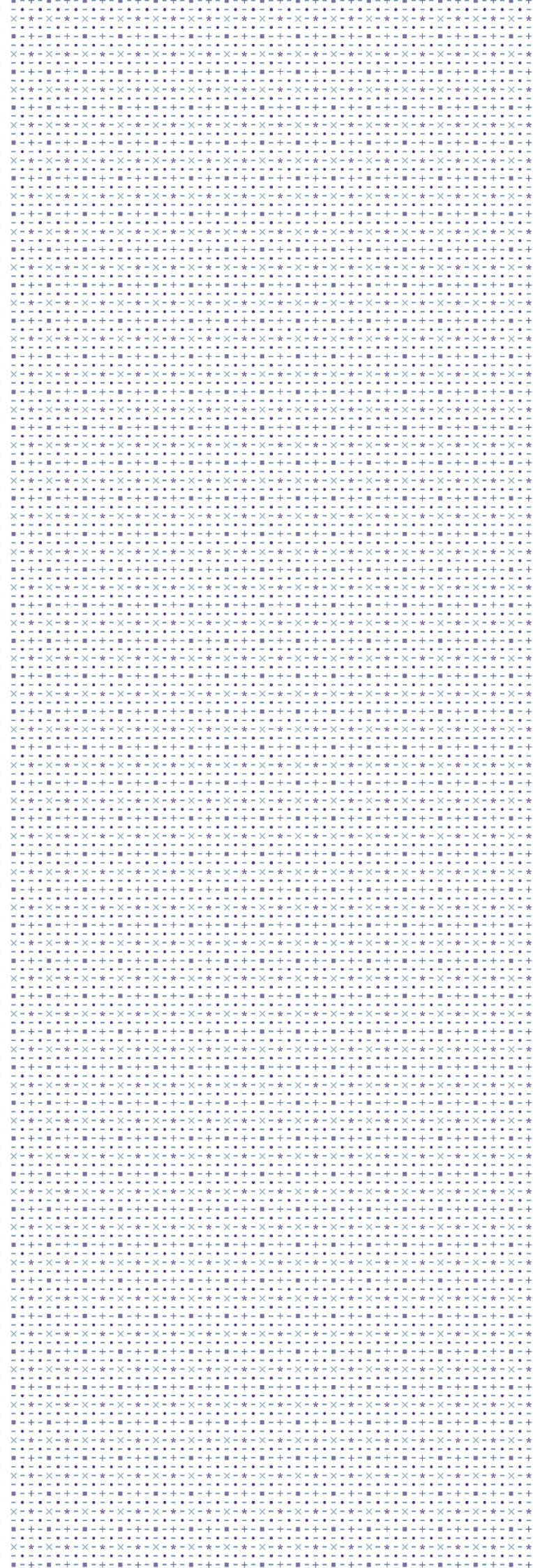


Interim
Report

SEPTEMBER 2017

Q3





Slovenia

NLB, Ljubljana

113

Number of branches

693,232

Number of active clients

8,610.4

Total assets (in EUR million)

23.1

Market share by total assets (in %)

145.3

Result after tax (in EUR million)



Bosnia and Herzegovina

NLB Banka, Banja Luka

59

Number of branches

220,444

Number of active clients

674

Total assets (in EUR million)

18.6

Market share by total assets (in %)*

20.1

Result after tax (in EUR million)

* Market share in Republic of Srpska, as at 30 June 2017

NLB Skladi, Ljubljana

1,157.2

Assets under management (in EUR million)

29.05

(mutual funds)
Market share (in %)*

2.8

Result after tax (in EUR million)

* Market share of assets under management in mutual funds, as at 30 September 2017

NLB Banka, Sarajevo

39

Number of branches

136,963

Number of active clients

525.5

Total assets (in EUR million)

5.4

Market share by total assets (in %)*

5.3

Result after tax (in EUR million)

* Market share in the Federation of Bosnia and Herzegovina, as at 30 June 2017

NLB Vita, Ljubljana

430.4

Assets of covered funds without own resources (in EUR million)

13.7

Market share (in %)*

4.8

Result after tax (in EUR million)

* Market share in traditional life insurance, as at 31 August 2017



Macedonia

NLB Banka, Skopje

52

Number of branches

347,754

Number of active clients

1,166.9

Total assets (in EUR million)

15.8

Market share by total assets (in %)*

38.0

Result after tax (in EUR million) * As at 30 June 2017



Kosovo

NLB Banka, Prishtina

45

Number of branches

197,424

Number of active clients

552.7

Total assets (in EUR million)

15.0

Market share by total assets (in %)*

11.0

Result after tax (in EUR million) * As at 30 June 2017



Serbia

NLB Banka, Beograd

31

Number of branches

131,197

Number of active clients

342.5

Total assets (in EUR million)

1.3

Market share by total assets (in %)*

4.1

Result after tax (in EUR million)

* As at 30 June 2017



Montenegro

NLB Banka, Podgorica

18

Number of branches

59,347

Number of active clients

486

Total assets (in EUR million)

11.9

Market share by total assets (in %)

4.2

Result after tax (in EUR million)

Note: The result after tax data in the above figure show NLB Group members' standalone and not their contribution to the consolidated result after tax.

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Business Report

Key financial and operating data

Table 1: Key financial captions for NLB Group (the Group)

| | NLB Group | | | | | |
|---|-----------|----------|------------|-------|-------|------------|
| | 1-9 2017 | 1-9 2016 | Change YoY | Q3 17 | Q2 17 | Change QoQ |
| Key income statement data (in EUR million) | | | | | | |
| Net operating income ¹ | 366.2 | 357.6 | 2% | 125.1 | 110.1 | 14% |
| Net interest income | 228.7 | 238.8 | -4% | 80.1 | 73.2 | 9% |
| Net non-interest income | 137.5 | 118.8 | 16% | 45.0 | 36.9 | 22% |
| Costs | -207.8 | -214.2 | -3% | -68.8 | -71.6 | -4% |
| Result before impairments and provisions ¹ | 158.4 | 143.5 | 10% | 56.3 | 38.5 | 46% |
| Impairments and provisions | 37.3 | -37.5 | -200% | 11.7 | 1.1 | -957% |
| Result after tax | 184.0 | 91.5 | 101% | 66.1 | 36.4 | 82% |
| Key financial indicators | | | | | | |
| Interest margin (on interest bearing assets) ² | 2.54% | 2.61% | -0.1 p.p. | 2.68% | 2.43% | 0.3 p.p. |
| Interest margin (on total assets - BoS ratio) | 2.54% | 2.68% | -0.1 p.p. | 2.67% | 2.43% | 0.2 p.p. |
| Costs to income ratio (CIR) | 56.8% | 59.9% | -3.1 p.p. | 55.0% | 65.0% | -10.0 p.p. |
| Costs to income ratio (CIR) normalised ³ | 58.5% | 61.4% | -2.9 p.p. | 56.1% | 64.0% | -7.9 p.p. |
| Return on equity after tax (ROE a.t.) | 15.9% | 8.2% | 7.6 p.p. | | | |
| Return on assets after tax (ROA a.t.) | 2.0% | 1.0% | 1.0 p.p. | | | |
| RORAC a.t. ⁴ | 21.0% | 10.7% | 10.3 p.p. | | | |
| Cost of Risk Net (bps) ⁵ | -70 | 43 | -113 b.p. | | | |
| Cost of Risk Net (excluding release of pool provisions) (bps) | -30 | 71 | -102 b.p. | | | |

| | NLB Group | | | | | |
|---|-------------|-------------|-------------|------------|------------|--|
| | 30 Sep 2017 | 30 Jun 2017 | 31 Dec 2016 | Change YtD | Change QoQ | |
| Key financial position statement data (in EUR million) | | | | | | |
| Total assets | 12,008 | 12,070 | 12,039 | 0% | -1% | |
| Loans to customers (net) | 6,989 | 6,974 | 6,997 | 0% | 0% | |
| o/w Key business activities | 6,386 | 6,346 | 6,314 | 1% | 1% | |
| Deposits from customers | 9,672 | 9,491 | 9,439 | 2% | 2% | |
| Total equity | 1,611 | 1,538 | 1,495 | 8% | 5% | |
| Other key financial indicators | | | | | | |
| Loans to customers/deposits from customers (L/D) ⁶ | 72.3% | 73.5% | 74.1% | -1.9 p.p. | -1.2 p.p. | |
| Common Equity Tier 1 Ratio | 16.3% | 16.5% | 17.0% | -0.7 p.p. | -0.2 p.p. | |
| Total capital ratio | 16.3% | 16.5% | 17.0% | -0.7 p.p. | -0.2 p.p. | |
| Total risk exposure amount (RWA) | 8,128 | 8,007 | 7,862 | 3% | 2% | |
| NPL- Gross (in EUR million) | 1,089 | 1,181 | 1,299 | -16% | -8% | |
| NPL coverage ratio ⁷ | 65.6% | 65.4% | 64.6% | 1.0 p.p. | 0.2 p.p. | |
| NPL coverage ratio ⁸ | 77.5% | 76.1% | 76.1% | 1.4 p.p. | 1.3 p.p. | |
| Share of non-performing loans (NPL) in all loans | 11.9% | 12.6% | 13.8% | -1.9 p.p. | -0.7 p.p. | |
| NPL ratio - Net ⁹ | 4.5% | 4.8% | 5.4% | -0.9 p.p. | -0.3 p.p. | |
| NPE ratio ¹⁰ | 8.3% | 9.0% | 10.0% | -1.7 p.p. | -0.7 p.p. | |
| Employees | | | | | | |
| Number of employees | 6,090 | 6,142 | 6,175 | -1.4% | -0.8% | |

¹ NLB includes dividends from subsidiaries, associates and joint ventures

² Further analyses of interest margins are based on interest bearing assets

³ Without non-recurring revenues and restructuring costs

⁴ RORAC a.t. = profit a.t. / average capital requirement normalized at 14.75% RWA

⁵ Cost of risk NET = Credit impairments and provisions (annualised level) / average net loans to non-banking sector

⁶ Net loans to customers / Deposits from customers

⁷ NPL Coverage ratio = Coverage of gross non-performing loans with impairments for non-performing loans

⁸ NPL Coverage ratio = Coverage of gross non-performing loans with impairments for all loans

⁹ NPL ratio - Net = Net non performing loans / Net loan portfolio

¹⁰ EBA definition

| International credit ratings NLB | 30 Sept 2017 | 31 Dec 2016 | Outlook |
|----------------------------------|--------------|-------------|----------|
| Standard & Poor's | BB | BB- | Positive |
| Fitch | BB | BB- | Stable |

Key highlights for the Group:

EUR 184.0 million

Profit after tax
In the nine months of 2017 the Group realised profit after tax in the amount of EUR 184.0 million, an increase of 101% YoY.

8.3%

NPE
Further improvement of loan portfolio quality was shown in the reduction of NPL volumes by 16.2% in the nine months of 2017. The NPL ratio thus decreased to 11.9%, while the non-performing exposure (NPE) ratio to 8.3%.

15.9%

ROE
The ROE for the nine months of 2017 stood at 15.9% (on a CET 1 ratio of 16.3%), supported by non-recurring effects and negative cost of risk; RORAC a.t.¹ stood at 21.0%.

5%

The healthy loan demand in Slovenia was reflected in the growth of 5% YtD in retail loan balances. Strategic foreign markets continued to perform well with loan growth YtD at 6% across all segments. Overall key business volumes² were stable.

2%

Total Net operating income and net operating income sterilised for one-off effects increased by 2% YoY, based on improved fee income and other regular non-interest income.

16.3%

Total capital ratio
At 16.3% was comfortably above regulatory thresholds.

56.8%

CIR
Continued YoY cost improvements (-3%) leading to further reduced CIR ratio of 56.8%.

10%

Recurring profit before impairments and provisions up by solid 10% (EUR 13.5 million) based on continued cost improvements and increased recurring revenues, especially on net non-interest income.

Note:

¹ RORAC a.t. = profit a.t./average capital requirement normalized at 14.75% RWA

² key/mid/small corporates in Slovenia, retail banking in Slovenia, strategic foreign markets

Macroeconomic environment

Political risks remained at the forefront of financial markets in the first three quarters of 2017, transitioning from among others electoral risk in Europe to geopolitical tensions between the United States (US) and North Korea towards the end of the period. The reactions of financial markets to the aforementioned turmoil continued to be muted, which has led to questions of possible market complacency in these transitional times. The global macroeconomic recovery gained further traction in the period, with the majority of the global economy exceeding expectations. Based on the latest projections by the International Monetary Fund (IMF), global economic growth is expected to accelerate to 3.6% in 2017 and accelerate further in subsequent years - a notable increase from the 3.2% growth that occurred in 2016. The Eurozone was among the world's regions that surpassed projections, domestic demand remains a central driver of the economic recovery, assisted by strong exports dynamics, which were bolstered by an improvement of global trade. The beneficial effects of expansionary monetary policy continued to positively impact the real economy and credit growth in the region, while the recent slight shift towards a more accommodative fiscal policy is a welcome development and is set to pick up the slack as quantitative easing eventually tapers off. Inflationary pressures remained subdued when excluding the volatile components of energy and food. However, core inflation has shown some signs of improvement, it has risen to 2013 levels and is set to become even stronger in the mid-term driven by diminishing slack. Sustained growth of core inflation remains a key milestone of the economic recovery and will have profound impact on the path of monetary policy in the region.

The positive economic trends in the Eurozone are set to continue, with IMF projections for the current year pointing to the strongest economic growth in over a decade, at 2.2%. Due to the considerable improvement of regional economy, the primary downside risks to the economic prospects stem from external or from political risk. Geopolitical issues are on the rise, the key issues being of the United Kingdom's (UK) exit from the European Union (EU) remain unresolved; in Italy a Populist Party currently leads in the polling, with elections set for the spring of 2018; and as was seen in the Catalan independence crisis, numerous regional issues remain outstanding. In coming years, a slow transition away from an accommodative monetary policy is expected to occur through a tapering in the Eurozone and further rate hikes in the United States (US), where the next likely rate increase will occur in December of this year, a transition which carries with it certain event risks that could negatively impact financial markets and the current economic progress. In spite of the aforementioned, the regional economy has proven itself resilient in the face of numerous shocks since the crisis, a continued recovery of the regional economy thus remains the base case scenario.

Supported by the improved economic picture abroad, Slovenia's economy maintained its accelerated pace of growth. As in prior years it was supported by positive trends with export dynamics and improved domestic demand, which together with a significant resurgence investment dynamics resulted in considerable economic growth in the period. Key macroeconomic metrics continue to point to a strengthening economy. Industrial production continues to grow at a strong pace, averaging 6.8% growth on an annual level, and is supported by external demand. The recovery of the housing market bodes well for real-estate investment and for the construction industry, which have lagged behind other sectors of the economy in the nascent recovery. Continued improvement of the labor market will continue to support private consumption, while further growth of investment dynamics is projected. The outlook for the economy continues to improve, government finances remain stable, while economic growth is expected to surpass four percent in 2017 and to exceed three percent in coming years.

Slovenia's banking system recorded a profit of EUR 340.8 million in the first eight months of 2017, a decrease of 2.9% when compared to the same period in 2016, and corresponding to a return on equity of 11.35%. The improving macroeconomic picture and performance of the real economy continued to positively impact credit growth dynamics, where household loans and the corporate loan portfolio both grew by 7.5% annually. The credit growth dynamics of the corporate portfolio have surprised on the upside and have greatly exceeded June projections from the Bank of Slovenia. Despite strong growth of the credit portfolio, the banking systems loan- to-deposit ratio continues to contract, with deposit growth outpacing credit growth, measuring 76.9% at the end of the period, down from 78.6% at the start of the year. The quality of the credit portfolio continued to improve, with non-performing loans (NPL) decreasing to 4.8%, down from 5.5% at the start of the year. A high degree of competition is expected to continue to impart downward pressure on interest rates and by proxy net interest income. In the period net interest income had decreased by 4.0% on an annual level. As local competitive pressures are not likely to decrease substantially in the mid-term, the path of Eurozone inflation and European Central Bank (ECB) policy will be the key determinant of interest rate movement. As the pass-through of interest rate pressure from the aforementioned factors will likely be delayed, the low rate environment will continue to impact interest income for some time, imparting significant earning pressure on the banking system. Despite projections of a high degree of competition and pressure on interest income in the mid-term, it is important to note the significant progress and stability the banking system has achieved in just the few years since the economic crisis.

Business operations

A continued positive trend of economic growth and, consequently, domestic consumption, resulted in higher lending activity of the Group. The Bank is the leader in private banking in Slovenia and in September celebrated 15 years of operations. The Bank also continues to improve clients' experience throughout the Group. Further development of digitalisation is underway on the Group level to tailor the offer and client service.

Retail banking in Slovenia

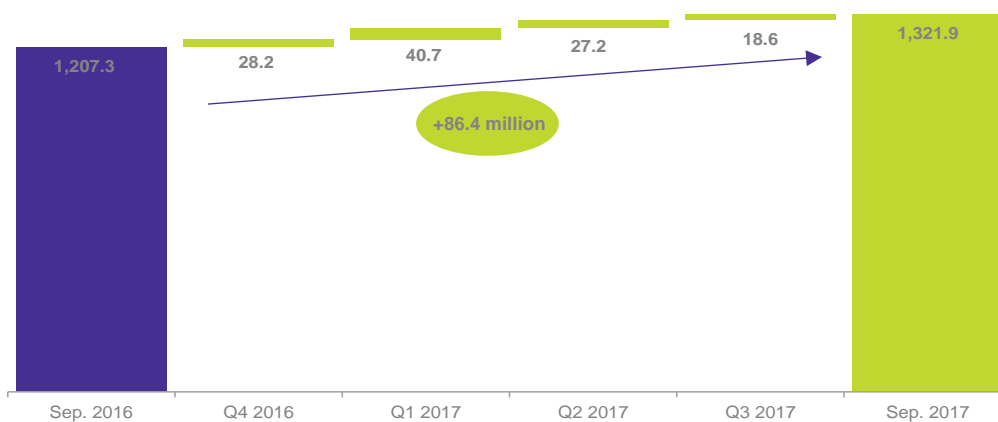
- The Bank maintained its leading position with a market share in retail lending of 23.4% and 30.4% in deposit taking. Volume of new approved loans in the nine months of 2017 increased by 19% compared to the same period in 2016, and gross loans increased to EUR 2,093 million (YtD +5%).

Figure 1: Gross NLB loans (in EUR million)



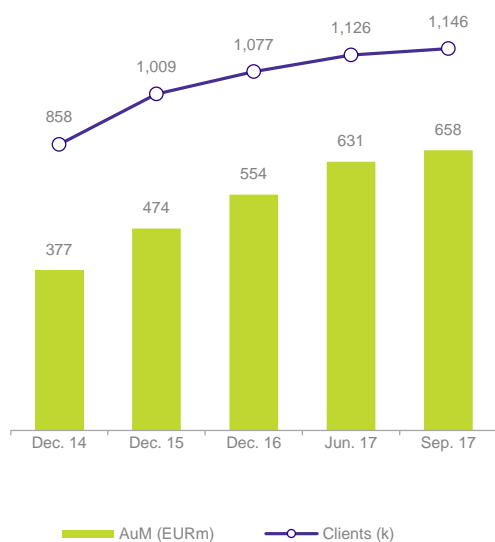
- Increase in housing loans portfolio continues, reaching EUR 86.4 million YtD. In this period 38% more new loans were approved compared to the same period in 2016, while the portfolio grew 9.5% YoY.

Figure 2: Housing loans portfolio (in EUR million)



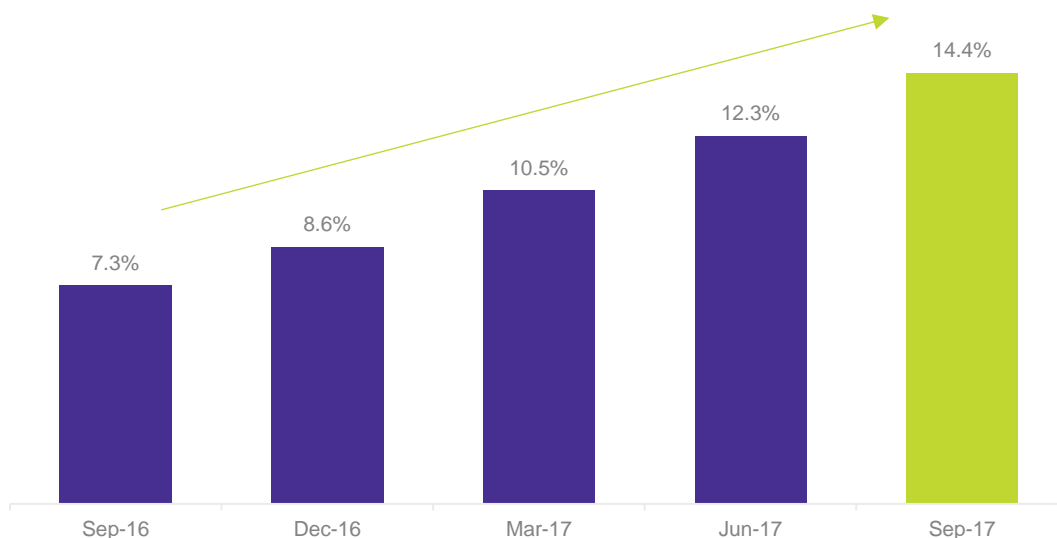
- NLB Assets Management continued to grow with net-inflows of EUR 67.5 million into mutual funds. At the end of Q3 2017, total assets under management amounted to EUR 1.16 billion. NLB Assets Management is the leader in terms of market share which further increased to 29.05%.
- In 15 years of operations private banking continued to increase its client-based offering tailored services to 1,146 clients at the end of Q3 2017 and had EUR 658 million in assets under management. The Bank offered also new tax favourable investment life insurance NLB Vita Privatno product.

Figure 3: Private Banking



- NLB Vita charged EUR 53.1 million gross premiums YtD, and the total balance sheet exceeded EUR 452 million at the end of Q3 2017. The market share of life insurance products was 13.7%.
- Half of payment cards which are used by clients are contactless; from July 2017 this also included Visa cards. To enhance client experience, a new mobile app for simplified management of NLB Prepaid Mastercard cards was made available to clients.
- After introduction in May 2017, 2,600 video chat conversations and 500 video calls were carried out, showing a well-received new option of communication with clients.
- The popularisation of the usage of digitalised solutions improving client's experience continues. The number of new users of digital solutions (Klik and Klikin) increased by 55,289 YtD, while the penetration of the mobile app 'NLB Klikin' reached 14.4% of the clients, an increase of 167.4% YtD.

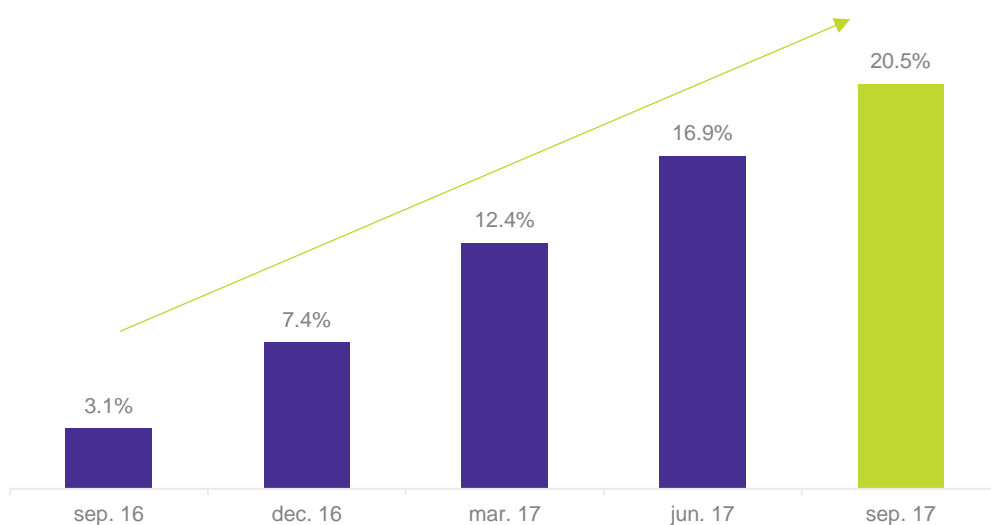
Figure 4: NLB Klikin penetration (month end in %)



Corporate and Investment banking in Slovenia

- The Bank's market share in corporate loans decreased by 1.0 percentage point YtD to 21.5%. Gross loan balances for key business activities have been decreasing (YtD -8.4%, at the end of Q3 2017: EUR 2,089.3 million), mostly due to some larger exposures expiring. Stronger growth was noted in the sub-segment of small enterprises and entrepreneurs (+18.4% YtD). Interest income remained stable QoQ – the YoY decline reflects the volume evolution and strong pressure on pricing.
- Investment banking/Securities services revenues show strong revenue growth of 35% YoY (1-9 2017: EUR 7.1 million), based on generally higher economic activities with clients and continued demand for hedging against interest risk. At the end of Q3 2017, the total asset value under custody exceeded the EUR 15 billion limit for the first time in the history of NLB custody business, an increase of 43% compared to the YoY and 4% QoQ.
- Continuous updates of mobile bank NLB Klikpro in 2017 contributed to a significant increase in the number of users with penetration of 20.5% of clients, an increase of 277.0% YtD.

Figure 5: NLB Klikpro penetration (month end in %)

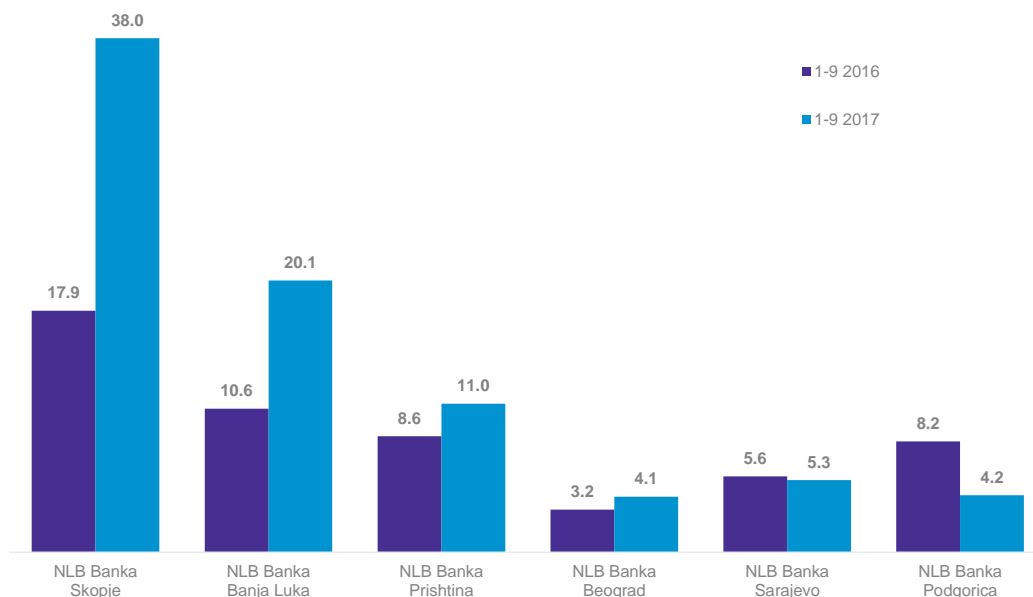


- The investment product NLB Naložbeni par for legal persons (presenting a combination of parallel investment in long-term deposit and selected product of NLB Assets Management) was introduced in Q3 2017.

Strategic foreign markets

- Segment contribution to the Group profit in the nine months of 2017 was EUR 88.3 million, an increase of 53.4% YoY (EUR 57.6 million in 1-9 2016) on the basis of: continued revenue growth, both in net interest and in net fees and commissions income and the negative cost of risk given a release of pool provisions in Q1 2017, which are based on generally improved risk performance.
- In the first three quarters of 2017, the banks further intensified lending activities, with gross loans growing by 5.5% YtD (at the end of Q3 2017: EUR 2,591.3 million) – where strong growth was especially achieved in banks in Serbia (36.0% YtD) and Kosovo (13.7% YtD).

Figure 6: Profit after tax of the strategic NLB Group banks (on a stand-alone basis) - evolution YoY (in EUR million)



Wind down of non-core operations

- The Group continued its wind-down of non-core operations. Non-core segment assets were reduced by 12% YtD to EUR 444.7 million (2016 year-end: EUR 502.6 million). In the same period impairments and provisions were released in the amount of EUR 13.0 million, confirming efforts to strengthen collection capabilities in previous years.
- The non-core pre-tax result for the nine months of 2017 is EUR 30.7 million – a significant improvement on the nine months of 2016 (1-9 2016: EUR - 18.7 million), and is based on significantly improved cost of risk and non-recurring income³ in the total amount of EUR 12.3 million.
- The non-core costs base was reduced by 9% YoY to EUR 16.3 million (1-9 2016: EUR 17.9 million).

Note:

³ Non-recurring income from the sale of Petrol shares in the amount of EUR 9.5 million, a court settlement with Zavarovalnica Triglav in the amount of EUR 1.2 million, and sale of noncore subsidiary NLB Factoring Brno a.s. "v likvidaci" in the amount of EUR 1.6 million.

Efficient and proactive risk management of operations

- The quality of the credit portfolio has additionally improved in Q3 2017, arising from the ameliorated credit standards since 2014 onwards, and evidenced by the cumulatively very low new NPL formation. Preserving high credit portfolio quality represents one of the Group's key objectives. Besides that, the Group continues with a strong commitment to further reduce the NPE legacy, as well as its decisive exit from all non-core exposures.
- Following a regular review of risk parameters in Q1 2017, the Group released pool provisions in the amount of approximately EUR 21 million given the much better risk performance in the corporate segment in recent years. In addition, at the end of Q3 2017 the cost of risk was negative, mostly due to active management of NPL portfolio.
- Activities related to IFRS 9 requirements, which will enter into force at the beginning of 2018 and including methodological adaptations and anticipated quantitative impacts, are in the final phase of implementation. Due to positive macroeconomic trends no negative effects on cumulative basis are foreseen.
- The NPL ratio dropped to 11.9% (2016 year-end: 13.8%), while the internationally more comparable NPE ratio (based on EBA guidelines) is already at 8.3% (2016 year-end: 10.0%). The coverage ratio, which remains high (at 77.5%), represents an important strength for the Group. The Group's direct NPL coverage ratio equals 65.6%, which is well above the EU average published by the EBA (45.0% at the end of H1 2017). This enables further focus on NPL reduction without significantly influencing the cost of risk in the years ahead.
- The Group's exposure to interest rate risk, foreign exchange risk, and other market risks is within the targeted, low-risk appetite profile. Operational risk remains on a low to moderate level.

Strong liquidity and capital position

- At the end of the nine months of 2017, the capital ratios (CET 1 and total capital ratio) of the Group remained very strong, reaching 16.3% (not including the nine months profit) and were well above regulatory thresholds.
- The Group liquidity remains exceptionally strong, with very significant amounts of liquidity reserves in cash (EUR 252 million)⁴, securities (EUR 2,918 million), and ECB eligible loans

Note:

⁴ Excluding obligatory reserve with the central bank.

(EUR 778 million). The Group holds a strong liquidity position at both, the Group and subsidiary bank levels, standing well above the targeted risk appetite profile.

Overview of NLB Group's financial performance

Key developments

- **Net profit after tax** in the nine months of 2017 amounted to EUR 184.0 million, a YoY increase of EUR 92.5 million or 101%.
- Based on the strong performance in all segments return on equity (**ROE after tax**) increased to 15.9% (1-9 2016: 8.2%). RORAC a.t. stood at 21.0% (1-9 2016: 10.7%). **Total capital ratio and common equity tier 1 capital ratio (CET 1)** amounted to 16.3%, which comfortably exceeds all regulatory requirements.
- **Profit before impairments and provisions** totaled EUR 158.4 million, and was 10% or EUR 14.9 million higher YoY. Positive non-recurring effects from divestments, higher regular non-interest income and lower costs more than offset the decrease in net interest income as a result of the still very low interest rate environment in the Eurozone.
- Net interest income is stable in key business activities (+3% YoY), with growth in strategic foreign markets (+6% YoY) compensating for the decline in the parent bank mostly due to repricing of the securities portfolio (from liquidity reserve management) and lower interest margin on loans. The **net interest margin** of the Group decreased by 0.07 percentage points YoY to 2.54%, mainly due to expiry of some higher yielding securities at the end of 2016 in the Bank, with margins in strategic foreign subsidiaries stable at around 4%.
- **Costs** decreased by 3% YoY, mostly due to further reduction in administrative and labour costs. Cost-to-income ratio (CIR) improved by 3.1 percentage points YoY to 56.8%.
- **Impairments and provisions** for credit risk in the nine months of 2017 were released in the amount of EUR 36.9 million. In 2016 the cost of risk was negatively impacted by additional impairments related to the sale of part of the non-performing portfolio (non-performing portfolio sale) in the amount of EUR 25.5 million. The nine months of 2017 were positively impacted by: the release of credit impairments and provisions as a consequence of some successful collections, improved quality of the credit portfolio, and positive trends in the economic environment resulted in the release of pool provisions in the amount of approximately EUR 21 million in the corporate client segment in March 2017.
- **Gross loans** amounted to EUR 7,787.8 million, a decrease of EUR 113.0 million YtD, nevertheless key business activities grew by 1% YtD (7% YoY). Retail banking in Slovenia grew 5% YtD to a volume of EUR 2,092.9 million (+8% YoY), strategic foreign markets grew 5% YtD to a volume of EUR 2,591.3 million (+8% YoY) compensating for decline in the corporate banking in Slovenia standing at EUR 2,287.2 million (-9% YtD, +3% YoY).

Income statement

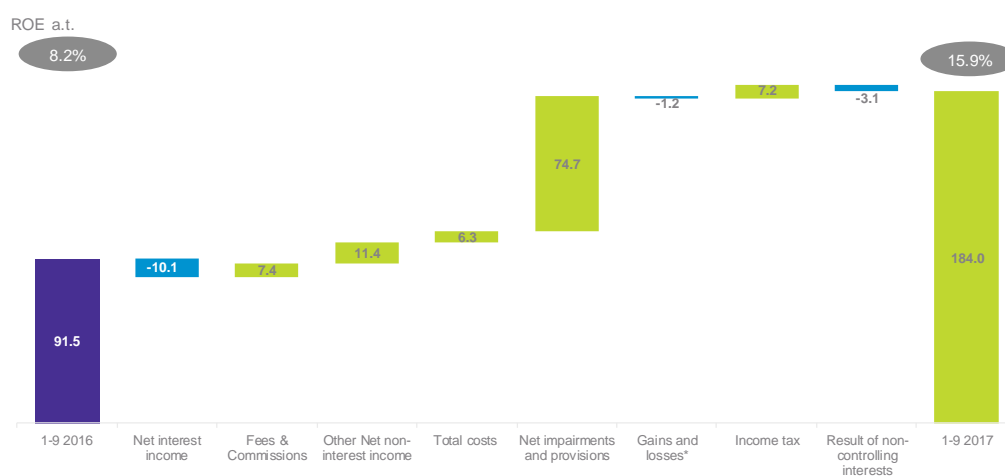
Table 2: Income statement of NLB Group

| in EUR million | NLB Group | | | | | |
|--|---------------|---------------|--------------|--------------|--------------|--------------|
| | 1-9 2017 | 1-9 2016 | Change YoY | Q3 17 | Q2 17 | Change QoQ |
| Net interest income | 228.7 | 238.8 | -4% | 80.1 | 73.2 | 9% |
| Net fee and commission income | 115.2 | 107.8 | 7% | 39.5 | 38.4 | 3% |
| Dividend income | 0.2 | 1.2 | -87% | 0.0 | 0.1 | - |
| Net income from financial transactions | 22.5 | 18.2 | 23% | 5.3 | 3.0 | 80% |
| Net other income | -0.4 | -8.4 | 96% | 0.2 | -4.6 | 104% |
| Net non-interest income | 137.5 | 118.8 | 16% | 45.0 | 36.9 | 22% |
| Total net operating income | 366.2 | 357.6 | 2% | 125.1 | 110.1 | 14% |
| Employee costs | -120.6 | -122.9 | -2% | -40.1 | -40.8 | -2% |
| Other general and administrative expenses | -66.5 | -69.9 | -5% | -21.6 | -23.9 | -9% |
| Depreciation and amortisation | -20.8 | -21.4 | -3% | -7.0 | -6.9 | 2% |
| Total costs | -207.8 | -214.2 | -3% | -68.8 | -71.6 | -4% |
| Result before impairments and provisions | 158.4 | 143.5 | 10% | 56.3 | 38.5 | 46% |
| Impairments of AFS and HTM financial assets | 0.0 | -0.1 | - | 0.0 | 0.0 | - |
| Credit impairments and provisions | 36.9 | -21.8 | -269% | 8.9 | 2.6 | -241% |
| Impairments of investments in subsidiaries, associates and joint venture | 0.0 | 0.0 | - | 0.0 | 0.0 | - |
| Other impairments and provisions | 0.4 | -15.5 | -102% | 2.7 | -1.5 | -283% |
| Impairments and provisions | 37.3 | -37.5 | -200% | 11.7 | 1.1 | -957% |
| Gains less losses from capital investments in subsidiaries, associates and joint ventures ¹ | 2.8 | 4.0 | -29% | 0.1 | 1.6 | -95% |
| Profit before income tax | 198.4 | 110.0 | 80% | 68.1 | 41.3 | 65% |
| Income tax | -7.2 | -14.4 | -50% | 0.9 | -3.3 | -128% |
| Result of non-controlling interests | 7.3 | 4.2 | 75% | 2.9 | 1.6 | 79% |
| Profit for the period | 184.0 | 91.5 | 101% | 66.1 | 36.4 | 82% |

¹NLB includes dividends from subsidiaries, associates and joint ventures

Profit

Figure 7: Profit after tax of NLB Group – evolution YoY (in EUR million)



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

In the nine months of 2017, the Group generated EUR 184.0 million of profit after tax, 101% higher YoY.

Key drivers of the increase were:

- Solid performance in key business activities with positive profit evolution, especially in strategic foreign subsidiaries that resulted in 6% YoY growth in regular income;
- Non-recurring income from the sale of Petrol shares in the amount of EUR 9.5 million, a court settlement with Zavarovalnica Triglav in the amount of EUR 1.2 million, and the sale of non-core subsidiary NLB Factoring Brno a.s. "v likvidaci" in the net amount of EUR 1.6 million;
- Higher fees and commissions (EUR 7.4 million YoY);
- Higher other net non-interest income (lower payment to European Single Resolution Fund (SRF) by EUR 1.2 million YoY and positive effects related to real estate activities);
- Continued improvement in costs which were reduced by 3% YoY, and substantial savings achieved in general and administrative expenses (-5% YoY) and employee costs (-2% YoY);

- Realised cost of risk in the nine months of 2017 was low due to substantial release of pool provisions as part of the regular annual model time-series updates and active management of the NPLs.

Lower net interest income (EUR -10.1 million YoY), mainly as a result of continued repricing on the securities portfolio, maturity of same high yield assets, and lower interest rates on loans.

By excluding non-recurring effects in the nine months of both 2016⁵ and 2017⁶, the result before impairments and provisions increased by 10% YoY.

Profit before impairments and provisions of the Group in Q3 2017 amounted to EUR 56.3 million, and was 46% higher QoQ due to higher regular net interest income and non-interest income, namely in Q2 2017 expenses for SRF and Slovenian Deposit Guarantee Scheme (DGS) were recognised in the amount of EUR 7.4 million (SRF EUR 2.7 million and DGS EUR 4.7 million).

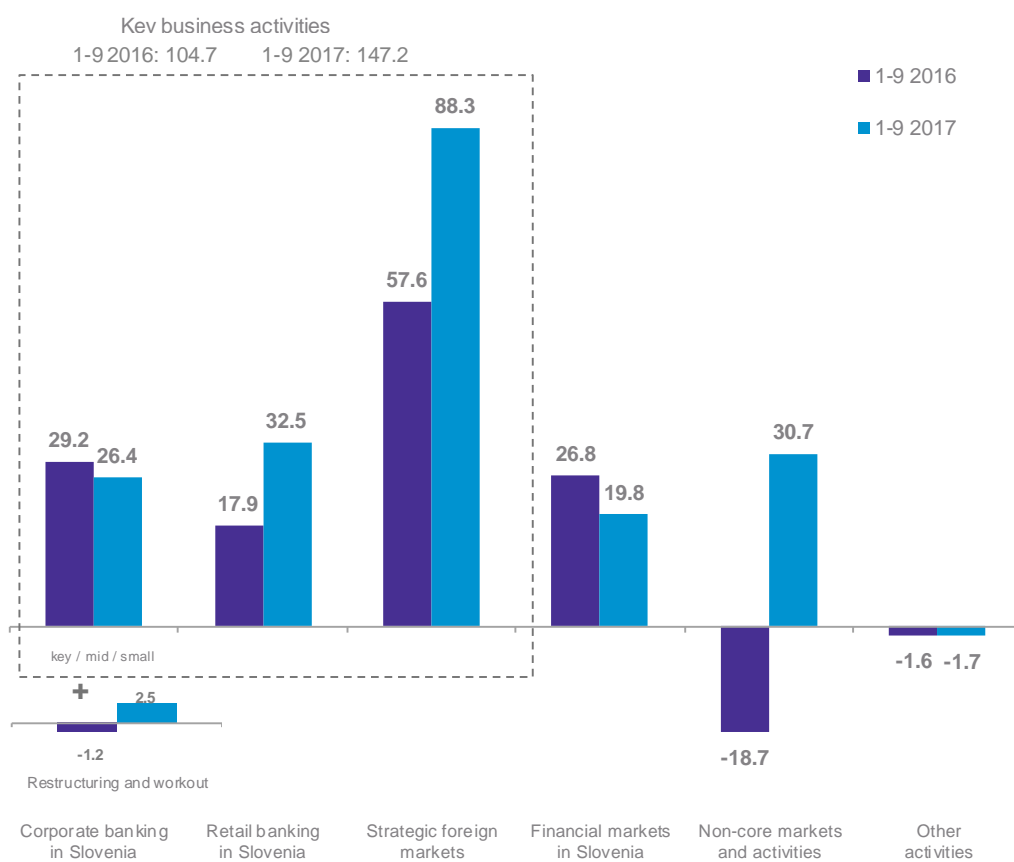
Note:

⁵ The one-off events in nine months of 2016 related to positive effect of the sale and advisory services in relation to the sale of an equity investment of Trimco d.o.o. (in total amount of EUR 5.5 million) and the transaction of Visa EU share (in the amount of EUR 7.8 million).

⁶ In nine months of 2017 results were also related to the positive effect of a court settlement with Zavarovalnica Triglav (in the amount of EUR 1.2 million), the sale of Petrol shares (in the amount EUR 9.5 million) and sale of non-core subsidiary NLB Factoring Brno a.s. "v likvidaciji" (in the amount of EUR 1.6 million).

Profit before tax – segment results

Figure 8: Profit before tax of NLB Group by segments (in EUR million)



Core markets and activities:⁷ improvement of operations, especially in strategic foreign markets

Key business activities⁸ recorded an increase in profit before tax in the amount of EUR 42.6 million in the nine months of 2017 to a level of EUR 147.2 million (1-9 2016: EUR 104.7 million), on the

Note:

⁷ Corporate banking in Slovenia, retail banking in Slovenia, financial markets in Slovenia, strategic foreign markets

⁸ Corporate banking in Slovenia, retail banking in Slovenia, strategic foreign markets

basis of higher business volumes in retail and strategic foreign markets, stable margins in South Eastern Europe (SEE) markets, improvement in cost efficiency, and continued low cost of risk.

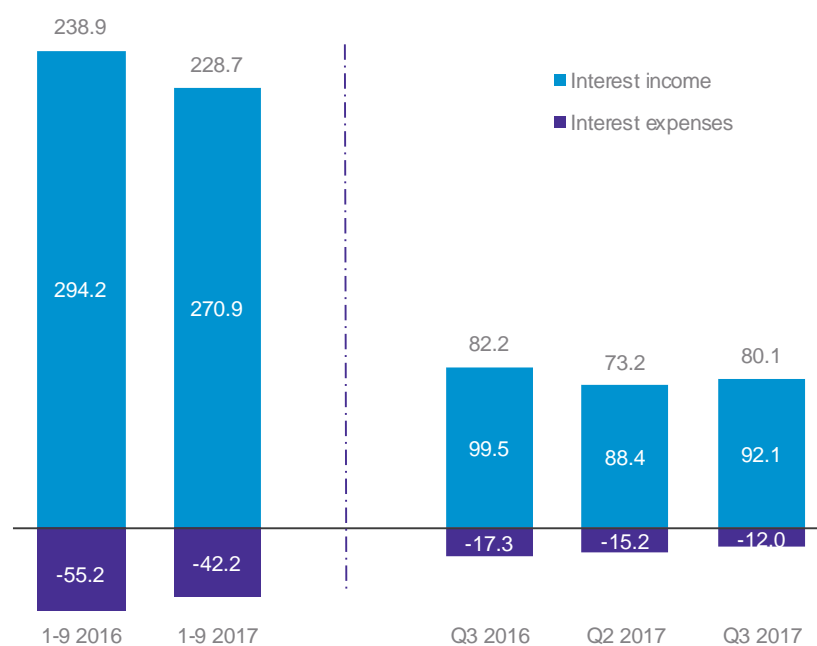
- **Corporate banking in Slovenia** (key/mid/small corporates) contributed EUR 26.4 million in profit before tax, showing the decrease of EUR 2.8 million or 10% YoY based on lower release of impairments and recorded a decrease in costs by 4%.
- **Retail banking in Slovenia** recorded EUR 32.5 million in profit before tax, with an increase of EUR 14.6 million or 82% YoY, mostly due to lower cost of risk, cost optimisation, and higher net fees and commissions. Net interest income remained stable YoY because of increased retail loans regardless of the lower net interest income due to lower interest rates. Net interest income increased by 4% QoQ, as well as net fees and commission income, which increased 3% QoQ. Costs were reduced by 4% or EUR 3.2 million YoY, while the cost of risk in the nine months of 2017 remained low.
- **Strategic foreign markets** continued a positive trend, showing a profit of EUR 88.3 million (increase of EUR 30.7 million or 53% YoY). Positive developments were recorded both in interest and non-interest income, in addition also cost of risk was negative.
- **Financial markets in Slovenia** generated EUR 19.8 million of profit before tax, meaning EUR 7.0 million or a 26% decrease YoY mostly due to the expiry of some high yielding Slovenian bonds, and despite positive one-off effects from divestments of debt securities (portfolio of French bonds in net effect of EUR 1.8 million). Higher net non-interest income compared to the nine months of 2016 increased due to strong growth in the investment banking business.

Non-core markets and activities: positive results of operations and continuing divestments

The non-core markets and activities in the nine months of 2017 recorded a profit before tax of EUR 30.7 million, while in the nine months of 2016 recorded a loss of EUR 18.7 million. This increase was due to non-recurring income in a total amount of EUR 12.3 million from the sale of non-strategic equity investments as a one-off capital gain, the sale of non-core subsidiaries NLB Factoring Brno a.s. "v likvidaci", and the settlement with Zavarovalnica Triglav. Also, active management of NPLs, which was reflected in the release of impairments and provisions in the amount of EUR 13.0 million (1-9 2016: formation of EUR 19.7 million), contributed to the positive segment result.

Net interest income

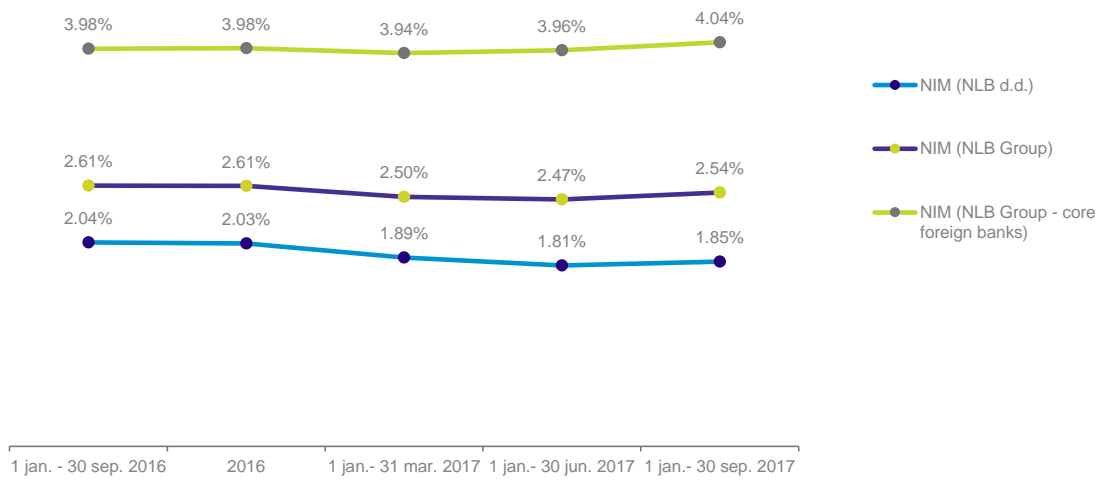
Figure 9: Net interest income of NLB Group (in EUR million)



The share of net interest income in the Group's total income decreased during the nine months of 2017 to 63% from 67% in the same period of 2016. Net interest income totaled EUR 228.7 million, which is 4% less YoY, mostly due to decreasing yields on the securities portfolio and the maturity of a high yielding Bank Asset Management Company (BAMC; the Slovenian "bad bank") bond in December 2016. Contribution of other banks to the Group's interest income increased, reaching 48% (increase of 4.6 percentage points YoY). The Group continued with the active management of its interest expenses, repaying or repricing some funding lines, and continuously adjusting deposit pricing in line with the prevailing low interest rate environment, thereby substantially reducing interest expenses (24% YoY).

Net interest margin (NIM) of the Group decreased by 0.07 percentage points YoY to 2.54%. The margin of core banks on SEE markets remains above the level recorded in the nine months of 2016, and in Q3 2017 the Bank's interest margin also increased due maturity of NLB bond in July (bond issued in July 2014).

Figure 10: Net interest margin (in %)



Net interest income – segment results

Figure 11: Net interest income of NLB Group by segments (in EUR million)

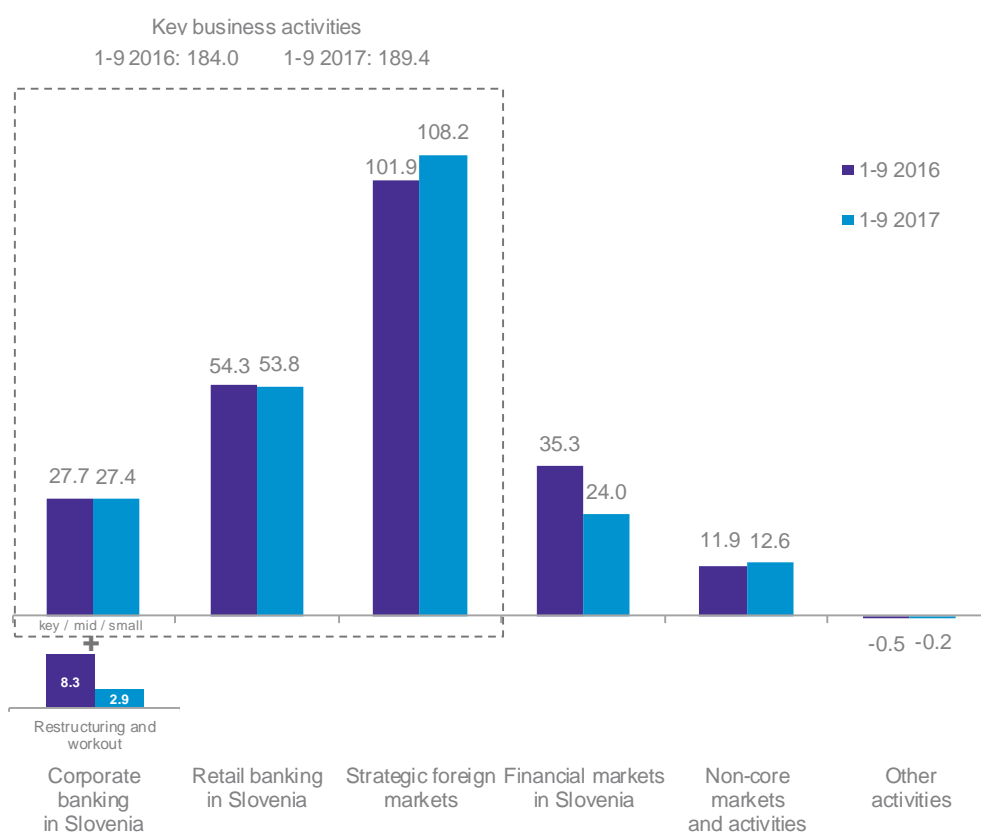


Figure 12: Net interest income of NLB Group by segments (in EUR million) – quarterly comparison



Net interest income in [key/mid/small corporates in Slovenia](#) decreased by EUR 0.3 million, or 1% YoY as a result of the decreasing interest margin due to intense competition and a loan volume decrease of 8% YtD in regular corporate clients' business.

Interest income in [retail banking in Slovenia](#) remained stable YoY as a result of overall slightly lower margins despite loan volume growth by 5% YtD. Net interest income grew by 4% QoQ.

[Strategic foreign markets](#) improved net interest income by EUR 6.2 million or 6%, due to higher interest margins in the SEE region (0.06 of a percentage point increase YoY); and increased loan volumes of 6%, or EUR 134.1 million YtD. Net interest income grew QoQ by 7%.

Net interest income in [financial markets in Slovenia](#) decreased by EUR 11.3 million YoY due to maturity of BAMC bond in December 2016 and decreasing yields in the securities portfolio.

Net non-interest income

Figure 13: Net non-interest income of NLB Group (in EUR million)



The Group recorded a net non-interest income of EUR 137.5 million in the nine months of 2017, EUR 118.8 million, or 16% higher YoY. Regular net non-interest income (excluding one-off effects⁹) increased by 18%, or EUR 18.7 million YoY, and was impacted by the following factors:

- EUR 8.0 million higher net fees and commissions, of which EUR 5.3 million mainly derive from an increase in transactional activities such as credit cards and ATMs, payments, and

Note:

⁹For the one-off effects please refer to notes 5 and 6.

transactional accounts; and EUR 3.1 million derives from ancillary banking services, i.e. bank-assurance and investment funds;

- EUR 4.9 million higher net profit from financial operations, of which EUR 1.8 million was attributed to the sale of a French bond portfolio;
- EUR 6.9 million higher net other income which was in 2016 affected by higher payments to SRF (EUR 1.2 million) and impairments of investment property (EUR 5.5 million).

Non-interest income was 22% higher QoQ, mainly due to higher net fees and commission income, and the positive effects from the sale of non-core subsidiary NLB Factoring Brno a.s. “v likvidaci” (EUR 2.5 million) in Q3 2017, while in the Q2 2017 the negative effects related to payment in SRF and DGS affected net non-interest income in a total amount of EUR 7.4 million.

Net non-interest income – segment results

Figure 14: Net non-interest income by segments of NLB Group (in EUR million)

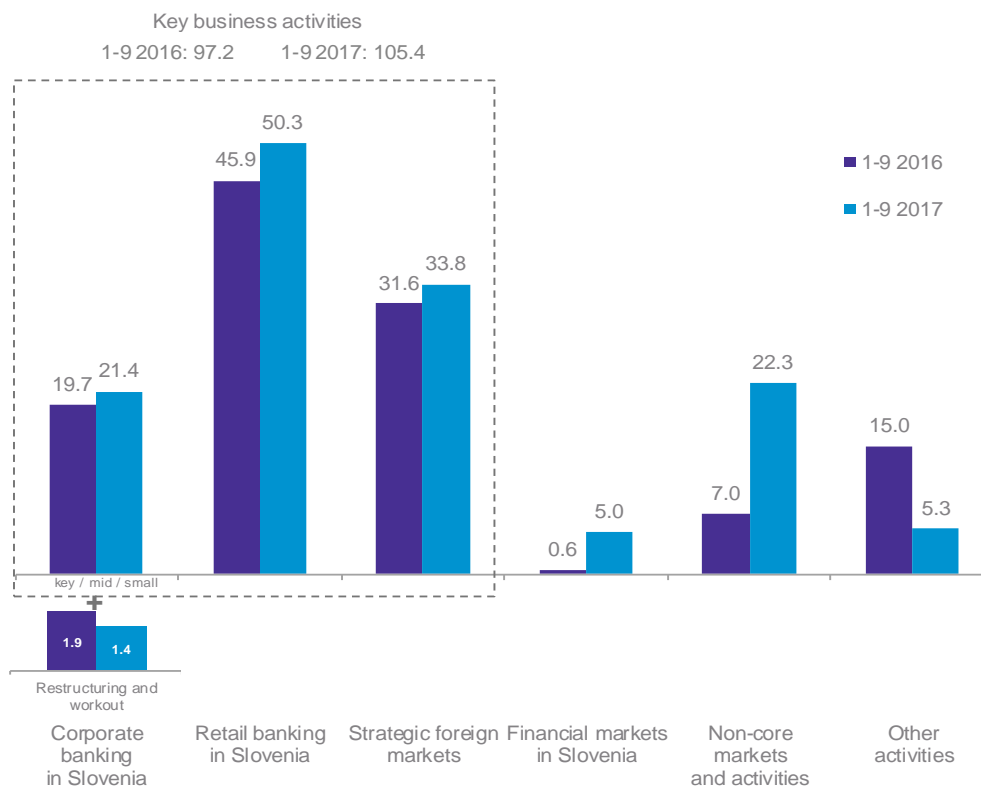


Figure 15: Fee and commission income by segments of NLB Group (in EUR million) – quarterly comparison



Net non-interest income of key business activities increased, especially in fee and commission income.

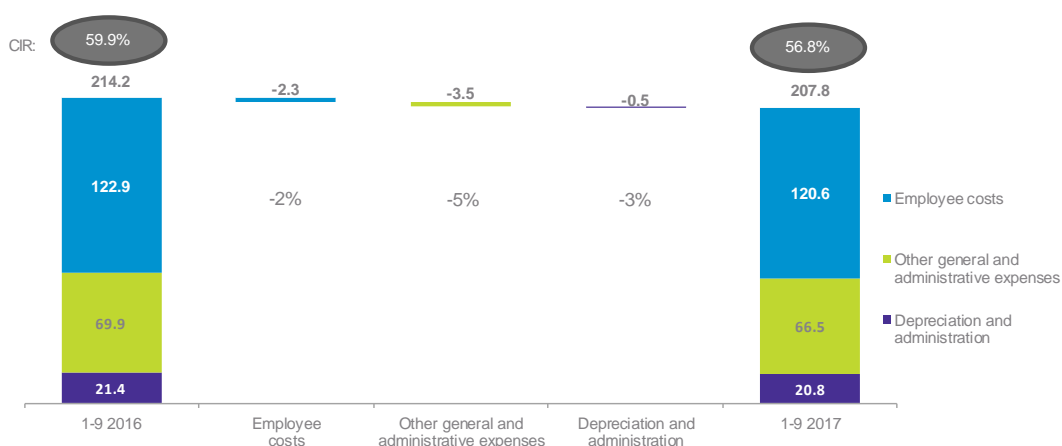
- Retail banking in Slovenia** recorded an increase in net non-interest income of EUR 4.3 million, or 9% due to stable growth of net fees and commission in recent quarters, and only in Q3 2017 by 3% mostly from bank-assurance and investment funds services.
- Net non-interest income in **key/mid/small corporates in Slovenia** grew by 8% YoY mainly due to increase of fee and commissions income. In Q3 2017 segment realised decrease of fee and commission income of 5%.
- Strategic foreign markets** increased in net non-interest income by EUR 2.2 million or 7% YoY, and of which fees and commission by EUR 3.9 million or 12% YoY. Growth is practically evident in all SEE banks. Fee and commissions income increased by 4% QoQ.
- Financial markets in Slovenia** realised EUR 5.0 million net non-interest income in the nine months of 2017, compared to EUR 0.6 million in nine months of 2016, mainly because of strong revenue growth of investment banking/securities services.
- Non-core markets and activities** contributed significantly (EUR 22.3 million) to the Group's net non-interest income, most of which were related to the non-recurring events. Significant

progress was realised in contributing to non-interest income from real estate management, which amounted to EUR 4.5 million.

- Net non-interest income in the segment of **other activities** was lower by EUR 9.7 million because of a one-off effect in H1 2016 related to the transaction of Visa EU shares in the amount of EUR 7.8 million.

Total costs

Figure 16: Total costs of NLB Group – evolution YoY (in EUR million)



Total costs amounted to EUR 207.8 million (of which EUR 1.5 million comprised of non-recurring costs related to restructuring and the privatisation process), which were 3% lower YoY. A major decrease was recorded in general and administrative costs (-5% YoY) as a result of successful cost-optimisation efforts. Depreciation costs and labour costs also decreased by 3% and 2% YoY, respectively.

CIR decreased by 3.1 percentage points to 56.8%. CIR (normalised) decreased by 2.9 percentage points to 58.5%.

Net impairments and provisions

The Group released impairments and provisions for credit losses in the amount of EUR 36.9 million in the nine months of 2017, which was the result of some successful collections, improved quality credit of the portfolio, and the release of pool provisions in H1 2017. Namely, the Group recalculates the probability of default (PD's) for pool provisions once a year, and the full impact was already recognised in the results for H1 2017. Positive trends in the economic environment and consequently a lower transition of performing customers into default in years 2016 and 2015 contributed positively to lower percentages of PD's, and consequently to lower pool provisions - mainly in the segment of corporate clients. The effect of the release of impairments on the Group level in the segment of corporate clients amounts to approximately EUR 21 million. On the other hand, in 2016 additional impairments related to the non-performing portfolio sale in the amount of EUR 25.5 million were formed.

Statement of financial position

Table 3: Statement of the financial position of NLB Group

| in EUR million | NLB Group | | | Change YtD | Change QoQ |
|--|-----------------|-----------------|-----------------|---------------|---------------|
| | 30 Sep 2017 | 30 June 2017 | 31 Dec 2016 | | |
| Cash, cash balances at central banks and other demand deposits at banks | 1,094.2 | 1,288.7 | 1,299.0 | -16% | -15% |
| Loans to banks | 483.0 | 450.8 | 435.5 | 11% | 7% |
| Loans to customers | 6,989.1 | 6,974.2 | 6,997.4 | 0% | 0% |
| Gross loans | 7,787.8 | 7,826.0 | 7,900.8 | -1% | 0% |
| - corporate | 3,834.5 | 3,911.0 | 3,917.4 | -2% | -2% |
| - individuals | 3,408.8 | 3,327.6 | 3,190.7 | 7% | 2% |
| - state | 544.5 | 587.4 | 792.7 | -31% | -7% |
| Impairments | -798.7 | -851.9 | -903.4 | -12% | -6% |
| Financial assets | 2,911.2 | 2,828.1 | 2,778.0 | 5% | 3% |
| - Held for trading | 110.2 | 120.4 | 87.7 | 26% | -8% |
| - Available-for-sale, held to maturity and designated at fair value through income statement | 2,801.1 | 2,707.7 | 2,690.3 | 4% | 3% |
| Investments in subsidiaries, associates and joint ventures | 42.5 | 40.9 | 43.2 | -2% | 4% |
| Property and equipment, investment property | 271.0 | 275.0 | 280.5 | -3% | -1% |
| Intangible assets | 35.1 | 36.8 | 34.0 | 3% | -4% |
| Other assets | 181.7 | 175.1 | 171.4 | 6% | 4% |
| Total assets | 12,007.9 | 12,069.6 | 12,039.0 | 0% | -1% |
| Deposits from customers | 9,672.2 | 9,491.2 | 9,439.2 | 2% | 2% |
| - corporate | 2,191.7 | 2,102.1 | 2,182.6 | 0% | 4% |
| - individuals | 7,123.1 | 7,044.9 | 6,905.1 | 3% | 1% |
| - state | 357.3 | 344.3 | 351.5 | 2% | 4% |
| Deposits from banks and central banks | 48.8 | 62.8 | 42.3 | 15% | -22% |
| Debt securities in issue | 0.0 | 282.0 | 277.7 | -100% | -100% |
| Borrowings | 370.4 | 390.7 | 455.4 | -19% | -5% |
| Other liabilities | 244.4 | 246.5 | 271.6 | -10% | -1% |
| Subordinated liabilities | 27.5 | 27.3 | 27.1 | 1% | 1% |
| Equity | 1,610.9 | 1,538.0 | 1,495.3 | 8% | 5% |
| Non-controlling interests | 33.7 | 31.1 | 30.3 | 11% | 9% |
| TOTAL LIABILITIES AND EQUITY | 12,007.9 | 12,069.6 | 12,039.0 | 0% | -1% |

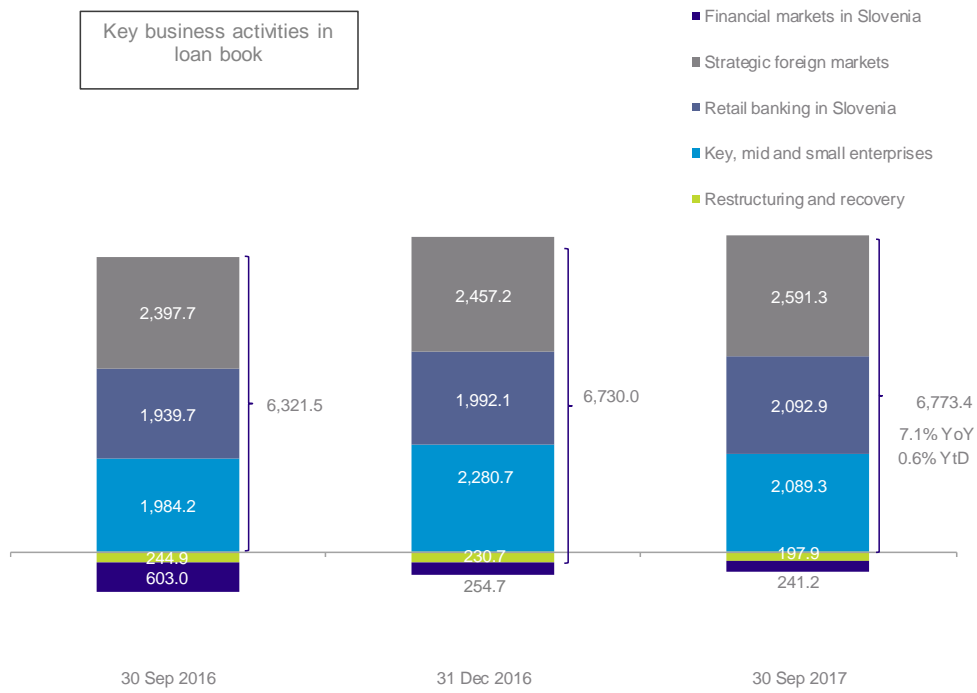
Total assets of the Group at the end of Q3 2017 remained almost at the same level YtD, and totaled EUR 12,007.9 million. A slight decrease of EUR 31.1 million was driven mainly by lower debt securities and borrowings, and the continued inflow of deposits.

Assets

Figure 17: Total assets of NLB Group – structure (in EUR million)



Figure 18: Gross loans to customers by core segment (in EUR million)



Gross loans in key business activities slightly increased YtD. An 8% YtD decrease in the gross loans in key corporate segment in Slovenia was neutralised by the increase of gross loans in the retail segment in Slovenia (5% YtD). High growth in gross loans was recorded in strategic foreign markets (EUR 134.1 million or 6% YtD), with record growth in Kosovo and Serbia.

Liabilities

Balance sheet movements were mainly driven by increasing deposits from retail customers, both in Slovenia and strategic foreign markets.

The structural share of customers' deposits continued to increase, and accounted for 81% of the total funding of the Group at the end of Q3 2017. This increase derives from retail deposits exclusively, while corporate and state deposits were stable. The structural share of sight deposits continues to increase.

The loan-to-deposit ratio (LTD) (net) decreased by 1.8 percentage points YtD as a result of growing, but still moderate corporate demand for loans and the increasingly "cash-rich" retail sector.

Figure 19: Total liabilities of NLB Group – structure (in EUR million)

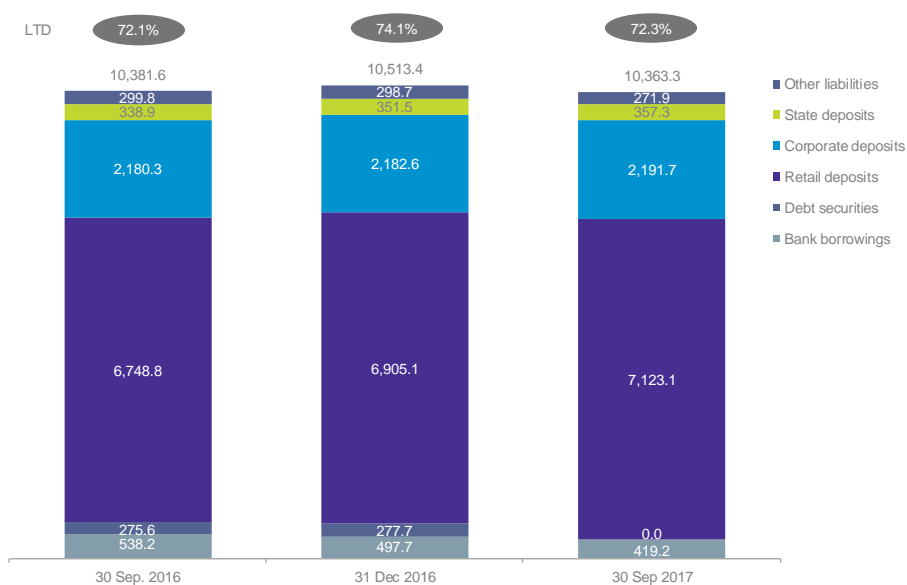
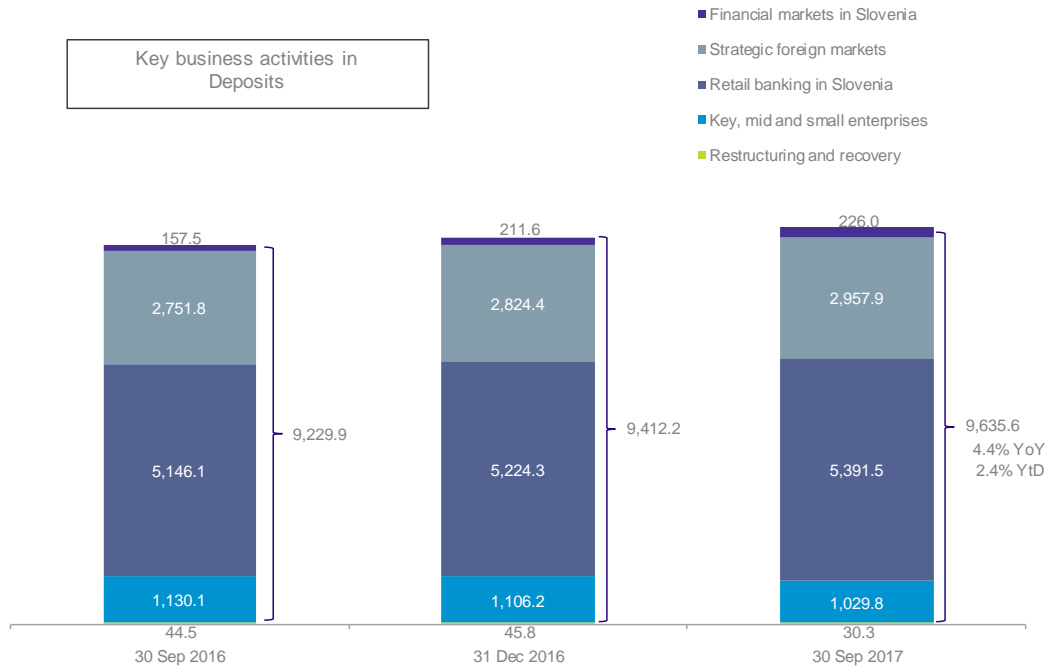


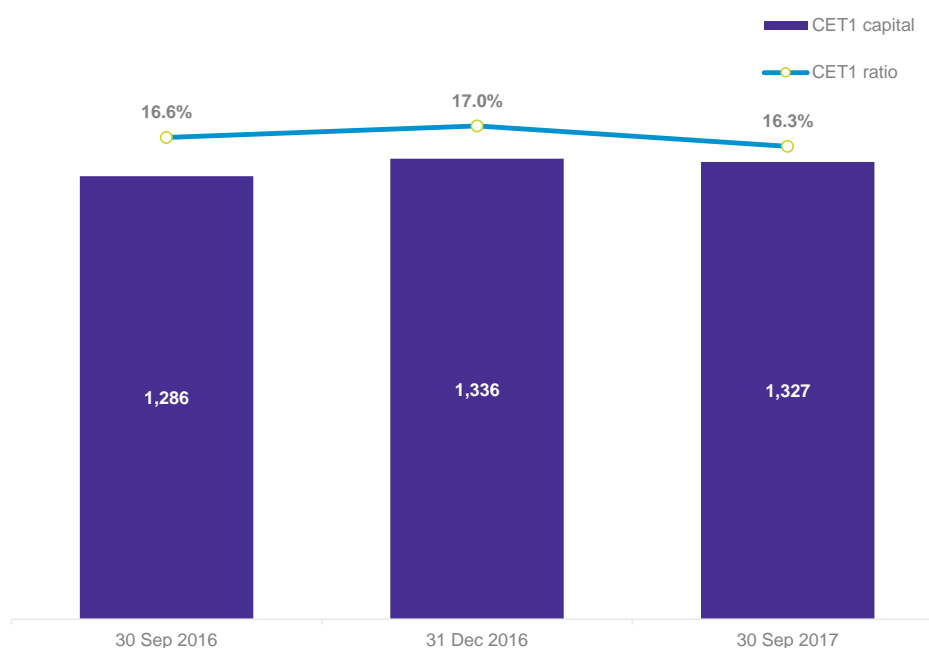
Figure 20: Deposits from customers by core segment (in EUR million)



Deposits from customers in key business activities increased by 2.4% YtD. A decrease of deposits in the key corporate segment in Slovenia of EUR 76.4 million, or 7% YtD was neutralised by the increase of EUR 167.3 million or 3% YtD of deposits in the retail segment in Slovenia.

Capital adequacy

Figure 21: NLB Group CET 1 capital (in EUR million) and CET 1 ratio (in %)



The total capital ratio of the Group was 16.3%, which is 0.7 of a percentage point lower YtD, due to increased risk weighted assets (RWA) and a slight decrease in capital (lower capital revaluation adjustments). The capital of the Group consists exclusively of CET 1, so the total capital ratio is the same as CET 1 ratio.

Table 4: Total risk exposure (in EUR million) for NLB Group

| | 30 Sep 2017 | 30 June 2017 | 31 Dec 2016 | Change YtD |
|---|--------------|--------------|--------------|------------|
| Total risk exposure amount (RWA) | 8,128 | 8,007 | 7,862 | 3.4% |
| RWA for credit risk | 7,102 | 6,956 | 6,865 | 3.5% |
| RWA for market risks + CVA ¹ | 76 | 101 | 105 | -27.3% |
| RWA for operational risk | 949 | 949 | 893 | 6.4% |

¹Credit value adjustment

In the nine months of 2017, RWA increased by EUR 265.9 million, of which EUR 237.7 million was on credit risks. RWA on the corporate segment increased by EUR 148.2 million mainly due to the different use of the small and medium enterprise (SME) supporting factor for performing exposures

to SMEs. The RWA for retail exposures increased by EUR 141.1 million due to housing and consumer loans growth. Lower RWA for exposures to commercial banks by EUR 70.2 million is the result of liquidity management, while RWA for equity exposures decreased by EUR 25.8 million mainly as a result of the sale of Petrol shares. RWA on market risks decreased by EUR 28.6 million, mainly (EUR -19.1 million) due to lower stock and shorter maturity of debt securities in trading book. RWA on operating risks increased by EUR 56.7 million due to higher three-year average income, which represents the basis for the calculation.

Risk management

The key goal of Risk Management is to assess, monitor, and manage risks within the Group in line with the Group's Risk Appetite and Risk Strategy, which are its fundamental risk management documents. Moreover, the Group is constantly enhancing its risk management system in order to support business decision-making, comprehensive steering, and mitigation processes by incorporating ICAAP, ILAAP, Recovery plan, and other internal stress-testing capabilities.

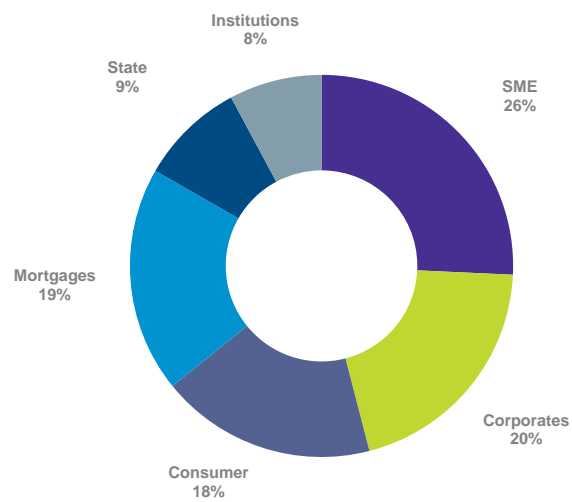
One of the key aims of Risk Management is to ensure that the Group's capital adequacy is managed prudently. The Group monitors its capital adequacy at both the Group and subsidiary bank levels within the framework of the established ICAAP process under normal conditions (regulatory capital adequacy) and stressed conditions. As at 30 September 2017, the Group had a strong level of capital adequacy (CET 1) of 16.3%, which is well within the stated risk appetite limit, and above the EU average published by the EBA. In line with the Supervisory Review and Evaluation Process (SREP), CET 1, the total capital requirement for the Group in 2017 is currently fulfilled in the current and fully loaded requirement.

The second key aim is to maintain a solid liquidity level and structure. The Group holds a strong liquidity position at both the Group and subsidiary bank levels, well above the risk appetite, with the liquidity coverage ratio (LCR) (according to the delegated act) of 332% and unencumbered eligible reserves in the amount of EUR 4,844 million. Even if the stress scenario was to occur, the Group has sufficiently high liquidity reserves in place in the form of placements at the ECB, prime debt securities, and money market placements. The main funding base of the Group at the Group and individual subsidiary bank levels predominately entails customer deposits with a comfortable level of LTD in the amount of 72.3%, giving the Group the potential for further customer loan placements.

Improving the quality of the credit portfolio represents the third and most important key aim, with a focus on the quality of new placements leading to a diversified portfolio of customers. The Group has an active presence on the market, financing existing and new creditworthy clients. The lower indebtedness of companies and positive trends in industry have had a positive influence on the approval of new loans. In the retail segment, positive trends have been recorded throughout the region in terms of clients putting greater trust in economic developments, alongside the related recovery in consumption and the real estate market.

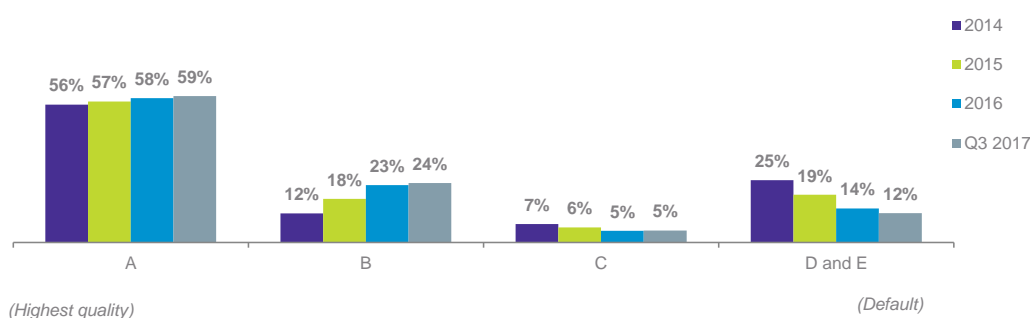
The current structure of gross exposures (on- and off-balance sheet) consists of retail clients (37%), large corporate clients (20%), SMEs, and micro companies (26%), with the remainder of the portfolio made up of other liquid assets.

Figure 22: NLB Group structure of the credit portfolio by segment as at 30 September 2017



Gross exposures also include reserves at central banks and demand deposits at banks.

Figure 23: Structure of NLB Group credit portfolio by client credit ratings (in %)

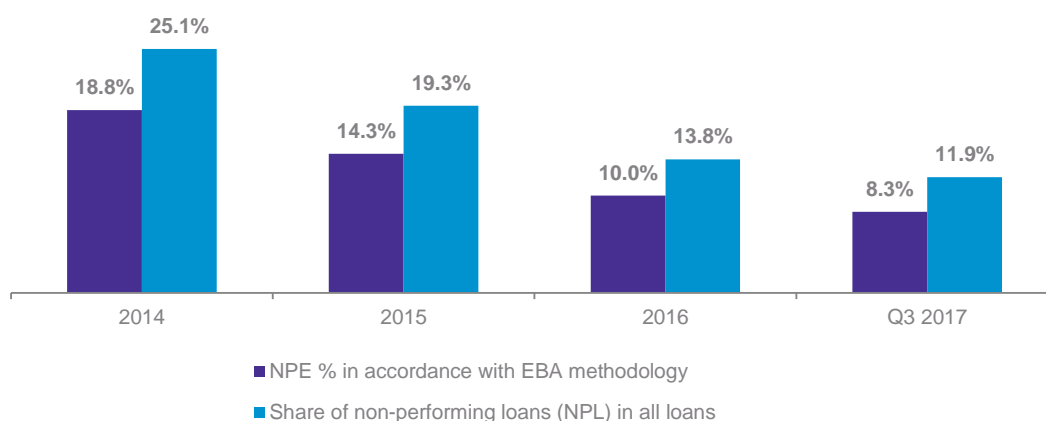
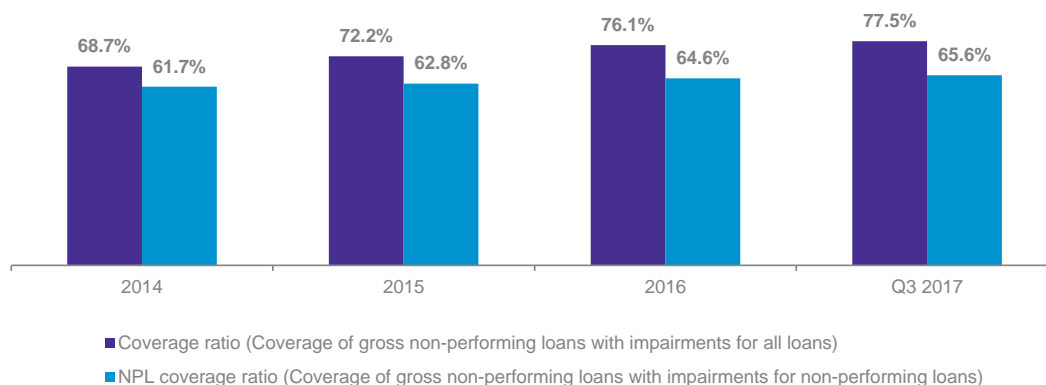


The Group's primary objective is to provide comprehensive services to clients by utilising prudent risk management principles. The Group is constantly improving its internal rating and scoring models in order to ensure that newly approved loans are of high quality, closely following the sustainability of credit risk volatility, and the sustainable development of the subsidiary banking members. In Q3 2017, efforts continued with the low formation of new NPLs and sustainable risk costs, which were also related to the positive macroeconomic conditions at the time.

The legacy of NPE continues to have an important impact on the restructuring and work-out capacities and approaches built in the past, although there is an increasing focus on actively resolving new cases through adopting a faster and more active approach to restructuring and work-out. The Group's strong commitment to reducing the NPE legacy is maintained by precisely set targets and constantly monitoring progress. The existing non-performing credit portfolio stock in the Group was reduced in 2017 by the end of Q3 from EUR 1,299 million to EUR 1,089 million. The share of NPLs decreased from 13.8% to 11.9% YtD, while the share of NPE by the EBA methodology fell from 10.0% to already below 8.3% YtD.

The coverage ratio, which remains high at 77.5%, represents an important strength for the Group. The Group's direct NPL coverage ratio equals 65.6%, which is well above the EU average published by the EBA (45.0% as at the end of H1 2017). As such, this means a further reduction in NPLs can be made without significantly influencing the cost of risk in the years ahead.

Figure 24: NLB Group NPE (NPE % by the EBA) and NPL ratio

Figure 25: NLB Group Coverage ratio¹⁰ and NPL Coverage ratio¹¹

When considering market risks, the Group takes the view that such risks should not significantly affect a single Group subsidiary or the whole Group's operations. The Group's net open FX position arising from transaction risk is very low and amounts to 1.6% of the total capital.

Note:

¹⁰ The coverage of the gross NPL portfolio with impairments on the entire loan portfolio

¹¹ The coverage of the gross NPL portfolio with impairments on the NPL portfolio

The exposure to interest rate risk on the Group level is relatively low, but has increased moderately in the recent period. The Bank's net interest income sensitivity in the case of a Euribor increase of 50 bps would amount to EUR 8.1 million, whereas a decrease in exposure would be lower due to the zero floor clauses in place. Moreover, the basis point value (BPV) sensitivity (with inclusion of sight deposit allocation) of 200 bps equals 6.3% of capital.

In the area of operational risks, additional efforts were made regarding proactive prevention and the minimisation of potential damage in the future.



Condensed Interim Financial Statements of NLB Group and NLB

as at 30 September 2017

Prepared in accordance with
International accounting standard 34
“Interim financial reporting”

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Condensed income statement

in EUR thousand

| | Notes | NLB Group | | NLB | |
|--|-------|----------------|----------------|----------------|----------------|
| | | September 2017 | September 2016 | September 2017 | September 2016 |
| Interest and similar income | 4.1. | 270,914 | 294,059 | 139,775 | 164,290 |
| Interest and similar expenses | 4.1. | (42,221) | (55,243) | (23,412) | (31,815) |
| Net interest income | | 228,693 | 238,816 | 116,363 | 132,475 |
| Dividend income | | 153 | 1,194 | 28 | 1,108 |
| Fee and commission income | 4.2. | 153,890 | 143,173 | 94,736 | 91,097 |
| Fee and commission expenses | 4.2. | (38,681) | (35,377) | (21,317) | (19,894) |
| Net fee and commission income | | 115,209 | 107,796 | 73,419 | 71,203 |
| Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss | 4.3. | 11,834 | 14,261 | 11,440 | 14,111 |
| Gains less losses from financial assets and liabilities held for trading | 4.4. | 9,392 | 3,689 | 5,088 | (1,015) |
| Gains less losses from financial assets and liabilities designated at fair value through profit or loss | | 49 | 123 | - | - |
| Fair value adjustments in hedge accounting | | (1,148) | (912) | (1,148) | (110) |
| Foreign exchange translation gains less losses | | 2,377 | 1,088 | (517) | 1,079 |
| Gains less losses on derecognition of assets other than held for sale | | 1,611 | 712 | 247 | 236 |
| Other operating income | 4.5. | 18,740 | 18,863 | 9,508 | 9,637 |
| Other operating expenses | 4.6. | (19,579) | (27,825) | (10,421) | (11,790) |
| Administrative expenses | 4.7. | (187,016) | (192,807) | (114,853) | (120,799) |
| Depreciation and amortisation | | (20,827) | (21,362) | (13,515) | (14,315) |
| Provisions for other liabilities and charges | 4.8. | 8,361 | 2,519 | 5,469 | 6,427 |
| Impairment charge | 4.9. | 28,911 | (39,970) | 15,430 | (56,340) |
| Gains less losses from investments in subsidiaries, associates and joint ventures | 4.10. | 2,816 | 3,987 | 48,188 | 28,819 |
| Net gain/(loss) from non-current assets held for sale | | (1,129) | (176) | 418 | (259) |
| Profit before income tax | | 198,447 | 109,996 | 145,144 | 60,467 |
| Income tax | 4.11. | (7,170) | (14,353) | 124 | (6,527) |
| Profit for the period | | 191,277 | 95,643 | 145,268 | 53,940 |
| Attributable to owners of the parent | | 183,991 | 91,470 | 145,268 | 53,940 |
| Attributable to non-controlling interests | | 7,286 | 4,173 | - | - |
| Earnings per share/diluted earnings per share (in EUR per share) | | 9.20 | 4.57 | 7.26 | 2.70 |

Condensed income statement – by quarter for NLB Group

in EUR thousand

| | NLB Group | | | | | |
|--|--------------------|---------------|---------------|--------------------|---------------|---------------|
| | three months ended | | | three months ended | | |
| | September 2017 | June 2017 | March 2017 | September 2016 | June 2016 | March 2016 |
| Interest and similar income | 92,168 | 88,389 | 90,357 | 99,422 | 94,366 | 100,271 |
| Interest and similar expenses | (12,042) | (15,153) | (15,026) | (17,290) | (18,130) | (19,823) |
| Net interest income | 80,126 | 73,236 | 75,331 | 82,132 | 76,236 | 80,448 |
| Dividend income | 11 | 133 | 9 | 230 | 956 | 8 |
| Fee and commission income | 53,260 | 51,819 | 48,811 | 49,734 | 48,289 | 45,150 |
| Fee and commission expenses | (13,804) | (13,467) | (11,410) | (13,123) | (11,715) | (10,539) |
| Net fee and commission income | 39,456 | 38,352 | 37,401 | 36,611 | 36,574 | 34,611 |
| Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss | 20 | 120 | 11,694 | 1,244 | 8,100 | 4,917 |
| Gains less losses from financial assets and liabilities held for trading | 3,712 | 3,164 | 2,516 | 1,173 | 1,483 | 1,033 |
| Gains less losses from financial assets and liabilities designated at fair value through profit or loss | 31 | (62) | 80 | 80 | 55 | (12) |
| Fair value adjustments in hedge accounting | 226 | (451) | (923) | (678) | (167) | (67) |
| Foreign exchange translation gains less losses | 1,355 | 193 | 829 | 151 | 344 | 593 |
| Gains less losses on derecognition of assets other than held for sale | 141 | 1,172 | 298 | 33 | 324 | 355 |
| Other operating income | 5,850 | 5,490 | 7,400 | 6,233 | 6,535 | 6,095 |
| Other operating expenses | (4,478) | (11,340) | (3,761) | (12,631) | (11,591) | (3,603) |
| Administrative expenses | (61,748) | (64,643) | (60,625) | (64,417) | (64,604) | (63,786) |
| Depreciation and amortisation | (7,040) | (6,913) | (6,874) | (6,998) | (7,107) | (7,257) |
| Provisions for liabilities and charges | 3,132 | 2,928 | 2,301 | (1,958) | 4,935 | (458) |
| Impairment charge | 8,520 | (1,826) | 22,217 | (14,500) | (29,724) | 4,254 |
| Gains less losses from investments in subsidiaries, associates and joint ventures | 82 | 1,640 | 1,094 | 1,531 | 1,209 | 1,247 |
| Net gain/(loss) from non-current assets held for sale | (1,333) | 81 | 123 | (4) | (181) | 9 |
| Profit before income tax | 68,063 | 41,274 | 89,110 | 28,232 | 23,377 | 58,387 |
| Income tax | 923 | (3,286) | (4,807) | (4,712) | (5,045) | (4,596) |
| Profit for the period | 68,986 | 37,988 | 84,303 | 23,520 | 18,332 | 53,791 |
| Attributable to owners of the parent | 66,072 | 36,364 | 81,555 | 21,979 | 17,356 | 52,135 |
| Attributable to non-controlling interests | 2,914 | 1,624 | 2,748 | 1,541 | 976 | 1,656 |

Condensed income statement – by quarter for NLB

in EUR thousand

| | NLB | | | | | |
|--|--------------------|---------------|---------------|--------------------|---------------|---------------|
| | three months ended | | | three months ended | | |
| | September 2017 | June 2017 | March 2017 | September 2016 | June 2016 | March 2016 |
| Interest and similar income | 46,467 | 45,495 | 47,813 | 55,013 | 51,651 | 57,626 |
| Interest and similar expenses | (6,034) | (8,902) | (8,476) | (9,909) | (10,473) | (11,433) |
| Net interest income | 40,433 | 36,593 | 39,337 | 45,104 | 41,178 | 46,193 |
| Dividend income | 4 | 19 | 5 | 223 | 885 | - |
| Fee and commission income | 32,277 | 32,019 | 30,440 | 31,001 | 31,256 | 28,840 |
| Fee and commission expenses | (7,412) | (7,665) | (6,240) | (7,112) | (6,784) | (5,998) |
| Net fee and commission income | 24,865 | 24,354 | 24,200 | 23,889 | 24,472 | 22,842 |
| Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss | 20 | 128 | 11,292 | 1,229 | 7,982 | 4,900 |
| Gains less losses from financial assets and liabilities held for trading | 2,027 | 1,792 | 1,269 | (627) | (68) | (320) |
| Fair value adjustments in hedge accounting | 226 | (451) | (923) | 124 | (167) | (67) |
| Foreign exchange translation gains less losses | (687) | (429) | 599 | 56 | 692 | 331 |
| Gains less losses on derecognition of assets other than held for sale | 67 | (37) | 217 | 114 | 55 | 67 |
| Other operating income | 2,476 | 2,732 | 4,300 | 3,141 | 3,319 | 3,177 |
| Other operating expenses | (1,591) | (8,126) | (704) | (5,784) | (5,313) | (693) |
| Administrative expenses | (37,819) | (39,670) | (37,364) | (40,011) | (40,343) | (40,445) |
| Depreciation and amortisation | (4,579) | (4,497) | (4,439) | (4,706) | (4,774) | (4,835) |
| Provisions for liabilities and charges | 1,087 | 3,259 | 1,123 | (383) | 7,425 | (615) |
| Impairment charge | 3,913 | 561 | 10,956 | (39,298) | (20,553) | 3,511 |
| Gains less losses from investments in subsidiaries, associates and joint ventures | 5,971 | 31,020 | 11,197 | 133 | 18,004 | 10,682 |
| Net gain/(loss) from non-current assets held for sale | 232 | 63 | 123 | (87) | (181) | 9 |
| Profit before income tax | 36,645 | 47,311 | 61,188 | (16,883) | 32,613 | 44,737 |
| Income tax | 3,305 | (919) | (2,262) | (378) | (3,705) | (2,444) |
| Profit for the period | 39,950 | 46,392 | 58,926 | (17,261) | 28,908 | 42,293 |

Condensed statement of comprehensive income

in EUR thousand

| | Note | NLB Group | | NLB | |
|--|---------------|-------------------|-------------------|-------------------|-------------------|
| | | September 2017 | September 2016 | September 2017 | September 2016 |
| Net profit for the period after tax | | 191,277 | 95,643 | 145,268 | 53,940 |
| Other comprehensive income/(loss) after tax | | (4,711) | 16,758 | (9,276) | 8,243 |
| <i>Items that will not be reclassified to income statement</i> | | | | | |
| Actuarial gains/(losses) on defined benefit pension plans | | (846) | 1,475 | (950) | 1,466 |
| Share of other comprehensive income/(losses) of entities accounted for using the equity method | | (2) | - | - | - |
| Income tax relating to components of other comprehensive income | 5.11. | 90 | (125) | 90 | (125) |
| <i>Items that may be reclassified subsequently to income statement</i> | | | | | |
| Foreign currency translation | | 3,168 | (352) | - | - |
| Translation gains/(losses) taken to equity | | 3,168 | (352) | - | - |
| Cash flow hedges (effective portion) | | - | (78) | - | (78) |
| Valuation gains/(losses) taken to equity | | - | (515) | - | (515) |
| Transferred to income statement | | - | 437 | - | 437 |
| Available-for-sale financial assets | | (8,922) | 12,711 | (10,390) | 8,394 |
| Valuation gains/(losses) taken to equity | | 2,912 | 26,983 | 1,050 | 22,516 |
| Transferred to income statement | 4.3. and 4.9. | (11,834) | (14,272) | (11,440) | (14,122) |
| Share of other comprehensive income of entities accounted for using the equity method | | (74) | 5,861 | - | - |
| Income tax relating to components of other comprehensive income | 5.11. | 1,875 | (2,734) | 1,974 | (1,414) |
| Total comprehensive income for the period after tax | | 186,566 | 112,401 | 135,992 | 62,183 |
| Attributable to owners of the parent | | 179,091 | 108,112 | 135,992 | 62,183 |
| Attributable to non-controlling interests | | 7,475 | 4,289 | - | - |

Condensed statement of comprehensive income – by quarter for NLB Group

in EUR thousand

| | NLB Group | | | | | |
|---|--------------------|---------------|-----------------|--------------------|----------------|----------------|
| | three months ended | | | three months ended | | |
| | September 2017 | June 2017 | March 2017 | September 2016 | June 2016 | March 2016 |
| Net profit for the period after tax | 68,986 | 37,988 | 84,303 | 23,520 | 18,332 | 53,791 |
| Other comprehensive income/(loss) after tax | 6,678 | 827 | (12,216) | 11,898 | (1,890) | 6,750 |
| <i>Items that will not be reclassified to income statement</i> | | | | | | |
| Actuarial gains/(losses) on defined benefit pension plans | (846) | - | - | 1,475 | - | - |
| Share of other comprehensive income/(losses) of entities accounted for using the equity method | - | - | (2) | - | - | - |
| Income tax relating to components of other comprehensive income | 90 | - | - | (125) | - | - |
| <i>Items that may be reclassified subsequently to income statement</i> | | | | | | |
| Foreign currency translation | 1,466 | 1,142 | 560 | 725 | 397 | (1,474) |
| Translation gains/(losses) taken to equity | 1,466 | 1,142 | 560 | 725 | 397 | (1,474) |
| Cash flow hedges (effective portion) | - | - | - | 87 | (4) | (161) |
| Valuation gains/(losses) taken to equity | - | - | - | (59) | (151) | (305) |
| Transferred to income statement | - | - | - | 146 | 147 | 144 |
| Available-for-sale financial assets | 6,542 | 430 | (15,894) | 8,715 | (4,315) | 8,311 |
| Valuation gains/(losses) taken to equity | 6,573 | 539 | (4,200) | 9,951 | 3,785 | 13,247 |
| Transferred to income statement | (31) | (109) | (11,694) | (1,236) | (8,100) | (4,936) |
| Share of other comprehensive income/(loss) of entities accounted for using the equity method | 727 | (864) | 63 | 2,496 | 1,583 | 1,782 |
| Income tax relating to components of other comprehensive income | (1,301) | 119 | 3,057 | (1,475) | 449 | (1,708) |
| Total comprehensive income for the period after tax | 75,664 | 38,815 | 72,087 | 35,418 | 16,442 | 60,541 |
| Attributable to owners of the parent | 72,641 | 37,194 | 69,256 | 33,751 | 15,440 | 58,921 |
| Attributable to non-controlling interests | 3,023 | 1,621 | 2,831 | 1,667 | 1,002 | 1,620 |

Condensed statement of comprehensive income – by quarter for NLB

in EUR thousand

| | NLB | | | | | |
|--|--------------------|---------------|-----------------|--------------------|----------------|----------------|
| | three months ended | | | three months ended | | |
| | September 2017 | June 2017 | March 2017 | September 2016 | June 2016 | March 2016 |
| Net profit for the period after tax | 39,950 | 46,392 | 58,926 | (17,261) | 28,908 | 42,293 |
| Other comprehensive income/(loss) after tax | 3,725 | 186 | (13,187) | 5,430 | (3,752) | 6,565 |
| <i>Items that will not be reclassified to income statement</i> | | | | | | |
| Actuarial gains/(losses) on defined benefit pensions plans | (950) | - | - | 1,466 | - | - |
| Income tax relating to components of other comprehensive income | 90 | - | - | (125) | - | - |
| <i>Items that may be reclassified subsequently to income statement</i> | | | | | | |
| Cash flow hedges (effective portion) | - | - | - | 87 | (4) | (161) |
| Valuation gains/(losses) taken to equity | - | - | - | (59) | (151) | (305) |
| Transferred to income statement | - | - | - | 146 | 147 | 144 |
| Available-for-sale financial assets | 5,660 | 230 | (16,280) | 4,840 | (4,517) | 8,071 |
| Valuation gains/(losses) taken to equity | 5,680 | 358 | (4,988) | 6,061 | 3,465 | 12,990 |
| Transferred to income statement | (20) | (128) | (11,292) | (1,221) | (7,982) | (4,919) |
| Income tax relating to components of other comprehensive income | (1,075) | (44) | 3,093 | (838) | 769 | (1,345) |
| Total comprehensive income for the period after tax | 43,675 | 46,578 | 45,739 | (11,831) | 25,156 | 48,858 |

Condensed statement of financial position

in EUR thousand

| | Notes | NLB Group | | NLB | |
|---|--------|-------------------|-------------------|------------------|------------------|
| | | 30.9.2017 | 31.12.2016 | 30.9.2017 | 31.12.2016 |
| Cash, cash balances at central banks and other demand deposits at banks | 5.1. | 1,094,218 | 1,299,014 | 431,412 | 617,039 |
| Trading assets | 5.2. | 110,169 | 87,699 | 110,163 | 87,693 |
| Financial assets designated at fair value through profit or loss | | 5,694 | 6,694 | 1,431 | 2,011 |
| Available-for-sale financial assets | 5.3. | 2,195,972 | 2,072,153 | 1,707,952 | 1,594,094 |
| Derivatives - hedge accounting | | 2,030 | 217 | 2,030 | 217 |
| Loans and advances | | | | | |
| - debt securities | 5.4.1. | 82,012 | 85,315 | 82,012 | 85,315 |
| - loans and advances to banks | 5.4.2. | 482,969 | 435,537 | 433,151 | 408,056 |
| - loans and advances to customers | 5.4.3. | 6,907,087 | 6,912,067 | 4,694,793 | 4,843,594 |
| - other financial assets | 5.4.4. | 53,879 | 61,014 | 44,475 | 36,151 |
| Held-to-maturity investments | 5.5. | 599,396 | 611,449 | 599,396 | 611,449 |
| Fair value changes of the hedged items in portfolio hedge of interest rate risk | | 414 | 678 | 414 | 678 |
| Non-current assets classified as held for sale | | 4,936 | 4,263 | 1,651 | 1,788 |
| Property and equipment | | 189,700 | 196,849 | 86,864 | 90,496 |
| Investment property | 5.6. | 81,340 | 83,663 | 8,628 | 8,151 |
| Intangible assets | | 35,149 | 33,970 | 24,233 | 23,345 |
| Investments in subsidiaries | | - | - | 351,463 | 339,693 |
| Investments in associates and joint ventures | | 42,468 | 43,248 | 6,952 | 7,031 |
| Current income tax assets | | 3,317 | 2,888 | 2,734 | 2,124 |
| Deferred income tax assets | 5.8. | 10,445 | 7,735 | 12,902 | 10,622 |
| Other assets | 5.7. | 106,726 | 94,558 | 7,733 | 8,419 |
| TOTAL ASSETS | | 12,007,921 | 12,039,011 | 8,610,389 | 8,777,966 |
| Trading liabilities | 5.2. | 12,593 | 18,791 | 12,594 | 18,787 |
| Financial liabilities designated at fair value through profit or loss | | 1,431 | 2,011 | 1,431 | 2,011 |
| Derivatives - hedge accounting | | 24,938 | 29,024 | 24,938 | 29,024 |
| Financial liabilities measured at amortised cost | | | | | |
| - deposits from banks and central banks | 5.9. | 48,826 | 42,334 | 97,783 | 74,977 |
| - borrowings from banks and central banks | 5.9. | 293,229 | 371,769 | 271,184 | 338,467 |
| - due to customers | 5.9. | 9,670,751 | 9,437,147 | 6,722,876 | 6,615,390 |
| - borrowings from other customers | 5.9. | 77,171 | 83,619 | 6,677 | 4,274 |
| - debt securities in issue | 5.9.1. | - | 277,726 | - | 277,726 |
| - subordinated liabilities | 5.9.2. | 27,479 | 27,145 | - | - |
| - other financial liabilities | 5.9.3. | 110,658 | 110,295 | 72,412 | 68,784 |
| Provisions | 5.10. | 76,302 | 100,914 | 59,112 | 79,546 |
| Current income tax liabilities | | 2,477 | 3,146 | - | - |
| Deferred income tax liabilities | 5.8. | 1,411 | 727 | - | - |
| Other liabilities | 5.12. | 16,061 | 8,703 | 4,376 | 4,186 |
| TOTAL LIABILITIES | | 10,363,327 | 10,513,351 | 7,273,383 | 7,513,172 |
| 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 |
| Accumulated other comprehensive income | | 25,068 | 29,969 | 25,305 | 34,581 |
| Profit reserves | | 13,522 | 13,522 | 13,522 | 13,522 |
| Retained earnings | | 500,877 | 380,444 | 226,801 | 145,313 |
| | | 1,610,845 | 1,495,313 | 1,337,006 | 1,264,794 |
| Non-controlling interests | | 33,749 | 30,347 | - | - |
| TOTAL EQUITY | | 1,644,594 | 1,525,660 | 1,337,006 | 1,264,794 |
| TOTAL LIABILITIES AND EQUITY | | 12,007,921 | 12,039,011 | 8,610,389 | 8,777,966 |

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 as at 1 January 2017 | 200,000 | 871,378 | 29,968 | 13,522 | 380,444 | 1,495,312 | 30,347 | 1,525,659 |
| - Net profit for the period | - | - | - | - | 183,991 | 183,991 | 7,286 | 191,277 |
| - Other comprehensive income | - | - | (4,900) | - | - | (4,900) | 188 | (4,712) |
| Total comprehensive income after tax | - | - | (4,900) | - | 183,991 | 179,091 | 7,474 | 186,565 |
| Dividends paid | - | - | - | - | (63,780) | (63,780) | (3,725) | (67,505) |
| Other* | - | - | - | - | 222 | 222 | (347) | (125) |
| Balance as at 30 September 2017 | 200,000 | 871,378 | 25,068 | 13,522 | 500,877 | 1,610,845 | 33,749 | 1,644,594 |

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 as 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 | - | - | - | - | 93,289 | 93,289 | 4,173 | 97,462 |
| - Other comprehensive income | - | - | 16,642 | - | - | 16,642 | 116 | 16,758 |
| Total comprehensive income after tax | - | - | 16,642 | - | 93,289 | 109,931 | 4,289 | 114,220 |
| Dividends paid | - | - | - | - | (43,880) | (43,880) | (2,799) | (46,679) |
| Other* | - | - | - | - | 18 | 18 | - | 18 |
| Balance as at 30 September 2016 | 200,000 | 871,378 | 40,245 | 13,522 | 363,734 | 1,488,879 | 29,063 | 1,517,942 |

in EUR thousand

| NLB | Share capital | Share premium | Accumulated other comprehensive income | Profit reserves | Retained earnings | Total equity |
|--|----------------|----------------|--|-----------------|-------------------|------------------|
| Balance as at 1 January 2017 | 200,000 | 871,378 | 34,581 | 13,522 | 145,313 | 1,264,794 |
| - Net profit for the period | - | - | - | - | 145,268 | 145,268 |
| - Other comprehensive income | - | - | (9,276) | - | - | (9,276) |
| Total comprehensive income after tax | - | - | (9,276) | - | 145,268 | 135,992 |
| Dividends paid | - | - | - | - | (63,780) | (63,780) |
| Balance as at 30 September 2017 | 200,000 | 871,378 | 25,305 | 13,522 | 226,801 | 1,337,006 |

in EUR thousand

| NLB | Share capital | Share premium | Accumulated other comprehensive income | Profit reserves | Retained earnings | Total equity |
|--|----------------|----------------|--|-----------------|-------------------|------------------|
| Balance as at 1 January 2016 | 200,000 | 871,378 | 31,841 | 13,522 | 125,410 | 1,242,151 |
| - Net profit for the period | - | - | - | - | 53,940 | 53,940 |
| - Other comprehensive income | - | - | 8,243 | - | - | 8,243 |
| Total comprehensive income after tax | - | - | 8,243 | - | 53,940 | 62,183 |
| Dividends paid | - | - | - | - | (43,880) | (43,880) |
| Balance as at 30 September 2016 | 200,000 | 871,378 | 40,084 | 13,522 | 135,470 | 1,260,454 |

*In 2017 and 2016, the item 'Other' relates to transactions with a non-controlling interest.

Condensed statement of cash flows

in EUR thousand

| | NLB Group | | NLB | |
|--|-------------------|-------------------|-------------------|-------------------|
| | nine months ended | | nine months ended | |
| | September 2017 | September 2016 | September 2017 | September 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Interest received | 294,844 | 311,857 | 166,603 | 180,899 |
| Interest paid | (47,196) | (63,342) | (28,366) | (37,565) |
| Dividends received | 153 | 1,168 | 28 | 1,082 |
| Fee and commission receipts | 154,318 | 141,936 | 93,911 | 88,516 |
| Fee and commission payments | (40,581) | (35,209) | (21,605) | (19,918) |
| Realised gains from financial assets and financial liabilities not at fair value through profit or loss | 11,996 | 12,741 | 11,594 | 12,591 |
| Realised losses from financial assets and financial liabilities not at fair value through profit or loss | - | (39) | - | (39) |
| Net gains/(losses) from financial assets and liabilities held for trading | 6,265 | 2,744 | 2,216 | (989) |
| Payments to employees and suppliers | (187,998) | (190,224) | (119,360) | (120,384) |
| Other income | 20,996 | 21,620 | 9,718 | 11,148 |
| Other expenses | (19,100) | (24,022) | (10,387) | (13,945) |
| Income tax paid | (7,061) | (16,304) | 786 | (12,871) |
| Cash flows from operating activities before changes in operating assets and liabilities | 186,636 | 162,926 | 105,138 | 88,525 |
| (Increases)/decreases in operating assets | (142,989) | 11,137 | (50,781) | 70,759 |
| Net (increase)/decrease in trading assets | (26,218) | 20,797 | (26,218) | 20,797 |
| Net (increase)/decrease in financial assets designated at fair value through profit or loss | 1,106 | 672 | 686 | 2,055 |
| Net (increase)/decrease in available-for-sale financial assets | (144,790) | (67,740) | (146,420) | (104,733) |
| Net (increase)/decrease in loans and advances | 22,462 | 61,332 | 120,028 | 155,196 |
| Net (increase)/decrease in other assets | 4,451 | (3,924) | 1,143 | (2,556) |
| Increases/(decreases) in operating liabilities | (92,894) | 54,601 | (177,894) | 43,683 |
| Net increase/(decrease) in financial liabilities designated at fair value through profit or loss | (686) | (2,061) | (686) | (2,061) |
| Net increase/(decrease) in deposits and borrowings measured at amortised cost | 176,216 | 83,831 | 96,929 | 72,032 |
| Net increase/(decrease) in securities measured at amortised cost | (274,200) | (26,913) | (274,200) | (26,913) |
| Net increase/(decrease) in other liabilities | 5,776 | (256) | 63 | 625 |
| Net cash from operating activities | (49,247) | 228,664 | (123,537) | 202,967 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Receipts from investing activities | 74,446 | 74,325 | 108,222 | 97,955 |
| Proceeds from sale of property and equipment and investment property | 4,093 | 1,992 | 10 | 390 |
| Proceeds from dividends from subsidiaries, associates and joint ventures | 4,215 | 3,587 | 42,074 | 28,819 |
| Proceeds from liquidation of subsidiaries and associates | 276 | - | 276 | - |
| Proceeds from sale of non-current assets held for sale | 459 | 94 | 459 | 94 |
| Proceeds from disposals of held-to-maturity financial assets | 65,403 | 68,652 | 65,403 | 68,652 |
| Payments from investing activities | (79,276) | (86,167) | (84,437) | (96,794) |
| Purchase of property and equipment and investment property | (7,872) | (12,672) | (4,093) | (7,904) |
| Purchase of intangible assets | (8,411) | (4,903) | (6,567) | (3,631) |
| Purchase of subsidiaries and increase in subsidiaries' equity | (1,596) | - | (12,380) | (16,667) |
| Purchase of held-to-maturity financial assets | (61,397) | (68,592) | (61,397) | (68,592) |
| Net cash from investing activities | (4,830) | (11,842) | 23,785 | 1,161 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Payments from financing activities | (67,454) | (46,647) | (63,780) | (43,880) |
| Dividends paid | (67,454) | (46,647) | (63,780) | (43,880) |
| Net cash from financing activities | (67,454) | (46,647) | (63,780) | (43,880) |
| Effects of exchange rate changes on cash and cash equivalents | (6,858) | (1,161) | (11,267) | (1,994) |
| Net increase/(decrease) in cash and cash equivalents | (121,531) | 170,175 | (163,532) | 160,248 |
| Cash and cash equivalents at beginning of period | 1,449,275 | 1,302,003 | 670,682 | 525,831 |
| Cash and cash equivalents at end of period | 1,320,886 | 1,471,017 | 495,883 | 684,085 |

in EUR thousand

| | Notes | NLB Group | | NLB | |
|---|-------|------------------|------------------|----------------|----------------|
| | | 30.9.2017 | 31.12.2016 | 30.9.2017 | 31.12.2016 |
| Cash and cash equivalents comprise: | | | | | |
| Cash, cash balances at central banks and other demand deposits at banks | 5.1. | 1,094,218 | 1,299,014 | 431,412 | 617,039 |
| Loans and advances to banks with original maturity up to 3 months | | 154,638 | 85,103 | 64,471 | 53,643 |
| Available for sale financial assets with original maturity up to 3 months | | 72,030 | 65,158 | - | - |
| Total | | 1,320,886 | 1,449,275 | 495,883 | 670,682 |

Statement of management's responsibility

The Management Board hereby confirms the condensed interim financial statements of NLB Group and NLB for the nine months ending 30 September 2017, and for the accompanying accounting policies and notes to the financial statements.

The Management Board is responsible for the preparation and presentation of these condensed 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 30 September 2017, 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 condensed interim financial statements of NLB Group and NLB have been prepared on a going-concern basis for NLB Group and NLB, 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



László Pelle
Member of the
Management Board



Archibald Kremser
Member of the
Management Board



Andreas Burkhardt
Member of the
Management Board



Blaž Brodnjak
Chief Executive Officer

Notes to the condensed interim financial statements

1. General information

Nova Ljubljanska banka d.d. Ljubljana (hereinafter: NLB) is a joint-stock entity providing universal banking services. NLB Group consists of NLB and its subsidiaries located in 10 countries.

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

The ultimate controlling party of NLB is the Republic of Slovenia, which was the sole shareholder as at 30 September 2017 and 31 December 2016.

All amounts in the condensed interim financial statements and in the notes to the condensed interim 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 for the year ended 31 December 2016, which have been prepared in accordance with the International Financial Reporting Standards (hereinafter: IFRS) as adopted by the European Union (EU).

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 2016, except for accounting standards and other amendments effective for annual periods beginning on 1 January 2017 that were endorsed by the EU.

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

- IFRS 9 (new standard) – Financial instruments (effective for annual periods beginning on or after 1 January 2018).

- IFRS 15 (new standard) – Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018).

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

- IFRS 14 (new standard) – Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016). The European Commission has decided not to launch the endorsement process of this interim standard and will wait for the final standard.
- IFRS 16 (new standard) – Leases (effective for annual periods beginning on or after 1 January 2019).
- IFRS 17 (new standard) – Insurance Contracts (effective for annual periods beginning on or after 1 January 2021).
- IFRS 10 and IAS 28 (amendment) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (The IASB has deferred the effective date of amendments indefinitely).
- 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).
- IFRS 15 (clarification) – Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018).
- IFRS 2 (amendment) – Classification and Measurement of share based Payment Transactions (effective for annual periods beginning on or after 1 January 2018).
- IFRS 4 (amendment) – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018).
- Annual Improvements to IFRSs 2014–2016 Cycle. The improvements comprise a mixture of substantive changes and clarifications, and are effective for annual periods beginning on or after 1 January 2017 or 1 January 2018.
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018).
- IAS 40 (amendment) – Investment Property (effective for annual periods beginning on or after 1 January 2018).

- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019).

3. Changes in NLB Group

Nine months ending on 30 September 2017

Capital changes:

- An increase in share capital in the form of a cash contribution in the amount of EUR 10,709 thousand in NLB Banka Beograd and REAM d.o.o. Zagreb to ensure an increase in business operations.
- An increase in share capital in the form of cash contributions in the amount of EUR 75 thousand CBS Invest, Sarajevo to ensure capital adequacy until the end of liquidation.
- NLB acquired shares of NLB Banka, Podgorica and thereby increased its ownership from 99.36% to 99.83%. The increase in the capital investment was recognised in the amount of EUR 125 thousand.
- An increase in share capital in the form of a cash contribution in the amount of EUR 212 thousand in Prvi Faktor d.o.o., Beograd – u likvidaciji to ensure capital adequacy until the end of liquidation. Now NLB has directly 5 % ownership in the company.

Other changes:

- Kreditni biro SISBON was liquidated. In accordance with a court order, the company was removed from the court register.
- SPV 2 d.o.o., Novi Sad was established and will manage certain real estate in NLB Group. NLB's ownership is 100%. In August 2017 headquarters of the company was moved to Beograd and therefore the company is now called SPV 2 d.o.o., Beograd.
- In July 2017, NLB sold its non-core subsidiary NLB Factoring – "v likvidaci," Brno.

Changes in 2016

Capital changes:

- An increase in share capital in the form of cash contributions in the amount of EUR 2,503 thousand in SR-RE d.o.o., Beograd; REAM d.o.o., Podgorica; and REAM d.o.o., Beograd due to an increase in business operations.
- An increase in share capital in the form of cash contributions in the amount of EUR 13,050 thousand in NLB Leasing Podgorica, Podgorica; NLB Lizing, Skopje; and Prvi Faktor, Ljubljana to ensure capital adequacy until the end of liquidation.
- An increase in share capital in the form of a loan conversion in the amount of EUR 1,719 thousand in NLB Leasing Beograd to ensure capital adequacy until the end of liquidation.
- An increase in share capital in the form of cash contributions in the amount of EUR 7,004 thousand in NLB Leasing, Ljubljana to cover the loss from selling the portfolio of non-performing loans ("Project Pine"), and in the amount of EUR 7,000 thousand to ensure capital adequacy until the end of liquidation in Optima Leasing, Zagreb.

Other changes:

- FIN-DO d.o.o., Domžale and PRO-Avenija d.o.o., Ljubljana are merged with PRO-REM d.o.o., Ljubljana. The merger was formally registered on 1 July 2016, with the accounting date of merger as at 31 December 2015.
- BH-RE d.o.o., Sarajevo was established and will manage certain real estate in NLB Group. PRO-REM d.o.o., Ljubljana's ownership is 100%.
- Kreditni biro SISBON d.o.o., Ljubljana; Optima Leasing, Zagreb; NLB Leasing, Beograd; NLB Lizing, Skopje; PRO-REM d.o.o., Ljubljana; OL Nekretnine, Zagreb; NLB Leasing Podgorica, Podgorica; and NLB Interfinanz Zürich are formally in liquidation; and also NLB Propria, Ljubljana from 1 January 2017.
- Prvi faktor, Skopje and NLB Leasing Sofia were liquidated. In accordance with a court order, the companies were removed from the court register.

4. Notes to the condensed income statement**4.1. Interest income and expenses**

in EUR thousand

| | NLB Group | | | NLB | | |
|---|----------------|----------------|-------------|----------------|----------------|-------------|
| | September 2017 | September 2016 | change | September 2017 | September 2016 | change |
| Interest and similar income | | | | | | |
| Loans and advances to customers | 231,441 | 247,113 | -6% | 109,403 | 126,788 | -14% |
| Available-for-sale financial assets | 20,095 | 23,764 | -15% | 10,696 | 13,557 | -21% |
| Held-to-maturity investments | 12,339 | 13,381 | -8% | 12,339 | 13,381 | -8% |
| Financial assets held for trading | 5,261 | 7,431 | -29% | 5,261 | 7,516 | -30% |
| Loans and advances to banks and central banks | 1,165 | 921 | 26% | 1,787 | 1,831 | -2% |
| Deposits with central banks and banks | 613 | 618 | -1% | 289 | 386 | -25% |
| Derivatives - hedge accounting | - | 831 | -100% | - | 831 | -100% |
| Total | 270,914 | 294,059 | -8% | 139,775 | 164,290 | -15% |
| Interest and similar expenses | | | | | | |
| Due to customers | 22,453 | 31,800 | -29% | 6,961 | 12,149 | -43% |
| Debt securities in issue | 4,357 | 7,212 | -40% | 4,357 | 7,212 | -40% |
| Financial liabilities held for trading | 4,562 | 4,694 | -3% | 4,562 | 4,694 | -3% |
| Derivatives - hedge accounting | 4,366 | 4,448 | -2% | 4,366 | 4,448 | -2% |
| Borrowings from banks and central banks | 1,861 | 2,934 | -37% | 1,367 | 2,165 | -37% |
| Borrowings from other customers | 1,264 | 1,414 | -11% | - | 10 | -100% |
| Subordinated liabilities | 1,194 | 1,416 | -16% | - | - | - |
| Deposits from banks and central banks | 142 | 52 | 173% | 113 | 51 | 122% |
| Other financial liabilities | 2,022 | 1,273 | 59% | 1,686 | 1,086 | 55% |
| Total | 42,221 | 55,243 | -24% | 23,412 | 31,815 | -26% |
| Net interest income | 228,693 | 238,816 | -4% | 116,363 | 132,475 | -12% |

4.2. Fee and commission income and expenses

in EUR thousand

| | NLB Group | | | NLB | | |
|---|-------------------|----------------|-----------|-------------------|----------------|-----------|
| | nine months ended | | change | nine months ended | | change |
| | September 2017 | September 2016 | | September 2017 | September 2016 | |
| Fee and commission income | | | | | | |
| Credit cards and ATMs | 45,296 | 41,586 | 9% | 29,317 | 28,101 | 4% |
| Payments | 42,127 | 40,416 | 4% | 21,105 | 20,907 | 1% |
| Customer transaction accounts | 32,286 | 29,640 | 9% | 24,364 | 23,235 | 5% |
| Investment funds | 12,591 | 10,074 | 25% | 3,606 | 2,610 | 38% |
| Guarantees | 8,299 | 9,218 | -10% | 5,459 | 6,225 | -12% |
| Investment banking | 5,814 | 5,068 | 15% | 4,768 | 3,984 | 20% |
| Agency of insurance products | 3,074 | 2,478 | 24% | 3,063 | 2,465 | 24% |
| Other services | 4,403 | 4,693 | -6% | 3,054 | 3,570 | -14% |
| Total | 153,890 | 143,173 | 7% | 94,736 | 91,097 | 4% |
| Fee and commission expenses | | | | | | |
| Credit cards and ATMs | 28,155 | 25,772 | 9% | 16,814 | 15,988 | 5% |
| Payments | 4,193 | 3,926 | 7% | 593 | 599 | -1% |
| Investment banking | 2,827 | 2,133 | 33% | 2,024 | 1,518 | 33% |
| Insurance for holders of personal accounts and golden cards | 1,274 | 1,593 | -20% | 878 | 1,053 | -17% |
| Guarantees | 166 | 236 | -30% | 119 | 194 | -39% |
| Other services | 2,066 | 1,717 | 20% | 889 | 542 | 64% |
| Total | 38,681 | 35,377 | 9% | 21,317 | 19,894 | 7% |
| Net fee and commission income | 115,209 | 107,796 | 7% | 73,419 | 71,203 | 3% |

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 | |
|--|-------------------|----------------|-------------------|----------------|
| | nine months ended | | nine months ended | |
| | September 2017 | September 2016 | September 2017 | September 2016 |
| Available-for-sale financial assets | 11,834 | 14,300 | 11,440 | 14,150 |
| Financial liabilities measured at amortised cost | - | (39) | - | (39) |
| Total | 11,834 | 14,261 | 11,440 | 14,111 |

In February 2017, NLB Group successfully concluded a sale transaction of its major non-core equity participation and realised a gain in the amount of EUR 9,534 thousand.

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

in EUR thousand

| | NLB Group | | NLB | |
|--------------------------|----------------|----------------|----------------|----------------|
| | September 2017 | September 2016 | September 2017 | September 2016 |
| Foreign exchange trading | 7,945 | 7,025 | 3,272 | 2,402 |
| Derivatives | 1,472 | (1,302) | 1,841 | (1,383) |
| Debt instruments | (25) | (2,034) | (25) | (2,034) |
| Total | 9,392 | 3,689 | 5,088 | (1,015) |

4.5. Other operating income

in EUR thousand

| | NLB Group | | | NLB | | |
|--|----------------|----------------|------------|----------------|----------------|------------|
| | September 2017 | September 2016 | change | September 2017 | September 2016 | change |
| Income from non-banking services | 9,099 | 11,578 | -21% | 6,166 | 7,764 | -21% |
| Rental income from investment property | 4,358 | 4,221 | 3% | 294 | 183 | 61% |
| Other operating income | 5,283 | 3,064 | 72% | 3,048 | 1,690 | 80% |
| Total | 18,740 | 18,863 | -1% | 9,508 | 9,637 | -1% |

4.6. Other operating expenses

in EUR thousand

| | NLB Group | | | NLB | | |
|--|----------------|----------------|-------------|----------------|----------------|-------------|
| | September 2017 | September 2016 | change | September 2017 | September 2016 | change |
| Deposit guarantee | 11,394 | 11,004 | 4% | 4,731 | 4,567 | 4% |
| Single Resolution Fund | 2,590 | 3,894 | -33% | 2,590 | 3,894 | -33% |
| Other taxes and compulsory public levies | 2,160 | 2,208 | -2% | 843 | 764 | 10% |
| Membership fees and similar fees | 801 | 651 | 23% | 492 | 248 | 98% |
| Expenses related to issued service guarantees | 281 | 851 | -67% | 281 | 851 | -67% |
| Revaluation of investment property to fair value | 798 | 7,383 | -89% | 750 | 484 | 55% |
| Other operating expenses | 1,555 | 1,834 | -15% | 734 | 982 | -25% |
| Total | 19,579 | 27,825 | -30% | 10,421 | 11,790 | -12% |

4.7. Administrative expenses

in EUR thousand

| | NLB Group | | | NLB | | |
|---|----------------|----------------|------------|----------------|----------------|------------|
| | September 2017 | September 2016 | change | September 2017 | September 2016 | change |
| Employee costs | 120,557 | 122,875 | -2% | 75,662 | 77,627 | -3% |
| Other general and administrative expenses | 66,459 | 69,932 | -5% | 39,191 | 43,172 | -9% |
| Total | 187,016 | 192,807 | -3% | 114,853 | 120,799 | -5% |

4.8. Provisions for other liabilities and charges

in EUR thousand

| | NLB Group | | NLB | |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
| | nine months ended | | nine months ended | |
| | September 2017 | September 2016 | September 2017 | September 2016 |
| Guarantees and commitments | (5,830) | (13,276) | (5,003) | (12,521) |
| Provisions for legal issues | (2,043) | 4,396 | 65 | 39 |
| Provisions for restructuring | 17 | 6,361 | - | 6,055 |
| Other provisions | (505) | - | (531) | - |
| Total | (8,361) | (2,519) | (5,469) | (6,427) |

4.9. Impairment charge

in EUR thousand

| | NLB Group | | NLB | |
|---|-------------------|-------------------|-------------------|-------------------|
| | nine months ended | | nine months ended | |
| | September 2017 | September 2016 | September 2017 | September 2016 |
| Impairment of financial assets | | | | |
| Loans and advances to customers (note 5.4.5.) | (31,752) | 35,720 | (16,028) | 31,427 |
| Loans and advances to banks (note 5.4.5.) | 257 | (144) | - | (197) |
| Held-to-maturity financial assets | (10) | 83 | (10) | 83 |
| Available-for-sale financial assets | (3) | 28 | (3) | 28 |
| Other financial assets (note 5.4.5.) | 440 | (459) | 491 | (234) |
| Impairment of investments in subsidiaries, associates and joint ventures | | | | |
| Investments in subsidiaries | - | - | 37 | 25,001 |
| Impairment of other assets | | | | |
| Property and equipment | - | 2,180 | - | - |
| Other assets | 2,157 | 2,562 | 83 | 232 |
| Total | (28,911) | 39,970 | (15,430) | 56,340 |

The bank recalculates probability of defaults (PD) for collective provisions once a year in the first quarter of the year, and the full impact is recognised in the first quarter accounts. Positive trends in the economic environment and consequently a lower transition of performing customers into default in years 2016 and 2015 positively contributed to lower percentages of PD's, and consequently lower pool provisions mainly in the segment of corporate clients. In Q1 2017, the effect of release of impairments on NLB Group level in the segment of corporate clients amounts to approximately EUR 21 million (in Q1 2016 approximately EUR 14 million) and in NLB approximately EUR 9 million (in Q1 2016 approximately EUR 6 million). There were no significant changes in provisions for retail clients.

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

in EUR thousand

| | NLB Group | | | NLB | | |
|---|-------------------|----------------|--------|-------------------|----------------|--------|
| | nine months ended | | change | nine months ended | | change |
| | September 2017 | September 2016 | | September 2017 | September 2016 | |
| Dividends from investments in subsidiaries, associates and joint ventures | - | - | | 48,029 | 28,819 | |
| Gains less losses on derecognition of subsidiaries | (922) | - | | 159 | - | |
| Share of net gains less losses of associates and joint ventures accounted for using the equity method | 3,738 | 3,987 | | - | - | |
| Total | 2,816 | 3,987 | | 48,188 | 28,819 | |

4.11. Income tax

in EUR thousand

| | NLB Group | | | NLB | | |
|--------------------------|-------------------|----------------|-------------|-------------------|----------------|--------------|
| | nine months ended | | change | nine months ended | | change |
| | September 2017 | September 2016 | | September 2017 | September 2016 | |
| Current income tax | 7,209 | 12,374 | -42% | 92 | 7,108 | -99% |
| Deferred tax (note 5.8.) | (39) | 1,979 | -102% | (216) | (581) | -63% |
| Total | 7,170 | 14,353 | -50% | (124) | 6,527 | -102% |

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 | | |
|---|------------------|------------------|-------------|----------------|----------------|-------------|
| | 30.9.2017 | 31.12.2016 | Change | 30.9.2017 | 31.12.2016 | Change |
| Balances and obligatory reserves with central banks | 596,404 | 776,648 | -23% | 202,572 | 375,561 | -46% |
| Cash | 252,379 | 260,612 | -3% | 124,678 | 128,519 | -3% |
| Demand deposits at banks | 245,435 | 261,754 | -6% | 104,162 | 112,959 | -8% |
| Total | 1,094,218 | 1,299,014 | -16% | 431,412 | 617,039 | -30% |

5.2. Financial instruments held for trading

a) Trading assets

in EUR thousand

| | NLB Group | | | NLB | | |
|--|----------------|---------------|-------------|----------------|---------------|-------------|
| | 30.9.2017 | 31.12.2016 | Change | 30.9.2017 | 31.12.2016 | Change |
| Derivatives, excluding hedging instruments | | | | | | |
| Swap contracts | 12,405 | 15,185 | -18% | 12,405 | 15,179 | -18% |
| Forward contracts | 2,581 | 3,352 | -23% | 2,575 | 3,352 | -23% |
| Options | 677 | 405 | 67% | 677 | 405 | 67% |
| Total derivatives | 15,663 | 18,942 | -17% | 15,657 | 18,936 | -17% |
| Securities | | | | | | |
| Treasury bills | 85,077 | 30,012 | 183% | 85,077 | 30,012 | 183% |
| Commercial papers | - | 19,010 | -100% | - | 19,010 | -100% |
| Bonds | 9,429 | 19,735 | -52% | 9,429 | 19,735 | -52% |
| Total securities | 94,506 | 68,757 | 37% | 94,506 | 68,757 | 37% |
| Total | 110,169 | 87,699 | 26% | 110,163 | 87,693 | 26% |

b) Trading liabilities

in EUR thousand

| | NLB Group | | | NLB | | |
|---|---------------|---------------|-------------|---------------|---------------|-------------|
| | 30.9.2017 | 31.12.2016 | Change | 30.9.2017 | 31.12.2016 | Change |
| Derivatives, excluding hedging instruments | | | | | | |
| Swap contracts | 9,847 | 15,555 | -37% | 9,848 | 15,552 | -37% |
| Forward contracts | 2,479 | 3,236 | -23% | 2,479 | 3,235 | -23% |
| Options | 267 | - | - | 267 | - | - |
| Total | 12,593 | 18,791 | -33% | 12,594 | 18,787 | -33% |

5.3. Available-for-sale financial assets

in EUR thousand

| | NLB Group | | | NLB | | |
|--------------------------|------------------|------------------|-----------|------------------|------------------|-----------|
| | 30.9.2017 | 31.12.2016 | Change | 30.9.2017 | 31.12.2016 | Change |
| Bonds | 1,706,613 | 1,619,228 | 5% | 1,453,159 | 1,262,363 | 15% |
| Commercial bills | 283,737 | 274,489 | 3% | 146,616 | 209,331 | -30% |
| Treasury bills | 152,002 | 104,617 | 45% | 61,106 | 55,093 | 11% |
| National Resolution Fund | 44,549 | 44,570 | 0% | 44,549 | 44,570 | 0% |
| Shares | 9,040 | 29,050 | -69% | 2,522 | 22,737 | -89% |
| Cash certificates | 31 | 199 | -84% | - | - | - |
| Total | 2,195,972 | 2,072,153 | 6% | 1,707,952 | 1,594,094 | 7% |

5.4. Loans and advances

Analysis by type of loans and advances

in EUR thousand

| | NLB Group | | | NLB | | |
|---------------------------------|------------------|------------------|-----------|------------------|------------------|------------|
| | 30.9.2017 | 31.12.2016 | Change | 30.9.2017 | 31.12.2016 | Change |
| Loans and advances to customers | 6,907,087 | 6,912,067 | 0% | 4,694,793 | 4,843,594 | -3% |
| Loans and advances to banks | 482,969 | 435,537 | 11% | 433,151 | 408,056 | 6% |
| Debt securities | 82,012 | 85,315 | -4% | 82,012 | 85,315 | -4% |
| Other financial assets | 53,879 | 61,014 | -12% | 44,475 | 36,151 | 23% |
| Total | 7,525,947 | 7,493,933 | 0% | 5,254,431 | 5,373,116 | -2% |

5.4.1. Debt securities

in EUR thousand

| | NLB Group and NLB | | |
|--------------|-------------------|---------------|------------|
| | 30.9.2017 | 31.12.2016 | Change |
| Companies | 82,012 | 85,315 | -4% |
| Total | 82,012 | 85,315 | -4% |

5.4.2. Loans and advances to banks

in EUR thousand

| | NLB Group | | | NLB | | |
|--|----------------|----------------|------------|----------------|----------------|-----------|
| | 30.9.2017 | 31.12.2016 | Change | 30.9.2017 | 31.12.2016 | Change |
| Time deposits | 478,680 | 433,883 | 10% | 406,090 | 387,599 | 5% |
| Purchased receivables | 1,389 | 1,058 | 31% | 1,389 | 1,058 | 31% |
| Loans | 3,548 | 945 | 275% | 25,672 | 19,399 | 32% |
| | 483,617 | 435,886 | 11% | 433,151 | 408,056 | 6% |
| Allowance for impairment (note 5.4.5.) | (648) | (349) | 86% | - | - | - |
| Total | 482,969 | 435,537 | 11% | 433,151 | 408,056 | 6% |

5.4.3. Loans and advances to customers

in EUR thousand

| | NLB Group | | | NLB | | |
|--|------------------|------------------|------------|------------------|------------------|------------|
| | 30.9.2017 | 31.12.2016 | Change | 30.9.2017 | 31.12.2016 | Change |
| Loans | 7,088,065 | 7,198,486 | -2% | 4,897,320 | 5,098,336 | -4% |
| Overdrafts | 315,627 | 298,351 | 6% | 182,304 | 178,899 | 2% |
| Finance lease receivables | 178,788 | 192,923 | -7% | - | - | - |
| Credit card business | 110,698 | 112,106 | -1% | 56,105 | 60,338 | -7% |
| Called guarantees | 12,630 | 13,577 | -7% | 10,252 | 10,744 | -5% |
| Reverse sale and repurchase agreement | - | 25 | -100% | - | 25 | -100% |
| | 7,705,808 | 7,815,468 | -1% | 5,145,981 | 5,348,342 | -4% |
| Allowance for impairment (note 5.4.5.) | (798,721) | (903,401) | -12% | (451,188) | (504,748) | -11% |
| Total | 6,907,087 | 6,912,067 | 0% | 4,694,793 | 4,843,594 | -3% |

5.4.4. Other financial assets

in EUR thousand

| | NLB Group | | | NLB | | |
|---|---------------|---------------|-------------|---------------|---------------|------------|
| | 30.9.2017 | 31.12.2016 | Change | 30.9.2017 | 31.12.2016 | Change |
| Receivables in the course of collection | 15,166 | 13,235 | 15% | 12,545 | 11,481 | 9% |
| Credit card receivables | 19,202 | 21,961 | -13% | 16,000 | 17,375 | -8% |
| Debtors | 8,426 | 11,934 | -29% | 932 | 929 | 0% |
| Fees and commissions | 6,018 | 7,311 | -18% | 4,040 | 5,699 | -29% |
| Receivables to brokerage firms and others for sell of securities and custody services | 3,872 | 612 | 533% | 3,862 | 610 | 533% |
| Prepayments | 2,131 | 2,217 | -4% | - | - | - |
| Accrued income | 1,627 | 365 | 346% | 1,802 | 206 | 775% |
| Receivables from purchase agreements for equity securities | 163 | 164 | -1% | 163 | 164 | -1% |
| Dividends | 44 | 49 | -10% | 5,999 | 49 | - |
| Other financial assets | 9,044 | 18,619 | -51% | 2,843 | 3,409 | -17% |
| | 65,693 | 76,467 | -14% | 48,186 | 39,922 | 21% |
| Allowance for impairment (note 5.4.5.) | (11,814) | (15,453) | -24% | (3,711) | (3,771) | -2% |
| Total | 53,879 | 61,014 | -12% | 44,475 | 36,151 | 23% |

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

in EUR thousand

| | NLB Group | | | | | |
|---|------------|------------|----------------|----------------|------------------------|---------------|
| | Banks | | Customers | | Other financial assets | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Balance as at 1 January | 349 | 242 | 903,401 | 1,262,835 | 15,453 | 27,078 |
| Exchange differences on opening balance | 7 | 1 | 220 | (680) | 46 | 80 |
| Impairment (note 4.9.) | 257 | (144) | (31,752) | 35,720 | 440 | (459) |
| Write offs | - | - | (75,323) | (310,130) | (4,198) | (8,064) |
| Repayment of write offs | 35 | 35 | 10,359 | 8,771 | 85 | 358 |
| Exchange differences | - | - | 2,190 | (2) | (12) | (4) |
| Other | - | - | 584 | (120) | - | - |
| Balance as at 30 September | 648 | 134 | 809,679 | 996,394 | 11,814 | 18,989 |

in EUR thousand

| | NLB | | | | | |
|-----------------------------------|----------|----------|----------------|----------------|------------------------|--------------|
| | Banks | | Customers | | Other financial assets | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Balance as at 1 January | - | 197 | 504,748 | 694,718 | 3,771 | 5,123 |
| Impairment (note 4.9.) | - | (197) | (16,028) | 31,427 | 491 | (234) |
| Write offs | - | - | (40,390) | (194,743) | (562) | (1,347) |
| Repayment of write offs | - | - | 2,277 | 1,852 | 11 | 286 |
| Exchange differences | - | - | (210) | (63) | - | (1) |
| Other | - | - | 791 | - | - | - |
| Balance as at 30 September | - | - | 451,188 | 533,191 | 3,711 | 3,827 |

5.5. Held-to-maturity financial assets

in EUR thousand

| | NLB Group and NLB | | |
|--------------------------|-------------------|----------------|------------|
| | 30.9.2017 | 31.12.2016 | Change |
| Bonds | 599,469 | 611,532 | -2% |
| | 599,469 | 611,532 | -2% |
| Allowance for impairment | (73) | (83) | -12% |
| Total | 599,396 | 611,449 | -2% |

5.6. Investment property

in EUR thousand

| | NLB Group | | | NLB | | |
|--------------|---------------|---------------|------------|--------------|--------------|-----------|
| | 30.9.2017 | 31.12.2016 | Change | 30.9.2017 | 31.12.2016 | Change |
| Buildings | 76,220 | 78,529 | -3% | 8,030 | 7,553 | 6% |
| Land | 5,120 | 5,134 | 0% | 598 | 598 | 0% |
| Total | 81,340 | 83,663 | -3% | 8,628 | 8,151 | 6% |

5.7. Other assets

in EUR thousand

| | NLB Group | | | NLB | | |
|--------------------------------|----------------|---------------|------------|--------------|--------------|------------|
| | 30.9.2017 | 31.12.2016 | Change | 30.9.2017 | 31.12.2016 | Change |
| Assets, received as collateral | 88,589 | 79,059 | 12% | 3,342 | 4,263 | -22% |
| Inventories | 9,744 | 8,913 | 9% | 402 | 460 | -13% |
| Deferred expenses | 5,842 | 4,597 | 27% | 3,625 | 3,096 | 17% |
| Prepayments | 1,023 | 684 | 50% | 133 | 211 | -37% |
| Claim for taxes and other dues | 1,528 | 1,305 | 17% | 231 | 389 | -41% |
| Total | 106,726 | 94,558 | 13% | 7,733 | 8,419 | -8% |

5.8. Deferred tax

in EUR thousand

| | NLB Group | | | NLB | | |
|--|----------------|---------------|-------------|---------------|---------------|-------------|
| | 30.9.2017 | 31.12.2016 | Change | 30.9.2017 | 31.12.2016 | Change |
| Deferred income tax assets | | | | | | |
| Valuation of financial instruments and capital investments | 58,907 | 75,917 | -22% | 58,881 | 75,895 | -22% |
| Impairment provisions | 3,657 | 3,956 | -8% | 3,571 | 3,571 | 0% |
| Employee benefit provisions | 3,154 | 3,208 | -2% | 2,729 | 2,736 | 0% |
| Depreciation and valuation of non-financial assets | 1,118 | 1,113 | 0% | 164 | 175 | -6% |
| Tax losses | 207,810 | 206,866 | 0% | 209,247 | 208,678 | 0% |
| Reduction of deferred tax assets | (250,933) | (267,051) | -6% | (252,255) | (268,718) | -6% |
| Total deferred income tax assets | 23,713 | 24,009 | -1% | 22,337 | 22,337 | 0% |
| Deferred income tax liabilities | | | | | | |
| Valuation of financial instruments | 10,078 | 12,233 | -18% | 9,187 | 11,463 | -20% |
| Depreciation and valuation of non-financial assets | 1,658 | 1,278 | 30% | 248 | 252 | -2% |
| Impairment provisions | 2,924 | 3,471 | -16% | - | - | - |
| Other | 19 | 19 | 0% | - | - | - |
| Total deferred income tax liabilities | 14,679 | 17,001 | -14% | 9,435 | 11,715 | -19% |
| Net deferred income tax assets | 10,445 | 7,735 | 35% | 12,902 | 10,622 | 21% |
| Net deferred income tax liabilities | (1,411) | (727) | 94% | - | - | - |

in EUR thousand

| | NLB Group | | NLB | |
|--|-------------------|----------------|-------------------|----------------|
| | nine months ended | | nine months ended | |
| | September 2017 | September 2016 | September 2017 | September 2016 |
| Included in the income statement for the current year | 39 | (1,979) | 216 | 581 |
| - valuation of financial instruments and capital investments | (16,712) | 8,097 | (16,712) | 8,095 |
| - impairment provisions | 209 | (2,638) | - | (102) |
| - employee benefit provisions | (145) | 303 | (97) | 309 |
| - depreciation and valuation of non-financial assets | (375) | (96) | (7) | (13) |
| - tax losses | 944 | (4,651) | 569 | (5,552) |
| - adjustment of deferred income tax assets | 16,118 | (2,994) | 16,463 | (2,156) |
| Included in other comprehensive income for the current period | 1,953 | (1,826) | 2,064 | (1,539) |
| - valuation of available-for-sale financial assets | 1,863 | (1,715) | 1,974 | (1,428) |
| - cash flow hedges | - | 14 | - | 14 |
| - actuarial assumptions and experience | 90 | (125) | 90 | (125) |

As at 30 September 2017, NLB recognised EUR 22,337 thousand deferred tax assets (31 December 2016: EUR 22,337 thousand). Unrecognised deferred tax assets amount to EUR 252,255 thousand (31

December 2016: EUR 268,718 thousand), of which the majority relates to unrecognised deferred tax assets from tax losses and unrecognised deferred tax assets from impairments of capital investments.

5.9. Financial liabilities measured at amortised cost

Analysis by type of financial liabilities, measured at amortised cost

in EUR thousand

| | NLB Group | | | NLB | | |
|---|-------------------|-------------------|------------|------------------|------------------|------------|
| | 30.9.2017 | 31.12.2016 | Change | 30.9.2017 | 31.12.2016 | Change |
| Deposits from banks and central banks | 48,826 | 42,334 | 15% | 97,783 | 74,977 | 30% |
| - Deposits on demand | 44,684 | 34,828 | 28% | 97,072 | 74,434 | 30% |
| - Other deposits | 4,142 | 7,506 | -45% | 711 | 543 | 31% |
| Borrowings from banks and central banks | 293,229 | 371,769 | -21% | 271,184 | 338,467 | -20% |
| Due to customers | 9,670,751 | 9,437,147 | 2% | 6,722,876 | 6,615,390 | 2% |
| - Deposits on demand | 7,004,119 | 6,415,927 | 9% | 5,221,359 | 4,781,616 | 9% |
| - Other deposits | 2,666,632 | 3,021,220 | -12% | 1,501,517 | 1,833,774 | -18% |
| Borrowings from other customers | 77,171 | 83,619 | -8% | 6,677 | 4,274 | 56% |
| Debt securities in issue | - | 277,726 | -100% | - | 277,726 | -100% |
| Subordinated liabilities | 27,479 | 27,145 | 1% | - | - | - |
| Other financial liabilities | 110,658 | 110,295 | 0% | 72,412 | 68,784 | 5% |
| Total | 10,228,114 | 10,350,035 | -1% | 7,170,932 | 7,379,618 | -3% |

5.9.1. Debt securities in issue

in EUR thousand

| | NLB Group and NLB | | |
|--------------------------------------|-------------------|----------------|--------------|
| | 30.9.2017 | 31.12.2016 | Change |
| Carrying amount of issued securities | | | |
| - traded on active markets | - | 277,726 | -100% |
| Total | - | 277,726 | -100% |
| Bonds (in %) | | | |
| - fixed rated | - | 100.00 | |

5.9.2. Subordinated liabilities

in EUR thousand

| NLB Group | | | | 30.9.2017 | | 31.12.2016 | |
|---------------------------|----------|-----------|--|-----------------|---------------|-----------------|---------------|
| | Currency | Due date | Interest rate | Carrying amount | Nominal value | Carrying amount | Nominal value |
| Subordinated loans | | | | | | | |
| | EUR | 30.6.2018 | 6-month EURIBOR + 5 % p. a. with zero floor clause | 12,086 | 12,000 | 12,103 | 12,000 |
| | EUR | 30.6.2020 | 6-month EURIBOR + 7.7% p. a. | 5,230 | 5,000 | 5,151 | 5,000 |
| | EUR | 26.6.2025 | 6-month EURIBOR + 6.25% p. a. | 10,163 | 10,000 | 9,891 | 10,000 |
| Total | | | | 27,479 | 27,000 | 27,145 | 27,000 |

5.9.3. Other financial liabilities

in EUR thousand

| | NLB Group | | | NLB | | |
|--|----------------|----------------|-----------|---------------|---------------|-----------|
| | 30.9.2017 | 31.12.2016 | Change | 30.9.2017 | 31.12.2016 | Change |
| Items in the course of payment | 30,134 | 28,671 | 5% | 15,006 | 8,499 | 77% |
| Debit or credit card payables | 28,206 | 32,704 | -14% | 26,149 | 29,350 | -11% |
| Accrued expenses | 14,852 | 13,382 | 11% | 7,645 | 5,593 | 37% |
| Accrued salaries | 11,632 | 8,537 | 36% | 6,504 | 6,583 | -1% |
| Liabilities to brokerage firms and others for securities purchase and custody services | 5,931 | 1,038 | 471% | 4,850 | 181 | - |
| Suppliers | 5,187 | 11,781 | -56% | 2,500 | 8,393 | -70% |
| Fees and commissions due | 146 | 1,440 | -90% | 94 | 1,398 | -93% |
| Other financial liabilities | 14,570 | 12,742 | 14% | 9,664 | 8,787 | 10% |
| Total | 110,658 | 110,295 | 0% | 72,412 | 68,784 | 5% |

5.10. Provisions

in EUR thousand

| | NLB Group | | | NLB | | |
|---|---------------|----------------|-------------|---------------|---------------|-------------|
| | 30.9.2017 | 31.12.2016 | Change | 30.9.2017 | 31.12.2016 | Change |
| Provisions for non-financial guarantees | 20,763 | 22,745 | -9% | 20,040 | 21,777 | -8% |
| Employee benefit provisions | 20,465 | 19,758 | 4% | 16,748 | 15,384 | 9% |
| Provision for legal issues | 13,069 | 15,194 | -14% | 3,192 | 3,282 | -3% |
| Restructuring provisions | 7,932 | 10,014 | -21% | 7,350 | 8,750 | -16% |
| Provisions for financial guarantees | 8,799 | 25,327 | -65% | 7,059 | 23,131 | -69% |
| Provisions for other credit commitments | 4,999 | 5,609 | -11% | 4,460 | 4,957 | -10% |
| Other provisions | 275 | 2,267 | -88% | 263 | 2,265 | -88% |
| Total | 76,302 | 100,914 | -24% | 59,112 | 79,546 | -26% |

In connection to legal issues the biggest amount within material monetary claims relates to civil claims filed by Privredna banka Zagreb (the PBZ) and Zagrebačka banka (the ZaBa) against NLB, referring to the old savings of LB Branch Zagreb savers, which were transferred to these two banks in the principal amount of approximately EUR 172.2 million. Due to the fact the proceedings have been pending for such a long time, the penalty interest already exceeds the principal amount. As NLB is not liable for the old foreign currency savings, based on numerous process and content-related reasons, NLB has all along objected to these claims. Two key reasons NLB is no longer liable for the old foreign currency savings are that it was only founded on the basis of the Constitutional Act on 27 July 1994 (at the time the savings were deposited with LB Branch Zagreb, NLB did not yet exist), and NLB did not assume any of such obligations. Moreover, this is a former Yugoslavia succession matter as the governments of the Republic of Slovenia and the Republic of Croatia agreed in a Memorandum of Understanding signed in 2013 to find a solution to the transferred foreign currency savings of Ljubljanska banka in Croatia (LB) on the basis of the Agreement on Succession Issues and that the Republic of Croatia would stay all the proceedings commenced by the PBZ and the ZaBa in relation to the transferred foreign currency savings until the issue is finally resolved.

Despite the agreement in the Memorandum of Understanding (Memorandum) to stay all the proceedings commenced, in May 2015 the Court of Appeal, the County Court of Zagreb, ruled in one claim to reject the complaints raised by the LB and NLB. NLB then filed a constitutional appeal against the aforementioned

final judgement. In this case the ruled claim was enforced in the enforcement proceeding from the account of NLB with the Croatian bank. In the other cases, with respect to the court procedures described above, are still pending, and final judgments have not yet been issued.

Conversely, in another case, a claim filed by the PBZ became final in favor of NLB.

In the one of the cases on 29 March 2016, the court of second instance allowed the appeal and returned the case to the Court of first instance, which initially decided in favour of the ZaBa. The appeal court explained in its decree that the Court of first instance will have to assess what the position of the Memorandum is in the hierarchy of legal acts of the Republic of Croatia, and if it notices that the Memorandum in the specific case takes precedence, it will have to determine what the intentions were of the parties in concluding the Memorandum. The Court of first instance has in repeated proceedings decided about the request of NLB for stay of the proceeding according to Memorandum and has rejected the request of NLB. The position of the Court of first instance was unchanged that Memorandum is not international agreement binding upon the courts of Croatia. Such a position is contrary to the opinions of reputable professors of International Law from Croatia and Germany, which were filed by NLB in the proceeding and therefore NLB has filed the appeal against this decision.

On 16 November 2017 NLB received the judgement of Županijski sud in Zagreb which as a Court of second instance changed the judgment of the Court of first instance, with which the claim against NLB was refused, in such a way that the defendants NLB and LB are jointly and severally obliged to pay to the plaintiff ZaBa the principal in the amount of EUR 492 thousand plus interest, which exceeds the principal amount and litigation costs in the amount of approximately EUR 99 thousand with penalty interest. LB and NLB are in accordance with the judgment obliged to pay all relevant amounts jointly and severally. The judgment is final and enforceable. In accordance with the judgment the payment must be completed up to and including 1 December 2017. NLB will challenge the judgment with the extraordinary legal measures with the Supreme Court of the Republic of Croatia and later, if necessary, also with all other available remedies, as the obligations of the old foreign currency savings in accordance with Slovenian Constitutional Law are not the liabilities of the NLB. The effect in financial statements will be recognised in Q4 2017.

Provisions for these claims are not formed since NLB believes there are no legal grounds for them.

5.11. Income tax relating to components of other comprehensive income

in EUR thousand

| | NLB Group | | | | | |
|--|-------------------|--------------|-------------------|-------------------|----------------|-------------------|
| | 30.9.2017 | | | 30.9.2016 | | |
| | Before tax amount | Tax expense | Net of tax amount | Before tax amount | Tax expense | Net of tax amount |
| Available-for-sale financial assets | (8,922) | 1,863 | (7,059) | 12,711 | (1,715) | 10,996 |
| Cash flow hedge | - | - | - | (78) | 14 | (64) |
| Share of associates and joint ventures | (74) | 12 | (62) | 5,861 | (1,033) | 4,828 |
| Actuarial gains and losses | (846) | 90 | (756) | 1,475 | (125) | 1,350 |
| Total | (9,842) | 1,965 | (7,877) | 19,969 | (2,859) | 17,110 |

in EUR thousand

| | NLB | | | | | |
|-------------------------------------|-------------------|--------------|-------------------|-------------------|----------------|-------------------|
| | 30.9.2017 | | | 30.9.2016 | | |
| | Before tax amount | Tax expense | Net of tax amount | Before tax amount | Tax expense | Net of tax amount |
| Available-for-sale financial assets | (10,390) | 1,974 | (8,416) | 8,394 | (1,428) | 6,966 |
| Cash flow hedge | - | - | - | (78) | 14 | (64) |
| Actuarial gains and losses | (950) | 90 | (860) | 1,466 | (125) | 1,341 |
| Total | (11,340) | 2,064 | (9,276) | 9,782 | (1,539) | 8,243 |

5.12. Other liabilities

in EUR thousand

| | NLB Group | | | NLB | | |
|------------------------------|---------------|--------------|------------|--------------|--------------|-----------|
| | 30.9.2017 | 31.12.2016 | Change | 30.9.2017 | 31.12.2016 | Change |
| Taxes payable | 3,544 | 3,699 | -4% | 3,127 | 3,049 | 3% |
| Deferred income | 3,777 | 2,964 | 27% | 668 | 661 | 1% |
| Payments received in advance | 8,740 | 2,040 | 328% | 581 | 476 | 22% |
| Total | 16,061 | 8,703 | 85% | 4,376 | 4,186 | 5% |

5.13. Book value per share

The book value of a NLB share on a consolidated level as at 30 September 2017 was EUR 80.5 (31 December 2016: EUR 74.8), and on NLB's level it was EUR 66.9 (31 December 2016: EUR 63.2). It is calculated as the ratio of net assets' book value without other equity instruments issued and the number of shares. NLB Group and NLB do not have any other equity instruments issued or treasury shares.

5.14. Capital adequacy ratio

in EUR thousand

| | NLB Group | | NLB | |
|---|------------------|------------------|------------------|------------------|
| | 30.9.2017 | 31.12.2016 | 30.9.2017 | 31.12.2016 |
| 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 | 296,827 | 246,656 | 81,533 | 81,530 |
| Profit or loss eligible - from current year | - | 49,890 | - | - |
| Accumulated other comprehensive income | (11,337) | (6,053) | 117 | 5,205 |
| Other reserves | 13,522 | 13,522 | 13,522 | 13,522 |
| Minority interest | - | - | - | - |
| Prudential filters: Cash flow hedge reserve | - | - | - | - |
| Prudential filters: Value adjustments due to the requirements for prudent valuation | (2,347) | (2,213) | (1,859) | (1,734) |
| (-) Goodwill | (3,529) | (3,529) | - | - |
| (-) Other intangible assets | (31,576) | (30,397) | (24,233) | (23,345) |
| (-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities | (6,100) | (3,013) | (7,969) | (4,626) |
| (-) Investments in CET1 instruments of financial sector - significant share | - | - | - | - |
| COMMON EQUITY TIER 1 CAPITAL (CET1) | 1,326,838 | 1,336,241 | 1,132,489 | 1,141,930 |
| Additional Tier 1 capital | - | - | - | - |
| TIER 1 CAPITAL | 1,326,838 | 1,336,241 | 1,132,489 | 1,141,930 |
| Tier 2 capital | - | - | - | - |
| TOTAL CAPITAL (OWN FUNDS) | 1,326,838 | 1,336,241 | 1,132,489 | 1,141,930 |
| RWA for credit risk | 7,102,468 | 6,864,737 | 4,476,788 | 4,292,262 |
| RWA for market risks | 75,138 | 104,175 | 8,800 | 27,975 |
| RWA for credit valuation adjustment risk | 888 | 463 | 888 | 463 |
| RWA for operational risk | 949,493 | 892,753 | 593,750 | 561,091 |
| TOTAL RISK EXPOSURE AMOUNT (RWA) | 8,127,987 | 7,862,128 | 5,080,226 | 4,881,791 |
| Common Equity Tier 1 Ratio | 16.3% | 17.0% | 22.3% | 23.4% |
| Tier 1 Ratio | 16.3% | 17.0% | 22.3% | 23.4% |
| Total Capital Ratio | 16.3% | 17.0% | 22.3% | 23.4% |

5.15. Off-balance sheet liabilities

in EUR thousand

| | NLB Group | | | NLB | | |
|------------------------------|------------------|------------------|--------|------------------|------------------|--------|
| | 30.9.2017 | 31.12.2016 | Change | 30.9.2017 | 31.12.2016 | Change |
| Commitments to extend credit | 1,116,086 | 1,075,940 | 4% | 887,500 | 881,198 | 1% |
| Non-financial guarantees | 407,911 | 417,149 | -2% | 322,090 | 345,440 | -7% |
| Financial guarantees | 317,422 | 332,281 | -4% | 178,460 | 189,642 | -6% |
| Letters of credit | 14,223 | 17,485 | -19% | 375 | 3,761 | -90% |
| Other | 4,177 | 917 | 356% | 69 | 118 | -42% |
| | 1,859,819 | 1,843,772 | 1% | 1,388,494 | 1,420,159 | -2% |
| Provisions (note 5.10.) | (34,561) | (53,681) | -36% | (31,559) | (49,865) | -37% |
| Total | 1,825,258 | 1,790,091 | 2% | 1,356,935 | 1,370,294 | -1% |

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. 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 valutors. 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

| 30.9.2017 | NLB Group | | | | NLB | | | |
|---|-----------|---------|---------|-----------|-----------|---------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | | | | |
| Financial instruments held for trading | 94,506 | 15,253 | 410 | 110,169 | 94,506 | 15,247 | 410 | 110,163 |
| <i>Debt instruments</i> | 94,506 | - | - | 94,506 | 94,506 | - | - | 94,506 |
| <i>Derivatives</i> | - | 15,253 | 410 | 15,663 | - | 15,247 | 410 | 15,657 |
| Derivatives - hedge accounting | - | 2,030 | - | 2,030 | - | 2,030 | - | 2,030 |
| Financial assets designated at fair value through profit or loss | 5,694 | - | - | 5,694 | 1,431 | - | - | 1,431 |
| <i>Debt instruments</i> | 103 | - | - | 103 | - | - | - | - |
| <i>Equity instruments</i> | 5,591 | - | - | 5,591 | 1,431 | - | - | 1,431 |
| Financial assets available-for-sale | 1,833,820 | 356,274 | 5,878 | 2,195,972 | 1,506,687 | 199,274 | 1,991 | 1,707,952 |
| <i>Debt instruments</i> | 1,833,100 | 309,282 | - | 2,142,382 | 1,506,156 | 154,725 | - | 1,660,881 |
| <i>Equity instruments</i> | 720 | 46,992 | 5,878 | 53,590 | 531 | 44,549 | 1,991 | 47,071 |
| Financial liabilities | | | | | | | | |
| Financial instruments held for trading | - | 12,593 | - | 12,593 | - | 12,594 | - | 12,594 |
| <i>Derivatives</i> | - | 12,593 | - | 12,593 | - | 12,594 | - | 12,594 |
| Derivatives - hedge accounting | - | 24,938 | - | 24,938 | - | 24,938 | - | 24,938 |
| Financial liabilities designated at fair value through profit or loss | - | 1,431 | - | 1,431 | - | 1,431 | - | 1,431 |
| Non-financial assets | | | | | | | | |
| Investment properties | - | 81,340 | - | 81,340 | - | 8,628 | - | 8,628 |
| Non-current assets classified as held for sale | - | 4,936 | - | 4,936 | - | 1,651 | - | 1,651 |

in EUR thousand

| 31.12.2016 | NLB Group | | | | NLB | | | |
|---|-----------|---------|---------|-----------|-----------|---------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | | | | |
| Financial instruments held for trading | 49,747 | 37,547 | 405 | 87,699 | 49,747 | 37,541 | 405 | 87,693 |
| <i>Debt instruments</i> | 49,747 | 19,010 | - | 68,757 | 49,747 | 19,010 | - | 68,757 |
| <i>Derivatives</i> | - | 18,537 | 405 | 18,942 | - | 18,531 | 405 | 18,936 |
| Derivatives - hedge accounting | - | 217 | - | 217 | - | 217 | - | 217 |
| Financial assets designated at fair value through profit or loss | 6,694 | - | - | 6,694 | 2,011 | - | - | 2,011 |
| <i>Debt instruments</i> | 734 | - | - | 734 | - | - | - | - |
| <i>Equity instruments</i> | 5,960 | - | - | 5,960 | 2,011 | - | - | 2,011 |
| Financial assets available-for-sale | 1,648,721 | 417,529 | 5,903 | 2,072,153 | 1,330,150 | 262,134 | 1,810 | 1,594,094 |
| <i>Debt instruments</i> | 1,627,608 | 370,925 | - | 1,998,533 | 1,309,223 | 217,564 | - | 1,526,787 |
| <i>Equity instruments</i> | 21,113 | 46,604 | 5,903 | 73,620 | 20,927 | 44,570 | 1,810 | 67,307 |
| Financial liabilities | | | | | | | | |
| Financial instruments held for trading | - | 18,791 | - | 18,791 | - | 18,787 | - | 18,787 |
| <i>Derivatives</i> | - | 18,791 | - | 18,791 | - | 18,787 | - | 18,787 |
| Derivatives - hedge accounting | - | 29,024 | - | 29,024 | - | 29,024 | - | 29,024 |
| Financial liabilities designated at fair value through profit or loss | - | 2,011 | - | 2,011 | - | 2,011 | - | 2,011 |
| Non-financial assets | | | | | | | | |
| Investment properties | - | 83,663 | - | 83,663 | - | 8,151 | - | 8,151 |
| Non-current assets classified as held for sale | - | 4,263 | - | 4,263 | - | 1,788 | - | 1,788 |

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 | | | | | Derivatives | |
|----------------------|---|-----------------|---|---|--|-----------------|
| | Equities | Equity stake | Funds | Debt securities | Equities | Currency |
| 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 |
| 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> companies in insolvency proceedings <i>from level 3 to 1</i> equity included in exchange market | | <i>from level 1 to 3</i> fund management stops publishing regular valuation <i>from level 3 to 1</i> fund management starts publishing regular valuation | <i>from level 1 to 2</i> fixed income excluded from exchange market <i>from level 1 to 2</i> fixed income not liquid (not trading for 6 months) <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) | <i>from level 2 to 3</i> underlying excluded from exchange market <i>from level 3 to 2</i> underlying included in exchange market | |

For the nine months ending 30 September 2017 and 30 September 2016, NLB Group nor NLB had no significant transfers of financial instruments between the 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 include:

- debt securities: bonds not quoted on active markets and valuated 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 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 the 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.

Movements of financial assets and liabilities on Level 3

in EUR thousand

| | Trading assets | Available-for- sale financial assets | Total financial assets |
|---|-------------------|--|------------------------------|
| NLB Group | | | |
| Balance as at 1 January 2017 | 405 | 5,903 | 6,308 |
| Effects of translation of foreign operations to presentation currency | - | (204) | (204) |
| Valuation: | | Equity instruments | |
| - through profit or loss | 5 | - | 5 |
| - recognised in other comprehensive income | - | 244 | 244 |
| Decreases | - | (65) | (65) |
| Balance as at 30 September 2017 | 410 | 5,878 | 6,288 |

in EUR thousand

| | Trading assets | | Available-for- sale financial assets | Total financial assets |
|---|---------------------|-------------|--|------------------------------|
| | Debt instruments | Derivatives | Equity instruments | |
| NLB Group | | | | |
| Balance as at 1 January 2016 | 993 | 114 | 9,960 | 11,067 |
| Effects of translation of foreign operations to presentation currency | - | - | (6) | (6) |
| Valuation: | | | | |
| - through profit or loss | - | 171 | (9) | 162 |
| - recognised in other comprehensive income | - | - | 1,313 | 1,313 |
| Exchange differences | (37) | - | - | (37) |
| Increases | - | - | 1,066 | 1,066 |
| Decreases | (956) | - | (5,859) | (6,815) |
| Balance as at 30 September 2016 | - | 285 | 6,465 | 6,750 |

in EUR thousand

| | Trading assets | Available-for- sale financial assets | Total financial assets |
|--|-------------------|--|------------------------------|
| NLB | | | |
| Balance as at 1 January 2017 | 405 | 1,810 | 2,215 |
| Valuation: | | Equity instruments | |
| - through profit or loss | 5 | - | 5 |
| - recognised in other comprehensive income | - | 246 | 246 |
| Decreases | - | (65) | (65) |
| Balance as at 30 September 2017 | 410 | 1,991 | 2,401 |

in EUR thousand

| NLB | Trading assets | | Available-for-sale financial assets | Total financial assets |
|--|------------------|-------------|-------------------------------------|------------------------|
| | Debt instruments | Derivatives | Equity instruments | |
| Balance as at 1 January 2016 | 993 | 114 | 6,874 | 7,981 |
| Valuation: | | | | |
| - through profit or loss | | 171 | (9) | 162 |
| - recognised in other comprehensive income | | - | 338 | 338 |
| Exchange differences | (37) | - | - | (37) |
| Increases | - | - | 1,066 | 1,066 |
| Decreases | (956) | - | (5,859) | (6,815) |
| Balance as at 30 September 2016 | - | 285 | 2,410 | 2,695 |

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

in EUR thousand

| | NLB Group | | | | NLB | | | |
|--|----------------|------------|----------------|------------|----------------|------------|----------------|------------|
| | 30.9.2017 | | 31.12.2016 | | 30.9.2017 | | 31.12.2016 | |
| | Carrying value | Fair value | Carrying value | Fair value | Carrying value | Fair value | Carrying value | Fair value |
| Loans and advances | | | | | | | | |
| - debt securities | 82,012 | 78,777 | 85,315 | 78,953 | 82,012 | 78,777 | 85,315 | 78,953 |
| - loans and advances to banks | 482,969 | 483,591 | 435,537 | 434,958 | 433,151 | 439,610 | 408,056 | 415,771 |
| - loans and advances to customers | 6,907,087 | 6,924,080 | 6,912,067 | 6,962,419 | 4,694,793 | 4,694,084 | 4,843,594 | 4,884,828 |
| - other financial assets | 53,879 | 53,879 | 61,014 | 61,014 | 44,475 | 44,475 | 36,151 | 36,151 |
| Held-to-maturity investments | 599,396 | 649,571 | 611,449 | 671,344 | 599,396 | 649,571 | 611,449 | 671,344 |
| Financial liabilities measured at amortised cost | | | | | | | | |
| - deposits from banks and central banks | 48,826 | 48,821 | 42,334 | 42,314 | 97,783 | 97,784 | 74,977 | 74,977 |
| - borrowings from banks and central banks | 293,229 | 299,932 | 371,769 | 377,037 | 271,184 | 277,182 | 338,467 | 348,331 |
| - due to customers | 9,670,751 | 9,690,107 | 9,437,147 | 9,461,925 | 6,722,876 | 6,730,177 | 6,615,390 | 6,626,851 |
| - borrowings from other customers | 77,171 | 77,785 | 83,619 | 83,851 | 6,677 | 6,647 | 4,274 | 4,258 |
| - debt securities in issue | - | - | 277,726 | 280,278 | - | - | 277,726 | 280,278 |
| - subordinated liabilities | 27,479 | 27,193 | 27,145 | 28,777 | - | - | - | - |
| - other financial liabilities | 110,658 | 110,658 | 110,295 | 110,295 | 72,412 | 72,412 | 68,784 | 68,784 |

Loans and advances to banks

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

Loans and advances to customers

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

Deposits and borrowings

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

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

Held-to-maturity financial assets and issued debt securities

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

Loan commitments

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

Other financial assets and liabilities

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

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

in EUR thousand

| 30.9.2017 | NLB Group | | | | NLB | | | |
|--|-----------|-----------|---------|-----------|---------|-----------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Loans and advances | | | | | | | | |
| - debt securities | - | 78,777 | - | 78,777 | - | 78,777 | - | 78,777 |
| - loans and advances to banks | - | 483,591 | - | 483,591 | - | 439,610 | - | 439,610 |
| - loans and advances to customers | - | 6,924,080 | - | 6,924,080 | - | 4,694,084 | - | 4,694,084 |
| - other financial assets | - | 53,879 | - | 53,879 | - | 44,475 | - | 44,475 |
| Held-to-maturity investments | 649,571 | - | - | 649,571 | 649,571 | - | - | 649,571 |
| Financial liabilities measured at amortised cost | | | | | | | | |
| - deposits from banks and central banks | - | 48,821 | - | 48,821 | - | 97,784 | - | 97,784 |
| - borrowings from banks and central banks | - | 299,932 | - | 299,932 | - | 277,182 | - | 277,182 |
| - due to customers | - | 9,690,107 | - | 9,690,107 | - | 6,730,177 | - | 6,730,177 |
| - borrowings from other customers | - | 77,785 | - | 77,785 | - | 6,647 | - | 6,647 |
| - debt securities in issue | - | - | - | - | - | - | - | - |
| - subordinated liabilities | - | 27,193 | - | 27,193 | - | - | - | - |
| - other financial liabilities | - | 110,658 | - | 110,658 | - | 72,412 | - | 72,412 |

in EUR thousand

| 31.12.2016 | NLB Group | | | | NLB | | | |
|--|-----------|-----------|---------|-----------|---------|-----------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Loans and advances | | | | | | | | |
| - debt securities | - | 78,953 | - | 78,953 | - | 78,953 | - | 78,953 |
| - loans and advances to banks | - | 434,958 | - | 434,958 | - | 415,771 | - | 415,771 |
| - loans and advances to customers | - | 6,962,419 | - | 6,962,419 | - | 4,884,828 | - | 4,884,828 |
| - other financial assets | - | 61,014 | - | 61,014 | - | 36,151 | - | 36,151 |
| Held-to-maturity investments | 671,344 | - | - | 671,344 | 671,344 | - | - | 671,344 |
| Financial liabilities measured at amortised cost | | | | | | | | |
| - deposits from banks and central banks | - | 42,314 | - | 42,314 | - | 74,977 | - | 74,977 |
| - borrowings from banks and central banks | - | 377,037 | - | 377,037 | - | 348,331 | - | 348,331 |
| - due to customers | - | 9,461,925 | - | 9,461,925 | - | 6,626,851 | - | 6,626,851 |
| - borrowings from other customers | - | 83,851 | - | 83,851 | - | 4,258 | - | 4,258 |
| - debt securities in issue | 280,278 | - | - | 280,278 | 280,278 | - | - | 280,278 |
| - subordinated liabilities | - | 28,777 | - | 28,777 | - | - | - | - |
| - other financial liabilities | - | 110,295 | - | 110,295 | - | 68,784 | - | 68,784 |

6. Related-party transactions

The volumes of related party transactions and the outstanding balances:

in EUR thousand

| NLB Group and NLB | Management Board and other Key management personnel | | Family members of the Management Board and other key management personnel | | Companies in which members of the Management Board, key management personnel or their family members have control, joint control or a significant influence | | Supervisory Board | |
|--|---|----------------|---|----------------|---|----------------|----------------------------------|----------------|
| | 30.9.2017 | 31.12.2016 | 30.9.2017 | 31.12.2016 | 30.9.2017 | 31.12.2016 | 30.9.2017 | 31.12.2016 |
| Loans and deposits issued | 2,063 | 2,110 | 416 | 492 | 347 | 371 | 443 | - |
| Loans and deposits received | 1,972 | 2,079 | 725 | 697 | 538 | 480 | 218 | 130 |
| Other financial assets | 2 | - | - | - | - | - | - | - |
| Other financial liabilities | 2,407 | 1,536 | - | - | 5 | 2 | - | - |
| Guarantees issued and commitments to extend credit | 226 | 248 | 80 | 83 | 109 | 147 | 26 | 3 |
| | nine months ended September 2017 | September 2016 | nine months ended September 2017 | September 2016 | nine months ended September 2017 | September 2016 | nine months ended September 2017 | September 2016 |
| Interest income | 27 | 32 | 6 | 7 | 5 | 7 | 8 | - |
| Interest expenses | (6) | (10) | (3) | (3) | - | - | - | (1) |
| Fee income | 7 | 8 | 3 | 4 | 7 | 6 | 1 | - |
| Other income | - | 2 | - | - | - | - | - | - |
| Other expenses | (3) | - | - | - | (57) | - | - | - |

in EUR thousand

| | NLB Group Ultimate parent | | NLB Ultimate parent | |
|--|----------------------------------|----------------|----------------------------------|----------------|
| | 30.9.2017 | 31.12.2016 | 30.9.2017 | 31.12.2016 |
| Loans and deposits issued | 151,417 | 178,589 | 146,964 | 173,160 |
| Loans and deposits received | 70,010 | 70,005 | 70,010 | 70,005 |
| Investments in securities | 951,749 | 934,336 | 878,482 | 869,941 |
| Other financial assets | 160 | 153 | 8 | 1 |
| Other financial liabilities | 3 | 6 | 3 | 6 |
| Guarantees issued and commitments to extend credit | 881 | 849 | 881 | 849 |
| | nine months ended September 2017 | September 2016 | nine months ended September 2017 | September 2016 |
| Interest income | 19,271 | 25,840 | 18,943 | 25,116 |
| Interest expenses | (5) | (4) | (5) | (4) |
| Fee income | 128 | 96 | 128 | 96 |
| Fee expenses | (28) | (28) | (28) | (28) |
| Other income | 8 | 3 | 8 | 3 |
| Other expenses | (19) | - | (19) | - |

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 and NLB | Amount of significant transactions concluded during the period | | Number of significant transactions concluded during the period | |
|---|--|-------------------|--|-------------------|
| | 1.1. - 30.9.2017 | 1.1. - 31.12.2016 | 1.1. - 30.9.2017 | 1.1. - 31.12.2016 |
| Loans | - | 158,136 | - | 1 |
| Commitments to extend credit | - | 140,000 | - | 2 |
| | | | | |
| | Balance of all significant transactions at end of the period | | Number of significant transactions at end of the period | |
| | 30.9.2017 | 31.12.2016 | 30.9.2017 | 31.12.2016 |
| Loans | 629,365 | 770,407 | 5 | 5 |
| Debt securities classified as loans and advances | 82,013 | 85,315 | 1 | 1 |
| Borrowings, deposits and business accounts | 135,006 | 135,020 | 2 | 3 |
| Commitments to extend credit | - | 140,000 | - | 2 |
| | | | | |
| | Effects in income statement during the period | | Effects in income statement during the period | |
| | nine months ended | | nine months ended | |
| | September 2017 | September 2016 | September 2017 | September 2016 |
| Interest income from loans | 3,853 | 2,502 | | |
| Effects from net interest income and net valuation from debt securities classified as loans and receivables | 528 | 15,372 | | |
| Interest expense from borrowings, deposits and business accounts | (83) | (194) | | |
| Interest income from commitments to extend credit | - | 758 | | |

in EUR thousand

| | NLB Group | | | |
|--|-------------------|----------------|-------------------|----------------|
| | Associates | | Joint ventures | |
| | 30.9.2017 | 31.12.2016 | 30.9.2017 | 31.12.2016 |
| Loans and deposits issued | 1,326 | 1,418 | 4,854 | 19,857 |
| Loans and deposits received | 3,326 | 5,838 | 6,394 | 5,198 |
| Other financial assets | - | 30 | 167 | 141 |
| Other financial liabilities | 158 | 927 | 80 | 92 |
| Guarantees issued and commitments to extend credit | 36 | 40 | 26 | 28 |
| | | | | |
| | nine months ended | | nine months ended | |
| | September 2017 | September 2016 | September 2017 | September 2016 |
| Interest income | 32 | 36 | 47 | 788 |
| Interest expenses | - | (17) | (50) | (26) |
| Fee income | 100 | 88 | 2,922 | 2,603 |
| Fee expenses | (7,823) | (7,683) | (1,544) | (1,500) |
| Other income | 161 | 167 | 92 | 319 |
| Other expenses | (741) | (778) | (13) | (89) |

7. Analysis by segment for NLB Group

a) Segments

The nine months ending 30 September 2017.

in EUR thousand

| | Corporate banking in Slovenia | Retail banking in Slovenia | Financial markets and investment banking in Slovenia | Foreign strategic markets | Non-strategic markets and activities | Other activities | Unallocated | Total |
|--|-------------------------------------|----------------------------------|--|---------------------------------|--|---------------------|-------------|----------------|
| NLB Group | | | | | | | | |
| Total net income | 53,056 | 104,083 | 28,976 | 141,999 | 34,872 | 5,151 | - | 368,136 |
| Net income from external customers | 56,561 | 104,240 | 22,170 | 143,293 | 34,665 | 5,274 | - | 366,202 |
| Intersegment net income | (3,506) | (157) | 6,806 | (1,294) | 207 | (116) | - | 1,940 |
| Net interest income | 30,290 | 53,832 | 24,000 | 108,187 | 12,566 | (181) | - | 228,693 |
| Net interest income from external customers | 33,796 | 54,204 | 17,128 | 109,720 | 13,913 | (68) | - | 228,693 |
| Intersegment net interest income | (3,506) | (373) | 6,872 | (1,533) | (1,347) | (113) | - | (0) |
| Administrative expenses | (29,053) | (66,146) | (8,491) | (63,616) | (15,309) | (6,334) | - | (188,950) |
| Depreciation and amortisation | (3,304) | (7,778) | (768) | (6,945) | (977) | (1,056) | - | (20,827) |
| Reportable segment profit/(loss) before impairment and provision charge | 20,699 | 30,158 | 19,716 | 71,438 | 18,586 | (2,238) | - | 158,359 |
| Gains less losses from capital investment in subsidiaries, associates and joint ventures | - | 3,577 | 159 | - | (920) | - | - | 2,816 |
| Impairment and provisions charge | 8,193 | (1,210) | (55) | 16,851 | 13,002 | 491 | - | 37,272 |
| Profit/(loss) before income tax | 28,892 | 32,525 | 19,820 | 88,289 | 30,669 | (1,747) | - | 198,447 |
| Owners of the parent | 28,892 | 32,525 | 19,820 | 81,003 | 30,669 | (1,747) | - | 191,161 |
| Non-controlling interests | - | - | - | 7,286 | - | - | - | 7,286 |
| Income tax | - | - | - | - | - | - | (7,170) | (7,170) |
| Profit for the period | | | | | | | | 183,991 |
| 30.9.2017 | | | | | | | | |
| Reportable segment assets | 2,135,211 | 2,170,735 | 3,327,913 | 3,729,501 | 444,741 | 157,352 | - | 11,965,453 |
| Investments in associates and joint ventures | - | 42,468 | - | - | - | - | - | 42,468 |
| Reportable segment liabilities | 1,109,286 | 5,397,588 | 574,948 | 3,149,053 | 56,755 | 75,696 | - | 10,363,327 |

The nine months ending 30 September 2016.

in EUR thousand

| | Corporate banking in Slovenia | Retail banking in Slovenia | Financial markets and investment banking in Slovenia | Foreign strategic markets | Non-strategic markets and activities | Other activities | Unallocated | Total |
|--|-------------------------------------|----------------------------------|--|---------------------------------|--|---------------------|-------------|----------------|
| NLB Group | | | | | | | | |
| Total net income | 57,577 | 100,224 | 35,863 | 133,522 | 18,879 | 14,501 | - | 360,566 |
| Net income from external customers | 63,030 | 93,104 | 33,269 | 134,455 | 19,010 | 14,761 | - | 357,629 |
| Intersegment net income | (5,453) | 7,120 | 2,594 | (933) | (131) | (260) | - | 2,937 |
| Net interest income | 35,984 | 54,319 | 35,252 | 101,944 | 11,852 | (535) | - | 238,816 |
| Net interest income from external customers | 41,438 | 47,420 | 32,615 | 103,743 | 13,875 | (275) | - | 238,816 |
| Intersegment net interest income | (5,453) | 6,898 | 2,637 | (1,799) | (2,023) | (260) | - | - |
| Administrative expenses | (30,596) | (69,031) | (8,312) | (63,278) | (16,190) | (8,337) | - | (195,744) |
| Depreciation and amortisation | (3,427) | (8,097) | (788) | (5,929) | (1,723) | (1,398) | - | (21,362) |
| Reportable segment profit/(loss) before impairment and provision charge | 23,553 | 23,097 | 26,763 | 64,315 | 966 | 4,766 | - | 143,460 |
| Gains less losses from capital investment in subsidiaries, associates and joint ventures | - | 3,987 | - | - | - | - | - | 3,987 |
| Impairment and provisions charge | 4,489 | (9,197) | 42 | (6,752) | (19,696) | (6,338) | - | (37,451) |
| Profit/(loss) before income tax | 28,042 | 17,887 | 26,806 | 57,563 | (18,730) | (1,572) | - | 109,996 |
| Owners of the parent | 28,042 | 17,887 | 26,806 | 53,390 | (18,730) | (1,572) | - | 105,823 |
| Non-controlling interests | - | - | - | 4,173 | - | - | - | 4,173 |
| Income tax | - | - | - | - | - | - | (14,353) | (14,353) |
| Profit for the period | | | | | | | | 91,470 |
| 31.12.2016 | | | | | | | | |
| Reportable segment assets | 2,338,698 | 2,074,736 | 3,375,667 | 3,540,474 | 502,610 | 163,578 | - | 11,995,763 |
| Investments in associates and joint ventures | - | 43,248 | - | - | - | - | - | 43,248 |
| Reportable segment liabilities | 1,198,058 | 5,229,761 | 907,159 | 3,038,921 | 57,935 | 81,517 | - | 10,513,351 |
| Additions to non-current assets | 2,305 | 7,286 | 363 | 7,882 | 2,928 | 463 | - | 21,227 |

b) Geographical information

in EUR thousand

| | Revenues | | Net income | | Non-current assets | | Total assets | |
|--------------------------|-------------------|----------------|-------------------|----------------|--------------------|----------------|-------------------|-------------------|
| | nine months ended | | nine months ended | | 30.9.2017 | 31.12.2016 | 30.9.2017 | 31.12.2016 |
| | September 2017 | September 2016 | September 2017 | September 2016 | | | | |
| NLB Group | | | | | | | | |
| Slovenia | 243,559 | 263,093 | 218,765 | 226,249 | 219,593 | 225,643 | 8,174,514 | 8,393,754 |
| South East Europe | 181,035 | 174,108 | 144,900 | 129,736 | 127,898 | 130,949 | 3,793,372 | 3,602,358 |
| Macedonia | 64,944 | 61,873 | 50,174 | 45,910 | 32,735 | 33,448 | 1,162,880 | 1,147,375 |
| Serbia | 18,450 | 15,691 | 15,588 | 13,784 | 22,762 | 24,822 | 378,038 | 316,023 |
| Montenegro | 21,530 | 23,164 | 16,416 | 11,628 | 29,416 | 29,476 | 480,396 | 478,682 |
| Croatia | 171 | 30 | 331 | (196) | 2,476 | 2,568 | 32,070 | 27,164 |
| Bosnia and Herzegovina | 50,180 | 48,906 | 40,818 | 38,214 | 26,583 | 27,222 | 1,186,261 | 1,116,169 |
| Kosovo | 25,760 | 24,444 | 21,573 | 20,396 | 13,926 | 13,413 | 553,727 | 516,945 |
| Western Europe | 359 | 1,225 | (98) | 1,645 | 239 | 247 | 39,103 | 39,742 |
| Germany | 11 | 5 | 88 | 381 | 219 | 222 | 5,628 | 2,782 |
| Switzerland | 348 | 1,220 | (186) | 1,264 | 20 | 25 | 33,475 | 36,960 |
| Czech Republic | 4 | - | 2,635 | (1) | 927 | 891 | 932 | 3,157 |
| Total | 424,957 | 438,426 | 366,202 | 357,629 | 348,657 | 357,730 | 12,007,921 | 12,039,011 |

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

8. Subsidiaries

NLB Group's subsidiaries as at 30 September 2017 were:

| | Nature of Business | Country of Incorporation | NLB Group's shareholding % | NLB's shareholding % |
|---|----------------------------|------------------------------------|----------------------------|----------------------|
| Core members | | | | |
| NLB Banka a.d., Skopje | Banking | Republic of Macedonia | 86.97 | 86.97 |
| NLB Banka a.d., Podgorica | Banking | Republic of Montenegro | 99.83 | 99.83 |
| 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., Beograd | Banking | Republic of Serbia | 99.998 | 99.998 |
| NLB Srbija d.o.o., Beograd | 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 |
| Optima Leasing d.o.o., Zagreb - "u likvidaciji" | Finance | Republic of Croatia | 100 | - |
| NLB Leasing Podgorica d.o.o., Podgorica - "u likvidaciji" | Finance | Republic of Montenegro | 100 | 100 |
| NLB Leasing d.o.o., Beograd - u likvidaciji | 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 - vo likvidacija | 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 - v likvidaciji | Real estate | Republic of Slovenia | 100 | 100 |
| OL Nekretnine d.o.o., Zagreb - u likvidaciji | 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., Beograd | Real estate | Republic of Serbia | 100 | 100 |
| SR-RE d.o.o., Beograd | Real estate | Republic of Serbia | 100 | 100 |
| SPV 2 d.o.o., Beograd | Real estate | Republic of Serbia | 100 | 100 |
| NLB Propria d.o.o., Ljubljana - v likvidaciji | Real estate | Republic of Slovenia | 100 | 100 |
| CBS Invest d.o.o., Sarajevo | Real estate | Republic of Bosnia and Herzegovina | 100 | 100 |
| NLB InterFinanz AG, Zürich in Liquidation | Finance | Switzerland | 100 | 100 |
| NLB InterFinanz Praha s.r.o., Prague | Finance | Czech Republic | 100 | - |
| NLB InterFinanz d.o.o., Beograd | Finance | Republic of Serbia | 100 | - |
| Prospera plus d.o.o., Ljubljana | Tourist and catering trade | Republic of Slovenia | 100 | 100 |
| LHB AG, Frankfurt | Finance | Republic of Germany | 100 | 100 |

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

| | Nature of Business | Country of Incorporation | NLB Group's shareholding % | NLB's shareholding % |
|---|----------------------------|------------------------------------|----------------------------|----------------------|
| Core members | | | | |
| NLB 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., Beograd | Banking | Republic of Serbia | 99.997 | 99.997 |
| NLB Srbija d.o.o., Beograd | 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 |
| Optima Leasing d.o.o., Zagreb - "u likvidaciji" | Finance | Republic of Croatia | 100 | - |
| NLB Leasing Podgorica d.o.o., Podgorica - "u likvidaciji" | Finance | Republic of Montenegro | 100 | 100 |
| NLB Leasing d.o.o., Beograd - u likvidaciji | 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 - vo likvidacija | 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 - v likvidaciji | Real estate | Republic of Slovenia | 100 | 100 |
| OL Nekretnine d.o.o., Zagreb - u likvidaciji | 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., Beograd | Real estate | Republic of Serbia | 100 | 100 |
| SR-RE d.o.o., Beograd | Real estate | Republic of Serbia | 100 | 100 |
| NLB Propria d.o.o., Ljubljana - v likvidaciji | Real estate | Republic of Slovenia | 100 | 100 |
| CBS Invest d.o.o., Sarajevo | Real estate | Republic of Bosnia and Herzegovina | 100 | 100 |
| NLB InterFinanz AG, Zürich in Liquidation | Finance | Switzerland | 100 | 100 |
| NLB InterFinanz Praha s.r.o., Prague | Finance | Czech Republic | 100 | - |
| NLB InterFinanz d.o.o., Beograd | Finance | Republic of Serbia | 100 | - |
| Prospera plus d.o.o., Ljubljana | Tourist and catering trade | Republic of Slovenia | 100 | 100 |
| LHB AG, Frankfurt | Finance | Republic of Germany | 100 | 100 |
| NLB Factoring a.s. - "v likvidaciji", Brno | Finance | Czech Republic | 100 | 100 |

9. Events after the end of the reporting period

On 16 November 2017, NLB received the judgement of Županijski sud in Zagreb in connection to the claim related to the old foreign currency savings, which was in accordance with Croatian regulations passed to ZaBa (for detailed information refer to note 5.10).

