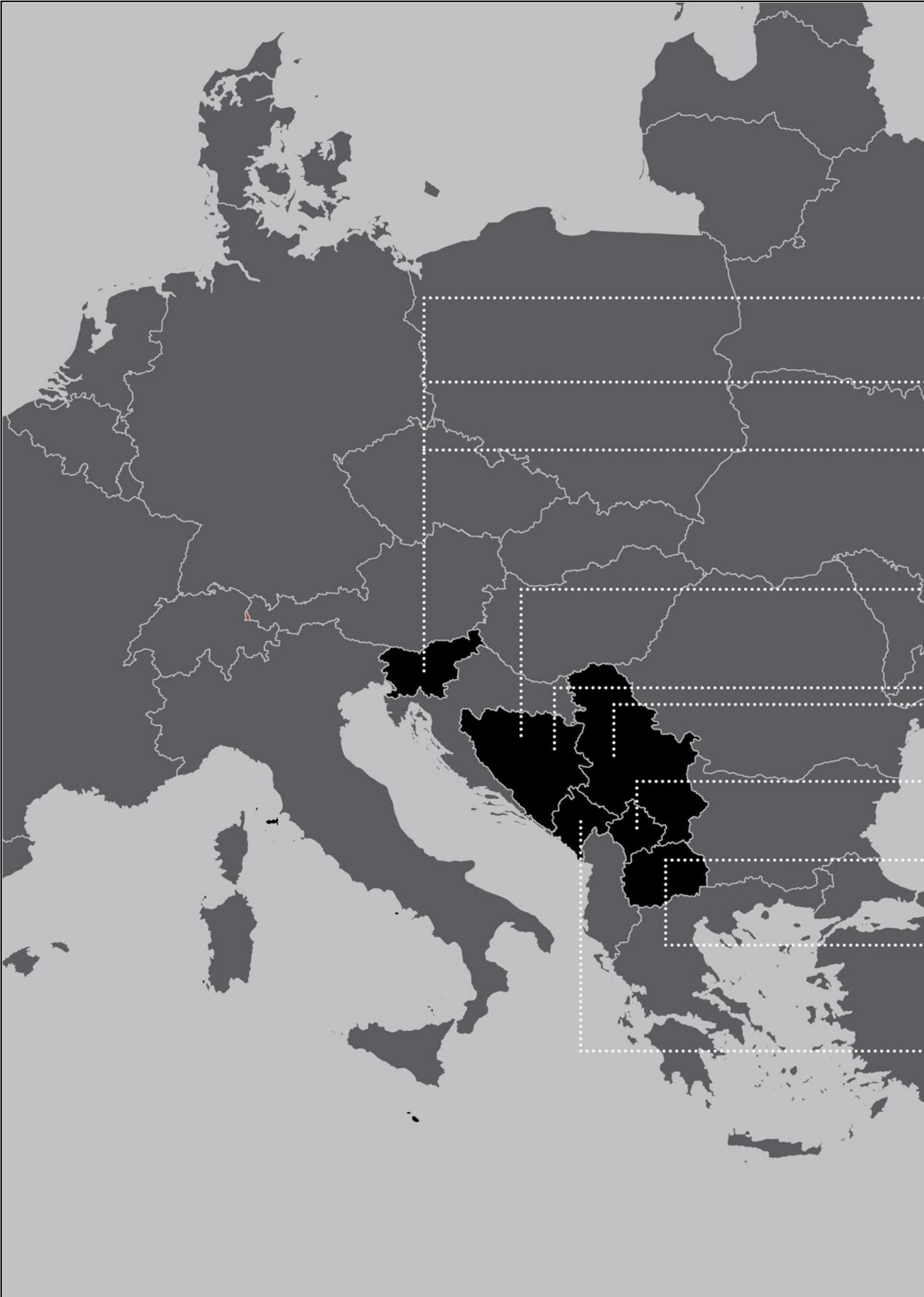


INTERIM REPORT

SEPTEMBER 2014





	NLB, Ljubljana
Number of branches	121
Number of employees	3,154
Market share (in %) – 30.9.2014	23.6
Number of clients	847,853
Total assets (in EUR million)	9,202

	NLB Vita, Ljubljana
Number of employees	40
Market share (in %) – 30.9.2014	11
Value of investments of long-term business funds excluding own funds (in EUR million)	321.4

	NLB Skladi, Ljubljana
Number of employees	40
Market share (in %) – 30.9.2014	20.8 (mutual funds), 58.4 (portfolio management)
Asset under management (in EUR million)	744.2 (440.1 – mutual funds, 304.1 – portfolio management).

	NLB Razvojna banka, Banja Luka	NLB Banka, Tuzla
Number of branches	65	38
Number of employees	489	443
Market share (in %) – 30.6.2014	17.2*	5.4**
Number of clients	327,283	313,297
Total assets (in EUR million)	622	469

* Market share in Republika Srpska.
** Market share in Federation of BiH.

	NLB banka, Belgrade
Number of branches	32
Number of employees	530
Market share (in %) – 30.6.2014	1.2
Number of clients	180,838
Total assets (in EUR million)	273

	NLB Prishtina, Pristina
Number of branches	48
Number of employees	528
Market share (in %) – 30.6.2014	16
Number of clients	253,048
Total assets (in EUR million)	466

	NLB Tutunska banka, Skopje
Number of branches	49
Number of employees	785
Market share (in %) – 30.6.2014	16
Number of clients	587,398
Total assets (in EUR million)	1,011

	NLB Nov penziskni fond, Skopje
Number of employees	30
Market share of compulsory pension insurance (in %) – 30.9.2014	46.4
Market share of voluntary pension insurance (in %) – 30.9.2014	48.6
Net value of pension funds (in EUR million)	238

	NLB Montenegrobanka, Podgorica
Number of branches	17
Number of employees	319
Market share (in %) – 30.9.2014	17.2
Number of clients	77,345
Total assets (in EUR million)	525

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1 Business report

Important events in the Bank's business environment

Standard & Poor's affirms Slovenia's sovereign credit rating at A- with stable outlook (17.1.2014).

IMF issues the final report of the October mission to Slovenia with the projection of negative growth of GDP for 2014 (-1.1%) and a note that the economy is still in recession, and that a comprehensive bank and corporate restructuring is essential to achieve financial stability, fiscal and debt sustainability, and durable growth (17.1.2014).

Moody's affirms Slovenia's sovereign credit rating at Ba1 and changed the outlook from negative to stable (24.1.2014).

January

The Management Board of NLB d.d. adopts a Resolution finding that the need for a large number of employees is permanently terminated for business reasons covering 141 employees with different jobs in order to reorganise and optimise the Retail Network (21.1.2014).

NLB d.d. Representative Office Moscow was closed (31.1.2014).

Slovenia issues 5- and 10-year maturity bonds denominated in USD in total amount of 3.5 billion USD (10.2.2014).

European Commission issues forecast of economic trends in Slovenia for 2014 and 2015 with negative growth of real GDP (-0.1 %) for 2014 and a positive growth of real GDP in 2015 (+1.3%) (25.2.2014).

EBRD adopts new strategy for Slovenia. The document identifies the corporate sector, the financial sector and energy efficiency as the three priority areas for the Bank's work in Slovenia in the period 2014-2017 (26.2.2014).

February

Supervisory Board of NLB d.d. approves the new Strategy of NLB Group 2014-2018 and the Bank's new vision, mission and key values (28.2.2014).

NLB d.d. announces optimisation of the Retail and ATM Network and closing of some of the branches in the 2Q 2014.

Asset management activities were transferred to the subsidiary NLB Skladi in order to have this activity centralised with a focus on high-quality customer service provided by NLB Group (28.2.2014).

NLB d.d. successfully issues 12 month commercial papers on behalf of GEN - I in the amount of EUR 35 million (24.3.2014).

The European Commission publishes the results of in-depth reviews of the economic situation in 17 member states. For Slovenia the Commission again found excessive macroeconomic imbalances that require monitoring and further decisive policy measures (5.3.2014).

Institute of Macroeconomic Analysis and Development (IMAD) issues its spring economic forecast. With less uncertainty in the environment the real GDP is expected to increase by 0.5% in 2014 and by 0.7% in 2015 (14.3.2014).

The Government adopts the changes and amendments to BAMC Statute (14.3.2014).

Based on the opinions and information given by the Bank of Slovenia the Government made decisions regarding further execution of the measures strengthening the stability of the banks (19.3.2014).

March

The Management Board of NLB d.d. adopts a Resolution finding that the need for a large number of employees is permanently terminated for business reasons covering 88 employees with different jobs (start of Phase Three of Redundancy Programme) (18.3.2014).

NLB d.d. successfully issues first edition of 9 month commercial papers on behalf of Telekom Slovenia in the amount of EUR 50 million (10.3.2014) and fifth edition of 6 month commercial papers on behalf of Petrol in the amount of EUR 50 million (24.3.2014).

The Republic of Slovenia issues 3.5 year and 7-year bonds denominated in EUR in total amount of EUR 2 billion (1.4.2014).

Bank of Slovenia issues its new macroeconomic forecasts, where it expects the real GDP to increase by 0.6% this year and by 1.4% next year (8.4.2014).

IMF issues its new World Economic Outlook, where it sees Slovene GDP growth at 0.3% this year and 0.9% in 2015 (8.4.2014).

The Government of the Republic of Slovenia adopts the National Reform Programme 2014 – 2015 (15.4.2014).

The application of the Act Amending the Public Information Access Act (17.4.2014).

April

Argo (75% share is owned by NLB d.d.) and Huliot sign a contract on the transfer of the company, and thus transfer the business activities of the Argo on the Huliot, and a contract on renting the commercial premises of Argo located in Horjul, along with a purchase option (2.4.2014).

The publication of the new NLB d.d. Code of Corporate Compliance (5.4.2014).

Start of the sales procedure for Trimo and its group, the shares of which banks (including NLB d.d.) obtained in the beginning of this year by converting one part of their debt into equity (8.4.2014).

NLB d.d. Supervisory Board accepts the resignation of Dr. France Arhar (17.4.2014).

ECB launches EBA stress test exercise, including NLB d.d. as one of the participating banks (29.4.2014).

Key events in NLB d.d.

Important events in the Bank's business environment

Fitch affirms Slovenia's sovereign credit rating at BBB+, but changes the outlook from negative to stable (2.5.2014).

11th Government of the Republic of Slovenia led by Alenka Bratušek resigns (5.5.2014).

Elections of the Republic of Slovenia members to the European Parliament (25.5.2014).

May

Handover of the documentation and business custody of the assets, transferred to BAMC in December 2013 is completed (13.5.2014).

Gorazd Podbevšek nominated as the Chairman of the Supervisory Board of NLB d.d. (16.5.2014).

NLB d.d. becomes the agent in restructuring of Pivovarna Laško (20.5.2014).

Appointment of KPMG as a Monitoring Trustee (26.5.2014).

NLB d.d. organises a professional management event on international business (28.5.2014).

Employees and the Management Board allocate EUR 60,860 humanitarian contributions for employees in the NLB Group affected by the floods.

The European Commission issues 8 recommendations for Slovenia with regard to excessive macroeconomic imbalances (2.6.2014).

The ECB reduces the key interest rate by 10 bp to 0.15% and implements some new unconventional measures (11.6.2014).

New Supervisory board of Bank Association of Slovenia is elected with Janko Medja as deputy chairman (11.6.2014).

Consortium of Sellers closes an agreement to sell 53-percent stake of Mercator at EUR 86 per share to Agrokor (26.6.2014).

Standard & Poor's affirms Slovenia's sovereign credit rating at A-, but changed the outlook from stable to unstable (27.6.2014).

June

Termination of equity participation of the NLB d.d. in Adria Bank, because of the simplified capital reduction with a simultaneous capital increase of Adria bank, noted in the register of companies. NLB d.d. didn't participate in the capital increase (5.6.2014).

Standard & Poor's Rating Agency gives NLB d.d. "BB-" long-term credit rating and "B" short-term credit rating with a negative outlook (10.6.2014).

NLB d.d. and Steklarna Hrastnik sign the financing contract. The purpose of the loan is to modernize the production of container glass (19.6.2014).

A consortium of sellers, including NLB d.d., sign a contract for the purchase of the 53.99 percent share of Letrika with the company Mahle Holding. Execution of the contract is tied to the fulfillment of the conditions (20.6.2014).

The Management Board of NLB d.d. adopts a Resolution finding that the need for a small number of employees is permanently terminated for business reasons (24.6.2014).

Mercator's debt reprogramming agreed (25.6.2014).

11-percent Mercator stake sold (26.6.2014).

The Law FATCA (Foreign Account Tax The Compliance Act) enters into force. The United States adopted it on 18 March 2010 (1.7.2014).

Public Information Access Act, amendment D, published in the Official Journal, obligating banks, recipients of state aid, to disclose non-performing loans, which haven't been transferred to the BAMC, within three months from publication of the act (4.7.2014).

Slovene parliamentary election (13.7.2014).

July

23rd session of the NLB d.d. Assembly of Shareholders, in which the rights of the Republic of Slovenia as the sole shareholder of the bank were represented by the Slovene Sovereign Holding (1.7.2014).

NLB d.d. successfully completes a three-year unsecured bond issue with a coupon of 2.875% p.a. (3.7.2014).

NLB d.d. signs a long-term syndicated loan in the amount of EUR 55 million with Gorenje. NLB d.d. acts as an organizer and agent (9.7.2014).

Rating agency Fitch keeps the NLB d.d. rating for short-term and long-term debt at BB, and the outlook remains negative (9.7.2014).

Grand Chamber of the European Court of Human Rights in Strasbourg declares that Slovenia and Serbia violated the right to protection of assets and to efficient judicial remedy of the savers of LB or Investbanka in BIH (16.7.2014).

For the sixth year in a row, NLB d.d. is awarded by Deutsche bank for the achieved high level of STP (Straight Through Processing) in processing commercial payments to their bank (23.7.2014).

20th anniversary of the establishment of NLB d.d. (27.7.2014).

Key events in NLB d.d.

Important events in the Bank's business environment

European Commission approves the recapitalisation plan of Abanka Vipava in the amount of nearly EUR 250 million (13.8.2014).

Statistical office of the Republic of Slovenia issues an encouraging assessment of 2.9% (annual) and 1% (2nd quarter) economic growth. The quarterly growth in Slovenia is among the highest in the EU countries, but the setback from the pre-crisis level has remained among the highest in the EU (29.8.2014).

August

Contract signed on the sale of Aerodrom Ljubljana to Fraport from Germany (5.9.2014).

Rating agency Moody's improves the Slovene banking sector outlook for the following 12-18 months from negative to stable (Ba1) (8.9.2014).

ECB Council reduces the key interest rate by 0.10 p.p. to 0.05 percent (10.9.2014).

The European Bank for Reconstruction and Development (EBRD) predicts a 0.7% economic growth for Slovenia this year, which is better than the prediction in May, which was 0% (18.9.2014).

The 12th Government of the Republic of Slovenia confirmed under the leadership of Miro Cerar (18.9.2014).

In its latest projections of macroeconomic trends, the Bank of Slovenia expects a 1.6% growth of GDP this year, and predicts a decrease from 1.4% to 1.3% next year (23.9.2014).

The Institute of Macroeconomic Analysis and Development predicts in their autumn projection of economic trends that due to reduced uncertainty in the environment, the real GDP will increase for 2% in 2014 and for 1.6% in 2015 (25.9.2014).

The Government of the Republic of Slovenia consents to transfer bad claims from Abanka Vipava to BAMC (26.9.2014).

September

ECB publishes the final list of 120 important banks in the European area, in which direct monitoring will start on 4 November as part of the first pillar of the banking union. Slovene banks, featuring on the list, are NLB d.d., NKBM d.d. and Unicredit Banka Slovenija (4.9.2014).

NLB d.d. sells its share in the company Letrika (10.9.2014).

NLB d.d. establishes PRO-REM, a company for real estate management (15.9.2014).

NLB d.d. publishes a call for offers for a free lease and use of business premises, owned by the bank (19.9.2014).

NLB d.d. files an initiative for a constitutional review of the Public Information Access Act amendment (ZDIJZ-D) and a proposal for a temporary suspension of the contested provisions of this amendment (22.9.2014).

Nima Motazed, member of the Management Board of NLB d.d. responsible for operations (COO), submits a letter of resignation with a 3-month notice (24.9.2014).

Managers' Association awards NLB Vita with "Lady Managers friendly company" award for the year 2014 (25.9.2014).

20th anniversary of the establishment of Teledom (27.9.2014).

NLB d.d. contributes to the financing of the construction of a new kindergarten in the Municipality of Šoštanj by approving a long-term loan to the Esotech company (29.9.2014).

Key events in NLB d.d.

The Constitutional Court of the Republic of Slovenia adopts a decision to temporarily suspend the execution of the Public Information Access Act amendment (ZDIJZ-D) in the part which instructs the state-owned banks to publish on-line the data on claims towards debtors as of 20 December 2013 (2.10.2014).

The IMF predicts a 1.4% increase of the Slovene GDP this year; the same increase is expected for next year (7.10.2014).

Ministry of Finance publishes a draft Act Amending the Financial Services Tax Act, which proposes an increase in the tax rate from 6.5% to 8.5% (17.10.2014).

BAMC issues government-backed bonds with a total face value of EUR 424.6 million, to pay for the non-performing assets acquired from Abanka Vipava (20.10.2014).

European Parliament approves new European Commission, led by Jean-Claude Juncker, with Violeta Bulc from Slovenia, which will be a commissioner for transport (22.10.2014).

The Republic of Slovenia issues 7-year bonds in total amount of EUR 3.2 billion (28.10.2014).

October

Janko Medja, President of Management Board of NLB d.d. signs the Slovene Corporate Integrity Guidelines on behalf of NLB d.d. (14.10.2014).

NLB d.d. ranks again among the 10 best Slovene organisations that strategically invest in employee education and training (22.10.2014).

NLB d.d. is the first bank in Slovenia to introduce contactless card payments (23.10.2014).

ECB announces stress tests of 130 European banks which have been reviewed. 25 of them would not have survived stress tests in the event of adverse scenario, including by a very small margin also NLB d.d. which will cover the shortfall by retained profits of 2014 (26.10.2014).

NLB d.d. sells its 3.03% share in the company Petrol (30.10.2014).

Key activities

NLB Group financial performance of the first nine months 2014 is stable and shows a very solid **after-tax profit of EUR 47,9 million**. Operative result before provisions and impairments and excluding non-recurring income and restructuring expenses increased year-on-year by 83% to a level of EUR 134.1 million in the first nine months of 2014. At the same time provisions on the portfolio are stabilized at a nine-months level of EUR 108.7 million. **Normalized nine-months pre-tax profit net of non-recurring elements is thus EUR 27.7 million**. Contribution to improvements of operative result (before impairment and provision and excluding non-recurring income from financial operations) is almost evenly split in improvements in revenues, improvements in costs and improvements attributable to the effects of the rescue measures (recapitalisation and transfer of NPLs to the BAMC). Improvement in net result is in addition supported by a stabilised cost of risk.

Net Operating Income in the first nine months of 2014 was higher than in the same period last year (+26% yoy), resulting mainly from improvement in net interest income, triggered by a decrease in the cost of the sources of funds, both non-banking sector and other and further enhanced with divesting of non-core equity stakes and favorable market conditions in the financial markets.

After a full year 2013 of cost optimisation (EUR -35 million / -9.5%), in 2014 further lower costs continue to be driven by restructuring proces (EUR -19.2 million / -8% yoy), despite of additional costs from asset quality review and stress tests.

The level of **established impairments and provisioning is lower** than in the same period last year (-68% yoy), with significantly higher coverage ratio (NPL coverage 71.3%). The level of NPLs is stable. Reduction of NPLs remains a focus of attention for NLB Group.

The following key activities influenced performance of NLB Group in the first nine months of 2014:

- **Revival of sales activities and increase in loans and deposits of clients on the strategic segments**, which resulted in an increase of market shares in all core segments. In the first nine months NLB d.d. managed to increase the market share in loans to non banking sector by 0.3 percentage points. In the corporate loans segment the market share increased by 0.2 percentage points, while on the retail segment NLB d.d. gained 0.6 percentage point market share. On corporate segment in year 2014 the bank concluded:

	Approved new deals (in EUR million)	All approved deals (in EUR million)
Small enterprises	25.4	163.9
Mid corporates	108.6	288.1
Large corporates	168.9	774.5

- **Cooperation and activities to improve Slovene institutional environment for restructuring of companies, with taking over the lead role in restructuring of Slovenian economy:**
On the list of 30 large companies in the restructuring process, led by the Bank of Slovenia, with almost 24 thousand employees and over EUR 2 billion exposure to banks at the end of 2013, NLB d.d. successfully led the restructuring proces of over 40% od the companies on the list. These were also the largest and most complex cases, which covered more than 60% of indebtedness to banks as well as over 60% of the employees.
- **Succesfull issue of the senior unsecured bond on international financial markets in the amount of EUR 300 million in July.** This has been the first NLB appearance on the international capital markets since breakout of the financial crisis and thus a strong sign of confidence in the turnaround of NLB from the investors community.

- **Continuation of structural and organizational changes:**

In the sales area the bank recorded good business results and managed to make considerable organisational moves, notably introducing management by objectives consistently at all levels. This way the bank additionally promotes a proactive approach to customers in the segment of small enterprises also by launching a new unit of mobile bankers and introducing innovative entrepreneurship centres and free lease of business premises.

- **Implementation of Transformation Programme:**

The aim of the Transformation Programme is to analyse the existing business model, while also defining and planning the introduction of appropriately adjusted target business models for each transformed area. It consists of 23 projects and three business initiatives, out of which 12 projects and 1 business initiative were finished by the end of September 2014.

- **Active approach to NPL management.**

NLB has invested a substantial effort in the past two years in order to control and reduce NPLs in the following three areas:

- i.) detection of NPL's,
- ii.) adaptation of the organizational structure and appropriate staffing and
- iii.) active management of NPLs through the prevention, restructuring, recovery and divestment.

Based on such firm grounding NLB d.d. actively manages the process of further reduction with a number of initiatives. One of the key projects introduced a pro-active approach to managing the underlying Real Estate properties to accelerate the process of NPL wind-down and maximise the inherent value of the portfolio.

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

In the first nine months bank divested a number of substantial non-core equity participations at solid valuations and thanks to the dedicated efforts managed to reduce total non-core assets of the group by 10% to EUR 1.04 billion.

Key financial data

Table 1:
Key financial data for NLB Group

	NLB Group			
	2013	1.1.-30.9.2013	1.1.-30.9.2014	Change *****
Key indicators				
Return on equity after tax (ROE a.t.) *	-135,5%	-38,4%	4,9%	-
Return on assets after tax (ROA a.t.) *	-10,5%	-2,8%	0,5%	-
Cost/income ratio (CIR) **	95,6%	80,4%	58,7%	-21,7 p.p.
Capital adequacy ratio (CAR) ***	15,2%	8,6%	16,3%	+7,7 p.p.
Tier 1 ratio ***	14,9%	6,9%	16,3%	+9,4 p.p.
Loan/deposit ratio (LTD) - net ****	86,2%	93,3%	75,7%	-17,6 p.p.
Profit and loss account indicators (in EUR million)				
Net interest income	233,5	197,0	245,3	+25%
Net non-interest income	-172,7	106,5	137,6	+29%
Costs	332,8	243,8	224,7	-8%
Impairments and provisions	1.070,2	344,9	108,7	-68%
Result before tax	-1.368,7	-293,0	51,9	-
Result after tax	-1.441,6	-293,5	47,9	-
Financial position statement indicators (in EUR million)				
Total assets	12.490,1	13.664,9	12.264,4	-2%
Loans to non-banking sector (net)	7.744,2	8.886,2	7.522,4	-3%
Deposits from non-bankig sector	8.260,9	9.525,5	9.093,6	+10%
Equity	1.247,4	819,0	1.333,4	+7%
Equity of minority shareholders	23,6	25,9	25,6	+8%
Portfolio quality indicators (in EUR million)				
Gross NPL	2.837,5	4.171,8	2.833,1	0%
Gross NPL / total loans	25,6%	32,5%	25,9%	+0,3 p.p.
Coverage ratio	69,7%	58,9%	71,3%	+1,6 p.p.

* Excluding profit of minority shareholders.

** For 2013 the indicator is calculated with net income excluding one-offs.

*** Data for 2013 and 2014 are not comparable, because of a new capital requirements directive (known as Basel III) came into force on 1.1.2014. The calculation of Capital adequacy ratio and Tier 1 ratio is an estimate.

**** BAMC bonds, which are clasified as loans, are excluded form the calculation of the indicator.

***** The change in key indicators and prof it and loss account indicators refers to comparison between 1-9 2014 and 1-9 2013. The change in financial position statement indicators and portfolio quality indicators refers to comparison between 30.9.2014 and 31.12.2013.

Table 2:
Key financial data for NLB d.d.

	NLB d.d.			
	2013	1.1.-30.9.2013	1.1.-30.9.2014	Change ****
Key indicators				
Return on equity after tax (ROE a.t.)	-153,6%	-30,2%	5,8%	-
Return on assets after tax (ROA a.t.)	-14,2%	-2,7%	0,7%	-
Cost/income ratio (CIR) *	81,9%	75,5%	51,7%	-23,8 p.p.
Capital adequacy ratio (CAR) **	16,6%	10,2%	20,4%	+10,2 p.p.
Tier 1 ratio **	16,6%	8,6%	20,4%	+11,8 p.p.
Loan/deposit ratio (LTD) - net ***	95,8%	103,7%	81,7%	-22,0 p.p.
Profit and loss account indicators (in EUR million)				
Net interest income	157,4	125,1	171,3	+37%
Net non-interest income	-185,5	81,1	107,3	+32%
Costs	212,4	155,6	144,1	-7%
Impairments and provisions	1.226,3	265,8	84,8	-68%
Result before tax	-1.466,8	-215,2	49,7	-
Result after tax	-1.540,3	-224,1	50,3	-
Financial position statement indicators (in EUR million)				
Total assets	9.507,4	10.870,4	9.202,4	-3%
Loans to non-banking sector (net)	6.128,9	7.324,2	5.882,3	-4%
Deposits from non-bankig sector	5.747,5	7.060,0	6.416,2	+12%
Equity	1.093,5	834,6	1.179,9	+8%
Equity of minority shareholders	-	-	-	-
Portfolio quality indicators (in EUR million)				
Gross NPL	1.620,4	3.008,0	1.594,6	-2%
Gross NPL / total loans	20,4%	30,6%	21,0%	+0,6 p.p.
Coverage ratio	72,6%	56,7%	75,4%	+2,8 p.p.

* For 2013 the indicator is calculated with net income excluding one-offs.

** Data for 2013 and 2014 are not comparable, because of a new capital requirements directive (known as Basel III) came into force on 1.1.2014. The calculation of Capital adequacy ratio and Tier 1 ratio is an estimate.

*** BAMC bonds, which are clasified as loans, are excluded form the calculation of the indicator.

**** The change in key indicators and prof it and loss account indicators refers to comparison between 1-9 2014 and 1-9 2013. The change in financial position statement indicators and portfolio quality indicators refers to comparison between 30.9.2014 and 31.12.2013.

Table 3:
Credit ratings for NLB d.d.

International credit ratings	3Q 2013	2013	3Q 2014
Standard & Poors's	na	na	BB-
Fitch	BB-	BB-	BB-
Moody's	Caa2	Caa2	Caa1

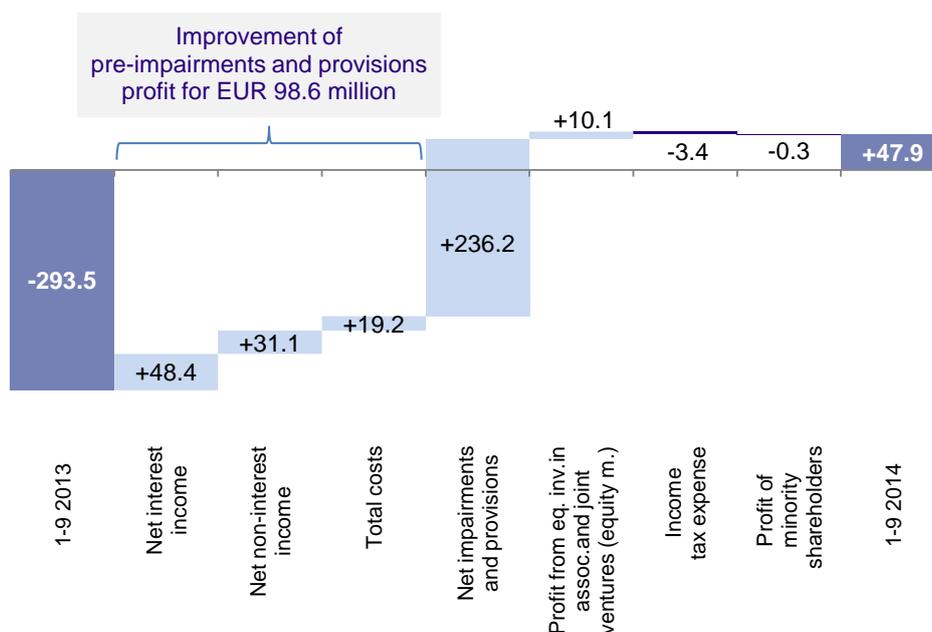
Comments on the income statement

In the nine months of 2014 NLB Group achieved EUR 47.9 million profit after tax. It is crucial that NLB Group performed much better already before impairments and provisions, which indicates successful restructuring of NLB d.d. and its active return on the market on all market segments: retail operations, SME and large corporate operations. In first nine months of the year 2013 NLB Group generated profit before impairments and provisions in the amount of EUR 59.6 million, while this year's result before impairment and provisions was EUR 158.3 million, which is EUR 98.6 million higher than in the same period last year.

The improvement is very substantial both before and after impairments and provisions and shows significantly better underlying business performance in interest income, non-interest income and costs. Contribution to improvements of operative result (before impairment and provision and excluding non-recurring income from financial operations) is almost evenly split in improvements in recurring revenues, improvements in recurring costs and improvements attributable to the effects of the rescue measures (recapitalisation and transfer of NPLs to the BAMC). Improvement in net result is in addition supported by a stabilised cost of risk.

- **Net Operating Income** in the first nine months of 2014 was stable and higher than in the same period last year (EUR +79.5 million / +26% yoy):
 - o Net interest income was higher than in the same period last year (EUR +48.4 million / +25% yoy), as a result of:
 - Lower interest income³ (EUR -18.2 million / -5% yoy) due to the decrease in credit portfolio for loan repayments, additional loan loss provisions and BAMC portfolio transfer. The loss in interest income from the transferred BAMC portfolio was slightly overcompensated with income from the BAMC securities (net effect approx. EUR +2.7 million in first nine months of the year).
 - Continuing trend of reducing interest expenses¹ (EUR -64.6 million / -36% yoy and EUR -1.9 million / -5% qoq) was a result of active management of statement of financial position, including active deposit pricing policy, partial repayment of funding lines and full exit from ECB long-term funding.

Illustration 1:
Profit after tax for NLB Group – YoY reconciliation
(in million EUR)

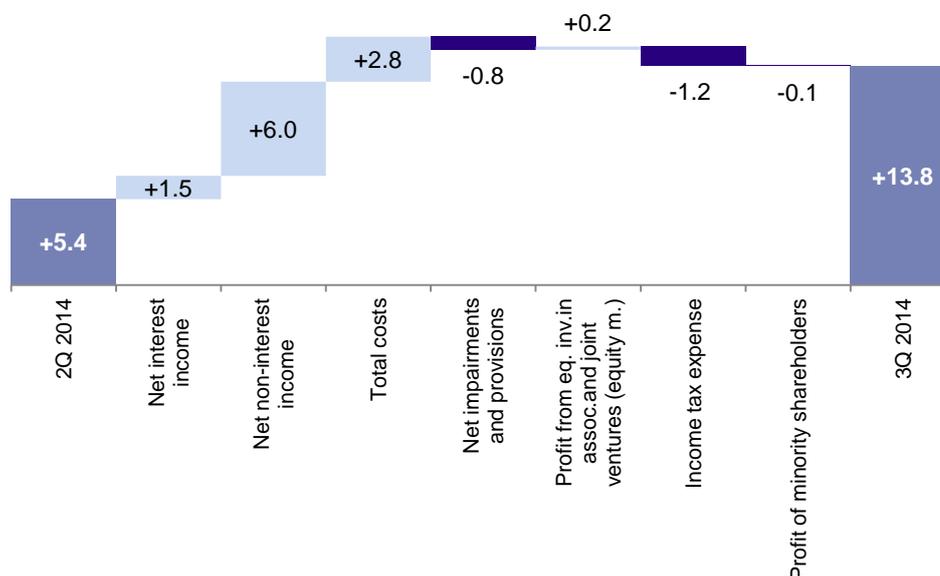


¹ Without interest income/expenses from derivatives hedge accounting and derivatives for trading.

- Total net non-interest income was higher than in the respective period of 2013 (EUR +31.1 million / +29% yoy):
 - Net fee and commission income was stable (EUR +0.8 million / +1% yoy and EUR +0.1 million / 0% qoq), largely stemming from stable payment transactions and account fees.
 - Income from financial transactions is mainly driven by mostly non-recurring transactions of divesting of equity stakes and favorable market conditions in the financial markets.
- **Lower total costs in NLB Group** (EUR -19.2 million / -8% yoy) based on the extensive rationalisation and Transformation Programme of NLB d.d. In spite of additional costs in the amount of EUR 1.9 million from asset quality review and stress tests, which were concluded by the bank within the transition to single supervision mechanism (SSM), NLB Group labour costs decreased by 6%, amortization costs by 19% and other operating costs by 7%. Consequently, cost income ratio improved and stood at 58.7% (down by 21.7 p.p. yoy).
- **The level of established impairments and provisioning in NLB Group is lower** than in the same period last year (EUR -236.2 million / -68% yoy). In third quarter of 2014, NLB d.d. switched from 10-year transition matrices to 5-year transition matrix when calculating collective impairments. 5-year-old matrix contains 'point-in-time' component, is more conservative and provides greater security for the bank as it indicates more accurately the current economic trends in the Slovenian market. At the same time, the bank changed segmentation of customers, from segmentation based on the exposure below and above EUR 2 million to the segment of large enterprises and SMEs, in accordance with the criteria for determining the size of companies under the Companies Act. The result of the changed methodology are higher collective impairments in the amount of EUR 11 million, which were recognized in the third quarter of 2014.
- Coverage of non-performing loans with impairments and provisions is significantly higher due to measures taken in 2013 (NPL coverage² 71.3% or 12.5 p.p. higher than in the same period last year). Reduction of NPLs remains a core focus of attention for NLB Group, where different wind-downs as well as other active collateral asset management and divestment approaches are used to achieve the set targets.

Groups' results are driven mainly by the NLB d.d., which in terms of revenues represents approximately 73% of the group. All of the core banks in the group, apart from NLB banka Belgrade, which is in the restructuring process, ended the first nine months of 2014 with a profit. On the other hand, majority of non-core members operated at a loss. According to the bank's strategy to withdraw from these activities, they are decreasing the volume of business and mostly do not conclude new transactions, so the current revenues do not suffice for covering the costs of financing and business costs.

Illustration 2:
Profit after tax for NLB Group – QoQ reconciliation
(in million EUR)



² Defined as total stock of provisions against NPL's.

Table 4:
NLB Group income statement key items

in EUR million	Cumulative			Quarters		
	1.1.-30.9.2013	1.1.-30.9.2014	Change YoY	2Q 2014	3Q 2014	Change QoQ
Net interest income	197.0	245.3	+25%	81.6	83.0	+2%
Net fees and commissions	102.6	103.5	+1%	35.0	35.1	+0%
Dividend income	2.4	1.8	-26%	1.6	0.1	-94%
Net income from financial transactions	-0.5	29.5	-	8.1	11.2	+38%
Net other income	2.0	2.9	+50%	-1.2	2.6	-
Net non-interest income	106.5	137.6	+29%	43.5	49.0	+13%
Total net operating income	303.4	382.9	+26%	125.1	132.0	+6%
Employee costs	-130.3	-122.8	-6%	-39.9	-41.2	+3%
Other general administrative expenses	-80.0	-74.6	-7%	-28.4	-24.2	-15%
Depreciation and amortisation	-33.5	-27.3	-19%	-9.0	-9.0	+0%
Total costs	-243.8	-224.7	-8%	-77.3	-74.4	-4%
Result before impairments and provisions	59.6	158.3	+165%	47.8	57.6	+21%
Impairments of financial assets AFS through equity	-14.1	-2.5	-83%	-0.1	-0.4	+561%
Credit impairments and provisions	-329.4	-98.3	-70%	-37.6	-41.9	+12%
Other impairments and provisions	-1.4	-7.9	+469%	-4.7	-0.4	-92%
Impairments and provisions	-344.9	-108.7	-68%	-42.3	-42.7	+1%
Result from equity investments in associates and joint ventures (equity method)	-7.8	2.3	-	1.1	1.3	+20%
Result before tax	-293.0	51.9	-	6.6	16.2	+147%
Income tax expense	1.3	-2.0	-	-0.5	-1.7	-244%
Result of minority shareholders	1.8	2.0	+14%	0.6	0.7	+9%
Result after tax	-293.5	47.9	-	5.4	13.8	+154%

Table 5:
NLB d.d. income statement key items

in EUR million	Cumulative			Quarters		
	1.1.-30.9.2013	1.1.-30.9.2014	Change YoY	2Q 2014	3Q 2014	Change QoQ
Net interest income	125.1	171.3	+37%	57.8	57.0	-1%
Net fees and commissions	75.1	74.9	0%	25.3	25.0	-1%
Dividend income	4.0	6.4	+58%	6.0	0.0	-100%
Net income from financial transactions	6.9	25.2	+265%	6.2	10.6	+70%
Net other income	-5.0	0.8	-	-1.9	0.8	-
Net non-interest income	81.1	107.3	+32%	35.6	36.4	+2%
Total net operating income	206.2	278.6	+35%	93.4	93.3	0%
Employee costs	-83.3	-78.2	-6%	-24.8	-26.3	+6%
Other general administrative expenses	-52.2	-47.4	-9%	-18.2	-15.0	-18%
Depreciation and amortisation	-20.1	-18.5	-8%	-6.2	-6.1	-1%
Total costs	-155.6	-144.1	-7%	-49.2	-47.3	-4%
Result before impairments and provisions	50.6	134.5	+166%	44.2	46.0	+4%
Impairments of financial assets AFS through equity	-14.1	-2.3	-83%	0.0	-0.3	-
Credit impairments and provisions	-187.0	-82.1	-56%	-31.7	-33.4	+6%
Other impairments and provisions	-64.6	-0.4	-99%	-0.3	2.3	-
Impairments and provisions	-265.8	-84.8	-68%	-32.0	-31.4	-2%
Result from equity investments in associates and joint ventures (equity method)	-	-	-	-	-	-
Result before tax	-215.2	49.7	-	12.2	14.6	+20%
Income tax expense	-9.0	0.7	-	0.1	-0.1	-
Result of minority shareholders	-	-	-	-	-	-
Result after tax	-224.1	50.3	-	12.3	14.5	+18%

Comments on the financial position statement

Total assets of NLB Group amounted to EUR 12,264.4 million at the end of September 2014, having decreased by 2% compared to the end of 2013.

Loans to non-banking sector in NLB Group dropped in the first nine months of 2014 (EUR -221.8 million / -3% YTD), mostly as a consequence of continued tough economic situation on the SEE market which reflects in reduced demand for loans and a more conservative approach of banks to new investments. At the same time higher volume of loans was repayed at the the end of the first half of the year 2014. Decrease in loan portfolio was further contributed by companies in disinvestment processes (non-core companies), where intensified recovery and sale of portfolio continues. In this context, a drop in corporate loans was most significant (EUR -275.3 million / -5% YTD), while retail loans have even increased slightly (EUR +72.3 million / +3% YTD).

The volume of newly-approved loans in NLB d.d. in the first nine months of the year 2014 for both corporates (cca. 70%) and households (cca. 30%) is solid at the amount of approx. EUR 1.0 billion. Thereof approximately 60% relate to new loans, with the remaining part being prolongations of mostly short-term credit lines.

On the liabilities side NLB Group recorded an increase in the **non-banking sector deposits** (EUR 832.7 million / +10% YTD). The group recorded a positive growth in all non-banking segments.

In the year 2014 total volume of refinancing decreased due to early repayment of a long-term loan from ECB in 2012, and further deleverage on international financial markets. In July long-term bond was issued in the amount of EUR 300 million.

Consequently, net loan to deposit ratio (LTD) for non-banking sector of NLB Group reduced compared to the end of 2013 (10.5 p.p. decrease) and stood at 75.7% (BAMC debt securities excluded) at the end of September 2014.

Illustration 3:
Total assets – YTD reconciliation (in EUR million)

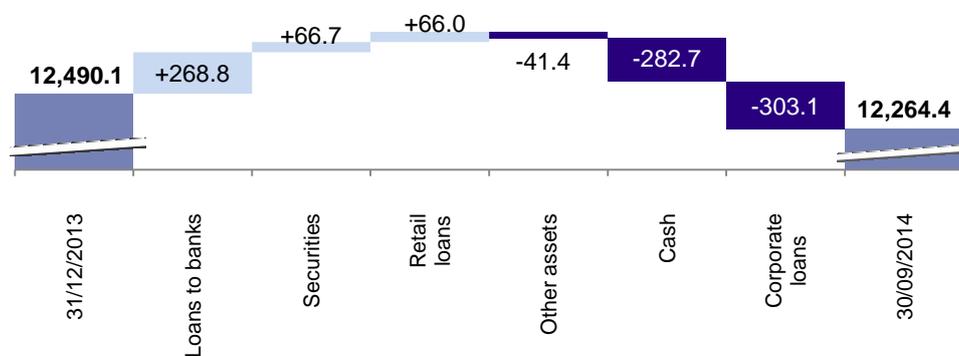


Illustration 4:
Total liabilities – YTD reconciliation (in EUR million)

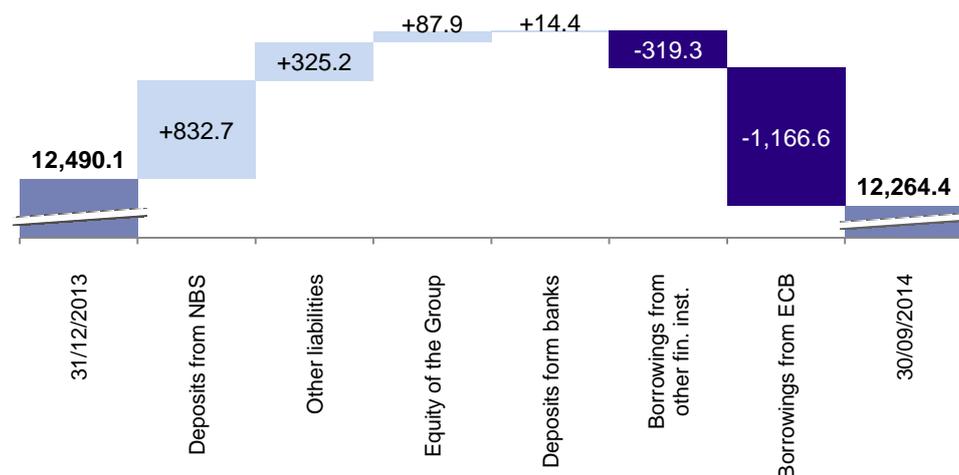


Table 6:
NLB Group and NLB d.d. key indicators of financial position

in EUR million	NLB Group			NLB d.d.		
	31.12.2013	30.9.2014	Change	31.12.2013	30.9.2014	Change
ASSETS						
Cash and balances w with Central Bank	942.7	659.9	-30%	374.8	117.2	-69%
Loans and advances to banks	532.5	801.3	+50%	376.4	512.7	+36%
Loans to non-banking sector	7,744.2	7,522.4	-3%	6,128.9	5,882.3	-4%
Gross loans	9,508.5	9,324.8	-2%	7,203.2	6,993.0	-3%
- corporate	5,515.9	5,240.6	-5%	4,288.2	4,042.5	-6%
- households	2,875.0	2,947.4	+3%	1,933.0	1,960.1	+1%
- state	495.0	499.0	+1%	359.4	352.6	-2%
- BAMC securities	622.6	637.8	+2%	622.6	637.8	+2%
Impairments	-1,764.3	-1,802.5	+2%	-1,074.3	-1,110.7	+3%
Financial assets	2,650.3	2,717.1	+3%	2,128.3	2,218.5	+4%
- Held for trading	104.3	180.9	+73%	104.8	181.5	+73%
- AFS, held to maturity, designated at fair value through PL	2,546.0	2,536.1	0%	2,023.5	2,037.0	+1%
Investments in subsidiaries, associates and JV	28.3	35.8	+27%	276.6	284.8	+3%
Property and equipment	273.4	267.0	-2%	109.9	100.9	-8%
Intangible assets	54.7	45.3	-17%	45.0	36.3	-19%
Other assets	264.0	215.7	-18%	67.6	49.7	-26%
Total assets	12,490.1	12,264.4	-2%	9,507.4	9,202.4	-3%
LIABILITIES						
Deposits from non-banking sector	8,260.9	9,093.6	+10%	5,747.5	6,416.2	+12%
- corporate	1,963.6	2,142.6	+9%	1,257.5	1,380.9	+10%
- households	6,064.7	6,295.7	+4%	4,345.3	4,501.7	+4%
- state	232.6	655.3	+182%	144.7	533.7	+269%
Deposits form banks	37.4	51.8	+38%	74.2	122.9	+65%
Debt securities in issue	68.8	357.5	+420%	68.8	357.5	+420%
Borrowings	2,548.5	1,062.6	-58%	2,298.1	857.2	-63%
Other liabilities	281.6	318.2	+13%	225.4	268.8	+19%
Subordinated debt	21.9	21.8	0%	0.0	0.0	-
Equity	1,247.4	1,333.4	+7%	1,093.5	1,179.9	+8%
Shareholders equity (including minority interest)	1,271.0	1,358.9	+7%	-	-	-
Total liabilities	12,490.1	12,264.4	-2%	9,507.4	9,202.4	-3%

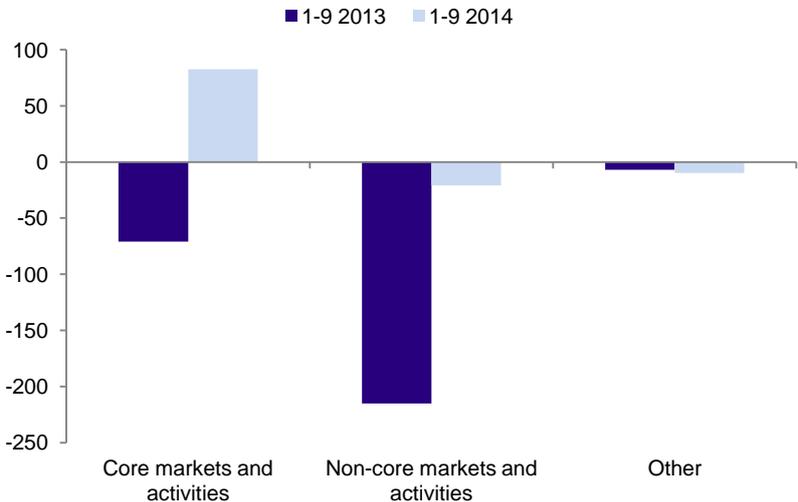
Core and non-core business of NLB Group

A clear definition of what activities are considered on mid-term as core (where NLB Group aims to develop its competitive position) and which as non-core (where gradual withdrawal is planned), as defined in NLB Group Strategy 2014-2018, allowed for a focus on the different objectives of the two groups, which already brings positive results.

Profit before tax of EUR 82.6 million was generated by **core markets and activities** of NLB Group. Compared to the same period last year, when the segment recorded a loss in the total amount of EUR 70.8 million, the performance improved considerably in main items of the income statement.

A loss amounting to EUR 20.8 million was incurred in **non-core markets and activities** of NLB Group, which is considerably less than in the same period last year, when it stood at EUR 215.2 million. Owing to the downsized volume of operations, a decrease was recorded in costs as well as impairments and provisions.

Illustration 5:
Performance of Core and non-core business – YoY
(in EUR million)



Transformation Programme

Transformation Programme consists of 23 projects and three business initiatives, out of which 12 projects and 1 business initiative were finished by the end of September 2014.

Status of projects on September 30th, 2014

Closed projects and business initiatives

Office space optimization – phase 2013

ZUKSB measures (recapitalization and transfer)

Demand management process development

EC State aid approval

Procurement process renewal and cost optimization

Top 100 credit risk cases – planning and execution

Develop and implement concept on integrity assurance and fraud prevention

Incentive system review and redesign

Talent development programme set-up

Retail business model review and re-definition*

NLB Group governance model optimization

HR restructuring

Formulation of strategy, mission and brand management guidelines

* Business initiative

Active projects and business initiatives

NLB Publishing: positioning of the Bank in the target public with our own media brands

Renewal of Financial Markets

Development and Implementation of Scoring Models for Small Companies and Retail

Large Corporate Model Review and Redefinition*

Medium size model review and redefinition*

Distribution channels review and development

Real Estate Management

IT Portfolio

Profitability models

Small enterprises business model and strategy implementation

Corporate lending and Collateral Process re-engineering

Cash centre

NLB Group non-core subsidiary wind-down

By the end of year 2014, 4 projects and 2 business initiatives will be completed. Other projects are in the final stage.

2 Financial statements

Unaudited Condensed Interim Financial Statements of NLB d.d. and the NLB Group as at 30.9.2014

prepared in accordance with IAS 34 "Interim financial reporting"

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Condensed Income statement

in thousand EUR

	NLB d.d.			NLB Group			
	Notes	nine months ended		% change	nine months ended		
		September 2014	September 2013		September 2014	September 2013	% change
Interest and similar income	4.1.	253,089	269,931	(6)	376,343	399,054	(6)
Interest and similar expenses	4.1.	(81,786)	(144,790)	(44)	(131,015)	(202,088)	(35)
Net interest income		171,303	125,141	37	245,328	196,966	25
Dividend income		6,352	4,027	58	1,754	2,375	(26)
Fee and commission income	4.2.	96,765	97,877	(1)	142,578	140,998	1
Fee and commission expenses	4.2.	(21,826)	(22,758)	(4)	(39,127)	(38,358)	2
Net fee and commission income		74,939	75,119	(0)	103,451	102,640	1
Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	4.3.	30,397	6,204	-	30,527	(4,286)	-
Gains less losses from financial assets and liabilities held for trading	4.4.	(4,544)	1,085	-	62	5,384	(99)
Gains less losses from financial assets and liabilities designated at fair value through profit or loss		-	-	-	46	70	(34)
Fair value adjustments in hedge accounting		(1,037)	160	-	(1,037)	160	-
Foreign exchange translation gains less losses		375	(551)	-	(129)	(1,824)	(93)
Gains less losses on derecognition of assets other than held for sale		(72)	(21)	-	(1,317)	(136)	-
Other operating income	4.5.	13,876	11,492	21	20,202	21,449	(6)
Other operating expenses	4.6.	(11,522)	(11,535)	(0)	(14,535)	(14,444)	1
Administrative expenses	4.7.	(125,567)	(135,499)	(7)	(197,372)	(210,286)	(6)
Depreciation and amortization		(18,497)	(20,114)	(8)	(27,291)	(33,533)	(19)
Provisions for other liabilities and charges	4.8.	(17,902)	(7,054)	-	(17,322)	(5,829)	-
Impairment charge	4.9.	(66,925)	(258,718)	(74)	(91,345)	(339,043)	(73)
Share of profits/(losses) of associates and joint ventures accounted for using the equity method		-	-	-	2,325	(7,790)	-
Net loss from non-current assets held for sale		(1,491)	(4,912)	(70)	(1,422)	(4,912)	(71)
PROFIT/(LOSS) BEFORE INCOME TAX		49,685	(215,176)	-	51,925	(293,039)	-
Income tax	5.7.	656	(8,959)	-	(2,048)	1,333	-
PROFIT/(LOSS) FOR THE PERIOD		50,341	(224,135)	-	49,877	(291,706)	-
Attributable to:							
Owners of the parent		50,341	(224,135)	-	47,860	(293,472)	-
Non-controlling interests		-	-	-	2,017	1,766	14

Condensed Income statement – by quarter

in thousand EUR

NLB d.d.

	three months ended					three months ended				
	September 2014	June 2014	% change	March 2014	% change	September 2013	June 2013	% change	March 2013	% change
Interest and similar income	82,525	84,391	(2)	86,173	(2)	83,790	89,403	(6)	96,738	(8)
Interest and similar expenses	(25,549)	(26,622)	(4)	(29,615)	(10)	(43,328)	(49,299)	(12)	(52,163)	(5)
Net interest income	56,976	57,769	(1)	56,558	2	40,462	40,104	1	44,575	(10)
Dividend income	19	5,975	(100)	358	-	1,227	2,653	(54)	147	-
Fee and commission income	32,459	33,238	(2)	31,068	7	33,482	33,204	1	31,191	6
Fee and commission expenses	(7,451)	(7,925)	(6)	(6,450)	23	(8,734)	(7,721)	13	(6,303)	22
Net fee and commission income	25,008	25,313	(1)	24,618	3	24,748	25,483	(3)	24,888	2
Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	9,648	9,975	(3)	10,774	(7)	356	422	(16)	5,426	(92)
Gains less losses from financial assets and liabilities held for trading	501	(2,771)	-	(2,274)	22	(1,654)	(1,144)	45	3,883	-
Fair value adjustments in hedge accounting	(57)	(1,029)	(94)	49	-	174	17	-	(31)	-
Foreign exchange translation gains less losses	484	29	-	(138)	-	2,359	889	-	(3,799)	-
Gains less losses on derecognition of assets other than held for sale	12	(95)	-	11	-	25	(46)	-	-	-
Other operating income	3,494	4,040	(14)	6,342	(36)	3,936	4,258	(8)	3,298	29
Other operating expenses	(2,755)	(4,315)	(36)	(4,452)	(3)	(3,456)	(3,266)	6	(4,813)	(32)
Administrative expenses	(41,246)	(43,028)	(4)	(41,293)	4	(45,957)	(44,095)	4	(45,447)	(3)
Depreciation and amortization	(6,073)	(6,155)	(1)	(6,269)	(2)	(6,804)	(6,542)	4	(6,768)	(3)
Provisions for liabilities and charges	4,459	(12,780)	-	(9,581)	33	(6,502)	299	-	(851)	-
Impairment charge	(35,887)	(19,213)	87	(11,825)	62	(127,681)	(109,583)	17	(21,454)	-
Net (loss)/gain from non-current assets held for sale	-	(1,536)	(100)	45	-	(137)	(3,702)	(96)	(1,073)	-
PROFIT/(LOSS) BEFORE INCOME TAX	14,583	12,179	20	22,923	(47)	(118,904)	(94,253)	26	(2,019)	-
Income tax	(79)	102	-	633	(84)	(19,405)	12,942	-	(2,496)	-
PROFIT/(LOSS) FOR THE PERIOD	14,504	12,281	18	23,556	(48)	(138,309)	(81,311)	70	(4,515)	-

in thousand EUR

NLB Group

	three months ended					three months ended				
	September 2014	June 2014	% change	March 2014	% change	September 2013	June 2013	% change	March 2013	% change
Interest and similar income	124,134	124,767	(1)	127,442	(2)	125,892	130,523	(4)	142,639	(8)
Interest and similar expenses	(41,089)	(43,187)	(5)	(46,739)	(8)	(62,538)	(67,997)	(8)	(71,553)	(5)
Net interest income	83,045	81,580	2	80,703	1	63,354	62,526	1	71,086	(12)
Dividend income	94	1,642	(94)	18	-	736	1,453	(49)	186	-
Fee and commission income	48,758	48,548	0	45,272	7	48,726	47,151	3	45,121	4
Fee and commission expenses	(13,663)	(13,586)	1	(11,878)	14	(14,311)	(12,861)	11	(11,186)	15
Net fee and commission income	35,095	34,962	0	33,394	5	34,415	34,290	0	33,935	1
Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	9,711	10,002	(3)	10,814	(8)	473	(10,191)	-	5,432	-
Gains less losses from financial assets and liabilities held for trading	2,209	(1,236)	-	(911)	36	298	127	-	4,959	(97)
Gains less losses from financial assets and liabilities designated at fair value through profit or loss	17	12	42	17	(29)	52	(32)	-	50	-
Fair value adjustments in hedge accounting	(57)	(1,029)	(94)	49	-	174	17	-	(31)	-
Foreign exchange translation gains less losses	(710)	343	-	238	44	1,979	1,116	77	(4,919)	-
Gains less losses on derecognition of assets other than held for sale	12	(960)	-	(369)	-	(325)	97	-	92	5
Other operating income	6,576	6,752	(3)	6,874	(2)	7,290	7,199	1	6,960	3
Other operating expenses	(3,961)	(5,537)	(28)	(5,037)	10	(4,310)	(4,103)	5	(6,031)	(32)
Administrative expenses	(65,386)	(68,232)	(4)	(63,754)	7	(70,784)	(69,785)	1	(69,717)	0
Depreciation and amortization	(9,043)	(9,034)	0	(9,214)	(2)	(11,098)	(10,882)	2	(11,553)	(6)
Provisions for liabilities and charges	3,394	(14,209)	-	(6,507)	-	(6,931)	582	-	520	12
Impairment charge	(46,089)	(28,117)	64	(17,139)	64	(192,924)	(107,945)	79	(38,174)	-
Share of profits/(losses) of associates and joint ventures accounted for using the equity method	1,309	1,093	20	(77)	-	(5,404)	(2,542)	-	156	-
Net gain/(loss) from non-current assets held for sale	4	(1,475)	(100)	49	-	(137)	(3,702)	(96)	(1,073)	-
PROFIT/(LOSS) BEFORE INCOME TAX	16,220	6,557	-	29,148	(78)	(183,142)	(101,775)	80	(8,122)	-
Income tax	(1,704)	(495)	-	151	-	(18,526)	11,922	-	7,937	50
PROFIT/(LOSS) FOR THE PERIOD	14,516	6,062	-	29,299	(79)	(201,668)	(89,853)	-	(185)	-
Attributable to:										
Owners of the parent	13,846	5,447	-	28,567	(81)	(202,296)	(90,483)	-	(693)	-
Non-controlling interests	670	615	9	732	(16)	628	630	(0)	508	24

Condensed Statement of comprehensive income

in thousand EUR

	NLB d.d.		NLB Group	
	September 2014	September 2013	September 2014	September 2013
Net profit/(loss) for the period after tax	50,341	(224,135)	49,877	(291,706)
Other comprehensive income/(loss) after tax	36,118	(10,000)	38,388	(10,011)
<i>Items that will not be reclassified to income statement</i>				
Actuarial gains on defined benefit pensions plans	55	-	378	-
<i>Items that may be reclassified subsequently to income statement</i>				
Foreign currency translation	-	-	(2,715)	351
Translation (losses)/gains taken to equity	-	-	(2,715)	351
Cash flow hedges (effective portion)	(559)	943	(559)	943
Valuation (losses)/gains taken to equity	(1,091)	265	(1,091)	265
Transferred to income statement	532	678	532	678
Available for sale financial assets	44,019	(12,991)	43,463	(12,446)
Valuation gains/(losses) taken to equity	72,263	(21,304)	71,629	(20,696)
Transferred to income statement	(28,244)	8,313	(28,166)	8,250
Share of other comprehensive income/(loss) of entities accounted for using the equity method	-	-	6,188	(1,001)
Income tax relating to components of other comprehensive (loss)/income	(7,397)	2,048	(8,367)	2,142
5.10.				
Total comprehensive income/(loss) for the period after tax	86,459	(234,135)	88,265	(301,717)
Attributable to owners of the parent	86,459	(234,135)	86,148	(303,304)
Attributable to non-controlling interests	-	-	2,117	1,587

Condensed Statement of comprehensive income – by quarter

in thousand EUR

	NLB d.d.					
	three months ended			three months ended		
	September 2014	June 2014	March 2014	September 2013	June 2013	March 2013
Net profit/(loss) for the period after tax	14,504	12,281	23,556	(138,309)	(81,311)	(4,515)
Other comprehensive income/(loss) after tax	960	9,699	25,459	496	6,374	(16,870)
<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)	(149)	(207)	(203)	168	530	245
Valuation (losses)/gains taken to equity	(317)	(378)	(396)	(58)	309	14
Transferred to income statement	168	171	193	226	221	231
Available for sale financial assets	1,252	11,891	30,876	(578)	7,526	(19,939)
Valuation gains/(losses) taken to equity	10,777	21,866	39,620	(3,616)	(2,606)	(15,082)
Transferred to income statement	(9,525)	(9,975)	(8,744)	3,038	10,132	(4,857)
Income tax relating to components of other comprehensive (loss)/income	(198)	(1,985)	(5,214)	906	(1,682)	2,824
Total comprehensive income/(loss) for the period after tax	15,464	21,980	49,015	(137,813)	(74,937)	(21,385)

in thousand EUR

	NLB Group					
	three months ended			three months ended		
	September 2014	June 2014	March 2014	September 2013	June 2013	March 2013
Net profit/(loss) for the period after tax	14,516	6,062	29,299	(201,668)	(89,853)	(185)
Other comprehensive income/(loss) after tax	835	11,257	26,296	2,228	1,549	(13,788)
<i>Items that will not be reclassified to income statement</i>						
Actuarial gains on defined benefit pensions plans	378	-	-	-	-	-
<i>Items that may be reclassified subsequently to income statement</i>						
Foreign currency translation	(1,733)	153	(1,135)	77	(1,945)	2,219
Translation (losses)/gains taken to equity	(1,733)	153	(1,135)	77	(1,945)	2,219
Cash flow hedges (effective portion)	(149)	(207)	(203)	168	530	245
Valuation (losses)/gains taken to equity	(317)	(378)	(396)	(58)	309	14
Transferred to income statement	168	171	193	226	221	231
Available for sale financial assets	1,169	11,153	31,141	567	5,917	(18,930)
Valuation gains/(losses) taken to equity	10,666	21,078	39,885	(2,397)	(4,237)	(14,062)
Transferred to income statement	(9,497)	(9,925)	(8,744)	2,964	10,154	(4,868)
Share of other comprehensive income/(loss) of entities accounted for using the equity method	1,658	2,462	2,068	744	(1,611)	(134)
Income tax relating to components of other comprehensive (loss)/income	(488)	(2,304)	(5,575)	672	(1,342)	2,812
Total comprehensive income/(loss) for the period after tax	15,351	17,319	55,595	(199,440)	(88,304)	(13,973)
Attributable to owners of the parent	14,663	16,663	54,822	(200,255)	(88,728)	(14,321)
Attributable to non-controlling interests	688	656	773	815	424	348

Condensed Statement of financial position

in thousand EUR

	Notes	NLB d.d.			NLB Group		
		30.9.2014	31.12.2013	% change	30.9.2014	31.12.2013	% change
Cash and balances with central banks	5.1.	117,205	374,775	(69)	659,948	942,657	(30)
Trading assets	5.2.	181,529	104,779	73	180,949	104,335	73
Financial assets designated at fair value through profit or loss		4,601	3,801	21	6,388	6,615	(3)
Available for sale financial assets	5.3.	1,206,204	1,155,412	4	1,703,543	1,675,117	2
Derivatives - hedge accounting		2,946	5,426	(46)	2,946	5,426	(46)
Loans and advances							
- debt securities	5.4.1.	722,954	702,791	3	722,954	702,791	3
- loans and advances to banks	5.4.2.	512,693	376,439	36	801,319	532,533	50
- loans and advances to customers	5.4.3.	5,159,339	5,426,129	(5)	6,799,398	7,041,430	(3)
- other financial assets	5.4.4.	29,999	41,337	(27)	45,501	63,919	(29)
Held to maturity investments	5.5.	826,171	864,259	(4)	826,171	864,259	(4)
Fair value changes of the hedged items in portfolio hedge of interest rate risk		855	530	61	855	530	61
Non-current assets classified as held for sale		2,839	2,327	22	7,257	17,582	(59)
Property and equipment		99,463	108,449	(8)	225,815	238,578	(5)
Investment property		1,458	1,458	-	41,176	34,844	18
Intangible assets		36,324	44,976	(19)	45,268	54,727	(17)
Investments in subsidiaries		278,134	269,392	3	-	-	-
Investments in associates and joint ventures		6,679	7,200	(7)	35,797	28,284	27
Current income tax assets		571	8	-	2,548	1,923	33
Deferred income tax assets	5.7.1.	6,651	13,392	(50)	5,362	12,092	(56)
Other assets	5.6.	5,817	4,541	28	151,198	162,492	(7)
TOTAL ASSETS		9,202,432	9,507,421	(3)	12,264,393	12,490,134	(2)
		=====	=====		=====	=====	
Deposits and borrowings from central banks		100,014	1,266,638	(92)	100,014	1,266,638	(92)
Trading liabilities		45,728	34,064	34	45,724	34,063	34
Financial liabilities designated at fair value through profit or loss		4,600	3,800	21	4,600	3,800	21
Derivatives - hedge accounting		40,076	36,519	10	40,076	36,519	10
Financial liabilities measured at amortized cost							
- deposits from banks	5.8.1.	122,851	74,234	65	51,827	37,425	38
- borrowings from banks	5.8.2.	723,370	995,133	(27)	819,930	1,119,602	(27)
- due to customers	5.8.1.	6,411,648	5,743,673	12	9,088,996	8,257,077	10
- borrowings from other customers	5.8.2.	33,785	36,284	(7)	142,681	162,309	(12)
- debt securities in issue	5.8.3.	357,464	68,782	-	357,464	68,782	-
- subordinated liabilities	5.8.4.	-	-	-	21,771	21,874	(0)
- other financial liabilities	5.8.5.	78,429	61,609	27	101,371	86,609	17
Fair value changes of the hedged items in portfolio hedge of interest rate risk		-	133	(100)	-	133	(100)
Provisions	5.9.	99,733	87,080	15	118,150	108,923	8
Current income tax liabilities		-	-	-	1,108	116	-
Deferred income tax liabilities	5.7.1.	-	-	-	566	370	53
Other liabilities	5.11.	4,807	6,004	(20)	11,218	14,897	(25)
TOTAL LIABILITIES		8,022,505	8,413,953	(5)	10,905,496	11,219,137	(3)
		=====	=====		=====	=====	
EQUITY AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT							
Share capital		200,000	200,000	-	200,000	200,000	-
Share premium		871,378	871,378	-	871,378	871,378	-
Revaluation reserve		44,686	8,568	-	41,384	3,096	-
Profit reserves		13,522	13,522	-	13,522	13,522	-
Retained earnings		50,341	-	-	207,055	159,391	30
		1,179,927	1,093,468	8	1,333,339	1,247,387	7
Non-controlling interests		-	-	-	25,558	23,610	8
TOTAL EQUITY		1,179,927	1,093,468	8	1,358,897	1,270,997	7
TOTAL LIABILITIES AND EQUITY		9,202,432	9,507,421	(3)	12,264,393	12,490,134	(2)
		=====	=====		=====	=====	

Condensed Statement of changes in equity

in thousand EUR

NLB d.d.	Share capital	Share premium	Revaluation reserves	Profit reserves	Retained earnings	Total equity
Balance at January 1, 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 September 30, 2014	200,000	871,378	44,686	13,522	50,341	1,179,927

	Share capital	Share premium	Other equity instruments	Revaluation reserves	Profit reserves	Retained earnings	Treasury shares	Total equity
Balance at January 1, 2013	104,731	774,472	336,044	(5,416)	164,204	(304,874)	(2,048)	1,067,113
- Net loss for the period	-	-	-	-	-	(224,135)	-	(224,135)
- Other comprehensive loss	-	-	-	(10,000)	-	-	-	(10,000)
Total comprehensive loss after tax	-	-	-	(10,000)	-	(224,135)	-	(234,135)
New share capital subscribed	1,858	1	-	-	-	-	-	1,859
Conversion of other equity instruments issued	77,490	263,727	(341,217)	-	-	-	-	-
Other*	-	(213)	5,173	-	(5,173)	-	-	(213)
Balance at September 30, 2013	184,079	1,037,987	-	(15,416)	159,031	(529,009)	(2,048)	834,624

* Item other relates to costs directly attributable to the issuance of new shares and accrued income from financial instruments with characteristics of equity.

NLB Group	Share capital	Share premium	Revaluation reserves	Profit reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
Balance at January 1, 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 September 30, 2014	200,000	871,378	41,384	13,522	207,055	1,333,339	25,558	1,358,897

* Item other relates to loss of control of subsidiary and transactions with non-controlling interest.

	Share capital	Share premium	Other equity instruments	Revaluation reserves	Profit reserves	Retained earnings	Treasury shares	Equity attributable to owners of the parent	Equity attributable to non-controlling	Total equity
Balance at January 1, 2013	104,731	774,472	336,044	(12,754)	164,204	(239,611)	(2,048)	1,125,038	19,946	1,144,984
- Net loss for the period	-	-	-	-	-	(293,472)	-	(293,472)	1,766	(291,706)
- Other comprehensive loss	-	-	-	(9,832)	-	-	-	(9,832)	(179)	(10,011)
Total comprehensive loss after tax	-	-	-	(9,832)	-	(293,472)	-	(303,304)	1,587	(301,717)
New share capital subscribed	1,858	1	-	-	-	-	-	1,859	-	1,859
Conversion of other equity instruments issued	77,490	263,727	(341,217)	-	-	-	-	-	-	-
Other*	-	(213)	5,173	-	(5,173)	(4,418)	-	(4,631)	4,375	(256)
Balance at September 30, 2013	184,079	1,037,987	-	(22,586)	159,031	(537,501)	(2,048)	818,962	25,908	844,870

* Item other relates to costs directly attributable to the issuance of new shares, accrued income from financial instruments with characteristics of equity and transactions with non-controlling interest.

Condensed Statement of cash flows

	NLB d.d.		in thousand EUR	
	nine months ended		nine months ended	
	September 2014	September 2013	September 2014	September 2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	249,870	280,940	370,213	402,558
Interest paid	(104,834)	(147,663)	(157,752)	(199,913)
Dividends received	6,345	3,461	1,701	2,365
Fee and commission receipts	95,216	102,453	141,339	147,015
Fee and commission payments	(21,686)	(22,477)	(39,145)	(37,371)
Realized gains from financial assets and financial liabilities not at fair value through profit or loss	30,602	5,915	30,693	9,611
Realized losses from financial assets and financial liabilities not at fair value through profit or loss	(187)	-	(187)	-
(Losses)/gains from financial assets and liabilities held for trading	(1,452)	2,221	2,389	5,508
Payments to employees and suppliers	(136,048)	(144,033)	(207,768)	(219,763)
Other income	15,171	13,616	24,746	31,571
Other expenses	(12,855)	(16,373)	(16,405)	(19,685)
Income tax paid	-	(342)	(872)	(2,790)
Cash flows from operating activities before changes in operating assets and liabilities	120,142	77,718	148,952	119,106
Decreases/(increases) in operating assets	4,292	301,356	(97,446)	(100,633)
Net increase in trading assets	(68,943)	(59,346)	(68,943)	(59,346)
Net (increase)/decrease in financial assets and liabilities designated at fair value through profit or loss	-	(274)	1,093	(133)
Net (increase)/decrease in available for sale financial assets	(22,040)	36,831	(25,745)	(127,065)
Net decrease/(increase) in loans and advances	95,773	325,008	(9,059)	112,091
Net (increase)/decrease in other assets	(498)	(863)	5,208	(26,180)
Decreases in operating liabilities	(400,327)	(251,123)	(323,178)	(181,401)
Net decrease in deposits and borrowings from central banks	(1,150,019)	(27)	(1,150,019)	(27)
Net increase/(decrease) in deposits and borrowings measured at amortized cost	460,800	(218,229)	539,669	(148,883)
Net increase/(decrease) in securities measured at amortized cost	288,979	(32,902)	288,979	(32,902)
Net (decrease)/increase in other liabilities	(87)	35	(1,807)	411
Net cash used in operating activities	(275,893)	127,951	(271,672)	(162,928)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts from investing activities	86,669	305,649	87,589	306,090
Proceeds from sale of property and equipment and investment property	24	112	1,194	553
Proceeds from liquidation of subsidiaries	250	-	-	-
Proceeds from sale of non-current assets held for sale	548	-	548	-
Proceeds from maturity and disposal of held to maturity investments	85,847	305,537	85,847	305,537
Payments from investing activities	(67,695)	(210,104)	(70,434)	(147,058)
Purchase of property and equipment and investment property	(2,376)	(2,559)	(12,904)	(7,230)
Purchase of intangible assets	(5,649)	(6,784)	(6,622)	(7,738)
Purchase of subsidiaries and increase in subsidiaries' equity	(8,762)	(68,707)	-	(36)
Purchase of held to maturity investments	(50,908)	(132,054)	(50,908)	(132,054)
Net cash used in investing activities	18,974	95,545	17,155	159,032
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from financing activities	-	1,859	-	1,859
Issue of ordinary shares and other equity instruments	-	1,859	-	1,859
Payments from financing activities	-	(61,676)	(183)	(61,676)
Dividends paid	-	-	(108)	-
Repayments of subordinated debt	-	(61,463)	-	(61,463)
Other payments related to financing activities	-	(213)	(75)	(213)
Net cash from financing activities	-	(59,817)	(183)	(59,817)
Effects of exchange rate changes on cash and cash equivalents	6,074	(2,494)	6,356	(3,680)
Net (decrease)/increase in cash and cash equivalents	(256,919)	163,679	(254,700)	(63,713)
Cash and cash equivalents at beginning of period	613,092	575,961	1,430,905	1,573,940
Cash and cash equivalents at end of period	362,247	737,146	1,182,561	1,506,547

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Management Board hereby confirms its responsibility for the preparation of the financial statements of the NLB d.d. and the consolidated financial statements of the NLB Group for the nine months ended September 30, 2014.

The Management Board is responsible for the preparation and presentation of these interim financial statements in accordance with the IAS 34 "Interim financial reporting".

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

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

Management Board



Nima Motazed
Member of the
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
President of the
Management Board

Notes to the condensed financial statements

1. GENERAL INFORMATION

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

The NLB d.d. is incorporated and domiciled in Slovenia. The address of its registered office is Trg Republike 2, Ljubljana. The 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 is the sole shareholder as at September 30, 2014 and December 31, 2013.

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 December 31, 2013, which have been prepared in accordance with International Financial Reporting Standards (hereinafter: IFRS) as adopted by the European Union.

2.2. Accounting policies

Except as described below, 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 December 31, 2013.

Provisions for post-employment benefits

In accordance with IAS 19 actuarial gains and losses of defined benefit liabilities are recognized in statement of other comprehensive income.

Accounting standards and amendments to existing standards effective for annual periods beginning on January 1, 2014 that were endorsed by EU and adopted by the NLB Group

- IAS 32 (amendment) - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2014).
- IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS 12 - Disclosures of Interests in Other Entities, a revised version of IAS 27 - Separate Financial Statements, which has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements, and a revised version of IAS 28 - Investments in Associates and Joint Ventures, which has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11. Standards are effective for annual periods beginning on or after January 1, 2014.
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interests in Other Entities - Transition Guidance (effective for annual periods beginning on or after January 1, 2014).

- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interests in Other Entities – Investment Entities (effective for annual periods beginning on or after January 1, 2014).
- IAS 39 (amendment) – Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after January 1, 2014).
- IAS 36 (amendment) - Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 1, 2014).
- IFRIC 21 (new interpretation) – Levies (effective for annual periods beginning on or after January 1, 2014).

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

- IFRS 9 (new standard) - Financial instruments (effective for annual periods beginning on or after January 1, 2018).
- IAS 19 (amendment) – Defined benefit plans: Employee contributions (effective for annual periods beginning on or after July 1, 2014).
- 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 July 1, 2014.
- 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 July 1, 2014.
- IFRS 14 (new standard) - Regulatory Deferral Accounts (effective for annual periods beginning on or after January 1, 2016).
- IFRS 15 (new standard) – Revenue from Contracts with Customers (effective from annual periods beginning on or after January 1, 2017).
- IAS 16 and IAS 38 (amendment) – Clarification of Acceptable Methods of Depreciation and Amortisation (effective from annual periods beginning on or after January 1, 2016).
- IFRS 11 (amendment) – Accounting for Acquisition of Interests in Joint Operations (effective from annual periods beginning on or after January 1, 2016).
- IFRS 10 and IAS 28 (amendment) - Sale or contribution of Assets between an Investor and its Associate or Joint Venture (effective from annual periods beginning on or after January 1, 2016).
- IAS 27 (amendment) - Equity Method in Separate Financial Statements (effective from annual periods beginning on or after January 1, 2016).
- IAS 16 and IAS 41 (amendment) - Bearer Plants (effective from annual periods beginning on or after January 1, 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 January 1, 2016.

3. CHANGES IN SUBSIDIARY HOLDINGS

NINE MONTHS ENDED SEPTEMBER 30, 2014

Capital increase/decrease:

- Increases in share capital in the form of loan conversion in the total amount of EUR 1,765 thousand was registered at NLB Leasing, Beograd.
- Increase in share capital in the form of cash contributions in the total amount of EUR 8,755 thousand was registered in NLB Srbija, Beograd and CBS Invest, Sarajevo.
- Increase in share capital in the form of loan conversion in the total amount of EUR 7,000 thousand was registered at NLB Leasing, Sofia by NLB Leasing, Ljubljana.
- Decrease in share capital in amount of EUR 640 thousand was registered in Plan, Banja Luka.

Other changes:

- Relevant activities of entities ICJ – v stečaju, Domžale and Conet – v stečaju, Beograd are subject to bankruptcy manager therefore NLB d.d. has no longer control over these entities.
- NLB d.d. increased its ownership interest in NLB Montenegrobanka, Podgorica in amount of EUR 15,000 thousand from 97.40% to 98.00%.
- As at June 5, 2014 simplified decrease with simultaneous increase in share capital was registered in Adria Bank, Wien. Due to covering the loss from 2013 the share capital at first decreased to 0; in increase in share capital NLB d.d. did not participate.
- PRO-REM d.o.o., Ljubljana was established. NLB d.d.'s ownership in PRO-REM d.o.o., Ljubljana is 100%.

CHANGES IN THE YEAR 2013

Capital increase:

- Increases in share capital in the form of cash contributions in the total amount of EUR 172,487 thousand were registered at NLB Factoring “v likvidaci”, Ostrava, CBS Invest, Sarajevo, NLB Montenegrobanka, Podgorica, NLB Srbija, Beograd, NLB Leasing, Ljubljana and NLB banka, Beograd. Increase in share capital in the total amount of EUR 12,000 thousand has not yet been registered in NLB Leasing, Sarajevo.
- Increases in share capital in the form of loan conversion in the total amount of EUR 53,750 thousand were registered at NLB Leasing, Beograd, NLB Leasing, Ljubljana and NLB banka, Beograd.
- Increases in share capital in the form of cash contributions from NLB Leasing, Ljubljana in the total amount of EUR 42,356 thousand were registered at Optima Leasing, Zagreb and OL Nekretnine, Zagreb. Increase in share capital in the amount of EUR 25,000 thousand has not yet been registered in Optima Leasing, Zagreb.
- An increase in share capital in the form of a cash contribution in the total amount of EUR 330 thousand was registered at NLB Interfinanz Praha, Praga by NLB Interfinanz, Zürich.

Other changes:

- NLB Factoring, Ostrava was renamed to NLB Factoring, “v likvidaci”, Ostrava.
- NLB Crna Gora d.o.o., Podgorica was established. NLB d.d.'s ownership in NLB Crna Gora d.o.o., Podgorica is 100%.
- NLB d.d. increased its ownership interest in NLB Montenegrobanka, Podgorica from 96.71% to 97.40%.
- NLB Leasing, Ljubljana increased its ownership interest in OL Nekretnine, Zagreb, from 99.93% to 100%. Consideration was paid in the amount of EUR 13 thousand.
- NLB Leasing, Ljubljana increased its ownership interest in Optima Leasing, Zagreb, from 99.82% to 99.95%. Consideration was paid in the amount of EUR 23 thousand.
- Plan d.d., Banja Luka changed its legal organizational form to Plan d.o.o, Banja Luka.
- LHB Trade d.o.o., Zagreb was renamed to LHB Trade d.o.o. - u likvidaciji, Zagreb.
- By converting other items of equity in share capital, the share capital of NLB Vita, Ljubljana has increased for EUR 184 thousand. NLB d.d.'s share interest in entity remained unchanged.

4. NOTES TO THE CONDENSED INCOME STATEMENT

4.1. Interest income and expenses

in thousand EUR

	NLB d.d.			NLB Group		
	nine months ended			nine months ended		
	September 2014	September 2013	% change	September 2014	September 2013	% change
Interest and similar income						
Loans and advances to customers	192,871	201,772	(4)	304,328	319,781	(5)
Held to maturity investments	23,366	26,463	(12)	23,366	26,463	(12)
Available for sale financial assets	19,988	18,167	10	33,383	31,580	6
Financial assets held for trading	11,411	14,616	(22)	11,311	14,304	(21)
Loans and advances to banks	3,541	5,715	(38)	1,505	2,923	(49)
Derivatives - hedge accounting	1,717	2,849	(40)	1,717	2,849	(40)
Deposits with central banks	195	349	(44)	733	1,154	(36)
TOTAL	253,089	269,931	(6)	376,343	399,054	(6)
	=====	=====		=====	=====	
Interest and similar expenses						
Due to customers	49,091	84,932	(42)	91,625	133,527	(31)
Borrowings from banks	13,007	29,568	(56)	15,899	33,776	(53)
Financial liabilities held for trading	9,169	13,781	(33)	9,169	13,768	(33)
Derivatives - hedge accounting	5,335	7,175	(26)	5,335	7,175	(26)
Debt securities in issue	4,141	2,106	97	4,141	2,357	76
Borrowings from other customers	426	434	(2)	2,833	3,603	(21)
Deposits from banks	65	79	(18)	133	231	(42)
Subordinated liabilities	-	6,457	(100)	1,072	7,372	(85)
Other financial liabilities	552	258	-	808	279	-
TOTAL	81,786	144,790	(44)	131,015	202,088	(35)
	=====	=====		=====	=====	
NET INTEREST INCOME	171,303	125,141	37	245,328	196,966	25
	=====	=====		=====	=====	

4.2. Net fee and commission income

in thousand EUR

	NLB d.d.			NLB Group		
	nine months ended			nine months ended		
	September 2014	September 2013	% change	September 2014	September 2013	% change
Fee and commission income						
Credit cards and ATMs	33,102	33,288	(1)	43,371	43,164	0
Customer transaction accounts	24,553	25,280	(3)	29,893	29,857	0
Payments	21,537	22,483	(4)	40,242	40,311	(0)
Guarantees	7,321	8,019	(9)	11,099	12,307	(10)
Investment banking	4,310	4,273	1	6,342	5,589	13
Investment funds	2,062	1,189	73	6,200	4,902	26
Agency of insurance products	1,935	1,589	22	1,935	1,589	22
Other services	1,945	1,756	11	3,496	3,279	7
TOTAL	96,765	97,877	(1)	142,578	140,998	1
	=====	=====		=====	=====	
Fee and commission expenses						
Credit cards and ATMs	17,384	17,308	0	24,196	23,346	4
Deposit insurance	-	-	-	6,366	5,871	8
Investment banking	1,558	1,493	4	1,910	1,750	9
Payments	573	613	(7)	3,449	3,310	4
Guarantees	335	1,282	(74)	399	1,349	(70)
Other services	1,976	2,062	(4)	2,807	2,732	3
TOTAL	21,826	22,758	(4)	39,127	38,358	2
	=====	=====		=====	=====	
NET FEE AND COMMISSION INCOME	74,939	75,119	(0)	103,451	102,640	1
	=====	=====		=====	=====	

Income from other services include fees from non-banking deposit valuables and safe custody and other agency services.

Expenses from other services include insurance for holders of personal accounts and golden cards.

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

in thousand EUR

	NLB d.d.			NLB Group		
	nine months ended			nine months ended		
	September 2014	September 2013	% change	September 2014	September 2013	% change
Available for sale financial assets	30,584	5,782	-	30,630	5,845	-
Financial liabilities measured at amortized cost	(187)	289	-	(187)	289	-
Held to maturity investments	-	133	-	-	133	(100)
Loans and receivables	-	-	-	84	(10,553)	-
TOTAL	30,397	6,204	-	30,527	(4,286)	-
	=====	=====		=====	=====	

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

in thousand EUR

	NLB d.d.			NLB Group		
	nine months ended			nine months ended		
	September 2014	September 2013	% change	September 2014	September 2013	% change
Derivatives	(6,957)	(114)	-	(7,033)	(359)	-
Foreign exchange trading	2,599	2,167	20	7,279	6,711	8
Equity instruments	13	(393)	-	13	(393)	-
Debt instruments	(199)	(575)	(65)	(197)	(575)	(66)
TOTAL	(4,544)	1,085	-	62	5,384	(99)

4.5. Other operating income

in thousand EUR

	NLB d.d.			NLB Group		
	nine months ended			nine months ended		
	September 2014	September 2013	% change	September 2014	September 2013	% change
Income from non-banking services	9,134	9,153	(0)	12,806	14,160	(10)
Rental income from investment property	68	78	(13)	3,546	3,649	(3)
Other operating income	2,374	2,261	-	3,850	3,640	6
Sale of clients' assets management activity	2,300	-	100	-	-	-
TOTAL	13,876	11,492	21	20,202	21,449	(6)

Income from non-banking services includes income from IT services, cash transportation and operating leases of movable property.

4.6. Other operating expenses

in thousand EUR

	NLB d.d.			NLB Group		
	nine months ended			nine months ended		
	September 2014	September 2013	% change	September 2014	September 2013	% change
Expenses related to issued service guarantees	4,504	5,442	(17)	4,504	5,442	(17)
Taxes and other duties	4,671	4,306	8	5,703	5,917	(4)
Membership fees	1,335	1,196	12	2,051	1,792	14
Other operating expenses	1,012	591	71	2,267	1,293	75
TOTAL	11,522	11,535	(0)	14,535	14,444	1

4.7. Administrative expenses

in thousand EUR

	NLB d.d.			NLB Group		
	nine months ended			nine months ended		
	September 2014	September 2013	% change	September 2014	September 2013	% change
Employee costs	78,211	83,330	(6)	122,754	130,289	(6)
Other general and administrative expenses	47,356	52,169	(9)	74,618	79,997	(7)
TOTAL	125,567	135,499	(7)	197,372	210,286	(6)

4.8. Provisions for other liabilities and charges

in thousand EUR

	NLB d.d.			NLB Group		
	nine months ended			nine months ended		
	September 2014	September 2013	% change	September 2014	September 2013	% change
Guarantees and commitments	19,589	6,989	-	15,660	5,731	-
Other provisions	(1,687)	65	-	1,662	98	-
TOTAL	17,902	7,054	-	17,322	5,829	-

4.9. Impairment charge

in thousand EUR

	NLB d.d.			NLB Group		
	nine months ended			nine months ended		
	September 2014	September 2013	% change	September 2014	September 2013	% change
Impairment of financial assets						
Available for sale financial assets	2,340	14,095	(83)	2,464	14,095	(83)
Loans and advances to banks (note 5.4.5.)	(9,945)	(36)	-	(6,436)	(134)	-
Loans and advances to customers (note 5.4.5.)	70,664	169,250	(58)	86,946	310,709	(72)
Other financial assets (note 5.4.5.)	1,783	10,830	-	2,158	13,086	(84)
Impairment of other assets						
Investments in subsidiaries, associates and joint ventures	2,056	64,579	(97)	-	-	-
Other	27	-	100	6,213	1,287	-
TOTAL	66,925	258,718	(74)	91,345	339,043	(73)

In nine months ended September 2014 the NLB d.d. impaired investment in subsidiaries NLB Leasing, Beograd, Plan, Banja Luka and CBS Invest, Sarajevo. In nine months ended September 2013 the NLB d.d. impaired investment in subsidiaries NLB Factoring, "v likvidaci", Ostrava, CBS Invest, Sarajevo and FIN-DO, Domžale.

Other in NLB Group represents mainly impairment of repossessed assets.

5. NOTES TO THE CONDENSED STATEMENT OF FINANCIAL POSITION

5.1. Cash and balances with central banks

in thousand EUR

	NLB d.d.			NLB Group		
	30.9.2014	31.12.2013	% change	30.9.2014	31.12.2013	% change
Cash	89,668	97,864	(8)	181,638	198,209	(8)
Balances and obligatory reserves with central banks	27,537	276,911	(90)	478,310	744,448	(36)
TOTAL	117,205	374,775	(69)	659,948	942,657	(30)

5.2. Trading assets

in thousand EUR

	NLB d.d.			NLB Group		
	30.9.2014	31.12.2013	% change	30.9.2014	31.12.2013	% change
Derivatives, excluding hedging instruments						
Swap contracts	34,917	31,040	12	34,299	30,540	12
Forward contracts	4,747	1,266	-	4,785	1,322	-
Options	54	126	(57)	54	126	(57)
Total derivatives	39,718	32,432	22	39,138	31,988	22
Securities						
Shares	16,741	16,985	(1)	16,741	16,985	(1)
Bonds	77,264	17,544	-	77,264	17,544	-
Treasury bills	47,806	37,818	26	47,806	37,818	26
Total securities	141,811	72,347	96	141,811	72,347	96
TOTAL	181,529	104,779	73	180,949	104,335	73

5.3. Available for sale financial assets

in thousand EUR

	NLB d.d.			NLB Group		
	30.9.2014	31.12.2013	% change	30.9.2014	31.12.2013	% change
Bonds	986,857	985,129	0	1,252,338	1,212,950	3
Commercial papers	98,933	-	100	98,933	-	100
Treasury bills	71,647	94,961	(25)	249,804	303,024	(18)
Shares	48,767	75,322	(35)	51,496	77,769	(34)
Cash certificates	-	-	-	50,972	81,374	(37)
TOTAL	1,206,204	1,155,412	4	1,703,543	1,675,117	2
	=====	=====		=====	=====	

5.4. Loans and advances

Analysis by type of loans and advances

in thousand EUR

	NLB d.d.			NLB Group		
	30.9.2014	31.12.2013	% change	30.9.2014	31.12.2013	% change
Debt securities	722,954	702,791	3	722,954	702,791	3
Loans to banks	512,693	376,439	36	801,319	532,533	50
Loans and advances to customers	5,159,339	5,426,129	(5)	6,799,398	7,041,430	(3)
Other financial assets	29,999	41,337	(27)	45,501	63,919	(29)
TOTAL	6,424,985	6,546,696	(2)	8,369,172	8,340,673	0
	=====	=====		=====	=====	

5.4.1. Debt securities

in thousand EUR

	NLB d.d. and NLB Group		
	30.9.2014	31.12.2013	% change
Government	637,850	622,573	2
Companies	85,104	80,218	6
Banks	3,750	3,750	-
Allowance for impairment	(3,750)	(3,750)	-
TOTAL	722,954	702,791	3
	=====	=====	

5.4.2. Loans and advances to banks

	in thousand EUR					
	NLB d.d.			NLB Group		
	30.9.2014	31.12.2013	% change	30.9.2014	31.12.2013	% change
Time deposits	289,258	63,234	-	423,213	203,891	-
Demand deposits	184,037	216,085	(15)	371,378	308,158	21
Loans	40,051	103,054	(61)	29,650	44,485	(33)
Reverse sale and repurchase agreements	-	4,616	(100)	-	4,616	(100)
	<u>513,346</u>	<u>386,989</u>	33	<u>824,241</u>	<u>561,150</u>	47
Allowance for impairment (note 5.4.5.)	(653)	(10,550)	(94)	(22,922)	(28,617)	(20)
TOTAL	<u>512,693</u>	<u>376,439</u>	36	<u>801,319</u>	<u>532,533</u>	50

5.4.3. Loans and advances to customers

	in thousand EUR					
	NLB d.d.			NLB Group		
	30.9.2014	31.12.2013	% change	30.9.2014	31.12.2013	% change
Loans	5,991,368	6,214,369	(4)	7,770,678	7,939,372	(2)
Finance lease receivables	-	-	-	350,069	377,171	(7)
Overdrafts	209,326	215,100	(3)	346,709	349,253	(1)
Credit card business	56,778	59,922	(5)	108,089	112,734	(4)
Called guarantees	12,509	11,014	14	26,311	27,143	(3)
Reverse sale and repurchase agreement	25	25	-	25	25	-
	<u>6,270,006</u>	<u>6,500,430</u>	(4)	<u>8,601,881</u>	<u>8,805,698</u>	(2)
Allowance for impairment (note 5.4.5.)	(1,110,667)	(1,074,301)	3	(1,802,483)	(1,764,268)	2
TOTAL	<u>5,159,339</u>	<u>5,426,129</u>	(5)	<u>6,799,398</u>	<u>7,041,430</u>	(3)

5.4.4. Other financial assets

	in thousand EUR					
	NLB d.d.			NLB Group		
	30.9.2014	31.12.2013	% change	30.9.2014	31.12.2013	% change
Receivables in the course of collection	14,489	12,789	13	16,491	14,511	14
Receivables from purchase agreements for equity securities	12,870	42,517	(70)	12,870	42,517	(70)
Credit card receivables	7,426	7,983	(7)	10,077	11,335	(11)
Fees and commissions due	4,962	5,093	(3)	7,558	7,281	4
Accrued fees and commissions	1,686	132	-	1,636	244	-
Debtors	879	1,789	(51)	23,697	23,528	1
Dividends	52	44	18	52	44	18
Prepayments	-	-	-	8,063	9,076	(11)
Other financial assets	4,867	8,634	(44)	10,980	21,467	(49)
	<u>47,231</u>	<u>78,981</u>	(40)	<u>91,424</u>	<u>130,003</u>	(30)
Allowance for impairment (note 5.4.5.)	(17,232)	(37,644)	(54)	(45,923)	(66,084)	(31)
TOTAL	<u>29,999</u>	<u>41,337</u>	(27)	<u>45,501</u>	<u>63,919</u>	(29)

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

in thousand EUR

	NLB d.d.					
	Banks		Customers		Other financial assets	
	2014	2013	2014	2013	2014	2013
Balance at January 1	10,550	385	1,074,301	1,367,571	37,644	25,843
Impairment (note 4.9.)	(9,945)	(36)	70,664	169,250	1,783	10,830
Write offs	-	-	(37,391)	(47,636)	(12,608)	(237)
Repayment of write offs	-	-	1,080	661	-	-
Exchange differences	48	(9)	(335)	(3,534)	2	(100)
Other	-	-	2,348	9,755	(9,589)	-
Balance at September 30	653	340	1,110,667	1,496,067	17,232	36,336

in thousand EUR

	NLB Group					
	Banks		Customers		Other financial assets	
	2014	2013	2014	2013	2014	2013
Balance at January 1	28,617	14,390	1,764,268	1,905,986	66,084	51,051
Exchange differences on opening balance	343	(164)	(201)	(2,833)	(141)	(105)
Impairment (note 4.9.)	(6,436)	(134)	86,946	310,709	2,158	13,086
Write offs	-	(26)	(52,143)	(67,625)	(12,685)	(1,013)
Repayment of write offs	-	-	2,475	3,064	-	-
Exchange differences	398	150	(1,210)	(411)	96	(101)
Other	-	-	2,348	-	(9,589)	-
Balance at September 30	22,922	14,216	1,802,483	2,148,890	45,923	62,918

5.5. Held to maturity financial assets

in thousand EUR

	NLB d.d. and NLB Group		
	30.9.2014	31.12.2013	% change
Bonds	686,064	728,308	(6)
Treasury bills	140,107	135,951	3
TOTAL	826,171	864,259	(4)

5.6. Other assets

in thousand EUR

	NLB d.d.			NLB Group		
	30.9.2014	31.12.2013	% change	30.9.2014	31.12.2013	% change
Deferred expenses	3,125	1,965	59	6,248	4,125	51
Repossessed assets	1,606	1,632	(2)	124,817	131,180	(5)
Claim for taxes and other dues	446	658	(32)	1,573	2,908	(46)
Prepayments	370	16	-	1,826	915	100
Inventories	270	270	-	16,734	23,364	(28)
TOTAL	5,817	4,541	28	151,198	162,492	(7)

5.7. Income tax

in thousand EUR

	NLB d.d.		NLB Group	
	30.9.2014	30.9.2013	30.9.2014	30.9.2013
Current tax on profit	-	(788)	(2,477)	(2,630)
Deferred tax	656	(8,171)	429	3,963
TOTAL	656	(8,959)	(2,048)	1,333

5.7.1 Deferred tax

in thousand EUR

	NLB d.d.			NLB Group		
	30.9.2014	31.12.2013	% change	30.9.2014	31.12.2013	% change
Deferred income tax assets						
Valuation of financial instruments and capital investments	80,859	67,233	20	80,889	67,265	20
Tax losses	242,803	242,803	-	220,091	220,091	-
Impairment provisions	3,810	3,914	(3)	17,312	20,986	(18)
Employee benefit provisions	1,883	2,408	(22)	2,115	2,587	(18)
Depreciation and valuation of non-financial assets	344	472	(27)	982	1,040	(6)
Tax reliefs	1,489	1,489	-	1,509	1,509	-
Dividends	7	7	-	7	7	-
Reduction of deferred tax assets	(311,209)	(298,340)	4	(303,353)	(294,044)	3
Total deferred income tax assets	19,986	19,986	-	19,552	19,441	1
Deferred income tax liabilities						
Valuation of financial instruments	13,087	6,336	107	13,601	6,890	97
Depreciation and valuation of non-financial assets	248	258	(4)	1,065	789	35
Impairment provisions	-	-	-	39	40	(3)
Other	-	-	-	51	-	100
Total deferred income tax liabilities	13,335	6,594	102	14,756	7,719	91
Net deferred income tax assets	6,651	13,392	(50)	5,362	12,092	(56)
Net deferred income tax liabilities	-	-	-	(566)	(370)	53
	nine months ended			nine months ended		
	September 2014	September 2013		September 2014	September 2013	
Included in the income statement for the current year	656	(8,171)		429	3,963	
- tax losses	-	(3,935)		-	(3,935)	
- valuation of financial instruments and capital investments	14,272	1,275		14,272	2,180	
- employee benefit provisions	(525)	148		(471)	160	
- impairment provisions	(103)	(5,546)		(3,673)	5,604	
- depreciation and valuation of non-financial assets	(118)	(174)		(339)	(107)	
- tax reliefs	-	61		-	61	
- impairments of deferred income tax assets	(12,870)	-		(9,309)	-	
- other	-	-		(51)	-	
Included in other comprehensive income for the current year	(7,397)	2,048		(7,364)	1,967	
- valuation of available for sale financial assets	(7,492)	2,208		(7,459)	2,127	
- cash flow hedges	95	(160)		95	(160)	

NLB d.d. reduced deferred taxes that it estimates will not be eliminated in the foreseeable future (i.e. within five years), given future profit projections. Reduction amounted to EUR 311,209 thousand.

5.8. Financial liabilities measured at amortized cost

Analysis by type of financial liabilities, measured at amortised cost

in thousand EUR

	NLB d.d.			NLB Group		
	30.9.2014	31.12.2013	% change	30.9.2014	31.12.2013	% change
Deposits from banks	122,851	74,234	65	51,827	37,425	38
Borrowings from banks	723,370	995,133	(27)	819,930	1,119,602	(27)
Due to customers	6,411,648	5,743,673	12	9,088,996	8,257,077	10
Borrowings from other customers	33,785	36,284	(7)	142,681	162,309	(12)
Debt securities in issue	357,464	68,782	-	357,464	68,782	-
Subordinated liabilities	-	-	-	21,771	21,874	(0)
Other financial liabilities	78,429	61,609	27	101,371	86,609	17
TOTAL	7,727,547	6,979,715	11	10,584,040	9,753,678	9

5.8.1. Deposits from banks and amounts due to customers

in thousand EUR

	NLB d.d.			NLB Group		
	30.9.2014	31.12.2013	% change	30.9.2014	31.12.2013	% change
Deposits on demand						
- banks	116,682	69,232	69	46,897	30,396	54
- other customers	3,143,132	2,853,447	10	4,356,377	3,885,588	12
Other deposits						
- banks	6,169	5,002	23	4,930	7,029	(30)
- other customers	3,268,516	2,890,226	13	4,732,619	4,371,489	8
TOTAL	6,534,499	5,817,907	12	9,140,823	8,294,502	10

5.8.2. Borrowings from banks and other customers

in thousand EUR

	NLB d.d.			NLB Group		
	30.9.2014	31.12.2013	% change	30.9.2014	31.12.2013	% change
Loans						
- banks	723,370	995,133	(27)	819,930	1,119,602	(27)
- other customers	33,785	36,284	(7)	142,681	162,309	(12)
TOTAL	757,155	1,031,417	(27)	962,611	1,281,911	(25)

5.8.3. Debt securities in issue

	in thousand EUR					
	NLB d.d.			NLB Group		
	30.9.2014	31.12.2013	% change	30.9.2014	31.12.2013	% change
Carrying amount of issued securities						
- traded on active markets	357,464	68,782	-	357,464	68,782	-
Bonds (in %)						
- fixed rated	100.00	100.00		100.00	100.00	
- floating rated	-	-		-	-	
	100.00	100.00		100.00	100.00	

5.8.4. Subordinated liabilities

	Currency	Due date	Interest rate	in thousand EUR				
				30.9.2014		31.12.2013		% change
				Carrying amount	Nominal value	Carrying amount	Nominal value	
Subordinated loans								
	EUR	30.12.2014	6 months EURIBOR + 5.1% p.a. to 22.03.2014, thereafter 6 months EURIBOR + 8.5% p.a.	4,510	4,500	4,568	4,500	(1)
	EUR	30.6.2018	6 months EURIBOR + 4.2% p.a. to 22.09.2013, thereafter 6 months EURIBOR + 6.3% p.a.	12,044	12,000	12,136	12,000	(1)
	EUR	30.6.2020	6 months EURIBOR + 5.7% p.a. to 30.9.2015, thereafter 6 months EURIBOR + 7.7% p.a.	5,217	5,000	5,170	5,000	1
TOTAL				21,771	21,500	21,874	21,500	(0)

5.8.5. Other financial liabilities

	in thousand EUR					
	NLB d.d.			NLB Group		
	30.9.2014	31.12.2013	% change	30.9.2014	31.12.2013	% change
Items in the course of payment	28,536	13,614	-	31,984	23,735	35
Liabilities to brokerage firms and others for securities purchase	19,045	1,047	-	19,045	1,047	-
Debit or credit card payables	10,201	13,580	(25)	10,831	14,644	(26)
Accrued expenses	8,374	4,628	81	14,673	10,207	44
Accrued salaries	7,032	8,784	(20)	9,686	9,975	(3)
Suppliers	2,175	10,486	(79)	4,710	13,027	(64)
Fees and commissions due	46	815	(94)	80	838	(90)
Other financial liabilities	3,020	8,655	(65)	10,362	13,136	(21)
TOTAL	78,429	61,609	27	101,371	86,609	17

5.9. Provisions

in thousand EUR

	NLB d.d.			NLB Group		
	30.9.2014	31.12.2013	% change	30.9.2014	31.12.2013	% change
Provisions for performance guarantees	34,772	36,270	(4)	36,147	38,075	(5)
Provisions for financial guarantees	23,549	11,303	-	27,177	18,112	50
Provisions for other credit commitments	14,090	6,952	-	18,286	11,424	60
Employee benefit provisions	12,340	11,842	4	15,461	15,425	0
Restructuring provisions	6,833	10,866	(37)	7,130	11,803	(40)
Provision for legal issues	1,715	1,094	57	7,511	5,327	41
Provisions for premiums from National Housing Saving Scheme	877	877	-	877	877	-
Other provisions	5,557	7,876	(29)	5,561	7,880	(29)
TOTAL	99,733	87,080	15	118,150	108,923	8

5.10. Income tax relating to components of other comprehensive income

in thousand EUR

	NLB d.d.					
	30.9.2014			30.9.2013		
	Before tax amount	Tax (expense)/ credit	Net of tax amount	Before tax amount	Tax (expense)/ credit	Net of tax amount
Available for sale financial assets	44,019	(7,492)	36,527	(12,991)	2,208	(10,783)
Cash flow hedge	(559)	95	(464)	943	(160)	783
Actuarial gains on defined benefit pensions plans	55	-	55	-	-	-
TOTAL	43,515	(7,397)	36,118	(12,048)	2,048	(10,000)

in thousand EUR

	NLB Group					
	30.9.2014			30.9.2013		
	Before tax amount	Tax (expense)/ credit	Net of tax amount	Before tax amount	Tax (expense)/ credit	Net of tax amount
Available for sale financial assets	43,463	(7,459)	36,004	(12,446)	2,127	(10,319)
Cash flow hedge	(559)	95	(464)	943	(160)	783
Effects of translation of foreign operations to presentation currency	(2,715)	-	(2,715)	351	-	351
Share of associates and joint ventures	6,188	(1,003)	5,185	(1,001)	175	(826)
Actuarial gains on defined benefit pensions plans	378	-	378	-	-	-
TOTAL	46,755	(8,367)	38,388	(12,153)	2,142	(10,011)

5.11. Other liabilities

in thousand EUR

	NLB d.d.			NLB Group		
	30.9.2014	31.12.2013	% change	30.9.2014	31.12.2013	% change
Taxes payable	3,276	5,132	(36)	4,100	7,517	(45)
Deferred income	1,500	766	96	5,006	4,473	12
Payments received in advance	31	106	(71)	2,112	2,907	(27)
TOTAL	4,807	6,004	(20)	11,218	14,897	(25)
	=====	=====		=====	=====	

5.12. Book value per share

The book value of a NLB d.d. share as at September 30, 2014 was EUR 59.0 (December 31, 2013: EUR 54.7) and on a consolidated level it was EUR 66.7 (December 31, 2013: EUR 62.4). It is calculated as the ratio of net assets book value and the number of shares. NLB d.d. and NLB Group don't have any other equity instruments issued and treasury shares.

5.13. Capital adequacy ratio

	in thousand EUR			
	NLB d.d.		NLB Group	
	30.9.2014***	31.12.2013*	30.9.2014***	31.12.2013*
COMMON EQUITY TIER 1 CAPITAL (CET1)	1,044,227	1,029,932	1,180,091	1,195,636
Paid up capital instruments	200,000	200,000	200,000	200,000
Share premium	871,378	871,378	871,378	871,378
Accumulated other comprehensive income	(731)	(233)	(3,971)	(672)
Other reserves	13,522	12,892	161,723	159,515
Minority interest	-	-	-	24,048
Prudential filters: Cash flow hedge reserve	517	-	517	-
Prudential filters: Value adjustments due to the requirements for prudent valuation	(3,143)	-	(3,636)	-
(-) Goodwill	-	-	(3,529)	(3,713)
(-) Other intangible assets	(36,324)	(44,976)	(41,680)	(50,960)
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(992)	-	(711)	-
(-) CET1 instruments of financial sector entities where the institution has a significant investment	-	(9,130)	-	(3,960)
TIER 1 CAPITAL	1,044,227	1,029,932	1,180,091	1,195,636
Tier 2 capital	-	800	-	22,930
TOTAL CAPITAL	1,044,227	1,030,731	1,180,091	1,218,566
RWA for credit risk	4,417,841	5,436,475	6,031,876	6,593,705
RWA for market risks	65,525	57,785	182,475	249,107
RWA for credit valuation adjustment (CVA)	7,613	-	7,613	-
RWA for operational risk	634,290	722,265	1,013,538	1,162,568
TOTAL RISK EXPOSURE AMOUNT (RWA)	5,125,269	6,216,525	7,235,502	8,005,380
Common Equity Tier 1 Ratio	20.4%	16.6%**	16.3%	14.9%**
Tier 1 Ratio	20.4%	16.6%	16.3%	14.9%
Total Capital Ratio	20.4%	16.6%	16.3%	15.2%

* calculation in line with old legislation (CRD II), shown in categories from new (CRD IV) legislation

** for the year 2013, Core Tier 1 ratio is shown instead of CET1 ratio

*** data on Capital and Capital adequacy for NLB d.d. and NLB Group is estimated

5.14. Off-balance sheet liabilities

	in thousand EUR						
	NLB d.d.			NLB Group			
	30.9.2014	31.12.2013	% change	30.9.2014	31.12.2013	% change	
Commitments to extend credit	907,523	836,999	8	1,027,379	952,473	8	
Performance guarantees	449,677	489,417	(8)	508,707	548,944	(7)	
Financial guarantees	207,087	238,399	(13)	362,618	399,403	(9)	
Letters of credit	1,101	1,423	(23)	12,220	17,699	(31)	
Other	5,835	5,382	8	15,845	15,692	1	
	<u>1,571,223</u>	<u>1,571,620</u>	(0)	<u>1,926,769</u>	<u>1,934,211</u>	(0)	
Provisions (note 5.9.)	(72,411)	(54,525)	33	(81,610)	(67,611)	21	
TOTAL	<u>1,498,812</u>	<u>1,517,095</u>	(1)	<u>1,845,159</u>	<u>1,866,600</u>	(1)	
	=====	=====		=====	=====		

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

Fair value is the price that would be received to sell 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 – 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 – Valuation technique where inputs are not based on observable market data. Unobservable inputs are used to the extent that relevant observable inputs are not available. Unobservable inputs must reflect the assumptions that market participants would use when pricing an asset or liability. This level includes non-tradable shares and bonds and derivatives associated with these investments and other assets and liabilities, for which fair value cannot be determined with observable market inputs.

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

For non-financial assets measured at fair value and not classified within 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

30.9.2014

in thousand EUR

	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	119,019	41,771	20,739	181,529	119,019	41,191	20,739	180,949
<i>Debt instruments</i>	118,997	2,107	3,966	125,070	118,997	2,107	3,966	125,070
<i>Equity instruments</i>	22	-	16,719	16,741	22	-	16,719	16,741
<i>Derivatives</i>	-	39,664	54	39,718	-	39,084	54	39,138
Derivatives - hedge accounting	-	2,946	-	2,946	-	2,946	-	2,946
Financial assets designated at fair value through profit or loss	4,601	-	-	4,601	4,601	1,787	-	6,388
<i>Debt instruments</i>	-	-	-	-	-	884	-	884
<i>Equity instruments</i>	4,601	-	-	4,601	4,601	903	-	5,504
Available for sale financial assets	1,081,810	117,103	7,291	1,206,204	1,470,057	225,728	7,758	1,703,543
<i>Debt instruments</i>	1,036,957	117,103	3,377	1,157,437	1,423,429	225,241	3,377	1,652,047
<i>Equity instruments</i>	44,853	-	3,914	48,767	46,628	487	4,381	51,496
Financial liabilities								
Financial instruments held for trading	-	41,707	4,021	45,728	-	41,703	4,021	45,724
<i>Derivatives</i>	-	41,707	4,021	45,728	-	41,703	4,021	45,724
Derivatives - hedge accounting	-	40,076	-	40,076	-	40,076	-	40,076
Financial liabilities designated at fair value through profit or loss	4,600	-	-	4,600	4,600	-	-	4,600
Non-financial assets								
Investment property	-	1,458	-	1,458	-	41,176	-	41,176
Non-current assets held for sale	-	2,839	-	2,839	-	7,257	-	7,257

31.12.2013

in thousand EUR

	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	47,915	35,969	20,895	104,779	47,915	35,525	20,895	104,335
<i>Debt instruments</i>	47,649	3,655	4,058	55,362	47,649	3,655	4,058	55,362
<i>Equity instruments</i>	266	-	16,719	16,985	266	-	16,719	16,985
<i>Derivatives</i>	-	32,314	118	32,432	-	31,870	118	31,988
Derivatives - hedge accounting	-	5,426	-	5,426	-	5,426	-	5,426
Financial assets designated at fair value through profit or loss	3,801	-	-	3,801	3,801	2,814	-	6,615
<i>Debt instruments</i>	-	-	-	-	-	895	-	895
<i>Equity instruments</i>	3,801	-	-	3,801	3,801	1,919	-	5,720
Available for sale financial assets	1,131,068	16,531	7,813	1,155,412	1,561,557	105,273	8,287	1,675,117
<i>Debt instruments</i>	1,059,986	16,531	3,573	1,080,090	1,488,938	104,837	3,573	1,597,348
<i>Equity instruments</i>	71,082	-	4,240	75,322	72,619	436	4,714	77,769
Financial liabilities								
Financial instruments held for trading	-	30,148	3,916	34,064	-	30,147	3,916	34,063
<i>Derivatives</i>	-	30,148	3,916	34,064	-	30,147	3,916	34,063
Derivatives - hedge accounting	-	36,519	-	36,519	-	36,519	-	36,519
Financial liabilities designated at fair value through profit or loss	3,800	-	-	3,800	3,800	-	-	3,800
Non-financial assets								
Investment property	-	1,458	-	1,458	-	34,844	-	34,844
Non-current assets held for sale	-	2,327	-	2,327	-	7,101	10,481	17,582

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 in level 1)	valuation model	valuation model
3	valuation model	valuation model	valuation model	other	valuation model (underlying instrument in level 3)		
Transfers	<i>from 1 to 3 level</i> equity excluded from exchange market		<i>from 1 to 3 level</i> fund management stops publishing regular valuation	<i>from 1 to 2 level</i> debt securities excluded from exchange market	<i>from 2 to 3 level</i> underlying instrument excluded from exchange market		
	<i>from 1 to 3 level</i> companies in insolvency proceedings		<i>from 3 to 1 level</i> fund management starts publishing regular valuation	<i>from 1 to 2 level</i> debt securities not liquid (no trading for 6 months)	<i>from 3 to 2 level</i> underlying instrument included into exchange market		
	<i>from 1 to 2 level</i> signing binding agreement to sale the equity			<i>from 1 to 3 and from 2 to 3 level</i> companies in insolvency proceedings			
	<i>from 3 to 1 level</i> equity included into exchange market			<i>from 2 to 1 and from 3 to 1 level</i> start trading with debt securities on exchange market			
				<i>from 3 to 2 level</i> until valuation parameters are confirmed on ALCO (at least on quarterly basis)			

30.9.2014

in thousand EUR

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

30.9.2013

in thousand EUR

Financial assets	NLB d.d. and NLB Group					
	Level 1		Level 2		Level 3	
	from	to	from	to	from	to
Financial instruments held for trading						
- debt instruments	-	-	-	1,588	(1,588)	-

c) Financial and non-financial assets and liabilities in 2nd level regarding the fair value hierarchy

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

- debt securities: government bonds not quoted on active markets;
- equities: investment funds; and
- derivatives: derivatives except forward derivatives and options on equity instruments that are not quoted on active markets.

The majority of financial assets classified in Level 2 are debt instruments available for sale (December 31, 2013: bonds and derivatives held for trading).

When valuing bonds classified in Level 2, the NLB Group primarily uses the income approach based on an estimation of future cash flows discounted to 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 capitalization 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 is not available, the NLB Group uses data from wider locations and appropriately adjusts such data.

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

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

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

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

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

The most commonly used valuation technique is the income approach. The income approach is based on an estimation of future cash flows discounted to present value. Estimations of the cash flows that an entity will be able to generate in the future are crucial for future cash flows. The NLB Group makes projections of income statements and statements of financial position from which it derives cash flow projections for a longer period. 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 realization 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. NLB Group can select values of unobservable input data in a reasonable possible range, but uses those input data that other market participants would use.

The following assumptions have been used when valuing available-for-sale financial assets and financial assets held for trading classified in level 3:

	30.9.2014	31.12.2013
Available for sale financial assets		
Long term weighted average cost of capital	6,9 %-13,3 %	6,8 % - 12,7 %
EBITDA margin	5 % - 22,5 %	6,7 % - 22 %
Long term free cash flow growth	2,5 %	2,5 %
Financial assets held for trading		
Long term weighted average cost of capital	6,9 %-13,3 %	6,8 % - 12,7 %
EBITDA margin	5 % - 22,5 %	6,7 % - 22 %
Long term free cash flow growth	2,5 %	2,5 %

When valuing derivatives in 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 in Level 3 would increase or decrease if management had used reasonably possible alternative valuation assumptions that were not based on observable market data. 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 amount of 10% of the value applied.

Free cash flow method

	in thousand EUR			
	30.9.2014		31.12.2013	
	10%	-10%	10%	-10%
Available for sale financial assets				
Long term weighted average cost of capital	(141)	125	(164)	162
EBITDA margin	135	(137)	372	(366)
Long term free cash flow growth	180	108	196	(45)
Financial assets held for trading				
Long term weighted average cost of capital	(1,151)	1,503	(1,151)	1,503
EBITDA margin	1,966	(1,966)	1,966	(1,966)
Long term free cash flow growth	359	(336)	359	(336)

Movements of financial assets and liabilities in Level 3

NLB d.d.	in thousand EUR						
	Financial assets held for trading			Available for sale financial assets		Total financial assets	liabilities held for trading
	Debt instruments	Equity instruments	Derivatives	Debt instruments	Equity instruments		
Balance at January 1, 2014	4,058	16,719	118	3,573	4,240	28,708	3,916
Valuation:							
- through profit or loss	(162)	-	(64)	-	(307)	(533)	105
- recognized in other comprehensive income	-	-	-	15	329	344	-
Exchange differences	67	-	-	-	-	67	-
Purchases	158	-	-	242	-	400	-
Sales, issues and settlements	(155)	-	-	(453)	(348)	(956)	-
Balance at September 30, 2014	3,966	16,719	54	3,377	3,914	28,030	4,021

NLB d.d.	in thousand EUR				
	Financial assets held for trading		Available for sale financial assets	Total financial assets	liabilities held for trading
	Debt instruments	Equity instruments	Equity instruments		Derivatives
Balance at January 1, 2013	2,323	17,574	14,751	34,648	4,153
Valuation:					
- through profit or loss	85	-	(3,117)	(3,032)	788
- recognized in other comprehensive income	-	-	(127)	(127)	-
Exchange differences	(21)	-	-	(21)	-
Purchases	-	-	513	513	-
Transfer out of level 3	(1,588)	-	(103)	(1,691)	-
Balance at September 30, 2013	799	17,574	11,917	30,290	4,941

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

NLB Group	in thousand EUR				
	Financial assets held for trading		Available for sale financial assets	Total financial assets	liabilities held for trading
	Debt instruments	Equity instruments	Equity instruments		Derivatives
Balance at January 1, 2013	2,323	17,574	15,193	35,090	4,153
Valuation:					
- through profit or loss	85	-	(3,117)	(3,032)	788
- recognized in other comprehensive income	-	-	(128)	(128)	-
Exchange differences	(21)	-	-	(21)	-
Purchases	-	-	513	513	-
Transfers into level 3	-	-	296	296	-
Transfer out of level 3	(1,588)	-	(139)	(1,727)	-
Balance at September 30, 2013	799	17,574	12,618	30,991	4,941

NLB d.d. and the NLB Group recognize effects from the valuation of trading instruments in the income statement item Gains less losses from financial assets and liabilities not classified at fair value through profit or loss and exchange differences recognized in the income statement item Foreign exchange translation gains less losses. Effects from the valuation of available-for-sale financial assets are recognized in the income statement item Impairment charge and in the other comprehensive income item Available-for-sale financial assets.

In nine months 2014 and 2013 the NLB d.d. and the NLB Group recognized the following unrealized gains or losses for financial instruments that are in level 3 as at September 30, 2014 and September 30, 2013:

in thousand EUR

30.9.2014	NLB d.d.			NLB Group		
	Trading assets	Available for sale financial assets	Trading liabilities	Trading assets	Available for sale financial assets	Trading liabilities
Items of Income statement						
Gains less losses from financial assets and liabilities held for trading	(226)	-	(105)	(226)	-	(105)
Impairment charge	-	(307)	-	-	(360)	-
Foreign exchange translation gains less losses	67	-	-	67	-	-
Item of Other comprehensive income						
Available for sale financial assets	-	344	-	-	345	-

in thousand EUR

30.9.2013	NLB d.d.			NLB Group		
	Trading assets	Available for sale financial assets	Trading liabilities	Trading assets	Available for sale financial assets	Trading liabilities
Items of Income statement						
Gains less losses from financial assets and liabilities held for trading	3	-	(778)	3	-	(778)
Impairment charge	-	(3,117)	-	-	(3,118)	-
Foreign exchange translation gains less losses	(21)	-	-	(21)	-	-
Item of Other comprehensive income						
Available for sale financial assets	-	(136)	-	-	(102)	-

5.16. Offsetting financial assets and financial liabilities

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, as 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 standardized derivative financial instruments to a central counterparty in 2013. A system of daily margins assures the mitigation and collateralization of exposures, as well as the daily settlement of cash flows for each currency.

in thousand EUR

30.9.2014
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	43,742	-	43,742	19,195	7,390		17,157
Derivatives - liabilities	65,333	-	65,333	19,195	21,712		24,426

in thousand EUR

31.12.2013
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 on the statement of financial position			Net amount
				Impact of master netting agreements	Financial instruments collateral		
Derivatives - assets	14,712	-	14,712	1,305	-		13,407
Derivatives - liabilities	28,596	-	28,596	-	1,152		27,444

in thousand EUR

30.9.2014
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 on the statement of financial position			Net amount
				Impact of master netting agreements	Financial instruments collateral		
Derivatives - assets	43,124	-	43,124	19,195	7,390		16,539
Derivatives - liabilities	65,333	-	65,333	19,195	21,712		24,426

in thousand EUR

31.12.2013
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 on the statement of financial position			Net amount
				Impact of master netting agreements	Financial instruments collateral		
Derivatives - assets	14,212	-	14,212	1,305	-		12,907
Derivatives - liabilities	28,596	-	28,596	-	1,152		27,444

6. EVENTS AFTER THE END OF THE REPORTING PERIOD

After September 30, 2014 there were no significant events.

7. OTHER DISCLOSURES

7.1. Related-party transactions

The volumes of related party transactions and the outstanding balances:

in thousand EUR

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 Management board, Key management personnel or their family members have the control, joint control or significant influence		Supervisory Board	
	30.9.2014	31.12.2013	30.9.2014	31.12.2013	30.9.2014	31.12.2013	30.9.2014	31.12.2013
Loans and deposits issued	2,212	2,604	426	638	536	588	23	48
Loans and deposits received	2,165	2,942	1,137	1,268	442	221	111	66
Debt securities in issue	-	4	-	-	-	-	-	-
Guarantees issued and commitments to extended credit	306	367	127	171	4	41	21	3
Other financial assets	-	-	2	-	-	-	-	-
Other financial liabilities	8	3	-	-	9	-	-	-
	nine months ended		nine months ended		nine months ended		nine months ended	
	September 2014	September 2013	September 2014	September 2013	September 2014	September 2013	September 2014	September 2013
Interest income	44	52	10	18	11	13	2	-
Interest expenses	(32)	(59)	(12)	(24)	-	-	(2)	(2)
Fee income	11	11	5	5	6	5	1	1

in thousand EUR

	NLB d.d.				NLB Group			
	Ultimate parent		Shareholders with significant influence		Ultimate parent		Shareholders with significant influence	
	30.9.2014	31.12.2013	30.9.2014	31.12.2013	30.9.2014	31.12.2013	30.9.2014	31.12.2013
Loans and deposits issued	215,283	212,343	-	-	223,508	221,565	-	-
Loans and deposits received	423,246	7	-	-	423,246	7	-	-
Investments in securities	1,196,351	1,427,322	-	-	1,257,485	1,500,631	-	-
Other financial assets	1	1	-	-	305	339	-	-
Other financial liabilities	43	61	-	-	43	61	-	-
Guarantees issued and commitments to extended credit	916	915	-	-	916	915	-	-
	nine months ended		nine months ended		nine months ended		nine months ended	
	September 2014	September 2013	September 2014	September 2013	September 2014	September 2013	September 2014	September 2013
Interest and dividend income	38,301	38,260	-	-	39,202	39,761	-	-
Interest expenses	(322)	(10,284)	-	(166)	(322)	(10,284)	-	(175)
Fee income	9	42	-	3	9	42	-	3
Other income	3	96	-	-	3	96	-	-
Other expenses	(99)	(35)	-	-	(99)	(35)	-	-

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 and the characteristics thereof.

in thousand EUR

NLB d.d.	Total amount of significant transactions				Number of significant transactions	
	1.1.-30.9.2014		1.1.-31.12.2013		1.1.-30.9.2014	1.1.-31.12.2013
	September 2014	September 2013	September 2014	September 2013	2014	2013
Loans	452,395	581,359	4	7		
Debt securities classified as loans and advances	722,954	702,791	2	2		
Debt securities	51,560	51,800	1	1		
Deposits	89,810	40,063	2	1		
Borrowings	266,987	389,747	5	7		
Commitments to extend credit	40,005	49,966	1	1		
	nine months ended					
	September 2014	September 2013				
Interest income from loans	3,227	2,642				
Effects from net interest income and net valuation from debt securities classified as loans and receivables	26,830	(1,967)				
Interest income from debt securities	1,291	1,285				
Interest expense from deposits	-	(805)				
Interest expense from borrowings	(3,331)	(4,840)				
Interest income from commitments to extend credit	197	100				

Key management compensation

NLB d.d. and NLB Group	in thousand EUR			
	Management Board		Other Key management personnel	
	nine months ended		nine months ended	
	September 2014	September 2013	September 2014	September 2013
Short-term benefits	548	404	3,885	4,839
Costs refunds	6	4	105	126
Long-term bonuses:				
Severance pay	-	-	-	19
Post employment benefits	-	2	5	62
Jubilee bonuses	-	-	3	2
TOTAL	554	410	3,998	5,048

Short-term benefits include:

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

The reimbursement of cost comprises food allowances and travel expenses.

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

7.2. Analysis by segment

a) Segments

nine months ended, September 30, 2014

NLB Group	in thousand EUR							Unallocated	Total
	Corporate banking in Slovenia	Retail banking in Slovenia	Financial markets in Slovenia	Foreign strategic markets	Non-strategic markets and activities	Other activities			
Total net income	69,514	97,323	92,199	104,261	23,987	(205)	-	387,079	
Net income from external customers	91,629	70,574	69,216	108,892	47,502	(4,883)	-	382,930	
Intersegment net income	(22,115)	26,749	22,983	(4,631)	(23,515)	4,678	-	4,149	
<i>Net interest income</i>	36,333	60,398	72,714	75,842	41	-	-	245,328	
<i>Net interest income from external customers</i>	58,508	29,129	49,731	81,386	26,574	-	-	245,328	
<i>Intersegment net interest income</i>	(22,175)	31,269	22,983	(5,544)	(26,533)	-	-	-	
Administrative expenses	(39,038)	(59,072)	(14,453)	(59,185)	(22,559)	(7,214)	-	(201,521)	
Depreciation and amortization	(5,085)	(9,357)	(1,687)	(6,110)	(3,540)	(1,512)	-	(27,291)	
Reportable segment profit/(loss) before impairment and provision charge	25,391	28,894	76,059	38,967	(2,113)	(8,931)	-	158,267	
Share of profits of associates and joint ventures	-	2,325	-	-	-	-	-	2,325	
Impairment and provisions charge	(66,702)	(5,533)	9,890	(26,688)	(18,705)	(929)	-	(108,667)	
(Loss)/profit before income tax	(41,311)	25,686	85,949	12,279	(20,818)	(9,860)	-	51,925	
<i>Non-controlling interests</i>	-	-	-	2,017	-	-	-	2,017	
<i>Owners of the parent</i>	(41,311)	25,686	85,949	10,262	(20,818)	(9,860)	-	49,908	
Income tax							(2,048)	(2,048)	
Profit for the period								49,877	
30.9.2014									
Reportable segment assets	2,213,354	2,011,322	3,628,530	3,329,701	1,036,150	9,539	-	12,228,596	
Investments in associates and joint ventures	-	35,797	-	-	-	-	-	35,797	
Reportable segment liabilities	1,361,455	4,503,153	1,909,353	2,931,121	169,382	31,032	-	10,905,496	

The methodology changed in 2013 as regards the display of medium and small enterprises and sole traders in the NLB d.d.; the new display is within the segment Corporate banking in Slovenia and no longer within the segment Retail Banking in Slovenia. In addition, the changed methodology of internal transfer prices was implemented in NLB d.d., which had an impact to the result of NLB d.d. segments. The segmental analysis of NLB Group for the nine months ended 2013 is adapted to both changes.

nine months ended, September 30, 2013

in thousand EUR

NLB Group	Corporate	Retail	Financial	Foreign	Non-strategic	Other	Unallocated	Total
	banking in Slovenia	banking in Slovenia	markets in Slovenia	strategic markets	markets and activities	activities		
Total net income	59,900	98,886	58,156	105,259	(10,853)	(3,658)	-	307,690
Net income from external customers	106,818	52,478	4,481	111,034	33,426	(4,795)	-	303,442
Intersegment net income	(46,918)	46,408	53,675	(5,775)	(44,279)	1,137	-	4,248
<i>Net interest income</i>	25,767	53,126	51,221	74,188	(7,243)	(93)	-	196,966
<i>Net interest income from external customers</i>	72,530	5,527	(2,454)	80,520	40,851	(8)	-	196,966
<i>Intersegment net interest income</i>	(46,763)	47,599	53,675	(6,332)	(48,094)	(85)	-	-
Administrative expenses	(31,684)	(79,466)	(14,611)	(58,298)	(27,670)	(2,805)	-	(214,534)
Depreciation and amortization	(4,064)	(12,698)	(1,677)	(10,399)	(4,103)	(592)	-	(33,533)
Reportable segment profit/(loss) before impairment and provision charge	24,152	6,722	41,868	36,563	(42,627)	(7,055)	-	59,623
Share of profits/(losses) of associates and joint ventures	-	2,548	-	-	(10,338)	-	-	(7,790)
Impairment and provisions charge	(134,645)	(10,074)	(393)	(37,581)	(162,186)	7	-	(344,872)
(Loss)/profit before income tax	(110,493)	(804)	41,475	(1,018)	(215,151)	(7,048)	-	(293,039)
<i>Non-controlling interests</i>	-	-	-	1,768	(2)	-	-	1,766
<i>Owners of the parent</i>	(110,493)	(804)	41,475	(2,786)	(215,149)	(7,048)	-	(294,805)
Income tax							1,333	1,333
Loss for the period								(291,706)
31.12.2013								
Reportable segment assets	2,410,963	2,018,580	3,554,144	3,265,290	1,184,788	28,085	-	12,461,850
Investments in associates and joint ventures	-	28,284	-	-	-	-	-	28,284
Reportable segment liabilities	1,087,466	4,566,571	2,575,176	2,800,601	146,461	42,862	-	11,219,137
Additions to non-current assets	2,969	9,764	655	9,617	7,314	-	-	30,319

b) Geographical information

in thousand EUR

NLB Group	Revenues		Net income		Non-current assets		Total assets	
	nine months ended		nine months ended		30.9.2014	31.12.2013	30.9.2014	31.12.2013
	September	September	September	September				
	2014	2013	2014	2013				
Slovenia	344,748	356,413	268,286	194,180	227,015	232,319	8,724,160	8,987,307
South East Europe	174,448	180,527	112,625	115,140	120,690	123,679	3,428,144	3,378,985
Macedonia	57,030	55,166	37,371	34,885	35,088	35,300	1,010,113	962,598
Serbia	18,091	19,523	10,755	12,438	30,015	32,214	332,012	387,321
Montenegro	24,029	32,175	13,098	19,884	11,167	11,841	487,922	498,806
Croatia	1,241	1,346	1,515	1,298	3,048	3,611	41,379	47,461
Bosnia and Herzegovina	50,356	48,902	34,935	33,029	26,931	27,764	1,088,634	1,016,479
Bulgaria	-	44	(10)	55	1	1	350	897
Kosovo	23,701	23,371	14,961	13,551	14,440	12,948	467,734	465,423
Western Europe	1,479	5,185	1,964	4,458	351	435	105,417	116,708
Germany	15	129	179	(51)	301	330	3,919	6,398
Switzerland	1,464	5,056	1,785	4,509	50	105	101,498	110,310
Czech Republic	-	302	55	(10,336)	-	-	6,672	7,134
TOTAL	520,675	542,427	382,930	303,442	348,056	356,433	12,264,393	12,490,134

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 September 30, 2014 are:

	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	100	100
Convest a.d., Novi Sad	Finance	Republic of Serbia	-	100
NLB Banka d.d., Tuzla	Banking	Republic of Bosnia and Herzegovina	96.30	96.30
NLB Razvojna banka a.d., Banja Luka	Banking	Republic of Bosnia and Herzegovina	99.85	99.85
NLB Prishtina sh.a., Priština	Banking	Republic of Kosovo	81.21	81.21
NLB Leasing d.o.o., Ljubljana	Finance	Republic of Slovenia	100	100
NLB Leasing Sofija E.o.o.d., Sofija	Finance	Republic of Bulgaria	-	100
Optima Leasing d.o.o., Zagreb	Finance	Republic of Croatia	-	99.97
PRO-REM d.o.o., Ljubljana	Property	Republic of Slovenia	100	100
OL Nekretnine d.o.o., Zagreb	Property	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
Plan d.o.o., Banja Luka	Architecture services	Republic of Bosnia and Herzegovina	39.14	88.14
NLB Nov penziski fond a.d., Skopje	Insurance	Republic of Macedonia	51	100
NLB Crna gora d.o.o., Podgorica	Property	Republic of Montenegro	100	100
FIN-DO d.o.o., Domžale	Property	Republic of Slovenia	100	100
NLB Propria d.o.o., Ljubljana	Property	Republic of Slovenia	100	100
NLB Srbija d.o.o., Beograd	Property	Republic of Serbia	100	100
CBS Invest d.o.o., Sarajevo	Property	Republic of Bosnia and Herzegovina	100	100

The NLB Group's subsidiaries as at December 31, 2013 are:

	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	97.40	97.40
NLB banka a.d., Beograd	Banking	Republic of Serbia	100	100
Conet d.o.o. - v stečajju, Beograd	Trade	Republic of Serbia	-	94.85
Convst d.o.o., Novi Sad	Finance	Republic of Serbia	-	100
NLB Banka d.d., Tuzla	Banking	Republic of Bosnia and Herzegovina	96.30	96.30
NLB Razvojna banka a.d., Banja Luka	Banking	Republic of Bosnia and Herzegovina	99.85	99.85
NLB Prishtina sh.a., Priština	Banking	Republic of Kosovo	81.21	81.21
NLB Leasing d.o.o., Ljubljana	Finance	Republic of Slovenia	100	100
NLB Leasing Sofija E.o.o.d., Sofija	Finance	Republic of Bulgaria	-	100
Optima Leasing d.o.o., Zagreb	Finance	Republic of Croatia	-	99.97
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
Plan d.o.o., Banja Luka	Architecture services	Republic of Bosnia and Herzegovina	39.14	88.14
NLB Nov penziski fond a.d., Skopje	Insurance	Republic of Macedonia	51	100
NLB Crna gora d.o.o., Podgorica	Real estate	Republic of Montenegro	100	100
FIN-DO d.o.o., Domžale	Real estate	Republic of Slovenia	100	100
NLB Propria d.o.o., Ljubljana	Real estate	Republic of Slovenia	100	100
NLB Srbija d.o.o., Beograd	Real estate	Republic of Serbia	100	100
CBS Invest d.o.o., Sarajevo	Real estate	Republic of Bosnia and Herzegovina	100	100
Prospera plus d.o.o., Ljubljana	Tourist and catering trade	Republic of Slovenia	100	100

*Ownership interest is calculated after the deduction of treasury shares.