

Annual Report 2015

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1 Address by the Management Board

Dear business partners, owners and employees,

in 2015, NLB Leasing d. o. o., Ljubljana achieved most of the set objectives and operated within the framework of NLB Group strategic guidelines. The company successfully reduced its total assets, significantly reduced its operating costs, was active in the field of non-performing receivables management and collection, based on which the non-performing loan value in company receivables was significantly decreased. The company was also approving new contracts, focusing on lease of movable property. Within the framework of the project of real estate portfolio management transfer to specialized real estate companies within the NLB Group, the company successfully completed the project of spin-off of a part of the real estate portfolio to the newly created company PRO-REM d. o. o, in 2015.

In an extremely competitive environment, the company approved new investments in net amount of €69,5 million, among which leasing contracts for personal and commercial vehicles were prevalent. A minor amount of contracts were approved for equipment financing, while the company did not enter into real estate contracts. The company took the global trend of falling interest rates on international financial markets into account and based on lower interest rates, appropriately adapted its business policy because it wanted to offer competitive terms to its business partners. Special attention was paid to expanding the existing partner/business network, on the basis of which the Company is maintaining a direct contact with the market and with authorized vehicle sellers.

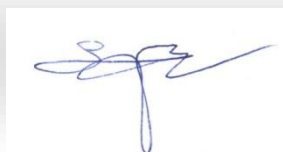
The Company concluded the financial year with a positive profit or loss before taxes and impairments. However, due to continued adverse developments in the real-estate market, the Company formed additional impairments of receivables and inventories, and impaired the equity investment into its subsidiary, for which it completed a capital injection at the end of 2015. This resulted in a net loss of €3.7 million. The sole owner of the company carried out a capital increase in the amount of €3.65 million and increased its capital volume to a level that ensures smooth operation in the future.

In the field of credit risk management, the Company entered into the SISBON information system and upgraded mutual exchange of personal data on clients and with that, improved its credit risk management system when approving contracts for natural persons.

Strategic guidelines for 2016 include focus of the company on real estate leasing when concluding new contracts while taking into account the current methodology and approaches within the NLB Group. Special effort will be made to further decrease total assets, primarily in regard of reduction or active management of non-performing receivables and sale of inventories. Optimistic goals have also been set for cost reduction, which will additionally improve operation efficiency.

Within the framework of expected improvement of macroeconomic environment and performed activities regarding proper valuation of assets and formed impairments, the company set out to achieve positive operating results in 2016.

Janez Saje
Member of the
Management Board



Andrej Pucer
President of the
Management Board



2 Key financial indicators

Table 1: Overview of key financial indicators for 2015 and 2014

in € thousand	NLB Leasing d. o. o. Ljubljana	
	2015	2014
Balance sheet indicators		
Total balance sheet	193,958	247,259
Equity	14,402	14,629
Debt to equity (D/E)	12.5	15.9
Income statement indicators		
Pre-tax operating profit	-3,672	-5,187
net operating result	-3,672	-5,187
Revenue	25,238	39,976
Profitability indicators		
Return on average equity before taxes (ROE in %)	-	-
Return on average assets before taxes (ROA in %)	-	-
Other indicators		
number of employees	65	67
Total assets per employee	2,984	3,690

**Indicator calculation is not reasonable due to generated net loss.*

Source: NLB Leasing

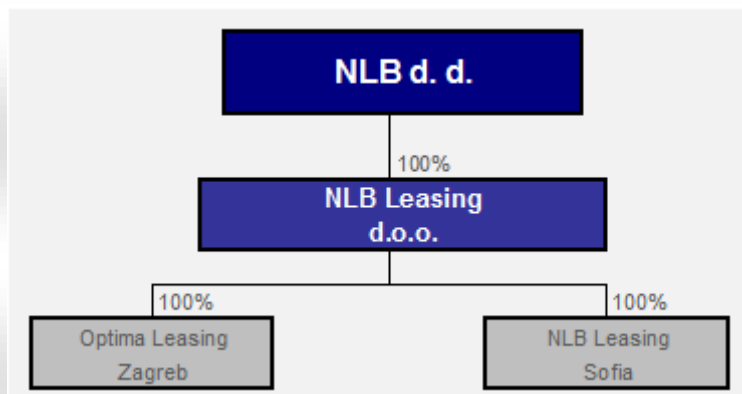
Business report

3 Presentation

The activity of leasing has been performed within the NLB Group since 1990 when the first leasing company was established. In the interim period, this activity was constantly developing and expanding through Slovenia and SE European markets. This complemented and improved universality of banking and financial services in the NLB Group.

Within the framework of the NLB Group, NLB Leasing d.o.o. Ljubljana (hereinafter referred to as NLB Leasing d. o. o.) is operating on the Slovenian market with 8 branches. Six companies are operating on the SE markets. Two of those companies are subsidiaries of NLB Leasing d.o.o., while other companies are owned by NLB, d.d. The company of NLB Leasing Sofia initiated formal liquidation proceedings in 2014, which are expected to be completed in 2016 with a final de-registration of the company. NLB Leasing d.o.o., has 65 employees and the Company's registered office is at Šlandrova ulica 2, 1231 Ljubljana - Črnuče, Slovenia.

Fig. 1: NLB Leasing, d.o.o., ownership chart as at 31 December 2015

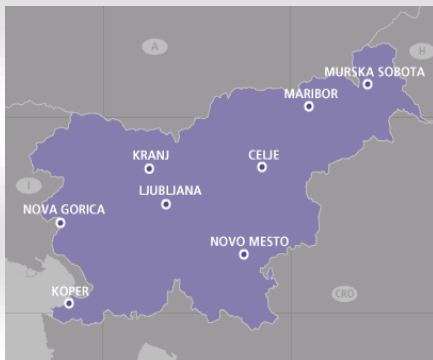


Source: NLB Leasing

Between 2000 and 2008, NLB, d.d., dedicated a lot of attention to expanding to SE European markets where high rates of economic growth were achieved. After 2009 and the economic recession, this was followed by the harmonization and consolidation procedure. NLB Leasing companies set goals to create better results. Within the framework of their activities, they adopted new strategic guidelines and focused on new goals that have in recent years been aligned with the commitments made to the European Commission.

This refocused the activities of NLB Leasing companies to the Slovenian market. On other markets, leasing companies of the NLB Group are not entering into new contracts and are preparing to initiate liquidation proceedings.

Fig. 2: Presence of NLB Leasing d.o.o.



Source: NLB Leasing

Organisational and ownership structure of NLB Leasing, d.o.o.

In the past few years, NLB Leasing d.o.o., implemented several organisational and ownership changes, mostly in 2012 when it adopted to the difficult market situation by merging three NLB Leasing companies into one. NLB Leasing Koper d.o.o., and NLB Leasing Maribor d.o.o., were merged by acquisition to NLB Leasing d.o.o., and three business centres were formed: the Business Centre of central Slovenia, the Business Centre of Primorska and the Business Centre of Štajerska.

There were no significant changes regarding organisational structures in 2013. In 2014 and 2015, the company continued to consolidate its operations and implemented a spin-off of its assets to PRO-REM, d.o.o., a company that was newly established within the NLB Group. The assets in the spin-off included real estate from inventories, which were taken away from lessees in recovery processes, and investment real estate. The main function of the newly established company is active management of own real estate portfolio with gradual disinvestment.

4 Strategy

The changed economic situation, which led to reduced economic activity and additional requirements of financial market regulators, demands constant adaptation of financial institutions, especially in the field of capital adequacy and corporate governance. NLB Leasing d.o.o., is adapting to the current and future market situation with new strategies that are focused mainly on rationalisation and consolidation.

Values and mission

The vision and mission of leasing are based on the **basic values: security, reliability, responsibility to customers and company, quality, professional competences, proactive operations, result-orientation, open communication, cooperation and efficiency in everyday operations.**

Strategic guidelines and goals

The market situation triggered the need for improving future strategic guidelines of leasing activities within the NLB Group. The strategy of leasing activities within the NLB Group defines implementation of leasing as a an activity that complements banking services. In accordance with the adopted strategy of the NLB Group, vehicle (movable property) leasing is defined as the primary leasing activity, whereas leasing of other objects is merely a supplementary activity.

Based on the given guidelines, vehicle leasing will be the main market focus in the coming years in Slovenia. Great emphasis will be given to portfolio diversification through use of standardised products, while taking the extremely developed secondary market (sale of used vehicles) into account.

Strategic guidelines:

- gradual decrease of total assets with sustainable maximisation of value for the shareholder,
- cost reduction,
- reduction of the volume and share of outstanding overdue receivables and non-performing receivables,
- portfolio diversification,
- partnerships with networks of authorised vehicle sellers,
- active management and disinvestment of Company's real estate.

Plans for 2016

In 2016, NLB Leasing d.o.o., will follow the set strategic guidelines and endeavour to keep its important role on the Slovenian leasing market by implementing adjustable and responsive operations. It will adapt its activities to seeking new opportunities for investments, managing the existing portfolio, controlling costs and maintaining its suppliers' network. Ensuring adequate financial resources as well

as managing credit and non-credit risks will be emphasized as well. At the same time, the Company will also continue its harmonization and standardization processes of operations in the NLB Group.

5 Major events in 2015

Major business events in 2015:

- confirmation of the renewed strategy of leasing activities within the NLB Group for 2015–2019,
- asset spin-off to PRO-REM d.o.o.,
- establishment of comprehensive business cooperation with Autocommerce d.o.o.,
- the sole owner, NLB, d.d., carried out a capital increase of NLB Leasing, d.o.o., in the amount of €3.65 million,
- capital increase of the subsidiary Optima Leasing d.o.o., Zagreb in the amount of €3.65 million.

After the 2015 financial year finished, there were no events that would have a major impact on business operations of NLB Leasing d.o.o.

6 Economic environment in 2015

Slovenia

Due to the positive impact of the eurozone recovery and good export performance, economic growth of Slovenia improved in 2015 and reached 2.9 percent. Macroeconomic information throughout the year showed that the economic recovery has gained momentum.

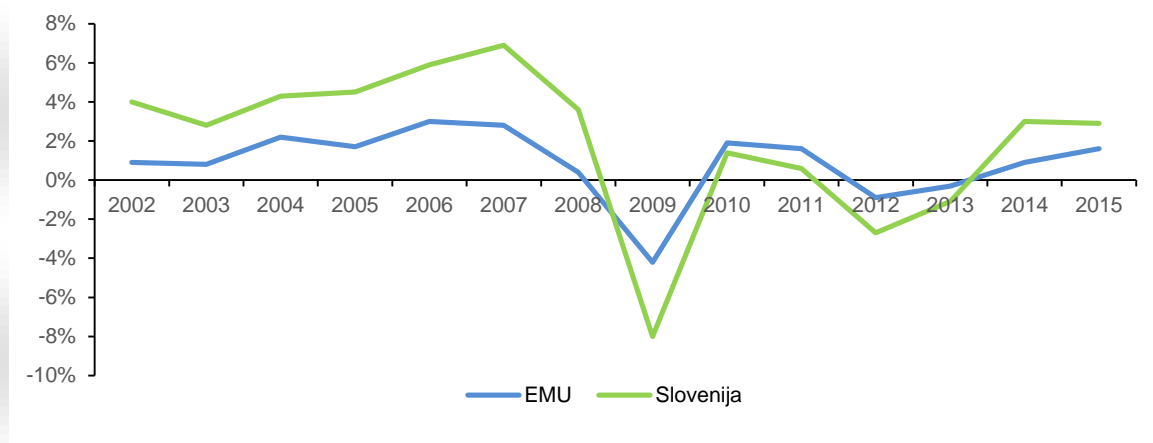
Table 2: Movements in key macroeconomic indicators for SI and EMU in the 2011–2015 period

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

*Average of first three quarters of 2015

Sources: Eurostat, SORS, IMAD, Ministry of Finance RS, European Commission

Fig. 3: Real gross domestic product in EMU and Slovenia in the 2002–2015 period



Source: Eurostat

Despite the unfavourable conditions, the banking system showed a high degree of resilience and recorded total profit in the amount of €151.8 million. This corresponds to 4.5 percent ROE and is the first positive result in the Slovenian banking sector in the last six years according to the Bank of Slovenia. Total assets of the banking system continued to reduced – by 3.4 percent to €37.4 billion. At the end of the year, the capital adequacy ratio was 18.1 percent, well above the average in the eurozone. The share of external sources decreased to 12.8 percent and was one of the lowest in the eurozone, while the share of non-performing loans was declining throughout the year.

In the near future, pressure by the competition, which was prevalent in 2015, is expected to continue. In terms of economic recovery, the banking system will continue to feel tremendous pressure on the ability to generate revenue in the next year. However, long-term outlook improved somewhat due to the increased stability of the banking system and the expected continuation of economic recovery.

Slovene leasing market

The Slovene leasing market is largely divided between companies or groups acting in the market as universal providers of leasing services and captive leasing companies that are owned by vehicle distributors. The latter deal only with leasing of personal and commercial vehicles. In recent years, a trend of universal providers of leasing services dealing mostly with movable property can be observed because the volume of real estate financing reduced significantly.

There were some changes in the field of preparing statistic data for the Slovenian leasing market in 2015. Now, the Bank of Slovenia is preparing the data, while in the previous years, the Bank Association of Slovenia was preparing the data. Consequently, the methodology of data capturing and processing changed somewhat, which means that data for 2015 is not completely comparable with the data for 2014.

Overall, the Slovene leasing market has been shrinking in recent years and facing a substantially lower volume of new lease contracts, especially when compared with the years before the recession. The data for 2015 seems to indicate that the downward trend has reversed – the data is more optimistic and indicates growth of new investments.

Table 3: New leasing volume (purchase and financed value), according to the Bank of Slovenia data

Reporting person	TOTAL TURNOVER in 2015 (in € million)						
	Purchase value	MS %	GRADE	Financed value	MS %	GRADE	No. of contracts
Lease company 1	289.9	20.1	1	256.8	21.1	1	41,395
Lease company 2	270.1	18.8	2	244.2	20.1	2	17,109
Lease company 3	208.7	14.5	3	188.6	15.5	3	11,915
Lease company 4	187.3	13.0	4	139.2	11.4	4	8,592
Lease company 5	92.3	6.4	5	71.2	5.9	5	5,011
Lease company 6	87.6	6.1	6	65.6	5.4	6	5,300
Lease company 7	59.8	4.2	7	49.1	4.0	7	1,448
Lease company 8	48.4	3.4	8	36.6	3.0	8	1,317
Lease company 9	33.5	2.3	9	26.2	2.2	10	727
Lease company 10	32.6	2.3	10	24.6	2.0	11	1,168
Lease company 11	30.8	2.1	11	30.8	2.5	9	158
Lease company 12	25.3	1.8	12	19.3	1.6	12	1,757
Lease company 13	22.9	1.6	13	18.6	1.5	13	361
Lease company 14	21.4	1.5	14	18.2	1.5	14	303
Lease company 15	14.6	1.0	15	14.6	1.2	15	1,177
Lease company 16	5.0	0.4	16	4.2	0.4	17	141
Lease company 17	4.9	0.3	17	4.9	0.4	16	27
Lease company 18	2.7	0.2	18	2.1	0.2	18	147
Lease company 19	2.3	0.2	19	2.0	0.2	19	5
Lease company 20	0.1	0.0	20	0.1	0.0	20	3
Lease company 21	0.1	0.0	21	0.1	0.0	21	4
Lease company 22	0.0	0.0	22	0.0	0.0	22	7
Total	1,440.5	100.0		1,217.0	100.0		98,072

Source: Bank of Slovenia

According to the Bank of Slovenia, there was a total of 22 providers of leasing services in 2015. They concluded new investments amounting to €1,440 million or net new investments amounting to €1,217 million. The volume of finance lease in 2015 stood at €900.9 million (62,6%), operating lease at €171.7 million (11,9%), loans at €52.1 million (3,6%) and the volume of financing of inventories at €315.8 million (21,9%). The market share of NLB Leasing d.o.o., defined based on the purchase price of new leasing, was 6.4% in 2015, ranking the Company on the 5th place.

Table 4: Volume of new lease contracts by type of equipment in 2015 (purchase price)

in € million	2015
Personal vehicles	995.1
Commercial vehicles	273.6
Manufacturing equipment	81.3
Real estate	46.2
Other	38.2
Ships, trains, airplanes	4.7
Computers, office equipment	1.4
Total	1,440.5

Source: Bank of Slovenia

Personal vehicles accounted for the highest percentage in the structure of new leasing in 2015 and held the largest share in the structure of the entire leasing market (69 %). Personal vehicles are followed by commercial vehicles (19 %) and manufacturing equipment (6 %), while real estate share remained at a low level in 2015. The statistic data for the leasing market in Slovenia show that the majority of lessees taking movable property under lease belong to the private-service sector (50 %) and natural persons (44 %). The leasing of real estate is mainly granted to lessees from the private-service sector (65 %), whereas natural persons accounted for only 8 % of the purchase price of all lease contracts in 2015.

European leasing market

Leaseurope, an organisation representing the leasing activity in Europe, conducted a study and presented the preliminary results for 2015, which it estimated as encouraging. New lease contracts in 2015 had increased by 10.8 % compared to 2014, which indicates the third year in a row with positive growth..

Outlook for 2016 is optimistic as well with expected growth of new investments, stability of volume of non-performing receivables and improvement in profitability of the entire leasing activity.

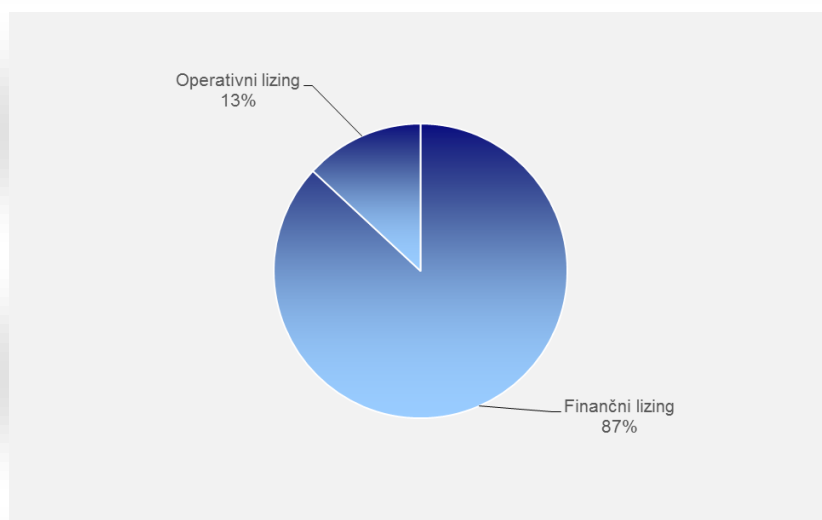
7 Operations of NLB Leasing d.o.o.

NLB Leasing d.o.o., is a universal leasing company. It provides a wide range of leasing services to natural persons, legal entities and sole traders. The Company's clients and partners represent all economic activities. The Company tries to find the most rational options for their wishes regarding the leasing activity. Based on changed market conditions and additional requirements by regulators in recent years, the Company focused its activities on two basic types of service – finance lease and operating lease, including a large selection of their derivatives. At the same time, the Company is focusing mainly on real estate financing.

Finance lease is a type of financing in which a lessee concludes a lease contract in order to become the owner of the object of lease at the end of the contractual relationship. This actually means financing of asset purchase. During the contractual relationship, the legal owner of the asset is the lessor, while the lessee is the economic owner and user of the asset. Once the lessee has paid all the liabilities determined in the contract, he/she becomes the owner of the lease asset.

Operating lease is intended primarily for users who want to use the lease asset for a certain period of time and are not interested in purchasing or owning such an asset after the period of use ends.

Figure 4: Structure of new leasing volume of NLB Leasing d.o.o., in 2015



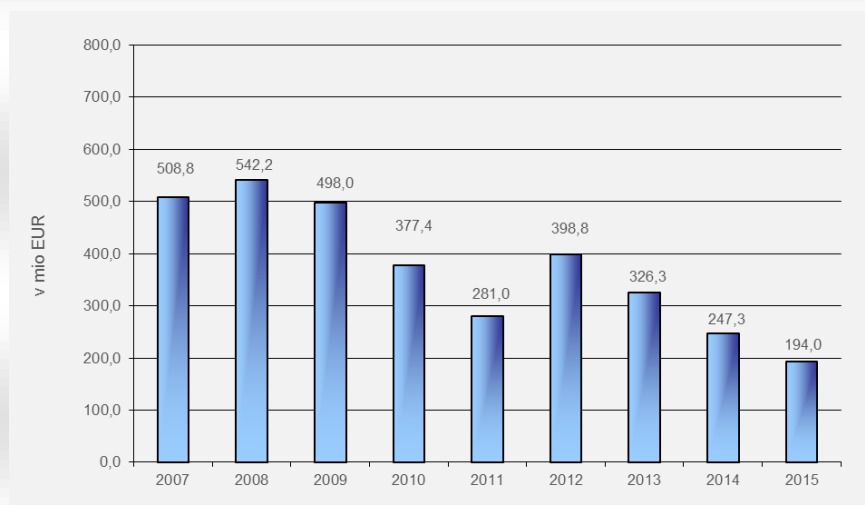
Source: NLB Leasing

Statement of financial position and income statement for 2015

In accordance with the strategic guidelines for 2015, the company reduced its total assets by €53.3 million or 22% when compared with 2014. This is mostly a consequence of a spin-off of a part of the portfolio to PRO-REM d.o.o, in the amount of €44.2 million. At the same time, this decreased the balance of finance leasing receivables and loans, mostly due to the formation of new value adjustments and inventory revaluation. The volume of the Company's portfolio is being reduced in accordance with the strategic guidelines, on the basis of which the Company will restructure most of its portfolio. It will increase the share of movable property in the portfolio with an emphasis on personal vehicles and decrease the share of other equipment and real estate.

The year of 2015 caused more optimism in the leasing market than the years before, which was reflected in the increased demand and growth of new investments. Consequently, NLB Leasing d.o.o., concluded a significantly larger volume of new investments than in the previous year. Despite the growth, the Company decreased its total assets because the share of reductions due to the transfer of real estate receivables was higher than the growth based on new investments. Figure 5 below shows the decrease in total assets from 2009 onwards, with the exception of 2012 when the Company recorded an increase in total assets due to systematic restructuring of our group of companies.

Figure 5: Changes in total assets of NLB Leasing d.o.o.



Source: NLB Leasing

With its expertise, personal approach and quality of services, the Company addressed the customers's needs, while paying a lot of attention to optimization of business processes, cost control and management of all types of risk. Based on changed conditions in the real-estate market and lower value of real estate, the Company formed additional impairments of receivables and impaired its investment into its subsidiary, which had an important impact on its operating result in the 2015 financial year. The Company concluded the 2015 financial year with a positive operating result before taxes and reservations in the amount of €2.522 million, while net profit or loss of the Company was negative at €3.672 million.

Table 5: *Realized parameters of operations of NLB Leasing d.o.o., in 2015 and 2014*

	2015	2014
Volume of lease contracts in € million	89.7	68.3
Average leasing duration (years)	3.6	4.3
Debt to equity (D/E)	12.5	15.9
ROE % (before taxes)*	-	-
ROA % (before taxes)*	-	-
net loss in € thousand	-3,672	-5,187
Total revenue in € thousand	25,238	39,976

**Indicator calculation is not reasonable due to generated net loss.*

Source: NLB Leasing

The Company's operating results were affected by conditions in the financial markets where the situation improved when compared with 2014, but visible improvement could be seen in the second half of the year when in cooperation with the parent bank, the Company managed to restructure its financial resources to more beneficial conditions. The effect of restructuring will be even more pronounced in 2016 and all future years.

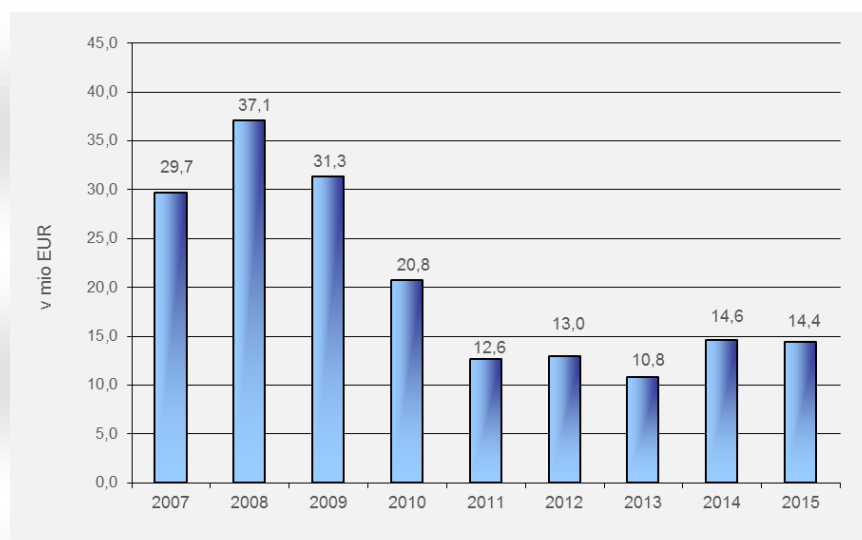
The Company wanted to adapt to market conditions, so it implemented additional measures focused on the issues of ensuring sufficient and suitable sources of finance, growing late-payment culture and, consequently, conservative policy to manage credit and operative risks.

Financing and liquidity management in 2015

With restructuring of financial sources, the Company achieved additional cost optimization of its operations, as well as an appropriate structure of its financial resources. At the same time, it ensured adequate liquidity, which it balanced with own inflows from repayments of leasing receivables. Additional financial resources were not required because the Company had the financial resources required to balance its liquidity.

In December of 2015, the Company received a capital increase of €3.65 million. Capital increase by the owner was intended for further capital increase of the subsidiary Optima Leasing d.o.o., Zagreb. The capital increase of NLB Leasing d.o.o., was performed in order to increase its capital to a level that ensures smooth operation in the future and enables the Company to meet all capital requirements. The equity of the Company as at 31 December 2015 stood at €14.4 million, and the share of equity in total assets accounted for 7.4%.

Figure 6: Changes in equity of NLB Leasing d.o.o.

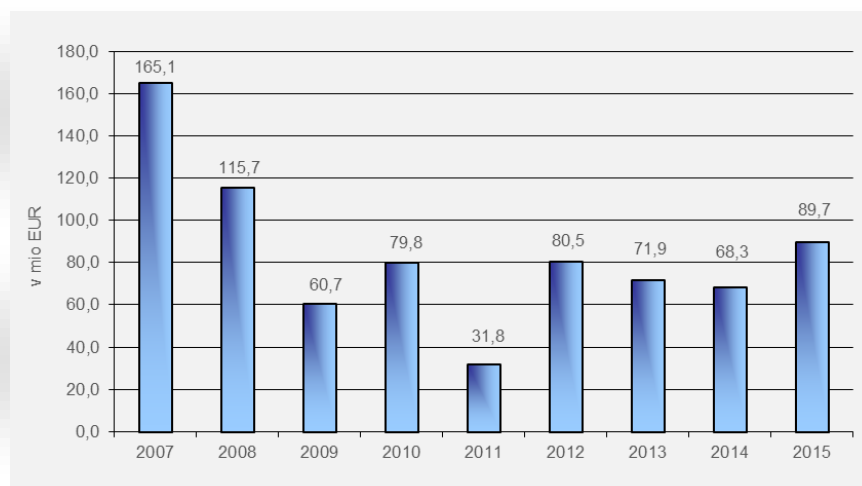


Source: NLB Leasing

Commercial operating results in 2015

In 2015, the Company generated €89.7 million in new leasing volume (€68.3 million in 2014), €69.5 million of which were net new investments. A major part of the value of new lease contracts was allocated to the financing of personal vehicles, which was consistent with the strategic guidelines that anticipated the services of finance lease and the financing of real estate as the key pillars in the following years. The Company expects good business results in 2016 in the field of concluding new contracts. The Company is constantly following the market trends and endeavouring to adapt to the market situation as much as possible and to offer only the best to its clients, while at the same time endeavouring to stay well-established and important on the Slovene leasing market.

Figure 7: New leasing volume of NLB Leasing d.o.o., from 2007 to 2015



Source: NLB Leasing

New investments included 68 percent of personal vehicles, 26 percent of commercial vehicles and 6 percent of other equipment. In the second half of the year, the Company increased its commercial activity in the field of commercial vehicles, mostly due to cooperation with Autocommerce d.o.o., the new strategic partner, and financing of Mercedes-Benz commercial vehicles. New investments of the Company include finance leasing (87 percent) and operative leasing (13 percent).

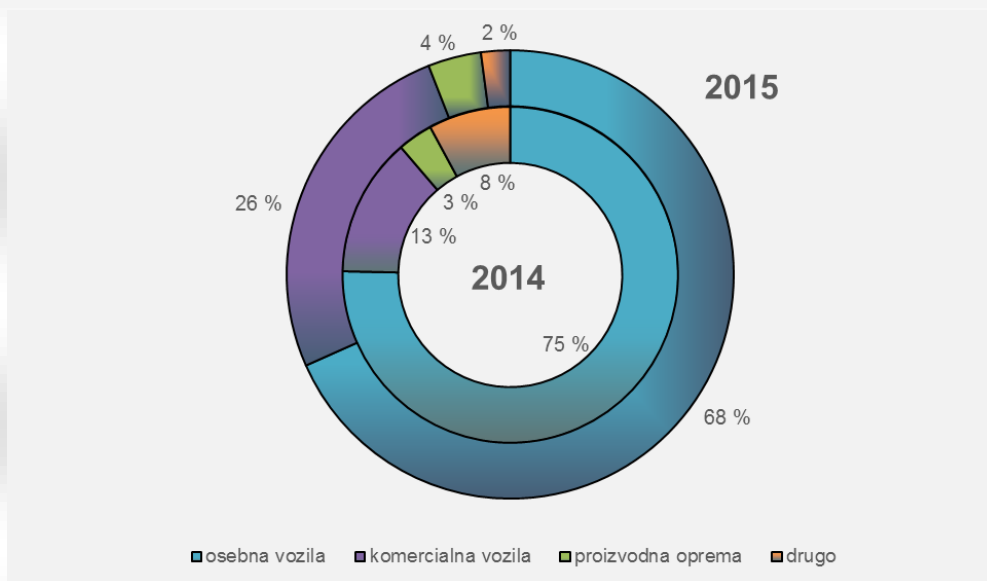
Table 6: Structure of new leasing volume of NLB Leasing d.o.o., (in € million and in %)

	2015		2014		2015 / 2014
	€ million	%	€ million	%	Index
Personal vehicles	61.3	68	51.4	75	119
Commercial vehicles	23.1	26	9.1	13	253
Computers, office equipment	0.2	0	0.2	0	99
Manufacturing equipment	3.4	4	2.3	3	149
Real estate	0.1	0	4.1	6	2
Ships, trains, airplanes	0.9	1	1.0	1	92
Other	0.7	1	0.0	0	-
Total	89.7	100	68.3	100	131

Source: NLB Leasing

In recent years, personal vehicles have had an important role in the structure of newly concluded contracts of NLB Leasing d.o.o. In 2014, their share amounted to 75 percent of all new leasing contracts. In 2015, their share was somewhat lower because the company was also more active in marketing of commercial vehicles. The Company did not finance other types of equipment in high volumes in 2015.

Figure 8: Structure of new leasing volume of NLB Leasing, d.o.o., in 2015 and 2014



Source: NLB Leasing

8 Risk management

The bases for risk management in NLB Leasing d.o.o., are defined with risk management standards of the NLB Group. The standards apply for the fields of credit, non-credit and operational risks, and represent the bases for all of the applicable business policies, organisation, work procedures and the reporting system.

The Company considers risk management as one of the key activities in business policy implementation and achieving all of the set business and strategic objectives. The Company uses a conservative approach, which is in line with policies and methodologies of the NLB Group. All the required attention is paid to measuring and assessing, and in particular to warning about all types of risks and active cooperation in decision-making processes.

Credit risk

Credit risk management policies are equal for the banks as well as other financial institutions included in the NLB Group. In 2015, the Company paid special attention to proper classification of clients in grades, client operation monitoring with a special emphasis on legal entities, credit portfolio analysis focusing particularly on transactions concluded in 2011 or afterwards (enforcement of new policies by the owner), and formation of impairments of receivables and provisions in accordance with the applicable methodology.

When monitoring its operations, the Company constantly strives to improve its credit risk management when approving investments and to reduce the share of overdue outstanding receivables. For this purpose, the Company applies certain other approaches, in addition to NLB standards:

- Increasing the lessee's participation in the financing of the investment;
- Adapting the period of lease according to the nature of the leased asset;
- Requiring additional instruments and/or forms of collateral (bills of exchange, guarantees, mortgages, and pledge on movable assets), as well as requiring active monitoring of existing operations.

Non-credit risk management

In the field of non-credit risk management, the Company pays the most attention to interest rate monitoring and managing, and currency and liquidity risks, all within the framework of policies and limits determined for the NLB Group companies.

Operational risks

Throughout the year, the Company closely monitored loss events and annually identified risks in the processes where loss events may occur. On the basis of analyses, the Company confirmed the measures taken to mitigate risks and determined certain new risks, all in order to minimise potential loss events.

9 Human resource management

As a part of the NLB Group, NLB Leasing d.o.o., endeavours to be active in the field of social responsibility and relationship to its employees. An integral part of corporate social responsibility is the Family Friendly Company certificate, which the Company uses as a part of the NLB Group. This way, the Company is improving work processes and the quality of the working environment, as well as ensuring better work-life balance.

The Company's human resource policy follows the values and strategic guidelines, based on which new recruitments in 2015 were carefully planned and coordinated with work processes optimisation. Consequently, the number of employees decreased by 2, with the total number of employees at the end of 2015 amounting to 65.

The Company and its employees pay a great deal of attention to acquiring knowledge and education, which is reflected in the very high level of employee educational structure. Some of the employees are enrolled in part-time education and training, while the Company ensures additional professional education and training for its employees within NLB Group's internal seminars and educational events.

Table 7: Educational structure of employees in NLB Leasing d.o.o.

Level of education	31. 12. 2015	31. 12. 2014
Level V	18	19
Level VI	18	16
Level VII or higher	29	32
Total	65	67

Source: NLB Leasing

To improve communication among employees, the Company introduced internal assessment of all employees using the 360° method, which has increased feedback flow and coordination of work processes. Assessment results will also contribute to further formation of the HR policy and career plans for employees.

10 Information technology

Taking two basic criteria into account, 2015 was very successful in the field of IT. We maintained high availability of business software (99.99 percent) and did not have any major problems or incidents.

After website renovations for users in the previous years, we renovated important parts of the server environment in 2015, including the backup location. With this, we ensured adequate capacity for the next 3–5 years, taking projected growth needs into account. Together with website renovations for users in the previous years, we have now completed infrastructure investments. This means that in the following years, we can focus on development-oriented projects with our investments.

One of the most important projects is the project of business process renovation. In cooperation with an external partner, we identified the most important processes in the Company, found optimization possibilities and prepared a plan for introduction of improvements in the following year.

11 Corporate governance of the NLB Leasing Group

In terms of comprehensive corporate management processes, which are primarily defined by NLB d.d., as the controlling company of the Group, representatives of NLB Leasing d.o.o., participate in processes of management and control of lease companies. One of the most important roles is assumed by risk management, which monitors and manages various types of risks (credit and non-credit risks) in individual lease companies. NLB Leasing d.o.o., cooperates with leasing companies in all other areas, primarily in terms of content coordination and preparation of common methodology solutions. Special attention is paid to the area of accounting and controlling, with an emphasis on ensuring accurate financial statements and reports.

12 Social responsibility

Care for health and safety of employees, and environmental protection

Education and training in the field of occupational health and safety and fire safety are integral parts of training for all employees. NLB Leasing d.o.o., closely observes the legislation and on its basis prepares annual plans to inform its employees about what is new in this field.

The promotion of environmental and fire-safety awareness among employees and business partners is a part of our corporate social responsibility.

Sponsorships and donations

NLB Leasing d.o.o., has always been striving to meet the goals of various organizations and associations by sponsorships and donations.

In 2015, NLB Leasing d.o.o., allocated donations and sponsorships to various companies or associations in the fields of culture and sports.

We mainly supported the Handball Association of Slovenia, which we have been sponsoring for several years.



Financial report

Financial report of NLB Leasing d.o.o., Ljubljana
in accordance with the Slovenian Accounting Standards

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Independent auditor's report



This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the owner of NLB Leasing d.o.o.

Report on the Financial Statements

We have audited the accompanying financial statements of NLB Leasing d.o.o. which comprise the statement of financial position as at December 31, 2015, and the income statement, statement of other comprehensive income, statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Slovenian Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of NLB Leasing d.o.o. as of December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with Slovenian Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

The business report is consistent with the audited financial statements.

Ljubljana, 15 April 2016



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

ERNST & YOUNG
 Revizija, poslovno
 svetovanje d.o.o., Ljubljana 1
 Dunajska 111, Ljubljana

Simon Podvinski
 Certified Auditor

Balance sheet

<i>in € thousand</i>	<i>notes</i>	31.12.2015	31.12.2014
ASSETS		193,958	247,259
A. Long-term assets		132,783	143,150
I. Intangible assets and long-term deferred costs	3.1.1	439	523
1. Long-term property rights		433	517
2. Other long-term deferred costs		6	6
II. Property, plant and equipment	3.1.2	9,091	10,687
1. Land and buildings		4,938	5,198
2. Other plant and equipment		4,153	5,489
3. Fixed assets being acquired			
III. Investment property	3.1.3	2,180	2,613
IV. Long-term financial investments	3.1.4	121,071	129,306
1. Long-term financial investments, except loans		802	862
b) other long-term investments		802	862
2. Long-term loans and finance lease receivables		120,269	128,444
a) long-term loans granted to Group companies		33	66
b) long-term loans granted to others		4,001	4,267
c) long-term finance lease receivables from the group		27	44
d) long-term finance lease receivables		116,208	124,067
V. Long-term operating receivables	3.1.5	2	21
1. Long-term operating receivables due from others		2	21
B. Current assets		61,110	104,002
II. Inventories	3.1.6	6,586	48,705
1. Work in progress		0	963
2. Products and merchandise		6,586	47,742
III. Short-term financial investments	3.1.7	52,052	53,289
1. Short-term loans and finance lease receivables		52,052	53,289
a) short-term loans granted to Group companies		0	0
b) short-term loans granted to others		8,129	11,255
c) short-term finance lease receivables from the Group		14	15
d) short-term finance lease receivables		43,909	42,019
IV. Short-term operating receivables	3.1.8	1,451	1,887
1. Short-term operating receivables due from Group companies		29	62
2. Short-term operating receivables due by buyers		1,152	1,295
3. Short-term operating receivables due by others		270	530
V. Cash and cash equivalents	3.1.9	1,021	121
C. Short-term deferred costs and accrued revenues	3.1.10	65	107
D. OFF-BALANCE SHEET ASSETS		291,726	311,732

Balance sheet

<i>in € thousand</i>	<i>notes</i>	31.12.2015	31.12.2014
EQUITY AND LIABILITIES		193,958	247,259
A. Equity	3.2.1	14,402	14,629
I. Called-up capital		15,000	15,000
1. Share capital		15,000	15,000
II. Capital reserves		3,650	9,000
IV. Revaluation surplus		(199)	0
V. Retained earnings or accumulated loss		(377)	(4,184)
VI. Net profit or loss for the year		(3,672)	(5,187)
B. Provisions and long-term accrued and deferred items	3.2.2	959	915
1. Provisions for pensions and similar liabilities		337	108
2. Other provisions		248	313
3. Long-term accrued costs and deferred revenue		374	494
C. Long-term liabilities		152,674	158,122
I. Long-term financial liabilities	3.2.3	152,673	158,114
1. Long-term financial liabilities to Group companies		147,294	147,576
2. Long-term financial liabilities to banks		5,379	10,538
II. Long-term operating liabilities	3.2.4	1	8
1. Other long-term operating liabilities		1	8
D. Short-term liabilities		24,960	72,748
II. Short-term financial liabilities	3.2.5	21,580	69,945
1. Short-term financial liabilities to Group companies		16,206	61,696
2. Short-term financial liabilities to banks		5,374	8,249
III. Short-term operating liabilities	3.2.6	3,380	2,803
1. Short-term operating liabilities to Group companies		985	610
2. Short-term operating liabilities to suppliers		942	585
3. Short-term operating liabilities from advances		1,137	1,338
4. Other short-term operating liabilities		316	270
E. Accrued costs and deferred revenue	3.2.7	963	845
F. OFF-BALANCE SHEET LIABILITIES	3.2.8	291,726	311,732

Notes are an integral part of the financial statements and should be read in conjunction with them.

Income statement

<i>in € thousand</i>	<i>notes</i>	2015	2014
1. Net sales revenue	4.1	4,801	4,234
a) Inflows from the sale of products and services		597	550
b) Revenue from the sale of merchandise		1,678	198
c) Rental income		2,526	3,486
4. Other operating revenue (including operating revenue from revaluation)	4.2	3,348	14,516
a) Gains from revaluation of fixed assets – profits		2,840	8,329
b) Revaluation operating revenue from reversal of impairments recognised in the past		425	1,907
c) Reversal of provisions		83	4,280
5. Costs of goods, materials and services	4.3	(3,002)	(2,102)
a) Costs of goods and materials sold		(1,853)	(431)
b) Costs of services		(1,149)	(1,671)
6. Employee benefit costs	4.4	(2,922)	(3,310)
a) Payroll costs		(2,140)	(2,576)
b) Other social security insurance costs		(156)	(158)
c) Pension insurance costs		(191)	(193)
d) Other labour costs		(435)	(383)
7. Write-downs	4.5	(5,718)	(13,497)
a) Depreciation and amortisation		(1,911)	(2,073)
b) Revaluation operating expenses associated with intangible assets and property, plant and equipment		(3,150)	(9,211)
c) Revaluation operating expenses associated with operating assets		(657)	(2,213)
8. Other operating expenses	4.6	(315)	(806)
9. Financial income from shares and interests	4.7	1,468	1,362
d) Financial revenues from other investments		1,468	1,362
10. Financial income from loans issued and finance lease	4.8	15,237	19,283
a) Financial income from loans to Group companies		276	511
b) Financial income from loans to others		9,822	12,261
c) Financial income from reversal of loan impairments		3,273	6,487
d) Other financial income		1,866	24
11. Financial income from operating receivables	4.9	31	34
a) Financial income from operating receivables due from group companies		4	1
b) Financial income from operating receivables due from others		27	33
12. Financial expenses for investment impairment and write-downs	4.10	(10,140)	(14,644)
13. Financial expenses from financial liabilities	4.11	(6,520)	(10,323)
a) Financial expense for borrowings from Group companies		(3,705)	(7,096)
b) Financial expenses for borrowings from banks		(1,010)	(1,855)
d) Financial expenses for other financial liabilities		(1,805)	(1,372)
14. Financial expenses from operating liabilities	4.12	(61)	(134)
a) Financial expense from operating liabilities to Group companies		(1)	(7)
b) Financial expenses for supplier payables and bills payable		(54)	(1)
c) Financial expenses from other operating liabilities		(6)	(126)
15. Other revenue	4.13	353	547
16. Other expenses	4.14	(232)	(347)
19. Net profit or loss for the financial year		(3,672)	(5,187)
Gross profit or loss for the financial year		(3,672)	(5,187)

Statement of other comprehensive income

<i>in € thousand</i>	2015	2014
Net profit or loss for the financial year	(3,672)	(5,187)
Other components of comprehensive income	(199)	0
Total comprehensive income for the period	(3,871)	(5,187)

Notes are an integral part of the financial statements and should be read in conjunction with them.

Statement of cash flows from 1 January 2015 to 31 December 2015

<i>version II</i>		
<i>in € thousand</i>	2015	2014
A. CASH FLOWS FROM OPERATING ACTIVITIES		
a) Cash flows derived from income statement items	(1,338)	3,273
Operating revenue (except from revaluation) and financial income from operating receivables	5,623	10,901
Operating expense (except for revaluation) and financial expenses from operating activities	(6,961)	(7,628)
Changes in net operating assets in balance sheet items (including accruals and deferrals, provisions and deferred tax assets and liabilities)	868	253
Opening less closing operating receivables	381	331
Opening less closing deferred costs and accrued revenue	6	(11)
Opening less closing inventories	(114)	5,534
Closing less opening operating liabilities	638	(1,476)
Closing less opening accrued costs and deferred revenue, and provisions	(43)	(4,125)
Closing less opening deferred tax liabilities		
c) Net cash from operating activities (a+b)	(470)	3,526
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		
a) Inflows from investment activities	80,368	73,093
Inflows from interests and equity interests in other entities relating to investment activities	15,269	10,756
Cash receipts from disposals of property, plant and equipment	2,849	2,051
Cash receipts from disposals of investment property	303	0
Cash receipts from disposal of long-term investments	61,528	58,056
Cash receipts from disposal of short-term investments	419	2,230
b) Outflows from investment activities	(67,405)	(51,304)
Cash disbursements to acquire intangible assets	(14)	(32)
Cash disbursements to acquire property, plant and equipment	(5,266)	(2,856)
Cash disbursements to acquire long-term investments	(62,125)	(48,416)
c) Net cash from investing activities (a+b)	12,963	21,789
C. CASH FLOWS FROM FINANCING ACTIVITIES		
a) Inflows from financing activities	61,910	220,970
Cash proceeds from paid-in capital	3,650	0
Cash proceeds from increase in long-term financial liabilities	28,675	119,427
Cash proceeds from increase in short-term financial liabilities	29,585	101,543
b) Outflows from financing activities	(73,503)	(246,776)
Interest paid on financing activities	(5,501)	(11,529)
Cash repayments of long-term financial liabilities	(36,821)	(151,726)
Cash repayments of short-term financial liabilities	(31,181)	(83,521)
c) Net cash from financing activities (a+b)	(11,593)	(25,806)
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS		
Č (x+y)	1,021	121
x) Cash flow in the period (Ac+Bc+Cc)	900	(491)
y) Opening balance of cash – total	121	612

Statement of changes in equity for the year ended on 31 December 2015

<i>in € thousand</i>	I. Called-up capital	II. Capital reserves	IV. Revaluation surplus	V. Retained earnings or accumulated loss	VI. Net profit or loss for the year	VII. Total
A.1. Balance at the end of the prior period - 31 Dec 2014	15,000	9,000	0	(4,184)	(5,187)	14,629
A.2. Opening balance of the reporting period - 01 Jan 2015	15,000	9,000	0	(4,184)	(5,187)	14,629
B.1. Changes in equity – transactions with owners	0	3,650		0	0	3,650
a) Additional paid-in capital	0	3,650	0	0	0	3,650
B.2. Total comprehensive income for the period	0	0	(205)	0	(3,672)	(3,877)
a) Net profit or loss for the year	0	0	0	0	(3,672)	(3,672)
č) other components of comprehensive income for the reporting period	0	0	(205)	0	0	(205)
B.3. Movements within equity	0	(9,000)	6	3,807	5,187	0
a) Appropriation to other equity elements	0	(9,000)	6	8,994	0	0
č) settlement of losses as deductible equity element	0	0	0	(5,187)	5,187	0
C. Closing balance of the reporting period - 31 Dec 2015	15,000	3,650	(199)	(377)	(3,672)	14,402

Statement of changes in equity for the year ended on 31 December 2014

<i>in € thousand</i>	I. Called-up capital	II. Capital reserves	V. Retained earnings or accumulated loss	VI. Net profit or loss for the year	VII. Total
A.1. Balance at the end of the prior period - 31 Dec 2014	23,600	70,000	(10,629)	(72,155)	10,816
A.2. Opening balance of the reporting period - 01 Jan 2014	23,600	70,000	(10,629)	(72,155)	10,816
B.1. Changes in equity – transactions with owners	0	9,000	0	0	9,000
a) Additional paid-in capital	0	9,000	0	0	9,000
B.2. Total comprehensive income for the period	0	0	0	(5,187)	(5,187)
a) Net profit or loss for the year	0	0	0	(5,187)	(5,187)
B.3. Movements within equity	(8,600)	(70,000)	6,445	72,155	0
a) Appropriation to other equity elements	(8,600)	(70,000)	78,600	0	0
č) settlement of losses as deductible equity element	0	0	(72,155)	72,155	0
C. Closing balance of the reporting period - 31 Dec 2014	15,000	9,000	(4,184)	(5,187)	14,629

Notes are an integral part of the financial statements and should be read in conjunction with them.

Disclosures to the statement of changes in equity

The Company implemented a simplified share capital reduction in the beginning of 2014 to cover past losses. In accordance with the resolution adopted by the sole partner at the end of 2014, a capital increase of €9,000 thousand was carried out and recognised in the capital surplus. The capital increase was carried out by converting long-term loans of the Company to capital reserves.

Accumulated loss

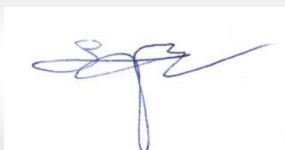
<i>in € thousand</i>	2015	2014
a) Net profit or loss for the year	(3,672)	(5,187)
b) Retained earnings or accumulated loss brought forward	(377)	(4,184)
Accumulated loss	(4,049)	(9,371)

Accumulated loss in the amount of €3,650 thousand will be partially settled from capital reserves in 2016.

The Management Board of NLB Leasing d.o.o. Ljubljana has approved the financial statements and notes thereto.

Ljubljana, 15 April 2016

Janez Saje
Member of the
Management Board



Andrej Pucer
President of the
Management Board



Statement of management's responsibility

The Management Board has approved the financial statements for the year ended on 31 December 2015, as well as the accounting policies used and notes to the financial statements presented in this Annual Report.

The Management Board is responsible for the preparation of the annual financial statements that give a true and honest view of the financial position of the Company and its operating results for the year ended on 31 December 2015.

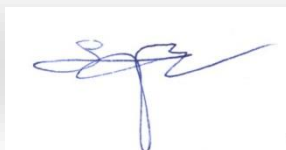
The Management Board confirms that the appropriate accounting policies were consistently applied, and that the accounting estimate were made under the principle of prudence and good management. The Management Board also confirms that the financial statements and notes thereof have been compiled under the assumption of a going concern, and in accordance with the applicable legislation and the Slovene Accounting Standards.

The Management Board is also responsible for appropriate accounting practices, for the adoption of appropriate measures to safeguard the assets and to prevent and detect fraud and any other irregularities or illegal acts.

The Tax Authorities may, at any time within a period of 5 years after the end of the year for which a tax assessment was due, carry out an audit of the Company's operations, which may lead to assessment of additional tax liabilities, default interest, and penalties with regards to Corporate Income Tax (ZDDPO-2) or other taxes and levies. The Management Board is not aware of any circumstances that may result in a significant tax liability.

Ljubljana, 15 April 2016

Janez Saje
Member of the
Management Board



Andrej Pucer
President of the
Management Board



Statement on business operations with the parent company and other subsidiaries in the Group

NLB d.d., Ljubljana is a 100-percent owner of NLB Leasing d.o.o. Ljubljana.

Based on Articles 545 and 546 of the Companies Act (ZGD-1), the Management Board submitted a report on the relationship with the parent company and other subsidiaries in the Group. In this report, the Management Board concluded that on the basis of circumstances known to it at the time of transaction, NLB Leasing d.o.o. Ljubljana is estimating that it was not deprived in the listed transactions with the parent company and its subsidiaries or that there were no transactions, or performed or skipped actions in 2015 that would cause damage to the Company and would be a result of the influence of the parent company or its subsidiaries.

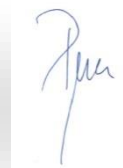
In 2015, according to the owner's instructions, NLB Leasing, d.o.o. Ljubljana made a capital injection into the capital of its subsidiary, Optima Leasing d.o.o. Zagreb, amounting to EUR 3,650 thousand. The owner compensated for this by paying a sum of money in the same amount to the Company bank account for the purpose of forming capital surplus.

Ljubljana, 15 April 2016

Janez Saje
Member of the
Management Board



Andrej Pucer
President of the
Management Board



Notes to the financial statements of the Company

Basis of preparation

The financial statements of NLB Leasing, d.o.o., Ljubljana have been prepared in accordance with the Slovene Accounting Standards 2006 (hereafter: SAS 2006) and the Companies Act (ZGD-1). The financial statement data are derived from the bookkeeping documents and books of account, which are kept in compliance with the Slovene Accounting Standards.

The following basic accounting assumptions were used in the preparation of the financial statements: accrual basis of accounting, going concern assumption and qualitative characteristics of the financial statements, which particularly include understandability, relevance, reliability and comparability. In adopting the relevant accounting policies, the following fundamental accounting principles were complied with: prudence, substance over form, and materiality.

The financial statement items are presented in the currency of the primary economic environment in which the Company operates. The financial statements are presented in euros (EUR), which is the functional and presentation currency of the Company.

Foreign currency translation

To preserve real values of receivables and liabilities denominated in foreign currency, they are measured at the exchange rate agreed upon by the parties to the contract as the contractual exchange rate. Receivables on account of finance lease, as well as short-term and long-term loans issued are mostly recognised at the contractually agreed selling rate of NLB d.d.

Cash and cash equivalents are presented in euros.

Liabilities stemming from long-term and short-term interest bearing borrowings are restated using the business selling rate of NLB d.d. Liabilities in foreign currency are measured using the reference exchange rate of the ECB.

Receivables and liabilities in foreign currency are presented exclusively in Swiss francs (CHF).

Consolidated financial statements

Under provisions of the Slovene Accounting Standards, a controlling entity that is also a subsidiary and as such controlled by another entity domiciled in the Republic of Slovenia, is not required to compile consolidated financial statements.

NLB d.d., with headquarters in Slovenia is the owner of NLB Leasing d.o.o. Ljubljana. The consolidated financial statements of the NLB Group are available at the following address: Trg republike 2, Ljubljana.

Nature of business operations

The Company offers lease services to personal and legal entities, as well as to sole proprietors. The Company's primary activities comprise finance and operating lease. The beginning of the financial and economic crisis forced leasing companies to face a reduced market demand and late-payment culture on the one hand, and limited acquiring of financial resources on the other hand. Stricter regulatory requirements additionally limited the business potential of leasing companies. Consequently, the Company cut down its activity to two primary services: finance and operating lease, whilst at the same time focusing primarily on lease of movable property, in particular personal vehicles.

Spin-off by acquisition

NLB Leasing d.o.o. Ljubljana and PRO-REM d.o.o. Ljubljana signed a second agreement on spin-off and acquisition on 22 June 2015 in the amount of €44,174 thousand (the first agreement on spin-off was signed on 22 September 2014 in the amount of €52,736 thousand). PRO-REM d.o.o. Ljubljana is a newly established company, which was entered into the Court Register on 15 September 2014. The founder of PRO-REM d.o.o. Ljubljana is NLB d.d. The company was established with the purpose of

management of the real-estate portfolio in a centralized, systematic and expert manner, with the goal of selling or renting real estate.

The object of the spin-off were assets of the transferring company (NLB Leasing d.o.o. Ljubljana), along with accompanying accounts payable that were reported in the balance sheet of the transferring company at the carrying amount on 31 December 2014. The settlement day of the spin-off with acquisition was 31 December 2014, which means that from that day onwards, actions of the transferring company in relation with the transferred activities are performed for the acquiring company.

By entering the spin-off into the Court Register, the acquiring company of PRO-REM d.o.o. Ljubljana acquired all the assets and accompanying accounts payable agreed in the contract on spin-off and acquisition. The spin-off was entered in the Court Register on 1 July 2015, which is in accordance with the Companies Act relating to the settlement date of 31 December 2014.

The sole shareholder of the transferring company did not obtain any additional share in the acquiring company because NLB d.d., is the 100-percent owner of both the transferring and the acquiring company. After the spin-off, NLB d.d., retained its business share in the transferring and the acquiring company.

The acquiring company reported the acquired assets and liabilities under current book value. The transferring company of NLB Leasing d.o.o. Ljubljana is still operating after the spin-off, but with reduced total assets.

When implementing the spin-off with acquisition, the provisions of the following laws were taken into account:

- Companies Act (ZGD-1),
- Corporate Income Tax Act (ZDDPO-2),
- Tax Procedure Act (ZDavP-2),
- Value Added Tax Act (ZDDV-1).

Tax treatment of the spin-off

Given that part of the assets of the transferring company, specified with the spin-off plan, and rights and obligations of the transferring company related to these assets, are transferred to the acquiring company with the spin-off, this spin-off shall be treated as transfer of company or part of company and therefore as a non-taxable transaction under Article 10 of the Value Added Tax Act (ZDDV-1). In order that the transaction can be treated as a non-taxable transaction under Article 10 of the Value Added Tax Act (ZDDV-1), the company or part of the company must be transferred to a taxpayer that is identified for VAT purposes. Because PRO-REM, d.o.o., Ljubljana identified for VAT purposes on 18 September 2014 tax treatment of the spin-off is neutral under the Value Added Tax Act (ZDDV-1).

Because the conditions for enforcement of tax neutral spin-off under the Corporate Income Tax Act (ZDDPO-2) were not met, the transferring and the acquiring companies did not report neutrality to the Financial Administration of the Republic of Slovenia. This Act defines that a transfer of assets is considered as tax-neutral only when at least one independent installation is transferred to another company. Transfer of a part of inventories to another company cannot be considered as a transfer of an independent installation because the transferring company did not transfer its whole real-estate activities to the acquiring company. It transferred only a part of its activities, namely activities from termination of finance lease contracts and a part of own real-estate inventories. Because of this reason, the conditions of the Corporate Income Tax Act (ZDDPO-2) for tax neutral spin-off were not met

Going concern principle

The adopted strategy of NLB Leasing d.o.o. Ljubljana anticipates a gradual decrease of its total assets, which at 31 December 2015 amounted to €194.0 million (€247.3 million for 2014). The distinct reduction of total assets when compared with the previous year is the result of asset spin-off.

The Company finished 2015 with a net loss in the amount of €3.7 million.

The reasons for the loss are mainly the following:

- capital injection into a subsidiary and formation of impairments on the increased equity investment;
- additional impairment of receivables resulting mainly from new assessed value of collateral, deteriorating customer credit rating, and additional requirements regarding group impairments relating to natural persons;
- negative impact of inventory and investment property valuation;
- negative impact from increased risks arising from the economic situation and deteriorating solvency of customers.

In 2015, the Company continued to provide high level of professionalism, personal approach and high-quality services to meet its customers' needs to the fullest possible extent. At the same time, the Company successfully continued cost optimisation.

With the aim of improving its general business model and operating result, NLB Leasing d.o.o. Ljubljana is pursuing certain measures and activities that will continue in the future and that encompass the following:

- Intense sale of inventories/repossessed assets;
- Intense focus on ICL/PN customers and adoption of relevant solutions;
- A more conservative approach for entering into new contracts;
- Focus on cost reduction;
- Sale of receivables;
- Transfer of non-performing receivables to off-balance sheet records.

Pursuant to the adopted financial plan, the Management Board expects the Company to generate profit in 2016, which will prevent any additional burden being placed on the capital or endangering the Company's capital adequacy.

The business results of the Company depend on the conditions on financial markets. The Company largely managed to restructure its financial liabilities in 2015, which decreased nominal costs of financing. New financial resources have been drawn mainly from the parent bank of NLB d.d.

In 2015, the Company realised €89.7 million of new investments (€68.3 million in 2014). The majority of new investments relate to financing of cars and commercial vehicles, which is in line with the strategic policy, according to which finance lease and movable property funding will be the two key pillars of the Company's operations in the next few years.

Accordingly, the Management Board has assessed that the financial statements preparation under the going concern assumption was appropriate.

Accounting policies

Intangible assets

Intangible assets comprise investments in property rights and long-term deferred costs. Intangible assets are identifiable non-monetary assets without physical substance.

The cost of intangible assets is recognised when future economic benefits are likely to flow to the Company, providing their costs can be reliably measured.

Subsequent to initial recognition, intangible assets are measured under the cost model.

All intangible assets held by the Company have finite useful lives. The carrying amount of an intangible asset is reduced through its amortisation and any potential impairment. Intangible assets with finite useful lives are amortised over their useful life period using the straight-line amortisation method.

The assets' carrying amounts are reassessed at the end of each financial year. When the expected useful life of the intangible asset with finite useful life is significantly different from previous estimates,

and when there is a material change in the expected economic benefits of the asset, its amortisation period and method should be modified accordingly.

The difference between net gains on disposal and the carrying amount of the intangible assets disposed of, is transferred to revaluation operating revenue if the net gains on disposal exceed the carrying amount, or to the revaluation operating expenses, if the asset's carrying amount exceeds the net gains on its disposal.

On the reporting data, the Company compares the intangible asset's carrying amount with its recoverable amount to determine whether the intangible asset has been impaired. The recoverable amount is the higher of the asset's values in use or fair value, less costs to sell. Any impairment losses are immediately recognised in profit or loss.

Property, plant and equipment

An item of property, plant and equipment is a tangible asset owned or held under finance lease for use in the production of products or supply of services, for rental to others, or for administrative purposes, and is expected to be used during more than one accounting period.

The items of property, plant and equipment are recognised at cost. The cost of an item of property, plant and equipment comprises its purchase price, import duties and non-refundable purchase levies, as well directly attributable costs of bringing the asset to the condition necessary for its intended use, including the estimate of the costs of dismantling and removing the item and restoring the site on which it is located. If the cost of an item of property, plant and equipment is significant, it may be allocated to its individual parts. In addition to fixed assets used by the Company, vehicles and equipment in operating lease are also included in the items of property, plant and equipment.

Subsequent expenditure on an item of property, plant and equipment increases its initial cost if it increases future economic benefits of the asset above the initially assessed benefits.

Investments in leasehold improvements are also included in property, plant and equipment.

After initial recognition, the items of property, plant and equipment are recognised under the cost model, less accumulated depreciation and any impairment losses.

Depreciation of an item of property, plant and equipment begins when the item is made available for its intended use. Depreciation is accounted for using the straight-line depreciation method. Depreciation is accounted for on the basis of the cost of an item of depreciable assets, reduced by any assessed residual value. Depreciation is accounted for using depreciation rates that reflect the useful life of individual assets and that are stated in the notes to depreciation costs.

The asset's residual value and its useful life are reviewed on the balance sheet date and adjusted if the expectations differ from the previous assessments.

At each balance sheet date, the Company assesses whether there are any indications of impairment of property, plant and equipment, based on valuations of a certified appraiser and Eurotax information. When there are signs of asset impairment, the Company assesses their recoverable amount. The asset's recoverable amount is the greater of the value in use or its net selling price. When the value in use exceeds the asset's carrying amount, there is no need for impairment, whereas if the contrary is true, the impairment loss is recognised immediately in the profit or loss.

Amortisation and depreciation

Depreciation and amortisation rates are determined on the basis of assessed useful lives of individual items of intangible assets and property, plant and equipment, using the straight-line depreciation method. The Company is registered to provide operating lease services. This is why the expected useful life includes the period, during which the tangible asset was in operating lease.

Amortisation rates applied to intangible assets:	2015
	%
* Concessions, trademarks and licences	
- Computer software	10 - 50
- Brand name	10

Amortisation rates applied to intangible assets:	2014
	%
* Concessions, trademarks and licences	
- Computer software	10 - 50
- Brand name	10

Amortisation rates of property, plant and equipment:	2015
	%
* Buildings	2.5 - 10
* Computer hardware and software	20 - 50
* Personal vehicles	12.5 - 92.31
* Other equipment	12.5 - 33.33
* Leasehold improvements	10

Amortisation rates of property, plant and equipment:	2014
	%
* Buildings	2.5 - 10
* Computer hardware and software	20 - 50
* Personal vehicles	12.5 - 92.31
* Other equipment	12.5 - 33.33
* Leasehold improvements	10

In the process of amortisation and depreciation of assets in operating lease, the Company follows the guidelines on consistency between the period of individual operating lease and the period of amortisation and depreciation of the asset, and on consistency of asset value in operating lease. This means that the number of payments is equal to the number of monthly amounts of amortisation and depreciation. The basis for amortisation and depreciation is cost less the input value added tax less the residual value of equipment, which is not included in payments.

For commercial purposes, an entity may depreciate an individual item of fixed assets using depreciation rates that differ from maximum depreciation rates recognised for tax purposes pursuant to the Corporate Income Tax Act (ZDDPO-2); in doing so, the entity must account for the higher than prescribed rates in its income tax declaration.

The entire cost of an item of property, plant and equipment whose useful life extends beyond 12 months and whose individual cost does not exceed €500, is expensed when the asset is put to its intended use.

Investments

Investments are financial assets recognised in the balance sheet as long-term or short-term investments. Long-term investments are investments that an investor entity intends to hold for a period of more than 12 months and which are not held for trading. Long-term investments that mature within a period of 12 months after the balance sheet date are transferred to short-term investments.

On initial recognition, investments are classified as:

- Financial assets at fair value through profit or loss;
- Financial assets held to maturity;
- Investments in loans;
- Financial assets, available for sale.

Investments are investments in the equity of Group companies, long-term and short-term loans issued, receivables due from finance lease, and derivative financial instruments. The Company has no other types of investments.

Revaluation of investments is the recognition of an adjustment to their carrying amount. It usually appears as an adjustment of investments to their fair value, revaluation of investments resulting from impairment or revaluation of investments due to the reversal of their impairment.

A financial asset is derecognised when contractual rights to cash flows expire or when a financial asset is transferred and the transfer meets the criteria for derecognition of the asset.

Carrying amount of investments recognised in the balance sheet may be exposed to the credit risk.

Investments in subsidiaries

Investments in subsidiaries are recognised as a financial asset in the balance sheet if it is probable that the expected future economic benefits attributable to the assets will flow to the entity and the cost of the assets can be reliably measured.

In separate financial statements, investments in subsidiaries are recognised at cost. Dividends are recognised as revenue in the period when they are received.

To assess whether investments in subsidiaries should be impaired, the Company compares the investment's carrying amount and its recoverable amount. If the carrying amount of the investment exceeds its recoverable amount, the difference is recognised as an impairment loss in the profit or loss.

Derivatives

A derivative is a financial instrument whose value changes as a result of changes in a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating, or similar variables. Derivatives are always classified into a group of financial assets at fair value through profit or loss.

In the balance sheet, derivatives are initially recognised at cost, which is the fair value of the consideration received or granted. Derivative financial instruments are measured at fair value through profit or loss, determined on the basis of published market price, discounted future cash flows method or by use of pricing models.

Investments in loans

Investments in loans and finance lease receivables are measured at amortised costs using the effective interest rate method by allocating costs and revenue directly associated with the loans to the credit or debit of the basic item, and their gradual transfer to the profit or loss over the duration of the transaction.

Assets under finance lease are initially recognised in the balance sheet as receivables in the amount equal to the net investment. Recognition of the finance lease income must reflect continued periodic level of return of the lessor's investment in the finance lease.

A lease is classified as a finance lease if substantially all of the risks and benefits associated with the ownership of an asset have been transferred. Assets under finance lease are initially recognised in the balance sheet at an amount equal to the net investment. Finance lease receivables are measured as the difference between the sum of all instalments under the agreement and the unguaranteed residual value of the assets and the sum of the finance lease income covered by the instalments. All costs and

income directly attributable to the lease are either added to or deducted from the initial balance of receivables and gradually transferred to the profit or loss over duration of the contract.

Investments in loans and finance lease receivables are not recognised if they are not settled or if an individual client is classified into the D or E credit rating group.

Loans and finance lease receivables which are expected not to be collected or not collected in full amount are recognised as doubtful, whereas if court proceedings have been initiated in respect of receivables, they are recognised as disputed.

Since the majority of the Company's portfolio comprises finance lease, collateral is provided by legal title to the leased asset until the final instalment is paid.

Impairment of financial assets

Any impairments of financial assets and other receivables are determined on a monthly basis. The Company monthly verifies the amounts of impairments. In addition, provisions are set aside or impairments are recognised for damage events or fraud identified in the previous month.

Impairments are recognised when there is objective evidence that the Company will not be able to redeem certain collateral issued for loans or finance lease receivables in accordance with contractual provisions, or when the Company expects to incur loss in respect of those items.

When it is assessed that, considering individual client's credit rating, their past record of liability settlement and the value of assets leased, the clients will repay the contractually agreed amount in full and within the agreed deadlines, the impairment is not recognised.

Investments (loans and finance lease receivables) to natural persons above certain amounts are checked for impairment individually, whereas group impairment assessment is made for loans and finance lease receivables relating to natural persons below the threshold. Corporate entities are classified into A to E credit rating groups based on their credit worthiness. All investments above a certain amount, classified in the D and E credit rating group, are reviewed individually. For receivables classified in the A, B and C credit rating group and receivables classified in the D and E credit rating group that are not reviewed individually, a collective impairment calculation is used. Impairment of operating lease receivables that are reviewed individually for impairment, is recognised in total amount of due and outstanding lease instalments over the certain number of days in default.

Impairment losses on financial assets at amortised cost are recognised as the difference between the asset's carrying amount and present value of expected future cash flows discounted using the effective interest rate determined at the initial recognition. The carrying amount of an asset is reduced through accumulated depreciation, while the impairment loss is recognised in the profit or loss.

Through their impairment, the value of financial assets is reduced to their fair value.

Unrecoverable assets are those assets in respect of which the Company has exhausted all legal remedies relating to their collection and their impairment is final. On subsequent settlement of financial assets that were written off, the repaid amount is recognised as revenue in the profit or loss.

Transfer of mature outstanding financial assets

Minimum Standards for Write-Offs/Transfer of Overdue Loans and Receivables in the NLB Group define the criteria and procedures to be used for write-off/transfer of overdue loans and receivables to off-balance sheet records. Mature outstanding loans and receivables with 100% formed impairments are moved to the off-balance sheet records if they meet one of the following criteria:

- unsecured loans and receivables if the debtor is late in repaying for more than 1 year;
- unsecured loans and receivables if the debtor is already in bankruptcy proceedings;
- loans and receivables for which it is assessed that it is not possible to expect significant repayment, but recovery processes have not yet been completed.

Inventories

Under inventories, the Company includes real estate purchased for resale, real estate repossessed due to termination of finance lease contracts and equipment in operating lease with maturity of up to one year.

Inventories are recognised in the books of account if it is probable that economic benefits that are associated with them will flow to the entity and the cost of purchase or their cost value can be measured reliably. Inventories are derecognised when they are consumed or sold.

On initial recognition, inventories are measured at purchase prices increased by import and other duties as well as direct costs of acquisition. The purchase price is reduced by discounts received.

Revaluation of inventories is the recognition of an adjustment to their carrying amount. It may be carried out either at the end of or during the financial year. Inventories are measured at the lower of initial cost and net realisable value, in accordance with the valuations performed by certified appraisers. Inventories are not revalued to account for their appreciation in value. The inventories are revalued if their carrying amount exceeds their net realisable value.

Receivables

Receivables are predominantly amounts owed by customers for products and goods sold and services provided, as well as amounts owed by suppliers for advances granted, prepayments and collateral issued, by employees, and by the state on account of tax paid.

In terms of maturity, receivables are classified as long-term and short-term receivables. Long-term operating receivables are amounts due from customers that mature within a period of more than one year. Current amounts of long-term receivables that mature within 12 months of the balance sheet date are reported as short-term operating receivables.

On initial recognition, receivables are recognised at fair values recorded in the relevant documents under assumption that they will be collected.

Receivables are not recognised if they are not settled or if an individual client is classified into the D or E credit rating group.

The same method of assessing receivable impairment, write-off and transfer to off-balance sheet records is used as the one applied to financial assets. The procedure is described under *Investment (Impairment of financial assets and Transfer of mature outstanding financial assets)*.

Operating lease

A lease is classified as an operating lease if substantially all of the risks and rewards associated with the ownership are retained by the lessor. Assets under operating lease are recognised in the balance sheet as part of the group of assets to which they belong. Lease payments are recognised on a straight-line basis over the lease term. On initial recognition, the Company complies with the principle of substance over form; any subsequent changes in estimates and circumstances do not affect the classification of the lease.

With regards to operating lease, collateral is provided by legal title to the leased asset until the final instalment is paid.

Deferred tax

Deferred tax assets are recognised for all deductible temporary differences, but only if it is probable that future taxable profit will be available, against which deductible temporary differences may be utilised. In 2013, the Company derecognised all temporary deductible differences because it is uncertain whether the Company will be able to utilise all the deductible differences in the foreseeable future.

Investment property

Investment property comprises property, plant and equipment, which are held for the purpose of operating lease and appreciation in the value of investment.

Initially, investment property is recognised at cost, comprising the purchase price and directly attributable costs of acquisition.

Subsequent to initial recognition, investment property is carried under the fair value model using the income approach. The capitalization rate that is used is 8%. The Company carries out the valuation itself on this basis at the end of each year. Gains and losses on fair value measurement are recognised in the profit or loss.

The following assets are classified as investment property:

- land held for capital appreciation rather than sale in the ordinary course of business,
- buildings owned and leased out under operating lease.

When an entity has property at its disposal of which one part is leased, the leased part is reclassified to investment property providing it can be disposed of separately. The part of the property held for the entity's own use is recorded separately as an item of the entity's own assets.

Cash and cash equivalents

On initial recognition, the cash is recorded in the amount that derives from the relevant document. Cash denominated in foreign currency is translated into the domestic currency on the date of the document.

Cash deposited on the foreign currency transaction account is revalued monthly and at the year-end using the reference exchange rate of the ECB.

Cash comprises cash on hand, deposit money, cash in transit and cash equivalents. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Cash equivalents also include short-term deposits at banks with maturity of no more than 3 months.

Deferred and accrued items

Short-term accruals and deferrals are receivables and other assets and liabilities expected to arise within one year. Their incurrence is probable and their amount is reliably estimated. Accruals and deferrals are recognised in order for the Company to disclose all revenue and expenses in the profit or loss of the period to which they refer, regardless of whether they had been received (paid) or not.

They are divided into deferred costs and accrued revenue, and accrued costs and deferred revenue. Deferred costs and accrued revenue comprise short-term deferred costs or short-term deferred expenses and short-term accrued revenue, whereas deferred costs and accrued revenue comprise short-term accrued costs or short-term accrued expenses and short-term deferred revenue.

Accrued and deferred items are not revalued. At the balance sheet date and during the financial year, the realistic need for and justification of the amounts of short-term deferred and accrued items is verified and if necessary, adjusted.

Equity

Total equity of an entity consists of share capital, capital surplus, profit reserves, retained net earnings or accumulated loss brought forward from previous years, net profit or loss of the financial year, and revaluation surplus.

Share capital is recognised on payment of the contributions in cash and in kind received by the entity. The decisive factor for the recognition is the subscribed capital.

The profit or loss reported by the Company is the difference between the revenue and expenses, less income tax payable taking into consideration deferred tax recognised on account of temporary deductible differences.

Provisions and long-term accrued costs and deferred revenue

A provision is recognised when the Company has present obligations (legal or constructive) as a result of past events that can be reliably estimated and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

The Company has set aside provisions for employee benefits comprising jubilee awards, termination benefits on retirement and other obligations. They are accounted for on the basis of actuarial calculation considering the number of employees, staff turnover, pension qualifying period and similar.

Provisions may only be used to cover the costs for which they were originally created.

Long-term accrued costs and deferred revenue comprise deferred revenue from operating lease deposits, which are transferred to revenue on a straight-line basis over the entire term of the lease contract.

Liabilities

Liabilities are recognised in the balance sheet when the obligation arises under a contract or another legal act, taking into account the contractual date or the date of cash receipts or statements of accounts associated with them.

On initial recognition, short-term and long-term liabilities are measured at amounts arising from relevant documents evidencing their incurrence.

After initial measurement, they are disclosed at amortised cost using the effective interest method.

Long-term liabilities comprise long-term financial liabilities and long-term operating liabilities. Long-term financial liabilities are long-term borrowings. Long-term liabilities are increased by accrued interest or reduced by the amounts paid and by possible other means of settlement if so agreed with creditors. The carrying amount of long-term liabilities is equal to their initial value reduced by repayments of the principal and the amounts transferred to short-term liabilities until the need arises for their revaluation. All costs directly attributed to the financial liabilities are deferred and transferred to costs in proportion to the period of repayment of the liability.

Short-term financial liabilities are short-term borrowings as well as current amounts of long-term borrowings. Short-term operating liabilities are advances and collateral received from customers, payables to local and foreign suppliers, payables to employees, payables to the state and state institutions and other short-term liabilities.

Revenue

Revenue is classified into operating revenue, financial revenue and other revenue. Revenue is recognized if the increase of economic benefits in the financial period is related to the increase of assets or decrease of a debt, and if these increases can be reliably measured.

Revenue is not recognised if it has not been settled or if an individual client is classified into the D or E credit rating group.

Operating revenues

Operating revenues are revenues from sales and other operating revenues associated with products and services.

Sales revenue comprises the sales value of products and merchandise sold, as well as services rendered in the accounting period. Revenue from the sale of products and merchandise, and the rendering of services, are measured at selling prices stated in invoices or other documents, less

discounts approved either when the sale is made or subsequently, including those granted for early payment. The majority of revenue is composed of rents earned on investment property and operating leases.

Revaluation operating revenue arises predominantly on disposal of intangible assets and property, plant and equipment as a surplus of their sale value over their carrying amount.

Financial income

Financial income is investment income. It appears in relation to investments as well as in association with receivables in the form of accrued interest, shares in the profit, and as revaluation financial revenue.

Dividends and other profit shares paid are recognised when the Company's right to dividends is established.

Financial income from investments also comprises exchange rate gains resulting from translation of foreign currency into the local currency at the settlement date or at the year-end.

The income, which is charged to the customers on conclusion of finance lease contracts, is deferred over the term of an individual finance lease contract. Only the amounts relating to the current accounting period are recognised as revenue.

Other revenue

Other revenue comprises unusual items (extraordinary revenue) and other revenue increasing profit or loss.

Expenses

Expenses are classified into operating, financial and other expenses.

Operating expenses

Operating expenses are in principle equal to the calculated costs in the accounting period, increased by the costs held in the opening inventories, and decreased by the costs held in the closing inventories. Operating expenses also include the cost of goods sold, costs of employee' participation in the expanded profit and revaluation operating expenses that were not considered in costs.

All the costs incurred in the financial year and reported according to their natural types, such as costs of materials, costs of services, labour costs, costs of amortisation and depreciation, and other costs, are also included in the operating expenses.

Revaluation operating expenses arise on impairment of intangible assets, property, plant and equipment and current assets, unless the decrease in their value has not been covered by equity revaluation surplus resulting from their previous increase in value.

Financial expenses

Financial expenses include financing expenses and investment expenses. Financing expenses primarily comprise interest paid, while investment expenses predominantly have the nature of revaluation financial expenses, which arise on impairment of investments. Financial expenses also comprise exchange rate losses resulting from translation of foreign currency into the local currency at the settlement date or at the year-end.

Financial expenses are recognised in the profit or loss using the amortised cost method.

Other expenses

Other expenses comprise unusual items and other expenses reducing profit or loss.

Income tax

The Company is liable to payment of corporate income tax at legally prescribed rates applied to the tax basis, in consideration of any tax add-ons and tax allowances.

Statement of cash flows

The cash flow statement is prepared using the indirect method (Format II). The cash flow statement is presentation of data presented in the profit or loss, the balance sheet of the two consecutive financial years, and additional data from an entity's analytical records. To ensure the cash flows match as closely as possible the receipts and cash outflows are as close as possible to expenditure, an entity is required to make a number of adjustments to the balance sheet data, such as elimination of amortisation and depreciation costs, and elimination of the exchange rate effect, impairments and allowances.

Exposure to risk and risk management

The Company is exposed to a variety of risks including credit risk, currency risk, interest-rate risk and operational risk.

Credit risk

Credit risk is the risk of losses incurred by the Company due to the failure of the debtor to fulfil its contractual obligations for any reason whatsoever.

Credit risk arises in relation to risk exposed assets as well as the off-balance sheet items. Risk exposed items include long-term and short-term investments of the Company, short-term operating receivables including advances issued, as well as approved but not yet utilised investments.

The Company regularly performs analysis of its credit portfolio And has identified criteria that are applied in the assessment of the debtors and its credit exposure to them. This requires detailed and regular monitoring of any changes.

To ensure efficient credit risk management, the Company has implemented a system of debtor classification into individual credit rating groups.

When assessing credit risk, the Company considers the debtor's ability to meet its contractual obligations (in the relevant amounts and on a timely basis), as well as the collateral received.

Any potential impairments resulting from credit risk are recognised in the profit or loss.

Interest-rate risk

Interest-rate risk is the risk of losses from interest-sensitive balance sheet and off-balance sheet positions. Interest-rate risk arises as a result of changes in market interest rates.

Interest-rate risk exposure is assessed using the interest spread method.

To monitor and manage interest-rate risk, the Company monthly reviews its exposure to interest rate in terms of the local and foreign currency, in line with the adopted policy of interest-rate risk management. The Company's principal objective is to ensure minimum interest spread between interest-sensitive balance sheet assets and liabilities.

Currency risk

Currency risk is the risk of losses due to currency mismatch of receivables and liabilities resulting from market quotations and mismatch of foreign currency cash flows.

To ensure efficient monitoring of currency risk, the Company issues monthly reports on exposure to currency risk in line with the adopted currency risk management policy.

The net open position under the gross principle method is used to measure currency risk, not considering impairments in the open positions. A position is determined for each individual currency, as well as for all the currencies together.

The Company strives to keep its net open positions as closed as possible, however it does have a certain gap between the balance sheet assets and liabilities per individual currency.

Liquidity risk

Liquidity risk is the risk of losses due to the fact that the Company is unable to settle all of its matured liabilities.

Liquidity risk is closely tied to other risks the Company is exposed to, such as credit risk, interest-rate risk and currency risk.

The Company manages its liquidity risk at the operational and the structural level. At the operational level, the Company manages its liquidity risk by monitoring and planning cash flows, raising of borrowings, placing of deposits and similar measures, whereas at the structural level, the risk is managed by regular monitoring and computing of structured liquidity ratios.

To ensure efficient monitoring of liquidity risk, the Company issues monthly reports on its exposure to liquidity risk in line with the adopted liquidity risk management policy.

Operational risk

Operational risk is the risk of losses due to inadequate and inaccurate performance of internal processes, misconduct on the part of employees, inappropriate or inaccurate running of systems and external events. Operational risk includes legal risk, but it does not include strategic risk or risk of loss of reputation.

To mitigate the risk and probability of major damages occurring and to minimise potential and actual losses, the Company has adopted an efficient operational risk management policy.

Notes to the balance sheet

Assets

Intangible assets and long-term deferred costs

Table of intangible assets

<i>in € thousand</i>	31.12.2015	31.12.2014
Concessions, trademarks and licences	993	980
Other long-term deferred costs	6	6
Amortisation of concessions, trademarks and licences	(560)	(463)
Total	439	523

Movement in intangible assets in 2015

<i>in € thousand</i>	Long-term deferred costs	Concessions, trademarks and licences	Total
Cost:			
Balance at 31 Dec 2014	6	980	986
Additions	0	13	13
Disposals	0	0	0
Balance at 31 Dec 2015	6	993	999
Accumulated depreciation:			
Balance at 31 Dec 2014	0	(463)	(463)
Additions	0	0	0
Disposals	0	0	0
Amortisation and depreciation	0	(97)	(97)
Balance at 31 Dec 2015	0	(560)	(560)
Carrying amount:			
Balance at 31 Dec 2014	6	517	523
Balance at 31 Dec 2015	6	433	439

Movement in intangible assets in 2014

<i>in € thousand</i>	Long-term deferred costs	Concessions, trademarks and licences	Total
Cost:			
Balance at 31 Dec 2013	7	952	959
Additions	0	32	32
Disposals	(1)	(4)	(5)
Balance at 31 Dec 2014	6	980	986
Accumulated depreciation:			
Balance at 31 Dec 2013	0	(375)	(375)
Amortisation and depreciation	0	(92)	(92)
Disposals	0	4	4
Balance at 31 Dec 2014	0	(463)	(463)
Carrying amount:			
Balance at 31 Dec 2013	7	577	584
Balance at 31 Dec 2014	6	517	523

At year-end, majority of the items of intangible assets comprise property rights and long-term deferred costs. Property rights relate to acquisition of software, whereas long-term deferred costs are costs of input VAT as a temporarily non-deductible item charged on the Company's own property in Ljubljana as a result of lease of a part of the building to tenants as exempt transactions.

No items of intangible assets have been pledged as collateral for liabilities.

Property, plant and equipment

Table of tangible assets

<i>in € thousand</i>	31.12.2015	31.12.2014
Property	6,854	6,893
Land measured under the cost model	1,188	1,247
Buildings measured under the cost model	5,666	5,646
Accumulated depreciation of property	(1,916)	(1,695)
Depreciation of property	(1,916)	(1,695)
Carrying amount	4,938	5,198
Equipment and other items of property, plant and equipment	9,339	10,708
Equipment measured under the cost model	1,369	1,444
Equipment in operating lease	7,952	9,246
Capitalised costs of leasehold improvements	18	18
Accumulated depreciation of equipment	(5,186)	(5,219)
Depreciation of equipment	(1,197)	(1,157)
Accumulated depreciation of equipment under operating lease	(3,893)	(2,732)
Depreciation of capitalised costs of leasehold improvements	(17)	(15)
Impairment of equipment in operating lease	(79)	(1,315)
Carrying amount	4,153	5,489
Advances for acquisition of property, plant and equipment	0	0
Advances for acquisition of property, plant and equipment	25	198
Accumulated depreciation of advances	(25)	(198)
Total	9,091	10,687

Movement in property, plant and equipment in 2015

<i>in € thousand</i>	Land	Buildings	Assets in operating lease	Furniture and other equipment	Capitalised costs of leasehold improvements	Advances for acquisition of property, plant and equipment	Total
Cost:							
Balance at 31 Dec 2014	1,247	5,646	9,246	1,444	18	198	17,799
Additions	0	20	5,262	38		0	5,320
Disposals / Transfers	(59)	0	(6,556)	(113)		(173)	(6,901)
Balance at 31 Dec 2015	1,188	5,666	7,952	1,369	18	25	16,218
Accumulated depreciation:							
Balance at 31 Dec 2014	0	(1,695)	(4,047)	(1,157)	(15)	(198)	(7,112)
Amortisation and depreciation	0	(201)	(1,500)	(208)	(2)	0	(1,911)
Decrease/increase	0	(20)	1,522	168		173	1,843
Revaluation	0	0	53				53
Balance at 31 Dec 2015	0	(1,916)	(3,972)	(1,197)	(17)	(25)	(7,127)
Carrying amount:							
Balance at 31 Dec 2014	1,247	3,951	5,199	287	3	0	10,687
Balance at 31 Dec 2015	1,188	3,750	3,980	172	1	0	9,091

Movement in property, plant and equipment in 2014

<i>in € thousand</i>	Land	Buildings	Assets in operating lease	Furniture and other equipment	Capitalised costs of leasehold improvements	Advances for acquisition of property, plant and equipment	Total
Cost:							
Balance at 31 Dec 2013	1,429	6,497	12,534	1,466	18	198	22,142
Spin-off	(42)	(396)	0	0	0	0	(438)
Balance at 1 Jan 2014	1,387	6,101	12,534	1,466	18	198	21,704
Additions	22	48	2,233	610	0	0	2,913
Disposals / Transfers	(162)	(503)	(5,521)	(632)	0	0	(6,818)
Balance at 31 Dec 2014	1,247	5,646	9,246	1,444	18	198	17,799
Accumulated depreciation:							
Balance at 31 Dec 2013	0	(1,559)	(5,470)	(1,186)	(14)	(198)	(8,427)
Spin-off	0	76	0	0	0	0	76
Balance at 1 Jan 2014	0	(1,483)	(5,470)	(1,186)	(14)	(198)	(8,351)
Amortisation and depreciation	0	(212)	(1,685)	(82)	(2)	0	(1,981)
Decrease	0	0	3,108	111	0	0	3,219
Revaluation	0	0	0	0	1	0	1
Balance at 31 Dec 2014	0	(1,695)	(4,047)	(1,157)	(15)	(198)	(7,112)
Carrying amount:							
Balance at 31 Dec 2013	1,429	5,165	12,097	252	6	69	13,715
Balance at 31 Dec 2014	1,247	3,951	5,199	287	3	0	10,687

The items of property, plant and equipment include: property such as buildings, which serve as offices where the Company performs its activities in various locations including Ljubljana, Koper, Nova Gorica, Maribor and Murska Sobota, and the related land (including parking spaces); equipment owned by the Company comprises vehicles, office furniture and computer hardware; equipment in operating lease; investments in leasehold improvements; and advances for acquisition of property, plant and equipment.

None of the items of property, plant and equipment are pledged as collateral for liabilities or for any other reason and no items of property, plant and equipment have been acquired under finance lease.

At 31 December 2015, the Company reports €4 thousand of future obligations for purchase of tangible assets (2014; 0). The Company estimates that there are no indications of any additional impairment of the items of property, plant and equipment.

Investment property

Table of investment property

<i>in € thousand</i>	31.12.2015	31.12.2014
Investment property measured under the fair value model	2,547	2,811
Revaluation of investment property at fair value	(367)	(198)
Total:	2,180	2,613

Movement in investment property in 2015

<i>in € thousand</i>	Investment buildings	Investment land	Total
Cost:			
Balance at 31 Dec 2014	2,582	31	2,613
Additions	0	59	59
Disposals / Transfers	(323)	0	(323)
Revaluation	(112)	(57)	(169)
Balance at 31 Dec 2015	2,147	33	2,180

Movement in investment property in 2014

<i>in € thousand</i>	Investment buildings	Investment land	Total
Cost:			
Balance at 31 Dec 2013	31,310	31	31,341
Spin-off	(29,182)		(29,182)
Balance at 1 Jan 2014	2,128	31	2,159
Additions	728	0	728
Disposals / Transfers	0	0	0
Revaluation	(274)	0	(274)
Balance at 31 Dec 2014	2,582	31	2,613

Under investment properties, own properties are reported – the parts of buildings that are not necessary for implementation of own activities and are available to be leased.

Investment property is measured at fair value. Pursuant to the Company's internal policy, revaluation of the investment property was recognised through profit or loss using the income method.

Rental income from investment property reached €196 thousand in 2014 (€219 thousand in 2014), whereas costs related to investment property amounted to €21 thousand (€14 thousand in 2013).

Long-term financial investments

Table of long-term financial investments

<i>in € thousand</i>	31.12.2015	31.12.2014
Long-term investments, excluding loans	802	862
Shares and interests in the Group	71,021	67,331
Impairment of shares and interests in the Group	(71,021)	(67,331)
Other long-term investments	802	862
Long-term loans issued	4,034	4,333
Long-term loans to Group companies	172	160
Impairment of loans issued to Group companies	(139)	(94)
Transfer to short-term loans – loans in Group	(139)	(94)
Transfer to short-term loans – loan valuation adjustments in Group	139	94
Long-term loans issued to others	12,255	15,489
Impairment of loans issued to others	(5,516)	(7,625)
Transfer to short-term loans	(7,628)	(10,514)
Transfer to short-term impairments	4,890	6,917
Long-term finance lease receivables	116,235	124,111
Long-term finance lease receivables from the Group	45	62
Impairment of finance lease receivables in the Group	(4)	(3)
Transfer to short-term receivables in the Group	(18)	(18)
Transfer to short-term impairments in the Group	4	3
Long-term finance lease receivables due from others	187,632	216,076
Impairment of finance lease receivables	(27,517)	(49,990)
Transfer to short-term receivables	(61,824)	(82,803)
Transfer to short-term impairments	17,917	40,784
Total	121,071	129,306

Movement in long-term investments, except loans in 2015

<i>in € thousand</i>	Shares and interests in the Group	Other long-term investments	Total
Cost			
Balance at 31 Dec 2014	67,331	862	68,193
Increase	3,690	0	3,690
Decrease	0	(60)	(60)
Balance at 31 Dec 2015	71,021	802	71,823
Impairment			
Balance at 31 Dec 2014	(67,331)	0	(67,331)
Increase	(3,690)	0	(3,690)
Balance at 31 Dec 2015	(71,021)	0	(71,021)
Balance at 31 Dec 2014	0	862	862
Balance at 31 Dec 2015	0	802	802

Movement in long-term investments, except loans in 2014

<i>in € thousand</i>	Shares and interests in the Group	Other long-term investments	Total
Cost			
Balance at 31 Dec 2013	78,157	576	78,733
Spin-off	(17,826)	0	(17,826)
Increase	7,000	286	7,286
Decrease	0	0	0
Balance at 31 Dec 2014	67,331	862	68,193
Impairment			
Balance at 31 Dec 2013	(78,157)	0	(78,157)
Spin-off	17,826	0	17,826
Increase	(7,000)	0	(7,000)
Balance at 31 Dec 2014	(67,331)	0	(67,331)
Balance at 31 Dec 2013	0	576	576
Balance at 31 Dec 2014	0	862	862

Long-term investments, except loans comprise investments in subsidiaries. Other long-term investments include two hedged items which are two related investments – two financial lease contracts approved to the same lessee. The interest rate swap used to hedge the investment is measured at fair value in line with the formally adopted internal document; the revaluation effect is recognised in the profit or loss.

In 2015 the Company obtained 100% ownership over Optima Leasing d.o.o., Zagreb. In 2015, investment into this company was additionally increased with the intention of covering the negative capital. Since 2014, NLB Leasing Sofia, e.o.o.d., has been in liquidation proceedings.

Interests in subsidiaries

<i>in € thousand</i>		31.12.2015	31.12.2014
NLB Leasing Sofia, e.o.o.d., Bulgaria	Investment	7,200	7,200
	Equity stake	100.00%	100.00%
	Equity	(85)	(9)
	net operating result	(76)	(465)
Optima Leasing, d.o.o., Zagreb, Croatia	Investment	63,821	60,131
	Equity stake	100.00%	99.97%
	Equity	857	996
	net operating result	(3,461)	(993)

Movement in long-term loans in 2015

<i>in € thousand</i>	Long-term loans to Group companies	Other long-term loans	Total
Cost			
Balance at 31 Dec 2014	66	4,975	5,041
Increase	83	496	579
Decrease	(71)	(935)	(1,006)
Transfer to short-term loans	(45)	2,886	2,841
Transfer to off-balance sheet records	0	(2,728)	(2,728)
Write-offs	0	(67)	(67)
Balance at 31 Dec 2015	33	4,627	4,660
Impairment			
Balance at 31 Dec 2014	0	(708)	(708)
Increase	(50)	(829)	(879)
Decrease	5	143	148
Transfer to short-term loans	45	(2,027)	(1,982)
Transfer to off-balance sheet records	0	2,728	2,728
Write-offs	0	67	67
Balance at 31 Dec 2015	0	(626)	(626)
Balance at 31 Dec 2014	66	4,267	4,333
Balance at 31 Dec 2015	33	4,001	4,034

Movement in long-term loans in 2014

<i>in € thousand</i>	Long-term loans to Group companies	Other long-term loans	Total
Cost			
Balance at 31 Dec 2013	0	6,314	6,314
Increase	167	268	435
Decrease	(7,194)	(3,292)	(10,486)
Transfer to short-term loans	7,093	1,773	8,866
Write-offs	0	(88)	(88)
Balance at 31 Dec 2014	66	4,975	5,041
Impairment			
Balance at 31 Dec 2013	0	(790)	(790)
Increase	(94)	(675)	(769)
Decrease	7,187	927	8,114
Transfer to short-term loans	(7,093)	(258)	(7,351)
Write-offs	0	88	88
Balance at 31 Dec 2014	0	(708)	(708)
Balance at 31 Dec 2013	0	5,524	5,524
Balance at 31 Dec 2014	66	4,267	4,333

Maturity of loans issued

<i>in € thousand</i>	Balance at 31 Dec 2015	Balance at 31 Dec 2014
Up to 1 year	7,767	10,608
1 to 5 years	2,300	2,231
More than 5 years	2,360	2,810
Total	12.427	15,649

Long-term investments to Group companies comprise loans and a long-term deposit in the amount of €33 thousand. The deposit is pledged for purposes of obtaining new business.

Amounts of long-term loans issued that mature within 1 year include loans that have already matured and are outstanding. All long-term loans that have matured and are outstanding, as well as those maturing in the next 12 months from the balance sheet date are recognised in the balance sheet as short-term investments. Current amounts of long-term loans issued include the relevant allowances or impairments recognised on account of the credit risk.

Collateral received by the Company for long-term loans issued includes mortgages and bills of exchange.

The Company is exposed to a variety of risks, including credit risk, currency risk, and interest-rate risk.

Movement in long term finance lease receivables in 2015

<i>in € thousand</i>	Finance lease to Group companies	Finance lease of equipment	Finance lease of property	Total
Cost				
Balance at 31 Dec 2014	44	57,920	75,353	133,317
Increase	4	99,159	957	100,120
Decrease	(20)	(87,340)	(18,776)	(106,136)
Transfer to short-term loans	(1)	6,940	14,040	20,979
Transfer to off-balance sheet records	0	(8,111)	(9,473)	(17,584)
Write-offs	0	(2,179)	(2,682)	(4,861)
Balance at 31 Dec 2015	27	66,389	59,419	125,835
Impairment				
Balance at 31 Dec 2014	0	(99)	(9,107)	(9,206)
Increase	(1)	(1,318)	(1,472)	(2,791)
Decrease	0	1,581	1,238	2,819
Transfer to short-term loans	1	(10,607)	(12,261)	(22,867)
Transfer to off-balance sheet records	0	8,111	9,473	17,584
Write-offs	0	2,179	2,682	4,861
Balance at 31 Dec 2015	0	(153)	(9,447)	(9,600)
Balance at 31 Dec 2014	44	57,821	66,246	124,111
Balance at 31 Dec 2015	27	66,236	49,972	116,235

Movement in long term finance lease receivables in 2014

<i>in € thousand</i>	Finance lease to Group companies	Finance lease of equipment	Finance lease of property	Total
Cost				
Balance at 31 Dec 2013	24	61,253	78,801	140,078
Increase	63	81,682	46,004	127,749
Decrease	(31)	(80,428)	(55,752)	(136,211)
Transfer to short-term loans	(12)	(2,699)	6,738	4,027
Write-offs	0	(1,888)	(438)	(2,326)
Balance at 31 Dec 2014	44	57,920	75,353	133,317
Impairment				
Balance at 31 Dec 2013	0	(245)	(8,558)	(8,803)
Increase	(3)	(4,768)	(6,148)	(10,919)
Decrease	6	1,827	2,922	4,755
Transfer to short-term loans	(3)	1,199	2,239	3,435
Write-offs	0	1,888	438	2,326
Balance at 31 Dec 2014	0	(99)	(9,107)	(9,206)
Balance at 31 Dec 2013	24	61,008	70,243	131,275
Balance at 31 Dec 2014	44	57,821	66,246	124,111

Maturity of long term finance lease receivables at 31 Dec 2015

<i>in € thousand</i>	Gross receivables	Deferred revenue	Present value
Up to 1 year	69,904	(8,062)	61,842
1 to 5 years	125,607	(11,734)	113,873
More than 5 years	13,152	(1,190)	11,962
Total:	208.663	(20,986)	187,677

Maturity of long term finance lease receivables at 31 Dec 2014

<i>in € thousand</i>	Gross receivables	Deferred revenue	Present value
Up to 1 year	91,301	(8,480)	82,821
1 to 5 years	133,391	(19,722)	113,669
More than 5 years	21,563	(1,915)	19,648
Total	246,255	(30,117)	216,138

Long-term finance lease receivables are either decreased or increased by:

- transfer of current amounts to short-term investments that mature within the next 12 months after the balance sheet date, as well as receivables matured and outstanding;
- commission fee and expenses on approval, which are allocated over the term of the loan contract;
- impairment of loans and finance lease receivables;
- interest accrued on the balance sheet date considering the date of the final instalment before the cut-off date and the date of the next instalment;
- transfer of receivables to off-balance sheet records.

Long-term finance lease receivables maturing within a period of one year also include receivables that have already matured and are outstanding.

In the table above, the data relating to the maturity structure of long-term lease receivables is expressed in net amounts.

Finance lease receivables are collateralised with legal title to the leased asset. In addition, bills of exchange, guarantees and other collateral have also been granted to the Company.

The Company is exposed to a variety of risks, including credit risk, currency risk, and interest-rate risk.

The most recent assessment of the credit risk was performed on 31 December 2015.

Long-term operating receivables

Table of long-term operating receivables

<i>in € thousand</i>	31.12.2015	31.12.2014
Long-term operating receivables due from others	2	21
Total	2	21

Movement in long-term operating receivables in 2015

<i>in € thousand</i>	Other long-term operating receivables
Cost	
Balance at 31 Dec 2014	21
Increase	2
Decrease	(21)
Balance at 31 Dec 2015	2

Long-term operating receivables also comprise funds paid into the reserve fund. These are receivables with no maturity.

Movement in long-term operating receivables in 2014

<i>in € thousand</i>	Other long-term operating receivables
Cost	
Balance at 31 Dec 2013	34
Increase	1
Decrease	(14)
Balance at 31 Dec 2014	21

Inventories

Table of inventories

<i>in € thousand</i>	31.12.2015	1.1.2015	31.12.2014
Work in progress	0	0	963
Property acquired for the market (inventory of merchandise)	1,492	152	4,727
Repossessed equipment and property	1,848	4,267	42,793
Vehicles in operating lease of up to 1 year	3,246	222	222
Total	6,586	4,641	48,705

The largest part of the spin-off assets relates to inventories.
 These assets in the amount of €44,064 were transferred to PRO-REM d.o.o. Ljubljana.

Movement in inventories in 2015

<i>in € thousand</i>	Work in progress	Property acquired for the market	Repossessed equipment and property	Vehicles in operating lease	Total
Cost					
Balance at 31 Dec 2014	963	4,727	42,793	222	48,705
Spin-off	(963)	(4,575)	(38,526)	0	(44,064)
Balance at 1 Jan 2015	0	152	4,267	222	4,641
Increase	0	1,536	977	4,126	6,639
Decrease	0	0	(3,360)	(1,058)	(4,418)
Impairment	0	(196)	(36)	(44)	(276)
Balance at 31 Dec 2015	0	1,492	1,848	3,246	6,586

Movement in inventories in 2014

<i>in € thousand</i>	Work in progress	Property acquired for the market	Repossessed equipment and property	Vehicles in operating lease	Total
Cost					
Balance at 31 Dec 2013	1,787	26,466	37,527	7,092	72,872
Spin-off	(795)	(22,013)	0	0	(22,808)
Balance at 1 Jan 2014	992	4,453	37,527	7,092	50,064
Increase	7	571	48,995	844	50,417
Decrease	0	(193)	(42,927)	(7,714)	(50,834)
Impairment	(36)	(104)	(802)	0	(942)
Balance at 31 Dec 2014	963	4,727	42,793	222	48,705

The inventories comprise real estate purchased for the market and real estate repossessed due to termination of finance lease contracts and vehicles in operating lease of up to one year. Under the Slovene Accounting Standards, vehicles in operating lease for up to 1 year do not meet the criteria for classification as property, plant and equipment and are therefore recognised as inventories.

All of the inventories are held for sale. Inventories are measured at the lower of initial cost and net realisable value. The value of reported inventories – the group of real estate – is also affected by the use of deductions depending on the time of the intended sale. For inventories of real estate that are held for sale within a period of one year, a deduction in the amount of 6 percent is used. For inventories of real estate that are to be sold within one to two years, a deduction in the amount of 10 percent is used. For inventories of real estate expected to be sold in a period of two to three years, deduction in the amount of 14 percent is used.

The last valuation of inventories was made at the end of 2015. No inventory surplus or deficit was established at the annual stock count performed at the year-end.

Short-term financial investments

Table of short-term financial investments

<i>in € thousand</i>	31.12.2015	31.12.2014
Short-term loans issued	8,129	11,255
Other short-term loans issued	33,419	36,236
Impairment of other short-term loans issued	(28,028)	(28,578)
Current amounts of long-term loans issued to group companies	139	94
Current amounts of impairments of long-term loans issued to group companies	(139)	(94)
Current amounts of other long-term loans issued	7,628	10,514
Current amounts of impairments of other long-term loans issued	(4,890)	(6,917)
Short-term finance lease receivables	43,923	42,034
Short-term finance lease receivables	669	944
Impairment of finance lease receivables	(667)	(944)
Current amounts of long-term finance lease receivables – Group companies	18	18
Current amounts of impairment of long-term finance lease receivables – Group companies	(4)	(3)
Current amounts of long-term finance lease receivables	61,824	82,803
Current amounts of impairment of finance lease receivables	(17,917)	(40,784)
Total	52,052	53,289

Movement in short-term investments in 2015

<i>in € thousand</i>	Other short-term loans	Current amounts of long-term loans issued to Group companies	Current amounts of other long-term loans	Current amounts of impairments of long-term loans issued to Group companies	Current amounts of other long-term finance lease receivables	Short-term finance lease receivables	TOTAL
Cost							
Balance at 31 Dec 2014	36,236	94	10,514	18	82,803	944	130,609
Increase	5	0	0	0	0	9	14
Decrease	(316)	0	0	0	0	(15)	(331)
Transfer of current amounts	0	45	(2,886)	0	(20,979)	0	(23,820)
Transfer to off-balance sheet records	(2,469)	0	0	0	0	(221)	(2,690)
Write-off	(37)	0	0	0	0	(48)	(85)
Balance at 31 Dec 2015	33,419	139	7,628	18	61,824	669	103,697
Impairment							
Balance at 31 Dec 2014	(28,578)	(94)	(6,917)	(3)	(40,784)	(944)	(77,320)
Increase	(2,001)	0	0	0	0	0	(2,001)
Decrease	45	0	0	0	0	8	53
Transfer of current amounts	0	(45)	2,027	(1)	22,867	0	24,848
Transfer to off-balance sheet records	2,469	0	0	0	0	221	2,690
Write-off	37	0	0	0	0	48	85
Balance at 31 Dec 2015	(28,028)	(139)	(4,890)	(4)	(17,917)	(667)	(51,645)
Balance at 31 Dec 2014	7,658	0	3,597	15	42,019	0	53,289
Balance at 31 Dec 2015	5,391	0	2,738	14	43,907	2	52,052

Movement in short-term investments in 2014

<i>in € thousand</i>	Other short-term loans	Current amounts of long-term loans issued to Group companies	Current amounts of other long-term loans	Current amounts of impairments of long-term loans issued to Group companies	Current amounts of other long-term finance lease receivables	Short-term finance lease receivables	TOTAL
Cost							
Balance at 31 Dec 2013	36,612	7,187	12,004	6	89,332	993	146,134
Increase	7	0	0	0	0	0	7
Decrease	(381)	0	0	0	0	(49)	(430)
Transfer of current amounts	0	(7,093)	(1,490)	12	(6,529)	0	(15,100)
Write-offs	(2)	0	0	0	0	0	(2)
Balance at 31 Dec 2014	36,236	94	10,514	18	82,803	944	130,609
Impairment							
Balance at 31 Dec 2013	(26,727)	(7,187)	(6,890)	(6)	(37,347)	(992)	(79,149)
Increase	(2,280)	0	0	0	0	0	(2,280)
Decrease	427	0	0	0	0	48	475
Transfer of current amounts	0	7,093	(27)	3	(3,437)	0	3,632
Write-offs	2	0	0	0	0	0	2
Balance at 31 Dec 2014	(28,578)	(94)	(6,917)	(3)	(40,784)	(944)	(77,320)
Balance at 31 Dec 2013	9,885	0	5,114	0	51,985	1	66,985
Balance at 31 Dec 2014	7,658	0	3,597	15	42,019	0	53,289

Short-term loans issued and short-term finance lease receivables are recognised under short-term investments. Short-term loans issued include current amounts of long-term loans and short-term loans issued for a period of up to 12 months.

Short-term finance lease receivables are composed of current amounts of long-term finance lease receivables and those short-term receivables for the recovery of which court proceedings are in progress.

Short-term loans issued and current amounts of long-term loans issued are collateralised with mortgages and bills of exchange.

Current amounts of finance lease receivables for the lease of property and equipment are collateralised with ownership of the lease assets, guarantees and other collateral. Short-term finance lease receivables in relation to which a dispute has been instigated are not collateralised.

The Company is exposed to a variety of risks including credit risk, currency risk, and interest-rate risk. The most recent assessment of the credit risk was performed on 31 December 2015.

Short-term operating receivables

Table of short-term operating receivables

<i>in € thousand</i>	31.12.2015	1.1.2015	31.12.2014
Short-term trade receivables	1,181	1,283	1,357
Short-term operating receivables due from Group companies	53	89	89
Impairment of short-term trade receivables due from Group companies	(24)	(27)	(27)
Short-term trade receivables due from buyers	7,620	8,640	8,750
Impairment of short-term trade receivables due from buyers	(6,468)	(7,419)	(7,455)
Advances and collateral granted	46	51	51
Other advances and collateral granted	211	209	209
Collateral granted	0	7	7
Impairment of advances and collateral granted	(165)	(165)	(165)
Receivables on account of financial income	0	0	0
Interest receivable	20	47	47
Impairment of short-term receivables on account of financial income	(20)	(47)	(47)
Other short-term receivables	224	479	479
Short-term receivables to the state	338	525	525
Other short-term receivables	549	835	835
Impairment of other short-term receivables	(663)	(881)	(881)
Total	1,451	1,813	1,887

Structure of short-term operating receivables – gross amount

<i>in € thousand</i>	31.12.2015	1.1.2015	31.12.2014
Due and outstanding	8,136	9,012	9,122
Not matured	655	1,340	1,341
Total	8,791	10,352	10,463

Movement in short-term operating receivables in 2015

<i>in € thousand</i>	Short-term trade receivables	Advances and collateral granted	Advances and collateral	Receivables on account of financial income	Other short-term receivables	Total
Cost						
Balance at 31 Dec 2014	8,839	0	216	47	1,360	10,462
Spin-off	(110)		0	0	0	(110)
Balance at 1 Jan 2015	8,729	0	216	47	1,360	10,352
Increase	14,983	0	22,850	1	28,058	65,892
Decrease	(15,116)	0	(22,855)	(1)	(28,311)	(66,283)
Transfer to off-balance sheet records	(534)	0	0	0	(30)	(564)
Write-off	(389)	0	0	(27)	(190)	(606)
Balance at 31 Dec 2015	7,673	0	211	20	887	8,791
Impairment						
Balance at 31 Dec 2014	(7,482)	0	(165)	(47)	(881)	(8,575)
Spin-off	36		0	0	0	36
Balance at 1 Jan 2015	(7,446)	0	(165)	(47)	(881)	(8,539)
Formation	(203)	0	(115)	0	(30)	(348)
Reversal	270	0	115	0	28	413
Transfer to off-balance sheet records	534	0	0	0	30	564
Write-off	389	0	0	27	190	606
Balance at 31 Dec 2015	(6,492)	0	(165)	(20)	(663)	(7,340)
Balance at 31 Dec 2014	1,357	0	51	0	479	1,887
Balance at 31 Dec 2015	1,181	0	46	0	224	1,451

Movement in short-term operating receivables in 2014

<i>in € thousand</i>	Short-term trade receivables	Advances and collateral granted	Advances and collateral	Receivables on account of financial income	Other short-term receivables	Total
Cost						
Balance at 31 Dec 2013	11,314	0	251	53	1,140	12,759
Spin-off	(368)				(2)	(370)
Balance at 1 Jan 2014	10,946	0	251	53	1,138	12,389
Increase	24,977		11,235	34	14,665	50,911
Decrease	(26,860)		(11,270)	(39)	(14,443)	(52,612)
Write-off	(224)		0	(1)	0	(225)
Balance at 31 Dec 2014	8,839	0	216	47	1,360	10,463
Impairment						
Balance at 31 Dec 2013	(9,194)	0	(171)	(48)	(706)	(10,120)
Formation	(1,056)		(25)	(2)	(189)	(1,272)
Reversal	2,544		31	2	14	2,591
Write-off	224		0	1	0	225
Balance at 31 Dec 2014	(7,482)	0	(165)	(47)	(881)	(8,576)
Balance at 31 Dec 2013	2,120	0	80	5	434	2,639
Balance at 31 Dec 2014	1,357	0	51	0	479	1,887

Majority of short-term trade receivables are invoiced costs of finance and operating lease, rent, and other short-term receivables.

Advances and collateral relate to payments to suppliers of goods and services not yet delivered.

Short-term receivables on account of financial income are interest charged based on contractual relationships that are not loans or finance lease.

Among other short-term receivables, the following receivables are recognised: VAT receivable, withholding tax on interest paid abroad and refundable sickness benefit. Other short-term receivables are receivables from insurance companies for damages resulting from operating lease contracts, and disputed receivables.

Short-term trade receivables on account of finance and operating lease are collateralised with bills of exchange, whereas other short-term receivables are not collateralised.

These receivables present credit risk exposure to the Company. The most recent assessment of the credit risk was performed on 31 December 2015.

Cash and cash equivalents

Table of cash and cash equivalents

<i>in € thousand</i>	31.12.2015	31.12.2014
Cash on transaction account at the bank	1,021	121

Cash and cash equivalents comprise the credit balance on the Company's transaction account. The Company has no cash in hand or cash register.

Short-term deferred costs and accrued revenues

Table of short-term deferred costs and accrued revenues

<i>in € thousand</i>	31.12.2015	1.1.2015	31.12.2014
Short-term deferred costs and expenses	55	64	100
Short-term accrued revenue	0	0	0
VAT from advances received	10	7	7
Total	65	71	107

Movement in short-term deferred costs and accrued revenue in 2015

	<i>in € thousand</i>
Balance at 31 Dec 2014	107
Spin-off	(36)
Balance at 1 Jan 2015	71
Increase	231
Decrease	(237)
Balance at 31 Dec 2015	65

Movement in short-term deferred costs and accrued revenue in 2014

	<i>in € thousand</i>
Balance at 31 Dec 2013	109
Spin-off	(14)
Balance at 1 Jan 2014	95
Increase	484
Decrease	(472)
Balance at 31 Dec 2014	107

Short-term deferred costs and expenses are recognised on account of invoices received in 2015, while the actual costs and expenses will be incurred in 2016. They include deferred costs of advertising, insurance premiums, subscription and similar costs.

Total amount of deferred costs and expenses recognised in 2014 was utilised during the year under review.

Equity and liabilities

Equity

Table of capital

<i>in € thousand</i>	31.12.2015	31.12.2014
Called-up capital	15,000	15,000
Share capital – capital contributions	15,000	15,000
Capital reserves	3,650	9,000
Paid-up excess capital	3,650	9,000
Net profit or loss	(4,049)	(9,371)
Net profit (or loss) brought forward	(377)	(4,184)
Net profit or loss for the year	(3,672)	(5,187)
Revaluation surplus	(199)	0
Actuarial profit or loss	(199)	0
Total	14,402	14,629

The Company's share capital represents the capital contribution of its sole owner NLB d.d., Ljubljana.

Provisions and long-term accrued costs and deferred revenue

Table of provisions and long-term accrued costs and deferred revenue

<i>in € thousand</i>	31.12.2015	31.12.2014
Long-term provisions for jubilee awards	48	23
Long-term provisions for termination benefits on retirement	289	85
Long-term provisions for off-balance sheet liabilities	248	313
Long-term accrued costs and deferred revenue	374	494
Total	959	915

Movement in provisions and long-term accrued costs and deferred revenue in 2015

<i>in € thousand</i>	Provisions for jubilee awards	Provisions for termination benefits on retirement	Long-term provisions for off-balance sheet liabilities	Long-term accrued costs and deferred revenue	Total
Balance at 31 Dec 2014	23	85	313	494	915
Increase	28	231	39	537	835
Decrease	(3)	(27)	(104)	(657)	(791)
Balance at 31 Dec 2015	48	289	248	374	959

Movement in provisions and long-term accrued costs and deferred revenue in 2014

<i>in € thousand</i>	Provision s for jubilee awards	Provisions for termination benefits on retirement	Long-term provisions for off- balance sheet liabilities	Provisions for onerous contracts	Long-term accrued costs and deferred revenue	Total
Balance at 31 Dec						
2013	27	82	180	4,226	581	5,096
Spin-off	(2)	(7)	0	0	0	(9)
Balance at 1 Jan 2014	25	75	180	4,226	581	5,087
Increase	5	10	182	0	453	650
Decrease	(7)	0	(49)	(4,226)	(540)	(4,822)
Balance at 31 Dec						
2014	23	85	313	0	494	915

Under requirements of SAS 10.44 and IAS 19, the Company recognised provisions for off-balance sheet liabilities and employee benefits as at the year-end.

Provisions for off-balance sheet liabilities are set aside on account of the credit risk associated with long-term investments approved but not yet utilised and with potential liabilities for received lawsuits. Provisions for employee benefits were recognised for non-current employee benefits, such as jubilee awards and termination benefits on retirement based on actuarial calculation.

The most recent actuarial calculation was made on 30 September 2015 with a projection of liabilities until 30 September 2018. The projection from 31 December 2015 was used for the financial statement requirements.

Actuarial account is made separately for each employee, considering costs of termination benefits to which an employee is entitled to under employment contract, as well as costs of all expected jubilee awards paid for years of services with the Company until retirement.

In line with IAS 19 requirements, if an employer has not created a fund to cover future financial liabilities on account of employee entitlements, the book reserve method should be applied. The Company assesses its liability to employees that incurred in the accounting period (current service cost – CSC) including accrual of the present value of the liability due to the approximation of the deadline (interest cost – IC). An increase of obligations in a period that exceeds the assessments (CSC and IC), less payouts in the period, is reported as actuarial deficit/surplus of the period.

According to IAS 19, the present value is determined using discounted interest rate equal to market yields on high-quality corporate bonds. Currencies of bond yields used must be consistent with the currency of the obligation being discounted. Annual discounted interest rate of 1.664% was used.

The following assumptions were used in the actuarial computation: salary increase in the Republic of Slovenia, growth in the amounts of termination benefits and jubilee awards, staff turnover, mortality rate of the employees and retirement conditions.

Long-term accrued costs and deferred revenues comprise items of long-term deferred revenue from deposits paid on operating lease contracts and approval fee and commission charged. Paid deposits and fee and commission are recognised on a straight-line basis over the total rental instalments from individual contract. Amounts recognised as long-term accrued revenue will be transferred to revenue in the periods from 2016 onwards.

Long-term financial liabilities

Table of long-term financial liabilities

<i>in € thousand</i>	31.12.2015	31.12.2014
Long-term borrowings from Group companies	146,776	146,910
Long-term borrowings from Group companies	147,071	147,205
Transfer to short-term loans	(295)	(295)
Long-term borrowings from local banks	4,866	7,862
Long-term borrowings from local banks	7,912	11,989
Transfer to short-term loans	(3,046)	(4,127)
Long-term borrowings from foreign banks	513	2,676
Long-term borrowings from foreign banks	2,700	6,603
Transfer to short-term loans	(2,187)	(3,927)
Other long-term financial liabilities to the Group	518	666
Total	152,673	158,114

Long-term financial liabilities include liabilities from borrowings raised on the basis of loan contracts. On initial recognition, long-term financial liabilities are measured at amounts recorded in loan contracts, on the basis of which monetary assets are paid to a transaction account, decreased by repaid amounts.

Long-term financial liabilities are reduced by transfer of current amounts that mature within a period of 12 months and bank's fee and commission charged on approved borrowings.

Information on interest rates charged on borrowings is considered a business secret, the publishing of which might have a negative effect on the Company's future operations. The interest rate on long-term borrowings is chiefly variable and comprises one-month, three-month or six-month EURIBOR or LIBOR and the mark-up. The mark-up for borrowings from related parties is between 0.85 and 1.5 percentage points. The mark-up for borrowings from unrelated entities ranges from 0.65 to 4.25 percentage points.

No collateral was issued by the Company for long-term or short-term borrowings.

Financial liabilities with maturity at 31 Dec 2015

<i>in € thousand</i>	Up to 1 year	1 to 5 years	More than 5 years	Total
Group companies	16,206	145,050	2,244	163,500
Local banks	3,178	4,866	0	8,044
Foreign banks	2,196	513	0	2,709
Total at 31 Dec 2015	21,580	150,429	2,244	174,253

Financial liabilities with maturity at 31 Dec 2014

<i>in € thousand</i>	Up to 1 year	1 to 5 years	More than 5 years	Total
Group companies	61,696	145,556	2,021	209,273
Local banks	4,303	7,872	0	12,175
Foreign banks	3,946	2,665	0	6,611
Total at 31 Dec 2014	69,945	156,093	2,021	228,059

Long-term operating liabilities

Table of long-term operating liabilities

<i>in € thousand</i>	31.12.2015	31.12.2014
Long-term operating liabilities from advances	1	8

Long-term operating liabilities are recognised on account of long-term deposits received.

Short-term financial liabilities

Table of short-term financial liabilities

<i>in € thousand</i>	31.12.2015	1.1.2015	31.12.2014
Short-term borrowings from Group companies	16,206	17,590	61,696
Short-term borrowings from Group companies	15,911	17,295	61,401
Current amounts of long-term borrowings	295	295	295
Short-term borrowings from local banks	3,178	4,303	4,303
Short-term borrowings from local banks	132	176	176
Current amounts of long-term borrowings	3,046	4,127	4,127
Short-term borrowings from foreign banks	2,196	3,946	3,946
Current amounts of long-term borrowings from foreign banks	9	19	19
Current amounts of long-term borrowings	2,187	3,927	3,927
Total	21,580	25,839	69,945

Current amounts of long-term financial liabilities from borrowings are recognised under short-term financial liabilities. They mature within a period of 12 months after the balance sheet date. In addition, they also include short-term borrowings.

Short-term operating liabilities

Table of short-term operating liabilities

<i>in € thousand</i>	31.12.2015	1.1.2015	31.12.2014
Short-term liabilities to suppliers	958	597	597
Short-term operating liabilities to group suppliers	16	12	12
Short-term operating liabilities to local suppliers	742	463	463
Short-term operating liabilities to foreign suppliers	147	8	8
Short-term operating liabilities for uncharged goods and services	53	114	114
Advances and deposits received	1,138	1,266	1,338
Advances, companies in the Group	1	0	0
Advances	1,049	1,174	1,190
Deposits	88	92	148
Short-term liabilities to employees	196	196	196
Short-term liabilities for salaries	186	170	170
Short-term liabilities for other receipts from employment	10	26	26
Payables to the state and state institutions	101	64	60
VAT payable	57	24	20
Employer's contributions on salaries	36	40	40
Liabilities for other duties	8	0	0
Other short-term liabilities	987	612	612
Short-term liabilities from salary deductions	9	10	10
Other short-term operating liabilities due to Group companies	968	598	598
Other short-term operating liabilities	10	4	4
Total	3,380	2,735	2,803

Short-term operating liabilities also include payables to suppliers that have not yet matured. The majority of liabilities are payable to suppliers of equipment in finance lease.

Long-term advances and deposits received are monetary assets from loan contracts as well as lease agreements representing deposits paid on contracts that have yet to be activated and contractual overpayments of receivables that are yet to mature.

Short-term payables to employees are amounts calculated in respect of December salary, which was paid in January 2016.

Payables to the state and state institutions include contributions on December salaries and VAT charged.

Other short-term liabilities relate to salary deductions and liabilities associated with work contracts. Other short-term operating liabilities to Group companies include liabilities arising from cash flow for spin-off assets, which was settled in January 2016.

Short-term accrued costs and deferred revenues

Table of short-term accrued costs and deferred revenues

<i>in € thousand</i>	31.12.2015	31.12.2014
Accrued costs and expenses	721	611
Short-term deferred revenue	242	234
Total	963	845

Movement of short-term accrued costs and deferred revenue in 2015

<i>in € thousand</i>	Accrued costs	Short-term deferred revenue	VAT on advances	Total
Balance at 31 Dec 2014	611	234	0	845
Increase	2,038	242	66	2,346
Decrease	(1,928)	(234)	(66)	(2,228)
Balance at 31 Dec 2015	721	242	0	963

Movement of short-term accrued costs and deferred revenue in 2014

<i>in € thousand</i>	Accrued costs	Short-term deferred revenue	VAT on advances	Total
Balance at 31 Dec 2013	566	231	1	798
Increase	825	234	0	1,059
Decrease	(780)	(231)	(1)	(1,012)
Balance at 31 Dec 2014	611	234	0	845

Accrued costs were recognised on account of liabilities for accrued costs of fringe benefits of members of the Management Board pursuant to individual contracts of employment and provisions for vacation entitlement not utilised, as well as current amounts of long-term deferred revenues from deposits paid on operating lease contracts. Accrued revenue is gradually transferred to revenue in accordance with monthly computation of rent.

Off-balance sheet assets and liabilities

Table of off-balance assets and liabilities

<i>in € thousand</i>	31.12.2015	31.12.2014
Derivatives – swaps	2,879	3,553
Undrawn borrowings raised from group companies	3,125	7,231
Receivable assignment	5,549	5,549
Unused credit on business cards and undrawn overdraft on transaction account.	611	611
Undrawn loans issued	18	373
Collateral received	273,059	287,974
Non-performing loans and receivables	23,565	0
Correction of non-performing loans and receivables	(23,565)	0
Other off-balance sheet records	6,485	6,441
Total	291,726	311,732

The following assets and liabilities are recognised in the off-balance sheet records:

- Derivatives – interest rate swap agreed on the principal of two loans, which mature in 2026;
- Undrawn borrowings;
- Silent assignment of receivables;
- Unused credit on business cards and undrawn overdraft on transaction account;
- Undrawn loans issued – finance lease agreements that have not been activated by the year-end;
- Collateral received – mortgages granted as collateral for loans and market value of lease items under finance lease;
- Other off-balance sheet items encompassing contingent liabilities for legal actions brought against the Company and guarantees received;
- transferred non-performing loans and receivables, for which impairments in the amount of 100% were formed.

The Company reports no liabilities for guarantees issued.

Notes to the income statement

Net sales revenue

Table of net sales revenue

<i>in € thousand</i>	2015	2014
Net sales revenue in the domestic market	4,622	4,229
Revenue from the sale of services	596	545
Revenue from the sale of merchandise	1,501	198
Rental income from equipment	2,053	2,185
Rental income from property	472	1,301
Net sales revenue in the EU market	179	2
Revenue from the sale of services	1	2
Revenue from the sale of merchandise	177	0
Rental income from equipment	1	0
Net sales revenue outside the EU market	0	3
Revenue from the sale of services	0	3
Total	4,801	4,234

Net revenue from services rendered comprises fee charged on reminders, insurance fee and commission, penalties for early repayment of contractual amounts and other costs charged to lessees on account of finance and operating leases.

Net revenue from the sale of merchandise was earned on sale of property acquired for the market and on sale of vehicle inventories in operating lease of up to one year.

Rental income was earned on operating leases of equipment and property.

Future income from operating lease agreements

<i>in € thousand</i>	2015	2014
Future income maturity up to 1 year	1,765	1,370
Future income maturity from 1 to 5 years	1,533	1,490
Future income maturity over 5 years	50	0
Total	3,348	2,860

Other operating revenue (including operating revenue from revaluation)

Table of other operating revenue (including revaluation operating revenue)

<i>in € thousand</i>	2015	2014
Gains from revaluation of fixed assets	2,840	8,329
Revaluation operating revenue from reversal of impairments recognised in the past	425	1,907
Revenue from reversal of provisions	65	4,280
Other revenue	18	0
Total	3,348	14,516

Majority of gains from revaluation of fixed assets are selling values of the Company's own fixed assets sold - motor vehicles in operating lease. Under IAS 16.68 A, revenue is recognised at selling values exclusive of VAT, in contrast to the disposal of the Company's own assets that were not in operating lease. Revenue from disposal of the Company's own assets is reported as gains or losses on disposal.

Revaluation operating revenue from reversal of impairments relate to impairments recognised on account of the operating receivables' exposure to credit risk, which were subsequently reversed to revenue as those receivables were recovered.

Revenue from reversal of provisions comprises provisions for employee benefits based on the new actuarial computation as at 30 September 2015 and reversal of provisions for received lawsuits.

Costs of goods, materials and services

Table of costs of goods, materials and services

<i>in € thousand</i>	2015	2014
Costs of goods sold	(1,756)	(192)
Costs of materials	(97)	(239)
Costs of power supply	(68)	(194)
Costs of spare parts and materials used in maintenance of fixed assets	(2)	(1)
Write-off of small tools	0	(1)
Costs of office stationery and professional literature	(23)	(36)
Other costs of material	(4)	(7)
Costs of services	(1,149)	(1,671)
Costs of postal and telecommunications services	(167)	(191)
Costs of maintenance and overhaul of property, plant and equipment	(197)	(339)
Rent	(39)	(42)
Reimbursement of work related costs	(17)	(28)
Costs of payment transactions, bank charges and insurance premiums	(90)	(172)
Costs of intellectual and personal services	(293)	(403)
Costs of trade fairs, advertising and hospitality	(94)	(138)
Costs of services provided by natural persons not performing activity inclusive of taxes and levies	(33)	(24)
Costs of other services	(219)	(334)
Total	(3,002)	(2,102)

Employee benefit costs

Table of employee benefit costs

<i>in € thousand</i>	2015	2014
Salaries and salary substitutes	(2,013)	(2,057)
Payroll costs	(90)	(437)
Pension insurance costs – borne by the Company	(100)	(193)
Holiday pay, reimbursement of costs and other receipts	(298)	(263)
Employer's contributions – other social security insurance costs	(156)	(158)
Employer's contributions – pension insurance costs	(191)	(112)
Costs for holiday entitlement not utilised	(37)	(82)
Provisions for retirement benefits and jubilee awards	(37)	(8)
Total	(2,922)	(3,310)

At 31 December 2015, the Company employed a total of 65 staff (67 at 31 December 2014)

Write-downs

Table of write-downs

<i>in € thousand</i>	2015	2014
Amortisation and depreciation	(1,911)	(2,073)
Amortisation of intangible assets	(98)	(92)
Depreciation of buildings	(201)	(212)
Depreciation of equipment and spare parts	(1,612)	(1,769)
Revaluation operating expenses	(3,807)	(11,424)
Revaluation operating expenses associated with intangible assets and property, plant and equipment	(3,150)	(9,211)
Revaluation operating expense from short-term receivables	(380)	(1,271)
Revaluation operating expenses from inventories	(277)	(942)
Total	(5,718)	(13,497)

Amortisation and depreciation charges arise on amortisation of intangible assets and depreciation of property, plant and equipment under the straight-line basis using amortisation and depreciation rates identified in the accounting policies in the section Intangible assets and property, plant and equipment.

Revaluation operating expenses from fixed assets represent recognition of an adjustment of the carrying amount of disposed equipment in operating lease.

Revaluation operating expenses from short-term receivables are receivable allowances recognised due to their exposure to credit risk.

Revaluation operating expenses from inventories were recognised on impairment of the carrying amount of inventories to their recoverable amount.

Other operating expenses

Table of reservations and other operating expenses

<i>in € thousand</i>	2015	2014
Costs of provisions	(39)	(181)
Provisions for off-balance sheet liabilities	(39)	(181)
Other expenses	(276)	(625)
Duties irrespective of labour costs or other costs	(132)	(516)
Payments to students on industrial placement	(22)	(11)
Other costs	(122)	(98)
Total	(315)	(806)

Under the costs of reservations, the Company reports reservations for potential obligations from received lawsuits.

Other costs are levies independent of employee benefit costs or other costs, awards to students on industrial placement, and other costs incurred by the Company. Levies that are independent of other costs comprise urban land rates, contributions for the disabled as the Company employs insufficient number of the disabled to meet the set quota, withholding tax paid on interest to foreign lenders, and financial services tax. Other costs are court fees and membership fees.

Structure of costs and operating expenses

<i>in € thousand</i>	2015	2014	2015 in %	2014 in %
Costs of goods and materials sold	(1,756)	(192)	14.69	0.97
Costs of materials	(97)	(239)	0.81	1.21
Costs of services	(1,149)	(1,671)	9.61	8.48
Employee benefit costs	(2,922)	(3,310)	24.44	16.79
Amortisation and depreciation	(1,911)	(2,073)	15.98	10.51
Revaluation operating expenses	(3,807)	(11,424)	31.84	57.95
Provisions	(39)	(181)	0.33	0.92
Other expenses	(276)	(625)	2.31	3.17
Total	(11,957)	(19,715)	100.00	100.00

Financial income from shares and interests

Table of financial income from shares and interests

<i>in € thousand</i>	2015	2014
Financial income from other investments	1,468	1,362
Total	1,468	1,362

Financial income from other investments represents gains on revaluation of derivative financial instruments measured at fair value through profit or loss. The Company agreed financial instrument contracts to hedge against interest-rate risk.

Financial income from loans issued and finance lease

Table of financial income from loans issued and finance lease

<i>in € thousand</i>	2015	2014
Financial income from loans to Group companies	269	124
Financial income from loans to others	183	218
Financial lease income from Group companies	7	4
Financial lease income	9,639	10,658
Financial income from reversal of loan impairments to Group companies	5	383
Financial income from reversal of loan impairments	188	861
Financial income from reversal of finance lease impairments, companies in the Group	1	0
Financial income from reversal of finance lease impairments	3,079	5,626
Default interest income	440	1,385
Other financial income	1,426	24
Total	15,237	19,283

Financial income from loans and finance lease agreements comprises interest on loan contracts and finance lease of property and equipment. They also include deferred fee and commission on these transactions.

Financial income from derecognition of impairments of loans and finance leases relates to impairments made in the past on account of the credit risk exposure arising from loans issued and finance leases, and which were subsequently reversed.

Default interest was charged on receivables settled with a delay.

Other financial income arose on appreciation in the value of receivables and liabilities.

Financial income from operating receivables

Table of financial income from operating receivables

<i>in € thousand</i>	2015	2014
Financial income from operating receivables due from Group companies	4	1
Financial income from operating receivables due from others	27	33
Total	31	34

Financial income from operating receivables due from the Group comprises interest on transaction and foreign currency account balances.

Financial income from operating receivables due from others encompasses default interest charged on due and outstanding receivables.

Financial expenses for impairment and write-down of investments

Table of financial expenses for impairment and write-down of investments

<i>in € thousand</i>	2015	2014
Financial expenses for impairment of loans to Group companies	(50)	0
Financial expenses for impairment of loans	(2,826)	(2,951)
Financial expenses due to finance lease impairment, Group companies	(2)	(3)
Financial expenses due to finance lease impairment	(3,022)	(11,025)
Financial expenses due to impairment of investments in the Group	(3,690)	0
Financial expenses from revaluation of financial instruments – swaps	(550)	(665)
Total	(10,140)	(14,644)

Financial expenses from impairment of loan and finance leases relates to additional impairments made on account of the credit risk exposure. Increased equity investment into Optima Leasing d.o.o., Zagreb was impaired by 100% in 2015.

Financial expenses from revaluation of financial instruments predominantly relate to revaluation of derivative financial instruments used for interest rate hedging of individual investments.

Financial expenses from financial liabilities

Table of financial expenses from financial liabilities

<i>in € thousand</i>	2015	2014
Financial expenses for borrowings from Group companies	(3,705)	(7,096)
Financial expenses for borrowings from banks	(1,010)	(1,855)
Financial expenses for other financial liabilities	(1,805)	(1,372)
Total	(6,520)	(10,323)

Financial expenses for borrowings from Group companies comprise interest paid and fee and commission charged when the contracts were agreed and which are allocated over the entire term of the contracts.

Financial expenses from bank borrowings also include interest accrued on borrowings raised from local and foreign banks, and fee and commission charged.

Financial expenses for other financial liabilities are exchange rate losses.

Financial expenses from operating liabilities

Table of financial expenses from operating liabilities

<i>in € thousand</i>	2015	2014
Financial expenses for liabilities to Group companies	(1)	(7)
Financial expenses for trade payables	(54)	(1)
Financial expenses for other operating liabilities	(6)	(126)
Total	(61)	(134)

Financial expenses from liabilities to Group companies include exchange rate losses on purchases of foreign currencies. Financial expenses from liabilities to suppliers relate to default interest charged. Financial expenses for other operating liabilities relate to expenses for taxes paid abroad that the Company cannot include into the calculation of corporate income tax due to negative basis of tax assessment.

Other revenue

Table of other revenue

<i>in € thousand</i>	2015	2014
Financial income from investment property	39	67
Insurance proceeds	312	10
Other revenue	2	470
Total	353	547

Income from investment property, insurance proceeds and other income are recognised under other revenue. Income from investment property arose on the investment property's appreciation in value. Insurance proceeds were received from insurance companies on account of motor vehicles, which were written off as a result of accidents and theft of equipment in operating lease. Other revenue relates to written off small-value overpayments.

Other expenses

Table of other expenses

<i>in € thousand</i>	2015	2014
Expenses arising from investment property	(228)	(342)
Other expenses	(4)	(5)
Total	(232)	(347)

Losses on valuation and disposals of investment property are recognised under other expenses. Other expenses include expenditures for donations and received lawsuits.

Net profit or loss for the financial year

Table of net profit or loss for the financial year

<i>in € thousand</i>	2015	2014	2015%	2014%
Revenue				
Net sales	4,801	4,234	19.02	9.01
Other operating revenue	3,348	14,516	13.27	30.90
Financial income	16,736	27,678	66.31	58.92
Other revenue	353	547	1.40	1.16
Total revenues:	25,238	46,975	100.00	100.00
Expenses				
Costs of goods, materials and services	(3,002)	(2,102)	10.38	4.03
Employee benefit costs	(2,922)	(3,310)	10.11	6.35
Write-downs	(5,718)	(13,497)	19.78	25.88
Other operating expenses	(315)	(806)	1.09	1.55
Financial expenses	(16,721)	(32,100)	57.84	61.54
Other expenses	(232)	(347)	0.80	0.67
Total expenses:	(28,910)	(52,162)	100.00	100.00
Net profit or loss for the financial year	(3,672)	(5,187)		

Type of profit / loss

<i>in € thousand</i>	2015	2014
Operating profit/loss	(3,808)	(965)
Financing profit/loss	15	(4,422)
Other operating profit/loss	121	200
Net profit or loss for the financial year	(3,672)	(5,187)

Disclosure of the profit of loss, restated on the basis of the consumer prices index in 2015

<i>in € thousand</i>	Amount	% of increase	Calculated impact	Adjusted net profit or loss
Equity net of current profit or loss	18,074	-0.50%	(90)	(3,582)
Net profit or loss for the year	(3,672)			
2015 consumer price index		-0.50%		

Disclosure of the profit of loss, restated on the basis of the consumer prices index in 2014

<i>in € thousand</i>	Amount	% of increase	Calculated impact	Adjusted net profit or loss
Equity net of current profit or loss	19,816	0.20%	40	(5,227)
Net profit or loss for the year	(5,187)			
2014 consumer price index		0.20%		

Income tax

Calculation of income tax

<i>in € thousand</i>	2015	2014
Revenue computed under accounting principles	25,238	39,976
Adjustment of revenue to tax recognised revenue (decrease)	(3,752)	(10,909)
Tax recognised revenue	21,486	29,067
Revenue computed under accounting principles	(28,910)	(45,163)
Expenses adjusted to tax recognised expenditure – decrease	11,798	20,579
Expenses adjusted to tax recognised expenditure – increase	(5,550)	(19,488)
Change of tax basis – revaluation	(107)	0
Tax recognised expenditure	(22,769)	(44,072)
Difference between revenue and expenses for accounting and tax purposes	(1,283)	(15,005)
Increase of the tax basis	0	0
Total tax basis	(1,283)	(15,005)

At 2015 year-end, the Company discloses unsettled tax losses of €29,003 thousand (€27,893 thousand in 2014).

Related party transactions

Balance sheet

<i>in € thousand</i>	2015	2014
ASSETS	1,124	308
A. Long-term assets	60	110
IV. Long-term financial investments	60	110
- NLB	33	66
- other companies in the NLB Group	27	44
B. Current assets	1,064	198
III. Short-term financial investments	14	15
- other companies in the NLB Group	14	15
IV. Short-term operating receivables	29	62
- other companies in the NLB Group	29	62
V. Cash and cash equivalents	1,021	121
- NLB	1,021	121
D. Off-balance sheet assets	14,145	18,912
- NLB	14,098	18,850
- other companies in the NLB Group	47	62
EQUITY AND LIABILITIES	164,485	209,882
C. Long-term liabilities	147,294	147,576
I. Long-term financial liabilities	147,294	147,576
- NLB	147,294	147,576
D. Short-term liabilities	17,191	62,306
II. Short-term financial liabilities	16,206	61,696
- NLB	16,206	61,696
III. Short-term operating liabilities	985	610
- NLB	12	6
- other companies in the NLB Group	973	604

Income statement

<i>in € thousand</i>	2015	2014
1. Net sales revenue	243	89
- NLB	34	35
- other companies in the NLB Group	209	54
4. Other operating revenue (including revaluation operating revenue)	5	0
- other companies in the NLB Group	5	0
5. Costs of goods, materials and services	(74)	(70)
- NLB	(58)	(46)
- other companies in the NLB Group	(16)	(24)
7. Write-downs	(1)	(25)
- NLB	0	(21)
- other companies in the NLB Group	(1)	(4)
9. Financial income from shares and interests	666	500
- NLB	666	500
10. Financial income from loans issued and finance lease	279	511
- NLB	269	23
- other companies in the NLB Group	10	488
11. Financial income from operating receivables	4	1
- NLB	4	1
12. Financial expenses for investment impairment and write-downs	(4,292)	(3)
- NLB	(550)	0
- other companies in the NLB Group	(3,742)	(3)
13. Financial expenses from financial liabilities	(3,836)	(7,096)
- NLB	(3,836)	(7,096)
14. Financial expenses from operating liabilities	(1)	(7)
- NLB	(1)	(7)

Other significant disclosures

Receivables and liabilities to members of the Management Board and employees with individual employment contracts and members of the Supervisory Board

The Company reports €15 thousand of receivables on account of finance lease and loans issued to employees with individual contracts of employment (2014: €13 thousand), and liabilities for gross salaries amounting to €38 thousand (2014: €33 thousand). The Company currently does not have a Supervisory Board.

Remuneration of members of the Management Board and employees with individual employment contracts and members of the Supervisory Board

In 2015, a total of €460 thousand of gross income was paid to employees with individual employment contracts (2014: €468 thousand). The Company did not have a Supervisory Board in 2015 so there were no accrued receipts.

Remuneration of members of the Management Board, management body, other representatives of the Company and members of the Supervisory Board comply with the provisions of the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (ZPPOGD) and are published as public information. Pursuant to the Public Information Access Act (ZDIJZ), the Company is a business entity under dominant influence of public bodies and is obliged to publish certain public information.

Costs of the auditor

Pursuant to Article 57 of the Companies Act (ZGD-1), the Company is obliged to have its annual financial statements audited. The total amount paid to auditors in 2015 for the audit of the Annual Report together with VAT was €21 thousand (2014: €24 thousand).

Segment reporting

One of the features of leasing activities that differs from other financing activities is the fact that the lessor retains its legal title to the leased assets until the payment of the final financial instalment and the selling price of the leased asset higher than the amount of receivables is at any time during the lease; it is the latter that presents the lessor's exposure to the credit risk. Due to the above characteristics, risks stemming from individual products are similar (finance and operating lease of equipment and property to legal entities, natural persons and others). Accordingly, the Company had not identified separate business segments; instead, a geographical segment was identified at the secondary level of its activities as illustrated below.

Segment reporting

<i>in € thousand</i>	Slovenia	EU and other countries	Total	Share in Slovenia	Share in EU and other countries
1. Revenue	24,799	439	25,238	98.26%	1.74%
2. Expenses	(23,089)	(5,821)	(28,910)	79.87%	20.13%
3. Assets	188,458	5,500	193,958	97.16%	2.84%
4. Liabilities	191,043	2,915	193,958	98.50%	1.50%

Subsequent events

There were no important events after the balance sheet date.