



On Solid Ground: Towards New Challenges

Interim Report, September 2015

Key data

Table 1: Key Financial and Other Data for the NLB Group and NLB d.d.

	30.9.2015		30.9.2014		Change YoY	
	NLB Group	NLB d.d.	NLB Group	NLB d.d.	NLB Group	NLB d.d.
Key Income statement data (in EUR thousand)						
Net operating income	363,144	254,897	382,930	278,576	-5%*	-9%
Costs	216,938	137,612	224,663	144,064	-3%	-4%
Result before impairments and provisions	146,206	117,285	158,267	134,512	-8%	-13%
Impairments and provisions	60,939	61,299	108,667	84,827	-44%*	-28%
Result after tax	77,668	50,251	47,860	50,341	62%	0%
Key financial indicators						
Return on equity after tax (ROE a.t.)	7.5%	5.4%	4.9%	5.8%	2.6 p.p.	-0.4 p.p.
Return on assets after tax (ROA a.t.)	0.9%	0.8%	0.5%	0.7%	0.4 p.p.	0.1 p.p.
Costs to income ratio (CIR)	59.7%	54.0%	58.7%	51.7%	1.0 p.p.	2.3 p.p.
Interest margin	2.7%	2.4%	2.5%	2.4%	0.2 p.p.	-0.1 p.p.
	30.9.2015		31.12.2014		Change YtD	
	NLB Group	NLB d.d.	NLB Group	NLB d.d.	NLB Group	NLB d.d.
Key financial position statement data (in EUR thousand)						
Total assets	11,770,162	8,707,349	11,909,489	8,885,727	-1%	-2%
Loans to non-banking sector (net)	7,339,039	5,518,579	7,415,117	5,699,825	-1%	-3%
Deposits from non-banking sector	8,934,166	6,231,742	8,948,533	6,299,626	0%	-1%
Total equity	1,405,971	1,243,675	1,343,061	1,204,920	5%	3%
Loans to non-banking sector / deposits from non-banking sector (LTD)	75.0%	78.3%	75.9%	80.7%	-0.9 p.p.	-2.4 p.p.
Common Equity Tier 1 Ratio = Total Capital Ratio	15.9%	23.0%	17.6%	22.7%	-1.7 p.p.**	0.3 p.p.
Asset quality indicators						
Gross non-performing loans (in EUR thousand)	2,280,297	1,311,226	2,623,405	1,535,741	-13%	-15%
Coverage ratio***	69.1%	63.6%	68.7%	70.4%	0.4 p.p.	-6.8 p.p.
Gross non-performing loans / total loans	22.2%	18.9%	25.1%	21.2%	-2.9 p.p.**	-2.3 p.p.
Net non-performing loans (in EUR thousand)	883,766	576,017	1,005,963	659,686	-12%	-13%
Net non-performing loans / total loans	10.2%	9.4%	11.7%	10.7%	-1.5 p.p.	-1.3 p.p.

* The main changes are explained in the chapter titled Overview of the NLB Group's financial performance, subchapter Income statement.

** The main changes are explained in the chapter titled Overview of the NLB Group's financial performance, subchapter Statement of financial position.

*** The coverage of gross non-performing loans with impairments on all loans.

International credit ratings NLB d.d.	30.9.2015	31.12.2014	Outlook
Standard & Poor's	BB-	BB-	Negative
Fitch	B+	BB-	Stabile

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Business Report

1. Key Events in 2015

The Slovenian government increases the tax on financial services by 2 p.p. to 8.5% (1.1.2015).

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

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).

The Slovenian government submits an action plan to the Council of Europe for implementing the judgment 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, in which it will purchase ABC, sovereign and covered bonds in the amount of EUR 60 billion per month until the end of September 2016 (22.1.2015).

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

January

NLB d.d. and seven other banks conclude an agreement with Hidria Group on the terms of its financial restructuring. NLB d.d. acts as a coordinator and an agent (20.1.2015).

The European Commission forecasts Slovenian GDP to grow by 1.8% in 2015 and 2.3% 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. enters into a syndicated facility with KD Group in the amount of EUR 67 million. NLB d.d. acts as an organiser and an agent (23.2.2015).

In February 2015, NLB d.d. establishes three new limited liability real-estate companies: 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 are expected to systematically and comprehensively manage the NLB Group's entire investment property portfolio, as well as real estate provided as loan collateral.

The European Central Bank begins purchasing bonds from states and other institutions in the secondary market, initiating the quantitative easing programme (9.3.2015).

The Constitutional Court unanimously repeals 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 Asset Management Company (16.3.2015).

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

March

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

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

Based on the Bank Resolution Authority and Fund Act, the Bank of Slovenia establishes up a special fund for bank resolution. In the future, this fund will be used to rescue banks as a 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 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 GDP growth of 2.2% in 2015 and 1.8% in 2016 (15.4.2015).

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

The Slovenian government adopts the National Reform Programme 2015–2016, which is aimed at privatising the banks, among other issues (29.4.2015).

April

NLB d.d. upgrades its Klikin mobile bank with the option to view the balance and transactions of a selected personal account and the balance of the holder's and authorised persons' 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 Organisation for Economic Cooperation and Development forecasts Slovenian GDP growth of 1.8% in 2015 (4.5.2015).

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

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

The Management Boards of Banka Celje and Abanka agree on the merger of Banka Celje with Abanka, making Abanka the second largest bank in Slovenia (20.5.2015).

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

May

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

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

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).

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).

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 with BTC in the amount of EUR 16 million (3.6.2015).

NLB d.d. establishes the company SR-RE d.o.o, Belgrade – Novi Beograd, which was established for the entry/acquisition of real estate with upside potential in Serbia (3.6.2015).

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).

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).

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 Kligen as a member of the Supervisory Board of NLB d.d. (22.6.2015).

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

The Slovenian parliament approves the State Asset Management Strategy. In the case of NLB d.d., where in line with the state-aid commitments for the capital increase, the Slovenian government undertook to reduce the capital investment to 25% + 1 share by the end of 31 December 2017; SDH will prepare a programme in collaboration with NLB d.d. management to list 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 Slovenian government issues ten-year maturity bonds in the amount of EUR 1.25 billion (28.7.2015).

July

NLB d.d. and eight other banks enter into an MRA with the Hidria Group, where the Bank acts as a coordinator and an agent (6.7.2015).

NLB d.d. acquires a new subsidiary, Tara hotel (8.7.2015).

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).

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

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

- The Central Bank of China devalues its currency unexpectedly (11.8.2015).
- The Statistical Office of the Republic of Slovenia reports GDP growth of 2.7% GDP in the first half of the year (31.8.2015).

August

- NLB d.d. and the Chamber of Craft and Small Business of Slovenia sign a contract on business cooperation (13.8.2015).
- NLB d.d. issues a call for proposals for small businesses for a free lease and complimentary use of business premises owned by the bank (21.8.2015).

- The European Commission grants a license to Apollo, a financial organisation, for the purchase of NKBM. Apollo will make the purchase together with the European Bank for Reconstruction and Development (1.9.2015).

- The Slovenian government issues 30-year bonds in the amount of EUR 275 million (10.9.2015).

- The Bank of Slovenia issues a permit to Factor banka and Probanka for the early repayment of guaranteed deposits (16.9.2015).

- In its autumn forecasts of economic trends, the Institute of Macroeconomic Analysis and Development predicts 2.7% growth of GDP in 2015 and 2.4% growth in 2016 (21.9.2015).

- Fitch confirms the rating for Slovenia's long-term debt at BBB+ and improves the outlook from stable to positive (25.9.2015).

September

- The General Assembly of NLB Banka Tuzla adopts a resolution to change the headquarters and name of the bank to NLB Banka Sarajevo. The registration of these changes is in progress (16.9.2015).

- The merger by acquisition of Banka Celje and Abanka is finalised. The process began at the beginning of 2015 (5.10.2015).

- The International Monetary Fund forecasts GDP growth of 2.3% in 2015 and 1.8% in 2016 (9.10.2015) for Slovenia.

- The Bank of Slovenia forecasts GDP growth of 2.6% in 2015 and 1.9% in 2016 (14.10.2015).

October

- NLB d.d. spins-off the assets of NLB Propria and establishes a new subsidiary, PRO-Avenija d.o.o. (1.10.2015).

- NLB d.d. starts to sell the NLB Prepaid Contactless MasterCard (12.10.2015).

- NLB banka Beograd divests its 100% stake in Convest Novi Sad. From that date, the company is no longer a member of the NLB Group (13.10.2015).

- NLB Centre of Innovative Entrepreneurship officially opens its doors (14.10.2015).

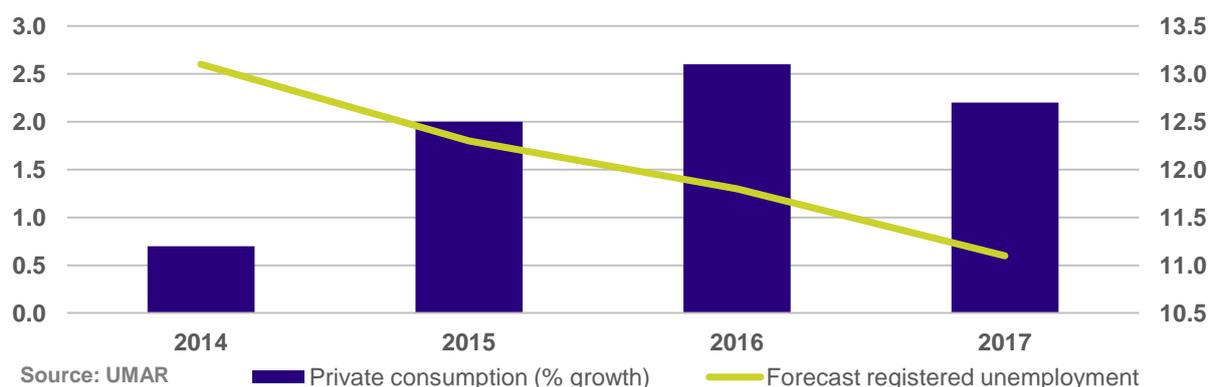
- NLB Tutunska Bank celebrates its 30th anniversary (28.10.2015).

Macroeconomic Environment

The third quarter of 2015 has been eventful for the financial markets; the quarter witnessed the resolution of the contentious Greek crisis, which had been the source of significant worry and financial market movements. The crisis put into question not only the financial stability of the euro area, but also its future. Following the conclusion of the crisis in Greece, it was the slowdown in China and the emerging markets which then became the focus and source of market movements. Concerns over the slowdown in China were substantial, to the extent that it was a major factor in the Federal Reserve's decision to postpone its long awaited rate hike at its September meeting. Nearly all equity indices concluded the quarter with sharp falls, and global equity markets ended the quarter down by close to 9% overall. The global economic slowdown also had a dramatic effect on commodity prices, with the price of crude oil in particular feeling downward pressure from falling demand and record output levels. The fall in commodity prices had a notable effect on inflation, with the euro area recording negative consumer price growth in September for the first time since March; the return of deflationary pressures and the inaction of the Federal Reserve in September quickly led to increased speculation of further quantitative easing from the ECB, which materialized with a further fall in short-term lending rates in the region, as well as extending expectations of their duration. On a more positive note, the third quarter of the year saw a marked improvement in euro area domestic demand; against the aforementioned heightened risks, both economic sentiment and industrial confidence grew throughout the quarter, driven by the prospect of further quantitative easing and the continued low price of oil; unemployment also continued to fall throughout the quarter to a current 10.8%. Overall, the euro area's economy has gained traction and is becoming increasingly robust. The continued divergence between the developed and developing markets, through its impact on global trade and commodity prices, will continue to be a central factor and a risk that affects global and euro area economic development throughout 2015 and the coming year.

Data released during the third quarter revealed that Slovenia's economy had grown by 2.7% in the first half of 2015, with strong performance in exports, which had risen by 5.5%. Crucially, the improving economic conditions, rising consumer sentiment and falling unemployment resulted in improving private consumption, which grew by 1.8% in the third quarter. Industrial production was at its highest levels in July and August. The government is expected to meet its commitment to decrease the fiscal deficit to 3% GDP in 2015 while the current account surplus is expected to remain above 6% in the near-term. As a result of the fall in commodity prices, deflationary pressures have persisted through the quarter and are expected to continue throughout the rest of the year; a slight pickup in inflation is expected in 2016. Unemployment has continued to fall throughout the quarter and, based on the latest available data, is now at 11.8%. It has fallen by 1.7 percentage points in 2015 and is expected to continue falling throughout the coming year. The country's economic revival is projected to continue in the coming years, with UMAR forecasting GDP growth of 2.7% in 2015 and 2.3% in 2016, supported by strong export growth and increasing domestic demand.

Figure 1: Private consumption and unemployment forecast in Slovenia 2014–2017



Slovenia's banking system continued to strengthen throughout the quarter, creating an aggregate pre-tax profit of EUR 197.2 million in the first nine months of 2015, 60% more than in the same period in 2014, according to data from the Bank of Slovenia. Corporate loans have continued to decrease and were down 8.3% in the first nine months of 2015, despite increasing demand. Loans to households recorded modest growth throughout the year. Non-performing loans have continued to fall and accounted for 11.1% of the banking systems portfolio in September, down 0.8 of a percentage point from December 2014. The banking system has found stability, with external debt decreasing to 13%, among the lowest in the euro area, and falling corporate debt; overall credit growth is projected to remain depressed in 2015, an improvement is expected in 2016.

Interest rates for new loans in Slovenia have been on a downward trend throughout 2015, with the exception of interest rates on new corporate loans above EUR 1 million, which tend to be volatile, as a result of easing credit conditions and rising competition. The interest rates on new housing loans decreased by 50 basis points in the first eight months of 2015 to 2.4%, with the spread between Slovenia and the euro area tightening to 30 basis points, the lowest spread recorded since early 2013. The interest rates on new consumer loans in Slovenia have been lower than those of the euro area since the beginning of 2012, and their spread has widened throughout 2015 from negative 30 basis points to negative 90 basis points in August, when they were at 4.4%. The interest rates on new corporate loans below EUR 1 million decreased by 110 basis points throughout the year and have been falling steadily since the end of 2013 to 3.4% as of August; in the same period, their spread with the euro area decreased from 140 to 60 basis points. The interest rates and spreads on new corporate loans above EUR 1 million generally show much more volatility owing to the limited scope of such loans in Slovenia and their susceptibility to a single large loan transaction; after falling throughout 2015, a spike in August saw these yields equal those at the end of 2014, or 3.4%, while the spread with Europe widened dramatically to 200 basis points, levels not witnessed since November 2014. The falling interest rates and the introduction of a higher financial services tax (DFS), which was increased from 6.5% to 8.5% at the beginning of the year, are adding to the pressures felt by the financial industry in Slovenia.

The introduction of the new Banking Act (hereinafter: the ZBan-2) will have a notable impact on Slovenia's banking system through rising capital requirements. In addition to the extensive changes with regard to the bank capital requirements, the ZBan-2 has introduced rules regarding internal management, sanctions imposed by the Bank of Slovenia and a partial transfer of supervisory powers to the ECB. The ZBan-2 has transposed the EU legal framework for the banking sector into Slovenian national law, in particular Directive 2013/26/EU on the access to the operations of credit institutions and the prudent supervision of credit institutions and investment companies, which is, in combination with Regulation 575/2013 on the prudential requirements for credit institutions and investment firms, a key EU banking regulation. The ZBan-2 has also introduced a permit for the function of a Supervisory Board member and transferred the credit rating information exchange system to the Bank of Slovenia.

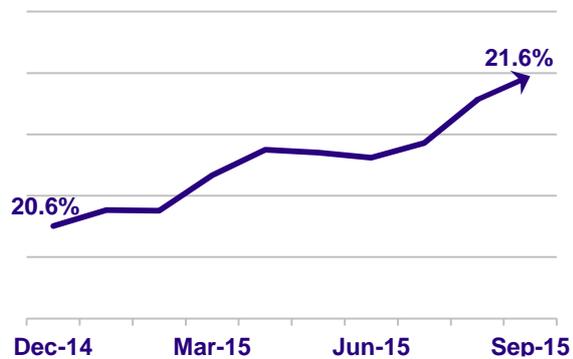
Business with Clients

Key Market Activities

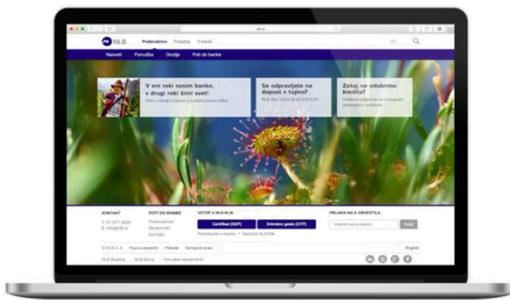
The following **key activities** contributed to the performance of the NLB Group in the first nine months of 2015:

- **Revitalisation of sales activities and an increase in loans to customers in core segments**, which is primarily reflected in the market share of corporate loans growing by 1.0 percentage point in 2015.

Figure 2: Market Share of NLB d.d. in Corporate Loans



- We re-launched an intensive cycle of service and sales channel development. During this period, we were the first bank in the market to introduce **Maestro contactless cards**. At the beginning of October, we began offering a prepaid MasterCard with an NFC sticker, which allows easy contactless payments. The Bank also launched **Klikin, a mobile application** which provides its retail customers with much simpler and more useful access to basic viewing and transaction services. In October, we upgraded the application to include an "in-payment" feature, which enables our clients to transfer their money via a mobile number stored in the Smartphone address book.



- After many years, NLB d.d. started to **renovate its traditional branches**. The redesigned 'open space' concept simplifies and facilitates improved and more comfortable communication with clients. In April, the first redesigned branch was opened in Krško, followed by the branch in Logatec. The bank counters in several smaller branches were renovated, making them more open and allowing for automated teller cash machines to be installed. In a few years, the Bank intends to renovate the entire sales network.

- **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 made syndicated loans totalling EUR 150 million.



- **We still play the leading role in the restructuring of the Slovenian economy.** As an adviser, we remain very active in numerous restructuring cases of Slovenian companies, thereby demonstrating our high level of expertise, responsibility and efficiency. After having completed numerous restructuring processes for some of the biggest Slovenian companies, in 2015 we shifted our focus to the restructuring of mid corporate and small businesses.

All of the restructuring activities carried out by the Bank over the past two years are now 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 keep their NPL status for at least a year after they have started making regular repayments of their restructured liabilities).

Other Key Activities

- **Opening of the NLB Innovative Entrepreneurship Centre**

In October, the NLB Innovative Entrepreneurship Centre officially opened its doors.



It offers events and training on entrepreneurship and finance, as well as a place to network and conclude banking transactions for existing and future entrepreneurs. Since unofficially opening its doors in May 2015, the Centre has hosted more than 100 events.

- **Transformation Programme Implementation**

After 1000 days, the Transformation Programme, which started in September 2013, was officially closed. The aim of the Transformation Programme was to analyse the existing business model, while also defining and planning the introduction of appropriately adjusted target business models for each of the areas transformed. By the end of September 2015, 19 projects as well as all three business initiatives had been successfully completed, the effects of which are already reflected in the Bank's operations. Four projects from the Transformation Programme have remained active.

- **Active approach to NPL management**

In the first nine months of 2015, the NLB Group ramped up efforts to reduce the level of NPLs. 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. The results of numerous past and current activities related to NPL restructuring, the active management of pledged properties and the increasing centralisation of NPL recovery procedures are reflected in a lower volume of NPLs. In the first nine months of 2015, the NPLs decreased by EUR 343 million. In addition, activities were initiated with regard to market-specific NPL portfolios.

- **Active reduction of the non-core investment portfolio**

Through dedicated efforts, the NLB Group was able to reduce its total non-core assets in the first nine months of 2015 by 9.3% to EUR 828 million.

Figure 3: NPL in the NLB Group: fall of EUR 343 million

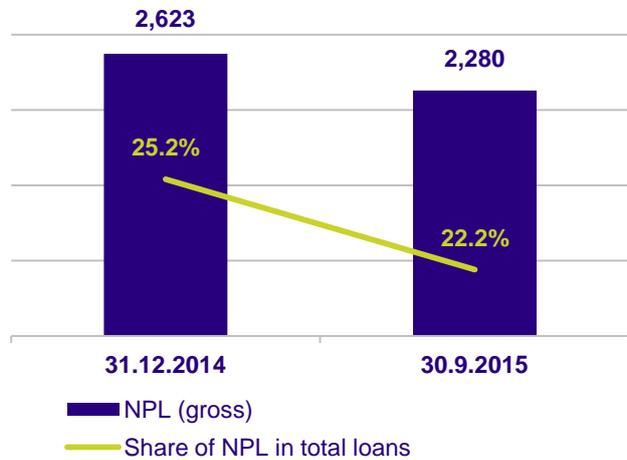
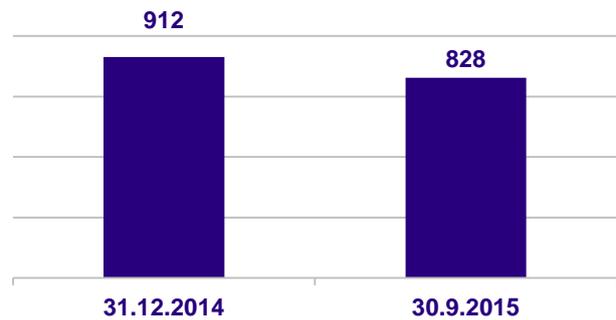


Figure 4: Non-core assets of the NLB Group



Overview of the NLB Group's Financial Performance

Key Overview

- With **EUR 77.7 million in profit after tax**, the NLB Group continues to demonstrate stable and profitable operations in a very challenging macro environment and falling interest rates (primarily in Slovenia).
- **Retail loans up by 2%.**
- Higher quality of the NLB Group's assets – **decrease of gross non-performing loans by EUR 343 million (13%).**
- **Downward trend of operating costs continues.**
- **Continuous pressure on lower interest margins** in the Slovenian market expected to spill over to other NLB Group markets and affect business results in 2016.
- Continuing **divestment activities on the non-core part of the NLB Group.**

Income Statement

Table 2: NLB Group – key income statement items

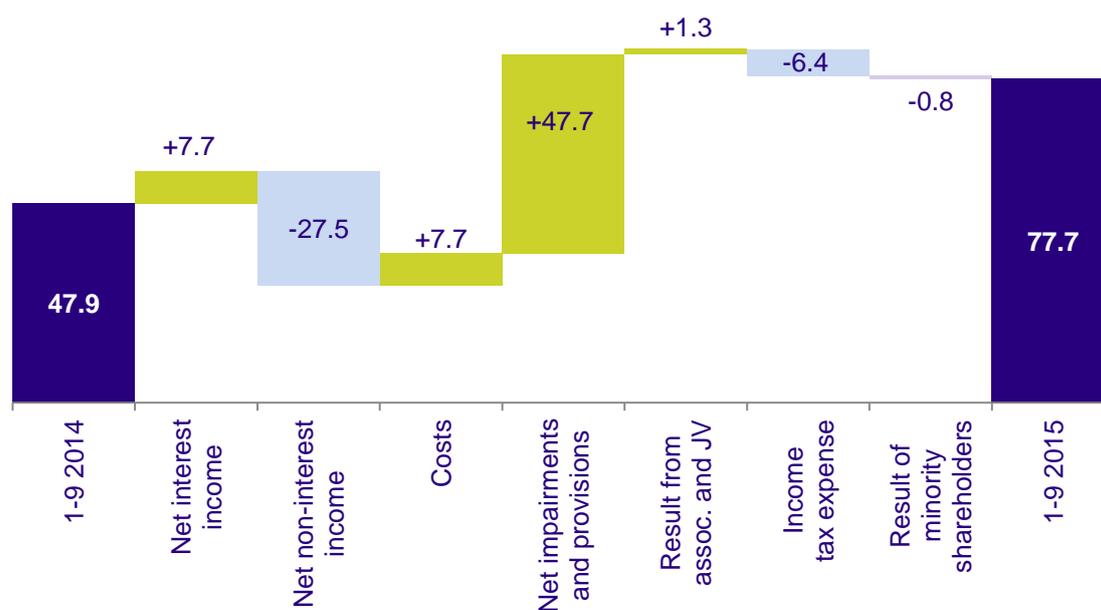
	Total			Quarters		
	1.1. - 30.9.2015	1.1. - 30.9.2014	Change YoY	3Q 2015	2Q 2015	Change QoQ
in EUR thousand						
Net interest income	253,051	245,328	3%	83,020	85,425	-3%
Net fee and commission income	103,291	103,451	0%	34,317	35,275	-3%
Dividend income	1,305	1,754	-26%	33	1,266	-97%
Net income from financial transactions	1,503	29,469	-95%	2,507	196	-
Net other income	3,994	2,928	36%	(335)	2,779	-
Net non-interest income	110,093	137,602	-20%	36,522	39,516	-8%
Total net operating income	363,144	382,930	-5%	119,542	124,941	-4%
Employee costs	(120,395)	(122,754)	-2%	(40,501)	(40,111)	1%
Other administrative expenses	(72,386)	(74,618)	-3%	(23,468)	(25,792)	-9%
Depreciation and amortisation	(24,157)	(27,291)	-11%	(7,991)	(7,901)	1%
Total costs	(216,938)	(224,663)	-3%	(71,960)	(73,804)	-2%
Result before impairments and provisions	146,206	158,267	-8%	47,582	51,137	-7%
Impairments of available-for-sale financial assets	104	(2,464)	-	(13)	38	-
Credit impairments and provisions	(44,383)	(98,328)	-55%	(10,008)	(14,724)	-32%
Other impairments and provisions	(16,660)	(7,875)	112%	(9,901)	(5,175)	91%
Impairments and provisions	(60,939)	(108,667)	-44%	(19,922)	(19,861)	0%
Result from equity investments in associates and joint ventures	3,667	2,325	58%	1,418	1,098	29%
Profit before income tax	88,934	51,925	71%	29,078	32,374	-10%
Income tax	(8,462)	(2,048)	313%	(3,723)	(3,050)	22%
Result of non-controlling interests	2,804	2,017	39%	1,049	947	11%
Profit for the period	77,668	47,860	62%	24,306	28,377	-14%

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

	Total			Quarters		
	1.1. - 30.9.2015	1.1. - 30.9.2014	Change YoY	3Q 2015	2Q 2015	Change QoQ
in EUR thousand						
Net interest income	157,147	171,303	-8%	49,525	52,782	-6%
Net fee and commission income	73,235	74,939	-2%	24,247	25,113	-3%
Dividend income	14,985	6,352	136%	64	13,505	-100%
Net income from financial transactions	7,864	25,191	-69%	1,117	(204)	-
Net other income	1,666	791	111%	1,335	1,239	8%
Net non-interest income	97,750	107,273	-9%	26,763	39,653	-33%
Total net operating income	254,897	278,576	-9%*	76,288	92,435	-17%
Employee costs	(76,156)	(78,211)	-3%	(25,487)	(25,393)	0%
Other administrative expenses	(45,105)	(47,356)	-5%	(14,394)	(16,307)	-12%
Depreciation and amortisation	(16,351)	(18,497)	-12%	(5,371)	(5,350)	0%
Total costs	(137,612)	(144,064)	-4%*	(45,252)	(47,050)	-4%
Result before impairments and provisions	117,285	134,512	-13%	31,036	45,385	-32%
Impairments of available-for-sale financial assets	104	(2,340)	-	(13)	38	-
Credit impairments and provisions	(46,470)	(82,091)	-43%*	(7,303)	(12,439)	-41%
Other impairments and provisions	(14,933)	(396)	-	(11,184)	(3,411)	228%
Impairments and provisions	(61,299)	(84,827)	-28%	(18,500)	(15,812)	17%
Profit before income tax	55,986	49,685	13%	12,536	29,573	-58%
Income tax	(5,735)	656	-	(2,386)	(3,036)	-21%
Profit for the period	50,251	50,341	0%	10,150	26,537	-62%

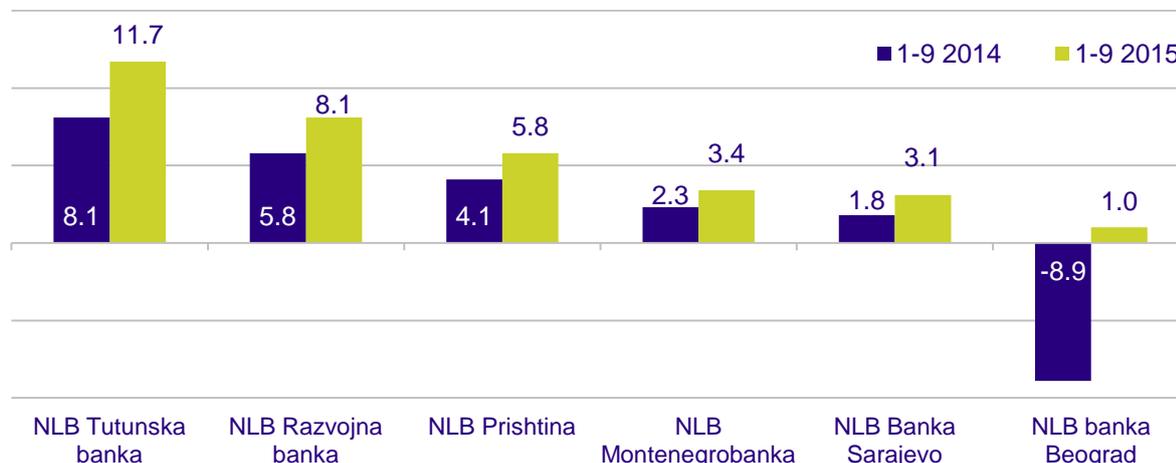
* Explanations of main changes are presented on the next page.

Figure 5: Net profit of the NLB Group – YoY reconciliation (in EUR million)



In the first nine months of 2015, the NLB Group generated **EUR 77.7 million of profit after tax, thus continuing the trend of stable operations.**

Figure 6: Net profit of the strategic NLB Group members – YoY reconciliation (in EUR million)



With its stand-alone result of EUR 50.3 million, NLB d.d. makes the largest contribution to the NLB Group's result. In the first nine months of 2015, all the core members of the NLB Group made profit, which was significantly higher than for the same period the year before. In the first nine months of 2015, the non-core members operated at a loss, with the exception of NLB Leasing Ljubljana, which in 2015 significantly improved its performance. NLB d.d. continues with its activities of divesting all non-core members, including regular repayments and other divestment possibilities.

The NLB Group **result before impairments and provisions**, without taking into account non-recurring effect, increased by 14% compared to the same period the year before. The improvement is mostly due to a higher net interest income (EUR 7.7 million) as a result of the higher interest margins of the banking members of the NLB Group, the stable interest margins of NLB d.d. and the lower operating expenses (EUR -7.7 million). The income from fees and commissions remains stable.

The **net interest income** of the NLB Group is stable and slightly higher since the net interest income of the banking members of the NLB Group made up for the fall in the net interest income of NLB d.d. owing to higher interest margins..

Despite low interest rates and higher competition in the Slovenian market, NLB d.d. made an interest margin of 2.35%; however, since February 2015, the trend has been weakening slightly. **The interest margin of the NLB Group is currently 3%, but it is expected to be difficult to maintain if the situation in the macroeconomic environment does not improve.** Since the net interest margin, and consequently the net interest income, is expected to continue to fall in the last quarter of 2015, and especially throughout 2016, the situation on the revenue side will become even more challenging in all the markets of the NLB Group, especially Slovenia.

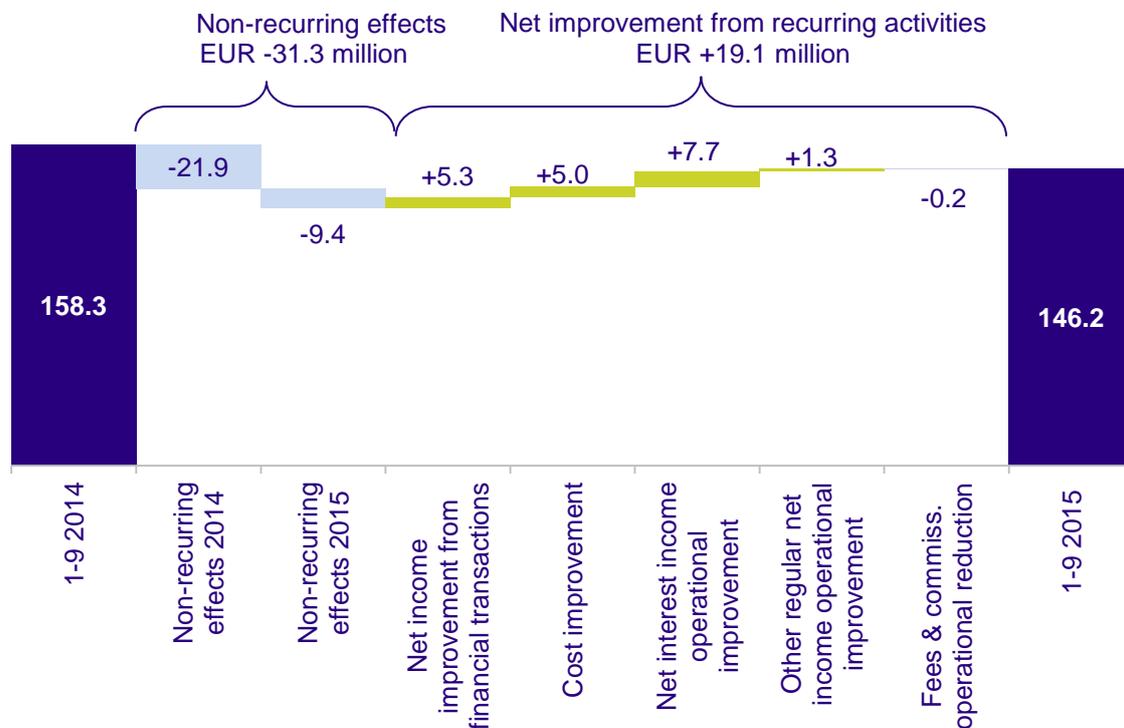
The **net non-interest income** of the NLB Group is mostly composed of a relatively stable net income from net fees and commissions and more volatile financial operations, which have been primarily affected by negative exchange rate differences due to the sudden change in the CHF exchange rate in 1Q 2015. The net fees and commissions have remained the same YoY, despite the negative effect of the higher tax rates imposed by the financial services tax.

The downward trend of **operating costs** in the NLB Group continues. The share of costs in the net income of the NLB Group is 59.7%. Without taking into account the non-recurring effects, the share of costs in the net income (CIR) is 58.1% or 3.6 percentage points lower YoY. In NLB d.d., the CIR totalled 54.0%.

The CIR is not expected to decrease, rather slightly increase, due to the planned investments in strategic business support (i.e. digitalisation, introduction of new distribution channels, customer relationship management tools), renovation of branches and growing pressure on the revenues. At the NLB Group level, the efforts continue to lower the non-core costs base.

In the first nine months of 2015, the **impairments and provisions** of the NLB Group stood at EUR 60.9 million, which represents a fall of 44% YoY, whereas impairments and provisions for credit risks alone decreased by 55%. One of the main reasons for the decrease was the successful restructuring of some large corporate systems. The trend in impairments and provisions depends on the performance of individual clients and the NLB's non-core divestment activities; therefore, the same trend cannot be expected in the last quarter of 2015.

Figure 7: Profit before impairments and provisions of the NLB Group – YoY reconciliation (in EUR million)



The NLB Group's results, before impairments and provisions, without taking into account non-recurring effect, increased by EUR 19.1 million YoY. Despite the slightly lower performance of the recurring operations, the effects of one-off events have been neutralised. Non-recurring effects in 2015 arose mainly from the valuation loss due to the sudden change in the CHF exchange rate and the sale of debt securities, whereas in 2014 the non-recurring effects were largely positive from the successful divestment of both debt and equity positions.

Statement of financial position

Table 4: Key financial position items

	NLB Group			NLB d.d.		
	30.9.2015	31.12.2014	Change	30.9.2015	31.12.2014	Change
in EUR thousand						
Cash, cash balances at central banks and other demand deposits at banks	1,286,151	1,127,527	14%	533,635	434,438	23%
Loans to banks	235,999	271,340	-13%	168,803	159,300	6%
Loans to non-banking sector	7,339,039	7,415,117	-1%	5,518,579	5,699,825	-3%
Gross loans	8,775,872	9,053,421	-3%	6,292,149	6,698,207	-6%
- corporate	4,572,348	4,942,111	-7%	3,291,484	3,727,126	-12%
- individuals	3,031,559	2,957,961	2%	1,953,475	1,958,806	0%
- government	533,891	534,231	0%	409,116	393,157	4%
- BAMC bonds	638,074	619,118	3%	638,074	619,118	3%
Impairments	(1,436,833)	(1,638,304)	-12%	(773,570)	(998,382)	-23%
Financial assets	2,356,204	2,529,328	-7%	1,923,743	2,037,906	-6%
- Held for trading	200,140	138,218	45%	200,634	138,808	45%
- Available-for-sale, held to maturity and designated at fair value through PL	2,156,064	2,391,110	-10%	1,723,109	1,899,098	-9%
Investments in subsidiaries, associates and JV	38,566	37,525	3%	373,056	352,712	6%
Property and equipment, investment property and intangible assets	331,574	299,398	11%	120,855	132,531	-9%
Other assets	182,629	229,254	-20%	68,678	69,015	0%
TOTAL ASSETS	11,770,162	11,909,489	-1%	8,707,349	8,885,727	-2%
Deposits from banks and central banks	63,039	62,334	1%	117,285	91,115	29%
Deposits from non-banking sector	8,934,166	8,948,533	0%	6,231,742	6,299,626	-1%
- corporate	2,146,937	2,031,275	6%	1,385,229	1,312,236	6%
- individuals	6,367,048	6,336,946	0%	4,535,169	4,515,767	0%
- government	420,181	580,312	-28%	311,344	471,623	-34%
Debt securities in issue	308,079	359,853	-14%	308,079	359,853	-14%
Borrowings	703,532	851,382	-17%	559,831	677,089	-17%
Other liabilities	300,047	300,764	0%	246,737	253,124	-3%
Subordinated liabilities	27,510	17,328	59%	-	-	-
Equity	1,405,971	1,343,061	5%	1,243,675	1,204,920	3%
Non-controlling interests	27,818	26,234	6%	-	-	-
TOTAL LIABILITIES AND EQUITY	11,770,162	11,909,489	-1%	8,707,349	8,885,727	-2%

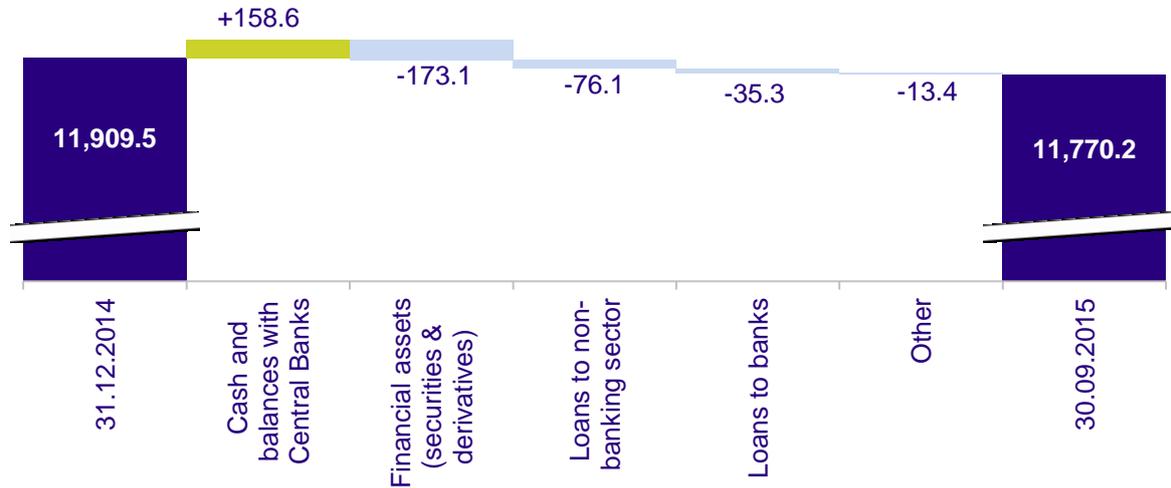
The NLB Group continues with activities to improve the **quality of its assets**. The percentage of A- and B-rated loans in the entire lending portfolio is 74%, which is 4 percentage points higher than at the end of 2014. The **gross non-performing loans decreased by EUR 343.1 million** compared to the end of last year. The gross non-performing loans as a percentage of total loans fell by 2.9 percentage points from the figure for the end of 2014. The level of coverage by impairments and provisions on the remaining non-performing loans is high at 69.1%.

In the first nine months of 2015, **NLB d.d. approved EUR 378.0 million of new loans to the corporate sector** for financing working capital (64%) and investing in fixed assets (30%), of which EUR 257.8 million was long-term. Newly approved retail loans totalled EUR 325.6 million, of which 58% were consumer and 42% housing loans. A drop in credit activities continues mainly due to the deleveraging of companies, while retail loans are increasing.

At the end of September 2015, the unencumbered **liquidity reserves** of the NLB Group stood at EUR 5,049.2 million or 43% of the total assets, having decreased by 2% compared to the end of 2014 as a result of repayments of funding liabilities on the financial markets. Dynamic liquidity projections for NLB d.d. reveal that, **in the case of baseline and stressed scenarios, NLB d.d. will have no short-falls in liquidity reserves in the one-year period to follow**. The other banking members of NLB

Group also have surplus liquidity reserves and do not expect any liquidity challenges in the event of a baseline liquidity scenario in the one-year period to follow.

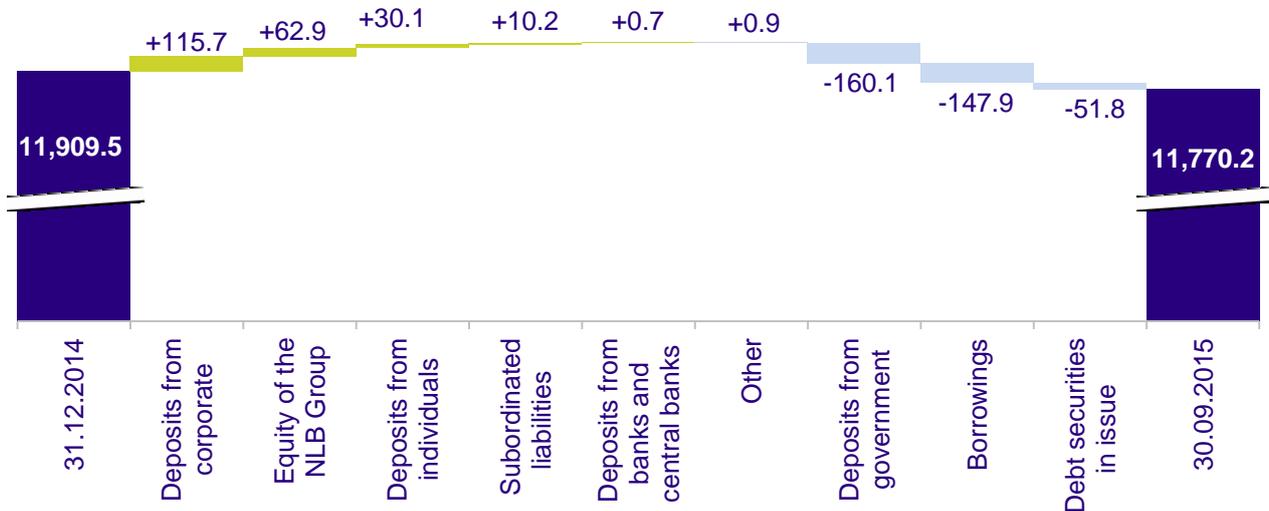
Figure 8: Total Assets of the NLB Group – YtD reconciliation (in EUR million)



Deposits from the non-banking sector represent 76% of the total **funding** for the NLB Group. Owing to repayments, the liabilities relating to issued debt securities and borrowings dropped by EUR -199.7 million, which includes an early repayment in the amount of EUR 82.2 million because of a strong liquidity situation. The loan-to-deposit ratio (LTD) of the non-banking sector in the NLB Group is 75%.

The **capital adequacy** of the NLB Group was 15.9%; it fell by 1.7 percentage points in 2015. The decrease is mainly a result of an increase in risk-weighted assets as a consequence of regulatory changes at the beginning of 2015. Without this one-off effect, the capital adequacy would have been 0.5 percentage points higher in this nine-month period.

Figure 9: Total liabilities and equity of the NLB Group – YtD reconciliation (in EUR million)

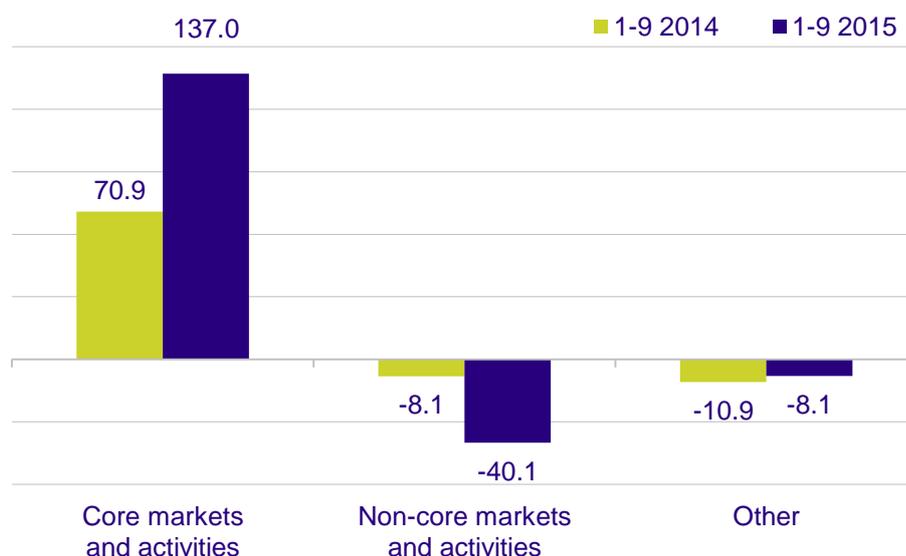


NLB Group Core and Non-Core

The core markets and operations of the NLB Group generated a **higher profit** before tax due to a **higher net interest income (EUR 6.4 million), lower costs (EUR -5.8 million) and lower impairments and provisions (EUR -52.9 million)**. The attributed profit by associates and joint-ventures was EUR 3.7 million during this period. **The recurring part of the result**, excluding one-off effects from financial operations, was **EUR 128.9 million**, substantially higher than for the same period last year (EUR 69.9 million), representing an improvement of **118%**.

The non-core markets and operations incurred a loss, of which a relatively large part was due to the negative effects of exchange rate fluctuations and additional impairments and provisions (EUR 3.1 million). The results for the same period last year were helped by substantial extraordinary gains from the successful divestment of equity instruments (EUR 16.0 million). **The operating costs were EUR 3.2 million (-13.1%) lower YoY.**

Figure 10: Performance of core and non-core operations (result before tax, in EUR million) - YoY reconciliation



Financial Statements

Unaudited Condensed Interim Financial Statements of NLB d.d. and the NLB Group as at 30.9.2015

Prepared in accordance with IAS 34 "Interim financial reporting"

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Condensed income statement

in EUR thousand

	NLB d.d.			NLB Group			
	Notes	nine months ended		Change	nine months ended		Change
		September 2015	September 2014		September 2015	September 2014	
Interest and similar income	4.1.	205,766	253,089	-19%	334,504	376,343	-11%
Interest and similar expenses	4.1.	(48,619)	(81,786)	-41%	(81,453)	(131,015)	-38%
Net interest income		157,147	171,303	-8%	253,051	245,328	3%
Dividend income		14,985	6,352	136%	1,305	1,754	-26%
Fee and commission income	4.2.	96,341	96,765	0%	145,465	142,578	2%
Fee and commission expenses	4.2.	(23,106)	(21,826)	6%	(42,174)	(39,127)	8%
Net fee and commission income		73,235	74,939	-2%	103,291	103,451	0%
Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	4.3.	10,662	30,397	-65%	10,598	30,527	-65%
Gains less losses from financial assets and liabilities held for trading	4.4.	(26,154)	(4,544)	476%	(21,282)	62	-
Gains less losses from financial assets and liabilities designated at fair value through profit or loss		-	-	-	(51)	46	-
Fair value adjustments in hedge accounting		286	(1,037)	-	286	(1,037)	-
Foreign exchange translation gains less losses		23,070	375	-	11,952	(129)	-
Gains less losses on derecognition of assets other than held for sale		68	(72)	-	(265)	(1,317)	-80%
Other operating income	4.5.	9,935	13,876	-28%	20,289	20,202	0%
Other operating expenses	4.6.	(7,770)	(11,522)	-33%	(15,461)	(14,535)	6%
Administrative expenses	4.7.	(121,261)	(125,567)	-3%	(192,781)	(197,372)	-2%
Depreciation and amortisation		(16,351)	(18,497)	-12%	(24,157)	(27,291)	-11%
Provisions for other liabilities and charges	4.8.	2,559	(17,902)	-	876	(17,322)	-
Impairment charge	4.9.	(63,858)	(66,925)	-5%	(61,815)	(91,345)	-32%
Share of profits of associates and joint ventures accounted for using the equity method		-	-	-	3,667	2,325	58%
Net (loss)/gain from non-current assets held for sale		(567)	(1,491)	-62%	(569)	(1,422)	-60%
PROFIT BEFORE INCOME TAX		55,986	49,685	13%	88,934	51,925	71%
Income tax	4.10.	(5,735)	656	-	(8,462)	(2,048)	313%
PROFIT FOR THE PERIOD		50,251	50,341	0%	80,472	49,877	61%
Attributable to owners of the parent		50,251	50,341	0%	77,668	47,860	62%
Attributable to non-controlling interests		-	-	-	2,804	2,017	39%
Earnings per share (in EUR per share)		2.51	2.52	0%	3.88	2.39	62%

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

in EUR thousand

	NLB d.d.									
	three months ended					three months ended				
	September 2015	June 2015	Change	March 2015	Change	September 2014	June 2014	Change	March 2014	Change
Interest and similar income	63,110	68,844	-8%	73,812	-7%	82,525	84,233	-2%	86,331	-2%
Interest and similar expenses	(13,585)	(16,062)	-15%	(18,972)	-15%	(25,549)	(26,464)	-3%	(29,773)	-11%
Net interest income	49,525	52,782	-6%	54,840	-4%	56,976	57,769	-1%	56,558	2%
Dividend income	64	13,505	-100%	1,416	854%	19	5,975	-100%	358	-
Fee and commission income	32,539	33,104	-2%	30,698	8%	32,459	33,238	-2%	31,068	7%
Fee and commission expenses	(8,292)	(7,991)	4%	(6,823)	17%	(7,451)	(7,925)	-6%	(6,450)	23%
Net fee and commission income	24,247	25,113	-3%	23,875	5%	25,008	25,313	-1%	24,618	3%
Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	1,059	52	-	9,551	-99%	9,648	9,975	-3%	10,774	-7%
Gains less losses from financial assets and liabilities held for trading	2,645	674	292%	(29,473)	-	501	(2,771)	-	(2,274)	22%
Fair value adjustments in hedge accounting	(93)	(46)	102%	425	-	(57)	(1,029)	-94%	49	-
Foreign exchange translation gains less losses	(2,494)	(884)	182%	26,448	-	484	29	-	(138)	-
Gains less losses on derecognition of assets other than held for sale	76	(79)	-	71	-	12	(95)	-	11	-
Other operating income	2,997	3,170	-5%	3,768	-16%	3,494	4,040	-14%	6,342	-36%
Other operating expenses	(1,172)	(1,852)	-37%	(4,746)	-61%	(2,755)	(4,315)	-36%	(4,452)	-3%
Administrative expenses	(39,881)	(41,700)	-4%	(39,680)	5%	(41,246)	(43,028)	-4%	(41,293)	4%
Depreciation and amortisation	(5,371)	(5,350)	0%	(5,630)	-5%	(6,073)	(6,155)	-1%	(6,269)	-2%
Provisions for liabilities and charges	447	(2,680)	-	4,792	-	4,459	(12,780)	-	(9,581)	33%
Impairment charge	(18,947)	(13,132)	44%	(31,779)	-59%	(35,887)	(19,213)	87%	(11,825)	62%
Net (loss)/gain from non-current assets held for sale	(566)	-	-	(1)	-	-	(1,536)	-	45	-
PROFIT BEFORE INCOME TAX	12,536	29,573	-58%	13,877	113%	14,583	12,179	20%	22,923	-47%
Income tax	(2,386)	(3,036)	-21%	(313)	870%	(79)	102	-	633	-84%
PROFIT FOR THE PERIOD	10,150	26,537	-62%	13,564	96%	14,504	12,281	18%	23,556	-48%

Condensed income statement – by quarter for the NLB Group

in EUR thousand

	NLB Group									
	three months ended					three months ended				
	September 2015	June 2015	Change	March 2015	Change	September 2014	June 2014	Change	March 2014	Change
Interest and similar income	106,688	112,356	-5%	115,460	-3%	124,134	124,609	0%	127,600	-2%
Interest and similar expenses	(23,668)	(26,931)	-12%	(30,854)	-13%	(41,089)	(43,029)	-5%	(46,897)	-8%
Net interest income	83,020	85,425	-3%	84,606	1%	83,045	81,580	2%	80,703	1%
Dividend income	33	1,266	-97%	6	-	94	1,642	-94%	18	-
Fee and commission income	49,679	49,444	0%	46,342	7%	48,758	48,548	0%	45,272	7%
Fee and commission expenses	(15,362)	(14,169)	8%	(12,643)	12%	(13,663)	(13,586)	1%	(11,878)	14%
Net fee and commission income	34,317	35,275	-3%	33,699	5%	35,095	34,962	0%	33,394	5%
Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	1,015	67	-	9,516	-99%	9,711	10,002	-3%	10,814	-8%
Gains less losses from financial assets and liabilities held for trading	4,506	2,153	109%	(27,941)	-	2,209	(1,236)	-	(911)	36%
Gains less losses from financial assets and liabilities designated at fair value through profit or loss	(81)	(46)	76%	76	-	17	12	42%	17	-29%
Fair value adjustments in hedge accounting	(93)	(46)	102%	425	-	(57)	(1,029)	-94%	49	-
Foreign exchange translation gains less losses	(2,840)	(1,932)	47%	16,724	-	(710)	343	-	238	44%
Gains less losses on derecognition of assets other than held for sale	(205)	(47)	336%	(13)	262%	12	(960)	-	(369)	160%
Other operating income	7,386	5,993	23%	6,910	-13%	6,576	6,752	-3%	6,874	-2%
Other operating expenses	(6,946)	(3,170)	119%	(5,345)	-41%	(3,961)	(5,537)	-28%	(5,037)	10%
Administrative expenses	(63,969)	(65,903)	-3%	(62,909)	5%	(65,386)	(68,232)	-4%	(63,754)	7%
Depreciation and amortisation	(7,991)	(7,901)	1%	(8,265)	-4%	(9,043)	(9,034)	0%	(9,214)	-2%
Provisions for liabilities and charges	(889)	(3,184)	-72%	4,949	-	3,394	(14,209)	-	(6,507)	118%
Impairment charge	(19,033)	(16,677)	14%	(26,105)	-36%	(46,089)	(28,117)	64%	(17,139)	64%
Share of profits/(losses) of associates and joint ventures accounted for using the equity method	1,418	1,098	29%	1,151	-5%	1,309	1,093	20%	(77)	-
Net gain/(loss) from non-current assets held for sale	(570)	3	-	(2)	-	4	(1,475)	-	49	-
PROFIT BEFORE INCOME TAX	29,078	32,374	-10%	27,482	18%	16,220	6,557	147%	29,148	-78%
Income tax	(3,723)	(3,050)	22%	(1,689)	81%	(1,704)	(495)	244%	151	-
PROFIT FOR THE PERIOD	25,355	29,324	-14%	25,793	14%	14,516	6,062	139%	29,299	-79%
Attributable to owners of the parent	24,306	28,377	-14%	24,985	14%	13,846	5,447	154%	28,567	-81%
Attributable to non-controlling interests	1,049	947	11%	808	17%	670	615	9%	732	-16%

Condensed statement of comprehensive income

	in EUR thousand				
	NLB d.d.		NLB Group		
	Note	September 2015	September 2014	September 2015	September 2014
Net profit for the period after tax		50,251	50,341	80,472	49,877
Other comprehensive income after tax		(11,496)	36,118	(14,906)	38,388
<i>Items that will not be reclassified to income statement</i>					
Actuarial gains/(losses) on defined benefit pension plans		-	55	(16)	378
<i>Items that may be reclassified subsequently to income statement</i>					
Foreign currency translation		-	-	(1,820)	(2,715)
Translation losses taken to equity		-	-	(1,820)	(2,715)
Cash flow hedges (effective portion)		406	(559)	406	(559)
Valuation losses taken to equity		(38)	(1,091)	(38)	(1,091)
Transferred to income statement		444	532	444	532
Available-for-sale financial assets		(14,257)	44,019	(13,190)	43,463
Valuation (losses)/gains taken to equity		(3,429)	72,263	(2,426)	71,629
Transferred to income statement		(10,828)	(28,244)	(10,764)	(28,166)
Share of other comprehensive (loss)/income of entities accounted for using the equity method		-	-	(3,097)	6,188
Income tax relating to components of other comprehensive (income)/loss	5.10.	2,355	(7,397)	2,811	(8,367)
Total comprehensive income for the period after tax		38,755	86,459	65,566	88,265
Attributable to owners of the parent		38,755	86,459	62,692	86,148
Attributable to non-controlling interests		-	-	2,874	2,117

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

in EUR thousand

	NLB d.d.					
	three months ended			three months ended		
	September 2015	June 2015	March 2015	September 2014	June 2014	March 2014
Net profit for the period after tax	10,150	26,537	13,564	14,504	12,281	23,556
Other comprehensive income/(loss) after tax	2,502	(19,529)	5,531	960	9,699	25,459
<i>Items that will not be reclassified to income statement</i>						
Actuarial gains on defined benefit pensions plans	-	-	-	55	-	-
<i>Items that may be reclassified subsequently to income statement</i>						
Cash flow hedges (effective portion)	(51)	482	(25)	(149)	(207)	(203)
Valuation (losses)/gains taken to equity	(200)	333	(171)	(317)	(378)	(396)
Transferred to income statement	149	149	146	168	171	193
Available-for-sale financial assets	3,064	(24,013)	6,692	1,252	11,891	30,876
Valuation gains/(losses) taken to equity	4,225	(23,978)	16,324	10,777	21,866	39,620
Transferred to income statement	(1,161)	(35)	(9,632)	(9,525)	(9,975)	(8,744)
Income tax relating to components of other comprehensive (income)/loss	(511)	4,002	(1,136)	(198)	(1,985)	(5,214)
Total comprehensive income for the period after tax	12,652	7,008	19,095	15,464	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		
	September 2015	June 2015	March 2015	September 2014	June 2014	March 2014
Net profit for the period after tax	25,355	29,324	25,793	14,516	6,062	29,299
Other comprehensive income/(loss) after tax	2,366	(24,749)	7,477	835	11,257	26,296
<i>Items that will not be reclassified to income statement</i>						
Actuarial gains/(losses) on defined benefit pension plans	62	-	(78)	378	-	-
<i>Items that may be reclassified subsequently to income statement</i>						
Foreign currency translation	(341)	177	(1,656)	(1,733)	153	(1,135)
Translation (losses)/gains taken to equity	(341)	177	(1,656)	(1,733)	153	(1,135)
Cash flow hedges (effective portion)	(51)	482	(25)	(149)	(207)	(203)
Valuation (losses)/gains taken to equity	(200)	333	(171)	(317)	(378)	(396)
Transferred to income statement	149	149	146	168	171	193
Available-for-sale financial assets	4,366	(24,478)	6,922	1,169	11,153	31,141
Valuation gains/(losses) taken to equity	5,482	(24,427)	16,519	10,666	21,078	39,885
Transferred to income statement	(1,116)	(51)	(9,597)	(9,497)	(9,925)	(8,744)
Share of other comprehensive (loss)/income of entities accounted for using the equity method	(1,192)	(6,001)	4,096	1,658	2,462	2,068
Income tax relating to components of other comprehensive (income)/loss	(478)	5,071	(1,782)	(488)	(2,304)	(5,575)
Total comprehensive income for the period after tax	27,721	4,575	33,270	15,351	17,319	55,595
Attributable to owners of the parent	26,614	3,631	32,447	14,663	16,663	54,822
Attributable to non-controlling interests	1,107	944	823	688	656	773

Condensed statement of financial position

in EUR thousand

Notes	NLB d.d.			NLB Group			
	30.9.2015	31.12.2014	Change	30.9.2015	31.12.2014	Change	
Cash, cash balances at central banks and other demand deposits at banks	5.1.	533,635	434,438	23%	1,286,151	1,127,527	14%
Trading assets	5.2.	200,634	138,808	45%	200,140	138,218	45%
Financial assets designated at fair value through profit or loss		4,554	4,702	-3%	7,184	6,510	10%
Available-for-sale financial assets	5.3.	1,164,579	1,182,748	-2%	1,594,904	1,672,952	-5%
Derivatives - hedge accounting		1,064	2,966	-64%	1,064	2,966	-64%
Loans and advances							
- debt securities	5.4.1.	722,952	706,785	2%	722,952	706,785	2%
- loans and advances to banks	5.4.2.	168,803	159,300	6%	235,999	271,340	-13%
- loans and advances to customers	5.4.3.	4,795,627	4,993,040	-4%	6,616,087	6,708,332	-1%
- other financial assets	5.4.4.	47,469	47,836	-1%	64,166	71,769	-11%
Held-to-maturity investments	5.5.	553,976	711,648	-22%	553,976	711,648	-22%
Fair value changes of the hedged items in portfolio hedge of interest rate risk		778	912	-15%	778	912	-15%
Non-current assets classified as held for sale		1,776	2,580	-31%	4,778	5,643	-15%
Property and equipment		90,100	97,330	-7%	206,927	215,175	-4%
Investment property	5.6.	4,750	1,458	226%	89,589	41,472	116%
Intangible assets		26,005	33,743	-23%	35,058	42,751	-18%
Investments in subsidiaries		365,929	345,585	6%	-	-	-
Investments in associates and joint ventures		7,127	7,127	0%	38,566	37,525	3%
Current income tax assets		-	-	-	1,013	1,898	-47%
Deferred income tax assets	5.8.	9,097	6,738	35%	9,593	5,947	61%
Other assets	5.7.	8,494	7,983	6%	101,237	140,119	-28%
TOTAL ASSETS		8,707,349	8,885,727	-2%	11,770,162	11,909,489	-1%
Trading liabilities		36,126	43,764	-17%	36,119	43,758	-17%
Financial liabilities designated at fair value through profit or loss		4,553	4,701	-3%	4,553	4,701	-3%
Derivatives - hedge accounting		33,749	43,985	-23%	33,749	43,985	-23%
Financial liabilities measured at amortised cost							
- deposits from banks and central banks	5.9.	117,285	91,115	29%	63,039	62,334	1%
- borrowings from banks and central banks	5.9.	548,400	643,578	-15%	603,872	714,722	-16%
- due to customers	5.9.	6,227,189	6,294,925	-1%	8,929,613	8,943,832	0%
- borrowings from other customers	5.9.	11,431	33,511	-66%	99,660	136,660	-27%
- debt securities in issue	5.9.1.	308,079	359,853	-14%	308,079	359,853	-14%
- subordinated liabilities	5.9.2.	-	-	-	27,510	17,328	59%
- other financial liabilities	5.9.3.	60,041	46,223	30%	88,275	71,886	23%
Provisions	5.10.	107,719	114,565	-6%	120,900	126,974	-5%
Current income tax liabilities		4,862	324	-	6,402	1,780	260%
Deferred income tax liabilities	5.8.	-	-	-	363	315	15%
Other liabilities	5.12.	4,240	4,263	-1%	14,239	12,066	18%
TOTAL LIABILITIES		7,463,674	7,680,807	-3%	10,336,373	10,540,194	-2%
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		26,995	38,491	-30%	21,509	36,485	-41%
Profit reserves		13,522	13,522	0%	13,522	13,522	0%
Retained earnings		131,780	81,529	62%	299,562	221,676	35%
		1,243,675	1,204,920	3%	1,405,971	1,343,061	5%
Non-controlling interests		-	-	-	27,818	26,234	6%
TOTAL EQUITY		1,243,675	1,204,920	3%	1,433,789	1,369,295	5%
TOTAL LIABILITIES AND EQUITY		8,707,349	8,885,727	-2%	11,770,162	11,909,489	-1%

Condensed statement of changes in equity

in EUR thousand

NLB d.d.	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	-	-	-	-	50,251	50,251
- Other comprehensive income	-	-	(11,496)	-	-	(11,496)
Total comprehensive income after tax	-	-	(11,496)	-	50,251	38,755
Balance at 30 September 2015	200,000	871,378	26,995	13,522	131,780	1,243,675

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	-	-	-	-	50,341	50,341
- Other comprehensive income	-	-	36,118	-	-	36,118
Total comprehensive income after tax	-	-	36,118	-	50,341	86,459
Balance at 30 September 2014	200,000	871,378	44,686	13,522	50,341	1,179,927

in EUR thousand

NLB Group	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	-	-	-	-	77,668	77,668	2,804	80,472
- Other comprehensive income	-	-	(14,976)	-	-	(14,976)	70	(14,906)
Total comprehensive income after tax	-	-	(14,976)	-	77,668	62,692	2,874	65,566
Dividends paid	-	-	-	-	-	-	(1,048)	(1,048)
Other*	-	-	-	-	218	218	(242)	(24)
Balance at 30 September 2015	200,000	871,378	21,509	13,522	299,562	1,405,971	27,818	1,433,789

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	-	-	-	-	47,860	47,860	2,017	49,877
- Other comprehensive income	-	-	38,288	-	-	38,288	100	38,388
Total comprehensive income after tax	-	-	38,288	-	47,860	86,148	2,117	88,265
Dividends paid	-	-	-	-	-	-	(185)	(185)
Other*	-	-	-	-	(196)	(196)	16	(180)
Balance at 30 September 2014	200,000	871,378	41,384	13,522	207,055	1,333,339	25,558	1,358,897

*In 2015, the item Other relates to transactions with a non-controlling interest but, 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	
	September 2015	September 2014	September 2015	September 2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	209,029	249,870	334,745	370,213
Interest paid	(60,648)	(104,834)	(96,814)	(157,752)
Dividends received	14,965	6,345	1,320	1,701
Fee and commission receipts	94,815	95,216	141,044	141,339
Fee and commission payments	(23,262)	(21,686)	(42,310)	(39,145)
Realised gains from financial assets and financial liabilities not at fair value through profit or loss	10,745	30,602	10,802	30,693
Realised losses from financial assets and financial liabilities not at fair value through profit or loss	(116)	(187)	(116)	(187)
(Losses)/gains from financial assets and liabilities held for trading	(24,701)	(1,452)	(21,301)	2,389
Payments to employees and suppliers	(127,888)	(136,048)	(197,160)	(207,768)
Other income	11,713	15,171	24,107	24,746
Other expenses	(9,381)	(12,855)	(11,982)	(16,405)
Income tax paid	(570)	-	(3,721)	(872)
Cash flows from operating activities before changes in operating assets and liabilities	94,701	120,142	138,614	148,952
Decreases/(increases) in operating assets	48,577	4,292	67,244	(97,446)
Net increase in trading assets	(48,113)	(68,943)	(48,113)	(68,943)
Net (increase)/decrease in financial assets and liabilities designated at fair value through profit or loss	-	-	(877)	1,093
Net decrease/(increase) in available-for-sale financial assets	2,992	(22,040)	90,920	(25,745)
Net decrease/(increase) in loans and advances	94,305	95,773	22,018	(9,059)
Net (increase)/decrease in other assets	(607)	(498)	3,296	5,208
Decreases in operating liabilities	(197,970)	(400,327)	(210,537)	(323,178)
Net decrease in deposits and borrowings measured at amortised cost	(149,808)	(689,219)	(162,274)	(610,350)
Net (decrease)/increase in securities measured at amortised cost	(48,169)	288,979	(48,169)	288,979
Net increase/(decrease) in other liabilities	7	(87)	(94)	(1,807)
Net cash used in operating activities	(54,692)	(275,893)	(4,679)	(271,672)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts from investing activities	170,115	86,669	172,268	87,589
Proceeds from sale of property and equipment and investment property	17	24	2,098	1,194
Proceeds from liquidation of subsidiaries	-	250	-	-
Proceeds from sale of non-current assets held for sale	98	548	170	548
Proceeds from maturity of held-to-maturity investments	170,000	85,847	170,000	85,847
Payments from investing activities	(35,115)	(67,695)	(31,930)	(70,434)
Purchase of property and equipment and investment property	(3,226)	(2,376)	(6,905)	(12,904)
Purchase of intangible assets	(4,174)	(5,649)	(5,545)	(6,622)
Purchase of subsidiaries and increase in subsidiaries' equity	(8,275)	(8,762)	(40)	-
Purchase of held-to-maturity investments	(19,440)	(50,908)	(19,440)	(50,908)
Net cash used in investing activities	135,000	18,974	140,338	17,155
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	6,872	6,074	9,405	6,356
Net increase/(decrease) in cash and cash equivalents	80,308	(256,919)	144,582	(254,700)
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	606,403	362,247	1,446,971	1,182,561

Statement of management's responsibility

The Management Board hereby confirms the financial statements of NLB d.d. and of the NLB Group for the nine months ending 30 September 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 in order to give a true and fair view of the financial position of NLB d.d. and the NLB Group as at 30 September 2015 and their financial results and cash flows for the period then ended.

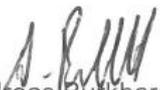
The Management Board also confirms that appropriate accounting policies were consistently applied, and that the accounting estimates were prepared in accordance with the principles of prudence and good management. The Management Board further confirms that the interim financial statements of NLB d.d. and the NLB Group have been prepared on a going-concern basis for NLB d.d. and the NLB Group, and are 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 consists of NLB d.d. and subsidiaries 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 September 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 June 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 2018)
- 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

NINE MONTHS ENDED 30 SEPTEMBER 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, Sarajevo, owing 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.
- LHB Trade d.o.o., Zagreb was liquidated. In accordance with the court order, the company was removed from the court register.
- The NLB Group became a 100% owner of Tara Hotel d.o.o., Budva upon the realisation of the collateral.

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 bankruptcy management and therefore NLB d.d. no longer has control over these entities and they are not included in the consolidated financial statements at 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% stake in Plan d.o.o., Banja Luka.
- Based on the decision of the Bank of Slovenia on extraordinary measures, all the 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		
	nine months ended		change	nine months ended		change
	September 2015	September 2014		September 2015	September 2014	
Interest and similar income						
Loans and advances to customers	161,155	192,871	-16%	281,019	304,328	-8%
Held-to-maturity investments	16,970	23,366	-27%	16,970	23,366	-27%
Available-for-sale financial assets	14,924	19,988	-25%	24,890	33,383	-25%
Financial assets held for trading	9,238	11,411	-19%	9,141	11,311	-19%
Loans and advances to banks and central banks	1,798	3,219	-44%	433	1,103	-61%
Derivatives - hedge accounting	1,217	1,717	-29%	1,217	1,717	-29%
Deposits with central banks and banks	464	517	-10%	834	1,135	-27%
TOTAL	205,766	253,089	-19%	334,504	376,343	-11%
	=====	=====		=====	=====	
Interest and similar expenses						
Due to customers	23,849	49,091	-51%	52,093	91,625	-43%
Debt securities in issue	8,033	4,141	94%	8,033	4,141	94%
Financial liabilities held for trading	6,674	9,169	-27%	6,674	9,169	-27%
Borrowings from banks and central banks	4,560	13,007	-65%	6,146	15,899	-61%
Derivatives - hedge accounting	4,502	5,335	-16%	4,502	5,335	-16%
Borrowings from other customers	55	426	-87%	1,713	2,833	-40%
Deposits from banks and central banks	29	65	-55%	86	133	-35%
Subordinated liabilities	-	-	-	1,064	1,072	-1%
Other financial liabilities	917	552	66%	1,142	808	41%
TOTAL	48,619	81,786	-41%	81,453	131,015	-38%
	=====	=====		=====	=====	
NET INTEREST INCOME	157,147	171,303	-8%	253,051	245,328	3%
	=====	=====		=====	=====	

4.2. Net fee and commission income

in EUR thousand

	NLB d.d.			NLB Group		
	nine months ended		change	nine months ended		change
	September 2015	September 2014		September 2015	September 2014	
Fee and commission income						
Credit cards and ATMs	33,194	33,102	0%	44,562	43,371	3%
Customer transaction accounts	23,777	24,553	-3%	29,717	29,893	-1%
Payments	20,913	21,537	-3%	39,699	40,242	-1%
Guarantees	6,539	7,321	-11%	10,147	11,099	-9%
Investment banking	4,306	4,310	0%	7,467	6,342	18%
Investment funds	3,316	2,062	61%	7,900	6,200	27%
Agency of insurance products	2,016	1,935	4%	2,016	1,935	4%
Other services	2,280	1,945	17%	3,957	3,496	13%
TOTAL	96,341	96,765	0%	145,465	142,578	2%
	=====	=====		=====	=====	
Fee and commission expenses						
Credit cards and ATMs	18,543	17,384	7%	26,661	24,196	10%
Deposit insurance	-	-	-	6,182	6,366	-3%
Investment banking	1,832	1,558	18%	2,422	1,910	27%
Payments	592	573	3%	3,612	3,449	5%
Guarantees	361	335	8%	404	399	1%
Other services	1,778	1,976	-10%	2,893	2,807	3%
TOTAL	23,106	21,826	6%	42,174	39,127	8%
	=====	=====		=====	=====	
NET FEE AND COMMISSION INCOME	73,235	74,939	-2%	103,291	103,451	0%
	=====	=====		=====	=====	

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	
	September 2015	September 2014	September 2015	September 2014
Available-for-sale financial assets	10,724	30,584	10,660	30,630
Financial liabilities measured at amortised cost	(62)	(187)	(62)	(187)
Loans and receivables	-	-	-	84
TOTAL	10,662	30,397	10,598	30,527

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

	in EUR thousand			
	NLB d.d.		NLB Group	
	September 2015	September 2014	September 2015	September 2014
Derivatives	(28,352)	(6,957)	(28,461)	(7,033)
Foreign exchange trading	3,061	2,599	8,040	7,279
Equity instruments	-	13	-	13
Debt instruments	(863)	(199)	(861)	(197)
TOTAL	(26,154)	(4,544)	(21,282)	62

The NLB Group uses currency derivatives to hedge its currency exposure. Therefore, their effects, which represent the majority of derivatives' valuations in the first nine 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 its capital needs, which was 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. Upon identifying this, the NLB Group immediately closed the open position.

4.5. Other operating income

	in EUR thousand					
	NLB d.d.			NLB Group		
	September 2015	September 2014	change	September 2015	September 2014	change
Income from non-banking services	8,249	9,134	-10%	11,582	12,806	-10%
Rental income from investment property	62	68	-9%	4,523	3,546	28%
Other operating income	1,624	2,374	-32%	4,184	3,850	9%
Sale of clients' assets management activity	-	2,300	-100%	-	-	-
TOTAL	9,935	13,876	-28%	20,289	20,202	0%

4.6. Other operating expenses

	NLB d.d.			in EUR thousand		
	nine months ended			NLB Group		
	September 2015	September 2014	change	September 2015	September 2014	change
Expenses related to issued service guarantees	4,017	4,504	-11%	4,017	4,504	-11%
Taxes and other duties	742	5,538	-87%	1,761	6,570	-73%
Membership fees	608	468	30%	1,100	1,184	-7%
Revaluation of investment property to fair value	52	-	-	5,136	10	-
Other operating expenses	2,351	1,012	132%	3,447	2,267	52%
TOTAL	7,770	11,522	-33%	15,461	14,535	6%

4.7. Administrative expenses

	NLB d.d.			in EUR thousand		
	nine months ended			NLB Group		
	September 2015	September 2014	change	September 2015	September 2014	change
Employee costs	76,156	78,211	-3%	120,395	122,754	-2%
Other general and administrative expenses	45,105	47,356	-5%	72,386	74,618	-3%
TOTAL	121,261	125,567	-3%	192,781	197,372	-2%

4.8. Provisions for other liabilities and charges

	NLB d.d.		in EUR thousand	
	nine months ended		NLB Group	
	September 2015	September 2014	September 2015	September 2014
Guarantees and commitments	(5,894)	19,589	(5,153)	15,660
Provisions for legal issues	2,409	631	3,351	2,717
Other provisions	926	(2,318)	926	(1,055)
TOTAL	(2,559)	17,902	(876)	17,322

4.9. Impairment charge

	in EUR thousand			
	NLB d.d.		NLB Group	
	September 2015	September 2014	September 2015	September 2014
Impairment of financial assets				
Available-for-sale financial assets	(104)	2,340	(104)	2,464
Loans and advances to banks (note 5.4.5.)	50	(9,945)	2,525	(6,436)
Loans and advances to customers (note 5.4.5.)	51,435	70,664	44,616	86,946
Other financial assets (note 5.4.5.)	879	1,783	2,395	2,158
Impairment of other assets				
Investments in subsidiaries	10,889	2,056	-	-
Property and equipment	344	27	942	27
Repossessed assets	365	-	11,441	6,186
TOTAL	63,858	66,925	61,815	91,345

In the nine months ended September 2015, NLB d.d. impaired its investments in the subsidiaries PRO-REM, Ljubljana and CBS Invest, Sarajevo.

4.10. Income tax

	in EUR thousand					
	NLB d.d.			NLB Group		
	September 2015	September 2014	change	September 2015	September 2014	change
Current tax on profit	(5,739)	-	-	(9,750)	(2,477)	294%
Deferred tax (5.7.)	4	656	-99%	1,288	429	200%
TOTAL	(5,735)	656	-	(8,462)	(2,048)	313%

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		
	30.9.2015	31.12.2014	Change	30.9.2015	31.12.2014	Change
Cash	97,286	106,146	-8%	186,063	196,835	-5%
Balances and obligatory reserves with central banks	231,044	117,696	96%	633,065	508,630	24%
Demand deposits at banks	205,305	210,596	-3%	467,023	422,062	11%
TOTAL	533,635	434,438	23%	1,286,151	1,127,527	14%

5.2. Trading assets

	in EUR thousand					
	NLB d.d.			NLB Group		
	30.9.2015	31.12.2014	Change	30.9.2015	31.12.2014	Change
Derivatives, excluding hedge accounting						
Swap contracts	29,511	34,895	-15%	29,012	34,299	-15%
Forward contracts	2,310	5,632	-59%	2,315	5,638	-59%
Options	78	119	-34%	78	119	-34%
Total derivatives	31,899	40,646	-22%	31,405	40,056	-22%
Securities						
Shares	22	22	0%	22	22	0%
Bonds	58,863	57,876	2%	58,863	57,876	2%
Treasury bills	43,547	40,264	8%	43,547	40,264	8%
Commercial papers	66,303	-	-	66,303	-	-
Total securities	168,735	98,162	72%	168,735	98,162	72%
TOTAL	200,634	138,808	45%	200,140	138,218	45%

5.3. Available-for-sale financial assets

	in EUR thousand					
	NLB d.d.			NLB Group		
	30.9.2015	31.12.2014	Change	30.9.2015	31.12.2014	Change
Bonds	932,686	999,148	-7%	1,237,387	1,317,574	-6%
Commercial papers	117,818	78,973	49%	117,818	78,973	49%
Treasury bills	46,979	74,812	-37%	99,801	208,023	-52%
Shares and ownership interest	22,594	29,815	-24%	29,992	32,861	-9%
National Resolution Fund	44,502	-	-	44,502	-	-
Cash certificates	-	-	-	65,404	35,521	84%
TOTAL	1,164,579	1,182,748	-2%	1,594,904	1,672,952	-5%

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		
	30.9.2015	31.12.2014	Change	30.9.2015	31.12.2014	Change
Debt securities	722,952	706,785	2%	722,952	706,785	2%
Loans and advances to banks	168,803	159,300	6%	235,999	271,340	-13%
Loans and advances to customers	4,795,627	4,993,040	-4%	6,616,087	6,708,332	-1%
Other financial assets	47,469	47,836	-1%	64,166	71,769	-11%
TOTAL	5,734,851	5,906,961	-3%	7,639,204	7,758,226	-2%

5.4.1. Debt securities

	in EUR thousand		
	NLB d.d. and NLB Group		
	30.9.2015	31.12.2014	Change
Government	638,074	619,118	3%
Companies	84,878	87,667	-3%
TOTAL	722,952	706,785	2%

5.4.2. Loans and advances to banks

in EUR thousand

	NLB d.d.			NLB Group		
	30.9.2015	31.12.2014	Change	30.9.2015	31.12.2014	Change
Time deposits	135,765	116,719	16%	232,036	264,496	-12%
Loans	32,594	42,308	-23%	30,148	30,611	-2%
Purchased receivables	624	955	-35%	624	955	-35%
	<u>168,983</u>	<u>159,982</u>	6%	<u>262,808</u>	<u>296,062</u>	-11%
Allowance for impairment (note 5.4.5.)	(180)	(682)	-74%	(26,809)	(24,722)	8%
TOTAL	<u>168,803</u>	<u>159,300</u>	6%	<u>235,999</u>	<u>271,340</u>	-13%

5.4.3. Loans and advances to customers

in EUR thousand

	NLB d.d.			NLB Group		
	30.9.2015	31.12.2014	Change	30.9.2015	31.12.2014	Change
Loans	5,311,829	5,724,194	-7%	7,305,613	7,557,867	-3%
Finance lease receivables	-	-	-	296,434	333,824	-11%
Overdrafts	189,623	195,739	-3%	325,713	322,243	1%
Credit card business	55,840	60,152	-7%	107,457	111,847	-4%
Called guarantees	11,880	11,312	5%	17,678	20,830	-15%
Reverse sale and repurchase agreement	25	25	0%	25	25	0%
	<u>5,569,197</u>	<u>5,991,422</u>	-7%	<u>8,052,920</u>	<u>8,346,636</u>	-4%
Allowance for impairment (note 5.4.5.)	(773,570)	(998,382)	-23%	(1,436,833)	(1,638,304)	-12%
TOTAL	<u>4,795,627</u>	<u>4,993,040</u>	-4%	<u>6,616,087</u>	<u>6,708,332</u>	-1%

5.4.4. Other financial assets

in EUR thousand

	NLB d.d.			NLB Group		
	30.9.2015	31.12.2014	Change	30.9.2015	31.12.2014	Change
Receivables from purchase agreements for equity securities	17,483	29,554	-41%	17,483	29,554	-41%
Receivables in the course of collection	14,095	12,998	8%	15,760	14,819	6%
Credit card receivables	7,098	8,823	-20%	9,530	12,269	-22%
Fees and commissions due	4,726	5,701	-17%	7,195	7,747	-7%
Dividends	65	44	48%	65	44	48%
Accrued income	1,762	16	-	1,658	145	-
Debtors	216	1,582	-86%	20,263	20,825	-3%
Prepayments	-	-	-	8,046	8,040	0%
Other financial assets	7,173	6,639	8%	14,743	21,006	-30%
	<u>52,618</u>	<u>65,357</u>	-19%	<u>94,743</u>	<u>114,449</u>	-17%
Allowance for impairment (note 5.4.5.)	(5,149)	(17,521)	-71%	(30,577)	(42,680)	-28%
TOTAL	<u>47,469</u>	<u>47,836</u>	-1%	<u>64,166</u>	<u>71,769</u>	-11%

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.)	50	(9,945)	51,435	70,664	879	1,783
Write offs	(737)	-	(282,308)	(37,391)	(13,344)	(12,608)
Repayment of write offs	130	-	1,020	1,080	93	-
Exchange differences	55	48	5,041	(335)	-	2
Other	-	-	-	2,348	-	(9,589)
Balance at 30 September	180	653	773,570	1,110,667	5,149	17,232

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	2,339	343	19,448	(201)	28	(141)
Impairment (note 4.9.)	2,525	(6,436)	44,616	86,946	2,395	2,158
Write offs	(1,463)	-	(259,688)	(52,143)	(14,730)	(12,685)
Repayment of write offs	130	-	3,489	2,475	105	-
Exchange differences	(1,444)	398	(9,219)	(1,210)	103	96
Other	-	-	(117)	2,348	(4)	(9,589)
Balance at 30 September	26,809	22,922	1,436,833	1,802,483	30,577	45,923

5.5. Held-to-maturity financial assets

in EUR thousand

	NLB d.d. and NLB Group		
	30.9.2015	31.12.2014	Change
Bonds	534,025	691,765	-23%
Treasury bills	19,951	19,883	0%
TOTAL	553,976	711,648	-22%

5.6. Investment property

	NLB d.d.			NLB Group		
	30.9.2015	31.12.2014	Change	30.9.2015	31.12.2014	Change
Land - investment	970	144	574%	5,782	825	601%
Buildings - investment	3,780	1,314	188%	83,807	40,647	106%
TOTAL	4,750	1,458	226%	89,589	41,472	116%

In the third quarter of 2015, the NLB Group acquired investment property with the realisation of the collateral and reclassified real-estates with the market potential from Repossessed assets.

5.7. Other assets

	in EUR thousand					
	NLB d.d.			NLB Group		
	30.9.2015	31.12.2014	Change	30.9.2015	31.12.2014	Change
Deferred expenses	2,931	2,686	9%	5,516	4,790	15%
Repossession assets	3,073	1,561	97%	81,711	116,606	-30%
Prepayments	1,700	871	95%	3,751	2,707	39%
Claim for taxes and other dues	399	2,596	-85%	894	3,379	-74%
Inventories	391	269	45%	9,365	12,637	-26%
TOTAL	8,494	7,983	6%	101,237	140,119	-28%

5.8. Deferred tax

	in EUR thousand					
	NLB d.d.			NLB Group		
	30.9.2015	31.12.2014	Change	30.9.2015	31.12.2014	Change
Deferred income tax assets						
Valuation of financial instruments and capital investments	56,147	53,819	4%	56,201	53,865	4%
Impairment provisions	3,677	3,874	-5%	16,838	28,787	-42%
Employee benefit provisions	1,582	1,718	-8%	1,807	1,906	-5%
Depreciation and valuation of non-financial assets	199	295	-33%	1,268	1,364	-7%
Tax reliefs	-	-	-	28	28	0%
Dividends	-	7	-100%	-	7	-100%
Tax losses	235,726	241,296	-2%	235,844	224,062	5%
Reduction of deferred tax assets	(277,345)	(281,023)	-1%	(290,452)	(289,675)	0%
Total deferred income tax assets	19,986	19,986	0%	21,534	20,344	6%
Deferred income tax liabilities						
Valuation of financial instruments	10,648	13,003	-18%	11,204	13,500	-17%
Depreciation and valuation of non-financial assets	241	245	-2%	995	1,109	-10%
Impairment provisions	-	-	-	66	64	3%
Other	-	-	-	39	39	0%
Total deferred income tax liabilities	10,889	13,248	-18%	12,304	14,712	-16%
Net deferred income tax assets	9,097	6,738	35%	9,593	5,947	61%
Net deferred income tax liabilities	-	-	-	(363)	(315)	15%
	nine months ended			nine months ended		
	September 2015	September 2014		September 2015	September 2014	
Included in the income statement for the current year	4	656		1,288	429	
- valuation of financial instruments and capital investments	2,328	14,272		2,325	14,272	
- impairment provisions	(197)	(103)		(11,952)	(3,673)	
- employee benefit provisions	(136)	(525)		(100)	(471)	
- depreciation and valuation of non-financial assets	(92)	(118)		17	(339)	
- tax losses	(5,570)	-		11,782	-	
- dividends	(7)	-		(7)	-	
- adjustment of deferred income tax assets	3,678	(12,870)		(777)	(9,309)	
- other	-	-		-	(51)	
Included in other comprehensive income for the current year	2,355	(7,397)		2,305	(7,364)	
- valuation of available-for-sale financial assets	2,424	(7,492)		2,374	(7,459)	
- cash flow hedges	(69)	95		(69)	95	

5.9. Financial liabilities measured at amortised cost

Analysis by type of financial liabilities, measured at amortised cost

in EUR thousand

	NLB d.d.			NLB Group		
	30.9.2015	31.12.2014	Change	30.9.2015	31.12.2014	Change
Deposits from banks and central banks	117,285	91,115	29%	63,039	62,334	1%
- Deposits on demand	116,591	87,742	33%	60,464	57,138	6%
- Other deposits	694	3,373	-79%	2,575	5,196	-50%
Borrowings from banks and central banks	548,400	643,578	-15%	603,872	714,722	-16%
Due to customers	6,227,189	6,294,925	-1%	8,929,613	8,943,832	0%
- Deposits on demand	3,942,551	3,253,716	21%	5,329,911	4,471,316	19%
- Other deposits	2,284,638	3,041,209	-25%	3,599,702	4,472,516	-20%
Borrowings from other customers	11,431	33,511	-66%	99,660	136,660	-27%
Debt securities in issue	308,079	359,853	-14%	308,079	359,853	-14%
Subordinated liabilities	-	-	-	27,510	17,328	59%
Other financial liabilities	60,041	46,223	30%	88,275	71,886	23%
TOTAL	7,272,425	7,469,205	-3%	10,120,048	10,306,615	-2%

5.9.1. Debt securities in issue

in EUR thousand

	NLB d.d. and NLB Group		
	30.9.2015	31.12.2014	% change
Carrying amount of issued securities			
- traded on active markets	308,079	359,853	-14%
Bonds (in %)			
- fixed rated	100.00	100.00	
TOTAL	100.00	100.00	

5.9.2. Subordinated liabilities

in EUR thousand

	Currency	Due date	Interest rate	NLB Group				
				30.9.2015		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.	12,077	12,000	12,174	12,000	-1%
	EUR	30.6.2020	6 months EURIBOR + 7.7% p.a.	5,280	5,000	5,154	5,000	2%
	EUR	26.6.2025	6 months EURIBOR + 7.5% p.a.	10,153	10,000	-	-	-
TOTAL				27,510	27,000	17,328	17,000	59%

5.9.3. Other financial liabilities

	in EUR thousand					
	NLB d.d.			NLB Group		
	30.9.2015	31.12.2014	Change	30.9.2015	31.12.2014	Change
Items in the course of payment	22,343	6,941	222%	33,476	18,178	84%
Liabilities to brokerage firms and others for securities purchase	6,425	-	-	6,634	-	-
Debit or credit card payables	9,339	14,024	-33%	10,012	15,322	-35%
Accrued expenses	8,012	5,733	40%	15,985	11,643	37%
Accrued salaries	6,938	7,110	-2%	8,952	8,430	6%
Suppliers	2,467	8,065	-69%	5,317	10,787	-51%
Fees and commissions due	84	1,389	-94%	110	1,424	-92%
Other financial liabilities	4,433	2,961	50%	7,789	6,102	28%
TOTAL	60,041	46,223	30%	88,275	71,886	23%

5.10. Provisions

	in EUR thousand					
	NLB d.d.			NLB Group		
	30.9.2015	31.12.2014	Change	30.9.2015	31.12.2014	Change
Provisions for non-financial guarantees	30,117	31,568	-5%	30,733	32,876	-7%
Provisions for financial guarantees	45,949	46,023	0%	49,848	48,733	2%
Provisions for other credit commitments	6,899	11,212	-38%	7,117	11,190	-36%
Employee benefit provisions	16,104	15,741	2%	19,227	18,995	1%
Restructuring provisions	3,892	5,824	-33%	3,921	5,871	-33%
Provision for legal issues	4,073	1,666	144%	9,366	6,774	38%
Provisions for premiums from National Housing Savings Scheme	160	733	-78%	160	733	-78%
Other provisions	525	1,798	-71%	528	1,802	-71%
TOTAL	107,719	114,565	-6%	120,900	126,974	-5%

NLB d.d. is involved in legal disputes with Privredna banka Zagreb (PBZ) and Zagrebačka banka (ZaBa) arising from the old foreign currency deposits of Croatian savers in LB Zagreb that had been transferred to the two Croatian banks. The claims of both banks are in the principal amount of EUR 170,510 thousand without penalty interest. NLB d.d. has always objected to these claims for a variety of process and substance related reasons. The key reasons are that NLB d.d. cannot be held responsible for the old foreign currency savings, since it was established as late as 27.7.1994 in accordance with the Constitutional Law (NLB d.d. did not exist at the time when these deposits were deposited in LB Zagreb) and NLB d.d. has not assumed any liability with this regard. In addition to that, this is a matter of the succession of the former Yugoslavia, which was confirmed by the Memorandum of Understanding signed in 2013 between the Governments of the Republic of Slovenia and the Republic of Croatia. In this Memorandum, both governments agreed to find a solution regarding the transferred foreign currency deposits on the basis of the Agreement on Succession Issues and that the obligation of the Government of the Republic of Croatia is to ensure the stay of all judicial proceedings initiated by the two Croatian banks (ZaBa and PBZ) until the solution is final. Regardless of this agreement, the Municipal Court in Zagreb as the court of appeal, in a specific case decided in May 2015 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 legal costs of HRK 15,781.25 together with the accrued default interest. NLB d.d. has been seeking legal advice and consulting the Slovenian authorities to examine all the options available to protect its best interests, because the bank is convinced that in accordance with the Constitutional Law, this specific liability is not an obligation of NLB d.d. Therefore, NLB d.d. has filed a constitutional complaint against this judgment, because the court decision is considered to violate the applicable legislation and the agreement reached between the Republic of Croatia and the Republic of Slovenia. In another similar case, the claim made by PBZ (the principal value of EUR 788.59 with interest) against NLB d.d. was rejected, as well as the PBZ's appeal at the Court of Appeal (the only difference was the part saying that the complaint against NLB d.d. was dismissed). Later on in the proceeding, the Supreme Court of the Republic of Croatia rejected the revision requested by PBZ as inadmissible and the ruling became final in favour of NLB d.d.

5.11. Income tax relating to components of other comprehensive income

in EUR thousand

	NLB d.d.					
	30.9.2015			30.9.2014		
	Before tax amount	Tax expense	Net of tax amount	Before tax amount	Tax expense	Net of tax amount
Available-for-sale financial assets	(14,257)	2,424	(11,833)	44,019	(7,492)	36,527
Cash flow hedge	406	(69)	337	(559)	95	(464)
Actuarial gains on defined benefit pensions plans	-	-	-	55	-	55
TOTAL	(13,851)	2,355	(11,496)	43,515	(7,397)	36,118

in EUR thousand

	NLB Group					
	30.9.2015			30.9.2014		
	Before tax amount	Tax expense	Net of tax amount	Before tax amount	Tax expense	Net of tax amount
Available-for-sale financial assets	(13,190)	2,374	(10,816)	43,463	(7,459)	36,004
Cash flow hedge	406	(69)	337	(559)	95	(464)
Share of associates and joint ventures	(3,097)	506	(2,591)	6,188	(1,003)	5,185
Actuarial gains on defined benefit pension plans	(16)	-	(16)	378	-	378
TOTAL	(15,897)	2,811	(13,086)	49,470	(8,367)	41,103

5.12. Other liabilities

in EUR thousand

	NLB d.d.			NLB Group		
	30.9.2015	31.12.2014	Change	30.9.2015	31.12.2014	Change
	Taxes payable	2,506	3,397	-26%	3,513	4,300
Deferred income	1,715	832	106%	8,135	3,772	116%
Payments received in advance	19	34	-44%	2,590	3,994	-35%
TOTAL	4,240	4,263	-1%	14,239	12,066	18%

5.13. Book value per share

The book value of an NLB d.d. share as at 30 September 2015 was EUR 62.2 (31 December 2014: EUR 60.2) and, on a consolidated level, it was EUR 70.3 (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.

5.14. Capital adequacy ratio

	in EUR thousand			
	NLB d.d.		NLB Group	
	30.9.2015	31.12.2014	30.9.2015	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	-	206,520	148,234
Profit or loss eligible - from current year	-	81,529	-	58,111
Accumulated other comprehensive income	289	(1,519)	(5,760)	(4,663)
Other reserves	13,522	13,522	13,522	13,522
Minority interest	-	-	-	-
Prudential filters: Cash flow hedge reserve	931	533	931	533
Prudential filters: Value adjustments due to the requirements for prudent valuation	(2,485)	(3,049)	(2,912)	(3,535)
(-) Goodwill	-	-	(3,529)	(3,529)
(-) Other intangible assets	(26,005)	(33,743)	(31,478)	(39,171)
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(2,921)	(1,094)	(2,758)	(802)
COMMON EQUITY TIER 1 CAPITAL (CET1)	1,136,238	1,127,557	1,245,914	1,240,078
Additional Tier 1 capital	-	-	-	-
TIER 1 CAPITAL	1,136,238	1,127,557	1,245,914	1,240,078
Tier 2 capital	-	-	-	-
TOTAL CAPITAL (OWN FUNDS)	1,136,238	1,127,557	1,245,914	1,240,078
RWA for credit risk	4,257,890	4,292,627	6,757,112	5,875,105
RWA for market risks	54,488	26,963	146,963	141,001
RWA for credit valuation adjustment risk	10,538	8,338	10,538	8,338
RWA for operational risk	596,127	634,290	930,688	1,013,538
TOTAL RISK EXPOSURE AMOUNT (RWA)	4,919,043	4,962,218	7,845,301	7,037,982
Common Equity Tier 1 Ratio	23.1%	22.7%	15.9%	17.6%
Tier 1 Ratio	23.1%	22.7%	15.9%	17.6%
Total Capital Ratio	23.1%	22.7%	15.9%	17.6%

5.15. Off-balance sheet liabilities

	in EUR thousand					
	NLB d.d.			NLB Group		
	30.9.2015	31.12.2014	Change	30.9.2015	31.12.2014	Change
Commitments to extend credit	933,770	1,012,334	-8%	1,094,932	1,101,684	-1%
Performance guarantees	392,786	447,122	-12%	451,371	504,109	-10%
Financial guarantees	204,942	246,464	-17%	346,980	395,694	-12%
Letters of credit	3,480	1,411	147%	17,029	12,604	35%
Other	787	832	-5%	6,234	6,040	3%
	<u>1,535,765</u>	<u>1,708,163</u>	-10%	<u>1,916,546</u>	<u>2,020,131</u>	-5%
Provisions (note 5.10.)	(82,965)	(88,803)	-7%	(87,698)	(92,799)	-5%
TOTAL	<u>1,452,800</u>	<u>1,619,360</u>	-10%	<u>1,828,848</u>	<u>1,927,332</u>	-5%
	=====	=====		=====	=====	

5.16. 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 the observable market price of an identical asset or liability on an active market. 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 on 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 used by other market participants 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

30.9.2015

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	101,464	98,183	987	200,634	101,464	97,689	987	200,140
<i>Debt instruments</i>	101,442	66,303	968	168,713	101,442	66,303	968	168,713
<i>Equity instruments</i>	22	-	-	22	22	-	-	22
<i>Derivatives</i>	-	31,880	19	31,899	-	31,386	19	31,405
Derivatives - hedge accounting	-	1,064	-	1,064	-	1,064	-	1,064
Financial assets designated at fair value through profit or loss	4,554	-	-	4,554	7,184	-	-	7,184
<i>Debt instruments</i>	-	-	-	-	751	-	-	751
<i>Equity instruments</i>	4,554	-	-	4,554	6,433	-	-	6,433
Available-for-sale financial assets	990,284	170,030	4,265	1,164,579	1,238,173	347,277	9,454	1,594,904
<i>Debt instruments</i>	971,955	125,528	-	1,097,483	1,218,838	301,572	-	1,520,410
<i>Equity instruments</i>	18,329	44,502	4,265	67,096	19,335	45,705	9,454	74,494
Financial liabilities								
Financial instruments held for trading	-	31,881	4,245	36,126	-	31,874	4,245	36,119
<i>Derivatives</i>	-	31,881	4,245	36,126	-	31,874	4,245	36,119
Derivatives - hedge accounting	-	33,749	-	33,749	-	33,749	-	33,749
Financial liabilities designated at fair value through profit or loss	-	4,553	-	4,553	-	4,553	-	4,553
Non-financial assets								
Investment property	-	4,750	-	4,750	-	89,589	-	89,589
Non-current assets held for sale	-	1,776	-	1,776	-	4,778	-	4,778

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

30.9.2014	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)	-	-	-

c) Financial and non-financial assets and liabilities on the 2nd level 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 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.

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 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 adjusts such data as appropriate.

Non-current assets held for sale represent property, plant and equipment that are measured at fair value less costs to sell, because this 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 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 is able to generate in the future. It is on this basis 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 the input data 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	30.9.2015	31.12.2014
Available-for-sale financial assets		
Long-term weighted average cost of capital	8.9%-11.9%	8.8%-12.9%
EBITDA margin	7.5%-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	30.9.2015		31.12.2014	
	10%	-10%	10%	-10%
	in EUR thousand			
Available-for-sale financial assets				
Long-term weighted average cost of capital	(135)	120	(90)	117
EBITDA margin	194	(195)	139	(141)
Long-term free cash flow growth	25	(24)	176	(358)

Movements of financial assets and liabilities on Level 3

in EUR thousand

NLB d.d.	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	-	(101)	(13)	(114)	74
- recognised in other comprehensive income	-	-	(1,625)	(1,625)	-
Sales and settlements	-	-	(22)	(22)	-
Exchange differences	76	-	-	76	-
Balance at 30 September 2015	968	19	4,265	5,252	4,245

in EUR thousand

NLB d.d.	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	(162)	-	(64)	-	(307)	(533)	105
- recognised in other comprehensive income	-	-	-	15	329	344	-
Exchange differences	67	-	-	-	-	67	-
Increases (purchases)	158	-	-	242	-	400	-
Sales and settlements	(155)	-	-	(453)	(348)	(956)	-
Balance at 30 September 2014	3,966	16,719	54	3,377	3,914	28,030	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	-	-	(117)	(117)	-
Valuation:					
- through profit or loss	-	(101)	(13)	(114)	74
- recognised in other comprehensive income	-	-	(1,623)	(1,623)	-
Exchange differences	76	-	-	76	-
Sales and settlements	-	-	(23)	(23)	-
Increases	-	-	4,378	4,378	-
Transfers to Level 3	-	-	110	110	-
Balance at 30 September 2015	968	19	9,454	10,441	4,245

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		
Balance at 1 January 2014	4,058	16,719	118	3,573	4,714	29,182	3,916
Valuation:							
- through profit or loss	(162)	-	(64)	-	(307)	(533)	105
- recognised in other comprehensive income	-	-	-	15	328	343	-
Exchange differences	67	-	-	-	(1)	66	-
Increases (purchases)	158	-	-	242	64	464	-
Sales and settlements	(155)	-	-	(453)	(359)	(967)	-
Transfer out of Level 3	-	-	-	-	(58)	(58)	-
Balance at 30 September 2014	3,966	16,719	54	3,377	4,381	28,497	4,021

NLB d.d. and the NLB Group recognise the 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 titled Foreign exchange translation gains less losses. The effects from the valuation of available-for-sale financial assets are recognised in the income statement item titled Impairment charge, and in the other comprehensive income item titled Available-for-sale financial assets.

In the first nine 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 September 2015 and 30 September 2014:

in EUR thousand

30.9.2015	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	Financial liabilities held for trading
Items of Income statement						
Gains less losses from financial assets and liabilities held for trading	(101)	-	74	(101)	-	74
Foreign exchange translation gains	76	-	-	76	-	-
Item of Other comprehensive income						
Available-for-sale financial assets	-	(1,625)	-	-	(1,623)	-

in EUR thousand

30.9.2014	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	Financial liabilities held for trading
Items of Income statement						
Losses from financial assets and liabilities held for trading	(226)	-	(105)	(226)	-	(105)
Impairment charge	-	(307)	-	-	(360)	-
Foreign exchange translation gains	67	-	-	67	-	-
Item of Other comprehensive income						
Available-for-sale financial assets	-	344	-	-	343	-

5.17. 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.

in EUR thousand

30.9.2015

NLB d.d.

FINANCIAL ASSETS/LIABILITIES	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		
Derivatives - assets	31,880	-	31,880	10,268	7,902		13,710
Derivatives - liabilities	49,113	-	49,113	10,268	23,365		15,480

in EUR thousand

31.12.2014

NLB d.d.

FINANCIAL ASSETS/LIABILITIES	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		
Derivatives - assets	40,526	-	40,526	16,919	8,396		15,211
Derivatives - liabilities	63,086	-	63,086	16,919	23,972		22,195

in EUR thousand

30.9.2015

NLB Group

FINANCIAL ASSETS/LIABILITIES	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		
Derivatives - assets	40,526	-	40,526	16,919	8,396		15,211
Derivatives - liabilities	63,086	-	63,086	16,919	23,972		22,195

in EUR thousand

31.12.2014

NLB Group

FINANCIAL ASSETS/LIABILITIES	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		
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

No events took place after 30 September 2015 that would have had 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	
	30.9.2015	31.12.2014	30.9.2015	31.12.2014	30.9.2015	31.12.2014	30.9.2015	31.12.2014
Loans and deposits issued	1,892	2,102	413	347	405	451	2	18
Loans and deposits received	1,719	1,958	829	1,136	97	199	294	115
Other financial assets	-	-	-	1	-	-	-	-
Other financial liabilities	-	3	-	-	-	-	-	-
Guarantees issued and commitments to extend credit	226	276	80	114	13	4	16	20
	nine months ended September 2015		nine months ended September 2015		nine months ended September 2015		nine months ended September 2015	
		September 2014		September 2014		September 2014		September 2014
Interest income	34	44	8	10	8	11	-	2
Interest expenses	(15)	(32)	(7)	(12)	-	-	-	(2)
Fee income	7	11	4	5	5	6	1	1

in EUR thousand

	NLB d.d.		NLB Group	
	Ultimate parent		Ultimate parent	
	30.9.2015	31.12.2014	30.9.2015	31.12.2014
Loans and deposits issued	244,547	225,971	251,553	233,895
Loans and deposits received	160,010	375,102	160,010	375,102
Investments in securities	846,756	1,015,263	859,043	1,094,826
Other financial assets	1	1	305	305
Other financial liabilities	36	34	36	34
Guarantees issued and commitments to extend credit	842	884	842	884
	nine months ended September 2015		nine months ended September 2015	
		September 2014		September 2014
Interest income	27,318	38,301	27,576	39,202
Interest expenses	(41)	(322)	(41)	(322)
Fee income	83	9	83	9
Fee expenses	(38)	-	(38)	-
Other income	16	3	1,385	1,410
Other expenses	(1)	(99)	(1)	(99)

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.

NLB d.d.	in EUR thousand			
	Total amount of significant transactions		Number of significant transactions	
	1.1.-30.9. 2015	1.1.-31.12. 2014	1.1.-30.9. 2015	1.1.-31.12. 2014
Loans	431,403	443,752	5	4
Debt securities classified as loans and advances	722,952	706,785	2	2
Debt securities	52,429	51,998	1	1
Deposits and business accounts	93,026	89,810	2	2
Borrowings	134,751	267,078	2	5
Commitments to extend credit	40,000	40,000	1	1
	nine months ended			
	September 2015	September 2014		
Interest income from loans	2,403	3,227		
Effects from net interest income and net valuation from debt securities classified as loans and advances	18,946	26,830		
Interest income from debt securities	532	1,291		
Interest expense from borrowings	(408)	(3,331)		
Interest income from commitments to extend credit	125	197		

Key management compensation

in EUR thousand

NLB d.d. and NLB Group	Management Board		Other key management personnel	
	nine months ended		nine months ended	
	September 2015	September 2014	September 2015	September 2014
Short-term benefits	434	548	3,191	3,885
Cost refunds	5	6	81	105
Long-term bonuses:				
- severance pay	-	-	24	-
- post employment benefits	-	-	-	5
- jubilee bonuses	2	-	21	3
Bonuses	96	-	515	-
TOTAL	537	554	3,832	3,998

Short-term benefits include:

- monetary benefits (gross salaries, supplementary insurance, holiday bonus, other bonuses); 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

The nine months ended 30 September 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	64,057	112,006	60,049	122,561	3,892	3,502	-	366,067
Net income from external customers	74,124	101,375	51,633	124,909	7,433	3,670	-	363,144
Intersegment net income	(10,067)	10,631	8,416	(2,348)	(3,541)	(168)	-	2,923
<i>Net interest income</i>	42,010	57,220	48,940	92,078	13,744	(941)	-	253,051
<i>Net interest income from external customers</i>	52,077	42,972	43,985	95,009	19,781	(773)	-	253,051
<i>Intersegment net interest income</i>	(10,067)	14,248	4,955	(2,931)	(6,037)	(168)	-	-
Administrative expenses	(29,105)	(70,805)	(8,186)	(61,345)	(18,918)	(7,345)	-	(195,704)
Depreciation and amortisation	(3,748)	(9,386)	(939)	(6,053)	(2,594)	(1,437)	-	(24,157)
Reportable segment profit/(loss) before impairment and provision charge	31,204	31,815	50,924	55,163	(17,620)	(5,280)	-	146,206
Share of profits of associates and joint ventures	-	3,667	-	-	-	-	-	3,667
Impairment and provisions charge	(11,354)	(6,197)	(16)	(18,158)	(22,438)	(2,776)	-	(60,939)
Profit/(loss) before income tax	19,850	29,285	50,908	37,005	(40,058)	(8,056)	-	88,934
<i>Owners of the parent</i>	19,850	29,285	50,908	34,201	(40,058)	(8,056)	-	86,130
<i>Non-controlling interests</i>	-	-	-	2,804	-	-	-	2,804
Income tax	-	-	-	-	-	-	(8,462)	(8,462)
Profit for the period								77,668
30.9.2015								
Reportable segment assets	2,032,526	2,000,559	3,432,498	3,356,795	827,529	81,689	-	11,731,596
Investments in associates and joint ventures	-	38,566	-	-	-	-	-	38,566
Reportable segment liabilities	1,230,143	4,791,771	1,214,714	2,923,906	119,158	56,681	-	10,336,373

The nine months ended 30 September 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	69,204	115,054	64,089	104,261	35,994	(1,523)	-	387,079
Net income from external customers	83,636	84,810	64,224	108,892	47,501	(6,133)	-	382,930
Intersegment net income	(14,432)	30,244	(135)	(4,631)	(11,507)	4,610	-	4,149
<i>Net interest income</i>	44,561	63,810	49,597	75,842	12,049	(531)	-	245,328
<i>Net interest income from external customers</i>	59,053	29,046	49,732	81,386	26,574	(463)	-	245,328
<i>Intersegment net interest income</i>	(14,492)	34,764	(135)	(5,544)	(14,525)	(68)	-	-
Administrative expenses	(29,907)	(73,805)	(8,871)	(60,360)	(21,377)	(7,201)	-	(201,521)
Depreciation and amortisation	(4,167)	(10,827)	(1,115)	(6,280)	(3,377)	(1,525)	-	(27,291)
Reportable segment profit/(loss) before impairment and provision charge	35,130	30,422	54,103	37,621	11,240	(10,249)	-	158,267
Share of losses of associates and joint ventures	-	2,325	-	-	-	-	-	2,325
Impairment and provisions charge	(66,078)	(5,748)	9,851	(26,688)	(19,344)	(660)	-	(108,667)
(Loss)/profit before income tax	(30,948)	26,999	63,954	10,933	(8,104)	(10,909)	-	51,925
<i>Owners of the parent</i>	(30,948)	26,999	63,954	8,916	(8,104)	(10,909)	-	49,908
<i>Non-controlling interests</i>	-	-	-	2,017	-	-	-	2,017
Income tax	-	-	-	-	-	-	(2,048)	(2,048)
Profit for the period								49,877
31.12.2014								
Reportable segment assets	2,122,661	2,006,758	3,407,921	3,337,451	912,155	85,018	-	11,871,964
Investments in associates and joint ventures	-	37,525	-	-	-	-	-	37,525
Reportable segment liabilities	1,022,115	4,778,322	1,673,880	2,883,458	123,952	58,467	-	10,540,194
Additions to non-current assets	1,250	3,993	261	7,189	8,931	399	-	22,023

b) Geographical information

in EUR thousand

NLB Group	Revenues		Net income		Non-current assets		Total assets	
	nine months ended		nine months ended		30.9.2015	31.12.2014	30.9.2015	31.12.2014
	September 2015	September 2014	September 2015	September 2014				
Slovenia	308,149	344,748	249,073	268,286	233,126	219,691	8,240,327	8,375,571
South East Europe	172,450	174,448	126,423	112,625	136,737	116,922	3,450,301	3,432,197
Macedonia	58,534	57,030	41,117	37,371	33,825	35,113	1,085,703	1,044,617
Serbia	17,005	18,091	14,835	10,755	25,026	25,392	299,474	304,384
Montenegro	23,410	24,029	15,822	13,098	33,156	11,005	487,819	512,631
Croatia	702	1,241	652	1,515	4,083	4,495	34,190	41,446
Bosnia and Herzegovina	48,870	50,356	34,785	34,935	26,898	26,682	1,079,783	1,064,185
Bulgaria	-	-	-	(10)	1	1	337	351
Kosovo	23,929	23,701	19,212	14,961	13,748	14,234	462,995	464,583
Western Europe	675	1,479	(12,312)	1,964	277	310	75,837	96,972
Germany	4	15	201	179	246	275	2,985	3,326
Switzerland	671	1,464	(12,513)	1,785	31	35	72,852	93,646
Czech Republic	-	-	(40)	55	-	-	3,697	4,749
TOTAL	481,274	520,675	363,144	382,930	370,140	336,923	11,770,162	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 September 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	98
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., Sarajevo	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 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	-	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
Tara hotel d.o.o. Budva	Real estate	Republic of Montenegro	12.71	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	98
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., Sarajevo	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 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	-	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., Dom žale	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