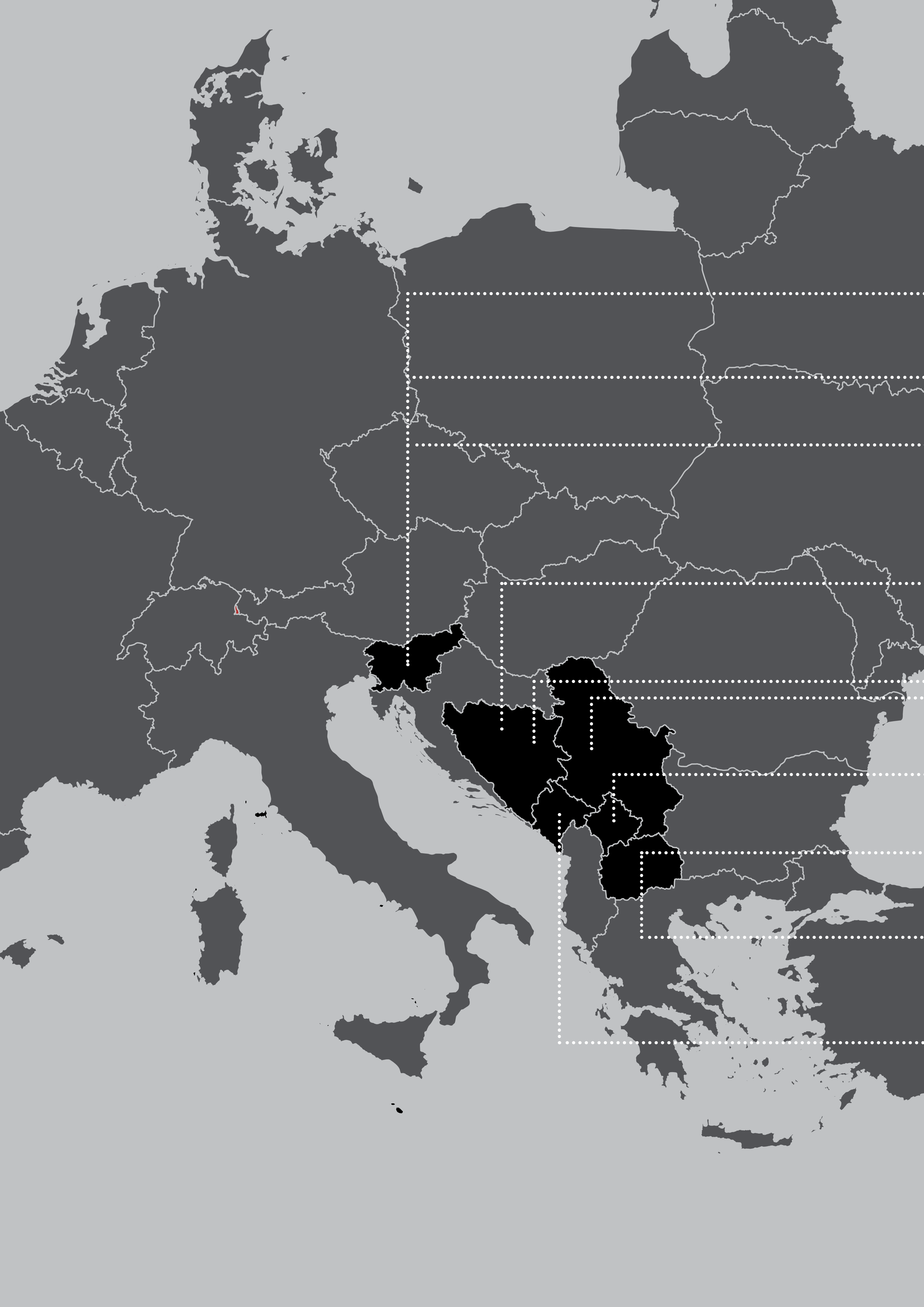
2013 ANNUAL REPORT




NLB Group



	NLB, Ljubljana
Number of branches	143
Number of employees	3.425
Market share (in %)	23,5
Number of clients	882.980
Total assets (in EUR million)	9.507

	NLB Vita, Ljubljana
Number of employees	40
Market share (in %)	7.4
Value of investments of long-term business funds excluding own funds (in EUR million)	275

	NLB Skladi, Ljubljana
Number of employees	29
Market share (in %)	23.9
Assets under management (in EUR million)	352

	NLB Razvojna banka, Banja Luka	**NLB Banka,** Tuzla
Number of branches	68	38
Number of employees	488	442
Market share (in %)	18.5*	5.4**
Number of clients	313,916	304,809
Total assets (in EUR million)	607	407

* Market share in the Republic of Srpska.
** Market share in the Federation of Bosnia and Herzegovina.

	NLB banka, Belgrade
Number of branches	56
Number of employees	561
Market share (in %)	1.5
Number of clients	182,258
Total assets (in EUR million)	342

	NLB Prishtina, Prishtina
Number of branches	66
Number of employees	525
Market share (in %)	16.3
Number of clients	226,713
Total assets (in EUR million)	464

	NLB Tutunska banka, Skopje
Number of branches	51
Number of employees	777
Market share (in %)	16.5
Number of clients	561,973
Total assets (in EUR million)	958

	NLB Nov penzionski fond, Skopje
Number of employees	29
Market share of compulsory pension insurance (in %)	47.5
Market share of voluntary pension insurance (in %)	33.6
Net value of pension funds (in EUR million)	205

	NLB Montenegrobanka, Podgorica
Number of branches	17
Number of employees	320
Market share (in %)	17.7
Number of clients	77,399
Total assets (in EUR million)	507

LIST OF ABBREVIATIONS USED

AFS - available for sale
AQR - asset quality review
BAMC - Bank Assets Management Company
BAS - Bank Association of Slovenia
BS - Bank of Slovenia
CEO - chief executive officer
CFO - chief financial officer
CIR - cost to income ratio
CMO - chief marketing officer
COO - chief operating officer
CRO - chief risk officer
EBA - European Banking Authority
EBRD - European Bank for Reconstruction and Development
EC - European Commission
ECB - European Central Bank
EFSF - European Financial Stability Facility
EMU - European Monetary Union
ESM - European Stability Mechanism
EU - European Union
GDP - gross domestic product
HICP - harmonised index of consumer prices
ICAAP - internal capital adequacy assessment process
IFI - international financial institutions
IFRS - International Financial Reporting Standards
ILO - International Labour Organization
IMAD - Institute of Macroeconomic Analysis and Development
IMF - International Monetary Fund
JV - joint venture
KDD - Central Securities Clearing Corporation
KPI - key performance indicator
LTD - loan to deposit ratio
LTRO - long-term refinancing operations
MF - Ministry of Finance
MSE - micro and small-sized enterprises
NPL - non-performing loan
P&L - profit and loss account
ROA - return on assets
ROE - return on equity
RS - Republic of Slovenia
SEPA - Single Euro Payments Area
SME - small and medium-sized enterprises
SORS - Statistical Office of the Republic of Slovenia
ZBan-1 - Banking Act
ZPPOGD - Act Governing the Remuneration of Managers of Companies with Majority Ownership Held by the Republic of Slovenia or Self-Governing Local Communities
ZUKSB - Act Defining the Measures of the Republic of Slovenia to Strengthen Bank Stability

TABLE OF CONTENTS

PRESENTATION

The NLB Group is the largest Slovenian banking and financial group consisting of the NLB as the parent bank as well as another 8 banks and 36 companies as at 31/12/2013. It operates in 13 countries, covering 14 markets.

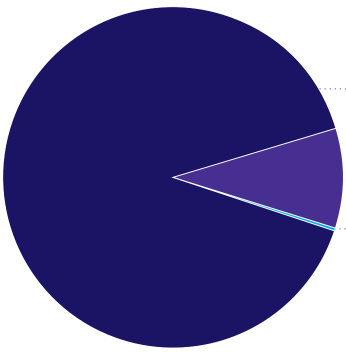
TABLE 1: STRUCTURE OF THE NLB GROUP

Core activities	Non-core activities
7 banks	2 banks*
3 insurance companies	7 leasing companies
1 asset management company	9 factoring companies
5 companies performing other activities	11 companies performing other activities

* Associates.

The NLB Group's most important activity is banking, complemented by some other financial activities, mainly insurance and asset management.

FIGURE 1: STRUCTURE OF TOTAL ASSETS OF THE NLB GROUP IN TERMS OF CORE AND NON-CORE ACTIVITIES



See accounting disclosures under Item 5.12.

From 2000 to 2008 the NLB Group focused its attention on expanding business in the SE European markets, followed by the harmonisation procedure in 2009 and an even more intensive consolidation procedure after 2011.

To ensure long-term sustainable results, the NLB Group (for the first time in 2011 and again in 2013) defined the activities it considered core in the medium term, namely those where it wanted to develop its competitive position and improve its performance, while gradually withdrawing from other (non-core) activities. A clear definition of both enables the NLB Group to focus on the intrinsically different goals for both groups of activities and thus achieve better results.

The classification of individual members between core and non-core is based on the following principles:

- a realistic outlook to achieve a market position which places the member among leading providers in the relevant market o r segment,
- the ability to sustainably ensure liquidity sources of the member on the market, not overly depending on the parent bank NLB,

- the complementarity of products with the standard banking products and the possibility of the better servicing of clients,
- market development potential and the possibility to create value and appropriate returns while assuming acceptable risks.

Based on these principles, the core activities of the NLB Group mainly include banking, asset management as well as life and pension insurance. The key core market of the NLB Group is Slovenia as the domestic market of the NLB, where the NLB Group generates the bulk of its income. Other core markets include those where the Group is present with banking operations, namely: Bosnia and Herzegovina, Montenegro, Kosovo, Macedonia and Serbia. In these markets, the Group continues to search for synergies, along with the consolidation and streamlining of the operations of NLB Group members.

The leasing and factoring activities as well as the cross-border financial companies were defined as non-core, which is why the NLB Group has been gradually withdrawing from them. Both associated banks (Banka Celje and Adria bank) and the Trieste Area Branch were defined as non-core members of the NLB Group.

CORE ACTIVITIES

BANKING

As the leader in the Slovenian banking sector, the NLB is the largest single NLB Group entity, whereas its core subsidiaries operate in the banking sectors of the following markets:

MACEDONIA

NLB Tutunska banka operates as a universal commercial bank and is one of the most successful members of the NLB Group. It has operated as part of the NLB Group since 2000. It is the third largest bank in the country in terms of total assets.

BOSNIA AND HERZEGOVINA

The NLB Group operates in both entities, the Federation of Bosnia and Herzegovina and the Republic of Srpska.

NLB Razvojna banka is a universal commercial bank with the second largest branch network in the Republic of Srpska. It is the largest bank in the Republic of Srpska in terms of the number of customers, and the third largest in terms of total assets. It has operated as part of the NLB Group since 2005.

NLB Banka Tuzla is a universal commercial bank with over 100 years' tradition in providing financial services in the Federation of Bosnia and Herzegovina. It is the sixth largest bank in the Federation of Bosnia and Herzegovina in terms of total assets. It has operated as part of the NLB Group since 2005.

KOSOVO

NLB Prishtina is a universal commercial bank that ranks third in Kosovo in terms of total assets. The NLB Group has been present in Kosovo since 2007.

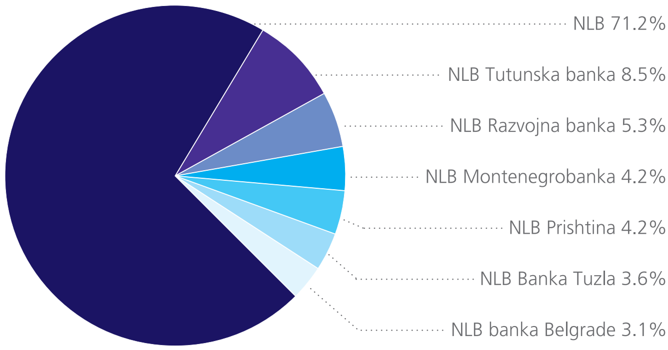
MONTENEGRO

NLB Montenegrobanka operates as a universal commercial bank and has been owned by the NLB Group since 2003. It has evolved into one of the best known banks in the area, and is the second largest bank in Montenegro in terms of total assets.

SERBIA

NLB banka Belgrade is a universal commercial bank operating in the Serbian market since 2003. It is a smaller bank in Serbia in terms of market share.

FIGURE 2: STRUCTURE OF TOTAL ASSETS OF THE CORE ACTIVITY OF BANKING OF THE NLB GROUP, BY BANKING MEMBERS



NON-BANKING CORE ACTIVITIES

ASSET MANAGEMENT

NLB Skladi is a leading Slovenian provider of investment fund management.
At the beginning of 2014 NLB Skladi took over from the NLB its range of individual asset management. The company is strongly tied to the NLB's sales network which is its main distribution channel.

LIFE AND PENSION INSURANCE

NLB Vita is 50% owned by the NLB Group (the other 50% is owned by the Belgian KBC Group). Life insurance products are tailored to be sold through the banking distribution channels, the main one of which is the NLB's branch network.

NLB Nov penziski fond offers compulsory and voluntary pension insurance in Macedonia. It holds a 47.5% market share in terms of the number of policyholders of the compulsory pension fund, and a 33.6% share in terms of voluntary pension fund.

Skupna pokojninska družba is an associate of the NLB Group, holding a 20.6% market share in Slovenia in terms of funds collected and a 21.3% market share in terms of the number of policyholders.

NON-CORE ACTIVITIES

In accordance with the NLB Group's strategy, the withdrawal from the non-core activities continued in 2013.

LEASING

All leasing companies mainly deal in management of the existing portfolio, while NLB Leasing Ljubljana is still active in vehicle leasing under a strict risk management regime.

FACTORING

NLB InterFinanz and NLB Factoring Ostrava are currently in the process of winding down their operations or liquidation.

In January 2014, a shareholders' agreement was signed with FIMBank allowing the latter to acquire a 40% equity stake in the Prvi Faktor Group (with an option to increase it to 60%), where the NLB holds 50% and SID banka 50%.

FIGURE 3: STRUCTURE OF TOTAL ASSETS OF NON-CORE ACTIVITIES OF THE NLB GROUP

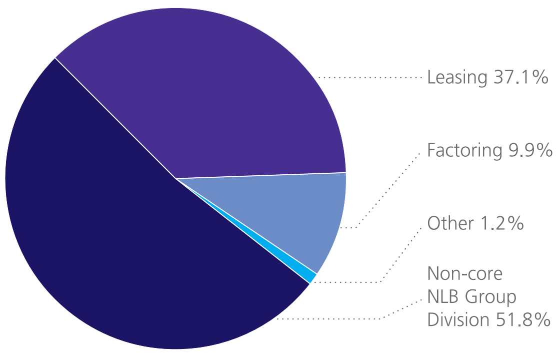
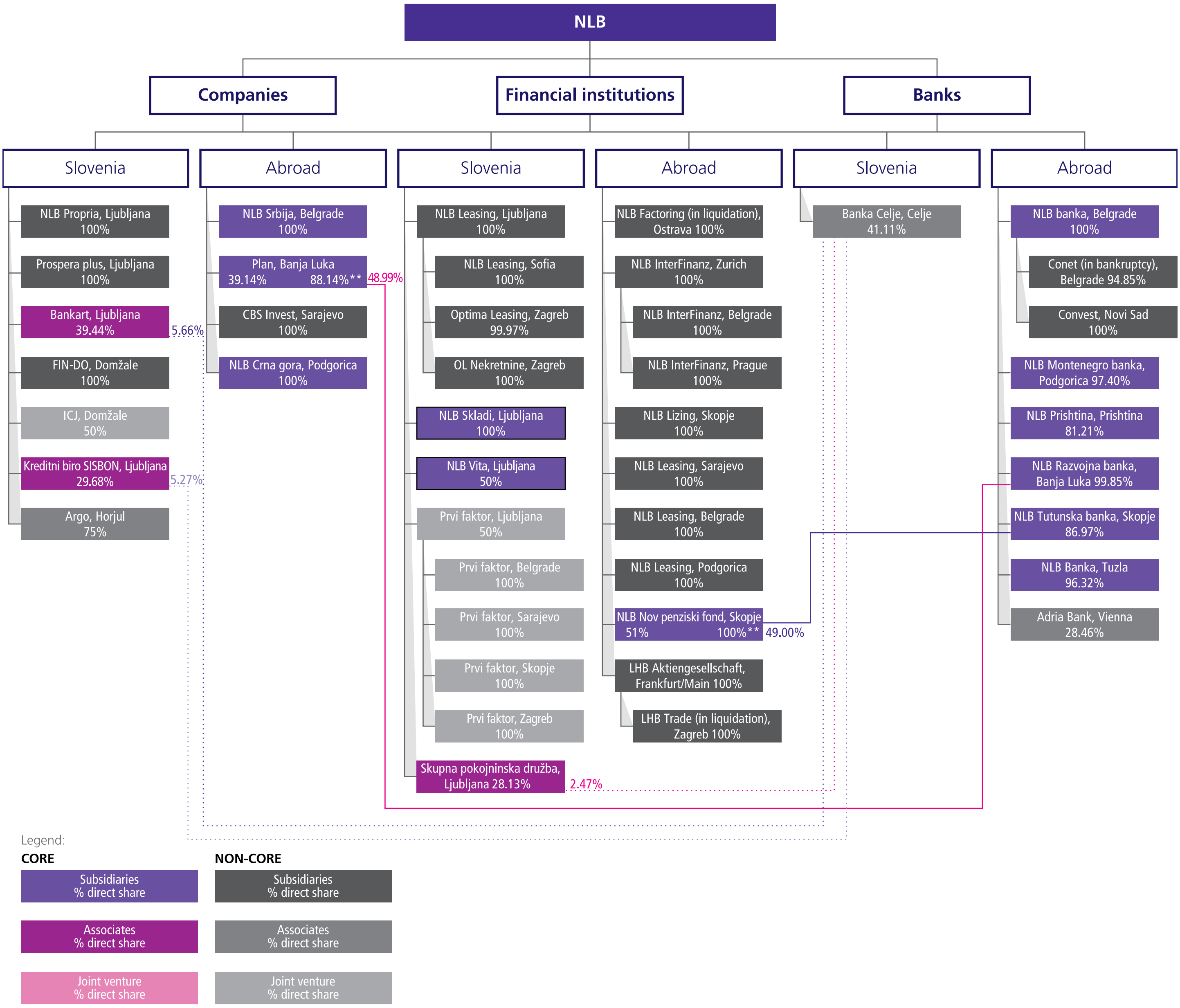


TABLE 2: KEY FINANCIAL DATA FOR THE NLB AND THE NLB GROUP

	2013		2012		2011	
	NLB	**NLB Group**	**NLB**	**NLB Group**	**NLB**	**NLB Group**
Income statement indicators (in million EUR)						
Net interest income	157	234	225	343	269	417
Net non-interest income	-185	-173	318	332	159	219
Net non-interest income without one off	102	115	138	152	116	177
Total costs	212	333	224	368	239	380
Provisions and impairments	1,226	1,070	614	557	467	520
"Result from equity investments in associates and joint ventures (equity method)"	-	-27	-	-7	-	-3
Result before tax	-1,467	-1,369	-296	-258	-278	-267
Minority interest	-	-1	-	1	-	-1
Result after tax	-1,540	-1,442	-305	-274	-233	-239
Financial position statement indicators (in million EUR)						
Total assets	9,507	12,490	11,487	14,335	12,980	16,445
Loans and advances to non-banking sector (net)	6,129	7,744	7,832	9,553	8,462	10,749
Deposits from non-banking sector	5,748	8,261	6,769	9,121	7,549	10,183
Equity	1,094	1,247	1,067	1,125	957	976
Impairments of loans to non-banking sector	-1,074	-1,764	-1,368	-1,906	-1,053	-1,565
Minority interest	-	24	-	20	-	22
Total off-balance sheet items	3,768	4,124	4,763	5,083	7,249	7,336
Key financial indicators						
a) Capital						
- capital adequacy	16.6%	15.2%	11.8%	10.6%	10.1%	11.1%
- tier 1	16.6%	14.9%	9.9%	8.8%	7.6%	7.2%
- core tier 1	16.6%	14.9%	9.9%	8.8%	6.3%	6.3%
b) Asset quality						
- coverage ratio of loans (impairments for loans / total loans)	14.8%	17.8%	15.6%	16.7%	10.4%	12.6%
- non-performing loans (NPL) / total loans	20.4%	25.6%	26.0%	28.2%	17.9%	21.3%
c) Profitability						
- interest margin*	1.4%	1.7%	1.8%	2.2%	2.0%	2.4%
- financial intermediation margin	-0.2%	0.5%	4.4%	4.3%	3.2%	3.7%
- return on equity before tax (ROE b.t.)	-146.2%	-125.8%	-27.6%	-23.1%	-26.4%	-24.2%
- return on assets before tax (ROA b.t.)	-13.5%	-10.0%	-2.3%	-1.6%	-2.0%	-1.5%
- return on equity after tax (ROE a.t.)	-153.6%	-135.5%	-28.5%	-25.0%	-22.2%	-22.2%
- return on assets after tax (ROA a.t.)	-14.2%	-10.5%	-2.4%	-1.7%	-1.7%	-1.4%
d) Business costs						
- operating costs / average total assets	2.0%	2.4%	1.8%	2.3%	1.7%	2.2%
- costs / net income (CIR)	-	-	41.3%	54.6%	55.8%	59.7%
- costs / net income without one off (CIR)	81.9%	95.6%	61.8%	74.5%	62.0%	64.0%
e) Liquidity						
- liquidity assets / short-term financial liabilities to non-banking sector	77.6%	72.8%	54.8%	55.3%	59.8%	59.0%
- liquidity assets / average total assets	39.8%	41.0%	28.4%	30.2%	28.9%	30.1%
f) Other						
- market share in terms of total assets	23.5%	-	24.8%	-	26.6%	-
- loans to non-banking sector / deposits from non-banking sector (LTD)	95.8%	86.2%	115.7%	104.7%	112.1%	105.4%
Key indicators per share						
Shareholders	1	-	1.989	-	1.990	-
Shares	20,000,000	-	12,548,930	-	11,061,125	-
Book value (in EUR)	54.7	62.4	58.4	63.0	86.8	88.5
International credit ratings						
Moody's (current: Caa1)	Caa2		B2		Ba1	
Fitch	BB-		BBB-		BBB	

* Calculated on the basis of average total assets.

CHART 1: THE NLB GROUP' CHART AS AT 31/12/2013



* Chart shows shares of voting rights. The Group involves persons according to the definition of the Financial Conglomerates Act (Article 2).
** % indirect share in the NLB Group voting rights.

FIGURE 4: STRUCTURE OF TOTAL ASSETS OF THE NLB GROUP

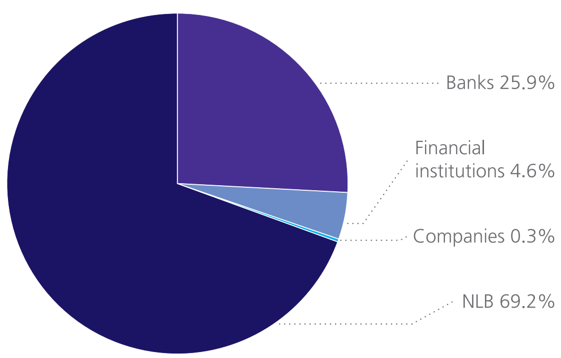


FIGURE 5: EMPLOYEE STRUCTURE OF THE NLB GROUP IN TERMS OF CORE AND NON-CORE ACTIVITIES

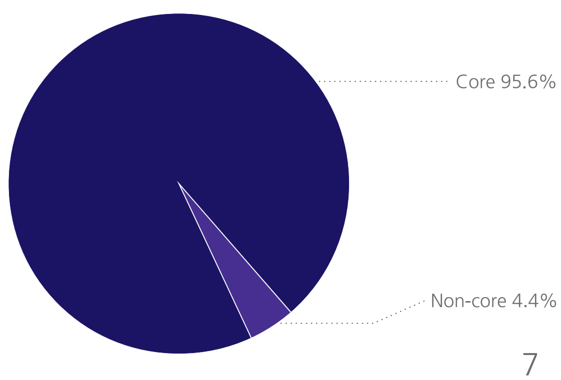
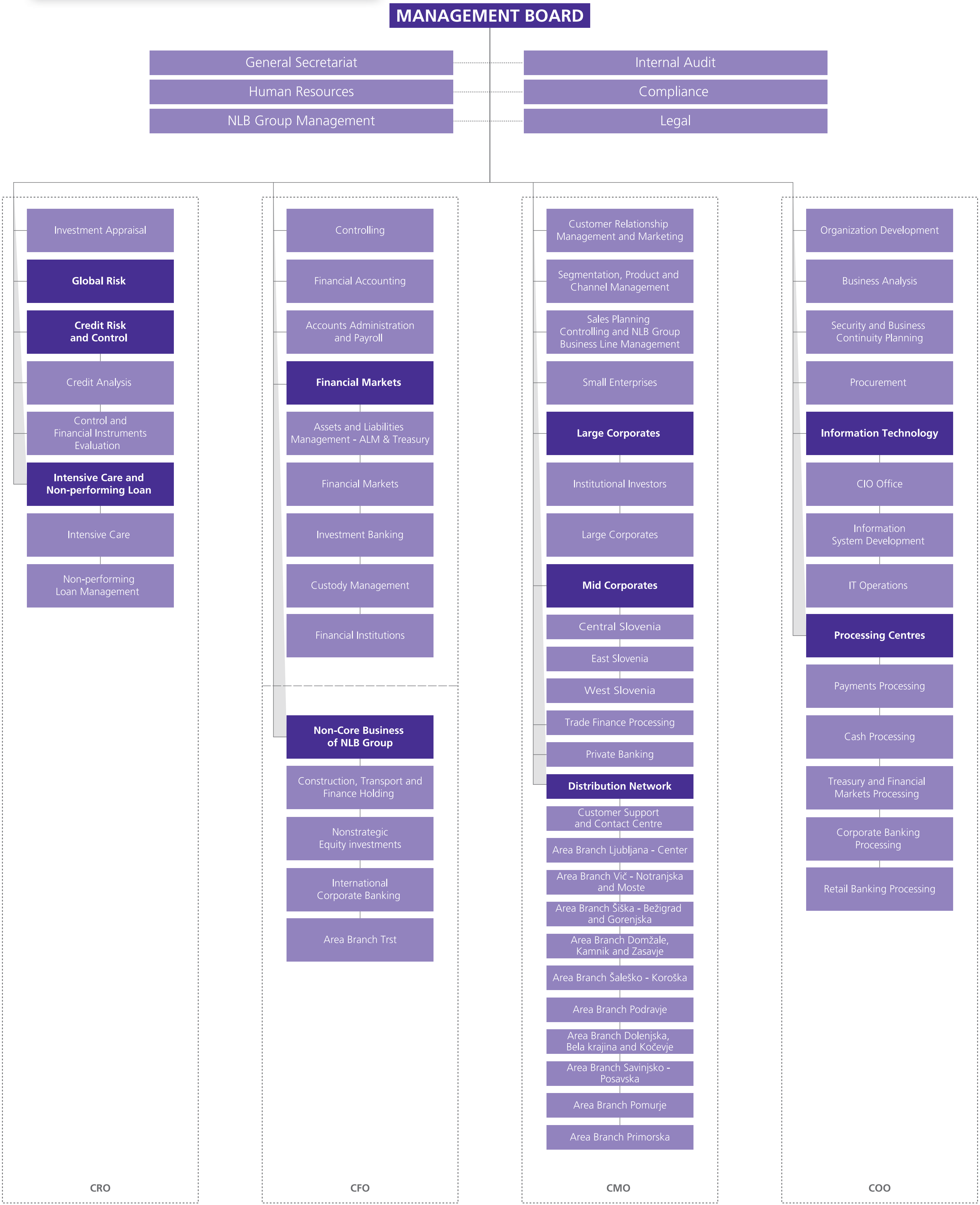


CHART 2: ORGANISATIONAL CHART OF THE NLB AS AT 31/12/2013



Vincenc Jamnik, Direktor of Mid Corporate Division of NLB at the meeting with Tanja Skaza, the procurator of the company Plastika Skaza, where they plan future strengthening of co-operation. The Bank wishes to further encourage the company to develop and help it to expand abroad.

PLASTIKA SKAZA
deals in processing of various plastics for electric power, automotive and furniture industry, general consumption products and household appliances. The company pays a lot of attention to environmental protection and therefore introduces its own brands with emphasis on ecology (ORGANKO, JODO, MAX&LIZA products, CUISINE). They export to Europe as much as 97% of the whole production and wish to further strengthen their competitive position. Plastika Skaza is a product-development supplier of IKEA, which additionally confirms their top quality and excellence. Besides a concern for the environment their values include quality assurance, focus on flexibility and development of long-term partnership. They have been developing successful partnership with NLB since 1975.

1 BUSINESS REPORT

MACROECONOMIC ENVIRONMENT

SLOVENIA

Last year, economic conditions in both Slovenia and in external markets remained strained, with persisting uncertainty and high unemployment. Consequently, the contraction of credit activity in the broader euro area continued, despite the fact that the European Central Bank attempted to reverse the trend by twice reducing the key interest rate by 0.5 pp in total, namely to 0.25%. Besides the high unemployment which stood at 12% at the end of 2013, the lower consumption in the euro area was due to measures aimed at mitigating the budgetary imbalances which have slowly faded away. The large amounts of money in the financial system as a consequence of past stimulative measures by central banks caused a further decline in general interest rates in 2013 apart from the already mentioned lower key interest rate which, coupled with the negative trend in the volume of crediting, caused a decline in the net interest income of banks.

The macroeconomic imbalances in Slovenia which, for instance, were also established by the European Commission in the first half of 2013, combined with uncertainty and growing public debt, resulted in lower credit ratings of Slovenia by all three rating agencies. In February, Standard & Poor's decreased the rating of long-term government debt from A to A-, in May Moody's lowered it from Baa2 to Ba1 and in the middle of May Fitch decreased its rating A- to BBB+.

In 2013 conditions in the Slovenian banking sector were characterised by the shrinking lending activities, deteriorating credit portfolios and deleverage of banks, mainly to foreign entities. All of the above resulted in a reduced offer of loans, whereas the high indebtedness and economic conditions limited demand for (new) loans from all industries. The total assets of commercial banks in Slovenia were down by EUR 5.1 billion to EUR 41 billion, an 11.1% decrease over the end of 2012, while the contraction was also a reflection of the measures taken by the Government of the Republic of Slovenia and the Bank of Slovenia to stabilise the banking system in December 2013, which had a relatively significant impact on balance sheet categories in the banking sector. Loans to the non-banking sector dropped by 20.8% in 2013, mainly due to the transfer of assets of the NLB and NKBM to the Bank Assets Management Company (BAMC). Bank deposits fell by 13.3%, some instruments of subordinated debt were cancelled under the Bank of Slovenia's extraordinary measures and the capital in the banking system grew due to the capital increase in the NLB and NKBM made by the Republic of Slovenia.

In 2013, Slovenian GDP (following a 2.5% decline in 2012) decreased by 1.1% in real terms, with lower negative growth present in all categories of final consumption, except government consumption, and in investments.

Gross investments fell by 2.5% which resulted in a decline in lending activity, whereas the total volume of loans granted to still highly indebted non-financial companies dropped by almost 30% (including the transfer of some assets to the BAMC). The problems of the over-indebted non-financial corporate sector have also been reflected in a growing number of bankruptcies which reached a record-breaking figure of 941 in 2013, thus exceeding the 2012 level by 58% (Figure 7).

The high unemployment which stood at 13.5% at the end of the year (0.5 pp more than the year before) was reflected in a 2.7% downward trend in private consumption and a 3.5% decline in retail sales which, in turn, caused household loans in the Slovenian banking sector to decline by 4.2%. A 5% increase in the number of unemployed was recorded by the Employment Service of Slovenia at the end of 2013 compared to 2012. If one regards trends in the consumer confidence index as the main indicator, then one could say that the bottom level was already reached in 2013.

In addition, the lower lending activity in the Slovenian banking system was also influenced by a 5.2% drop in loans to the state, whereas government consumption shrank 2% under the measures taken to stabilise public finance.

Slovenian exports were up 2.9% in 2013 following growth of just 0.6% in 2012, while imports rose 1.3% compared to a fall of 4.7% in 2012. In 2013 the surplus on the current account of the balance of payments reached a record-high level, accounting for 6.5% of GDP, which was due to a positive foreign trade balance and also fewer outflows of factor income to the rest of the world. The Institute of Macroeconomic Analysis and Development (IMAD) estimates that Slovenia will already record economic growth in 2014 if exports continue to grow and private consumption decreases at a slower pace.

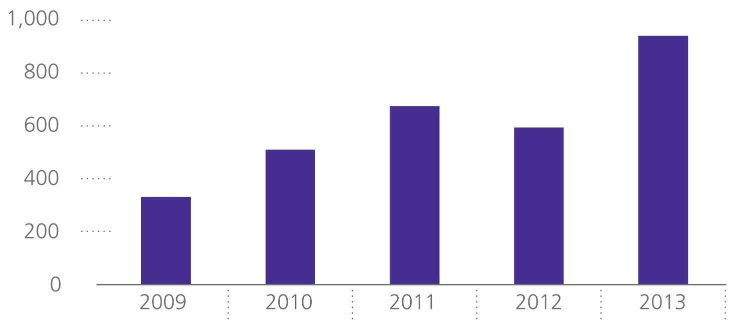
The capital increase in three state-owned banks made in accordance with measures of the Government of Republic of Slovenia to stabilise the banking system have to some extent mitigated the braking factors of crediting that were active in 2013, although it is expected that the over-indebtedness of Slovenian companies (as the main factor slowing down the pace of lending) will continue and that only an inflow of capital into over-indebted companies will be able to help accelerate lending activity for new projects. The negative factors slowing down the return to economic growth also include a slightly deteriorated competitive position of Slovenia.

Similarly as in the wider euro area, in Slovenia inflation was gradually decreasing in 2013. In December, year-on-year inflation reached 0.7%, while average 12-month price growth fell from 2.7% in 2012 to 1.8% in 2013. The downward inflationary trend due to the economic crisis is reflected in both supply and demand whereas, according to the IMAD's estimate, inflation is expected to stay below 2% in the next two years.

According to preliminary estimates of the Statistical Office of the Republic of Slovenia (SORS), the budget deficit rose from 4.0% of GDP in 2012 to 14.7% of GDP in 2013, including one-off financial transactions related to the restructuring of banks. Without the latter, the deficit accounted for 4.4% of GDP. Somewhat negative trends were recorded on the revenue side of the budget, reflecting the tough economic conditions and related drop in tax revenue. With additional measures aimed at consolidating public finances (despite further growth in interest income due to higher indebtedness and elimination of effects of the measures for stabilising the banking system), the government succeeded in slowing down the growing expenditure. According to the SORS, Slovenian public debt reached 71.7% at the end of the year, an increase of 17.3 pp over the end of 2012.

FIGURE 6: REAL GROWTH OF GDP IN THE EMU AND SLOVENIA

FIGURE 7: THE NUMBER OF BANKRUPTCIES IN SLOVENIA



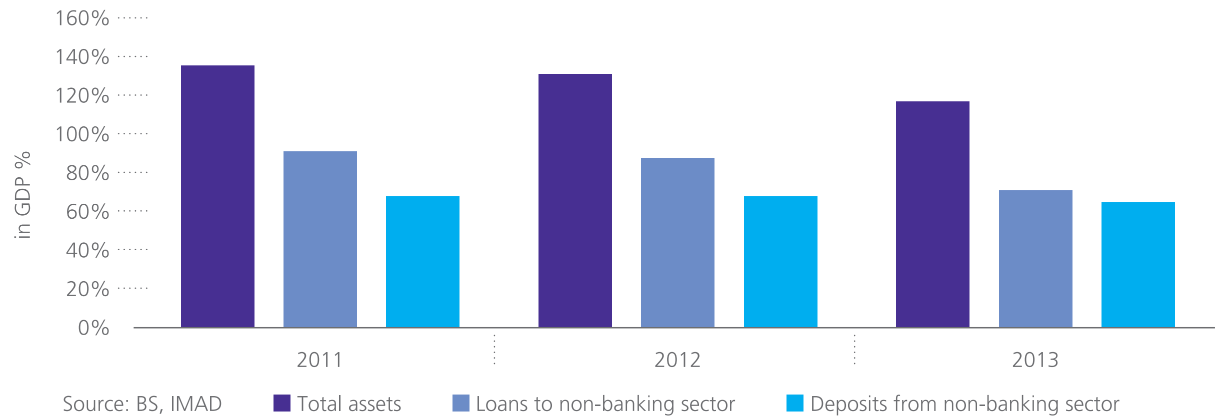
Source: Ajpes

TABLE 3: KEY MACROECONOMIC INDICATORS FOR SLOVENIA AND THE EMU

Slovenia	2013	2012	2011
GDP (real growth in %)	-1.1	-2.5	0.7
Average annual inflation rate - HICP (in %)	1.9	2.8	2.1
Surveyed unemployment rate - ILO (in %)	10.2	8.9	8.2
Current account in balance of payments (in GDP %)	6.5	3.3	0
Public debt (in GDP %)	71.7*	54.4	47.1
Budget deficit.surplus (in GDP %)	-14.7*	-4.0	-6.4
EMU			
GDP (real growth in %)	-0.4	-0.7	1.6
Average annual inflation rate - HICP (in %)	1.4	2.5	2.7
Surveyed unemployment rate - ILO (in %)	12	11.4	10.1
Current account in balance of payments (in GDP %)	2.7*	1.3	0.1
Public debt (in GDP %)	92.7**	90.6	87.3
Budget deficit.surplus (in GDP %)	-3.1	-3.7	-4.2

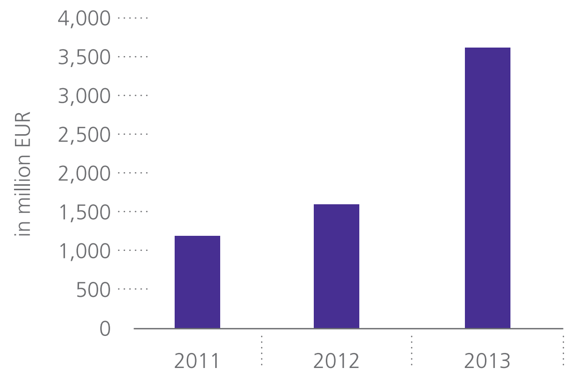
* First estimate.
** Data for 3Q 2013.
Sources: Eurostat, SURS, IMAD, MF RS, EC

FIGURE 8: KEY FIGURES OF THE SLOVENIAN BANKING SYSTEM



Source: BS, IMAD

FIGURE 9: NET IMPAIRMENTS AND PROVISIONS IN THE SLOVENIAN BANKING SYSTEM



Source: BS

CORE MARKETS OUTSIDE SLOVENIA

The core markets of the NLB Group outside Slovenia, including Bosnia and Herzegovina, Serbia, Macedonia, Montenegro and Kosovo, saw economic growth in the past year mainly due to a slight recovery of the European economy, as reflected in higher net exports. It should be noted though that household and government consumption as well as investment spending remain weak, while most countries still face the painful process of fiscal consolidation along with the deleverage of companies and even households. Inflation measured by way of trends in the consumer price index continued to fall in 2013, primarily as a result of the mentioned weak domestic consumption in the absence of price pressures on the international commodities market. Low domestic consumption and the resulting lower imports, along with a recovery in exports, caused a decline in the current account deficit in most countries, although their deficits remain high.

Bosnia and Herzegovina recorded a modest 0.5% economic growth in the past year, yet due to the combined effects of falling raw materials prices in global markets, weak domestic demand (also due to high unemployment) and the base effect it recorded year-on-year deflation of 0.1% in consumer prices as the only country of those mentioned above. Doing business in Bosnia and Herzegovina is still more difficult than in many other countries in the region due to the poorly developed institutions, unproductive public administration and inadequate judicial protection. The persisting political and ethnic divergence between both entities – the Federation of BiH and the Republic of Srpska – continues to prevent the adoption of the required reforms which is hindering the country's joining of international integrations and causing conflicts among the population which is increasingly resorting to mass protests.

Serbia, which started official pre-accession negotiations with the EU at the start of this year, recorded 2.4% economic growth in 2013 with the bulk of that growth being due to agriculture and the automotive and oil industries as an outcome of a better harvesting season and export demand. The country entered the past year with high inflation as a result of food price growth due to a poor agricultural season in the previous year, the growth of regulated prices, depreciation of the dinar and an increase in the value-added tax rate. A decisive response by the National Bank of Serbia constituting repeated rises in the key interest rate, a relatively stable dinar-euro exchange rate, especially in the second half of the year, and the low aggregate demand helped push the Serbian inflation rate down from nearly 13% at the beginning of the year to around 2% at the end of the year at the annual level. The country must now form a new coalition, consolidate its public finances and adopt reforms within the framework of the EU accession activities.

Owing to relatively strong domestic demand, the effect of the global economic and financial crisis on **Macedonia** in the past years was not as strong as it was on other countries under discussion. Moreover, in 2013 Macedonia recorded 3.1% economic growth, along with an average inflation rate of 2.8%. The macroeconomic and financial stability was largely a result of the central bank’s activities which linked the Macedonian dinar to the euro, while the government pursued a strict state budget policy until 2011, i.e. the budget deficit was prevented from exceeding 2.5% of GDP. Over the last two years the budget deficit and public debt have started to deteriorate as a consequence of higher pension expenditure and some defaults on payments. The high unemployment rate continues to be one of the country's problems; it decreased slightly in 2013 but still reached a high 29%.

Montenegro concluded the past year with high GDP growth which, according to the latest estimate of the International Monetary Fund, stood at 3.5%. This growth was mainly due to a bigger volume of industrial production and number of tourists (up by 10.6% and 3.6%, respectively, in 2013), despite the bankruptcy of the largest industrial company Kombinat aluminija (KAP) which accounted for as much as one-third of Montenegro's exports. Tourism was the main reason for the decline in the unemployment rate compared to the year before. The current account deficit remains a big problem of Montenegro; in the past year, it dropped slightly as a result of strong export demand and weak domestic consumption, yet it is still a two-digit figure. Owing to some investment projects this year that will help boost imports, a similar deficit may be expected in 2014.

Due to the large lag in its economic development, **Kosovo** still has one of the highest growth rates in the region and this was also the case in 2013. Having been a big problem of the country in 2011, inflation was 1.8% on average in 2013. The growing poverty and high unemployment rate is creating dissatisfaction among the Kosovo population which is increasingly reflected in riots and protests.

TABLE 4: KEY MACROECONOMIC INDICATORS OF SELECTED COUNTRIES IN SE EUROPE

	GDP (real growth in %)			Average inflation (in %)			Surveyed unemployment rate (in %)			Current account in balance of payments (in GDP %)			Budget deficit/ surplus (in GDP %)		
	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011
Bosnia and Herzegovina	0.5	-1.1	1.0	-0.1	2.1	3.7	27.8*	28	27.6	-8.7*	-9.6	-9.5	-1.1*	-2.7	-2.9
Montenegro	3.5	-2.5	3.2	2.2	4.1	3.1	18.0*	19.7	19.7	-14.7	-18.7	-17.7	-2.3*	-4.9	-5.7
Macedonia	3.1	-0.4	2.8	2.8	3.3	3.9	29	31	31.4	-1.9	-3	-2.5	-4.1	-3.9	-2.5
Serbia	2.4	-1.5	1.6	7.8	7.3	11.2	25*	23.9	23	-7.5*	-10.5	-9.1	-7.0*	-6.5	-4.9
Kosovo	2.6*	2.5	4.4	1.8	2.5	7.3	n.a.	30.9	n.a.	-10.5*	-7.8	-14.7	-3.8*	-1.8	-2.6

* IMF estimate, October 2013.
Source: Central banks and statistical offices

KEY EVENTS

KEY EVENTS IN THE NLB GROUP

JANUARY

2013

Liquidation proceedings start against NLB Factoring.

The Management Board approves the establishment of the Non-Core NLB Group Division as an organisational unit within the NLB to separate the core and non-core portfolios and activities (8 January 2013).

FEBRUARY

Nima Motazed assumes his position as a new member of the NLB's Management Board, responsible for operations (COO) (6 February 2013).

A EUR 1.9 million increase in the NLB's share capital to ensure compliance with the Decision of the European Commission (18 February 2013).

MARCH

A EUR 320 million capital increase in the NLB as a result of the conversion of the principal of a hybrid loan of the Republic of Slovenia into NLB shares (1 March 2013).

Moody's downgrades the NLB to Caa2 (12 March 2013).

Sale of Zavarovalnica Triglav's shares owned by the NLB (as part of its non-core assets) on the Ljubljana Stock Exchange (15 March 2013).

The NLB is awarded by the Global Finance financial magazine as the best Slovenian bank in 2013 for the 16th consecutive time (21 March 2013).

The NLB successfully organises the issue of new corporate securities for the GEN-I company in the amount of EUR 30 million (March 2013).

A decline in the non-banking sector's deposits in the NLB as a consequence of events in Cyprus (March and April). The effects are neutralised by prudent use of liquidity reserves of the Bank, the Bank's liquidity thus remains stable.

APRIL

Fitch downgrades the NLB to BB (5 April 2013).

The NLB successfully organises the issue of new corporate securities for the company Petrol in the amount of EUR 60 million (April 2013).

MAY

At the Meeting of Directors, the Management Board of the NLB presents the first phase of the Bank's reorganisation as part of its overall transformation process, and announces a 20% downsizing of staff by the beginning of 2015 (20 May 2013).

EVENTS RELEVANT TO THE NLB'S BUSINESS ENVIRONMENT

JANUARY

The Republic of Slovenia (Ministry of Finance) submits the draft NLB Restructuring Programme to the European Commission.

FEBRUARY

Standard & Poor's downgrades the Republic of Slovenia from A to A-.

MARCH

The Government of the Republic of Slovenia adopts the Decree on the implementation of measures to strengthen the stability of banks stipulating the criteria and conditions to be fulfilled by banks for them to be eligible for the measures.

A new labour market reform is adopted in Slovenia.

Cyprus becomes the 5th EMU country to join the bailout programme for the banking system. The second largest bank is liquidated and the deposits exceeding the guaranteed values are included in the bail-in scheme, which strengthened doubts in other banking systems in Europe.

Approval of the 11th Slovenian Government, with Alenka Bratušek as the Prime Minister.

In its Spring Forecast of economic trends in 2013, the IMAD announces that economic activity will decrease further in 2013 (by 1.9%), along with a positive forecast of real GDP growth in 2014 (+0.2%).

Decrease of the primary sources of financing across the entire Slovenian banking system.

APRIL

The EBRD forecasts negative real GDP growth in Slovenia for 2014 (–0.9%).

Moody's downgrades Slovenia from Baa2 to Ba1.

A capital increase of EUR 21.2 million in the NLB as a result of the conversion of the interest of a hybrid loan of the Republic of Slovenia into NLB shares (10 June 2013).

22nd regular General Meeting of Shareholders of the NLB:
- a new Supervisory Board is elected (seven members) for a new four-year term;
- the Bank's Management Board is authorised to increase, based on the Supervisory Board's approval, the share capital of the NLB by a maximum of EUR 500 million (authorised capital). The existing shareholders' pre-emptive right to new shares may be excluded in order for the new shares to be subscribed to by the Republic of Slovenia or persons related to it (11 June 2013).

Signing of a sale and purchase agreement for a 53% equity stake in Mercator by a consortium of vendors (including the NLB) and Agrokor (16 June 2013).

The NLB launches a systematic investigation of potential irregularities in the NLB's past operations, focusing on the 200 most problematic clients which (according to an end-2012 estimate) account for the bulk of the Bank's NPLs.

The Management Board adopts a (the first of several) Resolution on the established permanent redundancy of a large number of employees for business reasons (27 August 2013).

Launch of the NLB Transformation Programme: at the beginning, it encompasses 23 projects and three business initiatives (4 September 2013).

Andreas Burkhardt assumes his position as a member of the NLB's Management Board responsible for risk management (CRO) (1 September 2013).

The NLB intensifies its efforts that started in early 2013 to improve the risk management processes and review the health of the portfolio.

Granting of a EUR 30 million long-term syndicated loan to the Gorenje company, jointly with SID banka (19 September 2013).

The NLB successfully organises the issue of new corporate securities for the company Petrol in the amount of EUR 56 million (September 2013).

Completion of the first phase of reorganisation (1 July 2013).

Archibald Kremser is appointed a new member of the NLB's Management Board responsible for finance and non-core activities (CFO) (31 July 2013).

JUNE

JULY

AUGUST

SEPTEMBER

Adoption of the Decree amending and supplementing the Decree on the implementation of measures to strengthen the stability of banks.

The IMAD issues the Summer Forecast of Economic Trends for 2013, announcing a 2.4% fall in GDP in 2013 and a further decrease of 0.2% in 2014 as well as higher export growth than projected in its Spring Forecast (up by 1.8%).

The European Commission publishes the 2013 Spring Economic Forecast projecting a 2% decrease in real GDP in 2013 and a slight improvement in 2014 (a drop of just 0.1%).

The ECB reduces the key interest rate by 25 bp to 0.50% which triggers a decline in general interest rates.

Adoption of the National Reform Programme also showing a commitment to banking sector stabilisation.

Adopted decision of the Government of the RS on the NLB's fulfilment of conditions for implementing the measures to strengthen the stability of banks in compliance with the Measures of the Republic of Slovenia to Strengthen the Stability of Banks Act (ZUKSB), including the measures of transferring assets to the BAMC and a capital increase (14 May 2013).

The Republic of Slovenia issues 5- and 10-year USD-denominated bonds worth USD 3.5 billion.

Fitch downgrades Slovenia from A- to BBB+, with a negative outlook.

An independent asset quality review (AQR) is launched in the NLB and nine other Slovenian banks, as required by the Bank of Slovenia.

Value-added tax rates in Slovenia are raised from 8.0% to 9.5% and from 20.0% to 22.0%.

Publication of new EC rules related to state aid procedures to support measures in favour of banks (Communication from the Commission on the application of state aid rules to support measures in favour of banks in the context of the financial crisis from 1 August 2013 – OJ C no. 216) (30 July 2013).

The Bank of Slovenia announces the start of liquidation proceedings against Factor Banka and Probanka.

A sale and purchase agreement for Helios shares in which the NLB is part of the consortium of vendors and sells shares as a creditor.

On 22 October 2013 the Redundancy Programme based on the declaratory resolution about the redundancy of a large number of employees for business reasons of 27 August 2013 was adopted. The Redundancy Programme constitutes the first phase in the downsizing of staff.

Completion of the first transformation project – Spatial optimisation (8 October 2013).

The Bank develops a credit risk scoring model for exposures of up to EUR 20,000, thereby simplifying the credit process, with a focus on small enterprises. The time required for granting such loans is halved on average (for clients with healthy performance indicators to 24 hours) (6 November 2013).

Nima Motazed, member of the NLB Management Board, is awarded by the Slovenian Society for Quality and Excellence for his »Ground-breaking introduction of lean principles into the NLB to sustainably improve its efficiency and effectiveness« (14 November 2013).

Pursuant to the Bank of Slovenia's decision on extraordinary measures, all qualified liabilities of the NLB are terminated:
- the Bank's share capital; and
- the subordinated liabilities.

At the same time, pursuant to the decision by the Bank of Slovenia on extraordinary measures (17 December 2013) and the ZUKSB, the Republic of Slovenia pays in EUR 1,551 million of capital (18 December 2013).

The transfer of assets worth EUR 2.2 billion gross from the NLB to the BAMC, for which the NLB receives bonds in compensation (20 December 2013).

The trade unions and the NLB sign a new NLB Collective Agreement (24 December 2013).

The systematic investigation of past irregularities: by the end of 2013, the NLB submits 32 cases to the prosecuting authorities, along with additional evidentiary material.

The NLB and SID banka sign an agreement with FIMBank on an initial investment in the Prvi faktor company in the amount of EUR 4 million (6 January 2014).

Adoption of the Resolution on the established permanent redundancy of a large number of employees for business reasons, including 141 employees performing different jobs, so as to reorganise and optimise the branch network (21 January 2014).

Closure of the NLB representative office in Moscow (31 January 2014).

The NLB and its Supervisory Board approve the new Strategy of the NLB Group for the 2014–2018 period as well as the new vision, mission and key values (28 February 2014).

The NLB announces optimisation of the branch and ATM networks in Slovenia as well as the closure of some branch offices in the 2nd quarter of 2014.

OCTOBER NOVEMBER DECEMBER JANUARY FEBRUARY

2014

The IMAD issues the Autumn Forecast of Economic Trends for 2013, projecting a 2.4% drop in GDP in 2013 as a result of lower domestic consumption, an anticipated 0.8% decline in GDP in 2014, the continuation of fiscal consolidation, stringent conditions in the labour market and banking system rehabilitation.

The IMF issues the World Economic Outlook, projecting a fall in GDP of the Republic of Slovenia in 2014 (–1.4%).

The European Banking Authority (EBA) releases its final draft of technical standards on non-performing exposures and forbearance, which provides common definitions and reporting templates. This allows supervisors to assess the level of forbearance activities and non-performing loans on a comparable basis across the EU.

Adoption of the Act Amending the Banking Act (ZBan-1L) which also stipulates the termination or conversion of the Bank's qualified liabilities.

In its last report on the economic outlook, the EBRD significantly lowers its forecast of real GDP growth in 2014 for Slovenia, namely from –0.9% (May forecast) to –2.5%.

Fitch confirms Slovenia's credit rating at BBB+, with a negative outlook.

The ECB reduces the key interest rate by 25 bp to 0.25%.

The Republic of Slovenia issues 3-year bonds worth EUR 1.5 billion in a non-public offering.

Adoption of a new Decree on the implementation of measures to strengthen the stability of banks.

The Bank of Slovenia publishes the results of the asset quality review and stress tests for all participating banks (12 December 2013).

The European Commission issues Decisions on state aid for five Slovenian banks (NLB, NKBM, Abanka, Probanka, Factor banka) (18 December 2013).

The Bank of Slovenia issues a Decision on extraordinary measures and decides on the termination of all qualified liabilities of three banks (NLB, NKBM, Abanka) to cover their losses and increase their share capital. The Republic of Slovenia provides the funds: two-thirds in cash and one-third in marketable government securities (18 December 2013).

Conclusion of a new collective agreement in the banking sector in the Republic of Slovenia (24 December 2013).

Standard & Poor's confirms Slovenia's rating at A-, with a stable outlook.

The IMF issues the final report of the October Mission to Slovenia with a projection of a 1.1% decline in GDP in 2014, with a note that the economy is still in recession and that comprehensive bank and corporate restructuring is essential to achieve financial stability, fiscal and debt sustainability as well as durable growth.

Moody's preserves Slovenia's rating at Ba1 and changes the outlook from negative to stable.

Slovenia issues 5- and 10-year USD-denominated bonds worth USD 3.5 billion.

The European Commission issues an economic trend forecast for Slovenia, projecting a 0.1% decline in real GDP in 2014 and 1.3% growth in real GDP in 2015.

STATEMENT BY THE MANAGEMENT BOARD OF THE NLB

IN 2013 THE SLOVENIAN ECONOMY AND BANKING SECTOR WERE MARKED BY NEGATIVE ECONOMIC CONDITIONS WHICH FURTHER DETERIORATED DURING THE YEAR.

2013 was a poor year for the Slovenian economy, with the exception of the 2.9% export growth and the highly positive current account of the balance of payments. The 2.7% fall in private consumption affected the results of banks in retail operations where the volume of household loans shrank by 4.2%. Worth noting in the economy were highly indebted companies and the lack of capital which, according to some estimates, accounted for one-fifth of GDP. The state plays an extremely important role in ownership in economy and is unable to act as an institution that can provide the necessary capital because of the inadmissibility of state aids and its ever higher own indebtedness. The corporate governance of state-owned companies is also deficient. There is still a reluctance regarding privatisation and capital from abroad which is extending the several years' agony of some economic entities that need restructuring, while at the same time deepening international markets' mistrust in Slovenia. Companies are operating in a harsh environment marked by a lack of liquidity along the supplier chains which, together with the often low competitive power, hinders development and investments (gross investments dropped by 2.5%). The liquidity of the real estate market is low, making it difficult for companies to unburden their balance sheets by selling unnecessary assets and to focus on basic and/or prospective activities. It is not surprising that 2013 saw a record-breaking number of bankruptcies, exceeding the 2012 figure by 58%, which also adversely affected banks in terms of the required credit impairments and their year-end results.

All rating agencies downgraded Slovenia in 2013. Throughout the year, the banking system operated in expectation of the measures for strengthening financial stability, in an environment of increased mistrust and uncertainty which led to a decline in deposits, stiff competition between banks for scarce quality projects in the business sector and for retail crediting, along with the shrinking of demand. The downward trends in financial intermediation margins continued which logically resulted (and will continue to result) in cost optimisation pressures in banks that will soon have to evolve into the optimisation of banks' internal processes and then into consolidation of the Slovenian banking sector.

When the banking sector was stabilised at the end of the year, Slovenia regained confidence judging by the risk premiums of Slovenian government bonds. Nevertheless, confidence remains at the level of the 'European periphery' and we are now facing a series of radical changes – with privatisation, fiscal balance and public sector efficiency as priorities.

"AHEAD OF US IS THE SECOND OF THE THREE YEARS OF THE NLB'S RESTRUCTURING. WE EXPECT IT TO BE A DEMANDING AND DIFFICULT YEAR THAT WILL NOT SEE ANY CONSIDERABLE IMPROVEMENTS IN THE ECONOMIC ENVIRONMENT. IN THE BEST CASE, WE CAN EXPECT THAT STRENUOUS EFFORTS WILL BE INVESTED IN RESTRUCTURING THE SLOVENIAN ECONOMY, WITH THE RESULTS BECOMING VISIBLE AFTER A PERIOD OF TIME. THE NLB DECISIVELY LAUNCHED PROCESSES TO BRING ABOUT CHANGES IN 2013 AND ALREADY ACHIEVED THE FIRST RESULTS, CONFIRMING THAT THE BANK IS ON THE RIGHT PATH. WE WILL CONTINUE TO IMPLEMENT THESE CHANGES IN 2014 AND 2015 AND STRIVE TO BRING MOST OF THEM TO AN END."

THE NLB IS DETERMINED TO FOLLOW THE PATH TO TRANSFORMATION.

In difficult macroeconomic circumstances, the NLB Group had to overcome additional negative trends that were already present in past years. These include the deterioration of the regular result of operations before impairments and provisions due to fewer clients and a lower volume of operations, but mostly due to the worsening quality of the credit portfolio and consequently lower interest income. Business results also worsened due to the required extensive new impairments for the credit portfolio as a result of the lower performance of borrowers and their inability to service their loans, unsuccessful or time-consuming cases of restructuring and collection as well as the falling real estate prices. Another factor is the declining confidence in Slovenia and the Bank also because of the weaknesses in the corporate governance of state-owned companies and banks as well as doubts in business integrity.

As we already announced at the end of 2012, we decisively took the path to transformation in early 2013 and throughout the year, based also on the NLB Restructuring Programme which the Republic of Slovenia submitted to the European Commission within the state-aid assessment process.

The first priority was to establish an active approach to clients so as to show the market that the NLB is ready for new deals and is actively looking for solutions, jointly with its clients, to make the most of new opportunities together. The NLB invested its energy in coordinating the many processes of company restructuring and it often took the initiative. We clearly defined the non-core activities of the NLB and intensified our activities to withdraw from them.

An equally important priority was to introduce improvements in credit processes and risk management processes in the Bank (noting the process of making changes in this area is complex and will continue this year).

In 2013 the Bank rounded off the process of searching for new members and complementing the new Management Board. We invested our energy in close cooperation and monitoring of the wider management team so as to obtain the necessary combination of knowledge, experience and motivation to carry out the required changes in the Bank.

We profoundly analysed the situation in the Bank and the Group from several aspects: first from the aspect of potential on the revenue side which is underpinned by a good understanding of trends in the industry, the needs of our clients and the activities of our competitors; then from the aspect of potential in cost reduction; the most important aspect was the quality of the credit and investment portfolios of the Bank and the Group; we analysed factors that had contributed to the (mostly credit) losses in the years before 2013 as well as the key elements of organisation and business processes along with the internal climate and key values.

Based on the established weaknesses, threats, potential and strengths of the NLB, we adopted and started implementing a comprehensive mid-term restructuring programme of the Bank.

IN 2013 WE ACHIEVED SOME IMPORTANT MILESTONES.

In 2013 we accomplished most of the goals we had set (in the abovementioned and other areas) and achieved important specific milestones on our way to transforming into a sustainably successful banking group.

During the year, we carried out a client resegmentation in several phases in the NLB's core operations in Slovenia so as to ensure a more stable and enhanced service mainly to retail clients, small and medium-sized companies and also large companies and those requiring financial and business restructuring. At the same time, we decisively returned to our clients in our main market, Slovenia, and concluded about EUR 878 million worth new credit transactions (EUR 488 million with corporate and EUR 390 million with retail clients) as well as rescheduled and restructured financing worth EUR 1,500 million.

At the beginning of 2013, we organisationally defined and rounded up the area of non-core activities and then set up the process for withdrawing from them for a four-year period until 2018, while we also exceeded our 2013 goals.

We focused intensively on people throughout the year. In the harsh conditions of a much needed reorganisation and the carrying out of redundancy programmes, we intensified and maintained a constructive and meaningful dialogue with fellow employees and the trade union organisations as well as concluded an agreement on the signing of a new collective agreement for the Bank at the end of the year.

In the second half of the year, we succeeded in stabilising the monthly result from ordinary activities before impairments and provisions (not taking into account the events relating to the Measures of the RoS to Strengthen the Stability of Banks Act)

In the second half of the year, we succeeded in stabilising the monthly result from ordinary activities before impairments and provisions (not taking into account the events relating to the ZUKSB), and in 2014 and future years we are now facing a very demanding task to substantially improve this result (necessarily through measures on the revenue and cost sides) and thus help the Bank become capable of making appropriate levels of provisions in the period to come.

The deeply negative development of the economy present throughout the year and the assessment of the quality of the Bank's credit portfolio (internally by expert services of the Bank and the AQR and stress tests by external institutions coordinated by the Bank of Slovenia) led to the long awaited finding on the actual condition the Bank was in, the required impairments and provisions in the portfolio (EUR 1,070 million in the NLB Group) and, consequently, the capital increase in the Bank.

In December 2013, based on the NLB Restructuring Programme and the published results of the independent portfolio quality assessment and stress tests by the Bank of Slovenia, the European Commission approved the Republic of Slovenia's decision to grant state aid to the NLB in the form of the transfer of assets to the Bank Assets Management Company (where NLB incurred a loss of EUR 545 million) and in the form of a capital increase (EUR 1,551 million by the Republic of Slovenia), whereas the Bank of Slovenia implemented these extraordinary measures in the NLB pursuant to the Banking Act.

In 2013 we successfully completed one-quarter of all projects of the Transformation Programme which contributed to the improvement of certain processes and to strong cost optimisation in 2013: –10% at the level of the NLB Group compared to 2012, the cost reduction would have been even more successful without the necessary high costs of the independent AQR and stress tests. The unfinished projects are continuing within the planned frameworks and the programme will be completed in 2015.

Despite the extremely difficult conditions in the domestic and international financial markets and the greater outflows of deposits in the second quarter of 2013, we managed to maintain stable liquidity in the Bank and the Group throughout the year, whereas after the December 2013 capital increase in the Bank its liquidity position improved.

In its three core markets – Macedonia, Kosovo and Bosnia and Herzegovina – the NLB Group generated positive results in line with the plans, while it also encountered some problems in Serbia and Montenegro mainly due to a strong deterioration of the operations of corporate borrowers and the resulting impairment of the credit portfolio.

At the end of the year we formulated the new strategy for the NLB Group, including a definition of the vision, mission and values of the NLB, which was approved by the Management and Supervisory Boards in February 2014.

The NLB Group ended 2013 by recording a loss of EUR 1,442 million as a result of the extremely low quality of the Bank's credit portfolio and the negative macroeconomic trends.

The Group's capital adequacy at the end of the year equalled 15.2%. The NPLs accounted for 25.6% of the total gross credit portfolio (the transfer of a greater volume of assets to the BAMC was impossible under the Measures of the Republic of Slovenia to Strengthen the Stability of Banks Act (ZUKSB)) and, since the Group had already established high impairments of the portfolio, the NPL/impairment ratio stood at a high 69.7%. The Group plans to gradually reduce the share of NPLs in the following years and expects to be able to normally manage its result from this portfolio, along with a high coverage ratio.

IN 2014 WE ARE TRANSFORMING THE OPPORTUNITIES WE CREATED WITH A METICULOUSLY DESIGNED TRANSFORMATION PROCESS INTO CONCRETE BUSINESS RESULTS.

Now a different bank, the NLB has set priorities in 2014 which are mainly associated with a continuous active approach to clients and creating new opportunities for business as well as with improving services and client communication. These challenges will be overcome with an appropriately optimised set of classical and modern distribution channels. The successful implementation of projects from the Bank's Transformation Programme is also at the forefront of our attention in 2014. The achievement of all key performance indicators in accordance with the Bank's business plan for 2014 and concurrent strengthening of the stability and sustainability of operations as well as fulfilling the commitments the Republic of Slovenia made to the European Commission within the state-aid approval process continue to form a clear-cut framework for how the NLB does business. Active care of both the employees and organisational climate in the Bank with respect of a constructive dialogue and quality attitude to people lie at the core of our corporate culture, with the carrying out of the redundancy programme considered as an urgent and indispensable process. Successful withdrawal from the non-core activities in accordance with the plans remains one of the key processes geared to implementing the new strategy of the NLB Group.

Ahead of us is the second of the three years of the NLB’s restructuring. We expect it to be a demanding and difficult year that will not see any considerable improvements in the economic environment. In the best case, we can expect that strenuous efforts will be invested in restructuring the Slovenian economy, with the results becoming visible after a period of time. The NLB decisively launched processes to bring about changes in 2013 and already achieved the first results, confirming that the Bank is on the right path. We will continue to implement these changes in 2014 and 2015 and strive to bring most of them to an end.

We are aware of our responsibility to our clients, fellow employees, the owner and the broader social environment and we are thankful for all for their support in the past year, especially for their energy and impetus allowing us to together invest in a better and more successful NLB.

The Management Board of the NLB

Janko Medja
President of the
Management Board

REPORT OF THE SUPERVISORY BOARD OF THE NLB

DEAR BUSINESS PARTNERS AND OTHER STAKEHOLDERS,

The Supervisory Board of the NLB had two membership compositions in 2013. After the expiry of the Supervisory Board’s term of office, a new Supervisory Board was appointed in July at the Bank's 22nd Annual General Meeting for the period until the end of the Bank's Annual General Meeting which decides on the Annual Report for the fourth financial year after the members have been elected.

The Supervisory Board had fourteen regular, one extraordinary and eight correspondence meetings. Supervisory Board meetings were conducted in line with the Rules of Procedure of the Supervisory Board. Comprehensive materials drafted in an expert manner were prepared for the meetings, enabling the Supervisory Board to be properly informed on the Bank's operations and representing suitable grounds for decision-making. The Management Board and the relevant departments provided additional explanations about the material at the meetings and answered the questions posed by Supervisory Board members.

The expert support for the Supervisory Board’s work was provided by its four committees: the Risk Committee, the Audit Committee, the Appointment and Remuneration Committee, and the Strategy and Development Committee. The committees dealt with matters falling within their competence in accordance with the law and their respective rules of procedure. In 2013, the Audit Committee held seven regular meetings, the Risk Committee five, the Appointment and Remuneration Committee six, and the Strategy and Development Committee one.

THE WORK OF THE SUPERVISORY BOARD

The Supervisory Board, acting within its powers granted by company law and the Bank's internal regulations and complying with the recommendations of the Code and good practice, actively and efficiently monitored and, assisted by its committees, supervised the management and performance of the Bank and the Group.

The Supervisory Board regularly monitored the Bank's and the Group's operations in 2013 and discussed key topics and important issues. Thus, among other things, the Supervisory Board:

- adopted the report on its work for the previous year and, in cooperation with the Management Board, prepared the Corporate Governance Statement of the NLB for 2013, and approved the proposal of the Management Board for covering the distributable loss;
- discussed the materials and approved the proposals for adopting resolutions at the Annual General Meeting, including the proposed amendments to the Articles of Association regarding authorised capital and the changes concerning the work of the Supervisory Board;
- regularly discussed the quarterly business reports of the Bank and the Group and the business forecasts for 2013-2017;
- monitored capital adequacy projections, capital needs assessments and the Bank's activities in capital management, and approved the Management Board’s proposal to increase the share capital from the authorised capital through the conversion of a hybrid loan into ordinary NLB shares;
- was regularly informed on the statuses and processes related to the restructuring programme, which was also submitted to the European Commission, the transfer of claims to the BAMC and the capital increase;
- discussed risk management reports, was informed on the risk profile and risk appetite definition for 2013-2017, and the ICAAP methodology and report;
- regularly discussed the reports of Internal Audit and Compliance, and monitored the Bank's activities aimed at determining the responsibility for losses and irregularities;
- was regularly informed about the decrees, recommendations and other letters received from the Bank of Slovenia and other external regulators, and regularly monitored the ensuing efforts to comply;
- regularly discussed the reports on clients in intensive care and major non-performing client accounts, and the reports on write-offs of claims, conversions and major credit transactions;
- decided on approvals of the Bank's exposure to clients in accordance with the Banking Act and approvals of exposure to persons having special relations with the Bank;

- discussed and approved the amendments and supplements to the Rules on determining other rights under management employment contracts or other regulations of the Bank;
- adopted the 2013 Annual Report, including business report with the audited financial statements of the NLB, the consolidated financial statements of the NLB Group and the auditor's opinions. According to the auditor Ernst & Young, the financial statements with notes give a true and fair view of the financial position of the Bank and the NLB Group as at 31/12/2013 and are in compliance with the International Financial Reporting Standards. It was also established on the basis of the audit of the business report that the information contained in the business section of the Annual Report is consistent with the financial statements of the Bank and the NLB Group.

The Supervisory Board paid special attention and consideration to monitoring the activities of the Management Board and expert departments concerning the restructuring plan and the Bank's rehabilitation. The lack of capital, accompanied by the deterioration of the Bank's assets, especially in the part represented by the financing of the non-banking sector, was a constant concern of the Management and Supervisory Boards. The capital situation was further complicated by the new banking regulation requiring a higher level of capital adequacy. The Bank's Supervisory and Management Boards cooperated with the Bank of Slovenia and the Ministry of Finance, to whom they expressed their concern about the Bank's capital situation.

The role of the Supervisory Board regarding the solutions adopted by the owner concerning the capital increase and the transfer of assets to the BAMC pursuant to the ZUKSB and based on the EC's approval was limited to the approval of the write-offs based on transfer values in the realisation of the transfer of assets to the BAMC. The Supervisory Board had no influence on the assessment of the quality of the Bank's assets made by independent assessors, was not informed about the portfolio assessment method and was also not informed in advance about the EC's valuation of that part of the Bank's assets to be transferred to the BAMC. In other words, the Bank's Management and Supervisory Boards implemented, pursuant to the ZUKSB and the Decision of the EC, the Decision of the Bank of Slovenia related to the required capital established in the process of the external independent valuation, and on the other hand the necessary capital increase which was performed by the owner on the same day.

When discussing cases of non-performing loans resulting in major cash write-offs and thus impairing the Bank and its shareholder, the Supervisory Board found that, given the generally known terms of trade, the Bank used to implement a high risk policy. In spite of the presence of a foreign partner (represented on both the Management Board and the Supervisory Board), the Bank used to build a corporate culture dominated by the knowledge that it had the largest market share in the domestic market, too little interest in business relations between the Bank and its clients in the period between loan approval and repayment, and a lack of accountability for the decisions taken at various decision-making levels. Such findings resulted in many in-depth discussions at Supervisory Board meetings in order to pay special attention to these causes during the period of the Bank’s rehabilitation because the fruits of any transformation efforts would surely go bad if only the processes and not the people and their habits were to change. In the course of these sometimes painful changes the Supervisory Board drew attention to social dialogue and social peace, which are preconditions for the Bank’s successful transformation.

The Supervisory Board is aware that sound corporate governance of the Bank requires discipline along with incentives and acknowledgement of well performed work. Therefore, the Supervisory Board will strive, notwithstanding the Bank's loss, to reward honest and effective work and to punish bad work. Further, the Supervisory Board believes that, given such assumptions, state ownership of the Bank should be no obstacle to its success and that work at the Bank should be rewarded in the manner applying to those competing in the market and not by using the criteria generally applied to the state administration.

CONCLUSION

The Supervisory Board expresses its full support for the Bank's Management Board in its efforts to restructure the operations, which is a process bringing benefits to both the Bank itself and the entire Slovenian economy. The first steps towards business changes were already taken last year and the Supervisory Board believes that such efforts should be intensified at all levels of the Bank so that its new performance and corporate culture underlined by a professional and ethical approach may serve as an example to other market participants in Slovenia and abroad.

The Supervisory Board would like to use this opportunity to thank the business partners, shareholders, Management Board and employees for their trust and cooperation. We are convinced that the set goals can only be achieved with a combined effort overcoming various obstacles and reducing different risks to utilise the shared values and achieve a new level of trust, which is the foundation of personal and common satisfaction as well as progress. The Supervisory Board believes that this is the way for the Bank to become successful, competitive and attractive to any new shareholders.

The Supervisory Board of the NLB

France Arhar
Chairman of the Supervisory Board

Mr Boštjan Paradiž, Director of the company Kovinostrugarstvo Paradiž (in the middle) representing their products at the production site to Tamara Ž. Kohek, Director of the Small Enterprises Department of NLB (left) and Darko Kašnik, account manager of the company (right). At the meeting they also reviewed the investment, which is in progress, and an application for taking a loan and agreed upon future business co-operation.

KOVINOSTRUGARSTVO PARADIŽ
believes in their long-term family tradition. The Director of the company is Boštjan Paradiž and the procurator is his wife Tanja Paradiž, who took over the metal turning activity from her father in 1994. Production programme of the company is broad-based, and they produce high-quality parts for transport equipment, agricultural machinery, treatment plants and furnaces, and are also introducing a new programme of tools. They are particularly proud of their unique programme of engines for sailplanes. Kovinostrugarstvo Paradiž successfully co-operates with companies abroad and exports as much as 80% to Austria. Their production is carried out in their own new premises, the construction of which was co-financed by NLB as well (EIB loan). Successful business relations with NLB are being cared for since 1978.

STRATEGY

VISION OF THE NLB GROUP FOR 2020

The NLB will be a sustainably profitable banking group primarily oriented to those market segments and markets where it can rank among the top three providers of services, first in terms of profitability and second in terms of market share.

In its core activities the NLB Group will be recognised for its good knowledge of its customers, service level, consulting abilities and accessibility as well as competitive products, services and distribution channels. It will mainly perform traditional banking services, complemented with full bespoke customer products and services. The NLB Group will focus every day on the high-quality and effective provision of services, thus achieving the highest level of customer satisfaction.

By 2020 the NLB Group will complete the process of divesting its non-core activities.

The NLB Group will be a desirable, family-friendly employer that will continuously invest in the development of competencies and acquisition of experience by its employees based on targeted management. Moreover, the NLB Group will also support important projects in its local environment, especially those related to entrepreneurship, youth sport, culture and charity.

VALUES OF THE NLB GROUP

Our fundamental values include the following:
- responsibility to clients, employees and society at large;
- a commitment to keeping promises and meeting targets;
- open communication and cooperation;
- a creative approach to problem-solving, with the mutual consideration of different views, never to the detriment of our fellows; and
- efficiency in everyday work and in the performance of duties.

MISSION OF THE NLB

In NLB we are committed to developing a culture of responsibility for the client, we comply with the regulations, professional standards, the principles of business excellence and integrity, as well as nurturing a lean organisation and individuals working in it.

The trust shown in us by clients, fellow employees, shareholders and society at large gives us great responsibility. We earn it by working with others for a positive change, mutual benefits and growth in environments we operate in. When we incorporate our values into everything we do, we take responsibility for taking care of the value of the assets we have been entrusted with and we contribute to the positive development of our environment.

STRATEGIC GOALS

The NLB strives to pursue its vision and achieve its strategic goals:
- We will focus every day on our clients, from actively searching for new business opportunities and credit transactions to company restructuring. We will develop a profound understanding of the different needs of customers and opportunities so as to establish long-term business relations with mutual benefit. We will optimise our distribution channels, including the branch network. We will develop additional e-solutions for our customers that will be transparent and user-friendly and that will save their time.
- We will promote the development of micro and small companies, support their transformation and thus help build the foundations of the economy in the target markets, while preserving a balanced risk appetite.
- The NLB Group companies will be encouraged to autonomously and self-sustainably achieve (and possibly exceed) the 10% average long-term return on equity[1] or (as a lower priority) a market share of more than 15% in the markets they are present in as well as more than 20% in Slovenia as their domestic market. We will make the changes required to decrease the cost-income ratio in the banking

[1] We will consider the capital adequacy of core tier 1 at 10%.

companies to less than 60%. We will preserve the high liquidity and safety of deposits. The loan-to-deposit ratio is expected to be below 105%, with all capital adequacy requirements being fulfilled. Consequently, we will be able to formulate a stable dividend policy.
- Following the European Commission's approval of the state aid, the capital increase made by the Republic of Slovenia and the already completed activities in 2013, we will:
  - continue to implement comprehensive improvements in loan granting policies, processes, support systems and internal controls;
  - make decisions in a transparent and professional way as well as implement good corporate governance without unnecessary and inappropriate influences;
  - establish a comprehensive integrity system including measures to prevent conflicts of interest and other potential irregularities. We will complete inspections and analyses of the factors contributing to the massive losses in the 2009–2013 period;
  - in 2014 we will largely complete the originally planned reorganisation of the Bank which will consist of several phases so as to optimise costs as well as improve responsiveness to customers' needs and communication flows. The introduction of improvements will continue in 2015 and beyond.
- We will conclude the projects from the NLB Transformation Programme within the set deadlines, planned funds and with a high motivation to reach the set goals. We will continue to implement our medium-term plans, for example the gradual withdrawal from non-core activities, development of the knowledge and competencies of employees and investments in processes and communication with customers so as to improve the efficiency and accessibility of our services.
- Our progress in achieving the strategic goals will be monitored using milestones and key performance indicators, along with regular reporting based on a simple and comprehensible presentation of the actual situation.

The NLB Group is an independent banking and financial group that develops its own business model.

REORGANISATION AND THE NLB TRANSFORMATION PROGRAMME

The goals of the organisational changes in 2013 included:
- to start adjusting the organisational structure to the Bank's emerging new strategy (changed work methods, optimisation of work flows and tasks based on changes in the Bank's work processes, changes in organisational priorities in view of the Bank's priorities) as well as organise the Bank effectively (fewer organisational levels and units, merging and closure of organisational units, optimisation of authorisations);
- to establish more direct and higher quality communication to accelerate decision-making, as well as to identify and meet the ever changing client needs;
- to introduce a standardised approach to the client which is tailored to their needs as well as ensure the Bank's presence in all major business centres;
- to coordinate risk and opportunity management related to clients of specific profiles; and
- to optimise resources and ensure the required specialised business know-how so as to achieve the set goals.

The first phase of organisational changes was implemented on 1 July 2013. The Bank reduced the number of its organisational units by 13%, whereas 15 organisational units were reorganised. At the same time, the number of the Bank's committees and bodies decreased (by 50%). In 2014 further organisational changes are planned to be made so as to achieve the targeted downsizing of staff, fewer organisational units and levels as well as a lean organisational structure.

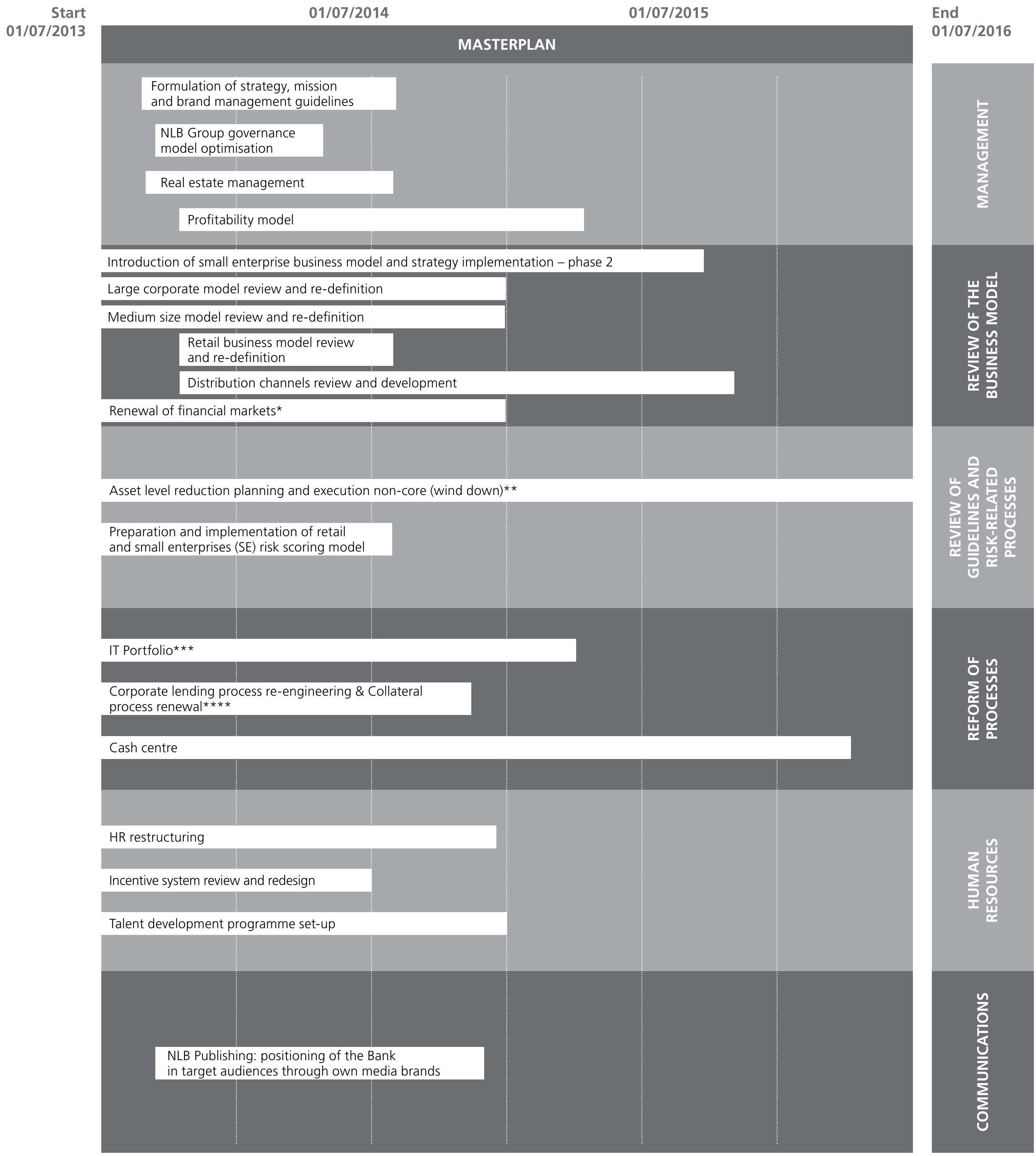
An important part of the reorganisation in 2013 was moving the project management activity from the former IT Project Office to the Project Management Office (PMO) which is in charge of the Bank's entire project portfolio. The goal of reorganising the PMO is to manage and monitor active projects at the Bank level as well as to support the Transformation Programme the Bank launched in July 2013 in the sense of planning, changing and implementing all transformation projects.

The aim of the Transformation Programme is to analyse the existing business model, while also defining and planning the introduction of appropriately adjusted target business models for each transformed area. It consists of 23 projects and three business initiatives that cover seven areas.

By March 2013, the Bank had completed the following seven projects:
- Spatial Optimisation – phase 2013,
- Approval of State Aid by the European Commission,
- ZUKSB Measures (capital increase and transfer of assets to the BAMC),
- Development of the Process of Demand Management,
- Procurement Process – Redesign and Cost Streamlining,
- Top 100 Risk Clients – Planning and Execution of Activities,
- Development and introduction of the concept of integrity maintenance and fraud prevention.

The remaining 16 projects and three business initiatives will mostly be completed in 2014, with the exception of five projects planned to be completed in the next years, as shown in the figure below.

FIGURE 10: ACTIVE PROJECTS AND BUSINESS INITIATIVES OF THE TRANSFORMATION PROGRAMME



* Actual start date: 01/01/2013.
** Actual start date: 18/06/2013; Actual end date: 07/09/2018.
*** Actual start date: 28/06/2013.
**** Actual start date: 27/06/2013.

EXTRAORDINARY MEASURES TO ENSURE THE CAPITAL ADEQUACY AND STATE AID PROCEDURE

In December 2013 several measures were taken in connection with the state-aid procedure and to ensure the capital adequacy of the NLB and the NLB Group, including:
- termination of all of the Bank's qualified liabilities – the Bank's share capital and its liabilities arising from subordinated financial instruments;
- an increase in the Bank's capital; and
- the transfer of assets to the BAMC.

The basis for terminating the qualified liabilities and capital increase was the Bank of Slovenia's Decision on extraordinary measures of 17/12/2013.

Due to procedures before the European Commission regarding state aid the Bank had received in 2011 and 2012, and the new capital increase from state funds, the precondition for the abovementioned measures was a positive decision by the European Commission, which the latter issued on 18/12/2013.

This decision was also a prerequisite for the transfer of assets to the BAMC in line with ZUKSB. As part of its final decision, the European Commission set the transfer value or real economic value (REV) for the asset transfer to the BAMC which was consistent with the ZUKSB and the relevant local regulations.

THE EUROPEAN COMMISSION'S DECISION ON THE STATE AID

In December 2013, the European Commission issued its final decision allowing the state aid, including a number of measures the Bank needs to take, mainly related to:
- improving corporate governance;
- improving risk management;
- divestment and the Bank's gradual withdrawal from non-core activities, markets and investments; and
- improving the cost-efficiency and achieving the long-term viability of the NLB Group.

The Bank must implement all measures by no later than 31/12/2017 and regularly report on their progress to the European Commission. In this context, the European Commission will appoint a Monitoring Trustee to report on and supervise the implementation of all measures.

TERMINATION OF QUALIFIED LIABILITIES

Pursuant to the Bank of Slovenia's decision, all of the Bank's qualified liabilities arising from the following were terminated on 18/12/2013:
- the Bank's share capital in the amount of EUR 184.1 million (22,056,378 shares) which was reduced to zero under the Bank of Slovenia's extraordinary measure; and
- the following financial instruments:
  - a hybrid loan – EUR 84.5 million,
  - hybrid bonds (NOVALJ FLOAT 49) – EUR 29.1 million,
  - subordinated bonds (NLB 26) – EUR 61.4 million, and
  - a subordinated loan – EUR 75.0 million.

The Bank's liabilities arising from the abovementioned instruments were fully terminated in terms of payment of both the principal and the accrued interest. This had a positive effect for the Bank in the amount of EUR 257.6 million.

INCREASE IN THE BANK'S CAPITAL

To ensure the Bank's capital adequacy, pursuant to Article 262.a of the Banking Act (ZBan-1) the Bank of Slovenia issued the extraordinary measure of an increase in the Bank's capital by EUR 200 million by issuing 20,000,000 new ordinary, no-par value shares which were entered in the register kept by the Central Securities Clearing Corporation (KDD) on 18/12/2013. The price of one new share is EUR 10.00.

The issue price of one new share is EUR 77.55, and the total issue value of all new shares is EUR 1,551 million. The new shares were paid up in full by the Republic of Slovenia via a cash contribution in the amount of EUR 1,141 million and a non-cash contribution of EUR 410 million.

The capital increase was completed on 18/12/2013 with the entry of the amendments to the Bank's Articles of Association and the capital increase in the Companies Register. The new shares were entered in the central securities register kept by the KDD on 19/12/2013.

THE TRANSFER OF ASSETS TO THE BAMC

In parallel with implementation of the aforementioned measures the Bank signed the Agreement on Measures for Bank's Stability with the BAMC in December 2013.

The subject of the transfer to the BAMC was credit claims and investments in shares and participating interests.

The subject of the transfer was credit receivables that met the conditions set out in the Decree (Article 14):
- the Bank's receivables arising prior to 01/09/2012 (deviations are only permitted for receivables included on the Bank of Slovenia's list);
- the receivables are due from debtors (clients) with a registered office in the Republic of Slovenia; and
- the exposure to a client exceeds EUR 500,000 (deviations are only permitted for receivables included on the Bank of Slovenia's list).

A total of 283 clients with 1,427 receivables with a gross book value of EUR 2,169 million were transferred (net book value: EUR 1,155.3 million). The transfer value of the receivables calculated according to the European Commission's methodology and approved by the European Commission in line with the ZUKSB was EUR 609.6 million and the loss resulting from the transfer of assets totalled EUR 542.9 million.

Besides the credit receivables, the Bank proposed that 11 equity stakes (which it had received through the redemption of collateral) be included on the transfer list, of which three had already been transferred in 2013. The loss upon the transfer of equity stakes amounted to EUR 2.2 million.

In economic and accounting terms, the transfer of receivables was effected on 20/12/2013 (as at end of day 19/12/2013), while the physical handover of the documentation is continuing and will be carried out in several tranches from January until the end of April 2014 (due to the large volume and number of transferred receivables).

The Bank received payment for the transferred assets in December in the form of bonds issued by the BAMC (and guaranteed by the Republic of Slovenia). The balance of bonds as at 31/12/2013 amounts to EUR 622.6 million. The bonds have attributes that make them ECB-eligible collateral in open market operations and will serve as refinancing instruments for the NLB.

OVERVIEW OF THE FINANCIAL PERFORMANCE OF THE NLB GROUP IN 2013

INCOME STATEMENT

TABLE 5: KEY INCOME STATEMENT ITEMS

	NLB			NLB Group		
in EUR million	**2013**	**2012**	**Growth**	**2013**	**2012**	**Growth**
Net interest income	157.4	224.6	-30%	233.5	342.5	-32%
Net fees and commissions	101.1	108.3	-7%	137.8	146.1	-6%
Dividend income	4.1	7.8	-47%	2.5	4.9	-50%
Net income from financial transactions	6.6	17.3	-62%	-15.1	-14.7	3%
Net other income	-9.7	4.7	-	-10.3	15.5	-
Net non-interest income	102.0	138.1	-26%	114.8	151.9	-24%
Total net operating income without one off	**259.4**	**362.7**	**-28%**	**348.3**	**494.4**	**-30%**
Employee costs	-111.1	-118.1	-8%	-175.4	-197.2	-11%
Other general administrative expenses	-67.1	-74.4	-10%	-105.5	-117.7	-10%
Restructuring costs	-7.6	-2.0	280%	-7.6	-2.0	280%
Depreciation and amortisation	-26.6	-29.7	-10%	-44.3	-51.3	-14%
Total costs	-212.4	-224.2	-5%	-332.8	-368.2	-10%
Transfer to BAMC	-545.1	-	-	-545.1	-	-
Termination of subordinated instruments	257.6	-	-	257.6	-	-
LME*	-	179.9	-	-	179.9	-
One off	-287.5	179.9	-	-287.5	179.9	-
Impairments of financial assets AFS through equity	-23.8	-30.5	-22%	-23.8	-30.5	-22%
Credit impairments and provisions	-704.5	-376.3	87%	-901.6	-510.6	77%
Other impairments and provisions	-497.9	-207.5	140%	-144.8	-16.0	807%
Impairments and provisions	-1,226.3	-614.3	100%	-1,070.2	-557.0	92%
Result from equity investments in associates and joint ventures (equity method)	-	-	-	-26.5	-7.1	272%
Result before tax	**-1,466.8**	**-295.9**	**396%**	**-1,368.7**	**-258.0**	**430%**
Income tax expense	-73.5	-9.0	716%	-73.5	-14.6	404%
Result of minority shareholders	-	-	-	-0.6	0.9	-
Result after tax	**-1,540.3**	**-304.9**	**405%**	**-1,441.6**	**-273.5**	**427%**
Effects recognized through equity	14.0	35.8	-61%	15.9	40.2	-61%
Gross effects recognized through equity	16.8	45.2	-63%	18.7	52.1	-64%
Tax	-2.9	-9.4	-70%	-2.9	-11.9	-76%
Comprehensive income	**-1,526.3**	**-269.1**	**467%**	**-1,425.7**	**-233.3**	**511%**

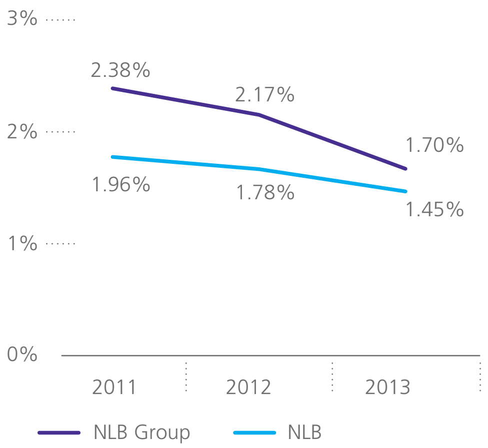
* Liability management exercise.

See accounting disclosures under Item 4.

Net interest income, which accounts for the bulk of the NLB Group's revenue, amounted to EUR 233.5 million in 2013, down EUR 109.0 million or 32% on the previous year. The main factors contributing to the lower interest income included the upward trend in overdue loans, persistent shrinking of the volume of operations, and the general deterioration of the economic situation. On the other hand, interest expense was down due to a change in the structure and volume of financing, but to a smaller extent than the decline in revenue.

The total interest margin at the NLB Group level stood at 1.7%, a decrease of 0.5 pp on the previous year. This decrease was mainly driven by the significant deterioration of the portfolio quality, thus hindering the Bank's efforts to collect interest charged to borrowers in default. The NLB's interest margin dropped by 0.4 pp to 1.4% (the banks of the NLB Group achieved higher margins in the markets of former Yugoslavia).

FIGURE 11: THE INTEREST MARGIN



Most of NLB's non-core subsidiaries (in the process of divestment, reduction or even liquidation) are not entering into new transactions and are also burdened by a high share of NPLs. Interest income from these activities in many instances no longer covers the cost of financing, resulting in negative net interest income. The focus in all of these entities is on collection and cost-reduction activities.

The NLB Group’s **net non-interest income** amounted to EUR 114.8 million in 2013 (excluding one-off events related to the measures to achieve capital adequacy), which is EUR 37.1 million or 24% less than the year before.

Net fees and commissions of the NLB Group amounted to EUR 137.8 million in 2013, down EUR 8.3 million on the previous year. The decline in net fees and commissions was due to fewer transactions and lower turnover as a consequence of the economic crisis. The most important source of net fees and commissions is net income from payment transactions, which totalled EUR 50.2 million in 2013, down EUR 5.0 million on the previous year. Less income was generated from guarantee and card operations, while fees and commissions increased on account of other types of operations. The banks in the markets of former Yugoslavia pay a deposit guarantee fee through a system of deposit guarantee schemes. Fees totalling EUR 7.9 million (up EUR 0.5 million on 2012) were paid in 2013 for that purpose.

TABLE 6: STRUCTURE OF FEES AND COMMISSIONS

	NLB			NLB Group		
in EUR million	**2013**	**2012**	**Growth**	**2013**	**2012**	**Growth**
Payment transactions	29.5	32.7	-10%	50.2	55.2	-9%
Cards and ATM operations	21.2	22.4	-6%	26.1	26.7	-2%
Basic accounts	33.7	34.1	-1%	40.0	39.9	0%
Guarantees	8.3	12.7	-34%	13.7	18.4	-25%
Investment banking	4.3	4.3	-1%	4.3	4.5	-3%
Investment funds	1.8	1.1	54%	8.3	7.8	7%
Bancassurance	2.4	2.0	19%	2.4	2.0	19%
Other	-0.1	-1.1	-95%	-7.3	-8.4	-13%
Net fees and commissions	**101.1**	**108.3**	**-7%**	**137.8**	**146.1**	**-6%**

The NLB Group received EUR 2.5 million of dividends in 2013.

The net income from financial operations in the NLB Group in 2013 without the one-off events was negative at EUR 15.1 million, of which + EUR 6.6 million was accounted for by the NLB. This item includes losses from the sale of discounted receivables to buyers outside the NLB Group.

Revenue from the purchase and sale of foreign currencies is a stable source of revenue from financial transactions, generating EUR 9.6 million in 2013, which was EUR 0.6 million less than the year before.

Other net revenue in 2013 was negative in the amount of EUR 10.3 million, mainly due to the higher tax on total assets which amounted to EUR 5.7 million in 2013 and higher expenses for issued service guarantees. The bulk of regular revenues in this category is generated from sales of IT services, the provision of cash operation services for other banks, and rental payments.

Operating costs including depreciation in the NLB Group totalled EUR 332.8 million, down EUR 35.4 million or 10% on the previous year. All cost categories went down – labour costs, other operational costs, and depreciation.

The total costs in 2013 were negatively affected by high one-off costs related to the asset quality review and stress testing, coordinated by the regulator, which amounted to EUR 4.95 million as well as the costs of extraordinary reviews and audits in two members of the NLB Group, amounting to EUR 1.4 million.

Besides these factors, the performance of both the Group and the Bank in 2013 was also marked by activities related to the measures for improving the NLB’s capital adequacy in December 2013 (pursuant to the Bank of Slovenia's decision on extraordinary measures and the Republic of Slovenia's decisions in compliance with the ZUKSB), which are described in detail in a separate chapter. The negative effect of these measures totalled EUR 287.5 million.

The NLB Group formed EUR 1,070.2 million of new **impairments and provisions** in 2013, of which EUR 1,226.3 million are solely for the NLB. The bulk of impairments and provisions was formed for clients from the service sector such as financial holdings, trade, construction, industry, services and finance.

Besides impairments and provisions for credit risks, securities were impaired in the amount of EUR 23.8 million in 2013 due to declining market values, mainly related to securities received from liquidated collateral.

The negative effects of the operations of some subsidiaries are increasingly being reflected in the operating results of the parent Bank. In 2013 the NLB impaired loans granted to subsidiaries in the amount of EUR 61.6 million and equity investments in subsidiaries in the total amount of EUR 465.6 million, which reflected the significantly higher revenue risk of these subsidiaries.

The NLB Group’s results were also affected by additional impairments of equity stakes in associates and joint ventures, goodwill, intangible and tangible fixed assets as well as provisions for reorganisation.

The contribution of the associated and jointly controlled companies was negative in 2013, mainly due to losses incurred by Banka Celje, Adria bank and Prvi faktor.

The corporate income tax for 2013 was mostly determined by the impairment of deferred tax assets in line with more conservative assumptions about future profitability.

The NLB Group thus ended 2013 with a loss of EUR 1,441.6 million, while the loss incurred by the NLB amounted to EUR 1,540.3 million. Comprehensive income, which includes the effects of revaluation recognised in equity, was negative in the amount of – EUR 1,425.7 million in the NLB Group and – EUR 1,526.3 million in the NLB.

The result of the NLB Group's operations was largely affected by the loss incurred by the NLB (which in revenue terms accounted for 74% of the Group) and by the non-core companies. With the exception of the NLB, NLB banka Belgrade and NLB Montenegrobanka, the core companies of the NLB Group operated at a profit in 2013.

The high loss recorded in 2013 was mainly due to the high level of impairments and provisions for the credit portfolio as a consequence of:
- the changed rating methodology that introduced the “unlikely to pay” definition in line with the newly introduced EBA standards, which affected the level of NPLs and higher individual impairments and provisions;

- some important restructuring activities launched in previous years were not implemented according to the expectations which is why the Bank had to form additional impairments and provisions regardless of the subsequent restructuring efforts;
- a further decline in the value of real estate and bigger haircuts on collateral market values in the calculation of individual impairments and provisions (50% haircuts for real estate other than in top locations and 70% haircuts for special-purpose real estate);
- a further economic decline in Slovenia and some SE European countries, causing new defaults and stronger pressure on pending restructuring efforts;
- negative contributions by the non-core companies in the process of winding down their operations; and
- an increase in the coverage ratio from 60% in 2012 to 73% in 2013 at the NLB level.

STATEMENT OF FINANCIAL POSITION

TABLE 7: KEY FINANCIAL POSITION STATEMENT ITEMS

	NLB			NLB Group		
in EUR million	31/12/2013	31/12/2012	Growth	31/12/2013	31/12/2012	Growth
ASSETS						
Cash and balances with Central Bank	374.8	371.2	1%	942.7	922.8	2%
Loans and advances to banks	376.4	365.5	3%	532.5	464.2	15%
Loans to non-banking sector	6,128.9	7,832.2	-22%	7,744.2	9,552.6	-19%
Gross loans	7,203.2	9,199.8	-22%	9,508.5	11,458.6	-17%
- corporate	4,288.2	6,824.2	-37%	5,515.9	8,050.8	-31%
- households	1,933.0	1,971.3	-2%	2,875.0	2,887.1	0%
- state	359.4	404.3	-11%	495.0	520.7	-5%
- BAMC bond	622.6	-	-	622.6	-	-
Impairments	-1,074.3	-1,367.6	-21%	-1,764.3	-1,906.0	-7%
Financial assets	2,128.3	2,051.3	4%	2,650.3	2,499.7	6%
- held for trading	104.8	109.2	-4%	104.3	108.3	-4%
- AFS, held to maturity, designated at fair value through P&L	2,023.5	1,942.1	4%	2,546.0	2,391.4	6%
Investments in subsidiaries, associates and JV	276.6	514.4	-46%	28.3	102.2	-72%
Property and equipment	109.9	140.9	-22%	273.4	354.6	-23%
Intangible assets	45.0	50.2	-10%	54.7	112.5	-51%
Other assets	67.6	161.6	-58%	264.0	326.0	-19%
Total assets	**9,507.4**	**11,487.4**	**-17%**	**12,490.1**	**14,334.7**	**-13%**
LIABILITIES						
Deposits from non-banking sector	5,747.5	6,768.8	-15%	8,260.9	9,121.3	-9%
- corporate	1,257.5	1,318.6	-5%	1,963.6	2,026.6	-3%
- households	4,345.3	4,888.6	-11%	6,064.7	6,450.6	-6%
- state	144.7	561.7	-74%	232.6	644.0	-64%
Deposits form banks	74.2	113.8	-35%	37.4	55.3	-32%
Debt securities in issue	68.8	104.6	-34%	68.8	111.6	-38%
Borrowings	2,298.1	2,846.0	-19%	2,548.5	3,198.0	-20%
Other liabilities	225.4	266.0	-15%	281.6	360.6	-22%
Subordinated debt	0.0	321.1	-100%	21.9	342.9	-94%
Equity	1,093.5	1,067.1	2%	1,247.4	1,125.0	11%
Shareholders equity (including minority interest)	-	-	-	1,271.0	1,144.9	11%
Total liabilities	**9,507.4**	**11,487.4**	**-17%**	**12,490.1**	**14,334.7**	**-13%**

See accounting disclosures under Item 5.

The NLB Group's **total assets** amounted to EUR 12,490.1 million at the end of 2013, down 13% on the end of the previous year, whereas NLB's total assets amounted to EUR 9,507.4 million, decreasing by 17% in 2013.

The Bank's income statement was affected by the abovementioned one-off events related to the measures to ensure capital adequacy in December 2013. The transfer of the credit portfolio to the BAMC was reflected in a lower volume of corporate loans and an increase in loans to the government since the NLB received BAMC bonds in exchange for assets transferred to the BAMC which were for accounting purposes classified as loan. The statement of financial position was also affected by the capital increase, which was paid up in cash and in kind – the bonds of the Republic of Slovenia.

The decrease in total assets was due to the smaller volume of operations in non-core activities in line with the goals, although the uncertainty in the business environment also caused a small decline in the volume of investments in core activities of the NLB Group.

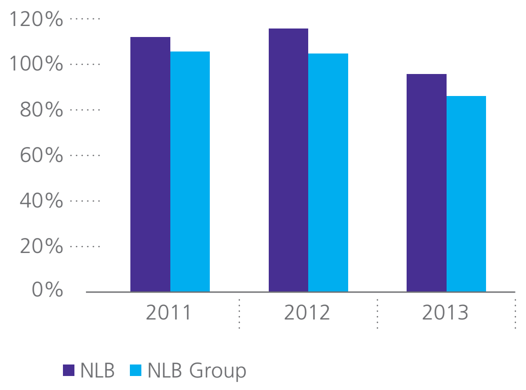
Gross **loans to the non-banking sector** as at the end of 2013 totalled EUR 9,508.5 million, of which EUR 622.6 million were the BAMC bonds. The NLB Group's gross loans declined by EUR 1,950.1 million relative to the end of 2012, or by EUR 2,572.7 million excluding the BAMC bonds that were received. Net loans to the non-banking sector were down by EUR 1,808.4 million due to the higher impairments. The loan book was down 31% in the corporate sector and remained at the same level as the previous year in the retail sector.

As at the end of 2013 **deposits by the non-banking sector** totalled EUR 8,260.9 million, down by EUR 860.4 million on the previous year. Deposits decreased in all segments, mostly in the retail and government segments which was fully accounted for by the decline in the NLB. State deposits fell by EUR 411.1 million, especially due to the fact that the deposits of the Ministry of Finance were deployed for the Bank's capital increase in December 2013, whereas deposits from the non-banking sector saw a drop mainly in the second quarter as a respond to the Cyprus crisis and unfavourable economic situation in Slovenia. The non-banking sector's deposits with the SE European banks recorded positive growth, particularly in the retail segment, while corporate deposits remained at the level of the previous year.

The coverage of net loans to the non-banking sector by deposits made by the non-banking sector (LTD ratio) stood at 86% (excluding the BAMC bonds) at the end of 2013 at the NLB Group level, a decrease of 18.5 pp on the previous year. The improved ratio was due to a strong decline in loans to the non-banking sector compared to a decrease in deposits by the same sector. This indicates that the Group's core business is very stable.

The downtrend in the volume of refinancing also continued in 2013. The level of borrowing from the ECB did not change in 2013 while loans raised with other financial institutions dropped by EUR 656.5 million. The EUR 321.0 million decrease in subordinated debt was due to the termination of EUR 250.0 million of subordinated liabilities in nominal terms and the regular maturity of subordinated liabilities in the amount of EUR 69 million in the first half of 2013.

FIGURE 12: LOAN-TO-DEPOSIT RATIO (LTD) OF THE NON-BANKING SECTOR



* Without the BAMC bonds (classified as a loan).

The NLB reinforced its leading market share in the retail segment of lending operations in Slovenia (measured by net loans) and, at the end of 2013, it accounted for 23.6%, whereas the market share in terms of deposit dropped to 30.3%. In the corporate banking segment in Slovenia, the Bank's market share decreased in terms of loans (measured by net loans) and also deposits, accounting for 22.1% and 20.0% at the end of 2013, respectively.

FIGURE 13: MARKET SHARES OF THE RETAIL BANKING SEGMENT IN SLOVENIA

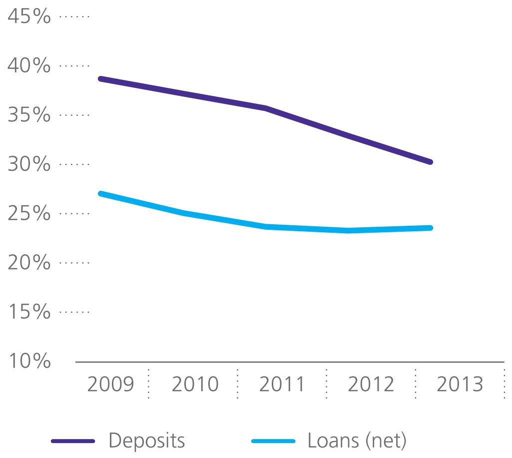
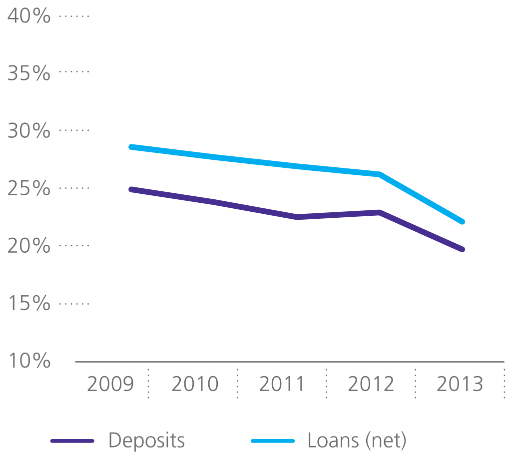


FIGURE 14: MARKET SHARES OF THE CORPORATE BANKING SEGMENT IN SLOVENIA



CAPITAL AND CAPITAL ADEQUACY

Throughout 2013 the total capital adequacy declined as a result of the incurred losses. The only option of a capital increase was to successfully conclude the EC state-aid procedure. The capital increase was implemented pursuant to the Bank of Slovenia's Decision on extraordinary measures which was adopted in December 2013.

The NLB Group's **regulatory capital** totalled EUR 1,218.6 million at the end of 2013, up EUR 50.3 million on the end of the previous year. Capital requirements continued to decline (by EUR 244.0 million in 2013), resulting in an improvement in the capital adequacy ratio which stood at 15.2% at the end of the year. The quality of the regulatory capital improved, as reflected in the higher Tier 1 ratio and Core Tier 1 (top quality capital) ratio, both of which stood at 14.9%.

FIGURE 15: CAPITAL ADEQUACY RATIO

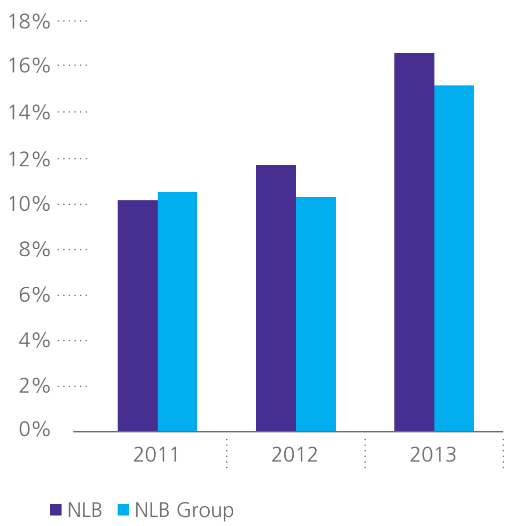


FIGURE 16: TIER 1 RATIO

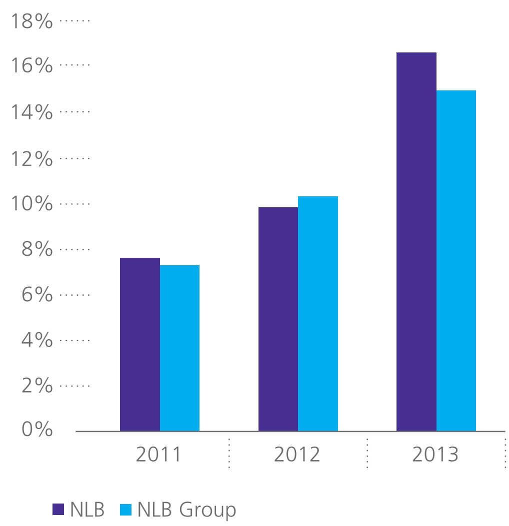
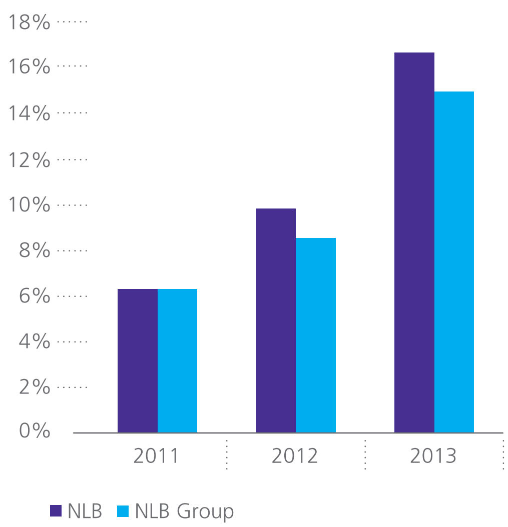


FIGURE 17: CORE TIER 1 RATIO



BUSINESS PERFORMANCE OF THE SEGMENTS

The NLB Group monitors clients' operations in various segments that are defined in accordance with the Bank’s long-term strategy and divided into two major segments, i.e. core and non-core.

The operations of the NLB Group are monitored in the following segments:
- **Retail banking in Slovenia** which includes banking with individuals and asset management as well as the results of the jointly-controlled company NLB Vita and associated companies Skupna pokojninska družba and Bankart.
- **Corporate banking in Slovenia**, which includes banking with large (key), medium-sized, micro and small companies.
- **Financial markets** which include treasury activities, asset and liability management, trading in financial instruments, brokerage and custody of securities as well as financial consulting.
- **Core foreign markets** which include the operations of the core NLB Group companies in core markets (Bosnia and Herzegovina, Montenegro, Kosovo, Macedonia and Serbia).
- **Non-core markets and activities** which include the operations of non-core NLB Group members and the non-core part of the NLB's portfolio.
- **Other activities** which include categories whose business results cannot be allocated to individual segments.

In 2012 the segment of non-core markets and activities mainly included operations of non-core subsidiaries, associated and jointly-controlled companies. Upon the establishment of the Non-Core Division in the NLB in March 2013, the non-core portfolio of the NLB worth EUR 3,029.3 million gross was transferred to this segment, while earlier it had been part of corporate banking. Moreover, the Bank made some changes in 2013. Small companies were in the past classified under retail operations. In 2013 they were reclassified as corporate banking. As a result of this change, the performance of individual segments in 2013 is not directly comparable with their performance in the previous year.

The loss incurred by the non-core part of the segment is due to the high credit impairments and provisions in 2013 and, additionally, the loss resulting from the transfer of assets to the BAMC.

In 2013 the core markets and activities also operated at a loss which was higher than in 2012 due to the smaller volume of operations, higher impairments and provisions and part of the loss incurred upon the transfer of credit receivables from the corporate banking segment to the BAMC.

More detailed information on the financial results and performance of individual segments is given below.

TABLE 8: PERFORMANCE OF THE NLB GROUP BY CORE AND NON-CORE MARKETS AND ACTIVITIES

in million EUR	2013				2012			
	Core markets and activities	Non-core markets and activities	Other	NLB Group	Core markets and activities	Non-core markets and activities	Other	NLB Group
Net interest income	267.4	-33.8	-0.1	233.5	332.0	10.4	0.1	342.5
Net non-interest income	155.8	-26.4	-8.9	120.5	176.6	-12.4	-4.4	159.8
Total net operating income without one off	**423.2**	**-60.2**	**-9.0**	**354.0**	**508.6**	**-2.0**	**-4.3**	**502.3**
Total costs	-288.1	-42.5	-8.0	-338.6	-316.6	-57.0	-2.5	-376.1
One off	61.6	-349.0	-	-287.5	179.9	-	-	179.9
Impairments and provisions	-580.9	-477.8	-11.5	-1,070.2	-495.3	-56.8	-5.0	-557.0
Result from equity investments in associates and joint ventures (equity method)	2.6	-29.1	-	-26.5	3.4	-10.5	-	-7.1
Result before tax	**-381.6**	**-958.7**	**-28.5**	**-1,368.7**	**-120.1**	**-126.3**	**-11.7**	**-258.0**
Income tax expense	-	-	-	-73.5	-	-	-	-14.6
Result of minority shareholders	-0.6	-	-	-0.6	0.4	0.5	-	0.9
Result after tax	**-**	**-**	**-**	**-1,441.6**	**-**	**-**	**-**	**-273.5**
Segment assets	11,249.0	1,184.8	28.1	12,461.9	13,146.0	929.0	157.4	14,232.5
Segment liabilities	11,029.8	146.5	42.9	11,219.1	12,864.3	145.3	180.2	13,189.7

RETAIL BANKING IN SLOVENIA

TABLE 9: PERFORMANCE OF THE RETAIL BANKING SEGMENT IN SLOVENIA

in million EUR	2013	2012	Growth
Net interest income	73.7	78.8	-7%
Net non-interest income	70.4	63.5	11%
Total net operating income without one off	**144.0**	**142.3**	**1%**
Total costs	-136.7	-144.2	-5%
Result before impairments and provisions without one off	**7.3**	**-1.9**	**-**
Impairments and provisions	-26.7	-5.6	373%
Result from equity investments in associates and joint ventures (equity method)	2.6	3.4	-22%
Result before tax	**-16.7**	**-4.2**	**301%**
Segment assets	2,018.6	2,137.8	-6%
Segment liabilities	4,566.6	5,158.3	-11%

The NLB is by far the biggest provider of retail banking services.

In 2013 the Bank realised EUR 16.7 million of loss before taxes in retail operations, up EUR 12.5 million on 2012. This bigger loss is a consequence of additional impairments and provisions of EUR 26.7 million, while the effect of impairments and provisions on the 2012 result was negative in the amount of EUR 5.6 million.

The operational result achieved before impairments was better in 2013 than in 2012, mainly due to the lower amount of operating costs. Despite the decline in the volume of operations, the Bank succeeded in keeping its total revenue at the level of the previous year.

Net interest income was down 6.6% in 2013 relative to 2012, primarily owing to the lower interest rates and smaller volume of loan and deposit transactions. The loan book in the Retail Division was down EUR 102.4 million or 5.0% on the previous year, totalling EUR 1,942.6 million. The reduced lending volume was mainly due to lower demand by clients which is also proven by the fact that the NLB succeeded in keeping its leading market position despite the decline in the loan book. The deposit portfolio was down EUR 534.5 million or 10.5% relative to the previous year, to stand at EUR 4,538.4 million.

In addition to SMEs (MSEs and mid-corporates), retail banking is the most important development segment in strategic terms. In 2014 and the coming years, the NLB will focus on optimisation (including reducing the number) of traditional branches as well as the rapid development of modern (electronic, contact centre, mobile sales force) distribution channels so as to optimise the accessibility for all target segments of retail operations as well as boost its performance.

Transparent and easy to use platforms and services will represent the foundation of future development. In addition, the whole sales network (account managers and distribution channels) will be managed through close monitoring of a calibrated set of key performance indicators, with clear-cut mechanisms for corrective measures in place.

In 2013, the Bank upgraded its range of retail products and services with various innovations. The most important of these are presented below.

Wealthy clients of the NLB are serviced within the NLB Private Banking as a set of financial and finance-related services tailored to suit the needs of the financially strongest clients. The highlights of the offer include daily monitoring and analysing of investments along with proposing investment opportunities to optimise the asset structure, while respecting a client’s wishes, goals, financial standing and risk attitude. The selected private banker is available to the client 24/7.

As part of the personalised servicing of clients, the NLB is offering affluent clients a new service, namely NLB Premium Personal as a personal banking upgrade. The key advantage is free personal service. The personal banker, with whom the client can interact through different communication channels, comprehensively and professionally manages the client's personal finances and helps the client make important financial decisions. The client also has three favourably priced products available for their everyday banking.

Those clients whose salary or pension starts being credited to the NLB Personal Account may benefit from the new offers of NLB Start and NLB Premium Start. In the first year, the client enjoys the benefits of additional savings while using everyday banking products.

To offer its clients the possibility to take out non-life insurance, the Bank expanded its activities to a property insurance product line, offered in cooperation with the Generali insurance company. When taking out a housing or consumer loan or concluding any other business agreement with the Bank, clients may insure their residential real estate, equipment or vehicles.

In 2013 the Bank organised free financial workshops for different target groups all over Slovenia and upgraded the NLB web portal with a mobile version of the most frequently visited contents.

In the framework of its deposit services, it offered clients the NLB Structured Deposit – Slovenia, a long-term deposit with a guaranteed principal and potentially higher returns on assets invested in a selected sub-fund. As regards loans, the Bank expanded its range of products and services with the NLB Long-Term Bridging Loan product, intended for clients who have already concluded a deposit or savings agreement with the NLB for longer than 365 days and the client wants to terminate it. Many new agreements were concluded in 2013 on the subsidisation of the lending interest rates from related transactions, thus making the Bank's offer of personal and housing loans even more attractive to potential borrowers.

Several changes were introduced in the lending process. The methodology for calculating creditworthiness for all secured personal, housing and mortgage loans was altered. The proportions of the attachment of earnings were amended and the amount of the minimum loan instalment reduced. The volume of documentation required for the NLB Personal Quick Loan product was lowered. More flexible repayment schedules and minimum wage requirements in various client segments for NLB Personal Loans were introduced.

The Bank amended its main loan granting terms and conditions for individual segments of borrowers.

CARD OPERATIONS

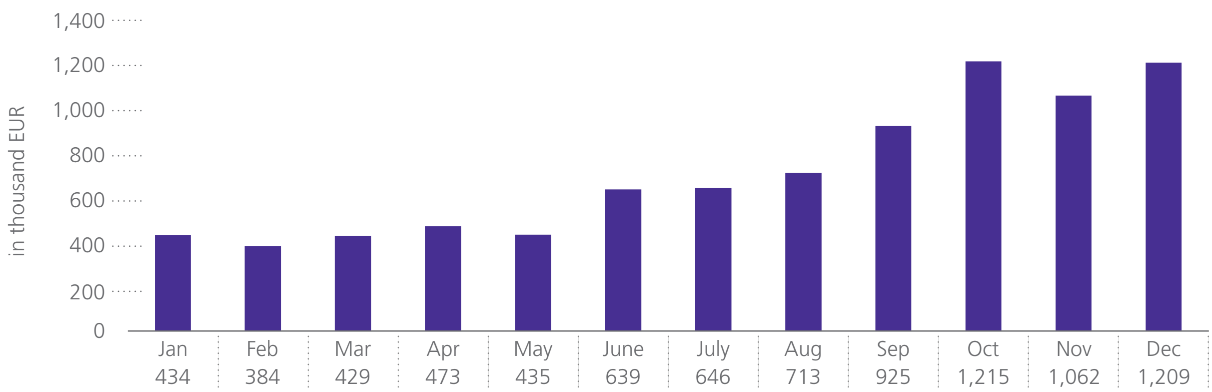
Holding around 1.2 million payment cards, the NLB clients had performed card transactions worth EUR 1.7 billion in 2013. BA Maestro debit cards accounted for the biggest proportion in terms of number and turnover, while the number of new Visa cards and transactions rose. Besides the increase in the volume of transactions, the number of transactions rose in 2013 as a consequence of many novelties in the range of marketing activities and successful operations at points of sale.

The development of card operations in 2013 was focused on improving the Bank's competitiveness in the area of cards, the offered functionalities, attracting new points of sale and introducing contactless technology in 2014. More than 2,000 points of sale performing a high number of transactions were equipped with POS terminals facilitating contactless payments.

At the beginning of 2013, Maestro cardholders were offered the option to pay for their online purchases by card. The Bank enhanced its range of premium cards with the introduction of the new NLB Premium Visa card, enabling cardholders to transact via the Premium Contact Centre and benefit from exclusive offers made in cooperation with Visa.

The NLB has been the only bank in Slovenia to offer the holders of deferred payment cards (MasterCard, Visa and Karanta) the new service of NLB Instalment Purchases (from 2 to 12 instalments). The NLB Instalment Purchases service was upgraded to allow the payment of purchases via telephone. Thus, business cooperation with nearly 4,000 existing and new points of sale was substantially enhanced.

FIGURE 18: MONTHLY VOLUMES OF INSTALMENT PURCHASES IN THE NLB IN 2013



ELECTRONIC BANKING

The development of the NLB Klik online banking service focused on simplifying its use, expanding the range of products and services, the possibility of providing online banking services and client communication. At the core of all of the abovementioned activities was ensuring the security of online operations. The range of content in the area of standing orders and direct debits was expanded in 2013, while a direct link between the NLB Klik and the NLB Portal was established to facilitate specific banking transactions. Through the development of its online banking services, the NLB will continue to follow trends in modern online banking in the future, expand the use via mobile devices and develop the use of additional security elements.

LIFE INSURANCE BUSINESS

NLB Vita has been the leading bancassurance company in the Slovenian life insurance market, and one of the few insurers to record growth in premium in 2013.

NLB Vita pays special attention to the safety of the funds invested by its clients. The bulk of investments in NLB Vita's long-term life insurance business fund consist of government and corporate bonds of renowned foreign and domestic issuers, whereas more than 97% of debt investments have received an investment-grade rating by at least two of three reputed rating agencies. The coverage of the long-term life insurance business fund exceeds 120%. Moreover, the insurance company's capital is more than two times the minimum capital prescribed by the regulatory authority.

ASSET MANAGEMENT

2013 witnessed some positive yields in securities markets, although they were not reflected in net inflows to Slovenian mutual funds. The Slovenian securities market recorded net outflows of EUR 37.7 million.

Despite these market outflows, NLB Skladi recorded net inflows worth EUR 30.6 million. At the end of 2013, NLB Skladi's assets under management totalled EUR 352.4 million, up EUR 54.7 million or 18.4% on the end of 2012. The company's market share among the funds not originating from privatisation grew from 21.9% in 2012 to 23.9% in 2013.

NLB Skladi launched three new sub-funds on the market in 2013 so as to supplement the NLB Skladi umbrella fund. The new sub-funds increased the number of sub-funds in the NLB Skladi umbrella fund to 18.

To optimise services for clients and based on NLB Skladi's good track record, the individual management of clients' assets was transferred from the NLB to NLB Skladi at the beginning of 2014.

CORPORATE BANKING IN SLOVENIA

TABLE 10: RESULT OF THE CORPORATE BANKING SEGMENT IN SLOVENIA

in million EUR	2013	2012	Growth
Net interest income	29.8	88.8	-67%
Net non-interest income	41.2	55.5	-26%
Total net operating income without one off	**71.0**	**144.3**	**-51%**
Total costs	-41,7	-55.6	-25%
Result before impairments and provisions without one off	**29.3**	**88.7**	**-67%**
One off	-196.0	-	-
Impairments and provisions	-346.4	-405.7	-15%
Result before tax	**-513.2**	**-316.9**	**62%**
Segment assets	2,411.0	5,048.6	-52%
Segment liabilities	1,087.5	1,272.9	-15%

The loss in the corporate banking segment was primarily influenced by two factors in 2013 – the loss realised upon the transfer of part of the receivables to the BAMC and the large additional impairments on the portfolio due from so-called companies in intensive care or restructuring.

Operating results prior to impairments and provisions were down due to the decline in interest income resulting from a targeted contraction in loan exposure to corporate customers in non-core segments, and a contraction in core segments driven by weak credit demand due to the low economic activity. The active reduction of risk-weighted assets associated with non-core and non-performing customers has been among the key elements of implementation of the NLB Group's strategy. The scope of non-interest income also dropped in 2013, mainly on account of reduced commissions arising from guarantees and payment transactions, which were the two principal sources.

The lower costs had a positive effect on the results of the segment. Additional loan impairments in the amount of EUR 346.4 million were created, which is EUR 59.3 million less than in 2012.
The volume of gross loans to the non-banking sector was down EUR 4,047.0 million or 59.2% relative to the previous year, partly due to the transfer of the portfolio to the BAMC and the Non-Core NLB Group

Division. The volume of guarantee transactions also fell slightly over the previous year due to the low activity in the construction sector, as was the balance of the guarantee portfolio. There was no decline in international guarantee transactions within the scope of the guarantee portfolio. The volume of import letters of credit and collection transactions indicates a possible rise in the value of transactions.

Corporate banking has been hit heavily by the very intense recession, but also by the inadequate past risk management practices and consequently the inappropriate structuring of corporate relationships with an insufficient understanding of underlying business models of clients and a focus on sustainable cash flows and matching debt capacities, as well as repayment schedules. In the past, non-transparency in the structure of the Group supported by overly relaxed governance led to the decentralised management of groups of borrowers with split responsibilities. As observed at the beginning of 2013, all of the above contributed to losses and the obvious need to completely restructure the corporate banking business model. Therefore, in 2013 a new transparent and logical customers segmentation was introduced with corporate banking being reorganised into key customers, mid-market and MSE units with new management, a specialised sales force and fully centralised responsibility for customer relationships.

Despite the abovementioned challenges, all corporate sales units were strongly focused on identifying and establishing healthy and profitable new business throughout 2013. All activities of the sales force were tracked by a centralised tool and hundreds of meetings were conducted outside of the Bank on a monthly basis to fill the business pipeline with the income needed for the Group's sustainable and viable future operations.

The Bank introduced a set of clearly defined KPIs which are subject to constant measurement and strict corrective measures in case of deviations as a standard business practice.

New or improved credit policies were defined and cash flow lending principles were consistently applied to new transactions.

Due to the persistent economic crisis in South-east Europe, one of the main tasks of the corporate sales force was (and will remain in 2014 and 2015) very strict loan collection and the highly active multilateral restructuring of many sizeable groups, in which the NLB frequently performed the role leading agent/coordinator. Regular sales units worked closely with and supported intensive care units in the risk stream to accelerate these extremely important processes and thereby minimise the potential adverse impact on the Bank's financial statements.

In the financing and insuring of export transactions the NLB focuses on markets where its export-oriented clients operate. The Bank follows the market flows between Slovenia and the aforementioned countries in its financing of export transactions. In the financing of major, long-term projects, the NLB works with SID banka, which insures transactions against commercial and non-commercial risks.

The deposit portfolio was down EUR 24.1 million or 2.3% relative to the previous year, to stand at EUR 1,044.7 million.

The extremely weak liquidity position of companies and payment indiscipline in Slovenia again hindered any greater flow of funds between companies in 2013. Payment indiscipline has hit suppliers and subcontractors the hardest. The recession in Slovenia has resulted in the start of numerous insolvency proceedings against companies, 308 of which were NLB clients to which total exposure at the end of December 2013 was EUR 643.1 million.

In 2013, the NLB identified MSE as one of the key core client segments for the long-term development of the economy. The Bank has been comprehensively revising its business model of operations with small enterprises. In this way, it will be able to dynamically follow changes in the market and satisfy the needs of this the most populous segment of corporate customers. The positive effect of completing the revisions to the model will be reflected in the improved quality and accessibility of services, a more rapid and effective credit-scoring-based decision-making process and the exploitation of synergies between private individuals and small business segments by offering cross-segment coverage and easy to use electronic platforms, a contact centre, as well as a newly established mobile sales force for proactive client contact.

In 2013, the small business segment was offered a special range of loans on more favourable terms and conditions through which the Bank stimulated credit activity. New services launched on the Slovenian market included the »management of consents for SEPA direct debits« and the »bank payment obligation« as a new payment, collateral and financing instrument.
In the area of business accounts, activities continued for the e-management of corporate clients' documentation. The gradual rationalisation of night deposit boxes began with the introduction of

automated deposits at ATMs for corporate clients. In the area of card operations, the Bank continued to focus on increasing its competitive advantage in acquiring points of sale.

INTENSIVE CARE FOR CORPORATE CLIENTS

The Corporate Intensive Care Division has become an important part of the Bank's operations due to the protracted economic crisis. The Intensive Care Division focuses on restructuring the corporate debt of companies capable of surviving in a competitive market environment. Such companies must typically carry out an operational and ownership restructuring for successful long-term rehabilitation. The Bank pursues the objective, which is included in the "Slovenian Principles of Corporate Debt Restructuring" drafted by the Managers' Association to minimise the losses of all stakeholders using a coordinated approach to restructuring and avoiding corporate bankruptcies started without the proper analyses and deliberation, thereby preserving jobs and business capacity whenever possible. In its restructuring activities, the Bank also takes account of the Banking Code – Code of Business Ethics of Members of the Bank Association of Slovenia, which includes the appendix Recommendation of the Bank of Slovenia for Coordinated Action by Creditor Banks in the Event of Corporates in Financial Difficulties.

FINANCIAL MARKETS

TABLE 11: RESULT OF THE FINANCIAL MARKETS SEGMENT

in million EUR	**2013**	**2012**	**Growth**
Net interest income	74.0	56.9	30%
Net non-interest income	3.9	25.4	-85%
Total net operating income without one off	**77.9**	**82.3**	**-5%**
Total costs	-15.0	-17.4	-14%
Result before impairments and provisions without one off	**62.9**	**64.9**	**-3%**
One off	257.6	179.9	43%
Impairments and provisions	-15.9	-0.3	5247%
Result before tax	**304.6**	**244.5**	**25%**
Segment assets	3,554.1	2,715.9	31%
Segment liabilities	2,575.2	3,727.4	-31%

In 2013, the NLB Group recorded a profit before tax of EUR 304.6 million in the segment of financial markets. The high profit generated by this segment was largely influenced by positive one-off effects from the termination of subordinated instruments in the amount of EUR 257.6 million. The results of the segment comprise the total ALM effect.

TRANSACTIONS IN FINANCIAL INSTRUMENTS

Individual transactions in foreign currencies with customers, forward FX transactions and the deposits of non-banking financial institutions (including the Ministry of Finance) account for the biggest share of turnover. The number of underlying derivative transactions concluded to hedge against currency and interest rate risks was down slightly. The reason for the slight drop in transactions in foreign currency derivatives can be found in the contraction of the economy and clients' reduced needs for such transactions, while the reason for the decline in interest rate derivatives lies in the relatively low market interest rates, resulting in the low cost of financing corporate loans.

The total value of securities transactions provided by the NLB to its clients using stock brokerage services in 2013 was EUR 562 million. Of the NLB Group members, stock brokerage services are also provided by Convest, which is a member of the Belgrade Stock Exchange, and NLB Tutunska banka, a member of the Skopje Stock Exchange. Similar to the previous year, 2013 was a record year for the NLB in all aspects of asset management. Net inflows totalled more than EUR 48 million, while assets under management were up by more than 31%, with client assets of EUR 248 million under management at year end.

Also in 2013, the NLB again played an important role in maintaining the liquidity of Slovenian government bonds via the electronic MTS Slovenia platform where nine Slovenian bonds were actively listed in 2013. In addition to foreign banks, three Slovenian banks and the NLB participate in the previously mentioned activities, with the NLB ranking first among domestic banks in terms of monthly listings. Although annual turnover was down from EUR 2.5 billion to EUR 1.3 billion, the NLB increased its share of total turnover from 2.1% to 4.3%.

The Bank also maintains its active role in the primary market of Slovenian government treasury bills. The NLB achieved a 30% share of the issue of 3-, 6- and 12-month treasury bills.

Further, it continues its active role in initial public offerings of European Financial Stability Facility (EFSF) and European Stability Mechanism (ESM) instruments, where it is the only Slovenian bank to maintain the status of a primary service provider for short-term and long-term debt securities.

CORPORATE FINANCING

In 2013, the NLB was again active in debt securities issuance as sources of financing to Slovenian companies. It organised and implemented several issues of short-term commercial paper in a total nominal amount of EUR 146 million. The Bank also participated in the public sale of new shares of a large Slovenian company in the amount of EUR 17 million. The mentioned shares were offered on the Slovenian and Polish markets, with the NLB in the role of organiser of the sale of new shares in Slovenia.

The NLB was also active as an organiser of sales of business stakes in companies in 2013 when it carried out the successful sale of a majority interest in a company, provided advisory services in other activities related to corporate capital links, executed a takeover bid for shares and the exclusion of minority shareholders. It appraised the value of several companies.

The NLB also provides syndication services for private equity projects and infrastructure projects.

INTERNATIONAL TRADE TRANSACTIONS

The NLB strives to help its clients with a range of financial services offered in international markets. It is able to do this via a network of correspondent relationships and lines for the financing of international trade.

The main services the Bank offers its clients are confirmations, post-financing and the repurchase of irrevocable documentary letters of credit, the issue of guarantees based on the counter guarantees of foreign banks, guarantee confirmations, the issue of reimbursement obligations etc. Through collateral from SID banka, the Bank offers buyers of Slovenian goods and services long-term project financing that is adapted to the individual needs of clients.

CUSTODY SERVICES

In the area of custody services, the adverse conditions of the capital markets were chiefly reflected in a slowing of the long-term trend of rapid growth and a slight decline in assets in custody during the first half of the year. Nevertheless, assets in custody reached the previous year’s level at the end of 2013 to stand at EUR 7.535 billion. The level of assets invested in foreign markets remained stable during the year, while the Bank recorded a 2% decline in assets invested in the domestic market.

The Slovenian capital market’s integration with developed European markets continued in 2013. This was primarily reflected in the harmonisation of local legislation and the market infrastructure in the scope of adaptations of operations to the pending introduction of Target2 Securities.

With regard to custody services for investment funds, the NLB was able to acquire its first money market sub-fund, although it also faced the first liquidation of a mutual fund. There was a slight rise in trading in financial instruments in the scope of investment funds, and a slight drop in the proportion of payments to investment coupon holders relative to the previous year. At the end of the year, there were 25 investment funds, 7 umbrella funds with 10 pension plans, 3 foreign pension funds and 1 mutual pension fund in custody, with total assets of EUR 884.5 million.

CORE FOREIGN MARKETS

TABLE 12: RESULTS OF THE CORE FOREIGN MARKETS SEGMENT

in million EUR	2013	2012	Growth
Net interest income	90.0	107.5	-16%
Net non-interest income	40.3	32.1	25%
Total net operating income without one off	**130.3**	**139.6**	**-7%**
Total costs	-94.7	-99.3	-5%
Result before impairments and provisions without one off	**35.6**	**40.3**	**-12%**
Impairments and provisions	-191.9	-83.7	129%
Result before tax	**-156.3**	**-43.4**	**260%**
Result of minority shareholders	-0.6	0.4	-240%
Segment assets	3,265.3	3,243.7	1%
Segment liabilities	2,800.6	2,705.6	4%

The NLB Group's focus on core markets is banking, as the primary activity, with the medium-term emphasis placed more on retail and SME banking. Life and pension insurance and the management of mutual funds will remain the core activities in the future.

The economic situation of core markets deteriorated further relative to 2012. Liquidity problems faced by clients and limited capital sources forced NLB Group companies to reduce their risk-weighted assets in 2011 and 2012 to ensure that existing capital was sufficient to meet capital adequacy requirements. This limited the scope of lending and these trends extended into 2013. Core banks were no longer limited in that respect in 2013 (except NLB banka Belgrade and NLB Montenegrobanka), but saw their credit portfolios grow only slightly.

In contrast to 2012, all banks recorded a rise in deposits by the non-banking sector in 2013. Here, we should mention NLB Tutunska banka which during the year successfully compensated for a major outflow of deposits at the end of the first quarter of 2013 (this outflow was partly caused by the downgrading of Slovenia and the NLB).

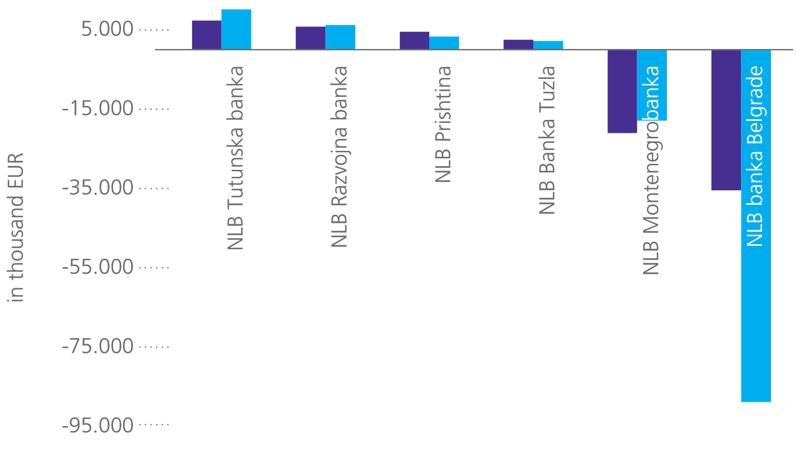
The revenues generated in 2013 by NLB Group banks in core foreign markets were down on the previous year (except for NLB Tutunska banka) to some extent also as the result of the limited growth in the credit portfolio in 2011 and 2012, lower interest rates, portfolio deterioration and fewer good investment opportunities due to the adverse economic conditions. The banks are continuing to reduce their costs in response to the situation. However, several NLB Group banks recorded poorer operating results before impairments and provisions relative to 2012 due to a more rapid decline in revenues than in costs.

The additional impairments created by banks in core foreign markets were higher than in the previous year, primarily at NLB banka Belgrade and NLB Montenegrobanka. In addition to loan impairments and provisions, goodwill and other intangible assets (contractual relations with clients) were impaired at the Group level in the amount of EUR 48.1 million. The creation of additional impairments and lower revenues resulted in a significantly worse pre-tax operating result for the segment compared with 2012.

NLB Tutunska banka, NLB Razvojna banka, NLB Prishtina and NLB Banka Tuzla generated a profit, which in NLB Razvojna banka and NLB Tutunska banka was even higher than in the previous year. NLB banka Belgrade and NLB Montenegrobanka generated a net loss in 2013.

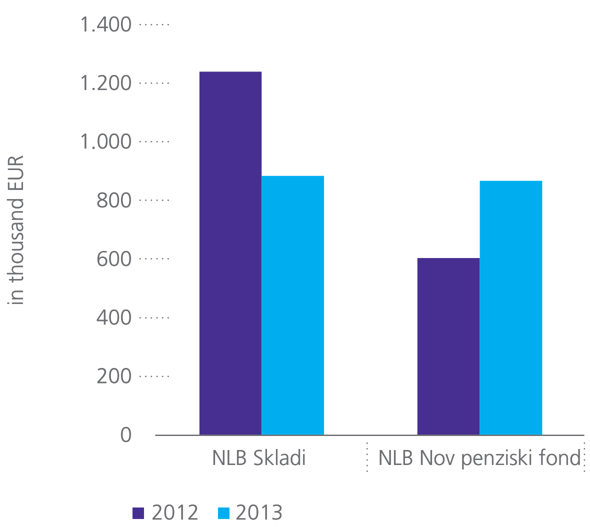
Despite the adverse conditions, pension insurance companies and asset management companies generated a profit.

FIGURE 19: OPERATIONAL RESULTS OF THE CORE BANKS



* In accordance with the IFRS.

FIGURE 20: OPERATIONAL RESULTS OF NLB SKLADI AND NLB NOV PENZISKI FOND



* In accordance with the IFRS.

NON-CORE MARKETS AND ACTIVITIES

TABLE 13: RESULT OF THE NON-CORE MARKETS AND ACTIVITIES SEGMENT*

in million EUR	2013	2012	Growth
Net interest income	-33.8	10.4	-
Net non-interest income	-26.4	-12.4	112%
Total net operating income without one off	**-60.2**	**-2.0**	**2883%**
Total costs	-42.5	-57.0	-25%
Result before impairments and provisions without one off	**-102.7**	**-59.0**	**74%**
One off	-349.0	-	-
Impairments and provisions	-477.8	-56.8	742%
Result from equity investments in associates and joint ventures (equity method)	-29.1	-10.5	178%
Result before tax	**-958.7**	**-126.3**	**659%**
Result of minority shareholders	0.0	0.5	-101%
Segment assets	1,184.8	929.0	28%
Segment liabilities	146.5	145.3	1%

* Data for 2012 and 2013 are not directly comparable due to organisational changes.

The bulk of the realised loss of the NLB Group, namely as much as 70%, was made in the non-core market segment in 2013. In addition to the negative effects of transferring receivables to the BAMC in the amount of EUR 349 million and additionally established provisions and impairments in the amount of EUR 477 million, the segment also generated a negative result from current operations before impairments and provisions. The volume of revenues in companies being divested is falling at a faster pace than the volume of operating costs, which further deteriorates the result before provisions.

Non-core markets and activities include the non-core members of the NLB Group and the non-core part of the NLB portfolio which comprises investments from the construction, transportation and financial holding industries, loans to foreign corporate clients and the Trieste Area Branch, including the entire business and assets.

The Non-Core Group Division focuses on the divestment of subsidiaries, assets and equity stakes where possible; otherwise, it strives to collect receivables and reduce administrative costs with the aim of achieving the efficient final liquidation of activities.

Upon its establishment on 1 March 2013, the Non-Core Group Division took over custody of 171 clients from various industries. The NLB's total exposure to these clients amounted to EUR 1,872 million. By the end of 2013, the Non-Core Group Division had reduced the exposure to EUR 391 million through repayments in the amount of EUR 143 million based on ordinary activities and via the one-off transfer of assets to the BAMC in the amount of EUR 1,338 million. It also significantly reduced the scope of off-balance-sheet liabilities from issued guarantees. From its establishment until the end of 2013, the Non-Core Group Division had reduced the exposure to non-core clients from EUR 3,452 million to EUR 1,826 million. EUR 1,339 million or 82% of the abovementioned reduction arose from the transfer of assets to the BAMC.

One of the key tasks in 2013 was the coordination and execution of transfers of a portfolio of EUR 2.2 billion of gross assets to the BAMC. In economic and accounting terms, that process was completed on 20 December 2013, while implementation activities (the operational transfer of documentation) will continue until the end of April 2014. Three equity investments were transferred to the BAMC in 2013, while the transfer of the remainder has been agreed upon.

Despite the difficult operating conditions in most markets in which the foreign legal entities to which the NLB is exposed are present, its exposure was reduced by a total of EUR 25 million through the repayment of principal and the sale of claims.
In accordance with the Group’s strategy to reduce the scope of its operations outside its core markets, in 2013 the Trieste Area Branch reduced its receivables from lending activities by 32.5% and its total off-balance-sheet transactions by 58.7%. Given the significantly reduced the scope of its operations and thus of its revenues and in line with commitments given by Slovenia to the EC, the Trieste Area Branch will be closed gradually.

Liquidation proceedings against NLB Factoring and LHB Trade were initiated in 2013, while liquidation proceedings against SIB banka and NLB Factor were concluded.

RISK MANAGEMENT

The adverse macroeconomic conditions affected the entire banking sector, and were reflected in the deteriorated quality of the NLB Group’s portfolio. Given the NLB Group’s business model, credit risks are among the most significant risks, also accounting for the largest share of the capital requirement. The Group’s exposure to liquidity risk also somewhat intensified in 2013 due to the relatively low credit ratings of Slovenia and the Bank.

METHODOLOGY

The NLB Group responded to the deteriorated indicators of the quality of its investment portfolio by continuing its intensified introduction of improvements in the credit process and risk management culture. Internal methodologies and guidelines relating to credit risks were audited, while internal investment approval procedures and controls were enhanced to ensure the early, more systematic and in-depth identification of risks.

The following additional systems and activities were introduced, with an emphasis on the more prudent assumption of risks:
- the Bank critically reviewed its risk profile and risk appetite at both the Bank and Group levels, including a definition of the criteria for assessing credit risk at the portfolio level and a definition of the risk appetite. In addition, a focus was placed on regular monthly monitoring of the entire range of significant credit portfolio indicators;
- the credit rating assignment process was separated from the loan granting process, in which a co-decision (risk and sales) approach was introduced. In the scope of the latter, the issuance of a compulsory opinion of the risk area regarding specific loans was introduced in 2013;
- the existing methodology for assigning credit ratings to clients was updated by introducing criteria from the point of view of a client’s financial position and defaulting. In accordance with the updated methodology, D- and E-rated clients are classified as defaulters. The “unlikely to pay” subcategory was

defined within the D credit rating category. This subcategory includes clients who are unlikely to repay their liabilities without liquidation of their collateral. The use of a scoring model was also introduced for clients whose exposure does not exceed EUR 20,000, as an additional tool for assessing risks;
- A Watch List Committee for clients on the watch list and intensive care list was established as part of the 'early warning system' for detecting increased credit risk.[2] Action plans were drawn up for clients on the watch list and intensive care list. The implementation of those plans is monitored on a regular basis;
- The methodology for creating impairments and provisions was updated, with an emphasis placed on the procedure for assessing the appropriateness of individual impairments and provisions in order to respond to changes in the financial position of customers and other factors that could impact the level of required impairments in an efficient and timely manner; and
- the upgrading of the centralised system of loans approval for materially significant clients[3] at the Group level. A centralised system was also introduced for the reporting of additional impairments by NLB Group companies in the event of a more significant increase in the latter.

The handling of customers facing problems in their operations has been augmented and is more proactive, while the recovery of non-performing loans has also been enhanced.

The liquidity position of the Bank and consequently of the Group improved significantly following the transfer of non-performing assets to the BAMC and the capital increase in the Bank. It is now very strong, which is also reflected in the high liquidity reserves. The NLB Group has established a comprehensive system for monitoring and managing liquidity risk at the operational, structural and strategic levels, as well as for managing liquidity in exceptional circumstances.

The NLB Group maintains a conservative policy for market risks as demonstrated by the relatively closed positions and low limits. Contemporary methods and instruments are applied to monitor the exposure and a proactive management approach has been introduced. In addition, relatively detailed control activities are being implemented. At the Group level and in specific non-banking companies certain exposures result from structural imbalances are attributed to credit risks. In addition, the possibility of active management in some local markets is limited due to their underdevelopment and the poor availability of eligible financial instruments.

Great emphasis is also placed on the management of operational risks, which is constantly upgraded in terms of its monitoring quality. The NLB Group has established a standard methodology for managing operational risks. The Group is investing additional efforts in monitoring and analysing loss events, in particular with regard to reporting potential loss events, and identifying and managing operational risks. The NLB has zero tolerance for internal and external criminal and grossly negligent conduct. Special emphasis is given to the currently most active risks such as the prevention of loss events in the credit process, risks linked to the divestment and transfer of activities to external contractors and risks associated with managing staff. Additional control and development activities are also being introduced in other areas, such as integrity and ethical conduct.

In addition to the above, the Bank includes other non-financial risks, such as capital risk, strategic risk, reputation risk and profitability risk, in the internal assessment of capital required at the NLB Group level as part of the internal capital adequacy assessment process. To that end, it has established the relevant methodologies for identifying and assessing specific types of risk defined in internal policies.

The NLB is confident that the activities carried out in 2013 and the new approaches will considerably improve the control and management of risks. The main risk the NLB Group will continue to be exposed to in the future is credit risk, but changes in the credit process, the intensive and proactive handling of problematic customers, the stabilisation of economic conditions and the revised core objectives of the NLB Group will lead to a gradual improvement in managing this risk in the long run.

[2] Members of the Committee shall include:
- the Management Board member in charge of risks;
- the Director of the Credit Analysis and Control Division;
- the Director of the Intensive Care and Non-Performing Loan Management Division;
- the Director of the Credit Analyses Department;
- the Director of the Financial Instruments Control and Evaluation Department; and
- the Director of the Intensive Care Department.

[3] Key NLB Group clients are those which represent such a high risk for the NLB Group due to the scope of exposure or other criteria that they must be fully centralised and treated particularly carefully. Key clients of the NLB Group are those meeting the following criteria:
- their exposure in the NLB Group is above EUR 5 million;
- they were transferred to intensive care based on the Methodology for monitoring and managing risky clients in NLB;
- according to an estimate of the central client account manager in the NLB Group, they must be treated centrally for other reasons; and
- according to an estimate of the Bank, they must be treated centrally at the NLB Group level.

INVESTMENT PORTFOLIO

Negative external factors had a considerable impact on the volume and quality of the portfolio in 2013. Household consumption declined due to the deteriorating conditions in the labour market. In addition, the high indebtedness of the corporate sector and relatively low investment demand are hindering efforts to kick start lending, despite the growth of export activities. The adverse macroeconomic conditions have led to a serious deterioration in the recoverability of claims, most of which were originally approved in the past and continue to have the most significant impact on indicators of the credit portfolio's quality.

In December, the bulk of the NLB's[4] non-performing assets was transferred to the BAMC, which reflected in a lower share of non-performing loans at the end of 2013. Nevertheless, there was a sharp and constant increase in the share of NPLs during the year (prior to the transfer) due to the impact of the recession on those sectors that primarily depend on domestic demand, and due to the persisting deterioration of (mainly non-core) loans. Strict internal criteria for assigning client credit ratings were applied in line with the risk management methodologies. In addition to loans to clients more than 90 days in default, the amount of NPLs includes all other loans to D- and E-rated clients, as well as loans to clients in the restructuring process and loans to clients whose debt is unsustainably high given the cash flows they generate.

The share of non-performing loans was down 5.6 pp at the NLB to stand at 20.4% at the end of 2013. The share of non-performing loans is 25.6% at the NLB Group level, namely a decrease of 2.5 pp. The highest shares of non-performing loans were recorded in the trade, manufacturing and service sectors, while households still represent a low-risk client segment.

The coverage of non-performing loans by impairments was considerably higher at the end of 2013, standing at 72.6% at the NLB (60.1% in 2012) and 69.7% at the NLB Group levels (59.3% in 2012).

The total high-risk portion of the NLB Group's portfolio contracted by 14.7%, while the volume of loans dropped by 15.3%. The transfer of non-performing assets to the BAMC increased the share of A- and B-rated claims by 5.0 pp to stand at 69.8%, while the share of D- and E-rated assets declined by 5.7 pp to stand at 22.2%.

See accounting disclosures under Item 7.

TABLE 14: THE NPLS

in thousand EUR	NLB	NLB Group
NPLs at beginning of 2013	2,610,072	3,683,579
Proportion of NPLs at beginning of 2013	26.0%	28.2%
Increase due to deterioration of the portfolio	1,026,678	1,170,305
Decrease due to transfer to the BAMC	2,016,350	2,016,350
NPLs at the end of 2013	1,620,400	2,837,534
Proportion of NPLs at end of 2013	20.4%	25.6%

Loans by NLB Group banks make up nearly 92% of the portfolio, the operations of leasing companies 3.4% and the claims of factoring companies 4.4%. The NLB's portfolio accounts for 68% of the NLB Group's portfolio.

[4] Partly from core corporate and partly from non-core portfolio of the Bank.

TABLE 15: THE HIGH-RISK PORTFOLIO AND PROVISIONS

	NLB		NLB Group	
in million EUR	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Risk portfolio	10,463.6	12,965.5	13,997.1	16,401.5
Impairments and provisions for risk portfolio	1,272.1	1,625.3	2,107.3	2,274.7
Coverage ratio of risk portfolio	12.2%	12.5%	15.1%	13.9%
Credit portfolio	7,945.9	10,041.6	11,082.0	13,083.8
Impairments and provisions for credit portfolio	1,177.0	1,568.6	1,976.7	2,184.1
Coverage ratio of credit portfolio	14.8%	15.6%	17.8%	16.7%
Non-performing loans (NPL)	1,620.4	2,610.1	2,837.5	3,683.6
Non-performing loans (NPL) / total loans	20.4%	26.0%	25.6%	28.2%
Coverage ratio of NPL	72.6 %	60.1%	69.7%	59.3%

TABLE 16: STRUCTURE OF THE PORTFOLIO BY CLIENT CREDIT RATINGS

	NLB				NLB Group			
	31/12/2013		31/12/2012		31/12/2013		31/12/2012	
	in million EUR	in %	in million EUR	in %	in million EUR	in %	in million EUR	in %
A	5,453.3	52.1	6,344	48.9	7,630.3	54.5	8,501.4	51.8
B	2,024.4	19.3	1,894	14.6	2,145.8	15.3	2,142.0	13.1
C	1,125.1	10.8	1,880	14.5	1,110.0	7.9	1,848.2	11.3
D	897.9	8.6	957	7.4	1,290.0	9.2	1,375.3	8.4
E	963.0	9.2	1,890	14.6	1,815.1	13.0	2,530.3	15.4

FIGURE 21: STRUCTURE OF THE NLB GROUP'S PORTFOLIO BY COUNTRY

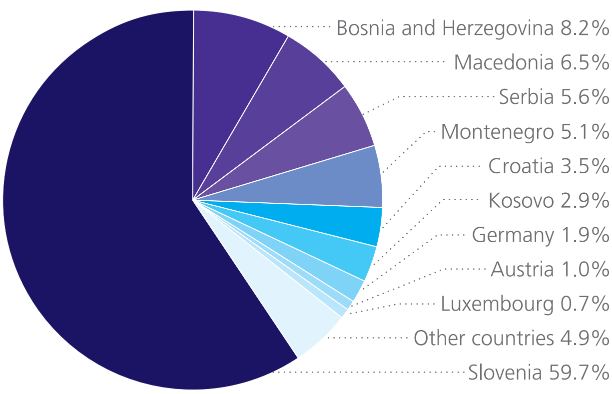
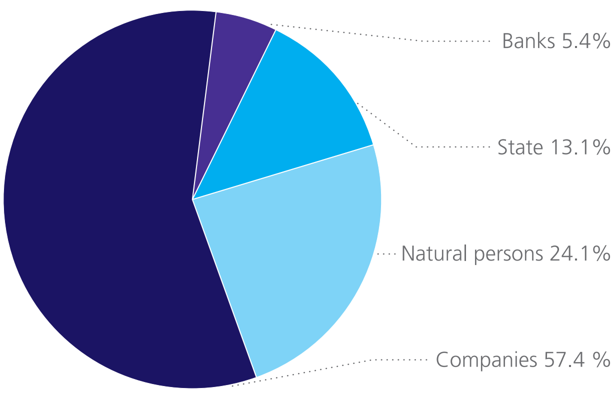


FIGURE 22: STRUCTURE OF THE NLB GROUP'S PORTFOLIO BY DEBTOR SEGMENT



FUNDING AND LIQUIDITY MANAGEMENT

In 2013, the Bank successfully faced the negative trends through an active approach and professional cooperation with its business partners. While the NLB has traditionally had strong relationships with international capital markets, the downgradings in the ratings made activities impossible. However, the NLB was successful in retaining a significant funding position from IFIs and still has an outstanding position in the ECB LTRO programme. The dynamics of funding were thus dominated by the deposit flows. Notwithstanding the very difficult funding environment, the NLB has continued to gradually reduce the pricing on deposits, its most important funding source, and thus reinforced the interest income base for the future. The outflows of deposits, although briefly accelerated in the course of the Cyprus crisis, was overall well manageable and never posed an immediate liquidity risk to the Bank. Given that parts of the capital increase and the remuneration for the transfer of assets to the BAMC were paid in bonds guaranteed by the Republic of Slovenia, the Bank is running a higher than usual concentration in its liquidity reserves in Slovenia which it will gradually seek to reduce to previous levels.

LIQUIDITY MANAGEMENT

The Bank's liquidity reserves comprise cash, funds on account with the central bank, sight and short-term deposits with banks, prime securities and ECB-eligible loans that the Bank may pledge as collateral with the central bank with the aim of securing additional liquidity. The minimal and optimal scope of liquidity reserves is defined on the basis of internal liquidity stress tests.

The Bank maintained available liquidity reserves in the amount of EUR 2,776.7 million as at 31/12/2013, while the NLB Group's liquidity reserves totalled EUR 4,094.2 million.

TABLE 17: THE STRUCTURE OF LIQUIDITY RESERVES

	NLB		NLB Group	
in EUR million	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Cash and balances with Central Bank	374.8	371.2	942.7	922.8
Interbank investments	279.3	207.8	512.0	398.5
Securities in the trading book	55.4	14.0	55.4	14.0
Securities in the banking book*	2,647.1	1,918.0	3,164.4	2,363.0
ECB-eligible loans	820.7	843.0	820.7	843.0
Total liquid investments	**4,177.3**	**3,354.0**	**5,495.2**	**4,541.3**
Pledged liquidity reserves	1,400.6	1,408.7	1,400.6	1,408.7
Available liquidity reserves	2,776.7	1,945.3	4,094.6	3,132.6

* Also includes the BAMC bonds that are treated as a loan in accounting terms.

The Bank's stock of liquidity reserves was up sharply following the capital increase and the transfer of assets to the BAMC. At the same time, the share of total exposure accounted for by the Slovenian government also rose.

The balance of debt securities in the NLB Group's banking book, including interest, was EUR 3,164.4 million as at 31/12/2013. Government securities accounted for 91.6% of the mentioned amount, followed by state-guaranteed bank bonds at 2.6%, and bank and corporate securities at 5.8%. EUR 1,597.4 million of securities was classified as available-for-sale, while EUR 864.3 million was classified as held-to-maturity and EUR 702.8 million of debt securities was classified as loans.

FUNDING

The total scope of refinancing was down EUR 649.4 million in 2013 to stand at EUR 2,548.5 million, while the balance of borrowings from the ECB remained the same in 2013 at EUR 1,266 million. The EUR 321 million decrease in subordinated debt was largely the result of the termination of the Bank's qualified liabilities (as part of the Bank of Slovenia's emergency measures) in the amount EUR 257.6 million.

The conditions in the financial markets, and in particular in the NLB, limited the opportunities for long-term borrowing in 2013. The Bank's activities to secure long-term sources of funding were primarily focused on servicing and maintaining existing loan agreements and the preparation of transactions that will have a positive effect on its liquidity position. To this end, the Bank is setting up uniform information support for monitoring all types of secured financial instruments.

In 2014, the Bank intends to refinance liabilities to banks, financial institutions and multilateral financial institutions in a manner similar to the past. It will continue to follow the principle of diversifying its sources of funding, with a greater emphasis on refinancing from collected client deposits. The core guideline in the future will continue to be the preservation of good relations with key business partners, which will allow the Bank to return to the financial markets at the appropriate time.

In an effort to harmonise the NLB Group, the bulk of borrowing by Group companies in international financial markets is coordinated by the NLB, which provides advice to Group companies in their borrowing activities (nevertheless, the banking members in particular preserve relative independence in the provision of funding). Due to the divestment of certain NLB Group members, funding for their operations is secured within the NLB Group, which reduces their dependence on outside sources of funding. Despite a decrease in the scope of borrowing by Group companies abroad, in 2013 the Group borrowed from commercial banks a total amount of EUR 48.35 million (EUR 43.5 million of loan renewals of, EUR 4.9 million of new loans raised).

TABLE 18: STRUCTURE OF THE SOURCES OF FINANCING

	NLB		NLB Group	
in million EUR	**31/12/2013**	**31/12/2012**	**31/12/2013**	**31/12/2012**
ECB funding	1,266.6	1,259.6	1,266.6	1,259.6
Borrowings	1,031.4	1,586.4	1,281.9	1,938.4
Deposits from banks	74.2	113.8	37.4	55.3
Deposits from non-banking sector	5,747.5	6,768.8	8,260.9	9,121.3
Debt securities in issue	68.8	104.6	68.8	111.6
Other liabilities	225.4	266.0	281.6	360.6
Subordinated debt	0.0	321.1	21.9	342.9
Equity	1,093.5	1,067.1	1,271.0	1,144.9
Total	**9,507.4**	**11,487.4**	**12,490.1**	**14,334.7**

HUMAN RESOURCE MANAGEMENT

The operations and performance of the NLB Group depend on a contemporary approach to managing employee competencies. The development of this area, changes in the Group and environment, and transformation projects dictated changes to the NLB Group Human Resource Management Policy. The revised policy comprehensively combines specific areas of human resource management, which are systematically linked and thus developed uniformly. Thorough changes were introduced in all of the aforementioned areas and spread throughout the NLB Group as minimum standards and best practices in this area.

One of the starting points for drafting and amending the human resource strategy is a revised and adopted plan of the number of employees, which also facilitates the planning and provision of the optimal range of employee knowledge and competencies for current and future challenges. The Bank began with the staff restructuring activities in 2013, as reflected in the reduced number of employees. Activities will continue in 2014 when the majority of redundancies should be realised.

In 2013 the number of employees in the NLB went down 4.1%, primarily through natural fluctuation and retirements. One-third of the reduction in employee numbers was carried out through the Redundancy Programme. The Bank complied with the law and both collective agreements in full, with an emphasis on reducing adverse consequences for employees. Special attention was paid to transparent communication and notification activities, the establishment of a Social Programme and other activities and continuous social dialogue with trade unions in the Bank. The Bank hired some new people from the external market in 2013, primarily employees with specific knowledge or competencies that could not be found in the Bank.

TABLE 19: KEY HUMAN RESOURCE MANAGEMENT INDICATORS

	2013	2012	2011
NLB employees	3,425	3,572	3,713
NLB Group employees*	6,912	7,208	7,448
NLB Group employees**	7,308	8,120	8,387
Women (in %)	74.2	74.0	74.4
Men (in %)	25.8	26.0	25.6
Average employee age (in years)	44.6	44.3	43.8
Share of employees with at least a higher education (in %)	50.0	46.0	46.9
Share of employees with a secondary education (in %)	47.0	51.0	49.7
Share of employees with a vocational or lower education (in%)	3.0	3.0	3.4
New employees	26	76	22
Termination of employment	173	217	300
Share of employees included in training (in %)	100.0	98.1	100.0
Training programme participants from the NLB	22,495	22,336	19,739
Average length of employee training (in days)	4.0	4.1	4.1
Employees with on- and off-the-job training contracts	99	111	129

* The NLB and subsidiaries of the NLB Group
** The NLB, subsidiaries, associates and jointly-controlled companies of the NLB Group

The system of competencies represents the foundation for implementing the human resource strategy, employment policy and development, and for all systems and activities related to the management of the NLB Group employee competencies. The Bank adopted its first Competency Catalogue in 2012, while the development of the Bank and the area of human resource management in 2013 dictated changes, primarily with regard to the comprehensively revised Job Systematisation Act and the drafting of a Knowledge Catalogue by Organisational Area.

The hiring of the right people for the right jobs is carried out on the basis of a plan of required employee competencies and knowledge maps. Internal staff are given priority when filling job vacancies by which the Bank promotes and facilitates employee development, the broadening of their competencies and the fulfilment of career plans, while working to prevent the outflow of staff and thus knowledge and experience from the Bank. A total of 433 employees changed jobs within the Bank in 2013. The Bank hired staff from the external market to a smaller extent (only when no adequate internal candidates were available).

The system of competencies represents the foundation for implementing the human resource strategy, employment policy and development, and for all systems and activities related to the management of the NLB Group employee competencies. The Bank adopted its first Competency Catalogue in 2012, while the development of the Bank and the area of human resource management in 2013 dictated changes, primarily with regard to the comprehensively revised Job Systematisation Act and the drafting of a Knowledge Catalogue by Organisational Area.

The hiring of the right people for the right jobs is carried out on the basis of a plan of required employee competencies and knowledge maps. Internal staff are given priority when filling job vacancies by which the Bank promotes and facilitates employee development, the broadening of their competencies and the fulfilment of career plans, while working to prevent the outflow of staff and thus knowledge and experience from the Bank. A total of 433 employees changed jobs within the Bank in 2013. The Bank hired staff from the external market to a smaller extent (only when no adequate internal candidates were available).

With the aim of introducing changes, the NLB began updating the existing performance assessment and remuneration model back in 2012. The upgrade of the system was based on the introduction of a target management system and a competency model. The performance assessment and remuneration model has applied to all bank employees since 01/07/2013, with the amended Rules on the Monitoring, Assessment and Remuneration of Performance.

The education, training and improvement of employees are crucial to supporting the planned development of each individual. Activities are mainly carried out in the Bank's own education and training centre. The Bank's decision and policy is to develop its employees to the greatest extent possible using its own internal experts. Therefore, the organisation and running of in-house training and improvement programmes are given priority over other forms of education, in particular because it is more effective and economical.

In 2013, the NLB once again ranked in the top ten Slovenian organisations in terms of strategic investments in employee education and training. The Bank achieved the best comparable results with respect to the number of employees included in the education and training system since as every employee participates in at least one or more education and training programmes. The NLB also ranks highly in terms of the actual education and training budget vis-à-vis total revenues from ordinary operations. In the future, activities will continue to focus on the development of self-learning tools, a reduction of administrative activities and contemporary approaches to education and training.

Talent management is also one of the key elements of human resource management. The aim is to identify and develop the best management staff and their successors within the NLB Group.

With the aim of preventing workplace injuries, health issues and occupational diseases, and in accordance with the provisions of the Declaration of Safety, preventive medical examinations, referrals to health spas and other prescribed measures are carried out.

For several years, the NLB has demonstrated its socially responsible attitude to employees through systematic education and training, the co-financing of studies etc. It provides solidarity financial assistance to employees in need in cooperation with the trade union, and collects funds to assist those affected by serious accidents. Regular recreational activities are accessible to employees via a sports association.

As a family-friendly company, the Bank engages in a number of activities: a day off from work for the first day of school, flexible work time with a paid absence for introducing children to day-care, a paid absence from work due to family emergencies, a reduction of exposure to typical workplace stresses with the aim of maintaining and strengthening health, preventive breast examinations, the organisation of childcare during holidays, additional benefits from the range of banking products and services and financial assistance, New Year's gifts for the employees' children and gifts for newborns. An additional channel for communication with employees was opened in 2013, primarily in the area of labour law, as dictated by changes in legislation and collective agreements.

The NLB strives to maintain a constructive dialogue with its colleagues, including efficient talks with trade unions. In spite of the difficult situation in 2013, the Bank and the trade unions successfully concluded a new NLB collective agreement (that brings numerous changes in the areas of remuneration and advancement, primarily with the aim of improving the work performance of each employee and the Bank itself). This shows that the Bank has adopted a balanced and responsible attitude to its colleagues as the most important element of the organisation's success.

MEDIS

Tone Strnad is one of the most successful entrepreneurs in the independent Slovenia and the owner of the company Medis. The principal activity of the company is marketing of medicines and medical devices. In the field of promotion and information about medicines Medis is the largest independent company in the Central and South-Eastern Europe. With tough and honest work he was able in 25-years together with his exceptional team to provide medicines for a mass of patients and create a very successful company out of nothing. Besides being successful in business the company is also socially responsible; it is engaged in the fields of culture, sport and education. Tone Strnad has been loyal to NLB from his childhood, but since he became the customer of Private Banking he finds doing business especially pleasant. He passed the tradition of co-operating with the largest Slovenian bank to the young generation.

The owner of the company Medis Tone Strnad and the representative of NLB Milena Kores are carrying out comprehensive audit of financial assets of the company, analysing the results and weighing the proposals for investment possibilities.

INFORMATION TECHNOLOGY, PROCESS MANAGEMENT AND OPERATIONS

In 2013, the NLB again maintained its high on-line system availability rate of 99.90% (in the context of unannounced interruptions of 0.03%), the highest availability rate recorded in the last five years, despite the fact that 683 changes were implemented and the primary data centre was successfully upgraded.

The NLB adopted a new IT strategy with an additional focus on the satisfaction of clients' needs, while emphasising e- and mobile solutions in one system, which will have a positive impact on the cost-efficiency of the Bank's IT solutions.

Several key organisational changes were made in the area of development, including the merger of product development for retail and corporate clients, the establishment of a single organisational unit covering the technology of operations outside the IT Sector and the establishment of a project office at the Bank level.

After five years, the NLB concluded a new three-year Enterprise Licence Agreement (ELA) for the Microsoft family of products, while the Enterprise Software and Services Offering (ESSO) agreement with IBM and the three-year licence agreement for the CA family of products were renewed. With regard to the infrastructure, the data centre and core data network equipment were comprehensively upgraded. In addition, the disc arrays for all platforms were replaced and standardised, and the infrastructure for the OTP (one-time password) system established, which will give rise to various e-banking security solutions and ensure compliance with ECB requirements regarding on-line and mobile operations.

The main focus of development in 2013 was on support for investment approval processes in both the retail and corporate customer segments. One related activity was the digitalisation of documentation in the sales process in the Distribution Network. In addition, the development of functionalities in core systems facilitated the shutting down of 28 applications.

Retail support was stable, in the scope of which 50 new or amended major functionalities were introduced and processing optimised. The Bank introduced automated support for back-office processes linked to the investment life cycle (reminders and recovery activities) and paperless operations (the digitalisation of documentation as it arises). A solution was developed in the area of e-operations that facilitates the use of OTP security protocol, which in 2014 will allow the Bank to adapt its electronic operation solutions to the ECB's requirements. In the area of payment cards, the Bank began activities for the migration to contactless operations as part of which appropriate equipment was provided to key retailers. In that respect, the Bank received support from MasterCard. Following the certification of POS PCI 2.0. terminals, the Bank continued to replace POS devices to achieve compliance with the mandates of VISA and MasterCard.

The main activities in the **corporate banking segment** were linked to automation of the investment approval process with the aim of increasing built-in controls in the POND and T24 systems, and integration with business intelligence solutions in the data warehouse. The Bank continued to optimise collateral management activities. The most important changes include the upgrading of the core T24 application for corporate clients and the accompanying introduction of an on-line user interface, through which the introduction of new T24 system modules for increasing the integration of support in the future is enabled. IT also provided new solutions to facilitate the smooth transfer of assets to the BAMC.

In the area of **payment systems**, the Bank successfully completed the migration to SEPA payment schemes and it continuously fulfils requirements of the amended reporting and requirements related to the prevention of money laundering and terrorist financing. Following the successful testing of support for the payment of guaranteed deposits, the Bank signed an agreement with the Bank of Slovenia as a payer bank. In addition, a new application for executions was introduced, while five applications used to calculate interest were replaced with a new application.

In the area of **financial markets**, the Bank developed the first element of support for securities transactions, which will be introduced at the beginning of 2014. Support for the issue of municipal and mortgage bonds was developed and is available for implementation in the event business needs arise. Development in 2014 will continue in the direction of establishing centralised records of financial assets used as collateral.

The **data warehouse** remains a key element of the Bank's information system. In 2013, it facilitated the efficient fulfilment of data requirements for the independent valuation of the Bank's investments carried out by an external auditor. Solutions were upgraded in the scope of adaptations to regulatory reporting requirements and compliance of the functionalities of the data warehouse. In 2014, this will facilitate new reporting to the EBA and EUB, the automated calculation of tax on financial services, improved support for the calculation of profitability and data for the needs of CRM at the levels of the Bank and the Group, the fulfilment of new requirements arising from regulations governing the prevention of money laundering and terrorist financing, and the establishment of solutions for the BAMC.

The NLB regularly updates and tests its business continuity plan and IT support recovery procedures. A test was carried out in 2013 using scenarios that included equipment and solutions where upgrades were crucial.

In 2013, the NLB continued its active role in guiding information technology activities within the NLB Group. Migration to the common SWIFT infrastructure was completed, while a common technical platform for solutions in the area of money laundering was introduced. The standardised development of support for collateral management in Group banks was carried out and a single platform for the implementation of e-education was introduced.

With the establishment of Demand and Process Management, the NLB is pursuing the objective of focusing on all cost components of its operations, from people and process-related costs and IT, property and other costs, i.e. process management and organisation development function, to the business analysis function, procurement, investments and a project office for the entire Bank. These functions are now interlinked so they represent a unique point for collecting, managing, challenging, prioritising and approving user/business requirements with the aim of cutting costs and increasing the NLB's efficiency.

The re-engineering of process management with the use of the lean methodology/principles has begun. After analysing the Bank's processes, they are being gradually re-engineered with a focus on eliminating unnecessary activities and focusing on those that create added value for our clients. Lean organisation training was carried out and while some of the processes have already been re-engineered (e.g. corporate lending, corporate collateral, executions etc.), others will be tackled by a core team established for the purpose of the lean transformation (end-to-end process re-engineering, lean organisation) of key processes in 2014. Structural and organisational changes aimed at centralising and optimising operations and processes resulted in a 13% reduction of the number of organisational units, while the number of decision-making bodies was reduced by 50%. As further changes to working methods and processes will be completed, new structural changes will follow in 2014.

As part of the introduction of a new procurement process, major cost elements were analysed and a cost reduction plan prepared. The Bank has reduced costs in several areas (e.g. optimisation of scanning and printing, property and transportation insurance etc.), while new purchasing approaches (e-auction for electricity and paper supply) have been introduced. In the area of cash processing, the optimisation of cash services via the establishment of a national cash centre, which would provide cash services to banks in Slovenia, and with the in-house efficiency improvement was analysed. Based on the results, a decision to streamline the costs of cash supply within the NLB was adopted.

INTERNAL AUDIT

The NLB's Internal Audit Centre (hereinafter: the Centre) is an independent and objective advisory function that employs a systematic and professional approach to assess the success of risk management procedures, the control system and the management of operations of the Bank and the Group. The Centre and all other internal audit departments in the NLB Group work in accordance with the International Standards for the Professional Practice of Internal Auditing, the Banking Act, the Code of Ethics of Internal Auditors and the Code of Internal Auditing Principles. It regularly reports on its activities to the Management Board, the Supervisory Board and the latter's Audit Committee.

The Centre's primary role is to provide the Bank's Management Board and Supervisory Board with independent and impartial assurance that the areas of the Bank's operations with the highest risk are managed appropriately. The emphasis of internal auditing is placed on the existence and functioning of the system of internal controls and effective risk management, which is also envisaged by international practices in line with the guidelines of the COSO (Committee of Sponsoring Organisations of the Treadway Commission), IC (Internal Control) and ERM (Enterprise Risk Management). Both models represent internal auditing criteria for assessing the control system and risk management.

The Internal Audit planned its audits on the basis of an analysis of risks in all areas of the Bank's operations. The plan was adopted by the Management Board in agreement with the Supervisory Board. The Centre carried out 61 audits last year, of which 47 were regular and 14 extraordinary. It completed all planned internal audits in the Bank but one, which was rescheduled to the beginning of 2014 due to area reorganisation. It participated in internal audits of NLB Group members by way of additional expert assistance to the members' internal auditors. The audits were primarily carried out in the areas of crediting and managing credit and liquidity risks, equity management, trading, information technology and other significant areas of operation in the Bank.

It also conducted extraordinary audits in the Bank and in non-banking members of the NLB Group, as requested by the Management Board or the regulator. Audits were focused on the area of granting and monitoring non-performing loans due to which the Bank suffered losses. Based on certain findings of the Internal Audit, the Bank initiated several processes to establish criminal and damage liability.

In addition to providing assurances to the Management Board and the Supervisory Board, the Centre's goal in 2013 was to improve the performance and quality of audit recommendations so as to facilitate the elimination of system irregularities in the processes or to bring about justified benefits. All goals were achieved, while some were even exceeded.

In 2013, the Management Board undertook the task to reduce the scope of non-implemented overdue recommendations. To this end, it strengthened the control of open recommendations and the first positive results were already noted at the end of 2013.

The bulk of the Centre's other activities comprised the monitoring of audit recommendations, consultancy, training and assurance of high-quality and professional operations of other internal audit departments in the NLB Group. This was done by implementing uniform rules of operation, conducting joint audits, reviewing the quality of audits, controlling reports and providing expert assistance to the NLB's representatives in the supervisory bodies of NLB Group members.

COMPLIANCE

Generally speaking, the activities in 2013 aimed at ensuring compliance can be broken down into four areas: building a culture of integrity and transparent operations, development activities by area, the systematic study of the causes of losses, and other regular tasks.

A CULTURE OF INTEGRITY AND TRANSPARENT OPERATIONS

At the start of 2013, the Bank's management began communicating the new values of integrity, becoming more familiar with clients, drawing attention to irregularities and errors, and open feedback and two-way communication. At the same time, the Bank began educating its employees regarding the importance of ensuring compliance and integrity at the Bank and within the banking group. This education is carried out at all levels and will become a permanent element in the future.

A COMPREHENSIVE SYSTEM FOR MANAGING COMPLIANCE RISKS

During the second half of 2013, the Bank's Compliance Centre (the CSP) began implementing a structured and comprehensive approach to managing all compliance risks. The target system includes 12 elements combined into three basic pillars (strategy, organisation and prevention, detection and measure-taking). Elements of the system that are specific to an individual risk (four elements) will continue to be implemented in processes in which it is assessed that the risk of non-compliant operations is highest.

With regard to preventing harmful conduct, the Bank has drafted the NLB Corporate Compliance Code which explains the basic rules that apply to the Bank's operations and the personal responsibility of every individual to report any suspected harmful conduct in good faith. By publishing the aforementioned code in 2014, the Bank will demonstrate its commitment to operations that are in line with legal, moral and ethical principles. The Bank has also improved the processes of recognising, reporting and measure-taking in the event of conflicts of interest and provided detailed rules regarding the giving and receiving of gifts and enhanced control of this area.

With the aim of improving measures in the event of suspected harmful conduct, all banks within the NLB Group have established procedures for investigating harmful conduct, including the compulsory reporting of suspected harmful conduct to the Compliance Centre, and procedures and responsibilities in the process of investigating such conduct.

By implementing new software support (SironAML) and re-engineering the work process, the Bank has harmonised the concept of monitoring unusual transactions at the NLB Group level, improved work efficiency and significantly reduced risks in the treatment of unusual transactions and the reporting of suspicious transactions to the Office for Money Laundering Prevention.

THE SYSTEMATIC STUDY OF THE CAUSES OF LOSSES

In 2013, the NLB started to systematically investigate those exposures representing the bulk of losses incurred by the Bank in the period from 2009 up till and including 2013. The portfolio foreseen to be audited is complex and large, which is why the activities are planned in the period from 2013 to 2015.

The aim of the review is to highlight the factors that resulted in above-average losses, to carry out activities for the partial repayment of damages and to report suspected criminal acts to prosecuting authorities. On this basis, the Bank aims to clearly communicate to the internal and external public that it has and will improve systems and processes, particularly with respect to the adoption of business decisions, the avoidance of conflicts of interest, the reporting of irregularities and the need for the transparency of operations. The review is being carried out on the basis of established criteria, including the materiality of losses, the status of a borrower (in insolvency proceedings or restructuring), risks related to the statute of limitations, and the past findings of regular and one-off internal or external audits. Other members of the NLB Group have adopted a similar approach.

In 2013, the Bank successfully completed one-quarter of the audit plan (i.e. 32 reports or criminal charges in 2013) and the activities are to continue intensively in 2014.

CORPORATE GOVERNANCE

In accordance with applicable legislation, the NLB employs a two-tier system of corporate governance in which the Bank is managed by the Management Board and its operations are supervised by the Supervisory Board. The Bank's bodies are the General Meeting of Shareholders, the Supervisory Board and the Management Board.

THE GENERAL MEETING OF SHAREHOLDERS

The General Meeting of the NLB meets and adopts decisions at regular and extraordinary meetings, where it adopts resolutions in accordance with the law and the Bank's Articles of Association. The responsibilities of the General Meeting of the NLB are stipulated by the Companies Act, the Banking Act and the NLB's Articles of Association.

The General Meeting of Shareholders makes decisions regarding:
- the Bank's Articles of Association and changes thereto;
- the Rules of Procedure of the General Meeting of Shareholders;
- the annual report, if the Supervisory Board has not confirmed the annual report or if the Management Board and the Supervisory Board defer the decision on adoption of the annual report to the General Meeting of Shareholders;
- the use of distributable profit;
- the discharge of the Management Board and the Supervisory Board;
- changes in the Bank's share capital;
- annual limits and characteristics of the issue of securities convertible to shares, and the Bank's equity securities;
- the appointment and recall of Supervisory Board members;
- the remuneration of Supervisory Board members, and participation in the Bank's profits by members of its Supervisory Board, Management Board and employees;
- the organisation that will carry out the audit of the Bank's financial statements;
- changes to the Bank's status (mergers, demergers, the transfer of assets, changes in the legal organisational form etc.) and the discontinuation of the Bank's operations; and
- other matters if so defined by the Articles of Association in accordance with the law, or matters defined by the latter.

In 2013, the shareholder representatives of the NLB met on 11/06/2013 at the 22nd General Meeting. A total of 91.72% of shares with a voting right were present at the beginning of the General Meeting. Shareholders were briefed on the approved 2012 Annual Report, the Supervisory Board's report and information regarding the remuneration of members of the Management Board and Supervisory Board in 2012. They were also briefed on the rules of the Supervisory Board for defining other rights according to the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (ZPPOGD). Afterwards, the General Meeting granted a discharge to the Management Board and Supervisory Board for the 2012 financial year. Ernst & Young, Ljubljana was appointed NLB's auditor for the 2013 business year by the General Meeting of Shareholders.

The General Meeting of Shareholders also adopted amendments to the Bank's Articles of Association relating to the functioning of the Supervisory Board and on whose basis the number of members of the aforementioned body was reduced to seven. New members of the Supervisory Board were appointed for a four-year term by the General Meeting of Shareholders.

Further, the General Meeting of Shareholders approved the proposed amendment to the Articles of Association regarding the Management Board's powers to increase the share capital as follows: "The Bank's Management Board is authorised, during the period of five years following the entry in the Companies Register of the amendment to the Bank's Articles of Association adopted at the 22nd General Meeting of the Bank held on 11/06/2013 (eleven June two thousand and thirteen), to increase the Bank's share capital once by no more than EUR 500,000,000.00 (five hundred million euros 00/100) by issuing the appropriate number of new shares for cash or non-cash contributions (authorised capital). The new shares shall be issued with rights under the condition and in the manner specified in the Management Board's resolution on increasing the Tier 1 capital and issuing new ordinary or preference shares; however, new shares can be issued solely for the purpose of ensuring the Bank's capital adequacy on the conditions laid down by the domestic or foreign regulator (the Bank of Slovenia or the European Banking Authority) or the European Commission. The Management Board of the Bank

may exclude the pre-emptive right of the existing shareholders to new shares in order for the new shares to be subscribed to by the Republic of Slovenia or persons related to it, subject to the approval of the Supervisory Board of the Bank."
In fact, the capital increase based on the Management Board's authorisation did not take place.

The NLB does not have any shareholders with special controlling rights. The NLB has no limitations on voting rights because voting rights are attached to all NLB shares (except for treasury shares) in accordance with the law.

On 18/12/2013, the Bank of Slovenia adopted an emergency measure to terminate the Bank's qualified liabilities pursuant to Article 261 of the Banking Act (hereinafter: ZBan-1), thus terminating all liabilities arising from the Bank's equity capital in the amount of EUR 184.1 million (22,056,378 shares). With the aforementioned measure, the Bank's share capital was reduced to zero. At the same time, the Bank's equity capital was increased by EUR 1,551 million and reached EUR 200 million.

As at 31/12/2013, the NLB had 20,000,000 issued shares, all of them 100% owned by the Republic of Slovenia.

SUPERVISORY BOARD

The NLB's Supervisory Board monitors and supervises the management and operations of the Bank. It performs its tasks in accordance with the provisions of the laws governing the operations of banks and companies and the Bank's Articles of Association, Article 24 of which defines its powers. According to the Articles of Association, the Supervisory Board is made up of seven members who are appointed and recalled by the General Meeting of the Bank from among persons nominated by shareholders or the Supervisory Board of the Bank.

The four-year term of the previous Supervisory Board expired in 2013. The new Supervisory Board of the NLB was elected at the General Meeting of Shareholders of 11/06/2013 for the period of time from their election until the conclusion of the NLB's General Meeting of Shareholders that decides on the use of distributable profit for the fourth financial year after the election. In this context, the first year shall be deemed the business year in which the Supervisory Board members were elected. The following Supervisory Board members were appointed for a new term: France Arhar, Tit A. Erker, Uroš Ivanc, Goran Katušin, Miha Košak, Gorazd Podbevšek and Sergeja Slapničar.

Riet Docx was a member of the NLB's Supervisory Board until 10/01/2013, while Sašo Cunder, Klemen Vidic, Stephan Wilcke, Miroslav Germ, Marianne Økland and Gaël de Pontbriand were members of the NLB's Supervisory Board until 11/06/2013.

TABLE 20: THE SUPERVISORY BOARD OF THE NLB

Name and surname	Position	Term	Audit Committee*	Risk Committee	Strategy and Development Committe	Appointment and Remuneration Committee
France Arhar	Chairman	2013–2017	-	Member	Deputy Chairman	-
Gorazd Podbevšek	Deputy Chairman	2013–2017	-	-	-	Deputy Chairman
Tit A. Erker	Member	2013–2017	Member	-	Member	Chairman
Uroš Ivanc	Member	2013–2017	Deputy Chairman	Chairman	-	-
Goran Katušin	Member	2013–2017	Member	Deputy Chairman	-	-
Miha Košak	Member	2013–2017	-	-	Chairman	Member
Sergeja Slapničar	Member	2013–2017	Chairwoman	Member	-	Member

* In addition to the mentioned members, Ladislav Hornan who is starting his new term of office, is also a member of the Audit Committee as an independent external expert.

TABLE 21: THE SUPERVISORY BOARD OF THE NLB IN THE PERIOD UNTIL 11/06/2013

Name and surname	Position	Term	Audit Committee	Risk Committee	Strategy and Development Committee	Appointment and Remuneration Committee
Klemen Vidic	Chairman (until 25/04/2013) Member	2012–2013	-	Member (since 14/02/2013)	Member (until 14/02/2013)	Chairman
Stephan Wilcke	Deputy Chairman	2012–2013	-	-	Chairman	Member
Riet Docx	Deputy Chairman (until 10/01/2013)	2009–2013	Chairwoman (until 10/01/2013)	Member	-	Member
Sašo Cunder	Member (until 25/04/2013), Chairman (since 25/04/2013)	2012–2013	Chairman (since 14/02/2013)	Member (until 27/06/2012 and from 14/02/2013), Chairman (since 11/10/2012)	Member	-
Miroslav Germ	Member	2012–2013	Member	Member (since 14/02/2013)	Member (since 14/2/2013)	Member
Marianne Økland	Member	2012–2013	Member (since 14/02/2013)	Chairwoman (since 14/02/2013)	-	-
Gaël de Pontbriand	Member	2012–2013	-	Member (since 14/02/2013)	Member (since 14/02/2013)	Member (since 14/02/2013)

FRANCE ARHAR

Education and training:
- PhD in law, Faculty of Law of the University of Ljubljana

Career:
- has been the Director of the Bank Association of Slovenia since 2012,
- he was the Chief Executive Officer of Bank Austria Creditanstalt Ljubljana, the present UniCredit Banka Slovenija between 2003 and 2012,
- he was the Chief Executive Officer of the insurance company Vzajemna zdravstvena zavarovalnica between 2001 and 2003,
- he was the Governor of the Bank of Slovenia between 1991 and 2001,
- he worked with LHB Frankfurt between 1988 and 1991,
- he performed different functions in the Bank of Slovenia between 1971 and 1988.

Other important functions and achievements:
- he is currently a member of the Fiscal Council of the Government of the Republic of Slovenia, a member of the arbitration panel of the Permanent Arbitration at the Slovenian Chamber of Commerce and Industry, chairman of the advisory committee of the Ljubljana Stock Exchange and chairman of the Committee of the Republic of Slovenia for Negotiations on Succession under the Vienna Treaty,
- he is also an assistant professor for international finance law at the Faculty of Economics of the University of Ljubljana and at the Graduate School of Government and European Studies in Brdo pri Kranju,
- he is in addition the chair of the Ethics Committee at the International Forum of Research and Development Pharmaceutical Companies, chair of the Council of the SNG Drama Ljubljana theatre and a member of the Supervisory Board of SISBON,
- and he participates in various professional conferences in Slovenia and abroad, while he is also the author of several books relating to international trade, international finance, commercial law and numerous articles published in professional journals.

GORAZD PODBEVŠEK

Education and training:
- He is a Bachelor of Law (Faculty of Law, University of Ljubljana) specialising in corporate law and corporate governance.

Career:
- He is a director of the company RMG, pravno svetovanje in korporativno upravljanje, d.o.o., a firm specialising in legal consultancy and corporate governance

Other important functions and achievements:
- he is a chairman of the expert council and a member of the programme board of the Slovenian Directors' Association and a member of the Policy Committee of the European Confederation of Directors' Associations (EcoDA),

- in particular, he focuses his efforts on changes to the status and capital of companies, the regulation of the corporate governance of companies and groups and on consultation in the area of corporate law,
- and he was involved in drafting legislation associated with the governance of state-owned companies and several autonomous sources of corporate governance.

SERGEJA SLAPNIČAR

Education and training:
- she received her doctoral degree from the Faculty of Economics University of Ljubljana in 2001,
- she took courses during her master's, doctoral and post-doctoral studies at the University of Bristol, University of Glasgow and London School of Economics.

Career:
- she is an associate professor at the Faculty of Economics at the University of Ljubljana teaching financial accounting and financial analyses at undergraduate and postgraduate levels,
- in the period from 2007 to 2013, she was the chair of the Academic Unit for Accounting and Auditing and the chair of postgraduate studies.

Other important functions and achievements:
- in her research work, she focuses on financial reporting and the impact of measuring the performance and remuneration of managers on their decision-making; she has published a number of science and professional papers in renowned domestic and foreign journals,
- she is a member of the European and American Academic Accounting Associations,
- she has been a member of the Supervisory Board of Krka since 2010, she was a member of the Council of the Agency for Public Oversight of Auditing from 2008–2010 and since 2008 has been a member of the settlement panel under Article 609 of the Companies Act for testing exchange ratios in the ownership restructuring of companies,
- and she regularly gives lectures at business training sessions at the Business Excellence Centre of the Faculty of Economics, the Slovenian Directors' Association, the Bank Association and the SIQ.

MIHA KOŠAK

Education and training:
- He holds an MA in the Economics of the European Community from Exeter University and an MBA from Bocconi University,
- and he holds an BSc in Economics in International Trade and Development from the London School of Economics.

Career:
- he is currently an Executive Director at VTB Capital where he is responsible for the development of the Group's activities in Central and Eastern Europe, and
- he has held senior director positions in a number of leading global financial institutions including Barclays de Zoete Wedd, Credit Suisse First Boston, UBS and Citigroup.

Other important functions and achievements:
- he has over 22 years of international banking experience in a wide range of corporate and investment banking including corporate finance, capital markets and wealth management. Throughout this time he has led and participated in key M&A transactions and capital raisings in a number of sectors in EMEA and Asia, including in the financial institutions sector.

GORAN KATUŠIN

Education and training:
- He is a Bachelor of Law (Faculty of Law, University of Ljubljana) and has also passed the bar exam.

Career:
- he has been employed at SID banka since 2008 as Director of the Compliance Department,
- he held a position in the Banking Supervision Department at the Bank of Slovenia from 2000 to 2008, ultimately as assistant director, and
- and after concluding his studies, he first completed his traineeship with the Ministry of Finance and also passed a professional examination for workers employed in the public administration in the area of finance and state assets.

Other important functions and achievements:
- has lectured for many years in programmes organised by the Bank Association of Slovenia (BAS) in the field of national and international bank regulations, chairs or participates in several committees/ working groups at BAS and European bank associations, publishes expert articles in reputable local magazines,
- he was a member of the management board of the Slovenian Technology Development Agency, as an industry representative, from February 2011 to January 2013.

TIT A. ERKER

Education and training:
- he obtained his master's degree in economics from Bocconi University in Milan where he specialised in monetary economics and game theory, and
- he completed undergraduate studies at the Faculty of Economics of the University of Ljubljana and the University of Amsterdam.

Career:
- he has been working at BP in London, in the Group's Strategic Recruitment Department, since 2006. Prior to that, he worked for BP in South Africa in finance and controlling,
- earlier, he worked for the Pozavarovalnica Sava reinsurance company in the Strategy and Finance Department. He was also a research and teaching assistant for monetary economics at the Faculty of Economics of the University of Ljubljana,
- he started his career with the consulting company McKinsey.

UROŠ IVANC

Education and training:
- he earned a master's degree in management and organisation (MScBA) in the scope of the IMB study programme at the Faculty of Economics in Ljubljana,
- he holds the CFA title which he obtained in 2004.

Career:
- he is Executive Director for finance at Zavarovalnica Triglav, in which position he is responsible for managing the assets of the insurance company and policy holders, corporate finance and for management of the liquidity of the Triglav Group,
- prior to that, in the Triglav Group he led the corporate finance department, working in the areas of capital projects and management of the assets of the Triglav Group.

Other important functions and achievements:
- he is a member of the Supervisory Board of Skupna pokojninska družba,
- Chairman of the Supervisory Board of the company Nama,
- Chairman of the Supervisory Board of the company Triglav osigurovanje in Macedonia and a member of the Supervisory Board of the company Lovčen osiguranje in Montenegro.

LADISLAV HORNAN – INDEPENDENT EXTERNAL MEMBER OF THE AUDIT COMMITTEE

Education and training:
- he is a member of ACCA (Association of Chartered Certified Accountants) since 1978 and a member of IPA (Insolvency Practitioners Association) since 1983.

Career:
- he has been a senior partner of UHY Hacker Young since 1995,
- he was president of the international network at UHY in the period from 2002 to 2007 and has also been since 2012,
- after obtaining a vocational qualification in 1978, he was promoted to department manager and in 1980 he became a partner while, two years later he became a partner responsible for heading the Intensive Care and Non-Performing Loan Division. Since then, he has provided advice to clearing banks and other financial institutions in Great Britain, and to the customers of law firms and accounting firms,
- after joining the accounting firm UHY Hacker Young in 1974 as an authorized auditor, he specialised in insolvency cases and the payment of corporate claims.

COMMITTEES OF THE BANK'S SUPERVISORY BOARD

- The **Strategy and Development Committee** monitors and drafts resolutions for the Supervisory Board regarding the Bank's core policies and development, while it also discusses, monitors and assesses the entire medium-term or long-term strategic plan of the NLB and the NLB Group. It discusses the appropriateness of the organisational structure and corporate governance of the NLB and the NLB Group, and discusses sales and purchases of participating interests in the NLB Group.
- The **Audit Committee** monitors and drafts resolutions for the Supervisory Board regarding internal and external audits, the legal compliance of operations and the internal control system.
- The **Risk Committee** monitors and drafts resolutions for the Supervisory Board in all areas of risk relevant to the Bank's operations.

- The **Remuneration and Appointment Committee** monitors basic strategic issues and drafts proposals for Supervisory Board decisions concerning the appointment and dismissal of Management Board members, determines the methods of recruiting and selecting Management Board candidates, concludes and oversees the content of individual employment contracts with members of the Management Board, oversees the remuneration of Management Board members and sets remuneration criteria and policies.

Costs of the Supervisory Board in 2013 amounted to EUR 441,342, of which a major part (EUR 175,873 or around 40%) was the cost of translation services, serving the needs of the Management Board as well as the Supervisory Board and its committees. The costs related to the performance of the office comprised session fees (EUR 40,184), remunerations for performing the office (EUR 123,920) and cost reimbursements (EUR 33,477), which also comprised the charges paid by the disburser. A smaller share went to printing services (EUR 23,835) and transport services and travel expenses (EUR 6,524).

THE MANAGEMENT BOARD

The NLB's Management Board leads, represents and acts on behalf of the Bank, independently and at its own discretion, as provided for by the law and the Bank's Articles of Association. In accordance with the Articles of Association, the Supervisory Board may appoint (and recall) three to six members (a president and up to five members) to the Management Board. The president and members are appointed for a term of five years.

The President of the Management Board Janko Medja, whose term began on 02/10/2012, and member of the Management Board Blaž Brodnjak, whose term began on 01/12/2012, were joined by members of the Management Board Nima Motazed (effective 06/02/2013), Archibald Kremser (effective 31/07/2013) and Andreas Burkhardt (effective 18/09/2013). On 31/12/2012, Management Board member Guy Snoeks tendered his resignation, effective 31/03/2013.

TABLE 22: THE MANAGEMENT BOARD OF THE NLB: RESPONSIBILITIES OF MEMBERS FOR INDIVIDUAL AREAS OF OPERATIONS AND IMPORTANT POSITIONS OUTSIDE THE NLB

Name and surname	Immediate responsibility	Important positions outside the NLB
Janko Medja (CEO) President of the Management Board (since 02/10/2012)	- Internal Audit - Compliance Centre - Legal Centre - General Secretariat - Human Resources - Corporate Governance	**Member of the Supervisory Board:** Bank Association of Slovenia **President of the Supervisory Board:** NLB Tutunska banka, Skopje **President of the Management Board:** NLB Prishtina, Prishtina
Blaž Brodnjak (CMO) Member of the Management Board (since 01/12/2012)	- Large and Mid Corporates, Small Enterprises - Distribution Network - Private Banking - Trade Finance Processing - Customer Relationship Management and Marketing - Segmentation Product and Channel Management - Sales Planning/Controlling and NLB Group Business Line Management	**President of the Management Board:** NLB banka, Belgrade **Chairman of the Board of Directors:** NLB Montenegrobanka, Podgorica (until 31/01/2014) **Chairman of the Supervisory Board:** NLB Banka, Tuzla NLB Razvojna banka, Banja Luka
Nima Motazed (COO) Member of the Management Board (since 06/02/2013)	- Organisation Development - Business Analysis - Security and Business Continuity Planning - Procurement - Information Technology - Processing Centres	**Member of the Supervisory Board:** Adria Bank, Vienna **Chairman of the General Meeting of Shareholders:** NLB Propria, Ljubljana
Archibald Kremser (CFO) Member of the Management Board (since 31/07/2013)	- Controlling - Financial Accounting - Accounts Administration and Payroll - Financial Markets - Non-Core Business of the NLB Group	-
Andreas Burkhardt (CRO) Member of the Management Board (since 18/09/2013)	- Global Risk - Credit Risk and Control - Investment Evaluation - Intensive Care and Non-Performing Loans	**Member of the Supervisory Board:** NLB Banka, Tuzla* NLB Razvojna banka, Banja Luka* **Chairman of the Board of Directors:** NLB Montenegrobanka, Podgorica (since 01/02/2014)
Guy Snoeks Member of the Management Board (until 31/03/2013)	- Investment Evaluation - Risk Management - Intensive Care and Non-Performing Loans - Processing Centres	**Member and deputy chairman of the Supervisory Board:** Adria Bank, Vienna

* Function assumed in 2014.

JANKO MEDJA

Education and training:
- in 2005 he finished his MBA studies with honours at the IEDC Bled School of Management,
- in 1997 he graduated from the Faculty of Economics of the University of Ljubljana.

Career:
- he performed the function of Chairman of the Supervisory Board of the NLB in the period from July 2012 to October 2012,
- he was a Management Board member at Unicredit bank (from September 2008 to July 2012), and before that Head of Corporate Banking at Unicredit bank (from February 2004 to September 2008).

Other important functions and achievements:
- he received recognition from the Bank of Slovenia for his Bachelor's thesis entitled »Quality in Banking«,
- in 2011 the Managers' Association of Slovenia awarded him the prestigious prize »Young Manager of the Year«.

BLAŽ BRODNJAK

Education and training:
- in 2009 he finished his MBA studies with honours at the IEDC Bled School of Management,
- in 1998 he graduated from the Faculty of Economics at the University of Ljubljana.

Career:
- before assuming the function of member of the Management Board in December 2012, he was Head of the Group Corporate and Public Finance Division in the Hypo Alpe-Adria Group in Klagenfurt for two years,
- prior to that he was a proxy of the Management Board of Zavarovalnica Triglav for more than a year,
- between 2005 and 2009 he was a Management Board member at Bawag banka,
- from March 2003 to January 2005 he was Head of the Corporate Sales Division at Raiffeisen banka,
- between October 2001 and February 2003 he was in charge of the Corporate Sales Division at the then Bank Austria Creditanstalt (now Unicredit bank). This is where he started his banking career in 2000, whereas his business career started in 1998 in the company Publikum.

Other important functions and achievements:
- he also acted as a Supervisory Board member in six banking, two insurance and one manufacturing companies in recent years.

ANDREAS BURKHARDT

Education and training:
- he completed MBA studies at the University of Dayton in the United States in 1999,
- he graduated from the University of Augsburg in Germany, where he completed his specialisation in the field of accounting and management in 1998.

Career:
- prior to joining the NLB from June 2012 to September 2013, he was Head of Risk Management for Volksbank Hungary and had a special focus on upgrading and streamlining the Restructuring and Workout activities of the bank,
- between January and May 2012, he acted as Advisor to the Management Board in Volksbank International in Vienna,
- from June 2010 to December 2011, he worked as a member of the Management Board in Volksbank Romania responsible for Restructuring and Workout activities, and
- in the period from 2003 till 2009, he served as a member of the Management Board of Volksbank BiH, Sarajevo in charge of the finance and risk and before that, after 2000 in other functions in the framework of the Bank.

Other important functions and achievements:
- 15 years of experience in the area of banking, especially in the area of Central Europe.

ARCHIBALD KREMSER

Education and training:
- in 1997 he graduated from the University of Technology in Vienna, and
- he received his MBA from the international business school INSEAD in France, where he specialised in bank management and corporate finance.

Career:
- during the time of financial crisis when Austria took over the bank Kommunalkredit Austria, he was responsible for restructuring the bank and its subsidiaries. From 2011 until he assumed his function in the NLB in July 2013, he was responsible for managing the strategic repositioning of Kommunalkredit Austria. He held several management positions in that bank, especially in finance,

- he supervised the establishment and operations of the subsidiaries of Dexia-Kommunalkredit Bank in Central and Eastern Europe,
- he started his career by working in the international consulting companies Ernst & Young, Austria (between 1997 and 2004) and Bain & Company, Germany (2004 and 2005), while he also participated in some major integration projects after the merger of banks in Central and Eastern Europe and projects aimed at improving performance results in the financial sector.

NIMA MOTAZED

Education and training:
- he is a certified Banking Specialist, has a business and advanced diploma of Academy of Organisation and is certified by a number of international business schools, namely Hernstein Institute, London Business School, University of California at Berkeley and INSEAD.

Career:
- prior to joining the NLB in February 2013, he was Head of Expense Management in EMEA of Citigroup Global Markets, London, responsible for cost management and process reengineering until March 2012,
- before that he worked with WestLB for two years as a Member of the Divisional Board responsible for Organisation and Services, conducting the company’s restructuring programme and establishing the first German Bad Bank,
- from 2001 until 2008 he worked for the Erste Group in various executive positions, most recently as Chief Procurement Officer and Integration Manager in Hungary,
- he started his banking and management career in 1991 in Bank Austria (now Unicredit Bank Austria) in which he gathered banking experience inter alia as COO of BA/CA Ukraine and Deputy Head of Retail and SME controlling.

COLLECTIVE DECISION-MAKING BODIES

- The **NLB Corporate Credit Committee** determines credit ratings and makes decisions on the reclassification of customers, sets maximum borrowing limits and approves commercial banking investment transactions. As a rule, Committee meetings shall be convened once a week. The Committee shall have seven members. The Chairman of the Committee shall be the member of the Management Board responsible for the area of risk.
- The **NLB Group Assets and Liabilities Committee** monitors conditions in the macroeconomic environment and analyses the balance, changes to and trends in the assets and liabilities of the NLB and NLB Group companies, drafts resolutions and issues guidelines for achieving the structure of the Bank’s and the Group’s balance sheet. As a rule, Committee meetings shall be convened once a week. The Committee shall have five members. The Chairman of the Committee shall be the member of the Management Board responsible for the area of finance.
- The **NLB Operational Risk Committee** is a collective decision-making body of the Bank’s Management Board responsible for monitoring, guiding and supervising operational risk management in the NLB, and for transferring this methodology to NLB Group members. As a rule, the Committee shall meet once every two months. The Committee shall have 12 members. The Chairman of the Committee shall be the member of the Management Board responsible for the area of risk.
- The **Watch List Committee** is a decision-making body that makes decisions on the classification and monitoring of clients on the watch list and intensive care list. Meetings of the Committee are held monthly, or weekly in the event of an increased scope of work. The Committee shall have six members. The Chairman of the Committee is the Director of the Credit Analysis and Control Division.
- The **NLB Retail Credit Committee** decides on the approval of loans and other investment proposals, the conditions of which deviate from standard banking products and services and which represent additional risks for the Bank. As a rule, Committee meetings shall be convened once a week. The Committee shall have four members. The Chairman of the Committee is the Director of the Credit Analysis and Control Division.

ADVISORY BODIES OF THE BANK’S MANAGEMENT BOARD

- The **College of the Bank** is the advisory body of the Management Board where opinions and suggestions regarding matters that fall within the decision-making authority of the Management Board are shared.
- The **Strategic Conference of the NLB Group** and the **Business Conference of the NLB Group** are typically convened once a year. The NLB Group’s strategic and business objectives are discussed at these conferences.

CORPORATE GOVERNANCE OF THE NLB GROUP

As the parent bank in the NLB Group, the NLB provides corporate governance for the NLB Group in accordance with the laws of the Republic of Slovenia and the laws of the countries in which NLB Group companies operate, as well as in line with internal regulations.

Corporate governance, as one of the Group's core business functions, is comprehensively regulated by the NLB Group Governance and Supervision Policy which defines the roles, competencies and responsibilities of individual bodies and organisational units to ensure they function cooperatively and harmoniously to achieve the Bank's business objectives.

The NLB Group's corporate governance is implemented:

- in accordance with the fundamental corporate rules through various bodies of NLB Group members:
  - through voting at the general meetings of shareholders of NLB Group members;
  - by appointing the NLB's representatives to supervisory bodies;
  - by proposing executive appointments for NLB Group members; and
  - through the participation of the NLB's representatives in various committees and commissions of NLB Group members;

- through mechanisms for effectively monitoring operations, harmonising business standards and disseminating information within the NLB Group:
  - by business area (i.e. according to the "business line" matrix principle), meaning the principle of commercial and professional coordination of activities within the NLB Group;
  - through the NLB Group Assets and Liabilities Committee;
  - by convening core conferences and meetings of directors at which NLB Group companies discuss the development priorities of the NLB Group; and
  - regular monthly (or at least quarterly) business line management calls.

The NLB's Internal Audit Centre and Compliance Centre, and external supervisors (e.g. the Bank of Slovenia, external auditors and local regulators) provide additional supervision of the NLB Group.
To perform the function of corporate governance within the NLB Group, two special organisational units were established at the NLB (the Corporate Governance and the Non-Core NLB Group Divisions), which manage and supervise NLB Group companies, harmonise the rules of those companies' operations with the NLB standards, draw up the bases for individual Group companies' plans and monitor the implementation thereof.

The structure of the supervisory bodies of NLB Group companies was revised in 2013 with the aim of enhancing the role of members of the Bank's Management Board in those bodies and emphasising improved risk management. The rationalisation of the corporate governance function was also carried out in terms of the organisational structure and staff. A project to rationalise Group governance is being implemented in the scope of adopted restructuring measures with the aim of rationalising reporting, and optimising the functioning of supervisory bodies in NLB Group members and the functioning of business lines, which will be reflected in a revised NLB Group Governance and Supervision Policy.


Plačujem
stilom!

Vincenc Jamnik, Director of Mid Corporate Division of NLB and Srečko Štefanič of the company Melamin visiting the production site and planning new possible investments in technological modernisation of the factory.

MELAMIN KEMIČNA TOVARNA

is a forward-thinking company with strong roots which has already existed for more than 50 years. The company has a well established development department and intensively co-operates with scientific institutions. In the European area they are known as solid and competitive supplier of resins for paper industry and civil engineering and impregnated decor paper for furniture industry. In the global scale their high-quality products for lacquer and rubber industry are getting increasingly used. Melamin is exporting more than 80% of its production to 40 countries in the world, mostly in the EU. The company has been the client of NLB for long years. Co-operation is present in all areas, but mostly in deposits, loans, letters-of-credit and guarantees.

2 FINANCIAL STATEMENTS

Building a better
working world

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of NLB Group ("NLB Group" or "the Group") and the separate financial statements of Nova Ljubljanska Banka, d.d. ("NLB" or "the Bank") which comprise the consolidated and separate statement of financial position as at December 31, 2013, and the consolidated and separate income statement, consolidated and separate statement of other comprehensive income, consolidated and separate statement of changes in shareholders' equity and consolidated and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Standalone and Consolidated Annual Report for year ended December 31, 2012 was audited by another auditor, who issued unqualified audit opinion on April 23, 2013.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated and separate Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act and and Slovenian Banking Act, related to the preparation of the consolidated and separate financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated and separate Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate Financial Statements present fairly, in all material respects, the financial position of the Group and the Bank as of December 31, 2013, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act and and Slovenian Banking Act related to the preparation of the financial statements.

Report on Other Legal and Regulatory Requirements

Management is also responsible for preparing the business report in accordance with the Slovenian Companies Act and Slovenian Banking Act. Our responsibility is to assess whether the business report is consistent with the audited financial statements. Our work regarding the business report is performed in accordance with ISA 720, and restricted to assessing whether the business report is consistent with the financial statements and does not include reviewing other information originated from non-audited financial records.

The business report is consistent with the audited consolidated and separate financial statements.

Ljubljana, March 31, 2014

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

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

Simon Kolenc
Certified Auditor

Nova Ljubljanska banka d.d., Ljubljana

Audited Financial Statements of NLB d.d. and the NLB Group

pursuant to the International Financial Reporting Standards as adopted by the European Union 2013

Contents

Statement of Management's responsibility

The Management Board hereby confirms its responsibility for the preparation of the financial statements of the NLB d.d. and the consolidated financial statements of the NLB Group for the year ended December 31, 2013, and for the accompanying accounting policies and notes to the financial statements.

The Management Board is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and with the requirements of the Slovenian Companies Act and Banking Act so as to give a true and fair view of the financial position of the NLB d.d. and NLB Group as at December 31, 2013 and their financial results and cash flows for the year then ended.

The Management Board also confirms that the appropriate accounting policies were consistently applied, and that the accounting estimates were prepared according to the principles of prudence and good management. The Management Board further confirms that the financial statements of the NLB d.d. and NLB Group, together with the notes, have been prepared on a going-concern basis for the NLB d.d. and NLB Group and in line with valid legislation and the International Financial Reporting Standards as adopted by the European Union.

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

The tax authorities may audit the operations of NLB Group entities at any time within 3 to 5 years from the day of the tax statement, which could result in an additional tax liability, default interest and fines for corporate income tax or for other taxes or levies. The Management Board is not aware of any circumstances that could give rise to a potential material liability in this respect.

Management Board

Nima Motazed
Member of the
Management Board

Archibald Kremser
Member of the
Management Board

Andreas Burkhardt
Member of the
Management Board

Blaž Brodnjak
Member of the
Management Board

Janko Medja
President of the
Management Board

INCOME STATEMENT

		NLB d.d.			NLB Group		
in thousand EUR	Notes	2013	2012	% change	2013	2012	% change
Interest and similar income	4.1.	358,957	535,728	(33)	511,649	743,123	(31)
Interest and similar expense	4.1.	(201,533)	(311,096)	(35)	(278,145)	(400,618)	(31)
Net interest income		**157,424**	**224,632**	**(30)**	**233,504**	**342,505**	**(32)**
Dividend income	4.2.	4,104	7,763	(47)	2,452	4,872	(50)
Fee and commission income	4.3.	132,058	136,227	(3)	189,970	195,693	(3)
Fee and commission expense	4.3.	(30,978)	(27,948)	11	(52,188)	(49,546)	5
Net fee and commission income		**101,080**	**108,279**	**(7)**	**137,782**	**146,147**	**(6)**
Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	4.4.	(277,894)	178,830	-	(304,805)	141,739	-
Gains less losses from financial assets and liabilities held for trading	4.5.	974	16,145	(94)	6,982	22,902	(70)
Gains less losses from financial assets and liabilities designated at fair value through profit or loss		-	1	(100)	102	159	(36)
Fair value adjustments in hedge accounting	5.5.	(126)	353	-	(126)	343	-
Foreign exchange translation gains less losses	4.5.	(1,692)	1,883	-	(2,547)	59	-
Gains less losses on derecognition of assets other than held for sale		(1,709)	(92)	-	(1,815)	(1,023)	77
Other operating income	4.6.	15,414	14,653	5	29,118	36,230	(20)
Other operating expenses	4.7.	(17,796)	(9,652)	84	(31,358)	(19,126)	64
Administrative expenses	4.8.	(185,841)	(194,508)	(4)	(288,506)	(316,830)	(9)
Depreciation and amortization	4.9.	(26,598)	(29,689)	(10)	(44,332)	(51,324)	(14)
Provisions for other liabilities and charges	4.10.	(36,943)	50,606	-	(39,915)	34,957	-
Impairment charge	4.11.	(1,189,344)	(664,897)	79	(1,030,278)	(591,998)	74
Share of net losses of associates and joint ventures accounted for using the equity method	5.12.c)	-	-	-	(26,469)	(7,115)	-
Net losses from non-current assets held for sale		(7,840)	(173)	-	(8,480)	(537)	-
LOSS BEFORE INCOME TAX		**(1,466,787)**	**(295,866)**	**-**	**(1,368,691)**	**(258,040)**	**-**
Income tax	4.12.	(73,491)	(9,010)	-	(73,453)	(14,564)	-
LOSS FOR THE YEAR		**(1,540,278)**	**(304,876)**	**-**	**(1,442,144)**	**(272,604)**	**-**
Attributable to:							
Owners of the parent		(1,540,278)	(304,876)	-	(1,441,563)	(273,512)	-
Non-controlling interests		-	-	-	(581)	908	-

The notes are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

		NLB d.d.		NLB Group	
in thousand EUR	Notes	2013	2012	2013	2012
Net loss for the year after tax		**(1,540,278)**	**(304,876)**	**(1,442,144)**	**(272,604)**
Other comprehensive income after tax		**13,984**	**35,810**	**15,596**	**40,354**
Items that may be reclassified subsequently to income statement					
Hedge of a net investment in a foreign operation		**-**	**-**	**-**	**10**
Net valuation gains taken to equity		-	-	-	10
Foreign currency translation		**-**	**-**	**799**	**(5,335)**
Translation gains/(losses) taken to equity		-	-	799	(5,335)
Cash flow hedges (effective portion)		**1,095**	**15**	**1,095**	**15**
Net valuation gains/(losses) taken to equity	5.5.	218	(1,476)	218	(1,476)
Transferred to profit	5.5.	877	1,491	877	1,491
Available for sale financial assets		**15,753**	**45,176**	**17,589**	**51,688**
Valuation (losses)/gains taken to equity	5.4.c	(1,119)	18,466	742	24,320
Transferred to profit	4.4. and 4.11.	16,872	26,710	16,847	27,368
Share of other comprehensive (losses)/income of entities accounted for using the equity method		**-**	**-**	**(996)**	**5,872**
Income tax relating to components of other comprehensive income	**5.19.**	**(2,864)**	**(9,381)**	**(2,891)**	**(11,896)**
Total comprehensive loss for the year after tax		**(1,526,294)**	**(269,066)**	**(1,426,548)**	**(232,250)**
Attributable to owners of the parent		(1,526,294)	(269,066)	(1,425,713)	(233,324)
Attributable to non-controlling interests		-	-	(835)	1,074

NLB Group has no items in other comprehensive income that would not be reclassified subsequently to income statement.

The notes are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

		NLB d.d.			NLB Group		
in thousand EUR	Notes	31.12.2013	31.12.2012	% change	31.12.2013	31.12.2012	% change
Cash and balances with central banks	5.1.	374,775	371,184	1	942,657	922,831	2
Trading assets	5.2.	104,779	109,172	(4)	104,335	108,333	(4)
Financial assets designated at fair value through profit or loss	5.3.	3,801	3,161	20	6,615	5,176	28
Available for sale financial assets	5.4.a)	1,155,412	897,865	29	1,675,117	1,345,091	25
Derivatives - hedge accounting	5.5.	5,426	10,909	(50)	5,426	10,909	(50)
Loans and advances							
- debt securities	5.6.a)	702,791	88,617	-	702,791	88,617	-
- loans and advances to banks	5.6.b)	376,439	361,732	4	532,533	460,486	16
- loans and advances to customers	5.6.c)	5,426,129	7,747,361	(30)	7,041,430	9,467,743	(26)
- other financial assets	5.6.d)	41,337	40,975	1	63,919	67,069	(5)
Held to maturity financial assets	5.7.	864,259	1,041,105	(17)	864,259	1,041,105	(17)
Fair value changes of the hedged items in portfolio hedge of interest rate risk		530	838	(37)	530	838	(37)
Non-current assets classified as held for sale	5.8.a)	2,327	16,216	(86)	17,582	21,824	(19)
Property and equipment	5.9.	108,449	139,240	(22)	238,578	286,860	(17)
Investment property	5.10.	1,458	1,702	(14)	34,844	67,753	(49)
Intangible assets	5.11.	44,976	50,241	(10)	54,727	112,493	(51)
Investments in subsidiaries	5.12.a)	269,392	448,355	(40)	-	-	-
Investments in associates and joint ventures	5.12.b)	7,200	66,074	(89)	28,284	102,222	(72)
Current income tax assets		8	-	-	1,923	2,252	-
Deferred income tax assets	5.18.	13,392	88,293	(85)	12,092	88,267	(86)
Other assets	5.13.	4,541	4,385	4	162,492	134,824	21
TOTAL ASSETS		**9,507,421**	**11,487,425**	**(17)**	**12,490,134**	**14,334,693**	**(13)**
Deposits and borrowings from central banks		1,266,638	1,259,615	1	1,266,638	1,259,615	1
Trading liabilities	5.15.	34,064	79,985	(57)	34,063	80,028	(57)
Financial liabilities designated at fair value through profit or loss	5.3.	3,800	3,160	20	3,800	3,160	20
Derivatives - hedge accounting	5.5.	36,519	51,283	(29)	36,519	51,283	(29)
Financial liabilities measured at amortized cost							
- deposits from banks	5.16.a)	74,234	113,809	(35)	37,425	55,331	(32)
- borrowings from banks	5.16.b)	995,133	1,555,004	(36)	1,119,602	1,755,915	(36)
- due to customers	5.16.a)	5,743,673	6,765,687	(15)	8,257,077	9,118,118	(9)
- borrowings from other customers	5.16.b)	36,284	31,401	16	162,309	182,459	(11)
- debt securities in issue	5.16.c)	68,782	104,567	(34)	68,782	111,620	(38)
- subordinated liabilities	5.16.d)	-	321,099	(100)	21,874	342,898	(94)
- other financial liabilities	5.16.e)	61,609	74,921	(18)	86,609	110,380	(22)
Fair value changes of the hedged items in portfolio hedge of interest rate risk		133	120	11	133	120	11
Provisions	5.17.	87,080	53,427	63	108,923	100,961	8
Current income tax liabilities		-	613	(100)	116	1,445	(92)
Deferred income tax liabilities	5.18.	-	-	-	370	3,891	-
Other liabilities	5.20.	6,004	5,621	7	14,897	12,485	19
TOTAL LIABILITIES		**8,413,953**	**10,420,312**	**(19)**	**11,219,137**	**13,189,709**	**(15)**
EQUITY AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT							
Share capital	5.21.	200,000	104,731	91	200,000	104,731	91
Share premium	5.22.	871,378	774,472	13	871,378	774,472	13
Other equity instruments		-	336,044	(100)	-	336,044	(100)
Revaluation reserve		8,568	(5,416)	-	3,096	(12,754)	-
Profit reserves	5.22.	13,522	164,204	(92)	13,522	164,204	(92)
Retained earnings	5.22.	-	(304,874)	(100)	159,391	(239,611)	-
Treasury shares		-	(2,048)	(100)	-	(2,048)	(100)
		1,093,468	**1,067,113**	**2**	**1,247,387**	**1,125,038**	**11**
Non-controlling interests		-	-	-	23,610	19,946	-
TOTAL EQUITY		**1,093,468**	**1,067,113**	**2**	**1,270,997**	**1,144,984**	**11**
TOTAL LIABILITIES AND EQUITY		**9,507,421**	**11,487,425**	**(17)**	**12,490,134**	**14,334,693**	**(13)**

The notes are an integral part of these financial statements.
The Management Board has approved the release of financial statements and the accompanying notes.

Nima Motazed
Member of the Management Board

Archibald Kremser
Member of the Management Board

Andreas Burkhardt
Member of the Management Board

Blaž Brodnjak
Member of the Management Board

Janko Medja
President of the Management Board

Ljubljana, March 31, 2014

STATEMENT OF CHANGES IN EQUITY

NLB d.d. in thousand EUR	Share capital	Share premium	Other equity instruments	Revaluation reserves	Profit reserves	Retained earnings	Treasury shares	Total equity
Balance at January 1, 2012	92,314	727,603	-	(41,226)	180,248	-	(2,048)	956,891
- Net loss for the year	-	-	-	-	-	(304,876)	-	(304,876)
- Other comprehensive income	-	-	-	35,810	-	-	-	35,810
Total comprehensive loss after tax	-	-	-	35,810	-	(304,876)	-	(269,066)
New share capital subscribed	12,417	48,583	-	-	-	-	-	61,000
Other equity instruments issued	-	-	320,000	-	-	-	-	320,000
Other	-	(1,714)	16,044	-	(16,044)	2	-	(1,712)
Balance at December 31, 2012	**104,731**	**774,472**	**336,044**	**(5,416)**	**164,204**	**(304,874)**	**(2,048)**	**1,067,113**
- Net loss for the year	-	-	-	-	-	(1,540,278)	-	(1,540,278)
- Other comprehensive income	-	-	-	13,984	-	-	-	13,984
Total comprehensive loss after tax	-	-	-	13,984	-	(1,540,278)	-	(1,526,294)
Dilution of shareholders	(184,079)	184,079	-	-	(2,048)	-	2,048	-
New share capital subscribed	201,858	1,351,001	-	-	-	-	-	1,552,859
Conversion of other equity instruments issued	77,490	263,727	(341,217)	-	-	-	-	-
Covering of the loss brought forward	-	(161,413)	-	-	(143,461)	304,874	-	-
Covering of the loss from the current year	-	(1,540,278)	-	-	-	1,540,278	-	-
Other	-	(210)	5,173	-	(5,173)	-	-	(210)
Balance at December 31, 2013	**200,000**	**871,378**	**-**	**8,568**	**13,522**	**-**	**-**	**1,093,468**

NLB Group in thousand EUR	Share capital	Share premium	Other equity instruments	Revaluation reserves	Profit reserves	Retained earnings	Treasury shares	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
Balance at January 1, 2012	92,314	727,603	-	(52,942)	180,248	30,884	(2,048)	976,059	21,634	997,693
- Net loss for the year	-	-	-	-	-	(273,512)	-	(273,512)	908	(272,604)
- Other comprehensive income	-	-	-	40,188	-	-	-	40,188	166	40,354
Total comprehensive loss after tax	-	-	-	40,188	-	(273,512)	-	(233,324)	1,074	(232,250)
New share capital subscribed	12,417	48,583	-	-	-	-	-	61,000	-	61,000
Conversion of other equity instruments issued	-	-	320,000	-	-	-	-	320,000	-	320,000
Transactions with non-controlling interests	-	-	-	-	-	3,015	-	3,015	(2,762)	253
Other	-	(1,714)	16,044	-	(16,044)	2	-	(1,712)	-	(1,712)
Balance at December 31, 2012	**104,731**	**774,472**	**336,044**	**(12,754)**	**164,204**	**(239,611)**	**(2,048)**	**1,125,038**	**19,946**	**1,144,984**
- Net loss for the year	-	-	-	-	-	(1,441,563)	-	(1,441,563)	(581)	(1,442,144)
- Other comprehensive income	-	-	-	15,850	-	-	-	15,850	(254)	15,596
Total comprehensive loss after tax	-	-	-	15,850	-	(1,441,563)	-	(1,425,713)	(835)	(1,426,548)
Dilution of shareholders	(184,079)	184,079	-	-	(2,048)	-	2,048	-	-	-
New share capital subscribed	201,858	1,351,001	-	-	-	-	-	1,552,859	-	1,552,859
Other equity instruments issued	77,490	263,727	(341,217)	-	-	-	-	-	-	-
Covering of the loss brought forward	-	(161,413)	-	-	(143,461)	304,874	-	-	-	-
Covering of the loss from the current year	-	(1,540,278)	-	-	-	1,540,278	-	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	(4,587)	-	(4,587)	4,499	(88)
Other	-	(210)	5,173	-	(5,173)	-	-	(210)	-	(210)
Balance at December 31, 2013	**200,000**	**871,378**	**-**	**3,096**	**13,522**	**159,391**	**-**	**1,247,387**	**23,610**	**1,270,997**

In 2013 at NLB d.d. and NLB Group item Other relates to costs directly attributable to the issuance of new shares in amount of EUR 213 thousand (2012: EUR 1,714 thousand), accrued income from issued financial instrument with characteristics of equity in amount of EUR 5,173 thousand (2012: EUR 16,044 thousand) (note 2.23.) and unpaid dividends in amount of EUR 3 thousand (2012: EUR 2 thousand).

The notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	368,424	504,697	516,726	693,881
Interest paid	(212,817)	(318,061)	(282,795)	(406,467)
Dividends received	4,104	7,550	2,788	5,596
Fee and commission receipts	129,733	134,170	189,216	193,466
Fee and commission payments	(30,929)	(32,109)	(51,023)	(53,754)
Realized gains from financial assets and financial liabilities not at fair value through profit or loss	7,316	4,168	12,738	5,193
Realized losses from financial assets and financial liabilities not at fair value through profit or loss	-	(2,901)	-	(2,824)
Gains from financial assets and liabilities held for trading	(11,895)	7,143	(7,109)	13,580
Payments to employees and suppliers	(189,346)	(194,379)	(292,636)	(307,545)
Other income	15,669	13,481	43,968	38,514
Other expenses	(18,283)	(10,887)	(23,818)	(20,316)
Income tax paid	(342)	(397)	(3,078)	(3,276)
Cash flows from operating activities before changes in operating assets and liabilities	**61,634**	**112,475**	**104,977**	**156,048**
Decreases in operating assets	**533,186**	**959,690**	**12,281**	**1,420,509**
Net (increase)/decrease in trading assets	(26,832)	64,542	(26,832)	65,514
Net increase in financial assets designated at fair value through profit or loss	(274)	(855)	(964)	(1,122)
Net decrease/(increase) in available for sale financial assets	145,262	528,900	(13,808)	513,388
Net decrease in loans and advances	415,354	367,128	68,759	850,857
Net increase in other assets	(324)	(25)	(14,874)	(8,128)
Decreases in operating liabilities	**(1,633,576)**	**(1,220,245)**	**(1,500,183)**	**(1,869,558)**
Net (decrease)/increase in deposits and borrowings from central banks	(9)	1,000,010	(9)	940,010
Net decrease in deposits and borrowings measured at amortized cost	(1,600,757)	(1,104,828)	(1,466,406)	(1,702,956)
Net decrease in securities measured at amortized cost	(32,902)	(1,115,278)	(35,402)	(1,106,148)
Net increase/(decrease) in other liabilities	92	(149)	1,634	(464)
Net cash used in operating activities	**(1,038,756)**	**(148,080)**	**(1,382,925)**	**(293,001)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts from investing activities	**315,650**	**66,365**	**316,036**	**88,170**
Proceeds from sale of property and equipment and investment property	113	329	499	1,943
Proceeds from sale of subsidiaries	-	429	-	20,429
Proceeds from sale of associates and joint ventures	-	3	-	3
Proceeds from non-current assets held for sale	-	2,731	-	2,922
Proceeds from disposals of held to maturity financial assets	315,537	62,601	315,537	62,601
Other receipts	-	272	-	272
Payments from investing activities	**(315,892)**	**(189,123)**	**(149,357)**	**(45,605)**
Purchase of property and equipment and investment property	(4,122)	(3,775)	(9,862)	(10,948)
Purchase of intangible assets	(5,729)	(5,849)	(7,441)	(7,359)
Purchase of subsidiaries and increase in subsidiaries' equity	(173,987)	(152,252)	-	-
Purchase of associates and joint ventures	-	(3)	-	(3)
Purchase of non-current assets or liabilities held for sale	-	-	-	(51)
Purchase of held to maturity financial assets	(132,054)	(27,244)	(132,054)	(27,244)
Net cash flows used in investing activities	**(242)**	**(122,758)**	**166,679**	**42,565**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from financing activities	**1,142,860**	**381,000**	**1,142,860**	**381,000**
Issue of ordinary shares and other equity instruments	1,142,860	381,000	1,142,860	381,000
Payments from financing activities	**(61,676)**	**(119,342)**	**(61,676)**	**(130,342)**
Repayments of subordinated debt	(61,463)	(117,628)	(61,463)	(128,628)
Other payments related to financing activities	(213)	(1,714)	(213)	(1,714)
Net cash from financing activities	**1,081,184**	**261,658**	**1,081,184**	**250,658**
Effects of exchange rate changes on cash and cash equivalents	(5,055)	(991)	(7,973)	(4,041)
Net increase/(decrease) in cash and cash equivalents	**42,186**	**(9,180)**	**(135,062)**	**222**
Cash and cash equivalents at beginning of year	**575,961**	**586,132**	**1,573,940**	**1,577,759**
Cash and cash equivalents at end of year	**613,092**	**575,961**	**1,430,905**	**1,573,940**

The notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

		NLB d.d.		NLB Group	
in thousand EUR	Notes	2013	2012	2013	2012
Cash and cash equivalents comprise:					
Cash and balances with central banks	5.1.	374,775	371,184	942,657	922,831
Loans and advances to banks with original maturity up to 3 months	5.6.	237,317	204,777	415,505	484,311
Trading assets with original maturity up to 3 months	5.2.	1,000	-	1,000	-
Available for sale financial assets with original maturity up to 3 months	5.4.	-	-	71,743	166,798
TOTAL		**613,092**	**575,961**	**1,430,905**	**1,573,940**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

The ultimate controlling party of NLB d.d. is the Republic of Slovenia which is the sole shareholder as at December 31, 2013 (December 31, 2012: Republic of Slovenia 40.21% and KBC Bank N.V., Brussels 22.04%).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted for the preparation of the separate and consolidated financial statements are set out below. Policies have been consistently applied to all the years presented.

2.1. Statement of compliance

The principal accounting policies applied in the preparation of the separate and consolidated financial statements have been prepared in accordance with the International Financial Accounting Standards (hereinafter: the IFRS) as adopted by the European Union (hereinafter: EU). Additional requirements under the national legislation are included where appropriate.

The separate and consolidated financial statements comprise the income statement and statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows, significant accounting policies and the notes.

2.2. Basis of presentation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention as modified by the revaluation of available for sale financial assets and financial assets and financial liabilities at fair value through profit or loss, including all derivative contracts, and investment property.

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and activities, actual results may ultimately differ from those estimates. Accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised. Critical accounting policies and estimates are disclosed in note 2.32.

2.3. Comparative amounts

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative amounts. Where IAS 8 applies, comparative figures have been adjusted to conform to changes in presentation in the current year. In year 2013 the NLB Group did not adjust any comparative figures.

2.4. Consolidation

In the consolidated financial statements subsidiary undertakings, which are those entities in which the NLB d.d. has the power to exercise control over operations have been fully consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the NLB Group and are no longer consolidated from the date that control ceases. Where necessary, the accounting policies of subsidiaries have been amended to ensure consistency with the policies adopted by the NLB Group. The financial statements of consolidated subsidiaries were prepared as of the parent entity's reporting date. Non-controlling interests are disclosed in the consolidated statement of changes in equity. Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by NLB d.d. The NLB Group measures non-controlling interest on a transaction by transaction basis, either at fair value, or the non-controlling interest's proportionate share of net assets of the acquiree.

Inter-company transactions, balances and unrealized gains on transactions between NLB Group entities are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

The NLB Group treats transactions with non-controlling interests as transactions with equity owners of the NLB Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on sales to non-controlling interests are also recorded in equity. For sales to non-controlling interests, the differences between any proceeds received and the relevant share of non-controlling interests are also recorded in equity.

The NLB Group’s subsidiaries are presented in note 5.12.

2.5. Investments in subsidiaries, associates and joint ventures

In the separate financial statements, investments in subsidiaries, associates and joint ventures are accounted for at cost method. Dividends from subsidiaries, joint ventures or associates are recognized in income statement when NLB d.d.’s right to receive the dividend is established.

In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting. These are undertakings in which the NLB Group generally holds between 20% and 50% of voting rights, and over which the NLB Group exercises significant influence, but does not have control.

The NLB Group’s share of its associates’ post-acquisition profits or losses is recognized in the income statement, its share of other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the NLB Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the NLB Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Joint ventures are those entities over whose activities the NLB Group has joint control, as established by contractual agreement. In the consolidated financial statements investments in joint ventures are accounted for using the equity method of accounting.

The NLB Group’s associates and joint ventures are presented in note 5.12.

2.6. Goodwill and bargain purchases

Goodwill is measured as excess of the aggregate of the consideration measured at fair value and transferred to the acquiree, the amount of any non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date over the net amounts of the identifiable assets acquired and the liabilities assumed. Any negative amount, gain on a bargain purchase, is recognized in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets transferred, equity interest issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.
The goodwill of associates and joint ventures is included in the carrying value of investments.

2.7. A combination of entities or businesses under common control

A merger of entities within the NLB Group is a business combination involving entities under common control. For such mergers members of the NLB Group applies merger accounting principles and uses the carrying amounts of merged entities, as reported in the consolidated financial statements. No goodwill is recognized on mergers of NLB Group entities.
Mergers of entities within the NLB Group do not affect the consolidated financial statements.

2.8. Foreign currency translation

Functional and presentation currency
Items included in the financial statements of each of the NLB Group's entities are measured using the currency of the primary economic environment in which the entity operates (i.e. the functional currency). The financial statements are presented in euros, which is the NLB Group’s presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency at the exchange

rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Translation differences resulting from changes in the amortized cost of monetary items denominated in foreign currency and classified as available for sale financial assets, are recognized in the income statement.

Translation differences on non-monetary items, such as equities at fair value through profit or loss, are reported as part of the fair value gain or loss in the income statement. Translation differences on non-monetary items, such as equities classified as available for sale, are included together with valuation reserves in the valuation (losses)/gains taken to other comprehensive income and accumulated in revaluation reserve in equity.

Gains and losses resulting from foreign currency purchases and sales for trading purposes are included in the income statement as gains less losses from financial assets and liabilities held for trading.

NLB Group entities
The financial statements of all the NLB Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each income statement are translated at average exchange rates;
- components of equity are translated at the historic rate; and
- all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

During consolidation, exchange differences arising from the translation of the net investment in foreign operations are transferred to other comprehensive income. When control over a foreign operation is lost, the previously recognized exchange differences on translations to a different presentation currency are reclassified from other comprehensive income to profit and loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

2.9. Interest income and expenses

Interest income and expenses are recognized in the income statement for all interest-bearing instruments on an accrual basis using the effective interest rate method. The effective interest rate method is a method used to calculate the amortized cost of a financial asset or financial liability and to allocate the interest income or interest expense over the relevant period. The effective interest rate is the rate that precisely discounts estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period when appropriate, to the net carrying amount of the financial asset or financial liability. Interest income includes coupons earned on fixed-yield investments and trading securities and accrued discounts and premiums on securities. The calculation of the effective interest rate includes all fees and points paid or received between parties to the contract and all transaction costs, but exclude future credit risk losses. Once a financial asset or a group of similar financial assets has been impaired, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.10. Fee and commission income

Fees and commissions are generally recognized when the service has been provided. Fees and commissions consist mainly of fees received from credit cards and ATMs, customer transaction accounts, payment services and commissions from guarantees. Fees and commissions that are integral to the effective interest rate of financial assets and liabilities are presented within interest income or expenses.

2.11. Dividend income

Dividends are recognized in the income statement when the NLB Group's right to receive payment is established and inflow of economic benefits is probable. In consolidated financial statement dividends received from associates and joint ventures reduce the carrying value of the investment.

2.12. Financial instruments

a) Classification

The classification of financial instruments on initial recognition depends on the instruments' characteristics and management's intention. In general, the following criteria are taken into account:

Financial instruments at fair value through profit or loss

This category has two sub-categories: financial instruments held for trading and financial instruments designated at fair value through profit or loss at inception. A financial instrument is classified in this group if acquired principally for the purpose of selling in the short term or if so designated by management.

The NLB Group designates financial instruments at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis;
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the NLB Group's key management; or
- a financial instrument contains one or more embedded derivatives that could significantly modify the cash flows otherwise required by the contract.

Derivatives are also categorized as held for trading unless they are designated as hedging instruments.

Loans and advances

Loans and advances are non-derivative financial instruments with fixed or determinable payments that are not quoted on an active market, other than: (a) those that the NLB Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the NLB Group, upon initial recognition, classifies at fair value through profit or loss; (b) those that the NLB Group, upon initial recognition, classifies as available for sale; or (c) those for which the NLB Group may not recover substantially all of its initial investment, for reasons other than deterioration in creditworthiness.

Held to maturity financial assets

Held to maturity financial assets are non-derivative financial instruments that are traded in an active market with fixed or determinable payments and a fixed maturity that the NLB Group has both the intention and ability to hold to maturity. An investment is not classified as held to maturity financial asset if the NLB Group has the right to require that the issuer repays or redeems the investment before its maturity, because paying for such a feature is inconsistent with expressing an intention to hold the asset until the maturity.

Available for sale financial assets

Available for sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

b) Measurement and recognition

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

Regular way purchases and sales of financial assets at fair value through profit or loss, and assets held to maturity and available for sale, are recognized on the trade date. Loans and advances are recognized when cash is advanced to the borrowers.

Financial assets at fair value through profit or loss and available for sale financial assets are subsequently measured at fair value. Gains and losses from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement in the period in which they arise. Gains and losses from changes in the fair value of available for sale financial assets are recognized in other comprehensive income until the financial asset is derecognized or impaired, at which time the cumulative amount previously included in other comprehensive income is recycled in the income statement. However, interest calculated using the effective interest rate method and foreign currency gains and losses on monetary assets classified as available for sale are recognized in the income statement.

Loans and held to maturity financial assets are carried at amortized cost.

c) Day one gains or losses

The best evidence of fair value at initial recognition is the transaction price (i.e. the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

If the transaction price on a non-active market is different than the fair value from other observable current market transactions in the same instrument or is based on a valuation technique whose variables include only data from observable markets, the difference between the transaction price and fair value is recognized immediately in the income statement ("day one gains or losses").

In cases where the data used for valuation is not fully observable in financial markets, day one gains or losses are not recognized immediately in the income statement. The timing of recognition of deferred day one gains or losses is determined individually. It is either amortized over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs or realized through settlement.

d) Reclassification

Financial assets that are eligible for classification as loans and advances can be reclassified out of the held for trading category if they are no longer held for the purpose of selling or repurchasing them in the near term. Financial assets that are not eligible for classification as loans and receivables may be transferred from the held for trading category only in rare circumstances. Additionally, instruments designated at fair value through profit and loss cannot be reclassified.

e) Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred and the transfer qualifies for derecognition. A financial liability is derecognized only when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

f) Fair value measurement principles

The fair value of financial instruments traded on active markets is based on the current bid price at the reporting date, excluding transaction costs. If there is no active market, the fair value of the instruments is estimated using discounted cash flow techniques or pricing models.

If discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market based rate at the reporting date for an instrument with similar terms and conditions. If pricing models are used, inputs are based on market based measurements at the reporting date.

g) Derivative financial instruments and hedge accounting

Derivative financial instruments, including forward and futures contracts, swaps and options, are initially recognized in the statement of financial position at fair value. Derivative financial instruments are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models or pricing models, as appropriate. All derivatives are carried at their fair value within assets when the derivative position is favourable to the NLB Group and within liabilities when the derivative position is unfavourable to the NLB Group.

The method of recognizing the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The NLB Group designates certain derivatives as either:

- hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedge),
- hedges of highly probable future cash flows attributable to a recognized asset or liability, or a highly probable forecasted transaction (cash flow hedge) or
- hedges of a net investment in a foreign operation (net investment hedge).

Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The NLB Group documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The NLB Group also documents its assessment, both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The actual results of a hedge must always fall within a range of 80% to 125%.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Effective changes in the fair value of hedging instruments and related hedged items are reflected in "fair value adjustments in hedge accounting" in the income statement. Any ineffectiveness is recorded in "Gains less losses on financial assets and liabilities held for trading".

If a hedge no longer meets the hedge accounting criteria, the adjustment to the carrying amount of the hedged item for which the effective interest rate method is used is amortized to profit or loss over the remaining period to maturity. The adjustment to the carrying amount of a hedged equity security is included in the income statement upon disposal of the equity security.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement in "Gains less losses on financial assets and liabilities held for trading".

Amounts accumulated in equity are recycled as a reclassification from other comprehensive income to the income statement in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets hedge accounting criteria, any cumulative gain or loss existing in other comprehensive income and previously accumulated in equity at that time remains in other comprehensive income and in equity and is recognized in profit or loss only when the forecasted transaction is ultimately recognized in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized directly in equity. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statement in "Gains less losses on financial assets and liabilities held for trading". Gains and losses accumulated in other comprehensive income are included in the consolidated income statement when the foreign operation is disposed of as part of the gain or loss on the disposal.

In the separate financial statements the hedge of the net investment in foreign operation is accounted for as fair value hedge.

2.13. Impairment of financial assets

a) Assets carried at amortized cost

The NLB Group assesses impairments of financial assets individually for all individually significant assets where there is objective evidence of impairment. All other financial assets are impaired collectively. According to the Regulation on credit risk loss assessment of the Bank of Slovenia, a financial asset or off-balance sheet liability is individually significant if total exposure to a customer exceeds 0.5% of the bank's capital. In 2013, all exposures to banks, all exposures to other legal entities exceeding EUR 20 thousand and all exposures to individuals exceeding EUR 300 thousand were deemed individually significant assets requiring individual assessment. If the NLB Group determines that no objective evidence exists for an individually assessed financial asset, the asset is included in a group of related financial assets with similar credit risk characteristics and collectively assesses them for impairment.

The NLB Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event has an impact on the future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the NLB Group uses to determine whether objective evidence of impairment loss exists include:

- delays in the payment of contractual interests or principal;
- breach of other contractual covenants or conditions;
- difficulties in the financial condition of the borrower;
- restructuring of a borrower's financial liabilities, whereby a material loss is recognized;
- initiation of bankruptcy or insolvency proceedings;
- decrease in the fair value of the collateral received; and
- other arrangements having an adverse effect on the bank's or company's position.

If there is objective evidence that an impairment loss on loans and advances or held to maturity financial assets has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through an allowance account and the amount of the loss is recognized in the income statement. With regard to impairments for customers in default, where the payment of existing liabilities is only possible through the redemption of collateral, the liquidation value of the collateral is taken into account. This value is calculated from the appraised market value of the collateral and the discount used as defined in the Collateral Manual. Off-balance sheet liabilities are also assessed individually and where necessary related provisions are recognized as liabilities.

For the purpose of the collective assessment of impairment, the NLB Group uses transition matrices, which illustrate the expected transition of customers between internal rating categories. The probability of transition is assessed on the basis of past years' experience, i.e. annual transition matrices for different types or segments of customers. These data may be adopted for projected future trends, as historical experience does not necessarily reflect actual economic movements. Exposures to individuals are further analyzed with regard to type of product. Based on the expected transition of customers to D and E credit rating categories and an assessment of the average repayment rate for D- and E-rated customers (treated as customers in default), the NLB Group recognizes collective impairments.

If the amount of impairment decreases subsequently due to an event occurring after the write off (e.g. repayment in the collection process exceeds the assessed liquidation value of collateral), the reversal of the loss is recognized as a reduction in the allowance for loan impairment.

NLB d.d. writes off financial assets measured at amortized cost if during the collection process it assesses that the assets in question will not be repaid and that the conditions for derecognition are met.

b) Assets classified as available for sale

The NLB Group assesses at each reporting date whether there is objective evidence that available for sale financial assets are impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss is reclassified from other comprehensive income and recognized in the income statement as an impairment loss. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement; subsequent increases in their fair value after impairment are recognized in other comprehensive income.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the income statement.

The following factors are considered in determining impairment losses on debt instruments:

- default or delinquency in interest or principal payments,
- liquidity difficulties of the issuer,
- breach of contract covenants or conditions,
- bankruptcy of the issuer,
- deterioration of economic and market conditions and
- deterioration in the credit rating of the issuer below the acceptable level.

Impairment losses recognized in the income statement are measured as the difference between the carrying amount of the financial asset and its current fair value. The current fair value of the instrument is its market price or discounted future cash flows, when the market price is not obtainable.

c) Renegotiated loans

The loan is renegotiated when there is a change in the original repayment terms due to deterioration of economic and financial situation of the client, which causes irregular repayment of the obligations to the bank. Renegotiated loans are no longer considered to be past due but are treated as new loans but are flagged as renegotiated loans. Such loans continue to be discounted using the original effective interest rate. The renegotiated asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed.

d) Repossessed assets

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets are initially recognized in the financial statements at their fair values and are sold as soon as practical in order to reduce exposure (note 7.1.h). After initial recognition, repossessed assets are measured and accounted for in accordance with the policies applicable for the relevant assets categories.

2.14. Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.15. Sale and repurchase agreements

Securities sold under sale and repurchase agreements (repos) are retained in the financial statements and the counterparty liability is included in financial liabilities associated with the transferred assets. Securities sold subject to sale and repurchase agreements are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral. Securities purchased under agreements to resell (reverse repos) are recorded as loans and advances to other banks or customers, as appropriate.

The difference between the sale and repurchase price is treated as interest and accrued over the life of the repo agreements using the effective interest rate method.

2.16. Property and equipment

All items of property and equipment are initially recognized at cost. They are subsequently measured at cost less accumulated depreciation and any accumulated impairment loss.

Each year, the NLB Group assesses whether there are indications that assets may be impaired. If any such indication exists, the recoverable amounts are estimated. The recoverable amount is the higher of the fair value less costs to sell and value in use. If the recoverable amount exceeds the carrying value, the assets are not impaired. If the carrying amount exceeds the recoverable amount, the difference is recognized as a loss in the income statement.

Items of property and equipment, which do not generate cash flows that are largely independent, are included in cash generating unit and later tested for possible impairment.

Depreciation is calculated on a straight-line basis over the assets' estimated useful lives. The following annual depreciation rates were applied:

NLB d.d. and NLB Group			in %
Buildings	1	-	5
Leasehold improvements	5	-	25
Computers	12.5	-	50
Furniture and equipment	6.7	-	33.3
Motor vehicles	10	-	25

Depreciation does not begin until the assets are available for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, on each reporting date.Gains and losses on the disposal of items of property and equipment are determined as a difference between the sale proceeds and their carrying amount, and are recognized in the income statement.

Maintenance and repairs are charged to the income statement during the financial period in which they are incurred. Subsequent costs that increase future economic benefits are recognized in the carrying amount of an asset and the replaced part, if any, is derecognized.

2.17. Intangible assets

Intangible assets include software licenses, goodwill (note 2.6.) and customer relationships. Intangible assets are stated at cost, less accumulated amortization and impairment losses.

Amortization is calculated on a straight-line basis at rates designed to write down the cost of intangible asset over its estimated useful life. The core banking system is amortized over a period of ten years, other software over a period of three to five years and customer relationships over a period of twelve to fifteen years.

Amortization does not begin until the assets are available for use.

2.18. Investment property

Investment property includes buildings held for leasing and not occupied by the NLB Group. Investment property is stated at fair value determined by a certified appraiser. Fair value is based on current market prices. Any gain or loss arising from a change in fair value is recognized in the income statement. If there is a change in use due to the commencement of owner occupation, investment property is transferred to owner occupied property.

2.19. Non-current assets and disposal group classified as held for sale

Non-current assets and disposal group are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is deemed to be met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets and disposal group classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

During subsequent measurement, certain assets and liabilities of disposal group that are outside the scope of IFRS 5 measurement requirements are measured in accordance with the applicable standards (e.g. deferred tax assets, assets arising from employee benefits, financial instruments, investment property measured at fair value and contractual rights under insurance contracts). Tangible and intangible assets are not depreciated. The effects of sale and valuation are included in the income statement as a gain or loss from non-current assets held for sale.

Liabilities directly associated with disposal groups are reclassified and presented separately in the statement of financial position.

2.20. Accounting for leases

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Lease agreements are accounted for in accordance with their classification as finance leases or operating leases at the inception of the lease. The key classification factor is the extent to which the risks and rewards incidental to ownership of a leased asset lie with the lessor or lessee.

The NLB Group as lessee
Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

Finance leases are recognized as an asset and liability at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Leased assets are depreciated in accordance with the NLB Group's policy over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the NLB Group will obtain ownership by the end of the lease term. Lease payments are apportioned between interest expenses and the reduction of the outstanding liability so as to produce constant periodic rate of interest on the remaining balance of the liability.

The NLB Group as lessor
Payments under operating leases are recognized as income on a straight-line basis over the period of the lease. Assets leased under operating leases are presented in the statement of financial position as investment property or as property and equipment.

The NLB Group classifies a lease as a finance lease when the risks and rewards incidental to ownership of a leased asset lie with the lessee. When assets are leased under a finance lease, the present value of the lease payments is recognized as a receivable. Income from finance lease transactions is amortized over the lifetime of the lease using the effective interest rate method. Finance lease receivables are recognized at an amount equal to the net investment in the lease, including the unguaranteed residual value.

Sale-and-leaseback transactions
The NLB Group also enters into sale-and-leaseback transactions (in which the NLB Group is primarily a lessor), under which the leased assets are purchased from and then leased back to the lessee. These contracts are classified as finance leases or operating leases, depending on the contractual terms of the leaseback agreement.

2.21. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash and balances with central banks, debt securities held for trading, loans to banks and debt securities not held for trading with an original maturity of up to 90 days. Cash and cash equivalents are disclosed under the cash flow statement.

2.22. Borrowings with characteristics of debt

Loans and deposits received and issued debt securities are initially recognised at fair value, which is typically equal to historical cost less transaction costs. Borrowings are subsequently measured at amortized cost. The difference between the value at initial recognition and the final value is recognized in the income statement as interest expense, applying the effective interest rate.

Repurchased own debt is disclosed as a reduction in liabilities in the statement of financial position. The difference between the book value and the price at which own debt was repurchased is disclosed in the income statement.

2.23. Other issued financial instruments with characteristics of equity

Upon initial recognition, other issued financial instruments are classified in part or in full as equity instruments, if the contractual characteristics of the instruments are such that the NLB Group must classify them as equity instruments in accordance with IAS 32 Financial Instruments: Disclosure and Presentation. An issued financial instrument is only considered an equity instrument if that instrument does not represent a contractual obligation for payment.

Issued financial instruments with characteristics of equity are recognized in equity in the statement of financial position. Transaction costs incurred for issuing such instruments are deducted from equity reserves. The corresponding interest is recognized directly in profit reserves. In 2013, NLB d.d. recognized EUR 5,173 thousand in accrued interest (2012: EUR 16,044 thousand), disclosed in the item "other" in the statement of changes in equity.

The carrying value of an issued financial instrument with characteristics of equity is presented in the statement of changes in equity in the item other equity instruments.

2.24. Provisions

Provisions are recognized when the NLB Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

2.25. Contingent liabilities and commitments

Financial and non-financial guarantees
Financial guarantees are contracts that require the issuer to make specific payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payments when due, in accordance with the terms of debt instruments. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of the customer to secure loans, overdrafts and other banking facilities.

The issued guarantees covering non-financial obligations of the clients represent the obligation of the bank (guarantor) to pay if the client fails to perform certain works in accordance with the terms of the commercial contract. Such guarantees are issued mainly on behalf of the construction companies to secure the performance of the construction contracts.

Financial and non-financial guarantees are initially recognized at fair value, which is normally evidenced by the fees received. The fees are amortized to the income statement over the contract term using the straight-line method. The NLB Group's liabilities under guarantees are subsequently measured at the greater of:

- the initial measurement, less amortization calculated to recognize fee income over the period of guarantee or
- the best estimate of the expenditure required to settle the obligation.

Documentary letters of credit
Documentary (and standby) letters of credit constitute a written and irrevocable commitment of the issuing (opening) bank, on behalf of the issuer (importer) to pay the beneficiary (exporter) the value set out in the documents by a defined deadline:

- if the letter of credit is payable on sight; and
- if the letter of credit is payable for deferred payment, the bank will pay according to the contractual agreement, when and if, the beneficiary (exporter) presents to the bank documents that are in line with the conditions and deadlines set out in the letter of credit.

A commitment may also take the form of a letter of credit confirmation, which is usually done at the request or authorization of the issuing (opening) bank and constitutes a firm commitment by the confirming bank, in addition to that of the issuing bank, which independently assumes a commitment to the beneficiary under certain conditions.

Other contingent liabilities and commitments
Other contingent liabilities and commitments represent commitments to extend credit, uncovered letters of credit and other commitments.

2.26. Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average cost method.

2.27. Taxes

Income tax expense comprises current and deferred tax.

Current corporate income tax in the NLB Group is calculated on taxable profits at the applicable tax rate in the respective jurisdiction. The corporate income tax rate for 2013 in Slovenia was 17% (2012: 18%).

Deferred income tax is calculated, using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized if it is probable that future taxable profit will be available in the foreseeable future against which the temporary differences can be utilized.

Deferred tax related to the fair value re-measurement of available-for-sale investments and cash flow hedges is charged or credited directly to other comprehensive income.

Deferred tax assets and liabilities are measured at tax rates enacted or substantively enacted at the end of the reporting period that are expected to apply to the period when the asset is realized or the liability is settled. At each reporting date, the NLB Group reviews the carrying amount of deferred tax assets and assesses future taxable profits against which temporary taxable differences can be utilized.

Deferred tax assets for temporary differences arising from investments in subsidiaries, associates and joint ventures are recognized only to the extent that it is probable that:

- the temporary differences will be reversed in the foreseeable future; and
- taxable profit will be available.

Slovenian banks are required to pay a balance-sheet tax. The tax base is represented by total assets, i.e. the value of assets stated in the statement of financial position. It is calculated as the average of the monthly values on the last day of each month during the calendar year. The balance-sheet tax rate is 0.1%. The calculated tax may be reduced by 0.1% (2012: 0.167%) of loans granted to non-financial firms and independent entrepreneurs. Loans are calculated as the average value of monthly net balances, excluding allowances for impairments or changes in fair value, on the last day of each month during the calendar year. Tax expense is recognized in other operating expenses (note 4.7.).

A tax on financial services, which imposes a tax on fees paid for prescribed financial services rendered was introduced in Slovenia in 2013. The tax rate is 6.5% and the tax is paid monthly. Given that the tax on financial services is classified as a sales tax, it reduces accrued revenues in the financial statements.

2.28. Fiduciary activities

The NLB Group provides asset management services to its clients. Assets held in a fiduciary capacity are not reported in the NLB Group's financial statements, as they do not represent assets of the NLB Group. Fee and commission income charged for this type of service is broken down by items in note 4.3.b). Further details on transactions managed on behalf of third parties are disclosed in note 5.26.

Based on the requirements of Slovenian legislation, the NLB Group has additionally disclosed in note 5.26. assets and liabilities on accounts used to manage financial assets from fiduciary activities, i.e. information related to the receipt, processing and execution of orders and related custody activities.

2.29. Employee benefits

Employee benefits include jubilee long service benefits and retirement indemnity bonuses. Provisions for employee benefits are calculated by an independent actuary. The main assumptions included in the actuarial calculation are as follows:

	NLB d.d.		NLB Group	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Discount factor	7.8%	7.25%	7,8% - 18%	7,25% - 18%
Number of employees eligible for benefits	3,359	3,442	6,194	6,264
Wage growth based on inflation, promotions and wage growth based on past years of service	2.0%	2.0%	0,5% - 4,5%	2,0% - 9,5%

According to legislation, employees retire after 35-40 years of service, when, if they fulfil certain conditions, they are entitled to a lump-sum severance payment. Employees are also entitled to a long service bonus for every ten years of service in bank.

These obligations are measured at the present value of future cash outflows considering future salary increases and then apportioned to past and future employee service based on benefit plan terms and conditions. All gains and losses arising from changes in assumptions and experience adjustments are recognized immediately in the income statement within employee costs, except for interests on the liability related to retirement indemnity bonuses. These interests are determined by multiplying the liability by the adequate discounted factor, both as determined at the start of the annual reporting period. In income statement they are presented in line interest and similar expense.

The NLB Group pays contributions to the state pension schemes according to the local legislation. NLB d.d. contributes 8.85% of gross salaries. Once contributions have been paid, the NLB Group has no further obligation. Contributions constitute costs in the period to which they relate and are disclosed in employee costs in the income statement.

2.30. Share capital

Dividends on ordinary shares
Dividends on ordinary shares are recognized in equity in the period in which they are approved by NLB d.d.'s shareholders.

Treasury shares
If NLB d.d. or other member of the NLB Group purchases NLB d.d.'s shares, the consideration paid is deducted from total shareholders' equity as treasury shares. If such shares are subsequently sold, any consideration received is included in equity. If NLB d.d.'s shares are purchased by NLB d.d. itself or other NLB Group entities, NLB d.d. creates reserves for treasury shares in equity.

Share issue costs
Costs directly attributable to the issue of new shares are recognized in equity as a reduction in the share premium account.

2.31. Segment reporting

Operating segments are reported in a manner consistent with internal reporting to the management board which is the executive body that makes decisions, regarding the allocation of resources and assesses the performance of a specific segment.

All transactions between business segments are conducted on a normal course of business with intra-segment income and costs eliminated. Income and expenses directly associated with each segment are included in determining segment's performance. Income taxes are not allocated to segments (note 8.1.). The amount of net income arising from transactions between segments is disclosed in the item intersegment net income. Net income from external customers corresponds to the consolidated net income of the NLB Group.

In accordance with IFRS 8, the NLB Group has the following reportable segments: Corporate banking Slovenia, Retail banking Slovenia, Financial markets Slovenia, Foreign strategic markets, Foreign non-strategic markets and Other activities.

2.32. Critical accounting estimates and judgments in applying accounting policies

The NLB Group's financial statements are influenced by accounting policies, assumptions, estimates and management judgment. The NLB Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgments are evaluated on a continuing basis, and are based on past experience and other factors, including expectations with regard to future events.

a) Impairment losses on loans and advances

The NLB Group monitors and checks the quality of the loan portfolio at the individual and portfolio levels to continuously estimate the necessary impairments. The NLB Group creates individual impairments for individually significant financial assets where objective evidence of impairment exists. Such evidence is based on information regarding the fulfillment of contractual obligations or other financial difficulties of the debtor, a decrease in the value of collateral and other important facts defined in note 2.13. Individual assessments are based on the expected discounted cash flows from operations and/or the liquidation value of the collateral, as verified by the Credit Analyses and Control Division.

Impairments are assessed collectively for financial assets for which no objective evidence of impairment exists or for financial assets with lower exposure amounts. The future cash flows in this group of assets are estimated on the basis of past experience and losses from assets with a similar credit risk as the assets in the group. The methodology and assumptions used to estimate future cash flows are reviewed regularly in order to make loss estimations as realistic as possible.

Stress testing for credit risk using transition matrices and decrease in the market value of real estate collateral

Stress testing is structured to take into account a probable scenario and a stress scenario in the testing of each stress situation. It is assumed that the risk in the probable scenario is covered by regulatory capital, while the stress scenario assumes a deteriorating stress exceeding expectations. The difference between the two scenarios is the amount of additionally required impairments that must be created by the bank in the event of their realization.

In the stress scenarios, the effect of the deterioration of the quality of credit portfolio is assessed using historical transition matrices separately for individuals and legal persons. Exposure to institutions and the central government is not subject to stress testing. The assumption in these scenarios is that exposure does not change over one year, while the coverage ratio per each rating category is also maintained. The effect of the deterioration in credit ratings reflected by the transition matrices is seen as an increase in additionally required impairments. Moreover, the partial effect of a decrease in real estate market values in both segments, seen in the amount of additionally required impairments, is also taken into account.

As a result of the stress scenario, NLB d.d. will require additional impairments of EUR 53.5 million (2012: EUR 73.7 million), while the loan loss reserves to gross loan ratio will increase by 0.67 percentage points (2012: 0.73 percentage points). For the NLB Group, the same stress scenario results in an increase in impairments of EUR 74.7 million (2012: EUR 96.0 million) and an increase in the coverage of the credit portfolio by impairments by 0.67 percentage points (2012: 0.57 percentage points).

b) Fair value of financial instruments

The fair values of financial investments traded on the active market are based on current bid prices (financial assets) or offer prices (financial liabilities).

The fair values of financial instruments that are not traded on the active market are determined by using valuation models. These include a comparison with recent transaction prices, the use of a discounted cash flow model, valuation based on comparable entities and other frequently used valuation models. These valuation models pretty much reflect current market conditions at the measurement date, which may not be representative of market conditions either before or after the measurement date. Management reviewed all applied models as at the reporting date to ensure they appropriately reflect current market conditions, including the relative liquidity of the market and applied credit spread. Changes in assumptions regarding these factors could affect the reported fair values of financial instruments held for trading and available for sale financial assets.

The fair values of derivative financial instruments are determined on the basis of market data (mark-to-market), in accordance with the methodology for the valuation of derivative financial instruments. The market exchange rates, interest rates, yield and volatility curves used in valuation are based on the market snapshot principle. Market data is saved daily at 4 p.m. and later used for the calculation of the fair values (market value, NPV) of financial instruments. NLB d.d. applies market yield curves for valuation, fair values are additionally adjusted for credit risk of the counterparty.

Fair value hierarchy of financial instruments is disclosed in note 7.5.

c) Available for sale equity instruments

Available for sale equity instruments are impaired, if there has been a significant or prolonged decline in fair value below historical cost. The determination of what is significant or prolonged is based on assessments. In making these assessments, the NLB Group takes into account several factors, including share price volatility. Impairment may also be indicated by evidence regarding deterioration in the financial position of the instrument issuer, deterioration in sector performance, changes in technology, and a decline in cash flows from operating and financing activities.

If all the declines in fair value below cost had been considered significant or prolonged, NLB d.d. would have incurred additional impairment losses of EUR 233 thousand (2012: EUR nil), while the NLB Group would have incurred additional impairment losses of EUR 704 thousand (2012: EUR 891 thousand) from the reclassification of the negative valuation from the statement of comprehensive income to the income statement for the current year.

d) Held to maturity financial assets

The NLB Group classifies non-derivative financial assets with fixed or determinable payments and a fixed maturity as held to maturity financial assets. Before making this classification, the NLB Group assesses its intention and ability to hold such investments to maturity. If the NLB Group is unable to hold these investments until maturity, it must reclassify the entire group as available for sale financial assets. The investments would therefore be measured at fair value, resulting in an increase in the value of investments of EUR 18,314 thousand (December 31, 2012: increase by EUR 12,570 thousand) and a corresponding other comprehensive income.

e) Impairment of investments in subsidiaries, associates and joint ventures

The process of identifying and assessing the impairment of goodwill and other intangible assets is inherently uncertain, as the forecasting of cash flows requires the significant use of estimates, which themselves are sensitive to the assumptions used. The review of impairment represents management's best estimate of the factors such as:

- Future cash flows from individual investments depend on estimated cash flow for those periods for which formal plans are available and on assumptions regarding sustainability of and growth in cash flows in the future. The cash flows used represent management's assessment of future performance at the time of testing. Estimated cash flows are based on five-year financial plan. Growth rate in cash flows for residual period is between 1% and 1.5%. A target capital adequacy ratio of an individual bank is between 13% and 17%.

- The discount rate derived from the capital asset pricing model and used to discount future cash flows is based on the cost of equity allocated to an individual investment. The discount rate reflects the impact of range of financial and economic variables, including the risk-free rate and risk premium. The value of variables used is subject to fluctuations outside management's control. A pre-tax discount rate is between 15.45% and 20.18%.

Majority of impact relates to effects derived from financial crisis, larger impairment provisions, lower interest rates margins, large decline in GDP for Balkans region and change in capital regulation which requires additional capital increases.

If recoverable amount is value in use, the discounted cash flow method is used. When the recoverable amount is fair value less costs to sell, the value was determined based on the realizable value.

If the discount rates in the discounted cash flows model differ by +/- 1 percentage point, the estimated value in use of the equity investments would be lower in case of increased discount rate by a maximum of EUR 10.5 million (December 31, 2012: EUR 5.6 million) and in case of decreased discount rate the value in use of equity investments would be higher by a maximum of EUR 12.4 million (December 31, 2012: EUR 6.7 million).

If the forecasted cash flows in the discounted cash flows model differ by +/- 10%, the estimated value in use of the equity investments would be higher in case of increased forecasted cash flows by a maximum of EUR 13.8 million (December 31, 2012: EUR 6.5 million) and in case of decreased forecasted cash flows the value in use of equity investments would be lower by a maximum of EUR 13.8 million (December 31, 2012: EUR 6.5 million).

f) Goodwill and other intangible assets

In the consolidated financial statements, goodwill and other intangible assets are allocated to cash-generating units (hereinafter: CGUs), which represent the lowest level within the NLB Group at which these assets are monitored by management. Each NLB Group entity presents a separate CGU. The recoverable amount of each CGU was determined based on value-in-use calculations. The calculation of value in use is based on cash flow projections in the three-year financial plans approved by management. The NLB Group performed a test for impairment of goodwill and other intangible assets at the end of the year for all subsidiaries.

Additional information regarding impairment testing of goodwill and other intangible assets is disclosed in note 5.11.

The goodwill for NLB Prishtina, Prishtina which in 2012 represented an individually significant amount of goodwill in the NLB Group in amount of EUR 9,466 thousand was in 2013 impaired in its entire amount. When testing for possible impairment, the following assumptions were used: a discount rate of 18.2% and a growth rate for residual value of 1.5% p.a.

g) Taxes

The NLB Group operates in countries governed by different laws. The deferred tax assets recognized as at December 31, 2013 are based on profit forecasts and take into account the expected manner of recovery of the assets, i.e. whether the value will be recovered through use, sale or liquidation. Changes in assumptions regarding the likely manner of recovery of assets could lead to the recognition of currently unrecognized deferred tax assets or to the derecognition of previously created deferred tax assets. The NLB Group will adjust deferred tax assets accordingly in the event of changes to assumptions regarding future operations (note 4.12.).

h) Classification of issued financial instruments as debt or equity

NLB Group issues non-derivative financial instruments, where specific judgment is required to determine whether these instruments are classified as liability or as equity. When the delivery of cash is dependent of the outcome of uncertain future events that are beyond the control of the NLB Group and management anticipates that these future events are extremely rare, highly abnormal and unlikely to occur, these instruments are classified as equity.

2.33. Implementation of new and revised International Financial Reporting Standards

During the current year, the NLB Group adopted all new and revised standards and interpretations issued by the International Accounting Standards Board (hereinafter: the IASB) and the International Financial Reporting Interpretations Committee (hereinafter: the IFRIC) and endorsed by the EU that are effective for annual accounting periods beginning on January 1, 2013.

Accounting standards and amendments to existing standards effective for annual periods beginning on January 1, 2013 that were endorsed by the EU and adopted by the NLB Group

- IAS 1 (amendment) – Presentation of Financial Statements (effective for annual periods beginning on or after July 1, 2012, with earlier application permitted). The amendment retains the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments require additional disclosures to be made in the other comprehensive income section, such that items of other comprehensive income are grouped into two categories: items that will not be reclassified subsequently to profit or loss; and items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income must be allocated on the same basis. The amendment impacts presentational aspects of NLB Group.

- IAS 19 (amendment) – Employee Benefits (effective for annual periods beginning on or after January 1, 2013, with earlier application permitted). The amendment to the standard relates to the recognition and measurement of defined benefit obligations and to the disclosure to all employee benefits. Amendment doesn`t impact financial statements of NLB Group.

- IFRS 7 (amendments) – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2013). The amendments require disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including the right of set-off. The amendment has an impact on disclosures of the financial instruments of the NLB Group.

- IFRS 13 (new standard) – Fair Value Measurement (effective for annual periods beginning on or after January 1, 2013, with earlier application permitted). The standard establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of the standard is broad: it applies to both financial instruments and non-financial instruments for which other standards require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. New standard has an impact on disclosures of financial instruments of the NLB Group.

- Annual improvements to the IFRSs 2009–2011 Cycle. The improvements comprise a mixture of substantive changes and clarifications and are effective for annual periods beginning on or after January 1, 2013. Amendments to IFRS 1 – First-time Adoption of IFRS include explanations of additional comparative information disclosures. If additional comparative information is provided, the information should include the disclosure of comparative information for any additional statements included beyond the minimum comparative financial statement requirements. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements. Amendments to IAS 16 – Property, Plant and Equipment classifies spare parts, stand-by equipment and servicing equipment as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. Amendments to IAS 32 – Financial Instruments: Presentation require that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 – Income Taxes. Amendments to IAS 34 – Interim Financial Reporting require in interim financial reporting the separate disclosure of total assets and total liabilities for a particular reportable segment in accordance with IFRS 8 Operating Segments only when the amounts are regularly provided to the chief operating decision maker, while there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment. Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards require that borrowing costs incurred on or after the date of transition to the IFRS that relate to qualifying assets under construction at the date of transition should be accounted for in accordance with IAS 23 – Borrowing Costs.

- Other revised standards and interpretations (IFRS 1 – Fist-time Adoption of IFRS, as regards the prospective application related to government loans, and amendments to IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine) will not have an impact on financial statements of the NLB Group.

Accounting amendment to existing standard that was adopted early by the NLB Group

- IAS 39 (amendment) – Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after January 1, 2014, with earlier application permitted). The amendment permits the continuation of hedge accounting when a hedge derivative is novated to a central counterparty as the result of laws and regulations, and when certain conditions are met.

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

- IAS 32 (amendments) – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2014). The amendments added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

- IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements, IFRS 12 – Disclosures of Interests in Other Entities, a revised version of IAS 27 – Separate Financial Statements, which has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements, and a revised version of IAS 28 – Investments in Associates and Joint Ventures, which has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11. Standards are effective for annual periods beginning on or after January 1, 2014, with earlier application permitted as long as each of the other standards is also applied early. However, entities are permitted to include any of the disclosure requirements in IFRS 12 in their consolidated financial statements without the early adoption of IFRS 12. The NLB Group is currently evaluating the potential impact that the adoption of the standards will have on its consolidated financial statements.

- IFRS 10 (new standard). The new standard replaces the parts of IAS 27 – Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC 12 Consolidation – Special Purpose Entities has been withdrawn with the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that being control. In addition, IFRS 10 includes a new definition of control that contains three elements: control over an investee, exposure, or rights to variable returns from its involvement with the investee, and the ability to use its control over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

- IFRS 11 (new standard). The new standard replaces IAS 31 – Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement, over which two or more parties have joint control, should be classified. SIC 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn with the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 must be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 may be accounted for using the equity method of accounting or proportionate accounting.

- IFRS 12 (new standard). The new standard is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

- Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements, IFRS 12 – Disclosures of Interests in Other Entities: Transition Guidance (effective for annual periods beginning on or after January 1, 2014, with earlier application permitted). The amendments were issued to ease transition to new standards by restricting requirements regarding assurance of adjusted comparable data for comparable periods.

- Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements, IFRS 12 – Disclosures of Interests in Other Entities: Investment Entities (effective for annual periods beginning on or after January 1, 2014, with earlier application permitted). The amendments include the creation of a definition of an investment entity, the requirement that such entities measure investments in subsidiaries at fair value through profit and loss instead of consolidating them, new disclosure requirements for investment entities and requirements for an investment entity's separate financial statements.

- IAS 36 (amendment) – Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 1, 2014, with earlier application permitted). The amendment requires additional disclosures of the recoverable amount of impaired assets, if the recoverable amount is based on fair value less cost to sell. The amendment has an impact on disclosures of impaired non-financial assets of the NLB Group.

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

- IFRS 9 – Financial Instruments. IFRS 9 issued in November 2009 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in November 2013 to address hedge accounting. Key features of the standard are as follows:

  - Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortized cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  - An instrument is subsequently measured at amortized cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (i.e. it bears only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

  - All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition to recognize unrealized and realized fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

- Most of the requirements in IAS 39 for the classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk associated with financial liabilities designated at fair value through profit or loss in other comprehensive income.

- The most significant changes for hedge accounting:

  - Hedge effectiveness testing is based on the economic relationship between the hedged item and the hedging instrument and on the effect of credit risk on that economic relationship. A hedge relationship has to be effective at its inception and on an ongoing basis, and is subject to a qualitative and quantitative forward-looking effectiveness assessment.
  - A hedge model permits the hedging of financial and non-financial items and the designation of a group of items as hedge items, including some net positions.
  - Hedge elements like the time value of an option or the forward element of a forward contract and the foreign currency basis spreads associated with financial instruments can be excluded from the designation of a financial instrument as a hedging instrument and accounted for as hedging costs.

- In November 2013, the adoption of IFRS 9 was delayed indefinitely from the planned introduction date of January 1, 2015. A mandatory implementation date will be defined when the standard is completed. Early adoption is still permitted.

- IFRIC 21 (new interpretation) – Levies (effective for annual periods beginning on or after January 1, 2014, with earlier application permitted). An interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets clarifies the accounting for an obligation to pay a government levy. An entity recognizes a liability for a levy only when the activity that triggers payment, as identified by the relevant legislation, occurs.

- IAS 19 (amendment) – Employee Benefits (effective for annual periods beginning on or after July 1, 2014). The amendment to the standard permits the contributions of employees or third parties that are independent of the number of years of service to be recognized as a reduction in the service costs in the period in which the related service is rendered. The amendment will not have an impact on the financial statements of the NLB Group.

- Annual Improvements to IFRSs 2010–2012 Cycle. The improvements comprise a mixture of substantive changes and clarifications, and are effective for annual periods beginning on or after July 1, 2014. The amendment to IFRS 2 – Share-based Payment includes the definitions of vesting conditions and market conditions and adds definitions for performance conditions and service conditions. The amendment to IFRS 3 – Business Combinations clarifies that contingent consideration classified as an asset or a liability shall be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument in the scope of IAS 39 or non-financial assets or liability. The amendment to IFRS 8 – Operating Segments requires the disclosure of judgments made by management in applying aggregation criteria to operating segments and reconciliation of the total of the reportable segments' assets if the segment assets are reported regularly to the chief operating decision-maker. The amendment to IFRS 13 – Fair Value Measurement permits the measurement of short-term receivables and payables with no stated interest rate at their invoice amount without discounting, if the effect of not discounting is immaterial. The amendment to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets removes inconsistency in accounting for accumulated amortization and depreciation when property, plant and equipment or intangible assets are revalued. When an item of property, plant and equipment or an intangible asset is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount, and accumulated amortization and depreciation is the difference between the gross and net carrying amount. The amendment to IAS 24 – Related Party Disclosures clarifies that an entity providing key management personnel services to the reporting entity is a related party of the reporting entity.

- Annual Improvements to the IFRS 2011–2013 Cycle. The improvements comprise a mixture of substantive changes and clarifications, and are effective for annual periods beginning on or after July 1, 2014. The amendment to IFRS 1 – First-time Adoption of International Financial Reporting Standards clarifies that a first-time adopter has the choice of applying a new standard that is not yet effective early, if the standard permits early application. The amendment to IFRS 3 – Business Combinations relates to a change in the terminology in IFRS 11 – Joint Arrangements. The amendment clarifies that joint arrangements are out of the scope of IFRS 3. The amendment to IFRS 13 – Fair Value Measurement clarifies that the scope of the portfolio exception includes all contracts accounted for in the scope of IAS 39 – Financial Instruments: Recognition and Measurement, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 – Financial Instruments: Presentation. The amendment to IAS 40 – Investment Property clarifies that when investment property is acquired, the determination of whether a transaction meets the definition of a business combination as defined in IFRS 3 – Business Combinations and investment property as defined in IAS 40 – Investment Property must be made.

3. CHANGES IN SUBSIDIARY HOLDINGS

Changes in 2013

a) Capital increase:

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

b) Other changes:

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

Changes in 2012

a) Capital increase:

- Increases in share capital in the form of cash in the total amount of EUR 141,438 thousand were registered at LHB, Frankfurt, NLB Montenegrobank, Podgorica, NLB Leasing, Sarajevo, NLB Leasing, Ljubljana and NLB banka, Beograd.
- NLB d.d. increased its ownership interest in NLB Montenegrobank, Podgorica from 89.95% to 96.71%.
- Increase in share capital in the form of cash in the total amount of EUR 10,500 thousand has not yet been registered in NLB Montenegrobank, Podgorica.
- Increases in share capital in the form of cash from NLB Leasing, Ljubljana in the total amount of EUR 42,356 thousand have not yet been registered in Optima Leasing, Zagreb and OL Nekretnine, Zagreb.
- Increases in share capital in the form of loan conversion in the total amount of EUR 15,350 thousand were registered in NLB banka, Beograd and LHB Trade, Zagreb.

b) Other changes:

- NLB Tuzlanska Banka, Tuzla was renamed to NLB Banka, Tuzla.
- NLB Leasing Koper, Koper and NLB Leasing Maribor, Maribor are merged with NLB Leasing, Ljubljana. Merger is formally registered on 3rd May 2012 with accounting date of merger as at December 31, 2011.
- NLB Leasing, Ljubljana sold its 100% ownership interest in NLB Leasing, Podgorica to NLB d.d.
- NLB d.d. has by the called collateral acquired 75% ownership interest in Argo, Horjul. However according to contractual agreement NLB d.d. does not have control, but only significant influence and therefore the entity is accounted as an associate.
- LHB Internationale Handelsbank, Frankfurt returned its banking licence, changed its legal form of the entity and was renamed to LHB, Frankfurt.
- On General meeting of shareholders of Banka

Celje, Banka Celje obtained approval to change the preferred shares into ordinary shares, therefore NLB d.d.'s voting rights decreased from 49.42% to 41.11%.

c) Disposal of subsidiary:

- LHB, Frankfurt sold its 100% ownership interest in LHB Immobilien, Frankfurt outside of NLB Group.

The details of the assets and liabilities of NLB Group at the date of disposal and disposal consideration are as follows:

in thousand EUR	
Loans and advances to banks	159
Property and equipment	20,919
Other assets	211
Other liabilities	46
Net assets of subsidiary	**21,243**
Non-controlling interest	-
Carrying amount of net assets disposed of	**21,243**
Total disposal consideration	20,000
Cash and cash equivalents in subsidiary sold	-
Cash inflow on disposal	**20,000**
The loss on disposal of the subsidiay comprises:	
Considieration for disposal of the subsidiary	20,000
Carrying amount of net assets disposed of, net of non-controlling interest	21,243
Cumulative currency translation reserve on foreign operation recycled	
from other comprehensive income to profit or loss	-
Loss from disposal of subsidiary in consolidated financial statements	**1,243**

4. NOTES TO THE INCOME STATEMENT

4.1. INTEREST INCOME AND EXPENSES

Analysis by type of assets and liabilities

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Interest and similar income				
Loans and advances to customers	252,830	374,272	390,003	569,948
Held to maturity financial assets	34,767	39,734	34,767	39,734
Financial assets held for trading	28,552	38,564	28,204	38,179
Derivatives - hedge accounting	10,963	37,871	10,963	37,871
Available for sale financial assets	24,154	29,270	42,635	45,768
Loans and advances to banks	7,240	14,810	3,549	9,359
Deposits with central banks	451	1,207	1,528	2,264
TOTAL	**358,957**	**535,728**	**511,649**	**743,123**
Interest and similar expenses				
Due to customers	109,227	143,032	174,516	212,926
Borrowings from banks	36,906	54,587	42,398	66,024
Derivatives - hedge accounting	16,807	36,911	16,807	36,911
Financial liabilities held for trading	27,049	35,890	27,036	35,931
Debt securities in issue	2,751	25,378	3,024	25,853
Subordinated liabilities	7,853	13,862	9,160	15,429
Borrowings from other customers	577	792	4,553	6,066
Deposits from banks	105	630	307	1,361
Other financial liabilities	258	14	344	117
TOTAL	**201,533**	**311,096**	**278,145**	**400,618**
NET INTEREST	**157,424**	**224,632**	**233,504**	**342,505**

In 2013, interest income on individually impaired loans amounted to EUR 18,222 thousand for NLB d.d. (2012: EUR 66,319 thousand) and to EUR 37,123 thousand (2012: EUR 87,905 thousand) for the NLB Group.

4.2. DIVIDEND INCOME

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Available for sale financial assets	2,121	4,466	2,232	4,583
Investments in subsidiaries, associates and joint ventures	1,763	3,008	-	-
Financial assets held for trading	220	289	220	289
TOTAL	**4,104**	**7,763**	**2,452**	**4,872**

4.3. FEE AND COMMISSION INCOME AND EXPENSES

a) Fee and commission income and expenses relating to activities of NLB d.d. and the NLB Group

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Fee and commission income				
Fee and commission income relating to financial instruments not at fair value through profit or loss				
Credit cards and ATMs	44,458	43,363	57,522	55,549
Customer transaction accounts	33,734	34,126	39,990	39,939
Other fee and commission income				
Payments	30,219	33,840	54,579	59,918
Guarantees	10,530	13,466	16,031	19,429
Agency of insurance products	2,420	2,028	2,420	2,028
Investment funds	1,768	1,147	8,317	7,791
Other services	2,703	2,210	4,823	4,885
TOTAL	**125,832**	**130,180**	**183,682**	**189,539**
Fee and commission expenses				
Fee and commission expense relating to financial instruments not at fair value through profit or loss				
Credit cards and ATMs	23,304	20,969	31,422	28,866
Other fee and commission expense				
Payments	751	1,120	4,417	4,745
Investment banking	142	294	502	618
Guarantees	2,200	772	2,293	998
Deposit insurance	-	-	7,900	7,381
Insurance for holders of personal accounts and golden cards	1,503	1,619	1,503	1,619
Other services	1,116	1,444	2,206	3,638
TOTAL	**29,016**	**26,218**	**50,243**	**47,865**
NET ACTIVITY FEE AND COMMISSION INCOME	**96,816**	**103,962**	**133,439**	**141,674**

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

b) Fee and commission income and expenses relating to fiduciary activities

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Fee and commission income related to fiduciary activities				
Receipt, processing and execution of orders	463	450	535	567
Management of financial instruments portfolio	1,352	996	1,352	996
Investment advice	27	24	27	24
Initial or subsequent underwriting and/or placing of financial instruments without a firm commitment basis	321	327	321	327
Custody and similar services	3,554	3,780	3,537	3,762
Management of clients' account of non-materialized securities	479	452	479	452
Safekeeping of clients' financial instruments	16	9	23	17
Advice to companies on capital structure, business strategy and related matters and advice and services relating to mergers and acquisitions of companies	14	9	14	9
TOTAL	**6,226**	**6,047**	**6,288**	**6,154**
Fee and commission expenses related to fiduciary activities				
Fee and commission related to Central Securities Clearing Corporation and similar organizations	1,925	1,715	1,905	1,654
Fee and commission related to stock exchange and similar organizations	37	15	40	27
TOTAL	**1,962**	**1,730**	**1,945**	**1,681**
NET FEE INCOME RELATED TO FIDUCIARY ACTIVITIES	**4,264**	**4,317**	**4,343**	**4,473**
Total fee and commission income	**132,058**	**136,227**	**189,970**	**195,693**
Total fee and commission expenses	**30,978**	**27,948**	**52,188**	**49,546**
TOTAL a) and b)	**101,080**	**108,279**	**137,782**	**146,147**

4.4. GAINS LESS LOSSES FROM FINANCIAL ASSETS AND LIABILITIES NOT CLASSIFIED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Available for sale financial assets				
- gains	7,183	4,168	7,659	5,189
- losses	(213)	(374)	(664)	(2,053)
Held to maturity financial assets				
- gains	133	-	133	-
- losses	-	(1,253)	-	(1,253)
Financial liabilities measured at amortized cost				
- gains	257,890	179,946	257,890	179,946
- losses	-	(2,901)	-	(2,824)
Loans and receivables				
- gains	-	-	4,946	4
- losses	(542,887)	(756)	(574,769)	(37,270)
TOTAL	**(277,894)**	**178,830**	**(304,805)**	**141,739**

Realized losses from loans and receivables in the amount of EUR 542,887 thousand relate to the transfer of loans to the Bank Assets Management Company (hereinafter: BAMC), and represent the difference between the carrying amount of loans prior to the transfer and consideration received (note 5.6.c).

Realized gains from financial liabilities measured at amortized cost in amount of EUR 257,601 thousand relate to the derecognition of subordinated instruments as imposed by and in accordance with the decision of the Bank of Slovenia, and represent gains from subordinated loans in the amount of EUR 163,617 thousand and gains from subordinated bonds in the amount of EUR 93,984 thousand (2012: repurchase of subordinated loans in amount of EUR 76,361 thousand and subordinated bonds in amount of EUR 103,585 thousand) (note 5.16.d).

Net foreign exchange translation losses on financial assets and liabilities not classified as at fair value through profit or loss amounted to EUR 1,669 thousand at NLB d.d. in 2013 (2012: net gains of EUR 2,071 thousand) and to EUR 2,524 thousand in the NLB Group (2012: net gains of EUR 247 thousand).

4.5. GAINS LESS LOSSES FROM FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Equity instruments				
- gains	13,898	13,132	13,898	13,141
- losses	(13,152)	(7,954)	(13,152)	(7,959)
Foreign exchange trading				
- gains	25,924	23,972	33,330	31,058
- losses	(22,573)	(20,620)	(23,745)	(20,874)
Debt instruments				
- gains	613	820	613	1,497
- losses	(2,474)	(723)	(2,474)	(726)
Derivatives				
- currency	1,217	(1,486)	596	(1,203)
- interest rate	(338)	10,874	57	9,838
- cross currency interest rate	939	(909)	939	(909)
- securities	(3,080)	(954)	(3,080)	(954)
- other	-	(7)	-	(7)
TOTAL	**974**	**16,145**	**6,982**	**22,902**

The NLB Group uses currency derivatives to hedge its currency exposure. Therefore, their effects need to be considered in relation to foreign exchange differences in the income statement. From a business perspective, these derivatives represent effective hedging instruments that are not accounted for using hedge accounting principles. They are accounted for in the NLB Group’s financial statements as financial instruments held for trading.

Net losses from foreign exchange differences in 2013 in NLB d.d. amounted to EUR 1,692 thousand (2012: net profit EUR 1,883 thousand), while in NLB Group amounted to EUR 2,547 thousand (2012: net income EUR 59 thousand).

4.6. OTHER OPERATING INCOME

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Income from non-banking services	12,095	12,618	18,677	21,047
- IT services	6,296	6,302	6,296	6,302
- cash transportation	4,349	4,366	4,349	4,366
- operating leases of movable property	585	648	5,332	7,300
- other	865	1,302	2,700	3,079
Revaluation of investment property to fair value (note 5.10.)	15	252	142	263
Rental income from investment property	94	92	4,685	4,744
Other operating income	3,210	1,691	5,614	10,176
TOTAL	**15,414**	**14,653**	**29,118**	**36,230**

4.7. OTHER OPERATING EXPENSES

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Expenses related to issued service guarantees	9,219	3,957	9,219	3,957
Balance sheet tax	5,651	2,905	5,651	2,905
Membership fees	1,671	1,480	2,469	2,889
Revaluation of investment property to fair value (note 5.10.)	206	44	8,302	251
Other taxes and compulsory public revenues	170	38	2,223	5,861
Other operating expenses	879	1,228	3,494	3,263
TOTAL	**17,796**	**9,652**	**31,358**	**19,126**

4.8. ADMINISTRATIVE EXPENSES

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Employee costs				
- gross salaries, compensations and other short-term benefits	94,617	101,338	148,178	158,595
- defined contribution scheme	7,486	7,601	12,819	12,443
- social security contributions	6,426	6,552	10,394	11,204
- defined benefit expenses (note 5.17.c)	2,570	2,640	4,011	14,914
- post-employment benefits	*(796)*	*(260)*	*(669)*	*11,311*
- other employee benefits	*3,366*	*2,900*	*4,680*	*3,603*
TOTAL	**111,099**	**118,131**	**175,402**	**197,156**
Other general and administrative expenses				
- other services	38,376	40,519	49,948	53,728
- professional services	7,440	9,036	13,870	16,049
- assets quality review	4,946	-	4,946	-
- maintenance	8,136	8,932	11,418	13,336
- materials	6,451	6,244	12,092	12,451
- rents	3,638	4,266	9,216	9,784
- property	*2,007*	*2,417*	*7,369*	*7,711*
- software	*1,350*	*1,559*	*1,388*	*1,621*
- movable property	*281*	*290*	*459*	*452*
- advertising	1,929	2,863	4,323	5,955
- insurance	2,076	2,171	4,036	4,229
- travel costs	777	1,049	1,539	1,988
- education, scholarships and tuition fees	769	947	1,046	1,179
- entertainment expenses	187	328	564	839
- other administrative expenses	17	22	106	136
TOTAL	**74,742**	**76,377**	**113,104**	**119,674**
TOTAL ADMINISTRATIVE EXPENSES	**185,841**	**194,508**	**288,506**	**316,830**
Number of employees	3,425	3,572	6,912	7,208

Costs of other services include asset maintenance and asset management costs, software maintenance costs, licenses costs and communication costs.

In year 2013 NLB d.d. paid EUR 251 thousand (2012: EUR 333 thousand) and NLB Group EUR 604 thousand (2012: EUR 990 thousand) to statuary auditor for auditing annual report. In addition, NLB d.d. and NLB Group paid the following expenses to statutory auditor:

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Other audit services	151	56	183	282
Tax and other consulting	-	-	2	-
Other non-audit services	-	34	1,134	157
TOTAL	**151**	**90**	**1,319**	**439**

4.9. DEPRECIATION AND AMORTIZATION

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Amortization of intangible assets (note 5.11.)	14,500	16,360	20,993	23,184
Depreciation of property and equipment (note 5.9.)	12,098	13,329	23,339	28,140
TOTAL	**26,598**	**29,689**	**44,332**	**51,324**

4.10. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Guarantees and commitments (note 5.17.b)	24,763	(57,159)	25,628	(47,078)
Restructuring provisions (note 5.17.e)	6,500	5,169	6,500	10,774
Provisions for premiums from National Housing Saving Scheme (note 5.17.d)	73	119	73	119
Provisions for legal issues (note 5.17.f)	430	1,265	2,537	1,211
Other provisions (note 5.17.g)	5,177	-	5,177	17
TOTAL	**36,943**	**(50,606)**	**39,915**	**(34,957)**

4.11. IMPAIRMENT CHARGE

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Impairment of financial assets				
Available for sale financial assets (note 5.4.b)	23,842	30,498	23,842	30,498
Debt securities (note 5.14.c)	3,750	-	3,750	-
Loans and advances to banks (note 5.14.b)	10,180	(271)	14,562	(338)
Loans to government (note 5.14.b)	4,728	822	7,727	4,161
Loans to financial organizations (note 5.14.b)	88,793	52,286	39,654	35,748
Loans to individuals (note 5.14.a)	13,208	5,433	31,054	13,473
Granted overdrafts	7,783	2,286	8,487	2,885
Loans for houses and flats	4,604	4,274	2,777	7,706
Consumer loans	612	(3,503)	7,872	(3,631)
Other loans	209	2,376	11,918	6,513
Loans to other customers (note 5.14.b)	546,515	368,758	761,200	492,792
Loans to large corporate customers	380,679	96,609	457,558	139,402
Loans to small and medium size enterprises	165,836	272,149	303,642	353,390
Other financial assets (note 5.14.d)	12,567	6,438	17,990	11,829
TOTAL	**703,583**	**463,964**	**899,779**	**588,163**
Impairment of other assets				
Investments in subsidiaries, associates and joint ventures (note 5.12.)	465,574	200,662	46,393	530
Property and equipment (note 5.9.)	19,881	-	22,770	672
Intangible assets (note 5.11.)	-	-	48,099	-
Other assets	306	271	13,237	2,633
TOTAL	**485,761**	**200,933**	**130,499**	**3,835**
TOTAL IMPAIRMENT	**1,189,344**	**664,897**	**1,030,278**	**591,998**

4.12. INCOME TAX

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Current tax on profit	1,454	2,906	3,870	6,008
Deferred tax (note 5.18.)	72,037	6,104	69,583	8,556
TOTAL	**73,491**	**9,010**	**73,453**	**14,564**

Income tax differs from the amount of tax determined applying the Slovenian statutory tax rate as follows:

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Loss before tax	(1,466,787)	(295,866)	(1,368,691)	(258,040)
Tax calculated at prescribed rate 17% (2012: 15%)	(249,354)	(44,380)	(232,677)	(38,706)
Effect of change in tax rate in the reconciliation	(7,759)	19,918	(9,965)	20,750
Income not assessable for tax purposes	(1,365)	(1,438)	(470)	(419)
Expenses not deductible for tax purposes	18,722	2,859	10,504	15,819
Effect of unrecognized deferred tax assets on impairment of subsidiaries	38,958	29,981	-	-
Tax allowances	(859)	(462)	(890)	(494)
Effect of unrecognized deferred tax assets on tax losses	-	-	41,398	20,748
Effects of different tax rates in other countries	-	-	(5,299)	(5,740)
Changes in recognition and measurement of deferred taxes	(24,600)	4,667	(24,600)	4,667
Withholding tax suffered in other countries for which no tax credit was available in Slovenia	1,454	2,293	1,454	2,367
Adjustment to tax in respect of prior periods	(714)	(405)	(714)	(405)
Other	668	(4,023)	668	(4,023)
Impairment of deferred tax assets	298,340	-	294,044	-
TOTAL	**73,491**	**9,010**	**73,453**	**14,564**

Tax rates within the NLB Group range from 9% to 30%. A tax rate of 17% was applied in Slovenia in 2013 (2012: 18%).

Due to the tax rate change, NLB d.d. recorded EUR 7,759 thousand in revenues in 2013 (2012: EUR 19,918 thousand in expenses), while the NLB Group recorded EUR 9,965 thousand in expenses (2012: EUR 20,750 thousand). Income tax for 2012 was charged taking into account a 15% tax rate, which is expected to apply in the year when NLB d.d. once again records a positive tax base and will thus be subject to pay tax. Since an amendment to the Corporate Income Tax Act was adopted in 2013 prescribing a 17% tax rate and eliminating the gradual decrease in the tax rate to 15%, expected to apply from 2015 onward, NLB d.d. applied a 17% corporate income tax rate for 2013.

The majority of non-taxable income relates to dividends and income deemed to be dividends. NLB d.d. excluded EUR 7,299 thousand in dividend income from its tax base in 2013 (2012: EUR 9,426 thousand).

Deferred tax assets were not recognized on temporary differences arising from the impairment of investments in subsidiaries amounting to EUR 333,623 thousand as at December 31, 2013 (December 31, 2012: EUR 320,469 thousand). NLB d.d. has no intention of disposing of these subsidiaries in the foreseeable future.

Based on the NLB Group's restructuring plan, NLB d.d. recognized EUR 26,863 thousand deferred tax assets on past impairments of equity investments that NLB d.d. plans to dispose of in the foreseeable future. This is included among changes in the recognition and measurement of deferred taxes.

NLB Group did not recognize deferred tax assets for tax losses where there is uncertainty whether the tax losses can be utilized because it is not probable that future taxable profits will be available against which the deferred tax assets can be utilised and where utilization of unused tax losses is limited to 5 years.

NLB d.d. impaired deferred taxes accrued on the basis of temporary differences that it estimates will not be eliminated in the foreseeable future (i.e. within five years), given future profit projections. Impairments amounted to EUR 298,340 thousand and for NLB Group EUR 294,044 thousand.

5. NOTES TO THE STATEMENT OF FINANCIAL POSITION

5.1. CASH AND BALANCES WITH CENTRAL BANKS

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Cash	97,864	96,345	198,209	183,395
Balances and obligatory reserves with central banks	276,911	274,839	744,448	739,436
TOTAL	**374,775**	**371,184**	**942,657**	**922,831**

Slovenian banks are required to maintain an obligatory reserve with Bank of Slovenia, relative to the volume and structure of its customer deposits. Other banks in the NLB Group maintain an obligatory reserve in accordance with local legislation. NLB d.d. and other banks in the NLB Group fulfil their mandatory reserve deposit requirements.

5.2. TRADING ASSETS

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Derivatives, excluding hedging instruments				
Swap contracts	31,040	73,344	30,540	72,396
- currency swaps	387	313	387	272
- interest rate swaps	29,721	72,667	29,221	71,760
- cross currency interest rate swaps	932	364	932	364
Options	126	551	126	551
- currency options	-	133	-	133
- interest rate options	8	418	8	418
- securities options	118	-	118	-
Forward contracts	1,266	2,559	1,322	2,668
- currency forward	1,266	2,559	1,322	2,668
Total derivatives	**32,432**	**76,454**	**31,988**	**75,615**
Securities:				
Bonds	17,544	14,022	17,544	14,022
- Republic of Slovenia	8,817	4,197	8,817	4,197
- banks	1,014	-	1,014	-
- other issuers	7,713	9,825	7,713	9,825
Shares	16,985	18,696	16,985	18,696
Treasury bills	37,818	-	37,818	-
- Republic of Slovenia	30,021	-	30,021	-
*- other EU members**	7,797	-	7,797	-
Total securities	**72,347**	**32,718**	**72,347**	**32,718**
TOTAL	**104,779**	**109,172**	**104,335**	**108,333**
- quoted	52,722	10,704	52,722	10,704
- unquoted	19,625	22,014	19,625	22,014

* Luxembourg

The notional amounts of derivative financial instruments are disclosed in note 5.25.b).

During the year 2009 NLB d.d. and the NLB Group reclassified certain bonds from the trading category to loans and receivables. NLB d.d. and the NLB Group reclassified high quality corporate bonds that are not traded in the active market and for which it has a positive intent and ability to hold for the foreseeable future or until maturity rather than trade in the short term. Reclassified bonds meet the definition of loans and receivables.

The following table illustrates the carrying values and fair values of the assets reclassified:

NLB d.d. and NLB Group		
in thousand EUR	Carrying amount	Fair value
the date of reclassification		69,766
as at December 31, 2009	72,030	65,278
as at December 31, 2010	75,928	67,000
as at December 31, 2011	84,429	55,922
as at December 31, 2012	86,501	53,958
as at December 31, 2013	80,218	55,260

The effective interest rates, determined on the day the bonds were reclassified, range from 4.15% - 4.23%.

NLB d.d. and NLB Group					
in thousand EUR	Interest income in period				
	2013	2012	2011	2010	2009
Financial assets held for trading reclassified to loans and receivables	2,153	2,449	3,446	4,471	2,836

NLB d.d. and NLB Group					
in thousand EUR	Gains/(losses) that would have been recognised if the assets had not been reclassified				
	2013	2012	2011	2010	2009
Financial assets held for trading reclassified to loans and receivables	1,302	(52)	(11,078)	1,722	(4,647)

5.3. FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

a) Financial assets designated at fair value through profit or loss

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Private equity fund	3,801	3,161	3,801	3,161
Other investments	-	-	2,814	2,015
TOTAL	**3,801**	**3,161**	**6,615**	**5,176**

b) Financial liabilities designated at fair value through profit or loss

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Structured deposit	3,800	3,160	3,800	3,160
TOTAL	**3,800**	**3,160**	**3,800**	**3,160**

In NLB d.d. financial assets in amount of EUR 3,801 thousand (December 31, 2012: EUR 3,161 thousand) are designated at fair value through profit or loss, to reduce the accounting mismatch that would otherwise arise. Financial liability, designated at fair value through profit or loss in amount of EUR 3,800 thousand (December 31, 2012: EUR 3,160 thousand) is the structured deposit from customers, from which the returns depend on the returns from private equity funds, classified as financial assets, measured at fair value through profit or loss.

In NLB Group, in addition to the above mentioned, financial assets that are designated at fair value through profit or loss, represent investments in other funds that are managed and evaluated on a fair value basis.

5.4. AVAILABLE FOR SALE FINANCIAL ASSETS

a) Analysis by type of available for sale financial assets

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Bonds	985,129	717,676	1,212,950	868,957
- governments	907,106	569,570	1,134,927	711,750
- Republic of Slovenia	789,019	410,082	842,035	478,574
*- other EU members**	118,087	159,488	187,023	163,521
*- non-EU members***	-	-	105,869	69,655
- banks	59,556	127,636	59,556	136,737
- other issuers	18,467	20,470	18,467	20,470
Cash certificates	-	-	81,374	68,200
Shares	75,322	109,614	77,769	111,809
Treasury bills	94,961	70,575	303,024	296,125
- Republic of Slovenia	44,981	70,575	65,530	93,024
*- other EU members****	49,980	-	67,968	-
*- non-EU members*****	-	-	169,526	203,101
TOTAL	**1,155,412**	**897,865**	**1,675,117**	**1,345,091**
- quoted	1,146,200	883,206	1,390,492	1,152,115
- unquoted	9,212	14,659	284,625	192,976

*Austria, Belgium, Germany, Finland, Nederland, France, Ireland and other EU members
**Macedonia, Serbia, Bosnia and Herzegovina, Montenegro and other non-EU members
***France and Belgium
****Macedonia, Montenegro, Serbia and Bosnia and Herzegovina

b) Movements of available for sale financial assets

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Balance at January 1	897,865	1,425,570	1,345,091	1,888,043
Effects of translation of foreign operations to presentation currency	-	-	(1,912)	(3,743)
Additions	278,631	329,035	1,983,968	1,787,305
Equity increase (note 5.21.)	409,999	-	409,999	-
Disposals	(436,828)	(892,299)	(2,089,141)	(2,384,438)
Interest income (note 4.1.)	24,154	29,270	42,635	45,768
Exchange differences on monetary assets	(239)	(271)	784	(272)
Changes in fair values	8,078	51,461	9,941	57,329
Impairment (note 4.11.)	(23,842)	(30,504)	(23,842)	(30,504)
- impairment of equity securities	*(21,991)*	*(30,504)*	*(21,991)*	*(30,504)*
- impairment of debt securities	*(1,851)*	-	*(1,851)*	-
Transfer to BAMC	(2,406)	-	(2,406)	-
Other (note 5.8.)	-	(14,397)	-	(14,397)
Balance at December 31	**1,155,412**	**897,865**	**1,675,117**	**1,345,091**

In year 2013 NLB d.d. transferred to BAMC two available for sale investments in total amount of EUR 2,406 thousand and realized losses in the amount of EUR 34 thousand.

As at December 31, 2013, the value of equity instruments that the NLB d.d. and the NLB Group obtained by taking possession of collateral held as security and recognized in the statement of financial position is EUR 67,677 thousand (December 31, 2012: EUR 89,379 thousand).

c) Revaluation reserve related to available for sale financial assets

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Balance at January 1	(2,385)	(38,292)	3,632	(42,146)
Effects of translation of foreign operations to presentation currency	-	-	(2)	(14)
Net (losses)/gains from changes in fair value	(1,119)	18,466	744	24,334
Losses transferred to net profit on disposal or impairment	16,872	26,710	16,847	27,368
Deferred income tax (note 5.18.)	(2,678)	(9,269)	(2,905)	(10,931)
Share of other comprehensive income of associates and joint ventures (note 5.12.c)	-	-	(796)	5,021
Balance at December 31	**10,690**	**(2,385)**	**17,520**	**3,632**
- debt securities	(858)	(17,025)	5,092	(11,843)
- equity securities	11,548	14,640	12,428	15,475

5.5. DERIVATIVES FOR HEDGING PURPOSES

NLB Group entities measure exposure to interest rate risk using a repricing gap analysis and by calculating the sensitivity of statement of financial position and off-balance-sheet items in terms of the economic value of equity. Portfolio duration is used as a measure of risk in the management of securities in the banking book.

NLB Group entities also use various derivatives, such as interest rate swaps, forward rate agreements (FRA), overnight indexed swaps (OIS) and currency interest rate swaps (CIRS) to close open positions in an individual maturity bucket. Micro and macro fair value hedges are used for that purpose, i.e. the swapping of a fixed interest rate on a hedged item for a variable interest rate. Micro cash flow hedges are also used, i.e. the swapping of a variable interest rate on a hedged item for a fixed interest rate. All cash flow hedges were made on liability items, while fair value hedges were used on both liability and assets items. Hedged liability items (e.g. issued securities, government deposits, etc.) accounted for the majority in nominal terms.

Hedge accounting rules (fair value and cash flow hedging) were applied in the hedging of interest rate risk using interest rate swaps. These hedge relationships are created in such a way that the characteristics of the hedge instrument and those of the hedged item match (i.e. the principal terms match), while the dollar-offset method is used to regularly measure hedge effectiveness retrospectively. Prospective testing of hedge effectiveness is carried out regularly for macro hedges, where the characteristics of both items in the hedge relationship do not fully match, by comparing the change in the fair value of both items with the shift in the yield curve.

Hedge accounting rules were not applied in economic hedges using FRA and CIRS. Thus, the effects of valuation are disclosed in the income statement in line gains less losses from financial assets and liabilities held for trading.

a) Fair value hedge

NLB d.d. and NLB Group	Notional amount	Fair value	
in thousand EUR		Asset	Liability
Interest rate swap			
31.12.2013	275,098	5,426	33,835
31.12.2012	422,661	10,909	47,459

In 2013 net gains on hedging instruments amounted to EUR 7,893 thousand in NLB d.d. and NLB Group (2012: net losses to EUR 26,516 thousand in NLB d.d. and EUR 26,526 thousand in the NLB Group), net losses on hedged items were in NLB d.d. and in NLB Group EUR 8,019 thousand (2012: net gains to EUR 26,869 thousand).

b) Cash flow hedge

NLB d.d. and NLB Group	Notional amount	Fair value	
in thousand EUR		Asset	Liability
Interest rate swap			
31.12.2013	19,393	-	2,684
31.12.2012	24,155	-	3,824

Total a) and b)			
31.12.2013	**294,491**	**5,426**	**36,519**
31.12.2012	**446,816**	**10,909**	**51,283**

Future cash flows

NLB d.d. and NLB Group				
in thousand EUR	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years
31.12.2013				
- Outflow	(287)	(499)	(2,142)	(1,638)
- Inflow	19	37	609	1,126
31.12.2012				
- Outflow	(380)	(612)	(2,449)	(2,116)
- Inflow	33	40	380	1,180

c) Revaluation reserve related to cash flow hedging

NLB d.d. and NLB Group		
in thousand EUR	2013	2012
Balance at January 1	(3,031)	(2,934)
Net gains/(losses) on hedging instruments	218	(1,476)
Transfer to income statement	877	1,491
Deferred income tax (note 5.18.)	(186)	(112)
Balance at December 31	**(2,122)**	**(3,031)**

There was no hedge ineffectiveness that neither NLB d.d. nor the NLB Group should have recognized in the income statement.

5.6. LOANS AND ADVANCES

Analysis by type of loans and advances

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Debt securities	702,791	88,617	702,791	88,617
Loans to banks	376,439	361,732	532,533	460,486
Loans and advances to customers	5,426,129	7,747,361	7,041,430	9,467,743
Other financial assets	41,337	40,975	63,919	67,069
TOTAL	**6,546,696**	**8,238,685**	**8,340,673**	**10,083,915**

a) Debt securities

Analysis of debt securities by sector

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Government	622,573	-	622,573	-
Banks	3,750	3,748	3,750	3,748
Companies	80,218	84,869	80,218	84,869
	706,541	88,617	706,541	88,617
Allowance for impairment (note 5.14.c)	(3,750)	-	(3,750)	-
TOTAL	**702,791**	**88,617**	**702,791**	**88,617**

The increase in government bonds relates entirely to bonds of the BAMC received by NLB d.d. as consideration for transferred assets (notes 5.4.b, 5.6.c and 5.8.b). The aforementioned bonds have a maturity of three and four years, and are guaranteed by the Slovenian government. They are classified as loans and receivables, as they are not listed on an active market.

b) Loans and advances to banks

Analysis by type of loans and advances

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Demand deposits	216,085	156,947	308,158	280,987
Loans	103,054	142,607	44,485	64,741
Time deposits	63,234	50,881	203,891	117,466
Reverse sale and repurchase agreements	4,616	9,965	4,616	9,965
Purchased receivables	-	1,717	-	1,717
	386,989	362,117	561,150	474,876
Allowance for impairment (note 5.14.b)	(10,550)	(385)	(28,617)	(14,390)
TOTAL	**376,439**	**361,732**	**532,533**	**460,486**

The NLB Group obtained securities received under repurchase agreements as a collateral (it became the legal owner of said securities), while the borrower is entitled to the associated coupon interest and dividends. The NLB Group did not sell or pledge any of the securities it received as collateral during the financial years presented. The fair value of these securities amounted to EUR 8,034 thousand (December 31, 2012: EUR 9,895 thousand).

c) Loans and advances to customers

Analysis by type of loans and advances

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Loans	6,214,369	8,779,537	7,939,372	10,430,732
Finance lease receivables	-	-	377,171	429,001
Overdrafts	215,100	230,056	349,253	340,683
Credit card business	59,922	56,635	112,734	110,565
Called guarantees	11,014	48,290	27,143	62,334
Reverse sale and repurchase agreements	25	414	25	414
	6,500,430	9,114,932	8,805,698	11,373,729
Allowance for impairment (note 5.14.)	(1,074,301)	(1,367,571)	(1,764,268)	(1,905,986)
TOTAL	**5,426,129**	**7,747,361**	**7,041,430**	**9,467,743**

In accordance with the Measures of the Republic of Slovenia to Strengthen the Stability of Banks Act, NLB d.d. transferred loans with a carrying amount of EUR 1,155,352 thousand to the BAMC in 2013. As consideration, NLB d.d. received BAMC bonds that are classified as loans and receivables (note 5.6.a). The effects of the transfer of loans are disclosed in note 4.4.

The NLB Group obtained securities received under repurchase agreements as a collateral (it became the legal owner of said securities), while the borrower is entitled to the associated coupon interest and dividends. The NLB Group did not sell or pledge any of the securities it received as collateral during the financial years presented. The fair value of these securities amounted to EUR 1,047 thousand (December 31, 2012: EUR 1,522 thousand).

Analysis of loans and advances by sector

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Government	353,339	402,926	479,420	512,785
Financial organizations	655,236	1,011,199	169,421	268,143
Companies	2,559,379	4,436,573	3,676,507	5,947,214
Individuals	1,858,175	1,896,663	2,716,082	2,739,601
TOTAL	**5,426,129**	**7,747,361**	**7,041,430**	**9,467,743**

Finance leases

Loans and advances to customers in the NLB Group include finance lease receivables:

	NLB Group	
in thousand EUR	31.12.2013	31.12.2012
The gross investment in finance leases by maturity		
- not later than 1 year	197,262	190,537
- later than 1 year and not later than 5 years	173,260	196,580
- later than 5 years	50,064	98,396
	420,586	**485,513**
Unearned future finance income on finance leases	(43,415)	(56,512)
Net investment in finance leases	**377,171**	**429,001**
- present value of minimum lease payments	377,171	429,001
The net investment in finance leases by maturity		
- not later than 1 year	186,526	174,182
- later than 1 year and not later than 5 years	148,060	169,099
- later than 5 years	42,585	85,720
TOTAL	**377,171**	**429,001**

The allowance for unrecoverable finance lease receivables included in the allowance for loan impairment amounted to EUR 137,131 thousand (December 31, 2012: EUR 94,216 thousand).

Finance and operating lease transactions are carried out by the NLB Group through specialized subsidiaries that offer a wide range of financing such as car leasing, real estate leasing, leasing of commercial and production equipment and others.

The majority of the lease agreements entered into by NLB Group as lessor contracts are finance lease agreements (operating leases account for less than 10% of all lease agreements). The majority of agreements are concluded for a non-cancellable period of between 48 and 60 months, with an unguaranteed residual value representing a purchase option typically between 1.6% and 2% of the gross investment.

Finance and operating leases of motor vehicles and operating leases of business premises represent the majority of agreements in which the NLB Group act as lessee.

d) Other financial assets

Analysis by type of other financial assets

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Receivables from purchase agreements for equity securities	42,517	31,540	42,517	31,540
Receivables in the course of collection	12,789	14,923	14,511	16,542
Credit card receivables	7,983	7,169	11,335	10,416
Fees and commissions due	5,093	5,283	7,281	7,649
Debtors	1,789	1,640	23,528	25,392
Accrued fees and commissions	132	84	244	197
Dividends	44	44	44	44
Prepayments	-	10	9,076	6,268
Other financial assets	8,634	6,125	21,467	20,072
	78,981	66,818	130,003	118,120
Allowance for impairment (note 5.14.d)	(37,644)	(25,843)	(66,084)	(51,051)
TOTAL	**41,337**	**40,975**	**63,919**	**67,069**

Receivables in the course of collection are temporary balances which will be transferred to the appropriate item in the days following their occurrence.

Analysis of other financial assets by sector

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Banks	5,751	4,313	11,202	15,193
Government	1,570	1,823	2,140	2,472
Financial organizations	744	1,059	929	2,219
Companies	18,552	17,408	32,795	29,060
Individuals	14,720	16,372	16,853	18,125
TOTAL	**41,337**	**40,975**	**63,919**	**67,069**

e) Movement of called non-financial guarantees

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Balance at January 1	25,327	47,353	29,817	49,296
Effects of translation of foreign operations to presentation currency	-	-	(33)	(125)
Called guarantees	14,273	21,410	14,868	25,519
Paid guarantees	(1,703)	(605)	(1,901)	(2,042)
Transfer to BAMC	(32,661)	-	(32,661)	-
Write offs	(314)	(42,831)	(314)	(42,831)
Balance at December 31	**4,922**	**25,327**	**9,776**	**29,817**

Fee income from all issued non-financial guarantees amounted to EUR 6,346 thousand (2012: EUR 6,951 thousand) at NLB d.d. and to EUR 6,810 thousand (2012: EUR 7,718 thousand) at the NLB Group.

5.7. HELD TO MATURITY FINANCIAL ASSETS

a) Analysis by type of held to maturity financial assets

	NLB d.d. and NLB Group	
in thousand EUR	31.12.2013	31.12.2012
Bonds		
- governments	660,788	696,337
- Republic of Slovenia	418,533	418,301
- Italy	10,066	10,027
- Ireland	5,170	5,173
*- other EU members**	227,019	262,836
- banks	67,520	69,362
Treasury bills of Republic of Slovenia	135,951	275,406
TOTAL	**864,259**	**1,041,105**
- quoted	864,259	1,041,105
- unquoted	-	-

*Austria, Belgium, Germany, Finland, Netherlands, France and other EU members

b) Movements of held to maturity financial assets

	NLB d.d. and NLB Group	
in thousand EUR	2013	2012
Balance at January 1	1,041,105	1,067,991
Additions	132,054	28,100
Decreases	(343,851)	(94,970)
Interest income (note 4.1.)	34,767	39,734
Decrease of interest income due to reclassification of available for sale to held to maturity financial assets	184	250
Balance at December 31	**864,259**	**1,041,105**

5.8. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

a) Analysis by type of non-current assets classified as held for sale

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Property and equipment	2,327	1,839	17,582	7,447
Equity investment	-	14,377	-	14,377
TOTAL	**2,327**	**16,216**	**17,582**	**21,824**

Despite its 23.51% participating interest, NLB d.d. recorded its investment in Pivovarna Laško at initial recognition as an available-for-sale financial asset owing to the absence of significant influence. It obtained significant influence over the aforementioned entity in the third quarter of 2012 due to the reinstatement of its voting rights. For this reason, the NLB d.d. began treating the investment as an investment in an associate. Because NLB d.d. had already taken steps to sell its investment in Pivovarna Laško and because there was a high probability that the sale would go forward, the investment was reclassified as a non-current asset held for sale. The aforementioned reclassification was carried out at the market price valid on September 30, 2012, calculated as the number of shares multiplied by the market price per share on the stock exchange. The sale was realized in December 2013. Prior to the sale the investment in Pivovarna Laško was included in the segment Financial markets in Slovenia (note 8.1.).

The value of property and equipment received by taking possession of collateral and included in non-current assets classified as held for sale by NLB Group amounted to EUR 10,481 thousand (December 31, 2012: EUR nil).

b) Movements of non-current assets classified as held for sale

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Balance at January 1	16,216	4,689	21,824	5,787
Effects of translation of foreign operations to presentation currency	-	-	-	(60)
Transfer to BAMC	(9,461)	-	(9,461)	-
Additions	-	-	-	51
Transfer from property and equipment (note 5.9.)	1,253	114	1,253	5,296
Transfer from investment property (note 5.10.)	-	-	10,452	-
Disposals	(184)	(2,732)	(349)	(3,231)
Valuation	(5,497)	(252)	(6,137)	(416)
Other (note 5.8.a)	-	14,397	-	14,397
Balance at December 31	**2,327**	**16,216**	**17,582**	**21,824**

In December 2013 NLB d.d. transferred to BAMC equity investment in amount of EUR 9,461 thousand. Realized losses from this transaction in the amount of EUR 2,160 thousand are included in income statement in line net losses from non-current assets held for sale.

5.9. PROPERTY AND EQUIPMENT

2013	NLB d.d.				NLB Group			
in thousand EUR	Land & Buildings	Computers	Other equipment	Total	Land & Buildings	Computers	Other equipment	Total
Cost								
Balance at January 1, 2013	213,646	87,763	73,999	375,408	335,818	107,911	159,425	603,154
Effects of translation of foreign operations to presentation currency	-	-	-	-	(452)	(66)	(201)	(719)
Additions	1,032	3,356	257	4,645	3,652	5,065	5,309	14,026
Disposals	(1)	(26,089)	(6,443)	(32,533)	(2,386)	(27,131)	(24,151)	(53,668)
Transfer from investment property (note 5.10.)	-	-	-	-	36	-	-	36
Transfer to non-current assets held for sale (note 5.8.)	(1,938)	-	-	(1,938)	(1,938)	-	-	(1,938)
Impairment (note 4.11.)	(1,595)	-	-	(1,595)	(1,595)	-	-	(1,595)
Balance at December 31, 2013	**211,144**	**65,030**	**67,813**	**343,987**	**333,135**	**85,779**	**140,382**	**559,296**
Depreciation and impairment								
Balance at January 1, 2013	93,816	79,374	62,978	236,168	111,121	95,377	109,796	316,294
Effects of translation of foreign operations to presentation currency	-	-	-	-	(73)	(54)	(155)	(282)
Disposals	(1)	(26,052)	(4,276)	(30,329)	(91)	(27,104)	(11,927)	(39,122)
Depreciation (note 4.9.)	6,071	3,824	2,203	12,098	8,685	5,727	8,927	23,339
Impairment (note 4.11.)	18,286	-	-	18,286	19,860	-	1,315	21,175
Transfer to investment property (note 5.10.)	-	-	-	-	(1)	-	-	(1)
Transfer to non-current assets held for sale (note 5.8.)	(685)	-	-	(685)	(685)	-	-	(685)
Balance at December 31, 2013	**117,487**	**57,146**	**60,905**	**235,538**	**138,816**	**73,946**	**107,956**	**320,718**
Net carrying value								
Balance at December 31, 2013	**93,657**	**7,884**	**6,908**	**108,449**	**194,319**	**11,833**	**32,426**	**238,578**
Balance at January 1, 2013	**119,830**	**8,389**	**11,021**	**139,240**	**224,697**	**12,534**	**49,629**	**286,860**

Impairments mostly derive from the financial crisis and continuous deterioration of real estate market. Fair value of real estate has decreased significantly.

2012	NLB d.d.				NLB Group			
in thousand EUR	Land & Buildings	Computers	Other equipment	Total	Land & Buildings	Computers	Other equipment	Total
Cost								
Balance at January 1, 2012	212,641	89,984	74,553	377,178	375,198	109,795	157,479	642,472
Effects of translation of foreign operations to presentation currency	-	-	-	-	(3,323)	(281)	(614)	(4,218)
Additions	1,477	1,612	2,375	5,464	2,584	2,859	25,997	31,440
Disposals	(322)	(3,833)	(2,929)	(7,084)	(2,999)	(4,462)	(23,127)	(30,588)
Transfer to investment property (note 5.10.)	-	-	-	-	(16)	-	-	(16)
Transfer to non-current assets held for sale (note 5.8.)	(150)	-	-	(150)	(5,408)	-	-	(5,408)
Disposal of subsidiary (note 3.c)	-	-	-	-	(30,218)	-	(310)	(30,528)
Balance at December 31, 2012	**213,646**	**87,763**	**73,999**	**375,408**	**335,818**	**107,911**	**159,425**	**603,154**
Depreciation and impairment								
Balance at January 1, 2012	87,980	78,941	62,865	229,786	111,787	93,742	108,543	314,072
Effects of translation of foreign operations to presentation currency	-	-	-	-	(290)	(230)	(350)	(870)
Disposals	(239)	(3,833)	(2,839)	(6,911)	(290)	(4,373)	(11,336)	(15,999)
Depreciation (note 4.9.)	6,111	4,266	2,952	13,329	8,744	6,238	13,158	28,140
Impairment (note 4.11.)	-	-	-	-	672	-	-	672
Transfer to non-current assets held for sale (note 5.8.)	(36)	-	-	(36)	(112)	-	-	(112)
Disposal of subsidiary (note 3.c)	-	-	-	-	(9,390)	-	(219)	(9,609)
Balance at December 31, 2012	**93,816**	**79,374**	**62,978**	**236,168**	**111,121**	**95,377**	**109,796**	**316,294**
Net carrying value								
Balance at December 31, 2012	**119,830**	**8,389**	**11,021**	**139,240**	**224,697**	**12,534**	**49,629**	**286,860**
Balance at January 1, 2012	**124,661**	**11,043**	**11,688**	**147,392**	**263,411**	**16,053**	**48,936**	**328,400**

Assets leased under finance leases in the NLB Group as at December 31, 2013 amounted to EUR 33 thousand for motor vehicles (December 31, 2012: EUR 60 thousand). NLB d.d. has no assets held under finance leases as at December 31, 2013 and December 31, 2012.

The value of assets received by taking possession of collateral and included in property and equipment by NLB d.d. and NLB Group amounted to EUR 7 thousand (December 31, 2012: EUR 7 thousand).

The net carrying value of assets leased out by the NLB Group under operating leases was EUR 18,908 thousand as at December 31, 2013 (December 31, 2012: EUR 21,956 thousand). Majority of assets (December 31, 2013: 67.2%, December 31, 2012: 64.2%) leased out relates to motor vehicles.

5.10. INVESTMENT PROPERTY

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Balance at January 1	1,702	1,687	67,753	58,757
Effects of translation of foreign operations to presentation currency	-	-	(226)	89
Additions	-	-	2,933	11,955
Disposals	(53)	(193)	(560)	(3,076)
Transfer (to)/from property and equipment (note 5.9.)	-	-	(37)	16
Transfer to non-current assets held for sale (note 5.8.b)	-	-	(10,452)	-
Transfer to other assets	-	-	(16,407)	-
Net valuation to fair value (note 4.6. and 4.7.)	(191)	208	(8,160)	12
Balance at December 31	**1,458**	**1,702**	**34,844**	**67,753**

The NLB Group has no interests in properties held under operating leases that were classified and accounted for as investment property. The NLB Group incurred operating expenses arising from investment properties leased to others in amount of EUR 62 thousand (2012: EUR 70 thousand).

The value of assets received by taking possession of collateral and included in investment property by NLB Group amounted to EUR 701 thousand (December 31, 2012: EUR 13,319 thousand).

5.11. INTANGIBLE ASSETS

2013	NLB d.d.	NLB Group			
in thousand EUR	Software licenses	Software licenses	Goodwill	Customer relationship	Total
Cost					
Balance at January 1, 2013	179,565	200,000	32,520	71,980	304,500
Effects of translation of foreign operations to presentation currency	-	(82)	-	-	(82)
Additions	10,830	12,954	-	-	12,954
Write offs	(4,517)	(6,786)	-	(71,980)	(78,766)
Balance at December 31, 2013	**185,878**	**206,086**	**32,520**	**-**	**238,606**
Amortization and impairment					
Balance at January 1, 2013	129,324	143,977	11,064	36,966	192,007
Effects of translation of foreign operations to presentation currency	-	(59)	-	-	(59)
Amortization (note 4.9.)	14,500	16,335	-	4,658	20,993
Impairments (note 4.9.)	-	-	17,743	30,356	48,099
Write offs	(2,922)	(5,181)	-	(71,980)	(77,161)
Balance at December 31, 2013	**140,902**	**155,072**	**28,807**	**-**	**183,879**
Net carrying value					
Balance at December 31, 2013	**44,976**	**51,014**	**3,713**	**-**	**54,727**
Balance at January 1, 2013	**50,241**	**56,023**	**21,456**	**35,014**	**112,493**

In 2013, the NLB Group recorded impairment of goodwill in the amount of EUR 17,743 thousand. At year end 2013, NLB Group also tested additionally identified intangible assets (e.g. customer relationships) of subsidiaries for impairment and recorded impairments in the amount of EUR 30,356 thousand. Impairment is primarily the result of lower recoverable amounts of investments, as well as the lower profitability associated with identified customer relationships.

The calculation of the recoverable amount of cash generating unit which includes impaired goodwill is based on the use of the concept of value in use and the following assumptions:

- a financial budget for a five-year period;
- extrapolation of budgets for a five-year period taking into account the growth rate;
- a cash flow growth rate for the residual period of between 1% and 1.5%;
- a discount rate of between 15.45% and 20.18%; and
- target capital ratios of an individual bank of between 13% and 17%.

The financial budgets of individual entities are based on previous experiences and an assessment of future economic conditions that will impact an individual bank's business and the quality of the credit portfolio.

The discount rates used are based on an assessment of the general and specific risks that an individual bank's operations are exposed to. The discount rates are calculated on the basis of the CAPM model.

Impairment of goodwill and contractual customer relationships mostly derives from the financial crisis which caused additional impairments and provisions, decline in GDP in South-East Europe, higher capital requirements and lower dividend payments.

2012	NLB d.d.	NLB Group			
in thousand EUR	Software licenses	Software licenses	Goodwill	Customer relationship	Total
Cost					
Balance at January 1, 2012	175,404	194,637	32,790	71,980	299,407
Effects of translation of foreign operations to presentation currency	-	(241)	-	-	(241)
Additions	4,161	5,735	-	-	5,735
Disposals	-	-	(270)	-	(270)
Write offs	-	(131)	-	-	(131)
Balance at December 31, 2012	**179,565**	**200,000**	**32,520**	**71,980**	**304,500**
Amortization and impairment					
Balance at January 1, 2012	112,964	125,707	11,064	32,308	169,079
Effects of translation of foreign operations to presentation currency	-	(172)	-	-	(172)
Amortization (note 4.9.)	16,360	18,526	-	4,658	23,184
Write offs	-	(84)	-	-	(84)
Balance at December 31, 2012	**129,324**	**143,977**	**11,064**	**36,966**	**192,007**
Net carrying value					
Balance at December 31, 2012	**50,241**	**56,023**	**21,456**	**35,014**	**112,493**
Balance at January 1, 2012	**62,440**	**68,930**	**21,726**	**39,672**	**130,328**

5.12. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

a) Analysis by type of investment in subsidiaries

	NLB d.d.	
in thousand EUR	31.12.2013	31.12.2012
Banks	248,968	386,966
Other financial organizations	4,003	44,854
Enterprises	16,421	16,535
TOTAL	**269,392**	**448,355**

As a consequence of global financial crisis and difficult conditions the NLB d.d. performed impairment test of individual investments in subsidiaries as at 31 December 2013. According to the requirements of IFRS and internal methodology the NLB d.d. calculated recoverable amount of each investment. The calculation is based on the use of the concept of value in use and the following assumptions:

- a financial budget for a five-year period;
- extrapolation of budgets for a five-year period taking into account the growth rate;
- a cash flow growth rate for the residual period of between 1% and 1.5%;
- a discount rate of between 15.45% and 20.18%; and
- target capital ratios of an individual bank of between 13% and 17%.

The financial budgets of individual entities are based on previous experiences and an assessment of future economic conditions that will impact an individual bank's business and the quality of the credit portfolio.

The discount rates used are based on an assessment of the general and specific risks that an individual bank's operations are exposed to. The discount rates are calculated on the basis of the CAPM model.

According to the opinion of management growth rates used in residual period correspond with long term growth rates in those markets and industry.

In year 2013 an impairment loss was recognized in the amount of EUR 406,700 thousand relating to bank and non-bank members of the NLB Group (2012: EUR 200,662 thousand) (note 4.11.).

Data of subsidiaries according to IFRS as included in consolidated financial statements of NLB Group as at December 31, 2013:

in thousand EUR	Nature of Business	Country of Incorporation	Equity as at December 31, 2013	Profit/(loss) for the period 2013	NLB d.d.'s shareholding %	NLB d.d.'s voting rights%	NLB Group's shareholding %	NLB Group's voting rights%
LHB AG, Frankfurt	Finance	Republic of Germany	3,990	(4,890)	100	100	100	100
LHB Trade d.o.o. - v likvidaciji, Zagreb	Trade	Republic of Croatia	92	(475)	-	-	100	100
NLB Tutunska Banka a.d., Skopje	Banking	Republic of Macedonia	96,842	10,116	86.97	86.97	86.97	86.97
NLB Montenegrobanka a.d., Podgorica	Banking	Republic of Montenegro	43,761	(17,940)	97.40	97.40	97.40	97.40
NLB banka a.d., Beograd	Banking	Republic of Serbia	53,716	(88,876)	100	100	100	100
Conet d.o.o. - v stečaju, Beograd	Trade	Republic of Serbia	235	(53)	-	-	94.85	94.85
Convest d.o.o., Novi Sad	Finance	Republic of Serbia	346	4	-	-	100	100
NLB Banka d.d., Tuzla	Banking	Republic of Bosnia and Herzegovina	41,205	2,172	96.30	96.32	96.30	96.32
NLB Razvojna banka a.d., Banja Luka	Banking	Republic of Bosnia and Herzegovina	60,437	6,158	99.85	99.85	99.85	99.85
NLB Prishtina sh.a., Priština	Banking	Republic of Kosovo	45,913	3,286	81.21	81.21	81.21	81.21
NLB Leasing d.o.o., Ljubljana	Finance	Republic of Slovenia	10,816	(72,155)	100	100	100	100
NLB Leasing Sofija E.o.o.d., Sofija	Finance	Republic of Bulgaria	(6,545)	(668)	-	-	100	100
Optima Leasing d.o.o., Zagreb	Finance	Republic of Croatia	1,995	(23,266)	-	-	99.97	99.97
OL Nekretnine d.o.o., Zagreb	Real estate	Republic of Croatia	937	(264)	-	-	100	100
NLB Leasing Podgorica d.o.o., Podgorica	Finance	Republic of Montenegro	(2,565)	(2,121)	100	100	100	100
NLB Leasing d.o.o., Beograd	Finance	Republic of Serbia	1,100	(2,632)	100	100	100	100
NLB Leasing d.o.o., Sarajevo	Finance	Republic of Bosnia and Herzegovina	(5,258)	(12,180)	100	100	100	100
NLB Lizing d.o.o.e.l., Skopje	Finance	Republic of Macedonia	2,424	3	100	100	100	100
NLB InterFinanz AG, Zürich	Finance	Switzerland	(98,012)	(118,759)	100	100	100	100
NLB InterFinanz Praha s.r.o., Praga	Finance	Czech Republic	65	(87)	-	-	100	100
NLB InterFinanz d.o.o., Beograd	Finance	Republic of Serbia	46	(17)	-	-	100	100
NLB Factoring a.s. - "v likvidaci", Ostrava	Finance	Czech Republic	(1,927)	(4,154)	100	100	100	100
NLB Skladi d.o.o., Ljubljana	Finance	Republic of Slovenia	4,096	883	100	100	100	100
Plan d.o.o., Banja Luka	Architecture services	Republic of Bosnia and Herzegovina	1,562	876	39.14	39.14	88.14	88.14
NLB Nov penziski fond a.d., Skopje	Insurance	Republic of Macedonia	5,207	866	51	100	100	100
NLB Crna gora d.o.o., Podgorica	Real estate	Republic of Montenegro	(15,173)	(15,173)	100	100	100	100
FIN-DO d.o.o., Domžale	Real estate	Republic of Slovenia	127	38	100	100	100	100
NLB Propria d.o.o., Ljubljana	Real estate	Republic of Slovenia	10,945	15	100	100	100	100
NLB Srbija d.o.o., Beograd	Real estate	Republic of Serbia	7,688	56	100	100	100	100
CBS Invest d.o.o., Sarajevo	Real estate	Republic of Bosnia and Herzegovina	2,036	(74)	100	100	100	100
Prospera plus d.o.o., Ljubljana	Tourist and catering trade	Republic of Slovenia	537	5	100	100	100	100

Data of subsidiaries according to IFRS as included in consolidated financial statements of NLB Group as at December 31, 2012:

in thousand EUR	Nature of Business	Country of Incorporation	Equity as at December 31, 2012	Profit/(loss) for the period 2012	NLB d.d.'s shareholding %	NLB d.d.'s voting rights%	NLB Group's shareholding %	NLB Group's voting rights%
LHB AG, Frankfurt	Finance	Republic of Germany	8,879	(53,332)	100	100	100	100
LHB Trade d.o.o., Zagreb	Trade	Republic of Croatia	274	(270)	-	-	100	100
NLB Tutunska Banka a.d., Skopje	Banking	Republic of Macedonia	87,332	7,283	86.97	86.97	86.97	86.97
NLB Montenegrobanka a.d., Podgorica	Banking	Republic of Montenegro	50,859	(21,059)	96.71	96.71	96.71	96.71
NLB banka a.d., Beograd	Banking	Republic of Serbia	80,026	(35,461)	99.99	99.99	99.99	99.99
Conet d.o.o., Novi Sad	Trade	Republic of Serbia	290	(106)	-	-	94.85	94.85
Convest d.o.o., Novi Sad	Finance	Republic of Serbia	330	16	-	-	100	100
NLB Banka d.d., Tuzla	Banking	Republic of Bosnia and Herzegovina	39,052	2,491	96.30	96.32	96.30	96.32
NLB Razvojna banka a.d., Banja Luka	Banking	Republic of Bosnia and Herzegovina	53,621	5,789	99.85	99.85	99.85	99.85
NLB Prishtina sh.a., Priština	Banking	Republic of Kosovo	42,974	4,523	81.21	81.21	81.21	81.21
NLB Leasing d.o.o., Ljubljana	Finance	Republic of Slovenia	12,970	(51,092)	100	100	100	100
NLB Leasing Sofija E.o.o.d., Sofija	Finance	Republic of Bulgaria	(5,878)	(963)	-	-	100	100
Optima Leasing d.o.o., Zagreb	Finance	Republic of Croatia	(27,403)	(9,414)	-	-	99.15	99.15
OL Nekretnine d.o.o., Zagreb	Real estate	Republic of Croatia	(16,504)	487	-	-	75.10	75.10
NLB Leasing Podgorica d.o.o., Podgorica	Finance	Republic of Montenegro	(443)	(827)	100	100	100	100
NLB Leasing d.o.o., Beograd	Finance	Republic of Serbia	2,889	(151)	100	100	100	100
NLB Leasing d.o.o., Sarajevo	Finance	Republic of Bosnia and Herzegovina	(5,079)	(5,816)	100	100	100	100
NLB Lizing d.o.o.e.l., Skopje	Finance	Republic of Macedonia	2,448	(2,038)	100	100	100	100
NLB InterFinanz AG, Zürich	Finance	Switzerland	21,442	(16,797)	100	100	100	100
NLB InterFinanz Praha s.r.o., Praga	Finance	Czech Republic	(173)	(217)	-	-	100	100
NLB InterFinanz d.o.o., Beograd	Finance	Republic of Serbia	62	9	-	-	100	100
NLB Factoring a.s., Ostrava	Finance	Czech Republic	(60,967)	(23,814)	100	100	100	100
NLB Skladi d.o.o., Ljubljana	Finance	Republic of Slovenia	4,419	1,239	100	100	100	100
Plan a.d., Banja Luka	Architecture services	Republic of Bosnia and Herzegovina	686	14	39.14	39.14	88.14	88.14
NLB Nov penziski fond a.d., Skopje	Insurance	Republic of Macedonia	4,371	603	51	100	100	100
FIN-DO d.o.o., Domžale	Real estate	Republic of Slovenia	89	73	100	100	100	100
NLB Propria d.o.o., Ljubljana	Real estate	Republic of Slovenia	11,150	220	100	100	100	100
NLB Srbija d.o.o., Beograd	Real estate	Republic of Serbia	3,028	(681)	100	100	100	100
CBS Invest d.o.o., Sarajevo	Real estate	Republic of Bosnia and Herzegovina	(429)	(128)	100	100	100	100
Prospera plus d.o.o., Ljubljana	Tourist and catering trade	Republic of Slovenia	532	(26)	100	100	100	100

Ownership interest and voting rights are calculated after the deduction of treasury shares.

b) Analysis by type of investment in associates and joint ventures

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Banks	-	56,476	-	72,023
Other financial organizations	5,544	7,938	22,290	24,297
Enterprises	1,656	1,660	5,994	5,902
TOTAL	**7,200**	**66,074**	**28,284**	**102,222**

NLB d.d. recognized in year 2013 an impairment of investments in associates and joint ventures included in segment Non-strategic markets and activities in amount of EUR 58,874 thousand (2012: EUR nil) (note 4.11.).

Unaudited data of associates according to IFRS as included in consolidated financial statements of NLB Group as at December 31, 2013:

in thousand EUR	Nature of Business	Country of Incorporation	Total assets	Total liabilities	Equity as at December 31, 2013	Profit/ (loss) for the period 2013	Total revenue	Share-holding %	Voting rights %
Banka Celje d.d., Celje	Banking	Republic of Slovenia	1,897,707	1,780,436	117,271	(47,729)	109,024	40.99	41.11
Adria Bank AG, Wien	Banking	Republic of Austria	122,695	122,341	354	(30,238)	7,706	28.46	28.46
Bankart d.o.o., Ljubljana	Card processing	Republic of Slovenia	18,687	4,128	14,559	594	21,371	39.44	39.44
Skupna pokojninska družba d.d., Ljubljana	Insurance	Republic of Slovenia	235,692	219,996	15,696	(937)	4,571	28.13	28.13
ICJ d.o.o., Domžale	Real estate	Republic of Slovenia	9,541	9,306	235	-	475	50	50
Kreditni biro SISBON, d.o.o., Ljubljana	Credit bureau	Republic of Slovenia	952	108	844	163	877	29.68	29.68
Skupina Argo, Horjul*	Trading and manufacturing	Republic of Slovenia	5,222	4,855	367	(844)	3,381	75.00	75.00

* Financial data for Argo, Horjul

Unaudited data of associates according to IFRS as included in consolidated financial statements of NLB Group as at December 31, 2012:

in thousand EUR	Nature of Business	Country of Incorporation	Total assets	Total liabilities	Equity as at December 31, 2012	Profit/ (loss) for the period 2012	Total revenue	Share-holding %	Voting rights%
Banka Celje d.d., Celje	Banking	Republic of Slovenia	2,270,079	2,112,136	157,943	(24,984)	128,712	40.99	41.11
Adria Bank AG, Wien	Banking	Republic of Austria	183,923	151,219	32,704	(2,729)	11,788	28.46	28.46
Bankart d.o.o., Ljubljana	Card processing	Republic of Slovenia	17,375	3,224	14,151	614	21,061	39.44	39.44
Skupna pokojninska družba d.d., Ljubljana	Insurance	Republic of Slovenia	263,669	246,764	16,905	3,241	6,255	28.13	28.13
ICJ d.o.o., Domžale	Real estate	Republic of Slovenia	9,102	8,867	235	5	626	50	50
Kreditni biro SISBON, d.o.o., Ljubljana	Credit bureau	Republic of Slovenia	844	164	680	254	1,010	29.68	29.68
Skupina Argo, Horjul	Trading and manufacturing	Republic of Slovenia	6,119	5,593	526	(4,034)	4,797	75.00	75.00
Skupina Laško, Laško	Trading and manufacturing	Republic of Slovenia	510,415	417,750	92,665	(32,938)	284,504	23.51	23.51

Ownership interest and voting rights are calculated after the deduction of treasury shares.

ICJ d.o.o., Domžale is not treated as a joint venture as there is no contractual agreement between shareholders for joint control.

According to contractual agreement NLB d.d. does not have control in Skupina Argo, Horjul, but only significant influence and therefore the entity is accounted as an associate.

Skupina Laško, Laško was in year 2012 classified as non-current asset held for sale.

Unaudited data of joint ventures according to IFRS as included in consolidated financial statements of NLB Group as at December 31, 2013:

in thousand EUR	Nature of Business	Country of Incorporation	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity as at December 31, 2013	Profit/(loss) for the period 2013	Total revenue	Voting rights %
NLB Vita d.d., Ljubljana	Insurance	Republic of Slovenia	25,453	260,955	28,739	221,919	35,750	5,374	50,984	50
Prvi Faktor Group, Ljubljana	Finance	Republic of Slovenia	238,106	2,995	261,065	337	(20,301)	(29,107)	27,283	50

Unaudited data of joint ventures according to IFRS as included in consolidated financial statements of NLB Group as at December 31, 2012:

in thousand EUR	Nature of Business	Country of Incorporation	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity as at December 31, 2012	Profit/(loss) for the period 2012	Total revenue	Voting rights %
NLB Vita d.d., Ljubljana	Insurance	Republic of Slovenia	19,406	231,566	21,285	199,315	30,372	4,375	42,600	50
Prvi Faktor Group, Ljubljana	Finance	Republic of Slovenia	309,996	5,042	212,571	93,745	8,722	1,090	32,820	50

c) Movements of investments in associates and joint ventures

	NLB Group	
in thousand EUR	2013	2012
Balance at January 1	102,222	105,322
Effects of translation of foreign operations to presentation currency	53	(164)
Share of results before tax	(23,258)	(6,940)
Share of tax	(3,211)	(175)
Net (losses)/gains not recognised in the income statement (note 5.4.c)	(796)	5,021
Dividends received	(337)	(949)
Impairment (note 4.11.)	(46,393)	-
Other	4	107
Balance at December 31	**28,284**	**102,222**

NLB Group recognized an impairment of associates accounted for using equity method and included in segment Non-strategic markets and activities in amount of EUR 46,393 thousand (2012: EUR nil).

5.13. OTHER ASSETS

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Deferred expenses	1,965	1,818	4,125	5,304
Claim for taxes and other dues	658	1,244	2,908	5,759
Assets, received as collateral	1,632	1,021	131,180	107,030
Inventories	270	272	23,364	15,611
Prepayments	16	30	915	1,120
TOTAL	**4,541**	**4,385**	**162,492**	**134,824**

Assets, received as collateral consist real estates, motor vehicles and equipment.

5.14. MOVEMENTS IN ALLOWANCE FOR IMPAIRMENT OF BANKS, LOANS AND ADVANCES TO CUSTOMERS AND OTHER FINANCIAL ASSETS

a) Loans and advances to individuals

	NLB d.d.				
in thousand EUR	Granted overdrafts	Loans for houses and flats	Consumer loans	Other loans	Total
Balance at January 1, 2012	12,173	21,916	35,970	1,383	71,442
Impairment (note 4.11.)	2,286	4,274	(3,503)	2,376	5,433
Write offs	(1,281)	-	(921)	(26)	(2,228)
Exchange differences	-	15	1	-	16
Balance at December 31, 2012	**13,178**	**26,205**	**31,547**	**3,733**	**74,663**
Impairment (note 4.11.)	7,783	4,604	612	209	13,208
Write offs	(4,958)	(631)	(6,845)	(497)	(12,931)
Exchange differences	-	(33)	-	(33)	(66)
Balance at December 31, 2013	**16,003**	**30,145**	**25,314**	**3,412**	**74,874**

	NLB Group				
in thousand EUR	Granted overdrafts	Loans for houses and flats	Consumer loans	Other loans	Total
Balance at January 1, 2012	14,471	38,157	65,347	19,880	137,855
Effects of translation of foreign operations to presentation currency	(55)	(126)	1	(150)	(330)
Impairment (note 4.11.)	2,885	7,706	(3,631)	6,513	13,473
Write offs	(1,589)	-	(1,759)	(208)	(3,556)
Exchange differences	(11)	105	13	(10)	97
Balance at December 31, 2012	**15,701**	**45,842**	**59,971**	**26,025**	**147,539**
Effects of translation of foreign operations to presentation currency	(13)	(37)	(61)	(75)	(186)
Impairment (note 4.11.)	8,487	2,777	7,872	11,918	31,054
Write offs	(4,993)	(638)	(7,077)	(6,618)	(19,326)
Exchange differences	1	(49)	(3)	(102)	(153)
Balance at December 31, 2013	**19,183**	**47,895**	**60,702**	**31,148**	**158,928**

b) Loans and advances to legal entities

	NLB d.d.					
in thousand EUR	Loans and advances to government	Loans and advances to banks	Loans and advances to financial organizations	Loans and advances to large corporate customers	Loans and advances to small and medium size enterprises	Total
Balance at January 1, 2012	655	2,232	126,662	374,921	479,782	984,252
Impairment (note 4.11.)	822	(271)	52,286	96,609	272,149	421,595
Write offs	(145)	(1,566)	(2,108)	(79,296)	(87,850)	(170,965)
Exchange differences	-	(10)	526	(949)	(2,673)	(3,106)
Other	-	-	-	16,117	45,400	61,517
Balance at December 31, 2012	**1,332**	**385**	**177,366**	**407,402**	**706,808**	**1,293,293**
Impairment (note 4.11.)	4,728	10,180	88,793	380,679	165,836	650,216
Write offs	-	-	(36)	(24,752)	(39,141)	(63,929)
Exchange differences	-	(15)	(1,392)	(2,396)	(1,044)	(4,847)
Other	-	-	-	653	11,646	12,299
Transfer to BAMC (note 5.6.c)	-	-	(67,625)	(453,798)	(355,632)	(877,055)
Balance at December 31, 2013	**6,060**	**10,550**	**197,106**	**307,788**	**488,473**	**1,009,977**

NLB d.d. purchased claims in the total amount of EUR 173,543 thousand from LHB, Frankfurt in 2012. NLB d.d. treated the purchase of claims from LHB, Frankfurt in 2012 as a business combination under common control using the combination method, such that the NLB d.d. combined the book values of the purchased claims of the acquiring and acquired entities, as reported in the consolidated financial statements. For this reason, NLB d.d. increased gross purchased claims by EUR 173,543 thousand and created value adjustments in the amount of EUR 61,517 thousand. The same method was used for purchased claims from NLB Factoring, Ostrava in year 2013. NLB d.d. increased gross purchased claims by EUR 26,750 thousand and created value adjustments in the amount of EUR 12,299 thousand.

The increase in value adjustments due to the purchase of claims from LHB, Frankfurt and NLB Factoring, Ostrava is disclosed in the item Other.

	NLB Group					
in thousand EUR	Loans and advances to government	Loans and advances to banks	Loans and advances to financial organizations	Loans and advances to large corporate customers	Loans and advances to small and medium size enterprises	Total
Balance at January 1, 2012	3,884	18,153	62,029	463,160	898,166	1,445,392
Effects of translation of foreign operations to presentation currency	5	74	1	(1,441)	1,167	(194)
Impairment (note 4.11.)	4,161	(338)	35,748	139,402	353,390	532,363
Write offs	(145)	(3,315)	(2,108)	(82,981)	(113,328)	(201,877)
Exchange differences	(3)	(184)	-	(358)	(2,302)	(2,847)
Balance at December 31, 2012	**7,902**	**14,390**	**95,670**	**517,782**	**1,137,093**	**1,772,837**
Effects of translation of foreign operations to presentation currency	(8)	(206)	1	(1,457)	(3,672)	(5,342)
Impairment (note 4.11.)	7,727	14,562	39,654	457,558	303,642	823,143
Write offs	-	(45)	(254)	(36,937)	(40,393)	(77,629)
Exchange differences	8	(84)	(1)	(856)	(1,064)	(1,997)
Transfer to BAMC (note 5.6.c)	-	-	(67,625)	(453,798)	(355,632)	(877,055)
Balance at December 31, 2013	**15,629**	**28,617**	**67,445**	**482,292**	**1,039,974**	**1,633,957**

c) Debt securities

in thousand EUR	NLB d.d. and NLB Group
Balance at January 1, 2012	-
Balance at December 31, 2012	**-**
Impairment (note 4.11.)	3,750
Balance at December 31, 2013	**3,750**

d) Other financial assets

in thousand EUR	NLB d.d.	NLB Group
Balance at January 1, 2012	20,778	41,650
Effects of translation of foreign operations to presentation currency	-	(144)
Impairment (note 4.11.)	6,438	11,829
Write offs	(1,411)	(2,169)
Exchange differences	38	(115)
Balance at December 31, 2012	**25,843**	**51,051**
Effects of translation of foreign operations to presentation currency	-	(138)
Impairment (note 4.11.)	12,567	17,990
Write offs	(617)	(2,628)
Exchange differences	(149)	(191)
Balance at December 31, 2013	**37,644**	**66,084**

5.15. TRADING LIABILITIES

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Derivatives, excluding hedges				
Swap contracts	28,738	72,845	28,737	72,888
- currency swaps	1,049	972	1,048	1,012
- interest rate swaps	27,557	70,350	27,557	70,353
- cross currency interest rate swaps	132	1,523	132	1,523
Options	3,923	2,185	3,923	2,185
- currency options	-	132	-	132
- interest rate options	7	417	7	417
- securities options	3,916	1,636	3,916	1,636
Forward contracts	1,403	4,955	1,403	4,955
- currency forward	1,403	2,438	1,403	2,438
- securities forward	-	2,517	-	2,517
TOTAL	**34,064**	**79,985**	**34,063**	**80,028**

The notional amounts of derivative financial instruments are disclosed in note 5.25.b).

5.16. FINANCIAL LIABILITIES, MEASURED AT AMORTIZED COST

Analysis by type of financial liabilities, measured at amortized cost

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Deposits from banks	74,234	113,809	37,425	55,331
Borrowings from banks	995,133	1,555,004	1,119,602	1,755,915
Due to customers	5,743,673	6,765,687	8,257,077	9,118,118
Borrowings from other customers	36,284	31,401	162,309	182,459
Debt securities in issue	68,782	104,567	68,782	111,620
Subordinated liabilities	-	321,099	21,874	342,898
Other financial liabilities	61,609	74,921	86,609	110,380
TOTAL	**6,979,715**	**8,966,488**	**9,753,678**	**11,676,721**

a) Deposits from banks and amounts due to customers

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Deposits on demand				
- banks	69,232	94,967	30,396	35,374
- other customers	2,853,447	3,078,173	3,885,588	4,058,376
- governments	39,472	112,192	112,469	179,659
- financial organizations	22,410	27,026	48,957	64,836
- companies	640,384	629,909	1,069,849	1,044,890
- individuals	2,151,181	2,309,046	2,654,313	2,768,991
Other deposits				
- banks	5,002	18,842	7,029	19,957
- other customers	2,890,226	3,687,514	4,371,489	5,059,742
- governments	105,203	449,463	120,110	464,360
- financial organizations	89,517	170,063	128,100	227,067
- companies	505,166	491,617	716,658	689,855
- individuals	2,190,340	2,576,371	3,406,621	3,678,460
TOTAL	**5,817,907**	**6,879,496**	**8,294,502**	**9,173,449**

b) Borrowings from banks and other customers

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Loans				
- banks	995,133	1,555,004	1,119,602	1,755,915
- other customers	36,284	31,401	162,309	182,459
- governments	10,015	10,017	25,316	25,082
- financial organizations	20,183	20,202	130,907	156,195
- companies	6,086	1,182	6,086	1,182
TOTAL	**1,031,417**	**1,586,405**	**1,281,911**	**1,938,374**

c) Debt securities in issue

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Carrying amount of issued securities				
- traded on active markets	68,782	104,567	68,782	111,620
Bonds (in %)				
- fixed rated	100.00	79.11	100.00	80.43
- floating rated	-	20.89	-	19.57
	100.00	**100.00**	**100.00**	**100.00**

d) Subordinated liabilities

				NLB d.d.			
in thousand EUR				31.12.2013		31.12.2012	
	Currency	Due date	Interest rate	Carrying amount	Nominal value	Carrying amount	Nominal value
Subordinated loans							
	EUR	14.6.2016	EURIBOR + 0.45% p.a. to 14.6.2011, thereafter EURIBOR + 1.1% p.a.	-	-	75,331	75,000
	EUR	-	3 months EURIBOR + 0.95% p.a. to 24.7.2012, thereafter 3 months EURIBOR + 1.7% p.a.	-	-	87,170	84,500
Subordinated securities							
	EUR	25.2.2013	6 months EURIBOR + 1.4% p.a.	-	-	12,587	12,500
	EUR	9.6.2013	7.0%	-	-	50,827	48,963
	EUR	24.5.2017	6.25%	-	-	65,126	61,419
	EUR	-	3 months EURIBOR + 1.6% p.a. to 17.12.2014, thereafter 3 months EURIBOR + 3.1% p.a.	-	-	30,058	29,100
TOTAL				**-**	**-**	**321,099**	**311,482**

				NLB Group			
in thousand EUR				31.12.2013		31.12.2012	
	Currency	Due date	Interest rate	Carrying amount	Nominal value	Carrying amount	Nominal value
Subordinated loans							
	EUR	30.12.2014	6 months EURIBOR + 5.1% p.a. to 22.03.2014, thereafter 6 months EURIBOR + 8.5% p.a.	4,568	4,500	4,569	4,500
	EUR	14.6.2016	EURIBOR + 0.45% p.a. to 14.6.2011, thereafter EURIBOR + 1.1% p.a.	-	-	75,331	75,000
	EUR	30.6.2018	6 months EURIBOR + 4.2% p.a. to 22.09.2013, thereafter 6 months EURIBOR + 6.3% p.a.	12,136	12,000	12,159	12,000
	EUR	30.6.2020	6 months EURIBOR + 5.7% p.a. to 30.6.2015, thereafter 6 months EURIBOR + 7.7% p.a.	5,170	5,000	5,071	5,000
	EUR	-	3 months EURIBOR + 0.95% p.a. to 24.7.2012, thereafter 3 months EURIBOR + 1.7% p.a.	-	-	87,170	84,500
Subordinated securities							
	EUR	25.2.2013	6 months EURIBOR + 1.4% p.a.	-	-	12,587	12,500
	EUR	9.6.2013	7.0%	-	-	50,827	48,963
	EUR	24.5.2017	6.25%	-	-	65,126	61,419
	EUR	-	3 months EURIBOR + 1.6% p.a. to 17.12.2014, thereafter 3 months EURIBOR + 3.1% p.a.	-	-	30,058	29,100
TOTAL				**21,874**	**21,500**	**342,898**	**332,982**

In December 2013, NLB d.d. received the decision from the Bank of Slovenia. Those measures included the termination of NLB d.d.'s liabilities from all existing subordinated instruments, including hybrid instruments of additional Tier I capital and subordinated debt of additional Tier I capital. In accordance with the decision of the Bank of Slovenia, NLB d.d. derecognized all subordinated liabilities and recognized effects in the Income statement item Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss in the amount of EUR 257,601 thousand (note 4.4.).

e) Other financial liabilities

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Liabilities to brokerage firms and others for securities purchase	1,047	17,414	1,047	17,414
Items in the course of payment	13,614	14,234	23,735	30,443
Debit or credit card payables	13,580	13,601	14,644	14,319
Accrued salaries	8,784	11,725	9,975	13,447
Suppliers	10,486	10,684	13,027	13,146
Accrued expenses	4,628	3,005	10,207	9,347
Fees and commissions due	815	1,185	838	1,207
Other financial liabilities	8,655	3,073	13,136	11,057
TOTAL	**61,609**	**74,921**	**86,609**	**110,380**

5.17. PROVISIONS

a) Analysis by type of provisions

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Provisions for financial guarantees (note 5.25.a)	11,303	3,488	18,112	10,046
Provisions for non-financial guarantees (note 5.25.a)	36,270	24,991	38,075	25,850
Provisions for other credit commitments (note 5.25.a)	6,952	1,285	11,424	6,152
Employee benefit provisions	11,842	12,413	15,425	41,252
Provisions for premiums from National Housing Saving Scheme	877	1,322	877	1,322
Restructuring provisions	10,866	5,950	11,803	10,162
Provisions for legal issues	1,094	1,263	5,327	3,445
Other provisions	7,876	2,715	7,880	2,732
TOTAL	**87,080**	**53,427**	**108,923**	**100,961**

b) Movements in provisions for guarantees and commitments

Financial guarantees

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Balance at January 1	3,488	21,636	10,046	15,259
Effects of translation of foreign operations to presentation currency	-	-	(37)	(25)
Additional provisions/provisions released (note 4.10.)	7,817	(18,404)	8,101	(5,249)
Exchange differences	(2)	256	2	61
Balance at December 31	**11,303**	**3,488**	**18,112**	**10,046**

Non-financial guarantees

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Balance at January 1	24,991	56,310	25,850	58,690
Effects of translation of foreign operations to presentation currency	-	-	(15)	(1)
Additional provisions/provisions released (note 4.10.)	11,278	(31,256)	12,239	(32,776)
Exchange differences	1	(63)	1	(63)
Balance at December 31	**36,270**	**24,991**	**38,075**	**25,850**

Other credit commitments

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Balance at January 1	1,285	8,801	6,152	15,223
Effects of translation of foreign operations to presentation currency	-	-	(15)	(40)
Additional provisions/provisions released (note 4.10.)	5,668	(7,499)	5,288	(9,053)
Exchange differences	(1)	(17)	(1)	22
Balance at December 31	**6,952**	**1,285**	**11,424**	**6,152**

c) Movements in employee benefit provisions

Post-employment benefits

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Balance at January 1	8,017	8,763	35,223	25,512
Effects of translation of foreign operations to presentation currency	-	-	(1)	(29)
Additional provisions (note 4.8.)	108	56	548	12,814
Provisions released (note 4.8.)	(904)	(316)	(1,217)	(1,503)
Interest expenses	123	-	171	-
Utilized during year	(273)	(486)	(25,821)	(1,571)
Balance at December 31	**7,071**	**8,017**	**8,903**	**35,223**

Other employee benefits

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Balance at January 1	4,396	4,743	6,029	6,693
Effects of translation of foreign operations to presentation currency	-	-	(2)	(15)
Additional provisions (note 4.8.)	3,576	3,125	5,061	4,017
Provisions released (note 4.8.)	(210)	(225)	(381)	(414)
Interest expenses	34	-	40	-
Utilized during year	(3,025)	(3,247)	(4,225)	(4,252)
Balance at December 31	**4,771**	**4,396**	**6,522**	**6,029**

Other employee benefits include the NLB Group's obligations for jubilee long-service benefits and unused annual leave.

d) Movements in provisions for premiums from National Housing Saving Scheme

	NLB d.d. and NLB Group	
in thousand EUR	2013	2012
Balance at January 1	1,322	1,908
Additional provisions (note 4.10.)	73	119
Utilized during year	(518)	(705)
Balance at December 31	**877**	**1,322**

According to the covenants of the National Housing Saving Scheme, the Housing Fund of the Republic of Slovenia was required in previous years to contribute one monthly premium per year for all depositors included in the scheme. NLB d.d. is required to refund the invested premiums to the Housing Fund for all depositors that decide not to take a loan after the conclusion of the scheme. NLB d.d. has created provisions for the expected amount of such premiums.

e) Movements in restructuring provisions

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Balance at January 1	5,950	3,033	10,162	3,033
Additional provisions (note 4.10.)	6,500	5,169	6,500	10,774
Utilized during year	(1,584)	(2,252)	(4,859)	(3,645)
Balance at December 31	**10,866**	**5,950**	**11,803**	**10,162**

Cash flows associated with the restructuring provisions are expected in next two years.

f) Movements in provisions for legal issues

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Balance at 1 January	1,263	-	3,445	2,625
Effects of translation of foreign operations to presentation currency	-	-	(23)	1
Additional provisions (note 4.10.)	438	1,265	3,232	1,785
Provisions released (note 4.10.)	(8)	-	(695)	(574)
Utilized during year	(590)	-	(621)	(390)
Exchange differences	(9)	(2)	(11)	(2)
Balance at 31 December	**1,094**	**1,263**	**5,327**	**3,445**

As at December 31, 2013, NLB d.d. was involved in 32 legal disputes with material monetary claims against the NLB d.d. The total amount of these claims, excluding accrued interest, was EUR 457,628 thousand (December 31, 2012: EUR 419,382 thousand). As at December 31, 2013, the NLB Group was involved in 36 legal disputes with material claims against group members in the total amount of EUR 534,715 thousand, excluding accrued interest (December 31, 2012: EUR 484,523 thousand).

The above amounts include claims in the amount of EUR 170,249 thousand (December 31, 2012: EUR 171,852 thousand) related to deposits of the Croatian savers in LB Glavna Filiala Zagreb that arise from the beginning of the 1990's. NLB d.d. has always opposed to the claims for a variety of reasons, both process reasons and in terms of substance (merit). One important reason is the fact that NLB was established based on a constitutional law and in relation to the mentioned claims can not be seen as legal successor of LB. The other key argument of NLB is the fact this is a matter of succession of former Yugoslavia, which was confirmed by a Memorandum signed in 2013 between the Republic of Slovenia and the Republic of Croatia by their official representatives.

Provisions at NLB d.d. in the amount of EUR 1,094 thousand and at the NLB Group in the amount of EUR 5,327 thousand are recognized based on expectations regarding the probable outcome of legal disputes.

g) Movements in other provisions

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Balance at January 1	2,715	2,758	2,732	2,758
Additional provisions (note 4.10.)	5,177	-	5,177	17
Utilized during year	(16)	(43)	(29)	(43)
Balance at December 31	**7,876**	**2,715**	**7,880**	**2,732**

Other provisions at NLB d.d. in the amount of EUR 4,177 thousand (December 31, 2012: EUR nil) relate to payments from the sale of financial assets and to claims for additional interest relating to retail savings and deposits in the amount of EUR 2,699 thousand (December 31, 2012: EUR 2,715 thousand).

5.18. DEFERRED INCOME TAX

a) Analysis by type of deferred income taxes

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
Deferred income tax assets				
Valuation of financial instruments and capital investments	67,233	30,471	67,265	30,403
Tax losses	242,803	55,460	220,091	57,000
Impairment provisions	3,914	6,671	20,986	20,979
Employee benefit provisions	2,408	1,885	2,587	2,059
Depreciation and valuation of non-financial assets	472	584	1,040	1,045
Tax reliefs	1,489	686	1,509	686
Dividends	7	7	7	7
Impairment of deferred tax assets	(298,340)	-	(294,044)	-
Total deferred income tax assets	**19,986**	**95,764**	**19,441**	**112,179**
Deferred income tax liabilities				
Valuation of financial instruments	6,336	6,397	6,890	8,150
Depreciation and valuation of non-financial assets	258	1,074	789	1,270
Impairment provisions	-	-	40	18,383
Total deferred income tax liabilities	**6,594**	**7,471**	**7,719**	**27,803**
Net deferred income tax assets	**13,392**	**88,293**	**12,092**	**88,267**
Net deferred income tax liabilities	**-**	**-**	**(370)**	**(3,891)**
Included in the income statement for the current year	**(72,037)**	**(6,104)**	**(69,582)**	**(8,556)**
- tax losses	187,343	(4,262)	163,086	(4,842)
- valuation of financial instruments and capital investments	39,687	(5,268)	41,214	(5,819)
- employee benefit provisions	523	(487)	528	(848)
- impairment provisions	(2,757)	3,388	18,336	2,428
- depreciation and valuation of non-financial assets	704	104	475	104
- dividends	-	6	-	6
- tax credits	803	415	823	415
- impairment of deferred tax assets	(298,340)	-	(294,044)	-
Included in other comprehensive income for the current year	**(2,864)**	**(9,381)**	**(3,091)**	**(11,045)**
- valuation of available for sale financial assets	(2,678)	(9,269)	(2,905)	(10,931)
- cash flow hedges	(186)	(112)	(186)	(112)
- net investment hedges	-	-	-	(2)

Changes to deferred taxes also include the effects of the change to the tax rate in Slovenia. The tax rate is 17% and, according to the amendment to the Corporate Income Tax Act adopted in 2013, will not be lowered to 15% by 2015.

Slovenian law does not set limits or deadlines by which uncovered tax losses must be utilized.

NLB d.d. impaired deferred taxes that it estimates will not be eliminated in the foreseeable future (i.e. within five years), given future profit projections. Impairments amounted to EUR 298,340 thousand.

b) Movements in deferred income taxes

Deferred income tax assets

	NLB d.d.								
in thousand EUR	Employee benefit provisions	Valuation of financial instruments and capital investments	Depreciation and valuation of non-financial assets	Impairment provisions	Tax losses	Tax reliefs	Impairment of deferred tax assets	Dividends	Total
Balance at January 1, 2012	2,372	42,941	948	3,283	59,722	271	-	1	109,538
(Charged)/credited to profit and loss	(487)	(5,268)	(364)	3,388	(4,262)	415	-	6	(6,572)
Charged to other comprehensive income	-	(7,202)	-	-	-	-	-	-	(7,202)
Balance at December 31, 2012	**1,885**	**30,471**	**584**	**6,671**	**55,460**	**686**	**-**	**7**	**95,764**
Credited/(charged) to profit and loss	523	39,312	(112)	(2,757)	187,343	803	(298,340)	-	(73,228)
Credited to other comprehensive income	-	(2,550)	-	-	-	-	-	-	(2,550)
Balance at December 31, 2013	**2,408**	**67,233**	**472**	**3,914**	**242,803**	**1,489**	**(298,340)**	**7**	**19,986**

	NLB Group								
in thousand EUR	Employee benefit provisions	Valuation of financial instruments and capital investments	Depreciation and valuation of non-financial assets	Impairment provisions	Tax losses	Tax reliefs	Impairment of deferred tax assets	Dividends	Total
Balance at January 1, 2012	2,910	46,207	1,335	18,396	62,039	271	-	1	131,159
Effects of translation of foreign operations to presentation currency	(3)	-	(3)	1	(197)	-	-	-	(202)
(Charged)/credited to profit and loss	(848)	(7,049)	(287)	2,582	(4,842)	415	-	6	(10,023)
Charged to other comprehensive income	-	(8,755)	-	-	-	-	-	-	(8,755)
Balance at December 31, 2012	**2,059**	**30,403**	**1,045**	**20,979**	**57,000**	**686**	**-**	**7**	**112,179**
Effects of translation of foreign operations to presentation currency	-	(3)	(3)	2	5	-	-	-	1
Credited/(charged) to profit and loss	528	39,446	(2)	5	163,086	823	(294,044)	-	(90,158)
Credited to other comprehensive income	-	(2,581)	-	-	-	-	-	-	(2,581)
Balance at December 31, 2013	**2,587**	**67,265**	**1,040**	**20,986**	**220,091**	**1,509**	**(294,044)**	**7**	**19,441**

Deferred income tax assets

	NLB d.d.		
in thousand EUR	Valuation of financial instruments and capital investments	Depreciation and valuation of non-financial assets	Total
Balance at January 1, 2012	4,218	1,542	5,760
Credited to profit and loss	-	(468)	(468)
Charged to other comprehensive income	2,179	-	2,179
Balance at December 31, 2012	**6,397**	**1,074**	**7,471**
Credited to profit and loss	(375)	(816)	(1,191)
Charged to other comprehensive income	314	-	314
Balance at December 31, 2013	**6,336**	**258**	**6,594**

	NLB Group			
in thousand EUR	Impairment provisions	Valuation of financial instruments and capital investments	Depreciation and valuation of non-financial assets	Total
Balance at January 1, 2012	18,224	7,091	1,660	26,975
Effects of translation of foreign operations to presentation currency	5	(1)	1	5
Charged/(credited) to profit and loss	154	(1,230)	(391)	(1,467)
Charged to other comprehensive income	-	2,290	-	2,290
Balance at December 31, 2012	**18,383**	**8,150**	**1,270**	**27,803**
Effects of translation of foreign operations to presentation currency	(12)	(2)	(5)	(19)
Credited to profit and loss	(18,331)	(1,768)	(476)	(20,575)
Charged to other comprehensive income	-	510	-	510
Balance at December 31, 2013	**40**	**6,890**	**789**	**7,719**

5.19. INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

2013	NLB d.d.			NLB Group		
in thousand EUR	Before tax amount	Tax expense	Net of tax amount	Before tax amount	Tax (expense) / credit	Net of tax amount
Available for sale financial assets	15,753	(2,678)	13,075	17,589	(2,905)	14,684
Cash flow hedge	1,095	(186)	909	1,095	(186)	909
Effects of translation of foreign operations to presentation currency	-	-	-	753	-	753
Share of associates and joint ventures	-	-	-	(996)	200	(796)
TOTAL	**16,848**	**(2,864)**	**13,984**	**18,441**	**(2,891)**	**15,550**

2012	NLB d.d.			NLB Group		
in thousand EUR	Before tax amount	Tax expense	Net of tax amount	Before tax amount	Tax expense	Net of tax amount
Hedge of a net investment in a foreign operation	-	-	-	10	(2)	8
Available for sale financial assets	45,176	(9,269)	35,907	51,688	(10,931)	40,757
Cash flow hedge	15	(112)	(97)	15	(112)	(97)
Effects of translation of foreign operations to presentation currency	-	-	-	(5,335)	-	(5,335)
Share of associates and joint ventures	-	-	-	5,872	(851)	5,021
TOTAL	**45,191**	**(9,381)**	**35,810**	**52,250**	**(11,896)**	**40,354**

5.20. OTHER LIABILITIES

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Taxes payable	5,132	4,740	7,517	5,585
Deferred income	766	855	4,473	4,400
Payments received in advance	106	26	2,907	2,500
TOTAL	**6,004**	**5,621**	**14,897**	**12,485**

5.21. SHARE CAPITAL

In February 2013, NLB d.d.'s capital was increased by EUR 1,859 thousand.

In March 2013, a contingent convertible capital instrument (CoCo), issued in June 2012 in the amount of EUR 320,000 thousand, was converted into ordinary shares. In June 2013, the interest on the contingent convertible capital instrument (CoCo) in the amount of EUR 21,217 thousand was also converted into ordinary shares. Share capital was increased by EUR 79,347 thousand, while the share premium account was increased by EUR 263,727 thousand.

According to the decision of the Bank of Slovenia on extraordinary measures, all of NLB d.d.'s qualified liabilities were terminated on December 18, 2013. As a result, all of the NLB d.d.'s shares were rescinded and deleted from the central register of book-entry securities at the Central Securities Clearing Corporation (KDD). After the write-down of NLB d.d.'s share capital to zero, share capital was increased by EUR 200,000 thousand through the issue of 20,000,000 new no-par-value ordinary registered shares. The corresponding value of one new share is EUR 10.0. The issue value of one new share is EUR 77.6, while the total value of all new shares is EUR 1,551,000 thousand. New shares were paid up in cash in the amount of EUR 1,141,001 thousand and through contributions in kind with a total market value at the time of the capital increase of EUR 409,999 thousand. Contributions in kind are accounted for by Slovenian government bonds, which NLB d.d. classified as available for sale financial assets (note 5.4.b).

Movements in number of shares

NLB d.d. and NLB Group	2013	2012
Balance at January 1	12,548,930	11,061,125
Subscription of new shares	222,647	1,487,805
Conversion of capital instrument	9,284,801	-
Dilution of shares	(22,056,378)	-
Subscription of new shares after the dilution	20,000,000	-
Balance at December 31	**20,000,000**	**12,548,930**

As at December 31, 2013 Republic of Slovenia is the only shareholder of NLB d.d. (December 31, 2012: 1,989 shareholders). NLB Group does not own treasury shares (December 31, 2012: 34,927 treasury shares).

The book value of a NLB d.d. share as at December 31, 2013 was EUR 54.7 (December 31, 2012: EUR 58.4) and on a consolidated level it was EUR 62.4 (December 31, 2012: EUR 63.0). It is calculated as the ratio of net assets book value without other equity instruments issued and the number of shares without treasury shares.

In years 2013 and 2012 NLB d.d. did not pay a dividend for previous years.

5.22. RESERVES

The share premium account comprises paid-up premiums in the amount of EUR 822,173 thousand (December 31, 2012: EUR 725,267 thousand) and the revaluation of share capital from previous years in the amount of EUR 49,205 thousand (December 31, 2012: EUR 49,205 thousand). According to a decision issued by the Bank of Slovenia in December 2013, NLB d.d. deleted share capital in amount of EUR 184,079 thousand and increased the share premium account accordingly. At the end of the year, the share premium account, together with profit reserves, was used to cover losses. The share premium account is not distributable.

As at December 31, 2013 profit reserves in amount of EUR 13,522 thousand relate entirely to legal reserves in accordance with the Companies Act. As at December 31, 2012, they also included retained earnings from previous years in the amount of EUR 148,634 thousand and reserves for own shares in the amount of EUR 2,048 thousand.

NLB d.d. recorded a net loss in the amount of EUR 1,540,278 thousand in 2013 (2012: net loss of EUR 304,876 thousand). It also had uncovered losses from previous years in the amount of EUR 304,874 thousand. The entire amount of retained earnings was used to cover the current year's loss and losses brought forward, while the difference was covered by the share premium account.

5.23. CAPITAL ADEQUACY RATIOS

	NLB d.d.		NLB Group	
in thousand EUR	2013	2012	2013	2012
REGULATORY CAPITAL	**1,030,731**	**1,138,157**	**1,218,566**	**1,168,223**
TIER I CAPITAL	**1,039,061**	**1,004,560**	**1,199,596**	**1,011,264**
Paid up share capital	200,000	104,731	200,000	104,731
Treasury shares	-	(2,962)	-	(2,962)
Capital reserves (share premium)	871,378	774,472	871,378	774,472
Reserves and retained profit or loss	12,892	(141,440)	159,515	(90,515)
Non-controlling interest	-	-	24,048	18,879
Revaluation reserves - prudential filters	(233)	-	(672)	(874)
Hybrid instruments in Tier I	-	320,000	-	320,000
Other deductions	(44,976)	(50,241)	(54,673)	(112,467)
Intangible assets	(44,976)	(50,241)	(54,673)	(112,467)
TIER II CAPITAL	**9,929**	**220,063**	**26,890**	**240,633**
DEDUCTION FROM TIER I AND TIER II CAPITAL (equity investments in banks and financial institutions)*	**(18,259)**	**(86,466)**	**(7,920)**	**(83,674)**
CAPITAL REQUIREMENTS	**497,323**	**774,282**	**640,430**	**884,431**
Total capital requirements for credit risk (standardised approach)	434,919	708,740	527,496	768,739
Total capital requirements for market risks	4,623	5,691	19,929	17,560
Capital requirements for operating risk	57,781	59,851	93,005	98,132
CAPITAL ADEQUACY RATIO (in %)	**16.6**	**11.8**	**15.2**	**10.6**
TIER 1 RATIO (in %)	**16.6**	**9.9**	**14.9**	**8.8**
CORE TIER 1 RATIO (in %)	**16.6**	**9.9**	**14.9**	**8.8**

* Deductions reduce the Tier I and Tier II capital, each in 50% of total amount of deductions.

Capital adequacy and capital are monitored in line with the guidelines developed by the Basel Committee and European Community Directives, as implemented by the Bank of Slovenia. The required information on capital adequacy is reported to the Bank of Slovenia on a quarterly basis. The Bank of Slovenia requires each bank and banking group to maintain a capital adequacy ratio at or above 8%.

Capital adequacy calculations for the NLB Group are based on the consolidated financial statements, prepared in line with the Regulation on the supervision of banks and savings banks on a consolidated basis, which differs from the consolidation carried out in line with the IFRS. According to the IFRS, all the NLB Group's subsidiaries, associates and joint ventures are included in consolidation: subsidiaries are included using the full consolidation method, while associates and joint ventures are included using the equity method.

According to the Regulation on the supervision of banks and savings banks on a consolidated basis, only credit institutions, financial institutions, ancillary services undertakings and asset management companies are included in the consolidated financial statements (insurance companies, pension funds and non-financial companies are excluded: NLB Nov penziski fond, Skopje, Skupna pokojninska družba, Ljubljana, NLB Vita, Ljubljana and Argo d.o.o., Horjul). Moreover, joint ventures (Prvi Faktor Group, Ljubljana) are included in the consolidated statements using the proportional method of consolidation.

The characteristics of each capital component are described in the Regulation on the calculation of the capital of banks and savings banks (Official Gazette of the Republic of Slovenia, Nos. 85/2010, 97/2010, 100/11 and 100/12). Tier I capital is of highest quality and primarily comprises equity (shares and related reserves), and to a limited extent several high-quality hybrid instruments. Tier II capital includes hybrid instruments (Tier I eligible instruments that exceed the limit for inclusion in Tier I capital, as well as Tier II eligible instruments), subordinated debt and revaluation reserves from available for sale securities and from investment property. The extent of subordinated debt included in Tier II capital is gradually decreasing, with a 20% cumulative discount in the last five years before maturity. Both categories of capital can be subsequently reduced due to deductions. Some deductions (e.g. investments in intangible assets) only affect the amount of core capital, while other deductions (e.g. investments in equity and other capital instruments of financial companies, where the NLB d.d.'s equity share exceeds 10% or 20% in the case of insurance companies) reduce Tier I capital and Tier II capital in equal amounts.

In 2013, the structure of capital and the level of capital adequacy were influenced by several events. The conversion of a hybrid instrument (CoCo) in the nominal amount of EUR 320 million into ordinary shares, carried out in March, had a larger impact on the structure of the capital than on the amount of capital (increase of EUR 21.2 million due to the capitalization of interest on this instrument). The measures carried out in December 2013 primarily the capital increase in the amount of EUR 1,551 million, the termination of qualifying liabilities (decrease in Tier II capital by EUR 211 million as a consequence of bail-in of subordinated debt in the nominal amount of EUR 250 million) and transfer of part of the portfolio to the BAMC (decrease in capital requirements by EUR 105 million), had a significant influence, as well. The amount of capital was also reduced by the loss generated in current operations. Thus, the improvement in the capital adequacy ratio on an annual basis derives mainly from a considerable decrease in capital requirements, where the contribution of the transfer to the BAMC was significant.

5.24. FOREIGN BRANCHES

NLB d.d. has a branch in Trieste, whose key figures are as follows:

	NLB d.d.	
in thousand EUR	2013	2012
Interest and fee income	1,909	5,684
Net loss for the year	(18,450)	(9,856)

	31. 12. 2013	31.12. 2012
Total assets (in thousand EUR)	35,746	67,214
Number of employees	19	23

5.25. OFF-BALANCE SHEET LIABILITIES

a) Contractual amounts of off-balance sheet financial instruments

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Short-term guarantees	144,891	169,179	250,839	281,803
- financial	63,589	110,438	145,665	194,361
- non-financial	81,302	58,741	105,174	87,442
Long-term guarantees	582,925	735,873	697,508	849,891
- financial	174,810	252,292	253,738	333,393
- non-financial	408,115	483,581	443,770	516,498
Commitments to extend credit	836,999	899,436	952,473	1,015,496
Letters of credit	1,423	5,147	17,699	19,325
Other	5,382	5,300	15,692	8,982
	1,571,620	1,814,935	1,934,211	2,175,497
Provisions (note 5.17.b)	(54,525)	(29,764)	(67,611)	(42,048)
TOTAL	**1,517,095**	**1,785,171**	**1,866,600**	**2,133,449**

b) Analysis of derivative financial instruments by notional amounts

	NLB d.d.				NLB Group			
in thousand EUR	31.12.2013		31.12.2012		31.12.2013		31.12.2012	
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
Swaps	185,797	1,775,299	260,956	2,409,169	182,111	1,771,412	235,040	2,395,394
- currency swaps	180,797	39	210,956	704	177,111	39	185,040	704
- interest rate swaps	5,000	1,713,588	50,000	2,346,379	5,000	1,709,701	50,000	2,332,604
- cross currency interest rate swaps	-	61,672	-	62,086	-	61,672	-	62,086
Options	8,942	12,966	13,211	90,908	8,942	12,966	13,211	90,908
- currency options	-	-	-	55,285	-	-	-	55,285
- interest rate options	-	12,966	-	35,623	-	12,966	-	35,623
- securities options	8,942	-	13,211	-	8,942	-	13,211	-
Forward contracts	143,769	28,723	152,250	14,277	144,217	28,723	152,243	14,277
- currency forward	143,769	28,723	152,250	13,371	144,217	28,723	152,243	13,371
- securities forward	-	-	-	906	-	-	-	906
Futures	41,274	-	6,874	-	41,274	-	6,874	-
- currency futures	6,342	-	6,584	-	6,342	-	6,584	-
- interest rate futures	34,932	-	290	-	34,932	-	290	-
TOTAL	**379,782**	**1,816,988**	**433,291**	**2,514,354**	**376,544**	**1,813,101**	**407,368**	**2,500,579**
	2,196,770		**2,947,645**		**2,189,645**		**2,907,947**	

The notional amounts of derivative financial instruments that qualify for hedge accounting at NLB d.d. and NLB Group amount to EUR 294,491 thousand (December 31, 2012: EUR 446,816 thousand). Derivatives that qualify for hedge accounting are used to hedge interest rate risk.

The fair values of derivative financial instruments are disclosed in notes 5.2., 5.5. and 5.15.

c) Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Not later than one year	2,098	2,355	2,970	3,177
Later than one year and not later than five years	6,193	6,679	7,969	9,429
Later than five years	2,730	2,779	1,869	1,836
TOTAL	**11,021**	**11,813**	**12,808**	**14,442**

d) Operating lease income

Future minimum operating lease income:

	NLB Group	
in thousand EUR	31.12.2013	31.12.2012
Not later than one year	6,821	6,268
Later than one year and not later than five years	18,714	14,382
Later than five years	45,051	54,981
TOTAL	**70,586**	**75,631**

e) Capital commitments

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Capital commitments for purchase of:				
- property and equipment	3	715	3	715
- intangible assets	521	1,547	555	1,611
	524	**2,262**	**558**	**2,326**

5.26. FUNDS MANAGED ON BEHALF OF THIRD PARTIES

Funds managed on behalf of third parties are accounted separately from the NLB Group's funds. Income and expenses arising with respect to these funds are charged to the respective fund, and no liability falls on the NLB Group in connection with these transactions. The NLB Group charges fees for its services.

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
ASSETS				
Clearing or transaction account claims for client assets	**8,687,093**	**8,595,237**	**9,021,366**	**8,819,526**
- from financial instruments	8,687,023	8,595,083	9,021,296	8,819,372
- receipt, processing and execution of orders	1,205,556	1,014,805	1,514,120	1,215,525
- management of financial instruments portfolio	241,779	184,059	241,779	184,059
- custody services	7,239,688	7,396,219	7,265,397	7,419,788
- to Central Securities Clearing Corporation or bank settlement account for sold financial instrument	70	154	70	154
Clients' money	**18,368**	**20,969**	**18,368**	**20,969**
- at settlement account for client assets	5,860	3,951	5,860	3,951
- at bank transaction accounts	12,508	17,018	12,508	17,018
LIABILITIES				
Clearing or transaction liabilities for client assets	**8,705,461**	**8,616,206**	**9,039,734**	**8,840,495**
- to client from cash and financial instruments	8,704,903	8,615,460	9,039,176	8,839,749
- receipt, processing and execution of orders	1,205,594	1,014,997	1,514,158	1,215,717
- management of financial instruments portfolio	248,646	189,102	248,646	189,102
- custody services	7,250,663	7,411,361	7,276,372	7,434,930
- to Central Securities Clearing Corporation or bank settlement account for bought financial instrument	44	56	44	56
- to other settlement systems and institutions for bought financial instrument (creditors)	-	319	-	319
- to bank or settlement bank account for fees and costs etc.	514	371	514	371

Funds managed on behalf of third parties

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Fiduciary activities	8,705,461	8,616,206	9,039,734	8,840,495
Settlement and other services	3,115,943	879,482	3,154,621	917,157
TOTAL	**11,821,404**	**9,495,688**	**12,194,355**	**9,757,652**

Fee income for funds managed on behalf of third parties

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Fiduciary activities (note 4.3.b)	6,226	6,047	6,288	6,154
Settlement and other services	555	300	635	484
TOTAL	**6,781**	**6,347**	**6,923**	**6,638**

6. EVENTS AFTER REPORTING DATE

After December 31, 2013 there were no significant events.

7. RISK MANAGEMENT

The primary aim of risk management in the NLB Group is to proactively monitor and manage risks that arise during the achievement of planned operating results and strategic objectives, which is thus reflected in the more economical use of the NLB d.d.'s capital. The NLB Group has risk management policies and procedures in place that take into account Bank of Slovenia regulations and other legislation, and the current guidelines and best practices of banks in this area. The overall strategy and the most important internal policies of the NLB Group, which are approved by the Management Board and discussed by the Supervisory Board, define in detail the objectives, approaches and methodologies for monitoring, measuring and managing different risks.

Once again in 2013, the adverse macroeconomic conditions had a significant impact on the quality of the NLB Group's investment portfolio. Despite growth in the export sector of the economy, the decline in investment demand continues to persist, primarily due to the high level of indebtedness of certain sectors. In addition, household consumption has also declined due to the deteriorating conditions on the labor market. The adverse conditions had the most significant impact on the operations of the NLB Group in terms of credit risk, the main risk to which the NLB Group is exposed. The NLB Group's exposure to liquidity risk also intensified in 2013 due to the relatively low credit ratings of Republic of Slovenia and the NLB d.d..

The NLB Group responded to the deterioration in indicators of the quality of its investment portfolio through the intensive introduction of improvements in the credit process and risk management culture. Internal methodologies and guidelines relating to credit risks were audited, while internal investment approval procedures and controls were enhanced to ensure the early, more systematic and in-depth recognition of increased risks. The handling of customers facing problems in their operations has been augmented and is more proactive, while the recovery of problematic investments has also been enhanced. The NLB d.d. also transferred a significant portion of non-performing claims and claims against customers in non-strategic activities to the BAMC at the end of 2013. In accordance with the provisions of the Government Measures to Strengthen the Stability of Banks Act (ZUKSB), claims against Slovenian companies in default and against customers in non-strategic activities, which according to the criteria of the NLB d.d.'s restructuring program include the construction, transportation and financial holdings sectors, were transferred.

In response to expected changes in banking regulations, which will enter into force next year and derive from the requirements of the Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD), the NLB d.d. assessed the effects of the aforementioned legislation and began the necessary activities to update existing databases and the reporting system with the aim of proactive risk management within the NLB Group. Changes in the area of risk relate to the treatment of capital requirements and thus capital adequacy, and introduce a new additional financial leverage indicator. The changes also affect large exposures, introduce a new definition of non-performing exposures and restructured claims, and bring new requirements to liquidity risk management: the liquidity coverage ratio (LQR) and net stable funding ratio (NSFR).

NLB d.d. is confident that previous activities and new approaches will improve the control and management of risks. The main risk to which the NLB Group will be exposed in the future is credit risk, where changes in the credit process, the intensive and proactive handling of problematic customers, the stabilization of economic conditions and the revised strategic objectives of the NLB Group will lead to the gradual mitigation of the aforementioned risk.

7.1. CREDIT RISK MANAGEMENT

In its operations, the NLB Group is especially exposed to credit risk or the risk of losses due to the failure of a debtor to settle its liabilities to the NLB d.d. For that reason, it intensively monitors and assesses the aforementioned risk. In that process, NLB Group follows International Financial Reporting Standards and regulations issued by the Bank of Slovenia. This area is governed in greater detail by the internal methodologies and procedures set out in internal acts.

The continuing adverse economic conditions have been reflected in an increase in the number of overdue unpaid (non-performing) claims, approved primarily in the past, and in the resulting continued deterioration in the quality of the credit portfolio. Due to the protracted economic stagnation, the problems in the settlement of liabilities faced mostly by over-indebted companies have spread to other sectors whose operations are driven by domestic demand. As a result, the NLB d.d. and NLB Group created an increased level of additional impairments in 2013. However, total additional impairments disclosed at the end of 2013 were reduced due to the transfer of a significant portion of NLB d.d.'s non-performing claims to the BAMC.

In December 2013, NLB d.d. transferred EUR 2,169 million in claims against domestic legal entities to the BAMC (loans and redeemed guarantees), with associated impairments of principals and interest in the amount of EUR 1,013 million. This was done taking into account the provisions of the ZUKSB (claims against Slovenian companies in default) and the criteria of the NLB d.d.'s restructuring program (claims against customers in non-strategic activities, including the construction, transportation and financial holdings sectors). As a result of the transfer, the NLB d.d. recognized an additional loss in the amount of EUR 542.9 million, as the difference between the net book value and transfer value of claims set by the European Commission.

As a result of the transfer of non-performing claims to the BAMC at the end of December 2013, total impairments of financial assets and provisions for off-balance-sheet liabilities were down EUR 353 million at NLB d.d. relative to 2012, from provisions and impairments decrease due to the transfer of 1,013 million or increase of EUR 660 million. NLB d.d. created EUR 743 million of additional impairments and provisions in 2013 since writte-offs also affect on decrease. Total impairments and provisions were down EUR 167 million at the NLB Group level.

The following factors had an impact on the level of credit risk losses incurred and the proportion of non-performing claims disclosed by NLB d.d. in 2013:

- due to the continuing deterioration in economic conditions and the introduction of stricter credit rating criteria, customers were downgraded to lower credit rating categories, which increased the stock of non-performing loans for which higher impairments had to be created;
- a stricter definition of criteria for non-performing loans (considering EBA methodology), which in addition to customers more than 90 days in arrears, include all loans to D- and E-rated customers, customers in the restructuring process and customers who are highly indebted given the cash flows they generate;
- the further decline in the value of certain existing collateral owing to the illiquid real estate market;
- due to the poor performance of certain NLB Group entities, NLB created impairments and provisions for loans and contingent liabilities associated with those entities.

The NLB d.d.'s proportion of non-performing loans was down 5.6 percentage points in 2013, to stand at 20.4% of the credit portfolio at the end of the year. Excluding BAMC bonds from the amount of loans, the aforementioned proportion stands at 22.1%. The decrease in the proportion of non-performing loans is primarily due to the transfer of the aforementioned loans to the BAMC, and in part due to the more active approach taken in recovery procedures. At the end of 2013, the NLB d.d. disclosed the highest level of non-performing loans in the trade, manufacturing and service sectors, while the proportion of non-performing loans was down in the construction sector. Despite the deteriorating conditions on the labor market, households remains one of less-risky customer segments. The proportion of non-performing loans is 25.6% at the NLB Group level, a decrease of 2.5 percentage points. The coverage of non-performing loans by provisions was higher at the end of 2013, to stand at 72.6% at NLB d.d. and 69.7% at the NLB Group level.

The NLB d.d. continued to focus its efforts in the area of credit risk management on the substantive upgrading of the existing credit process and on improving the risk management culture. It should be noted that, with regard to its credit policy, the NLB d.d. introduced additional systems and activities, with an emphasis on the prudent assumption of risks, as follows:

- a risk profile and risk appetite were defined at the NLB d.d. and NLB Group levels, including the definition of criteria for assessing credit risk at the portfolio level and the definition of readiness to assume that risk. In addition, the regular monthly monitoring of all significant credit portfolio indicators was also established;
- the credit rating assignment process was segregated from the investment approval process, in which a co-decision approach was introduced. In the scope of the latter, the issuance of an opinion regarding specific investments by the area responsible for risk was introduced in 2013;
- the existing methodology for assigning credit ratings to customers was updated by introducing stricter criteria, both in terms of a customer's financial position and in arrears in the settlement of liabilities. In accordance with the updated methodology, D- and E-rate customers are classified as defaulters. The "unlikely to pay" subcategory was defined within the D credit rating category. This subcategory includes those customers who are unlikely to repay their liabilities without the redemption of collateral. The use of a "scoring model" was also introduced for customers whose exposure does not exceed EUR 20 thousand, as an additional tool for assessing risks;
- a "Watch List Committee" for customers on the watch list and intensive care list was established as part of the "early warning system" for detecting increased credit risk. Action plans were drawn up for customers on the watch list and intensive care list in 2013. The implementation of those plans is monitored on a regular basis;
- the methodology for creating impairments and provisions was updated, with an emphasis placed on the procedure for assessing the appropriateness of individual impairments and provisions in order to respond to changes in the financial position of customers and other factors in a cost-efficient and timely manner; and
- the establishment of centralized investment approval for materially significant customers at the NLB Group level. A centralized system was also introduced for the reporting of additional impairments by NLB Group entities in the event of a more significant increase in the latter.

Through regular reviews of business practices and the credit portfolios of NLB Group entities, NLB d.d. ensures the credit risk management of those entities functions in accordance with the NLB Group's risk management standards in order to ensure meaningfully uniform procedures at the consolidated level. Capital requirements for credit risk at the NLB Group level are calculated monthly according to the standardized approach.

The NLB Group manages credit risk at two levels:

- at the level of the individual customer/group of customers, where appropriate procedures are followed in various phases of the relationship with a customer, prior to, during and after the conclusion of an agreement.Prior to the conclusion of an agreement, a customer's performance, financial position and past cooperation with the NLB d.d. are assessed. It is also important to secure high-quality collateral that does not affect a customer's credit rating. This is followed by various forms of monitoring a customer, in particular an assessment of its ability to generate sufficient cash flows for the regular settlement of liabilities and contractual obligations; and
- at the level of the overall portfolio of NLB d.d. and/or the NLB Group. The portfolio is regularly monitored by segments with regard to the type and size of a customer, its rating, arrears (i.e. bad/overdue claims), collateral, activity, country, currency exposure, etc.

  Monitoring comprises an analysis of changes and the identification of trends in movements, risks and concentration of the credit portfolio on the basis of time factors. The NLB Group appropriately diversifies its portfolio to mitigate specific components of credit risk (i.e. the risk deriving from operations with a specific customer, sector, positions in financial instruments or other specific events). Increasing emphasis is also placed on stress tests that forecast the effects of negative movements in the portfolio on the level of impairments and provisions, and on capital adequacy.

NLB d.d. and other NLB Group entities assess the level of credit risk losses on an individual basis for material claims, which are reviewed individually, and at the NLB Group level for the rest of the portfolio.

The primary aim of an individual review is to determine whether objective evidence of impairment exists. Such evidence includes information regarding significant financial problems encountered by a customer, regarding actual breaches of contractual obligations, such as arrears in the settlement of liabilities to the NLB d.d., regarding whether financial assets will be restructured for economic or legal reasons, and regarding the likelihood that a customer will enter bankruptcy or financial reorganization. Expected future cash flows (from ordinary operations and the possible redemption of collateral) are assessed following an individual review. If their discounted value differs from the book value of the financial asset in question, impairment must be recognized. If objective evidence of impairment does not exist, losses are assessed at the group level.

Collective impairments are made for the remainder of the portfolio, which is not assessed on an individual basis. To that end, the portfolio is broken down into groups of similar claims, and then further into sub-groups with respect to their credit rating. Here, impairments are created with respect to probability of default (PD) and with respect to the average rate of default or loss given default (LGD) associated with non-performing claims. Probability of default is determined by transition matrices, which illustrate the migration of customers between rating categories, using an unweighted moving average of a transition matrix for the last 10 years. The average rate of default or loss given default, which indicates how much the NLB d.d. will lose on average when a claim becomes non-performing, is determined based on the amount of impairments created for non-performing loans. When creating collective provisions for commitments, NLB d.d. also determines, on the basis of empirical data regarding the redemption of guarantees in the past, the probability of the redemption of guarantees, which is taken into account when creating collective provisions.

NLB d.d. unweighted migration matrix for corporate clients based on annual transitional matrices for the years 2004-2013

in %			Rating in 2013		
Rating in 2004	A	B	C	D	E
A	85	12	2	1	-
B	5	80	7	8	-
C	-	9	69	20	2
D	-	2	1	85	12
E	-	-	-	-	100

NLB d.d. unweighted migration matrix for corporate clients based on annual transitional matrices for the years 2003-2012

in %			Rating in 2013		
Rating in 2003	A	B	C	D	E
A	93	6	1	-	-
B	10	75	12	3	-
C	7	9	65	17	2
D	-	7	4	62	27
E	-	-	-	-	100

a) Internal rating system and authorizations

NLB d.d.								
	31.12.2013				31.12.2012			
	Loans and advances (in thousand EUR)	Loans and advances (%)	Impairment provision (in thousand EUR)	Impairment provision (%)	Loans and advances (in thousand EUR)	Loans and advances (%)	Impairment provision (in thousand EUR)	Impairment provision (%)
A	3,398,097	44.75	11,460	0.34	3,877,833	40.54	8,607	0.22
B	1,688,470	22.23	28,992	1.72	1,519,171	15.88	24,434	1.61
C	975,723	12.85	197,516	20.24	1,790,409	18.72	198,818	11.10
D and E	1,531,670	20.17	850,633	55.54	2,378,253	24.86	1,136,097	47.77
TOTAL	**7,593,960**	**100.00**	**1,088,601**	**14.34**	**9,565,666**	**100.00**	**1,367,956**	**14.30**

NLB Group								
	31.12.2013				31.12.2012			
	Loans and advances (in thousand EUR)	Loans and advances (%)	Impairment provision (in thousand EUR)	Impairment provision (%)	Loans and advances (in thousand EUR)	Loans and advances (%)	Impairment provision (in thousand EUR)	Impairment provision (%)
A	4,775,392	47.41	20,791	0.44	5,152,073	43.16	19,033	0.37
B	1,812,182	17.99	51,521	2.84	1,753,878	14.69	49,378	2.82
C	861,282	8.55	119,210	13.84	1,718,500	14.40	220,339	12.82
D and E	2,624,533	26.05	1,605,113	61.16	3,312,771	27.75	1,631,626	49.25
TOTAL	**10,073,389**	**100.00**	**1,796,635**	**17.84**	**11,937,222**	**100.00**	**1,920,376**	**16.09**

The Bank of Slovenia's Regulation on the Assessment of Credit Risk Losses of Banks and Savings Banks serves as the legal basis for rating each customer and the associated claims, and for creating impairments. The aforementioned regulation prescribes five rating categories (from »A« to »E«) for customers and claims. An "A" credit rating is given to first-class customers, who are not expected to encounter difficulties in repaying their obligations. A credit rating of "B" indicates customers with a slightly worse financial position, which is temporary in nature and does not indicate difficulties in repaying obligations. A credit rating of "C" indicates customers who are undercapitalized and highly indebted, or those customers that generally do not generate sufficient cash flows to repay their obligations, and so thus may pay their obligations in arrears. Credit ratings of "D" and "E" indicate customers with evident financial difficulties, or those who are in the process of compulsory settlement or bankruptcy. It is expected that these clients will not be able to repay most or even any of their obligations from their operating cash-flow. Customers with a "C" credit rating or worse must provide additional collateral. The regulation also prescribes the impairment of claims and the creation of provisions for commitments in accordance with the IFRS, with respect to the risk of a specific transaction and existence of evidence of impairment.

Authorizations, procedures and the detailed rating methodology, as well as the setting of a maximum borrowing limit and the impairment of claims, are formalized in the NLB Group's internal acts. A standard customer rating methodology, with the prescribed set and quality of input data and elements of a rating analysis, applies to all NLB Group entities. Here it should be noted that decisions regarding materially significant customers of the NLB Group is solely the responsibility of the NLB d.d. Credit Committee.

NLB d.d. regularly reviews the business practices and credit portfolios of NLB Group entities to ensure that they are operating in accordance with the minimum risk management standards of the NLB Group. This ensures appropriate standard processes for managing and reporting credit risks at the consolidated level.

b) Maximum exposure to credit risk

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Cash and balances with central banks	374,775	371,184	942,657	922,831
Debt securities	702,791	88,617	702,791	88,617
Loans to government	353,339	402,926	479,420	512,785
Loans to banks	376,439	361,732	532,533	460,486
Loans to financial organizations	655,236	1,011,199	169,421	268,143
Loans to individuals	1,858,175	1,896,663	2,716,082	2,739,601
Granted overdrafts	167,533	177,642	199,647	202,887
Loans for houses and flats	1,129,302	1,110,490	1,414,648	1,421,303
Consumer loans	503,147	553,925	892,455	884,639
Other loans	58,193	54,606	209,332	230,772
Loans to other customers	2,559,379	4,436,573	3,676,507	5,947,214
Loans to large corporate customers	1,617,635	2,538,474	2,003,783	2,973,899
Loans to small and medium size enterprises	941,744	1,898,099	1,672,724	2,973,315
Other financial assets	41,337	40,975	63,919	67,069
Trading assets	87,794	90,476	87,350	89,637
Financial assets designated at fair value through profit or loss	-	-	895	207
Available for sale financial assets	1,080,090	788,251	1,597,348	1,233,282
Held to maturity financial assets	864,259	1,041,105	864,259	1,041,105
Derivatives - hedge accounting	5,426	10,909	5,426	10,909
TOTAL FINANCIAL ASSETS	**8,959,040**	**10,540,610**	**11,838,608**	**13,381,886**
Guarantees	727,816	905,052	948,347	1,131,694
Financial guarantees	238,399	362,730	399,403	527,754
Non-financial guarantees	489,417	542,322	548,944	603,940
Loan commitments	836,999	899,436	952,473	1,015,496
Other potential liabilities	6,805	10,447	33,391	28,307
TOTAL CONTINGENT LIABILITIES	**1,571,620**	**1,814,935**	**1,934,211**	**2,175,497**
TOTAL MAXIMUM EXPOSURE TO CREDIT RISK	**10,530,660**	**12,355,545**	**13,772,819**	**15,557,383**

The maximum exposure to credit risk represents the worst case scenario relating to credit risk exposure. For assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position, while off-balance sheet items amounts are based on nominal values.

NLB d.d. transferred its mainly bad loans to BAMC in December 2013, which improved some indicators. But in 2013 the quality of the remaining credit portfolio deteriorated, also due to the harsher macroeconomic conditions. This resulted in an increase in impairment and provisions for credit loss, mainly for who were individually assessed.

The NLB d.d. has 77.1% (December 31, 2012: 64.7%) loans and advances neither past due nor impaired, 0.3% (December 31, 2012: 1.1%) loans and advances past due but not impaired, 13.7% (December 31, 2012: 27.4%) individually impaired loans and 8.9% (December 31, 2012: 6.8%) collectively impaired loans. The NLB Group has 76.8% (December 31, 2012: 63.2%) loans and advances neither past due nor impaired, 2.5% (December 31, 2012: 5.4%) loans and advances past due but not impaired, 13.3% (December 31, 2012: 26.4%) individually impaired loans and 7.4% (December 31, 2012: 5.0%) collectively impaired loans.

For this reason the coverage of the credit portfolio by allowances for impairment in NLB d.d. in 2013 decreased (December 31, 2012: increased) to stand at the end of the year 2013 at 14.8% (2012: 15.6%). 67.0% (December 31, 2012: 56.4%) of the portfolio is considered to be a quality portfolio. The coverage of the portfolio by allowances for impairment at the NLB Group level has also risen and stood at 17.8% (December 31, 2012: 16.7%) at the end of 2013. 65.4% (December 31, 2012: 57.9%) of the portfolio is considered as quality portfolio (A and B ratings).

c) Collateral from loans and advances

31.12.2013	NLB d.d.			
in thousand EUR	Fully/over collateralised loans and advances		Non-collateralised and under-collateralised loans and advances	
	Carrying value of loans and advances	Fair value of collateral	Carrying value of loans and advances	Fair value of collateral
Debt securities	702,791	702,791	-	-
Loans to government	76,618	126,299	276,721	564
Loans to banks	-	-	376,439	6,013
Loans to financial organizations	12,335	29,434	642,901	2,765
Loans to individuals	1,448,106	2,733,748	410,069	72,149
Granted overdrafts	-	-	167,533	-
Loans for houses and flats	1,058,875	2,269,289	70,427	57,759
Consumer loans	388,920	463,515	114,227	12,078
Other loans	311	944	57,882	2,312
Loans to other customers	1,703,921	3,747,052	855,458	391,924
Loans to large corporate customers	1,144,397	2,101,478	473,238	165,209
Loans to small and medium size enterprises	559,524	1,645,574	382,220	226,715
Other financial assets	352	1,388	40,985	11,062
TOTAL	**3,944,123**	**7,340,712**	**2,602,573**	**484,477**

31.12.2012	NLB d.d.			
in thousand EUR	Fully/over collateralised loans and advances		Non-collateralised and under-collateralised loans and advances	
	Carrying value of loans and advances	Fair value of collateral	Carrying value of loans and advances	Fair value of collateral
Debt securities	84,869	84,869	3,748	-
Loans to government	114,516	144,707	288,410	-
Loans to banks	-	-	361,732	18,175
Loans to financial organizations	39,410	62,795	971,789	45,742
Loans to individuals	1,381,200	2,559,451	515,463	65,896
Granted overdrafts	-	-	177,642	-
Loans for houses and flats	984,597	2,076,761	125,893	56,063
Consumer loans	396,005	481,551	157,920	9,833
Other loans	598	1,139	54,008	-
Loans to other customers	2,340,071	5,130,149	2,096,502	939,071
Loans to large corporate customers	1,467,491	2,846,310	1,070,983	362,688
Loans to small and medium size enterprises	872,580	2,283,839	1,025,519	576,383
Other financial assets	322	2,198	40,653	11,199
TOTAL	**3,960,388**	**7,984,169**	**4,278,297**	**1,080,083**

31.12.2013	NLB Group			
in thousand EUR	Fully/over collateralised loans and advances		Non-collateralised and under-collateralised loans and advances	
	Carrying value of loans and advances	Fair value of collateral	Carrying value of loans and advances	Fair value of collateral
Debt securities	702,791	702,791	-	-
Loans to government	109,832	196,437	369,588	576
Loans to banks	308	355	532,225	6,950
Loans to financial organizations	14,131	32,488	155,290	3,429
Loans to individuals	2,025,909	4,390,785	690,173	105,691
Granted overdrafts	-	-	199,647	-
Loans for houses and flats	1,313,750	3,206,040	100,898	63,553
Consumer loans	636,560	1,027,605	255,895	17,721
Other loans	75,599	157,140	133,733	24,417
Loans to other customers	2,537,064	6,929,461	1,139,443	610,366
Loans to large corporate customers	1,402,851	3,073,555	600,932	274,882
Loans to small and medium size enterprises	1,134,213	3,855,906	538,511	335,484
Other financial assets	1,236	12,081	62,683	11,179
TOTAL	**5,391,271**	**12,264,398**	**2,949,402**	**738,191**

31.12.2012	NLB Group			
in thousand EUR	Fully/over collateralised loans and advances		Non-collateralised and under-collateralised loans and advances	
	Carrying value of loans and advances	Fair value of collateral	Carrying value of loans and advances	Fair value of collateral
Debt securities	84,869	84,869	3,748	-
Loans to government	152,917	228,253	359,868	4,937
Loans to banks	2,700	6,726	457,786	18,292
Loans to financial organizations	42,424	78,730	225,719	45,742
Loans to individuals	1,914,068	4,245,172	825,533	127,096
Granted overdrafts	-	-	202,887	-
Loans for houses and flats	1,269,674	3,178,829	151,629	64,112
Consumer loans	574,552	909,561	310,087	19,601
Other loans	69,842	156,782	160,930	43,383
Loans to other customers	3,488,528	9,072,854	2,458,686	1,175,647
Loans to large corporate customers	1,767,267	3,745,014	1,206,632	425,004
Loans to small and medium size enterprises	1,721,261	5,327,840	1,252,054	750,643
Other financial assets	2,347	15,016	64,722	12,032
TOTAL	**5,687,853**	**13,731,620**	**4,396,062**	**1,383,746**

The NLB Group accepts different types of collateral to mitigate credit risk. The decision regarding the type and value of collateral depends on an analysis of customer data. The NLB Group strives to obtain high-quality collateral, which facilitates the more rational use of the NLB Group's capital and results in lower impairments and provisions for financial assets and commitments. The main reason for decrease in fair value of collateral for under-collateral loans and advances in year 2013 is transfer of loans and associated collateral to BAMC.

The main types of collateral are as follows:

- for houses and flats to individuals, real estate collateral,
- for consumer loans to individuals, claims secured by insurance company,
- for loans to other customers, real estate collateral.

NLB Group tends to collaterize long term investments with adequate real-estate. The NLB Group regularly monitors the value of collateral over the entire loan repayment period and requires that the customer provides additional collateral if the value of collateral decreases.

d) Loans and advances neither past due nor impaired

31.12.2013	NLB d.d.				NLB Group			
in thousand EUR	A	B	C	D and E	A	B	C	D and E
Debt securities	80,218	622,573	-	-	80,218	622,573	-	-
Loans to government	283,337	49,416	-	-	386,072	59,296	-	-
Loans to banks	285,191	65,976	11,109	10,182	491,824	5,449	11,136	10,182
Loans to financial organizations	19,227	342,096	-	-	22,094	93,715	-	-
Loans to individuals	1,759,900	9,806	-	-	2,479,595	36,375	-	-
Granted overdrafts	154,858	814	-	-	183,588	2,223	-	-
Loans for houses and flats	1,072,101	7,082	-	-	1,327,872	13,481	-	-
Consumer loans	480,117	1,804	-	-	799,153	17,453	-	-
Other loans	52,824	106	-	-	168,982	3,218	-	-
Loans to other customers	940,316	533,789	-	6,486	1,271,284	774,178	15,789	7,245
Loans to large corporate customers	816,091	322,770	-	1,644	995,678	378,586	4,514	1,735
Loans to small and medium size enterprises	124,225	211,019	-	4,842	275,606	395,592	11,275	5,510
Other financial assets	23,670	4,502	1,409	42	38,260	4,691	1,405	71
TOTAL	**3,391,859**	**1,628,158**	**12,518**	**16,710**	**4,769,347**	**1,596,277**	**28,330**	**17,498**

31.12.2012	NLB d.d.				NLB Group			
in thousand EUR	A	B	C	D and E	A	B	C	D and E
Debt securities	84,869	3,748	-	-	84,869	3,748	-	-
Loans to government	376,940	4,923	-	-	463,821	10,520	-	-
Loans to banks	311,067	33,362	16,768	138	411,670	13,912	16,768	138
Loans to financial organizations	5,137	463,021	-	-	8,336	165,291	-	-
Loans to individuals	1,797,094	19,406	-	-	2,399,403	34,040	-	-
Granted overdrafts	161,917	2,857	-	-	171,849	2,881	-	-
Loans for houses and flats	1,059,302	12,303	-	-	1,292,330	17,838	-	-
Consumer loans	526,647	4,036	-	-	785,875	11,524	-	-
Other loans	49,228	210	-	-	149,349	1,797	-	-
Loans to other customers	1,264,449	915,565	5,175	2,923	1,549,308	1,153,709	6,650	3,829
Loans to large corporate customers	996,962	484,586	-	-	1,073,798	523,479	322	-
Loans to small and medium size enterprises	267,487	430,979	5,175	2,923	475,510	630,230	6,328	3,829
Other financial assets	23,843	3,293	110	7	38,786	3,934	110	29
TOTAL	**3,863,399**	**1,443,318**	**22,053**	**3,068**	**4,956,193**	**1,385,154**	**23,528**	**3,996**

e) Loans and advances past due but not individually impaired

31.12.2013	NLB d.d.				NLB Group			
in thousand EUR	Up to 30 days	Up to 90 days	Over 90 days	Total	Up to 30 days	Up to 90 days	Over 90 days	Total
Loans to government	-	-	-	-	11,404	606	-	12,010
Loans to banks	-	-	-	-	11	-	21	32
Loans to financial organizations	-	-	-	-	86	8	-	94
Loans to individuals	16,668	57	2	16,727	69,700	13,189	4,212	87,101
Granted overdrafts	1,511	-	-	1,511	2,785	85	133	3,003
Loans for houses and flats	10,549	24	-	10,573	18,241	5,601	880	24,722
Consumer loans	2,852	32	2	2,886	29,902	3,376	11	33,289
Other loans	1,756	1	-	1,757	18,772	4,127	3,188	26,087
Loans to other customers	57	127	745	929	47,919	26,265	27,802	101,986
Loans to large corporate customers	-	-	-	-	14,285	1,974	5,055	21,314
Loans to small and medium size enterprises	57	127	745	929	33,634	24,291	22,747	80,672
Other financial assets	39	3	80	122	3,081	149	528	3,758
TOTAL	**16,764**	**187**	**827**	**17,778**	**132,201**	**40,217**	**32,563**	**204,981**

31.12.2012	NLB d.d.				NLB Group			
in thousand EUR	Up to 30 days	Up to 90 days	Over 90 days	Total	Up to 30 days	Up to 90 days	Over 90 days	Total
Loans to government	3,002	-	-	3,002	13,664	-	-	13,664
Loans to banks	7	-	-	7	1,011	231	-	1,242
Loans to financial organizations	6,793	-	-	6,793	7,001	692	-	7,693
Loans to individuals	11,371	2,758	-	14,129	160,270	35,893	6,379	202,542
Granted overdrafts	854	563	-	1,417	15,724	623	48	16,395
Loans for houses and flats	7,594	1,346	-	8,940	52,962	13,827	3,276	70,065
Consumer loans	1,594	309	-	1,903	48,915	6,373	129	55,417
Other loans	1,329	540	-	1,869	42,669	15,070	2,926	60,665
Loans to other customers	59,215	2,801	1,904	63,920	250,467	53,934	14,713	319,114
Loans to large corporate customers	20,755	-	-	20,755	97,154	14,031	5,519	116,704
Loans to small and medium size enterprises	38,460	2,801	1,904	43,165	153,313	39,903	9,194	202,410
Other financial assets	107	20	38	165	3,415	305	615	4,335
TOTAL	**80,495**	**5,579**	**1,942**	**88,016**	**435,828**	**91,055**	**21,707**	**548,590**

* Loans and advances disclosed in tables above are not individually impaired, since they are fully or over collaterised and are included in collective evaluation of impairment.

f) Individually impaired loans and advances

31.12.2013	NLB d.d.			NLB Group		
in thousand EUR	Gross value	Impairment provision	Net value	Gross value	Impairment provision	Net value
Debt securities	3,750	(3,750)	-	3,750	(3,750)	-
Loans to government	25,590	(5,004)	20,586	28,553	(6,511)	22,042
Loans to banks	14,531	(10,550)	3,981	42,527	(28,617)	13,910
Loans to financial organizations	486,257	(192,344)	293,913	119,536	(66,018)	53,518
Loans to individuals	134,913	(63,171)	71,742	254,791	(141,780)	113,011
Granted overdrafts	20,982	(10,632)	10,350	24,393	(13,560)	10,833
Loans for houses and flats	65,761	(26,215)	39,546	89,606	(41,033)	48,573
Consumer loans	41,370	(23,030)	18,340	101,027	(58,467)	42,560
Other loans	6,800	(3,294)	3,506	39,765	(28,720)	11,045
Loans to other customers	1,863,312	(785,453)	1,077,859	2,995,480	(1,489,455)	1,506,025
Loans to large corporate customers	780,146	(303,016)	477,130	1,076,906	(474,950)	601,956
Loans to small and medium size enterprises	1,083,166	(482,437)	600,729	1,918,574	(1,014,505)	904,069
Other financial assets	48,659	(37,067)	11,592	80,723	(64,989)	15,734
TOTAL	**2,577,012**	**(1,097,339)**	**1,479,673**	**3,525,360**	**(1,801,120)**	**1,724,240**

31.12.2012	NLB d.d.			NLB Group		
in thousand EUR	Gross value	Impairment provision	Net value	Gross value	Impairment provision	Net value
Loans to government	19,085	(1,024)	18,061	27,114	(2,334)	24,780
Loans to banks	775	(385)	390	31,146	(14,390)	16,756
Loans to financial organizations	708,080	(171,832)	536,248	180,408	(93,585)	86,823
Loans to individuals	132,371	(66,337)	66,034	236,608	(132,992)	103,616
Granted overdrafts	23,310	(11,859)	11,451	25,583	(13,821)	11,762
Loans for houses and flats	53,011	(23,066)	29,945	82,778	(41,708)	41,070
Consumer loans	49,246	(27,907)	21,339	83,368	(51,545)	31,823
Other loans	6,804	(3,505)	3,299	44,879	(25,918)	18,961
Loans to other customers	3,280,052	(1,095,511)	2,184,541	4,524,129	(1,609,525)	2,914,604
Loans to large corporate customers	1,436,994	(400,823)	1,036,171	1,761,321	(501,725)	1,259,596
Loans to small and medium size enterprises	1,843,058	(694,688)	1,148,370	2,762,808	(1,107,800)	1,655,008
Other financial assets	39,217	(25,660)	13,557	70,136	(50,261)	19,875
TOTAL	**4,179,580**	**(1,360,749)**	**2,818,831**	**5,069,541**	**(1,903,087)**	**3,166,454**

g) Loans and advances analysis

31.12.2013	NLB d.d.			
in thousand EUR	Loans and advances neither past due nor impaired	Loans and advances past due but not impaired	Individually impaired loans and advances	Total
Debt securities	702,791	-	-	702,791
Loans to government	332,753	-	20,586	353,339
Loans to banks	372,458	-	3,981	376,439
Loans to financial organizations	361,323	-	293,913	655,236
Loans to individuals	1,769,706	16,727	71,742	1,858,175
Granted overdrafts	155,672	1,511	10,350	167,533
Loans for houses and flats	1,079,183	10,573	39,546	1,129,302
Consumer loans	481,921	2,886	18,340	503,147
Other loans	52,930	1,757	3,506	58,193
Loans to other customers	1,480,591	929	1,077,859	2,559,379
Loans to large corporate customers	1,140,505	-	477,130	1,617,635
Loans to small and medium size enterprises	340,086	929	600,729	941,744
Other financial assets	29,623	122	11,592	41,337
TOTAL	**5,049,245**	**17,778**	**1,479,673**	**6,546,696**

31.12.2012	NLB d.d.			
in thousand EUR	Loans and advances neither past due nor impaired	Loans and advances past due but not impaired	Individually impaired loans and advances	Total
Debt securities	88,617	-	-	88,617
Loans to government	381,863	3,002	18,061	402,926
Loans to banks	361,335	7	390	361,732
Loans to financial organizations	468,158	6,793	536,248	1,011,199
Loans to individuals	1,816,500	14,129	66,034	1,896,663
Granted overdrafts	164,774	1,417	11,451	177,642
Loans for houses and flats	1,071,605	8,940	29,945	1,110,490
Consumer loans	530,683	1,903	21,339	553,925
Other loans	49,438	1,869	3,299	54,606
Loans to other customers	2,188,112	63,920	2,184,541	4,436,573
Loans to large corporate customers	1,481,548	20,755	1,036,171	2,538,474
Loans to small and medium size enterprises	706,564	43,165	1,148,370	1,898,099
Other financial assets	27,253	165	13,557	40,975
TOTAL	**5,331,838**	**88,016**	**2,818,831**	**8,238,685**

31.12.2013	NLB Group			
in thousand EUR	Loans and advances neither past due nor impaired	Loans and advances past due but not impaired	Individually impaired loans and advances	Total
Debt securities	702,791	-	-	702,791
Loans to government	445,368	12,010	22,042	479,420
Loans to banks	518,591	32	13,910	532,533
Loans to financial organizations	115,809	94	53,518	169,421
Loans to individuals	2,515,970	87,101	113,011	2,716,082
Granted overdrafts	185,811	3,003	10,833	199,647
Loans for houses and flats	1,341,353	24,722	48,573	1,414,648
Consumer loans	816,606	33,289	42,560	892,455
Other loans	172,200	26,087	11,045	209,332
Loans to other customers	2,068,496	101,986	1,506,025	3,676,507
Loans to large corporate customers	1,380,513	21,314	601,956	2,003,783
Loans to small and medium size enterprises	687,983	80,672	904,069	1,672,724
Other financial assets	44,427	3,758	15,734	63,919
TOTAL	**6,411,452**	**204,981**	**1,724,240**	**8,340,673**

31.12.2012	NLB Group			
in thousand EUR	Loans and advances neither past due nor impaired	Loans and advances past due but not impaired	Individually impaired loans and advances	Total
Debt securities	88,617	-	-	88,617
Loans to government	474,341	13,664	24,780	512,785
Loans to banks	442,488	1,242	16,756	460,486
Loans to financial organizations	173,627	7,693	86,823	268,143
Loans to individuals	2,433,443	202,542	103,616	2,739,601
Granted overdrafts	174,730	16,395	11,762	202,887
Loans for houses and flats	1,310,168	70,065	41,070	1,421,303
Consumer loans	797,399	55,417	31,823	884,639
Other loans	151,146	60,665	18,961	230,772
Loans to other customers	2,713,496	319,114	2,914,604	5,947,214
Loans to large corporate customers	1,597,599	116,704	1,259,596	2,973,899
Loans to small and medium size enterprises	1,115,897	202,410	1,655,008	2,973,315
Other financial assets	42,859	4,335	19,875	67,069
TOTAL	**6,368,871**	**548,590**	**3,166,454**	**10,083,915**

h) Repossessed assets

NLB d.d. and the NLB Group received the following assets by taking possession of collateral held as security and held them at reporting date:

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Nature of assets	Carrying amount		Carrying amount	
Securities (note 5.4.b)	67,677	89,379	67,677	89,379
Non-current assets held for sale (note 5.8.a)	-	14,377	10,481	14,377
Investment property (note 5.10.)	-	-	701	13,319
Property and equipment (note 5.9.)	7	7	7	7
Other assets (note 5.13.)	1,632	1,021	131,180	107,030
TOTAL	**69,316**	**104,784**	**210,046**	**224,112**

i) Analysis of loans and advances by industry sectors

	NLB d.d.							
in thousand EUR	31.12.2013				31.12.2012			
Industry sector	Gross loans	Impairment provisions	Net loans	(%)	Gross loans	Impairment provisions	Net loans	(%)
Banks	390,739	(14,300)	376,439	5.75	365,865	(385)	365,480	4.44
Financial organizations	903,236	(201,965)	701,271	10.71	1,172,213	(120,119)	1,052,094	12.77
Electricity, gas and water	141,907	(44,055)	97,852	1.50	141,530	(20,685)	120,845	1.47
Construction industry	231,895	(117,748)	114,147	1.74	946,481	(342,328)	604,153	7.33
Heavy industry	892,325	(175,552)	716,773	10.95	1,260,458	(178,241)	1,082,217	13.14
Education	12,249	(559)	11,690	0.18	7,530	(438)	7,092	0.09
Agriculture, forestry and fishing	62,707	(39,897)	22,810	0.35	75,520	(33,880)	41,640	0.51
Public sector	287,934	(1,646)	286,288	4.37	297,509	(940)	296,569	3.60
Individuals	1,933,049	(74,874)	1,858,175	28.38	1,971,326	(74,663)	1,896,663	23.02
Mining	27,810	(9,243)	18,567	0.28	31,382	(2,808)	28,574	0.35
Entrepreneurs	98,873	(21,645)	77,228	1.18	137,199	(18,534)	118,665	1.44
Services	1,205,923	(165,987)	1,039,936	15.89	1,262,178	(317,800)	944,378	11.46
Transport and communications	832,974	(22,221)	810,753	12.39	1,022,350	(75,715)	946,635	11.49
Trade industry	551,361	(196,281)	355,080	5.42	848,024	(179,289)	668,735	8.12
Health care and social security	20,978	(2,628)	18,350	0.28	26,101	(2,131)	23,970	0.29
Other financial assets	78,981	(37,644)	41,337	0.63	66,818	(25,843)	40,975	0.50
TOTAL	**7,672,941**	**(1,126,245)**	**6,546,696**	**100.00**	**9,632,484**	**(1,393,799)**	**8,238,685**	**100.00**

	NLB Group							
in thousand EUR	31.12.2013				31.12.2012			
Industry sector	Gross loans	Impairment provisions	Net loans	(%)	Gross loans	Impairment provisions	Net loans	(%)
Banks	564,900	(32,367)	532,533	6.38	478,624	(14,390)	464,234	4.60
Financial organizations	290,731	(72,850)	217,881	2.61	368,490	(40,357)	328,133	3.25
Electricity, gas and water	168,150	(54,291)	113,859	1.37	169,231	(28,645)	140,586	1.39
Construction industry	468,392	(236,702)	231,690	2.78	1,147,295	(417,256)	730,039	7.24
Heavy industry	1,260,056	(377,137)	882,919	10.59	1,685,951	(320,435)	1,365,516	13.54
Education	20,108	(2,141)	17,967	0.22	12,434	(1,204)	11,230	0.11
Agriculture, forestry and fishing	106,593	(61,747)	44,846	0.54	137,641	(52,594)	85,047	0.84
Public sector	423,584	(11,214)	412,370	4.94	413,938	(7,510)	406,428	4.03
Individuals	2,875,010	(158,928)	2,716,082	32.56	2,887,140	(147,539)	2,739,601	27.17
Mining	91,110	(29,593)	61,517	0.74	103,220	(14,741)	88,479	0.88
Entrepreneurs	131,320	(32,226)	99,094	1.19	174,594	(26,872)	147,722	1.46
Services	1,530,756	(280,783)	1,249,973	14.99	1,705,965	(440,096)	1,265,869	12.55
Transport and communications	912,884	(44,821)	868,063	10.41	1,115,525	(98,097)	1,017,428	10.09
Trade industry	1,187,705	(389,226)	798,479	9.57	1,500,832	(307,820)	1,193,012	11.83
Health care and social security	42,090	(12,609)	29,481	0.35	36,342	(2,820)	33,522	0.33
Other financial assets	130,003	(66,084)	63,919	0.77	118,120	(51,051)	67,069	0.67
TOTAL	**10,203,392**	**(1,862,719)**	**8,340,673**	**100.00**	**12,055,342**	**(1,971,427)**	**10,083,915**	**100.00**

j) Analysis of loans and advances by geographical sectors

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Country				
Republic of Slovenia	5,457,333	6,710,231	5,401,154	6,678,385
Other European Union members	255,199	281,635	664,530	434,880
Other countries	792,827	1,205,844	2,211,070	2,903,581
TOTAL	**6,505,359**	**8,197,710**	**8,276,754**	**10,016,846**

Analysis of loans and advances by geographical sector excludes other financial assets.

k) Analysis of debt securities, treasury bills, other eligible bills and derivative financial instruments by geographical sectors

31.12.2013			NLB d.d.					NLB Group			
in thousand EUR											
Country	Loans and advances	Trading assets	Available for sale financial assets	Held to maturity financial assets	Derivative financial instruments	Loans and advances	Trading assets	Financial assets designated at fair value through profit or loss	Available for sale financial assets	Held to maturity financial assets	Derivative financial instruments
Republic of Slovenia	702,791	46,780	855,350	606,283	12,454	702,791	46,780	-	928,914	606,283	11,954
Other members of European Union	-	7,797	223,981	257,976	21,497	-	7,797	544	310,906	257,976	21,497
- Italy	-	-	-	10,066	-	-	-	-	-	10,066	-
- Ireland	-	-	5,188	5,170	-	-	-		5,188	5,170	-
- France	-	-	5,331	63,133	203	-	-	98	20,639	63,133	203
- Belgium	-	-	68,237	18,256	5,888	-	-	-	133,607	18,256	5,888
- Netherlands	-	-	7,649	25,694	7,762	-	-	-	7,649	25,694	7,762
- Austria	-	-	49,579	29,095	-	-	-	-	55,826	29,095	-
- Germany	-	-	48,609	71,891	3,444	-	-	97	48,609	71,891	3,444
- Finland	-	-	3,163	10,578	-	-	-	-	3,163	10,578	-
- Luxemburg	-	7,797	22,347	14,718	-	-	7,797	-	22,347	14,718	-
- Great Britain	-	-	8,395	-	4,194	-	-	349	8,395	-	4,194
- Other	-	-	5,483	9,375	6	-	-	-	5,483	9,375	6
Other countries	-	785	759	-	3,907	-	785	351	357,528	-	3,963
- Macedonia	-	-	-	-	-	-	-	-	189,601	-	-
- Serbia	-	-	-	-	1	-	-	-	112,261	-	-
- Bosnia and Herzegovina	-	-	-	-	-	-	-	-	36,014	-	-
- Montenegro	-	-	-	-	-	-	-	-	18,893	-	-
- Other	-	785	759	-	3,906	-	785	351	759	-	3,963
TOTAL	**702,791**	**55,362**	**1,080,090**	**864,259**	**37,858**	**702,791**	**55,362**	**895**	**1,597,348**	**864,259**	**37,414**

31.12.2012	NLB d.d.					NLB Group					
in thousand EUR											
Country	Loans and advances	Trading assets	Available for sale financial assets	Held to maturity financial assets	Derivative financial instruments	Loans and advances	Trading assets	Financial assets designated at fair value through profit or loss	Available for sale financial assets	Held to maturity financial assets	Derivative financial instruments
Republic of Slovenia	88,617	13,204	523,356	745,316	48,236	88,617	13,204	-	622,369	745,316	47,529
Other members of European Union	-	-	264,084	295,789	33,957	-	-	207	269,282	295,789	33,957
- Italy	-	-	4,644	10,027	-	-	-	-	4,644	10,027	-
- Ireland	-	-	5,308	5,173	-	-	-	-	5,308	5,173	-
- France	-	-	10,343	63,014	361	-	-	-	10,343	63,014	361
- Belgium	-	-	32,528	23,380	7,908	-	-	-	33,559	23,380	7,908
- Netherlands	-	-	40,025	25,719	13,252	-	-	103	40,025	25,719	13,252
- Austria	-	-	47,815	41,174	-	-	-	-	48,979	41,174	-
- Germany	-	-	49,329	92,307	5,685	-	-	104	52,331	92,307	5,685
- Finland	-	-	14,594	10,817	-	-	-	-	14,594	10,817	-
- Luxemburg	-	-	27,600	14,730	-	-	-	-	27,600	14,730	-
- Great Britain	-	-	18,948	-	6,751	-	-	-	18,948	-	6,751
- Other	-	-	12,950	9,448	-	-	-	-	12,951	9,448	-
Other countries	-	818	811	-	5,170	-	818	-	341,631	-	5,038
- Macedonia	-	-	-	-	41	-	-	-	163,729	-	-
- Serbia	-	-	-	-	-	-	-	-	105,327	-	-
- Bosnia and Herzegovina	-	-	-	-	-	-	-	-	36,807	-	-
- Montenegro	-	-	-	-	200	-	-	-	16,042	-	-
- Other	-	818	811	-	4,929	-	818	-	19,726	-	5,038
TOTAL	**88,617**	**14,022**	**788,251**	**1,041,105**	**87,363**	**88,617**	**14,022**	**207**	**1,233,282**	**1,041,105**	**86,524**

l) Internal rating of derivatives counterparties

in %	NLB d.d. and NLB Group	
in thousand EUR	31.12.2013	31.12.2012
A	86.82	83.73
B	10.04	10.00
C	1.03	2.96
D and E	2.11	3.31
TOTAL	**100.00**	**100.00**

All derivatives in the banking book are entered into with counterparties with an external investment-grade rating. When derivatives are entered into on behalf of NLB Group's customers, such customers usually don't have external rating, but all such transactions are covered through back-to-back transactions involving third parties with an external investment-grade rating.

m) Debt financial instruments in NLB d.d.'s and the NLB Group's portfolio that represent subordinated liabilities for the issuer

31.12.2013	NLB d.d.				NLB Group			
in thousand EUR								
Internal rating	A	B	C	Total	A	B	C	Total
Trading assets	2,120	-	-	2,120	2,120	-	-	2,120
Available for sale financial assets	519	-	-	519	519	-	-	519
Loans and advances								
- loans and advances to banks	7,695	3,976	3,378	15,049	-	-	3,378	3,378
TOTAL	**10,334**	**3,976**	**3,378**	**17,688**	**2,639**	**-**	**3,378**	**6,017**

31.12.2012	NLB d.d.				NLB Group			
in thousand EUR								
Internal rating	A	B	C	Total	A	B	C	Total
Trading assets	2,157	-	-	2,157	2,157	-	-	2,157
Available for sale financial assets	514	-	-	514	514	-	-	514
Loans and advances								
- debt securities	-	3,748	-	3,748	-	3,748	-	3,748
- loans and advances to banks	15,645	4,007	3,404	23,056	-	-	3,404	3,404
TOTAL	**18,316**	**7,755**	**3,404**	**29,475**	**2,671**	**3,748**	**3,404**	**9,823**

Debt securities in NLB d.d. represent subordinated bonds of domestic issuer with internal rating "B" (December 31, 2012: B), in year 2013 securities were impaired in total amount. Other members of the NLB Group do not have debt securities that represent subordinated liabilities for the issuer.

n) Presentation of financial instruments by measurement category

31.12.2013				NLB d.d.			
in thousand EUR	Trading assets	Financial assets designated at fair value thorugh profit or loss	Available for sale financial assets	Loans and receivables	Held to maturity financial assets	Derivatives for hedge accounting	Total
Cash and obligatory reserves with central bank	-	-	-	374,775	-	-	374,775
Securities	72,347	3,801	1,155,412	707,432	864,259	-	2,803,251
- Bonds	17,544	-	985,129	702,791	728,308	-	2,433,772
- Shares	16,985	-	75,322	-	-	-	92,307
- Treasury bills	37,818	-	94,961	-	135,951	-	268,730
- Certificates of deposits	-	-	-	-	-	-	-
- Private equity fund	-	3,801	-	-	-	-	3,801
- Reverse sell and repurchase agreements	-	-	-	4,641	-	-	4,641
Derivatives	32,432	-	-	-	-	5,426	37,858
Loans and receivables	-	-	-	5,797,927	-	-	5,797,927
- Loans to government	-	-	-	353,339	-	-	353,339
- Loans to banks	-	-	-	371,823	-	-	371,823
- Loans to financial organizations	-	-	-	655,236	-	-	655,236
- Loans to individuals	-	-	-	1,858,175	-	-	1,858,175
Granted overdrafts	-	-	-	167,533	-	-	167,533
Loans for houses and flats	-	-	-	1,129,302	-	-	1,129,302
Consumer loans	-	-	-	503,147	-	-	503,147
Other loans	-	-	-	58,193	-	-	58,193
- Loans to other customers	-	-	-	2,559,354	-	-	2,559,354
Loans to large corporate customers	-	-	-	1,617,610	-	-	1,617,610
Loans to small and medium size enterprises	-	-	-	941,744	-	-	941,744
Other financial assets	-	-	-	41,337	-	-	41,337
TOTAL FINANCIAL ASSETS	**104,779**	**3,801**	**1,155,412**	**6,921,471**	**864,259**	**5,426**	**9,055,148**

31.12.2012				NLB d.d.			
in thousand EUR	Trading assets	Financial assets designated at fair value thorugh profit or loss	Available for sale financial assets	Loans and receivables	Held to maturity financial assets	Derivatives for hedge accounting	Total
Cash and obligatory reserves with central bank	-	-	-	371,184	-	-	371,184
Securities	32,718	3,161	897,865	98,996	1,041,105	-	2,073,845
- Bonds	14,022	-	717,676	88,617	765,699	-	1,586,014
- Shares	18,696	-	109,614	-	-	-	128,310
- Treasury bills	-	-	70,575	-	275,406	-	345,981
- Private equity fund	-	3,161	-	-	-	-	3,161
- Reverse sell and repurchase agreements	-	-	-	10,379	-	-	10,379
Derivatives	76,454	-	-	-	-	10,909	87,363
Loans and receivables	-	-	-	8,098,714	-	-	8,098,714
- Loans to government	-	-	-	402,926	-	-	402,926
- Loans to banks	-	-	-	351,767	-	-	351,767
- Loans to financial organizations	-	-	-	1,011,199	-	-	1,011,199
- Loans to individuals	-	-	-	1,896,663	-	-	1,896,663
Granted overdrafts	-	-	-	177,642	-	-	177,642
Loans for houses and flats	-	-	-	1,110,490	-	-	1,110,490
Consumer loans	-	-	-	553,925	-	-	553,925
Other loans	-	-	-	54,606	-	-	54,606
- Loans to other customers	-	-	-	4,436,159	-	-	4,436,159
Loans to large corporate customers	-	-	-	2,538,060	-	-	2,538,060
Loans to small and medium size enterprises	-	-	-	1,898,099	-	-	1,898,099
Other financial assets	-	-	-	40,975	-	-	40,975
TOTAL FINANCIAL ASSETS	**109,172**	**3,161**	**897,865**	**8,609,869**	**1,041,105**	**10,909**	**10,672,081**

31.12.2013	NLB Group							
in thousand EUR	Trading assets	Financial assets designated at fair value thorugh profit or loss	Available for sale financial assets	Loans and receivables	Financial leases	Held to maturity financial assets	Derivatives for hedge accounting	Total
Cash and obligatory reserves with central bank	-	-	-	942,657	-	-	-	942,657
Securities	72,347	6,615	1,675,117	707,432	-	864,259	-	3,325,770
- Bonds	17,544	895	1,212,950	702,791	-	728,308	-	2,662,488
- Shares	16,985	-	77,769	-	-	-	-	94,754
- Cash certificates	-	-	81,374	-	-	-	-	81,374
- Treasury bills	37,818	-	303,024	-	-	135,951	-	476,793
- Private equity fund	-	3,801	-	-	-	-	-	3,801
- Reverse sell and repurchase agreements	-	-	-	4,641	-	-	-	4,641
- Other investments	-	1,919	-	-	-	-	-	1,919
Derivatives	31,988	-	-	-	-	-	5,426	37,414
Loans and receivables	-	-	-	7,329,282	240,040	-	-	7,569,322
- Loans to government	-	-	-	462,545	16,875	-	-	479,420
- Loans to banks	-	-	-	527,917	-	-	-	527,917
- Loans to financial organizations	-	-	-	169,027	394	-	-	169,421
- Loans to individuals	-	-	-	2,646,825	69,257	-	-	2,716,082
Granted overdrafts	-	-	-	199,647	-	-	-	199,647
Loans for houses and flats	-	-	-	1,414,648	-	-	-	1,414,648
Consumer loans	-	-	-	892,455	-	-	-	892,455
Other loans	-	-	-	140,075	69,257	-	-	209,332
- Loans to other customers	-	-	-	3,522,968	153,514	-	-	3,676,482
Loans to large corporate customers	-	-	-	1,934,386	69,372	-	-	2,003,758
Loans to small and medium size enterprises	-	-	-	1,588,582	84,142	-	-	1,672,724
Other financial assets	-	-	-	63,919	-	-	-	63,919
TOTAL FINANCIAL ASSETS	**104,335**	**6,615**	**1,675,117**	**9,043,290**	**240,040**	**864,259**	**5,426**	**11,939,082**

31.12.2012	NLB Group							
in thousand EUR	Trading assets	Financial assets designated at fair value thorugh profit or loss	Available for sale financial assets	Loans and receivables	Financial leases	Held to maturity financial assets	Derivatives for hedge accounting	Total
Cash and obligatory reserves with central bank	-	-	-	922,831	-	-	-	922,831
Securities	32,718	5,176	1,345,091	98,996	-	1,041,105	-	2,523,086
- Bonds	14,022	207	868,957	88,617	-	765,699	-	1,737,502
- Shares	18,696	-	111,809	-	-	-	-	130,505
- Cash certificates	-	-	68,200	-	-	-	-	68,200
- Treasury bills	-	-	296,125	-	-	275,406	-	571,531
- Certificates of deposits	-	-	-	-	-	-	-	-
- Private equity fund	-	3,161	-	-	-	-	-	3,161
- Reverse sell and repurchase agreements	-	-	-	10,379	-	-	-	10,379
- Other investments	-	1,808	-	-	-	-	-	1,808
Derivatives	75,615	-	-	-	-	-	10,909	86,524
Loans and receivables	-	-	-	9,583,065	334,785	-	-	9,917,850
- Loans to government	-	-	-	494,033	18,752	-	-	512,785
- Loans to banks	-	-	-	450,521	-		-	450,521
- Loans to financial organizations	-	-	-	268,143	-	-	-	268,143
- Loans to individuals	-	-	-	2,665,506	74,095	-	-	2,739,601
Granted overdrafts	-	-	-	202,887	-	-	-	202,887
Loans for houses and flats	-	-	-	1,421,303	-	-	-	1,421,303
Consumer loans	-	-	-	884,639	-	-	-	884,639
Other loans	-	-	-	156,677	74,095	-	-	230,772
- Loans to other customers	-	-	-	5,704,862	241,938		-	5,946,800
Loans to large corporate customers	-	-	-	2,913,006	60,479	-	-	2,973,485
Loans to small and medium size enterprises	-	-	-	2,791,856	181,459	-	-	2,973,315
Other financial assets	-	-	-	67,069	-	-	-	67,069
TOTAL FINANCIAL ASSETS	**108,333**	**5,176**	**1,345,091**	**10,671,961**	**334,785**	**1,041,105**	**10,909**	**13,517,360**

As at December 31, 2013 and December 31, 2012 all of the NLB Group's financial liabilities except for derivatives designated as hedging instruments, trading liabilities and financial liabilities designated at fair value through profit or loss were carried at amortized cost.

7.2. MARKET RISK MANAGEMENT

Market risk is the risk that the market or fair value of financial instruments could fluctuate due to changes in specific market parameters, such as exchange rates, interest rates and securities prices. The NLB Group maintains a conservative policy for market risks as demonstrated by substantially closed positions, relatively low limits and a detailed control environment. The conclusion of transactions in financial instruments at NLB d.d. is aimed primarily at servicing customers and hedging the NLB d.d.'s own positions. Pursuant to the provisions of the Strategy for Trading in Financial Instruments at the NLB Group, trading by other NLB Group entities is very limited. The NLB Group's exposure to market risk is relatively low and primarily derives from structural imbalances or arises as the result of credit risk.

Market risks include liquidity risk, which relates to the NLB d.d.'s ability to secure a sufficient level of liquidity to settle all of its obligations. With regard to structural liquidity, the NLB Group has created relatively high secondary liquidity reserves in the form of investment-grade debt securities that facilitate refinancing via the ECB or on the interbank market. In the current situation, the NLB Group also strives to follow as closely as possible a long-term trend of diversification on both the liability and asset sides of the balance sheet. In 2013, the NLB Group update the existing methodology for drawing up monthly liquidity stress test scenarios with the aim of monitoring the assessment of expected outflows and their coverage by available liquidity reserves in various stress situations. In addition, special attention was also given to new liquidity regulations (CRR/CRD), with the monitoring of the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), and the fulfilment of the prescribed values of the aforementioned ratios.

Monitoring and managing the NLB Group's exposure to market risks are not carried out on a consolidated level. However, uniform guidelines and exposure limits for each type of risk are set for individual NLB Group entities. Methodologies are in line with regulatory requirements on an individual and consolidated level, while current reporting to the regulator on a consolidated level is carried out using a standardized approach. Pursuant to the relevant policies, NLB Group entities must monitor and manage exposure to market risks and report to NLB d.d. accordingly. The exposure of individual NLB Group entity is regularly monitored and reported to the Assets and Liabilities Committee of the NLB Group (NLB Group ALCO).

a) Capital markets summary

Slovenia

Total turnover on the Ljubljana Stock Exchange amounted to EUR 392 million in 2013 (including the equity market, bond market, investment funds, treasury bills and commercial paper), an increase of 8.7% on the turnover achieved in 2012. The majority of turnover comprised equity deals, which amounted to EUR 299 million or 76.4% of total turnover, followed by bonds at 22.0% and investment funds at 1.2% of total turnover. The total number of trades in 2013 was down 7.2% on 2012, at 52,570. The LJSE benchmark index SBI TOP rose for the second consecutive year. The growth of 3.2% lagged behind the growth recorded by developed markets, but outperformed the composite Central-East European index CEESEG, which was down 1.0%.

The SBI TOP stood at 655.66 points on the last trading day of 2013. Market capitalization of the prime market, comprising nine companies after the deletion of Nova KBM's existing shares, rose by EUR 463.5 million to EUR 4.46 billion. However, it was still lower compared to the end of 2009, when it stood at EUR 5.2 billion. Turnover on the prime market was also up slightly, by 1.8% to EUR 275 million.

The most liquid shares in 2013 were those of Krka (KRKG), which accounted for 44.0% of the prime market's total turnover which is less than in previous year, when the percentage was 52.0%.The second largest contributor to overall annual equity turnover were shares of Zavarovalnica Triglav (ZVTG), which accounted for 17.3% of all equity deals, while the third most traded company was Telekom Slovenije (TLSG), which accounted for 12.2% of all equity deals.

The LJSE recorded six new bond listings in 2013: Banka Celje, Petrol, Tušmobil, DZS and two issued by the BAMC in the total amount of EUR 1.1 billion. Shares of Nova KBM were withdrawn from the prime market due to their deletion. In addition, there were five capital increases in the total amount of EUR 86.5 million and six issues of commercial papers in the total amount of EUR 206 million.

Foreign markets

The year 2013 was characterized by the stabilization and improvement in the economic situation in developed countries, while growth eased further in emerging economies, accompanied by reforms required to strengthen stability. The International Monetary Fund estimates that global economic growth eased to 2.9% in 2013 from 3.2% in 2012. It predicted that the economic recovery will continue, with GDP growth expected to accelerate to 3.6% in 2014. Weak consumption trends and a general drop in commodities prices drove inflation lower in year 2013. Particularly in the euro area, this was accompanied by a high unemployment rate, which remained above 12%, while conditions on the US labor market are gradually normalizing. Lending activity in the euro area has not yet achieved satisfactory momentum. However, a great deal has been done to improve banking supervision to strengthen financial stability, while sentiment indicators are pointing to an economic recovery in the euro area, as well.

After a favorable 2012, bond investors had a much more difficult time in 2013, particularly those who invested in safer bonds. Ten-year US treasury yields ended year 2013 127 basis points higher at 3.0%, while the yield on comparable German bonds ended 61 basis points higher at 1.9%. Among the reasons for the rise in yields, two are worthy of note: investors' anticipation of the Fed's gradual exit from the QE program and the general stabilization and improvement in economic conditions in developed countries. The later is particularly true for the US, where the central bank actually started to reduce bond purchases on secondary markets at the end of year 2013. We can also correlate both of the aforementioned factors with the rise in bond yields in Germany, where the economy is also gaining momentum, while the increase in investors' risk appetite can be also explained by the increase in the prices of bonds issued by euro area peripheral countries, such as Spain and Italy.

World stocks prices, as measured by the MSCI World index, increased by 24% in 2013. Risks associated with stocks, correlated primarily with the still massive amount of liquidity in the global financial system, were realized in the middle of the last year, when the Fed began discussing its gradual exit from the QE program: stocks and currencies on emerging markets responded with sharp losses at that time. By far the largest contributor to the last year's stock price increases were stocks in the US, where the S&P 500 index rose by 29%, while the DAX index added 25.5% in Europe. Stocks prices also rose elsewhere in Europe, albeit at slower pace. Phenomenal growth was recorded in year 2013 by Japanese equities, which measured by the Nikkei 225 index gained 56.7%. That growth was driven mainly by massive liquidity injections from the Bank of Japan.

b) Value at Risk methodology

NLB d.d.'s exposure to currency and other market risks in the trading book (interest rate risk and the changing securities prices) is monitored using the "Value at Risk" (VAR) methodology.

In the area of interest rate risk in the banking book, an analysis is performed of the sensitivity of interest income, which is estimated on the basis of the net interest income methodology. For equity securities in the banking book, exposure to risks is measured using a VAR calculation and sensitivity analysis.

Currency risk

NLB d.d. uses an internal "Value at Risk" (VAR) model to calculate currency risk arising from open positions. The calculation of the VAR value is adjusted to Basel standards (99% confidence interval, monitored period of 300 business days, 10-day holding position period), and is based on the historical simulation method. VAR is calculated for currency risk for the whole open bank position (e.g. the position of the trading and banking book together), as NLB d.d.'s total open position is managed by the Treasury department. NLB d.d. intensively monitors and manages this risk in order to minimize exposure towards foreign exchange risk.

in thousand EUR	2013			2012		
NLB d.d. VAR	Average	Maximum	Minimum	Average	Maximum	Minimum
Currency risk (trading book and banking book)	222	1,876	68	485	1,780	88

The main factor in the NLB Group's exposure to currency risk in 2013 was the open position in the Czech crown (CZK). The temporary open position in the CZK was due to the increase in the capital of the NLB Group's Czech subsidiary. Also contributing to the aforementioned exposure in 2013 was the open position in the Serbian dinar (RSD) due to the rescheduling of an investment and the associated conversion in the content of a relatively unstable exchange rate. The highest Value at Risk (VAR) was recorded in April as a result of the high open position in the CZK. At the end of the year, the NLB d.d. began to monitor Conditional Value at Risk (CVAR), which is a more conservative measure than VAR, as it also takes into account extreme losses.

The methodology used to measure currency risk at the NLB Group level is based on the principle of a net open foreign exchange position and monitoring the fulfilment of nominal limits (for the total open position and by individual currency) linked to the level of a NLB Group entity's capital. The previously described internal VAR model is used for the below illustration of exposure to currency risks that derive from the monthly open net positions of NLB Group entities.

in thousand EUR	2013			2012		
NLB Group VAR	Average	Maximum	Minimum	Average	Maximum	Minimum
Currency risk (trading book and banking book)	2,746	4,207	1,804	4,178	5,449	2,746

The decrease in VAR for the NLB Group is a result of the monthly monitoring of NLB Group entities' open positions, which leads to the improved closure of those positions. VAR is a result of the volatility of exchange rates in year 2013, which in turn affect potential loss, i.e. the level of VAR.

Other market risks in the trading book

NLB d.d. uses an internal VAR model based on the variance-covariance method for other market risks. The daily calculation of VAR value is adjusted to Basel standards (99% confidence interval, monitored period of 250 business days, 10-day holding position period).

VAR for interest rate risk in the trading book averaged EUR 356 thousand in 2013 (2012: EUR 272 thousand), at a similar level to the previous year. The value of the debt securities portfolio stood at EUR 55.5 million at the end of 2013 (2012: EUR 14 million), while exposure from derivatives trading derived primarily from standardized interest rate futures on debt securities.

The risk of changing prices of equities in the trading book fluctuated between EUR 0.2 million and EUR 2.4 million in 2013 (2012: between EUR 2.1 million and EUR 3.6 million).

NLB d.d and NLB Group in thousand EUR	2013			2012		
VAR	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest rate risk in trading book	356	632	152	272	886	59
Equity risk in trading book	1,845	2,398	168	2,465	3,631	2,110

The average, maximum and minimum values in the upper table are calculated on the basis of daily VAR calculations, which are based on daily open positions and movements in market data during the past monitored period (300 or 250 business days). The "average" value represents the arithmetic mean of daily VAR values in 2013, while the "maximum" and "minimum" values represent the highest and lowest values of daily VAR calculations in 2013 respectively.

Interest rate risk in the banking book

NLB d.d.'s exposure to interest rate risk is monitored and managed by using an interest rate gap methodology and duration. The same methodology is also used to calculate the sensitivity of the NLB Group's interest income. The analysis of interest income sensitivity assumes a change in interest rates of 50 basis points in the short term. The analysis is based on the assumption that the positions used remain unchanged and that the yield curve shift is parallel. The assessment of the impact of a change in interest rates of 50 basis points (+/- 0.5%) on the value of net interest income for the banking book position:

2013	**NLB d.d**			**NLB Group**		
in thousand EUR	Average	Maximum	Minimum	Average	Maximum	Minimum
EUR: Interest income sensitivity	13,504	8,022	18,781	17,485	11,142	23,989
USD: Interest income sensitivity	98	51	126	-	-	-
CHF: Interest income sensitivity	184	36	285	-	-	-

2012	**NLB d.d**			**NLB Group**		
in thousand EUR	Average	Maximum	Minimum	Average	Maximum	Minimum
EUR: Interest income sensitivity	7,734	3,843	11,678	12,424	7,697	17,691
USD: Interest income sensitivity	156	104	213	-	-	-
CHF: Interest income sensitivity	100	8	302	-	-	-

In 2013, the value of interest income sensitivity remained relatively stable, but was slightly more volatile than in the previous year. Exposure to interest rate risks primarily derives from the portfolio of investment-grade debt securities (ECB-eligible), which represent a source of secondary liquidity. The exposure arising from traditional loan-deposit transactions was relatively low owing to the active management of these positions. The long-term interest rate position of other NLB Group entities, from which the majority of interest rate risk derives, are relatively closed.

The values in the table have been calculated on the basis of monthly calculations of short-term interest rate gaps, where the applied parallel shift of the yield curve by 50 basis points represents a realistic and practical scenario. The “average” value represents the assessment of arithmetic mean of monthly calculations, while the “maximum” and “minimum” values represent the assessment of highest and lowest values calculated during the period.

Risk of changes in prices in the portfolio of equity securities in the banking book

In terms of equity security investments, NLB d.d. has adopted policies for the management of these investments that were approved by the Management Board and the Supervisory Board. The policies cover the permitted investment structure of the portfolio, its diversification, and the monitoring and measurement of risks. In addition to a standardized methodology NLB d.d. also uses an internal model, which has been adapted to the requirements of the Basel standards, for monitoring and measuring the risks related to the equity portfolio.

The value of NLB’s equities portfolio in the banking book stood at EUR 79.1 million at the end of 2013 (2012: EUR 112.8 million). Of that amount, EUR 67.7 million was accounted for by securities received via the redemption of collateral (2012: EUR 89.4 million), EUR 7.6 million by the long-term portfolio classified as available-for sale financial assets (2012: EUR 20.2 million) and by EUR 3.8 million in financial assets at fair value through profit or loss (2012: EUR 3.2 million). The NLB d.d. sold a portion of its securities portfolio in 2013 (Zavarovalnica Triglav in the amount of EUR 11.5 million and Unior in the amount of EUR 2.5 million). In addition, it also transferred some securities to the BAMC.

VAR for the equities portfolio in the banking book stood at EUR 8.7 million at the end of 2013 (2012: EUR 13.5 million). Assuming a fall in stock market indices (i.e. a fall in securities prices) of 15% (2012: 15%), the value of the portfolio would decrease by EUR 11.3 million (2012: EUR 18.6 million).

Guidelines were prepared for the effective management of risks in the investment banking sector in the scope of the NLB Group's financial instruments trading strategy. Trading in equity securities by subsidiaries is not permitted. Only stock broking services are provided. The majority of the equity securities portfolio in the banking book derives from NLB d.d.'s position, while smaller positions are also disclosed by certain NLB Group entities.

The value of NLB Group’s equities portfolio in the banking book stood at EUR 83.5 million at the end of 2013 (December 31, 2012: EUR 116.8 million). Of that amount, EUR 67.7 million was accounted for by securities received via the redemption of collateral (December 31, 2012: EUR 89.4 million), EUR 10.1 million by the long-term portfolio classified as available-for sale financial assets (December 31, 2012: EUR 22.4 million) and by EUR 5.7 million in financial assets at fair value through profit or loss (December 31, 2012: EUR 5.0 million).

c) Currency Risk (FX)

The NLB Group manages currency risks in accordance with the adopted currency risk management policy adopted by NLB d.d.’s Assets and Liabilities Committee (ALCO). The positions of all currencies in the NLB d.d.’s statement of financial position for which a daily limit has been set are monitored daily.

Exposure to currency risks is monitored and managed by the Assets and Liabilities Management Department on the basis of daily data obtained from the Risk Management Department. Assets and Liabilities Management Department manages exposure to currency risks by currency, so that they are always within the limits.

Exposure to currency risks is discussed at daily liquidity meetings and monthly meetings of the NLB d.d.’s Assets and Liabilities Committee.

The amount of financial instruments denominated in euros and in foreign currency

31.12.2013			NLB d.d.		
in thousand EUR	EUR	USD	CHF	Other	Total
FINANCIAL ASSETS					
Cash and balances with central banks	364,515	1,708	2,775	5,777	374,775
Trading assets	103,970	785	-	24	104,779
Financial assets designated at fair value through profit or loss	3,801	-	-	-	3,801
Available for sale financial assets	1,149,573	5,839	-	-	1,155,412
Derivatives - hedge accounting	5,426	-	-	-	5,426
Loans and advances					
- debt securities	702,791	-	-	-	702,791
- loans and advances to banks	256,283	50,819	32,358	36,979	376,439
- loans and advances to customers	5,160,896	34,433	199,822	30,978	5,426,129
- other financial assets	41,037	169	44	87	41,337
Held to maturity financial assets	864,259	-	-	-	864,259
Fair value changes of the hedged items in portfolio hedge of interest rate risk	530	-	-	-	530
TOTAL FINANCIAL ASSETS	**8,653,081**	**93,753**	**234,999**	**73,845**	**9,055,678**
FINANCIAL LIABILITIES					
Deposits from central banks	1,266,638	-	-	-	1,266,638
Trading liabilities	34,064	-	-	-	34,064
Financial liabilities designated at fair value through profit or loss	3,800	-	-	-	3,800
Derivatives - hedge accounting	36,519	-	-	-	36,519
Financial liabilities measured at amortized cost					
- deposits from banks	38,048	18,165	12,031	5,990	74,234
- borrowings from banks	859,440	42,279	93,414	-	995,133
- due to customers	5,604,187	80,133	35,346	24,007	5,743,673
- borrowings from other customers	36,284	-	-	-	36,284
- debt securities in issue	68,782	-	-	-	68,782
- other financial liabilities	58,417	285	151	2,756	61,609
Fair value changes of the hedged items in portfolio hedge of interest rate risk	133	-	-	-	133
TOTAL FINANCIAL LIABILITIES	**8,006,312**	**140,862**	**140,942**	**32,753**	**8,320,869**
Net on-balance sheet financial position	**646,769**	**(47,109)**	**94,057**	**41,092**	**734,809**
Derivative financial instruments	87,746	43,836	(97,042)	(37,270)	(2,730)
31.12.2012					
TOTAL FINANCIAL ASSETS	**10,225,884**	**66,714**	**277,414**	**102,907**	**10,672,919**
TOTAL FINANCIAL LIABILITIES	**9,972,655**	**171,535**	**178,498**	**37,963**	**10,360,651**
Net on-balance sheet financial position	**253,229**	**(104,821)**	**98,916**	**64,944**	**312,268**
Derivative financial instruments	54,577	96,784	(94,091)	(66,802)	(9,532)

31.12.2013			NLB Group		
in thousand EUR	EUR	USD	CHF	Other	Total
FINANCIAL ASSETS					
Cash and balances with central banks	658,098	5,549	21,866	257,144	942,657
Trading assets	103,469	785	57	24	104,335
Financial assets designated at fair value through profit or loss	6,615	-	-	-	6,615
Available for sale financial assets	1,441,664	7,095	-	226,358	1,675,117
Derivatives - hedge accounting	5,426	-	-	-	5,426
Loans and advances					
- debt securities	702,791	-	-	-	702,791
- loans and advances to banks	343,342	88,891	50,732	49,568	532,533
- loans and advances to customers	6,361,413	27,773	161,289	490,955	7,041,430
- other financial assets	49,359	221	400	13,939	63,919
Held to maturity financial assets	864,259	-	-	-	864,259
Fair value changes of the hedged items in portfolio hedge of interest rate risk	530	-	-	-	530
TOTAL FINANCIAL ASSETS	**10,536,966**	**130,314**	**234,344**	**1,037,988**	**11,939,612**
FINANCIAL LIABILITIES					
Deposits from central banks	1,266,638	-	-	-	1,266,638
Trading liabilities	34,062	-	-	1	34,063
Financial liabilities designated at fair value through profit or loss	3,800	-	-	-	3,800
Derivatives - hedge accounting	36,519	-	-	-	36,519
Financial liabilities measured at amortized cost					
- deposits from banks	14,043	4,730	8,230	10,422	37,425
- borrowings from banks	982,643	42,375	94,584	-	1,119,602
- due to customers	7,234,216	139,294	54,470	829,097	8,257,077
- borrowings from other customers	159,897	-	-	2,412	162,309
- debt securities in issue	68,782	-	-	-	68,782
- subordinated liabilities	21,874	-	-	-	21,874
- other financial liabilities	76,242	593	1,397	8,377	86,609
Fair value changes of the hedged items in portfolio hedge of interest rate risk	133	-	-	-	133
TOTAL FINANCIAL LIABILITIES	**9,898,849**	**186,992**	**158,681**	**850,309**	**11,094,831**
Net on-balance sheet financial position	**638,117**	**(56,678)**	**75,663**	**187,679**	**844,781**
Derivative financial instruments	84,841	46,877	(97,515)	(36,937)	(2,734)
31.12.2012					
TOTAL FINANCIAL ASSETS	**12,027,591**	**106,420**	**312,357**	**1,071,830**	**13,518,198**
TOTAL FINANCIAL LIABILITIES	**11,816,869**	**224,836**	**194,422**	**834,800**	**13,070,927**
Net on-balance sheet financial position	**210,722**	**(118,416)**	**117,935**	**237,030**	**447,271**
Derivative financial instruments	54,577	96,784	(94,091)	(66,802)	(9,532)

Sensitivity analysis for currency risk

31.12.2013	NLB d.d.		NLB Group	
in thousand EUR	Effects on income statement	Effects on other comprehensive income	Effects on income statement	Effects on other comprehensive income
Appreciation of				
USD	(3,754)	11	(4,573)	11
CHF	4,319	-	4,009	(739)
CZK	915	-	915	(143)
RSD	25	-	25	2,045
MKD	(1)	-	(1)	421
Other	297	-	297	123
Effects on comprehensive income	**1,801**	**11**	**672**	**1,718**
Depreciation of				
USD	3,238	(10)	3,944	(10)
CHF	(3,955)	-	(3,672)	677
CZK	(800)	-	(800)	125
RSD	(23)	-	(23)	(1,910)
MKD	(1)	-	(1)	(414)
Other	(262)	-	(262)	(119)
Effects on comprehensive income	**(1,803)**	**(10)**	**(814)**	**(1,651)**
TOTAL	**(2)**	**1**	**(142)**	**67**

31.12.2012	NLB d.d.		NLB Group	
in thousand EUR	Effects on income statement	Effects on other comprehensive income	Effects on income statement	Effects on other comprehensive income
Appreciation of				
USD	(9,449)	(10)	(10,710)	(10)
CHF	1,731	-	1,918	509
CZK	2,169	-	2,169	(3,901)
RSD	219	-	219	5,703
MKD	(2)	-	(2)	215
Other	604	-	604	(971)
Effects on comprehensive income	**(4,728)**	**(10)**	**(5,802)**	**1,545**
Depreciation of				
USD	8,005	9	9,074	9
CHF	(1,673)	-	(1,853)	(491)
CZK	(1,904)	-	(1,904)	3,424
RSD	(187)	-	(187)	(4,872)
MKD	(3)	-	(3)	(209)
Other	(536)	-	(536)	907
Effects on comprehensive income	**3,702**	**9**	**4,591**	**(1,232)**
TOTAL	**(1,026)**	**(1)**	**(1,211)**	**313**

	NLB d.d. and NLB Group	
Scenarios	31.12.2013	31.12.2012
USD	+/-7%	+/-8%
CHF	+/-4%	+/-2%
CZK	+/-7%	+/-7%
RSD	+/-3%	+/-8%
MKD	+/-0,6%	+/-0,3%
JPY	+/-13%	+/-11%
AUD	+/-10%	+/-8%
HUF	+/-8%	+/-10%
HRK	+/-2%	+/-3%

d) Managing interest rate risk

The management of interest rate risks in the NLB d.d. banking book is separated from the measurement and monitoring of these risks. In the past, NLB d.d. implemented an interest rate risk management policy that reflects a conservative strategy for assuming interest rate risks and is based on general Basel risk management standards.

NLB d.d. manages interest rate risk in conjunction with credit, currency foreign exchange and liquidity risks, as there is a close correlation between those risks that can have a significant impact on the stability of the interest rate margin. NLB d.d. also stabilizes its interest rate margin through an appropriate pricing policy and its fund transfer pricing policy.

The management of interest rate risk arising from banking book transactions is facilitated by managing the interest rate maturity of all on- and off-balance sheet items in individual maturity buckets. It takes into account the positions in each currency, adjusted to credit risk. The maturity calculation model for interest-insensitive liability items and interest-sensitive items without maturity (e.g. available capital and stable sight deposits) was approved by the national regulator. An important part of managing interest rate risk is the securities portfolio of the banking book, which is subject to strict internal rules and policies. The primary purpose of the portfolio is to maintain adequate secondary liquidity reserves, while it also contributes to the stability of the interest rate margin.

Several analyses are performed in the management of interest rate risks (limited positions in individual maturity buckets, modified duration, BPV limits). The BPV (basis point value) method helps to estimate changes in the market value of a banking book position due to a parallel shift in the yield curve. BPV is calculated for different segments of the banking book and for the banking book as a whole. NLB d.d. also prepares calculations of the impact of changes in interest rates on net interest income.

The basic tool for managing interest rate risk in the banking book is the management of items from the NLB d.d.'s statement of financial position. The strategies that foresee appropriate adjustments to items from the statement of financial position are discussed and adopted at the executive level of NLB d.d. or in the scope of the NLB d.d.'s Assets and Liabilities Committee. If the management of interest rate risk using items from the statement of financial position is not possible, NLB d.d. manages risk by using the following derivative financial instruments:

- interest rate swaps,
- overnight index swaps,
- cross currency swaps, and
- forward rate agreements.

The management of the NLB Group's interest rate exposure is not performed at the consolidated level. However, NLB d.d. on regular basis monitors the risk positions of individual members in the NLB Group in accordance with the Development Program and Minimum Standards for Risk Management in the NLB Group. The aforementioned document comprises guidelines for uniform and effective interest rate risk management. Interest rate risk exposure is monitored on the basis of maturity gaps, BPV analyses and limits. Guidelines regarding the limitation and management of interest risks at individual NLB Group members are approved by the ALCO.

Analysis of financial instruments according to the exposure to interest rate risk

Illustrated below are the carrying amounts of financial instruments, categorized by the earlier of contractual repricing or residual maturity.

31.12.2013			NLB d.d.					
in thousand EUR	Total	Non interest bearing	Interest bearing	Up to 1 Month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years
FINANCIAL ASSETS								
Cash and balances with central banks	374,775	97,864	276,911	276,911	-	-	-	-
Trading assets	104,779	16,985	87,794	33,218	16,321	30,641	7,614	-
Financial assets designated at fair value through profit or loss	3,801	3,801	-	-	-	-	-	-
Available for sale financial assets	1,155,412	75,322	1,080,090	30,481	41,339	204,068	484,244	319,958
Derivatives - hedge accounting	5,426	5,426	-	-	-	-	-	-
Loans and advances			-					
- debt securities	702,791	-	702,791	-	-	4,326	618,500	79,965
- loans and advances to banks	376,439	9	376,430	241,194	53,419	81,004	813	-
- loans and advances to customers	5,426,129	33,786	5,392,343	2,173,623	1,238,458	1,769,461	167,689	43,112
- other financial assets	41,337	41,337	-	-	-	-	-	-
Held to maturity financial assets	864,259	-	864,259	47,931	19,784	219,252	321,277	256,015
Fair value changes of the hedged items in portfolio hedge of interest rate risk	530	530	-	-	-	-	-	-
TOTAL FINANCIAL ASSETS	**9,055,678**	**275,060**	**8,780,618**	**2,803,358**	**1,369,321**	**2,308,752**	**1,600,137**	**699,050**
FINANCIAL LIABILITIES								
Deposits from central banks	1,266,638	-	1,266,638	1,266,638	-	-	-	-
Trading liabilities	34,064	-	34,064	34,064	-	-	-	-
Financial liabilities designated at fair value through profit or loss	3,800	3,800	-	-	-	-	-	-
Derivatives - hedge accounting	36,519	36,519	-	-	-	-	-	-
Financial liabilities measured at amortized cost								
- deposits from banks	74,234	-	74,234	70,191	1,151	2,892	-	-
- borrowings from banks	995,133	-	995,133	59,792	320,329	461,014	151,688	2,310
- due to customers	5,743,673	-	5,743,673	3,483,460	757,254	1,225,794	267,544	9,621
- borrowings from other customers	36,284	-	36,284	2	20,182	10,015	6,085	-
- debt securities in issue	68,782	-	68,782	-	-	1,036	67,746	-
- other financial liabilities	61,609	61,609	-	-	-	-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	133	133	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES	**8,320,869**	**102,061**	**8,218,808**	**4,914,147**	**1,098,916**	**1,700,751**	**493,063**	**11,931**
TOTAL INTEREST REPRICING GAP				**(2,110,789)**	**270,405**	**608,001**	**1,107,074**	**687,119**

31.12.2012				NLB d.d.				
in thousand EUR	Total	Non interest bearing	Interest bearing	Up to 1 Month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years
FINANCIAL ASSETS								
Cash and balances with central banks	371,184	96,345	274,839	274,839	-	-	-	-
Trading assets	109,172	18,696	90,476	77,271	37	254	12,914	-
Financial assets designated at fair value through profit or loss	3,161	3,161	-	-	-	-	-	-
Available for sale financial assets	897,865	109,614	788,251	90,294	82,972	58,909	359,835	196,241
Derivatives - hedge accounting	10,909	10,909	-	-	-	-	-	-
Loans and advances								
- debt securities	88,617	-	88,617	-	-	3,571	-	85,046
- loans and advances to banks	361,732	13	361,719	232,861	61,945	52,256	11,525	3,132
- loans and advances to customers	7,747,361	35,993	7,711,368	3,451,690	2,019,112	1,864,595	259,637	116,334
- other financial assets	40,975	40,975	-	-	-	-	-	-
Held to maturity financial assets	1,041,105	-	1,041,105	10,960	13,916	308,441	385,819	321,969
Fair value changes of the hedged items in portfolio hedge of interest rate risk	838	838	-	-	-	-	-	-
TOTAL FINANCIAL ASSETS	**10,672,919**	**316,544**	**10,356,375**	**4,137,915**	**2,177,982**	**2,288,026**	**1,029,730**	**722,722**
FINANCIAL LIABILITIES								
Deposits from central banks	1,259,615	-	1,259,615	1,250,041	-	-	9,574	-
Trading liabilities	79,985	-	79,985	79,985	-	-	-	-
Financial liabilities designated at fair value through profit or loss	3,160	3,160	-	-	-	-	-	-
Derivatives - hedge accounting	51,283	51,283	-	-	-	-	-	-
Financial liabilities measured at amortized cost								
- deposits from banks	113,809	-	113,809	107,152	4,166	2,291	200	-
- borrowings from banks	1,555,004	-	1,555,004	488,452	381,204	530,904	140,718	13,726
- due to customers	6,765,687	-	6,765,687	3,983,110	872,463	1,578,689	319,493	11,932
- borrowings from other customers	31,401	-	31,401	-	20,202	11,197	2	-
- debt securities in issue	104,567	-	104,567	21,841	-	1,266	81,460	-
- subordinated liabilities	321,099	-	321,099	163,438	41,709	53,161	62,791	-
- other financial liabilities	74,921	74,921	-	-	-	-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	120	120	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES	**10,360,651**	**129,484**	**10,231,167**	**6,094,019**	**1,319,744**	**2,177,508**	**614,238**	**25,658**
TOTAL INTEREST REPRICING GAP				**(1,956,104)**	**858,238**	**110,518**	**415,492**	**697,064**

31.12.2013	NLB Group							
in thousand EUR	Total	Non interest bearing	Interest bearing	Up to 1 Month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years
FINANCIAL ASSETS								
Cash and balances with central banks	942,657	396,439	546,218	546,218	-	-	-	-
Trading assets	104,335	16,985	87,350	32,720	16,329	30,673	7,628	-
Financial assets designated at fair value through profit or loss	6,615	3,801	2,814	1,920	-	894	-	-
Available for sale financial assets	1,675,117	77,769	1,597,348	131,030	150,408	441,236	549,091	325,583
Derivatives - hedge accounting	5,426	5,426	-	-	-	-	-	-
Loans and advances								
- debt securities	702,791	-	702,791	-	-	4,326	618,500	79,965
- loans and advances to banks	532,533	6,788	525,745	412,844	57,522	52,075	2,895	409
- loans and advances to customers	7,041,430	87,751	6,953,679	2,503,502	1,346,363	2,392,139	574,428	137,247
- other financial assets	63,919	63,919	-	-	-	-	-	-
Held to maturity financial assets	864,259	-	864,259	47,931	19,784	219,252	321,277	256,015
Fair value changes of the hedged items in portfolio hedge of interest rate risk	530	530	-	-	-	-	-	-
TOTAL FINANCIAL ASSETS	**11,939,612**	**659,408**	**11,280,204**	**3,676,165**	**1,590,406**	**3,140,595**	**2,073,819**	**799,219**
FINANCIAL LIABILITIES								
Deposits from central banks	1,266,638	-	1,266,638	1,266,638	-	-	-	-
Trading liabilities	34,063	-	34,063	34,063	-	-	-	-
Financial liabilities designated at fair value through profit or loss	3,800	3,800	-	-	-	-	-	-
Derivatives - hedge accounting	36,519	36,519	-	-	-	-	-	-
Financial liabilities measured at amortized cost	-	-						
- deposits from banks	37,425	58	37,367	34,115	2,219	1,030	3	-
- borrowings from banks	1,119,602	-	1,119,602	72,010	331,581	509,241	198,157	8,613
- due to customers	8,257,077	32,874	8,224,203	4,763,230	1,036,675	1,926,708	481,409	16,181
- borrowings from other customers	162,309	-	162,309	10,367	29,169	28,725	58,638	35,410
- debt securities in issue	68,782	-	68,782	-	-	1,036	67,746	-
- subordinated liabilities	21,874	-	21,874	222	11,930	9,722	-	-
- other financial liabilities	86,609	86,609	-	-	-	-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	133	133	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES	**11,094,831**	**159,993**	**10,934,838**	**6,180,645**	**1,411,574**	**2,476,462**	**805,953**	**60,204**
TOTAL INTEREST REPRICING GAP				**(2,504,480)**	**178,832**	**664,133**	**1,267,866**	**739,015**

31.12.2012			NLB Group					
in thousand EUR	Total	Non interest bearing	Interest bearing	Up to 1 Month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years
FINANCIAL ASSETS								
Cash and balances with central banks	922,831	252,465	670,366	670,366	-	-	-	-
Trading assets	108,333	18,696	89,637	76,327	37	254	13,019	-
Financial assets designated at fair value through profit or loss	5,176	5,176	-	-	-	-	-	-
Available for sale financial assets	1,345,091	111,809	1,233,282	266,196	193,047	184,130	393,416	196,493
Derivatives - hedge accounting	10,909	10,909	-	-	-	-	-	-
Loans and advances								
- debt securities	88,617	-	88,617	-	-	3,571	-	85,046
- loans and advances to banks	460,486	3,655	456,831	391,217	45,071	17,193	2,809	541
- loans and advances to customers	9,467,743	63,600	9,404,143	3,694,750	2,331,543	2,556,565	605,989	215,296
- other financial assets	67,069	67,069	-	-	-	-	-	-
Held to maturity financial assets	1,041,105	-	1,041,105	10,960	13,916	308,441	385,819	321,969
Fair value changes of the hedged items in portfolio hedge of interest rate risk	838	838	-	-	-	-	-	-
TOTAL FINANCIAL ASSETS	**13,518,198**	**534,217**	**12,983,981**	**5,109,816**	**2,583,614**	**3,070,154**	**1,401,052**	**819,345**
FINANCIAL LIABILITIES								
Deposits from central banks	1,259,615	-	1,259,615	1,250,041	-	-	9,574	-
Trading liabilities	80,028	-	80,028	80,028	-	-	-	-
Financial liabilities designated at fair value through profit or loss	3,160	3,160	-	-	-	-	-	-
Derivatives - hedge accounting	51,283	51,283	-	-	-	-	-	-
Financial liabilities measured at amortized cost								
- deposits from banks	55,331	47	55,284	47,154	5,089	2,468	573	-
- borrowings from banks	1,755,915	-	1,755,915	520,972	404,921	620,831	185,169	24,022
- due to customers	9,118,118	46,486	9,071,632	4,937,151	1,118,414	2,338,219	622,624	55,224
- borrowings from other customers	182,459	-	182,459	1,822	37,170	54,889	53,874	34,704
- debt securities in issue	111,620	-	111,620	21,841	-	3,780	85,999	-
- subordinated liabilities	342,898	-	342,898	163,665	53,712	58,161	67,360	-
- other financial liabilities	110,380	110,380	-	-	-	-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	120	120	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES	**13,070,927**	**211,476**	**12,859,451**	**7,022,674**	**1,619,306**	**3,078,348**	**1,025,173**	**113,950**
TOTAL INTEREST REPRICING GAP				**(1,912,858)**	**964,308**	**(8,194)**	**375,879**	**705,395**

Sensitivity analysis for interest rate risk

31.12.2013	NLB d.d.				NLB Group			
in thousand EUR	Effects on income statement		Effects on other comprehensive income		Effects on income statement		Effects on other comprehensive income	
	1%	-1%	1%	-1%	1%	-1%	1%	-1%
Financial assets								
Loans	47,008	(47,008)	-	-	58,828	(58,828)	-	-
Securities	343	(343)	(27,477)	27,477	1,316	(1,316)	(31,414)	31,414
Other financial assets	1	(1)	-	-	9	(9)	-	-
TOTAL FINANCIAL ASSETS	**47,352**	**(47,352)**	**(27,477)**	**27,477**	**60,153**	**(60,153)**	**(31,414)**	**31,414**
Financial liabilities								
Borrowings, deposits, debt securities in issue	(27,955)	27,955	-	-	(43,826)	43,826	-	-
Other financial liabilities	(39)	39	-	-	(64)	64	-	-
TOTAL FINANCIAL LIABILITIES	**(27,994)**	**27,994**	**-**	**-**	**(43,890)**	**43,890**	**-**	**-**
Effects on comprehensive income	**19,358**	**(19,358)**	**(27,477)**	**27,477**	**16,263**	**(16,263)**	**(31,414)**	**31,414**

31.12.2012	NLB d.d.				NLB Group			
in thousand EUR	Effects on income statement		Effects on other comprehensive income		Effects on income statement		Effects on other comprehensive income	
	1%	-1%	1%	-1%	1%	-1%	1%	-1%
Financial assets								
Loans	62,238	(62,238)	-	-	74,448	(74,448)	-	-
Securities	908	(908)	(15,685)	15,685	1,602	(1,602)	(20,306)	20,306
Other financial assets	4	(4)	-	-	13	(13)	-	-
TOTAL FINANCIAL ASSETS	**63,150**	**(63,150)**	**(15,685)**	**15,685**	**76,063**	**(76,063)**	**(20,306)**	**20,306**
Financial liabilities								
Borrowings, deposits, debt securities in issue	(36,337)	36,337	-	-	(52,158)	52,158	-	-
Other financial liabilities	(241)	241	-	-	(279)	279	-	-
TOTAL FINANCIAL LIABILITIES	**(36,578)**	**36,578**	**-**	**-**	**(52,437)**	**52,437**	**-**	**-**
Effects on comprehensive income	**26,572**	**(26,572)**	**(15,685)**	**15,685**	**23,626**	**(23,626)**	**(20,306)**	**20,306**

e) Liquidity risk management

Liquidity risk is monitored and managed in the NLB Group in accordance with the relevant policies and strategies, which set out the relevant rules and a hierarchy of responsibility. Standard liquidity risk monitoring and management guidelines were implemented at NLB Group entities in accordance with the NLB Group Liquidity Risk Management Guidelines. Liquidity risk management is decentralized, with each entity ensuring its own liquidity via the necessary sources of funding and their appropriate diversification and maturity, and by managing liquidity reserves and fulfilling the requirements of regulations governing liquidity. A standardized reporting system functions within the NLB Group ensures adequate control over the provision of operational and structural liquidity at all NLB Group entities.

The objectives of liquidity risk monitoring and management in the NLB Group are as follows:

- ensuring a sufficient level of liquid assets;
- minimizing the costs of maintaining liquidity;
- optimizing the balance of liquidity reserves;
- ensuring an appropriate level of liquidity for different situations and stress scenarios; and
- anticipating emergencies or crisis conditions, and implementing contingency plans in the event of extraordinary circumstances.

Liquidity is managed at three levels in the NLB Group: operational, structural and strategic.

Operational level

Liquidity management at the operational level means managing liquidity for a period of several days or weeks, based on the planning and monitoring of cash flows. Liquidity management at the operational level in the NLB Group is decentralized, meaning each NLB Group entity is responsible for its own liquidity position and carries out the following activities:

- planning and monitoring cash flows;
- monitoring and complying with the liquidity regulations of the central bank;
- adopting business decisions; and
- creating and managing a portfolio of liquidity reserves.

As the parent bank, NLB d.d. regularly monitors and provides liquidity to its subsidiaries, if needed.

Structural level

Liquidity management at the structural level means managing liquidity over a longer time period, and includes the following activities:

- defining structural liquidity ratios, and the regular calculation and monitoring thereof;
- defining target values and/or target trends of individual selected structural liquidity ratios,
- monitoring of trends in the selected structural liquidity ratios;
- monitoring of liquidity gaps by individual time bucket;
- calculation of LCR and NSFR; and
- implementation of liquidity risk stress tests.

The objective of liquidity management at the structural level is to achieve a balance sheet structure that ensures the NLB Group's long-term liquidity based on the criteria of maturity matching, the forms and concentration of sources of funding, and the realization and rating of investments.

Strategic level

NLB Group entities perform the following activities in the context of liquidity management at the strategic level:

- preparing liquidity gaps;
- preparing dynamic projections of liquidity taking into account several cash-flow scenarios for the bank;
- monitoring of liquidity gaps by individual maturity bucket, and the preparation of analyses, proposals and measures for changes in the structure of the balance sheet that affect the bank's liquidity position and liquidity risk;
- implementation of liquidity risk stress tests, and the definition of the necessary level of liquidity reserves on the basis thereof;
- defining and managing liquidity reserves; and
- drafting of proposals for establishing additional financial assets as collateral for sources of funding.

NLB d.d. prepares dynamic liquidity projections on a monthly basis and monitors available liquidity reserves according to expected cash flows, and ensures the supervision of the liquidity position of each NLB Group members.

The NLB Group performs liquidity stress tests for the measurement of the liquidity risk, which warns of potential future cash outflows. Each NLB Group members should ensure sufficient liquidity reserves.

On the basis of liquidity stress tests, the NLB d.d. defines the necessary amount of liquidity reserves. In crisis conditions, the NLB Group also maintains a sufficient level of high-quality available liquidity reserves, with which it can cover unexpected cash outflows in exceptional circumstances. Liquidity reserves comprise cash, the settlement account at the central bank, sight deposits and short-term deposits at banks, debt securities and loans eligible as collateral for Eurosystem claims. The structure is shown in the table below.

Structural liquidity reserves for NLB d.d. and NLB Group

	NLB d.d.		NLB Group	
in thousand EUR	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Liquidity reserves				
Cash and central bank reserves	374,775	371,184	942,657	922,831
Placements with banks	279,319	207,828	512,049	398,453
Trading book securities	55,362	14,022	55,362	14,022
Banking book securities	2,647,140	1,917,973	3,164,398	2,363,004
ECB eligible loans	820,721	842,967	820,721	842,967
Total liquid assets	**4,177,317**	**3,353,974**	**5,495,187**	**4,541,277**
Encumbered liquid assets	1,400,615	1,408,655	1,400,615	1,408,655
Unencumbered liquid assets	2,776,702	1,945,319	4,094,572	3,132,622

NLB d.d. has encumbered liquid assets for different purposes: the highest proportion is accounted for by ECB-eligible loans and debt securities encumbered for secured funding at the ECB. At the beginning of 2014, NLB d.d. will begin the early repayment of secured ECB funding and thus release a portion of encumbered assets.

The NLB Group has defined a liquidity management plan for exceptional circumstances that lays down guidelines and a plan of activities for recognizing problems, searching for solutions and handling exceptional circumstances. It also provides for the establishment of a system of liquidity management that ensures the maintenance of the NLB Group's liquidity and protects the commercial interests of customers and shareholders.

Non-derivative cash flows

The tables below illustrate the cash flows from non-derivative financial instruments by residual maturities at the end of the year. The amounts disclosed in the table are the undiscounted contractual cash flows, determined on the basis of spot rates at the end of the reporting period.

31.12.2013			NLB d.d.			
in thousand EUR	Up to 1 Month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
FINANCIAL LIABILITIES AND CREDIT RELATED COMMITMENTS						
Deposits from central banks	32	-	-	1,286,777	-	1,286,809
Financial liabilities designated at fair value through profit or loss	-	-	-	3,800	-	3,800
Financial liabilities measured at amortized cost						
- deposits from banks	69,691	1,652	2,898	-	-	74,241
- borrowings from banks	4,844	11,199	219,322	639,055	181,472	1,055,892
- due to customers	3,439,630	720,391	1,268,450	351,891	18,282	5,798,644
- borrowings from other customers	2	248	315	36,438	-	37,003
- debt securities in issue	-	-	2,791	71,662	-	74,453
- other financial liabilities	60,162	1,445	2	-	-	61,609
Credit risk related commitments	484,950	144,225	321,575	93,027	38,426	1,082,203
Non-financial guarantees	33,946	30,322	121,638	219,026	84,485	489,417
TOTAL	**4,093,257**	**909,482**	**1,936,991**	**2,701,676**	**322,665**	**9,964,071**
TOTAL FINANCIAL ASSETS	**1,561,411**	**446,083**	**1,842,911**	**3,906,336**	**2,188,089**	**9,944,830**

31.12.2012	NLB d.d.					
in thousand EUR	Up to 1 Month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
FINANCIAL LIABILITIES AND CREDIT RELATED COMMITMENTS						
Deposits from central banks	41	-	-	1,289,498	-	1,289,539
Financial liabilities designated at fair value through profit or loss	-	-	-	3,160	-	3,160
Financial liabilities measured at amortized cost						
- deposits from banks	106,654	4,669	2,296	201	-	113,820
- borrowings from banks	6,030	11,583	537,905	788,799	297,257	1,641,574
- due to customers	3,927,303	849,603	1,631,623	424,538	18,860	6,851,927
- borrowings from other customers	-	274	1,532	31,021	-	32,827
- debt securities in issue	21,860	-	3,298	88,998	-	114,156
- subordinated liabilities	3,239	12,923	59,088	273,255	-	348,505
- other financial liabilities	72,910	2,011	-	-	-	74,921
Credit risk related commitments	525,450	180,578	355,449	144,104	67,032	1,272,613
Non-financial guarantees	35,377	62,871	131,828	205,613	106,633	542,322
TOTAL	**4,698,864**	**1,124,512**	**2,723,019**	**3,249,187**	**489,782**	**12,285,364**
TOTAL FINANCIAL ASSETS	**2,722,330**	**750,747**	**2,066,718**	**3,643,913**	**2,467,496**	**11,651,204**

When determining the gap between the financial liabilities and financial assets in the maturity bucket of up to 1 month, it is necessary to take into account the fact that financial liabilities include total demand deposits, and that NLB d.d. may apply a stability weight of 60% to demand deposits when ensuring compliance with the central bank regulations concerning the calculation of the liquidity position. To ensure NLB d.d.'s and the NLB Group's liquidity and based on its approach to risk, the NLB Group compiled in previous years a substantial amount of high-quality liquid investments, mostly government securities and selected loans, which are accepted as adequate financial assets by the ECB.

31.12.2013	NLB Group					
in thousand EUR	Up to 1 Month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
FINANCIAL LIABILITIES AND CREDIT RELATED COMMITMENTS						
Deposits from central banks	32	-	-	1,286,777	-	1,286,809
Financial liabilities designated at fair value through profit or loss	-	-	-	3,800	-	3,800
Financial liabilities measured at amortized cost						
- deposits from banks	34,191	2,248	1,043	-	-	37,482
- borrowings from banks	21,452	18,907	273,977	697,908	187,896	1,200,140
- due to customers	4,687,945	967,326	1,949,629	755,925	39,469	8,400,294
- borrowings from other customers	1,993	8,789	28,546	90,935	35,553	165,816
- debt securities in issue	-	-	2,791	71,662	-	74,453
- subordinated liabilities	4	385	4,932	12,720	5,171	23,212
- other financial liabilities	76,738	1,487	7,677	707	-	86,609
Credit risk related commitments	591,593	176,080	428,590	142,792	46,212	1,385,267
Non-financial guarantees	38,394	44,610	147,032	235,345	83,563	548,944
TOTAL	**5,452,342**	**1,219,832**	**2,844,217**	**3,298,571**	**397,864**	**13,212,826**
TOTAL FINANCIAL ASSETS	**2,728,670**	**688,422**	**2,369,013**	**4,826,510**	**2,611,378**	**13,223,993**

31.12.2012	NLB Group					
in thousand EUR	Up to 1 Month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
FINANCIAL LIABILITIES AND CREDIT RELATED COMMITMENTS						
Deposits from central banks	41	-	-	1,289,498	-	1,289,539
Financial liabilities designated at fair value through profit or loss	-	-	-	3,160	-	3,160
Financial liabilities measured at amortized cost						
- deposits from banks	47,993	4,481	2,473	429	-	55,376
- borrowings from banks	18,657	24,114	610,981	897,446	308,107	1,859,305
- due to customers	5,085,209	1,097,943	2,248,188	819,297	38,099	9,288,736
- borrowings from other customers	1,724	9,920	34,080	105,478	36,554	187,756
- debt securities in issue	22,808	-	5,982	92,581	-	121,371
- subordinated liabilities	3,329	13,437	60,174	283,712	18,612	379,264
- other financial liabilities	99,981	2,132	7,375	889	3	110,380
Credit risk related commitments	599,068	223,659	456,309	192,990	99,531	1,571,557
Non-financial guarantees	43,580	65,554	162,624	217,974	114,208	603,940
TOTAL	**5,922,390**	**1,441,240**	**3,588,186**	**3,903,454**	**615,114**	**15,470,384**
TOTAL FINANCIAL ASSETS	**3,998,840**	**1,042,243**	**2,440,039**	**4,543,019**	**2,903,008**	**14,927,149**

Subordinated liabilities with no contractual maturity are included in maturity buckets based on when the NLB d.d. expects their redemption. Other liabilities and credit related commitments are included in maturity buckets based on their residual contractual maturity.

An analysis of the statement of financial position by residual maturity based on discounted cash flows is presented in table below.

31.12.2013	NLB d.d.					
in thousand EUR	Up to 1 Month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
Cash and cash balances with central banks	374,775	-	-	-	-	374,775
Trading assets	32,432	16,321	31,427	7,614	16,985	104,779
Financial assets designated at fair value through profit or loss	-	-	-	-	3,801	3,801
Available for sale financial assets	11,132	30,679	205,385	512,932	395,284	1,155,412
Derivatives - hedge accounting	5,426	-	-	-	-	5,426
Loans and advances						
- debt securities	-	-	2,700	619,699	80,392	702,791
- loans and advances to banks	226,258	45,001	72,119	33,061	-	376,439
- loans and advances to customers	889,478	304,760	1,175,622	1,904,966	1,151,303	5,426,129
- other financial assets	40,070	12	1,245	10	-	41,337
Held to maturity financial assets	10,728	19,784	219,252	337,002	277,493	864,259
Fair value changes of hedged in portfolio hedge of interest rate risk	-	-	140	-	390	530
Non-current assets classified as held for sale	-	-	2,327	-	-	2,327
Property and equipment	-	-	-	13,957	94,492	108,449
Investment property	-	-	-	1,458	-	1,458
Intangible assets	-	-	-	11,739	33,237	44,976
Investments in subsidiaries, associates and joint ventures	-	-	-	-	276,592	276,592
Current income tax assets	-	-	8	-	-	8
Deferred income tax assets	-	-	2,886	10,506	-	13,392
Other assets	2,639	-	1,902	-	-	4,541
TOTAL ASSETS	**1,592,938**	**416,557**	**1,715,013**	**3,452,944**	**2,329,969**	**9,507,421**
Deposits from central banks	32	-	-	1,266,606	-	1,266,638
Trading liabilities	34,064	-	-	-	-	34,064
Financial liabilities designated at fair value through profit or loss	-	-	-	3,800	-	3,800
Derivatives - hedge accounting	36,519	-	-	-	-	36,519
Financial liabilities measured at amortized cost						
- deposits from banks	69,691	1,649	2,894	-	-	74,234
- borrowings from banks	4,803	8,456	201,973	609,922	169,979	995,133
- due to customers	3,437,152	710,321	1,238,452	340,578	17,170	5,743,673
- borrowings from other customers	2	183	15	36,084	-	36,284
- debt securities in issue	-	-	1,036	67,746	-	68,782
- other financial liabilities	60,162	1,445	2	-	-	61,609
Fair value changes of the hedged items in hedge of interest rate risk	-	-	-	-	133	133
Provisions	-	1,270	31,285	54,525	-	87,080
Other liabilities	5,356	19	162	467	-	6,004
Credit risk related commitments	484,950	144,225	321,575	93,027	38,426	1,082,203
Non-financial guarantees	33,946	30,322	121,638	219,026	84,485	489,417
TOTAL LIABILITIES AND CREDIT RELATED COMMITMENTS	**4,166,677**	**897,890**	**1,919,032**	**2,691,781**	**310,193**	**9,985,573**

31.12.2012			NLB d.d.			
in thousand EUR	Up to 1 Month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
Cash and cash balances with central banks	371,184	-	-	-	-	371,184
Trading assets	76,454	37	254	13,731	18,696	109,172
Financial assets designated at fair value through profit or loss	-	-	-	-	3,161	3,161
Available for sale financial assets	65,166	72,565	64,622	389,649	305,863	897,865
Derivatives - hedge accounting	10,909	-	-	-	-	10,909
Loans and advances						
- debt securities	-	-	1,940	1,631	85,046	88,617
- loans and advances to banks	210,308	9,348	35,476	98,475	8,125	361,732
- loans and advances to customers	2,019,101	613,598	1,497,735	2,214,651	1,402,276	7,747,361
- other financial assets	40,772	181	13	8	1	40,975
Held to maturity financial assets	10,960	13,916	308,441	385,819	321,969	1,041,105
Fair value changes of hedged in portfolio hedge of interest rate risk	-	-	-	226	612	838
Non-current assets classified as held for sale	-	-	16,216	-	-	16,216
Property and equipment	-	-	-	18,208	121,032	139,240
Investment property	-	-	-	1,702	-	1,702
Intangible assets	-	-	-	7,642	42,599	50,241
Investments in subsidiaries, associates and joint ventures	-	-	-	-	514,429	514,429
Deferred income tax assets	-	-	32,833	55,460	-	88,293
Other assets	3,093	-	1,292	-	-	4,385
TOTAL ASSETS	**2,807,947**	**709,645**	**1,958,822**	**3,187,202**	**2,823,809**	**11,487,425**
Deposits from central banks	41	-	-	1,259,574	-	1,259,615
Trading liabilities	79,985	-	-	-	-	79,985
Financial liabilities designated at fair value through profit or loss	-	-	-	3,160	-	3,160
Derivatives - hedge accounting	51,283	-	-	-	-	51,283
Financial liabilities measured at amortized cost						
- deposits from banks	106,654	4,664	2,291	200	-	113,809
- borrowings from banks	5,595	9,102	515,675	742,738	281,894	1,555,004
- due to customers	3,923,371	833,058	1,583,912	408,166	17,180	6,765,687
- borrowings from other customers	-	202	1,197	30,002	-	31,401
- debt securities in issue	21,841	-	1,266	81,460	-	104,567
- subordinated liabilities	3,103	12,609	53,161	252,226	-	321,099
- other financial liabilities	72,910	2,011	-	-	-	74,921
Fair value changes of the hedged items in hedge of interest rate risk	-	-	-	-	120	120
Provisions	-	-	22,743	30,684	-	53,427
Current income tax liabilities	-	-	613	-	-	613
Other liabilities	5,025	94	105	397	-	5,621
Credit risk related commitments	525,450	180,578	355,449	144,104	67,032	1,272,613
Non-financial guarantees	35,377	62,871	131,828	205,613	106,633	542,322
TOTAL LIABILITIES AND CREDIT RELATED COMMITMENTS	**4,830,635**	**1,105,189**	**2,668,240**	**3,158,324**	**472,859**	**12,235,247**

31.12.2013	NLB Group					
in thousand EUR	Up to 1 Month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
Cash and cash balances with central banks	942,657	-	-	-	-	942,657
Trading assets	31,934	16,329	31,459	7,628	16,985	104,335
Financial assets designated at fair value through profit or loss	1,920	-	98	796	3,801	6,615
Available for sale financial assets	102,509	142,827	440,965	585,856	402,960	1,675,117
Derivatives - hedge accounting	5,426	-	-	-	-	5,426
Loans and advances						
- debt securities	-	-	2,700	619,699	80,392	702,791
- loans and advances to banks	406,600	58,576	63,502	3,446	409	532,533
- loans and advances to customers	1,157,533	399,544	1,404,790	2,598,236	1,481,327	7,041,430
- other financial assets	61,085	49	1,907	560	318	63,919
Held to maturity financial assets	10,728	19,784	219,252	337,002	277,493	864,259
Fair value changes of hedged in portfolio hedge of interest rate risk	-	-	140	-	390	530
Non-current assets classified as held for sale	-	-	17,582	-	-	17,582
Property and equipment	-	-	-	59,705	178,873	238,578
Investment property	-	-	-	5,741	29,103	34,844
Intangible assets	-	-	-	13,929	40,798	54,727
Investments in associates and joint ventures	-	-	-	-	28,284	28,284
Current income tax assets	199	348	449	927	-	1,923
Deferred income tax assets	-	-	2,906	8,806	380	12,092
Other assets	76,305	1,877	79,888	4,337	85	162,492
TOTAL ASSETS	**2,796,896**	**639,334**	**2,265,638**	**4,246,668**	**2,541,598**	**12,490,134**
Deposits from central banks	32	-	-	1,266,606	-	1,266,638
Trading liabilities	34,063	-	-	-	-	34,063
Financial liabilities designated at fair value through profit or loss	-	-	-	3,800	-	3,800
Derivatives - hedge accounting	36,519	-	-	-	-	36,519
Financial liabilities measured at amortized cost						
- deposits from banks	34,176	2,217	1,032	-	-	37,425
- borrowings from banks	10,761	14,562	253,780	664,245	176,254	1,119,602
- due to customers	4,671,070	948,288	1,890,685	714,510	32,524	8,257,077
- borrowings from other customers	1,939	8,327	27,175	89,463	35,405	162,309
- debt securities in issue	-	-	1,036	67,746	-	68,782
- subordinated liabilities	4	329	4,623	11,918	5,000	21,874
- other financial liabilities	76,738	1,487	7,677	707	-	86,609
Fair value changes of the hedged items in hedge of interest rate risk	-	-	-	-	133	133
Provisions	3,316	2,271	35,633	62,533	5,170	108,923
Current income tax liabilities	7	15	94	-	-	116
Deferred income tax liabilities	-	-	97	273	-	370
Other liabilities	11,604	269	2,157	867	-	14,897
Credit risk related commitments	591,593	176,080	428,590	142,792	46,212	1,385,267
Non-financial guarantees	38,394	44,610	147,032	235,345	83,563	548,944
TOTAL LIABILITIES AND CREDIT RELATED COMMITMENTS	**5,510,216**	**1,198,455**	**2,799,611**	**3,260,805**	**384,261**	**13,153,348**

31.12.2012	NLB Group					
in thousand EUR	Up to 1 Month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
Cash and cash balances with central banks	922,831	-	-	-	-	922,831
Trading assets	75,510	47	296	13,784	18,696	108,333
Financial assets designated at fair value through profit or loss	-	-	-	-	5,176	5,176
Available for sale financial assets	239,206	184,383	189,858	423,220	308,424	1,345,091
Derivatives - hedge accounting	10,909	-	-	-	-	10,909
Loans and advances						
- debt securities	-	-	1,940	1,631	85,046	88,617
- loans and advances to banks	377,315	36,464	26,801	19,372	534	460,486
- loans and advances to customers	2,342,384	742,050	1,671,051	2,962,435	1,749,823	9,467,743
- other financial assets	61,393	225	2,193	3,257	1	67,069
Held to maturity financial assets	10,960	13,916	308,441	385,819	321,969	1,041,105
Fair value changes of hedged in portfolio hedge of interest rate risk	-	-	-	226	612	838
Non-current assets classified as held for sale	-	-	21,824	-	-	21,824
Property and equipment	-	-	-	69,641	217,219	286,860
Investment property	-	-	-	17,187	50,566	67,753
Intangible assets	-	-	-	9,239	103,254	112,493
Investments in associates and joint ventures	-	-	-	-	102,222	102,222
Current income tax assets	192	188	1,872	-	-	2,252
Deferred income tax assets	176	-	46,903	40,756	432	88,267
Other assets	96,179	243	26,861	11,541	-	134,824
TOTAL ASSETS	**4,137,055**	**977,516**	**2,298,040**	**3,958,108**	**2,963,974**	**14,334,693**
Deposits from central banks	41	-	-	1,259,574	-	1,259,615
Trading liabilities	80,028	-	-	-	-	80,028
Financial liabilities designated at fair value through profit or loss	-	-	-	3,160	-	3,160
Derivatives - hedge accounting	51,283	-	-	-	-	51,283
Financial liabilities measured at amortized cost						
- deposits from banks	47,993	4,442	2,468	428	-	55,331
- borrowings from banks	17,641	19,793	582,819	843,377	292,285	1,755,915
- due to customers	5,067,955	1,073,247	2,172,741	772,563	31,612	9,118,118
- borrowings from other customers	1,530	9,060	31,703	103,612	36,554	182,459
- debt securities in issue	22,789	-	3,788	85,043	-	111,620
- subordinated liabilities	3,193	12,776	53,328	256,726	16,875	342,898
- other financial liabilities	99,981	2,132	7,375	889	3	110,380
Fair value changes of the hedged items in hedge of interest rate risk	-	-	-	-	120	120
Provisions	1,772	515	59,342	38,152	1,180	100,961
Current income tax liabilities	807	-	638	-	-	1,445
Deferred income tax liabilities	-	-	413	3,478	-	3,891
Other liabilities	10,230	430	1,400	425	-	12,485
Credit risk related commitments	599,068	223,659	456,309	192,990	99,531	1,571,557
Non-financial guarantees	43,580	65,554	162,624	217,974	114,208	603,940
TOTAL LIABILITIES AND CREDIT RELATED COMMITMENTS	**6,047,891**	**1,411,608**	**3,534,948**	**3,778,391**	**592,368**	**15,365,206**

Derivative cash flows

The table below illustrates cash flows from derivatives, broken down into the relevant maturity buckets based on residual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows, prepared on the basis of spot rates on the reporting date.

31.12.2013	NLB d.d.					
in thousand EUR	Up to 1 Month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
FOREIGN EXCHANGE DERIVATIVES						
- Forwards						
- Outflow	(58,587)	(25,562)	(79,379)	(9,118)	-	(172,646)
- Inflow	58,605	25,555	79,252	9,080	-	172,492
- Swaps						
- Outflow	(88,950)	(49,708)	(42,795)	-	-	(181,453)
- Inflow	88,359	49,708	42,769	-	-	180,836
- Futures						
- Outflow	-	(6,348)	-	-	-	(6,348)
- Inflow	-	6,342	-	-	-	6,342
INTEREST RATE DERIVATIVES						
- Interest rate swaps and cross-currency swaps						
- Outflow	(1,925)	(4,290)	(78,315)	(69,254)	(56,032)	(209,816)
- Inflow	638	2,341	56,862	72,138	49,864	181,843
- Caps and floors						
- Outflow	(1)	(2)	(4)	-	-	(7)
- Inflow	1	2	4	-	-	7
TOTAL OUTFLOW	**(149,463)**	**(85,910)**	**(200,493)**	**(78,372)**	**(56,032)**	**(570,270)**
TOTAL INFLOW	**147,603**	**83,948**	**178,887**	**81,218**	**49,864**	**541,520**

31.12.2012	NLB d.d.					
in thousand EUR	Up to 1 Month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
FOREIGN EXCHANGE DERIVATIVES						
- Forwards						
- Outflow	(77,933)	(32,476)	(53,475)	(1,617)	-	(165,501)
- Inflow	78,018	32,487	53,497	1,619	-	165,621
- Swaps						
- Outflow	(196,305)	-	(15,729)	-	-	(212,034)
- Inflow	195,851	-	15,809	-	-	211,660
- Options						
- Outflow	-	(3,884)	(11,650)	(39,751)	-	(55,285)
- Inflow	-	3,884	11,650	39,751	-	55,285
- Futures						
- Outflow	-	(6,570)	-	-	-	(6,570)
- Inflow	-	6,584	-	-	-	6,584
INTEREST RATE DERIVATIVES						
- Interest rate swaps and cross-currency swaps						
- Outflow	(2,645)	(27,208)	(26,332)	(128,417)	(67,594)	(252,196)
- Inflow	1,164	23,461	25,519	107,681	53,874	211,699
- Caps and floors						
- Outflow	(2)	(5)	(403)	(8)	-	(418)
- Inflow	2	5	403	9	-	419
TOTAL OUTFLOW	**(276,885)**	**(70,143)**	**(107,589)**	**(169,793)**	**(67,594)**	**(692,004)**
TOTAL INFLOW	**275,035**	**66,421**	**106,878**	**149,060**	**53,874**	**651,268**

31.12.2013	NLB Group					
in thousand EUR	Up to 1 Month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
FOREIGN EXCHANGE DERIVATIVES						
- Forwards						
- Outflow	(58,587)	(25,562)	(79,379)	(9,118)	-	(172,646)
- Inflow	58,605	25,555	79,252	9,080	-	172,492
- Swaps						
- Outflow	(87,300)	(49,708)	(42,795)	-	-	(179,803)
- Inflow	86,704	49,708	42,769	-	-	179,181
- Futures						
- Outflow	-	(6,348)	-	-	-	(6,348)
- Inflow	-	6,342	-	-	-	6,342
INTEREST RATE DERIVATIVES						
- Interest rate swaps and cross-currency swaps						
- Outflow	(1,925)	(4,289)	(78,309)	(69,130)	(55,787)	(209,440)
- Inflow	626	2,318	56,756	71,704	49,551	180,955
- Caps and floors						
- Outflow	(1)	(2)	(4)	-	-	(7)
- Inflow	1	2	4	-	-	7
TOTAL OUTFLOW	**(147,813)**	**(85,909)**	**(200,487)**	**(78,248)**	**(55,787)**	**(568,244)**
TOTAL INFLOW	**145,936**	**83,925**	**178,781**	**80,784**	**49,551**	**538,977**

31.12.2012	NLB Group					
in thousand EUR	Up to 1 Month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
FOREIGN EXCHANGE DERIVATIVES						
- Forwards						
- Outflow	(77,933)	(32,476)	(53,475)	(1,617)	-	(165,501)
- Inflow	78,018	32,487	53,497	1,619	-	165,621
- Swaps						
- Outflow	(169,888)	-	(15,729)	-	-	(185,617)
- Inflow	169,429	-	15,809	-	-	185,238
- Options						
- Outflow	-	(3,884)	(11,650)	(39,751)	-	(55,285)
- Inflow	-	3,884	11,650	39,751	-	55,285
- Futures						
- Outflow	-	(6,575)	-	-	-	(6,575)
- Inflow	-	6,585	-	-	-	6,585
INTEREST RATE DERIVATIVES						
- Interest rate swaps and cross-currency swaps						
- Outflow	(2,645)	(27,202)	(26,326)	(128,344)	(67,350)	(251,867)
- Inflow	1,152	23,332	25,299	107,195	53,471	210,449
- Caps and floors						
- Outflow	(2)	(5)	(403)	(8)	-	(418)
- Inflow	2	5	403	9	-	419
TOTAL OUTFLOW	**(250,468)**	**(70,142)**	**(107,583)**	**(169,720)**	**(67,350)**	**(665,263)**
TOTAL INFLOW	**248,601**	**66,293**	**106,658**	**148,574**	**53,471**	**623,597**

Managing NLB Group's liquidity reserves

The NLB Group has at its disposal liquidity reserves to cover liabilities that fall or may fall due for payment. Liquidity reserves must be available at short notice, following the realization of a stress test scenario (i.e. immediately or within one week). Liquidity reserves include funds on the settlement account with central bank (funds exceeding the reserve requirement), sight and short-term funds with other banks (less the necessary amount of funds for continuous payment processing) and to a greater extent prime debt securities issued by EMU countries and ECB-eligible credit claims, on the basis of which NLB d.d. may generate the needed liquidity at any time.

The NLB Group classifies debt securities either as trading or as banking book depending on the purpose of their acquisition and on the intended manner of disposal. Securities placed in the banking book serve as an instrument for the placement of excess liquidity, while the purpose of trading book securities is to generate profits resulting from difference between the purchase price and selling price.

The purpose of banking book securities is to provide secondary liquidity, and to stabilize the interest margin and interest rate risk management simultaneously. When managing the portfolio, the NLB Group uses conservative principles, particularly with respect to the structure of the portfolio in terms of issuers' ratings and the maturity of the portfolio. The framework for managing securities in the banking book is the Policy for managing debt securities in the banking book, which clearly defines the objectives and characteristics of the associated portfolio.

As at December 31, 2013, the balance of debt securities in NLB d.d.`s banking book was EUR 2,647 million (December 31, 2012: EUR 1,918 million) and EUR 3,164 million in the banking book of NLB Group (December 31, 2012: EUR 2,363 million). Of the aforementioned amount, 91.6% (December 31, 2012: 87%) were government securities, 2.6% (December 31, 2012: 8%) were government-guaranteed bank bonds, while 5.8% were bank and corporate securities (December 31, 2012: 5%).

Geographical analysis of the debt securities portfolio in the banking book

	NLB d.d.				NLB Group			
in million EUR	31.12.2013		31.12.2012		31.12.2013		31.12.2012	
	Carrying value	in %	Carrying value	in %	Carrying value	in %	Carrying value	in %
Country								
Austria	79	3.0	89	4.6	85	2.7	90	3.8
France	68	2.6	73	3.8	84	2.7	73	3.1
Germany	120	4.5	142	7.4	120	3.8	145	6.1
Nederland	33	1.2	-	-	33	1.0	-	-
Belgium	87	3.3	-	-	106	3.4	-	-
Slovenia	2,167	81.9	1,357	70.8	2,240	70.8	1,456	61.6
Macedonia	-	-	-	-	188	5.9	164	6.9
Serbia	-	-	-	-	111	3.5	105	4.5
Other	93	3.5	257	13.4	197	6.2	330	13.9
TOTAL	**2,647**	**100.0**	**1,918**	**100.0**	**3,164**	**100.0**	**2,363**	**100.0**

*The analysis includes all debt securities in the banking book, regardless of their measurement category (note 7.1.n).

During the recapitalization of the Slovenian banking system in December 2013, NLB d.d. received Slovenian government securities in the nominal amount of EUR 415.5 million and securities from the BAMC in the amount of EUR 621.8 million, which together increased the stock of banking book securities by EUR 1,037.3 million. All securities received are ECB-eligible and have a favorable impact on NLB d.d.'s liquidity.

ECB-eligible credit claims comprise loans that meet the high eligibility criteria set by ECB itself and are for domestic loans specified in the Resolution on general rules on Eurosystem monetary policy instruments and procedures (Chapter 5), adopted by Banka Slovenije. NLB d.d. is the only member in the NLB Group that meets the conditions set by the Eurosystem to classify as an eligible counterparty. For this reason, the aforementioned ECB credit claims are included in liquidity reserves. As at December 31, 2013, the outstanding principal on ECB-eligible credit claims stood at EUR 942.3 million, of which central and local government credit claims amounted to EUR 872.4 million, while EUR 69.9 million was accounted for by loans to non-financial corporations.

NLB Group members manage liquidity reserves on a decentralized basis, in accordance with local liquidity regulations and valid policies of the NLB Group.

7.3. MANAGEMENT OF NON-FINANCIAL RISKS

Operational risk

To ensure quality risk management, the NLB Group established a system to collect data regarding loss events, and to identify and assess operational risks. As the highest authority in the area of operational risk management, NLB appointed an Operational Risk Committee to serve as the decision-making body of NLB's Management Board. Relevant operational risk committees were also appointed at other NLB Group banks. The management board serves in this role at other subsidiaries. The task of the aforementioned bodies is to discuss the most significant operational risks and loss events, and to monitor and support the effective management of operational risks at an individual entity.

An upper tolerance limit to operational risk permitted by an individual bank or leasing entity in its operations, has been defined. A net loss exceeding that limit must be treated individually and additional measures taken, as necessary, to prevent the same or similar loss events. The implementation of measures to address the most significant loss events is also monitored. The relevant provisions are created for major loss events, the material consequences of which are appropriately assessed. NLB d.d. also defined a zero tolerance to internal and external criminal and negligent conduct.

The NLB Group experienced fewer events in 2013 than the previous year, but net losses were higher. The increase in net losses is largely attributable to a few sizeable events. Nevertheless, the reported total net loss in 2013 represents less than one-tenth of the capital requirement for operational risk for NLB Group.

In addition to actual loss events, special attention is also given to potential loss events, with the aim of not only recording but of primarily preventing such events. These are events in which operational risks were identified, but a loss event did not necessarily occur. Such observations serve as the basis for improving internal controls.

Future losses can be determined by assessing identified operational risks. An operational risk profile is drafted once a year on the basis of these assessments. The most significant risks are managed actively through measures to mitigate those risks. Special emphasis is placed on the currently most active risks, such as the prevention of loss events in the credit process and risks linked to the divestment of activities. Additional control activities are also being introduced in other areas, such as integrity.

Knowledge and methodologies are transferred within the NLB Group to NLB Group entities included in consolidation (except small entities). All entities have adopted relevant documents that are in line with NLB standards. These documents are updated in line with the development of operational risk management. Thus, NLB’s operational risk management model was implemented throughout the entire NLB Group. NLB strives to constantly update the aforementioned model, which is also supported by the relevant, uniform software support.

Capital requirements for operational risk are calculated using the standardized approach at NLB and using the basic indicator approach at the NLB Group level.

Management of other types of non-financial risks – capital risk, strategic risks, reputation risk and profitability risk

The NLB d.d. includes other non-financial risks, such as capital risk, strategic risk, reputation risk and profitability risk, in the calculation of internal capital at the NLB Group level according to the internal capital adequacy assessment process (ICAAP). To that end, it has established the relevant methodologies for identifying and assessing specific types of risk defined in internal policies. The aforementioned risks are assessed quarterly. If the NLB d.d. assesses that the NLB Group is significantly exposed to a specific risk, it creates capital requirements accordingly.

Individual capital requirements for non-financial risks are calculated by certain NLB Group banks in accordance with national regulations. Notwithstanding regulatory obligations, the ICAAP was introduced at NLB Group banks in 2013 with the aim of identifying potential regulatory non-binding risks. Significant changes in the calculation of capital requirements for individual NLB Group entities could result in an increase in the relevant capital requirements at the NLB Group level.

7.4. INFORMATION REGARDING THE QUALITY OF DEBT SECURITIES

The portfolio of debt securities in the banking book is intended to provide liquidity and manage the NLB Group's interest rate risk. When managing the portfolio, the NLB Group uses conservative principles, particularly with respect to issuers' ratings and the maturity of the portfolio.

Structure of the banking book according to the highest credit rating:

	NLB d.d.				NLB Group			
in million EUR	31.12.2013		31.12.2012		31.12.2013		31.12.2012	
	Carrying value	in %	Carrying value	in %	Carrying value	in %	Carrying value	in %
Rating								
AAA	280	10.6	426	22.2	286	9.0	430	18.2
AA	161	6.1	69	3.6	195	6.2	70	3.0
A	1,969	74.4	1,382	72.1	2,045	64.6	1,481	62.7
BBB	227	8.6	20	1.0	227	7.2	20	0.8
Other	10	0.4	21	1.1	411	13.0	362	15.3
TOTAL	**2,647**	**100.0**	**1,918**	**100.0**	**3,164**	**100.0**	**2,363**	**100.0**

The value of bonds in NLB Group's trading book amounted to EUR 55,362 thousand as at December 31, 2013 (December 31, 2012: EUR 14,022 thousand).

Structure of the trading book according to the highest credit rating:

	NLB d.d. and NLB Group	
in %	31.12.2013	31.12.2012
Rating		
AAA	7.8	-
A	14.8	4.2
BBB	25.0	-
Other	7.7	9.8
TOTAL	**55.3**	**14.0**

7.5. FAIR VALUE HIERARCHY OF FINANCIAL AND NON-FINANCIAL ASSETS AND LIABILITIES

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

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

- Level 2 – Valuation technique where inputs are observable, either directly (i.e. prices) or indirectly (i.e. derived from prices). Level 2 includes quoted prices for similar assets or liabilities on active markets and quoted prices for identical or similar assets and liabilities on markets that are not active. The sources of input parameters for financial instruments, such as yield curves, credit spreads, foreign exchange rates, and the volatility of interest rates and foreign exchange rates, are Reuters and Bloomberg.

- Level 3 – Valuation technique where inputs are not based on observable market data. Unobservable inputs are used to the extent that relevant observable inputs are not available. Unobservable inputs must reflect the assumptions that market participants would use when pricing an asset or liability. This level includes non-tradable shares and bonds and derivatives associated with these investments and other assets and liabilities, for which fair value cannot be determined with observable market inputs.

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

For non-financial assets measured at fair value and not classified within Level 1, fair value is determined based on valuation reports provided by certified valuators. 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

31.12.2013	NLB d.d.				NLB Group			
in thousand EUR	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets								
Financial instruments held for trading	47,915	35,969	20,895	104,779	47,915	35,525	20,895	104,335
Debt instruments	47,649	3,655	4,058	55,362	47,649	3,655	4,058	55,362
Equity instruments	266	-	16,719	16,985	266	-	16,719	16,985
Derivatives	-	32,314	118	32,432	-	31,870	118	31,988
Derivatives - hedge accounting	-	5,426	-	5,426	-	5,426	-	5,426
Financial assets designated at fair value through profit or loss	3,801	-	-	3,801	3,801	2,814	-	6,615
Debt instruments	-	-	-	-	-	895	-	895
Equity instruments	3,801	-	-	3,801	3,801	1,919	-	5,720
Financial assets available for sale	1,131,068	16,531	7,813	1,155,412	1,561,557	105,273	8,287	1,675,117
Debt instruments	1,059,986	16,531	3,573	1,080,090	1,488,938	104,837	3,573	1,597,348
Equity instruments	71,082	-	4,240	75,322	72,619	436	4,714	77,769
Financial liabilities								
Financial instruments held for trading	-	30,148	3,916	34,064	-	30,147	3,916	34,063
Derivatives	-	30,148	3,916	34,064	-	30,147	3,916	34,063
Derivatives - hedge accounting	-	36,519	-	36,519	-	36,519	-	36,519
Financial liabilities designated at fair value through profit or loss	3,800	-	-	3,800	3,800	-	-	3,800
Non-financial assets								
Investment properties	-	1,458	-	1,458	-	34,844	-	34,844
Non-current assets classified as held for sale	-	2,327	-	2,327	-	7,101	10,481	17,582

31.12.2012	NLB d.d.				NLB Group			
in thousand EUR	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	5,319	83,956	19,897	109,172	5,319	83,117	19,897	108,333
Debt instruments	4,197	7,502	2,323	14,022	4,197	7,502	2,323	14,022
Equity instruments	1,122	-	17,574	18,696	1,122	-	17,574	18,696
Derivatives	-	76,454	-	76,454	-	75,615	-	75,615
Derivatives - hedge accounting	-	10,909	-	10,909	-	10,909	-	10,909
Financial assets designated at fair value through profit or loss	3,161	-	-	3,161	3,161	2,015	-	5,176
Debt instruments	-	-	-	-	-	207	-	207
Equity instruments	3,161	-	-	3,161	3,161	1,808	-	4,969
Financial assets available for sale	772,458	110,656	14,751	897,865	1,202,425	127,473	15,193	1,345,091
Debt instruments	677,595	110,656	-	788,251	1,106,372	126,910	-	1,233,282
Equity instruments	94,863	-	14,751	109,614	96,053	563	15,193	111,809
Financial liabilities								
Financial instruments held for trading	-	75,832	4,153	79,985	-	75,875	4,153	80,028
Derivatives	-	75,832	4,153	79,985	-	75,875	4,153	80,028
Derivatives - hedge accounting	-	51,283	-	51,283	-	51,283	-	51,283
Financial liabilities designated at fair value through profit or loss	3,160	-	-	3,160	3,160	-	-	3,160
Non-financial assets								
Investment properties	-	1,702	-	1,702	-	67,753	-	67,753
Non-current assets classified as held for sale	14,377	1,839	-	16,216	14,377	7,447	-	21,824

b) Significant transfers of financial instruments between levels of valuation

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

					Derivatives		
Fair value hierarchy	Equities	Equity stake	Funds	Fixed income	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 in level 1)	valuation model	valuation model
3	valuation model	valuation model	valuation model	other	valuation model (underlying in level 3)		
Transfers	*from level 1 to level 3*		*from level 1 to level 3*	*from level 1 to level 2*	*from level 2 to level 3*		
	equity excluded from exchange market		fund management stops publishing regular valuation	fixed income excluded from exchange market	underlying excluded from exchange market		
	from level 1 to level 3		*from level 3 to level 1*	*from level 1 to level 2*	*from level 3 to level 2*		
	companies in insolvency proceedings		fund management starts publishing regular valuation	fixed income not liquid (no trading for 6 months)	underlying included into exchange market		
	from level 3 to level 1			*from level 1 to level 3 and from level 2 to level 3*			
	equity included to exchange market			companies in insolvency proceedings			
				from level 2 to level 1 and from level 3 to level 1			
				start trading with fixed income on exchange market			
				from level 3 to level 2			
				until valuation parameters are confirmed on ALCO (at least on quarterly basis)			

31.12.2013	NLB d.d. and NLB Group					
in thousand EUR	Level 1		Level 2		Level 3	
Financial assets	from	to	from	to	From	to
Financial instruments held for trading						
- debt instruments	-	-	(3,502)	1,588	(1,588)	3,502
Financial assets available for sale						
- debt instruments	-	75,840	(79,460)	-	-	3,620

31.12.2012	NLB d.d. and NLB Group					
in thousand EUR	Level 1		Level 2		Level 3	
Financial assets	from	to	from	to	From	to
Financial instruments held for trading						
- debt instruments	-	2,807	(2,807)	-	-	-
Financial assets available for sale						
- debt instruments	(6,575)	27,757	(27,757)	6,575	-	-

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

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

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

The majority of financial assets classified in Level 2 are bonds and derivatives held for trading.

When valuing bonds classified in Level 2, the NLB Group primarily uses the income approach based on an estimation of future cash flows discounted to present value. The input parameters used in the income approach are the risk free yield curve and the spread over the yield curve (credit, liquidity, country). Fair values for derivatives are determined using a discounted cash flow model based on the risk-free yield curve. Fair values for options are determined using valuation models for options (Garman and Kohlhagen model, binomial model and Black-Scholes model).

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

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

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

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

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

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

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

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

	31.12.2013	31.12.2012
Available for sale financial assets		
Long term weighted average cost of capital	6,8%-12,7%	6,6%-12,1%
EBITDA margin	6,7%-22%	1,5%-27%
Long term free cash flow growth	2.5%	2.5%
Financial assets held for trading		
Long term weighted average cost of capital	6,8%-12,7%	6,6%-12,1%
EBITDA margin	6,7%-22%	1,5%-27%
Long term free cash flow growth	2.5%	2.5%

When valuing derivatives in Level 3, the value of underlying instruments and the risk-free yield curve have been used in the valuation approach.

Sensitivity to valuation

Sensitivity to the valuation assumptions disclosed in the table below is illustrated by how much the fair value of financial instruments in Level 3 would increase or decrease if management had used reasonably possible alternative valuation assumptions that were not based on observable market data. Presentation of the sensitivity to valuation based on the discounted cash flow model includes a range of estimated values of the extent of the increase or decrease of the assumptions used in amount of 10% of the value applied.

Free cash flow method

	2013		2012	
in thousand EUR	10%	-10%	10%	-10%
Available for sale financial assets				
Long term weighted average cost of capital	(164)	162	(1,442)	1,981
EBITDA margin	372	(366)	2,178	(4,333)
Long term free cash flow growth	196	(45)	655	(558)
Financial assets held for trading				
Long term weighted average cost of capital	(1,151)	1,503	(1,527)	2,026
EBITDA margin	1,966	(1,966)	2,763	(2,763)
Long term free cash flow growth	359	(336)	556	(513)

Comparable Companies Market Multiples Method

	2013		2012	
in thousand EUR	10%	-10%	10%	-10%
Available for sale financial assets				
Market multiples	-	-	279	(139)

Movements of financial assets and liabilities in Level 3

NLB d.d.							
in thousand EUR	Financial instruments held for trading			Financial assets available for sale		Total financial assets	Financial liabilities held for trading
	Debt instruments	Equity instruments	Derivatives	Debt instruments	Equity instruments		Derivatives
Balance at January 1, 2012	**809**	**13,195**	**-**	**-**	**14,743**	**28,747**	**3,196**
Valuation:							
- through profit or loss	8	4,338	-	-	(3,448)	898	957
- recognized in other comprehensive income	-	-	-	-	(1,022)	(1,022)	-
Purchases	1,506	-	-	-	4,583	6,089	-
Sales, issues and settlements	-	-	-	-	(212)	(212)	-
Transfers into level 3	-	41	-	-	107	148	-
Balance at December 31, 2012	**2,323**	**17,574**	**-**	**-**	**14,751**	**34,648**	**4,153**
Exchange differences	(36)		-	-	-	(36)	-
Valuation:							
- through profit or loss	(143)	(833)	118	(47)	(6,845)	(7,750)	(237)
- recognized in other comprehensive income	-	-	-	-	(1,669)	(1,669)	-
Purchases	-	-	-	-	512	512	-
Sales, issues and settlements	-	-	-	-	(2,406)	(2,406)	-
Transfers into level 3	3,502	-	-	3,620	-	7,122	-
Transfer out of level 3	(1,588)	(22)	-	-	(103)	(1,713)	-
Balance at December 31, 2013	**4,058**	**16,719**	**118**	**3,573**	**4,240**	**28,708**	**3,916**

NLB Group							
in thousand EUR	Financial instruments held for trading			Financial assets available for sale		Total financial assets	Financial liabilities held for trading
	Debt instruments	Equity instruments	Derivatives	Debt instruments	Equity instruments		Derivatives
Balance at January 1, 2012	**809**	**13,195**	**-**	**-**	**15,306**	**29,310**	**3,196**
Effects of translation of foreign operations to presentation currency	-	-	-	-	(13)	(13)	-
Valuation:							
- through profit or loss	8	4,338	-	-	(3,501)	845	957
- recognized in other comprehensive income	-	-	-	-	(1,022)	(1,022)	-
Purchases	1,506	-	-	-	4,609	6,115	-
Sales, issues and settlements	-	-	-	-	(293)	(293)	-
Transfers into level 3	-	41	-	-	107	148	-
Balance at December 31, 2012	**2,323**	**17,574**	**-**	**-**	**15,193**	**35,090**	**4,153**
Exchange differences	(36)	-	-	-	(3)	(39)	-
Valuation:							
- through profit or loss	(143)	(833)	118	(47)	(6,845)	(7,750)	(237)
- recognized in other comprehensive income	-	-	-	-	(1,670)	(1,670)	-
Purchases	-	-	-	-	512	512	-
Sales, issues and settlements	-	-	-	-	(2,406)	(2,406)	-
Transfers into level 3	3,502	-	-	3,620	72	7,194	-
Transfer out of level 3	(1,588)	(22)	-	-	(139)	(1,749)	-
Balance at December 31, 2013	**4,058**	**16,719**	**118**	**3,573**	**4,714**	**29,182**	**3,916**

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

In 2013, NLB and the NLB Group recognized the following unrealized gains or losses for financial instruments that are in Level 3 as at December 31, 2013:

- for trading assets, a negative valuation in the amount of EUR 1,994 thousand (December 31, 2012: positive valuation EUR 4,347 thousand), recognized in the income statement item Gains less losses from financial assets and liabilities held for trading and negative exchange differences in amount of EUR 36 thousand, recognized in income statement in item Foreign exchange translation gains less losses;
- for available for sale financial instrument, an impairment loss in the amount of EUR 8,759 thousand (December 31, 2012: EUR 2,577 thousand) recognized in the income statement item Impairment charge and negative valuation in the amount of EUR 1,423 thousand (NLB Group: EUR 1,421 thousand) (December 31, 2012: NLB d.d. and NLB Group negative valuation EUR 1,022 thousand) recognized in the other comprehensive income in item Available for sale financial assets.
- for trading liabilities, a negative valuation in the amount of EUR 2,280 thousand (2012: negative valuation EUR 957 thousand) recognized in the income statement in item Gains less losses from financial assets and liabilities held for trading.

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

	NLB d.d.				NLB Group			
	31.12.2013		31.12.2012		31.12.2013		31.12.2012	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Loans and advances								
- debt securities	702,791	677,833	88,617	56,074	702,791	677,833	88,617	56,074
- loans and advances to banks	376,439	383,245	361,732	374,257	532,533	555,905	460,486	463,170
- loans and advances to customers	5,426,129	5,339,782	7,747,361	7,673,027	7,041,430	6,906,445	9,467,743	9,278,576
- loans to government	353,339	379,734	402,926	437,213	479,420	478,803	512,785	542,611
- loans to financial organizations	655,236	698,083	1,011,199	1,051,558	169,421	176,472	268,143	278,093
- loans to individuals	1,858,175	1,852,633	1,896,663	1,958,026	2,716,082	2,731,964	2,739,601	2,834,553
- granted overdrafts	167,533	166,138	177,642	176,811	199,647	196,482	202,887	200,196
- loans for houses and flats	1,129,302	1,116,024	1,110,490	1,155,710	1,414,648	1,411,673	1,421,303	1,479,033
- consumer loans	503,147	512,332	553,925	571,009	892,455	914,714	884,639	923,795
- other loans	58,193	58,139	54,606	54,496	209,332	209,095	230,772	231,529
- loans to other customers	2,559,379	2,409,332	4,436,573	4,226,230	3,676,507	3,519,206	5,947,214	5,623,319
- loans to large corporate customers	1,617,635	1,473,369	2,538,474	2,389,958	2,003,783	1,846,477	2,973,899	2,704,131
- loans to small and medium size enterprises	941,744	935,963	1,898,099	1,836,272	1,672,724	1,672,729	2,973,315	2,919,188
- other financial assets	41,337	41,337	40,975	40,975	63,919	63,919	67,069	67,069
Held-to-maturity investments	864,259	882,573	1,041,105	1,053,675	864,259	882,573	1,041,105	1,053,675
Financial liabilities measured at amortized cost								
- deposits from banks	74,234	73,260	113,809	112,948	37,425	36,340	55,331	55,368
- borrowings from banks	995,133	940,863	1,555,004	1,408,250	1,119,602	1,063,486	1,755,915	1,603,115
- due to customers	5,743,673	5,759,602	6,765,687	6,794,843	8,257,077	8,320,225	9,118,118	9,177,428
- borrowings from other customers	36,284	34,859	31,401	28,734	162,309	162,512	182,459	182,753
- debt securities in issue	68,782	64,305	104,567	97,360	68,782	64,305	111,620	104,396
- subordinated liabilities	-	-	321,099	265,941	21,874	20,686	342,898	284,621
- other financial liabilities	61,609	61,609	74,921	74,921	86,609	86,609	110,380	110,380

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 to determine their fair value.

Deposits and borrowings
The fair value of sight deposits and overnight deposits is equal to their carrying value. However, their actual value for the NLB Group depends on 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 the 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 relate mainly to short-term receivable and payables.

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

31.12.2013	NLB d.d.				NLB Group			
in thousand EUR	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Loans and advances								
- debt securities	-	677,833	-	677,833	-	677,833	-	677,833
- loans and advances to banks	-	383,245	-	383,245	-	555,905	-	555,905
- loans and advances to customers	-	5,339,782	-	5,339,782	-	6,906,445	-	6,906,445
- loans to government	-	379,734	-	379,734	-	478,803	-	478,803
- loans to financial organizations	-	698,083	-	698,083	-	176,472	-	176,472
- loans to individuals	-	1,852,633	-	1,852,633	-	2,731,964	-	2,731,964
- loans to other customers	-	2,409,332	-	2,409,332	-	3,519,206	-	3,519,206
- other financial assets	-	41,337	-	41,337	-	63,919	-	63,919
Held-to-maturity investments	-	882,573	-	882,573	-	882,573	-	882,573
Financial liabilities measured at amortized cost								
- deposits from banks	-	73,260	-	73,260	-	36,340	-	36,340
- borrowings from banks	-	940,863	-	940,863	-	1,063,486	-	1,063,486
- due to customers	-	5,759,602	-	5,759,602	-	8,320,225	-	8,320,225
- borrowings from other customers	-	34,859	-	34,859	-	162,512	-	162,512
- debt securities in issue	64,305	-	-	64,305	64,305	-	-	64,305
- subordinated liabilities	-	-	-	-	-	20,686	-	20,686
- other financial liabilities	-	61,609	-	61,609	-	86,609	-	86,609

31.12.2012	NLB d.d.				NLB Group			
in thousand EUR	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Loans and advances								
- debt securities	-	56,074	-	56,074	-	56,074	-	56,074
- loans and advances to banks	-	374,257	-	374,257	-	463,170	-	463,170
- loans and advances to customers	-	7,673,027	-	7,673,027	-	9,278,576	-	9,278,576
- loans to government	-	437,213	-	437,213	-	542,611	-	542,611
- loans to financial organizations	-	1,051,558	-	1,051,558	-	278,093	-	278,093
- loans to individuals	-	1,958,026	-	1,958,026	-	2,834,553	-	2,834,553
- loans to other customers	-	4,226,230	-	4,226,230	-	5,623,319	-	5,623,319
- other financial assets	-	40,975	-	40,975	-	67,069	-	67,069
Held-to-maturity investments	-	1,053,675	-	1,053,675	-	1,053,675	-	1,053,675
Financial liabilities measured at amortized cost								
- deposits from banks	-	112,948	-	112,948	-	55,368	-	55,368
- borrowings from banks	-	1,408,250	-	1,408,250	-	1,603,115	-	1,603,115
- due to customers	-	6,794,843	-	6,794,843	-	9,177,428	-	9,177,428
- borrowings from other customers	-	28,734	-	28,734	-	182,753	-	182,753
- debt securities in issue	97,360	-	-	97,360	104,396	-	-	104,396
- subordinated liabilities	138,565	127,376	-	265,941	138,565	146,056	-	284,621
- other financial liabilities	-	74,921	-	74,921	-	91,395	-	91,395

7.6. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

NLB Group entered into foreign exchange netting arrangements with certain banks and companies. Cash flows from all FX derivatives with counterparties that are due on the same day are settled on a net basis, i.e. a single cash flow for each currency. Assets and liabilities related to these FX netting arrangements are not presented in a net amount in the statement of financial position, as netting rules apply to cash flows and not to an instrument as a whole.

In accordance with the European Market Infrastructure Regulation (EMIR), the NLB Group also novated certain standardized derivative financial instruments to a central counterparty in 2013. A system of daily margins assures the mitigation and collateralization of exposures, as well as the daily settlement of cash flows for each currency.

31.12.2013	NLB d.d.					
in thousand EUR				Amounts not set off in the statement of financial position		
FINANCIAL ASSETS/LIABILITIES	Gross amounts of recognised financial assets/liabilities	Gross amounts set off in the statement of financial position	Net amounts of financial assets/liabilities presented in the statement of financial position	Impact of master netting agreements	Financial instruments collateral	Net amount
Derivatives - assets	14,712	-	14,712	1,305	-	13,407
Derivatives - liabilities	28,596	-	28,596	-	1,152	27,444

31.12.2012	NLB d.d.					
in thousand EUR				Amounts not set off on the statement of financial position		
FINANCIAL ASSETS/LIABILITIES	Gross amounts of recognised financial assets/liabilities	Gross amounts set off in the statement of financial position	Net amounts of financial assets/liabilities presented in the statement of financial position	Impact of master netting agreements	Financial instruments collateral	Net amount
Derivatives - assets	48,278	-	48,278	106	-	48,172
Derivatives - liabilities	19,785	-	19,785	-	-	19,785

31.12.2013	NLB Group					
in thousand EUR				Amounts not set off on the statement of financial position		
FINANCIAL ASSETS/LIABILITIES	Gross amounts of recognised financial assets/liabilities	Gross amounts set off in the statement of financial position	Net amounts of financial assets/liabilities presented in the statement of financial position	Impact of master netting agreements	Financial instruments collateral	Net amount
Derivatives - assets	14,212	-	14,212	1,305	-	12,907
Derivatives - liabilities	28,596	-	28,596	-	1,152	27,444

31.12.2012	NLB Group					
in thousand EUR				Amounts not set off on the statement of financial position		
FINANCIAL ASSETS/LIABILITIES	Gross amounts of recognised financial assets/liabilities	Gross amounts set off in the statement of financial position	Net amounts of financial assets/liabilities presented in the statement of financial position	Impact of master netting agreements	Financial instruments collateral	Net amount
Derivatives - assets	47,571	-	47,571	106	-	47,465
Derivatives - liabilities	19,785	-	19,785	-	-	19,785

8. OTHER DISCLOSURES

8.1. ANALYSIS BY SEGMENT

a) Segments

2013	NLB Group							
in thousand EUR	Corporate banking in Slovenia	Retail banking in Slovenia	Financial markets in Slovenia	Foreign strategic markets	Non-strategic markets and activities	Other activities	Unallocated	Total
Total net income	(125,051)	144,020	335,499	130,311	(409,263)	(8,959)	-	66,557
Net income from external customers	(61,183)	83,312	261,477	138,066	(350,772)	(10,091)	-	60,809
Intersegment net income	(63,868)	60,708	74,022	(7,755)	(58,491)	1,132	-	5,748
Net interest income	29,756	73,660	74,023	89,978	(33,820)	(93)	-	233,504
Net interest income from external customers	93,277	11,182	1	98,465	30,584	(5)	-	233,504
Intersegment net interest income	(63,521)	62,478	74,022	(8,487)	(64,404)	(88)	-	-
Administrative expenses	(36,684)	(119,414)	(13,384)	(80,977)	(37,102)	(6,693)	-	(294,254)
Depreciation and amortization	(5,037)	(17,266)	(1,575)	(13,721)	(5,392)	(1,341)	-	(44,332)
Reportable segment (loss)/profit before impairment and provision charge	(166,772)	7,340	320,540	35,613	(451,757)	(16,993)	-	(272,029)
Share of profits/(losses) of associates and joint ventures	-	2,637	-	-	(29,106)	-	-	(26,469)
Impairment and provisions charge	(346,384)	(26,677)	(15,933)	(191,927)	(477,790)	(11,482)	-	(1,070,193)
(Loss)/profit before income tax	(513,156)	(16,700)	304,607	(156,314)	(958,653)	(28,475)	-	(1,368,691)
Non-controlling interests	-	-	-	(575)	(6)	-	-	(581)
Owners of the parent	(513,156)	(16,700)	304,607	(155,739)	(954,446)	(32,676)	-	(1,368,110)
Income tax	-	-	-	-	-	-	(73,453)	(73,453)
Loss for the year								**(1,442,144)**
Reportable segment assets	2,410,963	2,018,580	3,554,144	3,265,290	1,184,788	28,085	-	12,461,850
Investments in associates and joint ventures	-	28,284	-	-	-	-	-	28,284
Reportable segment liabilities	1,087,466	4,566,571	2,575,176	2,800,601	146,461	42,862	-	11,219,137
Additions to non-current assets	2,969	9,764	655	9,617	7,314	-	-	30,319

Segment reporting is presented in accordance with the strategy on the basis of the organizational structure used in management reporting of NLB Group's results.

The NLB Group's segments are business units that focus on different customers and markets. They are managed separately because each business unit requires different strategies and service level.

Business activities of NLB d.d. are divided into several segments. Interest income is reallocated between segments on the basis of the multiple internal transfer rates (fund transfer pricing - FTP). FTP are defined by the Assets and Liabilities Management Department, and are determined by reference to market interest rate benchmarks, bid/ask spread, liquidity premium and ALM subvention. FTP are set on individual deal bases considering the interest rate variability, currency and contractual maturity of the deal. FTP stay fixed till the final maturity date of the deal (in the case of fixed interest rate) or is changed at respective repricing date (in the case of variable interest rate).

Other NLB Group members are, based on their business activity, included in only one segment.

In the year 2013, Internal restructuring unit was established in NLB d.d., where non-strategic portfolio was transferred. In the segmental analysis of the NLB Group for the year 2013 this unit is included in the segment Non-strategic markets and activities, while in the year 2012 this segment includes only operations of non-strategic subsidiaries, associates and joint ventures. There are also differences in the segment of Corporate banking in Slovenia deriving from transfer to non-strategic portfolio. Accordingly, the results of individual segments in the year 2013 are not comparable with the results in the same period of the previous year.

In addition, the methodology changed in 2013 as regards the display of medium and small enterprises and sole traders in the NLB d.d.; the new display is within the segment Corporate banking in Slovenia and no longer within the segment Retail Banking in Slovenia. The segmental analysis for the year 2012 is adapted to this change.

Description of NLB Group's segments:

- Retail banking in Slovenia represents banking with individuals in NLB d.d. and assets management – NLB Skladi. It also includes the contribution to financial result of joint venture NLB Vita and associates Skupna pokojninska družba and Bankart;
- Corporate banking in Slovenia, which includes operations with large (key), medium-sized (mid-market), micro and small businesses, Intensive Care and Non-performing-loans;
- Financial markets in Slovenia, which include treasury activities, asset liability management, trading in financial instruments, brokerage and custody of securities as well as financial advisory;
- Foreign strategic markets represent all business activities from NLB Group members on strategic markets in the NLB Group (Bosnia and Herzegovina, Montenegro, Kosovo, Macedonia and Serbia), except leasing entities;
- Non-strategic markets and activities represent total activities from the NLB Group members on non-strategic markets in the NLB Group (Croatia, Germany, Switzerland and Czech Republic) and all leasing entities. It also include the operating result of non financial entities (NLB Propria, Prospera Plus) and the contribution to financial result of joint venture Prvi Faktor and associated banks Adria Bank and Banka Celje. In the year 2013 the performance of Internal restructuring unit in NLB d.d. is included; and
- Other represents items of NLB income statement that are not related to reportable segments.

Since NLB Group is primarily a financial group and interest income represents the majority of the NLB Group's main indicator of a segment's efficiency is net profit before tax.

There was no income from transactions with a single external customer that amounted to 10% or more of the NLB Group's income.

2012	NLB Group							
in thousand EUR	Corporate banking in Slovenia	Retail banking in Slovenia	Financial markets in Slovenia	Foreign strategic markets	Non-strategic markets and activities	Other activities	Unallocated	Total
Total net income	144,323	142,341	262,201	139,635	(2,019)	(4,284)	-	682,197
Net income from external customers	260,561	72,020	176,538	149,186	20,294	(4,329)	-	674,270
Intersegment net income	(116,238)	70,321	85,663	(9,551)	(22,313)	45	-	7,927
Net interest income	88,838	78,830	56,852	107,494	10,422	69	-	342,505
Net interest income from external customers	205,499	7,361	(28,811)	118,119	40,313	24	-	342,505
Intersegment net interest income	(116,661)	71,469	85,663	(10,625)	(29,891)	45	-	-
Administrative expenses	(48,457)	(124,973)	(15,648)	(84,298)	(49,348)	(2,033)	-	(324,757)
Depreciation and amortization	(7,127)	(19,258)	(1,801)	(15,043)	(7,673)	(422)	-	(51,324)
Reportable segment profit/(loss) before impairment and provision charge	88,739	(1,890)	244,752	40,295	(59,041)	(6,739)	-	306,116
Share of profits/(losses) of associates and joint ventures	-	3,369	-	-	(10,484)	-	-	(7,115)
Impairment and provisions charge	(405,662)	(5,639)	(298)	(83,724)	(56,757)	(4,961)	-	(557,041)
(Loss)/profit before income tax	(316,923)	(4,160)	244,454	(43,429)	(126,282)	(11,700)	-	(258,040)
Non-controlling interests	-	-	-	412	496	-	-	908
Owners of the parent	(316,923)	(4,160)	244,454	(43,841)	(126,778)	(11,700)	-	(258,948)
Income tax	-	-	-	-	-	-	(14,564)	(14,564)
Loss for the year								**(272,604)**
Reportable segment assets	5,048,588	2,137,821	2,715,948	3,243,673	929,031	157,410	-	14,232,471
Investments in associates and joint ventures	-	25,727	-	-	76,495	-	-	102,222
Reportable segment liabilities	1,272,907	5,158,348	3,727,355	2,705,648	145,261	180,190	-	13,189,709
Additions to non-current assets	1,937	7,251	504	27,436	10,262	188	-	47,578

b) Geographical information

	NLB Group									
in thousand EUR	Revenues		Net income		Non-current assets		Total assets		Number of employees	
	2013	2012	2013	2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Slovenia	472,479	657,263	(54,555)	526,111	232,319	359,719	8,987,307	10,550,673	3,661	3,814
South East Europe	230,782	260,187	141,954	159,569	123,679	188,954	3,378,985	3,465,375	3,229	3,309
Macedonia	73,995	80,411	46,533	40,534	35,300	37,207	962,598	975,894	823	821
Serbia	21,911	31,584	11,170	21,332	32,214	34,772	387,321	436,810	587	629
Montenegro	37,711	44,175	21,444	26,495	11,841	16,080	498,806	489,307	328	337
Croatia	769	2,440	840	2,928	3,611	3,432	47,461	112,296	21	26
Bosnia and Herzegovina	65,246	70,655	44,151	50,232	27,764	66,649	1,016,479	1,009,773	943	965
Bulgaria	52	33	60	37	1	2	897	1,949	2	2
Kosovo	31,098	30,889	17,756	18,011	12,948	30,812	465,423	439,346	525	529
Western Europe	533	25,302	208	15,242	435	20,637	116,708	286,026	22	71
Germany	162	13,473	320	4,815	330	535	6,398	40,877	10	56
Switzerland	371	11,829	(112)	10,427	105	10,794	110,310	235,841	12	15
Austria	-	-	-	-	-	9,308	-	9,308	-	-
Czech Republic	277	936	(26,798)	(26,652)	-	18	7,134	32,619	-	14
TOTAL	**704,071**	**943,688**	**60,809**	**674,270**	**356,433**	**569,328**	**12,490,134**	**14,334,693**	**6,912**	**7,208**

Geographical analysis includes a breakdown by geographical segments with respect to the country in which individual NLB Group entities are located.

None of the countries of South East Europe and Western Europe represents more than 10% of the NLB Group's revenue.

8.2. RELATED-PARTY TRANSACTIONS

A number of banking transactions are entered into with related parties in the normal course od business. Related party transactions are concluded on an arms' length basis. The volume of related-party transactions and the outstanding balances are as follows.

	NLB d.d. and NLB Group							
in thousand EUR	Management Board and other Key management personnel		Family members of the Management Board and other Key management personnel		Companies in which members of Management board, Key management personnel or their family members have the control or joint control		Supervisory Board	
	2013	2012	2013	2012	2013	2012	2013	2012
Loans issued								
Balance at January 1	2,339	2,649	604	570	778	781	1	171
Increase	1,451	1,312	463	587	78	300	54	75
Decrease	(1,186)	(1,622)	(429)	(553)	(268)	(303)	(7)	(245)
Balance at December 31	**2,604**	**2,339**	**638**	**604**	**588**	**778**	**48**	**1**
Interest income	62	90	20	27	16	26	-	2
Deposits received								
Balance at January 1	3,378	3,862	1,898	1,757	201	191	163	1,293
Increase	7,465	7,606	3,622	4,693	252	155	74	1,241
Decrease	(7,901)	(8,090)	(4,252)	(4,552)	(232)	(145)	(171)	(2,371)
Balance at December 31	**2,942**	**3,378**	**1,268**	**1,898**	**221**	**201**	**66**	**163**
Interest expense	(67)	(98)	(29)	(48)	-	-	(2)	(12)
Debt securities in issue	**4**	**34**	**-**	**10**	**-**	**-**	**-**	**-**
Interest expense	-	(3)	-	(1)	-	-	-	(1)
Guarantees issued and credit commitments	**367**	**399**	**171**	**176**	**41**	**4**	**3**	**12**
Fee income	15	9	8	7	6	6	1	-

in thousand EUR	NLB d.d.				NLB Group			
	Ultimate parent		Shareholders with significant influence		Ultimate parent		Shareholders with significant influence	
	2013	2012	2013	2012	2013	2012	2013	2012
Loans issued								
Balance at January 1	223,610	18,301	-	-	233,983	29,975	-	5,000
Increase	8,902	441,650	-	-	9,197	442,082	-	-
Decrease	(20,169)	(236,341)	-	-	(21,615)	(238,074)	-	(5,000)
Balance at December 31	**212,343**	**223,610**	**-**	**-**	**221,565**	**233,983**	**-**	**-**
Interest income	7,946	2,195	-	-	8,241	2,627	-	-
Loans received								
Balance at January 1	-	-	75,045	-	-	-	76,473	3,374
Increase	-	-	432	75,045	-	-	441	76,513
Decrease	-	-	(75,477)	-	-	-	(76,914)	(3,414)
Balance at December 31	**-**	**-**	**-**	**75,045**	**-**	**-**	**-**	**76,473**
Interest expense	-	-	(166)	(25)	-	-	(175)	(47)
Deposits								
Balance at January 1	-	-	1,112	876	-	-	1,112	876
Increase	-	-	66,471	1,457,382	-	-	66,471	1,457,382
Decrease	-	-	(67,583)	(1,457,146)	-	-	(67,583)	(1,457,146)
Balance at December 31	**-**	**-**	**-**	**1,112**	**-**	**-**	**-**	**1,112**
Interest income	-	-	-	159	-	-	-	159
Deposits received								
Balance at January 1	409,787	728,176	-	-	409,787	728,176	-	-
Increase	50,087,897	22,344,435	-	48,002	50,087,897	22,344,435	-	48,002
Decrease	(50,497,677)	(22,662,824)	-	(48,002)	(50,497,677)	(22,662,824)	-	(48,002)
Balance at December 31	**7**	**409,787**	**-**	**-**	**7**	**409,787**	**-**	**-**
Interest expense	(14,461)	(15,114)	-	(2)	(14,461)	(15,114)	-	(2)
Investments in securities								
Balance at January 1	1,178,561	1,207,522	-	-	1,178,561	1,212,522	-	-
Increase	1,125,276	643,104	-	-	1,215,771	643,104	-	-
Decrease	(891,400)	(696,779)	-	-	(908,790)	(701,779)	-	-
Valuation	14,885	24,714	-	-	15,089	24,714	-	-
Balance at December 31	**1,427,322**	**1,178,561**	**-**	**-**	**1,500,631**	**1,178,561**	**-**	**-**
Interest and dividend income	43,061	46,001	-	-	44,883	46,222	-	-
Debt securities in issue	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interest expense	-	-	-	(32)	-	-	-	(32)
Derivatives								
Fair value	-	-	-	(1,522)	-	-	-	(1,522)
Contractual amount	-	-	-	148,354	-	-	-	148,354
Other financial assets	**1**	**15**	**-**	**-**	**339**	**15**	**-**	**-**
Other financial liabilities	**61**	**2**	**-**	**-**	**61**	**2**	**-**	**-**
Other equity instruments issued	**-**	**320,000**	**-**	**-**	**-**	**320,000**	**-**	**-**
Accrued income from issued financial instrument with characteristics of equity	5,173	16,044	-	-	5,173	16,044	-	-
Guarantees issued and credit commitments	**915**	**981**	**-**	**-**	**915**	**981**	**-**	**-**
Fee income	63	127	3	18	63	127	3	18
Fee expense	-	-	-	(1)	-	-	-	(1)
Other income	107	4	-	-	107	4	-	-
Other expense	(106)	(10)	-	-	(106)	(10)	-	-
Gains on derecognition of financial assets not measured at fair value	-	-	-	-	61	-	-	-

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

	NLB d.d.			
in thousand EUR	Total amount of significant transactions		Number of significant transactions	
	1.1.-31.12.2013	1.1.-31.12.2012	1.1.-31.12.2013	1.1.-31.12.2012
Loans	581,359	515,684	7	5
Debt securities classified as loans and advances	702,791	84,869	1	1
Debt securities	51,800	51,609	1	1
Deposits	40,063	40,073	1	1
Borrowings	389,747	334,282	7	6
Derivatives	474,983	380,898	11	9
Commitments to extend credit	49,966	-	1	-
	1.1.-31.12.2013	1.1.-31.12.2012		
Interest income from loans	4,783	7,739		
Effects from net interest income and net valuation from debt securities classified as loans and receivables	(1,104)	7,650		
Interest income from debt securities	1,721	1,718		
Interest expense from deposits	(805)	(1,196)		
Interest expense from borrowings	(6,431)	(9,451)		
Effects from net interest income and net valuation from derivatives	(1,281)	(6,588)		
Interest income from commitments to extend credit	152	-		

In year 2012 government related entities increased NLB d.d.`s share capital in amount of EUR 61 million.

	NLB d.d.					
in thousand EUR	Subsidiaries		Associates		Joint ventures	
	2013	2012	2013	2012	2013	2012
Loans issued						
Balance at January 1	864,862	1,020,324	104,107	12,752	44,417	48,086
Increase	419,346	775,306	78,697	167,266	77,035	63,331
Decrease	(550,418)	(930,768)	(176,500)	(75,911)	(75,438)	(67,000)
Balance at December 31	**733,790**	**864,862**	**6,304**	**104,107**	**46,014**	**44,417**
Interest income	33,579	36,359	4,961	1,847	2,250	2,343
Loans received						
Balance at January 1	-	-	-	-	-	-
Increase	-	95,383	-	-	-	-
Decrease	-	(95,383)	-	-	-	-
Balance at December 31	**-**	**-**	**-**	**-**	**-**	**-**
Interest expense	-	(3)	-	-	-	-
Deposits						
Balance at January 1	119,505	113,755	15,129	38,183	-	-
Increase	824,394	1,779,020	23,226	415,174	-	-
Decrease	(924,933)	(1,773,270)	(28,140)	(438,228)	-	-
Balance at December 31	**18,966**	**119,505**	**10,215**	**15,129**	**-**	**-**
Interest income	1,318	4,429	304	99	-	-
Deposits received						
Balance at January 1	81,352	60,127	13,611	12,420	8,181	9,525
Increase	9,023,899	11,764,766	83,119	75,192	50,994	63,086
Decrease	(9,043,217)	(11,743,541)	(86,368)	(74,001)	(54,008)	(64,430)
Balance at December 31	**62,034**	**81,352**	**10,362**	**13,611**	**5,167**	**8,181**
Interest expense	(427)	(710)	(253)	(477)	(221)	(359)
Investments in securities						
Balance at January 1	-	-	1,071	3,121	-	-
Increase	-	-	52	55	-	-
Decrease	-	-	(672)	(2,057)	-	-
Valuation	-	-	39	(48)	-	-
Balance at December 31	**-**	**-**	**490**	**1,071**	**-**	**-**
Interest and dividend income	-	-	52	55	-	-
Debt securities in issue	**-**	**-**	**569**	**10,279**	**-**	**307**
Interest expense	-	-	(256)	(475)	(18)	(19)
Derivatives						
Fair value	499	939	30	777	-	-
Contractual amount	7,573	42,234	12,390	36,000	-	-
Other financial assets	**556**	**408**	**456**	**496**	**215**	**10**
Other financial liabilities	**3,691**	**409**	**992**	**986**	**53**	**90**
Guarantees issued and credit commitments	**40,318**	**59,021**	**2,002**	**2,504**	**3,725**	**6,349**
Received loan commitments and financial guarantees	**2,000**	**900**	**900**	**643**	**-**	**-**
Fee income	2,221	1,973	490	455	3,014	2,018
Fee expense	(116)	(211)	(9,537)	(9,298)	(1,227)	(1,316)
Other income	366	401	4,104	4,097	80	464
Other expense	(4,494)	(4,551)	(1,260)	(1,354)	(1)	(3)

	NLB Group			
in thousand EUR	Associates		Joint ventures	
	2013	2012	2013	2012
Loans issued				
Balance at January 1	104,107	26,234	150,679	160,032
Increase	89,499	167,266	184,293	261,567
Decrease	(187,275)	(89,393)	(196,611)	(270,920)
Balance at December 31	**6,331**	**104,107**	**138,361**	**150,679**
Interest income	4,961	2,298	7,612	9,043
Loans received				
Balance at January 1	3,879	9,337	-	-
Increase	109	361	-	-
Decrease	(2,090)	(5,819)	-	-
Balance at December 31	**1,898**	**3,879**	**-**	**-**
Interest expense	(109)	(361)	-	-
Deposits				
Balance at January 1	15,129	38,248	-	-
Increase	33,582	415,174	-	-
Decrease	(30,429)	(438,293)	-	-
Balance at December 31	**18,282**	**15,129**	**-**	**-**
Interest income	374	99	-	-
Deposits received				
Balance at January 1	13,611	12,671	14,626	15,215
Increase	83,119	75,192	245,268	261,775
Decrease	(86,368)	(74,252)	(253,346)	(262,364)
Balance at December 31	**10,362**	**13,611**	**6,548**	**14,626**
Interest expense	(253)	(477)	(286)	(393)
Investments in securities				
Balance at January 1	1,071	3,121	-	-
Increase	52	55	-	-
Decrease	(672)	(2,057)	-	-
Valuation	39	(48)	-	-
Balance at December 31	**490**	**1,071**	**-**	**-**
Interest and dividend income	52	55	-	-
Debt securities in issue	**569**	**10,279**	**-**	**307**
Interest expense	(256)	(475)	(18)	(19)
Derivatives				
Fair value	30	777	-	-
Contractual amount	12,390	36,000	-	-
Other financial assets	**456**	**496**	**220**	**19**
Other financial liabilities	**992**	**986**	**53**	**157**
Guarantees issued and credit commitments	**2,002**	**2,504**	**14,867**	**19,349**
Received loan commitments and financial guarantees	**900**	**643**	**-**	**-**
Fee income	490	455	3,157	2,289
Fee expense	(9,537)	(9,298)	(1,227)	(1,316)
Other income	4,104	4,097	80	464
Other expense	(1,260)	(1,354)	(1)	(3)

Key management compensation

In accordance with competence of the Supervisory Board, as defined by the Articles of Association of NLB d.d., the Supervisory Board adopted the criteria for remunerating the members of the Management Board.

The bases for the remuneration of members of the Management Board are several quantitative and qualitative targets (considering limitations of Slovenian and European legislation) in the following areas:

- Financial results of operations of NLB Group
- Restructuring and reorganisation as well as implementation of the Transformation programme projects
- Risk Management and Compliance.

	Management Board		Other Key management		Supervisory Board	
in thousand EUR	2013	2012	2013	2012	2013	2012
Short-term benefits	585	592	6,258	6,327	144	187
Costs refunds	7	5	169	170	29	56
Long-term bonuses:						
- severance pay	-	-	42	85	-	-
- post employment benefits	2	18	161	237	-	-
- jubilee bonuses	-	-	2	2	-	-
TOTAL	**594**	**615**	**6,632**	**6,821**	**173**	**243**

Short-term benefits include:

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

The reimbursement of cost comprises food allowance and travel expenses.

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

Accrued earnings of individual members of the Management Board

in EUR			
Member		2013	2012
1. Janko Medja	Short-term benefits:		
2.10.2012	- gross salary, benefits and holiday allowance	135,649	31,903
	Costs refunds	2,533	324
	Long-term bonuses:		
	- post employment benefits	705	230
	Total	**138,887**	**32,457**
2. Blaž Brodnjak	Short-term benefits:		
1.12.2012	- gross salary, benefits and holiday allowance	134,720	10,786
	Costs refunds	1,304	110
	Long-term bonuses:		
	- post employment benefits	705	-
	Total	**136,729**	**10,896**
3. Andreas Burkhardt	Short-term benefits:		
18.9.2013	- gross salary, benefits and holiday allowance	51,710	-
	Costs refunds	398	-
	Total	**52,108**	**-**
4. Archibald Kremser	Short-term benefits:		
31.7.2013	- gross salary, benefits and holiday allowance	74,363	-
	Costs refunds	698	-
	Total	**75,061**	**-**
5. Nima Motazed	Short-term benefits:		
6.2.2013	- gross salary, benefits and holiday allowance	156,277	-
	Costs refunds	1,291	-
	Total	**157,568**	**-**
6. Guy Snoeks	Short-term benefits:		
5.7.2011 - 31.3.2013	- gross salary, benefits and holiday allowance	33,084	129,596
	Costs refunds	361	1,267
	Long-term bonuses:		
	- post employment benefits	352	1,378
	Total	**33,797**	**132,241**
7. Božo Jašovič	Short-term benefits:		
1.10.2009 - 1.10.2012	- gross salary, benefits and holiday allowance	-	98,703
	Costs refunds	-	979
	Long-term bonuses:		
	- post employment benefits	-	1,148
	Total	**-**	**100,830**
8. David Benedek	Short-term benefits:		
14.7.2009 - 31.12.2012	- gross salary, benefits and holiday allowance	-	128,079
	Costs refunds	-	1,095
	Long-term bonuses:		
	- post employment benefits	-	10,067
	Total	**-**	**139,241**

Accrued earnings of individual members of the Management Board

in EUR			
Member		2013	2012
9. Marko Jazbec	Short-term benefits:		
1.12.2009 - 31.12.2012	- gross salary, benefits and holiday allowance	-	128,128
	Costs refunds	-	1,181
	Long-term bonuses:		
	- post employment benefits	-	1,378
	Total	**-**	**130,687**
10. Robert Kleindienst	Short-term benefits:		
1.12.2009 - 30.6.2012	- gross salary, benefits and holiday allowance	-	64,572
	Costs refunds	-	447
	Long-term bonuses:		
	- post employment benefits	-	3,906
	Total	**-**	**68,925**

Accrued earnings of individual members of the Supervisory Board

in EUR			
Member		2013	2012
1. France Arhar	Session fees	2,585	-
12.6.2013	Performance payment	11,183	-
2. Goran Katušin	Session fees	3,040	-
12.6.2013	Performance payment	8,861	-
3. Gorazd Podbevšek	Session fees	2,860	-
12.6.2013	Performance payment	8,027	-
	Costs refunds	90	-
4. Sergeja Slapničar	Session fees	3,040	-
12.6.2013	Performance payment	8,861	-
	Costs refunds	480	-
5. Tit A. Erker	Session fees	3,040	-
12.6.2013	Performance payment	8,861	-
	Costs refunds	2,558	-
6. Miha Košak	Session fees	2,090	-
12.6.2013	Performance payment	8,861	-
	Costs refunds	3,387	-
7. Uroš Ivanc	Session fees	3,040	-
12.6.2013	Performance payment	8,861	-
	Costs refunds	164	-
8. Klemen Vidic	Session fees	2,750	2,750
27.6.2012 - 11.6.2013	Performance payment	9,136	9,019
	Costs refunds	428	1,476
	Other benefits	-	235

Accrued earnings of individual members of the Supervisory Board

in EUR			
Member		2013	2012
9. Janko Medja	Session fees	-	1,265
27.6.2012 - 1.10.2012	Performance payment	-	4,553
	Costs refunds	-	129
10. Marko Simoneti	Session fees	-	2,310
1.7.2009 - 27.6.2012	Performance payment	-	11,000
	Costs refunds	-	1,395
	Other benefits	-	404
11. Riet Paula C L Docx	Session fees	275	5,500
1.7.2009 - 10.1.2013	Performance payment	473	16,592
	Costs refunds	1,554	26,132
	Other benefits	-	639
12. John Arthur Hollows	Session fees	-	2,420
1.7.2009 - 31.12.2012	Performance payment	-	13,750
	Costs refunds	-	7,708
	Other benefits	-	235
13. Stephan Wilcke	Session fees	2,640	1,870
27.6.2012 - 11.6.2013	Performance payment	6,641	7,824
	Costs refunds	2,603	10,038
	Other benefits	-	235
14. Miro Germ	Session fees	2,750	2,365
27.6.2012 - 11.6.2013	Performance payment	7,379	7,171
	Costs refunds	704	982
	Other benefits	-	235
15. Miran Pleterski	Session fees	-	1,265
27.6.2012 - 11.10.2012	Performance payment	-	3,615
	Costs refunds	-	3,029
16. Sašo Cunder	Session fees	2,750	2,750
27.6.2012 - 11.6.2013	Performance payment	8,082	7,792
	Costs refunds	83	63
	Other benefits	-	235
17. Marianne Okland	Session fees	2,750	-
14.12.2012 - 11.6.2013	Performance payment	6,204	532
	Costs refunds	13,204	-
18. Gael de Pontbriand	Session fees	2,200	-
14.12.2012 - 11.6.2013	Performance payment	6,204	532
	Costs refunds	4,159	-
19. Albin Hojnik	Session fees	-	1,320
27.6.2012 - 24.10.2012	Performance payment	-	3,667
	Costs refunds	-	1,123

Accrued earnings of individual members of the Supervisory Board

in EUR			
Member		2013	2012
20. Andrej Baričič	Session fees	-	5,390
1.7.2009 - 27.6.2012	Performance payment	-	8,250
	Other benefits	-	404
21. Jurij Detiček	Session fees	-	4,290
30.5.2010 - 27.6.2012	Performance payment	-	8,250
	Other benefits	-	404
22. Anton Macuh	Session fees	-	3,410
25.11.2010 - 27.6.2012	Performance payment	-	6,875
	Costs refunds	-	465
	Other benefits	-	404
23. Igor Masten	Session fees	-	3,190
1.7.2009 - 27.6.2012	Performance payment	-	8,250
	Costs refunds	-	332
	Other benefits	-	404
24. Rasto Ovin	Session fees	-	2,915
1.7.2009 - 27.6.2012	Performance payment	-	8,800
	Costs refunds	-	2,456
	Other benefits	-	404
25. Stojan Petrič	Session fees	-	495
1.7.2009 - 24.1.2012	Performance payment	-	1,146
26. Boris Škapin	Session fees	-	3,410
1.7.2009 - 27.6.2012	Performance payment	-	8,250
	Costs refunds	-	564
	Other benefits	-	404

Nova Ljubljanska banka d.d., Ljubljana
Trg republike 2
1520 Ljubljana, Slovenia
Tel: +386 1 476 39 00
Fax: +386 1 252 25 00,
E-mail: info@nlb.si
www.nlb.si
Janko Medja, President of the Management Board
Archibald Kremser, Member of the Management Board
Andreas Burkhardt , Member of the Management Board
Blaž Brodnjak, Member of the Management Board
Nima Motazed, Member of the Management Board

Moscow Representative Office
31 Novinsky boulevard
Office 8 - 14
123242 Moscow, Russia
Tel: +7 495 589 23 02, 589 23 03, 589 23 04
Fax: +7 495 589 2305

FOREIGN NETWORK

Trieste Branch
Strada per Vienna 55/1
34151 Trieste, Italy
Tel: +39 040 67287 11
Fax: +39 040 67287 99
www.nlb.it
Vito Cigoj, Director

SLOVENIAN NETWORK

Ljubljana Center Branch
Trg republike 2
1000 Ljubljana, Slovenia
Tel: +386 1 476 23 30
Fax: +386 1 252 26 45

Vič-Notranjska and Moste Branch
Nove Fužine 33
1000 Ljubljana, Slovenia
Tel: +386 1 477 46 01
Fax: +386 1 477 46 39

Šiška-Bežigrad and Gorenjska Branch
Celovška 89
1000 Ljubljana, Slovenia
Tel: +386 1 476 57 02
Fax: +386 1 519 53 16

Domžale, Kamnik and Zasavje Branch
Ljubljanska cesta 62
1230 Domžale, Slovenija
T: +386 1 724 55 01
F: +386 1 724 53 09

Šaleško-Koroška Branch
Rudarska cesta 3
3320 Velenje, Slovenia
Tel: +386 3 899 52 56
Fax: +386 3 899 51 40

Podravje Branch
Titova cesta 2
2000 Maribor, Slovenia
Tel: +386 2 234 45 04
Fax: +386 2 204 45 34

Dolenjska and Bela krajina Branch
Seidlova cesta 3
8000 Novo mesto, Slovenia
Tel: +386 7 339 14 56
Fax: +386 7 339 13 84

Savinjsko-Posavska Branch
Kocenova 1
3000 Celje, Slovenija
T: +386 3 424 01 16
F: +386 3 424 01 03

Pomurje Branch
Trg zmage 7
9000 Murska Sobota, Slovenia
Tel: +386 2 515 43 74
Fax: +386 2 515 42 68

Primorska Branch
Pristaniška 45
6000 Koper, Slovenia
Tel: +386 5 610 30 10
Fax: +386 5 627 65 08

Private Banking Sector
Trg republike 2
1000 Ljubljana, Slovenia
Tel: +386 1 476 23 66
Fax: +386 1 476 23 33

Small Enterprises
Trg republike 2
1000 Ljubljana, Slovenia
T: +386 1 476 21 02
F: +386 1 476 23 26

MID CORPORATES

Central Slovenia
Trg republike 2
1000 Ljubljana, Slovenia
T: +386 1 476 26 11
F: +386 1 251 05 72

East Slovenia
Kocenova 1
3000 Celje, Slovenia
T: +386 3 424 01 11
F: +386 3 544 24 66

West Slovenia
Pristaniška 45
6000 Koper, Slovenia
T: +386 5 610 30 10
F: +386 5 610 30 75

LARGE CORPORATES

Institutional Investors
Trg republike 2
1000 Ljubljana, Slovenia
T: +386 1 476 26 38
F: +386 1 252 24 61

Large Corporates
Trg republike 2
1000 Ljubljana, Slovenia
T: +386 1 476 26 28
F: +386 1 425 51 90

MEMBERS OF THE NLB GROUP

Banka Celje d.d.
Vodnikova 2
3000 Celje, Slovenia
Tel: +386 3 422 10 00
Fax: +386 3 422 11 00
E-mail: info@banka-celje.si
www.banka-celje.si
Davorin Leskovar, President of the Management Board
Aleksander Vozel, Member of the Management Board

Adria Bank AG, Vienna
Gonzagagasse 16
A-1010 Vienna, Austria
Tel: +43 1 514 09 0
Fax: +43 1 514 09 43
E-mail: headoffice@adriabank.at
www.adriabank.at
Gregor Kaiser, President of the Management Board
Udo Amadeus Szekulics, Member of the Management Board

LHB Aktiengesellschaft, Frankfurt
Grosse Gallusstrasse 16
60311 Frankfurt/Main
Germany
Tel: +49 69 21 06 103
Mob: +004915116795809
Fax: +49 69 21 06 201
E-mail: info@lhb.de
www.lhb.de
Borut Stanič, President of the Management Board

NLB banka a.d., Belgrade
Bulevar Mihajla Pupina 165 v
11070 Belgrade, Serbia
Tel: +381 11 22 25 100
Fax: +381 11 22 25 194
E-mail: info@nlb.rs
www.nlb.rs
Samo Nučič, President of the Executive Board
Vlastimir Vuković, Member of the Executive Board
Aleša Korenčič, Member of the Executive Board

NLB Montenegrobanka a.d., Podgorica
Bulevar Stanka Dragojevića 46
81000 Podgorica, Montenegro
T: +382 20 402 000
F: +382 20 402 038
E-mail: info@nlb.me
www.nlb.me
Anton Ribnikar, CEO
Robert Kleindienst, Executive Director
Dino Redžepagić, Executive Director

NLB Prishtina sh.a., Pristina
Rr. Kosta Novakovic p.n.
10000 Pristina, Kosovo
Tel: +381 38 234 111
Fax: +381 38 246 189
E-mail: info@nlbprishtina-kos.com
www.nlbprishtina-kos.com
Albert Lumezi, President of the Management Board
Bogdan Podlesnik, Member of the Management Board
Lavdim Koshutova, Member of the Management Board

NLB Razvojna banka a.d., Banja Luka
Milana Tepića 4
78000 Banja Luka, Republika Srpska, Bosnia and Herzegovina
Tel: +387 51 221 610
Fax: +387 51 221 623
E-mail: helpdesk@nlbrazvojnabanka.com
www.nlbrazvojnabanka.com
Radovan Bajić, Director

NLB Tutunska banka a.d., Skopje
Majka Tereza 1
1000 Skopje, Macedonia
T: +389 2 5 100 865
F: +389 2 3 105 681
E-mail: tbanka1@tb.com.mk
www.nlbtb.com.mk
Gjorgji Jančevski, President of the Management Board and CEO
Ljube Rajevski, Member of the Management Board
Damir Kuder, Member of the Management Board

NLB Banka d.d., Tuzla
Maršala Tita 34
75000 Tuzla, Bosnia and Herzegovina
Tel: +387 35 259 259
Fax: +387 35 251 414
E-mail: info@nlb.ba
www.nlb.ba
Almir Šahinpašić, Director

NLB Leasing d.o.o., Ljubljana
Šlandrova ulica 2
1000 Ljubljana, Slovenia
Tel: +386 1 586 29 10
Fax: +386 1 586 29 40
E-mail: info@nlbleasing.si
www.nlbleasing.si
Andrej Pucer, President of the Management Board
Janez Saje, Member of the Management Board
Bojan Iskra, Member of the Management Board

NLB Leasing d.o.o. Beograd
Bulevar Mihajla Pupina 165 v
11070 Belgrade, Serbia
Tel: +381 11 222 01 01
Fax: +381 11 222 01 02
E-mail: info@nlbleasing.rs
www.nlbleasing.rs
Dušan Stankov, President of the Executive Board
Tanja Milijanović, Member of the Executive Board

NLB Leasing Podgorica d.o.o.
Bulevar Stanka Dragojevića 44a
81000 Podgorica, Montenegro
Tel: +382 81 667 655
Fax: +382 81 667 656
E-mail: info@nlbleasing.me
www.nlbleasing.me
Milan Marković, Director

NLB Leasing d.o.o. Sarajevo
Trg solidarnosti 2a,
71000 Sarajevo, Bosnia and Herzegovina
Tel: +387 33 789 345
Fax: +387 33 789 346
E-mail: info@nlbleasing.ba
Dalida Međedović, Director
Hidajeta Šahinović, Executive Director

NLB Leasing Sofia e.o.o.d.
Oborishte Region
23 Beli Iskar Str.
1527 Sofia, Bulgaria
T: +359 887 088 737
Dimitar Atanasov Angelov, Director

NLB Lizing d.o.o.e.l. Skopje
Majka Tereza No. 1
1000 Skopje, Macedonia
Tel: +389 2 329 05 50
Fax: +389 2 329 05 51
E-mail: info@nlblizing.com.mk
www.nlblizing.com.mk
Maja Lape Trajkova, Director

OL Nekretnine d.o.o., Zagreb
Ivana Lučića 2a
10000 Zagreb, Hrvaška
T: +385 1 63 29 972
F: +385 1 61 77 228
E-pošta: info@OL-nekretnine.hr
Nataša Batagelj, Director

Optima Leasing d.o.o., Zagreb
Miramarska 24
10000 Zagreb, Croatia
Tel: +385 1 61 77 225
Fax: +385 1 61 77 228
E-mail info@optima-leasing.hr
Štefan Belingar, President of the Management Board
Vjekoslav Budimir, Member of the Management Board

Prvi faktor d.o.o., Ljubljana
Slovenska cesta 17
1000 Ljubljana, Slovenia
Tel: +386 1 200 54 10
Fax: +386 1 426 07 47
E-mail: info@prvifaktor.si
www.prvifaktor.si
Ernest Ribič, Director
Matej Špragar, Director

Prvi faktor d.o.o., Belgrade
Bulevar Mihajla Pupina 165 v
11070 Belgrade, Serbia
Tel: +381 11 222 54 00
Fax: +381 11 222 54 44
E-mail: info@prvifaktor.rs
www.prvifaktor.rs
Jelena Tanasković, Director

Prvi faktor d.o.o., Sarajevo
Džemala Bijedića bb, Zgrada PC Com Trade
71000 Sarajevo, Bosnia and Herzegovina
Tel: +387 33 767 210
Fax: +387 0 33 767 211
E-mail: denan.bogdanic@prvifaktor.ba
www.prvifaktor.ba
Đenan Bogdanić, Director

Prvi faktor d.o.o., Zagreb
Hektorovičeva 2
10000 Zagreb, Croatia
Tel: +385 1 6177 805
Fax: +385 1 6176 629
E-mail: Tomaz.Kacar@prvifaktor.hr
www.prvifaktor.hr
Tomaž Kačar, Director

Prvi faktor d.o.o.e.l., Skopje
Mito Hađivasilev - Jasmin br. 20
1000 Skopje, Macedonia
Ernest Ribič, Director

NLB Factoring a.s., Ostrava (in liquidation)
Gorkeho 3037/2
70200 Ostrava - Moravska Ostrava, Czech Republic
Tel: +420 59 61 56 222
Fax: +420 59 61 56 555
E-mail: info@nlbfactoring.cz
www.nlbfactoring.cz
Štefan Loncnar, President of the Management Board and liquidator
Barbara Šink, Member of the Management Board

NLB InterFinanz AG, Zurich
Beethovenstrasse 48
8002 Zürich, Switzerland
Tel: +41 44 283 17 17
Fax: +41 44 283 17 29
E-mail: info@nlbi.ch
www.nlbinterfinanz.ch
Matjaž Jevnišek, Director

NLB InterFinanz d.o.o., Belgrade
Bulevar Mihajla Pupina 165 v
11070 Belgrade, Serbia
Tel: +381 11 22 25 350
Tel: +381 11 22 25 351
Fax:+381 11 22 25 354
E-mail: schneider@nlbi.ch
Marko Schneider, Director

NLB InterFinanz Praha s.r.o., Prague
Vaclavske namesti 56
110 00 26 Prague 1, Czech Republic
Tel: +42 2 240 328 70
Fax: +42 2 240 328 74
E-mail: infonlb@anet.cz
Štefan Loncnar, Director

NLB Vita d.d., Ljubljana
Trg republike 3
1520 Ljubljana, Slovenia
Tel: +386 1 476 58 00
Fax:+386 1 476 58 18
E-mail: info@nlbvita.si
Barbara Smolnikar, President of the Management Board
Irena Prelog, Member of the Management Board

Skupna pokojninska družba d.d., Ljubljana
Trg republike 3
1000 Ljubljana, Slovenia
Tel: +386 1 470 08 40
Fax: +386 1 470 08 53
E-mail: info@skupna.si
www.skupna.si
Aljoša Uršič, President of the Management Board
Peter Krassnig, Member of the Management Board

NLB Nov penziski fond AD, Skopje
Majka Tereza 1
1000 Skopje, Macedonia
Tel: +389 2 5100 285
Fax: +389 2 3236 989
E-mail: kontakt@npf.com.mk
www.npf.com.mk
Davor Vukadinović, President of the Management Board
Peter Velkavrh, Vice president of the Management Board
Mira Šekutkovska, Member of the Management Board

NLB Skladi d.o.o., Ljubljana
Trg republike 3/VII
1000 Ljubljana, Slovenia
Tel: +386 1 476 52 70
Fax: +386 1 476 52 99
E-mail: info@nlbskladi.si
www.nlbskladi.si
Kruno Abramovič, President of the Management Board
Aleksandra Brdar Turk, Member of the Management Board

Bankart d.o.o., Ljubljana
Celovška cesta 150
1000 Ljubljana, Slovenia
Tel: +386 1 583 41 00
Fax: +386 1 583 41 96
E-mail: info@bankart.si
www.bankart.si
Aleksander Kurtevski, Managing Director

NLB Propria d.o.o., Ljubljana
Trg republike 3/XVII.
1000 Ljubljana, Slovenia
Tel: +386 1 470 08 00
Fax: +386 1 425 30 82
E-mail: nlbpropria@nlbpropria.si
Boštjan Koler, President of the Management Board
Prospera plus d.o.o., Ljubljana
Šmartinska cesta 132
1000 Ljubljana, Slovenia
Tel: +386 1 524 82 91
Fax: +386 1 524 76 11
E-mail: info@prospera-plus.si
Urban Smerkolj, Director

FIN-DO d.o.o. Domžale
Ljubljanska cesta 62
1230 Domžale, Slovenia
Tel: +386 1 724 53 18
Štefan Brvar, Director

ICJ, d.o.o. – in bankruptcy
Ljubljanska cesta 62
1230 Domžale, Slovenia
Tel: +386 1 724 53 18
Matjaž Nanut, bankruptcy trustee

Kreditni biro SISBON d.o.o.
Trg republike 3
1000 Ljubljana, Slovenia
T: +386 8 20 57 110
F: +386 8 20 57 111
E-pošta: info@sisbon.si
www.sisbon.si
Hermina Govekar Vičič, Director

CBSinvest d.o.o., Sarajevo
Džidžikovac 1
71000 Sarajevo, Bosnia and Herzegovina
Tel: +387 33 207 002
Fax: +387 33 720 332
Eldin Teskeredžić, Director

Convest a.d. Novi Sad
Zlatne Grede 7
21000 Novi Sad, Serbia
Tel: +381 21 524 653
Fax: +381 21 422 083
E-mail: info@convest.co.yu
www.convest.co.yu
Djordje Čanak, Director

LHB Trade in liquidation d.o.o., Zagreb
Ivana Lučića 2a/13
10000 Zagreb, Croatia
Tel: +385 1 63 95 500
Fax: +385 1 63 95 511
E-mail: lhb-zagreb@zg.htnet.hr
Marko Jajčević , liquidator

NLB Srbija d.o.o., Belgrade
Bulevar Mihajla Pupina 165 v
11070 Belgrade, Serbia
Tel: +381 11 22 25 366
Fax: +381 11 22 25 365
E-mail: nlb@beotel.net
Zoran Ovuka, Director

Plan a.d. Banja Luka
Ul. Kralja I Karađorđevića 85a
78000 Banja Luka, Republika Srpska,
Bosnia and Herzegovina
Tel: +387 51 221 101
Fax: +387 51 221 008
Jelena Radaković, Director

NLB Crna Gora d.o.o., Podgorica
Ivana Crnojevića 107
81000 Podgorica, Črna gora
T:+382 20 665 601
E-mail: Sasa.Kovacic@nlb.me
Saša Kovačić, Executive Director

BRANCHES AND REPRESENTATIVE OFFICES OF NLB GROUP MEMBERS OUTSIDE THEIR COUNTRY OF RESIDENCE

NLB InterFinanz AG, Ljubljana Branch
Slovenska 27
1000 Ljubljana, Slovenia
Tel: +386 1 200 06 43
Fax: +386 1 200 06 46
E-mail: kobler@nlbi.ch

NLB InterFinanz AG, Ukraine Representative Office
25-B Heroyiv Stalinhradu Ave
04210 Kiev, Ukraine
Tel: +38 044 222 64 56
Fax: +38 044 272 64 54
E-mail: konoval@nlbi.ch

www.nlbgroup.si

NLB d. d., Ljubljana, Trg republike 2, 1520 Ljubljana, Slovenia
T: (01) 476 3900, F: (01) 252 2500, E-mail: info@nlb.si
Internet: www.nlb.si; SWIFT: LJBA SI 2X; Reuter: LB LJ, IBAN SI56
Account number: 01000-000020097; VAT identification number: SI91132550

Production: Mayer McCann d. o. o.; Text: NLB d. d.
Photographs: Peter Uhan, Barbara Zajc, Studio Majenič – Tadej Majhenič; Printed by: Birografika Bori d. o. o.; Ljubljana, April 2014

Annual Report can be found on web site at http:// www.nlb.si.