

Interim
Report

Q3
2018

NLB Group Strategic Members' Overview

NLB Group

349

Number of branches

1,826,483

Number of
active clients

158.3

Result after tax
(consolidated, in EUR million)

12,783.7

Total assets
(consolidated, in EUR million)



Slovenia

NLB, Ljubljana

108

Number of branches

9,035.7

Total assets
(in EUR million)

688,431

Number of active clients

23.5%

Market share
by total assets

134.6

Result after tax
(in EUR million)

NLB Skladi, Ljubljana

1,286

Assets under management
(in EUR million)

31.5%

Market share*
(mutual funds)

3.5

Result after tax
(in EUR million)

* Market share of assets under management in mutual funds

NLB Vita, Ljubljana

454.5

Assets of covered funds
without own resources (in
EUR million)

14.8%

Market share*

5.84

Result after tax
(in EUR million)

* Market share in traditional life insurance.



Bosnia and Herzegovina

NLB Banka, Banja Luka

57

Number of branches

711.4

Total assets
(in EUR million)

225,863

Number of active clients

17.6%

Market share*
by total assets

11.7

Result after tax
(in EUR million)

*Market share in the Republic of Srpska as at 30 June 2018

NLB Banka, Sarajevo

38

Number of branches

565.3

Total assets
(in EUR million)

135,948

Number of active clients

5.1%

Market share*
by total assets

7.5

Result after tax
(in EUR million)

* Market share in the Federation of Bosnia and Herzegovina as at 30 June 2018.



Macedonia

NLB Banka, Skopje

54

Number of
branches

1,270.1

Total assets
(in EUR million)

377,284

Number of
active clients

15.9%

Market share
by total assets

33.3

Result after tax
(in EUR million)



Kosovo

NLB Banka, Prishtina

43

Number of
branches

645.4

Total assets
(in EUR million)

202,324

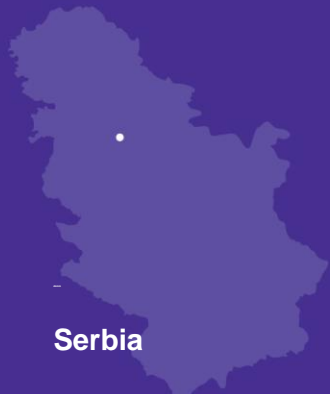
Number of
active clients

16.5%

Market share
by total assets

11.2

Result after tax
(in EUR million)



Serbia

NLB Banka, Beograd

31

Number of
branches

439.2

Total assets
(in EUR million)

135,430

Number of
active clients

1.5%

Market share
by total assets

6.4

Result after tax
(in EUR million)



Montenegro

NLB Banka, Podgorica

18

Number of
branches

484.6

Total assets
(in EUR million)

61,203

Number of
active clients

11.0%

Market share
by total assets

7.7

Result after tax
(in EUR million)

Note:

The result 'after tax data' in the figure above shows the Group members' standalone result, and not their contribution to the consolidated result after tax.

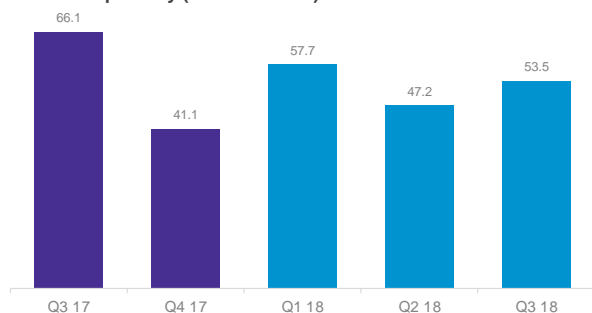
An active client is a client who has for a period not shorter than one month any investment-saving product with a positive balance, or loan/deposit/guarantee product, or insurance business, or who made at least one debit bank account or credit card transaction in the last three months.

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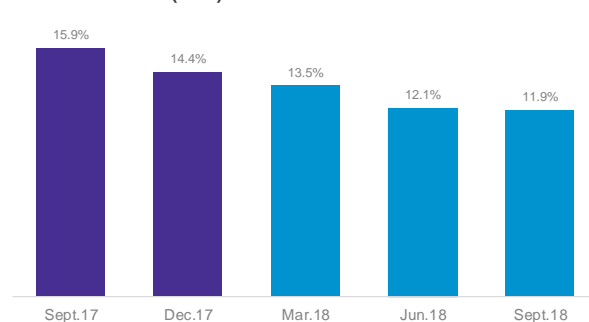
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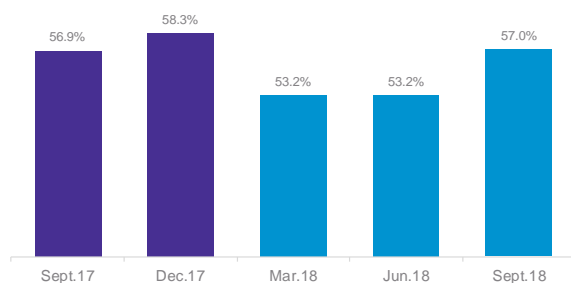
Profit a.t. - quarterly (in EUR million)



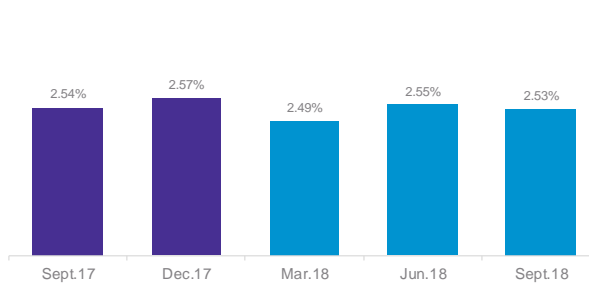
ROE a.t. - YtD (in %)



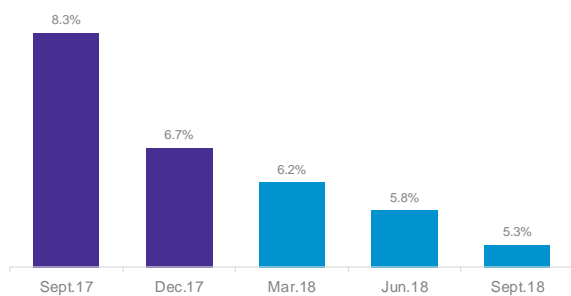
Cost /income ratio (CIR) - YtD (in %)



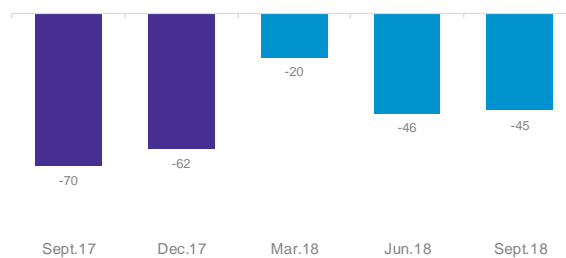
Interest margin - YtD (in %)



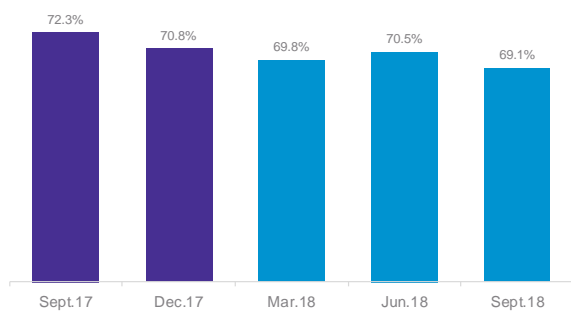
Non-performing exposure (NPE) - YtD (in %)



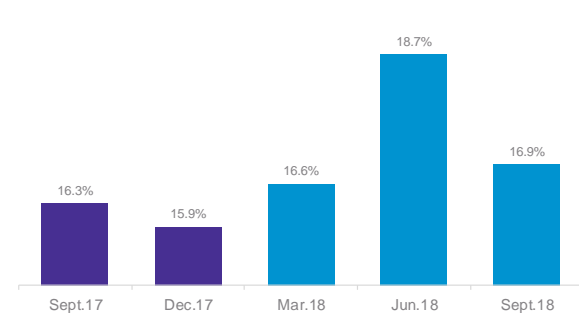
Cost of risk net - YtD (in bp)



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



Total capital ratio - YtD (in %)



Note:
 31 December 2017: envisaging dividend payment in 100% profit after tax of the Bank (EUR 189 million)
 30 June 2018: IFRS 9 implementation effect included (EUR 43.8 million)
 30 Sep 2018 after dividend pay-out (EUR -271 million), but including 1H 2018 result (EUR 109 million)

Key financial caption of NLB Group

Table 1: Key financial caption of NLB Group

in EUR million / % / bps	1-9 2018	1-9 2017	Change YoY	Q3 18	Q2 18	Q3 17
Key Income statement data (in EUR million)						
Net operating income	369.0	365.3	1%	125.9	112.7	124.2
Net interest income	231.9	228.7	1%	80.2	76.7	80.1
Net non-interest income	137.1	136.6	0%	45.7	36.0	44.1
Costs	-210.4	-207.8	1%	-70.4	-70.6	-68.8
Result before impairments and provisions	158.6	157.4	1%	55.5	42.1	55.4
Impairments and provisions	19.0	37.3	-49%	4.6	11.6	11.7
Result after tax	158.3	184.0	-14%	53.5	47.2	66.1
Key financial indicators						
Return on equity after tax (ROE a.t.)	11.9%	15.9%	-3.9 p.p.			
Return on assets after tax (ROA a.t.)	1.7%	2.0%	-0.4 p.p.			
RORAC a.t. ¹	15.9%	21.0%	-5.1 p.p.			
Interest margin (on interest bearing assets) ²	2.53%	2.54%	-0.01 p.p.	2.59%	2.52%	2.67%
Interest margin (on total assets - BoS ratio)	2.48%	2.54%	-0.06 p.p.	2.53%	2.46%	2.67%
Cost-to-income ratio (CIR)	57.0%	56.9%	0.1 p.p.	55.9%	62.6%	55.4%
Cost-to-income ratio (CIR) normalised ³	58.7%	58.5%	0.3 p.p.	55.4%	62.6%	56.1%
Cost of Risk Net (bps) ⁴	-45	-70	26 b.p.			
	30 Sept 2018	31 Dec 2017	30 Sept 2017	Change YoY	Change YtD	
Key financial position statement data (in EUR million)						
Total assets	12,784	12,238	12,008	6%	4%	
Loans to customers (gross)	7,619	7,641	7,788	-2%	0%	
Loans to customers (net)	7,081	6,994	6,989	1%	1%	
o/w Key business activities	6,654	6,425	6,386	4%	4%	
Deposits from customers	10,247	9,879	9,672	6%	4%	
Total equity	1,844	1,654	1,611	15%	12%	
Other key financial indicators						
LTD (Loans to customers/Deposits from customers) ⁵	69.1%	70.8%	72.3%	-3.2 p.p.	-1.7 p.p.	
Common Equity Tier 1 Ratio*	16.9%	15.9%	16.3%	0.6 p.p.	1.0 p.p.	
Total capital ratio*	16.9%	15.9%	16.3%	0.6 p.p.	1.0 p.p.	
Total risk exposure amount (RWA)	8,607	8,546	8,128	6%	1%	
NPL - Gross (in EUR million)	706	844	1,089	-35%	-16%	
NPL coverage ratio ¹⁶	76.4%	77.5%	77.5%	-1.1 p.p.	-1.2 p.p.	
NPL coverage ratio ²⁷	65.5%	62.2%	65.6%	-0.1 p.p.	3.4 p.p.	
Share of non-performing loans (NPL) in all loans	7.6%	9.2%	11.9%	-4.3 p.p.	-1.7 p.p.	
NPL ratio - Net ⁸	2.8%	3.8%	4.5%	-1.7 p.p.	-1.0 p.p.	
NPE ratio ⁹	5.3%	6.7%	8.3%	-3.0 p.p.	-1.4 p.p.	
Employees						
Number of employees	5,951	6,029	6,090	-2.3%	-1.3%	

¹ RORAC a.t. = profit a.t./average capital requirement normalized at 15.38% RWA for 2018 and onwards, 14.75% before

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

³ Without non-recurring revenues and restructuring costs

⁴ Cost of risk NET = Credit impairments and provisions (annualised level) /average net loans to non-banking sector

⁵ Net loans to customers /Deposits from customers

⁶ NPL Coverage ratio 1 = Coverage of gross non-performing loans with impairments for all loans

⁷ NPL Coverage ratio 2 = Coverage of gross non-performing loans with impairments for non-performing loans

⁸ NPL ratio - Net = Net non performing loans/Net loan portfolio

⁹ EBA definition

*31 Dec 2017 envisaging dividend payment in 100% of net profit after tax of the Bank (EUR 189 million)

30 Sep 2018 after dividend pay-out (EUR -271 million), but including 1H 2018 result (EUR 109 million)

International credit ratings NLB	30 September 2018	31 December 2017	Outlook
Standard & Poor's	BB+	BB	Developing
Fitch*	BB	BB	Rating watch evolving

*On 23 November 2018 Fitch upgraded NLB's Long-term IDR to "BB+" from "BB" and removed it from Rating Watch Evolving (RWE). The Outlook is stable.

Definitions and glossary of selected terms

ALM	Asset and Liability Management
CET 1	Common Equity Tier 1
CIR	Cost-to-Income Ratio
DGS	Deposit Guarantee Scheme
EBA	European Banking Authority
ECB	European Central Bank
Euro area	The euro area consists of those member states of the EU that have adopted the euro as their currency
FX	Foreign Exchange
GDP	Gross Domestic Product
IAS 39	International Accounting Standard 39
ICAAP	Internal Capital Adequacy Assessment Process
IFRS 9	International Financial Reporting Standard 9
IMAD	Institute of Macroeconomic Analysis and Development of the Republic of Slovenia
LTD	Loan-to-Deposit Ratio
MREL	Minimum requirement for own funds and eligible liabilities
NAFTA	The North American Free Trade Agreement
NLB or the Bank	NLB d.d.
NPE	Non-Performing Exposures
NPL	Non-Performing Loans
OCR	Overall capital requirement
PMI	Purchasing Managers Index
p.p.	Percentage point(s)
PD	Probability of Default
QR	Quick Response
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
US or USA	United States of America
ZVKNNLB	Zakon za zaščito vrednosti kapitalske naložbe Republike Slovenije v Novi Ljubljanski banki d.d., Ljubljana (ZVKNNLB), Act on the Protection of the Value of Capital Investment of the Republic of Slovenia in NLB

Macroeconomic environment

Global economic growth, especially in Q2 2018, remained positive but less synchronised than in the same period in 2017. Among advanced economies, the US economy maintained robust growth, while growth in the Euro area and the United Kingdom was somewhat disappointing. Following the notable growth in 2017, the stock markets mostly recorded losses in 1-9 2018 as a result of many factors, the most significant among them being the normalisation of monetary policies and the existing trade war between the USA and other countries. Unlike European bonds, the yields of US bonds grew in the period concerned, mostly because of the increase in the key interest rate. In September 2018, the Federal Reserve (FED) raised its policy rate for the third time in 2018 by 25 basis points, to a range 2.00%-2.25%, and provided expectations for one more hike in 2018 and three more in 2019. US consumer confidence surged to near 18-year high, while the jobless claims fell to the lowest level since 1969. The highest short-term risk to the global economy is the potential for further escalation of the trade war, while the trade concerns somewhat eased after the US, Canada, and Mexico struck a new The North American Free Trade Agreement (NAFTA) deal. In addition to the trade war, the other short-term risks to the Euro area economy remain linked to the Brexit and political uncertainty, especially after Italy's government increased its deficit target for 2019. In 1-9 2018, the inflation rate in the advanced economies was mostly supported by higher oil prices, while core inflation has stayed relatively low, especially in the Euro area.

The Euro area economy in Q3 2018 expanded by 1.7% YoY, which is 0.7 p.p. lower annual growth than in the Q1 of 2018, and 1.1 p.p. lower annual growth compared to the corresponding period a year ago. Economic growth is mostly supported by the growth in private consumption and investment, but lagged behind expectations. The ECB in their September 2018 macroeconomic projections, slightly lowered the annual GDP growth for 2018 and 2019 to 2.0% and 1.8%, respectively, compared to June 2018 projections. Despite the lower than expected real GDP growth in Q3 2018, the labor market continued to strengthen. In September 2018, the unemployment rate fell to the lowest level since November 2008, and stood at 8.1%. At the end of the Q3 2018, the annual inflation rate stood at 2.1%, which is one of the highest values in the last five years. The higher inflation was mostly driven by the higher prices of fuels and energy, while annual core inflation stayed relatively low at 0.9%. In the September 2018, the ECB predicted the annual Harmonised Index of Consumer Prices (HICP) inflation at 1.7% in 2018, 2019, and 2020, which is unchanged from the June 2018 Eurosystem macroeconomic projections. In September 2018, the leading indicator PMI (composite) expanded for the sixty-third months in a row and stood at 54.1. The divergence between manufacturing and service PMI continued to increase. The manufacturing sector recorded its slowest rise since May 2016, while the service sector expanded to a three-month high. From October 2018 onwards, the ECB will reduce the monthly pace of net asset purchases to EUR 15 billion until the end of 2018, and then end net purchases. All key interest rates will probably remain unchanged at their current levels at least through the summer of 2019.

Slovenia's economy expanded by 4.2% YoY in the H1 2018, while in the Q2 2018 increased by 3.8% YoY, which is the weakest growth rate since the Q4 2016. In the Autumn Forecast IMAD downgraded projected growth for Slovenia by 0.7 p.p. to 4.4% for 2018. A continuation of favorable economic trends is also expected for 2019 and 2020, i.e. 3.7% and 3.4%, respectively. Favorable economic conditions continued to have a positive impact on the labor market, the number of registered unemployed persons at the end of September 2018 fell below 74 thousand to the lowest value since the end of 2008. The IMAD projects that they registered, and the survey unemployment rate will continue to fall in the coming years to 7.2% and 4.4%, respectively, in 2020. The economic sentiment indicator in 1-9 2018 fell notably, but still stood above

the long-term average. In September 2018 the economic sentiment indicator amounted to 8.1, which is half the value recorded at the beginning of 2018, and which was one of the highest value since the indicator was first measured in 1996. After the all-time high in January 2018, the consumer confidence indicator fell by 11 p.p. to -9 by the end of September 2018, but still stayed 11 p.p. above long-term average (2005-2017). In the Q2 2018, the house prices were on average 13.4% higher at the annual level, while on quarterly level went up by 4.2%, which is the highest quarterly growth after 2007. A lively real estate market continued in Q2 2018, although the number of transactions was the lowest since Q3 2015. Industrial production and construction output continued with growth in Q3 2018. In 1-9 2018 industrial production was 6.2% YoY, while compared to the annual average of 2015 it increased by 22.0%. Also, growth in real construction output strengthened notably in 1-9 2018. Average annual growth came at 21.8%, but real construction output is still lagging behind the pre-crisis level (1-9 2007) by more than 43%, according to the SURS (Statistical Office of the Republic of Slovenia).

At the end of August 2018, Slovenia's banking system's balance sheet grew by 3.3% YoY to EUR 38.5 billion, and recorded a pre-tax profit of EUR 406.6 million in 1-8 2018. Pre-tax profit increased by 19.7% YoY, and corresponded to a ROE of 12.95%. Loans to the non-banking sector increased by 6.7% YoY. In addition, loans to non-financial corporations increased by 2.8%, while loans to households grew by 6.9% YoY. Deposits by the non-banking sector amounted to EUR 28,370 million, which is 5.8% YoY. Deposits by non-financial corporations and households grew by 9.2% and 6.7% YoY, respectively. LTD stood at 77.6%, down from 78.2% at the end of 2017. NPEs in August 2018 have further declined to 4.6%, compared to 6.0% at the end of 2017.



Business Report

Key developments of NLB Group:

EUR 158.3 million

Profit after tax

In the nine months of 2018 the Group realised profit after tax in the amount of EUR 158.3 million, a decrease of 14% YoY, mostly due to the lower release of credit impairments and provisions and higher income tax (income tax in 2017 includes a positive impact from non-recurring event due to the utilisation of previously tax non-deductible expenses from impairments of a subsidiary that was divested in the year 2017).

42%

Strategic foreign markets continued to perform well and contributed 42% to the Group result.

4%

Fee and commission income increase

The Total Net operating income amounted EUR 369.0 million, an increase of 1% YoY (EUR 365.3 million) based on higher net interest income (1% YoY), and fee and commission income (4% YoY).

57.0%

CIR stood 57.0% and normalised CIR* at 58.7%, which is 0.1 p.p. or 0.3 p.p. higher YoY, respectively.

* Without non-recurring revenues and restructuring costs.

1%

Recurring profit before impairments and provisions amounted to EUR 147.4 million, an increase of 1% YoY (EUR 0.8 million).

7%

Continued loan growth in Strategic foreign markets (7% YtD) and in retail loan balances in Slovenia (4% YtD).

16.9%

Total capital ratio

At the end of Q3 2018, the capital ratios (CET 1 and total capital ratio) of the Group remained very strong, reaching 16.9% (after dividend payout, but including the 1H 2018 result), and were well above regulatory thresholds.

5.3%

NPE

Further improvement of the loan portfolio quality was also shown in the additional reduction of NPLs in Q3 2018. The NPL ratio thus decreased to 7.6%, while the NPE ratio fell to 5.3%.

Financial performance of NLB Group

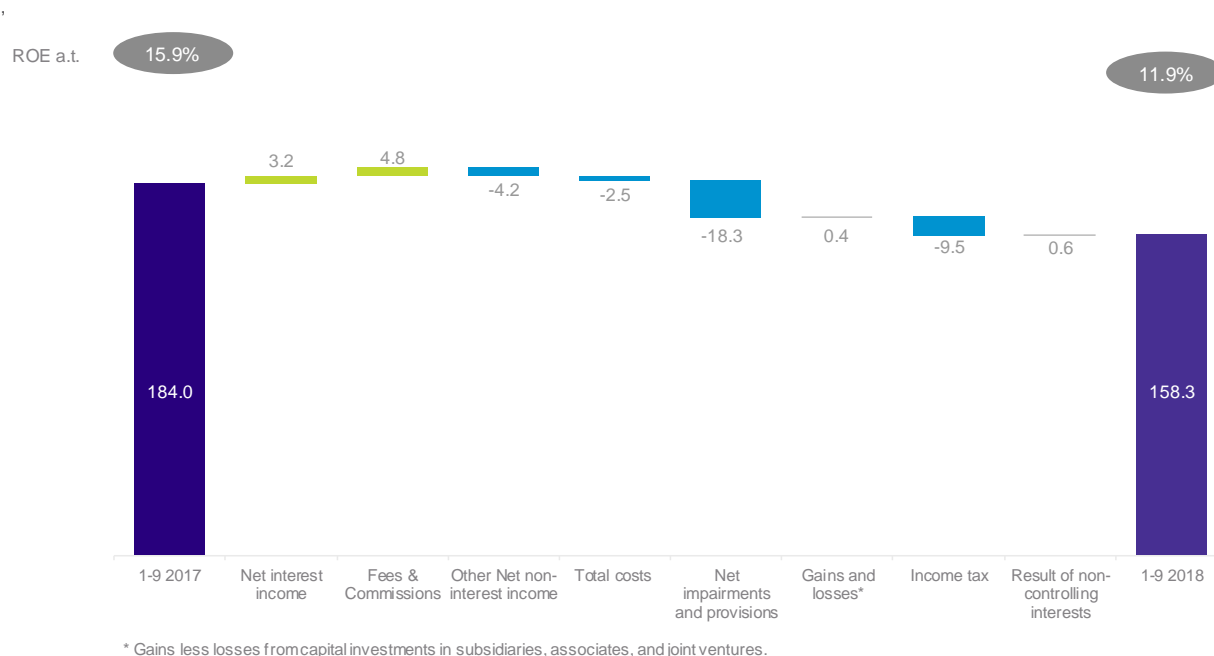
Table 2: Income statement of NLB Group

in EUR million	NLB Group						
	1-9 2018	1-9 2017	Change YoY	Q3 18	Q2 18	Q3 17	Change QoQ
Net interest income	231.9	228.7	1%	80.2	76.7	80.1	5%
Net fee and commission income	120.0	115.2	4%	40.4	40.2	39.5	0%
Dividend income	0.1	0.2	-29%	0.0	0.1	0.0	-86%
Net income from financial transactions	11.7	22.5	-48%	5.0	3.9	5.3	27%
Net other income	5.4	-1.3	-	0.3	-8.2	-0.7	-
Net non-interest income	137.1	136.6	0%	45.7	36.0	44.1	27%
Total net operating income	369.0	365.3	1%	125.9	112.7	124.2	12%
Employee costs	-122.0	-120.6	1%	-41.1	-40.6	-40.1	1%
Other general and administrative expenses	-67.9	-66.5	2%	-22.5	-23.1	-21.6	-3%
Depreciation and amortisation	-20.5	-20.8	-2%	-6.9	-6.8	-7.0	0%
Total costs	-210.4	-207.8	1%	-70.4	-70.6	-68.8	0%
Result before impairments and provisions	158.6	157.4	1%	55.5	42.1	55.4	32%
Impairments and provisions for credit risk	23.2	36.9	-37%	7.6	12.3	8.9	-38%
Other impairments and provisions	-4.2	0.4	-	-3.0	-0.7	2.7	316%
Impairments and provisions	19.0	37.3	-49%	4.6	11.6	11.7	-60%
Gains less losses from capital investments in subsidiaries, associates, and joint ventures	4.1	3.7	10%	1.6	1.4	1.0	15%
Profit before income tax	181.7	198.4	-8%	61.7	55.0	68.1	12%
Income tax	-16.6	-7.2	132%	-6.0	-6.3	0.9	-5%
Result of non-controlling interests	6.7	7.3	-8%	2.2	1.5	2.9	42%
Profit for the period	158.3	184.0	-14%	53.5	47.2	66.1	13%

Profit

In the nine months of 2018, the Group generated EUR 158.3 million of profit after tax, EUR 25.7 million or 14% less YoY, mostly due to a reduction in the release of credit impairments and provisions compared to the nine months of 2017. That is, in Q1 2017 EUR 21 million of pool provisions were released with a strong, positive effect on profit in the nine months of 2017.

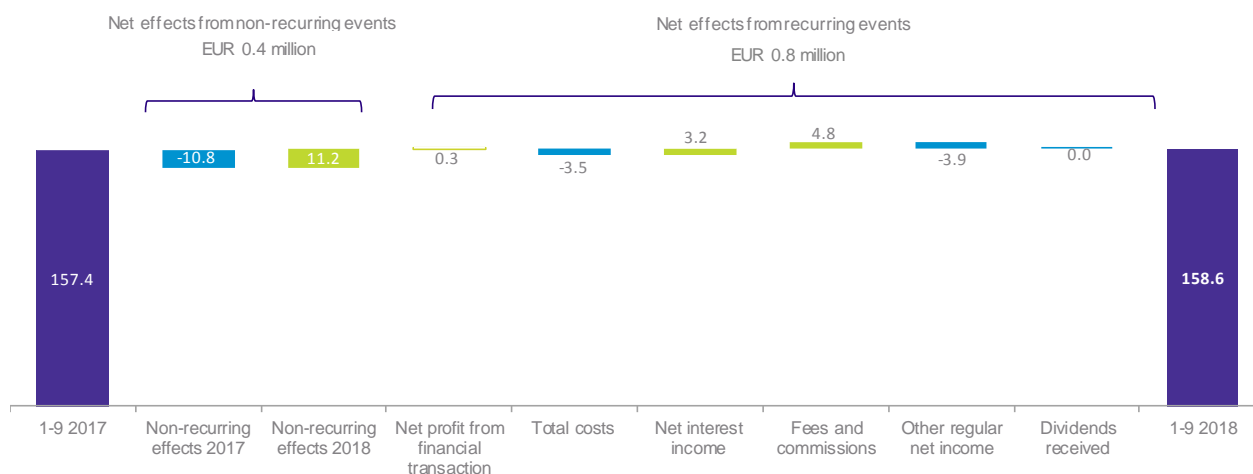
Figure 1: Profit after tax of NLB Group – evolution YoY (in EUR million)



The Group's result in the nine months of 2018 is based on the following key drivers and YoY evolution:

- Non-recurring income from the sale of the subsidiary NLB Nov penziski fond, Skopje in the positive amount of EUR 12.2 million;
- Negative non-recurring effect from the sale of 28.13% minority stake in Skupna pokojninska družba in the amount of EUR 0.5 million;
- Higher net interest income on the Group level (EUR 3.2 million, or 1%); mainly due to the decrease of interest expenses;
- Higher net fee and commission income by EUR 4.8 million, or 4%; strong growth was realised in the Retail segment in Slovenia (5%) and in Strategic foreign markets (5%);
- Lower regular net other income due to lower income from services provided by the Bank to other clients (EUR 1.9 million), expenses related to the correction of errors to prevent the cashing the guarantees (EUR 1.2 million), EUR 0.6 million negative effect related to enforceable court decisions in connection with litigation started by Croatian bank regarding transferred old foreign currency deposits, deposited with Ljubljanska banka Zagreb Branch before dissolution of the former Socialist Federal Republic of Yugoslavia (SFRY), and lower received bonuses from insurance companies (EUR 0.6 million);
- A reduction in the release of impairments and provisions by EUR 18.3 million, or 49% due to the release of pool provisions in Q1 2017;
- Higher income tax (EUR 9.5 million), due to 2017 positive impact from non-recurring event related to the utilisation of previously tax non-deductible expenses from impairments of a subsidiary that was divested in the year 2017.

Figure 2: Profit before impairments and provisions of NLB Group – evolution YoY (in EUR million)

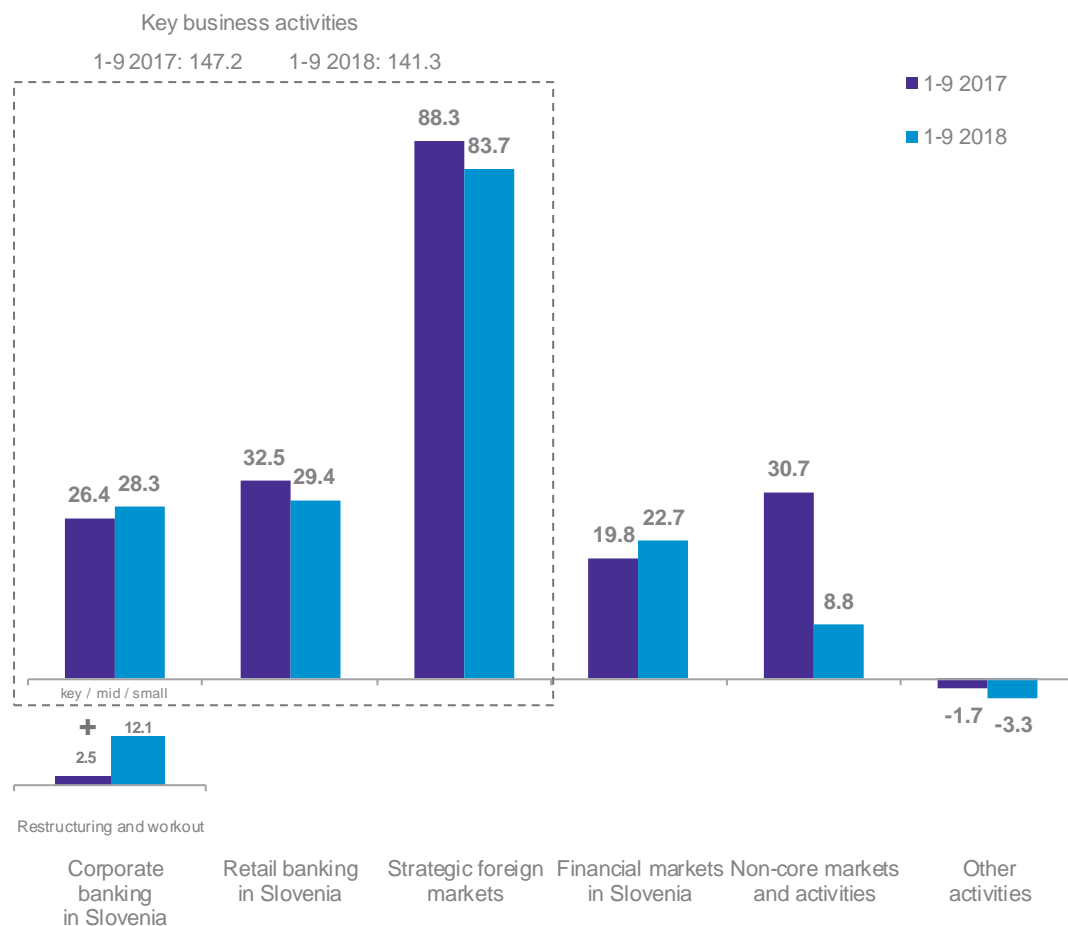


Profit before impairments and provisions (including non-recurring items¹) was EUR 158.6 million, EUR 1.2 million or 1% higher YoY. The increase in costs and lower other net non-interest income was partially offset by an increase in net interest income and net fees and commissions.

Notes:

¹ Non-recurring items in nine months of 2017: positive effects from non-core equity participation (EUR 9.5 million), a court settlement with Zavarovalnica Triglav (EUR 1.2 million), sale of noncore subsidiary NLB Factoring Brno a.s. "v likvidaci" (2.5 million) and the negative effect of restructuring costs (EUR 1.4 million). Non-recurring items in nine months of 2018: the positive effect from the sale of core subsidiary NLB Nov penziski fond, Skopje (EUR 12.2 million), the negative effect from the sale of 28.13% minority stake of core subsidiary Skupna pokojninska družba (EUR 0.5 million) and the negative effect of restructuring costs (EUR 0.5 million).

Figure 3: Profit before tax of NLB Group by segments (in EUR million)



In nine months of 2018, the Corporate segment recorded an increase in profit before tax of 40%, mostly due to higher net interest income (EUR 2.6 million), higher net income from financial transactions (EUR 2.6 million), and an increase in the release of impairments and provisions in Restructuring and Workout (EUR 2.3 million). The profit before tax of Key/Mid/Small corporates was higher by EUR 1.8 million or 7% YoY, mostly due to higher release of impairments and provisions (EUR 5.2 million), but was offset with lower operating income (EUR 1.7 million) and higher costs (EUR 1.6 million). In the nine months of 2018, the Retail banking in Slovenia realised profit after tax in the amount of EUR 29.4 million, a decrease of 10% YoY, mostly due to higher costs and credit impairments and provisions compared to the nine months of 2017. The segment includes the negative non-recurring effect from the sale of a 28.13% minority stake in Skupna pokojninska družba in the amount of EUR 0.5 million. An important drop in profit was also recorded on Non-core markets and activities, due to one-offs in the nine months of 2017². The Strategic foreign market segment includes the positive effect from non-recurring income from the sale of the subsidiary NLB Nov penziski fond, Skopje in the amount of EUR 12.2 million. All Group subsidiary banks in the South-Eastern European market generated a profit, contributing EUR 76.2 million (42%)³

Notes:

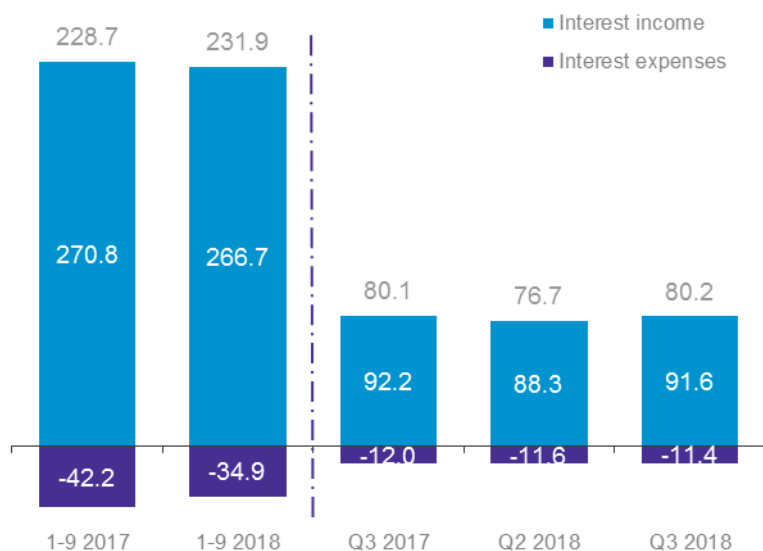
² Non-recurring items in nine months of 2017: the positive effects from non-core equity participation (EUR 9.5 million), a court settlement with Zavarovalnica Triglav (EUR 1.2 million), and the negative effect from the sale of noncore subsidiary NLB Factoring Brno a.s. "v likvidaci" (2.5 million).

³ On NLB Banka, Skopje, the positive effect from non-recurring income from the sale of the subsidiary NLB Nov penziski fond, Skopje in the amount of EUR 8.5 million is excluded.

to the Group profit before tax in nine months of 2018 (nine months of 2017: EUR 89.9 million, 45%), lower by EUR 13.7 million mostly due to a reduction in the release of credit impairments and provisions in 2018.

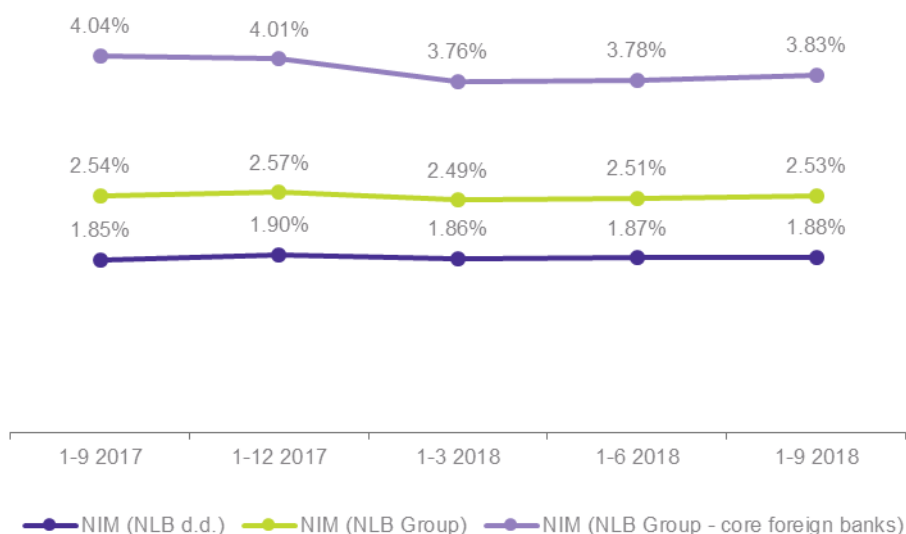
Net interest income

Figure 4: Net interest income of NLB Group (in EUR million)



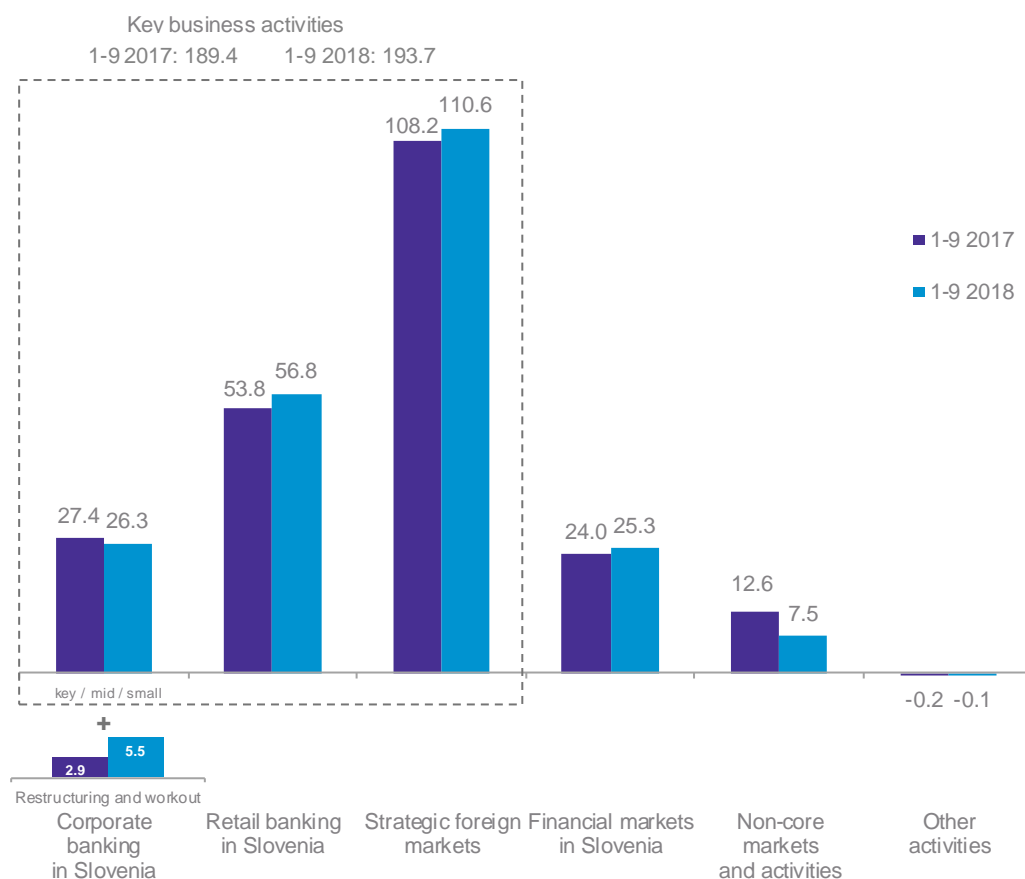
Net interest income increased by EUR 3.2 million, or 1% in the nine months 2018 compared to the same period of last year and totaled EUR 231.9 million, which was supported by higher net interest income in all segments except in Non-core markets and activities (EUR 5.1 million, or a 41% lower) and in the reduction of the interest expenses of the Bank, attributed in large part to the maturity of the Bank's bond in July 2017 (bond in the amount of EUR 300 million issued in July 2014).

Figure 5: Net interest margin of NLB Group (in %)



Net interest margin of the Group increased slightly by 0.02 p.p. to 2.53% in Q3 2018.

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

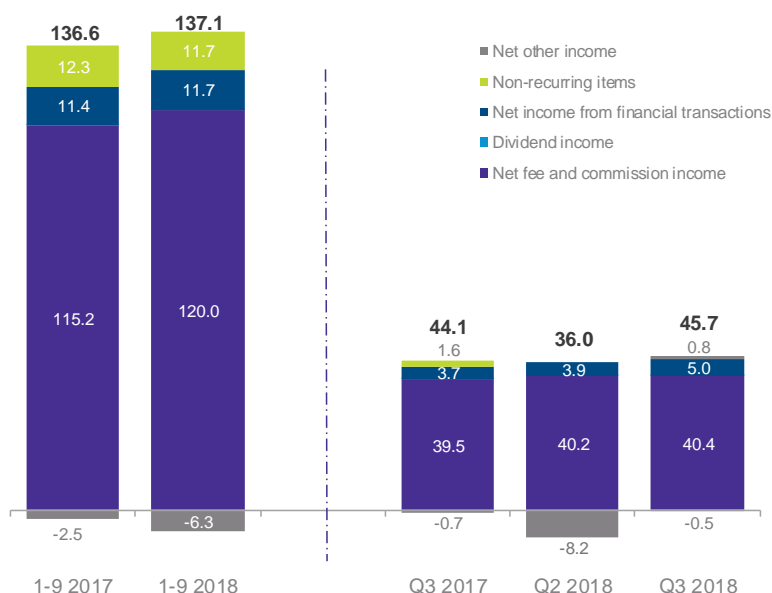


Net interest income of Key business activities in nine months of 2018 increased by EUR 4.3 million, or 2% YoY:

- Net interest income in Key/Mid/Small corporates in Slovenia decreased by EUR 1.1 million, or 4%, mainly due to lower loan volume in the Key corporate clients segment;
- Net interest income in Retail banking in Slovenia increased by EUR 3.0 million, or 6% as a result of the increase in loans volume and rising active interest rates on new production;
- In Strategic foreign markets net interest income improved by EUR 2.4 million, or 2%, due to YoY increase of gross loans volume for 10%, or EUR 260.2 million;
- Net interest income in Financial markets in Slovenia increased by EUR 1.3 million, or 6%, due to the lower costs of refinancing;
- Lower contributions in net interest income was evident in Non-core markets and activities as a result of the reduction of operations according to the Restructuring plan.

Net non-interest income

Figure 7: Net non-interest income of NLB Group (in EUR million)



Net non-interest income increased compared to the nine months of 2017 and totaled to EUR 137.1 million, which includes the non-recurring effects from the sale of NLB Nov penziski fond, Skopje (EUR 12.2 million), and the sale of a 28.13% minority stake in Skupna pokojninska družba (EUR -0.5 million) in a total amount of EUR 11.7 million (non-recurring income in nine months of 2017 amounted to EUR 12.3 million).

Regular net non-interest income (excluding non-recurring income⁴) totaled to EUR 125.4 million, and increased by EUR 1.1 million, or 1% YoY due to the following factors:

- Lower net other income by EUR 3.9 million, of which EUR 1.9 million due to lower income from services provided by the bank to other clients, EUR 1.2 million expenses related to the correction of errors to prevent the cashing the guarantees, EUR 0.6 million negative effect related to enforceable court decisions in connection with litigation started by Croatian bank regarding transferred old foreign currency deposits, deposited with Ljubljanska banka Zagreb Branch before dissolution of the former Socialist Federal Republic of Yugoslavia (SFRY), and EUR 0.6 million lower received bonuses from an insurance company in the Bank.
- Higher net fee and commission income for EUR 4.8 million was mostly attributed to an increase in basic accounts (EUR 3.4 million), cards and ATM operations (EUR 1.0 million), and investment banking (EUR 0.7 million).

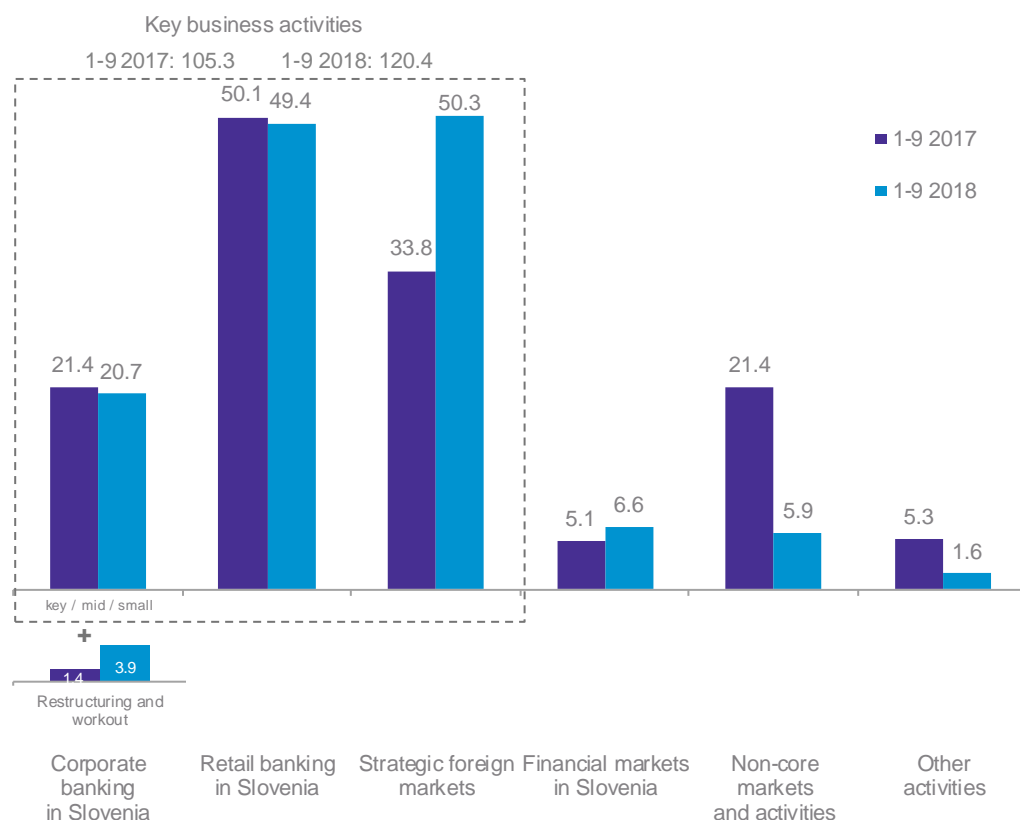
Notes:

⁴ Non-recurring income in nine months of 2017: the positive effect from the sale of non-core equity participation (EUR 9.5 million), a court settlement with Zavarovalnica Triglav (EUR 1.2 million), and the sale of noncore subsidiary NLB Factoring Brno a.s. "v likvidaciji" (1.6 million). Non-recurring income in nine months of 2018: the positive effect from the sale of core subsidiary NLB Nov penziski fond, Skopje (EUR 12.2 million) and the negative effect from the sale of 28.13% minority stake of core subsidiary Skupna pokojninska družba (EUR 0.5 million).

Table 3: Net fees and commission income of NLB Group by type of transaction (in EUR million)

in EUR million	NLB Group						
	1-9 2018	1-9 2017	Change		Quarters		
			YoY		Q3 18	Q2 18	Q3 17
Net fees and commissions	120.0	115.2	4.8	4%	40.4	40.2	39.5
Payment transactions	37.2	37.9	-0.8	-2%	12.3	12.8	12.7
Cards and ATM operations	18.1	17.1	1.0	6%	5.9	6.0	6.3
Basic accounts	35.4	32.0	3.4	11%	12.4	11.9	11.0
Guarantees	7.9	8.1	-0.3	-3%	2.7	2.6	2.7
Investment banking	3.7	3.0	0.7	23%	0.9	1.1	1.1
Investment funds	12.4	12.6	-0.2	-2%	4.2	3.9	4.3
Bancassurance	3.5	3.1	0.4	13%	1.4	1.1	1.0
Other	1.9	1.4	0.5	39%	0.7	0.9	0.4

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



Net non-interest income of Key business activities increased by EUR 14.9 million, or 14% YoY, almost exclusively due to the contribution of the Strategic foreign markets:

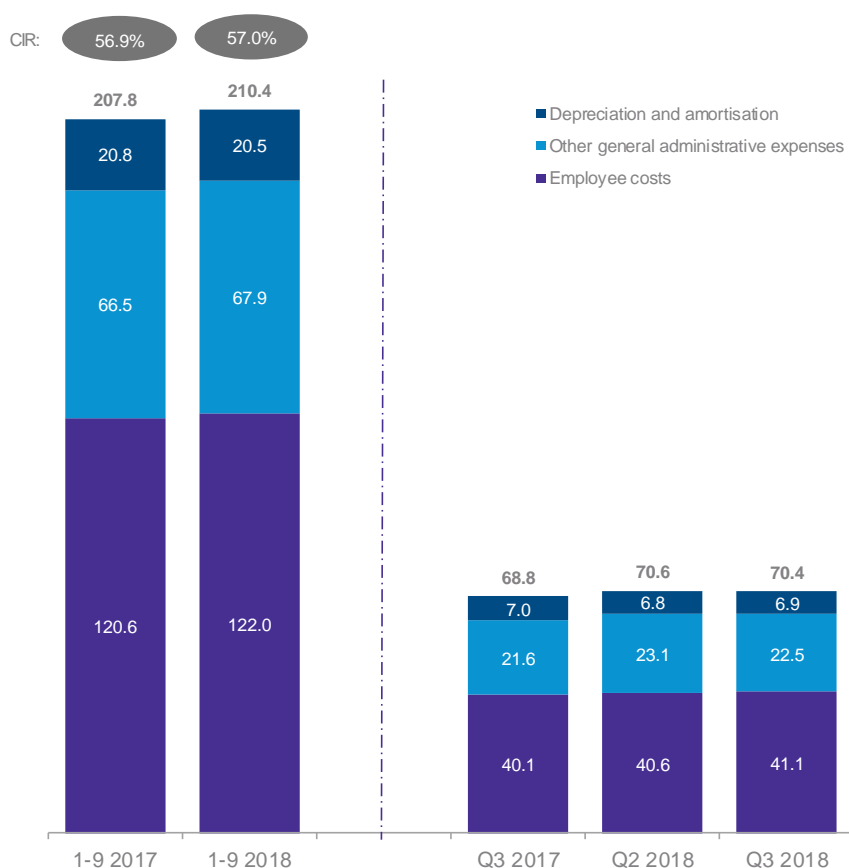
- Strategic foreign markets net non-interest income increased substantially by EUR 16.5 million, or 49% YoY, of which EUR 12.2 million represents non-recurring income from the sale of the NLB Nov penziski fond, Skopje;
- Corporate banking in Slovenia realised EUR 24.7 million of net non-interest income, of which EUR 21.9 million were net fees and commission income;
- Retail banking in Slovenia recorded a decrease in net non-interest income of EUR 0.7 million (1%) with an increase of net fees and commission (5%) mainly related to basic accounts (a new package offer for

individuals) and card operation business (due to the new currency exchange fee for card operations introduced at the beginning of 2018), and the negative effect from the sale of a 28.13% minority stake in Skupna pokojninska družba (EUR -0.5 million);

- Financial markets in Slovenia recorded an increase in net non-interest income by EUR 1.4 million, due to lower expenses for Single resolution fund (SRF) (EUR 1.3 million) and increased fees related to issuance of the Republic Slovenia bond.
- Non-core markets and activities contribution to the Group's net non-interest income was significantly lower compared to nine months of 2017 (EUR 15.5 million less), mainly due to the non-recurring events in nine months of 2017 (EUR 12.3 million; refer to note 4) which had positive impact on the result.

Total costs

Figure 9: Total costs of NLB Group (in EUR million)



Total costs amounted to EUR 210.4 million (of which EUR 0.5 million were costs of restructuring), and are thus by EUR 2.5 million, or 1% higher YoY. A major increase was recorded in costs related to accelerated marketing/promotion and business consulting, but was offset by the decrease of the restructuring costs (EUR 1.0 million, or 64%).

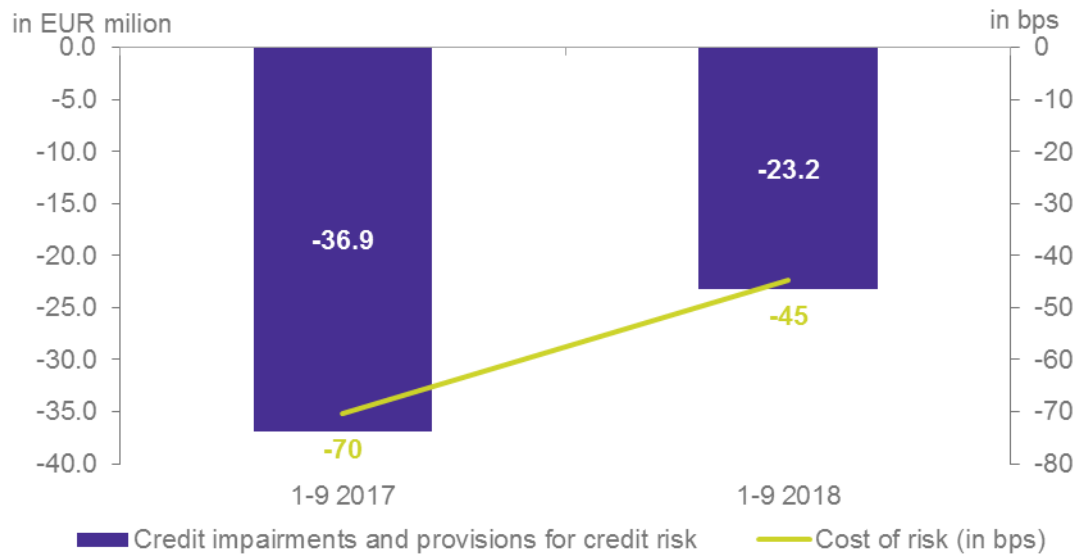
CIR increased by 0.1 p.p. to 57.0%, while CIR normalised⁵ increased by 0.3 p.p. to 58.7%.

Notes:

⁵ Non-recurring items from note 1 are excluded.

Net impairments and provisions for credit risk

Figure 10: NLB Group impairments and provisions for credit risk and cost of risk (in bps)



In the nine months of 2018 impairments and provisions for credit risk of the Group were net released in the amount of EUR 23.2 million (EUR 13.7 million lower YoY) as a result of a successful restructuring of some major exposures and the recovery of non-performing loans. The release in nine months of 2017 was to a large extent affected by the release of pool provisions in the approx. amount of EUR 21 million in that period, mainly in the Corporate client segment. Consequently, the cost of risk increased from -70 bps to -45 bps.

Financial position of NLB Group⁶

Table 4: Statement of the financial position of NLB Group

in EUR million	NLB Group			Change	Change
	30 Sept 2018	31 Dec 2017	30 Sept 2017	YoY	YtD
Cash, cash balances at central banks, and other demand deposits at banks	1,557.4	1,256.5	1,094.2	42%	24%
Loans to banks	402.0	510.1	483.0	-17%	-21%
Loans to customers	7,080.9	6,994.5	6,989.1	1%	1%
Gross loans	7,618.7	7,641.2	7,787.8	-2%	0%
- Corporate	3,561.5	3,705.0	3,834.5	-7%	-4%
- Individuals	3,663.5	3,470.2	3,408.8	7%	6%
- State	393.8	466.0	544.5	-28%	-16%
Impairments and deviations from fair value	-537.8	-646.8	-798.7	-33%	-17%
Financial assets (securities)	3,276.7	2,963.4	2,911.2	13%	11%
- Trading	45.2	72.2	110.2	-59%	-37%
- Non-trading	3,231.4	2,891.2	2,801.1	15%	12%
Investments in subsidiaries, associates, and joint ventures	37.8	43.8	42.5	-11%	-14%
Property and equipment, investment property	234.0	240.2	271.0	-14%	-3%
Intangible assets	31.1	35.0	35.1	-12%	-11%
Other assets	163.9	194.4	181.7	-10%	-16%
Total assets	12,783.7	12,237.7	12,007.9	6%	4%
Deposits from customers	10,246.7	9,879.0	9,672.2	6%	4%
- Corporate	2,310.0	2,260.1	2,191.7	5%	2%
- Individuals	7,656.7	7,362.9	7,123.1	7%	4%
- State	280.0	256.0	357.3	-22%	9%
Deposits from banks and central banks	43.3	40.6	48.8	-11%	7%
Debt securities in issue	0.0	0.0	0.0	-	-
Borrowings	329.6	353.9	370.4	-11%	-7%
Other liabilities	264.3	248.7	244.4	8%	6%
Subordinated liabilities	15.3	27.4	27.5	-44%	-44%
Equity	1,844.5	1,653.6	1,610.9	15%	12%
Non-controlling interests	40.1	34.6	33.7	19%	16%
TOTAL LIABILITIES AND EQUITY	12,783.7	12,237.7	12,007.9	6%	4%

Total assets increased by EUR 546.0 million in the nine months 2018 YtD, and totaled EUR 12,783.7 million, mainly driven by the continued inflows of deposits from individuals.

At the end of Q3 2018, the total gross loans to the non-banking sector amounted to EUR 7,618.7 million, and were on the same level as at the end of 2017 (EUR 22.5 million lower YtD).

The share of customers' deposits continued to increase and accounted for 94% of the total funding of the Group at the end of Q3 2018. The YtD increase derives from deposits from individuals (EUR 293.7 million, or 4%) and corporate deposits (EUR 49.9 million, or 2%).

Notes:

⁶ On 1 January 2018, the IFRS 9 was implemented, therefore the data from 1 January 2018 onwards are not totally comparable with previous years.

At the end of Q3 2018, the LTD ratio (net) was 69.1% on the Group level; a decrease of 1.7 p.p. YtD as a result of the growing, but still a moderate demand for loans and increased deposits.

Figure 11: Total assets by country (in %)⁷

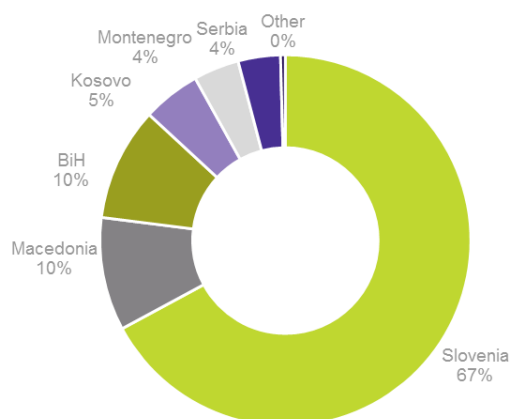
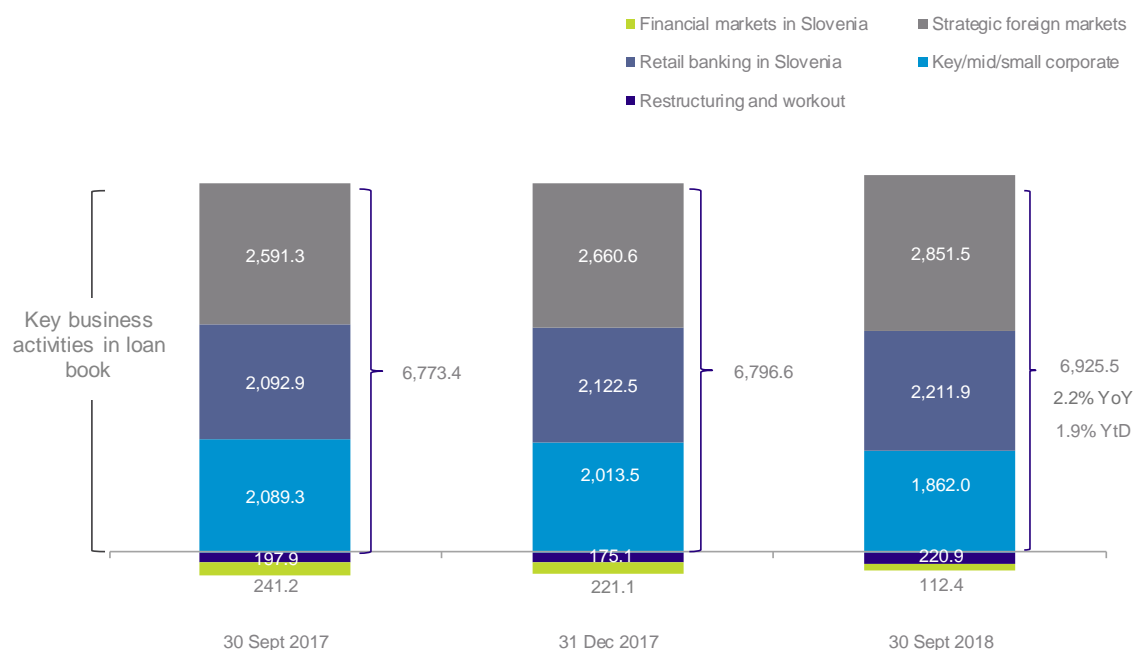


Figure 12: Gross loans to customers by core segment (in EUR million)

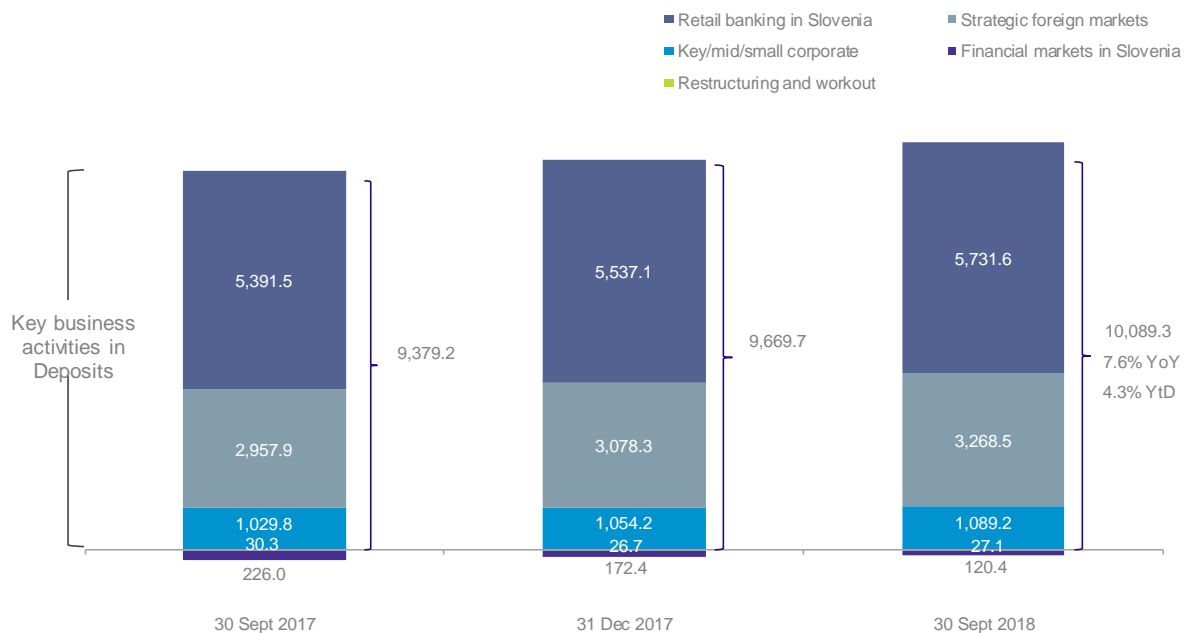


Key business activities recorded a 2% increase of gross loans to customers YtD to EUR 6,925.5 million. YtD increases of gross loans to customers were recorded in Strategic foreign markets (EUR 190.9 million), and in the Retail segment in Slovenia (EUR 89.5 million). The significant decrease was recorded in the Key/mid/small corporate segment (EUR 151.4 million YtD) because of the higher amount of matured loans, prepayment of some larger exposures, and transfer of some assets to restructuring segment.

Notes:

⁷ Geographical analysis based on location of Group member's headquarter.

Figure 13: Deposits from customers by core segment (in EUR million)



Deposits from customers in Key business activities increased by 8% YoY. On the YtD basis, a slight increase of deposits was recorded in the Key/mid/small corporate segment in Slovenia (EUR 35.0 million), while Strategic foreign markets and Retail banking in Slovenia recorded a substantial increase in deposits (EUR 190.2 million and EUR 194.5 million, respectively).

Segment analysis

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

The Core markets and activities include:

- 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 banking in Slovenia, which includes banking with large (key), medium-sized, micro, and small companies. The results of operations with healthy companies (Sales), companies in restructuring, or defaulters (Restructuring and workout) are monitored separately within the segment;
- Financial markets in Slovenia include treasury activities and trading in financial instruments, and also present the results of asset and liabilities management (ALM). Investment banking as a part of Financial markets in Slovenia that includes brokerage, custody of securities, as well as financial consulting, is represented as a separate segment within Corporate banking in Slovenia;
- Strategic foreign markets, which include the operations of strategic Group companies on strategic markets (Bosnia and Herzegovina, Montenegro, Kosovo, Macedonia, and Serbia).

Non-core markets and activities include the operations of non-core Group members and the non-core part of the portfolio of the Bank.

Other activities ('Other') include the categories whose operating results cannot be allocated to individual segments and include the costs of restructuring, and the expenses from vacant business premises.

Retail banking in Slovenia

Financial highlights

- Net interest income was still under pressure given the continued low interest rates environment; nevertheless, it increased (6% YoY) due to growth in retail loan portfolio and slow growth in interest rates on new loans.
- Net non-interest income was burdened by the negative effect from the sale of 28.13% minority stake in Skupna pokojninska družba (EUR -0.5 million).
- Net fees and commission income increased by 5% YoY mainly on basic accounts business due to a new package offer for individuals and on card operations.
- Higher costs and additional impairments and provisions contributed to the lower profit before tax by 10% YoY.
- Growth of 4% YtD (6% YoY) in loan balances and growth of 4% YtD (6% YoY) in deposits volume.

Business highlights

- Mobile wallet NLB Pay also enables clients to pay instalment payments, with their mobile phones.
- A package offer for individuals simplifies banking services.
- Klikin continues to grow in the number of users and in the scope of offered functionalities.

Table 5: Key financials of Retail banking in Slovenia

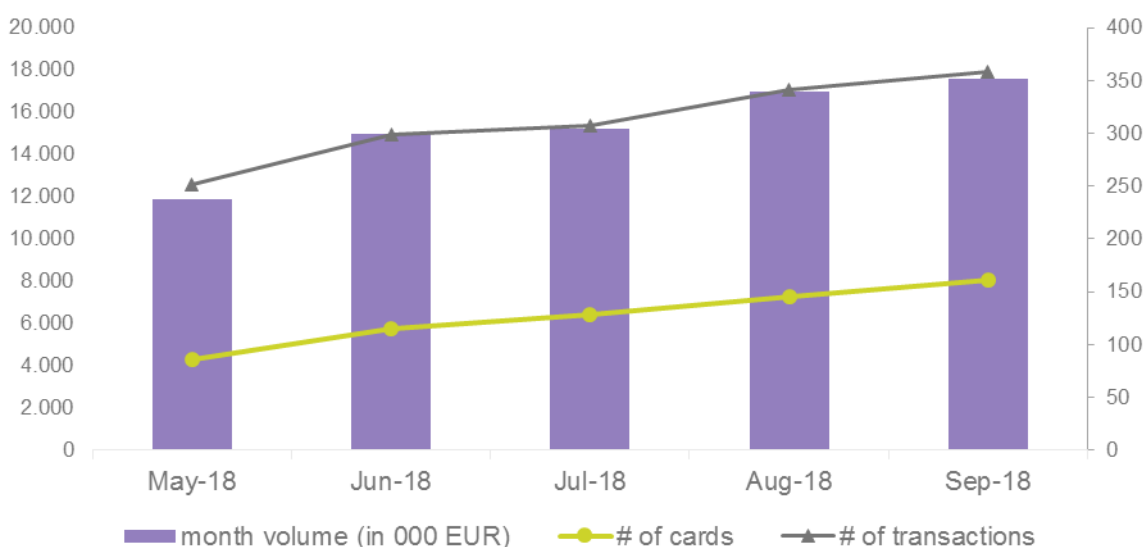
Retail banking in Slovenia								
in EUR million consolidated								
	1-9 2018	1-9 2017	Change YoY		Q3 2018	Q2 2018	Q3 2017	Change QoQ
Net interest income	56.8	53.8	3.0	6%	20.2	18.4	18.7	10%
Net non-interest income	49.4	50.1	-0.7	-1%	18.4	12.7	18.5	45%
Total net operating income	106.2	103.9	2.2	2%	38.6	31.1	37.2	24%
Total costs	-77.9	-73.9	-4.0	-5%	-26.7	-25.7	-24.5	4%
Result before impairments and provisions	28.3	30.0	-1.7	-6%	11.9	5.4	12.7	120%
o/w non-recurring items	-0.5		-0.5		-0.5			
Impairments and provisions	-3.0	-1.2	-1.8	-148%	-0.8	-1.0	-1.1	-19%
Net gains from investments in subsidiaries, associates, and JVs ¹	4.1	3.7	0.4	10%	1.6	1.4	1.0	15%
Result before tax	29.4	32.5	-3.2	-10%	12.7	5.8	12.6	119%

	30 Sept 2018	31 Dec 2017	30 Sept 2017	Change YtD		Change YoY	
Net loans to customers	2,184.8	2,083.9	2,053.7	100.9	5%	131.1	6%
Gross loans to customers	2,211.9	2,122.5	2,092.9	89.5	4%	119.0	6%
Housing loans	1,370.7	1,324.6	1,312.9	46.1	3%	57.9	4%
Consumer loans	578.7	525.0	511.6	53.7	10%	67.0	13%
Other	262.5	272.9	268.4	-10.4	-4%	-5.9	-2%
Deposits from customers	5,731.6	5,537.1	5,391.5	194.5	4%	340.1	6%

The Bank maintained a leading position, with a market share in retail lending of 23.3% (2017: 23.4%) and 30.4% (2017: 30.7%) in deposit-taking.

The Bank's mobile wallet NLB Pay app (launched in 2018) enables clients to pay with the NLB MasterCard and Maestro cards contactless, simple, fast, and safe payments on contactless POS (in Slovenia and abroad). NLB Pay also enables instalment payments. 5,506 users downloaded the app by the end of Q3 2018, and they carried out over 80 thousand transactions in a total volume of more than EUR 1.6 million. NLB Pay will also be gradually introduced by other Group banks. In September 2018 it was already introduced in the NLB Banka Skopje.

Figure 14: NLB Pay in numbers



The Bank was the first on the Slovenian market to offer contactless ATMs to clients. By the end of the Q3 2018 almost every second ATM was contactless. With the implementation of contactless functionality, the level of safety increased as such ATMs are “immune” to skimming. Beside contactless cash withdrawals account balance can be checked.

The Bank provides the clients the right solutions at the right time and place. One such solution is also providing packages for individuals (offered to clients earlier in 2018). By 30 September 2018 every fifth Bank client already had one of the packages. Various options and procedures enable clients to change the existing personal account to package without visiting the branch office. To ease personal finance management NLB Klik was updated with a counter of the remaining number of free services in the scope of the packages.

To enhance clients' banking experiences, the Bank offered a complete housing solution complementing financing with consultancy in the pre-sales stage and support in the after-sale stage of the housing loan. A portal “Ustvarjam dom” (Creating home) was upgraded to give clients access to special offers for the purchase of furnishings via the Bank's partners. In order to meet the market demands, the financing of all types of turn-key houses was introduced. To further improve the user experience the possibility of using the letter of credit account to draw the loan was offered to the borrower.

The use of the mobile bank Klikin continues to grow; the total number of users increased to 160,866 (52,915 of new users in 2018), and reached almost a quarter of all the Bank's customers (a 10.2 p.p. increase YoY). Klikin

holds the number one position in the Finance apps category, both in the Apple App Store and Google Play Store, with ratings of 4.8 and 4.4, respectively (on 19 October 2018). Klikin is available in Slovenian and English, and was ranked the best mobile bank on the Slovenian market in an independent market evaluation in 2018 (mBančništvo v Sloveniji 2018, performed by E-laborat in 2018). Several Klikin upgrades were done in 2018, including Face ID log-in option, chat and video call within the application, and also subscription for selected NLB Vita insurance products.

The 'Express Loan,' which was implemented in Klikin at the end of 2017, was very well accepted by the Bank's clients. In 2018 57% of all Express Loans were already concluded via Klikin.

The NLB Skladi market share increased to 31.49% (30 September 2017: 29.05%). Ranked first in the amount of net-inflows with EUR 53.55 million (30 September 2017: EUR 67.52 million), the company remained the largest asset management company in Slovenia, and the largest mutual funds management company as well. Total assets under management were EUR 1.286 billion (30 September 2017: EUR 1.157 billion) of which EUR 858.4 million consisted of mutual funds (30 September 2017: EUR 760.3 million) and EUR 428.0 million in the discretionary potfolio (30 September 2017: EUR 396.9 million).

NLB Vita charged EUR 57.85 million in gross written premium YtD (a 9.3% increase YoY; 30 September 2017: EUR 52.95 million), of which EUR 54.9 million was in life insurance (30 September 2017: EUR 50.4 million), with an estimated balance sheet of EUR 466 million (a 4.9% increase YoY, 30 September 2017: EUR 444 million). Market share of the insurance company, excluding pension companies stood at 14.8% (30 September 2017: 13.5%), which ranked NLB Vita third among classic life insurance products in Slovenia.

In September 2018, NLB also sold its 28.13% share in Skupna pokojninska družba to the insurance company Zavarovalnica Triglav d.d.

Corporate and Investment banking in Slovenia

Financial highlights

- The segment contributed EUR 40.4 million in profit before tax in nine months of 2018, showing an increase by EUR 11.5 million or 40% YoY, mainly due to higher release of impairments and provisions (EUR 7.6 million), mostly in Restructuring and Workout.
- Net operating income increased EUR 3.4 million YoY, mostly due to higher net interest income and higher net income from financial transactions due to the effects of the valuation of loans at fair value in Restructuring and Workout.
- Costs remained stable YoY.
- A decrease in gross loans due to the size of matured loans in Key enterprises and prepayment of some larger exposures, while Small enterprises continued to grow (10% YtD).

Business highlights

- Mobile wallet NLB Pay was also implemented for NLB business cards Maestro and MasterCard.
- Klikpro was upgraded with quick financing, video call, and chat functionalities.
- Successful organization of the syndicated loan facilities to (re)finance Hidria Group, Kovintrade, and Interblock Group's companies.
- A Group-wide payment offer was launched for clients of the Group.
- New package offer for companies was introduced.
- The Bank participates in the project "Štartaj Slovenija" (Start it up Slovenia).

Table 6: Key financials of Corporate banking of Slovenia

Corporate banking in Slovenia								
in EUR million consolidated								
	1-9 2018	1-9 2017	Change YoY		Q3 2018	Q2 2018	Q3 2017	Change QoQ
Net interest income	31.8	30.3	1.5	5%	11.6	10.6	20.3	10%
Net non-interest income	24.7	22.8	1.9	8%	8.8	7.5	14.7	18%
Total net operating income	56.5	53.1	3.4	6%	20.5	18.1	35.0	13%
Total costs	-31.9	-32.4	0.5	1%	-10.5	-10.9	-22.0	-4%
Result before impairments and provisions	24.6	20.7	3.9	19%	10.0	7.2	13.1	39%
Impairments and provisions	15.8	8.2	7.6	93%	5.8	11.1	4.0	-47%
Result before tax	40.4	28.9	11.5	40%	15.8	18.2	17.0	-13%

	30 Sept 2018	31 Dec 2017	30 Sept 2017	Change YtD		Change YoY	
Net loans to customers	1,959.7	2,026.3	2,106.0	-66.6	-3%	-146.4	-7%
Gross loans to customers	2,082.9	2,188.6	2,287.2	-105.7	-5%	-204.3	-9%
- corporate	1,869.1	1,939.3	1,985.7	-70.2	-4%	-116.6	-6%
-o/w Restructuring and Workout	214.5	168.6	189.7	45.9	27%	24.8	13%
-o/w Key/Mid/Small Corporate	1,654.6	1,770.7	1,796.0	-116.1	-7%	-141.4	-8%
- state	213.3	248.7	301.0	-35.4	-14%	-87.7	-29%
Deposits from customers	1,116.3	1,080.9	1,060.1	35.4	3%	56.2	5%

The Bank has an 18.6% market share in corporate loans (2017: 20.8%), and 25.7%⁸ in trade finance (2017: 25.6%).

Notes:

⁸ Data per 31 August 2018.

The Bank's mobile wallet NLB Pay app (launched in 2018) enables clients to pay with the NLB Business MasterCard and NLB Business Maestro cards contactless, simple, fast, and safe payments on contactless POS (in Slovenia and abroad). NLB Pay also enables instalment payments.

In the mobile bank Klikpro, which besides Face ID login and the possibility of video call and chat, the Bank is the first bank in Slovenia implementing 24/7 availability of financing with Express loan and Express overdraft in an amount of up to EUR 15,000. The approval process is completed within minutes. By 30 September 2018 the number of Klikpro users increased 78% YoY to 16,252 with 37.9% of all corporate clients using Klikpro.

A new package offers for legal entities – NLB Business Start Basic, NLB Business Start Mobile, NLB Business Start Advanced, NLB Business Package Basic, and NLB Business Package Comprehensive – combine the most common every day banking products, and are tailored to different client segments' needs.

The Bank is not only well acquainted with the business environment, it is also aware that first steps in the entrepreneurial world are the toughest, therefore the Bank again participates in the project "Štartaj Slovenija" (Start it up Slovenia). For all new entrepreneurs and those who are still thinking about it, a content was included on the Bank's web page focusing on various aspects of entrepreneurship.

The Bank is committed to the Western Balkans and is striving to become the regional champion. This was also proved by the NLB Business Forum organised by the Bank, which connected customers (existing and potential), and the Group banks from the region to contribute to potential opportunities for Slovenian companies to explore potentials for growth and investment in infrastructure projects.

To cater to the Bank's clients operating in the region, all banking members of the Group jointly launched the Group payment offer for outgoing and incoming international payments of customers legal entities operating in the Group's markets.

Table 7: Key financials of Investment banking and custody services of Slovenia

in million EUR consolidated	Investment banking							
	1-9 2018	1-9 2017	Change YoY		Q3 2018	Q2 2018	Q3 2017	Change QoQ
Net non-interest income	6.9	6.8	0.2	3%	2.5	2.1	2.7	20%
Total costs	-4.4	-4.2	-0.2	-5%	-1.5	-1.5	-1.4	1%
Result before tax	2.7	2.8	-0.2	-6%	1.1	0.7	1.4	66%

Investment banking and custody services revenues increased YoY; fewer concluded interest rate hedge deals with clients were more than successfully compensated, with 43% growth in corporate finances, 26% growth of brokerage fees, and a 10% growth of custody fees.

At the end of Q3 2018, the total asset value under custody exceeded EUR 15.8 billion, a 5.18% increase YoY.

The Bank is unique on the Slovenian financial market in offering a broad spectrum of options to raise funds for its clients. A continuous track record of providing support and adjusting to clients' needs was enriched by the arranging of the issue of bonds for the Titus in the amount EUR 12 million in February 2018 and bonds for the

GEN-I in the amount of EUR 20 million in June 2018. Additionally, the Bank led the organisation of large syndicated loans for the Interblock Group companies in Slovenia and the USA in the amount USD 72 million and EUR 30 million; for Kovintrade in the amount EUR 23 million, which were both closed in June 2018; and for the Hidria Group in the amount EUR 127 million, which was closed in July 2018.

Strategic foreign markets

Financial highlights

- Profit before tax amounted to EUR 83.7 million, and includes non-recurring income from the sale of the subsidiary NLB Nov penziski fond, Skopje in the positive amount of EUR 12.2 million (effect on net non-interest income). In contrast, in nine months of 2017 the profit was positively affected by the release of impairments and provisions in the amount of EUR 16.9 million (release of pool provisions in Q1 2017).
- Despite the competitive market environment and high pressure on interest rates, net interest income increased by 2% YoY.
- Strong growth in net non-interest income, especially in fees and commission income (5% YoY).
- The cost of risk remained low.
- Growth of 7% YtD (10% YoY) in loan balances and growth of 6% YtD (10% YoY) in deposits volume.

Business highlights

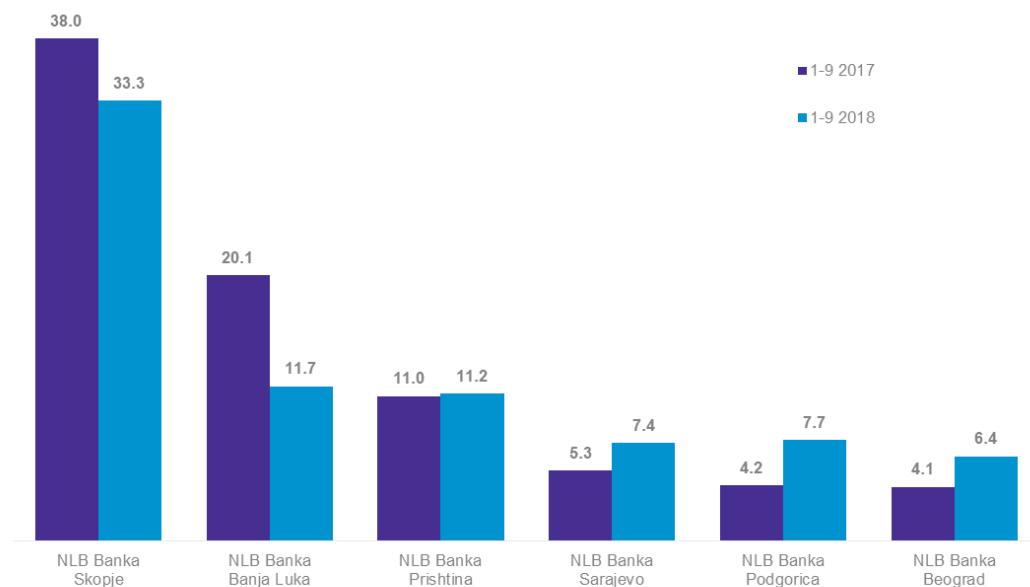
- The subsidiary banks generated a net profit.
- 100% of the shares of NLB Nov penziski fond, Skopje were sold.
- The subsidiary banks received several awards.

Table 8: Key financials of Strategic foreign markets

in EUR million consolidated	Strategic foreign markets							
	1-9 2018	1-9 2017	Change YoY		Q3 2018	Q2 2018	Q3 2017	Change QoQ
Net interest income	110.6	108.2	2.4	2%	38.6	36.4	37.9	6%
Net non-interest income	50.3	33.8	16.5	49%	13.1	12.7	10.8	3%
Total net operating income	160.9	142.0	18.9	13%	51.7	49.1	48.8	5%
Total costs	-73.8	-70.6	-3.3	-5%	-24.7	-25.0	-23.6	-1%
Result before impairments and provisions	87.0	71.4	15.6	22%	27.0	24.0	25.1	12%
o/w non-recurring items	12.2	-	-	-	-	-	-	-
Impairments and provisions	-3.4	16.9	-20.2	-	-1.9	-4.4	4.4	-
Result before tax	83.7	88.3	-4.6	-5%	25.1	19.6	29.5	28%
o/w Result of minority shareholders	-6.7	-7.3	0.6	4%	-2.2	-1.5	-2.9	-42%

	30 Sept 2018	31 Dec 2017	30 Sept 2017	Change YtD		Change YoY	
Net loans to customers	2,624.1	2,393.5	2,304.4	230.6	10%	319.7	14%
Gross loans to customers	2,851.5	2,660.6	2,591.3	190.9	7%	260.2	10%
Deposits from customers	3,268.5	3,078.3	2,957.9	190.2	6%	310.6	10%

Figure 15: Profit after tax of strategic NLB Group banks (on standalone basis) (in EUR million)



Despite a competitive market environment, all subsidiary banks generated a profit before impairments and tax, and the net profit after tax in the first nine months of 2018.

Subsidiary banks together achieved the higher net interest income and net non-interest income than at the same period previous year. Some of subsidiary banks additionally improved cost efficiency and cost control. Lending activity in the segment of NBS was intensified, especially by NLB Banka Beograd and NLB Banka Prishtina.

An additional positive impact on the Group result and the result of NLB Banka, Skopje was the sale of NLB Nov penziski fond, Skopje.

Subsidiaries remain committed to ensuring a locally anchored organic growth strategy, and boosting business operations and service excellence by implementing Group-wide initiatives.

The subsidiary banks received several awards. In July, NLB Banka Skopje was named the best bank in Macedonia for 2017 and received the Euromoney Award for Excellence 2018. In September, NLB Banka Banja Luka received an award Gold BAM for the highest ROE and ROA among banks in BIH.

Financial markets in Slovenia⁹

Financial highlights

- Profit before tax amounted to EUR 20.0 million, an increase of 18% YoY.
- Higher net interest income due to lower costs of refinancing.
- Negative, but higher net non-interest income due to lower expenses for SRF (EUR 1.3 million) and increased fees related to issuance of the Republic Slovenia bond.

Business highlights

- The Bank acted as one of the joint lead managers in the EUR 1.5 billion, a 10-year benchmark bond issuance for the Republic of Slovenia.

Table 9: Key financials of Financial markets in Slovenia

in million EUR consolidated	Financial markets Slovenia							
	1-9 2018	1-9 2017	Change YoY		Q3 2018	Q2 2018	Q3 2017	Change QoQ
Net interest income	25.2	23.7	1.5	6%	7.6	9.0	14.1	-16%
Net non-interest income	-0.4	-1.6	1.3	78%	0.2	-0.4	-2.8	149%
Total net operating income	24.8	22.0	2.8	13%	7.7	8.6	11.3	-10%
Total costs	-4.9	-5.0	0.1	2%	-1.6	-1.7	-3.5	-10%
Result before impairments and provisions	19.9	17.0	2.9	17%	6.2	6.9	7.8	-10%
Impairments and provisions	0.1	-0.1	0.2	-	0.1	-0.1	0.0	-
Result before tax	20.0	17.0	3.0	18%	6.3	6.8	7.8	-7%

	30 Sept 2018	31 Dec 2017	30 Sept 2017	Change YtD		Change YoY	
Gross loans to customers	112.3	221.1	241.1	-108.9	-49%	-128.8	-53%
Borrowings	252.4	260.7	271.2	-8.3	-3%	-18.8	-7%

Notes:

⁹ Investment banking as a part of Financial markets in Slovenia that includes brokerage, custody of securities, as well as financial consulting is represented as a separate segment within Corporate and Investment banking in Slovenia.

Non-core markets and activities

Financial highlights

- The Non-core result before tax was EUR 8.8 million – a significant drop YoY (71%) due to non-recurring income impacting the result for the nine months of 2017¹⁰.
- The cost base was reduced by 15% YoY to EUR 13.8 million due to the continued divestment process.
- Segment assets decreased by 21% YtD (30% YoY).

Business highlights

- In Q3 2018 the Group continued with the 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).
- In addition to the 2017 achievements, non-strategic subsidiaries continued with the collections of claims, leading to a further decrease of the Group's non-core assets.

Table 10: Key financials of Non-core markets and activities

in EUR million
consolidated

Non-core markets and activities								
	1-9 2018	1-9 2017	Change YoY		Q3 2018	Q2 2018	Q3 2017	Change QoQ
Net interest income	7.5	12.6	-5.1	-41%	2.1	2.3	14.8	-6%
Net non-interest income	5.9	21.4	-15.5	-72%	1.7	1.6	3.5	3%
Total net operating income	13.4	34.0	-20.6	-61%	3.8	3.9	41.3	-2%
Total costs	-13.8	-16.3	2.5	15%	-4.4	-4.7	-8.8	5%
Result before impairments and provisions	-0.4	17.7	-18.1	-103%	-0.6	-0.8	32.5	21%
o/w non-recurring items	-	10.7	-	-	-	-	5.8	-
Impairments and provisions	9.3	13.0	-3.7	-29%	1.5	5.5	18.2	-73%
Result before tax	8.8	30.7	-21.8	-71%	0.9	4.8	51.9	-82%

	30 Sept 2018	31 Dec 2017	30 Sept 2017	Change YtD		Change YoY	
Segment assets	310.6	391.3	444.8	-80.7	-21%	-134.1	-30%
Net loans to customers	200.0	269.9	283.8	-69.8	-26%	-83.8	-30%
Gross loans to customers	360.0	448.5	575.2	-88.4	-20%	-215.2	-37%
Investment Property and Property & Equipment received for repayment of loans	74.6	81.6	117.1	-6.9	-9%	-42.4	-36%
Other assets	36.0	39.9	43.8	-3.9	-10%	-7.9	-18%
Deposits from customers	9.8	10.2	36.5	-0.4	-4%	-26.7	-73%

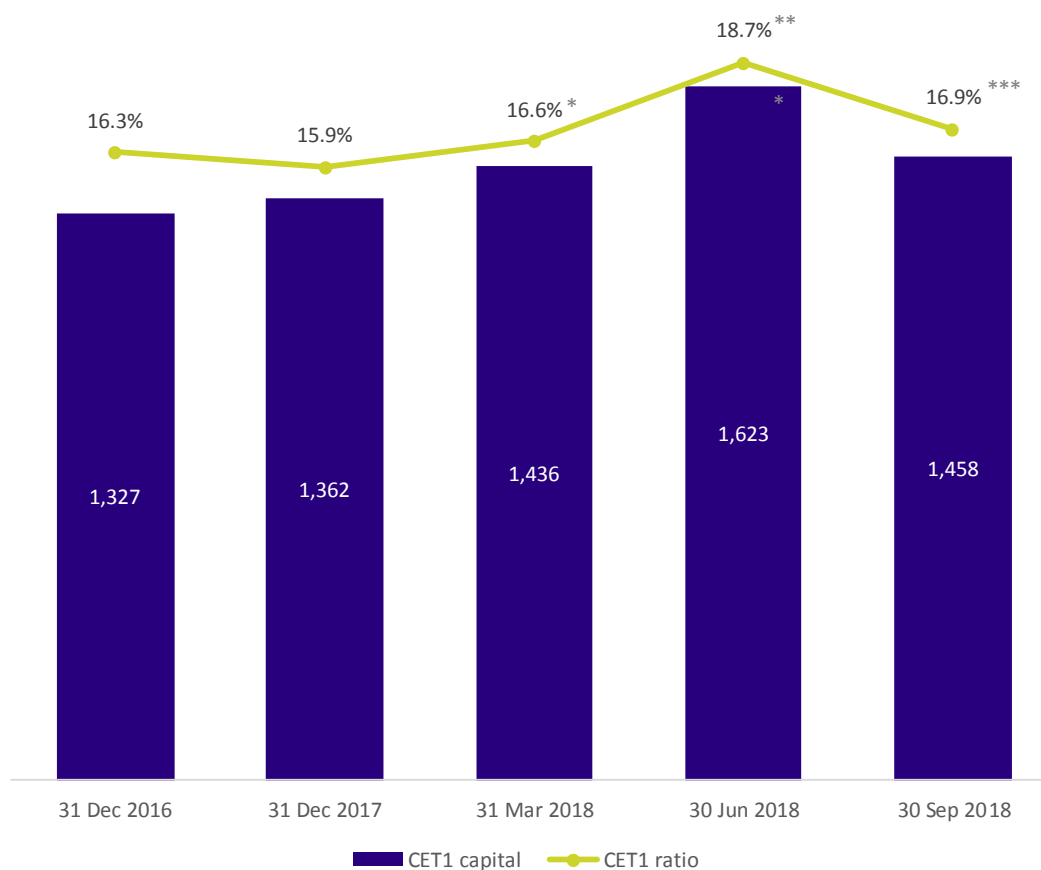
Notes:

¹⁰ Please refer to note 4.

Capital and Liquidity

Capital adequacy

Figure 16: NLB Group CET 1 capital (in EUR million) and CET 1 ratio (in %)



*Envisaging dividend payment in 100% profit after tax of the Bank (EUR 189 million).

**Including undistributed dividend (EUR 189 million) and IFRS9 implementation effect (EUR 44 million).

***After dividend pay-out (EUR -271 million), but including 1H 2018 result (EUR 109 million).

In September 2018, the overall capital requirement (OCR) amounted to 13.375% for the Bank on the consolidated level, consisting of:

- 11.50% total SREP capital requirement (TSCR) (8% Pillar 1 requirement and 3.50% Pillar 2 requirement); and
- 1.875% CBR (1.875% Capital conservation buffer and 0% Countercyclical buffer).

The applicable OCR requirement for 2018 has increased from 12.75% in 2017 to 13.375%, due solely to the gradual phase-in of the capital conservation buffer as prescribed by law.

The capital of the Bank and the Group consists of the components of top quality common equity tier 1 (CET 1) capital, which is why all three capital ratios (CET 1 ratio, Tier 1 capital ratio, and the Total capital ratio) 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. Moreover, it is within the stated risk appetite limit and above the EU average, as published by the EBA (Q4 2017: 16.2%).

At the end of September 2018, the capital ratios for Group stood at 16.9% (or 1.0 percentage points higher than at the end of 2017), and for NLB at 23.9% (or 2.1 percentage points higher than at the end of 2017). The improvement of capital adequacy derives from higher capital, mainly due to inclusion of the first six months of 2018 result (EUR 108.8 million for Group), lower retained earnings (EUR - 81.5 million) as part of dividend pay out, the inclusion of the positive effect from the implementation of IFRS 9 (EUR 43.8 million for Group and EUR 27.7 million for NLB), and the conclusion of transitional arrangements relevant until the end of 2017.

In September 2018 NLB applied for formal approval with ECB to pay-out the dividends in the total amount of EUR 270.6 million which consists of: EUR 189.1 million of profit for fiscal year 2017 and EUR 81.5 million of retained profit from previous years. Pursuant to ECB's permission for distribution of the dividends, the General Assembly of NLB's Shareholders approved the distribution and NLB paid dividends in the amount of EUR 270.6 million to the registered shareholders of NLB on 22 October 2018.

Table 11: Total risk exposure (in EUR million) for NLB Group

	30 Sep 2018	31 Dec 2017	30 Sep 2017	YtD
Total risk exposure amount (RWA)	8,607	8,546	7,862	0.7%
RWA for credit risk	7,102	7,096	6,865	0.1%
RWA for market risks + CVA	552	501	105	10.3%
RWA for operational risk	953	949	893	0.5%

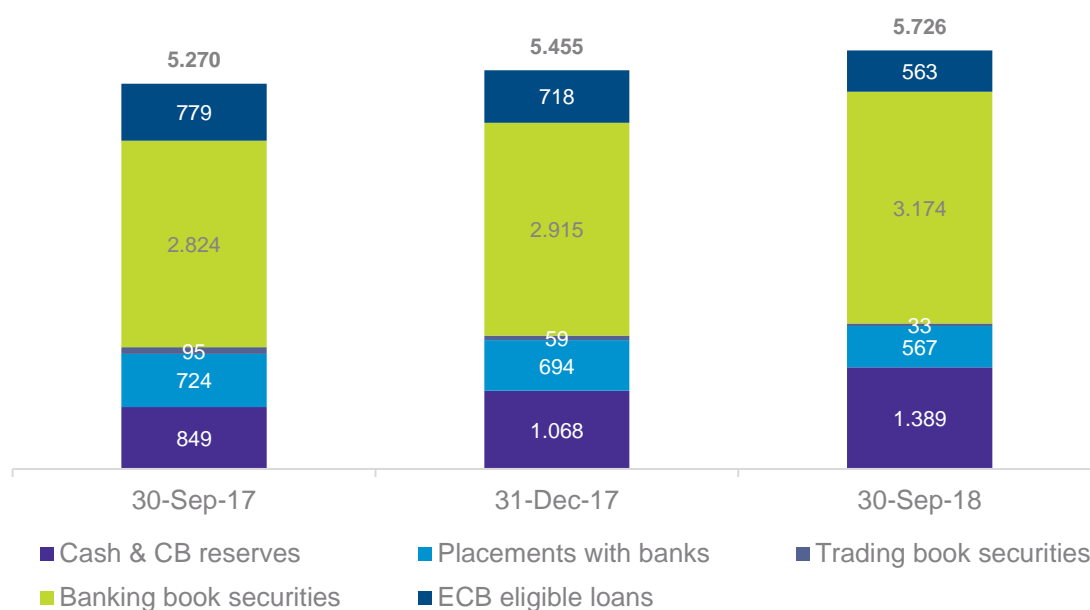
Despite the higher RWA for credit risk at the beginning of 2018 resulting from transition to IFRS9, it remained almost at previous end of year level, and namely an (YtD) increase in the amount of EUR 5 million was recorded. Besides that, higher RWA on the retail segment (EUR 183 million) for consumer and housing loans and higher RWA for corporates (EUR 44 million, mainly in subsidiary banks) are a consequence of increased business. The RWA for exposures to institutions decreased (in a total amount of EUR 177 million). The increase in RWA for market risks and credit value adjustments (CVA) (EUR 52 million) is mainly the result of more open positions in domestic currencies of non-euro subsidiary banks. The increase in the RWA for operating risks (EUR 4 million) arises from the higher three-year average of income, which represents the basis for the calculation.

Liquidity

The liquidity position of the Group remains strong, with a LTD ratio (net) of 69.1%, meeting liquidity indicators high above regulatory requirements, and confirming the low liquidity risk tolerance of the Group.

Liquid assets of the Group at the end of Q3 2018 amounted to EUR 5.73 billion (44.8% of total assets; 2017 year-end: EUR 5.45 billion, 44.6% of total assets), of which EUR 0.40 billion (2017 year-end: EUR 0.43 billion) were encumbered for operational and regulatory purposes.

Figure 17: NLB Group liquid assets structure reflects a robust liquidity position (in EUR million)



The banking book securities portfolio, which represented 55.4% of the Group's liquid assets at the end of Q3 2018 (2017 year-end: 53.4%), was dispersed appropriately in relation to issuers, countries, and remaining maturity, with the aim of managing liquidity and interest risk.

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. Share-of-sight customer deposits equaled 63.0% of total assets at the end of Q3 2018 (2017 year-end: 59.9%).

Risk management

The key goal of Risk Management is to assess, monitor, and manage risks within the Group in line with the Group's Risk Appetite and Risk Strategy, which are its fundamental risk management documents. Moreover, the Group is constantly enhancing its robust risk management framework in accordance with best banking practices in order to proactively support business decision-making, ensuring comprehensive steering and mitigation processes by incorporating the internal capital adequacy assessment process (ICAAP), the internal liquidity adequacy assessment process (ILAAP), the Recovery plan, and other internal stress-testing capabilities.

The activities related to International Financial Reporting Standard (IFRS) 9 requirements, which entered into force in the beginning of 2018 including methodological adaptations and anticipated quantitative impacts, were fully implemented at the end of the year 2017, and included internal validation and an external pre-audit methodological review. Due to very favorable macroeconomic trends and the improved quality of the credit portfolio, the cumulative effects on the Group basis in the amount of EUR 43.8 million (as at 1 January 2018) were recognized (as the difference between IFRS 9 and IAS 39), arising mainly from collective impairments. These effects strengthened the Group's capital basis in Q1 2018.

On 30 April 2018, the Group received the Bank of Slovenia Decree on the determination of the MREL requirement. MREL is determined in the percent of Total Liabilities and Own Funds (TLOF) on the sub-consolidated level of the NLB Resolution Group and must be attained by 31 March 2019. The MREL requirement for the Group is based on the Multiple Point of Entry (MPE) approach, and was determined to be 17.40% of TLOF.

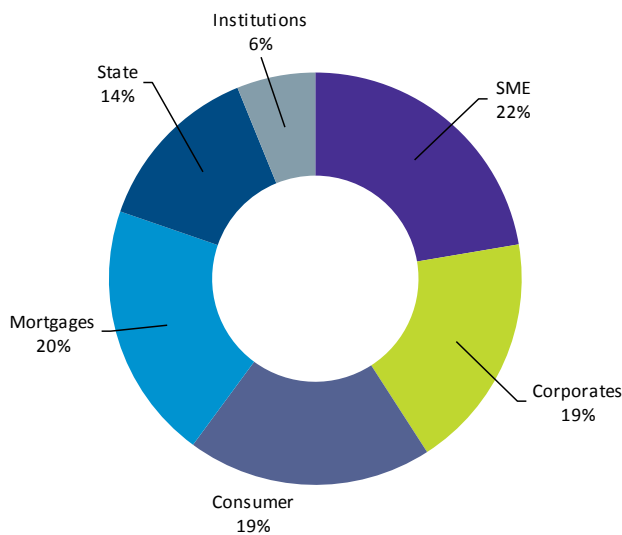
One of the key aims of Risk Management is to ensure that the Group's capital adequacy is managed prudently. The Group monitors its capital adequacy at both the Group and subsidiary bank levels within the framework of the established ICAAP process under normal conditions (regulatory capital adequacy) and stressed conditions. As at 30 September 2018, the Group had a solid level of capital adequacy (CET 1) of 16.9%, which is within the stated risk appetite limit. The reported capital adequacy ratio also includes the first six months result of the year 2018, with lower retained earnings as part of the dividend pay out and positive effects from the implementation of IFRS 9. In addition, the adjustment of treatment of the FX position on the consolidated level as result of a request by the ECB is also influencing the capital adequacy ratio, referring to the treatment of structural positions arising from equity investments in non-euro subsidiary banks. In line with the Supervisory Review and Evaluation Process (SREP), both CET 1 and total capital requirement for the Group in 2018 are fulfilled in the current and fully loaded requirements.

The second key aim is to maintain a solid liquidity level and structure. The Group holds a strong liquidity position at both the Group and subsidiary bank levels, well above the risk appetite, with a liquidity coverage ratio (LCR) (according to the delegated act) of 358%, and unencumbered eligible reserves in the amount of EUR 5,317 million. Even if the stress scenario were to occur, the Group has sufficiently high liquidity reserves in place in the form of placements at the ECB, prime debt securities, and money market placements. The main funding base of the Group at the Group and individual subsidiary bank levels predominately entails customer deposits with a comfortable level of LTD (net) in the amount of 69.1%, giving the Group the potential for further customer loan placements.

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

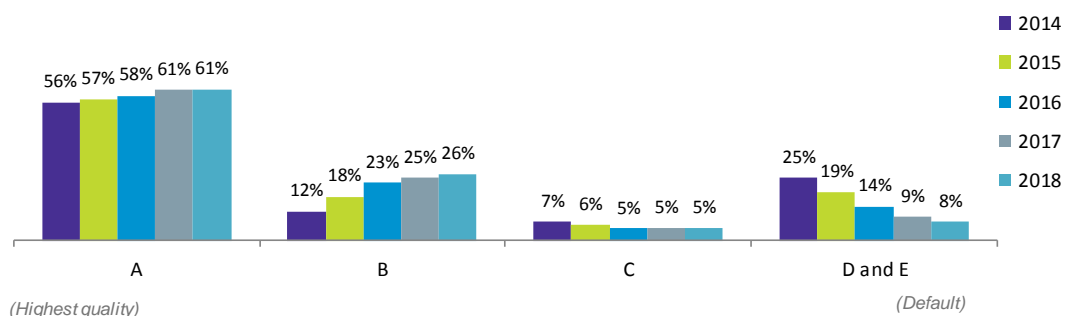
The current structure of credit portfolio (gross loans) consists of retail clients (39%), large corporate clients (19%), SMEs, and micro companies (22%), with the remainder of the portfolio made up of other liquid assets.

Figure 18: NLB Group structure of the credit portfolio by segment as at 30 September 2018



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

Figure 19: Structure of NLB Group credit portfolio by client credit ratings

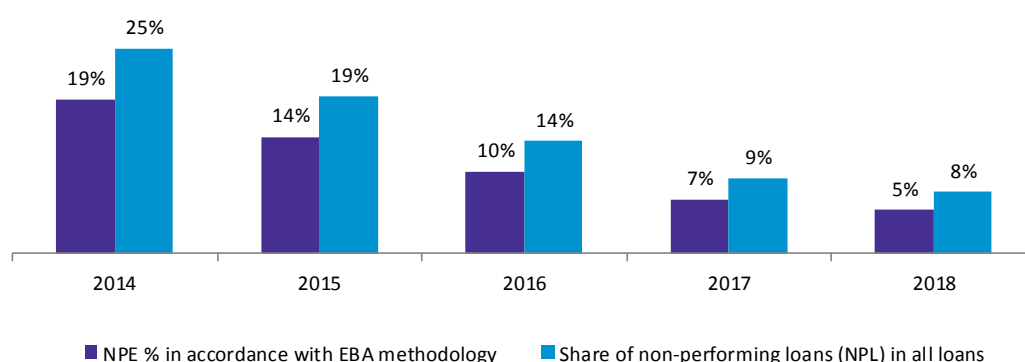


The Group's primary objective is to provide comprehensive services to clients by utilising prudent risk management principles. The Group is constantly developing a wide range of advanced approaches supported by mathematical and statistical models in the area of credit risk assessment in line with best banking practices to further enhance existing risk management tools, while at the same time enabling faster responsiveness towards clients. In Q3 2018, efforts led to cumulatively very low new NPLs formation in the amount of EUR 17.6 million, of which only EUR 2.5 million comes from new business¹¹, which represents less than 0.03% of the total portfolio. In addition, a favorable macroeconomic environment across the region resulted in the negative cost of risk (arising from the release of pool provisions and successful restructuring and recovery of non-performing loans), whose evolution was otherwise very stable and sustainable and in line with strategic orientations.

The restructuring approaches built in the past are focused on the early detection of clients with potential financial difficulties (early warning mechanism) and their proactive treatment. The Group's strong commitment to reduce the NPE legacy is supported by precisely set targets and constantly monitoring progress. The existing non-performing credit portfolio stock in the Group was additionally reduced in the Q3 2018 (in comparison with YE 2017) from EUR 844 million to EUR 706 million. The share of NPLs decreased in the Q3 2018 (in comparison with YE 2017) from 9.2% to 7.6%, while the internationally more comparable NPE ratio based on EBA methodology fell from 6.7% to 5.3%.

The NPL coverage ratio ¹², which remains high at 76.4%, represents an important strength for the Group. The Group's NPL coverage ratio ²¹³ stands at 65.5%, which is well above the EU average published by the EBA (46.0% for Q2 2018). This means, similar as in the previous years, a further reduction of NPLs can be made without significantly influencing the cost of risk in the years ahead.

Figure 20: NLB Group NPE (NPE % by the EBA) and NPL ratio



Notes:

¹¹ Refers to corporate loans issued since 2014 and retail loans issued since 2015.

¹² The coverage of the gross NPL portfolio with impairments on the entire loan portfolio.

¹³ The coverage of the gross NPL portfolio with impairments on the NPL portfolio.

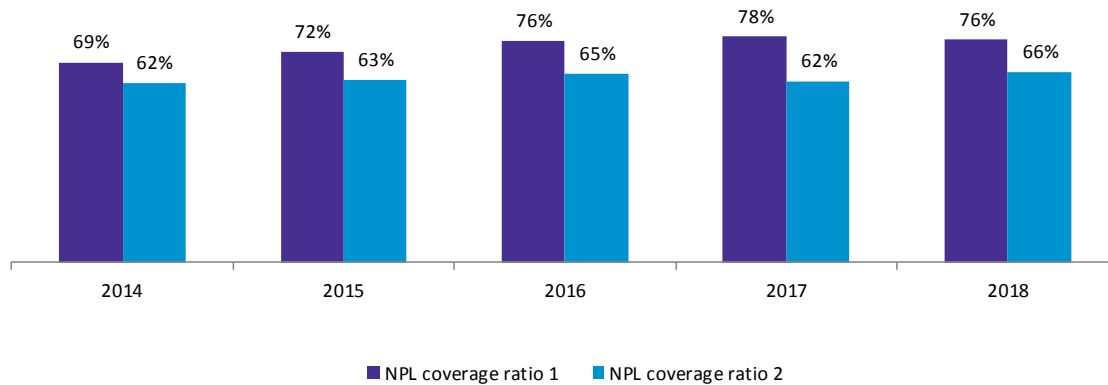
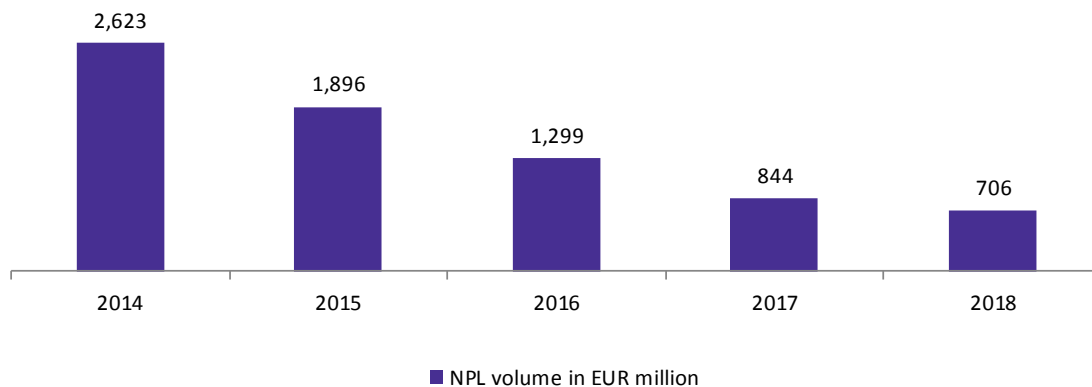
Figure 21: NLB Group NPL Coverage ratio 1¹⁴ and NPL Coverage ratio 2¹⁵

Figure 22: NLB Group NPL volume (in EUR million)



When considering market risks, the Group pursues the orientation that such risks should not significantly affect a single Group subsidiary or the whole Group's operations. The Group's net open FX position arising from transactional risk is very low and amounts to less than 1.06% of the total capital.

The exposure to interest rate risk on the Group level is relatively low, but has increased moderately in the recent period as a result of an excess liquidity position and a low interest rate environment. The Group's net interest income sensitivity in the case of a Euribor increase of 50 bps would amount to EUR 14.0 million, whereas a

Notes:

¹⁴ The coverage of the gross NPL portfolio with impairments on the entire loan portfolio.

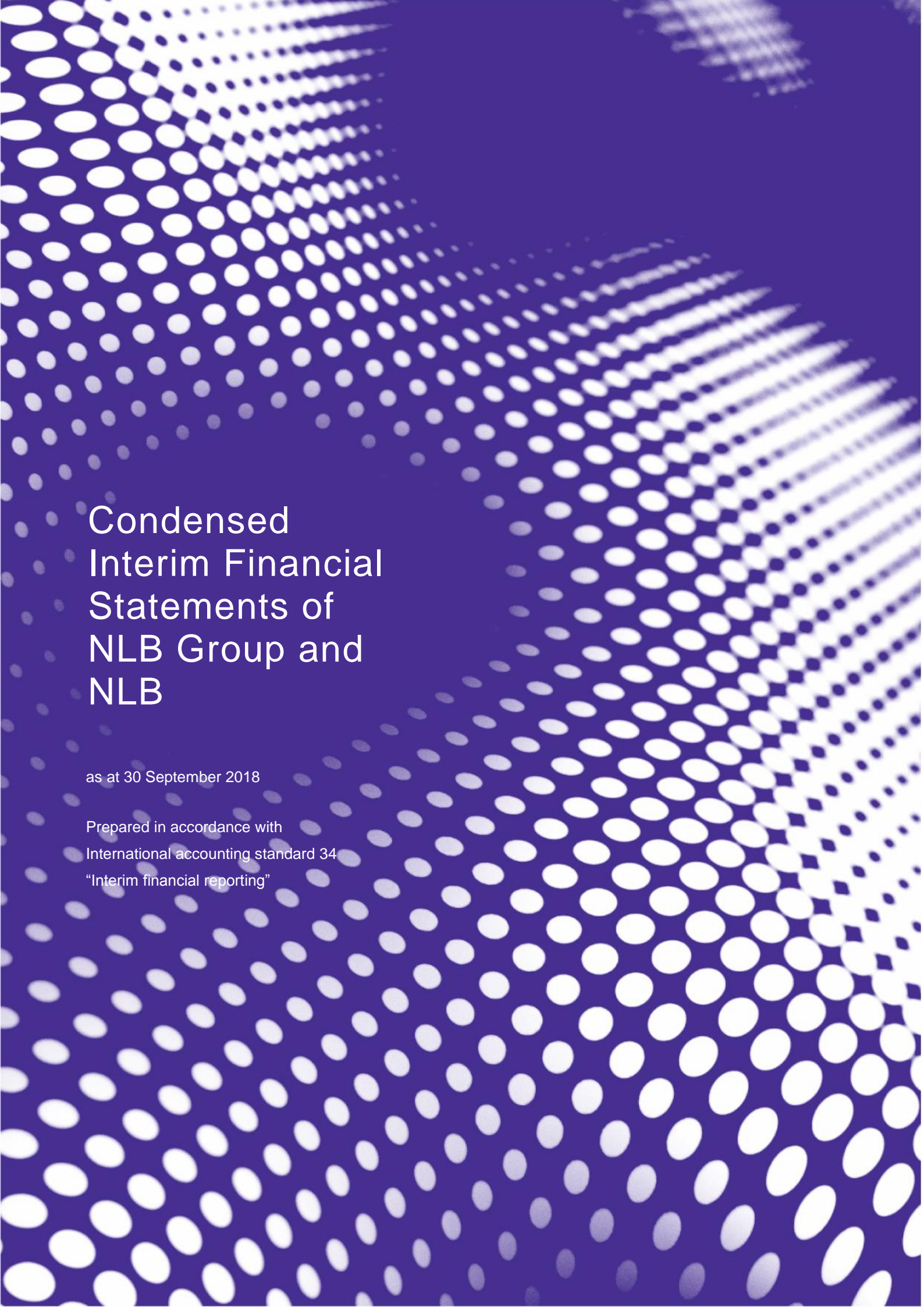
¹⁵ The coverage of the gross NPL portfolio with impairments on the NPL portfolio.

decrease in exposure would be lower due to the zero floor clauses in place. Moreover, the basis point value (BPV) sensitivity (with inclusion of sight deposit allocation) of 200 bps equals 8.3% of capital.

In the area of operational risks, additional efforts were made regarding proactive prevention and the minimisation of potential damage in the future. Special attention was dedicated to the established stress-testing system, based on modelling data on loss events and scenario analysis referring to potential high severity, low frequency events. Furthermore, key risk indicators as an early warning system for the broader field of operational risks are regularly monitored with the aim of improving the existing internal controls and reacting on time when necessary.

Events after 30 September 2018

- On 18 October 2018 Fitch affirmed NLB's a BB long-term credit rating (outlook Rating watch: evolving).
- Pursuant to ECB's permission for distribution of the dividends, General Assembly of NLB's Shareholders approved the distribution and NLB paid dividends in the amount of EUR 270.6 million to the registered shareholders of NLB on 22 October 2018. For more information see section 9 of the Notes to the condensed interim financial statements of this report.
- On 14 November 2018 the Republic of Slovenia acting through Slovenski državni holding, d.d. concluded the offering of no less than 10,000,001 (50% plus one share) and up to 14,999,999 (75% minus one share) of NLB's shares held by the Republic of Slovenia. The offering was made to retail investors in Slovenia and institutional investors in Slovenia and outside Slovenia. Assuming exercise of the over-allotment option in full the total offering size was 13,000,000 shares, where retail offering size was 385,369 shares and 1,010 GDRs, and institutional offering size was 1,614,865 shares and 10,998,756 GDRs. The offer price per share was EUR 51.50, and offer price per GDR (five GDRs represent one share) was EUR 10.30. The shares are listed on Ljubljana Stock Exchange and GDRs on London Stock Exchange. After the completed offering of shares and assuming exercise of the over-allotment option in full the Republic of Slovenia held 7,000,000 shares representing 35% of all NLB's shares.
- On 23 November 2018 Fitch upgraded NLB's Long-term IDR to "BB+" from "BB" and removed it from Rating Watch Evolving (RWE). The Outlook is stable.



Condensed Interim Financial Statements of NLB Group and NLB

as at 30 September 2018

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

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Condensed income statement

in EUR thousand

	Notes	NLB Group		NLB	
		nine months ended		nine months ended	
		Sep 2018	Sep 2017	Sep 2018	Sep 2017
		unaudited	unaudited restated	unaudited	unaudited restated
Interest income, using the effective interest method		261,696	265,653	130,235	134,514
Interest income, not using the effective interest method		5,022	5,261	5,081	5,261
Interest and similar income	4.1.	266,718	270,914	135,316	139,775
Interest and similar expenses	4.1.	(34,853)	(42,221)	(17,737)	(23,412)
Net interest income		231,865	228,693	117,579	116,363
Dividend income	4.2.	109	153	49,686	48,057
Fee and commission income	4.3.	162,025	153,890	98,811	94,736
Fee and commission expenses	4.3.	(42,066)	(38,681)	(23,412)	(21,317)
Net fee and commission income		119,959	115,209	75,399	73,419
Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	4.4.	664	11,834	254	11,440
Gains less losses from financial assets and liabilities held for trading	4.5.	6,903	9,392	2,075	5,088
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	4.6.	2,805	-	3,838	-
Gains less losses from financial assets and liabilities designated at fair value through profit or loss		(56)	49	(56)	-
Fair value adjustments in hedge accounting		894	(1,148)	894	(1,148)
Foreign exchange translation gains less losses		445	2,377	(46)	(517)
Gains less losses on derecognition of assets other than held for sale		2,042	1,611	114	247
Other operating income	4.7.	13,520	18,740	6,182	9,508
Other operating expenses	4.8.	(22,045)	(19,579)	(12,314)	(10,421)
Administrative expenses	4.9.	(189,874)	(187,016)	(116,129)	(114,853)
Depreciation and amortisation		(20,500)	(20,827)	(13,084)	(13,515)
Provisions for other liabilities and charges	4.10.	3,383	8,361	1,638	5,469
Impairment charge	4.11.	15,586	28,911	16,583	15,430
Share of profit from investments in associates and joint ventures (accounted for using the equity method)		4,105	3,738	-	-
Gains less losses from non-current assets held for sale	4.12.	11,857	(2,051)	11,458	577
Profit before income tax		181,662	198,447	144,071	145,144
Income tax	4.13.	(16,625)	(7,170)	(9,497)	124
Profit for the period		165,037	191,277	134,574	145,268
Attributable to owners of the parent		158,326	183,991	134,574	145,268
Attributable to non-controlling interests		6,711	7,286	-	-
Earnings per share/diluted earnings per share (in EUR per share)		7.92	9.20	6.73	7.26

Condensed income statement – for three months ended September for NLB Group and NLB

in EUR thousand

	Notes	NLB Group		NLB	
		three months ended		three months ended	
		Sep	Sep	Sep	Sep
		2018	2017	2018	2017
		unaudited	unaudited restated	unaudited	unaudited restated
Interest income, using the effective interest method		90,190	90,786	44,867	45,085
Interest income, not using the effective interest method		1,397	1,382	1,418	1,382
Interest and similar income	4.1.	91,590	92,168	46,287	46,467
Interest and similar expenses	4.1.	(11,404)	(12,042)	(5,928)	(6,034)
Net interest income		80,186	80,126	40,359	40,433
Dividend income	4.2.	12	11	6	5,975
Fee and commission income	4.3.	56,028	53,260	33,535	32,277
Fee and commission expenses	4.3.	(15,628)	(13,804)	(8,420)	(7,412)
Net fee and commission income		40,400	39,456	25,115	24,865
Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	4.4.	99	20	(28)	20
Gains less losses from financial assets and liabilities held for trading	4.5.	2,985	3,712	1,255	2,027
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	4.6.	1,164	-	1,250	-
Gains less losses from financial assets and liabilities designated at fair value through profit or loss		-	31	-	-
Fair value adjustments in hedge accounting		637	226	637	226
Foreign exchange translation gains less losses		119	1,355	(44)	(687)
Gains less losses on derecognition of assets other than held for sale		672	141	58	67
Other operating income	4.7.	5,210	5,850	2,372	2,476
Other operating expenses	4.8.	(5,280)	(4,478)	(1,954)	(1,591)
Administrative expenses	4.9.	(63,551)	(61,748)	(39,026)	(37,819)
Depreciation and amortisation		(6,858)	(7,040)	(4,369)	(4,579)
Provisions for other liabilities and charges	4.10.	5	3,132	1,010	1,087
Impairment charge	4.11.	4,593	8,520	5,241	3,913
Share of profit from investments in associates and joint ventures (accounted for using the equity method)		1,567	1,002	-	-
Gains less losses from non-current assets held for sale	4.12.	(290)	(2,253)	2,649	232
Profit before income tax		61,670	68,063	34,531	36,645
Income tax	4.13.	(6,022)	923	(3,292)	3,305
Profit for the period		55,648	68,986	31,239	39,950
Attributable to owners of the parent		53,479	66,072	31,239	39,950
Attributable to non-controlling interests		2,169	2,914	-	-

Condensed statement of comprehensive income

in EUR thousand

	Note	NLB Group		NLB	
		nine months ended		nine months ended	
		Sep	Sep	Sep	Sep
		2018	2017	2018	2017
		unaudited	unaudited	unaudited	unaudited
Net profit for the period after tax		165,037	191,277	134,574	145,268
Other comprehensive income/(loss) after tax		(11,286)	(4,711)	(7,979)	(9,276)
<i>Items that will not be reclassified to income statement</i>					
Actuarial gains/(losses) on defined benefit pension plans		-	(846)	-	(950)
Fair value changes of equity instruments measured at fair value through other comprehensive income		1,744	-	545	-
Share of other comprehensive income/(losses) of entities accounted for using the equity method		(378)	(2)	-	-
Income tax relating to components of other comprehensive income	5.16.	(16)	90	(95)	90
<i>Items that may be reclassified subsequently to income statement</i>					
Foreign currency translation		(1,230)	3,168	-	-
Translation gains/(losses) taken to equity		(1,230)	3,168	-	-
Debt instruments measured at fair value through other comprehensive income		(10,328)	-	(10,406)	-
Valuation gains/(losses) taken to equity		(10,202)	-	(10,366)	-
Transferred to income statement		(126)	-	(40)	-
Available-for-sale financial assets		-	(8,922)	-	(10,390)
Valuation gains/(losses) taken to equity		-	2,912	-	1,050
Transferred to income statement	4.4. and 4.11.	-	(11,834)	-	(11,440)
Share of other comprehensive income/(losses) of entities accounted for using the equity method		(3,712)	(74)	-	-
Income tax relating to components of other comprehensive income	5.16.	2,634	1,875	1,977	1,974
Total comprehensive income for the period after tax		153,751	186,566	126,595	135,992
Attributable to owners of the parent		147,092	179,091	126,595	135,992
Attributable to non-controlling interests		6,659	7,475	-	-

Condensed statement of comprehensive income – for three months ended September for NLB Group and NLB

	in EUR thousand			
	NLB Group		NLB	
	three months ended		three months ended	
	Sep 2018	Sep 2017	Sep 2018	Sep 2017
	unaudited	unaudited	unaudited	unaudited
Net profit for the period after tax	55,648	68,986	31,239	39,950
Other comprehensive income after tax	(6,979)	6,678	(4,569)	3,725
<i>Items that will not be reclassified to income statement</i>				
Actuarial gains/(losses) on defined benefit pension plans	-	(846)	-	(950)
Fair value changes of equity instruments measured at fair value through other comprehensive income	(2,020)	-	220	-
Share of other comprehensive income/(losses) of entities accounted for using the equity method	(145)	-	-	-
Income tax relating to components of other comprehensive income	(36)	90	(42)	90
<i>Items that may be reclassified subsequently to income statement</i>				
Foreign currency translation	319	1,466	-	-
Translation gains/(losses) taken to equity	319	1,466	-	-
Debt instruments measured at fair value through other comprehensive income	(5,324)	-	(5,861)	-
Valuation gains/(losses) taken to equity	(4,956)	-	(5,807)	-
Transferred to income statement	(368)	-	(54)	-
Available-for-sale financial assets	-	6,542	-	5,660
Valuation gains/(losses) taken to equity	-	6,573	-	5,680
Transferred to income statement	-	(31)	-	(20)
Share of other comprehensive income/(losses) of entities accounted for using the equity method	(1,036)	727	-	-
Income tax relating to components of other comprehensive income	1,263	(1,301)	1,114	(1,075)
Total comprehensive income for the period after tax	48,669	75,664	26,670	43,675
Attributable to owners of the parent	46,463	72,641	26,670	43,675
Attributable to non-controlling interests	2,206	3,023	-	-


Condensed statement of financial position


in EUR thousand

	Notes	NLB Group			NLB		
		30 Sep 2018	1 Jan 2018	31 Dec 2017	30 Sep 2018	1 Jan 2018	31 Dec 2017
		unaudited	unaudited	audited	unaudited	unaudited	audited
Cash, cash balances at central banks and other demand deposits at banks	5.1.	1,557,372	1,255,824	1,256,481	820,920	569,943	570,010
Financial assets held for trading	5.2.a)	45,244	72,189	72,189	45,237	72,180	72,180
Non-trading financial assets mandatorily at fair value through profit or loss	5.3.a)	26,536	31,404	-	25,796	31,239	-
Financial assets designated at fair value through profit or loss	5.3.b)	-	-	5,003	-	-	634
Financial assets measured at fair value through other comprehensive income	5.4.	1,889,384	1,656,365	-	1,516,149	1,285,276	-
Financial assets measured at amortised cost							
- debt securities	5.6.a)	1,337,165	1,301,413	-	1,197,426	1,178,088	-
- loans and advances to banks	5.6.b)	402,034	509,970	-	380,275	461,830	-
- loans and advances to customers	5.6.c)	7,059,217	6,956,362	-	4,488,698	4,594,286	-
- other financial assets	5.6.d)	51,979	67,046	-	52,582	38,915	-
Available-for-sale financial assets	5.5.	-	-	2,276,493	-	-	1,777,762
Loans and advances							
- debt securities	5.7.a)	-	-	82,133	-	-	82,133
- loans and advances to banks	5.7.b)	-	-	510,107	-	-	462,322
- loans and advances to customers	5.7.c)	-	-	6,912,333	-	-	4,587,477
- other financial assets	5.7.d)	-	-	66,077	-	-	38,389
Held-to-maturity investments	5.9.	-	-	609,712	-	-	609,712
Derivatives - hedge accounting		1,530	1,188	1,188	1,530	1,188	1,188
Fair value changes of the hedged items in portfolio hedge of interest rate risk		748	719	719	748	719	719
Investments in subsidiaries		-	-	-	350,445	349,945	349,945
Investments in associates and joint ventures		37,754	43,765	43,765	4,797	6,932	6,932
Tangible assets							
Property and equipment		182,842	188,355	188,355	84,242	87,051	87,051
Investment property	5.10.	51,199	51,838	51,838	12,026	9,257	9,257
Intangible assets		31,093	34,974	34,974	20,533	23,911	23,911
Current income tax assets		921	599	2,795	-	-	2,196
Deferred income tax assets	5.12.	22,105	19,745	18,603	22,086	20,318	19,758
Other assets	5.11.	82,214	93,349	93,349	10,536	8,692	8,692
Non-current assets classified as held for sale		4,381	11,631	11,631	1,720	2,564	2,564
TOTAL ASSETS		12,783,718	12,296,736	12,237,745	9,035,746	8,742,334	8,712,832
Trading liabilities	5.2.b)	9,987	9,502	9,502	9,991	9,398	9,398
Financial liabilities measured at fair value through profit or loss	5.3.	9,631	5,815	635	9,345	5,166	635
Financial liabilities measured at amortised cost							
- deposits from banks and central banks	5.14.	43,274	40,602	40,602	57,688	72,072	72,072
- borrowings from banks and central banks	5.14.a)	267,138	279,616	279,616	252,421	260,747	260,747
- due to customers	5.14.	10,246,679	9,878,378	9,878,378	6,986,764	6,810,967	6,810,967
- borrowings from other customers	5.14.a)	62,463	74,286	74,286	4,527	5,726	5,726
- subordinated liabilities	5.14.b)	15,292	27,350	27,350	-	-	-
- other financial liabilities	5.14.c)	111,793	111,019	111,019	77,583	71,534	71,534
Derivatives - hedge accounting		22,747	25,529	25,529	22,747	25,529	25,529
Liabilities of disposal group classified as held for sale		-	440	440	-	-	-
Provisions	5.15.	86,010	93,989	88,639	63,782	67,232	70,817
Current income tax liabilities		10,276	3,908	2,894	9,061	1,014	-
Deferred income tax liabilities	5.12.	2,533	2,558	1,096	-	-	-
Other liabilities	5.17.	11,340	9,467	9,596	6,350	4,057	4,181
TOTAL LIABILITIES		10,899,163	10,562,459	10,549,582	7,500,259	7,333,442	7,331,606
EQUITY AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT							
Share capital		200,000	200,000	200,000	200,000	200,000	200,000
Share premium		871,378	871,378	871,378	871,378	871,378	871,378
Accumulated other comprehensive income		12,307	24,744	26,752	16,665	24,688	25,699
Profit reserves		13,522	13,522	13,522	13,522	13,522	13,522
Retained earnings		747,271	587,742	541,901	433,922	299,304	270,627
		1,844,478	1,697,386	1,653,553	1,535,487	1,408,892	1,381,226
Non-controlling interests		40,077	36,891	34,610	-	-	-
TOTAL EQUITY		1,884,555	1,734,277	1,688,163	1,535,487	1,408,892	1,381,226
TOTAL LIABILITIES AND EQUITY		12,783,718	12,296,736	12,237,745	9,035,746	8,742,334	8,712,832

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
 Chief Executive
 Officer

Ljubljana, 30 November 2018

Condensed statement of changes in equity

in EUR thousand

NLB Group	Share capital	Share premium	Accumulated other comprehensive income					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	Profit reserves	Retained earnings			
Balance as at 31 December 2017	200,000	871,378	47,595	(17,248)	(3,595)	13,522	541,901	1,653,553	34,610	1,688,163
Impact of adopting IFRS 9	-	-	(2,008)	-	-	-	45,841	43,833	2,281	46,114
Restated opening balance under IFRS 9	200,000	871,378	45,587	(17,248)	(3,595)	13,522	587,742	1,697,386	36,891	1,734,277
- Net profit for the period	-	-	-	-	-	-	158,326	158,326	6,711	165,037
- Other comprehensive income	-	-	(10,162)	(1,084)	12	-	-	(11,234)	(52)	(11,286)
Total comprehensive income after tax	-	-	(10,162)	(1,084)	12	-	158,326	147,092	6,659	153,751
Dividends paid	-	-	-	-	-	-	-	-	(3,133)	(3,133)
Transfer of fair value reserve	-	-	(1,190)	-	(13)	-	1,203	-	-	-
Other	-	-	-	-	-	-	-	-	(340)	(340)
Balance as at 30 September 2018	200,000	871,378	34,235	(18,332)	(3,596)	13,522	747,271	1,844,478	40,077	1,884,555

in EUR thousand

NLB Group	Share capital	Share premium	Accumulated other comprehensive income					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	Profit reserves	Retained earnings			
Balance as at 1 January 2017	200,000	871,378	52,971	(20,140)	(2,863)	13,522	380,444	1,495,312	30,347	1,525,659
- Net profit for the period	-	-	-	-	-	-	183,991	183,991	7,286	191,277
- Other comprehensive income	-	-	(7,136)	2,994	(758)	-	-	(4,900)	188	(4,712)
Total comprehensive income after tax	-	-	(7,136)	2,994	(758)	-	183,991	179,091	7,474	186,565
Dividends paid	-	-	-	-	-	-	(63,780)	(63,780)	(3,725)	(67,505)
Other	-	-	-	-	-	-	222	222	(347)	(125)
Balance as at 30 September 2017	200,000	871,378	45,835	(17,146)	(3,621)	13,522	500,877	1,610,845	33,749	1,644,594

in EUR thousand

NLB	Share capital	Share premium	Accumulated other comprehensive income		Profit reserves	Retained earnings	Total equity	
			financial assets measured at FVOCI	Other capital reserves				
								Fair value reserve of
Balance as at 31 December 2017	200,000	871,378	29,196	(3,497)	13,522	270,627	1,381,226	
Impact of adopting IFRS 9	-	-	(1,011)	-	-	28,677	27,666	
Restated opening balance under IFRS 9	200,000	871,378	28,185	(3,497)	13,522	299,304	1,408,892	
- Net profit for the period	-	-	-	-	-	134,574	134,574	
- Other comprehensive income	-	-	(7,979)	-	-	-	(7,979)	
Total comprehensive income after tax	-	-	(7,979)	-	-	134,574	126,595	
Transfer of fair value reserve	-	-	(44)	-	-	44	-	
Balance as at 30 September 2018	200,000	871,378	20,162	(3,497)	13,522	433,922	1,535,487	

in EUR thousand

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 January 2017	200,000	871,378	37,218	(2,637)	13,522	145,313	1,264,794
- Net profit for the period	-	-	-	-	-	145,268	145,268
- Other comprehensive income	-	-	(8,416)	(860)	-	-	(9,276)
Total comprehensive income after tax	-	-	(8,416)	(860)	-	145,268	135,992
Dividends paid	-	-	-	-	-	(63,780)	(63,780)
Balance as at 30 September 2017	200,000	871,378	28,802	(3,497)	13,522	226,801	1,337,006

Condensed statement of cash flows

in EUR thousand

	NLB Group		NLB	
	nine months ended		nine months ended	
	Sep 2018	Sep 2017	Sep 2018	Sep 2017
	unaudited	unaudited	unaudited	unaudited
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	296,029	294,844	166,874	166,603
Interest paid	(34,098)	(47,196)	(18,071)	(28,366)
Dividends received	1,821	4,368	41,156	42,102
Fee and commission receipts	161,794	154,318	97,832	93,911
Fee and commission payments	(44,519)	(40,581)	(23,664)	(21,605)
Realised gains from financial assets and financial liabilities not measured at fair value through profit or loss	1,039	11,996	629	11,594
Net gains/(losses) from financial assets and liabilities held for trading	7,497	6,265	2,977	2,216
Payments to employees and suppliers	(190,214)	(187,998)	(120,396)	(119,360)
Other income	19,001	20,996	8,706	9,718
Other expenses	(19,752)	(19,100)	(12,960)	(10,387)
Income tax (paid)/received	(8,662)	(7,061)	355	786
Cash flows from operating activities before changes in operating assets and liabilities	189,936	190,851	143,438	147,212
(Increases)/decreases in operating assets	(212,822)	(142,989)	(87,261)	(50,781)
Net (increase)/decrease in trading assets	26,577	(26,218)	26,577	(26,218)
Net (increase)/decrease in financial assets designated at fair value through profit or loss	-	1,106	-	686
Net (increase)/decrease in non-trading financial assets mandatorily at fair value through profit or loss	11,319	-	13,775	-
Net (increase)/decrease in financial assets measured at fair value through other comprehensive income	(254,371)	-	(255,375)	-
Net (increase)/decrease in available-for-sale financial assets	-	(144,790)	-	(146,420)
Net (increase)/decrease in loans and receivables measured at amortised cost	(8,139)	22,462	126,484	120,028
Net (increase)/decrease in other assets	11,792	4,451	1,278	1,143
Increases/(decreases) in operating liabilities	344,335	(92,894)	158,194	(177,894)
Net increase/(decrease) in financial liabilities designated at fair value through profit or loss	(691)	(686)	(691)	(686)
Net increase/(decrease) in deposits and borrowings measured at amortised cost	345,314	176,216	158,133	96,929
Net increase/(decrease) in securities measured at amortised cost	-	(274,200)	-	(274,200)
Net increase/(decrease) in other liabilities	(288)	5,776	752	63
Net cash from operating activities	321,449	(45,032)	214,371	(81,463)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts from investing activities	328,235	70,231	248,617	66,148
Proceeds from sale of property and equipment	4,963	4,093	5	10
Proceeds from disposals of subsidiaries and associates	23,271	276	14,868	276
Proceeds from disposals of debt securities measured at amortised cost	299,843	-	233,586	-
Proceeds from disposals of held-to-maturity financial assets	-	65,403	-	65,403
Proceeds from sale of non-current assets held for sale	158	459	158	459
Payments from investing activities	(367,154)	(79,276)	(279,600)	(84,437)
Purchase of property and equipment	(12,545)	(7,872)	(7,866)	(4,093)
Purchase of intangible assets	(7,094)	(8,411)	(5,532)	(6,567)
Purchase of subsidiaries and increase in subsidiaries' equity	-	(1,596)	(800)	(12,380)
Purchase of debt securities measured at amortised cost	(347,515)	-	(265,402)	-
Purchase of held-to-maturity financial assets	-	(61,397)	-	(61,397)
Net cash from investing activities	(38,919)	(9,045)	(30,983)	(18,289)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from financing activities	-	-	-	-
Issue of subordinated debt	-	-	-	-
Payments from financing activities	(15,102)	(67,454)	-	(63,780)
Dividends paid	(3,131)	(67,454)	-	(63,780)
Repayments of subordinated debt	(11,971)	-	-	-
Net cash from financing activities	(15,102)	(67,454)	-	(63,780)
Effects of exchange rate changes on cash and cash equivalents	1,991	(6,858)	(508)	(11,267)
Net increase/(decrease) in cash and cash equivalents	267,428	(121,531)	183,388	(163,532)
Cash and cash equivalents at beginning of period	1,475,714	1,449,275	662,419	670,682
Cash and cash equivalents at end of period	1,745,133	1,320,886	845,299	495,883

in EUR thousand

	Notes	NLB Group		NLB	
		30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017
		unaudited	audited	unaudited	audited
Cash and cash equivalents comprise:					
Cash, cash balances at central banks, and other demand deposits at banks	5.1.	1,557,937	1,256,481	821,014	570,010
Loans and advances to banks with original maturity up to 3 months		119,682	148,784	24,285	92,409
Financial assets measured at fair value through other comprehensive income with original maturity up to 3 months		67,514	-	-	-
Available for sale financial assets with original maturity up to 3 months		-	70,449	-	-
Total		1,745,133	1,475,714	845,299	662,419

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.

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

The ultimate controlling party of NLB is the Republic of Slovenia, which was the sole shareholder as at 30 September 2018 and 31 December 2017.

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 2017, which have been prepared in accordance with the International Financial Reporting Standards (hereinafter: 'IFRS'), as adopted by the European Union.

2.2. Accounting policies

The same accounting policies and methods of computation were followed in the preparation of these consolidated condensed interim financial statements as for the year ended 31 December 2017, except for accounting standards and other amendments effective for annual periods beginning on 1 January 2018 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 2018

In July 2014, the IASB issued IFRS 9 Financial Instruments to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a new approach to financial instruments classification and measurement, a new more forward-looking expected loss model, and amends the requirements for hedge accounting. IFRS 9 is mandatorily effective for annual periods beginning on or after 1 January 2018, with early application permitted. In October 2017, the IASB issued the Amendment to IFRS 9: Pre-payment Features with Negative Compensation that are effective for annual periods beginning on or after 1 January 2019, with early adoption permitted. The amendment allows certain pre-payable financial assets with a negative compensation pre-payment option to be measured at an amortised cost or fair value through other comprehensive income, if the prepayment amount substantially represents the reasonable compensation and unpaid principal and interest. Reasonable compensation may be positive or negative. Prior to this

amendment financial assets with this negative compensation feature would have failed the exclusive payments of principal and interest test, and be mandatorily measured at fair value through profit or loss. This amendment has not yet been endorsed by EU but nevertheless, it will not impact NLB Group's financial statements.

In accordance with the transition requirements of IFRS 9, comparative amounts have not been restated (note 2.3.).

Classification and measurement under IFRS 9

From a classification and measurement perspective, IFRS 9 requires all debt financial assets to be assessed based on a combination of the Group's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories of financial assets have been replaced by:

- financial assets, measured at amortised costs (AC),
- financial assets at fair value through other comprehensive income (FVOCI),
- financial assets held for trading (FVTPL), and
- non-trading financial assets, mandatorily at fair value through profit or loss (FVTPL).

Financial assets are measured at AC if they are held within a business model for the purpose of collecting contractual cash flows ('held to collect'), and if cash flows are solely payments of principal and interest on the principal amount outstanding.

Debt financial instruments are measured at FVOCI if they are held within a business model for the purpose of both collecting contractual cash flows and selling ('held to collect and sell'), and if cash flows are solely payments of principal and interest on the principal amount outstanding. FVOCI results in the debt instruments being recognised at fair value in the statement of financial position and at AC in the income statement. Gains and losses, except for expected credit losses and foreign currency translations, are recognised in other comprehensive income until the instrument is derecognised. At derecognition of the debt financial instrument, the cumulative gains and losses previously recognised in other comprehensive income are reclassified to the income statement.

Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement, except for dividends that are recognised in the income statement.

All other financial assets are mandatorily measured at FVTPL, including financial assets within other business models such as financial assets managed at fair value or held for trading, and financial assets with contractual cash flows that are not solely payments of principal and interest on the principal amount outstanding. In the Statement of Financial Position they are presented in line "Financial assets held for trading" or "Non-trading financial assets mandatorily at fair value through profit or loss." In some cases, fair value of assets can be negative (for example fair value of undrawn credit commitments). In such cases are negative fair values included in line 'Financial liabilities at fair value through profit or loss.'

Like IAS 39, IFRS 9 includes an option to designate financial assets at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognising the gains or losses on them on different bases.

The accounting for financial liabilities remained the same as the requirements of IAS 39, except for the treatment of gains or losses arising from the bank's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the income statement.

NLB Group and NLB elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting requirements in accordance with IAS 39. However, the Bank will implement the revised hedge accounting disclosures that are required by the IFRS 9 related amendments to IFRS 7 "Financial Instruments: Disclosures" in the 2018 Annual Report. Embedded derivatives are under IFRS 9, and are no longer separated from the host's financial assets. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

Assessment of NLB Group's business model

NLB Group has determined its business model separately for each reporting unit within NLB Group. It is based on observable factors for different portfolios that best reflect how the Group manages groups of financial assets to achieve its business objective, such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to key management personnel,
- the risks that affect the performance of the business model and, in particular, the way those risks are managed,
- how the managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets or on collection of contractual cash flows),
- the expected frequency, value, and timing of sales.

The business model assessment is based on reasonably expected scenarios without taking worst-case and stress case scenarios into account. In general, the business model assessment of the Group can be summarised as follows:

- loans and deposits given are included in a business model 'held to collect' since the primary purpose of NLB Group for the loan portfolio is to collect the contractual cash flows,
- debt securities are divided into three business models:
 - the first group of debt securities presents "held for trading" category
 - the second group of debt securities are held under a business model "held to collect and sale" with the aim to collect the contractual cash flows and sale of financial assets, and forms part of the Group's liquidity reserves
 - the third part of debt securities is held within the business model for holding them in order to collect contractual cash flows.

With regard to debt securities within the 'held to collect' business model, the sales which are related to the increase of the issuers' credit risk, concentrations risk, sales made close to the final maturity, or sales orders to meet liquidity needs in a stress case scenario are permitted. Other sales, which are not due to an increase in credit risk may still be consistent with a held to collect business model if such sales are incidental to the overall business model and;

- are insignificant in value both individually and in aggregate, even when such sales are frequent;
- are infrequent even when they are significant in value.

Review of instruments' contractual cash flow characteristics (the SPPI test – solely payment of principal and interest on the principal amount outstanding)

The second step in the classification of the financial assets in portfolios being 'held to collect' and 'held to collect and sell' relates to the assessment of whether the contractual cash flows are consistent with the SPPI test. The principal amount reflects the fair value at initial recognition less any subsequent changes, e.g. due to repayment. The interest must represent only the consideration for the time value of money, credit risk, other basic lending risks, and a profit margin consistent with basic lending features. If the cash flows introduce more than de minimis exposure to risk or volatility that is not consistent with basic lending features, the financial asset is mandatorily recognised at FVTPL.

NLB Group reviewed the portfolio within 'held to collect' and 'held to collect and sale' for standardised products on a level of a product sample, and for non-standardised products on a single exposure level. The Group established a procedure for SPPI identification as part of regular investment process with defined responsibilities for primary and secondary controls. Special emphasis was put on new and non-standardised characteristics of the loan agreements.

At transition to IFRS 9, as at 1 January 2018, NLB Group identified only a few exposures that did not pass the SPPI test, and are therefore measured mandatorily at fair value through profit or loss.

Accounting policy for modified financial assets

The accounting policy for modified financial assets differentiates between modifications of contractual cash flows that occur from commercial reasons and those occurring due to financial difficulties of a client. Modifications of financial assets due to commercial reasons present the derecognition event. In relation to clients in financial difficulties, significant modifications lead to derecognition event whereas modifications that are not significant (where exposure to risks remains broadly the same) do not lead to derecognition. For the latter, NLB Group recognises modification gain or loss.

Impairment of financial instruments

IFRS 9 requires the shift from an incurred loss model to an expected loss model that provides an unbiased and probability-weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. The expected loss model requires NLB Group to recognise not only credit losses that have already occurred, but also losses that are expected to occur in

the future. An allowance for expected credit losses (ECL) is required for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts.

The allowance is based on the expected credit losses associated with the probability of default in the next 12 months unless there has been a significant increase in credit risk since initial recognition, in which case, the allowance is based on the probability of default over the life of the financial asset (LECL). When determining whether the risk of default has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical data, experience, and expert credit assessment and incorporation of forward-looking information.

Classification into stages

NLB Group prepared a methodology for ECL defining the criteria for classification into stages, transition criteria between stages, risk indicators calculation, and validation of models. The Group classifies financial instruments into Stage 1, Stage 2, and Stage 3, based on the applied impairment methodology as described below:

- Stage 1 – performing portfolio: no significant increase of credit risk since initial recognition, NLB Group recognises an allowance based on a 12-month period,
- Stage 2 – underperforming portfolio: significant increase in credit risk since initial recognition, NLB Group recognises an allowance for a lifetime period, and
- Stage 3 – impaired portfolio: NLB Group recognises lifetime allowances for these financial assets. Definition of default is harmonised with EBA guidelines.

A significant increase in credit risk is assumed:

- when a credit rating significantly deteriorates at the reporting date, in comparison to the credit rating at initial recognition,
- when a financial asset has material delays over 30 days (days past due are also included in the credit rating assessment),
- if NLB Group expects to grant the borrower forbearance, or
- if the facility is placed on the watch list.

The methodology of credit rating for banks and sovereign classification depends on the existence or non-existence of a rating from international credit rating agencies Fitch, Moody's, or S&P. Ratings are set on a basis of the average international credit rating. If there are no international credit ratings, the classification is based on the internal methodology of NLB Group.

ECL for Stage 1 financial assets is calculated based on 12-month PDs (probability of default) or shorter period PDs, if the maturity of the financial asset is shorter than 1 year. The 12-month PD already includes a macroeconomic impact effect. Impairment losses in stage 1 are designed to reflect impairment losses that had been incurred in the performing portfolio, but have not been identified.

LECL for Stage 2 financial assets is calculated on the basis of lifetime PDs (LPD) because their credit risk has increased significantly since their initial recognition. This calculation is also based on a forward-looking

assessment that takes into account a number of economic scenarios in order to recognise the probability of losses associated with the predicted macro-economic forecasts.

For financial instruments in Stage 3, the same treatment is applied as for those considered to be credit impaired in accordance with IAS 39. Exposures below the materiality threshold obtain collective provisions using PD of 100%. Financial instruments will be transferred out of Stage 3 if they no longer meet the criteria of credit-impaired after a probation period. Special treatment applies for purchased or originated credit-impaired financial instruments (POCI), where only the cumulative changes in the lifetime expected losses since initial recognition is recognised a loss allowance.

The calculation of collective provisions is performed by multiplying the EAD (exposure at default) at the end of each month with an appropriate PD and LGD (loss-given default). EAD is determined as the sum of on-balance exposure and off-balance exposure multiplied by the CCF (credit conversion factor). The obtained result for each month is discounted to the present time. For Stage 1 exposures ECL, only takes a 12-month period into account, while for Stage 2 all potential losses until maturity date are included.

For the purpose of estimating the LGD parameter, NLB uses collateral HC (hair-cut) at the level of each type of collateral and URR (unsecured recovery rate) at the level of each client segment, in accordance with Bank of Slovenia Guidelines. Both parameters are calculated on the bank's historical repayment data.

Expected Life

When measuring ECL, the Bank must consider the maximum contractual period over which the Bank is exposed to credit risk. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Bank is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Forward-looking information

The Group incorporates forward-looking information in both the assessment of significant increase in credit risk and the measurement of ECL. The Group considers forward-looking information such as macroeconomic factors (e.g., unemployment rate, GDP growth, interest rates, and housing prices) and economic forecasts. The baseline scenario represents the more likely outcome resulting from the Group's normal budgeting process, while the better and worse-case scenarios represent more optimistic or pessimistic outcomes (similar as by ICAAP).

Recalculation of all parameters is performed annually or more frequently if the macro environment changes more than it was incorporated in previous forecasts. In such a case all the parameters are recalculated according to new forecasts.

Presentation of effects at transition to IFRS 9 as of 1 January 2018

An adjustment arising from the adoption of IFRS 9 was recognised in retained earnings and other comprehensive income as at 1 January 2018. Due to the transition to IFRS 9 requirements, shareholders equity of NLB Group increased by EUR 43.8 million and EUR 27.7 million for NLB. The Tier 1 capital ratio for NLB Group increased by 0.4 percentage points (as at 1 January 2018). NLB Group will not apply transitional arrangements at the transition to the expected credit loss model in accordance with Regulation (EU) 2017/2395. A summary of the effects at the transition to IFRS 9 as at 1 January 2018 are presented below:

	NLB Group	in EUR thousand NLB
Impact on equity due to transition to IFRS 9 - details		
Changed methodology for impairments and provisions	58.160	37.319
Remeasurement of loans to fair value	36	(687)
Recognition of modification loss	(1.049)	(1.049)
Reclassification and remeasurement of securities	(7.504)	(5.267)
Income tax on transition	(3.529)	(2.650)
Total impact	46.114	27.666
Minority share	(2.281)	-
Total impact attributable to the owners of the parent	43.833	27.666

The following table shows the original measurement categories in accordance with IAS 39, and the new measurement categories under IFRS 9 for the financial assets as at 1 January 2018.

			NLB Group		in EUR thousand NLB	
	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets - 1 January 2018						
Cash, cash balances at central banks, and other demand deposits at banks	Loans and receivables	Amortised cost	1,256,481	1,255,824	570,010	569,943
Loans and advances - debt securities	Loans and receivables	Amortised cost	82,133	79,880	82,133	79,880
Loans and advances to banks	Loans and receivables	Amortised cost	510,107	509,970	462,322	461,830
Loans and advances to customers	Loans and receivables	Amortised cost	6,887,300	6,956,362	4,556,105	4,594,286
Loans and advances to customers	Loans and receivables	FVTPL mandatory	25,033	24,649	31,372	30,055
Loans and advances - other financial assets	Loans and receivables	Amortised cost	66,077	67,046	38,389	38,915
Trading assets	FVTPL	FVTPL	72,189	72,189	72,180	72,180
Financial assets designated at fair value through profit or loss	FVTPL designated	FVTPL mandatory	5,003	5,003	634	634
Available-for-sale financial assets - debt instruments	AFS	FVOCI	1,604,940	1,604,940	1,238,977	1,238,977
Available-for-sale financial assets - debt instruments	AFS	Amortised cost	618,376	612,317	491,936	488,992
Available-for-sale financial assets - equity instruments	AFS	FVTPL mandatory	1,752	1,752	550	550
Available-for-sale financial assets - equity instruments	AFS	FVOCI designated	51,425	51,425	46,299	46,299
Held-to-maturity financial assets	HTM	Amortised cost	609,712	609,216	609,712	609,216
Total			11,790,528	11,850,573	8,200,619	8,231,757

The following table reconciles the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

					in EUR thousand
NLB Group	Ref	IAS 39 carrying amount 31 December 2017	Reclassification	Remeasurement	IFRS 9 carrying amount 1 January 2018
Amortised Cost					
Cash, cash balances at central banks, and other demand deposits at banks					
Opening balance		1,256,481			
Remeasurement: ECL allowance				(657)	
Closing balance					1,255,824
Loans and advances to banks					
Opening balance		510,107			
Remeasurement: ECL allowance				(137)	
Closing balance					509,970
Loans and advances to customers					
Opening balance		6,912,333			
Subtraction: to financial assets FVTPL (mandatory)	(A)		(25,033)		
Remeasurement: ECL allowance				76,471	
Remeasurement: modifications				(7,409)	
Closing balance					6,956,362
Other financial assets					
Opening balance		66,077			
Remeasurement: ECL allowance				838	
Remeasurement: other adjustments				131	
Closing balance					67,046
Debt securities					
Opening balance		82,133			
Addition: from financial assets available-for-sale	(B)		618,376		
Addition: from financial assets held-to-maturity	(C)		609,712		
Remeasurement: from fair value to amortised cost				(4,476)	
Remeasurement: ECL allowance				(2,096)	
Remeasurement: reclassified bonds	(D)			(2,236)	
Closing balance					1,301,413
Held-to-maturity investments					
Opening balance		609,712			
Subtraction: to debt securities - amortised cost	(C)		(609,712)		
Closing balance					0
Total financial assets measured at amortised cost		9,436,843			10,090,615
Fair value through other comprehensive income (FVOCI)					
Financial assets available for sale					
Opening balance		2,276,493			
Subtraction: to FVOCI - debt instruments	(E)		(1,604,940)		
Subtraction: to FVOCI - equity instruments	(F)		(51,425)		
Subtraction: to amortised cost - debt securities	(B)		(618,376)		
Subtraction: to FVTPL (mandatory)	(G)		(1,752)		
Closing balance					0
FVOCI - debt instruments					
Opening balance		0			
Addition: from financial assets available-for-sale	(E)		1,604,940		
Closing balance					1,604,940
FVOCI - equity instruments					
Opening balance		0			
Addition: from financial assets available-for-sale	(F)		51,425		
Closing balance					51,425
Total financial assets measured at fair value through other comprehensive income		2,276,493			1,656,365
Fair value through profit and loss (FVTPL)					
Trading assets					
Opening balance and closing balance		72,189			72,189
Financial assets FVTPL (designated)					
Opening balance		5,003			
Subtraction: to financial assets FVTPL (mandatory)	(H)		(5,003)		
Closing balance					0
Financial assets FVTPL (mandatory)					
Opening balance		0			
Addition: from financial assets FVTPL (designated)	(H)		5,003		
Addition: from financial assets available-for-sale	(G)		1,752		
Addition: from loans and advances to customers	(A)		25,033		
Remeasurement: from amortised cost to fair value				(384)	
Closing balance					31,404
Total financial assets measured at fair value through profit and loss		77,192			103,593

in EUR thousand

NLB	Ref	IAS 39 carrying amount 31 December 2017	Reclassification	Remeasurement	IFRS 9 carrying amount 1 January 2018
Amortised Cost					
Cash, cash balances at central banks, and other demand deposits at banks					
Opening balance		570,010			
Remeasurement: ECL allowance				(67)	
Closing balance					569,943
Loans and advances to banks					
Opening balance		462,322			
Remeasurement: ECL allowance				(492)	
Closing balance					461,830
Loans and advances to customers					
Opening balance		4,587,477			
Subtraction: to financial assets FVTPL (mandatory)	(A)		(31,372)		
Remeasurement: ECL allowance				45,590	
Remeasurement: modifications				(7,409)	
Closing balance					4,594,286
Other financial assets					
Opening balance		38,389			
Remeasurement: ECL allowance				526	
Closing balance					38,915
Debt securities					
Opening balance		82,133			
Addition: from financial assets available-for-sale	(B)		491,936		
Addition: from financial assets held-to-maturity	(C)		609,712		
Remeasurement: from fair value to amortised cost				(2,232)	
Remeasurement: ECL allowance				(1,225)	
Remeasurement: reclassified bonds	(D)			(2,236)	
Closing balance					1,178,088
Held-to-maturity investments					
Opening balance		609,712			
Subtraction: to debt securities - amortised cost	(C)		(609,712)		
Closing balance					0
Total financial assets measured at amortised cost		6,350,043			6,843,062
Fair value through other comprehensive income (FVOCI)					
Financial assets available for sale					
Opening balance		1,777,762			
Subtraction: to FVOCI - debt instruments	(E)		(1,238,977)		
Subtraction: to FVOCI - equity instruments	(F)		(46,299)		
Subtraction: to amortised cost - debt securities	(B)		(491,936)		
Subtraction: to FVTPL (mandatory)	(G)		(550)		
Closing balance					0
FVOCI - debt instruments					
Opening balance		0			
Addition: from financial assets available-for-sale	(E)		1,238,977		
Closing balance					1,238,977
FVOCI - equity instruments					
Opening balance		0			
Addition: from financial assets available-for-sale	(F)		46,299		
Closing balance					46,299
Total financial assets measured at fair value through other comprehensive income		1,777,762			1,285,276
Fair value through profit and loss (FVTPL)					
Trading assets					
Opening balance and closing balance		72,180			72,180
Financial assets FVTPL (designated)					
Opening balance		634			
Subtraction: to financial assets FVTPL (mandatory)	(H)		(634)		
Closing balance					0
Financial assets FVTPL (mandatory)					
Opening balance		0			
Addition: from financial assets FVTPL (designated)	(H)		634		
Addition: from financial assets available-for-sale	(G)		550		
Addition: from loans and advances to customers	(A)		31,372		
Remeasurement: from amortised cost to fair value				(1,317)	
Closing balance					31,239
Total financial assets measured at fair value through profit and loss		72,814			103,419

(A) Certain loans and advances to customers that were under IAS 39 classified as Loans and advances measured at amortised costs, under IFRS 9 meet the criteria for mandatory measurement at FVTPL because the contractual cash flows of these assets are not solely payments of principal and interest on the outstanding principal.

- (B) Certain debt securities held by the Group may be sold, but such sales are not expected to be more than infrequent or significant. These securities are held within a business model whose objective is to hold assets to collect the contractual cash flows, and are therefore measured at amortised cost under IFRS 9.
- (C) Debt instruments previously classified as held to maturity have been reclassified to amortised cost under IFRS 9, as their previous category under IAS 39 was diminished.
- (D) During the year 2009 NLB Group reclassified certain bonds from the trading category to loans and advances, since it had a positive intent and ability to hold them for the foreseeable future or until maturity, rather than trade in the short term. The fair value of reclassified bonds on the date of reclassification became their new amortised cost. At the transition to IFRS 9, NLB Group recalculated amortised cost of these securities as if they had been measured at the amortised cost since their initial recognition.
- (E) The Group holds certain debt securities to meet everyday liquidity needs. Under IFRS 9 these securities are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and are therefore measured at fair value through other comprehensive income.
- (F) Certain equity investments held by the Group have been designated under IFRS 9 as at FVOCI, because they are not strategic and the Group can't control them. The changes in fair value of such investments will no longer be recognised in profit or loss, not even in the case of disposal. Before the adoption of IFRS 9, these investments were classified as available for sale.
- (G) For certain equity investments, management didn't make an irrevocable election at initial recognition that subsequent changes in fair value would be measured at fair value through other comprehensive income. These assets are, in accordance with IFRS 9, classified as mandatorily measured at FVTPL.
- (H) Before the adoption of IFRS 9, certain investments in funds were managed and evaluated on a fair value basis. Under IFRS 9, these investments are part of an "other" business model and so required to be classified as FVTPL. Additionally, some equity investments were designated at FVTPL in order to reduce accounting mismatch that would otherwise arise. Under IFRS 9 these investments are mandatorily measured at FVTPL.

The following table reconciles:

- the closing balance of the loan loss allowance for credit losses for financial assets in accordance with IAS 39 and provisions for credit losses for loan commitments and financial guarantee contracts in accordance with IAS 37 as at 31 December 2017; to
- the opening balance of the loan loss allowance determined in accordance with IFRS 9 as at 1 January 2018.

in EUR thousand

Measurement category	NLB Group				
	31 December 2017 Loan loss allowance under IAS 39/ Provision under IAS 37	Interest loss allowance 31 December 2017	Reclassification	Remeasurement	1 January 2018 Loan loss allowance under IFRS 9
Loans and receivables under IAS 39/financial assets at amortised cost under IFRS 9					
Cash, cash balances at central banks, and other demand deposits at banks	-	-	-	657	657
Loans and advances - debt securities	-	-	-	17	17
Loans and advances to banks	576	-	-	137	713
Loans and advances to customers	646,752	7,347	(27,737)	(76,471)	549,891
Loans and advances - other financial assets	11,705	1	-	(838)	10,868
Held to maturity securities under IAS 39/financial assets at amortised cost under IFRS 9	73	-	-	496	569
Available for sale debt investment securities under IAS 39/financial assets at amortised cost under IFRS 9	-	-	-	1,583	1,583
Available for sale debt investment securities under IAS 39/debt financial assets at FVOCI under IFRS 9	-	-	-	4,487	4,487
Loan commitments and financial guarantee contract issued	36,915	-	(5,435)	10,785	42,265
Total	696,021	7,348	(33,172)	(59,147)	611,050

in EUR thousand

Measurement category	NLB				
	31 December 2017 Loan loss allowance under IAS 39/ Provision under IAS 37	Interest loss allowance 31 December 2017	Reclassification	Remeasurement	1 January 2018 Loan loss allowance under IFRS 9
Loans and receivables under IAS 39/financial assets at amortised cost under IFRS 9					
Cash, cash balances at central banks, and other demand deposits at banks	-	-	-	67	67
Loans and advances - debt securities	-	-	-	17	17
Loans and advances to banks	-	-	-	492	492
Loans and advances to customers	317,063	6,738	(25,753)	(45,590)	252,458
Loans and advances - other financial assets	3,191	1	-	(526)	2,666
Held to maturity securities under IAS 39/financial assets at amortised cost under IFRS 9	73	-	-	496	569
Available for sale debt investment securities under IAS 39/financial assets at amortised cost under IFRS 9	-	-	-	712	712
Available for sale debt investment securities under IAS 39/debt financial assets at FVOCI under IFRS 9	-	-	-	2,190	2,190
Loan commitments and financial guarantee contract issued	34,257	-	(5,037)	1,452	30,672
Total	354,584	6,739	(30,790)	(40,690)	289,843

For financial assets that have been reclassified to the amortised cost category, the following table shows their fair value as at 30 September 2018, and the fair value gain or loss that would have been recognised if these financial assets had not been reclassified as part of the transition to IFRS 9.

From available-for-sale financial assets under IAS 39	in EUR thousand	
	NLB Group	NLB
Fair value as at 30 September 2018	364,065	303,915
Fair value gain/loss that would have been recognised during the year in OCI if the financial assets had not been reclassified	1,318	1,030

Other accounting standards and amendments to existing standards that were endorsed by the EU, and adopted by NLB Group from 1 January 2018, but do not have material effects on NLB Group's financial statements are:

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

- IFRS 4 (amendment) – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018)
- IFRS 2 (amendment) – Classification and Measurement of share based Payment Transactions (effective for annual periods beginning on or after 1 January 2018)
- Annual Improvements to IFRS's' 2014–2016 Cycle. The improvements comprise a mixture of substantive changes and clarifications, and are effective for annual periods beginning on or after 1 January 2017 or 1 January 2018
- IAS 40 (amendment) – Investment Property (effective for annual periods beginning on or after 1 January 2018)
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018)

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

- IFRS 16 (new standard) – Leases (effective for annual periods beginning on or after 1 January 2019)
- IFRS 9 (amendment) – Prepayment Features with Negative Compensation (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

- IFRS 17 (new standard) – Insurance Contracts (effective for annual periods beginning on or after 1 January 2021)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019)
- Annual Improvements to IFRS's' 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)

2.3. Comparative amounts

Compared to the presentation of the financial statements for the year ended 31 December 2017, the schemes for presentation of the Income Statement and Statement of Financial Position changed due to implementation of IFRS 9, and due to changed schemes prescribed by the Bank of Slovenia. Since comparative figures have not been restated on transition to IFRS 9, the presentation of financial statements in these condensed financial statements is a combination of classification and measurement categories as required by IAS 39 (for balances as of 31 December 2017 and effects for nine months ended 30 September 2017), and classification and IFRS 9 (for balances as of 1 January 2018 and 30 September 2018 and effects for nine months ended 30 September 2018). Due to implementation of IFRS 9, IAS 1 also changed and requires “interest revenue calculated using the effective interest method” to be shown separately. Comparative amounts in the Income statement have been adjusted to reflect this change.

Changes of the schemes prescribed by the Bank of Slovenia relate to presentation of effects related to investments in subsidiaries, associates, and joint ventures in the Income Statements. Comparative amounts have been adjusted to reflect these changes in presentation.

in EUR thousand

	NLB Group			NLB		
	nine months ended			nine months ended		
	Sep 2017			Sep 2017		
	old	current		old	current	
	presentation	presentation	change	presentation	presentation	change
Dividend income	153	153	-	28	48,057	48,029
Gains less losses from capital investment in subsidiaries, associates and joint ventures	2,816	-	(2,816)	48,188	-	(48,188)
Share of profit from investment in associates and joint ventures (accounted for using the equity method)	-	3,738	3,738	-	-	-
Gains less losses from non-current assets held for sale	(1,129)	(2,051)	(922)	418	577	159

More specifically, in the Income Statement for the year ended 31 December 2017 line “Gains less losses from capital investments in subsidiaries, associates, and joint ventures” included dividends and effects from the sale of investments in subsidiaries, associates, and the joint ventures, and effects from the equity method from investments in associates and joint ventures. In these interim financial statements the dividends from subsidiaries, associates, and joint ventures are included in line “Dividend income” and the effects from sale of investments in subsidiaries, associates, and joint ventures are included in line “Net gain or losses from non-current assets held for sale.”

3. Changes in NLB Group

Nine months ended 30 September 2018

Capital changes

- An increase in share capital in the form of a cash contribution in the amount of EUR 300 thousand in NLB Prospera Plus d.o.o, Ljubljana for covering operating costs.

Other changes

- In March 2018, NLB Group sold its core subsidiary NLB Nov Penziski Fond, Skopje (note 4.12. and 5.13.).
- NLB Interfinanz, Praga – v likvidaci and NLB Interfinanz, Belgrade – u likvidaciji are formally in liquidation.
- In May 2018 S-REAM, poslovanje z nepremičninami, d.o.o. Ljubljana was established and will manage certain real estate in NLB Group. NLB's ownership is 100%.
- In June 2018 NLB Propria d.o.o., Ljubljana 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 (note 4.12.).

Changes in 2017

Capital changes

- An increase in share capital in the form of a cash contribution in the amount of EUR 10,909 thousand in NLB Banka Belgrade, REAM d.o.o. Belgrade and REAM d.o.o. Zagreb to ensure an increase in business operations.
- An increase in share capital in the form of cash contributions in the amount of EUR 75 thousand in CBS Invest, Sarajevo to ensure capital adequacy until the end of liquidation.
- NLB acquired shares of NLB Banka, Podgorica, and thereby increased its ownership from 99.36% to 99.83%. The increase in the capital investment was recognised in the amount of EUR 125 thousand.
- An increase in share capital in the form of a cash contribution in the amount of EUR 212 thousand in Prvi Faktor d.o.o., Belgrade – u likvidaciji to ensure capital adequacy until the end of the liquidation. Now NLB has directly 5% ownership in the company.

Other changes

- Kreditni biro SISBON was liquidated. In accordance with a court order, the company was removed from the court register.
- SPV 2 d.o.o., Novi Sad was established and will manage certain real estate in NLB Group. NLB's ownership is 100%. In August 2017 headquarters of the company was moved to Belgrade, and so the company is now called SPV 2 d.o.o., Belgrade.
- In July 2017, NLB sold its non-core subsidiary NLB Factoring – “v likvidaci,” Brno.
- NLB Prospera Plus d.o.o., Ljubljana – v likvidaciji and NLB Leasing d.o.o. – v likvidaciji, Ljubljana are formally in liquidation.

4. Notes to the condensed income statement

4.1. Interest income and expenses

in EUR thousand

	NLB Group					NLB				
	three months ended		nine months ended		change	three months ended		nine months ended		change
	Sep 2018	Sep 2017	Sep 2018	Sep 2017		Sep 2018	Sep 2017	Sep 2018	Sep 2017	
Interest and similar income										
Interest income, using the effective interest method	90,193	90,786	261,696	265,653	-1%	44,869	45,085	130,235	134,514	-3%
Loans and advances to customers at amortised cost	78,337	-	226,635	-	-	36,066	-	104,215	-	-
Securities measured at amortised cost	5,697	-	17,035	-	-	4,710	-	14,087	-	-
Financial assets measured at fair value through other comprehensive income	5,308	-	15,475	-	-	3,285	-	9,589	-	-
Loans and advances to banks measured at amortised cost	562	-	1,709	-	-	660	-	1,925	-	-
Loans and advances to customers	-	80,002	-	231,441	-	-	37,253	-	109,403	-
Available-for-sale financial assets	-	6,266	-	20,095	-	-	3,261	-	10,696	-
Held-to-maturity investments	-	3,802	-	12,339	-	-	3,802	-	12,339	-
Loans and advances to banks and central banks	-	489	-	1,165	-	-	661	-	1,787	-
Deposits with banks and central banks	289	227	842	613	37%	148	108	419	289	45%
Interest income, not using the effective interest method	1,397	1,382	5,022	5,261	-5%	1,418	1,382	5,081	5,261	-3%
Financial assets held for trading	1,338	1,382	4,186	5,261	-20%	1,338	1,382	4,186	5,261	-20%
Non-trading financial assets mandatorily at fair value through profit or loss	59	-	836	-	-	80	-	895	-	-
Total	91,590	92,168	266,718	270,914	-2%	46,287	46,467	135,316	139,775	-3%
Interest and similar expenses										
Due to customers	6,165	6,971	19,089	22,453	-15%	1,329	2,054	4,439	6,961	-36%
Derivatives - hedge accounting	2,142	1,686	6,163	4,366	41%	2,142	1,686	6,163	4,366	41%
Financial liabilities held for trading	1,146	1,343	3,648	4,562	-20%	1,146	1,343	3,648	4,562	-20%
Borrowings from banks and central banks	390	617	1,121	1,861	-40%	331	428	895	1,367	-35%
Subordinated liabilities	244	380	1,031	1,194	-14%	-	-	-	-	-
Borrowings from other customers	263	418	900	1,264	-29%	-	-	-	-	-
Deposits from banks and central banks	33	63	139	142	-2%	74	52	186	113	65%
Debt securities in issue	-	48	-	4,357	-100%	-	48	-	4,357	-100%
Other financial liabilities	1,021	516	2,762	2,022	37%	906	423	2,406	1,686	43%
Total	11,404	12,042	34,853	42,221	-17%	5,928	6,034	17,737	23,412	-24%
Net interest income	80,186	80,126	231,865	228,693	1%	40,359	40,433	117,579	116,363	1%

4.2. Dividend income

in EUR thousand

	NLB Group					NLB				
	three months ended		nine months ended		change	three months ended		nine months ended		change
	Sep 2018	Sep 2017	Sep 2018	Sep 2017		Sep 2018	Sep 2017	Sep 2018	Sep 2017	
Financial assets measured at fair value through other comprehensive income	12	-	109	-	-	6	-	17	-	-
Investments in subsidiaries, associates, and joint ventures	-	-	-	-	-	-	5,971	49,669	48,029	3%
Available-for-sale financial assets	-	11	-	153	-	-	4	-	28	-
Total	12	11	109	153	-29%	6	5,975	49,686	48,057	3%

4.3. Fee and commission income and expenses

in EUR thousand

	NLB Group					NLB				
	three months ended		nine months ended		change	three months ended		nine months ended		change
	Sep 2018	Sep 2017	Sep 2018	Sep 2017		Sep 2018	Sep 2017	Sep 2018	Sep 2017	
Fee and commission income										
Credit cards and ATMs	17,790	16,448	49,770	45,296	10%	10,485	10,487	30,909	29,317	5%
Payments	13,937	14,206	41,620	42,127	-1%	6,618	6,967	20,423	21,105	-3%
Customer transaction accounts	12,459	11,097	35,643	32,286	10%	9,295	8,217	26,517	24,364	9%
Investment funds	4,189	4,309	12,387	12,591	-2%	1,319	1,169	3,708	3,606	3%
Guarantees	2,742	2,755	8,023	8,299	-3%	1,807	1,808	5,245	5,459	-4%
Investment banking	2,115	2,158	6,802	5,814	17%	1,738	1,804	5,686	4,768	19%
Agency of insurance products	1,366	987	3,488	3,074	13%	1,044	984	3,161	3,063	3%
Other services	1,430	1,300	4,292	4,403	-3%	1,229	841	3,162	3,054	4%
Total	56,028	53,260	162,025	153,890	5%	33,535	32,277	98,811	94,736	4%
Fee and commission expenses										
Credit cards and ATMs	11,928	10,146	31,663	28,155	12%	6,907	5,844	18,986	16,814	13%
Payments	1,661	1,518	4,464	4,193	6%	195	182	590	593	-1%
Investment banking	1,172	1,062	3,116	2,827	10%	822	789	2,141	2,024	6%
Insurance for holders of personal accounts and golden cards	279	346	1,004	1,274	-21%	214	240	821	878	-6%
Guarantees	38	45	153	166	-8%	9	30	32	119	-73%
Other services	550	687	1,666	2,066	-19%	273	327	842	889	-5%
Total	15,628	13,804	42,066	38,681	9%	8,420	7,412	23,412	21,317	10%
Net fee and commission income	40,400	39,456	119,959	115,209	4%	25,115	24,865	75,399	73,419	3%

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

in EUR thousand

	NLB Group				NLB			
	three months ended		nine months ended		three months ended		nine months ended	
	Sep 2018	Sep 2017	Sep 2018	Sep 2017	Sep 2018	Sep 2017	Sep 2018	Sep 2017
Financial assets measured at fair value through other comprehensive income	99	-	416	-	(28)	-	260	-
Financial assets measured at amortised cost	-	-	(6)	-	-	-	(6)	-
Available-for-sale financial assets	-	20	-	11,834	-	20	-	11,440
Financial liabilities measured at amortised cost	-	-	254	-	-	-	-	-
Total	99	20	664	11,834	(28)	20	254	11,440

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

in EUR thousand

	NLB Group				NLB			
	three months ended		nine months ended		three months ended		nine months ended	
	Sep 2018	Sep 2017	Sep 2018	Sep 2017	Sep 2018	Sep 2017	Sep 2018	Sep 2017
Foreign exchange trading	2,951	2,972	7,774	7,945	1,255	1,288	2,959	3,272
Derivatives	95	755	(497)	1,472	61	754	(510)	1,841
Debt instruments	(61)	(15)	(374)	(25)	(61)	(15)	(374)	(25)
Total	2,985	3,712	6,903	9,392	1,255	2,027	2,075	5,088

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

in EUR thousand

	NLB Group				NLB			
	three months ended		nine months ended		three months ended		nine months ended	
	Sep 2018	Sep 2017	Sep 2018	Sep 2017	Sep 2018	Sep 2017	Sep 2018	Sep 2017
Equity securities	114	-	189	-	67	-	209	-
Loans and advances to customers	1,050	-	2,616	-	1,183	-	3,629	-
Total	1,164	-	2,805	-	1,250	-	3,838	-

4.7. Other operating income

in EUR thousand

	NLB Group					NLB				
	three months ended		nine months ended		change	three months ended		nine months ended		change
	Sep 2018	Sep 2017	Sep 2018	Sep 2017		Sep 2018	Sep 2017	Sep 2018	Sep 2017	
Income from non-banking services	1,924	2,987	6,502	9,099	-29%	1,506	2,088	4,228	6,166	-31%
Rental income from investment property	1,716	1,467	3,802	4,358	-13%	120	109	366	294	24%
Other operating income	1,570	1,396	3,216	5,283	-39%	746	279	1,588	3,048	-48%
Total	5,210	5,850	13,520	18,740	-28%	2,372	2,476	6,182	9,508	-35%

4.8. Other operating expenses

in EUR thousand

	NLB Group					NLB				
	three months ended		nine months ended		change	three months ended		nine months ended		change
	Sep 2018	Sep 2017	Sep 2018	Sep 2017		Sep 2018	Sep 2017	Sep 2018	Sep 2017	
Deposit guarantee	2,023	2,228	11,722	11,394	3%	-	-	5,746	4,731	21%
Single Resolution Fund	-	-	2,506	2,590	-3%	-	-	2,506	2,590	-3%
Other taxes and compulsory public levies	740	710	2,292	2,160	6%	271	269	757	843	-10%
Membership fees and similar fees	177	279	549	801	-31%	66	170	216	492	-56%
Expenses related to issued service guarantees	1,293	98	1,461	281	420%	1,293	98	1,461	281	420%
Revaluation of investment property to fair value	197	750	289	798	-64%	20	750	65	750	-91%
Other operating expenses	850	413	3,226	1,555	107%	304	304	1,563	734	113%
Total	5,280	4,478	22,045	19,579	13%	1,954	1,591	12,314	10,421	18%

4.9. Administrative expenses

in EUR thousand

	NLB Group					NLB				
	three months ended		nine months ended		change	three months ended		nine months ended		change
	Sep 2018	Sep 2017	Sep 2018	Sep 2017		Sep 2018	Sep 2017	Sep 2018	Sep 2017	
Employee costs	41,075	40,143	121,955	120,557	1%	25,792	25,221	76,218	75,662	1%
Other general and administrative expenses	22,476	21,605	67,919	66,459	2%	13,234	12,598	39,911	39,191	2%
Total	63,551	61,748	189,874	187,016	2%	39,026	37,819	116,129	114,853	1%

4.10. Provisions for other liabilities and charges

in EUR thousand

	NLB Group					NLB				
	three months ended		nine months ended		change	three months ended		nine months ended		change
	Sep 2018	Sep 2017	Sep 2018	Sep 2017		Sep 2018	Sep 2017	Sep 2018	Sep 2017	
Guarantees and commitments	(846)	165	(4,769)	(5,830)	(1,063)	(1,009)	(556)	(1,663)	(5,003)	(3,334)
Provisions for legal issues	859	(2,760)	1,410	(2,043)	(1)	(1)	-	25	65	64
Provisions for restructuring	(18)	-	(24)	17	-	-	-	-	-	-
Other provisions	-	(537)	-	(505)	-	-	(531)	-	(531)	-
Total	(5)	(3,132)	(3,383)	(8,361)	(1,010)	(1,010)	(1,087)	(1,638)	(5,469)	(3,831)

4.11. Impairment charge

in EUR thousand

	NLB Group					NLB				
	three months ended		nine months ended		change	three months ended		nine months ended		change
	Sep 2018	Sep 2017	Sep 2018	Sep 2017		Sep 2018	Sep 2017	Sep 2018	Sep 2017	
Impairment of financial assets										
Cash balances at central banks, and other demand deposits at banks	(13)	-	(25)	-	18	-	27	-	-	27
Loans and advances to banks measured at amortised cost (note 5.8.a)	44	-	(341)	-	(122)	-	(348)	-	-	-
Loans and advances to customers measured at amortised cost (note 5.8.a)	(9,264)	-	(21,335)	-	(5,590)	-	(16,128)	-	-	-
Debt securities measured at fair value through other comprehensive income (note 5.8.b)	(269)	-	290	-	(82)	-	220	-	-	220
Debt securities measured at amortised cost (note 5.8.b)	204	-	483	-	53	-	(25)	-	-	-
Other financial assets measured at amortised cost (note 5.8.a)	2,543	-	2,491	-	67	-	(210)	-	-	-
Loans and advances to customers (note 5.8.d)	-	(9,615)	-	(31,752)	(4,037)	-	(16,028)	-	-	-
Loans and advances to banks (note 5.8.d)	-	386	-	257	-	-	-	-	-	-
Held-to-maturity financial assets	-	1	-	(10)	-	-	1	-	(10)	-
Available-for-sale financial assets	-	(14)	-	(3)	-	-	(3)	-	(3)	-
Other financial assets (note 5.8.d)	-	161	-	440	-	-	84	-	491	-
Impairment of investments in subsidiaries, associates, and joint ventures										
Investments in subsidiaries	-	-	-	-	300	(38)	(76)	37	-	-
Impairment of other assets										
Property and equipment	(50)	-	70	-	-	-	-	-	-	-
Other assets	2,212	561	2,781	2,157	115	80	(43)	83	-	-
Total	(4,593)	(8,520)	(15,586)	(28,911)	(5,241)	(3,913)	(16,583)	(15,430)	(15,430)	(15,430)

NLB re-calculated risk parameters in the second quarter of 2018. The risk parameters were re-calculated by including the 2017 historical data. As 2017 was a favourable period in terms of macroeconomic movements, the impact on through-the-cycle (TTC) risk parameters was mainly favourable, which explains the release of collective provisions in the amount of EUR 1.6 million on NLB Group level. The effect of recalculation of PDs for collective provisions in 2017 in the segment of corporate clients amounted to approximately EUR 21 million. The volume of the impact in respective years are not directly comparable due to the change of the models for estimating the risk parameters and increased data quality with the implementation of the IFRS 9. In addition, IFRS 9 calculation based on one year or lifetime ECL varies significantly from the previous methodology.

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

in EUR thousand

	NLB Group				NLB			
	three months ended		nine months ended		three months ended		nine months ended	
	Sep 2018	Sep 2017	Sep 2018	Sep 2017	Sep 2018	Sep 2017	Sep 2018	Sep 2017
Gains less losses on derecognition of subsidiaries	-	(920)	12,178	(920)	-	-	8,840	-
Gains less losses on derecognition of associates	(477)	-	(477)	(2)	2,465	-	2,465	159
Gains less losses from property and equipment	187	(1,333)	156	(1,129)	184	232	153	418
Total	(290)	(2,253)	11,857	(2,051)	2,649	232	11,458	577

4.13. Income tax

in EUR thousand

	NLB Group					NLB				
	three months ended		nine months ended		change	three months ended		nine months ended		change
	Sep 2018	Sep 2017	Sep 2018	Sep 2017		Sep 2018	Sep 2017	Sep 2018	Sep 2017	
Current income tax	5,974	(771)	17,141	7,209	138%	3,289	(2,951)	9,383	92	-
Deferred tax (note 5.12.)	48	(152)	(516)	(39)	-	3	(354)	114	(216)	-153%
Total	6,022	(923)	16,625	7,170	132%	3,292	(3,305)	9,497	(124)	-

Income tax in 2017 includes a positive impact from a non-recurring event due to the utilisation of previously tax non-deductible expenses from impairments of a subsidiary of NLB that was divested in 2017.

5. Notes to the condensed statement of financial position

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

in EUR thousand

	NLB Group			NLB		
	30 Sep 2018	31 Dec 2017	Change	30 Sep 2018	31 Dec 2017	Change
Balances and obligatory reserves with central banks	1,110,800	798,758	39%	627,181	350,804	79%
Cash	277,761	269,696	3%	130,686	143,726	-9%
Demand deposits at banks	169,376	188,027	-10%	63,147	75,480	-16%
	1,557,937	1,256,481	24%	821,014	570,010	44%
Allowance for impairment	(565)	-	-	(94)	-	-
Total	1,557,372	1,256,481	24%	820,920	570,010	44%

5.2. Financial instruments held for trading

a) Trading assets

in EUR thousand

	NLB Group			NLB		
	30 Sep 2018	31 Dec 2017	Change	30 Sep 2018	31 Dec 2017	Change
Derivatives, excluding hedging instruments						
Swap contracts	10,556	11,739	-10%	10,557	11,734	-10%
Forward contracts	1,736	439	295%	1,728	435	297%
Options	355	847	-58%	355	847	-58%
Total derivatives	12,647	13,025	-3%	12,640	13,016	-3%
Securities						
Treasury bills	30,049	55,047	-45%	30,049	55,047	-45%
Bonds	2,548	4,117	-38%	2,548	4,117	-38%
Total securities	32,597	59,164	-45%	32,597	59,164	-45%
Total	45,244	72,189	-37%	45,237	72,180	-37%

b) Trading liabilities

in EUR thousand

	NLB Group			NLB		
	30 Sep 2018	31 Dec 2017	Change	30 Sep 2018	31 Dec 2017	Change
Derivatives, excluding hedging instruments						
Swap contracts	8,163	8,855	-8%	8,172	8,751	-7%
Forward contracts	1,632	371	340%	1,627	371	339%
Options	192	276	-30%	192	276	-30%
Total	9,987	9,502	5%	9,991	9,398	6%

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

a) Financial instruments mandatorily at fair value through profit or loss

in EUR thousand

	NLB Group		NLB	
	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017
Assets				
Equity securities			4,756	702
Debt securities			101	-
Loans and advances to companies			21,679	25,094
Total			26,536	25,796
Liabilities				
Loans and advances to companies			9,631	9,345

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

in EUR thousand

	NLB Group		NLB	
	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017
Assets	-	5,003	-	634
Liabilities	-	635	-	635

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

in EUR thousand

	NLB Group		NLB	
	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017
Bonds	1,586,178		1,404,217	
Commercial bills	137,568		-	
Treasury bills	113,252		65,135	
National Resolution Fund	44,443		44,443	
Shares	7,943		2,354	
Total	1,889,384		1,516,149	
Allowance for impairment	(4,782)		(2,411)	

5.5. Available-for-sale financial assets

in EUR thousand

	NLB Group		NLB	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Bonds	1,805,250		1,554,565	
Commercial bills	281,877		136,279	
Treasury bills	136,182		40,070	
National Resolution Fund	44,514		44,514	
Shares	8,670		2,334	
Total	2,276,493		1,777,762	

5.6. Financial assets measured at amortised cost

Analysis by type

	in EUR thousand	
	NLB Group 30 Sep 2018	NLB 30 Sep 2018
Debt securities	1,337,165	1,197,426
Loans and advances to banks	402,034	380,275
Loans and advances to customers	7,059,217	4,488,698
Other financial assets	51,979	52,582
Total	8,850,395	6,118,981

a) Debt securities

	in EUR thousand	
	NLB Group 30 Sep 2018	NLB 30 Sep 2018
Government	993,528	852,410
Companies	88,131	88,131
Banks	250,581	250,581
Other	7,577	7,577
	1,339,817	1,198,699
Allowance for impairment (note 5.8.b)	(2,652)	(1,273)
Total	1,337,165	1,197,426

b) Loans and advances to banks

	in EUR thousand	
	NLB Group 30 Sep 2018	NLB 30 Sep 2018
Time deposits	398,426	348,011
Purchased receivables	1,421	1,421
Loans	2,559	30,987
	402,406	380,419
Allowance for impairment (note 5.8.a)	(372)	(144)
Total	402,034	380,275

c) Loans and advances to customers

	in EUR thousand	
	NLB Group 30 Sep 2018	NLB 30 Sep 2018
Loans	6,996,244	4,470,456
Overdrafts	329,077	184,484
Finance lease receivables	128,506	-
Credit card business	113,419	55,067
Called guarantees	8,601	6,739
	7,575,847	4,716,746
Allowance for impairment (note 5.8.a)	(516,630)	(228,048)
Total	7,059,217	4,488,698

d) Other financial assets

	in EUR thousand	
	NLB Group	NLB
	30 Sep 2018	30 Sep 2018
Receivables in the course of collection	13,450	10,261
Credit card receivables	23,537	20,141
Debtors	6,404	367
Fees and commissions	5,015	2,888
Receivables to brokerage firms and others for the sale of securities and custody services	2,668	8,283
Prepayments	2,109	-
Accrued income	1,246	1,640
Receivables from purchase agreements for equity securities	163	163
Dividends	44	8,574
Other financial assets	7,850	2,723
	62,486	55,040
Allowance for impairment (note 5.8.a)	(10,507)	(2,458)
Total	51,979	52,582

5.7. Loans and advances

Analysis by type

	in EUR thousand	
	NLB Group	NLB
	31 Dec 2017	31 Dec 2017
Debt securities	82,133	82,133
Loans and advances to banks	510,107	462,322
Loans and advances to customers	6,912,333	4,587,477
Other financial assets	66,077	38,389
Total	7,570,650	5,170,321

a) Debt securities

	in EUR thousand
NLB Group and NLB	31 Dec 2017
Companies	82,133
Total	82,133

b) Loans and advances to banks

	in EUR thousand	
	NLB Group	NLB
	31 Dec 2017	31 Dec 2017
Time deposits	506,322	437,427
Purchased receivables	1,505	1,505
Loans	2,856	23,390
	510,683	462,322
Allowance for impairment	(576)	-
Total	510,107	462,322

c) Loans and advances to customers

	in EUR thousand	
	NLB Group	NLB
	31 Dec 2017	31 Dec 2017
Loans	6,958,796	4,661,317
Overdrafts	305,600	176,171
Finance lease receivables	169,806	-
Credit card business	115,225	59,394
Called guarantees	9,658	7,658
	7,559,085	4,904,540
Allowance for impairment	(646,752)	(317,063)
Total	6,912,333	4,587,477

d) Other financial assets

	in EUR thousand	
	NLB Group	NLB
	31 Dec 2017	31 Dec 2017
Receivables in the course of collection	13,398	10,467
Credit card receivables	24,522	19,642
Debtors	8,018	1,029
Fees and commissions	6,170	4,723
Receivables to brokerage firms and others for the sale of securities and custody services	632	627
Prepayments	2,204	-
Accrued income	178	168
Receivables from purchase agreements for equity securities	163	163
Dividends	44	44
Other financial assets	22,453	4,717
	77,782	41,580
Allowance for impairment	(11,705)	(3,191)
Total	66,077	38,389

5.8. 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 thousand

	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
Balance as at 1 January 2018	713	34,618	34,203	481,070	171	25
Exchange differences on opening balance	-	7	6	1,262	-	-
Transfers	-	15,252	1,186	(16,438)	-	-
Impairment (note 4.11.)	(341)	(11,935)	2,298	7,389	92	52
Write-offs	-	(220)	(199)	(32,492)	(18)	(3)
Exchange differences	-	15	2	606	-	-
Balance as at 30 September 2018	372	37,737	37,496	441,397	245	74
Repayment of write-offs (note 4.11.)	-	-	-	19,101	-	-

in EUR thousand

	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
Balance as at 1 January 2018	492	15,812	6,316	230,330	24	5
Transfers	-	2,940	11,609	(14,549)	-	-
Impairment (note 4.11.)	(348)	(2,128)	(5,201)	(779)	20	7
Write-offs	-	(26)	(6)	(16,332)	(3)	-
Exchange differences	-	23	3	36	-	-
Balance as at 30 September 2018	144	16,621	12,721	198,706	41	12
Repayment of write-offs (note 4.11.)	-	-	-	8,032	-	-

b) Movements in allowance for the impairment of debt securities

in EUR thousand

	NLB Group			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit - impaired	Lifetime ECL credit-impaired
Balance as at 1 January 2018	2,169	3,689	-	798
Exchange differences on opening balance	(5)	4	-	-
Impairment (note 4.11.)	488	208	82	-
Exchange differences	-	1	-	-
Balance as at 30 September 2018	2,652	3,902	82	798

in EUR thousand

	NLB			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit - impaired	Lifetime ECL credit-impaired
Balance as at 1 January 2018	1,298	1,392	-	798
Impairment (note 4.11.)	(25)	220	-	-
Exchange differences	-	1	-	-
Balance as at 30 September 2018	1,273	1,613	-	798

c) Movements in provisions for commitments and guarantees

in EUR thousand

	NLB Group		
	12-month expected credit losses	Lifetime ECL not credit - impaired	Lifetime ECL credit-impaired
Balance as at 1 January 2018	6,928	4,833	30,504
Exchange differences on opening balance	(12)	(14)	(7)
Transfers	2,123	(1,521)	(602)
Impairment (note 4.10.)	(928)	(17)	(3,824)
Balance as at 30 September 2018	8,111	3,281	26,071

in EUR thousand

	NLB		
	12-month expected credit losses	Lifetime ECL not credit - impaired	Lifetime ECL credit-impaired
Balance as at 1 January 2018	2,946	450	27,276
Transfers	235	(35)	(200)
Impairment (note 4.10.)	672	209	(2,544)
Balance as at 30 September 2018	3,853	624	24,532

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

	in EUR thousand		
	NLB Group		
	Banks	Customers	Other financial assets
Balance as at 1 January 2017	349	903,401	15,453
Exchange differences on opening balance	7	220	46
Impairment (note 4.11.)	257	(31,752)	440
Write-offs	-	(75,323)	(4,198)
Repayment of write-offs	35	10,359	85
Exchange differences	-	2,190	(12)
Other	-	584	-
Balance as at 30 September 2017	648	809,679	11,814

	in EUR thousand		
	NLB		
	Banks	Customers	Other financial assets
Balance as at 1 January 2017	-	504,748	3,771
Impairment (note 4.11.)	-	(16,028)	491
Write-offs	-	(40,390)	(562)
Repayment of write-offs	-	2,277	11
Exchange differences	-	(210)	-
Other	-	791	-
Balance as at 30 September 2017	-	451,188	3,711

5.9. Held-to-maturity financial assets

NLB Group and NLB	in EUR thousand	
	31 Dec 2017	
Bonds	609,785	
	609,785	
Allowance for impairment	(73)	
Total	609,712	

5.10. Investment property

	in EUR thousand					
	NLB Group			NLB		
	30 Sep 2018	31 Dec 2017	Change	30 Sep 2018	31 Dec 2017	Change
Buildings	45,852	46,908	-2%	11,326	8,553	32%
Land	5,347	4,930	8%	700	704	-1%
Total	51,199	51,838	-1%	12,026	9,257	30%

5.11. Other assets

	in EUR thousand					
	NLB Group			NLB		
	30 Sep 2018	31 Dec 2017	Change	30 Sep 2018	31 Dec 2017	Change
Assets, received as collateral	69,987	77,500	-10%	5,815	4,811	21%
Inventories	3,625	8,879	-59%	379	335	13%
Deferred expenses	5,866	4,324	36%	3,893	2,886	35%
Prepayments	1,279	971	32%	191	285	-33%
Claim for taxes and other dues	1,457	1,675	-13%	258	375	-31%
Total	82,214	93,349	-12%	10,536	8,692	21%

5.12. Deferred tax

in EUR thousand

	NLB Group			NLB		
	30 Sep 2018	31 Dec 2017	Change	30 Sep 2018	31 Dec 2017	Change
Deferred income tax assets						
Valuation of financial instruments and capital investments	25,390	25,513	0%	25,363	25,475	0%
Impairment provisions	1,051	170	518%	702	2	-
Employee benefit provisions	3,957	4,018	-2%	3,307	3,432	-4%
Depreciation and valuation of non-financial assets	1,279	976	31%	157	162	-3%
Total deferred income tax assets	31,677	30,677	3%	29,529	29,071	2%
Deferred income tax liabilities						
Valuation of financial instruments	7,486	10,077	-26%	6,751	9,067	-26%
Depreciation and valuation of non-financial assets	1,006	1,097	-8%	234	246	-5%
Impairment provisions	3,613	1,996	81%	458	-	-
Total deferred income tax liabilities	12,105	13,170	-8%	7,443	9,313	-20%
Net deferred income tax assets	22,105	18,603	19%	22,086	19,758	12%
Net deferred income tax liabilities	(2,533)	(1,096)	131%	-	-	-

in EUR thousand

	NLB Group		NLB	
	nine months ended		nine months ended	
	Sep 2018	Sep 2017	Sep 2018	Sep 2017
Included in the income statement for the current year	516	39	(114)	216
- valuation of financial instruments and capital investments	62	350	(34)	320
- impairment provisions	121	209	38	-
- employee benefit provisions	(61)	(145)	(125)	(97)
- depreciation and valuation of non-financial assets	394	(375)	7	(7)
Included in other comprehensive income for the current period	1,853	1,953	1,882	2,064
- valuation and impairment provisions of financial assets measured at fair value through other comprehensive income	1,853	-	1,882	-
- valuation of available-for-sale financial assets	-	1,863	-	1,974
- actuarial assumptions and experience	-	90	-	90
Impact of transition on IFRS9	(319)	-	560	-

As at 30 September 2018, NLB recognised EUR 29,529 thousand deferred tax assets (31 December 2017: EUR 29,071 thousand). Unrecognised deferred tax assets amount to EUR 270,522 thousand (31 December 2017: EUR 277,325 thousand) of which EUR 197,628 thousand (31 December 2017: EUR 204,657 thousand) relates to unrecognised deferred tax assets from tax loss, and EUR 72,894 thousand (31 December 2017: EUR 72,668 thousand) to unrecognised deferred tax assets from impairments of non-strategic capital investments.

5.13. Disposal of a subsidiary

In March 2018, NLB Group completed the sale of 100% interest in NLB Nov Penziski Fond, Skopje to a third party. The details of the assets and liabilities disposed of, and disposal consideration are as follows:

	in EUR thousand
Cash, cash balances at central banks, and other demand deposits at banks	12
Financial assets at fair value through other comprehensive income	3,961
Financial assets at amortised cost	
Loans to banks	3,967
Other financial assets	174
Property and equipment	18
Intangible assets	41
Other assets	137
Other financial liabilities	409
Provisions	60
Other liabilities	59
Net assets of subsidiary	7,782
Non-controlling interests	(496)
Carrying amount of net assets disposed of	7,286
Total disposal consideration	19,464
Cash and cash equivalents in subsidiary sold	(793)
Cash inflow on disposal	18,671
The gain on disposal of the subsidiary comprises:	
Consideration for disposal of the subsidiary	19,464
Carrying amount of net assets disposed of	7,286
Cumulative currency translation reserve on foreign operation recycled from other comprehensive income to profit or loss	(2)
Gains from disposal of subsidiary	12,176

Prior to disposal, NLB Nov Penziski Fond, Skopje was included in the segment 'Foreign strategic markets' (note 7.a).

5.14. Financial liabilities measured at amortised cost

Analysis by type of financial liabilities, measured at amortised cost

in EUR thousand						
	NLB Group			NLB		
	30 Sep 2018	31 Dec 2017	Change	30 Sep 2018	31 Dec 2017	Change
Deposits from banks and central banks	43,274	40,602	7%	57,688	72,072	-20%
- Deposits on demand	39,498	36,331	9%	57,098	71,383	-20%
- Other deposits	3,776	4,271	-12%	590	689	-14%
Borrowings from banks and central banks	267,138	279,616	-4%	252,421	260,747	-3%
Due to customers	10,246,679	9,878,378	4%	6,986,764	6,810,967	3%
- Deposits on demand	8,051,759	7,332,344	10%	5,969,248	5,455,657	9%
- Other deposits	2,194,920	2,546,034	-14%	1,017,516	1,355,310	-25%
Borrowings from other customers	62,463	74,286	-16%	4,527	5,726	-21%
Subordinated liabilities	15,292	27,350	-44%	-	-	-
Other financial liabilities	111,793	111,019	1%	77,583	71,534	8%
Total	10,746,639	10,411,251	3%	7,378,983	7,221,046	2%

a) Borrowings

in EUR thousand						
	NLB Group			NLB		
	30 Sep 2018	31 Dec 2017	Change	30 Sep 2018	31 Dec 2017	Change
Loans						
- banks and central banks	267,138	279,616	-4%	252,421	260,747	-3%
- other customers	62,463	74,286	-16%	4,527	5,726	-21%
Total	329,601	353,902	-7%	256,948	266,473	-4%

b) Subordinated liabilities

in EUR thousand							
NLB Group	Currency	Due date	Interest rate	30 Sep 2018		31 Dec 2017	
				Carrying amount	Nominal value	Carrying amount	Nominal value
Subordinated loans							
	EUR	30.6.2018	6-month EURIBOR + 5 % p. a.	-	-	12,221	12,000
	EUR	30.6.2020	6-month EURIBOR + 7.7% p. a.	5,211	5,000	5,132	5,000
	EUR	26.6.2025	6-month EURIBOR + 6.25% p. a.	10,081	10,000	9,997	10,000
Total				15,292	15,000	27,350	27,000

c) Other financial liabilities

in EUR thousand						
	NLB Group			NLB		
	30 Sep 2018	31 Dec 2017	Change	30 Sep 2018	31 Dec 2017	Change
Items in the course of payment	25,509	20,931	22%	13,730	4,393	213%
Debit or credit card payables	33,387	36,578	-9%	30,886	32,132	-4%
Accrued expenses	14,037	11,343	24%	7,238	4,456	62%
Accrued salaries	12,057	9,665	25%	6,499	6,662	-2%
Liabilities to brokerage firms and others for securities purchase and custody services	6,313	1,327	376%	5,620	212	-
Suppliers	5,871	14,826	-60%	4,137	11,146	-63%
Fees and commissions due	131	1,682	-92%	76	1,627	-95%
Other financial liabilities	14,488	14,667	-1%	9,397	10,906	-14%
Total	111,793	111,019	1%	77,583	71,534	8%

5.15. Provisions

	NLB Group			NLB		
	30 Sep 2018	31 Dec 2017	Change	30 Sep 2018	31 Dec 2017	Change
Employee benefit provisions	20,622	20,440	1%	17,125	16,712	2%
Provision for legal issues	14,016	15,786	-11%	4,481	4,958	-10%
Restructuring provisions	13,700	15,284	-10%	12,969	14,687	-12%
Provisions for commitments and guarantees	37,463	36,915	1%	29,009	34,257	-15%
Stage 1	8,111	-	-	3,853	-	-
Stage 2	3,281	-	-	624	-	-
Stage 3	26,071	-	-	24,532	-	-
Other provisions	209	214	-2%	198	203	-2%
Total	86,010	88,639	-3%	63,782	70,817	-10%

Legal issues

In connection with legal issues, the biggest amount of material monetary claims relates to civil claims filed by Privredna banka Zagreb (the PBZ) and Zagrebačka banka (the ZaBa) against NLB, referring to the old savings of LB Branch Zagreb savers, which were transferred to these two banks in a principal amount of approximately EUR 167.1 million. Due to the fact the proceedings have been pending for such a long time, the penalty interest already exceeds the principal amount. As NLB is not liable for the old foreign currency savings, based on numerous process and content-related reasons, NLB has all along objected to these claims. Two key reasons NLB is not liable for the old foreign currency savings are that it was only founded on the basis of the Constitutional Act on 27 July 1994 (at the time the savings were deposited with LB Branch Zagreb, NLB did not yet exist), and NLB did not assume any such obligations. Moreover, this is a former Yugoslavia succession matter, as the governments of the Republic of Slovenia and the Republic of Croatia agreed in a Memorandum of Understanding signed in 2013 whose intent was to find a solution to the transferred foreign currency savings of Ljubljanska banka in Croatia (LB) on the basis of the Agreement on Succession Issues. The Memorandum also said that the Republic of Croatia would ensure the stay all the proceedings commenced by the PBZ and the ZaBa in relation to the transferred foreign currency savings until the issue was finally resolved.

Despite the agreement in the Memorandum of Understanding to stay all the proceedings commenced, the Court of Appeal, the County Court of Zagreb, ruled in four claims (as explained below in details) in favour of the plaintiff. In one of those cases NLB filed a constitutional appeal, and in three an extraordinary legal measure with the Supreme Court of the Republic of Croatia.

Contrary to the decisions of the court described above in another case, a claim filed by the PBZ was refused and the judgment became final in favour of NLB. The extraordinary legal measure with the Supreme Court of the Republic of Croatia, filed by the plaintiff, was dismissed by Supreme Court on 16 June 2015.

In the other cases, with respect to which court procedures described above are pending, final judgments have not yet been issued.

The table below summarises amounts according to final judgements (not including penalty interest).

Date of the ruling	Plaintiff	Principal amount in EUR	Costs of the proceedings in HRK	Measures taken by NLB
May 2015	PBZ	254.76	15,781.25	Constitutional appeal against the final judgement, as NLB found the court decision contrary to the legislation in force, as well as the Memorandum concluded between the Republic of Slovenia and the Republic of Croatia. Constitutional Court of the Republic of Croatia rejected the constitutional appeal of NLB d.d. on 21 May 2018. NLB is considering possibilities to challenge decisions of Croatian courts with European forums (ECHR, Court of Justice of the European Union etc.).
September 2017	ZaBa	492,430.53	748,583.75	NLB challenged the judgments with the extraordinary legal measure on the Supreme Court of the Republic of Croatia and later, if necessary, will also challenge the judgment with all other available remedies, as the obligations of the old foreign currency savings in accordance with Slovenian Constitutional Law are not the liabilities of the NLB.
November 2017	PBZ	220,115.98	688,268.12	
April 2018	PBZ	222,426.39	253,283.37	

The NLB Shareholders' Meeting provided on 9 April 2018 and on 12 October 2018 the Management Board of NLB with instructions how to act in the event of existing or potential new final judgements by Croatian courts against LB and NLB regarding the transferred foreign currency deposits and especially not to voluntarily settle the adjudicated amounts, and also gave some additional instructions on the usage of legal remedies.

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. In accordance with the ZVKNNLB the Succession Fund of the Republic of Slovenia (Sklad Republike Slovenije za nasledstvo, javni sklad, hereinafter: 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, that is the principle amount, accrued interest, expenses of court, Attorney's expenses and other expenses of the plaintiff and expenses related to enforcement with the accrued interest. There shall be no compensation for any voluntarily made payments by NLB. In accordance with the ZVKNNLB and pursuant to the agreement between NLB and the Fund, as envisaged by the ZVKNNLB (which was concluded on 14 August 2018), NLB has to contest the claims made against it in court proceedings in relation to transferred foreign currency deposits, and for use against court decisions that are disadvantageous for NLB, all reasonable legal remedies, and to continue to actively challenge the judicial decisions of the courts of the Republic of Croatia in relation to transferred foreign currency deposits on the basis of which enforcement took place, leading, on the basis of ZVKNNLB, to the compensation of the sums recovered from NLB by enforcement. In the above mentioned case from May 2015, the Succession Fund of the Republic of Slovenia has already compensated the sums recovered from NLB by enforcement.

Provisions for these claims are not formed, since NLB believes that based on the factual and legal evaluation there are greater prospects for the legal proceedings to end in favour of NLB than the opposite.

5.16. Income tax relating to components of other comprehensive income

in EUR thousand

	NLB Group					
	30 Sep 2018			30 Sep 2017		
	Before tax amount	Tax expense	Net of tax amount	Before tax amount	Tax expense	Net of tax amount
Financial assets measured at fair value through other comprehensive income	(8,584)	1,853	(6,731)	-	-	-
Available-for-sale financial assets	-	-	-	(8,922)	1,863	(7,059)
Share of associates and joint ventures	(4,090)	765	(3,325)	(74)	12	(62)
Actuarial gains and losses	-	-	-	(846)	90	(756)
Total	(12,674)	2,618	(10,056)	(9,842)	1,965	(7,877)

in EUR thousand

	NLB					
	30 Sep 2018			30 Sep 2017		
	Before tax amount	Tax expense	Net of tax amount	Before tax amount	Tax expense	Net of tax amount
Financial assets measured at fair value through other comprehensive income	(9,861)	1,882	(7,979)	-	-	-
Available-for-sale financial assets	-	-	-	(10,390)	1,974	(8,416)
Actuarial gains and losses	-	-	-	(950)	90	(860)
Total	(9,861)	1,882	(7,979)	(11,340)	2,064	(9,276)

5.17. Other liabilities

in EUR thousand

	NLB Group			NLB		
	30 Sep 2018	31 Dec 2017	Change	30 Sep 2018	31 Dec 2017	Change
Taxes payable	3,371	3,409	-1%	2,452	2,770	-11%
Deferred income	5,431	3,101	75%	3,355	1,034	224%
Payments received in advance	2,498	3,086	-19%	543	377	44%
Total	11,340	9,596	18%	6,350	4,181	52%

5.18. Capital adequacy ratio

in EUR thousand

	NLB Group		NLB	
	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017
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	291,525	296,773	28,748	81,533
Profit or loss eligible - from current year	108,829	29,280	103,335	-
Accumulated other comprehensive income	6,129	(11,450)	16,665	(20)
Other reserves	13,522	13,522	13,522	13,522
Minority interest	-	-	-	-
Prudential filters: Cash flow hedge reserve	-	-	-	-
Prudential filters: Value adjustments due to the requirements for prudent valuation	(1,972)	(2,389)	(1,595)	(1,886)
(-) Goodwill	(3,529)	(3,529)	-	-
(-) Other intangible assets	(27,564)	(31,445)	(20,533)	(23,911)
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-	-	-	-
(-) Investments in CET1 instruments of financial sector - significant share	-	-	-	-
COMMON EQUITY TIER 1 CAPITAL (CET1)	1,458,318	1,362,140	1,211,520	1,140,616
Additional Tier 1 capital	-	-	-	-
TIER 1 CAPITAL	1,458,318	1,362,140	1,211,520	1,140,616
Tier 2 capital	-	-	-	-
TOTAL CAPITAL (OWN FUNDS)	1,458,318	1,362,140	1,211,520	1,140,616
RWA for credit risk	7,101,587	7,096,413	4,194,284	4,369,557
RWA for market risks	551,113	499,726	271,738	269,988
RWA for credit valuation adjustment risk	1,238	850	1,238	850
RWA for operational risk	953,482	949,493	596,586	593,750
TOTAL RISK EXPOSURE AMOUNT (RWA)	8,607,420	8,546,482	5,063,846	5,234,145
Common Equity Tier 1 Ratio	16.9%	15.9%	23.9%	21.8%
Tier 1 Ratio	16.9%	15.9%	23.9%	21.8%
Total Capital Ratio	16.9%	15.9%	23.9%	21.8%

At the end of September 2018, the capital ratios for NLB Group stood at 16.9% (or 1.0 percentage points higher than at the end of 2017), and for NLB at 23.9% (or 2.1 percentage point higher than at the end of 2017). The improvement of capital adequacy derives from higher capital, mainly due to inclusion of H1 2018 result (EUR 108.8 million for NLB Group), lower retained earnings (EUR - 81.5 million) as part of dividend pay out, the inclusion of the positive effect from the implementation of IFRS 9 (EUR 43.8 million for NLB Group and EUR 27.7 million for NLB), and the conclusion of transitional arrangements relevant until the end of 2017.

In September 2018 NLB applied for formal approval with ECB to pay-out the dividends in the total amount of EUR 270.6 million which consists of: EUR 189.1 million of profit for fiscal year 2017 and EUR 81.5 million of retained profit from previous years. Pursuant to ECB's permission for distribution of the dividends, General Assembly of NLB's Shareholders approved the distribution and NLB paid dividends in the amount of EUR 270.6 million to the registered shareholders of NLB on 22 October 2018.

5.19. Book value per share

	NLB Group		NLB	
	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017
Total equity including non-controlling interests (in EUR thousand)	1,844,478	1,653,553	1,535,487	1,381,226
Number of shares	20,000,000	20,000,000	20,000,000	20,000,000
Book value per share (in EUR)	92.2	82.7	76.8	69.1

The 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.

The book value of a NLB share after dividends distribution on a consolidated level would be EUR 78.7, and on NLB level would be EUR 63.2.

5.20. Off-balance sheet liabilities

	NLB Group			NLB		
	30 Sep 2018	31 Dec 2017	Change	30 Sep 2018	31 Dec 2017	Change
Commitments to extend credit	1,162,613	1,130,250	3%	918,316	898,927	2%
Non-financial guarantees	444,476	427,028	4%	340,526	339,669	0%
Financial guarantees	356,808	314,512	13%	221,268	178,335	24%
Letters of credit	16,371	14,614	12%	4,477	375	-
Other	4,667	4,109	14%	1,775	69	-
	1,984,935	1,890,513	5%	1,486,362	1,417,375	5%
Provisions (note 5.15.)	(37,463)	(36,915)	1%	(29,009)	(34,257)	-15%
Total	1,947,472	1,853,598	5%	1,457,353	1,383,118	5%

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

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

- Level 1 – Quoted prices (unadjusted) on active markets. This level includes listed equities, debt instruments, derivatives, units of investment funds, and other unadjusted market prices of assets and liabilities. When an asset or liability may be exchanged on multiple active markets, the principal market for the asset or liability must be determined. In the absence of a principal market, the most advantageous market for the asset or liability must be determined.
- Level 2 – A valuation technique where inputs are observable, either directly (i.e. prices) or indirectly (i.e. derived from prices). Level 2 includes quoted prices for similar assets or liabilities on active markets and quoted prices for identical or similar assets and liabilities on markets that are not active. The sources of input parameters for financial instruments, such as yield curves, credit spreads, foreign exchange rates, and the volatility of interest rates and foreign exchange rates, are Reuters and Bloomberg.

- Level 3 – A valuation technique where inputs are not based on observable market data. Unobservable inputs are used to the extent that relevant observable inputs are not available. Unobservable inputs must reflect the assumptions that market participants would use when pricing an asset or liability. This level includes non-tradable shares and bonds and derivatives associated with these investments and other assets and liabilities for which fair value cannot be determined with observable market inputs.

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

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

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

in EUR thousand

30 Sep 2018	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Financial instruments held for trading	32,597	12,483	164	45,244	32,597	12,476	164	45,237
<i>Debt instruments</i>	32,597	-	-	32,597	32,597	-	-	32,597
<i>Derivatives</i>	-	12,483	164	12,647	-	12,476	164	12,640
Derivatives - hedge accounting	-	1,530	-	1,530	-	1,530	-	1,530
Non-trading financial assets mandatorily at fair value through profit or loss	4,803	21,679	54	26,536	648	25,094	54	25,796
<i>Loans and advances to customers</i>	-	21,679	-	21,679	-	25,094	-	25,094
<i>Debt instruments</i>	101	-	-	101	-	-	-	-
<i>Equity instruments</i>	4,702	-	54	4,756	648	-	54	702
Financial assets measured at fair value through other comprehensive income	1,663,387	219,957	6,040	1,889,384	1,461,502	52,293	2,354	1,516,149
<i>Debt instruments</i>	1,663,225	173,773	-	1,836,998	1,461,502	7,850	-	1,469,352
<i>Equity instruments</i>	162	46,184	6,040	52,386	-	44,443	2,354	46,797
Financial liabilities								
Financial instruments held for trading	-	9,987	-	9,987	-	9,991	-	9,991
<i>Derivatives</i>	-	9,987	-	9,987	-	9,991	-	9,991
Derivatives - hedge accounting	-	22,747	-	22,747	-	22,747	-	22,747
Financial liabilities measured at fair value through profit or loss	-	9,631	-	9,631	-	9,345	-	9,345
Non-financial assets								
Investment properties	-	51,199	-	51,199	-	12,026	-	12,026
Non-current assets classified as held for sale	-	4,381	-	4,381	-	1,720	-	1,720

in EUR thousand

31 Dec 2017	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Financial instruments held for trading	59,164	12,454	571	72,189	59,164	12,445	571	72,180
<i>Debt instruments</i>	59,164	-	-	59,164	59,164	-	-	59,164
<i>Derivatives</i>	-	12,454	571	13,025	-	12,445	571	13,016
Derivatives - hedge accounting	-	1,188	-	1,188	-	1,188	-	1,188
Financial assets designated at fair value through profit or loss	5,003	-	-	5,003	634	-	-	634
<i>Debt instruments</i>	102	-	-	102	-	-	-	-
<i>Equity instruments</i>	4,901	-	-	4,901	634	-	-	634
Financial assets available-for-sale	1,915,634	355,428	5,431	2,276,493	1,586,927	188,982	1,853	1,777,762
<i>Debt instruments</i>	1,914,963	308,346	-	2,223,309	1,586,447	144,467	-	1,730,914
<i>Equity instruments</i>	671	47,082	5,431	53,184	480	44,515	1,853	46,848
Financial liabilities								
Financial instruments held for trading	-	9,502	-	9,502	-	9,398	-	9,398
<i>Derivatives</i>	-	9,502	-	9,502	-	9,398	-	9,398
Derivatives - hedge accounting	-	25,529	-	25,529	-	25,529	-	25,529
Financial liabilities designated at fair value through profit or loss	-	635	-	635	-	635	-	635
Non-financial assets								
Investment properties	-	51,838	-	51,838	-	9,257	-	9,257
Non-current assets classified as held for sale	-	11,631	-	11,631	-	2,564	-	2,564

b) Significant transfers of financial instruments between levels of valuation

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

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

For the nine months ended 30 September 2018 and 30 September 2017, NLB Group nor NLB had any significant transfers of financial instruments between levels of valuation.

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

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

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

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

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

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

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

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

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

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

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

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

Movements of financial assets and liabilities on Level 3

	in EUR thousand				
	Trading assets	Financial assets available-for-sale	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss	Total financial assets
NLB Group	Derivatives	Equity instruments	Equity instruments	Equity instruments	
Balance as at 31 December 2017	571	5,431	-	-	6,002
Transition to IFRS 9	-	(5,431)	5,362	69	-
Balance as at 1 January 2018	571	-	5,362	69	6,002
Effects of translation of foreign operations to presentation currency	-	-	102	-	102
Valuation:					
- through profit or loss	(407)	-	-	(15)	(422)
- recognised in other comprehensive income	-	-	589	-	589
Decreases	-	-	(3)	-	(3)
Balance as at 30 September 2018	164	-	6,050	54	6,268

	in EUR thousand		
	Trading assets	Available-for-sale financial assets	Total financial assets
NLB Group	Derivatives	Equity instruments	
Balance as at 1 January 2017	405	5,903	6,308
Effects of translation of foreign operations to presentation currency	-	(204)	(204)
Valuation:			
- through profit or loss	5	-	5
- recognised in other comprehensive income	-	244	244
Decreases	-	(65)	(65)
Balance as at 30 September 2017	410	5,878	6,288

in EUR thousand

	Trading assets	Financial assets available-for-sale	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss	Total financial assets
NLB	Derivatives	Equity instruments	Equity instruments	Equity instruments	
Balance as at 31 December 2017	571	1,853	-	-	2,424
Transition to IFRS 9	-	(1,853)	1,784	69	-
Balance as at 1 January 2018	571	-	1,784	69	2,424
Valuation:					
- through profit or loss	(407)	-	-	(15)	(422)
- recognised in other comprehensive income	-	-	573	-	573
Decreases	-	-	(3)	-	(3)
Balance as at 30 September 2018	164	-	2,354	54	2,572

in EUR thousand

	Trading assets	Available-for-sale financial assets	Total financial assets
NLB	Derivatives	Equity instruments	
Balance as at 1 January 2017	405	1,810	2,215
Valuation:			
- through profit or loss	5	-	5
- recognised in other comprehensive income	-	246	246
Decreases	-	(65)	(65)
Balance as at 30 September 2017	410	1,991	2,401

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

in EUR thousand

	NLB Group				NLB			
	30 Sep 2018		31 Dec 2017		30 Sep 2018		31 Dec 2017	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets measured at amortised cost								
- debt securities	1,337,165	1,348,633	-	-	1,197,426	1,233,115	-	-
- loans and advances to banks	402,034	410,599	-	-	380,275	388,197	-	-
- loans and advances to customers	7,059,217	7,110,239	-	-	4,488,698	4,497,415	-	-
- other financial assets	51,979	51,979	-	-	52,582	52,582	-	-
Loans and advances								
- debt securities	-	-	82,133	79,974	-	-	82,133	79,974
- loans and advances to banks	-	-	510,107	523,943	-	-	462,322	468,599
- loans and advances to customers	-	-	6,912,333	6,494,021	-	-	4,587,477	4,584,217
- other financial assets	-	-	66,077	66,077	-	-	38,389	38,389
Held-to-maturity investments	-	-	609,712	658,029	-	-	609,712	658,029
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	43,274	43,253	40,602	40,608	57,688	57,688	72,072	72,072
- borrowings from banks and central banks	267,138	274,679	279,616	287,165	252,421	259,665	260,747	267,866
- due to customers	10,246,679	10,251,253	9,878,378	9,892,052	6,986,764	6,990,935	6,810,967	6,817,618
- borrowings from other customers	62,463	61,979	74,286	74,677	4,527	4,526	5,726	5,728
- subordinated liabilities	15,292	15,492	27,350	26,923	-	-	-	-
- other financial liabilities	111,793	111,793	111,019	111,019	77,583	77,583	71,534	71,534

Loans and advances to banks

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

Loans and advances to customers

Loans and advances are the net of the allowance for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received.

Expected cash flows are discounted at current market rates for debts with similar credit risk and residual maturities to determine their fair value.

Deposits and borrowings

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

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

Debt securities measured at amortised cost and issued debt securities

The fair value of debt securities measured at amortised cost and issued debt securities is based on their quoted market price or value calculated by using a discounted cash flow method, and the prevailing money market interest rates.

Loan commitments

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

Other financial assets and liabilities

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

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

in EUR thousand

30 Sep 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	1,208,994	139,639	-	1,348,633	1,065,892	167,223	-	1,233,115
- loans to banks	-	410,599	-	410,599	-	388,197	-	388,197
- loans and advances to customers	-	7,110,239	-	7,110,239	-	4,497,415	-	4,497,415
- other financial assets	-	51,979	-	51,979	-	52,582	-	52,582
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	-	43,253	-	43,253	-	57,688	-	57,688
- borrowings from banks and central banks	-	274,679	-	274,679	-	259,665	-	259,665
- due to customers	-	10,251,253	-	10,251,253	-	6,990,935	-	6,990,935
- borrowings from other customers	-	61,979	-	61,979	-	4,526	-	4,526
- subordinated liabilities	-	15,492	-	15,492	-	-	-	-
- other financial liabilities	-	111,793	-	111,793	-	77,583	-	77,583

in EUR thousand

31 Dec 2017	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Loans and advances								
- debt securities	-	79,974	-	79,974	-	79,974	-	79,974
- loans and advances to banks	-	523,943	-	523,943	-	468,599	-	468,599
- loans and advances to customers	-	6,494,021	-	6,494,021	-	4,584,217	-	4,584,217
- other financial assets	-	66,077	-	66,077	-	38,389	-	38,389
Held-to-maturity investments	658,029	-	-	658,029	658,029	-	-	658,029
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	-	40,608	-	40,608	-	72,072	-	72,072
- borrowings from banks and central banks	-	287,165	-	287,165	-	267,866	-	267,866
- due to customers	-	9,892,052	-	9,892,052	-	6,817,618	-	6,817,618
- borrowings from other customers	-	74,677	-	74,677	-	5,728	-	5,728
- subordinated liabilities	-	26,923	-	26,923	-	-	-	-
- other financial liabilities	-	111,019	-	111,019	-	71,534	-	71,534

6. Related-party transactions

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

in EUR thousand

NLB Group and NLB	Management Board and other Key management personnel		Family members of the Management Board and other key management personnel		Companies in which members of the Management Board, key management personnel, or their family members have control, joint control or a significant influence		Supervisory Board	
	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017
Loans and deposits issued	1,840	2,021	365	413	254	242	418	435
Loans and deposits received	2,088	1,981	540	769	647	593	364	240
Other financial liabilities	2,552	2,408	-	-	5	7	-	-
Guarantees issued and commitments to extend credit	239	224	89	76	62	116	26	31
	nine months ended		nine months ended		nine months ended		nine months ended	
	September 2018	September 2017	September 2018	September 2017	September 2018	September 2017	September 2018	September 2017
Interest income	26	27	6	6	3	5	8	8
Interest expenses	(3)	(6)	(1)	(3)	-	-	-	-
Fee income	8	7	4	3	7	7	2	1
Other income	1	-	-	-	-	-	-	-
Administrative and other operating expenses	(2)	(3)	-	-	(41)	(57)	-	-

Key management compensation – payments in the period

in EUR thousand

NLB Group and NLB	Management Board		Other key management personnel	
	nine months ended		nine months ended	
	September 2018	September 2017	September 2018	September 2017
Short-term benefits	496	474	3,520	3,451
Cost refunds	3	4	66	81
Long-term bonuses				
- severance pay	-	-	-	34
- other benefits	4	4	55	56
Variable part of payments	143	63	1,352	673
Total	646	545	4,993	4,295

Short-term benefits include:

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

The reimbursement of costs 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 thousand

	NLB Group			
	Associates		Joint ventures	
	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017
Loans and deposits issued	1,205	1,296	3,752	4,333
Loans and deposits received	1,657	4,958	5,890	6,856
Other financial assets	7	27	194	347
Other financial liabilities	128	1,109	282	103
Guarantees issued and commitments to extend credit	33	38	29	29
	September 2018		September 2017	
Interest income	28	32	32	47
Interest expenses	-	-	(25)	(50)
Fee income	103	100	3,058	2,922
Fee expenses	(8,357)	(7,823)	(904)	(1,544)
Other income	139	161	101	92
Administrative and other operating expenses	(590)	(741)	(25)	(13)
Gains less losses from financial assets and liabilities held for trading	(1)	-	-	-

in EUR thousand

	NLB					
	Subsidiaries		Associates		Joint ventures	
	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017
Loans and deposits issued	275,647	314,534	1,205	1,296	3,707	4,272
Loans and deposits received	43,869	56,129	1,657	4,958	4,313	4,855
Derivatives						
Fair value	(21)	-	-	-	-	-
Contractual amount	2,399	-	-	-	-	-
Other financial assets	6,095	730	7	27	194	347
Other financial liabilities	36	61	41	1,008	188	25
Guarantees issued and commitments to extend credit	26,168	25,718	33	38	28	28
Received loan commitments and financial guarantees	4,244	1,000	-	-	-	-
	September 2018		September 2017		September 2018	
Interest income	3,444	4,942	28	32	30	46
Interest expenses	(145)	(60)	-	-	-	(43)
Fee income	4,242	4,107	103	100	2,967	2,838
Fee expenses	(24)	(30)	(7,210)	(6,708)	(821)	(878)
Other income	435	362	139	161	101	92
Administrative and other operating expenses	(534)	(1,062)	(364)	(531)	(25)	(13)
Gains less losses from financial assets and liabilities held for trading	(40)	-	(1)	-	-	-
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	1,161	-	-	-	-	-

Related-party transactions with the ultimate controlling party and other government-related entities

in EUR thousand

	NLB Group			
	Ultimate parent		NLB	
	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017
Loans and deposits issued measured at amortised cost	102,360	127,781	99,240	123,659
Investments in securities (banking book)	847,751	901,511	777,697	826,362
Investments in securities (trading book)	30,049	-	30,049	-
Other financial assets	700	18	700	18
Other financial liabilities	10	8	10	8
Guarantees issued and commitments to extend credit	1,089	932	1,089	932
	September 2018		September 2017	
Interest income	15,891	19,271	16,005	18,943
Interest expenses	-	(5)	-	(5)
Fee income	558	128	558	128
Fee expenses	(24)	(28)	(24)	(28)
Other income	132	8	132	8
Administrative and other operating expenses	(8)	(19)	(8)	(19)
Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	217	-	217	-
Gains less losses from financial assets and liabilities held for trading	(303)	-	(303)	-

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

in EUR thousand

NLB Group and NLB	Amount of significant transactions concluded during the period		Number of significant transactions concluded during the period	
	1.1. - 30.9.2018	1.1. - 31.12.2017	1.1. - 30.9.2018	1.1. - 31.12.2017
Loans	-	117,924	-	1
	Balance of all significant transactions at end of the period		Number of significant transactions at end of the period	
	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017
Loans	526,614	575,024	5	5
Debt securities classified as loans and advances	75,501	82,133	1	1
Borrowings, deposits, and business accounts	135,066	135,006	2	2
	Effects in income statement during the period nine months ended			
	Sep 2018	Sep 2017		
Interest income from loans	2,010	3,853		
Effects from net interest income and net valuation from debt securities classified as loans and receivables	437	528		
Interest expense from borrowings, deposits and business accounts	(179)	(83)		

7. Analysis by segment for NLB Group

a) Segments

The nine months ended 30 September 2018

in EUR thousand

NLB Group	Corporate banking in Slovenia	Retail banking in Slovenia	Financial markets and investment banking in Slovenia	Foreign strategic markets	Non-strategic markets and activities	Other activities	Unallocated	Total
Total net income	56,451	106,160	31,921	160,855	13,382	1,557	-	370,326
Net income from external customers	59,363	108,733	24,368	161,668	13,309	1,520	-	368,962
Intersegment net income	(2,912)	(2,573)	7,552	(813)	73	37	-	1,364
Net interest income	31,792	56,793	25,339	110,560	7,456	(75)	-	231,865
Net interest income from external customers	34,704	59,626	17,907	111,815	7,925	(112)	-	231,865
Intersegment net interest income	(2,912)	(2,833)	7,432	(1,255)	(469)	37	-	-
Administrative expenses	(28,827)	(70,001)	(8,522)	(66,861)	(12,730)	(4,297)	-	(191,238)
Depreciation and amortisation	(3,071)	(7,889)	(833)	(6,954)	(1,095)	(658)	-	(20,500)
Reportable segment profit/(loss) before impairment and provision charge	24,553	28,270	22,566	87,040	(443)	(3,398)	-	158,588
Gains less losses from capital investment in associates and joint ventures	-	4,105	-	-	-	-	-	4,105
Impairment and provisions charge	15,800	(3,004)	117	(3,354)	9,273	137	-	18,969
Profit/(loss) before income tax	40,353	29,371	22,682	83,686	8,831	(3,260)	-	181,662
Owners of the parent	40,353	29,371	22,682	76,975	8,831	(3,260)	-	174,951
Non-controlling interests	-	-	-	6,711	-	-	-	6,711
Income tax	-	-	-	-	-	-	(16,625)	(16,625)
Profit for the period	-	-	-	-	-	-	-	158,326
30.9.2018								
Reportable segment assets	1,985,382	2,305,993	3,859,055	4,118,410	310,630	166,494	-	12,745,964
Investments in associates and joint ventures	-	37,754	-	-	-	-	-	37,754
Reportable segment liabilities	1,172,036	5,740,211	438,127	3,433,644	16,959	98,187	-	10,899,163

The nine months ended 30 September 2017

in EUR thousand

	Corporate banking in Slovenia	Retail banking in Slovenia	Financial markets and investment banking in Slovenia	Foreign strategic markets	Non-strategic markets and activities	Other activities	Unallocated	Total
NLB Group								
Total net income	53,056	103,922	29,135	141,999	33,951	5,161	-	367,223
Net income from external customers	56,561	104,079	22,329	143,293	33,744	5,275	-	365,280
Intersegment net income	(3,506)	(157)	6,806	(1,294)	207	(113)	-	1,943
Net interest income	30,290	53,832	24,000	108,187	12,566	(181)	-	228,693
Net interest income from external customers	33,796	54,204	17,128	109,720	13,913	(68)	-	228,693
Intersegment net interest income	(3,506)	(373)	6,872	(1,533)	(1,347)	(113)	-	-
Administrative expenses	(29,053)	(66,146)	(8,491)	(63,616)	(15,317)	(6,334)	-	(188,959)
Depreciation and amortisation	(3,304)	(7,778)	(768)	(6,945)	(977)	(1,056)	-	(20,827)
Reportable segment profit/(loss) before impairment and provision charge	20,699	29,997	19,875	71,438	17,657	(2,229)	-	157,437
Gains less losses from capital investment in subsidiaries, associates and joint ventures	-	3,738	-	-	-	-	-	3,738
Impairment and provisions charge	8,193	(1,210)	(55)	16,851	13,002	491	-	37,272
Profit/(loss) before income tax	28,892	32,525	19,820	88,289	30,659	(1,737)	-	198,447
Owners of the parent	28,892	32,525	19,820	81,003	30,659	(1,737)	-	191,161
Non-controlling interests	-	-	-	7,286	-	-	-	7,286
Income tax	-	-	-	-	-	-	(7,170)	(7,170)
Profit for the period								183,991
31.12.2017								
Reportable segment assets	2,055,734	2,204,045	3,508,467	3,851,214	391,308	183,212	-	12,193,980
Investments in associates and joint ventures	-	43,765	-	-	-	-	-	43,765
Reportable segment liabilities	1,122,742	5,542,818	501,609	3,264,781	19,287	98,346	-	10,549,582
Additions to non-current assets	5,357	12,768	778	8,722	1,357	1,627	-	30,609

b) Geographical information

in EUR thousand

NLB Group	Revenues		Net income		Non-current assets		Total assets	
	nine months ended		nine months ended					
	September 2018	September 2017	September 2018	September 2017	30 Sept 2018	31 Dec 2017	30 Sept 2018	31 Dec 2017
Slovenia	244,290	243,559	213,158	218,759	175,679	189,928	8,581,282	8,293,381
South East Europe	184,031	181,035	155,341	144,904	126,982	128,768	4,176,516	3,913,015
Macedonia	61,661	64,944	52,576	50,174	31,055	32,320	1,260,911	1,235,163
Serbia	21,669	18,450	18,322	16,398	23,378	24,394	473,165	406,959
Montenegro	22,145	21,530	18,226	16,416	28,361	29,686	507,391	466,155
Croatia	17	171	1,284	331	2,865	1,923	26,787	29,312
Bosnia and Herzegovina	50,290	50,180	41,067	40,012	28,244	26,876	1,261,604	1,190,435
Kosovo	28,249	25,760	23,866	21,573	13,079	13,569	646,658	584,991
Western Europe	531	359	462	(98)	227	236	25,738	31,140
Germany	4	11	(136)	88	214	218	1,452	1,876
Switzerland	527	348	598	(186)	13	18	24,286	29,264
Czech Republic	-	4	1	1,715	-	-	182	209
Total	428,852	424,957	368,962	365,280	302,888	318,932	12,783,718	12,237,745

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

8. Subsidiaries

NLB Group's subsidiaries as at 30 September 2018 were:

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

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

	Nature of Business	Country of Incorporation	NLB Group's shareholding %	NLB's shareholding %
Core members				
NLB Banka a.d., Skopje	Banking	Republic of Macedonia	86.97	86.97
NLB Banka a.d., Podgorica	Banking	Republic of Montenegro	99.83	99.83
NLB Banka a.d., Banja Luka	Banking	Republic of Bosnia and Herzegovina	99.85	99.85
NLB Banka sh.a., Prishtina	Banking	Republic of Kosovo	81.21	81.21
NLB Banka d.d., Sarajevo	Banking	Republic of Bosnia and Herzegovina	97.34	97.34
NLB Banka a.d., Belgrade	Banking	Republic of Serbia	99.997	99.997
NLB Srbija d.o.o., Belgrade	Real estate	Republic of Serbia	100	100
NLB Skladi d.o.o., Ljubljana	Finance	Republic of Slovenia	100	100
NLB Nov penziskifond a.d., Skopje	Insurance	Republic of Macedonia	100	51
NLB Crna Gora d.o.o., Podgorica	Real estate	Republic of Montenegro	100	100
Non-core members				
NLB Leasing d.o.o. - v likvidaciji, Ljubljana	Finance	Republic of Slovenia	100	100
Optima Leasing d.o.o., Zagreb - "u likvidaciji"	Finance	Republic of Croatia	100	-
NLB Leasing Podgorica d.o.o., Podgorica - "u likvidaciji"	Finance	Republic of Montenegro	100	100
NLB Leasing d.o.o., Belgrade - u likvidaciji	Finance	Republic of Serbia	100	100
NLB Leasing d.o.o., Sarajevo	Finance	Republic of Bosnia and Herzegovina	100	100
NLB Lizing d.o.o.e.l., Skopje - vo likvidaciji	Finance	Republic of Macedonia	100	100
Tara Hotel d.o.o., Budva	Real estate	Republic of Montenegro	100	12.71
PRO-REM d.o.o., Ljubljana - v likvidaciji	Real estate	Republic of Slovenia	100	100
OL Nekretnine d.o.o., Zagreb - u likvidaciji	Real estate	Republic of Croatia	100	-
BH-RE d.o.o., Sarajevo	Real estate	Republic of Bosnia and Herzegovina	100	-
REAM d.o.o., Zagreb	Real estate	Republic of Croatia	100	100
REAM d.o.o., Podgorica	Real estate	Republic of Montenegro	100	100
REAM d.o.o., Belgrade	Real estate	Republic of Serbia	100	100
SR-RE d.o.o., Belgrade	Real estate	Republic of Serbia	100	100
SPV 2 d.o.o., Belgrade	Real estate	Republic of Serbia	100	100
NLB Propria d.o.o., Ljubljana - v likvidaciji	Real estate	Republic of Slovenia	100	100
CBS Invest d.o.o., Sarajevo	Real estate	Republic of Bosnia and Herzegovina	100	100
NLB InterFinanz AG, Zürich in Liquidation	Finance	Switzerland	100	100
NLB InterFinanz Praha s.r.o., Prague	Finance	Czech Republic	100	-
NLB InterFinanz d.o.o., Belgrade	Finance	Republic of Serbia	100	-
Prospera plus d.o.o., Ljubljana - v likvidaciji	Tourist and catering trade	Republic of Slovenia	100	100
LHB AG, Frankfurt	Finance	Republic of Germany	100	100

9. Events after the end of the reporting period

In September 2018 NLB applied for formal approval with ECB to pay out dividends in a total amount of EUR 270.6 million, which consists of: EUR 189.1 million of profit for fiscal year 2017 and EUR 81.5 million of retained profit from previous years. Pursuant to ECB's permission for distribution of the dividends, General Assembly of NLB's Shareholders approved the distribution and NLB d.d. paid dividends in the amount of EUR 270.6 million to the registered shareholders of NLB on 22 October 2018.

On 14 November 2018 the Republic of Slovenia acting through Slovenski državni holding, d.d. concluded the offering of no less than 10,000,001 (50% plus one share) and up to 14,999,999 (75% minus one share) of NLB's shares held by the Republic of Slovenia. The offering was made to retail investors in Slovenia and institutional investors in Slovenia and outside Slovenia. Assuming exercise of the overallotment option in full the total offering size was 13,000,000 shares, where retail offering size was 385,369 shares and 1,010 GDRs, and institutional offering size was 1,614,865 shares and 10,998,756 GDRs. The offer price per share was EUR 51.50, and offer price per GDR (five GDRs represent one share) was EUR 10.30. The shares are listed on Ljubljana Stock Exchange and GDRs on London Stock Exchange. After the completed offering of shares and assuming exercise of the overallotment option in full the Republic of Slovenia held 7,000,000 shares representing 35% of all NLB's shares.

