

Interim Report

MARCH 2017

Q1

NLB d.d., Ljubljana	
Number of branches	113
Number of active clients ¹	695,257
Total assets (in EUR million)	8,796.7
Market share by total assets (in %)	23.4
Result after tax (in EUR million)	58.9

¹ No. of all clients: 799,086

NLB Vita, Ljubljana	
Assets of covered funds without own resources (in EUR million)	414
Market share ² (in %)	11.4
Result after tax (in EUR million)	1.5

² Market share in traditional life insurances.

	NLB Banka, Banja Luka	NLB Banka, Sarajevo
Number of branches	60	38
Number of active clients	212,584	140,894
Total assets (in EUR million)	644.4	514.4
Market share by total assets (in %)	18.9 ³	5.3 ⁴
Result after tax (in EUR million)	11.9	1.96

³ Market share in Republika of Srpska.

⁴ Market share in the Federation of Bosnia and Herzegovina.

NLB Banka, Podgorica	
Number of branches	18
Number of active clients	56,263
Total assets (in EUR million)	460.8
Market share by total assets (in %)	12.5
Result after tax (in EUR million)	2.9

NLB Banka, Prishtina	
Number of branches	45
Number of active clients	185,360
Total assets (in EUR million)	525.5
Market share by total assets (in %)	14.9
Result after tax (in EUR million)	4.5

NLB Skladi, Ljubljana	
Assets under management (in EUR million)	1,101.7
Market share ¹ (in %)	28 (mutual funds)
Result after tax (in EUR million)	0.9

¹ Market share of assets under management in mutual Funds.

NLB Banka, Belgrade	
Number of branches	31
Number of active clients	132,436
Total assets (in EUR million)	312.7
Market share by total assets (in %)	1.0
Result after tax (in EUR million)	2.9



NLB Banka, Skopje	
Number of branches	51
Number of active clients	370,596
Total assets (in EUR million)	1,138.8
Market share by total assets (in %)	16.2
Result after tax (in EUR million)	13.8

Note: The result after tax data in the above figure show NLB Group members' standalone result and not their contribution to the consolidated result after tax. The market share of the banks is based on their total assets, as of 31 December 2016.

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KEY FINANCIAL and operating data

Table 1: Key financial captions for NLB Group and NLB

	NLB Group			NLB		
	1. 1. - 31. 3. 2017	1. 1. - 31. 3. 2016	Change YoY	1. 1. - 31. 3. 2017	1. 1. - 31. 3. 2016	Change YoY
Key income statement data (in EUR million)						
Net operating income ¹	131.0	124.4	5%	90.9	87.1	4%
Costs	-67.5	-71.0	-5%	-41.8	-45.3	-8%
Result before impairments and provisions ¹	63.5	53.3	19%	49.1	41.8	17%
Impairments and provisions	24.5	3.8	546%	12.1	2.9	317%
Result after tax	81.6	52.1	56%	58.9	42.3	39%
Key financial indicators						
Return on equity after tax (ROE a.t.)	21.4%	14.4%	7.0 p.p.	18.4%	13.4%	5.0 p.p.
Return on assets after tax (ROA a.t.)	2.7%	1.7%	1.0 p.p.	2.7%	1.9%	0.8 p.p.
RORAC a.t. ²	28.1%	18.2%	9.9 p.p.	32.6%	23.0%	9.7 p.p.
Costs to income ratio (CIR)	51.5%	57.1%	-5.6 p.p.	46.0%	52.0%	-6.0 p.p.
Costs to income ratio (CIR) normalised ³	55.9%	59.2%	-3.3 p.p.	51.7%	54.7%	-3.0 p.p.
Interest margin (on interest bearing assets) ⁴	2.50%	2.62%	-0.1 p.p.	1.89%	2.12%	-0.2 p.p.
Interest margin (on total assets - BoS ratio)	2.50%	2.70%	-0.2 p.p.	1.82%	2.09%	-0.3 p.p.
Cost of Risk Net (bps) ⁵	-145	-28	-117 b.p.	-100	-24	-76 b.p.
Cost of Risk Net (excluding release of pool provisions) (bps)	-25	57	-82 b.p.	-26	25	-51 b.p.

	NLB Group			NLB		
	31.3.2017	31.12.2016	Change YtD	31.3.2017	31.12.2016	Change YtD
Key financial position statement data (in EUR million)						
Total assets	12,090	12,039	0%	8,797	8,778	0%
Loans to customers (net)	7,005	6,997	0%	4,881	4,929	-1%
Deposits from customers	9,514	9,439	1%	6,674	6,617	1%
Total equity	1,565	1,495	5%	1,311	1,265	4%
Loans to customers/deposits from customers (L/D) ⁶	73.6%	74.1%	-0.5 p.p.	73.1%	74.5%	-1.4 p.p.
Total risk exposure amount (RWA)	7,935	7,862	1%	4,938	4,882	1%
Common Equity Tier 1 Ratio	16.7%	17.0%	-0.3 p.p.	23.0%	23.4%	-0.4 p.p.
Total capital ratio	16.7%	17.0%	-0.3 p.p.	23.0%	23.4%	-0.4 p.p.
Asset quality indicators						
NPL - Gross (in EUR million)	1,215	1,299	-6%	735	753	-2%
NPL coverage ratio ⁷	65.1%	64.6%	0.5 p.p.	61.5%	60.8%	0.7 p.p.
NPL coverage ratio ⁸	75.6%	76.1%	-0.5 p.p.	71.2%	71.7%	-0.5 p.p.
Share of non-performing loans (NPL) in all loans	12.7%	13.8%	-1.1 p.p.	11.3%	11.9%	-0.6 p.p.
NPL ratio - Net ⁹	4.9%	5.4%	-0.5 p.p.	4.7%	5.1%	-0.4 p.p.
NPE ratio ¹⁰	9.3%	10.0%	-0.8 p.p.	8.1%	8.5%	-0.4 p.p.
Employees						
Number of employees	6,162	6,175	0%	2,873	2,885	0%

¹ NLB includes dividends from subsidiaries, associates and joint ventures.

² RORAC a.t. = profit a.t. / average capital requirement normalized at 14.75% RWA

³ Without non-recurring revenues and restructuring costs

⁴ Further analyses of interest margins are based on interest bearing assets

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

⁶ Net loans to customers (without BAMC bond)/Deposits from customers

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

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

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

¹⁰ EBA definition

International credit ratings NLB		Current ¹	31.12.2016	Outlook
Standard & Poor's		BB	BB-	Positive
Fitch		BB	BB-	Stable

¹ As of 12 May 2017

- **NLB Group (the Group) continues with improvement of operational results with profit after tax EUR 81.6 million in the first quarter of 2017;**
- **Healthy pick-up in loan demand for retail in Slovenia – YtD loan balances growing by 2%; strategic foreign markets continue to perform strongly with loan growth YtD at 2% across all segments;**
- **Revenues up 5% YoY, including one-offs in the amount of EUR 10.7 million, with a slight decrease in interest income owing to the expiry of some higher yielding bonds (BAMC);**
- **Continued YoY cost improvements (-5%) leading to CIR improvement to 51.5%;**
- **Further improvement of portfolio quality shows in drop of NPL volumes (by 6% in the first three months of 2017). NPL ratio dropped to 12.7%, while the NPE ratio fell to 9.3%;**
- **Liquidity remains strong with continued inflow of deposits (YtD + 1%);**

- **Capital ratio (already net of dividends paid in the amount of EUR 63.8 million), comfortably above regulatory thresholds at 16.7%; RWA growth in line with loan growth;**
- **NLB Group ROE in the first quarter of 2017 at 21.4% given one-offs and the negative cost of risks. Excluding non-recurring items, ROE is at 18.5%.**

BUSINESS REPORT

MACROECONOMIC environment

The first quarter of 2017 saw a continuation of the positive macroeconomic trends and political risks from the previous year. Political risks arising from the resurgence of populist sentiment in the western world together with rising geo-political tensions were among the central themes causing worry in financial markets through the period; these were, however offset by continuing optimism arising from the current administration's pre-election promises in the United States and the improved macroeconomic state in Europe. The quarter saw another rise of the Federal Funds Rate in the United States, the third interest rate move from the Federal Reserve, since the start of the tightening cycle in late 2015. Inflationary dynamics and macroeconomic fundamentals in the country remain elevated in the months following the presidential elections, a further two or perhaps even three rate rises are expected in 2017. In Europe, it was election expectations that took centre stage, in particular the volatile French election campaign exerted substantial influence on financial markets, while the much-anticipated elections in the Netherlands did not result in the feared political shift towards populism. Economically the region continues to progress, with manufacturing activity metrics surging to multi-year highs, while the resurgence of credit growth dynamics that developed throughout 2016 continued in the first two months of the year. The base effects of increased energy prices were noted in headline inflation, which exceeded the ECB's target of close to but below two percent price growth in January and February, however, as current market expectations do not point to further growth of oil prices, the commodity's positive effect on inflation is expected to decrease in coming months, which will likely result in a retraction of headline inflation in the Eurozone, as in March. When will continued economic development in the region together with the resurgence of producer prices in China result in improved core-inflation dynamics, remains a key question in the minds of financial markets and the European Central Bank. The economic outlook of the European region remains positive, though unresolved political issues and complications associated with the United Kingdom's exit from the European Union remain sources of downside risk.

Slovenia continued to benefit from the positive economic trends in the European Union in the first quarter of 2017. This period saw a continuation of strong external trade dynamics, while the expansion of industrial production maintained a considerable pace. The aforementioned economic progress manifested itself in the growth of economic sentiment, which according to data from the state statistical office reached levels not seen since 2008. In line with the improving economic fundamentals, the quarter saw numerous revisions made to Slovenia's economic growth forecasts. The IMF and the European Commission both raised their forecasts for 2017 to 2.5%, a considerable increase, while Slovenia's Institute of Macroeconomic Analysis and Development increased their growth projection to 3.6%. Expectations of continued improvement of the labour market, the notable upswing in 2016 of residential real-estate prices and transactions, according to data from The Surveying and Mapping Authority of the Republic of Slovenia the number of transactions in 2016 was the highest since 2007, and the recent improvement of consumption dynamics, should continue to boost the country's economy. Fundamentally, the primary risk to Slovenia's economic momentum lies in external political risks, particularly those emanating from Europe.

In the first two months of 2017, Slovenia's banking system generated a return on equity of 11.56%. Net interest income decreased slightly in the period, however growth of non-interest income resulted in a 4.4% increase in profitability, which amounted to EUR 74.0 million. The notable improvement of loan growth dynamics continued from the previous year, according to the latest data from the Bank of Slovenia, as of February 2017, corporate loans had grown by 7.2% since the corporate loan portfolio's low point in September 2016, similarly loans to households have grown by 5.8% on an annual basis, overall loans to the non-financial sector were 2.8% higher on an annual basis. The quality of the credit portfolio continued improving in the two-month period, with non-performing loans decreasing to 5.3%, a 20-basis-point decrease from the end of 2016. With the stabilization of loan interest rates in the later part of 2016, strong projections of economic growth and the nascent reversal of loan growth dynamics, the prospects of the long-awaited turn of the credit cycle have strengthened considerably, data from upcoming months will be key to the banking system's outlook.

BUSINESS operations

The Bank maintained its leading position on the Slovenian market with strong demand for housing and consumer lending. Corporate and Investment Banking showing stronger signs of recovery.

Retail banking in Slovenia

- The Bank maintained a leading position, with a market share in retail lending of 23.5% and 30.3% in deposit taking.
- Record quarterly increase in housing loans in total of EUR 89.2 million, presenting 86.3% more than in the same period last year.
- NLB Assets Management continued to grow with net-inflows of EUR 26 million into mutual funds in the first quarter of 2017. Total assets under management at the end of March amounted to EUR 1.1 billion.

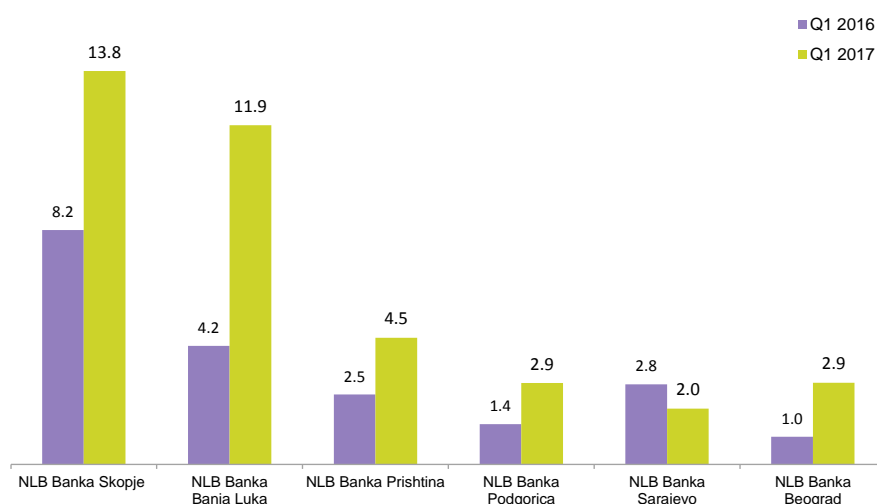
Corporate and Investment banking in Slovenia

- The Bank retained its 22.5% market share in corporate loans and trade finance (25.3%). Loan balances remained stable overall, while the sub segment for small enterprises and entrepreneurs grew by 5.8% YtD.
- Treasury Sales significantly increased business activities with clients, showing 9.3% revenue growth YoY.
- NLB Custody, Fund Administration Group successfully started to perform fund administration services for the funds managed by NLB Skladi in the middle of January 2017 with incoming portfolio in total value (NAV) approximately EUR 680 million. Total asset value under custody increased by 12.5%, standing at EUR 13.8 billion at the end of the first quarter of 2017.

Core foreign markets

- All six banking entities in **Serbia, Montenegro, Macedonia, Kosovo and Bosnia and Herzegovina** have been growing strongly in terms of market activities. Loan growth YtD stands at 2% across all markets, with Serbia and Kosovo growing particularly strong.
- Contribution to group profits in the first quarter of 2017 at EUR 40.1 million, an increase of 86% YoY (EUR 21.6 million in the first quarter of 2016) on the basis of continued revenue growth and negative cost of risk given regular release of pool provisions in the first quarter of 2017.

Figure 1: Profit after tax of the strategic NLB Group banks (on a stand-alone basis) - evolution YoY (in EUR million)



Wind down of non-core operations

The Group continued its consequent wind-down of non-core operations. In the first quarter of 2017, NLB divested its last significant corporate equity exposure, resulting in one-off gains of EUR 9.5 million. Non-core segment assets were reduced in 2017 by 4% YtD to EUR 481 million (2016: EUR 503 million). The non-core cost base was reduced by 13% YoY to EUR 5 million (2016: EUR 6 million). The non-core pre-tax result for the first quarter of 2017 is therefore EUR 15.5 million – a significant improvement on 2016 (EUR 7.8 million).

Efficient and proactive risk management of operations

- Improving the quality of the credit portfolio represents one of the Group's key aims, which they aim to achieve through a strong commitment to further reducing the NPE legacy, continuing with the divestment of other non-core exposures and providing comprehensive client servicing on prudent risk management principles.
- The new production since 2014 has been underwritten according to the much-improved credit standards, as evidenced by the NPL formation from these vintages being cumulatively very low, also in the first quarter of 2017.
- The NPL ratio also fell to 12.7% (2016: 13.8%), while the internationally more comparable NPE ratio (based on EBA guidelines) already dropped to 9.25% (2016: 10%).
- The coverage ratio, which remains high at 75.6%, represents an important strength for the Group. The Group's NPL coverage ratio swelled to 65.1%, which is well above the EU average published by the EBA (44.6%). As such, this means a further reduction in NPLs can be made without significantly influencing the cost of risk in the years ahead.

Strong liquidity and capital position

- At the end of March 2017, the **capital ratios (CET1 and Total capital ratio) of the NLB Group remain very strong**, reaching **16.7%** (not including interim profit) and is still well above the regulatory thresholds. **The Group ROE stands at 21.4% while the normalised after-tax Group RORAC (calculated on 14.75% of RWAs) stands at 28.1%.**
- **Liquidity remains exceptionally strong, with very significant amounts of liquidity reserves in cash (EUR 862 million)¹, securities (EUR 2.638 million) and ECB eligible loans (EUR 775 million).** The Group's exposure to interest rate risk is within the targeted, low-risk appetite profile.

¹ Excluding obligatory reserve with CB



OVERVIEW OF NLB GROUP'S financial performance

Key developments

- **Net profit after tax** amounted to EUR 81.6 million, a year-on-year increase of EUR 29.5 million or 56%.
- The profitability of almost all the banks in the Group improved and reached historically high levels. The return on equity (**ROE after tax**) increased compared to first quarter of 2016, reaching 21.4%. The **RORAC after tax** (calculated on an assumed capital requirement of 14.75% of RWA) stood at 28.1%. **Common equity tier 1 capital ratio (CET 1)** amounts to 16.7% which still comfortably exceeds all the regulatory requirements.
- **Profit before impairments and provisions** of NLB Group totalled EUR 63.5 million and was 19% or EUR 10.2 million higher YoY. Positive non-recurring effects from divestments, higher regular non-interest income and lower costs outperformed the lower-than-expected decrease in net interest income given the very low interest environment in the euro area.
- **Net interest margin** of NLB Group decreased by 0.12 p.p. YoY to 2.50%, given the expiry of some higher yielding assets in Financial Markets (BAMC bond) and the further repricing of the securities portfolio (especially RoS exposure). Net interest income continues to grow in Foreign strategic markets (+ 7% YoY).
- **Costs** decreased by 5% YoY, mostly due to a further reduction in non-labour costs. CIR improved by 5.6 percentage points YoY to 51.5%.
- **Impairments and provisions** for credit risk were released in the amount of EUR 25.4 million, thanks to positive trends in economic environment. Consequently, the Group released the pool provisions in the amount of approximately EUR 21 million, mainly in the corporate client segment.
- **Gross loans** amounted to EUR 7,876.3 million (YtD decrease of EUR 24.4 million), with the gross loans in the corporate segment in Slovenia remaining stable, while retail loans swelling by EUR 77.4 million (+4% YtD), and Strategic foreign markets growing by EUR 41.1 million YtD (+2% YtD).

Income statement

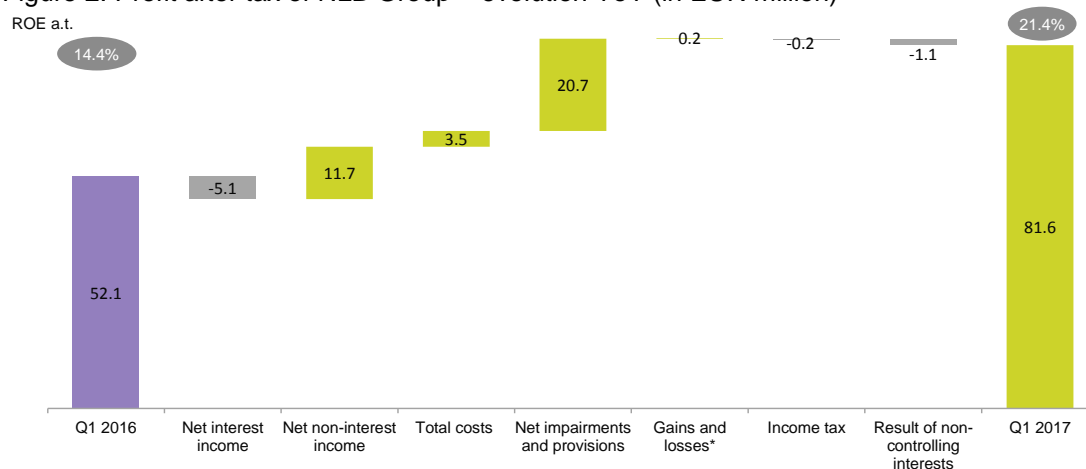
Table 2: Income statement of NLB Group and NLB

in EUR million	NLB Group			NLB		
	1. 1. - 31. 3. 2017	1. 1. - 31. 3. 2016	Change YoY	1. 1. - 31. 3. 2017	1. 1. - 31. 3. 2016	Change YoY
Net interest income	75.3	80.4	-6%	39.3	46.2	-15%
Net fee and commission income	37.4	34.6	8%	24.2	22.8	6%
Dividend income	0.0	0.0	-	0.0	0.0	-
Net income from financial transactions	14.2	6.5	120%	12.2	4.8	153%
Net other income	4.1	2.9	42%	3.9	2.6	54%
Net non-interest income	55.7	43.9	27%	40.4	30.2	33%
Total net operating income	131.0	124.4	5%	79.7	76.4	4%
Employee costs	-39.6	-40.8	-3%	-25.1	-26.1	-4%
Other general and administrative expenses	-21.0	-23.0	-9%	-12.3	-14.3	-14%
Depreciation and amortisation	-6.9	-7.3	-5%	-4.4	-4.8	-8%
Total costs	-67.5	-71.0	-5%	-41.8	-45.3	-8%
Result before impairments and provisions	63.5	53.3	19%	37.9	31.2	22%
Impairments of AFS and HTM financial assets	0.0	0.0	-	0.0	0.0	-
Credit impairments and provisions	25.4	4.8	434%	12.1	2.9	316%
Impairments of investments in subsidiaries, associates and JV	0.0	0.0	-	-0.1	0.0	-
Other impairments and provisions	-0.9	-0.9	-8%	0.0	0.0	-
Impairments and provisions	24.5	3.8	546%	12.1	2.9	317%
Gains less losses from capital investments in subsidiaries, associates and joint ventures ¹	1.1	1.2	-12%	11.2	10.7	5%
Profit before income tax	89.1	58.4	53%	61.2	44.7	37%
Income tax	-4.8	-4.6	5%	-2.3	-2.4	-7%
Result of non-controlling interests	2.7	1.7	66%	0.0	0.0	-
Profit for the period	81.6	52.1	56%	58.9	42.3	39%

¹NLB includes dividends from subsidiaries, associates and joint ventures

Profit

Figure 2: Profit after tax of NLB Group – evolution YoY (in EUR million)

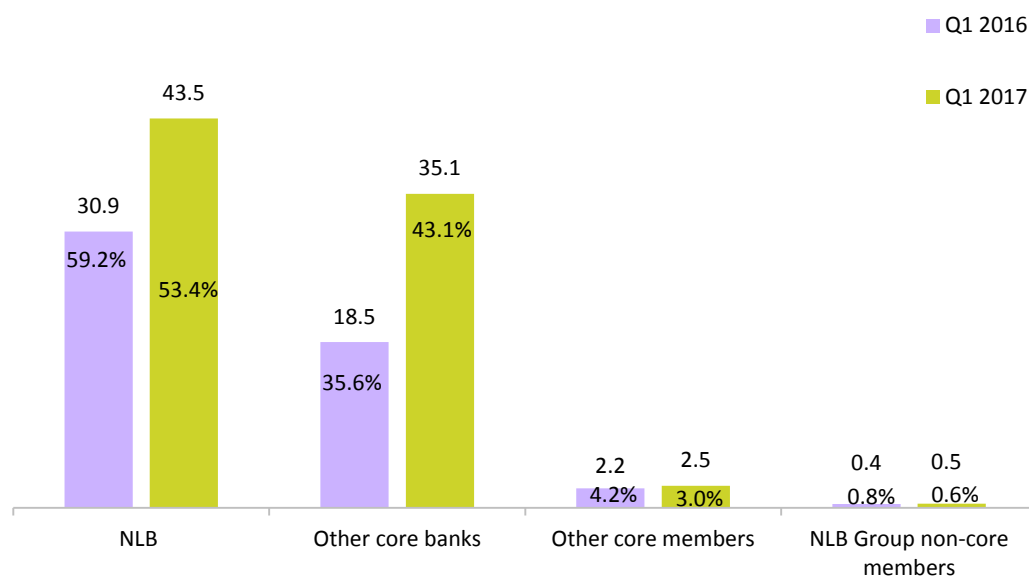


* Gains less losses from capital investments in subsidiaries, associates and joint ventures

In the first quarter of 2017, the Group generated EUR 81.6 million of profit after tax, which is 56% higher compared to the same period in 2016. Key drivers of increase are:

- Solid performance in key business areas with positive profit evolution especially in foreign strategic subsidiaries resulting in 9% growth in regular income;
- Non-recurring income from sale of Petrol shares in the amount of EUR 9.5 million and court settlement with Zavarovalnica Triglav in the amount of EUR 1.2 million;
- Continued improvement in costs which dropped by 5% YoY, substantial savings achieved in general and administrative expenses (- 9% YoY) and employee costs (-3% YoY);
- Realised cost of risk in the first quarter of 2017 given substantial release of pool provisions as part of regular annual model time-series updates.

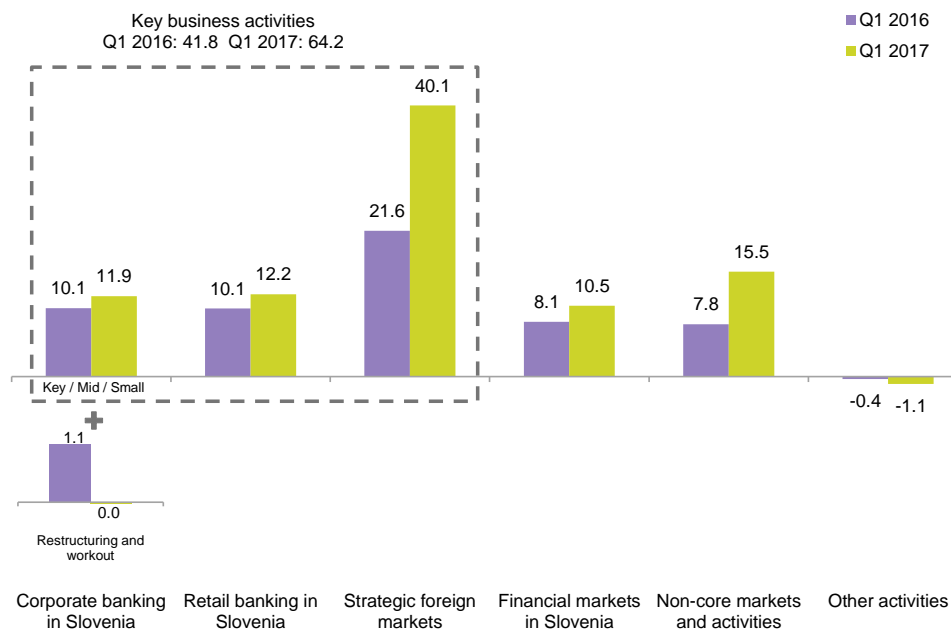
Figure 3: Contribution to NLB Group's results by members – profit after tax (in % and in EUR million)



NLB recorded EUR 58.9 million of net profit on a stand-alone basis, which includes dividends from NLB Banka Prishtina (EUR 8.25 million) and NLB Skladi (EUR 2.95 million). The bank's contribution to the Group's results amounted to EUR 43.5 million or 53%. The contribution of other core banks increased to 43% from 36% during the same period in 2016.

Profit before tax – segment results

Figure 4: Profit before tax of NLB Group by segments (in EUR million)



Core markets and activities²: improvement of operations, especially in strategic foreign markets

Key business activities³ recorded an increase of EUR 22.4 million in the first quarter of 2017 to a level of EUR 64.2 million (first quarter of 2016: EUR 41.8 million), on the basis of higher business volumes in retail and strategic foreign markets, stable margins and continued low cost of risk.

- **Corporate banking in Slovenia (Key/Mid/Small corporates)** contributed EUR 11.9 million of profit before tax in the first quarter of 2017, showing the increase of EUR 1.8 million or 17% YoY, based on cost optimisation and lower cost of risk.
- **Retail banking in Slovenia** recorded EUR 12.2 million of profit before tax (increase of EUR 2.1 million or 21% YoY and EUR 2.7 million or 29% compared to last quarter of 2016). The decrease in net interest income (EUR -2.8 million) was partially compensated with an increase in net non-interest income (EUR +1.6 million), mainly from ancillary banking operations such as bank-assurance and investment funds. Realised net interest income in the first quarter of 2017 compared to the last quarter of 2016 shows slight increase by 2%.
- **Foreign strategic markets** continued their positive trend showing a profit of EUR 40.1 million in the period (increase of EUR 18.5 million or 86.0% YoY). Positive developments were recorded both in interest and non-interest income and negative cost of risk in the first quarter of 2017.

Financial markets in Slovenia generated EUR 10.5 million of profit before tax in the period, which means EUR 2.4 million or 30.0% growth YoY, largely due to positive one-off effects from divestments of debt securities (portfolio of French bonds).

Non-core markets and activities: continuing divestments and decrease in operations

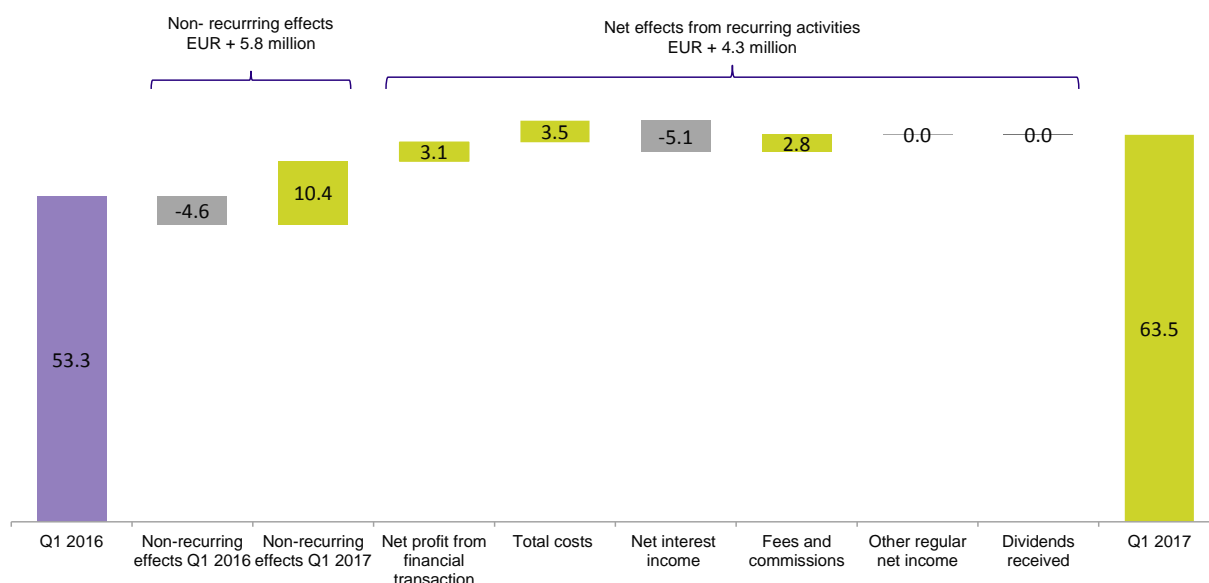
The non-core markets and activities concluded the first quarter of 2017 with a profit before tax of EUR 15.5 million, which was EUR 7.7 million higher than in the same period last year. This increase resulted from the sale of non-strategic equity investments resulting in one-off capital gains and settlement with Zavarovalnica Triglav in amount of EUR 10.7 million.

² Corporate banking in Slovenia, Retail banking in Slovenia, Financial markets in Slovenia, Strategic foreign markets

³ Corporate banking in Slovenia, Retail banking in Slovenia, Strategic foreign markets

Profit before impairments and provisions

Figure 5: Profit before impairments and provisions of NLB Group – evolution YoY (in EUR million)



Profit before impairments and provisions of NLB Group totalled EUR 63.5 million and was 19% or EUR 10.2 million higher YoY. The following factors had a positive effect on the results for the first quarter of 2017:

- Non-recurring income from sale of Petrol shares (EUR 9.5 million) and settlement with Zavarovalnica Triglav (EUR 1.2 million);
- Higher fees and commissions (EUR 2.8 million YoY);
- Higher income from financial operations (EUR 3.1 million YoY), mostly from the sale of French bonds (EUR 1.8 million);
- Lower costs (EUR 3.5 million YoY).

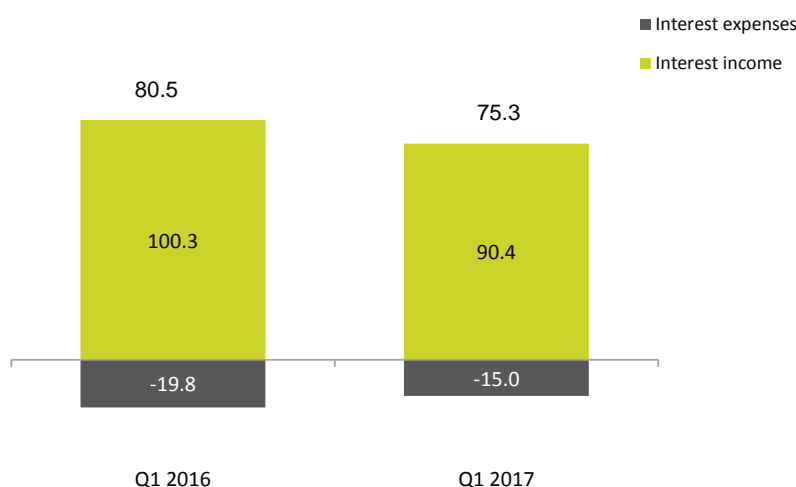
On the other hand, net interest income was EUR 5.1 million lower than for the same period in 2016, mainly as a result of continued repricing on the securities portfolio (in particular the BAMC bond).

By excluding non-recurring effects in the first quarters of both 2016⁴ and 2017, the result before impairments and provisions increased by 9% YoY.

⁴ In the first quarter of 2016, the only non-recurring income was the Sale of Trimo with a one-off positive effect of EUR 4.9 million. The restructuring costs, also considered a non-recurring item, amounted to EUR 0.3 million in both years.

Net interest income

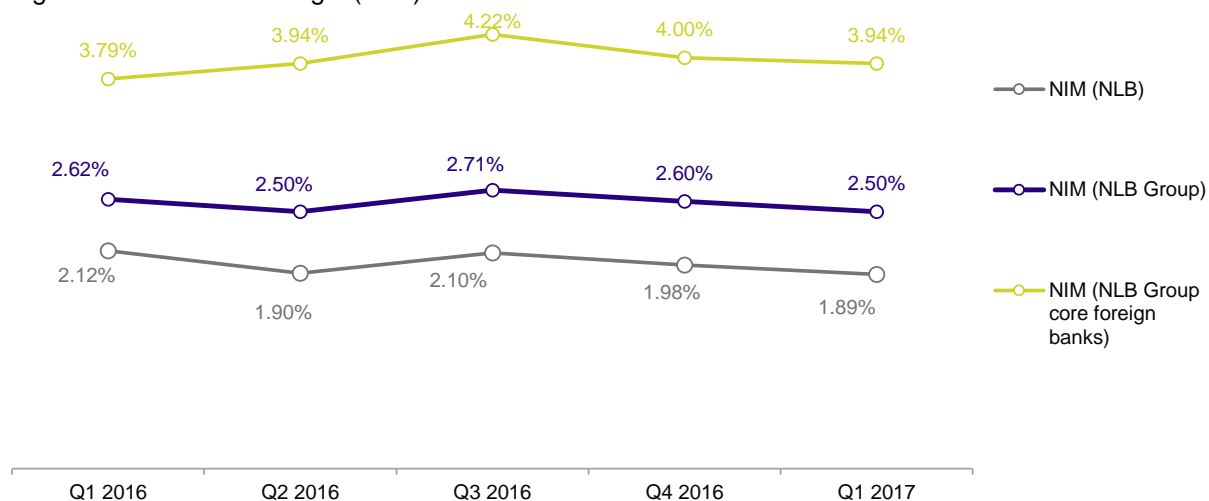
Figure 6: Net interest income of NLB Group (in EUR million)



The share of **net interest income** in NLB Group's total income decreases over the years (drop from 64% to 57% YoY). In the first quarter of 2017, net interest income totalled EUR 75.3 million, which is 6% less than in the same period of 2016, mostly due to decreasing yields on the securities portfolio and the maturity of a high yielding BAMC bond in December 2016. Contribution of other banks to group's interest income increased, already reaching 47% (increase of 5.8 percentage points YoY). The Group continued with the active management of its interest expenses, repaying or repricing some funding lines and continuously adjusting deposit pricing in line with the prevailing low interest rate environment, thereby substantially reducing interest expenses (24% YoY).

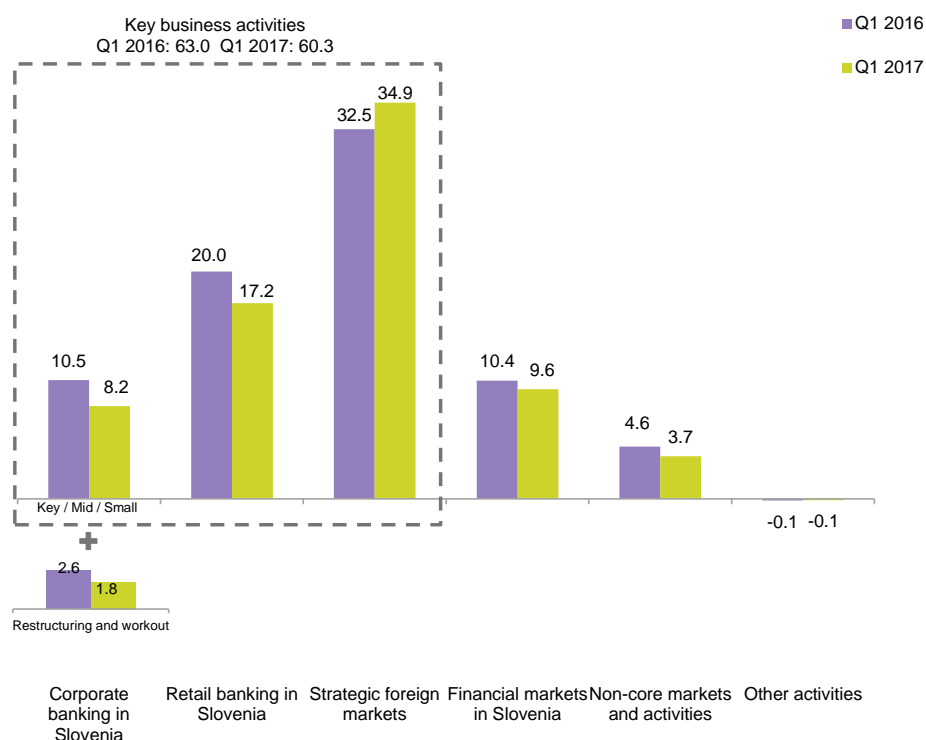
Net interest margin (NIM) of NLB Group dropped by 0.12 p.p. YoY to 2.50%. Margin of core banks on SEE markets remains above the level recorded in the first quarter of 2016 while the margin of NLB decreased.

Figure 7: Net interest margin (in %)



Net interest income – segment results

Figure 8: Net interest income of NLB Group by segments (in EUR million)



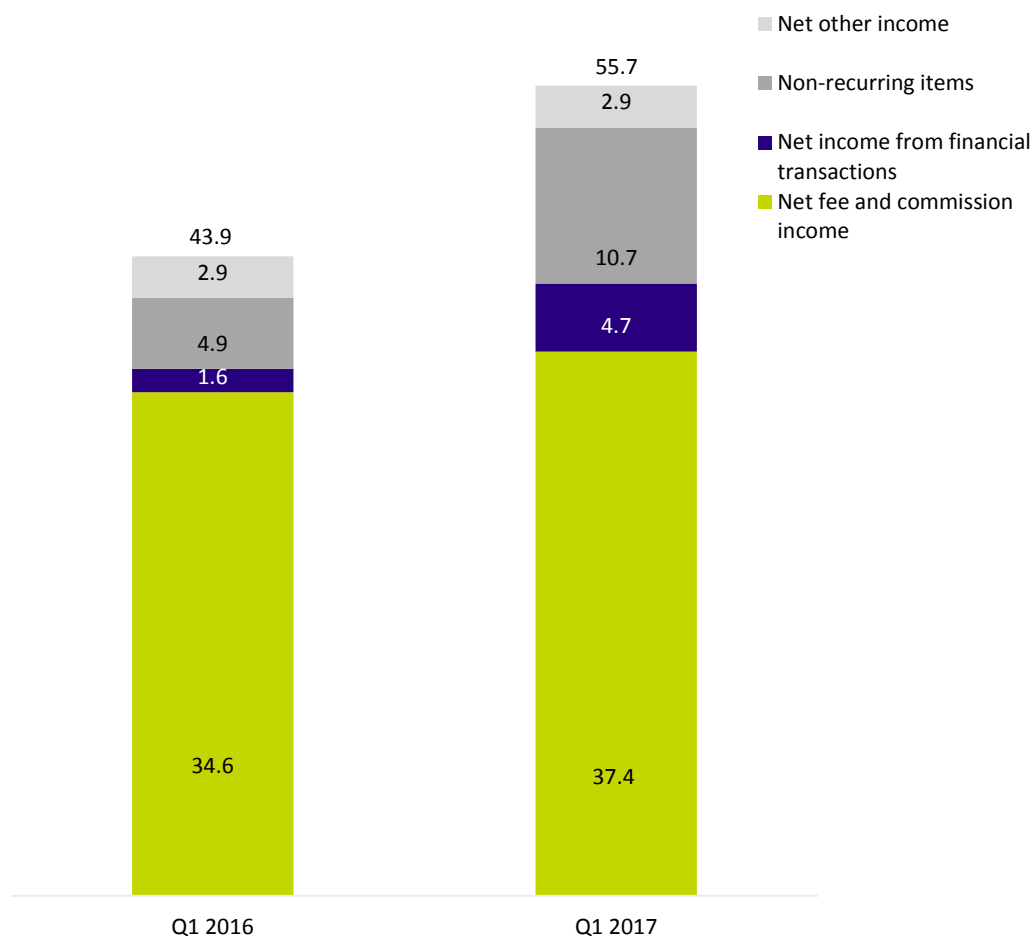
Net interest income of Key business activities dropped by EUR 2.7 million or 4.3% YoY.

- **Retail banking in Slovenia** fell by EUR 2.8 million or 14.0% YoY as a result of overall slightly lower margins; growth in lending activity was healthy at 2% YtD.
- Net interest income in **Key/Mid/Small corporates in Slovenia** dropped by EUR 2.3 million or 21.9% YoY on higher loan volume YoY (+9%) and decreasing interest margin due to intense competition. Net interest income in the first quarter of 2017 compared to the last quarter of 2016 shows slight growth of 1%.
- In **Foreign strategic markets**, net interest income grew by EUR 2.3 million or 7.2% due to higher interest margins in the SEE region (0.15 of a percentage point increase YoY) and the volume of loans increasing by 1.7% or EUR 41 million YtD.

Net interest income in **Financial markets in Slovenia** decreased by EUR 0.8 million YoY due to decreasing yields in the securities portfolio.

Net non-interest income

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



The Group recorded a **net non-interest income** of EUR 55.7 million in the first three months of 2017, which is EUR 11.8 million or 27% higher YoY. Almost half of this increase derives from non-recurring income in the amount of EUR 10.7 million (EUR 9.5 million from the sale of Petrol shares and EUR 1.2 million from the settlement reached with Zavarovalnica Triglav). The following factors resulted in regular net non-interest income increasing by 15.1% or EUR 5.9 million YoY:

- Higher net fees and commissions for EUR 2.8 million of which EUR 1.6 million was attributed to an increase in custody and agency services such as investment funds, investment banking and insurance products and EUR 1.2 million from an increase in transactional activities such as credit cards, ATMs, payments and transactional accounts.
- Higher net profit from financial operations for EUR 3.1 million, of which EUR 1.8 million was attributed to the sale of a French bond portfolio.

Net non-interest income – segment results

Figure 10: Net non-interest income by segments of NLB Group (in EUR million)

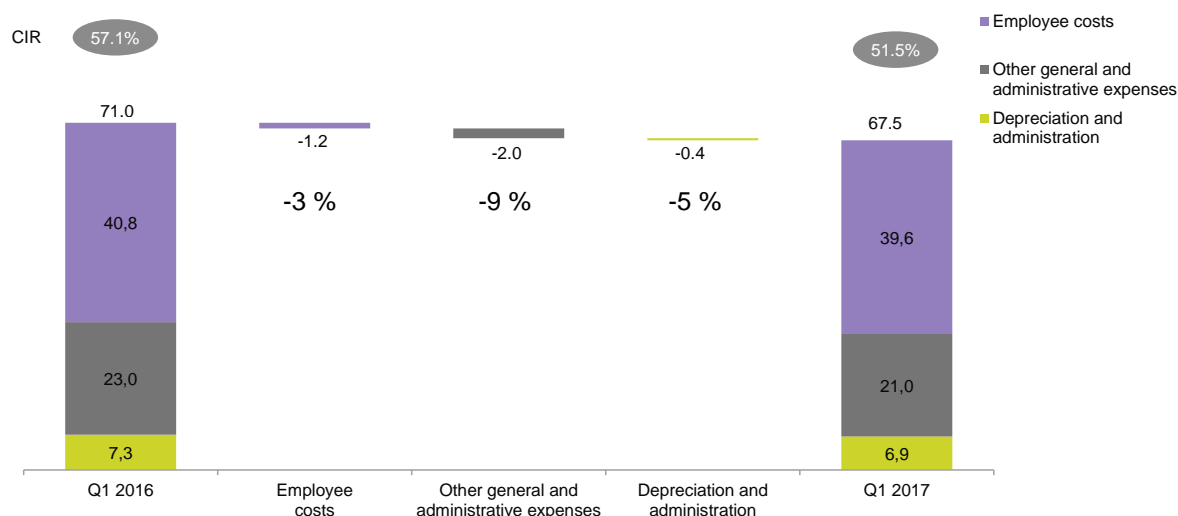


Net non-interest income of key business activities grew by EUR 2.7 million or 8.1% YoY.

Retail banking in Slovenia recorded an increase in net non-interest income of EUR 1.6 million or 10.1%, mostly from bank-assurance and investment funds services. Net non-interest income in **key/mid/small corporates in Slovenia** remained at the same level as in the first quarter of 2016. Compared to last quarter in 2016 segment realised a growth of 7%. Net non-interest income of **Financial markets in Slovenia** increased by EUR 3.1 million YoY, mainly on the account of selling debt securities. **Non-core markets and activities** contributed significantly (EUR 14.4 million) to the Group's net non-interest income, most of which was attributed to the non-recurring event of the sale of non-core equity investments in Petrol (EUR 9.5 million) and from a court settlement with Zavarovalnica Triglav (EUR 1.2 million).

Total costs

Figure 11: Total costs of NLB Group – evolution YoY (in EUR million)



Total costs amounted to EUR 67.5 million (of which EUR 0.3 million comprised non-recurring costs related to restructuring) and were 5% lower YoY. A major decrease was recorded in **general and administrative costs** (down 9% YoY) as a result of successful cost-optimisation efforts. Depreciation costs and labour costs also decreased by 5% and 3% YoY respectively. In the first quarter of 2017 NLB Group recorded a 13% decrease in costs for strategic foreign markets and a 15% decrease for non-core markets and activities.

Cost/income ratio decreased by 5.6 percentage points to 51.5%. **Cost/income ratio (normalised)** decreased by 3.3 percentage points to 55.9%.

Net impairments and provisions

NLB Group released **impairments and provisions for credit losses** in the amount of EUR 25.4 million (EUR 20.6 million higher release than in the first quarter of 2016). The main reason for this was the release of pool provisions. Namely, the Group recalculates PD's for collective provisions once a year in the first quarter of the year and the full impact is recognised in the results for the first three months. Positive trends in economic environment and consequently lower transition of performing customers into default in years 2016 and 2015 contributed positively to lower percentages of PD's and consequently lower pool provisions mainly in the segment of corporate clients. In the first quarter of 2017 the effect of release of impairments on NLB Group level in the segment of corporate clients amounts to approximately EUR 21 million (in first quarter of 2016, approximately EUR 14 million).

Statement of financial position

Table 3: Statement of the financial position of NLB Group and NLB

in EUR million	NLB Group			NLB		
	31.3.2017	31.12.2016	Change	31.3.2017	31.12.2016	Change
Cash, cash balances at central banks and other demand deposits at banks	1,520.5	1,299.0	17%	888.3	617.0	44%
Loans to banks	411.1	435.5	-6%	364.1	408.1	-11%
Loans to customers	7,004.7	6,997.4	0%	4,880.6	4,928.9	-1%
Gross loans	7,876.3	7,900.8	0%	5,369.2	5,433.7	-1%
- corporate	3,901.5	3,917.4	0%	2,754.1	2,769.1	-1%
- individuals	3,258.6	3,190.7	2%	2,028.9	1,990.2	2%
- state	716.3	792.7	-10%	586.2	674.4	-13%
- BAMC bonds	-	-	-	-	-	-
Impairments	-871.6	-903.4	-4%	-488.6	-504.7	-3%
Financial assets	2,630.7	2,778.0	-5%	2,117.8	2,295.2	-8%
- Held for trading	74.5	87.7	-15%	74.5	87.7	-15%
- Available-for-sale, held to maturity and designated at fair value through income statement	2,556.2	2,690.3	-5%	2,043.3	2,207.6	-7%
Investments in subsidiaries, associates and joint ventures	44.4	43.2	3%	347.5	346.7	0%
Property and equipment, investment property	276.3	280.5	-2%	96.6	98.6	-2%
Intangible assets	32.5	34.0	-4%	21.5	23.3	-8%
Other assets	170.3	171.4	-1%	80.2	60.0	34%
TOTAL ASSETS	12,090.4	12,039.0	0%	8,796.7	8,778.0	0%
Deposits from customers	9,514.3	9,439.2	1%	6,674.1	6,617.4	1%
- corporate	2,191.3	2,182.6	0%	1,463.7	1,442.3	1%
- individuals	6,977.3	6,905.1	1%	5,005.4	4,943.5	1%
- state	345.7	351.5	-2%	204.9	231.7	-12%
Deposits from banks and central banks	35.3	42.3	-17%	61.9	75.0	-17%
Debt securities in issue	279.9	277.7	1%	279.9	277.7	1%
Borrowings	407.3	455.4	-11%	299.9	342.7	-12%
Other liabilities	228.5	271.6	-16%	170.4	200.3	-15%
Subordinated liabilities	27.4	27.1	1%	-	-	-
Equity	1,564.6	1,495.3	5%	1,310.5	1,264.8	4%
Non-controlling interests	33.2	30.3	9%	-	-	-
TOTAL LIABILITIES AND EQUITY	12,090.4	12,039.0	0%	8,796.7	8,778.0	0%

Total assets of the NLB Group remained almost at the same level as at the end of the year 2016 and totalled EUR 12,090.4 million. A slight increase of EUR 51.4 million was driven mainly by excess liquidity in all core markets and the continued inflow of deposits.

Assets

Figure 12: Total assets of NLB Group – structure (in EUR million)

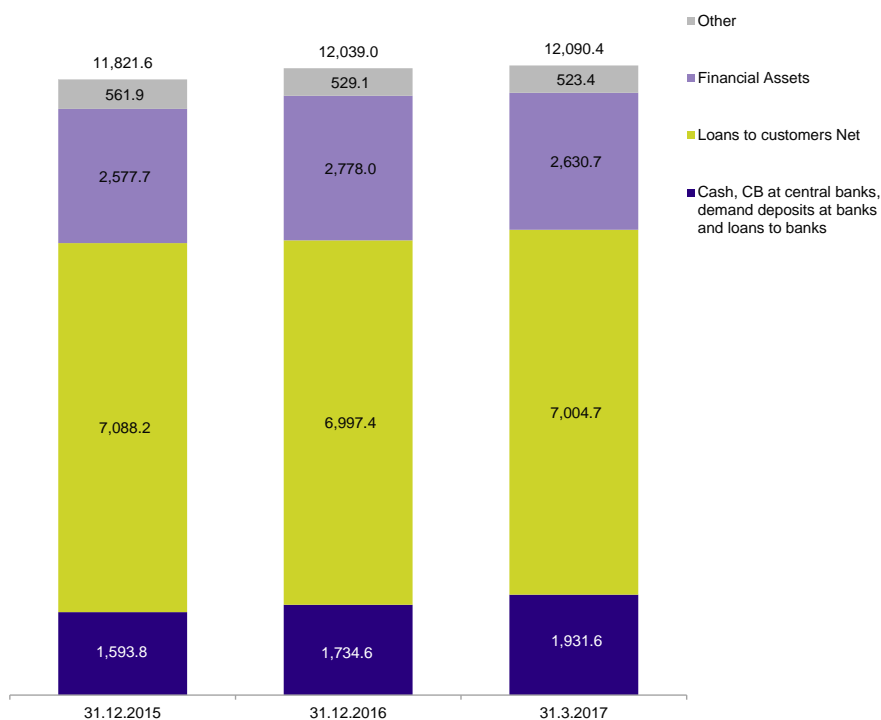
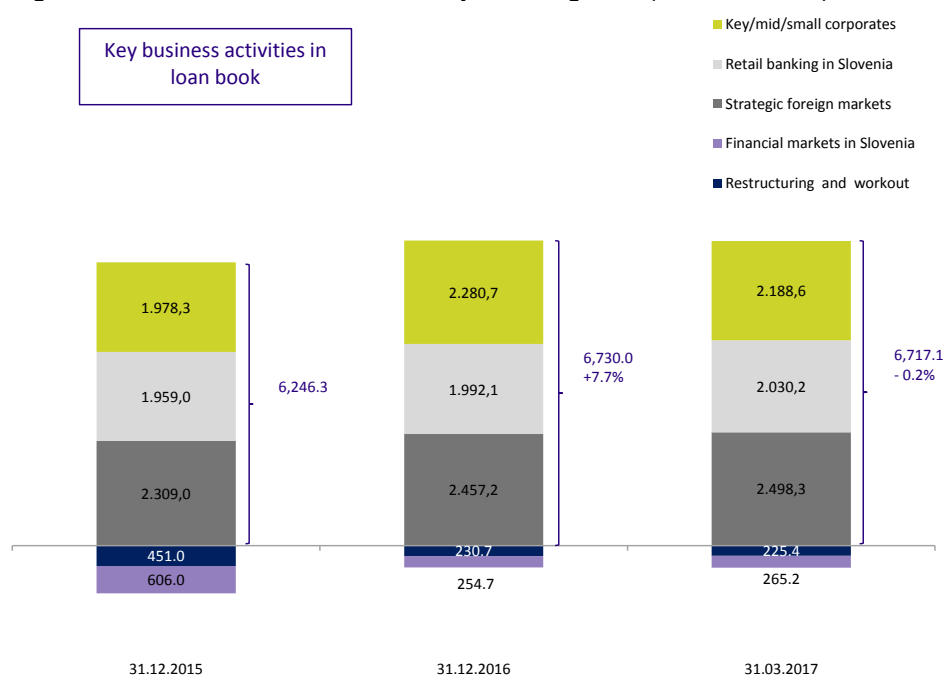


Figure 13: Gross loans to customers by core segment (in EUR million)



Gross loans in key business activities remained at the level recorded at the end of 2016. A 4% YtD decrease in the gross loans in key corporate segment in Slovenia was neutralised by the increase of gross loans in retail segment in Slovenia (2% YtD) and strategic foreign markets (1.7% YtD).

Liabilities

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

The structural share of **customers' deposits** continued to increase and accounted for 78.7% of the total funding of NLB Group at the end of first quarter. This increase derives from retail deposits exclusively, while corporate and state deposits remained at the level recorded at the end of 2016.

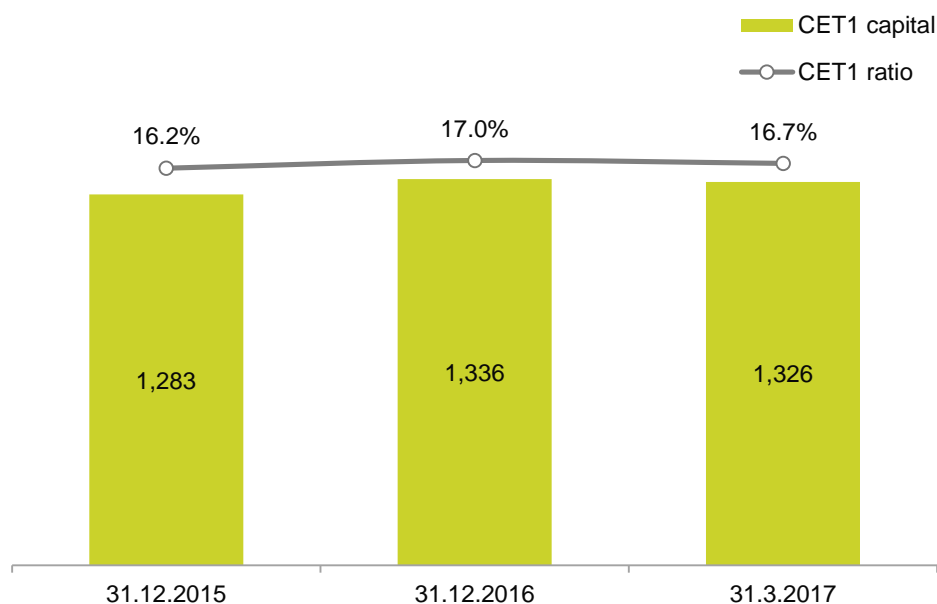
L/D ratio (net) decreased by 0.5 of a percentage point compared to the end of 2016 as a result of the low demand for loans and the "cash-rich" retail and corporate sector.

Figure 14: Total liabilities of NLB Group – structure (in EUR million)



Capital adequacy

Figure 15: NLB Group CET1 capital (in EUR million) and CET1 ratio (in %)



The **capital adequacy ratio** of NLB Group was 16.7%,⁵ which is 0.3 of a percentage point lower than at the end of the 2016, partially due to a decrease in capital (lower accumulated other comprehensive income) and partially due to higher risk exposure (credit and operational risk). The capital of NLB Group consists of Common Equity Tier 1 (CET1) only, so the total capital ratio is the same as CET1 ratio.

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

	31.3.2017	31.12.2016	31.12.2015
Total risk exposure amount (RWA)	7,935	7,862	7,927
RWA for credit risk	6,911	6,865	6,850
RWA for market risks + CVA	75	105	147
RWA for operational risk	949	893	931

In the first quarter of 2017, RWA increased by EUR 73.0 million of which EUR 46.3 million was on credit risks. RWA for equity exposures decreased by EUR 18.6 million as a result of the sale of Petrol shares. RWA on market risks decreased by EUR 30.0 million mainly on Trading Debt Instruments (EUR -17.6 million) due to lower stock of debt securities in trading book. RWA on operating risks increased by EUR 56.7 million due to higher three-year average income which represents the base for calculation.

⁵ Interim results are not included in the capital adequacy calculation.



RISK management

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

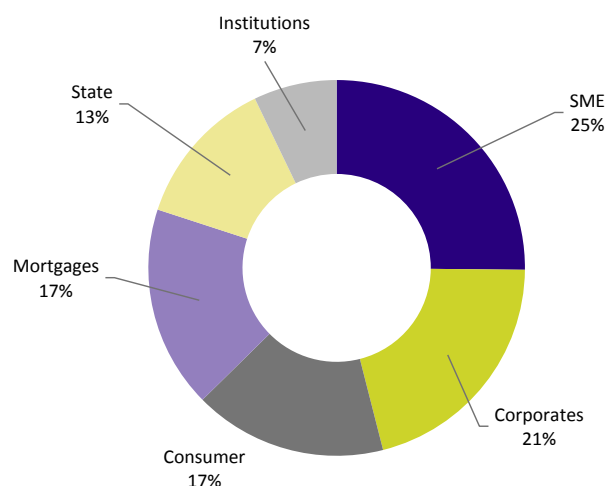
One of the key aims of Risk Management is to ensure that the Group's capital adequacy is managed prudently. The Group monitors its capital adequacy at both the Group and subsidiary bank levels within the framework of the established ICAAP process under normal conditions (regulatory capital adequacy) and stressed conditions. As at 31 March 2017, the Group had a strong level of capital adequacy (CET 1) of 16.7%, which is well within the stated risk appetite limit and above the EU average published by the European Banking Authority (EBA). In line with the Supervisory Review and Evaluation Process (SREP), CET 1 and the total capital requirement for the Group in 2017 are currently fulfilled in the current and fully loaded requirement.

The second key aim is to maintain a solid liquidity level and structure. The Group holds a strong liquidity position at both the Group and subsidiary bank levels, well above the risk appetite, with the liquidity coverage ratio (LCR) (according to the delegated act) of 351% and unencumbered eligible reserves in the amount of EUR 4,875 million. Even if the stress scenario were to occur, the Group has sufficiently high liquidity reserves in place in the form of placements at the ECB, prime debt securities and money market placements. The main funding base of the Group at the Group and individual subsidiary bank levels predominately entails customer deposits with a comfortable level of LTD in the amount of 73%, giving the Group the potential for further customer loan placements.

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

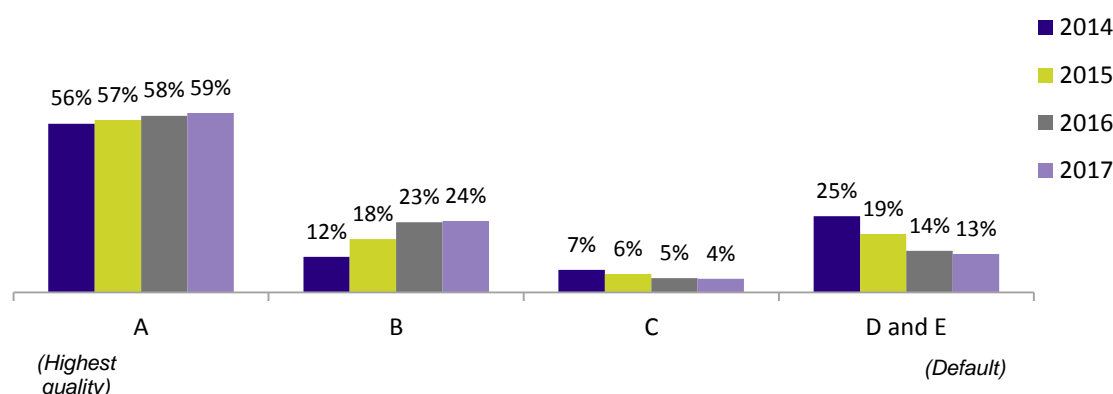
The current structure of gross exposures (on- and off-balance sheet) consists of retail clients (34%), large corporate clients (21.0%), SMEs and micro companies (25%), with the remainder of the portfolio made up of other liquid assets.

Figure 16: NLB Group structure of the credit portfolio by segment as at 31 March 2017



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

Figure 17: Structure of the NLB Group credit portfolio by client credit ratings (in EUR million)



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

The legacy of NPE continues to have a significant impact on the restructuring and work-out capacities and approaches built in the past, although there is an increasing focus on actively resolving new cases through adopting a faster and more active approach to restructuring and work-out. NLB Group's strong commitment to reducing the NPE legacy is maintained by precisely set targets and constantly monitoring progress made. The existing non-performing credit portfolio stock in the Group was reduced in the first quarter of this year from EUR 1,299 million to EUR 1,215 million. The share of NPLs decreased from 13.8% to 12.7%, while the share of NPE by the EBA methodology fell from 10.0% to 9.25%.

The coverage ratio, which remains high at 75.6%, represents an important strength for the Group. The Group's NPL coverage ratio swelled to 65.1%, which is well above the EU average published by the EBA (44.6%). As such, this means a further reduction in NPLs can be made without significantly influencing the cost of risk in the years ahead.

Figure 18: NLB Group NPE ratio (NPE% by the EBA)

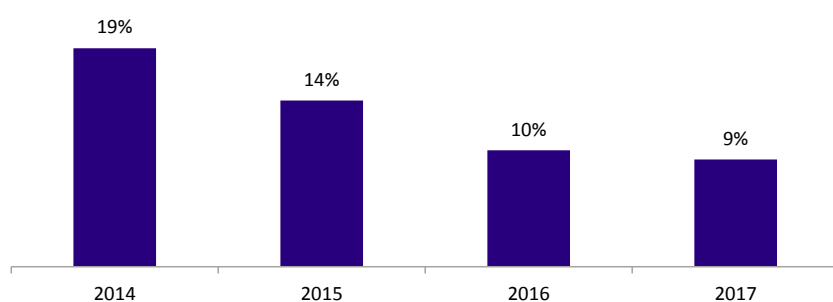
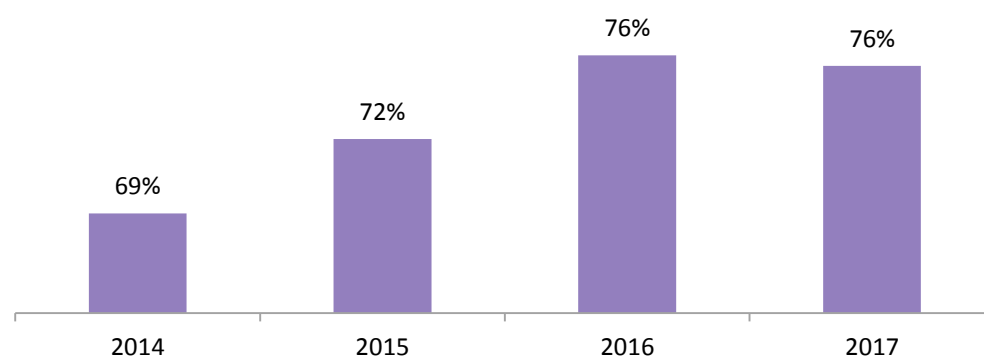
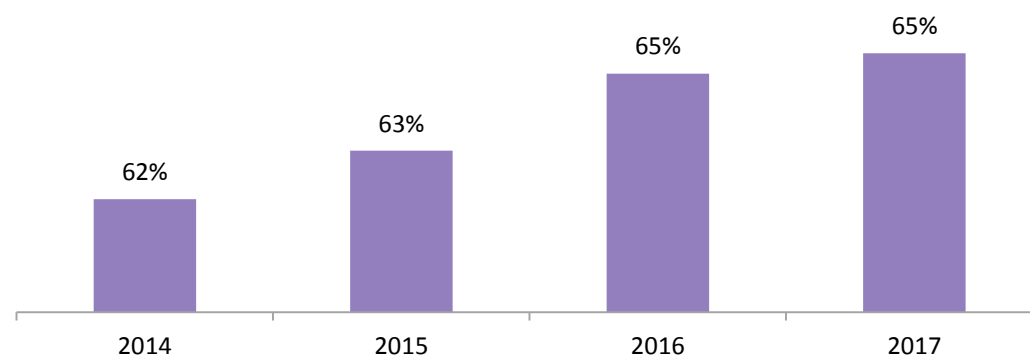


Figure 19: NLB Group NPL Coverage ratio¹



¹ The coverage of the gross non-performing loan portfolio with impairments on all of the loan portfolio

Figure 20: NLB Group NPL Coverage ratio²



² The coverage of the gross non-performing loan portfolio with impairments on the non-performing loan portfolio

When considering market risks, the NLB Group takes the view that such risks should not significantly affect a single Group subsidiary or the whole Group's operations. The Group's net open FX position is very low and amounts to less than 5.1% of total capital.

The exposure to interest rate risk on the Group level is relatively low, but has increased moderately in the recent period. Net interest income sensitivity in the case of a Euribor increase of 50bp would amount to EUR 16.5 million, whereas a decrease in exposure would be lower due to the zero floor clauses in place. Moreover, the basis point value (BPV) sensitivity of 200 bps equals 14.8% of capital, while with inclusion of sight deposit allocation basis point value (BPV) sensitivity of 200 bps amounts to 5.9%.

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

Condensed Interim Financial Statements of NLB Group and NLB as at 31.3.2017,

Prepared in accordance with International accounting standard 34 "Interim financial reporting"

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Independent auditor's report on review



This is a translation of the original report in Slovene language

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To the shareholder of Nova Ljubljanska Banka, d.d.

Introduction

We have reviewed the accompanying condensed separate interim financial statements of Nova Ljubljanska Banka, d.d. ("the Bank") and condensed consolidated interim financial statements of NLB Group ("the Group") which comprise of the separate statement of financial position and consolidated statement of financial position as at 31 March 2017, the separate income statement and consolidated income statement, the separate statement of comprehensive income and consolidated statement of comprehensive income, the separate statement of changes in equity and consolidated statement of changes in equity, the separate statement of cash flows and consolidated statement of cash flows for the period then ended and a summary of significant accounting policies and other explanatory information ("interim financial information").

Management is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standard (IAS 34), 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.


Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standard (IAS 34), 'Interim Financial Reporting', as adopted by the European Union.

Emphasis of matter

We draw attention to Note 5.10 to the condensed separate and consolidated interim financial statements, which describe the uncertainty related to the outcome of the lawsuits filed against Nova Ljubljanska Banka d.d. by two Croatian banks which have not yet been decided. Our conclusion is not modified in respect of this matter.

Ljubljana, 5 May 2017


Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 1


Primož Kovačič
Certified Auditor

Condensed income statement

		in EUR thousand			
		NLB Group		NLB	
	Notes	three months ended March 2017	three months ended March 2016	three months ended March 2017	three months ended March 2016
Interest and similar income	4.1.	90,357	100,271	47,813	57,626
Interest and similar expenses	4.1.	(15,026)	(19,823)	(8,476)	(11,433)
Net interest income		75,331	80,448	39,337	46,193
		=====	=====	=====	=====
Dividend income		9	8	5	-
Fee and commission income	4.2.	48,811	45,150	30,440	28,840
Fee and commission expenses	4.2.	(11,410)	(10,539)	(6,240)	(5,998)
Net fee and commission income		37,401	34,611	24,200	22,842
		=====	=====	=====	=====
Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	4.3.	11,694	4,917	11,292	4,900
Gains less losses from financial assets and liabilities held for trading	4.4.	2,516	1,033	1,269	(320)
Gains less losses on derecognition of assets and liabilities designated at fair value through profit or loss		80	(12)	-	-
Fair value adjustments in hedge accounting		(923)	(67)	(923)	(67)
Foreign exchange translation gains less losses		829	593	599	331
Gains less losses on derecognition of assets other than held for sale		298	355	217	67
Other operating income	4.5.	7,400	6,095	4,300	3,177
Other operating expenses	4.6.	(3,761)	(3,603)	(704)	(693)
Administrative expenses	4.7.	(60,625)	(63,786)	(37,364)	(40,445)
Depreciation and amortisation		(6,874)	(7,257)	(4,439)	(4,835)
Provisions for other liabilities and charges	4.8.	2,301	(458)	1,123	(615)
Impairment charge	4.9.	22,217	4,254	10,956	3,511
Gains less losses from capital investments in subsidiaries, associates and joint ventures	4.10.	1,094	1,247	11,197	10,682
Net gain/(loss) from non-current assets held for sale		123	9	123	9
PROFIT BEFORE INCOME TAX		89,110	58,387	61,188	44,737
		=====	=====	=====	=====
Income tax	4.11.	(4,807)	(4,596)	(2,262)	(2,444)
PROFIT FOR THE PERIOD		84,303	53,791	58,926	42,293
		=====	=====	=====	=====
Attributable to owners of the parent		81,555	52,135	58,926	42,293
Attributable to non-controlling interests		2,748	1,656	-	-
Earnings per share/diluted earnings per share (in EUR per share)		4.08	2.61	2.95	2.11

Condensed statement of comprehensive income

		in EUR thousand			
		NLB Group		NLB	
Note		three months ended March	three months ended March	three months ended March	three months ended March
		2017	2016	2017	2016
	Net profit for the period after tax	84,303	53,791	58,926	42,293
	Other comprehensive income/(loss) after tax	(12,216)	6,750	(13,187)	6,565
	<i>Items that will not be reclassified to income statement</i>				
	Share of other comprehensive income/(losses) of entities accounted for using the equity method	(2)	-	-	-
	<i>Items that may be reclassified subsequently to income statement</i>				
	Foreign currency translation	560	(1,474)	-	-
	Translation gains/(losses) taken to equity	560	(1,474)	-	-
	Cash flow hedges (effective portion)	-	(161)	-	(161)
	Valuation gains/(losses) taken to equity	-	(305)	-	(305)
	Transferred to income statement	-	144	-	144
	Available-for-sale financial assets	(15,894)	8,311	(16,280)	8,071
	Valuation gains/(losses) taken to equity	(4,200)	13,247	(4,988)	12,990
	Transferred to income statement	4.3. and 4.9. (11,694)	(4,936)	(11,292)	(4,919)
	Share of other comprehensive income of entities accounted for using the equity method	63	1,782	-	-
	Income tax relating to components of other comprehensive income	5.11. 3,057	(1,708)	3,093	(1,345)
	Total comprehensive income/(loss) for the period after tax	72,087	60,541	45,739	48,858
	Attributable to owners of the parent	69,256	58,921	45,739	48,858
	Attributable to non-controlling interests	2,831	1,620	-	-

Condensed statement of financial position

in EUR thousand

	Notes	NLB Group		NLB	
		31.3.2017	31.12.2016	31.3.2017	31.12.2016
Cash, cash balances at central banks and other demand deposits at banks	5.1.	1,520,486	1,299,014	888,253	617,039
Trading assets	5.2.	74,522	87,699	74,522	87,693
Financial assets designated at fair value through profit or loss		6,884	6,694	2,116	2,011
Available-for-sale financial assets	5.3.	1,989,757	2,072,153	1,481,643	1,594,094
Derivatives - hedge accounting		645	217	645	217
Loans and advances					
- debt securities	5.4.1.	84,925	85,315	84,925	85,315
- loans and advances to banks	5.4.2.	411,077	435,537	364,145	408,056
- loans and advances to customers	5.4.3.	6,919,783	6,912,067	4,795,687	4,843,594
- other financial assets	5.4.4.	50,695	61,014	51,066	36,151
Held-to-maturity investments	5.5.	559,563	611,449	559,563	611,449
Fair value changes of the hedged items in portfolio hedge of interest rate risk		605	678	605	678
Non-current assets classified as held for sale		3,937	4,263	1,465	1,788
Property and equipment		193,521	196,849	88,495	90,496
Investment property	5.6.	82,745	83,663	8,151	8,151
Intangible assets		32,505	33,970	21,515	23,345
Investments in subsidiaries		-	-	340,439	339,693
Investments in associates and joint ventures		44,400	43,248	7,031	7,031
Current income tax assets		2,738	2,888	1,997	2,124
Deferred income tax assets	5.8.	11,007	7,735	13,493	10,622
Other assets	5.7.	100,650	94,558	10,920	8,419
TOTAL ASSETS		12,090,445	12,039,011	8,796,676	8,777,966
=====					
Trading liabilities	5.2.	14,687	18,791	14,686	18,787
Financial liabilities designated at fair value through profit or loss		2,116	2,011	2,116	2,011
Derivatives - hedge accounting		28,137	29,024	28,137	29,024
Financial liabilities measured at amortised cost					
- deposits from banks and central banks	5.9.	35,326	42,334	61,915	74,977
- borrowings from banks and central banks	5.9.	326,871	371,769	295,991	338,467
- due to customers	5.9.	9,512,170	9,437,147	6,671,944	6,615,390
- borrowings from other customers	5.9.	80,415	83,619	3,944	4,274
- debt securities in issue	5.9.1.	279,860	277,726	279,860	277,726
- subordinated liabilities	5.9.2.	27,418	27,145	-	-
- other financial liabilities	5.9.3.	90,082	110,295	59,448	68,784
Provisions	5.10.	84,874	100,914	64,721	79,546
Current income tax liabilities		2,001	3,146	-	-
Deferred income tax liabilities	5.8.	969	727	-	-
Other liabilities	5.12.	7,773	8,703	3,381	4,186
TOTAL LIABILITIES		10,492,699	10,513,351	7,486,143	7,513,172
=====					
EQUITY AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT					
Share capital		200,000	200,000	200,000	200,000
Share premium		871,378	871,378	871,378	871,378
Accumulated other comprehensive income		17,669	29,969	21,394	34,581
Profit reserves		13,522	13,522	13,522	13,522
Retained earnings		461,999	380,444	204,239	145,313
		1,564,568	1,495,313	1,310,533	1,264,794
Non-controlling interests		33,178	30,347	-	-
TOTAL EQUITY		1,597,746	1,525,660	1,310,533	1,264,794
TOTAL LIABILITIES AND EQUITY		12,090,445	12,039,011	8,796,676	8,777,966
=====					

Condensed statement of changes in equity

NLB Group	in EUR thousand						
	Share capital	Share premium	Accumulated other comprehensive income	Profit reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests
Balance as at 1 January 2017	200,000	871,378	29,968	13,522	380,444	1,495,312	30,347
- Net profit for the period	-	-	-	-	81,555	81,555	2,748
- Other comprehensive income	-	-	(12,299)	-	-	(12,299)	83
Total comprehensive income after tax	-	-	(12,299)	-	81,555	69,256	2,831
Balance as at 31 March 2017	200,000	871,378	17,669	13,522	461,999	1,564,568	33,178

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

NLB	in EUR thousand					
	Share capital	Share premium	Accumulated other comprehensive income	Profit reserves	Retained earnings	Total equity
Balance as at 1 January 2017	200,000	871,378	34,581	13,522	145,313	1,264,794
- Net profit for the period	-	-	-	-	58,926	58,926
- Other comprehensive income	-	-	(13,187)	-	-	(13,187)
Total comprehensive income after tax	-	-	(13,187)	-	58,926	45,739
Balance as at 31 March 2017	200,000	871,378	21,394	13,522	204,239	1,310,533

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

Condensed statement of cash flows

in EUR thousand				
	NLB Group		NLB	
	three months ended		three months ended	
	March	March	March	March
	2017	2016	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	106,658	110,360	65,006	68,906
Interest paid	(13,274)	(19,192)	(6,733)	(9,966)
Dividends received	9	6	5	-
Fee and commission receipts	49,026	45,242	30,296	28,616
Fee and commission payments	(12,784)	(10,677)	(6,951)	(6,128)
Realised gains from financial assets and financial liabilities not at fair value through profit or loss	11,815	4,960	11,413	4,943
Realised losses from financial assets and financial liabilities not at fair value through profit or loss	-	(39)	-	(39)
Net gains/(losses) from financial assets and liabilities held for trading	(673)	998	(1,828)	376
Payments to employees and suppliers	(65,074)	(70,019)	(42,921)	(46,119)
Other income	8,796	7,003	5,008	3,968
Other expenses	(3,906)	(3,944)	(1,379)	(1,005)
Income tax paid	(5,769)	(1,533)	(1,900)	(72)
Cash flows from operating activities before changes in operating assets and liabilities	74,824	63,165	50,016	43,480
(Increases)/decreases in operating assets	133,903	(28,781)	168,370	(8,502)
Net (increase)/decrease in trading assets	17,292	(49,704)	17,292	(49,704)
Net (increase)/decrease in financial assets designated at fair value through profit or loss	(85)	(127)	-	1,124
Net (increase)/decrease in available-for-sale financial assets	77,011	33,130	83,741	27,081
Net (increase)/decrease in loans and advances	42,633	(16,460)	67,148	12,876
Net (increase)/decrease in other assets	(2,948)	4,380	189	121
Increases/(decreases) in operating liabilities	87	62,452	(1,215)	74,897
Net increase/(decrease) in financial liabilities designated at fair value through profit or loss	-	(1,124)	-	(1,124)
Net increase/(decrease) in deposits and borrowings measured at amortised cost	463	66,188	(990)	78,156
Net increase/(decrease) in securities measured at amortised cost	-	(2,000)	-	(2,000)
Net increase/(decrease) in other liabilities	(376)	(612)	(225)	(135)
Net cash from operating activities	208,814	96,836	217,171	109,875
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts from investing activities	56,726	13,582	55,727	13,367
Proceeds from sale of property and equipment and investment property	1,000	568	1	353
Proceeds from dividends from subsidiaries and associates	-	43	-	43
Proceeds from sale of non-current assets held for sale	323	46	323	46
Proceeds from disposals of held-to-maturity financial assets	55,403	12,925	55,403	12,925
Payments from investing activities	(18,964)	(16,433)	(17,900)	(14,872)
Purchase of property and equipment and investment property	(1,698)	(6,322)	(1,006)	(5,223)
Purchase of intangible assets	(3,447)	(2,204)	(2,255)	(1,742)
Purchase of subsidiaries and increase in subsidiaries' equity	-	-	(820)	-
Purchase of held-to-maturity financial assets	(13,819)	(7,907)	(13,819)	(7,907)
Net cash from investing activities	37,762	(2,851)	37,827	(1,505)
Effects of exchange rate changes on cash and cash equivalents	640	(4,207)	(803)	(2,922)
Net increase/(decrease) in cash and cash equivalents	246,576	93,985	254,998	108,370
Cash and cash equivalents at beginning of period	1,449,275	1,302,003	670,682	525,831
Cash and cash equivalents at end of period	1,696,491	1,391,781	924,877	631,279

in EUR thousand				
Notes	NLB Group		NLB	
	three months ended		three months ended	
	March	March	March	March
	2017	2016	2017	2016
Cash and cash equivalents comprise:				
Cash, cash balances at central banks and other demand deposits at banks	5.1. 1,239,872	883,411	721,781	399,564
Loans and advances to banks with original maturity up to 3 months	362,647	433,892	197,512	-
Trading assets with original maturity up to 3 months	5,584	-	5,584	231,715
Available for sale financial assets with original maturity up to 3 months	88,388	74,478	-	-
TOTAL	1,696,491	1,391,781	924,877	631,279
	=====	=====	=====	=====

Statement of management's responsibility

The Management Board hereby confirms the condensed interim financial statements of NLB Group and NLB for the three months ending 31 March 2017, and for the accompanying accounting policies and notes to the financial statements.

The Management Board is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34 "Interim financial reporting" as adopted by the European Union in order to give a true and fair view of the financial position of NLB Group and NLB as at 31 March 2017 and their financial results and cash flows for the period then ended.

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

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

Management Board



László Pelle
Member of the
Management Board



Archibald Kremser
Member of the
Management Board



Andreas Burkhardt
Member of the
Management Board



Blaž Brodnjak
Chief Executive Officer

Notes to the condensed interim financial statements

1. General information

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

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

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

All amounts in the condensed interim financial statements and in the notes to the condensed interim financial statements are expressed in thousands of euros unless otherwise stated.

2. Summary of significant accounting policies

2.1. Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 "Interim financial reporting" and should be read in conjunction with the annual financial statements of NLB Group and NLB for the year ended 31 December 2016, which have been prepared in accordance with the International Financial Reporting Standards (hereinafter: IFRS) as adopted by the European Union.

2.2. Accounting policies

The same accounting policies and methods of computation were followed in the preparation of these consolidated condensed interim financial statements as for the year ended 31 December 2016, except for accounting standards and other amendments effective for annual periods beginning on 1 January 2017 that were endorsed by the EU.

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

- IFRS 9 (new standard) – Financial instruments (effective for annual periods beginning on or after 1 January 2018).
- IFRS 15 (new standard) – Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018).

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

- IFRS 14 (new standard) – Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016). The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.
- IFRS 16 (new standard) – Leases (effective for annual periods beginning on or after 1 January 2019).

- IFRS 10 and IAS 28 (amendment) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (The IASB has deferred the effective date of amendments indefinitely).
- IAS 12 (amendment) – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).
- IAS 7 (amendment) – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017).
- IFRS 15 (clarification) – Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018).
- IFRS 2 (amendment) – Classification and Measurement of share based Payment Transactions (effective for annual periods beginning on or after 1 January 2018).
- IFRS 4 (amendment) – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018).
- Annual Improvements to IFRSs 2014–2016 Cycle. The improvements comprise a mixture of substantive changes and clarifications, and are effective for annual periods beginning on or after 1 January 2017 or 1 January 2018.
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018).
- IAS 40 (amendment) – Investment Property (effective for annual periods beginning on or after 1 January 2018).

3. Changes in NLB Group

Three months ended 31 march 2017

Capital changes:

- An increase in share capital in the form of cash contributions in the amount of EUR 820 thousand in REAM d.o.o., Zagreb and CBS Invest, Sarajevo.

Changes in 2016

Capital changes:

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

Other changes:

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

4. Notes to the condensed income statement

4.1. Interest income and expenses

in EUR thousand						
	NLB Group			NLB		
	three months ended			three months ended		
	March 2017	March 2016	change	March 2017	March 2016	change
Interest and similar income						
Loans and advances to customers	76,605	84,334	-9%	37,164	45,018	-17%
Available-for-sale financial assets	7,513	8,219	-9%	4,307	4,598	-6%
Held-to-maturity investments	4,256	4,209	1%	4,256	4,209	1%
Financial assets held for trading	1,508	2,687	-44%	1,508	2,715	-44%
Loans and advances to banks and central banks	302	294	3%	501	646	-22%
Derivatives - hedge accounting	-	271	-100%	-	271	-100%
Deposits with central banks and banks	173	257	-33%	77	169	-54%
TOTAL	90,357	100,271	-10%	47,813	57,626	-17%
	=====	=====		=====	=====	
Interest and similar expenses						
Due to customers	8,082	11,764	-31%	2,669	4,649	-43%
Debt securities in issue	2,134	2,397	-11%	2,134	2,397	-11%
Financial liabilities held for trading	1,304	1,763	-26%	1,304	1,763	-26%
Derivatives - hedge accounting	1,232	1,460	-16%	1,232	1,460	-16%
Borrowings from banks and central banks	673	1,162	-42%	504	914	-45%
Borrowings from other customers	423	513	-18%	-	10	-100%
Subordinated liabilities	393	474	-17%	-	-	-
Deposits from banks and central banks	41	17	141%	27	14	93%
Other financial liabilities	744	273	173%	606	226	168%
TOTAL	15,026	19,823	-24%	8,476	11,433	-26%
	=====	=====		=====	=====	
NET INTEREST INCOME	75,331	80,448	-6%	39,337	46,193	-15%
	=====	=====		=====	=====	

4.2. Fee and commission income and expenses

in EUR thousand						
	NLB Group			NLB		
	three months ended			three months ended		
	March 2017	March 2016	change	March 2017	March 2016	change
Fee and commission income						
Credit cards and ATMs	13,558	12,681	7%	8,886	8,825	1%
Payments	13,508	12,833	5%	6,873	6,812	1%
Customer transaction accounts	10,337	9,861	5%	7,866	7,823	1%
Investment funds	4,116	3,186	29%	1,222	836	46%
Guarantees	2,780	3,080	-10%	1,828	2,074	-12%
Investment banking	1,606	1,467	9%	1,265	1,165	9%
Agency of insurance products	1,063	468	127%	1,035	465	123%
Other services	1,843	1,574	17%	1,465	840	74%
TOTAL	48,811	45,150	8%	30,440	28,840	6%
	=====	=====		=====	=====	
Fee and commission expenses						
Credit cards and ATMs	8,318	7,727	8%	5,013	4,886	3%
Payments	1,284	1,177	9%	219	201	9%
Investment banking	610	546	12%	353	354	0%
Insurance for holders of personal accounts and golden cards	478	436	10%	358	318	13%
Guarantees	58	78	-26%	39	65	-40%
Other services	662	575	15%	258	174	48%
TOTAL	11,410	10,539	8%	6,240	5,998	4%
	=====	=====		=====	=====	
NET FEE AND COMMISSION INCOME	37,401	34,611	8%	24,200	22,842	6%
	=====	=====		=====	=====	

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

	in EUR thousand			
	NLB Group		NLB	
	three months ended		three months ended	
	March	March	March	March
	2017	2016	2017	2016
Available-for-sale financial assets	11,694	4,956	11,292	4,939
Financial liabilities measured at amortised cost	-	(39)	-	(39)
TOTAL	11,694	4,917	11,292	4,900
	=====	=====	=====	=====

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

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

	in EUR thousand			
	NLB Group		NLB	
	three months ended		three months ended	
	March	March	March	March
	2017	2016	2017	2016
Foreign exchange trading	2,185	1,951	898	470
Debt instruments	82	(539)	82	(539)
Derivatives	249	(379)	289	(251)
TOTAL	2,516	1,033	1,269	(320)
	=====	=====	=====	=====

4.5. Other operating income

	in EUR thousand					
	NLB Group			NLB		
	three months ended			three months ended		
	March	March		March	March	
	2017	2016	change	2017	2016	change
Income from non-banking services	2,929	3,491	-16%	1,876	2,494	-25%
Rental income from investment property	1,434	1,401	2%	90	51	76%
Other operating income	3,037	1,203	152%	2,334	632	269%
TOTAL	7,400	6,095	21%	4,300	3,177	35%
	=====	=====		=====	=====	

4.6. Other operating expenses

	NLB Group			in EUR thousand		
	three months ended			NLB		
	March	March		March	March	
	2017	2016	change	2017	2016	change
Deposit guarantee	2,222	2,208	1%	-	-	-
Other taxes and compulsory public lines	628	456	38%	278	172	62%
Membership fees and similar fees	228	223	2%	139	88	58%
Expenses related to issued service guarantees	92	109	-16%	92	109	-16%
Other operating expenses	591	607	-3%	195	324	-40%
TOTAL	3,761	3,603	4%	704	693	2%
	=====	=====		=====	=====	

4.7. Administrative expenses

	NLB Group			in EUR thousand		
	three months ended			NLB		
	March	March		March	March	
	2017	2016	change	2017	2016	change
Employee costs	39,630	40,785	-3%	25,066	26,104	-4%
Other general and administrative expenses	20,995	23,001	-9%	12,298	14,341	-14%
TOTAL	60,625	63,786	-5%	37,364	40,445	-8%
	=====	=====		=====	=====	

4.8. Provisions for other liabilities and charges

	NLB Group		in EUR thousand	
	three months ended		NLB	
	March	March	March	March
	2017	2016	2017	2016
Guarantees and commitments	(2,336)	219	(1,123)	615
Provisions for legal issues	35	239	-	-
TOTAL	(2,301)	458	(1,123)	615
	=====	=====	=====	=====

4.9. Impairment charge

	NLB Group		in EUR thousand	
	three months ended		NLB	
	March	March	March	March
	2017	2016	2017	2016
Impairment of financial assets				
Loans and advances to customers (note 5.4.5.)	(23,049)	(5,652)	(11,388)	(3,765)
Held-to-maturity financial assets	(11)	-	(11)	-
Loans and advances to banks (note 5.4.5.)	(311)	182	-	(20)
Available-for-sale financial assets	-	20	-	20
Other financial assets (note 5.4.5.)	324	499	368	254
Impairment of investments in subsidiaries, associates and joint ventures				
Investments in subsidiaries	-	-	75	-
Impairment of other assets				
Other assets	830	697	-	-
TOTAL	(22,217)	(4,254)	(10,956)	(3,511)
	=====	=====	=====	=====

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

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

	in EUR thousand			
	NLB Group		NLB	
	three months ended		three months ended	
	March 2017	March 2016	March 2017	March 2016
Dividends from investments in subsidiaries, associates and joint ventures	-	-	11,197	10,682
Share of net gains less losses of associates and joint ventures accounted for using the equity method	1,094	1,247	-	-
TOTAL	1,094	1,247	11,197	10,682
	=====	=====	=====	=====

4.11. Income tax

	in EUR thousand					
	NLB Group			NLB		
	three months ended			three months ended		
	March 2017	March 2016	change	March 2017	March 2016	change
Current income tax	4,776	4,248	12%	2,040	2,462	-17%
Deferred tax (note 5.8.)	31	348	-91%	222	(18)	-
TOTAL	4,807	4,596	5%	2,262	2,444	-7%
	=====	=====		=====	=====	

5. Notes to the condensed statement of financial position

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

	in EUR thousand					
	NLB Group			NLB		
	31.3.2017	31.12.2016	Change	31.3.2017	31.12.2016	Change
Balances and obligatory reserves with central banks	997,050	776,648	28%	607,413	375,561	62%
Demand deposits at banks	280,614	261,754	7%	166,472	112,959	47%
Cash	242,822	260,612	-7%	114,368	128,519	-11%
TOTAL	1,520,486	1,299,014	17%	888,253	617,039	44%
	=====	=====		=====	=====	

5.2. Financial instruments held for trading

a) Trading assets

in EUR thousand

	NLB Group			NLB		
	31.3.2017	31.12.2016	Change	31.3.2017	31.12.2016	Change
Derivatives, excluding hedging instruments						
Swap contracts	15,941	15,185	5%	15,941	15,179	5%
Forward contracts	1,082	3,352	-68%	1,082	3,352	-68%
Options	822	405	103%	822	405	103%
Total derivatives	17,845	18,942	-6%	17,845	18,936	-6%
Securities						
Treasury bills	50,116	30,012	67%	50,116	30,012	67%
Commercial papers	5,584	19,010	-71%	5,584	19,010	-71%
Bonds	977	19,735	-95%	977	19,735	-95%
Total securities	56,677	68,757	-18%	56,677	68,757	-18%
TOTAL	74,522	87,699	-15%	74,522	87,693	-15%

b) Trading liabilities

in EUR thousand

	NLB Group			NLB		
	31.3.2017	31.12.2016	Change	31.3.2017	31.12.2016	Change
Derivatives, excluding hedging instruments						
Swap contracts	13,487	15,555	-13%	13,487	15,552	-13%
Forward contracts	894	3,236	-72%	893	3,235	-72%
Options	306	-	-	306	-	-
TOTAL	14,687	18,791	-22%	14,686	18,787	-22%

5.3. Available-for-sale financial assets

in EUR thousand

	NLB Group			NLB		
	31.3.2017	31.12.2016	Change	31.3.2017	31.12.2016	Change
Bonds	1,533,402	1,619,228	-5%	1,189,632	1,262,363	-6%
Commercial bills	294,516	274,489	7%	189,966	209,331	-9%
Treasury bills	108,238	104,617	3%	55,096	55,093	0%
Cash certificates	128	199	-36%	-	-	-
National Resolution Fund	44,478	44,570	0%	44,478	44,570	0%
Shares	8,995	29,050	-69%	2,471	22,737	-89%
TOTAL	1,989,757	2,072,153	-4%	1,481,643	1,594,094	-7%

5.4. Loans and advances

Analysis by type of loans and advances

in EUR thousand

	NLB Group			NLB		
	31.3.2017	31.12.2016	Change	31.3.2017	31.12.2016	Change
Loans and advances to customers	6,919,783	6,912,067	0%	4,795,687	4,843,594	-1%
Loans and advances to banks	411,077	435,537	-6%	364,145	408,056	-11%
Debt securities	84,925	85,315	0%	84,925	85,315	0%
Other financial assets	50,695	61,014	-17%	51,066	36,151	41%
TOTAL	7,466,480	7,493,933	0%	5,295,823	5,373,116	-1%

5.4.1. Debt securities

in EUR thousand

	NLB Group and NLB		
	31.3.2017	31.12.2016	Change
Companies	84,925	85,315	0%
TOTAL	84,925	85,315	0%
	=====	=====	

5.4.2. Loans and advances to banks

in EUR thousand

	NLB Group			NLB		
	31.3.2017	31.12.2016	Change	31.3.2017	31.12.2016	Change
Time deposits	409,631	433,883	-6%	343,866	387,599	-11%
Loans	799	945	-15%	19,581	19,399	1%
Purchased receivables	698	1,058	-34%	698	1,058	-34%
	411,128	435,886	-6%	364,145	408,056	-11%
Allowance for impairment (note 5.4.5.)	(51)	(349)	-85%	-	-	-
TOTAL	411,077	435,537	-6%	364,145	408,056	-11%
	=====	=====		=====	=====	

5.4.3. Loans and advances to customers

in EUR thousand

	NLB Group			NLB		
	31.3.2017	31.12.2016	Change	31.3.2017	31.12.2016	Change
Loans	7,160,249	7,198,486	-1%	5,034,557	5,098,336	-1%
Overdrafts	312,733	298,351	5%	181,598	178,899	2%
Finance lease receivables	195,249	192,923	1%	-	-	-
Credit card business	109,435	112,106	-2%	57,076	60,338	-5%
Called guarantees	13,743	13,577	1%	11,008	10,744	2%
Reverse sale and repurchase agreement	-	25	-100%	-	25	-100%
	7,791,409	7,815,468	0%	5,284,239	5,348,342	-1%
Allowance for impairment (note 5.4.5.)	(871,626)	(903,401)	-4%	(488,552)	(504,748)	-3%
TOTAL	6,919,783	6,912,067	0%	4,795,687	4,843,594	-1%
	=====	=====		=====	=====	

5.4.4. Other financial assets

in EUR thousand

	NLB Group			NLB		
	31.3.2017	31.12.2016	Change	31.3.2017	31.12.2016	Change
Receivables in the course of collection	18,168	13,235	37%	16,624	11,481	45%
Credit card receivables	12,044	21,961	-45%	9,709	17,375	-44%
Debtors	11,744	11,934	-2%	327	929	-65%
Fees and commissions	6,796	7,311	-7%	4,829	5,699	-15%
Receivables to brokerage firms and others for sell of securities and custody services	6,555	612	971%	6,552	610	974%
Prepayments	2,175	2,217	-2%	-	-	-
Accrued income	1,473	365	304%	1,605	206	679%
Receivables from purchase agreements for equity securities	224	164	37%	224	164	37%
Dividends	44	49	-10%	11,241	49	-
Other financial assets	7,008	18,619	-62%	3,826	3,409	12%
	66,231	76,467	-13%	54,937	39,922	38%
Allowance for impairment (note 5.4.5.)	(15,536)	(15,453)	1%	(3,871)	(3,771)	3%
TOTAL	50,695	61,014	-17%	51,066	36,151	41%
	=====	=====		=====	=====	

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

	in EUR thousand					
	Banks		NLB Group Customers		Other financial assets	
	2017	2016	2017	2016	2017	2016
Balance as at 1 January	349	242	903,401	1,262,835	15,453	27,078
Exchange differences on opening balance	2	1	771	(1,856)	46	64
Impairment (note 4.9.)	(311)	182	(23,049)	(5,652)	324	499
Write offs	-	-	(11,218)	(29,622)	(316)	(3,656)
Repayment of write offs	10	-	1,862	4,001	28	42
Exchange differences	1	-	(54)	186	1	(61)
Other	-	-	(87)	(48)	-	-
Balance as at 31 March	51	425	871,626	1,229,844	15,536	23,966
	=====	=====	=====	=====	=====	=====

	in EUR thousand					
	Banks		NLB Customers		Other financial assets	
	2017	2016	2017	2016	2017	2016
Balance as at 1 January	-	197	504,748	694,718	3,771	5,123
Impairment (note 4.9.)	-	(20)	(11,388)	(3,765)	368	254
Write offs	-	-	(4,994)	(8,593)	(274)	(600)
Repayment of write offs	-	-	162	1,242	6	41
Exchange differences	-	-	24	(127)	-	-
Balance as at 31 March	-	177	488,552	683,475	3,871	4,818
	=====	=====	=====	=====	=====	=====

5.5. Held-to-maturity financial assets

	in EUR thousand		
	NLB Group and NLB		
	31.3.2017	31.12.2016	Change
Bonds	559,635	611,532	-8%
	559,635	611,532	-8%
Allowance for impairment	(72)	(83)	-13%
TOTAL	559,563	611,449	-8%
	=====	=====	

5.6. Investment property

	in EUR thousand					
	NLB Group			NLB		
	31.3.2017	31.12.2016	Change	31.3.2017	31.12.2016	Change
Buildings	77,622	78,529	-1%	7,553	7,553	0%
Land	5,123	5,134	0%	598	598	0%
TOTAL	82,745	83,663	-1%	8,151	8,151	0%
	=====	=====		=====	=====	

5.7. Other assets

	in EUR thousand					
	NLB Group			NLB		
	31.3.2017	31.12.2016	Change	31.3.2017	31.12.2016	Change
Assets, received as collateral	79,549	79,059	1%	3,688	4,263	-13%
Inventories	10,021	8,913	12%	460	460	0%
Deferred expenses	8,501	4,597	85%	5,888	3,096	90%
Prepayments	1,309	684	91%	659	211	212%
Claim for taxes and other dues	1,270	1,305	-3%	225	389	-42%
TOTAL	100,650	94,558	6%	10,920	8,419	30%

5.8. Deferred tax

	NLB Group			in EUR thousand		
	31.3.2017	31.12.2016	Change	31.3.2017	31.12.2016	Change
Deferred income tax assets						
Valuation of financial instruments and capital investments	75,338	75,917	-1%	75,316	75,895	-1%
Impairment provisions	3,664	3,956	-7%	3,571	3,571	0%
Employee benefit provisions	3,163	3,208	-1%	2,693	2,736	-2%
Depreciation and valuation of non-financial assets	1,107	1,113	-1%	172	175	-2%
Tax losses	205,815	206,866	-1%	207,322	208,678	-1%
Reduction of deferred tax assets	(265,351)	(267,051)	-1%	(266,737)	(268,718)	-1%
Total deferred income tax assets	23,736	24,009	-1%	22,337	22,337	0%
Deferred income tax liabilities						
Valuation of financial instruments	9,395	12,233	-23%	8,593	11,463	-25%
Depreciation and valuation of non-financial assets	1,323	1,278	4%	251	252	0%
Impairment provisions	2,961	3,471	-	-	-	-
Other	19	19	0%	-	-	-
Total deferred income tax liabilities	13,698	17,001	-19%	8,844	11,715	-25%
Net deferred income tax assets	11,007	7,735	42%	13,493	10,622	27%
Net deferred income tax liabilities	(969)	(727)	33%	-	-	-
	three months ended			three months ended		
	March 2017	March 2016		March 2017	March 2016	
Included in the income statement for the current year	(31)	(348)		(222)	18	
- valuation of financial instruments and capital investments	(802)	30		(802)	26	
- impairment provisions	216	(349)		-	-	
- employee benefit provisions	(44)	(66)		(43)	(65)	
- depreciation and valuation of non-financial assets	(50)	(34)		(2)	(5)	
- tax losses	(1,051)	126		(1,356)	-	
- adjustment of deferred income tax assets	1,700	(55)		1,981	62	
Included in other comprehensive income for the current period	3,060	(1,351)		3,093	(1,345)	
- valuation of available-for-sale financial assets	3,060	(1,378)		3,093	(1,372)	
- cash flow hedges	-	27		-	27	

As at 31 March 2017, NLB recognised EUR 22,337 thousand deferred tax assets (31 December 2016: EUR 22,337 thousand). Unrecognised deferred tax assets amounts to EUR 266,737 thousand (31 December 2016: EUR 268,718 thousand) of which the majority relates to unrecognised deferred tax assets from tax losses in the amount of EUR 207,322 (31 December 2016: EUR 208,678 thousand) and unrecognised deferred tax assets from impairments of capital investments in the amount of EUR 69,710 thousand (31 December 2016: EUR 69,695 thousand).

5.9. Financial liabilities measured at amortised cost

Analysis by type of financial liabilities, measured at amortised cost

	in EUR thousand		
	NLB Group		
	31.3.2017	31.12.2016	Change
Deposits from banks and central banks	35,326	42,334	-17%
- Deposits on demand	29,218	34,828	-16%
- Other deposits	6,108	7,506	-19%
Borrowings from banks and central banks	326,871	371,769	-12%
Due to customers	9,512,170	9,437,147	1%
- Deposits on demand	6,632,658	6,415,927	3%
- Other deposits	2,879,512	3,021,220	-5%
Borrowings from other customers	80,415	83,619	-4%
Debt securities in issue	279,860	277,726	1%
Subordinated liabilities	27,418	27,145	1%
Other financial liabilities	90,082	110,295	-18%
TOTAL	10,352,142	10,350,035	0%
	=====	=====	

5.9.1. Debt securities in issue

	in EUR thousand		
	NLB Group and NLB		
	31.3.2017	31.12.2016	Change
Carrying amount of issued securities			
- traded on active markets	279,860	277,726	1%
Bonds (in %)			
- fixed rated	100.00	100.00	
	100.00	100.00	
	=====	=====	

5.9.2. Subordinated liabilities

	in EUR thousand		
	NLB Group		
	31.3.2017	31.12.2016	Change
	Carrying amount	Nominal value	
Subordinated loans			
EUR 30.6.2018 6-mesečni EURIBOR + 5 % p. a. with zero floor clause	12,051	12,000	0%
EUR 30.6.2020 6-mesečni EURIBOR + 7.7% p. a.	5,241	5,000	2%
EUR 26.6.2025 6-mesečni EURIBOR + 6.25% p. a.	10,126	10,000	2%
TOTAL	27,418	27,000	1%
	=====	=====	

5.9.3. Other financial liabilities

	in EUR thousand		
	NLB Group		
	31.3.2017	31.12.2016	Change
Items in the course of payment	25,581	28,671	-11%
Liabilities to brokerage firms and others for securities purchase and custody service	9,639	1,038	829%
Accrued expenses	14,934	13,382	12%
Debit or credit card payables	13,108	32,704	-60%
Accrued salaries	10,488	8,537	23%
Suppliers	5,168	11,781	-56%
Fees and commissions due	128	1,440	-91%
Other financial liabilities	11,036	12,742	-13%
TOTAL	90,082	110,295	-18%
	=====	=====	

5.10. Provisions

	in EUR thousand					
	NLB Group			NLB		
	31.3.2017	31.12.2016	Change	31.3.2017	31.12.2016	Change
Provisions for non-financial guarantees	22,083	22,745	-3%	21,393	21,777	-2%
Provisions for financial guarantees	11,565	25,327	-54%	9,635	23,131	-58%
Provisions for other credit commitments	4,443	5,609	-21%	4,451	4,957	-10%
Employee benefit provisions	19,812	19,758	0%	15,480	15,384	1%
Provision for legal issues	15,221	15,194	0%	3,282	3,282	0%
Restructuring provisions	9,483	10,014	-5%	8,215	8,750	-6%
Other provisions	2,267	2,267	0%	2,265	2,265	0%
TOTAL	84,874	100,914	-16%	64,721	79,546	-19%
	=====	=====		=====	=====	

The biggest amount within material monetary claims relates to civil claims filed by Privredna banka Zagreb (the PBZ) and Zagrebačka banka (the ZaBa) against NLB, referring to the old savings of LB Branch Zagreb savers, which were transferred to these two banks in the principal amount of EUR 172,212 thousand. Due to the fact the proceedings have been pending for such a long time, the penalty interest already exceeds the principal amount. As NLB is not liable for the old foreign currency savings, based on numerous process and content-related reasons, NLB has all along objected to these claims. Two key reasons NLB is no longer liable for the old foreign currency savings are that it was only founded on the basis of the Constitutional Act on 27 July 1994 (at the time the savings were deposited with LB Branch Zagreb, NLB did not exist yet), and NLB did not assume any of its obligations. Moreover, this is a former Yugoslavia succession matter as the governments of the Republic of Slovenia and the Republic of Croatia agreed in a Memorandum of Understanding signed in 2013 to find a solution to the transferred foreign currency savings of Ljubljanska banka in Croatia (LB) on the basis of the Agreement on Succession Issues and that the Republic of Croatia would stay all the proceedings commenced by the PBZ and the ZaBa in relation to the transferred foreign currency savings until the issue is finally resolved.

Despite the agreement in the Memorandum of Understanding (Memorandum) to stay all the proceedings commenced, in May 2015 the Court of Appeal, the County Court of Zagreb, ruled in one claim to reject the complaints raised by the LB and NLB. NLB then filed a constitutional appeal against the aforementioned final judgement. In this case the ruled claim was enforced in the enforcement proceeding from the account of NLB with the Croatian bank. In the other cases, with respect to the court procedures described above, are still pending, and final judgments have not yet been issued.

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

In the last case on 29 March 2016, the court of second instance allowed the appeal and returned the case to the Court of first instance, which initially decided in favour of the ZaBa. The appeal court explained in its decree that the Court of first instance will have to assess what the position of the Memorandum is in the hierarchy of legal acts of the Republic of Croatia, and if it notices that the Memorandum in the specific case takes precedence, it will have to determine what was the intention of the parties in concluding the Memorandum.

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

5.11. Income tax relating to components of other comprehensive income

in EUR thousand

	NLB Group					
	31.3.2017			31.3.2016		
	Before tax amount	Tax expense	Net of tax amount	Before tax amount	Tax expense	Net of tax amount
Available-for-sale financial assets	(15,894)	3,060	(12,834)	8,311	(1,378)	6,933
Cash flow hedge	-	-	-	(161)	27	(134)
Share of associates and joint ventures	63	(3)	60	1,782	(357)	1,425
TOTAL	(15,831)	3,057	(12,774)	9,932	(1,708)	8,224
	=====	=====	=====	=====	=====	=====

in EUR thousand

	NLB					
	31.3.2017			31.3.2016		
	Before tax amount	Tax expense	Net of tax amount	Before tax amount	Tax expense	Net of tax amount
Available-for-sale financial assets	(16,280)	3,093	(13,187)	8,071	(1,372)	6,699
Cash flow hedge	-	-	-	(161)	27	(134)
TOTAL	(16,280)	3,093	(13,187)	7,910	(1,345)	6,565
	=====	=====	=====	=====	=====	=====

5.12. Other liabilities

in EUR thousand

	NLB Group			NLB		
	31.3.2017	31.12.2016	Change	31.3.2017	31.12.2016	Change
Taxes payable	2,773	3,699	-25%	2,280	3,049	-25%
Deferred income	3,129	2,964	6%	833	661	26%
Payments received in advance	1,871	2,040	-8%	268	476	-44%
TOTAL	7,773	8,703	-11%	3,381	4,186	-19%
	=====	=====		=====	=====	

5.13. Book value per share

The book value of a NLB share on a consolidated level as at 31 March 2017 was EUR 78.2 (31 December 2016: EUR 74.8) and on solo it was EUR 65.5 (31 December 2016: EUR 63.2). It is calculated as the ratio of net assets' book value without other equity instruments issued and the number of shares. NLB Group and NLB do not have any other equity instruments issued or treasury shares.

5.14. Capital adequacy ratio

in EUR thousand

	NLB Group		NLB	
	31.3.2017	31.12.2016	31.3.2017	31.12.2016
Paid up capital instruments	200,000	200,000	200,000	200,000
Share premium	871,378	871,378	871,378	871,378
Retained earnings - from previous years	296,602	246,656	81,530	81,530
Profit or loss eligible - from current year	-	49,890	-	-
Accumulated other comprehensive income	(14,393)	(6,053)	(226)	5,205
Other reserves	13,522	13,522	13,522	13,522
Minority interest	-	-	-	-
Prudential filters: Cash flow hedge reserve	-	-	-	-
Prudential filters: Value adjustments due to the requirements for prudent valuation	(2,112)	(2,213)	(1,603)	(1,734)
(-) Goodwill	(3,529)	(3,529)	-	-
(-) Other intangible assets	(28,929)	(30,397)	(21,515)	(23,345)
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(6,063)	(3,013)	(7,838)	(4,626)
(-) Investments in CET1 instruments of financial sector - significant share	-	-	-	-
COMMON EQUITY TIER 1 CAPITAL (CET1)	1,326,476	1,336,241	1,135,248	1,141,930
Additional Tier 1 capital	-	-	-	-
TIER 1 CAPITAL	1,326,476	1,336,241	1,135,248	1,141,930
Tier 2 capital	-	-	-	-
TOTAL CAPITAL (OWN FUNDS)	1,326,476	1,336,241	1,135,248	1,141,930
RWA for credit risk	6,911,005	6,864,737	4,333,192	4,292,262
RWA for market risks	73,951	104,175	10,363	27,975
RWA for credit valuation adjustment risk	675	463	675	463
RWA for operational risk	949,493	892,753	593,750	561,091
TOTAL RISK EXPOSURE AMOUNT (RWA)	7,935,124	7,862,128	4,937,980	4,881,791
Common Equity Tier 1 Ratio	16.7%	17.0%	23.0%	23.4%
Tier 1 Ratio	16.7%	17.0%	23.0%	23.4%
Total Capital Ratio	16.7%	17.0%	23.0%	23.4%

5.15. Off-balance sheet liabilities

in EUR thousand

	NLB Group			NLB		
	31.3.2017	31.12.2016	Change	31.3.2017	31.12.2016	Change
Commitments to extend credit	1,121,787	1,075,940	4%	921,705	881,198	5%
Non-financial guarantees	402,542	417,149	-4%	327,695	345,440	-5%
Financial guarantees	288,752	332,281	-13%	150,882	189,642	-20%
Letters of credit	20,318	17,485	16%	3,561	3,761	-5%
Other	10,418	8,329	25%	69	118	-42%
	<u>1,843,817</u>	<u>1,851,184</u>	0%	<u>1,403,912</u>	<u>1,420,159</u>	-1%
Provisions (note 5.10.)	(38,091)	(53,681)	-29%	(35,479)	(49,865)	-29%
TOTAL	<u>1,805,726</u>	<u>1,797,503</u>	0%	<u>1,368,433</u>	<u>1,370,294</u>	0%
	=====	=====		=====	=====	

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

Fair value is the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. NLB Group uses various valuation techniques to determine fair value. IFRS 13 specifies a fair value hierarchy with respect to the inputs and assumptions used to measure financial and non-financial assets and liabilities at fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the assumptions of NLB Group and NLB. This hierarchy gives the highest priority to observable market data when available, and the lowest priority to unobservable market data. NLB Group considers relevant and observable market prices in its valuations where possible. The fair value hierarchy comprises the following levels:

- Level 1 – Quoted prices (unadjusted) on active markets. This level includes listed equities, debt instruments, derivatives, units of investment funds and other unadjusted market prices of assets and liabilities. When an asset or liability may be exchanged on multiple active markets, the principal market for the asset or liability must be determined. In the absence of a principal market, the most advantageous market for the asset or liability must be determined.
- Level 2 – A valuation technique where inputs are observable, either directly (i.e. prices) or indirectly (i.e. derived from prices). Level 2 includes quoted prices for similar assets or liabilities on active markets and quoted prices for identical or similar assets and liabilities on markets that are not active. The sources of input parameters for financial instruments, such as yield curves, credit spreads, foreign exchange rates, and the volatility of interest rates and foreign exchange rates, are Reuters and Bloomberg.
- Level 3 – A valuation technique where inputs are not based on observable market data. Unobservable inputs are used to the extent that relevant observable inputs are not available. Unobservable inputs must reflect the assumptions that market participants would use when pricing an asset or liability. This level includes non-tradable shares and bonds and derivatives associated with these investments and other assets and liabilities, for which fair value cannot be determined with observable market inputs.

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

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

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

in EUR thousand

31.3.2017

	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets								
Financial instruments held for trading	51,093	22,913	516	74,522	51,093	22,913	516	74,522
<i>Debt instruments</i>	51,093	5,584	-	56,677	51,093	5,584	-	56,677
<i>Derivatives</i>	-	17,329	516	17,845	-	17,329	516	17,845
Derivatives - hedge accounting	-	645	-	645	-	645	-	645
Financial assets designated at fair value through profit or loss	6,884	-	-	6,884	2,116	-	-	2,116
<i>Debt instruments</i>	733	-	-	733	-	-	-	-
<i>Equity instruments</i>	6,151	-	-	6,151	2,116	-	-	2,116
Financial assets available-for-sale	1,560,689	423,009	6,059	1,989,757	1,236,879	242,809	1,955	1,481,643
<i>Debt instruments</i>	1,559,986	376,298	-	1,936,284	1,236,363	198,331	-	1,434,694
<i>Equity instruments</i>	703	46,711	6,059	53,473	516	44,478	1,955	46,949
Financial liabilities								
Financial instruments held for trading	-	14,687	-	14,687	-	14,686	-	14,686
<i>Derivatives</i>	-	14,687	-	14,687	-	14,686	-	14,686
Derivatives - hedge accounting	-	28,137	-	28,137	-	28,137	-	28,137
Financial liabilities designated at fair value through profit or loss	-	2,116	-	2,116	-	2,116	-	2,116
Non-financial assets								
Investment properties	-	82,745	-	82,745	-	8,151	-	8,151
Non-current assets classified as held for sale	-	3,937	-	3,937	-	1,465	-	1,465

in EUR thousand

31.12.2016

	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets								
Financial instruments held for trading	49,747	37,547	405	87,699	49,747	37,541	405	87,693
<i>Debt instruments</i>	49,747	19,010	-	68,757	49,747	19,010	-	68,757
<i>Derivatives</i>	-	18,537	405	18,942	-	18,531	405	18,936
Derivatives - hedge accounting	-	217	-	217	-	217	-	217
Financial assets designated at fair value through profit or loss	6,694	-	-	6,694	2,011	-	-	2,011
<i>Debt instruments</i>	734	-	-	734	-	-	-	-
<i>Equity instruments</i>	5,960	-	-	5,960	2,011	-	-	2,011
Financial assets available-for-sale	1,648,721	417,527	5,903	2,072,151	1,330,150	262,134	1,810	1,594,094
<i>Debt instruments</i>	1,627,608	370,924	-	1,998,532	1,309,223	217,564	-	1,526,787
<i>Equity instruments</i>	21,113	46,603	5,903	73,619	20,927	44,570	1,810	67,307
Financial liabilities								
Financial instruments held for trading	-	18,791	-	18,791	-	18,787	-	18,787
<i>Derivatives</i>	-	18,791	-	18,791	-	18,787	-	18,787
Derivatives - hedge accounting	-	29,024	-	29,024	-	29,024	-	29,024
Financial liabilities designated at fair value through profit or loss	-	2,011	-	2,011	-	2,011	-	2,011
Non-financial assets								
Investment properties	-	83,662	-	83,662	-	8,151	-	8,151
Non-current assets classified as held for sale	-	4,263	-	4,263	-	1,788	-	1,788

b) Significant transfers of financial instruments between levels of valuation

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

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

For the three months ended 31 March 2017 and 31 March 2016, NLB Group nor NLB had any significant transfers of financial instruments between levels of valuation.

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

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

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

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

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

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

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

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

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

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

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

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

Movements of financial assets and liabilities on Level 3

	in EUR thousand		
	Trading assets	Available-for- sale financial assets	Total financial assets
	Derivatives	Equity instruments	
NLB Group			
Balance as at 1 January 2017	405	5,903	6,308
Effects of translation of foreign operations to presentation currency	-	15	15
Valuation:			-
- through profit or loss	111	-	111
- recognised in other comprehensive income	-	141	141
Balance as at 31 March 2017	516	6,059	6,575
	=====	=====	=====

in EUR thousand				
NLB Group	Trading assets		Available-for-sale financial assets	Total financial assets
	Debt instruments	Derivatives	Equity instruments	
Balance as at 1 January 2016	993	114	9,960	11,067
Effects of translation of foreign operations to presentation currency	-	-	(22)	(22)
Valuation:				
- through profit or loss	-	(50)	-	(50)
- recognised in other comprehensive income	-	-	(51)	(51)
Exchange differences	(35)	-	-	(35)
Decreases	-	-	(4)	(4)
Balance as at 31 March 2016	958	64	9,883	10,905
	=====	=====	=====	=====

in EUR thousand			
NLB	Trading assets	Available-for-sale financial assets	Total financial assets
	Derivatives	Equity instruments	
Balance as at 1 January 2017	405	1,810	2,215
Valuation:			
- through profit or loss	111	-	111
- recognised in other comprehensive income	-	145	145
Balance as at 31 March 2017	516	1,955	2,471
	=====	=====	=====

in EUR thousand				
NLB	Trading assets		Available-for-sale financial assets	Total financial assets
	Debt instruments	Derivatives	Equity instruments	
Balance as at 1 January 2016	993	114	6,874	7,981
Valuation:				
- through profit or loss	-	(50)	-	(50)
- recognised in other comprehensive income	-	-	(18)	(18)
Exchange differences	(35)	-	-	(35)
Decreases	-	-	(4)	(4)
Balance as at 31 March 2016	958	64	6,852	7,874
	=====	=====	=====	=====

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

in EUR thousand

	NLB Group				NLB			
	31.3.2017		31.12.2016		31.3.2017		31.12.2016	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Loans and advances								
- debt securities	84,925	80,368	85,315	78,953	84,925	80,368	85,315	78,953
- loans and advances to banks	411,077	409,737	435,537	434,958	364,145	371,237	408,056	415,771
- loans and advances to customers	6,919,783	6,956,789	6,912,067	6,962,419	4,795,687	4,820,879	4,843,594	4,884,828
- other financial assets	50,695	50,695	61,014	61,014	51,066	51,066	36,151	36,151
Held-to-maturity investments	559,563	613,368	611,449	671,344	559,563	613,368	611,449	671,344
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	35,326	35,308	42,334	42,314	61,915	61,915	74,977	74,977
- borrowings from banks and central banks	326,871	330,277	371,769	377,037	295,991	302,545	338,467	348,331
- due to customers	9,512,170	9,534,706	9,437,147	9,461,925	6,671,944	6,681,139	6,615,390	6,626,851
- borrowings from other customers	80,415	80,647	83,619	83,851	3,944	3,925	4,274	4,258
- debt securities in issue	279,860	281,786	277,726	280,278	279,860	281,786	277,726	280,278
- subordinated liabilities	27,418	29,051	27,145	28,777	-	-	-	-
- other financial liabilities	90,082	90,082	110,295	110,295	59,448	59,448	68,784	68,784

Loans and advances to banks

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

Loans and advances to customers

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

Deposits and borrowings

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

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

Held-to-maturity financial assets and issued debt securities

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

Loan commitments

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

Other financial assets and liabilities

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

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

in EUR thousand

31.3.2017	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Loans and advances								
- debt securities	-	80,368	-	80,368	-	80,368	-	80,368
- loans and advances to banks	-	409,737	-	409,737	-	371,237	-	371,237
- loans and advances to customers	-	6,956,789	-	6,956,789	-	4,820,879	-	4,820,879
- other financial assets	-	50,695	-	50,695	-	51,066	-	51,066
Held-to-maturity investments	613,368	-	-	613,368	613,368	-	-	613,368
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	-	35,308	-	35,308	-	61,915	-	61,915
- borrowings from banks and central banks	-	330,277	-	330,277	-	302,545	-	302,545
- due to customers	-	9,534,706	-	9,534,706	-	6,681,139	-	6,681,139
- borrowings from other customers	-	80,647	-	80,647	-	3,925	-	3,925
- debt securities in issue	281,786	-	-	281,786	281,786	-	-	281,786
- subordinated liabilities	-	29,051	-	29,051	-	-	-	-
- other financial liabilities	-	90,082	-	90,082	-	59,448	-	59,448

in EUR thousand

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

6. Events after the end of the reporting period

No events took place after 31 March 2017 that would have had a materially significant influence on the presented condensed interim financial statements.

7. Related-party transactions

The volumes of related party transactions and the outstanding balances:

in EUR thousand

NLB Group and NLB

	Management Board and other Key management personnel		Family members of the Management Board and other key management personnel		Companies in which members of the Management Board, key management personnel or their family members have control, joint control or a significant influence		Supervisory Board	
	31.3.2017	31.12.2016	31.3.2017	31.12.2016	31.3.2017	31.12.2016	31.3.2017	31.12.2016
Loans and deposits issued	2,114	2,110	439	492	475	371	-	-
Loans and deposits received	2,093	2,079	730	697	497	480	33	130
Other financial liabilities	1,534	1,536	-	-	-	2	-	-
Guarantees issued and commitments to extend credit	232	248	92	83	20	147	3	3
	three months ended March 2017	March 2016	three months ended March 2017	March 2016	three months ended March 2017	March 2016	three months ended March 2017	March 2016
Interest income	9	10	2	3	2	3	-	-
Interest expenses	(3)	(5)	(1)	(2)	-	-	-	(3)
Fee income	2	3	1	-	2	2	-	-
Other income	-	1	-	-	-	-	-	-
Other expenses	(1)	-	-	-	-	-	-	-

in EUR thousand

	NLB Group		NLB	
	Ultimate parent		Ultimate parent	
	31.3.2017	31.12.2016	31.3.2017	31.12.2016
Loans and deposits issued	175,842	178,589	170,737	173,160
Loans and deposits received	70,007	70,005	70,007	70,005
Investments in securities	817,185	934,336	752,476	869,941
Other financial assets	157	153	5	1
Other financial liabilities	-	6	-	6
Guarantees issued and commitments to extend credit	849	849	849	849
	three months ended March 2017	March 2016	three months ended March 2017	March 2016
Interest income	7,580	8,867	7,354	8,807
Interest expenses	(2)	-	(2)	-
Fee income	37	8	37	8
Fee expenses	(10)	(7)	(10)	(7)
Other income	1	1	1	1
Other expenses	(1)	-	(1)	-

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

in EUR thousand

NLB Group and NLB

	Amount of significant transactions concluded during the period		Number of significant transactions concluded during the period	
	1.1. - 31.3.2017	1.1. - 31.12.2016	1.1. - 31.3.2017	1.1. - 31.12.2016
Loans	-	158,136	-	1
Commitments to extend credit	-	140,000	-	2
	Balance of all significant transactions at end of the period		Number of significant transactions at end of the period	
	31.3.2017	31.12.2016	31.3.2017	31.12.2016
Loans	688,071	770,407	5	5
Debt securities classified as loans and advances	82,402	85,315	1	1
Borrowings, deposits and business accounts	135,008	135,020	3	3
Commitments to extend credit	100,417	140,000	2	2
	Effects in income statement during the period			
	1.1. - 31.3.2017	1.1. - 31.12.2016		
Interest income from loans	1,484	813		
Effects from net interest income and net valuation from debt securities classified as loans and receivables	2,132	6,366		
Interest expense from borrowings, deposits and business accounts	(21)	(89)		
Interest income from commitments to extend credit	432	266		

in EUR thousand

	NLB Group			
	Associates		Joint ventures	
	31.3.2017	31.12.2016	31.3.2017	31.12.2016
Loans and deposits issued	1,393	1,418	6,158	19,857
Loans and deposits received	3,998	5,838	7,382	5,198
Other financial assets	-	30	188	141
Other financial liabilities	159	927	107	92
Guarantees issued and commitments to extend credit	39	40	29	28
	three months ended March 2017		three months ended March 2016	
Interest income	11	13	19	317
Interest expenses	-	(2)	(44)	(17)
Fee income	30	26	885	404
Fee expenses	(2,024)	(1,608)	(568)	(448)
Other income	65	69	21	26
Other expenses	(179)	(133)	(13)	(89)

in EUR thousand

	NLB					
	Subsidiaries		Associates		Joint ventures	
	31.3.2017	31.12.2016	31.3.2017	31.12.2016	31.3.2017	31.12.2016
Loans and deposits issued	361,896	349,155	1,393	1,418	6,128	19,822
Loans and deposits received	43,598	54,556	3,998	5,838	6,505	4,443
Other financial assets	582	723	-	30	188	140
Other financial liabilities	89	296	47	849	1	1
Guarantees issued and commitments to extend credit	23,795	34,451	39	40	28	27
Received loan commitments and financial guarantees	500	500	-	-	-	-
	three months ended		three months ended		three months ended	
	March	March	March	March	March	March
	2017	2016	2017	2016	2017	2016
Interest income	1,586	2,003	11	13	19	317
Interest expenses	(13)	(5)	-	(2)	(43)	(17)
Fee income	1,398	984	30	26	857	343
Fee expenses	(7)	(14)	(1,719)	(1,608)	(358)	(318)
Other income	97	80	65	69	21	16
Other expenses	(606)	(720)	(118)	(133)	(13)	(89)

Key management compensation

in EUR thousand

NLB Group and NLB	Management Board		Other key management personnel	
	three months ended		three months ended	
	March	March	March	March
	2017	2016	2017	2016
Short-term benefits	162	143	1,214	1,225
Cost refunds	1	2	27	28
Long-term bonuses	1	1	19	19
TOTAL	164	146	1,260	1,272
	=====	=====	=====	=====

Short-term benefits include:

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

The reimbursement of costs comprises food allowances and travel expenses.

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

8. Analysis by segment for NLB Group

a) Segments

The three months ended 31 March 2017

in EUR thousand

NLB Group	Corporate banking in Slovenia	Retail banking in Slovenia	Financial markets and investment banking in Slovenia	Foreign strategic markets	Non-strategic markets and activities	Other activities	Unallocated	Total
Total net income	18,020	35,197	13,506	45,632	18,142	1,336	-	131,833
Net income from external customers	20,364	35,194	9,962	46,065	17,970	1,443	-	130,997
Intersegment net income	(2,344)	3	3,544	(433)	172	(106)	-	836
Net interest income	10,000	17,209	9,639	34,870	3,737	(123)	-	75,331
Net interest income from external customers	12,343	17,278	6,105	35,344	4,280	(20)	-	75,331
Intersegment net interest income	(2,344)	(69)	3,533	(474)	(543)	(103)	-	0
Administrative expenses	(9,318)	(21,780)	(2,711)	(20,635)	(4,918)	(2,100)	-	(61,461)
Depreciation and amortisation	(1,078)	(2,555)	(255)	(2,225)	(405)	(356)	-	(6,874)
Reportable segment profit/(loss) before impairment and provision charge	7,624	10,862	10,540	22,772	12,819	(1,119)	-	63,498
Gains less losses from capital investment in subsidiaries, associates and joint ventures	-	1,094	-	-	-	-	-	1,094
Impairment and provisions charge	4,238	235	(33)	17,355	2,708	16	-	24,518
Profit/(loss) before income tax	11,862	12,191	10,506	40,127	15,527	(1,103)	-	89,110
Owners of the parent	11,862	12,191	10,506	37,379	15,527	(1,103)	-	86,362
Non-controlling interests	-	-	-	2,748	-	-	-	2,748
Income tax	-	-	-	-	-	-	(4,807)	(4,807)
Profit for the period								81,555
31.3.2017								
Reportable segment assets	2,243,942	2,106,435	3,467,186	3,598,062	481,401	149,019	-	12,046,045
Investments in associates and joint ventures	-	44,400	-	-	-	-	-	44,400
Reportable segment liabilities	1,163,812	5,290,634	911,046	3,035,622	30,179	61,406	-	10,492,699

The three months ended 31 March 2016

in EUR thousand

NLB Group	Corporate banking in Slovenia	Retail banking in Slovenia	Financial markets and investment banking in Slovenia	Foreign strategic markets	Non-strategic markets and activities	Other activities	Unallocated	Total
Total net income	21,242	36,351	11,172	42,196	12,864	1,494	-	125,319
Net income from external customers	22,888	32,760	11,501	42,599	13,057	1,581	-	124,386
Intersegment net income	(1,646)	3,591	(329)	(403)	(194)	(87)	-	932
Net interest income	13,070	20,007	10,390	32,523	4,598	(140)	-	80,448
Net interest income from external customers	14,716	16,494	10,719	33,178	5,394	(53)	-	80,448
Intersegment net interest income	(1,646)	3,513	(329)	(655)	(796)	(87)	-	-
Administrative expenses	(10,425)	(24,093)	(2,796)	(20,389)	(5,430)	(1,585)	-	(64,718)
Depreciation and amortisation	(1,189)	(2,878)	(271)	(1,980)	(670)	(269)	-	(7,257)
Reportable segment profit/(loss) before impairment and provision charge	9,628	9,380	8,105	19,827	6,764	(360)	-	53,344
Gains less losses from capital investment in subsidiaries, associates and joint ventures	-	1,247	-	-	-	-	-	1,247
Impairment and provisions charge	1,607	(545)	1	1,747	988	(2)	-	3,796
Profit/(loss) before income tax	11,235	10,082	8,106	21,574	7,752	(362)	-	58,387
Owners of the parent	11,235	10,082	8,106	19,918	7,752	(362)	-	56,731
Non-controlling interests	-	-	-	1,656	-	-	-	1,656
Income tax	-	-	-	-	-	-	(4,596)	(4,596)
Profit for the period								52,135
31.12.2016								
Reportable segment assets	2,338,698	2,074,736	3,375,667	3,540,474	502,610	163,578	-	11,995,763
Investments in associates and joint ventures	-	43,248	-	-	-	-	-	43,248
Reportable segment liabilities	1,198,058	5,229,761	907,159	3,038,921	57,935	81,517	-	10,513,351
Additions to non-current assets	2,305	7,286	363	7,882	2,928	463	-	21,227

b) Geographical information

NLB Group	in EUR thousand							
	Revenues		Net income		Non-current assets		Total assets	
	three months ended		three months ended					
	March 2017	March 2016	March 2017	March 2016	31.3.2017	31.12.2016	31.3.2017	31.12.2016
Slovenia	81,030	88,536	84,330	80,290	221,989	225,643	8,388,893	8,393,754
South East Europe	58,126	56,347	46,550	43,433	130,046	130,949	3,660,050	3,602,358
Macedonia	20,867	20,544	15,779	14,980	33,081	33,448	1,137,731	1,147,375
Serbia	5,877	4,993	5,143	4,242	24,452	24,822	349,600	316,023
Montenegro	6,475	6,676	5,268	4,818	29,656	29,476	473,228	478,682
Croatia	45	77	291	445	2,519	2,568	28,079	27,164
Bosnia and Herzegovina	16,492	16,014	13,026	12,193	26,813	27,222	1,144,864	1,116,169
Kosovo	8,370	8,043	7,043	6,755	13,525	13,413	526,548	516,945
Western Europe	21	546	117	663	245	247	38,448	39,742
Germany	1	2	88	166	221	222	2,719	2,782
Switzerland	20	544	29	497	24	25	35,729	36,960
Czech Republic	-	-	-	1	891	891	3,054	3,157
TOTAL	139,177	145,429	130,997	124,387	353,171	357,730	12,090,445	12,039,011
	=====	=====	=====	=====	=====	=====	=====	=====

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

9. Subsidiaries

NLB Group's subsidiaries as at 31 March 2017 were:

	Nature of Business	Country of Incorporation	NLB Group's shareholding %	NLB's shareholding %
Core members				
NLB Banka a.d., Skopje	Banking	Republic of Macedonia	86.97	86.97
NLB Banka a.d., Podgorica	Banking	Republic of Montenegro	99.36	99.36
NLB Banka a.d., Banja Luka	Banking	Republic of Bosnia and Herzegovina	99.85	99.85
NLB Banka sh.a., Prishtina	Banking	Republic of Kosovo	81.21	81.21
NLB Banka d.d., Sarajevo	Banking	Republic of Bosnia and Herzegovina	97.34	97.34
NLB Banka a.d., Beograd	Banking	Republic of Serbia	99.997	99.997
NLB Srbija d.o.o., Beograd	Real estate	Republic of Serbia	100	100
NLB Skladi d.o.o., Ljubljana	Finance	Republic of Slovenia	100	100
NLB Nov penziski fond a.d., Skopje	Insurance	Republic of Macedonia	100	51
NLB Crna Gora d.o.o., Podgorica	Real estate	Republic of Montenegro	100	100
Non-core members				
NLB Leasing d.o.o., Ljubljana	Finance	Republic of Slovenia	100	100
Optima Leasing d.o.o., Zagreb - "u likvidaciji"	Finance	Republic of Croatia	100	0
NLB Leasing Podgorica d.o.o., Podgorica - "u likvidaciji"	Finance	Republic of Montenegro	100	100
NLB Leasing d.o.o., Beograd - u likvidaciji	Finance	Republic of Serbia	100	100
NLB Leasing d.o.o., Sarajevo	Finance	Republic of Bosnia and Herzegovina	100	100
NLB Lizing d.o.o.e.l., Skopje - vo likvidacija	Finance	Republic of Macedonia	100	100
Tara Hotel d.o.o., Budva	Real estate	Republic of Montenegro	100	12.71
PRO-REM d.o.o., Ljubljana - v likvidaciji	Real estate	Republic of Slovenia	100	100
OL Nekretnine d.o.o., Zagreb - u likvidaciji	Real estate	Republic of Croatia	100	0
BH-RE d.o.o., Sarajevo	Real estate	Republic of Bosnia and Herzegovina	100	0
REAM d.o.o., Zagreb	Real estate	Republic of Croatia	100	100
REAM d.o.o., Podgorica	Real estate	Republic of Montenegro	100	100
REAM d.o.o., Beograd	Real estate	Republic of Serbia	100	100
SR-RE d.o.o., Beograd	Real estate	Republic of Serbia	100	100
NLB Propria d.o.o., Ljubljana - v likvidaciji	Real estate	Republic of Slovenia	100	100
CBS Invest d.o.o., Sarajevo	Real estate	Republic of Bosnia and Herzegovina	100	100
NLB InterFinanz AG, Zürich in Liquidation	Finance	Switzerland	100	100
NLB InterFinanz Praha s.r.o., Prague	Finance	Czech Republic	100	0
NLB InterFinanz d.o.o., Beograd	Finance	Republic of Serbia	100	0
Prospera plus d.o.o., Ljubljana	Tourist and catering trade	Republic of Slovenia	100	100
LHB AG, Frankfurt	Finance	Republic of Germany	100	100
NLB Factoring a.s. - "v likvidaci", Brno	Finance	Czech Republic	100	100

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

	Nature of Business	Country of Incorporation	NLB Group's shareholding %	NLB's shareholding %
Core members				
NLB Banka a.d., Skopje	Banking	Republic of Macedonia	86.97	86.97
NLB Banka a.d., Podgorica	Banking	Republic of Montenegro	99.36	99.36
NLB Banka a.d., Banja Luka	Banking	Republic of Bosnia and Herzegovina	99.85	99.85
NLB Banka sh.a., Prishtina	Banking	Republic of Kosovo	81.21	81.21
NLB Banka d.d., Sarajevo	Banking	Republic of Bosnia and Herzegovina	97.34	97.34
NLB Banka a.d., Beograd	Banking	Republic of Serbia	99.997	99.997
NLB Srbija d.o.o., Beograd	Real estate	Republic of Serbia	100	100
NLB Skladi d.o.o., Ljubljana	Finance	Republic of Slovenia	100	100
NLB Nov penziski fond a.d., Skopje	Insurance	Republic of Macedonia	100	51
NLB Crna Gora d.o.o., Podgorica	Real estate	Republic of Montenegro	100	100
Non-core members				
NLB Leasing d.o.o., Ljubljana	Finance	Republic of Slovenia	100	100
Optima Leasing d.o.o., Zagreb - "u likvidaciji"	Finance	Republic of Croatia	100	0
NLB Leasing Podgorica d.o.o., Podgorica -	Finance	Republic of Montenegro	100	100
NLB Leasing d.o.o., Beograd - u likvidaciji	Finance	Republic of Serbia	100	100
NLB Leasing d.o.o., Sarajevo	Finance	Republic of Bosnia and Herzegovina	100	100
NLB Lizing d.o.o.e.l., Skopje - vo likvidacija	Finance	Republic of Macedonia	100	100
Tara Hotel d.o.o., Budva	Real estate	Republic of Montenegro	100	12.71
PRO-REM d.o.o., Ljubljana - v likvidaciji	Real estate	Republic of Slovenia	100	100
OL Nekretnine d.o.o., Zagreb - u likvidaciji	Real estate	Republic of Croatia	100	0
BH-RE d.o.o., Sarajevo	Real estate	Republic of Bosnia and Herzegovina	100	0
REAM d.o.o., Zagreb	Real estate	Republic of Croatia	100	100
REAM d.o.o., Podgorica	Real estate	Republic of Montenegro	100	100
REAM d.o.o., Beograd	Real estate	Republic of Serbia	100	100
SR-RE d.o.o., Beograd	Real estate	Republic of Serbia	100	100
NLB Propria d.o.o., Ljubljana - v likvidaciji	Real estate	Republic of Slovenia	100	100
CBS Invest d.o.o., Sarajevo	Real estate	Republic of Bosnia and Herzegovina	100	100
NLB InterFinanz AG, Zürich in Liquidation	Finance	Switzerland	100	100
NLB InterFinanz Praha s.r.o., Prague	Finance	Czech Republic	100	0
NLB InterFinanz d.o.o., Beograd	Finance	Republic of Serbia	100	0
Prospera plus d.o.o., Ljubljana	Tourist and catering trade	Republic of Slovenia	100	100
LHB AG, Frankfurt	Finance	Republic of Germany	100	100
NLB Factoring a.s. - "v likvidaci", Brno	Finance	Czech Republic	100	100