

Interim  
Report

H1 2019



# Glossary of Terms and Definitions

<b>ALM</b>	Asset and Liability Management
<b>bps</b>	Basis Points
<b>CBR</b>	Combined Buffer Requirement
<b>CET 1</b>	Common Equity Tier 1
<b>CIR</b>	Cost-to-Income Ratio
<b>CRR</b>	Capital Requirements Regulation
<b>CVA</b>	Credit Value Adjustments
<b>DGS</b>	Deposit Guarantee Scheme
<b>EBA</b>	European Banking Authority
<b>EC</b>	European Commission
<b>ECB</b>	European Central Bank
<b>EU</b>	European Union
<b>FED</b>	Federal Reserve Bank
<b>FVTPL</b>	Fair Value Loans Through Profit or Loss
<b>FX</b>	Foreign Exchange
<b>GDP</b>	Gross Domestic Product
<b>GDR</b>	Global Depository Receipts
<b>ICAAP</b>	Internal Capital Adequacy Assessment Process
<b>IFRS 9</b>	International Financial Reporting Standard 9
<b>ILAAP</b>	Internal Liquidity Adequacy Assessment Process
<b>LCR</b>	Liquidity Coverage ratio
<b>LTD</b>	Loan-to-Deposit Ratio
<b>MPE</b>	Multiple Point of Entry
<b>MREL</b>	Minimum Requirement for Own Funds and Eligible Liabilities
<b>NIM</b>	Net Interest Margin
<b>NLB or the Bank</b>	NLB d.d.
<b>NPE</b>	Non-Performing Exposures
<b>NPL</b>	Non-Performing Loans
<b>OCR</b>	Overall capital requirement
<b>O-SII</b>	Other Systemically Important Institution
<b>p.p.</b>	Percentage point(s)
<b>P2G</b>	Pillar 2 Guidance
<b>ROA</b>	Return on Assets
<b>ROE</b>	Return on Equity
<b>RoS</b>	Republic of Slovenia
<b>RWA</b>	Risk Weighted Assets
<b>SEE</b>	South-Eastern Europe
<b>SME</b>	Small and Medium-sized Enterprises
<b>SREP</b>	Supervisory Review and Evaluation Process
<b>SRF</b>	Single Resolution Fund
<b>The Group</b>	NLB Group
<b>TLOF</b>	Total Liabilities and Own Funds
<b>TLTRO III</b>	Targeted Longer-Term Refinancing Operations III
<b>TSCR</b>	Total SREP Capital Requirement
<b>US</b>	United States of America

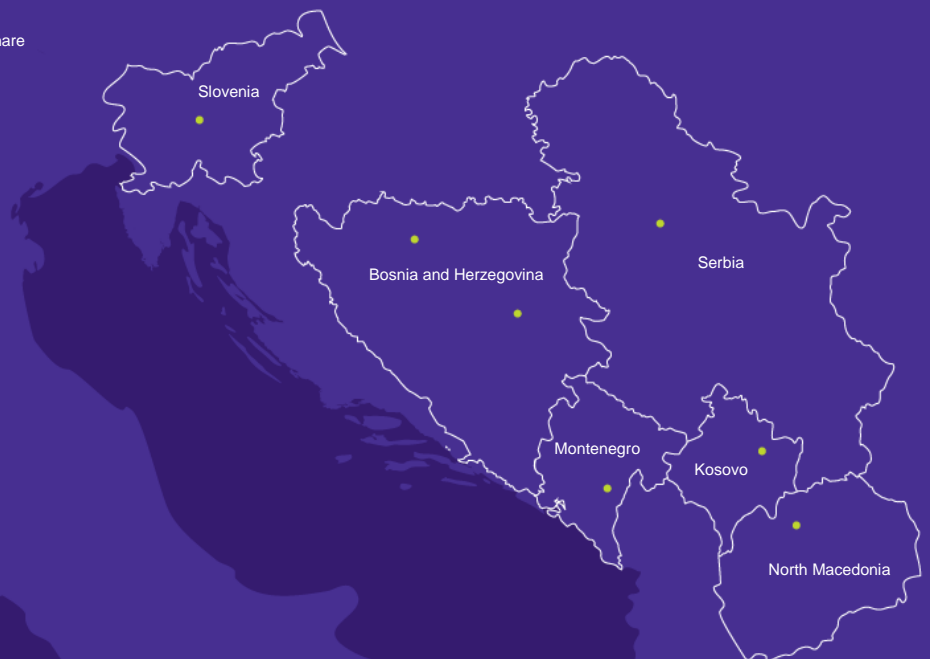
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# NLB Group Strategic Members Overview

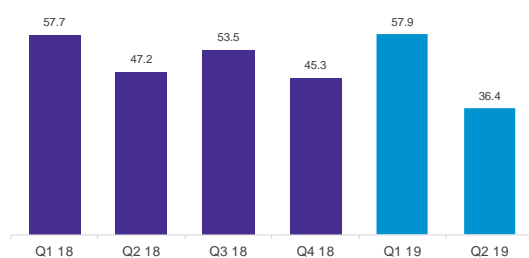
	Slovenia				North Macedonia	Bosnia and Herzegovina		Kosovo	Montenegro	Serbia
	NLB Group	NLB, Ljubljana	NLB Vita, Ljubljana	NLB Skladi, Ljubljana	NLB Banka, Skopje	NLB Banka, Banja Luka	NLB Banka, Sarajevo	NLB Banka, Prishtina	NLB Banka, Podgorica	NLB Banka, Beograd
<b>Market position</b>										
Branches	320	93	-	-	53	55	38	35	18	28
Active clients	1,836,241	681,743	-	-	389,069	221,794	132,882	212,655	63,639	134,459
Total assets (in EUR million)	13,164	9,143	512 <sup>(1)</sup>	1,381 <sup>(2)</sup>	1,363	760	613	711	514	527
Profit after tax (in EUR million)	94.3	122.6	4.4	2.7	14.0	9.6	5.1	9.5	2.7	1.0
Market share (by total assets)	-	22.8%	16.0%	32.9%	16.0%	18.8% <sup>(3)</sup>	5.2% <sup>(4,5)</sup>	17.3%	11.9%	1.6%

(1) Assets of covered funds without own resources; (2) Assets under management; (3) Market share in the Republic of Srpska; (4) Market share in the Federation of BiH; (5) Market share as of 31 March 2019.

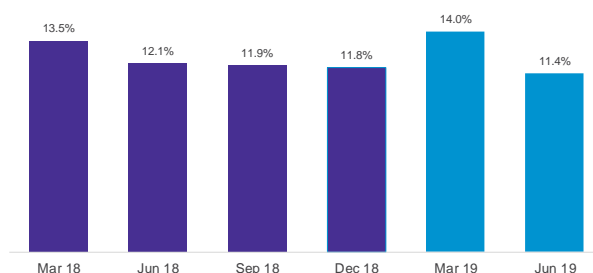


## Figures at a Glance

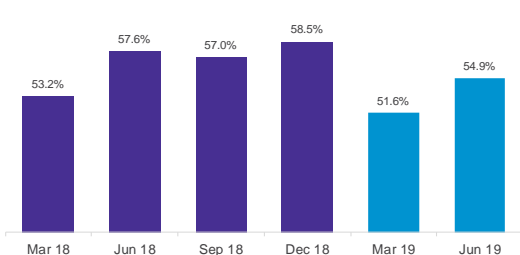
Profit a.t. - quarterly (in EUR million)



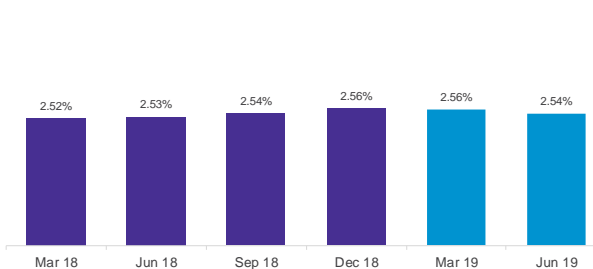
ROE a.t. - YtD (in %)



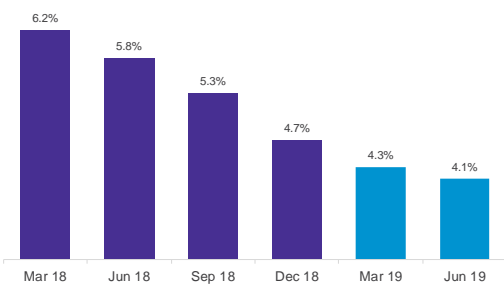
Cost /income ratio (CIR) - YtD (in %)



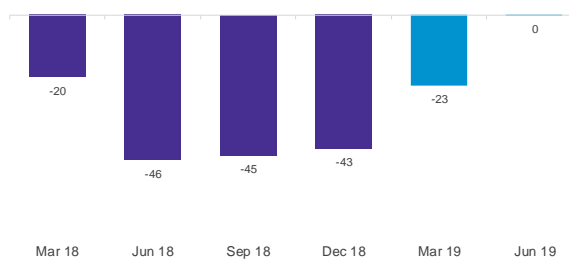
Interest margin\* - YtD (in %)



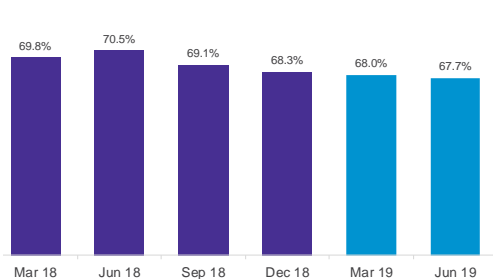
Non-performing exposure (NPE) - YtD (in %)



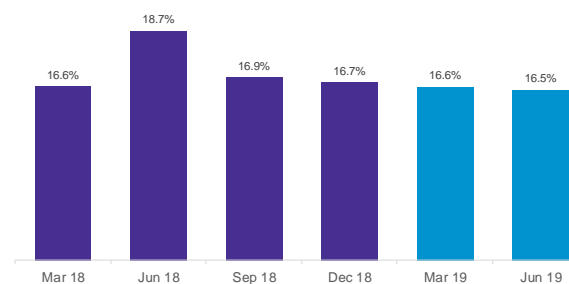
Cost of risk net - YtD (in bp)



Loan to deposit ratio (LTD) - YtD (in %)



Total capital ratio - YtD (in %)



\*Interest margin data for 2018 are adjusted to the new methodology (calculation based on the number of days for the period).

# Key Financial Caption

Table 1: Key Financial Caption of NLB Group

in EUR million / % / bps	1-6 2019	1-6 2018	Change YoY	Q2 19	Q1 19	Q2 18
<b>Key Income Statement Data (in EUR million)</b>						
Net operating income	257.4	243.0	6%	123.6	133.8	112.7
Net interest income	159.0	151.7	5%	79.7	79.4	76.7
Net non-interest income	98.3	91.4	8%	43.9	54.4	36.0
Total costs	-141.4	-140.0	-1%	-72.4	-69.0	-70.6
Result before impairments and provisions	116.0	103.1	13%	51.2	64.8	42.1
Impairments and provisions	-5.5	14.4	-	-4.9	-0.6	11.6
Result after tax	94.3	104.8	-10%	36.4	57.9	47.2
<b>Key Financial Indicators</b>						
Return on equity after tax (ROE a.t.)	11.4%	12.1%	-0.7 p.p.			
Return on assets after tax (ROA a.t.)	1.4%	1.7%	-0.2 p.p.			
RORAC a.t. <sup>1</sup>	15.0%	15.8%	-0.8 p.p.			
Interest margin (on interest bearing assets) <sup>2</sup>	2.54%	2.53%	0.02 p.p.	2.52%	2.56%	2.53%
Interest margin (on total assets - BoS ratio)	2.46%	2.47%	-0.01 p.p.	2.44%	2.48%	2.47%
Cost-to-income ratio (CIR)	54.9%	57.6%	-2.7 p.p.	58.6%	51.6%	62.6%
Cost of risk net (bps) <sup>3</sup>	0	-46	46			
	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>	<b>30 Jun 2018</b>	<b>Change YtD</b>	<b>Change YoY</b>	
<b>Key Financial Position Statement Data (in EUR million)</b>						
Total assets	13,164	12,740	12,516	3%	5%	
Loans to customers (gross)	7,721	7,627	7,612	1%	1%	
Loans to customers (net)	7,281	7,148	7,059	2%	3%	
Deposits from customers	10,754	10,464	10,018	3%	7%	
Equity	1,587	1,616	1,797	-2%	-12%	
<b>Other Key Financial Indicators</b>						
LTD (Net loans to customers/Deposits from customers)	67.7%	68.3%	70.5%	-0.6 p.p.	-2.8 p.p.	
Common Equity Tier 1 Ratio	16.0%	16.7%	18.7%	-0.8 p.p.	-2.7 p.p.	
Total capital ratio	16.5%	16.7%	18.7%	-0.2 p.p.	-2.2 p.p.	
Total risk weighted assets (in EUR million)	8,935	8,678	8,693	3%	3%	
NPL volume - gross (in EUR million)	542	622	752	-13%	-28%	
NPL coverage ratio 1 <sup>4</sup>	81.2%	77.1%	73.7%	4.2 p.p.	7.6 p.p.	
NPL coverage ratio 2 <sup>5</sup>	66.2%	64.6%	64.0%	1.5 p.p.	2.1 p.p.	
Non-performing loans (NPL)/total loans	6.0%	6.9%	8.3%	-0.9 p.p.	-2.2 p.p.	
Net non-performing loans (NPL)/total net loans	2.1%	2.6%	3.2%	-0.4 p.p.	-1.0 p.p.	
Non-performing exposure (NPE) - EBA Definition	4.1%	4.7%	5.8%	-0.6 p.p.	-1.7 p.p.	
<b>Employees</b>						
Number of employees	5,823	5,887	5,956	-1%	-2%	

<sup>1</sup> Result a.t. / average capital requirement normalized at 15.38% RWA for 2018 and 14.25% for 2019

<sup>2</sup> Interest margin data for 2018 are adjusted to the new methodology (calculation based on the number of days for the period); further analyses of interest margins are based on interest

<sup>3</sup> Credit impairments and provisions (annualised level) / average net loans to non-banking sector

<sup>4</sup> Coverage of gross non-performing loans with impairments for all loans

<sup>5</sup> Coverage of gross non-performing loans with impairments for non-performing loans

International credit ratings NLB	30 June 2019	31 December 2018	Outlook
Standard & Poor's	BBB-	BB+	Stable
Fitch	BB+	BB+	Stable
Moody's*	Baa2	Baa2	Positive

\* Unsolicited rating.



# Macroeconomic Environment

## Global and European Economy

Trade uncertainties and maturing growth cycles are making further pressure on the cooling global economic momentum and forcing central banks to consider further stimulus. The FED and the ECB are both expected to cut the rates in 2019. The ECB also announced the details of the new TLTRO III, which is due to start in September 2019 and end in March 2021, with maturity of two years each. The Eurozone annual inflation was stable, on average 1.4% in H1 2019. Seasonally-adjusted unemployment rate was 7.5% at the end of H1 2019. Eurozone economy grew 0.2% in Q2, while the German economy decreased (by -0.1%). Both Eurozone and German industrial production fell in the first 6 months. Additionally, German factory orders declined in H1 as trade disputes weighed on foreign demand. Eurozone investor confidence weakened in H1. The Sentix economic index fell from -0.3 at the end of 2018 to -3.3 at the end of H1. In Germany, the index also became negative at the end of H1 (-0.7). Moreover, the German ZEW's Current Conditions indicator has been falling throughout H1. Looking at the US, its trade deficit widened by more than anticipated in H1 (to USD 55.2 billion) and its economic growth appears to moderate in Q2 from Q1's strong performance. Similarly, Chinese economy expanded at the slowest pace in 27 years in Q2 (by 6.2%). Nevertheless, with the 6.3% in H1 2019, its economic growth is in line with the expectations.

Global growth is decelerating this year, largely due to softer dynamics among developed economies and China. The Consensus Forecast from FocusEconomics expects the global economy to expand by around 2.8% in 2019 and 2020. A further escalation of trade tensions, particularly between the US and China, is the key downside risk. Likewise, a harsher external environment is seen causing growth to slow to a six-year low this year in the Eurozone, weighing on exports and investment. Rising protectionism, slower global growth, renewed market turmoil and Brexit are impacting the economic momentum. However, solid consumption and tightening labour market, along with fiscal loosening and expansionary monetary policy should provide some support. Eurostat also published the latest data that are showing a rise in precautionary savings (the flipside of private consumption) in the Eurozone, with savings rate of households rising to 12.6% in Q1, the highest level in more than four years. This is reflecting a decreasing consumer confidence since the middle of 2018. Consensus Forecast estimates the Eurozone economy to expand by 1.1% in 2019 and 1.2% in 2020.

## Economy in the Group's Region

In **Slovenia**, the economic growth lost momentum in Q2, after already moderated Q1, mainly due to negative external trade balance. Nevertheless, export growth increased in H1 regardless of decreased output in some parts of the manufacturing sector. Overall, industrial activity increased by 3.7% in H1 YoY. Additionally, retail sales growth rose in the same period, showing gains in private consumption and increased employment. On the other hand, consumer confidence and economic sentiment indicators deteriorated in H1. The latter fell to a three-year low at the end of Q2.

In **Bosnia and Herzegovina**, the economic momentum decreased in Q2 according to the latest data, mainly as the result of a weaker external sector, as FocusEconomics reported. Exports of goods and services declined, likely affected by the declining industrial production, whereas imports of goods and services rebounded notably. Additionally, private consumption also slowed down in Q2. Total investment



growth improved while public spending also picked up from Q1. In **Kosovo**, the economy gained momentum in Q1. Private consumption rose, likely supported by a noticeable fall in the unemployment rate relative to Q4 2018, while government spending growth picked up. Investment growth, while robust, was the weakest in over one year, potentially weighed on by the escalation of tensions with Serbia and Bosnia-Herzegovina in late 2018. Likewise, the external sector weakened, with export growth decreasing and imports increasing. In **Montenegro**, the economic growth diminished to a near three-year low in Q1 due to more moderate government consumption. Growth in exports of goods and services declined despite a healthy tourism sector. On the other hand, household spending increased, while fixed investment improved from a modest growth in the last quarter of 2018. In Q2, the preliminary data implies that growth will remain modest. Tourist arrivals increased in April and May, while retail sales reduced, and industrial production continued its weakening. In **North Macedonia**, the economic growth was enhanced in Q1, mostly supported by robust investment, stronger credit growth, and improved business environment and political stability. On the other hand, household spending and public consumption diminished. In **Serbia**, the economy seemed to gain momentum in Q2, after a more modest growth in Q1. Exports of goods increased in April and May, and household and investment spending should get support from the credit growth in April, which was bolstered by favourable credit conditions. The industrial sector declined in April and May. Output continued to diminish among a weaker automotive sector, whereas the EU import quotas on steel could compound prolonged weakness in the mining sector in the short-term.

The economic growth of the Group's region moderates. Exports of goods and services weakened because of the cooling economic momentum in its main export markets. The economic decline should not be as strong as in the last crisis as the situation is different than the one in 2008. It is predicted that the Group's region economic growth rate will decrease to around 3.0% in 2019 and 2020, which is well above the Eurozone growth.

**Table 2: Movement of key macroeconomic indicators in the Euro area and NLB Group region**

	(real growth in %)					(in %)					(in %)				
	2017	2018	Q1 2019	2019	2020	2017	2018	H1 2019	2019	2020	2017	2018	Q1 2019	2019	2020
Eurozone	2.6	1.9	1.1*	1.1	1.2	1.5	1.8	1.4	1.3	1.4	9.1	8.2	7.7	7.7	7.5
Slovenia	4.8	4.1	2.6*	3.3	2.9	1.4	1.7	1.5	1.5	1.8	6.6	5.1	4.8	4.6	4.5
BiH	3.4	3.0	2.2	2.7	3.0	0.8	1.4	0.8	1.4	1.7	38.4	36.0	34.0	34.3	32.8
Montenegro	4.7	4.9	3.0	3.1	2.8	2.4	2.6	0.5	1.9	2.0	16.1	15.2	15.0	14.8	14.4
N. Macedonia	0.2	2.7	4.1	3.2	3.3	1.4	1.4	1.4	1.6	1.9	22.4	20.7	17.8	18.7	17.7
Serbia	2.0	4.3	2.5	3.1	3.2	3.2	2.0	2.2	2.4	2.5	13.5	12.7	12.1	11.5	10.8
Kosovo	3.7	3.9	4.1	4.1	3.8	1.5	1.1	3.2	2.3	1.8	30.5	29.6	28.2	28.8	28.0

Source: Statistical offices, Central banks, Eurostat, FocusEconomics

Note: Consensus Forecasts for 2019 and 2020; 2019 Q1 and H1 data estimated; Registered unemployment data used for BiH; \*Data for Q2 2019



# Business Report

## Key Developments

### 25% plus 1 share

**The RoS holding of NLB shares** after the privatization activities were completed on 19 June by RoS selling additional 10% minus 1 share.

### 16.5%

**Total Capital Ratio**  
The Total capital ratio of the Group reached 16.5% and was above the regulatory thresholds.

### 12.5%

**Result before impairments and provisions** amounted to EUR 116.0 million, an increase by 12.5% YoY. The Group realised a profit after tax in the amount of EUR 94.3 million.

### 4.1%

**NPE**  
Further improvement of the loan portfolio quality was also reflected in the additional reduction of NPLs. The NPL ratio consequently decreased to 6.0%, while the NPE ratio fell to 4.1%.

### 38.4%

**Strategic Foreign Markets** continued to perform well and contributed 38.4% to the Group profit before tax.

### 5.9%

The total **net operating income** was EUR 257.4 million, an increase by 5.9% YoY as a result of a higher net interest income (4.9% YoY) and the net fee and commission income (3.3% YoY).

### 54.9%

**CIR** stood at 54.9%, which is 2.7 p.p. lower YoY.

## Key Events

On 7 February, the Bank was awarded the Top Employer Certificate for the fourth consecutive year by an independent Dutch institute (Top Employers Institute).

On 14 February, the Bank disclosed a new decision on implementing a prudential requirement from the ECB, which has been effective since 1 March, resulting in the total SREP capital requirement (TSCR) of 11.25%, which includes the minimum own funds of 8% (Pillar 1 Requirement) and own funds requirement of 3.25% (Pillar 2 Requirement) to be held in the excess of minimum own funds requirement on the consolidated level. With this decision, the ECB has decreased the Pillar 2 Requirement from 3.5% to 3.25% of CET 1. This decision together with applicable combined buffer requirement (CBR) leads to the overall capital requirement (OCR) of 14.75%. Pillar 2 Guidance (P2G) amounts to 1% of CET 1.

On 6 May, the Bank issued 10NC5 subordinated Tier 2 notes in the aggregate nominal amount of EUR 45 million. The fixed coupon of the notes during the first five years is 4.2% p.a., thereafter it will be reset to the sum of the then applicable 5Y MS and the fixed margin as defined at the issuance of the notes (i.e. 4.159% p.a). The notes with ticker NLB27 and ISIN code SI0022103855 were as of 8 May admitted to trading on the regulated market of the Ljubljana Stock Exchange, bond segment.

On 17 May, the Bank received the decision of the Bank of Slovenia relating to the MREL requirement which amounts to 17.93% of TLOF at the sub-consolidated level of the NLB Resolution Group. The transition period to reach the MREL requirement is 30 June 2023 and from that date it shall be met at all times.

On 17 May, Standard and Poor's raised NLB's credit rating by one notch to BBB- from BB+, a move that takes it to the investment grade. The outlook is stable. The Bank other credit ratings are BB+ (stable outlook) by Fitch and Baa2 (positive outlook) by Moody's.

On 10 June, when the 33rd General Meeting of the Bank was held, shareholders elected four new members of the Supervisory Board of NLB: Mark William Lane Richards, Shrenik Dhirajlal Davda, Andreas Klingen and Gregor Rok Kastelic. All have been appointed for a four-year term.

On 18 June, dividends in the amount of EUR 142,600,000.00 (EUR 7.13 gross per share) were paid out to the shareholders in line with the decision taken by the 33rd General Meeting of the Bank.

On 19 June, privatization process of NLB was successfully completed by way of an accelerated bookbuilding of the remaining 10 per cent of the RoS's stake in the NLB's share capital minus 1 share. After the completion, the RoS remains the largest shareholder of NLB, owning the 25 per cent stake plus one share. With the sale of the remaining 10 percent minus 1 share, almost all restrictions from the commitments made by the RoS to the EC have been lifted.

## Shareholder Structure of NLB

The Bank's issued share capital is divided into 20,000,000 shares. The shares are listed on the Prime Market of the Ljubljana Stock Exchange (ISIN SI0021117344, Ljubljana Stock Exchange trading symbol: NLBR) and the global depository receipts (GDR), representing shares, are listed on the Main Market of the London Stock Exchange (ISIN: US66980N2036 and US66980N1046, London Stock Exchange GDR trading symbol: NLB and 55VX). Five GDRs represent one share of NLB.

Table 3: NLB's main shareholders as of 30 June 2019<sup>1</sup>

Shareholder	Number of shares	Percentage of shares
Bank of New York Mellon on behalf of the GDR holders <sup>(1)</sup>	12,674,068	63.37
• of which Brandes Investment Partners, L.P. <sup>(2)</sup>	/	>5 and <10
• of which European Bank for Reconstruction and Development (EBRD) <sup>(2)(3)</sup>	/	>5 and <10
Republic of Slovenia (RoS)	5,000,001	25.00
Other shareholders	2,325,931	11.63
<b>Total</b>	<b>20,000,000</b>	<b>100.00</b>

Notes:

<sup>(1)</sup> The Bank of New York Mellon holds shares in its capacity as the depository (the GDR Depository) for the GDR holders and is not the beneficial owner of such shares. The GDR holders have the right to convert their GDRs into shares. The rights under the deposited shares can be exercised by the GDR holders only through the GDR Depository and individual GDR holders do not have any direct right to either attend the shareholder's meeting or to exercise any voting rights under the deposited shares.

<sup>(2)</sup> The information on GDR ownership is based on self-declarations by individual GDR holders as required pursuant to the applicable provisions of Slovenian law.

<sup>(3)</sup> Data confirmed by GDR holder (number of shares: 1,425,000, percentage of shares: 7.125).

Notes:

<sup>1</sup> Information is sourced from NLB's shareholders book accessible at the web services of CSD (Central Security Depository, Slovenian: KDD - Centralna klirinško depotna družba) and available to CSD members. Information on major holdings is based on the self-declarations by individual holders pursuant to the applicable provisions of Slovenian legislation, which requires that the holders of shares in a listed company notify the company whenever their direct and/or indirect holdings pass the set thresholds of 5%, 10%, 15%, 20%, 25%, 1/3, 50% or 75%. The table lists all self-declared major holders whose notifications have been received. In reliance of this obligation vested with the holders of major holdings, the Bank postulates that no other entities nor any natural person holds directly and/or indirectly ten or more percent of the Bank's shares.



## Financial Performance

Table 4: Income Statement of NLB Group

in EUR million	NLB Group				Q2 19	Q1 19	Q2 18	Change QoQ	
	1-6 2019	1-6 2018	Change YoY						
Net interest income	159.0	151.7	7.4	5%	79.7	79.4	76.7	0.3	0%
Net fee and commission income	82.2	79.6	2.7	3%	42.1	40.1	40.2	2.0	5%
Dividend income	0.2	0.1	0.1	86%	0.1	0.1	0.1	0.0	28%
Net income from financial transactions	23.0	6.7	16.3	-	10.7	12.3	3.9	-1.6	-13%
Net other income	-7.0	5.1	-12.1	-	-9.0	2.0	-8.2	-11.0	-
Net non-interest income	98.3	91.4	7.0	8%	43.9	54.4	36.0	-10.5	-19%
<b>Total net operating income</b>	<b>257.4</b>	<b>243.0</b>	<b>14.3</b>	<b>6%</b>	<b>123.6</b>	<b>133.8</b>	<b>112.7</b>	<b>-10.2</b>	<b>-8%</b>
Employee costs	-81.4	-80.9	-0.5	-1%	-41.4	-40.1	-40.6	-1.3	-3%
Other general and administrative expenses	-44.6	-45.4	0.9	2%	-23.4	-21.2	-23.1	-2.2	-10%
Depreciation and amortisation	-15.4	-13.6	-1.7	-13%	-7.7	-7.7	-6.8	0.1	1%
<b>Total costs</b>	<b>-141.4</b>	<b>-140.0</b>	<b>-1.4</b>	<b>-1%</b>	<b>-72.4</b>	<b>-69.0</b>	<b>-70.6</b>	<b>-3.4</b>	<b>-5%</b>
<b>Result before impairments and provisions</b>	<b>116.0</b>	<b>103.1</b>	<b>12.9</b>	<b>13%</b>	<b>51.2</b>	<b>64.8</b>	<b>42.1</b>	<b>-13.6</b>	<b>-21%</b>
Impairments and provisions for credit risk	-0.7	15.6	-16.3	-	-4.0	3.3	12.3	-7.3	-
Other impairments and provisions	-4.8	-1.2	-3.5	-	-0.8	-3.9	-0.8	3.1	79%
Impairments and provisions	-5.5	14.4	-19.9	-	-4.9	-0.6	11.6	-4.2	-
Gains less losses from capital investments in subsidiaries, associates, and joint ventures	2.5	2.5	0.0	-1%	1.4	1.1	1.4	0.3	23%
<b>Result before tax</b>	<b>113.0</b>	<b>120.0</b>	<b>-7.0</b>	<b>-6%</b>	<b>47.7</b>	<b>65.3</b>	<b>55.0</b>	<b>-17.6</b>	<b>-27%</b>
Income tax	-14.9	-10.6	-4.3	-40%	-9.5	-5.4	-6.3	-4.0	-74%
Result of non-controlling interests	3.8	4.5	-0.8	-17%	1.8	2.0	1.5	-0.1	-7%
<b>Result after tax</b>	<b>94.3</b>	<b>104.8</b>	<b>-10.5</b>	<b>-10%</b>	<b>36.4</b>	<b>57.9</b>	<b>47.2</b>	<b>-21.5</b>	<b>-37%</b>

Table 5: NLB Group result split on one-off effects and regular business

in EUR million	1-6 2019	1-6 2018	Change YoY	
<b>One offs:</b>	<b>6.3</b>	<b>12.2</b>	<b>-5.9</b>	<b>-48%</b>
Sale of NLB Nov penziski fond		12.2	-12.2	-100%
Revaluation of non-core equity stake	6.3		6.3	100%
<b>Regular net operating income</b>	<b>251.1</b>	<b>230.8</b>	<b>20.2</b>	<b>9%</b>
<b>Regular result before impairments and provisions</b>	<b>109.7</b>	<b>90.9</b>	<b>18.8</b>	<b>21%</b>

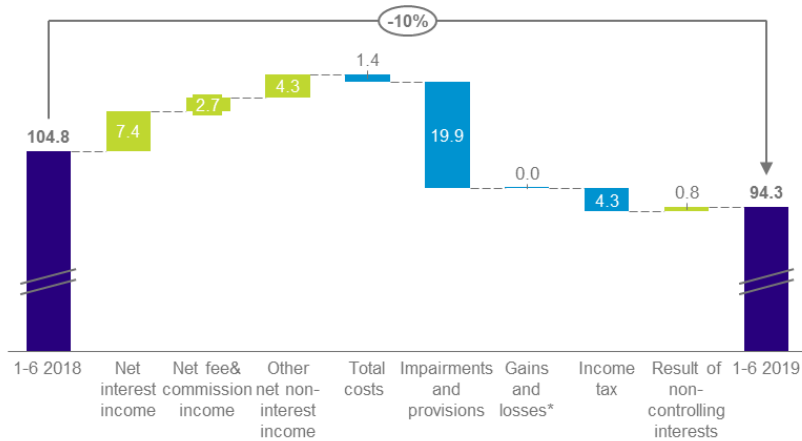
## Profit

The Group generated EUR 94.3 million of profit after tax, which is EUR 10.5 million less YoY.

The result was based on the following key drivers and YoY evolution:

- Net interest income higher by EUR 7.4 million (5%), mainly due to loan volume growth and lower interest expenses.
- Net fee and commission income higher by EUR 2.7 million or 3%, mainly from the retail segment.
- The net non-interest income was positively impacted by non-recurring income as a partial repayment of a larger exposure measured at fair value through profit and loss in the amount of EUR 5.1 million, and active management of banking book securities in the amount of EUR 3.0 million.
- In H1 2019 positive one-off effects from revaluation of a non-core equity stake was realized in the amount of EUR 6.3 million; whereas in H1 2018, the net non-interest income was positively impacted by the sale of NLB Nov penziski fond, Skopje in the amount of EUR 12.2 million.
- Costs higher by EUR 1.4 million or 1%, mostly due to technology costs (licenses and hardware maintenance).
- EUR 5.5 million of net provisions and impairments were established in H1 2019, while in H1 2018, EUR 14.4 million of net impairments and provisions were released.

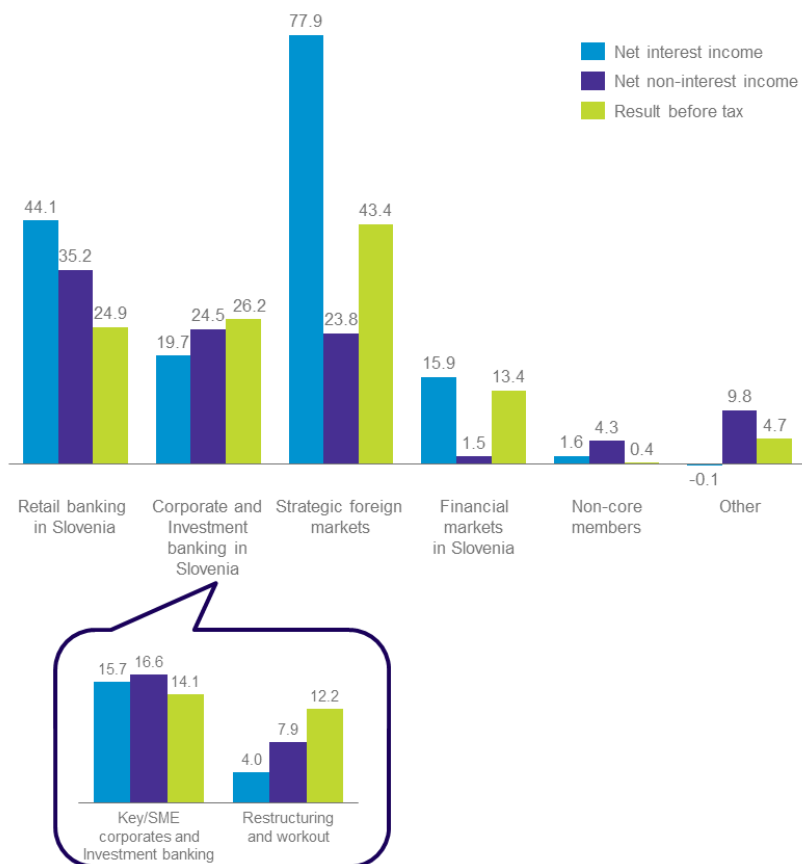
Figure 1: Profit after tax of NLB Group – evolution YoY (in EUR million)



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

Profit before impairments and provisions totalled EUR 116.0 million, which is EUR 12.9 million or 13% higher YoY, while regular profit before impairments and provisions (without one-off effects) increased by EUR 18.8 million or 21%, mostly due to higher net operating income.

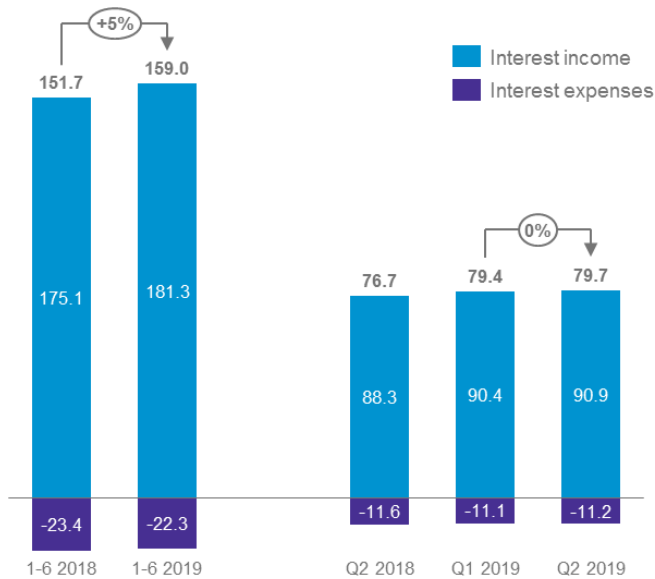
Figure 2: Segment results of NLB Group in H1 2019 (in EUR million)





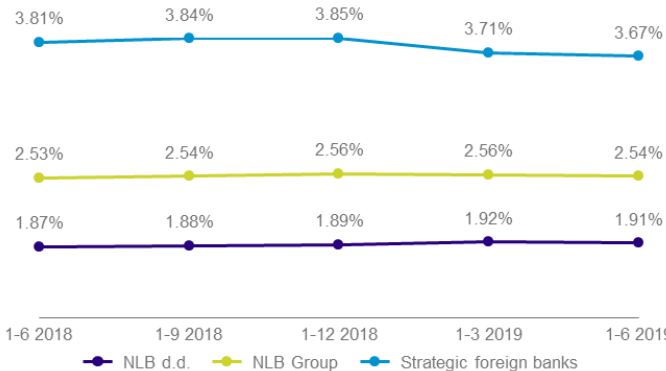
## Net Interest Income

Figure 3: Net Interest Income of NLB Group (in EUR million)



The net interest income increased by EUR 7.4 million or 5% YoY, totalling EUR 159.0 million, due to the increase of interest income in all the banks of the Group, supported by loan book growth and decline of interest expenses.

Figure 4: Net interest margin of NLB Group\* (in %)

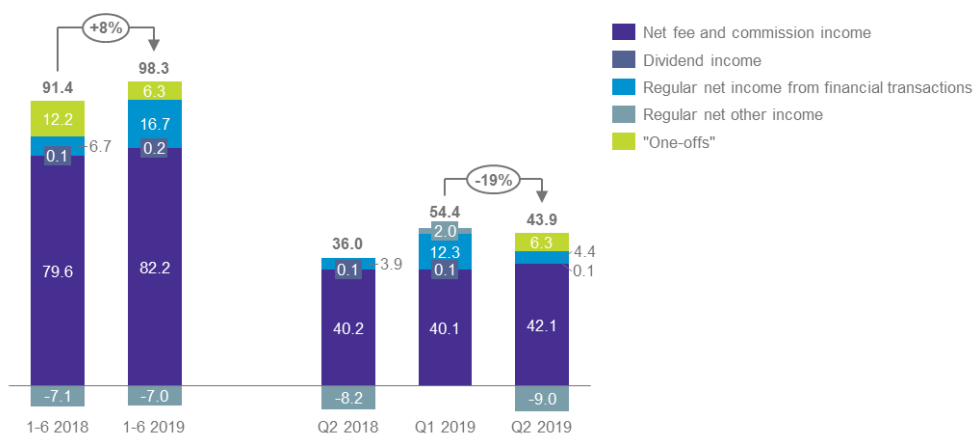


\*Interest margin data for the Group and Strategic foreign banks for 2018 are adjusted to the new methodology (calculation based on the number of days for the period).

The net interest margin for the Group increased slightly YoY and amounted to 2.54%. The interest margin for the Bank increased YoY to 1.91%, while it decreased YoY to 3.67% for strategic foreign banks.

## Net Non-Interest Income

Figure 5: Net Non-Interest Income of NLB Group (in EUR million)<sup>2</sup>



The net non-interest income reached EUR 98.3 million, increasing by EUR 7.0 million or 8% YoY. The YoY dynamic was influenced by the following factors:

- Net fee and commission income higher by EUR 2.7 million or 3% YoY, mostly as a result of an increased fee and commission income in Retail Banking in Slovenia and Strategic Foreign Markets.
- In H1 2019 positive one-off effects from revaluation of a non-core equity stake was realized in the amount of EUR 6.3 million; whereas in H1 2018, the net non-interest income was positively impacted by the sale of NLB Nov penziski fond, Skopje in the amount of EUR 12.2 million.
- In H1 2019, the net non-interest income was positively impacted by non-recurring income as a partial repayment of a larger exposure measured at fair value through profit and loss in the amount of EUR 5.1 million, and active management of banking book securities in the amount of EUR 3.0 million.

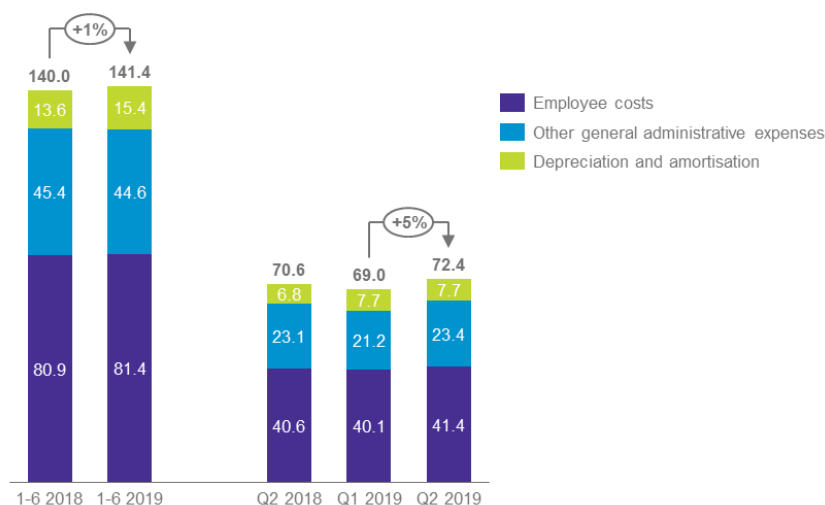
Regular net other income was affected by the regulatory costs (SRF and DGS) in the total amount of EUR 11.5 million, which were by EUR 0.7 million or 6% lower YoY.

Notes:

<sup>2</sup> From June 2019 on, different presentation of non-recurring items is in use.

## Total Costs

Figure 6: Total costs of NLB Group (in EUR million)



The total costs amounted to EUR 141.4 million and are thus by EUR 1.4 million or 1% higher YoY. The increase was mostly due to technology costs (licenses and hardware maintenance) in the amount of EUR 1.9 million.

CIR stood at 54.9%, a 2.7 p.p. YoY decrease driven mainly by higher income.

## Net Impairments and Provisions

In H1 2019, the Group established EUR 5.5 million of net impairments and provisions, while in H1 2018, EUR 14.4 million of net impairments and provisions were released.

The impairments and provisions for credit risk were established in the amount of EUR 0.7 million and the cost of risk in H1 2019 was close to 0.

Other impairments and provisions were established in the net amount of EUR 4.8 million (of which EUR 2.7 million due to established provisions for pending legal disputes in NLB Banka, Podgorica).

## Financial Position

Table 6: Statement of financial position of NLB Group

in EUR million	NLB Group									
	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Jun 2018	Change YtD	Change YoY	Change QoQ			
<b>ASSETS</b>										
Cash, cash balances at central banks, and other demand deposits at banks	1,460.7	1,589.0	1,588.3	1,298.7	-127.6	-8%	162.0	12%	-128.3	-8%
Loans to banks	108.1	108.9	118.7	453.7	-10.6	-9%	-345.6	-76%	-0.7	-1%
Loans to customers	7,280.8	7,264.3	7,148.4	7,059.0	132.4	2%	221.9	3%	16.5	0%
Gross loans	7,721.1	7,719.0	7,627.5	7,611.9	93.6	1%	109.2	1%	2.0	0%
- Corporate	3,565.7	3,593.1	3,540.4	3,621.6	25.3	1%	-55.9	-2%	-27.3	-1%
- Individuals	3,842.1	3,780.7	3,726.5	3,588.0	115.6	3%	254.1	7%	61.4	2%
- State	313.3	345.2	360.5	402.3	-47.3	-13%	-89.0	-22%	-32.0	-9%
Impairments and valuation of loans to customers	-440.2	-454.7	-479.0	-552.9	38.8	8%	112.7	20%	14.5	3%
Financial assets	3,787.4	3,608.0	3,399.2	3,214.1	388.2	11%	573.3	18%	179.4	5%
- Trading book	116.9	38.4	63.6	67.5	53.3	84%	49.5	73%	78.6	-
- Non-trading book	3,670.5	3,569.6	3,335.6	3,146.7	334.9	10%	523.8	17%	100.8	3%
Investments in subsidiaries, associates, and joint ventures	42.3	42.9	37.1	42.3	5.2	14%	0.0	0%	-0.6	-1%
Property and equipment, investment property	251.6	252.2	236.0	235.8	15.6	7%	15.8	7%	-0.6	0%
Intangible assets	33.5	33.2	35.0	32.7	-1.5	-4%	0.8	2%	0.3	1%
Other assets	199.9	167.3	177.1	179.8	22.7	13%	20.0	11%	32.6	19%
<b>TOTAL ASSETS</b>	<b>13,164.4</b>	<b>13,065.8</b>	<b>12,740.0</b>	<b>12,516.2</b>	<b>424.4</b>	<b>3%</b>	<b>648.2</b>	<b>5%</b>	<b>98.6</b>	<b>1%</b>
<b>LIABILITIES</b>										
Deposits from customers	10,753.5	10,675.8	10,464.0	10,018.0	289.5	3%	735.5	7%	77.7	1%
- Corporate	2,294.6	2,255.3	2,337.3	2,203.6	-42.7	-2%	91.0	4%	39.3	2%
- Individuals	8,178.9	8,017.4	7,865.6	7,548.4	313.3	4%	630.5	8%	161.5	2%
- State	280.0	403.1	261.1	266.0	18.9	7%	14.0	5%	-123.1	-31%
Deposits from banks and central banks	44.8	24.6	26.8	39.1	18.0	67%	5.7	15%	20.1	82%
Borrowings	306.8	317.4	320.3	333.6	-13.4	-4%	-26.8	-8%	-10.5	-3%
Other liabilities	386.8	305.7	256.5	275.9	130.3	51%	110.9	40%	81.1	27%
Subordinated liabilities	44.9	15.3	15.1	15.0	29.8	198%	29.8	198%	29.6	194%
Equity	1,587.4	1,683.8	1,616.2	1,796.7	-28.8	-2%	-209.3	-12%	-96.4	-6%
Non-controlling interests	40.3	43.2	41.2	37.9	-0.9	-2%	2.4	6%	-2.9	-7%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>13,164.4</b>	<b>13,065.8</b>	<b>12,740.0</b>	<b>12,516.2</b>	<b>424.4</b>	<b>3%</b>	<b>648.2</b>	<b>5%</b>	<b>98.6</b>	<b>1%</b>

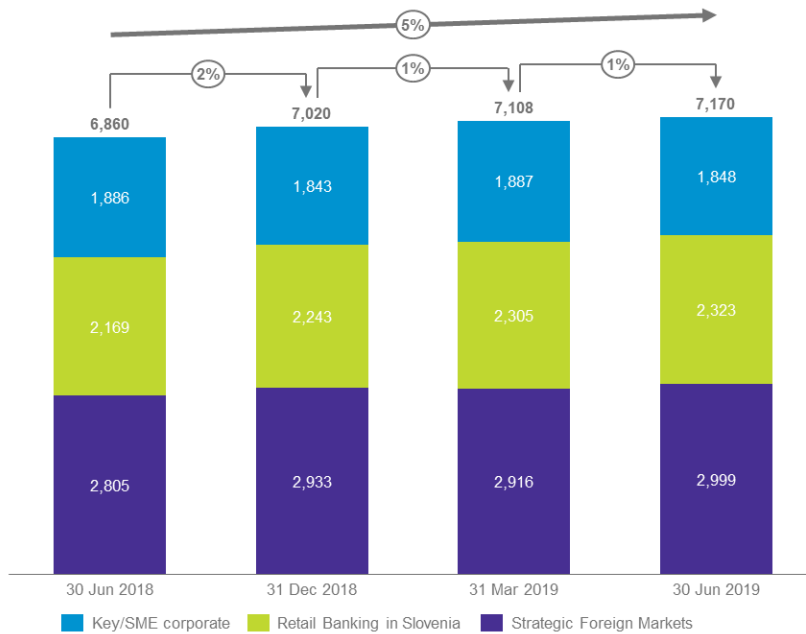
The total assets increased by EUR 424.4 million YtD and totalled EUR 13,164.4 million, mainly driven by the continued inflows of deposits from individuals.

Total net loans to customers increased by 2% YtD and amounted to EUR 7,280.8 million (gross loans to the customers: EUR 7,721.1 million, 1% higher YtD).

The share of customers' deposits accounted for 82% of the total funding, the same as at the end of 2018. Deposits from customers increased by 3% YtD and derive mostly from deposits from individuals (EUR 313.3 million or 4%).

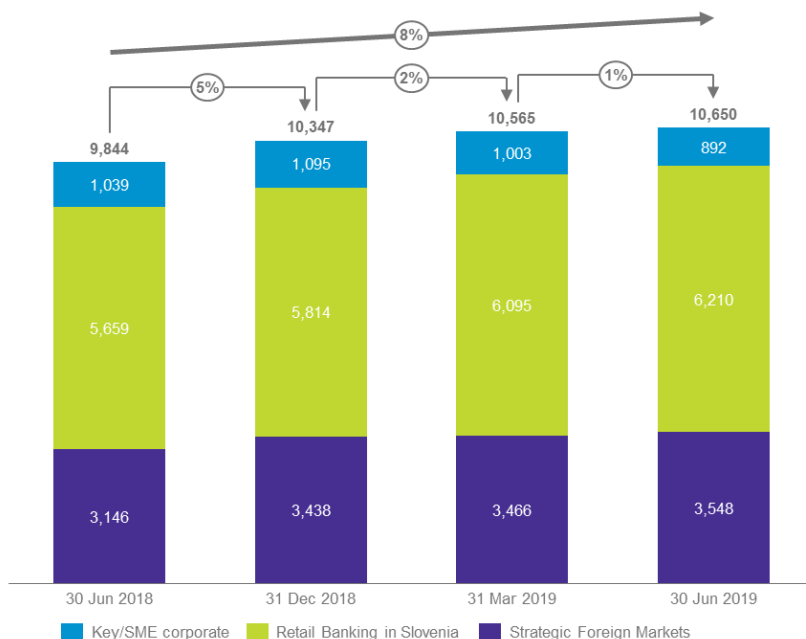
The LTD ratio (net) was 67.7% at the Group level; a decrease by 0.6 p.p. YtD as a result of increased deposits, which was partially neutralized by the growing, but still moderate loan demand.

Figure 7: NLB Group gross loans to customers by Key business activities (in EUR million)



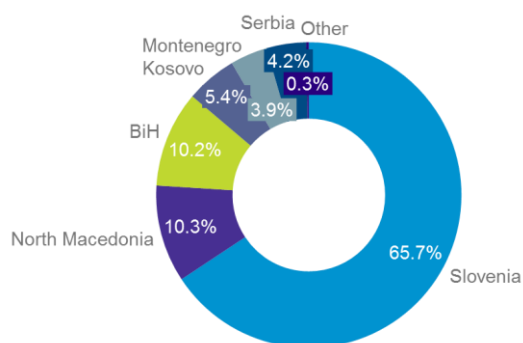
Key business activities recorded a 5% increase of gross loans to customers YoY to EUR 7,170.2 million. YoY increase of gross loans to customers were recorded in Strategic Foreign Markets (EUR 193.9 million), and in Retail Banking in Slovenia (EUR 153.9 million of which EUR 38.1 million increase relates to the transfer of micro clients from Corporate and Investment Banking in Slovenia segment). The decrease was recorded in the Key/SME corporate segment mostly due to above mentioned transfer of micro clients to Retail Banking in Slovenia, regular repayments as well as prepayment of some large exposures.

Figure 8: NLB Group deposits from customers by Key business activities (in EUR million)



Deposits from customers in Key business activities increased by 8% YoY where Strategic Foreign Markets and Retail Banking in Slovenia recorded a substantial increase (EUR 81.5 million and EUR 114.2 million on QoQ or EUR 401.3 million and EUR 551.0 million on YoY, respectively).

Figure 9: Total assets of NLB Group by booking entity (in %)<sup>3</sup>



## Related-Party Transactions

A number of banking transactions are entered into with related parties in the normal course of business. The volume of related-party transactions mainly consists of loans issued, deposits, and deposits received. A detailed volume of those transactions is disclosed in the financial part of this report in section 6.

Notes:

<sup>3</sup> Geographical analysis based on the booking entity.

## Segment Analysis

Segments of the Group are divided into core and non-core segments. The core segments are the following:

- Retail Banking in Slovenia, which includes banking with individuals and asset management, as well as the results of the jointly-controlled company NLB Vita and the associated company Bankart.
- Corporate and Investment Banking in Slovenia, which includes banking with Key Corporate Clients, SMEs, Investment Banking and Custody, and Restructuring and Workout.
- Financial Markets in Slovenia include treasury activities and trading in financial instruments, while they also present the results of asset and liabilities management (ALM).
- Strategic Foreign Markets, which include the operations of strategic Group banks on strategic markets (Bosnia and Herzegovina, Montenegro, Kosovo, North Macedonia, and Serbia).
- Non-Core Members include the operations of non-core Group members according to the EC commitments, REAM entities, NLB Srbija and NLB Crna Gora.
- Other accounts for the categories whose operating results cannot be allocated to specific segments, such as the external realization, rents and impairments on real estates, restructuring costs and income and tax.

From 2019, some shifts in reporting of business segments have been applied, following the completion of the restructuring process imposed by the EC and also reflecting strategic streamlining of business operations within the corporate segment as follows:

- Results from Investment Banking and Custody Services have been transferred from Financial Markets in Slovenia to an enlarged Corporate and Investment Banking in Slovenia.
- Micro clients in Slovenia have been transferred from Corporate and Investment Banking in Slovenia to Retail Banking in Slovenia.
- Corporate exposures previously reported in Non-Core Markets and Activities have been transferred to Corporate and Investment Banking in Slovenia given that special reporting requirements from EC commitments have ceased to apply. The remaining segment has been renamed Non-Core Members and contains non-core subsidiaries mostly in liquidation.
- Further, the SPVs established for NPLs from banks in Serbia and Montenegro, NLB Srbija and NLB Crna Gora, have been transferred from the Strategic Foreign Markets to Non-Core Members.

Due to the new methodology, the segment results for 2019 are not directly comparable to the segment results from the previous year. The table below presents the estimated effects due to the segment changes for the full year 2018.



Table 7: Estimated effects of the segment methodology changes for 2018

in EUR million	Retail banking in Slovenia	Corporate and Investment banking in Slovenia	Strategic foreign markets	Financial markets in Slovenia	Non-core members	Other
Net interest income	3.1	1.8	0.5	-0.3	-5.1	
Net non-interest income	4.6	2.3	-1.8	-8.2	3.2	
Total costs*	-6.1	-4.4	1.4	6.1	3.0	no effects
Impairments and provisions*	-0.9	6.6	1.4	0.0	-7.1	
Result before tax	0.7	6.3	1.5	-2.4	-6.1	
Total assets	37.1	-9.5	-43.5	47.9	-32.1	
Gross loans to customers	38.1	111.8	-69.0	-0.1	-80.8	no effects
Deposit from customers	188.1	-107.6	0.0	-71.0	-9.6	

\*negative value=increase, positive value=decrease

## Retail Banking in Slovenia

### Financial Highlights

- The segment recorded EUR 79.3 million of **net operating income**. The comparison shows EUR 11.8 million increase YoY, of which approximately EUR 3.8 million is assessed as the effect of the transfer of micro clients from Corporate and Investment Banking in Slovenia to Retail Banking in Slovenia segment. In the Q2 2019 segment recorded EUR 36.3 million of net operating income, lower by EUR 6.7 million or 16% QoQ mostly due to DGS and SRF expenses (EUR 5.6 million).
- Net interest income** is higher due to higher interest rates and growth in volume of gross loans in the amount of EUR 79.8 million, of which EUR 38.1 million increase relates to the transfer of micro clients from the Corporate and Investment Banking in Slovenia segment. The production of new consumer loans amounted to EUR 198.8 million (EUR 168.5 million in H1 2018), which led to an increase of balance by EUR 57.5 million YtD. The share of consumer loans in all gross loans increased to 28% (from 26% in H1 2018).
- Considering the effect of the change in segment presentation (approximately EUR 3.0 million), the **total costs** were slightly higher than in the same period of the previous year.
- The increase in **deposits from customers** is mostly due to the transfer of micro clients from the Corporate and Investment Banking in Slovenia segment (EUR 188.1 million) and an increase in demand deposits.

### Business Highlights

- NLB Pay mobile wallet with enhanced features now enabling also cash withdrawal from contactless ATMs for Maestro, Mastercard and Visa cards.

Table 8: Key financials of Retail Banking in Slovenia<sup>4</sup>

Retail banking in Slovenia							
	1-6 2019	1-6 2018	Change YoY		Q2 2019	Q1 2019	Change QoQ
Net interest income	44.1	36.6	7.6	21%	21.2	23.0	-8%
Net non-interest income	35.2	31.0	4.2	14%	15.1	20.0	-24%
<b>Total net operating income</b>	<b>79.3</b>	<b>67.5</b>	<b>11.8</b>	<b>17%</b>	<b>36.3</b>	<b>43.0</b>	<b>-16%</b>
Total costs	-55.2	-51.2	-4.0	-8%	-28.4	-26.8	-6%
<b>Result before impairments and provisions</b>	<b>24.2</b>	<b>16.4</b>	<b>7.8</b>	<b>48%</b>	<b>7.9</b>	<b>16.2</b>	<b>-51%</b>
Impairments and provisions	-1.8	-2.2	0.4	19%	-0.7	-1.1	33%
Net gains from investments in subsidiaries, associates, and JVs <sup>1</sup>	2.5	2.5	0.0	-1%	1.4	1.1	23%
<b>Result before tax</b>	<b>24.9</b>	<b>16.7</b>	<b>8.2</b>	<b>49%</b>	<b>8.6</b>	<b>16.3</b>	<b>-47%</b>

	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Jun 2018	Change YtD		Change YoY		Change QoQ
Net loans to customers	2,296.6	2,277.1	2,217.4	2,143.8	79.2	4%	152.8	7%	1%
Gross loans to customers	2,323.2	2,305.0	2,243.4	2,169.3	79.8	4%	153.9	7%	1%
Housing loans	1,390.2	1,376.8	1,374.6	1,352.1	15.6	1%	38.1	3%	1%
Interest rate on housing loans	2.54%	2.54%	2.50%	2.49%		0.04 p.p.		0.05 p.p.	0.00 p.p.
Consumer loans	656.5	628.4	599.0	564.3	57.5	10%	92.2	16%	4%
Interest rate on consumer loans	6.29%	6.28%	5.88%	5.77%		0.41 p.p.		0.52 p.p.	0.01 p.p.
Other	276.6	299.7	269.9	252.9	6.7	2%	23.6	9%	-8%
Deposits from customers	6,209.6	6,095.4	5,814.5	5,658.7	395.2	7%	551.0	10%	2%
Interest rate on deposits	0.06%	0.06%	0.08%	0.09%		-0.03 p.p.		-0.04 p.p.	0.00 p.p.
Non-performing loans (gross)	43.0	43.9	43.0	46.2	0.0	0%	-3.2	-7%	-2%

	1-6 2019	1-6 2018	Change YoY
Cost of risk (in bps)	8	10	-3
CIR	69.5%	75.8%	-6.2 p.p.
Interest margin	2.10%	1.89%	0.21 p.p.

Notes:

<sup>4</sup> Due to the new methodology, the segment results for 2019 are not directly comparable to the segment results from the previous year. Presented quarterly segment results are comparable.

The Bank maintained the leading position with a market share of 23.1% in retail lending (2018 YE: 23.2%) and 30.2% (2018 YE: 30.3%) in deposit-taking.

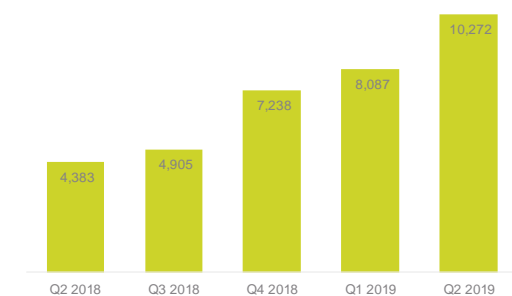
In 2019, gradual increase in new production of consumer and housing loans were recorded. The share of consumer loans in all gross loans increased to 28% (from 26% in H1 2018).

The users of NLB Pay mobile wallet can now pay at point of sale terminals with digitized Maestro, Mastercard and Visa cards, and withdraw cash from contactless ATMs in and outside Slovenia. They can also use contactless ATMs to check their account balance on Maestro or MasterCard cards. The last upgrade of the application ensures even greater user experience from the security point of view (lock/unlock card, disabling ATM withdrawals, online payments and payments from abroad), and thus present equal functionalities which are already offered by competitive foreign card issuers.

Most of the clients already have the packages for individual clients, providing them with transparent, modern and simple daily banking services. The Bank strongly encourages the clients to use paperless solutions. While in the past e-statements were offered only to the NLB Klik users, they are available to all clients free of charge from Q1 2019 on.

The mobile bank Klikin continues to be upgraded and the total number of users increased by 49.7% YoY to 212,706 users (or 32.9% of our customers) thus quickly becoming a preferred way to conduct banking business with the Bank. NLB is still the only bank in Slovenia to offer video call service 24/7 already for two years. In this period, this channel has seen healthy pickup (134% increase YoY) in use.

**Figure 10: Use of the video call functionality (no. of contacts)**



In addition to intensive digitalization efforts, the branch offices are being refurbished to enhance customers' experience. In H1 2019, the Bank finished the refurbishment of five branches. 53 branches (from a total of 93) have been modernized since the implementation of the open space concept.

The NLB Skladi market share increased to 32.9% (30 June 2018: 30.8%). The company continues to be ranked first in Slovenia in the amount of net-inflows with EUR 34.5 million in H1 2019. The company remained the largest asset management company and the largest mutual funds management company in Slovenia. The total assets under management were EUR 1,381.4 million (30 June 2018: EUR 1,249.8 million), of which EUR 909.6 million in mutual funds (30 June 2018: EUR 827.3 million) and EUR 471.8 million in the discretionary portfolio (30 June 2018: EUR 422.5 million).

NLB Vita charged EUR 42.5 million in gross written premium (H1 2018: EUR 38.9 million), of which EUR 40.5 million was in life insurance (H1 2018: EUR 37.1 million). The market share of the insurance company, excluding the pension companies, stood at 16.0% (end of June 2018: 14.8%), which put NLB Vita third among standard life insurance providers in Slovenia. A novelty in the product range offered by NLB Vita is NLB Vita Saving + Senior adjusted to the needs of elderly population.

# Corporate and Investment Banking in Slovenia

## Financial Highlights

- The segment recorded EUR 44.2 million of **net operating income**, EUR 8.2 million increase YoY of which approximately EUR 3.7 million is assigned to the change in segment presentation. **Net non-interest income** in Q1 2019 was mainly affected by partial repayment of a larger exposure measured at fair value through profit and loss (EUR 5.1 million) and in Q2 2019 by DGS and SRF expenses (EUR 1.1 million).
- Investment Banking and Custody** recorded non-interest income in the amount of EUR 4.5 million and which is an increase of EUR 0.3 million YoY. Total income growth is the result of a larger volume of transactions. The total value of assets under custody remained at 2018 YE level at EUR 15.6 billion.
- Total costs** decreased by EUR 0.6 million YoY, despite the transfer of the costs due to the change in segment presentation.
- Impairments and provisions** were released in the amount of EUR 2.9 million, which includes releases on NPL of clients.
- Increase in **gross loans to customers** is mostly due to the change in segment presentation (EUR 149.8 million due to transfer from NLB Non-core and EUR -38.1 million from transfer of micro clients to Retail Banking in Slovenia). Key and SME corporates portfolio remained stable.

## Business Highlights

- NLB established business line to support cross-border opportunities.
- Web platform for purchase of receivables was introduced.
- Strong performance on debt capital markets with two international benchmark issues for Slovenian issuers.

Table 9: Key financials of Corporate and Investment Banking in Slovenia<sup>5</sup>

in EUR million consolidated									
Corporate and Investment banking in Slovenia									
	1-6 2019	1-6 2018	Change YoY		Q2 2019	Q1 2019	Change QoQ		
Net interest income	19.7	20.2	-0.5	-2%	8.9	10.8	-18%		
Net non-interest income	24.5	15.8	8.7	55%	9.0	15.5	-42%		
<b>Total net operating income</b>	<b>44.2</b>	<b>36.0</b>	<b>8.2</b>	<b>23%</b>	<b>17.9</b>	<b>26.3</b>	<b>-32%</b>		
Total costs	-20.8	-21.4	0.6	3%	-10.7	-10.2	-5%		
<b>Result before impairments and provisions</b>	<b>23.3</b>	<b>14.6</b>	<b>8.8</b>	<b>60%</b>	<b>7.2</b>	<b>16.1</b>	<b>-55%</b>		
Impairments and provisions	2.9	10.0	-7.0	-71%	-0.4	3.3	-		
<b>Result before tax</b>	<b>26.2</b>	<b>24.5</b>	<b>1.7</b>	<b>7%</b>	<b>6.8</b>	<b>19.4</b>	<b>-65%</b>		

	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Jun 2018	Change YtD		Change YoY		Change QoQ
Net loans to customers	1,947.9	2,011.4	1,950.4	1,991.2	-2.5	0%	-43.3	-2%	-3%
Gross loans to customers	2,110.0	2,183.8	2,061.0	2,121.3	49.1	2%	-11.3	-1%	-3%
Corporate	1,922.1	1,987.7	1,854.4	1,900.9	67.7	4%	21.2	1%	-3%
Key/SME Corporates	1,666.4	1,697.2	1,643.2	1,671.6	23.2	1%	-5.2	0%	-2%
Interest rate on Key/SME Corporates loans	1.85%	1.87%	1.88%	1.93%	-0.03 p.p.		-0.08 p.p.		-0.02 p.p.
Investment banking*	0.1	0.1	/	/	/		/		/
Restructuring and Workout	255.6	290.4	211.2	229.3	44.3	21%	26.2	11%	-12%
State	187.6	195.8	206.1	220.5	-18.6	-9%	-32.9	-15%	-4%
Interest rate on State loans	2.19%	2.84%	1.69%	1.89%	0.49 p.p.		0.30 p.p.		-0.66 p.p.
Deposits from customers	992.3	1,111.7	1,120.8	1,069.1	-128.6	-11%	-76.8	-7%	-11%
Interest rate on deposits	0.07%	0.07%	0.07%	0.07%	0.00 p.p.		0.00 p.p.		0.00 p.p.
Non-performing loans (gross)	231.4	262.8	179.7	209.2	51.6	29%	22.2	11%	-12%

	1-6 2019	1-6 2018	Change YoY
Cost of risk (in bps)	-12	-50	38
CIR	47.2%	59.5%	-12.3 p.p.
Interest margin	3.34%	2.46%	0.88 p.p.

\*Investment banking was shown as separate part of this segment before 2019. Profit before tax of Investment banking 1-6 2018 in amount EUR 1.3 million.

Notes:

<sup>5</sup> Due to the new methodology, the segment results for 2019 are not directly comparable to the segment results from the previous year. Presented quarterly segment results are comparable.

The Bank is the leading bank in servicing corporate clients in Slovenia with by far the largest client base. It has a 17.2% market share in corporate loans (end of 2018: 18.2%), and 22.7% (end of 2018: 24.5%) in guarantees and letters of credit. The Bank is increasingly focused on mid-sized and small enterprises.

The number of Klikpro users also continued to grow in H1 2019 with 33.4% YoY increase. This digital channel and the functionalities it offers, including Express Loan and Express Overdraft up to EUR 30,000 with no additional documentation, collateral or visit to the bank's office required, are well accepted by the clients. Further NLB introduced its electronic platform for purchase of receivables ("NLB Odkup terjatev") to the market, thus further complementing its product range.

The Bank has actively started to exploit business opportunities in the SEE arising after the EC commitments affecting the Group were lifted. NLB increasingly presents itself in its core markets as a leading regional bank with a complete range of Corporate and Investment Banking services and the strength of the Group balance sheet available for financing. A major client event in Serbia, the well-established "Business Forum" in Kopaonik was attended by more than thousand participants.

Our Investment Banking franchise arranged EUR 250 million worth of issuance in debt instruments. Acting as a mandated lead arranger the Bank organised syndicated loan in the total amount of EUR 60 million. The Bank was active in M&A and other financial advisory engagements, as the sole financial advisor it successfully organised several takeover bids.

The Bank remains one of the top Slovenian players in custodian services for Slovenian and international customers. The total value of assets under custody stabilised at EUR 15.6 billion.

## Strategic Foreign Markets

### Financial Highlights

- The segment recorded EUR 101.6 million of **net operating income**. In 2018, the result was positively affected by the sale of Nov penziski fond. Increase of **net interest income** of EUR 5.9 million was recorded in all banking members due to a higher volume despite the decreasing trend of interest margins.
- Total costs** increased by EUR 1.9 million YoY.
- Impairments and provisions** were established in the amount of EUR 7.1 million (EUR 2.7 million due to established provisions for pending lawsuits in NLB Banka, Podgorica), compared to EUR 1.5 million in H1 2018.
- Gross loans** in most subsidiary banks increased, the largest increases were recorded in NLB Banka, Prishtina (EUR 46.1 million) and NLB Banka, Beograd (EUR 44.2 million).
- Gross loans to customers increased by EUR 66.0 million YtD, while due to change in segment presentation and transferring exposures from SPVs to Non-Core Members decreased (EUR -69.0 million).
- NPLs** decreased mostly due to the same reason.

### Business Highlights

- Group solution NLB Pay introduced by NLB Banka, Skopje and NLB Banka, Sarajevo.
- Introduction of express consumer loans in banking subsidiaries.

Table 10: Key financials of Strategic Foreign Markets<sup>6</sup>

in EUR million consolidated									
Strategic foreign markets									
	1-6 2019	1-6 2018	Change YoY		Q2 2019	Q1 2019	Change QoQ		
Net interest income	77.9	71.9	5.9	8%	39.2	38.6	2%		
Net non-interest income	23.8	37.2	-13.5	-36%	11.7	12.1	-4%		
<b>Total net operating income</b>	<b>101.6</b>	<b>109.2</b>	<b>-7.5</b>	<b>-7%</b>	<b>50.9</b>	<b>50.7</b>	<b>0%</b>		
Total costs	-51.1	-49.1	-1.9	-4%	-25.7	-25.3	-2%		
<b>Result before impairments and provisions</b>	<b>50.6</b>	<b>60.0</b>	<b>-9.5</b>	<b>-16%</b>	<b>25.2</b>	<b>25.4</b>	<b>-1%</b>		
Impairments and provisions	-7.1	-1.5	-5.7	-	-3.9	-3.2	-22%		
<b>Result before tax</b>	<b>43.4</b>	<b>58.6</b>	<b>-15.1</b>	<b>-26%</b>	<b>21.3</b>	<b>22.2</b>	<b>-4%</b>		
o/w Result of minority shareholders	3.8	4.5	-0.8	-17%	1.8	2.0	-7%		

	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Jun 2018	Change YtD		Change YoY		Change QoQ
Net loans to customers	2,835.6	2,753.6	2,718.0	2,575.5	117.6	4%	260.1	10%	3%
Gross loans to customers	2,998.7	2,915.8	2,932.7	2,804.7	66.0	2%	193.9	7%	3%
Retail	1,514.6	1,466.7	1,438.1	1,361.1	76.4	5%	153.5	11%	3%
<i>Interest rate on retail loans</i>	<i>6.78%</i>	<i>6.80%</i>	<i>7.09%</i>	<i>7.18%</i>	<i>-0.31 p.p.</i>		<i>-0.40 p.p.</i>		<i>-0.02 p.p.</i>
Corporate	1,400.0	1,364.6	1,405.0	1,349.7	-5.0	0%	50.3	4%	3%
<i>Interest rate on corporate loans</i>	<i>4.62%</i>	<i>4.71%</i>	<i>4.92%</i>	<i>4.89%</i>	<i>-0.30 p.p.</i>		<i>-0.26 p.p.</i>		<i>-0.08 p.p.</i>
State	84.1	84.4	89.6	94.0	-5.5	-6%	-9.8	-10%	0%
<i>Interest rate on state loans</i>	<i>4.21%</i>	<i>4.23%</i>	<i>4.33%</i>	<i>4.33%</i>	<i>-0.12 p.p.</i>		<i>-0.12 p.p.</i>		<i>-0.03 p.p.</i>
Deposits from customers	3,547.6	3,466.1	3,438.1	3,146.3	109.5	3%	401.3	13%	2%
<i>Interest rate on deposits</i>	<i>0.55%</i>	<i>0.56%</i>	<i>0.61%</i>	<i>0.64%</i>	<i>-0.07 p.p.</i>		<i>-0.10 p.p.</i>		<i>-0.01 p.p.</i>
Non-performing loans (gross)	147.0	146.2	219.9	242.5	-72.8	-33%	-95.4	-39%	1%

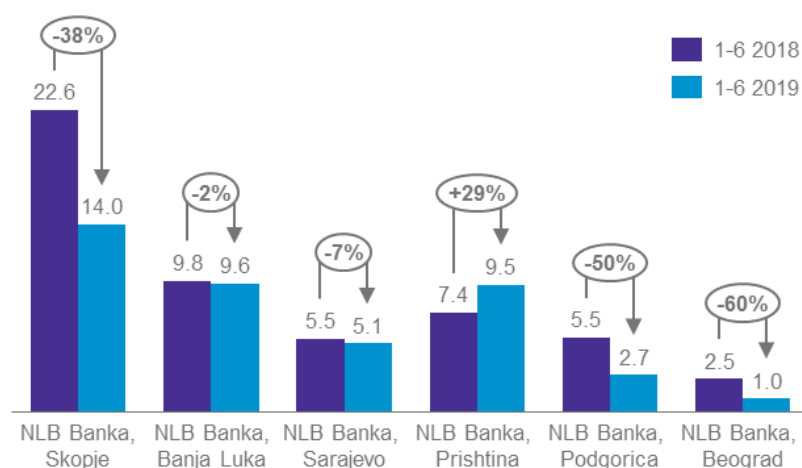
  

	1-6 2019	1-6 2018	Change YoY
Cost of risk (in bps)	10	3	7
CIR	50.2%	45.0%	5.2 p.p.
Interest margin	3.67%	3.81%	-0.13 p.p.

Notes:

<sup>6</sup> Due to the new methodology, the segment results for 2019 are not directly comparable to the segment results from the previous year. Presented quarterly segment results are comparable.



Figure 11: Net profit of strategic NLB Group banks<sup>7</sup> (in EUR million)

Subsidiary banks continued to be highly profitable in H1 2019. Lending activity was healthily growing, especially in NLB Banka, Beograd (26% increase YtD) and NLB Banka, Prishtina (17% increase YtD). The result after tax in NLB Banka, Podgorica and in NLB Banka, Beograd dropped due to some losses from legal disputes.

Subsidiary banks are gradually introducing new digital services and upgrading existing products. Good examples are Mobile wallet (NLB Pay) which has already been offered to clients by NLB Banka, Skopje and NLB Banka, Sarajevo, while a new communication platform based on Viber for interactions with clients was introduced by NLB Banka, Podgorica as well as NLB Banka, Skopje. The “Express Loan” has been introduced in all subsidiary banks of the Group in a harmonized campaign.

In H1 2019, the subsidiary banks received several awards for various aspects of their activities. NLB Banka, Prishtina was awarded as the most active issuing Bank in Kosovo for using Trade Facilitation Programme of the EBRD for year 2018. NLB Banka, Skopje was awarded by the financial magazine EMEA for the Best Bank in the country in 2018 (Europe Banking Awards 2018), and by the Macedonian Stock Exchange in the category of the most transparent company (“Crystal Bell” for the 3rd place), and for the largest turnover (3rd place).

Notes:

<sup>7</sup> Data on a stand-alone basis as included in the consolidated financial statements of the Group.

## Financial Markets in Slovenia

### Financial Highlights

- Lower **net interest income**, EUR 1.8 million YoY, due to lower transformation margin.
- Higher **net non-interest income**, EUR 1.8 million YoY, mostly due to active management of banking book securities, which positively affected the net income from financial transactions, mostly in Q1 2019. In Q2 2019 net non-interest income was affected with SRF expenses (EUR 0.3 million).
- Decrease in **balances with the central banks** (EUR 54.8 million YtD) and increase in banking book securities (EUR 228.1 million YtD).

### Business Highlights

- The Bank issued subordinated Tier 2 notes (10NC5) in the nominal amount of EUR 45 million, listed on Ljubljana Stock Exchange to a diversified investor base. NLB acted as the Sole Lead Arranger of this transaction on its own behalf.

Table 11: Key financials of Financial Markets in Slovenia<sup>8</sup>

in million EUR consolidated		Financial markets in Slovenia						
	1-6 2019	1-6 2018	Change YoY		Q2 2019	Q1 2019	Change QoQ	
Net interest income	15.9	17.6	-1.8	-10%	9.9	6.0	64%	
Net non-interest income	1.5	-0.3	1.8	-	-0.6	2.1		-
<b>Total net operating income</b>	<b>17.4</b>	<b>17.3</b>	<b>0.1</b>	<b>0%</b>	<b>9.3</b>	<b>8.1</b>	<b>14%</b>	
Total costs	-3.5	-3.3	-0.2	-6%	-1.8	-1.7	-8%	
<b>Result before impairments and provisions</b>	<b>13.8</b>	<b>14.0</b>	<b>-0.1</b>	<b>-1%</b>	<b>7.4</b>	<b>6.4</b>	<b>15%</b>	
Impairments and provisions	-0.5	0.0	-0.4	-	-0.1	-0.3	54%	
<b>Result before tax</b>	<b>13.4</b>	<b>13.9</b>	<b>-0.6</b>	<b>-4%</b>	<b>7.3</b>	<b>6.1</b>	<b>19%</b>	

	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Jun 2018	Change YtD		Change YoY		Change QoQ
Balances with Central banks	520.2	666.3	575.0	406.2	-54.8	-10%	114.1	28%	-22%
Banking book securities	2,983.4	2,924.1	2,755.2	2,563.9	228.1	8%	419.5	16%	2%
<i>Interest rate on banking book securities</i>	<i>1.07%</i>	<i>1.10%</i>	<i>1.25%</i>	<i>1.27%</i>	<i>-0.17 p.p.</i>		<i>-0.20 p.p.</i>		<i>-0.03 p.p.</i>
Wholesale funding	235.3	244.0	244.1	252.5	-8.9	-4%	261.4	104%	-4%
<i>Interest rate on wholesale funding</i>	<i>0.51%</i>	<i>0.53%</i>	<i>0.48%</i>	<i>0.44%</i>	<i>0.03 p.p.</i>		<i>0.08 p.p.</i>		<i>-0.02 p.p.</i>
Subordinated liabilities	44.9	-	-	-	-	-	-	-	-
<i>Interest rate on subordinated liabilities</i>	<i>4.20%</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>		<i>-</i>		<i>-</i>

The segment's main mission continued to be the Group's activities on the international financial markets, including treasury operations. In the challenging environment of low interest rates on financial markets the major focus was on prudent liquidity reserves management and compliance with the regulatory requirements.

In a decisive move in the direction of capital optimization the Bank issued self-arranged 10NC5 subordinated Tier 2 notes in May in the nominal amount of EUR 45 million with a fixed coupon during the first five years of 4.2% p.a. (thereafter it will be reset to the sum of the then applicable 5Y MS and the fixed margin as defined at the issuance of the notes, i.e. 4.159% p.a.). The notes were admitted to trading on the regulated market of the Ljubljana Stock Exchange, bond segment. The transaction was supported by the domestic as well as foreign institutional investors.

Notes:

<sup>8</sup> The segment Financial Markets in Slovenia was in previous reports shown without Investment Banking, so the results are comparable with the previous year.

## Non-Core Members

### Financial Highlights

- The segment recorded EUR 3.7 million decrease of **net operating income**, partially due to transfer of NLB Non-core part to Corporate and Investment Banking in Slovenia (approximately EUR -3.3 million) and transfer of NLB Srbija and NLB Crna Gora from Strategic Foreign Markets (EUR 0.6 million); non-recurring effect on **net non-interest income** from contractual penalty in Q1 2019 (EUR 1.3 million).
- Decrease in **total costs**, EUR 2.9 million YoY, due to divestment of non-strategic Group members, transfer of NLB Non-core part to Corporate (approximately EUR -2.2 million) and transfer of NLB Srbija and NLB Crna Gora from Strategic Foreign Markets (EUR 0.7 million).
- Gross loans to customers** decreased due to divestment of non-strategic Group members, but mostly due to the change in segment presentation, EUR 107.0 million YtD, of which EUR 149.8 million from transfer of NLB Non-core part to Corporate and Investment Banking in Slovenia and EUR 69.0 million from transfer of NLB Srbija and NLB Crna Gora from Strategic Foreign Markets.
- Decrease in **deposits from customers**, EUR 9.6 million due to transfer of NLB Non-core part to Corporate and Investment Banking in Slovenia.
- NPLs** decrease mostly due to the change in segment presentation.

### Business Highlights

- Signing of a non-core equity divestment (Share Purchase Agreement) resulting in valuation results of EUR 6.3 million.

Table 12: Key financials of Non-core members<sup>9</sup>

in EUR million consolidated		Non-core members							
	1-6 2019	1-6 2018	Change YoY		Q2 2019	Q1 2019	Change QoQ		
Net interest income	1.6	5.3	-3.8	-71%	0.6	1.0	-40%		
Net non-interest income	4.3	4.2	0.1	2%	1.5	2.8	-48%		
<b>Total net operating income</b>	<b>5.9</b>	<b>9.6</b>	<b>-3.7</b>	<b>-39%</b>	<b>2.1</b>	<b>3.8</b>	<b>-46%</b>		
Total costs	-6.5	-9.4	2.9	31%	-3.4	-3.1	-11%		
<b>Result before impairments and provisions</b>	<b>-0.6</b>	<b>0.2</b>	<b>-0.8</b>	-	<b>-1.3</b>	<b>0.7</b>	-		
Impairments and provisions	1.0	7.8	-6.8	-87%	0.3	0.7	-53%		
<b>Result before tax</b>	<b>0.4</b>	<b>8.0</b>	<b>-7.6</b>	<b>-95%</b>	<b>-1.0</b>	<b>1.4</b>	-		
	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Jun 2018	Change YtD		Change YoY		Change QoQ
<b>Segment assets</b>	<b>205.8</b>	<b>216.9</b>	<b>263.7</b>	<b>345.0</b>	<b>-57.9</b>	<b>-22%</b>	<b>402.8</b>	<b>117%</b>	<b>-5%</b>
Net loans to customers	93.3	103.8	160.9	227.1	-67.6	-42%	294.7	130%	-10%
Gross loans to customers	181.6	196.0	288.6	395.0	-107.0	-37%	502.0	127%	-7%
Investment property and property & equipment received for repayment of loans	44.5	45.1	68.5	42.7	-24.1	-35%	66.8	156%	-1%
Other assets	68.1	68.1	34.3	75.1	33.8	99%	41.3	55%	0%
Deposits from customers	0.0	0.0	9.6	9.2	-9.6	-	18.8	-	-
Non-performing loans (gross)	121.1	126.3	179.7	253.8	-58.7	-33%	312.4	123%	-4%
	1-6 2019	1-6 2018	Change YoY						
Cost of risk (in bps)	-122	-348	226						
CIR	110.3%	98.3%	31.4 p.p.						

Notes:

<sup>9</sup> Due to the new methodology, the segment results for 2019 are not directly comparable to the segment results from the previous year. Presented quarterly segment results are comparable.

The Non-core segment's main objective remained rigorous wind-down of all non-core portfolios and consequent reduction of costs.

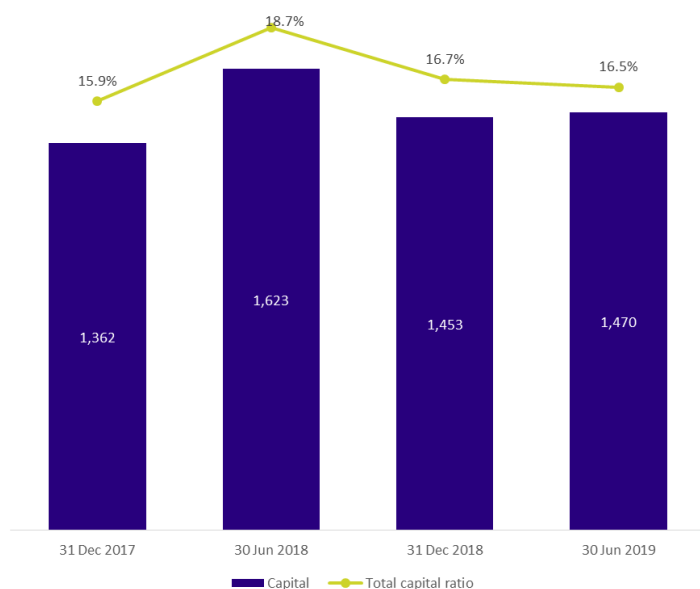
In H1 2019, the following changes in the status of non-strategic subsidiaries were made:

- Prospera Plus d.o.o., Ljubljana – v likvidaciji was deleted from the register,
- NLB InterFinanz Praha s.r.o. vo likvidaci was deleted from the register,
- CBSinvest d.o.o., Sarajevo was sold,
- REAM, Beograd merged with SR-RE, Beograd,
- SR-RE d.o.o. was renamed into REAM d.o.o. Beograd,
- NLB Leasing, Sarajevo performed a capital decrease in the amount of KM 6,500,759.20,
- 100% share of REAM, Zagreb was transferred from the Bank to S-REAM, Ljubljana,
- Liquidation proceedings of NLB Leasing, Sarajevo started.

## Capital and Liquidity

### Capital

Figure 12: NLB Group Capital (in EUR million) and Total Capital Ratio (in %)



The Overall Capital Requirement (OCR) amounted to 14.75% for the Bank on the consolidated basis, consisting of:

- 11.25% TSCR (8% Pillar 1 Requirement and 3.25% Pillar 2 Requirement); and
- 3.5% CBR (2.5% Capital Conservation Buffer, 1% O-SII buffer and 0% Countercyclical Buffer).

The applicable OCR requirement for 2019 was raised to 14.75%, due to the gradual phase-in of the capital conservation buffer as prescribed by law and introduction of O-SII buffer. On the other hand, Pillar 2 Requirement decreased by 0.25 p.p. to 3.25%, as a result of better overall SREP assessment.

Pillar 2 Guidance (P2G) amounts to 1.0% of CET 1.

The capital of the Bank and the Group covers all the current and announced regulatory capital requirements, including capital buffers and other currently known requirements, as well as the P2G.

To strengthen and optimize the Group's capital structure, the Bank issued 10NC5 subordinated Tier 2 notes in the aggregate nominal amount of EUR 45 million on 6 May 2019.

As at 30 June 2019, the Total Capital Ratio for the Group stood at 16.5% (or 0.2 percentage points lower than at the end of 2018), and for NLB at 22.7% (or 1.4 percentage point lower than at the end of 2018). The Tier 1 ratio and CET 1 ratio (16.0% or 0.7 percentage points lower than at the end of 2018) differs from the Total Capital Ratio due to Tier 2 instrument issued. The lower capital adequacy derives from higher RWA (EUR 257.6 million for the Group). In June 2019, NLB paid out dividends in the total amount of EUR 142.6

million, which represents EUR 7.13 gross per share. This decreased the capital by EUR 43.2 million, nevertheless, the Total Capital increased by EUR 16.5 million, mainly due to issuance of Tier 2 instrument (EUR 44.6 million), higher other comprehensive income (EUR 13.8 million) and lower deduction for intangible assets (EUR 1.5 million).

Table 13: Total risk exposure (in EUR million) for NLB Group

	30 Jun 2019	31 Dec 2018	31 Dec 2017	Change YtD
<b>Total risk exposure amount (RWA)</b>	<b>8,935</b>	<b>8,678</b>	<b>8,546</b>	<b>3.0%</b>
RWA for credit risk	7,428	7,180	7,096	3.5%
RWA for market risks + CVA	565	544	501	3.8%
RWA for operational risk	942	953	949	-1.2%

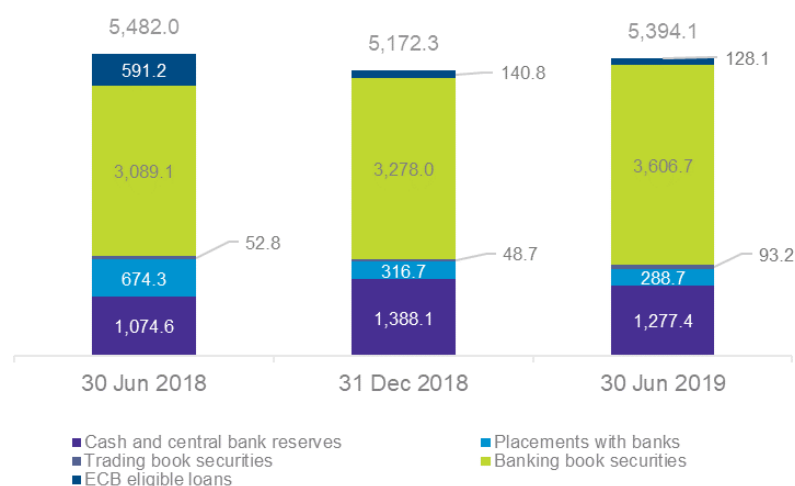
RWA for credit risk increased by EUR 248.6 million, of which on the corporate and retail segment EUR 158.8 million due to loan growth. RWA increase was also affected by surplus liquidity placed to the non-EU debt securities (EUR 49.5 million).

## Liquidity

The liquidity position of the Group remains strong, with LTD ratio (net) of 67.7%, meeting liquidity indicators high above the regulatory requirements, and confirming the low liquidity risk tolerance of the Group.

Liquid assets of the Group amounted to EUR 5.39 billion (41.0% of total assets; 2018 year-end: EUR 5.17 billion, 40.6% of total assets), of which EUR 0.44 billion (2018 year-end: EUR 0.43 billion) were encumbered for operational and regulatory purposes.

Figure 13: NLB Group liquid assets structure reflects a robust liquidity position (in EUR million)



The banking book securities portfolio, which represented 66.9% of the Group's liquid assets (2018 year-end: 63.4%), was dispersed appropriately in terms of issuers, countries, and remaining maturity, with the aim of adequate liquidity and interest risk management.

Driven by the low interest rate environment, the main change in the funding structure of the Group was the continued transformation of term-to-sight customer deposits, representing the key funding base. The share of sight customer deposits equalled 65.6% of total assets (2018 year-end: 65.0%).



# Mid-Term Targets, Risk Factors and Outlook 2019

## Mid-Term Targets Set till 2023

Table 14: Key performance indicators

	1-6 / 30 June 2019	1-6 / 30 June 2018	Mid-term Targets
Net interest margin (NIM)	2.54%	2.53%	> 2.7%
Loan to Deposit (LTD) ratio	67.7%	70.5%	< 95.0%
Total capital ratio	16.5%	18.7%	16.25%*
Costs to income ratio (CIR)	54.9%	57.6%	~ 50.0%
Cost of Risk Net (bps)	0	-46	< 90
NPE ratio (EBA definition)	4.1%	5.8%	< 4.0%
Return on equity after tax (ROE a.t.)	11.4%	12.1%	> 12.0%

\* Target total capital ratio is regularly revised by the competent bodies to reflect each time the applicable capital requirements.

When compared to the strategic mid-term targets set till 2023, the Group is pursuing a range of activities to achieving all its strategic financial objectives. Notably the environment has visibly changed, especially in the Eurozone given a much more benign interest rate outlook and likely further decreases on ECB deposit rates.

## Risk Factors

Risk factors affecting the business outlook are (among others): the economies' sensitivity to a potential slowdown in the Eurozone, worsened interest rate outlook, regulatory and tax measures impacting the banks, and geopolitical uncertainties.

Macroeconomic conditions in the region where the Group operates are gradually slowing down, nevertheless they still remain favourable. The economic growth of the Group's region remains moderate. Besides, structural unbalances in the environment where the Group operates might influence weaker consumer spending and industrial production. In addition, further consolidation of the banking sector in Slovenia can have an impact on the market competition.

Such circumstances could have an adverse impact on the Group's current operating results and related profitability, nevertheless, no material impact is currently anticipated. Potential negative impacts would primarily result from the unfavourable low interest rate environment, lower interest margins and financial markets instability.

In this respect NLB Group closely follows macroeconomic indicators, relevant for the Group's operations:

- GDP trends,
- Growth of loans in the banking sector,
- Economic sentiment,

- Unemployment,
- Consumer confidence,
- Construction sentiment,
- FX rates,
- Interest rates' development and related future forecasts,
- other relevant market indicators.

## Outlook 2019

Macro outlook suggests that most countries where the Group is present are likely to experience growth at around three to four percent, if supported by loose monetary conditions, fiscal easing and solid domestic demand. Public debt in all those markets is below the EU average, accompanied by low household indebtedness and solid savings performance.

Considering these circumstances and presented risk factors, in 2019 the Group aims to achieve a single digit % increase of revenues and pre-provision profit with continued loan growth (in line with GDP dynamics) and stable net interest margin.

Costs are expected to moderately increase in short-term period given some adjustments on senior management compensation post-privatisation, pressures on labour cost inflation throughout the region and continued investment activities into technological upgrades and digital client experience. However, the commitment to cost containment remains strong and the Bank continues to pursue a strong cost agenda addressing both labour and non-labour cost elements throughout the Group.

Cost of risk is expected to increase yet still remain at low levels.

## Risk Management

The Group puts great emphasis on the risk culture and awareness of all relevant risks across the entire Group. The business and operating environment, relevant to the Group's operations, is very dynamic because of new trends, such as changing customer behaviour, emerging technologies and competitors, and new regulatory requirements. Consequently, risk management practices are keeping up with the aim of detecting and managing new and emerging risks.

The main risk principles are set forth by the NLB Group Risk Strategy, designed in accordance with the Group's business strategy and risk appetite orientations. A special focus is placed on the inclusion of risk analysis into the decision-making process at strategic and operating levels, diversification in order to avoid large concentration, optimal capital usage and allocation, appropriate risk-adjusted pricing, regular education/training at all management levels and overall compliance with internal policies, rules and regulations.

The Risk Management function focuses on managing and mitigating risks in line with the Group's Risk Appetite and Risk Strategy, thus representing the foundation of the Group's Risk Management Framework. Within these frameworks, the Group monitors a range of risk metrics to make sure the Group's risk profile is in line with its Risk Appetite. In addition, the Group is constantly enhancing its risk management system, consistently applying various ICAAP, ILAAP, Recovery Plan, and other internal stress-testing capabilities to the risk management system. Moreover, the ICAAP process was substantially upgraded in accordance with the newly published ECB guidelines, including its stronger integration into the overall risk management system to provide proactive support for informed decision-making.

The MREL requirement for the Group is based on the Multiple Point of Entry (MPE) approach. It is determined as percentage of Total Liabilities and Own Funds (TLOF) at the sub-consolidated level of the NLB Resolution Group (the Bank and non-core part of the Group). On 17 May 2019, the Bank received a decision by the Bank of Slovenia relating to the MREL requirement, which is 17.93% of TLOF at the sub-consolidated level of the NLB Resolution Group. The transition period to reach the MREL requirement is until 30 June 2023 and from that date onwards it is required to be met at all times. The Group made the implementation of MREL requirement a part of its risk appetite and the MREL ratio is regularly monitored.

One of the key Risk Management goals is to maintain a prudent level of the Group's capital adequacy. The Group monitors its capital adequacy at the level of the Group as well as individual subsidiary banks in accordance with the Risk Appetite, applying also the established ICAAP process under the normal and stressed conditions. As at 30 June 2019, the Group had a very solid capital adequacy ratio of 16.5%. The CET1 ratio, representing the capital of highest quality, stood at 16.0%, which is above the EU average as published by the EBA. In line with the SREP, CET 1 and the total capital ratio, the Group meets fully-loaded regulatory requirements applicable to 2019.

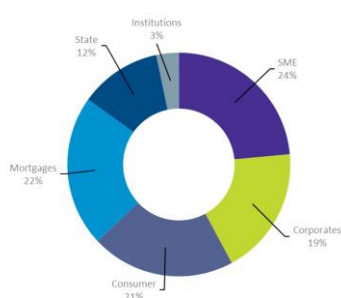
Maintaining solid liquidity levels and structure is the next very important risk target. The Group has a very strong liquidity position at the level of the Group as well as individual subsidiary banks, which is well above the risk appetite with the LCR of 344% and unencumbered eligible reserves in the amount of EUR 5.3 billion. Even if the stress scenario were to take place, the Group has sufficiently high liquidity reserves 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 level predominately consists of customer deposits in the retail segment, representing a very stable and constantly growing base. A very comfortable level of LTD of 67.7% gives the Group the opportunity to make further customer loan placements.

Maintaining a high credit portfolio quality is the most important goal, with the focus on the quality of new loans leading to a diversified portfolio of customers. A great emphasis is also placed on intensive and proactive handling of customers in distress, changes to the credit process and early warning system in order to detect growing credit risks. The restructuring approach is focused on the early detection of clients with potential financial difficulties and their proactive treatment. Moreover, the Group is constantly developing a wide range of advanced approaches facilitated by mathematical and statistical models in the segment of credit risk assessment in line with best banking practices to further enhance the existing risk management tools, while at the same time enabling greater customer responsiveness.

The Group's lending strategy focuses on its core markets in retail, SME and selected corporate business activities. On the Slovenian market, the focus is on providing appropriate solutions for retail and medium-sized companies, and small enterprise segments, while in the corporate segment the Bank maintains a business cooperation with selected corporate clients (through different types of lending/investment instruments). All other subsidiary banks in the SEE region, where the Group operates, are universal banks, mainly focusing on the retail segment and segment of medium-sized and small enterprises. Their primary goal is to provide comprehensive services to clients by taking into account prudent risk management principles. The current structure of credit portfolio (gross loans) consists of 43% of retail clients, 19% of large corporate clients, 24% of SMEs and micro companies, while the remainder of the portfolio consists of other liquid assets. There is no large concentration in any specific industry or client segment.

Figure 14: NLB Group structure of the credit portfolio (gross loans and advances) by segment<sup>10</sup>



The Group is actively present on the market, financing the existing and new creditworthy clients. The successful deleveraging of companies and new investment projects in Slovenia have had a positive influence on the approval of new loans. In retail, especially in the consumer loan segment, positive trends have been recorded throughout the region, as a result of clients' greater trust in economic developments and rising consumption alongside the related recovery in the real estate market. In H1 2019, efforts led to cumulatively very low new NPL occurrences, in the total amount of EUR 31.6 million, of which only EUR 7.2 million are the result of the new business, which is 0.08% of the total portfolio. In addition, favorable

Notes:

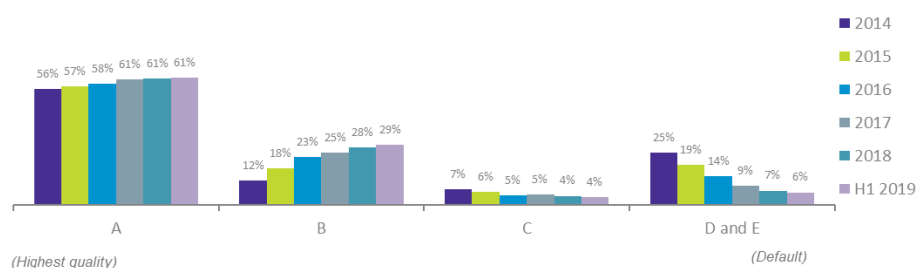
<sup>10</sup> Gross exposures include also reserves at Central Banks and demand deposits at banks.

macroeconomic environment across the region resulted in a relatively low cost of risk, whose evolution was otherwise very stable and below mid-term strategic orientations.

The implementation of IFRS 9 strengthened the Group's capital basis, arising mainly from collective impairments due to very favorable macroeconomic trends and higher quality of credit portfolio. The majority of the Group's loan portfolio is classified as Stage 1 (88.2%), then 5.7% as Stage 2 and 5.6% as Stage 3. Loans in stages from 1 to 3 are measured at amortized cost, while the remaining minor part (0.4%) represents fair value loans through P&L (FVTPL). The portfolio quality was very stable with rising Stage 1 exposures and falling NPLs, which are below the Slovenian average.

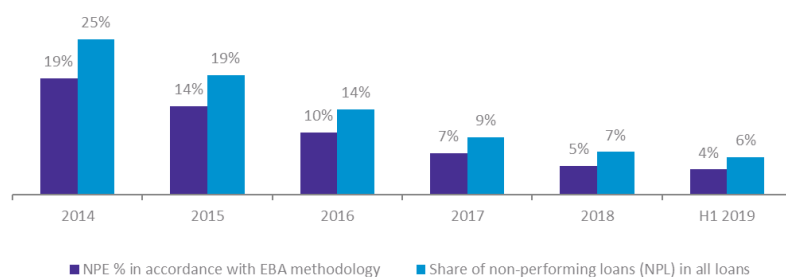
The Group strives to ensure the best possible collateral for long-term loans, i.e. mortgages in most cases. Thus, the mortgaging of real estate is the most frequent form of loan collateral provided by both corporate and retail clients. In corporate loans, it is followed by government and corporate guarantees. In retail loans, the other most frequent loan collateral types are insurance companies and guarantors.

**Figure 15: Structure of NLB Group credit portfolio by client credit ratings (in %) as at period end**

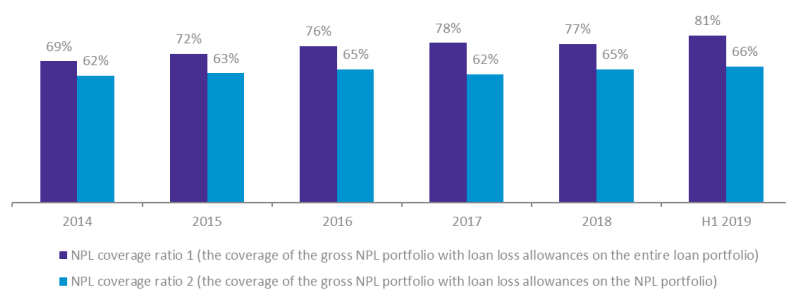


The reduction of NPLs at the Group level remained a key focus in H1 2019. Precisely set targets in the Group's NPL Strategy, proactive workout and macroeconomic recovery facilitated a further substantial reduction in the volume of the non-performing portfolio despite shrinking loan volumes. The existing non-performing credit portfolio stock in the Group was reduced from EUR 622 million to EUR 542 million in H1 2019. The combined result of all the effects resulted in a lower share of NPLs which decreased from 6.9% to 6.0%, while the internationally more comparable NPE ratio based on the EBA methodology was reduced from 4.7% to 4.1% YtD. A proactive approach to NPL management places a strong emphasis on restructuring, with increasing use of other NPL management tools such as foreclosures, sale of claims, proactive marketing and sale of pledged assets.

Figure 16: NLB Group NPE (NPE% by the EBA) and NPL ratio as at period end



An important strength of this Group is the NPL coverage ratio 1, which remains high at 81.2%. The Group's NPL coverage ratio 2 stands at 66.2%, which is well above the EU average as published by the EBA (45.1% for Q1 2019). As such, it enables further reduction of NPLs without significantly influencing the cost of risk in the next years. Moreover, it proves that on average the past reduction was done without any negative impact on the profit and loss account.

Figure 17: NLB Group Coverage ratio <sup>11</sup> and NLB Group NPL Coverage ratio <sup>212</sup> as at period end

Considering market risks, the Group pursues low risk appetite for market risk in the trading book. The exposure to trading (according to the CRR) is only allowed to be carried by the parent Bank as the main entity in the Group and it is very limited. The Bank maintains a small trading portfolio, mainly to monitor market signals in the global markets. As such it does not constitute a material risk to the Group's operations and its tolerance for interest rate and credit spread risk is very low.

The Group carries out its main business activities in euros, while the subsidiary banks, in addition to their domestic currencies, also operate in euros, which is the reporting currency of the Group. The Group's net open FX position from transactional risk is low and it amounts to less than 1.1% of capital. Regarding structural FX positions on a consolidated basis, assets and liabilities held in foreign operations are translated into the euro currency at the closing FX rate on the balance sheet date. FX differences of non-

## Notes:

<sup>11</sup> NPL coverage ratio 1 - The coverage of the gross NPL portfolio with impairments on the entire loan portfolio.

<sup>12</sup> NPL coverage ratio 2 - The coverage of the gross NPL portfolio with impairments on the NPL portfolio.

euro assets and liabilities are recognized in the other comprehensive income, and therefore affect shareholder's equity and CET 1 capital.

The Group's exposure to interest rate risk is moderate and arises mainly from the banking book positions. In the last three years the Group recorded a growth of fixed interest rate loans and long-term banking book securities on the assets' side and transformation of deposits from term to sight as a result of low interest rate environment and excessive liquidity.

The Group manages interest rate positions and stabilizes its interest rate margin primarily with the pricing policy and fund transfer pricing policy. An important part of the interest rate risk management is presented by the banking book securities portfolio, whose purpose is to maintain adequate liquidity reserves and at the same time it also contributes to the stability of the interest rate margin. In addition, the Group also uses plain vanilla derivative financial instruments for interest rate risk management, such as interest rate swaps, overnight index swaps, cross currency swaps, and forward rate agreements.

Net interest income sensitivity of the Group would amount to EUR 14.4 million if market interest rates increased by 50 bps, whereas if they decreased, the exposure would be lower due to zero floor clauses included in the loan contracts. From the EVE perspective, the capital sensitivity of 200 bps equals 6.1% of the Group's capital.

In the field of operational risk management, where the Group has established a robust operational risk culture, the main qualitative activities refer to the reporting of loss events and identification, assessment and management of operational risks. On this basis, control activities, processes and/or organization are performed. In H1 2019, additional efforts were made regarding proactive mitigation, prevention and minimization of potential damage in the future. Special attention was paid to the stress-testing system, based on the scenario analysis referring to potential high severity, low frequency events and modelling data on loss events. Furthermore, key risk indicators, serving as an early warning system for a broader field of operational risks (such as human resources, processes, systems and external conditions), were further enhanced. Their upgrade facilitates more detailed information for a more effective planning of measures and operational risk management, improves the existing internal controls and enables reacting on time when necessary.

In addition, the Group was also diligently managing other, non-financial risks as a part of the ICAAP process, referring to the Group's business model or arising from other external circumstances.

## Corporate Governance

### Management Board of the Bank

**The Management Board of the Bank (Management Board) leads, represents, and acts on behalf of the Bank, independently and at its own discretion, as provided for by the law and the Bank's Articles of Association. In accordance with the Articles of Association, the Management Board has three to six members (the president and up to five members), which are appointed and dismissed by the Supervisory Board. The president and members of the Management Board are appointed for a five-year term of office and may be reappointed or dismissed early in accordance with the law and the Articles of Association.**

The Management Board was reinforced already in 2016, when the Supervisory Board of the Bank at its meeting held on 4 July 2016 unanimously elected Blaž Brodnjak President of the Management Board. In addition, the Supervisory Board of the Bank appointed László Pelle as a member of the Management Board in charge of operations (COO). He started his function on 26 October 2016. The President and members of the Management Board were appointed and elected for a new five-year term of office at the same Supervisory Board meeting.

The composition of the Management Board in H1 2019 remained unchanged. The Management Board was composed of: Blaž Brodnjak (a member of the Management Board since 1 December 2012, Deputy President of the Management Board since 5 February 2016, and President of the Management Board since 6 July 2016, with a new five-year term of office as at 6 July 2016), and members: Archibald Kremser, a member of the Management Board and CFO (as at 31 July 2013 and with a new five-year term of office as at 6 July 2016), Andreas Burkhardt, a member of the Management Board and CRO (as of 18 September 2013 and with a new term of office as at 6 July 2016), and László Pelle, a member of the Management Board and COO (as of 26 October 2016 and with a five-year term of office as at 26 October 2016). The 5-year terms of office of the President of the Management Board Blaž Brodnjak and the members of the Management Board Archibald Kremser and Andreas Burkhardt expire on 6 July 2021, and the term of office of the Management Board member László Pelle expires on 26 October 2021.

### Supervisory Board

**The Supervisory Board of the Bank (Supervisory Board) carries out its tasks in compliance with the provisions of the laws governing the operations of banks and companies, as well as the Articles of Association of the Bank. In accordance with the two-tier governance system and the authorisations for supervising the Management Board, the Supervisory Board is, among other tasks, responsible for: issuing approvals to the Management Board in relation to the Bank's business policy and financial plan, the strategy of the Bank and the Group, organising the internal control system, drafting an audit plan of the Internal Audit, all financial transactions (e.g. issuing of own securities, and equity stakes in companies and other legal entities), and supervising the performance of the**



**Internal Audit. The Supervisory Board acts in accordance with the highest ethical standards, preventing any conflict of interests.**

Throughout the year 2018 and until 28 February 2019 the Supervisory Board was compiled of 8 members. On 30 November 2018, two members of the NLB Supervisory Board, Vida Šeme Hočevar and Simona Kozjek, submitted their resignation notices, with a three-month notice period, which expired on 28 February 2019.

On 12 April 2019, the Supervisory Board confirmed two Group reports for 2018: Annual Report and Annual Report on Corporate Social Responsibility. The Supervisory Board also approved the proposal made by the Management Board to convene the General Meeting of NLB, which took place on 10 June 2019.

Four members of the Supervisory Board were appointed at the General Meeting on 10 June 2019 (Mark William Lane Richards, Shrenik Dhirajlal Davda and Gregor Rok Kastelic), whereas one member's term of office was renewed (Andreas Klingen). On 28 June 2019, the Supervisory Board met for the first time with all nine members, in accordance with the Articles of Association. At that meeting, the Supervisory Board also assigned members to the four existing committees (Audit, Risk, Remuneration and Nomination), and they established a new committee for Operations & IT, confirming their members. In the capacity of the President of the Supervisory Board remains Primož Karpe, while the Supervisory Board again elected Andreas Klingen as Deputy Chair. The Chair of the Audit Committee is David E. Simon, Chair of the Risk Committee is Andreas Klingen, Chair of the Nomination Committee is Primož Karpe, Chair of the Remuneration Committee is Alexander Bayr and Chair of the newly appointed Operations and IT Committee is Mark Richards.

At the meeting, the discussion between the members of the Supervisory Board primarily focused on the Group strategy.

## **The General Meeting of the Bank**

**The shareholders exercise their rights related to the Bank's operations at the General Meetings. The Bank's General Meeting adopts decisions in compliance with the legislation and the Bank's Articles of Association. The authorizations of the General Meeting are stipulated in the Companies Act, the Banking Act, and the Articles of Association of the Bank. The decisions adopted by the General Meeting include, among others: adopting and amending the Articles of Association, use of distributable profit, granting a discharge from liability to the Management and Supervisory Board, changes to the Bank's share capital, appointing and discharging members of the Supervisory Board, remuneration and profit-sharing by the members of the Supervisory and Management Board and employees, annual schedules, and characteristics of issues of securities convertible to shares and equity securities of the Bank.**

On 10 June 2019, the shareholders of NLB gathered at the 33rd General Meeting, the first after the successfully concluded public offering of the Bank's shares mid-November last year when the Bank became a joint-stock company with dispersed domestic and international ownership. At the beginning of the General Meeting, 73.7% of the shares with voting rights were present.

In the introduction, the shareholders were informed of the adopted Annual Report of the NLB Group for 2018, the report of the Supervisory Board on the results of the review of the Annual Report, and the remuneration of the members of the Management Board and the Supervisory Board in 2018.

In addition, the shareholders decided on the allocation of the accumulated profit for 2018, and they granted a discharge from liability to the Management Board and the Supervisory Board for business year 2018. They decided to allocate EUR 142,600,000.00 of the total accumulated profit of EUR 194,491,264.58 as at 31 December 2018, which means EUR 7.13 gross per share. The remaining portion of EUR 51,891,264.58 has remained undistributed constituting retained earnings. It was decided that dividends would be paid out on 18 June 2019.

The General Meeting elected four new members of the Supervisory Board: Mark William Lane Richards, Shrenik Dhirajlal Davda, Gregor Rok Kastelic, and Andreas Klingen, whose term of office expired. All four were appointed for four years, starting on the day of appointment until the end of the Bank's Annual General Meeting decision on the use of accumulated profit for the fourth business year since their election, the first year being the business year during which they were appointed.

## **Guidelines on Disclosure for Listed Companies**

In accordance with Section 2.1.3, Point 2 of the Guidelines on Disclosure for Listed Companies, the Bank states that apart from the changes mentioned in this section with regard to the Supervisory Board there were no changes made to the Management Board. In April 2019, Attila Kövesdi replaced Polona Kurtevski as the General Manager of Internal Audit.

## Events after 30 June 2019

On 20 August, the Bank announced that both owners of NLB Vita insurance company (NLB and KBC Insurance NV), are currently investigating the possibilities of a joint process to divest their shareholdings in NLB Vita. The divestment by NLB is part of an additional commitment given to the EC as a result of extended due date for the sale of the required equity stake of the RoS in NLB.

# Unaudited Condensed Interim Financial Statements of NLB Group and NLB

as at 30 June 2019

Prepared in accordance with International Accounting  
Standard 34 “Interim Financial Reporting”

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## Condensed income statement

in EUR thousands

	Notes	NLB Group		NLB	
		six months ended		six months ended	
		June 2019	June 2018	June 2019	June 2018
		unaudited	unaudited	unaudited	unaudited
Interest income, using the effective interest method		177,642	171,503	87,317	85,366
Interest income, not using the effective interest method		3,688	3,625	3,680	3,663
Interest and similar income	4.1.	181,330	175,128	90,997	89,029
Interest and similar expenses	4.1.	(22,292)	(23,449)	(11,389)	(11,809)
<b>Net interest income</b>		<b>159,038</b>	<b>151,679</b>	<b>79,608</b>	<b>77,220</b>
Dividend income	4.2.	180	97	69,939	49,680
Fee and commission income	4.3.	111,798	105,997	66,982	65,276
Fee and commission expenses	4.3.	(29,588)	(26,438)	(15,875)	(14,992)
<b>Net fee and commission income</b>		<b>82,210</b>	<b>79,559</b>	<b>51,107</b>	<b>50,284</b>
Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	4.4.	3,040	565	3,015	282
Gains less losses from financial assets and liabilities held for trading	4.5.	4,722	3,918	1,483	820
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	4.6.	15,008	1,641	14,062	2,588
Gains less losses from financial assets and liabilities designated at fair value through profit or loss		-	(56)	-	(56)
Fair value adjustments in hedge accounting		(23)	257	(23)	257
Foreign exchange translation gains less losses		317	326	145	(2)
Gains less losses on derecognition of assets other than held for sale		901	1,370	32	56
Other operating income	4.7.	8,848	8,310	4,181	3,810
Other operating expenses	4.8.	(16,536)	(16,765)	(8,435)	(10,360)
Administrative expenses	4.9.	(125,999)	(126,323)	(78,065)	(77,103)
Depreciation and amortisation		(15,387)	(13,642)	(8,738)	(8,715)
Gains less losses from modification		(106)	-	-	-
Provisions for credit losses	4.10.	(1,920)	3,923	(1,900)	654
Provisions for other liabilities and charges	4.10.	(3,776)	(545)	6	(26)
Impairment of financial assets	4.11.	1,199	11,682	2,726	10,808
Impairment of non-financial assets	4.11.	(992)	(689)	3,433	534
Share of profit from investments in associates and joint ventures (accounted for using the equity method)		2,516	2,538	-	-
Gains less losses from non-current assets held for sale	4.12.	(237)	12,147	(129)	8,809
<b>Profit before income tax</b>		<b>113,003</b>	<b>119,992</b>	<b>132,447</b>	<b>109,540</b>
Income tax	4.13.	(14,885)	(10,603)	(9,878)	(6,205)
<b>Profit for the period</b>		<b>98,118</b>	<b>109,389</b>	<b>122,569</b>	<b>103,335</b>
Attributable to owners of the parent		94,326	104,847	122,569	103,335
Attributable to non-controlling interests		3,792	4,542	-	-
Earnings per share/diluted earnings per share (in EUR per share)		4.72	5.24	6.13	5.17

## Condensed income statement – for three months ended June

in EUR thousands

	Notes	NLB Group		NLB	
		three months ended		three months ended	
		June 2019 unaudited	June 2018 unaudited	June 2019 unaudited	June 2018 unaudited
Interest income, using the effective interest method		88,924	86,231	43,622	42,989
Interest income, not using the effective interest method		1,968	2,027	1,957	2,038
Interest and similar income	4.1.	90,891	88,258	45,621	45,027
Interest and similar expenses	4.1.	(11,203)	(11,584)	(5,770)	(5,800)
<b>Net interest income</b>		<b>79,688</b>	<b>76,674</b>	<b>39,851</b>	<b>39,227</b>
Dividend income	4.2.	101	86	65,541	41,145
Fee and commission income	4.3.	57,956	54,390	34,333	33,375
Fee and commission expenses	4.3.	(15,829)	(14,163)	(8,446)	(7,901)
<b>Net fee and commission income</b>		<b>42,127</b>	<b>40,227</b>	<b>25,887</b>	<b>25,474</b>
Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	4.4.	473	159	448	130
Gains less losses from financial assets and liabilities held for trading	4.5.	2,071	2,332	367	686
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	4.6.	7,801	1,021	7,612	1,633
Gains less losses from financial assets and liabilities designated at fair value through profit or loss		-	(50)	-	(50)
Fair value adjustments in hedge accounting		33	238	33	238
Foreign exchange translation gains less losses		284	240	78	43
Gains less losses on derecognition of assets other than held for sale		508	880	8	144
Other operating income	4.7.	3,415	3,994	1,983	2,095
Other operating expenses	4.8.	(12,782)	(13,068)	(7,845)	(9,737)
Administrative expenses	4.9.	(64,743)	(63,719)	(40,414)	(38,804)
Depreciation and amortisation		(7,659)	(6,848)	(4,406)	(4,366)
Provisions for credit losses	4.10.	(2,825)	1,675	(2,543)	1,277
Provisions for other liabilities and charges	4.10.	(789)	(472)	6	(26)
Impairment of financial assets	4.11.	(1,197)	10,670	561	11,885
Impairment of non-financial assets	4.11.	(53)	(310)	104	534
Share of profit from investments in associates and joint ventures (accounted for using the equity method)		1,386	1,360	-	-
Gains less losses from non-current assets held for sale	4.12.	(129)	(51)	(128)	(51)
<b>Profit before income tax</b>		<b>47,710</b>	<b>55,038</b>	<b>87,143</b>	<b>71,477</b>
Income tax	4.13.	(9,451)	(6,346)	(6,784)	(4,638)
<b>Profit for the period</b>		<b>38,259</b>	<b>48,692</b>	<b>80,359</b>	<b>66,839</b>
Attributable to owners of the parent		36,433	47,164	80,359	66,839
Attributable to non-controlling interests		1,826	1,528	-	-



## Condensed statement of comprehensive income

in EUR thousands

	Note	NLB Group		NLB	
		six months ended		six months ended	
		June 2019	June 2018	June 2019	June 2018
		unaudited	unaudited	unaudited	unaudited
<b>Net profit for the period after tax</b>		<b>98,118</b>	<b>109,389</b>	<b>122,569</b>	<b>103,335</b>
<b>Other comprehensive income/(loss) after tax</b>		<b>19,502</b>	<b>(5,612)</b>	<b>12,825</b>	<b>(3,410)</b>
<i>Items that will not be reclassified to income statement</i>					
Fair value changes of equity instruments measured at fair value through other comprehensive income		360	1,325	319	325
Share of other comprehensive income/(losses) of entities accounted for using the equity method		689	18	-	-
Income tax relating to components of other comprehensive income	5.12.	(192)	(54)	(61)	(53)
<i>Items that may be reclassified subsequently to income statement</i>					
Foreign currency translation		435	(1,554)	-	-
Translation gains/(losses) taken to equity		435	(1,554)	-	-
Debt instruments measured at fair value through other comprehensive income		16,360	(3,764)	15,515	(4,545)
Valuation gains/(losses) taken to equity		18,457	(4,006)	18,276	(4,559)
Transferred to income statement		(2,097)	242	(2,761)	14
Share of other comprehensive income/(losses) of entities accounted for using the equity method		6,023	(2,800)	-	-
Income tax relating to components of other comprehensive income	5.12.	(4,173)	1,217	(2,948)	863
<b>Total comprehensive income for the period after tax</b>		<b>117,620</b>	<b>103,777</b>	<b>135,394</b>	<b>99,925</b>
Attributable to owners of the parent		113,754	99,324	135,394	99,925
Attributable to non-controlling interests		3,866	4,453	-	-

## Condensed statement of comprehensive income – for three months ended June

in EUR thousands

	Note	NLB Group		NLB	
		three months ended		three months ended	
		June 2019	June 2018	June 2019	June 2018
		unaudited	unaudited	unaudited	unaudited
<b>Net profit for the period after tax</b>		<b>38,259</b>	<b>48,692</b>	<b>80,359</b>	<b>66,839</b>
<b>Other comprehensive income/(loss) after tax</b>		<b>9,796</b>	<b>(3,286)</b>	<b>8,065</b>	<b>(1,208)</b>
<i>Items that will not be reclassified to income statement</i>					
Fair value changes of equity instruments measured at fair value through other comprehensive income		148	(164)	146	263
Share of other comprehensive income/(losses) of entities accounted for using the equity method		(317)	5	-	-
Income tax relating to components of other comprehensive income		32	(41)	(28)	(41)
<i>Items that may be reclassified subsequently to income statement</i>					
Foreign currency translation		964	(1,176)	-	-
Translation gains/(losses) taken to equity		964	(1,176)	-	-
Debt instruments measured at fair value through other comprehensive income		9,762	(1,500)	9,811	(1,765)
Valuation gains/(losses) taken to equity		10,088	(1,745)	10,184	(1,768)
Transferred to income statement		(326)	245	(373)	3
Share of other comprehensive income/(losses) of entities accounted for using the equity method		1,275	(978)	-	-
Income tax relating to components of other comprehensive income		(2,068)	568	(1,864)	335
<b>Total comprehensive income for the period after tax</b>		<b>48,055</b>	<b>45,406</b>	<b>88,424</b>	<b>65,631</b>
Attributable to owners of the parent		46,147	43,905	88,424	65,631
Attributable to non-controlling interests		1,908	1,501	-	-

## Condensed statement of financial position

in EUR thousands

	Notes	NLB Group		NLB	
		30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
		unaudited	audited	unaudited	audited
Cash, cash balances at central banks and other demand deposits at banks	5.1.	1,460,731	1,588,349	757,597	795,102
Financial assets held for trading	5.2.a)	116,948	63,609	116,999	63,611
Non-trading financial assets mandatorily at fair value through profit or loss	5.3.	40,406	32,389	38,033	29,141
Financial assets measured at fair value through other comprehensive income	5.4.	2,062,896	1,898,079	1,609,561	1,528,314
Financial assets measured at amortised cost					
- debt securities	5.5.a)	1,593,376	1,428,962	1,422,143	1,274,978
- loans and advances to banks	5.5.b)	108,126	118,696	130,430	110,297
- loans and advances to customers	5.5.c)	7,254,657	7,124,633	4,434,386	4,451,477
- other financial assets	5.5.d)	95,045	75,171	113,622	42,741
Derivatives - hedge accounting		-	417	-	417
Fair value changes of the hedged items in portfolio hedge of interest rate risk		9,614	2,517	9,614	2,517
Investments in subsidiaries		-	-	350,733	350,733
Investments in associates and joint ventures		42,318	37,147	4,777	4,777
Tangible assets					
Property and equipment		193,848	177,404	88,916	86,934
Investment property	5.7.	57,760	58,644	11,952	12,026
Intangible assets		33,474	34,968	22,594	23,391
Current income tax assets		473	877	-	-
Deferred income tax assets	5.9.	17,467	22,847	16,850	22,234
Other assets	5.8.	73,704	70,971	13,423	10,637
Non-current assets classified as held for sale		3,567	4,349	1,386	1,720
<b>TOTAL ASSETS</b>		<b>13,164,410</b>	<b>12,740,029</b>	<b>9,143,016</b>	<b>8,811,047</b>
Trading liabilities	5.2.b)	21,270	12,300	21,274	12,256
Financial liabilities measured at fair value through profit or loss	5.3.	8,516	4,190	8,380	3,981
Financial liabilities measured at amortised cost					
- deposits from banks and central banks	5.10.	44,760	26,775	71,387	48,903
- borrowings from banks and central banks	5.10.	246,776	258,423	235,278	244,133
- due to customers	5.10.	10,753,544	10,464,017	7,210,049	7,033,409
- borrowings from other customers	5.10.	60,046	61,844	3,659	4,128
- subordinated liabilities	5.10.a)	44,861	15,050	44,861	-
- other financial liabilities	5.10.b)	205,047	100,887	142,063	62,212
Derivatives - hedge accounting		51,876	29,474	51,876	29,474
Provisions	5.11.	82,949	80,134	57,217	56,994
Current income tax liabilities		1,484	12,152	274	10,784
Deferred income tax liabilities	5.9.	2,326	2,499	-	-
Other liabilities	5.13.	13,291	14,840	8,674	9,543
<b>TOTAL LIABILITIES</b>		<b>11,536,746</b>	<b>11,082,585</b>	<b>7,854,992</b>	<b>7,515,817</b>
<b>EQUITY AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT</b>					
Share capital		200,000	200,000	200,000	200,000
Share premium		871,378	871,378	871,378	871,378
Accumulated other comprehensive income		27,251	7,823	28,664	15,839
Profit reserves		13,522	13,522	13,522	13,522
Retained earnings		475,219	523,493	174,460	194,491
		<b>1,587,370</b>	<b>1,616,216</b>	<b>1,288,024</b>	<b>1,295,230</b>
Non-controlling interests		40,294	41,228	-	-
<b>TOTAL EQUITY</b>		<b>1,627,664</b>	<b>1,657,444</b>	<b>1,288,024</b>	<b>1,295,230</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>13,164,410</b>	<b>12,740,029</b>	<b>9,143,016</b>	<b>8,811,047</b>

## Condensed statement of changes in equity

in EUR thousands

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
			Fair value reserve of financial assets measured at FVOCI	Foreign currency translation reserve	Other capital reserves						
Balance as at 1 Jan 2019	200,000	871,378	28,702	(18,275)	(2,604)	13,522	523,493	1,616,216	41,228	1,657,444	
- Net profit for the period	-	-	-	-	-	-	94,326	94,326	3,792	98,118	
- Other comprehensive income	-	-	18,993	435	-	-	-	19,428	74	19,502	
Total comprehensive income after tax	-	-	18,993	435	-	-	94,326	113,754	3,866	117,620	
Dividends paid	-	-	-	-	-	-	(142,600)	(142,600)	(4,800)	(147,400)	
<b>Balance as at 30 Jun 2019</b>	<b>200,000</b>	<b>871,378</b>	<b>47,695</b>	<b>(17,840)</b>	<b>(2,604)</b>	<b>13,522</b>	<b>475,219</b>	<b>1,587,370</b>	<b>40,294</b>	<b>1,627,664</b>	

in EUR thousands

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
			Fair value reserve of financial assets measured at FVOCI	Foreign currency translation reserve	Other capital reserves						
Balance as at 1 Jan 2018	200,000	871,378	45,143	(17,248)	(3,595)	13,522	588,186	1,697,386	36,891	1,734,277	
- Net profit for the period	-	-	-	-	-	-	104,847	104,847	4,542	109,389	
- Other comprehensive income	-	-	(4,162)	(1,360)	(1)	-	-	(5,523)	(89)	(5,612)	
Total comprehensive income after tax	-	-	(4,162)	(1,360)	(1)	-	104,847	99,324	4,453	103,777	
Dividends paid	-	-	-	-	-	-	-	-	(3,133)	(3,133)	
Transfer of fair value reserve	-	-	(51)	-	-	-	51	-	-	-	
Other	-	-	-	-	-	-	-	-	(340)	(340)	
<b>Balance as at 30 Jun 2018</b>	<b>200,000</b>	<b>871,378</b>	<b>40,930</b>	<b>(18,608)</b>	<b>(3,596)</b>	<b>13,522</b>	<b>693,084</b>	<b>1,796,710</b>	<b>37,871</b>	<b>1,834,581</b>	

in EUR thousands

NLB	Share capital	Share premium	Accumulated other comprehensive income		Profit reserves	Retained earnings	Total equity
			Fair value reserve of financial assets measured at FVOCI	Other capital reserves			
Balance as at 1 Jan 2019	200,000	871,378	18,620	(2,781)	13,522	194,491	1,295,230
- Net profit for the period	-	-	-	-	-	122,569	122,569
- Other comprehensive income	-	-	13,296	(471)	-	-	12,825
Total comprehensive income after tax	-	-	13,296	(471)	-	122,569	135,394
Dividends paid	-	-	-	-	-	(142,600)	(142,600)
<b>Balance as at 30 Jun 2019</b>	<b>200,000</b>	<b>871,378</b>	<b>31,916</b>	<b>(3,252)</b>	<b>13,522</b>	<b>174,460</b>	<b>1,288,024</b>

in EUR thousands

NLB	Share capital	Share premium	Accumulated other comprehensive income		Profit reserves	Retained earnings	Total equity
			Fair value reserve of financial assets measured at FVOCI	Other capital reserves			
Balance as at 1 Jan 2018	200,000	871,378	27,741	(3,497)	13,522	299,748	1,408,892
- Net profit for the period	-	-	-	-	-	103,335	103,335
- Other comprehensive income	-	-	(3,410)	-	-	-	(3,410)
Total comprehensive income after tax	-	-	(3,410)	-	-	103,335	99,925
Transfer of fair value reserve	-	-	(44)	-	-	44	-
<b>Balance as at 30 Jun 2018</b>	<b>200,000</b>	<b>871,378</b>	<b>24,287</b>	<b>(3,497)</b>	<b>13,522</b>	<b>403,127</b>	<b>1,508,817</b>

## Condensed statement of cash flows

	in EUR thousands			
	NLB Group		NLB	
	six months ended		six months ended	
	June 2019	June 2018	June 2019	June 2018
	unaudited	unaudited	unaudited	unaudited
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Interest received	213,611	203,809	124,516	116,571
Interest paid	(21,653)	(24,050)	(11,065)	(12,827)
Dividends received	2,262	1,809	36,135	40,469
Fee and commission receipts	110,343	106,637	65,574	65,078
Fee and commission payments	(31,184)	(28,195)	(16,150)	(15,267)
Realised gains from financial assets and financial liabilities not measured at fair value through profit or loss	3,041	716	3,016	462
Net gains/(losses) from financial assets and liabilities held for trading	4,649	4,394	1,433	1,189
Payments to employees and suppliers	(131,917)	(129,251)	(85,393)	(81,869)
Other income	9,594	11,756	4,099	6,428
Other expenses	(15,737)	(14,842)	(8,679)	(10,223)
Income tax (paid)/received	(21,159)	(5,377)	(16,466)	1,045
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>121,850</b>	<b>127,406</b>	<b>97,020</b>	<b>111,056</b>
<b>(Increases)/decreases in operating assets</b>	<b>(301,730)</b>	<b>(281,254)</b>	<b>(149,094)</b>	<b>(141,490)</b>
Net (increase)/decrease in trading assets	(44,607)	6,392	(44,607)	6,392
Net (increase)/decrease in non-trading financial assets mandatorily at fair value through profit or loss	10,955	9,768	9,549	12,351
Net (increase)/decrease in financial assets measured at fair value through other comprehensive income	(146,366)	(233,629)	(63,215)	(211,502)
Net (increase)/decrease in loans and receivables measured at amortised cost	(123,398)	(71,570)	(50,114)	50,990
Net (increase)/decrease in other assets	1,686	7,785	(707)	279
<b>Increases/(decreases) in operating liabilities</b>	<b>353,797</b>	<b>133,573</b>	<b>249,707</b>	<b>54,883</b>
Net increase/(decrease) in financial liabilities designated at fair value through profit or loss	-	(691)	-	(691)
Net increase/(decrease) in deposits and borrowings measured at amortised cost	354,514	133,953	250,328	54,882
Net increase/(decrease) in other liabilities	(717)	311	(621)	692
<b>Net cash from operating activities</b>	<b>173,917</b>	<b>(20,275)</b>	<b>197,633</b>	<b>24,449</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts from investing activities</b>	<b>139,141</b>	<b>181,853</b>	<b>130,720</b>	<b>171,441</b>
Proceeds from sale of property and equipment	1,508	2,014	6	5
Proceeds from disposals of subsidiaries and associates	8	18,671	3,437	10,268
Proceeds from disposals of debt securities measured at amortised cost	137,356	161,131	127,008	161,131
Proceeds from sale of non-current assets held for sale	269	37	269	37
<b>Payments from investing activities</b>	<b>(326,518)</b>	<b>(140,328)</b>	<b>(292,904)</b>	<b>(136,785)</b>
Purchase of property and equipment	(9,436)	(8,916)	(5,478)	(6,344)
Purchase of intangible assets	(4,941)	(5,828)	(3,402)	(4,357)
Purchase of subsidiaries and increase in subsidiaries' equity	-	-	(4)	(500)
Purchase of debt securities measured at amortised cost	(312,141)	(125,584)	(284,020)	(125,584)
<b>Net cash from investing activities</b>	<b>(187,377)</b>	<b>41,525</b>	<b>(162,184)</b>	<b>34,656</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Proceeds from financing activities</b>	<b>44,595</b>	<b>-</b>	<b>44,595</b>	<b>-</b>
Issue of subordinated debt	44,595	-	44,595	-
<b>Payments from financing activities</b>	<b>(161,995)</b>	<b>(15,094)</b>	<b>(142,600)</b>	<b>-</b>
Dividends paid	(147,003)	(3,116)	(142,600)	-
Repayments of subordinated debt	(14,992)	(11,978)	-	-
<b>Net cash from financing activities</b>	<b>(117,400)</b>	<b>(15,094)</b>	<b>(98,005)</b>	<b>-</b>
Effects of exchange rate changes on cash and cash equivalents	1,045	(2,611)	173	(402)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(130,860)</b>	<b>6,156</b>	<b>(62,556)</b>	<b>59,105</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,729,093</b>	<b>1,475,714</b>	<b>824,337</b>	<b>662,419</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,599,278</b>	<b>1,479,259</b>	<b>761,954</b>	<b>721,122</b>

	Notes	in EUR thousands			
		NLB Group		NLB	
		30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
		unaudited	audited	unaudited	audited
<b>Cash and cash equivalents comprise:</b>					
Cash, cash balances at central banks, and other demand deposits at banks	5.1.	1,461,131	1,588,819	757,671	795,190
Loans and advances to banks with original maturity up to 3 months		69,691	72,170	4,283	29,147
Financial assets measured at fair value through other comprehensive income with original maturity up to 3 months		68,456	68,104	-	-
<b>Total</b>		<b>1,599,278</b>	<b>1,729,093</b>	<b>761,954</b>	<b>824,337</b>

## Statement of management's responsibility

The Management Board hereby confirms and approves the release of the condensed interim financial statements of NLB Group and NLB for the six months ending 30 June 2019, 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 as at 30 June 2019, 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



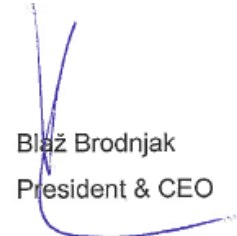
László Pelle  
Member of the  
Management Board



Archibald Kremser  
Member of the  
Management Board



Andreas Burkhardt  
Member of the  
Management Board



Blaž Brodnjak  
President & CEO

Ljubljana, 6 September 2019

## 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 nine countries. Information on the NLB Group's structure is disclosed in note 8. Information on other related party relationships of NLB Group is provided in note 6.

NLB is incorporated and domiciled in Slovenia. The address of its registered office is Trg Republike 2, Ljubljana. NLB's shares are listed on the Ljubljana Stock Exchange, and the global depositary receipts (GDR) representing shares are listed on the London Stock Exchange. Five GDR represent one share of NLB.

As at 30 June 2019 the largest shareholder of NLB with significant influence is the Republic of Slovenia, owning 25.00% plus one share. As at 31 December 2018 the largest shareholder of NLB with significant influence was the Republic of Slovenia, owning 35.00% of the shares.

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 2018, which have been prepared in accordance with the International Financial Reporting Standards (hereinafter: IFRS) as adopted by the European Union.

#### 2.2 Accounting policies

The same accounting policies and methods of computation were followed in the preparation of these consolidated condensed interim financial statements as for the year ended 31 December 2018, except for accounting standards and other amendments effective for annual periods beginning on 1 January 2019 that were endorsed by the EU.

#### ***Accounting standards and amendments to existing standards that were endorsed by the EU, and adopted by NLB Group from 1 January 2019***

- IFRS 16 (new standard) – Leases (effective for annual periods beginning on or after 1 January 2019). It replaces the old lease accounting standard IAS 17 Leases. IFRS 16 establishes principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). The new standard requires lessees to recognise most leases in their financial statements, moreover it introduces a single accounting model for all leases (similar to the accounting for finance leases under IAS 17), with certain exemptions ("low value" assets and short-term leases). At the commencement date of a lease, a lessee shall recognise a right-of-use

asset and a lease liability. The right-of-use asset is initially measured at cost. The cost of the right-of-use asset comprises the amount of the initial measurement of lease liability, adjusted for any payments made at or before the commencement date, any lease incentives received, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee at the end of lease term. The value of lease liability is calculated as the net present value of future lease payments.

The term Lessor Accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17.

NLB Group has identified contracts that meet the definition of a lease in accordance with the IFRS 16 requirements. The most significant types of leases are leases of business premises, followed by the leases of vehicles and a small number of parking spaces. One of the most important assumptions for calculation of the net present value was the lease term signed for an indefinite period. For these NLB Group assumed 5-year lease term with the exemption of business premises on strategic locations where management assessed a different (longer) lease term. Another important assumption for the calculation of the net present value of the future lease payments was the discount rate where NLB Group applied the internal transfer price for retail deposits.

At the transition to IFRS 16 NLB Group chose modified retrospective approach, where right-of-use assets are measured as an amount equal to the lease liability. Adoption of the IFRS 16 requirements did not have material impact on the consolidated financial statements of NLB Group as at 1 January 2019. More specifically, due to a recognition of the right-of-use assets and lease liabilities the consolidated assets and liabilities increased by EUR 19.0 million (NLB: EUR 2.6 million). The impact on the regulatory equity is immaterial.

- IFRS 9 (amendment) – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019);
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019);
- Annual Improvements to IFRS 2015–2017 Cycle. The improvements comprise a mixture of substantive changes and clarifications, and are effective for annual periods beginning on or after 1 January 2019;
- IAS 28 (amendment) – Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019);
- IAS 19 (amendment) – Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019).



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

- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020);
- IFRS 3 (amendment) – Business Combinations (effective for annual periods beginning on or after 1 January 2020);
- IAS 1 and IAS 8 (amendments) – Definition of Material (effective for annual periods beginning on or after 1 January 2020).

### 3. Changes in NLB Group

#### *Six months ended 30 June 2019*

##### Capital changes:

- In January 2019, decrease of share capital in the amount of EUR 3,324 thousand was registered in NLB Leasing Sarajevo. From March 2019 the company is formally in liquidation.

##### Other changes:

- In January 2019, REAM d.o.o., Belgrade merged with SR-RE d.o.o., Belgrade. In April 2019, SR-RE d.o.o., Belgrade was renamed to REAM d.o.o., Belgrade.
- From 1 January 2019 NLB Srbija d.o.o., Belgrade and NLB Crna Gora d.o.o., Podgorica were transferred from core to non-core members.
- In June 2019, Prospera plus d.o.o., Ljubljana – v likvidaciji and NLB Interfinanz Praha s.r.o., Prague – vo likvidaci were liquidated. In accordance with a court order, companies were removed from the court register.
- In June 2019, NLB sold its subsidiary CBS Invest d.o.o., Sarajevo.

#### *Changes in 2018*

##### Capital changes:

- An increase in share capital in the form of a cash contribution in the amount of EUR 300 thousand in Prospera plus d.o.o., Ljubljana – v likvidaciji for covering operating costs.
- An increase in share capital in the form of a cash contribution in the amount of EUR 1,300 thousand in S-REAM d.o.o., Ljubljana to ensure regular business operations.

##### Other changes:

- In March 2018, NLB Group sold its core subsidiary NLB Nov Penziski Fond, Skopje.
- NLB Interfinanz, Praga – vo likvidaci and NLB Interfinanz, Belgrade – u likvidaciji are formally in liquidation.
- In May 2018, S-REAM, poslovanje z nepremičninami, d.o.o. Ljubljana was established and will manage certain real estate in NLB Group. NLB's ownership is 100%.
- In June 2018, NLB Propria d.o.o., Ljubljana – v likvidaciji was liquidated. In accordance with a court order, the company was removed from the court register.
- In September 2018, NLB sold its associate Skupna pokojninska družba d. d., Ljubljana.
- In December 2018, NLB received EUR 958 thousand from liquidation of NLB Lizing Skopje. In January 2019 liquidation was finished and the company was removed from the court register in accordance with court order.
- In December 2018, NLB sold its subsidiary Ream d.o.o., Zagreb to S-REAM, d.o.o., poslovanje z nepremičninami, Ljubljana.

## 4. Notes to the condensed income statement

### 4.1. Interest income and expenses

in EUR thousands

	NLB Group					NLB				
	three months ended		six months ended		change	three months ended		six months ended		change
	June 2019	June 2018	June 2019	June 2018		June 2019	June 2018	June 2019	June 2018	
<b>Interest and similar income</b>										
Interest income, using the effective interest method	88,923	86,231	177,642	171,503	4%	43,664	42,989	87,317	85,366	2%
Loans and advances to customers at amortised cost	77,257	74,612	154,323	148,298	4%	35,037	34,268	70,347	68,149	3%
Securities measured at amortised cost	5,803	5,616	11,696	11,338	3%	5,088	4,668	9,681	9,377	3%
Financial assets measured at fair value through other comprehensive income	5,343	5,116	10,468	10,167	3%	2,842	3,233	5,962	6,304	-5%
Loans and advances to banks measured at amortised cost	292	611	627	1,147	-45%	580	684	1,053	1,265	-17%
Deposits with banks and central banks	228	276	528	553	-5%	117	136	274	271	1%
Interest income, not using the effective interest method	1,968	2,027	3,688	3,625	2%	1,957	2,038	3,680	3,663	0%
Financial assets held for trading	1,444	1,334	3,023	2,848	6%	1,444	1,334	3,023	2,848	6%
Non-trading financial assets mandatorily at fair value through profit or loss	524	693	665	777	-14%	513	704	657	815	-19%
Derivatives - hedge accounting	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>90,891</b>	<b>88,258</b>	<b>181,330</b>	<b>175,128</b>	<b>4%</b>	<b>45,621</b>	<b>45,027</b>	<b>90,997</b>	<b>89,029</b>	<b>2%</b>
<b>Interest and similar expenses</b>										
Due to customers	5,747	6,369	11,519	12,924	-11%	1,067	1,468	2,147	3,110	-31%
Derivatives - hedge accounting	2,157	2,071	4,237	4,021	5%	2,157	2,071	4,237	4,021	5%
Financial liabilities held for trading	1,224	1,157	2,547	2,502	2%	1,224	1,157	2,547	2,502	2%
Borrowings from banks and central banks	325	328	692	731	-5%	300	251	606	564	7%
Subordinated liabilities	494	396	735	787	-7%	290	-	290	-	-
Borrowings from other customers	242	304	493	637	-23%	-	-	-	-	-
Deposits from banks and central banks	2	49	52	106	-51%	87	62	171	112	53%
Lease liabilities	100	-	194	-	-	10	-	17	-	-
Other financial liabilities	912	910	1,823	1,741	5%	635	791	1,374	1,500	-8%
<b>Total</b>	<b>11,203</b>	<b>11,584</b>	<b>22,292</b>	<b>23,449</b>	<b>-5%</b>	<b>5,770</b>	<b>5,800</b>	<b>11,389</b>	<b>11,809</b>	<b>-4%</b>
<b>Net interest income</b>	<b>79,688</b>	<b>76,674</b>	<b>159,038</b>	<b>151,679</b>	<b>5%</b>	<b>39,851</b>	<b>39,227</b>	<b>79,608</b>	<b>77,220</b>	<b>3%</b>

### 4.2. Dividend income

in EUR thousands

	NLB Group					NLB				
	three months ended		six months ended		change	three months ended		six months ended		change
	June 2019	June 2018	June 2019	June 2018		June 2019	June 2018	June 2019	June 2018	
Financial assets measured at fair value through other comprehensive income	95	86	100	97	3%	-	6	-	11	-
Non-trading financial assets mandatorily at fair value through profit or loss	6	-	80	-	-	6	-	80	-	-
Investments in subsidiaries, associates, and joint ventures	-	-	-	-	-	65,535	41,139	69,859	49,669	41%
<b>Total</b>	<b>101</b>	<b>86</b>	<b>180</b>	<b>97</b>	<b>86%</b>	<b>65,541</b>	<b>41,145</b>	<b>69,939</b>	<b>49,680</b>	<b>41%</b>

### 4.3. Fee and commission income and expenses

in EUR thousands

	NLB Group					NLB				
	three months ended		six months ended		change	three months ended		six months ended		change
	June 2019	June 2018	June 2019	June 2018		June 2019	June 2018	June 2019	June 2018	
<b>Fee and commission income</b>										
Credit cards and ATMs	17,018	16,675	32,339	31,980	1%	9,871	10,475	18,955	20,424	-7%
Payments	13,731	14,303	26,638	27,683	-4%	5,898	6,981	11,901	13,805	-14%
Customer transaction accounts	15,270	12,008	28,927	23,184	25%	11,521	8,848	21,871	17,222	27%
Investment funds	4,165	3,854	8,189	8,198	0%	1,345	1,271	2,542	2,389	6%
Guarantees	2,721	2,662	5,480	5,281	4%	1,756	1,748	3,558	3,438	3%
Investment banking	2,099	2,156	4,174	4,687	-11%	1,786	1,788	3,596	3,948	-9%
Agency of insurance products	1,601	1,084	3,362	2,122	58%	1,167	1,081	2,618	2,117	24%
Other services	1,351	1,648	2,689	2,862	-6%	989	1,183	1,941	1,933	0%
<b>Total</b>	<b>57,956</b>	<b>54,390</b>	<b>111,798</b>	<b>105,997</b>	<b>5%</b>	<b>34,333</b>	<b>33,375</b>	<b>66,982</b>	<b>65,276</b>	<b>3%</b>
<b>Fee and commission expenses</b>										
Credit cards and ATMs	12,011	10,655	22,622	19,735	15%	6,976	6,392	13,170	12,079	9%
Payments	1,612	1,494	3,022	2,803	8%	222	196	429	395	9%
Investment banking	1,202	1,088	2,098	1,944	8%	856	769	1,419	1,319	8%
Insurance for holders of personal accounts and golden cards	236	324	594	725	-18%	195	251	494	607	-19%
Guarantees	18	77	61	115	-47%	1	(2)	8	23	-65%
Other services	750	525	1,191	1,116	7%	196	295	355	569	-38%
<b>Total</b>	<b>15,829</b>	<b>14,163</b>	<b>29,588</b>	<b>26,438</b>	<b>12%</b>	<b>8,446</b>	<b>7,901</b>	<b>15,875</b>	<b>14,992</b>	<b>6%</b>
<b>Net fee and commission income</b>	<b>42,127</b>	<b>40,227</b>	<b>82,210</b>	<b>79,559</b>	<b>3%</b>	<b>25,887</b>	<b>25,474</b>	<b>51,107</b>	<b>50,284</b>	<b>2%</b>

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

in EUR thousands

	NLB Group				NLB			
	three months ended		six months ended		three months ended		six months ended	
	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018
Financial assets measured at fair value through other comprehensive income	473	162	3,040	317	448	133	3,015	288
Financial assets measured at amortised cost	-	(3)	-	(6)	-	(3)	-	(6)
Financial liabilities measured at amortised cost	-	-	-	254	-	-	-	-
<b>Total</b>	<b>473</b>	<b>159</b>	<b>3,040</b>	<b>565</b>	<b>448</b>	<b>130</b>	<b>3,015</b>	<b>282</b>

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

in EUR thousands

	NLB Group				NLB			
	three months ended		six months ended		three months ended		six months ended	
	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018
Foreign exchange trading	2,789	2,592	5,235	4,823	1,118	991	2,090	1,704
Derivatives	(780)	(216)	(882)	(592)	(813)	(261)	(976)	(571)
Debt instruments	62	(44)	369	(313)	62	(44)	369	(313)
<b>Total</b>	<b>2,071</b>	<b>2,332</b>	<b>4,722</b>	<b>3,918</b>	<b>367</b>	<b>686</b>	<b>1,483</b>	<b>820</b>

#### 4.6. Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss

in EUR thousands

	NLB Group				NLB			
	three months ended		six months ended		three months ended		six months ended	
	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018
Equity securities	6,666	187	7,293	75	6,597	137	6,911	142
Debt securities	(13)	(1)	(26)	(1)	-	-	-	-
Loans and advances to customers	1,148	835	7,741	1,567	1,015	1,496	7,151	2,446
<b>Total</b>	<b>7,801</b>	<b>1,021</b>	<b>15,008</b>	<b>1,641</b>	<b>7,612</b>	<b>1,633</b>	<b>14,062</b>	<b>2,588</b>

#### 4.7. Other operating income

in EUR thousands

	NLB Group				NLB					
	three months ended		six months ended		three months ended		six months ended			
	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018		
Income from non-banking services	1,715	2,006	3,337	4,578	-27%	1,461	1,408	2,766	2,722	2%
Rental income from investment property	1,109	1,158	2,329	2,086	12%	237	140	340	246	38%
Other operating income	591	830	3,182	1,646	93%	285	547	1,075	842	28%
<b>Total</b>	<b>3,415</b>	<b>3,994</b>	<b>8,848</b>	<b>8,310</b>	<b>6%</b>	<b>1,983</b>	<b>2,095</b>	<b>4,181</b>	<b>3,810</b>	<b>10%</b>

#### 4.8. Other operating expenses

in EUR thousands

	NLB Group				NLB					
	three months ended		six months ended		three months ended		six months ended			
	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018		
Deposit guarantee	7,255	7,739	9,442	9,699	-3%	4,984	5,746	4,984	5,746	-13%
Single Resolution Fund	2,050	2,506	2,050	2,506	-18%	2,050	2,506	2,050	2,506	-18%
Other taxes and compulsory public levies	761	722	1,303	1,552	-16%	287	318	456	486	-6%
Membership fees and similar fees	198	174	384	372	3%	77	71	156	150	4%
Expenses related to issued service guarantees	44	96	89	168	-47%	44	96	89	168	-47%
Revaluation of investment property to fair value	166	-	181	92	97%	-	-	-	45	-
Other operating expenses	2,308	1,831	3,087	2,376	30%	403	1,000	700	1,259	-44%
<b>Total</b>	<b>12,782</b>	<b>13,068</b>	<b>16,536</b>	<b>16,765</b>	<b>-1%</b>	<b>7,845</b>	<b>9,737</b>	<b>8,435</b>	<b>10,360</b>	<b>-19%</b>

#### 4.9. Administrative expenses

in EUR thousands

	NLB Group				NLB					
	three months ended		six months ended		three months ended		six months ended			
	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018		
Employee costs	41,359	40,592	81,417	80,880	1%	26,185	25,254	51,165	50,426	1%
Other general and administrative expenses	23,384	23,127	44,582	45,443	-2%	14,229	13,550	26,900	26,677	1%
<b>Total</b>	<b>64,743</b>	<b>63,719</b>	<b>125,999</b>	<b>126,323</b>	<b>0%</b>	<b>40,414</b>	<b>38,804</b>	<b>78,065</b>	<b>77,103</b>	<b>1%</b>

#### 4.10. Provisions for other liabilities and charges

in EUR thousands

	NLB Group				NLB			
	three months ended		six months ended		three months ended		six months ended	
	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018
Guarantees and commitments (note 5.6.c)	2,825	(1,675)	1,920	(3,923)	2,543	(1,277)	1,900	(654)
Provisions for legal issues	789	472	3,776	551	(6)	26	(6)	26
Provisions for restructuring	-	-	-	(6)	-	-	-	-
<b>Total</b>	<b>3,614</b>	<b>(1,203)</b>	<b>5,696</b>	<b>(3,378)</b>	<b>2,537</b>	<b>(1,251)</b>	<b>1,894</b>	<b>(628)</b>

#### 4.11. Impairment charge

in EUR thousands

	NLB Group				NLB			
	three months ended		six months ended		three months ended		six months ended	
	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018
<b>Impairment of financial assets</b>								
Cash balances at central banks, and other demand deposits at banks	(48)	(64)	(75)	(12)	(23)	(3)	(14)	9
Loans and advances to banks measured at amortised cost (note 5.6.a)	(35)	(440)	(18)	(385)	48	(166)	49	(226)
Loans and advances to customers measured at amortised cost (note 5.6.a)	732	(7,896)	(2,989)	(12,071)	(901)	(11,716)	(3,589)	(10,538)
Debt securities measured at fair value through other comprehensive income (note 5.6.b)	147	407	943	559	75	136	254	302
Debt securities measured at amortised cost (note 5.6.b)	69	90	324	279	113	93	254	(78)
Other financial assets measured at amortised cost (note 5.6.a)	332	(2,767)	616	(52)	127	(229)	320	(277)
<b>Impairment of investments in subsidiaries, associates, and joint ventures</b>								
Investments in subsidiaries	-	-	-	-	(104)	(376)	(3,433)	(376)
<b>Impairment of other assets</b>								
Property and equipment	(3)	120	(3)	120	-	-	-	-
Other assets	56	190	995	569	-	(158)	-	(158)
<b>Total</b>	<b>1,250</b>	<b>(10,360)</b>	<b>(207)</b>	<b>(10,993)</b>	<b>(665)</b>	<b>(12,419)</b>	<b>(6,159)</b>	<b>(11,342)</b>

#### 4.12. Gains less losses from non-current assets held for sale

in EUR thousands

	NLB Group				NLB			
	three months ended		six months ended		three months ended		six months ended	
	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018
Gains less losses on derecognition of subsidiaries	(6)	-	(110)	12,178	-	-	-	8,840
Gains less losses on derecognition of associates	-	-	(1)	-	-	-	(1)	-
Gains less losses from property and equipment	(123)	(51)	(126)	(31)	(128)	(51)	(128)	(31)
<b>Total</b>	<b>(129)</b>	<b>(51)</b>	<b>(237)</b>	<b>12,147</b>	<b>(128)</b>	<b>(51)</b>	<b>(129)</b>	<b>8,809</b>

#### 4.13. Income tax

in EUR thousands

	NLB Group				change	NLB				
	three months ended		six months ended			three months ended		six months ended		
	June 2019	June 2018	June 2019	June 2018		June 2019	June 2018	June 2019	June 2018	
Current income tax	8,366	6,246	12,769	11,167	14%	5,436	4,531	7,503	6,094	23%
Deferred tax (note 5.9.)	1,085	100	2,116	(564)	-	1,348	107	2,375	111	-
<b>Total</b>	<b>9,451</b>	<b>6,346</b>	<b>14,885</b>	<b>10,603</b>	<b>40%</b>	<b>6,784</b>	<b>4,638</b>	<b>9,878</b>	<b>6,205</b>	<b>59%</b>

## 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 thousands

	NLB Group			NLB		
	30 Jun 2019	31 Dec 2018	Change	30 Jun 2019	31 Dec 2018	Change
Balances and obligatory reserves with central banks	975,228	1,075,378	-9%	520,303	575,088	-10%
Cash	302,488	312,748	-3%	143,155	153,315	-7%
Demand deposits at banks	183,415	200,693	-9%	94,213	66,787	41%
	<b>1,461,131</b>	<b>1,588,819</b>	<b>-8%</b>	<b>757,671</b>	<b>795,190</b>	<b>-5%</b>
Allowance for impairment	(400)	(470)	15%	(74)	(88)	16%
<b>Total</b>	<b>1,460,731</b>	<b>1,588,349</b>	<b>-8%</b>	<b>757,597</b>	<b>795,102</b>	<b>-5%</b>

### 5.2. Financial instruments held for trading

#### a) Trading assets

in EUR thousands

	NLB Group			NLB		
	30 Jun 2019	31 Dec 2018	Change	30 Jun 2019	31 Dec 2018	Change
Derivatives, excluding hedging instruments						
Swap contracts	22,297	13,561	64%	22,348	13,563	65%
Forward contracts	691	937	-26%	691	937	-26%
Options	770	414	86%	770	414	86%
<b>Total derivatives</b>	<b>23,758</b>	<b>14,912</b>	<b>59%</b>	<b>23,809</b>	<b>14,914</b>	<b>60%</b>
Securities						
Treasury bills	90,095	30,038	200%	90,095	30,038	200%
Bonds	3,095	18,659	-83%	3,095	18,659	-83%
<b>Total securities</b>	<b>93,190</b>	<b>48,697</b>	<b>91%</b>	<b>93,190</b>	<b>48,697</b>	<b>91%</b>
<b>Total</b>	<b>116,948</b>	<b>63,609</b>	<b>84%</b>	<b>116,999</b>	<b>63,611</b>	<b>84%</b>

#### b) Trading liabilities

in EUR thousands

	NLB Group			NLB		
	30 Jun 2019	31 Dec 2018	Change	30 Jun 2019	31 Dec 2018	Change
Derivatives, excluding hedging instruments						
Swap contracts	20,634	11,343	82%	20,638	11,302	83%
Forward contracts	619	871	-29%	619	868	-29%
Options	17	86	-80%	17	86	-80%
<b>Total</b>	<b>21,270</b>	<b>12,300</b>	<b>73%</b>	<b>21,274</b>	<b>12,256</b>	<b>74%</b>

### 5.3. Non-trading financial instruments measured at fair value through profit or loss

Financial instruments mandatorily at fair value through profit or loss

in EUR thousands

	NLB Group			NLB		
	30 Jun 2019	31 Dec 2018	Change	30 Jun 2019	31 Dec 2018	Change
<b>Assets</b>						
Equity securities	9,394	2,513	-	9,394	2,513	-
Investments funds	2,813	4,067	-31%	34	34	0%
Debt securities	2,010	2,009	0%	-	-	-
Loans and advances to companies	26,189	23,800	10%	28,605	26,594	8%
<b>Total</b>	<b>40,406</b>	<b>32,389</b>	<b>25%</b>	<b>38,033</b>	<b>29,141</b>	<b>31%</b>
<b>Liabilities</b>						
Loans and advances to companies	8,516	4,190	103%	8,380	3,981	110%

## 5.4. Financial assets measured at fair value through other comprehensive income

in EUR thousands

	NLB Group			NLB		
	30 Jun 2019	31 Dec 2018	Change	30 Jun 2019	31 Dec 2018	Change
Bonds	1,786,654	1,648,863	8%	1,448,292	1,433,476	1%
Commercial bills	78,622	100,757	-22%	-	-	-
Treasury bills	148,049	99,398	49%	116,217	50,106	132%
National Resolution Fund	44,804	44,484	1%	44,804	44,484	1%
Shares	4,767	4,577	4%	248	248	0%
<b>Total</b>	<b>2,062,896</b>	<b>1,898,079</b>	<b>9%</b>	<b>1,609,561</b>	<b>1,528,314</b>	<b>5%</b>
Allowance for impairment (note 5.6.b)	(5,411)	(4,470)	-21%	(2,594)	(2,339)	-11%

## 5.5. Financial assets measured at amortised cost

### Analysis by type

in EUR thousands

	NLB Group			NLB		
	30 Jun 2019	31 Dec 2018	Change	30 Jun 2019	31 Dec 2018	Change
Debt securities	1,593,376	1,428,962	12%	1,422,143	1,274,978	12%
Loans and advances to banks	108,126	118,696	-9%	130,430	110,297	18%
Loans and advances to customers	7,254,657	7,124,633	2%	4,434,386	4,451,477	0%
Other financial assets	95,045	75,171	26%	113,622	42,741	166%
<b>Total</b>	<b>9,051,204</b>	<b>8,747,462</b>	<b>3%</b>	<b>6,100,581</b>	<b>5,879,493</b>	<b>4%</b>

### a) Debt securities

in EUR thousands

	NLB Group			NLB		
	30 Jun 2019	31 Dec 2018	Change	30 Jun 2019	31 Dec 2018	Change
Government	1,235,586	1,138,415	9%	1,062,707	982,856	8%
Companies	81,540	81,990	-1%	81,540	81,990	-1%
Banks	248,520	183,715	35%	248,520	183,715	35%
Other	30,953	27,740	12%	30,953	27,740	12%
	<b>1,596,599</b>	<b>1,431,860</b>	<b>12%</b>	<b>1,423,720</b>	<b>1,276,301</b>	<b>12%</b>
Allowance for impairment (note 5.6.b)	(3,223)	(2,898)	-11%	(1,577)	(1,323)	-19%
<b>Total</b>	<b>1,593,376</b>	<b>1,428,962</b>	<b>12%</b>	<b>1,422,143</b>	<b>1,274,978</b>	<b>12%</b>

### b) Loans and advances to banks

in EUR thousands

	NLB Group			NLB		
	30 Jun 2019	31 Dec 2018	Change	30 Jun 2019	31 Dec 2018	Change
Time deposits	105,365	116,450	-10%	47,770	69,639	-31%
Purchased receivables	1,246	662	88%	1,246	662	88%
Loans	1,624	1,710	-5%	81,540	40,073	103%
	<b>108,235</b>	<b>118,822</b>	<b>-9%</b>	<b>130,556</b>	<b>110,374</b>	<b>18%</b>
Allowance for impairment (note 5.6.a)	(109)	(126)	13%	(126)	(77)	-64%
<b>Total</b>	<b>108,126</b>	<b>118,696</b>	<b>-9%</b>	<b>130,430</b>	<b>110,297</b>	<b>18%</b>

### c) Loans and advances to customers

in EUR thousands

	NLB Group			NLB		
	30 Jun 2019	31 Dec 2018	Change	30 Jun 2019	31 Dec 2018	Change
Loans	7,166,573	7,051,289	2%	4,384,288	4,408,703	-1%
Overdrafts	320,864	311,366	3%	168,145	178,590	-6%
Finance lease receivables	67,657	86,842	-22%	-	-	-
Credit card business	116,774	120,611	-3%	55,511	60,130	-8%
Called guarantees	9,588	8,092	18%	6,477	6,613	-2%
	<b>7,681,456</b>	<b>7,578,200</b>	<b>1%</b>	<b>4,614,421</b>	<b>4,654,036</b>	<b>-1%</b>
Allowance for impairment (note 5.6.a)	(426,799)	(453,567)	6%	(180,035)	(202,559)	11%
<b>Total</b>	<b>7,254,657</b>	<b>7,124,633</b>	<b>2%</b>	<b>4,434,386</b>	<b>4,451,477</b>	<b>0%</b>

## d) Other financial assets

in EUR thousands

	NLB Group			NLB		
	30 Jun 2019	31 Dec 2018	Change	30 Jun 2019	31 Dec 2018	Change
Receivables in the course of collection	15,794	19,127	-17%	12,343	16,110	-23%
Credit card receivables	28,449	18,365	55%	24,915	12,705	96%
Debtors	5,814	6,015	-3%	921	820	12%
Fees and commissions	4,994	5,591	-11%	2,504	4,013	-38%
Receivables to brokerage firms and others for the sale of securities and custody services	14,220	615	-	14,218	610	-
Prepayments	94	5,131	-98%	-	-	-
Accrued income	1,564	230	-	1,917	238	-
Dividends	743	44	-	33,848	44	-
Other financial assets	29,570	28,259	5%	24,896	10,089	147%
<b>Total</b>	<b>101,242</b>	<b>83,367</b>	<b>21%</b>	<b>115,562</b>	<b>44,629</b>	<b>159%</b>
Allowance for impairment (note 5.6.a)	(6,197)	(8,196)	24%	(1,940)	(1,888)	-3%
<b>Total</b>	<b>95,045</b>	<b>75,171</b>	<b>26%</b>	<b>113,622</b>	<b>42,741</b>	<b>166%</b>

## 5.6. Movements in allowance for the impairment and provisions

## a) Movements in allowance for the impairment of loans and advances measured at amortised cost

in EUR thousands

	NLB Group						
	Banks		Customers		Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2019	126	41,452	35,537	376,578	182	58	7,956
Exchange differences on opening balance	-	12	2	471	-	2	(8)
Transfers	-	10,358	(8,249)	(2,109)	(1)	2	(1)
Impairment (note 4.11.)	(18)	(6,227)	8,686	(779)	27	8	609
Write-offs	-	(187)	(6)	(28,967)	(1)	-	(616)
Exchange differences	1	(2)	4	225	-	-	-
Disposals of subsidiaries	-	-	-	-	-	-	(2,020)
<b>Balance as at 30 Jun 2019</b>	<b>109</b>	<b>45,406</b>	<b>35,974</b>	<b>345,419</b>	<b>207</b>	<b>70</b>	<b>5,920</b>
Repayment of write-offs (note 4.11.)	-	-	-	4,669	-	-	28

in EUR thousands

	NLB Group						
	Banks		Customers		Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2018	713	34,618	34,203	481,070	171	25	10,672
Exchange differences on opening balance	-	7	6	495	-	-	-
Transfers	-	11,858	1,535	(13,393)	-	-	-
Impairment (note 4.11.)	(385)	(11,423)	735	14,188	74	7	285
Write-offs	-	(41)	(6)	(23,571)	(2)	-	(201)
Exchange differences	1	12	2	16	-	-	-
<b>Balance as at 30 Jun 2018</b>	<b>329</b>	<b>35,031</b>	<b>36,475</b>	<b>458,805</b>	<b>243</b>	<b>32</b>	<b>10,756</b>
Repayment of write-offs (note 4.11.)	-	-	-	15,571	-	-	418

in EUR thousands

	NLB						
	Banks		Customers		Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2019	77	16,789	12,660	173,110	27	6	1,855
Transfers	-	2,235	(1,386)	(849)	-	-	-
Impairment (note 4.11.)	49	(1,744)	1,085	56	90	-	258
Write-offs	-	-	(2)	(21,938)	(1)	-	(295)
Exchange differences	-	2	-	17	-	-	-
<b>Balance as at 30 Jun 2019</b>	<b>126</b>	<b>17,282</b>	<b>12,357</b>	<b>150,396</b>	<b>116</b>	<b>6</b>	<b>1,818</b>
Repayment of write-offs (note 4.11.)	-	-	-	2,986	-	-	28



in EUR thousands

	NLB						
	Banks		Customers		Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	12-month expected credit losses	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired
Balance as at 1 Jan 2018	492	15,812	6,316	230,330	24	5	2,637
Transfers	-	2,518	10,422	(12,940)	-	-	-
Impairment (note 4.11.)	(226)	(2,932)	(4,831)	4,034	64	(3)	80
Write-offs	-	(25)	(5)	(8,078)	(2)	-	(201)
Exchange differences	1	12	2	10	-	-	-
<b>Balance as at 30 Jun 2018</b>	<b>267</b>	<b>15,385</b>	<b>11,904</b>	<b>213,356</b>	<b>86</b>	<b>2</b>	<b>2,516</b>
Repayment of write-offs (note 4.11.)	-	-	-	6,809	-	-	418

## b) Movements in allowance for the impairment of debt securities

in EUR thousands

	NLB Group			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2019	2,898	3,597	75	798
Exchange differences on opening balance	1	(3)	-	-
Transfers	-	3	(3)	-
Impairment (note 4.11.)	324	914	29	-
Exchange differences	-	1	-	-
<b>Balance as at 30 Jun 2019</b>	<b>3,223</b>	<b>4,512</b>	<b>101</b>	<b>798</b>

in EUR thousands

	NLB Group			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2018	2,169	3,689	-	798
Exchange differences on opening balance	(7)	5	-	-
Impairment (note 4.11.)	279	454	105	-
<b>Balance as at 30 Jun 2018</b>	<b>2,441</b>	<b>4,148</b>	<b>105</b>	<b>798</b>

in EUR thousands

	NLB			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2019	1,323	1,541	-	798
Impairment (note 4.11.)	254	254	-	-
Exchange differences	-	1	-	-
<b>Balance as at 30 Jun 2019</b>	<b>1,577</b>	<b>1,796</b>	<b>-</b>	<b>798</b>

in EUR thousands

	NLB			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2018	1,298	1,392	-	798
Impairment (note 4.11.)	(78)	302	-	-
<b>Balance as at 30 Jun 2018</b>	<b>1,220</b>	<b>1,694</b>	<b>-</b>	<b>798</b>

## c) Movements in provisions for commitments and guarantees

in EUR thousands

	NLB Group		
	12-month expected credit losses	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired
Balance as at 1 Jan 2019	9,044	3,264	26,774
Exchange differences on opening balance	-	1	1
Transfers	355	(117)	(238)
Impairment (note 4.10.)	(442)	1,205	1,157
Exchange differences	-	-	3
<b>Balance as at 30 Jun 2019</b>	<b>8,957</b>	<b>4,353</b>	<b>27,697</b>

in EUR thousands

	NLB Group		
	12-month expected credit losses	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired
Balance as at 1 Jan 2018	6,928	4,833	30,504
Exchange differences on opening balance	(15)	(13)	-
Transfers	1,731	(1,343)	(388)
Impairment (note 4.10.)	(1,101)	(92)	(2,730)
<b>Balance as at 30 Jun 2018</b>	<b>7,543</b>	<b>3,385</b>	<b>27,386</b>

in EUR thousands

	NLB		
	12-month expected credit losses	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired
Balance as at 1 Jan 2019	4,071	821	24,624
Transfers	107	6	(113)
Impairment (note 4.10.)	231	(30)	1,699
Exchange differences	-	-	3
<b>Balance as at 30 Jun 2019</b>	<b>4,409</b>	<b>797</b>	<b>26,213</b>

in EUR thousands

	NLB		
	12-month expected credit losses	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired
Balance as at 1 Jan 2018	2,946	450	27,276
Transfers	108	22	(130)
Impairment (note 4.10.)	361	399	(1,414)
<b>Balance as at 30 Jun 2018</b>	<b>3,415</b>	<b>871</b>	<b>25,732</b>

## 5.7. Investment property

in EUR thousands

	NLB Group			NLB		
	30 Jun 2019	31 Dec 2018	Change	30 Jun 2019	31 Dec 2018	Change
Buildings	52,825	53,275	-1%	11,337	11,326	0%
Land	4,935	5,369	-8%	615	700	-12%
<b>Total</b>	<b>57,760</b>	<b>58,644</b>	<b>-2%</b>	<b>11,952</b>	<b>12,026</b>	<b>-1%</b>

## 5.8. Other assets

in EUR thousands

	NLB Group			NLB		
	30 Jun 2019	31 Dec 2018	Change	30 Jun 2019	31 Dec 2018	Change
Assets, received as collateral	59,022	60,173	-2%	5,835	5,815	0%
Inventories	2,483	3,346	-26%	378	378	0%
Deferred expenses	8,850	5,247	69%	6,697	3,862	73%
Prepayments	2,092	784	167%	204	182	12%
Claim for taxes and other dues	1,257	1,421	-12%	309	400	-23%
<b>Total</b>	<b>73,704</b>	<b>70,971</b>	<b>4%</b>	<b>13,423</b>	<b>10,637</b>	<b>26%</b>

## 5.9. Deferred tax

in EUR thousands

	NLB Group		NLB	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
<b>Deferred income tax assets</b>				
Valuation of financial instruments and capital investments	25,914	25,834	25,851	25,747
Impairment provisions	1,003	905	792	697
Employee benefit provisions	3,569	3,671	2,765	2,915
Depreciation and valuation of non-financial assets	1,624	1,627	156	157
<b>Total deferred income tax assets</b>	<b>32,110</b>	<b>32,037</b>	<b>29,564</b>	<b>29,516</b>
<b>Deferred income tax liabilities</b>				
Valuation of financial instruments	12,625	7,205	11,992	6,606
Depreciation and valuation of non-financial assets	1,209	1,179	229	232
Impairment provisions	3,135	3,305	493	444
<b>Total deferred income tax liabilities</b>	<b>16,969</b>	<b>11,689</b>	<b>12,714</b>	<b>7,282</b>
<b>Net deferred income tax assets</b>	<b>17,467</b>	<b>22,847</b>	<b>16,850</b>	<b>22,234</b>
<b>Net deferred income tax liabilities</b>	<b>(2,326)</b>	<b>(2,499)</b>	<b>-</b>	<b>-</b>

in EUR thousands

	NLB Group		NLB	
	six months ended		six months ended	
	June 2019	June 2018	June 2019	June 2018
<b>Included in the income statement for the current year</b>				
- valuation of financial instruments and capital investments	(2,116)	564	(2,375)	(111)
- impairment provisions	(2,322)	(55)	(2,322)	(55)
- employee benefit provisions	341	377	95	44
- depreciation and valuation of non-financial assets	(102)	(49)	(150)	(103)
	(33)	291	2	3
<b>Included in other comprehensive income for the current year</b>				
- valuation and impairment of financial assets measured at fair value through other comprehensive income	(3,090)	626	(3,009)	810
	(3,090)	626	(3,009)	810

As at 30 June 2019, NLB recognised EUR 29,564 thousand deferred tax assets (31 December 2018: EUR 29,516 thousand). Unrecognised deferred tax assets amount to EUR 256,268 thousand (31 December 2018: EUR 262,081 thousand) of which EUR 183,030 thousand (31 December 2018: EUR 189,491 thousand) relates to unrecognised deferred tax assets from tax loss, and EUR 73,238 thousand (31 December 2018: EUR 72,590 thousand) to unrecognised deferred tax assets from impairments of non-strategic capital investments.

## 5.10. Financial liabilities measured at amortised cost

### Analysis by type of financial liabilities, measured at amortised cost

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2019	31 Dec 2018	Change	30 Jun 2019	31 Dec 2018	Change
Deposits from banks and central banks	44,760	26,775	67%	71,387	48,903	46%
- Deposits on demand	43,161	23,191	86%	70,701	41,949	69%
- Other deposits	1,599	3,584	-55%	686	6,954	-90%
Borrowings from banks and central banks	246,776	258,423	-5%	235,278	244,133	-4%
Due to customers	10,753,544	10,464,017	3%	7,210,049	7,033,409	3%
- Deposits on demand	8,641,947	8,281,230	4%	6,325,381	6,084,776	4%
- Other deposits	2,111,597	2,182,787	-3%	884,668	948,633	-7%
Borrowings from other customers	60,046	61,844	-3%	3,659	4,128	-11%
Subordinated liabilities	44,861	15,050	198%	44,861	-	-
Other financial liabilities	205,047	100,887	103%	142,063	62,212	128%
<b>Total</b>	<b>11,355,034</b>	<b>10,926,996</b>	<b>4%</b>	<b>7,707,297</b>	<b>7,392,785</b>	<b>4%</b>

#### a) Subordinated liabilities

	Currency	Due date	Interest rate	in EUR thousands							
				NLB Group				NLB			
				30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018				
				Carrying amount	Nominal value	Carrying amount	Nominal value	Carrying amount	Nominal value	Carrying amount	Nominal value
Subordinated bonds	EUR	6.5.2029	4.2% to 6.5.2024, thereafter 5Y MS + 4.159% p.a.	44,861	45,000	-	-	44,861	45,000	-	-
Subordinated loans	EUR	30.6.2020	6-month EURIBOR + 7.7% p. a.	-	-	5,110	5,000	-	-	-	-
	EUR	26.6.2025	6-month EURIBOR + 6.25% p. a.	-	-	9,940	10,000	-	-	-	-
<b>Total</b>				<b>44,861</b>	<b>45,000</b>	<b>15,050</b>	<b>15,000</b>	<b>44,861</b>	<b>45,000</b>	<b>-</b>	<b>-</b>

#### b) Other financial liabilities

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2019	31 Dec 2018	Change	30 Jun 2019	31 Dec 2018	Change
Items in the course of payment	34,909	20,360	71%	15,138	4,451	-
Debit or credit card payables	39,911	22,567	77%	36,903	20,511	80%
Lease liabilities	18,780	-	-	2,645	-	-
Accrued expenses	13,775	11,988	15%	6,690	4,741	41%
Accrued salaries	12,273	9,510	29%	6,475	6,595	-2%
Liabilities to brokerage firms and others for securities purchase and custody services	33,420	1,383	-	32,533	653	-
Suppliers	8,243	16,404	-50%	6,416	13,191	-51%
Unused annual leave	3,377	3,645	-7%	2,389	2,389	0%
Fees and commissions due	114	1,861	-94%	49	1,802	-97%
Other financial liabilities	40,245	13,169	-	32,825	7,879	-
<b>Total</b>	<b>205,047</b>	<b>100,887</b>	<b>103%</b>	<b>142,063</b>	<b>62,212</b>	<b>128%</b>

## 5.11. Provisions

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2019	31 Dec 2018	Change	30 Jun 2019	31 Dec 2018	Change
Employee benefit provisions	15,862	15,404	3%	13,481	13,158	2%
Provision for legal issues	15,442	13,076	18%	2,056	2,180	-6%
Restructuring provisions	10,438	12,363	-16%	10,072	11,942	-16%
Provisions for commitments and guarantees	41,007	39,082	5%	31,419	29,516	6%
Stage 1	8,957	9,044	-1%	4,409	4,071	8%
Stage 2	4,353	3,264	33%	797	821	-3%
Stage 3	27,697	26,774	3%	26,213	24,624	6%
Other provisions	200	209	-4%	189	198	-5%
<b>Total</b>	<b>82,949</b>	<b>80,134</b>	<b>4%</b>	<b>57,217</b>	<b>56,994</b>	<b>0%</b>

NLB has disclosed in the Annual Report of NLB Group for the year 2018 certain court proceedings initiated by two Croatian banks against NLB and LB, related to the legacy foreign currency deposits which were deposited with LB Zagreb Branch and were in accordance with the Croatian regulations transferred to Croatian banks. The new development in this respect is as follows.

The County Court of Zagreb as the Court of Appeals decided with Judgement, received on 23 April 2019 to reject the appeals of NLB and LB and to confirm the judgment of the court of first instance of 7 April 2017, ordering the defendants NLB and LB a joint and several payment of 9,185,141.76 USD to the plaintiff Privredna banka d.d., Zagreb ("PBZ") together with interest accrued since 1 January 1992 up to the date of payment and legal fees totalling 3,198,760.00 HRK together with penalty interest accrued since 7 April 2017 up to the date of payment ("Judgement"). LB and NLB are in accordance with the Judgement obligated to pay the above-mentioned sums as their joint and several liability. The judgment is final and enforceable irrespective of the fact that on 22 May 2019 NLB challenged the judgment by revision with the Supreme Court of the Republic of Croatia.

On 19 July 2018 the National Assembly of the Republic of Slovenia passed the Act for Value Protection of Republic of Slovenia's Capital Investment in Nova Ljubljanska banka d.d., Ljubljana (Zakon za zaščito vrednosti kapitalske naložbe Republike Slovenije v Novi Ljubljanski banki d.d., Ljubljana, hereinafter: the ZVKNNLB) which entered into force on 14 August 2018 and based on the ZVKNNLB the agreement between NLB and Succession Fund of the Republic of Slovenia (Fund) was concluded. In accordance with the ZVKNNLB and pursuant to the agreement between NLB and the Fund, the Fund shall compensate NLB for the sums recovered from NLB by enforcement of final judgements delivered by Croatian courts with regard to the transferred foreign currency deposits, however NLB is entitled for compensation only in case of enforcement of final judgements and not in case of voluntarily payment of the adjudicated amount by NLB. The Fund shall not compensate NLB for its own costs or for the difference between the book value of its assets sold in enforcement proceedings and the price obtained for such assets in enforcement proceedings.

Regardless of the negative judgement, in the financial statements NLB Group did not recognise negative impact due to protection provided by the ZVKNNLB. For final judgements NLB Group recognised the liabilities and related assets which currently amount to approximately EUR 22 million. They are included within other financial assets (note 5.7.d) and other financial liabilities (note 5.14.c).

## 5.12. Income tax relating to components of other comprehensive income

in EUR thousands

	NLB Group					
	six months ended			six months ended		
	June 2019			June 2018		
	Before tax	Tax		Before tax	Tax	
expense		Net of tax	expense		Net of tax	
Financial assets measured at fair value through other comprehensive income	16,720	(3,090)	13,630	(2,439)	626	(1,813)
Share of associates and joint ventures	6,712	(1,275)	5,437	(2,782)	537	(2,245)
<b>Total</b>	<b>23,432</b>	<b>(4,365)</b>	<b>19,067</b>	<b>(5,221)</b>	<b>1,163</b>	<b>(4,058)</b>

in EUR thousands

	NLB					
	six months ended			six months ended		
	June 2019			June 2018		
	Before tax	Tax		Before tax	Tax	
expense		Net of tax	expense		Net of tax	
Financial assets measured at fair value through other comprehensive income	15,834	(3,009)	12,825	(4,220)	810	(3,410)
<b>Total</b>	<b>15,834</b>	<b>(3,009)</b>	<b>12,825</b>	<b>(4,220)</b>	<b>810</b>	<b>(3,410)</b>

## 5.13. Other liabilities

in EUR thousands

	NLB Group			NLB		
	30 Jun 2019	31 Dec 2018	Change	30 Jun 2019	31 Dec 2018	Change
Taxes payable	3,970	4,210	-6%	3,000	3,185	-6%
Deferred income	8,362	8,269	1%	5,516	5,698	-3%
Payments received in advance	959	2,361	-59%	158	660	-76%
<b>Total</b>	<b>13,291</b>	<b>14,840</b>	<b>-10%</b>	<b>8,674</b>	<b>9,543</b>	<b>-9%</b>

## 5.14. Capital adequacy ratio

in EUR thousands

	NLB Group		NLB	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
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	358,629	293,026	51,891	29,192
Profit or loss eligible - from current year	-	108,829	-	103,335
Accumulated other comprehensive income	17,585	3,598	28,664	15,839
Other reserves	13,522	13,522	13,522	13,522
Prudential filters: Value adjustments due to the requirements for prudent valuation	(2,215)	(1,983)	(1,757)	(1,607)
(-) Goodwill	(3,529)	(3,529)	-	-
(-) Other intangible assets	(29,945)	(31,439)	(22,594)	(23,391)
(-) Deduction item related to credit impairments and provisions not included in capital	(127)	-	-	-
<b>COMMON EQUITY TIER 1 CAPITAL (CET1)</b>	<b>1,425,298</b>	<b>1,453,402</b>	<b>1,141,104</b>	<b>1,208,268</b>
Additional Tier 1 capital	-	-	-	-
<b>TIER 1 CAPITAL</b>	<b>1,425,298</b>	<b>1,453,402</b>	<b>1,141,104</b>	<b>1,208,268</b>
Tier 2 capital	44,595	-	44,595	-
<b>TOTAL CAPITAL (OWN FUNDS)</b>	<b>1,469,893</b>	<b>1,453,402</b>	<b>1,185,699</b>	<b>1,208,268</b>
RWA for credit risk	7,428,245	7,179,678	4,314,643	4,150,987
RWA for market risks	559,326	541,901	297,551	273,476
RWA for credit valuation adjustment risk	6,025	2,563	6,025	2,563
RWA for operational risk	941,594	953,482	605,581	596,586
<b>TOTAL RISK EXPOSURE AMOUNT (RWA)</b>	<b>8,935,190</b>	<b>8,677,624</b>	<b>5,223,800</b>	<b>5,023,612</b>
Common Equity Tier 1 Ratio	16.0%	16.7%	21.8%	24.1%
Tier 1 Ratio	16.0%	16.7%	21.8%	24.1%
Total Capital Ratio	16.5%	16.7%	22.7%	24.1%

As at 30 June 2019, the Total capital ratio for NLB Group stood at 16.5% (or 0.2 percentage points lower than at the end of 2018), and for NLB at 22.7% (or 1.4 percentage point lower than at the end of 2018). The Tier 1 ratio and CET 1 ratio (16.0% or 0.7 percentage points lower than at the end of 2018) differs from Total capital ratio due to below mentioned Tier 2 instrument issued. The lower capital adequacy derives from higher RWA (EUR 257.6 million for NLB Group). RWA for credit risk increased by EUR 248.6 million, of which on corporate and retail segment EUR 158.8 million due to loan growth. The increase in RWA for market risks and CVA (Credit value adjustments) (EUR 20.9 million) is mainly the result of more open positions in domestic currencies of non-euro subsidiary banks. The decrease in the RWA for operational risks (EUR 11.9 million) arises from the lower three-year average of income, which represents the basis for the calculation. In June 2019 NLB paid out dividends in total amount of EUR 142.6 million, which represents EUR 7.13 gross per share. This decreased capital for EUR -43.2 million, nevertheless the Total capital increased by EUR 16.5 million, mainly due to issuing of Tier 2 instrument (EUR 44.6 million), higher other comprehensive income (EUR 13.8 million) and lower deduction for intangible assets (EUR 1.5 million).

On 6 May 2019 the Bank issued 10NC5 subordinated Tier 2 notes in the aggregate nominal amount of EUR 45 million. The fixed coupon of the notes during the first five years is 4.2% p.a., thereafter it will be reset to the sum of the then applicable 5Y MS and the fixed margin as defined at the issuance of the notes. The notes with ticker NLB27 and ISIN code SI0022103855 were as of 8 May 2019 admitted to trading on the regulated market of the Ljubljana Stock Exchange.

### 5.15. Book value per share

	NLB Group		NLB	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Total equity attributable to owners of the parents (in EUR thousand)	1,587,370	1,616,216	1,288,024	1,295,230
Number of shares (in thousands)	20,000	20,000	20,000	20,000
Book value per share (in EUR)	79.4	80.8	64.4	64.8

Book value per share 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.

### 5.16. Off-balance sheet liabilities

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2019	31 Dec 2018	Change	30 Jun 2019	31 Dec 2018	Change
Commitments to extend credit	1,248,250	1,207,642	3%	971,346	945,856	3%
Non-financial guarantees	500,847	451,528	11%	382,125	345,536	11%
Financial guarantees	350,446	357,778	-2%	212,912	227,790	-7%
Letters of credit	18,988	18,155	5%	5,187	5,302	-2%
Other	6,908	10,415	-34%	11,347	5,200	118%
	<b>2,125,439</b>	<b>2,045,518</b>	<b>4%</b>	<b>1,582,917</b>	<b>1,529,684</b>	<b>3%</b>
Provisions (note 5.11.)	(41,007)	(39,082)	-5%	(31,419)	(29,516)	-6%
<b>Total</b>	<b>2,084,432</b>	<b>2,006,436</b>	<b>4%</b>	<b>1,551,498</b>	<b>1,500,168</b>	<b>3%</b>

### 5.17. Fair value hierarchy of financial and non-financial assets and liabilities

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

30 Jun 2019	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
<b>Financial assets</b>								
Financial instruments held for trading	93,190	23,005	753	116,948	93,190	23,056	753	116,999
Debt instruments	93,190	-	-	93,190	93,190	-	-	93,190
Derivatives	-	23,005	753	23,758	-	23,056	753	23,809
Financial assets measured at fair value through other comprehensive income	1,761,636	297,263	3,997	2,062,896	1,556,324	52,989	248	1,609,561
Debt instruments	1,761,474	251,851	-	2,013,325	1,556,324	8,185	-	1,564,509
Equity instruments	162	45,412	3,997	49,571	-	44,804	248	45,052
Non-trading financial assets mandatorily at fair value through profit or loss	4,789	-	35,617	40,406	-	-	38,033	38,033
Debt instruments	2,010	-	-	2,010	-	-	-	-
Equity instruments	2,779	-	9,428	12,207	-	-	9,428	9,428
Loans	-	-	26,189	26,189	-	-	28,605	28,605
<b>Financial liabilities</b>								
Financial instruments held for trading	-	21,270	-	21,270	-	21,274	-	21,274
Derivatives	-	21,270	-	21,270	-	21,274	-	21,274
Derivatives - hedge accounting	-	51,876	-	51,876	-	51,876	-	51,876
Financial liabilities measured at fair value through profit or loss	-	-	8,516	8,516	-	-	8,380	8,380
<b>Non-financial assets</b>								
Investment properties	-	57,760	-	57,760	-	11,952	-	11,952
Non-current assets classified as held for sale	-	3,567	-	3,567	-	1,386	-	1,386

in EUR thousands

31 Dec 2018	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
<b>Financial assets</b>								
Financial instruments held for trading	48,697	14,583	329	63,609	48,697	14,585	329	63,611
Debt instruments	48,697	-	-	48,697	48,697	-	-	48,697
Derivatives	-	14,583	329	14,912	-	14,585	329	14,914
Derivatives - hedge accounting	-	417	-	417	-	417	-	417
Financial assets measured at fair value through other comprehensive income	1,638,822	255,297	3,960	1,898,079	1,475,633	52,433	248	1,528,314
Debt instruments	1,638,660	210,358	-	1,849,018	1,475,633	7,949	-	1,483,582
Equity instruments	162	44,939	3,960	49,061	-	44,484	248	44,732
Non-trading financial assets mandatorily at fair value through profit and loss	6,666	-	25,723	32,389	624	-	28,517	29,141
Debt instruments	2,009	-	-	2,009	-	-	-	-
Equity instruments	4,657	-	1,923	6,580	624	-	1,923	2,547
Loans	-	-	23,800	23,800	-	-	26,594	26,594
<b>Financial liabilities</b>								
Financial instruments held for trading	-	12,300	-	12,300	-	12,256	-	12,256
Derivatives	-	12,300	-	12,300	-	12,256	-	12,256
Derivatives - hedge accounting	-	29,474	-	29,474	-	29,474	-	29,474
Financial liabilities measured at fair value through profit or loss	-	-	4,190	4,190	-	-	3,981	3,981
<b>Non-financial assets</b>								
Investment properties	-	58,644	-	58,644	-	12,026	-	12,026
Non-current assets classified as held for sale	-	4,349	-	4,349	-	1,720	-	1,720

For the six months ended 30 June 2019 and 30 June 2018, NLB Group nor NLB had any significant transfers of financial instruments between levels of valuation.

### b) Movements of financial assets and liabilities on Level 3

in EUR thousands

NLB Group	Financial instruments held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	Financial liabilities measured at fair value through profit or loss
			Equity instruments	Loans and other financial assets		
Balance as at 1 Jan 2019	329	3,960	1,923	23,800	30,012	4,190
Effects of translation of foreign operations to presentation currency	-	37	-	-	37	-
Valuation:						
- through profit or loss	424	-	6,922	12,061	19,407	4,323
Exchange differences	-	-	-	-	-	3
Increases	-	-	-	6,743	6,743	-
Decreases	-	-	(17)	(16,415)	(16,432)	-
Transfers to Level 3	-	-	600	-	600	-
<b>Balance as at 30 Jun 2019</b>	<b>753</b>	<b>3,997</b>	<b>9,428</b>	<b>26,189</b>	<b>40,367</b>	<b>8,516</b>

in EUR thousands

NLB Group	Financial instruments held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	Financial liabilities measured at fair value through profit or loss
			Equity instruments	Loans and other financial assets		
Balance as at 1 Jan 2018	571	5,362	69	24,649	30,651	5,180
Effects of translation of foreign operations to presentation currency	-	32	-	-	32	-
Valuation:						
- through profit or loss	(342)	-	-	5,639	5,297	4,072
- recognised in other comprehensive income	-	286	-	-	286	-
Exchange differences	-	-	-	-	-	12
Increases	-	-	-	4,017	4,017	-
Decreases	-	(3)	-	(13,295)	(13,298)	-
<b>Balance as at 30 Jun 2018</b>	<b>229</b>	<b>5,677</b>	<b>69</b>	<b>21,010</b>	<b>26,985</b>	<b>9,264</b>

in EUR thousands

NLB	Financial instruments held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	Financial liabilities measured at fair value through profit or loss
			Equity instruments	Loans and other financial assets		
Balance as at 1 Jan 2019	329	248	1,923	26,594	29,094	3,981
Valuation:						
- through profit or loss	424	-	6,922	11,546	18,892	4,396
Exchange differences	-	-	-	-	-	3
Increases	-	-	-	6,669	6,669	-
Decreases	-	-	(17)	(16,204)	(16,221)	-
Transfers to Level 3	-	-	600	-	600	-
<b>Balance as at 30 Jun 2019</b>	<b>753</b>	<b>248</b>	<b>9,428</b>	<b>28,605</b>	<b>39,034</b>	<b>8,380</b>



in EUR thousands

NLB	Financial instruments held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets		Loans and other financial liabilities
Balance as at 1 Jan 2018	571	1,784	69	30,055	32,479	4,531
Valuation:						
- through profit or loss	(342)	-	-	7,055	6,713	4,609
- recognised in other comprehensive income	-	270	-	-	270	-
Exchange differences	-	-	-	-	-	12
Increases	-	-	-	3,390	3,390	-
Decreases	-	(3)	-	(15,389)	(15,392)	-
<b>Balance as at 30 Jun 2018</b>	<b>229</b>	<b>2,051</b>	<b>69</b>	<b>25,111</b>	<b>27,460</b>	<b>9,152</b>

In six months ended 30 June 2019 and 2018, NLB Group and NLB recognised the following unrealised gains or losses for financial instruments that were at Level 3 as at 30 June 2019 and as at 30 June 2018:

in EUR thousands

30 Jun 2019	NLB Group			NLB		
	Financial assets held for trading	Financial assets measured at fair value through other comprehensive income	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets held for trading	Financial assets measured at fair value through other comprehensive income	Non-trading financial assets mandatorily at fair value through profit or loss
<b>Items of Income statement</b>						
Gains less losses from financial assets and liabilities held for trading	424	-	-	424	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	14,660	-	-	14,072
Foreign exchange translation gains less losses	-	-	(3)	-	-	(3)

in EUR thousands

30 Jun 2018	NLB Group			NLB		
	Financial assets held for trading	Financial assets measured at fair value through other comprehensive income	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets held for trading	Financial assets measured at fair value through other comprehensive income	Non-trading financial assets mandatorily at fair value through profit or loss
<b>Items of Income statement</b>						
Gains less losses from financial assets and liabilities held for trading	(342)	-	-	(342)	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	1,567	-	-	2,446
Foreign exchange translation gains less losses	-	-	(12)	-	-	(12)
<b>Item of Other comprehensive income</b>						
Financial assets measured at fair value through other comprehensive income	-	286	-	-	270	-

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

in EUR thousands

	NLB Group				NLB			
	30 Jun 2019		31 Dec 2018		30 Jun 2019		31 Dec 2018	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets measured at amortised cost</b>								
- debt securities	1,593,376	1,667,428	1,428,962	1,471,050	1,422,143	1,491,650	1,274,978	1,313,913
- loans and advances to banks	108,126	108,666	118,696	118,973	130,430	161,717	110,297	123,377
- loans and advances to customers	7,254,657	7,430,637	7,124,633	7,186,301	4,434,386	4,552,400	4,451,477	4,472,075
- other financial assets	95,045	95,045	75,171	75,171	113,622	113,622	42,741	42,741
<b>Financial liabilities measured at amortised cost</b>								
- deposits from banks and central banks	44,760	44,817	26,775	26,754	71,387	71,387	48,903	48,901
- borrowings from banks and central banks	246,776	260,707	258,423	268,003	235,278	248,840	244,133	253,376
- due to customers	10,753,544	10,764,540	10,464,017	10,478,309	7,210,049	7,218,508	7,033,409	7,039,583
- borrowings from other customers	60,046	63,899	61,844	62,226	3,659	3,665	4,128	4,135
- subordinated liabilities	44,861	44,884	15,050	15,209	44,861	44,884	-	-
- other financial liabilities	205,047	205,047	100,887	100,887	142,063	142,063	62,212	62,212

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

in EUR thousands

30 Jun 2019	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at amortised cost								
- debt securities	1,579,496	87,932	-	1,667,428	1,403,718	87,932	-	1,491,650
- loans to banks	-	108,666	-	108,666	-	161,717	-	161,717
- loans and advances to customers	-	7,430,637	-	7,430,637	-	4,552,400	-	4,552,400
- other financial assets	-	95,045	-	95,045	-	113,622	-	113,622
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	-	44,817	-	44,817	-	71,387	-	71,387
- borrowings from banks and central banks	-	260,707	-	260,707	-	248,840	-	248,840
- due to customers	-	10,764,540	-	10,764,540	-	7,218,508	-	7,218,508
- borrowings from other customers	-	63,899	-	63,899	-	3,665	-	3,665
- subordinated liabilities	44,884	-	-	-	44,884	-	-	44,884
- other financial liabilities	-	205,047	-	205,047	-	142,063	-	142,063

in EUR thousands

31 Dec 2018	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at amortised cost								
- debt securities	1,392,741	78,309	-	1,471,050	1,235,604	78,309	-	1,313,913
- loans to banks	-	118,973	-	118,973	-	123,377	-	123,377
- loans and advances to customers	-	7,186,301	-	7,186,301	-	4,472,075	-	4,472,075
- other financial assets	-	75,171	-	75,171	-	42,741	-	42,741
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	-	26,754	-	26,754	-	48,901	-	48,901
- borrowings from banks and central banks	-	268,003	-	268,003	-	253,376	-	253,376
- due to customers	-	10,478,309	-	10,478,309	-	7,039,583	-	7,039,583
- borrowings from other customers	-	62,226	-	62,226	-	4,135	-	4,135
- subordinated liabilities	-	15,209	-	15,209	-	-	-	-
- other financial liabilities	-	100,887	-	100,887	-	62,212	-	62,212

## 6. Related party transaction

**Related-party transactions with Management Board and other key management personnel, their family members and companies in which these related parties have control, joint control or significant influence**

in EUR thousands

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 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018
Loans and deposits issued	1,937	1,903	519	347	109	231	252	413
Loans and deposits received	1,908	1,732	828	447	214	102	116	341
Other financial assets	1	-	-	-	-	-	-	-
Other financial liabilities	2,758	2,552	1	-	3	6	-	-
Guarantees issued and commitments to extend credit	269	221	73	83	121	59	20	26
	six months ended		six months ended		six months ended		six months ended	
Interest income	19	16	5	4	2	2	2	5
Interest expenses	(2)	(2)	-	(1)	-	-	-	-
Fee income	4	4	3	3	3	5	-	1
Other income	9	-	-	-	-	-	-	-
Administrative and other operating expenses	(2)	(2)	-	-	(23)	(26)	-	-

### Key management compensation – payments in the period

in EUR thousands

NLB Group and NLB	Management Board		Other key management personnel	
	six months ended		six months ended	
	June 2019	June 2018	June 2019	June 2018
Short-term benefits	864	333	2,449	2,314
Cost refunds	2	2	41	45
Long-term bonuses	-	-	-	-
- other benefits	3	3	35	37
<b>Total</b>	<b>1,031</b>	<b>338</b>	<b>3,841</b>	<b>2,396</b>

Short-term benefits include:

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

The reimbursement of costs is comprised of food allowances and travel expenses, other long-term bonuses include supplementary voluntary pension insurance and jubilee bonuses and variable part of payments is paid in accordance with the Remuneration Policy for employees with a special nature of work.

### Related-party transactions with subsidiaries, associates and joint ventures

in EUR thousands

NLB Group	Associates		Joint ventures	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
	June 2019	June 2018	June 2019	June 2018
Loans and deposits issued	1,120	1,176	1,658	2,981
Loans and deposits received	864	722	7,850	4,424
Other financial assets	-	22	24	347
Other financial liabilities	210	1,131	270	231
Guarantees issued and commitments to extend credit	37	35	27	26
	six months ended		six months ended	
Interest income	17	19	11	21
Interest expenses	-	-	(25)	(16)
Fee income	4	67	2,159	2,000
Fee expenses	(5,641)	(5,103)	(1,107)	(1,138)
Other income	82	92	62	83
Administrative and other operating expenses	(351)	(362)	(22)	(25)
Gains less losses from financial assets and liabilities held for trading	-	(1)	-	-

in EUR thousands

	NLB					
	Subsidiaries		Associates		Joint ventures	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Loans and deposits issued	254,155	244,528	1,120	1,176	1,622	2,940
Loans and deposits received	55,008	40,313	864	722	4,769	2,588
Other financial assets	654	745	-	22	24	347
Other financial liabilities	145	86	53	1,078	160	140
Guarantees issued and commitments to extend credit	32,142	25,413	37	35	27	26
Received loan commitments and financial guarantees	3,952	4,811	-	-	-	-
	six months ended		six months ended		six months ended	
	June 2019	June 2018	June 2019	June 2018	June 2019	June 2018
Interest income	1,980	2,303	17	19	10	20
Interest expenses	(145)	(83)	-	-	-	-
Fee income	2,863	2,755	4	67	2,094	1,941
Fee expenses	(9)	(17)	(4,766)	(4,362)	(494)	(607)
Other income	218	286	82	92	62	69
Administrative and other operating expenses	(128)	(365)	(351)	(1)	(22)	(25)
Gains less losses from financial assets and liabilities held for trading	(165)	(45)	-	-	-	-
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	80	1,026	-	-	-	-

**Related-party transactions with major shareholder with significant influence**

in EUR thousands

	NLB Group			
	Shareholder		NLB Shareholder	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Loans and deposits issued measured at amortised cost	52,501	79,156	50,402	76,374
Investments in securities (banking book)	900,254	871,456	817,282	819,065
Investments in securities (trading book)	90,095	36,807	90,095	36,807
Other financial assets	651	648	651	648
Other financial liabilities	32	7	32	7
Guarantees issued and commitments to extend credit	1,100	1,153	1,100	1,153
	six months ended		six months ended	
	June 2019	June 2018*	June 2019	June 2018*
Interest income	8,432	10,824	8,536	10,894
Fee income	92	519	92	519
Fee expenses	(15)	(15)	(15)	(15)
Other income	225	49	225	49
Administrative and other operating expenses	(4)	(6)	(4)	(6)
Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	2,314	217	2,314	217
Gains less losses from financial assets and liabilities held for trading	(87)	(261)	(87)	(261)

\* As at 30 June 2018 Republic of Slovenia was the ultimate parent

NLB Group discloses all transactions with the major shareholder with significant influence. For transactions with other government-related entities, NLB Group discloses individually significant transactions.

in EUR thousands

	Amount of significant transactions concluded during the period				Number of significant transactions concluded during the period			
	six months ended		12 months ended		six months ended		12 months ended	
	June 2019	December 2018	June 2019	December 2018	June 2019	December 2018	June 2019	December 2018
NLB Group and NLB								
Borrowings, deposits and business accounts	134,256	-	-	-	1	-	-	-
	Balance of all significant transactions at end of the period		Number of significant transactions at end of the period					
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Loans	538,803	539,116	5	5				
Debt securities measured at amortised cost	78,237	76,680	1	1				
Borrowings, deposits, and business accounts	135,062	135,063	2	2				
	Effects in the income statement during the period							
	six months ended							
	June 2019	June 2018						
Interest income from loans	1,402	1,488						
Fees and commissions income	162	14						
Effects from net interest income and net valuation from debt securities measured at amortised cost	2,362	706						
Interest expense from borrowings, deposits and business accounts	(205)	(76)						

## 7. Analysis by segment for NLB Group

### a) Segments

Six months ended 30 June 2019

in EUR thousands

NLB Group	Retail banking in Slovenia	Corporate banking in Slovenia	Strategic foreign markets	Financial markets in Slovenia	Non-core members	Other activities	Unallocated	Total
Total net income	79,329	44,162	101,615	17,379	5,870	9,732	-	258,086
Net income from external customers	81,048	46,378	102,225	11,767	6,244	9,700	-	257,362
Intersegment net income	(1,719)	(2,216)	(610)	5,612	(374)	31	-	724
Net interest income	44,148	19,669	77,855	15,867	1,553	(54)	-	159,038
Net interest income from external customers	46,015	21,475	78,830	10,397	2,406	(85)	-	159,038
Intersegment net interest income	(1,867)	(1,806)	(975)	5,470	(853)	31	-	(0)
Administrative expenses	(49,448)	(18,961)	(44,499)	(3,262)	(5,822)	(4,426)	-	(126,418)
Depreciation and amortisation	(5,719)	(1,888)	(6,561)	(288)	(653)	(584)	-	(15,692)
<b>Reportable segment profit/(loss) before impairment and provision charge</b>	<b>24,162</b>	<b>23,313</b>	<b>50,555</b>	<b>13,830</b>	<b>(605)</b>	<b>4,721</b>	-	<b>115,976</b>
Gains less losses from capital investment in associates and joint ventures	2,516	-	-	-	-	-	-	2,516
Impairment and provisions charge	(1,791)	2,929	(7,113)	(467)	998	(44)	-	(5,489)
<b>Profit/(loss) before income tax</b>	<b>24,887</b>	<b>26,241</b>	<b>43,442</b>	<b>13,362</b>	<b>393</b>	<b>4,677</b>	-	<b>113,003</b>
Owners of the parent	24,887	26,241	39,650	13,362	393	4,677	-	109,211
Non-controlling interests	-	-	3,792	-	-	-	-	3,792
Income tax	-	-	-	-	-	-	(14,885)	(14,885)
<b>Profit for the period</b>	-	-	-	-	-	-	-	<b>94,326</b>
30 Jun 2019								
Reportable segment assets	2,420,434	1,950,183	4,404,807	3,911,553	205,813	229,302	-	13,122,092
Investments in associates and joint ventures	42,318	-	-	-	-	-	-	42,318
Reportable segment liabilities	6,218,190	1,046,813	3,724,441	423,455	8,107	115,741	-	11,536,746

Six months ended 30 June 2018

in EUR thousands

NLB Group	Retail banking in Slovenia	Corporate banking in Slovenia	Strategic foreign markets	Financial markets and investment banking in Slovenia	Non-strategic markets and activities	Other activities	Unallocated	Total
Total net income	67,515	35,990	109,162	21,602	9,578	143	-	243,990
Net income from external customers	69,782	38,029	109,645	15,940	9,535	117	-	243,048
Intersegment net income	(2,267)	(2,039)	(483)	5,662	43	26	-	942
Net interest income	36,565	20,167	71,931	17,729	5,336	(49)	-	151,679
Net interest income from external customers	39,011	22,206	72,747	12,114	5,676	(75)	-	151,679
Intersegment net interest income	(2,446)	(2,039)	(816)	5,615	(340)	26	-	(0)
Administrative expenses	(46,049)	(19,295)	(44,518)	(5,752)	(8,650)	(3,000)	-	(127,265)
Depreciation and amortisation	(5,111)	(2,134)	(4,614)	(563)	(761)	(459)	-	(13,642)
<b>Reportable segment profit/(loss) before impairment and provision charge</b>	<b>16,355</b>	<b>14,561</b>	<b>60,029</b>	<b>15,287</b>	<b>167</b>	<b>(3,317)</b>	-	<b>103,083</b>
Gains less losses from capital investment in subsidiaries, associates and joint ventures	2,538	-	-	-	-	-	-	2,538
Impairment and provisions charge	(2,218)	9,970	(1,459)	(30)	7,804	303	-	14,371
<b>Profit/(loss) before income tax</b>	<b>16,676</b>	<b>24,531</b>	<b>58,570</b>	<b>15,257</b>	<b>7,972</b>	<b>(3,013)</b>	-	<b>119,992</b>
Owners of the parent	16,676	24,531	54,028	15,257	7,972	(3,013)	-	115,450
Non-controlling interests	-	-	4,542	-	-	-	-	4,542
Income tax	-	-	-	-	-	-	(10,603)	(10,603)
<b>Profit for the period</b>	-	-	-	-	-	-	-	<b>104,847</b>
31 Dec 2018								
Reportable segment assets	2,347,147	1,975,803	4,293,207	3,634,975	263,690	188,033	-	12,702,882
Investments in associates and joint ventures	37,147	-	-	-	-	-	-	37,147
Reportable segment liabilities	5,821,282	1,157,405	3,596,397	391,145	18,334	98,023	-	11,082,585

In 2019, NLB Group changed the way in which business segments are managed and monitored due to changes in the criteria for market segmentation and the treatment of legal entities in NLB, the termination of the European Commission commitments related to disinvestment of certain industries and other strategic decisions. This has resulted in the following changes:

- Investment banking and custody services shifted from segment Financial markets in Slovenia to segment Corporate and Investment Banking in Slovenia.
- Part of legal entities with the basic treatment was transferred from the segment Corporate and Investment Banking in Slovenia to the segment Retail banking in Slovenia.

- Since the European Commission commitments regarding the reduction of credit business in specific industries (construction, transport, financial holdings, foreign clients) have ceased to exist, there is no need for specific monitoring of NLB non-core segment. As a consequence, such clients were transferred to the segment Corporate and Investment Banking in Slovenia from the segment Non-strategic markets and activities, which was renamed to Non-core members in 2019.
- The transfer of NLB Srbija in NLB Crna Gora from segment Strategic foreign markets to segment Non-core members.

Due to these changes the segments' results for the first six months 2019 are not directly comparable to the segments' results for the previous year.

## b) Geographical information

in EUR thousands

NLB Group	Revenues		Net income		Non-current assets		Total assets	
	six months ended		six months ended		30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
	June 2019	June 2018	June 2019	June 2018				
<b>Slovenia</b>	<b>164,082</b>	<b>161,029</b>	<b>152,019</b>	<b>140,712</b>	<b>185,846</b>	<b>179,526</b>	<b>8,648,863</b>	<b>8,373,933</b>
<b>South East Europe</b>	<b>128,911</b>	<b>119,935</b>	<b>103,725</b>	<b>102,280</b>	<b>141,337</b>	<b>128,416</b>	<b>4,497,301</b>	<b>4,346,277</b>
Republic of North Macedonia	41,346	40,966	32,673	35,795	33,951	31,537	1,354,425	1,341,154
Serbia	15,938	13,981	10,970	11,829	25,894	24,086	555,352	511,119
Montenegro	15,696	13,881	13,121	11,285	31,938	28,811	517,613	518,083
Croatia	-	-	368	1,041	2,020	2,827	16,730	23,945
Bosnia and Herzegovina	34,662	33,014	28,466	27,087	32,090	28,240	1,341,216	1,282,643
Kosovo	21,269	18,093	18,127	15,243	15,444	12,915	711,965	669,333
<b>Western Europe</b>	<b>315</b>	<b>258</b>	<b>1,723</b>	<b>53</b>	<b>217</b>	<b>221</b>	<b>18,246</b>	<b>19,641</b>
Germany	4	2	96	(188)	208	209	1,374	1,335
Switzerland	311	256	1,627	241	9	12	16,872	18,306
Czech Republic	-	-	1	3	-	-	-	178
<b>Total</b>	<b>293,308</b>	<b>281,222</b>	<b>257,468</b>	<b>243,048</b>	<b>327,400</b>	<b>308,163</b>	<b>13,164,410</b>	<b>12,740,029</b>

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 June 2019 were:

	Nature of Business	Country of Incorporation	NLB's shareholding %	NLB's voting rights%	NLB Group's shareholding %	NLB Group's voting rights%
<b>Core members</b>						
NLB Banka a.d., Skopje	Banking	Republic of North Macedonia	86.97	86.97	86.97	86.97
NLB Banka a.d., Podgorica	Banking	Republic of Montenegro	99.83	99.83	99.83	99.83
NLB Banka a.d., Banja Luka	Banking	Republic of Bosnia and Herzegovina	99.85	99.85	99.85	99.85
NLB Banka sh.a., Prishtina	Banking	Republic of Kosovo	81.21	81.21	81.21	81.21
NLB Banka d.d., Sarajevo	Banking	Republic of Bosnia and Herzegovina	97.34	97.35	97.34	97.35
NLB Banka a.d., Belgrade	Banking	Republic of Serbia	99.997	99.997	99.997	99.997
NLB Skladi d.o.o., Ljubljana	Finance	Republic of Slovenia	100	100	100	100
<b>Non-core members</b>						
NLB Leasing d.o.o. - v likvidaciji, Ljubljana	Finance	Republic of Slovenia	100	100	100	100
Optima Leasing d.o.o., Zagreb - "u likvidaciji"	Finance	Republic of Croatia	-	-	100	100
NLB Leasing Podgorica d.o.o., Podgorica - "u likvidaciji"	Finance	Republic of Montenegro	100	100	100	100
NLB Leasing d.o.o., Belgrade - u likvidaciji	Finance	Republic of Serbia	100	100	100	100
NLB Leasing d.o.o., Sarajevo	Finance	Republic of Bosnia and Herzegovina	100	100	100	100
Tara Hotel d.o.o., Budva	Real estate	Republic of Montenegro	12.71	12.71	100	100
PRO-REM d.o.o., Ljubljana - v likvidaciji	Real estate	Republic of Slovenia	100	100	100	100
OL Nekretnine d.o.o., Zagreb - u likvidaciji	Real estate	Republic of Croatia	-	-	100	100
BH-RE d.o.o., Sarajevo	Real estate	Republic of Bosnia and Herzegovina	-	-	100	100
REAM d.o.o., Podgorica	Real estate	Republic of Montenegro	100	100	100	100
REAM d.o.o., Belgrade	Real estate	Republic of Serbia	100	100	100	100
SPV 2 d.o.o., Belgrade	Real estate	Republic of Serbia	100	100	100	100
S-REAM d.o.o., Ljubljana	Real estate	Republic of Slovenia	100	100	100	100
REAM d.o.o., Zagreb	Real estate	Republic of Croatia	-	-	100	100
NLB Srbija d.o.o., Belgrade	Real estate	Republic of Serbia	100	100	100	100
NLB Crna Gora d.o.o., Podgorica	Real estate	Republic of Montenegro	100	100	100	100
NLB InterFinanz AG, Zürich in Liquidation	Finance	Switzerland	100	100	100	100
NLB InterFinanz d.o.o., Belgrade - u likvidaciji	Finance	Republic of Serbia	-	-	100	100
LHB AG, Frankfurt	Finance	Republic of Germany	100	100	100	100

NLB Group's subsidiaries as at 31 December 2018 were:

	Nature of Business	Country of Incorporation	NLB's shareholding %	NLB's voting rights%	NLB Group's shareholding %	NLB Group's voting rights%
<b>Core members</b>						
NLB Banka a.d., Skopje	Banking	Republic of Macedonia	86.97	86.97	86.97	86.97
NLB Banka a.d., Podgorica	Banking	Republic of Montenegro	99.83	99.83	99.83	99.83
NLB Banka a.d., Banja Luka	Banking	Republic of Bosnia and Herzegovina	99.85	99.85	99.85	99.85
NLB Banka sh.a., Prishtina	Banking	Republic of Kosovo	81.21	81.21	81.21	81.21
NLB Banka d.d., Sarajevo	Banking	Republic of Bosnia and Herzegovina	97.34	97.35	97.34	97.35
NLB Banka a.d., Belgrade	Banking	Republic of Serbia	99.997	99.997	99.997	99.997
NLB Srbija d.o.o., Belgrade	Real estate	Republic of Serbia	100	100	100	100
NLB Skladi d.o.o., Ljubljana	Finance	Republic of Slovenia	100	100	100	100
NLB Crna Gora d.o.o., Podgorica	Real estate	Republic of Montenegro	100	100	100	100
<b>Non-core members</b>						
NLB Leasing d.o.o. - v likvidaciji, Ljubljana	Finance	Republic of Slovenia	100	100	100	100
Optima Leasing d.o.o., Zagreb - "u likvidaciji"	Finance	Republic of Croatia	-	-	100	100
NLB Leasing Podgorica d.o.o., Podgorica - "u likvidaciji"	Finance	Republic of Montenegro	100	100	100	100
NLB Leasing d.o.o., Belgrade - u likvidaciji	Finance	Republic of Serbia	100	100	100	100
NLB Leasing d.o.o., Sarajevo	Finance	Republic of Bosnia and Herzegovina	100	100	100	100
NLB Lizing d.o.o.e.l., Skopje - vo likvidacija	Finance	Republic of Macedonia	100	100	100	100
Tara Hotel d.o.o., Budva	Real estate	Republic of Montenegro	12.71	12.71	100	100
PRO-REM d.o.o., Ljubljana - v likvidaciji	Real estate	Republic of Slovenia	100	100	100	100
OL Nekretnine d.o.o., Zagreb - u likvidaciji	Real estate	Republic of Croatia	-	-	100	100
BH-RE d.o.o., Sarajevo	Real estate	Republic of Bosnia and Herzegovina	-	-	100	100
REAM d.o.o., Podgorica	Real estate	Republic of Montenegro	100	100	100	100
REAM d.o.o., Belgrade	Real estate	Republic of Serbia	100	100	100	100
SR-RE d.o.o., Belgrade	Real estate	Republic of Serbia	100	100	100	100
SPV 2 d.o.o., Belgrade	Real estate	Republic of Serbia	100	100	100	100
S-REAM d.o.o., Ljubljana	Real estate	Republic of Slovenia	100	100	100	100
REAM d.o.o., Zagreb	Real estate	Republic of Croatia	-	-	100	100
CBS Invest d.o.o., Sarajevo	Real estate	Republic of Bosnia and Herzegovina	100	100	100	100
NLB InterFinanz AG, Zürich in Liquidation	Finance	Switzerland	100	100	100	100
NLB InterFinanz Praha s.r.o., Prague - vo likvidaci	Finance	Czech Republic	-	-	100	100
NLB InterFinanz d.o.o., Belgrade - u likvidaciji	Finance	Republic of Serbia	-	-	100	100
Prospera plus d.o.o., Ljubljana - v likvidaciji	Tourist and catering trade	Republic of Slovenia	100	100	100	100
LHB AG, Frankfurt	Finance	Republic of Germany	100	100	100	100

## **9. Events after the end of the reporting period**

No events took place after 30 June 2019 that would have had a materially significant influence on the presented condensed interim financial statements.





