

Interim Report March 2016

KEY FINANCIAL *and operating data*

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

	NLB Group			NLB d.d.		
	1.1. - 31.3.2016	1.1. - 31.3.2015	Change YoY	1.1. - 31.3.2016	1.1. - 31.3.2015	Change YoY
Key Income statement data (in EUR million)						
Net operating income*	124.4	118.7	5%	87.1	86.2	1%
Costs	71.0	71.2	0%	45.3	45.3	0%
Result before impairments and provisions*	53.3	47.5	12%	41.8	40.9	2%
Impairments and provisions	-3.8	21.2	-	-2.9	27.0	-
Result after tax	52.1	25.0	109%	42.3	13.6	212%
Key financial indicators						
Return on equity after tax (ROE a.t.)	14.4%	7.4%	7.0 p.p.	13.4%	4.5%	8.9 p.p.
Return on assets after tax (ROA a.t.)	1.7%	0.8%	0.9 p.p.	1.9%	0.6%	1.3 p.p.
Costs to income ratio (CIR)	57.1%	60.0%	-2.9 p.p.	52.0%	52.6%	-0.6 p.p.
Interest margin	2.7%	2.7%	0.0 p.p.	2.1%	2.5%	-0.3 p.p.
	NLB Group			NLB d.d.		
	31/03/2016	31/12/2015	Change YTD	31/03/2016	31/12/2015	Change YTD
Key financial position statement data (in EUR million)						
Total assets	11,931	11,822	1%	8,825	8,707	1%
Loans to non-banking sector (net)	7,106	7,088	0%	5,202	5,221	0%
Deposits from non-banking sector	9,069	9,026	0%	6,373	6,298	1%
Total equity	1,482	1,423	4%	1,291	1,242	4%
Loans to non-banking sector/deposits from non-banking sector (LTD) **	74.9%	75.1%	-0.2 p.p.	76.7%	78.0%	-1.3 p.p.
Common Equity Tier 1 Ratio = Total Capital Ratio	16.3%	16.2%	0.1 p.p.	22.9%	22.6%	0.3 p.p.
Asset quality indicators						
Gross non-performing loans (in EUR million)	1,825	1,896	-4%	1,068	1,101	-3%
Coverage ratio ***	73.2%	72.2%	1.0 p.p.	69.1%	67.9%	1.2 p.p.
Gross non-performing loans/total loans	18.4%	19.3%	-0.9 p.p.	15.8%	16.5%	-0.7 p.p.
Net non-performing loans/total loans	7.7%	8.3%	-0.6 p.p.	7.0%	7.6%	-0.6 p.p.
Non-performing exposure/total exposure ****	13.7%	14.3%	-0.6 p.p.	11.6%	12.1%	-0.6 p.p.

* NLB d.d. includes dividends from subsidiaries, associates and joint ventures

** Net loans to NBS (without BAMC bond)/Deposits from NBS

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

****EBA definition

International credit ratings NLB d.d.	31.3.2016	31.12.2015	Outlook
Standard & Poor's	BB-	BB-	Stable
Fitch	B+	B+	Stable

FINANCIAL OVERVIEW OF NLB GROUP'S *business performance*

Key highlights

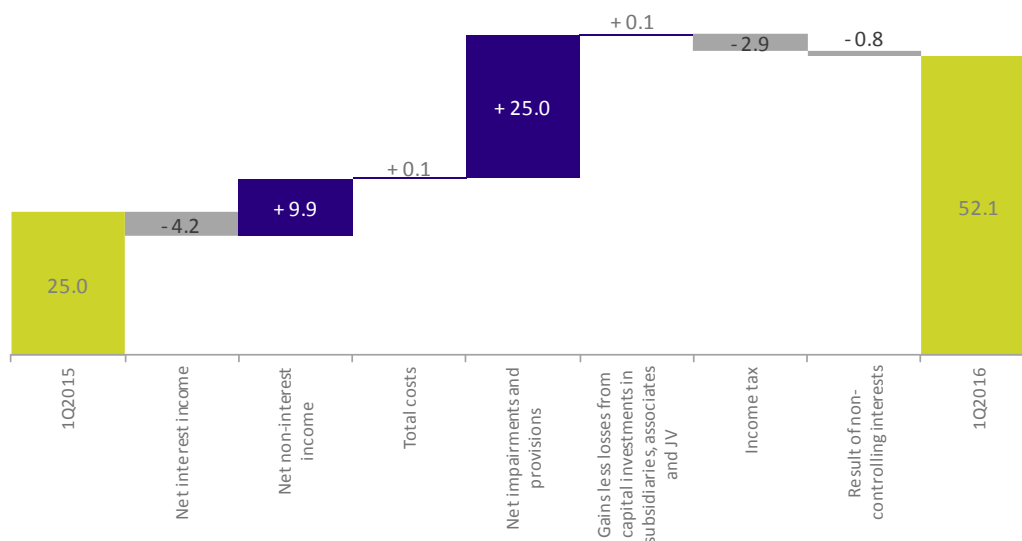
- In the first quarter of 2016, NLB Group recorded EUR 52.1 million **profit after tax**, which is EUR 27.1 million more than in 2015. The parent company NLB d.d. and all strategic Group members significantly contributed to this improvement.
- In first quarter the cost-to-income ratio (CIR) was 57.1%.
- **The interest margin** remained at the level for the same period last year i.e. 2.7% with core group members off-setting the decline in margins in Slovenia.
- We recorded **growth in retail loans** by EUR 21.5 million, i.e. 1%, and a positive trend was recorded with regard to credit activities to the corporate segment in strategic markets.
- **Gross non-performing loans** were reduced by EUR 70.8 million, i.e. 3.7%, while the share of non-performing loans was reduced to 18.4% and non performing exposure ratio from 14.3% to 13.7%.
- **Liquidity and capital adequacy** remained high.
- We continued **wind-down activities** in the non-core part of NLB Group and recorded non-recurring revenues from an equity divestment in amount EUR 4.9 million.

Income statement

Table 2: Income statement of NLB Group and NLB d.d.

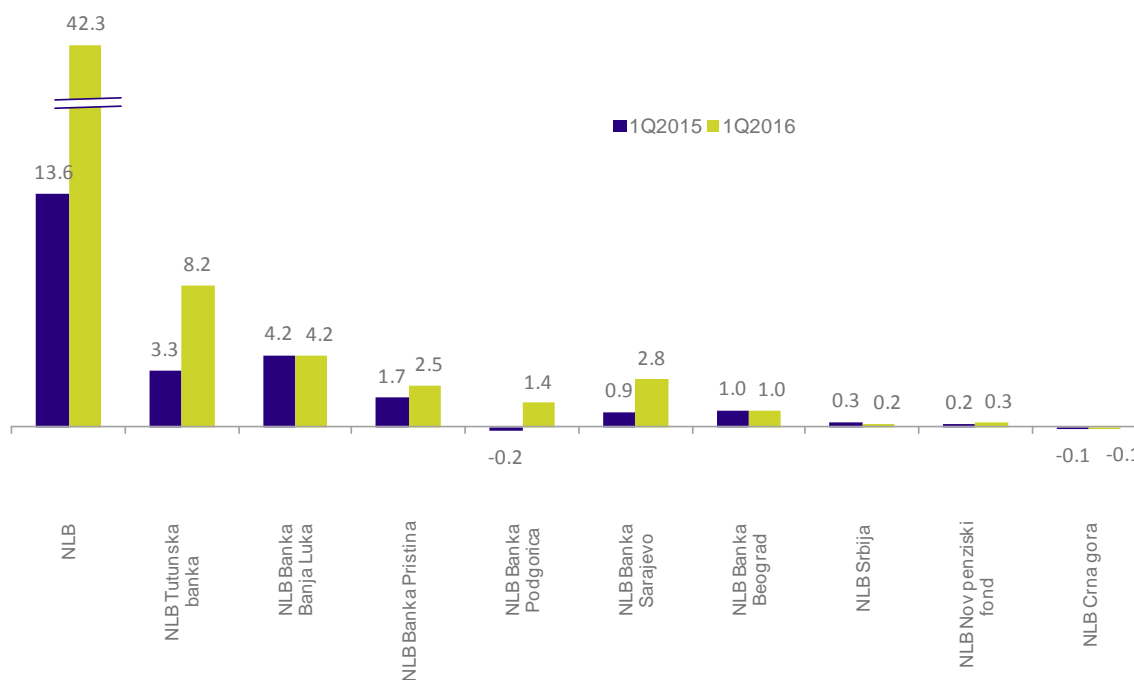
in EUR million	NLB Group			NLB d.d.		
	1.1. - 31.3.2016	1.1. - 31.3.2015	Change YoY	1.1. - 31.3.2016	1.1. - 31.3.2015	Change YoY
Net interest income	80.4	84.6	-5 %	46.2	54.8	-16 %
Net fee and commission income	32.4	33.7	-4 %	22.8	23.9	-4 %
Net income from financial transactions	6.5	-1.2	-	4.8	7.0	-30 %
Net other income	5.1	1.6	227 %	2.6	-0.9	-
Net non-interest income	43.9	34.1	29 %	30.2	29.9	1 %
Total net operating income	124.4	118.7	5 %	76.4	84.8	-10 %
Employee costs	-40.8	-39.8	3 %	-26.1	-25.3	3 %
Other administrative expenses	-23.0	-23.1	-1 %	-14.3	-14.4	0 %
Depreciation and amortisation	-7.3	-8.3	-12 %	-4.8	-5.6	-14 %
Total costs	-71.0	-71.2	0 %	-45.3	-45.3	0 %
Result before impairments and provisions	53.3	47.5	12 %	31.2	39.4	-21 %
Impairments of available-for-sale financial assets	0.0	-0.1	-	0.0	-0.1	-
Credit impairments and provisions	-4.8	19.7	-	-2.9	26.7	-
Other impairments and provisions	0.9	1.6	-41 %	0.0	0.3	-100 %
Impairments and provisions	-3.8	21.2	-	-2.9	27.0	-
Gains less losses from capital investments in subsidiaries, associates and joint ventures	1.2	1.2	8 %	10.7	1.4	654 %
Profit before income tax	58.4	27.5	112 %	44.7	13.9	222 %
Income tax	4.6	1.7	172 %	2.4	0.3	681 %
Result of non-controlling interests	1.7	0.8	105 %	0.0	0.0	-
Profit for the period	52.1	25.0	109 %	42.3	13.6	212 %

Figure 1: Net profit of NLB Group – evolution YoY (in EUR million)



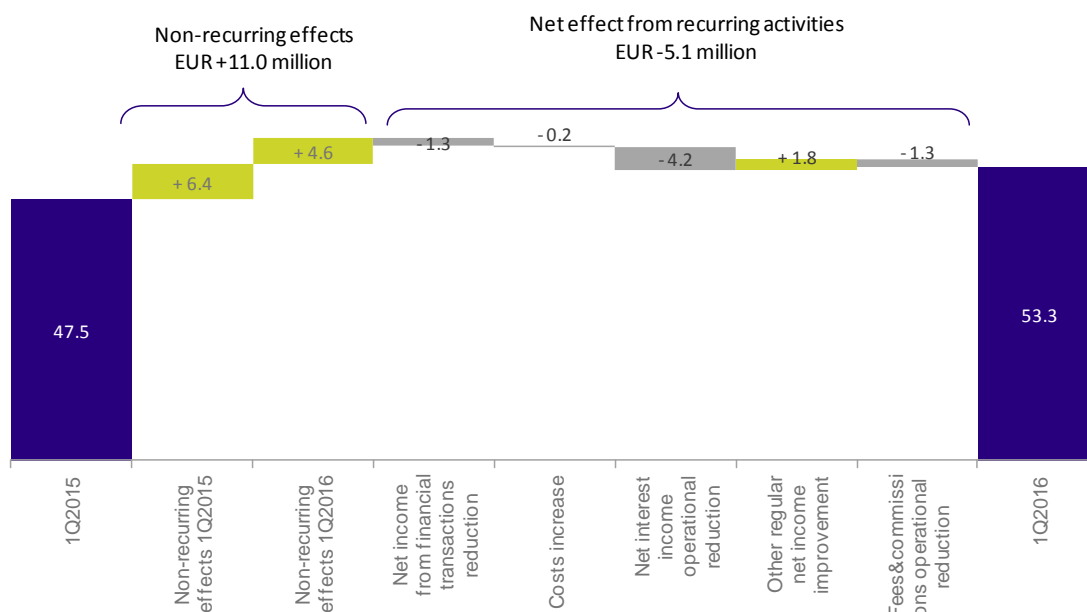
The trend of business improvement continued in the first quarter of 2016. NLB Group recorded EUR 52.1 million **profit after tax**, of which NLB d.d. contributed 61%, and the remaining 39% was provided mainly by other banks of NLB Group. In comparison with the same period of last year, the gains made from the successful divestment of the noncore part of the equity portfolio and much lower realisation of credit risk contributed to NLB Group's better results.

Figure 2: Net profit of the strategic NLB Group members (on standalone basis) – (in EUR million)



The operations of most of the strategic subsidiaries in SE Europe were better than in the same period last year. All the core banks recorded a profit. NLB result on standalone basis in the first quarter of 2016 includes dividends from subsidiaries, associates and joint venture in the amount of EUR 10.7 million.

Figure 3: Profit before impairments and provisions of NLB Group – evolution YoY
(in EUR million)



Profit before impairments and provisions was EUR 53.3 million, i.e. EUR 5.8 million higher than that for the previous year. In 2016 the positive effect on results brought about the EUR 4.9 million sale of the non-core equity investment. By **excluding non-recurring effects** in 2015 and 2016, the result before impairments and provisions compared to 2015 decreased by 9% on the basis of slightly lower revenues (-4% yoy) and a stable cost base.

Net interest income of NLB Group accounted for 65% of the total revenue of NLB Group; the **interest margin** of NLB Group remained at the level of the same period for the previous year, i.e. 2.7% with declines in margins in Slovenia could be off-set with higher margins in other core markets.

Recurring net non-interest income accounted for 35% of all NLB Group revenues and were at the level of the same period for last year. Total net non-interest income increased by 29% given substantial negatives in 2015 and successful non-core equity divestments concluded in first quarter of 2016.

The **cost to income ratio (CIR)** of NLB Group amounted to 57.1%, which was less than for the same period last year owing to favourable developments on the revenue side. Without taking into account the effects of non-recurring effects, the share of costs in net income was 59.2%.

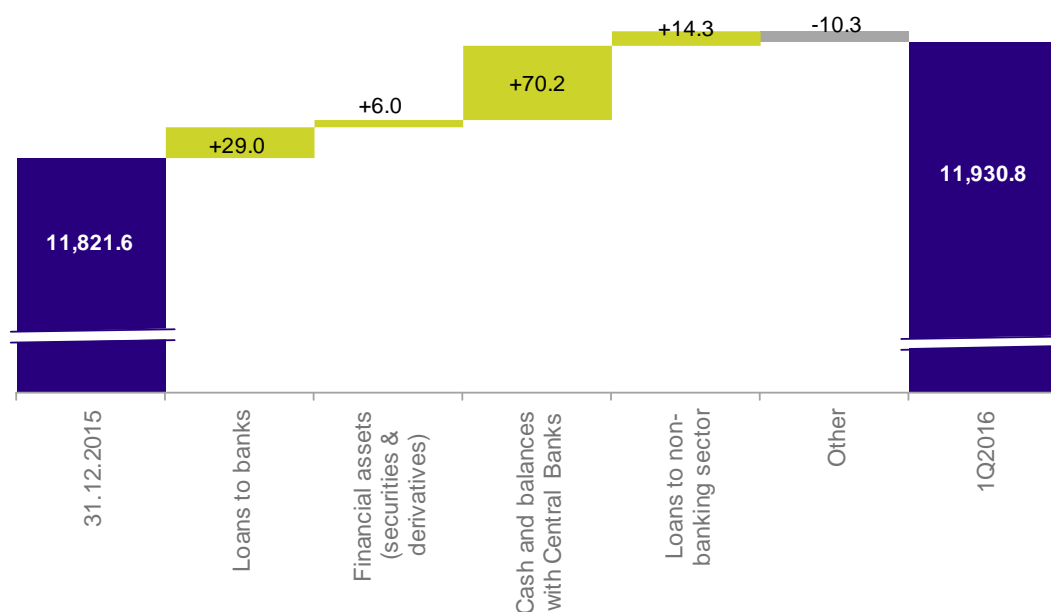
In the first quarter of 2016, NLB Group experienced a positive effect from the release of **provisions and impairments** totalling EUR 3.8 million, only on credit impairments and provisions in the amount of EUR 4.8 million – positive results reflecting successful workout activities and subsequent release of provisions. New NPL formation remained very low.

Statement of financial position

Table 3: Statement of financial position of NLB Group and NLB d.d.

in EUR million	NLB Group			NLB d.d.		
	1.1. - 31.3.2016	1.1. - 31.12.2015	Change YTD	1.1. - 31.3.2016	1.1. - 31.12.2015	Change YTD
Cash, cash balances at central banks and other demand deposits at banks	1,232.2	1,162.0	6 %	595.4	496.8	20 %
Loans to banks	460.7	431.8	7 %	376.1	345.2	9 %
Loans to non-banking sector	7,105.9	7,088.2	0 %	5,201.5	5,220.7	0 %
Gross loans	8,335.8	8,351.0	0 %	5,885.0	5,915.4	-1 %
- corporate	4,248.9	4,282.3	-1 %	3,038.9	3,063.0	-1 %
- individuals	3,072.3	3,050.8	1 %	1,952.6	1,957.9	0 %
- government	701.6	708.3	-1 %	580.6	585.0	-1 %
- BAMC bonds	313.0	309.6	1 %	313.0	309.6	1 %
Impairments	-1,229.8	-1,262.8	-3 %	-683.5	-694.7	-2 %
Financial assets	2,583.7	2,577.7	0 %	2,091.9	2,086.7	0 %
- Held for trading	318.4	267.4	19 %	318.9	267.9	19 %
- Available-for-sale, held to maturity and designated at fair value through PL	2,265.3	2,310.3	-2 %	1,773.0	1,818.8	-3 %
Investments in subsidiaries, subsidiaries, associates and joint ventures	38.8	39.7	-2 %	353.1	353.1	0 %
Property and equipment, investment property	298.2	301.2	-1 %	101.8	103.2	-1 %
Intangible assets	37.0	39.3	-6 %	27.6	29.6	-7 %
Other assets	174.2	181.7	-4 %	77.8	71.5	9 %
TOTAL ASSETS	11,930.8	11,821.6	1 %	8,825.2	8,706.8	1 %
Deposits from non-banking sector	9,068.8	9,025.6	0 %	6,373.4	6,298.3	1 %
- corporate	2,224.5	2,168.5	3 %	1,517.1	1,416.0	7 %
- individuals	6,589.7	6,493.5	1 %	4,715.2	4,630.1	2 %
- government	254.5	363.6	-30 %	141.0	252.1	-44 %
Deposits from banks and central banks	69.9	58.0	21 %	94.8	96.7	-2 %
Debt securities in issue	305.1	305.0	0 %	305.1	305.0	0 %
Borrowings	646.3	671.3	-4 %	516.0	536.1	-4 %
Other liabilities	302.5	284.1	6 %	245.0	228.6	7 %
Subordinated liabilities	27.4	27.3	0 %	0.0	0.0	-
Equity	1,481.8	1,422.8	4 %	1,291.0	1,242.2	4 %
Non-controlling interests	29.1	27.6	6 %	0.0	0.0	-
TOTAL LIABILITIES AND EQUITY	11,930.8	11,821.6	1 %	8,825.2	8,706.8	1 %

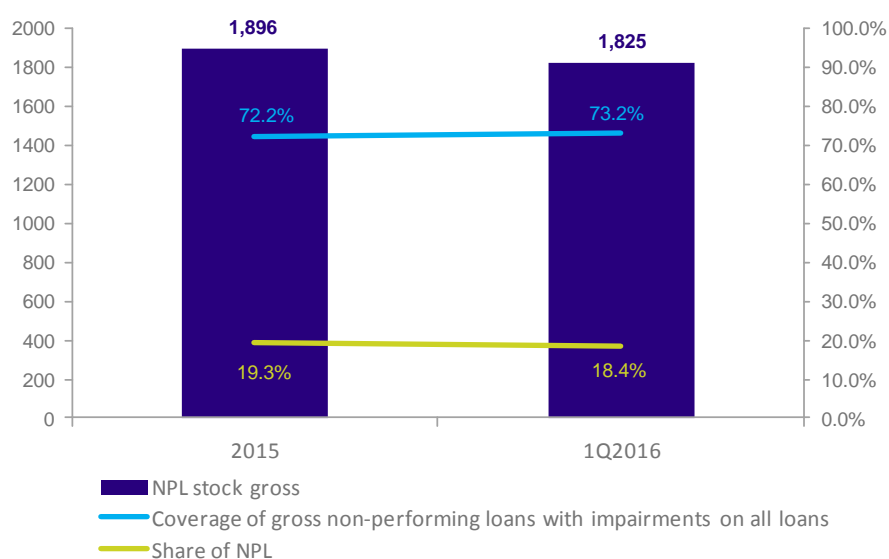
Figure 4: Total assets of NLB Group – evolution YTD (in EUR million)



In the first quarter of the 2016, the **total assets** of NLB Group increased by EUR 109.2 million. Retail loans and in the strategic markets of South Eastern Europe also loans to the corporate segment both continued with stable growth. Decreasing of the loan portfolio continued in the non-core segment.

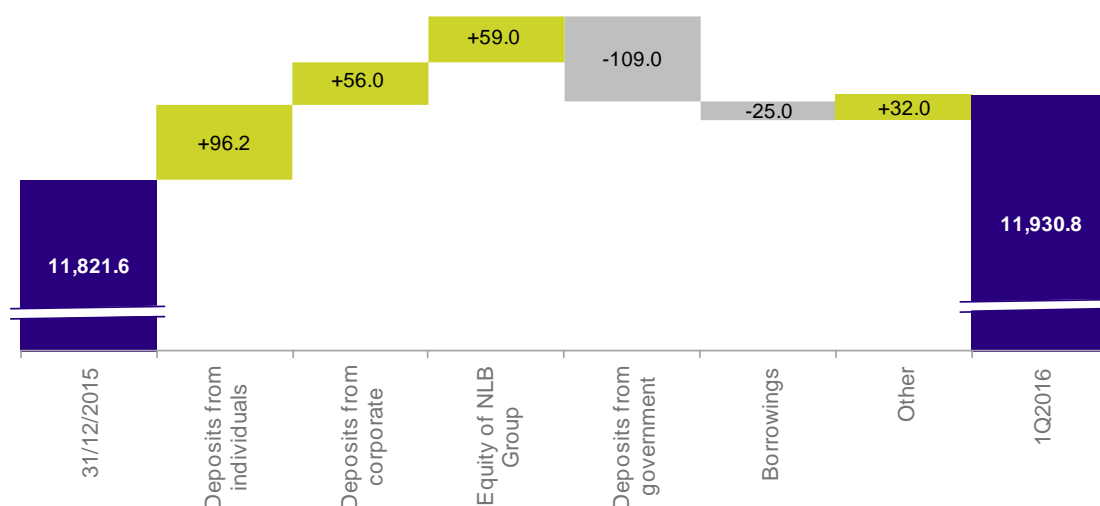
NLB Group successfully continued its activities to improve the quality of its assets. **Gross non-performing loans** decreased by EUR 70.8 million, i.e. 3.7%, compared to the end of the previous year. The gross non-performing loans as a percentage of the total loans fell from 19.3% to 18.4% at the end of the first quarter of 2016. The level of coverage of non-performing loans by impairments was as high as 73.2%.

Figure 5: Evolution of NPLs in NLB Group (in EUR million and %)



The **liquidity reserves** of NLB Group at the end of the first quarter amounted to EUR 5.3 billion, and are appropriately diversified depending on the type of instrument, issuer, country and residual maturity. The available liquidity reserves of NLB Group amounted to EUR 4.6 billion, which represented 39% of the total assets. The liquidity position of NLB Group remained very strong, with a loan-to-deposit ratio (LTD) at 75% (without BAMC bonds) and the fulfilment of liquidity ratios well above the regulatory requirements.

Figure 6: Total liabilities of NLB Group – evolution YTD (in EUR million)



Deposits from the non-banking sector increased and accounted for 76% of the total funding of NLB Group. The deposits of the corporate and retail segments were higher while government deposits decreased by 30%. Liabilities from borrowings were also lower owing to scheduled repayments.

The **capital adequacy** of NLB Group was estimated at 16.3%, increasing by 0.1 percentage point in 2016. The decrease was mainly a result of a decrease in the risk-weighted assets for operational risk and credit risk.

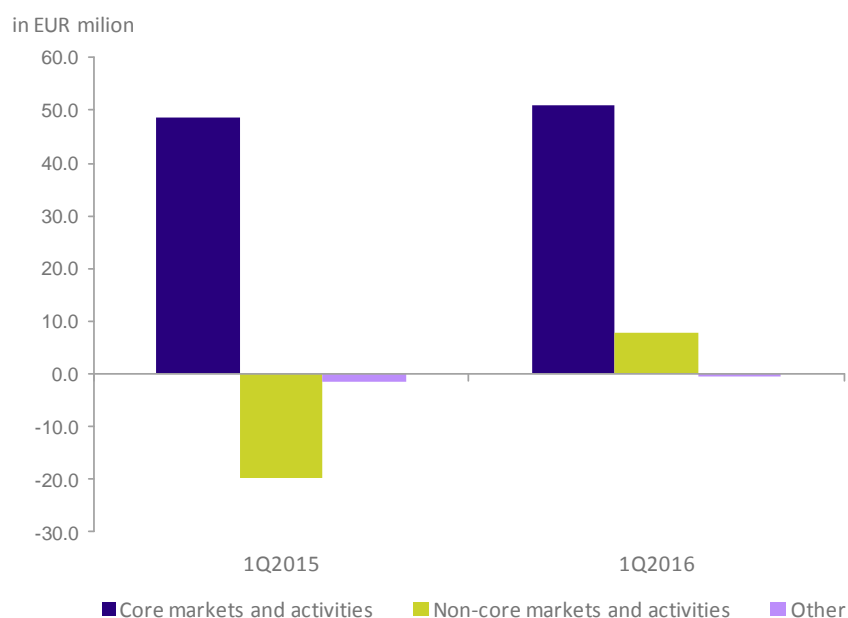
Core and non-core segments of NLB Group

In the first quarter of 2016, the **core segment** of NLB Group recorded a positive profit before tax (including profit of minority shareholders) of EUR 51.0 million, an increase of 5% over the same period last year. Profits increased primarily owing to lower impairment and provisions. The costs of the segment remained at the same level as last year given a range of new costs on regulation and expiry of HR cost adjustments applied in the restructuring process, while net interest and non-interest income decreased.

The **non-core segment** of NLB Group ended the first quarter of this year with a profit of EUR 7.8 million, which was driven by the positive effects of the sale of the nonstrategic equity investment. Costs have been reduced yoy by 16%. The process of focused wind-down of Leasing and Factoring entities including preparation for the liquidation process continues.

A more detailed break-down of segment results can be found in section 8 of the Financial Statements.

Figure 7: Profit before tax by segments of NLB Group – comparison YoY (in EUR million)



Unaudited Condensed Interim Financial Statements of NLB Group and NLB d.d. as at 31.3.2016,

Prepared in accordance with IAS 34 "Interim financial reporting"

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Condensed income statement

		in EUR thousand					
		NLB Group			NLB d.d.		
	Notes	three months ended March 2016	three months ended March 2015	Change	three months ended March 2016	three months ended March 2015	Change
Interest and similar income	4.1.	100,271	115,494	-13%	57,626	73,846	-22%
Interest and similar expenses	4.1.	(19,823)	(30,888)	-36%	(11,433)	(19,006)	-40%
Net interest income		80,448	84,606	-5%	46,193	54,840	-16%
		=====	=====		=====	=====	
Dividend income		8	6	33%	-	-	-
Fee and commission income	4.2.	45,150	46,342	-3%	28,840	30,698	-6%
Fee and commission expenses	4.2.	(12,747)	(12,643)	1%	(5,998)	(6,823)	-12%
Net fee and commission income		32,403	33,699	-4%	22,842	23,875	-4%
		=====	=====		=====	=====	
Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	4.3.	4,917	9,516	-48%	4,900	9,551	-49%
Gains less losses from financial assets and liabilities held for trading	4.4.	1,033	(27,941)	-	(320)	(29,473)	-99%
Gains less losses from financial assets and liabilities designated at fair value through profit or loss		(12)	76	-	-	-	-
Fair value adjustments in hedge accounting		(67)	425	-	(67)	425	-
Foreign exchange translation gains less losses		593	16,724	-96%	331	26,448	-99%
Gains less losses on derecognition of assets other than held for sale		355	(13)	-	67	71	-6%
Other operating income	4.5.	6,095	6,910	-12%	3,177	3,768	-16%
Other operating expenses	4.6.	(1,395)	(5,345)	-74%	(693)	(4,746)	-85%
Administrative expenses	4.7.	(63,786)	(62,909)	1%	(40,445)	(39,680)	2%
Depreciation and amortisation		(7,257)	(8,265)	-12%	(4,835)	(5,630)	-14%
Provisions for other liabilities and charges	4.8.	(458)	4,949	-	(615)	4,792	-
Impairment charge	4.9.	4,254	(26,105)	-	3,511	(31,779)	-
Gains less losses from investments in subsidiaries, associates and joint ventures	4.10.	1,247	1,151	8%	10,682	1,416	654%
Net gain/(loss) from non-current assets held for sale		9	(2)	-	9	(1)	-
PROFIT BEFORE INCOME TAX		58,387	27,482	112%	44,737	13,877	222%
		=====	=====		=====	=====	
Income tax	4.11.	(4,596)	(1,689)	172%	(2,444)	(313)	681%
PROFIT FOR THE PERIOD		53,791	25,793	109%	42,293	13,564	212%
		=====	=====		=====	=====	
Attributable to owners of the parent		52,135	24,985	109%	42,293	13,564	212%
Attributable to non-controlling interests		1,656	808	105%	-	-	-
Earnings per share (in EUR per share)		2.61	1.25	109%	2.11	0.68	212%

Condensed statement of comprehensive income

		in EUR thousand			
		NLB Group		NLB d.d.	
Note		three months ended		three months ended	
		March 2016	March 2015	March 2016	March 2015
	Net profit for the period after tax	53,791	25,793	42,293	13,564
	Other comprehensive income/(loss) after tax	6,750	7,477	6,565	5,531
	<i>Items that will not be reclassified to income statement</i>				
	Actuarial gains/(losses) on defined benefit pension plans	-	(78)	-	-
	<i>Items that may be reclassified subsequently to income statement</i>				
	Foreign currency translation	(1,474)	(1,656)	-	-
	Translation gains/(losses) taken to equity	(1,474)	(1,656)	-	-
	Cash flow hedges (effective portion)	(161)	(25)	(161)	(25)
	Valuation gains/(losses) taken to equity	(305)	(171)	(305)	(171)
	Transferred to income statement	144	146	144	146
	Available-for-sale financial assets	8,311	6,922	8,071	6,692
	Valuation gains/(losses) taken to equity	13,247	16,519	12,990	16,324
	Transferred to income statement	(4,936)	(9,597)	(4,919)	(9,632)
	Share of other comprehensive income of entities accounted for using the equity method	1,782	3,494	-	-
	Income tax relating to components of other comprehensive income	(1,708)	(1,180)	(1,345)	(1,136)
	Total comprehensive income/(loss) for the period after tax	60,541	33,270	48,858	19,095
	Attributable to owners of the parent	58,921	32,447	48,858	19,095
	Attributable to non-controlling interests	1,620	823	-	-

Condensed statement of financial position

in EUR
thousand

	Notes	NLB Group			NLB d.d.		
		31.3.2016	31.12.2015	Change	31.3.2016	31.12.2015	Change
Cash, cash balances at central banks and other demand deposits at banks	5.1.	1,232,198	1,161,983	6%	595,373	496,806	20%
Trading assets	5.2.	318,429	267,413	19%	318,926	267,880	19%
Financial assets designated at fair value through profit or loss		7,221	7,595	-5%	3,296	4,913	-33%
Available-for-sale financial assets	5.3.	1,707,703	1,737,191	-2%	1,219,267	1,248,359	-2%
Derivatives - hedge accounting		1,084	1,083	0%	1,084	1,083	0%
Loans and advances							
- debt securities	5.4.1.	400,915	394,579	2%	400,915	394,579	2%
- loans and advances to banks	5.4.2.	460,733	431,775	7%	376,104	345,207	9%
- loans and advances to customers	5.4.3.	6,705,000	6,693,621	0%	4,800,633	4,826,139	-1%
- other financial assets	5.4.4.	65,719	69,521	-5%	55,705	48,944	14%
Held-to-maturity investments	5.5.	550,395	565,535	-3%	550,395	565,535	-3%
Fair value changes of the hedged items in portfolio hedge of interest rate risk		821	741	11%	821	741	11%
Non-current assets classified as held for sale		4,530	4,629	-2%	1,730	1,776	-3%
Property and equipment		204,684	207,730	-1%	93,193	94,570	-1%
Investment property	5.6.	93,563	93,513	0%	8,613	8,613	0%
Intangible assets		37,031	39,327	-6%	27,637	29,627	-7%
Investments in subsidiaries		-	-	-	346,001	346,001	0%
Investments in associates and joint ventures		38,775	39,696	-2%	7,094	7,094	0%
Current income tax assets		1,082	929	16%	-	-	-
Deferred income tax assets	5.8.	7,897	9,400	-16%	7,812	9,139	-15%
Other assets	5.7.	93,056	95,354	-2%	10,642	9,779	9%
TOTAL ASSETS		11,930,836	11,821,615	1%	8,825,241	8,706,785	1%
		=====	=====		=====	=====	
Trading liabilities	5.2.	35,926	29,920	20%	35,924	29,909	20%
Financial liabilities designated at fair value through profit or loss		3,295	4,912	-33%	3,295	4,912	-33%
Derivatives - hedge accounting		36,899	33,842	9%	36,899	33,842	9%
Financial liabilities measured at amortised cost							
- deposits from banks and central banks	5.9.	69,898	57,982	21%	94,755	96,736	-2%
- borrowings from banks and central banks	5.9.	546,627	571,029	-4%	500,193	519,926	-4%
- due to customers	5.9.	9,065,467	9,020,666	0%	6,370,070	6,293,339	1%
- borrowings from other customers	5.9.	99,645	100,267	-1%	15,835	16,168	-2%
- debt securities in issue	5.9.1.	305,092	304,962	0%	305,092	304,962	0%
- subordinated liabilities	5.9.2.	27,418	27,340	0%	-	-	-
- other financial liabilities	5.9.3.	88,224	75,307	17%	55,016	47,346	16%
Provisions	5.10.	122,125	122,639	0%	104,991	105,137	0%
Current income tax liabilities		10,191	7,514	36%	9,020	6,681	35%
Deferred income tax liabilities	5.8.	513	313	64%	-	-	-
Other liabilities	5.12.	8,592	14,539	-41%	3,142	5,676	-45%
TOTAL LIABILITIES		10,419,912	10,371,232	0%	7,534,232	7,464,634	1%
		=====	=====		=====	=====	
EQUITY AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT							
Share capital		200,000	200,000	0%	200,000	200,000	0%
Share premium		871,378	871,378	0%	871,378	871,378	0%
Accumulated other comprehensive income		30,389	23,603	29%	38,406	31,841	21%
Profit reserves		13,522	13,522	0%	13,522	13,522	0%
Retained earnings		366,493	314,307	17%	167,703	125,410	34%
		1,481,782	1,422,810	4%	1,291,009	1,242,151	4%
Non-controlling interests		29,142	27,573	6%	-	-	-
TOTAL EQUITY		1,510,924	1,450,383	4%	1,291,009	1,242,151	4%
TOTAL LIABILITIES AND EQUITY		11,930,836	11,821,615	1%	8,825,241	8,706,785	1%
		=====	=====		=====	=====	

Condensed statement of changes in equity

in EUR thousand								
NLB Group	Share capital	Share premium	Accumulated other comprehensive income	Profit reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
Balance at 1 January 2016	200,000	871,378	23,603	13,522	314,307	1,422,810	27,573	1,450,383
- Net profit for the period	-	-	-	-	52,135	52,135	1,656	53,791
- Other comprehensive income	-	-	6,786	-	-	6,786	(36)	6,750
Total comprehensive income after tax	-	-	6,786	-	52,135	58,921	1,620	60,541
Dividends paid	-	-	-	-	-	-	(51)	(51)
Other*	-	-	-	-	51	51	-	51
Balance at 31 March 2016	200,000	871,378	30,389	13,522	366,493	1,481,782	29,142	1,510,924

in EUR thousand								
	Share capital	Share premium	Accumulated other comprehensive income	Profit reserves	Retained earnings	Equity attributable to owners of the	Equity attributable to non-controlling	Total equity
Balance at 1 January 2015	200,000	871,378	36,485	13,522	221,676	1,343,061	26,234	1,369,295
- Net profit for the period	-	-	-	-	24,985	24,985	808	25,793
- Other comprehensive income	-	-	7,462	-	-	7,462	15	7,477
Total comprehensive income after tax	-	-	7,462	-	24,985	32,447	823	33,270
Dividends paid	-	-	-	-	-	-	(45)	(45)
Other*	-	-	-	-	278	278	(251)	27
Balance at 31 March 2015	200,000	871,378	43,947	13,522	246,939	1,375,786	26,761	1,402,547

in EUR thousand							
NLB d.d.	Share capital	Share premium	Accumulated other comprehensive income	Profit reserves	Retained earnings	Total equity	
Balance at 1 January 2016	200,000	871,378	31,841	13,522	125,410	1,242,151	
- Net profit for the period	-	-	-	-	42,293	42,293	
- Other comprehensive income	-	-	6,565	-	-	6,565	
Total comprehensive income after tax	-	-	6,565	-	42,293	48,858	
Balance at 31 March 2016	200,000	871,378	38,406	13,522	167,703	1,291,009	

in EUR thousand							
	Share capital	Share premium	Accumulated other comprehensive income	Profit reserves	Retained earnings	Total equity	
Balance at 1 January 2015	200,000	871,378	38,491	13,522	81,529	1,204,920	
- Net profit for the period	-	-	-	-	13,564	13,564	
- Other comprehensive income	-	-	5,531	-	-	5,531	
Total comprehensive income after tax	-	-	5,531	-	13,564	19,095	
Balance at 31 March 2015	200,000	871,378	44,022	13,522	95,093	1,224,015	

*In 2016 and 2015, the item Other relates to transactions with a non-controlling interest.

Condensed statement of cash flows

	in EUR thousand			
	NLB Group		NLB d.d.	
	three months ended		three months ended	
	March	March	March	March
	2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	110,360	130,722	68,906	91,199
Interest paid	(19,192)	(33,324)	(9,966)	(19,363)
Dividends received	6	6	-	-
Fee and commission receipts	45,242	46,083	28,616	30,408
Fee and commission payments	(12,885)	(12,399)	(6,128)	(7,038)
Realised gains from financial assets and financial liabilities not at fair value through profit or loss	4,960	9,607	4,943	9,553
Realised losses from financial assets and financial liabilities not at fair value through profit or loss	(39)	(2)	(39)	(2)
Gains/(losses) from financial assets and liabilities held for trading	998	(21,174)	376	(21,928)
Payments to employees and suppliers	(70,019)	(68,948)	(46,119)	(46,105)
Other income	7,003	10,341	3,968	4,632
Other expenses	(1,736)	(5,171)	(1,005)	(4,434)
Income tax (paid)/refunded	(1,533)	(449)	(72)	-
Cash flows from operating activities before changes in operating assets and liabilities	63,165	55,292	43,480	36,922
(Increases)/decreases in operating assets	(28,781)	71,581	(8,502)	55,426
Net (increase)/decrease in trading assets	(49,704)	(23,555)	(49,704)	(23,555)
Net (increase)/decrease in financial assets designated at fair value through profit or loss	(127)	125	1,124	-
Net (increase)/decrease in available-for-sale financial assets	33,130	99,598	27,081	81,172
Net (increase)/decrease in loans and advances	(16,460)	(9,216)	12,876	(1,074)
Net (increase)/decrease in other assets	4,380	4,629	121	(1,117)
Increases/(decreases) in operating liabilities	62,452	(390,231)	74,897	(353,289)
Net increase/(decrease) in financial liabilities designated at fair value through profit or loss	(1,124)	-	(1,124)	-
Net increase/(decrease) in deposits and borrowings measured at amortised cost	66,188	(375,401)	78,156	(339,812)
Net increase/(decrease) in securities measured at amortised cost	(2,000)	(13,500)	(2,000)	(13,500)
Net increase/(decrease) in other liabilities	(612)	(1,330)	(135)	23
Net cash used in operating activities	96,836	(263,358)	109,875	(260,941)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts from investing activities	13,582	68,738	13,367	68,526
Proceeds from sale of property and equipment and investment property	568	163	353	4
Proceeds from dividends from subsidiaries and associates	43	-	43	15
Proceeds from sale of non-current assets held for sale	46	75	46	7
Proceeds from maturity of held-to-maturity investments	12,925	68,500	12,925	68,500
Payments from investing activities	(16,433)	(13,509)	(14,872)	(19,750)
Purchase of property and equipment and investment property	(6,322)	(2,217)	(5,223)	(671)
Purchase of intangible assets	(2,204)	(1,603)	(1,742)	(1,192)
Purchase of subsidiaries and increase in subsidiaries' equity	-	-	-	(8,198)
Purchase of held-to-maturity investments	(7,907)	(9,689)	(7,907)	(9,689)
Net cash used in investing activities	(2,851)	55,229	(1,505)	48,776
Effects of exchange rate changes on cash and cash equivalents	(4,207)	16,418	(2,922)	14,820
Net increase/(decrease) in cash and cash equivalents	93,985	(208,129)	108,370	(212,165)
Cash and cash equivalents at beginning of period	1,302,003	1,292,984	525,831	519,223
Cash and cash equivalents at end of period	1,391,781	1,101,273	631,279	321,878

Statement of management's responsibility

The Management Board hereby confirms the financial statements of NLB Group and NLB d.d. of for the three months ending 31 March 2016.

The Management Board is responsible for the preparation and presentation of these interim financial statements in accordance with IAS 34 "Interim financial reporting" as adopted by the European Union in order to give a true and fair view of the financial position of NLB Group and NLB d.d. as at 31 March 2016 and their financial results and cash flows for the period then ended.

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

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

Management Board

Archibald Kremser
Member of the
Management Board

Andreas Burkhardt
Member of the
Management Board

Blaž Brodnjak
Deputy 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. NLB Group consists of NLB d.d. and subsidiaries in 11 countries.

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

The ultimate controlling party of NLB d.d. is the Republic of Slovenia which was the sole shareholder as at 31 March 2016 and 31 December 2015.

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 NLB Group and NLB d.d. for the year ended 31 December 2015, which have been prepared in accordance with the International Financial Reporting Standards (hereinafter: IFRS) as adopted by the European Union.

2.2. Accounting policies

The same accounting policies and methods of computation were followed in the preparation of these consolidated condensed interim financial statements as for the year ended 31 December 2015, except for accounting standards and other amendments effective for annual periods beginning on 1 January 2016 that were endorsed by the EU.

Accounting standards and amendments to existing standards that were endorsed by the EU and adopted by NLB Group from 1 January 2016

- IAS 19 (amendment) – Employee Benefits (effective for annual periods beginning on or after 1 February 2015)
- Annual Improvements to IFRSs 2010–2012 Cycle. The improvements comprise a mixture of substantive changes and clarifications, and are effective for annual periods beginning on or after 1 February 2015.
- IAS 16 and IAS 38 (amendment) – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016).
- IFRS 11 (amendment) – Accounting for Acquisition of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016).
- IAS 27 (amendment) – Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016).

- Annual Improvements to IFRSs 2012–2014 Cycle. The improvements comprise a mixture of substantive changes and clarifications, and are effective for annual periods beginning on or after 1 January 2016.
- IAS 1 (amendment) – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016).

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

- IFRS 9 (new standard) – Financial instruments (effective for annual periods beginning on or after 1 January 2018).
- IFRS 14 (new standard) – Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016).
- IFRS 15 (new standard) – Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018).
- IFRS 10 and IAS 28 (amendment) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date postponed until the project on Elimination of gains or losses arising from transactions between an entity and its associate or joint venture is completed).
- IFRS 10, IFRS 12 and IAS 28 (amendment) – Investment Entities (effective for annual periods beginning on or after 1 January 2016).
- IFRS 16 (new standard) – Leases (effective for annual periods beginning on or after 1 January 2019).
- IAS 12 (amendment) – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).
- IAS 7 (amendment) – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017).

3. Changes in NLB Group

THREE MONTHS ENDED 31 MARCH 2016

Other changes:

- BH-RE d.o.o., Sarajevo was established and will manage certain real estate in NLB Group. PRO-REM, Ljubljana's ownership is 100%.
- Kreditni biro SISBON, Ljubljana and Prvi faktor, Skopje are formally in liquidation.

CHANGES IN 2015

Capital changes:

- An increase in share capital in the form of cash contributions in the amount of EUR 7,669 thousand in NLB Banka, Sarajevo due to stricter regulatory requirements for capital adequacy. Ownership interest increased from 96.30% to 97.34%.
- On the basis of an option contract, NLB d.d. acquired shares of NLB Banka, Podgorica and thereby increased its ownership from 98.00% to 99.36%. The increase in the capital investment was recognised in the amount of EUR 364 thousand. NLB d.d. has no voting rights regarding the newly acquired shares.
- NLB Leasing, Ljubljana increased its ownership interest in Optima Leasing, Zagreb from 99.97% to 100%. Consideration was paid in the amount of EUR 40 thousand.

Other changes:

- REAM d.o.o., Zagreb, REAM d.o.o., Belgrade, REAM d.o.o., Podgorica, PRO-Avenija d.o.o., Ljubljana and SR-RE d.o.o., Belgrade were established and will manage certain real estate in NLB Group. NLB d.d.'s ownership is 100%.
- LHB Trade d.o.o., Zagreb was liquidated. In accordance with a court order, the company was removed from the court register.
- NLB Group became a 100% owner of Tara Hotel d.o.o., Budva upon realisation of the collateral.
- NLB Banka, Belgrade sold its 100% ownership in Convest d.o.o., Novi Sad.

4. Notes to the condensed income statement

4.1. Interest income and expenses

	in EUR thousand					
	NLB Group			NLB d.d.		
	three months ended			three months ended		
	March 2016	March 2015	change	March 2016	March 2015	change
Interest and similar income						
Loans and advances to customers	84,334	96,270	-12%	45,018	57,721	-22%
Held-to-maturity investments	4,209	5,794	-27%	4,209	5,794	-27%
Available-for-sale financial assets	8,219	8,914	-8%	4,598	5,543	-17%
Financial assets held for trading	2,687	3,434	-22%	2,715	3,467	-22%
Loans and advances to banks and central banks	294	257	14%	646	635	2%
Derivatives - hedge accounting	271	505	-46%	271	505	-46%
Deposits with central banks and banks	257	320	-20%	169	181	-7%
TOTAL	100,271	115,494	-13%	57,626	73,846	-22%
	=====	=====		=====	=====	
Interest and similar expenses						
Due to customers	11,764	20,011	-41%	4,649	9,684	-52%
Debt securities in issue	2,397	2,798	-14%	2,397	2,798	-14%
Financial liabilities held for trading	1,763	2,743	-36%	1,763	2,743	-36%
Borrowings from banks and central banks	1,162	2,289	-49%	914	1,756	-48%
Derivatives - hedge accounting	1,460	1,591	-8%	1,460	1,591	-8%
Borrowings from other customers	513	661	-22%	10	77	-87%
Deposits from banks and central banks	17	55	-69%	14	9	56%
Subordinated liabilities	474	287	65%	-	-	-
Other financial liabilities	273	453	-40%	226	348	-35%
TOTAL	19,823	30,888	-36%	11,433	19,006	-40%
	=====	=====		=====	=====	
NET INTEREST INCOME	80,448	84,606	-5%	46,193	54,840	-16%
	=====	=====		=====	=====	

4.2. Net fee and commission income

	in EUR thousand					
	NLB Group			NLB d.d.		
	three months ended			three months ended		
	March 2016	March 2015	change	March 2016	March 2015	change
Fee and commission income						
Credit cards and ATMs	12,681	13,498	-6%	8,825	10,177	-13%
Customer transaction accounts	9,861	9,882	0%	7,823	7,899	-1%
Payments	12,833	12,559	2%	6,812	6,751	1%
Guarantees	3,080	3,839	-20%	2,074	2,276	-9%
Investment banking	2,303	2,459	-6%	1,165	1,338	-13%
Investment funds	2,350	2,465	-5%	836	1,158	-28%
Agency of insurance products	468	434	8%	465	434	7%
Other services	1,574	1,206	31%	840	665	26%
TOTAL	45,150	46,342	-3%	28,840	30,698	-6%
	=====	=====		=====	=====	
Fee and commission expenses						
Credit cards and ATMs	7,727	7,931	-3%	4,886	5,581	-12%
Deposit insurance	2,208	2,066	7%	-	-	-
Investment banking	546	683	-20%	354	472	-25%
Payments	1,243	1,072	16%	201	207	-3%
Insurance for holders of personal accounts and golden cards	436	371	18%	318	317	0%
Guarantees	78	81	-4%	65	66	-2%
Other services	509	439	16%	174	180	-3%
TOTAL	12,747	12,643	1%	5,998	6,823	-12%
	=====	=====		=====	=====	
NET FEE AND COMMISSION INCOME	32,403	33,699	-4%	22,842	23,875	-4%
	=====	=====		=====	=====	

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

	in EUR thousand			
	NLB Group		NLB d.d.	
	three months ended		three months ended	
	March 2016	March 2015	March 2016	March 2015
Available-for-sale financial assets	4,956	9,518	4,939	9,553
Financial liabilities measured at amortised cost	(39)	(2)	(39)	(2)
TOTAL	4,917	9,516	4,900	9,551
	=====	=====	=====	=====

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

	in EUR thousand			
	NLB Group		NLB d.d.	
	three months ended		three months ended	
	March 2016	March 2015	March 2016	March 2015
Derivatives	(379)	(30,386)	(251)	(30,258)
Foreign exchange trading	1,951	2,418	470	758
Debt instruments	(539)	27	(539)	27
TOTAL	1,033	(27,941)	(320)	(29,473)
	=====	=====	=====	=====

4.5. Other operating income

	in EUR thousand					
	NLB Group			NLB d.d.		
	three months ended			three months ended		
	March 2016	March 2015	change	March 2016	March 2015	change
Income from non-banking services	3,491	3,815	-8%	2,494	2,699	-8%
Rental income from investment property	1,401	1,440	-3%	51	20	155%
Other operating income	1,203	1,655	-27%	632	1,049	-40%
TOTAL	6,095	6,910	-12%	3,177	3,768	-16%
	=====	=====		=====	=====	

4.6. Other operating expenses

	in EUR thousand					
	NLB Group			NLB d.d.		
	three months ended			three months ended		
	March 2016	March 2015	change	March 2016	March 2015	change
Expenses related to issued service guarantees	109	2,607	-96%	109	2,607	-96%
Taxes and other duties	456	459	-1%	172	164	5%
Membership fees	223	267	-16%	88	138	-36%
Other operating expenses	607	2,012	-70%	324	1,837	-82%
TOTAL	1,395	5,345	-74%	693	4,746	-85%
	=====	=====		=====	=====	

4.7. Administrative expenses

	NLB Group			in EUR thousand		
	three months ended			NLB d.d.		
	March	March	change	three months ended	March	March
	2016	2015		2016	2015	change
Employee costs	40,785	39,783	3%	26,104	25,276	3%
Other general and administrative expenses	23,001	23,126	-1%	14,341	14,404	0%
TOTAL	63,786	62,909	1%	40,445	39,680	2%
	=====	=====		=====	=====	

4.8. Provisions for other liabilities and charges

	NLB Group			in EUR thousand		
	three months ended			NLB d.d.		
	March	March	change	three months ended	March	March
	2016	2015		2016	2015	change
Guarantees and commitments	219	(5,054)		615	(4,792)	
Provisions for legal issues	239	105		-	-	
TOTAL	458	(4,949)		615	(4,792)	
	=====	=====		=====	=====	

4.9. Impairment charge

	NLB Group			in EUR thousand		
	three months ended			NLB d.d.		
	March	March	change	three months ended	March	March
	2016	2015		2016	2015	change
Impairment of financial assets						
Available-for-sale financial assets	20	(79)		20	(79)	
Loans and advances to banks (note 5.4.5.)	182	2,887		(20)	178	
Loans and advances to customers (note 5.4.5.)	(5,652)	21,316		(3,765)	30,912	
Other financial assets (note 5.4.5.)	499	502		254	430	
Impairment of other assets						
Property and equipment	-	338		-	338	
Other assets	697	1,141		-	-	
TOTAL	(4,254)	26,105		(3,511)	31,779	
	=====	=====		=====	=====	

4.10. Gains less losses from investments in subsidiaries, associates and joint ventures

	NLB Group			in EUR thousand		
	three months ended			NLB d.d.		
	March	March	change	three months ended	March	March
	2016	2015		2016	2015	change
Dividends from investments in subsidiaries, associates and joint ventures	-	-		10,682	1,416	
Share of net gains less losses of associates and joint ventures accounted for using the equity method	1,247	1,151		-	-	
TOTAL	1,247	1,151		10,682	1,416	
	=====	=====		=====	=====	

4.11. Income tax

	in EUR thousand					
	NLB Group			NLB d.d.		
	three months ended			three months ended		
	March 2016	March 2015	change	March 2016	March 2015	change
Current tax on profit	(4,248)	(2,490)	71%	(2,462)	(1,068)	131%
Deferred tax (5.8.)	(348)	801	-	18	755	-98%
TOTAL	(4,596)	(1,689)	172%	(2,444)	(313)	681%
	=====	=====		=====	=====	

5. Notes to the condensed statement of financial position

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

	in EUR thousand					
	NLB Group			NLB d.d.		
	31.3.2016			31.3.2016		
	31.12.2015	Change		31.12.2015	Change	
Cash	227,195	228,156	0%	122,621	128,682	-5%
Balances and obligatory reserves with central banks	656,216	527,156	24%	276,943	155,160	78%
Demand deposits at banks	348,787	406,671	-14%	195,809	212,964	-8%
TOTAL	1,232,198	1,161,983	6%	595,373	496,806	20%
	=====	=====		=====	=====	

5.2. Financial instruments held for trading

a) Trading assets

	in EUR thousand					
	NLB Group			NLB d.d.		
	31.3.2016			31.3.2016		
	31.12.2015	Change		31.12.2015	Change	
Derivatives, excluding hedging instruments						
Swap contracts	32,923	26,855	23%	33,434	27,322	22%
Forward contracts	2,882	3,035	-5%	2,868	3,035	-6%
Options	64	151	-58%	64	151	-58%
Total derivatives	35,869	30,041	19%	36,366	30,508	19%
Securities						
Shares	10	10	0%	10	10	0%
Bonds	65,772	43,555	51%	65,772	43,555	51%
Treasury bills	70,654	42,636	66%	70,654	42,636	66%
Commercial papers	146,124	151,171	-3%	146,124	151,171	-3%
Total securities	282,560	237,372	19%	282,560	237,372	19%
TOTAL	318,429	267,413	19%	318,926	267,880	19%
	=====	=====		=====	=====	

b) Trading liabilities

	in EUR thousand					
	NLB Group			NLB d.d.		
	31.3.2016			31.3.2016		
	31.12.2015	Change		31.12.2015	Change	
Derivatives, excluding hedges						
Swap contracts	33,054	26,929	23%	33,054	26,929	23%
Forward contracts	2,864	2,944	-3%	2,862	2,933	-2%
Options	8	47	-83%	8	47	-83%
TOTAL	35,926	29,920	20%	35,924	29,909	20%
	=====	=====		=====	=====	

5.3. Available-for-sale financial assets

	in EUR thousand					
	NLB Group			NLB d.d.		
	31.3.2016	31.12.2015	Change	31.3.2016	31.12.2015	Change
Bonds	1,352,721	1,350,942	0%	994,218	999,781	-1%
Commercial bills	125,850	151,168	-17%	125,850	151,168	-17%
Treasury bills	77,435	81,680	-5%	27,003	26,998	0%
Shares	32,597	30,943	5%	27,677	25,893	7%
National Resolution Fund	44,519	44,519	0%	44,519	44,519	0%
Cash certificates	74,581	77,939	-4%	-	-	-
TOTAL	1,707,703	1,737,191	-2%	1,219,267	1,248,359	-2%
	=====	=====		=====	=====	

5.4. Loans and advances

Analysis by type of loans and advances

	in EUR thousand					
	NLB Group			NLB d.d.		
	31.3.2016	31.12.2015	Change	31.3.2016	31.12.2015	Change
Debt securities	400,915	394,579	2%	400,915	394,579	2%
Loans and advances to banks	460,733	431,775	7%	376,104	345,207	9%
Loans and advances to customers	6,705,000	6,693,621	0%	4,800,633	4,826,139	-1%
Other financial assets	65,719	69,521	-5%	55,705	48,944	14%
TOTAL	7,632,367	7,589,496	1%	5,633,357	5,614,869	0%
	=====	=====		=====	=====	

5.4.1. Debt securities

	in EUR thousand		
	NLB Group and NLB d.d.		
	31.3.2016	31.12.2015	Change
Government	312,983	309,570	1%
Companies	87,932	85,009	3%
TOTAL	400,915	394,579	2%
	=====	=====	

5.4.2. Loans and advances to banks

	in EUR thousand					
	NLB Group			NLB d.d.		
	31.3.2016	31.12.2015	Change	31.3.2016	31.12.2015	Change
Time deposits	456,499	427,195	7%	347,202	315,016	10%
Loans	3,773	3,825	-1%	28,193	29,391	-4%
Purchased receivables	886	997	-11%	886	997	-11%
	461,158	432,017	7%	376,281	345,404	9%
Allowance for impairment (note 5.4.5.)	(425)	(242)	76%	(177)	(197)	-10%
TOTAL	460,733	431,775	7%	376,104	345,207	9%
	=====	=====		=====	=====	

5.4.3. Loans and advances to customers

	in EUR thousand					
	NLB Group			NLB d.d.		
	31.3.2016	31.12.2015	Change	31.3.2016	31.12.2015	Change
Loans	7,259,392	7,254,266	0%	5,233,037	5,266,143	-1%
Finance lease receivables	244,170	253,205	-4%	-	-	-
Overdrafts	307,598	320,514	-4%	184,046	183,406	0%
Credit card business	107,449	111,673	-4%	56,145	59,820	-6%
Called guarantees	16,210	16,773	-3%	10,855	11,463	-5%
Reverse sale and repurchase agreement	25	25	0%	25	25	0%
	<u>7,934,844</u>	<u>7,956,456</u>	<u>0%</u>	<u>5,484,108</u>	<u>5,520,857</u>	<u>-1%</u>
Allowance for impairment (note 5.4.5.)	(1,229,844)	(1,262,835)	-3%	(683,475)	(694,718)	-2%
TOTAL	<u>6,705,000</u>	<u>6,693,621</u>	<u>0%</u>	<u>4,800,633</u>	<u>4,826,139</u>	<u>-1%</u>

5.4.4. Other financial assets

	in EUR thousand					
	NLB Group			NLB d.d.		
	31.3.2016	31.12.2015	Change	31.3.2016	31.12.2015	Change
Receivables from purchase agreements for equity securities	16,919	16,920	0%	16,919	16,920	0%
Receivables in the course of collection	19,975	15,416	30%	14,543	13,033	12%
Credit card receivables	9,722	11,739	-17%	7,231	8,346	-13%
Fees and commissions	6,683	7,548	-11%	4,241	5,384	-21%
Dividends	3,588	44	-	10,682	44	-
Accrued income	1,709	326	424%	1,743	191	813%
Debtors	15,785	20,415	-23%	582	1,213	-52%
Prepayments	4,333	4,289	1%	-	-	-
Other financial assets	10,971	19,902	-45%	4,582	8,936	-49%
	<u>89,685</u>	<u>96,599</u>	<u>-7%</u>	<u>60,523</u>	<u>54,067</u>	<u>12%</u>
Allowance for impairment (note 5.4.5.)	(23,966)	(27,078)	-11%	(4,818)	(5,123)	-6%
TOTAL	<u>65,719</u>	<u>69,521</u>	<u>-5%</u>	<u>55,705</u>	<u>48,944</u>	<u>14%</u>

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

	in EUR thousand					
	NLB Group					
	Banks		Customers		Other financial assets	
	2016	2015	2016	2015	2016	2015
Balance at 1 January	242	24,722	1,262,825	1,638,304	27,078	42,680
Exchange differences on opening balance	1	3,494	(1,846)	25,439	64	26
Impairment (note 4.9.)	182	2,887	(5,652)	21,316	499	502
Write offs	-	-	(29,622)	(4,877)	(3,656)	(111)
Repayment of write offs	-	-	4,001	577	42	10
Exchange differences	-	(1,605)	186	(12,347)	(61)	34
Other	-	-	(48)	(59)	-	(7)
Balance at 31 March	<u>425</u>	<u>29,498</u>	<u>1,229,844</u>	<u>1,668,353</u>	<u>23,966</u>	<u>43,134</u>

in EUR thousand

	NLB d.d.					
	Banks		Customers		Other financial assets	
	2016	2015	2016	2015	2016	2015
Balance at 1 January	197	682	694,718	998,382	5,123	17,521
Impairment (note 4.9.)	(20)	178	(3,765)	30,912	254	430
Write offs	-	-	(8,593)	(879)	(600)	(32)
Repayment of write offs	-	-	1,242	246	41	4
Exchange differences	-	82	(127)	5,702	-	1
Balance at 31 March	177	942	683,475	1,034,363	4,818	17,924
	=====	=====	=====	=====	=====	=====

5.5. Held-to-maturity financial assets

in EUR thousand

	NLB Group and NLB d.d.		
	31.3.2016	31.12.2015	Change
Bonds	530,398	545,561	-3%
Treasury bills	19,997	19,974	0%
TOTAL	550,395	565,535	-3%
	=====	=====	

5.6. Investment property

in EUR
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	NLB Group			NLB d.d.		
	31.3.2016	31.12.2015	Change	31.3.2016	31.12.2015	Change
Land - investment	5,663	5,653	0%	973	973	0%
Buildings - investment	87,900	87,860	0%	7,640	7,640	0%
TOTAL	93,563	93,513	0%	8,613	8,613	0%
	=====	=====		=====	=====	

5.7. Other assets

in EUR thousand

	NLB Group			NLB d.d.		
	31.3.2016	31.12.2015	Change	31.3.2016	31.12.2015	Change
Deferred expenses	8,743	5,133	70%	5,695	3,392	68%
Assets, received as collateral	71,149	75,652	-6%	3,291	3,371	-2%
Prepayments	1,601	1,619	-1%	1,020	1,241	-18%
Claim for taxes and other dues	1,170	2,453	-52%	246	1,385	-82%
Inventories	10,393	10,497	-1%	390	390	0%
TOTAL	93,056	95,354	-2%	10,642	9,779	9%
	=====	=====		=====	=====	

	in EUR thousand		
	NLB Group and NLB d.d.		
	31.3.2016	31.12.2015	% change
Carrying amount of issued securities			
- traded on active markets	305,092	304,962	0%
Bonds (in %)			
- fixed rated	100.00	100.00	
	100.00	100.00	

					in EUR thousand				
					NLB Group				
					31.3.2016		31.12.2015		
Subordinated loans	Currency	Due date	Interest rate		Carrying amount	Nominal value	Carrying amount	Nominal value	Change
	EUR	30.6.2018	6 months EURIBOR + 6.3% p.a.		12,021	12,000	12,219	12,000	-2%
	EUR	30.6.2020	6 months EURIBOR + 7.7% p.a.		5,266	5,000	5,176	5,000	2%
	EUR	26.6.2025	6 months EURIBOR + 7.5% p.a.		10,131	10,000	9,945	10,000	2%
					27,418	27,000	27,340	27,000	0%
TOTAL									

	in EUR thousand					
	NLB Group			NLB d.d.		
	31.3.2016	31.12.2015	Change	31.3.2016	31.12.2015	Change
Items in the course of payment	35,490	13,835	157%	21,392	4,580	367%
Debit or credit card payables	10,869	15,502	-30%	10,220	14,231	-28%
Accrued expenses	16,084	12,695	27%	7,401	4,615	60%
Accrued salaries	9,816	8,274	19%	6,977	6,913	1%
Suppliers	5,034	14,515	-65%	2,698	11,371	-76%
Fees and commissions due	109	1,341	-92%	78	1,305	-94%
Other financial liabilities	10,822	9,145	18%	6,250	4,331	44%
TOTAL	88,224	75,307	17%	55,016	47,346	16%

	in EUR thousand					
	NLB Group			NLB d.d.		
	31.3.2016	31.12.2015	Change	31.3.2016	31.12.2015	Change
Provisions for non-financial guarantees	30,365	31,034	-2%	29,526	29,863	-1%
Provisions for financial guarantees	48,647	47,737	2%	45,701	44,583	3%
Provisions for other credit commitments	3,188	3,228	-1%	3,023	3,197	-5%
Employee benefit provisions	21,286	21,265	0%	16,696	16,559	1%
Restructuring provisions	2,561	3,477	-26%	2,539	3,429	-26%
Provision for legal issues	13,655	13,465	1%	5,085	5,075	0%
Provisions for premiums from National Housing Savings Scheme	54	54	0%	54	54	0%
Other provisions	2,369	2,379	0%	2,367	2,377	0%
TOTAL	122,125	122,639	0%	104,991	105,137	0%

5.11. Income tax relating to components of other comprehensive income

	in EUR thousand					
	NLB Group					
	31.3.2016			31.3.2015		
	Before tax amount	Tax expense	Net of tax amount	Before tax amount	Tax expense	Net of tax amount
Available-for-sale financial assets	8,311	(1,378)	6,933	6,922	(1,135)	5,787
Cash flow hedge	(161)	27	(134)	(25)	4	(21)
Share of associates and joint ventures	1,782	(357)	1,425	3,494	(49)	3,445
Actuarial gains/(losses) on defined benefit pension plans	-	-	-	(78)	-	(78)
TOTAL	9,932	(1,708)	8,224	10,313	(1,180)	9,133
	=====	=====	=====	=====	=====	=====

	in EUR thousand					
	NLB d.d.					
	31.3.2016			31.3.2015		
	Before tax amount	Tax expense	Net of tax amount	Before tax amount	Tax expense	Net of tax amount
Available-for-sale financial assets	8,071	(1,372)	6,699	6,692	(1,140)	5,552
Cash flow hedge	(161)	27	(134)	(25)	4	(21)
TOTAL	7,910	(1,345)	6,565	6,667	(1,136)	5,531
	=====	=====	=====	=====	=====	=====

5.12. Other liabilities

	in EUR thousand					
	NLB Group			NLB d.d.		
	31.3.2016	31.12.2015	Change	31.3.2016	31.12.2015	Change
Taxes payable	2,869	4,982	-42%	2,189	3,817	-43%
Deferred income	3,832	7,579	-49%	908	1,693	-46%
Payments received in advance	1,891	1,978	-4%	45	166	-73%
TOTAL	8,592	14,539	-41%	3,142	5,676	-45%
	=====	=====		=====	=====	

5.13. Book value per share

The book value of a NLB d.d. share as at 31 March 2016 on a consolidated level was EUR 74.1 (31 December 2015: EUR 71.1) and on NLB d.d. it was EUR 64.6 (31 December 2015: EUR 62.1). It is calculated as the ratio of the book value of the equity and the number of shares. NLB Group and NLB d.d. do not have any other equity instruments issued or treasury shares.

5.14. Capital adequacy ratio

	in EUR thousand			
	NLB Group		NLB d.d.	
	31.3.2016	31.12.2015	31.3.2016	31.12.2015
Paid up capital instruments	200,000	200,000	200,000	200,000
Share premium	871,378	871,378	871,378	871,378
Retained earnings - from previous years	246,602	207,004	81,529	81,529
Profit or loss eligible - from current year	-	39,599	-	-
Accumulated other comprehensive income	(5,830)	(4,090)	5,436	2,815
Other reserves	13,522	13,522	13,522	13,522
Minority interest	-	-	-	-
Prudential filters: Cash flow hedge reserve	1,426	897	1,426	897
Prudential filters: Value adjustments due to the requirements for prudent valuation	(3,153)	(3,134)	(2,666)	(2,649)
(-) Goodwill	(3,529)	(3,529)	-	-
(-) Other intangible assets	(33,452)	(35,745)	(27,637)	(29,627)
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(3,512)	(2,755)	(3,701)	(2,886)
COMMON EQUITY TIER 1 CAPITAL (CET1)	1,283,452	1,283,147	1,139,287	1,134,979
Additional Tier 1 capital	-	-	-	-
TIER 1 CAPITAL	1,283,452	1,283,147	1,139,287	1,134,979
Tier 2 capital	-	-	-	-
TOTAL CAPITAL (OWN FUNDS)	1,283,452	1,283,147	1,139,287	1,134,979
RWA for credit risk	6,821,555	6,849,633	4,316,014	4,353,619
RWA for market risks	147,838	137,351	80,000	68,988
RWA for credit valuation adjustment risk	11,900	9,313	11,900	9,313
RWA for operational risk	892,753	930,688	561,091	596,127
TOTAL RISK EXPOSURE AMOUNT (RWA)	7,874,046	7,926,985	4,969,005	5,028,047
Common Equity Tier 1 Ratio	16.3%	16.2%	22.9%	22.6%
Tier 1 Ratio	16.3%	16.2%	22.9%	22.6%
Total Capital Ratio	16.3%	16.2%	22.9%	22.6%

5.15. Off-balance sheet liabilities

	in EUR thousand					
	NLB Group			NLB d.d.		
	31.3.2016	31.12.2015	Change	31.3.2016	31.12.2015	Change
Commitments to extend credit	1,211,832	1,101,241	10%	1,038,985	923,755	12%
Performance guarantees	450,155	432,784	4%	379,084	372,889	2%
Financial guarantees	328,321	357,786	-8%	198,323	213,817	-7%
Letters of credit	24,086	19,402	24%	4,182	3,567	17%
Other	7,761	7,289	6%	117	117	0%
	2,022,155	1,918,502	5%	1,620,691	1,514,145	7%
Provisions (note 5.10.)	(82,200)	(81,999)	0%	(78,250)	(77,643)	1%
TOTAL	1,939,955	1,836,503	6%	1,542,441	1,436,502	7%
	=====	=====		=====	=====	

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

Fair value is the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 Group and NLB d.d.. This hierarchy gives the highest priority to observable market data when available, and the lowest priority to unobservable market data. NLB Group considers relevant and observable market prices in its valuations where possible. The fair value hierarchy comprises the following levels:

- Level 1 – Quoted prices (unadjusted) on active markets. This level includes listed equities, debt instruments, derivatives, units of investment funds and other unadjusted market prices of assets and liabilities. When an asset or liability may be exchanged on multiple active markets, the

principal market for the asset or liability must be determined. In the absence of a principal market, the most advantageous market for the asset or liability must be determined.

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

Where possible, fair value is determined as an observable market price 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. a share) at the measurement date, multiplied by the quantity of units owned by NLB Group. The fair value of assets and liabilities whose market is not active is determined using valuation techniques. Valuation techniques bear a different intensity level of estimates and assumptions, depending on the availability of observable market inputs associated with the asset or liability that is the subject of valuation. Unobservable inputs shall reflect the estimates and assumptions that other market participants would use when pricing the asset or liability.

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

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

		in EUR thousand							
31.3.2016		NLB Group				NLB d.d.			
		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		135,478	181,929	1,022	318,429	135,478	182,426	1,022	318,926
<i>Debt instruments</i>		135,468	146,124	958	282,550	135,468	146,124	958	282,550
<i>Equity instruments</i>		10	-	-	10	10	-	-	10
<i>Derivatives</i>		-	35,805	64	35,869	-	36,302	64	36,366
Derivatives - hedge accounting		-	1,084	-	1,084	-	1,084	-	1,084
Financial assets designated at fair value through profit or loss		7,221	-	-	7,221	3,296	-	-	3,296
<i>Debt instruments</i>		754	-	-	754	-	-	-	-
<i>Equity instruments</i>		6,467	-	-	6,467	3,296	-	-	3,296
Financial assets available-for-sale		1,363,952	333,868	9,883	1,707,703	1,034,072	178,343	6,852	1,219,267
<i>Debt instruments</i>		1,342,951	287,636	-	1,630,587	1,013,247	133,824	-	1,147,071
<i>Equity instruments</i>		21,001	46,232	9,883	77,116	20,825	44,519	6,852	72,196
Financial liabilities									
Financial instruments held for trading		-	35,926	-	35,926	-	35,924	-	35,924
<i>Derivatives</i>		-	35,926	-	35,926	-	35,924	-	35,924
Derivatives - hedge accounting		-	36,899	-	36,899	-	36,899	-	36,899
Financial liabilities designated at fair value through profit or loss		-	3,295	-	3,295	-	3,295	-	3,295
Non-financial assets									
Investment properties		-	93,563	-	93,563	-	8,613	-	8,613
Non-current assets classified as held for sale		-	4,530	-	4,530	-	1,730	-	1,730

31.12.2015

in EUR
thousand

	NLB Group				NLB d.d.			
	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	85,208	181,098	1,107	267,413	85,208	181,565	1,107	267,880
<i>Debt instruments</i>	85,198	151,171	993	237,362	85,198	151,171	993	237,362
<i>Equity instruments</i>	10	-	-	10	10	-	-	10
<i>Derivatives</i>	-	29,927	114	30,041	-	30,394	114	30,508
Derivatives - hedge accounting	-	1,083	-	1,083	-	1,083	-	1,083
Financial assets designated at fair value through profit or loss	7,595	-	-	7,595	4,913	-	-	4,913
<i>Debt instruments</i>	753	-	-	753	-	-	-	-
<i>Equity instruments</i>	6,842	-	-	6,842	4,913	-	-	4,913
Financial assets available-for-sale	1,344,175	383,056	9,960	1,737,191	1,037,876	203,609	6,874	1,248,359
<i>Debt instruments</i>	1,324,978	336,751	-	1,661,729	1,018,857	159,090	-	1,177,947
<i>Equity instruments</i>	19,197	46,305	9,960	75,462	19,019	44,519	6,874	70,412
Financial liabilities								
Financial instruments held for trading	-	29,920	-	29,920	-	29,909	-	29,909
<i>Derivatives</i>	-	29,920	-	29,920	-	29,909	-	29,909
Derivatives - hedge accounting	-	33,842	-	33,842	-	33,842	-	33,842
Financial liabilities designated at fair value through profit or loss	-	4,912	-	4,912	-	4,912	-	4,912
Non-financial assets								
Investment properties	-	93,513	-	93,513	-	8,613	-	8,613
Non-current assets classified as held for sale	-	4,629	-	4,629	-	1,776	-	1,776

b) Significant transfers of financial instruments between levels of valuation

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

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

For the three months ended 31 March 2016 and 31 March 2015, NLB Group and NLB d.d. had no significant transfers of financial instruments between levels of valuation.

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

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

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

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

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

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

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

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

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

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

NLB Group uses three valuation methods for the valuation of equity financial assets: the income approach, market approach and cost approach.

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

For the three months ended 31 March 2016 and 31 March 2015, NLB Group and NLB d.d. had no significant changes and effects from financial assets and liabilities at Level 3.

6. Events after the end of the reporting period

With an active approach to the management of non-performing loans NLB Group is intensively pursuing the strategy to reduce their volume. Apart from recovery the strategy also provides for the possibility of selling a package of non-performing loans. In October 2015, NLB Group announced on the SEOnet the commencement of a search for investors to acquire this portfolio. The Supervisory Board of NLB d.d. approved the sale of this portfolio in April 2016. The sales process is currently in its final phase.

7. Related-party transactions

The volumes of related party transactions and the outstanding balances:

in EUR thousand

NLB Group and NLB d.d.

	Management Board and other Key management personnel		Family members of the Management Board and other key management personnel		Companies in which members of the Management Board, key management personnel or their family members have control, joint control or a significant influence		Supervisory Board	
	31.3.2016	31.12.2015	31.3.2016	31.12.2015	31.3.2016	31.12.2015	31.3.2016	31.12.2015
Loans and deposits issued	2,194	1,953	451	468	498	375	5	2
Loans and deposits received	2,267	2,158	702	729	434	106	956	223
Other financial assets	2	-	-	-	-	-	-	-
Other financial liabilities	-	2	-	-	-	1	-	-
Guarantees issued and commitments to extend credit	257	223	94	83	63	14	23	17
	three months ended March 2016 March 2015		three months ended March 2016 March 2015		three months ended March 2016 March 2015		three months ended March 2016 March 2015	
Interest income	10	11	3	2	3	3	-	-
Interest expenses	(5)	(6)	(2)	(3)	-	-	(3)	-
Fee income	3	3	-	-	2	2	-	-
Other income	1	-	-	-	-	-	-	-

	NLB Group		in EUR thousand NLB d.d.	
	Ultimate parent		Ultimate parent	
	31.3.2016	31.12.2015	31.3.2016	31.12.2015
Loans and deposits issued	225,065	227,341	218,683	220,646
Loans and deposits received	10,001	110,001	10,001	110,001
Investments in securities	916,568	891,576	855,932	845,039
Other financial assets	459	168	3	16
Other financial liabilities	-	9	-	9
Guarantees issued and commitments to extend credit	845	824	845	824
	three months ended March 2016 March 2015		three months ended March 2016 March 2015	
Interest income	8,867	9,591	8,807	9,468
Interest expenses	-	(34)	-	(34)
Fee income	8	2	8	2
Fee expenses	(7)	(11)	(7)	(11)
Other income	1	1	1	1
Other expenses	-	(1)	-	(1)

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

in EUR thousand

NLB Group

	Amount of significant transactions concluded during the period		Number of significant transactions concluded during the period	
	1.1.-	1.1.-	1.1.-	1.1.-
	31.3.2016	31.12.2015	31.3.2016	31.12.2015
Loans	-	200,000	-	1
Borrowings, deposits and business accounts	-	48,669	-	1
Commitments to extend credit	100,000	-	1	-
	Balance of all significant transactions at end of the period		Number of significant transactions at end of the period	
	31.3.2016	31.12.2015	31.3.2016	31.12.2015
Loans	618,256	617,185	5	5
Debt securities classified as loans and advances	400,915	394,579	1	1
Borrowings, deposits and business accounts	135,045	134,798	3	3
Commitments to extend credit	100,000	-	1	-
	1.1.-	1.1.-		
	31.3.2016	31.3.2015		
Interest income from loans	813	846		
Effects from net interest income and net valuation from debt securities classified as loans and receivables	6,366	8,272		
Interest income from debt securities	-	413		
Interest expense from borrowings, deposits and business accounts	(89)	(152)		
Interest income from commitments to extend credit	266	52		

in EUR thousand

	NLB Group			
	Associates		Joint ventures	
	31.3.2016	31.12.2015	31.3.2016	31.12.2015
Loans and deposits issued	1,516	1,625	85,746	93,823
Loans and deposits received	5,995	1,179	11,798	6,036
Debt securities in issue	-	569	-	-
Other financial assets	3	32	132	208
Other financial liabilities	106	1,025	46	203
Guarantees issued and commitments to extend credit	40	43	28	29
	three months ended March		three months ended March	
	2016	2015	2016	2015
Interest and dividend income	13	21	317	1,071
Interest expenses	(2)	(6)	(17)	(79)
Fee income	26	23	404	350
Fee expenses	(1,608)	(1,600)	(448)	(262)
Other income	69	196	26	16
Other expenses	(133)	(157)	(89)	-

in EUR thousand

	NLB d.d.					
	Subsidiaries		Associates		Joint ventures	
	31.3.2016	31.12.2015	31.3.2016	31.12.2015	31.3.2016	31.12.2015
Loans and deposits issued	376,937	385,184	1,516	1,625	85,724	93,799
Loans and deposits received	47,520	59,407	5,995	1,179	8,035	3,438
Debt securities in issue	-	-	-	569	-	-
Derivatives						
Fair value	518	469	-	-	-	-
Contractual amount	13,523	3,836	-	-	-	-
Other financial assets	223	5,054	-	28	132	207
Other financial liabilities	271	357	43	948	19	176
Guarantees issued and commitments to extend credit	26,161	38,660	40	43	27	28
Received loan commitments and financial guarantees	-	750	-	-	-	-
	three months ended		three months ended		three months ended	
	March	March	March	March	March	March
	2016	2015	2016	2015	2016	2015
Interest and dividend income	2,003	3,209	13	21	317	282
Interest expenses	(5)	(6)	(2)	(6)	(17)	(1)
Fee income	984	1,310	26	23	343	344
Fee expenses	(14)	(20)	(1,608)	(1,600)	(318)	(262)
Other income	80	109	69	196	16	16
Other expenses	(720)	(753)	(133)	(157)	(89)	-

Key management compensation

in EUR thousand

NLB Group and NLB d.d.	Management Board		Other key management personnel	
	three months ended		three months ended	
	March	March	March	March
	2016	2015	2016	2015
Short-term benefits	143	147	1,225	1,084
Cost refunds	2	2	28	29
Long-term bonuses	1	-	19	1
TOTAL	146	149	1,272	1,114
	=====	=====	=====	=====

Short-term benefits include:

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

The reimbursement of costs comprises food allowances and travel expenses.

Long-term bonuses include supplementary voluntary pension insurance and jubilee bonuses.

8. Analysis by segment for NLB Group

a) Segments

The three months ended 31 March 2016

in EUR thousand

NLB Group	Corporate banking in Slovenia	Retail banking in Slovenia	Financial markets in Slovenia	Foreign strategic markets	Non-strategic markets and activities	Other activities	Unallocated	Total
Total net income	21,242	36,351	11,172	42,196	12,864	1,494	-	125,319
Net income from external customers	22,888	32,760	11,501	42,599	13,057	1,581	-	124,386
Intersegment net income	(1,646)	3,591	(329)	(403)	(194)	(87)	-	932
<i>Net interest income</i>	13,070	20,007	10,390	32,523	4,598	(140)	-	80,448
<i>Net interest income from external customers</i>	14,716	16,494	10,719	33,178	5,394	(53)	-	80,448
<i>Intersegment net interest income</i>	(1,646)	3,513	(329)	(655)	(796)	(87)	-	-
Administrative expenses	(10,425)	(24,093)	(2,796)	(20,389)	(5,430)	(1,585)	-	(64,718)
Depreciation and amortisation	(1,189)	(2,878)	(271)	(1,980)	(670)	(269)	-	(7,257)
Reportable segment profit/(loss) before impairment and provision charge	9,628	9,380	8,105	19,827	6,764	(360)	-	53,344
Gains less losses from investment in subsidiaries, associates and joint ventures	-	1,247	-	-	-	-	-	1,247
Impairment and provisions charge	1,607	(545)	1	1,747	988	(2)	-	3,796
Profit/(loss) before income tax	11,235	10,082	8,106	21,574	7,752	(362)	-	58,387
<i>Owners of the parent</i>	11,235	10,082	8,106	19,918	7,752	(362)	-	56,731
<i>Non-controlling interests</i>	-	-	-	1,656	-	-	-	1,656
Income tax	-	-	-	-	-	-	(4,596)	(4,596)
Profit/(loss) for the period								53,791
31.3.2016								
Reportable segment assets	2,176,572	2,003,787	3,503,192	3,387,811	694,583	126,116	-	11,892,061
Investments in associates and joint ventures	-	38,775	-	-	-	-	-	38,775
Reportable segment liabilities	1,289,324	4,997,039	1,036,399	2,912,923	120,921	63,306	-	10,419,912

The three months ended 31 March 2015

in EUR thousand

NLB Group	Corporate banking in Slovenia	Retail banking in Slovenia	Financial markets in Slovenia	Foreign strategic markets	Non-strategic markets and activities	Other activities	Unallocated	Total
Total net income	22,599	36,604	26,666	39,284	(5,003)	(399)	-	119,751
Net income from external customers	25,885	31,213	24,871	40,264	(3,232)	(340)	-	118,661
Intersegment net income	(3,286)	5,391	1,795	(980)	(1,771)	(59)	-	1,090
<i>Net interest income</i>	15,211	17,788	16,503	29,182	6,241	(319)	-	84,606
<i>Net interest income from external customers</i>	18,868	12,303	14,708	30,310	8,677	(260)	-	84,606
<i>Intersegment net interest income</i>	(3,657)	5,485	1,795	(1,128)	(2,436)	(59)	-	-
Administrative expenses	(10,052)	(23,826)	(2,762)	(19,913)	(6,424)	(1,022)	-	(63,999)
Depreciation and amortisation	(1,391)	(3,412)	(354)	(2,017)	(878)	(213)	-	(8,265)
Reportable segment profit/(loss) before impairment and provision charge	11,156	9,366	23,550	17,354	(12,305)	(1,634)	-	47,487
Gains less losses from investment in subsidiaries, associates and joint ventures	-	1,151	-	-	-	-	-	1,151
Impairment and provisions charge	(2,890)	(5,166)	(135)	(5,616)	(7,384)	35	-	(21,156)
Profit/(loss) before income tax	8,266	5,351	23,415	11,738	(19,689)	(1,599)	-	27,482
<i>Owners of the parent</i>	8,266	5,351	23,415	10,931	(19,690)	(1,599)	-	26,674
<i>Non-controlling interests</i>	-	-	-	807	1	-	-	808
Income tax	-	-	-	-	-	-	(1,689)	(1,689)
Profit/(loss) for the period								25,793
31.12.2015								
Reportable segment assets	2,160,440	2,015,459	3,350,804	3,389,032	752,137	114,047	-	11,781,919
Investments in associates and joint ventures	-	39,696	-	-	-	-	-	39,696
Reportable segment liabilities	1,193,660	4,906,699	1,139,738	2,942,463	114,111	74,561	-	10,371,232
Additions to non-current assets	4,673	12,127	762	10,129	8,747	4,104	-	40,541

b) Geographical information

in EUR thousand

NLB Group	Revenues		Net income		Non-current assets		Total assets	
	three months ended		three months ended		31.3.2016	31.12.2015	31.3.2016	31.12.2015
	March 2016	March 2015	March 2016	March 2015				
Slovenia	88,536	105,357	80,290	89,851	235,927	240,592	8,413,531	8,289,804
South East Europe	56,347	56,396	43,433	40,679	136,968	138,513	3,468,274	3,469,279
Macedonia	20,544	19,232	14,980	13,079	33,646	33,919	1,110,193	1,117,708
Serbia	4,993	5,384	4,242	4,697	23,991	24,778	284,970	280,274
Montenegro	6,676	7,858	4,818	4,949	35,529	35,580	480,275	495,044
Croatia	77	124	445	656	3,661	3,623	32,813	33,032
Bosnia and Herzegovina	16,014	16,160	12,193	11,364	26,704	27,031	1,094,844	1,077,299
Bulgaria	-	-	-	-	-	1	26	333
Kosovo	8,043	7,638	6,755	5,934	13,437	13,581	465,153	465,589
Western Europe	546	89	663	(11,869)	288	296	45,523	58,961
Germany	2	1	166	212	235	240	3,370	3,273
Switzerland	544	88	497	(12,081)	53	56	42,153	55,688
Czech Republic	-	-	1	-	870	865	3,508	3,571
TOTAL	145,429	161,842	124,387	118,661	374,053	380,266	11,930,836	11,821,615
	=====	=====	=====	=====	=====	=====	=====	=====

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

9. Subsidiaries

NLB Group's subsidiaries as at 31 March 2016 were:

	Nature of Business	Country of Incorporation	NLB Group's shareholding %	NLB d.d.'s shareholding %
Core members				
NLB Tutunska Banka a.d., Skopje	Banking	Republic of Macedonia	86.97	86.97
NLB Banka a.d., Podgorica	Banking	Republic of Montenegro	99.36	99.36
NLB Banka a.d., Banja Luka	Banking	Republic of Bosnia and Herzegovina	99.85	99.85
NLB Banka sh.a., Prishtina	Banking	Republic of Kosovo	81.21	81.21
NLB Banka d.d., Sarajevo	Banking	Republic of Bosnia and Herzegovina	97.34	97.34
NLB Banka a.d., Belgrade	Banking	Republic of Serbia	99.997	99.997
NLB Srbija d.o.o., Belgrade	Real estate	Republic of Serbia	100	100
NLB Skladi d.o.o., Ljubljana	Finance	Republic of Slovenia	100	100
NLB Nov penziski fond a.d., Skopje	Insurance	Republic of Macedonia	100	51
NLB Crna Gora d.o.o., Podgorica	Real estate	Republic of Montenegro	100	100
Non-core members				
NLB Leasing d.o.o., Ljubljana	Finance	Republic of Slovenia	100	100
NLB Leasing Sofija E.o.o.d., Sofia	Finance	Republic of Bulgaria	100	-
Optima Leasing d.o.o., Zagreb	Finance	Republic of Croatia	100	-
NLB Leasing Podgorica d.o.o., Podgorica	Finance	Republic of Montenegro	100	100
NLB Leasing d.o.o., Belgrade	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
Tara Hotel d.o.o., Budva	Real estate	Republic of Montenegro	100	12.71
PRO-REM d.o.o., Ljubljana	Real estate	Republic of Slovenia	100	100
OL Nekretnine d.o.o., Zagreb	Real estate	Republic of Croatia	100	-
BH-RE d.o.o., Sarajevo	Real estate	Republic of Bosnia and Herzegovina	100	-
REAM d.o.o., Zagreb	Real estate	Republic of Croatia	100	100
REAM d.o.o., Podgorica	Real estate	Republic of Montenegro	100	100
REAM d.o.o., Belgrade	Real estate	Republic of Serbia	100	100
SR-RE d.o.o., Belgrade	Real estate	Republic of Serbia	100	100
PRO-Avenija d.o.o., Ljubljana	Real estate	Republic of Slovenia	100	100
NLB Propria d.o.o.l., Ljubljana	Real estate	Republic of Slovenia	100	100
FIN-DO d.o.o., Domžale	Real estate	Republic of Slovenia	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
NLB InterFinanz AG, Zürich	Finance	Switzerland	100	100
NLB InterFinanz Praha s.r.o., Prague	Finance	Czech Republic	100	-
NLB InterFinanz d.o.o., Belgrade	Finance	Republic of Serbia	100	-
LHB AG, Frankfurt	Finance	Republic of Germany	100	100
NLB Factoring a.s. - "v likvidaci", Ostrava	Finance	Czech Republic	100	100

NLB Group's subsidiaries as at 31 December 2015 were:

	Nature of Business	Country of Incorporation	NLB Group's shareholding %	NLB d.d.'s shareholding %
Core members				
NLB Tutunska Banka a.d., Skopje	Banking	Republic of Macedonia	86.97	86.97
NLB Banka a.d., Podgorica	Banking	Republic of Montenegro	99.36	99.36
NLB Banka a.d., Banja Luka	Banking	Republic of Bosnia and Herzegovina	99.85	99.85
NLB Banka sh.a., Prishtina	Banking	Republic of Kosovo	81.21	81.21
NLB Banka d.d., Sarajevo	Banking	Republic of Bosnia and Herzegovina	97.34	97.34
NLB Banka a.d., Belgrade	Banking	Republic of Serbia	99.997	99.997
NLB Srbija d.o.o., Belgrade	Real estate	Republic of Serbia	100	100
NLB Skladi d.o.o., Ljubljana	Finance	Republic of Slovenia	100	100
NLB Nov penziski fond a.d., Skopje	Insurance	Republic of Macedonia	100	51
NLB Crna Gora d.o.o., Podgorica	Real estate	Republic of Montenegro	100	100
Non-core members				
NLB Leasing d.o.o., Ljubljana	Finance	Republic of Slovenia	100	100
NLB Leasing Sofija E.o.o.d., Sofia	Finance	Republic of Bulgaria	100	-
Optima Leasing d.o.o., Zagreb	Finance	Republic of Croatia	100	-
NLB Leasing Podgorica d.o.o., Podgorica	Finance	Republic of Montenegro	100	100
NLB Leasing d.o.o., Belgrade	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
Tara Hotel d.o.o., Budva	Real estate	Republic of Montenegro	100	12.71
PRO-REM d.o.o., Ljubljana	Real estate	Republic of Slovenia	100	100
OL Nekretnine d.o.o., Zagreb	Real estate	Republic of Croatia	100	-
REAM d.o.o., Zagreb	Real estate	Republic of Croatia	100	100
REAM d.o.o., Podgorica	Real estate	Republic of Montenegro	100	100
REAM d.o.o., Belgrade	Real estate	Republic of Serbia	100	100
SR-RE d.o.o., Belgrade	Real estate	Republic of Serbia	100	100
PRO-Avenija d.o.o., Ljubljana	Real estate	Republic of Slovenia	100	100
NLB Propria d.o.o., Ljubljana	Real estate	Republic of Slovenia	100	100
FIN-DO d.o.o., Domžale	Real estate	Republic of Slovenia	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
NLB InterFinanz AG, Zürich	Finance	Switzerland	100	100
NLB InterFinanz Praha s.r.o., Prague	Finance	Czech Republic	100	-
NLB InterFinanz d.o.o., Belgrade	Finance	Republic of Serbia	100	-
LHB AG, Frankfurt	Finance	Republic of Germany	100	100
NLB Factoring a.s. - "v likvidaci", Ostrava	Finance	Czech Republic	100	100

*Ownership interest is calculated after the deduction of treasury shares