369 branches 1.8 million active clients

market leader modern branches

clients new products

growth we are building partnerships

enterprises stable bank

EUR 92 million profit market shares growth

clear vision regional bank

6,000 employees 8 consecutive profitable quarters

digital bank

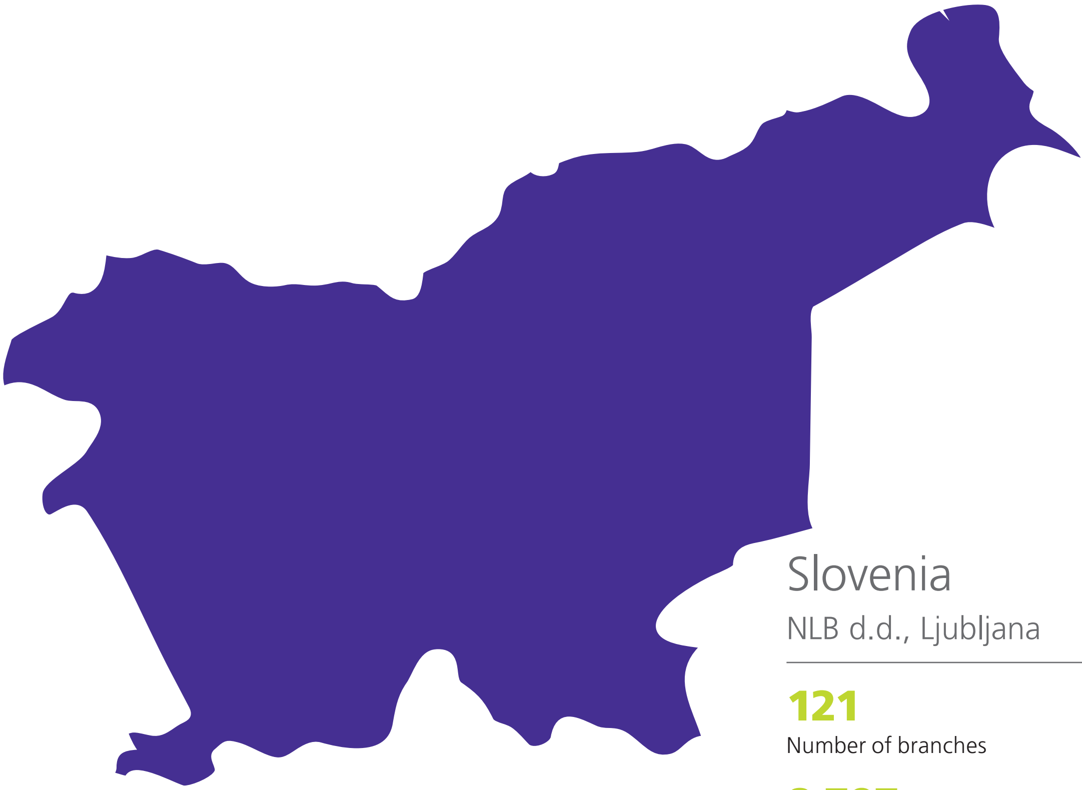
23 market share in Slovenia

biggest bank in Slovenia life insurances

the largest asset manager in Slovenia

NLB Group

2015 Annual Report
of NLB Group



Slovenia

NLB d.d., Ljubljana

121
Number of branches

714,328
Number of active clients

8,707
Total assets
(in EUR million)

23.3%
Market share of
total assets

43.9
Result after tax
(in EUR million)

NLB Skladi, Ljubljana

907
Assets under management
(in EUR million)

24.8%*
Market share

*Market share of assets under management in mutual funds.

2.5
Result after tax
(in EUR million)

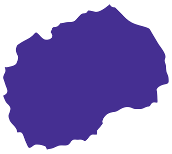
NLB Vita, Ljubljana

351
Assets under management
(in EUR million)

10.8%*
Market share

*Market share in traditional life insurances.

7.1
Result after tax
(in EUR million)



Macedonia

NLB Tutunska Banka, Skopje

50
Number of branches

343,740
Number of active clients

1,120
Total assets (in EUR million)

16.6%
Market share of total assets

13.1
Result after tax (in EUR million)

NLB Nov penziski fond, Skopje

311
Net value of pension funds (in EUR million)

47.8%
Market share of mandatory pension insurance by the number of policy holders

0.8
Result after tax (in EUR million)

39.5%
Market share of voluntary pension insurance by the number of policy holders

Bosnia & Herzegovina

NLB Banka, Banja Luka

65
Number of branches

226,842
Number of active clients

612
Total assets (in EUR million)

18.4%*
Market share of total assets

*Market share in the Republic of Srpska.

9.9
Result after tax (in EUR million)

NLB Banka, Sarajevo

38
Number of branches

134,764
Number of active clients

476
Total assets (in EUR million)

5.5%*
Market share of total assets

*Market share in the Federation of BiH.

4.2
Result after tax (in EUR million)

Montenegro

NLB Banka, Podgorica

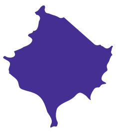
18
Number of branches

57,912
Number of active clients

485
Total assets (in EUR million)

14.0%
Market share of total assets

6.2
Result after tax (in EUR million)



Kosovo

NLB Banka, Pristina

46
Number of branches

170,697
Number of active clients

465
Total assets (in EUR million)

14.5%
Market share of total assets

8.2
Result after tax (in EUR million)

Serbia

NLB Banka, Belgrade

31
Number of branches

131,460
Number of active clients

236
Total assets (in EUR million)

1.0%
Market share of total assets

1.2
Result after tax (in EUR million)

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

	2015		2014		2013	
	NLB d.d.	NLB Group	NLB d.d.	NLB Group	NLB d.d.	NLB Group
Income statement indicators (in EUR million)						
Net interest income	208	340	227	330	157	234
Net non-interest income	105	143	137	181	-187	-173
Dividends and net gains/losses from subsidiaries, associates and joint ventures	14	4	5	3	2	-26
Total costs	187	298	193	304	212	333
Provisions and impairments	88	83	93	141	1,226	1,070
Result after tax	44	92	82	62	-1,540	-1,442
Result of non-controlling interests	-	3	-	3	-	-1
Financial position statement indicators (in EUR million)						
Total assets	8,707	11,822	8,886	11,909	9,507	12,490
Loans and advances to non-banking sector (net)	5,221	7,088	5,700	7,415	6,129	7,744
Deposits from non-banking sector	6,298	9,026	6,300	8,949	5,748	8,261
Equity	1,242	1,423	1,205	1,343	1,094	1,247
Impairments of loans to non-banking sector	-695	-1,263	-998	-1,638	-1,074	-1,764
Minority interest	-	28	-	26	-	24
Total off-balance sheet items	2,779	3,181	3,607	3,915	3,768	4,124
Key financial indicators						
a) Capital						
- capital adequacy ratio	22.6%	16.2%	22.7%	17.6%	16.6%	15.2%
- tier 1 ratio	22.6%	16.2%	22.7%	17.6%	16.6%	14.9%
- CET 1 ratio	22.6%	16.2%	22.7%	17.6%	16.6%	14.9%
b) Asset quality						
- gross non-performing loans (in EUR million)	1,101	1,896	1,536	2,623	1,620	2,838
- coverage ratio of non-performing loans with impairments on all loans	67.9%	72.2%	70.4%	68.7%	72.6%	69.7%
- gross non-performing loans /risk portfolio	12.5%	15.3%	15.8%	19.6%	15.5%	20.3%
- net non-performing loans/net total loans	7.6%	8.3%	10.1%	10.7%	11.5%	11.9%
c) Profitability						
- interest margin*	2.4%	2.9%	2.5%	2.7%	1.4%	1.7%
- financial intermediation margin	3.8%	4.1%	4.1%	4.2%	-0.2%	0.5%
- return on equity before tax (ROE b.t.)	4.2%	7.6%	7.2%	5.2%	-146.2%	-125.8%
- return on assets before tax (ROA b.t.)	0.6%	0.9%	0.9%	0.6%	-13.5%	-10.0%
- return on equity after tax (ROE a.t.)	3.6%	6.6%	7.0%	4.8%	-153.6%	-135.5%
- return on assets after tax (ROA a.t.)	0.5%	0.8%	0.9%	0.5%	-14.2%	-10.5%
d) Business costs						
- operating costs/average total assets	2.2%	2.5%	2.1%	2.5%	2.0%	2.4%
- costs/net income (CIR)	57.2%	61.6%	52.4%	59.4%	-	-
e) Liquidity						
- liquidity assets/short-term financial liabilities to non-banking sector	61.0%	57.3%	63.6%	57.2%	51.8%	54.4%
- liquidity assets/average total assets	41.4%	39.3%	44.0%	44.1%	39.8%	41.0%
f) Other						
- market share in terms of total assets	23.3%	-	22.9%	-	23.5%	-
- loans to non-banking sector/deposits from non-banking sector (LTD)**	78.0%	75.1%	80.7%	75.9%	95.8%	86.2%
Key indicators per share						
Shareholders	1	-	1	-	1	-
Shares	20,000,000	-	20,000,000	-	20,000,000	-
The corresponding value of one share (in EUR)	10.0	-	10.0	-	10.0	-
Book value (in EUR)	62.1	71.1	60.3	67.2	54.7	62.4
Earning per share (in EUR)	2.19	4.60	4.08	3.12	-	-
International credit ratings						
Standard & Poor's	BB-	-	BB-	-	n.a.	-
Fitch	B+	-	BB-	-	BB-	-
Employees						
Number of employees	3,028	6,372	3,093	6,448	3,425	6,912

* Calculated on the basis of average total assets.
** Without BAMC bond.

TABLE OF CONTENTS

Archibald Kremser
Member of the
Management Board

Blaž Brodnjak
Deputy President of the
Management Board

Andreas Burkhardt
Member of the
Management Board

STATEMENT *by the Management Board of NLB d.d.*

For NLB Group, 2015 was a year of validating and proving that as part of the restructuring plan the transformation programme defined in early 2013 and applied since has been delivering the expected results.

It is rewarding for the key stakeholders of the Group to establish and acknowledge that all of the programme's main milestones have been achieved or exceeded. We have eight positive quarters in a row behind us and in 2015, after many years, all core Group members as well as all core business segments delivered sound profits with solid future prospects. In addition, the disciplined realisation of the structured and committed action plan to reduce non-performing loans, and wind down the Group's non-core activities, facilitated gains in momentum and substantial progress. Parallel to this, we were complying with the commitments given to the European Commission regarding the State Aid.

These developments enable more focused management attention and, combined with constant enhancements of both new proactive sales activities as well as the risk management practices, which have been the primary preconditions for sustainably healthy and reasonably profitable operations.

In the core activities, we continued to pursue three main sets of activities, namely, a continuous focus on clients with a sincere ambition for business, ever improving effectiveness of the sales force, and the intensified development of distribution channels and new solutions for clients. We have repositioned ourselves in the Slovenian market as a pioneer of retail solutions, while reinforcing our status as a reliable and responsible partner for Slovenian corporates. The majority of the syndicated loan facilities and securities issues were structured and arranged by the Bank's professional team.

We paid particular focus to establishing a supportive environment for micro and small businesses. In 2015, on the premises of NLB d.d. we opened our Centre for Innovative Entrepreneurship, with which NLB d.d. has fulfilled its long-term mission. We have been creating and fostering a community, connecting entrepreneurs with investors, suppliers with buyers and exploiting other synergies within and beyond the community.

The NLB d.d.'s crucial and highly responsible engagement in restructuring of the Slovenian corporate sector finally led to the recovery of systemically important business groups which, on one side, helped revitalise the economy while, on the other, returned these clients to performing status, bringing about a reduction of non-performing loans and future profitable relationships with these clients. Simultaneously, the well-established and diligent collection, workout and divestment efforts led to a significant reduction of non-performing loans, non-core loans and the real-estate portfolio. We will further intensify these activities in 2016 and beyond.

In all core markets we repositioned the banking group as a proactive and ambitious provider of services. Core members outside Slovenia were all operating profitably and their relevant importance in the Group's results was growing substantially. From 2016 on, all subsidiary banks will operate with the uniform brand NLB Banka, which will improve our recognition and enable us to address synergies. Via the newly established International Desk functionality in all banking members of the Group, we will approach and service clients in a more structured and consistent way across the region. This will allow us to further strengthen our position as the largest banking group, headquartered in SE Europe with an exclusive strategic interest in this region.

All of the above gives us comfort that we are on a good path, yet we are fully aware of the rapidly changing business environment within and outside the banking industry. Extreme liquidity of banks, combined with the still relatively modest investment activity and staggering individual consumption, have been stepping up the already very strong competition. Besides pressure on margins and volumes from within the industry, digitalisation has been threatening disruptions by new market entrants, confronting us with a substantial challenge to the so far prevailing paradigm.

In view of these developments, we triggered a process of refreshing the business strategy as part of which in 2016 we will define a new digital transformation programme to address key processes, data management, new client solutions and the omni-channel experience, while reducing complexity and improving efficiencies.

This will represent a considerable challenge for the entire Group, yet the achievements made so far, our strong focus and above all our dedication to deliver provide firm foundations for compiling an ambitious programme with consistent implemental follow up.

The proven performance track record from 2014 and 2015, backed by the ongoing commitment of NLB Group employees and combined with a clear and consistent vision and future development programme, will provide a solid basis for the pending privatisation process.

The Management Board of NLB d.d.

Archibald Kremser	**Andreas Burkhardt**	**Blaž Brodnjak**
Member of the Management Board	Member of the Management Board	Deputy President of the Management Board

REPORT *of the Supervisory Board of NLB d.d.*

Pursuant to the second paragraph of Article 282 of the Companies Act - ZGD-1 (Official Gazette of the RS no. 55/2015), the Corporate Governance Code for Joint-Stock Companies (8.12.2009), the Corporate Governance Code for Companies with a State Capital Investment (19.12.2014), the Regulation on the Diligence of Members of the Management and Supervisory Boards for Banks and Savings Banks (Official Gazette of the RS no. 62/2011 and 74/2013) and the Regulation on Internal Management Arrangements, Management Body and Internal Capital Adequacy Assessment Process for Banks and Savings Banks (Official Gazette of the RS, no. 73/2015), the Supervisory Board has compiled a written report presenting accurately and authentically the activities of the Supervisory Board during the year.

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, which set out its powers. According to the Articles of Association, in 2015 the Supervisory Board was composed of seven members, who are appointed and discharged by the Bank's General Meeting from among the persons nominated by the shareholders or the Supervisory Board.

In 2015 the Supervisory Board comprised the following members: Gorazd Podbevšek (Chairman), Miha Košak (Deputy), Tit A. Erker, Uroš Ivanc, Peter Groznik and Sergeja Slapničar (members). Since the term of office of Goran Katušin terminated on 13.12.2014, Andreas Klingen was appointed substitute member of the Supervisory Board at the 25th regular General Meeting of NLB d.d. on 22.6.2015. Peter Groznik handed in his notice of resignation on 18.8.2015 from the office of member of the Supervisory Board of NLB d.d. Thus, the Supervisory Board consisted of six members as at 31.12.2015. At the 26th regular General Meeting held on 10.2.2016, it was expanded to nine members due to the greater scope of tasks and expectations of the European Central Bank.

Acting in accordance with the pieces of regulation specified above and the good corporate practice recommendations, the Supervisory Board hereby submits its report, as follows:

a) Bank's conduct of business in 2015

The business of NLB Group was stable in 2015, as indicated by the net profit of EUR 91.9 million, which considerably exceeded the plan. The Bank's conduct of business is presented in detail in individual chapters of the Annual Report, wherein this report is included.

b) Supervising the work of the Management Board

In 2015, the Supervisory Board held ten regular and eight correspondence meetings where it discussed regular reports on the business operations of NLB d.d. and NLB Group as well as other current and important issues.

Thus, among other things, the Supervisory Board:

- discussed and approved the 2014 Annual Report of NLB Group, acknowledged the semi-annual report on operations, adopted the report on its work for the previous year and, in co-operation with the Management Board, prepared the Corporate Governance Statement of the Bank for 2014
- discussed the material and approved the draft resolutions for the General Meeting
- regularly considered and discussed quarterly reports on the operations of the Bank and the Group
- monitored the implementation of NLB Group strategy
- approved the financial plan of NLB Group and NLB d.d. for 2015 and acknowledged the 2016 – 2019 projection
- regularly monitored the activities for the implementation of the Bank's strategic guidelines, and made proposals to the Management Board regarding possible measures in individual areas, including the programme of divestment of non-strategic investments and selling of the seized stakes in companies and the cost reduction programme
- continuously monitored capital adequacy projections and capital management activities
- regularly discussed the risk reports of NLB d.d. and NLB Group, the reports of the Internal Audit and the Compliance and Integrity, gave a positive opinion on the Internal Audit Annual Report, regularly acknowledged the letters of the Bank of Slovenia, the European Central Bank and external regulators and regularly monitored the implementation of their recommendations, regularly and thoroughly discussed the reports on clients in intensive care with the measures adopted for an active management of risks, and reports on write-offs of receivables, conversions and major lending transactions
- proposed to the General Meeting that Ernst & Young d.o.o., Ljubljana be appointed auditor for the financial years 2015, 2016 and 2017
- adopted the amendments and supplements to NLB d.d Corporate Governance Policy jointly with the Management Board
- acknowledged the fulfilment of commitments related to the process of state aid granted to NLB d.d.
- decided on approvals of corporate financial restructuring and sale and write-off of claims, when necessary
- issued approvals of transactions that result in exceeding of the total exposure of NLB Group companies and gave approvals of large

exposure to groups of related parties
- decided on approvals of capital increases in NLB Group companies, pursuant to the articles of association
- was informed of the material court proceedings to which NLB d.d. or a member of NLB Group is a party
- acknowledged the work of the committees and approved the performance and remuneration criteria of the Management Board
- acknowledged the letter of resignation of the Supervisory Board member of NLB d.d. and at the General Meeting proposed the election of a substitute member of the Bank's Supervisory Board

c) Co-operation with the Management Board and the certified auditor
The Supervisory Board of NLB d.d. monitors and supervises the management and operations of the Bank. The Management Board informed the Supervisory Board regularly and comprehensively on all issues of strategy, planning, development, risk and risk management relevant to the Bank. The co-operation between the Chair of the Supervisory Board of NLB d.d. and the Management Board of NLB d.d. is continuous and, if need be, undertaken outside formal meetings.

The General Meeting of NLB d.d. appointed Ernst & Young d.o.o., Ljubljana, the external auditor of annual financial statements for the 2015 financial year. The co-operation with the external auditor took the form of the external auditor's representatives regularly reporting to the Audit Committee on both the progress and findings of the audit and on implementation of the external auditor's recommendations.

d) Internal organisation of the Supervisory Board
The Supervisory Board received expert assistance in the first half of 2015 from its four committees: Strategy and Development Committee, Risk Committee, Audit Committee, and Appointment and Remuneration Committee. According to ZBan-2, on 8.5.2015 the Appointment and Remuneration Committee was divided into the Remuneration Committee and the Nomination Committee. Committee members were members of the Supervisory Board.

A detailed presentation of the internal organisation of the Supervisory Board and the membership of committees is given in the Corporate Governance chapter of the Annual Report.

e) Composition of the Supervisory Board in terms of the independence of its members
Members of the Supervisory Board signed the Statement on Independence of a Supervisory Board Member according to the Corporate Governance Code for Joint-Stock Companies. Every Supervisory Board member signs and submits to the Supervisory Board a statement about the existence of various conflicts of interest annually, upon replacement and in case of any change. The Supervisory Board also complies with other regulations governing the management of potential conflicts of interest and due care. Statements on conflicts of interest of the Supervisory Board members (Attachment C to the Corporate Governance Code for Joint-Stock Companies) are published on the website of NLB d.d. (www.nlb.si/corporate-governance).

f) Potential conflicts of interest and their resolution
When deciding on individual issues at Supervisory Board meetings, its members followed the general rules of corporate governance concerning conflicts of interest (ZGD-1, ZSDH-1, corporate governance codes and banking regulations), at the meetings they informed the Supervisory Board of the existence of a conflict of interest in a specific case and excluded themselves from discussion and decision-making on the issue. Due to a conflict of interest two members of the Supervisory Board do not receive certain materials for the Supervisory Board meetings and exclude themselves at the meetings when relevant items are being discussed.

g) Self-assessment results
According to the recommendations on good practice and based on the proposed methodology of the Slovenian Directors' Association, the Supervisory Board self-assessed its work in December 2014 (a year later again in December 2015) and prepared an action plan for improvements. The Supervisory Board of NLB d.d. has identified certain issues to which it will devote much attention in the future in order to improve the conduct of its work. In the interim period, numerous improvements and upgrades were made to the work of the Supervisory Board based on the self-assessment results.

h) Specific contributions of individual members and their respective competence
The specific contribution of individual members and their competence in terms of their work and offices are formally laid down in the Corporate Governance chapter of the Annual Report.

i) Every new assessment of the Bank on the suitability of members of the Supervisory Board (under the first paragraph of Article 13.b of the Regulation on the Diligence of the Members of the Management and Supervisory Boards of Banks and Savings Banks and Article 61 of the Regulation on Internal Management Arrangements, Management Body and Internal Capital Adequacy Assessment Process for Banks and Savings Banks)
Suitability assessments of Supervisory Board members are made in line with the Policy on the assessment of the suitability of Management and Supervisory Board members in NLB d.d. issued on 1.2.2014 and supplemented on 1.5.2014 and 17.3.2015. A suitability assessment is made by the Nomination Committee (prior to May 2015 the Appointment and Remuneration Committee) of the Supervisory Board of the Bank. In 2015, a suitability assessment was made for newly elected members of the Supervisory Board (at the General Meeting on 22.6.2015), and in December 2015 a suitability assessment was made and approved for three candidates for Supervisory Board members (of whom one was elected at the General Meeting on 10.2.2016).

Review and approval of the 2015 Annual Report of NLB Group
On 21.4.2016, the Management Board of NLB d.d. submitted the 2015 Annual Report of NLB Group to the Supervisory Board, including the Business Report with audited financial statements of NLB d.d., and the consolidated financial statements of NLB Group with the auditor's opinion. According to the auditor, the financial statements with notes give a true and fair view of the financial

position of the Bank and NLB Group as at 31.12.2015 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 NLB Group.

The Supervisory Board had no objections to the report of the audit company Ernst & Young d.o.o., Ljubljana. Following a careful examination of the audited annual report for the 2015 business year, the Supervisory Board had no objections to it and approved it unanimously.

Conclusion

The Supervisory Board wishes to thank the clients, all employees and the Management Board for their contribution and efforts in the 2015 financial year. Especially worth noting are all employees of the Bank and NLB Group who performed their tasks with dedication and commitment. Special thanks are due to the many Bank clients who, despite the numerous challenges and organisational changes in the Bank, remain loyal clients of NLB Group as they are still satisfied with our services and believe we are on the right path to restructuring the Bank and that we can overcome future challenges. There will also be large challenges for NLB Group in the future, but we can successfully face them and continue the planned changeover in the operations based on the new strategic guidelines.

The Supervisory Board of NLB d.d.

Primož Karpe
Chairman of the Supervisory Board

Key Highlights of NLB Group

The largest banking and financial group in Slovenia and the largest banking and financial group in SE Europe with an exclusive focus on these markets. NLB Group comprises the main entity in Slovenia NLB d.d., six subsidiary banks, several companies for ancillary services (asset management, insurance, IT services, real-estate management etc.) and a number of non-core subsidiaries all of which are in a controlled wind-down. NLB d.d. is 100% owned by the Republic of Slovenia.

The largest banking and financial group in Slovenia

- NLB d.d. has 121 branches and a 23.3% market share by total assets in Slovenia
- The largest provider of banking services in Slovenia

A strong player in selected SEE markets

- Approximately 1.8 million active clients within NLB Group
- An extensive network of 369 branches
- Presence in six markets outside Slovenia – of which 4 subsidiaries exceed a 10% market share
- Positioned in a region with anticipated real GDP growth well above the eurozone average

Strong performance

- 8 consecutive profitable quarters since 2014
- Increased revenues and profitability on a reduced balance sheet
- Stable and diversified funding base
- Strong capital position in 2015 comfortably exceeding regulatory thresholds
- Non-performing loans strongly reduced (19.3%) at improved coverage

A clear focus on the core markets

- Aiming at top positions in selected banking markets and segments
- Controlled and continued exit from non-core markets and activities
- Full compliance with European Commission concerning commitments to the Restructuring Plan

NLB Group strategy

The Strategy comprises the vision and mission, financial goals, strategic directions and values of NLB Group, and defines the processes in which the Bank is planning to invest in order to improve the efficiency and accessibility of its services.

Vision of NLB Group for 2020

NLB Group will be a sustainably profitable banking group that works predominantly with clients in those core markets (or market segments, niches) where it can achieve and hold a top-three competitive position in terms of (relative) profitability and/or market share.

In its core business, NLB Group will differentiate itself with its in-depth client understanding, service level and advisory competence, bank accessibility and a competitive product/channel mix. It will mainly compete in traditional banking services, complemented by new offerings in line with market needs. NLB Group will be focused on a quality and efficient day-to-day client service and will achieve top client satisfaction rankings.

NLB Group will be a desired (family-friendly) employer, steadily investing in developing NLB Group team competence and experience based on regular goal achievement. Finally, NLB Group will support notable projects of local environments in which it is present, especially in the fields of entrepreneurship, youth sports, culture and philanthropy.

By the end of 2020, NLB Group will have completed exiting most of its non-core business activities.

Mission of NLB Group

We are committed to developing a culture of client focus, risk awareness, integrity, a lean organisation and processes, and social responsibility.

The trust of our clients, employees, shareholders and the society in which we work gives us great responsibility. We honour this trust by working together with our stakeholders for positive change, mutual benefit and growth. By incorporating our values into everything we do, we are helping to positively change our environment.

Strategic guidelines

Proactive and focused work with clients – building partnerships

Promote the development of micro and small companies

Optimise distribution channels including the branch network

Develop transparent, easy-to-use e-solutions

Controlled wind-down of non-core activities/ non-performing loans ratio at market level

Values

Responsible towards clients, employees and the social environment

Commitment to deliver on our promises and objectives

Open communication and cooperation

A win-win player

Efficiency in the fulfilment of our commitments

We will invest in the following processes to increase efficiency and accessibility:

Risk Management	Corporate Governance	Compliance	Reorganisation	Progress Monitoring
Improved credit processes, systems and internal controls	Professional and independent decision making	Establishment of a comprehensive integrity system	Increase information flow and client responsiveness	Use of scorecards and key performance indicators

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Financial goals

RETURN ON EQUITY	Long-term average ROE of 10% on a self-sustainable basis
MARKET SHARE	Above a 20% market share in Slovenia; above a 15% market share in other core markets/market segments of NLB Group
LOAN-TO-DEPOSIT RATIO	Below 105%
NON-PERFORMING LOANS RATIO	Below 8%

As a response to the rapidly changing environment we in 2016 proactively initiated a structured round of refreshing the NLB Group strategy with a specific focus on the challenges and opportunities of digitisation of the Group. This will entail efforts to tackle both cost and revenue opportunities by concentrating on client value-added services and solutions, reducing complexity and realising synergies within the Group.

Macroeconomic and regulatory environment

In the face of a turbulent environment, the economies in NLB Group's operating area showed strong resilience. Disinflationary pressures, central bank policies, economic divergence and falling commodity demand were the key themes of 2015.

2015 may be characterised as one of divergence and strong market movements. Economic divergence continued between the developed economies of Europe, the United States and Japan and the developing world. The year was marked by disinflationary pressures arising from falling investment and commodity demand in the emerging markets, as well as the battle for market share waged in energy markets, having a substantial impact on financial markets and the banking industry, thereby influencing central bank policy and interest rate developments. The slowdown of emerging economies, in particular China, along with the Greek crisis were the primary worries of the year, impacting economic and market sentiment and playing a big role in shaping the development of the global economy. In 2015, markets witnessed the highly anticipated divergence of monetary policy between the euro area, as well as the rest of the world, and the United States, as the country's labour market became sufficiently strong to warrant the first interest rate rise in almost a decade.

Bolstered by the low price of oil and the European Central Bank's quantitative easing programme, the economic recovery of the euro area continued, weathering the considerable market turmoil that marked the year. The region's economy grew at an accelerated pace of 1.5%, manufacturing generated solid gains while rising consumer sentiment and falling unemployment precipitated into growing private consumption which promises to bolster the resilience of the region's economic recovery in the face of potential turmoil from abroad. While contributing significantly to the region's economic rebound, the quantitative easing programme combined with continually falling inflationary expectations added to the pressures felt by the region's banking system; record low returns were the main theme in money and fixed income markets throughout the year.

Supported by the euro area's economic recovery and strong export performance, Slovenia's economic growth accelerated to 2.9% in 2015. Macroeconomic data through the year were indicative of an economy whose recovery was gaining traction. Industrial production expanded 4.5% in comparison with the previous year. The country's labour market continued its recovery with the ILO unemployment rate dropping to 9.1% in the last quarter

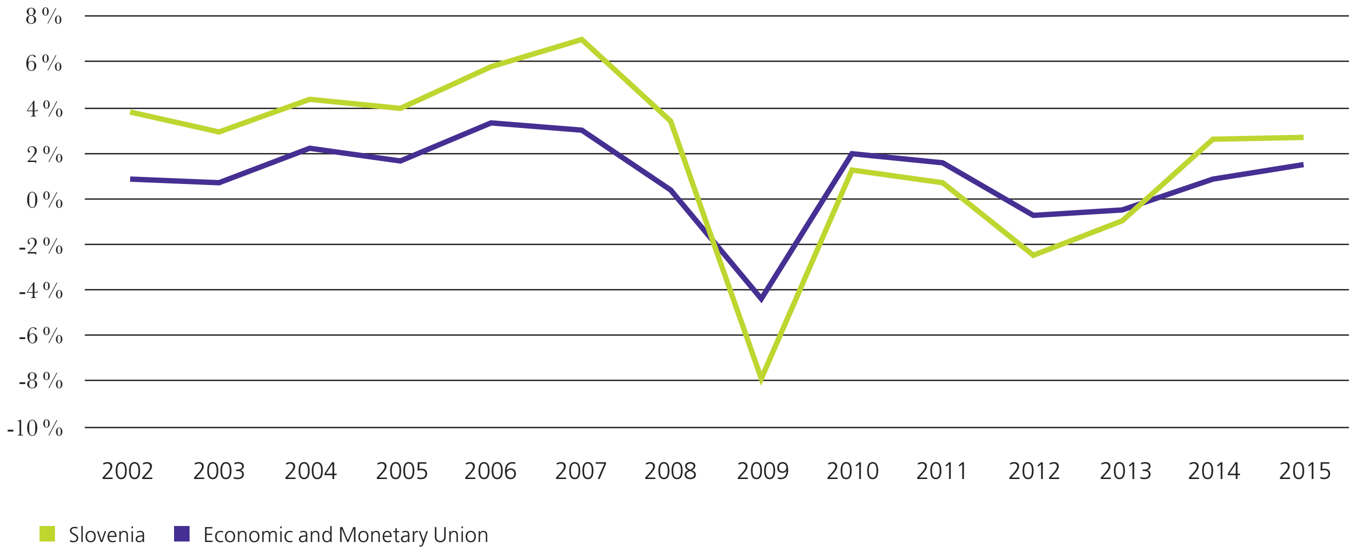
Table 2: Movement of key macroeconomic indicators in Slovenia and the Economic and Monetary Union

	2015	2014	2013	2012	2011
Slovenia					
GDP (real growth in %)	2.9	3.0	-1.1	-2.7	0.6
Average annual inflation rate – HICP (in %)	-0.8	0.4	1.9	2.8	2.1
Surveyed unemployment rate – ILO (in %)	9.1	9.7	10.1	8.9	8.2
Current account of the balance of payments (as % of GDP)	7.3	7.0	5.6	2.6	0.2
Public debt (as % of GDP)	83.0	80.8	70.8	53.7	46.4
Budgetary deficit/surplus (as % of GDP)	-2.2	-4.9	-15.0	-4.1	-6.7
Economic and Monetary Union					
GDP (real growth in %)	1.6	0.9	-0.3	-0.9	1.6
Average annual inflation rate – HICP (in %)	0.0	0.4	1.3	2.5	2.7
Surveyed unemployment rate – ILO (in %)	10.9	11.6	12.0	11.4	10.2
Current account of the balance of payments (as % of GDP)	3.4	2.7	2.2	1.4	0.3
Public debt (as % of GDP)	91.6*	92.1	91.1	89.3	86.0
Budgetary deficit/surplus (as % of GDP)	-2.2	-2.6	-3.0	-3.7	-4.2

*Average of first three quarters of 2015.

Sources: Eurostat, SURS, IMAD, MF RS, EC

Figure 1: Real growth of gross domestic product in Slovenia and the Economic and Monetary Union



Source: Eurostat

of the year. Retail sales grew at a strong pace of 0.7%. The strengthening labour market and rising consumer confidence led to growth in private consumption. Primarily due to the fall in commodity prices, the country recorded yearly deflation of -0.8%. The country's government fulfilled its promise and reduced its fiscal deficit in 2015 to 2.2%, thus below 3%, and will in combination with the projected current account surplus help to ensure the continuation of the country's economic recovery.

Banking system

The country's banking system showed resilience in the face of unfavourable conditions, achieving an aggregate profit of EUR 151.8 million, which corresponds to a ROE of 4.5%, the first positive result for the Slovenian banking system in six years according to the Bank of Slovenia. The system's balance sheet continued contracting, shrinking 3.4% to EUR 37.4 billion. With a capital adequacy ratio of 18.1% at the end of the year, the sector's capital adequacy was well above the euro-area average, external liabilities fell to 12.8%, among the lowest in the euro area and the share of non-performing loans was showing an improvement through the year.

Overall, the total loan portfolio ended the year 7.5% lower, while loans to the non-banking sector dropped 5.5%. As a result of the on-going process of deleveraging and weak investment activities, loans to the private sector continued contracting, falling 10% in 2015. Household loans recorded modest 1.2% growth, mainly due to a recovery in the residential real-estate sector. Deposits from households and the private sector grew throughout the year, showing resilience to the lowering interest rates. The loan-to-deposit ratio fell from 75.1% to 72.6%. Strong competition resulting from excess liquidity and the on-going propensity to save, evident through the year, manifested itself in dropping interest rates on loans, whose decline accelerated compared with 2014. The low interest rate environment resulting from the quantitative easing programme, falling interest rates on loans and the introduction of a higher financial services tax resulted in considerable downward pressure on net interest income, which declined 10.4% in 2015.

In the near-term, a continuation of the strong competitive pressures prevalent in 2015 is expected. Against the backdrop of the economic recovery, the banking system will continue experiencing significant income pressure in the coming year although, with an air of stability returning to the banking system and expectations of a continued economic recovery, the system's prospects have improved over the longer time scale.

2015 also saw a continuation the banking system's consolidation with the completed privatisation of NKBM, the second largest bank, taken over by Apollo, a US private equity fund, as well as the announced exit of Raiffeisen (sold to Apollo) and concluding the wind-down of two failed banks (Probanka, Faktor banka) by merging them into the national "Bad Bank" (The Bank Assets Management Company).

SE Europe markets

All NLB Group core markets achieved positive economic growth in 2015. The markets of South-Eastern Europe continue to grow in importance within the Group. Strong economic growth is projected in the coming years as the region's recovery strengthens. The International Monetary Fund's growth projections indicate an asset-weighted average growth rate of 3.3% in 2016 and 3.3% in 2017. The region's banking systems are generally healthy and well capitalised; they show strong growth potential.

Serbia made substantial progress with its reforms and post-flood recovery, concluding the year with economic growth of 0.7%. A pick-up in both investment and job creation combined with a faster-than-expected recovery in the mining and energy industry sectors resulted in three 2015 economic growth projection upgrades by the International Monetary Fund, totalling 1.25 percentage points. The country's banking system is well capitalised, yet the high interest rates resulting from the credit risk of significant foreign exchange lending and high non-performing loans levels continue to restrict loan growth. Corporate loans contracted 2.0%, while household loans recorded mild growth. With reforms continuing at their current strong pace, while the economic recovery takes hold and accelerates, the current low levels of financial intermediation should become conducive to a new credit cycle in the mid-term.

Table 3: Trends in the key macroeconomic indicators for selected countries in SE Europe

	GDP (real growth in %)			Average inflation (in %)			Unemployment rate (in %)			Current account of the balance of payments (as % of GDP)			Budget deficit/ surplus (as % of GDP)			Growth of banking loans (in %)		
	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
Bosnia and Hercegovina	2.1*	1.1	2.4	-1.0	-0.9	-0.1	27.7	27.5	27.5	n.a.	-7.5	-5.3	n.a.	-2.0	-2.1	2.4	0.4	2.9
Montenegro	3.2	1.8	3.3	1.4	-0.5	1.8	17.9	18.2	19.5	-13.4	-15.2	14.5	n.a.	-1.5	-3.2	8.4	-1.4	0.8
Macedonia	3.7	3.5	2.9	-0.3	-0.3	2.8	26.1	28.0	29.0	-1.4	-0.9	-1.6	-3.5	-4.2	-3.9	5.7**	10.1	5.0
Serbia	0.7	-1.8	2.6	1.4	2.1	7.7	17.9	19.4	22.1	-4.8	-6.0	-6.1	-2.9	-6.3	-5.2	-1.2**	-1.9	-3.8
Kosovo	3.2*	1.2	3.4	-0.5	0.4	1.8	n.a.	35.3	30.0	n.a.	-7.8	-6.5	n.a.	-2.5	-3.0	6.5***	4.2	2.4

* International Monetary Fund estimation.
**Growth in the first three quarters of 2015.
***Growth in thef first half of 2015.
Sources: International Monetary Fund, statistical offices, central banks

Following a turbulent year of political tension and worries over Greek bank capital outflows, **Macedonia's** economy expanded by 3.7% in 2015. Economic growth is projected to accelerate in the coming years, driven by public investment, rising exports and domestic demand, which is expected to be supported by continuing improvements in the labour market. The banking system was profitable in the year, generating an ROE of 10.4%. Bolstered by strong economic activity and easing credit standards, solid credit growth was noted with deposits also showing firm growth. The loan-to-deposit ratio and the system's high liquidity indicate good potential for further loan growth.

Montenegro's economy experienced a strong rebound in 2015, growing 3.2%, largely due to a strong performance in tourism and industrial production, which grew on the back of a revival of manufacturing activity. Economic growth is expected to accelerate in the coming years; the Bar-Boljare highway will provide a substantial boost to the economy, while putting additional stress on the country's notable fiscal imbalances. The current account deficit is one of the highest in the region and is expected to expand in coming years. The banking system achieved a profit; it recorded strong deposit growth, while loans to households and the non-financial sector grew 2.9%. Non-performing loans remain high by regional standards, but revealed progress through the year.

Bosnia and Herzegovina made significant progress in its recovery from the flooding in 2014, with its economy expanding by 2.1%, according to the estimation of the International Monetary Fund. Economic growth is projected to accelerate in the mid-term. Following a contraction in 2014, industrial production increased 3.1% in 2015. However, further progress is hampered by the postponement of the necessary labour market reforms; unemployment figures in the country are among the highest in the region and represent a significant drag on the economy. The country's complex and costly political structure continues to hamper the country's competitiveness, limiting the progress of the much needed reforms.

According to the estimation of the International Monetary Fund **Kosovo's** economy grew at a solid pace of 3.2% in the year, driven by strong remittance inflows from abroad and growing domestic demand. The banking system's profitability was 57% higher than in the previous year with a ROE of 26.4%. The system experienced strong total loan growth of 7.3%. The system's low non-performing loans, which are fully provisioned, were 6.2% of the loan portfolio at the end of the year. The combination of low non-performing loans, rising domestic demand and strong economic growth is expected to be supportive of continued loan growth and the profitability of the banking system.

Regulatory environment

In May 2015, the amended Banking Act (ZBan-2) entered into force, introducing new concepts mainly in the field of bank capital requirements (introduction of capital buffers), internal management arrangements and higher corporate governance standards. It transposes the EU legal framework for the banking system into Slovenian's national law, in particular Directive 2013/26/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV), which alongside the directly applicable Regulation 575/2013 on prudential requirements for credit institutions and investment firms (CRR) is a key EU act in the banking sector. ZBan-2 also regulates the partial transfer of supervisory power to the European Central Bank, which took over some of the supervisory powers over NLB Group and other systemic banks as the main supervisor within the framework of the Single Supervisory Mechanism already in November 2014. Within the framework of the Single Resolution Mechanism, the amendment to the Bank Resolution Authority and Fund Act (ZOSRB-A) entered into force in December 2015, regulating the financing mechanism of the Single Resolution Fund. A special act regulating the resolution of banks and thus the final transposition of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms (BRRD) is still in the drafting process, as well as the act transposing Directive 2014/49/EU on deposit guarantee schemes (DGSD).

We are developing the Bank for our clients

Tanja Piškur
Head of Product Range Management

Irena Čuk
Head of Customer Relationship Management and Marketing Communication

Nada Drobnič
Head of Customer Support and Contact Centre

Branka Klinar
Head of Sales Performance Monitoring

Blaž Brodnjak
Deputy President of the Management Board

Helena Belingar
Head of Trade Finance Services

NLB Group is the leading regional bank for clients in Slovenia and SE Europe with an exclusive focus on this region and a comprehensive range of services for corporate clients and a competitive product and service offering for our retail customers. Our team is committed to continuously innovating our banking services and products to create comprehensive solutions for our clients. Constant development and investments ensure the ongoing improvement of our customer experience with new services, a full range of distribution channels and client-focused internal processes.

Andrej Lasič
Head of Large Corporates

Tamara Železnik Kohek
Head of Small Enterprises

Natalija Lotti Zupančič
Head of Private Banking

Tanja Ahlin
Head of Distribution Network

Vincenc Jamnik
Head of Mid Corporates

Client satisfaction in the domestic market is increasing

In 2015 product development and strengthening our sales activities were our prime focus. We paid great attention to the needs, experience and satisfaction of our clients. We invested in an innovative mobile retail banking offering available anywhere and at any time, while also improving the branch experience to maintain and strengthen our personal contact with clients. We were continuously monitoring and measuring customer satisfaction and engagement and using the results and feedback to improve our customer service and internal processes.

NLB d.d. provides services to more than 730,000 retail clients holding at least one personal account with the Bank. We are the leading provider of banking services in Slovenia using the full range of channels, from electronic/mobile banking, our network of consultants and the largest branch network in Slovenia. In 2015 we increased the volume of retail loans and retained the market share in deposits. "We actively approach our clients, with existing and new products, increasingly using electronic and mobile distribution channels", emphasises Blaž Brodnjak, Deputy President of the Management Board of NLB d.d., also responsible for retail and private banking as well as corporate banking.

NLB Group services more than 1.5 million clients in the region with a network of 369 branches, thus maintaining or improving our market position in all respective markets. In a highly competitive environment, the Bank has been focusing on profitability before market shares. Slight changes in market shares have not compromised returns, which has proven to be the right strategy.

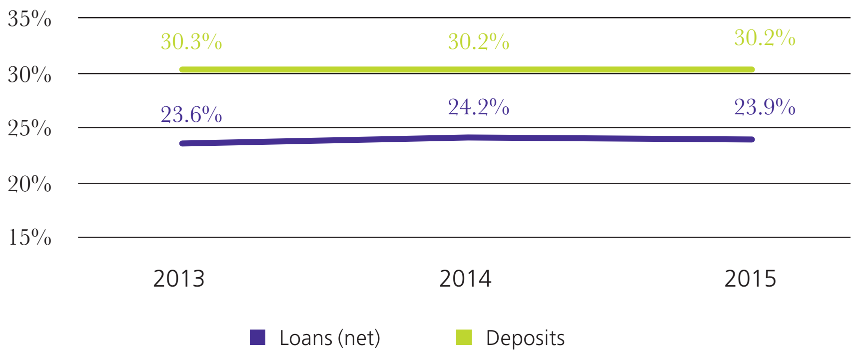
121

NLB branch offices in Slovenia.

7

branches of NLB d.d. in Slovenia.

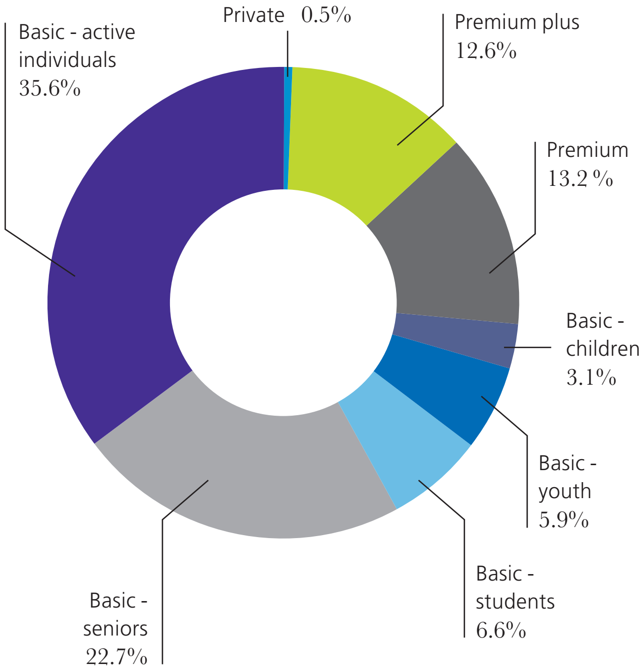
Figure 2: Market shares in retail banking segment in Slovenia



11.9%

is the increase in the amount of new loans granted in 2015 compared to 2014.

Figure 3: Clients by segments*



* Clients are classified into segments based on the criteria of inflow, assets and age. Privilege segment clients (Premium, Premium plus, Private) are classified in terms of financial strength. Basic banking clients for a group of youth segments (Basic – children, Basic – adolescents, Basic – students) are classified based on age and non-inclusion in Privilege segments. Basic banking clients for a group of adult segments (Basic – seniors, Basic – active individuals) are also classified based on age, also considering the type of account and income, and non-inclusion in Privilege segments.

The future is digital

We carefully monitor the trends towards digitalisation. New solutions are already anticipating this, helping us to increase overall efficiency and reducing complexity for internal and external users of new technology (for more, see pages 58-59). In the future, we will also encompass new ways of interacting with our client base such as social media, video chat etc. embedded in an evolving 'omni-channel' environment and allowing to explore new ways of originating and servicing new business opportunities beyond the established channels.

Client satisfaction and loyalty

We continued with our systematic measurement of client satisfaction in 2015, also extending the concept for the first time within the entire NLB Group.

"This year's GfK Slovenia survey has been performed in a tri-modal manner (e-mail, phone and in person); it again confirms that NLB d.d. is the best in client relations in the retail segment. We are better than our competition mainly thanks to our comprehensive product and service range and the user experience. The survey also shows the greater loyalty of our clients compared to other banks", explains Irena Čuk, Head of Customer Relationship Management and Marketing Communication.

Regular contact and development of client relations

In 2015 we intensified contacts with our clients and developed new products which enable us to respond to the customer demands quickly. In all communication and distribution channels, via personal contact, at branch offices and in digital contents we came closer to our clients. We carefully monitored feedback from the clients and analysed their expectations. We offered new banking products in line with the requirements of a modern financial operation.

During the year we also continued modernising the branch office network and renovated 18 branch offices. We are repositioning our outlets for modern personal communication. Our client managers had 625,494 personal contacts with clients. Over 100,000 clients from the Privilege segment have their own personal banker. We started developing a mobile banking team and were organising expert and training events – more than 600 in 2015.

We further enhanced and consistently implemented sales force effectiveness principles and personal target setting for client managers throughout the banking group to secure proactive and intensive communication with clients.

"In our proactive approach to clients, we study their experience in a structured way at every stage of the purchase process, detect feedback and measure the effects with external objective measurements. We establish contact with existing or potential clients wherever we see an opportunity, improve the response to client demands and intensively enrich the product and service range offered", Blaž Brodnjak summarises NLB d.d.'s operations in the retail segment.

Already in 2014 we redesigned the web portal which represented one of the main tools for client communication in 2015. "In 2015, the web portal had around 1 million visits per month. Through it, clients gathered information on products and read the useful contents we publish there, such as the White Papers for individual areas of operation, advice, digital publications etc. The portal itself is the largest bank portal in Slovenia and one of the first 10 in Slovenia in general, apart from news portals. The analysis of the consulting and analytical agency E-laborat selected it as the best web portal in the banking industry", explains Irena Čuk, Head of Customer Relationship Management and Marketing Communication.

We are systematically deepening our understanding of the characteristics and needs of various population segments and

developing a product and service range to meet their needs. In 2015 we revised the business strategy with generation Y. We are addressing them with products suited to their lifestyle: prepaid MasterCard, Klikin mobile banking, student packages offered at affordable prices tailored to the segment. We anticipate that in a few years this generation will grow to become the most demanding users of our banking services.

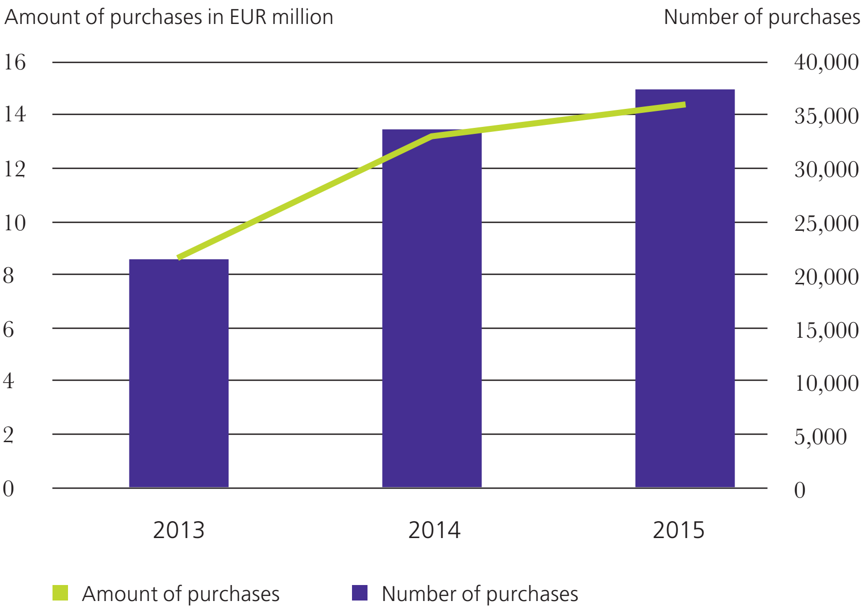
Accelerating innovation

»We restarted an intensive cycle of service and distribution channel development. By doing this we didn't offer just standard solutions but have also put an emphasis at all products on added value and innovative solutions, where we were first in the market«, says Tanja Piškur, Head of Product Range Management.

In 2014 we were the first to introduce MasterCard contactless cards to the Slovenian market, and in 2015 also contactless Maestro cards; other banks in the domestic market followed. In October 2015, we began selling the NLB prepaid MasterCard, with a special sticker for NFC contactless communication. This sticker allows clients to make simple contactless payments even without their wallet with the card at hand. We developed and started the Klikin mobile bank that provides clients with easier access to viewing and transaction services via mobile devices, for example the simple payment of payment orders with the Take-a-photo-and-pay function. In October 2015, the Klikin application was upgraded with the »in-payment« function enabling the remittance of funds using a mobile phone number stored in the smartphone phonebook. We introduced two additional options of user verification to enter the Klik online bank: in addition to the classic digital certificate we added a hardware password generator and a software one-time password generator functioning as a smartphone application. The introduction of the contactless offerings was accompanied by an acclaimed marketing campaign run via TV and other channels featuring resemblances to »The Matrix«,

»Starwars« and other movies.
We upgraded the range of purchases in instalments via credit cards; as the only bank in Slovenia to do so, we offer 24 instalments which has proved to be a highly successful product innovation. The possibility of making simple purchases in instalments represents important added value for our clients.

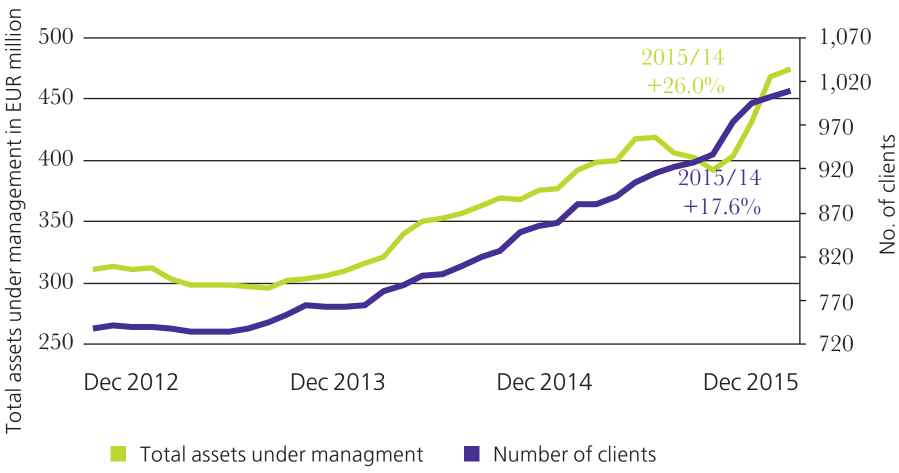
Figure 4: Number and amount of purchases in instalments



Always in touch with our clients

With our Contact Centre we are the only bank in Slovenia to provide our clients with 24/7 access to our Bank's services. We operate out of two locations, Ljubljana and Murska Sobota, and can be accessed by our retail and corporate clients by phone, e-mail, Internet or electronic channels. We respond, answer questions, carry out clients' orders, provide assistance regarding the use of e-bank and in card operations, prevent card and e-bank abuse and resolve complaints through e-channels. As part of our corporate social responsibility agenda, the Contact Centre also traditionally participates in the nationwide humanitarian Red Cross fund donation campaign.

Figure 5: Assets under management and number of private banking clients



A number of innovations are in the pipeline ready to be launched in early 2016 – amongst others we will feature an integrated solution of POS terminals with integrated certified tax cash registers in cooperation with Telekom Slovenije as well as a new personal account for the business activity for sole proprietors.

We are developing our branch offices

The network of branch offices continues to be very important as the main way of originating new business and maintaining relationships with our clients. As of 2015 we started to refurbish our branch network to allow for simplified and comfortable communication with our clients. In 2015 we renovated 18 branch offices and over the course of a few years we plan to refurbish the entire distribution network.

»We are changing the Bank in line with modern trends in banking, approaching the clients in more kind and open way. This enables easier communication and builds a partner relationship«, says Tanja Ahlin, Head of Distribution Network.

Branch refurbishments and new branches in acquisition regions in our banking subsidiaries have been consistently following the standard concept, to secure uniform user experience throughout the Group.

A further increase in confidence in private banking

For some years already, NLB d.d. has been the Slovenian leader in offering the private banking services to clients who wish to manage their assets in a consolidated and analytically supported manner. The largest team of private banking consultants in Slovenia takes care of our clients' assets. Specially trained financial consultants adapt to the clients' needs and utilise extensive knowledge and expertise within NLB Group.

»Our services are comparable to providers around the world. Although our acceptance thresholds are comparatively lower, we offer a full range of individualised private banking asset management services«, says Lotti Natalija Zupančič, Head of Private Banking at NLB d.d.

In 2015 revenues from private banking grew significantly as the number of clients rose by 17.6% to 1,009 clients, and the volume of assets managed by private banking grew by 26.0% to EUR 474 million.

Figure 6: Assets in mutual funds under the management of NLB Skladi and their market share

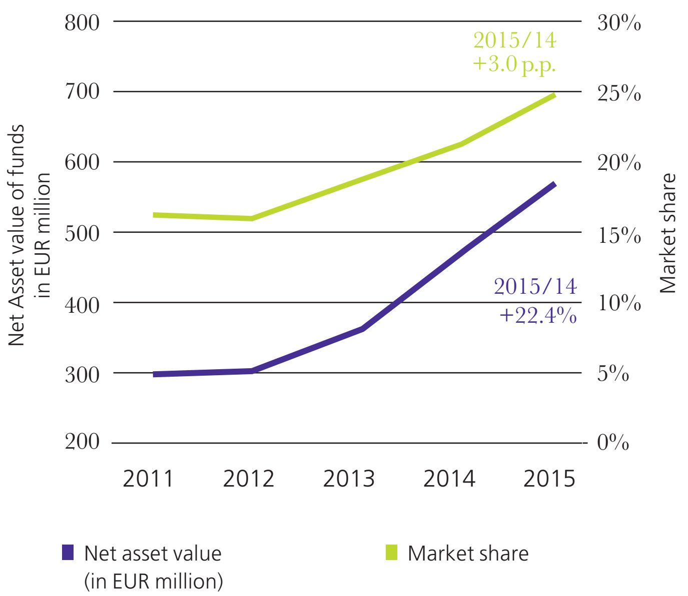
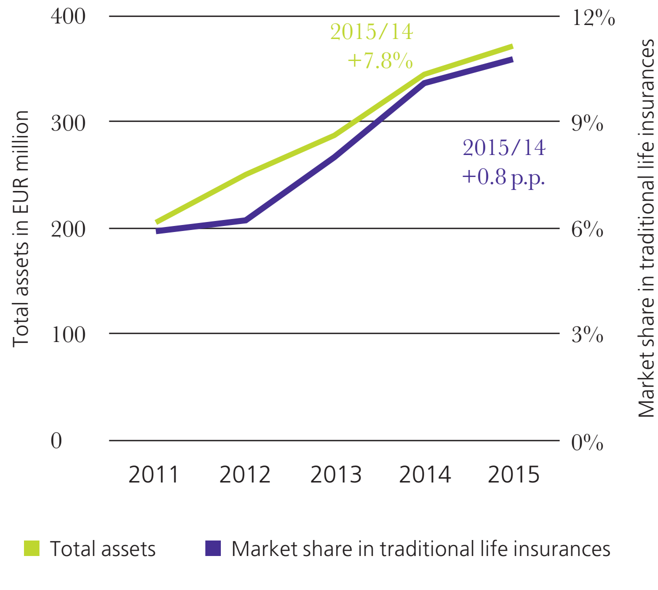


Figure 7: Total assets of NLB Vita and market share in traditional life insurances



NLB Skladi

NLB Skladi is the asset and fund management company, with its products exclusively distributed by NLB d.d. 2015 was very successful in terms of the growth of the assets under the management of NLB Skladi. The total volume of managed assets increased by 18.6% to EUR 907 million of which EUR 573 million were invested in mutual funds and EUR 334 million were invested in discretionary portfolios. At the end of 2015, NLB Skladi held a 24.8% market share, i.e. 3.0 percentage points more than as at 31.12.2014. The Slovenian mutual fund market is slowly gaining pace with investors' confidence in mutual funds returning. The net inflows into mutual funds of Slovenian asset management companies amounted to EUR 141 million in 2015; that is the highest inflow since the start of the financial crisis in 2008. Net inflows into funds managed by NLB Skladi and acquired by the retail network of the bank have well exceeded 50% of the entire registered origination in Slovenian investment funds.

NLB Vita

NLB Vita, a joint venture with the international KBC Group, is a life-insurance company distributing its products exclusively via NLB d.d. NLB Vita ranked fourth among the classic life insurance companies in 2015 for the first time, with its gross written premium in excess of EUR 62 million, achieved a 10.8% market share. An important success factor is the continuous expansion and adaptation of the product portfolio to meet market demands (e.g. the profit-guaranteed product NLB Vita Zanesljiva and investment insurance with a partial guarantee for the principal - NLB Naložba Vita Multi, the new accident insurance NLB Vita Nezgoda and the international health insurance NLB Vita Tujina). In 2015, the insurance company earned a record net profit exceeding EUR 7 million, while its total assets increased to EUR 370 million.

731,611
individuals hold a personal account at NLB d.d., 766,818 clients in total, 671,724 active clients.

1,182,466
payment cards used by the NLB's clients (3.6% more than in 2014). Card structure: BaMaestro (891,500), followed by MasterCard (166,768), Karanta and Visa.

38%
market share by the number of debit payment cards is held by NLB d.d., 35% by banking cards (without debit cards) – data as at 30.9.2015.

19,940
new clients joined NLB d.d. in 2015.

0.8%
more purchases were made cumulatively using cards in 2015.

13,064
POS terminals owned by NLB d.d. installed in Slovenia, 48% of which enable contactless payment.

17.6%

more clients in private banking than in 2014.

26.0%

increase in the volume of assets managed by private banking.

1,009

private banking clients.

EUR 474

million assets managed by the private banking.

In 2015, over 600 events were attended by 8,985 users of banking services who acquired new knowledge concerning finance and banking.

In 2015, we continued modernising the branch office network and renovated 18 branch offices. Our bank consultants had 625,494 personal contacts with clients. Over 100,000 clients from the Privilege segment had their own personal banker. We started developing the mobile banking team. We organised expert and training events.

1,104,928

contacts were processed by the Contact Centre.

307,365

orders and requests by clients were executed by the Contact Centre.

460,934

incoming and 213,707 outgoing phone calls were processed by the Contact Centre.

726,218

tasks in suspicious transaction monitoring, Western Union fast money sending, collection and user administration were processed by the Contact Centre.

71,345

written replies were prepared by the Contact Centre.

Sharing our knowledge

In 2015 we intensively invested in educating our clients about finance and banking. In addition to the magazines Osebno, Privatno and Poslovno, the in-depth White Papers, quick advice, useful and informative articles and calculation tools on the NLB.si web portal, we provided numerous workshops for clients.

For several years, the Bank's premises called Bankarna, which were traditionally mostly intended for banking transactions, have also been hosting educational events. In 2015, more than 600 events all over the network were attended by a large number of banking services users who acquired new knowledge, among others, in the following areas of financial operation:

- How to become a good manager of your money?
- 7 steps to orderly personal finance
- Golden rules of personal financial planning
- Find the right investment
- Smart people borrow ... but smartly!
- How to provide financially for your children's future?
- Why do we need a backup parachute?
- 5 pocket money rules
- How healthy are your personal finances
- Banking for the "young at heart"
- Oh this household budget!
- Personal finance and taxes
- Pension advice
- How to become a good manager of your money? Improve your financial literacy!
- How to travel safely?
- Chatting with a financial expert
- How safe are the funds at banks?
- How to control your personal finances? KLIK the assistant for orderly finances
- Create a card with the motive of your choice!
- Are you planning a new home?
- How to responsibly protect your loved ones?
- Pay to yourself first!
- Other

Focused on long-term partnership

In 2015 we continued our long tradition and commitment to sustainable, long-term business relations and proved to be an important regional partner for large, medium-sized and small enterprises.

The strategic focus is clear: besides our traditional role of a full-service provider to the Slovenian corporate sector, we are deliberately increasing the support and services for small and micro enterprises. As a visible sign of this commitment, we opened the Innovative Entrepreneurship Centre in Ljubljana (for more, see pages 31-32). For our medium-sized and large enterprises, we are maintaining our status as a reliable long-term partner with a full range of banking services. NLB d.d. has also taken a lead role in terms of a responsible approach to the restructuring of the Slovenian economy (for more, see pages 50-51).

"Together, we are building a partnership for long-term success. We would like to avoid cyclic fluctuations and we function anti-cyclically – at a time of intense borrowing we recommend prudence, but we also wish to be supportive at times when the economic activity is slowing down", says Blaž Brodnjak, Deputy President of the Management Board of NLB d.d.

We are building on a personal approach

One of our key objectives is to meet the clients, predominantly at their premises not only in the Bank, so our sales staff will become even better acquainted with clients' business models, crucial opportunities and risks, and thereby offer a professional and appropriate range of services. In 2015, almost 7,300 meetings, i.e. 74% of all meetings, were held outside the Bank's premises and we will maintain this practice.

Intensive support for international business

In 2015 Slovenian exporters continued to find new opportunities in international markets. We support their activities with a comprehensive range of trade products, such as international trade financing, guarantees and letters of credit, purchase of international claims etc.

In 2015, the focus was on promoting, supporting and financing international trade, especially by financing import and export operations. We provide the required support which facilitates export companies acquiring business in their key markets and, if required, we also insure or undertake the risks of such business.

A clearly noticeable growth trend was recorded in business related to the financing of trade operations, such as purchases of claims of bank instruments, such as letters of credit, purchases of claims from invoices and supplier loans.

The biggest improvement in reputation and confidence

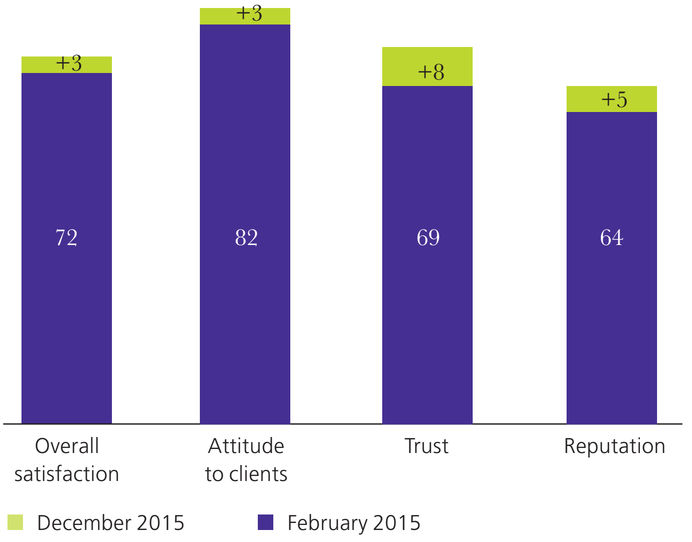
With the Bank's transformation and reorganisation of the sales units in 2014, we introduced a new sales approach in 2015. Through targeted activities we achieved progress in client satisfaction. The key indicators improved in all relevant categories of client satisfaction.

Business with micro and small enterprises

In the segment of micro and small enterprises as well as sole proprietors, we pay special attention to the operations of our clients and ways to assist them in their business. "Especially in the small enterprises segment it is very important to be out in the field and to know our clients well. We have new knowledge, we have improved our responsiveness and flexibility, and we can offer them more and relevant support to facilitate their growth", says Tamara Železnik Kohek, Head of Small Enterprises at NLB d.d., when summarising the essence of the approach to operations in this segment, "Investments in the segment of small and micro enterprises can be carried out in a maximum of 48 hours".

A very important step in 2015 was the establishment of a single sales support unit, which provides assistance to micro and small enterprises centres all around Slovenia. By taking over operational tasks, the unit significantly eases the workload of account managers. They can focus more intensively and thus more appropriately on soliciting

Figure 8: Improvement of client satisfaction in the segment of corporate banking of NLB d.d. in Slovenia*



* According to the current methodology, the survey was first conducted in March 2014, then in February 2015 and last in December 2015.

Source: GfK Slovenia

The results exceed the plans, but we are very careful with forecasts for the coming year as the external influence of the interest rate impacts the entire banking system.

customer needs with the right solutions at the right time.

New opportunities

We actively monitor and analyse the business models, financials and growth of companies. By doing this, we are increasingly able to provide our clients with creative, targeted solutions they can use. This approach is extending our understanding of clients' needs and further helping us to secure primary relationships with existing clients as well as enabling us to identify, address and attract new clients.

"As the largest financial institution in Slovenia, we are also strengthening our cooperation with selected institutions. The Slovenian Chamber of Crafts and Small Business, for example, is one of our strategic partners and, together, we provide educational and business trainings, events and workshops. We also have a joint project with the Association of Accounting Firms, which will upgrade the processes and ensure the electronic transfer of balance sheet data. This will enable us to expedite certain processes in crediting and other transactions", says Tamara Železnik Kohek.

We support innovative entrepreneurship

In 2015 we introduced the Innovative Entrepreneurship Centre which, in cooperation with partner organisations, creates a supportive entrepreneurial environment for our customers.

In one location, we offer a full range of banking services for entrepreneurs, banking and financial consulting, and other relevant professional consultations and support. Start-ups and other companies can acquire entrepreneurial and financial professional know-how, and in 2016 we will add access to a wide network of advisors including, for example, accounting and legal support. We also plan to offer easier access to start-up investments as well as help in finding alternative funding sources in Slovenia and abroad. We will build a physical and virtual community via which we will be connecting suppliers with off-takers, entrepreneurs with investors and foster the exchange of ideas and leveraging of synergies within and beyond the community.

In 2015, the Innovative Entrepreneurship Centre organised 160 trainings and networking events attended by more than 4,500 entrepreneurs.

500

and more client visits made every month by account managers for small enterprises.

100,000

All operations up to a total exposure of EUR 100,000 can be carried out in up to 48 hours.

51,401

companies hold a business account at NLB d.d.

6,992

issuers of e-invoices out of the total of 18,959 are open at NLB d.d.

Among other services, through the VEM* – partner site of the Chamber of Crafts and Small Business the Innovative Entrepreneurship Centre also offers an on-the-spot establishment of a limited liability company or registration as a sole proprietor, while clients can open a business account and take advantage of numerous benefits of the "Business Start" package. In addition, individual banking and financial consulting for companies is available, they can connect with partners, and use our co-working premises and training programmes. The networking is intense and frequent, also in the context of entrepreneurial events, there is a gallery to exhibit innovative entrepreneurial products, and a library to research and strengthen competence in business and expertise.

In the context of stimulating entrepreneurship and social responsibility in Slovenia, we also offered enterprises and organisations rent-free use of our business premises not in use at that moment.

Business with mid corporates

"Companies need a bank which knows how to monitor their operations and understands projects. Such a bank needs to have expertise, provide advice, quality products and a partnership", says Vincenc Jamnik, Head of Mid Corporates at NLB d.d.

Meeting customers and their needs lies at the heart of our business and begins by really understanding their requirements. Only when we have a clear understanding of what our customers need will we be able to develop relevant, distinctive solutions that satisfy those needs and add real value. In order to achieve this, we made as many as 3,204 visits in 2015, 70% of which were on site. Account managers visited business premises and production lines in order to acquire a better understanding of the company, feel its environment and atmosphere and get acquainted with their business models.

"We are always also interested in the substance of our clients' projects and business, not only the financial statements.We assess every project in terms of rationality, compare and analyse it in relation to other companies in the branch, check the competition and the market", says Vincenc Jamnik.

Business with large corporates

Business with large corporates includes large corporations (private companies and state-owned corporates and state institutions), insurance companies and other institutional investors.

"We saw some significant stabilisation of operations in the large corporates segment; where ever needed, financial and business restructurings are by now mostly completed – very often under the lead of NLB d.d. This provides a solid foundation for the future and gives rise to increasing optimism in this segment", notes Andrej Lasič, Head of Large Corporates at NLB d.d., when summarising the events in 2015.

Proactivity, confidence, and building partnerships

Cooperation with large companies and organisations requires a continuous upgrade of professional relationships and care for moderate portfolio growth. In this way, we represent a reliable and long-term stable partner to our clients, and at the same time maintain our market position in the region. In the years of a challenging financial

Education of client managers and clients

To achieve our business objectives, the Bank needs an excellent team of well trained and certified client managers, and currently NLB d.d. has one of the strongest and best qualified team in Slovenia. The basic principle is expertise – also in 2015 account managers had intense trainings, not only to know the products but also about soft skills which are required for good relationships and communication.

Besides continuous training programmes, in 2015 we published professional publications to enhance the knowledge of both our client managers as well as our clients. White Papers on e-banking and trade finance, video case studies, our own professional magazine "Poslovno" are only a few examples of how we support the enhancement and transfer of knowledge.

Together with the Slovenian Chamber of Commerce and the regional Chambers of Commerce, we organised 12 events in 2015. The most notable was the pan-Slovenian NLB Business Forum in May entitled Financial support for international operations, which was attended by 220 entrepreneurs and managers.

* VEM (vse na enem mestu: a one-stop-shop point where we register companies free of charge, prepare all the necessary documentation and provide consultation on overcoming initial obstacles in starting a business.

environment we were responsibly on the side of our clients, proving our strategic orientation for long-term stable relationships and support for the economy.

Alone and together with partner banks, we support economic activity and long-term sustainable projects. We are aware that the foundation of a successful operation lies in the mutual trust between the Bank and the client, which guarantees a long-term benefit for all stakeholders.

In the past year, we used a proactive approach and visited our clients in the region over 600 times. This professional and proactive approach was reflected in intensified lending activity with over 1,000 transactions in 2015. Loan volume with large corporate clients grew by over 8% in 2015 and stood at around EUR 1.5 billion at the year's end.

Finding solutions for our clients throughout core and other international markets

Together with the entire NLB Group, we continuously seek synergies to bring additional benefits of doing business in the region to our clients. We pay special attention to large companies which represent the basis for networking and cross-selling in the region. To this end, we strengthened the cooperation among NLB Group banking members by establishing an International Desk, thus providing more support to our clients for their business in SE Europe where we are present and through correspondent relationships globally. We support our clients in accessing high-quality and customised region-wide services and foster communication with dedicated bank employees who know the local markets.

PRODUCTION GROUP MANGART D.O.O.

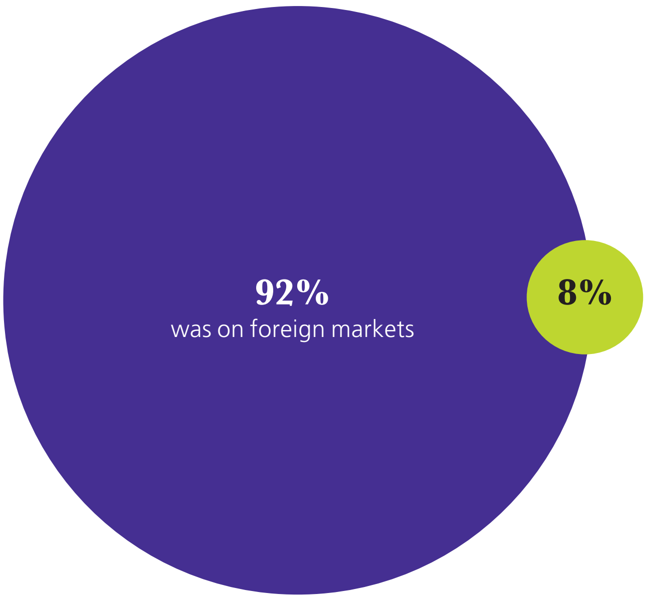
For the largest project we ever made we needed a loan for the first time in the 15 years of our company's activity. We had to find a partner who would believe in our project. When banks look at film and TV production projects, these may be, at first glance, unusual in the financial sense. Due to the nature of our business, we have great fluctuations on the balance sheet, in certain periods the revenues and expenses may even be 70% higher, and projects are planned by phases. All banks were looking just at the last two or three years of our operations, only NLB d.d. viewed our entire cash flow, and this facilitated their decision to finance the TV series Ena žlahtna štorija. Our client manager from NLB d.d. showed interest, she visited our studio, checked the progress of the project, obtained many details on our business operations and also provided advice on how to execute the project. This was our first loan, we had no experience and it was very helpful to have an efficient and competent discussion partner.

SAŠO KOLARIČ,
Director of the Mangart d.o.o. production house on raising a bridging loan to carry out the project of producing one of the most popular TV series in Slovenia

We are leading in investment banking and custody services

NLB d.d. has a long tradition and deep know-how when it comes to providing access to domestic and international capital markets for the largest Slovenian companies, thereby fulfilling an important role in the Slovenian national economy. More than half of all issues of securities for companies in Slovenia is organised by NLB d.d. Many leading companies rely on advice and solutions from NLB d.d. to manage market risk and support their trading operations.

725
The total brokerage turnover in NLB d.d. in 2015 was EUR 725 million.



on the Ljubljana Stock Exchange.

MITJA TOMAŽINČIČ
Head of Brokerage and Treasury Solutions Department at NLB d.d.

NLB d.d. has years of experience and plenty of expert knowledge in the field of trading for a wide range of financial instruments. With 52 established relationships with global partners, we have a significant advantage over our competitors. Besides our efforts to constantly improve service quality, our clients especially appreciate our proactive and professional approach to dealing with their needs and finding effective tailor-made solutions.

In 2015, we successfully helped raise over EUR 200 million in capital and arranged syndicated loans in a total amount of EUR 364 million, a significant increase in activities compared to 2014.

The Bank provides clients with a complete set of services: raising equity, issuing debt, organising a syndicated loan, managing market risk exposures as well as providing a trading infrastructure for domestic and international capital and currency markets. A strong advisory team assists our clients in structuring and placing a range of debt and equity instruments. Our network of international partners provides our clients with full access to the international capital market. Besides, we advise on mergers and acquisitions.

In the field of treasury products, the volume of transactions in derivatives to hedge against interest rate risk rose in 2015 by more than 50% compared to 2014. The volume of transactions in derivatives for currency hedging, compared to 2014, increased by 20%.

Assets under custody exceeded EUR 9.4 billion, rising by EUR 422 million. In fund administration services, the net asset value of the funds' assets also rose by almost 5%.

We are proud of our know-how which helped us achieve exceptional results this year. We are one of the leading partners in the region.

ANDREJ MEŽA
Head of Investment Banking and Custody

CORE *foreign markets*

SE Europe is our core market

The core part of NLB Group in foreign markets consists of six banks and one pension insurance company. They are distinguished by their strong reputation and recognised for their modern products, services and distribution channels. In four out of six markets, NLB Group subsidiaries have market shares exceeding 10%. After many years, all core members of NLB Group in foreign markets posted a profit in 2015 with solid future projections.

Banking members of NLB Group in SE Europe – Macedonia, Bosnia and Herzegovina, Kosovo, Montenegro and Serbia – primarily focus on the retail and small and micro enterprises' segments. In 2015, they responded to market needs in highly competitive local markets by cost rationalisation of their business, streamlining and modernisation of the distribution network, and improving their digital offering.

»NLB Banka, Banja Luka, NLB Tutunska banka, Skopje and NLB Banka, Pristina have continued their successful stories. NLB Banka, Sarajevo moved its headquarters from Tuzla to Sarajevo, which will make an additional contribution to the Bank's stronger presence in other cantons. NLB Banka, Podgorica and NLB Banka, Belgrade posted a profit and laid down the foundations for long-term profitable growth after introducing changes to improve business efficiency and implementing a restructuring plan aimed at reducing costs, non-performing loan ratios and refreshing the management team. Cost efficiency was improved in all banks and, after a long time, all core members in foreign markets posted a profit in 2015. The next development step in the Group at the end of 2015 and beginning of 2016 is a unified brand and corporate image. We will increasingly focus on a harmonised market offering, external perceptions and increasing internal synergies«, said Jure Peljhan, Head of Core Group Steering.

NLB Tutunska banka, Skopje

NLB Tutunska banka, Skopje, is the most successful subsidiary of NLB Group. It is the third largest bank in Macedonia, with a tradition going back 30 years. Faced with strong banking competition, the bank improved its competitive edge with excellent technical support for digital services. Novelties the bank offered to clients in 2015 were non-life insurance and agency services for voluntary pension plans. 2015 ended above expectations, with a net profit of EUR 13.1 million, a 17.8% increase compared to the previous year. The bank received the Bank of the Year 2015 award in Macedonia granted by The Banker financial magazine for the eighth time in a row for its achievements and successful work.

GJORGJI JANČEVSKI
President of the Management Board of NLB Tutunska banka, Skopje until 31.12.2015

We ended 2015, the 30th year of our operations, with one of the highest profits in our history and received a number of national and international awards which point to our successful work. Our foundations are solid. As a long-term president of the Management Board, I am particularly proud that in all these years we have built a strong corporate culture and set up a team of competent professionals. After 30 years of my work in the bank, it is time for a generational change as I retired on 1.1.2016 and left my position to Antonio Argir.

Table 4: Key performance indicators of NLB Tutunska banka, Skopje

	2015	2014	Change
Income statement indicators (in EUR thousand)			
Net interest income	41,344	34,905	18.4%
Net non-interest income	11,651	11,852	-1.7%
Total costs	22,369	21,042	6.3%
Provisions and impairments	16,044	13,526	18.6%
Result after tax	13,129	11,149	17.8%
Financial position statement indicators (in EUR thousand)			
Total assets	1,119.678	1,045,782	7.1%
Loans and advances to non-banking sector (net)	704,657	614,765	14.6%
Deposits from non-banking sector	923,760	846,399	9.1%
Equity	113,977	108,379	5.2%
Key financial indicators			
Capital adequacy ratio	14.7%	15.3%	-0.6 p.p.
Interest margin*	4.3%	3.9%	0.4 p.p.
Return on equity after tax (ROE a.t.)	11.8%	10.8%	1.0 p.p.
Return on assets after tax (ROA a.t.)	1.2%	1.1%	0.1 p.p.
Costs/net income (CIR)	42.2%	45.0%	-2.8 p.p.
Market share in terms of total assets**	16.6%	16.3%	0.3 p.p.
Loans to non-banking sector/deposits from non-banking sector (LTD)***	76.7%	73.2%	3.5 p.p.

* Calculated on a basis of average total assets.
** As at 30.9.2015.
*** Net LTD.

NLB Banka, Sarajevo

NLB Banka, Sarajevo (previously Tuzla) is a bank with tradition dating back 100 years. It holds sixth place in the Federation of Bosnia and Herzegovina in terms of market share of total assets. In 2015, the Bank moved its headquarters from Tuzla to Sarajevo, the capital of Bosnia and Herzegovina, with the aim to strengthen its presence in other cantons of the Federation of Bosnia and Herzegovina as well. The Bank gained over 13,000 new clients, a rise of 11% over the previous year. Efficiency, communication of the Bank and its services have been improved and even more attention was devoted to client relations. It ended 2015 with a profit of EUR 4.2 million and reduced the share of non-performing exposure by 2.1 percentage points to 9.4%. NLB Banka, Sarajevo upgraded its offer of products and channels. The Bank will continue modernising the branch offices and services in 2016.

SENAD REDŽIĆ
President of the Management Board of NLB Banka, Sarajevo

In a difficult financial and political situation, NLB Banka, Sarajevo successfully strengthened client relations by offering quality banking services and achieved a sound performance in 2015. The bank's headquarters were moved to Sarajevo in October and our presence in the country will be further strengthened in the year that follows. In addition to modernising the branch offices to enable open communication with clients, many efforts were put into employee training and development during 2015. Clients will continue to receive modern banking services aimed at meeting their needs and desires.

Table 5: Key performance indicators of NLB Banka, Sarajevo

	2015	2014	Change
Income statement indicators (in EUR thousand)			
Net interest income	15,710	14,215	10.5%
Net non-interest income	6,626	6,583	0.7%
Total costs	13,631	12,935	5.4%
Provisions and impairments	3,979	4,762	-16.4%
Result after tax	4,182	2,729	53.2%
Financial position statement indicators (in EUR thousand)			
Total assets	476,110	462,156	3.0%
Loans and advances to non-banking sector (net)	300,715	295,490	1.8%
Deposits from non-banking sector	403,261	387,668	4.0%
Equity	55,313	43,916	26.0%
Key financial indicators			
Capital adequacy ratio	13.5%	13.2%	0.3 p.p.
Interest margin*	3.3%	3.2%	0.1 p.p.
Return on equity after tax (ROE a.t.)	8.1%	6.4%	1.7 p.p.
Return on assets after tax (ROA a.t.)	0.9%	0.6%	0.3 p.p.
Costs/net income (CIR)	61.0%	62.2%	-1.2 p.p.
Market share in terms of total assets**	5.5%	5.6%	-0.1 p.p.
Loans to non-banking sector/deposits from non-banking sector (LTD)***	77.0%	77.5%	-0.5 p.p.

* Calculated on a basis of average total assets.
** As at 30.9.2015.
*** Net LTD.

NLB Banka, Banja Luka

NLB Banka, Banja Luka, which became a member of NLB Group in 2005, is the Bank with the largest banking distribution network in the Republic of Srpska. A net profit of EUR 9.9 million was posted for 2015. The Bank is in the process of investing in the digitalisation of services and internal processes.

RADOVAN BAJIĆ
President of the Management Board of NLB Banka, Banja Luka

The performance was sound in 2015 in spite of the significant fall in interest rates in the Republic of Srpska. We increased the number of clients by maintaining a high level of services and thus higher income, greater profitability and increases in capital. An important goal for 2016 is the preservation of a high level of profitability, especially when accounting for the market competition and the continuing pressures to lower the interest margin.

Table 6: Key performance indicators of NLB Banka, Banja Luka

	2015	2014	Change
Income statement indicators (in EUR thousand)			
Net interest income	16,656	16,372	1.7%
Net non-interest income	8,223	8,589	-4.3%
Total costs	12,651	12,230	3.4%
Provisions and impairments	1,473	4,052	-63.6%
Result after tax	9,863	7,646	29.0%
Financial position statement indicators (in EUR thousand)			
Total assets	611,748	605,197	1.1%
Loans and advances to non-banking sector (net)	303,041	307,284	-1.4%
Deposits from non-banking sector	532,738	531,654	0.2%
Equity	68,058	63,936	6.4%
Key financial indicators			
Capital adequacy ratio	17.5%	17.7%	-0.2 p.p.
Interest margin*	2.7%	2.7%	0.0 p.p.
Return on equity after tax (ROE a.t.)	14.7%	12.3%	2.4 p.p.
Return on assets after tax (ROA a.t.)	1.6%	1.2%	0.4 p.p.
Costs/net income (CIR)	50.7%	49.0%	1.7 p.p.
Market share in terms of total assets**	18.4%	17.8%	0.6 p.p.
Loans to non-banking sector/deposits from non-banking sector (LTD)***	63.9%	67.5%	-3.6 p.p.

* Calculated on a basis of average total assets.
** As at 30.9.2015.
*** Net LTD.

NLB Banka, Pristina

2015 was very successful for NLB Banka, Pristina, the third largest bank in Kosovo, after ending the year with a profit of EUR 8.2 million, the highest in the last ten years. The Bank managed to retain the best clients while facing strong competition from other banks and reduce the share of non-performing loans in all loans to 3.9%, significantly below the average in Kosovo of 6.2%. The cost-to-income ratio was 41%, well below the average in Kosovo of 50%. The Bank will continue implementing contemporary e-banking services and other banking services focusing on integral solutions to properly address its clients' needs.

ALBERT LUMEZI
President of the Management Board of NLB Banka, Pristina

The performance in 2015 was sound and our goals were exceeded in all business segments. Further maintenance of the quality of assets is our obligation, as shown in the performance indicators which are above the average in the financial industry. The quality of the loan portfolio and the lowering deposit interest rates were the main factors behind the highest profitability since NLB Banka, Pristina was established. Although the market is highly competitive and fragmented, we managed to preserve our market share and consolidate our position as of one of the three largest and most important banks in Kosovo. NLB Banka, Pristina has clear and ambitious development goals and wants to stay among the key actors in the market. I am convinced that we will continue to develop and grow in 2016.

Table 7: Key performance indicators of NLB Banka, Pristina

	2015	2014	Change
Income statement indicators (in EUR thousand)			
Net interest income	22,736	17,816	27.6%
Net non-interest income	3,611	3,428	5.3%
Total costs	10,781	10,379	3.9%
Provisions and impairments	6,282	4,733	32.7%
Result after tax	8,242	5,435	51.6%
Financial position statement indicators (in EUR thousand)			
Total assets	464,692	463,501	0.3%
Loans and advances to non-banking sector (net)	289,339	252,365	14.7%
Deposits from non-banking sector	400,245	407,138	-1.7%
Equity	59,725	51,454	16.1%
Key financial indicators			
Capital adequacy ratio	17.5%	16.6%	0.9 p.p.
Interest margin*	5.3%	4.2%	1.1 p.p.
Return on equity after tax (ROE a.t.)	14.9%	11.2%	3.7 p.p.
Return on assets after tax (ROA a.t.)	1.8%	1.2%	0.6 p.p.
Costs/net income (CIR)	40.9%	48.9%	-8.0 p.p.
Market share in terms of total assets**	14.5%	15.6%	-1.1 p.p.
Loans to non-banking sector/deposits from non-banking sector (LTD)***	72.3%	62.4%	9.9 p.p.

* Calculated on a basis of average total assets.
** As at 30.9.2015.
*** Net LTD.

NLB Banka, Belgrade

NLB Banka, Belgrade ended 2015 with a net profit for the first time since 2008. In the past two years, it went through a comprehensive restructuring plan under a new leadership aimed at increased efficiency, centralising the head office in Belgrade, reducing non-performing loans and thus establishing a sound platform for future growth. As a result, interest income has increased and costs have been reduced by 9.7%. The ambitious growth objectives will be followed in the coming years, focused on specific market segments where the bank can establish competitive advantages such as agro-business, thus pursuing a more distinct strategy based on digital distribution.

BRANKO GREGANOVIĆ
President of the Management Board of NLB Banka, Belgrade

2015 has been satisfactory given the very difficult starting point. We achieved a complete turnaround of the organisation thanks to the joint efforts of management and employees and succeeded to regain the trust of the market in our brand. The biggest challenge for management was to establish a connected and competent team. The results achieved so far confirm that we are on the right path. All of us who are members of the team of NLB Banka, Belgrade share the common vision of providing a best-in-class financial service to our clients by using the knowledge and experience at our disposal. Their trust and satisfaction remain our priorities.

Table 8: Key performance indicators of NLB Banka, Belgrade

	2015	2014	Change
Income statement indicators (in EUR thousand)			
Net interest income	13,760	10,060	36.8%
Net non-interest income	3,197	180	1681.1%
Total costs	15,470	17,129	-9.7%
Provisions and impairments	270	11,889	-97.7%
Result after tax	1,181	-18,324	-
Financial position statement indicators (in EUR thousand)			
Total assets	235,617	243,674	-3.3%
Loans and advances to non-banking sector (net)	92,895	89,124	4.2%
Deposits from non-banking sector	179,788	186,014	-3.3%
Equity	44,121	42,565	3.7%
Key financial indicators			
Capital adequacy ratio	28.0%	25.6%	2.4 p.p.
Interest margin*	6.2%	3.4%	2.8 p.p.
Return on equity after tax (ROE a.t.)	2.7%	-39.2%	41.9 p.p.
Return on assets after tax (ROA a.t.)	0.5%	-6.3%	6.8 p.p.
Costs/net income (CIR)	89.9%	167.3%	-77.4 p.p.
Market share in terms of total assets**	1.0%	1.0%	0.0 p.p.
Loans to non-banking sector/deposits from non-banking sector (LTD)***	51.5%	47.9%	3.6 p.p.

* Calculated on a basis of average total assets.
** As at 30.9.2015.
*** Net LTD.

NLB Banka, Podgorica

NLB Banka, Podgorica embarked on an extensive restructuring programme in 2014, which was concluded in 2015. The main objectives were increasing efficiency and reducing the non-performing loan ratio, while providing a solid foundation for future business. As a result, the net profit of EUR 6.2 million exceeded expectations in 2015, representing an increase of 43.4% compared to 2014. 2015 also saw product innovations such as contactless Mastercard and Visa cards and, as part of the consolidation of the NLB brand, the Bank was renamed NLB Banka, Podgorica. Martin Leberle took over as the President of the Management Board on 1.2.2016 after the previous President Anton Ribnikar retired.

ANTON RIBNIKAR
President of the Management Board of NLB Banka, Podgorica until 31.12.2015

We are highly satisfied with the bank's operations in 2015 because our expectations were met and exceeded by the profit made. The restructuring plan which is slowly coming to an end has laid sound foundations for the Bank's growth. To further improve our services and come closer to the clients, measurements of client satisfaction were introduced in 2015 because we believe that it is only by meeting their needs and expectations that will we remain competitive in our small banking market.

Table 9: Key performance indicators of NLB Banka, Podgorica

	2015	2014	Change
Income statement indicators (in EUR thousand)			
Net interest income	14,866	12,205	21.8%
Net non-interest income	4,916	4,039	21.7%
Total costs	12,783	12,403	3.1%
Provisions and impairments	731	-520	-
Result after tax	6,240	4,351	43.4%
Financial position statement indicators (in EUR thousand)			
Total assets	484,543	510,566	-5.1%
Loans and advances to non-banking sector (net)	253,710	272,896	-7.0%
Deposits from non-banking sector	387,911	408,067	-4.9%
Equity	68,624	63,213	8.6%
Key financial indicators			
Capital adequacy ratio	15.9%	13.9%	2.0 p.p.
Interest margin*	3.3%	2.7%	0.6 p.p.
Return on equity after tax (ROE a.t.)	9.6%	7.3%	2.3 p.p.
Return on assets after tax (ROA a.t.)	1.2%	0.9%	0.3 p.p.
Costs/net income (CIR)	64.6%	76.4%	-11.8 p.p.
Market share in terms of total assets**	14.0%	17.0%	-3.0 p.p.
Loans to non-banking sector/deposits from non-banking sector (LTD)***	66.8%	68.8%	-2.0 p.p.

* Calculated on the basis of average total assets.
** As at 30.9.2015.
*** Net LTD..

NLB Nov penziski fond, Skopje

NLB Nov penziski fond, Skopje offering mandatory and voluntary pension insurance in Macedonia celebrated its tenth anniversary and an excellent performance in 2015. An award for Best Pension Fund in Central and Eastern Europe granted by the Investments & Pensions Europe magazine was received in 2014, and the even more prestigious title of Best Sovereign Reserve Fund in Europe was received from the same magazine in 2015. As stated in the grounds for the award, it was granted for the innovative and complex investment strategy of an otherwise relatively small European pension fund, which was successfully transferred from paper to practice. The business performance was excellent in 2015 in spite of the legally regulated prices for consumers. It holds a 47.8% market share in terms of the number of policyholders of the mandatory pension fund and a 39.5% market share among voluntary pension funds.

DAVOR VUKADINOVIĆ
President of the Management Board of NLB Nov penziski fond, Skopje

With competent management of the fund, compliance with the professional standards and upholding of corporate values and responsibility of all employees, the set goals were exceeded in 2015 and the company's profitability was further improved. We are now facing the challenges related to the regulatory changes and political stability in the country. We will continue with our efforts to achieve positive results for the benefit of our stakeholders and owners, including the optimisation of costs, increasing equity, ensuring transparent operations, increasing assets and improving risk management. At the level of NLB Group, we have established good cooperation with NLB Skladi and are planning to further expand the scope of our joint operations.

Table 10: Key performance indicators of NLB Nov penziski fond, Skopje

	2015	2014	Change
Income statement indicators (in EUR thousand)			
Result after tax	789	691	14.2%
Financial position statement indicators (in EUR thousand)			
Net value of the funds	307,107	253,145	21.3%
Net value of the obligatory fund	301,617	249,215	21.0%
Net value of the voluntary fund	5,490	3,930	39.7%
Equity	6,014	5,919	1.6%
Key financial indicators			
Return on equity after tax (ROE a.t.)	13.5%	12.2%	1.3 p.p.
Costs/net income (CIR)	59.9%	60.4%	-0.5 p.p.
Market share of compulsory pension fund by number of clients	47.8%	47.6%	0.2 p.p.
Market share of voluntary pension fund by number of clients	39.5%	37.7%	1.8 p.p.

Controlled wind-down of non-core activities

NLB Group is strictly following the objectives of the Restructuring Plan put in place under supervision of the European Commission in the context of the state aid process that was concluded in 2013. This process entails a rigorous wind-down of all portfolios and consequent reduction of costs. The implementation of the wind-down is pursued with a variety of measures, including sales of entities, sales of portfolios, sales of individual assets and the collection or restructuring of individual assets.

The non-core portfolio includes assets booked in NLB d.d. (non-core portfolios of Slovenian and international exposures representing approximately 50% of non-core net loans as of 2015) as well as the portfolios of non-core subsidiaries (funded almost entirely by NLB d.d.). The large majority of non-core assets comprise loan exposures, a smaller share (approximately 13%) are repossessed real estate and, finally, there is a small remaining part of equity exposures (approximately 3%).

Total assets are decreasing

Total assets of NLB Group in 2015 in the segment of non-core markets and activities amounted to EUR 752.1 million. Compared to the end of 2014, we reduced the figure by EUR 160.1 million (-17.6%). The share of non-core assets in total assets of NLB Group was 6.4% or 1.3 percentage points less than at the end of 2014. An important contribution to reducing the exposure came from assets collected in pre-court and court proceedings, lowering exposure under guarantees, and regular repayments. As regards closing non-core members of NLB Group, the regular liquidation of LHB Trade, Zagreb was completed in 2015 and procedures for final liquidation in 2016 were prepared for NLB Leasing, Sofia. Closing of the Trieste Branch was concluded in 2015 (formal deregistration of the branch is pending). 2015 saw another successful exit from a non-core equity exposure with conclusion of a contract on the sale of shares of Trimo to an international investor signed in 2015.

Labour and operating costs of the segment were reduced as a result of a lower number of non-core members and the streamlining of operations in those still doing business. Total costs in 2015 amounted to EUR 29.8 million or EUR 3.3 million (-10.0%) less than in 2014. In 2015, the share of costs of this segment represented 9.9% of NLB Group total costs, which is 0.8 percentage point less than at the end of 2014.

Active management of real-estate assets

A large portion of non-performing loans in the portfolio is secured by real estate and therefore NLB Group has set up a specialised team for repossessing, managing and selling real estate.

Total assets in the segment of non-core markets and activities were reduced by EUR 160.1 million or

17.5%.

Management entities have been established in three relevant markets: Croatia, Serbia and Montenegro (REAM Zagreb, REAM Belgrade, REAM Podgorica), while in Slovenia PRO-REAM has been carved out from NLB Leasing, Ljubljana including assets, real-estate management and staff.

The main task of these teams is to ensure value-preserving strategies for the management of real estate, respectively the collateral value of non-performing loan claims by either temporarily repossessing real estate or ensuring a value-preserving divestment process of the real estate or a claim. In 2015 the team supported 45 transactions with a real estate value of approximately EUR 60 million.

Figure 9: Asset evolution by activity (in EUR million)

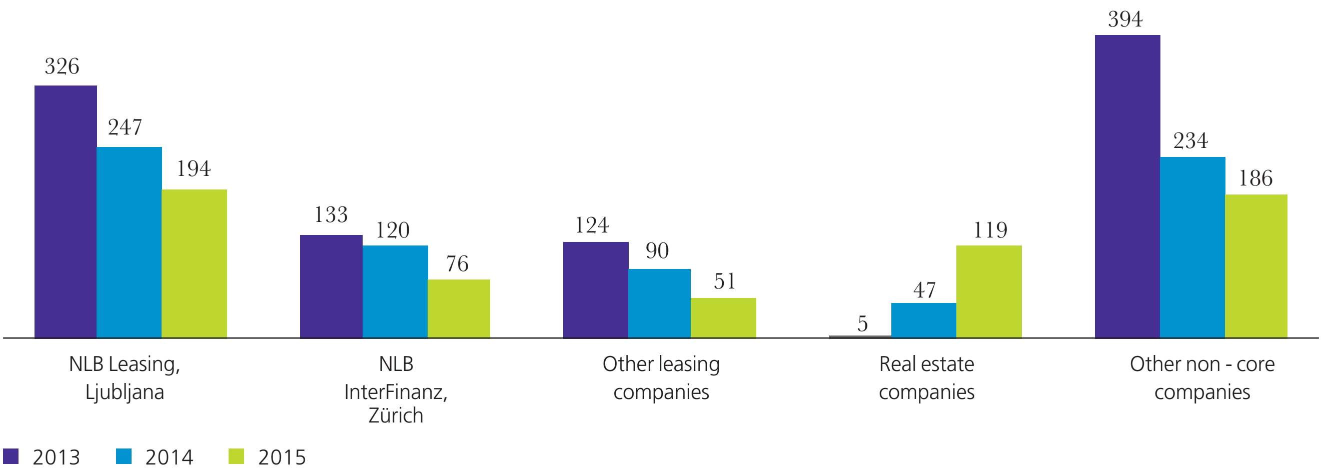
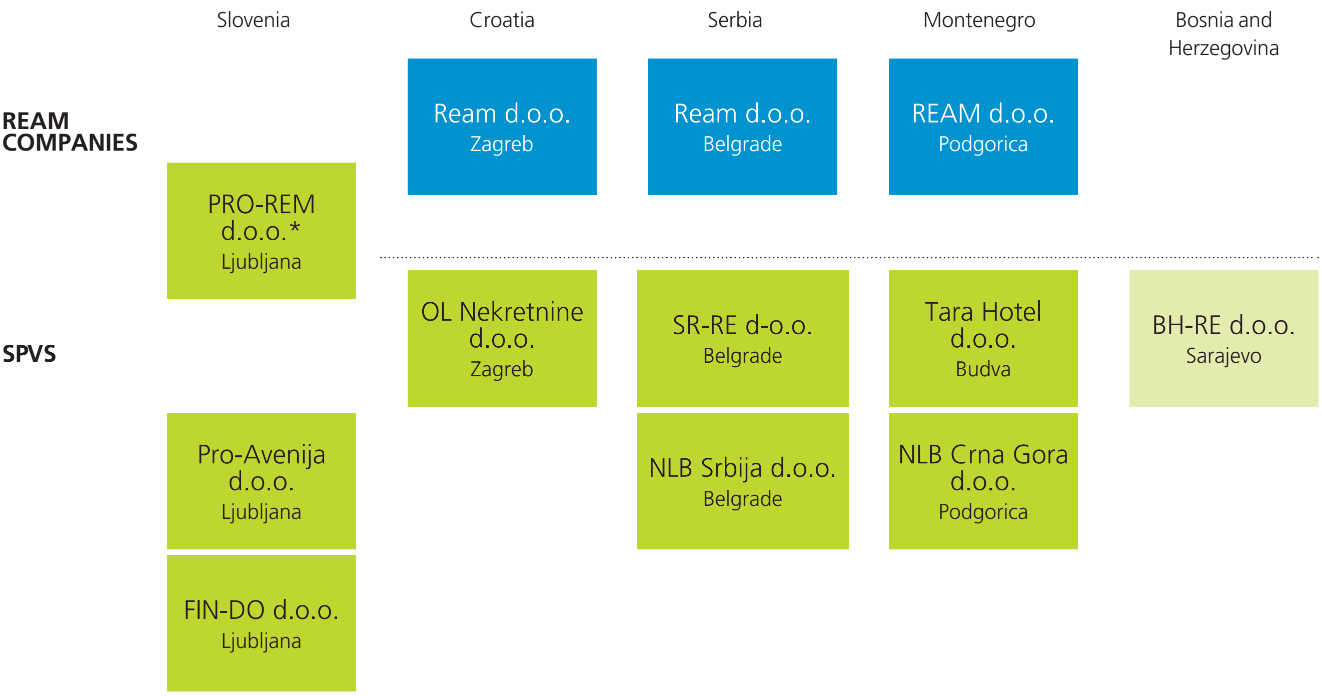


Chart 1: Operational chart of the real estate asset management unit



*Company operates as REAM and SPV.

We are managing risks in a structured and efficient manner

The key goal of NLB d.d. Risk Management is to comprehensively assess and monitor risks within NLB Group. We are proactively developing methodologies and models to evaluate, monitor and define mitigation criteria for all relevant risk types, especially credit, liquidity, market and operational risks. During the entire year, we were very closely monitoring the quality of our credit portfolio. We used a wide range of tools to reduce the volume of non-performing loans and actively participate in the restructuring of corporate clients. In 2015 we further upgraded our approach to holistically understand our clients which at the same time contributed to an increased level of competitiveness of NLB Group.

Table 11: Overview of the risk portfolio, impairments and provisions*

	31.12.2015		31.12.2014	
in EUR million	NLB d.d.	NLB Group	NLB d.d.	NLB Group
Risk portfolio	8,797.1	12,419.9	9,735.9	13,272.1
Receivables from A and B rated clients	75.5%	76.9%	68.8%	70.8%
Impairments and provisions for risk portfolio	830.9	1,478.7	1,191.0	1,941.1
Coverage ratio of risk portfolio	9.4%	11.9%	12.2%	14.6%
Credit portfolio	6,663.3	9,829.2	7,247.9	10,432.6
Share of A and B loans	72.4%	74.6%	64.0%	67.4%
Impairments and provisions for credit portfolio	748.1	1,368.1	1,081.8	1,801.8
Coverage ratio of credit portfolio	11.2%	13.9%	14.9%	17.3%
Non-performing loans	1,101.3	1,895.5	1,535.7	2,623.4
Non-performing loans/Total loans	16.5%	19.3%	21.2%	25.1%
Non-performing exposures/Total exposure	12.1%	14.3%	15.6%	18.8%
Coverage ratio of non-performing loans with impairments on all loans	67.9%	72.2%	70.4%	68.7%
Coverage ratio of non-performing loans with impairments on non-performing loans	59.1%	62.8%	57.0%	61.7%
Net non-performing loans**/Net total loans	7.6%	8.3%	10.7%	11.7%

*The above illustration was prepared according to the NLB Group risk assessment approach and the capital regulation requirements (EU regulation). It presents the entire risk portfolio (on-balance and off-balance sheet exposures) and the credit part of the portfolio. Requirements deriving from the capital regulation differ from those of the IFRS.

**Net non-performing loans: non-performing loans lowered by impairments for non-performing loans.

We are continuously upgrading the risk culture and awareness of all relevant risks within the entire organisation, and are constantly upgrading our competencies to assume and manage risks. Our fundamental documents are the Risk Appetite Statement and the Risk Strategy of the Group, which are subject to regular review and upgrade. We are striving to minimise the cost of risk, given the risks assumed according to our strategy, and thus ensure the Group's long-term profitable operations. Credit risk represents the most important risk type within the Group. When taking on other risks, we follow the orientation that such risks must not significantly impact the Group's operations.

In the process of constantly improving risk management, NLB Group is focussing on enhancing existing methodologies and models, whereas NLB Group is shifting to more advanced approaches supported by mathematical and statistical models. In the area of credit risk, an approach based on internal ratings was established. Beside, more advanced approaches to the stress testing of risks in all areas were introduced, also in connection with relevant macroeconomic factors.

In NLB Group we make a uniform assessment and manage risks across the entire Group, taking into account the specifics of the markets in which individual Group members are operating.

We pursue all new regulatory requirements proactively. In 2015, NLB Group was one of the first in the banking segment in Slovenia to start introducing the financial reporting standard IFRS 9 (which enters into force in 2018).

NLB d.d. is as a systemic bank involved in the Single Supervisory Mechanism, whereby the supervision is under the jurisdiction of the Joint Supervisory Team of the European Central Bank and the Bank of Slovenia.

Credit risk

In NLB Group we are further strengthening the robustness of the risk management system and at the same time actively supporting the operations of our clients. In 2015 we continued with the development of scoring models used in managing credit risk as the most important risk category.

The scoring model for small and medium-sized enterprises developed in the past years was further upgraded. The new model provides a higher quality credit risk assessment and better responsiveness to our clients. We have classified numerous potential clients in advance and set pre-approved credit limits, enabling quick reactions in the market and to be more proactive towards new and existing clients.

The approach to the small and medium enterprises segment was also pursued by an even deeper understanding of this part of the market. By using new tools, existing financial analyses were improved with greater insight into the performance of a client's industry, additional analysis of a client's results against comparable competitors, and a more in-depth assessment and benchmarking of their future plans.

Significant changes were also introduced in the retail segment, within the scope of which two new models were developed. In addition, a process for deciding on credits in electronic form was introduced. This has resulted in acceleration of the decision-making process and reduced operating costs in the Bank at the same time.

By consistently implementing the strategy for the areas of non-performing loans we

Figure 10: Structure of NLB Group's portfolio by country in 2015

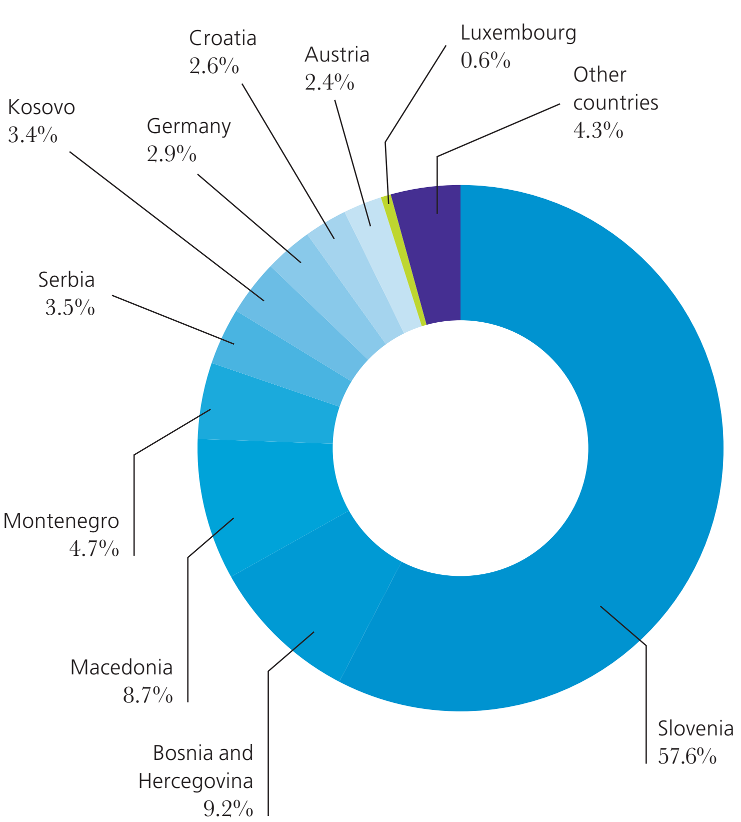


Figure 11: Structure of NLB Group's portfolio by debtor segment in 2015

achieved a significant reduction in the volume of non-performing loans in 2015 and, thereby exceeded the goals set for the year. Various approaches were employed, among which changing the status of non-performing loans into performing ones based on the successful restructurings in 2014, repayments by clients, taking over collateral, the sale of receivables, and the partial write-off of non-collectible debt are the most important ones.

At the same time, a great emphasis was put on the financial and business restructuring of clients, whereas in Slovenia NLB d.d. in this area continued to play the leading role within the banking system.

We have been upgrading the management of all risks

The Bank further strengthened the existing risk models, also in the area of liquidity and currency risk. NLB Group's liquidity position remains high and stable, as also reflected in the high level of achievement of all indicators prescribed by the regulations. Even if any stress scenario is realised, we have sufficiently high liquidity reserves in place, especially in the form of prime debt securities.

In the area of operational risks, the reporting of loss events was further encouraged. Special attention was paid to potential loss events with the aim of improving the existing internal controls. Our goal is to act proactively, primarily through prevention and the minimisation of potential damage in the future.

We were also diligently managing other, non-financial risks, including strategic risk, reputation risk, capital risk and profitability risk.

The credit portfolio has been improving

We put considerable emphasis in NLB Group on new corporate and retail financing. We are actively present in the market, financing existing and new creditworthy clients. The lower indebtedness of companies and their successful restructuring had a positive influence on the approval of new loans. In the retail segment, positive trends were shown in the larger trust of clients in economic developments and the related consumption, the reduced unemployment rate and (selectively) the recovery of the real-estate market. In comparison with the previous period, a larger volume of new loans to corporate and retail clients was approved in 2015. In addition, the structure of the credit portfolio (the share of the portfolio with an A or B rating) improved considerably.

ANDREAS BURKHARDT
member of the Management Board
responsible for risk management

RISK MANAGEMENT IS AN ON-GOING PROCESS

We have been constantly upgrading risk management processes. Quite a few changes occurred in 2015. The changes in setting the risk appetite and risk strategy as well as other upgrades in the risk area are continuously integrated into the entire business strategy. This activity makes us more active, responsive and competitive.

The results of our work are concrete. With a focus on a systematic approach to restructuring cases as well as by continuing the well-established internal collection process, we reduced the amount of non-performing loans in NLB Group by EUR 728 million.

We are active in all areas of risk management. We have been introducing new risk assessment mechanisms, for instance by using automatic processes we are modernising the Bank together with our clients. We are more efficient in assessing their creditworthiness and can make a higher quality assessment.

We have done a lot and, looking back at 2015, we can be satisfied. Despite the awareness that in the future we will still have to face significant challenges in the area of risk management, we strongly believe we will successfully manage them and thereby support NLB Group with its goal of a sustainable, profitable business model.

Restructuring of the economy and a professional collection approach are evident in the results

We are successfully performing collection activities due to the systematic work and approach, a reinforced professional team and an upgraded methodology, while we are the leading bank when it comes to the restructuring of companies in Slovenia. The line between a workout and a restructuring approach in NLB d.d. is defined by viable (managed by the Restructuring unit) or non-viable (managed by the Workout unit) clients.

We began to develop an extensive and structured non-performing loans reduction strategy in 2014 in NLB Group. The strategy was adopted and fully implemented at the start of 2015. The implementation and realisation have been constantly monitored. In addition, an upgraded version was prepared by the end of 2015.

The share of non-performing loans was 16.5% in NLB d.d. and 19.3% in NLB Group at the end of the year 2015. The reduction of non-performing loans in 2015 in NLB Group amounted to a hefty EUR 728 million, of which EUR 435 million was in NLB d.d.

The extensive efforts and activities involving the restructuring of corporate clients in the past 2 years are bringing encouraging results, as we have reclassified back to 'performing' status a variety of companies that were restructured in 2013 and 2014. In line with the orientations of the European Banking Authority, claims or clients retain the status of a non-performing loan for at least 12 months after they begin to regularly service their liabilities arising from the restructured claims.

The principal mission of the Workout team is to optimally resolve the collection of unpaid claims through (out of) court and by conducting litigation, which also requires constant professional and ethical communication with third parties. An important milestone in the workout area is the centralised collection of claims. In NLB d.d. collection activities for legal entities and private individuals were joined in 2014, while in 2015 work processes and collaboration were enhanced. Such an approach enables better control over cases.

When defining strategies for resolving non-performing loans in the workout stage, we always search for 'win-win' solutions, enabling the maximum possible recovery for the Bank and, if possible, the continuation of the debtor's operations.

We actively and successfully sell real estate and movable property pledged as collateral for non-performing loans or obtained through court collection. Seeking buyers for collateral is carried out during the pre-court collection procedure (with the consent of the property owners) and later during execution and bankruptcy proceedings. In the process of the purchase and takeover of real estate, cooperation with Group Real Estate Asset Management (for more about real-estate management, see page 44) has provided added value. In addition, we also take care of the appropriate management of real estate items as we do not want to risk a considerable fall in their value.

A highly qualified team

The Workout team, which had previously been established with a team of suitable, experienced and motivated staff, was further strengthened in 2015. In 2015, the Restructuring team was upgrading processes so as to allow even more standardised and efficient approaches for less complex cases. The methodologies in both Workout and in Restructuring were revised and upgraded in 2015 as a result of the experience from past years.

Non-performing loan management is very diverse as individual cases differ not only by their extent, but also by their complexity. We are striving for solutions which at the same time bring the optimal economic outcome for NLB Group and the best possible result for the clients. Therefore, we systematically train our staff. For example, in the NLB Workout Academy we train employees, also with the support of external experts, in order to cover the whole range of expert contents.

From the Bank to the entire NLB Group

The good practices are spread from NLB d.d. to members of NLB Group, including in the context of the so-called business line for Restructuring and Workout. In 2015, we implemented this established approach in all members. "We held workshops at the NLB d.d. headquarters in Ljubljana, and trainings in various collection and restructuring approaches and the use of the scoring model for different scenarios, the so-called Advanced Restructuring Course, were also organised at individual members of NLB Group. The course was also attended by our colleagues from corporate banking", says Uroš Jerovšek, Head of the Restructuring Department – key enterprises, about the transfer of knowledge.

Cases are resolved proactively

One of the most widely noticed cases was the restructuring of Pivovarna Laško, which transitioned to normal operation in 2015 after the intense efforts which were managed by NLB d.d.

"Making the restructuring agreement with 18 banks was a great challenge. In the given moment, this was the only way to maintain the operation of two breweries in the Slovenian market and return to the core business. NLB d.d. was the biggest creditor of Pivovarna Laško Group and, as soon as the negotiations started, NLB d.d. assumed the leading position. We were lucky because it provided a professional team with which we could establish a relationship of confidence. We knew that they would do what they promised – and they trusted us as well. Apart from the professionalism, the key advantages were the personal approach and trust, the work enthusiasm and striving for successful completion of the operation", says Mirjam Hočevar, Vice president of the Management Board of Pivovarna Laško and Pivovarna Union, about the conclusion of the restructuring agreement.

"Last year SRC d.o.o., with the coordination of NLB d.d., signed a restructuring agreement with all creditors, and this will enable us to work in a more calm and stable manner from this year on. In this nine-month process, the team from the Restructuring Department had to invest a lot of perseverance, calmness and innovativeness to bring the project successfully to completion. In the key moment of this process, NLB d.d. encouraged, supported, assisted us, and sometimes also protected us from other creditors. This Bank and its team are one of the key tools of the Slovenian economy to overcome economic crises with success", explains Miha Žerko, President of the Management Board of SRC d.o.o.

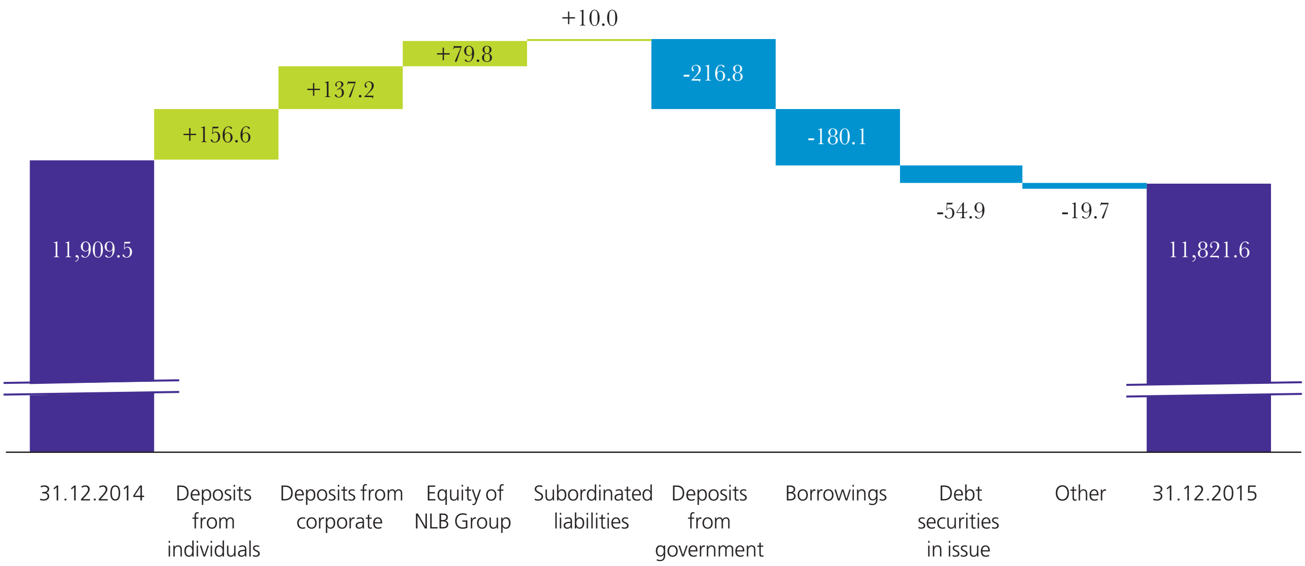
In one non-performing loan case, cooperation with the insolvent debtor and major financial creditors (two of them were NLB Group members) led to the closure of a large amount of non-performing loans. "After a relatively long and complex procedure, the case ended by the takeover of some marketable real estate by NLB d.d. and NLB Leasing, Ljubljana and confirmed a simplified compulsory settlement against the debtor, i.e. the elimination of insolvency and thus a continuation of the debtor's operations. The real estate taken over by NLB d.d. is now managed by the Bank's experts. Part of the real estate is being rented out. Simultaneously, a buyer willing to pay an adequate market price is being searched for, which is also the final goal of the Bank", added Vesna Pogačar, Head of Workout and Legal Support.

ASSET LIABILITY MANAGEMENT *and funding*

Discipline in pricing has helped improve the interest margin while maintaining a conservative profile

In 2015 we focused our activities on optimising the balance sheet structure while adequately adapting to the challenges of a low-interest market. The focus on pricing discipline on both assets and liabilities has been maintained, further improving the net-interest margin while keeping a conservative approach in managing the large liquidity reserves and a low interest and liquidity risk profile.

Figure 12: Liabilities in the statement of financial position of NLB Group (in EUR million)



All NLB Group banking members increased their shares of stable funding sources in 2015, in particular retail deposits. Considering expected market trends, further optimisation of the NLB Group balance sheet structure is planned. We intend to continue with the highest discipline in liability management and a responsible approach in asset underwriting and managing liquidity reserves.

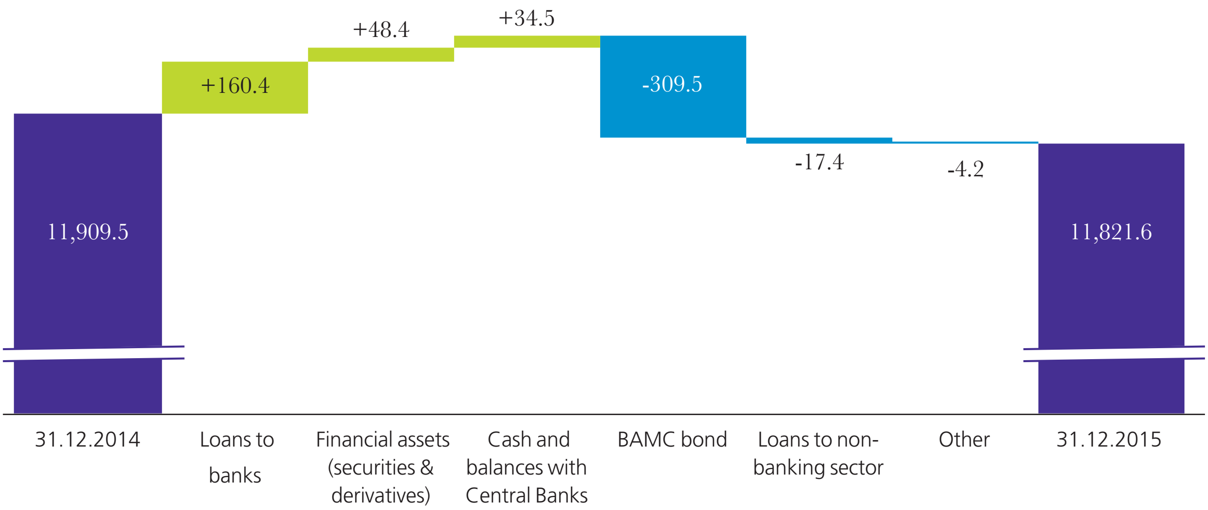
NLB Group maintains a very solid balance sheet

In NLB Group we maintain a very strong liquidity position with a loan-to-deposit ratio of 74% and a substantial amount of liquidity reserves, accounting for more than 40% of the total balance sheet. In NLB d.d. we further optimised our liability structure in 2015 as a strong and resilient deposit base enabled the early repayment of other more expensive funding sources. In Slovenia, NLB d.d. clearly leads the market in deposit taking, and all other NLB Group banking entities are also fully self-sufficient in terms of funding.

Table 12: Structure of NLB Group funding

in EUR million	2015	2014
Equity	1,450.4	1,369.3
Subordinated debt	27.3	17.3
Other liabilities	284.1	300.8
Issued securities	305.0	359.9
Deposits from non-banking sector	9,025.6	8,948.5
Deposits from banks	58.0	62.3
Borrowings	551.1	731.4
ECB funding	120.2	120.0
Total	**11,821.6**	**11,909.5**

Figure 13: Assets side of the statement of financial position of NLB Group (in EUR million)



Total assets are almost at levels of previous years with a longer maturity compensated mostly with new loans. Loan pricing has remained very competitive in Slovenia, whereas in other NLB Group markets interest rates and margins are still high in comparison to the eurozone; which in combination with strict discipline in liability pricing is helping us increase the overall net-interest income.

A stable and diversified funding mix

In 2015, we further improved the funding mix by continuing the reduction of more expensive sources that were largely replaced with additional growth in the core-deposit base.

"We are maintaining a well-balanced asset and liability structure with a moderate interest rate risk profile and striving for a resilient and strong financial performance of each core Group entity. Liquidity is being actively managed with a diversified funding strategy and a solid buffer framework", explained Uršula Kovačič Košak, Head of Financial Markets.

In spite of the low interest rates and pressure on interest margins, non-banking sector deposits remained the main funding source, accounting for 76.4% of total liabilities of NLB Group. Borrowings in wholesale markets accounted for 8.5% of total liabilities. In terms of amount, the bond totalling EUR 300 million issued in 2014 and falling due in 2017, and the credit facilities of development banks and international financial institutions accounted for the largest share. Borrowings in the wholesale market enable the diversification of funding sources, provide financial instruments with longer maturities, extend the investor base and contribute to an improvement in structural liquidity.

Understanding the needs of international financial markets

In 2015, we maintained a very good relationship with the international financial markets community and further invested in our Investor Relations function. We put considerable efforts into ensuring an active dialogue with the existing investor base and our well-diversified relationships with banks and international financial institutions.

Conservative management of liquidity reserves

The NLB Group banking book securities portfolio is well diversified regarding asset classes and geography. We ensure liquidity of the portfolio by maintaining an investment grade credit rating profile for the large majority of liquidity reserves. Unrated securities are placements of core-entities outside Slovenia in respective government paper and central banks.

NLB Group had EUR 4,659.8 million in liquidity reserves available as at 31.12.2015. Compared to the end of 2014, liquidity reserves dropped by 5% as a result of regular repayments of certain funding sources and investment activities. Still, the scope of available liquidity reserves is still considerably above the required minimum set on the basis of the liquidity stress tests.

Figure 14: Geographical structure of debt securities in the banking book of NLB Group

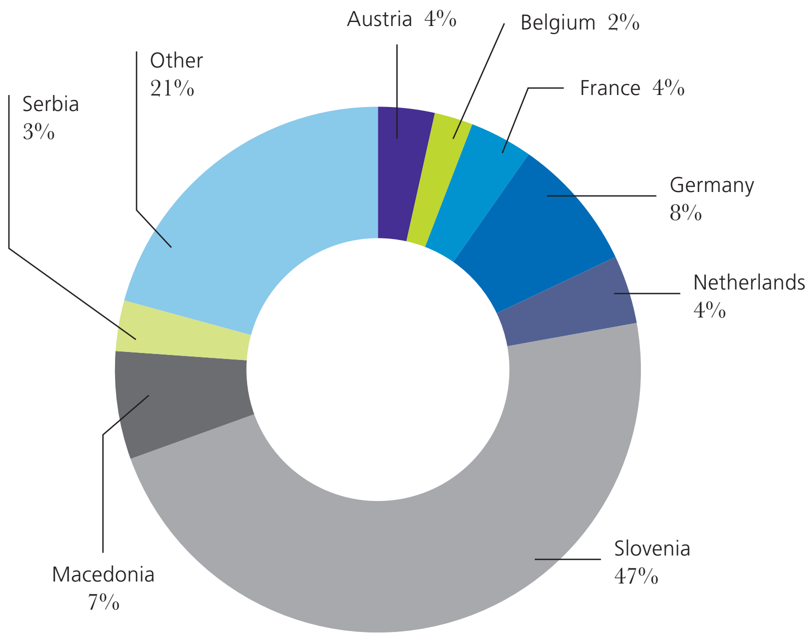
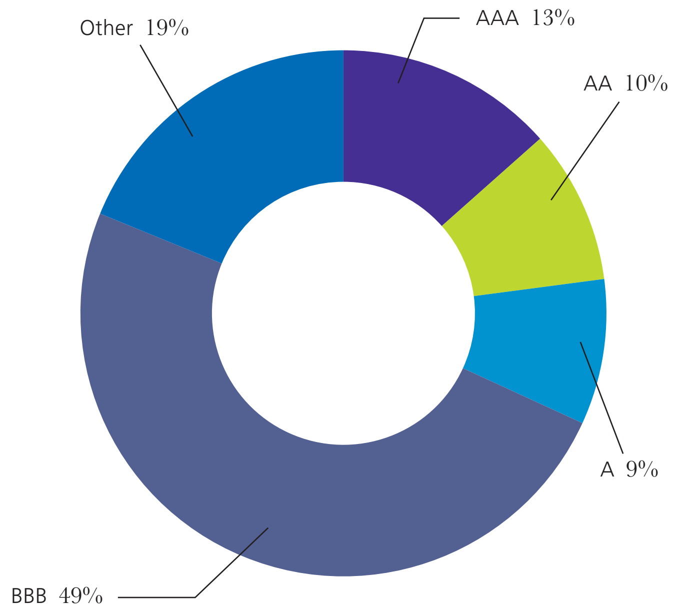


Figure 15: Credit rating structure of debt securities in the banking book of NLB Group (Fitch Ratings)



A finely tuned orchestra

In 2015, we participated in the certification procedure to obtain a Top Employer certificate, which we received in February 2016. By being awarded the certificate, we have strengthened our position amongst the best employers in Slovenia. The survey conducted among our employees in 2015 showed once again a better organisational climate and engagement in all the segments compared to 2014. We pay close attention to talent management as well as social responsibility towards the employees.

In the past few years we have made substantial progress in improving the HR management function of NLB Group. We introduced a system for management by objectives, development plans, promotion schemes, objective performance assessment and remuneration schemes and an active talent management programme. All of our employees benefit from relevant and regular trainings and qualifications.

The measures that won us the Family Friendly certificate are upgraded every year and new measures are being introduced. We delivered a series of workshops within the Healthy Bank Project, helping our employees improve the quality of their life and easing some of the burdens brought about by their challenging work.

International recognition

In 2015, after having been awarded a number of domestic HR rewards in Slovenia, we managed to fulfil the demanding criteria for obtaining the Top Employer certificate by the international institute Top Employers from the Netherlands. In 2016, as the only Slovenian-owned company to do so, we received the Top Employer certificate for the first time, confirming our significant efforts made in this area. This places NLB d.d. alongside the likes of BNP Paribas, DHL, PepsiCo, Heineken, Roche and many other global companies.

Facing future challenges

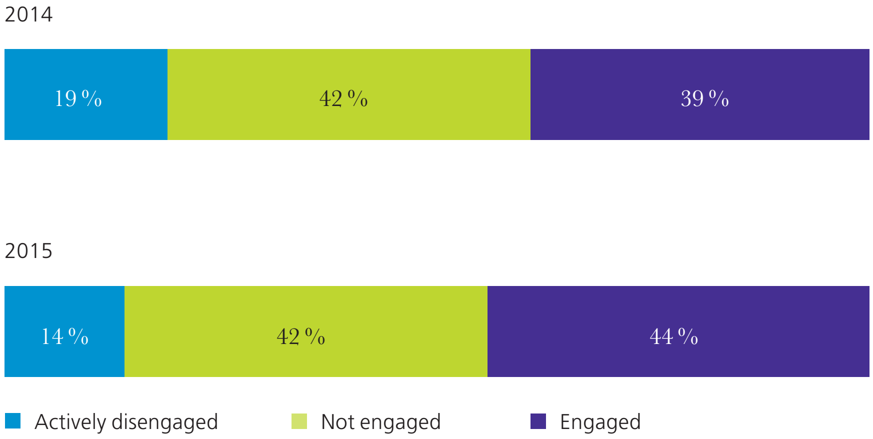
New challenges are being presented by new technologies, new business models and digitalisation in general. Maps of competencies, individual job and profile requirements, and development plans of individuals and key groups of employees enable the quick identification of the key skills and competencies we are missing and which can therefore be developed in time.

The NLB Training Centre

The NLB Training Centre, which has been operating for more than 40 years, continued to pursue its development and transformation in 2015. In addition to a large number of training courses and seminars required by the regulator, we also successfully delivered custom-made training courses. Especially tailor-made trainings have been on a steady increase, given the trends and our needs.

All employees participate in the transfer of general know-how as participants, lecturers or mentors. Trainings are adjusted for each group of participants separately. We have introduced the Academies – specialised longer trainings thoroughly addressing each area. In 2015, we delivered 60 active e-training courses, 15 of which were new. 3,413 employees from NLB Group participated in activities carried out by the Training Centre in 2015. Vesna Vodopivec, Head of Human Resources and Organisation Development, explains: »Our targets can only be achieved if our talents are equipped with the necessary skills. I can affirm that our Training Centre is the best centre of its kind in Slovenia in finance and banking.«

Figure 16: NLB d.d. employee engagement – comparison between 2014 and 2015



Source: Dialogos d.o.o.

6,372 people are employed in NLB Group.

208 employees are in the Top Talent programme.

Talent management

Every year our objective and transparent employee evaluation system enables us to identify high-performing employees who have well-developed competencies, high potential and motivation for further development. We look for prospective individuals in all positions, classifying them in three groups: young talents, talents and successors. Every manager in NLB Group has all three categories defined in the HR strategy of the organisation unit, with a particular focus on developing successors and preparing their career plan. We have created the Top Talent programme through which selected employees are trained to get ready for promotion in two years' time. During this period, they attend training courses, seminars, work with mentors and are evaluated.

Remuneration system

Employees' salaries consist of a fixed and variable part, allowing us to properly reward high-performers. We are raising the awareness that a good performance can be rewarded in several ways. We would like our employees to know how much is invested in their development and how the Bank, by behaving in a socially responsible way, ensures that the quality of their life is better also outside our institution. For this purpose, we have been setting up an information portal where our employees can see which training courses they have already attended, which knowledge they have gained, how their career has been developing, which benefits they have used and how their employability has been rising. We have a retention policy for key employees, successors to managers and top talents, focusing mainly on their personal and professional development.

Organisational climate and employee engagement is improving

The effects of our HR Strategy are measured with an organisational climate and employee engagement survey which assesses the motivation level of our employees and their willingness to invest effort above expectations, with both contributing to a successful corporate performance. The survey showed that the share of engaged employees grew by 5 percentage points compared to 2014. The share of those actively disengaged decreased by just as much.

When measuring the organisational climate, we focused on the individual's perception and description of the social environment. We evaluated 16 different categories, where the highest scores were achieved in the following categories: quality, management and motivation. The greatest positive change was seen in these categories: affiliation to the organisation, organisation and motivation. Compared to 2014, the situation improved in all 16 categories.

71% of the Bank's employees participated in this survey, which is considered an above-average participation level in Slovenia; 61% of employees responded to the last survey conducted in NLB d.d. in 2014 and 48% in 2012.

Agile, flexible, efficient

Digitalisation is intensively changing all industries, including banking. To emphasise the significance of this trend, NLB d.d. appointed an experienced senior manager, Matjaž Mušič, as a dedicated Chief Digital Officer at the end of 2015.

MATJAŽ MUŠIČ
Chief Digital Officer

What will be the biggest challenges of the banking system in the future?
MM: The banking industry is facing great challenges. The development of new technologies brings new methods of operations and new business models, while the regulatory institutions keep setting new rules to keep abreast with the rapid pace of development. We have to come closer to those clients who need and seek new types of services. We must offer new approaches and new solutions that facilitate the operations through any channel. Today's clients are extremely mobile. They want transparent operations and information on demand, while performing transactions in real time. Banks will have to adjust themselves to such requirements very quickly.

In what way will NLB Group change?
MM: We started introducing changes already in 2015 when we offered our clients the first mobile service named 'Klikin'. Over time, we anticipate and plan the comprehensive transformation of operations. Our goal is to become the leading institution that ensures the satisfaction of the users' needs in classic, online and mobile banking. We aim to increase the number of active and digital users as well as substantially improve productivity, efficiency and profitability.

How are you going to attain these goals?
MM: To attain these transformation goals we will gradually change our corporate culture to become more agile, flexible and efficient. We will develop new functionalities and new business models, while also streamlining our work processes and products. Clients see new opportunities in the new technologies and it is our job to satisfy their increased expectations as well as possible. Thus, we will accelerate the digital sales of our products and improve our system for managing client relationships. Our products and services will be streamlined and we will develop the infrastructure enabling real-time operations, the highest level of security and maximum stability of the system.

How will users experience this?
MM: Changes will be visible everywhere. We will continue upgrading the Klikin mobile bank and introducing mobile payments. This application will enable very simple paperless transactions. Only a telephone number is sufficient to transfer funds from one client to another. The application will enable small transactions such as returning an amount of money to a friend or payment of a parking ticket. We are designing several interesting solutions for credit transactions. As an example, a client will be able to increase their account overdraft by EUR 500 or 1,000 in a split second using the Klikin mobile banking application. Special attention will also be given to modernising of our branches to complement our digital offerings with physical interactions and personal relationships. In general, we are planning to shift the focus in our development activities from the product-oriented approach towards integral user-friendly solutions embedded in the life cycle of retail and corporate customers.

Committed to development and projects

A dedicated team ensures the strict prioritisation of requirements and planning and supervision of key projects with a project office team. Major projects in 2015 included the conclusion of the Transformation programme with 26 different projects and business initiatives such as the automation of credit operations and introduction of the Klikin mobile banking application.

Stable IT ensures the stability of the Bank's operations

Information technology is the cornerstone of all banking operations. In addition to high levels of information security and availability, an agile IT function is seen as the key to a sustained competitive advantage. This is how Pavel Car, who took over the department in 2015, describes the main mission of his department.

PAVEL CAR
Head of Information Technology

What is the main mission of your department?
PC: Although we take a high level of availability almost for granted, it remains a key area of attention of any banking IT operation. Currently, our reliability stands at 99.97%, which is very satisfactory. To maintain such a high level of information security, we systematically pursue the continued improvement of technology and operations.

Apart from ensuring safety and uninterrupted operations, the IT Department is also in charge of some key projects. Which projects marked 2015 the most?
PC: The much talked about project in 2015 was the launch of the Klikin mobile banking application. It was met with a great client response and we already have 35,000 users, which is beyond all expectations. We also launched on the market a unique contactless card and a prepaid card based on NFC technology. As Klikin was so well received, we started developing the Klikin Pro mobile bank for corporates in 2015. It will be available in the second half of 2016. Another major project is the ePen application, i.e. the introduction of electronic signatures in all our branches across Slovenia.

How will you meet challenges of the future?
PC: Besides regular maintenance activities, NLB Group has to start building a foundation for the digital age. We will soon initiate a top-down review of the current architecture and defining a transition path towards a simplified, less complex IT landscape able to support the high demands of a real-time/data-driven/omni-channel environment. Such a transition will realistically take years, but it will benefit the Bank in terms of both reduced costs and defending its strong market position. Identifying and pursuing more actively group synergies are also high on the agenda. In the short/medium-term, special attention will be given to improving the client service experience – e.g. with shorter decision-making cycles in loan approval – while at the same time allowing for increased sales activities, e.g. with improved customer relationship management capabilities. Improving the digital experience continuously is paramount and enjoys highest priority – planned short-term innovations include video-chat and enhanced biometric identification options.

The biggest vault in Slovenia

Cash Processing is about to complete the largest investment project in recent years. The largest cash processing centre in Slovenia is currently being constructed in Ljubljana. It will enable us to reduce our costs in this area, while also facilitating the development of new corporate banking products. To cover all the specifics of this area of operations of NLB d.d., we have developed our own IT support. It enables automated cash counting and processing as well as automated capturing and transfer of data to the support application. We have also developed an online environment in which information on delivered and processed cash will be available to our clients. Thus, our clients will be able to monitor in detail the flow of their cash and, based on such information, streamline their operations.

Internal audit

With Internal Audit we adequately monitor decisions in key areas, advise, and deepen the understanding of our operations. Internal Audit gives independent and impartial assurances regarding the management of key risks and thereby strengthens and protects the value of the Bank.

Internal Audit represents for NLB d.d. an independent, objective and advisory tool for the systematic and professional assessment of the success of risk management procedures, the control system, and the management of NLB Group operations. Internal Audit provides impartial assurance to the Management Board and the Supervisory Board that those areas of the Bank with the highest risk – risk management, lending, restructuring and non-performing loans, information technology, security, disinvestment of non-core activities, compliance of operations with legislation, corporate governance, and others – are managed appropriately. The best practice examples and international guidelines by the COSO[1], IC[2] and ERM[3] are the criteria used in the internal controls system and effective risk management.

We are active across the entire NLB Group

Based on an analysis of risk and following an approval of the Management Board and consent of the Supervisory Board, we prepared the audit plan for 2015 with the use of our methodology. Out of 45 audit reviews planned, we conducted 43. Auditors from Internal Audit also participated in internal audits of NLB Group members, providing additional expert assistance, mainly in audit reviews of lending and credit risk management, capital management, disinvestment of non-core members of NLB Group, and IT. A review of the quality of the internal audit service performance was carried out in three banking members.

We implement uniform rules

A lot of time was dedicated to verifying whether audit recommendations had been fulfilled, training, consultancy to the management, and assurance of high-quality and professional operations of the internal audit function. We are introducing uniform rules of operation of the internal audit function and supervision of the compliance with these rules across the entire NLB Group.

24,421
hours were spent in reviews, the majority in risk management (14%) and lending (13%).

57
experts work in 12 internal audit services of NLB Group.

43
audits and 3 extraordinary audits were conducted by NLB d.d. Internal Audit in 2015.

We follow the highest standards

Internal Audit and other internal audit services in NLB Group operate in accordance with the:

- International Standards for the Professional Practice of Internal Auditing;
- the Banking Act or other relevant law which regulate the operations of a member;
- the Code of Ethics of Internal Auditors; and
- the Code of Internal Auditing Principles.

Internal Audit directly reports on its activities to the Management Board, the Supervisory Board and to the latter's Audit Committee.

By providing assurances, advising and via a deep understanding of operations we help strengthen and protect the value of the Group.

[1]The Committe of Sponsoring Organizations of the Treadway Commission
[2]Internal Control
[3]Enterprise Risk Management

Legal, transparent, ethical

We are aware of the fact that we can only be successful in the long run by playing by the rules and living our values. We have therefore been strengthening the compliance function and diligence in our operations. All employees working in NLB Group are fully committed to this initiative.

In the Bank, we are committed to creating a culture of accountability. We have been striving for high-level compliance with the rules and values of NLB Group. Thus, the principles of our operations are not just being professional, rational, accessible and responsive, as we follow the principles of ethical conduct, integrity and excellence at all levels of operations and communications. Banking is based on trust. We do not want it to ever be tested again.

We are proud to carry the title of the Ambassador of Corporate Integrity. We are also a signatory to the Declaration on Fair Business. The Corporate Compliance Code provides guidance in ethical conduct to all Group employees and contractors.

In 2015, we were, primarily in NLB d.d., further strengthening the processes to manage the regulatory environment. At all levels, we were raising employees' awareness about how inadmissible violations of rules and other obligations in the Bank are. We periodically informed them of new developments in the field of compliance, in terms of both regulations as well as ethical conduct and integrity. Workshops and mandatory e-training courses were prepared for them to make them acquainted with the details of business ethics, preventing corruption, protecting personal data and other important issues related to our everyday work.

The Bank has a zero-tolerance policy concerning harmful practices, which means that every reasonable suspicion of unlawful or improper conduct is looked into. We have been reviewing non-performing loans of NLB d.d. (systematically since 15.10.2013, individual cases before that date) with the aim of finding the reasons that caused the occurrence of the Bank's non-performing loans and its exposure, and to establish the loss factors with the aim of preventing any future losses and implementing the measures to eliminate these deficiencies and introduce appropriate labour law, criminal and/or damage liability measures and procedures.

Based on the work performed so far in relation to the review of non-performing loans in NLB d.d., the review of statistical data revealed that by 25.2.2016 a total of 1,195 investments had been reviewed, with an exposure of EUR 1,308.5 million.

Building on the performed review and other extraordinary reviews and investigations conducted by the Compliance and Integrity Department between 2013 and 2016, the following were referred to the police (mostly the National Investigation Bureau) and prosecutor (mostly the Specialised State Prosecutor's Office) before 25.2.2016: (i) referrals in 17 cases of suspected criminal offences, established in relation to 17 investments of the Bank, (ii) criminal charges in the cases of 44 suspected criminal offences in 60 investments of the Bank, (iii) 30 indemnification claims in criminal procedures in a total amount of EUR 140.7 million, and (iv) two civil lawsuits or damage claims for a total of EUR 12.2 million.

Since 2010, and even more intensively since 2012, we have been introducing a series of changes in the Bank's system and organisation, among other related to eliminating deficiencies identified during the review of non-performing loans. The key changes made in the area of the corporate credit process are related to: (i) collaterals, (ii) the credit risk management centralisation and harmonisation project, (iii) the early detection of increased credit risk, and (iv) improved loan granting processes.

The new Banking Act came into force in 2015. We were ahead of this law in many ways by having already put the appropriate structures and target activities in place, and then we proceeded to align the regulatory changes. Even before the new Banking Act was implemented, we had introduced a number of good international practices. A very positive element has been the dialogue with the regulators, the European Central Bank, and we are planning to keep that also in the future.

It remains our greatest challenge in 2016 to provide for adequate development of the compliance function throughout NLB Group. We will harmonise the operations and continue to unify our standards in all parts of the Group.

OVERVIEW OF NLB GROUP'S *financial performance 2015*

Hard work brings results

In a continuing difficult macroeconomic environment, we succeeded to improve profitability through a combination of disciplined asset and liability pricing and maintaining our leading market position in Slovenia. Costs of risk are substantially down given the already high coverage ratio levels and the high quality of new underwriting.

1.

Net profit improved by 47.5% to EUR 91.9 million.

2.

Net interest margin increased from 2.7% to 2.9%.

3.

Non-performing loans reduced by EUR 728 million to EUR 1,896 million.

4.

Non-core assets decreased by 17.5%.

5.

ROE a.t. at the level of 6.6%.

Income statement

Table 13: Income statement of NLB d.d. and NLB Group

	NLB d.d.			NLB Group		
in EUR million	2015	2014	Change	2015	2014	Change
Net interest income	208.0	227.3	-9%	340.2	330.0	3%
Net fee and commission income	98.1	100.7	-3%	138.8	139.6	-1%
Dividend income	1.3	1.7	-25%	1.3	1.8	-24%
Net income from financial transactions	8.9	33.7	-74%	3.8	38.3	-90%
Net other income	-2.9	1.0	-	-0.8	1.5	-
Net non-interest income	105.3	137.1	-23%	143.2	181.3	-21%
Total net operating income	**313.3**	**364.4**	**-14%**	**483.4**	**511.3**	**-5%**
Employee costs	-101.8	-102.4	-1%	-163.2	-162.9	0%
Other administrative expenses	-64.0	-66.5	-4%	-102.8	-104.8	-2%
Depreciation and amortisation	-21.4	-24.4	-12%	-31.9	-35.8	-11%
Total costs	**-187.2**	**-193.3**	**-3%**	**-297.8**	**-303.5**	**-2%**
Result before impairments and provisions	**126.1**	**171.1**	**-26%**	**185.6**	**207.8**	**-11%**
Impairments of available-for-sale financial assets	-2.6	-0.8	213%	-4.7	-1.0	385%
Credit impairments and provisions	-28.1	-84.2	-67%	-50.9	-119.9	-58%
Other impairments and provisions	-57.3	-8.0	617%	-27.6	-20.6	34%
Impairments and provisions	**-88.0**	**-93.1**	**-5%**	**-83.1**	**-141.4**	**-41%**
Net gains/losses from equity investments in subsidiaries, associates and joint ventures	13.7	4.7	194%	4.3	2.9	50%
Profit before income tax	**51.8**	**82.7**	**-37%**	**106.8**	**69.2**	**54%**
Income tax	-8.0	-1.2	553%	-11.4	-4.1	175%
Result of non-controlling interests	-	-	-	3.5	2.7	27%
Profit for the period	**43.9**	**81.5**	**-46%**	**91.9**	**62.3**	**47%**

Figure 17: Net profit of NLB Group (in EUR million)

We are continuing the trend of profitable operations: in 2015, we generated EUR 91.9 million in profit after tax. NLB d.d. contributed the largest share to the NLB Group's positive performance with a net profit of EUR 43.9 million.

All core members generated a profit

All core members in the SE European markets operated with a profit in 2015, with all banking subsidiaries posting better results than in 2014 due to a group-wide effort to improve interest margins and cost discipline.

The result before impairments and provisions in 2015 was down by EUR 10.5 million given the lower results from financial operations. Recurring results before impairments and provisions rose by 8.7% mostly as a result of improved interest income. Regular fee-income was stable.

Figure 18: Net profit of the core members of NLB Group (in EUR million)

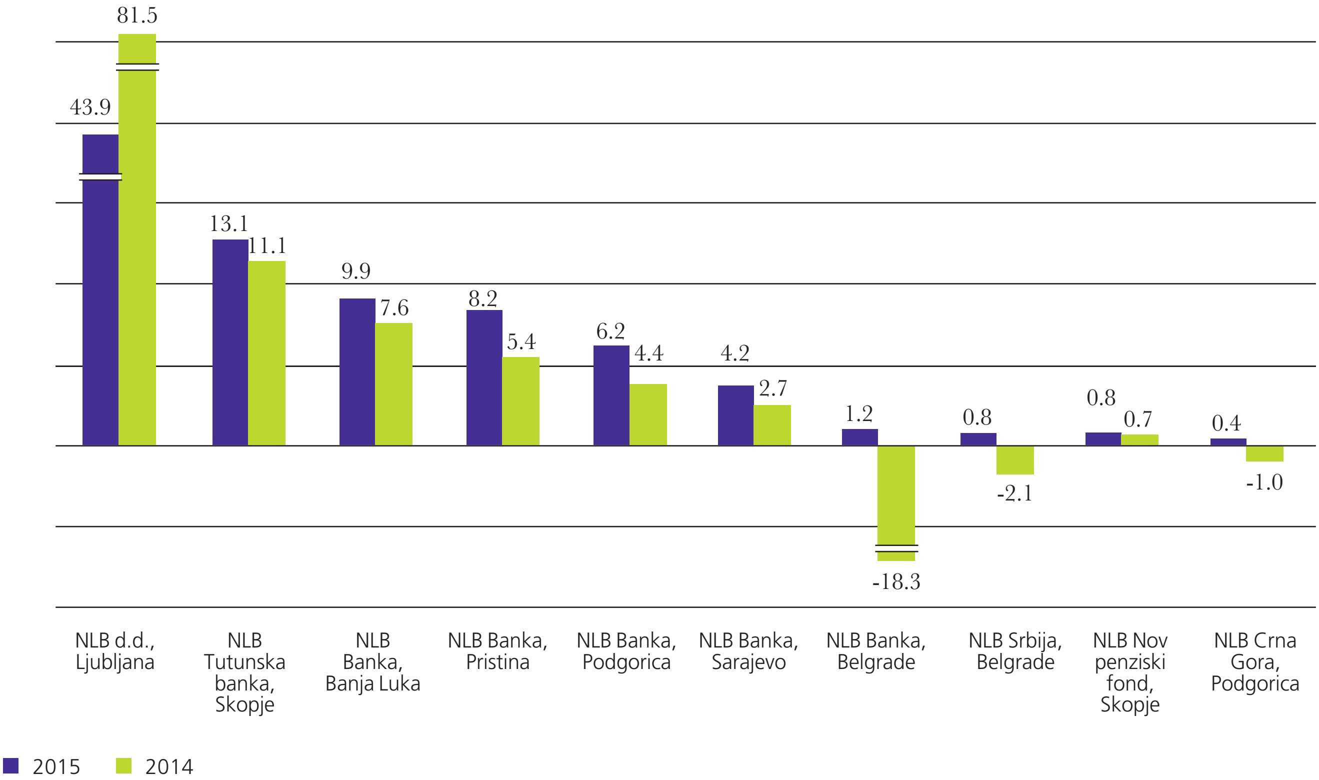


Figure 19: Profit before impairments and provisions for NLB Group (in EUR million)

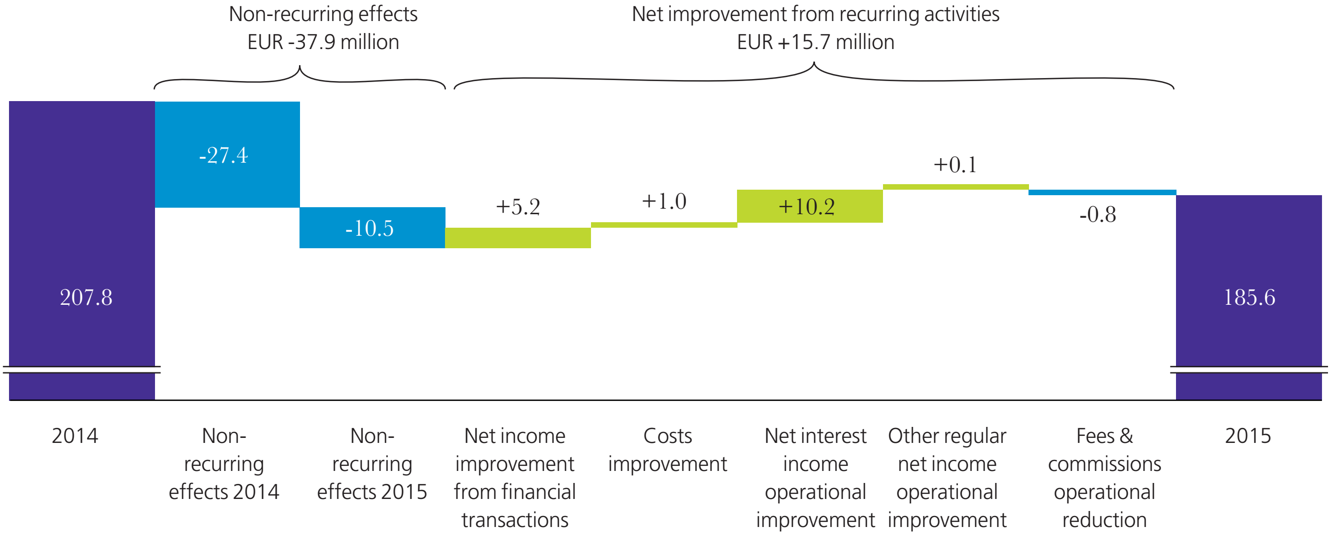
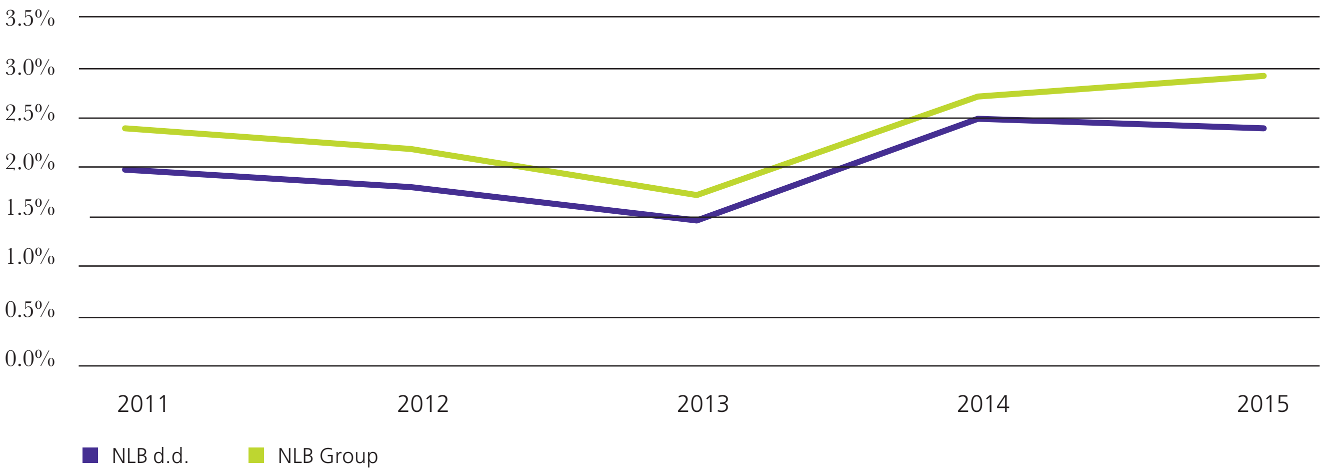


Figure 20: Development of the interest margin



Interest income stable

Net interest income of NLB Group accounted for the largest share in NLB Group's total revenues, growing 3% as a result of continued discipline in asset and liability pricing. The overall interest margin improved from 2.7% to 2.9% with NLB d.d. maintaining a 2.4% interest margin in the highly competitive domestic market.

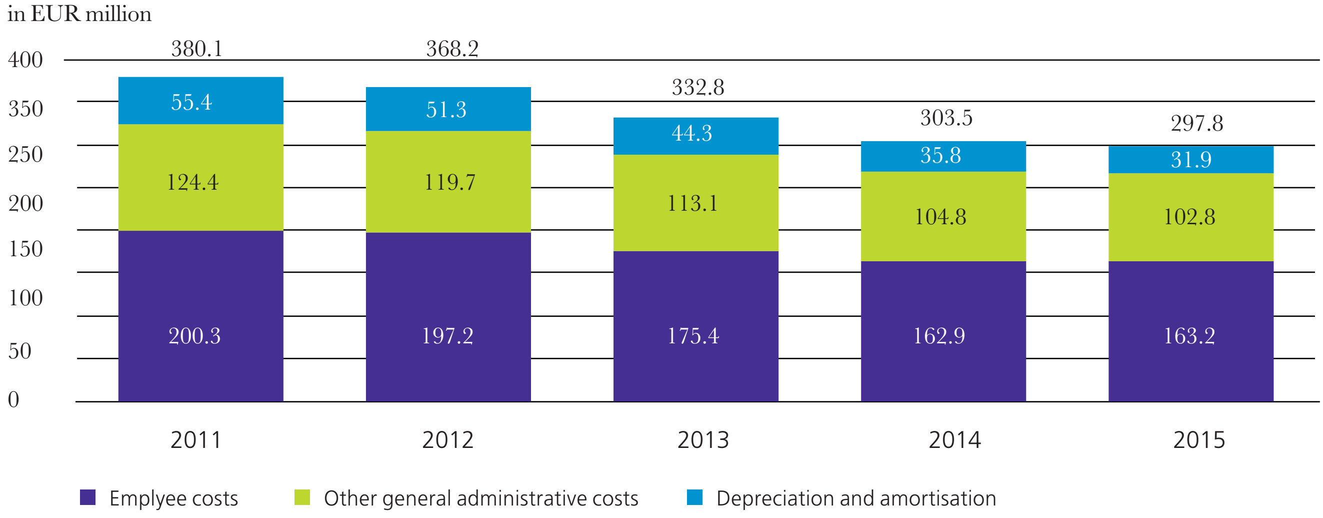
Non-interest income stable

Net non-interest income was lower due to decreased realisations in the sale of financial assets (2014 was substantially helped by successful divestments of equities) and the negative non-recurring effects incurred in 2015. Further additional costs were incurred in 2015 with the first payment made to the Single Resolution Fund amounting to EUR 4.3 million. Regular net non-interest income (excluding non-recurring effects) increased by 3.1% in 2015.

Table 14: Structure of net commissions

in EUR million	NLB d.d.			NLB Group		
	2015	**2014**	**Growth**	**2015**	**2014**	**Growth**
Payment transactions	27.5	28.1	-2%	49.3	49.6	-1%
Cards and ATM operations	19.7	20.7	-5%	24.0	25.2	-5%
Basic accounts	31.6	32.8	-4%	39.7	40.1	-1%
Guarantees	8.1	9.5	-14%	12.7	14.4	-11%
Investment banking	3.4	4.0	-12%	4.7	5.1	-7%
Asset management	4.2	2.8	53%	13.5	10.6	28%
Bancassurance	2.9	2.9	0%	2.9	2.9	0%
Other	0.6	0.0	1068%	-8.0	-8.1	-1%
Net fees and commissions	**98.1**	**100.7**	**-3%**	**138.8**	**139.6**	**-1%**

Figure 21: Costs of NLB Group



We reduced our operating costs

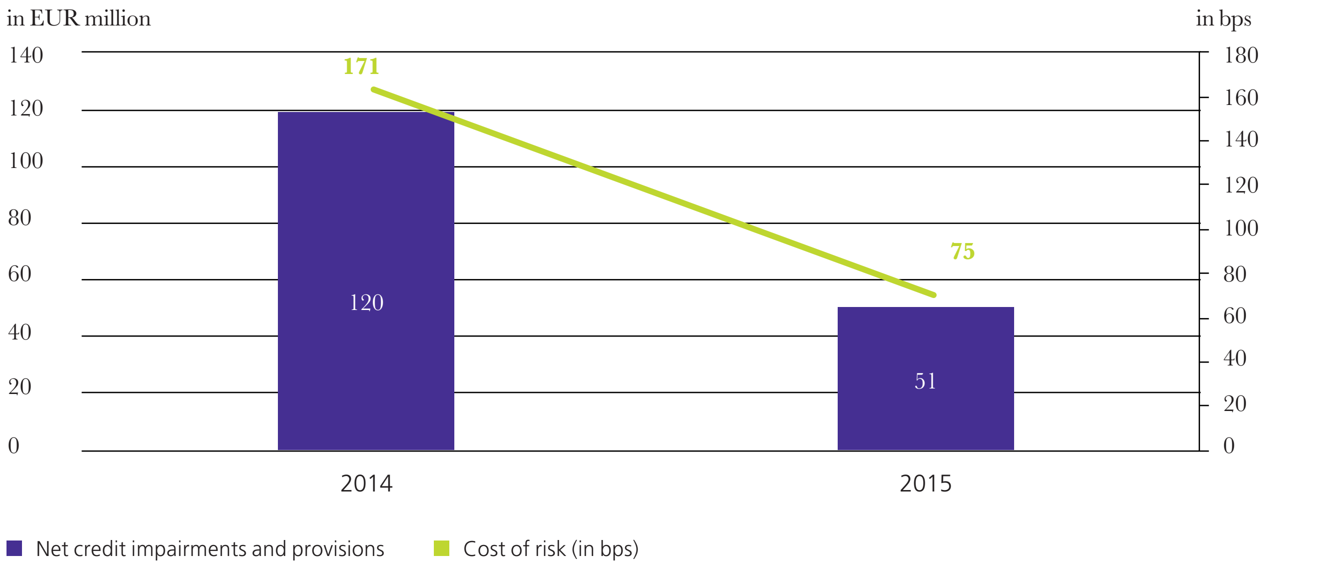
The downward trend in operating costs in NLB Group continued in 2015. We further reduced operating costs by 2% compared to 2014. The cost-to-income ratio of NLB Group was 61.6%, excluding non-recurring items it was 60.0%.

Future efforts will focus on further reducing the non-core cost base while increasing investments in new IT initiatives and refurbishment of our branch network.

Reduced impairments and provisions

In 2015, we made EUR 83.1 million in net impairments and provisions in NLB Group, which is 41% less than in 2014. Impairments and provisions for credit risks were 58% lower. This can be attributed to the positive effects achieved from the successful restructuring of some major clients, the successful resolution of non-performing loans and an improvement in the credit portfolio's structure.

Figure 22: Changes in credit impairments and provisions, cost of risk



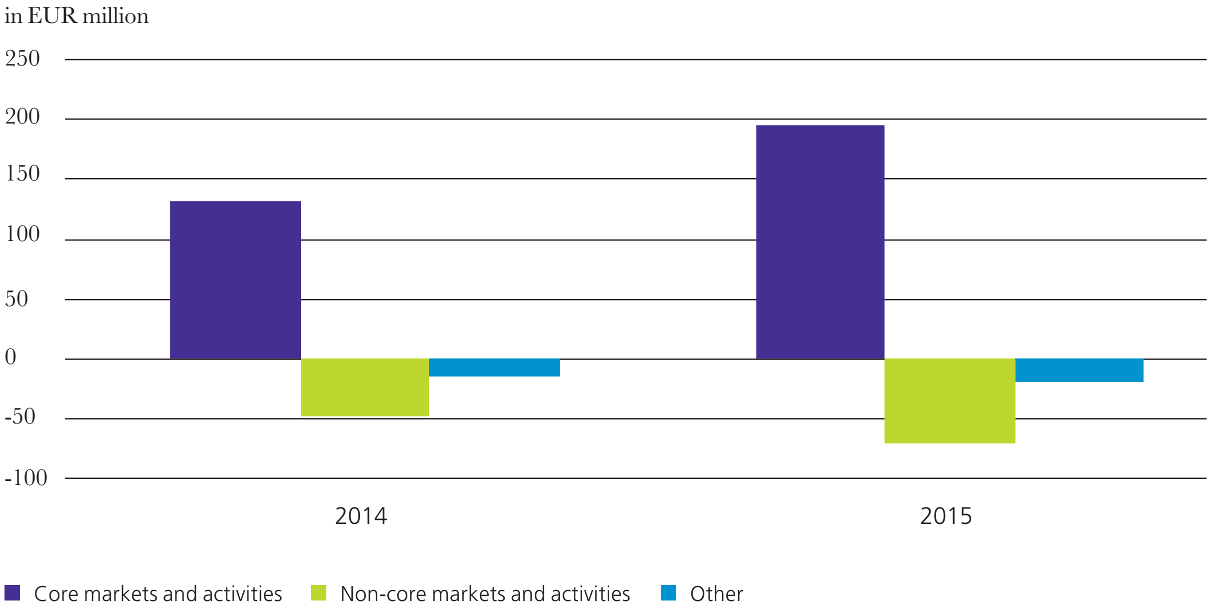
The core segment of NLB Group: higher revenues and lower costs

The performance of the core segment of NLB Group was improved with higher net interest income in amount of EUR 7.8 million, and costs reduced by EUR 4.5 million, and impairments and provisions by EUR 49.6 million. The pertaining profit of associated companies and joint ventures totalled EUR 4.5 million. Profit from regular business from financial operations equalled EUR 195.7 million or 49% more than last year.

The non-core segment of NLB Group: a controlled wind-down

The non-core segment recorded a loss, despite the lower operating costs and reduced volume of impairments and provisions, which did not compensate for the lower income compared to 2014 which was helped by gains from successful equity divestments. Compared to 2014, operating expenses were 10% lower and impairments and provisions decreased by 22%. Among non-core members, the performance of NLB Leasing, Ljubljana notably improved, while most other members recorded a loss.

Figure 23: Profit before tax in core and non-core segments of NLB Group



Statement of financial position

Total assets continued to fall in 2015 in line with the strategy, with the restructuring targets, the general trend of debt repayment by companies and the weak credit demand, reaching EUR 11,822 million.

The portfolio of non-core investments is being reduced

In 2015, assets in NLB Group's non-core segment were reduced by 18% to EUR 752 million. We continued with activities of divesting all non-core members, which includes the accelerated reduction of total assets, intensive collection, sale of non-performing loans and other possibilities of divesting.

Capital adequacy is high

The currently applicable legislation prescribes three capital ratios which express different levels of capital quality:

- the Common Equity Tier 1 ratio (between CET1 and risk weighted assets), which must be at least 4.5%;
- the Core Tier 1 ratio (between Core Tier 1 capital and risk weighted assets), which must be at least 6%;
- the Total Capital Ratio (between Total capital and risk weighted assets), which must be at least 8%.

In addition to the above-mentioned ratios, the Bank must meet any other requirements that are being imposed by the supervisory institutions. In 2015, additional requirements in the form of capital buffers, i.e. add-ons to the required amounts, were published; if they are not achieved, this affects the payment of dividends and other profit distributions with the aim of strengthening the capital base. The capital buffer for NLB Group was set at the level of other systematically important banks, namely 1% risk weighted assets as of 2019.

In 2015, the capital of NLB d.d. and NLB Group consists solely of the components of top-quality CET1 capital, which is why all three capital ratios are the same. At the end of 2015, the three capital adequacy ratios for the NLB Group stood at 16.2% (or 1.4 percentage point less than at the end of 2014) and for NLB d.d. at 22.6% (or 0.1 percentage point less than at the end of 2014). The decrease in the capital adequacy ratio is primarily the result of the one-off increase in risk assets due to regulatory changes at the beginning of 2015.

The capital adequacy of NLB Group remained at a level which covers all current and announced regulatory capital requirements, including capital buffers and other currently known requirements

Figure 24: Capital adequacy ratio

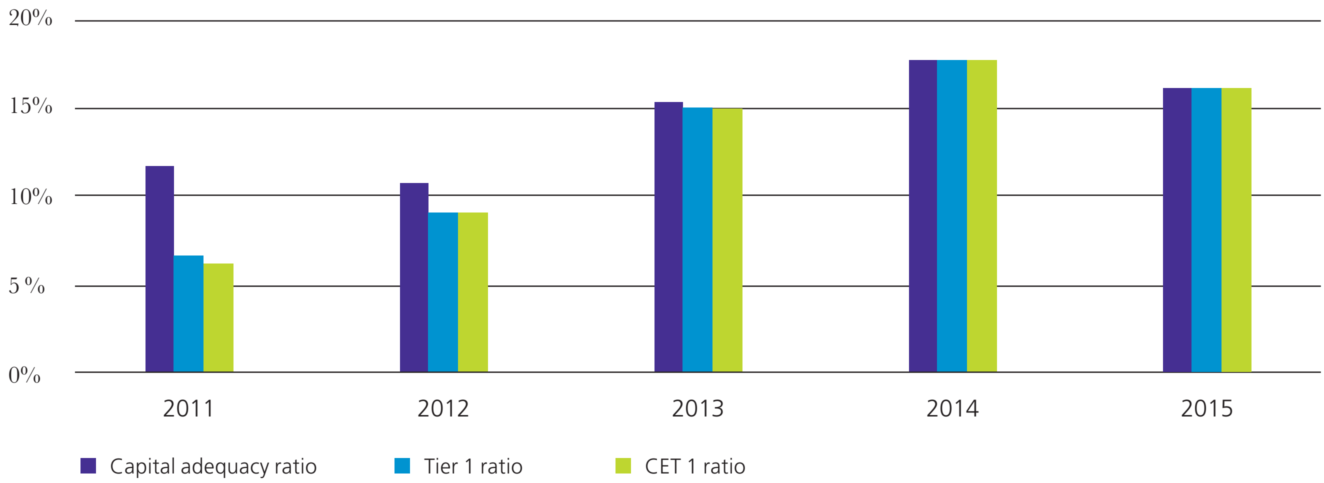


Table 15: **Statement of financial position of NLB d.d. and NLB Group**

	NLB d.d.			NLB Group		
in EUR million	**31.12.2015**	**31.12.2014**	**Change**	**31.12.2015**	**31.12.2014**	**Change**
Cash, cash balances at central banks and other demand deposits at banks	496.8	434.4	14%	1,162.0	1,127.5	3%
Loans to banks	345.2	159.3	117%	431.8	271.3	59%
Loans to non-banking sector	5,220.7	5,699.8	-8%	7,088.2	7,415.1	-4%
Gross loans	5,915.4	6,698.2	-12%	8,351.0	9,053.4	-8%
- corporate	3,063.0	3,727.1	-18%	4,282.3	4,942.1	-13%
- individuals	1,957.9	1,958.8	0%	3,050.8	2,958.0	3%
- government	585.0	393.2	49%	708.3	534.2	33%
- BAMC bonds	309.6	619.1	-50%	309.6	619.1	-50%
Impairments	-694.7	-998.4	-30%	-1,262.8	-1,638.3	-23%
Financial assets	2,086.7	2,037.9	2%	2,577.7	2,529.3	2%
- Held for trading	267.9	138.8	93%	267.4	138.2	93%
- Available-for-sale, held to maturity and designated at fair value through income statement	1,818.8	1,899.1	-4%	2,310.3	2,391.1	-3%
Investments in subsidiaries, associates and joint ventures	353.1	352.7	0%	39.7	37.5	6%
Property and equipment, investment property	103.2	98.8	4%	301.2	256.6	17%
Intangible assets	29.6	33.7	-12%	39.3	42.8	-8%
Other assets	71.5	69.0	4%	181.7	229.3	-21%
Total assets	**8,706.8**	**8,885.7**	**-2%**	**11,821.6**	**11,909.5**	**-1%**
Deposits from non-banking sector	6,298.3	6,299.6	0%	9,025.6	8,948.5	1%
- corporate	1,416.0	1,312.2	8%	2,168.5	2,031.3	7%
- individuals	4,630.1	4,515.8	3%	6,493.5	6,336.9	2%
- government	252.1	471.6	-47%	363.6	580.3	-37%
Deposits from banks and central banks	96.7	91.1	6%	58.0	62.3	-7%
Debt securities in issue	305.0	359.9	-15%	305.0	359.9	-15%
Borrowings	536.1	677.1	-21%	671.3	851.4	-21%
Other liabilities	228.6	253.1	-10%	284.1	300.8	-6%
Subordinated liabilities	0.0	0.0	-	27.3	17.3	58%
Equity	1,242.2	1,204.9	3%	1,422.8	1,343.1	6%
Non-controlling interests	-	-	-	27.6	26.2	5%
Total liabilities and equity	**8,706.8**	**8,885.7**	**-2%**	**11,821.6**	**11,909.5**	**-1%**

2015 – a successful year in core markets

In 2015, our operations focused on core segments, where we generated higher profit than in the year before. At the same time, we optimised costs in all segments, strengthened the core activities and, in line with the goals, withdrew from non-core investments.

Table 16: Performance results of NLB Group by core and non-core markets and activities

	2015							
in EUR million	Core markets and activities	Retail banking in Slovenia	Corporate banking in Slovenia	Financial markets in Slovenia	Core foreign markets	Non-core markets and activities	Other	NLB Group
Net interest income	319.4	78.3	55.8	60.2	125.2	21.6	-0.8	340.2
Net non-interest income	155.3	72.5	29.4	12.7	40.7	-11.6	3.3	147.1
Total net operating income	**474.8**	**150.7**	**85.1**	**72.9**	**165.9**	**10.0**	**2.5**	**487.3**
Total costs	-256.5	-106.8	-44.0	-12.3	-93.4	-29.8	-15.4	-301.8
Result before impairments and provisions	**218.3**	**44.0**	**41.1**	**60.6**	**72.5**	**-19.8**	**-12.9**	**185.6**
Impairments and provisions	-27.0	-9.8	10.4	0.2	-27.8	-50.1	-6.0	-83.1
Other net gains from equity investments in subsidiaries, associates and joint ventures	4.5	4.5			0.0	-0.2		4.3
Result before tax	**195.7**	**38.7**	**51.5**	**60.9**	**44.7**	**-70.1**	**-18.9**	**106.8**
Income tax expense								-11.4
Result of minority shareholders	3.5				3.5			3.5
Result after tax								**91.9**
Segment assets	10,955.4	2,055.2	2,160.4	3,350.8	3,389.0	752.1	114.0	11,821.6
Segment liabilities	10,182.6	4,906.7	1,193.7	1,139.7	2,942.5	114.1	74.6	10,371.2

According to the strategic guidelines of NLB Group, the core activities include retail banking in Slovenia (retail banking, asset management company NLB Skladi, participation in the result of the jointly controlled entity NLB Vita and the associates Skupna pokojninska družba and Bankart), corporate banking, financial markets in Slovenia and core foreign markets (operations of core companies in Bosnia and Herzegovina, Montenegro, Kosovo, Macedonia and Serbia).

The non-core segment represents the operations of non-core subsidiaries, associates and joint venture of NLB Group and the non-core part of the portfolio of NLB d.d. Other activities (other) include categories whose operating results cannot be allocated to individual segments. The operations of individual segments are monitored until the result before tax.

The segment of core markets and activities in total generated EUR 195.7 million in profit before tax, which is EUR 64.3 million more than in 2014. In comparison to the previous year, the segment's result is significantly better, primarily due to the lower impairments and provisions, reduced operating costs and higher net revenues.

The loss of the non-core segment in the amount of EUR 70.1 million is higher than the loss in the year before when part of the non-core equity investments was successfully disinvested. The segment improved its operations with lower costs and with lower impairments and provisions.

The contribution of individual strategic segments to the 2015 result is balanced. In view of the year before, the operations were mainly improved by corporate banking in Slovenia and subsidiaries in foreign core markets. More detailed information on the financial results and performance of individual segments is given below.

	2014							
in EUR million	Core markets and activities	Retail banking in Slovenia	Corporate banking in Slovenia	Financial markets in Slovenia	Core foreign markets	Non-core markets and activities	Other	NLB Group
Net interest income	311.6	82.9	59.2	65.8	103.7	19.2	-0.8	330.0
Net non-interest income	154.4	68.8	32.5	17.1	36.0	30.2	2.3	186.9
Total net operating income	**466.0**	**151.6**	**91.8**	**82.9**	**139.6**	**49.3**	**1.6**	**516.9**
Total costs	-261.0	-111.6	-45.0	-13.1	-91.5	-33.1	-15.0	-309.1
Result before impairments and provisions	**204.9**	**40.1**	**46.8**	**69.9**	**48.2**	**16.3**	**-13.4**	**207.8**
Impairments and provisions	-76.6	-7.1	-42.3	12.6	-39.8	-64.1	-0.7	-141.4
Other net gains from equity investments in subsidiaries, associates and joint ventures	3.1	3.1			0.0	-0.2		2.9
Result before tax	**131.4**	**36.1**	**4.5**	**82.5**	**8.3**	**-48.1**	**-14.1**	**69.2**
Income tax expense								-4.1
Result of minority shareholders	2.7				2.7			2.7
Result after tax								**62.3**
Segment assets	10,912.3	2,044.3	2,122.7	3,407.9	3,337.5	912.2	85.0	11,909.5
Segment liabilities	10,357.8	4,778.3	1,022.1	1,673.9	2,883.5	124.0	58.5	10,540.2

Table 17: Performance of the retail banking segment in Slovenia

in EUR million

	2015	2014	Growth
Net interest income	78.3	82.9	-6%
Net non-interest income	72.5	68.8	5%
Total net operating income	**150.7**	**151.6**	**-1%**
Total costs	-106.8	-111.6	-4%
Result before impairments and provisions	**44.0**	**40.1**	**10%**
Impairments and provisions	-9.8	-7.1	38%
Other net gains from equity investments in subsidiaries, associates and joint venture	4.5	3.1	44%
Result before tax	**38.7**	**36.1**	**7%**
Segment assets	2,055.2	2,044.3	1%
Segment liabilities	4,906.7	4,778.3	3%

The retail banking segment remains the key pillar of the NLB Group's operations. In 2015, profit before tax was generated in this segment totalling EUR 38.7 million. The operating result improved mostly due to lower operating costs and higher net non-interest income.

Net interest income dropped by 6% over 2014, mainly as a result of the lower interest rates on credit operations. Gross loans remained at the level of the year before, reaching EUR 1,959.0 million. The volume of deposits rose by EUR 126.1 million or 2.6% to EUR 4,901.8 million.

Core associated entities and joint ventures contributed EUR 4.5 million to the Group's result.

Table 18: Result of the corporate banking segment in Slovenia

in EUR million

	2015	2014	Growth
Net interest income	55.8	59.2	-6%
Net non-interest income	29.4	32.5	-10%
Total net operating income	**85.1**	**91.8**	**-7%**
Total costs	-44.0	-45.0	-2%
Result before impairments and provisions	**41.1**	**46.8**	**-12%**
Impairments and provisions	10.4	-42.3	-
Result before tax	**51.5**	**4.5**	**1049%**
Segment assets	2,160.4	2,122.7	2%
Segment liabilities	1,193.7	1,022.1	17%

The results of the corporate banking segment in 2015 reflect the unfavourable macroeconomic conditions, continued deleveraging of the corporate segment and at the same time very limited investment activities in this segment.

In 2015, the corporate banking segment in Slovenia generated a profit before tax of EUR 51.5 million.

In comparison to the year before, the deposit portfolio grew by EUR 176.6 million or 17.7%, totalling EUR 1,174.0 million. The volume of gross loans decreased by EUR 81.8 million or 3.3% compared to the year before, equalling EUR 2,429.2 million.

EUR 10.4 million net of impairments and provisions was released due to the repayment of major loans in 2015.

Table 19: Result of the financial markets segment in Slovenia

in EUR million

	2015	2014	Growth
Net interest income	60.2	65.8	-9%
Net non-interest income	12.7	17.1	-26%
Total net operating income	**72.9**	**82.9**	**-12%**
Total costs	-12.3	-13.1	-6%
Result before impairments and provisions	**60.6**	**69.9**	**-13%**
Impairments and provisions	0.2	12.6	-98%
Result before tax	**60.9**	**82.5**	**-26%**
Segment assets	3,350.8	3,407.9	-2%
Segment liabilities	1,139.7	1,673.9	-32%

Operations in financial markets reflect the pressures resulting from the downward trend in interest rates and lower return in international bonds markets.

The segment includes the income generated by the liquidity reserves as well as the surplus from funds transfer pricing to other business segments in Slovenia. Further, the result includes fees generated from investment banking and custody services.

Table 20: Results of the core foreign markets segment

in EUR million

	2015	2014	Growth
Net interest income	125.2	103.7	21%
Net non-interest income	40.7	36.0	13%
Total net operating income	**165.9**	**139.6**	**19%**
Total costs	-93.4	-91.5	2%
Result before impairments and provisions	**72.5**	**48.2**	**51%**
Impairments and provisions	-27.8	-39.8	-30%
Result before tax	**44.7**	**8.3**	**437%**
Of which result of minority shareholders	3.5	2.7	27%
Segment assets	3,389.0	3,337.5	2%
Segment liabilities	2,942.5	2,883.5	2%

Our core companies in SE European markets operated at a profit in 2015. Bank members in this segment boosted their share of total profit of NLB Group.

The core foreign markets segment completed 2015 with a profit before tax of EUR 44.7 million, including the result of minority owners. Compared to the year before, the operating result mainly improved due to the higher revenue and lower impairments and provisions.

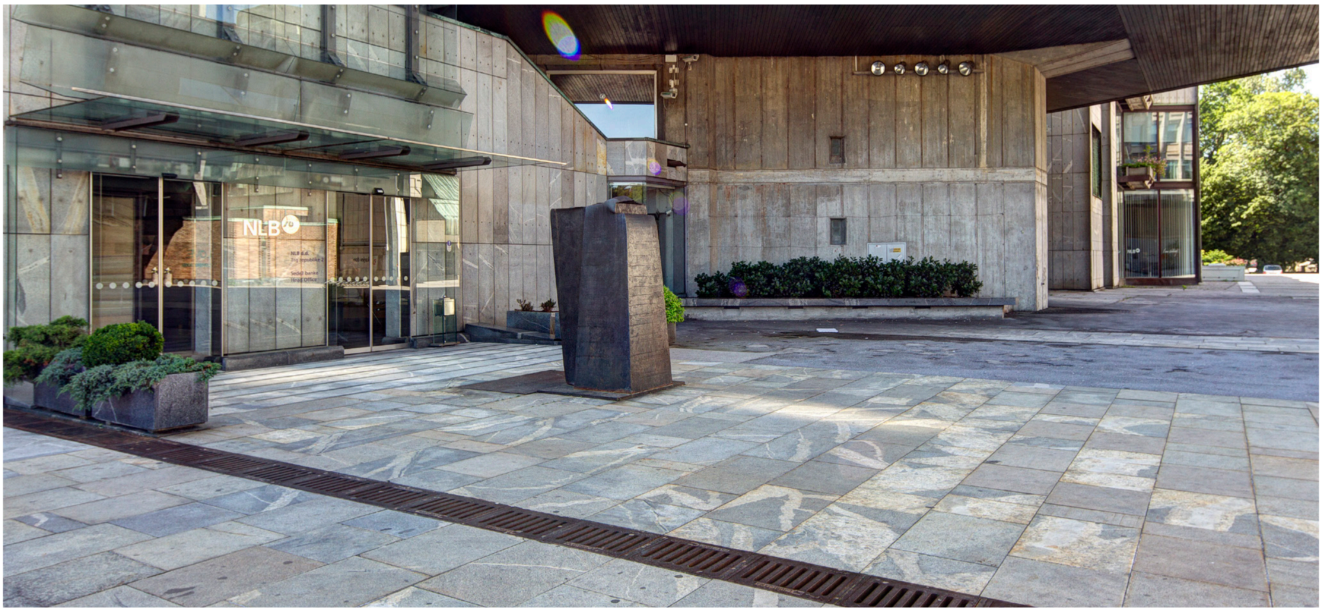
Table 21: Result of the non-core markets and activities segmentnt

in EUR million

	2015	2014	Growth
Net interest income	21.6	19.2	13%
Net non-interest income	-11.6	30.2	-138%
Total net operating income	**10.0**	**49.3**	**-80%**
Total costs	-29.8	-33.1	-10%
Result before impairments and provisions	**-19.8**	**16.3**	**-222%**
Impairments and provisions	-50.1	-64.1	-22%
Other net gains from equity investments in subsidiaries, associates and joint ventures	-0.2	-0.2	-26%
Result before tax	**-70.1**	**-48.1**	**46%**
Segment assets	752.1	912.2	-18%
Segment liabilities	114.1	124.0	-8%

In line with the NLB Group strategy, the volume of non-core segment operations has been decreasing, as reflected in lower operating costs and lower impairments and provisions compared to the year before. Nevertheless, a loss of EUR 70.1 million was recorded in 2015 in this segment. While in 2014 the segment result was supported by positive effects from the sale of non-core equity investments, 2015 was burdened by a one-off loss incurred upon the sudden change in the Swiss franc exchange rate.

Corporate governance



The General Meeting of the Bank

The shareholders exercise their rights related to the Bank's affairs at general meetings of the Bank. The 100% shareholder of NLB d.d. is the Republic of Slovenia which is represented at the General Meeting by Slovenian Sovereign Holding.

The Bank's General Meeting adopts decisions in compliance with the legislation and the Bank's Articles of Association. The authorisations of the Bank's General Meeting are stipulated in the Companies Act, the Banking Act and the Articles of Association of NLB d.d. The decisions adopted by the Bank's General Meeting include among other: adopting and amending the Articles of Association, the use of distributable profit, granting of a discharge from liability to the Management and Supervisory Board, changes in the Bank's share capital, appointing and discharging members of the Supervisory Board, remuneration and profit sharing by members of the Supervisory and Management Boards and the employees, annual schedules and characteristics of the issues of securities convertible to shares and equity securities of the Bank.

The 25th regular General Meeting of Shareholders of NLB d.d. took place on 22.6.2015. The participants acknowledged the 2014 Annual Report of NLB Group and, in compliance with the commitments of the Republic of Slovenia to the European Commission, approved that the distributable profit in the amount of EUR 81.5 million should remain undistributed.

The General Meeting granted a discharge from liability to the Management and Supervisory Boards of NLB d.d. for the 2014 business year. Andreas Klingen was appointed substitute member of the Supervisory Board of NLB d.d.

The Bank's General Meeting also adopted amendments and supplements to the Articles of Association of NLB d.d., determined the meeting fees for members of the Supervisory Board and its committees and, in compliance with the Banking Act, appointed for the first time the auditor of NLB d.d. for three business years (2015, 2016 and 2017). Ernst & Young d.o.o., Ljubljana company was selected.

Corporate governance of NLB Group

As the parent bank, NLB d.d. implements corporate governance of NLB Group members in compliance with the legislation of the Republic of Slovenia and of the countries in which NLB Group members operate, while also considering internal rules, the commitments made to the European Commission and the regulations of the European Central Bank.

The roles, authorisations and responsibilities of individual bodies and organisational units as well as the ensuring of their coordinated operations to achieve the set business goals are stipulated comprehensively in the Corporate Governance Policy of NLB Group. In the Bank, these tasks are the responsibility of Core Group Steering Department and Non-Strategic Equity Investments Department.

NLB Group is governed:
a) in accordance with fundamental corporate rules through various bodies of NLB Group members:

- by voting at general meetings of NLB Group members
- with proposals for appointing the managements of NLB Group members
- with proposals for appointing representatives of NLB d.d. to supervisory bodies
- by exercising supervision through the supervisory bodies of NLB Group members
- through participation of representatives of NLB d.d. in various committees and commissions of NLB Group members;

b) by mechanisms providing efficient business control in all business lines, harmonisation of the operating standards and exchanges of information between NLB Group members according to the Business Line principle;

c) by additional supervision of NLB Group members by Internal Audit of NLB d.d. and Compliance and Integrity of NLB d.d. as well as external supervisors (e.g. the European Central Bank, the Bank of Slovenia, external auditors and local regulators).

In 2015 the concept of corporate governance of NLB Group was upgraded and the role of members of the Management Board of NLB d.d. and managements of NLB Group members strengthened. The target composition of supervisory bodies in NLB Group members was established, the functioning of the supervisory bodies optimised and the reporting and standards related to the harmonisation of operations simplified.

Authorisations of the bodies, the Articles of Association and other data related to corporate governance online: www.nlb.si/corporate-governance.

Supervisory Board

Our highest objectives include solid operations and the following of strategic guidelines as well as the trust of the owners and business partners in the functioning of the Bank. Therefore, we carefully monitor and supervise its management and operations.

The Supervisory Board of NLB d.d. implements its tasks in compliance with the provisions of the laws governing the operations of banks and companies as well as with the Articles of Association of NLB d.d.

The Supervisory Board in 2015 was composed of seven members who are appointed and discharged by the Bank's General Meeting from among persons nominated by shareholders or the Supervisory Board. At least two-thirds of Supervisory Board members must be independent experts. These are persons who are currently not employed by the Government of the Republic of Slovenia and/or have not been employed by it in the past 24 months, and who currently do not hold any management or executive function in political parties in the Republic of Slovenia and/or have not held one in the past 24 months.

At the 25th General Meeting of NLB d.d., held on 22.6.2015, Andreas Klingen was appointed substitute member for a four-year term of office. Peter Groznik handed in his notice of resignation on 18.8.2015 from the office of member of the Supervisory Board of NLB d.d. As at 31.12.2015 the Supervisory Board of NLB d.d. was composed of six members. At the General Meeting held on 10.2.2016, the Supervisory Board was extended to nine members due to the greater scope of tasks and expectations of the European Central Bank.

In accordance with the two-tier governance system and the authorisations for supervising the Management Board, the Bank's Supervisory Board issues approvals to the Management Board related to the Bank's business policy and financial plan, organisation of the internal control system, draft audit plan of the Internal Audit and all financial transactions (e.g. issuing of own securities, equity stakes in companies and other legal entities) as well as supervises the work of Internal Audit. The Supervisory Board acts in accordance with the highest ethical standards of management, considering the prevention of conflicts of interest.

Gorazd Podbevšek
Chairman until 10.2.2016

Term of office: 2013–2016

Education:
- Bachelor of Law (Faculty of Law, University of Ljubljana) specialising in corporate law and corporate governance

Career:
- from February 2009, Director of the RMG, a company specialising in legal consultancy and corporate governance
- from December 2000 to February 2009, employed by Socius d.d., Ljubljana

Other important functions and achievements:
- Chairman of the Expert Council of the Slovenian Directors' Association; member of the Programme Board of the Slovenian Directors' Association; member of the Policy Committee of the European Confederation of Directors' Associations
- President of the Management Board of SŽ - ŽGP Ljubljana d.d.
- works mainly in the fields of status and capital restructuring of companies, regulation of the corporate governance of companies and groups as well as corporate law consulting
- participated in drafting the legislation related to the management of state-owned companies and several autonomous sources of corporate governance

Membership in Supervisory Board committees:

NC (Deputy Chairman)
RE (Deputy Chairman)

Miha Košak
Deputy Chairman until 10.2.2016

Term of office: 2013–2016

Education:
- Master of Science in Economics of the European Community, Exeter University, and MBA, Bocconi University
- Bachelor of Science in Economics in International Trade and Development, London School of Economics and Political Science

Career:
- independent consultant; until June 2014 Executive Director at VTB Capital in charge of group management and development in Central and Eastern Europe
- senior director positions in many leading global financial institutions including Barclays de Zoete Wedd, Credit Suisse First Boston, UBS Investment Bank and Citigroup Global Markets

Other important functions and achievements:
- over 20 years' experience in international banking practices – corporate banking, investment banking, financial consulting and corporate finance, capital markets and asset management; managed and participated in many important M&A transactions and capital raising in a number of sectors in Europe, EMEA and Asia, including in the financial institutions sector

Membership in Supervisory Board committees:

SD (Chairman)
RC
NC
RE

On 18.08.2015 Peter Groznik submitted a statement of resignation from the position of member of the Supervisory Board of NLB d.d. His membership in the Supervisory Board and Risk Committee terminated on 27.08.2015, prior to that on 03.07.2015 he resigned from Audit Committee.

Andreas Klingen was elected substitute member of the Supervisory Board at the 25th General Meeting of NLB d.d. held on 22.6.2015. He has been a member of the Audit Committee since 3.7.2015 and a member of the Strategy and Development Committee since 30.10.2015.

Until 15.5.2015 the independent external expert of the Audit Committee was Ladislav Hornan, who was dismissed according to the provisions of ZBan-2.

Sergeja Slapničar had been a member of the Appointment and Remuneration Committee until 23.1.2015.

Uroš Ivanc had been a member of the Strategy and Development Committee until 10.4.2015.

According to ZBan-2, on 08.05.2015 the Appointment and Remuneration Committee was divided into the Remuneration Committee and the Nomination Committee.

Tit A. Erker
Member

Term of office: 2013 - 2017

Education:
- Master of Science in Economics, specialising in monetary economics and game theory (Bocconi University)
- undergraduate studies (Faculty of Economics, University of Ljubljana, and University of Amsterdam)

Career:
- since August 2015 employed by the Abu Dhabi Investment Authority
- since 2006 employed by BP in London, first as Executive Assistant in the Economic Department of the Group, and then since 2009 in South Africa as a Director of Planning and Controlling. In 2013 he returned to London as Director of the Group's Strategic Recruitment Department
- earlier worked for Pozavarovalnica Sava in the Strategy and Finance Department; concurrently a research assistant for monetary economics at the Faculty of Economics, University of Ljubljana
- started his career with the consulting company McKinsey & Company

Other important functions and achievements:
- Member of the Committee for Business Risks and Financial Security in BP in South Africa

Membership in Supervisory Board committees:

SD (Deputy Chairman)
NC (Chairman)
RE (Chairman)

Uroš Ivanc
Member

Term of office: 2013–2017

Education:
- Master of Science in management and organisation (MScBA), IMB study programme (Faculty of Economics, University of Ljubljana)
- since 2004 CFA – Chartered Financial Analyst (CFA Institute)

Career:
- since July 2014 member of the Management Board of Zavarovalnica Triglav in charge of Accounting and Finance as well as the Real Estate Management support service
- before that more than 8 years in the Triglav Group as Executive Director responsible for Finance
- in 2008 (temporarily for a period of 5 months) held the office of Director General of Slovenijales d.d.
- from 2007 to 2012 was the portfolio manager of the pension fund Triglav Group in the Republic of Serbia
- in 2004 started to gain experience in leading positions as head of corporate finance

Other important functions and achievements:
- member of the Management Board of Triglav INT d.d. and member of the Supervisory Board of the Fund in voluntary liquidation Adriatic Fund BV Netherlands
- since 2005 member of many Supervisory Boards of the companies in the Triglav Group and outside (Triglav Skladi d.o.o.; Lovčen Osiguranje, a.d., Podgorica; Triglav Osiguranje, a.d.o., Belgrade; Triglav Osiguruvanje, a.d., Skopje, Skupna pokojninska družba d.d., and others)
- President of the CFA Society of Slovenia

Membership in Supervisory Board committees:

AC (Deputy Chairman until February 2016)
RC (Chairman)

Abbervations: AC Audit Committee, RC Risk Committee, SD Strategy and Development Committee, NC Nomination Committee, RE Remuneration Committee.

Andreas Klingen
Member

Term of office: 2015–2019

Education:
- Master of Business Administration, Rotterdam School of Management, Rotterdam, the Netherlands
- Master of Science in Physics, Techniche Universität, Berlin, Germany

Career:
- since 2014 banking consultant, entrepreneur, , Berlin, Germany (focus on Central and Eastern Europe as well as Commonwealth of Independent States)
- from 2010 to 2013, Deputy CEO , Financial Director, Head of Treasury and Corporate Banking in PC Erste Bank, Kiev, Ukraine
- from 2005 to 2010, Head of Strategic Group Development in Erste Group Bank, Vienna, Austria
- from 1998 to 2005, Senior Vice President, Investment Banking, Financial institutions in JP Morgan, London, UK
- from 1993 to 1998, Associate in Lazard, Frankfurt/Paris/London

Other important functions and achievements:
- since November 2014 member of the Board of Directors of Komercialna banka Beograd a.d.
- during the period 2013 – 2015 member of supervisory bodies in many banks in Slovakia, Croatia, Serbia, Ukraine, Austria, Hungary, the Czech Republic and Russia
- Associate Professor at bbw Hochschule, Berlin, Germany

Membership in Supervisory Board committees:

AC
SD

Sergeja Slapničar
Member

Term of office: 2013–2017

Education:
- Doctor of science 2001 (Faculty of Economics, University of Ljubljana)
- further training during her master's, doctoral and postdoctoral studies at the University of Bristol, University of Glasgow and the London School of Economics

Career:
- Associate Professor at the Faculty of Economics of the University of Ljubljana teaching financial accounting and financial analyses at undergraduate and postgraduate levels
- Chair of the Academic Unit for Accounting and Auditing and the Chair of Postgraduate Studies in the period from 2007 to 2013

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 was a member of the Supervisory Board of Krka d.d. between 2010 and 2015, she was a member of the Council of the Agency for Public Oversight of Auditing from 2008 to 2010 and since 2008 she has been the chair of the settlement panel for testing exchange ratios in the ownership restructuring of companies
- she lectures in business training sessions at the Business Excellence Centre of the Faculty of Economics, the Slovenian Directors' Association, the Bank Association and the SIQ

Membership in Supervisory Board committees:

AC (Chairwoman)
RC

Committees of the Bank's Supervisory Board

The Supervisory Board appoints committees that prepare proposals for resolutions of the Supervisory Board, ensure their implementation and perform other expert tasks. At the end of 2015, the Bank had five committees.

- **The Audit Committee** monitors and prepares draft resolutions for the Supervisory Board on accounting reporting, internal control and risk management, internal audit, compliance, external audit and supervises the implementation of regulatory measures. Number of meetings in 2015: 7.

- **The Risk Committee** monitors and drafts resolutions for the Supervisory Board in all areas of risk relevant to the Bank's operations. In consults on the current and future risk appetite and the risk management strategy, it helps conduct control over senior management as regards implementation of the risk management strategy. Number of meetings in 2015: 5.

- **The Strategy and Development Committee** monitors issues related to the strategic guidelines of the Bank and the Group, discusses, monitors and assesses the entire medium-term or long-term strategic plan of NLB d.d. and NLB Group, the major components of the strategic and development plan, discusses the suitability of organisation of NLB d.d. and NLB Group, the sales and purchases of participating interests in NLB Group from the strategic aspect and the annual financial and business plans as well as the budget of NLB d.d. and NLB Group. Number of meetings in 2015: 2.

- **The Nomination Committee** drafts proposed resolutions for the Supervisory Board concerning the appointment and dismissal of Management Board members, recommends candidates for Supervisory Board members to the General Meeting of the Bank, recommends to the Supervisory Board the dismissal of members of the Management Board and the Supervisory Board, prepares the content of executive employment contracts for the President and members of the Management Board, evaluates the performance of the Management Board and the Supervisory Board, and assesses the knowledge, skills and experience of individual members of the Management Board and Supervisory Board and the bodies as whole. The Committee proposes amendments to the Management Board's policy on the selection and appointment of suitable candidates for senior management of the Bank. Number of meetings in 2015: 2.

- **The Remuneration Committee** carries out expert and independent assessments of the remuneration policies and practices and gives initiatives for measures related to improving the management of the Bank's risks, capital and liquidity, prepares proposals for decisions of the Supervisory Board in relation to remuneration, and supervises the remuneration of senior management performing the risk management and compliance functions. Number of meetings in 2015: 1*.

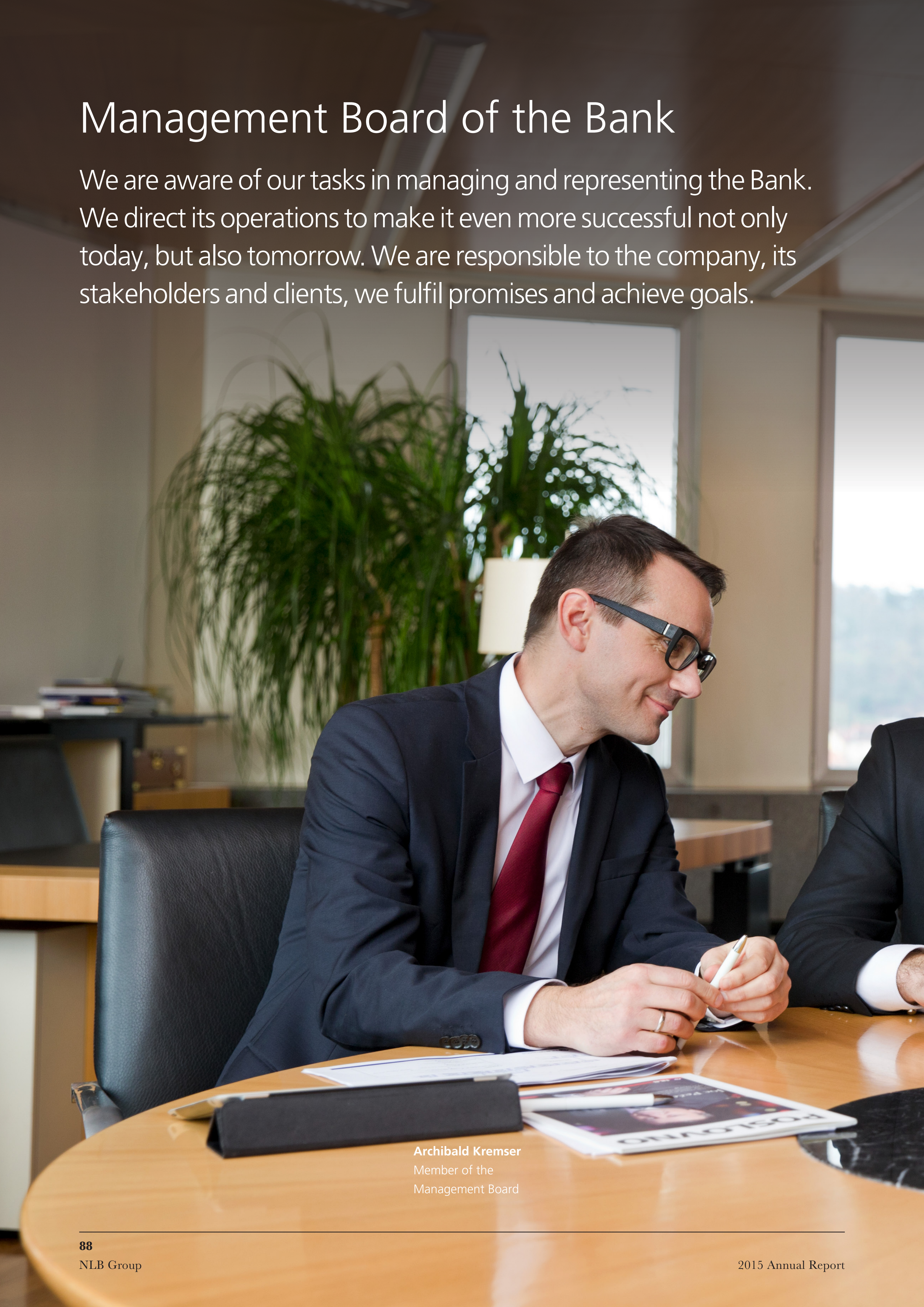
The costs of operation of the Supervisory Board of NLB d.d.

The cost of the Supervisory Board related to the performance of the office amounted to EUR 295,950 in 2015 of which session fees were EUR 44,927, fee for performing the office was EUR 160,556 and cost reimbursements equalled EUR 90,467. The largest portion among other costs was translation cost (EUR 36,333) followed by printing (EUR 28,426), transport services and travel costs (EUR 2,904) and other costs (EUR 126,183) bringing the total to EUR 193,846.

* The Nomination and Remuneration Committee operated until 8.5.2015, when it was divided into two separate committees according to the ZBan-2. Number of meetings in the formal composition in 2015 before the division: 3.

Management Board of the Bank

We are aware of our tasks in managing and representing the Bank. We direct its operations to make it even more successful not only today, but also tomorrow. We are responsible to the company, its stakeholders and clients, we fulfil promises and achieve goals.



Archibald Kremser
Member of the
Management Board

The Management Board of NLB d.d. 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. The decisions within the scope of powers of the Management Board are adopted by members of the Management Board of the Bank as a rule unanimously or, failing that, unless otherwise provided in the Articles of Association, with a majority of votes cast. In the case of a tie, the President of the Management Board of the Bank has the decisive vote.

The President and members of the Management Board of the Bank are appointed by the Supervisory Board for a period of five years. The Supervisory Board may also recall them. The selection is not based only on the legal conditions, but also the internal acts and the recommended national and European guidelines on good practice. Every member has to fit the professional profile prepared before the selection procedure.

Blaž Brodnjak
Deputy President of the
Management Board

Andreas Burkhardt
Member of the
Management Board

Janko Medja
President until 5.2. 2016

Term of office: 2012–2016

Education:
- in 2005 he finished his MBA studies at the IEDC Bled School of Management
- he graduated in 1997 (Faculty of Economics, University of Ljubljana)

Career:
- in 2012 Chairman of the Supervisory Board of NLB d.d.
- 2008–2012 Member of the Management Board of UniCredit bank Slovenia
- 2004–2008 Director of Corporate Banking at UniCredit bank Slovenia

Other important functions and achievements:
- recipient of the Bank of Slovenia's award for his Bachelor's thesis entitled "Quality in Banking"
- in 2011 recipient of the "Young Manager of the Year" award of the Managers' Association
- in 2014 recipient of the "IEDC Alumni Achievement Award" on the proposal of members of Alumni IEDC at the IEDC Bled School of Management and based on a decision of an international commission

Direct responsibility:
Executive areas of the Bank:
- Internal Audit
- Compliance and Integrity
- Legal and Secretariat
- Corporate Communication and Strategy
- Human Resources and Organisation Development
- Core Group Steering

Important positions outside NLB d.d.
Member of the Supervisory Board:
- Bank Association of Slovenia
- Chairman of the Supervisory Board: NLB Tutunska banka, Skopje
- President of the Management Board: NLB Banka, Pristina
- Member of the Board of Governors: AmCham

Blaž Brodnjak
Deputy President

Term of office: 2012–2017

Education:
- in 2009 he finished his MBA studies at the IEDC Bled School of Management
- he graduated in 1998 (Faculty of Economics, University of Ljubljana)

Career:
- 2010–2012 he was Head of Group Corporate and Public Finance Division in the Hypo Alpe-Adria Group in Klagenfurt
- 2009–2010 he was a proxy of the Management Board of Zavarovalnica Triglav
- 2005–2009 he was Member of the Management Board of Bawag bank
- 2004–2005 he was Head of Corporate Banking at Raiffeisen Krekova banka

Other important functions and achievements:
- he was a chairman or member of the supervisory boards of ten banking, two insurance and one production company

Direct responsibility:
Retail and Private banking and corporate banking:
- Customer Relationship Management and Marketing Communication
- Product Range Management
- Sales Performance Monitoring
- Small Enterprises
- Large Corporates
- Mid Corporates
- Trade Finance Services
- Private Banking
- Distribution Network

Important positions outside NLB d.d.
- Chairman of the Supervisory Board: NLB Banka, Sarajevo NLB Banka, Banja Luka
- Member of the Management Board: NLB Banka, Belgrade

Andreas Burkhardt
Member

Term of office: 2013–2018

Education:
- in 1999 he obtained an MBA degree (University of Dayton)
- he graduated in 1998 (University of Augsburg) and completed specialised studies in accounting and management

Career:
- 2012–2013 he was a consultant on risk where he performed various tasks, including those of head of risk management at Volksbank in Hungary, especially in the upgrade and rationalisation of collection and company restructuring procedures
- 2010–2011 Member of the Management Board of Volksbank, Romania, in charge of finance, restructuring and collection
- 2003–2009 Member of the Management Board of Volksbank BiH in Sarajevo, in charge of the financial part of operations and risks, prior to which he had occupied other functions in that bank since 2000

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

Direct responsibility:
Risk area:
- Global Risk
- Credit Risk – Corporate and Retail
- Evaluation and Control
- Restructuring
- Workout and Legal Support
- Non-Strategic Corporate

Important positions outside NLB d.d.
- Chairman of the Board of Directors:
  NLB Banka, Podgorica
- Member of the Supervisory Board:
  NLB Banka, Sarajevo
  NLB Banka, Banja Luka

Archibald Kremser
Member

Term of office: 2013–2018

Education:
- in 2004 he completed MBA studies (INSEAD international business school, France), specialising in bank management and corporate finance
- he graduated in 1997 (University of Technology in Vienna)

Career:
- for eight years he worked in various managerial functions and positions in the Kommunalkredit Austria Group (owned by Dexia SA and Volksbanken Austria AG)
- 2011–2013 he supervised efforts aimed at re-establishing Kommunalkredit Austria as a bank specialised in financing infrastructure and investments, preparing it for a privatisation procedure
- 2008–2011 in charge of large restructuring projects of the Kommunalkredit Group involving the reduction and disinvestment of a major portion of business
- 2005–2008 he supervised the establishment and operation of subsidiaries of Dexia Kommunalkredit Bank in Central-Eastern Europe with total assets of approximately EUR 10 billion
- he worked in leading international consulting firms Ernst & Young (1997–2004), Bain & Company (2004–2005), managing major projects to boost efficiency in leading financial institutions in Austria, Germany, Switzerland and the entire Central-Eastern Europe

Other important functions and achievements:
- more than 10 years of experience in the financial industry and banking in Austria, Central-Eastern Europe and South-Eastern Europe with an emphasis on finance, restructuring and asset management

Direct responsibility:
Financial area:
- Group Real Estate Asset Management
- Controlling
- Financial Accounting
- Financial Markets
- Investment Banking and Custody
- Non-Strategic Equity Investments

Important positions outside NLB d.d.
- President of the Management Board:
  NLB Banka, Belgrade

Collective decision-making bodies

Other committees, commissions, boards and working bodies may be appointed by the Management Board of the Bank for execution of individual tasks within powers of the Management Board of the Bank. There are eight collective decision-making bodies and three advisory bodies of the Management Board operating in NLB d.d.

The Corporate Credit Committee determines credit ratings and makes decisions on the reclassification of clients, and approves commercial banking investment transactions and limits that exceed the competencies of the Credit Sub-Committee. The Committee shall decide on the approval of investment transactions in commercial banking within the statutory powers in the following areas of operation:

- corporate banking in NLB d.d. (all companies, banks and financial institutions)
- operations with clients in intensive care and non-performing loans
- operations with non-core clients

As a rule, Committee meetings are convened once a week. The Committee has six to seven members for each area. The Chairman of the Committee is the Member of the Management Board responsible for risk management.

The Corporate Credit Sub-Committee determines credit ratings and makes decisions on the reclassification of clients and approves commercial banking investment transactions and limits that exceed the competences of B-1 level directors. The Sub-Committee adopts decisions in the scope of the Bank's investment policy and business plan and statutory powers.

The Sub-Committee meetings are convened once a week. The Sub-Committee has four Members for each area. The Chairman of the Committee is the Member of the Management Board responsible for risk management.

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 NLB d.d. 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 are convened once a week. The Committee has four members. The Chairman of the Committee is the Member of the Management Board responsible for finance.

The Group Real Estate Asset Management Committee is in charge of giving opinions on acquisition/purchase price of real property and additional investments in real property provided as collateral for non-performing loans, the selling price of own real property and the acquisition/purchase price for the real property mortgaged in the sale of receivables. As a rule, Committee meetings are convened once a week. The Committee has three members. The Chairman of the Committee is the Member of the Management Board responsible for finance.

The Development Council adopts decisions related to the portfolio of development with an IT element. As a rule, the meetings of the Committee are convened once a month. The Committee has four members. The Chairman is the Member of the Management Board responsible for operations.

The Sales Board adopts decisions on the management of the range of products and services and the relations with the clients in the area of sales. As a rule, Committee meetings are convened once a week. The Committee has 10 members. The Chairman of the Board is the Member of the Management Board responsible for Retail, Private Banking and Corporate Banking.

The NLB Operational Risk Committee is 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 meets once every two months. The Committee has 14 members. The Chairman of the Committee is the Member of the Management Board responsible for risk management.

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 are convened once a week. The Committee has five members. The Chairman of the Committee is the Head of Credit Analysis – Corporate and Retail.

Candidate Selection Policy

In accordance with Article 34 of the Banking Act-2, the Bank's bodies responsible for nominating members of the Corporate Governance Body, i.e. Management and Supervisory Board members, should define and implement a suitable Candidate Selection Policy.

The Management Board Members Nomination Policy was adopted by the Supervisory Board. In accordance with the provisions of the Banking Act 2, it will have to be applied to the nomination of new or additional Management Board members by the new Supervisory Board appointed at the last General Meeting. The Supervisory Board Members Nomination Policy was confirmed by the Supervisory Board, but it has not yet been confirmed by the General Assembly because, in the meantime, Article 16 of the Act Defining the Measures of the Republic of Slovenia to Strengthen Bank Stability has been amended.

Since the amended Banking Act came into effect in May 2015, the Management Board Members Nomination Policy was adopted in autumn 2015, and in February 2016 a new Supervisory Board of the Bank was constituted, we will be able to assess the application and compliance with the Policy only after it has been valid for some time, i.e. once additional members have joined the Management Board or once a new Management Board has been constituted. In accordance with the statutory requirements of the Banking Act, this Policy is binding on the Supervisory Board. Both policies also provide a list of appropriate skills.

By setting up both policies, we have complied with all the regulatory requirements. In selecting the candidates for the Corporate Governance Body, one of the key goals is to compose the body in such a way that it has a so-called collective professional capacity. With regard to the right representation of both genders, the rules indicate that sections or associations of female managers should be informed of the search for candidates, or HR agencies should be requested to have the right representation of both genders among potential candidates. If there are several candidates available, it is necessary to identify the best candidate, the second best candidate and the best candidate of the opposite gender, if he or she is not among the best two candidates, with an explanation of why he or she is not the best candidate.

Advisory bodies of the Bank's Management Board

The Watch List Committee is an advisory body which acknowledges the activities related to the clients on the Watch List. As a rule, Committee meetings are convened quarterly. The Committee has seven members. The Chair of the Committee is the member of the Management Board responsible for risk management.

The General Council 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 NLB Group and the Business Conference of NLB Group are typically convened once a year. NLB Group's strategic and business objectives are discussed at these conferences.

Events after the end of the 2015 financial year

On 5.2.2016, due to a certain divergence of views with the owner of the Bank Janko Medja, the President of the Management Board of NLB d.d., resigned. On the same date, the Supervisory Board of NLB d.d. adopted a decision on his consensual early termination of office as of 5.2.2016. Until a further decision is taken, NLB d.d. has a three-member Management Board under the leadership of Blaž Brodnjak as Deputy President.

On 10.2.2016, the 26th General Meeting of Shareholders of NLB d.d. was held. The rights of the Republic of Slovenia, as the sole shareholder of the Bank, were represented by Slovenian Sovereign Holding d.d. The General Assembly of Shareholders adopted amendments to the Articles of Association of NLB d.d. Among the essential changes is an increase in the number of Supervisory Board members from seven to nine.

The General Meeting discharged the previous members of the Supervisory Board of NLB d.d. Gorazd Podbevšek and Miha Košak and appointed the following new members of the Supervisory Board: Janko Gedrih, Anton Macuh and Anton Ribnikar. The Supervisory Board members of the Bank remained Sergeja Slapničar, Tit A. Erker, Uroš Ivanc and Andreas Klingen. Based on the above amendment to the Articles of Association (an increased number NLB Supervisory Board members to nine) at the General Meeting of Shareholders two additional members were appointed, namely Primož Karpe and Laszlo Urban.

On 19.2.2016, at the 31st meeting of the Supervisory Board of NLB d.d. the members elected Janko Gedrih as Chairman of the Supervisory Board and Sergeja Slapničar as his Deputy.

On 15.4.2016 the Supervisory Board was briefed on resignation statements of the President and two members of the Supervisory Board: Janko Gedrih, Anton Macuh and Anton Ribnikar and agreed to the shortening of the period of resignation so that their mandate was completed on 15.4.2016.

In accordance with the Statute of the Bank the Supervisory Board appointed Primož Karpe as a new president. Supervisory Board also appointed members of the Supervisory Board committees and elected their chairman and the deputy chairmen. The Supervisory Board continues its work with 6-members (Primož Karpe - President, Sergeja Slapničar - Deputy President and Tit A. Erker, Uroš Ivanc, Andreas Klingen and Laszlo Urban as members).

Primož Karpe
President

Term of office: 2016 - 2020

Education:
- he obtained a master's degree from the San Diego State University (Master of Science – Business Administration),
- he graduated from the Faculty of Economics in Ljubljana (majoring in Finance).

Career:
- Since 2015, managing director of Angler Ltd. Koprivnica, Croatia;
- Between 2011 and 2015, he was director/partner at Blue Sea Capital SCSp, Luxemburg/Zagreb;
- Between 2008 and 2010, he was co-founder and the leading partner in company Vafer Ltd.
- In 2007 and 2008, he was managing director of company Publikum Korpfin d.o.o.
- In 2006 and 2007, he was head of the business development department at Telekom Slovenije d.d.
- Between 2002 and 2006, he was assistance CEO of Mobitel d.d.;
- From 2000 to 2002, he was the chief operating officer at Eon d.o.o.,
- Between 1996 and 2000, FX trader/head of the assets and liabilities management department at SKB banka d.d.

Other important positions and achievements:
- He is a partner in a private equity fund investing in small and medium-sized companies operating in traditionally stable or fast-developing industries in the region of the former Yugoslavia (primary health care, nutrition and niche production);
- His speciality lies in the preparation, assessment, negotiating and structuring of complex equity and debt transactions and restructuring/business management.

Laszlo Urban
Member

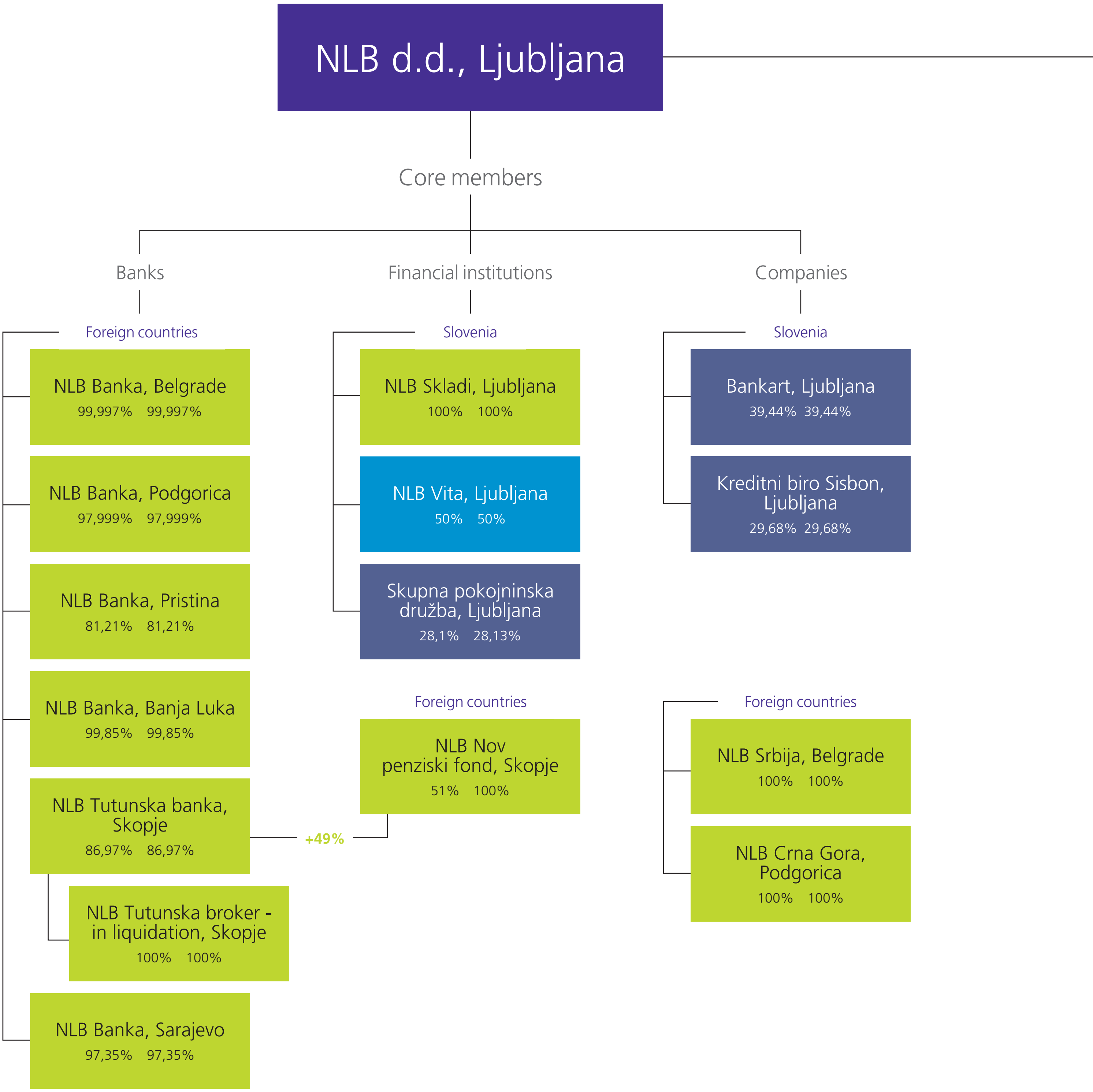
Term of office: 2016 - 2020

Education:
- In 2000 finished Advanced Management Program, Harvard Business School, Cambridge, MA;
- In 1985 University Doctorate at Budapest University of Economics, Hungary;
- In 1982 Master of Art, Budapest University of Economics, Hungary.

Career:
- Since 2012 Adjunct Professor at Central European University Business School,
- From 2010 to 2011 Member of the Supervisory Board at European Bank for Reconstrucion and Development (EBRD),
- From 2007 to 2009 Chief Financial Officer and Member of the Board of Directors at OTP Bank,
- From 2005 to 2006 Director, General Secretariat at National Bank of Hungary,
- From 2000 to 2005 Vice President, Business Planning Director at Citigroup, New York,
- From 1998 to 2000 deputy CEU and member of the Board of Directors at Postalbank, Hungary,
- From 1998 to 1996 a Director of Planning and Chief Economist at ABN-AMRO Bank, Hungary

Other important positions and achievements:
- From 1995 to 1996 Visiting Fellow, Economist at The World Bank, Washington DC,
- From 1993 to 1994 Member of Parliament, Hungary,
- From 1985 to 1992 Associate Professor at Eotvos University of Budapest

Chart 2: NLB Group 31.12.2015



Legend:

The chart shows voting rights shares.The Group includes entities according to the definition in the Financial Conglomerates Act (Article 2).

Subsidiary		Associate		Joint venture	
% direct share	%indirect share at the Group level	% direct share	% indirect share at the Group level	% direct share	% indirect share at the Group level

Non-core members

Financial institutions

Slovenia

- NLB Leasing, Ljubljana 100% 100%
  - NLB Leasing Sofia, Sofia 100% 100%
  - Optima Leasing, Zagreb 100% 100%
- Prvi faktor, Ljubljana 50% 50%
  - Prvi faktor, Belgrade 100% 100%
  - Prvi faktor, Sarajevo 100% 100%
  - Prvi faktor, Skopje 100% 100%
  - Prvi faktor, Zagreb 100% 100%

Foreign countries

- NLB Factoring, Ostrava – in liquidation 100% 100%
- NLB InterFinanz, Zurich 100% 100%
  - NLB InterFinanz, Belgrade 100% 100%
  - NLB InterFinanz Praha, Prague 100% 100%
- NLB Lizing, Skopje 100% 100%
- NLB Leasing, Sarajevo 100% 100%
- NLB Leasing, Belgrade 100% 100%
- NLB Leasing Podgorica, Podgorica 100% 100%
- LHB AG, Frankfurt 100% 100%
- Sophia Portfolio BV, Sofia 0% 0%

Companies

Slovenia

- NLB Propria, Ljubljana 100% 100%
- Prospera plus, Ljubljana 100% 100%
- FIN-DO, Domžale 100 % 100 %
- ICJ – in bankrupcy, Domžale 50% 50%
- PRO REM, Ljubljana 100% 100%
  - OL Nekretnine, Zagreb 100% 100%
- ARG Nepremičnine, Horjul 75% 75%
- PRO-Avenija, Ljubljana 100% 100%

Foreign countries

- CBSinvest, Sarajevo 100% 100%
- REAM, Podgorica 100% 100%
- REAM, Belgrade 100% 100%
- REAM, Zagreb 100% 100%
- BH-RE, Belgrade 100% 100%
- Tara Hotel, Budva 12,71% 100%

Chart 3: Organisational chart of NLB d.d.

Understanding of the tasks and responsibiltities of Global Risk, Compliance and Integrity and Internal Audit is taken into account in accordance with the definitions of the (currently valid) Banking Act.

Corporate and social responsibility

We see the scope of the social responsibility strategy* benefitting the major stakeholders of NLB Group: clients, employees and society, while not forgetting care for the natural environment. We pay maximum attention to five strategic areas. We have been socially responsible since the Bank was founded. In 2010, however, we approached this area even more systematically by adopting the Policy of social and environmental responsibility. In 2015, we strived to further deepen the cooperation with our stakeholders.

We received the 2015 Horus Finalist Award in the category of large companies for efforts devoted to socially responsible operations.

1. We promote small business

By creating a healthy business climate, we provide for the structure of new entrepreneurs who will at one stage become a major pillar of economic growth.

In 2015 we set up the Innovative Entrepreneurship Centre, which is our contribution to improving the entrepreneurship climate in Slovenia. Establishing a venue visitors can use as an office or for socialising was a necessary step. The second, more important step on the way to improving the entrepreneurial climate in Slovenia are the workshops, lectures and other entrepreneurial consultations we organise. These are mainly intended for promising and not yet established entrepreneurs, whereas they provide useful knowledge to mature companies as well.

In 2015, the Centre hosted more than 160 events attended by over 4,500 people.

Lease of non-occupied business premises: six former branch premises were leased out free of charge for entrepreneurial initiatives, which will enrich the Slovenian entrepreneurial environment.

2. We care for employees

By understanding the needs of our employees, we strengthen their professionalism and satisfaction. We promote a healthy lifestyle and the appropriate balancing of professional and family obligations.

In the scope of social responsibility to employees, with the help of the NLB Training Centre, the Healthy Bank project and the Full Family Friendly Company certificate, we formulated and carried out numerous workshops and lectures on improving general health and well-being. To the highest degree possible, the Bank practises social responsibility by providing employees with constant training and education to achieve strategic and all business objectives.

In 2015, in-house training programmes involved more than 3,400 participants.

Awards: Gaining the Top Employer title makes us the only Slovenian employer with this title. For the third consecutive year, we received the Top Educational Management Award for ranking among the top ten Slovenian organisations in educational management. The Bank has received seven awards since the project was initiated.

*For more on Corporate and Social Responsibility of NLB Group, see www.nlb.si/corporate-social-responsibility.

3. We support youth in employment

We enable training of educated youth who are occupationally inexperienced and inexperienced in business so as to help them find employment faster.

We organised the first NLB Summer School, an 8-day student training course, giving them valuable entrepreneurial knowledge.
The School was attended by 24 students of economics, law and computer science from the University of Ljubljana.

4. We establish fair-play values in children

We support sports and other educational content whereby we raise the awareness of youth about values and fairness. We help them develop into complete and responsible persons.

In 2015, we successfully carried out a pilot project involving six clubs selected as a test group for developing the concept. We have been cooperating with Spolint, a fair-play institute operating since 2001, in co-shaping programmes for youth, coaches and parents. These programmes comprise education, professional assistance and supervision over fair-play practices in clubs and societies. In this way, we wish to create a confident generation that is familiar with the challenges in life and business and to independently and successfully tackle them.
12 coaches from sports clubs and organisations that we sponsor had an opportunity to gain knowledge of ethics and fair play in sports. Given the excellent response, the initiative will be expanded in 2016 to include more Slovenian clubs and sports schools.
Other sports sponsorships: For 18 years, we have been sponsoring the Slovenian national ski team. We also supported the Handball Federation of Slovenia and the Sailing Federation of Slovenia.

5. We preserve art and cultural heritage

As the owner of the largest private collection of Slovenian works of art from the 20th and 21st centuries, we responsibly promote and expand awareness of the importance of art and culture. NLB Group members also promote the national identity with their own art collections.

We prepared or enabled more than 20 exhibitions in NLB Group. The collection was first put on display by NLB Banka, Podgorica. In 2015, we set up three exhibitions in the Avla Gallery at Trg republike, Ljubljana.
In the scope of the My First Season Ticket, NLB Vita enabled children to go to combined performances and adapted concerts, accompanied by creative workshops and teaching material.

Nova Ljubljanska banka d.d., Ljubljana

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

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

2015

CONTENTS

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, 2015, 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.

Management's Responsibility for the Consolidated and Separate 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 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 consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and separate 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, 2015, 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.

Emphasis of matter

We draw attention to Note 5.17 to the financial statements, which describe the uncertainty related to the outcome of the lawsuits filed against NLB d.d. by two Croatian banks which have not yet been decided. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

Management is also responsible for preparing the business report in accordance with the Slovenian Companies Act. Our responsibility is to assess whether the business report is consistent with the audited consolidated and separate 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 consolidated and separate 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, April 7, 2016

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

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

Primož Kovačič
Certified Auditor

STATEMENT *of Management's Responsibility*

The Management Board hereby confirms its responsibility for preparing the financial statements of NLB d.d. and the consolidated financial statements of NLB Group for the year ended 31 December 2015, 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 NLB d.d. and NLB Group as at 31 December 2015 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 NLB d.d. and NLB Group, together with the notes, have been prepared on a going-concern basis for 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, the adoption of appropriate measures for safeguarding assets, and the prevention and identification of fraud and other irregularities or illegal acts.

The Management Board

Archibald Kremser	**Andreas Burkhardt**	**Blaž Brodnjak**
Member of the Management Board	Member of the Management Board	Deputy President of the Management Board
	A. Burkhardt	

Income statement

in EUR thousand

		NLB d.d.		NLB Group	
	Notes	2015	2014	2015	2014
Interest and similar income	4.1.	269,000	332,225	443,203	498,163
Interest and similar expense	4.1.	(60,993)	(104,882)	(103,001)	(168,157)
Net interest income		**208,007**	**227,343**	**340,202**	**330,006**
Dividend income	4.2.	1,264	1,695	1,346	1,778
Fee and commission income	4.3.	128,896	130,499	195,710	192,841
Fee and commission expense	4.3.	(30,828)	(29,761)	(56,899)	(53,212)
Net fee and commission income		**98,068**	**100,738**	**138,811**	**139,629**
Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	4.4.	10,685	37,096	10,659	37,413
Gains less losses from financial assets and liabilities held for trading	4.5.	(25,304)	(2,574)	(18,877)	3,620
Gains less losses from financial assets and liabilities designated at fair value through profit or loss		-	-	(3)	60
Fair value adjustments in hedge accounting	5.5.a)	231	(982)	231	(982)
Foreign exchange translation gains less losses	4.6.	23,251	170	11,831	(1,776)
Gains less losses on derecognition of assets		(450)	(584)	(624)	(1,292)
Other operating income	4.7.	13,234	19,014	27,329	29,543
Other operating expenses	4.8.	(15,133)	(15,803)	(26,824)	(23,968)
Administrative expenses	4.9.	(165,813)	(168,948)	(265,984)	(267,727)
Depreciation and amortisation	4.10.	(21,410)	(24,356)	(31,856)	(35,776)
Provisions for other liabilities and charges	4.11.	5,153	(30,750)	696	(24,378)
Impairment charge	4.12.	(93,114)	(62,321)	(83,801)	(117,061)
Gains less losses from capital investments in subsidiaries, associates and joint ventures	4.13.	13,747	4,683	4,312	2,872
Net losses from non-current assets held for sale		(567)	(1,671)	(690)	(2,762)
Profit/(loss) before income tax		**51,849**	**82,750**	**106,758**	**69,199**
Income tax	4.14.	(7,968)	(1,221)	(11,380)	(4,131)
Profit/(loss) for the year		**43,881**	**81,529**	**95,378**	**65,068**
Attributable to owners of the parent		43,881	81,529	91,914	62,336
Attributable to non-controlling interests		-	-	3,464	2,732
Earnings per share (in EUR per share)		2.2	4.1	4.6	3.1

The notes are an integral part of these financial statements.

Statement of comprehensive income

in EUR thousand

		NLB d.d.		NLB Group	
	Notes	2015	2014	2015	2014
Net gain/(loss) for the year after tax		**43,881**	**81,529**	**95,378**	**65,068**
Other comprehensive income after tax		**(6,650)**	**29,923**	**(12,859)**	**33,452**
Items that will not be reclassified to income statement					
Actuarial losses on defined benefit pensions plans		**(706)**	**(3,946)**	**(1,975)**	**(3,656)**
Share of other comprehensive income/(losses) of entities accounted for using the equity method		**-**	**-**	**69**	**(111)**
Income tax relating to components of other comprehensive income	5.19.	**740**	**-**	**738**	**-**
Items that may be reclassified subsequently to income statement					
Foreign currency translation		**-**	**-**	**(2,685)**	**(2,467)**
Translation losses taken to equity		-	-	(2,685)	(2,467)
Cash flow hedges (effective portion)		**509**	**(655)**	**509**	**(655)**
Net valuation losses taken to equity	5.5.c)	(78)	(1,334)	(78)	(1,334)
Transferred to profit	5.5.c)	587	679	587	679
Available-for-sale financial assets		**(8,562)**	**41,461**	**(8,496)**	**40,970**
Valuation (losses)/gains taken to equity	5.4.c)	(314)	77,908	(2,316)	77,518
Transferred to profit	4.4. and 4.12.	(8,248)	(36,447)	(6,180)	(36,548)
Share of other comprehensive (losses)/income of entities accounted for using the equity method		**-**	**-**	**(2,804)**	**7,449**
Income tax relating to components of other comprehensive income	5.19.	**1,369**	**(6,937)**	**1,785**	**(8,078)**
Total comprehensive income for the year after tax		**37,231**	**111,452**	**82,519**	**98,520**
Attributable to owners of the parent		37,231	111,452	79,032	95,725
Attributable to non-controlling interests		-	-	3,487	2,795

The notes are an integral part of these financial statements.

Statement of financial position

in EUR thousand

		NLB d.d.		NLB Group	
	Notes	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Cash, cash balances at central banks and other demand deposits at banks	5.1.	496,806	434,438	1,161,983	1,127,527
Trading assets	5.2.	267,880	138,808	267,413	138,218
Financial assets designated at fair value through profit or loss	5.3.	4,913	4,702	7,595	6,510
Available-for-sale financial assets	5.4.a)	1,248,359	1,182,748	1,737,191	1,672,952
Derivatives - hedge accounting	5.5.	1,083	2,966	1,083	2,966
Loans and advances					
- debt securities	5.6.a)	394,579	706,785	394,579	706,785
- loans and advances to banks	5.6.b)	345,207	159,300	431,775	271,340
- loans and advances to customers	5.6.c)	4,826,139	4,993,040	6,693,621	6,708,332
- other financial assets	5.6.d)	48,944	47,836	69,521	71,769
Held-to-maturity financial assets	5.7.	565,535	711,648	565,535	711,648
Fair value changes of the hedged items in portfolio hedge of interest rate risk		741	912	741	912
Non-current assets classified as held for sale	5.8.	1,776	2,580	4,629	5,643
Property and equipment	5.9.	94,570	97,330	207,730	215,175
Investment property	5.10.	8,613	1,458	93,513	41,472
Intangible assets	5.11.	29,627	33,743	39,327	42,751
Investments in subsidiaries	5.12.a)	346,001	345,585	-	-
Investments in associates and joint ventures	5.12.b)	7,094	7,127	39,696	37,525
Current income tax assets		-	-	929	1,898
Deferred income tax assets	5.18.	9,139	6,738	9,400	5,947
Other assets	5.13.	9,779	7,983	95,354	140,119
Total assets		**8,706,785**	**8,885,727**	**11,821,615**	**11,909,489**
Trading liabilities	5.15.	29,909	43,764	29,920	43,758
Financial liabilities designated at fair value through profit or loss	5.3.	4,912	4,701	4,912	4,701
Derivatives - hedge accounting	5.5.	33,842	43,985	33,842	43,985
Financial liabilities measured at amortised cost					
- deposits from banks and central banks	5.16.a)	96,736	91,115	57,982	62,334
- borrowings from banks and central banks	5.16.b)	519,926	643,578	571,029	714,722
- due to customers	5.16.a)	6,293,339	6,294,925	9,020,666	8,943,832
- borrowings from other customers	5.16.b)	16,168	33,511	100,267	136,660
- debt securities in issue	5.16.c)	304,962	359,853	304,962	359,853
- subordinated liabilities	5.16.d)	-	-	27,340	17,328
- other financial liabilities	5.16.e)	47,346	46,223	75,307	71,886
Provisions	5.17.	105,137	114,565	122,639	126,974
Current income tax liabilities		6,681	324	7,514	1,780
Deferred income tax liabilities	5.18.	-	-	313	315
Other liabilities	5.20.	5,676	4,263	14,539	12,066
Total liabilities		**7,464,634**	**7,680,807**	**10,371,232**	**10,540,194**
Equity and reserves attributable to owners of the parent					
Share capital	5.21.	200,000	200,000	200,000	200,000
Share premium	5.22.	871,378	871,378	871,378	871,378
Accumulated other comprehensive income	5.22.	31,841	38,491	23,603	36,485
Profit reserves	5.22.	13,522	13,522	13,522	13,522
Retained earnings	5.22.	125,410	81,529	314,307	221,676
		1,242,151	**1,204,920**	**1,422,810**	**1,343,061**
Non-controlling interests		-	-	27,573	26,234
Total equity		**1,242,151**	**1,204,920**	**1,450,383**	**1,369,295**
Total liabilities and equity		**8,706,785**	**8,885,727**	**11,821,615**	**11,909,489**

The notes are an integral part of these financial statements.

The Management Board has approved the release of the financial statements and the accompanying notes.

Archibald Kremser
Member of the Management Board

Andreas Burkhardt
Member of the Management Board

Blaž Brodnjak
Deputy President
of the Management Board

Ljubljana, 7 April 2016

Statement of changes in equity

in EUR thousand

NLB d.d.	Share capital	Share premium	Accumulated other comprehensive income	Profit reserves	Retained earnings	Total equity
Balance at 1 January 2014	200,000	871,378	8,568	13,522	-	1,093,468
- Net profit for the year	-	-	-	-	81,529	81,529
- Other comprehensive income	-	-	29,923	-	-	29,923
Total comprehensive loss after tax	-	-	29,923	-	81,529	111,452
Balance at 31 December 2014	**200,000**	**871,378**	**38,491**	**13,522**	**81,529**	**1,204,920**
- Net profit for the year	-	-	-	-	43,881	43,881
- Other comprehensive income	-	-	(6,650)	-	-	(6,650)
Total comprehensive income after tax	-	-	(6,650)	-	43,881	37,231
Balance at 31 December 2015	**200,000**	**871,378**	**31,841**	**13,522**	**125,410**	**1,242,151**

in EUR thousand

NLB Group	Share capital	Share premium	Accumulated other comprehensive income	Profit reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
Balance at 1 January 2014	200,000	871,378	3,096	13,522	159,391	1,247,387	23,610	1,270,997
- Net profit for the year	-	-	-	-	62,336	62,336	2,732	65,068
- Other comprehensive income	-	-	33,389	-	-	33,389	63	33,452
Total comprehensive loss after tax	-	-	33,389	-	62,336	95,725	2,795	98,520
Dividends paid	-	-	-	-	-	-	(183)	(183)
Transactions with non-controlling interests	-	-	-	-	(51)	(51)	12	(39)
Balance at 31 December 2014	**200,000**	**871,378**	**36,485**	**13,522**	**221,676**	**1,343,061**	**26,234**	**1,369,295**
- Net profit for the year	-	-	-	-	91,914	91,914	3,464	95,378
- Other comprehensive income	-	-	(12,882)	-	-	(12,882)	23	(12,859)
Total comprehensive income after tax	-	-	(12,882)	-	91,914	79,032	3,487	82,519
Dividends paid	-	-	-	-	-	-	(1,048)	(1,048)
Transactions with non-controlling interests	-	-	-	-	717	717	(1,100)	(383)
Balance at 31 December 2015	**200,000**	**871,378**	**23,603**	**13,522**	**314,307**	**1,422,810**	**27,573**	**1,450,383**

Most of the effect on equity attributable to the owners of the parent in item transactions with non-controlling interests in 2015 is the effect of an increase in the equity of NLB Banka Sarajevo and NLB Banka Podgorica in the amount of EUR 736 thousand. Changes in ownership interest are presented in note 3. and note 5.12.a).

The notes are an integral part of these financial statements.

Statement of cash flows

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	294,113	349,133	467,091	508,281
Interest paid	(72,613)	(127,912)	(121,143)	(196,799)
Dividends received	1,264	1,695	1,346	1,714
Fee and commission receipts	126,371	128,230	194,133	191,505
Fee and commission payments	(30,993)	(29,563)	(56,972)	(51,689)
Realised gains from financial assets and financial liabilities not at fair value through profit or loss	10,886	37,301	10,964	37,623
Realised losses from financial assets and financial liabilities not at fair value through profit or loss	(234)	(187)	(234)	(187)
Net (losses)/gains from financial assets and liabilities held for trading	(28,335)	(2,516)	(23,110)	2,739
Payments to employees and suppliers	(174,051)	(176,232)	(271,456)	(274,080)
Other income	14,136	17,885	31,129	31,958
Other expenses	(16,487)	(17,629)	(20,676)	(28,798)
Income tax paid	(678)	-	(4,980)	(2,204)
Cash flows from operating activities before changes in operating assets and liabilities	**123,379**	**180,205**	**206,092**	**220,063**
(Increases)/decreases in operating assets	**(34,116)**	**369,209**	**(143,429)**	**139,620**
Net increase in trading assets	(135,235)	(47,565)	(135,235)	(47,565)
Net (increase)/decrease in financial assets designated at fair value through profit or loss	-	-	(880)	2,548
Net (increase)/decrease in available-for-sale financial assets	(88,304)	3,241	(45,544)	(1,342)
Net decrease in loans and advances	189,680	414,263	33,155	174,502
Net (increase)/decrease in other assets	(257)	(730)	5,075	11,477
Decreases in operating liabilities	**(208,931)**	**(765,942)**	**(200,359)**	**(637,868)**
Net decrease in deposits and borrowings measured at amortised cost	(155,700)	(1,054,832)	(146,993)	(926,886)
Net (decrease)/increase in securities measured at amortised cost	(53,469)	288,979	(53,469)	288,979
Net increase/(decrease) in other liabilities	238	(89)	103	39
Net cash used in operating activities	**(119,668)**	**(216,528)**	**(137,696)**	**(278,185)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts from investing activities	**188,913**	**240,095**	**178,923**	**237,276**
Proceeds from sale of property and equipment and investment property	68	545	3,718	2,303
Proceeds from sale of subsidiaries	-	250	-	-
Proceeds from dividends from subsidiaries and associates	13,747	4,683	35	-
Proceeds from non-current assets held for sale	98	626	170	982
Proceeds from disposals of held-to-maturity financial assets	175,000	233,991	175,000	233,991
Payments from investing activities	**(70,863)**	**(124,252)**	**(51,377)**	**(97,605)**
Purchase of property and equipment and investment property	(5,672)	(3,381)	(11,404)	(10,793)
Purchase of intangible assets	(5,577)	(6,422)	(7,685)	(7,696)
Purchase of subsidiaries and increase in subsidiaries' equity	(27,730)	(35,333)	(404)	-
Purchase of held-to-maturity financial assets	(31,884)	(79,116)	(31,884)	(79,116)
Net cash flows used in investing activities	**118,050**	**115,843**	**127,546**	**139,671**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from financing activities	**-**	**-**	**9,900**	**-**
Issue of subordinated debt	-	-	9,900	-
Payments from financing activities	**-**	**-**	**(977)**	**(4,753)**
Dividends paid	-	-	(977)	(108)
Repayments of subordinated debt	-	-	-	(4,570)
Other payments related to financing activities	-	-	-	(75)
Net cash from financing activities	**-**	**-**	**8,923**	**(4,753)**
Effects of exchange rate changes on cash and cash equivalents	8,226	6,816	10,246	5,346
Net decrease in cash and cash equivalents	**(1,618)**	**(100,685)**	**(1,227)**	**(143,267)**
Cash and cash equivalents at beginning of year	**519,223**	**613,092**	**1,292,984**	**1,430,905**
Cash and cash equivalents at end of year	**525,831**	**519,223**	**1,302,003**	**1,292,984**

The notes are an integral part of these financial statements.

Statement of cash flows

in EUR thousand

		NLB d.d.		NLB Group	
	Notes	2015	2014	2015	2014
Cash and cash equivalents comprise:					
Cash, cash balances at central banks and other demand deposits at banks	5.1.	496,806	434,438	1,161,983	1,127,527
Loans and advances to banks with original maturity up to 3 months	5.6.	24,450	84,785	64,137	129,936
Trading assets with original maturity up to 3 months	5.2.	4,575	-	4,575	-
Available for sale financial assets with original maturity up to 3 months	5.4.	-	-	71,308	35,521
Total		**525,831**	**519,223**	**1,302,003**	**1,292,984**

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. NLB Group consists of NLB d.d. and subsidiaries in 11 countries.

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

The ultimate controlling party of NLB d.d. is the Republic of Slovenia which was the sole shareholder as at 31 December 2015 and 31 December 2014.

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 were 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 presenting the 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 the 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 of accounting estimates are recognised in the period in which the estimate is revised. Critical accounting estimates and judgements in applying accounting policies are disclosed in note 2.33.

2.3. Comparative amounts

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed in comparative amounts. Where IAS 8 applies, comparative figures have been adjusted to conform to changes in presentation in the current year. In 2015 the scheme of the income statement changed, and the data for 2014 were adjusted. Before the change, dividend income from associates, joint ventures and subsidiaries was included in the item Dividend income, and gains less losses from disposal of subsidiaries were included in the item Gains less losses on derecognition of assets whereas, after the change, they are both included in the item Gains less losses from capital investments in subsidiaries, associates and joint ventures. Consequently, proceeds from dividends from subsidiaries, associates and joint ventures are presented as cash flows from investing activities in the statement of cash flows. The changes only affect the presentation of the financial statements.

2.4. Consolidation

In the consolidated financial statements subsidiaries which are directly or indirectly controlled by NLB d.d. have been fully consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to NLB Group.

NLB d.d. controls an entity when all three elements of control are met:
- it has power over the entity;
- it is exposed or has rights to variable returns from its involvement with the entity; and
- it has the ability to use its power over the entity to affect the amount of the entity's returns.

NLB d.d. reassess whether it controls an entity if facts and circumstances indicate there are changes to one or more of the three elements of control. If the loss of control of a subsidiary occurs, the subsidiary is 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 NLB d.d. The financial statements of consolidated subsidiaries are 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. 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 unrealised gains on transactions between NLB Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

NLB Group treats transactions with non-controlling interests as transactions with equity owners of NLB Group. For purchases of subsidiaries 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 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. All effects are presented in the item Equity attributable to non-controlling interest.

2.5. Investments in subsidiaries, associates and joint ventures

In the separate financial statements, investments in subsidiaries, associates and joint ventures are accounted for with the cost method. Dividends from subsidiaries, joint ventures or associates are recognised in the 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 generally undertakings in which NLB Group holds between 20% and 50% of voting rights, and over which NLB Group exercises significant influence, but does not have control.

Joint ventures are those entities over whose activities 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.

NLB Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When NLB Group's share of losses in an associate and joint venture equals or exceeds its interest in the associate and joint venture, including any other unsecured receivables, NLB Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate and joint venture. NLB Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised (note 5.12.b).

NLB Group's subsidiaries, associates and joint ventures are presented in note 5.12.

2.6. Goodwill and bargain purchases

Goodwill is measured as the 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 the 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, a gain on a bargain purchase, is recognised in profit or loss after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The consideration transferred is measured at the fair value of the assets transferred, equity interest issued and liabilities incurred or assumed, including the 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 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 NLB Group is a business combination involving entities under common control. For such mergers, members of NLB Group apply merger accounting principles and use the carrying amounts of merged entities as reported in the consolidated financial statements. No goodwill is recognised on mergers of NLB Group entities.

Mergers of entities within 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 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 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 recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Translation differences resulting from changes in the amortised cost of monetary items denominated in foreign currency and classified as available-for-sale financial assets are recognised 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 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 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 on the reporting date;
- income and expenses for each income statement are translated at average exchange rates; and
- components of equity are translated at the historical rate.

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.

In the consolidated financial statements, 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 recognised 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 the partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified as a non-controlling interest within equity.

2.9. Interest income and expenses

Interest income and expenses are recognised 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 amortised 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 on 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 by parties to the contract and all transaction costs, but excludes future credit risk losses. Once a financial asset or a group of similar financial assets has been impaired, interest income is recognised with 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 recognised when the service has been provided. Fees and commissions mainly consist 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 recognised in the income statement when NLB Group's right to receive payment is established and an inflow of economic benefits is probable. Dividend income from subsidiaries, associates and joint ventures is included in the item Gains less losses from capital investments in subsidiaries, associates and joint ventures, while other dividend income is included in the item Dividend income. In the 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 it in the short term or if so designated by management.

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 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 categorised 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 NLB Group intends to sell immediately or in the short term, which are classified as held for trading, and those that NLB Group, upon initial recognition, classifies at fair value through profit or loss; (b) those that NLB

Group, upon initial recognition, classifies as available for sale; or (c) those for which NLB Group may not recover substantially all of its initial investment for reasons other than a deterioration in creditworthiness.

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

b) Measurement and recognition
Financial assets are initially recognised 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 recognised 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 recognised on the trade date. Loans and advances are recognised 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 recognised in other comprehensive income until the financial asset is derecognised or impaired, at which time the cumulative amount previously included in other comprehensive income is recycled in the income statement. Interest calculated using the effective interest rate method and foreign currency gains and losses on monetary assets classified as available-for-sale are recognised in the income statement.

Loans and held-to-maturity financial assets are carried at amortised 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 a 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 only include 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 only include data from observable markets, the difference between the transaction price and fair value is recognised immediately in the income statement (»day one gains or losses«).

In cases where the data used for valuation are not fully observable in financial markets, day one gains or losses are not recognised immediately in the income statement. The timing of recognition of deferred day one gains or losses is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs or realised 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. In addition, instruments designated at fair value through profit and loss cannot be reclassified.

e) Derecognition
A financial asset is derecognised 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 derecognised 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 price that would be received to sell the assets or transfer liability (exit price) being measured 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 recognised 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 NLB Group and within liabilities when the derivative position is unfavourable to NLB Group.

The method of recognising 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. NLB

Group designates certain derivatives as either:
- hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge);
- hedges of highly probable future cash flows attributable to a recognised 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.

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. NLB Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives 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 recognised 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 amortised 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 recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised 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 recognised in profit or loss only when the forecasted transaction is ultimately recognised 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 recognised directly in equity. The gain or loss relating to the ineffective portion is recognised 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 a foreign operation is accounted for as a fair value hedge.

2.13. Impairment of financial assets

a) Assets carried at amortised cost
NLB Group assesses impairments of financial assets separately 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 a bank's capital. In 2015, all exposures to banks, all exposures to other legal entities exceeding EUR 20 thousand and all exposures to individuals exceeding EUR 100 thousand were deemed individually significant assets requiring individual assessment. If 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 assessed for impairment.

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 NLB Group uses to determine whether objective evidence of an impairment loss exists include:
- delays in the payment of contractual interest or principal;
- a 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 recognised;
- initiation of bankruptcy or insolvency proceedings; 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 recognised 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, expected payment from 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 recognised as liabilities.

For the purpose of the collective assessment of impairment, 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 analysed with regard to the 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), NLB Group recognises collective impairments.

If the amount of impairment decreases subsequently due to an event occurring after the impairment was recognised (e.g. repayment in the collection process exceeds the assessed expected payment from collateral), the reversal of the loss is recognised as a reduction in the allowance for loan impairment.

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

b) Assets classified as available for sale

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 an investment 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 recognised in the income statement as an impairment loss. Impairment losses recognised in the income statement on equity investments are not reversed through the income statement; subsequent increases in their fair value after impairment are recognised 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 recognised, 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;
- a 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 recognised 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.

2.14. Forborne loans

A forborne loan (or restructured financial asset) arises as a result of a debtor's inability to repay a debt under the originally agreed terms, either by modifying the terms of the original contract (via an annex) or by signing a new contract (refinancing) under which the contracting parties agree the partial or Total repayment of the original debt. If receivables due from the client have the status of restructuring, the debtor must be classified in the rating group C, D or E.

The definitions of forborne loans closely follow definitions that were developed by the European Banking Authority (EBA). These definitions aim to achieve comprehensive coverage of exposures to which forbearance measures have been extended.

Accounting treatment of forborne loans depends on the type of restructuring. When NLB Group is embarking on a forborne loan via modified terms of repayment proceeding from extending the deadline for the repayment of the principal and/or interest and/or a forbearance of the repayment of the principal and/or interest or a reduction in the interest rate and/or other expenses, it adjusts the carrying amount of the forborne loan on the basis of the discounted value of the estimated future cash flows under the modified terms, and recognises the resulting effect in profit or loss as an impairment. In the event of the reduction of a claim against the debtor via the reduction in the amount of the claims as a result of a contractually agreed debt waiver and ownership restructuring or debt to equity swap, NLB Group derecognises the claim in the part relating to the write-down or the contractually agreed debt waiver. The new estimate of the future cash flows for the residual claim, not yet written down, is based on an updated estimate of the probability of loss. NLB Group takes into account the debtor's modified position, the economic expectations and the collateral of the forborne loan. When NLB Group is embarking on the forborne loan by taking possession of other assets (property, plant and equipment, securities and other financial assets), including investments in the equity of debtors obtained via debt-to-equity swaps, it recognises the acquired assets in the statement of financial position at fair value, recognising the difference between the disclosed fair value of the asset and the carrying amount of the eliminated claim in profit or loss.

Forborne exposures may be identified in both the performing and non-performing parts of the portfolio. Where the forborne loan is classified in the non-performing part of the portfolio, it can be reclassified to the performing part if forbearance does not lead to a recognition of impairment or non-performance, one year has passed since the forbearance has been introduced and after the introduction of forbearance there have been no overdue amounts or doubts concerning the repayment of the entire exposure, under the terms and conditions after the forbearance. The absence of doubt is confirmed by analysis of the financial situation of the debtor.

The forborne status is withdrawn when:

- an analysis of the debtor's financial position shows that the conditions to deem the exposure a non-performing exposure are no longer met;
- at least a 2 year probation period has passed since the forborne exposure was deemed performing;
- regular payments of the principal or interest were made, in a substantial Total amount, during at least half the probation period; and
- no exposure to the debtor is more than 30 days in default at the end of the probation period.

2.15. Repossessed assets

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets are initially recognised in the financial statements at their fair value and classified in the appropriate category according to their purpose and are sold as soon as practical in order to reduce exposure (note 7.1.n). After initial recognition, repossessed assets are measured and accounted for in accordance with the policies applicable to the relevant asset categories. Repossessed assets mainly represent items of real estate that NLB Group classifies within investment properties measured in accordance with IAS 40 Investment property (note 2.20.), and other assets, measured in accordance with IAS 2 Inventories.

Real estate obtained from the foreclosure of loans and receivables within other assets are initially recognised at fair value less costs to sell (realisable value) wherein only the direct costs of sales can be taken into account. At subsequent measurement the realisable value is verified at least annually. Valuations of the fair value of real estate are performed by certified real-estate appraisers. The real estate is impaired when the carrying value exceeds the realisable value. The effect of impairment is presented as the impairment of other assets and the reversal of impairment as income from the reversal of the impairment of other assets.

2.16. 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 recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.17. 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.

2.18. Property and equipment

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

Each year, 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 recognised 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 the 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:

in %

NLB d.d. and NLB Group	
Buildings	2 - 5
Leasehold improvements	5- 20
Computers	14.3 - 50
Furniture and equipment	10 - 33.3
Motor vehicles	12.5 - 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 the difference between the sale proceeds and their carrying amount, and are recognised 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 recognised in the carrying amount of an asset and the replaced part, if any, is derecognised.

2.19. Intangible assets

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

Amortisation is calculated on a straight-line basis at rates designed to write down the cost of an intangible asset over its estimated useful life. The core banking system is amortised over a period of ten years and other software over a period of three to five years.

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

2.20. Investment properties

Investment properties include buildings held for leasing and not occupied by NLB Group or to increase the value of a long-term investment. Investment properties are 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 recognised in the income statement.

2.21. Non-current assets and disposal groups classified as held for sale

Non-current assets and disposal groups 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 groups 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 a 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.

2.22. 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.

NLB Group as a lessee

Leases in which a significant portion of the risks 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 recognised as an expense in the period in which the termination takes place.

Finance leases are recognised 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 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 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 a constant periodic rate of interest on the remaining balance of the liability.

NLB Group as a lessor

Payments under operating leases are recognised 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.

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 recognised as a receivable. Income from finance lease transactions is amortised over the lifetime of the lease using the effective interest rate method. Finance lease receivables are recognised at an amount equal to the net investment in the lease, including the unguaranteed residual value.

Sale-and-leaseback transactions

NLB Group also enters into sale-and-leaseback transactions (in which 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.

2.23. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash and balances with central banks and other demand deposits at 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.

2.24. 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 amortised cost. The difference between the value at initial recognition and the final value is recognised 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.

2.25. 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 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 recognised in equity in the statement of financial position. Transaction costs incurred for issuing such instruments are deducted from equity reserves. The corresponding interest is recognised directly in profit reserves.

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.

2.26. Provisions

Provisions are recognised when 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.

2.27. 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.

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

- the initial measurement, less amortisation calculated to recognise 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 the bank with 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 authorisation 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.

2.28. Taxes

Income tax expense comprises current and deferred tax.

Current corporate income tax in NLB Group is calculated on taxable profits at the applicable tax rate in the respective jurisdiction. The corporate income tax rate for 2015 in Slovenia was 17% (2014: 17%).

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 recognised if it is probable that future taxable profit will be available in the foreseeable future against which the temporary differences can be utilised.

Deferred tax related to the fair value re-measurement of available-for-sale investments, cash flow hedges and actuarial gains and losses on defined benefit pension plans 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 realised or the liability is settled. At each reporting date, NLB Group reviews the carrying amount of deferred tax assets and assesses future taxable profits against which temporary taxable differences can be utilised.

Deferred tax assets for temporary differences arising from investments in subsidiaries, associates and joint ventures are recognised 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.

2014 was the last year for which Slovenian banks were required to pay balance-sheet tax. Tax expense is recognised in other operating expenses (note 4.8.).

A tax on financial services, which imposes a tax on fees paid for prescribed financial services rendered, is paid in Slovenia. The tax rate is 8.5% (2014: 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.

2.29. Fiduciary activities

NLB Group provides asset management services to its clients. Assets held in a fiduciary capacity are not reported in NLB Group's financial statements as they do not represent assets of 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, 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.

2.30. 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	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Actuarial assumptions				
Discount factor	1.7%	1.9%	1.7% - 7.0%	1.9% - 8.7%
Wage growth based on inflation, promotions and wage growth based on past years of service	3.0%	2.0%	2.0% - 3.0%	0.5% - 4.5%
Other assumptions				
Number of employees eligible for benefits	2,915	3,008	5,658	5,703

Sensitivity analysis of significant actuarial presumptions

	NLB d.d.				NLB Group			
	Discount rate		Future salary increases		Discount rate		Future salary increases	
31.12.2015	+0.5 b.p.	-0.5 b.p.	+0.5 b.p.	-0.5 b.p.	+0.5 b.p.	-0.5 b.p.	+0.5 b.p.	-0.5 b.p.
Impact on employee benefits provisions - post-employment benefits (in %)	(5.4)	5.9	5.8	(5.4)	(5.3)	5.7	5.6	(5.2)

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 NLB d.d.

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.

Service costs are included in the income statement in the item administrative expenses as defined benefit costs, while interest expenses on the defined benefit liability are recognised in the item interest and similar expenses. These interest expenses represent the change during the period in the defined benefit liability that arises from the passage of time. Actuarial gains and losses from the effect of changes in actuarial assumptions and experience adjustments (differences between the realised and expected payments) are recognised in other comprehensive income under the item Actuarial gains/(losses) on defined benefit pensions plans and will not be recycled to the income statement.

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, 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.

2.31. Share capital

Dividends on ordinary shares

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

Treasury shares

If NLB d.d. or another member of 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 recognised in equity as a reduction in the share premium account.

2.32. 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 as part of the normal course of business. Interest income is reallocated between sub-segments of the Bank (NLB d.d.) on the basis of multiple transfer prices (fund transfer prices – FTP). The amount of net interest income arising from transactions between segments is disclosed in the item Intersegment net interest income. Net income from external customers corresponds to the consolidated net income of NLB Group. Income taxes are not allocated to segments (note 8.1.).

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

2.33. Critical accounting estimates and judgments in applying accounting policies

NLB Group's financial statements are influenced by accounting policies, assumptions, estimates and management's judgment. 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 the 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
NLB Group monitors and checks the quality of the loan portfolio at the individual and portfolio levels to continuously estimate the necessary impairments. NLB Group creates individual impairments for individually significant financial assets where objective evidence of impairment exists. Such evidence is based on information regarding the fulfilment of contractual obligations or other financial difficulties of the debtor and other important facts defined in note 2.13. Individual assessments are based on the expected discounted cash flows from operations and/or the assessed expected payment from 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 a 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 realisation.

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 banks, international financial 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 52.3 million (2014: EUR 53.3 million), while the loan loss impairments to gross loan ratio will increase by 0.78 percentage points (2014: 0.74 percentage points). For NLB Group, the same stress scenario results in an increase in impairments of EUR 72.0 million (2014: EUR 69.9 million) and an increase in the coverage of the credit portfolio by impairments by 0.73 percentage points (2014: 0.66 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 NLB Group's 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 are saved daily at 4 p.m. and later used for the calculation of the fair values (market value, NPV) of financial instruments. NLB Group applies market yield curves for valuation, fair values are additionally adjusted for credit risk of the counterparty.

The 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 their fair value below historical cost. The determination of what is significant or prolonged is based on assessments. In making these assessments, NLB Group takes several factors into account, 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 15 thousand (2014: EUR 0), while NLB Group would have incurred additional impairment losses of EUR 221 thousand (2014: EUR 360 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
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, NLB Group assesses its intention and ability to hold such investments to maturity. If 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 59,442 thousand (31 December 2014: an increase by EUR 63,617 thousand) and 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 facts and assumptions such as:
- Future cash flows from individual investments present the estimated cash flow for periods for which adopted plans are available. For core members, estimated cash flows are based on a five-year business plan. For non-core members, estimated cash flows are based on a period in line with the strategy of divestment. The business plans of individual entities are based on an assessment of future economic conditions that will impact an individual member's business and the quality of the credit portfolio.
- The growth rate in cash flows for the period following the adopted business plan 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 a 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 10.31% and 18.94% (31 December 2014: between 11.03% and 20.22%).

For strategic NLB Group members in 2015 and 2014 there were no indications of impairment for equity investments.

In 2015, NLB d.d. impaired equity investments in non-core members which are in the process of divestment in the amount of EUR 50.3 million, of this EUR 19.1 million refers to the immediate impairment of recapitalisation to cover the operating losses. If the discount rate in the discounted cash flows model differs by +/- 1 percentage point, the net present value in use of the equity investments would be lower in case of the increased discount rate by a maximum of EUR 0.8 million and in case of a decreased discount rate the net present value in use of equity investments would be higher by a maximum of EUR 0.8 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 3.7 million and, in case of decreased forecasted cash flows, the value in use of equity investments would be lower by a maximum of EUR 3.7 million.

f) Goodwill
In the consolidated financial statements goodwill is allocated to cash-generating units (hereinafter: CGUs), which represent the lowest level within 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.

NLB Group performed a test for the impairment of goodwill at the end of the year for all subsidiaries. The review of the impairment of goodwill is based on the same facts and assumptions as the review of impairment of investments in subsidiaries, associates and joint ventures (note 2.33.e).

g) Taxes
NLB Group operates in countries governed by different laws. The deferred tax assets recognised as at 31 December 2015 are based on profit forecasts and take the expected manner of recovery of the assets into account, i.e. whether the value will be recovered through use, sale or liquidation. Changes in assumptions regarding the likely manner of recovering assets could lead to the recognition of currently unrecognised deferred tax assets or derecognition of previously created deferred tax assets. NLB Group will adjust deferred tax assets accordingly in the event of changes to assumptions regarding future operations (notes 4.13. and 5.18.).

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

2.34. Implementation of the new and revised International Financial Reporting Standards
During the current year, 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 1 January 2015.

Accounting standards and amendments to existing standards effective for annual periods beginning on 1 January 2015 that were endorsed by the EU and adopted by NLB Group
- IFRIC 21 (new interpretation) – Levies (effective for annual periods beginning on or after 17 June 2014). IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. For NLB Group, this interpretation is mainly relevant in relation to the recognition of expenses for a Single Resolution Fund (note 4.8.)
- 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 1 January 2015. The amendment to IFRS 3 – Business Combinations relates to a change in the terminology in IFRS 11 – Joint Arrangements. The amendment clarifies that all joint arrangements, not only joint ventures, are beyond 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 within the scope of IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 9 Financial instruments. The amendment to IAS 40 – Investment Property clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and an investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other. The amendments do not have a significant impact on NLB Group's consolidated financial statements.

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

- IAS 19 (amendment) – Employee Benefits (effective for annual periods beginning on or after 1 February 2015). The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service. The amendment will not have an impact on NLB Group's consolidated financial statements.
- Annual Improvements to IFRSs 2010–2012 Cycle. The improvements comprise a mixture of substantive changes and clarifications, and are effective for annual periods beginning on or after 1 February 2015. 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 a contingent consideration classified as an asset or liability shall be measured at fair value through profit and loss, irrespective of whether the contingent consideration is a financial instrument within the scope of IAS 39 and IFRS 9 or not. The amendment to IFRS 8 – Operating Segments requires the disclosure of judgments made by management in applying aggregation criteria to operating segments and a 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 IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets clarifies that when an item of property, plant and equipment or intangible asset is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the 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. The amendments will not have a significant impact on NLB Group's consolidated financial statements.
- Annual Improvements to IFRSs 2012–2014 Cycle. The improvements comprise a mixture of substantive changes and clarifications, and are effective for annual periods beginning on or after 1 January 2016. The amendment to IFRS 5 Non-current assets held for sale and discontinued operations clarifies that when the asset or disposal group is reclassified from held for sale to held for distribution, or vice versa, the change of the original plan of disposal or distribution is not needed. The amendments to IFRS 7 Financial instruments: Disclosures clarify whether a servicing contract for a transferred financial asset leads to continuing involvement and remove the requirement of disclosing offsetting financial assets and liabilities in condensed interim financial statements. The amendment to IAS 19 Employee benefits requires usage of market yields on government bonds for the discount rate for a post-employment benefit obligation in currency in which the post-employment benefit obligation is denominated if for the currency there is no deep market of highly quality corporate bonds. The amendment to IAS 34 Interim financial reporting clarifies that interim disclosures must be included in interim financial statements or cross-referenced between interim financial statements and other parts of interim reports (management commentary or risk report). The amendments will not have a significant impact on NLB Group's consolidated financial statements.
- IAS 27 (amendment) - Equity Method in Separate Financial Statements is effective from annual periods beginning on or after 1 January 2016. The amendments include the option for an entity to account for its investments in subsidiaries, joint ventures and associates using the equity method in its separate financial statements.
- IAS 16 and IAS 38 (amendment) – Clarification of Acceptable Methods of Depreciation and Amortisation is effective from annual periods beginning on or after 1 January 2016. The amendment clarifies that a revenue-based method should not generally be used as a basis for the depreciation of property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendment will not have an impact on NLB Group's consolidated financial statements.
- IFRS 11 (amendment) – Accounting for Acquisition of Interests in Joint Operations is effective from annual periods beginning on or after 1 January 2016. The amendment requires that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured upon the acquisition of an additional interest in the same joint operation while joint control is retained. The amendment will not have an impact on NLB Group's consolidated financial statements.
- IAS 1 (amendment) - Disclosure Initiative is effective from annual periods beginning on or after 1 January 2016. The amendments further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The narrow-focus amendments to IAS clarify, rather than significantly change, the existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income arising from equity accounted Investments. NLB Group is evaluating the impact of the standard on the presentation of NLB Group's consolidated financial statements.

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

- **IFRS 9 Financial instruments**
  In July 2014, the IASB issued IFRS 9 to replace IAS 39, »Financial Instruments: Recognition and Measurement«. IFRS 9 introduces a new approach to financial asset classification and measurement, a new more forward-looking expected loss model and amends the requirements for hedge accounting. IFRS 9 is mandatorily effective for annual periods beginning on or after 1 January 2018, with early application permitted. IFRS 9 has not yet been endorsed by the European Union. The endorsement of IFRS 9 is expected in the second half of 2016.

  Classification and measurement of financial assets and liabilities
  IFRS 9 introduces a new classification model for financial assets. It requires that financial assets are classified according to the business model for managing the financial assets and their contractual cash flow characteristics. Instruments will be measured either at amortised cost, the newly established measurement category fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). Those financial assets that would be measured at amortised cost or at fair value through other comprehensive income (FVTOCI), but where their contractual cash flows do not present only the payments of principal and interest, should be measured at fair value through profit or loss. This might result in a higher volume of financial assets measured at fair value through profit or loss and consequently greater volatility in NLB Group's financial statements. No changes were introduced for the classification and measurement of financial liabilities, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss.

  Impairment of financial assets
  The impairment rules under IFRS 9 will apply to financial assets that are measured at amortised cost or FVOCI and off-balance sheet lending commitments such as loan commitments and financial guarantees. Impairment will move from a model whereby credit losses are recognised when a »trigger« event occurs under IAS 39 to an expected credit loss model (a »three-stage« model- ECL model) for impairment based on changes in credit quality since initial recognition. Implementation of the new impairment requirement will require tracking and determining significant changes in credit risk through the lifetime of financial assets considering reasonable and supportable information available.

  Implementation of IFRS 9 in NLB Group
  Implementation of the IFRS 9 will have a significant impact on a variety of business units of the Bank. It will impact the models, processes, systems, data product offer, client segmentation and other. Taking into account the dimensions of the IFRS 9 requirements and its impact on the overall banking system, implementation of the standard is organised on NLB Group level as a Project. The Project includes representatives from all relevant functions (Finance, Risk, Operation, Front office, IT etc.), a Project Steering Committee has been nominated and the overall programme governance and roadmap set up, as well as internal monitoring of progress of the implementation.

  In the third quarter of 2015, NLB Group initiated activities for the standard implementation such as gap analyses, an impact assessment on financial statements, systems and processes, reviewing the current product portfolio in view of contractual cash flow characteristics, existing risk parameters, existing risk management systems and methodologies.
- IFRS 14 (new standard) - Regulatory Deferral Accounts is effective for annual periods beginning on or after 1 January 2016. The standard allows an entity whose activities are subject to rate-regulation to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Existing IFRS preparers are prohibited from adopting this standard.
- IFRS 10 and IAS 28 (amendment) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture is effective from annual periods beginning on or after 1 January 2016. The amendments address a conflict between the requirements of IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. NLB Group is evaluating the impact of the amendment on NLB Group's consolidated financial statements.
- IFRS 15 (new standard) – Revenue from Contracts with Customers is effective from annual periods beginning on or after 1 January 2018. IFRS 15 replaces all existing revenue requirements in the IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. The standard specifies the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. NLB Group is evaluating the impact of the standard on NLB Group's consolidated financial statements.
- IFRS 10, IFRS 12 and IAS 28 (amendment) - Investment Entities: Applying the Consolidation Exception is effective from annual periods beginning on or after 1 January 2016. The amendments address issues arising in practice in the application of the investment entities consolidation exception. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments also clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. NLB Group is evaluating the impact of the standard on NLB Group's consolidated financial statements.

3. Changes in subsidiary holdings

Changes in 2015

Capital changes:

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

Other changes:

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

Changes in 2014

Capital changes:

- NLB d.d. increased its ownership interest in NLB Banka, Podgorica in the amount of EUR 15,000 thousand from 97.40% to 98.00%.
- A decrease in share capital in the amount of EUR 640 thousand was registered in Plan, Banja Luka.

Other changes:

- Relevant activities of the entities ICJ – v stečaju, Domžale and Conet – v stečaju, Belgrade are subject to the bankruptcy manager and therefore NLB d.d. no longer has control over these entities and they are not included in the consolidated financial statements according to full consolidation.
- As at 5 June 2014 a simplified decrease with a simultaneous increase in share capital was registered in Adria Bank, Wien. Due to covering the loss from 2013, the share capital at first decreased to 0; NLB d.d. did not participate in the increase in share capital.
- PRO-REM d.o.o., Ljubljana was established. NLB d.d.'s ownership in PRO-REM d.o.o., Ljubljana is 100%.
- NLB d.d. and NLB Banka, Banja Luka sold their 88.14% ownership in Plan d.o.o., Banja Luka.
- Based on the decision of the Bank of Slovenia on extraordinary measures, all qualified liabilities of Banka Celje were terminated and therefore NLB d.d. no longer has a capital investment in the bank.

4. Notes to the income statement

4.1. Interest income and expenses

Analysis by type of assets and liabilities

in EUR thousand

	NLB d.d.		NLB Group	
	2015	**2014**	**2015**	**2014**
Interest and similar income				
Loans and advances to customers	211,250	253,581	372,604	404,236
Held-to-maturity financial assets	21,656	29,861	21,656	29,861
Available-for-sale financial assets	19,692	26,221	33,232	43,527
Financial assets held for trading	11,792	15,574	11,663	15,440
Loans and advances to banks and central banks	2,437	3,870	1,302	1,227
Derivatives - hedge accounting	1,487	2,279	1,487	2,279
Deposits with banks and central banks	642	839	1,215	1,593
Other assets	44	-	44	-
Total	**269,000**	**332,225**	**443,203**	**498,163**
Interest and similar expenses				
Due to customers	29,426	61,112	65,425	115,746
Debt securities in issue	10,454	7,058	10,454	7,038
Financial liabilities held for trading	8,420	12,412	8,420	12,412
Derivatives - hedge accounting	5,952	7,077	5,952	7,077
Borrowings from banks and central banks	5,546	15,515	7,501	19,204
Provisions for defined employee benefits (note 2.29. and 5.17.c)	550	653	751	887
Subordinated liabilities	-	-	1,548	1,460
Borrowings from other customers	109	563	2,271	3,653
Deposits from banks and central banks	39	74	105	161
Other financial liabilities	497	418	574	519
Total	**60,993**	**104,882**	**103,001**	**168,157**
Net interest	**208,007**	**227,343**	**340,202**	**330,006**

In 2015, interest income on individually impaired loans amounted to EUR 28,783 thousand for NLB d.d. (2014: EUR 40,165 thousand) and to EUR 47,853 thousand (2014: EUR 59,023 thousand) for NLB Group.

4.2. Dividend income

in EUR thousand

	NLB d.d.		NLB Group	
	2015	**2014**	**2015**	**2014**
Available-for-sale financial assets	1,264	1,691	1,346	1,774
Financial assets held for trading	-	4	-	4
Total	**1,264**	**1,695**	**1,346**	**1,778**

4.3. Fee and commission income and expenses

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

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Fee and commission income				
Fee and commission income relating to financial instruments not at fair value through profit or loss				
Credit cards and ATMs	44,139	44,346	59,427	58,090
Customer transaction accounts	31,638	32,786	39,668	40,076
Other fee and commission income				
Payments	28,278	28,898	54,274	54,214
Guarantees	8,687	9,785	13,322	14,743
Investment funds	4,235	2,762	13,534	10,574
Agency of insurance products	2,873	2,884	2,873	2,884
Other services	3,187	2,848	5,501	5,009
Total	**123,037**	**124,309**	**188,599**	**185,590**
Fee and commission expenses				
Fee and commission expenses relating to financial instruments not at fair value through profit or loss				
Credit cards and ATMs	24,457	23,659	35,415	32,912
Other fee and commission expenses				
Insurance for holders of personal accounts and golden cards	1,449	1,485	1,757	1,639
Payments	788	777	4,970	4,640
Guarantees	541	275	592	362
Investment banking	263	239	941	741
Deposit insurance	-	-	8,259	8,395
Other services	1,020	1,171	2,545	2,327
Total	**28,518**	**27,606**	**54,479**	**51,016**
Net activity fee and commission income	**94,519**	**96,703**	**134,120**	**134,574**

Income from other services includes fees from deposit valuables, administrative services and safe custody and other agency services.

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

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Fee and commission income related to fiduciary activities				
Receipt, processing and execution of orders	859	1,044	781	1,054
Management of financial instruments portfolio	-	224	1,527	1,397
Investment advice	-	2	-	2
Initial or subsequent underwriting and/or placing of financial instruments without a firm commitment basis	444	528	444	528
Custody and similar services	4,003	3,831	3,791	3,704
Management of clients' account of non-materialized securities	553	550	553	550
Safekeeping of clients' financial instruments	-	3	5	8
Advice to companies on capital structure, business strategy and related matters and advice and services relating to mergers and acquisitions of companies	-	8	10	8
Total	**5,859**	**6,190**	**7,111**	**7,251**
Fee and commission expenses related to fiduciary activities				
Fee and commission related to Central Securities Clearing Corporation and similar organizations	2,267	2,100	2,368	2,134
Fee and commission related to stock exchange and similar organizations	43	55	52	62
Total	**2,310**	**2,155**	**2,420**	**2,196**
Net fee income related to fiduciary activities	**3,549**	**4,035**	**4,691**	**5,055**
Total fee and commission income	**128,896**	**130,499**	**195,710**	**192,841**
Total fee and commission expenses	**30,828**	**29,761**	**56,899**	**53,212**
Total a) and b)	**98,068**	**100,738**	**138,811**	**139,629**

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

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Available-for-sale financial assets				
- gains	*10,886*	*37,301*	*10,964*	*37,531*
- losses	*(21)*	*(18)*	*(125)*	*(23)*
Financial liabilities measured at amortised cost				
- gains	*54*	*-*	*54*	*-*
- losses	*(234)*	*(187)*	*(234)*	*(187)*
Loans and receivables				
- gains	*-*	*-*	*-*	*92*
Total	**10,685**	**37,096**	**10,659**	**37,413**

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

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Equity instruments				
- gains	*-*	*7,197*	*-*	*7,197*
- losses	*(12)*	*(7,184)*	*(12)*	*(7,184)*
Foreign exchange trading				
- gains	*25,935*	*12,556*	*34,009*	*19,718*
- losses	*(21,850)*	*(8,929)*	*(23,355)*	*(9,798)*
Debt instruments				
- gains	*2,005*	*3,164*	*2,008*	*3,166*
- losses	*(3,223)*	*(2,251)*	*(3,223)*	*(2,251)*
Derivatives				
- currency	*(6,844)*	*1,177*	*(7,083)*	*1,171*
- interest rate	*(4,428)*	*(6,247)*	*(4,334)*	*(6,342)*
- cross currency interest rate	*(16,794)*	*(1,803)*	*(16,794)*	*(1,803)*
- securities	*(93)*	*(254)*	*(93)*	*(254)*
Total	**(25,304)**	**(2,574)**	**(18,877)**	**3,620**

NLB Group uses currency derivatives to hedge its currency exposure. Therefore, their effects, which represent the majority of derivatives' valuation in 2015, need to be considered in relation to the foreign exchange difference in the income statements.

NLB Group had an unintended economically open position in CHF related to capital needs initiated at the level of a Swiss-based, non-core subsidiary. In January 2015, the FX rate unexpectedly significantly appreciated (by about 15%), which resulted in the recognition of approximately EUR 13 million in negative effects. Upon the identification, NLB Group immediately closed the open position (note 7.2.1.a).

4.6. Foreign exchange translation gains less losses

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Financial assets and liabilities not classified as at fair value through profit or loss	22,579	176	11,153	(1,672)
Financial assets designated at fair value through profit or loss	753	108	752	108
Other	(81)	(114)	(74)	(212)
Total	**23,251**	**170**	**11,831**	**(1,776)**

4.7. Other operating income

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Income from non-banking services	11,061	12,129	15,657	16,907
- IT services	*6,013*	*6,305*	*6,013*	*6,305*
- cash transportation	*3,823*	*4,094*	*3,823*	*4,094*
- operating leases of movable property	*508*	*533*	*3,477*	*3,466*
- other	*717*	*1,197*	*2,344*	*3,042*
Sale of clients' assets management activity to NLB Skladi	-	2,300	-	-
Rental income from investment property	86	82	6,399	5,109
Revaluation of investment property to fair value (note 5.10.)	171	-	1,342	67
Other operating income	1,916	4,503	3,931	7,460
Total	**13,234**	**19,014**	**27,329**	**29,543**

4.8. Other operating expenses

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Expenses related to issued service guarantees	6,376	6,881	6,376	6,881
Single Resolution Fund	4,340	-	4,340	-
Balance sheet tax	-	6,087	-	6,087
Other taxes and compulsory public levies	1,001	1,010	2,327	2,673
Membership fees and similar fees	740	611	1,397	1,501
Revaluation of investment property to fair value (note 5.10.)	52	-	8,262	3,895
Other operating expenses	2,624	1,214	4,122	2,931
Total	**15,133**	**15,803**	**26,824**	**23,968**

In accordance with the Decision of the Bank of Slovenia, NLB d.d. paid a prior contribution into the Single Resolution Fund scheme for 2015 in the amount of EUR 4,340 thousand. The amount of the contribution corresponds to the share of NLB d.d. in relation to the total liabilities of all banks, the risk profile of NLB d.d. and its size.

4.9. Administrative expenses

in EUR thousand

	NLB d.d.		NLB Group	
	2015	**2014**	**2015**	**2014**
Employee costs				
- gross salaries, compensations and other short-term benefits	86,800	87,741	138,283	138,511
- defined contribution scheme	6,570	6,787	11,124	11,326
- social security contributions	5,592	5,872	9,093	9,624
- defined benefit expenses (note 5.17.c)	2,813	2,021	4,683	3,453
- post-employment benefits	*312*	*(454)*	*319*	*(578)*
- other employee benefits	*2,501*	*2,475*	*4,364*	*4,031*
Total	**101,775**	**102,421**	**163,183**	**162,914**
Other general and administrative expenses				
- other services	27,144	28,544	38,961	41,058
- maintenance	12,271	11,971	16,124	15,499
- intellectual services	9,689	9,889	16,635	15,979
- materials	5,729	4,297	11,031	9,715
- assets quality review (AQR)	-	3,529	-	3,529
- rents	2,876	2,962	7,790	8,031
- property	*1,193*	*1,439*	*5,398*	*6,104*
- software	*1,403*	*1,249*	*1,773*	*1,433*
- movable property	*280*	*274*	*619*	*494*
- advertising	2,700	1,941	5,288	4,427
- insurance	1,578	1,646	3,321	3,504
- education, scholarships and tuition fees	1,124	908	1,420	1,158
- travel costs	637	651	1,449	1,345
- other costs	290	189	782	568
Total	**64,038**	**66,527**	**102,801**	**104,813**
Total administrative expenses	**165,813**	**168,948**	**265,984**	**267,727**
Number of employees	3,028	3,093	6,372	6,448

Costs of other services include asset protection costs, asset management costs, archiving services, postal services and communication costs.

In 2015, NLB d.d. paid EUR 208 thousand (2014: EUR 216 thousand) and NLB Group EUR 716 thousand (2014: EUR 805 thousand) to a statutory auditor for auditing the annual report. In addition, NLB d.d. and NLB Group paid the following expenses to the statutory auditor:

in EUR thousand

	NLB d.d.		NLB Group	
	2015	**2014**	**2015**	**2014**
Other audit services	7	73	29	73
Tax and other consulting	-	-	88	5
Other non-audit services	-	-	24	23
Total	**7**	**73**	**141**	**101**

4.10. Depreciation and amortisation

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Amortisation of intangible assets (note 5.11.)	12,400	14,206	14,334	16,006
Depreciation of property and equipment (note 5.9.)	9,010	10,150	17,522	19,770
Total	**21,410**	**24,356**	**31,856**	**35,776**

4.11. Provisions for other liabilities and charges

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Guarantees and commitments (note 5.17.b)	(11,219)	35,943	(10,847)	26,828
Restructuring provisions (note 5.17.e)	(15)	-	4	1,171
Provisions for premiums from National Housing Savings Scheme (note 5.17.d)	(106)	300	(106)	300
Provisions for legal issues (note 5.17.f)	3,409	584	7,475	2,156
Other provisions (note 5.17.g)	2,778	(6,077)	2,778	(6,077)
Total	**(5,153)**	**30,750**	**(696)**	**24,378**

4.12. Impairment charge

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Impairment of financial assets				
Available-for-sale financial assets (note 5.4.b)	2,617	836	4,659	960
Loans and advances to banks (note 5.14.b)	67	(9,945)	2,557	(5,132)
Loans to government (note 5.14.b)	1,359	(281)	1,285	4,213
Loans to financial organizations (note 5.14.b)	15,446	(5,195)	7,780	(5,662)
Loans to individuals (note 5.14.a)	10,583	7,679	14,766	9,079
Granted overdrafts	*4,675*	*3,241*	*4,889*	*3,573*
Loans for houses and flats	*2,440*	*1,839*	*3,241*	*(284)*
Consumer loans	*2,305*	*1,067*	*3,016*	*3,103*
Other loans	*1,163*	*1,532*	*3,620*	*2,687*
Loans to other customers (note 5.14.b)	10,114	53,653	29,120	88,184
Loans to large corporate customers	*(29,283)*	*24,430*	*(6,598)*	*39,294*
Loans to small and medium size enterprises	*39,397*	*29,223*	*35,718*	*48,890*
Other financial assets (note 5.14.d)	1,721	2,394	6,220	2,383
Total	**41,907**	**49,141**	**66,387**	**94,025**
Impairment of investments in subsidiaries, associates and JV				
Investments in subsidiaries	50,271	13,085	-	-
Investments in associates and joint ventures	33	(177)	-	-
Total	**50,304**	**12,908**	**-**	**-**
Impairment of other assets				
Property and equipment (note 5.9.)	344	27	1,122	6,576
Intangible assets (note 5.11.)	-	-	-	184
Other assets	559	245	16,292	16,276
Total	**903**	**272**	**17,414**	**23,036**
Total impairment	**93,114**	**62,321**	**83,801**	**117,061**

In 2015, NLB d.d. impaired equity investments in the non-core subsidiaries that are in the process of divestment in a total amount of EUR 50,304 thousand. Of that, EUR 19,062 thousand relates to immediate impairments of the recapitalisations for covering the operating losses. The funds from the capital increase were used to repay the loan obligations to NLB d.d. Due to a release of the loan loss impairments, the net effect of impairments on profit or loss was EUR 8,960 thousand lower. Part of the recapitalisations of the non-core subsidiaries for covering the operating losses was realised with a swap of debt to equity. The effects of impairments were disclosed in previous years as impairments of loans to financial organisations, whereas in 2015 the majority of these loans were written off (note 5.14.b).

Impairments of investments in subsidiaries, associates and joint ventures are included in the segment Non-core markets and activities.

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

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Dividends from investments in subsidiaries, associates and joint ventures	13,747	4,683	-	-
Gains less losses on derecognition of subsidiaries	-	-	(173)	(234)
Share of net gains less losses of associates and joint ventures accounted for using the equity method (note 5.12.c)	-	-	4,485	3,106
Total	**13,747**	**4,683**	**4,312**	**2,872**

4.14. Income tax

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Current income tax	8,260	1,503	12,767	4,918
Deferred tax (note 5.18.)	(292)	(282)	(1,387)	(787)
Total	**7,968**	**1,221**	**11,380**	**4,131**

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

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Profit before tax	51,849	82,750	106,758	69,199
Tax calculated at prescribed rate of 17%	8,814	14,067	18,149	11,764
Income not assessable for tax purposes	(2,929)	(2,786)	(2,781)	(1,516)
Expenses not deductible for tax purposes	734	3,256	3,885	3,922
Effect of unrecognised deferred tax assets on impairment of subsidiaries and associates	4,557	(4,547)	(25,276)	(4,745)
Tax allowances	(1,040)	(382)	(1,456)	(563)
Effect of unrecognised deferred tax assets on tax losses	-	-	6,477	5,207
Effects of different tax rates in other countries	-	-	(2,965)	(1,701)
Changes in recognition and measurement of deferred taxes	73	8,958	32,827	(3,840)
Withholding tax suffered in other countries for which no tax credit was available in Slovenia	771	959	771	959
Adjustment to tax in respect of prior periods	(210)	(900)	(210)	(900)
Other	201	(87)	201	(87)
Adjustment of deferred tax assets	(3,003)	(17,317)	(18,242)	(4,369)
Total	**7,968**	**1,221**	**11,380**	**4,131**

Tax rates within NLB Group range from 9% to 30%. A tax rate of 17% was applied in Slovenia in 2014 and 2015.

The majority of non-taxable income relates to dividends and income deemed to be dividends. NLB d.d. excluded EUR 16,968 thousand in dividend income and income deemed to be dividends from its tax base in 2015 (2014: EUR 13,329 thousand).

NLB d.d. recognised deferred tax assets accrued on the basis of temporary differences in an amount that, given future profit projections, is expected to be reversed in the foreseeable future (i.e. within 5 years), given future profit projections.

Deferred tax assets were not recognised on temporary differences arising from the impairment of investments in subsidiaries, where it is not probable that the temporary difference will reverse in the foreseeable future amounting in NLB d.d. to EUR 542,989 thousand as at 31 December 2015 (31 December 2014: EUR 515,413 thousand).

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

Since March 2015, the Financial Administration of the Republic of Slovenia has been carrying out a tax inspection of corporate income tax for the period from 1 Januar 2009 to 31 December 2014.

5. Notes to the statement of financial position

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

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Cash	128,682	106,146	228,156	196,835
Balances and obligatory reserves with central banks	155,160	117,696	527,156	508,630
Demand deposits at banks	212,964	210,596	406,671	422,062
Total	**496,806**	**434,438**	**1,161,983**	**1,127,527**

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

5.2. Trading assets

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Derivatives, excluding hedging instruments				
Swap contracts	27,322	34,895	26,855	34,299
- currency swaps	*191*	*220*	*191*	*220*
- interest rate swaps	*26,888*	*34,437*	*26,421*	*33,841*
- currency interest rate swaps	*243*	*238*	*243*	*238*
Options	151	119	151	119
- currency options	*37*	*-*	*37*	*-*
- securities options	*114*	*119*	*114*	*119*
Forward contracts	3,035	5,632	3,035	5,638
- currency forward	*3,035*	*5,632*	*3,035*	*5,638*
Total derivatives	**30,508**	**40,646**	**30,041**	**40,056**
Securities				
Bonds	43,555	57,876	43,555	57,876
- Republic of Slovenia	*39,460*	*40,421*	*39,460*	*40,421*
- banks	*-*	*9,652*	*-*	*9,652*
- other issuers	*4,095*	*7,803*	*4,095*	*7,803*
Shares	10	22	10	22
Treasury bills - Republic of Slovenia	42,636	40,264	42,636	40,264
Commercial papers - foreign banks	151,171	-	151,171	-
Total securities	**237,372**	**98,162**	**237,372**	**98,162**
Total	**267,880**	**138,808**	**267,413**	**138,218**
- quoted securities	85,208	95,186	85,208	95,186
of these equity instruments	*10*	*22*	*10*	*22*
of these debt instruments	*85,198*	*95,164*	*85,198*	*95,164*
- unquoted securities	152,164	2,976	152,164	2,976
of these equity instruments	*-*	*-*	*-*	*-*
of these debt instruments	*152,164*	*2,976*	*152,164*	*2,976*

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

During 2009, NLB d.d. and NLB Group reclassified certain bonds from the trading category to loans and receivables. NLB d.d. and NLB Group reclassified high quality corporate bonds that are not traded on 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:

in EUR thousand

NLB d.d. and NLB Group	Carrying amount	Fair value
the date of reclassification		69,766
as at 31 December 2009	72,030	65,278
as at 31 December 2010	75,928	67,000
as at 31 December 2011	84,429	55,922
as at 31 December 2012	86,501	53,958
as at 31 December 2013	80,218	55,260
as at 31 December 2014	87,667	72,986
as at 31 December 2015	85,009	76,258

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

in EUR thousand

NLB d.d. and NLB Group	Interest income in period						
	2015	2014	2013	2012	2011	2010	2009
Financial assets held for trading reclassified to loans and receivables	2,053	2,103	2,153	2,449	3,446	4,471	2,836

in EUR thousand

NLB d.d. and NLB Group	Gains/(losses) that would have been recognised if the assets had not been reclassified						
	2015	2014	2013	2012	2011	2010	2009
Financial assets held for trading reclassified to loans and receivables	3,272	17,726	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

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Private equity fund	4,913	4,702	4,913	4,702
Other investments	-	-	2,682	1,808
Total	**4,913**	**4,702**	**7,595**	**6,510**

b) Financial liabilities designated at fair value through profit or loss

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Structured deposit	4,912	4,701	4,912	4,701
Total	**4,912**	**4,701**	**4,912**	**4,701**

In NLB d.d. financial assets in the amount of EUR 4,913 thousand (31 December 2014: EUR 4,702 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 the amount of EUR 4,912 thousand (31 December 2014: EUR 4,701 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

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Bonds	999,781	999,148	1,350,942	1,317,574
- governments	*699,609*	*754,263*	*1,050,770*	*1,072,689*
- Republic of Slovenia	*354,406*	*450,279*	*401,405*	*530,611*
- other EU members	*340,628*	*303,984*	*343,295*	*335,840*
- non-EU members	*4,575*	*-*	*306,070*	*206,238*
- banks	*284,141*	*227,600*	*284,141*	*227,600*
- other issuers	*16,031*	*17,285*	*16,031*	*17,285*
Cash certificates	-	-	77,939	35,521
Shares	25,893	29,815	30,943	32,861
National Resolution Fund	44,519	-	44,519	-
Treasury bills	26,998	74,812	81,680	208,023
- Republic of Slovenia	*24,997*	*74,812*	*24,997*	*74,812*
- other EU members	*2,001*	*-*	*2,001*	*-*
- non-EU members	*-*	*-*	*54,682*	*133,211*
Commercial bills	151,168	78,973	151,168	78,973
Total	**1,248,359**	**1,182,748**	**1,737,191**	**1,672,952**
- quoted securities	1,045,797	1,097,850	1,263,070	1,332,758
of these equity instruments	*19,018*	*23,890*	*21,334*	*25,608*
of these debt instruments	*1,026,779*	*1,073,960*	*1,241,736*	*1,307,150*
- unquoted securities	202,562	84,898	474,121	340,194
of these equity instruments	*51,394*	*5,925*	*54,128*	*7,253*
of these debt instruments	*151,168*	*78,973*	*419,993*	*332,941*

In March 2015, NLB d.d. paid its financial obligation in the amount of EUR 44.5 million to the National Resolution Fund, funded and controlled by the Bank of Slovenia in accordance with the Bank Resolution Authority and Fund Act (ZOSRB).

b) Movements of available-for-sale financial assets

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Balance at 1 January	1,182,748	1,155,412	1,672,952	1,675,117
Effects of translation of foreign operations to presentation currency	-	-	(54)	(4,305)
Additions	437,390	718,196	1,661,860	2,221,432
Disposals and maturity	(375,407)	(757,781)	(1,612,917)	(2,305,725)
Interest income (note 4.1.)	19,692	26,221	33,232	43,527
Exchange differences on monetary assets	1,554	888	1,867	3,697
Changes in fair values	(15,001)	40,648	(15,004)	40,169
Impairment (note 4.12.)	(2,617)	(836)	(4,659)	(960)
- impairment of equity securities	*(2,746)*	*(2,558)*	*(4,788)*	*(2,682)*
- impairment of debt securities	*129*	*1,722*	*129*	*1,722*
Disposal of subsidiary	-	-	(86)	-
Balance at 31 December	**1,248,359**	**1,182,748**	**1,737,191**	**1,672,952**

As at 31 December 2015, the value of equity instruments obtained by NLB d.d. taking possession of collateral held as security and recognised in the statement of financial position is EUR 18,977 thousand (31 December 2014: EUR 28,052 thousand) and by NLB Group it amounted to EUR 21,277 thousand (31 December 2014: EUR 28,052 thousand) (note 7.1.n).

By selling equity securities available for sale, NLB d.d. realised a net gain in the amount of EUR 748 thousand (2014: EUR 22,722 thousand), and NLB Group a net gain in the amount of EUR 731 thousand (2014: EUR 22,917 thousand). This gain is included in Gains less losses from financial assets and liabilities not classified at fair value through profit or loss (note 4.4.).

c) Accumulated other comprehensive income related to available-for-sale financial assets

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Balance at 1 January	45,103	10,690	57,750	17,520
Effects of translation of foreign operations to presentation currency	-	-	(19)	(4)
Net (losses)/gains from changes in fair value	(314)	77,908	(2,297)	77,522
Losses transferred to net profit on disposal or impairment	(8,248)	(36,447)	(6,180)	(36,548)
Deferred income tax (note 5.18.)	1,455	(7,048)	1,413	(6,987)
Share of other comprehensive income of associates and joint ventures	-	-	(2,346)	6,247
Balance at 31 December	**37,996**	**45,103**	**48,321**	**57,750**
- debt securities	27,950	34,084	36,984	45,419
- equity securities	10,046	11,019	11,337	12,331

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 the 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 use various derivatives such as interest rate swaps (IRS) 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 asset items.

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 CIRS. Thus, the effects of valuation are disclosed in the income statement in the line Gains less losses from financial assets and liabilities held for trading.

a) Fair value hedge

in EUR thousand

NLB d.d. and NLB Group	Notional amount	Fair value	
		Asset	Liability
Interest rate swap			
31.12.2015	159,259	1,083	31,065
31.12.2014	210,551	2,966	40,699

In 2015 net gains on hedging instruments amounted to EUR 7,698 thousand in NLB d.d. and NLB Group (2014: net losses to EUR 11,582 thousand in NLB d.d. and NLB Group), net losses on hedged items in NLB d.d. and in NLB Group were EUR 7,467 thousand (2014: net gains to EUR 10,600 thousand).

b) Cash flow hedge

in EUR thousand

NLB d.d. and NLB Group	Notional amount	Fair value	
		Asset	Liability
Interest rate swap			
31.12.2015	12,964	-	2,777
31.12.2014	13,798	-	3,286
Total a) and b)			
31.12.2015	**172,223**	**1,083**	**33,842**
31.12.2014	**224,349**	**2,966**	**43,985**

Future cash flows

in EUR thousand

NLB d.d. and NLB Group	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years
31.12.2015				
- Outflow	(166)	(407)	(1,772)	(889)
- Inflow	-	1	81	263
31.12.2014				
- Outflow	(173)	(420)	(1,997)	(1,201)
- Inflow	5	8	135	303

c) Accumulated other comprehensive income related to cash flow hedging

in EUR thousand

NLB d.d. and NLB Group	2015	2014
Balance at 1 January	(2,666)	(2,122)
Net losses on hedging instruments	(78)	(1,334)
Transfer to income statement	587	679
Deferred income tax (note 5.18.)	(86)	111
Balance at 31 December	**(2,243)**	**(2,666)**

There was no hedge ineffectiveness that neither NLB d.d. nor NLB Group should have recognised in the income statement.

5.6. Loans and advances

Analysis by type of loans and advances

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Debt securities	394,579	706,785	394,579	706,785
Loans to banks	345,207	159,300	431,775	271,340
Loans and advances to customers	4,826,139	4,993,040	6,693,621	6,708,332
Other financial assets	48,944	47,836	69,521	71,769
Total	**5,614,869**	**5,906,961**	**7,589,496**	**7,758,226**

a) Debt securities

Analysis of debt securities by sector

in EUR thousand

NLB d.d. and NLB Group	31.12.2015	31.12.2014
Government	309,570	619,118
Companies	85,009	87,667
Total	**394,579**	**706,785**

b) Loans and advances to banks

Analysis by type of loans and advances

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Loans	29,391	42,308	3,825	30,611
Time deposits	315,016	116,719	427,195	264,496
Purchased receivables	997	955	997	955
	345,404	159,982	432,017	296,062
Allowance for impairment (note 5.14.b)	(197)	(682)	(242)	(24,722)
Total	**345,207**	**159,300**	**431,775**	**271,340**

c) Loans and advances to customers

Analysis by type of loans and advances

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Loans	5,266,143	5,724,194	7,254,266	7,557,867
Finance lease receivables	-	-	253,205	333,824
Overdrafts	183,406	195,739	320,514	322,243
Credit card business	59,820	60,152	111,673	111,847
Called guarantees	11,463	11,312	16,773	20,830
Reverse sale and repurchase agreements	25	25	25	25
	5,520,857	5,991,422	7,956,456	8,346,636
Allowance for impairment (note 5.14.)	(694,718)	(998,382)	(1,262,835)	(1,638,304)
Total	**4,826,139**	**4,993,040**	**6,693,621**	**6,708,332**

NLB Group obtained securities received under repurchase agreements as collateral (it became the legal owner of the said securities), while the borrower is entitled to the associated coupon interest and dividends. In 2015 and 2014, NLB Group did not sell or pledge any of the securities it had received as collateral during the financial years presented. The fair value of these securities as at 31 December 2015 amounted to EUR 1,447 thousand (31 December 2014: EUR 1,575 thousand).

Analysis of loans and advances by sector

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Government	578,184	387,378	688,474	515,315
Financial organizations	391,911	548,731	139,852	154,132
Companies	1,966,361	2,172,931	2,957,304	3,235,583
Individuals	1,889,683	1,884,000	2,907,991	2,803,302
Total	**4,826,139**	**4,993,040**	**6,693,621**	**6,708,332**

Finance leases

Loans and advances to customers in NLB Group include finance lease receivables:

in EUR thousand

NLB Group	31.12.2015	31.12.2014
The gross investment in finance leases by maturity		
- not later than 1 year	121,065	185,102
- later than 1 year and not later than 5 years	137,575	156,025
- later than 5 years	19,011	28,848
	277,651	**369,975**
Unearned future finance income on finance leases	(24,446)	(36,151)
Net investment in finance leases	**253,205**	**333,824**
- present value of minimum lease payments	253,205	333,824
The net investment in finance leases by maturity		
- not later than 1 year	111,965	174,053
- later than 1 year and not later than 5 years	124,104	133,837
- later than 5 years	17,136	25,934
Total	**253,205**	**333,824**

Finance and operating lease transactions are carried out by NLB Group through specialised subsidiaries that offer 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% 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 NLB Group acts as a lessee.

As at 31 December 2015 the allowance for unrecoverable finance lease receivables included in the allowance for loan impairment amounted to EUR 75,386 thousand (31 December 2014: EUR 132,216 thousand).

d) Other financial assets

Analysis by type of other financial assets

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Receivables from purchase agreements for equity securities	16,920	29,554	16,920	29,554
Receivables in the course of collection	13,033	12,998	15,416	14,819
Credit card receivables	8,346	8,823	11,739	12,269
Fees and commissions due	5,384	5,701	7,548	7,747
Debtors	1,213	1,582	20,415	20,825
Prepayments	-	-	4,289	8,040
Other financial assets	9,171	6,699	20,272	21,195
	54,067	65,357	96,599	114,449
Allowance for impairment (note 5.14.d)	(5,123)	(17,521)	(27,078)	(42,680)
Total	**48,944**	**47,836**	**69,521**	**71,769**

Receivables in the course of collection are temporary balances which will be transferred to the appropriate item in the days following their occurrence.

Other financial assets include receivables from pension funds for prior pension payments, receivables from insurance companies, deposit facilities, claims and enforcement procedures, paid duties and legal costs.

Analysis of other financial assets by sector

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Banks	3,565	3,675	9,170	8,182
Government	1,748	1,848	12,181	11,195
Financial organizations	5,470	859	1,923	1,362
Companies	23,424	26,997	30,242	35,300
Individuals	14,737	14,457	16,005	15,730
Total	**48,944**	**47,836**	**69,521**	**71,769**

e) Movement of called non-financial guarantees

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Balance at 1 January	5,648	4,922	8,494	9,776
Effects of translation of foreign operations to presentation currency	-	-	1	(139)
Called guarantees	7,881	1,368	8,663	3,770
Paid guarantees	(7,210)	(575)	(9,999)	(4,846)
Write offs	(1,481)	(67)	(1,481)	(67)
Balance at 31 December	**4,838**	**5,648**	**5,678**	**8,494**

Fee income from all issued non-financial guarantees amounted to EUR 5,192 thousand (2014: EUR 6,164 thousand) at NLB d.d. and to EUR 5,665 thousand (2014: EUR 6,611 thousand) in NLB Group.

5.7. Held-to-maturity financial assets

a) Analysis by type of held-to-maturity financial assets

in EUR thousand

NLB d.d. and NLB Group	31.12.2015	31.12.2014
Bonds	545,561	691,765
- governments	532,235	624,051
- Republic of Slovenia	*363,566*	*389,605*
- other EU members	*168,669*	*234,446*
- banks	13,326	67,714
Treasury bills of Republic of Slovenia	19,974	19,883
Total	**565,535**	**711,648**
- quoted	565,535	711,648

b) Movements of held-to-maturity financial assets

in EUR thousand

NLB d.d. and NLB Group	2015	2014
Balance at 1 January	711,648	864,259
Additions	32,224	79,977
Decreases	(199,926)	(262,547)
Interest income (note 4.1.)	21,656	29,861
Change of interest income due to reclassification of available-for-sale to held-to-maturity financial assets	(67)	98
Balance at 31 December	**565,535**	**711,648**

5.8. Non-current assets classified as held for sale

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Balance at 1 January	2,580	2,327	5,643	17,582
Effects of translation of foreign operations to presentation currency	-	-	(14)	(92)
Additions	-	-	-	25
Transfer from property and equipment (note 5.9.)	-	2,550	-	2,550
Transfers into other assets	(140)	-	(140)	-
Disposals	(98)	(515)	(167)	(11,489)
Valuation	(566)	(1,782)	(693)	(2,933)
Balance at 31 December	**1,776**	**2,580**	**4,629**	**5,643**

In 2015 and 2014, NLB Group did not recognise any repossessed assets as non-current assets classified as held for sale.

5.9. Property and equipment

in EUR thousand

2015	NLB d.d. Land & Buildings	NLB d.d. Computers	NLB d.d. Other equipment	NLB d.d. Total	NLB Group Land & Buildings	NLB Group Computers	NLB Group Other equipment	NLB Group Total
Cost								
Balance at 1 January 2015	205,866	53,270	65,269	324,405	334,570	74,658	125,725	534,953
Effects of translation of foreign operations to presentation currency	-	-	-	-	(88)	13	82	7
Additions	2,272	2,882	4,789	9,943	2,810	4,618	14,098	21,526
Disposals	(65)	(4,873)	(4,751)	(9,689)	(1,186)	(5,983)	(16,130)	(23,299)
Transfer to investment property (note 5.10.)	(5,770)	-	-	(5,770)	(6,788)	-	-	(6,788)
Disposal of subsidiary (note 3.)	-	-	-	-	(222)	(21)	-	(243)
Balance at 31 December 2015	**202,303**	**51,279**	**65,307**	**318,889**	**329,096**	**73,285**	**123,775**	**526,156**
Depreciation and impairment								
Balance at 1 January 2015	119,872	47,217	59,986	227,075	148,823	64,679	106,276	319,778
Effects of translation of foreign operations to presentation currency	-	-	-	-	(42)	12	70	40
Disposals	(49)	(4,849)	(4,635)	(9,533)	(977)	(5,923)	(10,332)	(17,232)
Depreciation (note 4.10.)	5,294	2,691	1,025	9,010	7,739	4,396	5,387	17,522
Impairment (note 4.12.)	344	-	-	344	1,122	-	-	1,122
Transfer to investment property (note 5.10.)	(2,577)	-	-	(2,577)	(2,758)	-	-	(2,758)
Disposal of subsidiary (note 3.)	-	-	-	-	(30)	(16)	-	(46)
Balance at 31 December 2015	**122,884**	**45,059**	**56,376**	**224,319**	**153,877**	**63,148**	**101,401**	**318,426**
Net carrying value								
Balance at 31 December 2015	**79,419**	**6,220**	**8,931**	**94,570**	**175,219**	**10,137**	**22,374**	**207,730**
Balance at 1 January 2015	**85,994**	**6,053**	**5,283**	**97,330**	**185,747**	**9,979**	**19,449**	**215,175**

in EUR thousand

2014	NLB d.d. Land & Buildings	NLB d.d. Computers	NLB d.d. Other equipment	NLB d.d. Total	NLB Group Land & Buildings	NLB Group Computers	NLB Group Other equipment	NLB Group Total
Cost								
Balance at 1 January 2014	211,975	65,030	66,982	343,987	341,616	85,779	131,901	559,296
Effects of translation of foreign operations to presentation currency	-	-	-	-	(1,677)	(174)	(335)	(2,186)
Additions	566	1,561	553	2,680	2,965	3,221	4,033	10,219
Disposals	(3,211)	(13,321)	(2,266)	(18,798)	(4,380)	(14,151)	(9,856)	(28,387)
Transfer to investment property (note 5.10.)	-	-	-	-	(199)	-	-	(199)
Transfer to non-current assets held for sale (note 5.8.)	(3,464)	-	-	(3,464)	(3,464)	-	-	(3,464)
Disposal of subsidiary (note 3.)	-	-	-	-	(291)	(17)	(18)	(326)
Balance at 31 December 2014	**205,866**	**53,270**	**65,269**	**324,405**	**334,570**	**74,658**	**125,725**	**534,953**
Depreciation and impairment								
Balance at 1 January 2014	117,487	57,146	60,905	235,538	138,816	73,946	107,956	320,718
Effects of translation of foreign operations to presentation currency	-	-	-	-	(416)	(136)	(261)	(813)
Disposals	(2,205)	(13,284)	(2,237)	(17,726)	(3,347)	(14,075)	(8,042)	(25,464)
Depreciation (note 4.10.)	5,477	3,355	1,318	10,150	8,174	4,961	6,635	19,770
Impairment (note 4.12.)	27	-	-	27	6,576	-	-	6,576
Transfer to investment property (note 5.10.)	-	-	-	-	(66)	-	-	(66)
Transfer to non-current assets held for sale (note 5.8.)	(914)	-	-	(914)	(914)	-	-	(914)
Disposal of subsidiary (note 3.)	-	-	-	-	-	(17)	(12)	(29)
Balance at 31 December 2014	**119,872**	**47,217**	**59,986**	**227,075**	**148,823**	**64,679**	**106,276**	**319,778**
Net carrying amount								
Balance at 31 December 2014	**85,994**	**6,053**	**5,283**	**97,330**	**185,747**	**9,979**	**19,449**	**215,175**
Balance at 1 January 2014	**94,488**	**7,884**	**6,077**	**108,449**	**202,800**	**11,833**	**23,945**	**238,578**

Assets leased under finance leases in NLB Group as at 31 December 2015 amounted to EUR 21 thousand for motor vehicles (31 December 2014: EUR 57 thousand). NLB d.d. had no assets held under finance leases as at 31 December 2015 and 31 December 2014.

The value of assets received by taking possession of collateral and included in property and equipment by NLB d.d. amounted to EUR 7 thousand (31 December 2014: EUR 7 thousand) and by NLB Group it amounted to EUR 1,839 thousand (31 December 2014: EUR 267 thousand) (note 7.1.n).

The net carrying value of assets leased out by NLB Group under operating leases was EUR 5,250 thousand as at 31 December 2015 (31 December 2014: EUR 7,265 thousand). 62.8% of assets leased out relates to motor vehicles (31 December 2014: 60.5%).

5.10. Investment property

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Balance at 1 January	1,458	1,458	41,472	34,844
Effects of translation of foreign operations to presentation currency	-	-	8	(29)
Acquisition of subsidiaries	-	-	22,290	-
Additions	3,843	-	6,295	6,270
Disposals	-	-	(478)	(68)
Transfer (to)/from property and equipment (note 5.9.)	3,193	-	4,030	133
Transfer from/(to) other assets	-	-	26,816	4,150
Net valuation to fair value (note 4.7. and 4.8.)	119	-	(6,920)	(3,828)
Balance at 31 December	**8,613**	**1,458**	**93,513**	**41,472**

In 2015 NLB Group became a 100% owner of the subsidiary Tara Hotel d.o.o., Budva with realisation of the collateral. All assets of the newly acquired subsidiary represent investment property.

The value of assets received by taking possession of collateral and included in investment property by NLB d.d. amounted to EUR 3,750 thousand (31 December 2014: EUR 0). The value of assets received by taking possession of collateral and included in investment property by NLB Group amounted to EUR 57,599 thousand (31 December 2014: EUR 8,291 thousand), which includes EUR 26,816 thousand of repossessed assets transferred in 2015 from other assets (notes 5.13. and 7.1.n).

NLB Group has no interests in properties held under operating leases that were classified and accounted for as investment property. NLB Group incurred operating expenses arising from investment properties leased to others in the amount of EUR 58 thousand (2014: EUR 50 thousand), and operating expenses arising from investment properties not leased to others in the amount of EUR 23 thousand (2014: EUR 23 thousand).

NLB d.d. earned rental income arising from investment properties in the amount of EUR 86 thousand (2014: EUR 82 thousand) and NLB Group in the amount of EUR 6,399 thousand (2014: EUR 5,109 thousand).

5.11. Intangible assets

in EUR thousand

	NLB d.d.	NLB Group		
2015	Software licenses	Software licenses	Goodwill	Total
Cost				
Balance at 1 January 2015	188,851	210,137	32,336	242,473
Effects of translation of foreign operations to presentation currency	-	(9)	-	(9)
Additions	10,149	12,809	-	12,809
Disposals	(1,293)	(1,293)	-	(1,293)
Write offs	(4,627)	(4,921)	-	(4,921)
Balance at 31 December 2015	**193,080**	**216,723**	**32,336**	**249,059**
Amortisation and impairment				
Balance at 1 January 2015	155,108	170,915	28,807	199,722
Effects of translation of foreign operations to presentation currency	-	(7)	-	(7)
Amortisation (note 4.10.)	12,400	14,334	-	14,334
Write offs	(4,055)	(4,317)	-	(4,317)
Balance at 31 December 2015	**163,453**	**180,925**	**28,807**	**209,732**
Net carrying value				
Balance at 31 December 2015	**29,627**	**35,798**	**3,529**	**39,327**
Balance at 1 January 2015	**33,743**	**39,222**	**3,529**	**42,751**

in EUR thousand

2014	NLB d.d. Software licenses	NLB Group Software licenses	Goodwill	Total
Cost				
Balance at 1 January 2014	185,878	206,086	32,520	238,606
Effects of translation of foreign operations to presentation currency	-	(198)	-	(198)
Additions	3,069	4,389	-	4,389
Write offs	(96)	(140)	-	(140)
Disposal of subsidiary	-	-	(184)	(184)
Balance at 31 December 2014	**188,851**	**210,137**	**32,336**	**242,473**
Amortisation and impairment				
Balance at 1 January 2014	140,902	155,072	28,807	183,879
Effects of translation of foreign operations to presentation currency	-	(143)	-	(143)
Amortisation (note 4.10.)	14,206	16,006	-	16,006
Impairments (note 4.12.)	-	-	184	184
Write offs	-	(20)	-	(20)
Disposal of subsidiary	-	-	(184)	(184)
Balance at 31 December 2014	**155,108**	**170,915**	**28,807**	**199,722**
Net carrying value				
Balance at 31 December 2014	**33,743**	**39,222**	**3,529**	**42,751**
Balance at 1 January 2014	**44,976**	**51,014**	**3,713**	**54,727**

In 2015, NLB Group did not record an impairment of goodwill (2014: EUR 184 thousand included in the segment Core foreign markets).

Information regarding the impairment testing of goodwill is disclosed in note 2.33.f.

5.12. Investments in subsidiaries, associates and joint ventures

a) Analysis by type of investment in subsidiaries

in EUR thousand

NLB d.d.	31.12.2015	31.12.2014
Banks	267,071	259,039
Other financial organizations	26,595	23,012
Enterprises	52,335	63,534
Total	**346,001**	**345,585**

In 2015 NLB Group lost control in the subsidiary LHB Trade, Zagreb and sold the subsidiary Convest, Novi Sad. A loss in the amount of EUR 183 thousand was recognised and is included in the item Gains less losses from capital investments in subsidiaries, associates and joint ventures (2014: a loss in the amount of EUR 234 thousand due to lost control in the subsidiaries Conet – v stečaju, Belgrade and Plan, Banja Luka).

Data on subsidiaries as included in the consolidated financial statements of NLB Group as at 31 December 2015:

in EUR thousand

	Nature of Business	Country of Incorporation	Equity as at 31 December 2015	Profit/ (loss) for the period 2015	NLB d.d.'s share-holding %	NLB d.d.'s voting rights%	NLB Group's share-holding %	NLB Group's voting rights %
Core members								
NLB Tutunska Banka a.d., Skopje	Banking	Republic of Macedonia	113,977	13,129	86.97	86.97	86.97	86.97
NLB Banka a.d., Podgorica	Banking	Republic of Montenegro	68,624	6,240	99.36	98.00	99.36	98.00
NLB Banka a.d., Banja Luka	Banking	Republic of Bosnia and Herzegovina	68,058	9,863	99.85	99.85	99.85	99.85
NLB Banka sh.a., Prishtina	Banking	Republic of Kosovo	59,725	8,242	81.21	81.21	81.21	81.21
NLB Banka d.d., Sarajevo	Banking	Republic of Bosnia and Herzegovina	55,313	4,182	97.34	97.35	97.34	97.35
NLB Banka a.d., Belgrade	Banking	Republic of Serbia	44,478	1,157	99.997	99.997	99.997	99.997
NLB Srbija d.o.o., Belgrade	Real estate	Republic of Serbia	27,891	822	100	100	100	100
NLB Skladi d.o.o., Ljubljana	Finance	Republic of Slovenia	7,112	2,455	100	100	100	100
NLB Nov penziski fond a.d., Skopje	Insurance	Republic of Macedonia	6,015	789	51	51	100	100
NLB Crna Gora d.o.o., Podgorica	Real estate	Republic of Montenegro	933	416	100	100	100	100
Non-core members								
NLB Leasing d.o.o., Ljubljana	Finance	Republic of Slovenia	14,402	(3,672)	100	100	100	100
NLB Leasing Sofija E.o.o.d., Sofia	Finance	Republic of Bulgaria	(85)	(77)	-	-	100	100
Optima Leasing d.o.o., Zagreb	Finance	Republic of Croatia	856	(3,806)	-	-	100	100
NLB Leasing Podgorica d.o.o., Podgorica	Finance	Republic of Montenegro	1,106	(825)	100	100	100	100
NLB Leasing d.o.o., Belgrade	Finance	Republic of Serbia	3,063	(2,599)	100	100	100	100
NLB Leasing d.o.o., Sarajevo	Finance	Republic of Bosnia and Herzegovina	(575)	(3,271)	100	100	100	100
NLB Lizing d.o.o.e.l., Skopje	Finance	Republic of Macedonia	567	(1,470)	100	100	100	100
Tara Hotel d.o.o. Budva	Real estate	Republic of Montenegro	22,845	555	12.71	12.71	100	100
PRO-REM d.o.o., Ljubljana	Real estate	Republic of Slovenia	11,273	(14,583)	100	100	100	100
OL Nekretnine d.o.o., Zagreb	Real estate	Republic of Croatia	817	(126)	-	-	100	100
REAM d.o.o., Zagreb	Real estate	Republic of Croatia	126	(66)	100	100	100	100
REAM d.o.o., Podgorica	Real estate	Republic of Montenegro	126	(71)	100	100	100	100
REAM d.o.o., Belgrade	Real estate	Republic of Serbia	112	(130)	100	100	100	100
SR-RE d.o.o., Belgrade	Real estate	Republic of Serbia	3	(4)	100	100	100	100
PRO-Avenija d.o.o., Ljubljana	Real estate	Republic of Slovenia	8,609	(1,385)	100	100	100	100
NLB Propria d.o.o., Ljubljana	Real estate	Republic of Slovenia	741	(120)	100	100	100	100
FIN-DO d.o.o., Domžale	Real estate	Republic of Slovenia	126	(814)	100	100	100	100
CBS Invest d.o.o., Sarajevo	Real estate	Republic of Bosnia and Herzegovina	49	(2,062)	100	100	100	100
NLB InterFinanz AG, Zürich	Finance	Switzerland	12,734	(5,030)	100	100	100	100
NLB InterFinanz Praha s.r.o., Prague	Finance	Czech Republic	(119)	(65)	-	-	100	100
NLB InterFinanz d.o.o., Belgrade	Finance	Republic of Serbia	41	4	-	-	100	100
Prospera plus d.o.o., Ljubljana	Tourist and catering trade	Republic of Slovenia	506	24	100	100	100	100
LHB AG, Frankfurt	Finance	Republic of Germany	2,841	243	100	100	100	100
NLB Factoring a.s. - »v likvidaci«, Ostrava	Finance	Czech Republic	374	(1,649)	100	100	100	100

Data on subsidiaries as included in the consolidated financial statements of NLB Group as at 31 December 2014:

in EUR thousand

	Nature of Business	Country of Incorporation	Equity as at 31 December 2014	Profit/(loss) for the period 2014	NLB d.d.'s share-holding %	NLB d.d.'s voting rights %	NLB Group's share-holding %	NLB Group's voting rights %
Core members								
NLB Tutunska Banka a.d., Skopje	Banking	Republic of Macedonia	108,379	11,149	86.97	86.97	86.97	86.97
NLB Banka a.d., Banja Luka	Banking	Republic of Bosnia and Herzegovina	63,936	7,646	99.85	99.85	99.85	99.85
NLB Banka a.d., Podgorica	Banking	Republic of Montenegro	63,213	4,351	98.00	98.00	98.00	98.00
NLB Banka sh.a., Prishtina	Banking	Republic of Kosovo	51,454	5,435	81.21	81.21	81.21	81.21
NLB Banka d.d., Sarajevo	Banking	Republic of Bosnia and Herzegovina	43,916	2,729	96.30	96.32	96.30	96.32
NLB Banka a.d., Belgrade	Banking	Republic of Serbia	42,565	(18,324)	99.997	99.997	99.997	99.997
Convest d.o.o., Novi Sad	Finance	Republic of Serbia	331	(2)	-	-	100	100
NLB Srbija d.o.o., Belgrade	Real estate	Republic of Serbia	27,214	(2,056)	100	100	100	100
NLB Skladi d.o.o., Ljubljana	Finance	Republic of Slovenia	5,699	1,604	100	100	100	100
NLB Nov penziski fond a.d., Skopje	Insurance	Republic of Macedonia	5,918	691	51	51	100	100
NLB Crna Gora d.o.o., Podgorica	Real estate	Republic of Montenegro	517	(1,010)	100	100	100	100
Non-core members								
NLB Leasing d.o.o., Ljubljana	Finance	Republic of Slovenia	14,629	(5,187)	100	100	100	100
NLB Leasing Sofija E.o.o.d., Sofia	Finance	Republic of Bulgaria	(9)	(465)	-	-	100	100
Optima Leasing d.o.o., Zagreb	Finance	Republic of Croatia	996	(993)	-	-	99.97	99.97
NLB Leasing Podgorica d.o.o., Podgorica	Finance	Republic of Montenegro	431	(2,305)	100	100	100	100
NLB Leasing d.o.o., Belgrade	Finance	Republic of Serbia	2,710	(4,728)	100	100	100	100
NLB Leasing d.o.o., Sarajevo	Finance	Republic of Bosnia and Herzegovina	(2,304)	(3,048)	100	100	100	100
NLB Lizing d.o.o.e.l., Skopje	Finance	Republic of Macedonia	2,045	(384)	100	100	100	100
PRO-REM d.o.o., Ljubljana	Real estate	Republic of Slovenia	24,280	(10,728)	100	100	100	100
OL Nekretnine d.o.o., Zagreb	Real estate	Republic of Croatia	(658)	(1,596)	-	-	100	100
NLB Propria d.o.o., Ljubljana	Real estate	Republic of Slovenia	11,112	171	100	100	100	100
FIN-DO d.o.o., Domžale	Real estate	Republic of Slovenia	141	14	100	100	100	100
CBS Invest d.o.o., Sarajevo	Real estate	Republic of Bosnia and Herzegovina	2,039	(18)	100	100	100	100
Prospera plus d.o.o., Ljubljana	Tourist and catering trade	Republic of Slovenia	486	(9)	100	100	100	100
NLB InterFinanz AG, Zürich	Finance	Switzerland	(108,018)	(7,855)	100	100	100	100
NLB InterFinanz Praha s.r.o., Prague	Finance	Czech Republic	(49)	(117)	-	-	100	100
NLB InterFinanz d.o.o., Belgrade	Finance	Republic of Serbia	38	(3)	-	-	100	100
LHB AG, Frankfurt	Finance	Republic of Germany	2,598	(1,396)	100	100	100	100
LHB Trade d.o.o. - v likvidaciji, Zagreb	Trade	Republic of Croatia	19	(123)	-	-	100	100
NLB Factoring a.s. - »v likvidaci«, Ostrava	Finance	Czech Republic	(4,290)	(2,401)	100	100	100	100

Changes in ownership interest in subsidiaries of NLB Group in 2015 and 2014 are presented in note 3, significant effects of changes in ownership interests are presented in the statement of changes in equity in the item Equity attributable to non-controlling interest.

Data on subsidiaries with significant non-controlling interests, before intercompany eliminations:

in EUR thousand

	2015		2014	
	NLB Tutunska Banka, Skopje	NLB Banka Prishtina	NLB Tutunska Banka, Skopje	NLB Banka Prishtina
Non-controlling interest in equity in %	13.03	18.79	13.03	18.79
Non-controlling interest's voting rights in %	13.03	18.79	13.03	18.79
Income statement and statement of comprehensive income				
Revenues	76,394	32,117	73,817	31,977
Profit/(loss) for the year	**13,129**	**8,242**	**11,149**	**5,435**
Atributable to non-controlling interest	1,711	1,549	1,453	1,021
Other comprehensive income	118	28	34	106
Total comprehensive income	**13,247**	**8,270**	**11,183**	**5,541**
Atributable to non-controlling interest	1,726	1,554	1,457	1,041
Statement of financial position				
Current assets	574,807	276,495	560,521	310,208
Non-current assets	544,871	188,197	485,265	153,293
Current liabilities	787,045	333,350	695,222	346,654
Non-current liabilities	218,656	71,617	242,185	65,393
Equity	**113,977**	**59,725**	**108,379**	**51,454**
Atributable to non-controlling interest	14,851	11,222	14,122	9,668

b) Analysis by type of investment in associates and joint ventures

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
Other financial organizations	6,600	6,600	39,402	37,239
Enterprises	494	527	294	286
Total	**7,094**	**7,127**	**39,696**	**37,525**

NLB Group's associates

			2015		2014	
	Nature of Business	**Country of Incorporation**	**Shareholding %**	**Voting rights %**	**Shareholding %**	**Voting rights %**
Bankart d.o.o., Ljubljana	Card processing	Republic of Slovenia	39.44	39.44	39.44	39.44
Skupna pokojninska družba d.d., Ljubljana	Insurance	Republic of Slovenia	28.13	28.13	28.13	28.13
Kreditni biro SISBON, d.o.o., Ljubljana	Credit bureau	Republic of Slovenia	29.68	29.68	29.68	29.68
ARG - Nepremičnine d.o.o., Horjul	Real estate	Republic of Slovenia	75.00	75.00	75.00	75.00

By contractual agreement, NLB d.d. has a significant influence in ARG-Nepremičnine, Horjul and therefore the entity is accounted as an associate.

Carrying amount of interests in associates included in the consolidated financial statements of NLB Group:

in EUR thousand

	2015	2014
Carrying amount of the NLB Group's interest	**11,825**	**10,980**
NLB Group's share of:		
- Profit for the year	935	305
- Other comprehensive income	(54)	266
- Total comprehensive income	**881**	**571**

In 2015 NLB Group did not recognise a share of profit of an associate in amount of EUR 56 thousand (31 December 2014: unrecognised profit EUR 123 thousand) as it still has the cumulative unrecognised share of losses of an associate that as at 31 December 2015 amounted to EUR 2,450 thousand (31 December 2014: EUR 2,506 thousand).

NLB Group's joint ventures

			2015	2014
	Nature of Business	Country of Incorporation	Voting rights %	Voting rights %
NLB Vita d.d., Ljubljana	Insurance	Republic of Slovenia	50	50
Prvi Faktor Group, Ljubljana	Finance	Republic of Slovenia	50	50

Data on material joint ventures as included in the consolidated financial statements of NLB Group:

in EUR thousand

NLB Vita d.d., Ljubljana	**2015**	**2014**
Revenues	72,903	63,337
Interest income	6,800	6,180
Interest expense	(2)	(2)
Depreciation and amortisation	(253)	(233)
Income tax	(1,365)	(1,071)
Profit for the year	**7,089**	**5,603**
Other comprehensive income	(4,450)	11,740
Total comprehensive income	**2,639**	**17,343**
NLB Group's share of:		
- Profit for the year	3,545	2,802
- Other comprehensive income	(2,225)	5,870

in EUR thousand

	31.12.2015	**31.12.2014**
Total assets	370,586	343,766
Cash and cash equivalents	915	270
Total liabilities	314,847	290,676
Financial liabilities	2,921	2,884
Equity	**55,739**	**53,090**
NLB Group's ownership interest in joint venture	27,870	26,545
Carrying amount of the NLB Group's interest in joint venture	**27,870**	**26,545**

c) Movements of investments in associates and joint ventures

in EUR thousand

NLB Group	**2015**	**2014**
Balance at 1 January	37,525	28,284
Share of results before tax	5,299	3,781
Share of tax	(814)	(675)
Net gains/(losses) not recognised in the income statement	(2,279)	6,136
Dividends received	(35)	-
Other	-	(1)
Balance at 31 December	**39,696**	**37,525**

5.13. Other assets

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Deferred expenses	3,392	2,686	5,133	4,790
Claim for taxes and other dues	1,385	2,596	2,453	3,379
Assets, received as collateral (note 7.1.n)	3,371	1,561	75,652	116,606
Prepayments	1,241	871	1,619	2,707
Inventories	390	269	10,497	12,637
Total	**9,779**	**7,983**	**95,354**	**140,119**

In 2015, NLB Group transferred certain repossessed assets in the amount of EUR 26,816 thousand from other assets to investment property (note 5.10.).

Assets received as collateral and inventories consist of real estate, motor vehicles and equipment.

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

a) Impairment of loans and advances to individuals

in EUR thousand

NLB d.d.	Granted overdrafts	Loans for houses and flats	Consumer loans	Other loans	Total
Balance at 1 January 2014	16,003	30,145	25,314	3,412	74,874
Impairment (note 4.12.)	3,241	1,839	1,067	1,532	7,679
Write offs	(3,300)	(508)	(3,849)	(385)	(8,042)
Repayments of written-off receivables	119	9	57	12	197
Exchange differences	-	56	-	42	98
Balance at 31 December 2014	**16,063**	**31,541**	**22,589**	**4,613**	**74,806**
Impairment (note 4.12.)	4,675	2,440	2,305	1,163	10,583
Write offs	(5,778)	(790)	(7,087)	(4,126)	(17,781)
Exchange differences	-	241	1	326	568
Balance at 31 December 2015	**14,960**	**33,432**	**17,808**	**1,976**	**68,176**

in EUR thousand

NLB Group	Granted overdrafts	Loans for houses and flats	Consumer loans	Other loans	Total
Balance at 1 January 2014	19,183	47,895	60,702	31,148	158,928
Effects of translation of foreign operations to presentation currency	(58)	(107)	(148)	135	(178)
Impairment (note 4.12.)	3,573	(284)	3,103	2,687	9,079
Write offs	(3,352)	(513)	(4,572)	(5,496)	(13,933)
Repayments of written-off receivables	119	9	57	359	544
Exchange differences	3	191	23	16	233
Other	-	-	(14)	-	(14)
Balance at 31 December 2014	**19,468**	**47,191**	**59,151**	**28,849**	**154,659**
Effects of translation of foreign operations to presentation currency	(2)	3	(2)	915	914
Impairment (note 4.12.)	4,889	3,241	3,016	3,620	14,766
Write offs	(5,799)	(1,421)	(8,896)	(12,112)	(28,228)
Repayments of written-off receivables	-	-	139	487	626
Exchange differences	-	337	3	(216)	124
Other	-	-	(10)	(32)	(42)
Balance at 31 December 2015	**18,556**	**49,351**	**53,401**	**21,511**	**142,819**

b) Impairment of loans and advances to legal entities

in EUR thousand

NLB d.d.	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 1 January 2014	6,060	10,550	197,106	307,788	488,473	1,009,977
Impairment (note 4.12.)	(281)	(9,945)	(5,195)	24,430	29,223	38,232
Write offs	-	-	(27,818)	(23,401)	(75,153)	(126,372)
Repayments of written-off receivables	-	-	2	523	625	1,150
Exchange differences	-	77	118	(682)	(815)	(1,302)
Other	-	-	-	-	2,573	2,573
Balance at 31 December 2014	**5,779**	**682**	**164,213**	**308,658**	**444,926**	**924,258**
Impairment (note 4.12.)	1,359	67	15,446	(29,283)	39,397	26,986
Write offs	(371)	(737)	(126,379)	(80,757)	(123,313)	(331,557)
Repayments of written-off receivables	32	130	-	774	1,402	2,338
Exchange differences	-	55	2,951	608	1,100	4,714
Balance at 31 December 2015	**6,799**	**197**	**56,231**	**200,000**	**363,512**	**626,739**

In 2015 a major part of write offs of loans and advances to financial organisations is a result of debt equity swaps, which were done with the aim of covering the operating losses of non-core subsidiaries.

in EUR thousand

NLB Group	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 1 January 2014	15,629	28,617	67,445	482,292	1,039,974	1,633,957
Effects of translation of foreign operations to presentation currency	4	419	1	194	(2,080)	(1,462)
Impairment (note 4.12.)	4,213	(5,132)	(5,662)	39,294	48,890	81,603
Write offs	(906)	(12)	(23,314)	(37,435)	(148,231)	(209,898)
Repayments of written-off receivables	-	-	3	991	630	1,624
Exchange differences	(24)	830	8	(962)	644	496
Other	-	-	-	-	2,047	2,047
Balance at 31 December 2014	**18,916**	**24,722**	**38,481**	**484,374**	**941,874**	**1,508,367**
Effects of translation of foreign operations to presentation currency	14	2,932	1	8,712	10,943	22,602
Impairment (note 4.12.)	1,285	2,557	7,780	(6,598)	35,718	40,742
Write offs	(371)	(28,957)	(754)	(151,230)	(264,221)	(445,533)
Repayments of written-off receivables	32	130	-	774	4,795	5,731
Exchange differences	1	(1,142)	1	(6,808)	(3,546)	(11,494)
Other	(5)	-	(126)	-	(26)	(157)
Balance at 31 December 2015	**19,872**	**242**	**45,383**	**329,224**	**725,537**	**1,120,258**

c) Impairment of debt securities

in EUR thousand

NLB d.d. and NLB Group	
Balance at 1 January 2014	3,750
Write offs	(3,750)
Balance at 31 December 2014	**-**

d) Impairment of other financial assets

in EUR thousand

	NLB d.d.	NLB Group
Balance at 1 January 2014	37,644	66,084
Effects of translation of foreign operations to presentation currency	-	(196)
Disposal of subsidiaries	-	(8)
Impairment (note 4.12.)	2,394	2,383
Write offs	(12,836)	(16,051)
Exchange differences	1	146
Repayments of written-off receivables	5	9
Derecogniton of financial assets	(9,687)	(9,687)
Balance at 31 December 2014	**17,521**	**42,680**
Effects of translation of foreign operations to presentation currency	-	31
Impairment (note 4.12.)	1,721	6,220
Write offs	(14,271)	(22,158)
Exchange differences	-	137
Repayments of written-off receivables	152	168
Balance at 31 December 2015	**5,123**	**27,078**

5.15. Trading liabilities

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
Derivatives, excluding hedges				
Swap contracts	26,929	34,015	26,929	34,009
- currency swaps	*169*	*270*	*169*	*264*
- interest rate swaps	*24,460*	*31,979*	*24,460*	*31,979*
- currency interest rate swaps	*2,300*	*1,766*	*2,300*	*1,766*
Options	47	4,190	47	4,190
- currency options	*37*	*-*	*37*	*-*
- interest rate options	*10*	*19*	*10*	*19*
- securities options	*-*	*4,171*	*-*	*4,171*
Forward contracts	2,933	5,559	2,944	5,559
- currency forward	*2,933*	*5,559*	*2,944*	*5,559*
Total	**29,909**	**43,764**	**29,920**	**43,758**

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

5.16. Financial liabilities, measured at amortised cost

Analysis by type of financial liabilities, measured at amortised cost

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Deposits from banks and central banks	96,736	91,115	57,982	62,334
Borrowings from banks and central banks	519,926	643,578	571,029	714,722
Due to customers	6,293,339	6,294,925	9,020,666	8,943,832
Borrowings from other customers	16,168	33,511	100,267	136,660
Debt securities in issue	304,962	359,853	304,962	359,853
Subordinated liabilities	-	-	27,340	17,328
Other financial liabilities	47,346	46,223	75,307	71,886
Total	**7,278,477**	**7,469,205**	**10,157,553**	**10,306,615**

a) Deposits from banks and amounts due to customers

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Deposits on demand				
- banks and central banks	95,962	87,742	55,599	57,138
- other customers	4,092,767	3,253,716	5,544,323	4,471,316
- governments	*79,848*	*30,075*	*180,746*	*123,105*
- financial organizations	*45,127*	*26,939*	*72,282*	*58,321*
- companies	*993,058*	*781,821*	*1,542,725*	*1,259,056*
- individuals	*2,974,734*	*2,414,881*	*3,748,570*	*3,030,834*
Other deposits				
- banks and central banks	774	3,373	2,383	5,196
- other customers	2,200,572	3,041,209	3,476,343	4,472,516
- governments	*172,290*	*441,548*	*182,804*	*457,207*
- financial organizations	*74,616*	*114,877*	*109,122*	*146,744*
- companies	*303,226*	*388,599*	*444,365*	*567,154*
- individuals	*1,650,440*	*2,096,185*	*2,740,052*	*3,301,411*
Total	**6,390,075**	**6,386,040**	**9,078,648**	**9,006,166**

b) Borrowings from banks and other customers

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Loans				
- banks and central banks	519,926	643,578	571,029	714,722
- other customers	16,168	33,511	100,267	136,660
- governments	*10,009*	*10,012*	*29,982*	*30,400*
- financial organizations	-	*20,181*	*61,335*	*99,940*
- companies	*6,159*	*3,318*	*8,950*	*6,320*
Total	**536,094**	**677,089**	**671,296**	**851,382**

As at 31 December 2015, NLB d.d. and NLB Group had EUR 345,762 thousand in undrawn borrowings (31 December 2014: EUR 41,118 thousand).

c) Debt securities in issue

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Carrying amount of issued securities				
- traded on active markets	304,962	359,853	304,962	359,853
Bonds (in %)				
- fixed rated	100.00	100.00	100.00	100.00
	100.00	**100.00**	**100.00**	**100.00**

In 2014 NLB d.d. issued a three-year unsecured bond with a nominal value of EUR 300 million and annual coupon of 2.875% on international capital markets. The bond, which as at 31 December 2015 has international ratings B+/BB- by the rating agencies Fitch and Standard & Poor's, is listed on the Luxembourg Stock Exchange.

d) Subordinated liabilities

in EUR thousand

NLB Group				31.12.2015		31.12.2014	
	Currency	Due date	Interest rate	Carrying amount	Nominal value	Carrying amount	Nominal value
Subordinated loans							
	EUR	30.6.2018	6 months EURIBOR + 6.3% p.a.	12,219	12,000	12,174	12,000
	EUR	30.6.2020	6 months EURIBOR + 7.7% p.a.	5,176	5,000	5,154	5,000
	EUR	26.6.2025	6 months EURIBOR + 7.5% p.a.	9,945	10,000	-	-
Total				**27,340**	**27,000**	**17,328**	**17,000**

In 2015 NLB Group received a new subordinated loan with the following basic criteria:
- it is neither secured nor covered by collateral or guarantee by the bank or a related entity;
- it contains a subordination clause stating that, in the case of the bankruptcy or liquidation of the Bank, this instrument will be paid before settling the liabilities to the Bank's shareholders and the bearers of hybrid instruments, and after settling the liabilities to other creditors;
- the instrument is available for covering losses in the case of the Bank's bankruptcy and liquidation; and
- the payment of interest is not allowed when this may seriously jeopardise the Bank's profitable position.

e) Other financial liabilities

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Debit or credit card payables	14,231	14,024	15,502	15,322
Suppliers	11,371	8,065	14,515	10,787
Accrued salaries	6,913	7,110	8,274	8,430
Items in the course of payment	4,580	6,941	13,835	18,178
Accrued expenses	4,615	5,733	12,695	11,643
Fees and commissions due	1,305	1,389	1,341	1,424
Other financial liabilities	4,331	2,961	9,145	6,102
Total	**47,346**	**46,223**	**75,307**	**71,886**

Other financial liabilities mainly include liabilities to insurance companies, liabilities to employees, received warranties and temporary accounts.

5.17. Provisions

a) Analysis by type of provisions

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Provisions for financial guarantees (note 5.25.a)	44,583	46,023	47,737	48,733
Provisions for non-financial guarantees (note 5.25.a)	29,863	31,568	31,034	32,876
Provisions for other credit commitments (note 5.25.a)	3,197	11,212	3,228	11,190
Employee benefit provisions	16,559	15,741	21,265	18,995
Provisions for premiums from National Housing Savings Scheme	54	733	54	733
Restructuring provisions	3,429	5,824	3,477	5,871
Provisions for legal issues	5,075	1,666	13,465	6,774
Other provisions	2,377	1,798	2,379	1,802
Total	**105,137**	**114,565**	**122,639**	**126,974**

Provisions for legal issues are recognised based on expectations regarding the probable outcome of legal disputes.

As at 31 December 2015, NLB d.d. was involved in 21 (31 December 2014: 24) legal disputes with material monetary claims against NLB d.d. The total amount of these claims, excluding accrued interest, was EUR 419,277 thousand (31 December 2014: EUR 386,420 thousand). As at 31 December 2015, NLB Group was involved in 45 (31 December 2014: 46) legal disputes with material claims against group members in the total amount of EUR 627,917 thousand, excluding accrued interest (31 December 2014: EUR 560,086 thousand).

The biggest amount within material monetary claims relates to civil claims filed by Privredna banka Zagreb (the PBZ) and Zagrebačka banka (the ZaBa) against NLB d.d., referring to the old savings of savers of the LB Branch Zagreb, which were transferred to Croatian banks in the principal amount of EUR 171,324,231.29. Due to the fact the proceedings have been pending for such a long time, the penalty interest already exceeds the principal amount. Based on numerous process and content-related reasons, NLB d.d. has all along objected to these claims. Two key reasons NLB d.d. is no longer liable for the old foreign currency savings are that it was only founded on the basis of the Constitutional Act on 27 July 1994 (at the time the savings were deposited with the LB Branch Zagreb, NLB d.d. did not exist yet), and NLB d.d. did not assume any of its obligations. Moreover, this is a former Yugoslavia succession matter as the governments of the Republic of Slovenia and the Republic of Croatia agreed in a Memorandum of Understanding signed in 2013 to find a solution to the transferred foreign currency savings of Ljubljanska banka in Croatia (LB) on the basis of the Agreement on Succession Issues and that the Republic of Croatia would stay all the proceedings commenced by the PBZ and the ZaBa in relation to the transferred foreign currency savings until the issue has been finally resolved. Nevertheless, in May 2015 the Court of Appeal, the County Court of Zagreb, ruled in one claim to reject the complaints raised by the LB and NLB d.d. and awarded that the plaintiff PBZ be paid the principal value of EUR 254.76 and costs of the proceedings totalling HRK 15,781.25, both with accompanying accrued penalty interest. NLB d.d. then filed a constitutional appeal against the aforementioned final judgement as it found the court decision contrary to the legislation in force as well as the Memorandum concluded between the Republic of Slovenia and the Republic of Croatia. In another similar case, the court of first instance decided in December 2015 that NLB d.d and LB d.d. were required to pay jointly and severally to the plaintiff PBZ EUR 222,426.39 with interest charged from 1/1/1992 and legal costs of HRK 253,293.37. NLB d.d. is considering all options available to protect its interests in the belief that, in accordance with the Constitutional Act, the obligation in question is not the obligation of NLB d.d. Conversely, in another case, a claim filed by the PBZ (the principal value of EUR 788.59 with interest) was rejected in connection with NLB d.d., along with their appeal before the court of appeal. Later in the proceedings, the Supreme Court of the Republic of Croatia rejected the revision of the PBZ as inadmissible, and the case became final in favour of NLB d.d. Provisions for these claims are not formed since NLB d.d. believes there are no legal grounds for them.

NLB d.d. and some other members of NLB Group are also involved in litigation brought by two plaintiffs, with the proceedings starting in 2012 and with a value of EUR 32.3 million. The court at first instance ruled in favour of the plaintiffs; however, all the defendants appealed. According to NLB Group, there are more legal arguments (procedural and substantive) on the part of the defendants in the appeal proceedings, because several irregularities and incorrect implementation of the law occurred during the proceedings at first instance. Therefore, provisions have not been formed.

b) Movements in provisions for guarantees and commitments

Financial guarantees

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Balance at 1 January	46,023	11,303	48,733	18,112
Effects of translation of foreign operations to presentation currency	-	-	(3)	(49)
Additional provisions/provisions released (note 4.10.)	(1,445)	36,480	(1,000)	32,361
Utilised during year	-	(1,763)	-	(1,763)
Exchange differences	5	3	7	72
Balance at 31 December	**44,583**	**46,023**	**47,737**	**48,733**

Non-financial guarantees

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Balance at 1 January	31,568	36,270	32,876	38,075
Effects of translation of foreign operations to presentation currency	-	-	(1)	(25)
Additional provisions/provisions released (note 4.10.)	(1,727)	(4,720)	(1,865)	(5,220)
Exchange differences	22	18	24	46
Balance at 31 December	**29,863**	**31,568**	**31,034**	**32,876**

Other credit commitments

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Balance at 1 January	11,212	6,952	11,190	11,424
Effects of translation of foreign operations to presentation currency	-	-	(1)	1
Additional provisions/provisions released (note 4.10.)	(8,047)	4,183	(7,982)	(313)
Exchange differences	32	77	21	78
Balance at 31 December	**3,197**	**11,212**	**3,228**	**11,190**

c) Movements in employee benefit provisions

Post-employment benefits

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Balance at 1 January	10,925	7,071	12,275	8,903
Effects of translation of foreign operations to presentation currency	-	-	(2)	(13)
Additional provisions (note 4.9.)	334	300	543	453
Provisions released (note 4.9.)	(22)	(754)	(224)	(1,031)
Interest expenses (note 4.1.)	431	508	576	684
Utilised during year (payments)	(588)	(146)	(938)	(377)
Actuarial gains and losses	706	3,946	1,975	3,656
Balance at 31 December	**11,786**	**10,925**	**14,205**	**12,275**

Other employee benefits

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Balance at 1 January	4,816	4,771	6,720	6,522
Effects of translation of foreign operations to presentation currency	-	-	(1)	(10)
Additional provisions (note 4.9.)	2,509	3,005	4,379	4,576
Provisions released (note 4.9.)	(8)	(530)	(15)	(545)
Interest expenses (note 4.1.)	119	145	175	203
Utilised during year	(2,663)	(2,575)	(4,198)	(4,026)
Balance at 31 December	**4,773**	**4,816**	**7,060**	**6,720**

Other employee benefits include NLB Group's obligations for jubilee long-service benefits and unused annual leave.

d) Movements in provisions for premiums from the National Housing Savings Scheme

in EUR thousand

NLB d.d. and NLB Group	2015	2014
Balance at 1 January	733	877
Additional provisions (note 4.11.)	-	300
Provisions released (note 4.11.)	(106)	-
Utilised during year	(573)	(444)
Balance at 31 December	**54**	**733**

According to the covenants of the National Housing Savings 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 out a loan after the scheme concludes. NLB d.d. has created provisions for the expected amount of such premiums.

e) Movements in restructuring provisions

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Balance at 1 January	5,824	10,866	5,871	11,803
Additional provisions (note 4.11.)	-	-	19	1,342
Provisions released (note 4.11.)	(15)	-	(15)	(171)
Utilised during year	(2,380)	(5,042)	(2,398)	(7,103)
Balance at 31 December	**3,429**	**5,824**	**3,477**	**5,871**

Cash flows associated with restructuring provisions are expected in the next year.

f) Movements in provisions for legal issues

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Balance at 1 January	1,666	1,094	6,774	5,327
Effects of translation of foreign operations to presentation currency	-	-	(21)	(137)
Additional provisions (note 4.11.)	3,409	669	8,176	4,575
Provisions released (note 4.11.)	-	(85)	(701)	(2,419)
Utilised during year	(2)	(9)	(765)	(569)
Exchange differences	2	(3)	2	(3)
Balance at 31 December	**5,075**	**1,666**	**13,465**	**6,774**

g) Movements in other provisions

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Balance at 1 January	1,798	7,876	1,802	7,880
Additional provisions (note 4.11.)	2,928	-	2,928	-
Provisions released (note 4.11.)	(150)	(6,077)	(150)	(6,077)
Utilised during year	(2,199)	(1)	(2,201)	(1)
Balance at 31 December	**2,377**	**1,798**	**2,379**	**1,802**

5.18. Deferred income tax

a) Analysis by type of deferred income taxes

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Deferred income tax assets				
Valuation of financial instruments and capital investments	59,534	53,819	59,683	53,865
Impairment provisions	3,673	3,874	4,219	32,452
Employee benefit provisions	2,246	1,718	2,385	1,906
Depreciation and valuation of non-financial assets	182	295	1,130	1,364
Dividends	-	7	-	7
Tax losses	232,371	241,296	229,229	224,062
Tax reliefs	-	-	-	28
Reduction of deferred tax assets	(278,020)	(281,023)	(275,098)	(293,340)
Total deferred income tax assets	**19,986**	**19,986**	**21,548**	**20,344**
Deferred income tax liabilities				
Valuation of financial instruments	10,608	13,003	11,249	13,500
Depreciation and valuation of non-financial assets	239	245	1,056	1,109
Impairment provisions	-	-	129	64
Other	-	-	27	39
Total deferred income tax liabilities	**10,847**	**13,248**	**12,461**	**14,712**
Net deferred income tax assets	**9,139**	**6,738**	**9,400**	**5,947**
Net deferred income tax liabilities	**-**	**-**	**(313)**	**(315)**
Included in the income statement for the current year	**292**	**283**	**1,387**	**787**
- valuation of financial instruments and capital investments	6,741	(13,144)	6,742	(13,144)
- impairment provisions	(201)	(40)	(28,299)	7,874
- employee benefit provisions	(212)	(690)	(261)	(677)
- depreciation and valuation of non-financial assets	(107)	(164)	(181)	10
- tax losses	(8,925)	(1,507)	5,167	3,971
- dividends	(7)	-	(7)	-
- tax credits	-	(1,489)	(28)	(1,481)
- adjustment of deferred tax assets	3,003	17,317	18,242	4,273
- other	-	-	12	(39)
Included in other comprehensive income for the current year	**2,109**	**(6,937)**	**2,067**	**(6,876)**
- valuation of available-for-sale financial assets	1,455	(7,048)	1,413	(6,987)
- cash flow hedges	(86)	111	(86)	111
- actuarial assumptions and experience	740	-	740	-

Slovenian law does not set limits or deadlines by which uncovered tax losses must be utilised.

If NLB d.d. were in accordance with IAS 12 to record deferred tax assets on all deductible temporary differences, the amount of deferred tax assets would be EUR 298,006 thousand (31 December 2014: EUR 301,009 thousand). NLB d.d. reduced the deferred taxes it estimates will not be eliminated in the foreseeable future (i.e. within 5 years), given future profit projections. The reduction amounted to EUR 278,020 thousand (31 December 2014: EUR 281,023 thousand).

b) Movements in deferred income taxes

Deferred income tax assets

in EUR thousand

NLB d.d.	Employee benefit provisions	Valuation of financial instruments and capital investments	Depreciation and valuation of non-financial assets	Impairment provisions	Tax losses	Tax reliefs	Reduction of deferred tax assets	Dividends	Total
Balance at 1 January 2014	2,408	67,233	472	3,914	242,803	1,489	(298,340)	7	19,986
(Charged)/credited to profit and loss	(690)	(13,226)	(177)	(40)	(1,507)	(1,489)	17,317	-	188
Charged to other comprehensive income	-	(188)	-	-	-	-	-	-	(188)
Balance at 31 December 2014	**1,718**	**53,819**	**295**	**3,874**	**241,296**	**-**	**(281,023)**	**7**	**19,986**
Credited/(charged) to profit and loss	(212)	6,657	(113)	(201)	(8,925)	-	3,003	(7)	202
Credited/(charged) to other comprehensive income	740	(942)	-	-	-	-	-	-	(202)
Balance at 31 December 2015	**2,246**	**59,534**	**182**	**3,673**	**232,371**	**-**	**(278,020)**	**-**	**19,986**

in EUR thousand

NLB Group	Employee benefit provisions	Valuation of financial instruments and capital investments	Depreciation and valuation of non-financial assets	Impairment provisions	Tax losses	Tax reliefs	Reduction of deferred tax assets	Dividends	Total
Balance at 1 January 2014	2,587	67,265	1,040	24,555	220,091	1,509	(297,613)	7	19,441
Effects of translation of foreign operations to presentation currency	(4)	2	(21)	(2)	-	-	-	-	(25)
Credited/(charged) to profit and loss	(677)	(13,226)	345	7,899	3,971	(1,481)	4,273	-	1,104
Charged to other comprehensive income	-	(176)	-	-	-	-	-	-	(176)
Balance at 31 December 2014	**1,906**	**53,865**	**1,364**	**32,452**	**224,062**	**28**	**(293,340)**	**7**	**20,344**
Effects of translation of foreign operations to presentation currency	-	-	-	1	-	-	-	-	1
Credited/(charged) to profit and loss	(261)	6,660	(234)	(28,234)	5,167	(28)	18,242	(7)	1,305
Credited/(charged) to other comprehensive income	740	(842)	-	-	-	-	-	-	(102)
Balance at 31 December 2015	**2,385**	**59,683**	**1,130**	**4,219**	**229,229**	**-**	**(275,098)**	**-**	**21,548**

Deferred income tax liabilities

in EUR thousand

NLB d.d.	Valuation of financial instruments and capital investments	Depreciation and valuation of non-financial assets	Total
Balance at 1 January 2014	6,336	258	6,594
Credited to profit and loss	(82)	(13)	(95)
Charged to other comprehensive income	6,749	-	6,749
Balance at 31 December 2014	**13,003**	**245**	**13,248**
Credited to profit and loss	(84)	(6)	(90)
Credited to other comprehensive income	(2,311)	-	(2,311)
Balance at 31 December 2015	**10,608**	**239**	**10,847**

in EUR thousand

NLB Group	Impairment provisions	Valuation of financial instruments and capital investments	Depreciation and valuation of non-financial assets	Other	Total
Balance at 1 January 2014	40	6,890	789	-	7,719
Effects of translation of foreign operations to presentation currency	(1)	(8)	(15)	-	(24)
Charged/(credited) to profit and loss	25	(82)	335	39	317
Charged to other comprehensive income	-	6,700	-	-	6,700
Balance at 31 December 2014	**64**	**13,500**	**1,109**	**39**	**14,712**
Charged/(credited) to profit and loss	65	(82)	(53)	(12)	(82)
Credited to other comprehensive income	-	(2,169)	-	-	(2,169)
Balance at 31 December 2015	**129**	**11,249**	**1,056**	**27**	**12,461**

5.19. Income tax relating to components of other comprehensive income

in EUR thousand

	NLB d.d.			NLB Group		
2015	Before tax amount	Tax expense	Net of tax amount	Before tax amount	Tax expense	Net of tax amount
Actuarial gains and lossess	(706)	740	34	(1,975)	740	(1,235)
Available-for-sale financial assets	(8,562)	1,455	(7,107)	(8,496)	1,413	(7,083)
Cash flow hedge	509	(86)	423	509	(86)	423
Share of associates and joint ventures	-	-	-	(2,735)	456	(2,279)
Total	**(8,759)**	**2,109**	**(6,650)**	**(12,697)**	**2,523**	**(10,174)**

in EUR thousand

	NLB d.d.			NLB Group		
2014	Before tax amount	Tax expense	Net of tax amount	Before tax amount	Tax expense	Net of tax amount
Actuarial gains and lossess	(3,946)	-	(3,946)	(3,656)	-	(3,656)
Available-for-sale financial assets	41,461	(7,048)	34,413	40,970	(6,987)	33,983
Cash flow hedge	(655)	111	(544)	(655)	111	(544)
Share of associates and joint ventures	-	-	-	7,338	(1,202)	6,136
Total	**36,860**	**(6,937)**	**29,923**	**43,997**	**(8,078)**	**35,919**

NLB d.d. recognised deferred income tax assets for actuarial gains and losses in 2015 after the change of the Corporate Income Tax Act which allows a tax deduction for actuarial losses recorded in other comprehensive income.

5.20. Other liabilities

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Taxes payable	3,817	3,397	4,982	4,300
Deferred income	1,693	832	7,579	3,772
Payments received in advance	166	34	1,978	3,994
Total	**5,676**	**4,263**	**14,539**	**12,066**

5.21. Share capital

The share capital of NLB d.d. amounts to EUR 200,000 thousand and did not change during 2015. As at 31 December 2015 and 31 December 2014, the Republic of Slovenia was the only shareholder of NLB d.d. NLB Group does not own treasury shares.

The book value of a NLB d.d. share as at 31 December 2015 was EUR 62.1 (31 December 2014: EUR 60.2) and on a consolidated level it was EUR 71.1 (31 December 2014: EUR 67.2). It is calculated as the ratio of net assets' book value without other equity instruments issued and the number of shares.

Distributable profit as at 31 December 2015 amounts to EUR 125,410 thousand (31 December 2014: EUR 81,529 thousand) and consists of net profit for 2015 in the amount of EUR 43,881 thousand and retained earnings from 2014 in the amount of EUR 81,529 thousand. Its allocation will be subject to a decision by the Bank's Annual General Meeting.

In 2015 and 2014, NLB d.d. did not pay a dividend for previous years.

5.22. Accumulated other comprehensive income and reserves

a) Reserves

The share premium account as at 31 December 2015 and 31 December 2014 comprises paid-up premiums in the amount of EUR 822,173 thousand and the revaluation of share capital from previous years in the amount of EUR 49,205 thousand.

As at 31 December 2015 and 31 December 2014 profit reserves in the amount of EUR 13,522 thousand relate entirely to legal reserves in accordance with the Companies Act.

In 2015, NLB d.d. recorded a net profit of EUR 43,881 thousand which is included in the retained earnings as at 31 December 2015.

b) Accumulated other comprehensive income

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Cash flow hedging	(2,243)	(2,666)	(2,243)	(2,666)
Available-for-sale financial assets - equity securities	10,046	11,019	11,342	12,327
Available-for-sale financial assets - debt securities	27,950	34,084	36,982	45,416
Actuarial defined benefit pension plans	(3,912)	(3,946)	(4,935)	(3,767)
Foreign currency translation	-	-	(18,297)	(15,579)
Hedge of a net investment in a foreign operation	-	-	754	754
Total	**31,841**	**38,491**	**23,603**	**36,485**

5.23. Capital adequacy ratios

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Paid up capital instruments	200,000	200,000	200,000	200,000
Share premium	871,378	871,378	871,378	871,378
Retained earnings - from previous years	81,529	-	207,004	148,234
Profit or loss eligible - from current year	-	81,529	39,599	58,111
Accumulated other comprehensive income	2,815	(1,519)	(4,090)	(4,663)
Other reserves	13,522	13,522	13,522	13,522
Minority interest	-	-	-	-
Prudential filters: Cash flow hedge reserve	897	533	897	533
Prudential filters: Value adjustments due to the requirements for prudent valuation	(2,649)	(3,049)	(3,134)	(3,535)
(-) Goodwill	-	-	(3,529)	(3,529)
(-) Other intangible assets	(29,627)	(33,743)	(35,745)	(39,171)
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(2,886)	(1,094)	(2,755)	(802)
(-) Investments in CET1 instruments of financial sector - significant share	-	-	-	-
Common Equity Tier 1 Capital (CET1)	**1,134,979**	**1,127,557**	**1,283,147**	**1,240,078**
Additional Tier 1 capital	-	-	-	-
Tier 1 capital	**1,134,979**	**1,127,557**	**1,283,147**	**1,240,078**
Tier 2 capital	-	-	-	-
Total capital (own funds)	**1,134,979**	**1,127,557**	**1,283,147**	**1,240,078**
RWA for credit risk	4,353,619	4,292,627	6,849,633	5,875,105
RWA for market risks	68,988	26,963	137,351	141,001
RWA for credit valuation adjustment risk	9,313	8,338	9,313	8,338
RWA for operational risk	596,127	634,290	930,688	1,013,538
Total risk exposure amount (RWA)	**5,028,047**	**4,962,218**	**7,926,985**	**7,037,982**
Common Equity Tier 1 Ratio	22.6%	22.7%	16.2%	17.6%
Tier 1 Ratio	22.6%	22.7%	16.2%	17.6%
Total Capital Ratio	22.6%	22.7%	16.2%	17.6%

European capital legislation, comprising the CRR regulation and CRD IV directive is based on the Basel III guidelines. Legislation defines three capital ratios reflecting a different quality of capital:

- Common Equity Tier 1 ratio (ratio between common or CET1 capital and weighted risk exposure amount or RWA), which must not fall below 4.5%;
- Tier 1 capital ratio (Tier 1 capital to RWA), which must not fall below 6%; and
- Total capital ratio (Total capital to RWA), which must not fall below 8%.

NLB d.d. and NLB Group fulfil all regulatory requirements regarding the minimum level of capital adequacy ratios, prescribed by both the legislation and the supervisory authorities.

The capital of the Bank and the Group in 2015 consists only of the highest quality CET1 capital (no subordinated instruments that could be classified as capital of a lower category). Therefore, all three achieved ratios are equal.

In the scope of regulatory risks, which include credit risk, operational risk and market risk, NLB Group uses the standardised approach for credit and market risks while the calculation of capital requirement for operational risks is made according to the basic indicator approach. The same approaches are used for calculating the capital requirements for NLB d.d. on a standalone basis, except for the calculation of the capital requirement for operational risks where the standardised approach is used.

In preparation of the internal capital adequacy assessment, NLB d.d. and bank members of NLB Group identify risks not included in the calculation under the regulatory approach (Pilar 1) which have a significant impact on their operation. The scope of additional credit risks also includes the concentration risk – to individual clients and groups of related parties, at the level of activity – and collateral concentration risk. NLB Group calculates the capital requirement for non-financial risks (which include capital risk, profitability risk, strategic risk, divestment risk and reputation risk) if it assesses that an individual risk is crucial for NLB Group. In addition, the non-regulatory risks include the effects of stress scenarios for credit (deterioration of the credit-rating structure, decrease in real-estate market prices), currency, liquidity, interest rate risk in the banking book, credit spread risks, and market risks arising from securities.

More detailed information on capital adequacy is disclosed in the chapter Risk and capital management.

5.24. Foreign branches

NLB d.d. has a branch in Trieste which is in the process of being wound down. Its key figures are as follows:

in EUR thousand

	2015	2014
Interest and fee income	155	478
Net loss for the year	(583)	(1,750)

	31.12.2015	31.12.2014
Total assets (in thousand EUR)	7,158	21,818
Number of employees	-	18

5.25. Off-balance sheet liabilities

a) Contractual amounts of off-balance sheet financial instruments

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Short-term guarantees	97,543	112,844	190,705	209,806
- financial	*50,844*	*44,871*	*124,080*	*120,868*
- non-financial	*46,699*	*67,973*	*66,625*	*88,938*
Long-term guarantees	489,163	580,742	599,865	689,997
- financial	*162,973*	*201,593*	*233,706*	*274,826*
- non-financial	*326,190*	*379,149*	*366,159*	*415,171*
Commitments to extend credit	923,755	1,012,334	1,101,241	1,101,684
Letters of credit	3,567	1,411	19,402	12,604
Other	117	832	7,289	6,040
	1,514,145	1,708,163	1,918,502	2,020,131
Provisions (note 5.17.b)	(77,643)	(88,803)	(81,999)	(92,799)
Total	**1,436,502**	**1,619,360**	**1,836,503**	**1,927,332**

b) Analysis of derivative financial instruments by notional amounts

in EUR thousand

	NLB d.d.				NLB Group			
	31.12.2015		31.12.2014		31.12.2015		31.12.2014	
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
Swaps	90,258	1,026,002	170,418	1,418,074	90,258	1,023,123	170,058	1,414,521
- currency swaps	*90,258*	*3,312*	*120,418*	*6,640*	*90,258*	*3,312*	*120,058*	*6,640*
- interest rate swaps	-	*1,000,689*	*50,000*	*1,289,636*	-	*997,810*	*50,000*	*1,286,083*
- currency interest rate swaps	-	*22,001*	-	*121,798*	-	*22,001*	-	*121,798*
Options	15,085	4,763	8,719	8,309	15,085	4,763	8,719	8,309
- currency options	*7,093*	-	-	-	*7,093*	-	-	-
- interest rate options	-	*4,763*	-	*8,309*	-	*4,763*	-	*8,309*
- securities options	*7,992*	-	*8,719*	-	*7,992*	-	*8,719*	-
Forward contracts	114,393	12,188	272,104	18,511	114,030	12,188	271,704	18,511
- currency forward	*114,393*	*12,188*	*272,104*	*18,511*	*114,030*	*12,188*	*271,704*	*18,511*
Futures	2,500	-	2,900	-	2,500	-	2,900	-
- currency futures	*2,500*	-	*2,900*	-	*2,500*	-	*2,900*	-
Total	**222,236**	**1,042,953**	**454,141**	**1,444,894**	**221,873**	**1,040,074**	**453,381**	**1,441,341**
	1,265,189		**1,899,035**		**1,261,947**		**1,894,722**	

The notional amounts of derivative financial instruments that qualify for hedge accounting at NLB d.d. and NLB Group amount to EUR 172,223 thousand (31 December 2014: EUR 224,349 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:

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Real estate				
Not later than one year	980	1,381	1,833	1,871
Later than one year and not later than five years	3,802	5,056	5,977	5,981
Later than five years	1,842	2,509	1,921	1,994
Other				
Not later than one year	251	282	399	405
Later than one year and not later than five years	454	750	1,085	1,241
Later than five years	-	27	-	27
Total	**7,329**	**10,005**	**11,215**	**11,519**

d) Operating lease income

Future minimum operating lease income:

in EUR thousand

NLB Group	2015	2014
Not later than one year	6,619	3,964
Later than one year and not later than five years	14,069	10,361
Later than five years	35,957	38,182
Total	**56,645**	**52,507**

e) Capital commitments

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Capital commitments for purchase of:				
- property and equipment	1,099	97	1,193	227
- intangible assets	2,285	165	2,408	304
Total	**3,384**	**262**	**3,601**	**531**

5.26. Funds managed on behalf of third parties

Funds managed on behalf of third parties are accounted separately from NLB Group's funds. Income and expenses arising with respect to these funds are charged to the respective fund, and no liability falls on NLB Group in connection with these transactions. NLB Group charges fees for its services.

Funds managed on behalf of third parties

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Fiduciary activities	10,167,040	10,129,307	11,056,208	10,863,919
Settlement and other services	1,079,281	2,903,176	1,110,667	2,941,190
Total	**11,246,321**	**13,032,483**	**12,166,875**	**13,805,109**

Fiduciary activities

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Assets				
Clearing or transaction account claims for client assets	**10,124,884**	**10,106,792**	**11,006,524**	**10,834,744**
- from financial instruments	10,117,536	10,087,226	10,999,108	10,814,913
- receipt, processing and execution of orders	808,071	1,062,190	1,261,293	1,444,719
- management of financial instruments portfolio	-	-	339,607	304,341
- custody services	9,309,465	9,025,036	9,398,208	9,065,853
- to Central Securities Clearing Corporation or bank settlement account for sold financial instrument	123	1,158	191	1,423
- to other settlement systems and institutions for bought financial instrument (debtors)	7,225	18,408	7,225	18,408
Clients' money	**42,156**	**22,515**	**49,684**	**29,175**
- at settlement account for client assets	13,187	7,667	20,715	14,327
- at bank transaction accounts	28,969	14,848	28,969	14,848
Liabilities				
Clearing or transaction liabilities for client assets	**10,167,040**	**10,129,307**	**11,056,208**	**10,863,919**
- to client from cash and financial instruments	10,152,750	10,121,117	11,041,371	10,855,043
- receipt, processing and execution of orders	810,629	1,063,051	1,263,851	1,445,580
- management of financial instruments portfolio	-	-	346,656	310,580
- custody services	9,342,121	9,058,066	9,430,864	9,098,883
- to Central Securities Clearing Corporation or bank settlement account for bought financial instrument	126	45	126	45
- to other settlement systems and institutions for bought financial instrument (creditors)	13,816	7,768	14,363	8,454
- to bank or settlement bank account for fees and costs etc.	348	377	348	377

Fee income for funds managed on behalf of third parties

in EUR thousand

	NLB d.d.		NLB Group	
	2015	2014	2015	2014
Fiduciary activities (note 4.3.b)	5,859	6,190	7,111	7,251
Settlement and other services	848	399	966	602
Total	**6,707**	**6,589**	**8,077**	**7,853**

6. Events after the reporting date

In February 2016, the Supervisory Board of NLB d.d. adopted a decision on the consensual early termination of office for Janko Medja, the CEO of the Bank. The General Meeting of Shareholders of NLB d.d. adopted a decision about an increase in the number of Supervisory Board members from seven to nine. Two previous members of the Supervisory Board of NLB d.d. were discharged and five new members were appointed.

7. Risk management

a) Risk management strategies and processes

Following the strategic goal of NLB Group to create sustainable, profitable business results, risk management is focussing on enhancing and comprehensively managing all relevant risk categories, embedding a sound and holistic understanding of risk management into the entire organisation, to proactively monitor and mitigate risks, and to ensure the prudent and economic use of its capital. Basic risk guidelines of NLB Group are defined by its risk appetite and its risk strategy, which are regularly revised and enhanced. The Strategy of NLB Group, the risk strategy guidelines and the key internal policies of NLB Group, which are approved by the Management Board and also discussed by the Supervisory Board, specify the strategic goals, risk appetite guidelines, approaches and methodologies for monitoring, measuring and managing all types of risk.

The management of credit risk, which is the most important risk category in NLB Group, concentrates on taking moderate risks and ensuring an optimal return given the risks assumed, while at the same time putting a key focus on resolving the non-performing part of its legacy portfolio. As regards liquidity risk, the activities are geared towards constantly ensuring an appropriate level of liquidity, both short- and long-term. Concerning market and operational risks, NLB Group follows the orientation that such risks must not significantly impact its operations. The tolerance for other risk types is low with a focus on minimising their possible impacts on NLB Group's entire operations.

The Bank is regularly monitoring its target Risk Profile, both for NLB d.d. and NLB Group. The usage of limits and potential deviations from limits and target values are reported regularly to the respective committees and/or the Management Board of the Bank, a comprehensive Risk Report is quarterly reviewed both by the Management Board, the Risk Committee of the Supervisory Board, and the Supervisory Board of the Bank. The banking subsidiaries within NLB Group have adapted a corresponding approach to monitor their target risk profiles.

The internal risk management policies of NLB Group members include aligned key risk management guidelines at the level of the Group, along with the requirements arising from the local regulations. The policies are approved by the members' managements and also discussed by their supervisory boards. They define in detail the approaches and methodologies for monitoring, measuring and managing all types of risks, with an emphasis on:

- monitoring the credit portfolio and minimising losses arising from credit risk, which considering its business model is the principal risk of NLB Group;
- ensuring a sufficient level of liquidity;
- minimising negative income effects arising from market risks; and
- minimising potential losses arising from operational risks.

The following documents are crucial for the purpose of managing risks at NLB Group level:

- Risk Appetite Statement,
- Risk Strategy of NLB Group,
- Risk Management Standards of NLB Group,
- Criteria and Procedures for Granting Loans in NLB Group Members,
- Loan Collateral Manual in NLB Group,
- Methodology of receivable impairment and provisioning for credit risks according to the International Financial Reporting Standards and the regulations of the Bank of Slovenia applying to NLB d.d. and NLB Group,
- Policy on Lending to Non-financial Companies of NLB d.d., and
- Minimum Standards for Financial Markets.

b) Risk management structure and organisation

Risk monitoring in NLB Group is centralised within the specialised Business-line Risk, encompassing several organisational units of NLB d.d. This business line is in charge of formulating and controlling the risk management policies, coordinating activities related to the harmonisation of risk management in NLB Group, monitoring NLB Group's exposure to all types of business risk, and preparation of external and internal reports. Moreover, the business line is also responsible for setting up on NLB Group level the methodology of credit rating classification and setting exposure limits and the methodology for appraising movable and immovable property. Credit ratings of materially important clients and the issuing of credit risk opinions (credit advice as part of the co-decision principle) are centralised via the Credit Committee of NLB d.d. All members of NLB Group which are included in the consolidated financial statements of NLB Group report their exposure to risks to the competent organisational units in NLB d.d. These report all the relevant information to the Assets and Liabilities Committee (ALCO) of NLB Group, the Management Board and the Risk Committee of the Supervisory Board, which adopt the required measures or decisions.

The primary responsibility for managing the risks assumed by NLB Group members within the framework of their business strategy lies with their managements, which are obliged to pursue the strategic goals and implement the planned business results as well as monitor and manage risks in accordance with the guidelines at NLB Group level. For this purpose, the members must adopt appropriate risk management policies. The supervisory board of a member gives approval to objectives and policies and within its competence monitors their implementation as well as assesses their effectiveness. The member's management or the management board and its committees may in accordance with their authorisations delegate certain tasks, particularly operating responsibilities in risk management, to lower management levels.

Risk monitoring in NLB Group members is centralised within an independent and/or separate organisational unit. The centralised monitoring of risks ensures the establishment of standardised and systemic approaches to risk management, and thus a comprehensive overview of events in the Group's and each member's statement of financial position. In compliance with the Risk Management Standards of NLB Group, this is organised in all members in such a manner that risk measurement and monitoring is separated from its management and/or business function, which is important due to the objectivity required when assessing business decisions. The organisational unit for managing risks is directly responsible to the Management Board or its committees (Credit Committee, ALCO and Operational Risk Committee), which report to the Supervisory Board (Risk Committee of the Supervisory Board or Board of Directors).

The organisation and delimitation of competencies in the risk management area are designed to prevent conflicts of interest and ensure a transparent and documented decision-making process, subject to an appropriate upward and downward flow of information.

c) Risk measurement and reporting systems

The measurement systems and the risk management principles are crucial elements of the risk management policies which, for the purpose of consolidated control, are aligned with all regulatory requirements of the Bank of Slovenia and the European Central Bank, taking into account the provisions of the Directive (CRD), Decision (CRR) and EBA guidelines. Referring to capital adequacy, NLB Group applies the standardised approach to credit and market risk and the basic approach to operational risks, with the exception of NLB d.d. which applies the standardised approach.

For the internal needs of measuring of exposure to credit, market, interest, operational and non-financial risks in NLB Group, besides the prescribed regulations internal methodologies and approaches are used, enabling the more detailed monitoring and management of risks. These are aligned with the Basel and EBA guidelines as well as the best methodological approaches in banking practice. A more detailed description of the methodologies for monitoring individual types of risks is provided in the following sections related to each individual risk separately.

In NLB Group, reporting complies with the internal guidelines which, in terms of the substance and frequency of reporting and, besides internal requirements, take into account the requirements of the Bank of Slovenia and the European Central Bank. At the individual level, members of NLB Group also comply with the requirements of the local regulations. Reporting is carried out in the form of standardised reports. This is enabled by risk management policies reasonably aligned with the methodologies for measuring and harmonising exposure to risks, appropriately established databases and the automation of report preparation at NLB Group level, which also ensures their quality and reduces the possibility of errors.

d) Main emphasis of risk management in 2015

NLB Group was further strengthening the robustness of its risk management system in all respective risk categories in order to manage them comprehensively and prudently. The most important risk in NLB Group, in line with strategic orientations, remains the credit risk category. NLB Group gives great emphasis to constantly improving the credit portfolio quality, where the new financing of corporate and retail clients represents one of the crucial steps. Lower indebtedness of the companies and their successful restructuring had a positive influence on the approval of new loans. In the retail segment, positive trends are shown in the larger trust and the related consumption, reduced unemployment rate and recovery of the real-estate market. In the area of granting new investments, the process of introducing improvements in the credit process and risk assumption culture continues. The emphasis is on the development of internal scoring models for individual client segments in order to consistently detect risks and achieve better responsiveness in relations with clients. NLB Group has set up a system for the early detection of a deterioration in a client's business, covering clients on the watch list or in intensive care. Their financial standing and execution of activities under the action plan are regularly monitored by a special committee. In addition, the activities of NLB Group are also focused on a further reduction of the volume of NPLs. In line with the EBA guidelines, in 2015 NLB Group disclosed positive effects arising from intensive care of clients facing problems in operations, primarily through restructuring measures. Positive results also arise from the proactive approaches to debt collection, sale of receivables, and acceptance and sale of received collateral.

The liquidity position of NLB d.d. and, consequently, NLB Group is high and remains stable, which is, among others, shown by comfortably reaching all regulatory indicators' limits. NLB Group also has sufficient liquidity reserves in the event of possible realisation of the liquidity stress scenarios. NLB Group maintains a conservative policy for market risks. There is also a large emphasis on the management of operational risks, where NLB Group follows the guideline that such risk may not considerably influence its operations. Moreover, NLB Group places great importance on regularly monitoring novelties in the regulations and good approaches in the banking practice and their implementation so as to further improve supervision over the assumption of risks and their management in practice.

7.1. Credit risk management

a) Introduction

In its operations, NLB Group is exposed to credit risk or the risk of losses due to the failure of a debtor to settle its liabilities to NLB Group. For that reason, it proactively and comprehensively monitors and assesses the aforementioned risk. In that process, NLB Group follows the International Financial Reporting Standards, regulations issued by the Bank of Slovenia and the EBA guidelines. This area is governed in greater detail by the internal methodologies and procedures set out in internal acts.

Through regular reviews of the business practices and the credit portfolios of NLB entities, NLB d.d. ensures that the credit risk management of those entities functions in accordance with NLB Group's risk management standards in order to ensure meaningfully uniform procedures at the consolidated level.

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 concluding an agreement, a customer's performance, financial position and past cooperation with 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 its liabilities and contractual obligations. As regards the above-mentioned detection of risks, regular monitoring of clients within the Early Warning System (EWS) is important. For the purpose of objectively assessing a client's operation comprehensively, internal scoring models for particular client segments have been developed.
- At the level of the overall portfolio of NLB d.d. and NLB Group the quality of the credit portfolio, including on-balance and off-balance sheet exposures, is actively monitored and analysed in terms of client segmentation (depending on the client type and size), credit rating structure, arrears and/or volume of non-performing/past due and restructured receivables, coverage with impairments and provisions, collateral received, concentrations arising from a group of related clients and concentrations within an industry, currency exposure and other indicators of risks in the credit portfolio. Regular monitoring comprises an analysis of new deals and other changes or trends, with the emphasis on the early detection of increased risks and their optimisation in relation of profitability. 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 within the second pillar. Capital requirements for credit risk at NLB Group level within the first pillar are calculated according to the standardised approach, while within the second pillar stress testing and concentration risk assessment are carried out.

NLB d.d. and other NLB Group members assess the level of credit risk losses on an individual basis for material claims, which are reviewed individually, and at the 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, whether financial assets will be restructured for economic or legal reasons, and the likelihood that a customer will enter into bankruptcy or a financial reorganisation. 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 recognised. 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 the probability of default (PD) and with respect to the average rate of default or loss given default (LGD) associated with non-performing claims. The probability of default is determined by transition matrices which illustrate the migration of customers between rating categories, using an unweighted moving average. The average rate of default or loss given default, which indicates how much we will lose on average when a claim becomes non-performing, is determined based on the amount of impairments created for non-performing loans as the non-weighted average of loss given a default. When creating collective provisions for commitments, on the basis of empirical data regarding the redemption of guarantees in the past, the probability of the redemption of guarantees is taken into account when creating collective provisions. Activities related to meeting the IFRS 9 requirements, which are planned to enter into force at the beginning of 2018, are underway (note 2.34.).

b) Main emphasis in 2015

In the process of constantly improving credit risk management NLB Group focuses on taking moderate risks and simultaneously ensuring an optimal return considering the risks assumed. To ensure long-term profitable operations, NLB Group endeavours for a gradual improvement in the quality of the credit portfolio with a new, sound portfolio, and simultaneously focuses on a proactive reduction of the volume of non-performing exposures.

The credit risk management efforts of NLB Group are aimed at further upgrading the existing credit process and further improving the risk management culture. The credit policy defines the guidelines leading towards prudent risk assumption in relation to the approval of new loans. The Bank continues to develop internal scoring models for individual client segments in the area of both corporate and retail clients. In connection with the early warning system (EWS), the latter can gradually considerably contribute to an improved assessment of credit risks, the greater stability of transitions to lower credit ratings and the earlier detection of problems. Additional control activities are carried out within a specialised unit, which improves the control activities within the credit function.

Regular monitoring and analysing of trends in the quality of individual segments of the investment portfolio, with a special focus on new transactions, enables the early detection of increased risks at the portfolio level as well as optimisation of the risks assumed with regard to profitability. Besides, the emphasis is also on regular monitoring, management and reporting on non-performing exposures (D- and E-rated clients). In accordance with the EBA requirements, the Bank also carries out detailed monitoring of forborne exposures and cured exposures.

In 2015, the quality of the credit portfolio, including on-balance and off-balance sheet exposures, of NLB d.d. and NLB Group improved. The latter results from the improvement in the structure of newly-approved transactions, positive effects of the successfully completed restructuring of clients in the corporate segment, and other measures and activities aimed at reducing the volume of non-performing exposures. Consequently, the credit portfolio at the level of NLB d.d. and NLB Group decreased. As regards the positive growth in the credit portfolio, NLB Tutunska banka stands out among the members.

The positive economic growth, more favourable macroeconomic indicators and lower indebtedness of companies exerted a favourable influence on the approval of new loans in this segment despite the fierce competition on the market. In the retail segment, positive movements have also been detected in housing and consumer loans as a result of the recovery of the real-estate market, the lower unemployment rate, the greater trust and related higher consumption. Within the investment portfolio of the Group, there was also an increase in short-term placements with central banks and interbank loans, which belong to the scope of investments for ensuring adequate liquidity of NLB Group.

In addition, NLB Group puts significant emphasis on activities aimed at further reducing non-performing exposures, either through intensive care of clients facing business problems, notably by restructuring and where appropriate partial write-off of liabilities, or through debt collection, seizure of collateral, sale of claims, active marketing of pledged assets and writing-off unrecoverable debt. Considerable stress was put on completing the procedures of financial and business restructuring, where NLB d.d. had a leading role in implementing the restructuring processes in the Slovenian banking industry. In 2015 positive effects were already visible in this area, although a large part will also be recorded in the coming period (in 2016 and 2017). In accordance with the EBA guidelines, the effects of the Bank's activities in restructuring have not yet been fully reflected in a decreased volume of NPLs because the restructured receivables and clients keep the NPL status at least for one year after they start regularly repaying their obligations arising from forborne receivables. Moreover, NLB Group has also adopted the NPL Management Strategy for 2015-2017, which is subject to yearly revision. In line with the Strategy, the Group met all the goals set for 2015.

At the end of 2015, the volume and share of non-performing loans (loans rated D and E) decreased as a result of different measures, such as successfully completed restructuring of clients, repayments received and write-offs of unrecoverable receivables. The highest shares of non-performing loans were recorded in the trade, manufacturing and construction sectors, while households still represent a low-risk client segment. The shares of non-performing loans were 16.8% and 19.9% for NLB d.d. and for NLB Group, respectively. In terms of net NPLs, the respective shares for NLB d.d. and NLB Group were 8.1% and 8.9%. The coverage of NPLs by individually established impairments has remained relatively high, 57.0% at NLB d.d. and 61.6% at NLB Group. In these financial statements the presentation of indicators related non-performing loans is based on the accounting information prepared in accordance with the IFRS, whereas in general (and as presented in the business part of this Annual report) NLB Group presents these indicators in accordance with the capital regulation requirements.

c) Internal rating system and authorisations

NLB d.d.	31.12.2015				31.12.2014			
	Gross loans and advances (in EUR thousand)	Loans and advances (%)	Impairment provision (in EUR thousand)	Impairment provision (%)	Gross loans and advances (in EUR thousand)	Loans and advances (%)	Impairment provision (in EUR thousand)	Impairment provision (%)
A	3,540,605	56.5	11,727	0.3	3,633,387	53.0	10,832	0.3
B	934,586	14.9	20,643	2.2	703,010	10.2	16,889	2.4
C	737,199	11.8	64,653	8.8	1,068,504	15.6	177,743	16.6
D and E	1,048,450	16.8	597,892	57.0	1,453,288	21.2	793,600	54.6
Total	**6,260,840**	**100.0**	**694,915**	**11.1**	**6,858,189**	**100.0**	**999,064**	**14.6**

*Other financial assets are not included.

NLB Group	31.12.2015				31.12.2014			
	Gross loans and advances (in EUR thousand)	Loans and advances (%)	Impairment provision (in EUR thousand)	Impairment provision (%)	Gross loans and advances (in EUR thousand)	Loans and advances (%)	Impairment provision (in EUR thousand)	Impairment provision (%)
A	4,816,101	54.8	22,773	0.5	4,951,243	53.0	22,204	0.5
B	1,564,895	17.8	54,140	3.5	1,173,722	12.6	51,468	4.4
C	650,739	7.4	106,585	16.4	771,214	8.2	110,452	14.3
D and E	1,751,317	19.9	1,079,579	61.6	2,453,304	26.2	1,478,902	60.3
Total	**8,783,052**	**100.0**	**1,263,077**	**14.4**	**9,349,483**	**100.0**	**1,663,026**	**17.8**

*Other financial assets are not included.

The basis for the client credit rating classification in NLB Group is an internally developed methodology. It is based on internal statistical analyses, good banking practices as well as regulations of the Bank of Slovenia (Decision of the Bank of Slovenia on the Assessment of Credit Risk Losses of Banks and Savings Banks) and requirements of the European Banking Authority (EBA). The rating methodology is used across the entire NLB Group. A uniform credit grade scale of 12 rating classes was implemented in 2015, while before other members of NLB Group were using a narrower credit grade scale. The rating methodology consists of 12 credit rating classes for classifying legal persons, whereby 9 of the credit rating classes represent a going concern, i.e. performing clients, and 3 of them non-performing clients, i.e. 'defaulters'.

Grade A (AAA-A) includes the best clients with a low degree of default probability which is characterised by high capital adequacy and a high coverage of financial liabilities with free cash flow. Grade B (BBB-B) includes clients with a low credit risk, one class lower than A-grade clients. The clients operate successfully, have a sufficient cash flow to settle their obligations, but some are more sensitive to changes in the industry or the economy. C (CCC-C) grade clients are exposed to a higher and above-average level of credit risk. The Bank reasonably restricts cooperation with such clients and decreases its exposure. For some of these clients, the specialised restructuring unit must participate in the process.

The D-, DF- and E-grades represent defaulters or clients with a high probability of default. Besides clients in insolvency proceedings and with arrears of over 90 days, this category includes clients where the Bank, based on past operations and future projections, assesses a high probability of default ("unlikely to pay"). D- and E-grade clients are ordinarily handled by the specialised units for restructuring or workout and legal support or by the specialised working groups.

Authorisations, procedures and the detailed rating methodology, as well as the setting of a maximum borrowing limit and the impairment of claims, are formalised in 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 the limits and internal ratings of materially significant customers of NLB Group are harmonised and performed in line with the responsibility of centralised credit analysis function and NLB d.d. Credit Committee.

NLB d.d. regularly reviews the business practices and credit portfolios of NLB Group entities to make sure they are operating in accordance with the minimum risk management standards of NLB Group. This ensures appropriate standard processes for managing and reporting credit risks at the consolidated level.

d) Maximum exposure to credit risk

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Cash, cash balances at central banks and other demand deposits at banks	496,806	434,438	1,161,983	1,127,527
Debt securities classified as loans and receivables	394,579	706,785	394,579	706,785
Loans to government	578,184	387,378	688,474	515,315
Loans to banks	345,207	159,300	431,775	271,340
Loans to financial organizations	391,911	548,731	139,852	154,132
Loans to individuals	1,889,683	1,884,000	2,907,991	2,803,302
Granted overdrafts	*152,042*	*159,967*	*185,912*	*192,738*
Loans for houses and flats	*1,165,800*	*1,143,952*	*1,503,814*	*1,442,022*
Consumer loans	*471,889*	*472,792*	*962,884*	*910,752*
Other loans	*99,952*	*107,289*	*255,381*	*257,790*
Loans to other customers	1,966,361	2,172,931	2,957,304	3,235,583
Loans to large corporate customers	*1,263,055*	*1,418,494*	*1,645,169*	*1,819,363*
Loans to small and medium size enterprises	*703,306*	*754,437*	*1,312,135*	*1,416,220*
Other financial assets	48,944	47,836	69,521	71,769
Trading assets	267,870	138,786	267,403	138,196
Financial assets designated at fair value through profit or loss	-	-	753	885
Available-for-sale financial assets	1,177,947	1,152,933	1,661,729	1,640,091
Held-to-maturity financial assets	565,535	711,648	565,535	711,648
Derivatives - hedge accounting	1,083	2,966	1,083	2,966
Total net financial assets	**8,124,110**	**8,347,732**	**11,247,229**	**11,379,539**
Guarantees	586,706	693,586	790,570	899,803
Financial guarantees	*213,817*	*246,464*	*357,786*	*395,694*
Non-financial guarantees	*372,889*	*447,122*	*432,784*	*504,109*
Loan commitments	923,755	1,012,334	1,101,241	1,101,684
Other potential liabilities	3,684	2,243	26,691	18,644
Total contingent liabilities	**1,514,145**	**1,708,163**	**1,918,502**	**2,020,131**
Total maximum exposure to credit risk	**9,638,255**	**10,055,895**	**13,165,731**	**13,399,670**

Maximum exposure to credit risk is a presentation of NLB Group's exposure to credit risk separately by individual types of financial assets and conditional obligations. Exposures stated in the above table are shown for the balance sheet items in their net book value as reported in the statement of financial position, and for off-balance sheet items in the amount of their nominal value.

NLB d.d. has 86.6% (31 December 2014: 80.1%) of loans and advances that are neither past due nor impaired, 0.6% (31 December 2014: 0.9%) of loans and advances past due but not impaired, 12.4% (31 December 2014: 18.4%) of individually impaired loans and 0.4% (31 December 2014: 0.7%) of collectively impaired loans. NLB Group has 85.8% (31 December 2014: 81.4%) of loans and advances that are neither past due nor impaired, 5.4% (31 December 2014: 5.2%) of loans and advances past due but not impaired, 8.3% (31 December 2014: 12.7%) of individually impaired loans and 0.5% (31 December 2014: 0.7%) of collectively impaired loans.

The coverage of the credit portfolio by allowances for impairment in NLB d.d. in 2015 decreased (compared to 31 December 2014) to stand at 11.1% at the end of the year (31 December 2014: 14.7%). Moreover, 71.5% (31 December 2014: 63.2%) of the portfolio is considered to be a quality portfolio. The coverage of the portfolio by allowances for impairment at NLB Group level has also decreased and stood at 14.4% (31 December 2014: 17.8%) at the end of 2015. Further, 72.6% (31 December 2014: 65.5%) of the portfolio is considered as quality and includes A and B ratings.

e) Collateral from loans and advances

in EUR thousand

31.12.2015	NLB d.d. Fully/over collateralised loans and advances: Net value of loans and advances	NLB d.d. Fully/over collateralised loans and advances: Fair value of collateral	NLB d.d. Loans and advances not or not fully covered with collateral: Net value of loans and advances	NLB d.d. Loans and advances not or not fully covered with collateral: Fair value of collateral
Debt securities	394,579	394,579	-	-
Loans to government	70,046	76,041	508,138	-
Loans to banks	-	-	345,207	153
Loans to financial organizations	28,274	74,746	363,637	6,791
Loans to individuals	1,411,275	2,342,930	478,408	67,162
Granted overdrafts	-	-	*152,042*	-
Loans for houses and flats	*1,013,194*	*1,895,187*	*152,606*	*63,388*
Consumer loans	*398,047*	*447,701*	*73,842*	*3,774*
Other loans	*34*	*42*	*99,918*	-
Loans to other customers	1,164,744	2,473,144	801,617	498,112
Loans to large corporate customers	*796,995*	*1,360,792*	*466,060*	*225,583*
Loans to small and medium size enterprises	*367,749*	*1,112,352*	*335,557*	*272,529*
Other financial assets	294	3,403	48,650	412
Total	**3,069,212**	**5,364,843**	**2,545,657**	**572,630**

in EUR thousand

31.12.2014	NLB d.d. Fully/over collateralised loans and advances: Net value of loans and advances	NLB d.d. Fully/over collateralised loans and advances: Fair value of collateral	NLB d.d. Loans and advances not or not fully covered with collateral: Net value of loans and advances	NLB d.d. Loans and advances not or not fully covered with collateral: Fair value of collateral
Debt securities	706,785	706,785	-	-
Loans to government	70,010	78,509	317,368	40
Loans to banks	-	-	159,300	546
Loans to financial organizations	18,121	48,619	530,610	151
Loans to individuals	1,454,823	2,682,178	429,177	65,876
Granted overdrafts	-	-	*159,967*	-
Loans for houses and flats	*1,069,103*	*2,222,685*	*74,849*	*57,876*
Consumer loans	*385,544*	*458,837*	*87,248*	*5,678*
Other loans	*176*	*656*	*107,113*	*2,322*
Loans to other customers	1,361,344	3,083,389	811,587	449,908
Loans to large corporate customers	*899,357*	*1,631,434*	*519,137*	*238,250*
Loans to small and medium size enterprises	*461,987*	*1,451,955*	*292,450*	*211,658*
Other financial assets	292	3,181	47,544	363
Total	**3,611,375**	**6,602,661**	**2,295,586**	**516,884**

in EUR thousand

31.12.2015	NLB Group			
	Fully/over collateralised loans and advances		Loans and advances not or not fully covered with collateral	
	Net value of loans and advances	Fair value of collateral	Net value of loans and advances	Fair value of collateral
Debt securities	394,579	394,579	-	-
Loans to government	106,460	175,914	582,014	7
Loans to banks	29	106	431,746	610
Loans to financial organizations	31,724	79,141	108,128	7,145
Loans to individuals	1,964,725	3,919,693	943,266	150,360
Granted overdrafts	*-*	*-*	*185,912*	*-*
Loans for houses and flats	*1,283,725*	*2,827,096*	*220,089*	*95,683*
Consumer loans	*623,828*	*970,322*	*339,056*	*16,820*
Other loans	*57,172*	*122,275*	*198,209*	*37,857*
Loans to other customers	1,874,743	5,130,963	1,082,561	683,433
Loans to large corporate customers	*1,081,843*	*2,455,629*	*563,326*	*304,934*
Loans to small and medium size enterprises	*792,900*	*2,675,334*	*519,235*	*378,499*
Other financial assets	2,965	38,713	66,556	417
Total	**4,375,225**	**9,739,109**	**3,214,271**	**841,972**

in EUR thousand

31.12.2014	NLB Group			
	Fully/over collateralised loans and advances		Loans and advances not or not fully covered with collateral	
	Net value of loans and advances	Fair value of collateral	Net value of loans and advances	Fair value of collateral
Debt securities	706,785	706,785	-	-
Loans to government	100,077	157,351	415,238	42,207
Loans to banks	101	149	271,239	1,404
Loans to financial organizations	20,254	50,942	133,878	961
Loans to individuals	2,003,136	4,305,935	800,166	94,088
Granted overdrafts	*-*	*-*	*192,738*	*-*
Loans for houses and flats	*1,328,649*	*3,128,381*	*113,373*	*62,812*
Consumer loans	*611,567*	*1,044,552*	*299,185*	*7,550*
Other loans	*62,920*	*133,002*	*194,870*	*23,726*
Loans to other customers	2,165,561	6,162,405	1,070,022	623,350
Loans to large corporate customers	*1,220,761*	*2,814,455*	*598,602*	*269,283*
Loans to small and medium size enterprises	*944,800*	*3,347,950*	*471,420*	*354,067*
Other financial assets	1,897	5,540	69,872	409
Total	**4,997,811**	**11,389,107**	**2,760,415**	**762,419**

In July 2015, the Bank of Slovenia changed its Decree on the evaluation of credit losses from credit risk in banks where, among other things, it altered the definition of a suitable appraisal of real estate for collateral purposes and the calculation of provisions. Up until that moment, a suitable appraisal was an appraisal prepared by an independent real-estate appraiser. In the last version, it added that the appraisal should be either prepared in accordance with the International Valuation Standards (IVS) or based on sell/purchase contracts or court appraisals. When reviewing its portfolio of real-estate appraisals, the Bank noted that some of the older evaluations of real estate as collateral were not prepared in accordance with the new rules. Therefore, the Bank has acquired a larger number of new real-estate appraisals, prepared in accordance with the IVS, for corporate as well as physical clients. In the latter case, a number of real-estate appraisals were not prepared, but the decision was made not to take them into account anymore for reporting purposes. The collateral remains but, due to the fact that the appraisals are not prepared in accordance with the IVS, such appraisals are not taken into consideration.

f) Credit protection policy

NLB Group applies a single set of standards to retail and corporate loan collateral, as developed by the members through the collateral harmonisation project. The master document regulating loan collateral in NLB Group is the Loan Collateral Policy in NLB d.d. and NLB Group. The Policy has been adopted by the Management Board of NLB d.d. and by the supervisory bodies of respective members for other members of NLB Group. The Policy represents the basic orientations bank employees must take into account when signing, evaluating, monitoring and reporting collateral, with the aim of reducing credit risk.

NLB Group primarily accepts collateral complying with the Basel II requirements with the aim of improving credit risk management and consuming capital economically. In accordance with Basel II, collateral may consist of pledged deposits, government guarantees, bank guarantees, debt securities issued by central governments and central banks, bank debt securities and real-estate mortgages (the real estate must be located in the European Economic Area for the effect on capital to be recognised).

Loans made to companies and sole proprietors may be secured by other forms of collateral as well (for example, a lien on movable property, a pledge of an equity stake, collateral by pledged/assigned receivables etc.) if it is assessed that the collateral could generate a cash flow if it were needed as a secondary source of payment. In the case of a lower probability that such an item of collateral would generate a cash flow, a conservative approach is followed, namely, such collateral can be taken but for the reporting the value is zero.

g) The processes for valuing collateral

Pursuant to the law, NLB Group has set up a system for monitoring and reporting collateral at fair (market) value.

The market value of real estate or movable property used as collateral is obtained from valuation reports of licensed appraisers or, for low contract amounts, from sales agreements not older than one year. The market value of financial instruments held by NLB Group is obtained from the organised market – the stock exchange – for listed financial instruments or determined in accordance with the internal methodology for unlisted financial instruments (such collateral is used exceptionally and on a small scale in loans granted to companies and sole proprietors).

NLB d.d. has compiled a reference list of licensed appraisers. All appraisals must be made for the purpose of secured lending and in accordance with the International Valuation Standards (IVS). Appraisals related to retail loans are generally ordered only from appraisers with whom the Bank has a contract for real-estate valuations. For corporate loans, appraisals are usually submitted by clients. If a client submits an appraisal not made by an appraiser included on the Bank's reference list, the expert department employing licensed appraisers (certified appraisers in construction with licences granted by the Ministry of Justice, and certified real-estate value appraisers with licences granted by the Slovenian Institute of Auditors) will verify the appraisal. The expert department is also responsible for reviewing valuations of real estate serving as collateral for large loans.

Other NLB Group members obtain valuations from in-house appraisers and outsourced appraisers, all having the necessary licences. NLB Group has compiled a reference list of appraisers for valuations of real estate located outside Slovenia. Appraisals must be made in accordance with the IVS. For larger loans, real-estate evaluations must be reviewed by an internal licensed appraiser with knowledge of the local real-estate market.

When assuring collateral, NLB Group follows the internal regulations which define the minimum security or pledge ratios. NLB Group strives to obtain collateral with a higher value than the underlying exposure (depending on the borrower's rating, loan maturity etc.) with the aim of reducing negative consequences resulting from any major swings in market prices of the assets used as collateral. In the case of a reduced value of collateral and/or deteriorated debtor credit rating, additional collateral is sought as necessary and in accordance with the contractual provisions.

If real estate, movable property and financial instruments serve as collateral, the Bank's lien should be entered as top ranking. Exceptionally, where the value of the mortgaged real estate is large enough, the lien can be entered with a different priority order.

NLB Group monitors the value of collateral during the loan repayment period in accordance with the mandatory periods and internal instructions. For example, the value of collateral using mortgaged real estate is monitored annually by either preparing individual assessments or using the internal methodology for preparing an own value appraisal of real estate (which applies to Slovenia) based on public records and indexes of real-estate value published by the relevant government authorities (the Surveying and Mapping Authority in Slovenia).

h) The main types of collateral taken by the Bank

NLB Group accepts different forms of material and personal security as loan collateral.

Material loan collateral gives the right in case of the debtor (borrower) defaulting on their contractual obligations to sell specific property to recover claims, keep specific non-cash property or cash, or reduces or offsets the amount of exposure against the counterparty's debt to the Bank.

NLB Group accepts the following material types of loan collateral:

- asset-backed collateral:
  - collateral backed by business and residential real estate;
  - collateral backed by movable property;
  - cash receivable collateral;

• collateral by a pledge of financial assets (bank deposits or cash-like instruments, debt securities of different issuers, investment fund units, equity securities or convertible bonds, portfolios under management);
• pledge of an equity stake;
• pledge or assignment of receivables as collateral; and
• other material forms of loan collateral (life insurance policies pledged to the Bank etc.).

Personal loan collateral is a method for reducing credit risk whereby a third party undertakes to pay the debt in case of the primary debtor (borrower) defaulting.

NLB Group accepts the following types of personal loan collateral:
• joint and several guarantees by retail and corporate clients;
• bank guarantees;
• government guarantees (e.g. of the Republic of Slovenia);
• guarantees by national and regional development agencies; and
• insurance with an insurance company etc.
Loans are very often secured by a combination of collateral types.

The general recommendations on loan collateral are specified in the internal instructions and include the elements specified below. The decision on the type of collateral and the coverage of loan by collateral depends on the analysis of data on the debtor (the debtor's credit rating and creditworthiness) and loan maturity; the difference arises from whether the loan is granted to retail or a corporate client. Corporate clients (companies and sole proprietors) must submit bills of exchange with written authorities for the creditor to fill them in for every loan.

NLB d.d. has also created, in the area of real-estate loan collateral, an 'on-line' connection with the Surveying and Mapping Authority in Slovenia which allows direct and immediate verification of the existence of property.

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

i) Evaluation risk of collateral

Client/counterparty credit risk is the key decision parameter when approving exposures. Collateral is a secondary source of repayment, and therefore decisions on approvals of exposures should not primarily be based on the provided collateral. However, collateral is an important comfort element in the approval process and, depending on the credit rating of the client, a prerequisite. NLB Group has prescribed the minimum ratios between the value of collateral and the loan amount, depending on the type of collateral and the client rating. The ratios are based on experience, regulatory guidelines and are prescribed in the Collateral Manual.

Given current market circumstances, NLB Group pays particular attention to closely monitoring the fair value of collateral and to receive regular and independent revaluations by applying the International Valuation Standards. Through a detailed examination of all collateral received, NLB d.d. has ensured that only collateral is taken into account from which payment can be realistically expected if it is liquidated.

NLB Group has the largest concentration on collaterals arising from mortgages on real-estate, which is a comparatively reliable and quality type of collateral; however, among others due to the falling real-estate market prices in recent history, the Bank is closely monitoring the real-estate collateral values and, where required, is establishing higher amounts of impairments and provisions for non-performing loans secured by real estate, based on estimated discounts of the real-estate value (specified in the Collateral Manual) which are expected to be achieved in a sale (expected payment from collateral).

Collateral consisting of securities entails market risk, specifically the risk of changes in the prices of securities on capital markets. To limit such risks and restrict the possibility of the value of instruments received as collateral falling below approved limits, the Rules determine minimum pledge ratios for securing loans on the basis of pledged securities and equity shares in NLB d.d. Any deviation from the Rules is subject to the prior approval of the respective decision bodies of the Bank. The ratio between the loan amount and the securities' value is determined with regard to the securities' liquidity, maturity, correlation with changes in market indexes, i.e. by considering the key features reflecting the level of volatility of market prices and the ability to sell the securities at the market price. For certain types of securities, the ratio is also determined by considering the issuer's credit rating, which reflects the credit risk entailed in collateral using securities. In the case of adverse changes in the capital markets, the loan-to-collateral ratio may fall below the prescribed limit; in such a case, the debtor will be asked to provide additional securities or another type of collateral.

Collateral consisting of sureties of corporate clients, sureties of private individuals, and bank guarantees entail the credit risk of the provider of the collateral. NLB Group includes the amount of the guarantees received in the exposure limit of the guarantor, and guarantees are only taken into account as collateral if the guarantor has sufficient overall creditworthiness.

The Collateral Manual regulates which forms of collateral are acceptable, and which preconditions a type of collateral needs to fulfil to be able to be considered.

j) Net loans and advances neither past due nor impaired

in EUR thousand

	NLB d.d.					NLB Group				
31.12.2015	A	B	C	D and E	Total	A	B	C	D and E	Total
Debt securities	394,579	-	-	-	394,579	394,579	-	-	-	394,579
Loans to government	439,997	125,097	3,662	-	568,756	445,382	190,291	33,936	29	669,638
Loans to banks	202,097	141,694	-	-	343,791	300,464	126,084	-	-	426,548
Loans to financial organizations	23,629	189	99,422	48	123,288	27,101	1,889	75,339	48	104,377
Loans to individuals	1,781,889	5,230	19,333	-	1,806,452	2,575,773	14,822	25,400	61	2,616,056
Granted overdrafts	*141,486*	*309*	*2,538*	-	*144,333*	*157,312*	*466*	*2,599*	-	*160,377*
Loans for houses and flats	*1,100,006*	*4,402*	*14,893*	-	*1,119,301*	*1,364,783*	*6,508*	*16,569*	*3*	*1,387,863*
Consumer loans	*450,740*	*192*	*1,552*	-	*452,484*	*864,481*	*7,163*	*5,246*	*58*	*876,948*
Other loans	*89,657*	*327*	*350*	-	*90,334*	*189,197*	*685*	*986*	-	*190,868*
Loans to other customers	663,035	638,834	258,197	21,041	1,581,107	854,318	1,066,181	294,123	26,904	2,241,526
Loans to large corporate customers	*595,135*	*415,879*	*121,089*	*15,927*	*1,148,030*	*681,411*	*574,717*	*158,243*	*19,348*	*1,433,719*
Loans to small and medium size enterprises	*67,900*	*222,955*	*137,108*	*5,114*	*433,077*	*172,907*	*491,464*	*135,880*	*7,556*	*807,807*
Other financial assets	38,455	2,371	1,162	1	41,989	55,480	3,142	1,287	21	59,930
Total	**3,543,681**	**913,415**	**381,776**	**21,090**	**4,859,962**	**4,653,097**	**1,402,409**	**430,085**	**27,063**	**6,512,654**

in EUR thousand

	NLB d.d.					NLB Group				
31.12.2014	A	B	C	D and E	Total	A	B	C	D and E	Total
Debt securities	706,785	-	-	-	706,785	706,785	-	-	-	706,785
Loans to government	255,141	116,526	4,377	-	376,044	323,685	167,132	8,337	38	499,192
Loans to banks	120,923	36,699	1,673	-	159,295	262,894	1,197	1,673	-	265,764
Loans to financial organizations	24,807	442	45,778	-	71,027	33,142	3,187	6,953	-	43,282
Loans to individuals	1,772,009	6,142	16,474	-	1,794,625	2,487,467	21,496	23,394	232	2,532,589
Granted overdrafts	*147,443*	*392*	*997*	-	*148,832*	*163,277*	*480*	*1,027*	-	*164,784*
Loans for houses and flats	*1,084,702*	*5,158*	*13,713*	-	*1,103,573*	*1,320,541*	*11,796*	*17,916*	*1*	*1,350,254*
Consumer loans	*447,298*	*202*	*1,322*	-	*448,822*	*811,640*	*8,255*	*3,757*	*188*	*823,840*
Other loans	*92,566*	*390*	*442*	-	*93,398*	*192,009*	*965*	*694*	*43*	*193,711*
Loans to other customers	712,874	522,026	318,941	22,149	1,575,990	937,576	821,558	417,842	30,802	2,207,778
Loans to large corporate customers	*655,438*	*318,345*	*174,755*	*18,570*	*1,167,108*	*765,370*	*446,558*	*220,779*	*23,634*	*1,456,341*
Loans to small and medium size enterprises	*57,436*	*203,681*	*144,186*	*3,579*	*408,882*	*172,206*	*375,000*	*197,063*	*7,168*	*751,437*
Other financial assets	41,295	2,121	1,471	-	44,887	56,356	2,510	1,573	11	60,450
Total	**3,633,834**	**683,956**	**388,714**	**22,149**	**4,728,653**	**4,807,905**	**1,017,080**	**459,772**	**31,083**	**6,315,840**

* The loans and advances disclosed in the above tables are not individually impaired since they are fully or over collateralised.

k) Net loans and advances past due but not individually impaired

in EUR thousand

31.12.2015	NLB d.d. Up to 30 days	NLB d.d. Up to 90 days	NLB d.d. Over 90 days	NLB d.d. Total	NLB Group Up to 30 days	NLB Group Up to 90 days	NLB Group Over 90 days	NLB Group Total
Loans to government	1	-	-	1	8,468	56	-	8,524
Loans to banks	-	-	275	275	29	-	-	29
Loans to financial organizations	-	-	33	33	79	28	34	141
Loans to individuals	28,005	1,867	-	29,872	203,459	14,770	1,957	220,186
Granted overdrafts	*2,591*	*743*	-	*3,334*	*20,055*	*840*	*69*	*20,964*
Loans for houses and flats	*7,689*	*389*	-	*8,078*	*66,899*	*2,905*	*591*	*70,395*
Consumer loans	*9,452*	*133*	-	*9,585*	*64,930*	*1,725*	*413*	*67,068*
Other loans	*8,273*	*602*	-	*8,875*	*51,575*	*9,300*	*884*	*61,759*
Loans to other customers	1,508	177	1,888	3,573	149,789	13,698	13,464	176,951
Loans to large corporate customers	-	-	*24*	*24*	*40,384*	*1,842*	*2,179*	*44,405*
Loans to small and medium size enterprises	*1,508*	*177*	*1,864*	*3,549*	*109,405*	*11,856*	*11,285*	*132,546*
Other financial assets	88	1	18	107	3,412	229	383	4,024
Total	**29,602**	**2,045**	**2,214**	**33,861**	**365,236**	**28,781**	**15,838**	**409,855**

in EUR thousand

31.12.2014	NLB d.d. Up to 30 days	NLB d.d. Up to 90 days	NLB d.d. Over 90 days	NLB d.d. Total	NLB Group Up to 30 days	NLB Group Up to 90 days	NLB Group Over 90 days	NLB Group Total
Loans to government	202	-	-	202	3,941	4	-	3,945
Loans to banks	-	-	-	-	5	-	-	5
Loans to financial organizations	5	1	-	6	21	13	13	47
Loans to individuals	36,541	1,546	-	38,087	176,769	20,115	3,885	200,769
Granted overdrafts	*3,918*	*440*	-	*4,358*	*20,330*	*511*	*111*	*20,952*
Loans for houses and flats	*11,390*	*385*	-	*11,775*	*48,480*	*5,491*	*1,773*	*55,744*
Consumer loans	*11,295*	*2*	-	*11,297*	*62,425*	*3,018*	*449*	*65,892*
Other loans	*9,938*	*719*	-	*10,657*	*45,534*	*11,095*	*1,552*	*58,181*
Loans to other customers	8,686	227	3,454	12,367	145,613	24,829	20,247	190,689
Loans to large corporate customers	*631*	-	-	*631*	*37,482*	*1,842*	*3,559*	*42,883*
Loans to small and medium size enterprises	*8,055*	*227*	*3,454*	*11,736*	*108,131*	*22,987*	*16,688*	*147,806*
Other financial assets	54	2	5	61	4,060	241	270	4,571
Total	**45,488**	**1,776**	**3,459**	**50,723**	**330,409**	**45,202**	**24,415**	**400,026**

* The loans and advances disclosed in the above tables are not individually impaired since they are fully or over collateralised.

l) Individually impaired loans and advances

in EUR thousand

	NLB d.d.			NLB Group		
31.12.2015	**Gross value**	**Impairment provision**	**Net value**	**Gross value**	**Impairment provision**	**Net value**
Loans to government	12,754	(3,327)	9,427	16,836	(6,524)	10,312
Loans to banks	1,338	(197)	1,141	5,439	(241)	5,198
Loans to financial organizations	314,078	(45,488)	268,590	72,282	(36,948)	35,334
Loans to individuals	105,041	(51,682)	53,359	184,308	(112,559)	71,749
Granted overdrafts	*11,984*	*(7,609)*	*4,375*	*15,182*	*(10,611)*	*4,571*
Loans for houses and flats	*66,093*	*(27,672)*	*38,421*	*85,150*	*(39,594)*	*45,556*
Consumer loans	*24,940*	*(15,120)*	*9,820*	*62,339*	*(43,471)*	*18,868*
Other loans	*2,024*	*(1,281)*	*743*	*21,637*	*(18,883)*	*2,754*
Loans to other customers	895,611	(513,930)	381,681	1,475,971	(937,144)	538,827
Loans to large corporate customers	*285,868*	*(170,867)*	*115,001*	*438,867*	*(271,822)*	*167,045*
Loans to small and medium size enterprises	*609,743*	*(343,063)*	*266,680*	*1,037,104*	*(665,322)*	*371,782*
Other financial assets	11,340	(4,492)	6,848	31,711	(26,144)	5,567
Total	**1,340,162**	**(619,116)**	**721,046**	**1,786,547**	**(1,119,560)**	**666,987**

in EUR thousand

	NLB d.d.			NLB Group		
31.12.2014	**Gross value**	**Impairment provision**	**Net value**	**Gross value**	**Impairment provision**	**Net value**
Loans to government	14,388	(3,256)	11,132	16,413	(4,235)	12,178
Loans to banks	687	(682)	5	30,285	(24,714)	5,571
Loans to financial organizations	637,348	(159,650)	477,698	147,979	(37,176)	110,803
Loans to individuals	110,394	(59,106)	51,288	193,283	(123,339)	69,944
Granted overdrafts	*16,509*	*(9,732)*	*6,777*	*19,188*	*(12,186)*	*7,002*
Loans for houses and flats	*54,151*	*(25,547)*	*28,604*	*71,693*	*(35,669)*	*36,024*
Consumer loans	*32,662*	*(19,989)*	*12,673*	*72,018*	*(50,998)*	*21,020*
Other loans	*7,072*	*(3,838)*	*3,234*	*30,384*	*(24,486)*	*5,898*
Loans to other customers	1,285,603	(701,029)	584,574	2,145,797	(1,308,681)	837,116
Loans to large corporate customers	*527,787*	*(277,032)*	*250,755*	*748,292*	*(428,153)*	*320,139*
Loans to small and medium size enterprises	*757,816*	*(423,997)*	*333,819*	*1,397,505*	*(880,528)*	*516,977*
Other financial assets	19,792	(16,904)	2,888	48,010	(41,262)	6,748
Total	**2,068,212**	**(940,627)**	**1,127,585**	**2,581,767**	**(1,539,407)**	**1,042,360**

m) Net loans analysis

in EUR thousand

31.12.2015	NLB d.d. Loans and advances neither past due nor impaired	Loans and advances past due but not impaired	Individually impaired loans and advances	Total
Debt securities	394,579	-	-	394,579
Loans to government	568,756	1	9,427	578,184
Loans to banks	343,791	275	1,141	345,207
Loans to financial organizations	123,288	33	268,590	391,911
Loans to individuals	1,806,452	29,872	53,359	1,889,683
Granted overdrafts	*144,333*	*3,334*	*4,375*	*152,042*
Loans for houses and flats	*1,119,301*	*8,078*	*38,421*	*1,165,800*
Consumer loans	*452,484*	*9,585*	*9,820*	*471,889*
Other loans	*90,334*	*8,875*	*743*	*99,952*
Loans to other customers	1,581,107	3,573	381,681	1,966,361
Loans to large corporate customers	*1,148,030*	*24*	*115,001*	*1,263,055*
Loans to small and medium size enterprises	*433,077*	*3,549*	*266,680*	*703,306*
Other financial assets	41,989	107	6,848	48,944
Total	**4,859,962**	**33,861**	**721,046**	**5,614,869**

in EUR thousand

31.12.2014	NLB d.d. Loans and advances neither past due nor impaired	Loans and advances past due but not impaired	Individually impaired loans and advances	Total
Debt securities	706,785	-	-	706,785
Loans to government	376,044	202	11,132	387,378
Loans to banks	159,295	-	5	159,300
Loans to financial organizations	71,027	6	477,698	548,731
Loans to individuals	1,794,625	38,087	51,288	1,884,000
Granted overdrafts	*148,832*	*4,358*	*6,777*	*159,967*
Loans for houses and flats	*1,103,573*	*11,775*	*28,604*	*1,143,952*
Consumer loans	*448,822*	*11,297*	*12,673*	*472,792*
Other loans	*93,398*	*10,657*	*3,234*	*107,289*
Loans to other customers	1,575,990	12,367	584,574	2,172,931
Loans to large corporate customers	*1,167,108*	*631*	*250,755*	*1,418,494*
Loans to small and medium size enterprises	*408,882*	*11,736*	*333,819*	*754,437*
Other financial assets	44,887	61	2,888	47,836
Total	**4,728,653**	**50,723**	**1,127,585**	**5,906,961**

in EUR thousand

31.12.2015	NLB Group			
	Loans and advances neither past due nor impaired	Loans and advances past due but not impaired	Individually impaired loans and advances	Total
Debt securities	394,579	-	-	394,579
Loans to government	669,638	8,524	10,312	688,474
Loans to banks	426,548	29	5,198	431,775
Loans to financial organizations	104,377	141	35,334	139,852
Loans to individuals	2,616,056	220,186	71,749	2,907,991
Granted overdrafts	*160,377*	*20,964*	*4,571*	*185,912*
Loans for houses and flats	*1,387,863*	*70,395*	*45,556*	*1,503,814*
Consumer loans	*876,948*	*67,068*	*18,868*	*962,884*
Other loans	*190,868*	*61,759*	*2,754*	*255,381*
Loans to other customers	2,241,526	176,951	538,827	2,957,304
Loans to large corporate customers	*1,433,719*	*44,405*	*167,045*	*1,645,169*
Loans to small and medium size enterprises	*807,807*	*132,546*	*371,782*	*1,312,135*
Other financial assets	59,930	4,024	5,567	69,521
Total	**6,512,654**	**409,855**	**666,987**	**7,589,496**

in EUR thousand

31.12.2014	NLB Group			
	Loans and advances neither past due nor impaired	Loans and advances past due but not impaired	Individually impaired loans and advances	Total
Debt securities	706,785	-	-	706,785
Loans to government	499,192	3,945	12,178	515,315
Loans to banks	265,764	5	5,571	271,340
Loans to financial organizations	43,282	47	110,803	154,132
Loans to individuals	2,532,589	200,769	69,944	2,803,302
Granted overdrafts	*164,784*	*20,952*	*7,002*	*192,738*
Loans for houses and flats	*1,350,254*	*55,744*	*36,024*	*1,442,022*
Consumer loans	*823,840*	*65,892*	*21,020*	*910,752*
Other loans	*193,711*	*58,181*	*5,898*	*257,790*
Loans to other customers	2,207,778	190,689	837,116	3,235,583
Loans to large corporate customers	*1,456,341*	*42,883*	*320,139*	*1,819,363*
Loans to small and medium size enterprises	*751,437*	*147,806*	*516,977*	*1,416,220*
Other financial assets	60,450	4,571	6,748	71,769
Total	**6,315,840**	**400,026**	**1,042,360**	**7,758,226**

n) Repossessed assets

NLB d.d. and NLB Group received the following assets by taking possession of collateral held as security and held them at the reporting date:

in EUR thousand

	NLB d.d.		NLB Group	
	Net value		Net value	
Nature of assets	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**
Securities (note 5.4.b)	18,977	28,052	21,277	28,052
Investment property (note 5.10.)	3,750	-	57,599	8,291
Property and equipment (note 5.9.)	7	7	1,839	267
Investments in subsidiaries and associates	3,248	448	-	-
Other assets (note 5.13.)	3,371	1,561	75,652	116,606
Total	**29,353**	**30,068**	**156,367**	**153,216**

o) Analysis of loans and advances by industry sectors

in EUR thousand

NLB d.d.	**31.12.2015**				**31.12.2014**			
Industry sector	**Gross loans**	**Impairment provisions**	**Net loans**	**(%)**	**Gross loans**	**Impairment provisions**	**Net loans**	**(%)**
Banks	345,404	(197)	345,207	6.15	159,982	(682)	159,300	2.70
Finance	461,704	(48,575)	413,129	7.36	745,364	(163,620)	581,744	9.85
Electricity, gas and water	86,984	(16,559)	70,425	1.25	109,684	(38,332)	71,352	1.21
Construction industry	163,190	(91,144)	72,046	1.28	203,654	(110,069)	93,585	1.59
Heavy industry	652,104	(138,005)	514,099	9.16	806,252	(181,777)	624,475	10.57
Education	13,342	(402)	12,940	0.23	12,423	(417)	12,006	0.20
Agriculture, forestry and fishing	27,611	(10,492)	17,119	0.30	60,365	(38,465)	21,900	0.37
Public sector	301,481	(2,647)	298,834	5.32	309,576	(2,913)	306,663	5.19
Individuals	1,957,859	(68,176)	1,889,683	33.65	1,958,806	(74,806)	1,884,000	31.90
Mining	30,910	(5,860)	25,050	0.45	25,203	(6,729)	18,474	0.31
Entrepreneurs	64,181	(10,502)	53,679	0.96	79,175	(17,629)	61,546	1.04
Services	988,569	(144,690)	843,879	15.03	1,129,139	(160,844)	968,295	16.39
Transport and communications	756,836	(26,859)	729,977	13.00	790,812	(26,927)	763,885	12.93
Trade industry	393,574	(127,080)	266,494	4.75	448,667	(171,670)	276,997	4.69
Health care and social security	17,091	(3,727)	13,364	0.24	19,087	(4,184)	14,903	0.25
Other financial assets	54,067	(5,123)	48,944	0.87	65,357	(17,521)	47,836	0.81
Total	**6,314,907**	**(700,038)**	**5,614,869**	**100.00**	**6,923,546**	**(1,016,585)**	**5,906,961**	**100.00**

in EUR thousand

NLB Group	31.12.2015				31.12.2014			
Industry sector	**Gross loans**	**Impairment provisions**	**Net loans**	**(%)**	**Gross loans**	**Impairment provisions**	**Net loans**	**(%)**
Banks	432,017	(242)	431,775	5.69	296,062	(24,722)	271,340	3.50
Finance	202,661	(38,300)	164,361	2.17	228,583	(38,569)	190,014	2.45
Electricity, gas and water	134,658	(29,576)	105,082	1.38	141,029	(47,370)	93,659	1.21
Construction industry	319,901	(164,532)	155,369	2.05	423,906	(233,886)	190,020	2.45
Heavy industry	911,548	(241,932)	669,616	8.82	1,152,483	(352,129)	800,354	10.32
Education	18,036	(1,263)	16,773	0.22	15,001	(1,400)	13,601	0.18
Agriculture, forestry and fishing	67,071	(24,400)	42,671	0.56	100,267	(55,862)	44,405	0.57
Public sector	424,955	(15,831)	409,124	5.39	450,651	(16,051)	434,600	5.60
Individuals	3,050,810	(142,819)	2,907,991	38.32	2,957,961	(154,659)	2,803,302	36.13
Mining	86,915	(14,202)	72,713	0.96	90,849	(20,757)	70,092	0.90
Entrepreneurs	103,205	(16,617)	86,588	1.14	112,982	(23,714)	89,268	1.15
Services	1,208,684	(246,164)	962,520	12.68	1,410,358	(279,680)	1,130,678	14.57
Transport and communications	829,706	(39,330)	790,376	10.41	866,063	(45,759)	820,304	10.57
Trade industry	964,366	(282,832)	681,534	8.98	1,062,444	(354,350)	708,094	9.13
Health care and social security	28,519	(5,037)	23,482	0.31	40,844	(14,118)	26,726	0.34
Other financial assets	96,599	(27,078)	69,521	0.92	114,449	(42,680)	71,769	0.93
Total	**8,879,651**	**(1,290,155)**	**7,589,496**	**100.00**	**9,463,932**	**(1,705,706)**	**7,758,226**	**100.00**

p) Analysis of net loans and advances by geographical sectors

in EUR thousand

	NLB d.d.		NLB Group	
Country	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**
Republic of Slovenia	4,830,064	5,125,829	4,710,505	5,076,723
Other European Union members	357,510	177,966	437,089	320,214
Other countries	378,351	555,330	2,372,381	2,289,520
Total	**5,565,925**	**5,859,125**	**7,519,975**	**7,686,457**

The analysis of loans and advances by geographical sector excludes other financial assets.

r) Analysis of debt securities and derivative financial instruments by geographical sectors

in EUR thousand

31.12.2015	NLB d.d.					NLB Group					
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	394,579	82,096	423,884	383,540	10,639	394,579	82,096	-	470,881	383,540	10,172
Other members of European Union	-	154,273	738,184	181,995	20,835	-	154,273	753	740,851	181,995	20,835
- Italy	-	-	*23,333*	*5,064*	-	-	-	-	*23,333*	*5,064*	-
- Ireland	-	-	*6,933*	*5,161*	-	-	-	*486*	*6,933*	*5,161*	-
- France	-	-	*78,656*	*21,958*	*1*	-	-	*104*	*78,656*	*21,958*	*1*
- Belgium	-	-	*55,388*	*3,527*	*1,083*	-	-	-	*58,054*	*3,527*	*1,083*
- Netherlands	-	-	*73,039*	*36,494*	*14,357*	-	-	-	*73,039*	*36,494*	*14,357*
- Austria	-	*20,007*	*52,914*	*37,592*	-	-	*20,007*	-	*52,914*	*37,592*	-
- Germany	-	*73,156*	*161,928*	*52,519*	*597*	-	*73,156*	-	*161,928*	*52,519*	*597*
- Finland	-	-	*38,928*	*3,273*	-	-	-	-	*38,928*	*3,273*	-
- Sweden	-	-	*37,036*	-	-	-	-	*163*	*37,036*	-	-
- Denmark	-	*25,001*	*6,450*	-	-	-	*25,001*	-	*6,450*	-	-
- Luxembourg	-	-	*68,177*	*13,326*	-	-	-	-	*68,177*	*13,326*	-
- Great Britain	-	*33,008*	*99,102*	-	*4,797*	-	*33,008*	-	*99,102*	-	*4,797*
- Slovakia	-	*3,101*	*15,801*	*2,059*	-	-	*3,101*	-	*15,801*	*2,059*	-
- Spain	-	-	*14,745*	-	-	-	-	-	*14,745*	-	-
- Other	-	-	*5,754*	*1,022*	-	-	-	-	*5,755*	*1,022*	-
United States of America	-	-	15,879	-	-	-	-	-	15,879	-	-
Other countries	-	993	-	-	117	-	993	-	434,118	-	117
- Macedonia	-	-	-	-	-	-	-	-	*175,366*	-	*3*
- Serbia	-	-	-	-	*1*	-	-	-	*81,491*	-	-
- Bosnia and Herzegovina	-	-	-	-	-	-	-	-	*59,712*	-	-
- Montenegro	-	-	-	-	-	-	-	-	*49,786*	-	-
- Kosovo	-	-	-	-	*116*	-	-	-	*67,763*	-	*114*
- Other	-	*993*	-	-	-	-	*993*	-	-	-	-
Total	**394,579**	**237,362**	**1,177,947**	**565,535**	**31,591**	**394,579**	**237,362**	**753**	**1,661,729**	**565,535**	**31,124**

in EUR thousand

31.12.2014	NLB d.d.					NLB Group					
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	706,785	97,248	579,119	461,486	13,576	706,785	97,248	-	659,451	461,486	12,981
Other members of European Union	-	-	564,969	250,162	29,915	-	-	544	596,825	250,162	29,921
- Italy	-	-	-	*10,107*	-	-	-	-	-	*10,107*	-
- Ireland	-	-	*2,472*	*5,166*	-	-	-	*99*	*2,472*	*5,166*	-
- France	-	-	*71,169*	*35,673*	*107*	-	-	*105*	*78,378*	*35,672*	*107*
- Belgium	-	-	*47,819*	*6,046*	*2,966*	-	-	-	*66,257*	*6,046*	*2,966*
- Netherlands	-	-	*58,128*	*41,734*	*14,186*	-	-	-	*58,128*	*41,734*	*14,186*
- Austria	-	-	*57,186*	*42,831*	-	-	-	-	*63,395*	*42,831*	-
- Germany	-	-	*130,315*	*77,186*	*4,058*	-	-	-	*130,315*	*77,186*	*4,058*
- Finland	-	-	*39,109*	*13,634*	-	-	-	-	*39,109*	*13,634*	-
- Sweden	-	-	*32,190*	-	-	-	-	-	*32,190*	-	-
- Denmark	-	-	*23,327*	-	-	-	-	-	*23,327*	-	-
- Luxembourg	-	-	*63,260*	*14,706*	-	-	-	-	*63,260*	*14,706*	-
- Great Britain	-	-	*20,595*	-	*8,598*	-	-	*340*	*20,595*	-	*8,598*
- Slovakia	-	-	*15,777*	*2,058*	-	-	-	-	*15,777*	*2,058*	-
- Other	-	-	*3,622*	*1,021*	-	-	-	-	*3,622*	*1,022*	*6*
United States of America	-	-	6,778					-	6,778	-	-
Other countries	-	892	2,067	-	121	-	892	341	377,037	-	120
- Macedonia	-	-	-	-	-	-	-	-	*173,651*	-	-
- Serbia	-	-	-	-	*1*	-	-	-	*88,580*	-	-
- Bosnia and Herzegovina	-	-	-	-	-	-	-	-	*40,317*	-	-
- Montenegro	-	-	-	-	-	-	-	-	*23,364*	-	-
- Switzerland	-	-	*2,067*	-	-	-	-	-	*2,067*	-	-
- Kosovo	-	-	-	-	*120*	-	-	-	*49,058*	-	*120*
- Other	-	*892*	-	-	-	-	*892*	*341*	-	-	-
Total	**706,785**	**98,140**	**1,152,933**	**711,648**	**43,612**	**706,785**	**98,140**	**885**	**1,640,091**	**711,648**	**43,022**

s) Internal rating of derivatives counterparties

NLB d.d. and NLB Group	31.12.2015 in %	31.12.2014 in %
A	81.27	81.83
B	15.84	14.40
C	1.24	2.08
D and E	1.65	1.69
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 do not have an external rating, but all such transactions are covered through back-to-back transactions involving third parties with an external investment-grade rating.

t) Debt securities in NLB d.d.'s and NLB Group's portfolio that represent subordinated liabilities for the issuer

in EUR thousand

31.12.2015	NLB d.d.				NLB Group			
Internal rating	**A**	**B**	**C**	**Total**	**A**	**B**	**C**	**Total**
Available-for-sale financial assets	601	-	-	601	601	-	-	601
Loans and advances								
- loans and advances to banks	10,946	3,982	1,136	16,064	-	-	1,136	1,136
- loans and advances to customers	-	-	6,435	6,435	-	-	132	132
Total	**11,547**	**3,982**	**7,571**	**23,100**	**601**	**-**	**1,268**	**1,869**

in EUR thousand

31.12.2014	NLB d.d.				NLB Group			
Internal rating	**A**	**B**	**C**	**Total**	**A**	**B**	**C**	**Total**
Trading assets	2,084	-	-	2,084	2,084	-	-	2,084
Available-for-sale financial assets	574	-	-	574	574	-	-	574
Loans and advances								
- loans and advances to banks	-	11,685	1,340	13,025	-	-	1,340	1,340
- loans and advances to customers	-	-	23,665	23,665	-	-	-	-
Total	**2,658**	**11,685**	**25,005**	**39,348**	**2,658**	**-**	**1,340**	**3,998**

u) Presentation of net financial instruments by measurement category

in EUR thousand

31.12.2015	NLB d.d. 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, cash balances at central banks and other demand deposits at banks	-	-	-	496,806	-	-	496,806
Securities	237,372	4,913	1,248,359	394,604	565,535	-	2,450,783
- Bonds	43,555	-	999,781	394,579	545,561	-	1,983,476
- Shares	10	-	70,412	-	-	-	70,422
- Commercial bills	151,171	-	151,168	-	-	-	302,339
- Treasury bills	42,636	-	26,998	-	19,974	-	89,608
- Private equity fund	-	4,913	-	-	-	-	4,913
- Reverse sell and repurchase agreements	-	-	-	25	-	-	25
Derivatives	30,508	-	-	-	-	1,083	31,591
Loans and receivables	-	-	-	5,171,321	-	-	5,171,321
- Loans to government	-	-	-	578,184	-	-	578,184
- Loans to banks	-	-	-	345,207	-	-	345,207
- Loans to financial organizations	-	-	-	391,911	-	-	391,911
- Loans to individuals	-	-	-	1,889,683	-	-	1,889,683
Granted overdrafts	-	-	-	*152,042*	-	-	*152,042*
Loans for houses and flats	-	-	-	*1,165,800*	-	-	*1,165,800*
Consumer loans	-	-	-	*471,889*	-	-	*471,889*
Other loans	-	-	-	*99,952*	-	-	*99,952*
- Loans to other customers	-	-	-	1,966,336	-	-	1,966,336
Loans to large corporate customers	-	-	-	*1,263,030*	-	-	*1,263,030*
Loans to small and medium size enterprises	-	-	-	*703,306*	-	-	*703,306*
Other financial assets	-	-	-	48,944	-	-	48,944
Total financial assets	**267,880**	**4,913**	**1,248,359**	**6,111,675**	**565,535**	**1,083**	**8,199,445**

in EUR thousand

31.12.2014	NLB d.d. 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, cash balances at central banks and other demand deposits at banks	-	-	-	434,438	-	-	434,438
Securities	98,162	4,702	1,182,748	706,810	711,648	-	2,704,070
- Bonds	57,876	-	999,148	706,785	691,765	-	2,455,574
- Shares	22	-	29,815	-	-	-	29,837
- Commercial bills	-	-	78,973	-	-	-	78,973
- Treasury bills	40,264	-	74,812	-	19,883	-	134,959
- Private equity fund	-	4,702	-	-	-	-	4,702
- Reverse sell and repurchase agreements	-	-	-	25	-	-	25
Derivatives	40,646	-	-	-	-	2,966	43,612
Loans and receivables	-	-	-	5,152,315	-	-	5,152,315
- Loans to government	-	-	-	387,378	-	-	387,378
- Loans to banks	-	-	-	159,300	-	-	159,300
- Loans to financial organizations	-	-	-	548,731	-	-	548,731
- Loans to individuals	-	-	-	1,884,000	-	-	1,884,000
Granted overdrafts	-	-	-	*159,967*	-	-	*159,967*
Loans for houses and flats	-	-	-	*1,143,952*	-	-	*1,143,952*
Consumer loans	-	-	-	*472,792*	-	-	*472,792*
Other loans	-	-	-	*107,289*	-	-	*107,289*
- Loans to other customers	-	-	-	2,172,906	-	-	2,172,906
Loans to large corporate customers	-	-	-	*1,418,469*	-	-	*1,418,469*
Loans to small and medium size enterprises	-	-	-	*754,437*	-	-	*754,437*
Other financial assets	-	-	-	47,836	-	-	47,836
Total financial assets	**138,808**	**4,702**	**1,182,748**	**6,341,399**	**711,648**	**2,966**	**8,382,271**

in EUR thousand

31.12.2015	NLB Group							
	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, cash balances at central banks and other demand deposits at banks	-	-	-	1,161,983	-	-	-	1,161,983
Securities	237,372	7,595	1,737,191	394,604	-	565,535	-	2,942,297
- Bonds	43,555	753	1,350,942	394,579	-	545,561	-	2,335,390
- Shares	10	-	75,462	-	-	-	-	75,472
- Commercial bills	151,171	-	151,168	-	-	-	-	302,339
- Cash certificates	-	-	77,939	-	-	-	-	77,939
- Treasury bills	42,636	-	81,680	-	-	19,974	-	144,290
- Private equity fund	-	4,913	-	-	-	-	-	4,913
- Reverse sell and repurchase agreements	-	-	-	25	-	-	-	25
- Other investments	-	1,929	-	-	-	-	-	1,929
Derivatives	30,041	-	-	-	-	-	1,083	31,124
Loans and receivables	-	-	-	6,947,552	177,819	-	-	7,125,371
- Loans to government	-	-	-	675,094	13,380	-	-	688,474
- Loans to banks	-	-	-	431,775	-	-	-	431,775
- Loans to financial organizations	-	-	-	139,559	293	-	-	139,852
- Loans to individuals	-	-	-	2,843,107	64,884	-	-	2,907,991
Granted overdrafts	-	-	-	*185,912*	-	-	-	*185,912*
Loans for houses and flats	-	-	-	*1,503,814*	-	-	-	*1,503,814*
Consumer loans	-	-	-	*962,884*	-	-	-	*962,884*
Other loans	-	-	-	*190,497*	*64,884*	-	-	*255,381*
- Loans to other customers	-	-	-	2,858,017	99,262	-	-	2,957,279
Loans to large corporate customers	-	-	-	*1,615,919*	*29,225*	-	-	*1,645,144*
Loans to small and medium size enterprises	-	-	-	*1,242,098*	*70,037*	-	-	*1,312,135*
Other financial assets	-	-	-	69,521	-	-	-	69,521
Total financial assets	**267,413**	**7,595**	**1,737,191**	**8,573,660**	**177,819**	**565,535**	**1,083**	**11,330,296**

in EUR thousand

31.12.2014	NLB Group 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, cash balances at central banks and other demand deposits at banks	-	-	-	1,127,527	-	-	-	1,127,527
Securities	98,162	6,510	1,672,952	706,810	-	711,648	-	3,196,082
- Bonds	57,876	885	1,317,574	706,785	-	691,765	-	2,774,885
- Shares	22	-	32,861	-	-	-	-	32,883
- Commercial bills	-	-	78,973	-	-	-	-	78,973
- Certificates of deposits	-	-	35,521	-	-	-	-	35,521
- Treasury bills	40,264	-	208,023	-	-	19,883	-	268,170
- Private equity fund	-	4,702	-	-	-	-	-	4,702
- Reverse sell and repurchase agreements	-	-	-	25	-	-	-	25
- Other investments	-	923	-	-	-	-	-	923
Derivatives	40,056	-	-	-	-	-	2,966	43,022
Loans and receivables	-	-	-	6,778,039	201,608	-	-	6,979,647
- Loans to government	-	-	-	500,069	15,246	-	-	515,315
- Loans to banks	-	-	-	271,340	-	-	-	271,340
- Loans to financial organizations	-	-	-	153,804	328	-	-	154,132
- Loans to individuals	-	-	-	2,734,012	69,290	-	-	2,803,302
Granted overdrafts	-	-	-	*192,738*	-	-	-	*192,738*
Loans for houses and flats	-	-	-	*1,442,022*	-	-	-	*1,442,022*
Consumer loans	-	-	-	*910,752*	-	-	-	*910,752*
Other loans	-	-	-	*188,500*	*69,290*	-	-	*257,790*
- Loans to other customers	-	-	-	3,118,814	116,744	-	-	3,235,558
Loans to large corporate customers	-	-	-	*1,780,232*	*39,106*	-	-	*1,819,338*
Loans to small and medium size enterprises	-	-	-	*1,338,582*	*77,638*	-	-	*1,416,220*
Other financial assets	-	-	-	71,769	-	-	-	71,769
Total financial assets	**138,218**	**6,510**	**1,672,952**	**8,684,145**	**201,608**	**711,648**	**2,966**	**11,418,047**

As at 31 December 2015 and 31 December 2014, all of 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 amortised cost.

7.2. Market and liquidity management

NLB Group maintains an adequate level of liquidity at all times to meet its short-term liabilities, even if a specific stress scenario is realised. Consequently, the tolerance for this risk is low. With regard to structural liquidity, NLB Group maintains a sufficient amount of liquidity reserves in the form of high credit quality debt securities that are eligible for refinancing via the ECB or on the interbank market. In the current situation, NLB Group also strives to follow as closely as possible the long-term trend of diversification on both the liability and asset sides of the balance sheet. NLB Group regularly performs stress tests with the aim of testing the liquidity stability and availability of liquidity reserves in various stress situations. In addition, special attention is given to the new liquidity regulations (CRR/CRD), along with monitoring the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), and the fulfilment of the prescribed values of the aforementioned ratios.

In the area of currency risk, NLB Group pursues the goal of low to moderate exposure. In non-core members of NLB Group, the currency exposure is mostly related to structural non-alignment as a result of credit risk; the relevant departments of NLB d.d. regularly analyse their open positions and issue guidelines for the balancing of currency positions from the economic point of view, also considering the aspect of their open position at the consolidated level and the related effects. The orientation of NLB Group in interest rate risk management is to prevent negative effects on the net revenues arising from changed market interest rates. In line with this, the tolerance for this risk is low. The conclusion of transactions involving derivatives at NLB d.d. is limited to the servicing of the clients' and hedging of the Group's own open positions. In accordance with the provisions of the Strategy on trading in financial instruments in NLB Group, the trading activities in other NLB Group members are very restricted. Thus, NLB d.d. is the only Group member with a trading book in accordance with the CRR requirements.

Monitoring and managing NLB Group's exposure to market risks is decentralised. However, uniform guidelines and exposure limits for each type of risk are set for individual NLB Group entities. The methodologies are in line with regulatory requirements on an individual and consolidated level, while reporting to the regulator on the consolidated level is carried out using a standardised 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 an individual NLB Group entity is regularly monitored and reported to the Assets and Liabilities Committee of NLB Group (NLB Group ALCO).

7.2.1. Currency risk (FX)

NLB Group manages currency risks in accordance with the currency risk management policy adopted by NLB d.d.'s Assets and Liabilities Committee (ALCO). Currency risk management in NLB Group is decentralised. Each member is responsible for its own Currency risk policy which also includes a limit system and is in line with local regulatory requirements as well as the parent Bank's guidelines and standards. Policies are confirmed by local committees. NLB d.d. monitors and manages NLB Group currency risk exposure on a monthly basis for each member and on the consolidated level.

The positions of all currencies in the statement of financial position of NLB d.d., for which a daily limit is set, are monitored daily. Exposure to currency risks is managed by the Financial Markets Department on the basis of a report obtained from the Global Risk Department. The Financial Markets Department manages FX positions on the currency level so that they are always within the limits.

Exposure to currency risks is discussed at daily liquidity meetings and monthly meetings of the Assets and Liabilities Committee of NLB Group.

a) The amount of financial instruments denominated in euros and in foreign currency

in EUR thousand

	NLB d.d.				
31.12.2015	**EUR**	**USD**	**CHF**	**Other**	**Total**
Financial assets					
Cash, cash balances at central banks and other demand deposits at banks	360,831	66,477	14,554	54,944	496,806
Trading assets	257,727	10,143	-	10	267,880
Financial assets designated at fair value through profit or loss	4,913	-	-	-	4,913
Available-for-sale financial assets	1,218,163	27,333	-	2,863	1,248,359
Derivatives - hedge accounting	1,083	-	-	-	1,083
Loans and advances					
- debt securities	394,579	-	-	-	394,579
- loans and advances to banks	311,030	23,229	937	10,011	345,207
- loans and advances to customers	4,676,413	30,091	108,423	11,212	4,826,139
- other financial assets	48,804	61	17	62	48,944
Held-to-maturity financial assets	565,535	-	-	-	565,535
Fair value changes of the hedged items in portfolio hedge of interest rate risk	741	-	-	-	741
Total financial assets	**7,839,819**	**157,334**	**123,931**	**79,102**	**8,200,186**
Financial liabilities					
Trading liabilities	29,909	-	-	-	29,909
Financial liabilities designated at fair value through profit or loss	4,912	-	-	-	4,912
Derivatives - hedge accounting	33,842	-	-	-	33,842
Financial liabilities measured at amortised cost					
- deposits from banks and central banks	50,494	17,399	16,954	11,889	96,736
- borrowings from banks and central banks	467,550	31,372	21,004	-	519,926
- due to customers	6,102,741	109,793	44,157	36,648	6,293,339
- borrowings from other customers	16,168	-	-	-	16,168
- debt securities in issue	304,962	-	-	-	304,962
- other financial liabilities	46,488	382	79	397	47,346
Total financial liabilities	**7,057,066**	**158,946**	**82,194**	**48,934**	**7,347,140**
Net on-balance sheet financial position	**782,753**	**(1,612)**	**41,737**	**30,168**	**853,046**
Derivative financial instruments	53,260	1,998	(44,678)	(17,427)	(6,847)
Net financial position	**836,013**	**386**	**(2,941)**	**12,741**	**846,199**
31.12.2014					
Total financial assets	**7,920,681**	**138,059**	**258,259**	**66,184**	**8,383,183**
Total financial liabilities	**7,320,185**	**132,621**	**74,420**	**34,429**	**7,561,655**
Net on-balance sheet financial position	**600,496**	**5,438**	**183,839**	**31,755**	**821,528**
Derivative financial instruments	195,043	1,173	(184,391)	(20,717)	(8,892)
Net financial position	**795,539**	**6,611**	**(552)**	**11,038**	**812,636**

in EUR thousand

31.12.2015	NLB Group EUR	USD	CHF	Other	Total
Financial assets					
Cash, cash balances at central banks and other demand deposits at banks	733,307	84,540	37,582	306,554	1,161,983
Trading assets	257,260	10,143	-	10	267,413
Financial assets designated at fair value through profit or loss	7,595	-	-	-	7,595
Available-for-sale financial assets	1,458,612	29,095	2,300	247,184	1,737,191
Derivatives - hedge accounting	1,083	-	-	-	1,083
Loans and advances					
- debt securities	394,579	-	-	-	394,579
- loans and advances to banks	350,960	47,722	1	33,092	431,775
- loans and advances to customers	5,865,911	33,395	111,632	682,683	6,693,621
- other financial assets	52,733	101	45	16,642	69,521
Held-to-maturity financial assets	565,535	-	-	-	565,535
Fair value changes of the hedged items in portfolio hedge of interest rate risk	741	-	-	-	741
Total financial assets	**9,688,316**	**204,996**	**151,560**	**1,286,165**	**11,331,037**
Financial liabilities					
Trading liabilities	29,920	-	-	-	29,920
Financial liabilities designated at fair value through profit or loss	4,912	-	-	-	4,912
Derivatives - hedge accounting	33,842	-	-	-	33,842
Financial liabilities measured at amortised cost					
- deposits from banks and central banks	29,489	5,082	12,249	11,162	57,982
- borrowings from banks and central banks	518,286	31,372	21,371	-	571,029
- due to customers	7,762,577	170,979	67,218	1,019,892	9,020,666
- borrowings from other customers	99,217	-	-	1,050	100,267
- debt securities in issue	304,962	-	-	-	304,962
- subordinated liabilities	27,340	-	-	-	27,340
- other financial liabilities	61,405	770	2,466	10,666	75,307
Total financial liabilities	**8,871,950**	**208,203**	**103,304**	**1,042,770**	**10,226,227**
Net on-balance sheet financial position	**816,366**	**(3,207)**	**48,256**	**243,395**	**1,104,810**
Derivative financial instruments	53,173	1,998	(45,057)	(16,964)	(6,850)
Net financial position	**869,539**	**(1,209)**	**3,199**	**226,431**	**1,097,960**
31.12.2014					
Total financial assets	**9,895,854**	**185,241**	**185,695**	**1,152,169**	**11,418,959**
Total financial liabilities	**9,180,214**	**180,837**	**89,920**	**948,088**	**10,399,059**
Net on-balance sheet financial position	**715,640**	**4,404**	**95,775**	**204,081**	**1,019,900**
Derivative financial instruments	194,944	1,285	(184,840)	(20,272)	(8,883)
Net financial position	**910,584**	**5,689**	**(89,065)**	**183,809**	**1,011,017**

b) Sensitivity analysis for currency risk

NLB d.d. and NLB Group

Scenarios	31.12.2015	31.12.2014
USD	+/-13%	+/-6%
CHF	+/-4%	+/-2%
CZK	+/-1%	+/-2%
RSD	+/-3%	+/-3%
MKD	+/-0.4%	+/-0.6%
JPY	+/-10.5%	+/-7%
AUD	+/-15%	+/-8%
HUF	+/-7%	+/-7%
HRK	+/-1%	+/-1%

in EUR thousand

	NLB d.d.		NLB Group	
31.12.2015	**Effects on income statement**	**Effects on other comprehensive income**	**Effects on income statement**	**Effects on other comprehensive income**
Appreciation of				
USD	45	10	(11)	-
CHF	(9)	-	(434)	384
CZK	9	-	(7)	38
RSD	1	-	(5)	2,391
MKD	1	-	1	782
Other	65	-	(27)	718
Effects on comprehensive income	**112**	**10**	**(483)**	**4,313**
Depreciation of				
USD	(35)	(8)	8	-
CHF	8	-	397	(351)
CZK	(9)	-	6	(37)
RSD	(1)	-	5	(2,235)
MKD	(1)	-	(1)	(771)
Other	(52)	-	35	(709)
Effects on comprehensive income	**(90)**	**(8)**	**450**	**(4,103)**
Total	**22**	**2**	**(33)**	**210**

in EUR thousand

31.12.2014	NLB d.d. Effects on income statement	NLB d.d. Effects on other comprehensive income	NLB Group Effects on income statement	NLB Group Effects on other comprehensive income
Appreciation of				
USD	439	13	349	13
CHF	(11)	-	(29)	(1,980)
CZK	7	1	7	(114)
RSD	13	-	13	1,987
MKD	(1)	-	(1)	407
Other	173	-	173	156
Effects on comprehensive income	**620**	**14**	**512**	**469**
Depreciation of				
USD	(388)	(12)	(308)	(12)
CHF	11	-	27	1,903
CZK	(7)	(1)	(7)	109
RSD	(12)	-	(12)	(1,869)
MKD	(1)	-	(1)	(400)
Other	(146)	-	(146)	(153)
Effects on comprehensive income	**(543)**	**(13)**	**(447)**	**(422)**
Total	**77**	**1**	**65**	**47**

c) Value at Risk analysis

NLB d.d. uses an internal »Conditional Value at Risk« (CVaR) model to calculate currency risk arising from open positions. The calculation of the CVaR value is adjusted to Basel standards (99% confidence interval, monitored period of 300 business days, 10-day holding position period), and based on the historical simulation method. CVaR 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.

in EUR thousand

NLB d.d.	2015			2014		
CVaR	**Average**	**Maximum**	**Minimum**	**Average**	**Maximum**	**Minimum**
Currency risk (trading book and banking book)	307	4,535	7	122	2,412	39

The methodology for measuring currency risk at NLB Group level is based on the net open foreign exchange position principle and monitoring of the nominal limits (for the Total open position by currency), related to the capital size of an NLB Group member. The internal CVaR method described above is used for the illustration below of exposure to currency risk which derives from the quarterly net open positions of NLB Group entities. CVaR was the result of exchange rate volatility, which affected the potential loss or the level of CVaR.

in EUR thousand

NLB Group	2015			2014		
CVaR	**Average**	**Maximum**	**Minimum**	**Average**	**Maximum**	**Minimum**
Currency risk (trading book and banking book)	6,019	21,564	3,480	1,878	4,325	1,250

7.2.2. Managing 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 the VAR value is adjusted to Basel standards (99% confidence interval, monitored period of 250 business days, 10-day holding position period).

In 2015, FX risk in the trading book amounted to an average of EUR 182 thousand (2014: EUR 86 thousand). Compared with the previous year, the ratio is higher mainly due to SPOT deals with companies with trade date t+0, and closing deal with trading date t+2.

In 2015, interest rate risks in the trading book amounted to an average of EUR 341 thousand (2014: EUR 396 thousand) and remained on a relatively similar level compared with the previous year. At the end of 2014 the market value of the debt securities portfolio amounted to EUR 237.4 million (2014: EUR 98.1 million).

The risk of changing securities prices (equity portfolio) in the trading book fluctuated between EUR 0 and EUR 18 thousands (2014: between EUR 6 and EUR 537 thousand). At the end of 2015, the market value of the portfolio was EUR 10 thousand (2014: EUR 22 thousand).

in EUR thousand

NLB d.d. and NLB Group	2015			2014		
VaR	**Average**	**Maximum**	**Minimum**	**Average**	**Maximum**	**Minimum**
FX risk trading book	182	18	893	86	5	605
Interest rate risk in trading book	346	151	717	396	177	704
Equity risk in trading book	5	-	18	365	6	537

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 working days). The "average" value represents the arithmetic mean of daily VAR values in 2015, while the "maximum" and "minimum" values represent the highest and lowest values of daily VAR calculations in 2015, respectively.

7.2.3. Managing interest rate risk

The management of interest rate risks in NLB d.d. banking book is separated from the measurement and monitoring of those 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 stabilises its interest rate margin through an appropriate pricing policy, a fund transfer pricing policy and the securities portfolio of the banking book.

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 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 and interest rate margin). 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. The 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 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 within the scope of 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 NLB Group's interest rate exposure is not performed at the consolidated level. However, NLB d.d. monitors the risk positions of individual members of NLB Group on a regular basis in accordance with the Standards for Risk Management in 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, the interest rate margin and limits. Guidelines regarding the limitation and management of interest risks within individual NLB Group members are approved by the ALCO.

a) Analysis of financial instruments according to the exposure to interest rate risk

Illustrated below are the carrying amounts of financial instruments categorised by the earlier of contractual repricing or residual maturity.

in EUR thousand

	NLB d.d.							
31.12.2015	**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, cash balances at central banks and other demand deposits at banks	496,806	128,682	368,124	368,124	-	-	-	-
Trading assets	267,880	10	267,870	40,651	32,940	194,278	1	-
Financial assets designated at fair value through profit or loss	4,913	4,913	-	-	-	-	-	-
Available-for-sale financial assets	1,248,359	70,412	1,177,947	39,489	60,220	184,845	590,844	302,549
Derivatives - hedge accounting	1,083	1,083	-	-	-	-	-	-
Loans and advances								
- debt securities	394,579	-	394,579	-	-	311,466	-	83,113
- loans and advances to banks	345,207	10	345,197	20,507	23,904	300,626	160	-
- loans and advances to customers	4,826,139	41,199	4,784,940	1,595,772	1,263,047	1,659,100	178,044	88,977
- other financial assets	48,944	48,944	-	-	-	-	-	-
Held-to-maturity financial assets	565,535	-	565,535	46,620	17,440	51,696	263,554	186,225
Fair value changes of the hedged items in portfolio hedge of interest rate risk	741	741	-	-	-	-	-	-
Total financial assets	**8,200,186**	**295,994**	**7,904,192**	**2,111,163**	**1,397,551**	**2,702,011**	**1,032,603**	**660,864**
Financial liabilities								
Trading liabilities	29,909	-	29,909	29,909	-	-	-	-
Financial liabilities designated at fair value through profit or loss	4,912	4,912	-	-	-	-	-	-
Derivatives - hedge accounting	33,842	33,842	-	-	-	-	-	-
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	96,736	-	96,736	96,731	-	5	-	-
- borrowings from banks and central banks	519,926	-	519,926	1,821	174,298	327,414	14,853	1,540
- due to customers	6,293,339	-	6,293,339	4,719,557	505,119	865,732	191,889	11,042
- borrowings from other customers	16,168	-	16,168	-	-	10,009	6,149	10
- debt securities in issue	304,962	-	304,962	-	-	29,917	275,045	-
- other financial liabilities	47,346	47,346	-	-	-	-	-	-
Total financial liabilities	**7,347,140**	**86,100**	**7,261,040**	**4,848,018**	**679,417**	**1,233,077**	**487,936**	**12,592**
Total interest repricing gap				**(2,736,855)**	**718,134**	**1,468,934**	**544,667**	**648,272**

in EUR thousand

31.12.2014	NLB d.d. 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, cash balances at central banks and other demand deposits at banks	434,438	106,146	328,292	328,292	-	-	-	-
Trading assets	138,808	22	138,786	41,538	27,700	17,265	52,283	-
Financial assets designated at fair value through profit or loss	4,702	4,702	-	-	-	-	-	-
Available-for-sale financial assets	1,182,748	29,815	1,152,933	41,379	120,222	99,097	484,319	407,916
Derivatives - hedge accounting	2,966	2,966	-	-	-	-	-	-
Loans and advances								
- debt securities	706,785	-	706,785	-	-	312,050	309,000	85,735
- loans and advances to banks	159,300	9	159,291	87,332	31,757	39,750	452	-
- loans and advances to customers	4,993,040	39,929	4,953,111	1,954,539	1,036,482	1,752,882	152,613	56,595
- other financial assets	47,836	47,836	-	-	-	-	-	-
Held-to-maturity financial assets	711,648	-	711,648	67,924	52,010	110,380	245,155	236,179
Fair value changes of the hedged items in portfolio hedge of interest rate risk	912	912	-	-	-	-	-	-
Total financial assets	**8,383,183**	**232,337**	**8,150,846**	**2,521,004**	**1,268,171**	**2,331,424**	**1,243,822**	**786,425**
Financial liabilities								
Trading liabilities	43,764	-	43,764	43,764	-	-	-	-
Financial liabilities designated at fair value through profit or loss	4,701	4,701	-	-	-	-	-	-
Derivatives - hedge accounting	43,985	43,985	-	-	-	-	-	-
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	91,115	-	91,115	90,045	1,049	21	-	-
- borrowings from banks and central banks	643,578	-	643,578	49,780	229,313	229,582	132,979	1,924
- due to customers	6,294,925	-	6,294,925	4,043,882	784,496	1,176,350	277,230	12,967
- borrowings from other customers	33,511	-	33,511	-	20,181	10,012	3,318	-
- debt securities in issue	359,853	-	359,853	-	-	35,280	324,573	-
- other financial liabilities	46,223	46,223	-	-	-	-	-	-
Total financial liabilities	**7,561,655**	**94,909**	**7,466,746**	**4,227,471**	**1,035,039**	**1,451,245**	**738,100**	**14,891**
Total interest repricing gap				**(1,706,467)**	**233,132**	**880,179**	**505,722**	**771,534**

in EUR thousand

31.12.2015	NLB Group							
	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 banks and central banks	1,161,983	505,720	656,263	656,263	-	-	-	-
Trading assets	267,413	10	267,403	40,184	32,940	194,278	1	-
Financial assets designated at fair value through profit or loss	7,595	4,913	2,682	1,929	-	-	753	-
Available-for-sale financial assets	1,737,191	75,462	1,661,729	140,587	110,575	293,237	809,994	307,336
Derivatives - hedge accounting	1,083	1,083	-	-	-	-	-	-
Loans and advances								
- debt securities	394,579	-	394,579	-	-	311,466	-	83,113
- loans and advances to banks	431,775	25	431,750	61,550	46,699	322,784	717	-
- loans and advances to customers	6,693,621	51,431	6,642,190	1,969,369	1,345,506	2,463,505	662,116	201,694
- other financial assets	69,521	69,521	-	-	-	-	-	-
Held-to-maturity financial assets	565,535	-	565,535	46,620	17,440	51,696	263,554	186,225
Fair value changes of the hedged items in portfolio hedge of interest rate risk	741	741	-	-	-	-	-	-
Total financial assets	**11,331,037**	**708,906**	**10,622,131**	**2,916,502**	**1,553,160**	**3,636,966**	**1,737,135**	**778,368**
Financial liabilities								
Trading liabilities	29,920	-	29,920	29,920	-	-	-	-
Financial liabilities designated at fair value through profit or loss	4,912	4,912	-	-	-	-	-	-
Derivatives - hedge accounting	33,842	33,842	-	-	-	-	-	-
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	57,982	60	57,922	56,986	-	722	214	-
- borrowings from banks and central banks	571,029	-	571,029	5,517	176,629	349,694	36,254	2,935
- due to customers	9,020,666	79,603	8,941,063	6,244,768	666,622	1,563,576	428,403	37,694
- borrowings from other customers	100,267	-	100,267	1,323	3,019	21,284	46,637	28,004
- debt securities in issue	304,962	-	304,962	-	-	29,917	275,045	-
- subordinated liabilities	27,340	-	27,340	-	12,219	15,121	-	-
- other financial liabilities	75,307	75,307	-	-	-	-	-	-
Total financial liabilities	**10,226,227**	**193,724**	**10,032,503**	**6,338,514**	**858,489**	**1,980,314**	**786,553**	**68,633**
Total interest repricing gap				**(3,422,012)**	**694,671**	**1,656,652**	**950,582**	**709,735**

in EUR thousand

31.12.2014	NLB Group 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 banks and central banks	1,127,527	432,339	695,188	695,188	-	-	-	-
Trading assets	138,218	22	138,196	40,943	27,701	17,269	52,283	-
Financial assets designated at fair value through profit or loss	6,510	4,702	1,808	1,605	-	203	-	-
Available-for-sale financial assets	1,672,952	32,861	1,640,091	118,593	260,941	263,392	581,838	415,327
Derivatives - hedge accounting	2,966	2,966	-	-	-	-	-	-
Loans and advances								
- debt securities	706,785	-	706,785	-	-	312,050	309,000	85,735
- loans and advances to banks	271,340	9	271,331	141,469	51,103	75,581	3,178	-
- loans and advances to customers	6,708,332	67,757	6,640,575	2,433,303	1,164,690	2,377,440	531,644	133,498
- other financial assets	71,769	71,769	-	-	-	-	-	-
Held-to-maturity financial assets	711,648	-	711,648	67,924	52,010	110,380	245,155	236,179
Fair value changes of the hedged items in portfolio hedge of interest rate risk	912	912	-	-	-	-	-	-
Total financial assets	**11,418,959**	**613,337**	**10,805,622**	**3,499,025**	**1,556,445**	**3,156,315**	**1,723,098**	**870,739**
Financial liabilities								
Trading liabilities	43,758	-	43,758	43,758	-	-	-	-
Financial liabilities designated at fair value through profit or loss	4,701	4,701	-	-	-	-	-	-
Derivatives - hedge accounting	43,985	43,985	-	-	-	-	-	-
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	62,334	1,143	61,191	59,133	1,049	1,009	-	-
- borrowings from banks and central banks	714,722	-	714,722	55,753	234,453	251,546	168,224	4,746
- due to customers	8,943,832	34,809	8,909,023	5,399,621	1,000,014	1,951,501	540,285	17,602
- borrowings from other customers	136,660	-	136,660	1,764	25,817	26,698	51,528	30,853
- debt securities in issue	359,853	-	359,853	-	-	35,280	324,573	-
- subordinated liabilities	17,328	-	17,328	216	11,958	5,154	-	-
- other financial liabilities	71,886	71,886	-	-	-	-	-	-
Total financial liabilities	**10,399,059**	**156,524**	**10,242,535**	**5,560,245**	**1,273,291**	**2,271,188**	**1,084,610**	**53,201**
Total interest repricing gap				**(2,061,220)**	**283,154**	**885,127**	**638,488**	**817,538**

b) Net interest income sensitivity analysis and an economic view of interest rate risk in the banking book

The analysis of interest income sensitivity assumes a move in interest rates by 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.

in EUR thousand

	NLB d.d.			NLB Group		
2015	**Average (assessment)**	**Minimum (assessment)**	**Maximum (assessment)**	**Average (assessment)**	**Minimum (assessment)**	**Maximum (assessment)**
Interest income sensitivity						
EUR	11,408	10,247	12,316	17,318	15,914	18,808
USD	107	13	212	185	45	325
CHF	171	68	277	755	231	1,673
Other	47	36	61	1,186	1,089	1,404

in EUR thousand

	NLB d.d.			NLB Group		
2014	**Average (assessment)**	**Minimum (assessment)**	**Maximum (assessment)**	**Average (assessment)**	**Minimum (assessment)**	**Maximum (assessment)**
Interest income sensitivity						
EUR	8,241	5,412	11,877	12,154	8,555	16,353
USD	37	2	147	106	65	249
CHF	298	136	490	533	392	675
Other	45	24	61	995	811	1,287

The values in the table are 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 arithmetic mean of monthly calculations, while the "maximum" and "minimum" values represent the highest and lowest values calculated during the period.

The BPV (Basis Point Value) method is a measure of sensitivity of financial instruments to market interest rates, i.e. changes of the required return. The BPV method is used to assess the change in the value of a position in case market interest rates change by +/- 200 basis points. In this method, a parallel shift of the yield curve is assumed. The basis point value is the measurement of the change in the market value of a position in the case of an assumed change in market interest rates by a certain number of basis points, which is expressed in monetary units. NLB d.d. weekly calculates the absolute value of potential negative economic effects that would result from a parallel shift in interest rates by 200 bp.

The assessment of the impact of a change in interest rates of 200 basis points on the economic value of the banking book position:

in EUR thousand

	NLB d.d.			NLB Group		
2015	**Average (assessment)**	**Minimum (assessment)**	**Maximum (assessment)**	**Average (assessment)**	**Minimum (assessment)**	**Maximum (assessment)**
Interest risk in banking book - BPV	103,878	89,619	115,005	134,423	127,415	146,900
Interest risk in banking book - BPV, as % of equity	9.27%	7.90%	10.39%	10.80%	10.24%	11.79%

in EUR thousand

	NLB d.d.			NLB Group		
2014	**Average (assessment)**	**Minimum (assessment)**	**Maximum (assessment)**	**Average (assessment)**	**Minimum (assessment)**	**Maximum (assessment)**
Interest risk in banking book - BPV	107,980	100,414	119,347	131,306	121,058	151,731
Interest risk in banking book - BPV, as % of equity	10.48%	9.62%	12.99%	11.03%	10.29%	12.45%

The values in the table have been calculated on the basis of weekly calculations of interest rate gaps, where the applied parallel shift of the yield curve is by 200 basis points. The "average" value represents the arithmetic mean of monthly calculations, while the "maximum" and "minimum" values represent the highest and lowest values calculated during the period. The calculation does not take the allocation of the stable part of sight deposits into account.

Exposure to interest rate risk arises mostly from investments in high quality debt securities which are held primarily for liquidity risk management purposes whereas exposure from loans and deposits remains at low levels due to active management of these positions.

7.2.4. 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 managing these investments that were approved by the Management and the Supervisory Board. The policies relate to the investment structure of the portfolio, its diversification, and the monitoring and measurement of risks. In addition to a standardised methodology, NLB d.d. also uses an internal model, which has been adapted in accordance with the requirements of the Basel standards for monitoring and measuring risks related to the equity portfolio.

The value of the equities portfolio in the banking book of NLB d.d. at the end of 2015 amounted to EUR 75.3 million (2014: EUR 34.5 million), of which realised collateral represented EUR 19.0 million (2014: EUR 28.1 million), the long-term portfolio as available-for-sale financial assets represented EUR 51.4 million (2014: EUR 1.7 million) and in the amount of EUR 4.9 million of financial assets designated at fair value through profit or loss (2014: EUR 4.7 million). Long-term portfolio as available-for-sale financial assets includes investment in National Resolution Fund in the amount of EUR 44.5 million (note 5.4.).

The value of VAR for the equities portfolio in the banking book at the end of 2015 amounted to EUR 2.3 million (2014: EUR 2.5 million). Assuming a fall in stock market indices or individual securities prices of 15% (2014: 15%), the value of the portfolio would decrease by EUR 3.1 million (2014: EUR 4.5 million).

NLB Group's financial instruments trading strategy includes guidelines for the effective management of risks associated with equity investments. Trading with equity securities is not permitted in subsidiaries. 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 held by certain NLB Group entities.

The value of the equity portfolio in the banking book for NLB Group equalled EUR 82.3 million at the end of 2015 (2014: EUR 38.5 million), of which EUR 21.3 million (2014: EUR 28.1 million) was received as collateral, while EUR 54.2 million was recorded as available-for-sale (2014: EUR 4.8 million) and EUR 6.8 million was classified as financial instruments at fair value through profit or loss (2014: EUR 5.6 million).

7.2.5.Liquidity risk management

Liquidity risk is monitored and managed in NLB Group in accordance with the relevant policies and strategies which set out rules and a hierarchy of responsibility. Standard liquidity risk monitoring and management guidelines were implemented by NLB Group companies in accordance with NLB Group Liquidity Risk Management Guidelines. Liquidity risk management is decentralised, with each company 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 standardised reporting system functions within NLB Group which ensures adequate control over the provision of operational and structural liquidity in all NLB Group companies.

The objectives of monitoring and managing liquidity risk in NLB Group are as follows:
- ensuring a sufficient level of liquid assets;
- minimising the costs of maintaining liquidity;
- optimising the amount 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 NLB Group: operational, structural and strategic.

Operational level

Liquidity management at the operational level means managing liquidity within one day, for a period of several days or weeks, based on the planning and monitoring of cash flows. Liquidity management at the operational level in NLB Group is decentralised, meaning each NLB Group company is responsible for its own liquidity position and carries out the following activities:
- concluding transactions for providing liquidity within one day;
- planning and monitoring cash flows;
- monitoring and complying with the liquidity regulations of the central bank;
- adopting business decisions; and
- managing liquidity reserves.

The Bank actively manages liquidity within a day taking into account the characteristics of payment settlements to ensure the timely settlement of liabilities in normal and stressed circumstances.

Intraday liquidity management includes:
• monitoring and controlling the liquidity position of the Bank within one day; and
• providing secured funding to meet liquidity needs within a single day in normal and stressed circumstances.

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 trends in selected structural liquidity ratios;
• monitoring liquidity gaps by individual time buckets;
• calculating LCR and NSFR;
• calculating the GLTDF ratio;
• monitoring encumbered assets; and
• performing liquidity risk stress tests.

The objective of liquidity management at the structural level is to achieve a balance sheet structure that ensures NLB Group's long-term liquidity based on several criteria, e.g. maturity mismatch, funding concentration, credit ratings etc.

Strategic level
NLB Group companies perform the following activities in the context of liquidity management at the strategic level:
• preparing liquidity gaps;
• preparing dynamic projections of liquidity taking several cash-flow scenarios into account;
• monitoring liquidity gaps by different time buckets, and preparing analyses, proposals and measures for changes in the balance sheet structure that affect the Bank's liquidity position and liquidity risk;
• performing liquidity risk stress tests, and defining the optimal and minimal level of liquidity reserves on the basis thereof;
• defining and managing the liquidity reserves;
• preparing proposals for establishing additional financial assets as collateral for sources of funding; and
• monitoring liquidity risk through the Scoring model.

NLB d.d. prepares dynamic liquidity projections on a monthly basis and monitors unencumbered liquidity reserves according to the expected cash flows as well as ensures supervision over the liquidity position of each NLB Group member.

NLB Group performs liquidity stress tests to measure the liquidity risk, which warns of potential future cash outflows. Each NLB Group member should ensure it has sufficient liquidity reserves. In crisis conditions, NLB Group also maintained a sufficient level of high-quality available liquidity reserves with which it could cover unexpected cash outflows in stressed circumstances.

NLB Group has defined a Contingency funding plan as a plan for managing liquidity in stressed circumstances that lays down guidelines and plans activities for recognising problems, searching for solutions and handling emergency situations. It also provides for the establishment of a system of liquidity management that ensures the maintenance of NLB Group's liquidity and protects the commercial interests of clients and shareholders.

a) 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.

in EUR thousand

31.12.2015	NLB d.d. 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						
Financial liabilities designated at fair value through profit or loss	-	1,390	1,460	2,062	-	4,912
Financial liabilities measured at amortised cost						
- deposits from banks and central banks	96,732	-	5	-	-	96,737
- borrowings from banks and central banks	173	19,361	151,090	279,229	81,949	531,802
- due to customers	4,640,241	412,545	912,190	298,736	47,663	6,311,375
- borrowings from other customers	-	-	10,019	6,149	10	16,178
- debt securities in issue	-	-	35,409	282,986	-	318,395
- other financial liabilities	42,098	5,248	-	-	-	47,346
Credit risk related commitments	472,311	126,881	317,253	155,197	69,614	1,141,256
Non-financial guarantees	12,771	32,335	86,952	181,766	59,065	372,889
Total	**5,264,326**	**597,760**	**1,514,378**	**1,206,125**	**258,301**	**8,840,890**
Total financial assets	**1,291,636**	**349,793**	**1,872,826**	**3,350,224**	**2,048,505**	**8,912,984**

in EUR thousand

31.12.2014	NLB d.d. 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						
Financial liabilities designated at fair value through profit or loss	-	-	-	4,701	-	4,701
Financial liabilities measured at amortised cost						
- deposits from banks and central banks	90,046	1,049	21	-	-	91,116
- borrowings from banks and central banks	17,335	9,497	40,628	470,288	133,553	671,301
- due to customers	3,978,589	720,855	1,224,202	372,019	34,609	6,330,274
- borrowings from other customers	-	20,245	54	13,344	-	33,643
- debt securities in issue	-	-	41,805	342,820	-	384,625
- other financial liabilities	44,326	1,897	-	-	-	46,223
Credit risk related commitments	511,582	153,074	331,472	213,447	51,466	1,261,041
Non-financial guarantees	37,517	39,682	128,082	171,815	70,026	447,122
Total	**4,679,395**	**946,299**	**1,766,264**	**1,588,434**	**289,654**	**9,270,046**
Total financial assets	**1,621,394**	**392,883**	**1,649,900**	**3,398,302**	**2,141,451**	**9,203,930**

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 account of 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's regulations concerning calculation of the liquidity position. To ensure NLB d.d.'s and NLB Group's liquidity, and based on its approach to risk, in previous years NLB Group compiled a substantial amount of high-quality liquid investments, mostly government securities and selected loans, which are accepted as adequate financial assets by the ECB.

in EUR thousand

31.12.2015	NLB Group					
	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						
Financial liabilities designated at fair value through profit or loss	-	1,390	1,460	2,062	-	4,912
Financial liabilities measured at amortised cost						
- deposits from banks and central banks	57,046	-	738	214	-	57,998
- borrowings from banks and central banks	3,189	21,433	166,225	310,960	83,358	585,165
- due to customers	6,198,264	590,519	1,519,765	712,502	55,571	9,076,621
- borrowings from other customers	1,346	3,119	21,493	47,840	28,077	101,875
- debt securities in issue	-	-	35,409	282,986	-	318,395
- subordinated liabilities	-	597	1,524	17,772	18,341	38,234
- other financial liabilities	60,622	5,620	4,291	4,774	-	75,307
Credit risk related commitments	518,261	170,080	444,414	217,214	135,749	1,485,718
Non-financial guarantees	14,718	41,207	107,763	196,183	72,913	432,784
Total	**6,853,446**	**833,965**	**2,303,082**	**1,792,507**	**394,009**	**12,177,009**
Total financial assets	**2,446,251**	**554,541**	**2,538,232**	**4,358,254**	**2,610,207**	**12,507,485**

in EUR thousand

31.12.2014	NLB Group					
	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						
Financial liabilities designated at fair value through profit or loss	-	-	-	4,701	-	4,701
Financial liabilities measured at amortised cost						
- deposits from banks and central banks	60,012	1,049	760	515	-	62,336
- borrowings from banks and central banks	21,169	12,346	59,660	516,876	136,403	746,454
- due to customers	5,348,792	947,453	1,870,864	835,170	40,332	9,042,611
- borrowings from other customers	1,794	26,109	16,874	62,922	31,003	138,702
- debt securities in issue	-	-	41,805	342,820	-	384,625
- subordinated liabilities	-	608	1,831	14,561	5,171	22,171
- other financial liabilities	61,161	2,160	8,526	39	-	71,886
Credit risk related commitments	635,117	182,998	428,054	214,288	58,565	1,519,022
Non-financial guarantees	41,807	48,543	153,675	189,086	70,998	504,109
Total	**6,169,852**	**1,221,266**	**2,582,049**	**2,180,978**	**342,472**	**12,496,617**
Total financial assets	**2,814,853**	**693,187**	**2,224,296**	**4,419,803**	**2,584,695**	**12,736,834**

Liabilities and credit related commitments are included in maturity buckets based on their residual contractual maturity.

b) An analysis of the statement of financial position by residual maturity

in EUR thousand

	NLB d.d.					
31.12.2015	**Up to 1 Month**	**1 Month to 3 Months**	**3 Months to 1 Year**	**1 Year to 5 Years**	**Over 5 Years**	**Total**
Cash, cash balances at central banks and other demand deposits at banks	496,806	-	-	-	-	496,806
Trading assets	39,658	32,940	194,278	994	10	267,880
Financial assets designated at fair value through profit or loss	-	-	-	-	4,913	4,913
Available-for-sale financial assets	39,489	60,220	184,845	590,844	372,961	1,248,359
Derivatives - hedge accounting	1,083	-	-	-	-	1,083
Loans and advances						
- debt securities	-	-	311,466	-	83,113	394,579
- loans and advances to banks	19,645	21,290	283,551	9,790	10,931	345,207
- loans and advances to customers	677,932	195,689	726,807	2,057,805	1,167,906	4,826,139
- other financial assets	33,764	45	5	15,130	-	48,944
Held-to-maturity financial assets	7,573	17,440	57,916	296,381	186,225	565,535
Fair value changes of hedged in portfolio hedge of interest rate risk	-	187	-	-	554	741
Non-current assets classified as held for sale	-	-	1,776	-	-	1,776
Property and equipment	-	-	-	15,151	79,419	94,570
Investment property	-	-	-	8,613	-	8,613
Intangible assets	-	-	-	11,681	17,946	29,627
Investments in subsidiaries, associates and joint ventures	-	-	-	34,420	318,675	353,095
Deferred income tax assets	-	-	4,692	4,447	-	9,139
Other assets	6,017		3,762			9,779
Total assets	**1,321,967**	**327,811**	**1,769,098**	**3,045,256**	**2,242,653**	**8,706,785**
Trading liabilities	29,909	-	-	-	-	29,909
Financial liabilities designated at fair value through profit or loss	-	1,390	1,460	2,062	-	4,912
Derivatives - hedge accounting	33,842	-	-	-	-	33,842
Financial liabilities measured at amortised cost						
- deposits from banks and central banks	96,731	-	5	-	-	96,736
- borrowings from banks and central banks	166	19,194	148,818	272,736	79,012	519,926
- due to customers	4,639,535	410,150	904,687	292,564	46,403	6,293,339
- borrowings from other customers	-	-	10,009	6,149	10	16,168
- debt securities in issue	-	-	29,917	275,045	-	304,962
- other financial liabilities	42,098	5,248	-	-	-	47,346
Provisions	-	-	27,494	77,643	-	105,137
Current income tax liabilities	-	-	6,681	-	-	6,681
Other liabilities	3,989	78	570	1,039	-	5,676
Total liabilities	**4,846,270**	**436,060**	**1,129,641**	**927,238**	**125,425**	**7,464,634**
Credit risk related commitments	472,311	126,881	317,253	155,197	69,614	1,141,256
Non-financial guarantees	12,771	32,335	86,952	181,766	59,065	372,889
Total liabilities and credit related commitments	**5,331,352**	**595,276**	**1,533,846**	**1,264,201**	**254,104**	**8,978,779**

in EUR thousand

31.12.2014	NLB d.d. Up to 1 Month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
Cash, cash balances at central banks and other demand deposits at banks	434,438	-	-	-	-	434,438
Trading assets	40,646	27,700	17,265	52,283	914	138,808
Financial assets designated at fair value through profit or loss	-	-	-	-	4,702	4,702
Available-for-sale financial assets	26,362	109,346	109,973	499,336	437,731	1,182,748
Derivatives - hedge accounting	2,966	-	-	-	-	2,966
Loans and advances						
- debt securities	-	-	312,050	309,000	85,735	706,785
- loans and advances to banks	84,671	24,677	21,386	28,566	-	159,300
- loans and advances to customers	1,003,334	156,194	942,673	1,786,452	1,104,387	4,993,040
- other financial assets	34,378	104	1,588	11,766	-	47,836
Held-to-maturity financial assets	30,542	52,010	110,380	261,025	257,691	711,648
Fair value changes of hedged in portfolio hedge of interest rate risk	-	235	-	-	677	912
Non-current assets classified as held for sale	-	-	2,580	-	-	2,580
Property and equipment	-	-	-	11,336	85,994	97,330
Investment property	-	-	-	1,458	-	1,458
Intangible assets	-	-	-	9,609	24,134	33,743
Investments in subsidiaries, associates and joint ventures	-	-	-	10,492	342,220	352,712
Deferred income tax assets	-	-	3,335	3,403	-	6,738
Other assets	6,153	-	1,830	-	-	7,983
Total assets	**1,663,490**	**370,266**	**1,523,060**	**2,984,726**	**2,344,185**	**8,885,727**
Trading liabilities	43,764	-	-	-	-	43,764
Financial liabilities designated at fair value through profit or loss	-	-	-	4,701	-	4,701
Derivatives - hedge accounting	43,985	-	-	-	-	43,985
Financial liabilities measured at amortised cost						
- deposits from banks and central banks	90,045	1,049	21	-	-	91,115
- borrowings from banks and central banks	17,304	9,209	36,149	455,309	125,607	643,578
- due to customers	3,977,136	714,178	1,207,071	363,320	33,220	6,294,925
- borrowings from other customers	-	20,181	12	13,318	-	33,511
- debt securities in issue	-	-	35,280	324,573	-	359,853
- other financial liabilities	44,326	1,897	-	-	-	46,223
Provisions	1,268	-	24,494	88,803	-	114,565
Current income tax liabilities	-	-	324	-	-	324
Other liabilities	3,474	14	90	685	-	4,263
Total liabilities	**4,221,302**	**746,528**	**1,303,441**	**1,250,709**	**158,827**	**7,680,807**
Credit risk related commitments	511,582	153,074	331,472	213,447	51,466	1,261,041
Non-financial guarantees	37,517	39,682	128,082	171,815	70,026	447,122
Total liabilities and credit related commitments	**4,770,401**	**939,284**	**1,762,995**	**1,635,971**	**280,319**	**9,388,970**

in EUR thousand

31.12.2015	NLB Group					
	Up to 1 Month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
Cash, cash balances at central banks and other demand deposits at banks	1,161,983	-	-	-	-	1,161,983
Trading assets	39,191	32,940	194,278	994	10	267,413
Financial assets designated at fair value through profit or loss	1,929	-	-	753	4,913	7,595
Available-for-sale financial assets	209,965	105,128	293,249	750,640	378,209	1,737,191
Derivatives - hedge accounting	1,083	-	-	-	-	1,083
Loans and advances						
- debt securities	-	-	311,466	-	83,113	394,579
- loans and advances to banks	61,556	45,394	322,216	2,609	-	431,775
- loans and advances to customers	900,979	305,796	1,159,058	2,691,095	1,636,693	6,693,621
- other financial assets	52,531	705	822	15,463	-	69,521
Held-to-maturity financial assets	7,573	17,440	57,916	296,381	186,225	565,535
Fair value changes of hedged in portfolio hedge of interest rate risk	-	187	-	-	554	741
Non-current assets classified as held for sale	-	-	4,629	-	-	4,629
Property and equipment	-	-	-	20,835	186,895	207,730
Investment property	-	-	-	90,598	2,915	93,513
Intangible assets	-	-	-	12,819	26,508	39,327
Investments in associates and joint ventures	-	-	-	294	39,402	39,696
Current income tax assets	423	475	31	-	-	929
Deferred income tax assets	-	-	4,876	4,524	-	9,400
Other assets	32,988	2,461	46,815	10,100	2,990	95,354
Total assets	**2,470,201**	**510,526**	**2,395,356**	**3,897,105**	**2,548,427**	**11,821,615**
Trading liabilities	29,920	-	-	-	-	29,920
Financial liabilities designated at fair value through profit or loss	-	1,390	1,460	2,062	-	4,912
Derivatives - hedge accounting	33,842	-	-	-	-	33,842
Financial liabilities measured at amortised cost						
- deposits from banks and central banks	57,045	-	723	214	-	57,982
- borrowings from banks and central banks	3,050	21,047	163,144	303,381	80,407	571,029
- due to customers	6,194,532	584,268	1,497,562	690,395	53,909	9,020,666
- borrowings from other customers	1,303	3,020	21,124	46,828	27,992	100,267
- debt securities in issue	-	-	29,917	275,045	-	304,962
- subordinated liabilities	-	212	33	12,184	14,911	27,340
- other financial liabilities	60,622	5,620	4,291	4,774	-	75,307
Provisions	616	240	34,330	86,006	1,447	122,639
Current income tax liabilities	-	512	7,002	-	-	7,514
Deferred income tax liabilities	-	-	251	62	-	313
Other liabilities	11,234	480	1,750	1,075	-	14,539
Total liabilities	**6,392,164**	**616,789**	**1,761,587**	**1,422,026**	**178,666**	**10,371,232**
Credit risk related commitments	518,261	170,080	444,414	217,214	135,749	1,485,718
Non-financial guarantees	14,718	41,207	107,763	196,183	72,913	432,784
Total liabilities and credit related commitments	**6,925,143**	**828,076**	**2,313,764**	**1,835,423**	**387,328**	**12,289,734**

in EUR thousand

31.12.2014	NLB Group					
	Up to 1 Month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	Total
Cash, cash balances at central banks and other demand deposits at banks	1,127,527	-	-	-	-	1,127,527
Trading assets	40,051	27,701	17,269	52,283	914	138,218
Financial assets designated at fair value through profit or loss	1,605	-	-	203	4,702	6,510
Available-for-sale financial assets	90,057	252,039	274,600	607,839	448,417	1,672,952
Derivatives - hedge accounting	2,966	-	-	-	-	2,966
Loans and advances						
- debt securities	-	-	312,050	309,000	85,735	706,785
- loans and advances to banks	141,620	52,475	71,714	5,531	-	271,340
- loans and advances to customers	1,281,199	261,573	1,210,891	2,509,796	1,444,873	6,708,332
- other financial assets	55,126	224	4,592	11,827	-	71,769
Held-to-maturity financial assets	30,542	52,010	110,380	261,025	257,691	711,648
Fair value changes of hedged in portfolio hedge of interest rate risk	-	235	-	-	677	912
Non-current assets classified as held for sale	-	-	5,643	-	-	5,643
Property and equipment	-	-	-	14,704	200,471	215,175
Investment property	-	-	-	17,950	23,522	41,472
Intangible assets	-	-	-	10,879	31,872	42,751
Investments in associates and joint ventures	-	-	-	-	37,525	37,525
Current income tax assets	746	2	1,150	-	-	1,898
Deferred income tax assets	-	-	3,354	2,593	-	5,947
Other assets	23,315	289	103,168	13,296	51	140,119
Total assets	**2,794,754**	**646,548**	**2,114,811**	**3,816,926**	**2,536,450**	**11,909,489**
Trading liabilities	43,758	-	-	-	-	43,758
Financial liabilities designated at fair value through profit or loss	-	-	-	4,701	-	4,701
Derivatives - hedge accounting	43,985	-	-	-	-	43,985
Financial liabilities measured at amortised cost						
- deposits from banks and central banks	60,010	1,049	760	515	-	62,334
- borrowings from banks and central banks	21,039	11,656	54,162	499,436	128,429	714,722
- due to customers	5,342,910	933,650	1,829,681	799,294	38,297	8,943,832
- borrowings from other customers	1,721	25,819	16,340	61,926	30,854	136,660
- debt securities in issue	-	-	35,280	324,573	-	359,853
- subordinated liabilities	-	216	154	11,958	5,000	17,328
- other financial liabilities	61,161	2,160	8,526	39	-	71,886
Provisions	1,654	305	29,186	91,028	4,801	126,974
Current income tax liabilities	-	125	1,655	-	-	1,780
Deferred income tax liabilities	-	-	306	9	-	315
Other liabilities	8,977	239	2,148	702	-	12,066
Total liabilities	**5,585,215**	**975,219**	**1,978,198**	**1,794,181**	**207,381**	**10,540,194**
Credit risk related commitments	635,117	182,998	425,054	214,288	58,565	1,516,022
Non-financial guarantees	41,807	48,543	153,675	189,086	70,998	504,109
Total liabilities and credit related commitments	**6,262,139**	**1,206,760**	**2,556,927**	**2,197,555**	**336,944**	**12,560,325**

c) 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.

in EUR thousand

	NLB d.d.					
31.12.2015	**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	(37,951)	(42,944)	(45,558)	-	-	(126,453)
- Inflow	37,972	42,999	45,610	-	-	126,581
- Swaps						
- Outflow	(67,211)	(25,255)	(1,156)	-	-	(93,622)
- Inflow	67,157	25,256	1,156	-	-	93,569
- Options						
- Outflow	(1,833)	(5,515)	-	-	-	(7,348)
- Inflow	1,833	5,260	-	-	-	7,093
- Futures						
- Outflow	-	(2,518)	-	-	-	(2,518)
- Inflow	-	2,500	-	-	-	2,500
Interest rate derivatives						
- Interest rate swaps and cross-currency swaps						
- Outflow	(1,469)	(1,412)	(32,516)	(44,178)	(35,069)	(114,644)
- Inflow	483	943	27,707	28,010	24,368	81,511
Total outflow	**(108,464)**	**(77,644)**	**(79,230)**	**(44,178)**	**(35,069)**	**(344,585)**
Total inflow	**107,445**	**76,958**	**74,473**	**28,010**	**24,368**	**311,254**

in EUR thousand

	NLB d.d.					
31.12.2014	**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	(101,702)	(107,069)	(81,194)	(547)	-	(290,512)
- Inflow	101,739	107,118	81,211	547	-	290,615
- Swaps						
- Outflow	(48,508)	(27,318)	(44,583)	(6,633)	-	(127,042)
- Inflow	48,464	27,328	44,626	6,640	-	127,058
- Futures						
- Outflow	-	(2,961)	-	-	-	(2,961)
- Inflow	-	2,900	-	-	-	2,900
Interest rate derivatives						
- Interest rate swaps and cross-currency swaps						
- Outflow	(1,516)	(22,749)	(14,939)	(150,869)	(42,206)	(232,279)
- Inflow	492	21,601	12,899	131,515	26,966	193,473
Total outflow	**(151,726)**	**(160,097)**	**(140,716)**	**(158,049)**	**(42,206)**	**(652,794)**
Total inflow	**150,695**	**158,947**	**138,736**	**138,702**	**26,966**	**614,046**

in EUR thousand

31.12.2015	NLB Group					
	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	(38,548)	(42,424)	(45,561)	-	-	(126,533)
- Inflow	38,572	42,477	45,610	-	-	126,659
- Swaps						
- Outflow	(67,211)	(25,255)	(1,156)	-	-	(93,622)
- Inflow	67,157	25,256	1,157	-	-	93,570
- Options						
- Outflow	(1,833)	(5,515)	-	-	-	(7,348)
- Inflow	1,833	5,260	-	-	-	7,093
- Futures						
- Outflow	-	(2,518)	-	-	-	(2,518)
- Inflow	-	2,500	-	-	-	2,500
Interest rate derivatives						
- Interest rate swaps and cross-currency swaps						
- Outflow	(1,469)	(1,412)	(32,516)	(44,167)	(35,015)	(114,579)
- Inflow	474	923	27,624	27,686	24,198	80,905
Total outflow	**(109,061)**	**(77,124)**	**(79,233)**	**(44,167)**	**(35,015)**	**(344,600)**
Total inflow	**108,036**	**76,416**	**74,391**	**27,686**	**24,198**	**310,727**

in EUR thousand

31.12.2014	NLB Group					
	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	(101,298)	(107,069)	(81,194)	(547)	-	(290,108)
- Inflow	101,338	107,118	81,211	547	-	290,214
- Swaps						
- Outflow	(53,452)	(30,282)	(44,583)	(6,633)	-	(134,950)
- Inflow	53,415	30,292	44,626	6,640	-	134,973
- Futures						
- Outflow	-	(2,961)	-	-	-	(2,961)
- Inflow	-	2,900	-	-	-	2,900
Interest rate derivatives						
- Interest rate swaps and cross-currency swaps						
- Outflow	(1,515)	(22,749)	(14,939)	(150,854)	(42,146)	(232,203)
- Inflow	482	21,580	12,803	131,126	26,730	192,721
Total outflow	**(156,265)**	**(163,061)**	**(140,716)**	**(158,034)**	**(42,146)**	**(660,222)**
Total inflow	**155,235**	**161,890**	**138,640**	**138,313**	**26,730**	**620,808**

d) Managing NLB Group's liquidity reserves

NLB Group has liquidity reserves available to cover liabilities that fall or may become due. Liquidity reserves must become available at short notice following the realisation of a stress scenario (immediately, i.e. within one week). 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, on the basis of which the Bank may generate the requisite liquidity at any time. Available liquidity reserves are liquidity reserves decreased by the reserve requirement, required balances for the continuous performance of payment transactions, encumbered securities and credit claims for different purposes (secured funding).

The structure of liquidity reserves is shown in the following table.

Structural liquidity reserves

in EUR thousand

	NLB d.d.		NLB Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Liquidity reserves				
Cash, cash balances at central banks and other demand deposits at banks	496,806	434,438	1,161,983	1,127,527
Placements with banks	315,016	116,719	427,195	264,496
Trading book securities	237,362	98,140	237,362	98,140
Banking book securities	2,138,061	2,571,366	2,621,843	3,058,524
ECB eligible loans	799,757	864,214	799,757	864,214
Total liquid assets	**3,987,002**	**4,084,877**	**5,248,140**	**5,412,901**
Encumbered liquid assets	345,398	322,664	588,333	516,970
Unencumbered liquid assets	3,641,604	3,762,213	4,659,807	4,895,931

NLB Group classifies debt securities as either the banking book or trading book depending on the purpose of their acquisition and the intended manner of their disposal. The main objective of securities placed in the banking book is to collect contractual cash flows, while the purpose of trading book securities is to generate profits resulting from the difference between the purchase price and selling price as well as the placement of excess liquidity from the short-term (operative) liquidity point of view in treasury.

The purpose of banking book securities is to provide liquidity, along with stabilisation of the interest margin and interest rate risk management simultaneously. When managing the portfolio, NLB Group uses conservative principles, particularly with respect to the portfolio's structure in terms of issuers' ratings and the duration of the portfolio. The framework for managing the banking book securities is the Policy for managing debt securities in the banking book, which clearly defines the objectives and characteristics of the associated portfolio.

As at 31 December 2015, the balance of debt securities in the banking book of NLB d.d.was EUR 2,138.1 million (31 December 2014: EUR 2,571.4 million) and in the banking book of NLB Group it was EUR 2,621.8 million (31 December 2014: EUR 3,058.5 million). Of these, 87.5% (31 December 2014: 84.4%) were government securities and 12.5% (31 December 2014: 12.6%) were bonds from financial organisations. On 15 December 2015, the first of the two GGB securities issued by BAMC in 2013 matured in the amount of EUR 309 million.

The ECB-eligible credit claims comprise loans which fulfil the high eligibility criteria set by the ECB itself and for domestic loans are specified in the Resolution about general rules on Eurosystem monetary policy instruments and procedures (Chapter 5) adopted by the Bank of Slovenia. NLB d.d. is the only member of NLB Group that complies with the conditions set by the Eurosystem to classify as an eligible counterparty. This is why the above-mentioned ECB credit claims are included among liquidity reserves. As at 31 December 2015, the volume of the outstanding principal of ECB-eligible credit claims stood at EUR 939.8 million (31 December 2014: EUR 864.2 million).

NLB d.d. has encumbered liquid assets for different purposes; the biggest proportion represents ECB-eligible loans and debt securities encumbered for secured funding at the ECB. Members of NLB Group manage their liquidity reserves on a decentralised basis in compliance with the local liquidity regulation and valid policies of NLB Group.

Encumbered liquid assets

in EUR thousand

	NLB d.d.				NLB Group			
2015	Carrying amount of encumbered assets	Fair value of encumbered securities	Carrying amount of unencumbered assets	Fair value of unencumbered securities	Carrying amount of encumbered assets	Fair value of encumbered securities	Carrying amount of unencumbered assets	Fair value of unencumbered securities
Loans on demand	-	-	368,124	-	-	-	933,827	-
Equity instruments	-	-	75,335	69,530	-	-	82,314	76,509
Debt securities	158,700	166,533	2,216,723	2,270,834	158,700	166,533	2,701,258	2,755,369
Loans and advances other than loans on demand	169,180	-	5,051,110	-	169,180	-	7,025,737	-
Other assets	-	-	667,613	-	-	-	750,599	-
Total	**327,880**		**8,378,905**		**327,880**		**11,493,735**	

2014	NLB d.d. Carrying amount of encumbered assets	NLB d.d. Fair value of encumbered securities	NLB d.d. Carrying amount of unencumbered assets	NLB d.d. Fair value of unencumbered securities	NLB Group Carrying amount of encumbered assets	NLB Group Fair value of encumbered securities	NLB Group Carrying amount of unencumbered assets	NLB Group Fair value of unencumbered securities
Loans on demand	-	-	328,292	-	-	-	930,692	-
Equity instruments	-	-	34,539	34,461	-	-	38,508	-
Debt securities	140,364	143,437	2,529,142	2,602,947	140,364	143,437	3,017,185	3,090,991
Loans and advances other than loans on demand	168,874	-	5,031,302	-	168,874	-	6,882,567	-
Other assets	-	-	653,214	-	-	-	731,299	-
Total	**309,238**		**8,576,489**		**309,238**		**11,600,251**	

Unencumbered

The nominal amount of collateral received or own debt securities issued not available for encumbrance is shown in the table below:

in EUR thousand

	NLB d.d. 2015	NLB d.d. 2014	NLB Group 2015	NLB Group 2014
Equity instruments	150,419	228,524	168,393	247,748
Debt securities	46	1,354	106	2,057
Loans and advances other than loans on demand	50,627	55,804	148,303	154,117
Other assets	4,222,727	4,959,526	8,016,021	8,959,749
Total	**4,423,819**	**5,245,208**	**8,334,838**	**9,363,671**

Neither NLB d.d. nor NLB Group has collateral received or own debt securities issued available for encumbrance.

Collateralised assets and liabilities

in EUR thousand

NLB d.d. and NLB Group	2015 Collateralised liability	2015 Assets given as collateral	2014 Collateralised liability	2014 Assets given as collateral
Derivatives	32,519	29,087	37,016	28,378
Deposits and loans	4,899,112	298,793	4,821,147	280,860
Total	**4,931,631**	**327,880**	**4,858,163**	**309,238**

As at 31 December 2015, NLB d.d. and NLB Group had a large share of unencumbered assets. The amount of encumbered assets equalled to EUR 327.9 million, mainly related to requests arising from the deposit guarantee scheme and the targeted long-term refinancing operation (TLTRO) with the ECB.

The difference between encumbered liquidity reserves and encumbered assets is presented by a deposit placed as collateral for derivative instruments transactions in accordance with CSA contracts. This deposit does not constitute part of the liquidity reserves.

NLB Group has defined a liquidity management plan for exceptional circumstances that lays down guidelines and a plan of activities for recognising 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 NLB Group's liquidity and protects the commercial interests of its customers and shareholders.

Geographical analysis of the debt securities portfolio in the banking book

in EUR million

	NLB d.d.				NLB Group			
	31.12.2015		31.12.2014		31.12.2015		31.12.2014	
	Carrying value	in %	Carrying value	in %	Carrying value	in %	Carrying value	in %
Country								
Austria	91	4.3	100	3.9	91	3.5	106	3.5
France	100	4.7	107	4.2	101	3.9	114	3.7
Germany	214	10.0	207	8.1	214	8.2	208	6.8
Netherlands	110	5.1	100	3.9	110	4.2	100	3.3
Belgium	59	2.8	54	2.1	62	2.4	72	2.4
Slovenia	1,202	56.2	1,747	67.9	1,249	47.6	1,828	59.8
Macedonia	-	-	-	-	173	6.6	173	5.7
Serbia	-	-	-	-	81	3.1	88	2.9
Other	362	16.9	256	9.9	541	20.6	369	12.1
Total	**2,138**	**100.0**	**2,571**	**100.0**	**2,622**	**100.0**	**3,058**	**100.0**

*The analysis includes all debt securities in the banking book regardless of their measurement category (note 7.1.u).

7.3. Management of non-financial risks

a) Operational risk

When assuming operational risks, NLB Group follows the guideline that such risks may not materially impact its operations and, therefore, the risk appetite for operational risks is low to moderate. Currently, the complexity of NLB Group operations is on a moderate level, although it is constantly reducing through the divestment of non-core activities. The Group has set up a system of collecting loss events, identification, assessment and management of operational risks, all with the aim of ensuring quality management of operational risks.

All core members of NLB Group monitor the upper limit of tolerance to operational risk, defined as the limit amount of net loss that an individual member still allows in its operations. If the sum of net loss exceeds the tolerance limit, a special treatment of major loss events is required and, if necessary, taking of additional measures for the prevention of the same or similar loss events. The critical limit of loss events is also defined, representing the limit above which the member considers a possible increase in the capital requirement for operational risk within ICAAP and other possible risk management measures. The key risk indicators are regularly monitored (at least quarterly) within NLB Group's Risk Profile.

As the highest authority in the area of operational risk management, NLB d.d. appointed an Operational Risk Committee. Relevant operational risk committees were also appointed at other NLB Group banks. The management board serves in this role at other subsidiaries. The main 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 within an individual entity. All NLB Group entities included in the consolidation have adopted relevant documents that are in line with NLB d.d. standards. In core members, these documents are in line with the development of operational risk management and regularly updated. The whole NLB Group uses uniform software support, which is also regularly upgraded.

In NLB Group, the incurred and reported net loss arising from loss events in 2015 was higher than in the previous year, but much lower than the capital requirement for operational risk. At the beginning of the year, a loss event was reported resulting from an unintentionally economically open currency position, on the basis of which NLB d.d. adopted additional measures for preventing similar events in the future. In general, considerable attention was paid to reporting potential loss events and defining operational risks in all segments. To treat major loss events appropriately and as soon as possible, the Bank has introduced an escalation scale for reporting loss events to the top levels of decision-making at NLB d.d. and the Supervisory Board of NLB d.d. In the reporting of loss events, additional attention is also paid to the reporting of potential loss events in order to improve the internal controls and thus minimise similar events.

Through comprehensive identification of operational risks, possible future losses are identified, estimated and appropriately managed. The major operational risks are actively managed with the measures taken to reduce them. Special emphasis is put on the most topical risks, among which in particular on those with a low probability of occurrence and very high potential financial influence. An operational risk profile is prepared once a year on the basis of the operational risk identification. The capital requirement for operational risk is calculated using the standardised approach at NLB d.d. and using the basic indicator approach at NLB Group level.

b) Business Continuity Management (BCM)
In NLB Group, business continuity management is carried out to protect lives, goods and reputation. Business continuity plans are prepared to be used in the event of natural disasters, IT disasters and undesired effects of the environment to mitigate their consequences.

The concept of the action plan, prepared each year, is such that the activities contribute to the upgrading or improvement of the system of business continuity management. The basis for modernising the business continuity plans is the regular annual analysis of the impact on operations (BIA). On its basis, the adequacy of the plans for office buildings and IT plans is checked. The best indicator of the adequacy of the business continuity plans is testing. In 2015, 43 tests were carried out at NLB d.d. (33 internal ones and 10 with external business partners). No major deviations were discovered.

In NLB Group, know-how and methodologies are transferred to the members (except small members). The members have adopted appropriate documents which are in line with the standards of NLB d.d. and revised in accordance with the development of business continuity management. The activity of the members is monitored throughout the year, and expert assistance is provided if necessary. For more efficient functioning of the business continuity management system in NLB Group, training courses and visits to individual banking members are also provided. In 2015, NLB d.d. thus carried out a training course for members of the Crisis Management Team, the Business Operative Crisis Team and the Crisis Teams of office buildings. Upon IT disasters/failures, the Bank successfully used the IT plans and instructions for manual procedures, and thus also ensured business operations in emergency situations.

c) Management of other types of non-financial risks – capital risk, strategic risks, reputation risk and profitability risk
Risks not included in the calculation of capital requirements by the regulatory approach but which are also important for NLB Group are adequately discussed in the context of the internal capital adequacy assessment process (ICAAP). NLB d.d. has established the relevant methodologies for identifying and assessing specific types of risk (capital, strategic, reputation and profitability risk); the methodologies are subject to regular review. The calculation of internal capital requirements for non-financial risks is made quarterly at NLB Group level. If a certain risk is assessed as a key risk, capital requirements are created. Individual capital requirements for non-financial risks are calculated by certain NLB Group banks in accordance with their national regulations. Significant and material changes in the calculation of capital requirements for individual NLB Group entities could discretionarily result in an increase in relevant capital requirements at 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 NLB Group's interest rate risk. When managing the portfolio, 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 Fitch credit rating agency

in EUR million

	NLB d.d.				NLB Group			
	31.12.2015		31.12.2014		31.12.2015		31.12.2014	
	Carrying value	in %	Carrying value	in %	Carrying value	in %	Carrying value	in %
Rating								
AAA	350	16.4	452	17.6	350	13.3	458	15.0
AA	246	11.5	178	6.9	249	9.5	204	6.7
A	233	10.9	165	6.4	233	8.9	200	6.5
BBB	1,272	59.5	1,752	68.1	1,278	48.7	1,798	58.8
Other	37	1.7	24	0.9	512	19.5	398	13.0
Total	**2,138**	**100.0**	**2,571**	**100.0**	**2,622**	**100.0**	**3,058**	**100.0**

Structure of the trading book according to the Fitch credit rating agency

	31.12.2015	31.12.2014
NLB d.d. and NLB Group	**in %**	**in %**
Rating		
A	36.7	-
BBB	36.3	82.2
Other	27.0	17.8
Total	**100.0**	**100.0**

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

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

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

Wherever possible, fair value is determined as an observable market price in an active market for an identical asset or liability. An active market is a market in 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 in 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 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 the 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 at 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

in EUR thousand

	NLB d.d.				NLB Group			
31.12.2015	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Financial assets								
Financial instruments held for trading	85,208	181,565	1,107	267,880	85,208	181,098	1,107	267,413
Debt instruments	*85,198*	*151,171*	*993*	*237,362*	*85,198*	*151,171*	*993*	*237,362*
Equity instruments	*10*	-	-	*10*	*10*	-	-	*10*
Derivatives	-	*30,394*	*114*	*30,508*	-	*29,927*	*114*	*30,041*
Derivatives - hedge accounting	-	1,083	-	1,083	-	1,083	-	1,083
Financial assets designated at fair value through profit or loss	4,913	-	-	4,913	7,595	-	-	7,595
Debt instruments	-	-	-	-	*753*	-	-	*753*
Equity instruments	*4,913*	-	-	*4,913*	*6,842*	-	-	*6,842*
Financial assets available-for-sale	1,037,876	203,609	6,874	1,248,359	1,344,175	383,056	9,960	1,737,191
Debt instruments	*1,018,857*	*159,090*	-	*1,177,947*	*1,324,978*	*336,751*	-	*1,661,729*
Equity instruments	*19,019*	*44,519*	*6,874*	*70,412*	*19,197*	*46,305*	*9,960*	*75,462*
Financial liabilities								
Financial instruments held for trading	-	29,909	-	29,909	-	29,920	-	29,920
Derivatives	-	*29,909*	-	*29,909*	-	*29,920*	-	*29,920*
Derivatives - hedge accounting	-	33,842	-	33,842	-	33,842	-	33,842
Financial liabilities designated at fair value through profit or loss	-	4,912	-	4,912	-	4,912	-	4,912
Non-financial assets								
Investment properties	-	8,613	-	8,613	-	93,513	-	93,513
Non-current assets classified as held for sale	-	1,776	-	1,776	-	4,629	-	4,629
Impaired non-financial assets								
Recoverable amount of property, plant and equipment	-	-	-	-	-	13,296	-	13,296
Recoverable amount of investment in subsidiaries, associates and joint ventures	-	23,146	11,273	34,419	-	-	-	-

in EUR thousand

31.12.2014	NLB d.d. Level 1	NLB d.d. Level 2	NLB d.d. Level 3	NLB d.d. Total fair value	NLB Group Level 1	NLB Group Level 2	NLB Group Level 3	NLB Group Total fair value
Financial assets								
Financial instruments held for trading	90,576	47,220	1,012	138,808	90,576	46,630	1,012	138,218
Debt instruments	*90,554*	*6,694*	*892*	*98,140*	*90,554*	*6,694*	*892*	*98,140*
Equity instruments	*22*	-	-	*22*	*22*	-	-	*22*
Derivatives	-	*40,526*	*120*	*40,646*	-	*39,936*	*120*	*40,056*
Derivatives - hedge accounting	-	2,966	-	2,966	-	2,966	-	2,966
Financial assets designated at fair value through profit or loss	4,702	-	-	4,702	6,510	-	-	6,510
Debt instruments	-	-	-	-	*885*	-	-	*885*
Equity instruments	*4,702*	-	-	*4,702*	*5,625*	-	-	*5,625*
Financial assets available-for-sale	1,074,296	102,527	5,925	1,182,748	1,378,408	287,802	6,742	1,672,952
Debt instruments	*1,050,406*	*102,527*	-	*1,152,933*	*1,352,640*	*287,451*	-	*1,640,091*
Equity instruments	*23,890*	-	*5,925*	*29,815*	*25,768*	*351*	*6,742*	*32,861*
Financial liabilities								
Financial instruments held for trading	-	39,593	4,171	43,764	-	39,587	4,171	43,758
Derivatives	-	*39,593*	*4,171*	*43,764*	-	*39,587*	*4,171*	*43,758*
Derivatives - hedge accounting	-	43,985	-	43,985	-	43,985	-	43,985
Financial liabilities designated at fair value through profit or loss	-	4,701	-	4,701	-	4,701	-	4,701
Non-financial assets								
Investment properties	-	1,458	-	1,458	-	41,472	-	41,472
Non-current assets classified as held for sale	-	2,580	-	2,580	-	5,643	-	5,643
Impaired non-financial assets								
Recoverable amount of property, plant and equipment	-	76	-	76	-	5,788	-	5,788
Recoverable amount of investment in subsidiaries, associates and joint ventures	-	448	-	448	-	-	-	-

b) Significant transfers of financial instruments between levels of valuation

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

Fair value hierarchy	Equities	Equity stake	Funds	Fixed income	Derivatives		
					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	valuation model	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)			

For 2015, neither NLB d.d. nor NLB Group had any significant transfers of financial instruments between levels of valuation.

For 2014, significant transfers of financial instruments between levels of valuation are shown in the table below:

in EUR thousand

31.12.2014	NLB d.d. and NLB Group					
	Level 1		Level 2		Level 3	
Financial assets	**from**	**to**	**from**	**to**	**from**	**to**
Financial instruments held for trading						
- debt instruments	-	1,248	(1,248)	4,611	(4,611)	-
Financial assets available-for-sale						
- debt instruments	-	-	-	5,042	(5,042)	-

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

Financial instruments on Level 2 of the fair value hierarchy at NLB d.d. and NLB Group include:
- debt securities: bonds not quoted on active markets and valuated by a valuation model;
- equities;
- derivatives: derivatives except forward derivatives and options on equity instruments that are not quoted on active markets;
- the National Resolution Fund; and
- structured deposits.

When valuing bonds classified on Level 2, NLB Group primarily uses the income approach based on an estimation of future cash flows discounted to the present value.

The input parameters used in the income approach are the risk-free yield curve and the spread over the yield curve (credit, liquidity, country).

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

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

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

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

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

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

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

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

Movements of financial assets and liabilities at Level 3

in EUR thousand

NLB d.d.	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 1 January 2014	**4,058**	**16,719**	**118**	**3,573**	**4,240**	**28,708**	**3,916**
Exchange differences	105	-	-	-	-	105	-
Valuation:							
- through profit or loss	*1,363*	-	*2*	*1,785*	*(516)*	*2,634*	*255*
- recognised in other comprehensive income	-	-	-	*31*	*2,549*	*2,580*	-
Increases	220	-	-	286	-	506	-
Decreases	(243)	(16,719)	-	(633)	(348)	(17,943)	-
Transfer out of level 3	(4,611)	-	-	(5,042)	-	(9,653)	-
Balance at 31 December 2014	**892**	**-**	**120**	**-**	**5,925**	**6,937**	**4,171**
Exchange differences	101	-	-		-	101	-
Valuation:							
- through profit or loss	-	-	*(6)*		*(2,705)*	*(2,711)*	*87*
- recognised in other comprehensive income	-	-	-		*3,676*	*3,676*	-
Decreases	-	-	-		(22)	(22)	(4,258)
Balance at 31 December 2015	**993**	**-**	**114**	**-**	**6,874**	**7,981**	**-**

in EUR thousand

NLB Group	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 1 January 2014	**4,058**	**16,719**	**118**	**3,573**	**4,714**	**29,182**	**3,916**
Exchange differences	105	-	-	-	(4)	101	-
Valuation:							
- through profit or loss	*1,363*	-	*2*	*1,785*	*(572)*	*2,578*	*255*
- recognised in other comprehensive income	-	-	-	*31*	*2,606*	*2,637*	-
Increases	220	-	-	286	415	921	-
Decreases	(243)	(16,719)	-	(633)	(359)	(17,954)	-
Transfer out of level 3	(4,611)	-	-	(5,042)	(58)	(9,711)	-
Balance at 31 December 2014	**892**	**-**	**120**	**-**	**6,742**	**7,754**	**4,171**
Exchange differences	101	-	-	-	(32)	69	-
Disposal of subsidiary	-	-	-	-	(48)	(48)	-
Valuation:							
- through profit or loss	-	-	*(6)*	-	*(4,732)*	*(4,738)*	*87*
- recognised in other comprehensive income	-	-	-	-	*3,584*	*3,584*	-
Increases	-	-	-	-	4,357	4,357	-
Decreases	-	-	-	-	(22)	(22)	(4,258)
Transfers into level 3	-	-	-	-	111	111	-
Balance at 31 December 2015	**993**	**-**	**114**	**-**	**9,960**	**11,067**	**-**

NLB d.d. and NLB Group recognise 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 recognised in the income statement item Foreign exchange translation gains less losses. Effects from the valuation of available-for-sale financial assets are recognised in the income statement item Impairment charge and in the accumulated other comprehensive income item Available-for-sale financial assets.

In 2015, NLB d.d. and NLB Group recognised the following unrealised gains or losses for financial instruments that were at Level 3 as at 31 December 2015:

in EUR thousand

	NLB d.d.			NLB Group		
31.12.2015	**Trading assets**	**Available-for-sale financial assets**	**Trading liabilities**	**Trading assets**	**Available-for-sale financial assets**	**Trading liabilities**
Items of Income statement						
Losses from financial assets and liabilities held for trading	(6)	-	-	(6)	-	-
Impairment charge	-	2,705	-	-	4,732	
Foreign exchange translation gains	101	-	-	101	-	-
Item of Other comprehensive income						
Available-for-sale financial assets	-	3,676	-	-	3,584	-

in EUR thousand

	NLB d.d.			NLB Group		
31.12.2014	**Trading assets**	**Available-for-sale financial assets**	**Trading liabilities**	**Trading assets**	**Available-for-sale financial assets**	**Trading liabilities**
Items of Income statement						
Gains from financial assets and liabilities held for trading	4	-	255	4	-	255
Impairment charge	-	516	-	-	570	-
Foreign exchange translation gains	105	-	-	105	-	-
Item of Other comprehensive income						
Available-for-sale financial assets	-	-	-	-	58	-

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

in EUR thousand

	NLB d.d.				NLB Group			
	31.12.2015		**31.12.2014**		**31.12.2015**		**31.12.2014**	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Loans and advances								
- debt securities	394,579	397,079	706,785	720,046	394,579	397,079	706,785	720,046
- loans and advances to banks	345,207	354,369	159,300	164,397	431,775	431,736	271,340	272,687
- loans and advances to customers	4,826,139	4,838,561	4,993,040	4,969,519	6,693,621	6,685,798	6,708,332	6,728,908
- other financial assets	48,944	48,944	47,836	47,836	69,521	69,521	71,769	71,769
Held-to-maturity investments	565,535	624,977	711,648	775,265	565,535	624,977	711,648	775,265
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	96,736	96,736	91,115	91,017	57,982	58,008	62,334	62,371
- borrowings from banks and central banks	519,926	513,719	643,578	633,768	571,029	566,144	714,722	706,449
- due to customers	6,293,339	6,299,181	6,294,925	6,314,378	9,020,666	9,036,023	8,943,832	8,984,830
- borrowings from other customers	16,168	15,783	33,511	33,410	100,267	101,197	136,660	140,362
- debt securities in issue	304,962	308,989	359,853	373,777	304,962	308,989	359,853	373,777
- subordinated liabilities	-	-	-	-	27,340	27,585	17,328	14,629
- other financial liabilities	47,346	47,346	46,223	46,223	75,307	75,307	71,886	71,886

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

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

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

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

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

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

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

in EUR thousand

	NLB d.d.				NLB Group			
31.12.2015	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Loans and advances								
- debt securities	-	397,079	-	397,079	-	397,079	-	397,079
- loans and advances to banks	-	354,369	-	354,369	-	431,736	-	431,736
- loans and advances to customers	-	4,838,561	-	4,838,561	-	6,685,798	-	6,685,798
- other financial assets	-	48,944	-	48,944	-	69,521	-	69,521
Held-to-maturity investments	624,977	-	-	624,977	624,977	-	-	624,977
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	-	96,736	-	96,736	-	58,008	-	58,008
- borrowings from banks and central banks	-	513,719	-	513,719	-	566,144	-	566,144
- due to customers	-	6,299,181	-	6,299,181	-	9,036,023	-	9,036,023
- borrowings from other customers	-	15,783	-	15,783	-	101,197	-	101,197
- debt securities in issue	308,989	-	-	308,989	308,989	-	-	308,989
- subordinated liabilities	-	-	-	-	-	27,585	-	27,585
- other financial liabilities	-	47,346	-	47,346	-	75,307	-	75,307

in EUR thousand

31.12.2014	NLB d.d. Level 1	Level 2	Level 3	Total fair value	NLB Group Level 1	Level 2	Level 3	Total fair value
Loans and advances								
- debt securities	-	720,046	-	720,046	-	720,046	-	720,046
- loans and advances to banks	-	164,397	-	164,397	-	272,687	-	272,687
- loans and advances to customers	-	4,969,519	-	4,969,519	-	6,728,908	-	6,728,908
- other financial assets	-	47,836	-	47,836	-	71,769	-	71,769
Held-to-maturity investments	775,265	-	-	775,265	775,265	-	-	775,265
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	-	91,017	-	91,017	-	62,371	-	62,371
- borrowings from banks and central banks	-	633,768	-	633,768	-	706,449	-	706,449
- due to customers	-	6,314,378	-	6,314,378	-	8,984,830	-	8,984,830
- borrowings from other customers	-	33,410	-	33,410	-	140,362	-	140,362
- debt securities in issue	373,777	-	-	373,777	373,777	-	-	373,777
- subordinated liabilities	-	-	-	-	-	14,629	-	14,629
- other financial liabilities	-	46,223	-	46,223	-	71,886	-	71,886

7.6. Offsetting financial assets and financial liabilities

NLB Group has 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 because netting rules apply to cash flows and not to an instrument as a whole.

In accordance with the European Market Infrastructure Regulation (EMIR), NLB Group also novated certain standardised derivative financial instruments to a central counterparty in 2013. A system of daily margins assures the mitigation and collateralisation of exposures, as well as the daily settlement of cash flows for each currency.

in EUR thousand

31.12.2015	NLB d.d.			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	30,385	-	30,385	10,100	7,844	12,441
Derivatives - liabilities	47,454	-	47,454	10,100	22,881	14,473

in EUR thousand

31.12.2014	NLB d.d.			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	40,526	-	40,526	16,919	8,396	15,211
Derivatives - liabilities	63,086	-	63,086	16,919	23,972	22,195

in EUR thousand

31.12.2015	NLB Group					
				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	29,918	-	29,918	10,100	7,844	11,974
Derivatives - liabilities	47,454	-	47,454	10,100	22,882	14,472

in EUR thousand

31.12.2014	NLB Group					
				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	39,931	-	39,931	16,919	8,396	14,616
Derivatives - liabilities	63,086	-	63,086	16,919	23,972	22,195

8. Analysis by segment for NLB Group

a) Segments

in EUR thousand

2015	NLB Group Corporate banking in Slovenia	Retail banking in Slovenia	Financial markets in Slovenia	Foreign strategic markets	Non-strategic markets and activities	Other activities	Unallocated	Total
Total net income	85,149	150,746	72,909	165,946	10,025	2,526	-	487,301
Net income from external customers	*95,627*	*136,337*	*65,944*	*168,818*	*13,853*	*2,812*	-	*483,391*
Intersegment net income	*(10,478)*	*14,409*	*6,965*	*(2,872)*	*(3,828)*	*(286)*	-	*3,910*
Net interest income	55,783	78,253	60,192	125,208	21,579	(813)	-	340,202
Net interest income from external customers	*66,261*	*59,210*	*57,584*	*128,858*	*28,816*	*(527)*	-	*340,202*
Intersegment net interest income	*(10,478)*	*19,043*	*2,608*	*(3,650)*	*(7,237)*	*(286)*	-	-
Administrative expenses	(39,211)	(94,818)	(11,068)	(85,396)	(26,404)	(12,997)	-	(269,894)
Depreciation and amortisation	(4,833)	(11,934)	(1,192)	(8,036)	(3,423)	(2,438)	-	(31,856)
Reportable segment profit/(loss) before impairment and provision charge	41,105	43,994	60,649	72,514	(19,802)	(12,909)	-	185,551
Other net gains/(losses) from equity investments in subsidiaries, associates and joint ventures	-	4,486	-	-	(174)	-	-	4,312
Impairment and provisions charge	10,351	(9,795)	218	(27,807)	(50,103)	(5,969)	-	(83,105)
Profit/(loss) before income tax	51,456	38,685	60,867	44,707	(70,079)	(18,878)	-	106,758
Owners of the parent	*51,456*	*38,685*	*60,867*	*41,243*	*(70,079)*	*(18,878)*		*103,294*
Non-controlling interests	-	-	-	*3,464*	-	-	-	*3,464*
Income tax	-	-	-	-	-	-	(11,380)	(11,380)
Profit for the year								**95,378**
Reportable segment assets	2,160,440	2,015,459	3,350,804	3,389,032	752,137	114,047	-	11,781,919
Investments in associates and joint ventures	-	39,696	-	-	-	-	-	39,696
Reportable segment liabilities	1,193,660	4,906,699	1,139,738	2,942,463	114,111	74,561	-	10,371,232
Additions to non-current assets	4,673	12,127	762	10,129	8,747	4,104	-	40,541

in EUR thousanc

2014	NLB Group Corporate banking in Slovenia	Retail banking in Slovenia	Financial markets in Slovenia	Foreign strategic markets	Non-strategic markets and activities	Other activities	Unallocated	Total
Total net income	91,778	151,631	82,947	139,622	49,333	1,566	-	516,877
Net income from external customers	*110,220*	*115,202*	*81,684*	*145,381*	*61,787*	*(3,005)*	-	*511,269*
Intersegment net income	*(18,442)*	*36,429*	*1,263*	*(5,759)*	*(12,454)*	*4,571*	-	*5,608*
Net interest income	59,229	82,866	65,840	103,656	19,166	(751)	-	330,006
Net interest income from external customers	*77,896*	*41,112*	*65,077*	*110,676*	*35,883*	*(638)*	-	*330,006*
Intersegment net interest income	*(18,667)*	*41,754*	*763*	*(7,020)*	*(16,717)*	*(113)*	-	-
Administrative expenses	(39,563)	(97,727)	(11,614)	(83,191)	(28,829)	(12,411)	-	(273,335)
Depreciation and amortisation	(5,404)	(13,839)	(1,436)	(8,266)	(4,240)	(2,591)	-	(35,776)
Reportable segment profit/(loss) before impairment and provision charge	46,811	40,065	69,897	48,165	16,264	(13,436)	-	207,766
Other net gains/(losses) from equity investments in subsidiaries, associates and joint ventures	-	3,106	-	-	(234)	-	-	2,872
Impairment and provisions charge	(42,331)	(7,083)	12,638	(39,835)	(64,142)	(686)	-	(141,439)
Profit/(loss) before income tax	4,480	36,088	82,535	8,330	(48,112)	(14,122)	-	69,199
Owners of the parent	*4,480*	*36,088*	*82,535*	*5,598*	*(48,112)*	*(14,122)*		*66,467*
Non-controlling interests	-	-	-	*2,732*	-	-	-	*2,732*
Income tax	-	-	-	-	-	-	(4,131)	(4,131)
Profit for the year								**65,068**
Reportable segment assets	2,122,661	2,006,758	3,407,921	3,337,451	912,171	85,002	-	11,871,964
Investments in associates and joint ventures	-	37,525	-	-	-	-	-	37,525
Reportable segment liabilities	1,022,115	4,778,322	1,673,880	2,883,458	123,952	58,467	-	10,540,194
Additions to non-current assets	1,317	4,185	265	7,189	9,067	-	-	22,023

Segment reporting is presented in accordance with the strategy on the basis of the organisational structure used in management reporting of NLB Group's results.

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 levels.

The business activities of NLB d.d. are divided into several segments. Interest income is reallocated between segments on the basis of multiple internal transfer rates (fund transfer pricing – FTP).

Other NLB Group members are, based on their business activity, included in only one segment.

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 the financial result of the joint venture NLB Vita and the 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 of NLB Group members in strategic markets of NLB Group (Bosnia and Herzegovina, Montenegro, Kosovo, Macedonia and Serbia), except leasing entities;
- Non-strategic markets and activities represent Total activities of NLB Group members in non-strategic markets of NLB Group (Croatia, Germany, Switzerland and Czech Republic) and all leasing entities. It also includes the operating result of non-financial entities (NLB Propria, Prospera Plus) and the performance of the Internal restructuring unit of NLB d.d.; and
- Other represents items of NLB d.d. income statement not related to reportable segments.

NLB Group is primarily a financial group and net interest income represents the majority of its net revenues. 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 NLB Group's income.

b) Geographical information

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

The tables below present the consolidated data of NLB Group.

in EUR thousand

	Revenues		Net income		Profit/(loss) before income tax		Income tax	
NLB Group	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Slovenia	405,711	458,590	322,343	359,224	97,418	82,421	(7,198)	(1,369)
South East Europe	231,515	232,107	171,269	150,289	32,052	(1,514)	(4,188)	(2,752)
Macedonia	*79,578*	*76,907*	*55,944*	*51,041*	*13,927*	*12,894*	*(1,549)*	*(1,178)*
Serbia	*22,463*	*23,660*	*19,025*	*11,782*	*(2,634)*	*(27,104)*	*(35)*	*454*
Montenegro	*30,986*	*31,551*	*21,661*	*17,340*	*6,414*	*2,903*	*(126)*	*74*
Croatia	*840*	*881*	*707*	*1,985*	*(4,006)*	*(2,741)*	*-*	*-*
Bosnia and Herzegovina	*65,531*	*67,126*	*47,865*	*46,928*	*9,182*	*7,915*	*(1,436)*	*(1,405)*
Bulgaria	*-*	*-*	*(1)*	*(9)*	*(77)*	*(1,475)*	*-*	*-*
Kosovo	*32,117*	*31,982*	*26,068*	*21,222*	*9,246*	*6,094*	*(1,042)*	*(697)*
Western Europe	3,033	2,085	(10,185)	1,698	(20,997)	(9,191)	5	(9)
Germany	*2*	*77*	*250*	*1,118*	*243*	*(1,347)*	*-*	*-*
Switzerland	*3,031*	*2,008*	*(10,435)*	*580*	*(21,240)*	*(7,844)*	*5*	*(9)*
Czech Republic	-	-	(36)	58	(1,715)	(2,517)	1	(1)
Total	**640,259**	**692,782**	**483,391**	**511,269**	**106,758**	**69,199**	**(11,380)**	**(4,131)**

The column Revenues include interest and similar income, dividend income and fee and commission income.

The column Net income includes net interest income, dividend income, net fee and commission income, the net effect of financial instruments, foreign exchange translation, effect on derecognition of assets and net operating income.

in EUR thousand

NLB Group	Non-current assets		Total assets		Number of employees	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Slovenia	240,592	219,691	8,289,804	8,375,571	3,225	3,327
South East Europe	138,513	116,922	3,469,279	3,432,197	3,136	3,107
Macedonia	*33,919*	*35,113*	*1,117,708*	*1,044,617*	*875*	*847*
Serbia	*24,778*	*25,392*	*280,274*	*304,384*	*480*	*450*
Montenegro	*35,580*	*11,005*	*495,044*	*512,631*	*341*	*335*
Croatia	*3,623*	*4,495*	*33,032*	*41,446*	*16*	*19*
Bosnia and Herzegovina	*27,031*	*26,682*	*1,077,299*	*1,064,185*	*930*	*929*
Bulgaria	*1*	*1*	*333*	*351*	*2*	*2*
Kosovo	*13,581*	*14,234*	*465,589*	*464,583*	*492*	*525*
Western Europe	296	310	58,961	96,972	11	14
Germany	*240*	*275*	*3,273*	*3,326*	*2*	*5*
Switzerland	*56*	*35*	*55,688*	*93,646*	*9*	*9*
Czech Republic	865	-	3,571	4,749	-	-
Total	**380,266**	**336,923**	**11,821,615**	**11,909,489**	**6,372**	**6,448**

The table below presents data on NLB Group members before intercompany eliminations and consolidation journals.

in EUR thousand

NLB Group	Revenues		Net income		Profit/(loss) before income tax		Income tax	
	2015	2014	2015	2014	2015	2014	2015	2014
Slovenia	435,691	491,617	342,489	382,035	34,302	68,794	(8,516)	(1,400)
South East Europe	231,869	233,504	167,159	142,111	34,943	(391)	(4,057)	(2,980)
Macedonia	*79,638*	*77,174*	*54,737*	*49,776*	*13,997*	*12,634*	*(1,549)*	*(1,178)*
Serbia	*22,685*	*24,080*	*19,005*	*11,955*	*(686)*	*(25,640)*	*(53)*	*243*
Montenegro	*30,887*	*31,721*	*20,267*	*13,584*	*6,292*	*979*	*23*	*57*
Croatia	*813*	*823*	*(383)*	*268*	*(4,015)*	*(2,712)*	-	-
Bosnia and Herzegovina	*65,729*	*67,728*	*47,187*	*45,379*	*10,148*	*8,681*	*(1,436)*	*(1,405)*
Bulgaria	-	*1*	*(1)*	*(95)*	*(77)*	*(465)*	-	-
Kosovo	*32,117*	*31,977*	*26,347*	*21,244*	*9,284*	*6,132*	*(1,042)*	*(697)*
Western Europe	4,036	3,600	5,534	(723)	(4,792)	(9,242)	5	(9)
Germany	*3*	*72*	*242*	*1,107*	*243*	*(1,396)*	-	-
Switzerland	*4,033*	*3,528*	*5,292*	*(1,830)*	*(5,035)*	*(7,846)*	*5*	*(9)*
Czech Republic	108	25	(217)	(220)	(1,715)	(2,517)	1	(1)
Total	**671,704**	**728,746**	**514,965**	**523,203**	**62,738**	**56,644**	**(12,567)**	**(4,390)**

9. Related-party transactions

A related party is a person or entity that is related to NLB Group in such a manner that it has control or joint control, has a significant influence or is a member of the key management personnel of the reporting entity. Related parties of NLB d.d. and NLB Group include key management personnel (Management Board, other key management personnel and their family members), the Supervisory Board, companies in which members of the Management Board, key management personnel or their family members have control, joint control or a significant influence, the ultimate parent, subsidiaries, associates and joint ventures.

A number of banking transactions are entered into with related parties in the normal course of business. The volume of related-party transactions and the outstanding balances are as follows:

in EUR thousand

	Management Board and other Key management personnel		Family members of the Management Board and other key management personnel		Companies in which members of the Management Board, key management personnel or their family members have control, joint control or a significant influence		Supervisory Board	
NLB d.d. and NLB Group	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**
Loans issued								
Balance at 1 January	2,102	2,604	347	638	451	588	18	48
Increase	1,046	999	326	337	89	97	30	23
Decrease	(1,195)	(1,501)	(205)	(628)	(165)	(234)	(46)	(53)
Balance at 31 December	**1,953**	**2,102**	**468**	**347**	**375**	**451**	**2**	**18**
Interest income	44	54	12	9	10	14	-	2
Deposits received								
Balance at 1 January	1,958	2,942	1,136	1,268	199	221	115	66
Increase	3,042	3,786	971	1,622	191	377	485	133
Decrease	(2,842)	(4,770)	(1,378)	(1,754)	(284)	(399)	(377)	(84)
Balance at 31 December	**2,158**	**1,958**	**729**	**1,136**	**106**	**199**	**223**	**115**
Interest expense	(20)	(39)	(10)	(16)	-	-	(1)	(2)
Other financial assets	-	-	-	**1**	-	-	-	-
Other financial liabilities	**2**	**3**	-	-	**1**	-	-	-
Guarantees issued and credit commitments	**223**	**276**	**83**	**114**	**14**	**4**	**17**	**20**
Fee income	11	13	6	7	7	7	1	1

Ultimate parent company of NLB d.d. is Republic of Slovenia.

in EUR thousand

	NLB d.d.		NLB Group	
	Ultimate parent		Ultimate parent	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Loans issued				
Balance at 1 January	225,971	212,343	233,895	221,565
Increase	32,177	22,516	32,384	22,778
Decrease	(37,502)	(8,888)	(38,938)	(10,448)
Balance at 31 December	**220,646**	**225,971**	**227,341**	**233,895**
Interest income	7,441	7,901	7,648	8,162
Deposits received				
Balance at 1 January	375,102	7	375,102	7
Increase	47,400,068	52,217,427	47,400,068	52,217,427
Decrease	(47,665,169)	(51,842,332)	(47,665,169)	(51,842,332)
Balance at 31 December	**110,001**	**375,102**	**110,001**	**375,102**
Interest expense	(43)	(405)	(43)	(405)
Investments in securities				
Balance at 1 January	1,015,263	1,427,322	1,094,826	1,500,631
Exchange difference on opening balance	-	-	(1)	(264)
Increase	343,435	999,253	405,541	1,079,810
Decrease	(499,873)	(1,434,981)	(594,698)	(1,514,949)
Valuation	(13,786)	23,669	(14,092)	21,992
Balance at 31 December	**845,039**	**1,015,263**	**891,576**	**1,094,826**
Interest income	28,602	41,229	28,889	42,821
Other financial assets	**16**	**1**	**168**	**305**
Other financial liabilities	**9**	**34**	**9**	**34**
Guarantees issued and credit commitments	**824**	**884**	**824**	**884**
Fee income	113	12	113	12
Fee expense	(55)	-	(55)	-
Other income	32	5	32	5
Other expense	(2)	(108)	(2)	(108)

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

in EUR thousand

NLB Group	Amount of significant transactions concluded during the year		Number of significant transactions concluded during the year	
	1.1. - 31.12.2015	1.1. - 31.12.2014	1.1. - 31.12.2015	1.1. - 31.12.2014
Loans	200,000	-	1	-
Borrowings, deposits and business accounts	48,669	222,240	1	5
Commitments to extend credit	-	40,000	-	1

	Year-end balance of all significant transactions		Number of significant transactions at year-end	
	1.1. - 31.12.2015	1.1. - 31.12.2014	1.1. - 31.12.2015	1.1. - 31.12.2014
Loans	617,185	443,752	5	4
Debt securities classified as loans and advances	394,579	706,785	1	2
Debt securities	-	51,998	-	1
Borrowings, deposits and business accounts	134,798	134,648	3	5

	1.1. - 31.12.2015	1.1. - 31.12.2014
Interest income from loans	3,291	4,228
Effects from net interest income and net valuation from debt securities classified as loans and receivables	25,066	35,804
Interest income from debt securities	-	1,728
Interest expense from borrowings, deposits and business accounts	(517)	(4,099)
Interest income from commitments to extend credit	294	267

in EUR thousand

NLB d.d.	Subsidiaries 31.12.2015	Subsidiaries 31.12.2014	Associates 31.12.2015	Associates 31.12.2014	Joint ventures 31.12.2015	Joint ventures 31.12.2014
Loans issued						
Balance at 1 January	608,748	733,790	1,942	6,304	103,972	138,318
Increase	289,100	817,686	1,453	222	33,985	118,179
Decrease	(516,102)	(942,728)	(1,770)	(4,584)	(44,158)	(152,525)
Balance at 31 December	**381,746**	**608,748**	**1,625**	**1,942**	**93,799**	**103,972**
Interest income	10,679	23,998	65	108	2,679	6,403
Impairment	(18,626)	676	(23)	391	(5,794)	7,351
Deposits						
Balance at 1 January	12,328	18,966	-	10,215	-	-
Increase	193,746	201,012	-	30,867	-	-
Decrease	(202,636)	(207,650)	-	(41,082)	-	-
Balance at 31 December	**3,438**	**12,328**	**-**	**-**	**-**	**-**
Interest income	251	314	-	136	-	-
Impairment	6,796	249	-	9	-	-
Deposits received						
Balance at 1 January	48,380	62,034	1,642	10,362	770	5,167
Increase	8,128,118	9,301,805	6,503	68,534	45,232	20,271
Decrease	(8,117,091)	(9,315,459)	(6,966)	(77,254)	(42,564)	(24,668)
Balance at 31 December	**59,407**	**48,380**	**1,179**	**1,642**	**3,438**	**770**
Interest expense	(20)	(133)	(1)	(39)	(2)	(25)
Investments in securities						
Balance at 1 January	-	-	-	490	-	-
Increase	-	-	-	24	-	-
Decrease	-	-	-	(528)	-	-
Valuation	-	-	-	14	-	-
Balance at 31 December	**-**	**-**	**-**	**-**	**-**	**-**
Interest income	-	-	-	24	-	-
Debt securities in issue	**-**	**-**	**569**	**569**	**-**	**-**
Interest expense	-	-	(23)	(23)		
Derivatives						
Fair value	469	589	-	-	-	-
Contractual amount	3,836	4,313	-	-	-	-
Other financial assets	**5,054**	**625**	**28**	**25**	**207**	**11**
Impairment	(11)	4	-	1	(1)	-
Other financial liabilities	**357**	**4,086**	**948**	**1,078**	**176**	**134**
Interest expense	-	-	-	-	(132)	(134)
Guarantees issued and credit commitments	**38,660**	**76,332**	**43**	**42**	**28**	**42,646**
Income/(expense) provisons for guaranties and commitments	46	(495)	-	24	776	201
Received loan commitments and financial guarantees	**750**	**1,386**	**-**	**-**	**-**	**-**
Fee income	4,935	3,496	113	250	3,040	3,246
Fee expense	(109)	(112)	(9,903)	(10,135)	(1,413)	(1,225)
Other income	478	2,705	367	3,694	481	526
Other expense	(2,914)	(4,240)	(1,119)	(1,212)	-	-

in EUR thousand

NLB Group	Associates 31.12.2015	Associates 31.12.2014	Joint ventures 31.12.2015	Joint ventures 31.12.2014
Loans issued				
Balance at 1 January	1,942	6,331	104,590	138,361
Increase	1,453	7,158	37,215	120,763
Decrease	(1,770)	(11,547)	(47,982)	(154,534)
Balance at 31 December	**1,625**	**1,942**	**93,823**	**104,590**
Interest income	65	108	2,681	6,406
Impairment	(23)	391	(5,794)	7,351
Deposits				
Balance at 1 January	-	18,282	-	-
Increase	-	30,955	-	-
Decrease	-	(49,237)	-	-
Balance at 31 December	**-**	**-**	**-**	**-**
Interest income	-	172	-	-
Impairment	-	9	-	-
Deposits received				
Balance at 1 January	1,642	10,362	4,116	6,548
Exchange difference on opening balance	-	-	(17)	(75)
Increase	6,503	68,534	138,099	165,194
Decrease	(6,966)	(77,254)	(136,162)	(167,551)
Balance at 31 December	**1,179**	**1,642**	**6,036**	**4,116**
Interest expense	(1)	(39)	(139)	(39)
Investments in securities				
Balance at 1 January	-	490	-	-
Increase	-	24	-	-
Decrease	-	(528)	-	-
Valuation	-	14	-	-
Balance at 31 December	**-**	**-**	**-**	**-**
Interest income	-	24	-	-
Debt securities in issue	**569**	**569**	**-**	**-**
Interest expense	(23)	(23)	-	-
Other financial assets	**32**	**34**	**208**	**11**
Impairment	-	1	(1)	-
Other financial liabilities	**1,025**	**1,126**	**203**	**134**
Interest expense	-	-	(132)	(134)
Guarantees issued and credit commitments	**43**	**42**	**29**	**42,831**
Income provisons for guaranties and commitments	-	24	776	201
Fee income	113	250	3,301	3,410
Fee expense	(9,903)	(10,135)	(1,905)	(1,565)
Other income	367	3,649	560	526
Other expense	(1,119)	(1,212)	-	-

Key management compensation

The performance of key management is defined by financial and non-financial criteria. They are entitled to the annual variable part of the salary based on their achievement of the financial and non-financial performance criteria, which encompass the goals of NLB d.d. or NLB Group, the goals of the organisational unit and the personal goals of the employee performing special work.

Members of the Management Board are entitled to contractual gross salary considering the limitations of the Slovenian and European legislation.

Simultaneously, under the contract members of the Management Board are entitled to a performance bonus based on criteria set by the Supervisory Board. Each year, the Supervisory Board determines the criteria of remuneration upon the adoption of the Bank's annual business plan. The Supervisory Board determines the performance bonuses with the conclusion of each business year. In accordance with the legislation, the annual performance bonus cannot in any case exceed 30 percent of gross salaries in a business year of members of the Management Board. In addition, members of the Management Board are entitled to performance bonuses only proportionally, depending on their actual employment in the Bank for the period for which the performance bonus relates. The first 50 percent of the performance bonus is due for payment within 15 days of the General Meeting of Shareholders that voted on use of the previous year's profit and the discharge of the Management Board. Payment of the remaining 50 percent of the performance bonus is deferred.

Upon the conclusion of the General Meeting of Shareholders, members of the Supervisory Board receive payment for their performance and attendance, while the above amounts are limited to a decision of the General Meeting of Shareholders and are in full compliance with the applicable recommendations of corporate governance.

in EUR thousand

	Management Board		Other key management personnel		Supervisory Board	
NLB d.d. and NLB Group	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Short-term benefits	579	729	4,372	5,161	182	143
Cost refunds	7	8	113	140	77	30
Long-term bonuses:						
- severance pay	-	-	36	-	-	-
- post-employment benefits	-	-	-	5	-	-
- other benefits	3	-	40	4	-	-
- variable part of payments	77	-	536	-	-	-
Total	**666**	**737**	**5,097**	**5,310**	**259**	**173**

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 allowances and travel expenses.

Post-employment benefits include annuity savings.

Payments to individual members of the Management Board

in EUR

Member		2015	2014
Janko Medja 2.10.2012	Short-term benefits:		
	- gross salary and holiday allowance	131,601	129,105
	- benefits and other short-term bonuses	1,652	1,347
	Costs refunds	3,299	3,229
	Long-term bonuses:		
	- other benefits	763	-
	- variable part of payments	19,246	-
	Total	**156,561**	**133,681**
Blaž Brodnjak 1.12.2012	Short-term benefits:		
	- gross salary and holiday allowance	131,601	129,105
	- benefits and other short-term bonuses	4,109	4,610
	Costs refunds	1,230	1,248
	Long-term bonuses:		
	- other benefits	763	-
	- variable part of payments	19,246	-
	Total	**156,949**	**134,963**
Andreas Burkhardt 18.9.2013	Short-term benefits:		
	- gross salary and holiday allowance	131,601	129,105
	- benefits and other short-term bonuses	27,364	27,599
	Costs refunds	1,169	1,199
	Long-term bonuses:		
	- other benefits	763	-
	- variable part of payments	19,246	-
	Total	**180,143**	**157,903**
Archibald Kremser 31.7.2013	Short-term benefits:		
	- gross salary and holiday allowance	131,601	129,105
	- benefits and other short-term bonuses	20,037	21,187
	Costs refunds	1,187	1,151
	Long-term bonuses:		
	- other benefits	763	-
	- variable part of payments	19,246	-
	Total	**172,834**	**151,443**
Nima Motazed 6.2.2013 - 17.12.2014	Short-term benefits:		
	- gross salary and holiday allowance	-	129,105
	- benefits and other short-term bonuses	-	28,963
	Costs refunds	-	1,261
	Total	**-**	**159,329**

The above table shows earnings paid to individuals in the year when they were members of the Management Board.

Payments to individual members of the Supervisory Board

in EUR

Member		2015	2014
Peter Groznik 4.11.2014 - 27.8.2015	Session fees	2,915	871
	Performance payment	11,085	1,742
	Costs refunds	616	-
France Arhar 12.6.2013 - 17.4.2014	Session fees	-	1,870
	Performance payment	-	6,304
Goran Katušin 12.6.2013 - 13.12.2014	Session fees	-	5,500
	Performance payment	-	15,376
Gorazd Podbevšek 12.6.2013	Session fees	6,886	5,500
	Performance payment	24,894	17,606
	Costs refunds	1,306	764
Sergeja Slapničar 12.6.2013	Session fees	6,600	5,500
	Performance payment	21,619	16,500
	Costs refunds	1,562	1,248
Tit A. Erker 12.6.2013	Session fees	6,831	5,500
	Performance payment	25,556	16,500
	Costs refunds	42,262	10,415
Miha Košak 12.6.2013	Session fees	7,931	5,500
	Performance payment	26,749	17,189
	Costs refunds	22,955	17,307
Uroš Ivanc 12.6.2013	Session fees	6,655	5,500
	Performance payment	21,619	16,500
	Costs refunds	214	189
Andreas Klingen 22.6.2015	Session fees	2,420	-
	Performance payment	10,365	-
	Costs refunds	8,051	-

The above table shows earnings paid to individuals in the year when they were members of the Supervisory Board.

Regulatory part

Statement of Management's Responsibility

The Management Board hereby confirms the statements made in the business report, which are in accordance with the attached financial statements as at 31.12.2015 and represent the actual and fair financial standing of the Bank and NLB Group as well as their operating results in the year that ended on 31.12.2015.

The Management Board confirms that the business report includes a fair view of developments and operating results of the Bank and the Group and their financial standings, including a description of the key types of risks the Bank and the companies under consolidation are exposed to as a whole.

Management Board of NLB d.d.

Archibald Kremser
Member of the Management Board

Andreas Burkhardt
Member of the Management Board

Blaž Brodnjak
Deputy President
of the Management Board

Statement on Compliance with Article 42 of the Decree on the Conditions for Electronic Commerce and Electronic Signing

NLB d.d. provides a guarantee to its certifying agency AC NLB, which issues qualified digital certificates, in accordance with the provisions of Article 42 of the Decree on the Conditions for Electronic Commerce and Electronic Signing in the event of liability for damages with unencumbered property (the Bank's assets that are not pledged). As at 31.12.2015, the assets of the Bank totalled EUR 8,706.8 million; in accordance with Article 27 of the Decree, unencumbered assets should amount to a minimum of EUR 625,938.91 to provide for the certifier's liability.

Authorisation for financial services

In accordance with the provisions of Article 14 of the Regulation on the accounts and annual reports of banks and savings banks by the Bank of Slovenia adopted on the basis of the powers under Article 93 of the Banking Act 2, NLB d.d. lists all types of financial services which have been conducted in accordance with the authorisation of the Bank of Slovenia in the period for which the business report is prepared.

NLB d.d. holds authorisation to perform banking services pursuant to Article 5 of the Banking Act (Official Gazette of RS, no. 25/2015; hereinafter referred to as ZBan-2). Banking services are the acceptance of deposits from the public and the granting of credits for its own account.

The Bank also holds authorisation to perform mutually recognised and additional financial services.

The Bank may perform the following mutually recognised financial services pursuant to Article 5 of ZBan-2:
1. acceptance of deposits;
2. granting of credits, including:
   · consumer credits,
   · mortgage credits,
   · factoring (with or without recourse),
   · financing of commercial transactions, including forfeiting;
4. payment services;
5. issuance and management of other payment instruments (i.e. travellers' cheques and bankers' drafts) in the part in which this service is not included in the service under point 4 of this Article;
6. issuance of guarantees and other commitments;
7. trading for own account or for the account of customers in:
   · money market instruments,
   · foreign exchange, including currency exchange transactions,
   · financial futures and options,
   · exchange and interest-rate instruments,
   · transferable securities;
8. participation in the issuance of securities and services related to such issues;
9. advice to undertakings on capital structure, industrial strategy and related questions and advice as well as services related to mergers and the purchase of undertakings;
10. money broking on inter-bank markets;
11. advice on portfolio management;
12. safekeeping of securities and other services related to safekeeping of securities;
13. credit reference services: collection, analysis and provision of information on creditworthiness;
14. renting of safe deposit boxes; and
15. investment services and operations and ancillary investment services according to ZTFI.

The Bank may perform the following additional financial services pursuant to Article 6 of ZBan-2:
1. insurance brokerage in accordance with the law governing the insurance business;
4. custodian services in accordance with the law governing investment funds and management companies; and
5. credit brokerage in consumer and other credits.

Corporate Governance Statement of NLB d.d.

Pursuant to the fifth paragraph of Article 70 of the Companies Act (Official Gazette of the Republic of Slovenia, No. 55/2015), Nova Ljubljanska banka d.d., Ljubljana (hereinafter: NLB d.d.) hereby gives the following Corporate Governance Statement as part of the Business Report of the Annual Report.

1. References to the two codes, the recommendations and other internal regulations on corporate governance
NLB d.d. abided by the following recommended standards in its conduct of business in 2015:

- Corporate Governance Code, 8.12.2009, available at www.ljse.si;
- Corporate Governance Code for Companies with a State Capital Investment, 19.12.2014, available on the website of the Slovenian Sovereign Holding www.sdh.si; and
- Recommendations and Expectations of the Slovenian Sovereign Holding available on the SDH website www.sdh.si adopted by the SDH on 19.12.2014.

In 2015, NLB d.d. also applied in its corporate governance the Catalogue of Commitments made by the Republic of Slovenia to the European Commission in relation to the state aid procedure concerning NLB d.d. (the public version dated 18.12.2013 is available on the website of the European Commission http://ec.europa.eu/competition/state_aid/cases/245268/245268_1518816_267_7.pdf).

In its corporate governance of NLB d.d. and NLB Group in 2015, NLB d.d. applied the NLB Management Policy (approved by the Supervisory Board of NLB d.d. on 18.12.2015) and the Corporate Governance Policy of NLB Group (Version 10, December 2015). The NLB Management Policy and the Corporate Governance Statement are published on the NLB website (www.nlb.si).

Also in the subsidiaries of NLB Group, NLB d.d. mostly (depending on the local legislation and the organisational possibilities in the companies) follows the principles and recommendations of the Corporate Governance Code for Companies with a State Capital Investment through the Corporate Governance Policy of NLB Group (minimum standards by business area).

2. The corporate governance of NLB d.d. deviates from the following provisions:
Particular deviations from the above-mentioned codes and recommendations and the underlying reasoning for them are disclosed below.

a) Corporate Governance Code for Joint-Stock Companies

Item 11: The Bank did not appoint a special secretary of the Supervisory Board of NLB d.d., the duties of this office are performed by expert services. The Supervisory Board is fully receiving the services that would be rendered by the secretary of the Supervisory Board.

Item 12: In our opinion, the Bank is not providing pay to supervisors that corresponds to their responsibilities and the fines threatened by the new banking law.

Items 16 and 16.1. NLB d.d. deviates from the proposed provision in the Code because the Act Regulating the Incomes of Managers of Companies Owned by the Republic of Slovenia and Municipalities (»ZPPOGD«) restricts executive pay, which has posed a serious impediment on the winning over and retaining of suitable staff. It results in a high level of operational risk and poses, in the Bank's opinion, one of the main obstacles to the suitable restructuring of Slovenian businesses (and state-owned enterprises). The Bank will therefore continue to promote public discussion and the abolition of restrictions.

Item 20.4: NLB d.d. deviates from the proposed provision of the Code by not publishing in advance the dates of general meetings. The method and rules of convocations of general meetings are laid down by the Articles of Association of NLB d.d.

Item 22.7: NLB d.d. discloses net and gross receipts but does not disclose all elements in item 22.7 of the Code.

b) Corporate Governance Code for Companies with a State Capital Investment

Item 5.1.1. The recommendation is implemented in full in the part relating to operations. Nevertheless, we wish to point out the anomaly and the deprivileged position of NLB d.d. since we believe that the Code's recommendation on the application of the same arm's length conditions for NLB d.d. as for the other non-state-owned companies is not met since NLB d.d. is subject to numerous limitations or additional obligations that do not apply to privately-owned companies (limited receipts of the management bodies and the obligation to report certain confidential information in accordance with the provisions of ZDIJZ-1).

Item 6.8: The recommendations under items 6.8.1 through 6.8.5 of the Code are fully followed. The recommendation under item 6.8.6 is followed only partly (the first and second sentence) whereas no restriction applies to additional payments to committee members for the performance of their office, in accordance with a resolution of the General Meeting of NLB d.d. Based on a resolution of the General Meeting of NLB d.d., the recommendation under item 6.8.7 has been supplemented by a meal allowance.

Item 6.10: The recommendation of the Supervisory Board of NLB d.d. does not specify the extent to which the self-assessment has contributed to changes.

Item 7.3: So far, the Bank has not approved the Policy on the Remuneration of Members of the Management Board at the General Meeting of Shareholders. In accordance with the provisions of the Slovenian Sovereign Holding Act, the Management Board and the Supervisory Board of NLB d.d. will strive to obtain approval of the Policy on the Remuneration of Members of the Management Board from the General Meeting of Shareholders.

Item 7.3.2. NLB d.d. deviates from the proposed provision in the Code because ZPPOGD restricts executive pay, which has posed a serious impediment to the winning over and retaining of suitable staff.

Item 7.3.12: NLB d.d. has not been implementing it so far since the President of the Management Board had not issued a separate assessment of the suitability of the receipts of members of the Management Board for the General Meeting; nevertheless, the Bank found other suitable ways to express its positions in relation to this issue.

Item 9.2.7. As a rule, recommendations are being implemented in line with the set deadlines. The Management Board and the Supervisory Board quarterly monitor the status of audit recommendations and the reasons for late implementation.

Item 9.3.1. The Management Board of NLB d.d. quarterly informs the Board of the SDH on all major detected risks, the proposals to eliminate risks and the measures taken. Pursuant to Article 144 of the Banking Act, the Internal Audit of NLB d.d. regularly and directly reports on its work to the Management Board, the Supervisory Board and the Audit Committee about the latter.

Item 10.2: All elements, except element no. 8 of section III, have been set up.

c) Recommendations and Expectations of the Slovenian Sovereign Holding

NLB d.d. also takes a position on the adopted Recommendations and Expectations of the Slovenian Sovereign Holding.

Recommendation no. 3.7: NLB d.d. has signed some flat-rate agreements with outsourced contractors for various needs, following the agreed cost optimisation and continuous reduction of the costs of outsourced providers.

Recommendation no. 4.3: NLB d.d. did not disclose the information on the planned holiday allowance payment.

Recommendation no. 4.4: No Christmas bonus and 'thirteenth salary' has been paid at NLB d.d. for a number of years. The notice about the holiday allowance was published in an e-newsletter. Information on payments in NLB Group members is not disclosed.

Recommendation no. 4.5: The Bank does not publish the text of collective agreements on its website because the two applicable collective agreements are available on the website of the NLB Trade Union representing Bank employees.

Recommendation no. 5: The Bank will carry out the activities of refreshing the business and IT/digital strategies, which will serve as the basic starting point for further EFQM steps. Self-assessment using the recognised European excellence model will be carried out in the second half of 2016.

3. The main features of the internal control and risk management systems in relation to financial reporting

NLB d.d. is governed by the Companies Act and the Banking Act regulating, among other items, the Bank's obligation to set up and maintain appropriate internal control and risk management systems. Concerning this subject, the Bank of Slovenia as the supervisory authority of banks issues specific implementing regulations by which NLB d.d. abides as applicable. The Bank also complies with the commitments made to the European Commission, in accordance with the Commission Decision of 18.12.2013 on state aid SA.33229(2012/C) – NLB Restructuring – Slovenia. Due to the above, NLB d.d. is trying to maintain a steady and reliable corporate governance system encompassing the following:

- a well-defined organisation with clear-cut, transparent and consistent internal relations in the area of responsibility;
- efficient procedures to determine, measure or assess, control and monitor risks to which NLB d.d. is exposed or could be exposed in its operations;
- immediate action of the competent departments towards eliminating any established irregularities, particularly in the area of credit risk management; and
- an appropriate system of internal controls comprising exact accounting procedures (reporting, work procedures, responsibilities, and automatic and manual controls in all stages of the accounting process).

Moreover, in compliance with the legislation, NLB d.d. also has an independent internal audit department which conducts audits, issues recommendations and draws up reports in line with its authorisations as well as reports to the General Meeting of Shareholders about its work.

NLB d.d. devotes special attention to the internal control and risk management systems in the scope of NLB Group and its members. Corporate governance of the Group is separately presented in the chapter NLB Corporate Governance, subchapter Corporate Governance of NLB Group, on page 81. The risk profile of the NLB Group in conjunction with the business strategy is presented in detail under the Risk Management section in the financial report of the Annual Report, on page 172.

NLB d.d. also discloses information on the basis of item (f) of the first paragraph of Article 435 of Regulation No. 575/2013 and in accordance with the recommendation of the Bank of Slovenia on the inclusion of key performance indicators in the corporate governance statement.

Risk management at NLB d.d. and in NLB Group is implemented in accordance with the established internal policies and procedures which take into account the European banking regulations, the regulations adopted by the Bank of Slovenia, the current EBA guidelines and the relevant good banking practices.

NLB Group plans a prudent risk appetite and optimally profitable operations in the long run, considering the risks assumed, while at the same time meeting all the regulatory requirements.

The master business strategy, the specification of the risk appetite, the risk strategy and the key internal policies on risk approved by the Management Board and the Supervisory Board of NLB d.d. lay down the strategic objectives and guidelines concerning the taking of risks and the approaches and methodologies for monitoring, measuring and managing all kinds of risks.

The key performance indicators of NLB Group as at the end of 2015 were as follows:
· Return on equity (ROE) after tax 6.6%
· CIR: 61.6%
· Capital adequacy ratio (CET1) 16.2%
· Non-performing loans EUR 1,895.5 million
· Loan-to-deposit ratio (LTD) 75.1%
· LCR: 285%.

3.1. Financial reporting

With the aim of ensuring appropriate financial reporting procedures, NLB d.d. pursues the adopted Accounting Controlling Policy. Accounting control is provided through the operation of the complete accounting function with the purpose of ensuring quality and reliable accounting information and thereby accurate and timely financial reporting. The principal identified risks in this area are managed with an appropriate system of authorisations, delimitation of duties, compliance with the accounting rules, documenting of all business events, the custody system, posting on the day of a business event, inbuilt control mechanisms in source applications and archiving pursuant to the laws and internal regulations. Further, the policy precisely defines primary accounting controlling, performed in the scope of analytical bookkeeping, and secondary accounting controlling, i.e. checking the efficiency of implementing the primary accounting controls. With an efficient controlling mechanism in the area of accounting reporting, NLB d.d. ensures:
· a reliable decision-making and operational support system,
· accurate, complete and timely accounting data and the resulting accounting and other reports of the Bank, and
· compliance with legal and other requirements.

4. Information concerning takeover legislation

All data concerning takeover legislation can be found in the chapter Corporate Governance, sub-chapter The General Meeting of the Bank, on page 80.

5. Information on the work and key powers of the general meeting and a description of shareholders' rights and the means to exercise them

All data concerning the functioning and key authorisations of the General Meeting of Shareholders and a description of shareholders' rights can be found in the chapter Corporate Governance, sub-chapter The General Meeting of the Bank, on page 80.

6. Data on the composition and functioning of the management or supervisory bodies and their committees

All data concerning the composition and functioning of the management or supervisory bodies or their committees can be found in the chapter NLB Corporate Governance, sections Supervisory Board and Management Board of the Bank, on pages 82 and 88.

7. Corporate integrity

In accordance with the provisions of Item 3.4.1 of the Corporate Governance Code for Companies with a State Capital Investment, NLB d.d. included a description of the company's corporate integrity in the Corporate Governance Statement.

Within a year of adopting the Slovenian corporate integrity guidelines (adopted in January 2014), the Bank further upgraded its compliance and integrity programme. From this point of view, the focus in 2015 was on the establishment and consolidation of a system for identifying, monitoring and assessing the risks in this area.

Therefore, NLB d.d. can identify itself with all statements in the preamble and can adopt the general commitment about the corporate integrity and zero tolerance for illegal and non-ethical conduct by appropriately handling the perceived violations and taking the necessary measures.

In the framework of the preventive and development pillar of the compliance function, we consolidated the: (i) management of regulatory compliance, (ii) the procedure of preventive reviews of processes, and set up the (iii) general assessment of the integrity and compliance risk system (SOTIS), including (iv) the first survey of compliance and ethics and implementation of workshops with groups of employees with the topic of the new NLB Group Code. We continued with the activities of investigations, information protection and money laundering prevention.

After having signed the guidelines, we also actively cooperated in the events for consolidating and promoting the corporate identity among the broader expert business public, thus trying to fulfil our mission of ambassador. The Bank compiles an annual self-assessment of corporate identity which contains a comparison, a progress report and a description of the current situation.

Ljubljana, 21.4.2016

Supervisory Board of NLB d.d.

Primož Karpe
Chairman of the
Supervisory Board

Management Board of NLB d.d.

Archibald Kremser
Member of the
Management Board

Andreas Burkhardt
Member of the
Management Board

Blaž Brodnjak
Deputy President of the
Management Board

Risk and capital management

(Disclosures in accordance with Pillar 3 of the Basel standards)

CONTENTS

1. Introduction

The European legislation on capital requirements based on Basel II and III principles introduced, among other items, requirements regarding the transparency of bank operations. European banks are bound to disclose certain information which should provide sufficient information for potential investors about the risks assumed by banks in their operations.

The requirements for mandatory disclosures from the sphere of risks and capital adequacy are listed in Part Eight of the European Regulation on prudential requirements for credit institutions and investment firms (Regulation (EU) No 575/2013), which is directly binding on all member states.

In accordance with the capital legislation, NLB d.d. has the position of an »EU parent bank« and is therefore obliged to disclose information on a consolidated basis.

The table under Chapter 11 presents the entire list of necessary disclosures by article of the Regulation, together with an indication of the part of the Annual Report in which the relevant contents are disclosed.

The information about the values presented in the accounting part of the Annual Report is based on a different consolidation method than envisaged by the Regulation for data disclosure. Nevertheless, some data are not disclosed according to either consolidation method as, owing to the immateriality of the differences (shown in the table under Chapter 2), their duplication would not improve transparency in terms of the risks involved. This concerns the following information:
- disclosures in relation to exposures in equities not included in the trading book (Article 447), and
- disclosures in relation to impairments of financial assets measured at amortised cost (Article 442).

Some of the prescribed disclosures are not relevant for NLB Group as they are linked with different approaches to the calculation of capital requirements, or since they concern transactions that NLB Group is currently not involved in.

NLB Group uses the following approaches for the calculation of capital requirements:
- credit risk – standardised approach,
- market risk – standardised approach, and
- operational risk – basic indicator approach.

Thus, the disclosures relating to other approaches not used by NLB Group are not relevant to it:
- disclosures related to the IRB approach in relation to credit risk (Articles 452 and 438 d),
- disclosures related to the advanced measurement approach for operational risk (Article 454), and
- disclosures related to internal models for the calculation of market risk capital requirements (Article 455).

In addition, the following disclosures are also not relevant for NLB Group because they concern types of transactions that NLB Group is currently not involved in, or for other reasons (consolidation method that is not used, disclosures only upon request of the competent authority etc.):
- disclosures related to securitisation (Article 449),
- disclosures related to credit derivatives (Article 439 g, h and i),
- disclosures related to on- and off-balance sheet netting (Article 453 a),
- disclosures related to the application of the provisions of Articles 7 and 9 of the Regulation (concerning the application of prudential requirements on an individual basis and the individual consolidation method) (Article 436 e),
- disclosures related to the result of the institution's internal capital adequacy assessment process (Article 438 b), and
- disclosures related to capital instruments issued prior to 31 December 2011 which, in accordance with the new legislation, are no longer eligible to be included in the capital and must be gradually excluded from the capital in the transitional period (Article 492(4)).

The figures in this part of the Annual Report have been prepared based on the COREP reports submitted to the supervisory authorities. As amounts are rounded off to one thousand euros, minimum deviations can occur in the sums of individual categories and between tables.

2. Scope of application

(Articles 436 a, b, c and d and partly Article 437 a of Regulation (EU) No 575/2013)

In accordance with the capital legislation, NLB d.d. has the position of an »EU parent bank« and is therefore obliged to disclose information regarding risk and capital management (pursuant to Part Eight of Regulation (EU) No 575/2013) only on a consolidated basis. Disclosures are thus prepared and published for NLB Group using a prudential consolidation pursuant to the provisions of Regulation (EU) No 575/2013, Part One, Title II, Chapter 2.

The differences between consolidation for prudential purposes and consolidation for accounting purposes (pursuant to the IFRS) are in the list of companies based on activity and method of consolidation:

- List of companies:
  The consolidation for accounting purposes comprises all subsidiaries (i.e. entities directly or indirectly directed or controlled by the Bank or the banking group), all associated companies (in which it directly or indirectly holds between 20% and 50% of voting rights, has a material impact but does not control them), and jointly controlled companies (i.e. jointly controlled by NLB Group based on a contractual agreement). From among the subsidiaries, associated companies and jointly controlled companies, the prudential consolidation only includes credit institutions, financial institutions, ancillary service undertakings and asset management companies (in accordance with the definitions under Article 4 of Regulation (EU) No 575/2013). As regards NLB Group, this means that the **prudential consolidation** does not include companies operating in the area of insurance.
- Consolidation method:
  In consolidation for accounting purposes, subsidiaries are consolidated according to the method of full consolidation, while associated companies and jointly controlled companies are consolidated according to the capital method. Prudential consolidation requires a different treatment of jointly controlled companies, which have to be consolidated in line with the proportional method.

The table below shows the list of NLB Group companies (subsidiaries, associated companies and jointly controlled companies), their main characteristics and consolidation method. More details about individual companies are given in the accounting part of the Annual Report under Chapter 5.12.

	Nature of business	NLB Group's voting rights	Country of incorporation	Accounting consolidation method	Prudential consolidation method
Subsidiaries:					
LHB AG, Frankfurt	Finance	100.00%	Republic of Germany	Full	Full
NLB Tutunska banka a.d., Skopje	Banking	86.97%	Republic of Macedonia	Full	Full
NLB Banka a.d., Podgorica	Banking	98.00%	Republic of Montenegro	Full	Full
NLB Banka a.d., Beograd	Banking	99.997%	Republic of Serbia	Full	Full
NLB Banka d.d., Sarajevo	Banking	97.34%	Republic of Bosnia and Herzegovina	Full	Full
NLB Banka a.d., Banja Luka	Banking	99.85%	Republic of Bosnia and Herzegovina	Full	Full
NLB Prishtina sh.a., Priština	Banking	81.21%	Republic of Kosovo	Full	Full
NLB Leasing d.o.o., Ljubljana	Finance	100.00%	Republic of Slovenia	Full	Full
NLB Leasing Sofija E.o.o.d., Sofija	Finance	100.00%	Republic of Bulgaria	Full	Full
Optima Leasing d.o.o., Zagreb	Finance	100.00%	Republic of Croatia	Full	Full
PRO-REM d.o.o., Ljubljana	Real estate	100.00%	Republic of Slovenia	Full	Full
OL Nekretnine d.o.o., Zagreb	Real estate	100.00%	Republic of Croatia	Full	Full
NLB Leasing Podgorica d.o.o., Podgorica	Finance	100.00%	Republic of Montenegro	Full	Full
NLB Leasing d.o.o., Beograd	Finance	100.00%	Republic of Serbia	Full	Full
NLB Leasing d.o.o., Sarajevo	Finance	100.00%	Republic of Bosnia and Herzegovina	Full	Full
NLB Lizing d.o.o.e.l., Skopje	Finance	100.00%	Republic of Macedonia	Full	Full
NLB InterFinanz AG, Zürich	Finance	100.00%	Switzerland	Full	Full
NLB InterFinanz Praha s.r.o., Praga	Finance	100.00%	Czech Republic	Full	Full
NLB InterFinanz d.o.o., Beograd	Finance	100.00%	Republic of Serbia	Full	Full
NLB Factoring a.s. "v likvidaci", Ostrava	Finance	100.00%	Czech Republic	Full	Full
NLB Skladi d.o.o., Ljubljana	Finance	100.00%	Republic of Slovenia	Full	Full
NLB Nov penziski fond a.d., Skopje	Insurance	100.00%	Republic of Macedonia	Full	-
NLB Crna gora d.o.o., Podgorica	Real estate	100.00%	Republic of Montenegro	Full	Full
FIN-DO d.o.o., Domžale	Real estate	100.00%	Republic of Slovenia	Full	Full
NLB Propria d.o.o., Ljubljana	Real estate	100.00%	Republic of Slovenia	Full	Full
PRO-Avenija d.o.o., Ljubljana	Real estate	100.00%	Republic of Slovenia	Full	Full
NLB Srbija d.o.o., Beograd	Real estate	100.00%	Republic of Serbia	Full	Full
CBS Invest d.o.o., Sarajevo	Real estate	100.00%	Republic of Bosnia and Herzegovina	Full	Full
REAM d.o.o., Beograd	Real estate	100.00%	Republic of Serbia	Full	Full
REAM d.o.o., Podgorica	Real estate	100.00%	Republic of Montenegro	Full	Full
REAM d.o.o., Zagreb	Real estate	100.00%	Republic of Croatia	Full	Full
SR-RE d.o.o., Beograd	Real estate	100.00%	Republic of Serbia	Full	Full
Tara Hotel d.o.o., Budva	Real estate	100.00%	Republic of Montenegro	Full	Full
Prospera plus d.o.o., Ljubljana	Tourist and catering trade	100.00%	Republic of Slovenia	Full	Full
Associates:					
Bankart d.o.o., Ljubljana	Card processing	39.44%	Republic of Slovenia	Equity	Equity
Skupna pokojninska družba d.d., Ljubljana	Insurance	28.13%	Republic of Slovenia	Equity	-
Kreditni biro SISBON d.o.o., Ljubljana	Credit bureau	29.68%	Republic of Slovenia	Equity	Equity
ARG - Nepremičnine d.o.o., Horjul	Real estate	75.00%	Republic of Slovenia	Equity	Equity
Joint ventures:					
NLB Vita d.d., Ljubljana	Insurance	50.00%	Republic of Slovenia	Equity	-
Skupina Prvi faktor, Ljubljana	Finance	50.00%	Republic of Slovenia	Equity	Proportional

None of NLB Group’s investments in subsidiaries, associated companies and jointly controlled companies represents a deduction from capital. The total amount of investments that could become deductions from capital is relatively low and remains under the statutory thresholds.

Below a comparison is given of financial statements of NLB Group according to both consolidation methods.

Statement of financial position of NLB Group as at 31 December 2015 – comparison of the two consolidation methods

	Accounting consolidation	Prudential consolidation	Difference
Cash, cash balances at central banks and other demand deposits at banks	1,161,983	1,162,931	-948
Trading assets	267,413	267,413	0
Financial assets designated at fair value through profit or loss	7,595	7,595	0
Available for sale financial assets	1,737,191	1,734,636	2,555
Derivatives - hedge accounting	1,083	1,083	0
Loans and advances	7,589,496	7,598,650	-9,154
Debt securities	394,579	394,579	0
Loans and advances to banks	431,775	432,564	-789
Loans and advances to customers	6,693,621	6,692,953	668
Other financial assets	69,521	78,554	-9,033
Held to maturity financial assets	565,535	565,535	0
Fair value changes of hedged items in portfolio hedge of interest rate risk	741	741	0
Non-current assets classified as held for sale	4,629	4,629	0
Property and equipment	207,730	207,801	-71
Investment property	93,513	94,205	-692
Intangible assets	39,327	39,274	53
Investments in associates and joint ventures	39,696	14,988	24,708
Current income tax assets	929	1,602	-673
Deferred income tax assets	9,400	9,543	-143
Other assets	95,354	95,159	195
Total assets	**11,821,615**	**11,805,785**	**15,830**
Trading liabilities	29,920	29,920	0
Financial liabilities designated at fair value through profit or loss	4,912	4,912	0
Derivatives - hedge accounting	33,842	33,842	0
Financial liabilities measured at amortized cost	10,157,553	10,197,456	-39,903
Deposits from banks and central banks	57,982	57,982	0
Borrowings from banks and central banks	571,029	611,214	-40,185
Due to customers	9,020,666	9,020,104	562
Borrowings from other customers	100,267	100,267	0
Debt securities in issue	304,962	304,962	0
Subordinated liabilities	27,340	27,340	0
Other financial liabilities	75,307	75,587	-280
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0
Provisions	122,639	98,784	23,855
Current income tax liabilities	7,514	7,534	-20
Deferred income tax liabilities	313	289	24
Other liabilities	14,539	14,602	-63
Total liabilities	**10,371,232**	**10,387,339**	**-16,107**
Share capital	200,000	200,000	0
Share premium	871,378	871,378	0
Other equity instruments issued	0	0	0
Accumulated other comprehensive income	23,603	15,693	7,910
Profit reserves	13,522	13,522	0
Retained earnings	314,307	290,484	23,823
Treasury shares	0	0	0
Non-controlling interests	27,573	27,369	204
Total equity	**1,450,383**	**1,418,446**	**31,937**
Total liabilities and total equity	**11,821,615**	**11,805,785**	**15,830**

Income statement of NLB Group as at 31 December 2015 – comparison of the two consolidation methods

	Accounting consolidation	Prudential consolidation	Difference
Interest and similar income	443,203	446,962	-3,759
Interest and similar expense	-103,001	-104,136	1,135
Net interest income	**340,202**	**342,826**	**-2,624**
Dividend income	1,346	1,346	0
Fee and commission income	195,710	193,010	2,700
Fee and commission expenses	-56,899	-56,309	-590
Net fee and commission income	**138,811**	**136,701**	**2,110**
Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	10,659	10,659	0
Gains less losses from financial assets and liabilities held for trading	-18,877	-18,882	5
Gains less losses from financial assets and liabilities designated at fair value through profit or loss	-3	-3	0
Fair value adjustments in hedge accounting	231	231	0
Foreign exchange translation gains less losses	11,831	12,383	-552
Gains less losses on derecognition of assets	-624	-622	-2
Other operating income	27,329	27,432	-103
Other operating expenses	-26,824	-26,902	78
Administrative expenses	-265,984	-267,232	1,248
Depreciation and amortization	-31,856	-31,870	14
Provisions for other liabilities and charges	696	247	449
Impairment charge	-83,801	-87,867	4,066
Gains less losses from capital investments in subsidiaries, associates and joint ventures	4,312	1,145	3,167
Net losses from non-current assets held for sale	-690	-690	0
Profit or loss before income tax	**106,758**	**98,902**	**7,856**
Income tax	-11,380	-11,964	584
Profit or loss for the year	**95,378**	**86,938**	**8,440**
Attributable to owners of the parent	**91,914**	**83,480**	**8,434**
Attributable to non-controlling interests	3,464	3,458	6

In NLB Group, there are no major impediments to the prompt transfer of capital or repayment of liabilities between the parent undertaking and its subsidiaries. In the case of a capital transfer, it is necessary to follow the provisions regarding the minimum capital, with the Bank also the provisions regarding liquidity and capital adequacy, in accordance with the legislative provisions applying to individual members. Prior to any transfer, it is necessary to notify the local regulator. Accordingly, NLB Banka Sarajevo faces impediments in making dividend payouts (a dividend ban is prescribed by law for banks with a capital adequacy below 14.5%). There are no legal impediments to a capital transfer after liquidation processes have finally been concluded in subordinated companies, as long as all liabilities towards creditors and tax authorities are settled.

All subsidiaries in NLB Group not included in the prudential consolidation met the minimum capital requirement as at 31.12.2015. The total amount of capital deficit was EUR 0.

3. Capital

3.1. Capital adequacy
(Article 492.2 of Regulation (EU) No 575/2013)

Pursuant to Regulation (EU) No 575/2013, banks and banking groups must within the scope of regulatory calculations (Pillar 1) monitor three different capital adequacy ratios. The capital is divided into three subcategories that differ according to their quality in terms of their ability to cover risks. The system of three minimum ratios ensures an appropriate qualitative structure of these elements, i.e. their mutual proportions.

The minimum ratios banks must achieve within the scope of Basel Pillar 1 (regulatory requirements) are the following[1]:
- Common Equity Tier 1 capital ratio: 4.5%,
- Tier 1 capital ratio: 6%, and
- Total capital ratio: 8%.

NLB Group calculates capital and capital ratios fully in line with the EU legislation, which also includes discretionary measures prescribed by the Bank of Slovenia.

From 2016 on, besides the above-mentioned Pillar 1 and Pillar 2 requirements, banks will also be subject to requirements related to capital buffers. However, these requirements are less binding as their breaching will at most result in restrictions on distributions of the operational result with the aim of strengthening the capital base.

Capital adequacy of NLB Group:

in EUR thousand

	31. 12. 2015	31. 12. 2014
Paid up capital instruments	200,000	200,000
Share premium	871,378	871,377
Retained earnings - from previous years	207,004	148,235
Current result	39,599	58,111
Accumulated other comprehensive income	-4,090	-4,663
Other reserves	13,522	13,522
Minority interest	0	0
Prudential filters: cash flow hedge reserve	897	533
Prudential filters: additional valuation adjustments (AVA)	-3,134	-3,535
(-) Goodwill	-3,529	-3,529
(-) Other intangible assets	-35,745	-39,171
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-2,755	-802
Common Equity Tier 1 capital (CET1)	**1,283,147**	**1,240,078**
Additional Tier 1 capital	0	0
Tier 1 capital	**1,283,147**	**1,240,078**
Tier 2 capital	0	0
Total capital	**1,283,147**	**1,240,078**
Rwa for credit risk	6,849,633	5,875,105
Rwa for market risks	137,351	141,001
Rwa for cva	9,313	8,338
Rwafor operational risk	930,688	1,013,538
Total risk exposure amount (RWA)	**7,926,985**	**7,037,982**
Common Equity Tier 1 ratio	16.2 %	17.6 %
Tier 1 ratio	16.2 %	17.6 %
Total capital ratio	16.2 %	17.6 %

[1] Within the scope of Basel Pillar 2 (SREP), supervisory institutions may prescribe higher requirements regarding these ratios for an individual bank or banking group.

3.2. Reconciliation of items with financial statements
(Articles 437 a and f, and 447 e of Regulation (EU) No 575/2013)

The basis for calculating the capital and capital ratios is the financial statements of NLB Group compiled taking into account prudential consolidation as described in Part One, Title II, Chapter 2 of Regulation (EU) No 575/2013. Essentially, the capital of NLB Group consists of the elements of equity of the balance sheet (not all elements and not fully) and, in addition, it is reduced by deduction items and prudential filters.

The table below shows to what extent individual balance sheet items are included in the calculation of capital and capital adequacy. In addition to the amounts actually included in the capital according to the calculation for the end of 2015 (second column), the amounts of these items in their full extent are also presented, i.e. the amounts that would have been taken into account in the calculation of capital adequacy had there been no transitional period arrangements (third column).

Because of the gradual introduction of certain provisions, the capital currently taken into account in the calculation of capital adequacy is EUR 16,996 lower than it would have been had all the requirements fully entered into force. The difference primarily arises from accumulated comprehensive income, where temporarily we excluded more unrealised gains than losses, and partially also from the deduction item for deferred taxes.

Mapping of the balance sheet items (statement of financial position items) and capital for the purpose of capital adequacy of NLB Group as at 31 December 2015

in EUR thousand

	Prudential consolidation	Included in capital (CAR) as reported per 31.12.2015	Fully loaded capital (transitional agreements not applied)	
Cash, cash balances at central banks and other demand deposits at banks	1,162,931			
Trading assets	267,413	-267	-267	Prudential filter; Article 34 - AVA, 0.1% of book value
Financial assets designated at fair value through P&L	7,595	-8	-8	Prudential filter; Article 34 - AVA, 0.1% of book value
Available for sale financial assets	1,734,636	-1,735	-1,735	Prudential filter; Article 34 - AVA, 0.1% of book value
Derivatives - hedge accounting	1,083			
Loans and advances	7,598,650			
Held to maturity financial assets	565,535			
FV changes of hedged items in portfolio hedge of IRR	741			
Non-current assets classified as held for sale	4,629			
Property and equipment	207,801			
Investment property	94,205			
Intangible assets	39,274	-39,274	-39,274	
Goodwill	*3,529*	*-3,529*	*-3,529*	Deduction item, Article 36.b - total amount
Other intangible assets	*35,745*	*-35,745*	*-35,745*	Deduction item, Article 36.b - total amount
Investments in subsidiaries, associates and joint ventures	14,988			
Current income tax assets	1,602			
Deferred income tax assets	9,543	-2,755	-6,888	
That do not rely on future profitability	*0*			
That rely on future profitability and do not arise from temporary differences	*6,888*	*-2,755*	*-6,888*	Deduction item, Article 36.c - 40% of the amount - in transitional period
That rely on future profitability and arise from temporary differences	*2,655*			
Other assets	95,159			
Total assets	**11,805,785**			
Trading liabilities	29,920	-30	-30	Prudential filter; Article 34 - AVA, 0.1% of book value
Financial liabilities designated at fair value through P&L	4,912	-5	-5	Prudential filter; Article 34 - AVA, 0.1% of book value
Derivatives - hedge accounting	33,842			
Financial liabilities measured at amortized cost	10,197,456			
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0			
Provisions	98,784			
Current income tax liabilities	7,534			

	Prudential consolidation	Included in capital (CAR) as reported per 31.12.2015	Fully loaded capital (transitional agreements not applied)	
Deferred income tax liabilities	289			
Other liabilities	14,602			
Total liabilities	**10,387,339**			
Share capital	200,000	200,000	200,000	Included in total amount, Article 26
Share premium	871,378	871,378	871,378	Included in total amount, Article 26
Accumulated other comprehensive income	15,693	-4,090	15,693	
From debt securities	29,065	1,259	29,065	
AFS exposures to central governments	*25,918*	*0*	*25,918*	Not included in capital according to BoS discretion, Article 467 (in transitional period)
Other exposures	*3,147*	*1,259*	*3,147*	In 2015 only 40% of book value is included, Article 467 (transitional period)
From equity securities	11,342	4,537	11,342	In 2015 only 40% of book value is included, Article 467 (transitional period)
From consolidation capital adjustment	0	0	0	In 2015 only 40% of book value is included, Article 467 (transitional period)
From cashflow hedges	-2,243	-897	-2,243	40% of value is included (Article 467) and then excl. as deduction item (Article 33 a)
From hedge of net investment in foreign operation	754	302	754	In 2015 only 40% of book value is included, Article 467 (transitional period)
Other	-23,225	-9,290	-23,225	In 2015 only 40% of book value is included, Article 467 (transitional period)
Profit reserves	13,522	13,522	13,522	Included in total amount, Article 26
Retained earnings	*290,484*	*246,603*	*246,603*	Included in total amount, Article 26
Retained earnings - from previous years	*207,004*	*207,004*	*207,004*	
Retained earnings - current results	83,480	39,599	39,599	Included only remaining sum after dividends
Treasury shares	0	0	0	
Non-controlling interests	27,369	0	0	Not eligible for inclusion in capital (Articles 81 to 84)
Total equity	**1,418,446**			
Total liabilities and equity	**11,805,785**			
		1,283,339	**1,298,990**	**Sum of balance sheet items**
		-1,090	-1,090	Prudential filter; Article 34 - AVA for off-balance items, 0,1% of book value
		897	2,243	Prudential filter; Article 33.a - exclusion of revaluation reserves from cahsflow hedges
		1,283,147	**1,300,143**	**Capital**

Differences between the accounting capital and the capital for the calculation of capital adequacy of NLB Group as at 31 December 2015

in EUR thousand

Balance sheet item	**Prudential consolidation**	**Dividends**	Exclusion of minority interests not eligible according to CRR requirements	Exclusion of 100% of unrealised losses and profits from exposures to central governments (in transitional period)	Exclusion of 60% of unrealised losses and gains from other exposures (in transitional period)	Prudential filters and deduction items from capital	**Capital (included in calculation of capital adequacy)**	**Capital item (in capital adequacy calculation)**
Share capital	**200,000**						**200,000**	Paid in capital instruments
Share premium	**871,378**						**871,378**	Share premium
Accumulated other comprehensive income	**15,693**			-25,918	6,135		**-4,090**	Accumulated other comprehensive income
Profit reserves	**13,522**						**13,522**	Other reserves
Retained earnings - from previous years	**207,004**						**207,004**	Retained earnings - from previous years
Rretained earnings - current results	**83,480**	-43,881					**39,599**	Current results
Non-controlling interests	**27,369**		-27,369				**0**	Minority interest
						897	**897**	Prudential filter: cash flow hedges reserve (Article 33.a)
						-3,134	**-3,134**	Prudential filter: Additional valuation adjustment (AVA) (Article 34)
						-3,529	**-3,529**	Deduction item: Goodwill (Article 36.b)
						-35,745	**-35,745**	Deduction item: Other intangible assets (Article 36.b)
						-2,755	**-2,755**	Deduction item: Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated liabilities (Article 36.c)
Total equity	**1,418,446**	**-43,881**	**-27,369**	**-25,918**	**6,135**	**-44,266**	**1,283,147**	**Common Equity Tier 1 (CET1) capital**
							0	Additional Tier 1 capital
							1,283,147	**Tier 1 capital**
							0	Tier 2 capital
							1,283,147	**Total capital**

3.3. Capital instruments included in the capital
(Article 437 b and c of Regulation (EU) No 575/2013)

In 2015 the capital of NLB Group solely consisted of Common Equity Tier 1 capital; the only instruments in this capital were the ordinary shares of the parent company NLB d.d.

In 2015 NLB Group had no issued capital instruments eligible for inclusion in Additional Tier 1 capital or Tier 2 capital. Some subsidiary banks in NLB Group do have subordinated instruments which they themselves use as a capital component, but because of the non-comparable legislation these instruments do not meet the conditions for inclusion in the capital of NLB Group.

The main characteristics of the ordinary shares of NLB Group are shown in the table below:

Issuer	NOVA LJUBLJANSKA BANKA d.d., Ljubljana
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	SI0021116502
Governing law(s) of the instrument	Slovene
Regulatory treatment	
Transitional CRR rules	Common Equity Tier 1
Post-transitional CRR rules	Common Equity Tier 1
Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo and Consolidated
Instrument type (types to be specified by each jurisdiction)	Ordinary share
Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	Paid up capital and related share premium: 1,071,377
Nominal amount of instrument	N/A – No par value shares (20,000,000 shares)
Issue price	EUR 77.55
Redemption price	N/A
Accounting classification	Shareholders' equity
Original date of issuance	18.12.2013
Perpetual or dated	Perpetual
Original maturity date	No maturity
Issuer call subject to prior supervisory approval	N/A
Optional call date, contingent call dates and redemption amount	N/A
Subsequent call dates, if applicable	N/A
Coupons / dividends	
Fixed or floating dividend/coupon	N/A
Coupon rate and any related index	N/A
Existence of a dividend stopper	N/A
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
Existence of step up or other incentive to redeem	N/A
Noncumulative or cumulative	N/A
Convertible or non-convertible	N/A
If convertible, conversion trigger(s)	N/A
If convertible, fully or partially	N/A
If convertible, conversion rate	N/A
If convertible, mandatory or optional conversion	N/A
If convertible, specify instrument type convertible into	N/A
If convertible, specify issuer of instrument it converts into	N/A
Write-down features	N/A
If write-down, write-down trigger(s)	N/A
If write-down, full or partial	N/A
If write-down, permanent or temporary	N/A
If temporary write-down, description of write-up mechanism	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	First loss absorbing instrument, subordinated to all instruments
Non-compliant transitioned features	No
If yes, specify non-compliant features	N/A

N/A. – not relevant for this instrument

The ordinary shares are fully included in the Common Equity Tier 1 capital of NLB Group as the only source. The shares meet all the conditions for inclusion in the capital as stated under the relevant provisions of Regulation (EU) No 575/2013.

3.4. Detailed presentation of capital elements
(Article 437 d and e of Regulation (EU) No 575/2013)

The table below shows in detail the elements of the calculation of the capital of NLB Group as at 31 December 2015 in the form prescribed by the EBA implementing technical standards, published as Commission Implementing Regulation (EU) No 1423/2013 of 20.12.2014 (Annex VI – presentation of items in the transitional period). A summarised substantive presentation of the elements relevant for NLB Group is given in Chapter 3.1.

In line with the instructions, the second column includes amounts that are temporarily excluded from the calculation of capital adequacy according to the provisions on the transitional period (residual amounts). Had the provisions applied fully, i.e. without the transitional period, the calculation would include the amount from the first column added by the difference in the second column.

NLB Group does not have any capital instruments that would no longer be eligible for inclusion and that would be subject to pre-Regulation treatment.

in EUR thousand

		Amount at disclosure date (transitional arrangements as prescribed for this date)	Amounts subject to pre-Regulation (EU) No 575/2013 or prescribed residual amount of Regulation (EU) No 575/2013	Regulation (EU) No 575/2013 article reference
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	1,071,378	0	26(1), 27, 28, 29, 26(3)
	of which: Instrument type 1	1,071,378		26(3) - seznam EBA
2	Retained earnings	207,004	0	26(1)(c)
3	Accumulated other comprehensive income (and other reserves)	29,215	19,783	26(1)
3a	Funds for general banking risk	0	0	26(1)(f)
5	Minority interest (amount allowed in consolidated CET1)	0	0	84, 479, 480
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	39,599	0	26(2)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	**1,347,196**	**19,783**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	-3,134		34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-39,274		36(1)(b), 37, 472(4)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38(3) are met) (negative amount)	-6,888	-4,133	36(1)(c), 38, 472(5)
11	Fair value reserves related to gains or losses on cash flow hedges	2,243	1,346	33(a)
12	Negative amounts resulting from the calculation of expected loss amounts	0	0	36(1)(d), 40, 159, 472(6)
13	Any increase in equity that results from securitised assets (negative amount)	0	0	32(1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	0	33(b)
15	Defined-benefit pension fund assets (negative amount)	0	0	36(1)(e), 41, 472(7)
16	Direct and indirect holdings by an institution of own CET1 Instruments (negative amount)	0	0	36(1)(f), 42, 472(8)
17	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	0	36(1)(g), 44, 472(9)
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	0	36(1)(h), 43, 45, 46, 49(2)(3), 79, 472(10)
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	0	36(1)(i), 43, 45, 47, 48(1)(b), 49(1)(2)(3), 79, 470, 472(11)
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0	0	36(1)(k)
20b	of which: qualifying holdings outside the financial sector (negative amount)	0	0	36(1)(k)(i), 89, 99, 90, 91
20c	of which: securitisation positions (negative amount)	0	0	36(1)(k)(ii), 243(1)(b), 244(1)(b), 258
20d	of which: free deliveries (negative amount)	0	0	36(1)(k)(iii), 379(3)
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the condition s in Article 38(3) are met) (negative amount)	0	0	36(1)(c), 38, 48(1)(a), 470, 472(5)
22	Amount exceeding the 15% threshold (negative amount)	0	0	48(1)

		Amount at disclosure date (transitional arrangements as prescribed for this date)	Amounts subject to pre-Regulation (EU) No 575/2013 or prescribed residual amount of Regulation (EU) No 575/2013	Regulation (EU) No 575/2013 article reference
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	0	36(1)(i), 48(1)(b), 470, 472(11)
25	of which: deferred tax assets arising from temporary differences	0	0	36(1)(c), 38, 48(1)(a), 470, 472(5)
25a	Losses for the current financial year (negative amount)	0	0	36(1)(a), 472(3)
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	0	36(1)(l)
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	0	0	
26a	Regulatory adjustments related to unrealised gains and losses pursuant to Articles 467 and 468	-21,129	0	
	of which: filter for unrealised loss - exposures to central governments	3,152	0	467
	of which: filter for unrealised loss - other exposures	14,399	0	467
	of which: filter for unrealised gains - exposures to central governments	-29,070	0	468
	of which: filter for unrealised gains - other exposures	-9,610	0	468
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	27,697	0	481
	of which: intangible assets (including goodwill)	23,564	0	481
	of which: deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	4,133	0	481
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-23,564	0	36(1)(j)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-64,049**	**-2,787**	
29	**Common Equity Tier 1 (CET1) capital**	**1,283,147**	**16,996**	
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	0	0	51, 52
33	Amount of qualifying items referred to in Article 484(3) and the related share premium account subject to phase out from AT1	0	0	486(3)
	Public sector capital injections grandfathered until 1 January 2018	0	0	483(3)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	0	0	85, 86, 480
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**0**		
Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	0	0	52(1)(b), 56(a), 57, 475(2)
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	0	56(b), 58, 475(3)
39	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	0	56(c), 59, 60, 79, 475(4)
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	0	56(d), 59, 79, 475(4)
41	Regulatory adjustments applied to Additional Tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) no 575/2013 (i.e. CRR residual amounts)	0	0	
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) no 575/2013	23,564	0	472, 472(3)(a), 472(4), 472(6), 472(8)(a), 472(9), 472(10)(a), 472(11)(a)
	of which: intangible assets (including goodwill)	23,564	0	
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to Article 475 of Regulation (EU) no 575/2013	0	0	477, 477(3), 477(4)(a)
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR	0	0	467, 468, 481
42	Qualifying T2 deductions that exceeded the T2 capital of the institution	-23,564	0	56(e)
43	**Total regulatory adjustments to Additional Tier 1 (AT1)**	**0**	**0**	
44	**Additional Tier 1 (AT1) capital**	**0**	**0**	
45	**Tier 1 capital (T1= CET1 + AT1)**	**1,283,147**	**16,996**	
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	0	0	62, 63
47	Account of qualifying items referred to in Article 484(5) and the related share premium accounts subject to phase out from T2	0	0	486(4)
	Public sector capital injections grandfathered until 1 January 2018	0	0	483(4)

		Amount at disclosure date (transitional arrangements as prescribed for this date)	Amounts subject to pre-Regulation (EU) No 575/2013 or prescribed residual amount of Regulation (EU) No 575/2013	Regulation (EU) No 575/2013 article reference
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	0	0	87, 88, 480
50	Credit risk adjustment	0	0	62(c) (d)
51	**Tier 2 (T2) capital before regulatory adjustments**	**0**		
Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 Instruments and subordinated loans (negative amount)	0	0	63(b)(i), 66(a), 67, 477(2)
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	0	66(b), 68, 477(3)
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	0	66(c), 69, 70, 79 , 477(4)
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	0	66(d), 69, 79, 477(4)
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) no 575/2013 (i.e. CRR residual amounts)	0	0	
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) no 575/2013	0	0	472, 472(3)(a), 472(4), 472(6), 472(8)(a), 472(9), 472(10)(a), 472(11)(a)
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to Article 475 of Regulation (EU) no 575/2013	0	0	475, 475(2)(a), 475(3), 475(4)(a)
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR	0	0	467, 468, 481
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**	**0**	
58	**Tier 2 (T2) capital**	**0**	**0**	
59	**Total capital (TC = T1 + T2)**	**1,283,147**	**16,996**	
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. residual amounts)	0	0	
	Of which:…items not deducted from CET1 (Regulation (EU) no 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc)	0	0	472, 472(5), 472(8)(b), 472(10)(b), 472(11)(b)
	Of which: … items not deducted from AT1 items (Regulation (EU) no 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc)	0	0	475, 475(2)(b), 475(2)(c), 475(4)(b)
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of non-significant investments in the capital of other financial sector entities, etc)	0	0	477, 477(2)(b), 477(2)(c), 477(4)(b)
60	**Total risk weighted assets**	**7,926,985**	**0**	
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	**16.2%**		**92(2)(a), 465**
62	Tier 1 (as a percentage of total risk exposure amount)	**16.2%**		**92(2)(b), 465**
63	Total capital (as a percentage of total risk exposure amount)	**16.2%**		**92(2)(c)**
64	Institution specific buffer requirement (CET) Requirement in accordance with Article 92(1)(a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)*	**N/A**		**CRD 128, 129, 130**
65	of which: capital conservation buffer requirement	**N/A**		
66	of which: countercyclical buffer requirement	**N/A**		
67	of which: systemic risk buffer requirement	**N/A**		
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	**N/A**		**CRD 131**
68	Common Equity Tier 1 available to meet buffers (as a percentage of total risk exposure amount)	**N/A**		**CRD 128**
Amounts below the threshold for deduction (before risk weighting)				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	2,215	0	36(1)(h), 46, 45, 472(10), 56(c), 59, 60, 475(4), 66(c), 69, 70, 477(4)
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	15,243	0	36(1)(i), 45, 48, 470, 472(11)

		Amount at disclosure date (transitional arrangements as prescribed for this date)	Amounts subject to pre-Regulation (EU) No 575/2013 or prescribed residual amount of Regulation (EU) No 575/2013	Regulation (EU) No 575/2013 article reference
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38(3) are met	2,655	0	36(1)(c), 38, 48, 470, 472(5)
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	0	62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	N/A	N/A	62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	0	0	62
79	Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	0	0	62
Capital instruments subject to phase-out arrangements (only applicable between 1.1.2014 and 1.1.2022)				
80	Current cap on CET1 instruments subject to phase out arrangements	N/A	N/A	484(3), 486(2),(5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	0	484(3), 486(2),(5)
82	Current cap on AT1 instruments subject to phase out arrangements	N/A	N/A	484(3), 486(3),(5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	0	484(3), 486(3),(5)
84	Current cap on T2 instruments subject to phase out arrangements	N/A	N/A	484(3), 486(4),(5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	0	484(3), 486(4),(5)

* At the end of 2015, capital buffers were not prescribed yet
N/A - non available

4. Capital buffers

(Article 440 a and b of Regulation (EU) No 575/2013)

In 2016, the European CRD IV directive is introducing a system of capital buffers in order to provide the adequate capital accumulation from a bank's operational results. Next to the Pillar 1 and Pillar 2 requirements, banks must cover with their highest quality capital (CET1) also the requirements arising from capital buffers. However, these requirements are less binding as their breaching will result at most result in restrictions on distributions of the operational result with the aim of strengthening the capital base.

The combined buffer requirement is a combination of the following elements:
- Capital conservation buffer
- Countercyclical buffer
- Global systemically important institutions (G-SII) buffer – not relevant for NLB Group
- Other systemically important institutions (O-SII) buffer:
- Systemic risk buffer (SRB) – not anticipated at the moment

At the end of 2015, NLB d.d. was not subject to capital buffer requirements, while in the next years the following buffers will be relevant:
- **Capital conservation buffer:** in 2016, according to an ECB decision part of the Pillar 2 (SREP) requirement and therefore not part of the combined buffer requirement
- **Countercyclical buffer:** described below
- **Other systemically important institutions (O-SII) buffer**: in line with the Bank of Slovenia's decision, NLB d.d. on the consolidated level must provide CET1 capital in the amount of 1% of RWA on top of the Pillar 1 and Pillar 2 requirements from 1.1.2019 on.

Countercyclical buffer

On 1.1.2016 the Bank of Slovenia introduced a macro-prudential measure: a countercyclical capital buffer intended to protect the banking sector from losses potentially caused by cyclical risks in the economy. The purpose of the countercyclical capital buffer is to ensure that the Bank has a sufficient capital base in periods of credit growth, to be used in stress periods or when the conditions for lending are less favourable, i.e. to absorb losses. When the defined buffer rate is more than 0%, or when the already established rate is increased, the new buffer rate applies 12 months after publication (except for extraordinary cases). The buffer value may fluctuate between 0% and 2.5% of the amount of total risk exposure (in exceptional cases also more) and depends on the amount of risk in the system.

The buffer value for exposures in Slovenia, in force from 1.1.2016, is 0%. To define the buffer rate, the Bank of Slovenia followed the methodology of the BCBS, ESRB and the credit cycle assessment for Slovenia. The buffer rates applicable to exposures in other countries of the European Economic Area are those defined on the ESRB website, refreshed quarterly, while the buffer rate applying to credit exposures to countries not listed on that page nor prescribed by the Bank of Slovenia or a competent authority of that country are 0%.

The obligation to disclose information with regard to the geographic distribution of credit exposures, appropriate to calculate the countercyclical capital buffer, capital requirements and the rates of the Bank's inherent countercyclical capital buffer is quarterly, or must be made public at least once a year, depending on the date of publication of financial statements, and applies from 1.1.2016.

A calculation of the Bank's inherent countercyclical capital buffer is made on an individual as well as consolidated level. The Bank defines the geographic distribution of exposures which are subject to the calculation of capital requirement for credit risk using the standardised approach and the special risk or risk of non-payment, and migrations for exposures from the trading book and capital requirements from securitisation. If the Bank's exposures represent less than 2% of its total risk-adjusted exposures, these exposures may be presented at the geographic location of the Bank and additionally explained.

The rate of the Bank's inherent countercyclical capital buffer is composed of the weighted average of countercyclical capital buffer rates used in those countries where the relevant credit exposures of this institution are located.

5. Capital requirements

5.1. Summary of the approach to assessing the internal capital needed for current and planned activities (Article 438 a of Regulation (EU) No 575/2013)

The internal capital adequacy assessment process (ICAAP) of NLB Group meets the requirements of the Regulation (CRR), the recommendations of both the Bank of Slovenia and the European Central Bank, and good banking practices. The key highlights of how the ICAAP process is implemented in NLB Group are as follows:
- definition of the strategic goals and orientations regarding the risk appetite, representing the basis for business decision-making,
- definition of the risk profile and the related internal limit system,
- definition of the methodologies of capital requirement assessments in the context of Pillars 1 and 2,
- definition of ICAAP limits from the aspect of capital consumption for materially significant risks,
- planning the volume of available capital, defining the target capital adequacy ratio, and
- regular monitoring and definition of the measures to manage and mitigate risks.

The ICAAP process in NLB Group is integrated into business decision-making at the strategic and operating levels, and into the long-term planning process. With the active role of the Management and Supervisory Boards of NLB d.d., it represents one of the key components of the Group's proactive management, with the aim to ensure more stable long-time operations. Pursuant to the EBA guidelines, in 2016 NLB Group will upgrade the existing ICAAP process by establishing an ILAAP process (Internal Liquidity Adequacy Assessment Process). The ILAAP process involves a comprehensive assessment of liquidity risk control including qualitative and quantitative elements of assessment.

NLB Group has defined its risk appetite and established its risk strategy, within whose scope the tendency or willingness to assume risks is defined and more detailed substantive guidelines given. NLB Group plans a prudent risk appetite and optimally profitable operations in the long run, considering the risks assumed, while at the same time meeting all regulatory requirements.

Credit risk is the most important risk faced by NLB Group, with the Group focusing on taking moderate risks while simultaneously ensuring an optimal return considering the risks assumed. As regards liquidity risk, activities are geared towards constantly ensuring an appropriate level of liquidity for the purpose of fulfilling all short-term liabilities and providing long-term financing. It thus follows that the assumption of this risk is low. When assuming market and operational risks, NLB Group follows the orientation that such risks must not significantly impact its operations. The tolerance for other risk types is low, with a focus on minimising their possible impacts on the entire NLB Group's operations.

Risk identification and assessment are carried out on the basis of internal methodologies which take into account the complexity of the structure of NLB Group's operations with a tendency of upgrading in terms of advanced approaches to risk management. The ICAAP process includes at least regular quarterly monitoring and reporting at the level of the Management and Supervisory Boards of NLB d.d., and defines a set of corrective measures for managing and mitigating risks.

In addition, NLB Group has also established its risk profile, which defines the key risks and the major risk indicators within two categories – as limits or target values. They were defined especially for NLB d.d., at the level of individual bank members of NLB Group and at the level of NLB Group, whereby some risk indicators take the specific operations of NLB Group members into account. Regular monitoring of the risk indicators has been established, at least once a month by the ALCO of NLB Group, or promptly by the Risk Committee of the Supervisory Board of NLB d.d. Such an approach to monitoring the target risk profile has also been established in individual bank members of NLB Group.

The internal assessment of NLB Group's capital requirements consists of the following steps:
- the identification of all risks, the definition of materially significant risks and their treatment in the context of the ICAAP process,
- selection of the approach to the calculation of regulatory capital requirements (Pillar 1),
- definition of the internal methodology for the identification, measurement and calculation of capital requirements for risks not covered within the scope of Pillar 1 (Pillar 2),
- implementing stress scenarios for key material risks, and
- methodology for preparation of an aggregate assessment of capital requirements for all material risks using the baseline and adverse scenarios.

In the scope of regulatory (Pilar 1) risks, which include credit risk, operational risk and market risk, NLB Group uses the standardised approach for credit and market risks while the calculation of the capital requirement for operational risks is made according to the basic indicator approach. The same approaches are used for calculating the capital requirements for NLB d.d. on a standalone basis, except for calculation of the capital requirement for operational risks, where the standardised approach is used.

In the preparation of the internal capital adequacy assessment, NLB d.d. and bank members of NLB Group identify risks not included in the calculation under the regulatory approach (Pilar 1), which have a significant impact on their operation. The scope of additional credit risks also includes concentration risk – to individual clients and groups of related parties, at the level of activity – and collateral concentration risk. NLB Group calculates the capital requirement for non-financial risks (which include capital risk, profitability risk, strategic risk, divestment risk and reputation risk) if it assesses that an individual risk is crucial for NLB Group. In addition, non-regulatory risks include the effects of stress scenarios for credit (deterioration of the credit rating structure, decrease in real-estate market prices), currency, liquidity, interest rate risk in the banking book, credit spread risks, and market risks arising from securities.

The comprehensive performance of the ICAAP and ILAAP processes in NLB Group for 2016 will be defined in an internal document in line with the EBA guidelines which are described in detail in the document »Guidelines on ICAAP and ILAAP information collected for SREP purposes«. Besides, bank members of NLB Group have set up their own methodologies, accounting for the methodology guidelines by NLB d.d. and the specifics of their operations, the investment portfolio structure, strategic guidelines, regulatory framework and relevant macroeconomic environment.

5.2. Capital requirements
(Article 438 c, e and f and 445 of Regulation (EU) No 575/2013)

NLB Group uses the following approaches to calculate the regulatory capital requirements on a consolidated basis:
- credit risk – standardised approach,
- market risk – standardised approach, and
- operational risk – simple approach.

In the calculation of capital ratios, risk is expressed as a risk exposure amount or a capital requirement. The capital requirement for an individual risk amounts to 8% of the total exposure to the individual risk. The table below shows the detailed composition of the capital requirements of NLB Group at the end of 2015 and at the end of the previous year.

Capital requirements of NLB Group:

in EUR thousand

	31. 12. 2015	31. 12. 2014
Central governments or central banks	68,557	1,438
Regional governments or local authorities	5,241	5,017
Public sector entities	4,991	4,462
Multilateral Development Banks	0	0
International Organisations	0	0
Institutions	40,632	32,196
Corporates	131,379	136,044
Retail	173,092	170,545
Secured by mortgages on immovable property	16,435	18,139
Exposures in default	68,292	59,030
Items associated with particular high risk	735	3,300
Covered bonds	719	478
Claims on institutions and corporates with a short-term credit assessment	0	0
Collective investments undertakings (CIU)	214	0
Equity	4,601	5,989
Other items	33,083	33,370
Capital requirement for credit risk	**547,971**	**470,008**
Position risk - Traded debt instruments	5,521	2,163
Position risk - Equity	2	4
Large exposures exceeding the limit	0	0
Foreign exchange risk	5,465	9,113
Settlement / delivery risk	0	0
Commodities risk	0	0
Specific interest rate risk of securitisation positions	n.r.	n.r.
Capital requirements for market risks	**10,988**	**11,280**
Capital requirement for credit valuation adjustment (CVA)	**745**	**667**
Capital requirement for operational risk	**74,455**	**81,083**
Total capital requirements	**634,159**	**563,039**
Total risk exposure amount (RWA)	**7,926,985**	**7,037,982**

For NLB Group, the change in the calculation of the capital requirement for credit risks is the most important. The increase in the risk exposure amount is the result especially of the abolished discretion of the Bank of Slovenia which until 31.12.2014 allowed the weighting of exposures to central governments or central banks from ex-Yugoslav countries with a 0% weight, and from 2015 on the weight is defined in dependence on the credit rating of external rating agencies – in 2015, the weight was 100%.

6. Exposure to counterparty credit risk

6.1. The methodology used to assign internal capital and credit limits for counterparty credit exposures, and the measures for exposure value under the method used
(Article 439 a and f of Regulation (EU) No 575/2013)

NLB Group monitors counterparty credit risk exposure by using the method of current exposure in compliance with the Regulation. Credit replacement value (CRV) is the sum of current and potential exposure. For repo transactions, the exposure equals the current value of the investment (comprising the nominal value and accrued interest) less the current value of collateral (market price of the security) where the highest exposure may equal the agreed amount not being transferred within the margin call.

The credit exposure is monitored by applying a limit to individual clients (according to the principle of sustainable debt). The limit is set within the scope of credit advice (opinion regarding risk assumption, taking the principle of co-decision into account). It is carried out in line with the Criteria and Procedures for Granting Loans, and the currently applicable regulations in the area.

The calculation of internal capital for the above-mentioned financial instruments is analogous to that made for other types of investments by using a standardised approach for credit risks. The consumption of capital is relatively low owing to relatively small transaction volumes and the low exposure arising from these financial instruments as a share of all transactions. In accordance with the new Capital Requirements Directive, in 2014 the Bank transferred the settlement of the majority of these transactions to the so-called suitable central counterparty. Therefore, there is no material effect on the consumption of capital.

The new legislation on capital requirements brought changes concerning exposure to counterparty credit risk and the related capital requirements. In the valuation of these financial instruments, the fair value calculation must be adjusted by including counterparty credit risk (CVA – credit valuation adjustment) unless the settlement is made via a central counterparty or clearing house. The CVA provisions do not concern transactions made with non-financial counterparties and transactions within groups of related persons.

6.2. Policies for collateralisation and the establishment of credit reserves, and impact of the amount of collateral the institution would have to provide in case of a downgrading of its credit rating
(Article 439 b and d of Regulation (EU) No 575/2013)

The conclusion of financial derivatives transactions in NLB Group is defined in detail in its internal documents (policies, strategies). The conclusion of transactions involving derivatives at NLB d.d. is limited to the servicing of clients and hedging of its own open positions against risk. In accordance with the provisions of the Strategy on trading in financial instruments in NLB Group, the trading activities in other NLB Group members are very restricted. These documents represent the framework within which the Bank may trade in derivatives, including the level of acceptable risk. Thus, NLB d.d. is the only member of the Group with a trading book in accordance with the CRR requirements. For operations on the interbank market, NLB d.d. has signed ISDA agreements with the relevant annexes, such as CSA, which regulates the exchange of collateral to cover for market exposure for all transactions under an ISDA agreement.

If NLB d.d. were downgraded, the counterparties, financial institutions in particular, with whom the Bank had or has entered into transactions could ask the Bank to increase the collateral or decide to terminate the transactions early. In accordance with the EU directive, the Bank transferred the monitoring and settlement of the majority of these transactions to a suitable central counterparty (CCP – qualifying central counterparty), thus avoiding the risk of negative effects from the early termination of a transaction or the necessary provision of additional collateral.

6.3. Discussion of policies with respect to wrong-way risk exposures
(Article 439 c of Regulation (EU) No 575/2013)

If a counterparty which has been asked to provide additional prime collateral necessary due to adverse changes in financial markets fails to do so, the Bank may close synthetic forward deals and liquidate the existing collateral while the collateral for other derivatives will be arranged based on the individual transaction, in accordance with the applicable Master agreement for trading in derivatives or through clearing at the daily level. On the interbank market, the Bank performs derivatives transactions in accordance with the signed ISDA agreement and pertaining annexes (CSA). The Bank transferred the monitoring and settlement of the majority of these transactions made with financial institutions to the suitable CCP.

6.4. Gross positive fair value of contracts, netting benefits, netted current credit exposure, collateral held and net derivatives credit exposure
(Article 439 e of Regulation (EU) No 575/2013)

NLB Group uses contractual offsets (such as a CSA Agreement and Margin call) to a very limited extent and for internal needs of monitoring only. NLB Group does not use the contractual offset provisions in regulatory reporting (exposure and credit risk capital requirement calculation). In accordance with Article 432 of Regulation (EU) No 575/2013, the Bank does not disclose details as, considering the low volume of transactions and their effect on the Bank's business performance, it is not material information which, if omitted or misstated, would alter or affect the assessment or decision of the person using the information to take economic decisions.

7. Credit risk adjustments

For calculating the capital requirement for credit risk, NLB Group uses the standardised approach as prescribed by Regulation (EU) No 575/2013. Calculation of the capital requirement takes into account the effect of loan collaterals as a secondary source of receivable repayment; the Bank uses the simple calculation method for collaterals. According to this methodology, the capital requirement is calculated depending on the segment and credit quality of clients (as determined by external credit rating) and the quality of collaterals which must be adequately evaluated and at the same time satisfy the prescribed minimum requirements.

7.1. Breakdown of exposures and loan collaterals by exposure category (Article 442 c, 444 e and 453 d, f and g of Regulation (EU) No 575/2013)

Distribution of exposures, credit collaterals, risk-weighted assets and capital requirement of NLB Group based on exposure categories

- as at 31 December 2015:

				Credit risk mitigation techniques (CRM)	
				Unfunded credit protection: adjusted values (GA)	
Category of exposure	Original exposure pre conversion factor	Share of each category	Net value of exposure	Guarantees	Credit derivatives
	1	2 = 1 / sum(1)	3	4	5
Central governments or central banks	2,543,630	17.14%	2,543,135	0	0
Regional governments or local authorities	140,785	0.95%	129,780	0	0
Public sector entities	131,121	0.88%	127,239	61,112	0
Multilateral Development Banks	58,347	0.39%	58,347	0	0
International Organisations	23,883	0.16%	23,883	0	0
Institutions	1,331,157	8.97%	1,330,174	82,212	0
Corporates	3,505,014	23.62%	3,402,453	929,867	0
Retail	3,666,417	24.71%	3,610,945	137	0
Secured by mortgages on immovable property	576,060	3.88%	568,162	0	0
Exposures in default	2,077,082	14.00%	788,663	2,764	0
Items associated with particularly high risk	7,624	0.05%	7,048	0	0
Covered bonds	49,183	0.33%	49,183	0	0
Collective investment undertakings (CIU)*	44,519	0.30%	44,519	0	0
Equity	33,276	0.22%	33,276	0	0
Other items	648,118	4.37%	640,671	0	0
Total	**14,836,216**	**100.00%**	**13,357,478**	**1,076,092**	**0**

* The exposure from Collective Investment Undertakings also includes the exposure to the Bank Resolution Fund

- as at 31 December 2014:

				Credit risk mitigation techniques (CRM)	
				Unfunded credit protection: adjusted values (GA)	
Category of exposure	Original exposure pre conversion factor	Share of each category	Net value of exposure	Guarantees	Credit derivatives
	1	2 = 1 / sum(1)	3	4	5
Central governments or central banks	2,753,435	17.61%	2,750,482	0	0
Regional governments or local authorities	137,107	0.88%	128,278	0	0
Public sector entities	137,596	0.88%	130,325	59,722	0
Multilateral Development Banks	55,493	0.35%	55,493	0	0
International Organisations	0	0.00%	0	0	0
Institutions	1,172,157	7.50%	1,147,493	94,933	0
Corporates	4,089,315	26.16%	3,829,187	1,301,483	0
Retail	3,685,135	23.57%	3,588,224	193	0
Secured by mortgages on immovable property	637,163	4.08%	613,637	0	0
Exposures in default	2,176,423	13.92%	715,807	696	0
Items associated with particularly high risk	81,787	0.52%	36,946	0	0
Covered bonds	30,896	0.20%	30,896	0	0
Collective investment undertakings (CIU)*	0	0.00%	0	0	0
Equity	52,885	0.34%	52,885	0	0
Other items	623,207	3.99%	613,248	0	0
Total	**15,632,600**	**100.00%**	**13,692,902**	**1,457,026**	**0**

* The exposure from Collective Investment Undertakings also includes the exposure to the Bank Resolution Fund

in EUR thousand

Credit risk mitigation techniques (CRM)								
Funded credit protection		Value of CRM / Net exposure	Net exposure after CRM substitution effects pre conversion factors	Exposure value	Risk weighted exposure amount	Capital requirement	Share of capital requirement
Financial collateral: simple method	Other funded credit protection						
6	7	8 = (4 + 5 + 6 + 7) / 3	9	10	11	12	13 = 12 / sum(12)
1	0	0.00%	3,732,066	3,692,711	856,959	68,557	12.51%
0	0	0.00%	129,780	127,702	65,507	5,241	0.96%
187	0	48.18%	65,940	62,764	62,390	4,991	0.91%
0	0	0.00%	58,347	58,347	0	0	0.00%
0	0	0.00%	23,883	23,883	0	0	0.00%
0	0	6.18%	1,248,681	1,165,439	507,900	40,632	7.41%
30,672	0	28.23%	2,441,914	1,841,199	1,642,243	131,379	23.98%
70,491	0	1.96%	3,540,317	3,015,997	2,163,645	173,092	31.59%
0	0	0.00%	568,162	558,861	205,434	16,435	3.00%
11,802	0	1.85%	774,097	712,518	853,645	68,292	12.46%
407	0	5.77%	6,641	6,129	9,191	735	0.13%
0	0	0.00%	49,183	49,183	8,989	719	0.13%
0	0	0.00%	44,519	44,519	2,671	214	0.04%
0	0	0.00%	33,276	33,276	57,517	4,601	0.84%
0	0	0.00%	640,671	640,669	413,542	33,083	6.04%
113,560	**0**	**8.91%**	**13,357,477**	**11,904,514**	**6,849,633**	**547,971**	**100.00%**

in EUR thousand

Credit risk mitigation techniques (CRM)							
Funded credit protection		Value of CRM / Net exposure	Net exposure after CRM substitution effects pre conversion factors	Exposure value	Risk weighted exposure amount	Capital requirement	Share of capital requirement
Financial collateral: simple method	Other funded credit protection						
6	7	8 = (4 + 5 + 6 + 7) / 3	9	10	11	12	13 = 12 / sum(12)
0	0	0.00%	4,321,771	4,277,332	17,977	1,438	0.31%
0	0	0.00%	128,278	127,344	62,712	5,017	1.07%
1,283	0	46.81%	69,320	65,208	55,773	4,462	0.95%
0	0	0.00%	55,493	55,493	0	0	0.00%
0	0	0.00%	0	0	0	0	0.00%
0	0	8.27%	1,055,497	971,808	402,452	32,196	6.85%
31,672	0	34.82%	2,496,032	1,875,927	1,700,554	136,044	28.95%
82,932	0	2.32%	3,505,099	2,986,629	2,131,815	170,545	36.29%
0	0	0.00%	613,637	603,837	226,735	18,139	3.86%
870	0	0.22%	714,241	652,503	737,878	59,030	12.56%
419	0	1.14%	36,527	27,500	41,250	3,300	0.70%
0	0	0.00%	30,896	30,896	5,973	478	0.10%
0	0	0.00%	0	0	0	0	0.00%
0	0	0.00%	52,885	52,885	74,868	5,989	1.27%
23	0	0.00%	613,225	612,957	417,119	33,369	7.10%
117,200	**0**	**11.50%**	**13,692,902**	**12,340,320**	**5,875,106**	**470,009**	**100.00%**

At the end of 2015, none of the net exposures entered the calculation of capital requirements as a deduction from capital; they entered the calculation of capital requirements in their total amount.

In 2015, the original value of exposure fell by EUR 796.4 million and the net exposure by EUR 335.4 million; while the risk-adjusted exposure increased by EUR 974.5 million. The increased risk exposure is especially the result of the abolished discretion of the Bank of Slovenia which until 31.12.2014 allowed the weighting of exposures to central governments or central banks from ex-Yugoslav countries with a 0% weight, and from 2015 on the weight is defined in dependence on the credit rating of external credit rating agencies and was 100% in 2015. A comparison of the net exposure (which does not include the effect of the amended weighting rules for the exposure to the central level of states and central banks), shows the largest decrease can be detected in the category of corporates, as the share of this category decreased by 25.7% (in 2014 it decreased by 28.0%), while the share of the category of retail banking increased by 27.0% (in 2014 26.2%). If the categories of exposures secured by real-estate mortgages, items associated with particularly high risk and exposures in default, which are also related to corporate and retail clients, are added to the above, all five categories of exposures account for 62.7% of the total net exposure (1.4 p.p. less than at the end of 2014) and 71.0% of the total capital requirement for credit risks (81.6% at the end of 2014). The categories of exposure to governments and institutions considerably contribute to the total exposure; the total capital requirement in these two categories is 19.9% of the total capital requirement (in 2014 only 7.2%, due to the lower weights on the category of exposure to governments).

To reduce the risk exposure, the Bank accepts loan collaterals, of these personal guarantees prevail; almost the entire amount of personal guarantees are guarantees of the Republic of Slovenia.

7.2. Geographical distribution of exposures broken down in significant areas by material exposure classes (Article 442 d of Regulation (EU) No 575/2013)

The distribution of exposures by significant geographical area, broken down by material category of exposure

- as at 31 December 2015:

in EUR thousand

Country	Category of exposure						Total
	Exposures to central governments and central banks	Exposures to institutions	Exposures to corporates	Retail exposures	Past due items	Other	
Slovenia	1,199,977	65,794	2,620,104	2,164,602	840,478	1,128,541	8,019,496
Macedonia	241,123	6,690	329,009	551,905	96,309	107,551	1,332,587
Bosnia and Herzegovina	247,694	14,227	202,839	431,270	231,591	144,371	1,271,991
Montenegro	131,177	21	58,178	192,045	241,663	83,740	706,824
Serbia	113,342	4,020	34,481	103,920	263,106	49,451	568,320
Germany	86,396	431,665	987	400	12,638	24,025	556,111
Republic of Kosovo	107,252	1,267	164,134	204,077	16,569	23,108	516,407
Croatia	741	9,207	41,916	12,975	257,665	32,273	354,776
Austria	80,932	254,219	7,532	254	3,973	574	347,484
France	60,912	85,248	0	870	0	4,381	151,412
Netherlands	70,820	38,869	0	113	23,376	16,087	149,264
Luxembourg	14,858	63,293	0	1	337	66,656	145,145
Belgium	61,581	52,657	10,015	91	6,789	1,062	132,195
Great Britain	0	76,504	28,307	752	444	6,947	112,954
Italy	22,449	55,605	480	852	16,816	20	96,223
Switzerland	0	56,681	297	143	14,582	575	72,277
United States of America	4,575	45,110	5,787	143	1	11,701	67,317
Finland	38,012	300	0	1	0	4,190	42,503
Other countries	61,788	69,782	949	2,001	50,745	7,664	192,929
Total	**2,543,630**	**1,331,157**	**3,505,014**	**3,666,417**	**2,077,082**	**1,712,916**	**14,836,216**

• as at 31 December 2014

in EUR thousand

Country	Exposures to central governments and central banks	Exposures to institutions	Exposures to corporates	Retail exposures	Past due items	Other	Total
	Category of exposure						
Slovenia	1,373,877	129,277	3,108,574	2,264,919	714,052	1,219,798	8,810,497
Macedonia	253,828	6,328	290,301	503,896	76,321	116,006	1,246,681
Bosnia and Herzegovina	236,650	3,244	211,493	412,468	251,663	127,784	1,243,302
Montenegro	110,564	22	123,722	199,479	270,982	41,240	746,009
Serbia	129,486	5,186	40,968	99,574	428,320	82,179	785,713
Germany	111,482	361,355	1,075	768	14,919	5,103	494,703
Republic of Kosovo	92,091	333	135,258	181,930	20,782	28,198	458,593
Croatia	1,583	6,517	77,830	16,100	301,432	42,042	445,505
Austria	97,650	206,826	10,916	163	2,683	1,357	319,595
France	82,263	56,263	0	865	0	4,390	143,780
Netherlands	76,347	37,069	1,670	21	24,061	8,367	147,534
Luxembourg	31,328	76,888	2,482	880	0	44,156	155,734
Belgium	56,740	68,124	16,289	101	0	906	142,160
Great Britain	0	12,683	31,441	1,406	438	8,660	54,628
Italy	10,189	41,721	7,024	1,556	11,201	725	72,416
Switzerland	0	33,994	16,946	114	1	1,005	52,059
United States of America	29	19,111	6,038	109	739	7,599	33,625
Finland	48,472	59	0	1	0	4,271	52,804
Other countries	40,857	107,156	7,289	784	58,828	12,350	227,264
Total	**2,753,435**	**1,172,157**	**4,089,315**	**3,685,135**	**2,176,423**	**1,756,134**	**15,632,600**

The above tables show the geographical distribution of material categories of exposures, which represented 88.5% of total exposure as at 31.12.2015 (88.8% at the end of 2014).

The exposure of NLB Group is geographically concentrated in the markets where bank members of the Group are based (core markets – in addition to Slovenia also Bosnia and Herzegovina, Macedonia, Serbia, Montenegro, and the Republic of Kosovo). The exposure in Slovenia accounts for 54.1% of the total exposure (56.4% at the end of 2014), whereas 83.7% of the total exposure (85.0% at the end of 2014) is concentrated in the said core markets of NLB Group. In other markets, material exposure is only in the segment of governments and central banks and institutions (arising from liquidity reserves), whereas exposure to corporates and retail clients is smaller.

7.3. Distribution of exposures by counterparty type or industry broken down by exposure classes (Article 442 e of Regulation (EU) No 575/2013)

Exposures by category of exposure and counterparty type

• as at 31 December 2015:

in EUR thousand

Category of exposure	CG	NP	IN	PS	CO LARGE	CO SME	MDB	RG	Other
Central governments or central banks	2,543,165	0	245	0	0	13	0	208	0
Regional governments or local authorities	0	0	0	0	0	0	0	140,785	0
Public sector entities	0	0	0	131,121	0	0	0	0	0
Multilateral Development Banks	0	0	0	0	0	0	58,347	0	0
International Organisations	0	0	0	0	0	0	0	0	23,883
Institutions	0	0	1,331,156	0	0	0	0	0	0
Corporates	0	0	0	0	2,130,309	1,374,073	0	0	632
Retail	0	2,919,205	0	0	0	747,212	0	0	0
Secured by mortgages on immovable property	0	436,401	0	0	59,617	80,042	0	0	0
Exposures in default	243	194,097	536	14,281	585,467	1,279,901	0	2,556	0
Items associated with particularly high risk	0	556	0	9	2,898	4,161	0	0	0
Covered bonds	0	0	49,183	0	0	0	0	0	0
Collective investment undertakings (CIU)*	44,519	0	0	0	0	0	0	0	0
Equity	0	0	52	2,135	23,551	7,539	0	0	0
Other items	306	20,593	136,974	8	1,521	139,966	0	19	348,730
Total	2,588,233	3,570,852	1,518,147	147,554	2,803,362	3,632,907	58,347	143,568	373,244

* The exposure from Collective Investment Undertakings also includes the exposure to the Bank Resolution Fund

• as at 31 December 2014:

in EUR thousand

Category of exposure	CG	NP	IN	PS	CO LARGE	CO SME	MDB	RG	Other
Central governments or central banks	2,752,548	0	411	0	209	20	0	0	248
Regional governments or local authorities	0	0	0	0	0	0	0	137,107	0
Public sector entities	0	0	0	137,596	0	0	0	0	0
Multilateral Development Banks	0	0	0	0	0	0	55,493	0	0
International Organisations	0	0	0	0	0	0	0	0	0
Institutions	0	0	1,172,157	0	0	0	0	0	0
Corporates	0	0	0	0	2,464,709	1,617,427	0	0	7,180
Retail	0	2,856,663	0	0	0	828,472	0	0	0
Secured by mortgages on immovable property	0	435,015	0	130	107,335	94,683	0	0	0
Exposures in default	0	150,515	0	0	629,672	1,396,238	0	0	-1
Items associated with particularly high risk	0	6,983	1,390	46	26,637	46,731	0	0	0
Covered bonds	0	0	30,896	0	0	0	0	0	0
Collective investment undertakings (CIU)*	0	0	0	0	0	0	0	0	0
Equity	0	0	110	0	33,294	19,482	0	0	-1
Other items	312	25,967	5,807	27	723	76,921	0	0	513,449
Total	2,752,861	3,475,142	1,210,770	137,799	3,262,579	4,079,973	55,493	137,107	520,876

* The exposure from Collective Investment Undertakings also includes the exposure to the Bank Resolution Fund

Legend:
CG - central government
NP - natural persons
IN - institutions
IF - investment funds
PS - Public sector
CO LARGE - Companies large (according to ZGD)
CO SME - Companies SME (according to ZGD)
MDB - multilateral development banks
RG - regional governments

The distribution of exposure categories by type of client reveals that exposures in default mainly included corporates (89.8%, at the end of 2014: 93.1%), of which SMEs accounted for 61.6% and large companies 28.2%, followed by natural persons (9.3%, at the end of 2014: 6.9%).

Retail exposure includes receivables from natural persons (79.6%, at the end of 2014: 77.5%) and SMEs (20.4%, at the end of 2014: 22.5%).

Exposures by category of exposure and industry:

• as at 31 December 2015:

in EUR thousand

Category of exposure	Individuals	Ministries (public sector)	Heavy industry	Trade	Finance	Transport and storage	Other business activities	Construction	Other	Total
Central governments or central banks	0	2,543,165	0	0	453	0	0	0	12	2,543,630
Regional governments or local authorities	0	0	0	0	35	0	125	0	140,626	140,785
Public sector entities	0	0	2,581	40	68,003	13,647	63	9	46,778	131,121
Multilateral Development Banks	0	0	0	0	58,347	0	0	0	0	58,347
International Organisations	0	0	0	0	7,508	0	0	0	16,374	23,883
Institutions	0	0	0	0	1,331,156	0	0	0	0	1,331,156
Corporates	0	0	744,347	627,265	151,166	680,258	528,071	160,320	613,587	3,505,015
Retail	2,919,205	0	164,171	236,653	4,390	63,168	22,444	82,594	173,792	3,666,417
Secured by mortgages on immovable property	436,401	0	51,431	23,645	3,725	18,137	906	2,888	38,927	576,060
Exposures in default	194,097	243	407,629	475,283	67,049	62,845	20,056	323,206	526,673	2,077,081
Items associated with particularly high risk	556	0	239	2,039	1,084	182	26	1,095	2,403	7,624
Covered bonds	0	0	0	0	49,183	0	0	0	0	49,183
Collective investment undertakings (CIU)*	0	44,519	0	0	0	0	0	0	0	44,519
Equity	0	0	78	16,162	0	127	0	0	16,908	33,276
Other items	20,593	306	3,042	873	162,994	450	2,167	7	457,687	648,118
Total	**3,570,852**	**2,588,233**	**1,373,517**	**1,381,960**	**1,905,094**	**838,815**	**573,858**	**570,120**	**2,033,767**	**14,836,216**

*The exposure from Collective Investment Undertakings also includes the exposure to the Bank Resolution Fund

• as at 31 December 2014:

in EUR thousand

Category of exposure	Individuals	Ministries (public sector)	Heavy industry	Trade	Finance	Transport and storage	Other business activities	Construction	Other	Total
Central governments or central banks	0	2,752,548	0	0	412	0	0	0	475	2,753,435
Regional governments or local authorities	0	0	0	0	0	0	19	0	137,088	137,107
Public sector entities	0	0	1,504	32	57,663	26,007	15	1,860	50,515	137,596
Multilateral Development Banks	0	0	0	0	55,493	0	0	0	0	55,493
International Organisations	0	0	0	0	0	0	0	0	0	0
Institutions	0	0	0	0	1,172,157	0	0	0	0	1,172,157
Corporates	0	0	856,809	670,221	182,784	742,843	642,321	181,651	812,686	4,089,315
Retail	2,856,663	0	179,195	271,542	5,690	63,290	20,656	92,175	195,924	3,685,135
Secured by mortgages on immovable property	435,015	0	98,071	29,671	4,792	18,769	238	4,877	45,730	637,163
Exposures in default	150,515	0	416,056	541,702	54,169	41,560	24,908	398,065	549,448	2,176,423
Items associated with particularly high risk	6,983	0	15,033	19,511	4,064	394	27	12,095	23,680	81,787
Covered bonds	0	0	0	0	30,896	0	0	0	0	30,896
Collective investment undertakings (CIU)*	0	0	0	0	0	0	0	0	0	0
Equity	0	0	104	17,945	15,494	4,545	0	2	14,795	52,885
Other items	25,967	312	237	354	19,379	19	5,985	0	570,954	623,207
Total	**3,475,143**	**2,752,860**	**1,567,009**	**1,550,978**	**1,602,993**	**897,427**	**694,169**	**690,725**	**2,401,295**	**15,632,600**

*The exposure from Collective Investment Undertakings also includes the exposure to the Bank Resolution Fund

Significant in terms of exposure are Individuals (24.1%, at the end of 2014: 22.2%) and Ministries, including the public administration (17.5%, at the end of 2014: also 17.6%), whereas in industries the largest concentration is that in Heavy industry, Trade and Finance.

The major portion of exposures in default is accounted for by Construction (56.7%, 0.9 p.p. higher than at the end of 2014), followed by Trade with 34.4% (0.5 p.p. higher than at the end of 2014). In 2015, the volume of exposures in default decreased by EUR 99.3 million, i.e. 2.3%.

7.4. Residual maturity breakdown of all exposures broken down by exposure classes
(Article 442 f of Regulation (EU) No 575/2013)

Overview of exposures, the amount in default for more than 90 days and the amount of provisions by category of exposure:

in EUR thousand

		31.12.2015			31.12.2014		
Category of exposure	Remaining maturity	Exposure value	Amount in delay over 90 days	Amount of established impairments and provisions	Exposure value	Amount in delay over 90 days	Amount of established impairments and provisions
Central governments or central banks	Long-term	718,735	0	324	863,207	17	35
	Short-term	1,824,895	12	170	1,890,229	28	2,919
Regional governments or local authorities	Long-term	48,880	0	2,656	50,147	119	3,353
	Short-term	91,905	1	8,349	86,959	1,342	5,476
Public sector entities	Long-term	81,177	0	1,211	34,345	0	843
	Short-term	49,944	12	2,670	103,250	240	6,427
Multilateral Development Banks	Long-term	3,710	0	0	18,867	0	0
	Short-term	54,638	0	0	36,626	0	0
International Organisations	Long-term				0	0	0
	Short-term	23,883	0	0	0	0	0
Institutions	Long-term	260,685	1	255	230,809	18,234	16,646
	Short-term	1,070,472	189	728	941,348	12,091	8,018
Corporates	Long-term	1,215,892	9	21,995	1,613,175	66	52,926
	Short-term	2,289,123	713	80,566	2,476,139	63	207,203
Retail	Long-term	1,245,229	75	17,839	1,264,484	531	34,596
	Short-term	2,421,188	300	37,633	2,420,651	1,393	62,315
Secured by mortgages on immovable property	Long-term	346,416	0	3,023	351,000	1	8,667
	Short-term	229,644	0	4,874	286,163	2	14,859
Exposures in default	Long-term	614,395	331,596	360,453	739,307	602,676	506,469
	Short-term	1,462,686	828,421	927,966	1,437,117	1,060,053	954,147
Items associated with particularly high risk	Long-term	2,993	13	327	15,135	5,331	11,431
	Short-term	4,631	17	249	66,652	15,729	33,410
Covered bonds	Long-term	23,807	0	0	9,286	0	0
	Short-term	25,376	0	0	21,609	0	0
Collective investment undertakings (CIU)*	Long-term				0	0	0
	Short-term	44,519	0	0	0	0	0
Equity	Long-term				58	0	0
	Short-term	33,276	0	0	52,827	0	0
Other items	Long-term	1,852	0	20	3,544	2,397	501
	Short-term	646,266	5,695	7,427	619,664	8,920	9,458
Total		**14,836,216**	**1,167,053**	**1,478,735**	**15,632,600**	**1,729,232**	**1,939,699**

* The exposure from Collective Investment Undertakings also includes the exposure to the Bank Resolution Fund

In 2015, the amount of defaults for over 90 days decreased by EUR 562.2 million, i.e. 32.5% in comparison with 2014. As evident from the above table, receivables more than 90 days in default are practically entirely classified as overdue exposures. In this category, defaults are recorded in both short- and long-term exposures. Further, 87.1% of all impairments and provisions is created for this category (at the end of 2014: 75.3%).

7.5. Past due exposures and the volume of impairments for significant industries and significant geographical areas (Article 442 g and h of Regulation (EU) No 575/2013)

The tables below present the amount of exposures with the amount of past due exposures for significant industries/significant geographical areas and, in this scope, the amount of value adjustment to impairments and provisions. All value adjustments belong to the group of special adjustments. NLB Group does not establish general value adjustments.

Overview of exposures, the amount in default for more than 90 days, and the amount of provisions by industry:

in EUR thousand

	31.12.2015			31.12.2014		
Institutional sector	**Exposure value**	**Amount in delay over 90 days**	**Amount of established impairments and provisions**	**Exposure value**	**Amount in delay over 90 days**	**Amount of established impairments and provisions**
Individuals	3,570,852	126,151	156,023	3,475,142	147,524	172,108
Ministries (public sector)	2,588,233	70	695	2,752,861	72	2,954
Finance	1,902,214	21,790	70,265	1,602,994	61,801	84,624
Heavy industry	1,373,517	196,973	283,281	1,567,010	298,513	398,867
Trade	1,381,960	263,798	355,248	1,550,977	358,007	477,631
Transport and storage	838,815	29,927	44,876	897,427	41,168	53,459
Other business activities	573,858	20,729	16,900	694,169	30,672	23,649
Construction	570,120	246,352	200,144	690,726	339,050	272,073
Unclassified*	399,285	72	116	555,949	131	77
Professional, scientific and technical activities	264,342	44,209	58,655	296,192	56,075	67,260
Real-estate operations	312,465	113,018	135,430	276,751	106,922	135,992
Electricity, gas and water	242,742	14,850	26,808	256,804	44,946	20,618
Services - accommodation and food	157,539	39,482	37,883	222,604	94,455	68,704
Information and communication services	172,745	16,495	16,696	208,309	21,976	19,427
General government and defence, compulsory social security	162,686	633	13,626	187,194	1,467	11,876
Agriculture, forestry and fishing	77,329	10,774	24,591	139,876	85,315	80,674
Water supply	51,741	7,122	8,131	59,579	12,601	11,135
Mining	57,078	2,109	7,321	50,531	8,947	9,305
Health care and social security	39,473	3,522	8,526	45,600	687	8,093
Cultural, entertainment and recreation activities	33,678	5,679	9,049	42,328	12,955	15,061
Services	42,989	1,746	3,052	40,608	3,961	4,505
Education	22,509	1,549	1,416	18,969	1,988	1,605
Activities of extraterritorial organisations and bodies	45	2	2	2	2	1
Activities of households with employees	0	0	0	0	0	0
Total	14,836,216	1,167,053	1,478,735	15,632,600	1,729,232	1,939,699

* In addition to other industries, »Unclassified« includes the category »Other exposure categories« and offsets

At the end of 2015, the amount in delay for over 90 days was the highest in Trade, Construction and Heavy industry, and consequently the biggest impairments and provisions were made for those sectors. The amount of defaults decreased in virtually all industries, the most in those mentioned above (by EUR 288.4 million), which is more than one-half of the total decrease in defaults. Compared to the previous year, the volume of impairments and provisions went down by EUR 461 million, largely the result of the write-off of NPLs and partly also the decrease in exposure.

Overview of exposures, the amount in default for more than 90 days and the amount of provisions by country:

in EUR thousand

	31.12.2015			31.12.2014		
Country	**Exposure value**	**Amount in delay over 90 days**	**Amount of established impairments and provisions**	**Exposure value**	**Amount in delay over 90 days**	**Amount of established impairments and provisions**
Slovenia	8,019,496	338,959	494,265	8,810,497	516,063	650,164
Macedonia	1,332,587	64,652	127,571	1,246,681	69,503	127,766
Bosnia and Herzegovina	1,271,991	110,498	211,294	1,243,302	171,804	225,531
Montenegro	706,824	154,756	140,256	746,009	224,537	174,314
Serbia	568,320	144,855	173,600	785,713	285,400	348,289
Germany	556,111	14,022	12,350	494,703	16,079	14,049
Republic of Kosovo	516,407	2,486	25,290	458,593	12,941	30,972
Croatia	354,776	261,588	196,399	445,505	325,726	234,943
Austria	347,484	1,025	3,278	319,595	2,840	4,385
France	151,412	0	5	143,780	2	30
Netherlands	149,264	0	23,375	147,534	659	23,659
Luxembourg	145,145	162	337	155,734	0	148
Belgium	132,195	0	3,090	142,160	1	3,170
Great Britain	112,954	444	140	54,628	439	107
Italy	96,223	12,581	14,155	72,416	11,215	14,779
Switzerland	72,277	10,063	10,333	52,059	1	5,372
United States of America	67,317	1	45	33,625	933	803
Finland	42,503	0	0	52,804	0	0
Sweden	40,270	0	0	35,521	32	1
Czech Republic	33,246	21,181	19,539	40,954	28,162	26,024
Bulgaria	24,453	24,453	20,163	27,529	26,245	23,943
Slovakia	19,564	2,378	1,171	20,413	5,514	1,873
Spain	15,031	0	0	1,025	0	0
Ireland	12,717	0	0	8,054	4	4
Australia	11,602	0	0	12,641	0	0
Other countries	36,046	2,945	2,078	81,127	31,132	29,371
Total	14,836,216	1,167,053	1,478,735	15,632,600	1,729,232	1,939,699

At the end of 2015, the amount of receivables over 90 days past due accounted for 7.9% of total exposure (11.1% at the end of 2014), and they are covered by provisions at 10.0% (a decrease of 2.4 p.p. compared to the end of 2014). In terms of default, prominent among significant geographical areas is the exposure in Croatia (the amount in default for over 90 days is 73.7%), followed by Serbia (25.5%) and Montenegro (21.9%). Accordingly, the coverage of exposure by provisions is high in these areas (Croatia 55.4%, Serbia 30.6% and Montenegro 19.8%). In comparison with the previous year, the balance of receivables in delay for more than 90 days decreased the most in Slovenia (by EUR 177.1 million), followed by Serbia (EUR 140.5 million).

8. Use of ratings by external rating institutions (ECAI)

(Article 444 a, b, and c of Regulation (EU) No 575/2013)

For the calculation of the capital requirement for credit risk, NLB Group appointed the Fitch Ratings credit rating agency, which the Bank of Slovenia estimated to be an eligible external credit assessment institution and prescribed the rules for comparing its assessments with the credit quality steps stemming from the law. The credit assessments of this agency are used for the categories of exposure to:

- the central government or central bank, and
- institutions, including the exposure to institutions with a short-term credit assessment.

The weight for each category of exposure is determined based on Article 136 of Regulation (EU) No 575/2013.

In exposure categories for which a credit assessment institution was designated, the weight is assigned based on the financial instrument's rating. If such a rating is not available, the higher of the weights applying to the long-term credit rating of the debtor or other financial instruments of the same debtor or country is used. Weights are assigned to non-assessed financial instruments based on the prescribed increase in weight linked to the weight of other short-term instruments of the same debtor.

For categories of exposure for which a credit assessment institution was not appointed, the risk weight is assigned according to the prescribed legislation, meaning it is assigned based on the rating of the debtor's country or specific rules applying to the respective exposure category.

9. Financial leverage

(Article 451 of Regulation (EU) No 575/2013)

The financial leverage ratio is calculated after 1.1.2014 in line with the enforcement of provisions from the Capital Requirement Regulation and Directive (CRR/CRD IV), or as of 1.1.2015 pursuant to the amendments in relation to the calculation published in Commission Delegated Regulation (EU) 2015/62. As of 1.1.2015, the additional requirement to disclose information concerning the financial leverage is in force.

The purpose of the financial leverage ratio is to limit the size of bank balance sheets with a special emphasis on exposures which are not weighted within the framework of the existing capital requirement calculations. So the financial leverage calculation uses Tier 1 as the numerator, and the denominator is the total exposure of all active balance sheet and off-balance-sheet items after the adjustments are made, in the context of which the exposures from individual derivatives, exposures from transactions of security funding and other off-balance sheet items are especially pointed out. According to the discretionary right of the Bank of Slovenia and the changes to the calculation brought about by Commission Delegated Regulation (EU) 2015/62, the financial leverage ratio in the transition period is calculated quarterly and not based on the simple arithmetic mean of monthly financial leverage ratios for the quarter.

The leverage ratio of NLB Group, calculated according to the guidelines of Commission Delegated Regulation (EU) 2015/62, amounts to 10.52% (transitional) or 10.66% (fully phased in) and is above the 3% threshold defined by the Basel Committee on Banking Supervision (BCBS). In the so-called transitional period from 1.1.2013 to 1.1.2017, the financial leverage ratio is monitored together with its constituent parts and its interaction. As of 1 January 2018, the financial leverage ratio is expected to become one of the binding minimum capital requirements.

Considering the high exceeding of the minimum requirement, the risk of excess financial leverage is not material. Financial leverage risk is assessed and monitored quarterly as part of the internal assessment of capital requirements process (ICAAP).The monitoring of excess financial leverage is also included in stress tests and recovery plan measures if and whenever required to maintain an adequate capital level. The testing for any case of extraordinary circumstances is especially important as it is future-oriented: if the financial leverage ratio also remains stable in extraordinary, stress conditions, the risk of a forced decrease in the Bank's assets is low.

The largest impact on the leverage ratio’s level according to both versions of the calculation (in line with Commission Delegated Regulation (EU) 2015/62 and the current ITS for reporting) derives from balance sheet items, but these were decreasing in 2015 while exposures from other off-balance sheet items do not have any material influence on the ratio. The difference between the two calculations is in the scope of consolidation and in the calculation of the total leverage ratio exposure measure, especially in derivatives, where a variation margin in the form of cash is taken into account, in securities financing transactions, where an add-on for counterparty credit risk is included; and in the calculation of off-balance sheet exposure, where conversion factors from the SA credit risk calculation are used and no netting with established provisions is applied.

Calculation of leverage ratio

in EUR thousand

		Transitional definition	Fully phased in definition
Tier 1 capital		1,283,147	1,300,143
According to Commission Delegated Regulation (EU) 2015/62	Total leverage ratio exposures	12,192,660	12,192,660
	Leverage ratio	**10.52%**	**10.66%**
According to existing ITS	Total leverage ratio exposures	13,421,597	13,417,464
	Leverage ratio	**9.56%**	**9.69%**

Leverage ratio common disclosure

in EUR thousand

Table LRCom: Leverage ratio common disclosure		CRR leverage ratio exposures	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	11,595,655	11,595,655
2	(Asset amounts deducted in determining Tier 1 capital)	6,888	6,888
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	11,602,543	11,602,543
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	31,591	31,591
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	13,461	13,461
EU-5a	Exposure determined under Original Exposure Method		
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework		
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-29,087	-29,087
8	(Exempted CCP leg of client-cleared trade exposures)		
9	Adjusted effective notional amount of written credit derivatives		
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
11	Total derivative exposures (sum of lines 4 to 10)	15,965	15,965
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions		
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
14	Counterparty credit risk exposure for SFT assets		
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013		
15	Agent transaction exposures		
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)		
16	Total securities financing transaction exposures (sum of lines 12 to 15a)		
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	1,919,195	1,919,195
18	(Adjustments for conversion to credit equivalent amounts)	-1,345,043	-1,345,043
19	Other off-balance sheet exposures (sum of lines 17 to 18)	574,152	574,152
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)			
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))		
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))		
Capital and total exposures			
20	Tier 1 capital	1,283,147	1,300,143
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	12,192,660	12,192,660
Leverage ratio			
22	Leverage ratio	10.52%	10.66%
Choice on transitional arrangements and amount of derecognised fiduciary items			
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional	Fully phased in

Summary reconciliation of accounting assets and leverage ratio exposures

in EUR thousand

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures		Applicable amount
1	Total assets as per published financial statements	11,821,615
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-15,830
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	0
4	Adjustments for derivative financial instruments	-23,468
5	Adjustment for securities financing transactions (SFTs)	0
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	574,152
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	0
7	Other adjustments	-163,809
8	Leverage ratio total exposure measure	12,192,660

Split-up of on balance sheet exposures

in EUR thousand

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	11,602,542
EU-2	Trading book exposures	237,371
EU-3	Banking book exposures, of which:	11,365,171
EU-4	Covered bonds	49,183
EU-5	Exposures treated as sovereigns	2,541,649
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	306,712
EU-7	Institutions	1,226,722
EU-8	Secured by mortgages of immovable properties	554,792
EU-9	Retail exposures	2,900,536
EU-10	Corporate	2,465,089
EU-11	Exposures in default	681,901
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	638,587

10. Remuneration policy

10.1. Information on the decision-making process used for determining the Remuneration Policy (Article 450 a of Regulation (EU) No 575/2013)

The decision-making process concerning amendments and supplements to the Remuneration Policy involves the Management Board of the Bank, the Appointment and Remuneration Committee and the Supervisory Board, which also approves the Remuneration Policy.

The Policy of Remuneration for Employees Performing Special Work (hereinafter: the Remuneration Policy) entered into force on 1.1.2012. In 2013, amendments were drafted concerning the definition of employees performing special work who can, in line with the authorisations, assume specific risks, and the definition of the body which decides on the payment of the annual variable part. The Bank's Management Board approved the proposed amendments on 30.4.2013 and the Supervisory Board did so on 30.8.2013, with validity as of 1.9.2013. In 2014, the main remuneration control body (the Supervisory Board) discussed the draft amendments five times, and the Remuneration and Appointment Committee three times.

The amendments to the Policy of Remuneration for Employees Performing Special Work were approved by the Supervisory Board on 12.11.2014 with validity as of 1.11.2014.

In 2015, due to the new Banking Act (ZBan-2), the Remuneration Policy had to be adjusted as the new law introduced a new definition of senior management. The amendments to the Remuneration Policy were approved by the Supervisory Board on 27.8.2015, with validity as of 1.7.2015. In 2015, the Remuneration Committee held two meetings.

No outsourced staff participated in formulating the policy.

The **Remuneration and Appointment Committee** was active up until 8.5.2015 when it was divided into two separate committees in line with ZBan-2:
- Pursuant to Article 50 of ZBan-2, the **Appointment Committee** has the following tasks:
  The Committee drafts proposed resolutions for the Supervisory Board concerning the appointment and dismissal of Management Board members, recommends candidates for Supervisory Board members to the General Meeting of the Bank, recommends to the Supervisory Board the dismissal of members of the Management Board and the Supervisory Board, prepares the content of executive employment contracts for the President and members of the Management Board, evaluates the performance of the Management Board and the Supervisory Board, and assesses the knowledge, skills and experience of individual members of the Management Board and Supervisory Board and the bodies as a whole. The Committee proposes amendments to the Management Board's policy on the selection and appointment of suitable candidates for the senior management of the Bank.
- Pursuant to Article 52 of ZBan-2, the **Remuneration Committee** has the following tasks:
  The Committee carries out expert and independent assessments of the remuneration policies and practices and gives initiatives for measures related to an improvement in the management of the Bank's risks, capital and liquidity, it prepares proposals for decisions of the Supervisory Board in relation to remuneration, and supervises the remuneration of senior management performing the risk management and compliance functions.

The members of the Remuneration Committee and the Appointment Committee in 2015 were: Tit A. Erker (Chairman), Gorazd Podbevšek (member) and Miha Košak (member).

10.2. Information on the link between pay and performance (Article 450 b of Regulation (EU) No 575/2013)

The following financial and non-financial performance criteria shall be defined for assessing the performance of employees carrying out special work. The table below shows variations in payment of the variable part which depend on the achievement of targets by the employees performing special work, and the amount of variable part to which employees carrying out special work are entitled in case the following are achieved:
- the targets of NLB d.d. (or NLB Group),
- the targets of the organisational unit, or
- personal targets of the employee performing special work.

Presentation of possible variants for payment of the variable part

Performance criterion	Achieved or exceeded targets	Achieved or exceeded targets	Achieved or exceeded targets	Achieved or exceeded targets	Achieved or exceeded targets
1. Targets of NLB Group (for the Management Board and targets of NLB d.d.)	Yes	No	Yes	No	Yes / No
2. Targets of the organisational units	Yes	Yes	No	No	Yes / No
3. Personal targets	Yes	Yes	Yes	Yes	No
Entitlement to the variable part of salary	Yes	Yes	Yes	Yes	No
Amount of the variable part of salary arising from: - Targets of NLB Group/NLB d.d. - Targets of the organisational units - Personal targets	For the Management Board and the front offices up to 2 salaries + up to 2 salaries + up to 1 salary = up to 5 salaries in total	For the Management Board and the front offices up to 2 salaries + up to 1 salary = up to 3 salaries in total	For the Management Board and the front offices up to 2 salaries + up to 1 salary = up to 3 salaries in total	For the Management Board and the front offices up to 1 salary = up to 1 salary in total	No payment of the variable part
Amount of the variable part of salary arising from: - Targets of NLB Group/NLB d.d. - Targets of the organisational units - Personal targets	For other employees up to 1 salary + up to 1 salary+ up to 1 salary = up to 3 salaries in total	For other employees up to 1 salary + up to 1 salary = up to 2 salaries in total	For other employees up to 1 salary + up to 1 salary = up to 2 salaries in total	For other employees up to 1 salary = up to 1 salary in total	No payment of the variable part

The table below defines the maximum possible remuneration of an employee based on an assessment of the achievement of individual targets.

Definition of the amount of remuneration

Assessment of performance grade	The front office	Other than front office	Front office and other
	Targets of NLB d.d. and organisational units	Targets of NLB d.d. and organisational units	Personal targets
5 – all targets exceeded	up to 2 salaries	up to 1 salary	up to 1 salary
4 – targets mostly exceeded	up to 1.5 salaries	up to 0.75 salary	up to 0.75 salary
3 – targets achieved	up to 1 salary	up to 0.5 salary	up to 0.5 salary
2 – targets partly not achieved	0	0	0
1 – targets not achieved	0	0	0

For 2014, employees performing special work received the annual variable part of their salary based on their assessed achievement of the financial and non-financial performance criteria.

10.3. The essential components of the Policy of remuneration for employees performing special work (Article 450 c of Regulation (EU) No 575/2013)

Pursuant to the Remuneration Policy, the salary of an employee performing special work consists of:
- a fixed part of the salary, and
- a variable part of the salary which depends on:
  - performance of NLB Group (for the Management Board) and NLB d.d. (for other employees performing special work)
  - performance of the organisational unit of the employee performing special work
  - individual performance of the employee performing special work.

The following criteria are applied to measuring the performance of employees carrying out special work:

1. Targets of NLB d.d. and NLB Group:
   The Management Board sets the targets for NLB d.d. and NLB Group for each business year and the Supervisory Board approves them. The targets defined for NLB Group apply to the Management Board. For other employees performing special work, the targets set for NLB d.d. shall apply.
   The maximum possible amount of the variable part of salary, subject to achievement of NLB d.d. or NLB Group targets, shall be two salaries for the Management Board and employees performing special work who are included in the business function, and one salary for other employees performing special work.

2. Targets of the organisational unit of the employee performing special work:
   Specific targets (which derive from the targets of NLB d.d.) of the organisational unit (OU) where the employee performing special work assumes risk are defined by their direct superior officer for each business year and include the following areas:
   - business targets of the organisational unit, and
   - financial targets of the organisational unit (if specified).

   The maximum amount of the variable part of salary, subject to achievement of the OU's targets, shall be two salaries for the

Management Board and the employees performing special work who are included in a business function, and one salary for other employees performing special work.

3. Personal targets of an employee performing special work (development, project and other targets)
Personal targets of the employee mainly represent personal development and project targets.
The maximum amount of the variable part of salary shall be one salary for other employees performing special work.

Financial and non-financial performance criteria must be included in at least one of the above groups of targets.

The Remuneration Policy stipulates that a decision on whether the performance criteria have been achieved and the decision to pay the annual variable part of salary to Management Board members are adopted by the Supervisory Board, whereas for other employees performing special work they are adopted by the Bank's Management Board. An employee is not entitled to the annual variable part of salary if they failed to achieve their personal targets, regardless of whether the targets of NLB d.d. and the targets of the OU have been achieved or not.

Deferred payment of the variable part
In line with the European Commission's decision on the state aid procedure, the variable part of salary of employees performing special work shall until the end of December 2017 be paid according to the following model:
• 50% is payable upon confirmation of business results at the Bank's General Meeting, and
• 50% is payable 3 years later.

The deferred part of the variable part of salary is aligned with growth in the consumer price index during the period of deferment.

After the period of deferment, the payment is made within three months of confirmation of the performance results at the Bank's General Meeting.

Prior to payment of the deferred variable part of salary, NLB d.d. must check if all conditions for payment of the deferred variable part of salary have been met. The Management Board of the Bank may adopt a unilateral decision on the amount of payment of the deferred variable part of salary, namely:
• An employee performing special work is paid 100% of the deferred variable part of their salary in the case there are no negative trends in the Bank's operations during the deferment period that result from decisions made by the employee performing special work and in the case there were no serious violations of the regulations and the Bank's internal regulations, abuses and inefficient acts by the employee performing special work during their work. When assessing these acts, NLB d.d. will act according to a zero-tolerance principle and consider as a serious violation of the regulations acts showing signs of criminal offences, violations, breach of obligations arising from employment and/or those acts that constitute a conflict of interest with the Bank's business interests as well as corruptive acts that constitute or reinforce non-transparency in adopting business decisions while performing functions in the Bank. All acts that are committed intentionally or from gross negligence and cause damage to the Bank are considered as inefficient conduct;
• An employee performing special work is not paid the deferred variable part of salary in case the Bank's performance in the period of the deferred payment shows material negative trends that result from decisions adopted by the employee performing special work.

Amount of payment of the variable part of remuneration for 2014
On 26.5.2015, the Management Board of the Bank approved a resolution to pay the variable part of salary to employees performing special work for 2014. Based on the position of an employee performing special work, and based on the achieved results of NLB d.d., the organisational unit of which the employee performing special work is in charge, and an assessment of meeting the personal targets of the employee performing special work, a basis was prepared to determine the amount of variable pay.

In the two Remuneration Policies which were in force in 2014, with different payment methods for the deferred part of variable pay, all employees performing special work agreed that payment of the deferred part would be deferred pursuant to the Commitments to the European Commission. Therefore, the deferred part of the variable part is to be paid after three years. In addition, a new interest accrual method was defined for the deferred part so now interest accrues in line with growth in the consumer price index.

Pursuant to the Remuneration Policy, payment of the deferred variable pay must be approved by the Remuneration Committee which approved the said resolution at its meeting on 18.6.2015.

Defining the targets of employees performing special work in 2015
The planning of targets and assessment of employees performing special work are conducted once a year; the planning of targets is carried out by the end of January and performance assessments by the end of March or until the results of operations are known.

In 2015, the targets of NLB d.d. were approved by the Supervisory Board and included in the forms for monitoring the performance of all employees carrying out special work. The targets for individual organisational units were defined top-down, meaning that each member of the Management Board set targets for their directly subordinate employees performing special work and in turn they set targets down the line of management. The targets of the organisational unit can be financial or non-financial and must be defined according to the SMART method, which means they have to be clear (specific), measurable (or verifiable), real, defined in terms of time and be worth the effort (acceptable).

Development targets for all employees performing special work were set on an individual basis for each employee, depending on the assessment of the superior director or member of the Management Board regarding which field covered by the employee performing special work needs developing.

10.4. The ratio between fixed and variable remuneration (Article 450 d of Regulation (EU) No 575/2013)

The ratio between the variable and fixed parts of salary depends on the function performed by each individual, namely:
- for employees performing special work who are included in a business function, the ratio between the fixed and variable parts of the salary can be 60%:40% at a maximum; and
- for employees performing special work who are included in a joint and supervisory function, the ratio between the fixed and variable parts of the salary can be 80%: 20% at a maximum.

An employment contract can stipulate a predetermined variable part of the salary of an employee performing special work only for the first year of their employment.

The Supervisory Board may request from a Member of the Management Board, and the Management Board can request from other employees performing special work to return the already paid variable part of salary or its proportionate part (the third paragraph of Article 270 of the Companies Act (ZGD-1)):
- if the nullity of the annual report is established with a binding effect and the grounds for nullity are connected to the items or facts serving as a basis for the performance bonus, or
- based on a special auditor's report establishing that the criteria for defining remuneration were applied incorrectly or that the critical accounting, financial and other data and indicators were incorrectly established or applied.

The maximum amount of the variable part of salary for the annual distribution of the variable part of salary is defined as follows:
- for employees performing special work who are included in a business function, the maximum amount of the variable part of the salary can be five (5) salaries of the employee performing special work; and
- for other employees performing special work, the maximum amount of the variable part of the salary can be three (3) salaries of the employee performing special work.

During the time when NLB d.d. is using the redeemable extraordinary aid granted by the Republic of Slovenia to overcome the extraordinary financial situation, the maximum amount of the variable part of salary may be lower than that defined in the Remuneration Policy (which is 5 salaries for business part and 3 salaries for non-business part), in accordance with the rules defined by the Bank of Slovenia in its secondary legislation.

Pursuant to the European Commission's decision in relation to the state aid procedure[2], the maximum possible amount of the total income of an employee performing special work is limited to 15-times the average gross salary of employees in the Republic of Slovenia or 10-times the average gross salary of employees in NLB d.d. for the period of the Bank's restructuring, i.e. until the end of December 2017. The maximum amount of income is limited to the higher of the two indicated amounts.

The last known data of the Statistical Office of the Republic of Slovenia in the month of payment of the variable part of the salary to an employee performing special work is used to calculate the maximum amount of payment.

To calculate the maximum amount of the variable part in 2015, we used the following data:

MAX 15 average gross salaries[3] in the RS: EUR 1,543.95 x 12 months x 15 = **EUR 277,911.00**

MAX 10 average gross salaries[4] in NLB d.d.: EUR 2,095.09 x 12 months x 10 = **EUR 251,410.80**

10.5. Information on the performance criteria on which the entitlement to shares, options or variable components of remuneration are based (Article 450 e of Regulation (EU) No 575/2013)

The Bank does not pay a variable part of salary in financial instruments as it considers it to be part of the salary which does not include other types of income (e.g. bonuses).

[2] Commission Decision on State Aid SA.33229(2012/C) (ex 2011/N) – Restructuring of NLB Slovenia
[3] Data for April 2015, published in June 2015
[4] Data for May 2015, a month before payment

10.6. Main parameters and rationale for any variable component scheme and any other non-cash benefits (Article 450 f of Regulation (EU) No 575/2013)

The main parameters of variable components are specified in the employment contract 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) and ZBan-2.

Variable pay is limited by ZPPOGD. Pursuant to the Remuneration Policy, the amount of variable pay is limited to 5 salaries for the Management Board and the business line, and 3 salaries for the non-business sphere.

Pursuant to the European Commission's decision in relation to the state aid procedure, the maximum possible amount of the total income of an employee performing special work is limited to 15-times the average gross salary of employees in the Republic of Slovenia or 10-times the average gross salary of employees in NLB d.d. for the period of the Bank's restructuring, i.e. until the end of December 2017. The maximum amount of income is limited to the higher of the two indicated amounts.

Other non-cash benefits are determined in the Rules on determining other rights under management employment contracts and other acts of the Bank.

The Rules regulate the list and limitations of any other rights of managers, which can be defined in the employment contract, while in accordance with the provisions of ZPPOGD such rights are regulated with special documents or rules of the Bank's Supervisory Board. The list of other rights encompasses:

- a company car for both business and private purposes
- a company car with a driver
- a company mobile phone
- air travel
- residence in Ljubljana
- family separation allowance
- an NLB MasterCard business card
- entertainment allowance
- accident insurance
- health insurances
- voluntary collective supplementary pension insurance
- managers' medical examination
- training
- membership fees
- parking space
- accommodation while on a business trip
- third-party liability insurance
- holiday allowance

10.7. Quantitative information on remuneration
(Article 450 g, h and i of Regulation (EU) No 575/2013)

The table below shows the remuneration for 2015, combined with operating segment

	MB Supervisory function	MB Management function	Investment banking	Retail banking	Asset management	Corporate functions	Independent control functions	All other
Members (Headcount)	32	44						
Number of identified staff in FTE			6.00	36.98	12.00	11.00	20.59	99.32
Number of identified staff in senior management positions			6	38	12	10	22	102
Total fixed remuneration (in EUR)	268,061	3,915,549	312,798	2,228,658	497,644	407,964	1,034,022	4,170,165
Of which: fixed in cash	268,061	3,915,549	312,798	2,228,658	497,644	407,964	1,034,022	4,170,165
Of which: fixed in shares and share-linked instruments								
Of which: fixed in other types instruments								
Total variable remuneration (in EUR)	0,00	671,853,00	61,719,00	524,874,00	62,058,00	41,435,00	125,953,00	485,150,00
Of which: variable in cash	0,00	671,853,00	61,719,00	524,874,00	62,058,00	41,435,00	125,953,00	485,150,00
Of which: variable in shares and share-linked instruments								
Of which: variable in other types instruments								
Total amount of variable remuneration awarded in year N which has been deferred (in EUR)	0	274,819	36,792	272,953	31,029	20,129	74,040	288,652
Of which: deferred variable in cash in year N	0	274,819	36,792	272,953	31,029	20,129	74,040	288,652
Of which: deferred variable in shares and share-linked instruments in year N								
Of which: deferred variable in other types of instruments in year N								
Additional information regarding the amount of total variable remuneration								
Total amount of outstanding deferred variable remuneration awarded in previous periods and not in year N (in EUR); Art 450 h(iii)CRR;	0	117,347	9,417	16,292	0	1,179	17,506	61,183
Total amount of explicit ex post performance adjustment applied in Year N for previously awarded remuneration (in EUR); Art 450 h(iv)CRR;								
Number of beneficiaries of guaranteed variable remuneration (new sign on payments); Art 450 h(iv)CRR;								
Total amount of guaranteed variable remuneration (new sign on payments) (in EUR); Art 450 h(v)CRR;								
Number of beneficiaries of severance payments; Art 450 h(vI)CRR;								
Total amount of severance payments paid in year N (in EUR); Art 450 h(vi)CRR;								
Art 450 h(v) Highest severance payment to a single person (in EUR); Art 450 h(vi)CRR;								
Number of beneficiaries of contributions to discretionary pension benefits in year N								
Total amount of discretionary pension benefits (in EUR) in year N								
Total amount of variable remuneration awarded for multi-year periods under programmes which are not revolved annually (in EUR)								

No individual received more than EUR 1 million by way of remuneration.

11. List of all disclosures required under Part 8 of Regulation (EU) No 575/2013

Art.	Requirement	Section of Annual Report	Chapter
435	**Risk management objectives and policies**		
1	**Objectives and policies regarding the relevant risks**		
	(a) the strategies and processes to manage those risks;	AFS	7.a
	(b) the structure and organisation of the relevant risk management function including information on its authority and statute, or other appropriate arrangements;	AFS	7.b
	(c) the scope and nature of risk reporting and measurement systems;	AFS	7.c
	(d) the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants;	AFS	7.a
	(e) a declaration approved by the management body on the adequacy of risk management arrangements of the institution providing assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy;	RP	Statement on management, point 3
	(f) a concise risk statement approved by the management body succinctly describing the institution's overall risk profile associated with the business strategy. This statement shall include key ratios and figures providing external stakeholders with a comprehensive view of the institution's management of risk, including how the risk profile of the institution interacts with the risk tolerance set by the management body.	RP	Statement on management, point 3
2	**Information, including regular, at least annual updates, regarding governance arrangements**		
	(a) the number of directorships held by members of the management body;	BR	Corporate governance, Management Board
	(b) the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise;	BR	Corporate governance, Management Board
	(c) the policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved;	BR	Corporate governance, Management Board
	(d) whether or not the institution has set up a separate risk committee and the number of times the risk committee has met;	BR	Corporate governance, Supervisory Board
	(e) the description of the information flow on risk to the management body.	AFS	7.a
436	**Scope of application**		
	(a) the name of the institution to which the requirements of this Regulation apply;	RCM	2
	(b) an outline of the differences in the basis of consolidation for accounting and prudential purposes, with a brief description of the entities therein, explaining whether they are: fully consolidated, proportionally consolidated, deducted from own funds, neither consolidated nor deducted;	RCM	2
	(c) any current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries;	RCM	2
	(d) the aggregate amount by which the actual own funds are less than required in all subsidiaries not included in the consolidation, and the name or names of such subsidiaries;	RCM	2
	(e) if applicable, the circumstance of making use of the provisions laid down in Articles 7 and 9.	/	/
437	**Capital (Own funds)**		
	(a) a full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and filters and deductions applied pursuant to Articles 32 to 35, 36, 56, 66 and 79 to own funds of the institution and the balance sheet in the audited financial statements of the institution;	RCM	2, 3.2
	(b) a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution;	RCM	3.3
	(c) the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments;	RCM	3.3
	(d) separate disclosure of the nature and amounts of the following: (i) each prudential filter applied pursuant to Articles 32 to 35; (ii) each deduction made pursuant to Articles 36, 56 and 66; (iii) items not deducted in accordance with Articles 47, 48, 56, 66 and 79;	RCM	3.4
	(e) a description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential filters and deductions to which those restrictions apply;	RCM	3.4
	(f) where institutions disclose capital ratios calculated using elements of own funds determined on a basis other than that laid down in this Regulation, a comprehensive explanation of the basis on which those capital ratios is calculated.	RCM	3.1
438	**Capital requirements**		
	(a) a summary of the institution's approach to assessing the adequacy of its internal capital to support current and future activities;	RCM	5.1
	(b) upon demand of the relevant competent authority, the result of the institution's internal capital adequacy assessment process including the composition of the additional own funds requirements based on the supervisory review process as referred to in point (a) of Article 104(1) of Directive 2013/36/EU;	/	/
	(c) (**SA approach:**) for institutions calculating the risk-weighted exposure amounts in accordance with Chapter 2 of Part Three, Title II, 8% of the risk-weighted exposure amounts for each of the exposure classes specified in Article 112 (= SA categories);	RCM	5.2

Art.	Requirement	Section of Annual Report	Chapter
	(d) (IRB approach:) for institutions calculating risk-weighted exposure amounts in accordance with Chapter 3 of Part Three, Title II, 8% of the risk-weighted exposure amounts for each of the exposure classes specified in Article 147. The institutions calculating the risk-weighted exposure amounts in accordance with Article 153(5) or Article 155(2) shall disclose the exposures assigned to each category in Table 1 of Article 153(5), or to each risk weight mentioned in Article 155(2);	/	/
	(e) (market risks:) own funds requirements calculated in accordance with points (b) and (c) of Article 92(3); (1) position risk; (2) large exposures exceeding the limits specified in Articles 395 to 401, to the extent an institution is permitted to exceed those limits; (3) foreign-exchange risk; (4) settlement risk; (5) commodities risk;	RCM	5.2
	(f) (**operational risk:**) own funds requirements calculated in accordance with Part Three, Title III, Chapters 2, 3 and 4 and disclosed separately.	RCM	5.2
439	**Exposure to counterparty credit risk**		
	(a) a discussion of the methodology used to assign internal capital and credit limits for counterparty credit exposures;	RCM	6.1
	(b) a discussion of policies for securing collateral and establishing credit reserves;	RCM	6.2
	(c) a discussion of policies with respect to wrong-way risk exposures;	RCM	6.3
	(d) a discussion of the impact of the amount of collateral the institution would have to provide given a downgrade in its credit rating;	RCM	6.2
	(e) gross positive fair value of contracts, netting benefits, netted current credit exposure, collateral held and net derivatives credit exposure. Net derivatives credit exposure is the credit exposure on derivatives transactions after considering both the benefits from legally enforceable netting agreements and collateral arrangements;	RCM	6.4
	(f) measures for exposure value under the methods set out in Part Three, Title II, Chapter 6, Sections 3 to 6 whichever method is applicable;	RCM	6.1
	(g) the notional value of credit derivative hedges, and the distribution of current credit exposure by types of credit exposure;	/	/
	(h) the notional amounts of credit derivative transactions, segregated between use for the institution's own credit portfolio, as well as in its intermediation activities, including the distribution of the credit derivatives products used, broken down further by protection bought and sold within each product group;	/	/
	(i) the estimate of α if the institution has received the permission of the competent authorities to estimate α.	/	/
	Capital buffers		
440	1. Countercyclical capital buffer: (a) the geographical distribution of its credit exposures relevant for the calculation of its countercyclical capital buffer;	RCM	4
	(b) the amount of its institution specific countercyclical capital buffer.	RCM	4
441	2. G-SII buffer: 1. Institutions identified as G-SIIs in accordance with Article 131 of Directive 2013/36/EU shall disclose, on an annual basis, the values of the indicators used for determining the score of the institutions in accordance with the identification methodology referred to in that Article.	RCM	4
442	**Credit risk adjustments**		
	(a) the definitions for accounting purposes of 'past due' and 'impaired';	AFS	2.13.a
	(b) a description of the approaches and methods adopted for determining specific and general credit risk adjustments;	AFS	2.13.a
	(c) the total amount of exposures after accounting offsets and without taking into account the effects of credit risk mitigation, and the average amount of the exposures over the period broken down by different types of exposure classes;	RCM	7.1
	(d) the geographic distribution of the exposures, broken down in significant areas by material exposure classes, and further detailed if appropriate;	RCM	7.2
	(e) the distribution of the exposures by industry or counterparty type, broken down by exposure classes, including specifying exposure to SMEs, and further detailed if appropriate;	RCM	7.3
	(f) the residual maturity breakdown of all the exposures, broken down by exposure classes, and further detailed if appropriate;	RCM	7.4
	(g) by significant industry or counterparty type, the amount of: – impaired exposures and past due exposures, provided separately; – specific and general credit risk adjustments; – charges for specific and general credit risk adjustments during the reporting period;	RCM	7.5
	(h) the amount of the impaired exposures and past due exposures, provided separately, broken down by significant geographical areas including, if practical, the amounts of specific and general credit risk adjustments related to each geographical area;	RCM	7.5
	(i) the reconciliation of changes in the specific and general credit risk adjustments for impaired exposures, shown separately. The information shall comprise: – a description of the type of specific and general credit risk adjustments; – the opening balances; – the amounts taken against the credit risk adjustments during the reporting period; – the amounts set aside or reversed for estimated probable losses on exposures during the reporting period, any other adjustments including those determined by exchange rate differences, business combinations, acquisitions and disposals of subsidiaries, and transfers between credit risk adjustments; – the closing balances.	AFS	5.14
	Specific credit risk adjustments and recoveries recorded directly to the income statement shall be disclosed separately.	AFS	7.1 j,k,l, 5.14
443	**Unencumbered assets**		
	EBA shall issue guidelines specifying the disclosure of unencumbered assets by 30 June 2014. EBA shall develop draft regulatory technical standards to specify disclosure of the balance sheet value per exposure class broken down by asset quality and the total amount of the balance sheet value that is unencumbered.	AFS	7.2.4.d
444	**Use of ECAIs**		
	(a) the names of the nominated ECAIs and ECAs and the reasons for any changes;	RCM	8
	(b) the exposure classes for which each ECAI or ECA is used;	RCM	8
	(c) a description of the process used to transfer the issuer and issue credit assessments onto items not included in the trading book;	RCM	7.
	(d) the association of the external rating of each nominated ECAI or ECA with the credit quality steps prescribed in Part Three, Title II, Chapter 2, taking into account that this information needs not be disclosed if the institution complies with the standard association published by EBA;	RCM	7.

Art.	Requirement	Section of Annual Report	Chapter
	(e) the exposure values and the exposure values after credit risk mitigation associated with each credit quality step prescribed in Part Three, Title II, Chapter 2 as well as those deducted from own funds.	RCM	7.1
445	**Exposure to market risk**		
	Separately for each risk + the own funds requirement for specific interest rate risk of securitisation positions.	RCM	5.2
446	**Operational risk**		
	Institutions shall disclose the approaches for the assessment of own funds requirements for operational risk that the institution qualifies for; a description of the methodology set out in Article 312(2), if used by the institution, including a discussion of relevant internal and external factors considered in the institution's measurement approach, and in the case of partial use, the scope and coverage of the different methodologies used.	AFS	7.3.a
447	**Exposures in equities not included in the trading book**		
	(a) the differentiation between exposures based on their objectives, including for capital gains relationship and strategic reasons, and an overview of the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation and any significant changes in these practices;	AFS	5.4.b, 2.12.b, 7.5
	(b) the balance sheet value, the fair value and, for those exchange-traded, a comparison to the market price where it is materially different from the fair value;	AFS	2.12.b, 5.4.
	(c) the types, nature and amounts of exchange-traded exposures, private equity exposures in sufficiently diversified portfolios, and other exposures;	AFS	5.4.a
	(d) the cumulative realised gains or losses arising from sales and liquidations in the period; and	AFS	5.4.b, 5.8.
	(e) the total unrealised gains or losses, the total latent revaluation gains or losses, and any of these amounts included in the original or additional own funds.	RCM	3.2
448	**Exposure to interest rate risk on positions not included in the trading book**		
	(a) the nature of the interest rate risk and the key assumptions (including assumptions regarding loan prepayments and behaviour of non-maturity deposits), and frequency of measurement of the interest rate risk;	AFS	7.2.1.c
	(b) the variation in earnings, economic value or other relevant measure used by the management for upward and downward rate shocks according to management's method for measuring the interest rate risk, broken down by currency.	AFS	7.2.1.c
449	**Exposure to securitisation positions**	/	/
450	**Remuneration policy**		
1	For those categories of staff whose professional activities have a **material impact on its risk profile**: (a) information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year including, if applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;	RCM	10.1
	(b) information on link between pay and performance;	RCM	10.2
	(c) the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria;	RCM	10.3
	(d) the ratios between fixed and variable remuneration set in accordance with Article 94(1)(g) of Directive 2013/36/EU;	RCM	10.4
	(e) information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;	RCM	10.5
	(f) the main parameters and rationale for any variable component scheme and any other non-cash benefits;	RCM	10.6
	(g) aggregate quantitative information on remuneration, broken down by business area;	RCM	10.7
	h) aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution, indicating the following: (i) the amounts of remuneration for the financial year, split into fixed and variable remuneration, and the number of beneficiaries; (ii) the amounts and forms of variable remuneration, split into cash, shares, share-linked instruments and other types; (iii) the amounts of outstanding deferred remuneration, split into vested and unvested portions; (iv) the amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments; (v) new sign-on and severance payments made during the financial year, and the number of beneficiaries of such payments; (vi) the amounts of severance payments awarded during the financial year, number of beneficiaries and highest such award to a single person;	RCM	10.7
	(i) the number of individuals being remunerated with EUR 1 million or more per financial year, for remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500,000 and for remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million;	RCM	10.7
	(j) upon demand from the Member State or competent authority, the total remuneration for each member of the management body or senior management.	AFS	8.2.
451	**Leverage**		
	(a) the leverage ratio and how the institution applies Article 499(2) and (3);	RCM	9
	(b) a breakdown of the total exposure measure as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements;	RCM	9
	(c) where applicable, the amount of derecognised fiduciary items in accordance with Article 429(11);	/	/
	(d) a description of the processes used to manage the risk of excessive leverage;	RCM	9
	(e) a description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers.	RCM	9
452	**Use of the IRB Approach to credit risk**		
453	**Use of credit risk mitigation techniques**		
	(a) the policies and processes for, and an indication of the extent to which the entity makes use of, on- and off- balance sheet netting;	/	/

Art.	Requirement	Section of Annual Report	Chapter
	(b) the policies and processes for collateral valuation and management;	AFS	7.1. f, g
	(c) a description of the main types of collateral taken by the institution;	AFS	7.1. h
	(d) the main types of guarantor and credit derivative counterparty and their creditworthiness;	RCM	7.1
	(e) information about market or credit risk concentrations within the credit mitigation taken;	AFS	7.1. i
	(f) for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, but not providing own estimates of LGDs or conversion factors in respect of the exposure class, separately for each exposure class, the total exposure value (after, where applicable, on- or off-balance sheet netting) that is covered — after the application of volatility adjustments — by eligible financial collateral, and other eligible collateral;	RCM	7.1
	(g) for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, separately for each exposure class, the total exposure (after, where applicable, on- or off-balance sheet netting) that is covered by guarantees or credit derivatives. For the equity exposure class, this requirement applies to each of the approaches provided in Article 155.	RCM	7.1
454	**Use of the Advanced Measurement Approaches to operational risk**	/	/
455	**Use of Internal Market Risk Models**	/	/
492	**Transitional provisions for disclosure of own funds**		
2	During the period from 1.1.2014 to 31.12.2015, institutions shall disclose the extent to which the level of Common Equity Tier 1 capital and Tier 1 capital exceed the requirements laid down in Article 465.	RCM	3
3	During the period from 1.1.2014 to 31.12.2017, institutions shall disclose the following additional information about their own funds: (a) the nature and effect on Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital and own funds of the individual filters and deductions applied in accordance with Articles 467 to 470, 474, 476 and 479; (b) the amounts of minority interests and Additional Tier 1 and Tier 2 instruments, and related retained earnings and share premium accounts, issued by subsidiaries that are included in consolidated Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital and own funds in accordance with Section 4 of Chapter 1; (c) the effect on Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital and own funds of the individual filters and deductions applied in accordance with Article 481; (d) the nature and amount of items that qualify as Common Equity Tier 1 items, Tier 1 items and Tier 2 items by virtue of applying the derogations specified in Section 2 of Chapter 2.	RCM	3.4
4	During the period from 1.1.2014 to 31.12.2021, institutions shall disclose the amount of instruments that qualify as Common Equity Tier 1 instruments, Additional Tier 1 instruments and Tier 2 instruments by virtue of applying Article 484 (capital instruments, that are not eligible under new legislation, but can be gradually excluded).	/	/

Section of the Annual Report
AFS = Accounting Report
RCM = Risk and capital management
RP = Regulatory part
BR = Business Report

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