



On Solid Ground:
Towards New Challenges
Semi-annual report 2015

NLB d.d., Ljubljana	
Number of branches	121
Number of employees	3,053
Market share (in %)	22.9
Number of active clients	719,134
Total assets (in EUR million)	8,548

NLB Skladi, Ljubljana	
Number of employees	39
Market share (in %) 23.4 (mutual funds)	
Assets under management (in EUR million)	885

¹ Market share of assets under management in mutual funds

NLB banka, Belgrade	
Number of branches	32
Number of employees	441
Market share (in %)	1.0
Number of active clients	135,286
Total assets (in EUR million)	230

NLB Vita, Ljubljana	
Number of employees	40
Market share ² (in %)	11.2
Assets of covered funds without own resources (in EUR million)	351

² Market share in traditional life insurances

	NLB Razvojna banka, Banja Luka	NLB Banka, Tuzla
Number of branches	65	38
Number of employees	494	449
Market share (in %)	18.7 ³	5.7 ⁴
Number of active clients	306,355	133,193
Total assets (in EUR million)	618	469

³ Market share in the Republic of Srpska

⁴ Market share in the Federation of BiH

NLB Montenegrobanka, Podgorica	
Number of branches	17
Number of employees	325
Market share (in %)	15.5
Number of active clients	77,476
Total assets (in EUR million)	494

NLB Tutunska banka, Skopje	
Number of branches	49
Number of employees	806
Market share (in %)	16.1
Number of active clients	332,547
Total assets (in EUR million)	1,059

NLB Prishtina, Pristina	
Number of branches	47
Number of employees	524
Market share (in %)	15.2%
Number of active clients	163,405
Total assets (in EUR million)	454

NLB Nov penziski fond, Skopje	
Number of employees	30
Market share of compulsory pension insurance (in %)	47.7
Market share of voluntary pension insurance (in %)	38.5
Net value of pension funds (in EUR million)	282

Sum of bank members of the NLB Group	Core banks
Number of branches	369
Number of employees	6,092
Number of active clients	1,867,396
Total assets (in EUR million) ⁵	11,018

⁵ Contribution to the total assets of the NLB Group



Key data

Table 1: Key financial and other data for the NLB Group and NLB d.d.

	30.6.2015		31.12.2014		30.6.2014	
	NLB Group	NLB d.d.	NLB Group	NLB d.d.	NLB Group	NLB d.d.
Income statement indicators (in EUR thousand)						
Net interest income	170,031	107,622	330,006	227,343	162,283	114,327
Net non-interest income	73,571	70,987	181,029	141,782	88,612	70,919
Total net operating income	243,602	178,609	511,035	369,125	250,895	185,246
Costs	144,978	92,360	303,503	193,304	150,234	96,745
Result before impairments and provisions	98,624	86,249	207,532	175,821	100,661	88,501
Impairments and provisions	41,017	42,799	141,439	93,071	65,972	53,399
Result after tax	53,362	40,101	62,336	81,529	34,014	35,837
Financial position statement indicators (in EUR thousand)						
Total assets	11,578,702	8,548,229	11,909,489	8,885,727	12,226,800	9,244,667
Loans to non-banking sector (net)	7,368,691	5,538,265	7,415,117	5,699,825	7,614,216	5,978,098
Deposits from non-banking sector	8,709,805	6,059,797	8,948,533	6,299,626	8,754,267	6,207,150
Total equity	1,379,383	1,231,023	1,343,061	1,204,920	1,318,747	1,164,463
Non-controlling interests	26,702	-	26,234	-	24,879	-
Key financial indicators						
Return on equity after tax (ROE a.t.)	7.8%	6.6%	4.8%	7.0%	5.3%	6.3%
Return on assets after tax (ROA a.t.)	0.9%	0.9%	0.5%	0.9%	0.6%	0.8%
Costs to income ratio (CIR)	59.5%	51.7%	59.4%	52.4%	59.9%	52.2%
Loans to non-banking sector / deposits from non-banking sector (LTD)	77.0%	81.0%	75.9%	80.7%	79.7%	86.1%
Interest margin	3.0%	2.4%	2.7%	2.5%	2.7%	2.4%
Capital adequacy ratio (CAR)	15.9%	22.8%	17.6%	22.7%	15.7%	19.5%
Total risk exposure amount (RWA) (in EUR thousand)	7,844,315	4,973,988	7,037,982	4,962,218	7,489,223	5,347,045
Asset quality indicators ¹⁾						
Gross non-performing loans (in EUR thousand)	2,523,061	1,449,763	2,623,405	1,535,741	2,818,309	1,584,589
Coverage ratio ²⁾	69.4%	63.7%	68.7%	70.4%	70.7%	74.0%
Gross non-performing loans / total loans	24.6%	20.9%	25.1%	21.2%	25.8%	20.5%
Net non-performing loans (in EUR thousand)	951,809	623,771	1,005,963	659,686	1,011,829	643,720
Net non-performing loans / total loans	11.2%	10.4%	11.7%	10.7%	11.3%	9.8%
Key indicators per share (in EUR)						
Book value per share	69.0	61.6	67.2	60.2	65.9	58.2
Earnings per share (EPS)	2.7	2.0	3.1	4.1	1.7	1.8
International credit ratings						
Moody's	-	B2	-	Caa1	-	Caa1
Standard & Poor's	-	B+	-	BB-	-	BB-
Fitch	-	BB-	-	BB-	-	BB-

¹⁾ The data as at 30.6.2014 are not directly comparable due to methodological changes.

²⁾ The coverage of gross non-performing loans with impairments on all loans

Table of Contents

BUSINESS REPORT.....	5
Key events in 2015.....	6
Macroeconomic environment.....	8
Business with clients.....	9
Corporate and social responsibility.....	11
Overview of the NLB Group’s financial performance.....	13
Risk management.....	20
Corporate governance of NLB d.d.....	24
FINANCIAL STATEMENTS.....	25

Business report

1. Key events in 2015

IMPORTANT EVENTS IN THE GROUP'S BUSINESS ENVIRONMENT

KEY EVENTS IN THE NLB GROUP

The Government of the Republic of Slovenia increases tax on financial services by 2 p.p. to 8.5% (1.1.2015).

The Swiss National Bank abandons the currency ceiling at 1.2 francs to 1 EUR (15.1.2015).

The Government of the Republic of Slovenia hands over to the Council of Europe the action plan for implementing the judgement of the European Court of Human Rights, which in 2014 ordered Slovenia to repay the foreign-currency savers of the former Ljubljanska banka (20.1.2015).

The European Central Bank initiates the so-called quantitative easing programme, within which it will buy ABC, sovereign and covered bonds in the amount of EUR 60 billion per month by the end of September 2016 (22.1.2015).

The European Bank for Restructuring and Development estimates that Slovenian GDP growth was 2.7% in 2014 and forecasts 1.6% growth in 2015 (19.1.2015).

Moody's improves Slovenia's sovereign credit rating from Ba1 to Baa3 with a stable outlook (24.1.2015).

January

NLB d.d. in cooperation with seven banks signs an MRA restructuring agreement with Hidria Group. NLB d.d. acts as a coordinator and an agent (20.1.2015).

The European Commission forecasts Slovenian GDP growth of 1.8% in 2015 and 2.3% growth in 2016 (5.2.2015).

The Institute of Macroeconomic Analysis and Development forecasts GDP growth of 2.0% in 2015 (9.2.2015).

The Statistical Office of the Republic of Slovenia estimates that Slovenian GDP growth was 2.6% in 2014 (27.2.2015).

February

NLB d.d. signs a syndicated facility in the amount of EUR 67 million with the KD Group. NLB d.d. acts as an organiser and an agent (23.2.2015).

In February 2015 NLB d.d. establishes three new real-estate companies with limited liability: REAM d.o.o, Zagreb (10.2.2015), REAM d.o.o, Podgorica (25.2.2015) and REAM d.o.o, Belgrade (26.2.2015). The new companies' purpose is to systematically and comprehensively manage the NLB Group's entire investment property portfolio, as well as real estate pledged as loan collateral.

The European Central Bank begins to purchase bonds from states and other institutions in the secondary market, initiating the programme of so-called quantitative easing (9.3.2015).

The Constitutional Court unanimously annuls the provisions of the Public Information Access Act, which had forced nationalised banks to reveal data on non-performing loans that were not transferred to the Bank Assets Management Company (16.3.2015).

The Republic of Slovenia issues 20-year bonds in the amount of EUR 1 billion (18.3.2015).

March

NLB d.d. organises an investment forum for companies and individuals at Brdo pri Kranju (30.3.2015).

NLB d.d. terminates its contractual relationship with Moody's. Subsequently, Moody's maintains the rating based solely on publicly available information (5.3.2015).

Moody's affirms the NLB's deposit ratings of Caa1 and places the rating under review for upgrade (17.3.2015).

NLB d.d. becomes a member of EFQM (a non-profit European foundation for the transfer of best management practices) (1.3.2015).

Based on the Bank Resolution Authority and Fund Act, the Bank of Slovenia sets up a special fund for the resolution of banks. In the future, this fund will be used to rescue banks as part of extraordinary measures that may be imposed upon banks by the Bank of Slovenia. The fund will cease operating on 31.12.2024 (2.4.2015).

The 3-month Euribor turns negative for the first time (21.4.2015).

The Government of the Republic of Slovenia adopts the National Reform Programme 2015–2016, which among other things aims at the privatisation of banks (29.4.2015).

The International Monetary Fund upgrades Slovenia's economic growth outlook to 2.1% in 2015 and 1.9% in 2016 (14.4.2015).

The Bank of Slovenia forecasts 2.2% GDP growth in 2015 and 1.8% growth in 2016 (15.4.2015).

April

NLB d.d. upgrades the Klikin mobile bank with insight into the balance and transactions of a selected personal account and insight into the balance of the holder's and authorised personal and savings accounts (20.4.2015).

NLB d.d. organises a meeting for entrepreneurs "From Security to Import-Export Financing" in Pomurje (23.4.2015).

The Slovenian HR Association awards Vesna Vodopivec, Director of Human Resources and Organisation Development in NLB d.d. the »HR Manager of the Year« award (17.4.2015).

As part of the Full Family-Friendly Company Certificate, NLB d.d. adopts additional new measures in the areas of working hours, health protection, and assessment of heads and managers by their subordinates (21.4.2015).

- Ratings
- Macroeconomic forecast
- Key business activities of the NLB Group
- Other events and activities

The new Banking Act (ZBan-2) enters into force (13.5.2015).

The Management Boards of Banka Celje and Abanka sign a contract on the merger of Banka Celje with Abanka. Abanka becomes the second largest bank in Slovenia (20.5.2015).

The Government of the Republic of Slovenia approves the proposed Act on the Method of Executing the European Court of Human Rights Judgement (repayment of outstanding claims of foreign-currency savers of the former Ljubljanska banka in Sarajevo and Zagreb) (28.5.2015).

The Organisation for Economic Cooperation and Development forecasts Slovenian GDP growth of 1.8% in 2015 (4.5.2015).

The European Bank for Reconstruction and Development forecasts Slovenian GDP growth of 2% in 2015 (14.5.2015).

May

For the ninth consecutive year, the NLB Brand obtains the title of Trusted Brand 2015 in the bank category (15.5.2015).

The NLB Centre of Innovative Entrepreneurship opens its doors (26.5.2015).

NLB d.d. opens its first 'open space' branch office in Krško (27.5.2015).

NLB d.d. organises a Business Forum for its customers: Financial Support to International Business – from Safety to Import-Export Financing at the Brdo pri Kranju Congress Centre (28.5.2015).

Standard & Poor's affirms the NLB's long-term credit rating BB-. The rating outlook remains "negative" (12.5.2015).

Fitch reduces the NLB's Long-term Issuer Default Rating to B+ and upgrades the Viability Rating from "b" to "b+". The rating outlook is "stable" (19.5.2015).

Summit 100, a two-day meeting of leaders from the countries of Southeast Europe, takes place in Portorož. The meeting's purpose is to strengthen cooperation in the region (1.–2.6.2015).

The European Central Bank affirms the key interest rate at 0.05% (3.6.2015).

The Organisation for Economic Cooperation and Development forecasts Slovenian GDP growth of 2.1% in 2015 (3.6.2015).

June

NLB d.d. signs a long-term loan agreement in the amount of EUR 16 million with BTC (3.6.2015).

NLB d.d. establishes the company SR-RE d.o.o, Belgrade – Novi Beograd. The purpose of establishing it is the entry/acquisition of real estate with upside potential in Serbia (3.6.2015).

NLB d.d. organises a professional management event On the Way to International Competitiveness for its customers in the Centre of Innovative Entrepreneurship (4.6.2015).

NLB d.d. organises and executes a commercial paper issue by the company Poslovni sistem Mercator in the amount of EUR 20 million (12.6.2015).

IFC approves a loan to NLB Tutunska Banka in the amount of EUR 10 million. An additional EUR 11 million loan is approved by NLB d.d. (16.6.2015).

NLB d.d. successfully completes a five-year bond issue on behalf of the Slovenian Sovereign Holding in the amount of EUR 100 million (24.6.2015).

The Bled Strategic Forum for Youth in cooperation with NLB d.d. organises an event at the NLB Centre for Innovative Entrepreneurship on the topic How to Create a Favourable Business Environment for Young People (30.6.2015).

Moody's upgrades the NLB's Long-term deposit ratings in local and foreign currencies to B2. The outlook for the Bank's Long-term deposit ratings is positive (9.6.2015).

25th session of the NLB d.d. Shareholders' Assembly, in which the rights of the Republic of Slovenia as the Bank's sole shareholder are represented by the Slovenian Sovereign Holding. The Assembly appoints Ernst & Young as the auditor of NLB d.d. for a period of three financial years, and elects Andreas Kling as a member of the Supervisory Board of NLB d.d. (22.6.2015).

The Governing Council of the ECB extends the list of euro bonds, which the central banks may purchase in the quantitative easing programme, with DARS bonds (2.7.2015).

The Slovenian Parliament approves the State Asset Management Strategy. In the case of NLB d.d., where the Republic of Slovenia in line with the state-aid commitments for the capital increase undertook to reduce the capital investment to 25% + 1 share by the end of 31 December 2017, SDH is going to prepare a programme in collaboration with the NLB d.d. management to list the NLB d.d. shares on an international stock exchange in line with the IPO programme. In this case, SDH needs to regulate the limitations on ownership concentration accordingly in the company's Statute (13.7.2015).

The Greek parliament approves a draft law with the reforms requested by international creditors for the continuation of aid (16.07.2015).

The Republic of Slovenia issues ten-year maturity bonds in the amount of EUR 1.25 billion (28.7.2015).

July

NLB d.d. in cooperation with eight banks signs an MRA restructuring agreement with the Hidria Group, where the Bank acts as a coordinator and an agent (6.7.2015).

NLB d.d. successfully completes a five-year bond issue on behalf of Slovenska industrija jekla in the amount of EUR 51 million (21.7.2015).

NLB d.d. receives an award for the seventh consecutive year from Deutsche bank for the high level of straight-through processing it achieved in the execution of commercial payments to that bank. NLB d.d. receives the golden award for the first time (22.7.2015).

Peter Groznik resigns as a member of the Supervisory Board of NLB d.d. (31.7.2015).

Standard & Poor's affirms the NLB's long-term credit rating BB-. The rating outlook remains "negative" (28.7.2015).

NLB d.d. signs a two-year contract with the Handball Association of Slovenia to sponsor the men's senior, youth and cadet teams (9.7.2015).

NLB d.d. as the first bank in the country signs an agreement on cooperation in helping the weakest and a letter of intent to help families forcibly evicted (20.7.2015).

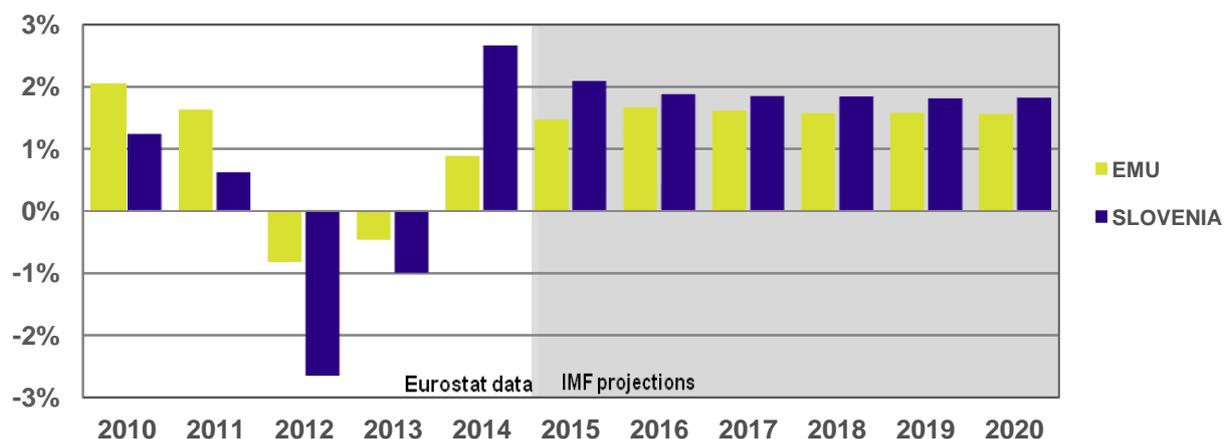
Macroeconomic environment

The **positive economic climate** from the previous year continued throughout the first half of 2015, with macroeconomic data for the euro area showing signs of an **increasingly robust economic recovery**, with growth of the region's economy outpacing both that of the United States and United Kingdom in the first quarter of the year. The primary drivers of growth continue to be the ECB's quantitative easing programme, low fuel costs and the euro, whose low price is having a positive impact on euro-area exports; the ECB upgraded the region's growth forecast from 1.0% to 1.5% in 2015. In line with the aforementioned, the latest ECB survey data point to an easing of credit conditions and improving net demand for corporate and retail house purchase loans in the region. Deflationary fears are slowly receding, pointing to the effectiveness of the ECB's quantitative easing scheme while unemployment levels have fallen throughout the year, from 11.4% to their current level of 11.1% based on the latest data. Greece's indebtedness and the region's strained relations with Russia are among the factors that pose potential risks which could negatively affect the region's strong economic prospects and macroeconomic data.

Economic developments in Slovenia have followed those of the euro area; the country appears to be on the **path to economic recovery**, the IMF and World Bank project **strong GDP growth** approaching 2% for the foreseeable future, the country **recorded impressive 2.9% GDP growth** in the first quarter of the year. Economic growth in the period was primarily fuelled by exports. Domestic demand has remained subdued; however, improving sentiment indicators and stabilisation of the macroeconomic environment are expected to beneficially impact household confidence, which should result in an improvement in domestic spending throughout the rest of the year. **Macroeconomic data during the period were broadly positive**, with unemployment falling steadily from 13% to 12.3% and expanding industrial production although, due to the country's current export dependence and close economic ties with the euro area, Slovenia shares the euro area's key risks.

During the first half of the year, numerous positive trends were noted in the Slovenian banking system, external liabilities continued to decrease while deposits continued to grow. As a result of the sector's ongoing deleveraging, loans outstanding have continued to decrease throughout the year. An overleveraged private sector and stringent loan requirements have weighed negatively on private sector loan activity, while a lack of demand due to the weak sentiment and outlook has had a negative influence on retail loan activity. **With the return of economic stability and revival of the business cycle**, the country appears to be on track for a **credit cycle revival**, with the Bank of Slovenia noting numerous indicators pointing towards the same conclusion.

Figure 1: Real and forecast GDP growth in the euro area and Slovenia 2010–2020



Business with clients

Key market activities

The following **key activities** influenced the performance of the NLB Group in the first half of 2015:

- **Revitalisation of sales activities and an increase in loans to customers in core segments**, which can most prominently be seen in the market share of corporate loans, which grew by 0.45 of a percentage point.
- The Bank re-launched an intensive cycle of services and sales channels development. During this period, the Bank introduced **Maestro contactless cards** as the first bank in the market to do so. Moreover, the Bank launched **Klikin, a mobile application** which offers its retail clients significantly simpler and more useful access to basic sight and transaction services.
- After many years, NLB d.d. started on the **renovation of traditional branches**. The redesigned 'open space' concept simplifies and enables more intense and more comfortable communication with clients. In April, the first example of a redesigned branch was opened in the relocated Grič branch in Krško, followed by the branch in Logatec. In several smaller branches, bank counters were renovated, making them more open and equipped with automatic counters. In a few years, the Bank plans to renovate the entire sales network.
- In the forthcoming period, an important share of investing activities in the sales area will be associated with the **digitisation of business and upgrading of customer relationship management** with the aim of improving the experience and consequently customer satisfaction.
- **The NLB successfully organised five issues of corporate debt securities in a total amount of over EUR 200 million** (Mercator, d.d. and SIJ d.d. commercial papers and SDH d.d., KD Group d.d. and SIJ d.d. bonds). At the same time, NLB d.d. as an agent in cooperation with other banks concluded syndicated loans totalling EUR 150 million.
- **NLB d.d. still holds the leading role in restructuring of the Slovenian economy**. As an adviser, NLB d.d. remains very active in numerous restructuring cases of Slovenian companies, thereby showing its high level of expertise, responsibility and efficiency. All of the Bank's activities in the restructuring area in the past two years are beginning to show results. In the first half of 2015, we recorded the first transitions of companies from the restructuring area back to the business area (in accordance with the EBA regulations restructured receivables or clients retain NPL status for at least one year after starting the regular repayment of obligations under the restructured receivables).

Other key activities

- **Opening of the NLB Innovative Entrepreneurship Centre**
On 26 May 2015, the NLB Innovative Entrepreneurship Centre opened its doors. It will offer events and training in entrepreneurship and finance, a place for networking as well as the conclusion of banking transactions for existing and future entrepreneurs. In May and June the Centre hosted 11 events involving a total of 520 participants.
- **Implementation of the Transformation Programme**
The aim of the Transformation Programme is to analyse the existing business model, while also defining and planning the introduction of appropriately adjusted target business models for each transformed area. The Transformation Programme, which will be completed in September 2015, is already showing results. By the end of June 2015, 18 projects as well as all three business initiatives were finished. The remaining five projects are in their final stage.
- **Active approach to NPL management**
In the first half of 2015 the NLB Group focused on reducing the level of NPLs even more actively. We prepared a comprehensive document – NPL Strategy – setting out the target NPL decrease values. More importantly, we outlined guidelines and specific measures to achieve the set objectives. This productive approach resulted in a EUR 100 million decrease in NPL in the first half of the year. The results of numerous past and current activities related to NPL restructuring, the active management of pledged properties and increasing centralisation of NPL recovery procedures will be reflected in the decline of NPLs in the second half of 2015 and next year. In addition, activities to market specific NPL portfolios were initiated in the first half of the year.
- **Active reduction of the non-core investment portfolio**
With dedicated efforts, the Bank was able to reduce the total non-core assets of the NLB Group in the first half of 2015 by 6.2% to EUR 856 million.

Corporate and social responsibility

Areas of corporate responsibility



Key highlights in the first half of 2015

CLIENTS

NLB Innovative Entrepreneurship Centre

The Bank offers entrepreneurs a newly established, organised, quiet and inspiring space for doing business or having business meetings with partners. In a single place, the Centre enables the acquisition of business and financial expert know-how, access to a network of business mentors as well as organised accounting and legal support.

In the first five weeks of its operation, the Centre hosted 29 external and internal events involving more than 1,100 participants.



POLNI CERTIFIKAT



Family-Friendly Company Certificate

Seven additional measures to improve the well-being and satisfaction of employees were introduced – three in the area of Working Hours, two in the area of Health Protection, one in the area of the Diversity and Integration Programme, and one in the area of Evaluation of Heads and Managers by their Subordinates (strategy/leadership philosophy).

NLB Happy Holidays

Numerous weekly activities were organised during winter holidays together with 11 service providers.

Healthy Bank

A number of several-hour or all-day workshops were organised; some in nature.



Banking Sports Games 2015 in Poreč

98 employees representing NLB d.d. among the 1,455 participants won the overall first place.

EMPLOYEES

Sponsorship and Donations

The Bank made 47 donations and sponsored 68 events and projects.

Humanitarian Activities

In collaboration with the customers who participated in the *1 EUR upon ordering the contactless card* campaign, the Bank collected more than EUR 5,400 for the Maternity Hospital of Ljubljana. In addition, the Bank donated another EUR 13,500.

Support for Young Athletes

49 sports institutes, clubs, schools and organisations were supported through sponsorships and donations.

Sports

The Bank signed a two-year agreement with the Handball Federation of Slovenia for sponsorship of the male senior, junior and cadet national teams.

Culture

Taking care of its movable and immovable cultural heritage, the Bank supported 17 cultural organisations and events with sponsorships and donations.



SOCIETY



Caroline Forbes exhibition – Portraits of Musicians



Painting exhibition of the architecture - 110 years of the City Savings Bank Ljubljana



The 56th Jazz festival

Overview of the NLB Group's financial performance

Income statement

Table 2: The NLB Group – key income statement items

	Total			Quarters		
	1.1. - 30.6.2015	1.1. - 30.6.2014	Change YoY	2Q 2015	1Q 2015	Change QoQ
in EUR thousand						
Net interest income	170,031	162,283	5%	85,425	84,606	1%
Net fee and commission income	68,974	68,356	1%	35,275	33,699	5%
Dividend income	1,272	1,660	-23%	1,266	6	-
Net income from financial transactions	(1,004)	18,299	-	196	(1,200)	-
Net other income	4,329	297	-	2,779	1,550	79%
Net non-interest income	73,571	88,612	-17%	39,516	34,055	16%
Total net operating income	243,602	250,895	-3%	124,941	118,661	5%
Employee costs	(79,894)	(81,582)	-2%	(40,111)	(39,783)	1%
Other administrative expenses	(48,918)	(50,404)	-3%	(25,792)	(23,126)	12%
Depreciation and amortisation	(16,166)	(18,248)	-11%	(7,901)	(8,265)	-4%
Total costs	(144,978)	(150,234)	-3%	(73,804)	(71,174)	4%
Result before impairments and provisions	98,624	100,661	-2%	51,137	47,487	8%
Impairments of available-for-sale financial assets	117	(2,087)	-	38	79	-52%
Credit impairments and provisions	(34,375)	(56,380)	-39%	(14,724)	(19,651)	-25%
Other impairments and provisions	(6,759)	(7,505)	-10%	(5,175)	(1,584)	227%
Impairments and provisions	(41,017)	(65,972)	-38%	(19,861)	(21,156)	-6%
Result from equity investments in associates and joint ventures	2,249	1,016	121%	1,098	1,151	-5%
Profit before income tax	59,856	35,705	68%	32,374	27,482	18%
Income tax	(4,739)	(344)	-	(3,050)	(1,689)	81%
Result of non-controlling interests	1,755	1,347	30%	947	808	17%
Profit for the period	53,362	34,014	57%	28,377	24,985	14%

Table 3: NLB d.d. key income statement items

	Total			Quarters		
	1.1.- 30.6.2015	1.1.- 30.6.2014	Change YoY	2Q 2015	1Q 2015	Change QoQ
in EUR thousand						
Net interest income	107,622	114,327	-6%	52,782	54,840	-4%
Net fee and commission income	48,988	49,931	-2%	25,113	23,875	5%
Dividend income	14,921	6,333	136%	13,505	1,416	854%
Net income from financial transactions	6,747	14,615	-54%	(204)	6,951	-
Net other income	331	40	728%	1,239	(908)	-
Net non-interest income	70,987	70,919	0%	39,653	31,334	27%
Total net operating income	178,609	185,246	-4%	92,435	86,174	7%
Employee costs	(50,669)	(51,929)	-2%	(25,393)	(25,276)	0%
Other administrative expenses	(30,711)	(32,392)	-5%	(16,307)	(14,404)	13%
Depreciation and amortisation	(10,980)	(12,424)	-12%	(5,350)	(5,630)	-5%
Total costs	(92,360)	(96,745)	-5%	(47,050)	(45,310)	4%
Result before impairments and provisions	86,249	88,501	-3%	45,385	40,864	11%
Impairments of available-for-sale financial assets	117	(2,030)	-	38	79	-52%
Credit impairments and provisions	(39,167)	(48,655)	-20%	(12,439)	(26,728)	-53%
Other impairments and provisions	(3,749)	(2,714)	38%	(3,411)	(338)	909%
Impairments and provisions	(42,799)	(53,399)	-20%	(15,812)	(26,987)	-41%
Profit before income tax	43,450	35,102	24%	29,573	13,877	113%
Income tax	(3,349)	735	-	(3,036)	(313)	870%
Profit for the period	40,101	35,837	12%	26,537	13,564	96%

The trend of stable and profitable operations in the NLB Group continues. In the first half year of 2015 it achieved **EUR 53.4 million in profit after tax**, which is a 57% (EUR 19.3 million) increase YoY. ROE stands at the level of 7.8% (H1 2014: 5.3%) in line with the CEE/SEE banking sector and on track to the NLB Group mid-term ambition of reaching an ROE of 10%. With its solo result of EUR 40.1 million, NLB d.d. continues to contribute a large proportion to the NLB Group result. All core group members ended the first half of 2015 with a substantially improved profit compared to last year. Non-core members operated at a loss. NLB d.d. is firmly continuing the wind-down strategy for all non-core members, including regular collection and entity divestment options.

The good business result is mainly due to higher net interest income (EUR 7.7 million), lower business costs (EUR -5.2 million) and reduced impairments and provisions (EUR -25 million). Results from financial operations still show volatility, chiefly caused by effects from divestment activities and unintended valuation results in 2015. The NLB Group result before impairments and provisions is at the same level as it was in the first half of 2014, whereas without taking the effects of non-recurring operations into consideration it improved by 25% (EUR 21.2 million) in comparison to the same period last year.

Net interest income in the first half of 2015 stood at EUR 170.0 million, representing an increase of 5% (EUR 7.7 million) YoY. Increased net revenues in banking subsidiaries exceed the decline in net revenues in NLB d.d. Interest margins improved to 3% (H1 2014: 2.7%) amid the very challenging low-interest macro environment and increasing competition in Slovenia. The lower interest income from loans and liquidity reserves could be offset by further reduced rates on deposits and active management of wholesale liabilities. The NLB Group is currently at a satisfactory level of interest margins which will be difficult to sustain if the macro environment does not improve. NLB d.d. will eventually benefit from a rise in short-term interest rates which is, however, not expected to materialise before 2017.

Net non-interest income at the level of EUR 73.6 million is mostly composed of very stable fee and commission business (EUR 68.9 million) and more volatile results from financial operations which have been negatively affected by the FX valuation results due to the sudden change in the CHF exchange rate in Q1 2015. Net fees and commissions are at the same level as last year.

Operating costs in the first half year of 2015 fell by 3% (EUR -5.3 million) YoY, of which depreciation and amortisation costs dropped by 11%, employee costs by 2% and other operating costs by 3%. The share of costs in net income was lower YoY and lower than planned, and without taking non-recurring operations into account, it was 5.8 percentage points lower YoY. The share of costs in net income (CIR) in NLB d.d. amounts to 51.7% and is already meeting its target of 55%. A further reduction of CIR in NLB d.d. is not expected due to planned investments in strategic capabilities (e.g. digitalisation, multichannel, CRM) and renewals of its branch layouts. At the NLB Group level, the efforts continue to lower the non-core cost base and focus on the performance improvement of specific entities (NLB Bank Belgrade, NLB Montenegrobanka).

Impairments and provisions in the first half of 2015 amounted to EUR 41 million, which is a fall of 38% (EUR -25 million) YoY, and impairments and provisions for credit risk were 39% (EUR -22 million) lower. A lower volume of impairments and provisions set aside for credit risk has been seen throughout 2015; in Q2 they fell by 25% (EUR -4.9 million) in comparison to Q1. However, the movement in impairments and provisions depends on individual clients' developments and it is not necessary that this trend will follow a linear basis throughout the year.

Figure 2: Net profit of the NLB Group – YoY reconciliation (in EUR million)

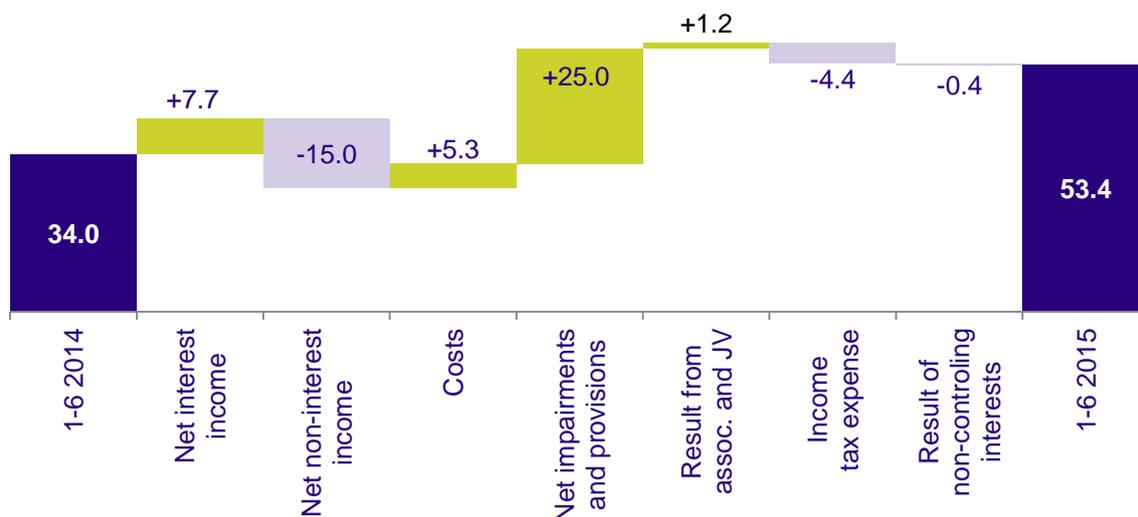


Figure 3: Net profit of the NLB Group – QoQ reconciliation (in EUR million)

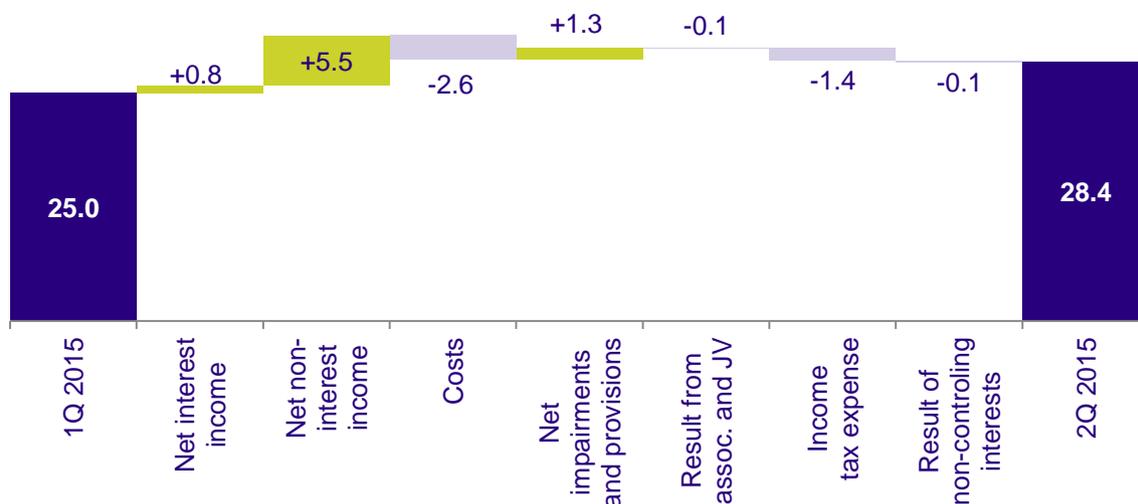
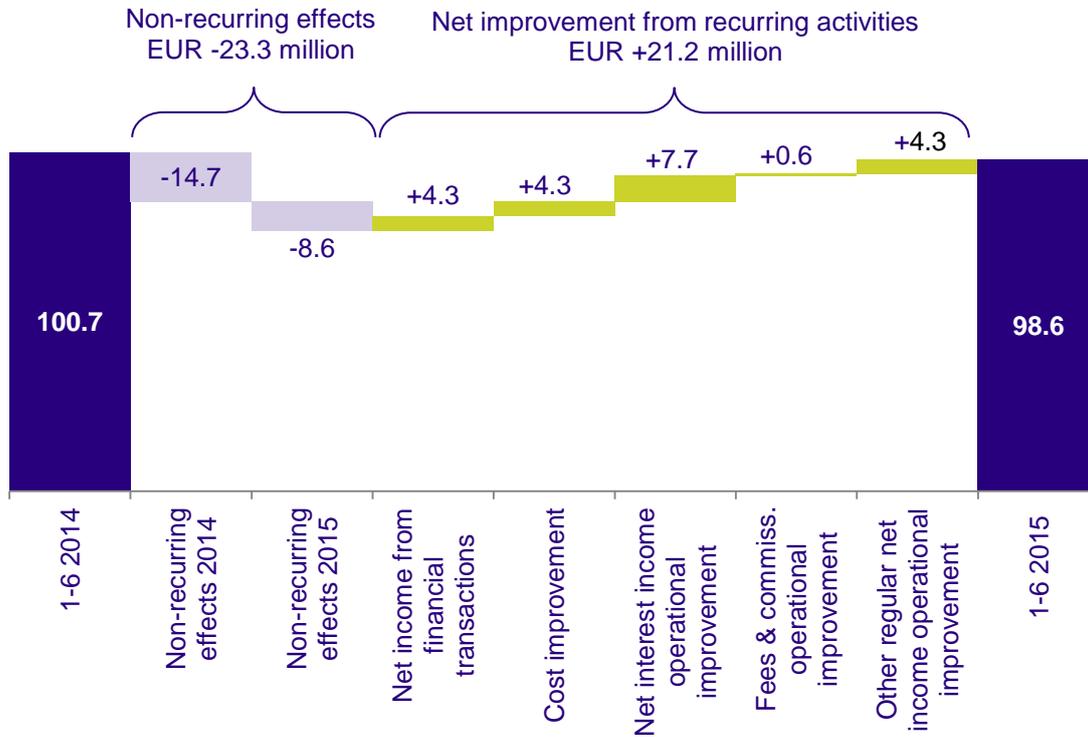


Figure 4: Profit before impairments and provisions of the NLB Group – YoY reconciliation (in EUR million)



The result before impairments and provisions is at a level comparable to the same period last year, with the combined effect of a substantially improved recurring result (by EUR 21.2 million; 25% YoY) and much lower contribution from financial transactions (mainly shown as non-recurring effects in 2015 and 2014). Non-recurring effects in 2014 were largely positive contributions from successful divestments of both equity and debt securities positions, whereas in 2015 they have mainly been a valuation loss on a CHF position and gains realised from the sale of debt securities.

The increase in recurring business is largely due to higher net interest income (EUR 7.7 million) based on margin improvements in the NLB banking subsidiaries and stable margins at NLB d.d. and positive effects of recurring cost improvement (EUR -4.3 million).

The interest income position will be difficult to maintain given the very challenging macro environment at both the level of the Slovenian economy and the ultra-low-interest environment. Efforts of the NLB Group are focused on offsetting interest income losses by improving margins at core subsidiaries, a strategy that started to show results in H1 2015. NLB d.d. has mostly reached the potential of recurring costs. Given the planned investments in NLB d.d., the costs can still be partially offset by a continued reduction in non-core members.

Statement of financial position

Table 4: Key financial position items

	NLB Group			NLB d.d.		
	30.6.2015	31.12.2014	Change	30.6.2015	31.12.2014	Change
in EUR thousand						
Cash, cash balances at central banks and other demand deposits at banks	1,091,376	1,127,527	-3%	406,915	434,438	-6%
Loans to banks	247,527	271,340	-9%	183,831	159,300	15%
Loans to non-banking sector	7,368,691	7,415,117	-1%	5,538,265	5,699,825	-3%
Gross loans	8,969,582	9,053,421	-1%	6,396,774	6,698,207	-5%
- corporate	4,804,455	4,942,111	-3%	3,416,216	3,727,126	-8%
- individuals	3,013,981	2,957,961	2%	1,957,649	1,958,806	0%
- government	519,538	534,231	-3%	391,301	393,157	0%
- BAMC bonds	631,608	619,118	2%	631,608	619,118	2%
Impairments	(1,600,891)	(1,638,304)	-2%	(858,509)	(998,382)	-14%
Financial assets	2,316,127	2,529,328	-8%	1,840,005	2,037,906	-10%
- Held for trading	184,841	138,218	34%	185,338	138,808	34%
- Available-for-sale, held to maturity and designated at fair value through PL	2,131,286	2,391,110	-11%	1,654,667	1,899,098	-13%
Investments in subsidiaries, associates and JV	38,212	37,525	2%	381,042	352,712	8%
Property and equipment, investment property and intangible assets	290,688	299,398	-3%	123,865	132,531	-7%
Other assets	226,081	229,254	-1%	74,306	69,015	8%
TOTAL ASSETS	11,578,702	11,909,489	-3%	8,548,229	8,885,727	-4%
Deposits from banks and central banks	69,146	62,334	11%	95,848	91,115	5%
Deposits from non-banking sector	8,709,805	8,948,533	-3%	6,059,797	6,299,626	-4%
- corporate	1,976,513	2,031,275	-3%	1,262,356	1,312,236	-4%
- individuals	6,350,208	6,336,946	0%	4,525,438	4,515,767	0%
- government	383,084	580,312	-34%	272,003	471,623	-42%
Debt securities in issue	320,081	359,853	-11%	320,081	359,853	-11%
Borrowings	751,699	851,382	-12%	597,369	677,089	-12%
Other liabilities	294,531	300,764	-2%	244,111	253,124	-4%
Subordinated liabilities	27,355	17,328	58%	-	-	-
Equity	1,379,383	1,343,061	3%	1,231,023	1,204,920	2%
Non-controlling interests	26,702	26,234	2%	-	-	-
TOTAL LIABILITIES AND EQUITY	11,578,702	11,909,489	-3%	8,548,229	8,885,727	-4%

The NLB Group's **total assets** amounted to EUR 11,578.7 million at the end of June 2015, down by 3% (EUR -330.8 million) compared to the end of the previous year. This drop in total assets was mostly caused by a decrease of investments in debt securities by 8% (EUR -240.5 million) and, on the liability side, deposits from the non-banking sector fell by 3% (EUR -238.7 million).

The volume of **gross loans** to the non-banking sector amounted to EUR 8,969.6 million, 1% (EUR -83.8 million) lower than at the end of the previous year. Gross loans to the corporate segment and government dropped, whereas gross loans to individuals increased by 2% (EUR 56 million).

In the first six months of 2015 NLB d.d. approved EUR 274.9 million for new loans to the corporate segment for financing working capital (66%) and investments in fixed assets (30%), of which EUR 180.9 million was long-term loans. New loans to individuals amounted to EUR 220.9 million, 58% of which are consumer loans and 42% of which are housing loans.

Deposits from the non-banking sector represent 75% of total **funding** for the NLB Group. In comparison to the end of 2014, they dropped by 3% (EUR -238.7 million), of which deposits from the

government fell by 34% (EUR -197.2 million) and deposits from the corporate segment by 3% (EUR -54.8 million), whereas deposits from individuals remain on the level of last year. Liabilities from debt securities in issue dropped by 11% (EUR -39.8 million) and borrowings by 12% (EUR -99.7 million), which include an early repayment in the amount of EUR 38.4 million due to the good liquidity position of NLB d.d. The net loan to deposit ratio (LTD) for the non-banking sector stood at 77%. At the end of June 2015, the unencumbered liquidity reserves of the NLB Group stood at EUR 4,840.8 million, down 6% (EUR -318.7 million) on the end of the previous year.

The capital adequacy of the NLB Group was 15.9% and fell by 1.7 p.p. in 2015.

The drop is almost exclusively a consequence of an increase in risk-weighted assets deriving from regulatory changes in the applied weighting of SEE central governments' exposure (from 0% to 100%).

Figure 5: Total assets of the NLB Group – YtD reconciliation (in EUR million)

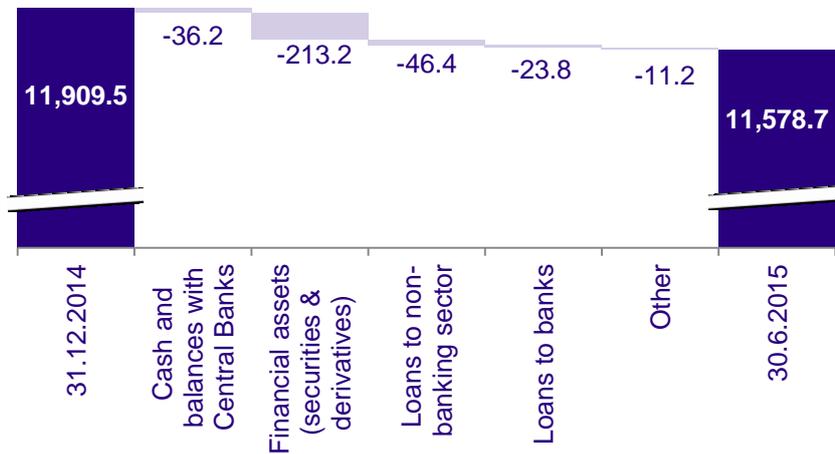
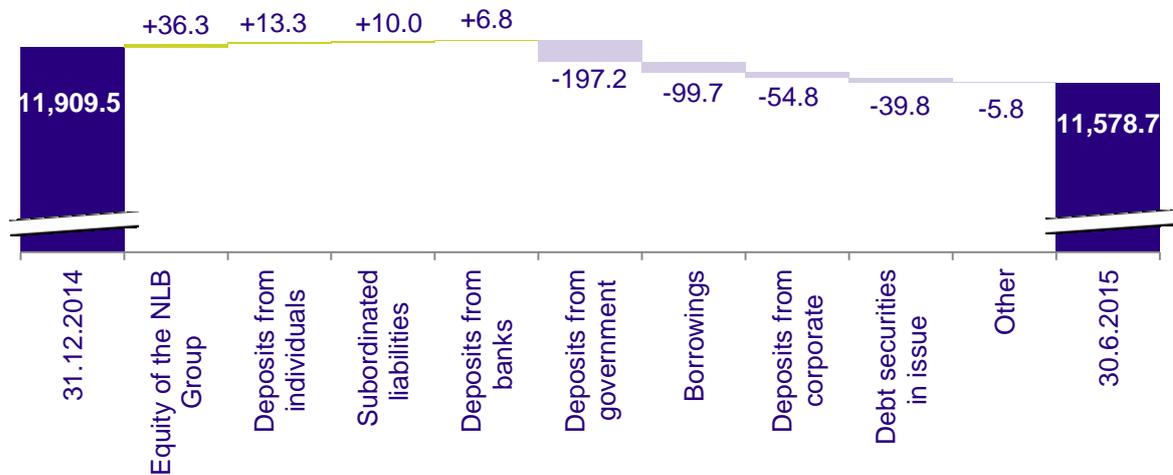


Figure 6: Total liabilities and equity of the NLB Group – YtD reconciliation (in EUR million)

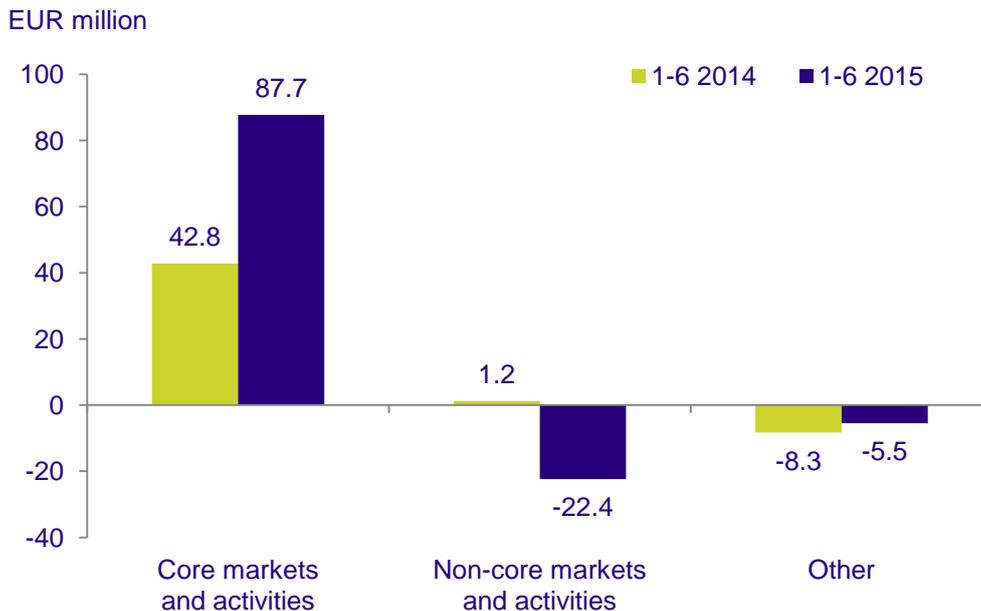


Core and non-core business of the NLB Group

The core markets and activities of the NLB Group generated a profit before tax of EUR 87.7 million. Profit rose by EUR 44.9 million over the same period last year owing to higher net interest income (EUR 4.3 million), reduced costs (EUR -5.0 million) and lower impairments and provisions (EUR -35.0 million). The attributed profit of associates and joint ventures was EUR 2.2 million in the period. The recurring part of the result, excluding one-off effects from financial operations, was EUR 79.7 million, substantially higher than for the same period last year (EUR 48.9 million), representing an improvement of 158%.

Non-core markets and activities incurred a loss of EUR 22.4 million, of which a relatively large part is due to negative effects of exchange rate movements and additional impairments and provisions (EUR 11.1 million). Last year, results in the same period were helped by substantial extraordinary gains from the successful divestment of equity instruments (EUR 6.2 million). Operating costs were EUR 1.9 million (-11.7%) lower YoY.

Figure 7: Performance of core and non-core business (result before tax, in EUR million)



Risk management

As a systemically important bank, the NLB is included in the Single Supervisory Mechanism (SSM) performed by the ECB in co-operation with the national regulator. Pursuant to its business strategy, risk appetite and risk strategy, in its conduct of business the NLB Group aims to assume moderate risk within a long-term sustainable target risk profile. The fundamental principle followed by the NLB Group is not to assume high risk in the pursuit of its business goals. Risk management is recognised as an independent function in NLB d.d. and decisions concerning risk management are based on comprehensive assessments of various risk factors.

Changes in processes and procedures in the first half of 2015:

- A remodelling of the credit process for private individuals was initiated.
- The corporate credit process continues to be upgraded and fine-tuned, a Credit Administration unit has been established and will go live gradually.
- After having a key focus on major restructuring cases in 2014, the Bank has put a clear focus on SME restructuring cases in 2015, in the first half of 2015 the amount (exposure of NLB d.d.) of EUR 185 million was concluded.
- The Bank has prepared a comprehensive recovery plan in accordance with the Bank Recovery and Resolution Directive and its subsequent technical standards and guidelines. The plan was then submitted to the Bank of Slovenia and the ECB.
- The Bank formalised and upgraded its NPL reduction strategy, and submitted the resulting document to the key stakeholders.

Credit risk

Credit risk remains the most important risk assumed by the NLB Group. While continuously improving its credit processes, NLB d.d. is at the same time taking an active role in the restructuring of existing exposures, and is actively managing and reducing non-performing loans. The NPL reduction strategy was formalised and upgraded, covering both the strategic and non-strategic parts of the NLB Group. Internal methodologies concerning the non-performing and restructured exposures were revised and a new concept of the NLB Group's real-estate management was introduced, aiming to further improve the effectiveness of the NPL reduction. NLB d.d. plays a leading role in the Slovenian banking system concerning the restructuring of clients. The effects of action taken with regard to the restructuring of claims had not yet shown the full effect at the end of the first six months of 2015 because recovery takes at least one year, in accordance with the EBA guidelines. Positive effects will start to show in the second half of the year and in 2016. The NPL reduction strategy is particularly concerned with debt collection, active real-estate management (taking over the collateral received, actively marketing seized assets), selling claims and write-offs of irrecoverable debt.

The development of models and methodologies for performing clients continued, with a focus on private individuals and small and micro clients.

Other risks

The liquidity position of the Bank – and the NLB Group – was stable, and surplus liquidity was reported. Retail and corporate deposits were stable in the first half of the year. Low interest rates caused the transformation of time deposits into sight deposits, and a portion of savings was transferred to other long-term investment products offered by the NLB Group. The NLB Group's portfolio of liquidity reserves consisting primarily of prime-rate (ECB-eligible) government securities amounted to EUR 5.1 billion at the end of the first six months, of which EUR 4.8 billion was unencumbered. A sound liquidity position has been reflected in the high level of meeting the LCR indicator (389%; a minimum of 60% required in 2015 with gradual increases to the limit of 100%). The Group has been paying attention to providing appropriate structural liquidity by maintaining long-term stability of the share of retail deposits and the appropriate diversification of other sources of funds. In an effort to harmonise the NLB Group, all borrowings by NLB Group members on financial markets are

coordinated by NLB d.d. During the first half of this year, NLB Group members chiefly borrowed from multilateral financial institutions on financial markets where they raised EUR 10 million.

The Group has been performing several scenarios of stress and extraordinary situations considering specific and systemic crises in the wider economic environment, which show sufficient or surplus liquidity in such circumstances as well.

In the NLB Group, contemporary methods and instruments are applied to monitor market risks, where the exposure and a proactive management approach have been introduced. In addition, relatively detailed control activities are being implemented. Regarding non-banking members of the NLB Group, some exposures have arisen from structural imbalances and consequently result from credit risk. The NLB Group has been following the principle of economically closed positions and the resulting minimisation of their effect on the operations of individual members and the NLB Group as such.

Great emphasis is also put on the management of operational risks, which is constantly upgraded in terms of monitoring quality. Loss events are regularly monitored and analysed by the NLB Group. A considerable loss event was reported in early 2015 related to an unintended economically open currency position, and NLB d.d. took additional measures to avoid any similar kind of events in the future. In general, much attention has been paid to reporting potential loss events and operational risks are being promptly identified in all segments. A zero-tolerance policy has been adopted at NLB d.d. for internal crime, forwarding information to non-authorised persons and other intentional or grossly negligent misconduct. Particular attention has been paid to preventing loss events in lending, risks related to divestment activities, cybercrime and outsourcing.

The NLB Group performs activities related to amendments to the Banking Law. In the first half of 2015, the key changes in risk management concern the position of the Risk Management function, the treatment of capital buffers, the preparation of a recovery plan, the introduction of the Internal Liquidity Adequacy Assessment Processes (ILAAP) and the monitoring of recoverability in the credit risk segment.

Investment portfolio

The Slovenian economy grew faster than the euro zone in the first half of 2015, mostly on account of export manufacturing. Business-to-business transactions improved, although investments and end consumption remained weak. While the macroeconomic situation has been improving, companies have been deleveraging whereas households have been geared towards saving, primarily by way of bank deposits. Other countries where the NLB Group's members operate have shown signs of revival in lending to the non-financial sector and other short-term macroeconomic indicators; however, high unemployment rates and the related weak domestic consumption have acted as a brake on prominent economic growth.

Loans to non-banks by the NLB Group remained relatively stable in the first half of the year; lending was reduced by 1.08% compared to the end of 2014. The quality of the NLB Group's loan portfolio has been gradually improving in spite of the stricter standards introduced for new loan approvals.

Non-performing loans fell by the end of June 2015; however, the effect of the reduction in terms of share has been limited owing to the concurrent trend of reduced overall loans that primarily relates to deleveraging by Slovenian companies and the lower demand for new credit. The highest shares of non-performing loans were recorded in the trade, manufacturing and construction sectors, while households still represent a low-risk segment of clients. The share of non-performing loans was 20.9% for NLB d.d. and 24.6% for the NLB Group, respectively. In terms of net NPL, the respective share for NLB d.d. was 10.4% and for the NLB Group it was 11.2%.

The NLB Group has paid great attention to activities aimed at a further reduction of NPL, which is reflected, among other things, in the rising share of restructured loans in all non-performing loans, 65.3% for NLB d.d. and 56.5% for the NLB Group. The share of restructured loans in total loans was 16.46% for NLB d.d. and 16.24% for the NLB Group, respectively. In accordance with the EBA guidelines, the first noticeable effects of the restructuring operations undertaken in 2014 will not be shown as a reduction in NPL before the second half of the year, with a considerable portion not becoming visible before 2016.

Table 7: An overview of the risk portfolio, impairments and provisions

	NLB Group		NLB d.d.	
	30.6.2015	31.12.2014	30.6.2015	31.12.2014
Risk portfolio	12,949.7	13,272.1	9,195.9	9,735.9
Impairments and provisions for risk portfolio	1,881.1	1,941.1	1,021.0	1,191.0
Risk portfolio coverage ratio	14.5%	14.6%	11.1%	12.2%
Credit portfolio	10,271.7	10,432.6	6,925.8	7,247.9
Impairments for credit portfolio	1,751.2	1,801.8	923.9	1,081.8
Credit portfolio coverage ratio	17.0%	17.3%	13.3%	14.9%
Non-performing loans (NPL)	2,523.1	2,623.4	1,449.8	1,535.7
Non-performing loans / total loans	24.6%	25.1%	20.9%	21.2%
Ratio of coverage of NPL by impairments to all loans	69.4%	68.7%	63.7%	70.4%
Net non-performing loans / net total loans*	11.2%	11.7%	10.4%	10.7%

* NPL reduced by impairments for NPL

Note: Non-performing loans from the Prvi faktor Group are included as the NLB Group includes them according to prudential consolidation and are not included in the total assets of the NLB Group according to IFRS.

Restructuring

After several major restructurings of the largest companies in Slovenia were completed in 2014, in 2015 the restructuring efforts shifted focus to SME restructurings. NLB d.d. intensified its restructuring activities and in the first half of 2015 completed 51 restructuring cases in a total value of EUR 185 million.

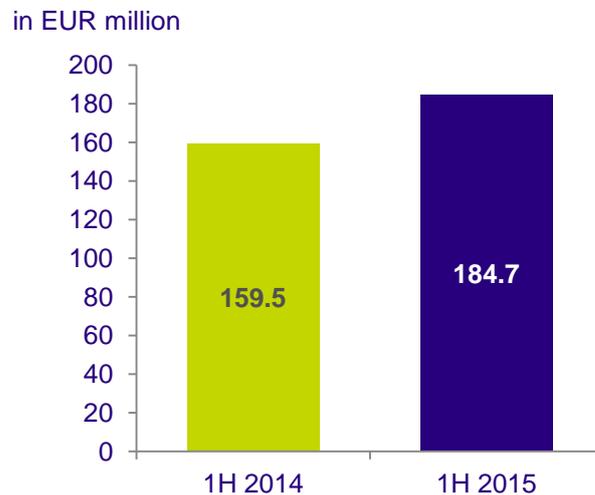
With the changed economic environment and experience gained from the past a revised Methodology for Restructuring Corporate Clients was adopted in the first quarter of 2015. Further, a specialised restructuring toolset is being developed for distressed SME clients.

Over the past half year we prepared the framework for restructuring private individuals on whose basis the Retail Restructuring Methodology was adopted in July 2015 and which should enable NLB d.d. to even more pro-actively approach the restructuring of private individuals.

Table 8: Overview of cases concluded in the first half of 2015 in NLB d.d.

Type of Agreement	No. of Closed Agreements	Total NLB d.d. Exposure per Type of Agreement – in EUR million
Master Restructuring Agreements	33	109
Bilateral Restructuring Agreements	18	75

Figure 8: The value of all restructurings in the NLB d.d. completed in the first half of 2014 and the first half of 2015 (in EUR million)



Forecast

The Slovenian economy grew in the first half of the year, but the growth is expected to moderate in the second half of 2015. Current data show positive trends in other key economic indicators as well. Other measures aimed at eliminating structural deficiencies in the Slovenian economy will be needed beside an improved macroeconomic environment to ensure long-term healthy growth in lending.

Nevertheless, the Slovenian banking industry has recorded a number of positive trends. External debt has been reduced following a debt repayment to the ECB and the increased confidence in the banking system has caused higher deposits in spite of the low interest rates. Corporate lending has been on the rise although the excessive indebtedness of Slovenian companies is still causing problems. In retail loans, housing loans have been rising while other segments have still been under the influence of the weak domestic consumption.

The NLB Group will continue to pay substantial attention to credit risk management, which represents the key risk in the NLB Group. Measures to improve the loan portfolio's quality will focus on the restructuring and intensive care of companies with difficulties and on efficient collection in the segment of non-performing and non-strategic loans, with another focus on prudent execution of the lending process and an appropriate risk management culture.

Corporate governance of NLB d.d.

Management Board

The Management Board of NLB d.d. (hereinafter: the Management Board) leads, represents and acts on behalf of the Bank, independently and at its own discretion, as provided by the law and the Statute of NLB d.d. (hereinafter: the Statute). In accordance with the Statute, the Supervisory Board may appoint and recall three to six members (a chairman and up to five members) to the Management Board. The chairman and members of the Management Board are appointed for five years and may be reappointed or recalled early in accordance with the law and the Statute.

The Management Board is composed of the Chairman Janko Medja (since 2.10.2012) and Management Board members Blaž Brodnjak (since 1.12.2012), Archibald Kremser (since 31.7.2013) and Andreas Burkhardt (since 18.9.2013).

Supervisory Board

The Supervisory Board of NLB d.d. (hereinafter the Supervisory Board) monitors and supervises the management and operations of the Bank. It performs its tasks in accordance with the provisions of the laws governing the operations of banks and companies and the Statute. According to the Statute, the Supervisory Board is made up of seven members, who are appointed and recalled by the Shareholders Assembly of NLB d.d. (hereinafter the Assembly) among persons nominated by shareholders or the Supervisory Board.

At the Shareholders Assembly meeting held on 11.6.2013 the following members were appointed to the Supervisory Board: dr. France Arhar, Tit A. Erker, Uroš Ivanc, Goran Katušin, Miha Košak, Gorazd Podbevšek and dr. Sergeja Slapničar. The Supervisory Board was appointed for the period since their appointment by the end of the annual Assembly deciding on appropriation of the distributable profit for the fourth year since their appointment, whereby the first year is the year they were appointed to the Supervisory Board.

France Arhar, chairman of the Supervisory Board, handed in his resignation on 11.4.2014. Gorazd Podbevšek took over the chairmanship. At the 24th General Shareholders' Meeting of NLB d.d. held on 3.11.2014 Peter Groznik was appointed for a four-year term of office.

On 12.12.2014 the Supervisory Board accepted Goran Katušin's notice of resignation and at its 25th regular meeting of Shareholders Assembly held on 22.6.2015 Andreas Kligen was appointed as a new member.

The Supervisory Board is now represented by: Gorazd Podbevšek (Chairman of the Supervisory Board), Miha Košak (Deputy Chairman of the Supervisory Board), Sergeja Slapničar, Tit A. Erker, Uroš Ivanc, Peter Groznik and Andreas Kligen.

Shareholders' Assembly

At the 25th regular Shareholders' Assembly, which was held on 22.6.2015, the rights of the Republic of Slovenia as the Bank's only shareholder were represented by the Slovenian Sovereign Holding (SDH). The Assembly took note of the 2014 Annual Report and, in accordance with the Commitments given by the Republic of Slovenia to the European Commission, confirmed that the distributable profit in the amount of EUR 81.5 million remains unallocated. The Assembly also granted a discharge to the Management Board and Supervisory Board for the 2014 business year.

In accordance with the provisions of the new Banking Act (ZBan-2), the Assembly for the first time appointed the auditor of the NLB for a period of three years; 2015, 2016 and 2017, the auditor being Ernst & Young, d.o.o. It approved changes to the Statute that mainly result from the ZBan-2 and determined session fees for members of the Supervisory Board and its Committees. The Assembly also appointed a new member of the Supervisory Board, Andreas Kligen.

Financial statements

Unaudited Condensed Interim Financial Statements of NLB d.d. and the NLB Group as at 30.6.2015

prepared in accordance with IAS 34 "Interim financial reporting"

Table of Contents

Condensed income statement	28
Condensed income statement – by quarter for NLB d.d.	29
Condensed income statement – by quarter for the NLB Group	30
Condensed statement of comprehensive income	31
Condensed statement of comprehensive income – by quarter for NLB d.d.	32
Condensed statement of comprehensive income – by quarter for the NLB Group	33
Condensed statement of financial position	34
Condensed statement of changes in equity	35
Condensed statement of cash flows	36
Statement of management's responsibility	37
Notes to the condensed financial statements	38
1. General information	38
2. Summary of significant accounting policies	38
2.1. Statement of compliance	38
2.2. Accounting policies	38
3. Changes in subsidiary holdings	40
4. Notes to the condensed income statement	41
4.1. Interest income and expenses	41
4.2. Net fee and commission income	41
4.3. Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	42
4.4. Gains less losses from financial assets and liabilities held for trading	42
4.5. Other operating income	42
4.6. Other operating expenses	43
4.7. Administrative expenses	43
4.8. Provisions for other liabilities and charges	43
4.9. Impairment charge	44
4.10. Income tax	44
5. Notes to the condensed statement of financial position	45
5.1. Cash, cash balances at central banks and other demand deposits at banks	45
5.2. Trading assets	45
5.3. Available-for-sale financial assets	45
5.4. Loans and advances	46
5.4.1. Debt securities	46
5.4.2. Loans and advances to banks	46
5.4.3. Loans and advances to customers	46
5.4.4. Other financial assets	47
5.4.5. Movements in allowance for the impairment of banks, loans and advances to customers and other financial assets	47
5.5. Held-to-maturity financial assets	47
5.6. Other assets	48
5.7. Deferred tax	48
5.8. Financial liabilities measured at amortised cost	49
5.8.1. Debt securities in issue	49
5.8.2. Subordinated liabilities	49
5.8.3. Other financial liabilities	49
5.9. Provisions	50
5.10. Income tax relating to components of other comprehensive income	50
5.11. Other liabilities	51
5.12. Book value per share	51
5.13. Capital adequacy ratio	51
5.14. Off-balance sheet liabilities	52
5.15. Fair value hierarchy of financial and non-financial assets and liabilities	52
5.16. Offsetting financial assets and financial liabilities	60
6. Events after the end of the reporting period	61
7. Other disclosures	62
7.1. Related-party transactions	62
7.2. Analysis by segment	67
7.3. Subsidiaries	69

Condensed income statement

	in EUR thousand						
	NLB d.d.			NLB Group			
	Notes	June 2015	June 2014	% change	June 2015	June 2014	% change
Interest and similar income	4.1.	142,656	170,564	-16%	227,816	252,209	-10%
Interest and similar expenses	4.1.	(35,034)	(56,237)	-38%	(57,785)	(89,926)	-36%
Net interest income		107,622	114,327	-6%	170,031	162,283	5%
Dividend income		14,921	6,333	136%	1,272	1,660	-23%
Fee and commission income	4.2.	63,802	64,306	-1%	95,786	93,820	2%
Fee and commission expenses	4.2.	(14,814)	(14,375)	3%	(26,812)	(25,464)	5%
Net fee and commission income		48,988	49,931	-2%	68,974	68,356	1%
Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	4.3.	9,603	20,749	-54%	9,583	20,816	-54%
Gains less losses from financial assets and liabilities held for trading	4.4.	(28,799)	(5,045)	471%	(25,788)	(2,147)	-
Gains less losses from financial assets and liabilities designated at fair value through profit or loss		-	-	-	30	29	3%
Fair value adjustments in hedge accounting		379	(980)	-	379	(980)	-
Foreign exchange translation gains less losses		25,564	(109)	-	14,792	581	-
Gains less losses on derecognition of assets other than held for sale		(8)	(84)	-90%	(60)	(1,329)	-95%
Other operating income	4.5.	6,938	10,382	-33%	12,903	13,626	-5%
Other operating expenses	4.6.	(6,598)	(8,767)	-25%	(8,515)	(10,574)	-19%
Administrative expenses	4.7.	(81,380)	(84,321)	-3%	(128,812)	(131,986)	-2%
Depreciation and amortisation		(10,980)	(12,424)	-12%	(16,166)	(18,248)	-11%
Provisions for other liabilities and charges	4.8.	2,112	(22,361)	-	1,765	(20,716)	-
Impairment charge	4.9.	(44,911)	(31,038)	45%	(42,782)	(45,256)	-5%
Share of profits of associates and joint ventures accounted for using the equity method		-	-	-	2,249	1,016	121%
Net (loss)/gain from non-current assets held for sale		(1)	(1,491)	-100%	1	(1,426)	-
PROFIT BEFORE INCOME TAX		43,450	35,102	24%	59,856	35,705	68%
Income tax	4.10.	(3,349)	735	-	(4,739)	(344)	-
PROFIT FOR THE PERIOD		40,101	35,837	12%	55,117	35,361	56%
Attributable to owners of the parent		40,101	35,837	12%	53,362	34,014	57%
Attributable to non-controlling interests		-	-	-	1,755	1,347	30%
Earnings per share (in EUR per share)		2.01	1.79	12%	2.67	1.70	57%

Condensed income statement – by quarter for NLB d.d.

in EUR thousand

	NLB d.d.					
	three months ended			three months ended		
	June 2015	March 2015	Change	June 2014	March 2014	Change
Interest and similar income	68,844	73,812	-7%	84,233	86,331	-2%
Interest and similar expenses	(16,062)	(18,972)	-15%	(26,464)	(29,773)	-11%
Net interest income	52,782	54,840	-4%	57,769	56,558	2%
Dividend income	13,505	1,416	854%	5,975	358	-
Fee and commission income	33,104	30,698	8%	33,238	31,068	7%
Fee and commission expenses	(7,991)	(6,823)	17%	(7,925)	(6,450)	23%
Net fee and commission income	25,113	23,875	5%	25,313	24,618	3%
Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	52	9,551	-99%	9,975	10,774	-7%
Gains less losses from financial assets and liabilities held for trading	674	(29,473)	-	(2,771)	(2,274)	22%
Fair value adjustments in hedge accounting	(46)	425	-	(1,029)	49	-
Foreign exchange translation gains less losses	(884)	26,448	-	29	(138)	-
Gains less losses on derecognition of assets other than held for sale	(79)	71	-	(95)	11	-
Other operating income	3,170	3,768	-16%	4,040	6,342	-36%
Other operating expenses	(1,852)	(4,746)	-61%	(4,315)	(4,452)	-3%
Administrative expenses	(41,700)	(39,680)	5%	(43,028)	(41,293)	4%
Depreciation and amortisation	(5,350)	(5,630)	-5%	(6,155)	(6,269)	-2%
Provisions for liabilities and charges	(2,680)	4,792	-	(12,780)	(9,581)	33%
Impairment charge	(13,132)	(31,779)	-59%	(19,213)	(11,825)	62%
Net (loss)/gain from non-current assets held for sale	-	(1)	-	(1,536)	45	-
PROFIT BEFORE INCOME TAX	29,573	13,877	113%	12,179	22,923	-47%
Income tax	(3,036)	(313)	870%	102	633	-84%
PROFIT FOR THE PERIOD	26,537	13,564	96%	12,281	23,556	-48%

Condensed income statement – by quarter for the NLB Group

in EUR thousand

	NLB Group					
	three months ended			three months ended		
	June 2015	March 2015	Change	June 2014	March 2014	Change
Interest and similar income	112,356	115,460	-3%	124,609	127,600	-2%
Interest and similar expenses	(26,931)	(30,854)	-13%	(43,029)	(46,897)	-8%
Net interest income	85,425	84,606	1%	81,580	80,703	1%
Dividend income	1,266	6	-	1,642	18	-
Fee and commission income	49,444	46,342	7%	48,548	45,272	7%
Fee and commission expenses	(14,169)	(12,643)	12%	(13,586)	(11,878)	14%
Net fee and commission income	35,275	33,699	5%	34,962	33,394	5%
Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	67	9,516	-99%	10,002	10,814	-8%
Gains less losses from financial assets and liabilities held for trading	2,153	(27,941)	-	(1,236)	(911)	36%
Gains less losses from financial assets and liabilities designated at fair value through profit or loss	(46)	76	-	12	17	-29%
Fair value adjustments in hedge accounting	(46)	425	-	(1,029)	49	-
Foreign exchange translation gains less losses	(1,932)	16,724	-	343	238	44%
Gains less losses on derecognition of assets other than held for sale	(47)	(13)	262%	(960)	(369)	160%
Other operating income	5,993	6,910	-13%	6,752	6,874	-2%
Other operating expenses	(3,170)	(5,345)	-41%	(5,537)	(5,037)	10%
Administrative expenses	(65,903)	(62,909)	5%	(68,232)	(63,754)	7%
Depreciation and amortisation	(7,901)	(8,265)	-4%	(9,034)	(9,214)	-2%
Provisions for liabilities and charges	(3,184)	4,949	-	(14,209)	(6,507)	118%
Impairment charge	(16,677)	(26,105)	-36%	(28,117)	(17,139)	64%
Share of profits/(losses) of associates and joint ventures accounted for using the equity method	1,098	1,151	-5%	1,093	(77)	-
Net gain/(loss) from non-current assets held for sale	3	(2)	-	(1,475)	49	-
PROFIT BEFORE INCOME TAX	32,374	27,482	18%	6,557	29,148	-78%
Income tax	(3,050)	(1,689)	81%	(495)	151	-
PROFIT FOR THE PERIOD	29,324	25,793	14%	6,062	29,299	-79%
Attributable to owners of the parent	28,377	24,985	14%	5,447	28,567	-81%
Attributable to non-controlling interests	947	808	17%	615	732	-16%

Condensed statement of comprehensive income

	in EUR thousand			
	NLB d.d.		NLB Group	
	six months ended		six months ended	
Note	June 2015	June 2014	June 2015	June 2014
Net profit for the period after tax	40,101	35,837	55,117	35,361
Other comprehensive income after tax	(13,998)	35,158	(17,272)	37,553
<i>Items that will not be reclassified to income statement</i>				
Actuarial losses on defined benefit pension plans	-	-	(78)	-
<i>Items that may be reclassified subsequently to income statement</i>				
Foreign currency translation	-	-	(1,479)	(982)
Translation losses taken to equity	-	-	(1,479)	(982)
Cash flow hedges (effective portion)	457	(410)	457	(410)
Valuation gains/(losses) taken to equity	162	(774)	162	(774)
Transferred to income statement	295	364	295	364
Available-for-sale financial assets	(17,321)	42,767	(17,556)	42,294
Valuation (losses)/gains taken to equity	(7,654)	61,486	(7,908)	60,963
Transferred to income statement	(9,667)	(18,719)	(9,648)	(18,669)
Share of other comprehensive (loss)/income of entities accounted for using the equity method	-	-	(1,905)	4,530
Income tax relating to components of other comprehensive income/(loss)	5.10. 2,866	(7,199)	3,289	(7,879)
Total comprehensive income for the period after tax	26,103	70,995	37,845	72,914
Attributable to owners of the parent	26,103	70,995	36,078	71,485
Attributable to non-controlling interests	-	-	1,767	1,429

Condensed statement of comprehensive income – by quarter for NLB d.d.

in EUR thousand

	NLB d.d.			
	three months ended		three months ended	
	June 2015	March 2015	June 2014	March 2014
Net profit for the period after tax	26,537	13,564	12,281	23,556
Other comprehensive (loss)/income after tax	(19,529)	5,531	9,699	25,459
<i>Items that may be reclassified subsequently to income statement</i>				
Cash flow hedges (effective portion)	482	(25)	(207)	(203)
Valuation gains/(losses) taken to equity	333	(171)	(378)	(396)
Transferred to income statement	149	146	171	193
Available-for-sale financial assets	(24,013)	6,692	11,891	30,876
Valuation (losses)/gains taken to equity	(23,978)	16,324	21,866	39,620
Transferred to income statement	(35)	(9,632)	(9,975)	(8,744)
Income tax relating to components of other comprehensive loss/(income)	4,002	(1,136)	(1,985)	(5,214)
Total comprehensive income for the period after tax	7,008	19,095	21,980	49,015

Condensed statement of comprehensive income – by quarter for the NLB Group

in EUR thousand

	NLB Group			
	three months ended		three months ended	
	June 2015	March 2015	June 2014	March 2014
Net profit for the period after tax	29,324	25,793	6,062	29,299
Other comprehensive (loss)/income after tax	(24,749)	7,477	11,257	26,296
<i>Items that will not be reclassified to income statement</i>				
Actuarial losses on defined benefit pension plans	-	(78)	-	-
<i>Items that may be reclassified subsequently to income statement</i>				
Foreign currency translation	177	(1,656)	153	(1,135)
Translation gains/(losses) taken to equity	177	(1,656)	153	(1,135)
Cash flow hedges (effective portion)	482	(25)	(207)	(203)
Valuation gains/(losses) taken to equity	333	(171)	(378)	(396)
Transferred to income statement	149	146	171	193
Available-for-sale financial assets	(24,478)	6,922	11,153	31,141
Valuation (losses)/gains taken to equity	(24,427)	16,519	21,078	39,885
Transferred to income statement	(51)	(9,597)	(9,925)	(8,744)
Share of other comprehensive (loss)/income of entities accounted for using the equity method	(6,001)	4,096	2,462	2,068
Income tax relating to components of other comprehensive loss/(income)	5,071	(1,782)	(2,304)	(5,575)
Total comprehensive income for the period after tax	4,575	33,270	17,319	55,595
Attributable to owners of the parent	3,631	32,447	16,663	54,822
Attributable to non-controlling interests	944	823	656	773

Condensed statement of financial position

in EUR thousand

	Notes	NLB d.d.			NLB Group		
		30.6.2015	31.12.2014	Change	30.6.2015	31.12.2014	Change
Cash, cash balances at central banks and other demand deposits at banks	5.1.	406,915	434,438	-6%	1,091,376	1,127,527	-3%
Trading assets	5.2.	185,338	138,808	34%	184,841	138,218	34%
Financial assets designated at fair value through profit or loss		5,323	4,702	13%	7,360	6,510	13%
Available-for-sale financial assets	5.3.	1,071,407	1,182,748	-9%	1,545,989	1,672,952	-8%
Derivatives - hedge accounting		2,093	2,966	-29%	2,093	2,966	-29%
Loans and advances							
- debt securities	5.4.1.	714,813	706,785	1%	714,813	706,785	1%
- loans and advances to banks	5.4.2.	183,831	159,300	15%	247,527	271,340	-9%
- loans and advances to customers	5.4.3.	4,823,452	4,993,040	-3%	6,653,878	6,708,332	-1%
- other financial assets	5.4.4.	50,085	47,836	5%	64,908	71,769	-10%
Held-to-maturity investments	5.5.	577,937	711,648	-19%	577,937	711,648	-19%
Fair value changes of the hedged items in portfolio hedge of interest rate risk		744	912	-18%	744	912	-18%
Non-current assets classified as held for sale		2,388	2,580	-7%	5,380	5,643	-5%
Property and equipment		90,784	97,330	-7%	208,712	215,175	-3%
Investment property		4,750	1,458	226%	44,767	41,472	8%
Intangible assets		28,331	33,743	-16%	37,209	42,751	-13%
Investments in subsidiaries		373,915	345,585	8%	-	-	-
Investments in associates and joint ventures		7,127	7,127	0%	38,212	37,525	2%
Current income tax assets		-	-	-	1,755	1,898	-8%
Deferred income tax assets	5.7.	9,991	6,738	48%	10,546	5,947	77%
Other assets	5.6.	9,005	7,983	13%	140,655	140,119	0%
TOTAL ASSETS		8,548,229	8,885,727	-4%	11,578,702	11,909,489	-3%
=====							
Trading liabilities		34,803	43,764	-20%	34,804	43,758	-20%
Financial liabilities designated at fair value through profit or loss		5,322	4,701	13%	5,322	4,701	13%
Derivatives - hedge accounting		32,212	43,985	-27%	32,212	43,985	-27%
Financial liabilities measured at amortised cost							
- deposits from banks and central banks	5.8.	95,848	91,115	5%	69,146	62,334	11%
- borrowings from banks and central banks	5.8.	585,566	643,578	-9%	645,038	714,722	-10%
- due to customers	5.8.	6,054,475	6,294,925	-4%	8,704,483	8,943,832	-3%
- borrowings from other customers	5.8.	11,803	33,511	-65%	106,661	136,660	-22%
- debt securities in issue	5.8.1.	320,081	359,853	-11%	320,081	359,853	-11%
- subordinated liabilities	5.8.2.	-	-	-	27,355	17,328	58%
- other financial liabilities	5.8.3.	59,827	46,223	29%	87,876	71,886	22%
Provisions	5.9.	109,947	114,565	-4%	121,823	126,974	-4%
Current income tax liabilities		3,083	324	852%	4,820	1,780	171%
Deferred income tax liabilities	5.7.	-	-	-	263	315	-17%
Other liabilities	5.11.	4,239	4,263	-1%	12,733	12,066	6%
TOTAL LIABILITIES		7,317,206	7,680,807	-5%	10,172,617	10,540,194	-3%
=====							
EQUITY AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT							
Share capital		200,000	200,000	0%	200,000	200,000	0%
Share premium		871,378	871,378	0%	871,378	871,378	0%
Accumulated other comprehensive income		24,493	38,491	-36%	19,201	36,485	-47%
Profit reserves		13,522	13,522	0%	13,522	13,522	0%
Retained earnings		121,630	81,529	49%	275,282	221,676	24%
		1,231,023	1,204,920	2%	1,379,383	1,343,061	3%
Non-controlling interests		-	-	-	26,702	26,234	2%
TOTAL EQUITY		1,231,023	1,204,920	2%	1,406,085	1,369,295	3%
=====							
TOTAL LIABILITIES AND EQUITY		8,548,229	8,885,727	-4%	11,578,702	11,909,489	-3%
=====							

Condensed statement of changes in equity

NLB d.d.	in EUR thousand					
	Share capital	Share premium	Accumulated other comprehensive income	Profit reserves	Retained earnings	Total equity
Balance at 1 January 2015	200,000	871,378	38,491	13,522	81,529	1,204,920
- Net profit for the period	-	-	-	-	40,101	40,101
- Other comprehensive income	-	-	(13,998)	-	-	(13,998)
Total comprehensive income after tax	-	-	(13,998)	-	40,101	26,103
Balance at 30 June 2015	200,000	871,378	24,493	13,522	121,630	1,231,023

	in EUR thousand					
	Share capital	Share premium	Accumulated other comprehensive income	Profit reserves	Retained earnings	Total equity
Balance at 1 January 2014	200,000	871,378	8,568	13,522	-	1,093,468
- Net profit for the period	-	-	-	-	35,837	35,837
- Other comprehensive income	-	-	35,158	-	-	35,158
Total comprehensive income after tax	-	-	35,158	-	35,837	70,995
Balance at 30 June 2014	200,000	871,378	43,726	13,522	35,837	1,164,463

NLB Group	in EUR thousand							
	Share capital	Share premium	Accumulated other comprehensive income	Profit reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
Balance at 1 January 2015	200,000	871,378	36,485	13,522	221,676	1,343,061	26,234	1,369,295
- Net profit for the period	-	-	-	-	53,362	53,362	1,755	55,117
- Other comprehensive income	-	-	(17,284)	-	-	(17,284)	12	(17,272)
Total comprehensive income after tax	-	-	(17,284)	-	53,362	36,078	1,767	37,845
Dividends paid	-	-	-	-	-	-	(1,048)	(1,048)
Other*	-	-	-	-	244	244	(251)	(7)
Balance at 30 June 2015	200,000	871,378	19,201	13,522	275,282	1,379,383	26,702	1,406,085

	in EUR thousand							
	Share capital	Share premium	Accumulated other comprehensive income	Profit reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
Balance at 1 January 2014	200,000	871,378	3,096	13,522	159,391	1,247,387	23,610	1,270,997
- Net profit for the period	-	-	-	-	34,014	34,014	1,347	35,361
- Other comprehensive income	-	-	37,471	-	-	37,471	82	37,553
Total comprehensive income after tax	-	-	37,471	-	34,014	71,485	1,429	72,914
Dividends paid	-	-	-	-	-	-	(179)	(179)
Other*	-	-	-	-	(125)	(125)	19	(106)
Balance at 30 June 2014	200,000	871,378	40,567	13,522	193,280	1,318,747	24,879	1,343,626

*In 2015, the item Other relates to transactions with a non-controlling interest and in 2014 the item Other relates to the loss of control of a subsidiary and transactions with a non-controlling interest.

Condensed statement of cash flows

	in EUR thousand			
	NLB d.d.		NLB Group	
	June 2015	June 2014	June 2015	June 2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	156,948	183,469	238,250	263,607
Interest paid	(40,311)	(69,878)	(65,753)	(101,904)
Dividends received	13,463	4,697	172	42
Fee and commission receipts	62,858	63,782	95,148	92,784
Fee and commission payments	(14,948)	(14,275)	(27,270)	(25,359)
Realised gains from financial assets and financial liabilities not at fair value through profit or loss	9,572	20,767	9,641	20,834
Realised losses from financial assets and financial liabilities not at fair value through profit or loss	(2)	-	(2)	-
(Losses)/gains from financial assets and liabilities held for trading	(26,875)	(2,154)	(24,874)	72
Payments to employees and suppliers	(86,531)	(91,030)	(132,988)	(138,322)
Other income	8,113	11,752	18,467	20,508
Other expenses	(6,401)	(9,805)	(8,654)	(11,365)
Income tax paid	(462)	-	(2,716)	(658)
Cash flows from operating activities before changes in operating assets and liabilities	75,424	97,325	99,421	120,239
Decreases in operating assets	128,952	127,415	111,242	57,653
Net increase in trading assets	(57,031)	(21,021)	(57,031)	(21,021)
Net (increase)/decrease in financial assets and liabilities designated at fair value through profit or loss	-	-	(229)	1,299
Net decrease in available-for-sale financial assets	78,812	62,564	129,172	50,423
Net decrease in loans and advances	107,817	85,914	37,894	26,785
Net (increase)/decrease in other assets	(646)	(42)	1,436	167
Decreases in operating liabilities	(360,256)	(345,244)	(367,824)	(347,929)
Net decrease in deposits and borrowings measured at amortised cost	(317,243)	(345,173)	(324,418)	(347,729)
Net decrease in securities measured at amortised cost	(43,169)	-	(43,169)	-
Net increase/(decrease) in other liabilities	156	(71)	(237)	(200)
Net cash used in operating activities	(155,880)	(120,504)	(157,161)	(170,037)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts from investing activities	135,565	76,659	136,260	78,631
Proceeds from sale of property and equipment and investment property	13	13	640	2,235
Proceeds from liquidation of subsidiaries	-	250	-	-
Proceeds from sale of non-current assets held for sale	52	548	120	548
Proceeds from maturity of held-to-maturity investments	135,500	75,848	135,500	75,848
Payments from investing activities	(22,503)	(63,089)	(17,401)	(65,991)
Purchase of property and equipment and investment property	(1,711)	(1,453)	(4,255)	(10,919)
Purchase of intangible assets	(2,828)	(3,708)	(3,417)	(4,164)
Purchase of subsidiaries and increase in subsidiaries' equity	(8,275)	(7,020)	(40)	-
Purchase of held-to-maturity investments	(9,689)	(50,908)	(9,689)	(50,908)
Net cash used in investing activities	113,062	13,570	118,859	12,640
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from financing activities	-	-	9,900	-
Issue of subordinated debt	-	-	9,900	-
Payments from financing activities	-	-	(977)	(183)
Dividends paid	-	-	(977)	(108)
Other payments related to financing activities	-	-	-	(75)
Net cash from financing activities	-	-	8,923	(183)
Effects of exchange rate changes on cash and cash equivalents	10,828	1,513	13,411	2,752
Net decrease in cash and cash equivalents	(42,818)	(106,934)	(29,379)	(157,580)
Cash and cash equivalents at beginning of period	519,223	613,092	1,292,984	1,430,905
Cash and cash equivalents at end of period	487,233	507,671	1,277,016	1,276,077

Statement of management's responsibility

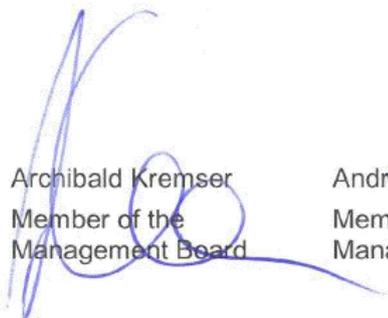
The Management Board hereby confirms the financial statements of NLB d.d. and of the NLB Group for the six months ending 30 June 2015.

The Management Board is responsible for the preparation and presentation of these interim financial statements in accordance with IAS 34 "Interim financial reporting" as adopted by the European Union so as to give a true and fair view of the financial position of NLB d.d. and the NLB Group as at 30 June 2015 and their financial results and cash flows for the period then ended.

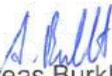
The Management Board also confirms that the appropriate accounting policies were consistently applied, and that the accounting estimates were prepared according to the principles of prudence and good management. The Management Board further confirms that the interim financial statements of NLB d.d. and the NLB Group have been prepared on a going-concern basis for NLB d.d. and the NLB Group and in line with valid legislation and IAS 34 "Interim financial reporting".

The Management Board is also responsible for appropriate accounting practices, the adoption of appropriate measures for the safeguarding of assets, and the prevention and identification of fraud and other irregularities or illegal acts.

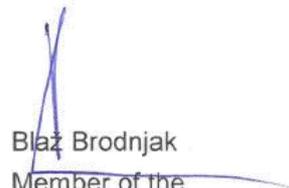
Management Board



Archibald Kremser
Member of the
Management Board



Andreas Burkhardt
Member of the
Management Board



Blaž Brodnjak
Member of the
Management Board



Janko Medja
Chairman of the
Management Board

Notes to the condensed financial statements

1. General information

Nova Ljubljanska banka d.d. Ljubljana (hereinafter: NLB d.d.) is a joint-stock entity providing universal banking services. The NLB Group operates in 11 countries.

NLB d.d. is incorporated and domiciled in Slovenia. The address of its registered office is Trg Republike 2, Ljubljana. NLB d.d.'s shares are not listed on the stock exchange.

The ultimate controlling party of NLB d.d. is the Republic of Slovenia which was the sole shareholder as at 30 June 2015 and 31 December 2014.

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

2. Summary of significant accounting policies

2.1. Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 "Interim financial reporting" and should be read in conjunction with the annual financial statements of the NLB Group and NLB d.d. for the year ended 31 December 2014, which have been prepared in accordance with the International Financial Reporting Standards (hereinafter: IFRS) as adopted by the European Union.

2.2. Accounting policies

The same accounting policies and methods of computation were followed in the preparation of these consolidated condensed interim financial statements as for the year ended 31 December 2014, except for accounting standards and other amendments effective for annual periods beginning on 1 January 2015 that were endorsed by the EU.

Accounting standards and amendments to existing standards effective for annual periods beginning on 1 January 2015 that were endorsed by the EU and adopted by the NLB Group

- Annual Improvements to the IFRSs 2011–2013 Cycle. The improvements comprise a mixture of substantive changes and clarifications, and are effective for annual periods beginning on or after 1 January 2015.
- IFRIC 21 (new interpretation) – Levies (effective for annual periods beginning on or after 17 July 2014)

Accounting standards and amendments to existing standards that were endorsed by the EU but not adopted early by the NLB Group

- IAS 19 (amendment) – Employee Benefits (effective for annual periods beginning on or after 1 February 2015)
- Annual Improvements to IFRSs 2010–2012 Cycle. The improvements comprise a mixture of substantive changes and clarifications, and are effective for annual periods beginning on or after 1 February 2015.

Accounting standards and amendments to existing standards issued but not endorsed by the EU

- IFRS 9 (new standard) – Financial instruments (effective for annual periods beginning on or after 1 January 2018)
- IFRS 14 (new standard) – Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016)
- IFRS 15 (new standard) – Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2017)
- IAS 16 and IAS 38 (amendment) – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016)
- IFRS 11 (amendment) – Accounting for Acquisition of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016)
- IFRS 10 and IAS 28 (amendment) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016)
- IAS 27 (amendment) – Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016)
- IAS 16 and IAS 41 (amendment) – Bearer Plants (effective for annual periods beginning on or after 1 January 2016)
- Annual Improvements to IFRSs 2012–2014 Cycle. The improvements comprise a mixture of substantive changes and clarifications, and are effective for annual periods beginning on or after 1 January 2016.
- IFRS 10, IFRS 12 and IAS 28 (amendment) – Investment Entities (effective for annual periods beginning on or after 1 January 2016)
- IAS 1 (amendment) – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016)

3. Changes in subsidiary holdings

SIX MONTHS ENDED 30 JUNE 2015

Capital changes:

- An increase in share capital in the form of cash contributions in the amount of EUR 7,669 thousand in NLB Banka, Tuzla, due to stricter regulatory requirements for capital adequacy.
- An increase in capital in the form of cash contributions in the amount of EUR 70 thousand in CBS Invest, Sarajevo.
- An increase in capital in the form of the conversion of subordinated loans in the total amount of EUR 142,827 thousand in NLB InterFinanz, Zürich.

Other changes:

- REAM d.o.o., Zagreb, REAM d.o.o., Beograd, REAM d.o.o., Podgorica and SR-RE d.o.o., Beograd were established and will manage certain real estate in the NLB Group. NLB d.d.'s ownership is 100%.
- NLB Leasing, Ljubljana increased its ownership interest in Optima Leasing, Zagreb from 99.97% to 100%. Consideration was paid in the amount of EUR 40 thousand.

CHANGES IN 2014

Capital changes:

- Increases in share capital in the form of a loan conversion in the total amount of EUR 82,197 thousand at NLB Leasing, Beograd, PRO-REM, Ljubljana, NLB Leasing, Ljubljana, NLB Srbija, Beograd, NLB Leasing, Sofia and NLB Crna Gora, Podgorica.
- Increases in share capital in the form of cash contributions in the total amount of EUR 35,326 thousand in NLB Srbija, Beograd, NLB banka, Beograd, NLB Leasing, Podgorica, NLB Leasing, Sarajevo and CBS Invest, Sarajevo.
- NLB d.d. increased its ownership interest in NLB Montenegrobanka, Podgorica in the amount of EUR 15,000 thousand from 97.40% to 98.00%.
- A decrease in share capital in the amount of EUR 640 thousand was registered in Plan, Banja Luka.

Other changes:

- Relevant activities of the entities ICJ – v stečaju, Domžale and Conet – v stečaju, Beograd are subject to the bankruptcy management and therefore NLB d.d. no longer has control over these entities and they are not included in the consolidated financial statements according to full consolidation.
- As at 5 June 2014 a simplified decrease with a simultaneous increase in share capital was registered in Adria Bank, Vienna. Due to covering the loss from 2013, the share capital at first decreased to 0; NLB d.d. did not participate in the increase in share capital.
- PRO-REM d.o.o., Ljubljana was established. NLB d.d.'s ownership in PRO-REM d.o.o., Ljubljana is 100%.
- NLB d.d. and NLB Razvojna banka, Banja Luka sold their 88.14% ownership in Plan d.o.o., Banja Luka.
- Based on the decision of the Bank of Slovenia on extraordinary measures, all qualified liabilities of Banka Celje were terminated and therefore NLB d.d. no longer has a capital investment in the bank.

4. Notes to the condensed income statement

4.1. Interest income and expenses

	in EUR thousand					
	NLB d.d.			NLB Group		
	six months ended		change	six months ended		change
June	June	June		June		
	2015	2014		2015	2014	
Interest and similar income						
Loans and advances to customers	111,513	129,380	-14%	190,497	202,852	-6%
Held-to-maturity investments	12,006	15,653	-23%	12,006	15,653	-23%
Available-for-sale financial assets	10,207	13,520	-25%	16,854	22,749	-26%
Financial assets held for trading	6,550	8,034	-18%	6,485	7,965	-19%
Loans and advances to banks and central banks	1,108	2,424	-54%	444	979	-55%
Derivatives - hedge accounting	950	1,147	-17%	950	1,147	-17%
Deposits with central banks and banks	322	406	-21%	580	864	-33%
TOTAL	142,656	170,564	-16%	227,816	252,209	-10%
	=====	=====		=====	=====	
Interest and similar expenses						
Due to customers	17,495	34,729	-50%	37,147	63,835	-42%
Debt securities in issue	5,547	1,287	331%	5,547	1,287	331%
Financial liabilities held for trading	4,860	6,417	-24%	4,860	6,415	-24%
Borrowings from banks and central banks	3,334	9,554	-65%	4,496	11,273	-60%
Derivatives - hedge accounting	3,053	3,605	-15%	3,053	3,605	-15%
Borrowings from other customers	89	281	-68%	1,227	2,219	-45%
Deposits from banks and central banks	19	46	-59%	73	104	-30%
Subordinated liabilities	-	-	-	580	673	-14%
Other financial liabilities	637	318	100%	802	515	56%
TOTAL	35,034	56,237	-38%	57,785	89,926	-36%
	=====	=====		=====	=====	
NET INTEREST INCOME	107,622	114,327	-6%	170,031	162,283	5%
	=====	=====		=====	=====	

4.2. Net fee and commission income

	in EUR thousand					
	NLB d.d.			NLB Group		
	six months ended		change	six months ended		change
June	June	June		June		
	2015	2014		2015	2014	
Fee and commission income						
Credit cards and ATMs	21,475	21,582	0%	28,569	27,937	2%
Customer transaction accounts	15,887	16,529	-4%	19,885	20,107	-1%
Payments	13,918	14,400	-3%	26,086	26,571	-2%
Guarantees	4,398	4,965	-11%	6,987	7,461	-6%
Investment banking	2,854	2,887	-1%	5,067	4,144	22%
Investment funds	2,308	1,246	85%	5,125	3,864	33%
Agency of insurance products	1,317	1,371	-4%	1,317	1,371	-4%
Other services	1,645	1,326	24%	2,750	2,365	16%
TOTAL	63,802	64,306	-1%	95,786	93,820	2%
	=====	=====		=====	=====	
Fee and commission expenses						
Credit cards and ATMs	11,912	11,424	4%	16,831	15,570	8%
Deposit insurance	-	-	-	4,120	4,379	-6%
Investment banking	1,178	955	23%	1,571	1,170	34%
Payments	395	405	-2%	2,237	2,225	1%
Guarantees	268	274	-2%	297	306	-3%
Other services	1,061	1,317	-19%	1,756	1,814	-3%
TOTAL	14,814	14,375	3%	26,812	25,464	5%
	=====	=====		=====	=====	
NET FEE AND COMMISSION INCOME	48,988	49,931	-2%	68,974	68,356	1%
	=====	=====		=====	=====	

4.3. Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss

	in EUR thousand			
	NLB d.d.		NLB Group	
	June 2015	June 2014	June 2015	June 2014
Available-for-sale financial assets	9,551	20,749	9,531	20,756
Financial liabilities measured at amortised cost	52	-	52	-
Loans and receivables	-	-	-	60
TOTAL	9,603	20,749	9,583	20,816

4.4. Gains less losses from financial assets and liabilities held for trading

	in EUR thousand			
	NLB d.d.		NLB Group	
	June 2015	June 2014	June 2015	June 2014
Derivatives	(30,274)	(6,847)	(30,319)	(6,953)
Foreign exchange trading	1,932	1,695	4,986	4,697
Equity instruments	-	13	-	13
Debt instruments	(457)	94	(455)	96
TOTAL	(28,799)	(5,045)	(25,788)	(2,147)

The NLB Group uses currency derivatives to hedge its currency exposure. Therefore, their effects, which represent the majority of the valuation of derivatives in the first six months of 2015, need to be considered in relation to the foreign exchange difference in the income statements.

The NLB Group had an unintended economically open position in CHF related to the capital needs, initiated at the level of a Swiss-based, non-core subsidiary. In January 2015, the FX rate unexpectedly significantly appreciated (by about 15%), which resulted in the recognition of approximately EUR 13 million in negative effects. Once it was identified, the NLB Group immediately closed the open position.

4.5. Other operating income

	in EUR thousand					
	NLB d.d.			NLB Group		
	June 2015	June 2014	change	June 2015	June 2014	change
Income from non-banking services	5,440	5,954	-9%	7,771	8,598	-10%
Rental income from investment property	38	40	-5%	2,769	2,369	17%
Other operating income	1,460	4,388	-67%	2,363	2,659	-11%
TOTAL	6,938	10,382	-33%	12,903	13,626	-5%

4.6. Other operating expenses

	NLB d.d.			in EUR thousand NLB Group		
	six months ended			six months ended		
	June 2015	June 2014	change	June 2015	June 2014	change
Expenses related to issued service guarantees	3,494	3,920	-11%	3,494	3,920	-11%
Taxes and other duties	461	3,827	-88%	1,165	4,478	-74%
Membership fees	444	314	41%	763	553	38%
Other operating expenses	2,199	706	211%	3,093	1,623	91%
TOTAL	6,598	8,767	-25%	8,515	10,574	-19%
	=====	=====		=====	=====	

4.7. Administrative expenses

	NLB d.d.			in EUR thousand NLB Group		
	six months ended			six months ended		
	June 2015	June 2014	change	June 2015	June 2014	change
Employee costs	50,669	51,929	-2%	79,894	81,582	-2%
Other general and administrative expenses	30,711	32,392	-5%	48,918	50,404	-3%
TOTAL	81,380	84,321	-3%	128,812	131,986	-2%
	=====	=====		=====	=====	

4.8. Provisions for other liabilities and charges

	NLB d.d.		in EUR thousand NLB Group	
	six months ended		six months ended	
	June 2015	June 2014	June 2015	June 2014
Guarantees and commitments	(5,447)	21,730	(4,849)	18,044
Provisions for legal issues	2,409	631	2,158	2,486
Other provisions	926	-	926	186
TOTAL	(2,112)	22,361	(1,765)	20,716
	=====	=====	=====	=====

4.9. Impairment charge

	in EUR thousand				
	NLB d.d.		NLB Group		
	six months ended		six months ended		
June	June	June	June		
2015	2014	2015	2014		
Impairment of financial assets					
Available-for-sale financial assets	(117)	2,030	(117)	2,087	
Loans and advances to banks (note 5.4.5.)	200	(9,912)	2,577	(10,023)	
Loans and advances to customers (note 5.4.5.)	43,724	35,182	34,138	46,848	
Other financial assets (note 5.4.5.)	690	1,655	2,509	1,511	
Impairment of other assets					
Investments in subsidiaries	70	2,056	-	-	
Property and equipment	344	27	344	27	
Repossessed assets	-	-	3,331	4,806	
TOTAL	44,911	31,038	42,782	45,256	
	=====	=====	=====	=====	

4.10. Income tax

	in EUR thousand						
	NLB d.d.			NLB Group			
	six months ended			six months ended			
June	June	change	June	June	change		
2015	2014		2015	2014			
Current tax on profit	(3,736)	-	-	(6,443)	(1,089)	492%	
Deferred tax (5.7.)	387	735	-47%	1,704	745	129%	
TOTAL	(3,349)	735	-	(4,739)	(344)	-	
	=====	=====		=====	=====		

5. Notes to the condensed statement of financial position

5.1. Cash, cash balances at central banks and other demand deposits at banks

	in EUR thousand					
	NLB d.d.			NLB Group		
	30.6.2015	31.12.2014	Change	30.6.2015	31.12.2014	Change
Cash	108,822	106,146	3%	204,609	196,835	4%
Balances and obligatory reserves with central banks	87,092	117,696	-26%	461,077	508,630	-9%
Demand deposits at banks	211,001	210,596	0%	425,690	422,062	1%
TOTAL	406,915	434,438	-6%	1,091,376	1,127,527	-3%

5.2. Trading assets

	in EUR thousand					
	NLB d.d.			NLB Group		
	30.6.2015	31.12.2014	Change	30.6.2015	31.12.2014	Change
Derivatives, excluding hedge accounting						
Swap contracts	27,613	34,895	-21%	27,111	34,299	-21%
Forward contracts	2,464	5,632	-56%	2,469	5,638	-56%
Options	52	119	-56%	52	119	-56%
Total derivatives	30,129	40,646	-26%	29,632	40,056	-26%
Securities						
Shares	22	22	0%	22	22	0%
Bonds	71,688	57,876	24%	71,688	57,876	24%
Treasury bills	63,496	40,264	58%	63,496	40,264	58%
Commercial papers	20,003	-	-	20,003	-	-
Total securities	155,209	98,162	58%	155,209	98,162	58%
TOTAL	185,338	138,808	34%	184,841	138,218	34%

5.3. Available-for-sale financial assets

	in EUR thousand					
	NLB d.d.			NLB Group		
	30.6.2015	31.12.2014	Change	30.6.2015	31.12.2014	Change
Bonds	879,357	999,148	-12%	1,213,584	1,317,574	-8%
Commercial papers	69,972	78,973	-11%	69,972	78,973	-11%
Treasury bills	51,943	74,812	-31%	118,853	208,023	-43%
Shares and ownership interest	25,626	29,815	-14%	33,301	32,861	1%
National Resolution Fund	44,509	-	-	44,509	-	-
Cash certificates	-	-	-	65,770	35,521	85%
TOTAL	1,071,407	1,182,748	-9%	1,545,989	1,672,952	-8%

In March 2015, NLB d.d. paid its financial obligation in the amount of EUR 44.5 million to the National Resolution Fund, funded and controlled by the Bank of Slovenia in accordance with the Bank Resolution Authority and Fund Act (ZOSRB).

5.4. Loans and advances

Analysis by type of loans and advances

	in EUR thousand					
	NLB d.d.			NLB Group		
	30.6.2015	31.12.2014	Change	30.6.2015	31.12.2014	Change
Debt securities	714,813	706,785	1%	714,813	706,785	1%
Loans and advances to banks	183,831	159,300	15%	247,527	271,340	-9%
Loans and advances to customers	4,823,452	4,993,040	-3%	6,653,878	6,708,332	-1%
Other financial assets	50,085	47,836	5%	64,908	71,769	-10%
TOTAL	5,772,181	5,906,961	-2%	7,681,126	7,758,226	-1%

5.4.1. Debt securities

	in EUR thousand		
	NLB d.d. and NLB Group		
	30.6.2015	31.12.2014	Change
Government	631,608	619,118	2%
Companies	83,205	87,667	-5%
TOTAL	714,813	706,785	1%

5.4.2. Loans and advances to banks

	in EUR thousand					
	NLB d.d.			NLB Group		
	30.6.2015	31.12.2014	Change	30.6.2015	31.12.2014	Change
Time deposits	147,924	116,719	27%	242,943	264,496	-8%
Loans	35,012	42,308	-17%	31,056	30,611	1%
Purchased receivables	1,840	955	93%	1,840	955	93%
	184,776	159,982	15%	275,839	296,062	-7%
Allowance for impairment (note 5.4.5.)	(945)	(682)	39%	(28,312)	(24,722)	15%
TOTAL	183,831	159,300	15%	247,527	271,340	-9%

5.4.3. Loans and advances to customers

	in EUR thousand					
	NLB d.d.			NLB Group		
	30.6.2015	31.12.2014	Change	30.6.2015	31.12.2014	Change
Loans	5,423,910	5,724,194	-5%	7,477,723	7,557,867	-1%
Finance lease receivables	-	-	-	315,669	333,824	-5%
Overdrafts	187,784	195,739	-4%	328,702	322,243	2%
Credit card business	56,685	60,152	-6%	109,312	111,847	-2%
Called guarantees	13,557	11,312	20%	23,338	20,830	12%
Reverse sale and repurchase agreement	25	25	0%	25	25	0%
	5,681,961	5,991,422	-5%	8,254,769	8,346,636	-1%
Allowance for impairment (note 5.4.5.)	(858,509)	(998,382)	-14%	(1,600,891)	(1,638,304)	-2%
TOTAL	4,823,452	4,993,040	-3%	6,653,878	6,708,332	-1%

5.4.4. Other financial assets

	in EUR thousand					
	NLB d.d.			NLB Group		
	30.6.2015	31.12.2014	Change	30.6.2015	31.12.2014	Change
Receivables from purchase agreements for equity securities	23,539	29,554	-20%	23,539	29,554	-20%
Receivables in the course of collection	16,608	12,998	28%	18,620	14,819	26%
Credit card receivables	8,292	8,823	-6%	11,337	12,269	-8%
Fees and commissions due	5,191	5,701	-9%	7,809	7,747	1%
Dividends	1,502	44	-	1,144	44	-
Accrued income	1,455	16	-	1,320	145	810%
Debtors	637	1,582	-60%	20,744	20,825	0%
Prepayments	-	-	-	8,086	8,040	1%
Other financial assets	4,876	6,639	-27%	11,181	21,006	-47%
	62,100	65,357	-5%	103,780	114,449	-9%
Allowance for impairment (note 5.4.5.)	(12,015)	(17,521)	-31%	(38,872)	(42,680)	-9%
TOTAL	50,085	47,836	5%	64,908	71,769	-10%

5.4.5. Movements in allowance for the impairment of banks, loans and advances to customers and other financial assets

	in EUR thousand					
	NLB d.d.					
	Banks		Customers		Other financial assets	
2015	2014	2015	2014	2015	2014	
Balance at 1 January	682	10,550	998,382	1,074,301	17,521	37,644
Impairment (note 4.9.)	200	(9,912)	43,724	35,182	690	1,655
Write offs	-	-	(189,946)	(30,240)	(6,208)	(12,481)
Repayment of write offs	-	-	746	934	9	-
Exchange differences	63	4	5,603	103	3	2
Other	-	-	-	2,255	-	(2,457)
Balance at 30 June	945	642	858,509	1,082,535	12,015	24,363

	in EUR thousand					
	NLB Group					
	Banks		Customers		Other financial assets	
2015	2014	2015	2014	2015	2014	
Balance at 1 January	24,722	28,617	1,638,304	1,764,268	42,680	66,084
Exchange differences on opening balance	3,595	169	26,827	1,186	94	17
Impairment (note 4.9.)	2,577	(10,023)	34,138	46,848	2,509	1,511
Write offs	-	-	(85,630)	(38,056)	(6,477)	(12,510)
Repayment of write offs	-	-	2,600	1,276	9	-
Exchange differences	(2,582)	(27)	(15,231)	(1,773)	61	35
Other	-	-	(117)	2,255	(4)	(2,457)
Balance at 30 June	28,312	18,736	1,600,891	1,776,004	38,872	52,680

5.5. Held-to-maturity financial assets

	in EUR thousand		
	NLB d.d. and NLB Group		
	30.6.2015	31.12.2014	Change
Bonds	558,009	691,765	-19%
Treasury bills	19,928	19,883	0%
TOTAL	577,937	711,648	-19%

5.6. Other assets

in EUR thousand

	NLB d.d.			NLB Group		
	30.6.2015	31.12.2014	Change	30.6.2015	31.12.2014	Change
Deferred expenses	3,734	2,686	39%	6,975	4,790	46%
Reposessed assets	2,724	1,561	75%	118,272	116,606	1%
Prepayments	1,660	871	91%	3,814	2,707	41%
Claim for taxes and other dues	479	2,596	-82%	2,679	3,379	-21%
Inventories	408	269	52%	8,915	12,637	-29%
TOTAL	9,005	7,983	13%	140,655	140,119	0%

5.7. Deferred tax

in EUR thousand

	NLB d.d.			NLB Group		
	30.6.2015	31.12.2014	Change	30.6.2015	31.12.2014	Change
Deferred income tax assets						
Valuation of financial instruments and capital investments	55,853	53,819	4%	56,009	53,865	4%
Impairment provisions	3,762	3,874	-3%	16,978	28,787	-41%
Employee benefit provisions	1,613	1,718	-6%	1,799	1,906	-6%
Depreciation and valuation of non-financial assets	219	295	-26%	1,290	1,364	-5%
Tax reliefs	-	-	-	28	28	0%
Dividends	-	7	-100%	-	7	-100%
Tax losses	241,396	241,296	0%	241,710	224,062	8%
Reduction of deferred tax assets	(282,857)	(281,023)	1%	(296,092)	(289,675)	2%
Total deferred income tax assets	19,986	19,986	0%	21,722	20,344	7%
Deferred income tax liabilities						
Valuation of financial instruments	9,754	13,003	-25%	10,282	13,500	-24%
Depreciation and valuation of non-financial assets	241	245	-2%	1,049	1,109	-5%
Impairment provisions	-	-	-	69	64	8%
Other	-	-	-	39	39	0%
Total deferred income tax liabilities	9,995	13,248	-25%	11,439	14,712	-22%
Net deferred income tax assets	9,991	6,738	48%	10,546	5,947	77%
Net deferred income tax liabilities	-	-	-	(263)	(315)	-17%
six months ended						
	June 2015	June 2014		June 2015	June 2014	
Included in the income statement for the current year						
- valuation of financial instruments and capital investments	387	735		1,704	745	
- impairment provisions	2,417	14,191		2,417	14,191	
- employee benefit provisions	(112)	(103)		(11,815)	(3,675)	
- depreciation and valuation of non-financial assets	(105)	(211)		(107)	(188)	
- tax losses	(72)	(80)		(15)	(90)	
- tax losses	100	-		17,648	-	
- dividends	(7)	-		(7)	-	
- adjustment of deferred income tax assets	(1,834)	(13,062)		(6,417)	(9,493)	
Included in other comprehensive income for the current year	2,866	(7,199)		2,945	(7,140)	
- valuation of available-for-sale financial assets	2,944	(7,269)		3,023	(7,210)	
- cash flow hedges	(78)	70		(78)	70	

5.8. Financial liabilities measured at amortised cost

Analysis by type of financial liabilities, measured at amortised cost

	in EUR thousand					
	NLB d.d.			NLB Group		
	30.6.2015	31.12.2014	Change	30.6.2015	31.12.2014	Change
Deposits from banks and central banks	95,848	91,115	5%	69,146	62,334	11%
- Deposits on demand	90,704	87,742	3%	62,464	57,138	9%
- Other deposits	5,144	3,373	53%	6,682	5,196	29%
Borrowings from banks and central banks	585,566	643,578	-9%	645,038	714,722	-10%
Due to customers	6,054,475	6,294,925	-4%	8,704,483	8,943,832	-3%
- Deposits on demand	3,729,641	3,253,716	15%	5,021,421	4,471,316	12%
- Other deposits	2,324,834	3,041,209	-24%	3,683,062	4,472,516	-18%
Borrowings from other customers	11,803	33,511	-65%	106,661	136,660	-22%
Debt securities in issue	320,081	359,853	-11%	320,081	359,853	-11%
Subordinated liabilities	-	-	-	27,355	17,328	58%
Other financial liabilities	59,827	46,223	29%	87,876	71,886	22%
TOTAL	7,127,600	7,469,205	-5%	9,960,640	10,306,615	-3%

5.8.1. Debt securities in issue

	in EUR thousand		
	NLB d.d. and NLB Group		
	30.6.2015	31.12.2014	% change
Carrying amount of issued securities			
- traded on active markets	320,081	359,853	-11%
Bonds (in %)			
- fixed rated	100.00	100.00	
	100.00	100.00	

5.8.2. Subordinated liabilities

	Currency	Due date	Interest rate	in EUR thousand				
				NLB Group				
				30.6.2015		31.12.2014		Change
Carrying amount	Nominal value	Carrying amount	Nominal value					
Subordinated loans								
	EUR	30.6.2018	6 months EURIBOR + 6.3% p.a.	12,237	12,000	12,174	12,000	1%
	EUR	30.6.2020	6 months EURIBOR + 5.7% p.a. to 30.6.2015, thereafter 6 months EURIBOR + 7.7% p.a.	5,187	5,000	5,154	5,000	1%
	EUR	26.6.2025	6 months EURIBOR + 7.5% p.a.	9,931	10,000	-	-	-
TOTAL				27,355	27,000	17,328	17,000	58%

5.8.3. Other financial liabilities

	in EUR thousand					
	NLB d.d.			NLB Group		
	30.6.2015	31.12.2014	Change	30.6.2015	31.12.2014	Change
Items in the course of payment	25,306	6,941	265%	36,564	18,178	101%
Debit or credit card payables	11,107	14,024	-21%	11,964	15,322	-22%
Accrued expenses	7,557	5,733	32%	14,573	11,643	25%
Accrued salaries	7,516	7,110	6%	9,681	8,430	15%
Suppliers	4,094	8,065	-49%	6,844	10,787	-37%
Fees and commissions due	79	1,389	-94%	110	1,424	-92%
Other financial liabilities	4,168	2,961	41%	8,140	6,102	33%
TOTAL	59,827	46,223	29%	87,876	71,886	22%

5.9. Provisions

	in EUR thousand					
	NLB d.d.			NLB Group		
	30.6.2015	31.12.2014	Change	30.6.2015	31.12.2014	Change
Provisions for non-financial guarantees	30,930	31,568	-2%	32,061	32,876	-2%
Provisions for financial guarantees	45,302	46,023	-2%	49,202	48,733	1%
Provisions for other credit commitments	7,185	11,212	-36%	6,699	11,190	-40%
Employee benefit provisions	16,106	15,741	2%	19,259	18,995	1%
Restructuring provisions	4,160	5,824	-29%	4,189	5,871	-29%
Provision for legal issues	4,079	1,666	145%	8,224	6,774	21%
Provisions for premiums from National Housing Savings Scheme	733	733	0%	733	733	0%
Other provisions	1,452	1,798	-19%	1,456	1,802	-19%
TOTAL	109,947	114,565	-4%	121,823	126,974	-4%

Legal disputes with substantive monetary claims against NLB d.d. include monetary claims related to the deposits of Croatian savers in LB Glavna Filijala Zagreb totalling EUR 172,815, thousand arising from the early 1990s. NLB d.d. has always opposed the claims for a variety of reasons, both process reasons and in terms of substance (merit). The key reasons are the fact that NLB d.d. was established based on a constitutional law and in relation to the aforementioned claims it cannot be seen as the legal successor of LB, and the fact that this is a matter of succession of former Yugoslavia, which was confirmed by a Memorandum signed in 2013 between the Republic of Slovenia and the Republic of Croatia by their official representatives. Despite everything mentioned before, in one specific case the Municipal Court in Zagreb as the second-instance court in May 2015 decided to reject the objections raised by LB d.d. and NLB d.d. and ruled that the plaintiff Privredna banka Zagreb be paid EUR 254.76 and costs of procedure in the amount of HRK 15,781.25 together with the accrued default interest. In our view, taking the constitutional law into account, this is not the obligation of NLB d.d. NLB d.d. is also filing a constitutional appeal against the decision as it feels it runs against the current legislation and international agreements concluded between the Republic of Slovenia and the Republic of Croatia.

5.10. Income tax relating to components of other comprehensive income

	in EUR thousand					
	NLB d.d.					
	30.6.2015			30.6.2014		
	Before tax amount	Tax expense	Net of tax amount	Before tax amount	Tax expense	Net of tax amount
Available-for-sale financial assets	(17,321)	2,944	(14,377)	42,767	(7,269)	35,498
Cash flow hedge	457	(78)	379	(410)	70	(340)
TOTAL	(16,864)	2,866	(13,998)	42,357	(7,199)	35,158

	in EUR thousand					
	NLB Group					
	30.6.2015			30.6.2014		
	Before tax amount	Tax expense	Net of tax amount	Before tax amount	Tax expense	Net of tax amount
Available-for-sale financial assets	(17,556)	3,023	(14,533)	42,294	(7,210)	35,084
Cash flow hedge	457	(78)	379	(410)	70	(340)
Share of associates and joint ventures	(1,905)	344	(1,561)	4,530	(739)	3,791
Actuarial gains on defined benefit pension plans	(78)	-	(78)	-	-	-
TOTAL	(19,082)	3,289	(15,793)	46,414	(7,879)	38,535

5.11. Other liabilities

	in EUR thousand					
	NLB d.d.			NLB Group		
	30.6.2015	31.12.2014	Change	30.6.2015	31.12.2014	Change
Taxes payable	3,096	3,397	-9%	3,794	4,300	-12%
Deferred income	981	832	18%	6,381	3,772	69%
Payments received in advance	162	34	376%	2,557	3,994	-36%
TOTAL	4,239	4,263	-1%	12,733	12,066	6%

5.12. Book value per share

The book value of a NLB d.d. share as at 30 June 2015 was EUR 61.6 (31 December 2014: EUR 60.2) and on a consolidated level it was EUR 69.0 (31 December 2014: EUR 67.2). It is calculated as the ratio of the net asset book value and the number of shares. NLB d.d. and the NLB Group do not have any other equity instruments issued or treasury shares.

5.13. Capital adequacy ratio

	in EUR thousand			
	NLB d.d.		NLB Group	
	30.6.2015	31.12.2014	30.6.2015	31.12.2014
Paid up capital instruments	200,000	200,000	200,000	200,000
Share premium	871,378	871,378	871,378	871,378
Retained earnings - from previous years	81,529	-	206,543	148,234
Profit or loss eligible - from current year	-	81,529	-	58,111
Accumulated other comprehensive income	1,143	(1,519)	(4,777)	(4,663)
Other reserves	13,522	13,522	13,522	13,522
Minority interest	-	-	-	-
Prudential filters: Cash flow hedge reserve	915	533	915	533
Prudential filters: Value adjustments due to the requirements for prudent valuation	(2,352)	(3,049)	(2,822)	(3,535)
(-) Goodwill	-	-	(3,529)	(3,529)
(-) Other intangible assets	(28,331)	(33,743)	(33,631)	(39,171)
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(3,224)	(1,094)	(3,060)	(802)
COMMON EQUITY TIER 1 CAPITAL (CET1)	1,134,580	1,127,557	1,244,539	1,240,078
Additional Tier 1 capital	-	-	-	-
TIER 1 CAPITAL	1,134,580	1,127,557	1,244,539	1,240,078
Tier 2 capital	-	-	-	-
TOTAL CAPITAL (OWN FUNDS)	1,134,580	1,127,557	1,244,539	1,240,078
RWA for credit risk	4,308,497	4,292,627	6,768,564	5,875,105
RWA for market risks	61,026	26,963	136,725	141,001
RWA for credit valuation adjustment risk	8,338	8,338	8,338	8,338
RWA for operational risk	596,127	634,290	930,688	1,013,538
TOTAL RISK EXPOSURE AMOUNT (RWA)	4,973,988	4,962,218	7,844,315	7,037,982
Common Equity Tier 1 Ratio	22.8%	22.7%	15.9%	17.6%
Tier 1 Ratio	22.8%	22.7%	15.9%	17.6%
Total Capital Ratio	22.8%	22.7%	15.9%	17.6%

5.14. Off-balance sheet liabilities

	in EUR thousand					
	NLB d.d.			NLB Group		
	30.6.2015	31.12.2014	Change	30.6.2015	31.12.2014	Change
Commitments to extend credit	994,665	1,012,334	-2%	1,149,227	1,101,684	4%
Performance guarantees	412,455	447,122	-8%	465,036	504,109	-8%
Financial guarantees	216,872	246,464	-12%	351,330	395,694	-11%
Letters of credit	3,481	1,411	147%	17,208	12,604	37%
Other	787	832	-5%	5,591	6,040	-7%
	<u>1,628,260</u>	<u>1,708,163</u>	-5%	<u>1,988,392</u>	<u>2,020,131</u>	-2%
Provisions (note 5.9.)	(83,417)	(88,803)	-6%	(87,962)	(92,799)	-5%
TOTAL	<u>1,544,843</u>	<u>1,619,360</u>	-5%	<u>1,900,430</u>	<u>1,927,332</u>	-1%

5.15. Fair value hierarchy of financial and non-financial assets and liabilities

Fair value is the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The NLB Group uses various valuation techniques to determine fair value. IFRS 13 specifies a fair value hierarchy with respect to the inputs and assumptions used to measure financial and non-financial assets and liabilities at fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the assumptions of NLB d.d. and the NLB Group. This hierarchy gives the highest priority to observable market data when available, and the lowest priority to unobservable market data. The NLB Group considers relevant and observable market prices in its valuations where possible. The fair value hierarchy comprises the following levels:

- Level 1 – Quoted prices (unadjusted) on active markets. This level includes listed equities, debt instruments, derivatives, units of investment funds and other unadjusted market prices of assets and liabilities. When an asset or liability may be exchanged on multiple active markets, the principal market for the asset or liability must be determined. In the absence of a principal market, the most advantageous market for the asset or liability must be determined.
- Level 2 – A valuation technique where inputs are observable, either directly (i.e. prices) or indirectly (i.e. derived from prices). Level 2 includes quoted prices for similar assets or liabilities on active markets and quoted prices for identical or similar assets and liabilities on markets that are not active. The sources of input parameters for financial instruments, such as yield curves, credit spreads, foreign exchange rates, and the volatility of interest rates and foreign exchange rates, are Reuters and Bloomberg.
- Level 3 – A valuation technique where inputs are not based on observable market data. Unobservable inputs are used to the extent that relevant observable inputs are not available. Unobservable inputs must reflect the assumptions that market participants would use when pricing an asset or liability. This level includes non-tradable shares and bonds and derivatives associated with these investments and other assets and liabilities for which fair value cannot be determined with observable market inputs.

Where possible, fair value is determined as an observable market price in an active market for an identical asset or liability. An active market is a market on which transactions for an asset or liability are executed with sufficient frequency and volume to provide pricing information on an ongoing basis. Assets and liabilities measured at fair value in active markets are determined as the market price of a unit (e.g. a share) at the measurement date, multiplied by the quantity of units owned by the NLB Group. The fair value of assets and liabilities whose market is not active is determined using valuation techniques. Valuation techniques bear a different intensity level of estimates and assumptions, depending on the availability of observable market inputs associated with the asset or liability that is the subject of valuation. Unobservable inputs shall reflect the estimates and assumptions that other market participants would use when pricing the asset or liability.

For non-financial assets measured at fair value and not classified on Level 1, fair value is determined based on valuation reports provided by certified valuers. Valuations are prepared in accordance with the International Valuation Standards (IVS).

a) Financial and non-financial assets and liabilities measured at fair value in the financial statements

30.6.2015

in EUR thousand

	NLB d.d.				NLB Group			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets								
Financial instruments held for trading	132,200	52,111	1,027	185,338	132,200	51,614	1,027	184,841
<i>Debt instruments</i>	132,178	22,034	975	155,187	132,178	22,034	975	155,187
<i>Equity instruments</i>	22	-	-	22	22	-	-	22
<i>Derivatives</i>	-	30,077	52	30,129	-	29,580	52	29,632
Derivatives - hedge accounting	-	2,093	-	2,093	-	2,093	-	2,093
Financial assets designated at fair value through profit or loss	5,323	-	-	5,323	7,360	-	-	7,360
<i>Debt instruments</i>	-	-	-	-	501	-	-	501
<i>Equity instruments</i>	5,323	-	-	5,323	6,859	-	-	6,859
Available-for-sale financial assets	942,994	122,509	5,904	1,071,407	1,231,630	303,065	11,294	1,545,989
<i>Debt instruments</i>	923,272	78,000	-	1,001,272	1,210,916	257,263	-	1,468,179
<i>Equity instruments</i>	19,722	44,509	5,904	70,135	20,714	45,802	11,294	77,810
Financial liabilities								
Financial instruments held for trading	-	30,589	4,214	34,803	-	30,590	4,214	34,804
<i>Derivatives</i>	-	30,589	4,214	34,803	-	30,590	4,214	34,804
Derivatives - hedge accounting	-	32,212	-	32,212	-	32,212	-	32,212
Financial liabilities designated at fair value through profit or loss	-	5,322	-	5,322	-	5,322	-	5,322
Non-financial assets								
Investment property	-	4,750	-	4,750	-	44,767	-	44,767
Non-current assets held for sale	-	2,388	-	2,388	-	5,380	-	5,380

31.12.2014

in EUR thousand

	NLB d.d.				NLB Group			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets								
Financial instruments held for trading	90,576	47,220	1,012	138,808	90,576	46,630	1,012	138,218
<i>Debt instruments</i>	90,554	6,694	892	98,140	90,554	6,694	892	98,140
<i>Equity instruments</i>	22	-	-	22	22	-	-	22
<i>Derivatives</i>	-	40,526	120	40,646	-	39,936	120	40,056
Derivatives - hedge accounting	-	2,966	-	2,966	-	2,966	-	2,966
Financial assets designated at fair value through profit or loss	4,702	-	-	4,702	6,510	-	-	6,510
<i>Debt instruments</i>	-	-	-	-	885	-	-	885
<i>Equity instruments</i>	4,702	-	-	4,702	5,625	-	-	5,625
Available-for-sale financial assets	1,074,296	102,527	5,925	1,182,748	1,378,408	287,802	6,742	1,672,952
<i>Debt instruments</i>	1,050,406	102,527	-	1,152,933	1,352,640	287,451	-	1,640,091
<i>Equity instruments</i>	23,890	-	5,925	29,815	25,768	351	6,742	32,861
Financial liabilities								
Financial instruments held for trading	-	39,593	4,171	43,764	-	39,587	4,171	43,758
<i>Derivatives</i>	-	39,593	4,171	43,764	-	39,587	4,171	43,758
Derivatives - hedge accounting	-	43,985	-	43,985	-	43,985	-	43,985
Financial liabilities designated at fair value through profit or loss	-	4,701	-	4,701	-	4,701	-	4,701
Non-financial assets								
Investment property	-	1,458	-	1,458	-	41,472	-	41,472
Non-current assets held for sale	-	2,580	-	2,580	-	5,643	-	5,643

b) Significant transfers of financial instruments between levels of valuation

The NLB Group's policy of transfers of financial instruments between levels of valuation is illustrated in the table below.

Fair value hierarchy					Derivatives		
	Equities	Equity stake	Funds	Debt securities	Equities	Currency	Interest
1	market value from exchange market		regular valuation by fund management company	market value from exchange market			
2				valuation model	valuation model (underlying instrument on level 1)	valuation model	valuation model
3	valuation model	valuation model	valuation model	valuation model	valuation model (underlying instrument on level 3)		
Transfers	<i>from level 1 to 3</i> equity excluded from exchange market		<i>from level 1 to 3</i> fund management stops publishing regular valuation		<i>from level 1 to 2</i> debt securities excluded from exchange market		<i>from level 2 to 3</i> underlying instrument excluded from exchange market
	<i>from level 1 to 3</i> companies in insolvency proceedings		<i>from level 3 to 1</i> fund management starts publishing regular valuation		<i>from level 1 to 2</i> debt securities not liquid (not trading for 6 months)		<i>from level 3 to 2</i> underlying instrument included in exchange market
	<i>from level 3 to 1</i> equity included in exchange market				<i>from level 1 to 3 and from 2 to 3</i> companies in insolvency proceedings		
					<i>from level 2 to 1 and from 3 to 1</i> start trading with debt securities on exchange market		
					<i>from level 3 to 2</i> until valuation parameters are confirmed on ALCO (at least on a quarterly basis)		

For the six months ended 30 June 2015, NLB d.d. and the NLB Group had no significant transfers of financial instruments between levels of valuation. For the six months ended 30 June 2014, significant transfers of financial instruments between levels of valuation are shown in the table below:

30.6.2014

in EUR thousand

	NLB d.d. and NLB Group					
	Level 1		Level 2		Level 3	
	from	to	from	to	from	to
Financial assets						
Financial instruments held for trading						
- debt instruments	-	1,248	(1,248)	-	-	-
Financial assets available for sale						
- equity instruments	(10,594)	-	-	10,594	-	-

c) Financial and non-financial assets and liabilities on Level 2 regarding the fair value hierarchy

Financial instruments on Level 2 of the fair value hierarchy at NLB d.d. and the NLB Group include:

- debt securities: bonds not quoted on active markets and valued by a valuation model;
- equities;
- derivatives: derivatives except forward derivatives and options on equity instruments that are not quoted on active markets;
- the National Resolution Fund; and
- structured deposits.

The majority of financial assets classified on Level 2 are available-for-sale debt instruments and derivatives.

When valuing bonds classified on Level 2, the NLB Group primarily uses the income approach based on an estimation of future cash flows discounted to the present value. The input parameters used in the income approach are the risk-free yield curve and the spread over the yield curve (credit, liquidity, country).

Fair values for derivatives are determined using a discounted cash flow model based on the risk-free yield curve. Fair values for options are determined using valuation models for options (Garman and Kohlhagen model, binomial model and Black-Scholes model).

At least three valuation methods are used for the valuation of investment property. The majority of investment property is valued using the income approach, where the present value of future expected returns is assessed. When valuing an investment property, average rents at similar locations and capitalisation ratios such as the risk-free yield, risk premium, liquidity premium, risk premium to account for the management of the investment and risk premium to account for capital preservation are used. Rents at similar locations are generated from various sources, such as data from lessors and lessees, web databases and own databases. The NLB Group has observable data for all investment property at its disposal. If observable data for similar locations are not available, the NLB Group uses data from wider locations and appropriately adjusts such data.

Non-current assets held for sale represent property, plant and equipment that are measured at fair value less costs to sell because it is lower than the previous carrying amount of those assets.

d) Financial and non-financial assets and liabilities on Level 3 of the fair value hierarchy

Financial instruments on Level 3 of the fair value hierarchy in NLB d.d. and the NLB Group include:

- debt securities: structured debt securities from inactive emerging markets;
- equities: mainly Slovenian corporate and financial equities that are not quoted on active markets; and
- derivative financial instruments: forward derivatives and options on equity instruments that are not quoted on an active organised market. Fair values for forward derivatives are determined using the discounted cash flow model. Fair values for equity options are determined using valuation models for options (Garman and Kohlhagen model, binomial model and Black-Scholes model). Unobservable inputs include the fair values of underlying instruments determined using valuation models. The source of observable market inputs is the Reuters information system.

The majority of financial assets classified on Level 3 are shares and ownership interests in companies and financial entities. The NLB Group uses three valuation methods for the valuation of equity financial assets: the income approach, market approach and cost approach.

The most commonly used valuation technique is the income approach. The income approach is based on an estimation of future cash flows discounted to the present value. One of the key elements of the valuation is the projection of the cash flows that the company involved is able to generate in the future. Based on that, the projection of the future cash flow is generated. The key variables that affect the amount of cash flows, and thus the estimated fair value of the financial asset, also include an assumption regarding the long-term EBITDA margin. A discount rate that is appropriate for the risks associated with the realisation of these benefits is used to discount cash flows. The discount rate is determined as the weighted average cost of capital. A forecast of future cash flows and a calculation of the weighted average cost of capital is prepared for an accurate forecasting period (usually 10 years from the date of the prediction value), and for a period following the period of accurate forecasting. Assumptions of long-term stable growth in the amount of 2.5% are used for the period following the period of accurate forecasting. The NLB Group can select values of unobservable input data within a reasonable possible range, but uses those input data that other market participants would use.

The following assumptions have been used when valuing available-for-sale financial assets classified on Level 3:

NLB d.d. and NLB Group	30.6.2015	31.12.2014
Available-for-sale financial assets		
Long-term weighted average cost of capital	8.8%-12.9%	8.8%-12.9%
EBITDA margin	8.5%-23%	8.5%-23%
Long-term free cash flow growth	2.5%	2.5%

When valuing derivatives on Level 3, the value of underlying instruments and the risk-free yield curve have been used in the valuation approach.

Sensitivity to valuation

Sensitivity to the valuation assumptions disclosed in the table below is illustrated by how much the fair value of financial instruments on Level 3 would increase or decrease if management had used reasonably possible alternative valuation assumptions that were not based on observable market data. The presentation of the sensitivity to valuation based on the discounted cash flow model includes a range of estimated values of the extent of the increase or decrease of the assumptions used in the amount of 10% of the value applied.

Free cash flow method

NLB d.d. and NLB Group	in EUR thousand			
	30.6.2015		31.12.2014	
	10%	-10%	10%	-10%
Available-for-sale financial assets				
Long-term weighted average cost of capital	(90)	117	(90)	117
EBITDA margin	139	(141)	139	(141)
Long-term free cash flow growth	176	(358)	176	(358)

Movements of financial assets and liabilities on Level 3

NLB d.d.	in EUR thousand				
	Financial assets held for trading		Available-for-sale financial assets	Total financial assets	Financial liabilities held for trading
	Debt instruments	Derivatives	Equity instruments		Derivatives
Balance at 1 January 2015	892	120	5,925	6,937	4,171
Valuation:					
- through profit or loss	-	(68)	-	(68)	43
- recognised in other comprehensive income	-	-	1	1	-
Exchange differences	83	-	-	83	-
Sales and settlements	-	-	(22)	(22)	-
Balance at 30 June 2015	975	52	5,904	6,931	4,214

NLB d.d.	in EUR thousand						
	Financial assets held for trading			Available-for-sale financial assets		Total financial assets	Financial liabilities held for trading
	Debt instruments	Equity instruments	Derivatives	Debt instruments	Equity instruments		Derivatives
Balance at 1 January 2014	4,058	16,719	118	3,573	4,240	28,708	3,916
Valuation:							
- through profit or loss	2	-	(81)	-	-	(79)	105
- recognised in other comprehensive income	-	-	-	15	(2)	13	-
Exchange differences	36	-	-	-	-	36	-
Increases (purchases)	120	-	-	196	-	316	-
Sales and settlements	(182)	-	-	(453)	(346)	(981)	-
Balance at 30 June 2014	4,034	16,719	37	3,331	3,892	28,013	4,021

in EUR thousand

NLB Group	Financial assets held for trading		Available-for-sale financial assets	Total financial assets	Financial liabilities held for trading
	Debt instruments	Derivatives	Equity instruments		Derivatives
Balance at 1 January 2015	892	120	6,742	7,754	4,171
Effects of translation of foreign operations to presentation currency	-	-	62	62	-
Valuation:					
- through profit or loss	-	(68)	-	(68)	43
- recognised in other comprehensive income	-	-	3	3	-
Exchange differences	83	-	-	83	-
Sales and settlements	-	-	(22)	(22)	-
Increases	-	-	4,402	4,402	-
Transfers to Level 3	-	-	107	107	-
Balance at 30 June 2015	975	52	11,294	12,321	4,214

in EUR thousand

NLB Group	Financial assets held for trading			Available-for-sale financial assets		Total financial assets	Financial liabilities held for trading
	Debt instruments	Equity instruments	Derivatives	Debt instruments	Equity instruments		Derivatives
Balance at 1 January 2014	4,058	16,719	118	3,573	4,714	29,182	3,916
Valuation:							
- through profit or loss	2	-	(81)	-	-	(79)	105
- recognised in other comprehensive income	-	-	-	15	(3)	12	-
Exchange differences	36	-	-	-	-	36	-
Increases (purchases)	120	-	-	196	-	316	-
Sales and settlements	(182)	-	-	(453)	(357)	(992)	-
Transfer out of Level 3	-	-	-	-	(58)	(58)	-
Balance at 30 June 2014	4,034	16,719	37	3,331	4,296	28,417	4,021

NLB d.d. and the NLB Group recognise effects from the valuation of trading instruments in the income statement item Gains less losses from financial assets and liabilities held for trading, and recognise exchange differences in the income statement item Foreign exchange translation gains less losses. Effects from the valuation of available-for-sale financial assets are recognised in the income statement item Impairment charge, and in the other comprehensive income item Available-for-sale financial assets.

In the first six months of 2015 and 2014, NLB d.d. and the NLB Group recognised the following unrealised gains or losses for financial instruments that were on Level 3 as at 30 June 2015 and 30 June 2014:

in EUR thousand

30.6.2015	NLB d.d.			NLB Group		
	Financial assets held for trading	Available-for-sale financial assets	Financial liabilities held for trading	Financial assets held for trading	Available-for-sale financial assets	Available-for-sale financial assets
Items of Income statement						
Gains less losses from financial assets and liabilities held for trading	(68)	-	43	(68)	-	43
Foreign exchange translation gains less losses	83	-	-	83	-	-
Item of Other comprehensive income						
Available-for-sale financial assets	-	1	-	-	2	-

in EUR thousand

30.6.2014	NLB d.d.		NLB Group		
	Financial assets held for trading	Financial liabilities held for trading	Financial assets held for trading	Available-for-sale financial assets	Available-for-sale financial assets
Items of Income statement					
Gains less losses from financial assets and liabilities held for trading	(79)	(105)	(79)	-	(105)
Impairment charge	-	-	-	(56)	-
Foreign exchange translation gains less losses	10	-	10	-	-
Item of Other comprehensive income					
Available-for-sale financial assets	-	-	-	2	-

e) Fair value of financial instruments not measured at fair value in financial statements

in EUR thousand

	NLB d.d.				NLB Group			
	30.6.2015		31.12.2014		30.6.2015		31.12.2014	
	Carrying value	Fair value						
Loans and advances								
- debt securities	714,813	729,423	706,785	720,046	714,813	729,423	706,785	720,046
- loans and advances to banks	183,831	193,499	159,300	164,397	247,527	247,848	271,340	272,687
- loans and advances to customers	4,823,452	4,791,956	4,993,040	4,969,519	6,653,878	6,682,275	6,708,332	6,728,908
- loans to government	385,387	407,995	387,378	419,543	501,059	528,811	515,315	544,055
- loans to financial organisations	441,455	453,396	548,731	569,502	151,991	152,868	154,132	158,023
- loans to individuals	1,880,597	1,895,374	1,884,000	1,921,247	2,855,273	2,933,549	2,803,302	2,900,577
- loans to other customers	2,116,013	2,035,191	2,172,931	2,059,227	3,145,555	3,067,047	3,235,583	3,126,253
- other financial assets	50,085	50,085	47,836	47,836	64,908	64,908	71,769	71,769
Held-to-maturity investments	577,937	629,249	711,648	775,265	577,937	629,249	711,648	775,265
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	95,848	95,848	91,115	91,017	69,146	68,926	62,334	62,371
- borrowings from banks and central banks	585,566	580,582	643,578	633,768	645,038	642,407	714,722	706,449
- due to customers	6,054,475	6,063,621	6,294,925	6,314,378	8,704,483	8,716,028	8,943,832	8,984,830
- borrowings from other customers	11,803	11,793	33,511	33,410	106,661	106,288	136,660	140,362
- debt securities in issue	320,081	337,500	359,853	373,777	320,081	337,500	359,853	373,777
- subordinated liabilities	-	-	-	-	27,355	27,650	17,328	14,629
- other financial liabilities	59,827	59,827	46,223	46,223	87,876	87,876	71,886	71,886

Loans and advances to banks

The estimated fair value of deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and residual maturities. The fair value of overnight deposits equals their carrying value.

Loans and advances to customers

Loans and advances are net of the allowance for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates for debts with similar credit risk and residual maturities to determine their fair value.

Deposits and borrowings

The fair value of sight deposits and overnight deposits equals their carrying value. However, their actual value for the NLB Group depends on the timing and amounts of cash flows, current market rates and the credit risk of the depository institution itself. A portion of sight deposits is stable, similar to term deposits. Therefore, their economic value for the NLB Group differs from the carrying amount.

The estimated fair value of other deposits and borrowings from customers is based on discounted cash flows using interest rates for new deposits with similar residual maturities.

Held-to-maturity financial assets and issued debt securities

The fair value of held-to-maturity financial assets and issued debt securities is based on their quoted market price or value calculated by using a discounted cash flow method and prevailing money market interest rates.

Loan commitments

For credit facilities that are drawn soon after the NLB Group grants loans (drawn at market rates) and loan commitments to those clients that are not impaired, the fair value is close to zero. For loan commitments to clients that are impaired, the fair value represents the amount of the provisions created.

Other financial assets and liabilities

The carrying amount of other financial assets and liabilities is a reasonable approximation of their fair value as they mainly relate to short-term receivables and payables.

Fair value hierarchy of financial instruments not measured at fair value in financial statements

in EUR thousand

30.6.2015	NLB d.d.				NLB Group			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Loans and advances								
- debt securities	-	729,423	-	729,423	-	729,423	-	729,423
- loans and advances to banks	-	193,499	-	193,499	-	247,848	-	247,848
- loans and advances to customers	-	4,791,956	-	4,791,956	-	6,682,275	-	6,682,275
- loans to government	-	407,995	-	407,995	-	528,811	-	528,811
- loans to financial organisations	-	453,396	-	453,396	-	152,868	-	152,868
- loans to individuals	-	1,895,374	-	1,895,374	-	2,933,549	-	2,933,549
- loans to other customers	-	2,035,191	-	2,035,191	-	3,067,047	-	3,067,047
- other financial assets	-	50,085	-	50,085	-	64,908	-	64,908
Held-to-maturity investments	629,249	-	-	629,249	629,249	-	-	629,249
Financial liabilities measured at amortised cost								
- deposits from banks	-	95,848	-	95,848	-	68,926	-	68,926
- borrowings from banks	-	580,582	-	580,582	-	642,407	-	642,407
- due to customers	-	6,063,621	-	6,063,621	-	8,716,028	-	8,716,028
- borrowings from other customers	-	11,793	-	11,793	-	106,288	-	106,288
- debt securities in issue	337,500	-	-	337,500	337,500	-	-	337,500
- subordinated liabilities	-	-	-	-	-	27,650	-	27,650
- other financial liabilities	-	59,827	-	59,827	-	87,876	-	87,876

in EUR thousand

31.12.2014	NLB d.d.				NLB Group			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Loans and advances								
- debt securities	-	720,046	-	720,046	-	720,046	-	720,046
- loans and advances to banks	-	164,397	-	164,397	-	272,687	-	272,687
- loans and advances to customers	-	4,969,519	-	4,969,519	-	6,728,908	-	6,728,908
- loans to government	-	419,543	-	419,543	-	544,055	-	544,055
- loans to financial organisations	-	569,502	-	569,502	-	158,023	-	158,023
- loans to individuals	-	1,921,247	-	1,921,247	-	2,900,577	-	2,900,577
- loans to other customers	-	2,059,227	-	2,059,227	-	3,126,253	-	3,126,253
- other financial assets	-	47,836	-	47,836	-	71,769	-	71,769
Held-to-maturity investments	775,265	-	-	775,265	775,265	-	-	775,265
Financial liabilities measured at amortised cost								
- deposits from banks	-	91,017	-	91,017	-	62,371	-	62,371
- borrowings from banks	-	633,768	-	633,768	-	706,449	-	706,449
- due to customers	-	6,314,378	-	6,314,378	-	8,984,830	-	8,984,830
- borrowings from other customers	-	33,410	-	33,410	-	140,362	-	140,362
- debt securities in issue	373,777	-	-	373,777	373,777	-	-	373,777
- subordinated liabilities	-	-	-	-	-	14,629	-	14,629
- other financial liabilities	-	46,223	-	46,223	-	71,886	-	71,886

5.16. Offsetting financial assets and financial liabilities

The NLB Group entered into foreign exchange netting arrangements with certain banks and companies. Cash flows from all FX derivatives with counterparties that are due on the same day are settled on a net basis, i.e. a single cash flow for each currency. Assets and liabilities related to these FX netting arrangements are not presented in a net amount in the statement of financial position because netting rules apply to cash flows and not to an instrument as a whole.

In accordance with the European Market Infrastructure Regulation (EMIR), the NLB Group also novated certain standardised derivative financial instruments to a central counterparty in 2013. A system of daily margins assures the mitigation and collateralisation of exposures, as well as the daily settlement of cash flows for each currency.

30.6.2015

in EUR thousand

NLB d.d.	Gross amounts of recognised financial assets/liabilities	Gross amounts set off in the statement of financial position	Net amounts of financial assets/liabilities presented in the statement of financial position	Amounts not set off in the statement of financial position			Net amount
				Impact of master netting agreements	Financial instruments collateral		
FINANCIAL ASSETS/LIABILITIES							
Derivatives - assets	30,057	-	30,057	11,788	6,200		12,069
Derivatives - liabilities	47,418	-	47,418	11,788	22,133		13,497

31.12.2014

in EUR thousand

NLB d.d.	Gross amounts of recognised financial assets/liabilities	Gross amounts set off in the statement of financial position	Net amounts of financial assets/liabilities presented in the statement of financial position	Amounts not set off in the statement of financial position			Net amount
				Impact of master netting agreements	Financial instruments collateral		
FINANCIAL ASSETS/LIABILITIES							
Derivatives - assets	40,526	-	40,526	16,919	8,396		15,211
Derivatives - liabilities	63,086	-	63,086	16,919	23,972		22,195

30.6.2015

in EUR thousand

NLB Group	Gross amounts of recognised financial assets/liabilities	Gross amounts set off in the statement of financial position	Net amounts of financial assets/liabilities presented in the statement of financial position	Amounts not set off in the statement of financial position			Net amount
				Impact of master netting agreements	Financial instruments collateral		
FINANCIAL ASSETS/LIABILITIES							
Derivatives - assets	30,057	-	30,057	11,788	6,200		12,069
Derivatives - liabilities	47,418	-	47,418	11,788	22,133		13,497

31.12.2014

in EUR thousand

NLB Group	Gross amounts of recognised financial assets/liabilities	Gross amounts set off in the statement of financial position	Net amounts of financial assets/liabilities presented in the statement of financial position	Amounts not set off in the statement of financial position			Net amount
				Impact of master netting agreements	Financial instruments collateral		
FINANCIAL ASSETS/LIABILITIES							
Derivatives - assets	39,931	-	39,931	16,919	8,396		14,616
Derivatives - liabilities	63,086	-	63,086	16,919	23,972		22,195

6. Events after the end of the reporting period

There were no events after 30 June 2015 that would have a materially significant influence on the presented financial statements.

7. Other disclosures

7.1. Related-party transactions

The volumes of related party transactions and the outstanding balances:

in EUR thousand

NLB d.d. and NLB Group	Management Board and other Key management personnel		Family members of the Management Board and other key management personnel		Companies in which members of the Management Board, key management personnel or their family members have control, joint control or a significant influence		Supervisory Board	
	30.6.2015	31.12.2014	30.6.2015	31.12.2014	30.6.2015	31.12.2014	30.6.2015	31.12.2014
Loans and deposits issued	1,987	2,102	344	347	438	451	17	18
Loans and deposits received	1,599	1,958	751	1,136	178	199	125	115
Other financial assets	-	-	1	1	-	-	-	-
Other financial liabilities	-	3	-	-	-	-	-	-
Guarantees issued and commitments to extend credit	225	276	78	114	4	4	19	20
	six months ended June 2015 June 2014		six months ended June 2015 June 2014		six months ended June 2015 June 2014		six months ended June 2015 June 2014	
Interest income	24	30	5	8	6	7	-	1
Interest expenses	(9)	(25)	(5)	(8)	-	-	-	(1)
Fee income	6	7	3	3	3	3	-	-

	in EUR thousand			
	NLB d.d.		NLB Group	
	Ultimate parent		Ultimate parent	
	30.6.2015	31.12.2014	30.6.2015	31.12.2014
Loans and deposits issued	223,980	225,971	231,295	233,895
Loans and deposits received	135,007	375,102	135,007	375,102
Investments in securities	874,296	1,015,263	901,078	1,094,826
Other financial assets	1	1	305	305
Other financial liabilities	40	34	40	34
Guarantees issued and commitments to extend credit	828	884	828	884
	six months ended		six months ended	
	June	June	June	June
	2015	2014	2015	2014
Interest income	18,356	26,184	18,550	26,706
Interest expenses	(38)	(221)	(38)	(221)
Fee income	57	25	57	25
Fee expenses	(26)	-	(26)	-
Other income	3	2	3	2
Other expenses	(1)	(30)	(1)	(30)

NLB d.d. discloses all transactions with the ultimate controlling party. For transactions with other government-related entities, the NLB Group discloses individually significant transactions.

in EUR thousand

NLB d.d.	Total amount of significant transactions		Number of significant transactions	
	1.1.-30.6.2015	1.1.-31.12.2014	1.1.-30.6.2015	1.1.-31.12.2014
Loans	496,749	443,752	5	4
Debt securities classified as loans and advances	714,813	706,785	2	2
Debt securities	52,429	51,998	1	1
Deposits and business accounts	58,100	89,810	1	2
Borrowings	134,713	267,078	2	5
Commitments to extend credit	40,000	40,000	1	1
	six months ended			
	June 2015	June 2014		
Interest income from loans	3,638	2,161		
Effects from net interest income and net valuation from debt securities classified as loans and advances	10,808	17,811		
Interest income from debt securities	431	857		
Interest expense from deposits	(2)	-		
Interest expense from borrowings	(289)	(2,240)		
Interest income from commitments to extend credit	125	120		

in EUR thousand

	NLB d.d.					
	Subsidiaries		Associates		Joint ventures	
	30.6.2015	31.12.2014	30.6.2015	31.12.2014	30.6.2015	31.12.2014
Loans and deposits issued	448,381	621,076	1,678	1,942	94,068	103,972
Loans and deposits received	46,337	48,380	2,724	1,642	3,759	770
Debt securities in issue	-	-	580	569	-	-
Derivatives						
Fair value	503	589	-	-	-	-
Contractual amount	3,751	4,313	-	-	-	-
Other financial assets	316	625	1	25	14	11
Other financial liabilities	229	4,086	109	1,078	154	134
Guarantees issued and commitments to extend credit	34,303	76,332	41	42	15,227	42,646
Received loan commitments and financial guarantees	750	1,386	-	-	-	-
	six months ended		six months ended		six months ended	
	June	June	June	June	June	June
	2015	2014	2015	2014	2015	2014
Interest and dividend income	5,959	12,736	38	214	1,907	3,832
Interest expenses	(11)	(94)	(11)	(48)	(107)	(21)
Fee income	2,632	1,480	50	150	1,185	1,476
Fee expenses	(47)	(55)	(4,289)	(4,113)	(648)	(620)
Other income	217	2,478	247	1,601	150	204
Other expenses	(1,427)	(2,166)	(452)	(504)	-	(60)

in EUR thousand

	NLB Group			
	Associates		Joint ventures	
	30.6.2015	31.12.2014	30.6.2015	31.12.2014
Loans and deposits issued	1,678	1,942	94,606	104,590
Loans and deposits received	2,724	1,642	7,604	4,116
Debt securities in issue	580	569	-	-
Other financial assets	1	25	14	11
Other financial liabilities	109	1,078	154	134
Guarantees issued and commitments to extend credit	41	42	15,486	42,831
	six months ended		six months ended	
	June	June	June	June
	2015	2014	2015	2014
Interest and dividend income	38	250	1,908	3,833
Interest expenses	(11)	(48)	(165)	(44)
Fee income	50	150	1,209	1,490
Fee expenses	(4,289)	(4,113)	(648)	(620)
Other income	247	1,601	150	204
Other expenses	(452)	(504)	-	(60)

Key management compensation

in EUR thousand

NLB d.d. and NLB Group	Management Board		Other key management personnel	
	six months ended		six months ended	
	June 2015	June 2014	June 2015	June 2014
Short-term benefits	292	367	2,103	2,524
Cost refunds	3	4	54	73
Long-term bonuses:				
- post employment benefits	-	-	-	4
- jubilee bonuses	1	-	12	1
Bonuses	96	-	515	-
TOTAL	392	371	2,684	2,602

Short-term benefits include:

- monetary benefits (gross salaries, supplementary insurance, holiday bonus, other bonus); and
- non-monetary benefits (company cars, health care, apartments etc.).

The reimbursement of costs comprises food allowances and travel expenses.

Post-employment benefits include additional pension insurance and annuity savings.

7.2. Analysis by segment

a) Segments

six months ended 30 June 2015

in EUR thousand

NLB Group	Corporate banking in Slovenia	Retail banking in Slovenia	Financial markets in Slovenia	Foreign strategic markets	Non-strategic markets and activities	Other activities	Unallocated	Total
Total net income	51,765	60,418	47,611	79,768	3,228	2,913	-	245,703
Net income from external customers	58,079	54,349	40,227	81,465	6,569	2,913	-	243,602
Intersegment net income	(6,314)	6,069	7,384	(1,697)	(3,341)	-	-	2,101
<i>Net interest income</i>	30,016	35,434	34,135	59,658	10,788	-	-	170,031
<i>Net interest income from external customers</i>	36,330	26,855	29,527	61,808	15,511	-	-	170,031
<i>Intersegment net interest income</i>	(6,314)	8,579	4,608	(2,150)	(4,723)	-	-	-
Administrative expenses	(27,341)	(36,086)	(8,904)	(40,734)	(12,829)	(5,019)	-	(130,913)
Depreciation and amortisation	(3,235)	(5,310)	(939)	(4,032)	(1,673)	(977)	-	(16,166)
Reportable segment profit/(loss) before impairment and provision charge	21,189	19,022	37,768	35,002	(11,274)	(3,083)	-	98,624
Share of profits of associates and joint ventures	-	2,249	-	-	-	-	-	2,249
Impairment and provisions charge	(10,323)	(4,843)	59	(12,392)	(11,109)	(2,409)	-	(41,017)
Profit/(loss) before income tax	10,866	16,428	37,827	22,610	(22,383)	(5,492)	-	59,856
<i>Owners of the parent</i>	10,866	16,428	37,827	20,855	(22,383)	(5,492)	-	58,101
<i>Non-controlling interests</i>	-	-	-	1,755	-	-	-	1,755
Income tax	-	-	-	-	-	-	(4,739)	(4,739)
Profit for the period	-	-	-	-	-	-	-	55,117
30.6.2015								
Reportable segment assets	2,070,636	2,001,365	3,213,855	3,330,548	855,967	68,119	-	11,540,490
Investments in associates and joint ventures	-	38,212	-	-	-	-	-	38,212
Reportable segment liabilities	1,355,241	4,529,703	1,260,933	2,877,855	107,963	40,922	-	10,172,617

six months ended 30 June 2014

in EUR thousand

NLB Group	Corporate banking in Slovenia	Retail banking in Slovenia	Financial markets in Slovenia	Foreign strategic markets	Non-strategic markets and activities	Other activities	Unallocated	Total
Total net income	56,074	65,367	46,297	68,169	20,580	(2,808)	-	253,679
Net income from external customers	64,268	45,095	34,793	71,460	38,087	(2,808)	-	250,895
Intersegment net income	(8,194)	20,272	11,504	(3,291)	(17,507)	-	-	2,784
<i>Net interest income</i>	30,202	41,755	32,997	49,967	7,362	-	-	162,283
<i>Net interest income from external customers</i>	38,756	17,865	34,102	53,889	17,671	-	-	162,283
<i>Intersegment net interest income</i>	(8,554)	23,890	(1,105)	(3,922)	(10,309)	-	-	-
Administrative expenses	(28,674)	(38,345)	(9,410)	(39,955)	(14,261)	(4,125)	-	(134,770)
Depreciation and amortisation	(3,643)	(6,274)	(1,084)	(4,218)	(2,166)	(863)	-	(18,248)
Reportable segment profit/(loss) before impairment and provision charge	23,757	20,748	35,803	23,996	4,153	(7,796)	-	100,661
Share of losses of associates and joint ventures	-	1,016	-	-	-	-	-	1,016
Impairment and provisions charge	(49,212)	(6,774)	9,847	(16,400)	(2,941)	(492)	-	(65,972)
(Loss)/profit before income tax	(25,455)	14,990	45,650	7,596	1,212	(8,288)	-	35,705
<i>Owners of the parent</i>	(25,455)	14,990	45,650	6,249	1,212	(8,288)	-	34,358
<i>Non-controlling interests</i>	-	-	-	1,347	-	-	-	1,347
Income tax	-	-	-	-	-	-	(344)	(344)
Profit for the period	-	-	-	-	-	-	-	35,361
31.12.2014								
Reportable segment assets	2,141,427	2,012,245	3,416,236	3,337,451	912,275	52,330	-	11,871,964
Investments in associates and joint ventures	-	37,525	-	-	-	-	-	37,525
Reportable segment liabilities	1,307,244	4,517,289	1,677,059	2,883,458	123,954	31,190	-	10,540,194
Additions to non-current assets	1,317	4,185	265	7,189	9,067	-	-	22,023

b) Geographical information

in EUR thousand

NLB Group	Revenues		Net income		Non-current assets		Total assets	
	six months ended		six months ended		30.6.2015	31.12.2014	30.6.2015	31.12.2014
	June 2015	June 2014	June 2015	June 2014				
Slovenia	210,592	231,483	173,550	175,956	213,123	219,691	8,067,283	8,375,571
South East Europe	113,587	115,922	82,870	74,123	115,492	116,922	3,409,252	3,432,197
Macedonia	38,825	37,890	27,236	24,540	34,894	35,113	1,055,214	1,044,617
Serbia	10,459	12,086	8,883	7,266	24,165	25,392	286,452	304,384
Montenegro	15,531	15,806	10,079	8,551	10,766	11,005	493,888	512,631
Croatia	399	771	1,184	976	4,588	4,495	37,008	41,446
Bosnia and Herzegovina	32,613	33,769	22,957	23,306	27,094	26,682	1,081,047	1,064,185
Bulgaria	-	-	-	(10)	1	1	344	351
Kosovo	15,760	15,600	12,531	9,494	13,984	14,234	455,299	464,583
Western Europe	695	284	(12,818)	761	285	310	97,931	96,972
Germany	1	13	200	31	251	275	3,273	3,326
Switzerland	694	271	(13,018)	730	34	35	94,658	93,646
Czech Republic	-	-	-	55	-	-	4,236	4,749
TOTAL	324,874	347,689	243,602	250,895	328,900	336,923	11,578,702	11,909,489

The geographical analysis includes a breakdown by geographical segments with respect to the country in which individual NLB Group entities are located.

7.3. Subsidiaries

The NLB Group's subsidiaries as at 30 June 2015 were:

	Nature of Business	Country of Incorporation	NLB's shareholding %	NLB Group's shareholding %
LHB AG, Frankfurt	Finance	Republic of Germany	100	100
NLB Tutunska Banka a.d., Skopje	Banking	Republic of Macedonia	86.97	86.97
NLB Montenegrobanka a.d., Podgorica	Banking	Republic of Montenegro	98.00	98.00
NLB banka a.d., Beograd	Banking	Republic of Serbia	99.997	99.997
Convest a.d., Novi Sad	Finance	Republic of Serbia	-	100
NLB Banka d.d., Tuzla	Banking	Republic of Bosnia and Herzegovina	97.34	97.34
NLB Razvojna banka a.d., Banja Luka	Banking	Republic of Bosnia and Herzegovina	99.85	99.85
NLB Prishtina s.h.a., Priština	Banking	Republic of Kosovo	81.21	81.21
NLB Leasing d.o.o., Ljubljana	Finance	Republic of Slovenia	100	100
NLB Leasing Sofija E.o.o.d., Sofija	Finance	Republic of Bulgaria	-	100
Optima Leasing d.o.o., Zagreb	Finance	Republic of Croatia	-	100
PRO-REM d.o.o., Ljubljana	Real estate	Republic of Slovenia	100	100
OL Nekretnine d.o.o., Zagreb	Real estate	Republic of Croatia	-	100
REAM d.o.o. Beograd	Real estate	Republic of Serbia	100	100
REAM d.o.o., Zagreb	Real estate	Republic of Croatia	100	100
REAM d.o.o. Podgorica	Real estate	Republic of Montenegro	100	100
SR-RE d.o.o. Beograd	Real estate	Republic of Serbia	100	100
NLB Leasing Podgorica d.o.o., Podgorica	Finance	Republic of Montenegro	100	100
NLB Leasing d.o.o., Beograd	Finance	Republic of Serbia	100	100
NLB Leasing d.o.o., Sarajevo	Finance	Republic of Bosnia and Herzegovina	100	100
NLB Lizing d.o.o.e.l., Skopje	Finance	Republic of Macedonia	100	100
NLB InterFinanz AG, Zürich	Finance	Switzerland	100	100
NLB InterFinanz Praha s.r.o., Praga	Finance	Czech Republic	-	100
NLB InterFinanz d.o.o., Beograd	Finance	Republic of Serbia	-	100
NLB Factoring a.s. - "v likvidaci", Ostrava	Finance	Czech Republic	100	100
NLB Skladi d.o.o., Ljubljana	Finance	Republic of Slovenia	100	100
NLB Nov penziski fond a.d., Skopje	Insurance	Republic of Macedonia	51	100
NLB Crna gora d.o.o., Podgorica	Real estate	Republic of Montenegro	100	100
FIN-DO d.o.o., Domžale	Real estate	Republic of Slovenia	100	100
NLB Propria d.o.o., Ljubljana	Real estate	Republic of Slovenia	100	100
NLB Srbija d.o.o., Beograd	Real estate	Republic of Serbia	100	100
CBS Invest d.o.o., Sarajevo	Real estate	Republic of Bosnia and Herzegovina	100	100
Prospera plus d.o.o., Ljubljana	Tourist and catering trade	Republic of Slovenia	100	100

The NLB Group's subsidiaries as at 31 December 2014 were:

	Nature of Business	Country of Incorporation	NLB's shareholding %	NLB Group's shareholding %
LHB AG, Frankfurt	Finance	Republic of Germany	100	100
LHB Trade d.o.o. - v likvidaciji, Zagreb	Trade	Republic of Croatia	-	100
NLB Tutunska Banka a.d., Skopje	Banking	Republic of Macedonia	86.97	86.97
NLB Montenegrobanka a.d., Podgorica	Banking	Republic of Montenegro	98.00	98.00
NLB banka a.d., Beograd	Banking	Republic of Serbia	99.997	99.997
Convest d.o.o., Novi Sad	Finance	Republic of Serbia	-	100
NLB Banka d.d., Tuzla	Banking	Republic of Bosnia and Herzegovina	96.30	96.30
NLB Razvojna banka a.d., Banja Luka	Banking	Republic of Bosnia and Herzegovina	99.85	99.85
NLB Prishtina sh.a., Priština	Banking	Republic of Kosovo	81.21	81.21
NLB Leasing d.o.o., Ljubljana	Finance	Republic of Slovenia	100	100
NLB Leasing Sofija E.o.o.d., Sofija	Finance	Republic of Bulgaria	-	100
Optima Leasing d.o.o., Zagreb	Finance	Republic of Croatia	-	99.97
PRO-REM d.o.o., Ljubljana	Real estate	Republic of Slovenia	100	100
OL Nekretnine d.o.o., Zagreb	Real estate	Republic of Croatia	-	100
NLB Leasing Podgorica d.o.o., Podgorica	Finance	Republic of Montenegro	100	100
NLB Leasing d.o.o., Beograd	Finance	Republic of Serbia	100	100
NLB Leasing d.o.o., Sarajevo	Finance	Republic of Bosnia and Herzegovina	100	100
NLB Lizing d.o.o.e.l., Skopje	Finance	Republic of Macedonia	100	100
NLB InterFinanz AG, Zürich	Finance	Switzerland	100	100
NLB InterFinanz Praha s.r.o., Praga	Finance	Czech Republic	-	100
NLB InterFinanz d.o.o., Beograd	Finance	Republic of Serbia	-	100
NLB Factoring a.s. - "v likvidaci", Ostrava	Finance	Czech Republic	100	100
NLB Skladi d.o.o., Ljubljana	Finance	Republic of Slovenia	100	100
NLB Nov penziski fond a.d., Skopje	Insurance	Republic of Macedonia	51	100
NLB Crna gora d.o.o., Podgorica	Real estate	Republic of Montenegro	100	100
FIN-DO d.o.o., Domžale	Real estate	Republic of Slovenia	100	100
NLB Propria d.o.o., Ljubljana	Real estate	Republic of Slovenia	100	100
NLB Srbija d.o.o., Beograd	Real estate	Republic of Serbia	100	100
CBS Invest d.o.o., Sarajevo	Real estate	Republic of Bosnia and Herzegovina	100	100
Prospera plus d.o.o., Ljubljana	Tourist and catering trade	Republic of Slovenia	100	100

*Ownership interest is calculated after the deduction of treasury shares