FINANCIAL REPORT 2018

LON

Financial report

Disclaimer:

This is an unofficial translation of the Financial Report and is provided for information only. In the event of any ambiguity, the Slovenian text will prevail.

Financial report is a part of Annual Report published in LON web page.

1 STATEMENT OF FINANCIAL POSITION

v 1000 EUR	Note	31.12.2018	31.12.2017 (corrected)
Cash, cash balances at central banks and other demand deposits at banks	6.5.1.	44.529	25.701
Available-for-sale financial assets	6.5.2.	0	39.738
Loans	6.5.3.	0	146.904
- To customers		0	146.642
- Other financial assets		0	262
Held-to-maturity investments	6.5.4.	0	35.016
Financial assets at fair value through other comprehensive income	6.5.5.	16.719	0
Financial assets at amortised cost	6.5.6.	191.555	0
- Debt securities		40.166	0
- Loans to non-bank customers		151.192	0
- Other financial assets		197	0
Property, plant and equipment	6.5.7.	6.418	7.082[1]
Investment property	6.5.8.	3.921	3.348[1]
Intangible assets	6.5.9.	100	114
Tax assets	6.5.10.	506	621
- Deferred tax assets		506	621
Other Assets	6.5.11.	622	741
TOTAL ASSETS		264.370	259.265
Financial liabilities measured at amortised cost	6.5.12.	245.421	245.212
- Deposits form banks and central bank		206	206
- Deposits from non-bank customers		216.075	214.291[2]
- Loans from banks and central bank		27.425	28.929
- Other financial liabilities		1.715	1.786
Derivatives – Hedge accounting	6.5.13.	179	372
Provisions	6.5.14.	367	425
Tax liabilities	6.5.10.	49	0
- Current tax liabilities		21	0
- Deferred tax liabilities		28	0
Other liabilities	6.5.15.	188	202
TOTAL LIABILITIES		246.204	246.211
Share Capital	6.5.16.	8.689	5.689
Share Premium	6.5.17.	6.439	5.018
Revaluation reserves and other valuation differences	6.5.18.	126	9
Reserves	6.5.19.	4.872	4.872
(Treasury shares)	6.5.20.	(1)	(1)
Profit (loss) attributable to equity holders of the parent	6.5.21.	(1.959)	(2.533)
TOTAL EQUITY		18.166	13.054
TOTAL EQUITY AND TOTAL LIABILITIES		264.370	259.265
Off balance liabilities	6.5.23.	388.214	302.634

[1]According to the reclassification of the impairment posted in 2017 relating to the business premises and accounted for as an item of property, plant and equipment and investment property, the value as at 31 December 2017 is not comparable to the disclosure in the annual report for 2017..

[2] Due to the reclassification of subordinated deposits (which were shown separately in annual report for 2017) in the item of deposits from non-bank customers, the value is not comparable with the disclosure in the annual report for 2017

Approved by the Management Board on March 25 2019.

Bojan Mandič	dr. Jaka Vadnjal
Member of the Management Board	President of the Management Board

The notes to financial statement are a part of financial statement and should be read together.

2 INCOME STATEMENT

v 1000 EUR	Note	31.12.2018	31.12.2017 (corrected)
Interest income	6.6.1.	8.127	7.662[3]
Interest expense	6.6.2.	(1.458)	(1.718)
Interest net income		6.669	5.944
Dividend income		0	0
Fee and commission income	6.6.3.	2.845	2.630[3]
Fee and commission expenses	6.6.4.	(580)	(490)
Fee and commission net income		2.265	2.140
Realised gains (losses) on financial assets and liabilities not measured at fair value through profit or loss, net	6.6.5.	(53)	(229)
Gains (losses) on financial assets and liabilities held for trading, net	6.6.6.	10	15
Gains (losses) from hedge accounting, net	6.6.7.	(22)	(29)
Gains (losses) on derecognition of assets other than held for sale, net	6.6.8.	(37)	66
Other operating income	6.6.9.	17	16
Administration costs	6.6.10.	(7.592)	(7.392)
Depreciation	6.6.11.	(519)	(614)
Provisions	6.6.12.	(8)	27
Impairment	6.6.13.	(359)	(3.029)
Profit (loss) before tax from continuing operations		371	(3.086)
(Tax expense) income related to profit or loss from continuing operations		(112)	553
Profit (loss) after tax from continuing operations		259	(2.533)
Profit (loss) for the year		**259**	**(2.533)**

[3] Due to changes in the accounting policy regarding their presentation of commissions related to given loans, the data for 2017 have been adapted to the new policy, and consequently, the value of interest income and fee and commission income for 2017 in this annual report and the annual report for 2017 are not comparable.

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3 STATEMENT OF OTHER COMPREHENSIVE INCOME

v 1000 EUR	2018	2017
Net profit /loss of the financial year after tax	259	(2.533)
Other comprehensive income after tax	117	(6)
Items that will not be reclassified through profit of loss	6	(24)
- Actuarial gains (losses) on benefit pension plans	7	(39)
- Income tax relating to items that will not be reclassified	(1)	15
Items that may be reclassified through profit of loss	111	18
- Available-for-sale financial assets	137	22
- Income tax relating to components of other comprehensive income	(26)	(4)
Total comprehensive income for the year after tax	**376**	**(2.539)**

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4 CAHS FLOW STATEMENT

	v 1000 EUR	2018	2017
A)	**Cash flows from operating activities**		
a)	Total profit (loss) before taxes	371	(3.086)
	Depreciation	519	615
	Impairments (reversal of impairments) of Loans and Receivables	0	(134)
	Impairments / (reversal of impairments) of investments in debt securities measured at fair value through other comprehensive income	(15)	0
	Impairments / (reversal of impairments) of loans and other financial assets measured at amortised cost	(308)	0
	Impairments of tangible fixed assets, investments property and intangible fixed assets and other assets	682	3.232
	Net (gains)/ losses from HTM financial assets	0	19
	Net (gains)/ losses from sell of tangible fixed assets and investment property	35	(66)
	Other adjustment of total profit of loss before taxes	8	0
	Cash flows from operating activities before changes in operating assets and liabilities	1.292	580
b)	(Increases) / decreases in operating assets (excl. cash and cash equivalents)	(4.135)	(1.298)
	Net (increase) / decrease of AFS financial assets	0	3.114
	Net (increase) / decrease in financial assets measured at fair value through other comprehensive income	(3)	0
	Net (increase) / decrease of Loans	0	(4.683)
	Net (increase) / decrease in loans and receivables measured at amortised cost	(3.895)	0
	Net (increase) / decrease of other assets	(238)	271
c)	Increase / (decrease) of operating liabilities	(43)	3.176
	Net increase/ (decrease) of financial liabilities held for trading	0	(4)
	Net increase/ (decrease) in deposits, loans and receivables measured at amortised cost	209	3.556
	Net increase/ (decrease) in liability – derivatives – hedge accounting	(193)	(383)
	Net increase/ (decrease) in other liabilities	(59)	7
č)	Cash flow from operating activities (a+b+c)	(2.886)	2.458
d)	Income taxes (paid)/ refunded	0	0
e)	Net cash flow from operating activities (č+d)	**(2.886)**	**2.458**
B)	**Cash flows from investing activities**		
a)	Cash Receipts from investing activities	39.246	22.257
	Receipts from the sale of tangible assets and investment properties	133	449
	Receipts from the sale of HTM financial assets	0	21.808
	Receipts from the disposal of investments in debt securities measured at amortized cost	39.113	0
b)	Cash payments from investing activities	(21.732)	(28.882)
	Cash payments to acquire tangible assets and investment properties	(878)	(169)
	Cash payments to acquire intangible fixed assets	(28)	(46)
	Cash payments to acquire HTM financial assets	0	(28.667)
	Cash payments to acquire debt securities measured at amortized cost	(20.825)	0
c)	Net cash flow from investing activities (a-b)	17.514	(6.625)
C.	**Cash flows from financial activities**		
a)	Cash Receipts from financial activities	4.200	2.289

	Receipts from the sale of shares of other capital instruments	4.200	2.289
b)	Cash payments on financial activities	0	(1)
	(Cash payments of subordinated liabilities)	0	(1)
c)	Net cash flows form financial activities (a-b)	4.200	2.288
D.	**Effects of changes in exchange rates on cash and cash equivalents**	**0**	**0**
E.	**Net increase in cash and cash equivalents (Ae+Bc+Cc)**	**18.829**	**(1.879)**
F.	**Opening balances of cash and cash equivalents (note 7.5)**	**25.701**	**27.580**
G.	**Closing balances of cash and cash equivalents**	**44.529**	**25.701**

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5 STATEMENT OF CHANGES IN EQUITY

Year 2018 (in 1000 EUR)	Share capital	Share premium	Revaluation reserves	Reserves form profit	Retained earnings	Treasury shares	Total equity
Opening balances for the reporting period (pre correction)	5.689	5.239	9	4.872	(2.754)	(1)	13.054
Effects of changes in accounting policies – IFRS 9 (note 6.4.)	0	0	0	0	576	0	576
Opening balances for the reporting period	5.689	5.239	9	4.872	(2.178)	(1)	13.630
Total comprehensive income after tax, net	0	0	117	0	259	0	376
Paid in capital (note 6.5.16)	3.000	1.200	0	0	(40)	0	4.160
Closing balances for the reporting period	8.689	6.439	126	4.872	(1.959)	(1)	18.166

Year 2017 (in 1000 EUR)	Share capital	Share premium	Revaluation reserves	Reserves form profit	Retained earnings	Treasury shares	Total equity
Opening balances for the reporting period	3.787	4.631	15	4.853	19	(1)	13.304
Total comprehensive income after tax, net	0	0	(6)	0	(2.533)	0	(2.539)
Paid in capital	1.902	608	0	0	(221)	0	2.289
Transfer of net profit to reserves form profit	0	0	0	19	(19)	0	0
Closing balances for the reporting period	5.689	5.239	9	4.872	(2.754)	(1)	13.054
Balance sheet available profit for financial year							(2.533)

Approved by the Management Board on March 25 2019.

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6 NOTES TO THE FINANCIAL STATEMENTS

6.1. INTRODUCTION

6.1.1 Reporting Company

LON d.d., Kranj is a Slovenian public limited company, with headquarters in Žanova street 3 in Kranj. LON is not a part of a business group.

6.1.2 The process of confirming annual report

The Management Board is responsible for preparing the Annual Report and for submitting it to the Audit Committee and Supervisory Board. In accordance with the Company Act, the Management board and the Supervisory board have the mandate to allocate current year profit to profit reserves. The Assembly has the mandate of allocating balance sheet profit.

6.1.3 Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and adopted by the EU, Central Bank regulation and other official regulation.

Disclosures to the financial statements include information obliged by Companies Act (ZGD-1) as well as other disclosures required by IFRS.

6.1.4 Measurement basis

The financial statements have been prepared using the historical cost method, except in the cases below, where fair value is taken into account:

- financial assets measured at fair value through other comprehensive income,
- derivatives and
- investment property.

The methods used at fair value measurements are described below.

6.1.5 Use of judgments and estimations

The preparation of financial statements in accordance with IFRS requires the use of judgments and estimates that affect the value of the reported assets and liabilities, the disclosure of potential assets and liabilities at the reporting date, and the amount of revenue and expenses for the period that ended at that time.

The most important judgments relate to the allocation of financial instruments into an appropriate business model, and the estimates or contractual cash flows of a financial asset representing exclusively principal and interest payments. The allocation of financial instruments is carried out before the initial recognition of the financial instrument in relation to internal policies.

Estimates are used for impairment of financial assets, fair value of financial assets and liabilities, provisions for off-balance-sheet risks, depreciation period of property, plant and equipment and intangible assets, potential tax items, provisions for liabilities to employees and provisions for liabilities arising from legal disputes.

Changes in impairment estimates have a significant impact on the financial position and results of operations. These estimates may change in the future due to changed economic conditions and customer's repayment as a consequence in changed macroeconomic forecasts used in estimating impairment loss and to change the value of collateral for bad loans when they are redeemed. The most important estimates in the context of impairment of financial assets relate to the assessment of when a significant increase in credit risk occurs, the incorporation of forward looking information in the expected credit loss and the key assumptions used in estimating future cash flow. More detailed disclosure of these estimates is under note 2.3. in the Risk Management chapter.

6.1.6 Reporting currency

All amounts in financial statements and accompanied notes are disclosed in thousand Euros, unless stated otherwise.

6.1.7 Foreign currencies

Items denominated in foreign currencies are transformed into EURO using ECB's reference rates applicable as at 31 December 2018.

6.2. CHANGES IN STANDARDS AND AMENDMENTS TO THE EXISTING STANDARDS

6.2.1. Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **IFRS 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 "Revenue from Contracts with Customers" and amendments to IFRS 15 "Effective date of IFRS 15**" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions adopted by EU on 26 February 2018 (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),
- **Amendments to IFRS 15 "Revenue from Contracts with Customers**" - Clarifications to IFRS 15 Revenue from Contracts with Customers – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018).

- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018),

Of the above-mentioned changes in accounting standards, the introduction of IFRS 9 had a significant impact on LON operations, as explained in disclosure 6.4. Accounting report. Adoption of other standards, changes to existing standards and explanations did not lead to significant changes in the financial statements of LON.

6.2.2. Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following new standards issued by IASB and adopted by the EU are not yet effective:

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- **IFRS 9 "Financial Instruments"** – Prepayments Features with negative Compensations adopted by the EU on March 22, 2018 effective for annual periods beginning on of after January 1, 2019.
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

LON anticipates that the adoption of these new standards, amendments to the existing standards and new interpretation will have no material impact on the financial statements of LON in the period of initial application, except in the case of the introduction of the IFRS 16 standard. The effect of adoption of IFRS 16 is disclosed in note 6.2.5. in the Accounting report

6.2.3. New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at 15 March 2019 (the effective dates stated below sre for IFRS in full):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),
- **IFRS 3 "Business Combinations"** – The amendments are effective for fussiness combinations for which the acquisition date is on or after the beginning of the first annual reporting period

beginning on or after Januar1, 2020 and to assets acquisitions that occur on of after the beginning of that period. Earlier application is permitted.

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Changes IFRS 1 "Presentations of financial statements" and IFRS 8 "Accounting Policies, Changes in Accounting Estimates and Errors** – Standards have been revised to incorporate a new definition of "material". The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.
- **IAS 19 "Employee Benefits"** – change planning, restrictions and settlement. The amendments are effective for annual reporting periods beginning on January 1, 2019.
- **IAS 28 "Investments in Associates and Joint** Ventures – Changes in Long-term shares in investment in Associates and Joint ventures. The amendments are effective for annual reporting periods beginning on or after January 1, 2019.
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015-2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),
- **Changes to references to the conceptual framework in IFRSs** (effective for annual periods beginning on or after 1 January 2020).

LON anticipates that the adoption of these new standards, amendments to the existing standards and new interpretation will have no material impact on the financial statements of LON in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principals have not been adopted by the EU remains unregulated. We estimate that the use of hedge accounting in accordance with the requirements of IAS 39: 'Financial Instruments: Recognition and Measurement' would have no significant effect on the entity's financial statements if it were applied at the balance sheet date.

6.2.4. More details about individual standards, amendments to existing standards and interpretations that can be used as appropriate

- **IFRS 14 "Regulatory Deferral Accounts"** issued by IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.
- **IFRS 16 "Leases"** issued by IASB on 13 January 2016. Under IFRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. As with IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is

classified as an operating lease. For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

- **IFRS 17 "Insurance Contracts"** issued by IASB on 18 May 2017. The new standard requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 "Insurance Contracts" and related interpretations while applied.
- **Amendments to IFRS 2 "Share-based Payment**" - Classification and Measurement of Share-based Payment Transactions issued by IASB on 20 June 2016. The amendments provide requirements on the accounting for: (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (b) share-based payment transactions with a net settlement feature for withholding tax obligations; and (c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.
- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts issued by IASB on 12 September 2016. The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the replacement standard that the Board is developing for IFRS 4.
- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation issued by IASB on 12 October 2017. The amendments modifies the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i. e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture issued by IASB on 11 September 2014 (on 17 December 2015 IASB deferred indefinitely effective date). The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.
- **Changes IFRS 1 "Presentations of financial statements" and IFRS 8 "Accounting Policies, Changes in Accounting Estimates and Errors** – Standards have been revised to incorporate a new definition of "material", which was introduces by the ISAB on October 31, 2018. The changes clarify the definition "material" and how it should be included in the guidance on definitions.
- **IAS 19 "Employee Benefits"** – change planning, restrictions and settlement were issued by the ISAB on February 7, 2018. Changes require the use of updated re-measurement assumptions to determine the cost of current service and net interest for the remainder of the reporting period following a change in the plan.
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures issued by IASB on 12 October 2017. Amendments were introduced

to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. Amendments also delete paragraph 41 because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests.

- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property issued by IASB on 8 December 2016. The amendments state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. Amendments also state that the list of evidence in paragraph 57 was designated as non-exhaustive list of examples instead of the previous exhaustive list.
- **Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)"** issued by IASB on 8 December 2016. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording. Changes include: (i) deletion of the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose, (ii) clarification of the scope of the IFRS 12 by specifying that the disclosure requirements in IFRS 12, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", (iii) clarification of the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- **IFRS 3 "Business Combinations"** – Definition of a business entity issued by the IASB on 22 October 2018. The purpose of the amendments is to improve the definition of a business entity. The emphasis of the amended definition is that the main result of the operation of the business entity is the provision of goods and services for customers, while the previous definition emphasized returns in the form of dividends, lower costs and other economic benefits for investors and others.
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015-2017)"** issued by IASB on 12 December 2017. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording. The amendments clarify that: a company remeasures its previously held interest in a joint operation when it obtains control of the business (IFRS 3); a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business (IFRS 11); a company accounts for all income tax consequences of dividend payments in the same way (IAS 12); and a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale (IAS 23).
- **ISAB Conceptual Framework for Financial Reporting** describes the objective of and concept for general purpose financial reporting. The revised Conceptual Framework issued by IASP on March 29, 2018, includes updated reference to the Framework tin the IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC – 32. The changes were don't to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework whet not IFRS Standard applied to a particular transaction.

- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** issued by IASB on 8 December 2016. Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** issued by IASB on 7 June 2017. It may be unclear how tax Act applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes.

We assume that the introduction of these new standards, changes to existing standards and new explanations during the initial period of application will not have a significant impact on the financial statements.

6.2.5. Adoption of IFRS 16 "Leases"

The application of IFRS 16 became mandatory for annual periods beginning on or after 1 January 2019. Preparations for the transition to IFRS 16 began in the first half of 2018, when a working group was set up, comprised of representative from several department including accounting, controlling and technology support.

IFSR 16 adoption was divided into two phases. The first phase included analysis of existing lease contracts and assessing whether the contracts qualify for recognition under IFRS 16. The assessment covered the definition and control of the leased asset (which means that we have the right to direct its use and that during the lease period we can enjoy the actual economic benefits of the asset). As leases that qualify for recognition under IFRS 16, we have defined contracts for renting business premises. Lease contracts for tangible fixed assets were not included in the calculation according to IFRS 16 due to low value of leased assets. As a threshold for the recognition of the leased asset under IFRS 16, we have identified 5 thousand EUR of an individual asset.

Contracts qualified for recognition under IFRS 16 were include in the second phase. We calculated the effect of the transition using an option where the comparative amounts are not revalued and the liability is calculated as the present value of the outstanding rents discounted using the estimated interest rate at the date of the transition. The amount of assets equals the amount of liabilities.

The discount rate used is the sum of the interest rate of a Slovenian government bond, increased by the credit risk premium and the maturity benefit (number of years to the end of the lease term).

The value of the right-of-use recognised in Property, plant and equipment, as at 1 January 2019 amount to 859 thousand EUR and includes eight rental agreements.

IFRS 16 has an impact on basic financial ratios as well as on capital ratio. The right-of-use is included in the risk weighted assets (as well as all Property, plant and Equipment and other Assets) weighted at 100%. Due to the adoption of IFRP 16, the risk weighted assets increase form 105.279 thousand EUR to 106.138 thousand EUR, which had an impact on decrease of total capital ratio form 14,47% to 14,37% and basic capital ratio form 12,31% to 12,22% (using ceateris paritbus assumption).

6.3. ACCOUNTING POLICIES AND APPLIED METHODS

LON prepares its financial statements on the accrual basis of accounting and going-concern assumption as well as other qualitative characteristics such as clarity, relevance, reliability and comparability of financial information to provide true and fair information to the users of financial statements.
According to the IFRS, the notion of recognition of financial statement components is used as a procedure for inclusion of items into the statement of the financial position, the income statement and statement of other comprehensive income; and the notion of measuring financial statement components in monetary amounts is used to recognize items in statement of the financial position and the income statement

Except as stated in note 6.3.1. the accounting policies adopted have been used consistently in the two reporting periods presented in these financial statements.

6.3.1. Changes in the accounting policies

a. IFRS 9 – Financial instruments

On 1 January 2018 we started to use the new accounting standard IFRS 9 – Financial instruments. The requirements of the said standard present a significant change compared to IAS 39, which was used in the previous years, and are summarized below.

- Classification of financial assets and liabilities

In accordance with IFRS 9, there are three categories of asset classification: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVPL). The basis for this classification is the business model within which the financial instrument is used and its contractual cash flow. IFRS 9 eliminates the categories that were used under the IAS 39 standard, such as financial assets held to maturity, loans, receivables and financial assets available for sale. In accordance with IFRS 9, when the host contract for embedded derivatives falls within the scope of IFRS 9, the entire derivative is assessed for the purpose of classification. In relation to derivatives, we will maintain the rules defined under IAS 39 until the expiration of the transactions.

Classification and measurement of financial assets in accordance with IFRS 9 is explained in detail in disclosure 6.3.3. Financial assets and liabilities.

IFRS 9 generally maintains the rules of IAS 36 for the classification of financial liabilities. In the case of liabilities measured at fair value through profit and loss in accordance with IAS 39, all changes in fair value were recognized through profit and loss. With IFRS 9, the change in fair value, that is the consequence of changed credit risk of liability, is recognized through other comprehensive income, while the remaining amount of the change in fair value is recognized in the income statement. LON doesn't have any liabilities that would be measured through profit and loss.

- Impairment of financial assets

Compared to IAS 39, which was based on the principle of incurred loss, IFRS 9 uses the principle of expected loss. The new impairment model refers to financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income, as well as certain liabilities (approved and not used loans and limits) and financial guarantees, while shares and stakes are not subject to impairment. The accounting policies adopted for impairment of financial assets in accordance with IFRS 9 are described in more detail in disclosure 6.3.4.f.

- Transition to IFRS 9

Changes in accounting policies resulting from the introduction of IFRS 9, were used retrospectively, except in the cases described below.

Comparative data for 2017 have not been recalculated. The difference in the carrying amount of financial assets resulting from the introduction of IFRS 9 was recognized in retained earnings and accumulated other comprehensive income on 1 January 2018. As a result of that, the data for 2017 do not include the requirements of IFRS 9 and are therefore not comparable to data for the year 2018.

The following estimates were made on the basis of facts and circumstances that existed at the date of first application of IFRS 9:
- definition of the business model in which the financial asset is classified,
- allocation of certain investments in shares and stakes not intended for trading into a group of financial assets measured at fair value through other comprehensive income,
- in the event that a debt security had a low credit risk at the date of application of IFRS 9, we assumed that there was no significant increase in credit risk from the date of initial recognition.

The effects of the transition to IFRS 9 are presented in more detail in disclosure 6.4.

b. IFRS 15 - Revenue from Contracts with Customers

IFRS 15 introduces a new income recognition framework that specifies the time and amount of revenue recognized. It replaces IAS 18 Revenues, IAS 11 Construction Contracts and explanations connected with the two standards.

We began applying IFRS 15 on 1.1.2018. The timing and amount of fee income recognition falling within the scope of IFRS 15 did not change due to the introduction of this standard. The effect of IFRS 15 is limited to certain additional disclosures, as shown in note 6.3.11.

6.3.2. Changes of comparative data

a. Disclosure of fees related to loans given

With an IFRS 9 adoption, the change in accounting policy regarding fees related to given loans was made. These fees are calculated as a contractually defined percentage of the amount of outstanding principal and included in the calculation of the effective interest rate. Therefore, they should be presented as interest income.

Fees related to given loans amounted to 204 thousand EUR in 2017 and were disclosed as Fees from loans under the Fee and commission income, whereas in 2018, they are presented in the Loans to non-bank customers under Interest income. Due to the comparability of the financial statements, an adjustment was made for the year 2017.

Due to changes in the accounting policy, we adjusted the comparative data for year 2017 in the Interest income (note 6.6.1.) and Fee and Commission income (note 6.6.3.).

- Adjustment of Interest income for 2017

in 1000 EUR	2017 2017 Annual Report			2017 2018 Annual Report		
	Ordinary Interest	Interest on Late Payments	Total	Ordinary Interest	Interest on Late Payments	Total
Central bank deposits and loans	0	0	0	0	0	0
Financial liabilities hold for trading	0	0	0	0	0	0
Derivatives used for hedging	0	0	0	0	0	0
Available – for – sale financial Assets	511	0	511	511	0	511
Loans	6.500	126	6.626	6.704	126	6.830
- To banks	0	0	0	0	0	0
- To non-bank customers	6.500	126	6.626	6.704	126	6.830
Hold – to – maturity Financial Assets	320	0	320	320	0	320
Other Assets	1	0	1	1	0	1
Interest income	7.332	126	7.458	7.332	126	7.662

- Adjustment of fee and commission income for 2017

in 1000 EUR	2017 (2017 Annual Report)	2017 (2018 Annual Report)
Fees from guarantees	121	121
Fees from performing payment services	1.645	1.645
Fees from loans	392	188
Fees from administrative services	670	670
Fees from other services	6	6
Fee and commission Income	2.834	2.630

b. Disclosure of Subordinated Debt contrasts

In the 2017 annual report, Subordinated debt was disclosed as a separate item in Financial liabilities measured at amortized cost, while the values as at 31 December 2017 in this annual report are presented under Deposits from non-bank customers.

in 1000 EUR	31. 12. 2017 (2017 Annual Report)	31. 12. 2017 (2018 Annual Report)
Deposits from banks and central bank	0	206
Deposits from non-bank customers	211.757	214.291
Loans from banks and central bank	28.929	28.929
Subordinated liabilities	2.740	0
Other financial liabilities	1.786	1.786
Financial liabilities measured at amortised cost	245.212	245.212

Breakdown of Subordinated Debt as at December 31, 2017

in 1000 EUR	31. 12. 2017	2017 Annual Report	2018 Annual Report
Banks	205	Subordinated Debt	Deposits from banks and central bank
Non-financial institutions	514	Subordinated Debt	Deposits from non-bank customers
Households*	2.020	Subordinated Debt	Deposits from non-bank customers
Subordinated Debt	2.740		

c. Disclosure of Property, plant and equipment and Intangible Assets

As at 1 January 2018, the impairment of the office building was reclassified for the year 2017, therefore, data as at 31 December 2017 are not comparable in the annual report for 2017. A more detailed explanation is given in the disclosure 6.5.7.

6.3.3. Cash and cash equivalents

Cash includes petty cash in EURO and foreign currencies; cash balances with the Central Bank, funds on the way and demand deposits on LORO account at a commercial bank through which LON performs international payment transactions.

6.3.4. Financial Assets

The accounting policies presented bellow refer to IFRP 9 and apply for the year 2018. Accounting policies according to IAS 39 applied in the year 2017 are disclosed in 2017 annual report published in LON's web site www.lon.si or AJPES.

a. Classification of financial assets

Upon initial recognition, a financial asset is classified into one of the following measurement categories: at amortized cost, at fair value through other comprehensive income (FVOCI) or at fair value through profit and loss (FVPL).

Financial asset is measured at amortized cost if it is not designated for measurement at fair value through other comprehensive income and both below criteria are met:

- the financial asset is held to collect contractual cash flows and
- contractual cash flows constitute solely the payment of principal and interest on an outstanding principal amount at specified date.

Included in the category of financial assets measured at fair value through other comprehensive income are:

- debt financial instruments that fulfil the criteria listed below and are not designated for measurement at FVPL,
- financial asset is held in order to collect contractual cash flows and for sale,
- contractual cash flows constitute solely the payment of principal and interest on an outstanding principal amount at specified date,
- investments in equity instruments (non-monetary items) that are not intended for trading and for which the option of irrevocably recognizing subsequent changes in FVOCI at initial recognition was chosen.

Included in the category of financial assets measured at fair value through profit or loss are derivatives where the acquisition of contractual cash flows is of secondary meaning (trading, management of assets on the basis of fair value, maximization of cash flows on the basis of sales).

- Business model assessment

The business model refers to the way LON manages financial assets for the purpose of generating cash flows (be it from receiving contractual cash flows of from the sale of financial assets or from both). The selected business models are derived from LON business strategy and identified appetite for risk taking.

The business model does not depend on individual financial asset; therefore, the definition is not applied to a particular asset but to a group of financial assets. A group of financial assets consists of assets with comparable characteristics and are acquired in order to achieve the same business objective. A group of financial assets for the purpose of defining a business model is represented by an individual product, that is offered by LON to its clients.
The definition for a particular business model is made by the working group. When defining a business model, we consider:

- policies and objectives for the portfolio of financial assets and the functioning of these policies in practice;
- the method of evaluating the performance of the business model and the financial assets managed in accordance with it and the method of reporting this to the management of the bank;
- the risks that affect the performance of the business model (and the financial assets managed in accordance with it) and the way in which the risks are managed;
- the frequency, volume and timing of sales in previous periods, the reasons for sales and the expectations of future sales activities.

If a newly acquired financial asset reflects the characteristics of an existing portfolio, it is classified into an existing business model. Otherwise, a new business model will be defined for the same group of financial assets.

- Contractual cash flow characteristic test

For the purpose of this assessment (the SPPI test), the principal is defined as the fair value of the financial asset on initial recognition, and interest is defined as compensation for the time value of money, the credit risk associated with the outstanding principal and other basic loan risks and costs (liquidity risk and administrative costs) and a profit margin.

For financial assets held for the purpose of collecting contractual cash flows and for financial assets held for the purpose of collecting cash flows and sales, we made an estimate whether cash flows represent exclusively the repayment of principal and interest on outstanding principal. In doing so, we checked whether the contractual characteristics of the financial assets show that it is intended solely for collecting contractual cash flows and interest on the outstanding principal. In assessment of contractual provisions, we took into consideration:

- possible events that could change the time and amount of contractual cash flows,
- the possibility of early repayment or extension of repayment period,
- characteristics that change the concept of the time value of money (e.g. periodic interest rate adjustment).

All financial assets included in the statement of financial position on 31.12.2017 have passed the SPPI test, therefore we do not have any financial assets that would require measurement at fair value on 1.1.2018

For a contractual provision related to the periodic adjustment of the Euribor reference interest rate with loans, a 'benchmark' test was made. The change of the reference interest rate Euribor is done twice a year, irrespective of the date of the contract, therefore we have an accounting mismatch during the period from the credit approval to the first change of the interest rate. The result of the 'benchmark' test is within the tolerable area, which allows conducting transactions at amortized cost. LON holds financial instruments for the purpose of decreasing the volatility of another financial instrument for which the hedge accounting rules are applied.

b. Initial recognition, derecognition and modification of financial asset

Purchases and sales of financial assets, except loans and receivables, are recognised on the trading day (the day of the contract being concluded). Loans and receivables are recognised on the settlement date.

Derecognition of financial asset is recorded when the contractual rights to cash flows expire or when the financial asset is transferred and the transfer meets the criteria for derecognition (i.e. when we transfer all rights and risks). If financial asset is transferred, but we retain almost all risks and benefits, the recognition of the financial asset should not be made.

In the event that the financial asset is entirely derecognized, the difference between the carrying amount of the asset and the sum of received compensation (including the newly acquired asset minus the newly assumed obligation) and the accumulated profits or losses that were recognized directly in other comprehensive income is recognized in the income statement. However, this does not apply to shares and stakes measured at fair value through other comprehensive income for which the difference between the carrying amount and the sum of received compensations and accumulated profits and losses that were recognized directly in other comprehensive income.

When the cash flows of the changed financial asset measured at amortized cost are not significantly different, then the change does not cause the derecognition of the asset. In such case, the gross carrying amount of the financial assets is recalculated by discounting the modified cash flows using the effective interest rate. The difference is recognized in income statement as net profit or loss as a result of a change in the terms or conditions of repayment of financial assets. If there has been a change in the conditions due to the financial difficulties of the client, the gain or loss arising thereon is recognized in the context of impairment losses.

c. Measurement of financial assets

Financial assets, other than financial assets measured at fair value through profit or loss, are initially measured at fair value plus transaction costs.
Financial assets measured at fair value through other comprehensive income are measured at fair value after initial recognition. The fair value is based on the published market price at the reporting date, which represents the closing price.

Derivative financial instruments are measured at fair value, which is equal to unrealized gains or losses from valuation at market prices or contractual futures.

Equity securities measured at fair value through other comprehensive income, the fair value of which cannot be reliably measured, are measured at cost (purchase price increased by transaction costs minus impairment).

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method. They are presented in the amount of outstanding principal plus interest and refunds and reduced by impairments.

d. Profits and losses

Profits and losses arising from changes in the fair value of financial assets measured at fair value through other comprehensive income are recognized directly in other comprehensive income, excluding impairment losses or gains and losses or gains from exchange differences until the derecognition of financial assets. In this case, the cumulative gains or losses shown in other comprehensive income are recognized in the income statement.

Interests calculated using the effective interest method are recognized directly in the income statement.

In the case of shares and stakes measured at fair value through other comprehensive income, any gains or losses arising from changes in fair value are recognized in other comprehensive income. Derecognition gains or losses are also recognized in other comprehensive income, while dividends are recognized in the income statement.

Gains or losses arising from changes in the fair value of financial assets measured at fair value through profit or loss are recognized in income statement in the period in which they arise.

e. Reclassification of financial assets

As a rule, financial assets are not reclassified after initial recognition, unless the business model is changed.
On 1 January 2018, we reclassified financial assets in accordance with the requirements of IFRS 9, as disclosed in 6.4.

f. Impairment of financial assets

In accordance with IFRS 9, financial assets and liabilities are for the purpose of impairment classified into groups. Impairments for expected credit losses are recognized for:

- financial assets measured at amortized cost (including receivables),
- financial assets measured at fair value through other comprehensive income (debt financial instruments),
- loan commitments (if there is a current contractual commitment for drawing up a loan and is not measured at fair value through profit or loss),
- financial guarantees (subject to IFRS 9 and not measured at fair value through profit or loss),
- lease receivables.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash flow losses) over the expected period of the financial instrument. Credit loss is the difference between the discounted contractual cash flows and discounted expected cash flows, where the effective interest rate is used as a discount factor.

Credit loss is the present value of the difference between contractual cash flows and cash flows that we expect to receive. For undisbursed loan commitments, the credit loss is the present value of the difference between the contractual cash flows if the borrower draws up the credit, and the cash flows we expect to receive if the loan is drawn up. The effective interest rate is used as a discount factor.

The estimation of expected credit losses of a financial asset is carried out at recognition, and then once a month. It is based on a three-stage model that allows the transfer of financial assets between groups, depending on the change in the credit risk borne by the financial asset on the reporting date in comparison with the risk that the financial asset had on initial recognition. If, in the reporting periods following the period in which life-long credit losses were recognized, the credit risk significantly reduces, value adjustments reflecting 12-month credit losses are made.

Upon initial recognition, all financial assets (except purchased or previously impaired financial assets – POCI) are classified as ‘Group 1’ for which 12-month expected credit losses are formed (representing a part of the life-time credit losses related to possibility of a default within the next 12 months after the reporting date). Financial asset is classified in ‘Group 2’ when we estimate that the credit risk has increased significantly, but the exposure is not yet in the default. We consider the below criteria for a significant increase in credit risk:

- comparison of the client’s initial credit rating and credit rating on the reporting date,
- significant delays in repayments (overdue more than 30 days)
- change in terms of repayment or restructuring,
- data obtained from the EWS system as an indicator for the deterioration of the credit risk (blockages on transaction accounts, financial data, payment of tax liabilities…)

A financial asset is classified into ‘Group 3’ after it is 90 days overdue and the above criteria are met. In the event that the criteria for listing the asset in ‘Group 2’ have ceased, the financial asset can be reclassified back to ‘Group 1’ after 3 months.

‘Group 1’ (Stage 1) thus includes financial assets with credit risk that has not significantly changed since the initial recognition or are classified as low credit risk transactions on the reporting day. Interest income for ‘Group 1’ is calculated using the effective interest method of the gross carrying amount of the financial asset (i.e. excluding expected credit losses) and recognized in the income statement.

'Group 2' (Stage 2) includes financial assets that have experiences a significant increase in credit risk in comparison to the risk that the financial asset had on initial recognition (except when the credit risk of a financial asset on the reporting date is still low), but the assets do not yet show objective signs for impairment. For financial assets in 'Group 2' lifetime expected losses are formed. That is credit losses that are the result of all possible default events throughout the duration of the financial asset. Interest income is calculated using the effective interest method of the gross carrying amount of the financial asset and recognized in income statement.

'Group 3' (Stage 3) includes financial assets for which objective evidence for impairment exist. Lifetime expected credit losses are formed, also taking into account the possibility of being repaid from the collateral. Interest income is calculated using effective interest method of the net carrying amount of the financial asset (i.e. including the allowance for impairment losses due to expected credit losses).

In the **POCI group**, we include financial assets (bought or issued) which already have a lower credit quality on initial recognition. For this group of assets, lifetime expected losses are formed, interest income is calculated using effective interest method of the net carrying amount of the financial asset (i.e. including the allowance for impairment losses due to expected credit losses).

More detailed description of impairments of financial assets are described in the chapter Risk management.

g. Release of impairments

If, in the future periods, the amount of impairment decreases and the decrease can be related to an event that occurred after the impairment (e.g. a significant improvement in the borrower's creditworthiness), the impairment formed is released through the income statement (change in impairment due to credit losses).

6.3.5. Write offs

A financial asset measured at amortized cost is written off, partially or wholly, when it is determined in the process of collection and recovery of collateral that there are no real possibilities of repayment. When determining the amount of the write-off of the receivable, the present value of the expected cash flows (including the possibility of redeeming the collateral) is estimated and the difference between the carrying amount of the asset and the present value of the expected cash flows is written off.

In substance, write off is a derecognition of a financial asset.
For non-payable funds, balance sheet receivables are transferred to off-balance sheet items when:

- we haven't received payment in the last year for non-secured items,
- we haven't received payment in the last five years for secured items.

Up to the conclusion of court proceedings, the claim is recorded in off-balance sheet records. Final write off is made when all recovery procedures are completed and when the value of the loss can be estimated.

6.3.6. Interest Income and Expenses

Interest Income and Expenses of all interest-bearing items are recognized in the income statement at amortized cost using the effective interest rate method.

As disclosed in note 6.3.4.c interest income of financial assets classified in Stage 1 and Stage 2 are recognized in the income statement at amortized cost using the effective interest rate, which is applied to the gross carrying amount of a financial asset (the carrying amount of a financial asset, before adjusting for any loss allowance). Interest income from financial assets classified in Stage 3 are calculated using effective interest rate applied to the net carrying amount (the carrying amount after adjusting for loss allowance). For financial assets classified as POCI, interest income is recognised by applying credit-adjusted effective interest rate to the net carrying amount.

Interest income includes regular interest, interest related to exposure in delay, an accrued interest and prepaid compensation for repayment costs for long-term loans granted to households.

Interest expense includes interest on liabilities arising from deposits, issued securities and borrowings and other expenses arising from financial liabilities.

6.3.7. Fees and Commission Income and Expense

The fee income includes fees and commissions paid by LON customers, such as commissions from given guarantees, payment transactions, transactions with transaction accounts, and other services. Fees are charged in accordance with the price list or contractual terms between LON and the client.

Fee and commission expense includes amounts paid for services of others such as fees and commissions for the provision of payment services, brokerage and commission operations, banking services abroad and others. They are accounted for in accordance with the contractual agreements.

Expenses are recognized in the income statement when the service is provided and income is recognized when the control is transferred over to the customer and fulfilment of the execution obligation occur. The transfer of control can be carried out at a particular moment or in a gradual period.

a. Execution commitments and recognition of fee income

Fee income is measured on the contractual basis in the amounts defined between LON and customer. Income is recognized when the control is transferred over to the customer and fulfilment of the execution obligation occur.

The table below shows information on the nature and timing of the fulfillment of major commitments from customer contracts and the related revenue recognition guidelines.

Type of services	Nature and time of fulfilment enforcement obligations	Recognition of Income in accordance with IFRS 15
Banking services for natural persons and legal entities	We provide services of current account, current accounts limits, foreign currency exchange transactions, credit card transactions and other. Income from the current accounts is recognized on a monthly basis.	Income from the current accounts is recognized in the period when the services are provided.
	Income related to foreign currency transactions and income related to current account limit is recognised at the moment the transaction is carried out.	Income related to transactions is recognised at the moment the transaction is carried out.

6.3.8. Property, plant and equipment and intangible fixed assets

An item of property, plant and equipment or an intangible fixed asset is used for providing services and is expected to be used in more than one accounting period. Intangible fixed assets include investments in acquired long-term rights and long-term deferred costs.

Property, plant and equipment, as well as intangible fixed assets, are initially recognised at cost. On initial recognition, the cost of an asset includes all expenditures that are directly attributed to the acquisition and are necessary to make the asset ready for its intended use.

Annually, or on the occurrence of an event that could affect the reduction in the market value of a property, the marked value of the property is checked via independent valuation carried out by authorized real estate appraisers. In the event that the estimated market value or value in use does not reach the carrying amount, the impairment of the fixed asset is carried out. If the estimated market value or value in use exceeds the carrying amount, the strengthening of the fixed asset is not made.

Depreciation is accounted individually on a straight-line basis by allocation of the cost of the asset to the residual value over the useful life of the asset. The depreciation begins on the first day of the next month, after the asset is available for use. Although IAS 16 requires the underlying asset to be depreciated the next day when it is available for use, the differences in depreciation due to deviation from the requirements of the standard are negligible. Land and works of art are not depreciated.

Depreciation rates are determined in such a way that the value of the asses is allocated to costs over the life time of the asset. The applied depreciation rates in 2017 and 2018 are listed below:

Type of asset	Depreciation rate
Real - estate	from 2,20 % to 5 %
Parts of real estate	6 %
Computer hardware	from 25 % to 33 %
Other equipment	from 6,67% to 50%
Motor vehicles	20,00 %
Small inventory	from 50 % to 100 %
Computer software	20%

Office equipment, renovation of fixed assets that are not owned	from 10 % to 20 %

On the day of the Statement of financial position LON assesses whether there is any impartial evidence that an asset might be impaired. If there is objective evidence than an asset has been impaired, the assessment of the recoverable amount is made. The recoverable amount is the value in use or the net sale value of the asset, whichever is higher. If the recordable value is higher than the carrying amount, the assets do not need to be impaired, whereas if the contrary is true, an impairments loss is recognised in the Income statement in the amount of the difference between the recoverable and carrying amount of the assets.

Gains and losses arising on the disposal of property, plant and equipment (determined by the difference between the carrying amount of assets and the selling price) are included in the Income statement.

6.3.9. Investment property

Investment property are assets LON possesses with the intention of leasing or selling. Gains and losses on valuation at fair value are included in the Income statement. If there is a change in the purpose of using a property, it is transferred to property, plant and equipment.
Investment properties are initially recognised at cost. On initial recognition, the cost of an asset includes all expenditures that are directly attributed to the acquisition and are necessary to make the asset ready for its intended use. Investment property is regularly tested for its overstatement, therefore LON carries out the valuation of the recoverable amount of these real estates. The recoverable amount represents the fair value less costs to sell or the value in use, namely the one that is higher. In the event that the recoverable amount significantly exceeds the carrying amount, impairment of investment property is carried out.

The depreciable amount of investment property is equal to their carrying amount. Investment property is amortized at 2,20% depreciation rate.

6.3.10. Provisions

Provisions include provision for severance and jubilee rewards in accordance with Slovenian legislation and provisions for potential losses form off-balance sheet liabilities. Provisions for off-balance sheet liabilities are recognized on the basis of the client's risk and the transaction concluded. They are based on similar estimates as estimates for impairment of loans.

The reservations for payment of jubilee rewards and lay-off bonuses are calculated according to IAS19 on the basis of actuary calculations and come from other labour cost. In calculating the present value, a discount rate of 2,34% is used and it corresponds to the return of 15-year corporate bonds in Euro zone. The calculation is made on the level of an individual employee in the way that it takes into account the cost of lay-off fee at retirement which he/she is entitled according to employment agreement and the cost of expected jubilee awards for the whole working period or working period in LON until the retirement.
The calculation takes into account the fluctuation of employees, which we presume depends primarily on the age of the employee and the increase in the average salary in the Republic of Slovenia (for which the assumption is 2,5% growth in 2019 and in subsequent years). It is assumed that employees will use the right for elderly retirement which means that jubilee awards projected for later payments will not

be paid. Provision for severance and jubilee rewards are recognised in profit and loss statements, except for actuarial gains (losses), which are recognized in the statement of comprehensive income.
Provisions for possible losses arising from off-balance sheet items are formed in the same amount as impaired financial assets.

6.3.11. Share capital and reserves

Equity consists of share capital, share premium, other comprehensive income, reserves from profit, purchased treasury shares and net profit for the financial year.

Share capital is recorded in the nominal value and has been paid-up by the owners. Share premium includes the difference between nominal value of the share and its selling price. Other comprehensive income includes revaluation adjustment of AFS financial assets.

6.3.12. Taxes

Corporate income tax is accounted for at the tax rate applicable at the date of the Statement of the financial position. Tax is levied on the tax basis determined in accordance with the Corporate Income Tax Act. The tax rate applicable for 2017 is 19%.
Deferred tax is formed by using the balance sheet liability method, providing temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is recognised using tax rates enacted on the date when the temporary differences are expected to be eliminated.

6.3.13. Hedge accounting

The concept of hedge accounting understands the recognition of the hedging relationship between the hedging instrument and the hedged item in order to neutralize the effects of the measurement of both instruments in the income statement, otherwise they would not be recognized in the profit or loss at the same time. LON uses such billing for the purpose of hedging the fair value change.

In the event that a secured solid obligation results in a recognition of a non-financial asset, the effect of the hedging previously booked in equity is attributed to the asset at the moment of recognition. In other cases, the gain or loss on the hedging instrument is transferred to the income statement where is linked with the effect of the change in the value of the hedged item in the following years.
Effects on the revaluation of derivatives that do not meet the requirements for hedge accounting are recognized directly in the income statement.
Principles of hedge accounting are dismissed when the hedging instrument expires or is sold or no longer meets the requirements for hedge accounting. Gains and losses accumulated in derivatives, which are recognized in equity, are retained in equity until the expected transaction occurs. If there is no longer expected that transaction will occur, the accumulated profits and losses recognized in equity are transferred to the income statement for the current year.
At the onset of the hedge accounting, LON documented the relationship between a hedged item and a derivative and established a policy and a risk management strategy for different hedging transactions and risks. The effectiveness of heeding is subject of regular monitoring.

Hedge accounting was applied as of 1 July 2008 using IAS 39 (Articles from 71 to 102). Hedging is formally marked. LON defined hedged assets and derivatives as well as the type of risk, hedging is accounted for. At the time of the introduction of hedge accounting rules, a test was carried out which showed that effective hedging is expected in all reporting periods that can be reliably measured.

6.3.14. Off-balance sheet Receivables and Liabilities

Off-balance sheet receivables or liabilities refer to issued warranties, uncollected loans, unclaimed approved limits, mortgage guarantees and other guarantees and pledged securities.

6.4. DISCLOSURE OF THE TRANSITION TO IFRS 9

On 1 January 2018, we started applying IFRS 9. Preparations for the transition to IFRS 9 started in 2016 when a working group was formed, consisting of representatives from risk, accounting, reporting and technology department.

The transition to IFRS 9, which includes a change in the classification of financial assets and liabilities, a change in methodology for calculating impairments and the method of calculation itself, caused the release of impairments in the amount of 576 thousand EUR. The release of impairments is recorded as an increase in retained earnings on 1 January 2018.

The introduction of IFRS 9 influenced the classification and measurement of financial instruments on 1 January 2018 as presented below:

- Loans that were classified as loans and receivables and measured at amortized cost under IAS 39, are still measured at amortized cost under IFRS 9, as the SPPI test was successful in all the cases.
- Securities classified as held-to-maturity and measured at amortized cost under IAS 39 are still measure at amortized cost.
- Investments in equity financial instruments that were classified as available-for-sale financial asset under IAS 39 and are held for long-term strategic purposes and are not intended for trading (investment on the basis of legal requirements) are recognized under IFRS 9 at fair value through other comprehensive income.

a) Classification of financial assets on the date of first application of IFRS 9

The following table shows the categories of financial assets under IAS 39 and the new categories in accordance with IFRS 9 on 1 January 2018:

	IAS 39 classification	MSRP classification	Carrying amount IAS 39	Carrying amount IFRS 9
Cash, cash balances at central banks and other demand deposits at banks	Loans and receivables	Amortized cost	25.701	25.701
Shares and stakes	Available-for-sale	FVOCI[1]	673	673
Securities	Available-for-sale	FVOCI	39.065	39.065
Securities	Held-to-maturity	Amortized cost	35.016	35.059
Loans to customers	Loans and receivables	Amortized cost	146.642	147.155
Other financial assets	Loans and receivables	Amortized cost	262	262
Total financial assets			247.359	247.915

[1] Fair value through other comprehensive income

b) Reconciliation of carrying amounts of financial assets under IAS 39 and IFRS 9 on 1.1.2018

1000 EUR		Carrying amount IAS 39 31.12.2017	Reclassification	Re-measurement	Carrying amount IFRS 9 1.1.2018
AMORTIZED COST					
Cash, cash balances at central banks and other demand deposits at banks		25.701	0	0	25.701
Loans to customers		146.642	0	513	147.155
Initial balance		146.642	0	0	
Re-measurement (+release of impairments/ - additional impairments)		0	0	513	
Final balance		0	0	0	147.155
Financial assets held-to-maturity	A	35.016	(35.016)	0	0
Initial balance		35.016			
Reclassification			(35.016)		
Final balance					0
Securities at amortized costs	A	0	35.016	43	35.059
Initial balance		0	0	0	0
Reclassification		0	35.016	0	0
Re-measurement		0	0	43	0
Final balance		0	0	0	35.059
Other financial assets		262	0	0	262
FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME					
Financial assets available for sale	B	39.065	(39.065)	0	0
Initial balance		39.065			
Reclassification to fair value through other comprehensive income (debt instruments)			(39.065)		
Final balance					0
Financial assets measured at fair value through other comprehensive income (debt instruments)	C	0	39.065	0	39.065
Initial balance		0			
Reclassification			39.065		
Final balance					39.065
Financial assets available for sale (equity instruments)	D	673	(673)	0	0
Initial balance		673			
Reclassification to fair value through other comprehensive income (equity instruments)			(673)		
Final balance					0
Financial assets measured at fair value through other comprehensive income (equity instruments)	E	0	673	0	673
Initial balance		0			
Reclassification			673		
Final balance					673

- **A** – Debt securities previously classified as held-to-maturity have been reclassified to the amortized cost in accordance with IFRS 9 because their previous category under IAS 39 has been abolished.

- **B** – Debt securities previously classified as available-for-sale have been reclassified to fair value through other comprehensive income in accordance with IFRS 9 because their previous category under IAS 39 has been abolished.
- **C** – LON has certain debt securities to control daily liquidity. In accordance with IFRS 9, these securities are held to collect contractual cash flows and sell financial assets and are therefore measured at fair value through other comprehensive income.
- **D** – Equity investments formed on the basis of legal requirements that are not strategic investments. We cannot control the value of the investment. Changes in fair value of such investments are no longer recognized in income statement, even in the case of disposal. Before IFRS 9 application, these securities were classified as available-for-sale.

c) Financial assets measured at amortized cost, based on gross exposure and impairment on 1.1.2018

1000 EUR	Debt securities	Loans to clients, that are not banks	Other financial assets	Total
Gross value	35.088	149.217	320	184.625
Value adjustments	(29)	(2.062)	(58)	(2.149)
Net carrying amount	35.059	147.155	262	182.476

Debt securities based by sector

1000 EUR	Other financial institutions	Public sector	Non-financial companies	Total
Gross value	9.994	23.055	2.039	35.088
Value adjustments	(3)	(7)	(19)	(29)
Net carrying amount	9.991	23.048	2.020	35.059

Loans to clients, that are not banks, by sector

1000 EUR	Non-financial companies	Public sector	Other financial organizations	Households*	Total
Gross value	36.889	524	774	111.030	149.217
Value adjustments	(1.090)	(2)	(328)	(642)	(2.062)
Net carrying amount	35.799	522	446	110.388	147.155

*includes Individuals and Entrepreneurs

Other financial assets by sector

1000 EUR	Non-financial companies	Public sector	Other financial organizations	Households*	Total
Gross value	29	109	11	171	320
Value adjustments	(13)	0	0	(35)	(58)
Net carrying amount	16	109	11	136	262

*includes Individuals and Entrepreneurs

d) Tax receivables and liabilities

1000 EUR		Carrying amount IAS 39 31.12.2017	Reclassification	Re-measurement	Carrying amount IFRS 9 1.1.2018
RECEIVABLES FROM CORPORATE INCOME TAX					
Initial balance		621			
Elimination of receivables from deferred tax on impairments of debt securities measured at amortized cost				(4)	
Final balance					617
LIABILITIES FROM CORPORATE INCOME TAX					
Initial balance		0			
Elimination of corporate income tax – transition to IFRS 9				21	
Elimination of deferred tax liabilities from valuation of debt securities available for sale under ISA 39 that were changed to amortized cost under IFRS 9				4	
Final balance					25

e) Impairments and provisions

1000 EUR	31. 12. 2017 impairments under IAS 39/provision under IAS 37	Impairment of interest 31. 12. 2017	Reclassification	Re-measurement	1. 1. 2018 credit impairments under MSRP 9
Loans under MRS 39/financial assets measured at amortized cost under IFRS 9	(2.451)	173	0	513	(2.115)
Loans to clients that are not banks and other financial assets	(2.451)	172	0	513	(2.115)
Financial assets held-to-maturity under IAS 39/ financial assets measured at amortized cost under IFRS 9	(72)	0	0	43	(29)
Debt securities	(72)	0	0	43	(29)
Financial assets available-for-sale under IAS 39/debt assets at FVOCI under IFRS 9	0	0	0	(19)	(19)
Debt securities	0	0	0	(19)	(19)
Equity securities	0	0	0	0	0
Other assets	0	0	0	0	0
Total correction	(2.523)	172	0	533	(2.163)
Provisions for guarantees and other off-balance sheet liabilities	(133)	0	0	69	(64)
Total corrections and provisions	(2.656)	172		602	2.227

The effect of the transition to IFRS 9 for items measured at amortized cost is recorded in retained earnings (595 thousand EUR). The effect for items measured at fair value though other comprehensive income is recorded in other comprehensive income in the fair value reserve (19 thousand EUR). The total transition effect is 576 thousand EUR.

f) Key factors for changes in impairments

Two main factors in the group impairment that caused the above impact are:

- change in the method of assessing the impairment. We used the group impairment percentages that reflected the average default rates and the average loss rate in the event of default for a particular portfolio under IAS 39, whereas under IFRS 9 impairments are calculated on the basis of individual contracts, taking into account the probability of default of the debtor and the possibility of default for the individual contract;
- additionally, the inclusion of macroeconomic information resulted in a reduction of average values of the risk parameters. Current macroeconomics predictions are favourable for Slovenian economy. Consequently, the impact of the macroeconomic variables in risk parameters is reflected as a reduction in impairments. When macroeconomic predictions deteriorate, the impact will be reflected in an increase in the amount of impairments.

The main reason with individually impaired part of portfolio are the expected changes in the sales prices of real estate in dependence on GDP growth.

g) The effect of transition in other comprehensive income

1000 EUR	Carrying amount IAS 39 31.12.2017	Transition effects	Carrying amount IFRS 9 1.1.2018
Initial balance	9		
Elimination of deferred taxes (debt and equity securities) due to transfer between categories		15	
Final balance			24

h) The effect of transition to retained earnings

1000 EUR	Carrying amount IAS 39 31.12.2017	Transition effects	Carrying amount IFRS 9 1.1.2018
Initial balance	(221)		
Release of impairments (clients that are not banks) – through retained earnings		578	
Release of impairments of debt securities measured at amortized costs – through retained earnings		44	
New impairments of debt securities measured at fair value through other comprehensive income – through comprehensive income		(19)	
Liabilities from corporate income tax – transition to IFRS 9 – through retained earning		(21)	
Deferred tax liabilities – transition to IFRS 9 – through retained earnings		(6)	
Final balance		576	354

i) Effect on regulatory capital and amount of total exposure to risks

The amount of released impairments due to transition to IFRS 9 had a positive effect on the amount of capital for the purpose of capital adequacy and capital ratio. The effect of transition is recorded in retained earnings (595 thousand EUR) and in other comprehensive income (19 thousand EUR).

Considering the risk-adjusted assets as shown on 31.12.2017 and the effect of transition to IFRS 9, the ratio of Tier 1 capital is 10,40 % and the ratio of total capital in 12,57 %. Tier 1 capital would amount to 12.651 thousand EUR and total capital to 15.291 thousand EUR.

6.5. NOTES TO STATEMENT OF FINANCIAL POSITION

6.5.1. Cash and Cash equivalents

in 1000 EUR	31. 12. 2018	31. 12. 2017
Cash	25.610	15.033
Cash in foreign currencies	38	33
Cash on hand	25.648	15.066
Settlement account at the Bank of Slovenia	16.623	8.782
Other deposits at the Central Bank	1.774	1.610
Balances with the Central Bank	18.397	10.392
Demand deposits and cash equivalents	484	243
Cash and Cash equivalents	**44.529**	**25.701**

Cash on hand (domestic and foreign cash) as of 31 December 2018 includes cash in eleven business units, fifteen ATM's and in two vaults of a commercial bank.

Balances in the settlement account at the Bank of Slovenia are liquid assets needed by LON to maintain daily liquidity and conduct payment transactions. Other deposits at the central bank pertain to assets in the guarantee scheme for settlement of payments within the SEPA payment system.

Demand deposits and cash equivalents include cash in LORO account in other commercial bank, for providing payments in foreign currencies for LON customers.

6.5.2. Available-for-sale financial assets

in 1000 EUR	31.12.2017
Equity instruments at fair value	673
Equity instruments at purchase value	0
Debt securities	39.065
Available – for – sale financial assets	39.738

a. Segmentation of Available-for-sale financial assets at fair value

in 1000 EUR	31.12.2017	
	Book value	Revaluation surplus
Equity instruments at fair value	673	0
Equity instruments at purchase value	0	0
Debt securities	39.065	(155)
- Issued by state and central bank	24.747	(176)
- Issued by other commercial banks	14.113	(15)
- Issued by others	205	0
- Deferred tax	0	36
Available – for – sale financial assets	39.738	(155)

The Equity instruments at fair value include investment under the Bank Resolution Authority and Fund Act, which was established by the Bank of Slovenia at end of March 2015.

Debt securities issued by state and central bank include state bonds. Debt securities issued by other commercial bank include bonds issued by domestic commercial bank. Debt securities issued by others include bonds issued by other Non-financial company.

b. Annual changes of Available-for-sale financial assets

In year 2017

in 1000 EUR	Opening balance 31.12.2016	Increase	Decrease	Closing balance 31.12.2017
Equity instruments at fair value	674	0	(1)	673
- Purchases and sales		0	0	
- Changes in fair value		0	(1)	
Equity instruments at purchase value	4	0	(4)	0
- Purchases and sales		0	(4)	
- Changes in fair value		0	0	
Debt securities	42.191	7.199	(10.325)	
- Issued by state and central bank	27.780	6.968	(10.001)	24.747
- Purchases and sales		5.630	(8.709)	
- Changes in fair value		1.338	(1.292)	
- Issued by other commercial banks	14.206	231	(324)	14.113
- Purchases and sales		0	(260)	
- Changes in fair value		231	(64)	
- Issued by others	205	0	0	205
- Purchases and sales		0	0	
- Changes in fair value		0	0	
Available – for – sale financial assets	42.869	7.199	(10.330)	673

c. Segmentation of Available for sale financial assets according to the remaining maturity

As of December 31, 2017

in 1000 EUR	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 year to 5 years	More than 5 years	Total
Equity instruments at fair value	673	0	0	0	0	673
Equity instruments at purchase value	0	0	0	0	0	0
Debt securities	0	8.343	14.318	12.667	3.737	39.065
- Issued by state and central bank	0	8.343	0	12.667	3.737	24.747
- Issued by other commercial banks	0	0	14.113	0	0	14.113
- Issued by others	0	0	205	0	0	205
Available – for – sale financial assets	673	8.343	14.318	12.667	3.737	39.738

d. Segmentation of Available-for-sale financial assets by listing on the stock market

in 1000 EUR	31.12.2017	
	Listed FA	Not listed FA
Equity instruments at fair value	0	673
Equity instruments at purchase value	0	0
Debt securities	38.860	205
- Issued by state and central bank	24.747	0
- Issued by other commercial banks	14.113	0
- Issued by others	0	205
Available – for – sale financial assets	38.860	878

6.5.3. Loans

in 1000 EUR	31.12.2017
Loans to customers	146.642
Other financial assets	262
Loans	146.904

a. Segmentation of Loans by type and Type of Debtors

v 1000 EUR	31. 12. 2017		
	Loans to customers	Other financial assets	Total
Non-financial institutions	35.649	16	35.665
Public sector	518	106	624
Other financial organizations	447	8	455
Households*	110.028	132	110.160
Loans	146.642	262	146.904

*includes Individuals and Entrepreneurs

b. Segmentation of Loans by Type of Loan, Types of Debtors, gross value and impairment and maturity

As of December 31, 2017

in 1000 EUR	Loans to customers			Other financial assets	TOTAL
	Short - term	Long – term	Total	Short – term	
Gross value	3.948	32.978	36.926	27	36.953
Value Adjustments	(297)	(979)	(1.276)	(12)	(1.288)
Non-financial institutions	3.651	31.999	35.650	15	35.665
Gross value	386	138	524	106	630
Value Adjustments	(4)	(2)	(6)	0	(6)
Public sector	382	136	518	106	624
Gross value	652	121	773	8	781
Value Adjustments	(291)	(35)	(326)	0	(326)
Other financial organizations	361	86	447	8	455
Gross value	5.424	105.407	110.831	165	110.996
Value Adjustments	(30)	(773)	(803)	(33)	(836)
Households*	5.394	104.634	110.028	132	110.160
Total Gross value	10.410	138.644	149.054	301	149.360
Total Impairment	(622)	(1.789)	(2.411)	(40)	(2.456)
Total Loans	**9.788**	**136.855**	**146.642**	**262**	**146.904**

*includes Individuals and Entrepreneurs

c. Segmental Analysis of Value Adjustments of Loans by Type of Debtors

In year 2017

in 1000 EUR	31.12.2016	Increase	Decrease	Impairment of Written of Loans	31.12.2017	Outstanding amount of Written of Loans	Additional value adjustment of written of Loans
Banks	0	0	0	0	0	0	0
Non-financial institutions	1.960	256	505	426	1.284	458	32
Public sector	2	3	0	0	5	0	0
Other financial organizations	215	120	9	0	326	0	0
Households*	926	2.143	2.228	5	836	42	37
Loans	**3.103**	**2.522**	**2.742**	**431**	**2.451**	**500**	**69**

*includes Individuals and Entrepreneurs

d. Segmentation of Loans to the remaining maturity

As of December 31, 2017

in 1000 EUR	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 year to 5 years	More than 5 years	Total
Banks	0	0	0	0	0	0
Non-financial institutions	682	466	3.279	12.205	19.033	35.665
Public sector	223	240	25	0	136	624
Other financial organizations	8	0	408	0	39	455
Households*	4.788	264	3.215	34.331	67.562	110.160
Loans	5.701	970	6.927	46.536	86.770	146.904

*includes Individuals and Entrepreneurs

e. Other financial Assets

v 1000 EUR	31. 12. 2017
Receivables form commissions and trade receivables	31
Receivables from subsidized interest	104
Receivables in billing	124
Other receivables	3
Other financial assets	262

6.5.4. Hold-to-maturity financial assets

v 1000 EUR	31. 12. 2017
Debt securities	35.016
Hold – to – maturity financial assets	35.016

a. Segmentation Hold-to-maturity financial assets

v 1000 EUR	31. 12. 2017
Gross value	23.056
Value Adjustments	0
Issued by state and central bank	23.056
Gross value	9.994
Value Adjustments	0
Issued by other commercial banks	9.994
Gross value	2.039
Value Adjustments	-73
Issued by others	1.966
Debt securities	35.016
Hold – to – maturity financial assets	**35.016**

b. Annual movement of Hold-to-maturity financial assets

In year 2017

in 1000 EUR	Opening balance 31.12.2016	Increase	Decrease	Closing balance 31.12.2017
Issued by state and central bank	15.596	18.084	(10.624)	23.056
Issued by other commercial banks	9.343	10.292	(9.641)	9.994
Issued by others	3.237	291	(1.562)	1.966
Debt securities	28.176	28.667	(21.827)	35.016
Hold – to – maturity financial assets	**28.176**	**28.667**	**(21.827)**	**35.016**

c. Segmentation of value adjustment of Hold-to-maturity financial assets

In year 2017

in 1000 EUR	Opening balance 31.12.2016	Increase	Decrease	Closing balance 31.12.2017
Issued by state and central bank	0	0	0	0
Issued by other commercial banks	0	0	0	0
Issued by others	54	19	0	73
Hold – to – maturity financial assets	**54**	**19**	**0**	**73**

d. Segmentation of Hold-to-maturity financial assets to the remaining maturity

As of December 31, 2017

in 1000 EUR	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 year to 5 years	More than 5 years	Total
Debt securities	0	9.994	5.005	20.017	0	35.016
Issued by state and central bank	0	0	5.005	18.051	0	23.056
Issued by other commercial banks	0	9.994	0	0	0	9.994
Issued by others	**0**	0	0	1.966	0	1.966
Hold – to – maturity financial assets	0	9.994	5.005	20.017	0	35.016

e. Segmentation of Hold-to-maturity financial assets by listing on the stock market

in 1000 EUR	31.12.2017		31.12.2016	
	Listed FA	Not listed FA	Listed FA	Not listed FA
Issued by state and central bank	23.056	0	15.596	0
Issued by other commercial banks	9.994	0	8.319	1.024
Issued by others	1.966	0	3.237	0
Debt securities	35.016	0	27.152	1.024
Hold – to – maturity financial assets	35.016	0	**27.152**	**1.024**

6.5.5. Financial assets at fair value through other comprehensive income

in 1000 EUR	31. 12. 2018
Equity instruments	673
Debt securities	16.046
Financial assets at fair value through other comprehensive income	16.719

The Equity instruments include investment under the Bank Resolution Authority and Fund Act, which was established by the Bank of Slovenia at end of March 2015.

Debt securities issued by state and central bank include state bonds. Debt securities issued by other commercial bank include bonds issued by domestic commercial bank. Debt securities issued by others include bonds issued by other Non-financial company.

a. Segmentation of financial assets at fair value through other comprehensive income

in 1000 EUR	31. 12. 2018	
	Book value	Revaluation surplus
Equity instruments	673	0
Debt securities	16.046	(266)
- Issued by state and central bank	16.046	(328)
- Deferred taxes	0	62
Financial assets at fair value through other comprehensive income	16.719	(266)

b. Annual changes of Financial assets at fair value through other comprehensive income

In year 2018

in 1000 EUR	Opening balance 1. 1. 2018	Increase	Decrease	Closing balance 31. 12. 2018
Equity instruments	673	0	0	673
- Purchases and sales		0	0	
- Changes in fair value		0	0	
Debt securities	39.065	1.668	(24.686	16.047
- Issued by state and central bank	24.747	1.471	(10.171)	16.046
- Purchases and sales		0	(8.000)	
- Accrued interests		1.463	(1.711)	
- Changes in fair value		8	(460)	
- Issued by other commercial banks	14.113	195	(14.308)	0
- Purchases and sales		0	(14.000)	
- Accrued interests		195	(245)	
- Changes in fair value		0	(63)	
- Issued by others	205	2	(207)	0
- Purchases and sales		0	(200)	
- Accrued interests		2	(7)	
- Changes in fair value		0	0	

Financial assets at fair value through other comprehensive income	39.738	1.668	(24.686)	16.719

Decreases relate to matured bonds issued by other commercial banks and by state.

c. Segmentation of Financial assets at fair value through other comprehensive income to the remaining maturity

As of December 31, 2018

in 1000 EUR	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 year to 5 years	More than 5 years	Total
Equity instruments	673	0	0	0	0	673
Debt securities	0	4.377	0	8.036	3.633	16.046
- Issued by state and central bank	0	4.377	0	8.036	3.633	16.046
Financial assets at fair value through other comprehensive income	673	4.377	0	8.036	3.633	16.719

d. Segmentation of Financial assets at fair value through other comprehensive income by listing on the stock market

in 1000 EUR	31. 12. 2018	
	Listed FA	Not listed FA
Equity instruments	0	673
Debt securities	16.046	0
- Issued by state and central bank	16.046	0
Financial assets at fair value through other comprehensive income	16.046	673

e. Segmentation of Financial assets at fair value through other comprehensive income to sector and to gross value and impairment

in 1000 EUR	Non-financial institutions	Public sector	Other financial organizations	Total
Gross value	0	16.723	0	16.723
Value Adjustments	0	(4)	0	(4)
Net carrying amount	0	16.719	0	16.723

6.5.6. Financial Assets at amortised cost

in 1000 EUR	31. 12. 2018
Debt securities	40.166
Loans to non-bank customers	151.192
Other financial assets	197
Financial assets at amortised cost	191.555

a. Segmentation of Financial assets at amortised cost by type of Debtors and type of financial assets

in 1000 EUR	Debt securities	Loans to non-bank customers	Other financial assets	Total
Non-financial institutions	2.622	35.518	15	38.155
Public sector	37.544	299	105	37.948
Other financial organizations	0	97	14	111
Households*	0	115.278	63	115.341
Total	40.166	151.192	197	191.555

*includes Individuals and Entrepreneurs

b. Segmentation of Financial Assets at amortised cost by maturity

As of December 31, 2018

in 1000 EUR	Short – term	Long – term	Total
Non-financial institutions	0	2.622	2.622
Public sector	0	37.544	37.544
Debt securities	0	40.166	40.166
Non-financial institutions	5.440	30.078	35.518
Public sector	31	269	300
Other financial organizations	60	37	97
Households*	5.220	110.058	115.278
Loans to non-bank customers	10.751	140.442	151.193
Non-financial institutions	15	0	15
Public sector	105	0	105
Other financial organizations	13	0	13
Households*	63	0	63
Other financial assets	197	0	197
Total	10.554	180.608	191.555

*includes Individuals and Entrepreneurs

c. Segmentation of Financial Assets at amortised cost to the remaining maturity

As of December 31, 2018

in 1000 EUR	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 year to 5 years	More than 5 years	Total
Non-financial institutions	0	0	1.815	807	0	2.622
Public sector	0	1.043	0	36.501	0	37.544
Debt securities	0	1.043	1.815	37.308	0	40.166
Non-financial institutions	518	714	5.675	10.599	18.012	35.518
Public sector	97	43	34	0	125	299
Other financial organizations	4	0	56	37	0	97
Households*	1.407	793	5.148	40.285	67.645	115.278
Loans to non-bank customers	2.026	1.550	10.913	50.921	85.782	151.192
Non-financial institutions	15	0	0	0	0	15
Public sector	105	0	0	0	0	105
Other financial organizations	13	1	0	0	0	14
Households*	63	0	0	0	0	63
Other financial assets	196	1	0	0	0	197
Total	2.222	2.594	12.728	88.229	85.782	191.555

*includes Individuals and Entrepreneurs

d. Segmentation of Financial Assets at amortised cost to gross value and impairment

in 1000 EUR	Debt securities	Loans to non-bank customers	Other financial assets	Total
Gross value	40.192	152.696	243	193.131
Value Adjustments	(26)	(1.504)	(46)	(1.576)
Net carrying amount	40.166	151.192	197	191.555

Debt securities by sector

in 1000 EUR	Non-financial institutions	Public sector	Total
Gross value	2.640	37.552	40.192
Value Adjustments	(18)	(8)	(26)
Net carrying amount	2.622	37.544	40.166

Loans to non-bank customers by sector

in 1000 EUR	Non-financial institutions	Public sector	Other financial organizations	Households*	Total
Gross value	36.478	300	123	115.795	152.696
Value Adjustments	(960)	(1)	(26)	(517)	(1.504)
Net carrying amount	35.518	299	97	115.278	151.192

*includes Individuals and Entrepreneurs

Other financial assets by sector

in 1000 EUR	Non-financial institutions	Public sector	Other financial organizations	Households*	Total
Gross value	32	105	14	92	243
Value Adjustments	(17)	0	0	(29)	(46)
Net carrying amount	15	105	14	63	197

*includes Individuals and Entrepreneurs

e. Segmentation of Debt securities by listing on the stock market

in 1000 EUR	31. 12. 2018	
	Listed FA	Not listed FA
Non-financial institutions	37.544	0
Public sector	2.622	0
Debt securities	40.166	0

The bonds issued by the Public sector (Republic of Slovenia) and bonds issued by a non-financial institution, are traded on the Ljubljana Stock Exchange. In trading on a foreign stock exchange (Luxembourg) is ranked one of the bonds issued by the non-financial institutions.

f. Disclosures concerning loans granted to members of the Management Board, members of the Supervisory Board and Employees to whom the tariff part of the collective agreement does not apply

The basis for the disclosure of advances and credits granted by LON to members of the management and members of the Supervisory Board and employees not subject to the tariff part of the collective agreement is represented in Companies Act.

Disclosures of transactions with related parties within the regard of IAS 24 are disclosed in note 6.10.

Loans

In 1000 EUR	31. 12. 2018	31. 12. 2017
Members of Management Board	23	26
Members of Supervisory Board	0	0
Employees to whom the tariff part of the collective agreement does not apply	450	404
Loans granted to members of the Management Board, members of the Supervisory Board and Employees to whom the tariff part of the collective agreement does not apply	473	430

Loans granted to members of the Management Board are interested on 6-month Euribor + 2,75%, and loans granted to employees to whom the tariff part of the collective agreement does not apply are interested between 6-month Euribor + 1,07% and 6-month Euribor + 2,50%.

Overdrafts

In 1000 EUR	31. 12. 2018		31. 12. 2017	
	Granted amount	Used amount	Granted amount	Used amount
Members of Management Board	6	5	6	3
Members of Supervisory Board	0	0	0	0
Employees to whom the tariff part of the collective agreement does not apply	22	5	28	10
Overdrafts granted to members of the Management Board, members of the Supervisory Board and Employees to whom the tariff part of the collective agreement does not apply	28	10	34	13

Overdrafts are interested at the fixed interest rate of 1,05 %.

There are no advanced payments to these groups.

g. Other Disclosures pertaining to Loans

Interests for granted loans to companies and households are billed according to individual loan agreements and actual interest-rate list approved by LON on the day of the signed agreement.

On the day of the balance sheet the listed interest rates for un-purposed consumer loans were between 4,50 % and 6,20 % for short-term loans and between 4,50 % and 6,70 % or 6-month Euribor + 4,10 % and 5,95 % for long-term loans. Interest rates for housing loans were between 2,50 % and 4,50 % or 6-month Euribor + 1,80 % and 6-month Euribor + 4,10 %. Interest for the overdrafts on current accounts is 8 %. Interest rates for loans to owner communities of multi-flat houses or loans purposed for energy-efficient refurbishment of housing were between 3,10 % and 4,95 % or 6-month Euribor + 2,90 % and 6-month Euribor + 5,05 %.

The listed interest rates for loans given non-financial institutions were between 3,75 % and 7,45 % or 6-month Euribor + 3,10% and 6-month Euribor + 6,30% for short-term and long-term loans.
The interest rates for granted loans in cooperation with different agencies for SME support are due to individual case credit conditions and are not included in the disclosures above.

6.5.7. Property, plant and equipment

a. Disclosure regarding opening balances of property, plant and equipment as on January 1, 2018

As on 31 December 2017 the purchase value of property, plant and equipment as disclosed in 2017 Annual Report was EUR 11.003 thousand. As on 31 October 2018, the authorized appraiser of real estate values performed a renewal of valuation of the office building, which is in the accounting aspect, presented in property, plant and equipment and investment property. The valuation was prepared for financial reporting; therefore, the separate value for the fixed asset and investment property was separately assessed, and within this division the value of the land was also assessed separately.

The valuation is based on the fair market value method using income principle with the capitalization method. The cost-value method using the replacement value method was presented for information purposes.

The valuation made in 2017 did not include such a break down, therefore the impairment was formed based on the percentage held by the individual inventory number in the total value of the building. Renewal of valuation made in 2018 revealed misallocation of impairment in 2017, therefore, as at 1 January 2018, impairment adjustments were made. Adjustment of opening balances are presented in the changes of property, plant and equipment and investment property under Adjustment according to valuation. In investment property, an impairment of EUR 674 thousand was transferred between the impairment of land (EUR 206 thousand) and impairment of Real estate (EUR 466 thousand) among property, plant and equipment. Impairment of land represents the net value of additional impairments in the amount of EUR 22 thousand and a correction of impairment in the amount of EUR 231 thousand.

b. Impairment of real estate

The fair value of the office building as at 31 October 2018 amounts to EUR 8,215 thousand. Authorised independent appraiser of real estate values prepared the valuation. The appraisal assesses the recoverable amount, which is the fair value less the cost of the sale. The used method differs form the method used in the appraisal as on 1 July 2017, therefore the estimated value as at 31.10.2018 is not comparable to the estimated value as of 1.7.2017. The used method also differs in the recognition of common spaces in the final estimate of the value of the building.

For the difference between the estimated carrying amount and the carrying amount, an impairment was formed in the total amount of EUR 643 thousand, of which EUR 188 thousand were included in property, plant and equipment and EUR 469 thousand in investment property.

Breakdown of the estimated value of the office building as at 31 October 2018:

in 1000 EUR	Real estate	Land	Total
Property, plant and equipment	3.883	811	4.694
Investment property	2.909	612	3.521
Total	6.792	1.423	8.215

c. Changes in property, plant and equipment in 2018

in 1000 EUR	Land	Real estate	Tangible fixed assets under preparation	Equipment	Equipment under preparation	Total
Purchase value						
Opening balance 31. 12. 2017	1.121	7.335	3	2.544	0	11.003
Adjustment according to valuation	(206)	(466)	0	0	0	(672)
Opening balance 1. 1. 2018	916	6.869	3	2.544	0	10.332
Increases	0	0	247	0	368	615
Transfer to use	0	219	(219)	368	(368)	0
Decrease	(5)	(233)	0	(189)	0	(427)
Impairment	(76)	(113)	0	0	0	(188)
Transfer	0	(832)	0	0	0	(832)
Closing balance 31. 12. 2018	831	5.910	31	2.725	0	9.498
Accumulated depreciation						
Opening balance 1. 1. 2018	0	(1.464)	0	(1.784)	0	(3.248)

Current year depreciation	0	(198)	0	(207)	0	(405)
Increases	0	0	0	0	0	0
Decreases	0	108	0	175	0	284
Transfer	0	290	0	0	0	290
Closing balance 31. 12. 2018	0	(1.262)	0	(1.816)	0	(3.079)
Carrying amount						
Balance at 1. 1. 2018	915	5.404	3	760	0	7.082
Balance at 31. 12. 2018	831	4.647	31	909	0	6.418

Land

The decrease refers to the value of the functional land belonging to the Nova Gorica business unit that had been sold in 2018.

Impairment refers to the adjustment of the book value in accordance with independent valuation, as explained in note 6.5.7. b.

Real estate

Decreases relate to the sale of the business premises in Nova Gorica, where the lower sales price from the carrying amount was achieved, therefore a loss in sales amounting to EUR 38 thousand was realized, which is shown in the Net profits (losses) from derecognition of non-current assets held for sale (note 6.6.8.).
The increase refers to the purchase of a business premises in Ljubljana.
Transfers refer to the reclassification of business premises in Ruše, Ravne na Koroškem and Ljubljana, which LON no longer uses to perform its activities. All premises are classified as investment property as on 31 December 2018. They are intended for sale or lease.

Equipment

The decrease related to the sold equipment includes the sale of business premises in Nova Gorica, the equipment that was written off at the annual inventory and other sold equipment in 2018, where a profit in the amount of 8 thousand EUR was realised. Book value of the equipment, which was written off at the annual inventory, amounted to EUR 5 thousand. Such gains and losses are included in the net gains (losses) from derecognition, excluding non-current assets held for sale (note 6.6.8.).
The increase relates to newly acquired equipment in 2018 (of which 188 thousand was spent on the purchase of IT equipment).

d. Changes in property, plant and equipment in 2017

in 1000 EUR	Land	Real estate	Tangible fixed assets under preparation	Equipment	Equipment under preparation	Total
Purchase value						
Opening balance 31.12.2016	1.568	10.021	0	2.778	9	14.376
Increases	0	12	15	114	106	247
Disposals	0	(77)	(12)	(348)	(115)	(552)
Impairment	(447)	(1.763)	0	0	0	(2.210)
Transfer	0	(859)	0	0	0	(859)
Closing balance 31.12.2017	1.121	7.334	3	2.544	0	11.002

Accumulated depreciation							
Opening balance 31.12.2016	0	(1.684)	0	(1.894)	0	(3.578)
Current year depreciation	0	(251)	0	(227)	0	(478)
Increases	0	0	0	(2)	0	(2)
Disposals	0	46	0	339	0	385
Transfer	0	425	0	0	0	425
Closing balance 31.12.2017	0	(1.464)	0	(1.784)	0	(3.248)
Carrying amount						
Balance at 31.12.2016	1.568	8.337	0	884	9	10.798
Balance at 31.12.2017	1.121	5.870	3	760	0	7.754

6.5.8. Investment property

a. Disclosure regarding opening balances of Investment property as on January 1, 2018

Refer to note 6.5.7. (a).

b. Changes in investment property in 2018

in 1000 EUR	Land	Real estate	Investments under preparation	Total
Purchase value				
Opening balance 31. 12. 2017	458	2.560	10	3.028
Adjustment according to valuation	0	672	0	672
Opening balance 1. 1. 2018	458	3.232	10	3.700
Increases	0	0	476	476
Transfer to use	1	479	(480)	0
Impairment	0	(469)	0	(469)
Transfer	(22)	672	0	650
Closing balance 31. 12. 2018	436	3.914	7	4.357
Accumulated depreciation				
Opening balance 1. 1. 2018	0	(351)	0	(351)
Current year depreciation	0	(72)	0	(72)
Increases	0	0	0	0
Decreases	0	0	0	0
Transfer	0	(14)	0	(14)
Closing balance 31. 12. 2018	0	(437)	0	(437)
Carrying amount				
Balance at 1. 1. 2018	458	2.881	10	3.348
Balance at 31. 12. 2018	436	3.478	7	3.921

Land

Transfer refers to an excess land that is part of the land recorded as a fixed asset. In the year 2018, as a correction of the impairment in 2017, an impairment of EUR 22 thousand was recorded in the income statement and in the table of movements of fixed assets for 2018 it is shown as adjustment in accordance with the valuation in land plots.

Real estate

The increase in the value of real estate refers to finalization of the southern wing of the first floor and the ground floor shop as well as to the value of VAT transferred from long-term receivables to the state. VAT refers to business premises where VAT is not charged for rental calculation.

Transfers refer to the reclassification of business premises in Ruše, Ravne na Koroškem and Ljubljana, which LON no longer uses to perform its activities. All premises were classified as property, plant and equipment. They are intended for sale or lease. Total value of transferred real estates from property, plant and equipment to investment property is 949 thousand EUR in the purchase value and 290 thousand EUR in the Accumulated depreciation. Transfer also includes the correction of presentation of the movement of impairment from 2017 in the total amount of EUR 276 thousand. For this value, the transfer of the purchase value and the value adjustment within this accounting category has been reduced (the correction has no effect on the carrying amount as at 31 December 2018 and 31 December 2017). As at 31 December 2017, the impairment provision was presented in the purchase value as well as in the adjustment and consequently increased the turnover. The total transfer effect is EUR 14 thousand in the value adjustment and EUR 672 thousand in the purchase value.

Impairment refers to the impairment of the business premises at Ravne na Koroškem, as the difference between the estimated and written-off value as at 31 October 2018 (note 6.6.13) and the impairment of the office building. The explanation of the latter is provided in note 6.5.7. b.

The fair value of investment property, which includes a part of the office building at Žanova 3, business premises in Ljubljana, Ravne na Koroškem and Ruše amounts to EUR 3.651 thousand. Fair valud was apprised by independent valuations prepared by an authorized appraiser of real estate values. Fair value represents the level 3 of the fair value hierarchy.

Revenues related to the lease of investment property are disclosed in note 6.6.9.

c. Changes in investment property in 2017

v 1000 EUR	Land	Real estate	Investments under preparation	Total
Purchase value				
Opening balance 31.12.2016	641	3.801	0	4.442
Increases	0	5	15	20
Disposals	0	(1.267)	(5)	(1.272)
Impairment	(183)	(839)	0	(1.022)
Transfer	0	859	0	859
Closing balance 31.12.2017	458	2.559	10	3.027
Accumulated depreciation				0
Opening balance 31.12.2016	0	(6)	0	(6)
Current year depreciation	0	(94)	0	(94)
Increases	0	0	0	0
Disposals	0	174	0	174
Transfer	0	(425)	0	(425)

Closing balance 31.12.2017	0	(351)	0	(351)
Carrying amount				
Balance at 31.12.2016	641	3.795	0	4.436
Balance at 31.12.2017	458	2.208	10	2.676

6.5.9. Intangible Assets

a. Changes in intangible assets in 2018

v 1000 EUR	Property rights	Software	Other intangible assets	Intangible assets under preparation	Total
Purchase value					
Opening balance 31. 12. 2017	84	260	6	0	350
Increases	0	28	0	47	75
Disposals	22	6	0	47	75
Closing balance 31. 12. 2018	62	282	6	0	351
Accumulated depreciation					
Opening balance 31. 12. 2017	59	171	6	0	237
Current year depreciation	3	39	0	0	42
Increases	0	0	0	0	0
Disposals	22	6	0	0	28
Closing balance 31. 12. 2018	40	204	6	0	251
Carrying amount					
Balance at 31. 12. 2017	25	89	0	0	113
Balance at 31. 12. 2018	22	78	0	0	100

b. Changes in intangible assets in 2017

in 1000 EUR	Property rights	Software	Other intangible assets	Intangible assets under preparation	Total
Purchase value					
Opening balance 31.12.2016	63	238	6	1	308
Increases	21	27	0	47	95
Disposals	0	(4)	0	(48)	(52)
Closing balance 31.12.2017	84	261	6	0	351
Accumulated depreciation					
Opening balance 31.12.2016	(57)	(134)	(6)	0	(198)
Current year depreciation	(3)	(40)	0	0	(42)
Disposals	0	3	0	0	2
Closing balance 31.12.2017	(60)	(171)	(6)	0	(237)
Carrying amount					
Balance at 31.12.2016	6	104	0	1	111
Balance at 31.12.2017	24	89	0	0	114

6.5.10. Tax assets and liabilities

In 1000 EUR	31. 12. 2018	31. 12. 2017
Current tax assets	0	0
Deferred tax assets	505	621
Tax Assets	**505**	**621**
Current tax liabilities	21	0
Deferred tax liabilities	28	0
Tax liabilities	**49**	**0**

a. Deferred taxes

in 1000 EUR	31. 12. 2018	31. 12. 2017
Provisions for jubilee awards and severance	0	27
Available for sale financial assets	0	(36)
Impairment of financial assets	0	13
Tax loss	506	617
Deferred tax assets	**506**	**621**
Provisions for jubilee awards and severance	28	0
Financial assets measured at fair value through other comprehensive income	(61)	0
Impairment of financial assets	5	0
Tax loss	0	0
Deferred tax liabilities	**(28)**	**0**

The deferred tax is segmented on provisions for jubilee awards and severance, financial assets at fair value through other comprehensive income and tax loss.
Deferred tax, which is not used from tax losses, amounts to EUR 506 thousand. The non-used tax loss as at 31 December 2018 amounts to EUR 2,876 thousand (as at 31 December 2017 EUR 3,248).

Movement of deferred taxes

In year 2018

v 1000 EUR	Opening balance 31. 12. 2017	Increase	Decrease	Closing balance 31. 12. 2018
Provisions for jubilee awards and severance	27	3	2	28
Financial assets measured at fair value through other comprehensive income	(36)	86	111	(61)
Impairment of financial assets	13	0	8	5
Tax loss	617	0	111	506
Deferred tax assets	**621**	**89**	**323**	**478**

Annual movement of deferred taxes from the elements of account of financial position and receivables from deferred tax from tax loss is evident in the financial outcome account. The movement of long-term receivables for tax from the profit of new evaluation is evident in profit from evaluation and recognized in other comprehensive income.

The decrease in deferred tax assets in 2018 results from the use of tax losses.

In year 2017

v 1000 EUR	Opening balance 31. 12. 2016	Increase	Decrease	Closing balance 31. 12. 2017
Provisions for jubilee awards and severance	16	11	0	27
Available for sale financial assets	0	0	(36)	(36)
Impairment of financial assets	14	0	(1)	13
Tax loss	59	558	0	617
Deferred tax assets	**89**	**569**	**(37)**	**621**

b. Current taxes (corporate income tax)

	Basis	Tax rate	Tax
Profit before taxes	371	19%	70
Non-deductible expenses	163	19%	31
Tax incentives	(474)	19%	(90)
Increase in the tax base - transition to IFRS 9	601	19%	114
Reduction of the tax base - provisions recognized in other comprehensive income	(3)	19%	(1)
Increase of the tax base - disposal of assets	1	19%	0
Exemption of revenue for the use of provisions that were not or have been partly recognized as an expense when designing	(7)	19%	-1)
Other	(63)	19%	(12)
Corporate income tax	**589**		**112**

Corporate income tax from other comprehensive income for the year 2018

in 1000 EUR	Basis	Tax rate	Tax
Other comprehensive income related to Financial Assets at fair value through other comprehensive income	137	19 %	26

Corporate income tax liabilities from other comprehensive income amount in 26 thousand EUR. Corporate income tax from other comprehensive income is calculated at a tax rate of 19%. Effective tax rate is 30,24%.

6.5.11. Other Assets

in 1000 EUR	31. 12. 2018	31. 12. 2017
Inventories	28	3
Receivables for paid advances	12	10
Other receivables	1	1
Accrued operating costs	0	55
Long – term receivables from state	581	672
Other Assets	622	741

Inventories account for the value of golden coins, which LON rewards to some depositors having some specialized saving products.

Receivables for given advances relate to security for payment of rent for business premises, advances for working capital and advances for the cost of valuers in the procedures for collection of loans.

Accrued operating costs account for cost of suitability assessment of members of managerial and supervisory board, which was made in 2016 for a five-year mandate, and value of advanced payments of insurance costs, accrued cost of professional literature and membership fees.

Long-term receivables pertain to VAT that was recorded as a decrease of the purchased value of the real estate available for renting in 2017. The decrease in 2018 relates to the transfer of VAT to the purchase value of an investment property for a part of the premises where LON does not charge VAT on rentals (note 6.5.8.) and the tax refund requested by LON from the state in 20-year period.

6.5.12. Financial liabilities measured at amortised cost

in 1000 EUR	31. 12. 2018	31. 12. 2017
Deposits form banks and central bank	206	206
Deposits from non-bank customers	216.075	214.291
Loans from banks and central bank	27.425	28.929
Other financial liabilities	1.715	1.786
Financial liabilities measured at amortised cost	245.421	245.212

a. Segmentation of financial liabilities measured at amortised cost by types and original maturity

in 1000 EUR	31. 12. 2018			31. 12. 2017		
	Short – term	Long - term	Total	Short – term	Long - term	Total
Deposits from banks and central bank	0	206	206	0	206	206
Deposits from non-bank customers	122.265	93.810	216.075	119.414	94.877	214.291
Loans from banks and central bank	0	27.425	27.425	0	28.929	28.929
Other financial liabilities	1.715	0	1.715	1.786	0	1.786
Financial liabilities measured at amortised cost	123.984	121.441	245.421	121.200	124.012	245.212

b. Segmentation of financial liabilities measured at amortised cost by type of financial liability and type of Creditor

As of 31. 12. 2018

v 1000 EUR	Deposits	Loans	Other financial liabilities	Total
Central Bank	0	24.776	0	24.776
Commercial banks	206	2.649	0	2.855
Other financial organization	3.966	0	824	4.790
Non-financial institutions	43.427	0	5	43.432
Public Sector	3.540	0	0	3.540
Households*	165.142	0	886	166.028
Financial liabilities measured at amortised cost	216.281	27.425	1.715	245.421

* includes Individuals and Entrepreneurs

As of 31. 12. 2017

v 1000 EUR	Deposits	Loans	Other financial liabilities	Total
Central Bank	0	25.000	0	25.000
Commercial banks	206	3.929	0	4.135
Other financial organization	4.137	0	1.019	5.156
Non-financial institutions	38.360	0	18	38.378
Public Sector	5.418	0	0	5.418
Households*	166.376	0	749	167.125
Financial liabilities measured at amortised cost	211.757	28.929	1.786	245.212

* includes Individuals and Entrepreneurs

c. Segmentation of financial liabilities measured at amortised cost to the remaining maturity

As of 31. 12. 2018

v 1000 EUR	On demand	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 year to 5 years	More than 5 years	Total
Central Bank	0	0	0	0	24.776	0	24.776
Commercial banks	0	0	0	0	1.852	1.003	2.855
Other financial organization	1.145	0	0	0	3.645	0	4.790
Non-financial institutions	29.496	1.099	1.097	9.697	1.526	517	43.432
Public Sector	345	402	240	2.173	139	241	3.540
Households*	77.420	7.146	17.889	37.618	22.432	3.523	166.028
Financial liabilities measured at amortised cost	108.406	8.647	19.226	49.488	54.370	5.284	245.421

* includes Individuals and Entrepreneurs

As of 31. 12. 2017

v 1000 EUR	On demand	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 year to 5 years	More than 5 years	Total
Central Bank	0	0	0	0	25.000	0	25.000
Commercial banks	0	0	0	0	854	3.281	4.135
Other financial organization	1.201	1.973	1.682	300	0	0	5.156
Non-financial institutions	24.031	1.556	2.251	9.363	654	523	38.378
Public Sector	302	1.398	470	2.780	253	215	5.418
Households*	73.392	9.511	19.511	32.078	29.392	3.241	167.125
Financial liabilities measured at amortised cost	98.926	14.438	23.914	44.521	56.153	7.260	245.212

* includes Individuals and Entrepreneurs

The debt to central bank from operations of the main re-financing is as on 31.12.2017 25.000 thousand EUR and as on 31.12.2018 24.776 thousand EUR. The maturity of the loan is from one to five years. The total debt is associated with assets of the central bank for targeted operations of long-term re-financing (borrowing to non-financial companies and consumers excluding housing loans). In the year 2018, EUR 224 thousand of revenue was accounted for, which relate to the period from from 29 June 2016 (for a loan in the amount of EUR 15 million) and from March 29, 2017 (for a loan in the amount of EUR 10 million). The interest rate is -0,40 %.

For all of the debt to central bank there is a collateral on the part of the fund of financial assets within the Bank of Slovenia (note 6.5.23 in the Financial report).

Debt to commercial banks is connected with six active contracts for financing from SID – Slovene development bank in the total amount of 2.855 thousand EUR. The decrease in the balance of loans results from regular monthly repayments and early repayment of a loan for EUR 475 thousand that was not drawn up in previous years.

Two contracts in the total amount of 3.000 thousand EUR are purposed for the development of competitive economy and are interested at the rate of 6-month Euribor + 1,50 % and 6-month Euribor + 1,52 % and will be mature in 2020 and 2023. The first instalment is to be paid in 12 months from receiving the first round of the credit line and the rest in the 6-months instalments. As of 31.12.2018 (the same as on 31.12.2017) all funds from these two contracts have been transferred to LON.

The contracts in the total amount of 4.000 thousand EUR are purposed for lending to physical entities and multi-flat communities for the investments for improvements of the energy efficiency of the buildings. The contractual variable interest rate is 6-month Euribor + 0,67 % or between 1,06 % and 1,47 % for loans with fixed interest rate. As at 31 December 2018, all appropriations from these dedicated contracts have been drawn up in full.

Deposits of clients, which are not banks are interested at the listed interest rate and are not changed within the deposit duration.

d. Other financial liabilities

in 1000 EUR	31. 12. 2018	31. 12. 2017
Liabilities to suppliers	661	291
Liabilities arising from settlement of transaction	708	973
Accrued expenses	174	166
Other financial liabilities	172	356
Other financial liabilities	1.715	1.786

Liabilities to suppliers are those, which were not yet due for payment as on 31.12.2018.

Liabilities arising from settlement of transaction and liabilities from non-liquidated payments include liabilities from settlement of payment.

Accrued expenses are expenses for not used holiday leave days as on 31.12.2018 (35 thousand EUR) and other expenses for which LON have not been billed yet (audit of the accounts, Bank of Slovenia supervision).

Other liabilities are associated with liabilities from over re-payment of loans (87 thousand) EUR, liabilities from liquidated saving accounts which were not raised by their owners (10 thousand EUR), liabilities arising from received pre-payment for commercial premises (EUR 34 thousand), liabilities for card clearing (EUR 15 thousand) and other liabilities.

e. Subordinated liabilities

As on 31.12.2018 LON displays subordinated liabilities which fulfil requirements of Article 62 CRR. These liabilities are to two physical entities, two non-financial companies and one bank. For all the liabilities LON got approval from the Bank of Slovenia for inclusion into calculation of the additional capital.

Subordinated liabilities to physical entities account for five contracts. The value of two contracts signed in 2015 is 1.000 thousand EUR and are interested at fixed annual rate of 5,75 %. Interest is paid out once a year and at the termination of the contract. Contracts do not have defined maturity date. LON has discrete right to terminate contract, buying-out, paying-out or earlier paying-out but not before five years and one day from the day of approval of Bank of Slovenia for inclusion subordinated debt into capital requirements calculations. In order to do so, an approval from Bank of Slovenia is again needed.

The other three contract in the value of 950 thousand EUR are interested at the rate of 6,90 % (contract in the value of 277 thousand EUR) and 7,00 % (two contracts in total amount of 673 thousand EUR). None of these contracts have defined maturity date. The termination is not possible before five years and one day from the day of approval of Bank of Slovenia. The duration of termination is 5 years.

Subordinated debt from bank was paid in December 2014 and was included in the capital calculation in July 2015. The amount of 200 thousand EUR is interested at the rate 6-month Euribor + 5,75 %, and matures on 30.9.2022. LON has discrete right to terminate contract, buying-out, paying-out or earlier paying-out but not before five years and one day from the day of approval of Bank of Slovenia for inclusion subordinated debt into capital requirements calculations.

Two contracts of the non-financial companies in the total amount of 500 thousand EUR were signed in 2015 and are interested at the fixed rate of 5,65 %. Interest are paid out once a year. LON has discrete right to terminate contract, buying-out, paying-out or earlier paying-out but not before five years and one day from the day of approval of Bank of Slovenia for inclusion subordinated debt into capital requirements calculations. The contracts mature on 1.9.2025.

None of subordinated liabilities can be converted into capital or other liabilities.

All subordinated liabilities are subordinated to other liabilities. Bank of Slovenia has an additional measure of supervision power to convert subordinated debt into ordinary shares, which is based on increase of basic capital with in-kind payment in the form of liabilities. This can be done in the case that LON would not be able to pay off all the liabilities from the current assets.

Annual movement of subordinated liabilities in 2018

in 1000 EUR	Opening balance 31.12.2017	Increase	Decrease	Closing balance 31.12.2018
Banks	205	11	(11)	205
Non-financial institutions	514	28	(28)	514
Individuals	2.020	123	(123)	2.020
Subordinated liabilities	2.740	162	(162)	2.740

The movement of subordinated liabilities is only associated with payment of interest. No new contracts were signed in 2018.

Annual movement of subordinated liabilities in 2017

in 1000 EUR	Opening balance 31.12.2016	Increase	Decrease	Closing balance 31.12.2017
Banks	205	11	(11)	205
Non-financial institutions	514	28	(28)	514
Individuals	2.020	124	(123)	2.020
Subordinated liabilities	2.739	163	(162)	2.740

6.5.13. Fair value changes of hedged items in portfolio interest rate risk liabilities

in 1000 EUR	31. 12. 2018	31. 12. 2017
Fair value changes of hedged items in portfolio interest rate risk liabilities	179	372
Fair value changes of hedged items in portfolio interest rate risk liabilities	179	372

Fair value changes of hedged items in portfolio interest rate risk liabilities is associated with one contract with interest rate swaps, for which LON accounts hedging against risk according to IAS 39 (note 6.9.).

6.5.14. Provisions

in 1000 EUR	31. 12. 2018	31. 12. 2017
Provision form jubilee awards and severance	298	291
Provisions for off-balance sheet items	69	133
Other provisions	0	1
Provisions	367	425

Provision from jubilee awards and severance to employees are reservations for lay-off bonuses and jubilee awards according to IAS19.

Provisions for off-balance sheet items are made for adopted financial liabilities according to IFRS 9.

Other provisions are associated with obtaining free fixed assets and are reduced annually for accrued depreciation.

a. Provision for jubilee awards and severance

in 1000 EUR	31. 12. 2018	31. 12. 2017
Provision for severance	253	240
Provision form jubilee awards	45	51
Provision form jubilee awards and severance	**298**	**291**

Annual movement of Provision for jubilee awards and severance

In year 2018

v 1000 EUR	Provisions for severance	Provisions for jubilee awards	Total
Opening balance 31.12.2017	**240**	**51**	291
Increase	20	9	29
Reversals	(7)	(13)	-20
Utilisation	0	(2)	-2
Closing balance 31.12.2018	**253**	**45**	298

In year 2017

v 1000 EUR	Provisions for severance	Provisions for jubilee awards	Total
Opening balance 31.12.2016	185	48	233
Increase	55	9	64
Reversals	0	0	0
Utilisation	0	(6)	(6)
Closing balance 31.12.2017	**240**	**51**	**291**

The new calculated liabilities to employees for payment of jubilee rewards and lay-off bonuses account for 298 thousand EUR.

The increase of provisions for lay-off bonuses for expenses in this period in amount of 20 thousand EUR (15 thousand EUR from reservations and 5 thousand for interest for the reservation) was included into the business income (labour and interest cost), while the actuary deficit was included into other comprehensive income. The total value of actuary deficit in the amount of 7 thousand is accounted as an increase of re-evaluation of other elements (note 6.5.18.).

The increase of provisions for jubilee rewards for expenses in the period in amount of 9 thousand EUR (8 thousand EUR from reservations and 1 thousand for interest for the reservation) was included into the business income (labour cost and interest cost), while the actuary deficit is made through other comprehensive income. The total value of actuary deficit for 1 thousand is accounted as an increase of re-evaluation of other elements (note 6.5.18.).

In 2018, the jubilee rewards were paid to 3 employees (in 2017 to 13 employees). Rewards were paid according to Collective agreement for banking in the total amount of 2 thousand EUR. Retirement fees were not paid out in 2018.

Provisions for lay-off bonuses as well as provisions for jubilee rewards are accounted for in accordance with IAS 19 based on an actuarial calculation and represent other labour costs.

The calculation is made on the level of an individual employee in the way that it takes into account the cost of lay-off fee at retirement, which he/she is entitled according to employment agreement, and the cost of expected jubilee awards for the whole working period or working period in LON until the retirement.

b. Provisions for off-balance sheet items

in 1000 EUR	31. 12. 2018	31. 12. 2017
Provision for undrawn borrowings – loans	45	91
Provision for undrawn borrowings – credit cards	13	12
Provisions for guarantees	11	30
Provisions for off-balance sheet items	69	133

Movement of Provisions for off-balance sheet items

In year 2018

Movement of the provisions for off-balance sheet items is disclosed in note 2.3.7 of the Risk management section of this Annual Report.

In year 2017

in 1000 EUR	Provision for undrawn borrowings – loans	Provision for undrawn borrowings – credit cards	Provisions for guarantees	Total
Opening balance 31.12.2016	113	6	54	173
Increase	1.654	86	17	1.757
Utilization	(1.676)	(80)	(41)	(1.797)
Closing balance 31.12.2017	91	12	30	133

6.5.15. Other liabilities

in 1000 EUR	31. 12. 2018	31. 12. 2017
Received advances	19	19
Deferred revenue	126	129
Other liabilities	214	54
Other liabilities	**359**	**202**

Received advances are payments for current accounts by legal entities and sole proprietors paid in advance.
Deferred revenue is that accounted in advance, like three-month fees for guarantee statements. Other liabilities are accounted tax for financial services.

Other liabilities relate to liabilities arising from the VAT and Tax on financial transactions and short-term deferred revenues from the purchase of receivables.

6.5.16. Share capital

In the capital raise process conducted in 2018, LON issued 40.000 ordinary shares labelled LONR at nominal price of 75,00 EUR and selling price of 105,00 EUR per share. The capital raise process was divided into two rounds:

- In the first subscription round, which took place from 27 March 2018 until 9 April 2018, new shares could only be subscribed by existing LON shareholders or by investors who have subscribed and paid up new shares on the basis of the transferred right of existing shareholders;
- While in the second subscription round, which took place from 27 March 2018 to 25 May 2018, new shares could be subscribed by both existing and other investors, with the amount of individual payments being higher than 100 thousand EUR.

Within the first subscription round of the capital raise process, which ended on April 25, 2018, existing investors subscribed and paid 21.658 shares. The total emission value of the first round amounted to 2,274 thousand EUR. The basic capital increased for 1,624 thousand EUR and the capital reserves for 650 thousand EUR.

In the second subscription round, which ended on 25 May, 2018, 18.342 shares were paid in. Total value of shares issued in the second round is amounted in 1,926 thousand EUR. The basic capital increased for 1,376 thousand EUR and the capital reserves for 550 thousand EUR.

Transactional costs related to capital raise process amounted to 40 thousand EUR and are recorded as a decrease in retained earnings as disclosed in note 6.5.19.

The total number of shares as on 31 December 2018 is 115.856 in the nominal value of 75,00 EUR per share. As on 31 December 2018 the number of shared marked as LONR listed in the Central Securities Depository Register (KDD d.o.o.) is 115.757. For 99 shares, LON has got partial rights, which evolved in 2000 after the conversion of certain elements of capital into basic capital, which changed the nominal value of a share. Taking into account the legal requirements about nominal value of the share, this part of the new capital cannot be transferred in the form of the entire share.

The shares were issued in 14 emissions of ordinary shares and two emissions of preference shares: 1.225 shares of preference shares rank A (emission I.A) and 1.594 shares of rank B (emission I.B), 5.335

shares of second emission (II.B), 1.400 shares of the third emission (III.B), 780 shares of the fourth emission (IV.B), 2.400 shares of the fifth emission (V.B), 3.334 shares of the sixth emission (VI.B), 4.000 shares of the seventh emission (VII.B), 5.000 shares of the eight emission (VIII.B), 8.000 shares of the ninth emission (IX.B), 6.307 shares of the tenth emission (X.B), 4.046 shares of the eleventh emission (XI.B), 7.070 shares of the twelfth emission (XII.B), 20.182 shares of the thirteenth emission (XIII.B), 5.183 of second emission preference shares of rank A (II.A) and 40.000 shared of the fourteenth emission (XIV.).

Based on resolution of the 32. General Assembly about the statute changes and resolution taken on the separate assembly of the preference shareholders (both events were on 14 December 2017) the rank of priority shares was eliminated. The amendment entered into force by the entry of amendments to the Articles of Association in the Court Register on 15 December 2017. The conversion of preference shares into ordinary shares was carried out on 8 January 2018 in the Central Securities Depository Register (KDD).

Shares carry the following rights: one share gives one vote at the general assembly, proportional right to dividends, are issued to a name and can be transferred in a way defined in the Companies Act and statute.

All shares are signed in and paid.

Overview of the 10 largest shareholders of LON as at 31.12.2018

	Number of shares	% in equity
Kylin prime Group AG	11.502	9,93 %
Diamant IN d.o.o.	11.500	9,93 %
Fin_Nep d.o.o.	11.500	9,93 %
Sagrada d.o.o.	11.500	9,93 %
Zlata doba d.o.o.	11.140	9,62 %
GIC Gradnje d.o.o.	3.416	2,95 %
Lendmark d.o.o.	1.865	1,61 %
3 individuals among 10 largest shareholders	28.803	24,86 %
Total 10 largest shareholders	91.226	78,74 %
Other shareholders	24.523	21,17 %
Treasury shares	8	0,01 %
Total shares, without partial rights	115.757	99,91 %
Partial rights	99	0,09 %
Total shares	115.856	100,00 %

As of 31 December 2018, there are 250 shareholders in total registered in the shareholders' book. Shares are issued in non-materialized form and entered into the Central Securities Depository Register (KDD d.d.).

6.5.17. Share premium

Capital reserves come from over subscription of capital, which is the difference between the selling price and the nominal value of the new emission of shares.

In 2018 share premium increased by 1,200 thousand EUR, which refers to the difference between nominal price (75,00 EUR) and selling price (105,00 EUR) of the shares issued in 2018.

6.5.18. Revaluation reserves and other valuation differences

in 1000 EUR	31. 12. 2018	31. 12. 2017
Revaluation reserves from financial assets at fair value through other comprehensive income	266	156
Other valuation differences	(140)	(147)
Revaluation reserves and other valuation differences	**126**	**9**

Financial assets at fair value measured through other comprehensive income comprise of securities classified according to the cash flow and sales model. There were no new financial assets allocated in this group of financial assets in 2018, however 8,000 thousand EUR of securities issued by other financial organizations were due (refer to note 6.5.5.).

Other comprehensive income related to financial assets at fair value through other comprehensive income increased by 315 thousand EUR and decreased by 204 thousand EUR in 2018. An increase refers to a change in the fair value of an individual financial instrument that, before the sale, is disclosed in other comprehensive income in the fair value reserve item. The decrease, however, relates primarily to the matured government bond that was included in the hedge accounting. When adopting hedge accounting principles, a financial asset included in HA was reclassified from the group of HTM financial assets to AFS financial assets. The change in the value was recognised in other comprehensive income relating to AFS financial assets. In 2018 a bond, for which the other comprehensive income was formed, matured. The effect from 2008 has been transferred from the other comprehensive income to the income statement as a loss on available-for-sale financial assets in accordance with IAS 39.55 (see note 6.6.5.).

Movement and the carrying amount of Financial Assets at fair value through other comprehensive income is disclosed in note 6.5.5.

Other comprehensive income refers to the actuarial deficit for severance pay and jubilee bonuses. In 2018, the carrying amount of the actuarial deficit increased by 41 thousand EUR. Deferred tax, which represents temporary differences, accounted for deferred tax for 15 thousand EUR (see note 6.5.14.).

6.5.19. Profit reserves

in 1000 EUR	31. 12. 2018	31. 12. 2017
Legal reserves	79	79
Reserves for treasury shares	1	1
Other profit reserves	4.791	4.791
Profit reserves	4.872	4.872
Retained earnings	(1.959)	(221)
Profit reserves with retained earnings	2.913	4.651

Retained loss in the amount of 1.959 thousand EUR as on 31 December 2018 includes the loss of year 2017 in the amount of 2.533 thousand EUR, decreased by current year profit in the amount of 259 thousand EUR, elimination of the impairment of financial assets that occurred in the transition to IFRS 9 in the amount of EUR 576 thousand and increase of transaction costs related to the capital raise process in April and May 2018 (refer to note 6.5.16.). Current year net profit in the amount of 259 thousand EUR was transferred in accordance with paragraph 11. of Article 64. of the Companies Act.

6.5.20. Treasury reserves

On 31 December 2018 LON owns 8 treasury shares. The balance equals balance as of 31 December 2017.

6.5.21. Net profit (loss) for the year

Current year net profit in the amount of 259 thousand EUR was transferred to retained earnings in accordance with paragraph 11. of Article 64. of the Companies Act.

6.5.22. Balance sheet available profit

in 1000 EUR	31. 12. 2018	31. 12. 2017
Net profit (loss) for the year	259	(2.533)
Distribution made by Management Board	259	0
- Increase of other reserves	259	0
Reduction of reserves for treasury shares	0	0
Balance sheet available profit	0	(2.533)

According to Companies Act the balance sheet available profit (loss) is the sum of the retained earnings (losses) of the previous year and of the current year's net profit (loss) minus the additional formation of reserves from profit. Year 2017 balance sheet loss in the amount of 2.533 thousand EUR was decreased for the current year profit in the amount of 259 thousand EUR as well as for the reductions of financial assets impairments as a result of IFRS 9 implementations.

Balance sheet available profit for 2018 equals 0,00 EUR.

6.5.23. Contingent liabilities, assumed financial obligations and Contingent assets

in 1000 EUR	31. 12. 2018	31. 12. 2017
Contingent liabilities, assumed financial obligations	92.954	82.397
Assumed obligations from guarantees	6.181	8.865
Assumed obligations from approved loans, credit lines and other assumed financial obligations	8.667	7.676
Derivatives	4.000	4.000
LON's pledged financial assets to Bank of Slovenia	73.904	61.704
Other off-balance-sheet liabilities	202	152
Contingent assets	295.260	220.237
Received collateral	295.260	220.237
Contingent liabilities, assumed financial obligations and Contingent assets	388.214	302.634

Contingent liabilities, assumed financial obligations

Contingent liabilities arising from guarantees, letters of credit and other contingent liabilities (including pledged assets for client's obligations) include the status of issued guarantees and binding statements on the issue of a guarantee. Financial guarantees relate to guarantees for payment of rents and financial coverage.

in 1000 EUR	31. 12. 2018	31. 12. 2017
Guarantee for the seriousness of the offer	3	0
Guarantees for successful completion of projects	726	684
Guarantee for correction faults within the warranty period	2.183	2.702
Guarantee framework	2.005	4.090
Financial guarantees	1.264	1.389
Assumed obligations from guarantees	6.181	8.865

The assumed obligations from approved loans, credit lines and other assumed financial obligations consist of approved undrawn limits for banking accounts of households and legal entities, approved limits according to the MasterCard payment card, approved framework credits and approved unpaid loans.

in 1000 EUR	31. 12. 2018	31. 12. 2017
Approved extended credit to households' bank accounts	1.587	1.639
Approved extended credit for MasterCard payment cards	1.038	922
Approved extend credit to companies	3.145	3.364
Approved credit lines to companies	713	1.072
Approved, not withdrawn loans	2.184	679
Assumed obligations from approved loans, credit lines and other assumed financial obligations	8.667	7.676

The derivatives in the amount of 4.000 thousand EUR refer to the contractual amounts of interest rate swaps. The transactions are from 2008 and were acquired in order to protect the interest rate risk in the banking book.

LON's pledged financial assets to Bank of Slovenia were formed based on the Decision on general rules for the implementation of monetary policy and the Guarantee requirements for eligible underlying assets of the Euro system. The pledged founds include long-term securities issued by the Republic of Slovenia (bonds) and bonds issued by commercial bank with the government warranty. In the case of providing short-term or long-term liquidity, LON can participate in open market operations of the Euro system (main refinancing operations, longer-term refinancing operations and fine-tuning operations) in the amount of the pledged financial assets. As of 31 December 2018, the carrying amount of pledged financial assets was 35,000 thousand EUR (as of 31 December 2017 32,426 thousand EUR). The amount of unused but pledged financial assets (with considered value adjustments according to the Bank of Slovenia calculation) is 10,223 thousand EUR (as of 31 December 2017 7,426 thousand EUR). A portion of the pledged financial assets in the amount of 25,005 thousand EUR is used for the long-term loans from the ECB (refer to note 6.4.2. and 6.4.23.). In addition, LON has pledged another EUR 793 thousand for the Rescue Fund for Banks and Savings Banks in accordance with the Banking and Disbursing Act.

Other off-balance-sheet liabilities refer to two legal proceedings against LON. Both proceedings were initiated by the former President of the Management Board, who performed the function in the period from 20.5.2016 until 10.6.2016. In 2018, the applicant lost the first-instance court lawsuit, the off-balance sheet has not yet been corrected due to the fact that one procedure is still pending. As at 31 December 2018, the conditions for the recognition of a reservation have not yet been met.

Contingent assets

The received collateral is provided by the borrowers for obtaining loans and for the issued warranties and guarantees. These are collateral with mortgages, securities, deposits, movable property and guarantees that LON cannot pledge to insure its obligations towards third parties. The largest share relates to insurance with insurance companies and to mortgages on residential real estate.

6.6. NOTES TO THE INCOME STATEMENT

6.6.1. Interest income

a. Segmentation on types of assets and types of interest income

v 1000 EUR	2018			2017		
	Ordinary Interest	Interest on Late Payments	Total	Ordinary Interest	Interest on Late Payments	Total
Cash and balances at the central bank	0	0	0	0	0	0
Financial assets held for trading	0	0	0	0	0	0
Derivatives used for hedging	0	0	0	0	0	0
Available – for – sale financial Assets	0	0	0	511	0	511
Financial assets at fair value through other comprehensive income	310	0	310	0	0	0
Loans	0	0	0	6.500	126	6.626
- To banks	0	0	0	0	0	0
- To non-bank customers	0	0	0	6.500	126	6.626
Financial assets at amortised cost	7.584	10	7.593	0	0	0
- Loans	7.372	10	7.382	0	0	0
- Debt securities	211	0	211	0	0	0
Hold – to – maturity Financial Assets	0	0	0	320	0	320
Other Assets	224	0	224	1	0	1
Interest income	8.117	10	8.127	7.332	126	7.458

6.6.2. Interest expenses

a. Segmentation of interest expense on types of liabilities and types of interest

in 1000 EUR	2018			2017		
	Ordinary Interest	Interest on Late Payments	Total	Ordinary Interest	Interest on Late Payments	Total
Central bank deposits and loans	50	0	50	34	0	34
Financial liabilities hold for trading	0	0	0	5	0	5
Derivatives used for hedging	193	0	193	243	0	243
Financial liabilities measured at amortised cost	1.204	0	1204	1.408	0	1.408
- deposits	989	0	989	1.181	0	1.181
- loans	52	0	52	64	0	64
- subordinated liabilities	163	0	163	163	0	163
Negative interests in Financial Assets	5	0	5	24	0	24

Other	6	0	6	4	0	4
Interest expense	1.458	0	1.458	1.718	0	1.718

b. Interest expense from Subordinated liabilities

In 2018 LON accrued 163 thousand EUR of interest from subordinated liabilities, in 2017 163 thousand EUR. In 2018 LON paid 160 thousand EUR interest from subordinated liabilities (the same as in 2017).

6.6.3. Fee and commission Income

in 1000 EUR	2018	2017
Fees from guarantees	100	121
Fees from performing payment services	1.747	1.645
Fees from loans	241	392
Fees from administrative services	752	670
Fees from other services	5	6
Fee and commission Income	2.845	2.834

6.6.4. Fee and commission Expenses

v 1000 EUR	2018	2017
Fees for performed payment services	329	321
Fees for performed FX services and commission operations	53	55
Fees for performed services related to financial assets	25	23
Fees for performed other services	170	91
Fee for other services	3	0
Fee and commission Expenses	580	490

6.6.5. Realised gains and losses on financial assets and liabilities not measured at fair value through profit or loss

Segmentation by types of business and assets

in 1000 EUR	2018	2017
Realised gains on Financial assets at fair value through other comprehensive income	0	3
Realised gains on Loans	39	17
Realised gains on financial assets measured at amortized cost	1	0
Realised gains	40	20
Realised losses on Financial assets at fair value through other comprehensive income	(62)	(180)
Realised losses on Loans	(31)	(69)
Realised losses	(93)	(249)
Realised gains and losses on financial assets and liabilities not measured at fair value through profit or loss	(53)	(229)

Realised gains from loans refer to payment of loans that were written off in the previous years.

Realised losses on available-for-sale financial assets relate to the transfer of a debt securities revaluation adjustment that was created in 2008, when LON introduced a specific hedge accounting principle into Income Statement. By introducing the hedge accounting rules, LON has transferred financial assets that were classified as HTM to AFS group; the change in value of transferred financial assets was recognised in Other Comprehensive Income. In 2018 the hedged debt securities matured, therefore Other Comprehensive Income was transferred into Income Statement according of IAS 39.55. The loss is classified as realised loss on available-for-sale financial assets.

Realised losses on loans in the amount of 31 thousand EUR refer to loans that were written-off and were not impaired by 100%

6.6.6. Gains and losses of financial assets and liabilities held form trading

v 1000 EUR	2018	2017
Net gains/losses buying and selling foreign currencies	10	11
Net gains/losses from derivatives	0	4
Net gains / losses on financial assets and liabilities held for trading	10	15

Net gains on purchases and sale of foreign currencies arise from operating with foreign currencies in LON branches.

6.6.7. Change in fair value in hedge accounting

in 1000 EUR	2018	2017
Fair value of derivative used for hedging financial instrument against interest rate risk	192	241
Fair value of hedged financial instruments	(214)	(270)
Fair value adjustments of derivative used for hedging financial instrument against interest rate risk	(22)	(29)

For additional disclosures regarding hedge accounted refer to note 6.9.

6.6.8. Gains and losses on derecognition of assets other than held for sale

v 1000 EUR	2018	2017
Gains	8	71
Losses	(45)	(5)
Gains and losses on derecognition of assets other than held for sale	(37)	66

Gains refer to surplus of sold (disposed) fixed assets as disclosed in note 6.5.8.

The loss in the amount of 43 thousand EUR refer to the negative difference between selling price and book value of property and the book value of equipment that was derecognized after the annual inventory (note 6.5.7.). The amount of 2 thousand EUR refers to write-off of negative balances from transactional accounts of individuals closed during the year 2018.

6.6.9. Other operating net income/ (loss)

v 1000 EUR	2018	2017
Income	136	120
Loss	(119)	(104)
Other operating net income/ (loss)	17	16

Other operating income in the amount of 136 thousand EUR arise from commissions received by LON in the context of business cooperation with others (30 thousand EUR), rental income (51 thousand EUR), insurance compensation (5 thousand EUR) and other revenues (17 thousand EUR) and ZRSZ subsidy (EUR 3 thousand).

Loss in the amount of 119 thousand EUR relate to paid contributions for the building land (42 thousand EUR), contributions from fees paid to Members of Supervisory board (10 thousand EUR), other contributions (12 thousand EUR), membership fees (37 thousand EUR) and similar costs.

6.6.10. Administrative costs

in 1000 EUR	2018	2017
Staff costs	4.289	4.218
Other Administrative Costs	3.303	3.174
Administrative costs	7.592	7.392

a. Staff costs

in 1000 EUR	2018	2017
Gross salaries	3.340	3.266
Contribution for social security	218	215
Contribution for pension security	294	290
Other contributions levied on gross salaries	23	23
Other staff costs	414	424
• Compensation for transportation to (from) work	106	106
• Compensation for meals during work	143	145
• Other employee costs, holiday allowances	165	173
Staff costs	4.289	4.218

b. Other administrative costs

v 1000 EUR	2018	2017
Material costs	69	96
Energy costs	91	104
Costs for professional publications	13	18
Other costs	19	18
Total Material costs	192	236
Services provided by others including software rental	2.069	2.030
Real estate rents	144	154

Marketing	110	119
Costs of fixed assets maintenance and security	195	197
Consulting and auditing services	306	187
Entertainment expenses	26	23
Training	46	35
Insurance	51	50
Travel costs	35	31
Supervision costs	129	112
Total costs of Services	3.111	2.938
Other Administrative Costs	3.303	3.174

The value of the contract for the audit of the financial statements for 2018, signed in September 2018, is 44 thousand EUR excluding VAT. The auditor of the financial statements was appointed at the July 2018 Assembly for the period 2018 - 2020.

The contractual value of the additional audit report on the compliance with risk management rules, as defined in the Resolution on the Minimum Scope and Contents of the Additional Audit Report and the Additional Auditor's Report on Compliance with the Rules on Risk Management in Banks and Savings Banks, amounts to 4 thousand EUR excluding VAT.

6.6.11. Depreciation

in 1000 EUR	2018	2017
Depreciation of property, plant and equipment	405	478
Depreciation of intangible fixed assets	42	42
Depreciation of investment property	72	94
Depreciation	519	614

6.6.12. Provisions

in 1000 EUR	2018	2017
Provisions for off balance sheet items - transactional accounts	16	0
Provisions for off balance sheet items – loans and credit lines	(2)	(23)
Provisions for off balance sheet items – warranties and other guaranties	2	(25)
Provisions for off balance sheet items – payment cards	(16)	6
Provisions for severance and jubilee awards	(8)	15
Provisions for property, plant and equipment free of charge	0	(1)
Provisions	(8)	(28)

6.6.13. Impairments

in 1000 EUR	2018	2017
Impairments	(1.674)	(2.522)
Reversal of impairments	1.980	2.740
Impairments of loans measured at amortised cost	306	222
Impairments	(8)	(19)
Reversal of impairments	10	0
Impairments of debt securities measured at amortised cost	2	(19)
Impairments of financial assets measured at amortised cost	308	203
Impairments	(24)	0
Reversal of impairments	39	0
Impairments of financial assets measured at fair value through other comprehensive income	15	0
Impairments of financial assets not measured and fair value through profit and loss	323	203
Impairment of property, plant and equipment	(213)	(2.209)
Impairment of investment property	(469)	(1.022)
Impairments of other assets	0	(1)
Impairments of other assets	(682)	(3.232)
Impairments	(359)	(3.029)

Impairments of financial assets not measured at fair value through profit or loss relate to impairments of financial assets at fair valued through other comprehensive income, impairments of financial assets at amortised cost as disclosed in note 6.5.5. and 6.5.6.

This note shows the net result of value adjustments of these items. In accordance with IFRS and its methodology, the Risk Management Department regularly reviews financial assets and makes appropriate value adjustments recognized in the income statement as impairments. In the case of repayments of such receivables by debtors, LON reverses value adjustments, which is presented as release of impairment in the Income Statement. An offset amount is disclosed in the income statement (e.g. surplus of new impairments above release of impairments or vice versa).

An explanation of the impairment of other assets, which includes the impairment of property, plant and equipment and impairment of investment property is provided in note 6.6.7. and 6.5.8.. On the basis of the independent valuation the impairments of property plant and equipment amounted to 469 thousand EUR, whilst the impairments of investment property amounted to 188 thousand EUR. The difference between expenses for impairment of property, plant and equipment and impairment on the basis of the 2018 valuation in the amount of 25 thousand EUR relates to the impairment of property, plant and equipment from 2017, as presented in note 6.5.7. a).

6.7. CASH AND CASH EQUIVALENTS

in 1000 EUR	31. 12. 2018	31. 12. 2017
Cash and cash balances with the Central Bank (note 6.5.1.)	44.529	25.701
Total cash and cash equivalents	44.529	25.701

6.8. STATEMENT OF FINANCIAL POSITION AT FAIR VALUE

in 1000 EUR	31. 12. 2018	
	Book value	Fair value
Assets		
Cash and Cash equivalents	44.529	44.529
Financial assets at fair value through other comprehensive income	16.719	16.719
Financial Assets at amortized costs	191.555	190.456
- Debt securities	40.165	40.165
- Loans to banks	0	0
- Loans to non-bank customers	151.192	150.094
- Other financial assets	197	197
Property, plant and equipment	6.550	6.550
Investment property	3.891	3.891
Liabilities		
Financial liabilities measured at amortised cost	245.421	245.421
Derivatives – Hedge accounting	179	179
Provisions	367	367
Other liabilities.	359	359

in 1000 EUR	31. 12. 2017	
	Book value	Fair value
Assets		
Cash and Cash equivalents	25.701	27.501
Available-for-sale financial assets	39.738	39.738
Loans	146.904	147.755
Hold-to-maturity financial Assets	35.016	36.027
Property, plant and equipment	7.754	7.754
Investment property	2.676	2.676
Liabilities		
Financial liabilities measured at amortised cost	245.212	245.212
Derivatives – Hedge accounting	372	372
Provisions	425	425
Other liabilities.	202	202

Fair value is calculated for items measured at amortized cost or purchase value.

The fair value of loans is calculated using the discounted cash flow of an item at market interest rates on the date of the statement of financial position.

6.8.1. Assets

For the calculation of the fair value of assets market interest rate is used. Under the market interest it is understood the interest rate that LON used for the same transactions on the date of the statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets hierarchically by valuation levels:

in 1000 EUR	31. 12. 2017	
	Fair value determined using market data (Level 2)	Fair value determined using valuation models (level 3)
Equity instruments at fair value	0	673
Equity instruments at purchase value	0	0
Debt securities	38.860	205
- Issued by state and central bank	24.747	0
- Issued by other commercial banks	14.113	0
- Issued by others	0	205
Available – for – sale financial assets	38.860	878

Financial assets held-to-maturity

in 1000 EUR	31. 12. 2017	
	Amortized Cost	Fair value determined using valuation models (level 3)
Issued by state and central bank	23.056	21.249
Issued by other commercial banks	9.994	9.954
Issued by others	1.966	2.102
Debt securities	35.016	33.305
Hold – to – maturity financial assets	35.016	33.305

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income hierarchically by valuation levels

v 1000 EUR	31. 12. 2018	
	Fair value determined using valuation models (level 2)	Fair value determined using valuation models (level 3)
Shares and stakes	0	673
Debt securities	15.650	0
Issued by state and central bank	15.650	0
Financial assets at fair value through other comprehensive income	15.650	673

Fair value of Financial Assets at fair value measured through other comprehensive income is determined by using the closing price of each financial assets published in Bloomberg on the date of the Statement of the financial position. If the price is not available, fair value is determined by using prices of a similar financial assets or by usage of models. The fair value of Financial Assets at fair value measured through other comprehensive income equals to its book value.

Financial Assets at fair value measured through other comprehensive income include debt securities issued by the state and non-financial institutions and investment under the Bank Resolution Authority and Fund Act which was established by the Bank of Slovenia at end of March 2015.

The fair value of debt securities issued by the state, banks and others is determined on the basis of the stock price. Financial assets are listed on stock exchanges in Ljubljana and Luxembourg.

Fair value of investment under the Bank Resolution Authority and Fund Act is determined based on originally paid in assets.

Financial Assets at amortized costs

in 1000 EUR	31. 12. 2018	
	Amortized Cost	Fair value determined using valuation models (level 3)
Issued by state and central bank	37.544	36.742
Issued by others	2.622	3.483
Debt securities	40.166	40.225
Financial assets at amortized costs	40.166	40.225

The second level includes financial assets (bonds) that are traded on a regulated market (domestic or foreign). Presented fair value equals the market price for each financial asset at a cut-off date, published on Bloomberg. The financial assets are listed on the Ljubljana, Ireland and Luxembourg stock exchanges.

6.8.2. Liabilities

For calculating the fair value of financial liabilities LON uses the effective interest rate that would be paid by LON if it had received financial liabilities with the same maturity as the residual maturity of the liability.

Financial liabilities held for trading and Derivatives – Hedge accounting
Fair value of financial liabilities held for trading and the fair value of derivative equals their carrying amount.

Financial liabilities measured at amortised cost
The fair value of financial liabilities measured at amortized cost is calculated on the basis of the market interest rate at the date of the Statement of financial position.

6.9. HEDGE ACCOUNTING

Hedge accounting was applied as of 1 July 2008 using IAS 39 (Articles from 71 to 102). Hedging is formally marked. LON defined hedged assets and derivatives as well as the type of risk hedging is accounted for. At the time of the introduction of hedge accounting rules, a test was carried out which showed that effective hedging is expected in all reporting periods that can be reliably measured.

LON uses fair value hedging on financial instrument that are valued through other comprehensive income with maturity in February 2019. Fair value hedging refers to transformations of fixed interest rate into variable one, thus achieving the adjustment of the characteristics of its liabilities to asset characteristics in assets. With the derivatives LON hedges the asset (or part of the asset) or liability (or a part of the liability) that will be exposed to the interest rate risk in the future and will affect LON's profit.

a. Fair value changes of hedged financial assets

Items included in hedge accounting principles are classified in AFS financial assets and are valued at fair value since the HA principles were applied (1 July 2008). Fair value changes are presented in other comprehensive income (revaluation adjustment) and are transferred to the income statement, excluding credit and liquidity risk. The change of fair value of hedged items recognised in Income statement was (214) thousand EUR in 2018 and (270) thousand EUR in 2017.

b. Fair value changes of the derivative

In 2017 the Fair value changes of the derivate was 192 thousand EUR (in 2017 241 thousand EUR).

in 1000 EUR	2018	2017
Fair value hedging		
Changes of the derivative	192	241
Changes of the hedged financial asset	(214)	(270)
Total effect in the Income statement	(22)	(29)

c. Other comprehensive Income (revaluation adjustments)

in 1000 EUR	31. 12. 2018	31. 12. 2017
Other comprehensive income related financial assets measured at fair value OCI		
Other comprehensive income related to AFS financial assets – hedged items	35	33
Other comprehensive income related to AFS financial assets – unhedged items	314	394
Other comprehensive income related to AFS financial assets – transferred to profit or loss	(21)	(235)
Deferred income from other comprehensive income related to AFS financial assets	(62)	(36)
Total	266	156
Other comprehensive income related to provision for severance and jubilee awards		
Other comprehensive income related to provision for severance and jubilee awards	(155)	(162)
Deferred income from other comprehensive income related to provision for severance and jubilee awards	15	15
Total	(140)	(147)
Total other comprehensive income (revaluation adjustments)	126	9

d. Annual movement of other comprehensive income

In 1000 EUR	2018	2017
Opening balance 1.1.	9	15
Increase/ (decrease) of Other comprehensive income related to AFS financial assets	(80)	(335)
Increase/ (decrease) of Other comprehensive income related to AFS financial assets - transferred to profit or loss	204	270
Increase/ (decrease) of Other comprehensive income related provision for severance and jubilee awards	(7)	40
Deferred tax in changes in other comprehensive income	0	19
Closing balance 31.12.	126	9

Deferred income taxes are charged on the other comprehensive surplus of 19%.

6.10. RELATED PARTIES

Related parties in accordance with IAS 24 include people in a special relationship defined in paragraph 2 of Article 149 of the ZBan-2, namely members of the Management Board and their close family members, members of the Supervisory Board and their close family members, holders of a qualifying share and senior management. There are no other people in a special relationship towards LON on December 31, 2018 (and December 31, 2017).

For the purpose of this disclosure, the "related parties " refers to the immediate family members of the members of the Management Board and the Supervisory Board.

6.10.1. Related parties Receivables

v 1000 EUR	31. 12. 2018	31. 12. 2017
Members of Management Board	28	30
Members of Supervisory Board	0	0
Related parties	9	5
Senior management	129	112
Related parties Receivables	166	147

Receivables from members of the Management Board include approved long-term loans, granted credit line in personal banking accounts and used funds in payment card. As of 31 December 2017 LON does not have claims towards the members of the Supervisory Board or related parties to the members of the Supervisory Board. Claims towards employees, who are defined as senior management, refer to loans granted in the outstanding amount of 129 thousand EUR.

6.10.2. Related parties Liabilities

v 1000 EUR	31. 12. 2018	31. 12. 2017
Members of Management Board	56	31
Members of Supervisory Board	0	0
Related parties to member of Management and Supervisory Board	3	4
Senior management	60	91
Related parties Liabilities	119	126

Liabilities to members of the Management Board, to related parties to member of Management and Supervisory Board and to members of senior management refer to the positive balance on the banking accounts and deposits.

6.10.3. Payments to related parties

Paid interest arising from deposits, savings and balances on related party transactions in the years 2017 and 2018 amounted to less than thousand EUR.

6.10.4. Payments received from related parties

v 1000 EUR	31. 12. 2018	31. 12. 2017
Members of Management Board	1	1
Members of Supervisory Board	0	0
Related parties to member of Management and Supervisory Board	0	3
Senior management	2	3
Off balance sheet items	3	7

The payments received from related parties refer to interest arising from concluded credit agreements. No other payments of related parties were received by LON.

6.10.5. Remuneration of the members of the Management Board and Supervisory Board

In year 2018

v 1000 EUR	Salaries	Bonuses	Employment benefits	Total
dr. Jaka Vadnjal	155	0	4	159
Bojan Mandič	135	0	4	139
Total	290	0	8	298

The Employment benefit is calculated for the use of the official car for private purposes.

v 1000 EUR	Payment for the performance of the function and attendance fee			
	Supervisory board	Audit committee	Risk Committee	Total
mag. Srečko Kenda	6	0	1	7
dr. Robert Ličen	16	3	2	21
mag. Branka Remškar	14	2	2	18
Janez Jelovšek	6	1	0	7
Janko Medja, MBA	28	0	3	31
dr. Miha Šlamberger	10	2	0	12
mag. Anton Rop	7	0	1	8
Total	87	8	9	104

In year 2017

v 1000 EUR	Salaries	Bonuses	Employment benefits	Total
dr. Jaka Vadnjal	157	0	5	162
Bojan Mandič	136	0	5	142
Total	293	0	10	304

The Employment benefit is calculated for the use of the official car for private purposes.

As of 31 December 2017, Members of the Management Board owned 178 LON shares, which represents 0,23 % of the share capital. The related parties to the Members of the Management Board do not own LON shares.

v 1000 EUR	Payment for the performance of the function and attendance fee			
	Supervisory board	Audit committee	Risk Committee	Total
mag. Srečko Kenda	29	3	3	35
dr. Robert Ličen	14	3	0	17
mag. Branka Remškar	14	0	3	17
Janez Jelovšek	14	4	0	18
Janko Medja	14	0	4	18
Total	85	10	10	105

As of 31 December 2017, members of the Supervisory Board and related parties to the Members of the Supervisory board own 271 LON shares which represents 0,36 % of share capital.

6.10.6. Remuneration of employees with individual contracts

In year 2018

v 1000 EUR	Salaries	Bonuses	Employment benefits	Total
Other employees employed by individual employment contracts	412	3	4	419
Total	412	3	4	419

As of 31 December 2018, LON employs 9 people who have an individual employment contract. All of them are employed as heads of business branches.

In year 2017

v 1000 EUR	Salaries	Bonuses	Employment benefits	Total
Other employees employed by individual employment contracts	447	0	5	452
Total	447	0	5	452

As of 31 December 2017, LON employs 12 people who have an individual employment contract. All of them are employed as heads of business branches.

6.10.7. Disclosure of important business contacts

Apart from the transactions disclosed in the preceding paragraphs, LON is not aware of any other information regarding direct and indirect important business contacts between the members of the Management Board or members of the supervisory board or their close family members and LON, which they would be required to disclose.