





Annual Report 2007



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JOINT STATEMENT

JOINT LETTER OF THE CHAIRMAN AND
OF THE MANAGING DIRECTOR

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- STAFF, NETWORK AND IT
- FUNDING AND LIQUIDITY
- STRATEGY AND OUTLOOK



JOINT LETTER OF THE CHAIRMAN AND OF THE MANAGING DIRECTOR

It is our pleasure to report that 2007 was a highly successful year for NLB InterFinanz (NLBI), with strong growth in assets and record profit. Such results were achieved even in the eve of a tightening of the financial crisis in the last quarter of the year.

NLBI's team has focused in 2007 apart from business generation also on further strengthening of corporate governance procedures, disinvestments, growth of provisions, product and geographical diversification and procedural integration with our parent bank Nova Ljubljanska banka d.d., Ljubljana (NLB). The past year thus marked also the sixth consecutive year in a series of the most successful years for the company both in terms of operating profit as well as net profit.

ANNUAL RESULTS

It should be mentioned first that NLBI was not affected by the "sub-prime" crisis in any way, be it directly or indirectly.

As mentioned, NLBI has once again set several record benchmarks in 2007: the total income increased to CHF 57.7 million, resulting in the record operating income of CHF 20.7 million and record net profit in the amount of CHF 12.9 million, which again indicates excellent operating performance in spite of historically strongest year of build-up of provisions in the total amount of CHF 12.1 million. The total amount of provisions figure thus increased to CHF 56.9 million, with a balance sheet size of CHF 826.4 million.

Improved results do not mirror yet increased spreads for the emerging markets, which are a consequence of the financial crisis.

The increase of provisions mirrors our implementation of the stringent NLB provisioning standards, which consequently reflect also the requirements of the Bank of Slovenia, Slovenia's governing banking authority.

MARKETS AND POSITIONING

NLBI continues to diversify its portfolio, while maintaining its core specialization in the countries of the former Yugoslavia. Being a forgoing company and the front runner of NLB Group in

different markets, NLB InterFinanz is constantly expanding to other emerging markets, while simultaneously diversifying its products in the existing markets as well as scouting for the markets of tomorrow.

NLBI's team of specialists managed to further develop several newly entered geographical markets in 2007 (like Ukraine and Belarus) and thus in line with our strategy, managed to expand the company's geographical diversification with the aim to further mitigate single country related risks, as well as to continue building transaction volumes.

CORPORATE GOVERNANCE

Nova Ljubljanska banka is continuously upgrading its corporate governance standards in line with EU regulations and requirements of the Bank of Slovenia, which is again reflected by adopted (implemented) corporate governance policies and operating guidelines. The Group risk monitoring and management, common standards for provisioning policy, stringent reporting requirements exhibit that NLB Group is functioning as a single entity. While this represents additional work load for NLBI in the so called non-profit areas, it does also mean higher transparency and safety of operations.

In addition to the governance measures imposed by the parent bank, NLBI remains also a member of a self-regulating anti-money laundering body in Switzerland, which together with the external

auditors, internal audit of NLB and regular ongoing inspection of Bank of Slovenia, continue to monitor NLBI's performance.

In 2007 the NLB InterFinanz's longtime Board of Directors (BOD) Chairman, Mr Borut Stanič has completed his mandate in the company and in due course Nova Ljubljanska banka has appointed a new BOD Chairman from its Management Board, Mr Claude Deroose, formerly of KBC Belgium, who is responsible for the risk management of NLB and its group. Mr David Benedek, another NLB appointed member of NLBI's Board of Directors is heading NLB's Treasury Division.

STAFF, NETWORK AND IT

NLBI employs (as of March 2008) 27 people, 9 of those in Zurich and 5 in its Ljubljana branch. The NLBI representative office in Ukraine was officially registered in January 2007 and has now 3 professionals, which are introducing NLBI's products in the strongly growing Ukrainian economy. In addition to that, NLBI has companies and representative offices in Prague (Czech Republic), Gorizia (Italy), Belgrade (Serbia) and Frankfurt (Germany), the prime objective of which is acquisition and representation services, as they essentially oversee all NLBI's interest in a particular region.

As far as the further development of its network is concerned, NLBI will continue to put emphasis on core business units in line with its strategy and strategic interests of NLB d.d. Such strategy foresees further expansion in several Eastern European markets, where NLBI's management sees significant business potentials.

In accordance with the growth of business volumes, NLBI also continues to develop its management information system (MIS) to enable efficient risk and portfolio management and to further streamline reporting functions.

FUNDING AND LIQUIDITY

NLBI's continuous stable financial performance, supported by Moody's A3 Issuer Rating and

accompanied by the fact that it is a wholly owned subsidiary of NLB, has resulted in a number of international banks extending supplementary long- and short-term financing facilities to the company.

NLBI has in 2007 tapped the financial markets for long term money and has acquired CHF 170 mio long term loans thus strongly improving its maturity profile. NLBI successfully closed two syndicated facilities in 2007 as well as completed a Schuldschein transaction, which enabled the company to further diversify its liability structure. Several bilateral long-term transactions were also executed during the year.

NLB remains by far the single largest provider of funds to NLBI, which although short term in nature, can be viewed as long term funds as well.

The company, however, continues to expand its refinancing base as it acquires over 60% of its refinancing from more than 20 unconnected financial institutions.

While prudently maintaining a large cash position in the last quarter of 2007, NLBI experienced no line cancellations in 2007 and has experienced no liquidity connected problems whatsoever. This is another proof of the company's prudent management of its liabilities as well as a demonstration of the creditor's trust in the company's performance and management.

STRATEGY AND OUTLOOK

Contrary to previous years, NLBI's strategy in the upcoming period is above all to watch out for potential dangers lurking in 2008 and to maintain an ample liquidity base. A secondary goal will be to maintain its forfaiting, trade finance, and its complementary commercial banking activities.

The diversification of both of the liability side of the balance sheet as well as the asset side, will be further enhanced, thus making sure, that NLBI will be maintaining both its creditor base as

well as client portfolio in the near and long-term future. This should further reinforce the structure and the vitality of NLBI's balance sheet and portfolio.

NLBI's core geographical focus for the upcoming years remain trade related business in South-Eastern Europe and Central and Eastern European countries, where NLBI foresees continuous development of its portfolio. Based on the company's two tier business model, NLBI focused on those individual countries, where significant opportunities exist for forfeiting and trade related products and as the market develops, the company expands its product range to other product areas.

In 2007, NLBI is entering into its 19th year of operation, a period within which it has increased its internal financing (equity plus provisions) from CHF 5 million to CHF 93.7 million, paid out easily three times as many the dividends than it has share capital and has had positive results in every single year of its operation. This clearly demonstrates both the dedication and expertise of NLB InterFinanz's management and staff, as well as highly committed support from the company's Board of Directors and its shareholder and parent bank Nova Ljubljanska banka.

As always, the Management and the Board of Directors wish to thank at the end our staff, customers and partners for their continuing support, enthusiasm and contribution to the growth of the company.



Claude Deroose



Gorazd Jančar

A handwritten signature in blue ink, consisting of a large, stylized 'C' and 'D' followed by a horizontal line.

Claude Deroose
President of the Board of Directors

Gorazd Jančar
Managing Director

A handwritten signature in blue ink, consisting of a large, stylized 'G' and 'J' followed by a horizontal line.

THE WORLD ECONOMY IN 2008:

THE YEAR OF ALL DANGERS?

- 2007: THE END OF THE "GREAT MODERATION"
- 2008: STAGFLATION?
- FINANCIAL TURBULENCE



THE WORLD ECONOMY IN 2008: THE YEAR OF ALL DANGERS?

The five years leading to mid-2007 were very kind to central bankers and to the world economy. At the macroeconomic level, inflation had been contained in the major economies, business cycles were moderate, average world growth had been steady or rising, financial volatility was decreasing to very low levels. The financial turmoil that started last summer, the slowdown in the U.S. economy and the rise in inflation in several important economies should dispel the illusion that the world economy has entered a new golden age where business cycles have been all but eliminated, where central banks have once and for all defeated inflation, and where serious threats to financial stability and to the efficient international allocation of capital for the benefit of all in globalized markets are a thing of the past. The end of business cycle history is not upon us yet and 2008 may well be the year of all dangers. To assess prospects for the world economy it is important to understand what changed in 2007.

2007: THE END OF THE "GREAT MODERATION"

On the macroeconomic front, the second half of 2007 may well have marked the beginning of the end of the "great moderation." The expression "the great moderation" became popular after Federal Reserve Chairman Ben Bernanke used it (though he did not coin it) in a 2004 article to refer to the decrease of both output and inflation variability after 1983 in the United States. This moderation is reflected in the fact that, as Bernanke states on the basis of work by Blanchard and Simon, "the variability of quarterly growth in real output (as measured by its standard deviation) has declined by half since the mid-1980s, while the variability of quarterly inflation has declined by about two thirds." Another facet of this great moderation is the fact that U.S. recessions have become rarer and milder after 1983. Thus, between 1959 and 1983 there were 5 recessions which, on average, occurred every 47 months, lasted 12 months and involved a 2.17 percent decrease in GDP. As Evan Koenig and Nicole Ball have noted, "by contrast, the 1990

downturn came after 92 months of expansion, lasted eight months and involved a 1.26 percent decline in GDP. The 2001 slump ended a record 120 months of uninterrupted growth, lasted eight months and entailed a GDP decline of only 0.35 percent." Note that the decrease in output and inflation volatility is not confined to the United States but extends to most industrial countries (Japan is a notable exception).

Even more striking than the reduction in output and inflation volatility, the level of inflation declined dramatically from the mid-1980s onwards. This great moderation in the level of inflation is a global phenomenon, even if it occurred earlier in the industrial countries than in the developing countries. World average inflation as calculated by the IMF's World Economic Outlook has declined from 14.4% in 1995 to 3.6% and 3.9% in 2006 and 2007, respectively.

The debate among economists has centered on whether the great moderation has been brought about by luck, by structural changes in the economy, or by improvements in policy, monetary policy in particular. In this context, luck consists of fewer and smaller supply shocks (e.g. oil shocks) hitting the economy from the mid-eighties onwards. Structural changes that may have helped decrease output and price variability include better inventory management, more flexible and efficient labor and capital markets, more competition in goods and services markets-especially from emer-

1 "The Great Moderation," Remarks by Governor Ben S. Bernanke at the meetings of the Eastern Economic Association, Washington, DC, February 20, 2004.

2 *Ibid.*, p.1.

3 Evan Koenig and Nicole Ball, "The 'Great Moderation' in Output and Employment Volatility: An Update," Economic Letter—Insights from the Federal Reserve Bank of Dallas, Vol.2, No.9, September 2007.

ging market economies like China-exerting downward pressure on prices and inflation. Finally, the conduct of monetary policy may well have improved as: (a) policy makers shed the mistaken belief that you could buy a permanent decrease in the output gap and unemployment by accepting a rise in the level inflation as, in other words, they ceased believing in a stationary Phillips curve; (b) central banks gained independence giving them the freedom of focusing on keeping inflation at low levels, and (c) central banks gained credibility by adopting more transparent operating procedures such as inflation targeting, allowing them to anchor the public's inflation expectations. The jury is still out on exactly how much of the moderation is due to various factors but the safe bet is to ascribe it for one-third each to luck, structural change, and policy improvement.

There is good reason to believe, however, that the great moderation is over. In the first place, shocks are on the increase, not only on the energy and commodities front but also on the financial front. Second, some of the structural factors that have helped contain inflation such as competitive pressures on prices from China may well be on the wane. Third, policy mistakes have been made and monetary policy faces challenges that it has not had to confront since the mid-eighties. More specifically, inflation is increasing, recession looms, and financial turbulence is likely to continue and contribute to, as well as be fed by, recession.

2008: STAGFLATION?

There can be little doubt that stagflation will characterize the performance of the U.S. economy over the next few quarters. Even though the rise in the rate of increase of the CPI in the United States has remained moderate in the last months of 2007, there is little room for complacency. U.S., Euro zone, German and French inflation rates for December and January, as well as forecasts for February, are all coming in at levels not seen in several years and well above the FED's and the ECB's "comfort zones.". The latest Chinese

figures indicate that prices in January have been rising at a yearly rate of approximately 8%; and similarly for a number of other important emerging market countries. Increases in prices over the past few months have typically been blamed on "special" factors but when every individual price increase is being explained by special factors generalized inflation cannot be far.

Special, temporary, and volatile factors are supposed to be taken out of headline inflation to arrive at the "core inflation" measure that has been the focus of monetary policy. It would thus seem reassuring that core inflation has been recently more moderate than headline inflation in both the United States and the Euro zone. This argument, however, is misleading. If headline inflation remains above core inflation for a significant amount of time (as has mostly been the case in the U.S. since 2003), the core figures fail to record an upward trend in the price of those items, usually food and energy, that are excluded from the core measure. Furthermore, the energy and food components that are excluded from the core inflation measure matter a great deal to lower and middle income wage earners and, hence, to wage bargaining. In addition, it is headline and not core inflation that consumers experience and base their expectations on. The main reason why inflation may not rise significantly in the United States in 2008 is the downward pressure on prices that a deep recession would exert. However, with the Fed cutting interest rates and dollar depreciation adding to inflationary pressures, it seems unlikely that inflation in the U.S. would fall even with a recession, unless the latter was extremely deep and prolonged.

That there will be a recession in the United States in 2008 has become the common wisdom. The reasons were already clear by mid 2007. How could a heavily indebted U.S. consumer keep spending in the face of falling housing wealth and the beginning of a credit crunch? And, given increasing uncertainty of future earnings and a rising cost of capital, one could not expect investment to take up the slack. This, however, leaves

unanswered two questions: how deep and prolonged is the U.S. recession likely to be and is it likely to spread to the rest of the world? On the first of these, the jury will be out for some time. Nevertheless, and that is the end of the great moderation, it will most likely be significantly more prolonged and severe as the 1990 or 2001 recessions, partly as a consequence of the mutually reinforcing interaction between recessionary tendencies and the financial turmoil that has been plaguing credit markets since the middle of last year. The fall in housing prices, the turmoil in the subprime and interbank markets, and a general repricing of risk all contribute to the likelihood of a sharper fall in spending by consumers and in investment by business firms. In turn, the onset of a slowdown implies lower stock prices, falling earnings and profits, further cutting into credit availability and spending. Will the recession spread to the rest of the world? While it may be true that when the United States catches a cold the rest of the world no longer catches pneumonia, it is also true that the rest of the world is likely to catch that cold. In other words, the decoupling argument that the rest of the world will not be affected by a U.S. recession is not convincing. What can be expected if the U.S. undergoes a serious recession is a significant slowdown, a growth recession if you wish, in the rest of the world, especially when a number of countries are confronted with growth and inflation problems of their own. In summary, 2008 may well mark the return of stagflation, at least in the United States.

FINANCIAL TURBULENCE

2007 will of course be remembered as the year of the subprime crisis and of financial turmoil. The origins of the crisis are macroeconomic and microeconomic, as well as related to developments in financial technology. The belief that the great moderation (the "goldilocks" new economy if you prefer) would last forever, together with perverse microeconomic incentives, led to a severe mispricing of risk reflected in extraordinarily low

spreads and volatility in asset prices. In turn, this mispricing of risk made the development of complex securitized instruments appear to be profitable even though their profitability depended on high leverage levels, on keeping them off bank balance sheets to economize capital, and on the absence of serious shocks to financial markets. The end result was the creation of instruments that were highly complex and difficult to price, of a set of highly leveraged special purpose vehicles, conduits, or what have you, -and increasingly lax lending standards. The fall in housing prices and its consequences for the subprime mortgage market were the trigger of the financial turmoil but, given the state of the financial markets, it could have been triggered by something else.

The first question these developments raise in the present context is their impact on the real economy. To re-iterate, the interaction between looming recession and a credit crunch can only be self-reinforcing and detrimental to the economy. A second question immediately arises, will financial turmoil and the associated credit crunch abate or will there be a meltdown? While a meltdown cannot be completely ruled out, prospects are rather for a gradual recovery in financial markets. But such recovery is also likely to be drawn out. It will take time to unwind leverage in a variety of instruments and vehicles well beyond those associated with subprime mortgages. Part of the reason is the difficulty in pricing complex instruments; and it will take time for rating agencies to develop better assessment methods for such instruments – as it will take time for investors to understand how such assessments should impact their investment decisions. Further, it will take time for a proper role to be assigned to the rating agencies and for authorities to understand and deal with new instruments in their supervisory and regulatory activities.

The road to recovery in financial markets is likely to be not only drawn-out but also bumpy. One reason is new shocks. Another is improper design of regulation. Much of current regulation is pro-rather than anti-cyclical. This is particularly true of

capital-asset ratio and the risk weighting of assets incorporated in Basel II. Such regulation may be adequate in the face of microeconomic shocks hitting single banks. However, they tend to amplify the negative consequences of common macroeconomic shocks by leading to fire sales of assets and a general fall in asset values in downturns. To compound this problem, monetary authorities are being asked, especially in the United States, to use the single instrument of interest rate policy to meet simultaneously multiple objectives of policy, prominently to fight inflation, counter recession, bail out troubled major banks and insure financial stability. As they shift priorities among these objectives, policy becomes less predictable and expectations less firmly anchored. Expect further asset price volatility, financial turmoil and liquidity shortages.

In this difficult context, NLBI will have to husband its liquidity carefully in 2008 as it did in 2007. It will be helped by the simplicity and transparency of its business plan and of its assets. That should be an important asset in a period that will increasingly shy away from complexity, opacity and unreported leverage.

Alexander K. Swoboda

March 2008

AUDITOR'S STATEMENT

REPORT OF THE STATUTORY AUDITORS TO THE GENERAL MEETING OF NLB InterFinanz AG, Zurich

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes / pages 18-22) of NLB InterFinanz AG for the year ended December 31, 2007.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Martin Schmidt
Auditor in charge



Thomas Fleischer

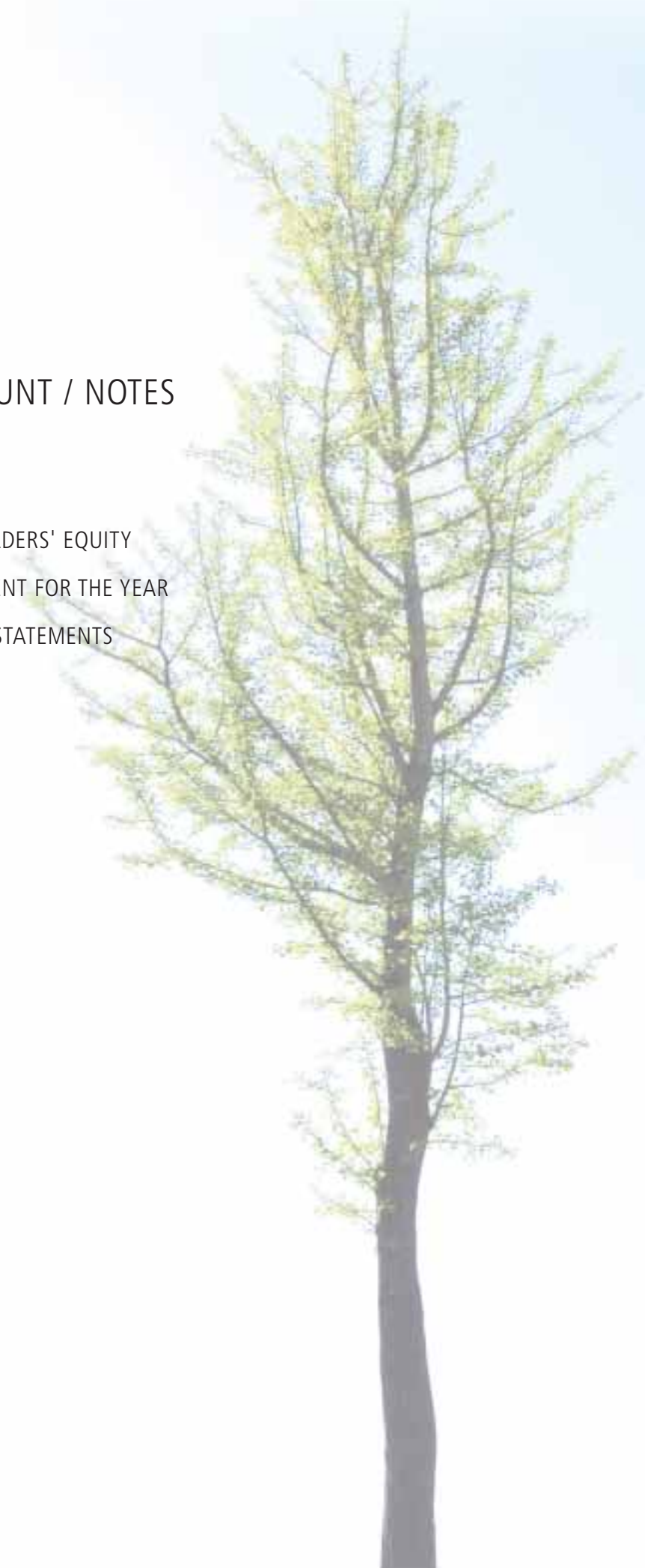
Zurich, March 6, 2008

Enclosures:

- Financial statements (balance sheet, income statement and notes)
- Proposed appropriation of the available earnings

BALANCE SHEET / PROFIT & LOSS ACCOUNT / NOTES

- ASSETS
- LIABILITIES AND SHAREHOLDERS' EQUITY
- PROFIT AND LOSS STATEMENT FOR THE YEAR
- NOTES TO THE FINANCIAL STATEMENTS



ASSETS

Balance sheet as per		31.12.07	31.12.06
		in CHF	in CHF
CURRENT ASSETS			
Cash and bank balances		61'780'677	3'718'615
Balances with affiliated banks	Note 2	12'248'827	1'957'785
Short term deposit with affiliated banks	Note 2	6'340'001	12'857'600
Other receivables		116'874	1'312
Loans (portions maturing within 1 year) to	Note 4		
Third parties		165'211'836	164'054'220
Affiliated companies	Note 2	9'995'390	8'532'333
Accrued income and prepaid expenses		20'884'759	14'305'349
TOTAL CURRENT ASSETS		276'578'364	205'427'215
NON-CURRENT ASSETS			
Financial assets	Note 8	11'867'623	20'557'195
Loans (portions maturing after 1 year) to			
Third parties		430'655'735	262'525'057
Affiliated companies	Note 2	56'939'625	57'518'816
Affiliated companies (subordinated)	Note 2	21'250'000	8'250'000
Participations	Note 7	28'639'034	22'418'045
Deposits		26'891	26'830
Tangible fixed assets	Note 5	500'200	106'640
TOTAL NON-CURRENT ASSETS		549'879'109	371'402'583
TOTAL ASSETS		826'457'473	576'829'798

LIABILITIES AND SHAREHOLDERS' EQUITY

Balance sheet as per	31.12.07	31.12.06
	in CHF	in CHF
CURRENT LIABILITIES		
Loans (portions maturing within 1 year) from		
Third parties	256'333'777	251'607'380
Affiliated companies	Note 2 268'141'834	217'983'880
Accounts payable	144'473	140'821
Accrued liabilities	13'172'583	7'260'580
TOTAL CURRENT LIABILITIES	537'792'667	476'992'661
NON-CURRENT LIABILITIES		
Loans (portions maturing after 1 year) from		
Third parties	194'822'602	24'108'000
Affiliated companies	Note 2 -	-
Provision for credit risks	Note 9 10'221'735	8'580'770
Provision for country risks	Note 9 46'233'778	35'709'743
Provision for accrued interest	Note 9 500'000	500'000
TOTAL NON-CURRENT LIABILITIES	251'778'115	68'898'513
TOTAL LIABILITIES	789'570'781	545'891'174
SHAREHOLDERS' EQUITY		
Share capital	5'000'000	5'000'000
Legal reserves	2'116'000	1'441'000
Retained earnings:		
Balance brought forward	16'822'624	14'475'870
Net profit for the year	12'948'067	10'021'754
TOTAL SHAREHOLDERS' EQUITY	36'886'691	30'938'624
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	826'457'472	576'829'798

PROFIT AND LOSS STATEMENT FOR THE YEAR

Income Statement		2007	2006
		in CHF	in CHF
INCOME			
Commissions Income	Note 12	3'126'126	4'620'989
Dividends received		3'861'157	1'990'387
Interest income		50'778'195	31'723'177
TOTAL INCOME		57'765'479	38'334'552
EXPENSE			
	Note 12		
Interest expense, bank commission and charges		-27'474'598	-14'995'208
Commissions expense		-3'439'388	-2'230'161
Salaries, social security and other personnel costs		-3'509'824	-3'445'298
Office space		-189'618	-165'535
Depreciations on tangible fixed assets		-235'392	-52'650
Other administration expenses		-592'100	-223'817
Lawyers' fees, bookkeeping, audit costs and Directors' fees		-665'283	-504'847
Traveling, representation expenses		-924'291	-521'118
TOTAL EXPENSE		-37'030'493	-22'138'634
OPERATING RESULT FOR THE YEAR		20'734'986	16'195'919
Change in provision		-12'165'000	-7'892'960
Foreign exchange loss/gain (net)	Note 10	-76'613	-136'211
Unrealised loss from derivatives	Note 9	-13'024	-22'462
Gain from sale financial assets		632'709	979'367
Gain/loss from sale of participations and fixed assets		4'541'252	-9'867
Extraordinary income		0	1'745'524
PROFIT BEFORE TAX		13'654'309	10'859'311
Tax expense		-706'242	-837'556
NET PROFIT FOR THE YEAR		12'948'067	10'021'754

NOTES TO THE FINANCIAL STATEMENTS 2007

1. Ownership and activities

The company is 100% owned by Nova Ljubljanska banka d.d., Ljubljana, Slovenia. Its business specialisation is the provision of direct or indirect trade financing.

2. Affiliated companies

The term 'affiliated companies', as used in these financial statements, is including Nova Ljubljanska banka d.d. and its directly or indirectly majority owned subsidiary companies.

3. Basis of preparation

The financial statements have been prepared in accordance with the accounting principles of the Swiss Code of Obligations. Such principles include completeness, clarity and materiality, prudence, going concern, consistency and prohibition of netting of assets and liabilities as well as income and expense.

4. Loans

The position 'Loans (maturing within 1 year)' includes short-term loans, short-term portions of long-term loans and liquid forfaiting transactions with maturity longer than one year, which can be disposed on short notice in the secondary forfaiting market.

5. Tangible fixed assets

The tangible fixed assets comprise office furniture and equipment of CHF 500'200 (2006: CHF 106'640), with a fire insurance value of CHF 660'000 (2006: CHF 250'000).

6. Pledged assets

No assets were pledged at 31 December 2007 or at 31 Dezember 2006.

7. Participations

Company, Domicile, Business	2007 Authorized Capital Interest in %	2006 Authorized Capital Interest in %
NLB InterFinanz Praha s.r.o., Prague (Czech Republic) Finance Company	CZK 500'000 100%	CZK 500'000 100%
NLB InterFinanz d.o.o., Belgrade (Serbia) Finance Company	EUR 4'274 100%	EUR 4'274 100%
NLB Tutunska Banka A.D., Skopje (Macedonia) Bank	MKD 785'621'000 29.04%	MKD 693'866'000 30%

8. Financial Assets

Values of financial assets are stated at amortized cost. The carrying value as at 31 December 2007 and 31 December 2006 was below the market value of these financial assets.

9. Risk management

NLB InterFinanz AG, Zurich established in their 'Risk provisioning guidelines' standards for methodology and practical application of risk provisioning with regard to:

- Credit risk
- Country risk, and
- Liquidity risk

To decrease the interest rate risk the company entered into an interest rate swap for USD 1'450'000. Maturity is at 30 September 2009.

The processes defined regarding risk assessment and risk provisioning are in general compatible with those standards of Nova Ljubljanska banka Group, which reflect the prudence of the requirements of Bank of Slovenia. Nevertheless, criteria with regards to the specific structure and instruments of the forfeiting activity of the Company form a part of the guidelines.

10. Accounting for foreign currencies

Transactions expressed in foreign currencies are recorded at their CHF equivalents at the time the transaction occurred.

The CHF equivalents of monetary foreign currency assets and liabilities are revalued to the closing rates at the balance sheet date.

11. Contingent liabilities and commitments

At 31 December 2007, the Company had outstanding risk participations totalling CHF 70'881'208 (2006: CHF 46'562'694).

12. Changes in Accounting Policy

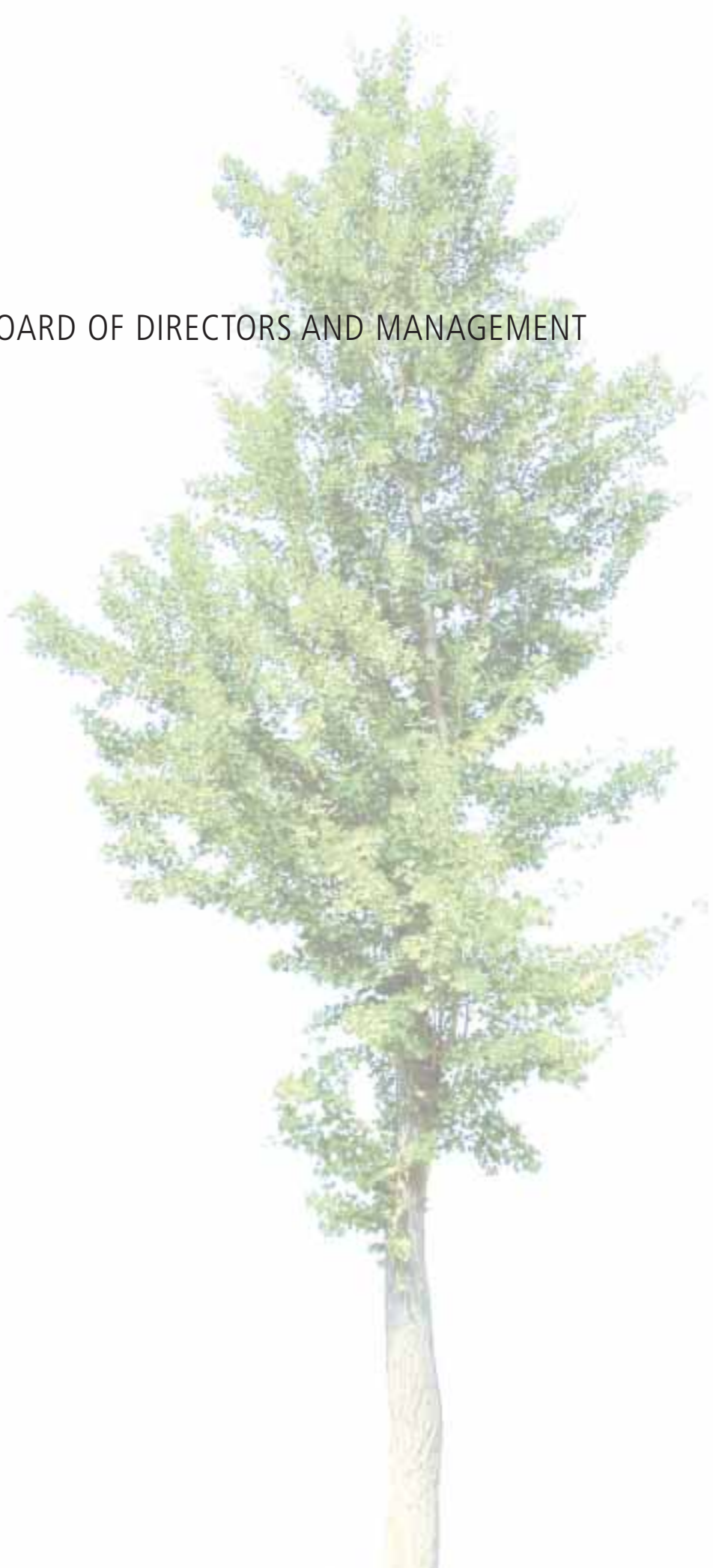
For the financial year 2007 the accounting treatment on how commissions for new loans are accounted for in Profit and Loss has been changed to avoid differences to group accounting standards. Commissions are now distributed over the period of the underlying transaction using the effective interest rate method. Previously the commission was realized in the year of the payment. Without this adjustment the commission income for the year 2007 would be higher by CHF 3.5 Mio.

The expenses of branch offices are no longer disclosed as a separate item, but distributed to the other expense categories. The prior year has been reclassified as well.

Proposal of the board of directors for appropriation of retained earnings

	31.12.07	31.12.06
Balance brought forward	16'822'624	14'475'870
Net profit for the year	12'948'067	10'021'754
RETAINED EARNINGS	29'770'691	24'497'624
Dividends	10'400'000	7'000'000
Allocation to legal reserve	384'000	675'000
TO BE CARRIED FORWARD	18'986'691	16'822'624

BOARD OF DIRECTORS AND MANAGEMENT



BOARD OF DIRECTORS

Mr Borut Stanič, Chairman of the Board (until December 2007)
Nova Ljubljanska banka, d.d. Ljubljana, (Deputy Member of the Management Board)

Mr Claude Deroose, Chairman of the Board (since December 2007)
Nova Ljubljanska banka d.d. Ljubljana, (Member of the Management Board)

Mr David Benedek, Vice Chairman of the Board
Nova Ljubljanska banka d.d. Ljubljana (Deputy Senior Director NLB Group Management Center)

Mr Thomas Kade, Member
OBT Treuhand, Zürich, (Director and Partner)

Mr Alexander K. Swoboda, Member
Graduate Institute of International Studies, (Professor of International Economics)

Dr. Sandro Visini, Member
Wenner & Uhlmann, Zürich (Partner)

MANAGEMENT

NLB InterFinanz AG, Zürich

Mr Gorazd Jančar, Managing Director
Ms Mateja Krpač, Deputy Managing Director
Mr Tomaž Lavrič, Deputy Managing Director

NLB InterFinanz AG, Ljubljana Branch

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