ANNUAL REPORT 2010
BANKA SPARKASSE D.D.
AND SPARKASSE GROUP

2010

SPARKASSE
Drugačna banka

ANNUAL REPORT OF BANKA SPARKASSE d.d. AND SPARKASSE GROUP

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Important information: This annual report is a translation. Only the Slovenian version of the annual report is definitive.

1. INTRODUCTION

1.1. LETTER FROM THE MANAGEMENT BOARD

Letter from the Management Board

Dear colleagues, customers, business partners, and owners of Banka Sparkasse,

Business for Banka Sparkasse in 2010 was marked by a difficult economic situation, which took its toll on the Bank's immediate and broader environment. Corporate investments shrank in 2010 compared to previous years, which resulted in slow lending activity of banks. Increased borrowing was recorded among retail customers, while businesses and financial institutions primarily focused on paying back their loans. Because of this and the increasingly harsh business conditions in the area of banking and in the banking market, we had no choice but to cut operating costs and implement a more efficient and streamlined form of organization and delegation of tasks. Only this way can we continue to stand our ground in the Slovenian market and offer quality banking services and competitiveness to our customers also in the future.

In order to reduce operating costs, the Bank carried out numerous activities connected with streamlining its operations, thereby adapting to the increasingly difficult business conditions in the banking market. We have cut back on fixed costs (maintenance contracts, office rental rates), terminated some sport sponsorships, reduced spending on advertising, limited the investment outlay, and so on. We also decided to sell the majority stake in brokerjet Sparkasse d.d., since the Bank's management estimated that the company is unlikely to record positive business results in the medium term due to low transaction volumes in the capital markets and a decline in investor confidence. The Bank, however, continued to collaborate with the company brokerjet Sparkasse d.d. in the area of sales, through passing on of customers and transactions. Despite these measures, Banka Sparkasse closed the year 2010 with an after-tax loss of EUR 4,339,000. In addition to the complete write-off of the capital investment in brokerjet Sparkasse d.d., the main reason for realizing a loss is the assessed impairments of the loan portfolio as a result of the deterioration of the loan portfolio. Banka Sparkasse, a member of the Erste Bank Group, follows conservative principles of recognizing potential losses from lending operations, which means that impairments are assessed on an as-required basis as soon as a customer begins showing signs of increased credit risk. In 2010, Banka Sparkasse disclosed nearly EUR 4 million worth of loan portfolio impairments more than was originally planned for the year 2010. As a result, the Bank realized a loss.

At the end of the year, the volume of loans to customers amounted to EUR 1,048 million and the volume of customer deposits to EUR 315 million. Despite the growing number of customers and the increasing volume of loans and share of long-term deposits in the retail banking sector, the Bank missed its set plans for 2010. This can be attributed chiefly to the economic and financial crises, which affected Banka Sparkasse as well. The effects of the crises on the Bank's recorded business results manifested in increased costs of financing, and the Bank also registered a deterioration of the loan portfolio, which led to higher impairments than was initially planned.

In retail banking we recorded growth both in terms of customer numbers, financing and deposit volumes and provision of valuable advice to our customers, which is our Bank's signature feature. The financial crisis affected the amounts received by banks from customers throughout the banking system, so we managed to increase the volume of funds for retail operations by 14.5%, significantly increasing the share of long-term deposits, that is, with a term of more than 12 months, in our composition of resources (from 40.7% to 51.2% of total deposits). At the same time, the volume of loans to retail customers consistently increased throughout the year. Compared to the end of the previous year, the recorded change was 12.03%, representing a total volume of retail loans in the amount of EUR 482.1 million.

In corporate banking, we continued to follow the conservative policy of financing terms from the previous year with respect to necessary credit protection. This way we reduced operational risks and intentionally stopped the growth of the entire loan portfolio while improving it in terms of credit protection and return. In this respect the sector's operations can be deemed a success because the average interest margin has increased. However, we failed to keep up with the set pace of growth of the balance sheet total. The volume of loans to corporate customers (non-bank customers), which accounted for 54% of the Bank's loan portfolio at the end of 2010, has decreased by EUR 67.5 million. The total number of customers shrank by 3% to 6,499, which is, among others, also the result of accelerated closing of inactive transactional accounts.

The year 2010 started with a new organizational structure at Banka Sparkasse. With the appointment of a new Management Board member, Wolfgang Malle, M.Sc., the Management Board's scope of responsibilities got split into three distinct areas: Corporate Banking and Strategic Development, headed by Chairman of the Management Board, Josef Laussegger, Retail Banking and Organization, headed by Management Board member Wolfgang Malle, M.Sc., and General Finance, headed by Management Board member Marko Bošnjak, M.Sc.

Despite the difficult economic situation, we are fully aware that our employees are the vehicle for success, which is why we have focused a lot of attention on training, spending an average of nearly five days' training per employee. Also, we have redefined the process of knowledge exchange among our employees and the process of monitoring and assessing the transferring of newly acquired knowledge into practice, thus improving the knowledge exchange and flow of essential information within individual organizational units.

Looking ahead, we at the Bank continue to believe strongly in offering innovative products and in matching our range of services to the customers' needs. In 2010, too, we offered our customers new products, topping off the Bank's comprehensive financial offerings. In February, we launched the Partner varčevanje 24/7 savings plan for corporate customers, allowing a company to deposit its savings for a preferred period of time, to withdraw them at any time and to grow the amount on a per-day basis thanks to a favourable interest rate. Also, we offered our existing corporate customers the chance to place money in fixed-term deposits and to open Bonus Accounts (Bonus račun) directly through their Net.Stik electronic bank. September saw the launching of the biggest innovation of 2010: the Comfortable Positive Account (Udobni pozitivni račun). It is an innovative personal bank account, where customers pay no monthly account service charges so long as their average account balance from the first to the last day of the month exceeds EUR 1,000. And the best part is that new customers of Banka Sparkasse can quickly and easily submit an application to open an account directly from the Bank's website, where an option to open a Bonus Account was also made available in October. With this we proved once again that our customers can count on us to deliver advanced and innovative financial solutions that match their needs. We also expanded our offerings in the area of investment funds. As of December, in addition to the existing investment funds run by the investment management company Erste Sparinvest, our customers can also choose from 10 sub-funds of the Triglav vzajemni skladi umbrella fund, run by the Slovenian investment management company Triglav DZU, with which we top off our range of investment options.

We know full well that in a time of many changes and unfortunately also negative implications of the financial crisis being tuned in to the needs of the environment is all the more important. The environment expects us to be supportive of its aspirations and concerns, which is why in 2010 we again showed that we do care about the environment. Our sponsorship scheme in 2010 focused mainly on the ecological and economic spheres, on which we want to build and develop our corporate image. Due to a smaller sponsorship budget, a little less funding was allocated for sports sponsorships.

The streamlining of operations, however, in no way interferes with our business strategy adopted for the period until 2015. The future, as early as 2011, will bring customer segmentation, which will form the groundwork for more efficient operations, identification of our customers' needs and matching of our range of services on a personal level. We also look to underpin the Bank's growth by opening a new branch, which is scheduled to take place in 2011 in the capital, Ljubljana. In the forefront of our operations stands the value of environmental responsibility, which is why we are going to add "green" products to our Green Loan (Zeleni kredit) in the years ahead. We are convinced that all the organizational changes that took place in 2010 and the measures taken to streamline and optimize operations and to adapt our strategy to the current circumstances in the economy and the banking market will make a firm footing for successful business of Banka Sparkasse further down the line.

Dear colleagues, to have been able to come this far and to look boldly into the future is all thanks to your unwavering devotion and ambitious deeds. We would like to take this opportunity to thank you for your commitment, trust and hard work you put in every single day. Without you Banka Sparkasse would not exist. We would also like to thank the owners for the support of our Austrian parents. And last but not least, here are our customers, with their needs and aspirations, which will always be at the heart of our operations. Thank you for placing your trust in us.

Marko Bošnjak, M.Sc.
Member

Wolfgang Malle, M.Sc.
Member

Josef Laussegger
Chairman

1.2. CORPORATE GOVERNANCE

The corporate governance bodies at Banka Sparkasse are:

- the General Meeting
- the Supervisory Board
- the Management Board

1. The General Meeting

On 16 April 2010, the General Meeting of Banka Sparkasse discussed and aproved the Annual Report of Banka Sparkasse for the financial year 2009 and the Internal Audit Annual Report for 2009, designated the external auditor for 2010, amended the Articles of Association of Banka Sparkasse d.d. in items 24.2.-24.6., and adopted a decision on the allocation of balance sheet profit from 2009 to other profit reserves.

The General Meeting will convene to discuss the decision on making up for the loss from 2010.

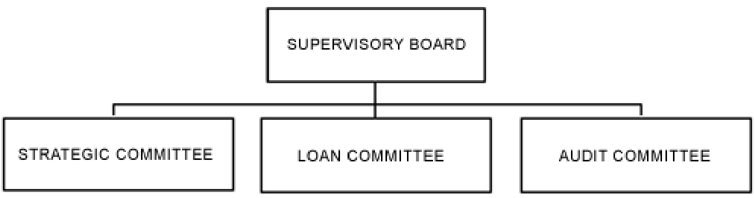
2. The Supervisory Board

The Supervisory Board held four sessions in 2010. The Supervisory Board of the Bank is made up of seven members:

- Alois Hochegger, M.Sc., Chairman of the Supervisory Board
- Gernot Schmerlaib, M.Sc., Vice Chairman of the Supervisory Board
- Franz Kerber, M.Sc., Vice Chairman of the Supervisory Board
- Wolfgang Suppan, M.Sc., member of the Supervisory Board
- Thomas Wieser, M.Sc., member of the Supervisory Board
- Peter Rebol, M.Sc., member of the Supervisory Board
- Thomas Uher, Ph.D., member of the Supervisory Board

In January 2011, two representatives of Steiermärkische Bank und Sparkassen AG, Graz, Franz Kerber, M.Sc., and Peter Rebol, M.Sc., stepped down from the Supervisory Board and were substituted by Sava Dalbokov, MBA, and Georg Bucher, Ph.D., as representatives of Steiermärkische Bank und Sparkassen AG, Graz.

The Supervisory Board nominated the strategic, loan and audit committees.



a) The Strategic Committee is made up of:

- Alois Hochegger, M.Sc.
- Franz Kerber, M.Sc.
- Thomas Uher, Ph.D.

In 2010 the Strategic Committee held one session, in September.

b) The Loan Committee of the Supervisory Board is made up of:

- Gernot Schmerlaib, M.Sc.
- Peter Rebol, M.Sc.
- Wolfgang Suppan, M.Sc.

The Loan Committee of the Supervisory Board on a regular weekly reviews loan cases that fall within the scope of competence of the Supervisory Board according to the distribution of powers and submits applicable opinions to the Supervisory Board.

c) The Audit Committee is made up of:

- Alois Hochegger, M.Sc.
- Franz Kerber, M.Sc.
- Udo Koch, Ph.D.

The Audit Committee met two times in 2010, in April and November. The committee examined reports on the effectiveness of the Bank's internal controls, reports on internal audit operations and on risk management systems, discussed the annual work plan of the Internal Audit for 2011, looked at the performance of activities in accordance with the guidelines of the Bank of Slovenia, and put forward a proposal to the Supervisory Board for the selection of the external auditor for auditing the busines year 2010.

3. The Management Board of Banka Sparkasse was made up of three members in 2010:

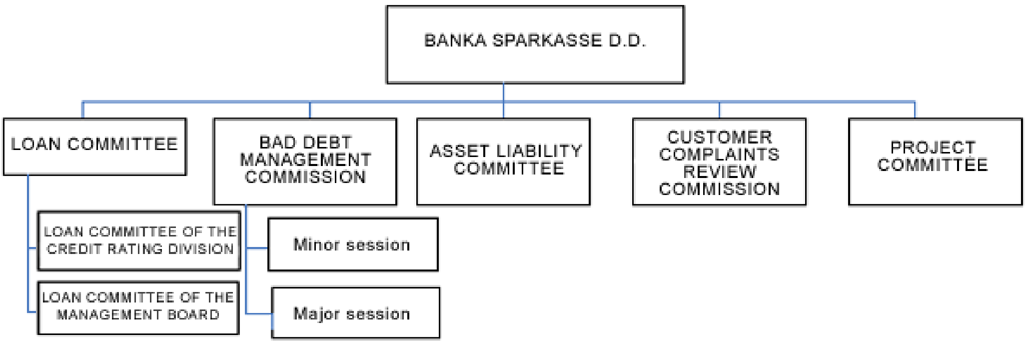
Chairman of the Management Board: Josef Laussegger

Member of the Management Board: Marko Bošnjak, M.Sc

Member of the Management Board: Wolfgang Malle, M.Sc.

(The new member, Wolfgang Malle, M.Sc., joined the Banka Sparkasse Management Board in January 2010.)

Active commissions and committees at Banka Sparkasse d.d.:
Banka Sparkasse has set up commissions and committees described in more detail below.



The Loan Committee acts in an advisory and decision-making capacity and is responsible for ensuring that optimal decisions related to loan approvals and corresponding obligations are made. It provides advice and makes decisions on loan applications in accordance with its authority to approve loans. The Loan Committee is further divided into the Loan Committee of the Credit Rating Division, made up of the head of the Credit Rating Division and credit rating analysts, and the Loan Committee of the Management Board, made up of all the three members of the Management Board and headed by the Management Board member in charge of the Risk Management sector. The Loan Committee has the power to approve or reject a loan application or suspend it until additional requirements are met.

The Bad Debt Management Commission holds two types of sessions: minor sessions for dealing with customers posing lower risk exposure for the Bank and major sessions for dealing with customers that present higher risk exposure for the Bank. Minor sessions are held twice a month, major sessions once. Bad Debt Management Commission sessions deal with outstanding bad debts in accordance with the criteria laid down in the Bank's internal acts. The decisions made by the Bad Debt Management Commission take the following forms: cancellation of loan transactions, loan rescheduling proposals, or continued monitoring of a customer by an adviser or the Credit Control Division.

The Asset-Liability Committee (ALCO) meets on a monthly basis. It analyzes current financial statements with a detailed analysis of assets and liabilities and looks at the market review, (credit, liquidity, interest rate, and currency) risk updates, the Bank's capital adequacy and, if applicable, new products and regulations. The Asset-Liability Committee examines, on a monthly basis, the overall liquidity situation and evaluates the suitability of adopted measures in the light of their impact on the Bank's liquidity, assets and liabilities.

The Customer Complaints Review Commission looks into, at Level II, any complaints filed by individual customers. On the basis of a repeated complaint, the Commission, comprising corporate sector heads and legal advisers, reviews complaints that have been returned to the Bank after they had been processed at Level I and adopts measures to resolve such complaints at Level II. In all, the Commission reviewed 28 cases in 2010.

The Project Committee is responsible for presenting the method of reporting and decision-making concerning IT projects within the Bank. It meets on a quarterly basis, in the presence of the Management Board, head of the Information Technology sector, heads of some other sectors, and leaders of running projects. Reporting is mainly focused on the current strategic projects with the aim of providing up-to-date information about the progress of the projects, of making decisions related to risk management, deciding on changes and actions in the context of a given project and of managing the budgets for individual projects.

1.3. REPORT ON SUPERVISORY BOARD ACTIVITIES

The Supervisory Board carried out its tasks in 2010 in compliance with the Banking Act, the Companies Act, and the Bank's Articles of Association and the Rules of Procedure of the Supervisory Board.

At its four regular sessions, the Supervisory Board discussed more than fifty items on the agenda and received from the Management Board regular reports along with all the relevant documentation. In addition, the Supervisory Board also closely monitored the Bank's operations and oversaw the running of the Bank.

The Supervisory Board carried out the following activities in 2010:

- monitored and reviewed the Bank's operations for each individual quarter of 2010,
- discussed reports on major projects and on strategic decisions and approved reports and proposals submitted by the Bank's management,
- looked at credit cases that fall outside the scope of the management's powers,
- monitored and discussed the policy on risk-taking and risk management,
- discussed quarterly reports and the Internal Audit Annual Report for 2009,
- reviewed the audited Annual Report of Banka Sparkasse d.d. for 2009 together with the opinion of an external auditor and concluded that the annual report comprehensively details the Bank's operations and performance in 2009,

- endorsed the Management Board's report on financial statements for 2009 and submitted it to the General Meeting for approval,
- agreed with the Management Board's proposal to sign on auditing firm Deloitte as the external auditor for the financial year 2010,
- approved the business plan of Banka Sparkasse for 2011,
- approved the rules of procedure and the annual work plan of the Internal Audit for 2011.

The Supervisory Board reviewed the audited Annual Report of Banka Sparkasse d.d. for 2010 and concluded that the annual report comprehensively details the Bank's operations and performance in 2010. The Supervisory Board was briefed on the opinion of the accredited auditing firm Deloitte, which stated that the Bank's financial statements present fairly, in all material respects, the financial position of Banka Sparkasse d.d. .

Based on the external auditor's opinion and the Management Board's report on financial statements for 2010, the Supervisory Board submits to the Bank's General Meeting a positive opinion and recommends that the General Meeting approve the annual report and the report on internal audit activities.

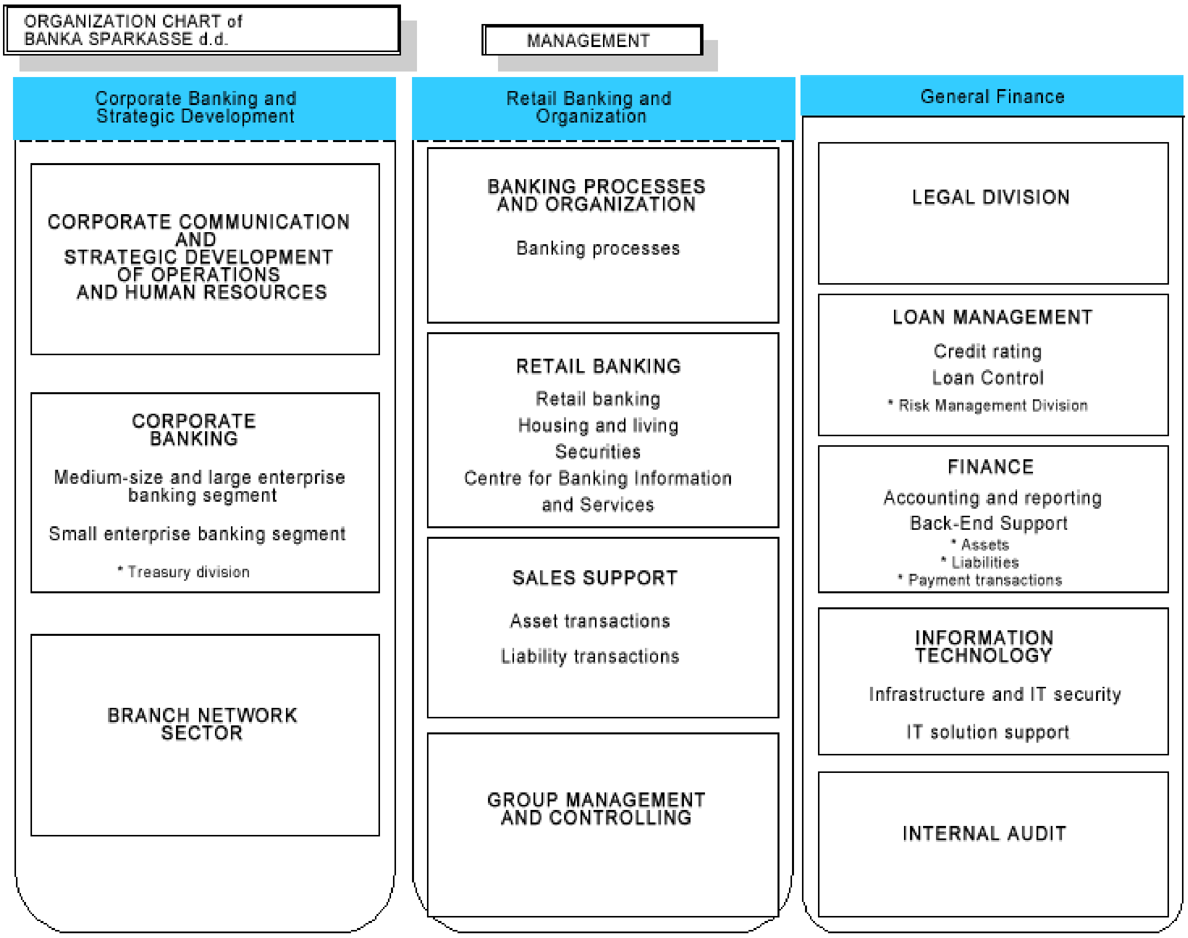
Banka Sparkasse d.d. will make up for the total loss of EUR 4,339 thousand by means of profit reserves in the amount of EUR 3,432 thousand, and the remainder of the loss in the amount of EUR 906 thousand from profits generated in the years ahead.

The Supervisory Board wishes to thank everyone at Banka Sparkasse d.d. for their dedicated work in 2010.

Alois Hochegger, M.Sc.
Chairman of the Supervisory Board

1.4. ORGANIZATION

Organization chart as at 31 December 2010



1.5. ABOUT THE BANK, BRANCH NETWORK

BANKA SPARKASSSE d.d.
Cesta v Kleče 15
1000 Ljubljana
Slovenia

Company File No.:	1744352/00
District Court in Ljubljana	
Company Reg. No.:	2211254
VAT Reg. No.:	SI77752252
Share capital:	EUR 10,000,000.00

Mailing address:
BANKA SPARKASSE d.d.
p. p. 570
1001 Ljubljana
Slovenia

telephone: +386 1 583 66 66
fax: +386 1 583 23 33
info@sparkasse.si
www.sparkasse.si

1.5.1. BRANCH NETWORK

Banka Sparkasse d.d. has eight branches in eight major cities across Slovenia.

Branches:

PE Ljubljana
Cesta v Kleče 15
1000 Ljubljana
telephone: +386 1 583 66 66
fax: +386 1 583 23 33

PE Maribor
Titova cesta 8 (City 2)
2000 Maribor
telephone: +386 2 235 29 30
fax: +386 2 235 29 36

PE Celje
Ljubljanska cesta 5 (Maksimiljan)
3000 Celje
telephone: +386 3 424 45 00
fax: +386 3 424 45 06

PE Kranj
Delavska cesta 26
4208 Šenčur
telephone: +386 4 256 86 04
fax: +386 4 256 86 08

PE Murska Sobota
Slovenska ulica 29
9000 Murska Sobota
telephone: +386 2 512 42 00
fax: +386 2 512 42 24

PE Novo mesto
Otoška cesta 5 (Qlandia)
8000 Novo mesto
telephone: +386 7 394 23 40
fax: +386 7 394 23 57

PE Koper
Kolodvorska cesta 1
6000 Koper
telephone: +386 5 662 51 88
fax: +386 5 662 51 82

PE Nova Gorica
Vipavska cesta 5
5000 Nova Gorica
telephone: +386 5 338 34 34
fax: +386 5 338 34 40

1.6. NETWORK OF CORRESPONDENT BANKS

Banka Sparkasse d.d. has open correspondent accounts with the following banks:

Banka Celje d.d. Celje
Erste Bank der österreichischen Sparkassen AG, Wien
Kärntner Sparkasse AG, Klagenfurt
Commerzbank AG Frankfurt/Main
HSBC plc. London

Banka Sparkasse d.d. has an open domestic bank account with the Bank of Slovenia and is a participant in the RTGSplus real-time gross settlement system.

2. BUSINESS REPORT

2.1. STRATEGY OF BANKA SPARKASSE AND THE GROUP

Banka Sparkasse adopted at the end of 2007 its strategy for the next strategic period 2008–2012. The Bank aims to become the leading bank in terms of quality of service and one of the top five financial institutions in the country. Two of its targets are also to serve at least 80,000 customers and to secure more than a 5% share of the market. The Bank is oriented towards providing quality advice on personal financial services with a high value added at its branch offices and consultation centres across Slovenia. The number of branch offices across Slovenia will continue to rise. Also, the Bank will carry on developing its e-banking facility and providing highly standardized services with a lower value added. The Bank will therefore primarily pursue its integrated multi-channel strategy through developing direct-banking functionalities. The Bank will continue to shape its own banking products, while its financial products will be made available in the market through its partner businesses specializing in individual services (insurance, investment trust savings, stockbroking, alternative forms of financing, real estate brokerage). Highly professional, motivated and competent employees of the Bank will be key to staying on course.

Due to the global economic and financial crises, the Bank embarked on redefining its business strategy in 2009, which was finalized in 2010. In the first stage the Bank redefined its mission, vision and values, as well as its strategic goals for the period from 2011 to 2015. In line with the new goals, the Bank aims to record an 8% return on equity and a cost-to-income ratio below 50% in 2015. Lending operations will increase at a moderate rate, and payables to customers will account for at least 75% of receivables from customers. The Bank will primarily focus on developing those services that generate revenue from fees and commissions, and consequently the Bank seeks to increase the contribution margin per customer by 40%. The Bank will continue to expand its business network in the country's regions with high potential, planning to open one branch office a year on average and offering personal financial services with a high value added. The Bank's second core orientation will be focused on e-banking, delivering highly standardized services with a lower value added. The ecological dimension of the Bank's operation, both on the inside and on the outside, has become one of its strategic directions. The Bank wants to position itself as a leading "green" bank in the sphere of environmental protection. To achieve this, the Bank intends to sponsor, promote and finance environment-friendly projects, which will hopefully account for a significant share of the volume of funding of both the corporate and the retail banking sectors. By doing this, we will spread the idea of environmental responsibility, continuously promote eco-friendly solutions and increase awareness of the environment. The Bank will continue to invest in the knowledge and competences of its employees in order to increase customer satisfaction with the Bank's financial advisers and the satisfaction of its employees. After a major overhaul of its back-end software system, which took place in 2009, 2010 and in the first half of 2011, the Bank will now focus on optimizing all of its business processes in order to increase the productivity and commitment of its employees and to ensure improved performance of all the key business processes. The Bank will continue to closely monitor its portfolio of non-performing loans, working to keep this type of portfolio at a suitably low level while providing appropriate loan impairments. The Bank will not commence any activities with a high risk rating.

The Bank managed to expand its customer base in 2010 despite unfavourable operating conditions. The Bank's balance sheet total in 2010 exceeded EUR 1 billion, and the Bank's aggregate exposure to customers which are not financial institutions exceeded EUR 1 billion as well. The latter stood at EUR 1.099 billion as at 31 December 2010, representing a net increase of 0.5% or EUR 6 million compared to the balance as at 31 December 2009. The volume of credit transactions in the retail sector increased (up 9.19%), while the volume of the same transactions in the corporate sector decreased (down 14.22%). The composition of exposure, however, is still dominated by corporate customers (54%) ahead of retail customers (46%). The Bank's greatest achievement is the remarkable increase in the volume of funds collected, both from corporate (up 56%) and retail (up 15%) customers. At the end of 2010, Banka Sparkasse had payables to customers which are not financial institutions in the total amount of EUR 318.8 million, which is up by 33.8% or EUR 80.5 million compared to 2009. In the corporate sector, the Bank significantly increased the net interest margin (up 0.48%). One of the Bank's central focuses is also to increase the share of revenues from fees and commissions. So thanks to a number of measures, the Bank increased the share of fees and commissions by 13% in 2010. A satisfied customer is our number one priority. We believe that fostering good relations with customers is an ongoing process, so in 2010 we conducted an extensive survey into satisfaction and loyalty among our corporate customers, which made it possible for us to fine-tune our products and services to their needs.

In 2010, the Bank offered its customers not only expert advice, but also innovative new products, with which it topped off its comprehensive financial offerings. In February, we launched the Partner varčevanje 24/7 savings plan for corporate customers, allowing a company to deposit its savings for a preferred period of time, to withdraw them at any time and to grow the amount on a per-day basis thanks to a favourable interest rate. Also, we offered our existing corporate customers the chance to place money in fixed-term deposits and to open Bonus Accounts directly through their Net.Stik electronic bank. During the year we also focused on retail customers – first we launched the Wedding Savings Scheme for Newlyweds, which was followed, in September, by the biggest innovation of 2010: the Comfortable Positive Account (Udobni pozitivni račun). It is an innovative personal bank account with no monthly account service charges. And the best part? New customers of Banka Sparkasse can quickly and easily apply for a Comfortable Positive Account online, on the Bank's website, where an option to open a Bonus Account was also made available in October. We also expanded our range of investment options. As of December, in addition to the existing investment funds of the investment management company Erste Sparinvest, our customers can also choose from 10 sub-funds of the Triglav vzajemni skladi umbrella fund, managed by the Slovenian investment management company Triglav DZU. In 2010, we provided active support in the form of financing mostly to freelancers and small and medium-sized enterprises with A credit ratings. In association with the Slovene Enterprise Fund, we expanded our offerings with loans, giving customers access to funding on very competitive terms, with better credit protection and a subsidized interest rate. We were also actively involved in the SID Bank's Guarantee Scheme, which allowed new financing of capital expenditures and rescheduling of existing loans. In November, the Bank introduced to its customers a new payment instrument, the SEPA direct debit, which allows consumers and businesses to make payments at home and across the border. The Bank joined nearly four thousand European banks offering this service.

We continued with the overhaul of the back-end banking system to deliver increased scalability, stability and reliability, and we will answer the call for an assessment of the banking solutions used within the Group. The overhaul delivered the expected results: last year alone we succeeded in speeding up the most resource-intensive monthly transaction processing operations by more than 80% and in cutting the day-to-day transaction processing time by more than 50%.

2.2. BANK'S OPERATIONS IN VARIOUS MARKET SEGMENTS

Macroeconomic environment and the impact on businesses and consumers

Economic activity in Slovenia strengthened in line with expectations last year, but was, at 1.2%, below the average of the euro zone, which was 1.7%. Slovenia's major trade partners recorded encouraging economic growth, but it started to decline as economic stimulus schemes were running out of steam and austerity measures were being put in place. The trends in the exports sector of the economy are favourable, while the trends in domestic demand, particularly the investing activities segment, are unfavourable. The total domestic expenditure was lower than the previous year, and investment in construction suffered a record plunge. This year's growth could be dampened by a relatively strong euro and the national belt-tightening due to fiscal consolidation. The labour market indicators have deteriorated markedly, and the same goes for investment activities of businesses, both of which resulted in slow lending activity for banks. Increased borrowing was recorded among retail customers, while businesses and financial institutions primarily focused on paying back their loans.

The prices of consumer goods rose by 1.9% in 2010, and the key ECB interest rate remained unchanged at 1% p.a., resulting in a negative real interest rate. Slovenian businesses are in debt above the average as it is, and the interest rate increase projected by the financial markets will only put more strain on them. If conditions in the financial markets take a turn for the worse and the fiscal consolidation in Slovenia is unsuccessful, businesses could find themselves in a particularly difficult situation for a prolongued period of time due to increased costs. To restructure them in order to increase their competitiveness would have serious implications: slower GDP growth, a downturn in investment and also a lower growth in wages, causing domestic demand as well as economic growth to decrease. However, there are some exceptions: some industries managed to weather the current economic situation quite well. Their successful business model serves as an example for us, and we will try to follow it in certain respects.

In 2010 we faced extremely difficult circumstances in the area of employment. Two trends were simultaneously observed – a rising unemployment rate and a decline in the number of people in employment. The latter is most notable among older people, which is in part a reaction to the announced pension scheme reform. And as the gap between the numbers of people in employment and pensioners widens, the competitive strength of the country lessens in the long run.

Compared to the beginning of the year, the net number of people in employment dropped by around 17 thousand, most notably in the construction industry (around 9,400), processing industries (around 5,900) and automotive trade industry and motor vehicle servicing and repairs (around 3,400). As can be seen from the foregoing, the drop in the number of people in employment was at its sharpest in December 2010. With 110,021 people unemployed, the registered unemployment rate at year-end reached 11.8% (average intra-year at 10.7%, according to the Institute of Macroeconomic Analysis and Development of the Republic of Slovenia – IMAD), while the average survey-based unemployment rate was 7.2%.

2.2.1. RETAIL BANKING

Throughout 2010 we conducted business in difficult economic conditions, which also manifested itself in the form of rising unemployment. In the face of that, Banka Sparkasse d.d. managed to secure a continued net growth both in the number of customers and the aggregate value of transactions.

The retail banking sector, which combines the retail segment and the housing and living segment, increased its client base by 2,206 customers or 4.7%. The total number of the sector's customers at year-end 2010 stood at 49,095. Also, the volume of loans to retail customers consistently increased throughout the year. Compared to the end of the previous year, the recorded change was 9.19%, representing a total volume of retail loans in the amount of EUR 469.9 million.

We were also successful in acquiring funds from retail customers. The total volume of funds in the retail banking sector amounted to EUR 140.5 million at year-end, representing an increase of 15.3%. In fixed-term deposits from retail customers, which accounts for most of the collected funds, we secured a 5.77% increase. By combining an interest rate policy with advisory activities, we increased the share of long-term deposits (more than 12 months) from 40.7% to 51.2% of all deposits, which marks a shift in terms of maturity of our sources of financing.

The highest growth rate was recorded with our so-called Bonus Account, which is essentially a demand deposit account which entices customers with its flexibility and competitiveness. The volume of funds grew by 62.3%, totalling EUR 12.3 million at year-end. This growth is the direct result of an increase in the number of transactional account (TA) holders, that is, customers that receive their paychecks through our bank, as well as of our active influence on their financial activity, since the Bonus Account is the preferred place for our customers to put in their disposable assets, that is, funds that are taken out of transactional accounts, but are available for disposal on a day-to-day basis.

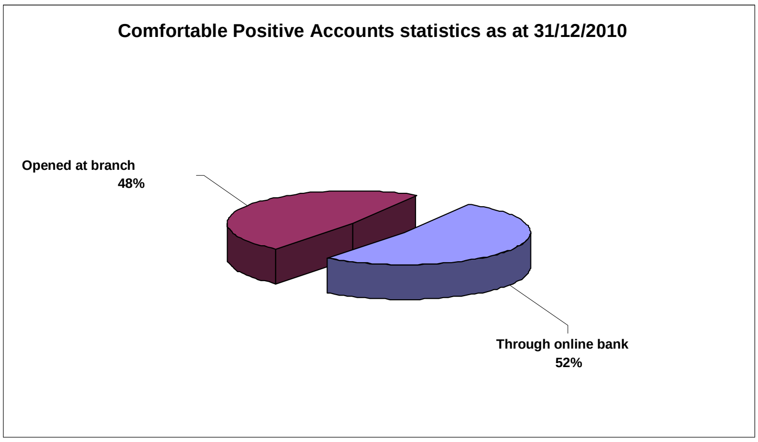
In 2010 we also recorded an increase in revenue from commissions. We are continuing our successful cooperation with our partner insurance company Wiener Städtische. In the area of investment funds, in December we added to our portfolio investment funds managed by investment company Triglav DZU, which at the time included funds managed by Vienna-based Erste-Sparinvest (ESPA).

In 2010, every week more than 50 customers decided to make Banka Sparkasse their new "primary" bank, that is, the bank where they would open their primary transactional accounts. These customers most often decided to take our package offer, specifically what is known as the Comfortable Positive Account. We are recording high usage rates of our electronic bank (Net.Stik), which is an important channel for communication with customers – as many as 65.16% of all transactional account holders also use our electronic bank.

In this way, we have been successful in implementing the Bank's strategy, which is to increase the volume of retail transactions and of revenue generated from commissions at the bank level. The revenues of the retail banking sector in 2010 totalled EUR 11.5 million, EUR 9.6 million of which was interest income and EUR 1.9 million non-interest income, which accounts for a 16.5% share of the total income structure. In the future, we will work to improve the ratio between interest and non-interest income by increasing the latter, which can be achieved by offering a comprehensive range of products and services of Banka Sparkasse and its affiliated and partner companies.

In 2010 we continued with our in-house training activities aimed at increasing our advisers' technical expertise and sales credentials.

A new product was added to our range of package products in September. We offered our customers the Comfortable Positive Account, a novelty in the Slovenian market. It is a transactional account with one important advantage: account holders pay no monthly account service charge so long as their average account balance exceeds EUR 1,000.



In January we launched a joint campaign with our subsidiary brokerjet Sparkasse d.d. for customers who, upon opening a trading account with the subsidiary, also went ahead and opened a transactional account at our Bank. From February to October a special focus was placed on addressing newlyweds – every newlywed couple that opened a dedicated savings account or a transactional account received a special benefit. In April we took part in the fANfARA student marketing conference and in May we took an active part in the NT Conference in Portorož.

At the same time we also carried out activities related to the planned customer segmentation, which will be based on the customers' level of income and the volume of financial assets held by Banka Sparkasse. The segmentation will be finalized at the beginning of 2011, which will undoubtedly influence the way we interact with our customers in the future.

Social and environmental responsibility

Seeking to improve the financial literacy of the Slovenian population, we at Banka Sparkasse offer our customers comprehensive financial advice through the "Finanz Check" tool. In an in-depth interview with customers, we first look at their short-, medium- and long-term ambitions, needs and objectives, analyze their monthly income and expenses, and calculate how their income will be affected in the event of an accident and retirement. Using graphics to aid better understanding, we present to them the financial solutions that will help them meet their goals or thoroughly prepare for a worry-free retirement, as well as provide financial security in the event of unforeseeable circumstances. Based on the information gathered, we then provide a customer with a personal financial plan.

The housing and living segment

In the real property market, the recorded sales and purchases of residential property experienced sharp fluctuations in 2010, but remained at levels that signal the recovery of the real property market in Slovenia. No major drop in real property prices was recorded, contrary to the expectations of homebuyers, and no single trend of price movements has yet emerged.

The volume of housing loans increased in 2010 as well, so that by the end of the calendar year housing loans made up more than 90% of all loans extended to retail customers.

In 2010 we continued promoting eco-friendly construction through our Green Loan (Zeleni kredit) product. We again organized the traditional Passive House Week, which was attended by Slovenia's leading providers of low-energy and passive building design solutions. By delivering an expert presentation of the advantages of financing through a Green Loan, we also took part in the inaugural Slovenian Passive House Days, organized by the Passive House Consortium (Konzorcij Pasivna hiša).

The securities trading segment

In securities trading we reached several important milestones in 2010, allowing us to provide our customers comprehensive investment advice.

A large number of our personal banking advisers obtained licences for marketing investment fund coupons. In addition, in 2010 we also started obtaining investment adviser licences (stockbroking licence B+A).

The securing of appropriate licensing for investment advisers coincides with the obtainment of a Bank of Slovenia licence for investment advisory services of 19 October 2010, pursuant to Article 8, paragraph 1, item 5 of the Financial Instruments Market Act.

Investment funds of the Vienna-based investment management company Erste-Sparinvest (ESPA) registered remarkable results in all investment categories in 2010. In the selection of the leading investment companies in the areas of Austria, Germany and Switzerland, the rating agency Feri Euro Rating Services AG listed Erste Asset Management among the top five bond fund management companies in the relevant area. In January 2010, Erste Sparinvest became the leading investment management company in the Austrian market in terms of the volume of assets under management.

In 2010 we registered a steady growth of inflows into ESPA investment funds. In addition to that, we started various promotional activities aimed at encouraging customers to maximize their assets in the long run. We launched a special offer called "Investment Pair" (Naložbeni dvojček) – if an investment was split fifty-fifty between a deposit and investment funds, a customer received an interest rate on their deposit that was higher than the going rate.

In December 2010, Banka Sparkasse expanded its range of investment options in association with one of the largest investment management companies in the country – Triglav DZU. In addition to the existing investment funds managed by the investment company Erste Sparinvest, our Bank's customers now also have the change to choose from ten sub-funds of the Triglav vzajemni skladi umbrella fund.

2.2.2. CORPORATE BANKING

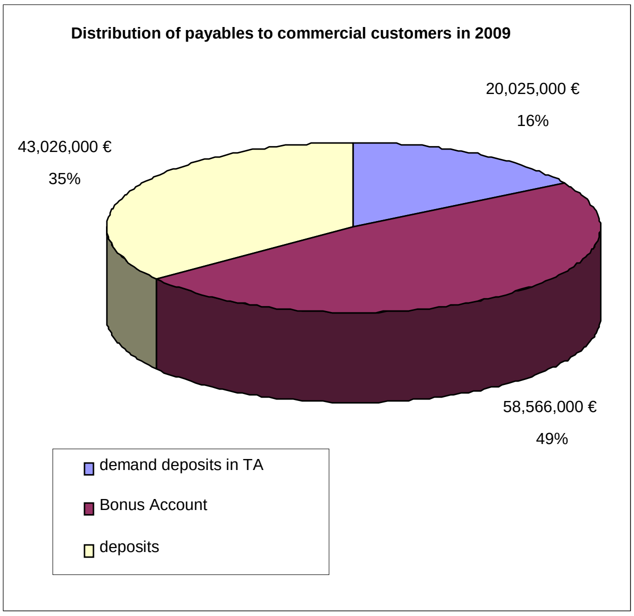
Operations and performance in 2010

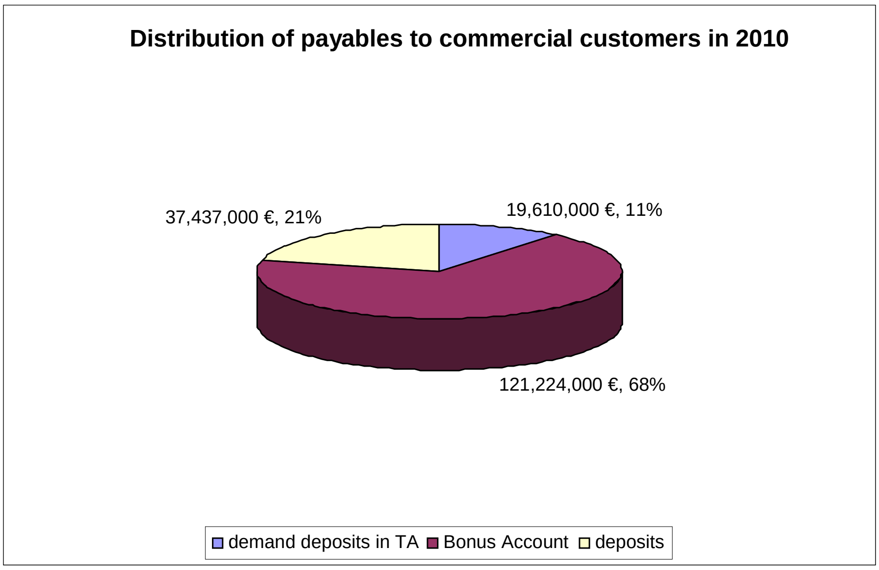
There was huge uncertainty about the future development of the macroeconomic environment throughout 2010, and because of this the Bank did not want to expose itself to too much credit risk. On the other hand, the investment activity of businesses and their need for working capital was fairly low. We continued to follow the conservative policy of financing terms from the previous year with respect to the necessary credit protection; the maximum level of exposure to an individual customer remained low. In this way we reduced operational risks and intentionally stopped the growth of the entire loan portfolio, while undertaking activities to improve the existing loan portfolio in terms of credit protection and yield.

In this respect our operations can be deemed a success because the average interest margin has increased. This was also possible thanks to our fixed interest rate loans, which made up a large part of the short-term financing volume. However, we failed to keep up with the set pace of growth of the balance sheet total. The volume of loans extended to corporate customers, which accounted for 54% of the Bank's loan portfolio at year-end 2010, was reduced by EUR 90 million, mostly on the back of a more cautious lending policy for large corporate groups.

The total number of customers shrank by 3% to 6,499, which is, among others, also the result of the reorganization of the sector and the accelerated closing of inactive transactional accounts. Despite a drop in quantity, we made huge progress in terms of the quality of our customer portfolio. In 2010 we went through with the reorganization of our corporate banking sector in order to increase productivity and to be able to provide comprehensive, quality advice to customers. A portion of the customers in the freelance segment were moved into the retail sector, which is one of the chief reasons for the decrease in customer numbers. In the corporate banking sector, in order to ensure a better overview of customers and to allow more effective cost management, we closed inactive transactional accounts, which made it possible for us to be more effective at managing and more thorough in monitoring customers in this sector.

In a time when the economy faced tight liquidity, we managed to score a great result: accounts payable to corporate customers went up by 52.3% to EUR 178.3 million (making up 56% of accounts payable to the Bank's customers), which means that customers trust us with their savings despite the difficult economic situation. As illustrated in the graphs below, which show the balance of acquired funds as at 31 December, in acquiring funds from customers we focused on the Bonus Account, and attracted many new customers thanks to our individual approach.





The revenues of the retail banking sector in 2010 totalled EUR 14.9 million, EUR 12.5 million of which was interest income and EUR 2.4 million non-interest income, which accounts for a 16.1% share of the total income structure and is still rising. In 2010 we started systematically introducing customer commitments to perform payment transactions and monthly transaction tracking through transactional accounts. September saw the introduction of charges for maintaining credit agreements and unused portions of credit. The pressure on the interest margin in recent months prompted us to keep increasing our non-interest income, which we accomplish by offering a comprehensive range of products and by cross-selling all the financial services of Banka Sparkasse and affiliated and partner companies to corporate customers in Slovenia.

Social and environmental responsibility

Banka Sparkasse focused on strengthening business ties with its customers throughout last year. In April we presented ourselves to our customers by sponsoring the Environmental Conference held at Hotel Mons, where we provided valuable advice on financing projects aimed at building solar power plants. In November we organized an event in Smlednik for our customers. We have also overhauled the organizational structure of the sector to be able to better cater for our customers and learn about the specifics of the environment in which they operate. Corporate sector dealings have been divided into three separate regions: Eastern, with advisers from our branch offices in Celje, Maribor and Murska Sobota; Central, with advisers from our branch offices in Kranj and Novo mesto; and Western, which comprises advisers from our branch offices in Ljubljana, Koper and Nova Gorica.

Small enterprise banking segment

In the past year we provided active support in the form of financing mostly to freelancers and small enterprises with good credit ratings. We expanded our offerings in this segment with loans extended through the Slovene Enterprise Fund, giving customers access to funding on very competitive terms, with better credit protection and a subsidized interest rate.

Medium-size and large enterprise banking segment

In the medium-size and large enterprise banking segment we were also actively involved in the SID Bank's Guarantee Scheme, which allowed new financing of capital expenditures and rescheduling of existing loans. Our best customers were offered particularly favourable terms on their Bonus Accounts, which helped us get an excellent score in increasing the volume of accounts payable to customers. By introducing interest rate caps, we expanded our offerings for large businesses with treasury transactions, enabling customers to limit their interest rate risk.

Strategy and goals

Following the challenging year 2010, the year 2011 brings new challenges for us. Restored moderate growth of the balance sheet total, which will be directed mostly to small and medium-sized enterprises, continued above-average growth of accounts payable to corporate customers, particularly on the back of deposits with longer maturity periods, improved profitability with a higher average margin for the whole portfolio. Given the economic situation, our policy of approving new transactions will remain conservative, with the aim of improving the loan portfolio while securing good credit protection and attracting new customers with high credit ratings. A great deal of activities will be focused on improving the ratio between net interest and net commissions by increasing the volume of transactions made through our Bank and by positioning our Bank as a versatile provider of customized products and services for achieving financial security.

With new challenges come new opportunities, which we at Banka Sparkasse, through the prism of corporate banking, see primarily as opportunities to foster profitable long-term relations and partnerships with our loyal customers. Staying an advisory bank is most definitely a key goal that will drive the Bank's future activities. This will be achieved through organizational changes in the form of specialization of advisers based on their needs and expertise, so that they will be able to better cater for the customers, their individual aspirations and needs.

In line with the Bank's strategy, we will seek to further unlock the potential of the expansive networks of the Sparkasse Group and ERSTE Group in order to meet the needs of customers in connection with large-scale projects and foreign market operations. Given the remarkable customers satisfaction with our e-products and e-services, we will go on making large investments into further development of e-banking as a modern, fast, cheap and easy way of making transactions and interacting with our Bank.

One of the Bank's principal goals is to position itself in the Slovenian market as a leading bank in sustainable development terms. To achieve this, the Bank is going to sponsor, promote and finance environment-friendly projects, which will hopefully account for a significant share of the volume of funding in the corporate banking sector. Apart from financing economically viable projects to generate energy from alternative energy sources, we also see this particular goal through the prism of environmental responsibility, driving us to keep supporting environment-friendly solutions and to spread the idea of eco-awareness.

2.2.3. SPARKASSE GROUP OPERATIONS

Through its subsidiaries, Banka Sparkasse d.d. also offers its customers a wide range of other services, which complement the Bank's financial offerings.

S-FACTORING D.D.

In a time of low liquidity and increased risk in the market, S-Factoring d.d. bought EUR 48.4 million worth of debts from Slovenian businesses in 2010, which is down by 10% from a year ago. Slow at the beginning of the year, the volume of transactions levelled off by the middle of the year and then markedly increased in the second half of the year. By the end of the year, accounts receivable from customers or the volume of investments from customers increased by 14.8% to EUR 8.35 million. The portfolio of customers saw significant improvement in 2010, as the company increased the number of customers by as much as 43%. The company's exposure grew at a slow pace, and the diversification of investments improved significantly.

Due to a low volume of factoring transactions in the first half of the year, the company met 63% of its planned targets in income terms, as much as 78% of which was non-interest income from commissions. Following a policy of strict risk management and reduction of administrative costs, the company closed the financial year with a net loss of EUR 95,717.83.

For S-Factoring d.d., the year 2010 was a year of laying the groundwork for securing profitable future operations. In addition to achieving stable growth of the volume of business, improving the diversification of the portfolio, managing credit and other risks, and reducing costs, significant progress was also made in terms of cooperation with the parent company, Banka Sparkasse d.d. In 2010, S-Factoring d.d. held a number of instructional presentations for corporate advisers as well as for the Credit Rating Division and the Management Board of Banka Sparkasse. The spreading of the knowledge of factoring, exchange of practices with banking advisers, ongoing communication and a joint presence in the market strengthened the company's cooperation with Banka Sparkasse. In this way, S-Factoring d.d. secured an increase in the volume of deals received from the branch network of Banka Sparkasse d.d., which will continue to grow in the future.

S-Factoring d.d. plans to increase the volume of factoring transactions by 75.8% to EUR 85 million in 2011, with one-third of transactions coming from the marketing network of Banka Sparkasse d.d. and the remaining two-thirds secured through the company's own marketing channels. The company's plan for 2011 is to increase its operating income by 61% and to close the year with a net profit of EUR 166,000.00. In the medium term, the company will increase the volume of factoring transactions and the profitability of its operations and position itself as the most prominent provider of factoring services in the country.

brokerjet Sparkasse d.d.

The company brokerjet Sparkasse, borzno posredniška družba, d.d., founded on 4 July 2007 as a subsidiary of Banka Sparkasse (51%) and an affiliate of the Vienna-based company Ecetra Internet Services AG (49%), started doing business with customers in September 2008. It provides its customers with easy and affordable access to numerous global capital markets, and along with it better and more effective diversification of their assets and better chances of maximizing their disposable assets.

Brokerjet Sparkasse d.d. closed the financial year 2010 with a loss totalling EUR 1,622,301. In the tough conditions brought about by the financial crisis, the company's volume of business was considerably lower than was planned.

In 2011, Ecetra, a subsidiary of Erste Group, will pull out of Banka Sparkasse d.d. and become a 100% owner of brokerjet Sparkasse d.d. The company will make up for its loss by consistently monitoring its costs and by increasing its volume of business, with a larger number of both customers and transactions, while improving its trading and back-end systems on a continuing basis.

Sparkasse Leasing S d.o.o.

The company Sparkasse Leasing S d.o.o. was founded on 4 June 2010 with the primary purpose of financing equipment purchases through financial leasing for existing customers of Banka Sparkasse d.d., which would complement the financing options offered by the Sparkasse Group. The company is a wholly-owned subsidiary of Banka Sparkasse d.d. The marketing of lease products is in the domain of banking advisers.

The company closed the financial year 2010 with exposure totalling EUR 3,328 thousand, with 64 open deals as at 31 December 2010.

2.3. OPERATIONS

2.3.1. FINANCIAL HIGHLIGHTS AND PERFORMANCE INDICATORS

Financial highlights and performance indicators of Banka Sparkasse and the Sparkasse Group

	Banka Sparkasse			Sparkasse Group	
					in EUR thousand
Balance sheet	**31/12/2010**	**31/12/2009**	**31/12/2008**	**31/12/2010**	**31/12/2009**
Balance sheet total	1,098,917	1,093,036	1,182,449	1,097,980	1,091,359
Total deposits from non-bank customers	318,773	238,889	176,219	316,104	237,661
a.) legal and other entities	178,271	117,046	84,875	175,598	115,818
b.) private individuals	140,502	121,843	91,344	140,506	121,843
Total loans to non-bank customers	1,013,161	1,040,222	1,082,731	1,012,107	1,039,867
a.) legal and other entities	543,310	619,679	718,224	542,256	619,324
b.) private individuals	469,851	420,543	364,507	469,851	420,543
Total equity	91,544	95,984	99,262	91,748	95,083
Minority interest	-	-	-	336	408
Impairments of financial assets measured at amortised cost and provisions	35,852	24,168	16,837	36,174	24,380
Scope of off-balance-sheet activities	46,212	52,333	84,503	46,212	52,333

					in EUR thousand
Profit and loss account	**2010**	**2009**	**2008**	**2010**	**2009**
Net interest income	22,389	22,012	23,891	22,532	22,181
Net non-interest income	4,342	3,830	2,686	4,260	3,846
Labour costs, overhead and administrative expenses	-14,980	-15,054	-15,026	-16,454	-16,187
Depreciation and amortisation	-2,833	-2,617	-3,057	-2,874	-2,652
Impairment charges and provisions	-14,520	-7,979	-4,447	-12,547	-8,191
Profit/loss before tax from continuing and discontinued operations	-5,602	193	4,822	-5,083	-1,045
Corporate income tax from continuing and discontinued operations	1,264	-54	-1,323	1,093	190

Number of employees	**31.12.2010**	**31.12.2009**	**31.12.2008**	**31.12.2010**	**31.12.2009**
	244	256	250	261	268

Shares	**31.12.2010**	**31.12.2009**	**31.12.2008**	**31.12.2010**	**31.12.2009**
Number of shareholders	3	3	3	6	6
Number of shares	240,000	240,000	240,000	266,165	266,165
Face value per share in EUR	41.72	41.72	41.72	47.72	47.72
Book value per share in EUR	381.43	399.93	413.38	343.44	355.70

	in %	in %	in %	in %	in %
Indicators	**2010**	**2009**	**2008**	**2010**	**2009**
Equity					
- capital adequacy ratio	11.36	11.06	10.63	11.40	11.13
Quality of assets, guarantees and commitments					
- impairments of financial assets measured at amortised cost and provisions for guarantees and commitments	3.19	2.11	1.34	3.23	2.11
Profitability					
- interest margin	2.05	1.90	2.35	2.06	1.91
- financial brokerage margin	2.44	2.23	2.62	2.45	2.24
- return on assets before tax	-0.51	0.02	0.48	-0.46	-0.09
- return on equity before tax	-5.94	0.20	4.94	-5.46	-1.09
- return on equity after tax	-4.60	0.14	3.59	-3.39	-0.40
Operating costs					
- running costs / average assets	1.63	1.52	1.78	1.77	1.62
Liquidity					
- liquid assets / short-term deposits from non-bank customers	18.43	5.95	10.92	18.43	5.95
- liquid assets / average assets	4.20	0.94	1.50	4.20	0.94

2.3.2. NUMBER OF CUSTOMERS AND ACCOUNTS

The number of Banka Sparkasse customers reached 55,594 at year-end 2010, making up a net increase of 2,006 customers. Of the total number of customers, 49,095 are private individuals and 6,499 legal entities.

The number of Comfortable Accounts stood at 37,806 at the end of 2010. 11.32% of Comfortable Accounts are owned by legal entities, 88.67% by private individuals.

2.3.3. PAYMENT TRANSACTIONS

The year 2010 saw quite a lot of innovations in the payment services area that were brought about by the introduction of the SEPA payment system (SEPA – Single Euro Payments Area). In November the Bank launched a new payment instrument, the SEPA direct debit, which allows consumers and businesses to make payments at home and across the border. The Bank joined nearly four thousand European banks offering this service. In the next two years, the existing local direct debits will undergo migration to the SEPA scheme, bringing changes mostly for payment service users.

Also introduced was a uniform paper-based payment system – the universal payment order, which was developed by the banking sector and will gradually take the place of the existing forms of payment orders: special payment order, payment order, and regulated cross-border payment order. The transition from three to one payment order will allow payers to make payments either within the national borders or across the borders more easily, as well as give payment recipients a better overview of inflows.

Accounts (payment transactions) in 1000

		2010			**2009**		
		outflows	inflows	total	outflows	inflows	total
Domestic	no. of transactions	607	495	1,102	677	594	1,271
	transaction amount	4,279,148	3,845,658	8,124,806	1,276,322	2,841,253	4,117,575
Cross-border	no. of transactions	15	12	27	16	13	29
	transaction amount	439,802	563,494	1,003,296	2,111,536	1,560,672	3,672,208

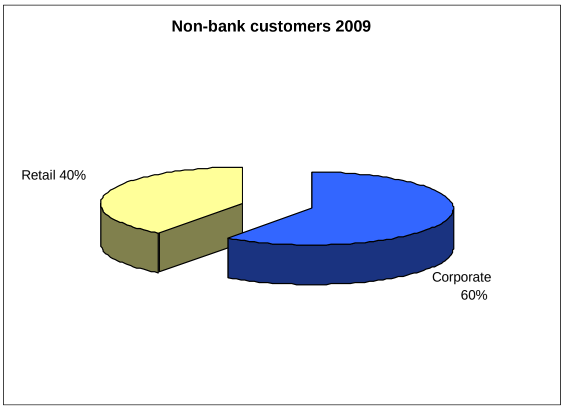
The number of domestic payment transactions was slightly down in 2010 compared to a year ago, but the aggregate value of transactions increased. The aggregate value of cross-border payment transactions decreased.

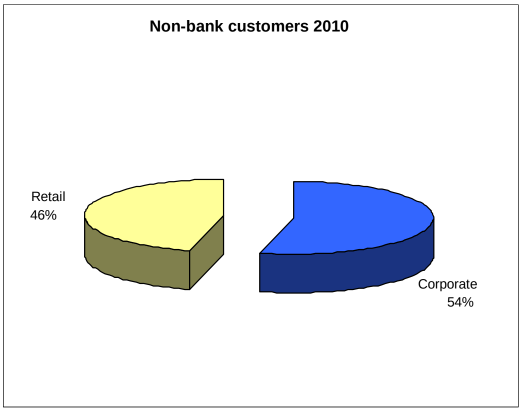
2.3.4. CREDIT TRANSACTIONS

The balance sheet total of Banka Sparkasse exceeded EUR 1 billion in 2010 , and its aggregate exposure to customers which are not financial institutions exceeded EUR 1 billion as well. The latter stood at EUR 1.099 billion as at 31 December 2010, representing a net increase of 0,5% or EUR 6 million compared to the balance as at 31 December 2009.

EUR 236 million worth of new loans to customers were approved in 2010.

The composition of exposure is still dominated by corporate customers (54%) ahead of retail customers (46%), as shown in the figure below.



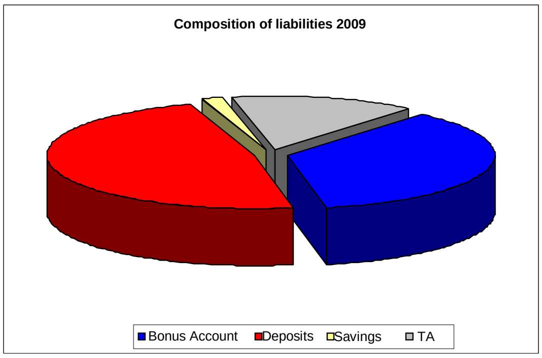


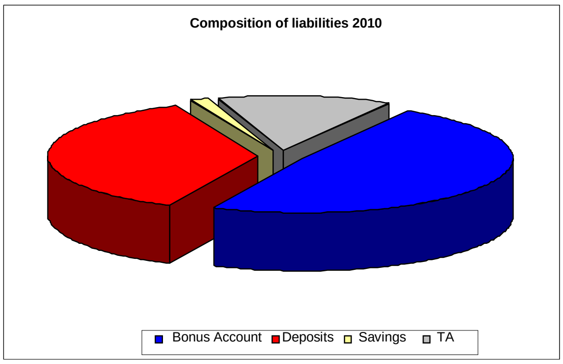
Exposure to retail customers in 2010 increased to a total of EUR 482 million, making up a 12.03% increase compared to a year ago. With the recorded growth we have met our annual targets, which is, considering what a turbulent year 2010 was, a notable success.

2.3.5. DEPOSIT TRANSACTIONS

At the end of 2010, Banka Sparkasse had liabilities to customers which are not financial institutions in the total amount of EUR 318.8 million, which is up by 33 % or EUR 80 million compared to 2009.

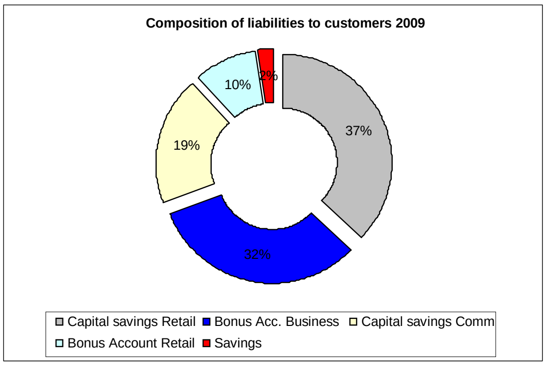
Also noteworthy was the quality shift from on-demand balances to short- and medium-term fixed deposits, as shown in the figures below.

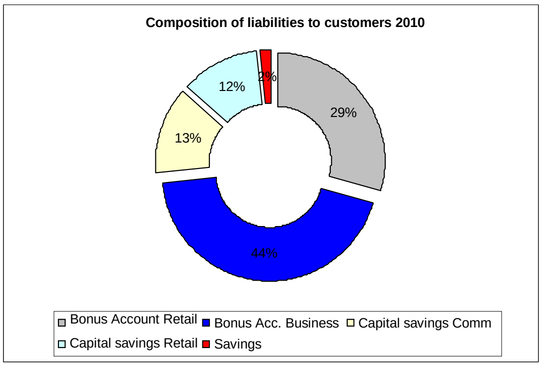




36.73% of liabilities to customers are in deposits (25.51% of which is held by retail customers), 48.53% in Bonus Accounts (38.30% in accounts held by corporate customers). Around 1.39% of liabilities to customers is tied up in special-purpose and premium housing savings schemes, the remainder is account credit balance.
The biggest increase compared to a year ago was recorded with Bonus Accounts, both in the retail and the corporate sector.

The composition of savings is shown in Graph 2.





Deposits from retail customers accounted for around 69.46%. The portion of retail customers' deposits with a term of more than 11 months went up from 44% to 52%.

In 2010, the Bank increased the overall value of funds (excluding transactional account credit balances) acquired from retail customers by 16.84% compared to a year ago.

At year-end 2010, credit balances in transactional accounts held by corporate and retail customers made up 13.35% of the overall volume of acquired funds on the liabilities side.

We were also successful in catering for and attracting the youngest savers – as many as 1,543 young savers had opened the Umko savings account by the end of the year.

2.3.6. CARD TRANSACTIONS

number of issued Maestro cards, number and value of transactions

year	no. of issued Maestro cards	no. of domestic transactions	no. of foreign transactions	no. of online transactions	value of domestic transactions	value of foreign transactions	value of online transactions
2009	38,298	917,785	31,186	0	29,421,798	1,840,393	0
2010	39,783	1,118,018	42,354	0	35,693,831	2,425,597	0
percent	**4**	**22**	**36**	**0**	**21**	**32**	**0**

The BA Maestro debit card is very popular with our customers. Judging from the data we gathered, card holders are increasingly conscious of how they spend their money. Cards are increasingly being used at points of sale, which means that only those companies that accept payment cards will have the potential to grow their business.

number of issued MasterCard cards, number and value of transactions

year	no. of issued MasterCard cards	no. of domestic transactions	no. of foreign transactions	no. of online transactions	value of domestic transactions	value of foreign transactions	value of online transactions
2009	6,930	257,536	28,860	**29,744**	9,475,853	1,901,360	1,788,700
2010	7,913	304,541	33,517	**43,685**	10,790,506	2,199,105	2,545,810
percent	**14**	**18**	**16**	**47**	**14**	**16**	**42**

Much like with debit cards, we have seen increased usage of MasterCard deferred-payment credit cards in relation to the number of credit cards issued. Particularly notable is the use of credit cards for online shopping, which leads to increased exposure to risk both for the card holder and the Bank that issued the payment card. In order to protect online shoppers, the Bank must meet the statutory requirements for implementation of PCI DSS ("Payment Card Industry Data Security Standard") standards. The Bank started substituting cards with SDA ("Static Data Authentication") chip technology for cards with DDA ("Dynamic Data Authentication") chip technology for enhanced safety and security.

number of blocked cards and cards involved in fraud, value of frauds

year	no. of issued Maestro cards	no. of blocked Maestro cards	no. of issued MasterCard cards	no. of blocked MasterCard cards	no. of frauds	value of frauds
2009	38,298	855	6,930	287	100	10,060
2010	39,782	726	7,913	263	128	24,789
% of cards issued	**4**	**-15**	**14**	**-9**	**28**	**146**

The number of blocked cards is on a downward trend, but the overall value of credit card frauds is rising. This is one more reason why the Bank decided to implement additional protection for card holders who engage in online shopping: the 3D Secure technology, which operates on the principle of authentication. This means that a card holder must go through additional security control before a transaction is authorized. The software support for the implementation of this protection is still in the development stage.

2.3.7. MARKETING CHANNELS

In its operations, the Bank utilizes numerous marketing channels or channels of distribution, which can be summed up into four main categories:

• branch offices with mobile advisory teams (branch network)

• Centre for Banking Information and Services

• e-banking, which comprises:

- a website

- Net.Stik

- Tel.Stik

- ATMs and other mobile devices

• contract partners

In line with its strategy, the Bank's priority is on providing personal advice to its customers when handling more complex transactions. For efficiency purposes, simpler products and services are supported mainly by the e-banking facility and the Centre for Banking Information and Services.

Serving as one of the Bank's marketing channels, the Centre for Banking Information and Services is an organizational unit with a dual role – support and sales. It caters exactly to the customers' needs, has fast turnaround times and is focused on the customer, and provides a quality, expert service to customers.

The principal tasks of the Centre for Banking Information and Services are: answering customers' phone calls and making outgoing phone calls, engaging in marketing and sales-oriented telephone campaigns, providing telephone banking services, giving customers all kinds of information regarding the Bank's financial services and products, referring existing and prospective customers to financial advisers, making non-cash transactions, storing data on prospective customers into the information system and performing initial credit rating evaluation of customers, processing and replying to emails from existing and prospective customers, providing technical support for e-banking to customers and the Bank's employees, receiving applications for qualified digital certificates, and handling and resolving complaints at the bank level.

The Centre's working hours and availability are tailored to fit the needs of internal and external customers. Thanks to the professional and friendly staff, even the most discerning customers will find that they are indeed using an effective and modern communication channel.

2.3.8. TREASURY

The Treasury Division, responsible for managing the Bank's liquidity, is part of the corporate banking sector and is accountable directly to the chairman of the Management Board.

Liquidity management in 2010 was still affected by the changes from the past period, such as the global financial and economic crises. Due to lack of confidence, sources of funding were harder to come by in the markets, and interest rates for interbank sources were higher.

In light of the above, Treasury followed the set strategy by focusing intense efforts on planning, controlling and managing the Bank's assets with the aim of ensuring effective and optimal liquidity management and of balancing its sources of funding.

2.3.9. RISKS AND INTERNAL AUDIT

The objectives and general principles of Banka Sparkasse and its risk assumption and management policies comply with the Banking Act, the related Decision regulating risk management and implementation of the adequate internal capital assessment procedure for banks and savings banks, and the directives binding on the members of the Sparkassen Group (Sparkassensektor).

Banka Sparkasse d.d. sees its management system on the level of the bank and the entire Sparkasse Group as safe and reliable, as it comprises a clearly defined organizational structure, effective procedures for identifying, measuring, assessing, managing and monitoring risks, and a suitable system of internal controls proportional to the characteristics, volume and complexity of transactions undertaken by the Bank.

2.3.10. ORGANIZATION

The organizational structure of Banka Sparkasse is based on a distribution of tasks and competences among all employees, including all management levels, which limits and prevents the possibility of any conflicts of interests and ensures a transparent and documented decision-making process. With regard to its organizational structure, business activities and exposure to risk, the Bank has an adequate number of qualified employees and ensures their replaceability, while its system of remuneration and benefits is not conflict with the objectives of the Bank's strategy and risk management process. The Bank finds that the organizational structure of its subsidiaries within the Group is clearly defined, transparent and reliable, enabling a comprehensive overview of the risk management process within the Group.

The strategy and policies of risk assumption and management for the Bank and the Group are suitable, effective and comprehensive. Banka Sparkasse d.d. maintains that the significant risks assumed in the framework of its operations are identified early on, properly handled, monitored in the course of its daily activities, and presented to the approprite management levels in a timely fashion. Effective risk management reduces the likelihood of incurring unexpected losses and consequently prevents the risk of damage to the Bank's reputation as a result of such losses.

The Bank's bodies for management and supervision in the area of risk management are responsible for approving, reviewing and updating the Bank's risk assumption and management strategies and policies and for ensuring all the necessary conditions for comprehensive and proportional consideration of all risks assumed by the Bank. With respect to risk management, the Bank's top management is responsible for the preparation and implementation of risk assumption and management strategies and policies, for informing the Bank's management or supervisory bodies about important business risks assumed, and for establishing and maintaining the management system.

2.3.11. PROCEDURES FOR IDENTIFYING, MEASURING, ASSESSING, MANAGING AND MONITORING RISK

a) Risk identification

Risk identification procedures include comprehensive and timely detection of risks that the Bank takes in its operations and a root cause analysis. Identified risks are duly recorded.

Within the framework of the Basel II Capital Accord, Banka Sparkasse d.d. has in place suitable, effective and comprehensive strategies and policies for risk assumption and management. The Bank laid down a comprehensive definition of risk assumption and risk management in its overall strategy and policy. Major individual risks the Bank is exposed to, such as credit, operational, interest rate, liquidity and currency risks, are laid down in detail in corresponding strategies and policies which in most part mirror the structure of the overall strategy or policy.

In its overall strategy for risk assumption and risk management, Banka Sparkasse d.d. defined – both for the Bank and the Group – objectives and general principles or directions for risk assumption and management, an approach to managing individual risks, an approach to the internal capital adequacy assessment process (ICAAP), an outline of plans regarding important business activities, and a description of any planned changes in the Bank's business strategy. In the overall policy for risk assumption and risk management, the Bank laid down the methodology for assessing its risk-bearing capacity, organizational rules for implementing the risk management process, including its description, rules for assessing the Bank's risk profile, including methodologies for identifying, measuring and assessing risks, rules for the system of internal controls, and rules for the internal capital adequacy assessment process.

The Bank is focused on a smaller number of products while maintaining the right balance of balance sheet and off-balance-sheet asset and liability items, so the two major risks are credit risk and operational risk, which is characteristic of the entire banking group.

All risks for Banka Sparkasse, with the exception of operational risks, are controlled by the Risk Management sector.

b) Risk management

Risk management procedures include all measures and rules for the implementation of measures for the assumption, reduction, distribution, transfer and avoidance of risks that the Bank has identified, measured and assessed.

Table 2.3.11.b) Risks for which the Bank (Group) sets aside capital

Risk type	Risk subtype	Risk measurement as the basis for economic capital	Limitations
Credit risks	Risk of default Additional risk with foreign currency loans according to Erste Bank methodology	Standardized approach	Maximum allowed individual exposure
Operational risks		Simple approach	
Liquidity risk	Refinancing risk Call / Maturity risk	% cost increase with alternative refinancing	Liquidity ratios
Interest rate risk		Change in Bank's net current value (NCV) in the event of 200 bp interest rate shock	Limited spans, changes in net interest or NCV
Market risks	Currency risk	8% of max. open foreign currency position (OFCP)	Maximum allowed OFCP
		Overall risk taken	*Bank's risk-bearing capacity*

Banka Sparkasse d.d. defines internal capital, that is, available risk-bearing capital, as regulatory capital. The Bank vouches that the internal capital as a capital buffer is larger than the Bank's risk-bearing capacity and that the latter is higher than the risks taken. For the Sparkasse Group, available risk-bearing capital is defined as regulatory capital of the Group.

c) Monitoring the effectiveness of measures and risk monitoring

The risk management procedures, designed to achieve the desired risk profile, include rules on the responsibility, method and frequency requirements with respect to monitoring risks that the Bank has assumed in the course of its operations.

2.3.12. INDIVIDUAL RISKS – BANKA SPARKASSE D.D.

Credit risk

Credit risk arises when a borrower fails to meet their financial obligations to the bank. The Bank manages credit risk by continuously monitoring and analyzing its loan portfolio. Credit risk is the single most important risk Banka Sparkasse is exposed to.

Due to continuing uncertainty about when the conditions in the global economy will improve, the Bank continued in 2010 with intense efforts to control credit risk. The Bank responded to the expected further deterioration of customers' creditworthiness by upgrading the system for early detection of increased risk of default and by introducing a sector for intense monitoring of problem customers, by expanding its team for the collection of bad debts and by continuing with the active work of its division for monitoring bad debts. Nevertheless, due to the tough economic situation, the Bank recorded deterioration of its loan portfolio and weakening liquidity of its debtors.

Credit risk is disclosed in more detail in the accounting report, which, among others, defines the credit protection policy, impairment policy and monitoring of the concentration of the loan portfolio.

Operational risks

Operational risk management, which represents an important element for the Bank's successful performance, is incorporated into all of the Bank's business processes and is an ongoing responsibility of all the Bank's employees.

In accordance with the definition of operational risk, which says: *"Operational risk is a risk of incurring losses as a result of inappropriate or unsuccessful performance of internal processes, human actions or system functions or external factors."*, Banka Sparkasse developed a suitable policy on identification, measurement, control and management of operational risks and laid down directions for monitoring operational risks and for reporting incidents and damage.

In drawing up its operational risk management policy, the Bank relied on the already deployed information security management system (SVVI – ISMS), business continuity management system (BCM), business continuity plans (BCP) and disaster recovery plans (DRP), which include the deployment and operation of a backup data centre and of a backup location for carrying out the Bank's business functions in a limited scope for the duration of the emergency. For these systems the Bank developed suitable risk analyses, which also include operational risks. In its risk analyses, the Bank also assessed the impact of individual types of risks on the Bank's operations and income in the event of individual threats.

Banka Sparkasse d.d. implemented a system for systematic monitoring of operational risks and for reporting incidents and damage, which is supported by ORCA Light software. The monitoring system is described in detail in the directions that define the groups of operational risks, the incidents that are to be reported, the reporting modes and deadlines, and the persons responsible for reporting. The threshold limit for reporting losses resulting from operational risks is EUR 1,000. Incident reporting, on the other hand, applies to all types of incidents regardless of the amount of loss.

Banka Sparkasse d.d. uses the simple approach for calculating capital adequacy for operational risks. The Bank also used the standardized approach to make a comparative calculation of capital adequacy. The simple approach for calculating capital adequacy for operational risks is also used for the Sparkasse Group.

In continuing to seek to effectively manage operational risks, the Bank will focus a lot of attention on training its employees in this area and on raising awareness of how to reduce operational risks. The Bank will also periodically check its preparedness to react to emergency situations.

Liquidity risk

The aims of liquidity management at Banka Sparkasse are to ensure daily fulfilment of all obligations related to cash outflows resulting from on- and off-balance-sheet transactions, i.e. securing operational liquidity, to avoid acquiring assets at prices that are higher than the market price or through forced selling of assets, to ensure conditions for the Bank's consistent (long-term) liquidity, to comply with the regulations that govern liquidity, to meet minimum reserve requirements and to ensure profitable and safe operations for the Bank.

Interest rate risk

Banka Sparkasse d.d. monitors interest rate risk in detail every three months in the framework of its Asset-Liability Committee in accordance with the requirements of the majority owner, which are based on the methodology developed for the Sparkassen Group by Erste Bank. The constituent parts of the analysis are a simulation of net interest income both on the basic scenario of interest rate movement and various interest rate shocks, changes in the market value of bank items, and the Monte Carlo simulation.

The Bank's fundamental policy is to ensure that the timing of reset dates for asset and liability interest rates is matched as much as possible. The most important interest rates used by the Bank are the 3-month EURIBOR and, to a lesser extent, the 6-month EURIBOR. The share of asset items with a fixed interest rate, where the interest rate does not change with the EURIBOR rate or which cannot be adjusted by the Bank, is negligible; the share of liability items of this type is somewhat larger, but they have shorter maturity periods, mostly a few months.

Currency risk

The Bank's fundamental policy is to ensure suitable matching of asset and liability on- and off-balance-sheet items while consistently taking into account all limitations or maximum exposure limits. The criterion for a currency mismatch is an open foreign currency position, defined as the larger of the absolute values of the sum of all long positions and all short positions.

2.3.13. INDIVIDUAL RISKS – GROUP

Credit risk

Credit risk arises when a debtor fails to meet their financial obligations to the Group. The risk of incurring losses in the context of the Group refers in a large part to the parent company. The total exposure to credit risks in the framework of the Group is lower than the exposure of the Bank due to inter-company eliminations.
The Group manages credit risk by continuously monitoring and analyzing its loan portfolio. Credit risk is the single most important risk the Group is exposed to.

The Group is aware of the fact that the challenging financial and economic environment has a negative impact on its debtors and their ability to pay off their debts to the Group. Given the current situation, the Group focused increased attention on credit risk management activities in 2010. The Group continued with its measures to mitigate the effects of the difficult economic situation. The measures included tighter standards for approving investments, a stricter credit protection policy and a bigger focus on problem investments.

Credit risk taken by the Group is disclosed in more detail in the accounting report, which, among others, outlines the Group's organizational structure and bodies responsible for credit risk management.

In terms of managing the main risks other than credit risk (operational, liquidity, interest rate, currency) within the Group, the risk management directions and policies are aligned with the directions and policies for individual risk management of the Bank, and the latter are in compliance with the valid legislation, the recommendations of the Bank of Slovenia and the guidelines of the Concern. Because the risks other than credit risks (liquidity, interest rate, currency) for subsidiaries in the Group account for a relatively small share compared to the risks for the parent company, the monitoring of these risks is conducted in the framework of the Asset-Liability Committee. The Committee meets on a quarterly basis to look at the risks for the Group.

Operational risks

Operational risk management in the Bank's subsidiaries is in a large part included in the Bank's operational risk management process, since the subsidiaries use the Bank's premises, IT support and infrastructure. On the formal level of operational risk monitoring in the form of reports and analyses, risk management has not yet been implemented.

Liquidity risk

The volume of transactions of the subsidiaries from the viewpoint of liquidity risk is insignificant. Banka Sparkasse provides S-Factoring and Leasing-S with a certain degree of structural liquidity, and all the subsidiaries have their accounts with the Bank, through which they manage their liquidity, or secure operational liquidity, on a daily basis.

Interest rate risk

The volume of transactions of the subsidiaries from the viewpoint of interest rate risk is insignificant. The subsidiaries reduce the interest rate risk by ensuring that asset and liability items are matched as much as possible in terms of interest rate reset dates and methods or by quickly adapting their interest rate for customers to the interest rate of their source.

Currency risk

The volume of the Group companies' transactions in foreign currencies from the viewpoint of currency risk is insignificant or non-existent, so the impact of the currency risk on the profit and loss account is negligible.

2.3.14. CAPITAL MANAGEMENT

Banka Sparkasse d.d. laid down the capital management procedures in the corresponding strategy and policy for both the Bank and the banking Group. The strategy defines the objectives and general principles or directions on capital management, the approach to capital management and the approach to the internal capital adequacy assessment process (ICAAP), an includes an outline of plans regarding important business activities and a description of any planned changes in the Bank's business strategy. The policy defines the methodology for assessing the Bank's risk-bearing capacity, organizational rules for the capital management process, including its description, rules for assessing the Bank's risk profile, including methodologies, rules for the system of internal controls, and rules for the internal capital adequacy assessment process.

The methodology for determining the Bank's internal capital for credit risks (as the prevailing risks) is the same as the calculation of the capital requirement for credit risk as prescribed by the Bank of Slovenia. The Bank uses the standardized approach to calculate the capital requirement for credit risk. For individual exposure categories listed in Article 4 of the Decision regulating capital requirement calculation for credit risk according to the standardised approach for banks and savings banks, the Bank uses an external credit rating by SID banka d.d., Ljubljana only for the exposure to central government authorities and central banks. For other exposure categories, the Bank has not appointed any external credit assessment institution (ECAI) for determining the risk weight. The Bank has adopted a special direction which specifically details the criteria for determining the weight of individual exposure categories.

In the framework of the Asset-Liability Committee, the Bank regularly – monthly and also on an as-needed basis – monitors the regulatory and economic capital, capital requirements for individual risks, and the capital adequacy at the Bank and the banking Group levels.

2.3.15. SYSTEM OF INTERNAL CONTROLS

Belonging to the management system, the system of internal controls includes internal controls for checking the accuracy of administrative and accounting procedures – if required, also for ensuring coordinated operations of the Bank and for information security purposes – and an internal audit department.

The structure of internal controls at Banka Sparkasse, which form the basis for performing internal controlling activities at the level of each individual financial service and in the course of the Bank's daily operations, including monitoring the operation of information systems and employee activities, is effective. The Bank makes every effort to ensure the implemented internal controls properly fulfil their function. Material findings of the internal controlling activities and corresponding measures are duly recorded.

The Internal Audit department is responsible for independent, periodic and comprehensive reviews and assessments of the suitability of the management system, including reviews of the quality of internal controls and of the internal capital adequacy assessment process.

2.3.16. INTERNAL AUDIT

The Internal Audit of Banka Sparkasse is responsible for effective fulfilment of the strategy of Banka Sparkasse. It carries out regular, comprehensive supervision of the Bank's operations and identifies areas and dimensions of business uncertainties and risks. The internal audit activity is essentially of preventive nature. On the request from the Management Board or the Supervisory Board or at its own discretion, the Internal Audit also carries out extraordinary audits. Advisory work, in addition to giving assurances, makes up an increasingly large portion of its activities. The aims of the advisory activities stem from the Group's business policy and strategy.

The Internal Audit of Banka Sparkasse carries out its statutory internal audit function in Banka Sparkasse and the company brokerjet Sparkasse d.d. If required, other Group companies are also included in the annual work plan of the Internal Audit.
The Internal Audit is accountable to the Bank's Management Board. In order for it to be completely independent, also from the Bank's Management Board, the Internal Audit head sends audit reports with all findings to the Internal Audit of the Concern and submits summaries of all audit reports directly to the chairman of the Supervisory Board. For the Supervisory Board, Management Board and the Internal Audit of the Concern, it also draws up quarterly reports on the internal auditing activities and on the implementation of measures to correct the detected deficiencies or irregularities, as well as a half-yearly and an annual report on internal auditing activities in accordance with the law. The Internal Audit also reports to the Audit Committee in its sessions.

Internal auditing activities in Banka Sparkasse have been in place for five years, within the framework of the Internal Audit sector. Prior to that, Internal Audit was carried out by the Bank's parent company. The Bank's risk profile is specific to the line of work the Bank is engaged in. Being the prevailing risk, credit risk has been under the most intense scrutiny through all these years. On drawing up the annual plan, we took into account that the risk profil is subject to change, which is why our plan reflects the changed economic climate. The Internal Audit makes sure that the control environment does not deteriorate and that the economic objectives are met. Two main areas that the Internal Audit increasingly focuses on are strategic/business risk and operational risk.

The professional qualifications of our internal auditors are suitable. The internal auditors have many years of experience in external and internal audit and hold the following titles granted by the Slovenian Institute of Auditors: Certified Internal Auditor, Verified Internal Auditor, and Certified Tax Consultant. The internal auditors are engaged in ongoing training in all areas of expertise, particularly auditing information systems. Based on the ongoing training and the quality improvement program, the Internal Audit continually develops new work methods inspired by the latest developments and trends in the banking and internal audit industry.

2.3.17. INFORMATION TECHNOLOGY

Vision and strategy of the sector

This sector's strategy has been incorporated into the Bank's strategy because it had been concluded that reliable and stable IT support is of strategic importance for securing business success for the Bank. Through technology and proper organization of processes, the sector supports business innovations that allow the implementation of modern technologies to help secure competitive advantage for the Bank. The sector is responsible for ensuring scalability of IT systems that will allow uninterrupted growth and development of the Bank. In this way we also ensure compliance with the regulatory requirements and the security policy of the Bank. The Bank's strategic goal is to build an IT support sector that will effectively – in terms of resources and costs – support the Bank's response to the dynamic trends in the banking market, to the expectations of its users and to the business requirements.

The IT sector is actively engaged in the formation of the Bank's strategy and the strategy for the development of IT support and solutions and guides the implementation of the Bank's strategy in the Slovenian banking market in order to achieve the common goals shared with other organizational units within the Bank and in other companies within the Erste Bank AG Concern.
We are involved in the standardization and optimization of processes, in ensuring proper management of operational risks, in maintaining security of IT systems, and in research &

development projects to improve and deploy IT solutions within both the Bank and the Concern.

Sector organization

In organizational terms, the IT sector falls under General Finance and is further divided into two divisions based on the area concerned or the level of IT infrastructure and the technology of work. In the beginning of the year, the sector was relieved of organizational tasks, which covered logistic and technical oversight of property, plant and equipment, as well as physical security. The project management office maintained and strengthened its role – it is responsible for providing comprehensive support and for performing resource management tasks on projects on an ongoing basis and for consolidated reporting on project results.
The sector comprises two separate divisions and IT solution support, as well as special centralized positions: IT project coordinator, safety and security coordinator, and operational risk officer.

Sector's operations and results in 2010

The sector provides continuous support to the Bank's business environment in the areas of applications, systems software, and hardware and network equipment, and at the same time provides centralized methodological support to project-based work and tutors project leads working in the areas of core business operations.

In 2010 we supported the implementation of more than 30 projects worth a total of nearly EUR 3 million, six of which were strategic projects to deploy IT solutions in the Bank's core business environment:

Overhaul of the back-end banking system IT solution

The project got underway already in 2009 when we found that the existing IT solution was technically outdated, posing an increased operational risk. The aim of the overhaul was to deliver improved scalability, stability and reliability of the solution while proceeding with an assessment of the banking solutions used within the Group. The overhaul delivered the expected results: already last year we succeeded in speeding up the most resource-intensive monthly transaction processing operations by more than 80% and in cutting the day-to-day transaction processing time by more than 50%.

The project continued in 2010 – the planned results were also achieved through the optimization and technical upgrade of the IT infrastructure adapted to the newly developed IT process support. We recorded increased stability, reduced the need for maintenance and troubleshooting, and eliminated the limitations of the IT solutions and infrastructural systems that could dampen the Bank's efforts to increase its volume of operations. We continued working on stabilizing the updated Sibanka modules (KR, DE, TRR) and on reducing the time spent on monthly processing operations to a maximum of five hours. We also focused on modifying the solutions' functionality in order to reduce maintenance costs associated with interventions into production operations by an outsourced maintenance technician.

The project also exposed the need to improve the connectivity of the SiBank system with other systems using an open service-based platform, thereby reducing operational risks. We completed an **upgrade of UBM-SiBank interfaces**. By upgrading the way data are exchanged between the customer relations managements system (UBM) and the system for back-end analytical support (Sibank), we achieved the primary goal of the project, which was to harmonize the controls and to standardize the key processes for exchanging businesscrucial data between systems without the need for interventions and corrective measures from people not involved in the process.

E-banking for customers and non-customers

The results of the e-banking project on the liabilities side have been optimized and automated on those processes that still required manual reconciliation or double data control. After a period of stabilization and streamlining in the area of liabilities-based products, we can safely say that our customers – retail and corporate – managed their assets through our electronic bank (Net.Stik) without any difficulties. Apart from tracking their banking activities by open transactions and accounts, customers can now also use this marketing channel to make deposits.

We implemented support for private individuals not yet our customers so that they can use the electronic marketing channel to submit applications to open transactional accounts and Bonus Accounts through our public website, enabling them to become our customers online in one simple step. We have also started developing a solution for opening savings products directly (online) through our website by using a qualified digital certificate for authentication.

E-invoices

We continued with the project to implement an e-invoicing scheme, which was on hold for more than six months for business reasons and due to more attractive investment opportunities. To provide a more effective way for managing invoices (issuing, receiving, paying, archiving) by using electronic invoices in all the marketing channels (Net.Stik, Net.StikPRO, Net.StikPRO/WEB and Net.StikPRO/B2B) of our electronic bank, we restarted the project in the last quarter and are expecting to complete it in the first months of 2011. Net.Stik users (private individuals) will have the chance to receive and pay electronic invoices from major issuers. Users of Net.StikPRO, Net.StikPRO/WEB and Net.StikPRO/B2B (legal entities), on the other hand, will be able to receive, issue and pay electronic invoices.

SEPA direct debits

The Bank embarked on the process of implementing the SEPA direct debit scheme in 2010 in association with the Slovenian clearing house Bankart d.o.o. For this purpose, the Bank developed a part of the required software, the SDD CORE scheme as the debtor's bank, in order to satisfy the relevant statutory requirements.

Bank data warehouse

In 2009 we set up a data warehouse to lay the infrastructural groundwork for a comprehensive insight into our operations and for conducting profitability analyses according to the criteria of Banka Sparkasse. Last year we have already used this platform for reporting to our owners, and this year we continued with the regulatory reporting to the new ECB, which included the statement of comprehensive income, and implemented a system for managing additional controls in accordance with the criteria of the Bank of Slovenia.

An upgrade is planned for next year: we will introduce up-to-date and unique statistical reports and reports on sales, marketing and controlling activities.

E-archives

We continued with the process of scanning and digitalizing printed materials in other areas of work, in accordance with our business priorities. The compiled and harmonized classification plan and internal rules were submitted for approval to the Archives of the Republic of Slovenia. The internal rules have been approved, and we are now one of few Slovenian banks that perform electronic archiving in compliance with officially approved internal rules.

We introduced a user identity management system. All changes in human resources recorded in the human resource management software (SAP) are automatically reflected in the user accounts of domain users and in the user rights on some information sources, and employee information is automatically sent to the Bank's portal (intranet).

All the remaining workstations underwent migration from Windows 2000 to Windows XP, which means that workstations can now be managed from a central location, enabling uniform installations, improved security and easier control. We introduced a system that enables a safer use of certificates on USB media, which also blocks unknown I/O peripheral devices plugged into workstations. We deployed an automatic rerouting system (HACMP) for when servers of the central SIBANK banking package are down. Most of the building blocks of the Bank's information system have been incorporated into the central control system.

The building at Cesta v Kleče 15, Ljubljana, has been fitted with a new video surveillance system, with more cameras and enhanced image quality, enabling a near-perfect overview of employee and customer movements inside the Bank's premises. The video surveillance systems and technical security systems at our branch offices are enhanced and expanded in the course of renovation or refurbishment work.

2.4. HUMAN RESOURCES AT BANKA SPARKASSE

The year 2010 started with a new organizational structure at Banka Sparkasse. With the appointment of the new member of the Management Board Wolfgang Malle, M.Sc., the Management Board's scope of responsibilities got divided into three distinct areas:

- Corporate Banking and Strategic Development (Josef Laussegger)
- Retail Banking and Organization (Wolfgang Malle, M.Sc.)
- General Finance (Marko Bošnjak, M.Sc.)

In order to optimize business processes, we redefined the Banking Processes and Organization sector, which is responsible for optimizing business processes throughout the Bank, and the Sales Support sector, relieving advisers of paperwork and ensuring more effective and efficient operations for the Bank.

As for education and training, in 2010 we introduced the process of knowledge exchange among our employees and the process of monitoring and assessing the transferring of newly acquired knowledge into practice. In this way, we improved the exchange of knowledge and the flow of information in individual organizational units.
A lot of attention was focused on satisfying needs for education and training, both of individuals and groups, which have been identified in the course of annual staff development reviews – we recorded an average of almost five days of training per employee.

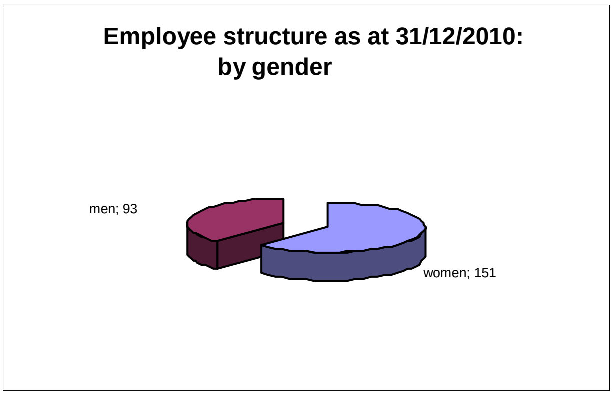
In the context of in-house training, we organized for our employees various product, process and sales training programs, computer courses, seminars on personality types, project management, leadership of Generation Y, and refresher courses in individual areas of work.

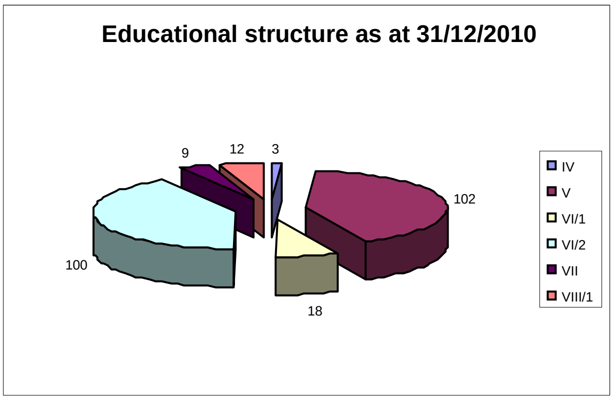
In association with external training specialists, we organized what is known as tailor-made training courses in leadership, coaching, sales, negotiation, handling problem customers, and a German language course. We also organized workshops for coordinating and implementing changes that came with the reorganization, organized a teambuilding program for new leaders with the aim of increasing motivation and effectiveness of the new management team.

We also provided our employees with part-financing of educational programs for obtaining expert titles and completing formal education, and, naturally, sent our employees to various expert seminars. In 2010, Banka Sparkasse d.d. obtained a licence for rendering investment advisory services, so we put six of our advisers through training at suitable institutions where they obtained licences for this particular line of work.

At Banka Sparkasse we are fully aware that it is knowledge that determines an organization's placing in the market, so in the future we will continue taking care of the professional and personal development of our people, which are our most valuable asset and our biggest source of potential. The average age of the Bank's employees is 35 years.

The employee and educational structures of Banka Sparkasse d.d. are shown in the figures below:





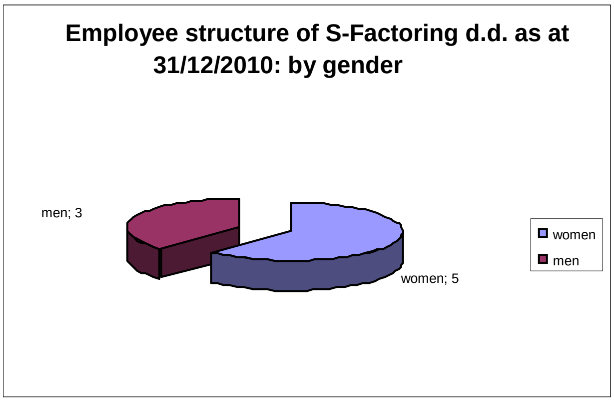
S-FACTORING – HUMAN RESOURCES

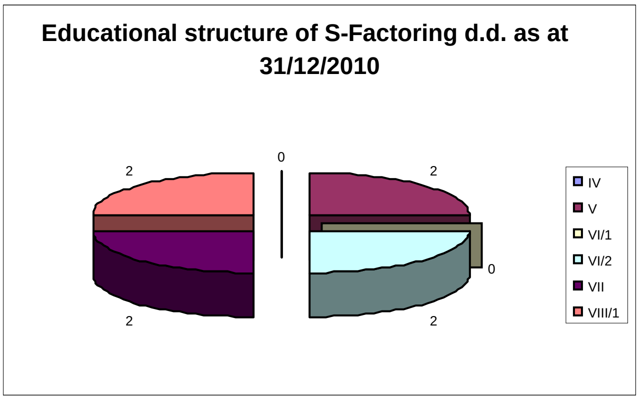
The company S-Factoring started and closed the year 2010 with a team of eight employees, with 62% of women and 38% of men. The average age of the employees is 31 years, and as many as 75% of them completed educational level 6 or 7.

S-Factoring got a new management board in 2010, which also prompted other activities in the area of human resources. Being well aware of the importance of human resources on growth and development, the company places a lot of emphasis on its employees. Given the relatively young, highly educated and very receptive team, in 2010 the company placed the strongest focus on subject-specific training and skill improvement of its employees, which manifested itself in the form of increased effectiveness and productivity as early as the fourth quarter of 2010. Despite very limited resources, S-Factoring recorded 4.25 days of training per employee in 2010, and a similar volume of training is also planned for 2011.

The company also focuses on its employees' high motivation, well-being in the workplace, physical activity, and team spirit. To this end, the company encouraged its employees and made it possible for them to spend their spare time together and to take part in various sporting and cultural events.

The employee and educational structures of S-Factoring d.d. are shown in the figures below:



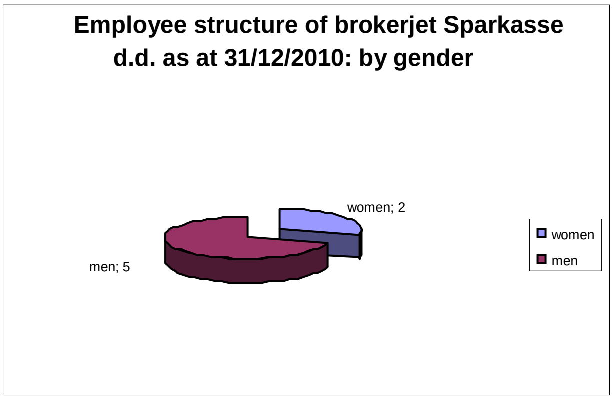


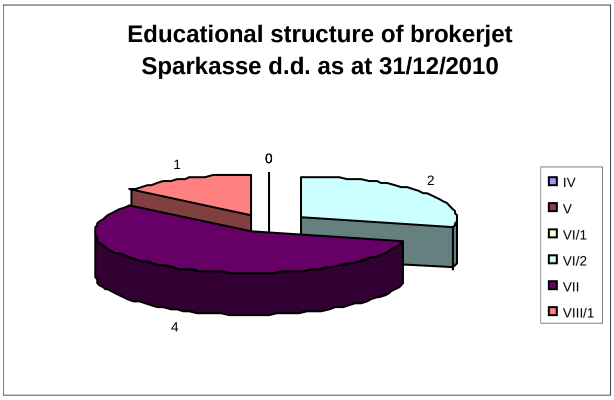
BROKERJET SPARKASSE D.D.– HUMAN RESOURCES

In 2010, the company brokerjet Sparkasse d.d. experienced quite a few changes in terms of human resources. Jure Hartman (chairman of the management board) and Patricija Horvat Rudolf (marketing and sales) left the company. Christian Theissl (chairman of the management board), Mark Menaše, M.Sc. (member of the management board), and Alan Gregorec (marketing and sales) then joined the company. On the last day of 2010 the company had seven employees, five men and two women aged 34 years on average.

In 2010 the employees took part in in-house training programmes on money laundering, as well as external training on an as-needed basis and in agreement with their superior.

The human resource and educational structures of brokerjet Sparkasse d.d. are shown in the figures below:





LEASING S d.o.o.– HUMAN RESOURCES

The newly founded company Sparkasse Leasing S has two employees, technical assistants with completed educational levels 5 and 7 respectively, who started active work in the second half of 2010. Their main task is to keep an eye on transactions, to compile necessary documentation and to provide information on the progress of deals to advisers. They provide valuable support to banking advisers in charge of making lease deals in the market, among others. The company's managers are Brigita Cof and Boštjan Butolen.

2.5. CORPORATE SOCIAL RESPONSIBILITY

Banka Sparkasse d.d. is marketed in the Slovenian market under the slogan "A Unique Bank", which has its roots, among others, in the corporate social responsibility activities of the Bank and its subsidiaries. We are committed to success and are at the same time aware of the importance of forging long-term relationships with the local community and the wider area in which we operate, which is also reflected in the Bank's vision: "Living your dreams and ours in a creative and easy-going manner. In banking, we are setting a shining example of responsibility to co-workers and the environment."

The areas of social responsibility that had a significant impact on the Bank's operations or held great potential for the Bank's development in 2010 were:

- development of new and existing products and services and customer relations,
- care for employees and investments in development through education and training,

- support for the local environment, in the form of instructional events and dedication to culture,
- environmental protection.

Management of social responsibility

Social responsibility at Banka Sparkasse

The Sparkasse Group has been present in the Slovenian market for 20 years. In its short history from the establishment of a representative office of an Austrian bank to a branch office and from 2006 an independent bank, a public limited company, the Bank faced many challenges with respect to social responsibility. Like in previous years, in 2010 we were satisfying economic, statutory, ethical and philanthropic dimensions and were at the same time bursting with new ideas and possibilities on how we can successfully carry out activities concerning corporate social responsibility. The owners' demands, responsibility to customers, care for employees and integration with the environment are all factors that influenced our social responsibility activities to involve the participation of all the employees of Banka Sparkasse, and our approach to implementation was inspired by our values, mission and principle that our customers, their aspirations, needs and well-being are at the heart of our operations.

Mission of Banka Sparkasse
Setting new standards of excellence in financial services through inspiration.

Values of Banka Sparkasse

Trust
We believe, so others believe in us.
We keep promises, are honest and respect each other.

Expertise
We responsibly and expertly generate added value through ongoing development of knowledge, people and business.
We are accurate and thorough at what we do.

Creativity
We look for inspiration in small things and big ideas.
With creativity we drive progress and set trends in banking.
Friendliness

We are committed to free communication and honest and open interaction with each other.
We gladly give and get a smile.

Environmental responsibility
Every day we do something good for nature.
We promote eco-friendly solutions and boost environmental awareness.

Social responsibility at S-Factoring

S-Factoring, a subsidiary of Banka Sparkasse d.d., is a young company that has only been present in the Slovenian market since 2007. By offering factoring services to corporate customers in Slovenia, the company complements the well-rounded range of products and services of Banka Sparkasse. By combining knowledge, experience and technology with the branch network of the owners of Banka Sparkasse d.d. and Intermarket Bank AG, the company brings into the Slovenian market a new dimension of financing working capital, which is further proof of the marked "uniqueness" of the Sparkasse Group within Slovenia.

With regard to corporate social responsibility, S-Factoring follows the lead of its parent company and places customer satisfaction and care and responsibility for its employees and the environment at the heart of its operations while embracing and living the values of Banka Sparkasse.

With its mission, *"Helping promising Slovenian businesses to grow and develop with excellent alternative sources of working capital"*, the company makes it possible for Slovenian businesses and entrepreneurs to grow and develop, which is the basis for investments in environment protection projects and for higher environmental and social awareness. The company acquaints the Slovenian business public with alternative, or different, sources of working capital through various marketing and PR activities, making factoring known to wider social circles. Doing so, it indirectly contributes its share to the progress of society and to the raising of environmental awareness, and in its day-to-day activities it directly strives for more efficient use of energy products and all other resources that may be hard on the environment.

With its vision, *"To become the most prominent provider of factoring services in Slovenia",* the company is sending a message to the Slovenian business public that it is determined to make it to the top. Top-quality services and customer satisfaction and loyalty are the number one factor in the success of S-Factoring. To realize its vision, the company constantly seeks to achieve excellence in catering for promising businesses and puts in tremendous efforts in forging close business relations with its customers, which is the cornerstone of its strategy. To this end, the employees dedicate a lot of time to personal and ongoing communication with customers and to tailoring the company's range of services to the customers' needs.

Social responsibility at brokerjet Sparkasse

Brokerjet Sparkasse d.d., an online stockbroking company, has been present in the Slovenian market since 2008. It fulfils its mission through numerous transferable products, fair and transparent pricing, advanced tools and competent services. Offering a wide range of seminars, brokerjet addresses active traders and investors who want to manage their investments on their own responsibility and with determination. In addition, brokerjet is renowned for having the highest security in online trading and fast and direct access to the world's most important stock exchanges.

It is a one-stop shop for advanced, quick and high-quality access to all the important capital markets around the world. Our customers can trade on stock exchanges or through OTC (over-the-counter) dealers. Trading can be done in stocks and shares, ETFs (exchange-traded funds), certificates and warrants, as well as through Slovenian and foreign open-end funds.

Our customers always come first and with them we build long-standing mutual relationships. Communication is the key – through the brokerjet platform one can place a trading order 24 hours a day, 7 days a week, basically from anywhere so long as Internet access is available. In a time of recession, it has become very clear just how important it is to be well trained in dealing with financial instruments. The already known basic training programs within the framework of the so-called Bulls & Bears Academy have been expanded in 2010, so that they are now available as webinars (online). Seminar participants learn about the basics of the stock market and trading and how the brokerjet platform works.

Innovative solutions are a regular feature of ours – and we are proud of it. Our mission is to provide capital market participants access to as many markets as possible, in the least complicated way and at the lowest price. By doing so, we offer our customers better and more effective diversification of assets and better chances of maximizing their disposable assets.

Social responsibility at Sparkasse Leasing S

Leasing has been a part of the Sparkasse Group product range in the Slovenian market for a number of years. In 2010, Banka Sparkasse founded a new company Sparkasse Leasing S. Leasing tops off the Group's comprehensive product range and plays an important part in our fulfilment of corporate social responsibility. We are committed to success, responsible and profesional. We are well aware of the importance of fostering long-term ties and relationships with the local community and the wider area in which we operate.

Sparkasse Leasing S seeks to become a high-quality, competitive provider of financial services, particularly in the movable property segment. Providing valuable advice to our customers through banking advisers is what somewhat sets us apart from our rivals. One of our advantages is that we know the Group's customers and work hard to secure long-term cooperation in all areas of activity. We are creative, responsive and effective at what we do, and responsible, accurate and optimistic in our dealings with customers.

Services, products and customer relations

Banka Sparkasse's distinct quality is reflected in its day-to-day dealings with customers. We offer our customers expert advice and tailored financial solutions that match their needs and aspirations while making sure they feel welcome. Visiting one of our branch offices is a pleasant and unique experience: no waiting in lines, with pleasant music and designated blue and red areas, each carrying a distinct meaning as mirrored in the Bank's logo. Customers can sit down with their personal adviser in the blue, pleasant consultation rooms and privately discuss their financial plans; on a shorter visit, customers can approach the red counter area to handle their usual money transactions.

In 2010 the Bank offered its customers not only expert advice, but also innovative new products, with which it topped off its comprehensive financial offerings. In February, we launched the Partner varčevanje 24/7 savings plan for corporate customers, allowing a company to deposit its savings for a preferred period of time, to withdraw them at any time and to grow the amount on a per-day basis thanks to a favourable interest rate. Also, we offered our existing corporate customers the chance to place money in fixed-term deposits and to open Bonus Accounts directly through their Net.Stik electronic bank. During the year we also focused on retail customers – first we launched the Wedding Savings Scheme for Newlyweds, which was followed, in September, by the biggest innovation of 2010: the Comfortable Positive Account. It is an innovative personal bank account, where customers pay no monthly account service charges so long as their average account balance from the first to the last day of the month exceeds EUR 1,000. And the best part? New customers of Banka Sparkasse can quickly and easily submit an application to open an account directly from the Bank's website, where an option to open a Bonus Account was also made available in October. With this we proved once again that our customers can count on us to deliver advanced and innovative financial solutions that match their needs. We also expanded our range of investment options. As of December, in addition to the existing investment funds run by the investment management company Erste Sparinvest, our customers can also choose from 10 sub-funds of the Triglav vzajemni skladi umbrella fund, run by the Slovenian investment management company Triglav DZU, with which we top off our range of investment options.

A satisfied customer is our number one priority. Our Centre for Banking Information and Services received 23% less complaints compared to a year ago. All complaints are successfully resolved on a daily basis. We believe that fostering good relations with customers is an ongoing process, so in 2010 we conducted an extensive survey into satisfaction and loyalty among our corporate customers, which made it possible for us to fine-tune our products and services to their needs.

Care for employees

Banka Sparkasse has a young (34 years on average), ambitious and dynamic team of people. We work hard to stay like that and engage in various activities with which we fulfil our responsibility in the workplace and care for the employees.

The first thing to point out is the **education and training of employees**, where we recorded an average of five training days per employee. This includes sales courses, leadership training, expert courses, language courses and personal growth programs. All the listed training courses made it possible for our employees to broaden their expertise and improve their communication, leadership, time management skills, etc. At the heart of employee development lies identification of an individual's potential and formulation of an individual's work objectives, so at this point let us mention the annual staff development review, which every bank employee goes through together with their superior. The purpose of this review is to receive feedback, rate an individual's performance and success in reaching the set objectives, identify his or her potential, and define his or her tasks and objectives for the coming year and the development steps and activities.

At S-Factoring, too, we are well aware of the fact that employees are the only sustainable competitive advantage the company has, so they focus the largest part of their attention on employee growth and development. With regard to responsibility to employees, in 2010 the company concentrated on increasing their employees' expertise and communication and marketing skills through external and in-house training and learning from each other. Despite limited resources, the company recorded 4.25 days of external training per employee, placing a strong emphasis on the quality and applied value of the training courses.

Among the most important areas is the sphere of **internal communication**, where we would like to highlight two key means of communication at the level of the entire Bank, which are subject to continuous improvements. These are: S-net intranet, which is used for conveying to employees up-to-date information about events at the Bank and in its environment, and the e-sopis internal electronic newsletter, which serves as an inspiration for and is the responsibility and the creation of all Banka Sparkasse employees. We are particularly proud of the newsletter in electronic form, which goes to show we care about the environment and are environmentally responsible, which is one of our core values. Employees get the chance to communicate with the Bank's management during monthly Management Board office hours.

And last but not least, we at Banka Sparkasse value friendships, collegiality and connections that bring us closer together. We take pride in the fact that we feel nice and warm in the workplace, in the company of colleagues, so we gladly take part in the Bank's **internal get-**

togethers, which take us to various corners of the country twice a year. To increase the motivation of our team, each year we set aside a so-called "**incentive budget**", which is used for funding various forms of socializing, from sporting, cultural and also culinary experiences.

We are particularly proud of our **Spartak Sport and Culture Society**, which also involves the participation of the people from S-Factoring. It comprises 14 different sections: from cycling, running, tennis and golf to culture and entertainment and any more.

We firmly believe that with the colourful range of activities described above we increase the motivation and enthusiasm of our employees. In the coming year, we will do our best to keep the Bank a place where everyone feels relaxed, creative and welcome.

Integration into the environment in which we operate

In a time of many changes and unfortunately also negative implications of the financial crisis, being tuned in to the needs of the environment is all the more important. The environment expects us to be supportive of its aspirations and concerns, which is why in 2010 we again showed that we do care about it.

For Banka Sparkasse, sponsorships are strategic investments in the future. Sponsorship decisions are made on the basis of the strategic focuses of the Bank and the target audience, as well as with regard to the fulfilment of the business goals defined in the strategy development phase. We use sponsorships that are associated with our services and products to get our messages across to our target audiences. Our sponsorship scheme in 2010 focused mainly on the ecological and economic spheres, on which we want to build and develop our corporate image. Due to a smaller sponsorship budget, however, a little less funding was allocated for sports sponsorships.

A large portion of the 2010 sponsorship budget was earmarked for organizing educational and instructional events. In April, we organized the Passive House Week in association with companies Lumar IG d.o.o., Damahaus d.o.o., Rihter d.o.o., Marles Hiše d.o.o. and Jelovica Hiše d.o.o., with which we wanted to let the public know we are abreast of the developments and trends in the area of green energy and that we recognize the benefits of energy-efficient building designs. The Sparkasse Centre held on display the most advanced construction systems for building wooden passive houses, and visitors had the chance to attend a free energy consultation and listen to lectures on the topic of wooden low-energy and passive building design solutions.

In February, Banka Sparkasse sponsored the TEDx Maribor conference entitled "From Idea to Implementation" (Od ideje do izvedbe), in April we extended our sponsorship to fANfARA, a student marketing conference, and in May we sponsored, for the fourth time running, the Microsoft NT Conference, since we as a bank focusing on modern marketing channels recognize the importance of Slovenia's leading event on information technology. In November, Banka Sparkasse was the main sponsor of the traditional 13th Day of Quality and Innovativeness (Dan kakovosti in inovativnosti), which is organized annually by the Chamber of Commerce of Dolenjska and Bela krajina. The main theme of the event was: Adapting business models for ensuring sustainable success of an organization.

In this past year, a considerable portion of sponsorship funding was allocated to activities promoting a responsible attitude towards the environment. Banka Sparkasse supported in April the Slovenia Clean Up (Očistimo Slovenijo) initiative, in which the Bank's employees also gladly took an active part. In June we sponsored the Conference on Renewable Energy Sources and Energy Efficiency, where we presented our offerings for businesses while focusing on establishing partnerships for building solar power plants. Oriented towards environmentally friendly solutions, we also fulfilled one of our values – environmental responsibility.

Since we want our customers to associate our name with a healthy lifestyle, and because we always strive to promote the spirit of "a sound mind in a sound body" among our young team of employees, we decided to sponsor the 2010 Radenci marathon (Maraton treh src). We are very fond of running because it is suitable for virtually anyone, and what is even better is the fact that we had our own running team Sparkasse participating in the marathon. Such dedication of employees is further proof we are on the right track to forging a strong relationship between the Bank with its subsidiaries and the environment.

Passive House Week

In association with our partners, we again organized the Passive House Week in April 2010, with which we want to show the public we are abreast of the developments and trends in the area of green energy.

Let's Do It Slovenia (Slovenia Clean Up)

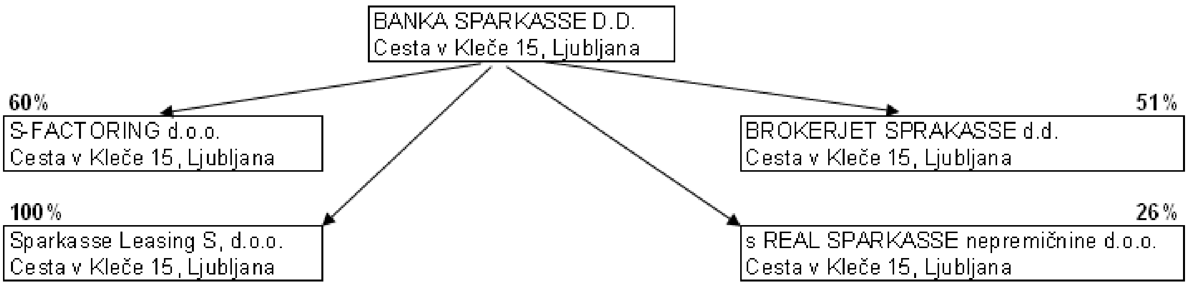
Banka Sparkasse was happy to support the Slovenia Clean Up (Očistimo Slovenijo) campaign, in which the Bank's employees took an active part as well.

Spartak Sport and Culture Society

Our employees enjoy taking part in the activities of the Spartak Sport and Culture Society, which comprises 14 separate sections. In the photo: members of the Society's cycling section.

2.6. BANKA SPARKASSE GROUP IN SLOVENIA

BANKA SPARKASSE GROUP
STATUS AS AT 31 December 2010



PARENT COMPANY:

Banka Sparkasse d.d.
Cesta v Kleče 15
1000 Ljubljana

Company Reg. No.:	2211254
Reg. activity:	Banking
Balance sheet total as at 31 Dec. 2010:	EUR 1,098,917,328
Share capital:	EUR 10,015,200.00
Shareholders:	Kärntner Sparkasse AG, Klagenfurt 70%
	Steiermärkische Bank und Sparkassen AG, Graz 26%
	Erste Bank der österreichischen Sparkassen AG, Wien 4%
Date of entry into court register:	24 May 2006
Management Board:	
Chairman:	Josef Laussegger
Member:	Marko Bošnjak, M.Sc.
Member:	Wolfgang Malle, M.Sc.

Supervisory Board:	
Chairman:	Alois Hochegger, M.Sc.
Vice Chairman:	Gernot Schmerlaib, M.Sc.
	Franz Kerber, M.Sc.
Members:	Thomas Wieser, M.Sc.
	Wolfgang Suppan, M.Sc.
	Peter Rebol, M.Sc.
	Thomas Uher, Ph.D.

The Bank carries out the following activities for subsidiaries: IT support, compilation of reports and data, marketing services, credit rating services, deal brokering, and other administrative tasks.

SUBSIDIARIES:

S-FACTORING, faktoring družba d.d.
Cesta v Kleče 15
1000 Ljubljana

Company Reg. No.:	2319748
Reg. activity:	Factoring
Balance sheet total as at 31 Dec. 2010:	EUR 9,087,249
Share capital:	EUR 700,000.00
Equity interest of Banka Sparkasse d.d.:	60%
Interest of Intermarket Bank AG, Wien:	40%
Date of entry into court register:	21 August 2007
Management Board:	Roman Gomboc
Supervisory Board:	Josef Laussegger
	Siegfried Rudolf Huber
	Theoderich Hibler
	Monika Fiegl

BROKERJET SPARKASSE, borzno posredniška družba d.d.
Cesta v Kleče 15
1000 Ljubljana

Company Reg. No.:	3308952
Reg. activity:	Stockbroking
Balance sheet total as at 31 Dec. 2010:	EUR 2,527,782
Share capital:	EUR 4,150,000.00
Equity interest of Banka Sparkasse d.d.:	51%
Interest of Ecetra AG, Dunaj:	49%
Date of entry into court register:	4 April 2008
Management Board:	
Member:	Christian Theissl
Member:	Boštjan Marzidovšek
Member:	Mark Menaše, M.Sc.
Supervisory Board:	
Members:	Michel Vukusic
	Sonja Vyskowsky
	Wolfgang Siegl Cachedenier.

s REAL SPARKASSE nepremičnine d.o.o.
Cesta v Kleče 15
1000 Ljubljana

Company Reg. No.:	5919649000
Reg. activity:	Other activities auxiliary to financial intermediation
Balance sheet total as at 31 Dec. 2010:	EUR 39,500
Share capital:	EUR 7,500.00
Equity interest of Banka Sparkasse d.d.:	26%
Interest of REAL-SERVICE FÜR STEIRISCHE SPARKASSEN GmbH Graz, Austria:	74%
Date of entry into court register:	4 July 2008
Representatives:	Milena Jančič Alenka Rabuza Roland Jagersbacher

Sparkasse Leasing S d.o.o.
Cesta v Kleče 15
1000 Ljubljana

Company Reg. No.:	3724310000
Reg. activity:	Financial leasing
Balance sheet total as at 31 Dec. 2010:	EUR 5,149,571
Share capital:	EUR 150,000.00
Equity interest of Banka Sparkasse d.d.:	100%
Date of entry into court register:	19 April 2010
Representatives:	Brigita Cof Boštjan Butolen

2.7. MANAGEMENT STATEMENT ON THE FINANCIAL STATEMENTS OF BANKA SPARKASSE D.D.

The Management Board hereby approves the financial statements of Banka Sparkasse d.d. for the year ended 31 December 2010 and the applicable accounting policies and notes to the financial statements.

The financial statements have been produced in compliance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Management Board is responsible for ensuring that:

- the accounting policies followed are suitable and applied consistently throughout,
- estimates and assessments are made with due prudence and diligence,
- any material deviations from the accounting standards used are properly disclosed and clarified.

The Management Board is responsible for keeping accounting books and records that show a true and fair view of the financial position of Banka Sparkasse d.d. The Management Board is also responsible for ensuring that financial statements are compiled in accordance with the laws and regulations of the Republic of Slovenia. The Management Board is obliged to do everything in its power to prevent or disclose any potential frauds or other irregularities.

The date of approval of the financial statements is 18 January 2011.

Management Board of Banka Sparkasse d.d.

Marko Bošnjak, M.Sc.	Wolfgang Malle, M.Sc.	Josef Laussegger
Member	Member	Chairman

2.8. DEPENDENT COMPANY MANAGEMENT REPORT PURSUANT TO ART. 545 OF THE COMPANIES ACT

Banka Sparkasse d.d. hereby declares that its owners, Kärntner Sparkasse AG, Klagenfurt, Steiermärkische Bank und Sparkassen AG, Graz, and Erste Group Bank AG, Wien, did not exercise their influence in Banka Sparkasse d.d. to induce it as their dependent company into performing a detrimental legal transaction or into taking or failing to take any action to its disadvantage.

3. INDEPENDENT AUDITOR'S REPORT

DELOITTE REVIZIJA D.O.O.
Davčna ulica 1
1000 Ljubljana
Slovenija

Tel: + 386 (0)1 3072 800
Faks: + 386 (0)1 3072 900
www.deloitte.si

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF BANKA SPARKASSE d.d.

Report on the Financial Statements

We have audited the accompanying financial statements of the Banka Sparkasse d.d. and Group Sparkasse d.d., which comprise the statement of financial position as at December 31, 2010, statement of 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 EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Banka Sparkasse d.d and Group Sparkasse d.d. as of December 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report On Other Legal and Regulatory Requirements

Pursuant to Article 57(1) of the Companies Act (ZGD-1), we have reviewed the Company's business report. In our opinion, the business report is consistent with the audited financial statements.

DELOITTE REVIZIJA d.o.o.

Andreja Bajuk Mušič Certified auditor	Yuri Sidorovich President of the board

Ljubljana, 21 April 2011

Deloitte.

DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 1

For signature please refer to the original Slovenian version.

FOR TRANSLATION PURPOSES ONLY – ORIGINAL PREVAILS

4. FINANCIAL REPORT

4.1. BASIC INFORMATION

Banka Sparkasse d.d. Ljubljana is a Slovenian private limited company engaged in universal banking. Its largest shareholders are Kärntner Sparkasse AG, Klagenfurt (70%), Steiermärkische Bank und Sparkassen AG (26%), and Erste Group Bank AG (4%).

The Bank is not a public company and its shares are not publicly traded on a regulated capital market.

In addition to Banka Sparkasse d.d., the consolidated financial statements of the Sparkasse Group also encompass companies which make up the banking group.

The companies Sparkasse Leasing S d.o.o., S-Factoring, faktoring družba d.d., and brokerjet Sparkasse d.d. are fully consolidated.
The company S real Sparkasse nepremičnine is consolidated using on the equity method of accounting.

Consolidated financial statements can be obtained from Kärntner Sparkasse AG, Klagenfurt, Neuer Platz 14, Österreich, where Banka Sparkasse d.d. and the Sparkasse Group are consolidated.

The final consolidated financial statements of Erste Group are included in the consolidated financial reports produced by Erste Group Bank AG. These statements are available at Erste Group Bank AG, Wien, Graben 21, 1010 Wien, Österreich.

The Bank's business address is:
Banka Sparkasse d.d. Ljubljana, Cesta v Kleče 15, Ljubljana, Slovenia.

All amounts in the financial statements and accompanying notes are stated in thousands of euros unless indicated otherwise.

Assets and liabilities denominated in foreign currencies and with a currency clause are converted into euros at the middle exchange rate of the Bank of Slovenia as at 31 December 2010.

The Bank's main retail banking products are: housing loans, consumer loans, transactional accounts, and deposits; and in corporate banking: investment loans, working capital loans, guarantees, transactional accounts, and deposits.

Within the Sparkasse Group we also deal in factoring, leasing and securities.

4.2. ACCOUNTING POLICIES

The principal accounting policies applied for the preparation of the financial statements are outlined below. Unless stated otherwise, these policies have also been used in previous years. The outlined accounting policies and estimates are being used throughout the Group.

4.2.1. BASIS FOR PRESENTATION OF FINANCIAL STATEMENTS

The financial statements of Banka Sparkasse d.d. and the Sparkasse Group have been prepared in compliance with the International Financial Reporting Standards and accompanying notes as adopted by the European Union (hereinafter: IFRS) and in accordance with the regulations of the Bank of Slovenia.

In the preparation of the financial statements, the Sparkasse Group took into account the following: the going concern principle, continuity of operations, consistent use of accounting principles, true and fair presentation of financial performance, and the accruals principle.

We select accounting policies, decide on their application and prepare financial statements in compliance with the requirements on understandability, relevance, reliability and comparability.

The production of financial statements in accordance with IFRS requires the application of certain estimates and assumptions which affect the valuation of reported assets and liabilities, the disclosure of potential assets and liabilities on the reporting date, and the amounts of income and expenses in the reporting period. Even though the estimates made are based on the best knowledge of the current events and activities, the actual results may differ from the estimates. The most significant accounting policies and estimates are outlined below.

The Sparkasse Group developed estimates and assumptions that affect the disclosed amounts of assets, liabilities, income and expenses. The estimates are reviewed on a continuing basis and rely on past experience. The most important assessments focus on the classification of financial instruments into groups. Estimates are used in value adjustments of accounts receivable and loans, in determining the useful lives of tangible fixed assets and intangible assets and in provisioning for employee benefits.

The areas with a higher degree or wider span of assessments and areas where assumptions and estimates significantly affect the financial statements are:

- **losses attributable to impairment of loans and receivables**: The Bank periodicall assesses and determine losses arising from the deterioration of the loan portfolio. The Bank regularly reviews the methodologies and assumptions used for assessing the volume and timing of future cash flows in order to minimize the gap between estimated losses and losses incurred in reality. Sensitivity analyses provide us with additional information on potential losses attributable to credit risk and on the required impairments of financial assets. The analyses are conducted based on different scenarios, which are described in detail in the credit risk section.
- **deferred taxes**: The Bank estimates that in the future it will have at its disposal enough taxable income to utilize the benefits of the temporary differences between the tax and accounting values of assets. According to the Bank's estimates, a tax rate of 20% would be applied to temporary differences arising from the different

depreciation rates for business and tax purposes, as the Bank expects the differences to be offset when an asset is fully depreciated.

-

4.2.2. PRINCIPA ACCOUNTING POLICIES AND ESTIMATES

a) Foreign currencies

1. Functional and presentation currency

The items disclosed in the financial statements are measured in the currency of the economic environment in which the Group operates, that is, the functional currency. The presentation currency is the currency in which the financial statements are presented. As of 1 January 2007, the euro is the functional and presentation currency of the Bank.

2. Translation of operating transactions and items

Foreign currency transactions are translated into the functional currency using the exchange rate valid at the date of the transaction. The foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the profit and loss account.

In the financial statements, the asset and liability items denominated in a foreign currency are translated using the reference rate of the European Central Bank valid at the date of the financial statements. Translation differences are disclosed in the profit and loss account as net foreign exchange gains or losses.

b) Cash, cash equivalents and cash flow statement

For accounting purposes, cash at bank and in hand comprises ready cash, demand deposits, cash in transit and cash equivalents. It is cash in broader terms, as it also includes assets that can be readily converted into cash, quickly or in the near future, and used for debt repayment or payment for another purpose, directly and without any limitations.

Cash equivalents comprise cash in hand and balances with the central bank, available-for-sale debt securities with up to three months' original maturity for the date of acquisition, and loans to banks with up to three months' original maturity from the date of the loan. According to IAS 7, cash equivalents are short-term, highly liquid investments that are readily convertible into a known amount of cash and that contain negligible risk.

An indirect method or version II was used in the preparation of the cash flow statement, with data from the opening balance as at 1 January 2010 and the balance as at 31 December 2010, data from the profit and loss account for 2010 and other data needed for the calculation and proper breakdown of material items.

c) Financial assets

RECOGNITION OF A FINANCIAL ASSET

Financial assets are measured at fair value and recognized on the date of the transaction. If a financial asset is not recognized at fair value through profit and loss, the Bank also adds transaction costs that resulted directly from operations.

Based on the initial recognition in the balance sheet, financial assets are classified into the following categories:

- **available-for-sale financial assets:** assets that are designed to be held for an indefinite period of time and that can be sold for the purpose of ensuring liquidity and in response to changes in interest rates, exchange rates and prices of financial instruments.

  The purchases and sales of available-for-sale financial assets are recognized on the date of trading, that is, on the date the Bank makes a commitment to purchase or sell a financial asset. These assets are later designated at fair value. As a rule, the fair value is the price of these financial assets in an active market. The gains and losses attributable to changes in fair value are recognized directly in equity until they are derecognized or impaired. Then, the cumulative gains or losses are recognized through profit or loss.

  In accordance with IAS 39, these assets are categorized as available-for-sale investments. The Sparkasse Group invests in available-for-sale securities in order to comply with the regulations of the national banking authority and meet the value requirements.

- **loans and receivables:** financial assets with fixed or determinable payments that are not traded in an active market, other than:

  - those that are intended to be sold in the near future and are classified as held-for-trading financial assets and those designated at fair value through profit or loss upon initial recognition,
  - those that are designated as available-for-sale financial assets upon initial recognition,
  - those for which the holder may not recover most of the initial investment for reasons other than credit deterioration.

  This item includes loans to banks, loans to non-bank customers and deposits to banks. Loans to banks are all types of investments that originate from transactions with domestic and foreign banks, regardless of purpose and repayment term. Loans to non-bank customers are all types of receivables from domestic and non-bank foreign customers, regardless of purpose and repayment term.

  Loans and deposits are carried at amortized value and recognized on the date the funds are paid to the customer. As at the balance sheet date, granted loans are disclosed under assets in the balance sheet as unpaid principal less any impairment charges.

  The classification depends on the nature and purpose of a financial asset and is performed upon initial recognition.

MEASUREMENT OF A FINANCIAL ASSET

Financial assets are measured at fair value upon recognition.

Gains and losses resulting from valuation at fair value for available-for-sale financial assets are recognized directly in equity and are transferred into the profit and loss account when sold or impaired. The cumulative gains or losses, which were previously recognized in equity, are then recognized through profit or loss.

Interest attributable to the effective interest rate and foreign currency gains and losses for available-for-sale financial assets are recognized through profit or loss.

DERECOGNITION OF A FINANCIAL ASSET

A financial asset is derecognized when the contractual rights to receive cash flows from the financial asset have expired or if all risks and benefits of ownership have been transferred.

d) Impairment of financial assets

At each balance sheet bate the Bank assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that might have an impact on the future cash flows.

1. Financial assets available for sale

In the case of available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is taken into account when determining whether the assets are impaired. If such evidence of impairment exists, the cumulative loss is removed from equity and recognized in profit or loss. If in a subsequent period the fair value increases and the increase can be directly attributed to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the profit and loss account.

2. Loans

The Bank regularly monitors the quality of its loan portfolio and assesses losses resulting from credit risk. If there is objective evidence that a credit loss was incurred, the impairment value is measured as the difference between the asset's carrying value and the current value of future cash flows determined based on the original effective interest rate.

Objective evidence of an impairment of a financial asset or a group of assets provides important information pointing to a debtor's reduced ability to fulfil contractual obligations. The exclusion of an individual asset from a group may be influenced by:

- significant financial difficulties of a debtor,
- financial obligation past due over 90 days,
- economic conditions in the national or local environment, such as, for instance, unemployment, dropping property prices in the case of mortgages, adverse changes in the national currency,
- changes in the status of a borrower: bankruptcy, compulsory composition, liquidation,
- unpredictable events: confirmed death, accidents and disasters, industry problems, disease, alcoholism, drug abuse and other addictions, etc.

The need for individual assessment is determined on a customer-by-customer basis, which means that if the need for individual assessment is confirmed, we must gather information on all financial liabilities of a customer and assess them on an individual basis.

If no impairment indicators are detected, we identify the financial assets and classify them into certain groups. Collective assessment is done monthly on the basis of relevant percentages recorded in a given group. The percentages are checked yearly. For more on our impairment policy, see the section on credit risk.

e) Tangible fixed assets and intangible assets

Tangible fixed assets comprise equipment and small tools. Intangible assets comprise investments in computer software and property rights.

Tangible fixed assets are designated at acquisition cost upon initial recognition. The acquisition cost comprises the purchasing price, import and non-refundable purchase charges, and costs attributable directly to ensuring an asset's fitness for the intended use. Subsequent costs associated with a tangible fixed asset are disclosed as maintenance costs or as an increase in an asset's acquisition cost. A tangible fixed asset is depreciated as soon as it becomes available for use.

Intangible assets are designated at acquisition cost upon initial recognition. Subsequent valuation is based on the historical cost system, which means the assets are measured at historical cost less depreciation and accumulated impairment losses.

Depreciation is calculated using the straight-line method. The Bank sets annual depreciation rates by type of asset based on the useful life of tangible fixed assets and intangible assets, which depends on the expected wear and tear, expected technical and economic useful life and expected statutory and other restrictions on the use of such assets.

Important tangible fixed assets and intangible assets are revalued as soon as impairment is detected or no later than when their carrying value exceeds the replacement cost by more than one-third.

The following depreciation rates are applied:

Vehicles	12.50%
Communication equipment	20.00%
Computer equipment	10.00 - 40.00%
Furniture, technical equipment, security equipment, other technical equipment	5.00 - 40.00%
Fire safety equipment	5.00 - 25.00%
User rights, licences	10.00 - 25.00%
Investments in third-party fixed assets	5.71%
Software	5.71 - 40.00%

f) Capital investments in subsidiaries, associated companies and joint ventures

The Bank's investments are carried at purchase value in individual financial statements.

At the balance sheet date, the following is declared in the Bank's balance sheet:

- one subsidiary – Sparkasse leasing S d.o.o.
- two jointly controlled companies – S-FACTORING, družba za factoring, d.d., and brokerjet SPARKASSE, borzno posredniška družba, d.d.
- one associated company – s REAL SPARKASSE, nepremičnine, d.o.o.

Banka Sparkasse d.d. uses the equity method to consolidate the companies for which it does not meet the conditions under Article 56 of the Companies Act.

The equity method is a method of accounting by which an equity investment is initially recorded at cost and subsequently adjusted to reflect the investor's share of the net assets of the investee. The investor's share of the net assets of the investee is included in the investor's profit and loss account.

Full consolidation is the act of combining the financial statements of the parent and its subsidiaries line by line by adding together like items of assets, liabilities, equity, income and expenses. Because a group of companies needs to be presented as a single entity, the following steps need to be taken:

- eliminate the parent's financial investments in the capital or debt of subsidiaries and account for the resultant differences,
- eliminate inter-company operating receivables and operating payables,
- eliminate inter-company income and expenses,
- eliminate unrealized net profits and net losses resulting from internal transactions within a group,
- recalculate and defer taxes.

Banka Sparkasse as the parent company must produce and submit for approval consolidated financial statements in accordance with the law. These are presented in a way as if the whole Group were a single entity. They are produced on the basis of original financial statements of individual companies in the Group, with applicable modifications.

g) Liabilities to banks and non-bank customers

Financial liabilities, including borrowings, are measured initially at fair value net of transaction costs incurred.

They are later disclosed at amortized cost – using the effective interest rate method – which is represented by the original principal amount less any repayments and topped up by assessed interest for the period and any charges incurred at the time of borrowing.

The effective interest rate is the rate which accurately discounts future payments over the life of a financial liability.

A financial liability is derecognized only if a contractual commitment has been discharged or cancelled or has expired.

Under liabilities to banks, the Bank also discloses a subordinated liability in the amount of EUR 26 million. The bank has no other subordinated liabilities.

h) Capital

The Bank's total capital comprises called-up share capital, share premium, other profit reserves, revaluation reserves, and net profit for the financial year.

The retained net profit carried forward from previous years is recognized with the adoption of a decision on the distribution of profit for a specific financial year. The distribution of the net profit for the current year is decided on by the Bank's General Meeting based on a proposal from the Supervisory Board and in compliance with the Bank's Articles of Association.

The revaluation reserves include revaluations performed on financial assets available for sale.

i) Off-balance-sheet records

The off-balance-sheet records are used to keep track of transactions that pose a potential credit risk for the Bank (issued financial guarantees and other financial facilities, granted undrawn loans, overdrafts and credit lines) and transactions that pose no immediate risk for the Bank (received financial guarantees and other financial facilities, records of received collaterals for receivables from customers). High-risk off-balance-sheet items are recorded on the date the risk is taken, and the no-risk off-balance-sheet items on the date of the transaction.

Financial obligations assumed on the basis of issued guarantees, both financial and service, represent an irrevocable commitment for the Bank to make a payment should a customer fail to meet their obligations to a third party. The basic purpose of irrevocable obligations arising from granted undrawn credits and credit lines is to secure funds for the Bank's customer, as set out in a signed contract.

j) Interest income and expenses

Interest income and expenses are disclosed in the profit and loss account for all assets measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income and expenses over a relevant period. The effective interest rate is the discount rate that equates all cash flows connected with a specific financial instrument. The calculation of the effective interest rate includes all contractual cash flows, including all fees, transaction costs, premiums and discounts, but does not include future credit losses.

Once a financial asset has been written down as a result of an impairment loss, interest income is recognized using the interest rate that is used to discount the future cash flows for the purpose of measuring the impairment loss.

j) Fee income and expenses

Charges and fees (commissions) are recognized in the profit and loss account when a service has been provided. The Bank generates charges and fees by rendering services to customers in the areas of payment transactions, currency exchange, guarantee operations, brokering and agency transactions and other banking services.

Loan transaction fees are accrued over the life of the loan using the effective interest rate method and transferred to income on a monthly basis.

l) Employee benefits

The Bank provides the following benefits to its employees in accordance with the collective employment contract: jubilee benefits and retirement bonuses. Employee benefits are included in provisions for employee benefits. Provisions are set aside based on actuarial calculations made by independent actuaries every year.

m) Taxes

Taxation in the financial statements is disclosed in compliance with the applicable legislation. Taxation comprises assessed taxes and changes in deferred taxes.

The assessed taxes are calculated based on the taxable income for the financial year and by applying the tax rate valid on the balance sheet date.

Deferred taxes are accounted for using a liability method with a balance sheet approach based on temporary differences between the accounting and tax bases of assets and liabilities. Deferred taxes are determined based on the applicable tax rate on the date an asset is exchanged or a liability settled.

Temporary differences are the differences between the carrying amount of an asset in the balance sheet and its tax base. The Bank recognizes temporary differences as deductible temporary differences, which represent amounts that will be deducted from the taxable income in future periods when the carrying value of the asset is recovered.

4.2.3. STANDARDS AND INTERPRETATIONS AMENDED IN 2010

At present, the following amendments to the existing standards issued by the International Accounting Standards Committee (IASC) and adopted by the European Union (EU) are in effect:

Standard	Description of change
IFRS 1 (revised)	The EU adopted the revisions on 25 November 2009 (effective for annual periods beginning on or after 1 February 2010).
IFRS 3 (revised)	The EU adopted the revisions on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009).
IFRS 1	Introduction of additional exemptions for first-time adopters of IFRS. The EU adopted the amendments on 23 June 2010 (effective for annual periods beginning on or after 1 January 2010).
IFRS 2	Amendments concerning cash-settled group share-based payment transactions. The EU adopted the amendments on 23 March 2010 (effective for annual periods beginning on or after 1 January 2010).
IAS 27	The EU adopted the amendments on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009).
IAS 39	The EU adopted the amendments on 15 September 2009 (effective for annual periods beginning on or after 1 July 2009).
Improvements to IFRS (2009)	Amendments to various standards and interpretations of "Improvements to IFRS (2009)" under the Annual Improvements to IFRS project published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16), mostly with the purpose of removing inconsistencies and providing interpretations. Adopted by the EU on 23 March 2010 (effective for annual periods beginning on or after 1 January 2010).
IFRIC 12	Interpretations on service concession arrangements. Adopted by the EU on 25 March 2009 (effective for annual periods beginning on or after 30 March 2009).
IFRIC 15	Interpretations on agreements for the construction of real estate. Adopted by the EU on 22 July 2009 (effective for annual periods beginning on or after 1 January 2010).
IFRIC 16	Interpretations on hedges of a net investment in a foreign operation. Adopted by the EU on 4 June 2009 (effective for annual periods beginning on or after 1 July 2009).
IFRIC 17	Interpretations on distributions of non-cash assets to owners. Adopted by the EU on 26 November 2009 (effective for annual periods beginning on or after 1 November 2009).
IFRIC 18	Interpretations on transfers of assets from customers. Adopted by the EU on 27 November 2009 (effective for annual periods beginning on or after 1 November 2009).

The adoption of these amendments to the standards has not caused any changes to the company's accounting policies.

4.2.4. STANDARDS AND INTERPRETATIONS ISSUED BY THE IASCAND ADOPTED BY THE EU BUT NOT YET IN EFFECT

At the date these financial statements were approved, the following standards, modifications and interpretations adopted by the EU have not yet entered into effect:

Standard	Description of change
IAS 24	Provision of a partial exemption from the disclosure requirements for government-related entities. Also includes is a clarification of the definition of a related party. The EU adopted the amendment on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011).
IAS 32	Amendment addressing accounting for rights issues. The EU adopted the amendment on 23 December 2009 (effective for annual periods beginning on or after 1 February 2010).
IFRS 1	Limited exemption from comparative IFRS 7 disclosures for first-time adopters of IFRS. The EU adopted the amendment on 30 June 2010 (effective for annual periods beginning on or after 1 July 2010).
IFRIC 14	Amendments to the limit on a defined benefit asset, minimum funding requirements and their interaction; amendment to prepayments of a minimum funding requirement. The EU adopted the amendments on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011).
IFRIC 19	Extinguishing financial liabilities with equity instruments. The EU adopted the amendment on 23 July 2010 (effective for annual periods beginning on or after 1 July 2010).

We have decided not to implement these standards, amendments and interpretations until they have entered into effect. We do not expect that the implementation of these standards, amendments and interpretations will have a material effect on the company's financial statements in the initial period.

4.2.5. STANDARDS AND INTERPRETATIONS ISSUED BY THE IASC BUT NOT YET ADOPTED BY THE EU

At present, the International Financial Reporting Standards (IFRS) adopted by the EU are in no material way different from the regulations adopted by the International Accounting Standards Committee (IASC), except for the following standards and amendments to the existing standards and interpretations that have not been in effect as at 31 December 2010:

Standard	Description of change
IFRS 9	Effective for annual periods beginning on or after 1 January 2013.
IFRS 7	Amendments on enhancing disclosures about transfers of financial assets. Effective for annual periods beginning on or after 1 July 2011.
Improvements to IFRS (2010)	Amendments to various standards and interpretations of "Improvements to IFRS (2010)" under the Annual Improvements to IFRS project published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13), mostly with the purpose of removing inconsistencies and providing interpretations. Most amendments are mandatory for annual periods beginning on or after 1 January 2011.

We do not expect that the implementation of these standards and amendments to the existing standards and interpretations will have a material effect on the financial statements in the initial period.

We estimate that the application of hedge accounting with respect to financial instruments and liabilities in compliance with the requirements of IAS 39: Financial instruments:

Recognition and Measurement would not have had a material effect on the financial statements if it had been used at the balance sheet date, 31 December 2010.

4.3. STATEMENT OF FINANCIAL POSITION

in EUR thousand

Item No.	ITEM DESCRIPTION	Note	31/12/2010		31/12/2009	
			BANK	GROUP	BANK	GROUP
1	CASH AND BALANCES WITH CENTRAL BANK	1	37,067	37,067	6,173	6,173
4	FINANCIAL ASSETS AVAILABLE FOR SALE	2	13,799	13,854	4,522	4,521
6	LOANS		1,034,402	1,033,349	1,068,129	1,067,774
	Loans to banks	3	21,241	21,241	27,907	27,907
	Loans to non-bank customers	4	1,013,161	1,012,108	1,040,222	1,039,867
10	TANGIBLE FIXED ASSETS	5	2,116	2,210	1,745	1,835
12	INTANGIBLE ASSETS	6	6,946	7,010	7,135	7,198
13	CAPITAL INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD	7	641	0	1,802	0
14	CURRENT CORPORATE INCOME TAX ASSETS	8	1,367	1,480	1,330	1,613
	Current income tax assets		16	16	1,243	1,243
	Deferred income tax assets		1,351	1,464	87	370
15	OTHER ASSETS	9	2,579	3,010	2,200	2,245
16	**TOTAL ASSETS (1 TO 15)**		**1,098,917**	**1,097,980**	**1,093,036**	**1,091,359**
21	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		1,001,577	999,932	991,939	990,711
	Deposits from banks	10	16,112	16,112	17,818	17,818
	Deposits from non-bank customers	11	318,775	316,104	238,889	237,661
	Borrowings from banks	10	640,690	641,696	709,232	709,232
	Borrowings from non-bank customers	11	0	20	0	0
	Subordinated liabilities	12	26,000	26,000	26,000	26,000
22	FINANCIAL LIABILITIES ASSOCIATED WITH FINANCIAL ASSETS NOT QUALIFIED FOR DERECOGNITION		0	238	0	180
25	PROVISIONS	13	659	659	211	211
26	CURRENT CORPORATE INCOME TAX LIABILITIES	8	14	14	0	0
	Deferred tax liabilities		14	14	0	0
27	OTHER LIABILITIES	14	5,123	5,389	4,902	5,174
28	TOTAL LIABILITIES (17 to 27)		1,007,373	1,006,232	997,052	996,276
29	SHARE CAPITAL	15	10,015	10,015	10,015	10,015
30	SHARE PREMIUM	15	82,434	82,434	82,434	82,434
32	REVALUATION RESERVE		1	-2	103	103
33	PROFIT RESERVES		3,432	2,123	3,293	2,509
35	RETAINED EARNINGS (incl. net profit/loss for the year)		-4,338	-3,158	139	-386
36	EQUITY ATTRIBUTABLE TO OWNERS OF PARENT BANK (29 to 35)		91,544	91,412	95,984	94,675
37	MINORITY INTEREST		0	336	0	408
38	TOTAL EQUITY (36+37)		91,544	91,748	95,984	95,083
39	**TOTAL LIABILITIES AND EQUITY (28 + 38)**		**1,098,917**	**1,097,980**	**1,093,036**	**1,091,359**

The notes to the statement of financial position (balance sheet) are an integral part of the statement of financial position and should be used as a reference when reading the statement of financial position.

4.4. PROFIT AND LOSS ACCOUNT

in EUR thousand

Item No.	ITEM DESCRIPTION	Note	2010		2009	
			BANK	GROUP	BANK	GROUP
1	Interest income and similar income	17	37,715	37,867	44,577	44,750
2	Interest expenses and similar expenses	17	15,326	15,335	22,565	22,569
3	**Net interest (1 - 2)**		**22,389**	**22,532**	**22,012**	**22,181**
5	Fee and commission income	18	5,338	6,050	4,219	5,001
6	Fee and commission expenses	18	716	1,687	730	1,828
7	**Net fees and commissions (5 - 6)**		**4,622**	**4,363**	**3,489**	**3,173**
8	Realized gains/losses on financial assets and liabilities not measured at fair value through profit or loss		8	8	0	0
9	Net gains/losses on financial assets and liabilities held for trading		142	142	132	131
12	Net foreign exchange gains/losses	20	-31	-38	-17	-9
13	Net gains/losses from derecognition of assets other than non-current assets held for sale	21	-229	-235	-24	-24
14	Other net operating gains/losses	19	-172	34	250	574
15	Administrative expenses	22	14,979	16,454	15,053	16,187
16	Depreciation and amortisation	23	2,833	2,874	2,617	2,652
17	Provisions	24	448	448	68	68
18	Impairment charge	25	14,072	12,099	7,911	8,123
20	Corresponding gains/losses on investments in associated companies and joint ventures accounted for using the equity method		0	-14	0	-41
22	PROFIT/LOSS FROM CONTINUING OPERATIONS (3+4+7+8+9+10+11+12+13+14-15-16-17-18+19+20+21)		-5,603	-5,083	193	-1,045
23	Corporate income tax from continuing operations		-1,264	1,093	54	190
24	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (22 - 23)		-4,339	-3,990	139	-855
26	**NET PROFIT/LOSS FOR THE YEAR (24 + 25)**	26	**-4,339**	**-3,990**	**139**	**-855**
	a) Owners of the parent bank		-4,339	-3,158	139	-386
	b) Owners of minority interests		0	-832	0	-469

The notes to the profit and loss account are an integral part of the profit and loss account and should be used as a reference when reading the profit and loss account.

4.5. STATEMENT OF COMPREHENSIVE INCOME

in EUR thousand

Item No.	ITEM DESCRIPTION	2010		2009	
		BANK	GROUP	BANK	GROUP
1	**NET PROFIT/LOSS FOR THE FINANCIAL YEAR AFTER TAX**	**- 4,339**	**- 3,990**	**139**	**- 855**
2	**OTHER COMPREHENSIVE INCOME AFTER TAX** (3+4+5+9+13+18+22+26+27+28+29)	**- 101**	**- 105**	**80**	**80**
18	**Net gains/losses recognized in revaluation reserve attributable to available-for-sale financial assets** (19+20+21)	**- 101**	**- 105**	**80**	**80**
19	Gains/losses recognized in revaluation reserve	- 101	- 105	80	80
30	**COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR AFTER TAX (1+2)**	**- 4,440**	**- 4,095**	**219**	**- 775**
	a) Owners of the parent bank	- 4,440	- 3,263	219	- 305
	b) Owners of minority interests	-	- 832	-	- 470

4.6. STATEMENT OF CHANGES IN EQUITY

BANK

		Share capital	Share premium	Capital related to compound financial instruments	Revaluation reserve related to financial assets available for sale	Profit reserves	Retained earnings (incl. net profit/loss for the year)	Treasury shares (equity deduction item)	Total equity
1	**OPENING BALANCE FOR 2010**	**10,015**	**82,434**	**0**	**103**	**3,293**	**139**	**0**	**95,984**
2	**Comprehensive income after tax for the year**	**0**	**0**	**0**	**-101**	**0**	**-4,338**	**0**	**-4,439**
8	Transfer of net profit to profit reserves	0	0	0	0	139	-139	0	**0**
11	**CLOSING BALANCE FOR 2010**	**10,015**	**82,434**	**0**	**2**	**3,432**	**-4,338**	**0**	**91,545**

		Share capital	Share premium	Capital related to compound financial instruments	Revaluation reserve related to financial assets available for sale	Profit reserves	Retained earnings (incl. net profit/loss for the year)	Treasury shares (equity deduction item)	Total equity
1	**OPENING BALANCE FOR 2009**	**10,015**	**82,434**	**0**	**23**	**3,291**	**3,499**	**0**	**99,262**
2	**Comprehensive income after tax for the year**	**0**	**0**	**0**	**80**	**0**	**139**	**0**	**219**
8	Transfer of net profit to profit reserves	0	0	0	0	0	-3,497	0	**-3,497**
11	**CLOSING BALANCE FOR 2009**	**10,015**	**82,434**	**0**	**103**	**3,293**	**139**	**0**	**95,984**

GROUP

		Share capital	Share premium	Capital related to compound financial instruments	Revaluation reserve related to financial assets available for sale	Profit reserves	Retained earnings (incl. net profit/loss for the year)	Treasury shares (equity deduction item)	Equity attributable to owners of parent bank	Minority interest	Total equity
1	**OPENING BALANCE FOR 2010**	**10,015**	**82,434**	**0**	**103**	**2,509**	**-386**	**0**	**94,675**	**408**	**95,083**
2	**Comprehensive income after tax for the year**	**0**	**0**	**0**	**-105**	**0**	**-3,158**	**0**	**-3,263**	**-832**	**-4,095**
3	New subscribed (paid-up) capital	0	0	0	0	0	0	0	**0**	760	**760**
9	Compensation for loss from previous years	0	0	0	0	-386	386	0	**0**	0	**0**
11	**CLOSING BALANCE FOR 2010**	**10,015**	**82,434**	**0**	**-2**	**2,123**	**-3,158**	**0**	**91,412**	**336**	**91,748**

		Share capital	Share premium	Capital related to compound financial instruments	Revaluation reserve related to financial assets available for sale	Profit reserves	Retained earnings (incl. net profit/loss for the year)	Treasury shares (equity deduction item)	Equity attributable to owners of parent bank	Minority interest	Total equity
1	**OPENING BALANCE FOR 2009**	**10,015**	**82,434**	**0**	**23**	**3,291**	**2,714**	**0**	**98,477**	**339**	**98,816**
2	**Comprehensive income after tax for the year**	**0**	**0**	**0**	**80**	**0**	**-386**	**0**	**-306**	**0**	**-306**
3	New subscribed (paid-up) capital	0	0	0	0	0	0	0	0	69	**69**
7	Dividends paid	0	0	0	0	0	-2,714	0	-2,714	0	**-2,714**
9	Compensation for loss from previous years	0	0	0	0	-782	0	0	-782	0	**-782**
11	**CLOSING BALANCE FOR 2009**	**10,015**	**82,434**	**0**	**103**	**2,509**	**-386**	**0**	**94,675**	**408**	**95,083**

4.7. CASH FLOW STATEMENT

in EUR thousand

Item No.	ITEM DESCRIPTION	2010		2009	
		BANK	GROUP	BANK	GROUP
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**				
a)	**Net profit before tax**	**-5,603**	**-5,082**	**193**	**-1,045**
	Depreciation and amortisation	2,833	2,873	2,616	2,652
	Impairments/(reversal of impairment) of financial assets held to maturity and of loan portfolio	11,955	11,379	7,911	7,911
	Impairments of capital investments in subsidiaries, associates and joint ventures	2,117	0	0	0
	Net (gains)/losses from foreign exchange differences	31	38	17	9
	Net (gains)/losses from sale of tangible fixed assets and investment property	228	230	23	23
	Other adjustments to net profit before tax	451	451	68	68
	Cash flows from operating activities before changes in operating assets and liabilities	**12,012**	**9,885**	**10,828**	**9,618**
b)	**(Increases)/decreases in operating assets (excl. cash equivalents)**	**9,532**	**10,354**	**50,069**	**52,353**
	Net (increase)/decrease in financial assets available for sale	-9,379	-9,438	-516	-516
	Net (increase)/decrease in loans	19,290	20,557	50,778	52,997
	Net (increase)/decrease in other assets	-379	-765	-192	-128
c)	**Increases/(decreases) in operating liabilities:**	**9,856**	**9,491**	**-85,245**	**-88,559**
	Net increase/(decrease) in deposits and loans measured at amortised cost	9,638	9,279	-85,614	-88,713
	Net increase/(decrease) in other liabilities	218	212	369	154
d)	**Cash flows from operating activities (a+b+c)**	**31,400**	**29,732**	**-24,349**	**-26,588**
e)	**(Paid)/refunded corporate income tax**	**1,241**	**1,241**	**-1,660**	**-1,644**
f)	**Net cash flows from operating activities (d+e)**	**32,641**	**30,973**	**-26,009**	**-28,232**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**				
a)	**Receipts from investing activities**	**658**	**682**	**88**	**88**
	Receipts from the sale of tangible fixed assets and investment property	658	682	88	88
b)	**Payments on investing activities**	**-4,852**	**-3,968**	**-4,679**	**-3,684**
	(Payments to acquire tangible fixed assets and investment property)	1,856	-1,912	-310	-819
	(Payments to acquire intangible assets)	-2,041	-2,056	-3,811	-2,865
	(Payments for capital investments in subsidiaries, associated companies and joint ventures)	-955	0	-558	0
c)	**Net cash flows from investing activities (a-b)**	**-4,194**	**-3,286**	**-4,592**	**-3,596**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**				
a)	**Proceeds from financing activities**	**0**	**760**	**0**	**0**
	Other proceeds from financing activities	0	760	0	0
b)	**Payments on financing activities**	**0**	**0**	**-4,055**	**-3,272**
	(Dividends paid)	0	0	-3,497	-2,714
	(Repayments of subordinated liabilities)	0	0	-558	-558
c)	**Net cash flows from financing activities (a-b)**	**0**	**760**	**-4,055**	**-3,272**
D.	D. Effects of exchange rate changes on cash and cash equivalents				
E.	**E. Net increase in cash and cash equivalents (Ae+Bc+Cc)**	**28,447**	**28,447**	**-34,655**	**-35,100**
F.	**F. Opening balance of cash and cash equivalents**	**10,648**	**10,648**	**45,303**	**45,748**
G.	**G. Closing balance of cash and cash equivalents (D+E+F)**	**39,095**	**39,095**	**10,648**	**10,648**

4.7.1. CASH EQUIVALENTS (BANK AND GROUP)

	31/12/2010		31/12/2009	
	BANK	GROUP	BANK	GROUP
Cash and account balances	37,067	37,067	6,173	6,173
AFS securities	0	0	0	0
Loans with an original term of up to 90 days	2,028	2,028	4,475	4,475
TOTAL	**39,095**	**39,095**	**10,648**	**10,648**

4.8. NOTES TO FINANCIAL STATEMENTS

4.8.1. NOTES TO THE BALANCE SHEET

Note 1 Cash and balances with the Central Bank

	31/12/2010		31/12/2009	
	BANK	GROUP	BANK	GROUP
1. Cash	812	812	1,197	1,197
2. Statutory placements with Central Bank	5,755	5,755	4,716	4,716
3. Other placements with Central Bank	30,500	30,500	260	260
TOTAL	**37,067**	**37,067**	**6,173**	**6,173**

Other placements include excluded assets under the statutory clearing scheme in the amount of EUR 500 thousand.

The statutory minimum reserve is calculated in compliance with the Bank of Slovenia's Decision on legal reserves. The amount of the statutory reserve is included under the item Clearing account at the Bank of Slovenia. For the reserve maintenance period from 8 December 2010 to 18 January 2011, the calculated statutory reserve was EUR 6,264 thousand. In 2010 the Bank met the statutory reserve requirement at all times.

Note 2 Financial assets available for sale

a) Breakdown by type of financial asset available for sale

	31/12/2010		31/12/2009	
	BANK	GROUP	BANK	GROUP
Erste Bank bonds	1,585	1,585	1,597	1,597
- quoted	*1,585*	*1,585*	*1,597*	*1,597*
- unquoted	*0*	*0*	*0*	*0*
Republic of Austria bonds	1,502	1,502	1,054	1,054
- quoted	*1,502*	*1,502*	*1,054*	*1,054*
- unquoted	*0*	*0*	*0*	*0*
Republic of Slovenia bonds	10,712	10,767	1,870	1,870
- quoted	*10,712*	*10,767*	*1,870*	*1,870*
- unquoted	*0*	*0*	*0*	*0*
Total	**13,799**	**13,854**	**4,521**	**4,521**
- quoted	***13,799***	***13,854***	***4,521***	***4,521***
- unquoted	***0***	***0***	***0***	***0***

As at 31 December 2010, the Group's portfolio comprises government bonds of the Republic of Slovenia, government bonds of the Republic of Austria and bonds of Erste Bank.

A portion of the assets serves as security in compliance with the requirements of the Bank of Slovenia:

- assets pledged in the amount of EUR 826,000 pursuant to the SEPA processing agreement,

- STEP 2, assets pledged in the amount of EUR 206,500,
- and assets pledged in the amount of EUR 3,200,350 in accordance with the decision on the deposit guarantee system.

The bonds of the Republic of Slovenia, the Republic of Austria and Erste Bank were purchased in domestic currency. The interest rate for the bonds of the Republic of Slovenia ranges between 4.0% and 4.375%, while the interest rates for the bonds of the Republic of Austria and Erste Bank are 3.8% and 4.375%, respectively.

The stockbroking company brokerjet purchased the RS59 bonds for the purpose of ensuring the necessary liquid assets pursuant to Article 8 of the Decision regulating guarantees for investors' claims (Official Gazette of the Republic of Slovenia No. 74/2009).
Securities have not been pledged as collateral and cannot be used for any other purpose.

c) Fair value of financial assets available for sale

The fair value of financial assets and financial liabilities is determined as follows:

- the fair value of financial assets and financial liabilities with standard terms that are traded in active liquidity markets is determined based on the offering price in the market,
- the fair value of other financial assets and financial liabilities (except derivative financial instruments) is determined according to the generally accepted pricing models and based on an analysis of discounted cash flows using quoted prices for similar instruments,
- the fair value of derivative financial instruments is calculated based on the offering price.

c) Movements in available-for-sale (AFS) financial assets

BANK

	Erste Bank bonds		Republic of Slovenia bonds		Republic of Austria bonds		**Total AFS financial assets**	
	quoted	unquoted	quoted	unquoted	quoted	unquoted	**quoted**	**unquoted**
As at 1/1/2010	**1,597**	**0**	**1,870**	**0**	**1,054**	**0**	**4,521**	**0**
Additions	0	0	9,468	0	1,498	0	**10,966**	**0**
Amortization of premium	4	0	-78	0	32	0	**-42**	**0**
Disposals (sale and redemption)	0	0	-795	0	-1,034	0	**-1,829**	**0**
Changes in fair value	-16	0	-59	0	-6	0	**-81**	**0**
Interest	0	0	306	0	-42	0	**264**	**0**
As at 31/12/2010	**1,585**	**0**	**10,712**	**0**	**1,502**	**0**	**13,799**	**0**

	Erste Bank bonds		Republic of Slovenia bonds		Republic of Austria bonds		**Total AFS financial assets**	
	quoted	unquoted	quoted	unquoted	quoted	unquoted	**quoted**	**unquoted**
As at 1/1/2009	**1,526**	**0**	**1,313**	**0**	**1,086**	**0**	**3,925**	**0**
Additions	0	0	500	0	0	0	**500**	**0**
Amortization of premium	4	0	6	0	-12	0	**-2**	**0**
Disposals (sale and redemption)	0	0	0	0	0	0	**0**	**0**
Changes in fair value	67	0	32	0	-20	0	**79**	**0**
Interest	0	0	19	0	0	0	**19**	**0**
As at 31/12/2009	**1,597**	**0**	**1,870**	**0**	**1,054**	**0**	**4,521**	**0**

GROUP

	Erste Bank bonds		Republic of Slovenia bonds		Republic of Austria bonds		**Total AFS financial assets**	
	quoted	unquoted	quoted	unquoted	quoted	unquoted	**quoted**	**unquoted**
As at 1/1/2010	**1,597**	**0**	**1,870**	**0**	**1,054**	**0**	**4,521**	**0**
Additions	0	0	9,525	0	1,498	0	**11,023**	**0**
Amortization of premium	4	0	-78	0	32	0	**-42**	**0**
Disposals (sale and redemption)	0	0	-795	0	-1,034	0	**-1,829**	**0**
Changes in fair value	-16	0	-63	0	-6	0	**-85**	**0**
Interest	0	0	308	0	-42	0	**266**	**0**
As at 31/12/2010	**1,585**	**0**	**10,767**	**0**	**1,502**	**0**	**13,854**	**0**

	Erste Bank bonds		Republic of Slovenia bonds		Republic of Austria bonds		**Total AFS financial assets**	
	quoted	unquoted	quoted	unquoted	quoted	unquoted	**quoted**	**unquoted**
As at 1/1/2009	**1,526**	**0**	**1,313**	**0**	**1,086**	**0**	**3,925**	**0**
Additions	0	0	500	0	0	0	**500**	**0**
Amortization of premium	4	0	6	0	-12	0	**-2**	**0**
Disposals (sale and redemption)	0	0	0	0	0	0	**0**	**0**
Changes in fair value	67	0	32	0	-20	0	**79**	**0**
Interest	0	0	19	0	0	0	**19**	**0**
As at 31/12/2009	**1,597**	**0**	**1,870**	**0**	**1,054**	**0**	**4,521**	**0**

Note 3 Loans to banks

Loans to banks are declared only in the Bank's balance sheet.

a) Breakdown by currency and maturity

	31/12/2010			31/12/2009		
	Gross	Value adjustments	Net	Gross	Value adjustments	Net
Demand, in EUR	**1,323**	**0**	**1,323**	**2,929**	**0**	**2,929**
- foreign banks	1,323	0	1,323	2,929	0	2,929
Demand, in foreign currency	**705**	**0**	**705**	**1,545**	**0**	**1,545**
- domestic banks	303	0	303	977	0	977
- foreign banks	402	0	402	568	0	568
Long-term in EUR	**19,353**	**140**	**19,213**	**23,566**	**134**	**23,432**
- domestic banks	19,353	140	19,213	23,566	134	23,432
TOTAL	**21,381**	**140**	**21,241**	**28,040**	**134**	**27,906**

The amount of EUR 21,381 thousand encompasses interest-bearing liabilities, interest on arrears and deferred interest totalling EUR 213 thousand (in 2009: EUR 184 thousand).

The combined average interest rate for loans to banks was 3.019% in 2010.

b) Breakdown by maturity

Remaining maturity is the period between the reporting date and the date on which a transaction matures.

	BANK				GROUP			
	Gross	Value adjustments	Net 2010	Net 2009	Gross	Value adjustments	Net 2010	Net 2009
Up to 1 month	8,787	-65	8,722	4,475	8,787	-65	8,722	4,475
1 to 3 months	5,088	-49	5,039	1,429	5,088	-49	5,039	1,429
3 to 12 months	837	-10	827	7,500	837	-10	827	7,500
1 to 5 years	5,015	0	5,015	12,559	5,015	0	5,015	12,559
More than 5 years	1,654	-16	1,638	1,944	1,654	-16	1,638	1,944
	21,381	**-140**	**21,241**	**27,907**	**21,381**	**-140**	**21,241**	**27,907**

c) Value adjustment movements

	2010	2009
Opening balance	134	61
Loan value adjustments	125	108
Reversed loan value adjustments	119	35
Closing balance	**140**	**134**

Note 4 Loans to customers

a) Breakdown by currency and maturity

BANK

	31/12/2010			31/12/2009		
	Gross	Value adjustments	Net	Gross	Value adjustments	Net
In domestic currency	**987,077**	**33,471**	**953,606**	**1,005,927**	**23,286**	**982,641**
Short-term	**35,160**	**5,237**	**29,923**	**50,487**	**4,322**	**46,165**
Non-financial corporations	18,525	2,134	16,391	32,852	1,569	31,283
General government	0	0	0	1,606	5	1,601
Other financial corporations	42	1	41	1	1	0
Retail customers	12,842	2,514	10,328	13,972	2,145	11,827
Sole proprietors	1,705	545	1,160	2,030	595	1,435
Non-profit institutions serving households	2,018	41	1,977	26	7	19
Subsidiaries	28	2	26	0	0	0
Long-term	**951,917**	**28,234**	**923,683**	**955,440**	**18,964**	**936,476**
Non-financial corporations	408,213	15,070	393,143	454,135	8,006	446,129
General government	11,307	109	11,198	12,128	85	12,043
Other financial corporations	19,933	205	19,728	18,686	131	18,555
Retail customers	432,455	9,258	423,197	382,467	7,277	375,190
Sole proprietors	65,863	3,256	62,607	71,111	3,343	67,768
Non-profit institutions serving households	5,989	96	5,893	8,564	56	8,508
Non-residents	571	167	404	745	13	732
Subsidiaries	7,586	73	7,513	7,604	53	7,551
In foreign currency	**61,137**	**1,582**	**59,555**	**58,118**	**537**	**57,581**
Long-term	**61,137**	**1,582**	**59,555**	**58,118**	**537**	**57,581**
Non-financial corporations	14,042	724	13,318	13,615	95	13,520
Other financial corporations	7,676	105	7,571	8,473	100	8,373
Retail customers	37,017	692	36,325	33,813	287	33,526
Sole proprietors	2,402	61	2,341	2,217	55	2,162
TOTAL	**1,048,214**	**35,053**	**1,013,161**	**1,064,045**	**23,823**	**1,040,222**

The amount of EUR 1,048,214 thousand encompasses interest-bearing liabilities, interest on arrears and deferred interest totalling EUR 5,205 thousand (in 2009: EUR 5,798 thousand).

The combined average interest rate for loans to customers (not financial institutions) was 3.54% in 2010.

GROUP

	31/12/2010			31/12/2009		
	Gross	Value adjustments	Net	Gross	Value adjustments	Net
In domestic currency	**986,270**	**33,791**	**952,479**	**1,005,726**	**23,498**	**982,228**
Short-term	**43,581**	**5,559**	**38,022**	**57,800**	**4,534**	**53,266**
Non-financial corporations	26,946	2,456	24,490	40,165	1,781	38,384
General government	0	0	0	1,606	5	1,601
Other financial corporations	42	1	41	1	1	0
Retail customers	12,842	2,514	10,328	13,972	2,145	11,827
Sole proprietors	1,705	545	1,160	2,030	595	1,435
Non-profit institutions serving households	2,018	41	1,977	26	7	19
Subsidiaries	28	2	26	0	0	0
Long-term	**942,689**	**28,232**	**914,457**	**947,926**	**18,964**	**928,962**
Non-financial corporations	411,480	15,069	396,411	454,136	8,006	446,130
General government	11,307	109	11,198	12,128	85	12,043
Other financial corporations	14,944	205	14,739	18,686	131	18,555
Retail customers	432,455	9,257	423,198	382,467	7,277	375,190
Sole proprietors	65,863	3,256	62,607	71,111	3,343	67,768
Non-profit institutions serving households	5,989	96	5,893	8,564	56	8,508
Non-residents	571	167	404	745	13	732
Subsidiaries	80	73	7	89	53	36
In foreign currency	**61,212**	**1,582**	**59,630**	**58,177**	**537**	**57,640**
Long-term	**61,212**	**1,582**	**59,630**	**58,177**	**537**	**57,640**
Non-financial corporations	14,117	724	13,393	13,674	95	13,579
Other financial corporations	7,676	105	7,571	8,473	100	8,373
Retail customers	37,017	692	36,325	33,813	287	33,526
Sole proprietors	2,402	61	2,341	2,217	55	2,162
TOTAL	**1,047,482**	**35,373**	**1,012,109**	**1,063,903**	**24,035**	**1,039,868**

The combined average interest rate for loans to customers (not financial institutions) was 3.54% in 2010.

As at 31 December 2010, the prevailing form of credit protection in the Group's loan portfolio was mortgage. Other forms of credit protection used by the Bank as at 31 December 2010 were: deposit pledged as collateral, guarantors and assignment of accounts receivable. All the listed forms of credit protection other than mortgages and guarantors account for insignificant shares in terms of volume. A creditworthy guarantor is the most frequently used form of credit protection for consumer loans.

b) Breakdown by maturity

Remaining maturity is the period between the reporting date and the date on which a transaction matures.

	BANK				GROUP			
	Gross	Value adjust-ments	Net 2010	Net 2009	Gross	Value adjust-ments	Net 2010	Net 2009
Up to 1 month	46,821	-13,145	33,676	25,892	46,970	-13,145	33,825	25,994
1 to 3 months	4,326	-95	4,231	8,771	5,169	-417	4,752	15,828
3 to 12 months	57,082	-2,059	55,023	77,934	57,082	-2,059	55,023	77,934
1 to 5 years	267,148	-9,014	258,134	280,227	264,748	-9,014	255,734	272,713
More than 5 years	672,837	-10,740	662,097	647,398	673,514	-10,740	662,774	647,398
	1,048,214	**-35,053**	**1,013,161**	**1,040,222**	**1,047,483**	**-35,375**	**1,012,108**	**1,039,867**

c) Value adjustment movements

	2010		2009	
	BANK	GROUP	BANK	GROUP
Opening balance	23,823	24,035	16,633	16,633
Loan value adjustments	16,639	16,749	22,599	22,858
Reversed loan value adjustments	4,691	4,691	14,761	14,808
Write-offs	720	720	648	648
Closing balance	**35,051**	**35,373**	**23,823**	**24,035**

Note 5 Tangible fixed assets

BANK

	Office equipment	Computers	Motor vehicles	Other equipment	Tangible fixed assets under construction	Total
Acquisition cost						
As at 1/1/2010	1,085	2,823	96	1,050	13	**5,067**
Increases	5	69	0	1,718	64	**1,856**
Decreases	1	260	32	304	62	**659**
Transfers	0	0	0	0	0	**0**
As at 31/12/2010	**1,089**	**2,632**	**64**	**2,464**	**15**	**6,264**
Accumulated depreciation/amortization						
As at 1/1/2010	492	2,047	29	754	0	**3,322**
Depreciation and amortization	116	285	9	189	0	**599**
Increases	0	43	0	531	0	**574**
Decreases	0	241	8	98	0	**347**
Transfers	0	0	0	0	0	**0**
As at 31/12/2010	**608**	**2,134**	**30**	**1,376**	**0**	**4,148**
Net book amount						
As at 1/1/2010	593	776	67	296	13	1,745
As at 31/12/2010	481	498	34	1,088	15	2,116
Acquisition cost						
As at 1/1/2009	1,040	2,749	96	1,997	147	**6,029**
Increases	45	329	0	87	527	**988**
Decreases	0	271	0	4	661	**936**
Transfers	0	15	0	-1,030	0	**-1,015**
As at 31/12/2009	**1,085**	**2,822**	**96**	**1,050**	**13**	**5,066**
Accumulated depreciation/amortization						
As at 1/1/2009	379	1,997	17	635	0	**3,028**
Depreciation and amortization	114	287	12	222	0	**635**
Increases	0	0	0	0	0	**0**
Decreases	0	254	0	2	0	**256**
Transfers	-2	17	0	-101	0	**-86**
As at 31/12/2009	**491**	**2,047**	**29**	**754**	**0**	**3,321**
Net book amount						
As at 1/1/2009	661	752	79	1,362	147	3,001
As at 31/12/2009	594	775	67	296	13	1,745

The Bank has no tangible fixed assets acquired as compensation for a repayment of debt nor assets acquired under financial leasing.

As at 31 December 2010, no tangible fixed assets of the Bank have been pledged as security for liabilities. Liabilities for the purchase of tangible fixed assets as at 31 December 2010 were EUR 101 thousand.

The Bank spent EUR 28 thousand on business car rentals in 2010.

GROUP

	Office equipment	Computers	Motor vehicles	Other equipment	Tangible fixed assets under construction	Total
Acquisition cost						
As at 1/1/2010	1,109	2,847	153	1,087	13	**5,210**
Increases	5	72	52	1,719	64	**1,912**
Decreases	1	260	67	304	62	**694**
Transfers	0	0	0	0	0	**0**
As at 31/12/2010	**1,113**	**2,659**	**138**	**2,502**	**15**	**6,427**
Accumulated depreciation/amortization						
As at 1/1/2010	502	2,065	44	764	0	**3,375**
Depreciation and amortization	121	290	19	196	0	**626**
Increases	0	43	0	531	0	**574**
Decreases	0	241	19	98	0	**358**
Transfers	0	0	0	0	0	**0**
As at 31/12/2010	**623**	**2,157**	**44**	**1,393**	**0**	**4,217**
Net book amount						
As at 1/1/2010	607	782	109	323	13	1,834
As at 31/12/2010	490	502	94	1,109	15	2,210
Acquisition cost						
As at 1/1/2009	1,064	2,772	153	2,033	147	**6,169**
Increases	45	331	0	88	527	**991**
Decreases	0	271	0	4	661	**936**
Transfers	0	15	0	-1,030	0	**-1,015**
As at 31/12/2009	**1,109**	**2,847**	**153**	**1,087**	**13**	**5,209**
Accumulated depreciation/amortization						
As at 1/1/2009	385	2,004	25	638	0	**3,052**
Depreciation and amortization	119	298	19	229	0	**665**
Increases	0	0	0	0	0	**0**
Decreases	0	254	0	2	0	**256**
Transfers	-2	17	0	-101	0	**-86**
As at 31/12/2009	**502**	**2,065**	**44**	**764**	**0**	**3,375**
Net book amount						
As at 1/1/2009	679	768	128	1,395	147	3,117
As at 31/12/2009	607	782	109	323	13	1,834

The Group has no tangible fixed assets acquired as compensation for a repayment of debt nor assets acquired under financial leasing.

As at 31 December 2010, no tangible fixed assets have been pledged as security for liabilities. Liabilities for the purchase of tangible fixed assets as at 31 December 2010 were EUR 101 thousand.

The Group spent EUR 28 thousand on business car rentals in 2010.

Note 6 Intangible assets

BANK

	Long-term property rights	Software	Other intangible assets	Intangible assets under construction	Total
Acquisition cost					
As at 1/1/2010	1,611	17,132	1,449	1,382	**21,574**
Increases	230	3,562	-1,449	2,618	**4,961**
Decreases	69	48	0	3,332	**3,449**
Transfers	0	0	0	0	**0**
As at 31/12/2010	**1,772**	**20,646**	**0**	**668**	**23,086**
Accumulated depreciation/amortization					
As at 1/1/2010	1,356	12,552	531	0	**14,439**
Depreciation and amortization	83	2,151	0	0	**2,234**
Increases	0	0	-531	0	**-531**
Decreases	0	0	0	0	**0**
Transfers	0	0	0	0	**0**
As at 31/12/2010	**1,439**	**14,703**	**0**	**0**	**16,142**
Net book amount					
As at 1/1/2010	255	4,580	918	1,382	7,135
As at 31/12/2010	333	5,943	0	668	6,944
Acquisition cost					
As at 1/1/2009	1,329	13,937	1,225	365	**16,856**
Increases	206	3,047	25	4,258	**7,536**
Decreases	0	593	0	3,241	**3,834**
Transfers	75	740	200	0	**1,015**
As at 31/12/2009	**1,610**	**17,131**	**1,450**	**1,382**	**21,573**
Accumulated depreciation/amortization					
As at 1/1/2009	1,019	10,369	984	0	**12,372**
Depreciation and amortization	256	1,695	29	0	**1,980**
Increases	0	0	0	0	**0**
Decreases	0	0	0	0	**0**
Transfers	79	489	-482	0	**86**
As at 31/12/2009	**1,354**	**12,553**	**531**	**0**	**14,438**
Net book amount					
As at 1/1/2009	310	3,568	241	365	4,484
As at 31/12/2009	256	4,578	919	1,382	7,135

As at 31 December 2010, no intangible assets of the Bank have been pledged as security for liabilities. The Bank had no outstanding liabilities for the purchase of intangible assets as at 31 December 2010.

GROUP

	Long-term property rights	Software	Other intangible assets	Intangible assets under construction	Total
Acquisition cost					
As at 1/1/2010	1,667	17,143	1,451	1,382	**21,643**
Increases	230	3,577	-1,449	2,618	**4,976**
Decreases	69	48	0	3,332	**3,449**
Transfers	0	0	0	0	**0**
As at 31/12/2010	**1,828**	**20,672**	**2**	**668**	**23,170**
Accumulated depreciation/amortization					
As at 1/1/2010	1,359	12,554	531	0	**14,444**
Depreciation and amortization	89	2,158	0	0	**2,247**
Increases	0	0	-531	0	**-531**
Decreases	0	0	0	0	**0**
Transfers	0	0	0	0	**0**
As at 31/12/2010	**1,448**	**14,712**	**0**	**0**	**16,160**
Net book amount					
As at 1/1/2010	308	4,589	920	1,382	7,199
As at 31/12/2010	380	5,960	2	668	7,010
Acquisition cost					
As at 1/1/2009	1,330	13,942	1,225	365	**16,862**
Increases	262	3,054	26	4,258	**7,600**
Decreases	0	593	0	3,241	**3,834**
Transfers	75	740	200	0	**1,015**
As at 31/12/2009	**1,667**	**17,143**	**1,451**	**1,382**	**21,643**
Accumulated depreciation/amortization					
As at 1/1/2009	1,021	10,369	984	0	**12,374**
Depreciation and amortization	259	1,696	29	0	**1,984**
Increases	0	0	0	0	**0**
Decreases	0	0	0	0	**0**
Transfers	79	489	-482	0	**86**
As at 31/12/2009	**1,359**	**12,554**	**531**	**0**	**14,444**
Net book amount					
As at 1/1/2009	309	3,573	241	365	4,488
As at 31/12/2009	308	4,589	920	1,382	7,199

As at 31 December 2010, no intangible assets have been pledged as security against liabilities. The Group had no outstanding liabilities for the acquisition of intangible assets as at 31 December 2010.

Note 7 Capital investments in companies

The Bank founded the company Sparkasse Leasing S d.o.o. on 19 April 2010. The company's share capital is EUR 150 thousand. It is wholly owned by the Bank.

The Bank invested additional capital in the amount of EUR 459 thousand in brokerjet SPARKASSE, borzno posredniška družba, on 11 January 2010 and another EUR 331.5

thousand on 27 September 2010. In the company s REAL d.o.o., the Bank invested EUR 1 thousand on 1 February 2010 and another EUR 13 thousand on 6 August 2010.

Subsidiary data:

S-FACTORING, faktoring družba d.d.
Cesta v Kleče 15
1000 Ljubljana

Share capital:	EUR 700,000.00
Balance sheet total:	EUR 9,087,249.18
Profit or loss for the year:	EUR -95,717.83

Equity interest of Banka Sparkasse d.d.: 60%

brokerjet SPARKASSE, borzno posredniška družba d.d.
Cesta v Kleče 15
1000 Ljubljana

Share capital:	EUR 4,150,000.00
Balance sheet total:	EUR 790,660.88
Profit or loss for the year:	EUR -1,619,457.97

Equity interest of Banka Sparkasse d.d.: 51%

s REAL SPARKASSE, nepremičnine, d.o.o.
Cesta v Kleče 15
1000 Ljubljana

Share capital:	EUR 7,500.00
Balance sheet total:	EUR 39,500.00
Profit or loss for the year:	EUR -69,557.92

Equity interest of Banka Sparkasse d.d.: 26%

Sparkasse Leasing S d.o.o.
Cesta v Kleče 15
1000 Ljubljana

Share capital:	EUR 150,000.00
Balance sheet total:	EUR 5,149,570.85
Profit or loss for the year:	EUR -38,571.30

Equity interest of Banka Sparkasse d.d.: 100%

Note 8 Corporate income tax receivables and payables

	31/12/2010		31/12/2009	
	BANK	GROUP	BANK	GROUP
Assessed corporate income tax	0	0	17	17
Advance tax payments made during the year	16	16	1,260	1,260
Overpayment	**16**	**16**	**1,243**	**1,243**

Corporate income tax receivables disclosed in the Bank's financial accounts total EUR 16 thousand EUR (in 2009: EUR 1,243 thousand). Based on the tax base for 2010, a tax loss of

EUR 5,912 thousand was declared. The advance tax payments paid periodically to the Tax Administration of the Republic of Slovenia during the year as calculated based on the tax base from 2009 amounted to EUR 16 thousand.

The Bank had no past-due outstanding tax liabilities as at 31 December 2010.

The corporate income tax was calculated based on the income and expenses as disclosed in the financial statements in accordance with applicable laws. The corporate income tax was calculated at a tax rate of 20% of the tax base.

	31/12/2010		31/12/2009	
	BANK	GROUP	BANK	GROUP
Current taxes	0	0	17	0
Deferred taxes	-1,264	-1,093	37	-190
TOTAL	**-1,264**	**-1,093**	**54**	**-190**

The current taxes are an operating liability calculated based on the statutory tax rate of 20%.

The Group recognized deferred taxes on temporary differences from the following bases:

- different depreciation rates for operating and tax purposes,
- revaluation expenses, which are not recognized pursuant to Article 21, paragraph 1 of the Corporate Income Tax Act,
- provisions for employee benefits,
- unused portions of the tax credit not applied in the calculation of corporate income tax, which can be applied in the following years,
- tax loss from 2010 and unused tax losses from previous years.

	BANK			GROUP		
	GROSS	tax rate	TAX	GROSS	tax rate	TAX
Book profit/(loss) before tax:	**-5,602**	20%	**-1,120**	**-5,083**	20%	**-1,017**
TAX EFFECT OF RECURRING EXPENSES / INCOME						
Non-deductible costs for tax purposes	221	20%	44	224	20%	45
Unrecognized foreign tax credit	0	20%	0	0	20%	0
Reduction of expenses on account of transfer prices	74	20%	15	74	20%	15
Increase in expenses on account of recognized revaluation expenses	0	20%	0	0	20%	0
Increase in expenses on account of recognized depreciation in the case of disposal of fixed assets	0	20%	0	0	20%	0
Tax benefits	0	20%	0	0	20%	0
Increased tax base - application of tax credits for investments	0	20%	0	0	20%	0
Increase in income on account of transfer prices	71	20%	14	71	20%	14
Use of previously unrecognized tax losses	0	20%	0	0	20%	0
TAX EFFECT OF DEFERRED TAXES (NON-RECURRING EXPENSES/INCOME)						
Unrecognized losses for the current year (i.e. a change in value adjustment)	0	20%	0	322	20%	64
Non-deductible expenses for depreciation exceeding the tax deductible limit	50	20%	10	50	20%	10
Non-deductible expenses for provisions on account of long-term accruals	11	20%	2	11	20%	2
Increase in expenses for writing off the total acquisition costs of tangible fixed assets	-737	20%	-147	-737	20%	-147
Sum of reconciling items (with a tax effect)	-310		-62	15		3
Tax profit / loss	-5,912		-1,182	-5,068		-1,014
UNUSED TAX BENEFITS						
Loss from previous years		20%	0	100	20%	20
Tax credits for investments pursuant to Art. 55 of the Corporate Income Tax Act.	-30	20%	-6	-30	20%	-6
Tax credits for R&D investments	-469	20%	-94	-469	20%	-94

Since the Bank declared a tax loss, the effective tax rate is not applicable.

	31/12/2010		31/12/2009	
	BANK	GROUP	BANK	GROUP
Deferred tax assets				
Non-deductible expenses for depreciation exceeding the tax deductible limit	40	50	74	74
Non-deductible expenses for employee provisions	28	28	14	14
Non-deductible expenses for unused tax credits	100	100	0	
Non-deductible expenses for tax loss	1,182	1,286	0	282
Total	**1,350**	**1,464**	**88**	**370**

The Bank had EUR 88 thousand worth of deferred tax assets arising from provisions for employees and from the calculated depreciation for operating purposes which exceeds the statutory depreciation rates for tax purposes. In 2010 the Bank released a total of EUR 34 thousand worth of deferred tax assets due to deductible temporary differences from the previous years, and made additional provisions in the amount of EUR 1,296 thousand.

Note 9 Other assets

	31/12/2010		31/12/2009	
	BANK	GROUP	BANK	GROUP
Working stock	180	186	109	113
Fees receivable	20	20	0	0
Advances receivable	153	153	40	39
Trade receivables	118	308	302	329
Other receivables	1,923	2,147	1,612	1,621
Deferred expenses and accrued income	185	197	137	142
Total	**2,579**	**3,011**	**2,200**	**2,244**

Working stock refers to banking cards.

Note 10 Debts to banks

a) Breakdown by sector

	31/12/2010		31/12/2009	
	BANK	GROUP	BANK	GROUP
Long term in domestic currency	**580,569**	**581,575**	**650,957**	**650,957**
- domestic banks	4,650	4,650	4,648	4,648
- foreign banks	575,919	576,925	646,309	646,309
Short-term in foreign currency	**60,121**	**60,121**	**58,275**	**58,275**
- domestic banks	0	0	0	0
- foreign banks	60,121	60,121	58,275	58,275
Short-term in domestic currency	**16,112**	**16,112**	**17,818**	**17,818**
- domestic banks	16,112	16,112	17,818	17,818
- foreign banks	0	0	0	0
TOTAL	**656,802**	**657,808**	**727,050**	**727,050**

The amount of EUR 656,802 thousand encompasses interest-bearing liabilities, deferred interest, and fees totalling EUR 12 thousand (in 2009: EUR 314 thousand).

The combined average interest rate for debts to banks was 1.55% in 2010.

b) Breakdown by maturity

	31/12/2010		31/12/2009	
	BANK	GROUP	BANK	GROUP
Up to 1 month	7,111	7,111	16,729	16,729
From 1 to 3 months	69,122	69,122	59,360	59,360
From 3 to 12 months	132,765	132,765	314	314
From 1 to 5 years	315,304	316,311	497,647	497,647
More than 5 years	132,500	132,500	153,000	153,000
	656,802	**657,809**	**727,050**	**727,050**

Note 11 Debts to customers

a) Breakdown by sector

	31/12/2010		31/12/2009	
	BANK	GROUP	BANK	GROUP
In domestic currency				
Short-term	**265,558**	**262,813**	**199,997**	**198,710**
Non-financial corporations	133,517	131,270	71,084	70,645
General government	9,641	9,641	4,854	4,854
Other financial corporations	21,854	21,356	27,885	27,037
Households	98,415	98,415	87,996	87,996
Non-profit institutions	2,131	2,131	8,178	8,178
Long-term	**52,822**	**52,842**	**38,084**	**38,084**
Non-financial corporations	3,591	3,591	485	485
Other financial corporations	1,163	1,183	44	44
Households	46,094	46,094	37,481	37,481
Non-profit institutions	142	142	74	74
Non-residents	1,832	1,832	0	0
In foreign currency				
Short-term	**393**	**468**	**808**	**867**
Non-financial corporations	24	99	567	626
Households	369	369	241	241
TOTAL	**318,773**	**316,123**	**238,889**	**237,661**

The amount of EUR 318,773 thousand encompasses interest-bearing liabilities, deferred interest, and fees totalling EUR 1,160 thousand (in 2009: EUR 1,126 thousand).

The combined average interest rate for debts to customers (not financial institutions) was 1.586% in 2010.

b) Breakdown by maturity

Remaining maturity is the period between the reporting date and the date on which a transaction matures.

	31/12/2010		31/12/2009	
	BANK	GROUP	BANK	GROUP
Up to 1 month	219,495	216,835	158,345	157,117
From 1 to 3 months	31,158	31,158	33,222	33,222
From 3 to 12 months	62,097	62,097	39,053	39,053
From 1 to 5 years	5,863	5,873	8,180	8,180
More than 5 years	160	160	89	89
	318,773	**316,123**	**238,889**	**237,661**

Deposits are shown based on maturity periods specified in deposit agreements. Deposit agreements for private individuals include a clause whereby a customer may, in whole or in part, cancel the deposit at any time before the expiry date specified in the agreement.

Note 12 Subordinated liabilities

	31/12/2010		31/12/2009	
	BANK	GROUP	BANK	GROUP
Long-term in EUR				
- foreign banks	26,000	26,000	26,000	26,000
TOTAL	**26,000**	**26,000**	**26,000**	**26,000**

The Bank assumed a subordinated liability upon signing a credit agreement with Kärntner Sparkasse AG, Klagenfurt, and Steiermärkische Bank und Sparkassen, Graz. The funds were received on 21 December 2007, at an agreed 6-month EURIBOR + 0.51% interest rate. On 21 May 2008, the Bank received funds in the amount of EUR 15 million, at an agreed 6-month EURIBOR + 0.73% interest rate. The debt discharge date is 31 May 2018. The subordinated debt is not secured nor covered by a guarantee from the Bank, a person associated with it or any other form of contract that would – in a legal or economic sense – raise the repayment priority level and skip other creditors. Only upon bankruptcy or liquidation will it become available for compensating for a loss, and it is not available for compensating for a loss in the course of the Bank's regular operations. It is not redeemable by Banka Sparkasse d.d. before the expiration of the period laid down in the agreement, unless the Bank ceases to engage in banking operations. In 2010 we paid interest resulting from subordinated liabilities in the amount of EUR 870 thousand.

Note 13 Provisions

BANK AND GROUP	As at 31/12/2009	Made during the year	Used during the year	Released during the year	As at 31/12/2010
Long-term provisions for reorganizations					
Long-term provisions for expected losses arising from onerous contracts					
Long-term provisions for potential risks					
Long-term provisions for pensions					
Long-term provisions for jubilee benefits	45	12	2		55
Long-term provisions for retirement bonuses	166	12	0		178
Long-term provisions for guarantees issued upon sales of products or rendering of services					
Long-term provisions for contingencies	0	426	0		426
TOTAL	**211**	**450**	**2**		**659**

Provisions in the Group have only been made by the Bank. Provisions were made for retirement/end-of-service bonuses, jubilee benefits and contingencies arising from contracts.

For jubilee benefits, provisions have been made in the amount of EUR 12 thousand, which is proportional to the number of years the employees have been in service. For retirement bonuses, provisions have been made in the amount of EUR 12 thousand, which is proportional to the length of service of the employees. Provisions were calculated on 31 December 2010 by an independent actuary. The basic assumptions used in the calculation were a 3.0% growth of wages, a nominal long-term interest rate of 3.9% and employee turnover by age groups based on the turnover so far and reasonable expectations for the future. Payments for jubilee benefits and retirement bonuses are deducted from the provision base once they fall due.

Note 14 Other liabilities

	31/12/2010		31/12/2009	
	BANK	GROUP	BANK	GROUP
Accrued expenses	852	886	1,096	1,171
Domestic suppliers	332	370	279	312
Foreign suppliers	76	193	27	143
Liabilities from assessed taxes, contributions and other tax levies	49	93	173	200
Other liabilities from other sources	393	412	360	380
Liabilities from accounting for business transactions	81	81	99	99
Liabilities from uncleared payment transactions	1	1	1	1
Liabilities from accounting for retail transactions	0	0	0	0
Other liabilities from other sources in foreign currency	0	0	0	0
Fees and commissions payable	0	0	0	0
Liabilities from advances received	0	0	0	0
Other accrued charges/expenses	3,339	3,352	2,867	2,867
TOTAL	**5,123**	**5,388**	**4,902**	**5,173**

Accruals refer to accrued expenses for auditing, telephone services, rental, advertising, maintenance costs and other costs incurred in 2010 for which the Bank has not received corresponding invoices by the balance sheet date.

Note 15 Equity and share premium

The Bank's equity and share premium comprise as at 31 December 2010:

	31/12/2010		31/12/2009	
	BANK	GROUP	BANK	GROUP
Share capital	10,015	10,015	10,015	10,015
Capital premium	82,434	82,434	82,434	82,434
Profit reserves (incl. retained earnings)	3,432	2,123	3,293	2,509
Negative revaluation reserve	2	-2	103	103
Net loss for the financial year	-4,338	-3,158	139	-386
Majority interest	**91,545**	**91,412**	**95,984**	**94,675**
Minority interest		336		408
TOTAL EQUITY	**91,545**	**91,748**	**95,984**	**95,083**

The number of issued shares, which are held by three owners, is 240,000.

The ownership structure is as follows:

Kärntner Sparkasse AG, Klagenfurt:	70%
Steiermärkische Bank und Sparkassen AG, Graz:	26%
Erste Bank der österreichischen Sparkassen AG, Wien:	4%

The face value per share is EUR 41,72. The book value per share as at 31 December 2010 is EUR 381.43.

Share premium was introduced when the branch office of Kärntner Sparkasse Ag, Klagenfurt, was converted into Banka Sparkasse d.d. on 1 October 2006.

Revaluation reserve originates in the revaluation of available-for-sale financial instruments to their fair value.

Note 16 Contingent liabilities and financial commitments

a) Legal actions

No legal action against the Bank has been taken as at 31 December 2010.

b) Off-balance-sheet liabilities

BANK AND GROUP	31/12/2010	31/12/2009
Memorandum accounts for mortgage collateral	1,211,927	630,421
Memorandum accounts for securities and other guarantees pledged as collateral	3,201	1,007
Memorandum accounts for credit lines to the credit of the Bank	13,183	34,075
Guarantees received as collateral for debts	27,095	14,168
Financial assets for security at the Bank of Slovenia	2,709	16,740
Approved loans, overdrafts and credit lines	42,375	47,405
Record of other risk-free transactions	317,500	476,200
TOTAL	**1,617,990**	**1,220,016**

Taken into account is the book value of the credit protection, which cannot be higher than the amount of the approved loan. The fair value of the credit protection is explained in the credit risk section.

The Bank discloses guarantees under off-balance-sheet liabilities. A guarantee is an irrevocable assurance made by the Bank that it will settle a payment if a customer fails to meet their obligations to third parties. The associated credit risk is the same as with loans.

Credit commitments are unused tranches or authorizations for loans, guarantees or letters of credit. Even though credit risk is present, it is considered small. The risk arises from the possibility that a customer draws on unused tranches of a granted loan and that the drawn assets will not be paid off in due time.

4.8.2. NOTES TO PROFIT AND LOSS ACCOUNT ITEMS

Note 17 Interest income and expenses

Net interest, by asset type and source

	2010		2009	
	BANK	GROUP	BANK	GROUP
Interest income and similar income	**37,715**	**37,867**	**44,577**	**44,750**
Placements with Central Bank	67	67	48	48
Government bonds and other securities	176	177	185	185
Banks	619	619	1,198	1,198
Non-bank customers	36,782	36,932	43,124	43,297
Other	71	72	22	22
Interest expenses and similar expenses	**15,326**	**15,335**	**22,565**	**22,569**
Banks	9,784	9,805	17,290	17,304
Non-bank customers	5,541	5,529	5,275	5,265
Other	1	1	0	0
Net interest income	**22,389**	**22,532**	**22,012**	**22,181**

Note 18 Fee income and expenses

	2010		2009	
	BANK	GROUP	BANK	GROUP
Fees received	**5,338**	**6,051**	**4,219**	**5,000**
Fees for granted guarantees	93	93	83	83
Fees for credit transactions	2,641	2,641	1,927	1,926
Fees for payment transactions	2,344	2,357	1,974	1,981
Fees for brokering transactions	163	179	127	133
Fees for administrative services rendered	0	0	0	0
Fees for security transactions for customers	0	210	0	262
Fees for other services	97	571	108	615
Fees paid	**716**	**1687**	**730**	**1828**
Fees for banking services at home and abroad	565	565	493	492
Fees for brokering and agency transactions	46	46	49	49
Fees for performance of payment transactions	0	0	0	0
Fees paid for other services	105	1,076	188	1,287
Net fees	**4,622**	**4,364**	**3,489**	**3,172**

Note 19 Net other operating income/expenses

	2010		2009	
	BANK	GROUP	BANK	GROUP
Income	**196**	**421**	**461**	**812**
Income from non-banking services	96	85	332	334
Other	100	336	129	478
Expenses	**368**	**388**	**210**	**237**
Taxes	41	41	24	24
Membership fees	84	84	74	74
Other	243	263	112	139
Net income (expenses)	**-172**	**33**	**251**	**575**

Note 20 Net foreign exchange gains/losses

	2010		2009	
	BANK	GROUP	BANK	GROUP
Foreign exchange gains	32,189	32,197	11,585	11,595
Foreign exchange losses	32,220	32,235	11,602	11,604
Net gains (losses)	**-31**	**-38**	**-17**	**-9**

Note 21 Net gains/losses from derecognition of assets other than non-current assets held for sale

	2010		2009	
	BANK	GROUP	BANK	GROUP
Disposal of fixed assets	0	-7	0	0
Write-off of fixed assets	229	229	24	24
Net gains (losses)	**229**	**222**	**24**	**24**

Note 22 Administrative expenses

	2010		2009	
	BANK	GROUP	BANK	GROUP
Labour costs	**8,197**	**8,916**	**8,299**	**8,932**
Gross wages and salaries	6,339	6,925	6,582	7,050
Social security and pension costs	924	1,007	1031	1,103
Other contributions dependent on gross wage or salary	41	43	0	2
Other labour costs	893	941	686	777
Costs of materials and services	**6,782**	**7,538**	**6,754**	**7,256**
Cost of materials	553	573	516	538
Rent payable	1,625	1,681	1,718	1,769
Consulting, accounting and audit services	706	862	703	811
Fixed asset maintenance	1,366	1,421	1,200	1,221
Advertising, marketing, entertainment allowance	736	977	831	981
Administration costs	45	183	50	95
Cost of services	1,406	1,461	1,386	1,466
Other costs	345	380	350	375
TOTAL	**14,979**	**16,454**	**15,053**	**16,188**

Remuneration of the Management Board totalled EUR 448 thousand in the financial year 2010.

Management	Name	Salary	Bonuses	Other
Chairman	Josef Laussegger	144,858	7,610	754
Member	Wolfgang Malle, M.Sc.	140,015	7,249	1,991
Member	Marko Bošnjak, M.Sc.	136,037	5,307	4,661

Rental expenses also include costs arising from contracts for the commercial lease of business premises in the amount of EUR 1,060 thousand.

Expenses for auditing services amounted to EUR 41 thousand in 2010.

Note 23 Depreciation

	2010		2009	
	BANK	GROUP	BANK	GROUP
Tangible fixed assets	599	626	526	556
Intangible assets	2,234	2,247	2,091	2,096
TOTAL	**2,833**	**2,873**	**2,617**	**2,652**

In 2010, the Bank did not change the useful life periods for tangible fixed assets and intangible assets.

Note 24 Provisions

BANK AND GROUP	2010	2009
Long-term provisions for jubilee benefits	10	13
Long-term provisions for (retirement/end-of-service) bonuses	12	55
Long-term provisions for contingencies	426	
TOTAL	**448**	**68**

For jubilee benefits, provisions have been made in the amount of EUR 55 thousand, which is proportional to the number of years the employees have been in service. For retirement bonuses, provisions have been made in the amount of EUR 178 thousand, which is proportional to the length of service of the employees. Provisions were calculated on 31 December 2010 by an independent actuary.

The principal assumptions used in the actuarial calculation for 2010 are:

- growth of the average wages: 3.0% per annum,
- nominal interest rate: 3.9%,
- employee turnover by age groups in line with the turnover so far, reasonable expectations for the future, and experience in turnover trends in Slovenia: up to 35 years 11%, between 35 and 45 years 7%, and above 45 years 2.5%.

In terms of contractual obligations, provisions for potential liabilities have been made in the amount of EUR 426 thousand.

Note 25 Impairments

	2010		2009	
	BANK	GROUP	BANK	GROUP
Credit value adjustments applied	16,766	14,826	22,707	22,919
Credit value adjustments unapplied	4,810	2,727	14,796	14,796
Write-offs	720	720	648	648
TOTAL	**11,236**	**11,379**	**7,263**	**7,475**

Due to worsening economic conditions, the Bank made more impairments in 2010 than a year ago.

Apart from the credit value adjustments shown in the table, the Bank also made additional impairments of the investment in a subsidiary in the amount of EUR 2,116 thousand.

Note 26 Profit (or loss) for the year

	2010		2009	
	BANK	GROUP	BANK	GROUP
Pre-tax profit for the financial year	-5,603	-5,083	193	-1,045
Net profit for the financial year	-4,339	-3,990	139	-855

The recorded loss as at 31 December 2010 is EUR 4,339 thousand (Group: EUR 3,990 thousand).

Banka Sparkasse d.d. will compensate for the loss from 2010 by means of profit reserves in the amount of EUR 3,432 thousand, and the remainder of the loss in the amount of EUR 906 thousand from profits generated in the following years.

4.9. RISKS

4.9.1 CREDIT RISK

4.9.1.1. Credit risk – Bank

Credit risk is the prevailing risk for the Bank. It is the risk that a debtor with cause a financial loss for the Bank by failing to discharge an obligation to the Bank.

The Bank carries out credit risk identification, measurement, control and monitoring activities in compliance with its adopted credit risk management policy and the defined procedures for managing all the important factors and effects associated with credit risk.

Due to continuing uncertainty about the recovery of the global economy, the Bank continued in 2010 with intense efforts to control credit risk. The Bank responded to the expected further deterioration of customers' creditworthiness by upgrading the system for early detection of increased risk of default and by introducing a sector for intense monitoring of problem customers, by expanding its team for the collection of bad debts and by continuing with the active work of its division for monitoring bad debts. Nevertheless, due to the tough economic situation, the Bank recorded deterioration of its loan portfolio and weakening liquidity of its debtors.

The main objective of credit risk management is to minimize any financial loss that might occur as a result of a debtor's failure to meet, in part or in whole, its contractual obligations to the Bank. The Bank achieves this objective by carefully balancing the ratio between the risk and the returns and by ensuring and maintaining a high quality and diversification of its loan portfolio, with appropriate credit protection, suitable currency and maturity compositions and the structure of credit exposure types.

Strategic reporting within the Bank is carried out on a monthly basis, in the framework of the Asset Liability Committee, and on a quarterly basis in the form of an expanded loan portfolio analysis by various segments, which forms the basis for further decisions concerning the overall credit policy and the measures required to reduce credit risk.

For credit risk management purposes, the Bank has in place a multilevel system for processing customers and their transactions.

- Level 1 includes an assessment of creditworthiness conducted by the commercial sector, which prepares the necessary documentation on a customer and the relevant transaction.
- Level 2 includes an assessment of creditworthiness conducted by the Bank's Credit Rating Division, which prepares an analysis and credit rating of the customer and an analysis and assessment of the transaction.
- Level 3 represents the Sales Support sector of the Bank, which double checks all the information prepared at the first two levels to make sure the documentation and information are accurate and correct. The transaction security documentation and transaction agreement are also drawn up and, if required, amended at Level 3.

The bank has strict internal regulations in place, with clearly defined decision-making procedures for approving, changing, renewing and refinancing loans. Each bank employee is assigned a clearly defined set of authorizations, tasks and controls. Before approving a transaction or before concluding a different contract which would create exposure for the Bank, the Bank assesses a debtor's ability to meet their obligations to the Bank and the quality of the credit protection by its type and scope.

The Bank uses an internal credit rating system for classifying debtors into grades based on risk profile, which is aligned for the whole Concern. Private individuals are classified into five internal credit rating grades (A, B, C, D and R) based on the result of a creditworthiness assessment, credit history with the Bank, internal credit reports and an evaluation by an adviser. Companies and sole proprietors are classified into 14 internal credit rating grades (1, 2, 3, 4A, 4B, 4C, 5A, 5B, 5C, 6A, 6B, 7, 8 in R) based on the result of an analysis of their financial position, credit history with the Bank, internal credit report and an evaluation by an adviser.

Bad debts

Special attention in 2010 was focused on risk grades D, 8 and R, which represent high-risk and problem customers from the viewpoint of payment discipline. The Bank knows how important it is to promptly detect any changes in an individual debtor's business performance and to react in a timely fashion. The Bank has established a methodology for early detection of increased credit risk and developed a mechanism for dealing with problem customers. The methodology has been further improved due to the tightening grip of the recession, which continued to undermine the creditworthiness of customers and resulted in an increasing number of late payments in 2010. Problem customers are dealt with on four levels:

- Level 1: a customer's adviser receives a list of issued first payment reminders every month, on the basis of which he/she checks the customer and reports to the Credit Control Division.

- Level 2: once a month the Credit Control Division reviews customers which, according to the relevant criteria, are to be dealt with at the Bad Debt Management Commission session.

- Level 3: a monitoring expert who, based on a monthly statistics of customers with an increased risk of defaulting on a payment, monitors and reports any potentially problematic new investments and also acts as an adviser to businesses that require loan restructuring.

- Level 4: the Legal Division, which deals with customers unable to repay a loan.

The Bank monitors its debtors' operations and the quality of credit protection for the entire duration of the legal relationship which creates exposure for the Group. Companies and sole proprietors are obliged to submit their annual financial statements to the Bank, and the Bank also retrieves the relevant financial performance data from publicly accessible databases.

In order to reduce credit risk, the Bank continuously carries out monitoring activities while taking into account the following considerations:

- the Bank's large exposure to an individual party or a group of related parties, when exposure reaches or exceeds 10% of the Bank's capital,
- the Bank's largest permissible exposure to an individual party or a group of related parties, when exposure reaches 20% or 25% of the Bank's capital respectively,
- the sum of all large exposures of the Bank in the maximum amount of 800% of the Bank's capital,
- the sum of all the Bank's exposures to parties in a special relationship with the Bank in the maximum amount of 200% of the Bank's capital,
- the Bank has no upper exposure limit set for the Republic of Slovenia.

Due to the continuing financial crisis and downturn in 2010, the Bank continued its efforts to mitigate the effects of the difficult economic conditions by implementing tighter lending terms and stricter credit protection policies and by strengthening the Bank's position in the event of problem loans. The Bank therefore continued to follow the course already set in 2009:

- irrespective of the considerations described above, according to the Concern's internal guidelines, the maximum exposure to any one customer is EUR 7 million,
- if exposure to a single customer exceeds EUR 7 million, the Bank and its partners arrange a syndicated loan,
- priority financing is provided to existing customers with a still acceptable credit score (A, B, C, 1, 2, 3, 4A, 4B, 4C, 5A, 5B, 5C, 6A, 6B, 7),
- new financing available mostly for customers with a high credit score (A, B, 1, 2, 3, 4A, 4B, 4C, 5A, 5B, 5C) and feasible investment plans or the need for financing working capital,
- new financing in Swiss francs (CHF) has been suspended.

The Bank does not provide financing to businesses and private individuals outside the Republic of Slovenia.

Impairment and provisioning policy

In compliance with the strict rules of the Bank of Slovenia, the Bank established a clearly defined procedure and an internal policy on individual and collective assessments for impairments. The Bank monitors its financial assets and liabilities by off-balance-sheet items, classifies them into risk groups and assesses the amount of losses associated with credit risk (asset impairment, provisions) in accordance with the International Financial Reporting Standards (IFRS). The classification into groups is done based on an assessment of a debtor's ability to settle its debts to the Bank upon maturity and on the quality of the credit protection.

The Bank promptly checks whether there is impartial evidence of impairments of financial assets and creates the necessary impairments and adjusts the existing impairments.

The Bank monitors its loan portfolio through Bad Debt Management Commission sessions and the intense monitoring sessions to determine whether there is impartial evidence suggesting an impairment of a financial asset. Impartial evidence of an impairment of a financial asset or a group of assets provides important information on a debtor's reduced ability to fulfill contractual obligations. The exclusion of an individual asset from a group may be prompted by:

- significant financial difficulties of a debtor,
- actual breach of contract (e.g. past due over 90 days),
- restructuring of financial assets,
- possibility of bankruptcy or financial reorganization,
- the existence of a measurable decline in the projected cash flows of a group of financial assets from the initial recognition of those assets even though the decline cannot yet be allocated to individual assets in the group, including:
    - negative changes when settling debts in the group of financial assets,
    - national or local economic conditions associated with the failure to settle financial assets in the group
- unpredictable events: death, accidents and disasters, industry problems, disease, alcoholism, drug abuse and other addictions.

The Bank assesses impairments individually on the basis of estimated future cash flows and appropriate credit protection or collectively using a methodology based on expected losses for groups of assets with similar characteristics.

Due to the difficult financial situation, in 2010 the Bank defined new percentages for collective impairment assessments more cautiously and in a larger extent. The Bank also performed reverse stress testing, which will serve as the basis for further improvements to the methodology for collective impairment assessment. The suitability of collective impairments is regularly reviewed by the Bank.

Overview of impairments of bad debts:

	in EUR 000	
	2010	**2009**
Gross exposure in D and E	99.394	67.093
Impairments in D and E	23.924	13.443
Net exposure in D and E	75.470	53.650
Gross exposure	1.115.807	1.144.419
Total impairments	35.193	23.957
Net exposure	1.080.614	1.120.462
Gross exposure in D and E / overall gross exposure (%)	8,91%	5,86%
Net exposure in D and E / overall net exposure (%)	6,98%	4,79%

The above table includes all loans to collectively and individually impaired customers who fall into the basic credit rating grades D and E according to the Bank of Slovenia. Disclosed is the amount of impairments related to the credit rating grades D and E and the share of exposure to bad debts with respect to the overall exposure.

Overview of exposure of on- and off-balance-sheet items and impairments:

Credit rating	Exposure of balance-sheet items	Exposure of off-balance-sheet items	**Total**	Impairments
A	722,548	40,316	762,864	7,575
B	182,795	3,892	186,687	2,239
C	64,858	1,483	66,341	1,455
D	57,240	490	57,730	5,756
E	42,154	31	42,185	18,168
TOTAL	**1,069,595**	**46,212**	**1,115,807**	**35,193**

Restructured loans

Loan restructuring activities include renegotiating and deferring repayments and extending repayment periods.
At 31 December 2010 the book value of financial assets – which would already have been past due date or impaired if a new agreement on repayment terms had not been reached – is EUR 67,881 thousand (2009: EUR 35,700 thousand).

Exposure to credit risks (on- and off-balance-sheet)

	Banka Sparkasse d.d.	
	Gross maximum exposure 31/12/10	**Gross maximum exposure 31/12/09**
Loans to businesses	495,324	557,640
Loans to households	552,732	506,350
Loans to banks	21,382	28,040
Redeemed financial guarantees	157	56
Issued guarantees	3,837	4,928
Loans, overdrafts and credit lines granted but not yet used	42,375	47,405
Total (exposure to credit risks)	1,115,807	1,144,419

Concentration of the loan portfolio

The Bank regularly, on a monthly basis, monitors the loan portfolio with respect to the predefined categories of exposure and at the regular, monthly sessions of the Asset Liability Committee calls attention to the critical exposure limits reached, on the basis of which the Bank's future credit policy is shaped.

The Bank monitors industry concentration on the basis of analyses of the diversification of individual investments among business activities as defined in the Standard Classification of Activities (SKD 2008), determines the share of investments in the highest-risk category and calculates the risk index for an individual activity. On a quarterly basis, the Bank, using a methodology adopted from the Bank of Slovenia, also calculates the concentration ratio of the loan portfolio on the basis of the Herfindahl-Hirschman index in order to determine individual and industry concentration.

The Bank also analyzes the diversification of its investments by regions and determines the share of investments in the highest-risk category, separately for corporate and retail customers.

Table: Loan portfolio, by region

	2010	2009
Ljubljana	35.7%	36.0%
Maribor	15.9%	15.6%
Celje	12.1%	12.5%
Kranj	13.6%	13.4%
Koper	8.1%	8.0%
Murska Sobota	6.6%	6.4%
Novo mesto	4.0%	3.7%
Nova Gorica	3.8%	4.1%
Other (abroad)	0.2%	0.2%

No major change regarding regional exposure was detected in 2010. The biggest exposure is recorded for the Ljubljana and Maribor regions, followed by Kranj and Celje.

Table: Corporate loan portfolio, by activity

Activity classification	2010	2009
Manufacturing	25.3%	26.0%
Wholesale and retail trade; repair of motor vehicles and motorcycles	19.1%	19.4%
Financial and insurance activities	10.1%	10.4%
Construction	4.8%	7.6%
Accommodation and food service activities	7.0%	6.6%
Electricity, gas, steam and air conditioning supply	4.9%	5.3%
Professional, scientific and technical activities	4.9%	4.3%
Real estate activities	7.0%	4.1%
Transport and storage	4.0%	3.2%
Other personal service activities	2.3%	2.2%
Public administration and defence, compulsory social security	2.1%	2.2%
Human health and social work activities	2.3%	2.1%
Agriculture, forestry and fishing	2.1%	2.0%
Information and communication	1.3%	1.8%
Administrative and support service activities	1.1%	1.0%
Arts, entertainment and recreation	0.5%	0.7%
Mining and quarrying	0.8%	0.7%
Education	0.3%	0.2%
Water supply, sewerage, waste management and remediation activities	0.1%	0.1%

The Bank recorded the biggest exposure (on- and off-balance-sheet) to the manufacturing industry, followed by commerce and the finance and insurance sector. Compared to a year ago, it was the exposure to the construction industry that decreased the most for the Bank in 2010.

Concentration of exposure (on- and off-balance-sheet) from the biggest customers:

	2010		2009	
Exposure to biggest customers	Overall gross exposure	%	Overall gross exposure	%
Top 10 customers	98,483	8.8%	115,961	10.13%
Top 11 - 50	182,083	16.3%	209,878	18.34%
Top 50 - 100	83,019	7.4%	100,192	8.75%
Other	752,222	67.4%	718,388	62.77%
TOTAL	1,115,807	100.00%	1,144,419	100.00%

The Bank follows its lending policy directed towards improving the diversification of investments and lowering the concentration of the loan portfolio. The concentration of exposure to the biggest customers decreased in 2010.

Concentration, by customer risk rating:

	2010			**2009**		
	Gross credit exposure on balance sheet	Impairment	Impairment / exposure	Gross credit exposure on balance sheet	Impairment	Impairment / exposure
Low risk	727,779	7,577	1.04%	769,921	6,325	0.82%
Medium risk	119,406	1,345	1.13%	125,590	1,253	1.00%
High risk	222,410	26,271	11.81%	196,575	16,379	8.33%
Total	1,069,595	35,193	3.29%	1,092,086	23,957	2.19%

Low and medium risk represents credit ratings that are still acceptable for the Bank. This, according to the internal credit ratings, includes grades 1–7 for legal entities and A–C for private individuals. The high-risk grade represents bad debts for the Bank (8, D and R). The table above reveals an exposure increase in the high-risk category.

Credit risk reduction and collateralization policy

The Bank uses the following forms of collateral for protection against credit risk:

- commercial and residential property,
- movables (plant equipment),
- financial assets (bank deposits, securities pledged as collateral),
- guarantees.

The Group also reduces credit risk by incorporating financial clauses and other contractual provisions into credit agreements. These are a set of financial obligations that a borrower must meet in the specified amount for the entire term of the credit agreement. The Bank regulary monitors the fulfilment of such obligations.

The collateralization policy, adopted in the form of a loan security catalogue, contains detailed definitions of procedures for evaluating individual forms of collateral. The prevailing form of collateral is property liens, where the Group follows a conservative policy of acknowledging 50% of the pledged collateral's market value.

Appraisal of property pledged as collateral for mortgage loans is carried out on three levels within the Bank:

- in the commerce sector – using asset appraisal software tools,
- in the General Finance sector – carried out by an expert appraiser, and
- externally – carried out by an expert real estate appraiser in accordance with international appraisal standards

Appraisal software tools allow financial advisers to easily carry out a fully automated appraisal of a commercial or residential property. The software uses current and up-to-date data from the Surveying and Mapping Authority of the Republic of Slovenia on average realized selling price per square meter (EUR/m2) for individual types of real estate in any given part of the Republic of Slovenia. In addition to the average price per square metre for a comparable real estate, the final appraisal is also based on the qualitative description of the structure in question.

In 2010, the Bank's property valuation process placed a greater emphasis on obtaining suitable external appraisals in order to reduce capital requirements with respect to credit risks.

Due to the persistently difficult situation in the real property markets in 2010, the Bank focused a lot of attention on monitoring fair values of collaterals.

The overall exposure of the loan portfolio as at 31 December 2010 is EUR 1,069,595 thousand. The credit portfolio, acknowledging 50% of the market value of the collateral, is secured as follows:

	2010		**2009**	
Form of collateral	**EUR 000**	**%**	**EUR 000**	**%**
unsecured share	421,097	39.4%	491,439	45.0%
commercial property lien	197,999	18.5%	204,875	18.8%
private property lien	393,305	36.8%	351,324	32.2%
maximum mortgage	23,836	2.2%	9,938	0.9%
deposit	1,515	0.1%	1,747	0.2%
securities	16,406	1.5%	20,094	1.8%
other (movables, guarantees)	15,437	1.4%	12,668	1.2%
Total	1,069,595	100%	1,092,086	100%

The unsecured share decreased by 5.6 percentage points in 2010. This decrease is the result of the increase in the share of property liens used as collateral.

	2010					2009				
	Gross credit risk exposure	Individual impairment	Collective impairment	**Total impairment / exposure**	Secured	Gross credit risk exposure	Individual impairment	Collective impairment	**Total impairment / exposure**	Secured
Due items	262,921	21,743	2,530	9.2%	198,212	230,561	14,009	2,400	7.1%	152,193
0-30	136,905	225	1,547	1.3%	102,413	118,985	11	1,311	1.1%	81,101
31-60	25,823	146	312	1.8%	19,512	27,627	19	304	1.2%	20,997
61-90	2,948	212	41	8.6%	1,628	3,367	24	45	2.0%	2,200
91-180	39,882	3,065	318	8.5%	28,893	38,677	375	409	2.0%	22,197
181-360	20,069	3,500	174	18.3%	13,872	15,399	3,615	223	24.9%	11,904
above 360	37,294	14,595	138	39.5%	21,532	26,506	9,965	108	38.0%	13,794
Undue items	806,674	2,437	8,483	1.4%	450,286	861,525	602	6,946	0.9%	448,454
Total	**1,069,595**	24,180	11,013	3.3%	648,498	**1,092,086**	14,611	9,346	2.2%	600,647

The Bank has no due or undue unimpaired exposures since all exposures are impaired individually or collectively.

4.9.1.2 Credit risk – Group

Credit risk is the most important risk for the Group's operations as well. The risk of incurring losses in the context of the Group refers in a large part to the parent company. The total exposure to credit risks within the framework of the Group is lower than the exposure of the Bank due to inter-company eliminations.

The Group is aware of the fact that the challenging financial and economic environment has a negative impact on its debtors and their ability to pay off their debts to the Group. Given the current situation, the Group focused increased attention on credit risk management activities in 2010. The Group continued with its measures to mitigate the effects of the difficult economic situation. The measures included tighter standards for approving investments, a stricter loan security policy and a bigger focus on problem investments.

The Group carries out credit risk identification, measurement, control and monitoring activities in compliance with its adopted credit risk management strategy at the Group level and the defined procedures for managing all the important factors and effects associated with credit risk.

Credit risk management is performed both at the level of an individual debtor or investment and at the level of the entire loan portfolio, for individual subsidiaries in the Group and the Group as a whole.

The Bank monitors the credit risks at the level of its subsidiaries by participating in their supervisory boards, loan committees, expanded meeting of the Asset-Liability Committee and meetings of the Bad Debt Management Commission.

For the subsidiaries, all the key elements of credit risk management at the Group level are aligned with those at the Bank level.

The authorizations that are applied in the investment approval process are aligned with the bank authorizations for approving credit transactions. The subsidiaries have strict internal regulations in place, with clearly defined decision-making procedures for approving, changing, renewing and refinancing deals. Each employee is assigned a clearly defined set of authorizations, tasks and controls. Before approving a transaction or before concluding a different contract which would create exposure for the Group, the Group assesses a debtor's ability to meet their obligations to the Group and the quality of loan collateral by its type and scope.

To manage the credit risk within the Group, the Group has in place a multilevel system for processing customers and their transactions, which operates based on the authorizations for approval at the Group level:

- Level 1 includes an assessment of creditworthiness conducted by a subsidiary or its commerce sector, which prepares the necessary documentation on a customer and the relevant transaction.
- Level 2 includes an assessment of creditworthiness conducted by the Bank's Credit Rating Division, which prepares an analysis and credit rating of the customer and an analysis and assessment of the transaction.
- Level 3 represents sales support in the framework of the subsidiaries or the Sales Support sector of the Bank, which double checks all the information prepared at the first two levels to make sure the documentation and information are accurate and correct.

Customer monitoring procedures are also aligned with those of the Bank. The Group monitors its debtors' operations and the quality of collateralization for the entire duration of the legal relationship which creates exposure for the Group. The subsidiaries submit to the Bank monthly reports on their customer portfolios.

The Group meets the statutory requirements for the maximum permissible exposure to an individual party or a group of related parties and follows its internal guidelines on the degree of individual exposures.

The Group manages the credit risk by:

- securing adequate capital for covering credit risks,
- limiting exposure by individual customers, groups of affiliated companies, activities and regions.

Bad debts

In line with internal rules, problem investments of subsidiaries fall under the scope of the Bank's debt collection process. Special attention in 2010 was focused on risk grades D, 8 and R, which represent high-risk and problem customers from the viewpoint of payment discipline. The Group knows how important it is to promptly detect any changes in an individual debtor's business performance and to react in a timely fashion.

Impairment and provisioning policy

Clearly defined procedures and internal policies on performing individual and collective assessments for impairments are in place within the Group. The impairment assessment policies of individual subsidiaries within the Group follow the Bank's guidelines for individual impairment assessments, while the collective impairment assessment policies are different from the ones in place at the Bank, pursuant to the Companies Act and the applicable tax legislation.

Problem investments of the Group are dealt with in the context of Bad Debt Management Commission sessions and intense monitoring sessions within the Bank. The purpose is to find out whether there is impartial evidence suggesting an impairment of a financial asset. Impartial evidence of an impairment of a financial asset or a group of assets provides important information on a debtor's reduced ability to fulfil contractual obligations The exclusion of an individual asset from a group may be prompted by:

- significant financial difficulties of a debtor,
- actual breach of contract (e.g. past due over 90 days),
- restructuring of financial assets,
- possibility of bankruptcy or financial reorganization,
- the existence of a measurable decline in the projected cash flows of a group of financial assets from the initial recognition of those assets even though the decline cannot yet be allocated to individual assets in the group, including:
    - negative changes when settling debts in the group of financial assets,
    - national or local economic conditions associated with the failure to settle financial assets in the group
- unpredictable events: death, accidents and disasters, industry problems, disease, alcoholism, drug abuse and other addictions.

Overview of impairments of bad debts for the Group:

	2010	**2009**
Gross exposure in D and E	100,540	67,830
Impairments in D and E	24,246	13,655
Net exposure in D and E	76,294	54,175
Gross exposure	1,115,076	1,144,276
Total impairments	35,515	24,169
Net exposure	1,079,561	1,120,107
Gross exposure in D and E / overall gross exposure (%)	9.02%	5.93%
Net exposure in D and E / overall net exposure (%)	7.07%	4.84%

The above table includes all loans to collectively and individually impaired customers who fall into the basic credit rating grades D and E according to the Bank of Slovenia. Disclosed is the amount of impairments related to the credit rating grades D and E and the share of exposure to bad debts with respect to the overall exposure.

Overview of exposure of on- and off-balance-sheet items and impairments for the Group:

Credit rating	Exposure of balance-sheet items	Exposure of off-balance-sheet items	**Total**	Impairments
A	713,968	40,316	754,284	7,575
B	184,408	3,892	188,300	2,239
C	69,948	1,483	71,431	1,455
D	57,813	490	58,303	5,756
E	42,727	31	42,758	18,490
TOTAL	**1,068,864**	**46,212**	**1,115,076**	**35,515**

Restructured loans

In the framework of the Group, restructuring activities (adjustments of and moratorium on payments, extending the repayment terms) only took place inside the Bank. For the subsidiaries no need for such activities was recorded – there is a newly founded leasing company, and the factoring business is inherently such that restructuring is only needed in the unlikely event of recourse claims, when the probability of repayment by the final buyer is minimal or when the possibility of restructuring the principal debt has been exhaused.

Group's exposure to credit risks (on- and off-balance-sheet)

	Sparkasse Group	
	Maximum gross exposure 31/12/10	**Maximum gross exposure 31/12/09**
Loans to businesses	495,041	558,237
Loans to households	552,284	505,610
Loans to banks	21,382	28,040
Redeemed financial guarantees	157	56
Issued guarantees	3,837	4,928
Loans, overdrafts and credit lines granted but not yet used	42,375	47,405
Total (exposure to credit risks)	1,115,076	1,144,276

Based on the table above, in 2010 the maximum gross exposure to businesses decreased, and the maximum gross exposure to households increased. Loans to banks were down.

Table: Loan portfolio, by region

	2010	2009
Ljubljana	34.6%	35.4%
Maribor	16.2%	15.9%
Celje	12.1%	12.5%
Kranj	13.7%	13.5%
Koper	8.3%	8.1%
Murska Sobota	6.7%	6.5%
Novo mesto	4.2%	3.8%
Nova Gorica	3.9%	4.1%
Other (abroad)	0.2%	0.2%

No major change regarding regional exposure was detected in 2010. The biggest exposure is recorded for the Ljubljana and Maribor regions, followed by Kranj and Celje.

Table: Corporate loan portfolio, by activity

Activity classification	2010	2009
Manufacturing	26.0%	26.5%
Wholesale and retail trade; repair of motor vehicles and motorcycles	19.3%	19.5%
Financial and insurance activities	9.0%	9.6%
Construction	4.9%	7.8%
Accommodation and food service activities	7.0%	6.6%
Electricity, gas, steam and air conditioning supply	4.9%	5.3%
Professional, scientific and technical activities	4.9%	4.3%
Real estate activities	7.0%	4.1%
Transport and storage	4.0%	3.2%
Other personal service activities	2.3%	2.2%
Public administration and defence, compulsory social security	2.1%	2.2%
Human health and social work activities	2.3%	2.1%
Agriculture, forestry and fishing	2.2%	2.0%
Information and communication	1.3%	1.8%
Administrative and support service activities	1.1%	1.0%
Arts, entertainment and recreation	0.5%	0.7%
Mining and quarrying	0.8%	0.7%
Education	0.3%	0.2%
Water supply, sewerage, waste management and remediation activities	0.1%	0.1%

The Group recorded the biggest exposure (on- and off-balance-sheet) to the manufacturing industry, followed by wholesale and retail trade and the financial and insurance sector. Compared to a year ago, it was the Bank's exposure to the construction industry that decreased the most in 2010.

Table: Concentration of exposure (on- and off-balance-sheet) from the biggest customers:

	2010		2009	
Exposure to biggest customers	Overall gross exposure	%	Overall gross exposure	%
Top 10 customers	95,963	8.6%	115,961	10.1%
Top 11 - 50	171,603	15.4%	201,509	17.6%
Top 50 - 100	80,965	7.3%	95,927	8.4%
Other	766,545	68.7%	730,879	63.9%
TOTAL	1,115,076	100.00%	1,144,276	100.00%

The Group follows its lending policy directed towards improving the diversification of investments and lowering the concentration of the loan portfolio. The concentration of exposure to the biggest customers decreased in 2010.

Table: Concentration, by customer risk rating:

	2010			2009		
	Gross credit exposure on balance sheet	Impairment	Impairment / exposure	Gross credit exposure on balance sheet	Impairment	Impairment / exposure
Low risk	720,640	7,577	1.05%	766,461	6,325	0.83%
Medium risk	124,668	1,345	1.08%	128,170	1,253	0.98%
High risk	223,556	26,593	11.90%	197,312	16,591	8.41%
Total	1,068,864	35,515	3.32%	1,091,943	24,169	2.21%

Low and medium risk represents credit ratings that are still acceptable for the Group. This, according to the Group's internal credit ratings, includes grades 1–7 for legal entities and A–C for private individuals. The high-risk category represents bad debts for the Bank (8, D and R). The table above reveals an exposure increase in the high-risk category.

Credit risk reduction and collateralization policy

The Group uses the following forms of collateral for protection against credit risk:

- commercial and residential property,
- movables (plant equipment),
- financial assets (bank deposits, securities pledged as collateral),
- guarantees.

The Group also reduces credit risk by incorporating financial clauses and other contractual provisions into credit agreements. These are a set of financial obligations that a borrower must meet in the specified amount for the entire term of the credit agreement. The Group regularly monitors the fulfilment of such obligations.

The Group must at all times ensure a suitable amount and quality of capital for credit risk exposure purposes in compliance with the Decision of the Bank of Slovenia on securing capital adequacy and in line with its internal capital management policy. For this purpose, periodic, monthly portfolio analyses and assessments of the required capital are carried out.

The collateralization policy, adopted in the form of a loan security catalogue, contains detailed definitions of procedures for evaluating individual forms of collateral. The prevailing form of collateral is property liens, where the Group follows a conservative policy of acknowledging 50% of the pledged collateral's market value.

In 2010, the Group's property valuation process placed a greater emphasis on obtaining suitable external appraisals in order to reduce capital requirements with respect to credit risks.

Due to the persistently difficult situation in the real property markets in 2010, the Group focused a lot of attention on monitoring fair values of collaterals.

The overall exposure of the Group's loan portfolio as at 31 December 2010 is EUR 1,068,864 thousand. The Group's loan portfolio, acknowledging 50% of the market value of the collateral, is secured as follows:

Form of collateral	2010 EUR 000	2010 %	2009 EUR 000	2009 %
unsecured share	415,829	38.9%	489,064	44.8%
commercial property lien	197,999	18.5%	204,875	18.8%
private property lien	393,305	36.8%	351,324	32.2%
maximum mortgage	24,554	2.3%	10,655	1.0%
deposit	1,515	0.1%	1,747	0.2%
securities	16,406	1.5%	20,094	1.8%
other	19,256	1.8%	14,184	1.3%
Total	1,068,864	100%	1,091,943	100%

The volume of unsecured loans shrank by 5.9 percentage points in 2010. The reduction is the result of the increase in the share of mortgage and other forms of collateral.

	2010					2009				
	Gross credit risk exposure	Individual impairment	Collective impairment	**Total impairment / exposure**	Secured	**Gross credit risk exposure**	Individual impairment	Collective impairment	**Total impairment / exposure**	Secured
Due items	266,622	22,065	2,530	9.2%	188,883	230,561	14,221	2,400	7.1%	152,664
0-30	137,009	225	1,547	1.3%	102,481	118,985	11	1,311	1.1%	81,101
31-60	28,654	146	312	1.6%	19,656	27,627	19	304	1.2%	20,997
61-90	2,948	212	41	8.6%	1,723	3,367	24	45	2.0%	2,200
91-180	39,882	3,065	318	8.5%	28,893	38,677	375	409	2.0%	22,197
181-360	20,069	3,500	174	18.3%	13,872	15,399	3,615	223	24.9%	11,904
above 360	38,060	14,917	138	39.6%	22,258	27,222	10,177	108	38.0%	14,265
Undue items	802,242	2,437	8,483	1.4%	464,152	861,382	602	6,946	0.9%	450,215
Total	**1,068,864**	24,502	11,013	3.3%	653,035	**1,091,943**	14,823	9,346	2.2%	602,879

4.9.2. LIQUIDITY RISK

9.4.2.1. Liquidity risk – Bank

Banka Sparkasse d.d. daily monitors liquidity for the past and present day and for a month in advance: executed, announced and anticipated inflows and outflows in the context of deposit and loan transactions (with other banks, retail and corporate customers), inflows and outflows in payment transactions, and other inflows and outflows. Liquidity ratios are monitored daily by the Treasury, Risk Management, and Back-End Support divisions. In the event of significant deviations from the planned flows or if daily limits are exceeded, the Risk Management and Treasury divisions immediately notify and report to the Management Board. The Risk Management sector submits to the Bank's Management Board and the Asset-Liability Committee – on a periodic, monthly basis – detailed reports on the movements in liquidity ratios and reports and briefs them on the structural liquidity position of the Bank. Banka Sparkasse d.d. substantially exceeded the required minimum value of liquidity ratios in 2010, mostly due to large credit lines of the majority owner that have been granted but not yet used.

Daily liquidity management activities are performed within the framework of the Kärntner Sparkasse concern, where on a daily basis the Bank manages its assets and carries out short- and long-term borrowing, and, to a lesser extent, also directly with Erste Bank and Steiermärkische Bank und Sparkassen. The Kärntner Sparkasse bank itself, the same as the other banks in the Sparkassen Group, transferred its liquidity assurance task onto Erste Bank as the Group's parent bank, which therefore acts as the "central" bank of the Sparkassen Group.

The volume of transactions of the subsidiaries in the Sparkasse Group from the viewpoint of liquidity risk is insignificant. Banka Sparkasse d.d. provides long-term sources (structural liquidity) to the companies S-Factoring d.d., Sparkasse Leasing-S d.o.o. and S-Real d.o.o., while brokerjet Sparkasse has a long-term credit line from its minority owner Ecetra Central European e-Finance AG (ecetera). All the companies have open accounts with the Bank, through which they manage their daily trading liquidity.

The subsidiaries monitor liquidity risk through cash flow planning, while brokerjet Sparkasse d.d. also uses liquidity ratio reports.

Table LIQUIDITY RISK

BALANCE SHEET, BREAKDOWN BY MATURITY as at 31/12/2010 in EUR thousand

		TOTAL	Demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	5 to 20 years	More than 20 years
1	CASH AND BALANCES WITH CENTRAL BANK	**37,067**	37,067	0	0	0	0	0	0
4	FINANCIAL ASSETS AVAILABLE FOR SALE	**13,799**	0	0	0	0	13,289	510	0
5	DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING	**0**	0	0	0	0	0	0	0
6	LOANS	**1,034,403**	29,607	12,792	9,270	55,850	263,149	493,689	170,046
10	TANGIBLE FIXED ASSETS	**2,115**	0	0	0	0	2,115	0	0
12	INTANGIBLE ASSETS	**6,946**	0	0	0	0	6,946	0	0
13	CAPITAL INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES A	**641**	0	0	0	0	0	641	0
14	CURRENT CORPORATE INCOME TAX ASSETS	**1,367**	0	1,367	0	0	0	0	0
15	OTHER ASSETS	**2,579**	0	2,579	0	0	0	0	0
16	**TOTAL ASSETS (1 to 15)**	**1,098,917**	65,862	12,792	9,270	55,850	276,438	494,199	170,046
21	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	**1,001,577**	196,517	30,091	100,280	194,862	321,167	158,644	16
25	PROVISIONS	**659**	0	0	0	659	0	0	0
26	CURRENT CORPORATE INCOME TAX LIABILITIES	**14**	0	14	0	0	0	0	0
27	OTHER LIABILITIES	**5,123**	0	5,123	0	0	0	0	0
28	SHARE CAPITAL	**10,015**	0	0	0	0	0	0	10,015
29	SHARE PREMIUM	**82,434**	0	0	0	0	0	0	82,434
31	REVALUATION RESERVE	**1**	0	0	0	0	0	0	1
32	PROFIT RESERVES	**3,432**	0	0	0	0	0	0	3,432
34	RETAINED EARNINGS (incl. net profit/loss for the year)	**-4,338**	0	0	0	0	0	0	-4,338
35	TOTAL EQUITY (29 to 35)	**91,544**	0	0	0	0	0	0	91,544
36	**TOTAL LIABILITIES AND EQUITY (28 + 36)**	**1,098,917**	**196,517**	**35,228**	**100,280**	**195,521**	**321,167**	**158,644**	**91,560**

9.4.2.2. Liquidity risk – Group

Table: LIQUIDITY RISK – GROUP

CONSOLIDATED BALANCE SHEET, BREAKDOWN BY MATURITY as at 31/12/2010 in EUR thousand

	TOTAL	Demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	5 to 20 years	More than 20 years
CASH AND BALANCES WITH CENTRAL BANK	**37,067**	37,067	0	0	0	0	0	0
FINANCIAL ASSETS AVAILABLE FOR SALE	**13,854**	0	0	0	0	13,289	565	0
LOANS	**1,033,349**	29,755	12,792	9,791	55,850	260,749	494,366	170,046
TANGIBLE FIXED ASSETS	**2,210**	0	0	0	0	2,210	0	0
INTANGIBLE ASSETS	**7,010**	0	0	0	0	7,010	0	0
CURRENT CORPORATE INCOME TAX ASSETS	**1,480**	0	1,480	0	0	0	0	0
OTHER ASSETS	**3,010**	0	3,010	0	0	0	0	0
TOTAL ASSETS (1 to 15)	**1,097,980**	66,010	12,792	9,791	55,850	274,038	494,931	170,046
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	**999,932**	193,854	30,091	100,280	194,862	322,185	158,644	16
FINANCIAL LIABILITIES FROM FIN. ASSETS NOT QUALIFIED I	**238**	0	0	0	0	238	0	0
PROVISIONS	**659**	0	0	0	659	0	0	0
CURRENT CORPORATE INCOME TAX LIABILITIES	**14**	0	14	0	0	0	0	0
OTHER LIABILITIES	**5,389**	0	5,389	0	0	0	0	0
SHARE CAPITAL	**10,015**	0	0	0	0	0	0	10,015
SHARE PREMIUM	**82,434**	0	0	0	0	0	0	82,434
REVALUATION RESERVE	**-2**	0	0	0	0	0	0	-2
PROFIT RESERVES	**2,123**	0	0	0	0	0	0	2,123
RETAINED EARNINGS (incl. net profit/loss for the year)	**-3,158**	0	0	0	0	0	0	-3,158
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT (29 to 35)	**91,412**	0	0	0	0	0	0	91,412
Minority interest	**336**	0	0	0	0	0	0	336
TOTAL EQUITY (36 + 37)	**91,748**	0	0	0	0	0	0	91,748
TOTAL LIABILITIES AND EQUITY (28 + 38)	**1,097,980**	**193,854**	**35,494**	**100,280**	**195,521**	**322,423**	**158,644**	**91,764**

4.9.3. INTEREST RATE RISK – SENSITIVITY ANALYSIS

In the event of a sudden and unexpected parallel shift of the yield curve by 200 basis points (what is known as an interest rate shock), the estimated change in the Bank's net current value with respect to the balance as at 31 December 2010 would be EUR 620 thousand or 0.56% of the Bank's capital as determined using the Bank of Slovenia methodology for calculating the Bank's capital adequacy ratio.

The volume of transactions of the subsidiaries in the Sparkasse Group is insignificant from the viewpoint of interest rate risk. The companies reduce the interest rate risk by ensuring that asset and liability items are matched as much as possible in terms of interest rate reset dates and methods. It is characteristic of the Sparkasse Group that the interest rate risk of the Bank serves as a good enough estimate for the interest rate risk of the Group – this is periodically reviewed and monitored.

Table: INTEREST RATE RISK

BALANCE SHEET, BREAKDOWN BY MATURITY as at 31/12/2010

		TOTAL	Non-interest-bearing	Interest-bearing
1	CASH AND BALANCES WITH CENTRAL BANK	37,067	812	36,255
2	FINANCIAL ASSETS HELD FOR TRADING	0	0	0
3	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	0	0	0
4	FINANCIAL ASSETS AVAILABLE FOR SALE	13,799	0	13,799
5	DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING	0	0	0
6	LOANS	1,034,403	0	1,034,403
7	FINANCIAL ASSETS HELD TO MATURITY	0	0	0
8	CHANGES IN FAIR VALUE FOR A GROUP OF ITEMS HEDGED AGAINST INTEREST RATE RISK	0	0	0
9	NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0	0
10	TANGIBLE FIXED ASSETS	2,115	2,115	0
11	INVESTMENT PROPERTY	0	0	0
12	INTANGIBLE ASSETS	6,946	6,946	0
13	CAPITAL INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES	641	641	0
14	CURRENT CORPORATE INCOME TAX ASSETS	1,367	1,367	0
15	OTHER ASSETS	2,579	2,579	0
16	**TOTAL ASSETS (1 to 15)**	**1,098,917**	**14,460**	**1,084,457**
17	FINANCIAL LIABILITIES TO CENTRAL BANK	0	0	0
18	FINANCIAL LIABILITIES HELD FOR TRADING	0	0	0
19	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	0	0	0
20	DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING	0	0	0
21	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	1,001,577	0	1,001,577
22	FINANCIAL LIABILITIES ASSOCIATED WITH FIN. ASSETS NOT QUALIFIED FOR DERECOGNITION	0	0	0
23	CHANGES IN FAIR VALUE FOR A GROUP OF ITEMS HEDGED AGAINST INTEREST RATE RISK	0	0	0
24	LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0	0
25	PROVISIONS	659	659	0
26	CURRENT CORPORATE INCOME TAX LIABILITIES	14	14	0
27	OTHER LIABILITIES	5,123	5,123	0
28	TOTAL LIABILITIES (17 to 27)	1,007,373	5,796	0
29	SHARE CAPITAL	10,015	10,015	0
30	SHARE PREMIUM	82,434	82,434	0
31	EQUITY COMPONENT OF COMPOUND FINANCIAL INSTRUMENTS	0	0	0
32	REVALUATION RESERVE	1	1	0
33	PROFIT RESERVES	3,432	3,432	0
34	TREASURY SHARES	0	0	0
35	RETAINED EARNINGS (incl. net profit/loss for the year)	-4,338	-4,338	0
36	TOTAL EQUITY (29 to 35)	91,544	91,544	0
37	**TOTAL LIABILITIES AND EQUITY (28 + 36)**	**1,098,917**	**97,340**	**1,001,577**

Table: INTEREST RATE RISK – GROUP

CONSOLIDATED BALANCE SHEET, BREAKDOWN BY MATURITY as at 31/12/2010

		TOTAL	Non-interest-bearing	Interest-bearing
1	CASH AND BALANCES WITH CENTRAL BANK	**37,067**	**812**	**36,255**
2	FINANCIAL ASSETS HELD FOR TRADING	**0**	**0**	**0**
3	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**0**	**0**	**0**
4	FINANCIAL ASSETS AVAILABLE FOR SALE	**13,854**	**0**	**13,854**
5	DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING	**0**	**0**	**0**
6	LOANS	**1,033,349**	**0**	**1,033,349**
7	FINANCIAL ASSETS HELD TO MATURITY	**0**	**0**	**0**
8	CHANGES IN FAIR VALUE FOR A GROUP OF ITEMS HEDGED AGAINST INTEREST RATE RISK	**0**	**0**	**0**
9	NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**0**	**0**	**0**
10	TANGIBLE FIXED ASSETS	**2,210**	**2,210**	**0**
11	INVESTMENT PROPERTY	**0**	**0**	**0**
12	INTANGIBLE ASSETS	**7,010**	**7,010**	**0**
13	CAPITAL INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES	**0**	**0**	**0**
14	CURRENT CORPORATE INCOME TAX ASSETS	**1,480**	**1,480**	**0**
15	OTHER ASSETS	**3,010**	**3,010**	**0**
16	**TOTAL ASSETS (1 to 15)**	**1,097,980**	**14,522**	**1,083,458**
17	FINANCIAL LIABILITIES TO CENTRAL BANK	**0**	**0**	0
18	FINANCIAL LIABILITIES HELD FOR TRADING	**0**	**0**	0
19	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**0**	**0**	0
20	DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING	**0**	**0**	0
21	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	**999,932**	**0**	999,932
22	FINANCIAL LIABILITIES ASSOCIATED WITH FIN. ASSETS NOT QUALIFIED FOR DERECOGNITION	**238**	**238**	0
23	CHANGES IN FAIR VALUE FOR A GROUP OF ITEMS HEDGED AGAINST INTEREST RATE RISK	**0**	**0**	0
24	LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**0**	**0**	0
25	PROVISIONS	**659**	**659**	0
26	CURRENT CORPORATE INCOME TAX LIABILITIES	**14**	**14**	0
27	OTHER LIABILITIES	**5,389**	**5,389**	0
28	TOTAL LIABILITIES (17 to 27)	**1,006,232**	**6,300**	0
29	SHARE CAPITAL	**10,015**	**10,015**	0
30	SHARE PREMIUM	**82,434**	**82,434**	0
31	EQUITY COMPONENT OF COMPOUND FINANCIAL INSTRUMENTS	**0**	**0**	0
32	REVALUATION RESERVE	**-2**	**-2**	0
33	PROFIT RESERVES	**2,123**	**2,123**	0
34	TREASURY SHARES	**0**	**0**	0
35	RETAINED EARNINGS (incl. net profit/loss for the year)	**-3,158**	**-3,158**	0
36	EQUITY ATTRIBUTABLE TO OWNERS OF PARENT BANK (29 to 35)	**91,412**	**91,412**	0
37	Minority interest	**336**	**336**	
38	TOTAL EQUITY (36 + 37)	**91,748**	**91,748**	
39	**TOTAL LIABILITIES AND EQUITY (28 + 38)**	**1,097,980**	**98,048**	**999,932**

4.9.4. CURRENCY RISK

Banka Sparkasse d.d. held as at 31 December 2010 an open currency position in the amount of -0.32% of the capital as determined using the Bank of Slovenia methodology for calculating the capital adequacy ratio for the Bank. In the event of a 1% change in the currency exchange rates, the estimated loss for the Bank would be negligible, that is, 0.003% of the Bank's capital or around EUR 3,500.

The open currency position is monitored daily by the Treasury and Risk Management divisions, which, if required, immediately notify the Management Board or report in a more detailed form once a month in the framework of the Asset-Liability Committee.

In the subsidiaries of the Sparkasse Group, the volume of transactions in foreign currencies from the viewpoint of currency risk is insignificant or non-existent, so the impact of the currency risk on the profit and loss account is negligible. In the subsidiary engaged in stockbroking, brokerjet Sparkasse d.d., there may be slight imbalances on individual currencies (e.g. margin trading credits in a foreign currency) due to its customers' foreign currency transactions, but the company reconciles them on an as-required basis in accordance with the requirements of the platform administrator (ecetra).

Table 4.9.3. Balance sheet of Banka Sparkasse d.d., by currency

BALANCE SHEET, BREAKDOWN BY CURRENCY as at 31/12/2010

in EUR thousand

		TOTAL	EUR	CHF	GBP	HRK	USD
1	CASH AND BALANCES WITH CENTRAL BANK	**37,067**	37,037	19	1	5	5
2	FINANCIAL ASSETS HELD FOR TRADING	**0**	0	0	0	0	0
3	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**0**	0	0	0	0	0
4	FINANCIAL ASSETS AVAILABLE FOR SALE	**13,799**	13,799	0	0	0	0
5	DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING	**0**	0	0	0	0	0
6	LOANS	**1,034,423**	974,162	59,844	38	33	346
7	FINANCIAL ASSETS HELD TO MATURITY	**0**	0	0	0	0	0
8	CHANGES IN FAIR VALUE FOR A GROUP OF ITEMS HEDGED AGAINST INTEREST RATE RISK	**0**	0	0	0	0	0
9	NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**0**	0	0	0	0	0
10	TANGIBLE FIXED ASSETS	**2,115**	2,116	0	0	0	0
11	INVESTMENT PROPERTY	**0**	0	0	0	0	0
12	INTANGIBLE ASSETS	**6,946**	6,946	0	0	0	0
13	CAPITAL INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES	**641**	641	0	0	0	0
14	CURRENT CORPORATE INCOME TAX ASSETS	**1,367**	1,367	0	0	0	0
15	OTHER ASSETS	**2,559**	2,559	0	0	0	0
16	**TOTAL ASSETS (1 to 15)**	**1,098,917**	1,038,627	59,863	39	38	351
17	FINANCIAL LIABILITIES TO CENTRAL BANK	**0**	0	0	0	0	0
18	FINANCIAL LIABILITIES HELD FOR TRADING	**0**	0	0	0	0	0
19	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**0**	0	0	0	0	0
20	DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING	**0**	0	0	0	0	0
21	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	**1,001,577**	941,063	60,217	33	12	252
22	FINANCIAL LIABILITIES ASSOCIATED WITH FIN. ASSETS NOT QUALIFIED FOR DERECOGNITION	**0**	0	0	0	0	0
23	CHANGES IN FAIR VALUE FOR A GROUP OF ITEMS HEDGED AGAINST INTEREST RATE RISK	**0**	0	0	0	0	0
24	LIABILITIES ASSOC. WITH NON-CURRENT ASSETS HELD FOR SALE AND DISCONT'D OPERATIONS	**0**	0	0	0	0	0
25	PROVISIONS	**659**	659	0	0	0	0
26	CURRENT CORPORATE INCOME TAX LIABILITIES	**14**	14	0	0	0	0
27	OTHER LIABILITIES	**5,123**	5,123	0	0	0	0
28	TOTAL LIABILITIES (17 to 27)	**1,007,373**	946,859	60,217	33	12	252
29	SHARE CAPITAL	**10,015**	10,015	0	0	0	0
30	SHARE PREMIUM	**82,434**	82,434	0	0	0	0
31	EQUITY COMPONENT OF COMPOUND FINANCIAL INSTRUMENTS	**0**	0	0	0	0	0
32	REVALUATION RESERVE	**1**	1	0	0	0	0
33	PROFIT RESERVES	**3,432**	3,432	0	0	0	0
34	TREASURY SHARES	**0**	0	0	0	0	0
35	RETAINED EARNINGS (incl. net profit/loss for the year)	**-4,338**	-4,338				
36	TOTAL EQUITY (29 to 35)	**91,544**	91,544	0	0	0	0
37	**TOTAL LIABILITIES AND EQUITY (28 + 36)**	**1,098,917**	**1,038,403**	**60,217**	**33**	**12**	**252**

Table 4.9.3. Balance sheet of the Sparkasse Group, by currency

CONSOLIDATED BALANCE SHEET, BREAKDOWN BY CURRENCY as at 31/12/2010 in EUR thousand

		TOTAL	EUR	CHF	GBP	HRK	USD
1	CASH AND BALANCES WITH CENTRAL BANK	**37,067**	37,037	19	1	5	5
2	FINANCIAL ASSETS HELD FOR TRADING	**0**	0	0	0	0	0
3	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**0**	0	0	0	0	0
4	FINANCIAL ASSETS AVAILABLE FOR SALE	**13,854**	13,854	0	0	0	0
5	DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING	**0**	0	0	0	0	0
6	LOANS	**1,033,349**	973,013	59,844	38	33	421
7	FINANCIAL ASSETS HELD TO MATURITY	**0**	0	0	0	0	0
8	CHANGES IN FAIR VALUE FOR A GROUP OF ITEMS HEDGED AGAINST INTEREST RATE RISK	**0**	0	0	0	0	0
9	NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	**0**	0	0	0	0	0
10	TANGIBLE FIXED ASSETS	**2,210**	2,210	0	0	0	0
11	INVESTMENT PROPERTY	**0**	0	0	0	0	0
12	INTANGIBLE ASSETS	**7,010**	7,010	0	0	0	0
13	CAPITAL INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES	**0**	0	0	0	0	0
14	CURRENT CORPORATE INCOME TAX ASSETS	**1,480**	1,480	0	0	0	0
15	OTHER ASSETS	**3,010**	3,010	0	0	0	0
16	**TOTAL ASSETS (1 to 15)**	**1,097,980**	1,037,614	59,863	39	38	426
17	FINANCIAL LIABILITIES TO CENTRAL BANK	**0**	0	0	0	0	0
18	FINANCIAL LIABILITIES HELD FOR TRADING	**0**	0	0	0	0	0
19	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**0**	0	0	0	0	0
20	DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING	**0**	0	0	0	0	0
21	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	**999,932**	939,543	60,217	33	12	127
22	FINANCIAL LIABILITIES ASSOCIATED WITH FIN. ASSETS NOT QUALIFIED FOR DERECOGNITION	**238**	238	0	0	0	0
23	CHANGES IN FAIR VALUE FOR A GROUP OF ITEMS HEDGED AGAINST INTEREST RATE RISK	**0**	0	0	0	0	0
24	LIABILITIES ASSOC. WITH NON-CURRENT ASSETS HELD FOR SALE AND DISCONT'D OPERATION	**0**	0	0	0	0	0
25	PROVISIONS	**659**	659	0	0	0	0
26	CURRENT CORPORATE INCOME TAX LIABILITIES	**14**	14	0	0	0	0
27	OTHER LIABILITIES	**5,389**	5,389	0	0	0	0
28	TOTAL LIABILITIES (17 to 27)	**1,006,232**	945,843	60,217	33	12	127
29	SHARE CAPITAL	**10,015**	10,015	0	0	0	0
30	SHARE PREMIUM	**82,434**	82,434	0	0	0	0
31	EQUITY COMPONENT OF COMPOUND FINANCIAL INSTRUMENTS	**0**	0	0	0	0	0
32	REVALUATION RESERVE	**-2**	-2	0	0	0	0
33	PROFIT RESERVES	**2,123**	2,123	0	0	0	0
34	TREASURY SHARES	**0**	0	0	0	0	0
35	RETAINED EARNINGS (incl. net profit/loss for the year)	**-3,158**	-3,158				
36	EQUITY ATTRIBUTABLE TO OWNERS OF PARENT BANK (29 to 35)	**91,412**	91,412	0	0	0	0
37	Minority interest	**336**	336	0	0	0	0
38	TOTAL EQUITY (36 + 37)	**91,748**	91,748	0	0	0	0
39	**TOTAL LIABILITIES AND EQUITY (28 + 38)**	**1,097,980**	**1,037,591**	**60,217**	**33**	**12**	**127**

4.9.5. FAIR VALUE

The fair value of financial instruments is the amount for which an asset could be exchanged or a liability settled. The basis for determining fair value is quoted market prices, if available. When no market prices are available, fair value is determined as an estimate using the discounted cash flow method or any other valuation model.

IFRS 7 defines the fair value hierarchy based on the inputs and assumptions used in determining fair values of financial instruments. The fair value hierarchy has the following three levels:

- Level 1 – Market prices (unadjusted) in an active market. This level includes bonds, shares and derivative financial instruments quoted on stock markets.
- Level 2 – Valuation method based on market observables. The source of market observables such as yield curves and credit ratings of counterparties is the Reuters system.
- Level 3 – Valuation method where inputs are not based on observable market data. This level includes non-tradable shares, bonds and corresponding derivative financial instruments.

The hierarchy requires the use of market observables whenever they are available. The Group consistently adheres to this requirement in the valuation of financial instruments.

The fair values of financial assets and liabilities declared in the balance sheet of the Sparkasse Group as at 31 December 2010 bear no material differences.

FINANCIAL ASSETS MEASURED AT FAIR VALUE

in EUR thousand

ITEM DESCRIPTION	Note	31/12/2010		31/12/2010		31/12/2009		31/12/2009	
		BANK	GROUP	BANK	GROUP	BANK	GROUP	BANK	GROUP
FINANCIAL ASSETS		BOOK VALUE		FAIR VALUE		BOOK VALUE		FAIR VALUE	
FINANCIAL ASSETS AVAILABLE FOR SALE	2	**13,799**	**13,854**	**13,382**	**13,437**	**4,522**	**4,521**	**4,368**	**4,368**

FINANCIAL ASSETS AVAILABLE FOR SALE: the fair value of bonds is calculated based on the quoted market value.

FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE

in EUR thousand

ITEM DESCRIPTION	Note	31/12/2010		31/12/2010		31/12/2009		31/12/2009	
		BANK	GROUP	BANK	GROUP	BANK	GROUP	BANK	GROUP
FINANCIAL ASSETS		BOOK VALUE		FAIR VALUE		BOOK VALUE		FAIR VALUE	
CASH AND BALANCES WITH CENTRAL BANK	1	37,067	37,067	37,067	37,067	6,173	6,173	6,173	6,173
LOANS		1,034,402	1,033,349	1,032,296	1,031,243	1,068,129	1,067,774	1,068,129	1,067,774
Loans to banks	3	21,241	21,241	21,241	21,241	27,907	27,907	27,907	27,907
Loans to non-bank customers	4	1,013,161	1,012,108	1,011,055	1,010,002	1,040,222	1,039,867	1,040,222	1,039,867
OTHER ASSETS	9	2,579	3,010	3,441	3,872	2,200	2,245	2,200	2,245
FINANCIAL LIABILITIES									
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		1,001,577	999,932	998,287	996,642	991,939	990,711	991,939	990,711
Deposits from banks	10	16,112	16,112	16,112	16,112	17,818	17,818	17,818	17,818
Deposits from non-bank customers	11	318,775	316,104	313,433	310,762	238,889	237,661	238,889	237,661
Borrowings from banks	10	640,690	641,696	642,702	643,708	709,232	709,232	709,232	709,232
Subordinated liabilities	12	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000
OTHER LIABILITIES	14	5,123	5,389	5,655	5,921	4,902	5,174	4,902	5,174

CASH AND BALANCES: The book value is the same as the fair value.

LOANS and DEPOSITS: Loans are carried at cost less impairments. The fair value and book value are the same.

4.10. EVENTS AFTER THE BALANCE SHEET DATE

The Management Board declares that the following events took place after the balance sheet date:

Banka Sparkasse d.d. sold its interest in the company brokerjet Sparkasse, borzno posredniška družba d.d., on 1 March 2011. As of that date, this company is wholly owned by ecetra Central European e-Finance AG.

Terms of the Chairman of the Management Board and one member of the Management Board are set to expire in 2011. Accordingly, the Bank made cost provisions for payoffs (severance payments) in 2010.

4.11. TRANSACTIONS WITH ASSOCIATED PERSONS

In the course of its operations, the Bank also performs transactions with associated persons, which includes loans and deposits given out and received. The volume of transactions with associated persons and the corresponding income and expenses are set out below. The transaction terms for associated persons are in no way different from the terms for customers not associated with the Bank.

No advances were extended to the management and employees on individual contracts in 2010. At 31 December 2010, the Bank had accounts receivable from employees on individual contracts in terms of loans extended totalling EUR 448 thousand, and from employees on individual contracts from the Group companies in the amount of EUR 847 thousand. The loans come with interest rates in the range of 1.157% to 4.486%. No receivables from the management in terms of loans extended were disclosed.

in EUR (without cents)

Item No.	ITEM DESCRIPTION	MANAGEMENT BOARD	KEY MANAGEMENT PERSONNEL	CLOSE FAMILY MEMBERS OF THE MANAGEMENT BOARD AND KEY MANAGEMENT PERSONNEL	SUPERVISORY BOARD	PARENT BANK	SUBSIDIARIES	OTHER ASSOCIATED COMPANIES IN GROUP	MANAGEMENT BOARD OF ASSOCIATED COMPANIES	KEY MANAGEMENT PERSONNEL OF ASSOCIATED COMPANIES	CLOSE FAMILY MEMBERS OF THE MANAGEMENT BOARD AND KEY MANAGEMENT PERSONNEL OF ASSOCIATED COMPANIES
		1	*2*	*3*		*4*	*5*	*6*	*7*	*8*	*9*
S02	FINANCIAL ASSETS AVAILABLE FOR SALE	0	0	0	0	1,584,699	0	0	0	0	0
	LOANS	0	149,609	69	0	1,827,549	12,615,409	25,488,407	818,902	0	0
S03	Loans to banks	0	0	0	0	94,832	0	0	0	0	0
S04	Loans to non-bank customers	0	149,609	69	0	1,732,717	12,615,409	25,488,407	818,902	0	0
S09	OTHER ASSETS	0	0	0	0	238,025	70,986	130,320	0	0	0
	TOTAL ASSETS (1 TO 15)	**0**	**149,609**	**69**	**0**	**3,650,273**	**12,686,396**	**25,618,727**	**818,902**	**0**	**0**
	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	177,670	18,437	53,070	0	968,862,597	2,817,812	8,078,005	70,422	0	112,109
S11	Deposits from non-bank customers	177,670	18,437	53,070	0	0	2,817,812	8,078,005	70,422	0	112,109
S12	Borrowings from banks	0	0	0	0	968,862,597	0	0	0	0	0
S18	OTHER LIABILITIES	0	0	82,019	0	131,266	16,043	1,631,062	1,755	0	0
	TOTAL LIABILITIES (17 to 27)	177,670	18,437	135,088	0	968,993,863	2,833,855	9,709,067	72,177	0	112,109
	TOTAL LIABILITIES AND EQUITY (28 + 38)	**177,670**	**18,437**	**135,088**	**0**	**968,993,863**	**2,833,855**	**9,709,067**	**72,177**	**0**	**112,109**

Item No.	ITEM DESCRIPTION	MANAGEMENT BOARD	KEY MANAGEMENT PERSONNEL	CLOSE FAMILY MEMBERS OF THE MANAGEMENT BOARD AND KEY MANAGEMENT PERSONNEL	SUPERVISORY BOARD	PARENT BANK	SUBSIDIARIES	OTHER ASSOCIATED COMPANIES IN GROUP	MANAGEMENT BOARD OF ASSOCIATED COMPANIES	KEY MANAGEMENT PERSONNEL OF ASSOCIATED COMPANIES	CLOSE FAMILY MEMBERS OF THE MANAGEMENT BOARD AND KEY MANAGEMENT PERSONNEL OF ASSOCIATED COMPANIES
		1	*2*	*3*		*4*	*5*	*6*	*7*	*8*	*9*
U01	Interest income and similar income	9	2,935	0	0	70,279	189,417	844,795	11,378	0	0
U02	Interest expenses and similar expenses	4,057	377	1,461	0	9,335,723	15,084	101,449	808	0	2,626
	Net interest (1 - 2)	**-4,048**	**2,558**	**-1,461**	**0**	**-9,265,444**	**174,333**	**743,346**	**10,570**	**0**	**-2,626**
U03	Fee and commission income	45	255	0	0	0	19,228	13,463	434	0	40
	Net fees and commissions (5 - 6)	**45**	**255**	**0**	**0**	**0**	**19,228**	**13,463**	**434**	**0**	**40**
U06	Net gains/losses from financial assets and liabilities held for trading	0	8	0	0	0	139	19,350	4	0	0
U07	Net foreign exchange gains/losses	0	0	0	0	0	0	1,263,965	0	0	0
U09	Other net operating gains/losses	0	0	0	0	238,025	70,986	130,318	0	0	0
U10	Administrative expenses	0	0	82,019	0	131,266	8,592	1,631,062	0	0	0
U13	Impairment charge	0	-110	0	0	0	0	0	0	0	0
	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (22 - 23)	**-4,003**	**2,931**	**-83,479**	**0**	**-9,158,685**	**256,094**	**539,380**	**11,007**	**0**	**-2,586**