (ISIN code SI0021110083, CFI code ESVTFR) from the capital increase with a new contribution were recorded in the KDD central securities register as at 10 February 2015. The KDD central securities register now holds on record 4,257,483 SZBR shares (Note 44 a).

Deželna banka Slovenije d. d.

Financial statements under International Financial Reporting Standards
for the year ended 31 December 2014

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Management Board hereby approves the financial statements of Deželna banka Slovenije d. d. for the financial year ended 31 December 2014 (pages 112 to 115 of the Annual Report), along with the accounting principles used and notes to the financial statements (pages 116 to 174 of the Annual Report).

We hereby reaffirm our responsibility for the Annual Report, which is a true and fair presentation of the Bank's financial standing as at 31 December 2014, and for the results of its operations for the year ended on the same day.

The Bank's Management Board confirms that suitable accounting policies were consistently adhered to, and that accounting estimates were conducted in accordance with fair value. The financial statements were drawn up on the assumption of going concern and pursuant to the legislation and stipulations of International Financial Reporting Standards as adopted by the European Union.

The Management Board is responsible for the appropriate management of accounts, for the adoption of the measures required to safeguard company assets, and for the detection and prevention of fraud and other irregularities and illegal activities.

The Tax Authority may conduct a tax inspection of the current reporting period at any time within the following five years, and in this connection impose additional tax assessments and penalties. The Management Board knows of no circumstances that could give rise to a potential material liability in this regard.

Member of the Management Board	President of the Management Board
Mojca Štajner	Sonja Anadolli

Ljubljana, 2 March 2015

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT
to the owners of DEŽELNA BANKA SLOVENIJE d.d.

Report on the Financial Statements

We have audited the accompanying unconsolidated financial statements of the bank Deželna banka Slovenije d.d. (hereinafter: the "bank"), which comprise the statement of financial position as at 31 December 2014, 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 notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 selected procedures 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 bank'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 bank'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 unconsolidated financial statements give a true and fair view of the financial position of the bank as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of Matter

a) Consolidated Financial Statements

Bank is the controlling company within the Deželna banka Slovenije Group (hereinafter: the "Group"). The consolidated financial statements of the Group, prepared in accordance with the International Financial Reporting Standards as adopted by the EU, are presented separately. We have audited the consolidated financial statements of the Group and issued an unqualified opinion on 9 March 2015.

b) Capital Increase

We draw attention to disclosures in notes *3.5 Capital management* and *43. Share capital* to the unconsolidated financial statements, describing that the value of capital increase is part of the capital adequacy calculation as at 31 December 2014 in accordance with the regulator's approval. Since the capital increase was registered into the Companies Register on 16 January 2015, the amount of capital increase is not yet recorded as a part of share capital as at 31 December 2014.

Our opinion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

The management is also responsible for the preparation of the business report in accordance with the requirements of the Companies Act (ZGD-1). Our responsibility is to provide an assessment of whether the business report is consistent with the audited financial statements. Our procedures have been conducted in accordance with the International Standard on Auditing 720 and are limited solely to assessing of whether the business report is consistent with the audited financial statements. In our opinion, the business report is consistent with the audited financial statements.

DELOITTE REVIZIJA d.o.o.

Katarina Kadunc
Certified Auditor

Yuri Sidorovich
President of the Board

For signature please refer to the original Slovenian version.

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

Ljubljana, 9 March 2015

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

III. Financial statements as at 31 December 2014

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

in EUR thousand

Code	Items	Note	1-12 2014	1-12 2013
1	Interest income		33,293	35,233
2	Interest expense		11,053	13,814
3	**Net interest income** (1 - 2)	5	**22,240**	**21,419**
4	Dividends	6	2	11
5	Fee (commission) income		7,812	7,321
6	Fee (commission) expense		2,091	2,236
7	**Net fee (commission) income** (5 - 6)	7	**5,721**	**5,085**
8	Realised gains/losses from financial assets and liabilities not measured at fair value through profit or loss	8	69	754
9	Net gains (losses) from financial assets and liabilities held for trading	9	108	(240)
10	Foreign exchange translation	10	0	91
11	Net gains/losses on derecognition of assets other than non-current assets held for sale	11	100	234
12	Other net operating gains/losses	12	2,258	(739)
13	Administrative expenses	13	14,811	14,893
14	Depreciation and amortisation	14	1,499	1,736
15	Provisions	15	(177)	30
16	Impairment charge	16	12,744	29,488
17	**PROFIT/LOSS FROM CONTINUOUS OPERATIONS BEFORE TAX** (3 + 4 + 7 + 8 + 9 + 10 + 11 + 12 - 13 - 14 - 15 - 16)		**1,621**	**(19,532)**
18	Tax	17	278	(2,211)
19	**PROFIT/LOSS FROM CONTINUOUS OPERATIONS AFTER TAX** (17 - 18)		**1,343**	**(17,321)**
20	**PROFIT/LOSS FOR THE YEAR** (19)		**1,343**	**(17,321)**
				in EUR
21	Basic profit/loss per share	18	0.36	(4.63)
22	Diluted profit/loss per share	18	0.36	(4.63)

The accompanying notes form an integral part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

in EUR thousand

Code	Items	Note	1-12 2014	1-12 2013
1	**PROFIT/LOSS FOR THE YEAR AFTER TAX**		**1,343**	**(17,321)**
2	**OTHER COMPREHENSIVE INCOME AFTER TAX** (3 + 4)		**67**	**250**
3	**ITEMS NOT TO BE RECLASSIFIED INTO PROFIT OR LOSS** (3.1.)		**(131)**	**0**
3.1	Actuarial gains/losses for defined benefit pension plans	45 a	(131)	0
4	**ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS** (4.1 + 4.2)		**198**	**250**
4.1	Net gains/losses in revaluation surplus, associated with available-for-sale financial assets (4.1.1)	22 b	230	314
4.1.1	Gains/losses in revaluation surplus		230	314
4.2	Tax related to items that may be reclassified to profit or loss	43 c	(32)	(64)
5	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR AFTER TAX** (1 + 2)		**1,410**	**(17,071)**

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

in EUR thousand

Code	Items	Note	2014	2013
1	Cash, balances at central banks, and sight deposits at banks	19	79,941	50,304
2	Financial assets held for trading	20	483	550
3	Available-for-sale financial assets	21	22,409	30,151
4	Loans and advances		625,576	648,331
	- Loans and advances to banks	22	2,896	1,092
	- Loans and advances to customers	23	621,942	646,727
	- Other financial assets	24	738	512
5	Held-to-maturity investments	25	107,133	91,047
6	Non-current assets held for sale, and discontinued operations	26	0	433
7	Property, plant and equipment	27	12,014	12,810
8	Investment property	28	5,152	1,845
9	Intangible assets	29	936	1,145
10	Long-term equity participation in subsidiaries, associates and joint ventures	30	13,274	9,230
11	Income tax assets	31	5,985	5,597
	- Deferred tax assets		5,985	5,597
12	Other assets	32	17,158	4,551
13	**TOTAL ASSETS** (from 1 to 12)		**890,061**	**855,994**
14	Trading liabilities	33	19	11
15	Financial liabilities measured at amortised cost		840,364	808,308
	- Deposits by banks and central banks	34	161	914
	- Deposits by customers	35	702,697	645,810
	- Borrowings from banks and central banks	36	42,276	69,366
	- Debt securities	37	72,387	75,245
	- Subordinated liabilities	38	14,671	14,541
	- Other financial liabilities	39	8,172	2,432
16	Provisions	40	1,553	1,648
17	Income tax liabilities	41	863	166
	- Current tax liabilities		654	0
	- Deferred tax liabilities		209	166
18	Other liabilities	42	445	454
19	**TOTAL LIABILITIES** (from 14 to 18)		**843,244**	**810,587**
20	Share capital	43	15,786	15,786
21	Share premium	44	28,915	28,915
22	Accumulated other comprehensive income	45	773	706
23	Revenue reserves	46	940	671
24	Treasury shares	47	(671)	(671)
25	Retained earnings/loss (including profit/loss for the year)	48	1,074	0
26	**TOTAL EQUITY** (from 20 to 25)		**46,817**	**45,407**
27	**TOTAL EQUITY AND LIABILITIES** (19 + 26)		**890,061**	**855,994**

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

in EUR thousand

Code	Items	Share capital	Share premium	Accumulated other comprehensive income	Revenue reserves	Retained earnings (including profit/loss for the year)	Treasury shares (deduction)	**Total equity (from 3 to 8)**
1	2	3	4	5	6	7	8	9
1	**OPENING BALANCE FOR THE PERIOD (before adjustment)**	**15,786**	**28,915**	**706**	**671**	**0**	**(671)**	**45,407**
2	OPENING BALANCE FOR THE PERIOD (1)	**15,786**	**28,915**	**706**	**671**	**0**	**(671)**	**45,407**
3	Comprehensive income for the year after tax	0	0	67	0	1,343	0	**1,410**
4	Allocation of net profit to revenue reserves	0	0	0	269	(269)	0	**0**
5	CLOSING BALANCE FOR THE PERIOD (2 + 3 + 4)	**15,786**	**28,915**	**773**	**940**	**1,074**	**(671)**	**46,817**
6	**DISTRIBUTABLE PROFIT FOR THE YEAR**	**0**	**0**	**0**	**0**	**1,074**	**0**	**1,074**

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

in EUR thousand

Code	Items	Share capital	Share premium	Accumulated other comprehensive income	Revenue reserves	Retained earnings (including profit/loss for the year)	Treasury shares (deduction)	**Total equity (from 3 to 8)**
1	2	3	4	5	6	7	8	9
1	**OPENING BALANCE FOR THE PERIOD (before adjustment)**	**15,786**	**38,930**	**456**	**7,977**	**0**	**(671)**	**62,478**
2	OPENING BALANCE FOR THE PERIOD (1)	**15,786**	**38,930**	**456**	**7,977**	**0**	**(671)**	**62,478**
3	Comprehensive income for the year (net of tax)	0	0	250	0	(17,321)	0	**(17,071)**
4	Other*	0	(10,015)	0	(7,306)	17,321	0	**0**
5	**CLOSING BALANCE FOR THE PERIOD** (2 + 3 + 4)	**15,786**	**28,915**	**706**	**671**	**0**	**(671)**	**45,407**

* Settlement of loss for the year

The accompanying notes form an integral part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

in EUR thousand

Code	Items	2014	2013
A.	CASH FLOWS FROM OPERATING ACTIVITIES		
a)	**Interest received**	**33,667**	**34,566**
	Interest paid	(12,138)	(13,626)
	Dividends received	2	11
	Fee and commission received	7,782	7,347
	Fee and commission paid	(2,092)	(2,238)
	Realised gains on financial assets and liabilities not measured at fair value through profit or loss	93	805
	Realised losses on financial assets and liabilities not measured at fair value through profit or loss	(9)	(17)
	Net trading income	116	(556)
	Cash payments to employees and suppliers	(13,400)	(15,105)
	Other income	2,869	408
	Other expenses	(1,383)	(1,918)
	Cash flows from operating activities before changes in operating assets and liabilities	**15,507**	**9,677**
b)	**(Increases)/decreases in operating assets (no cash equivalents)**	**17,459**	**(12,001)**
	Net (increase)/decrease in financial assets held for trading	55	597
	Net (increase)/decrease in available-for-sale financial assets	7,897	24,287
	Net (increase)/decrease in loans and advances	11,403	(37,013)
	Net (increase)/decrease in non-current assets held for sale	0	(433)
	Net (increase)/decrease in other assets	(1,896)	561
c)	**Increases/(decreases) in operating liabilities**	**27,609**	**4,985**
	Net increase/(decrease) in trading liabilities	6	3
	Net increase/(decrease) in deposits and borrowings measured at amortised cost	26,133	12,481
	Net increase/(decrease) in issued debt securities measured at amortised cost	(2,850)	(7,459)
	Net increase/(decrease) in other liabilities	4,320	(40)
č)	**Cash flows from operating activities** (a + b + c)	**60,575**	**2,661**
e)	**Net cash from operating activities** (č)	**60,575**	**2,661**
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
a)	**Investing inflows**	**56,118**	**49,556**
	Proceeds from sale of property, plant and equipment, and investment property	727	76
	Proceeds from sale of held-to-maturity investments	55,391	49,480
b)	**Investing outflows**	**(84,970)**	**(51,955)**
	(Purchase of property, plant and equipment, and investment property)	(9,857)	(572)
	(Purchase of intangible long-term assets)	(20)	(46)
	(Investments into associates, joint ventures and subsidiaries)	(7,480)	(10,782)
	(Purchase of held-to-maturity investments)	(67,613)	(40,555)
c)	**Net cash from investing activities** (a - b)	**(28,852)**	**(2,399)**
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
a)	**Inflows from financing activities**	**0**	**2,900**
	Issue of subordinated liabilities	0	2,900
b)	**Outflows from financing activities**	**0**	**(300)**
	(Repayment of subordinated liabilities)	0	(300)
c)	**Net cash from financing activities** (a - b)	**0**	**2,600**
D.	**Effects of exchange rates on cash and cash equivalents**	**257**	**(53)**
E.	**Net increase in cash and cash equivalents** (Ae + Bc + Cc)	**31,723**	**2,862**
F.	**Opening balance of cash and cash equivalents** (Note 19 b)	**50,750**	**47,941**
G.	**Closing balance of cash and cash equivalents** (D + E + F) (Note 19 b)	**82,730**	**50,750**

The accompanying notes form an integral part of these financial statements.

The Management Board of Deželna banka Slovenije d. d. hereby approves the financial statements and the notes to the statements.

Member of the Management Board
Mojca Štajner

President of the Management Board
Sonja Anadolli

Ljubljana, 2 March 2015

IV. Notes to the financial statements for 2014

1. GENERAL INFORMATION

Deželna banka Slovenije d. d. (hereafter Bank) is a Slovenian private limited company, with its business address Deželna banka Slovenije d. d., Kolodvorska 9, Ljubljana, Slovenia.

Deželna banka Slovenije d. d. owns four subsidiaries: DBS Leasing d. o. o. (hereafter DBS Leasing), real estate company DBS Nepremičnine d. o. o. (hereafter DBS Nepremičnine), seed-producer Semenarna Ljubljana, proizvodnja in trgovina, d. d. (hereafter Semenarna), and real estate company DBS Adria d. o. o. (hereafter DBS Adria). Consolidated financial statements are presented on pages 40–44 of the Annual Report.

Deželna banka Slovenije d. d. is a public company under Article 99 of the Slovenian Markets in Financial Instruments Act, as its bonds are traded on the Luxembourg Stock Exchange (Bourse de Luxembourg). Since its shares are not listed on any regulated market, it is not a public limited company.

DBS Leasing is a universal leasing company engaged in financial leases of vehicles, equipment and real estate. DBS Nepremičnine is a company engaged in selling the Group's real estate, renting it out, and developing real estate projects. The core business of Semenarna is retail sale, wholesale and processing. DBS Adria is a company engaged in real estate activities.

In 2014 the consumer price index was up 0.2% (2013: 1.8%). From 1 January 2007 Slovenia's national currency has been the euro, which has thus also become the functional and presentation currency of the Bank's financial statements. All amounts in the financial statements and related notes are given in euro thousands, unless specified otherwise.

2. CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

2.1. Basis for the presentation of financial statements

In addition to these separate statements, the Bank also prepares consolidated financial statements pursuant to the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), for the parent company and subsidiaries (Group). Consolidated financial statements record the subsidiaries as fully consolidated. A subsidiary is a company in which the Group holds – directly or indirectly – over 50% of voting rights or has substantial control over its operations. Consolidated financial statements are available at the registered address of the parent company.

In order to obtain a comprehensive view of the financial position of the Group as a whole, users of these financial statements should read separate statements together with consolidated financial statements.

Financial statements have been prepared under IFRS as adopted by the EU.

The policies set out below have been consistently applied in the financial statements for all the years presented.

The preparation of financial statements under IFRS as adopted by the EU requires the use of certain critical accounting estimates, which influence the value of reported assets and liabilities, the disclosure of potential assets and liabilities on the reporting date, and the amount of income and expenditure in the reported period. It also requires the management to select accounting policies of the Bank according to its own judgement. The areas of operation for which certain estimates and judgements have been taken into account that are relevant for the understanding of the financial statements are disclosed in Note 4.

Changes in accounting policies

In financial year 2014 the Bank did not adopt or apply accounting policies different from those applied in previous periods, such as would have a material effect on the financial statements of the current year.

Statement of financial position tables have been prepared in compliance with the Regulation on the Books of Account and Annual Reports of Banks and Savings Banks, as issued by the Bank of Slovenia. Under assets, the new methodology has included sight deposits at banks in the item cash, balances at central banks and sight deposits at banks (Note 19 a). And under liabilities, borrowings from banks and central banks now include long-term borrowings from the central bank (Note 36).

Standards and interpretations effective for the current period

The following standards, amendments to the valid standards, and interpretations, as issued by the International Accounting Standards Board (IASB) and adopted by the EU, apply to the reporting period:

- *IFRS 10 „Consolidated Financial Statements",* adopted by the EU on 11 December 2012 (effective for annual periods starting on or after 1 January 2014);
- *IFRS 11 „Joint Arrangements",* adopted by the EU on 11 December 2012 (effective for annual periods starting on or after 1 January 2014);
- *IFRS 12 „Disclosure of Interests in Other Entities",* adopted by the EU on 11 December 2012 (effective for annual periods starting on or after 1 January 2014);
- *IAS 27 (amended in 2011) „Separate Financial Statements",* adopted by the EU on 11 December 2012 (effective for annual periods starting on or after 1 January 2014);
- *IAS 28 (amended in 2011) „Investments in Associates and Joint Ventures",* adopted by the EU on 11 December 2012 (effective for annual periods starting on or after 1 January 2014);
- *Amendments to IFRS 10 „Consolidated Financial Statements", IFRS 11 „Joint Arrangements" and IFRS 12 „Disclosure of Interests in Other Entities"* – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods starting on or after 1 January 2014);
- *Amendments to IFRS 10 „Consolidated Financial Statements", IFRS 12 „Disclosure of Interests in Other Entities" and IAS 27 (amended in 2011) „Separate Financial Statements"* – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods starting on or after 1 January 2014);
- *Amendments to IAS 32 „Financial Instruments: Disclosures"* – Offsetting Financial Assets and Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods starting on or after 1 January 2014);
- *Amendments to IAS 36 „Impairment of Assets"* – Recoverable Amounts Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods starting on or after 1 January 2014);
- *Amendments to IAS 39 „Financial Instruments: Recognition and Measurement"* – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods starting on or after 1 January 2014).

Our adoption of these amendments to the valid standards did not cause any changes in the Bank's accounting policies.

Standards and interpretations issued by the IASB and adopted by the EU; not yet effective

On the day of these financial statements being approved the following standards, amendments to the valid standards, and interpretations, as issued by the IASB and adopted by the EU, had been issued but were not yet effective:

- *Amendments to different standards „Improvements of IFRS (2010–2012 cycle)",* issued under the annual improvements of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), mainly eliminating inconsistencies and interpretations in the text, adopted by the EU on 17 December 2014 (amendments are mandatory for annual periods starting on or after 1 February 2015);

- *Amendments to different standards „Improvements of IFRS (2011–2013 cycle)"*, issued under the annual improvements of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40), mainly eliminating inconsistencies and interpretations in the text, adopted by the EU on 18 December 2014 (amendments are mandatory for annual periods starting on or after 1 January 2015);
- *Amendments to IAS 19 „Employee Benefits"* – Defined Benefit Plans: Employee Contributions, adopted by the EU on 17 December 2014 (effective for annual periods starting on or after 1 February 2015);
- *IFRIC 21 „Levies"*, adopted by the EU on 13 June 2014 (effective for annual periods starting on or after 17 June 2014).

The Bank decided not to adopt these standards, amendments and interpretations before they take effect. The Bank expects that its adoption of these standards, amendments and interpretations will not have a major effect on the financial statements over the initial period of use.

Standards and interpretations issued by the IASB but not yet adopted by the EU

IFRS as adopted by the EU do currently not differ in any major respect from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following standards, amendments and interpretations which were not yet approved for use in the EU as at 31 December 2014 (the effective dates given below apply to the entire IFRS):

- *IFRS 9 „Financial Instruments"* (effective for annual periods starting on or after 1 January 2018);
- *IFRS 14 „Regulatory Deferral Accounts"* (effective for annual periods starting on or after 1 January 2016);
- *IFRS 15 „Revenue from Contracts with Customers"* (effective for annual periods starting on or after 1 January 2017);
- *Amendments to IFRS 10 „Consolidated Financial Statements" and IAS 28 „Investments in Associates and Joint Ventures"* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods starting on or after 1 January 2016);
- *Amendments to IFRS 10 „Consolidated Financial Statements", IFRS 12 „Disclosure of Interests in Other Entities" and IAS 28 „Investments in Associates and Joint Ventures"* – Investment Entities: Applying the Consolidation Exception (effective for annual periods starting on or after 1 January 2016);
- *Amendments to IFRS 11 „Joint Arrangements"* – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods starting on or after 1 January 2016);
- *Amendments to IAS 1 „Presentation of Financial Statements"* – Disclosure Initiative (effective for annual periods starting on or after 1 January 2016);
- *Amendments to IAS 16 „Property, Plant and Equipment" and IAS 38 „Intangible Assets"* – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods starting on or after 1 January 2016);
- *Amendments to IAS 16 „Property, Plant and Equipment" and IAS 41 „Agriculture"* – Agriculture: Bearer Plants (effective for annual periods starting on or after 1 January 2016);
- *Amendments to IAS 27 „Separate Financial Statements"* – Equity Method in Separate Financial Statements (effective for annual periods starting on or after 1 January 2016);
- *Amendments to different standards „Improvements of IFRS (2012–2014 cycle)"*, issued under the annual improvements of IFRS (IFRS 5, IFRS 7, IFRS 19 and IAS 34), mainly eliminating inconsistencies and interpretations in the text (amendments are mandatory for annual periods starting on or after 1 January 2016).

The Bank assumes that its adoption of these standards, amendments and interpretations will not have a major effect on the financial statements over the initial period of use.

2.2. Investments in subsidiaries

Subsidiaries

The Group has four subsidiaries. In November 2005 the Bank incorporated a subsidiary, DBS Leasing, in which it holds a 100% ownership stake. At the beginning of 2013 DBS Leasing incorporated a real estate company, DBS Nepremičnine, which in April 2013 the Bank purchased and became its 100% owner. Following a debt-to-equity conversion in January 2014, the Bank acquired Semenarna and became its majority owner; after purchasing all its shares in July 2014, the Bank became its 100% owner. DBS Adria was incorporated in April 2014 and is 100%-owned by the Bank. Investments in subsidiaries are measured at cost.

2.3. Critical accounting estimates

Certain assumptions and estimates are needed in preparing financial statements, which affect the amounts of assets and liabilities reported for the financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and receivables

The Bank's credit risk management includes quarterly assessments of whether there is any objective evidence of impairment for each individually significant loan. If so, a detailed impairment is calculated to determine whether an impairment loss should be recognised in the income statement.

In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows of a portfolio of loans. This evidence may include observable data indicating that there has been an adverse change in the payment status of a group of borrowers, or deteriorated economic conditions and circumstances. Future cash flows of a group of financial assets are estimated based on historical loss experience for assets with credit risk characteristics similar to those in the group. Individual estimates are based on the projected future cash flows, using all relevant information on the borrower's financial position and liquidity.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly, in order to reduce any differences between loss estimates and actual loss experience.

Loans that were individually assessed for impairment and for which no signs of impairment exist are then grouped together with loans with similar credit risk characteristics, based on historical loss experience.

(b) Impairment of available-for-sale equity instruments

Available-for-sale equity instruments are impaired when their fair value has dropped substantially or over a prolonged period below their cost. The decision of what constitutes a substantial and prolonged drop is based on estimates. In making these estimates, the Bank takes into account, *inter alia*, the normal share price volatility (fluctuations). Further signs of impairment also include evidence of the issuer's deteriorated financial position, deteriorated industry performance, changes in technology and in operations.

(c) Held-to-maturity investments

Pursuant to the guidelines of IAS 39, the Bank classifies into held-to-maturity investments its financial assets with fixed or determinable payments and fixed maturity. In making this classification, the Bank relies on its judgement, evaluating its intention and ability to hold such investments to maturity. Should the Bank fail to keep these investments to maturity (except in the case of specific circumstances, such as if its sells an insignificant stake close to maturity), it will be required to reclassify the entire class as available-for-sale assets. In such an event, the investments would therefore have to be revalued to fair value.

(d) Fair value of investment property
The fair value of investment property reflects market conditions as at the date of the statement of financial position. The estimated value of investment property is based on mean value calculated using the comparable sales method, and on the income valuation approach.

(e) Impairment charge on investments in subsidiaries
In assessing impairments against its investments the Bank considers objective evidence of impairment and indications that an investment may be impaired. If any such indication exists, the Bank determines the impairment charge as the difference between the investments' carrying value and its recoverable amount. The recoverable amount is fair value less the cost of disposal, or value in use, whichever is higher, whereby value in use is the present value of the future cash flows expected to be derived from the respective investment, discounted at current market returns for similar financial assets. If future cash flows cannot be estimated, the impairment charge is calculated using the subsidiary net asset value method (asset accumulation method) or as the difference between the asset's carrying amount and the carrying amount of the subsidiary's equity, proportionate to participation in equity.

(f) Tax
The Bank is subject to income taxes only in Slovenia. To determine the amount of income tax payable, some estimates are required. The Bank recognises income tax and deferred tax liabilities based on estimates of whether it will have to settle them. Should the final tax outcome be different from the amounts recognised by the Bank, such differences will impact the income tax and deferred tax provisions in the respective period.

2.4. Segment reporting

The Bank has issued bonds that are traded on the regulated capital markets, therefore it prepares segmental reporting (Note 4).

2.5. Foreign currency translation

(a) Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank and its subsidiaries operate. The financial statements are presented in euros, which is the functional and presentation currency of the Bank and its subsidiaries.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using exchange rates effective at the date of the transaction. Foreign exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange differences in available-for-sale equities are recognised with valuation gains/losses in revaluation surplus in equity.

Income and expenses in foreign currency are translated into their euro-equivalent applying the exchange rates effective at the date of the transaction.

Gains and losses resulting from purchases and sales of foreign exchange are recognised in the income statement under foreign exchange translation.

2.6. Interest income and expense

Interest income and expense is recognised in the income statement for all instruments measured at amortised cost, using the effective rate method.

The effective rate method is a method of calculating financial assets' or liabilities' amortised cost and a method of allocating interest income and expense over a requisite period.

The effective interest rate is the interest rate used to precisely discount the estimated future cash flows for the entire period of the expected useful life of a financial instrument or for a shorter period when needed, up to the net current value of a financial asset or liability.

In calculating the effective interest rate the Bank must estimate cash flows taking into account all contractual conditions of the transaction in the relevant financial instrument, but cannot consider future credit losses. The calculation of the effective interest rate includes all paid amounts: instalments, fees, costs.

Once a financial asset or a group of similar financial assets has been written down as a result of impairment loss, interest income is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss.

2.7. Fee and commission income and expense

Fee and commission is generally recognised when the service has been provided. Fee and commission for agency services in a transaction or for participation in the agency of a transaction for a third person is recognised when the transaction has been concluded. Fee and commission for portfolio management and other consultancy services is recognised on the basis of requisite service agreements when the services have been provided. Fee and commission for international and domestic payment transactions is recognised when the respective service has been provided. Fee and commission included into the calculation of the effective interest rate is recognised under interest income or expense.

2.8. Financial assets

The Bank classifies its financial assets into the following groups: financial instruments at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The management determines the classification of investments upon initial recognition.

(a) Financial instruments at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and financial instruments designated at fair value through profit or loss.

The Bank only holds financial assets held for trading.

(b) Loans and receivables

Loans and receivables are financial instruments with fixed or determinable payments that are not traded in an active market, other than: (a) those that are intended for sale in the short term, which are classified as held-for-trading, and those that are designated at fair value through profit or loss upon initial recognition; (b) those that are designated as available-for-sale upon initial recognition; or (c) those for which the holder may not recover the majority of its initial investment, for reasons other than credit deterioration.

(c) Held-to-maturity investments

Held-to-maturity investments are financial instruments with fixed or determinable payments and fixed maturity, which the Bank has the positive intention of holding to maturity. Should the Bank sell more than a negligible amount of held-to-maturity investments, the entire category would be re-classified under available-for-sale financial assets.

(d) Available-for-sale financial assets

Available-for-sale financial assets are those the Bank intends to hold for an indefinite period of time, and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or prices of financial instruments.

(e) Measurement and recognition

Purchases and sales of financial instruments at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets are recognised as at the date the transaction was concluded – the date on which the Bank committed to carry out the purchase or sale of the respective instrument. Derivatives are recognised on the trade date.

Financial assets, apart from financial instruments at fair value through profit or loss, are initially measured at fair value plus transaction costs. Financial assets carried at fair value through profit and loss are initially recognised at fair value, while the transaction costs are expensed in the income statement. A financial asset is derecognised when the contractual rights to cash flows have expired or if all risks and benefits of the ownership of a financial asset are transferred. A financial liability is derecognised solely when the contractual obligation has been met, revoked or has lapsed.

Financial assets available-for-sale and financial assets at fair value through profit or loss are measured at fair value. Loans and receivables as well as held-to-maturity investments are measured at amortised cost applying the effective interest rate. Gains and losses from changes in the fair value of the financial assets at fair value through profit or loss are included in the income statement in the period in which they arise. Gains and losses from changes in the fair value of available-for-sale financial assets are recognised directly in equity until the financial asset is sold or impaired, at which time they are recognised in the income statement. Any cumulative gains or losses previously included in equity are recognised in the income statement.

Interest from the effective interest rate and exchange differences in monetary assets available-for-sale are recognised in the income statement. Dividends from available-for-sale financial assets are recognised in the income statement, upon the establishment of the holder's right to payment.

Fair values of financial instruments traded in an active market are based on market prices.

If a financial instrument is not traded in an active market, the Bank determines its fair value by using valuation models.

2.9. Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there exists a legal right to offset the amounts and the intention to either settle on a net basis or to realise the asset and settle the liability simultaneously.

2.10. Impairment of financial assets

(a) Assets carried at amortised cost

The Bank assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events (or „loss events") that occurred after the initial recognition of the asset(s) and that event has had an impact on the estimated future cash flows of the financial asset or group of financial assets, which can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:
- Delinquency in contractual payments of principal or interest,
- Cash flow difficulties experienced by the borrower,
- Breach of loan covenants or terms,
- Initiation of bankruptcy proceedings or compulsory composition,
- Deterioration of the borrower's competitive position.

The Bank first assesses whether objective evidence of impairment exists for financial assets that are significant individually (the customer's total exposure exceeds 0.5% of the Bank's capital), and individually or collectively for financial assets that are not significant individually. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether individually significant or not, it includes the asset in a group of financial assets with similar credit risk characteristic and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included into the collective assessment of impairment.

Impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred yet), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through an allowance account and the loss amount is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the cash flow discount rate and measurement of impairment losses are determined with the current effective interest rate, contractually stipulated.

The calculation of the present value of the estimated future cash flows of collateralised financial assets reflects the anticipated cash flows that may result from foreclosure, decreased by the costs of obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of collective assessment of impairment, financial assets are classified into groups from A to E, on the basis of similar credit risk characteristics, especially on the basis of estimates of the future financial standing of the borrower, its capacity to ensure adequate cash inflows to promptly meet its future liabilities towards the Bank, the type and scope of collateral or off-balance sheet engagements towards a borrower, and the borrower's meeting its liabilities towards the Bank in past periods.

The requisite impairments for a group of financial assets that are evaluated collectively are estimated on the basis of historical loss experience for assets with similar credit risk characteristics. Actual losses are adjusted according to current data, which reflect the effects that had no influence on the period in which actual losses were incurred, and according to detached effects of past periods, which no longer exist. The Bank regularly reviews the adequacy of the methodology and estimates used for determining future cash flows.

Companies are classified into sub-groups according to the credit rating of each borrower. The Bank calculates the anticipated loss from credit risk for different sub-groups on the basis of an aggregate migration matrix and average rate of default for different sub-classes. The annual migration matrix shows the probability of the migration of customers between internal rating classes within one year. In estimating losses, both historical loss experience as well as factors reflecting the current situation are considered.

The Bank divides retail customers into two groups: households and private entrepreneurs, and farmers without a personal identification number. It further distributes both groups into sub-classes according to the credit rating of the financial asset or off-balance sheet commitment. The anticipated loss from credit risk for an individual sub-class is determined on the basis of the regularity of settling liabilities with the Bank.

The Bank does not impair or form provisions for sovereign exposure, central bank exposure, bank exposure and exposure with high-class collateral.

The Bank calculates the percentages of expected impairment losses from credit risk in the collective assessment of companies annually, or in case of substantially changed circumstances in the Bank and/or in the market, during the year as well.

The Bank regularly reviews the methodology and assumptions in assessing impairments. Impairment estimates must be adjusted to any changed circumstances in the Bank and/or the market and legislation.

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

If the impairment amount decreases in the following period and this decrease is objectively related to an event that occurred after the impairment was recognised (such an event is for instance a borrower's improved credit rating), the initially recognised impairment losses are reversed through loan impairments, and the reversal is recognised in the income statement as income from the reversal of impairment.

(b) Available-for-sale financial assets

The Bank assesses at each date of the statement of financial position whether there is objective evidence that financial assets or a group of financial assets available-for-sale are impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the assets are impaired. If any such evidence of impairment exists for available-for-sale financial assets, the cumulative loss, which is recognised in equity – measured as the difference between estimated costs and current fair value, decreased by impairment losses recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement of available-for-sale equity instruments cannot be reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, impairment losses are reversed through the income statement.

2.11. Property, plant and equipment, and intangible assets

All property, plant and equipment as well as intangible assets are initially stated at cost. The cost of property, plant and equipment is composed of its purchasing price and all the costs that can be directly attributed to the asset.

Assessments are made each year whether there are indications that property, plant and equipment may be impaired. If any such indication exists, the Bank estimates the recoverable amount. If value in use exceeds the carrying value, assets are not impaired. If the assets carrying amount is higher than its estimated recoverable amount, the carrying amount is decreased to its recoverable amount. The recoverable amount is fair value less the cost of selling, or value in use, whichever is higher. After initial recognition, property, plant and equipment is measured at the cost model less depreciation.

The following are the annual depreciation and amortisation rates used:

	2014	2013
	%	%
Buildings	2.0-4.0	2.0-4.0
Computer equipment	20.0-30.0	20.0-30.0
Software	10.0-20.0	10.0-20.0
Motor vehicles	12.5-20.0	12.5-20.0
Other equipment	4.0-30.0	4.0-30.0

Intangible assets, which mainly include software, are stated in the statement of financial position at cost less depreciation and accumulated impairment losses.

Depreciation of intangible assets is provided on a straight-line basis. General software is amortised over five years, with dedicated software being amortised over ten.

Assets in the course of transfer or manufacture/implementation are not depreciated until they are available for use.

The Bank assesses the remaining value of assets upon each reporting period as well as their useful lives, and adjusts their values as appropriate.

Gains and losses incurred upon disposal of property, plant and equipment are determined by reference to the difference between their carrying amount and net profit upon disposal, and are taken into account in determining operating profit. Maintenance and repairs are charged to the income statement during the financial period in which they are incurred. Should these assets increase the Bank's future economic benefits, their carrying amount shall also recognise subsequent costs.

2.12. Investment property

Upon acquisition the Bank recognised investment property at cost, which includes the purchase price and all related costs.

After initial recognition, investment property was restated at fair value.

In determining the fair value of investment property, we used the discounted future gains method.

Fair value is based on market prices as at the date of the statement of financial position.

Investment property is property, plant and equipment not used directly by the Bank for its operations but held with the purpose of giving it into operating lease. Any gain or loss arising from a change in fair value is recognised in the income statement. If there is a change in use due to the commencement of owner occupation, investment property is transferred to owner occupied property.

Property, plant and equipment received for repayment of claims is initially measured at fair value. After initial recognition the Bank measures property, plant and equipment received for repayment of claims at fair value, using the fair value method.

2.13. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is deemed to be met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Non-current assets are classified as held for sale if the owner is committed to the sale and this commitment is stated in writing, whereupon the sale must be completed within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

2.14. Leases

(a) The Bank is the lessee

All leases where the Bank is the lessee are operating leases. The Bank leases certain business premises and ATM venues. Payments made under operating leases are charged to the income statement proportionately over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor is recognised as an expense in the period of termination.

(b) The Bank is the lessor

The Bank gives business premises into operating lease. In case of assets given into operating lease, all payments made under operating leases constitute income generated from investment property, and are recognised in the income statement proportionate to the period of the lease agreement. Costs incurred in obtaining lease payments are recognised as costs. Initial direct costs incurred by the lessor in negotiating and agreeing an operating lease are added to the leased asset's book value and recognised as costs in the period of the lease on the same basis as lease income.

2.15. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise: cash and balances at central bank, loans to banks with less than 90 days maturity from the date of acquisition, treasury bills and debt securities available-for-sale with less than 90 days maturity from the date of acquisition.

2.16. Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events and it is probable that an outflow will be required to settle it, and a reliable estimate of the amount of the obligation can be made. Risks arising out of contingent liabilities and commitments are assessed similarly to risks arising out of loans. All increases in liabilities arising out of estimated expenses required to settle the liabilities under contractual terms, are included into provisions.

2.17. Provisions for severance pays and long-service awards

Pursuant to the Slovenian legislation, employees retire upon meeting certain predetermined criteria, whereupon they are entitled to severance pay, which is paid out in a single amount. Employees are likewise entitled to long-service awards upon every 10 years of employment.

Provisions have been made for long-service awards, severance pays upon retirement and other long-term benefits.

Provisions are measured as the current value of future cash flows. All gains and losses are recognised in the income statement.

2.18. Tax

Taxation has been provided for in the income statement pursuant to the Slovenian legislation in force from time to time. The tax item in the income statement comprises current tax and deferred tax. Current tax is calculated on the basis of taxable profit for the year, applying the tax rates enacted at the date of the statement of financial position.

Corporate income tax is levied on taxable profits at the rate of 17%.

Pursuant to the Slovenian Corporate Income Tax Act, current corporate income tax is charged at the rate of 17% off the established tax base (in 2013: 17%).

Deferred tax is provided on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets and deferred tax liabilities are measured at the tax rates that are reliably expected to be effective in the financial year in which deferred tax assets will be received and deferred tax liabilities settled, and are based on tax rates (and tax regulations) enacted at the date of the statement of financial position.

The most important temporary differences arise from tax loss, impairment of investments in subsidiaries, valuation of financial assets, and provisions.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary deductible differences can be utilised.

Deferred tax related to the revaluation of available-for-sale investments to fair value is recognised directly in equity and subsequently transferred to the income statement together with the deferred revaluation profit or loss.

Deferred tax liabilities are recognised on account of a revaluation of available-for-sale financial assets.

The competent Tax Office may conduct a tax inspection of the current accounting period any time within the following five years, and in this connection impose additional taxes and penalties. The Bank management knows of no circumstances that could give rise to additional liabilities in this regard.

2.19. Borrowings

Borrowings are initially recognised in the statement of financial position at the value of their issue proceeds net of transaction cost incurred. Borrowings are subsequently stated at amortised cost using the effective interest method.

2.20. Equity

(a) Share issue costs
Additional costs that the Bank can directly attribute to the issue of new shares or options or a concluded transaction are shown in equity in their net amount as a direct deduction from equity (without the related amount of income tax).

(b) Dividends on ordinary shares
Dividends on ordinary shares are charged to equity in the period in which they are approved by the Bank's owners.

Dividends for the year past are declared at the AGM after the date of the statement of financial position.

(c) Treasury shares
If the Bank purchases treasury shares, the consideration paid is deducted from total shareholders' equity. Where such shares are subsequently sold, any consideration received is included in shareholders' equity.

2.21. Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make agreed payments to reimburse the contract holder for a loss it incurs due to a borrower's defaulting. The Bank issues such financial guarantees to other banks, financial institutions and other customers to secure loans, limits and other banking facilities.

Financial guarantee contracts are initially recognised at fair value plus the fee received. Fee income is recognised in the income statement on a straight-line basis, over the entire term of the financial guarantee contract. The Bank subsequently recognises them at the higher of the initial measurements less fee income received, on a straight-line basis over the entire term of the financial guarantee contract, and less the best estimate of the expenditure required to settle the obligation under the financial guarantee as at the reporting date. These estimates are based on the historical cost convention and experience in similar business, as well as the management's judgement.

2.22. Fiduciary activities

The Bank offers its customers, corporate as well as retail, the services of asset management and the services of lending under authorisation. For these services, customers are charged a fee. Details are explained in Note 51. These assets are not included into the Bank's statement of financial position.

3. MANAGING FINANCIAL RISK

The Bank devotes special attention to the risks it is or could be exposed to. For this purpose it has set up an independent risk management function, whose effectiveness is guaranteed by a transparent organisation structure and delimitation of competences. The Bank's Supervisory Board and senior management take an active part in the process of risk management.

In relation to assuming and managing risk, the Bank has adopted relevant strategies and policies for assuming and managing major banking risks. In 2014 the Bank continued meeting the requirements of the capital accord and the new regulatory framework for banks, and has additionally upgraded risk management, especially the management of credit risk. The Supervisory Board continually monitored the Bank's exposure to risk, its risk profile and its risk taking capacity.

The Bank successfully raised EUR 4.4 million in 2014 and thus met all the capital adequacy requirements imposed by the Bank of Slovenia. As the newly issued shares had not yet been recorded in the KDD securities register as at 31 December 2014, the capital increase is not included in the balance of share capital as at that date (Note 44). It has, however, been taken into account – with the Bank of Slovenia's permission – in the calculation of capital adequacy as at 31 December 2014.

The common goal of the strategies and policies of taking and managing risk is to prevent and limit any losses due to individual risks.

3.1. Credit risk

We estimate the Bank to be most exposed to credit risk, which is the risk that a borrower will cause a financial loss to the Bank by failing to discharge an obligation when due, for whatever reason. The Bank forms impairments and provisions for potential losses, recognised as at the date of the statement of financial position. Significant changes in the economy or in the health of a particular industry segment that represents a concentration in the credit portfolio can result in losses that are different from those provided for as at the date of the statement of financial position. The management therefore pursue a prudent credit risk management strategy.

The Bank manages the level of credit risk it is willing to undertake by capping the amount of risk it is willing to take in relation to one borrower or group of borrowers, and by capping the amount of risk it is willing to take in relation to individual geographical and industry segments. These risks are regularly monitored and subject to annual or more frequent reviews.

The portfolio exposed to credit risk includes statement of financial position receivables (loans, debt securities, equity investment, interest, fee and commission, etc.) as well as off-balance sheet liabilities (guarantees, letters of credits, working capital loans, etc.) with companies, banks, financial institutions, the public sector, individuals and other customers.

Depending on the risk category of a customer, as expressed by their credit rating, and the risk of a particular business, which is also influenced by the guarantees provided, appropriate impairment provisions are formed for credit risk.

In order to reduce capital requirements for credit risk, the Bank only considered first-class and appropriate guarantees in 2014, consistent with regulations.

3.1.1. Measuring credit risk

(a) Loans and receivables

In 2014 the Bank determined credit risk pursuant to the valid regulations. To this end it drew up its credit portfolio quality analyses, into which it included data on:

- Migration of customers among credit rating classes,
- Movements of relevant impairments,
- Provisioning of impairments for individual types of credit exposure.

More on forming provisions and impairments is given in Chapter 3.1.3.

(b) Debt securities

In assuming exposure to credit risk when buying debt securities in 2014 the Bank used the classification into credit rating classes according to issuing states and other issuers, the kind used by i.e. Moody's or credit rating agencies of their level, whereby it specified the minimum acceptable credit rating limit for the respective securities.

3.1.2. Control over limiting credit risk, and guidelines on mitigating credit risk

The Bank manages, limits and controls credit risk concentration wherever it is detected, especially in relation to individual customers and groups of customers, economy sectors, activities, industries and geographical regions.

Exposure to credit risk is managed with a system of limits, which stipulates the maximum acceptable credit risk limit. This risk is regularly monitored and examined. Credit risk limits of exposure are stipulated for individual customers, sectors, regions and industries.

The maximum possible total exposure of the Bank towards a corporate customer is approved – at the proposal of the Risk Management Department – by the Credit Committee, and when the threshold of large exposure is greatly exceeded, also by the Bank's Supervisory Board. Limits are determined by considering the basic principles of banking, especially safety and liquidity.

(a) Collateral

The Bank employs a variety of ways to mitigate credit risk, pursuant to its Internal Policy on Collateral, which stipulates the acceptability of different types of collateral.

As a rule, the Bank collateralises all loans. To reduce credit risk losses to the greatest extent possible, customers are asked to provide additional collateral as soon as signs of deterioration in their creditworthiness appear.

Most collateral is real estate, evaluated according to appraisals by certified appraisers in compliance with the International Valuation Standards (IVS) or an internal methodology. We consider the value of such collateral to be evaluated adequately.

(b) Off-balance-sheet commitments

Guarantees and letters of credit as well as unused loans granted represent the same credit risk for the Bank as loans. The Bank regularly monitors maturity dates of loan commitments, since especially long-term commitments represent a higher credit risk than short-term commitments.

3.1.3. Guidelines on forming impairments and provisions

Pursuant to IAC 39 the Bank establishes impairments and impairment losses for all financial assets measured at amortised cost, in compliance with the adopted internal methodology of assessing credit risk losses.

The Bank assesses credit risk losses for loans and advances, other held-to-maturity investments and off-balance-sheet commitments.

The Bank impairs financial assets and forms provisions for off-balance-sheet commitments, whether in case of a collective or individual assessment, when it has objective or impartial evidence that it will not be able to collect all due claims in compliance with contractual stipulations. Exposures with high-quality collateral are not impaired nor are there provisions formed for them.

The Bank establishes impairment losses for financial assets and off-balance-sheet commitments individually or collectively. When it finds for an individual assessment of a financial asset or off-balance-sheet commitment classified into category P that the individual impairment or provision is no longer needed, it re-groups them into the relevant category A to C and re-assigns them into collective assessment.

The Bank regularly examines the methodology of assessing credit risk losses and assumptions used in assessing losses.

Impairments and provisions are based on each of the six credit rating categories, as evident from the below table:

		2014		2013
Credit rating grade	Total claims for classification (%)	Share of provisions and impairment charges (%)	Total claims for classification (%)	Share of provisions and impairment charges (%)
1. A	63.0	0.0	63.4	0.1
2. B	10.5	1.2	13.1	1.6
3. C	0.4	6.3	2.7	9.4
4. D	0.0	19.2	0.0	22.7
5. E	0.1	90.7	0.1	100.0
6. P	26.0	33.5	20.7	40.3
	100.0	9.0	100.0	8.9

In 2014, the share of impairments and provisions increased by 0.1 of a percentage point compared to 2013.

The share of receivables grouped into category P increased significantly in 2014 as compared to the year before. We must point out that it was a specific interpretation of the Regulation on the Assessment of Credit Risk Losses of Banks and Savings Banks that caused an extraordinary shift of certain customers to category P; these were all the customers whose loans were in some way renegotiated by the Bank.

3.1.4. Total exposure to credit risk before collateral held or other credit enhancements

The table below illustrates the net values of the Bank's exposure to credit risk – whereby not considering any collateral held by the Bank or any other enhancements of credit quality – and the average exposure amount in the reported period, for 31 December 2014 as compared to the balance at 31 December 2013. Comparable data for 2013 have been recalculated under the new rules of Directive 2013/36/EU (CRD IV) and Regulation 575/2013/EU (CRR).

The exposure levels for balance-sheet and off-balance-sheet assets are given on the basis of net carrying amounts as reported in the statement of financial position, including off-balance-sheet figures, grouped into categories of exposure pursuant to CRR/CRD IV.

			2014		2013*
	Exposure category	Net exposure	Average exposure	Net exposure	Average exposure
01	Central government and central banks	333,163	313,617	308,611	261,007
02	Regional and local government	19,361	16,111	11,578	10,397
03	Public sector	38,228	35,442	20,631	28,611
06	Institutions	34,728	26,684	10,324	36,141
07	Corporate customers	58,477	79,133	97,663	107,853
08	Retail customers	178,963	201,937	257,607	288,237
09	Collateralised exposure	174,610	148,982	91,653	71,515
10	Past due items	74,463	62,996	65,754	37,339
11	Regulatory high risk categories	11,479	26,813	19,293	43,124
15	Other exposure	36,446	29,536	23,290	15,694
16	Equity exposure	16,168	16,171	10,973	10,928
	As at 31 December	976,086	957,423	917,378	910,845

* Comparable data for 2013 have been recalculated under the new rules of CRR/CRD IV.

The Bank manages and will continue to maintain the lowest possible exposure toward credit risk, consistent with its strategy and capital restrictions.

3.1.5. Loans and receivables

To minimise the potential increase in its exposure to credit risk, the Bank focused its operations in 2014 on companies and groups with a high credit rating and on transactions with customers that have both a good credit-worthiness and guarantee adequate collateral. The uncertain situation also caused a substantial decrease in exposure to the banking sector.

(a) Loans and receivables non past due and not impaired

		2014		2013*
	Loans to customers	Loans to banks	Loans to customers	Loans to banks
Non past due and not impaired	157,931	2,896	156,192	1,092
Impaired	550,958	0	572,698	0
Gross amounts	**708,985**	**2,896**	**728,890**	**1,092**
Less impairment allowance	(87,043)	0	(82,163)	0
Net amounts	**621,942**	**2,896**	**646,727**	**1,092**

* The new methodology changed the amount of 2013 loans to banks.

The total value of loans and receivables in financial year 2014 was down 2.48% from 2013, with loans to customers decreasing and loans to banks increasing. The reported loan loss provisions totalled EUR 87,043 thousand (2013: EUR 82,163 thousand).

(b) Loans and receivables individually assessed as impaired

Loans and advances to customers (loans and receivables)

Individually impaired loans to customers and receivables from customers, before considering cash flows from collateral held by the Bank, amounted to EUR 224,783 thousand at the year-end of 2014 (2013: EUR 185,525 thousand).

This gross figure of individually impaired loans and receivables according to categories, together with the fair value of their collateral that the Bank holds as a guarantee, breaks down into:

2014	Retail	Corporate		Banks	Total
	Loans and receivables	Large	SME*		
Individually impaired loans	71,940	59,389	93,454	29,425	254,208
- Past due up to 15 days	66	0	0	0	66
- Past due 16 to 30 days	37	0	154	0	191
- Past due 31 to 90 days	258	4,994	1,775	0	7,027
- Past due over 90 days	69,664	19,497	61,510	0	150,671
Impairment charge	47,658	15,894	21,688	0	85,240
Fair value of collateral	35,424	37,226	87,239	0	159,889

2013	Retail	Corporate		Banks	Total
	Loans and receivables	Large	SME*		
Individually impaired loans	60,941	29,936	94,648	6,811	192,336
Fair value of collateral	33,295	14,333	84,806	0	132,434

* Micro, small and medium enterprises.

Loans and advances to banks (loans and receivables)

The total gross amount of loans to and receivables from banks as at 31 December 2014 totalled EUR 29,425 thousand (2013: EUR 6,811 thousand), whereby no individually impaired loans were reported.

(c) Renegotiated loans and receivables

Consistent with the Regulation on the Assessment of Credit Risk Losses of Banks and Savings Banks and its stipulations on renegotiated receivables, the Group treats renegotiated financial assets as financial assets received – due to the debtor's inability to pay their debt under the initially agreed terms of the original loan agreement – under amended terms (by means of an additional agreement) or under a new loan agreement that stipulates a partial or full repayment of the original debt. Agreements with a renegotiation clause also fall into this category. As already mentioned, the Bank treats renegotiated assets very restrictively due to the new Regulation on the Assessment of Credit Risk Losses of Banks and Savings Banks. The interpretation of the Regulation resulted in certain customers being moved to category P in 2014 despite our estimates that the credit risk associated with those customers had not deteriorated considerably.

The value of exposure for which a new agreement on repayment conditions was reached and which would otherwise fall due, amounted to a total of EUR 91,494 thousand as at 31 December 2014 (2013: EUR 60,970 thousand).

	2014	2013
Retail loans and receivables:		
– Loans and advances	91,494	60,970
Total	**91,494**	**60,970**

3.1.6. Debt securities and bills

The table below shows the balance of debt securities in the banking book (HTM) according to Standard & Poor's ratings, as at 31 December 2014:

Credit rating	2014	2013
A+, A, A-	98,606	81,052
Below BBB- (non-investment grade)	0	4,041
Non-rated	8,527	5,954
Total	**107,133**	**91,047**

The proportion of debt securities with higher ratings increased in 2014 compared to 2013, mainly the result of additional Republic of Slovenia bonds in our portfolio. The proportion of unrated securities increased from the previous year, mainly attributable to the purchase of commercial papers and certificates of deposit issued by domestic entities. The Bank's proprietary portfolio did not include non-investment grade debt securities.

3.1.7. Collateral acquired by prescription

In 2014 the Bank acquired assets by calling on the collateral held as guarantee, namely:

Asset	Carrying amount
Property	6,522

The land acquired through prescription is sold as soon as possible and the proceeds used to reduce outstanding debt.

3.1.8. Breakdown of all exposure categories according to remaining maturity: up to 1 year and over 1 year

The table below gives the remaining maturities according to categories of exposure. Comparable data for 2013 have been recalculated under the new rules of CRR/CRD IV.

		Remaining maturity as at 31 December 2014			Remaining maturity as at 31 December 2013*		
	Exposure category	Up to 1 year	Over 1 year	TOTAL	Up to 1 year	Over 1 year	TOTAL
01	Central government and central banks	175,053	158,110	333,163	89,753	218,858	308,611
02	Regional and local government	1,500	17,861	19,361	666	10,912	11,578
03	Public sector	20,138	18,090	38,228	9,605	11,026	20,631
06	Institutions	34,718	10	34,728	6,279	4,053	10,332
07	Corporate customers	33,453	25,024	58,477	63,411	32,173	95,584
08	Retail customers	62,242	116,721	178,963	75,341	203,598	278,939
09	Collateralised with mortgages on residential property	38,183	136,427	174,610	33,730	39,109	72,839
10	Past due items	42,689	31,774	74,463	47,678	15,299	62,977
11	Regulatory high risk categories	11,307	172	11,479	15,276	6,454	21,730
15	Other exposure	36,315	131	36,446	23,075	108	23,183
16	Equity exposure	16,168	0	16,168	10,973	0	10,973
	As at 31 December	471,766	504,320	976,086	375,787	541,590	917,377

* Comparable data for 2013 have been recalculated under the new rules of CRR/CRD IV.

At the year-end of 2014, 48.3% of the Bank's exposure would mature within one year and 51.7% in over one year. In terms of value, exposure decreased the most towards retail customers, while it increased the most with respect to loans secured with mortgages on residential property.

3.1.9. Risk concentration of financial assets exposed to credit risk

(a) Regional (geographical) areas

The following table analyses the Bank's exposures at their carrying amounts as classified into regions as at the year-end of 2014 and 2013. Comparable data for 2013 have been recalculated under the new rules of CRR/CRD IV. Counterparties are grouped according to domicile.

The Bank conducts its business primarily in Slovenia, while exposure to other countries arises mainly from treasury and investment banking services.

Exposure according to geographical segments, broken down into major exposure categories:

		2014				2013*			
	Exposure category	Slovenia	Other EU member states	Other countries	TOTAL	Slovenia	Other EU member states	Other countries	TOTAL
01	Central government and central banks	329,737	3,426	0	333,163	305,232	3,379	0	308,611
02	Regional and local government	19,361	0	0	19,361	11,578	0	0	11,578
03	Public sector	38,228	0	0	38,228	20,631	0	0	20,631
06	Institutions	22,596	12,131	1	34,728	10,269	54	1	10,324
07	Corporate customers	58,327	149	1	58,477	97,658	2	3	97,663
08	Retail customers	178,534	176	253	178,963	256,496	517	594	257,607
09	Collateralised with mortgages on residential property	174,080	327	203	174,610	91,653	0	0	91,653
10	Past due items	74,315	0	148	74,463	65,754	0	0	65,754
11	Regulatory high risk categories	11,479	0	0	11,479	19,293	0	0	19,293
15	Other exposure	36,446	0	0	36,446	23,290	0	0	23,290
16	Equity exposure	16,165	3	0	16,168	10,973	0	0	10,973
	As at 31 December	959,268	16,212	606	976,086	912,827	3,952	598	917,377
	Impaired exposure	87,477	44	15	87,536	82,907	1	34	82,942
	Past due exposure as at 31 December,	116,140	43	162	116,345	98,869	0	1	98,870
	of which impaired	67,993	43	14	68,050	58,836	0	0	58,836

* Comparable data for 2013 have been recalculated under the new rules of CRR/CRD IV.

Exposure to Slovenia increased by 5.09 of a percentage point from 2013.

(b) Economy sectors – industries

The following table analyses exposures to credit risk by industry. Comparable data for 2013 have been recalculated under the new rules of CRR/CRD IV.

Exposure according to industry, broken down into major exposure categories, as at 31 December 2014:

	Exposure category	Finances and insuran.	Trade industry	Manu-facturing	Constru-ction	Expert, scient. & technical activities	Fo-reign persons	Reale-state servi-ces	Cate-ring	Public admin. & craft services	Agric. and hun-ting	Transp. and wareho-using	Cuture, entert. & recreat. activities	Other various busin. activities	Inform. & commu-nication activities	Other activi-ties	House-holds	TOTAL
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
01	Central government and central banks	55,217	0	0	0	0	0	0	0	277,946	0	0	0	0	0	0	0	333,163
02	Regional and local government	0	0	0	0	0	0	0	0	19,361	0	0	0	0	0	0	0	19,361
03	Public sector	863	1,923	0	2,633	1,024	0	0	0	4	0	0	12	0	0	31,769	0	38,228
06	Institutions	34,728	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34,728
07	Corporate customers	6,663	19,653	16,635	5,260	1,577	0	271	7	20	525	56	330	2,726	2,101	2,470	183	58,477
08	Retail customers	1,474	16,277	7,282	3,355	3,943	181	330	1,672	0	2,472	2,019	57	1,104	1,698	4,095	133,004	178,963
09	Collateralised with mortgages on residential property	1,909	35,692	15,739	4,808	2,734	311	1,431	3,809	30	7,657	1,383	1,325	122	1,341	7,086	89,233	174,610
10	Past due items	2,383	13,805	10,366	19,406	6,719	0	10,171	4,544	0	856	121	5	154	264	128	5,541	74,463
11	Regulatory high risk categories	3,409	249	53	768	6,790	0	1	31	0	3	104	0	23	0	44	4	11,479
15	Other exposure	1	0	0	0	0	0	0	0	0	0	0	0	0	0	36,026	419	36,446
16	Equity exposure	2,182	3,681	0	0	21	0	7,671	0	2,556	0	0	0	0	57	0	0	16,168
	As at 31 December 2014	108,829	91,280	50,075	36,230	22,808	492	19,875	10,063	299,917	11,513	3,683	1,729	4,129	5,461	81,618	228,384	976,086
	Impaired exposure	7,422	14,138	7,767	19,919	23,152	43	2,772	1,712	137	723	1,854	70	131	443	228	7,020	87,531
	Past due exposure,	10,108	11,532	12,647	32,547	30,900	43	4,346	2,607	11	785	1,795	53	202	74	190	8,506	116,346
	of which impaired	5,273	5,653	6,139	19,306	20,975	43	1,749	1,056	10	521	1,581	46	68	23	57	5,551	68,051

Exposure according to industry, broken down into major exposure categories, as at 31 December 2013:

	Exposure category	Finances and insuran.	Trade industry	Manu-factu-ring	Constru-ction	Expert, scient. & technical activities	Fo-reign per-sons	Reale-state servi-ces	Cate-ring	Public admin. & craft services	Agric. and hun-ting	Transp. and wareho-using	Cuture, entert. & recreat. activities	Other various busin. activities	Inform. & commu-nication activities	Other activi-ties	House-holds	TOTAL
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
02	Regional and local government	44,023	0	0	0	0	0	0	0	264,588	0	0	0	0	0	0	0	308,611
03	Public sector	0	0	0	0	0	0	0	0	11,578	0	0	0	0	0	0	0	11,578
06	Institutions	10,324	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10,324
07	Corporate customers	29,164	29,283	19,156	5,438	5,167	0	888	60	5	1,304	0	1,076	2,719	1,722	1,681	0	97,663
08	Retail customers	2,424	22,078	10,909	3,777	6,231	501	1,836	2,380	0	5,692	1,863	57	1,727	1,581	4,924	191,627	257,607
09	Collateralised with mortgages on residential property	1,252	32,730	14,379	3,046	4,376	0	10,193	2,805	249	3,444	1,065	1,492	46	219	6,737	9,620	91,653
10	Past due items	2,589	7,580	8,856	26,281	4,224	0	753	6,627	110	1,902	122	1	0	915	121	5,673	65,754
11	Regulatory high risk categories	3,317	4,113	59	729	10,922	0	0	31	0	0	98	0	24	0	0	0	19,293
15	Other exposure	0	0	0	0	0	0	0	0	0	0	0	0	0	0	22,818	472	32,451
16	Equity exposure	259	0	0	0	21	0	9,230	0	1,406	0	0	0	0	57	0	0	10,973
	As at 31 December 2013	94,950	94,257	53,360	41,215	31,213	501	22,899	11,793	277,942	16,326	3,148	2,626	4,571	4,494	49,287	207,389	926,538
	Impaired exposure	10,728	12,888	6,747	18,021	19,350	1	2,636	1,286	99	785	1,899	92	138	425	215	7,632	82,942
	Past due exposure,	2,763	13,605	9,321	36,944	19,434	0	1,786	2,248	122	2,480	1,852	53	90	68	69	8,036	98,871
	of which impaired	2,264	7,708	4,229	17,315	16,848	0	1,279	959	10	637	1,626	42	64	22	60	5,773	58,836

* Comparable data for 2013 have been recalculated under the new rules of CRR/CRD IV.

Exposure to the expert, scientific and technical activities, and the trade industry decreased the most in 2014 as compared to 2013, while exposure to the public administration and households was up the most.

3.1.10. Capital requirements according to exposure categories

The Bank calculates the capital requirement for credit risk according to the standardised approach. The ratings of an external credit rating agency are used to determine exposure towards the central government and central banks.

Comparable data for 2013 have been recalculated under the new rules of CRR/CRD IV.

			2014		2013*
	Exposure category	Net exposure	Capital requirement	Net exposure	Capital requirement
01	Central government and central banks	333,163	583	308,611	0
02	Regional and local government	19,361	310	11,578	185
03	Public sector	38,228	578	20,631	293
06	Institutions	34,728	555	10,324	149
07	Corporate customers	58,477	3,750	97,663	6,943
08	Retail customers	178,963	8,742	257,607	14,002
09	Collateralised with mortgages on residential property	174,610	6,698	91,653	5,761
10	Past due items	74,463	7,241	65,754	6,526
11	Regulatory high risk categories	11,479	1,292	19,293	2,307
15	Other exposure	36,446	2,142	23,290	1,396
16	Equity exposure	16,168	1,294	10,973	878
	As at 31 December	976,086	33,185	917,378	38,440

* Comparable data for 2013 have been recalculated under the new rules of CRR/CRD IV.

The capital requirement dynamics for credit risk followed the change in the structure of net exposure by category.

3.2. Market risk

The Bank undertakes exposure to market risk, which is the risk of decreased asset value or profitability due to volatile market prices, foreign exchange rates or relevant interest rates; however, the Bank's exposure in this respect is relatively low. Changes of the Euribor rate were the most important market risk factor in 2014.

The Bank's risk management policy is based on the current and expected market conditions, realised and planned financial data, valid regulations and existing risk management systems. The Bank complies with the policy of dispersed portfolios and invests in highly liquid assets in countries with a high credit rating, avoiding investments with speculative-grade ratings. The market risk management policy includes general guidelines, objectives and approaches aimed at:
- Minimising loss from credit risk,
- Facilitating sufficient liquidity,
- Minimising the loss of the Bank's net income and the loss of the Bank's capital economic value due to floating interest rates,
- Minimising negative impact on the income statement caused by market risk.

Deviations from the strategy's set framework and risk management policies are monitored through reports on following the guidelines and through the system of limits and indicators, which are discussed by the Bank's committees and the Management Board.

The department responsible for stipulating the acceptable level of risk, for measuring and monitoring risk exposure, and for checking that exposure remains within the set limits, is organisationally separated from the departments where risk occurs.

Pursuant to the Deželna banka Slovenije d. d. Rules on Organisation, the following units participate in the Bank's risk management function:
- Liquidity Commission,
- Financial Markets Section,
- Financial Management Section,
- Process Support and Technology Section,
- Risk Management Department,
- Assets and Liabilities Management Committee, and
- Treasury Division Investment Committee.

The Bank calculates capital requirement for market risk under the standardised approach, pursuant to the provisions of the Regulation on the Calculation of Capital Requirements for Market Risk for Banks and Savings Banks. The table below shows capital requirements for market risk according to types of financial instruments.

	2014	2013
Equity instruments	54	56
Debt instruments	15	19
SUM OF CAPITAL REQUIREMENTS FOR MARKET RISK	**69**	**75**

Market risk management is based on a diversified system of limits (limits on equity and debt security positions, limits on exposure to individual types of issuers, etc.), which the Bank regularly reviews and adjusts, if necessary.

Due to the increased volatility of capital markets (compared to bond markets and money markets), the Bank devotes special attention to its equity positions. To this end it has in place the additional „stop-loss" limit system for each position on both the domestic and foreign markets, which daily examines the set limits. Value-at-Risk is calculated over a time horizon (on a monthly basis in the reports to the Assets and Liabilities Management Committee) for each position as well as for both sub-portfolios (domestic and foreign equities) and the joint portfolio, in order to detect any potential increased risk due to exposure to increased volatility.

With respect to the bond portfolio on the trading book, the Bank calculates the time profile for each position and the related extent of exposure to loss in economic value in the event of an interest rate shock (so-called „basis point value"). The value of the average-duration bond portfolio on the trading book over a time horizon is also monitored. All these calculations are conducted once per month, and their results are included into the report to the Assets and Liabilities Management Committee.

In 2014 the Bank was primarily exposed to price risk and interest rate risk, as well as, to a lesser degree, to foreign exchange risk.

3.2.1. Methods for measuring risk related to trading in trading portfolio equities

To measure and manage market risk, the Bank applies the Value-at-Risk method (VaR) for its equity trading portfolio. VaR measures the risk of loss on a specific portfolio of financial assets for a 10-day time horizon, with a 99% level of confidence.

The Bank trades in equities in the domestic and foreign stock markets. The below table shows the VaR for the Slovenian sub-portfolio and the entire equity portfolio. All Slovenian equities on the trading book are unlisted securities whose fair value is established applying the generally accepted valuation models based on market items. For illiquid securities, which include unlisted stock, the VaR used is 16%, corresponding to the capital requirement for market risk in these types of financial instruments.

VaR value as at 31 December 2014:

Market	Portfolio value	VaR as % of portfolio value	VaR
Slovenia	340	16	54
Total	**340**	**16**	**54**

As at 31 December 2014 the equity portfolio had a VaR of EUR 54 thousand (31 December 2013: EUR 56 thousand).

3.2.2. Methods for measuring risk related to trading in trading portfolio debt securities

BPV (basis point value)

Basis point value (BPV) denotes the change in the market value of a trading book position, attributable to the parallel movement in the yield curve. BPV tells us how much value financial instruments will gain or lose depending on the market interest rate, i.e. change in yield. For a parallel movement in the yield curve by 200 basis points, BPV as at 31 December 2014 amounted to EUR 2 thousand (31 December 2013: EUR 5 thousand).

3.2.3. Foreign exchange risk

Foreign exchange risk represents the Bank's potential loss due to the mismatch between assets and liabilities in different currencies. Foreign exchange risk is monitored and managed on a daily basis. Limits of maximum acceptable exposures to foreign exchange risk are clearly defined and monitored daily.

The Financial Markets Section balances currency positions and exposure to foreign exchange risk by taking the following measures:
- Spot and forward purchases and sales of foreign exchange in the interbank market,
- Setting daily mean rates and exchange rates,
- Entering into purchases and sales of foreign exchange with legal entities and individuals.

In 2014 the Bank promptly balanced the differences between purchases and sales of foreign exchange, which were mainly the result of payment and foreign exchange transactions. Exposure towards financial instruments denominated in foreign currencies was very low and consistent with the set limits.

Assets and liabilities as at 31 December 2014 and 31 December 2013 according to currency are given in the following tables:

FOREIGN EXCHANGE RISK as at 31 December 2014					
Balance sheet items	**EUR**	**USD**	**CHF**	**OTHER**	**TOTAL**
Cash, balances at central banks, and sight deposits at banks	79,330	194	207	210	79,941
Financial assets held for trading	469	14	0	0	483
Available-for-sale financial assets	22,409	0	0	0	22,409
Loans	621,051	1,727	2,236	562	625,576
- Loans and advances to banks	607	1,727	0	562	2,896
- Loans and advances to customers	619,706	0	2,236	0	621,942
- Other financial assets	738	0	0	0	738
Held-to-maturity investments	107,133	0	0	0	107,133
Property, plant and equipment	12,014	0	0	0	12,014
Investment property	5,152	0	0	0	5,152
Intangible assets	936	0	0	0	936
Long-term equity participation in subsidiaries, associates and joint ventures	13,271	0	0	3	13,274
Income tax assets	5,985	0	0	0	5,985
- Deferred tax assets	5,985	0	0	0	5,985
Other assets	17,158	0	0	0	17,158
TOTAL ASSETS (1)	**884,908**	**1,935**	**2,443**	**775**	**890,061**
Trading liabilities	14	0	0	5	19
Financial liabilities measured at amortised cost	835,312	1,935	2,407	710	840,364
- Deposits by banks and central banks	161	0	0	0	161
- Deposits by customers	697,652	1,930	2,407	708	702,697
- Borrowings from banks and central banks	42,276	0	0	0	42,276
- Debt securities	72,387	0	0	0	72,387
- Subordinated liabilities	14,671	0	0	0	14,671
- Other financial liabilities	8,165	5	0	2	8,172
Provisions	1,553	0	0	0	1,553
Income tax liabilities	863	0	0	0	863
- Current tax liabilities	654	0	0	0	654
- Deferred tax liabilities	209	0	0	0	209
Other liabilities	445	0	0	0	445
TOTAL LIABILITIES (2)	**838,187**	**1,935**	**2,407**	**715**	**843,244**
MISMATCH (1) less (2)	**46,721**	**0**	**36**	**60**	**46,817**
Off-balance sheet liabilities	**86,444**	**0**	**0**	**0**	**86,444**

FOREIGN EXCHANGE RISK as at 31 December 2013					
Balance sheet items	**EUR**	**USD**	**CHF**	**OTHER**	**TOTAL**
Total assets	851,846	344	3,212	592	855,994
Total liabilities	804,436	2,138	3,391	622	810,587
Mismatch (1) less (2)	**47,410**	**(1,794)**	**(179)**	**(30)**	**45,407**
Off-balance sheet liabilities	**63,693**	**1,810**	**62**	**113**	**65,678**

As at 31 December 2014 the Bank did not report capital requirements for foreign exchange risk, as its net currency position did not exceed 2% of the Bank's capital.

3.2.4. Interest rate risk

The Bank additionally monitors exposure to interest rate risk with reference to items in the banking book. It does this by using the methodology of interest rate sensitivity gap reports according to type of maturity and time periods relative to the following setting of interest rates (gap analysis). The results are communicated to the Assets and Liabilities Management Committee on a monthly basis.

Measuring, monitoring and examining interest rate risk in the Bank is kept separate from adopting decisions on banking positions, which prevents conflicts of interest. This is conducted by the Risk Management Department, which regularly monitors all activities in this area.

With the gap analysis the Bank performs sensitivity tests to determine the effect of changes in market interest rates on the amount of net interest income in the following 12 months, as well as the exposure of the banking book economic value in the event of a standard parallel 200-basis-point interest rate shock. The latter result is used as the basis for computing the Bank's additional capital requirement for interest rate risk under the second pillar; it is computed as the 6-month mean exposure of the banking book economic value assuming a standard interest rate shock.

Aside from simulations of interest income, the Bank also monitors their 12-month history of performance, as well as the performance of the weighted average active and passive interest rates, and the difference between them, as well as other relevant qualitative and/or quantitative ratios of exposure to interest rate risk.

For the purposes of balancing interest rate risk on the banking book, the Bank has in place a two-stage system of limits for each interest rate gap. The first stage is a position limit for each established gap, calculated using a proprietary methodology, while the second is a limit for the total exposure of the banking book economic value with the final risk limit set at 10% of the Bank's capital.

According to the balance as at 31 December 2014 the Bank had at its disposal an adequate amount of capital to offset the potential losses from interest rate risk. In the event of a sudden and unexpected parallel movement of the yield curve by 200 basis points, the effect of the changed interest rate never exceeded 10% of the value of capital.

The impact of the 200 basis points change in interest rates on the total exposure of the banking book economic value amounted to EUR 3,050 thousand as at 31 December 2014, which is 5.29% of capital.

Scenario*	Expected net interest	Change in basic scenario	Change in basic scenario
Basic scenario	22,240		
One-time curve shift (+2%) - immediate shock	25,659	3,419	13.71%
One-time curve shift (-2%) - immediate shock	15,071	(7,169)	(49.98)%
Curve shift (+2%) - gradually over 12 months	24,473	2,233	9.40%
Curve shift (-2%) - gradually over 12 months	16,824	(5,416)	(33.64)%
Curve shift (+2%) - immediate shock, only money market interest (EURIBOR)	29,565	7,325	25.40%
Curve shift (-2%) - immediate shock, only money market interest (EURIBOR)	21,722	(518)	(2.47)%
Curve shift (+2%) - gradually over 12 months, only money market interest (EURIBOR)	26,148	3,908	15.37%
Curve shift (-2%) - gradually over 12 months, only money market interest (EURIBOR)	21,967	(273)	(1.29)%

* The scenario presupposes that the interest rate cannot be negative.

The following tables outline exposure to interest rate risk as at 31 December 2014 and 31 December 2013. Financial instruments are recorded at carrying amounts and categorised into time periods according to the subsequent change in interest rate or maturity.

INTEREST RATE RISK as at 31 December 2014									
Balance sheet items	TOTAL	Non-interest bearing	Total accrued interest	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Cash, balances at central banks, and sight deposits at banks	79,941	0	79,941	78,052	0	1,889	0	0	0
Financial assets held for trading	483	360	123	0	0	0	80	43	0
Available-for-sale financial assets	22,409	1,019	21,390	0	0	0	561	20,829	0
Loans	625,576	12,245	613,331	244,711	25,765	223,454	101,464	14,770	3,167
- Loans and advances to banks	2,896	607	2,289	0	2,289	0	0	0	0
- Loans and advances to customers	621,942	10,900	611,042	244,711	23,476	223,454	101,464	14,770	3,167
- Other financial assets	738	738	0	0	0	0	0	0	0
Held-to-maturity investments	107,133	1,712	105,421	0	0	19,772	4,580	47,170	33,899
Long-term equity investments in subsidiaries, associates and joint ventures	13,274	13,274	0	0	0	0	0	0	0
Other assets	17,158	17,158	0	0	0	0	0	0	0
TOTAL ASSETS	**865,974**	**45,768**	**820,206**	**322,763**	**25,765**	**245,115**	**106,685**	**82,812**	**37,066**
Trading liabilities	19	19	0	0	0	0	0	0	0
Financial liabilities measured at amortised cost	840,364	12,712	827,652	306,787	102,238	167,917	181,035	66,439	3,236
- Deposits by banks and central banks	161	0	161	161	0	0	0	0	0
- Deposits by customers	702,697	3,901	698,796	290,782	102,238	95,566	176,035	33,539	636
- Borrowings from banks and central banks	42,276	32	42,244	11,844	0	0	0	30,400	0
- Debt securities	72,387	36	72,351	0	0	72,351	0	0	0
- Subordinated liabilities	14,671	571	14,100	4,000	0	0	5,000	2,500	2,600
- Other financial liabilities	8,172	8,172	0	0	0	0	0	0	0
Other liabilities	445	445	0	0	0	0	0	0	0
TOTAL LIABILITIES	**840,828**	**13,176**	**827,652**	**306,787**	**102,238**	**167,917**	**181,035**	**66,439**	**3,236**
Net exposure to interest rate risk	**25,146**	**32,592**	**(7,446)**	**15,976**	**(76,473)**	**77,198**	**(74,350)**	**16,373**	**33,830**

INTEREST RATE RISK as at 31 December 2013									
Balance sheet items	TOTAL	Non-interest bearing	Total accrued interest	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Total assets	834,597	28,846	805,751	252,787	60,322	250,042	153,944	47,794	40,862
Total liabilities	808,773	8,521	800,252	279,691	155,759	167,694	168,340	24,862	3,906
Net exposure to interest rate risk	**25,824**	**20,325**	**5,499**	**(26,904)**	**(95,437)**	**82,348**	**(14,396)**	**22,932**	**36,956**

Interest rate risk in 2014 arose mainly out of the imbalance between the maturities of interest sensitive investments and liabilities, and out of the subsequent determination of interest rates.

3.2.5. Average interest rates as at 31 December

		2014		2013
	EUR	USD	EUR	USD
Assets		%		%
Cash and balances at central banks	0.11	0.00	0.60	0.00
Sight deposits at banks	0.00	0.05	0.01	0.05
Loans and advances to banks	0.01	0.10	0.43	0.26
Loans and advances to customers	3.55	0.00	3.87	0.00
Investment securities - debt	2.99	0.00	4.14	0.00
Liabilities				
Deposits and borrowings from banks	1.66	0.00	1.75	0.00
Borrowings from central bank	0.15	0.00	0.25	0.00
Deposits by customers	0.97	0.04	1.60	0.24
Subordinated liabilities	5.88	0.00	5.94	0.00
Liabilities for issued long-term securities	1.29	0.00	1.50	0.00

3.3. Liquidity risk

The Bank's liquidity situation depends on the set of activities for meeting required cash flows as well as on the availability of liquidity assets that at all times ensure immediate fulfilment of matured financial obligations with customers. For this purpose the Bank holds on its portfolio adequate amounts of cash and highly liquid securities that can be liquidated immediately and without loss in carrying value.

The Bank has in place a set of stress scenarios, which are applied to the current liquidity gaps on a monthly basis, as stipulated by future cash flows ordered according to contractual maturity. All stress test scenario outcomes have designated limits, with the critical limit being defined at one-month's survival. This means that in the event of a stress test scenario coming true, the Bank has to be able to settle all its liabilities solely from excess liquidity – thus without using up liquidity reserves – for one month.

Further, the Bank monitors a wide array of interim liquidity trends and structural liquidity ratios. It has requisite limits designated for all values of the monitored ratios, and regularly examines them.

In 2014 the Bank had at its disposal an adequate pool of liquidity reserves, which can be utilised to settle any liabilities as well as off-balance sheet liabilities. In addition, it has at its disposal adequate secondary liquidity (liquid debt securities, loans to the RS eligible as collateral with the European Central Bank, etc.) which it could easily and efficiently liquidate and use in case of a liquidity stress event that compromised the daily system of liquidity management, such as e.g. an unexpected large-scale withdrawal of deposits.

All the results of regular liquidity risk monitoring are communicated to the Assets and Liabilities Management Committee once a month.

The following tables summarise the Bank's exposure to liquidity risk as at 31 December 2014 and 31 December 2013. Financial instruments are recorded at undiscounted amounts and categorised into time periods according to maturity.

LIQUIDITY RISK as at 31 December 2014

Balance sheet items	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash, balances at central banks, and sight deposits at banks	78,053	0	1,890	0	0	0	79,943
Financial assets held for trading	359	0	0	85	43	0	487
Available-for-sale financial assets	338	0	784	592	20,839	0	22,553
Loans	50,792	11,285	39,843	215,700	219,170	154,533	691,323
- Loans and advances to banks	607	2,290	0	0	0	0	2,897
- Loans and advances to customers	49,447	8,995	39,843	215,700	219,170	154,533	687,688
- Other financial assets	738	0	0	0	0	0	738
Held-to-maturity investments	0	629	20,832	5,747	55,770	41,709	124,687
Long-term equity investments in subsidiaries, associates and joint ventures	0	0	0	0	0	13,274	13,274
Other assets	0	0	0	0	17,158	0	17,158
TOTAL ASSETS	**129,542**	**11,914**	**63,349**	**222,124**	**312,980**	**209,516**	**949,425**
Trading liabilities	19	0	0	0	0	0	19
Financial liabilities measured at amortised cost	288,334	111,274	98,504	257,703	85,920	5,908	847,643
- Deposits by banks and central banks	161	0	0	0	0	0	161
- Deposits by customers	288,143	103,102	97,305	179,604	37,224	1,214	706,592
- Borrowings from banks and central banks	30	0	967	3,132	37,196	1,795	43,120
- Debt securities	0	0	232	72,588	0	0	72,820
- Subordinated liabilities	0	0	0	2,379	11,500	2,899	16,778
- Other financial liabilities	0	8,172	0	0	0	0	8,172
Other liabilities	0	0	0	0	0	445	445
TOTAL LIABILITIES	**288,353**	**111,274**	**98,504**	**257,703**	**85,920**	**6,353**	**848,107**
Net exposure to liquidity risk	**(158,811)**	**(99,360)**	**(35,155)**	**(35,579)**	**227,060**	**203,163**	**101,318**

LIQUIDITY RISK as at 31 December 2013

Balance sheet items	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Total assets	66,813	49,227	71,909	176,225	368,327	190,757	923,258
Total liabilities	254,508	109,242	96,077	176,153	174,283	9,104	819,367
Net exposure to liquidity risk	**(187,695)**	**(60,015)**	**(24,168)**	**72**	**194,044**	**181,653**	**103,891**

The sight deposits bracket liquidity gap is indeed deeply in the negative, however, financial liabilities in this group include total sight deposits, and this despite the fact that central bank regulations stipulating the calculation of liquidity positions allow for a 60% stability of deposits.

Based on the conducted analyses, the Bank estimates that its off-balance-sheet positions do not contribute particularly to its exposure to liquidity risk, which is why they were not included into the above table.

3.4. Fair value of financial assets and liabilities

3.4.1. Financial instruments not measured at fair value

	2014					2013				
	Carrying amount	Fair value Level 1	Level 2	Level 3	Total	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Assets										
Loans and advances to banks	2,896	0	0	2,896	2,896	1,092	0	0	1,092	1,092
Loans and advances to customers	621,942	0	0	621,942	621,942	646,727	0	0	646,727	646,727
Held-to-maturity debt securities	107,133	116,846	0	0	116,846	91,047	91,574	0	0	91,574
Total assets	**731,971**	**116,846**	**0**	**624,838**	**741,684**	**738,866**	**91,574**	**0**	**647,819**	**739,393**
Liabilities										
Deposits by banks	161	0	0	161	161	914	0	0	914	914
Deposits by customers	702,697	0	0	702,697	702,697	645,810	0	0	645,810	645,810
Borrowings from banks and central banks	42,276	0	0	42,276	42,276	69,366	0	0	69,366	69,366
Debt securities - issued bonds	72,387	71,184	0	0	71,184	75,245	72,250	0	0	72,250
Subordinated liabilities	14,671	0	0	14,671	14,671	14,541	0	0	14,541	14,541
Total liabilities	**832,192**	**71,184**	**0**	**759,805**	**830,989**	**805,876**	**72,250**	**0**	**730,631**	**802,881**

(a) Loans and advances to banks

The estimated fair value of loans and advances to banks is based on discounted cash flows using prevailing market interest rates for debts with similar credit risk and remaining maturity. The fair value of loans to commercial banks is estimated to closely resemble their carrying amount. Fixed-rate credit operations are short-term, meaning the contractual interest rates do not differ considerably from end-of-year market interest rates, while the Bank has not granted any long-term loans to banks. This is why the fair value of loans to commercial banks is the same as their carrying amount.

(b) Loans and advances to customers

Loans and advances are net of provisions for impairment. The fair value of loans to customers is estimated to closely resemble their carrying amount. Fixed-rate loans are mostly short-term, meaning the contractual interest rates do not differ considerably from end-of-year market interest rates, while long-term fixed-rate loans represent only a negligible share of total loans to customers.

(c) Held-to-maturity debt securities

Held-to-maturity debt securities are stated at amortised cost. Their fair value as at 31 December 2014 was calculated using market prices formed in the markets where they are listed.

(d) Deposits and borrowings

The Bank's long-term debt has no market value. Fair value is estimated as the discounted amount of future cash flows, taking into account market interest rates that the Bank would currently have to pay for new deposits with similar characteristics and the same remaining maturity. Since most borrowings are linked to floating market interest rates, the fair value of deposits does not substantially differ from their carrying amounts.

The fair value of sight deposits to the depository institution depends on the expectations of the timing and amounts of withdrawals of the existing balance, the level of prevailing interest rates with similar terms, the costs of servicing these deposits and the depository institution's – thus the Bank's – own credit risk. This is especially important for sight deposits.

The estimated fair value of other deposits is based on discounted contractual cash flows using market interest rates that the Bank would currently have to pay for new deposits with similar remaining maturity.

For deposits from banks and deposits from other customers there are no differences between carrying amount and fair value.

(e) Bonds

The Bank's issued bonds are recognised at fair value. Fair value is calculated using the market price on the market where the bonds are listed as at the date of the statement of financial position.

3.4.2. Financial instruments measured at fair value

Financial instruments measured at fair value in the financial statements:

2014	Level 1	Level 2	Level 3	**Total**
Financial assets held for trading (Note 20 a)	124	0	359	**483**
Available-for-sale financial assets (Note 21 a)	867	0	21,542	**22,409**
Investment property (Note 28)	0	0	5,152	**5,152**
Financial liabilities held for trading (Note 33)	0	0	19	**19**

2013	Level 1	Level 2	Level 3	**Total**
Financial assets held for trading (Note 20 a)	198	0	352	**550**
Available-for-sale financial assets (Note 21 a)	1,382	0	28,769	**30,151**
Investment property (Note 28)	0	0	1,845	**1,845**
Financial liabilities held for trading (Note 33)	0	11	0	**11**

The fair value of investments is measured at three levels:

Level 1: Level 1 includes investments into listed equity and debt securities whose fair value equals their market price, i.e. the last official closing price.

Level 2: Level 2 includes investments in unlisted debt securities and derivative financial instruments. Fair value for Level 2 investments is determined through an internal methodology. The value of unlisted debt securities for which fair value cannot be calculated even from external data sources is determined using the discounted value method. Unlisted mutual fund shares are measured at their net asset value, which is published daily. If a transaction is concluded in the market and thereafter a market price forms for a security previously measured according to the Bank's internal methodology, the security is restated at the market price.

Level 3: Level 3 includes unlisted equities, receivables and payables associated with the purchase and sale of foreign exchange, and investment property at fair value. The valuation of equities that do not have quoted prices is based on market observables. Key parameters are compared with those of similar assets and liabilities traded in an active market, with the data coming from Bloomberg or another reliable source. In determining their fair value the Bank applies the same internal methodologies as for Level 2 instruments.

3.5. Capital management

Capital management is a continuous process of determining and maintaining the sufficient scope and quality of capital. To this end the Bank has adopted a Capital Management Policy and set up a system of internal controls, which it updates every year. The Bank must always have at its disposal an adequate amount of capital and capital adequacy, which is stipulated by law and depends on the scope and type of services performed by the Bank as well as on the risks these services expose it to. In determining the amount and categories of capital, the Bank abides by statutory provisions related to capital and use of capital as well as those related to the relations and restrictions of various capital components.

As at 1 January 2014, Regulation 575/2013 (CRR) entered into effect, stipulating changes in instruments of and deductions from capital. The presented calculation of capital and capital adequacy as at 31 December 2013 likewise followed the new Regulation so as to ensure comparability.

The Bank's capital consists of tier I and tier II capital. Under the new Regulation, tier I capital consists of common equity tier I and additional tier I capital. Common equity tier I includes: paid capital instruments meeting the conditions for inclusion into common equity tier I, share premium, revenue reserves, retained earnings/loss, treasury shares, intangible assets, and deferred tax assets associated with future returns and not arising out of temporary differences. Loss, treasury shares, intangible assets, and deferred tax assets associated with future returns and not arising out of temporary differences[2] constitute deductions from common equity tier 1 capital.

According to the balance as at 31 December 2013 and 31 December 2014, the Bank did not have additional tier I capital.

The Bank's tier II capital consists of subordinated debt (subordinated liabilities with contractual maturities 5 years and 1 day, or longer). The amount of subordinated debt included into tier II capital decreases on a straight-line basis over the final five years prior to maturity (i.e. prior to repayment).

Capital may never drop below the amount stipulated by the Slovenian Banking Act ZBan-1 and must always equal minimally the sum of minimum capital requirements.

		2014	2013
COMMON EQUITY TIER I CAPITAL: INSTRUMENTS AND RESERVES			
1	Capital instruments and the related share premium	17,811	15,786
	of which: instrument type 1	17,811	15,786
2	Retained earnings and revenue reserves	939	671
3	Accumulated other comprehensive income and other reserves	31,257	28,915
4	Common equity tier I capital before regulatory adjustments	50,008	45,372
COMMON EQUITY TIER I CAPITAL: REGULATORY ADJUSTMENTS			
5	Intangible assets (deductions for associated tax liabilities)	(936)	(1,145)
6	Deferred tax assets associated with future profits and not arising out of temporary differences (deductions for associated tax liabilities if conditions from Article 38(3) are met)	(614)	0
7	Direct and indirect holdings in own common equity tier I capital instruments	(671)	(671)
8	Regulatory adjustments applied to common equity tier I in respect of amounts subject to pre-CRR treatment	(2,221)	(1,816)
9	Total regulatory adjustments to common equity tier I capital	(2,221)	(1,816)
10	Common equity tier I capital	47,787	43,556
11	**TIER I CAPITAL (common equity tier I + additional tier I)**	**47,787**	**43,556**
TIER II CAPITAL: INSTRUMENTS AND RESERVES			
12	Capital instruments and the related share premium	8,019	9,735
13	Tier II capital before regulatory adjustments	8,019	9,735
14	**TIER II CAPITAL**	**8,019**	**9,735**
15	**TOTAL CAPITAL (tier I + tier II)**	**55,806**	**53,291**
16	Total risk-weighted assets	463,835	531,030

2 A transitional period applies to this deduction item, with 20% being deduced in 2014.

		2014	2013
CAPITAL RATIOS AND CAPITAL BUFFERS			
17	**Common equity tier I capital** (%)	**10.30**	**8.20**
18	**Tier I capital** (%)	**10.30**	**8.20**
19	**Total capital** (%)	**12.03**	**10.04**
20	Common equity tier I capital that qualifies as capital buffer (%)	10.30	8.20
21	Direct and indirect equity holdings in financial sector entities where the institution does not have a significant investment (amount below 10% threshold, reduced by permitted short positions)	259	259
22	Direct and indirect equity holdings on common equity tier I capital instruments of financial sector entities where the institution has a significant investment (amount below 10% threshold, reduced by permitted short positions)	9,593	9,230
23	Deferred tax assets arising out of temporary differences (amount under 10% threshold, reduced by associated tax liabilities if conditions from Article 38(3) are met)	2,917	1,778

The calculation of capital as at 31 December 2014 includes EUR 4,367.2 thousand of new capital raised in the Bank's capital increase (Note 44). The Bank's tier I capital is therefore up from the year before, and tier II capital down – in 2014 the Bank did namely not issue additional subordinated debt instruments.

The Bank's capital requirements for credit risk have decreased mainly due to the formation of additional impairments in 2014. Exposure decreased the most in retail and corporate banking. On account of the capital increase and reduction of capital requirements (especially for credit risk), the Bank's capital adequacy ratio improved.

As at 31 December 2014 the Bank's equity investments in financial sector entities in which it participated in 100% of the companies' capital, were: DBS Leasing, DBS Nepremičnine and DBS Adria. The equity investment in DBS Leasing totalled EUR 1,922.8 thousand as at 31 December 2014; consistent with Article 49(2) of the Regulation it was not deduced from capital, but was included in the calculation of the capital requirement for credit risk. The equity investment in DBS Nepremičnine totalled EUR 7,667.4 thousand as at 31 December 2014; consistent with the provisions of Article 4(1) and 4(18) of the Regulation, DBS Nepremičnine is considered an ancillary services undertaking and therefore one of the financial sector entities under Article 4(1) and 4(27c) of the Regulation. In the calculation of capital and capital requirements for credit risk, Article 49(2) of the Regulation applies to DBS Nepremičnine the same as to DBS Leasing. As at 31 December 2014 the equity investment in DBS Adria totalled EUR 2.6 thousand. It was not included in prudential consolidation and was not deduced from capital due to a threshold exemption under Article 48 of the Regulation. This investment was therefore included in the calculation of the capital requirement for credit risk.

As at 31 December 2014 the Bank participated in the equity of Semenarna, in which its equity ownership was 100%. Under Regulation 575/2013, this is as a qualified holding outside the financial sector. It was not included in prudential consolidation and was not deduced from capital due to Article 89 of the Regulation. This investment was therefore included in the calculation of the capital requirement for credit risk.

The Bank monitors capital and capital needs at the level of the Group. Given the Group's internal capital adequacy assessment, we estimate the reported capital adequacy ratio as appropriate for managing the risk of potential losses. The Bank and the Group will continue to operate an adequate amount of capital to sustain their normal operations.

The Bank of Slovenia did not impose a new minimum capital adequacy ratio for the DBS Group in 2014 on the basis of the ICAAP/SREP process. Rather, the Bank of Slovenia's requirement from its 2013 ICAAP/SREP remained in place, having imposed a joint capital adequacy assessment on a consolidated basis of 142.3% of pillar 1 capital requirements and a capital adequacy ratio of 11.4% (and the tier 1 capital ratio of minimally 9.1%).

In its internal capital adequacy assessment for 2014, the Bank estimated the adequate ratio to be 117.6% (i.e. with a capital adequacy ratio of 10.26%), which was lower than the capital adequacy ratio realised at the year-end 2013 and later. Nevertheless, in June 2014 the Bank of Slovenia issued a decree demanding the Bank to raise additional capital and meet the minimum capital adequacy ratios imposed in 2013. The Bank complied and implemented the capital increase process which was successfully completed at the end of 2014. After the capital increase, the Bank's and the Group's capital adequacy ratios exceed requirements.

3.5.1. Internal capital adequacy assessment

For making an internal assessment of its risk-based capital requirements and internal capital adequacy, the Bank employs its own methodology based on the requisite instructions for implementing stress tests, which it can use to assess its risk-based capital requirements under the second pillar of the Basel Capital Accord, and include them into its collective risk assessment. It thereby takes into account the capital requirement for credit risk, which is not included into the calculation of the capital requirement for credit risk under the first pillar (portfolio downgrade risk due to changed economic conditions, concentration risk and remaining risk from hedging), as well as its requirement for interest rate risk, liquidity risk, market liquidity risk, equity risk, capital risk, reputation risk, profitability risk (this includes the additional capital requirement related to deviations in passive interest rates), strategic risk, Bank management risk, and the additional requirements related to compliance with the Bank of Slovenia regulations. When calculating capital adequacy, to be discussed at a Management Board meeting or the Assets and Liabilities Management Committee meeting, the impact of the Bank's planned future business is also estimated. The Bank reports its internal capital adequacy assessment and capital adequacy to the Supervisory Board and its Audit Committee each quarter.

An adequate amount, type and allocation of requisite capital is maintained as dictated by the Bank's risk profile, which facilitates our ability to settle all liabilities. Risk profile is examined once a year and special attention is devoted to the assessment of internal control areas.

3.5.2. Financial leverage

The leverage ratio is calculated as the Bank's capital measure divided by its total exposure measure. The capital measure is the tier 1 capital, and the total exposure measure is the sum of the exposure values of all items and off-balance-sheet items not deducted when determining the capital measure.

The quarterly leverage ratio is calculated as the arithmetic mean of monthly leverage ratios, and as at 31 December 2014 it amounts to:

	2014
Leverage ratio - applying the definition of tier I capital without transitional provisions	0.0503
Leverage ratio - applying the definition of tier I capital with transitional provisions	0.0519

3.6. Managing operational risk

Operational risk is the risk of loss due to an inappropriate or unsuccessful implementation of internal processes, the human factor, system operations or external factors. Operational risk also includes IT risk and legal risk.

The Bank uses the Policy of Assuming and Managing Operational Risk in DBS d. d. (the Policy defines the basic goals, competences and responsibilities, as well as the manner of identification, assessment, monitoring and management of operational risk), examining and supplementing it, if required, at least once a year.

Regular reporting on events associated with operational risk has been in place since 1 April 2007. The Bank has developed its proprietary application support for systematic monitoring of loss events arising out of operational risk, which is regularly updated and supplemented. Integrated into this system are measures to resolve operational risk events and prevent repeat events. Since the final quarter of 2010 operational risk events have been additionally monitored according to key risk indicators. Reports on operational risk events are promptly presented to the Bank's Management Board and Internal Audit Department, while the Operational Risk Committee receives them on a quarterly basis.

In 2014 the Bank regularly updated its business continuity plan BCP I (alternative provision of services in case of shorter or longer interruptions of regular operations), BCP II (Bank's operations in case of natural disasters, break-ins, burglaries, earthquakes, communication failures and blackouts, min. twice a year) and BCP III (operations of a back-up computer centre and data restoration). The BCP 1, BCP II and BCP III are being tested regularly, with test reports being presented to the Operational Risk Board and the Bank Management Board once a year.

The Bank calculates capital requirements for operational risk using the simple approach. In 2014 it started preparing for the calculation of capital requirements using the standardised approach.

3.7. Asset encumbrance

(a) Assets

					2014
		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
		010	040	060	090
010	**Assets of the reporting institution**	**46,214**	**-**	**843,847**	**-**
030	Equity instruments	0	0	679	810
040	Debt securities	20,525	23,774	108,803	114,403
120	Other assets	0	-	64,154	-

(b) Collateral received

			2014
		Fair value of encumbered collateral received or own debt securities issued	Fair value of received collateral or own debt securities issued available for encumbrance
		010	040
130	**Collateral received by the reporting institution**	**0**	**3**
150	Equity instruments	0	0
160	Debt securities	0	3
230	Other collateral received	0	0
240	**Own debt securities issued other than own covered bonds or ABSs**	**0**	**0**

(c) Encumbered assets/collateral received and related liabilities

			2014
		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	**634,586**	**43,694**

(d) Information on the importance of encumbrance

The Bank's encumbered assets include placed cash deposits and investments in debt securities available for sale or held to maturity.

A proportion of cash deposits are placed in the guarantee fund run by the KDD, the Bank being a KDD settlement member. Another share of cash deposits is collateral that the central counterparty demanded as a condition for access to the trading service.

A proportion of the Bank's investments in top rated debt securities are reserved for investors' guaranteed deposits, and another share for investor's guaranteed receivables.

A major segment of encumbered assets constitutes investments pledged into the pool of assets as security for using ECB operations. The pool of assets includes, in the largest proportion, non-marketable assets (loans to banks), followed by domestic securities and securities deposited abroad. 16% of this pool of assets is used as collateral for a borrowing from the ECB.

4. SEGMENT REPORTING

Equity and liabilities, and investments are allocated into business segments as they were obtained or made, and the relevant interest and non-interest income and expense is recognised in the same way. Opportunity income and expense is allocated into segments using transfer pricing. Income effects among business segments were calculated using inter-company methodologies for the transfer of assets and overheads (indirect costs). Tax assets and liabilities are not allocated into segments and are given at Bank level.

There is no separate account of operations analysis according to geographical segments. The main geographical segment is Slovenia, which is where the Bank generates the vast majority of its revenue.

The Bank is organised into three classes (segments) of business:
- Corporate banking: lending, guarantees and documents, deposits for companies and organisations, current accounts, payments;
- Retail banking: lending; transactional accounts for individuals, sole traders, non-profit institutions serving households, and foreign entities; limits (overdrafts); bank cards; payments and ATM operations; foreign exchange; deposits; and savings;
- Financial markets: the Bank's liquidity management, trading in financial instruments, investment banking, operations with other banks;
- The Bank's administrative, IT and banking technology activities are allocated into the relevant business segment, and leasing transactions are reported under the item other.

Balance at 31 December 2014

	Financial markets	Retail banking	Corporate banking	Other**	Total
Net income from customers*	7,883	6,381	12,782	3,452	**30,498**
Segment result	(7,562)	8,751	(2,113)	2,545	**1,621**
Operating profit					**1,621**
Gross profit					**1,621**
Tax					**(278)**
Net profit					**1,343**
Segment assets	372,626	224,511	240,776	-	**837,913**
Long-term equity participation in subsidiaries, associates and joint ventures	13,274	-	-	-	**13,274**
External assets	-	-	-	38,874	**38,874**
Total assets	385,900	224,511	240,776	38,874	**890,061**
Segment liabilities***	133,968	611,892	91,770	-	**837,630**
External liabilities	-	-	-	5,614	**5,614**
Total liabilities	133,968	611,892	91,770	5,614	**843,244**
Investment financing	115	82	297	8,244	**8,738**
Depreciation and amortisation	208	663	628	-	**1,499**
Net impairment charges and provisions	3,734	(374)	8,421	786	**12,567**
***Includes:**					
Interest income	11,308	9,110	12,875	-	**33,293**
Interest expense	(2,453)	(7,186)	(1,414)	-	**(11,053)**
Dividends	2	-	-	-	**2**
Fee and commission income	153	5,550	2,109	-	**7,812**
Fee and commission expense	(900)	(1,161)	(30)	-	**(2,091)**
Realised gains/losses from financial assets and liabilities not measured at fair value through profit or loss	34	43	(8)	-	**69**
Net gains/losses from financial assets and liabilities held for trading	41	62	5	-	**108**
Net gains/losses from derecognition of assets other than non-current assets held for sale	-	-	-	100	**100**
Other net operating gains/losses	(302)	(37)	(755)	3,352	**2,258**

** The item other includes the real estate business and denationalisation acquisitions.
*** Financial markets segment liabilities include payables associated with new shares from the capital increase.

Balance at 31 December 2013

	Financial markets	Retail banking	Corporate banking	Other	Total
Net income from customers*	8,082	4,060	14,473	-	**26,615**
Segment result	(8,280)	7,047	(18,299)	-	**(19,532)**
Operating loss					**(19,532)**
Gross loss					**(19,532)**
Tax					**2,211**
Net loss					**(17,321)**
Segment assets	335,153	202,772	284,313	-	**822,238**
Long-term equity participation in subsidiaries, associates and joint ventures	9,230	-	-	-	**9,230**
External assets	-	-	-	24,526	**24,526**
Total assets	344,383	202,772	284,313	24,526	**855,994**
Segment liabilities	160,263	538,444	108,186	-	**806,893**
External liabilities	-	-	-	3,694	**3,694**
Total liabilities	160,263	538,444	108,186	3,694	**810,587**
Investment financing	30	236	102	-	**368**
Depreciation and amortisation	213	722	801	-	**1,736**
Net impairment charges and provisions	5,124	453	23,941	-	**29,518**
***Includes:**					
Interest income	11,458	8,432	15,343	-	**35,233**
Interest expense	(2,943)	(8,733)	(2,138)	-	**(13,814)**
Dividends	11	-	-	-	**11**
Fee and commission income	124	5,331	1,866	-	**7,321**
Fee and commission expense	(1,178)	(1,027)	(31)	-	**(2,236)**
Realised gains/losses from financial assets and liabilities not measured at fair value through profit or loss	773	(1)	(18)	-	**754**
Net gains/losses from financial assets and liabilities held for trading	(289)	57	(8)	-	**(240)**
Foreign exchange translation	91	-	-	-	**91**
Net gains/losses from derecognition of assets other than non-current assets held for sale	219	1	14	-	**234**
Other net operating gains/losses	(184)	-	(555)	-	**(739)**

5. INTEREST INCOME AND EXPENSE

	2014	2013
Interest income		
Deposits at central bank	60	35
Financial assets held for trading	10	14
Available-for-sale financial assets	1,001	1,466
Loans and advances to banks	14	49
Loans and advances to customers	28,343	29,439
Held-to-maturity investments	3,863	4,227
Other financial assets	2	3
TOTAL	**33,293**	**35,233**
Interest expense		
Deposits and borrowings from banks	426	563
Borrowings from central bank	59	285
Deposits by customers	8,600	10,871
Bonds	1,263	1,460
Certificates of deposit	203	265
Subordinated liabilities	233	233
Subordinated deposits and loans	269	137
TOTAL	**11,053**	**13,814**
NET INTEREST INCOME	**22,240**	**21,419**

6. DIVIDEND INCOME

	2014	2013
Dividends on financial assets held for trading	2	1
Dividends on available-for-sale financial assets	0	10
TOTAL	**2**	**11**

7. FEE AND COMMISSION INCOME AND EXPENSE

	2014	2013
Fee and commission income		
Payment transactions	3,547	3,431
Agency services	116	112
Administrative services	3,231	2,998
Guarantees issued	452	385
Securities trading	136	104
Services to subsidiaries	11	2
Credit operations	319	289
TOTAL	**7,812**	**7,321**
Fee and commission expense		
Banking services	678	632
Securities trading	94	103
Payment transactions	531	440
Republic of Slovenia guarantee for issued bonds	782	1,050
Other services	6	11
TOTAL	**2,091**	**2,236**
NET FEE AND COMMISSION INCOME	**5,721**	**5,085**

8. REALISED GAINS/LOSSES FROM FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014	2013
Realised gains		
- Available-for-sale financial assets	34	127
- Loans and advances measured at amortised cost	57	29
- Financial liabilities measured at amortised cost	2	649
TOTAL	**93**	**805**
Realised losses		
- Loans and advances measured at amortised cost	15	34
- Financial liabilities measured at amortised cost	9	17
TOTAL	**24**	**51**
REALISED GAINS/LOSSES	**69**	**754**

9. NET GAINS/LOSSES FROM FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

	2014	2013
Net gains/losses from trading in equity instruments	(12)	(138)
Net gains/losses from trading in debt securities	(2)	(75)
Net gains/losses from foreign exchange trading	98	77
Net gains/losses from derivatives held for trading	24	(104)
TOTAL	**108**	**(240)**

10. FOREIGN EXCHANGE TRANSLATION

	2014	2013
Positive translation differences	522	1,127
Negative translation differences	522	1,036
TOTAL	**0**	**91**

11. NET GAINS/LOSSES ON DERECOGNITION OF ASSETS OTHER THAN NON-CURRENT ASSETS HELD FOR SALE

	2014	2013
Gains		
Derecognition of property, plant and equipment	100	0
Derecognition of investments into subsidiaries, associates and joint ventures	0	215
Derecognition of other assets, apart from assets held for sale	0	20
TOTAL	**100**	**235**
Losses		
Derecognition of property, plant and equipment	0	1
TOTAL	**0**	**1**
TOTAL	**100**	**234**

12. OTHER NET OPERATING GAINS/LOSSES

	2014	2013
Gains		
Income from non-banking services	7	6
Leases and rents (Note 28 b)	71	45
Denationalisation income	3,462	225
Other	101	132
TOTAL	**3,641**	**408**
Losses		
Taxes	0	3
Contributions	82	78
Membership fees and similar	92	90
Expenses for investment property under operating lease	5	0
Tax on total assets	573	515
Financial services tax	571	441
Other operating expenses	60	20
TOTAL	**1,383**	**1,147**
OTHER NET OPERATING GAINS/LOSSES	**2,258**	**(739)**

Denationalisation income refers to assets received from denationalisation procedures. Initially these assets are recognised at fair value. Other operating expenses include balance sheet tax expense and financial transaction tax expense.

Denationalisation acquisitions by asset type

			2014			2013
	Income	Expense	**Total**	Income	Expense	**Total**
Buildings						
- Acquisitions - restitution in kind	313	0	**313**	0	0	**0**
- Damages, settlements	2,982	0	**2,982**	50	0	**50**
- Leases and rents	167	0	**167**	175	0	**175**
- Revaluation of investment property	0	308	**(308)**	0	43	**(43)**
- Legal and consulting services, and duties	0	39	**(39)**	0	13	**(13)**
TOTAL	**3,462**	**347**	**3,115**	**225**	**56**	**169**

The direct and indirect net denationalisation income in 2014 amounted to a total of EUR 3,115 thousand (2013: EUR 169 thousand).

13. ADMINISTRATIVE EXPENSES

	2014	2013
Employee benefits cost		
Gross wages	7,499	7,371
Social security contributions	537	535
Pension insurance contributions	657	657
Other contributions, depending on gross wages	10	(1)
Severance pays and compensations	1	16
Other employee benefits cost	1,419	1,362
TOTAL	**10,123**	**9,940**
Overhead and administrative expenses		
Costs of material	445	488
Costs of services*	4,243	4,465
TOTAL	**4,688**	**4,953**
TOTAL	**14,811**	**14,893**

* Costs of services in 2014 include EUR 38 thousand for auditing services, of which EUR 35 thousand was paid to the auditor Deloitte revizija d. o. o., Ljubljana, for auditing the Group's and the Bank's financial statements and the business report as included into the Annual Report, and for its services rendered in compliance with the ZBan-1 and its executive regulations.

14. DEPRECIATION AND AMORTISATION

	2014	2013
Depreciation of property, plant and equipment (Note 27)	1,270	1,486
Amortisation of intangible assets (Note 29)	229	250
TOTAL	**1,499**	**1,736**

15. PROVISIONS

	2014	2013
Net provisions for off-balance-sheet liabilities	**(280)**	**(10)**
Expenses for created provisions	4,062	4,009
Income from released provisions	4,342	4,019
Net provisions for pensions and other payables to employees	**102**	**96**
Expenses for created provisions	102	96
Net provisions for tax suits and other pending legal cases	**0**	**(60)**
Income from released provisions	0	60
Net provisions for other provisions	**1**	**4**
Expenses for created provisions	1	4
NET PROVISIONS	**(177)**	**30**

16. IMPAIRMENT CHARGE

	2014	2013
Net impairments of financial assets not measured at fair value through profit or loss	**5,318**	**25,331**
Net impairments of financial assets measured at cost	**0**	**131**
Impairments of equity investments measured at cost	0	131
Net impairments of available-for-sale financial assets	**0**	**289**
Impairments of available-for-sale debt securities	0	289
Net impairments of loans and receivables	**5,338**	**24,887**
Impairments of loans	17,890	33,519
Reversed impairments of loans	12,552	8,632
Net impairments of other financial assets	**(20)**	**24**
Impairments of other financial assets	49	75
Reversed impairments of other financial assets	69	51
Net impairments of other assets	**7,426**	**4,157**
Net impairments of investment property	**272**	**43**
Impairments of investment property	308	43
Reversed impairments of investment property	36	0
Net impairments of equity investments in subsidiaries	**6,640**	**4,038**
Impairments of equity investments in subsidiaries	6,640	4,038
Net impairments of other assets	**514**	**76**
Impairments of real estate inventory	514	76
NET IMPAIRMENTS	**12,744**	**29,488**

17. TAX

	2014	2013
Income tax	654	0
Deferred tax (Note 41 d)	(376)	(2,211)
TOTAL	**278**	**(2,211)**
Profit/loss before tax	1,621	(19,532)
Tax under the 17% tax rate	276	(3,320)
Non-taxable income	(13)	(11)
Non-deductible expense	827	1,120
Tax reliefs	(812)	0
TOTAL	**278**	**(2,211)**
Effective tax rate (%)	17	11

* The last tax inspection was in 2005 for financial year 2004.

The competent Tax Office may conduct a tax inspection of the current accounting period any time within the following five years after the reported tax year, and in this connection impose additional taxation and penalties. The Bank management knows of no circumstances that could give rise to additional liabilities in this regard.

18. EARNINGS/LOSS PER SHARE (EPS)

Basic earnings/loss per share is calculated by dividing profit/loss for the year by the weighted average number of issued ordinary shares:

	2014	2013
Net profit/loss (in EUR thousand)	1,343	(17,321)
Weighted average number of ordinary shares	3,743,268	3,743,268
Basic and diluted earnings/loss per share (in EUR per share)	0.358777	(4.627240)

Basic earnings per share in 2014 amounts to EUR 0.358777 (2013: EUR 4.627240 of basic loss per share). The weighted average number of issued ordinary shares less treasury shares, recorded in the KDD central securities register in 2014 was 3,743,268 (2013: 3,743,268).

Book value per share at Bank level totalled EUR 12.506898 as at 31 December 2014. It was calculated as follows: share capital less treasury shares, divided by the number of shares recorded in the KDD central securities register, less treasury shares. Following the capital increase, book value per share at Bank level as at 31 December 2014 totalled EUR 11.550524.

The Bank has not issued any financial instruments convertible into shares.

19. CASH, BALANCES AT CENTRAL BANKS, AND SIGHT DEPOSITS AT BANKS

a) Breakdown

	2014	2013
Cash		
Cash and cash equivalents	9,636	5,808
Settlement account and minimum reserves at central bank	53,320	19,112
Other deposits at central bank	1,889	24,910
Sight deposits at banks	15,096	474
TOTAL (Note 19 b)	**79,941**	**50,304**

Under the new methodology this item includes EUR 15,096 thousand of sight deposits at banks, which have been deducted from the item loans and advances to banks (Note 22).

The Bank has met its obligation regarding the minimum reserve on the settlement account at the central bank. The amount of minimum reserves is adjusted to the ECB system. The Bank calculates the required amount pursuant to regulations – 0% for: time deposits with agreed maturity of over 2 years, sight deposits with maturity of over 2 years, repurchase agreements and debt securities with agreed maturity of over 2 years; and 1% for: overnight deposits, deposits with agreed maturity of up to 2 years, sight deposits with maturity of up to 2 years and debt securities with agreed maturity of up to 2 years.

The minimum reserve assets are available for the Bank to use in its daily operations. However, it must ensure that the settlement account is credited on a daily basis with a specific average amount calculated for each period.

In 2014 the ECB imposed negative interest on excess reserves, starting 11 June 2014.

- Minimum reserves for compliance period from 1 January 2014 to 31 December 2014 amounted to EUR 6,339 thousand on average, with excess reserves for the second half-year totalling an average EUR 6,159 thousand.
- The (annual) interest rate for assets deposited on the minimum reserves account was 0.25% from 1 January 2014 to 10 June 2014, 0.15% from 11 June 2014 to 9 September 2014 (–0.10% for excess reserves), and 0.05% from 10 September 2014 to 31 December 2014 (–0.20% for excess reserves).

Minimum reserves generated EUR 7 thousand of profit in 2014 (EUR 11 thousand of income, against which EUR 4 thousand was paid for excess reserves).

b) Movements

	As at 1 January 2014	Foreign exchange differences	Net increase/ (decrease)	As at 31 December 2014
Cash, balances at central banks, and sight deposits at banks (Note 19 a)	50,304	49	29,589	79,941
Loans and advances to banks (Note 22 a)	446	208	2,135	2,789
TOTAL	**50,750**	**257**	**31,724**	**82,730**

20. FINANCIAL ASSETS HELD FOR TRADING

a) Breakdown

	2014	2013
Equities		
- Unlisted	340	352
Bonds		
- Listed	124	198
Loans held for trading	19	0
TOTAL	**483**	**550**

b) Movements

	2014	2013
Derivatives		
As at 1 January	0	1
- Valuation	0	(1)
As at 31 December	**0**	**0**
Equities		
As at 1 January	352	462
- Acquisition	0	249
- Sale	0	(279)
- Revaluation	(12)	(104)
- Reclassification	0	24
As at 31 December	**340**	**352**
Debt securities		
As at 1 January	198	365
- Acquisition	10	91
- Sale	(88)	(184)
- Revaluation	4	(74)
As at 31 December	**124**	**198**
Loans*		
As at 1 January	0	4
- Increase	19	18,437
- Sale	0	(18,441)
As at 31 December	**19**	**0**
TOTAL	**483**	**550**

* Loans include receivables from the purchase and sale of foreign exchange.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

a) Breakdown

	2014	2013
Equities		
- Unlisted	338	338
Bonds		
- Listed	22,071	26,150
- Unlisted	0	3,663
TOTAL	**22,409**	**30,151**

Available-for-sale financial assets decreased in 2014 by EUR 7,742 thousand, of which bank bonds were down EUR 3,663 thousand and government bonds down EUR 4,079 thousand.

b) Movements

	2014	2013
As at 1 January	30,151	54,954
Purchases	2,221	6,919
Sale	(10,193)	(31,716)
Reclassification	0	3
Write-downs	0	(420)
Margin	0	97
Fair value adjustment (Note 45 a)	230	314
As at 31 December	**22,409**	**30,151**

22. LOANS AND ADVANCES TO BANKS

a) Breakdown

	2014	2013
Short-term loans and advances	2,896	1,092
TOTAL	**2,896**	**1,092**

Under the new methodology, EUR 15,096 thousand of sight deposits at banks is included in the item cash, balances at central banks, and sight deposits at banks (Note 19a). At the end of 2014, loans and advances to banks totalled EUR 2,896 thousand, up EUR 1,804 thousand from the beginning of the year. In terms of territory, loans and advances to domestic banks increased by EUR 1,358 thousand, and loans to foreign banks by EUR 446 thousand.

Loans and advances to banks with the original maturity of up to three months, in the amount of EUR 2,789 thousand (2013: EUR 920 thousand) are recognised in the cash flow statement as cash equivalents (Note 19 b).

23. LOANS AND ADVANCES TO CUSTOMERS

a) Breakdown

	2014	2013
Loans and advances	686,327	706,233
Working capital loans	22,658	22,657
Revaluation allowance	(87,043)	(82,163)
TOTAL	**621,942**	**646,727**

b) Movements in revaluation allowance

	2014	2013
As at 1 January	82,163	61,358
Enhancements (through impairments)	17,890	33,518
Repayments (through impairments)	(12,566)	(8,633)
Write-downs	(531)	(3,015)
Suspended income (net)	222	117
Debt-to-equity conversion	(135)	(1,182)
As at 31 December	**87,043**	**82,163**

24. OTHER FINANCIAL ASSETS

a) Breakdown

	2014	2013
Trade receivables	251	29
Interest receivable	3	0
Fee and commission due	152	136
Other receivables	488	510
Other financial assets revaluation allowance	(156)	(163)
TOTAL	**738**	**512**

b) Movements in revaluation allowance

	2014	2013
As at 1 January	163	138
Increases (through impairments)	49	75
Decreases (through impairments)	(69)	(51)
Write-downs	13	1
As at 31 December	**156**	**163**

25. HELD-TO-MATURITY INVESTMENTS

a) Breakdown

	2014	2013
Held-to-maturity debt securities		
Short-term bank securities	7,140	0
Short-term government securities	9,983	14,875
Short-term securities issued by non-financial institutions	1,386	5,954
Long-term bank securities	4,074	4,041
Long-term government securities	84,550	66,177
TOTAL	**107,133**	**91,047**

b) Movements

	2014	2013
As at 1 January	91,047	99,327
Purchases	71,357	47,934
Maturities	(55,271)	(56,214)
As at 31 December	**107,133**	**91,047**

26. NON-CURRENT ASSETS HELD FOR SALE, AND DISCONTINUED OPERATIONS

	2014	2013
Equity investments held for sale	0	433
TOTAL	**0**	**433**

Non-current assets held for sale, and discontinued operations were down EUR 433 thousand, attributable to EUR 433 thousand worth of the equity investment in Semenarna being transferred to long-term equity investments in subsidiaries (Note 30).

27. PROPERTY, PLANT AND EQUIPMENT

2014	Land and buildings	Computers	Furniture and other equipment	Motor vehicles	PPE under construction	Total
Cost						
As at 1 January	12,537	4,433	11,204	1	0	28,175
Increases	0	0	0	0	474	474
Transfer from PPE under construction	5	185	266	18	(474)	0
Decreases	0	0	(2)	0	0	(2)
As at 31 December	12,542	4,618	11,468	19	0	28,647
Revaluation allowance						
As at 1 January	2,887	4,207	8,270	1	0	15,365
Decreases	0	0	(2)	0	0	(2)
Depreciation and amortisation	333	155	781	1	0	1,270
As at 31 December	3,220	4,362	9,049	2	0	16,633
Net carrying value						
As at 1 January	9,650	226	2,934	0	0	12,810
As at 31 December	9,322	256	2,419	17	0	12,014

The Bank holds no property, plant or equipment received as guarantee for liabilities or such with limited ownership rights.

2013	Land and buildings	Computers	Furniture and other equipment	Motor vehicles	PPE under construction	Total
Cost						
As at 1 January	12,531	4,451	11,146	1	0	28,129
Increases	0	0	0	0	227	227
Transfer from PPE under construction	6	52	169	0	(227)	0
Decreases	0	(70)	(111)	0	0	(181)
As at 31 December	12,537	4,433	11,204	1	0	28,175
Revaluation allowance						
As at 1 January	2,554	3,996	7,510	0	0	14,060
Decreases	0	(71)	(110)	0	0	(181)
Depreciation and amortisation	333	282	870	1	0	1,486
As at 31 December	2,887	4,207	8,270	1	0	15,365
Net carrying value						
As at 1 January	9,977	455	3,636	1	0	14,069
As at 31 December	9,650	226	2,934	0	0	12,810

28. INVESTMENT PROPERTY

a) Breakdown

	2014	2013
Long-term investments into investment property		
- Land	35	0
- Buildings	5,117	1,845
TOTAL	**5,152**	**1,845**

b) Movements

	2014	2013
As at 1 January	1,845	1,888
Increase	3,579	0
Revaluation allowance	(272)	(43)
As at 31 December	**5,152**	**1,845**

Income from investment property leases, in the amount of EUR 238 thousand (2013: EUR 220 thousand), is recognised among other net operating gains/losses (Note 12). Operating lease contracts may be terminated during the lease period.

Investment property is categorised into Level 3 of the fair value hierarchy. In determining fair value, the comparable sales method is used. Fair value is determined on the basis of market prices data. Fair value revaluation (impairment) is recognised under impairment charge. The Bank recorded EUR 272 thousand worth of impairment charges against investment property in 2014 (2013: EUR 43 thousand) (Note 16).

29. INTANGIBLE ASSETS

		2014				2013
	Intangible assets	Intangible assets under construction	Total	Intangible assets	Intangible assets under construction	Total
Cost						
As at 1 January	3,126	0	3,126	3,278	94	3,372
Increases	0	20	20	0	46	46
Decreases	0	0	0	(292)	0	(292)
Transfer from intangible assets under construction	20	(20)	0	140	(140)	0
As at 31 December	3,146	0	3,146	3,126	0	3,126
Revaluation allowance						
As at 1 January	1,981	0	1,981	2,023	0	2,023
Depreciation and amortisation	229	0	229	250	0	250
Decreases	0	0	0	(292)	0	(292)
As at 31 December	2,210	0	2,210	1,981	0	1,981
As at 1 January	**1,145**	**0**	**1,145**	**1,255**	**94**	**1,349**
As at 31 December	**936**	**0**	**936**	**1,145**	**0**	**1,145**

The Bank holds no intangible assets received as guarantee for liabilities, and holds no assets with limited ownership rights. Intangible assets include the Bank's licences under lease.

30. LONG-TERM EQUITY INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

	2014	2013
Long-term equity investments in other domestic financial institutions		
As at 1 January	0	2,487
Increases	7,000	1,400
Impairments	(5,077)	(3,887)
As at 31 December	**1,923**	**0**
Long-term equity investments in domestic non-financial institutions		
As at 1 January	9,230	0
Increases	3,681	9,381
Impairments	(1,563)	(151)
As at 31 December	**11,348**	**9,230**
Long-term equity investments in foreign non-financial institutions		
As at 1 January	0	0
Increases	3	0
As at 31 December	**3**	**0**
TOTAL	**13,274**	**9,230**

Equity investments in subsidiaries totalled EUR 13,274 thousand at the end of 2014, up EUR 4,044 thousand from the beginning of the year. The investment in DBS Leasing was up EUR 7,000 thousand due to the capital increase, but was subject to the impairment charge of EUR 5,077 thousand, so that it totalled EUR 1,923 thousand at the year-end of 2014. After the impairment charge of EUR 1.563 thousand, the equity investment in DBS Nepremičnine totalled EUR 7,667 thousand at the end of the year. Equity investment in Semenarna was up EUR 433 thousand due to the transfer from non-current assets held for sale, the debt-to-equity conversion attributed an additional EUR 2,771 thousand, and the purchase of shares contributed EUR 477 thousand. At the year-end of 2014, the investment totalled EUR 3,681 thousand. Equity investment in DBS Adria totalled EUR 3 thousand at the end of 2014.

31. TAX ASSETS

	2014	2013
Deferred tax assets (Note 41 b)	5,985	5,597
TOTAL	**5,985**	**5,597**

Due to the negative tax base for 2013, the Bank did not make advance payments for income tax in 2014. Outstanding tax loss for 2014 amounts to EUR 26,337 thousand. Deferred tax assets were formed in the amount of EUR 4,477 thousand, impairments of deferred tax assets totalling EUR 1,409 thousand.

32. OTHER ASSETS

	2014	2013
Accrued and short-term deferred costs	441	202
Long-term deferred operating costs	17	15
Real estate inventory	14,230	4,056
Stock of coins held for sale	146	145
Prepayments - buildings	85	0
Prepayments - equipment	0	9
Other prepayments	82	122
Other tax refund receivables	614	0
Consideration receivable	1,539	0
Other	4	2
TOTAL	**17,158**	**4,551**

Impairment charges decreased the value of the inventories of real estate by EUR 514 thousand in 2014 (2013: EUR 76 thousand) (Note 16).

33. TRADING LIABILITIES

	2014	2013
Derivatives held for trading	0	11
Other trading liabilities	19	0
TOTAL	**19**	**11**

34. DEPOSITS BY BANKS AND CENTRAL BANKS

	2014	2013
Sight deposits by banks	161	16
Short-term deposits by banks	0	898
TOTAL	**161**	**914**

35. DEPOSITS BY CUSTOMERS

	2014	2013
Sight deposits	312,775	270,188
Short-term deposits	158,406	195,605
Long-term deposits	231,516	180,017
TOTAL	**702,697**	**645,810**

36. BORROWINGS FROM BANKS AND CENTRAL BANKS

	2014	2013
Long-term borrowings from banks	11,874	18,721
Long-term borrowings from central banks	30,402	50,645
TOTAL	**42,276**	**69,366**

Under the new methodology this item includes EUR 30,402 thousand of long-term borrowings from the central bank. At the year-end of 2014, borrowings from banks and central banks totalled EUR 42,276 thousand.

37. DEBT SECURITIES

a) Breakdown

	2014	2013
Lond-term bearer bonds with the maturity over 2 years	72,387	75,245
TOTAL	**72,387**	**75,245**

In 2010 the Bank issued bonds worth EUR 100,000 thousand under a government guarantee, with the maturity of five years. The bond pays a 1.2% premium to 3-month Euribor, with coupon payments due each quarter – on 18 March, 18 June, 18 September and 18 December, or on the closest working day. In 2014 the Bank made an early repurchase of a proportion of its bond issue, in the total nominal value of EUR 3,050 thousand. The redeemed bonds were cancelled from the Euroclear/Clearstream securities register and delisted from trading on the Luxembourg Stock Exchange. At the end of 2014, they totalled EUR 72,387 thousand, down EUR 2,858 thousand from the beginning of the year.

38. SUBORDINATED LIABILITIES

a) Breakdown

	2014	2013
Subordinated liabilities		
- To banks	6,625	6,627
- To non-financial institutions	2,761	2,629
- To other financial institutions	5,285	5,285
TOTAL	**14,671**	**14,541**

	Date subscribed	Amount	Currency	Interest rate (%)	Maturity date
Subordinated liabilities					
	2. 10. 2008	710	EUR	6m Euribor + 2.70	30. 10. 2015
	6. 10. 2008	305	EUR	6m Euribor + 2.90	30. 10. 2015
	7. 10. 2008	183	EUR	7.70	30. 10. 2015
	7. 10. 2008	458	EUR	7.70	30. 10. 2015
	7. 10. 2008	161	EUR	7.70	30. 10. 2015
	7. 10. 2008	275	EUR	7.70	30. 10. 2015
	20. 5. 2009	532	EUR	6.50	20. 5. 2016
	20. 5. 2009	171	EUR	6.70	20. 5. 2016
	20. 5. 2009	171	EUR	6.70	20. 5. 2016
	20. 5. 2009	459	EUR	6.70	20. 5. 2016
	20. 5. 2009	267	EUR	6.70	20. 5. 2016
	26. 5. 2009	51	EUR	6m Euribor + 4.00	26. 5. 2016
	26. 5. 2009	460	EUR	6m Euribor + 4.00	26. 5. 2016
	24. 6. 2009	510	EUR	6m Euribor + 3.50	24. 6. 2016
	30. 9. 2009	4,052	EUR	6m Euribor + 5.00	30. 9. 2016
	20. 12. 2012	2,063	EUR	6m Euribor + 6.00	20. 12. 2019
	20. 12. 2012	184	EUR	8.20	20. 12. 2019
	20. 12. 2012	162	EUR	8.20	20. 12. 2019
	20. 12. 2012	460	EUR	8.20	20. 12. 2019
	20. 12. 2012	276	EUR	8.20	20. 12. 2019
	23. 10. 2013	531	EUR	6.20	3. 11. 2020
	23. 10. 2013	53	EUR	6.20	3. 11. 2020
	23. 10. 2013	85	EUR	6.20	3. 11. 2020
	23. 10. 2013	85	EUR	6.20	3. 11. 2020
	23. 10. 2013	96	EUR	6.20	3. 11. 2020
	23. 10. 2013	32	EUR	6.20	3. 11. 2020
	23. 10. 2013	106	EUR	6.20	3. 11. 2020
	30. 10. 2013	106	EUR	6.20	10. 11. 2020
	30. 10. 2013	711	EUR	6.20	10. 11. 2020
	30. 10. 2013	531	EUR	6.20	10. 11. 2020
	30. 10. 2013	32	EUR	6.20	10. 11. 2020
	30. 10. 2013	319	EUR	6.20	10. 11. 2020
	30. 10. 2013	74	EUR	6.20	10. 11. 2020
TOTAL		**14,671**			

Subordinated liabilities include subordinated deposits, loans and certificates of deposit eligible for inclusion into tier II capital, consistent with the CRR (Note under 3.5., Capital Management). Subordinated debt was issued over the years in order to maintain the required capital adequacy. The difference in the amount of EUR 130 thousand in subordinated liabilities in 2014 is attributable to interest payable and deferred interest.

39. OTHER FINANCIAL LIABILITIES

	2014	2013
Profit sharing - dividend payments	37	37
Wages and salaries	492	450
Taxes and contributions	257	234
Suppliers	1,838	493
Other liabilities	4,898	726
Charges being collected	12	11
Retail-banking charges being collected	54	0
Accrued costs	401	338
Accrued expenses	99	62
Other	84	81
TOTAL	**8,172**	**2,432**

Other financial liabilities were up EUR 5,740 thousand, of which EUR 4,367 thousand are associated with the payment of new shares from the capital increase. The amount will be restated in equity once the shares are recorded in the KDD central securities register (Note 43 a).

40. PROVISIONS

a) Breakdown

	2014	2013
Provisions for pensions and similar payables to employees (Note 40 b and c)	1,182	979
Provisions for off-balance-sheet liabilities (Note 40 d)	336	616
Provisions for pending legal cases (Note 40 e)	10	10
Other provisions (Note 40 f)	25	43
TOTAL	**1,553**	**1,648**

Under the item other provisions, the Bank recognises provisions in the amount EUR 25 thousand for the National Housing Saving Scheme (NSVS). The Bank had participated at five NSVS tenders, of which loans were not fully drawn in the last four and the Bank therefore has related liabilities to refund the Housing Fund of the Republic of Slovenia for premiums received. The Bank did not participate in the tenders after 2009.

On the basis of the second, third, fourth and fifth 5-year scheme, which had all already expired, and the 10-year scheme the Bank had estimated that there was a 95% chance of premiums being refunded and therefore formed provisions in the amount of 95% of the premiums paid for the remaining schemes. These are long-term provisions, which the Bank will gradually phase out by 2015 at the latest, when the last 10-year scheme expires.

b) Provisions for pensions and similar payables to employees

	2014	2013
Provisions for severance pays	964	790
Provisions for long-service awards	218	189
TOTAL	**1,182**	**979**

The actuarial calculation of provisions for severance pays and long-service awards to employees included the following assumptions: average earnings growth in the Republic of Slovenia is expected as follows: 1.3% annually in 2015, 1.8% annually in 2016, and 3.0% annually in subsequent years; the calculation of liabilities for severance pays takes into account each employee's period of employment; the selected discount factor is 2.1% annually. Assumptions on employment fluctuations and the company's related payables: it is assumed that employment fluctuation depends primarily on the employees' age; the mortality rates used are from the Slovenian reference population mortality table for 2007; it is assumed that employees will exercise their right to retire upon reaching their full retirement age, and therefore the employer will not incur liabilities for long-service awards projected to fall due at a later date.

c) Movements in provisions for pensions and similar payables to employees

	2014	2013
As at 1 January	979	912
Provisions made during the year	232	96
Provisions utilised during the year	(29)	(29)
As at 31 December	**1,182**	**979**

Recalculated payables to employees total EUR 1,182 thousand, for which we had to form as at 31 December 2014 additional provisions of EUR 232 thousand. The increase in payables comprising EUR 87 thousand of costs for the period and EUR 14 thousand of long-service awards, was charged to profit and loss, while the proportion associated with the actuarial deficit for severance pays, totalling EUR 131 thousand, was charged to comprehensive income (Note 45).

d) Movements in provisions for off-balance-sheet liabilities

	2014	2013
As at 1 January	616	626
Provisions made during the year (Note 15)	4,062	4,009
Provisions released during the year (Note 15)	(4,342)	(4,019)
As at 31 December	**336**	**616**

e) Movements in provisions for pending legal cases

	2014	2013
As at 1 January	10	840
Provisions utilised during the year	0	(770)
Provisions released during the year	0	(60)
As at 31 December	**10**	**10**

f) Movements in other provisions

	2014	2013
As at 1 January	43	61
Provisions made during the year	0	4
Provisions released during the year	(18)	(22)
As at 31 December	**25**	**43**

41. INCOME TAX LIABILITIES

a) Breakdown

	2014	2013
Current tax liabilities	654	0
Deferred tax liabilities	209	166
TOTAL	**863**	**166**

Pursuant to the Corporate Income Tax Act (ZDDPO-2), the income tax payable for 2014 amounts to EUR 654 thousand, applying the 17% tax rate.

b) Deferred tax liabilities and assets according to statement of financial position items

	2014	2013
1. Deferred tax liabilities		
Available-for-sale financial assets	209	166
TOTAL	**209**	**166**
2. Deferred tax assets		
Provisions for severance pays and long-service awards	139	135
Available-for-sale investment securities	32	21
Impairment of securities	190	195
Impairment of equity participation	2,556	1,427
Tax relief	0	18
Tax loss	3,068	3,801
TOTAL (Note 31)	**5,985**	**5,597**
NET DEFERRED TAX (2 - 1)	**5,776**	**5,431**

There were no impairments of deferred tax assets in 2014. In 2013, impairments of deferred tax assets referred to the equity investment and tax loss, and totalled EUR 1,516 thousand.

c) Movements in deferred taxes

	2014	2013
As at 1 January	5,431	3,285
Available-for-sale financial assets - fair value valuation (Note 45 a)	(32)	(64)
Impairment of securities	(5)	66
Impairment of equity participation	1,129	700
Provisions for severance pays and long-service awards	4	18
Tax relief	(18)	6
Tax loss	(733)	1,430
Other provisions	0	(10)
As at 31 December	**5,776**	**5,431**

d) Deferred taxes in the income statement contain the following temporary differences

	2014	2013
Impairment of securities	(6)	66
Provisions for employee benefits	4	18
Other provisions	0	(10)
Tax relief	(18)	6
Tax loss	(733)	1,431
Impairment of equity participation	1,129	700
TOTAL (Note 17)	**376**	**2,211**

Deferred tax assets and liabilities for 2014 were calculated using the tax rate expected to apply in the period a particular receivable is collected, which is 17% (2013: 17%).

42. OTHER LIABILITIES

a) Breakdown

	2014	2013
Payments received in advance	104	0
Taxes payable	263	396
Accruals	78	58
TOTAL	**445**	**454**

43. SHARE CAPITAL

a) Breakdown

	No. of ordinary shares	Subscribed value
As at 1 January 2013	3,783,000	15,786
As at 31 December 2013/1 January 2014	3,783,000	15,786
As at 31 December 2014	**3,783,000**	**15,786**

The Bank's share capital is divided into 3,783,000 ordinary no par value shares of class A, of which 3,772,235 are recorded in the KDD central securities register. At the end of 2014, the Bank raised additional capital with investors paying 485,248 new shares in the total issue value of EUR 4,367,232.00. The capital increase was recorded in the companies' register on 16 January 2015. The Bank's share capital was up EUR 2,024,904.05 due to the increase, totalling EUR 17,811,083.54. As the newly issued shares from the capital increase had not been recorded in the KDD central securities register as at 31 December 2014, the capital increase has not been recognised under equity in the statement of financial position (Note 39).

b) Shareholders with over 5% of share capital

		2014
Shareholder	No. of shares	Stake in shareholders' equity in KDD
Kapitalska zadruga, z. b. o., Ljubljana	1,734,324	45.976
KD Kapital d. o. o., Ljubljana	377,181	9.999
Banca Popolare di Cividale S.C.p.A., Cividale del Friuli	210,511	5.581
ČZD Kmečki glas, d. o. o., Ljubljana	200,000	5.302

At the year-end of 2014, 261 shareholders of Deželna banka Slovenije d. d. were recorded in the KDD central securities register, of which 96 were domestic legal entities, 160 domestic individuals, and five foreign entities (2013: 260 shareholders). The number of the Bank's shareholders increased by one in 2014. In the capital increase at the end of 2014 investors paid 485,248 new shares; the balance as at 31 December 2014 does not include the newly issued shares as they had not yet been recorded in the KDD central securities register (Note 43 a).

44. SHARE PREMIUM

	2014	2013
As at 1 January	28,915	38,930
Settlement of loss for the year	0	(10,015)
As at 31 December	**28,915**	**28,915**

After shares issued in the capital increase are recorded in the central securities register, EUR 2,342,327.95 will be restated under share premium (Note 43 a).

45. ACCUMULATED OTHER COMPREHENSIVE INCOME

a) Accumulated other comprehensive income associated with available-for-sale financial assets

	2014	2013
As at 1 January	706	456
Other revaluation surplus	(131)	0
Net gains/losses from changes in fair value of available-for-sale financial assets (Note 21 b)	230	314
Deferred taxes (Note 41 c)	(32)	(64)
As at 31 December	**773**	**706**

Other revaluation surplus refers to the actuarial deficit for severance pays (Note 40 c).

46. REVENUE RESERVES

a) Breakdown

	2014	2013
Reserves for treasury shares	671	671
Reserves under Statutes	269	0
TOTAL	**940**	**671**

Pursuant to its Statutes, the Bank allocated 20% of profit for the year, which amounts to EUR 269 thousand, to reserves under Statutes. Statutory and other revenue reserves can only be formed from net profit for the year and profit from previous periods.

Share premium and statutory reserves can only be used up under the following terms:

1. If the total amount of share premium and statutory reserves is less than 10% of share capital, they can only be used to:
   - Offset loss for the year if it cannot be offset against net profit from previous periods or other revenue reserves;
   - Offset loss from previous periods if it cannot be offset against net profit for the year or other revenue reserves;
2. If the total amount of share premium and statutory reserves is at least 10% of share capital, their surplus amount can be used to:
   - Increase share capital;
   - Offset loss for the year if it cannot be offset against net profit from previous periods and if at the same time revenue reserves are not used for dividend payments to shareholders;
   - Offset loss from previous periods if it cannot be offset against net profit for the year and if at the same time revenue reserves are not used for dividend payments to shareholders.

Other revenue reserves cannot be used for dividend payments to shareholders or other entities.

b) Reserves for treasury shares

	2014	2013
As at 1 January	671	671
As at 31 December	**671**	**671**

c) Statutory reserves

	2014	2013
As at 1 January	0	2,706
Settlement of loss for the year	0	(2,706)
Transfer from net profit	269	0
As at 31 December	**269**	**0**

47. TREASURY SHARES

	2014	2013
Repurchase of treasury shares - ordinary	(671)	(671)
TOTAL	**(671)**	**(671)**

Treasury shares were bought back due to employee share remuneration, protection from hostile takeovers, and reasons from indents 1 and 2 of Article 247 (1) of the Companies Act. There were no buybacks in 2014.

48. RETAINED EARNINGS (INCLUDING PROFIT/LOSS FOR THE YEAR)

	2014	2013
Retained earnings	1,074	0
TOTAL	**1,074**	**0**

Net profit for the year amounts to EUR 1,343 thousand. The Bank's distributable profit as at 31 December 2014 amounts to EUR 1,074 thousand. The distribution of distributable profit will be subject to a decision adopted by the AGM at the proposal of the Management Board and Supervisory Board.

49. OFF-BALANCE SHEET LIABILITIES

a) Breakdown by type of contingent liabilities and commitments

	2014	2013
Guarantees	46,576	28,738
Commitments to extend credit	39,827	34,936
Derivatives	41	2,004
TOTAL	**86,444**	**65,678**
Provisions (Note 40 a and d)	(336)	(616)

50. FIDUCIARY ACTIVITIES

a) Investment and ancillary investment services for customers

	2014	2013
Fee (commission) income associated with investment and ancillary investment services and transactions for clients	**146**	**104**
Reception, transmission and execution of orders	131	90
Managing dematerialised securities accounts for clients	15	14
Fee (commission) expense associated with investment and ancillary investment services and transactions for clients	**39**	**67**
Fees associated with KDD and similar organisations	36	66
Fees associated with the stock exchange and similar organisations	3	1

	2014	2013
ASSETS	**131,619**	**121,488**
Claims on settlement account and current accounts for clients' assets	130,696	121,358
- From financial instruments	130,616	121,325
- From the KDD or the Bank's settlement account for sold financial instruments	58	3
- From other settlement systems and institutions for sold financial instruments	22	30
Clients' cash	923	130
- On the settlement account for clients' assets	878	64
- On banks' current accounts	45	66
LIABILITIES	**131,619**	**121,488**
Liabilities of settlement account and of current accounts for clients' assets	131,619	121,488
- With clients from cash and financial instruments	131,603	121,432
- With KDD or the Bank's settlement account for purchased financial instruments	0	8
- With other settlement systems and institutions for purchased financial instruments	0	33
- With the Bank and the Bank's settlement account for fees, expenses, etc.	16	15

b) Other agency services

The Bank manages assets in the total amount of EUR 133,491 thousand (2013: EUR 123,937 thousand) in the name and for the accounts of third parties. Assets under management are accounted for separately from the Bank's assets. Income and expenses from operations in the name of third parties and for the accounts of third parties are credited or charged to the originator, therefore no liabilities arise for the Bank from these operations. For performing its services, the Bank charges fees to the originator. In 2014 these fees amounted to EUR 88 thousand (2013: EUR 67 thousand). For acting as agent in the sale of numismatic coins, the Bank charged fees in the amount of EUR 28 thousand in 2014 (2013: EUR 45 thousand).

51. RELATED PARTY TRANSACTIONS

Ordinary activities include numerous banking transactions with related parties. These transactions are carried out on commercial terms and conditions, and at market rates.

a) Volume of banking transactions among related parties

	Management Board		Senior management working under management contracts		Close family members of the MB, SB and senior management working under management contracts		Companies related to members of the MB, SB and senior management working under management contracts, and to their close family members		Bank's shareholders* (10 largest shareholders - without DBS)		Supervisory Board members	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Loans and deposits placed												
As at 1 January	6	20	498	527	13	32	8,003	4,274	1,082	6,729	96	27
Increase	2	4	169	194	11	0	30	27,532	105,060	66	15	325
Decrease	(1)	(18)	(282)	(223)	(9)	(19)	(8,026)	(23,803)	(105,267)	(5,713)	(56)	(256)
As at 31 December	7	6	385	498	15	13	7	8,003	875	1,082	55	96
Interest income	0	0	12	16	0	0	367	417	57	63	2	3
Revaluation allowance	0	0	0	1	0	0	105	131	1	19	0	0
Deposits and borrowings												
As at 1 January	25	25	248	464	41	93	1,108	380	13,981	8,417	82	104
Increase	371	410	1,379	1,237	417	83	61,310	21,875	215,781	102,576	527	786
Decrease	(355)	(410)	(1,459)	(1,453)	(417)	(135)	(62,148)	(21,147)	(219,330)	(97,012)	(498)	(808)
As at 31 December	41	25	168	248	41	41	270	1,108	10,432	13,981	111	82
Interest expense	0	0	5	9	2	1	6	75	553	435	2	4
Guarantees issued	0	0	0	0	0	0	0	50	1,549	1,559	0	0
Fee and commission received	0	0	2	2	0	0	139	46	81	21	1	1
Full operational lease received												
As at 1 January	0	0	0	0	0	0	4	1	0	2	0	0
Increase	0	0	0	0	0	0	52	49	26	24	0	0
Decrease	0	0	0	0	0	0	(52)	(46)	(26)	(26)	0	0
As at 31 December	0	0	0	0	0	0	4	4	0	0	0	0
Lease expense	0	0	0	0	0	0	52	0	5	0	0	0

* The reported shareholders represent 90.36% of shareholders' equity.

b) Subsidiaries DBS Leasing, DBS Nepremičnine, Semenarna and DBS Adria

	Subsidiaries - DBS Leasing, DBS Nepremičnine, Semenarna, DBS Adria		Subsidiaries - related parties - Management Board / CEO / Holder of Procuration		Subsidiaries - related parties - Close family members of the Management or Supervisory Board / CEO / Holder of Procuration / senior management on individual contracts		Subsidiaries - related parties - Companies related to members of the Management or Supervisory Board / CEO / Holder of Procuration / senior management on individual contracts, or their close family members		Subsidiaries - related parties - Supervisory Board members	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Loans and deposits placed										
As at 1 January	16,101	14,568	36	36	0	0	1,606	0	0	0
Increase	1,797	30,215	219	22	0	0	0	3,259	0	0
Decrease	(17,090)	(28,682)	(120)	(22)	0	0	(1,606)	(1,653)	0	0
As at 31 December	808	16,101	135	36	0	0	0	1,606	0	0
Interest income	384	370	4	2	0	0	0	50	0	0
Revaluation allowance	90	3,146	0	0	0	0	0	205	0	0
Deposits and borrowings										
As at 1 January	0	739	0	0	3	0	31	0	32	0
Increase	36,013	24,627	214	68	0	3	0	7,164	134	132
Decrease	(35,405)	(25,366)	(214)	(68)	(3)	0	(31)	(7,133)	(158)	(100)
As at 31 December	608	0	0	0	0	3	0	31	8	32
Interest expense	0	0	0	0	0	0	0	6	2	1
Guarantees issued	5	0	0	0	0	0	0	5	0	0
Fee and commission received	15	2	0	0	0	0	0	0	0	0
Full operational lease granted										
As at 1 January	0	0	0	0	0	0	0	0	0	0
Increase	24	20	0	0	0	0	0	0	0	0
Decrease	(24)	(20)	0	0	0	0	0	0	0	0
As at 31 December	0	0	0	0	0	0	0	0	0	0
Lease income	24	0	0	0	0	0	0	0	0	0
Full operational lease received										
As at 1 January	0	0	0	0	0	0	0	0	0	0
Increase	123	107	0	0	0	0	0	0	0	0
Decrease	(117)	(107)	0	0	0	0	0	0	0	0
As at 31 December	6	0	0	0	0	0	0	0	0	0
Lease expense	110	0	0	0	0	0	0	0	0	0

c) Remuneration of senior management

	2014	2013
Wages and other short-term benefits	1,444	1,394
Performance bonuses	0	1
TOTAL	**1,444**	**1,395**

The remuneration of the Management Board and others on management contracts includes gross wages, pay for annual leave, fringe benefits, cost reimbursement and supplementary pension insurance.

The Management Board and others on management contracts held 20 shares (0.001% of share capital) as at 31 December 2014. As at 31 December 2013 they held 20 shares (0,001% of share capital).

d) Remuneration of Supervisory Board members and members of Supervisory Board committees

	2014	2013
Wages and other short-term benefits	104	94
TOTAL	**104**	**94**

The amount includes the earnings of Supervisory Board members, members of the Supervisory Board Remuneration Committee and members of the Supervisory Board Audit Committee.

e) Remuneration of members of managerial and supervisory bodies in 2014

Position / Earnings	Fixed earnings	Variable earnings	Cost reimbur-sement	Supplem. pension insurance	Fringe benefits
Management Board of the Bank	**256**	**0**	**2**	**5**	**10**
- Sonja Anadolli, President of the MB	138	0	1	3	7
- Mojca Štajner, Member of the MB	118	0	1	2	3
Supervisory Board of the Bank	**46**	**51**	**3**	**0**	**0**
- Peter Vrisk, President	14	13	0	0	0
- Marjan Janžekovič, Deputy President	8	13	1	0	0
- Primož Žerjav, member	8	9	0	0	0
- Ivan Lenart, member	8	8	1	0	0
- Nikolaj Maver, member	8	8	1	0	0
TOTAL	**302**	**51**	**5**	**5**	**10**

The amount includes the earnings of individual Management and Supervisory Board members, pursuant to the requirement of Article 294 of the Companies Act.

f) Remuneration of staff engaged in control functions in 2014

Position / Earnings	No. of recipients	Fixed earnings	Cost reimbur-sement	Supplem. pension insurance	Fringe benefits	**Total**
TOTAL	**18**	**825**	**33**	**12**	**20**	**838**

52. REMUNERATION SYSTEM AND SIGNIFICANT BUSINESS CONTACTS

Remuneration system

The system of remuneration in the Bank is based on the Remuneration Policy for Staff with a Special Nature of Work ("Remuneration Policy"), which lays down the system of remuneration and performance bonuses for the categories of staff having a material impact on the Bank's risk profile by virtue of performing their work tasks and assignments: either by being risk takers, cooperating in risk management, or by having control and supervision functions.

The necessary preconditions for variable pay are the Bank's reporting a profit for the assessment period and its reaching and exceeding all basic objectives. No funds have been allocated in 2014 for variable pay to employees whose work is of a specific nature.

Significant business contacts

A significant indirect business contact exists if a member of the Management Board or Supervisory Board or their close family member is a business partner, holder of a qualifying stake, managing director or member of the senior management in a company or organisation that is in a business relationship with the Bank. In this respect the Bank promotes the culture of avoiding significant direct and indirect business contacts that would fit the criteria from Article 23 c of the Regulation on Disclosures by Banks and Savings Banks.

53. EVENTS AFTER THE REPORTING PERIOD

Following the capital increase at the end of 2014, the Deželna banka Slovenije d. d. share capital increase was recorded in the companies' register as at 16 January 2015. An additional 485,248 Deželne banke Slovenije d. d. shares with the ticker symbol SZBR (ISIN code SI0021110083, CFI code ESVTFR) from the capital increase with a new contribution were recorded in the KDD central securities register as at 10 February 2015. The KDD central securities register now holds on record 4,257,483 SZBR shares (Note 43 a).

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BRANCH NETWORK

The Bank's branch network is spread all over Slovenia. In 2014 it operated under eight branch units with 85 branches.

In 2015 the Bank has reorganised into six branch units with a total of 85 branches.

Bank's Branch Units

Branch Unit Central Slovenia

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Bank's Branches

Branch Unit Central Slovenia

Branch I Ljubljana	Kolodvorska 9	Ljubljana
Branch II Grosuplje	Cesta na Krko 1b	Grosuplje
Branch II Dobrunje	Cesta II. grupe odredov 43	Ljubljana
Branch II Ljubljana center	Miklošičeva 4	Ljubljana
Branch II Domžale	Ljubljanska 83	Domžale
Branch II Kamnik	Trg talcev 1	Kamnik
Branch II Medvode	Cesta ob Sori 11	Medvode
Branch II Barje	Ižanska 303	Ljubljana
Branch I Litija	Valvazorjev trg 3	Litija
Branch II Ivančna Gorica	Ljubljanska 4	Ivančna Gorica
Branch II Izlake	Izlake 40	Izlake
Branch II Zagorje ob Savi	Cesta zmage 33	Zagorje ob Savi
Branch I Vrhnika	Cankarjev trg 5	Vrhnika
Branch II Logatec	Cankarjeva 15	Logatec
Branch II Dobrova	Vladimirja Dolničarja 2	Dobrova
Branch II Stari trg	Cesta Notranjskega odreda 6	Stari trg
Branch II Cerknica	Čabranska 1	Cerknica
Branch I Kranj	Šuceva 27	Kranj
Branch II Naklo	Cesta na Okroglo 1a	Naklo
Branch II Lesce	Rožna dolina 50	Lesce
Branch II Srednja vas v Bohinju	Srednja vas 73	Srednja vas v Bohinju
Branch II Cerklje	Slovenska 2	Cerklje
Branch II Šenčur	Gasilska 5	Šenčur
Branch I Škofja Loka	Fužinska 3	Škofja Loka
Branch II Gorenja vas	Poljanska 55	Gorenja vas
Branch II Trata	Kidričeva 63a	Škofja Loka
Branch II Češnjica	Češnjica 54	Železniki

Branch Unit Celje

Branch I Celje	Kocbekova 5	Celje
Branch II Laško	Valvasorjev trg 1	Laško
Branch II Slovenske Konjice	Oplotniška 1	Slovenske Konjice
Branch II Vojnik	Celjska 24b	Vojnik
Branch II Žalec	Ul. heroja Staneta 8	Žalec
Branch II Vransko	Vransko 133	Vransko
Branch II Braslovče	Braslovče 23	Braslovče
Branch I Šentjur	Ul. Dušana Kvedra 11	Šentjur
Branch II Šmarje pri Jelšah	Obrtniška 2	Šmarje pri Jelšah
Branch II Imeno	Imeno 84	Podčetrtek
Branch I Šoštanj	Metleče 7	Šoštanj
Branch II Velenje	Šaleška 18	Velenje
Branch II Mozirje	Cesta na lepo njivo 4	Mozirje
Branch II Ljubno ob Savinji	Plac 3	Ljubno ob Savinji
Branch II Gornji Grad	Attemsov trg 3	Gornji Grad

Branch Unit Podravje

Branch I Maribor	Ulica Eve Lovše 15	Maribor
Branch II Rače	Cesta talcev 1	Rače
Branch II Slovenska Bistrica	Mariborska 1	Slovenska Bistrica
Branch I Lenart	Industrijska 24	Lenart
Branch I Ptuj	Miklošičeva 12	Ptuj
Branch II Markovci	Markovci 33	Markovci
Branch II Ormož center	Kerenčičev trg 4	Ormož
Branch I Slovenj Gradec	Ronkova 37	Slovenj Gradec
Branch II Dravograd	Meža 27	Dravograd
Branch II Radlje	Koroška 61a	Radlje ob Dravi
Branch II Prevalje	Trg 67	Prevalje

Branch Unit Pomurje

Branch I Murska Sobota	Staneta Rozmana 11a	Murska Sobota
Branch II Lendava	Mlinska 5	Lendava
Branch II Cankova	Cankova 35	Cankova
Branch I Ljutomer	Kolodvorska 18a	Ljutomer
Branch II Križevci	Križevci pri Ljutomeru 11	Križevci
Branch I Gornja Radgona	Partizanska 23	Gornja Radgona
Branch II Apače	Apače 4b	Apače
Branch II Sv. Jurij ob Ščavnici	Dr. Antona Korošca 19	Sv. Jurij ob Ščavnici

Branch Unit Primorska

Branch I Koper	Zore Perello Godina 2	Koper
Branch I Sežana	Partizanska 63	Sežana
Branch II Dutovlje	Dutovlje 60a	Dutovlje
Branch II Komen	Komen 118c	Komen
Branch II Kozina	Mestni trg 8	Kozina
Branch II Ilirska Bistrica	Bazoviška 4	Ilirska Bistrica
Branch I Nova Gorica	Tolminskih puntarjev 2	Nova Gorica
Branch I Tolmin	Rutarjeva 35	Tolmin
Branch II Kobarid	Gregorčičeva 32	Kobarid
Branch I Idrija	Lapajnetova 35	Idrija
Branch II Cerkno	Pot na Zavrte 26	Cerkno
Branch I Postojna	Novi trg 6	Postojna
Branch II Pivka	Postojnska 18a	Pivka

Branch Unit Dolenjska

Branch I Novo Mesto	Ljubljanska 27	Novo mesto
Branch I Novo Mesto	Šentjernejska 6	Novo mesto
Branch II Šentjernej	Trubarjeva 2a	Šentjernej
Branch II Črnomelj	Zadružna 33a	Črnomelj
Branch II Metlika	Cesta XV. brigade 2	Metlika
Branch I Brežice	Pod obzidjem 39	Brežice
Branch II Krško	Ul. mladinskih delovnih brigad 2a	Leskovec pri Krškem
Branch II Sevnica	Savska 20c	Sevnica
Branch I Kočevje	Roška 8	Kočevje
Branch II Ribnica	Škrabčev trg 19	Ribnica
Branch II Velike Lašče	Na postajo 8	Velike Lašče