THE UNAUDITED INTERIM REPORT OF THE ABANKA VIPA GROUP FOR THE FIRST HALF OF 2012

ABANKA IS PEOPLE

ABANKA

Content

Management Report

Financial Highlights and Performance Indicators

FINANCIAL HIGHLIGHTS AND PERFORMANCE INDICATORS – THE ABANKA VIPA GROUP

EUR thousand

STATEMENT OF FINANCIAL POSITION	30 June 2012	31 Dec. 2011
Total assets	4,239,163	4,258,192
Total deposits from non-bank customers	2,447,156	2,422,234
Total loans to non-bank customers	2,822,639	2,998,904
Total equity	221,642	231,356

EUR thousand

INCOME STATEMENT	Jan.-June 2012	Jan.-June 2011
Net interest income	36,734	44,701
Net non-interest income	18,022	12,662
Labour costs, general and administration costs	(25,025)	(26,005)
Depreciation	(2,951)	(2,827)
Impairments and provisions	(41,816)	(46,084)
Profit or loss from ordinary operations before tax	(15,036)	(17,553)
Corporate income tax on ordinary operations	(658)	3,769

INDICATORS	Jan.-June 2012	Jan.-June 2011
Performance (in %)		
- return on assets after tax(1)	(0.7) *	(0.6) *
- return on equity after tax(2)	(13.5) *	(7.9) *

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

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

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

FINANCIAL HIGHLIGHTS AND PERFORMANCE INDICATORS – ABANKA VIPA

EUR thousand

STATEMENT OF FINANCIAL POSITION	30 June 2012	31 Dec. 2011
Total assets	4,211,198	4,215,263
Total deposits from non-bank customers	2,451,661	2,424,278
- corporate[1]	1,228,924	1,213,727
- retail	1,222,737	1,210,551
Total loans to non-bank customers	2,829,528	2,989,685
- corporate[1]	2,303,357	2,467,360
- retail	526,171	522,325
Total equity	220,058	228,689
Impairment of financial assets at amortised cost and provisions	362,550	355,592
Off-balance sheet items	1,233,156	1,347,401

EUR thousand

INCOME STATEMENT	Jan.-June 2012	Jan.-June 2011
Net interest income	35,293	42,611
Net non-interest income	17,169	10,844
Labour costs, general and administration costs	(22,931)	(23,756)
Depreciation	(2,566)	(2,526)
Impairments and provisions	(41,565)	(46,042)
Profit or loss before tax from ordinary operations	(14,601)	(18,869)
Corporate income tax from ordinary operations	(445)	3,733

NUMBER OF EMPLOYEES	30 June 2012	31 Dec. 2011
	876	878

SHARES	30 June 2012	31 Dec. 2011
Number of shareholders	1,125	1,130
Number of shares	7,200,000	7,200,000
Proportion of par-value shares in share capital (in EUR)	4.17	4.17
Book value per share (in EUR)	30.60	31.80

Note:

(1) Corporate and other customers include: non-financial corporations, public sector entities, other financial institutions, sole proprietors and non-profit institutions serving households.

INDICATORS	Jan.-June 2012	Jan.-June 2011
Capital adequacy	9.8%	11.6%
- own funds (in EUR thousand)	333,997	446,286
Asset quality (in %)		
Impairment of financial assets at amortised cost and provisions	8.83	5.95
Performance (in %)		
- interest margin(1)	1.69 *	1.91 *
- financial intermediation margin(2)	2.51 *	2.40 *
- return on assets before tax(3)	(0.70) *	(0.85) *
- return on equity before tax(4)	(12.52) *	(10.55) *
- return on equity after tax(5)	(12.90) *	(8.46) *
Operational costs (in %)		
- operational costs/average assets	1.22 *	1.18 *
Liquidity (in %)		
- liquid assets/short-term deposits from non-bank customers	48.52	37.48
- liquid assets/average assets	17.77	12.61

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

Notes:

Data and performance indicators have been calculated according to the Indicator Methodology Calculation which the Bank of Slovenia set out its Decision on the Accounting Records and Annual Reports of (Savings) Banks.

(1) The indicator equals the ratio **net interest income/average assets**.
(2) The indicator equals the ratio **(net interest income+net non-interest income)/average assets**.
(3) The indicator equals the ratio **profit/loss before tax/average assets**.
(4) The indicator equals the ratio **profit/loss before tax/average equity**.
(5) The indicator equals the ratio **profit/loss after tax/average equity**.
(6) **Average assets** have been calculated as the average amount of assets over the last 7 months as at the last day of each month, including the amount of assets as at the last day of December of the previous year.
(7) **Average equity** has been calculated as the average amount of equity over the last 7 months as at the last day of each month, including the amount of equity as at the last day of December of the previous year.

Presentation of the bank and the group

ABOUT THE BANK

Abanka Vipa d.d. (hereinafter: Abanka) is a bank with a long tradition in the Slovene banking sector. The origins of Abanka d.d. date back to 1955, when the bank operated as a branch of the Yugoslav Bank for Foreign Trade. In 1977, the branch was renamed Jugobanka – Temeljna banka Ljubljana. Abanka began using its current name on 1 January 1990, when it was transformed into a joint-stock company. On 31 December 2002 Banka Vipa merged with Abanka. Since that time, the Bank has operated under the name Abanka Vipa d.d., abbreviated to Abanka d.d. Following the merger with Banka Vipa, Abanka's market share rose by 1.7 percentage points to 8.5%, making it the third largest bank in Slovenia. In October 2008 the shares of Abanka were listed on the Ljubljana Stock Exchange. As at the end of June 2012, Abanka had a market share of 8.5%.

Abanka is a universal bank with authorisation to provide banking and other financial services. Through our extensive network of 40 branches across Slovenia, e-banking, our advisory services and personal approach, we offer comprehensive financial services ranging from traditional banking and banking-insurance services to investment banking. In the scope of its investment banking, Abanka also manages the mutual retirement fund AIII VPS.

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

Abanka's range of services is further supplemented by factoring, leasing and asset management provided by its subsidiaries in Slovenia: ABANKA SKLADI d.o.o., Argolina d.o.o., Afaktor d.o.o. with two subsidiaries in Belgrade and Zagreb, Aleasing d.o.o. with its participation in the joint venture in Bosnia and Herzegovina ASA Aleasing d.o.o. and Analožbe d.o.o.

SERVICES OF THE BANK

As at 30 June 2012 Abanka was authorised to provide the following mutually recognised financial services under Article 10 of the Banking Act:

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

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

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

BANK PROFILE

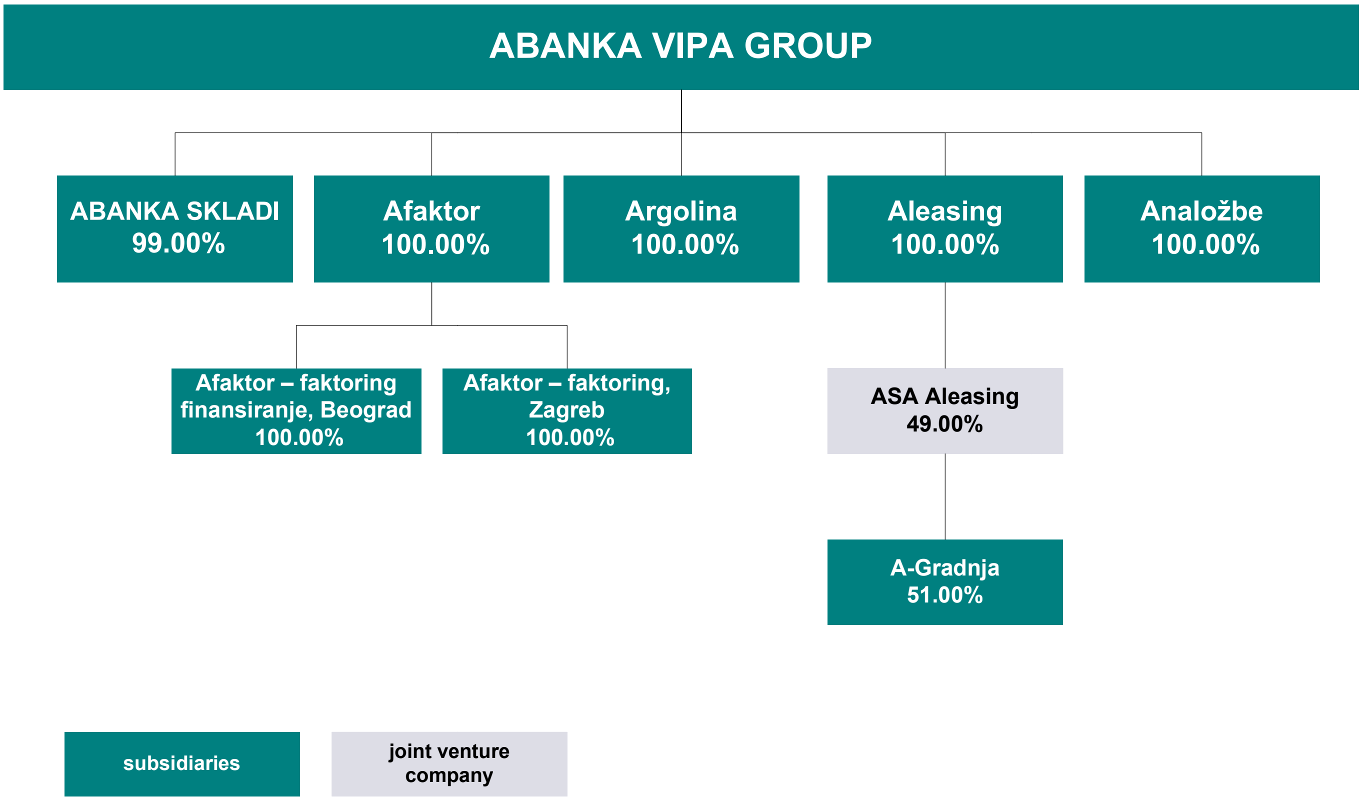
Abanka is entered in the Companies Register kept by the District Court in Ljubljana under registration no. 1/02828/00.

Registered office: Slovenska cesta 58, 1517 Ljubljana
Transaction account: SI56 0100 0000 0500 021
SWIFT: ABANSI2X
Tax number: 68297530
VAT identification number: SI68297530
Company registration number: 5026024
Share capital: EUR 30,045,067.60
Telephone: (+386 1) 47 18 100
Fax: (+386 1) 43 25 165
Website: http://www.abanka.si
E-mail: info@abanka.si

ABOUT THE GROUP

As at 30 June 2012, in addition to Abanka, as the parent company, the Abanka Vipa Group (hereinafter: the Abanka Group) included the following:

- **subsidiaries:** ABANKA SKLADI d.o.o., Afaktor d.o.o., Argolina d.o.o., Aleasing d.o.o., Naložbe d.o.o. and
- **the joint venture company of the Aleasing subsidiary:** ASA Aleasing d.o.o.



Structure as at 30 June 2012

The following table indicates the year the subsidiaries and the joint venture company were included in the Abanka Group, their activities and the Abanka Group's equity shareholding as at 30 June 2012.

Company	Included in Abanka Group	Activity	Equity Shareholding	Nominal Value of Stakes as at 30 June 2012 (in EUR thousand)
ABANKA SKLADI d.o.o.*	1994	investment fund management	99.00%	842
Afaktor d.o.o.	2002	factoring	100.00%	1,505
Argolina d.o.o.	2003	project financing	100.00%	100
Aleasing d.o.o.	2003	leasing	100.00%	1,763
Analožbe d.o.o.	2006	investment management	100.00%	100
ASA Aleasing d.o.o.	2007	leasing	49.00%	1,002

Note: * In March 2012, Abančna DZU d.o.o. was renamed ABANKA SKLADI d.o.o.

Significant business events of the subsidiaries and the joint venture company in the first half of 2012:

ABANKA SKLADI d.o.o:

- The Company adopted the 2012-2016 Strategic Business Plan setting out the policy for achieving market share growth and an adequate operating margin, which the Company will pursue in the next five-year period. In line with the new five-year strategy, the Company's operations will be focused on investors and on a range of financial services designed to satisfy the needs of all economic subjects, i.e. individuals, families, companies, financial institutions and other investors. Full integration of ABANKA SKLADI products into the Abanka product range, and participation in the design of comprehensive financial solutions for Abanka Group clients are among the key strategic objectives.
- In March 2012, Abančna DZU d.o.o. was renamed ABANKA SKLADI d.o.o. The new ABANKA SKLADI brand name implies the connection with Abanka and will at the same time contribute to a better visibility of the Company.
- In June, the Company filed a request for consent to amend the rules governing the umbrella fund management, especially to change the names of both the subfunds and the umbrella fund in line with the new ABANKA SKLADI brand name, to harmonise the rules with the new legislation (investment limits, fund classification) and to amend the investment policies of individual subfunds.
- ABANKA SKLADI reorganised work processes in the Management and Analysis Department and upgraded the system of subfund management.
- The key performance indicator matrix confirmed that the Company has achieved its goals and significantly decreased its operating costs in the reporting period.
- The Company implemented numerous measures and activities to stimulate inflows, focusing its major activities on developing and enhancing cooperation with the Abanka's sales channels.

Afaktor Group:

- Slimmer chances of acquiring and renewing loans induced a greater demand for factoring, which is on the rise.
- Operations expanded to sectors and transactions providing reliable cash flow and a quicker turnover of investment – i.e. SMEs, direct exports and sales to large traders or exporters.
- Sale opportunities for other factoring services such as accounts-receivable management, collection services and default risk insurance based on reinsurance, increased as well.
- Growth was achieved in export factoring and attracting new customers.
- The companies within the Group were technologically upgraded to perform non-financial services within factoring and launched the option of electronic invoice entry.
- A faster turnover of accounts receivables and a decrease in arrears were achieved.
- In the first half of 2012, the two key development projects of the Group were an upgrading of the software application to match the product upgrades, and further development of the Group governance and subsidiary control function, including continued business support to the youngest subsidiary in Croatia.
- Synergies between the Afaktor Group and the Abanka Group were achieved in operations with shared customers, especially in directing clients to the Afaktor Group or to the Bank.
- Operations have been and will remain focused foremost on attracting new clients and concluding contracts with companies with good and regular orders from solvent buyers, as well as on international factoring operations with insurance through import factors.

Argolina d.o.o.:

- Business operations of Argolina in the first half of 2012 were directed at seeking for solutions for the divestment of the Company's property, conversion to more liquid types of assets and the completion of the capital project.

Aleasing d.o.o.:

- Marketing activities were carried out in accordance with the planned lower rate of growth of new operations and new level of debt.
- Recoveries and sale of seized leasing objects were actively carried out.
- Due to the bankruptcy of both the lessee and the contractor, the Company obtained the entire documentation for the finalisation of the construction of a residential building.
- Aleasing implemented new IT solutions for computerisation of the document flow and work process.
- The Ljubljana business unit moved into less expensive and more modern business premises at Dunajska cesta 167, in the immediate vicinity of an Abanka office.
- Activities for moving the Celje business unit have started in order to optimise expenses and provide better working conditions.
- On the basis of a resolution passed by the Management Board of Abanka, the activities for the legal relocation of the headquarters from Celje to Ljubljana have begun. The legal change of the Company's registered office was realised as of 9 July 2012.

Analožbe d.o.o.:

- In the first half of 2012, Analožbe focused on the management of own assets, simultaneously making efforts to reduce operating costs.

ASA Aleasing d.o.o.:

- ASA Aleasing retained the 15% market share in personal vehicle financing, ranking 4th among car leasing providers in Bosnia and Herzegovina; Due to limited financing opportunities the Company limited the scope of other types of leasing operations and thus reached a total market share of 11% in leasing financing.
- ASA Aleasing obtained from competent authorities the Letter of Intent, expressing the readiness to issue the required authorisations for the Agradnja project, and started intensive activities for the sale of the said project.
- The Company markedly improved the quality of its portfolio and thus lowered the need for additional impairments.
- A new plan was mapped out for the adjustment of volumes of operations and expenses to the lowered opportunities for obtaining sources of financing.

MAJOR BUSINESS EVENTS AND ACHIEVEMENTS IN THE FIRST HALF OF 2012 AND AFTER THE FIRST HALF OF 2012

- On 6 January 2012, Abanka received a notification dated 5 January 2012 from the representative of the consortium responsible for the sale of a majority package of shares in Abanka regarding the adoption of a decision by the consortium to terminate the consortium agreement and to dissolve the aforementioned consortium.
- Credit rating revisions by Fitch Ratings in February:
  - government-backed Abanka bonds were downgraded to A and the outlook revised to negative, driven by the downgrade of the Slovene government's sovereign debt rating;
  - Abanka's viability rating was downgraded to "b" and the hybrid capital instrument rating to CCC.
- International ratings agency Moody's downgraded government-guaranteed debt of Abanka to A2 and assigned negative outlook following the downgrade of the sovereign rating on February 2012.
- In the framework of implementing the key strategic directions for consolidating capital base, the Management Board discussed the option of a merger with Gorenjska banka, so as to consolidate the market and capital positions of a merged bank and enable capital strengthening of Abanka by an increase of share capital through the paying-in of newly issued shares. According to the opinion of the Supervisory Board, the merger between Abanka and Gorenjska banka is the best option for strengthening the market and capital positions of the Bank. Therefore, the Supervisory Board gave the Management Board its consent to implement the merger project.
- Simon Zdolšek and Uroš Rožič resigned as members of the Supervisory Board on 29 February 2012 and 16 March 2012 respectively, while Janez Bohorič resigned as Chairman of the Supervisory Board on 11 April 2012.
- In March 2012, International rating agency Capital Intelligence changed Abanka's ratings. The ratings assigned to Abanka are as follows: Foreign Currency Long Term Rating BBB-, Foreign Currency Short Term Rating A3, Financial Strength Rating BB+, all with a Negative Outlook. Abanka's Support rating was affirmed at '4'.
- After the partial early redemption of bonds in the amount of EUR 69,501 thousand in March 2012, the nominal value of the government-backed Abanka bonds was decreased to EUR 281,088 thousand.
- On 17 April 2012, Igor Stebernak resigned as member of the Supervisory Board. On 10 April 2012, the Supervisory Board appointed Stebernak as member of Abanka's Management Board. Igor Stebernak received a licence to serve on the Management Board by the Bank of Slovenia on 22 June 2012, starting his five-year term of office on 1 July 2012. As of that date, Abanka has been governed by a two-member Management Board, composed of Jože Lenič as President and Igor Stebernak as member.
- In April 2012, the international rating agency Moody's has changed Abanka's Long-term Deposit Rating to 'Ba3' and Preferred Stock Non-cumulative Rating to 'Caa2', both have been put on review for downgrade together with the Bank Financial Strength Rating currently rated at 'E+'.
- On 30 May 2012, an agreement was signed on the termination of a Management Board member's term and office between the Supervisory Board and members of the Management Board Radovan Jereb and Gregor Hudobivnik.
- On 30 May 2012, shareholders at the General Meeting confirmed the proposed increase in Abanka's share capital in the amount of EUR 50 million. The strengthening of the Bank's capital base will facilitate the implementation of the Bank's clearly established strategic objectives.
- On 30 May 2012, the General Meeting of Shareholders appointed Kristina Ana Dolenc, Andrej Hazabent, Andrej Slapar and Andrej Andoljšek as members of the Supervisory Board with a four-year term of office starting on the same date.
- On the 1st regular meeting of the Supervisory Board of Abanka held on 4 July 2012, Andrej Andoljšek was appointed President of the Supervisory Board, while Andrej Slapar was appointed Deputy President.
- On 26 July 2012, the international rating agency Moody's has changed Abanka's Long-term Deposit Rating to 'Caa1', Preferred Stock Non-cumulative Rating to 'Ca' and Bank Financial Strenght Rating to 'E'. The Outlook on all the banks' rating is negative. The agency stated that downgrade of Abanka's rating was caused by the increased pressure on the banks' capital adequacy which is driven by on-going and severe asset-quality deterioration.

Financial Results for the First Half of 2012

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

The unaudited consolidated financial statements of the Abanka Group for the first half of 2011 include the subsidiaries Argolina, ABANKA SKLADI (at that time Abančna DZU), Afaktor, Aleasing and Analožbe, alongside Abanka as the parent bank. The Bank's participation in the joint venture ASA Aleasing is consolidated under the equity method.

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

PERFORMANCE AS VIEWED THROUGH THE INCOME STATEMENT

In the first half of 2012, the **Abanka Group** generated a **loss before tax** of EUR 15,036 thousand**. Consolidated loss after tax** in the first half of 2012 amounted to EUR 15,694 thousand, compared to the first half of 2011 when Abanka Group posted a loss after tax of EUR 13,784 thousand.

As at the end of June 2012, **Abanka** posted a **loss before tax** of EUR 14,601 thousand, which was reflected in a negative return on equity of 12.5%, while in the first half of 2011 Abanka generated a loss before tax of EUR 18,869 thousand. Due to the legally required tax rate changes, the previously calculated amount of deferred taxes was adjusted with an additional tax expense amount of EUR 3,507 thousand. Including income from deferred taxes in the amount of EUR 3,062 thousand from the first half of 2012, expenses from deferred taxes in the amount of EUR 455 thousand were recognised. **The Bank's loss after tax** totalled EUR 15,046 thousand, similar as in the first half of 2011, when it amounted to EUR 15,136 thousand. Return on equity after tax was negative, at 12.9%.

The **Abanka Group's interest income** in the first half of 2012 totalled EUR 97,269 thousand, a decrease of 4.7% compared to the first half of 2011, while its **interest expenses** totalled EUR 60,535 thousand, which was 5.5% more than incurred in the first half of 2011. The **Abanka Group's net interest income** earned in the first six months of 2012 thus totalled EUR 36,734 thousand, which was 17.8% below the level recorded in the same period of 2011.

Abanka's interest income in the first half of 2012 was EUR 95,159 thousand or 4.1% less compared to the first half of 2011, whereas its **interest expenses** totalled EUR 59,866 thousand or 5.8% more than in the corresponding period of 2011. Abanka's **net interest income** thus amounted to EUR 35,293 thousand, which was 17.2% less than in the same period of the previous year. The drop was caused mostly by the reduced credit portfolio volume and more expensive sources of financing.

In the first half of 2012, the **Abanka Group** posted EUR 15,157 thousand in **net fees and commissions** or 4.9% less than in the first half of 2011. **Abanka** contributed EUR 14,806 thousand to **net fees and commissions**, which was 5.4% less than in the first six months of last year.

Other net non-interest income (excluding net fees and commissions) of the **Abanka Group** in the first half of 2012 amounted to EUR 2,865 thousand (compared with EUR 3,268 thousand in other net non-interest **expenses** posted by the Group in the same period last year). **Other net non-interest income** (excluding net fees and commissions) of **Abanka** in the first half of 2012 amounted to EUR 2,362 thousand (in the first half of 2011, the Bank posted EUR 4,800 thousand in other net non-income **expenses**).

The Abanka Group's operating costs in the first half of 2012 totalled EUR 27,976 thousand and were 3.0% lower than in the first half of 2011. Labour costs of EUR 16,082 thousand were 4.1% lower than in the same period of 2011, while general and administrative expenses decreased by 3.2% over the same period of 2011 to EUR 8,943 thousand. Depreciation expenses amounted to EUR 2,951 thousand, increasing by 4.4% compared to the same period of 2011. At 57.5%, labour costs represented the largest proportion of total expenses, followed by general and administrative expenses with 32.0% and depreciation expenses, which accounted for 10.5% of the total.

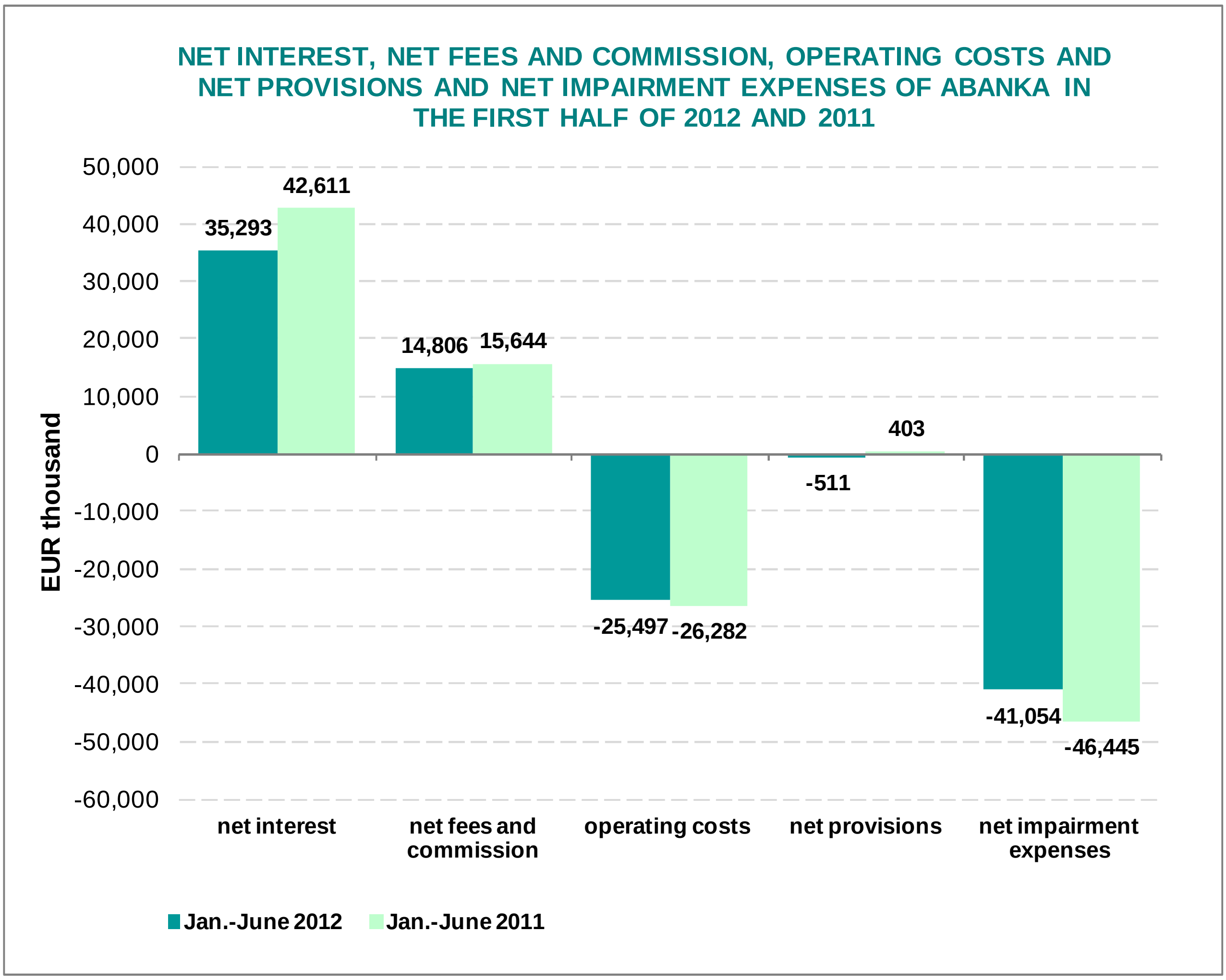
Abanka's operating costs in the first half of 2012 were EUR 25,497 thousand in total, which was 3.0% lower than in the same period of 2011. Compared to the corresponding period of the previous year, labour costs were 4.1% lower and totalled EUR 14,938 thousand, whereas general and administrative expenses equalled EUR 7,993 thousand and were 2.4% below the amount reported for the first half of 2011. Depreciation expenses of EUR 2,566 thousand were 1.6% higher than in the first six months of 2011. At 58.6%, labour costs accounted for the largest part of total expenses, followed by general and administrative expenses at 31.3% and depreciation expenses, which made up 10.1% of the total.

The Abanka Group's operating income in the first half of 2012 amounted to EUR 26,780 thousand, while in the first half of 2011 the Group posted an operating income of EUR 28,531 thousand. **Abanka's operating income** in the first half of 2012 totalled EUR 26,964 thousand. That compared with EUR 27,173 thousand in operating income posted in the same period last year.

In the reporting period, **the Abanka Group** incurred EUR 41,816 thousand of **net provisioning and impairment expenses**, of which **net provisioning expenses** totalled EUR 631 thousand (in the same period of 2011, **net provisioning income** totalled EUR 403 thousand), while **net impairment expenses** amounted to EUR 41,185 thousand (EUR 46,487 thousand in the corresponding period of 2011).

In the first half of 2012, **Abanka** incurred EUR 41,565 thousand of **net provisioning and impairment expenses**. Abanka's **net provisioning expenses** totalled EUR 511 thousand (in the same period of 2011, **net provisioning income** totalled EUR 403 thousand), while the Bank's **net impairment expenses** amounted to EUR 41,054 thousand (EUR 46,445 thousand in the first half of 2011).

Due to the deteriorated quality of its credit portfolio, in the first half of 2012 Abanka had to form additional impairments in the amount of EUR 38,785 thousand, while the Bank's additional impairments in the first half of 2011 totalled EUR 39,072 thousand. The majority of additional impairments and provisions were formed due to the exposure to corporate clients and professionals, i.e. 37% of impairments were formed in the construction sector and 13% in finance and insurance services, especially holding companies. Furthermore, Abanka impaired the available-for-sale financial securities by EUR 2,250 thousand, while in the same period of 2011 such impairments totalled EUR 7,373 thousand.



PERFORMANCE AS VIEWED THROUGH THE STATEMENT OF FINANCIAL POSITION

Consolidated total assets as at 30 June 2012 amounted to EUR 4,239,163 thousand, which was EUR 19,029 thousand or 0.4% below the level posted as at the end of 2011. The combined balance sheet assets of consolidated subsidiaries, which equalled EUR 144,214 thousand, accounted for 3.4% of consolidated total assets (vs. 3.5% as at the end of 2011). After the elimination of inter-company transactions, the consolidated total assets of the Abanka Group exceeded Abanka's total assets by 0.7% or EUR 27,965 thousand.

Total assets of Abanka as at the end of June 2012 amounted to EUR 4,211,198 thousand, which was EUR 4,065 thousand or 0.1% below the level posted at the end of 2011.

Loans and receivables to non-bank customers accounted for the largest proportion of consolidated balance sheet assets, amounting to EUR 2,822,639 thousand as at the end of June 2012. In the reporting period, Abanka's loans and receivables to non-bank customers totalled EUR 2,829,528 thousand, having experienced a decrease of 5.4% over the end of 2011, or EUR 160,157 thousand in nominal terms. Loans extended by the Bank to corporate customers and sole proprietors decreased by 6.6%, loans to the public sector decreased by 6.8%, whereas retail loans increased by 0.7%.

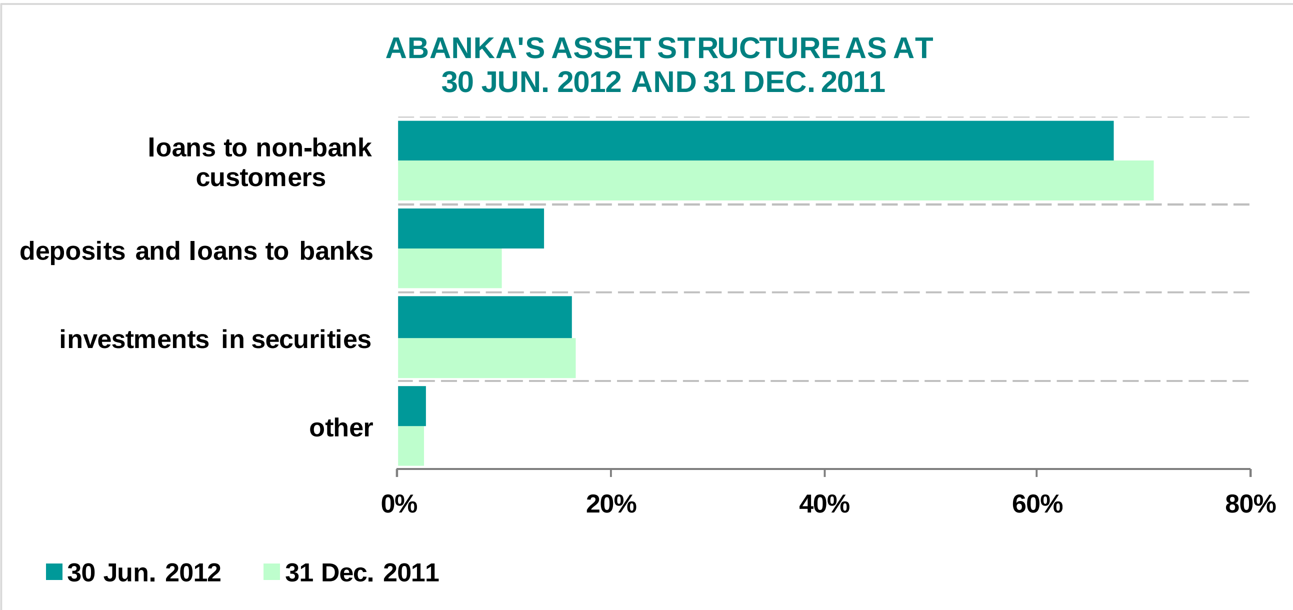
As at 30 June 2012, the Abanka Group's loans and receivables to banks totalled EUR 581,250 thousand, having risen by 40.7% over the end of 2011. Abanka's loans and receivables to banks totalled EUR 579,819 thousand, up by 41.0% compared to the corresponding period of 2011.

As at 30 June 2012, the value of Abanka Group's investments in securities was EUR 688,718 thousand, which was 2.6% or EUR 18,172 thousand less than as at 31 December 2011. Abanka's investments in securities stood at EUR 688,248 thousand and were 2.6% or EUR 18,110 lower than as at the end of 2011.

Equity investments in subsidiaries in the first half of 2012 amounted to EUR 4,310 thousand, the same as at the end of 2011.

As at the end of June 2012, tangible and intangible assets of the Abanka Group totalled EUR 58,491 thousand, having decreased by EUR 185 thousand or 0.3% over the end of 2011. As at the end of June 2012, tangible and intangible assets of Abanka totalled EUR 38,188 thousand or EUR 518 thousand less than at the end of 2011.

The graph below shows the structure of Abanka's assets as at the end of June 2012 and as at the end of 2011.



As at 30 June 2012, **consolidated balance sheet liabilities** were composed of EUR 4,017,521 thousand of total liabilities and EUR 221,642 thousand of total equity. As at the reporting date, the **Bank's balance sheet liabilities** were made up of EUR 3,991,140 thousand of liabilities and EUR 220,058 thousand of total equity.

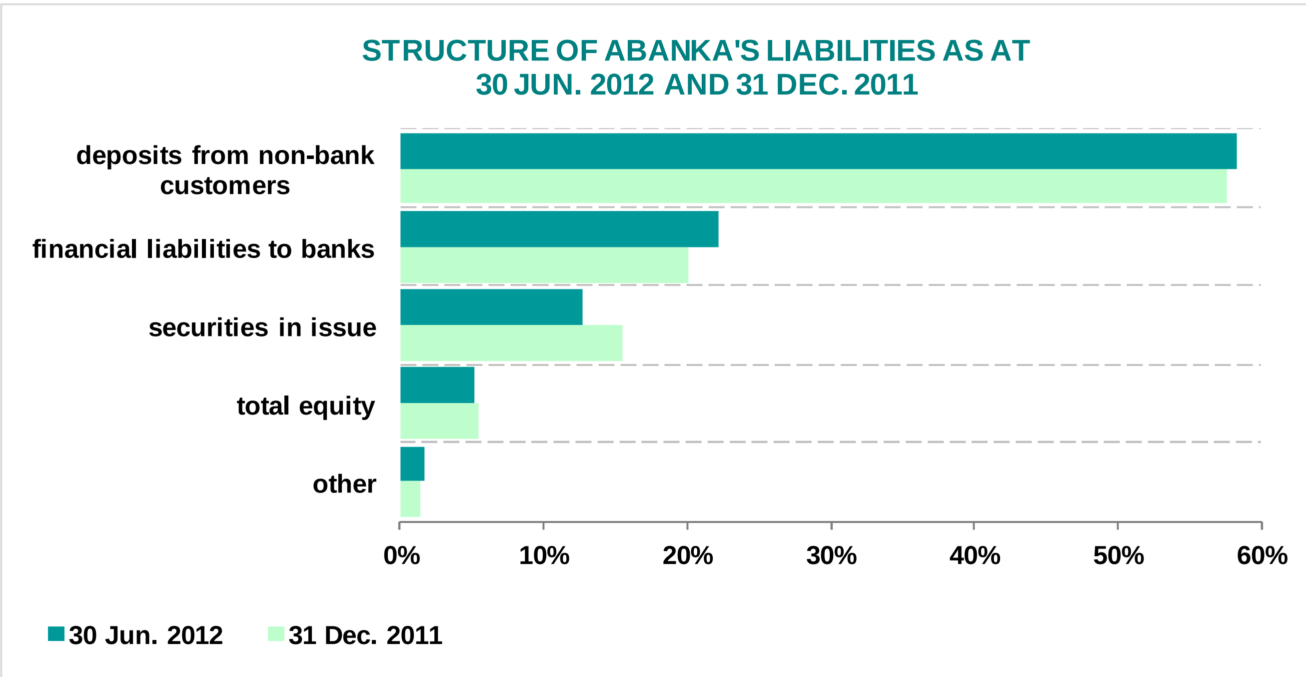
Deposits from non-bank customers represented the bulk of total liabilities of the Abanka Group. In the first half of 2012, they increased by 1.0% or EUR 24,922 thousand to EUR 2,447,156 thousand. As at the end of June 2012, deposits from non-bank customers in Abanka amounted to EUR 2,451,661 thousand, after having increased by 1.1% or EUR 27,383 thousand (deposits from the public sector increased by 1.7%, deposits from retail customers by 1.0% and deposits from corporate customers and sole proprietors by 0.6%). In total deposits from non-bank customers, the largest share was accounted for by retail customers (49.9%), followed by deposits from the public sector (31.2%) and deposits from corporate customers and sole proprietors (18.9%). As at 30 June 2012, overnight deposits stood at EUR 238,321 thousand, of which deposits from the public sector accounted for EUR 217,706 thousand. That compared with EUR 48,961 thousand as at the end of previous year, of which EUR 41,079 were accounted for by deposits from the public sector.

In the reporting period, the Abanka Group's financial liabilities to banks amounted to EUR 964,250 thousand, which was 8.6% more than as at the end of 2011. Abanka's financial liabilities to banks as at 30 June 2012 amounted to EUR 935,737 thousand, up 10.4% over the end of 2011.

Securities in issue of the Abanka Group equalled those of Abanka. In the first half of 2012, they decreased by EUR 122,915 thousand, reaching EUR 532,308 thousand as at the end of June 2012.

The total equity of the Abanka Group as at the end of June 2012 equalled EUR 221,642 thousand, which was 4.2% less compared to the end of 2011, whereas the total equity of Abanka amounted to EUR 220,058 thousand, decreasing in the same period by 3.8%.

The graph below shows the structure of Abanka's liabilities as at the end of June 2012 and as at the end of 2011.



PERFORMANCE IN THE FIRST HALF OF 2012

CORPORATE BANKING

Despite the last year's forecasts of gradual improvement and perceived revival of economic activity in the first half of 2011, the economic situation in Slovenia was very precarious in the first half of 2012 due to a new aggravation of the European debt crisis. Uncertain conditions in international markets again caused a contraction of the economic activity both in Europe and in Slovenia. The marked contraction of activity in the construction sector in 2011 continued in the first half of 2012, and construction continues to be one of the most distressed industries. Equally poor remained the conditions for operations of financial holding companies, since their performance is affected by the portfolio structure and by the value of investments in that portfolio structure, which are still decreasing due to the market conditions. In export-oriented companies, where the conditions in 2011 were considerably better in comparison with other segments of the economy, the shrinking in the growth dynamics was also recorded due to the uncertain conditions in the international markets. This represents additional problems, as export is one of the segments that act as a development driving force, and other accompanying activities depend upon it. Just as in the last several years, in the first half of 2012 companies remain highly financially dependent on bank loans and overly indebted. The companies which did not accumulate savings generated in the years of favourable economic situation, as well as companies which are undercapitalised and entered the crisis with a negative cash flow, are facing major difficulties. In the first half of 2012 and in the preceding years all this caused additional obstacles in borrowing opportunities and consequently caused an increase in demand for re-financing of existing loans. In the given conditions, and due to the shortage in sources of financing and over-indebtedness of companies, companies were more prudent in making decisions on new capital projects, which almost completely eliminated the demand for new investments. However, a greater demand for re-programming the existing obligations was recorded, as in the given circumstances some companies were unable to settle their due liabilities, as agreed upon at the time of loan granting, or to decrease the level of their indebtedness.

In the first half of 2012, the trend of further increase in bankruptcy and compulsory composition cases continued together with overdrawing of companies' bank accounts, more and more guarantees were being called on and the number of insolvency procedures increased, which was also witnessed in previous periods following the beginning of the recession. In those circumstances, Abanka paid special attention to careful debt collection and professional treatment of loans on the watch list in order to maximise the repayment, especially in investments with an option of business and/or financial restructuring. Consequently, a special organisational unit for management of loans on the watch list was set up in 2011. The unit is in charge of professional treatment of even the most complex cases and is constantly reinforced. Where restructuring was not an option and the borrower's working capital could not be used to service the debt, Abanka opted for the realisation of provided collateral. Abanka secured a portion of debt recovery by forfeiture of the guarantee within the Guarantee Scheme of the Republic of Slovenia for Legal Persons.

Due to the economic conditions and the afore-mentioned circumstances faced by companies, Abanka paid additional attention to credit risk as one of the most important risks in the bank, by paying special attention to the real-time monitoring of its credit portfolio and/or real-time monitoring of companies' operations. Abanka got involved in the business and financial re-structuring of companies whose business plans justify further cooperation or crediting, with the aim to ensure their smooth operation, and consequently, their ability to settle the obligations to the Bank. Due to the economic conditions and the limited sources of international financing, the granting of loans continued to be selective, in order to further adjust the volume of crediting to the lower sources of financing. For these reasons the volume of crediting of legal entities in the first half of 2012 was reduced in accordance with the plan. Important sources of financing of Abanka, especially in these circumstances, are the SID Bank sources, aimed primarily at the promotion of internationalisation, infrastructure development and the SME sector.

Due to liquidity problems faced by large companies, the insolvency, specific for large business, is moving to the segment of medium-sized and small business. Apart from losing business opportunities, small and medium-sized companies are not being paid for the work performed and/or the payment terms extend beyond any reasonable limits, so that they often do not provide for normal operation, which causes problems and insolvency procedures in this segment too. Nevertheless, the SME segment is vital and with a correct approach in terms of selective crediting of customers with a good credit rating, good business plan, long-term partnership with their customers and the quality of product range and adequate insurance, it continues to be a segment to which the Bank is paying more attention, simultaneously cooperating with funds and institutions that facilitate small businesses' access to funding.

In the first half of 2012, government bank deposits were decreasing, similar to the trends in 2011, except for the first quarter of 2011, when they increased on account of bond issues by the Republic of Slovenia. Deposits by other institutional investors followed similar trends.

Abanka's loans to corporate customers as at the end of June 2012 reached EUR 2,303,357 thousand, after decreasing by EUR 164,001 thousand or 6.6% over the end of 2011. The market share of loans to corporate customers fell from 9.9% as at the end of 2011 to 9.4% as at the end of June 2012. The share of loans to corporate customers in total assets decreased from 58.5% at the end of 2011 to 54.7% at the end of June 2012. In the first half of 2012, loans extended to corporate customers decreased by 6.3%, loans to the public sector by 6.8%, loans to sole proprietors by 4.5% and loans to foreign corporate customers by 10.9%.

During the first half of 2012, **deposits from corporate customers in Abanka** increased by 1.3% and reached EUR 1,228,924 thousand as at 30 June 2012**.** The market share of deposits from corporate customers rose from 12.4% at the end of 2011 to 12.9% at the end of June 2012. As at the end of June 2012, deposits from the public sector increased by 1.7%, deposits from corporate customers by 0.7% and deposits from sole proprietors by 5.1%, whereas deposits from foreign corporate customers fell by 43.6%. In total balance sheet liabilities, the share of deposits from corporate customers by the end of June 2012 totalled 29.2%. That compares with 28.8% as at the end of 2011.

RETAIL BANKING

In retail banking, in the first half of 2012 Abanka focused on the realisation of the registered key guidelines for successful operation of its branch network. It thus focused primarily on customers and on maximizing their satisfaction and meeting their actual needs. This is carried out by systematically raising the quality level of services and professionalism of employees in the sale of the entire range of services offered by the Bank and its subsidiaries, in a customer friendly, discrete and individualised manner.

A new branch office was opened in April in Domžale and potential locations were prepared for further expansion of the business network, in accordance with the strategy of modernisation and expansion of the branch network.

Great emphasis was placed on attracting new personal accounts holders and raising the satisfaction of existing customers by expansion of business volume and cross-sale of services with a large added value.

In the segment of service and sales channels development, Abanka continuously provides services in line with the customers' needs and expectations; thus, in 2012 Abanka developed a new term deposit product with withdrawal option. Abanka offered online payments with the BA Maestro card and cash transfers from one Abanka personal account to another and to personal accounts by other banks in Slovenia through Abanka's ATMs with the BA Maestro card. Abanka is continuously focused on improving the existing sales channels and customer experience - e-banking, ATMs, SMS notices and new innovative sales channels, such as social networking, etc. It should be noted that professional circles voted Abanet e-banking for the most customer friendly e-banking system in Slovenia. Numerous merchants, with whom the Bank has established a successful co-operation, were convinced by Abakredit service, i.e. the credit at the point of sale.

Abanka and its strategic partner Zavarovalnica Triglav follow the modern trends. In June the partnership was strengthened by offering services in the segment of property insurance by the Bank and sales of banking services through the insurance company for the first time in Slovenia.

In retail banking Abanka continues the optimisation of processes and automatisation in sales of services in order to lower all operative and credit risks and above all to ensure the satisfaction of customers and employees working with customers. A new effective internal control system was implemented and a part of the collection process was centralised, which markedly disburdened the sales staff, improved cost efficiency, unified procedures and improved the comprehensiveness and transparency of retail banking.

Professionalism and sales attitude in branch offices was checked by mystery shopping twice in the first half of 2012.

In the segment of product marketing communication, regional marketing activities, successfully involving both professional and general public, were efficiently implemented in the first half of 2012. Monitoring of individual marketing activities, from the beginning to end, their precise planning and measurements of the results were optimised. A restructured overall concept of marketing product communication was introduced in order to enable reaching higher goals in a cost-efficient manner. As in the past, the Bank particularly focused on understanding the needs of related persons and families. A prize game for youths was prepared on the Akeš Facebook page which again brought excellent results. By the end of the year other customer segments of Abanka are planned to be given attention and thus realisation of all set strategic goals for 2012 will be finalised.

As at the end of June 2012, **Abanka's loans to retail customers** totalled EUR 526,171 thousand, the majority of which was accounted for by domestic retail loans, as loans to foreign retail customers totalled only EUR 847 thousand. Retail loans increased by 0.7%, while their share in balance sheet assets increased from 12.4% as at the end of 2011 to 12.5% as at the end of June 2012. The market share of retail lending as at the end of June 2012 totalled 6.4%. That compared with 6.3% as at the end of 2011.

Deposits from retail customers in Abanka as at the end of June 2012 stood at EUR 1,222,737 thousand, of which deposits from foreign retail customers amounted to only EUR 43,329 thousand. In the first half of 2012, deposits from retail customers grew by 1.0% in total, with those from domestic customers increasing by 1.1% and those from foreign customers falling by 2.5%. As at the end of June 2012, deposits from retail customers represented 29.0% of total balance sheet liabilities, after having increased from 28.7% as at the end of 2011. The market share of deposits from retail customers decreased to 8.1% as at the end of June 2012 from 8.2% as at the end of 2011.

OPERATIONS WITH OTHER BANKS

Following the reduction in the volume of financing of Slovenian banks in the wholesale market in 2011, in the first half of 2012 the trend of deleveraging of Slovenian banks outside Slovenia continued. In view of the sustained tight conditions in the international markets, in December 2011 the Governing Council of the ECB decided to introduce non-standard measures, namely two additional 3-year long-term re-financing operations. The banks were thus financed mainly through ECB operations and significantly lowered their re-financing risk with those funds through long-term operations, at least in 2012.

Just as in 2011, in the first half of 2012 Abanka, in addition to short-term and structural liquidity, paid special attention to the process of restructuring the sources of financing with the long-term goal of increasing the share of deposits and simultaneously decreasing the share of financing by more expensive loans, taken from banks outside of Slovenia, in the structure of its balance sheet. The Bank is pursuing the goal of minimising the dependency from foreign financing by changing the financing structure and, consequently, reducing the sensitivity of the Bank to unstable conditions in international finance markets.

As at 30 June 2012, the **Abanka Group's loans and receivables to banks** totalled EUR 581,250 thousand. **Abanka's loans and receivables to banks and cash and balances with the central bank** as at the end of June 2012 amounted to EUR 579,819 thousand, which was EUR 168,521 thousand or 41.0% more than as at the end of 2011, mostly on account of overnight deposits with the central bank. Their share in total balance sheet assets increased from 9.8% as at the end of 2011 to 13.8% as at the end of June 2012.

As at the reporting date, the **Abanka Group's financial liabilities to banks** amounted to EUR 964,250 thousand, and **those of Abanka** to EUR 935,737 thousand. The latter increased by 10.4% or EUR 87,892 thousand over the end of 2011. Financial liabilities to banks thus represented 22.2% of total balance sheet liabilities as at the end of June 2012, compared with 20.1% as at the end of 2011.

SECURITIES

The first half of 2012 was marked by uncertainty in the global stock markets, mainly due to the European debt crisis. Abanka's activities were adequately adjusted by reduction in trading volumes, particularly in the foreign part of the portfolio. The unresponsive atmosphere at the Ljubljana Stock Exchange continues to date, causing prices on the domestic stock exchange to decrease. The Bank's trading activities were primarily focused on foreign markets, where its adequate liquidity enables active participation and exploitation of investment opportunities.

Due to volatile conditions in financial markets, which emerged as a consequence of the debt crises in some European countries, the management of debt securities included in the trading and banking book demanded the Bank to continue to apply a conservative and prudent investment policy, i.e. invest in investment-grade, highly liquid bonds.

Abanka is still actively participating as a “market maker” in MTS Slovenija, as an official liquidity provider as well as the primary dealer in Slovene government bond issues.

At the end of June 2012, the value of **Abanka Group's investments in securities** was EUR 688,718 thousand and exceeded that of Abanka by EUR 470 thousand. At the end of June 2012, **Abanka’s investments in securities** stood at EUR 688,248 thousand and were 2.6% lower than at the end of 2011. In balance sheet assets, the share of investments in securities decreased from 16.8% as at the end of 2011 to 16.3% as at the end of June 2012. The securities portfolio included both equity and debt securities.

At the end of June 2012, the equities portfolio of Abanka was worth EUR 50,422 thousand, which represented an 4.8% decrease compared to the 2011 year end. As at the end of June 2012, the equities portfolio represented 7.3% of the total securities held by the Bank.

The debt securities portfolio of Abanka as at the end of June 2012 totalled EUR 637,826 thousand and represented 92.7% of the total securities held by the Bank, having experienced a decrease of 2.4% over the end of 2011, or EUR 15,575 thousand in nominal terms.

Securities in issue of the Abanka Group equal **those of Abanka**. Total securities in issue as at the end of June 2012 amounted to EUR 532,308 thousand, which was 18.8% or nominally EUR 122,915 thousand less compared to the previous year's end. In total balance sheet liabilities, their share decreased from 15.5% as at the end of 2011 to 12.6% as at the end of June 2012. As at the end of June 2012, debt securities amounted to EUR 413,286 thousand and were 22.9% or EUR 122,877 thousand lower in comparison with the end of 2011 (issued certificates of deposits decreased by EUR 42,788 thousand), whereas subordinated liabilities in the amount of EUR 119,022 remained at approximately the same level.

EQUITY INVESTMENTS

Abanka’s equity investments in subsidiaries and the joint venture company as at the end of June 2012 amounted to EUR 4,310 thousand, the same as at the end of 2011.

PAYMENT TRANSACTIONS

As regards domestic and cross-border payment transactions, in the first half of 2012 Abanka processed 22,870 orders in the Target 2 system (9.1% market share) worth EUR 24,733,036 thousand, which accounted for 11.8% of the market share, as well as 4,613,435 orders in the SEPA low-value payment system (9.2% market share), amounting to EUR 2,288,200 thousand and representing a market share of 11.1%. Compared to the same period last year, the number of orders doubled, as the Bank recorded an increase of 99.6% owing to the successful replacement of the special payment order with the universal payment order and direct debits with the new mass payment instrument. The value of the payments increased by only 6.4%, which was foreseeable, as these are generally low-amount payments. As much as one third of the orders processed through the low-value payment system were accepted through the Abatočka sales channel (merchants’ point-of-sale), which was introduced last year. In the first half of 2012, a total of 1,560,915 orders were processed, up 24.8% over the corresponding period of 2011.

In the first half of 2012, Abanka recorded international payment transactions, which include international and cross-border payments of sums above EUR 50 thousand, worth EUR 2,058,932 thousand and its 9.3% market share placed it fourth among banks in Slovenia.

Once again Deutsche Bank, the leading German bank based in Frankfurt, granted Abanka in year 2012 Straight-Through Processing (STP) Excellence Award in recognition of its high quality international payment transactions – STP enables highly automated processing of payment orders and consequently cheaper transactions of higher quality for Abanka’s customers.

CARD AND ATM OPERATIONS

By the end of June 2012, 242,691 cards had been issued, 1.5% more than by the end of 2011. The bulk was accounted for by BA Maestro (as much as 61.8%), which also functions as a personal account card (150,099 cards) and the biggest growth was recorded by the Visa Electron card, the number of which rose by as much as 5.8% (46,304 cards).

In the first half of 2012, there were 5.9 million POS terminal transactions with Abanka-issued cards, which was 9.0% less than in the same period of 2011. The total amount of these transactions reached EUR 281,159 thousand, representing a decline of 18.4% over the same period of 2011.

Abanka has an extensive network of points of sale for all types of card products, which enable transactions via Abanka-held POS terminals or through terminals of other banks. At the end of June 2012, Abanka owned a total of 3,700 POS terminals and had service agreements for operating on 8,033 POS terminals of other banks. On the basis of 8,795 agreements with merchants (an increase of 3.3% over the end of 2011), transactions were being carried out at 19,670 Abanka points of sale. At the latter, 10.4 million transactions with all types of cards were recorded in the first half of 2012, or as much as 5.4% more than in the same period of 2011. This nominally amounted to EUR 432,004 thousand or 1.8% less than in the first half of 2011.

The extensive ATM network is one of Abanka's current sales channels. The number of bank-owned ATMs rose from 269 at the end of 2011 to 276 at the end of June 2012, representing a 15.2% market share. Abanka's ATMs processed 3.1 million cash withdrawals worth EUR 283,819 thousand, as well as 967 thousand other transactions, such as account balance checks, cash deposits, bill payments etc. The number of ATM withdrawals increased by 3.4% and their value by 6.5%, whereas the number of other transaction increased by 11.4% compared to the same period of last year.

INVESTMENT BROKERAGE

In the first half of 2012, Abanka contributed on average 3.74% to the total volume of trading on the Ljubljana Stock Exchange. In this period, the total volume of trading by members of the Ljubljana Stock exchange was EUR 354,358 thousand. Abanka contributed EUR 13,255 thousand to this. Abanka's lower share in the volume of trading at the Ljubljana Stock Exchange is mostly due to the highly reduced for the bank's account activity in the domestic market.

As at the end of 2011, the financial instrument portfolio under management was worth EUR 11,663 thousand and decreased to EUR 11,081 thousand by the end of the first half of 2012.

AIII MUTUAL PENSION FUND

The first half of 2012 was positive for the AIII VPS mutual pension fund. Despite great price fluctuations of both equity and debt securities in capital markets, in the first 6 months of 2012 the fund achieved a return on equity of 2.44%.

CUSTODY AND ADMINISTRATIVE SERVICES

In the beginning of 2012, Abanka was successful in maintaining the leading position in both services, which remains the Bank's priority. At the same time the position of custody bank in custody services pursuant to the Financial Instruments Market Act (ZTFI) was strengthened in 2012. The services are related to the management of custody accounts for foreign investments in foreign custody banks.

Abanka is actively involved in adapting its business process in accordance with the implementing regulations of the new Investment Trusts and Management Companies Act (ZISDU-2).

Abanka is the sole provider of administrative services which offers this service, in addition to investment funds, also for the long-term business funds of insurance companies and mutual pension funds. The entire administrative service is being executed with the Bank's own software.

TOTAL EQUITY AND OWNERSHIP STRUCTURE

As at 30 June 2012, the total equity of the **Abanka Group** and **Abanka** amounted to EUR 221,642 thousand and EUR 220,058 thousand, respectively. In the first half of 2012, the Bank's capital decreased by 3.8% or EUR 8,631 thousand and accounted for 5.2% of total balance sheet liabilities. The decrease in equity in the first half of 2012 resulted from the operating loss of EUR 15,046 thousand. However, the decrease in negative revaluation surplus from EUR 10,706 thousand at the end of 2011 to EUR 4,291 thousand at the end of the first half of 2012 had a positive effect on the equity.

The unaudited book value per share as at the end of June 2012 was EUR 30.60. It was calculated as the ratio of all components of capital to the number of subscribed shares as at the end of June 2012, decreased by the number of treasury shares as at 30 June 2012. Components of capital also include net loss for the first half of 2012.

The total number of shares entered in the share register managed by the Central Securities Clearing Corporation (KDD) was 7,198,874 as at 30 June 2012. The Bank's share capital as at 30 June 2012 stood at EUR 30,045 thousand and was divided into 7,200,000 ordinary shares.

The ten largest shareholders of Abanka at the end of June 2012 are shown below, along with their equity holdings, compared to the end of 2011.

TEN LARGEST SHAREHOLDERS OF THE BANK

	30 Jun. 2012			31 Dec. 2011		
	Number of shares	**Holding in %**	**Rank**	**Number of shares**	**Holding in %**	**Rank**
ZAVAROVALNICA TRIGLAV D.D.	1,843,377	25.6	1	1,843,377	25.6	1
SAVA D.D.	1,715,841	23.8	2	1,715,841	23.8	2
GORENJSKA BANKA D.D.	1,061,220	14.7	3	1,061,220	14.7	3
DELNIŠKI VZAJEMNI SKLAD TRIGLAV STEBER I	527,258	7.3	4	527,258	7.3	4
HIT D.D.	442,705	6.1	5	442,705	6.1	5
VIPA HOLDING D.D.	266,896	3.7	6	266,896	3.7	6
DAIMOND D.D.	255,907	3.6	7	255,907	3.6	7
ZVON ENA HOLDING D.D.	174,331	2.4	8	174,331	2.4	8
SLOVENSKA ODŠKODNINSKA DRUŽBA D.D.	161,119	2.2	9	161,119	2.2	9
NFD 1 — equity sub-fund	106,000	1.5	10	106,000	1.5	10
Ten largest	6,554,654	91.0		6,554,654	91.0	
Other shareholders	645,346	9.0		645,346	9.0	
All shareholders	**7,200,000**	**100.0**		**7,200,000**	**100.0**	

As at the end of June 2012, the ten largest shareholders held 6,554,654 shares or 91.0% of Abanka's share capital. As at the end of June 2012, Zavarovalnica Triglav d.d. participated in Abanka's equity with 25.6%, Sava d.d. with 23.8%, Gorenjska banka d.d. with 14.7% and Delniški vzajemni sklad Triglav Steber I with 7.3%.

As at the end of June 2011, the Bank had 1,126 shareholders, as at the end of 2011 1,130 shareholders and as at the end of June 2012 1,125 shareholders. The number of redeemed own shares (i.e., treasury shares) was 9,213 both as at the end of June 2012 and the end of 2011, which accounted for 0.1% of its share capital. Abanka established a treasury share fund for redeemed own shares.

Risk Management

RISK MANAGEMENT IN THE FIRST HALF OF 2012

In Slovenia, unfavourable economic trends continued and were reflected in the decline of economic activity. Economic conditions remain fragile also in the European Union, which recorded a slight reduction in economic activity. Major global stock markets have seen a positive first quarter of 2012, as major stock indexes increased and volatility declined in the wake of successful liquidity operations of the ECB. The second quarter of 2012 was marked by a deepening of the European debt crisis amid the growing pressure of international investors on the most vulnerable euro area countries. At the June summit, EU leaders agreed on measures to settle the EU debt crisis, including solutions for the European financial sector, member states' government deficits, as well as boosting competitiveness and decreasing unemployment.

In the first half of 2012, Abanka focused its attention on measures for reducing credit portfolio risks. The relatively high indebtedness of Slovene companies and the lack of payment discipline contributed to liquidity problems and increased the number of companies in insolvency proceedings, which affected the business results of banks due to their need for an increased volume of additional impairments and provisions. In the first six months of 2012, Abanka continued to pursue the policy of limiting lending growth, i.e. employing a selective approach in granting new loans, while its total assets and loans to non-bank customers decreased. Lending was focused on clients, sectors and countries with relatively low risk levels. Measures for reducing credit portfolio risks include a stricter and more in-depth credit rating analysis of clients, as well as acquiring additional high-quality collateral and the recovery of non-performing loans. In existing investments, special attention was devoted to stricter monitoring of problem clients with regard to their credit default probability and to monitoring the quality of collateral in terms of recovery rate. Moreover, the Bank focuses intensively on the credit rating of counterparties with which it conducts transactions involving derivative financial instruments, as well as possible safeguards in case of defaults. To limit concentration risks, Abanka pays special attention to the limit system and the creation of groups of related parties. The Bank is focused on increasing credit risk dispersion. Through the comprehensive and coordinated risk management system operated at Group level, Abanka monitors and governs the operations of its subsidiaries.

Abanka regularly monitors the amount of non-performing loans, internally defined as loans to D- and E-rated debtors and loans to C-rated debtors who are in arrears more than 90 days. Non-performing loans include principals, accrued interest and fees and commissions. In case a loan is not regularly serviced, the entire amount of such loan is classified as non-performing. Non-performing loans comprise both individually and collectively impaired loans.

The table below shows the amount of non-performing loans to non-bank customers, their share in total loans and non-performing loans coverage ratio as at 30 June 2012 and as at 31 December 2011.

	30 June 2012	31 December 2011
Non-performing loans (in EUR tousand)	596,564	553,295
Share of NPLs in total loans (in %)	18.7	16.5
NPL coverage ratio (in %)	61.3	65.0

Solvency problems of business entities and an increasing number of insolvency proceedings affecting some of the Bank's major customers deteriorated the quality of its credit portfolio. Both the amount and the share of non-preforming loans increased. In the first half of 2012, the share of non-performing loans to non-bank customers increased by 2.2 percentage points, totalling 18.7% as at 30 June 2012.

Uncertainties in financial markets, the deterioration of economic conditions and the consequently downgraded credit ratings of certain countries, financial and non-financial institutions constituted the main factors influencing the liquidity position of the banking system. The latter was most strongly affected by the ECB liquidity operation at the end of February, which provided banks with EUR 529.5 billion in three-year loans at an interest rate of 1%. In the framework of this operation, Abanka raised EUR 250 million in funds and thus increased its debt to the ECB to a total of EUR 450 million.

Despite the additional borrowing, the Bank’s total borrowing from the wholesale credit market remained unchanged, as the Bank was simultaneously repaying the loans obtained from the interbank market and redeemed a part of the own bond issue backed by the Republic of Slovenia due in September 2012. In the first six months of 2012, the Bank managed its liquidity position by matching the received primary sources of funds with the loans extended to non-banking institutions. In line with the Basel requirements, the Bank provided an appropriate level of liquidity reserves to cover unexpected outflows of sources of funds under liquidity stress scenarios. In the entire reporting period, the Bank complied with all regulatory requirements. The Bank carried out test reporting on the new liquidity indicator LCR (Liquidity Coverage Ratio), which was launched by the ECB to standardise the requirements for ensuring liquidity in the euro area. Among other effects, the introduction of the indicator will influence the capital markets due to a more favourable treatment of certain types of financial instruments, such as covered bonds, and increase price competition in raising primary sources of funds, especially in retail banking, which has a favourable weighting in the calculation of the LCR.

In the first half of 2012, the Bank continuously adapted its interest rate policy to the conditions in the domestic and international markets, thus retaining a competitive position in raising primary sources of funds. In the reporting period, Abanka was facing the gradual decline of Euribor interest rates, while the ECB interest rates remained unchanged. Uncertainty with regard to interest rate trends was reduced by closing of interest rate positions by individual time buckets. The bank managed foreign exchange risk by carefully monitoring the changes of foreign exchange rates and closing of positions by currency or currency group. The foreign exchange risk was relatively low, as the Bank operated with a low share of foreign currencies in the total assets, as well as conducting limited and strictly controlled trade in foreign currencies.

In market risk management, the Bank maintained a somewhat conservative risk approach due to the uncertain financial environment and its weakened capacity of bearing additional risk. The volume of the trading equity and debt securities portfolio, maintained by the Bank to achieve short-term profits, is at a historically very low level. It is composed of liquid domestic and foreign financial investments of high credit quality. The banking book portfolio includes both equity and debt securities which are not held for trading. The banking book portfolio volume remained at a relatively unchanged level and consisted of mostly domestic and foreign government debt instruments and bonds of European banks. Abanka upheld the ban on investing in financial instruments from European countries afflicted by the debt crisis. When setting the limits to the trading and banking book of financial instruments, Abanka pursues the principles of prudence and increased portfolio diversification to minimise the exposure to credit and market risks. In the first half of 2012, the value at risk (VaR) of both the trading and the banking book remained at relatively constant levels, owing to the fairly stable volume of the Bank’s portfolio. After reaching a local peak at the end of March, the stock exchange indexes experienced an adjustment, while the uncertainty was also reflected in increased stock market volatility, somewhat affecting the increase of the relative VaR figure. The value of the financial instrument portfolio is most sensitive to the decline in stock index prices, downgrades of Slovenia’s credit rating and poor liquidity of domestic securities. Trading in derivative financial instruments with other companies was performed to hedge against interest and currency risks. To avoid additional exposure to market risk, the Bank is selling off derivative financial instruments to high-street European banks. Trading in more complex financial instruments is not allowed.

Abanka carried out regular preventive activities aimed at limiting the occurrence of loss events, and correction activities designed to prevent the reoccurrence of loss events arising from operational risk, focusing on internal and external fraud risk management. It launched a new application support for reporting on loss events and other occurrences considered a deviation from the normal circumstances or operations, facilitating the monitoring and resolving such events. In the first half of 2012, the business continuity system underwent improvement, primarily for exceptional critical events. A quantitative analysis of the impact on performance and the “Strategy of ensuring alternative workplaces” were prepared.

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

In the framework of the Supervisory Review and Evaluation Process and based on its own methodology, the Bank of Slovenia expressed an expectation that according to its existing risk profile and the negative impacts of the economic environment Abanka will maintain a capital adequacy ratio above level achieved by the Group at the end of June 2012. Abanka plans to achieve the capital adequacy ratios, expected by the Bank of Slovenia, by raising its share capital though the issue of shares, while it is already preparing other measures designed to fulfil the mentioned expectations.

SIGNIFICANT TYPES OF RISKS AND HAZARDS IN THE SECOND HALF OF 2012

Poor lending activity will continue in the second half of 2012, due to the Government's and banks' constrained access to the sources of funding, increased volume of non-performing and bad debts in banks as well as low economic activity. Further deterioration in operating conditions is possible. As a consequence, Abanka will continue to implement measures based on tightened credit standards, bad debt recovery and strengthening the Bank's capital base.

Considerable uncertainty in domestic and international environments, a decline in the economic activity in the euro area, low liquidity, unfavourable sentiment at the Ljubljana Stock Exchange, the lack of a final solution to the euro zone debt crisis and Abanka's deteriorated ability to bear additional risks are the main reasons for the Bank to retain a low appetite for bearing additional market risk in the future. However, the realisation of collaterals in lending operations or potential debt-to-equity swaps may lead to a growth of the equity and debt securities portfolio, increasing the Bank's market risk exposure.

In the second half of 2012, the liquidity situation will most likely continue to be affected by the uncertainty and mistrust in international financial markets. For Abanka, new borrowing on the interbank market is thus unlikely. Moreover, Abanka's own bonds worth EUR 273 million will mature in September, inducing liabilities which the Bank intends to cover from a liquidity reserve it has formed for that purpose. In such circumstances, the Bank will continue to pursue the policy of stimulating growth of primary sources of funds and maintaining an adequate volume and quality of liquidity reserves. The lending activity will thus continue to depend on the volume of primary sources of funds that the Bank will manage to raise. Special attention will be given to the requirements of the CRD IV Directive, especially the introduction of two new ratios: the Liquid Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

The Bank will continue to adapt the interest rates of its products to the conditions in monetary and capital markets, as well as managing and monitoring interest risk and responding appropriately to foreign exchange rate changes.

Furthermore, it will continue to focus on the management of fraud risk and other types of loss events arising from operational risks, as well as upgrading the business continuity system.

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

Changes to the Supervisory Board

In 2012, the composition of the Supervisory Board has changed. At the beginning of 2012, the Supervisory Board had nine members: Janez Bohorič as Chairman, Branko Pavlin as Deputy Chairman and Simon Zdolšek, Slaven Mićković, Uroš Rožič, Vladimir Mišo Čeplak, Franci Strajnar, Igor Stebernak and Andraž Grum as members.

The composition of the Supervisory Board remained unchanged until 29 February 2012, when Simon Zdolšek resigned as a member of the Supervisory Board. Uroš Rožič and Igor Stebernak resigned as members of the Supervisory Board on 16 March 2012 and 17 April 2012 respectively, while Janez Bohorič resigned as Chairman of the Supervisory Board on 11 April 2012.

On 30 May 2012, the General Meeting of Shareholders appointed Andrej Andoljšek, Andrej Slapar, Andrej Hazabent and Kristina Ana Dolenc as new members of the Supervisory Board for a four-year term of office starting on the same date.

At its first regular session on 4 July 2012, the Supervisory Board appointed Andrej Andoljšek its Chairman and Andrej Slapar its Vice Chairman.

Changes to the Management Board

In 2012, the composition of the Management Board has changed. In the first half of 2012, the Management Board had three members: Jože Lenič as President and Radovan Jereb and Gregor Hudobivnik as members. On 10 April 2012, the Supervisory Board appointed Igor Stebernak a new member of the Management Board. On 30 May 2012, an agreement was signed on the termination of a Management Board member's term and office between the Supervisory Board and members of the Management Board Radovan Jereb and Gregor Hudobivnik.

Igor Stebernak was issued a licence to serve on the Management Board by the Bank of Slovenia on 19 June 2012, starting his five-year term of office on 1 July 2012. As of that date, Abanka is governed by a two-member Management Board, composed of Jože Lenič as President and Igor Stebernak as member.

Financial Report

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(All amounts in EUR thousand unless otherwise stated)

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UNAUDITED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY 2012 TO 30 JUNE 2012 (Prepared in accordance with EU IFRS)

Item No.	ITEM DESCRIPTION	AMOUNT Period ended 30 June 2012	AMOUNT Period ended 30 June 2011
1	2	3	4
1	Interest income	97,269	102,095
2	Interest expenses	(60,535)	(57,394)
3	**Net interest income (1+2)**	**36,734**	**44,701**
4	Dividend income	1,374	1,130
5	Fee and commission income	21,161	21,683
6	Fee and commission expenses	(6,004)	(5,753)
7	**Net fee and commission income (5+6)**	**15,157**	**15,930**
8	Realised gains on financial assets and liabilities not measured at fair value through profit or loss	1,794	813
9	Net gains/(losses) on financial assets and liabilities held for trading	2,903	(5,209)
10	Losses on financial assets and liabilities designated at fair value through profit or loss	(1,227)	(714)
11	Exchange differences	27	1,102
12	Net gains on derecognition of assets other than held for sale	16	29
13	Net other operating expenses	(1,808)	(450)
14	Administration costs	(25,025)	(26,005)
15	Depreciation and amortisation	(2,951)	(2,827)
16	Provisions (Note 3)	(631)	403
17	Impairment (Note 3)	(41,185)	(46,487)
18	Share of (loss)/profit of joint ventures accounted for using the equity method	(213)	9
19	Total (loss)/profit from non-current assets held for sale	(1)	22
20	TOTAL LOSS BEFORE TAX FROM CONTINUING OPERATIONS (3+4+7+8+9+10+11+12+13+14+15+16+17+18+19)	(15,036)	(17,553)
21	Tax (expense)/income related to loss from continuing operations (Note 4)	(658)	3,769
22	TOTAL LOSS AFTER TAX FROM CONTINUING OPERATIONS (20+21)	(15,694)	(13,784)
23	**NET LOSS for the financial year (22)**	**(15,694)**	**(13,784)**
	a) Loss attributable to owners of the parent	(15,694)	(13,783)
	b) Loss attributable to non-controlling interests	-	(1)
			in EUR
24	Basic earnings per share (Note 5)	(2.18)	(1.92)
25	Diluted earnings per share (Note 5)	(2.18)	(1.92)

Management Board

Igor STEBERNAK
Member

Jože LENIČ, M.Sc.Econ.
President

The notes on pages 38 to 50 form an integral part of these interim financial statements.

(All amounts in EUR thousand unless otherwise stated)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY 2012 TO 30 JUNE 2012 (Prepared in accordance with EU IFRS)

Item No.	ITEM DESCRIPTION	AMOUNT Period ended 30 June 2012	AMOUNT Period ended 30 June 2011
1	2	3	4
1	**NET LOSS FOR THE FINANCIAL YEAR AFTER TAX**	**(15,694)**	**(13,784)**
2	**OTHER COMPREHENSIVE INCOME/(LOSS) AFTER TAX** (3+5+8)	**5,980**	**(4,362)**
3	**Foreign currency translation** (4)	**(414)**	**10**
4	Translation (losses)/gains taken to equity	(414)	10
5	**Available-for-sale financial assets** (6+7)	**8,126**	**(5,465)**
6	Net valuation gains/(losses) taken to equity	7,533	(11,890)
7	Net losses transferred to profit or loss	593	6,425
8	**Income tax relating to components of other comprehensive income/(loss)**	**(1,732)**	**1,093**
9	**TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR AFTER TAX (1+2)**	**(9,714)**	**(18,146)**
	a) Attributable to owners of the parent	(9,713)	(18,145)
	b) Attributable to non-controlling interests	(1)	(1)

Management Board

Igor STEBERNAK
Member

Jože LENIČ, M.Sc.Econ.
President

The notes on pages 38 to 50 form an integral part of these interim financial statements.

(All amounts in EUR thousand unless otherwise stated)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012
(Prepared in accordance with EU IFRS)

Item No.	ITEM DESCRIPTION	AMOUNT As at 30 June 2012	AMOUNT As at 31 December 2011
1	2	3	4
1	Cash and cash balances with the central bank	340,587	125,534
2	Financial assets held for trading	29,527	31,284
3	Financial assets designated at fair value through profit or loss	12,503	22,831
4	Available-for-sale financial assets	524,246	570,845
5	Loans and receivables	3,072,187	3,286,516
	- debt securities	4,959	4,948
	- loans to banks	235,704	282,664
	- loans to non-bank customers	2,822,639	2,998,904
	- other financial assets	8,885	-
6	Held-to-maturity investments	149,329	102,784
7	Non-current assets held for sale	1,326	1,326
8	Property and equipment	54,692	55,048
9	Investment property	117	83
10	Intangible assets	3,799	3,905
11	Investments in joint ventures accounted for using the equity method	304	517
12	Tax assets	35,029	39,333
	- current tax assets	42	1,889
	- deferred tax assets	34,987	37,444
13	Other assets	15,517	18,186
14	**TOTAL ASSETS** (from 1 to 13)	**4,239,163**	**4,258,192**
15	Deposits from central bank	451,928	200,061
16	Financial liabilities held for trading	18,958	15,142
17	Financial liabilities designated at fair value through profit or loss	8,570	8,263
18	Financial liabilities measured at amortised cost	3,504,492	3,764,915
	- deposits from banks	14,647	39,403
	- deposits from non-bank customers	2,437,147	2,412,220
	- loans from banks	497,675	648,055
	- loans from non-bank customers	10,009	10,014
	- debt securities issued (Note 7)	413,286	536,163
	- subordinated liabilities (Note 7)	119,022	119,060
	- other financial liabilities	12,706	-
19	Provisions	25,207	24,623
20	Tax liabilities	231	321
	- deferred tax liabilities	231	321
21	Other liabilities	8,135	13,511
22	TOTAL LIABILITIES (from 15 to 21)	4,017,521	4,026,836
23	Share capital	30,045	30,045
24	Share premium	153,117	153,117
25	Revaluation reserves	(4,813)	(10,794)
26	Reserves from profit	56,825	57,556
27	Treasury shares	(240)	(240)
28	Retained earnings (including income from the current year)	(13,301)	1,662
29	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (from 23 to 28)	221,633	231,346
30	Equity attributable to non-controlling interests	9	10
31	TOTAL EQUITY (29 + 30)	221,642	231,356
32	**TOTAL LIABILITIES AND EQUITY** (22 + 31)	**4,239,163**	**4,258,192**

Management Board

Igor STEBERNAK
Member

Jože LENIČ, M.Sc.Econ.
President

The notes on pages 38 to 50 form an integral part of these interim financial statements.

(All amounts in EUR thousand unless otherwise stated)

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY 2012 TO 30 JUNE 2012 (Prepared in accordance with EU IFRS)

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

The notes on pages 38 to 50 form an integral part of these interim financial statements.

(All amounts in EUR thousand unless otherwise stated)

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY 2011 TO 30 JUNE 2011 (Prepared in accordance with EU IFRS)

Item No.	ITEM DESCRIPTION	Share capital	Share premium	Revaluation reserves	Reserves from profit	Retained earnings (including loss from the current year)	Treasury shares (equity deduction item)	Equity attributable to owners of the parent (from 3 to 8)
1	2	3	4	5	6	7	8	9
1	**OPENING BALANCE FOR THE REPORTING PERIOD**	**30,045**	**153,117**	**4,056**	**173,246**	**(3,110)**	**(240)**	**357,114**
2	**Consolidated comprehensive loss for the financial year after tax**	**-**	**-**	**(4,362)**	**-**	**(13,783)**	**-**	**(18,145)**
3	Dividends	-	-	-	-	(1,294)	-	**(1,294)**
4	Transfer of net profit to reserves from profit	-	-	-	4,615	(4,615)	-	**-**
5	Covering of the loss brought forward	-	-	-	(597)	597	-	**-**
6	**CLOSING BALANCE FOR THE REPORTING PERIOD (1+2+3+4+5)**	**30,045**	**153,117**	**(306)**	**177,264**	**(22,205)**	**(240)**	**337,675**

Management Board

Igor STEBERNAK
Member

Jože LENIČ, M.Sc.Econ.
President

The notes on pages 38 to 50 form an integral part of these interim financial statements.

(All amounts in EUR thousand unless otherwise stated)

UNAUDITED CONSOLIDATED INTERIM CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY 2012 TO 30 JUNE 2012 (Prepared in accordance with EU IFRS)

Designation	ITEM DESCRIPTION	AMOUNT	
		Period ended 30 June 2012	Period ended 30 June 2011
1	2	3	4
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**		
a)	Total loss before tax	(15,036)	(17,553)
	Depreciation and amortisation	2,951	2,827
	Impairments of intangible assets and other assets	30	45
	Share of the loss/(profit) of joint ventures accounted for using the equity method	213	(9)
	Net (gains) from exchange differences	(27)	(1,102)
	Net (gains) from sale of tangible assets	(41)	(29)
	Other (gains) from investing activities	(2,315)	(265)
	Other losses from financing activities	1,935	2,056
	Net unrealised losses/(gains) from non-current assets held for sale	1	(22)
	Net unrealised gains in revaluation reserves from financial assets available for sale (excluding effect of deferred tax)	8,126	(5,465)
	Other adjustments to total profit or loss before tax	656	(403)
	Cash flow from operating activities before changes in operating assets and liabilities	**(3,507)**	**(19,920)**
b)	**Decreases in operating assets (excl. cash & cash equivalents)**	**187,141**	**166,559**
	Net decrease in financial assets held for trading	1,841	8,355
	Net decrease in financial assets designated at fair value through profit or loss	10,328	3,145
	Net decrease in financial assets available for sale	18,722	136,977
	Net decrease in loans and receivables	153,618	27,511
	Net (increase)/decrease in non-current assets held for sale	(1)	204
	Net decrease/(increase)/ in other assets	2,633	(9,633)
c)	**(Decreases) in operating liabilities**	**(12,295)**	**(157,770)**
	Net increase/(decrease) in financial liabilities to central bank	251,866	(19)
	Net increase/(decrease) in financial liabilities held for trading	3,816	(736)
	Net increase in financial liabilities designated at fair value through profit or loss	307	29
	Net (decrease) in deposits, loans and receivables measured at amortised cost	(152,683)	(166,475)
	Net (decrease) in debt instruments in issue measured at amortised cost	(122,877)	(957)
	Net increase in other liabilities	7,276	10,388
d)	**Cash flow from operating activities (a+b+c)**	**171,339**	**(11,131)**
e)	**Income taxes refunded**	**1,836**	**1,053**
f)	**Net cash flow from operating activities (d+e)**	**173,175**	**(10,078)**

(All amounts in EUR thousand unless otherwise stated)

UNAUDITED CONSOLIDATED INTERIM CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY 2012 TO 30 JUNE 2012 (continued)

Designation	ITEM DESCRIPTION	AMOUNT	
		Period ended 30 June 2012	Period ended 30 June 2011
1	2	3	4
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
a)	**Receipts from investing activities**	**22,033**	**10,108**
	Receipts from the sale of tangible assets	314	294
	Receipts from the sale of financial assets held to maturity	21,719	9,814
b)	**Cash payments on investing activities**	**(68,775)**	**(3,407)**
	(Cash payments to acquire tangible assets and investment properties)	(2,067)	(2,655)
	(Cash payments to acquire intangible assets)	(759)	(752)
	(Cash payments to acquire held to maturity investments)	(65,949)	-
c)	**Net cash flow from investing activities (a+b)**	**(46,742)**	**6,701**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
a)	**Cash proceeds from financing activities**	**-**	**-**
b)	**Cash payments on financing activities**	**(1,973)**	**(12,278)**
	(Cash repayments of subordinated liabilities)	(1,973)	(12,278)
c)	**Net cash flow from financing activities (a+b)**	**(1,973)**	**(12,278)**
D.	Effects of change in exchange rates on cash and cash equivalents	2,302	(3,166)
E.	**Net increase/(decrease) in cash and cash equivalents (Af+Bc+Cc)**	**124,460**	**(15,655)**
F.	**Opening balance of cash and cash equivalents**	**423,741**	**508,964**
G.	**Closing balance of cash and cash equivalents (D+E+F)**	**550,503**	**490,143**

These consolidated interim financial statements were approved for issue on 25 July 2012.

Management Board

Igor STEBERNAK
Member

Jože LENIČ, M.Sc.Econ.
President

The notes on pages 38 to 50 form an integral part of these interim financial statements.

Selected Notes to the Consolidated Financial Statements

STATEMENT OF COMPLIANCE

The interim consolidated financial report of Abanka Vipa Group for the half-year ended 30 June 2012 have been compiled in accordance with IAS 34, “Interim Financial Reporting”. The consolidated financial statements have been compiled in accordance with the International Financial Reporting Standards as adopted by the European Union. The interim half-yearly financial statements contain less comprehensive explanatory notes and disclosures than the financial statements that form part of the annual report. The half-yearly financial statements have been compiled in condensed form, and must therefore be read in conjunction with the annual financial statements for the 2011 financial year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in the annual financial statements for the year ended 31 December 2011.

The Group has chosen not to early adopt the following standards and interpretations that have been issued, but which do not yet take effect for accounting periods beginning on 1 January 2012:

- IFRS 10, IFRS 11 and IFRS 12 (amendments) 'Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance' (effective 1 January 2013);
- Annual Inpprovements to IFRSs 2009-2011 Cycle (effective 1 January 2013);
- IFRS 1 (amendment) 'Goverment Loans' (effective 1 January 2013).

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

(a) Impairment losses on loans and advances

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

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

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

Stress tests for credit risk are performed on the basis of various sensitivity analyses. One such analysis assumes that 2% of A, B, C and D loans are downgraded by one credit rating category. The result showed that credit risk losses would increase by 2.1% (30 June 2011: 2.8%) or EUR 8.2 million (30 June 2011: EUR 6.4 million). The other sensitivity analysis was conducted in accordance with the assumption that 1% of A, B and C loans are downgraded by one credit rating category, 1% of these loans are downgraded by two credit rating categories and 2% of D-rated loans are downgraded by one credit rating category. The result of the latest sensitivity analysis has shown that credit risk losses would rise by 3.8% (30 June 2011: 5.6%) or EUR 15,1 million (30 June 2011: EUR 13 million).

(b) Impairment of available for-sale equity investments

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in their fair value below their cost. The Group considers a significant decrease in the fair value of financial assets below their cost to be at least a 40% decrease in their fair value as compared to their average cost. A prolonged decrease in the fair value of financial assets below their cost is considered to be a period of at least nine months from the date when the fair value of the relevant equity investments first fell below their average cost and remained lower throughout that period. In the said period, the Group continuously recognises a loss in fair value reserve in relation to the relevant equity investments. In addition, the Group estimates the usual fluctuation in share prices. Impairment may be also appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

Had all the declines in fair value below cost had been considered significant or prolonged, the Group would have suffered an additional loss of EUR 4,691 thousand in its interim financial statements for the period ended 30 June 2012 (30 June 2011: EUR 3,754 thousand loss), being the transfer of the total debit balance in the fair value reserve to profit or loss.

(c) *Held-to-maturity investments*

The Group follows the IAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Group is required to reclassify the entire category as available-for-sale. The investments would therefore be measured at fair value and not at amortised cost.

If all held-to-maturity investments were to be so reclassified, the carrying value would decrease by EUR 1,864 thousand for the period ended 30 June 2012 (30 June 2011: EUR 601 thousand increase), with a corresponding entry in the fair value reserve in shareholders' equity.

d) Valuation methodology for financial instruments measured at fair value

The Group changed the fair value level from Level 1 to Level 2 for available-for-sale bond with a carrying amount of EUR 13,011 thousand as at 30 June 2012. This movement in the fair value hierarchy was based on the consideration that the market for those instruments became less active.

(All amounts in EUR thousand unless otherwise stated)

e) Tax rate changes and their impact on deferred taxes

Pursuant to the Amendments to the Corporate Income Tax Act adopted at the end of April 2012, the corporate income tax rate was decreased from 20% to 15%.

The transitional provisions of the Act provide that the tax rate shall decrease gradually: the tax shall be paid at the rate of 18% of the tax base for 2012, 17% of the tax base for 2013, and 16% of the tax base for 2014.

Due to the changed rate of taxation on corporate income to be applied from 1 January 2012, the Group recognized the effect of changes in the rate of taxation as follows:

- from 20% to 18% in relation to deferred taxes arising from transactions in securities, impairment of loans and receivables, and the deferred tax loss, under the assumption that the expenses will be realized in 2012 when the applicable tax rate is 18%;
- from 20% to 15% in relation to deferred taxes arising from various provisions made, from depreciation differences and from the impairment of property, plant and equipment and intangible assets, under the assumption that the expenses will be realized in 2015 or later when the applicable tax rate is 15%.

By applying the relevant adjustment to the new rates, the Group recognized expenses from deferred taxes in the amount of EUR 3,764 thousand resulting from the reduced taxation of corporate income in addition to the previously recognised deferred taxes from 2011.

3. IMPAIRMENT LOSSES AND PROVISIONS

IMPAIRMENT	30 June 2012	30 June 2011
- Available-for-sale financial assets	2,267	7,375
- Loans and receivables to non-bank customers	38,878	38,964
- Other financial assets	10	–
- Other assets	30	148
Total impairment	**41,185**	**46,487**

PROVISIONS	30 June 2012	30 June 2011
- Other provisions	–	(7)
- Provisions for guarantees and commitments	631	(396)
Total provisions	**631**	**(403)**

The majority of additional impairments and provisions were formed due to the exposure to corporate clients and professionals, i.e. 37% of impairments were formed in the construction sector and 13% in finance and insurance services, especially holding companies. Furthermore, Abanka impaired the available-for-sale equity securities by EUR 2,102 thousand (30 June 2011: EUR 7,375 thousand), where there was a significant or prolonged decline in their fair value bellow their cost, while EUR 165 thousand of impairments were made for available-for-sale debt securities (30 June 2011: -)

4. INCOME TAXES

In the first half of 2012, the Group recorded a net loss. The Group adjusted deferred tax assets and recorded deferred tax assets to tax loss which, in accordance with the Slovenian Corporate Income Tax Act, can be carried forward indefinitely.

Due to the legally required tax rate changes, the previously calculated amount of deferred taxes was adjusted with an additional tax expense in amount of EUR 3,764 thousand. Including income from deferred taxes in the amount of EUR 3,128 thousand from the first half of 2012, expenses from deferred taxes in the amount of EUR 636 thousand were recognised.

The effective income tax rate of the Group for the first half of 2012 was -20.7%. Including the effect of changes in the rate of taxation to deferred taxes from 2011, the effective income tax rate for the first half of 2012 was -4.4%.

5. EARNINGS PER SHARE

Basic earnings per share for the first half of 2012 and the first half of 2011 is calculated by dividing the net profit or loss, attributable to equity holders of the Bank, by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, which the Bank did not have as at 30 June 2012 nor as at 30 June 2011.

	30 June 2012	30 June 2011
Loss attributable to equity holders of the Bank in EUR thousand	(15,694)	(13,783)
Weighted average number of ordinary shares in issue	7,190,787	7,190,787
Number of treasury shares	9,213	9,213
Basic earnings per share (expressed in EUR per share)	**(2.18)**	**(1.92)**
Diluted earnings per share (expressed in EUR per share)	**(2.18)**	**(1.92)**

6. PRIMARY SEGMENT INFORMATION

The Group provides services in three business segments:

- Retail banking – incorporating transaction accounts, savings products (deposits, investment saving products), loans (overdraft, consumer, housing, mortgage), exchange operations, bank card operations, online banking, mobile banking, banking-insurance products, selling mutual fund products, payment transactions;
- Corporate banking – incorporating transaction accounts, cash management, savings products (deposits, certificate of deposits), loans (overdraft, short term, investment), guarantees and letters of credit, documentary operations, payment transactions; and
- Financial markets – incorporating fixed income trading, trading money market instruments, financial derivatives trading, liquidity management, ALM, brokerage, assets management, corporate finance, proprietary trading, correspondent banking, raising loans, loan granting to foreign banks (participation in syndicated loans, bilateral facilities).

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

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

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

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

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

Business segments are reported to the Assets and Liabilities Management Committee, which has the role of the decision-taking body.

(All amounts in EUR thousand unless otherwise stated)

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

[2,3] Negative segment result in the first half of 2012 is a consequence of:
- negative opportunity interest margins in retail banking,
- increased impairment losses for corporate loans in corporate banking.

(All amounts in EUR thousand unless otherwise stated)

As at 30 June 2011	Retail banking	Corporate banking	Financial markets	Other	Group
External net income[1]	7,377	67,303	(17,608)	4,689	61,761
Revenues from other segments	–	–	–	–	–
Segment result	(3,664)	(7,571)	(7,544)	1,217	(17,562)
Operating loss	–	–	–	1,307	(17,562)
Share of results of joint ventures	–	–	–	9	9
Loss before tax	–	–	–	–	(17,553)
Income tax	–	–	–	–	3,769
Net loss for the period					**(13,784)**
Segment assets	549,445	2,680,988	1,055,879	78,240	4,364,552
Investments in joint ventures	–	–	9,131	(8,111)	1,020
Unallocated assets	–	–	–	–	30,152
Total assets					**4,395,724**
Segment liabilities	1,227,505	1,039,780	1,729,722	52,000	4,049,007
Unallocated liabilities	–	–	–	–	9,023
Total liabilities					**4,058,030**
Other segment items					
Capital expenditure	790	32	7	2,578	3,407
Depreciation and amortisation	575	133	21	2,098	2,827
Net impairment and provision charge	(898)	(37,665)	(7,479)	(42)	(46,084)
Other non-cash expenses	–	–	–	–	–
[1]Including					
- interest income and similar income	13,246	71,512	14,427	2,910	102,095
- interest expenses and similar expenses	(11,537)	(11,513)	(33,527)	(817)	(57,394)
- dividend income	–	–	1,118	12	1,130
- fee and commission income	7,604	9,786	718	3,575	21,683
- fee and commission expenses	(1,936)	(2,482)	(344)	(991)	(5,753)

Capital expenditure relates to purchases of tangible and intangible assets in the first half of 2012 and 2011.

(All amounts in EUR thousand unless otherwise stated)

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

DEBT INSTRUMENTS	Interest rate on 30 June	30 June 2012	31 December 2011
Certificates of deposit (falling due: 2012 to 2020)	3.7-5.9%	129,741	172,529
Bonds 14th, due 24 March 2015, in EUR	6M EURIBOR + 2.5%	15,143	15,166
ABVIPFloat 09/12, issue due 18 September 2012, in EUR	3M EURIBOR +1%	268,402	348,468
Total debt instruments		**413,286**	**536,163**

SUBORDINATED LIABILITIES	Interest rate on 30 June	30 June 2012	31 December 2011
Short–term euro debt securities		–	1
Subordinated loan	3M EURIBOR + 1,9 %	119.022	119.059
Total issued subordinated debt instruments		**119.022**	**119.060**

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

On 30 May 2012, shareholders at the General Meeting confirmed the proposed increase in Abanka's share capital in the amount of EUR 50,000 thousand.

8. CASH FLOW STATEMENT

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

CASH AND CASH EQUIVALENTS	30 June 2012	30 June 2011
Cash and cash balances with the central bank	340,587	107,955
Treasury bills	–	40,953
Loans and receivables to banks	209,916	341,235
Total cash and cash equivalents	**550,503**	**490,143**

CASH FLOWS FROM INTEREST AND DIVIDENDS	30 June 2012	30 June 2011
Interest paid	63,086	57,911
Interest received	95,933	103,071
Dividends received	784	168

9. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no material changes in the Group's contingent liabilities or contingent assets in the first half of 2012.

As at 30 June 2012, the Group had capital expenditure commitments of EUR 300 thousand in respect of IT system and of EUR 531 thousand in respect of ATM (31 December 2011: -).

As at 30 June 2012 and 31 December 2011, there were some legal proceedings against the Group; however, management considers that the provision booked is appropriate and no further loss is expected. The total amount of legal proceedings for which the Group is a defendant and for which provisions were made was EUR 4,280 thousand (31 December 2011: EUR 3,158 thousand). The Group made provisions for these legal proceedings on the basis of an estimated future cash flow of EUR 841 thousand (31 December 2011: EUR 841 thousand). For all other legal proceedings, the Group estimates that it is less than probable that a cash outflow will be required to settle the proceedings.

The Group acts as a defendant in 53 civil (and commercial) disputes. The value in dispute (principal) totals EUR 34,986 thousand. The Group is not involved in any dispute concerning intellectual property or protection of competition.

Major legal disputes in which the Group acts as the defendant are the following:

- Siteep Tegrad & PAP d.d. – in bankruptcy proceedings

Ref. No. XI Pg 4345/2010, District Court of Ljubljana
On 2 December 2010, Abanka was served a claim for the payment of EUR 1,727,167.48 plus legal default interest as of 23 September 2009 on the grounds of an allegedly unlawful set-off in bankruptcy proceedings of a deposit received as collateral. The court of first instance upheld most of the claim, amounting to EUR 1,727,167.48 plus default interest as of 30 September 2009 and ordered the defendant to pay legal expenses in the amount of EUR 26,874.10. An appeal has been filed.

- Raiffeisen banka d.d., Maribor

Ref. No. VII Pg 2410/2011, District Court of Ljubljana
On 21 June 211, Abanka was served a claim for the payment of EUR 3,821,170.81 plus legal default interest as of 26 January 2011, due to its failure to honour a bill of exchange of Merkur. A defence was lodged on 20 July 2011. The action is pending.

- Gradis skupina G d.d.

Ref. No. XI Pg 108/2006, District Court of Ljubljana
On 26 October 2006, Abanka was served a lawsuit filed against Abanka, Mebles IMS d.o.o. – in bankruptcy proceedings and Movenso d.o.o., seeking principal and alternative relief. The principal relief sought by the plaintiff is the annulment of an agreement to sell part of the debtor in bankruptcy (part of the "Zbiljski gaj" project) made on 10 October 2003. The plaintiff further claims: from Abanka a refund of SIT 530 million plus legal default interest as of 10 October 2003 until the date of the refund from Mebles IMS d.o.o. – in bankruptcy proceedings; a refund of SIT 119,484,538.60 plus legal default interest as of 15 October 2003 until the date of the refund and from Abanka and Mebles – IMS d.o.o. – in bankruptcy proceedings a (joint and several) refund of SIT 557 million plus legal default interest as of 10 October 2003 until the date of the refund. The plaintiff further claims from Abanka SIT 304,198,542 plus legal default interest as of 10 October 2003 until the date of the payment. The plaintiff, as an alternative relief, claims that Abanka be obliged to fulfil the assumed obligation of bearing the entire risk and all the negative consequences of the registration of the mortgage of the Knific family as creditors, or to establish the right of the plaintiff to be fully repaid from the bankruptcy estate, and that Abanka be obliged to refund the expenses incurred thus far arising from the registration of the mortgage in the amount of SIT 304,198,542 as well as to safeguard the plaintiff against any future additional expenses or other negative consequences arising from the registration of the mortgage or establishment of the right to be fully repaid from the bankruptcy estate. The action is pending.

- Infond Holding d.d.

Ref. No. V Pg 2989/2009 and Zg 37/2009, District Court of Ljubljana
Infond Holding d.d. filed for an interim injunction to impose a restraint on the disposal of Pivovarna Laško and Mercator shares, which the Court dismissed. Following an appeal by Infond Holding, the Higher Court reversed the

decision and ordered a retrial at the court of first instance. On 13 September 2011 Abanka was served a lawsuit (Ref. No. V Pg 2989/2009) filed by Infond Holding, requesting the Court to nullify all sale agreements dated 6 August 2009 and all orders for transfer of securities, which served as the basis for the transfer of 100,001 shares with ticker symbol MELR and 285,463 shares with ticker symbol PILR and demand from the Bank to issue orders to retransfer these shares to KDD and to register liens as entered on 5 August 2009. The alternative relief sought is a payment of EUR 17,751,085.47 in damages. The action is pending.

- MIP d.d. – in bankruptcy proceedings

Abanka's subsidiary ABANKA SKLADI d.o.o. is a defendant in a lawsuit filed by MIP d.d. – in bankruptcy proceedings, claiming the annulment of an agreement and payment of EUR 2,839,040 plus legal default interest as of the day proceeds were accepted. The court of first instance has not decided the case yet.

In addition to the above lawsuits (where if the Bank lost, it would be obliged to pay the claimed amounts), the Bank also acts as a defendant in the following lawsuits (where losing would not incur an obligation to pay, but the loss of its right to be fully repaid from the bankruptcy estate).

- MIP- POMURKA Reja d.o.o. – in bankruptcy proceedings

Ref. No. Pg 9/2010, District Court of Murska Sobota
On 8 April 2010, Abanka as the defendant was served an action requesting the annulment of Abanka's right to be fully repaid from the real property, i.e. plot numbers 3879/2, 3879/35, 387929, 387932, 3879/18 and 3879/37, all entered in the Land Registry of Murska Sobota (the value in dispute is EUR 4,604,764.69 plus default interest) and to delete Abanka's mortgages on the above stated real property registered under Ref. No. 1271/2006. Abanka filed a statement of defence. On 28 March 2011 the Court issued a decision to the suspend the trial until a final decision is given in the preliminary issue – a claim for the annulment of purchase agreements in the case Ref. No. Pg 442/2009 .

The same court will adjudicate the case of Pomurka mesna industrija d.d. – in bankruptcy proceedings as plaintiff vs. MIP Pomurka reja d.o.o. - in bankruptcy proceedings as the defendant (Ref. No. Pg 442/2009), claiming the annulment of the agreement which gave MIP Pomurka Reja d.d. title the real property, i.e. plot numbers 3879/2, 3879/35, 3879/29, 3879/32, 3879/18 and 3879/37, all entered under land certificate number 4430 in the Land Registry of Murska Sobota, which have been pledged as collateral to Abanka. As the judgement in the latter case may also affect the mortgage under no. with Abanka as a mortgagee, entered under land certificate number 4430 in the Land Registry of Murska Sobota, Abanka filed a motion to intervene.The Court ruled in favour of Abanka.

- POMURKA mesna industrija d.d. Murska Sobota – in bankruptcy proceedings

Ref. No. XI Pg 675/2010, District Court of Ljubljana
On 26 March 2010, Abanka was served an action for the annulment of the right to be fully repaid from the bankruptcy estate, which the plaintiff filed against seven defendants. The plaintiff challenges the conclusion of an agreement pledging brand names as a collateral, made on 27 July 2008 between MIP d.d. Nova Gorica, MIP DML d.o.o. Ljubljana and Abanka and requests the annulment of Abanka's right to be fully repaid from the bankruptcy estate an amount of EUR 1,849,555.73 from the debtor MIP DML d.o.o. in bankruptcy proceedings Abanka filed a statement of defence.

(All amounts in EUR thousand unless otherwise stated)

10. RELATED-PARTY TRANSACTIONS

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

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

A number of banking transactions are entered into with related parties in the normal course of business. All transactions with related parties are on an arm's length basis. The volume of transactions involving related parties for the first half of the year 2012 and for the first half of the year 2011 is as follows:

Type of related party	Key management personnel		Entities with a significant influence		Joint ventures	
	30 June 2012	30 June 2011	30 June 2012	30 june 2011	30 June 2012	30 June 2011
Financial assets and income						
Loans						
Loans	11,733	8,490	66,944	64,339	32,587	32,694
Interest income and fee income	212	203	1,743	1,811	754	761
Net income/(expenses) from impairment of loans	(249)	31	88	(1,851)	13	60
Financial assets designated at fair value through profit or loss						
Debt securities	–	–	2,420	2,198	–	–
Gains/(losses)	–	–	73	(2)	–	–
Financial assets held for trading						
Equity securities	–	–	744	–	–	–
Gains/(losses)	–	–	(3)	–	–	–
Derivatives	–	–	–	–	–	–
Interest income-IRS	–	2	–	31	–	–
Gains/(losses)	–	6	–	114	–	–
Available-for-sale financial assets						
Debt securities	–	–	9,874	10,348	–	–
Interest income	–	–	363	360	–	–
Equity securities	–	–	2,195	1,315	–	–
Gains/(losses)	–	–	39	5	–	–
Impairment	–	–	–	462	–	–
Other assets	–	–	227	52	2	–
Undrawn loans granted (off-balance sheet records)	82	29	7,035	9,999	–	–
Guarantees						
Guarantees issued	–	–	–	–	–	–
Guarantee fee income	5	–	11	–	–	–
Comfort letters						
Risky	–	–	–	–	–	–
Non-risky	–	–	–	–	–	–

Type of related party	Key management personnel		Entities with a significant influence		Joint ventures	
	30 June 2012	30 June 2011	30 June 2012	30 june 2011	30 June 2012	30 June 2011
Financial liabilities and expenses						
Deposits amd loans received						
Deposits	6,747	2,487	46,872	27,268	–	–
Interest expenses	118	29	827	494	–	–
Financial liabilities held for trading						
Derivatives	–	8	–	198	–	–
Interest expenses – IRS	–	6	–	85	–	–
Losses	–	–	–	34	–	–
Other financial liabilities measured at amortised cost						
Debt securities issued and subordinated liabilities	3,442	–	11,708	14,036	–	–
Interest expenses	89	–	316	388	–	–
Other liabilities	–	13	17	13	–	–
Provisions for guarantees and commitments						
Provisions for guarantees and commitments	1	1	104	240	–	–
Net income/(expense) from provisions	–	–	(5)	104	–	(10)
Fiduciary activities	–	–	12,133	78,280	–	–

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

As at 30 June 2012 the Abanka holds debt securities of the Republic of Slovenia among its investments in the amount of EUR 285,008 thousand (30 June 2011: EUR 166,378 thousand) and deposits among the liabilities in the amount of EUR 388,215 thousand (30 June 2011: EUR 352,954 thousand).

In the half year 2012 Abanka entered into transactions with government related entities under usual terms and market prices.

Individually significant transactions with government related entities present mainly long-term loans and borrowings and deposits. As at 30 June 2012 the total amount of individually significant long-term loans amounted to EUR 70,000 thousand (1 agreement) (30 June 2011: 2 agreements in total amount of EUR 81,389 thousand), of long-term borrowings amounted to EUR 366,764 thousand (17 agreements) (30 June 2011: 18 agreements in total amount of EUR 397,471 thousand) and of deposits amounted to EUR 55,570 thousand (3 agreements) (30 June 2011:-)

The total amount of the remaining (individually insignificant) loans as at 30 June 2012 amounted to EUR 22,754 thousand (30 June 2011: EUR 42,980 thousand), debt securities amounted to EUR 70,379 thousand (30 June 2011: EUR 53,084 thousand), borrowings amounted to EUR 92,329 thousand (30 June 2011: EUR 85,511 thousand) and deposits amounted to EUR 76,218 thousand (30 June 2011: EUR 81,662 thousand).

11. SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS

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

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

12. THE NATURE AND AMOUNT OF UNUSUAL ITEMS

In the first half of 2012 there were no unusual items that, in terms of their nature, scope or occurrence, could have an impact on assets, debts, capital, net profit or cash flow.

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

In the first half of 2012 there were no acquisitions and disposals in the subsidiaries or in the joint venture company.

14. EVENTS OCCURRING AFTER INTERIM DATE

- On 13 July 2012 Abanka's subsidiary Aleasing d.o.o. was served a lawsuit filed by Mab transport d.o.o. – in bankruptcy proceedings as plaintiff for the annulment of a claim and the annulment of the right to be fully repaid from the bankruptcy estate in the amount of EUR 2,173,152.59;

- On 26 July 2012, the international rating agency Moody's has changed Abanka's Long-term Deposit Rating to 'Caa1', Preferred Stock Non-cumulative Rating to 'Ca' and Bank Financial Strenght Rating to 'E'. The Outlook on all the banks' rating is negative. The agency stated that downgrade of Abanka's rating was caused by the increased pressure on the banks' capital adequacy which is driven by on-going and severe asset-quality deterioration.

Statement of the Management's responsibilities

The management is responsible for preparing the interim financial information for each half – year period. They provide a true and fair view of the state of affairs of the Group as at the end of the half – year and of the profit or loss for that period.

The management confirms that the accounting policies adopted for the half – year ended 30 June 2012 are consistent with those of the annual financial statements for the year ended 31 December 2011.

The Management Board also confirms that the financial statements including the notes have been compiled on a going concern basis for the Group, and are in accordance with current legislation and the International Financial Reporting Standards as adopted by the EU.

The management is responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

In the period ended 30 June 2012 Abanka did not start any related party transactions under unusual market conditions.

Ljubljana, 25 July 2012

Management Board

Igor STEBERNAK
Member

Jože LENIČ, M.Sc.Econ.
President

(All amounts in EUR thousand unless otherwise stated)

Appendix: Unaudited Financial Statements of Abanka Vipa d.d.

UNAUDITED INTERIM INCOME STATEMENT
FOR THE PERIOD FROM 1 JANUARY 2012 TO 30 JUNE 2012
(Prepared in accordance with EU IFRS)

Ser. No.	ITEM DESCRIPTION	AMOUNT	
		Period ended 30 June 2012	Period ended 30 June 2011
1	2	3	4
1	Interest income	95,159	99,188
2	Interest expenses	(59,866)	(56,577)
3	**Net interest income (1 + 2)**	**35,293**	**42,611**
4	Dividend income	1,362	1,118
5	Fee and commission income	20,688	21,301
6	Fee and commission expenses	(5,882)	(5,657)
7	**Net fee and commission income (5 + 6)**	**14,806**	**15,644**
8	Realised gains on financial assets and liabilities not measured at fair value through profit or loss	1,794	813
9	Net gains/(losses) on financial assets and liabilities held for trading	2,903	(5,197)
10	Losses on financial assets and liabilities designated at fair value through profit or loss	(1,227)	(714)
11	Exchange differences	(64)	73
12	Net gains on derecognition of assets other than held for sale	-	32
13	Net other operating expenses	(2,405)	(923)
14	Administration costs	(22,931)	(23,756)
15	Depreciation and amortisation	(2,566)	(2,526)
16	Provisions	(511)	403
17	Impairment	(41,054)	(46,445)
18	Total loss from non-current assets held for sale	(1)	(2)
19	TOTAL LOSS BEFORE TAX FROM CONTINUING OPERATIONS (3 + 4 + 7 + 8 +9 +10 + 11 + 12 + 13 + 14 + 15 + 16 + 17 + 18)	(14,601)	(18,869)
20	Tax (expense)/income related to profit from continuing operations	(445)	3,733
21	TOTAL LOSS AFTER TAX FROM CONTINUING OPERATIONS (19 + 20)	(15,046)	(15,136)
22	**NET LOSS for the financial year (21)**	**(15,046)**	**(15,136)**

in EUR

23	Basic earnings per share	(2.09)	(2.10)
24	Diluted earnings per share	(2.09)	(2.10)

Management Board

Igor STEBERNAK
Member

Jože LENIČ, M.Sc.Econ.
President

(All amounts in EUR thousand unless otherwise stated)

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY 2012 TO 30 JUNE 2012 (Prepare in accordance with EU IFRS)

Item No.	ITEM DESCRIPTION	AMOUNT	
		Period ended 30 June 2012	Period ended 30 June 2011
1	2	3	4
1	**NET LOSS FOR THE FINANCIAL YEAR AFTER TAX**	**(15,046)**	**(15,136)**
2	**OTHER COMPREHENSIVE INCOME/(LOSS) AFTER TAX (3+6)**	**6,415**	**(4,355)**
3	**Available-for-sale financial assets (4+5)**	**8,150**	**(5,444)**
4	Net valuation gains/(losses) taken to equity	7,574	(11,867)
5	Net losses transferred to profit or loss	576	6,423
6	**Income tax relating to components of other comprehensive income/(loss)**	**(1,735)**	**1,089**
7	**TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR AFTER TAX (1+2)**	**(8,631)**	**(19,491)**

Management Board

Igor STEBERNAK
Member

Jože LENIČ, M.Sc.Econ.
President

(All amounts in EUR thousand unless otherwise stated)

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012 (Prepared in accordance with EU IFRS)

Ser. No.	Designation of Item		ITEM DESCRIPTION	AMOUNT	
				As at 30 June 2012	As at 31 December 2011
	1		2	3	4
1	A.	1.	Cash and cash balances with the central bank	340,587	125,534
2	A.	2.	Financial assets held for trading	29,371	31,116
3	A.	3.	Financial assets designated at fair value through profit or loss	12,503	22,831
4	A.	4.	Available-for-sale financial assets	523,932	570,481
5	A.	5.	Loans and receivables	3,077,606	3,275,449
			- debt securities	4,959	4,948
			- loans to banks	234,273	280,816
			- loans to non-bank customers	2,829,528	2,989,685
			- other financial assets	8,846	-
6	A.	6.	Held-to-maturity investments	149,329	102,784
7	A.	16.	Non-current assets held for sale	1,326	1,326
8	A.	10.	Property and equipment	34,760	35,218
9	A.	11.	Investment property	81	83
10	A.	12.	Intangible assets	3,428	3,488
11	A.	13.	Investments in subsidiaries	4,310	4,310
12	A.	14.	Tax assets	32,638	36,731
			- current tax assets	-	1,824
			- deferred tax assets	32,638	34,907
13	A.	15.	Other assets	1,327	5,912
14			**TOTAL ASSETS** (from 1 to 13)	**4,211,198**	**4,215,263**
15	P.	1.	Deposits from central bank	451,928	200,061
16	P.	2.	Financial liabilities held for trading	18,958	15,142
17	P.	3.	Financial liabilities designated at fair value through profit or loss	8,570	8,263
18	P.	4.	Financial liabilities measured at amortised cost	3,480,100	3,727,285
			- deposits from banks	14,647	39,403
			- deposits from non-bank customers	2,441,580	2,414,253
			- loans from banks	469,162	608,381
			- loans from non-bank customers	10,081	10,025
			- debt securities issued	413,286	536,163
			- subordinated liabilities	119,022	119,060
			- other financial liabilities	12,322	-
19	P.	9.	Provisions	24,555	24,090
20	P.	10.	Tax liabilities	232	322
			- deferred tax liabilities	232	322
21	P.	11.	Other liabilities	6,797	11,411
22			TOTAL LIABILITIES (from 15 to 21)	3,991,140	3,986,574
23	P.	13.	Share capital	30,045	30,045
24	P.	14.	Share premium	153,117	153,117
25	P.	16.	Revaluation reserves	(4,291)	(10,706)
26	P.	17.	Reserves from profit	56,473	56,473
27	P.	18.	Treasury shares	(240)	(240)
28	P.	19.	Retained earnings (including loss from the current year)	(15,046)	-
29			TOTAL EQUITY (from 23 to 28)	220,058	228,689
30			**TOTAL LIABILITIES AND EQUITY** (22 + 29)	**4,211,198**	**4,215,263**

Management Board

Igor STEBERNAK
Member

Jože LENIČ, M.Sc.Econ.
President

(All amounts in EUR thousand unless otherwise stated)

UNAUDITED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 1 JANUARY 2012 TO 30 JUNE 2012 (Prepared in accordance with EU IFRS)

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

(All amounts in EUR thousand unless otherwise stated)

UNAUDITED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 1 JANUARY 2011 TO 30 JUNE 2011 (Prepared in accordance with EU IFRS)

Item No.	ITEM DESCRIPTION	Share capital	Share premium	Revaluation reserves	Reserves from profit	Retained earnings (including loss from the current year)	Treasury shares (equity deduction item)	Total equity (from 3 to 8)
1	2	3	4	5	6	7	8	9
1	**OPENING BALANCE FOR THE REPORTING PERIOD**	**30,045**	**153,117**	**4,186**	**170,986**	**5,909**	**(240)**	**364,003**
2	**Comprehensive loss for the financial year after tax**	**-**	**-**	**(4,355)**	**-**	**(15,136)**	**-**	**(19,491)**
3	Dividends	-	-	-	-	(1,294)	-	(1,294)
4	Transfer of net profit to reserves from profit	-	-	-	4,615	(4,615)	-	-
5	**CLOSING BALANCE FOR THE REPORTING PERIOD (1+2+3+4)**	**30,045**	**153,117**	**(169)**	**175,601**	**(15,136)**	**(240)**	**343,218**

Management Board

Igor STEBERNAK
Member

Jože LENIČ, M.Sc.Econ.
President

UNAUDITED INTERIM CASH FLOW STATEMENT
FOR THE PERIOD FROM 1 JANUARY 2012 TO 30 JUNE 2012
(Prepared in accordance with EU IFRS)

Designation	ITEM DESCRIPTION	AMOUNT	
		Period ended 30 June 2012	Period ended 30 June 2011
1	2	3	4
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**		
a)	Total loss before tax	(14,601)	(18,869)
	Depreciation and amortisation	2,566	2,526
	Impairments of intangible assets	19	-
	Net losses/(gains) from exchange differences	64	(73)
	Net (gains) from sale of tangible assets and investment properties	(25)	(32)
	Other (gains) from investing activities	(2,315)	(265)
	Other losses from financing activities	1,935	2,056
	Net unrealised losses from non-current assets held for sale	1	2
	Net unrealised gains in revaluation reserves from financial assets available for sale (excluding effect of deferred tax)	8,150	(5,444)
	Other adjustments to total profit or loss before tax	536	(403)
	Cash flow from operating activities before changes in operating assets and liabilities	**(3,670)**	**(20,502)**
b)	**Decreases in operating assets (excl. cash & cash equivalents)**	**173,318**	**165,194**
	Net decrease in financial assets held for trading	1,829	8,178
	Net decrease in financial assets designated at fair value through profit or loss	10,328	3,145
	Net decrease in financial assets available for sale	18,672	136,953
	Net decrease in loans and receivables	137,930	25,753
	Net (increase) in non-current assets held for sale	(1)	(2)
	Net decrease/(increase) in other assets	4,560	(8,833)
c)	**Increases/(decreases) in operating liabilities**	**1,713**	**(156,947)**
	Net increase/(decrease) in financial liabilities to central bank	251,866	(19)
	Net increase/(decrease) in financial liabilities held for trading	3,816	(736)
	Net increase in financial liabilities designated at fair value through profit or loss	307	29
	Net (decrease) in deposits, loans and receivables measured at amortised cost	(139,061)	(166,200)
	Net (decrease) in debt instruments in issue measured at amortised cost	(122,877)	(957)
	Net increase in other liabilities	7,662	10,936
d)	**Cash flow from operating activities (a+b+c)**	**171,361**	**(12,255)**
e)	**Income taxes refunded**	**1,824**	**1,155**
f)	**Net cash flow from operating activities (d+e)**	**173,185**	**(11,100)**

UNAUDITED INTERIM CASH FLOW STATEMENT
FOR THE PERIOD FROM 1 JANUARY 2012 TO 30 JUNE 2012 (continued)

Designation	ITEM DESCRIPTION	AMOUNT	
		Period ended 30 June 2012	Period ended 30 June 2011
1	2	3	4
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
a)	**Receipts from investing activities**	**21,744**	**9,933**
	Receipts from the sale of tangible assets	25	119
	Receipts from the sale of financial assets held to maturity	21,719	9,814
b)	**Cash payments on investing activities**	**(68,024)**	**(2,624)**
	(Cash payments to acquire tangible assets)	(1,330)	(1,957)
	(Cash payments to acquire intangible assets)	(745)	(667)
	(Cash payments to acquire held to maturity investments)	(65,949)	-
c)	**Net cash flow from investing activities (a+b)**	**(46,280)**	**7,309**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
a)	**Cash proceeds from financing activities**	**-**	**-**
b)	**Cash payments on financing activities**	**(1,973)**	**(12,278)**
	(Cash repayments of subordinated liabilities)	(1,973)	(12,278)
c)	**Net cash flow from financing activities (a+b)**	**(1,973)**	**(12,278)**
D.	Effects of change in exchange rates on cash and cash equivalents	2,302	(3,166)
E.	**Net increase/(decrease) in cash and cash equivalents (Af+Bc+Cc)**	**124,932**	**(16,069)**
F.	**Opening balance of cash and cash equivalents**	**421,901**	**507,010**
G.	**Closing balance of cash and cash equivalents (D+E+F)**	**549,135**	**487,775**

These interim financial statements were approved for issue on 25 July 2012.

Management Board

Igor STEBERNAK
Member

Jože LENIČ, M.Sc.Econ.
President