

Interim
Report

Q1 2019

Glossary of Terms and Definitions

ALM	Asset and Liability Management
bps	Basis Points
CBR	Combined Buffer Requirement
CET 1	Common Equity Tier 1
CIR	Cost-to-Income Ratio
CRR	Capital Requirements Regulation
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
EU	European Union
FED	Federal Reserve Bank
FVTPL	Fair value loans through profit or loss
FX	Foreign Exchange
GDP	Gross Domestic Product
ICAAP	Internal Capital Adequacy Assessment Process
IFRS 9	International Financial Reporting Standard 9
ILAAP	Internal Liquidity Adequacy Assessment Process
LCR	Liquidity Coverage ratio
LTD	Loan-to-Deposit Ratio
MREL	Minimum requirement for own funds and eligible liabilities
NIM	Net Interest Margin
NLB or the Bank	NLB d.d.
NPE	Non-Performing Exposures
NPL	Non-Performing Loans
OCR	Overall capital requirement
O-SII	Other Systemically Important Institution
p.p.	Percentage point(s)
ROA	Return on Assets
ROE	Return on Equity
RWA	Risk Weighted Assets
SEE	South-Eastern Europe
SME	Small and Medium-sized Enterprises
SREP	Supervisory Review and Evaluation Process
The Group	NLB Group
TLOF	Total Liabilities and Own Funds
TSCR	Total SREP Capital Requirement
US	United States of America

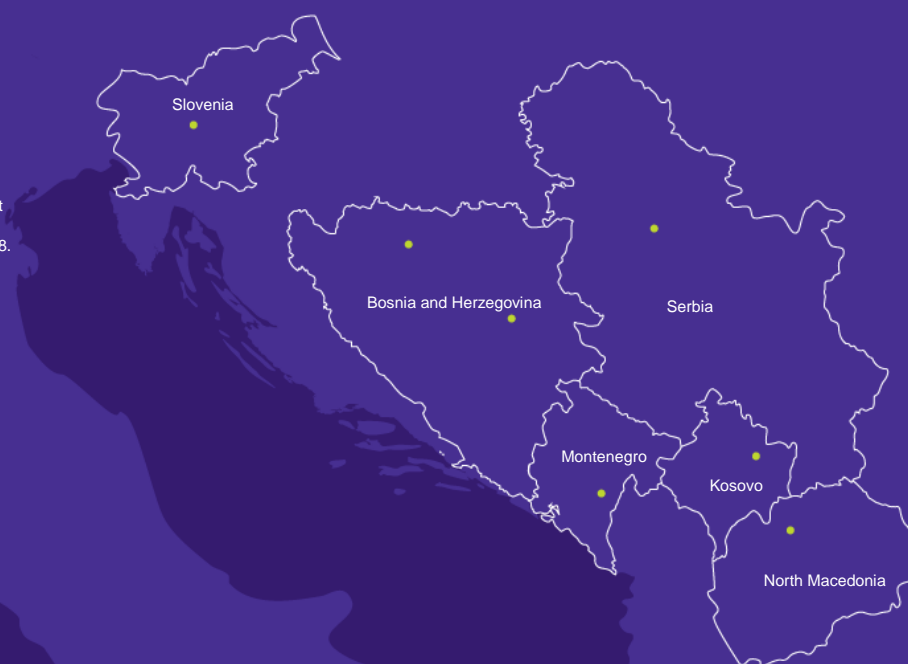
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NLB Group Strategic Members Overview

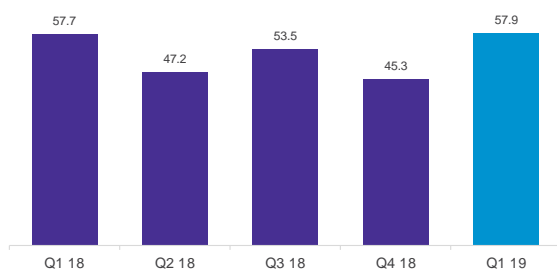
	Slovenia				North Macedonia	Bosnia and Herzegovina		Kosovo	Montenegro	Serbia
	NLB Group	NLB, Ljubljana	NLB Vita, Ljubljana	NLB Skladi, Ljubljana	NLB Banka, Skopje	NLB Banka, Banja Luka	NLB Banka, Sarajevo	NLB Banka, Prishtina	NLB Banka, Podgorica	NLB Banka, Beograd
Market position										
Branches	321	94			53	55	38	35	18	28
Active clients	1,834,374	685,116			386,733	218,729	138,751	209,791	61,058	134,196
Total assets (in EUR million)	13,066	9,088	487 ⁽¹⁾	1,322 ⁽²⁾	1,336	753	601	691	494	499
Profit after tax (in EUR million)	57.9	42.2	2.0	1.4	7.5	5.9	2.7	4.8	-0.5	1.1
Market share (by total assets)		23.0%	15.7%	32.2%	16.3%	18.3% ^(3,4)	5.2% ^(5,6)	17.1%	11.4% ⁽⁷⁾	1.6% ⁽⁸⁾

(1) Assets of covered funds without own resources; (2) Assets under management; (3) Market share in the Republika Srpska; (4) Preliminary data for market share as of 31 December 2018; (5) Market share in the Federation of BiH; (6) Market share as of 31 December 2018; (7) Market share as of 28 February 2019; (8) Market share as of 31 December 2018.

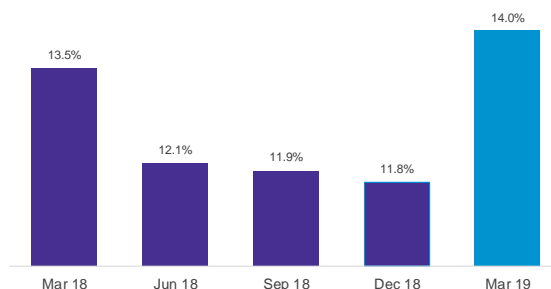


Figures at a Glance

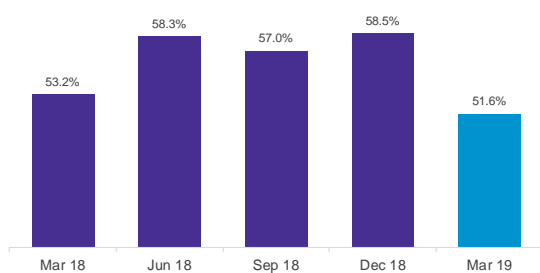
Profit a.t. - quarterly (in EUR million)



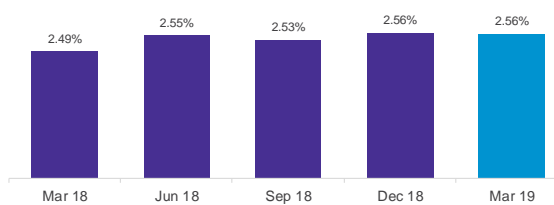
ROE a.t. - YtD (in %)



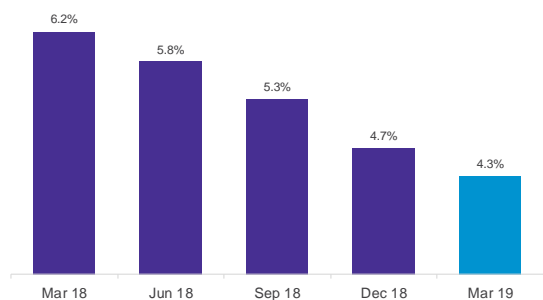
Cost /income ratio (CIR) - YtD (in %)



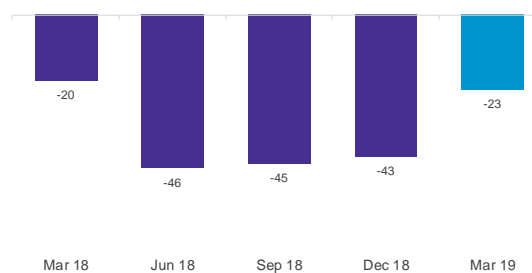
Interest margin - YtD (in %)



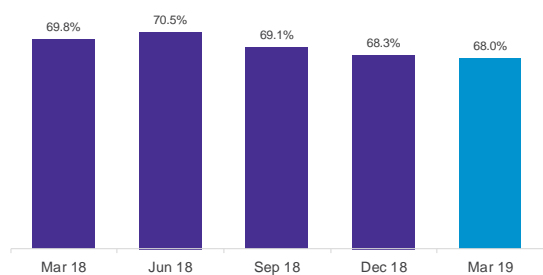
Non-performing exposure (NPE) - YtD (in %)



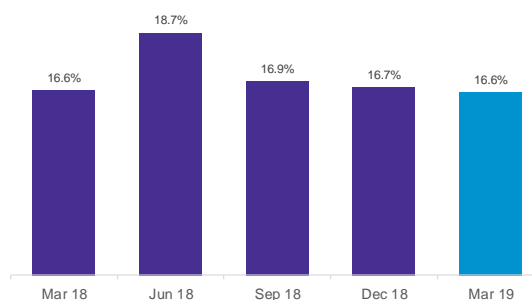
Cost of risk net - YtD (in bps)



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



Total capital ratio - YtD (in %)



Key Financial Caption

Table 1: Key Financial Caption of NLB Group

in EUR million / % / bps	1-3 2019	1-3 2018	Change YoY	Q1 19	Q4 18	Q1 18
Key Income Statement Data (in EUR million)						
Net operating income	133.8	130.4	3%	133.8	124.3	130.4
Net interest income	79.4	75.0	6%	79.4	81.0	75.0
Net non-interest income	54.4	55.4	-2%	54.4	43.3	55.4
Total costs	-69.0	-69.4	1%	-69.0	-78.3	-69.4
Result before impairments and provisions	64.8	61.0	6%	64.8	46.0	61.0
Impairments and provisions	-0.6	2.8	-	-0.6	4.3	2.8
Result after tax	57.9	57.7	0%	57.9	45.3	57.7
Key Financial Indicators						
Return on equity after tax (ROE a.t.)	14.0%	13.5%	0.6 p.p.			
Return on assets after tax (ROA a.t.)	1.8%	1.9%	-0.1 p.p.			
RORAC a.t. ¹	18.6%	17.4%	1.2 p.p.			
Interest margin (on interest bearing assets) ²	2.56%	2.52%	0.03 p.p.	2.56%	2.61%	2.52%
Interest margin (on total assets - BoS ratio)	2.48%	2.47%	0.02 p.p.	2.48%	2.54%	2.47%
Cost-to-income ratio (CIR)	51.6%	53.2%	-1.7 p.p.	51.6%	63.0%	53.2%
Cost-to-income ratio (CIR) normalised ³	51.8%	58.7%	-6.8 p.p.	55.4%	62.6%	-112.1%
Cost of risk net (bps) ⁴	-23	-20	-3	-23	-43	-20

	31 Mar 2019	31 Dec 2018	Change YtD
Key Financial Position Statement Data (in EUR million)			
Total assets	13,065.8	12,740.0	3%
Loans to customers (gross)	7,719.0	7,627.5	1%
Loans to customers (net)	7,264.3	7,148.4	2%
Deposits from customers	10,675.8	10,464.0	2%
Equity	1,683.8	1,616.2	4%
Other Key Financial Indicators			
LTD (Net loans to customers/Deposits from customers)	68.0%	68.3%	-0.3 p.p.
Common Equity Tier 1 Ratio	16.6%	16.7%	-0.1 p.p.
Total capital ratio	16.6%	16.7%	-0.1 p.p.
Total risk weighted assets (in EUR million)	8,811.6	8,677.6	2%
NPL volume - gross (in EUR million)	579.2	622.3	-7%
NPL coverage ratio ⁵	78.6%	77.1%	1.5 p.p.
NPL coverage ratio ⁶	64.9%	64.6%	0.3 p.p.
Non-performing loans (NPL)/total loans	6.3%	6.9%	-0.6 p.p.
Net non-performing loans (NPL)/total net loans	2.3%	2.6%	-0.2 p.p.
Non-performing exposure (NPE) - EBA Definition	4.3%	4.7%	-0.4 p.p.
Employees			
Number of employees	5,831	5,887	-1%

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

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

³ Without non-recurring revenues and restructuring costs

⁴ Credit impairments and provisions (annualised level) / average net loans to non-banking sector

⁵ Coverage of gross non-performing loans with impairments for all loans

⁶ Coverage of gross non-performing loans with impairments for non-performing loans

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

* On 17 May 2019 Standard and Poor's raised NLB's credit rating by one notch to BBB- from BB+, a move that takes it to the investment grade. The Outlook is stable.

** Unsolicited rating.

Macroeconomic Environment

Global Economy

The global economic growth has continued to slow down, hitting the lowest mark in two years with a 3.2% growth in 2018. One of the biggest decelerations was registered in the Eurozone, which grew at the weakest pace in over four years (1.8% in 2018). Difficulties in the automotive sector and worsening economic confidence could be one of the main factors that affected demand. This global moderating momentum from H2 2018 was brought over into the Q1 2019, where the first data show cooling global economic performance, with diminishing demand affecting industrial activities. However, the continued labour market strength should help mitigate some concerns and shield domestic demand. Additionally, the FED paused the interest rate hikes for now and the ECB offered more cash to banks via long-term loans, along with keeping the rates unchanged until the end of the year. They hope to boost the lending to slowing economies, as well as to increase the inflation. In the Group's SEE region the ongoing healthy momentum persists, although already with some signs of moderation.

The global economic growth is expected to decelerate this year. The Consensus Forecast from FocusEconomics expects the global economy to expand around 3% in 2019 and 2020. This is mostly due to softer dynamics among developed economies, which are approaching the tail-end of their current economic cycles. However, the global economy is seen to benefit from tight labour markets, still accommodative monetary and policy stimulus in some countries like China. The latter's first official economic measure for March signalled a stabilization in the world's second-largest economy. Further, there are signs that the US and China may be close to reaching a trade deal, which can relax the uncertainties in the global trade, though, on the other hand, it is very likely that once this trade war is over, a potential new one with Europe will start.

European Economy

The ECB expects the key interest rates to remain at their present levels at least through to the end of 2019, and in any case for as long as necessary. They assured markets that they are able and willing to act, if needed, to counter a worsening outlook. Likewise, the ECB is analysing ways to mitigate negative side effects from negative rates on banks. Eurozone investor confidence strengthened for a second straight month, rising in March to -0.3 from -2.2 last month, while it weakened sharply in Germany dropping to its lowest level since 2012. German trade surplus widened in February despite the drop in exports, whereas industrial production rose in February after stagnating at the start of the year, driven by a surge in construction, while manufacturing output dropped, leading to a further worsening of expectations of a rebound in the biggest Eurozone economy. One of the reasons for the economic slowdown experienced in the Eurozone was the slowing of the Chinese economy, as they looked to limit excessive credit growth. After the Chinese authorities have moved towards stimulating credit growth again, the credit impulse has picked up. This could help to improve the Eurozone creating new export orders. The other reasons for the economic slowdown are trade uncertainties and threats of tariffs, growth maturity cycle and Brexit.

The Eurozone's growth outlook was cut for a fifth consecutive month on the back of a modest 2018 and ongoing distresses in the manufacturing sector. The Consensus Forecast from FocusEconomics estimates the Eurozone economy to expand 1.3% in 2019 and 1.4% in 2020. Risks to activity linger from automobile

tariffs, political uncertainty, Brexit and sluggish global demand. However, a tightening labour market, contained inflation and accommodative monetary policy should provide some relief.

Economy in the Group's Region

The economic growth will likely decelerate slightly this year following the robust 2018 turnout as a deteriorating outlook in the EU weighs on the external sector and business sentiment. Nonetheless, tailwinds from an improving labour market, public spending on infrastructure and International Monetary Fund (IMF) backed reforms should support growth. As the FocusEconomics further reported, the available data suggest that in **North Macedonia** the momentum could be fading in Q1 2019. The tourism slowed in January, with arrivals and overnight stays falling in annual terms. Moreover, retail sales, although still strong, moderated slightly in January and February. The industrial production picked up in January and February thanks to stronger manufacturing output. On 13 March, S&P Global Ratings affirmed its BB- credit rating and stable outlook for the country. In **Bosnia and Herzegovina**, the momentum appeared to weaken in the Q1 2019. Industrial production contracted in January and February on broad-based declines across sectors, while merchandise exports tumbled YoY in January. On 8 March, S&P Global Ratings confirmed its sovereign rating for the country, and upgraded its outlook to positive on solid economic prospects once a government is formed. In **Kosovo**, it appears that the economic momentum remained solid in Q1 2019, driven by strong investment and higher consumer spending. Merchandise exports rebounded in February on stronger exports of mineral products, plastics, and rubber despite waning momentum in the EU. Inflation inched up to 3.2% in February from 3.1% in January, largely due to higher prices for food and transport. In **Montenegro**, the momentum appears to have carried over into Q1 2019. Tourist arrivals were robust in February, and will likely continue to be strong heading into the high tourism season. Meanwhile, retail sales rose in February, signalling sustained household spending. On the downside, industrial production dropped again in February, dragged down by a sharp contraction in energy output. Inflation inched up to 0.4% in February from 0.3% in January. In **Serbia**, the economic momentum likely waned in Q1 2019. Industrial production rebounded 2.4% YoY in February from the 5.5% fall in January. The recovery came solely on the back of a solid rebound in manufacturing output. Inflation edged up to 2.4% in February from 2.1% in January. While the inflation will likely pick up slightly in the quarters ahead, a stable currency and cooling domestic demand will limit pressures on prices.

Slovenia's trade in goods continues to grow: in February 2019, the exports grew by 12.2% and imports by 9% YoY. Slovenia generated 76% of all exports and imports in trade with the EU member states. In February, the exports to EU member states increased by 9.6% and imports by 3.8% YoY. In February, only the turnover in industry increased at the monthly level by 0.5% MoM. The value of industrial production and the value of stocks of finished and unfinished production decreased by 1.1% and 0.9% MoM respectively. In March, the annual inflation was 1.6% (monthly 0.7%). The monthly inflation was influenced by higher prices of clothing, footwear and of petroleum products, while the prices of package holidays decreased. In March, the economic sentiment indicator remained the same at the monthly level and worsened at the annual level by 3.2 p.p. It was adversely affected by the confidence indicators in services (by 0.6 p.p.), among consumers (by 0.2 p.p.) and in construction (by 0.1 p.p.). The confidence indicators in manufacturing and in retail trade had a positive impact (each by 0.4 p.p.).

The economic outlook of the Group's region moderates, although the economic momentum is projected to be broadly stable this year. The external demand and weakening industrial outputs in Germany, France and Italy will have a weakening effect on a surging economic growth. Nevertheless, the growth will stay

well above the Eurozone growth and while weaker demand from Europe's manufacturing economies is hurting the exports, a strong household consumption, on the other hand, should support a solid growth, amid low unemployment and a stable inflationary environment.



Business Report

NLB Group Key Developments

EUR 57.9 million

Profit after Tax

The Group realised a profit after tax in the amount of EUR 57.9 million, a EUR 0.2 million increase YoY.

16.6%

Total Capital Ratio

At the end of March 2019, the capital ratios (CET 1, Tier 1 and Total Capital Ratio) of the Group remained strong, reaching 16.6%, and were above the regulatory thresholds.

34%

Strategic Foreign Markets continued to perform well and contributed 34% to the Group profit before tax.

4.3%

NPE

Further improvement of the loan portfolio quality was also reflected in the additional reduction of NPLs in Q1 2019. The NPL ratio consequently decreased to 6.3%, while the NPE ratio fell to 4.3%.

3%

The total net operating income was EUR 133.8 million, an increase of 3% YoY as a result of a higher net interest income (6% YoY) and net fee and commission income (2% YoY).

51.6%

CIR stood at 51.6%, which is 1.7 p.p. lower YoY. CIR normalised* was 51.8%, 6.8 p.p. less YoY.

* Without non-recurring items.

Key Events

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

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

Financial Performance

Table 2: Income Statement of NLB Group

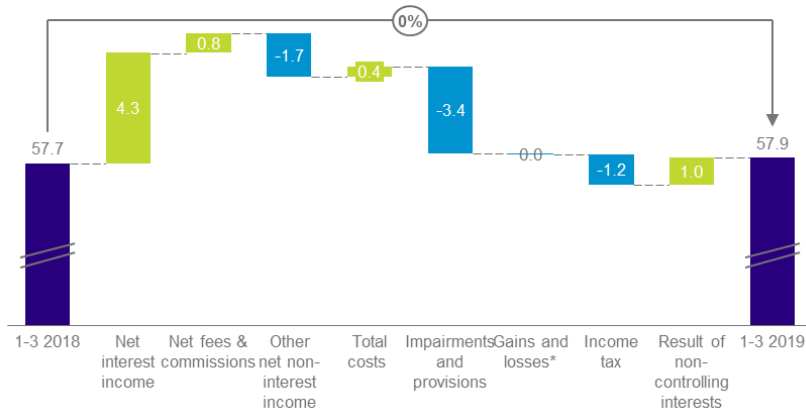
in EUR million	NLB Group				Q1 19	Q4 18	Q1 18	Change	
	1-3 2019	1-3 2018	Change YoY					QoQ	%
Net interest income	79.4	75.0	4.3	6 %	79.4	81.0	75.0	-1.7	-2 %
Net fee and commission income	40.1	39.3	0.8	2 %	40.1	40.7	39.3	-0.6	-1 %
Dividend income	0.1	0.0	0.1	-	0.1	0.0	0.0	0.1	-
Net income from financial transactions	12.3	2.7	9.6	-	12.3	3.1	2.7	9.2	-
Net other income	2.0	13.3	-11.3	-85 %	2.0	-0.5	13.3	2.5	-
Net non-interest income	54.4	55.4	-0.9	-2 %	54.4	43.3	55.4	11.2	26 %
Total net operating income	133.8	130.4	3.4	3 %	133.8	124.3	130.4	9.5	8 %
Employee costs	-40.1	-40.3	0.2	1 %	-40.1	-43.2	-40.3	3.1	7 %
Other general and administrative expenses	-21.2	-22.3	1.1	5 %	-21.2	-28.4	-22.3	7.2	25 %
Depreciation and amortisation	-7.7	-6.8	-0.9	-14 %	-7.7	-6.7	-6.8	-1.0	-15 %
Total costs	-69.0	-69.4	0.4	1 %	-69.0	-78.3	-69.4	9.3	12 %
Result before impairments and provisions	64.8	61.0	3.8	6 %	64.8	46.0	61.0	18.8	41 %
Impairments and provisions for credit risk	3.3	3.3	0.0	1 %	3.3	7.0	3.3	-3.7	-53 %
Other impairments and provisions	-3.9	-0.5	-3.5	-	-3.9	-2.7	-0.5	-1.2	-46 %
Impairments and provisions	-0.6	2.8	-3.4	-	-0.6	4.3	2.8	-4.9	-
Gains less losses from capital investments in subsidiaries, associates, and joint ventures	1.1	1.2	0.0	-4 %	1.1	1.3	1.2	-0.2	-16 %
Result before tax	65.3	65.0	0.3	1 %	65.3	51.7	65.0	13.6	26 %
Income tax	-5.4	-4.3	-1.2	-28 %	-5.4	-5.1	-4.3	-0.3	-6 %
Result of non-controlling interests	2.0	3.0	-1.0	-35 %	2.0	1.2	3.0	0.7	61 %
Result after tax	57.9	57.7	0.2	0 %	57.9	45.3	57.7	12.6	28 %

Profit

The Group generated a EUR 57.9 million of profit after tax, EUR 0.2 million higher YoY. The result was based on the following key drivers and YoY evolution:

- Net interest income higher by EUR 4.3 million (6%), mainly due to loan volume growth and lower interest expenses.
- Net fee and commission income higher by EUR 0.8 million or 2%; mostly as a result of the new package offer for individuals.
- In Q1 2019 the net non-interest income was impacted by partial repayment of larger exposure measured at fair value through profit and loss in amount of EUR 5.1 million, sale of debt securities held by the Bank with positive effect in the amount of EUR 2.6 million, and income from contractual penalty in amount of EUR 1.5 million, whereas in Q1 2018 the net non-interest income was impacted by the sale of NLB Nov penziski fond, Skopje in the amount of EUR 12.2 million.
- Costs lower by EUR 0.4 million or 1%, mostly due to moderate decrease of discretionary spending in 2019.
- EUR 0.6 million of net provisions and impairments were established in Q1 2019, while in Q1 2018, EUR 2.8 million of net impairments and provisions were released.

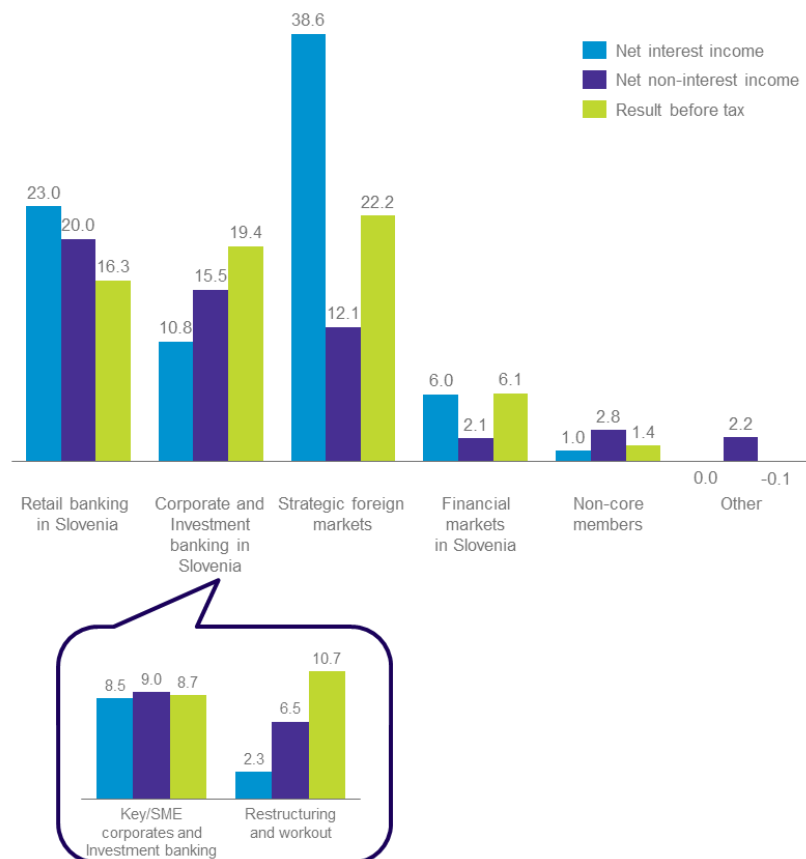
Figure 1: Profit after tax of NLB Group – evolution YoY (in EUR million)



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

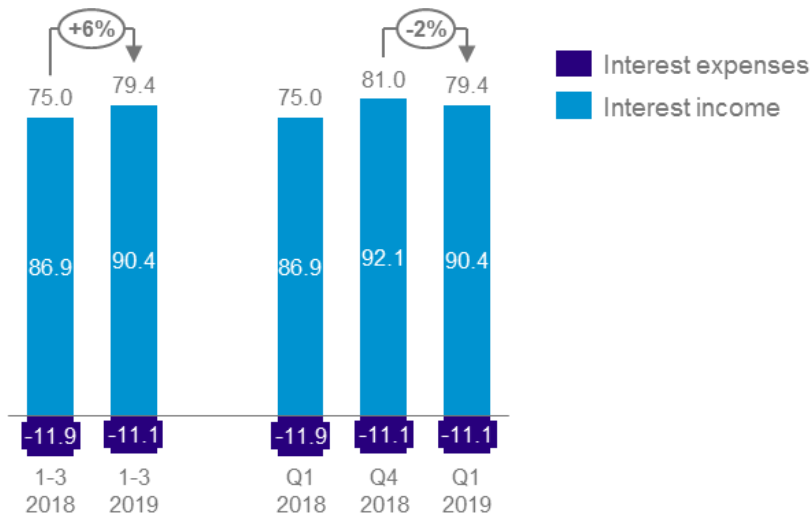
Profit before impairments and provisions totalled EUR 64.8 million, which is EUR 3.8 million higher YoY, mostly due to higher net interest income.

Figure 2: Segment results of NLB Group in Q1 2019 (in EUR million)



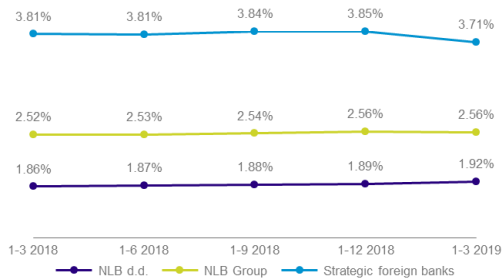
Net Interest Income

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



The net interest income increased by EUR 4.3 million or 6% YoY, totaling EUR 79.4 million, due to the increase of interest income in all the banks of the Group, supported by loan book growth and decline of interest expenses.

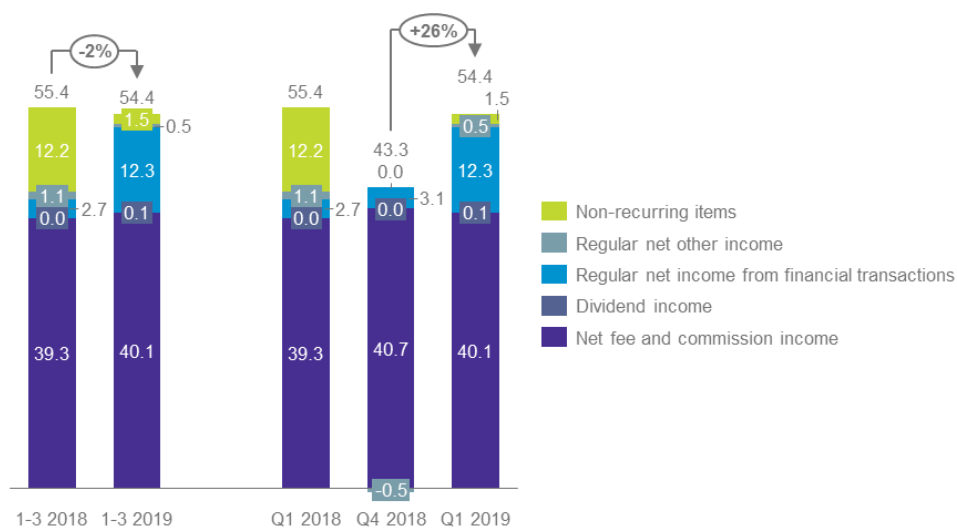
Figure 4: Net interest margin of NLB Group (in %)



The net interest margin in the Group increased YoY to 2.56% in Q1 2019, due to the increase in the Bank to 1.92%. The margin of the strategic banks operating on the SEE markets is below the level recorded in 2018.

Net Non-Interest Income

Figure 5: Net Non-Interest Income of NLB Group (in EUR million)



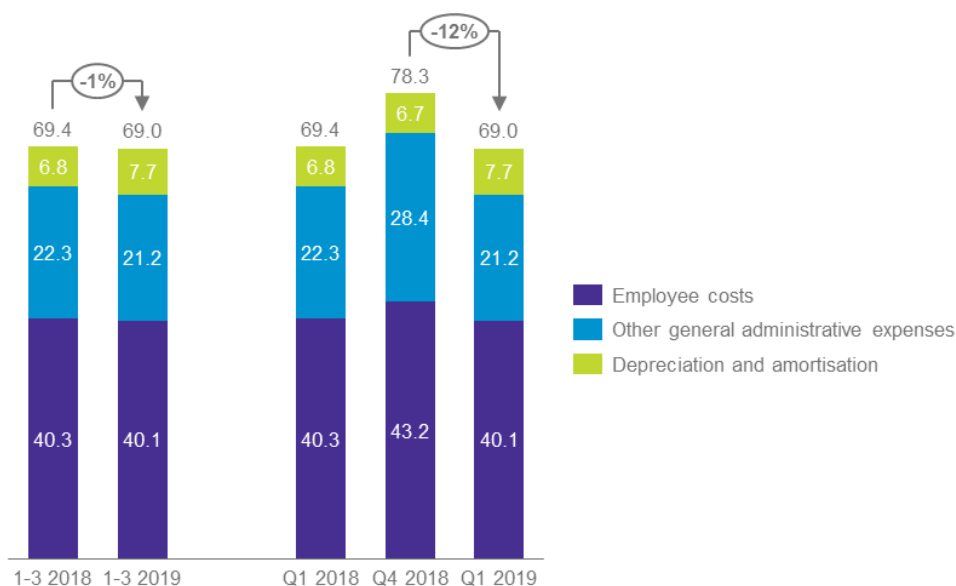
The net non-interest income reached EUR 54.4 million in Q1 2019 and was influenced YoY due to the following factors:

- Inclusion of the non-recurring income in Q1 2019 from the contractual penalty in amount of EUR 1.5 million, whereas in Q1 2018, the result was impacted by the sale of NLB Nov penziski fond, Skopje in the amount of EUR 12.2 million.
- Net income from financial transactions in Q1 2019 is higher by EUR 9.6 million mostly due to partial repayment of larger exposure measured at fair value through profit and loss in amount of EUR 5.1 million, and sale of debt securities held by the Bank with positive effect in the amount of EUR 2.6 million.

The regular net fee and commission income is higher EUR 0.8 million or 2% YoY.

Total Costs

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



The total costs amounted to EUR 69.0 million (of which EUR 0.4 million comprised of non-recurring costs and restructuring costs), and are thus by EUR 0.4 million or 1% lower YoY, mostly due to a moderate decrease of discretionary spending in 2019.

CIR and CIR normalised¹ stood at 51.6% or 51.8% respectively.

Net Impairments and Provisions

In Q1 2019, the Group established EUR 0.6 million of net impairments and provisions, while in Q1 2018, EUR 2.8 million of net impairments and provisions were released.

The impairments and provisions for credit risk were net released in the amount of EUR 3.3 million, mainly as a result of a successful restructuring of several major exposures and the recovery of NPLs, hence the cost of risk remained negative also in Q1 2019.

Other impairments and provisions were established in the net amount of EUR 3.9 million.

Notes:

¹ Non-recurring items are excluded.

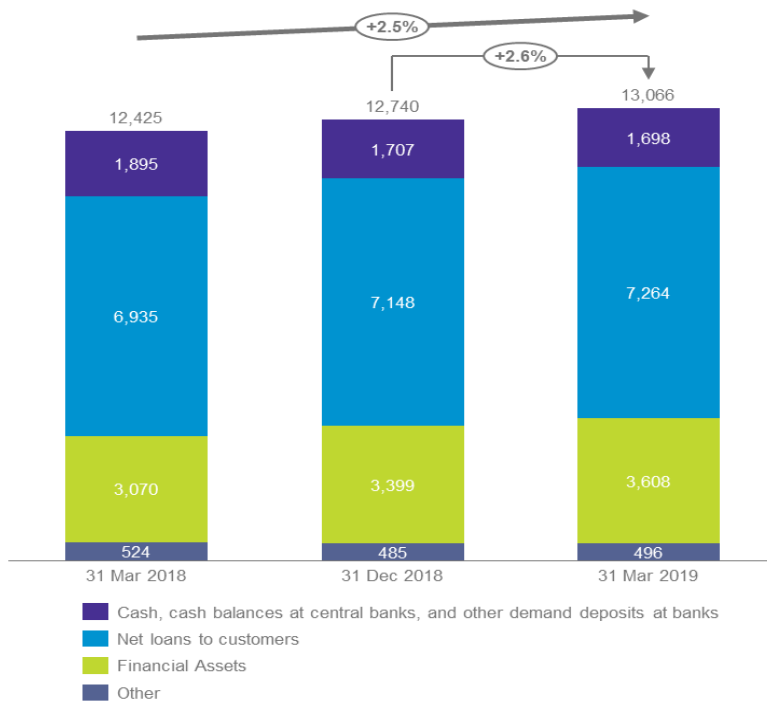
Financial Position

Table 3: Statement of financial position of NLB Group

in EUR million	NLB Group						
	31 Mar 2019	31 Dec 2018	31 Mar 2018	Change YtD		Change YoY	
ASSETS							
Cash, cash balances at central banks, and other demand deposits at banks	1,589.0	1,588.3	1,341.4	0.7	0 %	247.6	18 %
Loans to banks	108.9	118.7	553.2	-9.8	-8 %	-444.3	-80 %
Loans to customers	7,264.3	7,148.4	6,935.3	115.9	2 %	329.0	5 %
Gross loans	7,719.0	7,627.5	7,500.9	91.5	1 %	218.1	3 %
- Corporate	3,593.1	3,540.4	3,555.8	52.7	1 %	37.3	1 %
- Individuals	3,780.7	3,726.5	3,515.7	54.2	1 %	265.0	8 %
- State	345.2	360.5	429.4	-15.3	-4 %	-84.2	-20 %
Impairments and valuation of loans to customers	-454.7	-479.0	-565.6	24.3	5 %	110.9	20 %
Financial assets	3,608.0	3,399.2	3,070.3	208.8	6 %	537.7	18 %
- Trading book	38.4	63.6	47.9	-25.3	-40 %	-9.6	-20 %
- Non-trading book	3,569.6	3,335.6	3,022.4	234.0	7 %	547.3	18 %
Investments in subsidiaries, associates, and joint ventures	42.9	37.1	43.5	5.8	16 %	-0.5	-1 %
Property and equipment, investment property	252.2	236.0	239.2	16.1	7 %	13.0	5 %
Intangible assets	33.2	35.0	33.6	-1.8	-5 %	-0.4	-1 %
Other assets	167.3	177.1	208.1	-9.9	-6 %	-40.8	-20 %
TOTAL ASSETS	13,065.8	12,740.0	12,424.6	325.8	3 %	641.2	5 %
LIABILITIES							
Deposits from customers	10,675.8	10,464.0	9,938.9	211.8	2 %	736.9	7 %
- Corporate	2,255.3	2,337.3	2,199.6	-82.0	-4 %	55.7	3 %
- Individuals	8,017.4	7,865.6	7,464.6	151.8	2 %	552.9	7 %
- State	403.1	261.1	274.7	142.0	54 %	128.4	47 %
Deposits from banks and central banks	24.6	26.8	36.4	-2.1	-8 %	-11.7	-32 %
Borrowings	317.4	320.3	342.9	-2.9	-1 %	-25.6	-7 %
Other liabilities	305.7	256.5	286.8	49.2	19 %	18.9	7 %
Subordinated liabilities	15.3	15.1	27.3	0.2	2 %	-12.0	-44 %
Equity	1,683.8	1,616.2	1,752.8	67.6	4 %	-69.0	-4 %
Non-controlling interests	43.2	41.2	39.5	2.0	5 %	3.7	9 %
TOTAL LIABILITIES AND EQUITY	13,065.8	12,740.0	12,424.6	325.7	3 %	641.2	5 %

The total assets increased by EUR 325.8 million YtD and totalled EUR 13,065.8 million, mainly driven by the continued inflows of deposits from individuals.

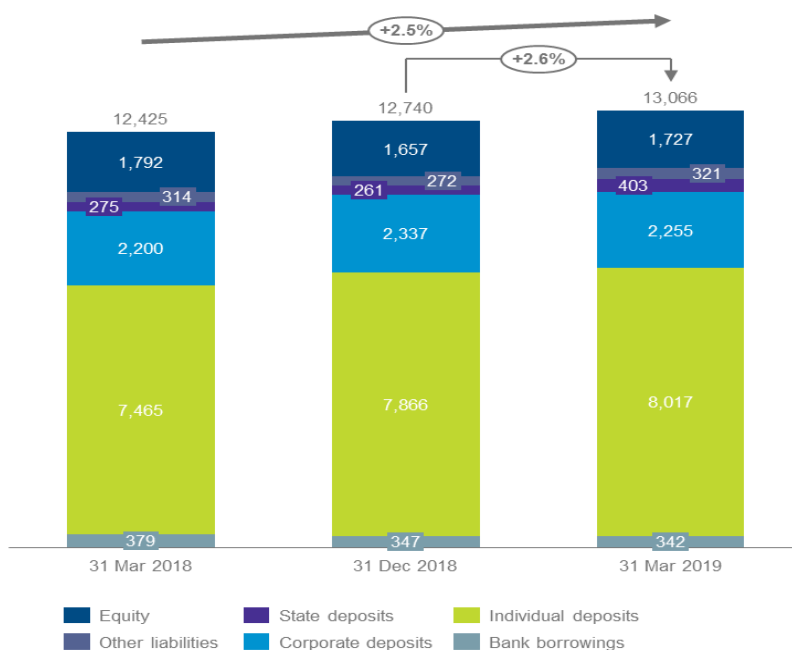
Figure 7: Total assets of NLB Group – structure (in EUR million)



Total net loans to customers increased by 2% YtD and amounted to EUR 7,264.3 million on 31 March 2019 (gross loans to the customers EUR 7,719.0 million, 1% higher YtD).

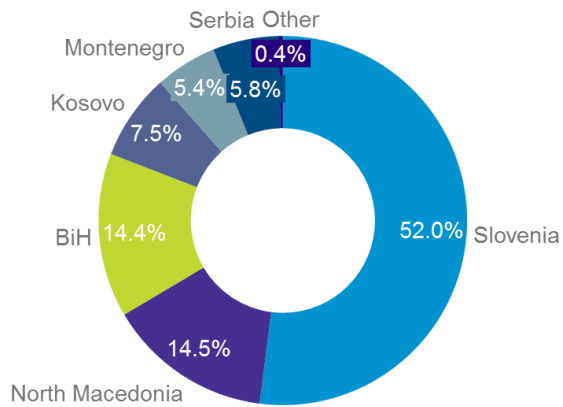
The share of customers' deposits accounted for 82% of the total funding, same as at the end of 2018. Deposits from customers increased by 2%, resulting from private individuals (EUR 151.8 million or 2%) and state deposits (EUR 142.0 million or 54%).

Figure 8: Liabilities and equity of NLB Group – structure (in EUR million)



The LTD ratio (net) was 68.0% at the Group level; a decrease of 0.3 p.p. YtD as a result of increased deposits, which was partially neutralized by the growing, but still moderate loan demand.

Figure 9: Total assets of NLB Group by country (in %)²



Slovenia accounts for 52% of the total assets, while most of the remaining assets (48%) are in the SEE countries.

Notes:

² Geographical analysis based on location of Group member's headquarters.

Segment Analysis

The segments of the Group are divided in the Core and Non-Core. The Core segments are the following:

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

From 2019, the new methodology for monitoring the business segment operations has been in use, due to the changes in the market segmentation criteria and the treatment of legal entities in the Bank, the release of EC commitments related to disinvestments of certain industries and other strategic decisions:

- Investment Banking and Custody Services were transferred from the Financial Markets in Slovenia to Corporate and Investment Banking in Slovenia.
- SME reorganization affected Corporate and Investment Banking in Slovenia and Retail Banking in Slovenia (transfer of micro clients from Corporate to Retail segment).
- The EC commitments regarding the reduction of credit business in specific industries (construction, transport, financial holdings, foreign clients) have ceased to apply, hence the specific monitoring and management of this segment is not needed any more. This affected the Corporate and Investment Banking in Slovenia and the segment of Non-Core Members (renamed from Non-Core Markets and Activities).
- NLB Srbija and NLB Crna Gora were transferred from the segment Strategic Foreign Markets to Non-Core Members.

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

Table 4: Estimated effects of segments methodology changes for 2018³

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

*negative value=increase, positive value=decrease

Notes:

³ Investment banking was till 2019 officially a part of Financial Markets in Slovenia but was presented as a separate segment within Corporate banking in Slovenia in previous reports. Under new segmentation it is included in the segment Corporate and Investment banking in Slovenia.

Retail Banking in Slovenia

Financial Highlights

- The segment recorded EUR 43.0 million of **net operating income**. The comparison shows EUR 6.6 million increase YoY, of which approximately EUR 2 million increase is assessed as the effect of the transfer of micro clients from Corporate to Retail segment.
- Net interest income** is higher due to higher interest rates and growth in volume of loans in the amount of EUR 61.5 million, of which EUR 38.1 million increase relates to the transfer of micro clients from Corporate segment. The production of new consumer loans in Q1 2019 amounted to EUR 100 million (EUR 82 million in Q1 2018), which led to increase of balance by EUR 29.4 million YtD. The share of consumer loans in all gross loans increased to 28% (from 25% in Q1 2018).
- Without the effect of the change in segment presentation (approximately EUR 1.5 million) the **total costs** remained on the level of the same period of previous year.
- The presentation of the increase in **deposits from customers** is mostly due to transfer of micro clients from Corporate segment (EUR 188.1 million) and increase in demand deposits from retail clients.

Business Highlights

- NLB Pay mobile wallet now enables cash withdrawal on contactless ATMs.
- Successful transition of most of the personal accounts to packages.
- Number of Klikin users continues to grow.
- NLB Skladi, as the largest manager of mutual funds in Slovenia, controls almost a third of the market.

Table 5: Key financials of Retail Banking in Slovenia

Retail banking in Slovenia				
in EUR million consolidated	1-3 2019	1-3 2018	Change YoY*	
Net interest income	23.0	18.2	4.8	
Net non-interest income	20.0	18.3	1.8	
Total net operating income	43.0	36.4	6.6	
Total costs	-26.8	-25.5	-1.3	
Result before impairments and provisions	16.2	10.9	5.3	
o/w non-recurring items				
Impairments and provisions	-1.1	-1.2	0.2	
Net gains from investments in subsidiaries, associates, and JVs ¹	1.1	1.2	0.0	
Result before tax	16.3	10.9	5.4	
31 Mar 2019 31 Dec 2018 Change YtD*				
Net loans to customers	2,277.1	2,217.4	59.7	
Gross loans to customers	2,305.0	2,243.4	61.5	
Housing loans	1,376.8	1,374.6	2.3	
Interest rate on housing loans	2.54%	2.50%	0.04 p.p.	
Consumer loans	628.4	599.0	29.4	
Interest rate on consumer loans	6.28%	5.88%	0.40 p.p.	
Other	299.7	269.9	29.8	
Deposits from customers	6,095.4	5,814.5	280.9	
Interest rate on deposits	0.06%	0.08%	-0.03 p.p.	
Non-performing loans (gross)	43.9	43.0	0.9	
1-3 2019 1-3 2018 Change YoY*				
Cost of risk (in bps)	5	4	1	
CIR	62.3%	70.0%	-7.7 p.p.	
Interest margin	2.21%	1.89%	0.32 p.p.	

* Due to the new methodology, the segment results for 2019 are not directly comparable to the segment results from the previous year.

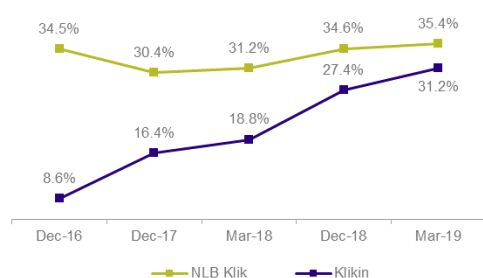
The Bank maintained the leading position, with a market share of 23.2% in retail lending (end of 2018: 23.2%) and 30.3% (end of 2018: 30.3%) in deposit-taking.

The users of NLB Pay mobile wallet can now withdraw cash on contactless ATMs in and outside Slovenia. They can also use the contactless ATMs to check their account balance on Maestro or MasterCard cards. In less than a year after its implementation, the number of users reached 8,463 at the end of Q1 2019.

Most of the clients already have the packages for individual clients, providing them with transparent, modern and simple daily banking services.

The mobile bank Klikin continues to be upgraded and the total number of users increased to 202,646 (64% YoY). Considering the current trend, the number of Klikin users is quickly approaching the number of NLB Klik users, showing the channel, the clients prefer to use. The latter is also reflected in the number of Express Loans concluded in Klikin.

Figure 10: Online and mobile banking penetration



Standard transactional solutions are available to clients 24/7. They nicely complement the possibility to visit the branches for more complex banking transactions and advisory services. In addition to intensive digitalization efforts, the branch offices are being refurbished to enhance customers' experience. In Q1 2019, the Bank finished the refurbishment of two branches, while in the last three years 51 branches have been modernized.

The Bank strongly encourages the clients to use paperless solutions. While in the past the e-statements were offered only to the NLB Klik users, from Q1 2019 on they are available to all clients free of charge.

The NLB Skladi market share increased to 32.2% (31 March 2018: 30.5%). The company again ranked first in Slovenia in the amount of net-inflows with EUR 10.5 million. The company remained the largest asset management company and also the largest mutual funds management company in Slovenia. The total assets under management were EUR 1,321.9 million (31 March 2018: EUR 1,207.5 million) of which EUR 871.9 million consisted of mutual funds (31 March 2018: EUR 797.5 million) and EUR 450 million in the discretionary portfolio (31 March 2018: EUR 410.0 million).

In Q1 2019, NLB Vita charged EUR 20.5 million in gross written premium (Q1 2018: EUR 23.0 million), of which EUR 19.5 million was in life insurance (Q1 2018: EUR 22.1 million). The market share of the insurance company, excluding the pension companies, stood at the end of March 2019 at 15.7% (end of March 2018: 17.2%), which put NLB Vita third in the standard life insurance products in Slovenia.

Corporate and Investment Banking in Slovenia

Financial Highlights

- The segment recorded EUR 26.3 million of **net operating income**, EUR 8.4 million increase YoY, of which approximately EUR 2.3 million is assigned to change in segment presentation. **Net non-interest income** was mainly affected by partial repayment of larger exposure measured at fair value through profit and loss (EUR 5.1 million).
- The **Investment Banking and Custody** recorded net non-interest income in the amount of EUR 2.6 million and has increased by EUR 0.3 million YoY. Total income growth is the result of larger volume of transactions.
- Total costs** decreased by EUR 0.4 million YoY, despite the transfer of the costs due to change in segment presentation.
- Impairments and provisions** were released in the amount of EUR 3.3 million, which includes releases on NPL clients that were transferred from Non-core segment.
- Presented increase in **gross loans to customers** is mostly due to change in segment presentation (EUR 149.8 million due to transfer from NLB Non-core and EUR -38.1 million from transfer of micro clients to Retail). Key and SME clients recorded the growth due to redrawing of revolving loans and production of new loans (EUR 48.5 million). The gross loans to state recorded a decrease of EUR 10.4 million.

Business Highlights

- NLB Pay mobile wallet enables cash withdrawal and checking the balance for all NLB business cards Maestro and MasterCard on contactless ATMs.
- The Bank is actively pursuing new business opportunities on the international markets.

Table 6: Key financials of Corporate and Investment Banking in Slovenia

in EUR million consolidated	Corporate and Investment banking in Slovenia		
	1-3 2019	1-3 2018	Change YoY*
Net interest income	10.8	9.6	1.2
Net non-interest income	15.5	8.4	7.1
Total net operating income	26.3	17.9	8.4
Total costs	-10.2	-10.5	0.4
Result before impairments and provisions	16.1	7.4	8.7
Impairments and provisions	3.3	-1.1	4.4
Result before tax	19.4	6.3	13.1

	31 Mar 2019	31 Dec 2018	Change YtD*
Net loans to customers	2,011.4	1,950.4	61.0
Gross loans to customers	2,183.8	2,061.0	122.8
Corporate	1,987.7	1,854.4	133.3
Key/SME Corporates	1,697.2	1,643.2	54.0
Interest rate on Key/SME Corporates loans	1.87%	1.88%	-0.01 p.p.
Investment banking**	0.1	/	/
Restructuring and Workout	290.4	211.2	79.2
State	195.8	206.1	-10.4
Interest rate on State loans	2.84%	1.69%	1.15 p.p.
Deposits from customers	1,111.7	1,120.8	-9.1
Interest rate on deposits	0.07%	0.07%	0.00 p.p.
Non-performing loans (gross)	262.8	179.7	83.0

	1-3 2019	1-3 2018	Change YoY*
Cost of risk (in bps)	-15	4	-19
CIR	38.8%	58.9%	-20.1 p.p.
Interest margin	2.87%	2.32%	0.56 p.p.

* Due to the new methodology, the segment results for 2019 are not directly comparable to the segment results from the previous year.

**Investment banking was shown as separate part of this segment before 2019.

The Bank is the leading bank in servicing corporate clients in Slovenia with by far the largest client base. It has a 18.1% market share in corporate loans (end of 2018: 18.2%), and 24.2% (end of 2018: 24.5%) in guarantees and letters of credit. The Bank is increasingly focused on mid-sized and small enterprises, given low returns in the large corporate segment.

The Bank aims to provide its clients with creative, targeted and relevant solutions, at the same time addressing and attracting new clients. The Bank is available to its clients 24/7 through e-banking and m-banking facilities, and with advisory services especially at the company's or Bank's premises.

The Bank's NLB Pay mobile wallet application now enables the clients, besides paying by business cards MasterCard and Maestro on the contactless POS terminals (in and outside Slovenia), to withdraw cash on the contactless ATMs from Q1 2019.

The number of Klikpro users has also continued to grow in Q1 2019, reaching 18,998 (45% YoY). The use of this digital channel and functionalities it offers, including Express Loan and Express Overdraft, are well accepted by the clients.

In Q1 2019, the process of providing banking product packages (Start packages, Business packages) especially to micro and small enterprises and entrepreneurs, has continued. The packages are a combination of products and services most commonly used by clients.

The Bank has actively started to exploit business opportunities in the SEE, which are facilitated by partial lifting of the EC commitments affecting the Group. The Western Balkans are in fact an attractive region for investments and trade and as such a great opportunity for the Group members to support their clients' plans. The Traditional Business Forum, sponsored by the Group, which is meant to detect such opportunities, took place in Kopaonik (Serbia) and it was attended by more than a thousand participants.

The Bank remained a leading provider of Investment Banking and Securities Services in Slovenia. The total value of assets under custody remained at 2018 year-end level at EUR 15.9 billion.

Strategic Foreign Markets

Financial Highlights

- The segment recorded EUR 50.7 million of **net operating income**. In Q1 2018 the result was positively affected by the sale of NLB Nov Penziski Fond, Skopje. Increase of **net interest income** of EUR 3.1 million was recorded in all subsidiary banks on behalf of higher volume despite of decreasing trend of interest margins.
- Total costs** increased by EUR 1.2 million YoY of which EUR 0.3 million relates to non-recurring costs.
- Change in **impairments and provisions**, establishment of EUR 3.2 million in Q1 2019, while release of EUR 3.0 million in Q1 2018.
- Gross loans to customers** decreased by EUR 17.0 million YtD of which due to change in segment presentation in the amount of EUR -69.0 million. Nevertheless, gross loans in most subsidiary banks increased. The largest increases were recorded in NLB Banka, Prishtina (EUR 20.9 million) and NLB Banka, Beograd (EUR 21.0 million).
- NPLs** decrease mostly due to change in segment presentation.

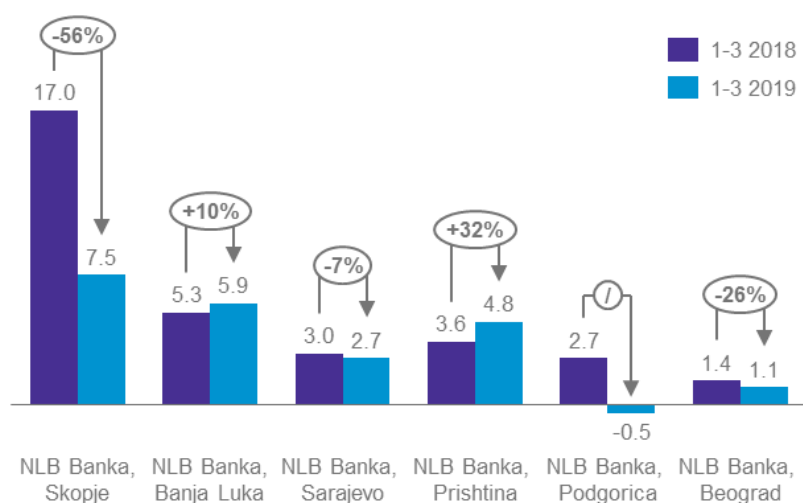
Business Highlights

- All subsidiary banks produced net profit before impairments and provisions.
- NLB Banka, Banja Luka received from the Insurance Agency of Republic of Srpska a license for selling bank assurance products.

Table 7: Key financials of Strategic Foreign Markets

in EUR million consolidated		Strategic foreign markets		
	1-3 2019	1-3 2018	Change YoY*	
Net interest income	38.6	35.5	3.1	
Net non-interest income	12.1	24.6	-12.5	
Total net operating income	50.7	60.1	-9.4	
Total costs	-25.3	-24.1	-1.2	
Result before impairments and provisions	25.4	36.0	-10.6	
o/w non-recurring items	-0.3	12.2		
Impairments and provisions	-3.2	3.0	-6.2	
Result before tax	22.2	39.0	-16.8	
o/w Result of minority shareholders	2.0	3.0	-1.0	
	31 Mar 2019	31 Dec 2018	Change YtD*	
Net loans to customers	2,753.6	2,718.0	35.6	
Gross loans to customers	2,915.8	2,932.7	-17.0	
Retail	1,466.7	1,438.1	28.6	
<i>Interest rate on retail loans</i>	6.80%	7.09%	-0.29 p.p.	
Corporate	1,364.6	1,405.0	-40.3	
<i>Interest rate on corporate loans</i>	4.71%	4.92%	-0.21 p.p.	
State	84.4	89.6	-5.2	
<i>Interest rate on state loans</i>	4.23%	4.33%	-0.09 p.p.	
Deposits from customers	3,466.1	3,438.1	28.0	
<i>Interest rate on deposits</i>	0.56%	0.61%	-0.06 p.p.	
Non-performing loans (gross)	146.2	219.9	-73.6	
	1-3 2019	1-3 2018	Change YoY*	
Cost of risk (in bps)	-2	-9	7	
CIR normalized	50.0%	40.1%	9.9 p.p.	
Interest margin	3.71%	3.81%	-0.11 p.p.	

* Due to the new methodology, the segment results for 2019 are not directly comparable to the segment results from the previous year.

Figure 11: Net profit of strategic NLB Group banks⁴ (in EUR million)

The subsidiary banks made a net profit before impairments and provisions. This is a result of strong loan production and improved cost efficiency in most of the banks, as well as favourable cost of risk developments, commitments to client centric digital solutions and talent management. The loan production was especially strong in NLB Banka, Beograd and NLB Banka, Prishtina. The result after tax in NLB Banka, Podgorica was negative due to established provisions for legal disputes.

NLB Banka, Banja Luka received a license from the Insurance Agency of Republic of Srpska for selling bank assurance products.

The subsidiary banks also played an important social role. NLB Banka, Beograd was recognized for its support to development of Agricultural Fair in Šabac. The eighth NLB Organic competition was announced, in which the NLB Banka, Beograd awards the best registered projects. NLB Banka, Skopje was awarded by the financial magazine EMEA the Best Bank in the country (Europe Banking Awards 2018) for the third year in a row, and by the Macedonian Stock Exchange in the category of the most transparent companies and for the best-performing members.

Notes:

⁴ Data on a stand-alone basis as included in the consolidated financial statements of the Group.

Financial Markets in Slovenia

Financial Highlights

- Lower **net interest income**, EUR 2.6 million YoY, due to lower transformation margin.
- Higher **net non-interest income**, EUR 2.2 million YoY, due to the sale of debt securities (EUR 2.6 million), which positively affected the net income from financial transaction.
- Increase in **balances with CB** (EUR 91.3 million YtD) and increase in **banking book securities** (EUR 168.8 million YtD), due to lower LTD ratio and consequently higher amount of liquid assets (liquidity reserves).

Business Highlights

- Continuation of prudent liquidity reserves management.

Table 8: Key financials of Financial markets in Slovenia⁵

in million EUR consolidated	Financial markets in Slovenia		
	1-3 2019	1-3 2018	Change YoY
Net interest income	6.0	8.6	-2.6
Net non-interest income	2.1	-0.1	2.2
Total net operating income	8.1	8.5	-0.4
Total costs	-1.7	-1.6	-0.1
Result before impairments and provisions	6.4	6.9	-0.5
Impairments and provisions	-0.3	0.0	-0.4
Result before tax	6.1	7.0	-0.9
	31 Mar 2019	31 Dec 2018	Change YtD
Balances with Central banks	666.3	575.0	91.3
Banking book securities	2,924.1	2,755.2	168.8
<i>Interest rate on banking book securities</i>	<i>1.10%</i>	<i>1.25%</i>	<i>-0.14 p.p.</i>
Wholesale funding	244.0	244.1	-0.1
<i>Interest rate on wholesale funding</i>	<i>0.53%</i>	<i>0.48%</i>	<i>0.05 p.p.</i>

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

Notes:

⁵ The segment Financial markets in Slovenia was in previous reports shown without Investment banking so the results are comparable with previous year.

Non-Core Members

Financial Highlights

- The segment recorded EUR 1.9 million decrease of **net operating income**, partially due to transfer of NLB Non-core part to Corporate (approximately EUR -1.9 million) and transfer of NLB Srbija and NLB Crna Gora from Strategic foreign markets (EUR 0.3 million); non-recurring income from the contractual penalty (EUR 1.3 million).
- Decrease in **total costs**, EUR 1.7 million YoY, due to transfer of NLB Non-core part to Corporate (approximately EUR -1.0 million) and transfer of NLB Srbija and NLB Crna Gora from Strategic foreign markets (EUR 0.3 million).
- **Gross loans to customers** decreased, mostly due to change in segment presentation, EUR 80.8 million YtD, of which EUR 149.8 million from transfer of NLB Non-core part to Corporate and EUR 69.0 million from transfer of NLB Srbija and NLB Crna Gora from Strategic foreign markets.
- Decrease in **deposits from customers**, EUR 9.6 million due to transfer of NLB Non-core part to Corporate.
- **NPLs** decrease mostly due to change in segment presentation, approximately EUR 2 million increase, if adjusted balances for year-end 2018 are considered.

Business Highlights

- Continued controlled wind-down of the remaining Non-core segment, including credit business with foreign clients, operations of non-strategic Group members, the Bank's equity participations, as well as active management of real-estate assets (contributing to the reduction of the Group's NPLs).
- Non-strategic subsidiaries continued with collections of claims, leading to a further decrease of the Group's non-core assets.

Table 9: Key financials of Non-Core Members

in EUR million consolidated		Non-core members		
	1-3 2019	1-3 2018	Change YoY*	
Net interest income	1.0	3.1	-2.1	
Net non-interest income	2.8	2.6	0.2	
Total net operating income	3.8	5.7	-1.9	
Total costs	-3.1	-4.7	1.7	
Result before impairments and provisions	0.7	0.9	-0.2	
o/w non-recurring items	1.3			
Impairments and provisions	0.7	2.3	-1.6	
Result before tax	1.4	3.2	-1.8	
	31 Mar 2019	31 Dec 2018	Change YtD*	
Segment assets	216.9	263.7	-46.8	
Net loans to customers	103.8	160.9	-57.1	
Gross loans to customers	196.0	288.6	-92.6	
Investment property and property & equipment received for repayment of loans	45.1	68.5	-23.5	
Other assets	68.1	34.3	33.8	
Deposits from customers	0.0	9.6	-9.6	
Non-performing loans (gross)	126.3	179.7	-53.4	
	1-3 2019	1-3 2018	Change YoY*	
Cost of risk (in bps)	-67	-66	-1	
CIR normalized	80.7%	83.5%	31.4 p.p.	

* Due to the new methodology, the segment results for 2019 are not directly comparable to the segment results from the previous year.

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

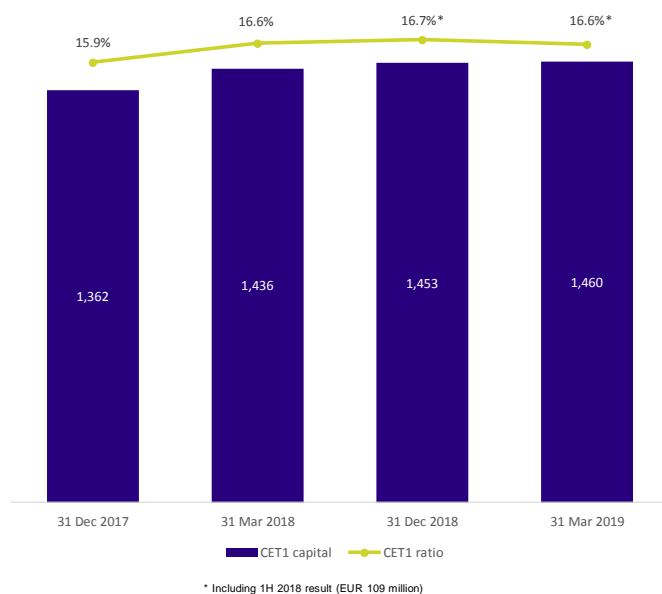
In Q1 2019 the following changes in the status of non-strategic subsidiaries were made:

- NLB Lizing dooel, Skopje was deleted from the register,
- NLB Leasing, Sarajevo performed a capital decrease in amount of KM 6,500,759.20,
- 100% share of REAM, Zagreb was transferred from the Bank to S-REAM, Ljubljana,
- REAM, Beograd merged with SR-RE, Beograd,
- Liquidation proceedings of NLB Leasing, Sarajevo started.

Capital and Liquidity

Capital

Figure 12: NLB Group CET 1 capital (in EUR million) and CET 1 ratio (in %)



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

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

The applicable OCR requirement for 2019 has been raised to 14.75%, due to the gradual phase-in of the capital conservation buffer as prescribed by law and introduction of O-SII buffer. On the other hand, Pillar 2 Requirement decreased by 0.25 p.p. to 3.25%, as a result of better overall SREP assessment. The Bank intends to further strengthen and also optimize the Group's capital structure by issuing a Tier 2 instrument in 2019 (more details are in chapter Events after 31 March 2019).

The capital of the Bank and the Group consists of the components of top quality CET 1 capital, which is why all three capital ratios are the same. It remained strong, at a level which covers all current and announced regulatory capital requirements, including capital buffers and other currently known requirements, as well as the Pillar 2 Guidance.

The capital ratios for the Group stood at 16.6% (or 0.1 p.p. lower than at the end of 2018), and for the Bank at 23.9% (or 0.2 p.p. lower than at the end of 2018). The lower capital adequacy derives from higher RWA (EUR 133.9 million for the Group). The capital increased by EUR 6.7 million, mainly due to higher Other comprehensive income (EUR 5.1 million) and lower Intangible assets (EUR 1.8 million, as deduction item).

Table 10: Total risk exposure (in EUR million) for NLB Group

	31 Mar 2019	31 Dec 2018	31 Dec 2017	Change YtD
Total risk exposure amount (RWA)	8,812	8,678	8,546	1.5%
RWA for credit risk	7,285	7,180	7,096	1.5%
RWA for market risks + CVA	585	544	501	7.5%
RWA for operational risk	942	953	949	-1.2%

RWA for credit risk increased by EUR 105.2 million, of which on corporate and retail segment EUR 95.3 million due to loan growth. The increase in RWA for market risks and Credit value adjustments (CVA) (EUR 40.6 million) is mainly the result of more open positions in domestic currencies of non-euro subsidiary banks. The decrease in the RWA for operational risks (EUR 11.9 million) arises from the lower three-year average of income, which represents the basis for the calculation.

Liquidity

The liquidity position of the Group remains strong, with LTD ratio (net) of 68.0%, meeting liquidity indicators high above the regulatory requirements, and confirming the low liquidity risk tolerance of the Group.

Liquid assets of the Group amounted to EUR 5.37 billion (41.1% of total assets; 2018 year-end: EUR 5.17 billion, 40.6% of total assets), of which EUR 0.46 billion (2018 year-end: EUR 0.43 billion) were encumbered for operational and regulatory purposes.

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



The banking book securities portfolio, which represented 65.4% of the Group's liquid assets (2018 year-end: 63.4%), was dispersed appropriately in terms of issuers, countries, and remaining maturity, with the aim of adequate liquidity and interest risk management.

Driven by the low interest rate environment, the main change in the funding structure of the Group was the continued transformation of term-to-sight customer deposits, representing the key funding base. The share of sight customer deposits equaled 64.2% of total assets (2018 year-end: 65.0%).

Mid-term Targets and Outlook 2019

Mid-term Targets

Table 11: Key performance indicators

	1-3 / 31 March 2019	Mid-term Targets
Net interest margin (NIM)	2.56%	> 2.7%
Loan to Deposit (LTD) ratio	68.0%	< 95.0%
Total capital ratio	16.6%	16.25%*
Costs to income ratio (CIR)	51.6%	~ 50.0%
Cost of Risk Net (bps)	-23	< 90
NPE ratio (EBA definition)	4.3%	< 4.0%
Return on equity after tax (ROE a.t.)	14.0%	> 12.0%

* As at 12 April 2019 the Supervisory Board approved the reduction of the target capital ratio of the Group from 17% to 16.25% in accordance with the lower capital requirement, which is based on a better assessment of the supervisory review and evaluation process (SREP) applicable since March 2019. Target total capital ratio is regularly revised by the competent bodies to reflect each time the applicable capital requirements.

In comparison to the strategic mid-term targets for the period of three to five years, the Group made a significant step forward in achieving its strategic financial objectives. Not all targets have been achieved due to a challenging low interest rate environment, however the current strategy has proved successful and the Group is well under way to deliver its mid-term targets.

Net interest margin is still below the targeted value due to the current market conditions and increased competitive pressures in the core markets. At the same time LTD ratio in the period remained very low providing good liquidity position for the Bank. CIR improved significantly, which also affected improved profitability with ROE increasing to 14.0%. This represents 50 bps improvement YoY (Q1 2018: 13.5%). From the asset quality perspective, NPE ratio reached levels just slightly above the mid-term target with the ratio improving to 4.3% in Q1 2019 (Q1 2018: 6.2%).

Outlook 2019

Macro outlook suggests that most countries where the Group is present are likely to experience growth at around three to four percent, if supported by loose monetary conditions, fiscal easing and solid domestic demand. Public debt in all those markets is below the EU average, accompanied by low household indebtedness and solid savings performance. Risk factors affecting the business outlook are (among others): the economies' sensitivity to a potential slowdown in the Eurozone, worsened interest rate outlook, regulatory and tax measures impacting the banks, and geopolitical uncertainties.

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

The ambition is to remain flat on costs, however challenges remain in particular due to investments and labor costs. Cost of risk is expected to increase yet still remain at low levels.

Risk Management

The Group puts great emphasis on the risk culture and awareness of all relevant risks within the entire Group. Business and operating environment, relevant for the Group operations, is changing with trends such as changing customer behavior, emerging new technologies and competitors, and increasing new regulatory requirements. Considering that risk management is continuously adapting with the aim of detecting and managing new potential emerging risks.

The main risk principles are integrated into the Group Risk Strategy, designed in accordance with business strategy and risk appetite orientations. Special focus is put on the inclusion of risk analysis into the decision-making process at strategic and operating levels, diversification in order to avoid large concentration, optimal capital usage and its allocation, appropriate risk-adjusted pricing, regular education/trainings at all levels of management and the assurance of overall compliance with internal policies/rules and relevant regulations.

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

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

One of the key aims of Risk Management is to preserve a prudent level of the Group's capital adequacy. The Group monitors its capital adequacy at the Group and individual subsidiary bank level in accordance with the Risk Appetite, incorporating also the established ICAAP process under normal conditions and stressed conditions. As at 31 March 2019, the Group had a strong level of capital adequacy, CET 1 ratio of 16.6% as the highest quality capital, which is above the EU average as published by the EBA. In line with SREP, CET 1 and the total capital ratio of the Group meets fully-loaded regulatory requirements applicable for the year 2019.

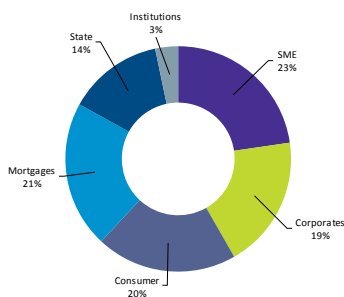
Maintaining a solid level and structure of liquidity represents the next very important risk target. The Group holds a very strong liquidity position at the Group and individual subsidiary bank level, which is well above the risk appetite with the LCR of 358% and unencumbered eligible reserves in the amount of EUR 4,913 million. Even if the stress scenario were to occur, the Group has sufficiently high liquidity reserves in place in the form of placements at the ECB, prime debt securities, and money market placements. The main

funding base of the Group at the Group and individual subsidiary bank level predominately entails customer deposits, namely in the retail segment, representing a very stable and constantly growing base. A very comfortable level of LTD at 68% gives the Group the potential for further customer loan placements.

Preserving high credit portfolio quality represents the most important aim, with a focus on the quality of new placements leading to a diversified portfolio of customers. Great emphasis is also placed on intensive and proactive handling of problematic customers, changes in the credit process and early warning system for detecting increased credit risk. The restructuring approaches are focused on the early detection of clients with potential financial difficulties and their proactive treatment. Moreover, the Group is constantly developing a wide range of advanced approaches supported by mathematical and statistical models in the area of credit risk assessment in line with best banking practices to further enhance the existing risk management tools, while at the same time enabling faster responsiveness towards clients.

The Group's lending strategy focuses on its core markets of retail, SME and selected corporate business activities. On the Slovenian market, the focus is on providing appropriate solutions for retail and medium-sized, and small enterprise segments, while in the corporate segment the Bank established cooperation with selected corporate clients (through different types of lending/investment instruments). All other subsidiary banks in the SEE region, where the Group is present, are universal banks, mainly focusing on the retail segment and segment of medium-sized and small enterprises. Their primary goal is to provide comprehensive services to clients by taking into account prudent risk management principles. The current structure of credit portfolio (gross loans) consists of 41% of retail clients, 19% of large corporate clients, 23% of SMEs and micro companies, while the remainder of the portfolio entails other liquid assets. There is no large concentration in any specific industry or client segment.

Figure 14: NLB Group structure of the credit portfolio (gross loans and advances) by segment⁶



The Group is actively present on the market, financing the existing and new creditworthy clients. The successful deleveraging of companies and new investment projects in Slovenia have had a positive influence on the approval of new loans. In retail, especially in the consumer loan segment, positive trends have been recorded throughout the region, as a result of clients' greater trust in economic developments and rising consumption alongside with the related recovery in the real estate market. In Q1 2019, efforts led to cumulatively very low new NPLs formation in the amount of EUR 13.4 million, of which only EUR 1.3 million come from new business, which represents 0.01% of the total portfolio. In addition, favorable

Notes:

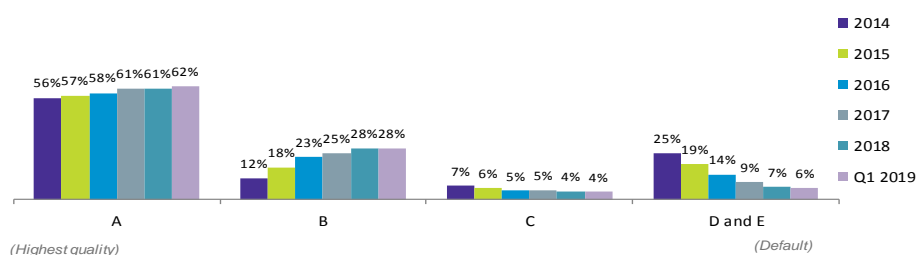
⁶ Gross exposures include also reserves at Central Banks and demand deposits at banks.

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

Implementation of IFRS 9 strengthened the Group's capital basis, arising mainly from collective impairments due to very favorable macroeconomic trends and improved quality of credit portfolio. The majority of the Group's loan portfolio is classified in Stage 1 (87.6%), then 6.1% in Stage 2 and 5.9% in Stage 3. Loans in stages from 1 to 3 are measured at amortized cost, while the remaining minor part (0.4%) represents fair value loans through P&L (FVTPL). The portfolio quality in Q1 2019 was very stable with increasing Stage 1 exposures and a reduction of NPL loans, which are below the Slovenian average.

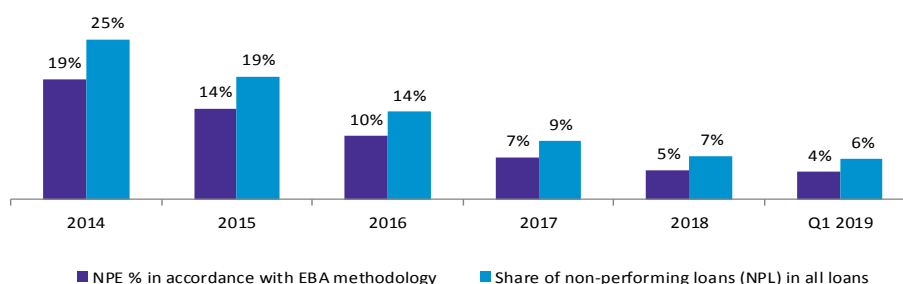
The Group strives to ensure the best possible collateral for long-term loans, namely mortgages in most cases. Thus, the mortgaging of real estate is the most frequent form of loan collateral of corporate and retail clients. In corporate loans, it is followed by government and corporate guarantees. In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

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

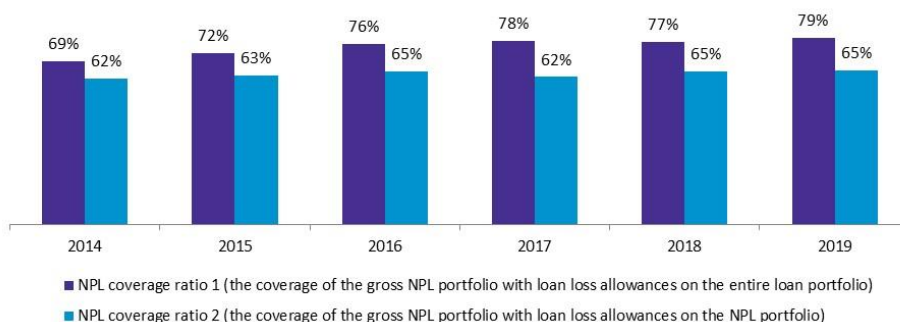


Reduction of NPLs at the Group level remained a key focus in Q1 2019. Precisely set targets in the Group's NPL Strategy, active workout and macroeconomic recovery supported further substantial reduction in the volume of the non-performing portfolio despite falling loan volumes. The existing non-performing credit portfolio stock in the Group was reduced from EUR 622 million to EUR 579 million in Q1 2019. The combined result of all effects resulted in decreased share of NPLs from 6.9% to 6.3%, while the internationally more comparable NPE ratio based on EBA methodology was reduced from 4.7% to 4.3% YoY. Active approach to NPL management places strong emphasis on restructuring, with increasing use of other active NPL management tools such as foreclosure of collateral, sale of claims, active marketing and sale of pledged assets.

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



An important Group strength is the NPL coverage ratio 1, which remains high at 78.6%. The Group's NPL coverage ratio 2 stands at 64.9%, which is well above the EU average as published by the EBA (45.1% for Q4 2018). As such, it enables further reduction in NPLs without significantly influencing the cost of risk in the next years. Moreover, it proves that the past reduction was done on average without any negative impact on the profit and loss account.

Figure 17: NLB Group Coverage ratio 1⁷ and NLB Group NPL Coverage ratio 2⁸ as at period end

When considering market risks, the Group pursues low risk appetite for market risk in the trading book. Exposure towards trading (according to the CRR) is allowed only in the Bank as the main entity of the Group and is very limited. Market risks predominately arise from the core business activities, with the aim of supporting the banking book and the liquidity reserves portfolio activities. Moreover, the Bank maintains a small trading portfolio, mainly for monitoring market signals in the global markets. As such it does not represent a material risk to the Group's operations and its tolerance for interest rate and credit spread risk is very low.

The Group operates its main business activities in euros, while the subsidiary banks beside their domestic currencies also operate in euros, which is the reporting currency of the Group. The Group's net open FX position from transactional risk is low and amounts to less than 1.5% of capital. Regarding structural FX

Notes:

⁷ NPL coverage ratio 1 - The coverage of the gross NPL portfolio with impairments on the entire loan portfolio.

⁸ NPL coverage ratio 2 - The coverage of the gross NPL portfolio with impairments on the NPL portfolio.

positions on a consolidated basis, assets and liabilities held in foreign operations are translated into euro currency at the closing FX rate on the balance sheet date. FX differences of non-euro assets and liabilities are recognized in the other comprehensive income, and therefore affect shareholder's equity and CET 1 capital. Group ALM employs different strategies to manage foreign currency exposure.

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

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

Net interest income sensitivity of the Group would amount to EUR 13.4 million if market interest rates increased by 50 bps, while if they decreased, exposure would be lower due to zero floor clauses included in the loan contracts. From the economic perspective basis point value (BPV) sensitivity of 200 bps equals 7.2% of the Group's capital.

In the area of operational risk management, where the Group has established robust operational risk culture, the main qualitative activities refer to the reporting of loss events and identification, assessment and management of operational risks. On this basis control activities, processes and/or organization is performed. In Q1 2019 additional efforts were made regarding proactive mitigation, prevention and minimization of potential damage in the future. Special attention was dedicated to the stress-testing system, based on scenario analysis referring to potential high severity, low frequency events and modelling data on loss events. Furthermore, key risk indicators, serving as an early warning system for a broader field of operational risks (such as human resources, processes, systems and external conditions), were additionally enhanced. Their upgrade facilitates more detailed information for a more effective planning of measures and operational risk management, improves the existing internal controls and enables reacting on time when necessary.

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

Corporate Governance

In Q1 2019 there were no changes made in the Management Board or the Supervisory Board of NLB, nor were there any changes made in the audit of the Bank with the exception of the following:

- On 30 November 2018, two members of the Supervisory Board of the NLB Vida Šeme Hočevar and Simona Kozjek submitted their notes of resignation, with a three-month notice, which expired on 28 February 2019.

Events after 31 March 2019

The Bank has disclosed in the Annual Report of NLB Group for the year 2018 certain court proceedings initiated by two Croatian banks against NLB and LB, related to the legacy foreign currency deposits which were deposited with LB Zagreb Branch and were in accordance with the Croatian regulations transferred to Croatian banks. The latest developments in this respect are disclosed in chapter Condensed Interim Financial Statements of NLB Group and NLB, note 5.11.

On 29 April, the Management Board of NLB convened the 33rd General Meeting of NLB scheduled for 10 June, where inter alia the election of members of the Supervisory Board of NLB will take place. The mandate of Andreas Klingen as a member of the Supervisory Board will expire at the end of the Annual General Meeting of NLB which will decide on the use of distributable profit for the fourth business year from his election in 2015. The following candidates are proposed for members of the Supervisory Board: Gregor Rok Kastelic, Mark William Lane Richards, Shrenik Dhirajlal Davda and Andreas Klingen.

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

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

On 17 May Standard and Poor's raised NLB's credit rating by one notch to BBB- from BB+, a move that takes it to the investment grade. The Outlook is stable.

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Condensed Interim Financial Statements of NLB Group and NLB

as at 31 March 2019

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

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Condensed income statement

		in EUR thousands			
		NLB Group		NLB	
		three months ended		three months ended	
		March 2019	March 2018	March 2019	March 2018
	Notes	unaudited	unaudited	unaudited	unaudited
Interest income, using the effective interest method		88,718	85,271	43,652	42,376
Interest income, not using the effective interest method		1,720	1,598	1,723	1,625
Interest and similar income	4.1.	90,439	86,870	45,376	44,002
Interest and similar expenses	4.1.	(11,089)	(11,865)	(5,619)	(6,009)
Net interest income		79,350	75,005	39,757	37,993
Dividend income	4.2.	79	11	4,398	8,535
Fee and commission income	4.3.	53,842	51,607	32,649	31,901
Fee and commission expenses	4.3.	(13,759)	(12,275)	(7,429)	(7,091)
Net fee and commission income		40,083	39,332	25,220	24,810
Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	4.4.	2,567	406	2,567	152
Gains less losses from financial assets and liabilities held for trading	4.5.	2,651	1,586	1,116	134
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	4.6.	7,207	620	6,450	955
Gains less losses from financial assets and liabilities designated at fair value through profit or loss		-	(6)	-	(6)
Fair value adjustments in hedge accounting		(56)	19	(56)	19
Foreign exchange translation gains less losses		33	86	67	(45)
Gains less losses on derecognition of assets other than held for sale		393	490	24	(88)
Other operating income	4.7.	5,433	4,316	2,198	1,715
Other operating expenses	4.8.	(3,860)	(3,697)	(590)	(623)
Administrative expenses	4.9.	(61,256)	(62,604)	(37,651)	(38,299)
Depreciation and amortisation		(7,728)	(6,794)	(4,332)	(4,349)
Provisions for credit losses	4.10.	905	2,248	643	(623)
Provisions for other liabilities and charges	4.10.	(2,987)	(73)	-	-
Impairment of financial assets	4.11.	2,396	1,012	2,165	(1,077)
Impairment of non-financial assets	4.11.	(939)	(379)	3,329	-
Share of profit from investments in associates and joint ventures (accounted for using the equity method)		1,130	1,178	-	-
Gains less losses from non-current assets held for sale	4.12.	(108)	12,198	(1)	8,860
Profit before income tax		65,293	64,954	45,304	38,063
Income tax	4.13.	(5,434)	(4,257)	(3,094)	(1,567)
Profit for the period		59,859	60,697	42,210	36,496
Attributable to owners of the parent		57,893	57,683	42,210	36,496
Attributable to non-controlling interests		1,966	3,014	-	-
Earnings per share/diluted earnings per share (in EUR per share)		2.89	2.88	2.11	1.82

Condensed statement of comprehensive income

	Note	in EUR thousands			
		NLB Group		NLB	
		three months ended		three months ended	
		March 2019	March 2018	March 2019	March 2018
		unaudited	unaudited	unaudited	unaudited
Net profit for the period after tax		59,859	60,697	42,210	36,496
Other comprehensive income/(loss) after tax		9,706	(2,326)	4,760	(2,202)
<i>Items that will not be reclassified to income statement</i>					
Fair value changes of equity instruments measured at fair value through other comprehensive income		212	1,489	173	62
Share of other comprehensive income/(losses) of entities accounted for using the equity method		1,006	13	-	-
Income tax relating to components of other comprehensive income	5.12.	(224)	(13)	(33)	(12)
<i>Items that may be reclassified subsequently to income statement</i>					
Foreign currency translation		(529)	(378)	-	-
Translation gains/(losses) taken to equity		(529)	(378)	-	-
Debt instruments measured at fair value through other comprehensive income		6,598	(2,264)	5,704	(2,780)
Valuation gains/(losses) taken to equity		8,369	(2,261)	8,092	(2,791)
Transferred to income statement		(1,771)	(3)	(2,388)	11
Share of other comprehensive income/(losses) of entities accounted for using the equity method		4,748	(1,822)	-	-
Income tax relating to components of other comprehensive income	5.12.	(2,105)	649	(1,084)	528
Total comprehensive income for the period after tax		69,565	58,371	46,970	34,294
Attributable to owners of the parent		67,607	55,419	46,970	34,294
Attributable to non-controlling interests		1,958	2,952	-	-

Condensed statement of financial position

in EUR thousands

	Notes	NLB Group		NLB	
		31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
		unaudited	audited	unaudited	audited
Cash, cash balances at central banks and other demand deposits at banks	5.1.	1,589,039	1,588,349	877,582	795,102
Financial assets held for trading	5.2.a)	38,352	63,609	38,344	63,611
Non-trading financial assets mandatorily at fair value through profit or loss	5.3.	29,986	32,389	25,946	29,141
Financial assets measured at fair value through other comprehensive income	5.4.	2,084,699	1,898,079	1,662,340	1,528,314
Financial assets measured at amortised cost					
- debt securities	5.5.a)	1,475,729	1,428,962	1,309,968	1,274,978
- loans and advances to banks	5.5.b)	108,863	118,696	93,952	110,297
- loans and advances to customers	5.5.c)	7,243,540	7,124,633	4,508,230	4,451,477
- other financial assets	5.5.d)	61,726	75,171	52,845	42,741
Derivatives - hedge accounting		-	417	-	417
Fair value changes of the hedged items in portfolio hedge of interest rate risk		5,750	2,517	5,750	2,517
Investments in subsidiaries		-	-	350,733	350,733
Investments in associates and joint ventures		42,937	37,147	4,777	4,777
Tangible assets					
Property and equipment		193,824	177,404	88,067	86,934
Investment property	5.7.	58,356	58,644	12,026	12,026
Intangible assets		33,184	34,968	22,137	23,391
Current income tax assets		880	877	-	-
Deferred income tax assets	5.9.	20,687	22,847	20,090	22,234
Other assets	5.8.	74,277	70,971	13,692	10,637
Non-current assets classified as held for sale		3,951	4,349	1,720	1,720
TOTAL ASSETS		13,065,780	12,740,029	9,088,199	8,811,047
Trading liabilities	5.2.b)	16,649	12,300	16,798	12,256
Financial liabilities measured at fair value through profit or loss	5.3.	4,002	4,190	3,862	3,981
Financial liabilities measured at amortised cost					
- deposits from banks and central banks	5.10.	24,648	26,775	65,955	48,903
- borrowings from banks and central banks	5.10.a)	256,733	258,423	244,001	244,133
- due to customers	5.10.	10,675,801	10,464,017	7,217,620	7,033,409
- borrowings from other customers	5.10.a)	60,619	61,844	3,721	4,128
- subordinated liabilities	5.10.b)	15,280	15,050	-	-
- other financial liabilities	5.10.c)	145,003	100,887	88,394	62,212
Derivatives - hedge accounting		40,330	29,474	40,330	29,474
Provisions	5.11.	81,069	80,134	55,301	56,994
Current income tax liabilities		2,806	12,152	1,589	10,784
Deferred income tax liabilities	5.9.	2,601	2,499	-	-
Other liabilities	5.13.	13,230	14,840	8,428	9,543
TOTAL LIABILITIES		11,338,771	11,082,585	7,745,999	7,515,817
EQUITY AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT					
Share capital		200,000	200,000	200,000	200,000
Share premium		871,378	871,378	871,378	871,378
Accumulated other comprehensive income		17,537	7,823	20,599	15,839
Profit reserves		13,522	13,522	13,522	13,522
Retained earnings		581,386	523,493	236,701	194,491
		1,683,823	1,616,216	1,342,200	1,295,230
Non-controlling interests		43,186	41,228	-	-
TOTAL EQUITY		1,727,009	1,657,444	1,342,200	1,295,230
TOTAL LIABILITIES AND EQUITY		13,065,780	12,740,029	9,088,199	8,811,047

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



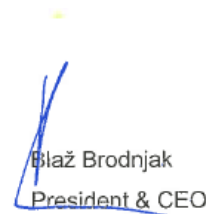
László Pelle
Member of the
Management Board



Archibald Kremser
Member of the
Management Board



Andreas Burkhardt
Member of the
Management Board



Blaž Brodnjak
President & CEO

Ljubljana, 24 May 2019

Condensed statement of changes in equity

in EUR thousands

NLB Group	Share capital	Share premium	Accumulated other comprehensive income				Profit reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
			Fair value reserve of financial assets measured at FVOCI	Foreign currency translation reserve	Other capital reserves						
Balance as at 1 Jan 2019	200,000	871,378	28,702	(18,275)	(2,604)	13,522	523,493	1,616,216	41,228	1,657,444	
- Net profit for the period	-	-	-	-	-	-	57,893	57,893	1,966	59,859	
- Other comprehensive income	-	-	10,227	(513)	-	-	-	9,714	(8)	9,706	
Total comprehensive income after tax	-	-	10,227	(513)	-	-	57,893	67,607	1,958	69,565	
Balance as at 31 Mar 2019	200,000	871,378	38,929	(18,788)	(2,604)	13,522	581,386	1,683,823	43,186	1,727,009	

in EUR thousands

NLB Group	Share capital	Share premium	Accumulated other comprehensive income				Profit reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
			Fair value reserve of financial assets measured at FVOCI	Foreign currency translation reserve	Other capital reserves						
Balance as at 1 Jan 2018	200,000	871,378	45,143	(17,248)	(3,595)	13,522	588,186	1,697,386	36,891	1,734,277	
- Net profit for the period	-	-	-	-	-	-	57,683	57,683	3,014	60,697	
- Other comprehensive income	-	-	(1,991)	(272)	(1)	-	-	(2,264)	(62)	(2,326)	
Total comprehensive income after tax	-	-	(1,991)	(272)	(1)	-	57,683	55,419	2,952	58,371	
Transfer of fair value reserve	-	-	(12)	-	-	-	12	-	-	-	
Other	-	-	-	-	-	-	-	-	(342)	(342)	
Balance as at 31 Mar 2018	200,000	871,378	43,140	(17,520)	(3,596)	13,522	645,881	1,752,805	39,501	1,792,306	

in EUR thousands

NLB	Share capital	Share premium	Accumulated other comprehensive income		Profit reserves	Retained earnings	Total equity
			Fair value reserve of financial assets measured at FVOCI	Other capital reserves			
Balance as at 1 Jan 2019	200,000	871,378	18,620	(2,781)	13,522	194,491	1,295,230
- Net profit for the period	-	-	-	-	-	42,210	42,210
- Other comprehensive income	-	-	4,760	-	-	-	4,760
Total comprehensive income after tax	-	-	4,760	-	-	42,210	46,970
Balance as at 31 Mar 2019	200,000	871,378	23,380	(2,781)	13,522	236,701	1,342,200

in EUR thousands

NLB	Share capital	Share premium	Accumulated other comprehensive income		Profit reserves	Retained earnings	Total equity
			Fair value reserve of financial assets measured at FVOCI	Other capital reserves			
Balance as at 1 Jan 2018	200,000	871,378	27,741	(3,497)	13,522	299,748	1,408,892
- Net profit for the period	-	-	-	-	-	36,496	36,496
- Other comprehensive income	-	-	(2,202)	-	-	-	(2,202)
Total comprehensive income after tax	-	-	(2,202)	-	-	36,496	34,294
Balance as at 31 Mar 2018	200,000	871,378	25,539	(3,497)	13,522	336,244	1,443,186

Condensed statement of cash flows

	in EUR thousands			
	NLB Group		NLB	
	three months ended		three months ended	
	March 2019	March 2018	March 2019	March 2018
	unaudited	unaudited	unaudited	unaudited
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	111,121	106,552	66,706	61,936
Interest paid	(8,912)	(10,984)	(4,285)	(5,790)
Dividends received	79	11	74	5
Fee and commission receipts	53,787	52,343	31,999	32,184
Fee and commission payments	(14,777)	(13,475)	(7,759)	(7,452)
Realised gains from financial assets and financial liabilities not measured at fair value through profit or loss	2,567	412	2,567	158
Net gains/(losses) from financial assets and liabilities held for trading	2,516	1,652	1,085	230
Payments to employees and suppliers	(66,268)	(69,114)	(44,688)	(44,486)
Other income	5,995	7,216	2,733	3,901
Other expenses	(4,399)	(3,125)	(1,375)	(274)
Income tax (paid)/received	(13,650)	(8,574)	(11,245)	(1,296)
Cash flows from operating activities before changes in operating assets and liabilities	68,059	62,914	35,812	39,116
(Increases)/decreases in operating assets	(259,267)	(84,730)	(158,121)	(69,563)
Net (increase)/decrease in trading assets	29,586	24,088	29,586	24,088
Net (increase)/decrease in non-trading financial assets mandatorily at fair value through profit or loss	9,164	3,277	9,473	5,228
Net (increase)/decrease in financial assets measured at fair value through other comprehensive income	(182,013)	(147,096)	(129,511)	(138,209)
Net (increase)/decrease in loans and receivables measured at amortised cost	(115,235)	33,448	(66,926)	39,342
Net (increase)/decrease in other assets	(769)	1,553	(743)	(12)
Increases/(decreases) in operating liabilities	234,128	89,893	227,548	83,416
Net increase/(decrease) in deposits and borrowings measured at amortised cost	234,414	90,085	227,722	83,504
Net increase/(decrease) in other liabilities	(286)	(192)	(174)	(88)
Net cash from operating activities	42,920	68,077	105,239	52,969
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts from investing activities	85,353	146,234	81,333	90,282
Proceeds from sale of property and equipment	789	60	4	2
Proceeds from disposals of subsidiaries and associates	5	18,671	3,329	9,921
Proceeds from disposals of debt securities measured at amortised cost	84,559	127,446	78,000	80,302
Proceeds from sale of non-current assets held for sale	-	57	-	57
Payments from investing activities	(149,090)	(71,271)	(126,760)	(15,320)
Purchase of property and equipment	(6,268)	(5,485)	(3,637)	(3,873)
Purchase of intangible assets	(2,528)	(3,418)	(1,836)	(3,119)
Purchase of debt securities measured at amortised cost	(140,294)	(62,368)	(121,287)	(8,328)
Net cash from investing activities	(63,737)	74,963	(45,427)	74,962
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments from financing activities	(1)	(14)	-	-
Dividends paid	(1)	(14)	-	-
Net cash from financing activities	(1)	(14)	-	-
Effects of exchange rate changes on cash and cash equivalents	812	(2,676)	909	(3,211)
Net increase/(decrease) in cash and cash equivalents	(20,818)	143,026	59,812	127,931
Cash and cash equivalents at beginning of period	1,729,093	1,475,714	824,337	662,419
Cash and cash equivalents at end of period	1,709,087	1,616,064	885,058	787,139

in EUR thousands

	Notes	NLB Group		NLB	
		31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
		unaudited	audited	unaudited	audited
Cash and cash equivalents comprise:					
Cash, cash balances at central banks, and other demand deposits at banks	5.1.	1,589,478	1,588,819	877,679	795,190
Loans and advances to banks with original maturity up to 3 months		50,761	72,170	7,379	29,147
Financial assets measured at fair value through other comprehensive income with original maturity up to 3 months		68,848	68,104	-	-
Total		1,709,087	1,729,093	885,058	824,337

Notes to the condensed interim financial statements

1. General information

Nova Ljubljanska banka d.d. Ljubljana (hereinafter: 'NLB') is a joint-stock entity providing universal banking services. NLB Group consists of NLB and its subsidiaries located in nine countries. Information on NLB Group's structure is disclosed in note 8. Information on other related party relationships of NLB Group is provided in note 6.

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

As at 31 March 2019 and as at 31 December 2018 the largest shareholder of NLB with significant influence is the Republic of Slovenia, owning 35.00% of the shares.

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

2. Summary of significant accounting policies

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 "Interim financial reporting" and should be read in conjunction with the annual financial statements of NLB Group and NLB for the year ended 31 December 2018, which have been prepared in accordance with the International Financial Reporting Standards (hereinafter: 'IFRS') as adopted by the EU.

2.2 Accounting policies

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

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

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

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

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

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

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

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

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

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

3. Changes in NLB Group

Three months ended 31 March 2019

Capital changes:

- In January 2019, decrease of share capital in the amount of EUR 3,250 thousand was registered in NLB Leasing Sarajevo. From March 2019 the company is formally in liquidation.

Other changes:

- In January 2019, REAM d.o.o., Belgrade merged with SR-RE d.o.o., Belgrade.
- From 1 January 2019 NLB Srbija d.o.o., Belgrade and NLB Crna Gora d.o.o., Podgorica were transferred from core to non-core members.

Changes in 2018

Capital changes:

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

Other changes:

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

4. Notes to the condensed income statement

4.1. Interest income and expenses

in EUR thousands

	NLB Group			NLB		
	three months ended			three months ended		
	March 2019	March 2018	change	March 2019	March 2018	change
Interest and similar income						
Interest income, using the effective interest method	88,718	85,271	4%	43,652	42,376	3%
Loans and advances to customers at amortised cost	77,065	73,685	5%	35,309	33,880	4%
Securities measured at amortised cost	5,893	5,722	3%	4,593	4,709	-2%
Financial assets measured at fair value through other comprehensive income	5,125	5,051	1%	3,120	3,071	2%
Loans and advances to banks measured at amortised cost	335	536	-38%	473	581	-19%
Deposits with banks and central banks	300	277	8%	157	135	16%
Interest income, not using the effective interest method	1,720	1,598	8%	1,723	1,625	6%
Financial assets held for trading	1,579	1,514	4%	1,579	1,514	4%
Non-trading financial assets mandatorily at fair value through profit or loss	141	84	68%	144	111	30%
Derivatives - hedge accounting	1	1	0%	1	1	0%
Total	90,439	86,870	4%	45,376	44,002	3%
Interest and similar expenses						
Due to customers	5,772	6,555	-12%	1,080	1,642	-34%
Derivatives - hedge accounting	2,080	1,950	7%	2,080	1,950	7%
Financial liabilities held for trading	1,323	1,345	-2%	1,323	1,345	-2%
Borrowings from banks and central banks	367	403	-9%	306	313	-2%
Subordinated liabilities	241	391	-38%	-	-	-
Borrowings from other customers	251	333	-25%	-	-	-
Deposits from banks and central banks	50	57	-12%	84	50	68%
Lease liabilities	94	-	-	7	-	-
Other financial liabilities	911	831	10%	739	709	4%
Total	11,089	11,865	-7%	5,619	6,009	-6%
Net interest income	79,350	75,005	6%	39,757	37,993	5%

4.2. Dividend income

in EUR thousands

	NLB Group			NLB		
	three months ended			three months ended		
	March 2019	March 2018	change	March 2019	March 2018	change
Financial assets measured at fair value through other comprehensive income	5	6	-17%	-	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	74	5	-	74	5	-
Investments in subsidiaries, associates, and joint ventures	-	-	-	4,324	8,530	-49%
Total	79	11	-	4,398	8,535	-48%

4.3. Fee and commission income and expenses

in EUR thousands

	NLB Group			NLB		
	three months ended			three months ended		
	March 2019	March 2018	change	March 2019	March 2018	change
Fee and commission income						
Credit cards and ATMs	15,321	15,305	0%	9,084	9,949	-9%
Payments	12,907	13,380	-4%	6,003	6,824	-12%
Customer transaction accounts	13,657	11,176	22%	10,350	8,374	24%
Investment funds	4,024	4,344	-7%	1,197	1,118	7%
Guarantees	2,759	2,619	5%	1,802	1,690	7%
Investment banking	2,075	2,531	-18%	1,810	2,160	-16%
Agency of insurance products	1,761	1,038	70%	1,451	1,036	40%
Other services	1,338	1,214	10%	952	750	27%
Total	53,842	51,607	4%	32,649	31,901	2%
Fee and commission expenses						
Credit cards and ATMs	10,611	9,080	17%	6,194	5,687	9%
Payments	1,410	1,309	8%	207	199	4%
Investment banking	896	856	5%	563	550	2%
Insurance for holders of personal accounts and golden cards	358	401	-11%	299	356	-16%
Guarantees	43	38	13%	7	25	-72%
Other services	441	591	-25%	159	274	-42%
Total	13,759	12,275	12%	7,429	7,091	5%
Net fee and commission income	40,083	39,332	2%	25,220	24,810	2%

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

in EUR thousands

	NLB Group		NLB	
	three months ended		three months ended	
	March 2019	March 2018	March 2019	March 2018
Financial assets measured at fair value through other comprehensive income	2,567	155	2,567	155
Financial assets measured at amortised cost	-	(3)	-	(3)
Financial liabilities measured at amortised cost	-	254	-	-
Total	2,567	406	2,567	152

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

in EUR thousands

	NLB Group		NLB	
	three months ended		three months ended	
	March 2019	March 2018	March 2019	March 2018
Foreign exchange trading	2,446	2,231	972	713
Derivatives	(102)	(376)	(163)	(310)
Debt instruments	307	(269)	307	(269)
Total	2,651	1,586	1,116	134

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

in EUR thousands

	NLB Group		NLB	
	three months ended		three months ended	
	March 2019	March 2018	March 2019	March 2018
Equity securities	627	(112)	314	5
Debt securities	(13)	-	-	-
Loans and advances to customers	6,593	732	6,136	950
Total	7,207	620	6,450	955

4.7. Other operating income

in EUR thousands

	NLB Group			NLB		
	three months ended			three months ended		
	March 2019	March 2018	change	March 2019	March 2018	change
Income from non-banking services	1,622	2,572	-37%	1,305	1,314	-1%
Rental income from investment property	1,220	928	31%	103	106	-3%
Other operating income	2,591	816	-	790	295	168%
Total	5,433	4,316	26%	2,198	1,715	28%

4.8. Other operating expenses

in EUR thousands

	NLB Group			NLB		
	three months ended			three months ended		
	March 2019	March 2018	change	March 2019	March 2018	change
Deposit guarantee	2,187	1,960	12%	-	-	-
Other taxes and compulsory public levies	542	830	-35%	169	168	1%
Membership fees and similar fees	186	198	-6%	79	79	0%
Revaluation of investment property to fair value	15	92	-84%	-	45	-
Other operating expenses	930	617	51%	342	331	3%
Total	3,860	3,697	4%	590	623	-5%

4.9. Administrative expenses

in EUR thousands

	NLB Group			NLB		
	three months ended			three months ended		
	March 2019	March 2018	change	March 2019	March 2018	change
Employee costs	40,058	40,288	-1%	24,980	25,172	-1%
Other general and administrative expenses	21,198	22,316	-5%	12,671	13,127	-3%
Total	61,256	62,604	-2%	37,651	38,299	-2%

4.10. Provisions for other liabilities and charges

in EUR thousands

	NLB Group			NLB		
	three months ended			three months ended		
	March 2019	March 2018	change	March 2019	March 2018	change
Guarantees and commitments (note 5.6.c)	(905)	(2,248)		(643)	623	
Provisions for legal issues	2,987	79		-	-	
Provisions for restructuring	-	(6)		-	-	
Total	2,082	(2,175)		(643)	623	

4.11. Impairment charge

in EUR thousands

	NLB Group		NLB	
	three months ended		three months ended	
	March 2019	March 2018	March 2019	March 2018
Impairment of financial assets				
Cash balances at central banks, and other demand deposits at banks	(27)	52	9	12
Loans and advances to banks measured at amortised cost (note 5.6.a)	17	55	1	(60)
Loans and advances to customers measured at amortised cost (note 5.6.a)	(3,721)	(4,175)	(2,688)	1,178
Debt securities measured at fair value through other comprehensive income (note 5.6.b)	796	152	179	166
Debt securities measured at amortised cost (note 5.6.b)	255	189	141	(171)
Other financial assets measured at amortised cost (note 5.6.a)	284	2,715	193	(48)
Impairment of investments in subsidiaries, associates, and joint ventures				
Investments in subsidiaries	-	-	(3,329)	-
Impairment of other assets				
Other assets	939	379	-	-
Total	(1,457)	(633)	(5,494)	1,077

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

in EUR thousands

	NLB Group		NLB	
	three months ended		three months ended	
	March 2019	March 2018	March 2019	March 2018
Gains less losses on derecognition of subsidiaries	(104)	12,178	-	8,840
Gains less losses on derecognition of associates	(1)	-	(1)	-
Gains less losses from property and equipment	(3)	20	-	20
Total	(108)	12,198	(1)	8,860

4.13. Income tax

in EUR thousands

	NLB Group			NLB		
	three months ended			three months ended		
	March 2019	March 2018	change	March 2019	March 2018	change
Current income tax	4,403	4,921	-11%	2,067	1,563	32%
Deferred tax (note 5.9.)	1,031	(664)	-	1,027	4	-
Total	5,434	4,257	28%	3,094	1,567	97%

5. Notes to the condensed statement of financial position

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

in EUR thousands

	NLB Group			NLB		
	31 Mar 2019	31 Dec 2018	Change	31 Mar 2019	31 Dec 2018	Change
	Balances and obligatory reserves with central banks	1,132,986	1,075,378	5%	666,405	575,088
Cash	265,358	312,748	-15%	128,885	153,315	-16%
Demand deposits at banks	191,134	200,693	-5%	82,389	66,787	23%
	1,589,478	1,588,819	0%	877,679	795,190	10%
Allowance for impairment	(439)	(470)	7%	(97)	(88)	-10%
Total	1,589,039	1,588,349	0%	877,582	795,102	10%

5.2. Financial instruments held for trading

a) Trading assets

in EUR thousands

	NLB Group			NLB		
	31 Mar 2019	31 Dec 2018	Change	31 Mar 2019	31 Dec 2018	Change
Derivatives, excluding hedging instruments						
Swap contracts	17,776	13,561	31%	17,776	13,563	31%
Forward contracts	556	937	-41%	548	937	-42%
Options	814	414	97%	814	414	97%
Total derivatives	19,146	14,912	28%	19,138	14,914	28%
Securities						
Treasury bills	10,005	30,038	-67%	10,005	30,038	-67%
Bonds	9,201	18,659	-51%	9,201	18,659	-51%
Total securities	19,206	48,697	-61%	19,206	48,697	-61%
Total	38,352	63,609	-40%	38,344	63,611	-40%

b) Trading liabilities

in EUR thousands

	NLB Group			NLB		
	31 Mar 2019	31 Dec 2018	Change	31 Mar 2019	31 Dec 2018	Change
Derivatives, excluding hedging instruments						
Swap contracts	16,099	11,343	42%	16,248	11,302	44%
Forward contracts	512	871	-41%	512	868	-41%
Options	38	86	-56%	38	86	-56%
Total	16,649	12,300	35%	16,798	12,256	37%

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

Financial instruments mandatorily at fair value through profit or loss

in EUR thousands

	NLB Group			NLB		
	31 Mar 2019	31 Dec 2018	Change	31 Mar 2019	31 Dec 2018	Change
Assets						
Equity securities	2,825	2,513	12%	2,825	2,513	12%
Investments funds	4,379	4,067	8%	34	34	0%
Debt securities	2,013	2,009	0%	-	-	-
Loans and advances to companies	20,769	23,800	-13%	23,087	26,594	-13%
Total	29,986	32,389	-7%	25,946	29,141	-11%
Liabilities						
Loans and advances to companies	4,002	4,190	-4%	3,862	3,981	-3%

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

in EUR thousands

	NLB Group			NLB		
	31 Mar 2019	31 Dec 2018	Change	31 Mar 2019	31 Dec 2018	Change
Bonds	1,665,594	1,648,863	1%	1,405,992	1,433,476	-2%
Commercial bills	126,787	100,757	26%	-	-	-
Treasury bills	242,979	99,398	144%	211,443	50,106	-
National Resolution Fund	44,657	44,484	0%	44,657	44,484	0%
Shares	4,682	4,577	2%	248	248	0%
Total	2,084,699	1,898,079	10%	1,662,340	1,528,314	9%
Allowance for impairment (note 5.6.b)	(5,263)	(4,470)	-18%	(2,519)	(2,339)	-8%

5.5. Financial assets measured at amortised cost

Analysis by type

in EUR thousands

	NLB Group			NLB		
	31 Mar 2019	31 Dec 2018	Change	31 Mar 2019	31 Dec 2018	Change
Debt securities	1,475,729	1,428,962	3%	1,309,968	1,274,978	3%
Loans and advances to banks	108,863	118,696	-8%	93,952	110,297	-15%
Loans and advances to customers	7,243,540	7,124,633	2%	4,508,230	4,451,477	1%
Other financial assets	61,726	75,171	-18%	52,845	42,741	24%
Total	8,889,858	8,747,462	2%	5,964,995	5,879,493	1%

a) Debt securities

in EUR thousands

	NLB Group			NLB		
	31 Mar 2019	31 Dec 2018	Change	31 Mar 2019	31 Dec 2018	Change
Government	1,154,988	1,138,415	1%	987,540	982,856	0%
Companies	83,168	81,990	1%	83,168	81,990	1%
Banks	209,848	183,715	14%	209,848	183,715	14%
Other	30,876	27,740	11%	30,876	27,740	11%
	1,478,880	1,431,860	3%	1,311,432	1,276,301	3%
Allowance for impairment (note 5.6.a)	(3,151)	(2,898)	-9%	(1,464)	(1,323)	-11%
Total	1,475,729	1,428,962	3%	1,309,968	1,274,978	3%

b) Loans and advances to banks

in EUR thousands

	NLB Group			NLB		
	31 Mar 2019	31 Dec 2018	Change	31 Mar 2019	31 Dec 2018	Change
Time deposits	106,375	116,450	-9%	52,356	69,639	-25%
Purchased receivables	1,261	662	90%	1,261	662	90%
Loans	1,370	1,710	-20%	40,413	40,073	1%
	109,006	118,822	-8%	94,030	110,374	-15%
Allowance for impairment (note 5.6.a)	(143)	(126)	-13%	(78)	(77)	-1%
Total	108,863	118,696	-8%	93,952	110,297	-15%

c) Loans and advances to customers

in EUR thousands

	NLB Group			NLB		
	31 Mar 2019	31 Dec 2018	Change	31 Mar 2019	31 Dec 2018	Change
Loans	7,140,678	7,051,289	1%	4,443,521	4,408,703	1%
Overdrafts	336,243	311,366	8%	186,772	178,590	5%
Finance lease receivables	76,877	86,842	-11%	-	-	-
Credit card business	117,494	120,611	-3%	57,362	60,130	-5%
Called guarantees	7,879	8,092	-3%	6,407	6,613	-3%
	7,679,171	7,578,200	1%	4,694,062	4,654,036	1%
Allowance for impairment (note 5.6.a)	(435,631)	(453,567)	4%	(185,832)	(202,559)	8%
Total	7,243,540	7,124,633	2%	4,508,230	4,451,477	1%

d) Other financial assets

in EUR thousands

	NLB Group			NLB		
	31 Mar 2019	31 Dec 2018	Change	31 Mar 2019	31 Dec 2018	Change
Receivables in the course of collection	13,462	19,127	-30%	9,931	16,110	-38%
Credit card receivables	23,566	18,355	28%	20,592	12,705	62%
Debtors	5,520	6,015	-8%	282	820	-66%
Fees and commissions	4,800	5,591	-14%	2,566	4,013	-36%
Receivables to brokerage firms and others for the sale of securities and custody services	9,464	615	-	9,458	610	-
Prepayments	2,204	5,131	-57%	-	-	-
Accrued income	1,642	230	-	2,107	238	-
Dividends	44	44	0%	4,369	44	-
Other financial assets	9,073	28,259	-68%	5,359	10,089	-47%
	69,775	83,367	-16%	54,664	44,629	22%
Allowance for impairment (note 5.6.a)	(8,049)	(8,196)	2%	(1,819)	(1,888)	4%
Total	61,726	75,171	-18%	52,845	42,741	24%

5.6. Movements in allowance for the impairment and provisions

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

in EUR thousands

	NLB Group						
	Banks		Customers		Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2019	126	41,452	35,537	376,578	182	58	7,956
Exchange differences on opening balance	-	(24)	(17)	22	1	(1)	(3)
Transfers	-	6,188	(5,214)	(974)	11	(5)	(6)
Impairment (note 4.11.)	17	(3,186)	3,973	(1,513)	(1)	(5)	324
Write-offs	-	-	(1)	(17,671)	-	-	(462)
Exchange differences	-	7	2	472	-	-	-
Balance as at 31 Mar 2019	143	44,437	34,280	356,914	193	47	7,809
Repayment of write-offs (note 4.11.)	-	-	-	2,995	-	-	34

in EUR thousands

	NLB Group						
	Banks		Customers		Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2018	713	34,618	34,203	481,070	171	25	10,672
Exchange differences on opening balance	-	43	37	112	-	-	-
Transfers	-	4,927	(4,593)	(334)	-	-	-
Impairment (note 4.11.)	55	(5,915)	5,895	957	140	7	2,638
Write-offs	-	(25)	(1)	(13,642)	-	-	(2,763)
Exchange differences	-	-	-	74	-	-	-
Balance as at 31 Mar 2018	768	33,648	35,541	468,237	311	32	10,547
Repayment of write-offs (note 4.11.)	-	-	-	5,112	-	-	70

in EUR thousands

	NLB						
	Banks		Customers		Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2019	77	16,789	12,660	173,110	27	6	1,855
Transfers	-	888	(388)	(500)	-	-	-
Impairment (note 4.11.)	1	(194)	(661)	301	69	(5)	133
Write-offs	-	-	(1)	(16,180)	-	-	(266)
Exchange differences	-	6	-	2	-	-	-
Balance as at 31 Mar 2019	78	17,489	11,610	156,733	96	1	1,722
Repayment of write-offs (note 4.11.)	-	-	-	2,134	-	-	4

in EUR thousands

	NLB						
	Banks		Customers		Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2018	492	15,812	6,316	230,330	24	5	2,637
Transfers	-	1,139	(878)	(261)	-	-	-
Impairment (note 4.11.)	(60)	(1,375)	2,515	1,980	73	-	(51)
Write-offs	-	(25)	(1)	(3,532)	-	-	(150)
Exchange differences	-	-	-	(11)	-	-	-
Balance as at 31 Mar 2018	432	15,551	7,952	228,506	97	5	2,436
Repayment of write-offs (note 4.11.)	-	-	-	1,942	-	-	70

b) Movements in allowance for the impairment of debt securities

in EUR thousands

	NLB Group			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
		12-month	12-month	Lifetime ECL
		expected credit losses	expected credit losses	not credit-impaired
Balance as at 1 Jan 2019	2,898	3,597	75	798
Exchange differences on opening balance	(2)	(4)	-	-
Transfers	-	(7)	7	-
Impairment (note 4.11.)	255	776	20	-
Exchange differences	-	1	-	-
Balance as at 31 Mar 2019	3,151	4,363	102	798

in EUR thousands

	NLB Group			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
		12-month	12-month	Lifetime ECL
		expected credit losses	expected credit losses	not credit-impaired
Balance as at 1 Jan 2018	2,169	3,689	-	798
Exchange differences on opening balance	(4)	7	-	-
Impairment (note 4.11.)	189	152	-	-
Balance as at 31 Mar 2018	2,354	3,848	-	798

in EUR thousands

	NLB			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
		12-month	12-month	Lifetime ECL
		expected credit losses	expected credit losses	not credit-impaired
Balance as at 1 Jan 2019	1,323	1,541	-	798
Impairment (note 4.11.)	141	179	-	-
Exchange differences	-	1	-	-
Balance as at 31 Mar 2019	1,464	1,721	-	798

in EUR thousands

	NLB			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
		12-month	12-month	Lifetime ECL
		expected credit losses	expected credit losses	not credit-impaired
Balance as at 1 Jan 2018	1,298	1,392	-	798
Impairment (note 4.11.)	(171)	166	-	-
Balance as at 31 Mar 2018	1,127	1,558	-	798

c) Movements in provisions for commitments and guarantees

in EUR thousands

	NLB Group		
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2019	9,044	3,264	26,774
Exchange differences on opening balance	(6)	(2)	(4)
Transfers	412	(282)	(130)
Impairment (note 4.10.)	(36)	(129)	(740)
Balance as at 31 Mar 2019	9,414	2,851	25,900

in EUR thousands

	NLB Group		
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2018	6,928	4,833	30,504
Exchange differences on opening balance	(31)	(12)	-
Transfers	1,250	(1,117)	(133)
Impairment (note 4.10.)	(1,284)	36	(1,000)
Exchange differences	-	-	(2)
Balance as at 31 Mar 2018	6,863	3,740	29,369

in EUR thousands

	NLB		
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2019	4,071	821	24,624
Transfers	89	(44)	(45)
Impairment (note 4.10.)	288	(233)	(698)
Balance as at 31 Mar 2019	4,448	544	23,881

in EUR thousands

	NLB		
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2018	2,946	450	27,276
Transfers	46	15	(61)
Impairment (note 4.10.)	135	132	356
Exchange differences	-	-	(2)
Balance as at 31 Mar 2018	3,127	597	27,569

5.7. Investment property

in EUR thousands

	NLB Group			NLB		
	31 Mar 2019	31 Dec 2018	Change	31 Mar 2019	31 Dec 2018	Change
Buildings	53,336	53,275	0%	11,326	11,326	0%
Land	5,020	5,369	-7%	700	700	0%
Total	58,356	58,644	0%	12,026	12,026	0%

5.8. Other assets

in EUR thousands

	NLB Group			NLB		
	31 Mar 2019	31 Dec 2018	Change	31 Mar 2019	31 Dec 2018	Change
Assets, received as collateral	59,809	60,173	-1%	5,765	5,815	-1%
Inventories	2,823	3,346	-16%	378	378	0%
Deferred expenses	9,393	5,247	79%	7,042	3,862	82%
Prepayments	1,040	784	33%	241	182	32%
Claim for taxes and other dues	1,212	1,421	-15%	266	400	-34%
Total	74,277	70,971	5%	13,692	10,637	29%

5.9. Deferred tax

in EUR thousands

	NLB Group		NLB	
	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
Deferred income tax assets				
Valuation of financial instruments and capital investments	25,849	25,834	25,812	25,747
Impairment provisions	967	905	757	697
Employee benefit provisions	3,603	3,671	2,825	2,915
Depreciation and valuation of non-financial assets	1,623	1,627	156	157
Total deferred income tax assets	32,042	32,037	29,550	29,516
Deferred income tax liabilities				
Valuation of financial instruments	9,425	7,205	8,750	6,606
Depreciation and valuation of non-financial assets	1,213	1,179	231	232
Impairment provisions	3,318	3,305	479	444
Total deferred income tax liabilities	13,956	11,689	9,460	7,282
Net deferred income tax assets	20,687	22,847	20,090	22,234
Net deferred income tax liabilities	(2,601)	(2,499)	-	-

in EUR thousands

	NLB Group		NLB	
	three months ended		three months ended	
	March 2019	March 2018	March 2019	March 2018
Included in the income statement for the current year	(1,031)	664	(1,027)	(4)
- valuation of financial instruments and capital investments	(1,010)	68	(997)	70
- impairment provisions	85	330	60	-
- employee benefit provisions	(68)	(54)	(90)	(73)
- depreciation and valuation of non-financial assets	(38)	320	-	(1)
Included in other comprehensive income for the current year	(1,236)	297	(1,117)	516
- valuation and impairment of financial assets measured at fair value through other comprehensive income	(1,236)	297	(1,117)	516

As at 31 March 2019, NLB recognised EUR 29,550 thousand deferred tax assets (31 December 2018: EUR 29,516 thousand). Unrecognised deferred tax assets amount to EUR 259,741 thousand (31 December 2018: EUR 262,081 thousand) of which EUR 187,210 thousand (31 December 2018: EUR 189,491 thousand) relates to unrecognised deferred tax assets from tax loss, and EUR 72,531 thousand (31 December 2018: EUR 72,590 thousand) to unrecognised deferred tax assets from impairments of non-strategic capital investments.

5.10. Financial liabilities measured at amortised cost

Analysis by type of financial liabilities, measured at amortised cost

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2019	31 Dec 2018	Change	31 Mar 2019	31 Dec 2018	Change
Deposits from banks and central banks	24,648	26,775	-8%	65,955	48,903	35%
- Deposits on demand	23,061	23,191	-1%	65,291	41,949	56%
- Other deposits	1,587	3,584	-56%	664	6,954	-90%
Borrowings from banks and central banks	256,733	258,423	-1%	244,001	244,133	0%
Due to customers	10,675,801	10,464,017	2%	7,217,620	7,033,409	3%
- Deposits on demand	8,391,552	8,281,230	1%	6,151,309	6,084,776	1%
- Other deposits	2,284,249	2,182,787	5%	1,066,311	948,633	12%
Borrowings from other customers	60,619	61,844	-2%	3,721	4,128	-10%
Subordinated liabilities	15,280	15,050	2%	-	-	-
Other financial liabilities	145,003	100,887	44%	88,394	62,212	42%
Total	11,178,084	10,926,996	2%	7,619,691	7,392,785	3%

a) Borrowings

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2019	31 Dec 2018	Change	31 Mar 2019	31 Dec 2018	Change
Loans						
- banks and central banks	256,733	258,423	-1%	244,001	244,133	0%
- other customers	60,619	61,844	-2%	3,721	4,128	-10%
Total	317,352	320,267	0%	247,722	248,261	0%

b) Subordinated liabilities

NLB Group	Currency	Due date	Interest rate	in EUR thousands			
				31 Mar 2019		31 Dec 2018	
				Carrying amount	Nominal value	Carrying amount	Nominal value
Subordinated loans	EUR	30.6.2020	6-month EURIBOR + 7.7% p. a.	5,198	5,000	5,110	5,000
	EUR	26.6.2025	6-month EURIBOR + 6.25% p. a.	10,082	10,000	9,940	10,000
Total				15,280	15,000	15,050	15,000

c) Other financial liabilities

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2019	31 Dec 2018	Change	31 Mar 2019	31 Dec 2018	Change
Items in the course of payment	29,076	20,360	43%	15,717	4,451	-
Debit or credit card payables	33,923	22,567	50%	31,232	20,511	52%
Lease liabilities	19,144	-	-	2,554	-	-
Accrued expenses	15,118	11,988	26%	7,424	4,741	57%
Accrued salaries	11,831	9,510	24%	6,520	6,595	-1%
Liabilities to brokerage firms and others for securities purchase and custody services	10,320	1,383	-	9,468	653	-
Suppliers	6,874	16,404	-58%	5,016	13,191	-62%
Unused annual leave	3,635	3,645	0%	2,389	2,389	0%
Fees and commissions due	100	1,861	-95%	42	1,802	-98%
Other financial liabilities	14,982	13,169	14%	8,032	7,879	2%
Total	145,003	100,887	44%	88,394	62,212	42%

5.11. Provisions

in EUR thousands

	NLB Group			NLB		
	31 Mar 2019	31 Dec 2018	Change	31 Mar 2019	31 Dec 2018	Change
Employee benefit provisions	15,629	15,404	1%	13,320	13,158	1%
Provision for legal issues	15,801	13,076	21%	2,062	2,180	-5%
Restructuring provisions	11,274	12,363	-9%	10,857	11,942	-9%
Provisions for commitments and guarantees	38,165	39,082	-2%	28,873	29,516	-2%
Stage 1	9,414	9,044	4%	4,448	4,071	9%
Stage 2	2,851	3,264	-13%	544	821	-34%
Stage 3	25,900	26,774	-3%	23,881	24,624	-3%
Other provisions	200	209	-4%	189	198	-5%
Total	81,069	80,134	1%	55,301	56,994	-3%

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

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

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

Regardless of the negative judgement, in the financial statements NLB Group did not recognise negative impact due to protection provided by the ZVKNNLB.

5.12. Income tax relating to components of other comprehensive income

in EUR thousands

	NLB Group					
	31 Mar 2019			31 Mar 2018		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Financial assets measured at fair value through other comprehensive income	6,810	(1,236)	5,574	(775)	297	(478)
Share of associates and joint ventures	5,754	(1,093)	4,661	(1,809)	339	(1,470)
Total	12,564	(2,329)	10,235	(2,584)	636	(1,948)

in EUR thousands

	NLB					
	31 Mar 2019			31 Mar 2018		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Financial assets measured at fair value through other comprehensive income	5,877	(1,117)	4,760	(2,718)	516	(2,202)
Total	5,877	(1,117)	4,760	(2,718)	516	(2,202)

5.13. Other liabilities

in EUR thousands

	NLB Group			NLB		
	31 Mar 2019	31 Dec 2018	Change	31 Mar 2019	31 Dec 2018	Change
	Taxes payable	3,352	4,210	-20%	2,386	3,185
Deferred income	8,951	8,269	8%	5,663	5,698	-1%
Payments received in advance	927	2,361	-61%	379	660	-43%
Total	13,230	14,840	-11%	8,428	9,543	-12%

5.14. Capital adequacy ratio

in EUR thousands

	NLB Group		NLB	
	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
Paid-up capital instruments	200,000	200,000	200,000	200,000
Share premium	871,378	871,378	871,378	871,378
Retained earnings - from previous years	401,857	293,026	132,527	29,192
Profit or loss eligible - from current year	-	108,829	-	103,335
Accumulated other comprehensive income	8,650	3,598	20,599	15,839
Other reserves	13,522	13,522	13,522	13,522
Prudential filters: Value adjustments due to the requirements for prudent valuation	(2,145)	(1,983)	(1,720)	(1,607)
(-) Goodwill	(3,529)	(3,529)	-	-
(-) Other intangible assets	(29,655)	(31,439)	(22,137)	(23,391)
COMMON EQUITY TIER 1 CAPITAL (CET1)	1,460,078	1,453,402	1,214,169	1,208,268
Additional Tier 1 capital	-	-	-	-
TIER 1 CAPITAL	1,460,078	1,453,402	1,214,169	1,208,268
Tier 2 capital	-	-	-	-
TOTAL CAPITAL (OWN FUNDS)	1,460,078	1,453,402	1,214,169	1,208,268
RWA for credit risk	7,284,927	7,179,678	4,200,082	4,150,987
RWA for market risks	580,550	541,901	272,776	273,476
RWA for credit valuation adjustment risk	4,488	2,563	4,488	2,563
RWA for operational risk	941,594	953,482	605,581	596,586
TOTAL RISK EXPOSURE AMOUNT (RWA)	8,811,559	8,677,624	5,082,927	5,023,612
Common Equity Tier 1 Ratio	16.6%	16.7%	23.9%	24.1%
Tier 1 Ratio	16.6%	16.7%	23.9%	24.1%
Total Capital Ratio	16.6%	16.7%	23.9%	24.1%

As at 31 March 2019, the capital ratios for NLB Group stood at 16.6% (or 0.1 p.p. lower than at the end of 2018), and for NLB at 23.9% (or 0.2 p.p. lower than at the end of 2018). The lower capital adequacy derives from higher RWA (EUR 133.9 million for NLB Group). RWA for credit risk increased by EUR 105.2 million, of which on corporate and retail segment EUR 95.3 million due to loan growth. The increase in RWA for market risks and CVA (Credit value adjustments) (EUR 40.6 million) is mainly the result of more open positions in domestic currencies of non-euro subsidiary banks. The decrease in the RWA for operational risks (EUR 11.9 million) arises from the lower three-year average of income, which represents the basis for the calculation. In 2019 the capital increased by EUR 6.7 million, mainly due to higher Other comprehensive income (EUR 5.1 million) and lower Intangible assets (EUR 1.8 million, as deduction item).

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

5.15. Book value per share

	NLB Group		NLB	
	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
Total equity attributable to owners of the parents (in EUR thousand)	1,683,823	1,616,216	1,342,200	1,295,230
Number of shares	20,000	20,000	20,000	20,000
Book value per share (in EUR)	84.2	80.8	67.1	64.8

Book value per share is calculated as the ratio of net assets' book value without other equity instruments issued and the number of shares. NLB Group and NLB do not have any other equity instruments issued or treasury shares.

5.16. Off-balance sheet liabilities

	NLB Group			NLB		
	31 Mar 2019	31 Dec 2018	Change	31 Mar 2019	31 Dec 2018	Change
Commitments to extend credit	1,151,956	1,207,642	-5%	885,897	945,856	-6%
Non-financial guarantees	453,920	451,528	1%	347,614	345,536	1%
Financial guarantees	332,824	357,778	-7%	198,002	227,790	-13%
Letters of credit	19,835	18,155	9%	4,417	5,302	-17%
Other	3,296	10,415	-68%	10,052	5,200	93%
	1,961,831	2,045,518	-4%	1,445,982	1,529,684	-5%
Provisions (note 5.11.)	(38,165)	(39,082)	2%	(28,873)	(29,516)	2%
Total	1,923,666	2,006,436	-4%	1,417,109	1,500,168	-6%

in EUR thousands

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

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

31 Mar 2019	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Financial instruments held for trading	19,206	18,370	776	38,352	19,206	18,362	776	38,344
<i>Debt instruments</i>	19,206	-	-	19,206	19,206	-	-	19,206
<i>Derivatives</i>	-	18,370	776	19,146	-	18,362	776	19,138
Financial assets measured at fair value through other comprehensive income	1,812,672	268,054	3,973	2,084,699	1,609,390	52,702	248	1,662,340
<i>Debt instruments</i>	1,812,510	222,850	-	2,035,360	1,609,390	8,045	-	1,617,435
<i>Equity instruments</i>	162	45,204	3,973	49,339	-	44,657	248	44,905
Non-trading financial assets mandatorily at fair value through profit or loss	6,925	-	23,061	29,986	567	-	25,379	25,946
<i>Debt instruments</i>	2,013	-	-	2,013	-	-	-	-
<i>Equity instruments</i>	4,912	-	2,292	7,204	567	-	2,292	2,859
<i>Loans</i>	-	-	20,769	20,769	-	-	23,087	23,087
Financial liabilities								
Financial instruments held for trading	-	16,649	-	16,649	-	16,798	-	16,798
<i>Derivatives</i>	-	16,649	-	16,649	-	16,798	-	16,798
Derivatives - hedge accounting	-	40,330	-	40,330	-	40,330	-	40,330
Financial liabilities measured at fair value through profit or loss	-	-	4,002	4,002	-	-	3,862	3,862
Non-financial assets								
Investment properties	-	58,356	-	58,356	-	12,026	-	12,026
Non-current assets classified as held for sale	-	3,951	-	3,951	-	1,720	-	1,720

in EUR thousands

in EUR thousands

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

For the three months ended 31 March 2019 and 31 March 2018, NLB Group nor NLB had any significant transfers of financial instruments between levels of valuation.

b) Movements of financial assets and liabilities on Level 3

in EUR thousands

NLB Group	Financial instruments held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets		Loans and other financial liabilities
Balance as at 1 Jan 2019	329	3,960	1,923	23,800	30,012	4,190
Effects of translation of foreign operations to presentation currency	-	13	-	2	15	(1)
Valuation:						
- through profit or loss	447	-	387	6,398	7,232	(195)
Exchange differences	-	-	-	-	-	8
Increases	-	-	-	4,212	4,212	-
Decreases	-	-	(18)	(13,643)	(13,661)	-
Balance as at 31 Mar 2019	776	3,973	2,292	20,769	27,810	4,002

in EUR thousands

NLB Group	Financial instruments held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets		Loans and other financial liabilities
Balance as at 1 Jan 2018	571	3,853	1,578	24,649	30,651	5,180
Effects of translation of foreign operations to presentation currency	-	(22)	-	-	(22)	-
Valuation:						
- through profit or loss	(290)	-	32	97	(161)	(635)
- recognised in other comprehensive income	-	8	-	-	8	-
Exchange differences	-	-	-	-	-	(12)
Increases	-	-	-	3,226	3,226	-
Decreases	-	-	-	(6,428)	(6,428)	-
Balance as at 31 Mar 2018	281	3,839	1,610	21,544	27,274	4,533

in EUR thousands

NLB	Financial instruments held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets		Loans and other financial liabilities
Balance as at 1 Jan 2019	329	248	1,923	26,594	29,094	3,981
Valuation:						
- through profit or loss	447	-	387	6,008	6,842	(127)
Exchange differences	-	-	-	-	-	8
Increases	-	-	-	4,106	4,106	-
Decreases	-	-	(18)	(13,621)	(13,639)	-
Balance as at 31 Mar 2019	776	248	2,292	23,087	26,403	3,862

in EUR thousands

NLB	Financial instruments held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets		Loans and other financial liabilities
Balance as at 1 Jan 2018	571	275	1,578	30,055	32,479	4,531
Valuation:						
- through profit or loss	(290)	-	32	847	589	(102)
Exchange differences	-	-	-	-	-	(12)
Increases	-	-	-	2,409	2,409	-
Decreases	-	-	-	(7,597)	(7,597)	-
Balance as at 31 Mar 2018	281	275	1,610	25,714	27,880	4,417

In three months ended 31 March 2019 and 2018, NLB Group and NLB recognised the following unrealised gains or losses for financial instruments that were at Level 3 as at 31 March 2019 and as at 31 March 2018:

in EUR thousands

31 Mar 2019	NLB Group			NLB		
	Financial assets held for trading	Financial assets measured at fair value through other comprehensive income	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets held for trading	Financial assets measured at fair value through other comprehensive income	Non-trading financial assets mandatorily at fair value through profit or loss
Items of Income statement						
Gains less losses from financial assets and liabilities held for trading	447	-	-	447	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	6,979	-	-	6,521
Foreign exchange translation gains less losses	-	-	(8)	-	-	(8)

in EUR thousands

31 Mar 2018	NLB Group			NLB		
	Financial assets held for trading	Financial assets measured at fair value through other comprehensive income	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets held for trading	Financial assets measured at fair value through other comprehensive income	Non-trading financial assets mandatorily at fair value through profit or loss
Items of Income statement						
Gains less losses from financial assets and liabilities held for trading	(290)	-	-	(290)	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	764	-	-	981
Foreign exchange translation gains less losses	-	-	12	-	-	12
Item of Other comprehensive income						
Financial assets measured at fair value through other comprehensive income	-	8	-	-	-	-

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

in EUR thousands

	NLB Group				NLB			
	31 Mar 2019		31 Dec 2018		31 Mar 2019		31 Dec 2018	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets measured at amortised cost								
- debt securities	1,475,729	1,533,756	1,428,962	1,471,050	1,309,968	1,363,304	1,274,978	1,313,913
- loans and advances to banks	108,863	109,693	118,696	118,973	93,952	107,218	110,297	123,377
- loans and advances to customers	7,243,540	7,343,993	7,124,633	7,186,301	4,508,230	4,569,958	4,451,477	4,472,075
- other financial assets	61,726	61,726	75,171	75,171	52,845	52,845	42,741	42,741
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	24,648	24,667	26,775	26,754	65,955	65,955	48,903	48,901
- borrowings from banks and central banks	256,733	268,924	258,423	268,003	244,001	255,870	244,133	253,376
- due to customers	10,675,801	10,697,929	10,464,017	10,478,309	7,217,620	7,224,700	7,033,409	7,039,583
- borrowings from other customers	60,619	61,508	61,844	62,226	3,721	3,727	4,128	4,135
- subordinated liabilities	15,280	15,491	15,050	15,209	-	-	-	-
- other financial liabilities	145,003	145,003	100,887	100,887	88,394	88,394	62,212	6,212

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

in EUR thousands

31 Mar 2019	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at amortised cost								
- debt securities	1,454,694	79,062	-	1,533,756	1,284,242	79,062	-	1,363,304
- loans to banks	-	109,693	-	109,693	-	107,218	-	107,218
- loans and advances to customers	-	7,343,993	-	7,343,993	-	4,569,958	-	4,569,958
- other financial assets	-	61,726	-	61,726	-	52,845	-	52,845
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	-	24,667	-	24,667	-	65,955	-	65,955
- borrowings from banks and central banks	-	268,924	-	268,924	-	255,870	-	255,870
- due to customers	-	10,697,929	-	10,697,929	-	7,224,700	-	7,224,700
- borrowings from other customers	-	61,508	-	61,508	-	3,727	-	3,727
- subordinated liabilities	-	15,491	-	15,491	-	-	-	-
- other financial liabilities	-	145,003	-	145,003	-	88,394	-	88,394

in EUR thousands

31 Dec 2018	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at amortised cost								
- debt securities	1,392,741	78,309	-	1,471,050	1,235,604	78,309	-	1,313,913
- loans to banks	-	118,973	-	118,973	-	123,377	-	123,377
- loans and advances to customers	-	7,186,301	-	7,186,301	-	4,472,075	-	4,472,075
- other financial assets	-	75,171	-	75,171	-	42,741	-	42,741
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	-	26,754	-	26,754	-	48,901	-	48,901
- borrowings from banks and central banks	-	268,003	-	268,003	-	253,376	-	253,376
- due to customers	-	10,478,309	-	10,478,309	-	7,039,583	-	7,039,583
- borrowings from other customers	-	62,226	-	62,226	-	4,135	-	4,135
- subordinated liabilities	-	15,209	-	15,209	-	-	-	-
- other financial liabilities	-	100,887	-	100,887	-	6,212	-	6,212

6. Related-party transactions

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

in EUR thousands

NLB Group and NLB	Management Board and other Key management personnel		Family members of the Management Board and other key management personnel		Companies in which members of the Management Board, key management personnel, or their family members have control, joint control or a significant influence		Supervisory Board	
	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
Loans and deposits issued	1,951	1,903	339	347	219	231	406	413
Loans and deposits received	1,712	1,732	447	447	137	102	298	341
Other financial assets	1	-	-	-	-	-	-	-
Other financial liabilities	2,552	2,552	-	-	6	6	-	-
Guarantees issued and commitments to extend credit	234	221	74	83	12	59	27	26
	three months ended		three months ended		three months ended		three months ended	
	March 2019	March 2018	March 2019	March 2018	March 2019	March 2018	March 2019	March 2018
Interest income	9	8	2	2	1	1	2	3
Interest expenses	-	(1)	-	-	-	-	-	-
Fee income	3	3	1	-	2	2	-	-
Other income	3	-	-	-	-	-	-	-
Administrative and other operating expenses	(2)	(1)	-	-	(8)	(12)	-	-

Key management compensation – payments in the period

in EUR thousands

	Management Board		Other key management personnel	
	three months ended		three months ended	
	March 2019	March 2018	March 2019	March 2018
NLB Group and NLB				
Short-term benefits	172	167	1,210	1,173
Cost refunds	1	1	19	23
Long-term bonuses - other benefits	1	2	17	17
Total	174	170	1,246	1,213

Short-term benefits include:

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

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

Related-party transactions with subsidiaries, associates and joint ventures

in EUR thousands

	NLB Group			
	Associates		Joint ventures	
	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
Loans and deposits issued	1,149	1,176	1,661	2,981
Loans and deposits received	505	722	8,228	4,424
Other financial assets	1	22	236	347
Other financial liabilities	117	1,131	316	231
Guarantees issued and commitments to extend credit	35	35	26	26
	three months ended		three months ended	
	March 2019	March 2018	March 2019	March 2018
Interest income	9	10	7	11
Interest expenses	-	-	(11)	(8)
Fee income	2	30	984	926
Fee expenses	(2,164)	(1,958)	(594)	(616)
Other income	33	45	34	34
Administrative and other operating expenses	(108)	(166)	(22)	(24)

in EUR thousands

	NLB					
	Subsidiaries		Associates		Joint ventures	
	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
Loans and deposits issued	227,515	244,528	1,149	1,176	1,623	2,940
Loans and deposits received	57,797	40,313	505	722	6,421	2,588
Derivatives						
Fair value	(149)	(25)	-	-	-	-
Contractual amount	9,532	2,121	-	-	-	-
Other financial assets	507	745	1	22	236	347
Other financial liabilities	147	86	68	1,078	208	140
Guarantees issued and commitments to extend credit	31,306	25,413	35	35	26	26
Received loan commitments and financial guarantees	3,362	4,811	-	-	-	-
	three months ended		three months ended		three months ended	
	March 2019	March 2018	March 2019	March 2018	March 2019	March 2018
Interest income	936	1,179	9	10	7	10
Interest expenses	(71)	(35)	-	-	-	-
Fee income	1,342	1,295	2	30	952	897
Fee expenses	(2)	(9)	(1,778)	(1,622)	(299)	(356)
Other income	97	127	33	45	34	34
Administrative and other operating expenses	(50)	(192)	(108)	(101)	(22)	(24)
Gains less losses from financial assets and liabilities held for trading	(141)	(30)	-	-	-	-
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	63	259	-	-	-	-

Related-party transactions with major shareholder with significant influence

in EUR thousands

	NLB Group		NLB	
	Shareholder		Shareholder	
	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
Loans and deposits issued measured at amortised cost	75,845	79,156	73,285	76,374
Investments in securities (banking book)	958,260	871,456	886,293	819,065
Investments in securities (trading book)	10,005	36,807	10,005	36,807
Other financial assets	4,790	648	4,790	648
Other financial liabilities	17	7	17	7
Guarantees issued and commitments to extend credit	1,104	1,153	1,104	1,153
	three months ended		three months ended	
	March	March	March	March
	2019	2018*	2019	2018*
Interest income	4,999	5,810	5,043	5,786
Fee income	44	474	44	476
Fee expenses	(6)	(6)	(6)	(6)
Other income	174	21	174	21
Administrative and other operating expenses	(3)	(5)	(3)	(5)
Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	2,250	86	2,250	86
Gains less losses from financial assets and liabilities held for trading	(37)	193	(37)	193

* As at 31 March 2018 Republic of Slovenia was the ultimate parent

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

in EUR thousands

	Amount of significant transactions concluded during the period		Number of significant transactions concluded during the period	
	1.1. - 31.3.2019	1.1. - 31.12.2018	1.1. - 31.3.2019	1.1. - 31.12.2018
NLB Group and NLB				
Loans	134,256	-	1	-
	Balance of all significant transactions at end of the period		Number of significant transactions at end of the period	
	31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
Loans	535,374	539,116	5	5
Debt securities measured at amortised cost	77,918	76,680	1	1
Borrowings, deposits, and business accounts	204,316	135,063	2	2
	Effects in income statement during the period			
	three months ended			
	March 2019	March 2018		
Interest income from loans	501	1,281		
Effects from net interest income and net valuation from debt securities measured at amortised cost	1,161	(81)		
Interest expense from borrowings, deposits and business accounts	(53)	(63)		

7. Analysis by segment for NLB Group

a) Segments

Three months ended 31 March 2019

in EUR thousands

NLB Group	Corporate and						Unallocated	Total
	Retail banking in Slovenia	Investment banking in Slovenia	Strategic foreign markets	Financial markets in Slovenia	Non-core members	Other activities		
Total net income	43,038	26,289	50,710	8,124	3,805	2,141	-	134,107
Net income from external customers	42,562	27,262	50,866	6,918	4,039	2,126	-	133,772
Intersegment net income	476	(973)	(156)	1,207	(234)	16	-	335
Net interest income	22,994	10,791	38,613	6,008	970	(26)	-	79,350
Net interest income from external customers	22,585	11,501	39,010	4,863	1,432	(42)	-	79,350
Intersegment net interest income	409	(710)	(397)	1,145	(462)	16	-	-
Administrative expenses	(24,024)	(9,200)	(21,978)	(1,556)	(2,734)	(1,951)	-	(61,442)
Depreciation and amortisation	(2,775)	(987)	(3,357)	(149)	(335)	(275)	-	(7,877)
Reportable segment profit/(loss) before impairment and provision charge	16,240	16,102	25,375	6,420	736	(84)	-	64,788
Gains less losses from capital investment in associates and joint ventures	1,130	-	-	-	-	-	-	1,130
Impairment and provisions charge	(1,073)	3,295	(3,202)	(320)	677	(2)	-	(625)
Profit/(loss) before income tax	16,297	19,396	22,173	6,099	1,413	(86)	-	65,293
Owners of the parent	16,297	19,396	20,207	6,099	1,413	(86)	-	63,327
Non-controlling interests	-	-	1,966	-	-	-	-	1,966
Income tax	-	-	-	-	-	-	(5,434)	(5,434)
Profit for the period	-	-	-	-	-	-	-	57,893
31.3.2019								
Reportable segment assets	2,398,447	2,014,001	4,292,689	3,910,607	216,917	190,181	-	13,022,843
Investments in associates and joint ventures	42,937	-	-	-	-	-	-	42,937
Reportable segment liabilities	6,104,758	1,158,281	3,638,555	339,136	8,315	89,727	-	11,338,771

Three months ended 31 March 2018

in EUR thousands

NLB Group	Corporate and						Unallocated	Total
	Retail banking in Slovenia	Investment banking in Slovenia	Strategic foreign markets	Financial markets in Slovenia	Non-core members	Other activities		
Total net income	43,038	26,289	50,710	8,124	3,805	2,141	-	134,107
Net income from external customers	42,562	27,262	50,866	6,918	4,039	2,126	-	133,772
Intersegment net income	476	(973)	(156)	1,207	(234)	16	-	335
Net interest income	22,994	10,791	38,613	6,008	970	(26)	-	79,350
Net interest income from external customers	22,585	11,501	39,010	4,863	1,432	(42)	-	79,350
Intersegment net interest income	409	(710)	(397)	1,145	(462)	16	-	-
Administrative expenses	(24,024)	(9,200)	(21,978)	(1,556)	(2,734)	(1,951)	-	(61,442)
Depreciation and amortisation	(2,775)	(987)	(3,357)	(149)	(335)	(275)	-	(7,877)
Reportable segment profit/(loss) before impairment and provision charge	16,240	16,102	25,375	6,420	736	(84)	-	64,788
Gains less losses from capital investment in associates and joint ventures	1,130	-	-	-	-	-	-	1,130
Impairment and provisions charge	(1,073)	3,295	(3,202)	(320)	677	(2)	-	(625)
Profit/(loss) before income tax	16,297	19,396	22,173	6,099	1,413	(86)	-	65,293
Owners of the parent	16,297	19,396	20,207	6,099	1,413	(86)	-	63,327
Non-controlling interests	-	-	1,966	-	-	-	-	1,966
Income tax	-	-	-	-	-	-	(5,434)	(5,434)
Profit for the period	-	-	-	-	-	-	-	57,893
31.3.2019								
Reportable segment assets	2,398,447	2,014,001	4,292,689	3,910,607	216,917	190,181	-	13,022,843
Investments in associates and joint ventures	42,937	-	-	-	-	-	-	42,937
Reportable segment liabilities	6,104,758	1,158,281	3,638,555	339,136	8,315	89,727	-	11,338,771

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

- Investment banking and custody services shifted from segment Financial markets in Slovenia to segment Corporate and Investment Banking in Slovenia.
- Part of legal entities with the basic treatment was transferred from the segment Corporate and Investment Banking in Slovenia to the segment Retail Banking in Slovenia.
- Since the European Commission commitments regarding the reduction of credit business in specific industries (construction, transport, financial holdings, foreign clients) have ceased to exist, there is no

need for specific monitoring of NLB non-core segment. As a consequence, such clients were transferred to the segment Corporate and Investment Banking in Slovenia from the segment Non-Strategic Markets and Activities, which was renamed to Non-Core Members in 2019.

- The transfer of NLB Srbija in NLB Črna Gora from segment Strategic Foreign Markets to segment Non-Core Members.

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

b) Geographical information

in EUR thousands

	Revenues		Net income		Non-current assets		Total assets	
	three months ended		three months ended		31 Mar 2019	31 Dec 2018	31 Mar 2019	31 Dec 2018
	March 2019	March 2018	March 2019	March 2018				
NLB Group								
Slovenia	81,211	79,330	80,566	78,164	186,057	179,526	8,661,515	8,373,933
South East Europe	62,838	58,905	51,605	52,230	142,025	128,416	4,385,704	4,346,277
Macedonia	20,480	20,610	16,414	20,018	34,049	31,537	1,328,274	1,341,154
Serbia	7,554	6,915	5,956	6,010	26,324	24,086	529,518	511,119
Montenegro	7,468	6,573	6,323	5,184	32,096	28,811	498,387	518,083
Croatia	-	-	77	603	2,029	2,827	16,793	23,945
Bosnia and Herzegovina	17,096	16,193	14,158	13,214	31,570	28,240	1,320,318	1,282,643
Kosovo	10,240	8,614	8,677	7,201	15,957	12,915	692,414	689,333
Western Europe	311	253	1,706	(28)	219	221	18,397	19,641
Germany	2	-	88	(200)	209	209	1,428	1,335
Switzerland	309	253	1,618	172	10	12	16,969	18,306
Czech Republic	-	-	1	(1)	-	-	164	178
Total	144,360	138,488	133,878	130,365	328,301	308,163	13,065,780	12,740,029

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

8. Subsidiaries

NLB Group's subsidiaries as at 31 March 2019 were:

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

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

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

9. Events after the end of the reporting period

On 6 May 2019 the Bank issued 10NC5 subordinated Tier 2 notes in the aggregate nominal amount of EUR 45 million. Detailed information is disclosed in note 5.14.

NLB has disclosed in the Annual Report of NLB Group for the year 2018 certain court proceedings initiated by two Croatian banks against NLB and LB, related to the legacy foreign currency deposits which were deposited with LB Zagreb Branch and were in accordance with the Croatian regulations transferred to Croatian banks. The new development in this respect is disclosed in note 5.11.

