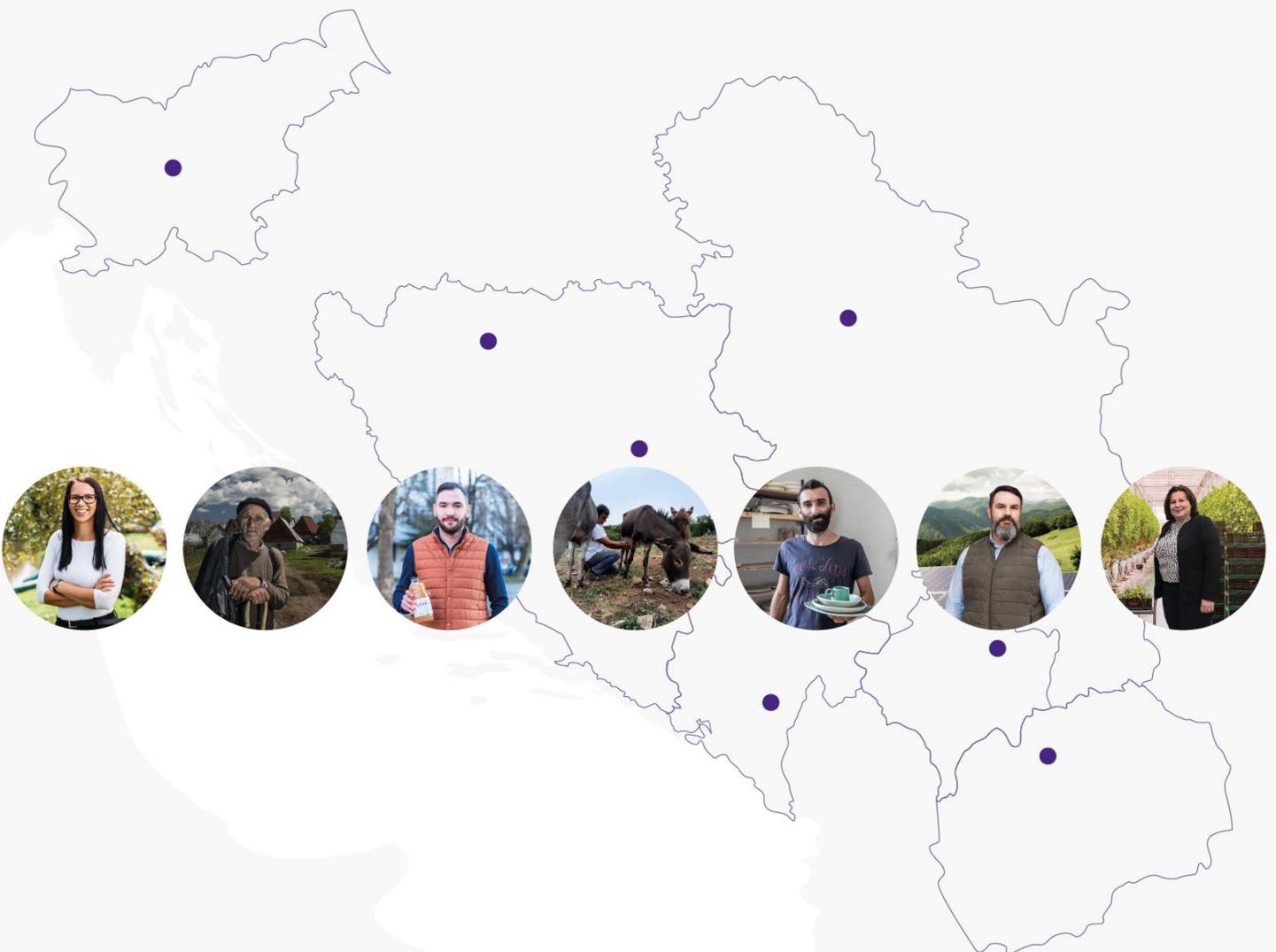


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Q3 2021 | Interim Report



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NLB, Ljubljana

Slovenia

NLB Banka,
Banja Luka

Komercijalna
Banka, Banja Luka

Bosnia and Herzegovina

NLB Banka,
Sarajevo

NLB Banka,
Beograd

Komercijalna
Banka, Beograd

Serbia

Montenegro

NLB Banka,
Podgorica

Komercijalna
Banka, Podgorica

NLB Banka,
Prishtina

Kosovo

NLB Banka,
Skopje

North Macedonia

NLB Group Strategic Members Overview

	Slovenia		North Macedonia		Bosnia and Herzegovina			Kosovo	Montenegro		Serbia		
NLB Group	NLB, Ljubljana	NLB Lease&Go, Ljubljana	NLB Skladi, Ljubljana	NLB Banka, Skopje	NLB Banka, Banja Luka	NLB Banka, Sarajevo	Komercijalna Banka, Banja Luka	NLB Banka, Prishtina	NLB Banka, Podgorica	Komercijalna Banka, Podgorica	NLB Banka, Beograd	Komercijalna Banka, Beograd	
Market position													
Branches	290 ⁽ⁱ⁾	79	-	-	47	47	36	19	34	19	9	28	190
Active clients	1,857,831 ⁽ⁱ⁾	674,300	-	-	405,876	219,877	128,432	47,773	217,287	69,695	27,834	142,364	878,289
Total assets (in EUR million)	21,297	12,314	84	1,983 ⁽ⁱⁱ⁾	1,690	911	699	269	910	608	153	684	4,114
Profit after tax (in EUR million)	205.5	105.9	-0.8	6.4	29.8	13.1	7.4	0.4	18.8	10.1	-3.7	5.5	33.8
Market share (by total assets)		25.9%		37.2%	16.7%	19.0% ^(iii, vi)	5.1% ^(iv, v)	5.9% ^(iii, v)	16.5%	11.7% ^(vi)	3.0%	1.8% ^(v)	9.9% ^(vi)

⁽ⁱ⁾ The total number of branches and active clients for the Group does not include data for Komercijalna Banka group banks due to different definitions.

⁽ⁱⁱ⁾ Assets under management.

⁽ⁱⁱⁱ⁾ Market share in the Republic of Srpska.

^(iv) Market share in the Federation of BiH.

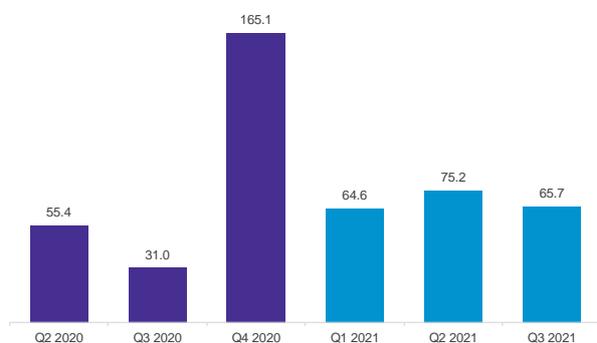
^(v) Data on market share as of 30 June 2021.

^(vi) Data on market share as of 31 August 2021.

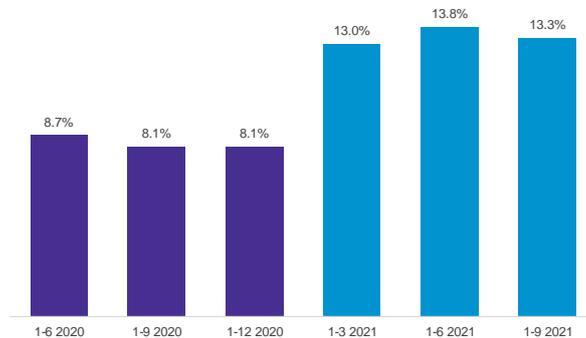
^(vii) Preliminary data.

Figures at a Glance

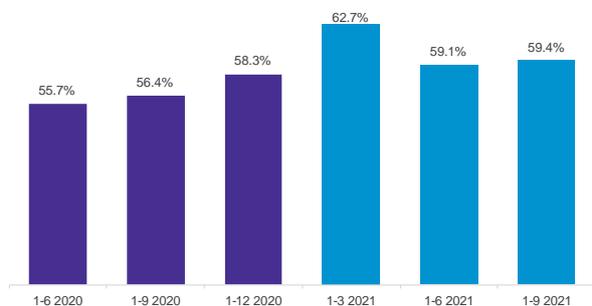
Profit a.t. - quarterly (in EUR million)



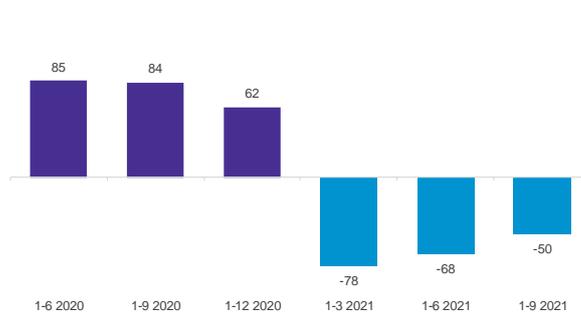
ROE a.t. ⁽¹⁾ (in %)



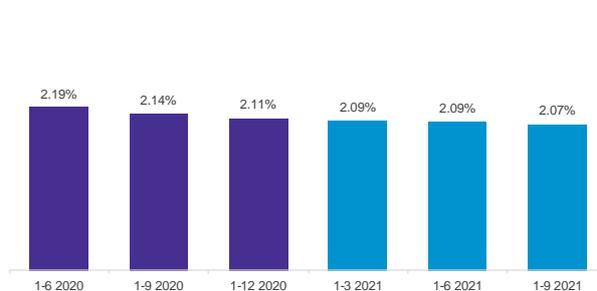
Cost to income ratio - CIR (in %)



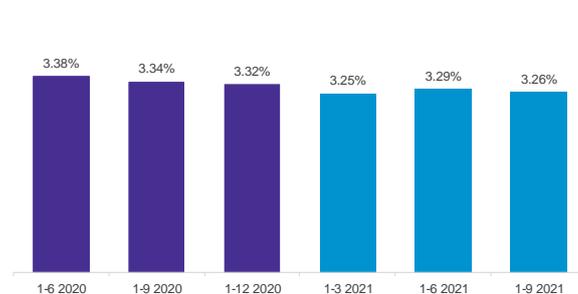
Cost of risk net ⁽¹⁾ (in bps)



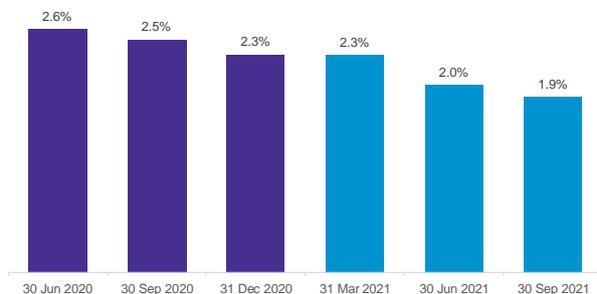
Net interest margin ⁽¹⁾ (in %)



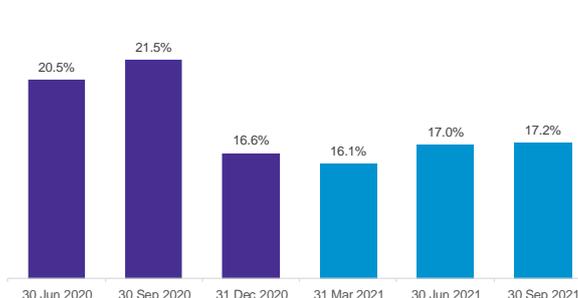
Operational business margin ⁽¹⁾ (in %)



NPE ratio - EBA def. (in %)



Total capital ratio (in %)



⁽¹⁾ Komercijalna Banka group included from 2021 on.

Key Financial Indicators¹

Table 1: Key Financial Indicators of NLB Group

NLB Group						
in EUR million / % / bps	1-9 2021	1-9 2020	Change YoY	Q3 2021	Q2 2021	Q3 2020
Key Income Statement Data						
Net operating income	499.9	383.3	30%	166.0	179.9	123.3
Net interest income	302.3	224.5	35%	103.7	101.1	74.4
Net non-interest income	197.5	158.8	24%	62.3	78.7	48.9
Total costs	-297.2	-216.3	-37%	-99.9	-100.7	-71.4
Result before impairments and provisions	202.7	167.0	21%	66.1	79.1	51.9
Impairments and provisions	25.2	-50.2	-	6.3	3.5	-17.0
Negative goodwill	0.0	0.0	-	0.0	0.0	0.0
Result after tax	205.5	104.6	96%	65.7	75.2	31.0
Key Financial Indicators						
Return on equity after tax (ROE a.t.)	13.3%	8.1%	5.2 p.p.			
Return on assets after tax (ROA a.t.)	1.3%	1.0%	0.4 p.p.			
Net interest margin (on interest bearing assets)	2.07%	2.14%	-0.07 p.p.			
Net interest margin (on total assets - BoS ratio)	1.98%	2.06%	-0.08 p.p.			
Operational business margin ⁽ⁱ⁾	3.26%	3.34%	-0.08 p.p.			
Cost to income ratio (CIR)	59.4%	56.4%	3.0 p.p.			
Cost of risk net (bps) ⁽ⁱⁱ⁾	-50	84	-134			
NLB Group						
in EUR million / %	30 Sep 2021	31 Dec 2020	30 Sep 2020	Change YtD	Change YoY	
Key Financial Position Statement Data						
Total assets	21,296.9	19,565.9	15,145.7	9%	41%	
Gross loans to customers	10,593.7	10,033.3	8,111.1	6%	31%	
Net loans to customers	10,267.0	9,644.9	7,749.0	6%	32%	
Deposits from customers	17,248.6	16,397.2	12,408.8	5%	39%	
Equity (without non-controlling interests)	2,140.5	1,952.8	1,770.8	10%	21%	
Other Key Financial Indicators						
LTD ⁽ⁱⁱⁱ⁾	59.5%	58.8%	62.4%	0.7 p.p.	-2.9 p.p.	
Common Equity Tier 1 Ratio	14.7%	14.1%	18.3%	0.6 p.p.	-3.5 p.p.	
Total capital ratio	17.2%	16.6%	21.5%	0.5 p.p.	-4.4 p.p.	
Total risk exposure amount (RWA)	12,824.4	12,421.0	8,863.2	3%	45%	
NPL volume ^(iv)	397.5	474.7	399.2	-16%	0%	
NPL coverage ratio 1 ^(v)	82.2%	81.8%	90.7%	0.4 p.p.	-8.5 p.p.	
NPL coverage ratio 2 ^(vi)	58.7%	57.3%	62.3%	1.4 p.p.	-3.6 p.p.	
NPL ratio (internal def.) ^(vii)	2.6%	3.5%	3.7%	-0.9 p.p.	-1.1 p.p.	
Net NPL ratio (internal def.) ^(viii)	1.1%	1.5%	1.4%	-0.4 p.p.	-0.3 p.p.	
NPL ratio (EBA def.) ^(ix)	3.7%	4.5%	4.7%	-0.8 p.p.	-1.0 p.p.	
NPE ratio (EBA def.) ^(x)	1.9%	2.3%	2.5%	-0.5 p.p.	-0.6 p.p.	
Employees						
Number of employees	8,359	8,792	5,814	-433	2,545	
<p>⁽ⁱ⁾ Operational business net income annualized / average assets.</p> <p>⁽ⁱⁱ⁾ Cost of risk = credit impairments and provisions (annualized level) / average net loans to customers.</p> <p>⁽ⁱⁱⁱ⁾ LTD = Net loans to customers / deposits from customers.</p> <p>^(iv) Non-performing loans include loans to D and E rated clients, namely loans at least 90 days past due, or loans unlikely to be repaid without recourse to collateral (before deduction of loan loss allowances).</p> <p>^(v) Coverage of gross non-performing loans with impairments for all loans.</p> <p>^(vi) Coverage of gross non-performing loans with impairments for non-performing loans.</p> <p>^(vii) NPL ratio as per internal definition is calculated as follows: (i) Numerator: total gross non-performing loans; (ii) Denominator: total gross loans.</p> <p>^(viii) Net NPL ratio as per internal definition is calculated as follows: (i) Numerator: net non-performing loans; (ii) Denominator: total net loans.</p> <p>^(ix) NPL ratio as per EBA definition is calculated as follows: (i) Numerator: gross volume of non-performing loans and advances in Finrep 18 without loans held for sale, cash balances at central banks and other demand deposits; (ii) Denominator: gross volume of loans and advances in Finrep18 without loans held for sale, cash balances at central banks and other demand deposits.</p> <p>^(x) NPE ratio as per EBA definition is calculated as follows: (i) Numerator: total non-performing exposure in Finrep 18; (ii) Denominator: total exposures in Finrep 18.</p>						
International credit ratings NLB						
	30 Sep 2021	30 Jun 2021	Outlook			
Standard & Poor's	BBB-	BBB-	Stable			
Moody's ⁽ⁱ⁾	Baa1	Baa1	Stable			

⁽ⁱ⁾ Unsolicited rating.

¹ YoY data are not comparable due to Komercijalna Banka, Beograd acquisition at the end of 2020.

Macroeconomic Environment

Macroeconomic summary and outlook

Economic activity in the Euro area strengthened markedly and consumption recovered swiftly when governments eased restrictions in spring. However, retail sales in the July-August period, after strong readings until June, have shown levels that are in line with the pre-crisis trend, indicating that the rebound in consumption has somehow faded over the summer months. The economic recovery is battling numerous headwinds with the most vocal ones being in the form of supply disruptions, labour market shortages and rising energy prices. Nevertheless, the Euro area recovery has remained firmly on track in Q3 2021. PMI readings and business sentiment hint at expanding the private sector activity throughout Q3 2021. However, growth in the private sector economy moderated for a second month in a row in September as manufacturing continues to be hampered by widespread supply chain issues. Industrial production, after rebounding in July, dropped in August on the back of supply side problems and input shortages. Still, demand remains strong with robust growth in new orders. The continued rapid decline in unemployment on the back of reopening economies in Q3 2021 alongside with upbeat consumer sentiment bodes well for consumption. Unemployment in the Euro area fell from 7.5% to 7.4% in September, closing in on the all-time low of 7.1%. The Euro area unemployment decline combined with higher vacancy rate, which has already recovered to pre-crisis levels, opens the door to higher wage growth. Euro area annual inflation continued to rise throughout Q3 2021. In September, it was 3.4%, up from 3.0% in August. Core inflation accelerated to 1.9%, from 1.6% in August. The surge in headline inflation is still mainly driven by one-off factors such as higher energy prices, the German VAT reversal and price mark-ups in the leisure and hospitality services in the post-lockdown period. Inflationary pressures remain elevated due to energy prices amid a surge in European gas and electricity prices as well as continuing supply side challenges due to unresolved bottlenecks. Inflationary pressures seem much more persistent than initially expected. On the monetary front, the ECB decided to slow down the pace of its bond purchases during Q4 2021. In the US, the Fed has acknowledged the economy is well on the road to recovery and announced the tapering of asset purchases.

In the Euro area, GDP is expected to grow 5.0% this year. Private consumption, which is the key driver of the economic recovery, is presumed to continue growing strongly in the remaining part of the year amid relaxation of containment measures and the large stock of accumulated savings allowing for the release of some pent-up demand. Moreover, business investment is expected to remain resilient while recovery in external demand should support robust expansion in exports. Inflationary pressures stemming from rising energy and commodity prices, still unresolved supply chain bottlenecks and input shortages, alongside with the still lasting COVID-19 pandemic are key downside risks to the outlook. Inflation could turn out higher in case inflationary pressures drivers, especially the sharp rise in gas and electricity prices, persist even longer. The energy crisis that Europe is facing adds yet another layer to uncertainty of the economic recovery. In Slovenia, GDP is expected to grow by 6.5% this year with consumption, investment and foreign demand being the main growth drivers. The Group's region is seen growing 6.1% on average this year with revival in domestic and foreign demand as main growth drivers.

Table 2: Movement of key macroeconomic indicators in the Euro area and the NLB Group region

	GDP (annual growth rate in %)				Average inflation (in %, aop)				Unemployment rate (in %, aop)			
	2020	Q2 2021	2021	2022	2020	Q3 2021	2021	2022	2020	Q2 2021	2021	2022
Euro area	-6.5	3.7 ⁽ⁱⁱ⁾	5.0	4.5	0.3	2.9	2.2	1.9	7.9	7.5 ⁽ⁱⁱ⁾	7.8	7.5
Slovenia	-4.2	16.3	6.5	4.5	-0.3	2.3	1.5	2.0	5.0	4.3	4.5	4.3
BiH	-4.5	11.6	4.0	3.9	-1.0	2.4	1.2	1.7	33.8	32.7	32.0	31.0
Montenegro	-15.3	19.0	8.6	5.6	-0.3	3.1	2.0	1.7	17.9	19.4 ⁽ⁱ⁾	18.5	17.0
N. Macedonia	-4.5	13.1	4.2	4.0	1.2	3.3	3.0	2.2	16.4	15.9	15.9	15.6
Serbia	-1.0	13.7	6.5	4.5	1.6	4.4	3.4	2.8	9.0	11.1	10.5	9.0
Kosovo	-5.3	16.3	6.9	5.0	0.2	4.4	2.8	2.9	25.9	25.8 ⁽ⁱ⁾	24.5	23.0

Source: Statistical offices, NLB ALM.

Note: Registered unemployment data used for BiH; NLB Forecasts highlighted in green; ⁽ⁱ⁾ Data for Q1 2021; ⁽ⁱⁱ⁾ Data for Q3 2021; aop - average of period.

Business Report

Key Highlights

Financial Performance

Strong business performance marked by continuous loan growth, increased fee and commission income, one-off effects and negative cost of risk

- **Profit a.t.** amounted to EUR 205.5 million with visible contribution from Komercijalna Banka group.
- Strong **loan growth** to individuals of 9% YtD with high production of new loans (especially housing loans) and solid 3% YtD loan growth to corporate.
- Strong **growth of net fee and commission income** (38% YoY; 15% YoY without Komercijalna Banka group contribution).
- **NLB Skladi** almost doubled YoY **gross inflows** in mutual funds (EUR 195.6 million) and more than tripled net inflows (EUR 151.7 million).
- **Non-recurring valuation income** in the amount of EUR 14.7 million from repayment of exposure, classified as non-performing, and EUR 9.0 million of other operation income from the settlement of legal dispute.
- Positive impact of the release of **impairments and provisions for credit risk** (EUR 34.1 million in 1-9 2021), mostly due to successful repayment of exposures, changes in the credit ratings and changed parameters related to **more favourable macroeconomic forecasts**.

Business Overview

Leading player in SEE

- Robust and **sustainable business model** with increased focus on digitalisation and ESG.
- Striving to become a **regional champion**, whereby our clients remain our first priority.
- **Integration process of Komercijalna Banka group** to enable synergies proceeds in line with plans.

Asset Quality

Good asset quality trends with well diversified portfolio, prudent credit standards and decisive workout approach

- **Positive trends in asset quality** continued in 3Q, resulting in further decline of NPL ratio, negative cost of risk and moderate growth of loan portfolio, namely in the retail segment. Large share of retail in the credit portfolio structure positively contributes to the diversification and robust credit portfolio quality.
- Proactive workout approaches and more favourable macroeconomic predictions compared to 2020 contributed to the negative **cost of risk** (-50 bps).
- Stable and low level of **NPE** (EBA def.) of 1.9% with comfortable coverage ratio of 58.7%.
- No worsening of asset quality was observed with loans with expired moratoriums.

Capital & Liquidity

Strengthened capital and liquidity position ensuring capital return and continued growth opportunities

- **Capital position** above regulatory requirements (TCR of 17.2%, 0.5 p.p. higher YtD); inclusion of negative goodwill recognised at acquisition of Komercijalna Banka, Beograd as of 30 June 2021. Further RWA optimisation measures underway.
- In June and October, the Bank paid out the first and second instalment of **dividends in the total amount of EUR 24.8 million**. The envisaged cumulative dividend payout in 2021 is EUR 92.2 million.
- **Liquidity position** of the Group remains very strong and was additionally **strengthened with EUR 750 million participation in TLTRO-III**. Strong deposit base demonstrating client confidence in the Group.

Response to the COVID-19 Pandemic

Proactive response to clients

- Higher **availability and use of digital channels** – a wider range of 24/7 digital solutions offered to clients.
- **Supporting clients** through the downturn by offering **moratoriums and new financing**, most of which is subject to **public guarantee schemes**. A majority of approved moratoriums already expired. Only 2% of past due exposures show more than 90 day delays.
- The Bank continues with the **work-from-home initiative** to increase flexibility and well-being of its employees.

Strategy & Outlook

Committed to pursue the strategic objectives

- A special focus on **stable revenues** and cost sustainability.
- **Digital leadership position** in Slovenia is being applied to other markets in which the Group operates. The strategy is to become one of the best data science companies in the region to productively use customer data and to **evolve a local flexible digital ecosystem** offering products and services for clients.
- Continue to serve the community aiming to **improve the quality of life** in this region. The Group is driving **business value through sustainability** and is committed to enhance the management of environmental and social risks of its operations, and meeting stakeholders' needs and expectations.
- **Business opportunities** are being further explored on both domestic and other regional markets where the Group is not yet present. The ambition is also to strengthen the Group's leasing operations.

Key Events

In January, the Workers Council of NLB elected Tadeja Žbontar Rems as a member of the Supervisory Board of the Bank – representative of workers.

In January, the international independent Top Employers Institute awarded the Bank the prestigious 'Top Employer' certificate for the 6th consecutive year.

Since 1 April, the Bank has been charging a monthly fee of 0.04% for average monthly balances of customers' assets over EUR 250,000. Since 1 July this threshold has been lowered to monthly balances of customers' assets above EUR 100,000.

On 9 April, the Bank acquired 801,876 ordinary and 57,250 preferred shares of Komercijalna Banka, Beograd. After that the Bank acquired additional 47,485 ordinary shares. The Bank now has 88.28% shareholding in Komercijalna Banka, Beograd.

Petr Brunclík, member of the Management Board and COO, agreed with the Supervisory Board on the termination of his office due to personal reasons taking effect on 30 June. As of 22 April, his responsibilities have been taken over by other members of the Management Board.

On 14 May, NLB disclosed information regarding discussions with MIGA for obtaining a guarantee to optimise its capital on the consolidated basis in relation to Komercijalna Banka, Beograd to be concluded later this year.

On 14 June, the shareholders of the Bank gathered at the 36th General Meeting of NLB where 77.19% shares with voting rights were present. Among other things, they confirmed the payment of dividends in two instalments totalling EUR 24.8 million (on 22 June and 18 October) and confirmed Islam Osama Zekry as a new member of the Supervisory Board.

On 23 June, NLB disclosed information regarding discussions with MIGA for obtaining additional guarantees to optimise its capital on the consolidated basis in relation to five of NLB Group banking members (NLB Banka, Banja Luka, NLB Banka, Sarajevo, NLB Banka, Podgorica, NLB Banka, Prishtina and NLB Banka, Skopje) to be carried out later this year.

On 24 June, Petr Brunclík, member of the Management Board of NLB and COO, sold 278 ordinary shares of NLB, ISIN: SI0021117344, LJSE ticker NLBR, in the total amount of EUR 17,847.60.

On 1 July, the Bank received a decision of the BoS relating to the MREL requirement. As of 1 January 2024, NLB must comply with the MREL requirement on a consolidated basis at the resolution group level (NLB Resolution Group consisting of NLB, Ljubljana and non-core part of the Group), which amounts to 27.29% of the Total Risk Exposure Amount (TREA) and 8.03% of the Leverage Ratio Exposure (LRE). NLB has to ensure a linear build-up of own funds and eligible liabilities towards the MREL requirement and its compliance with 25.38% of the total risk exposure amount and 8.03% of the total exposure amount on 1 January 2022.

On 30 July, the results of stress tests carried out for important banks by the ECB to assess the resilience of financial institutions were disclosed. The stress tests for the Bank were carried out based on a static consolidated balance sheet as at 31 December 2020 (full consolidation of the acquired Komercijalna Banka, Beograd). Under

an adverse scenario, the CET1 ratio (fully loaded) would fall by a maximum of 483 bps (published range 300-599 bps) after three years without mitigation measures from the year-end 2020. The average fall of 51 medium sized banks tested by the ECB was 680 bps. The result ranks the Group between the 6th and 22nd place among 51 banks.

NLB Shareholders Structure

The Bank's issued share capital is divided into 20,000,000 shares. The shares are listed on the Prime Market of the Ljubljana Stock Exchange (ISIN SI0021117344, Ljubljana Stock Exchange trading symbol: NLBR) and the Global Depositary Receipts (GDRs), representing ordinary shares of NLB, are listed on the Main Market of the London Stock Exchange (ISIN: US66980N2036 and US66980N1046, London Stock Exchange GDR trading symbol: NLB and 55VX). Five GDRs represent one NLB share.

Table 3: NLB's main shareholders as of 30 September 2021²

Shareholder	Number of shares	Percentage of shares
Bank of New York Mellon on behalf of the GDR holders ⁽ⁱ⁾	11,417,015	57.09
• of which Brandes Investment Partners, L.P. ⁽ⁱⁱ⁾	n.a.	>5 and <10
• of which European Bank for Reconstruction and Development (EBRD) ⁽ⁱⁱ⁾	n.a.	>5 and <10
• of which Schroders plc ⁽ⁱⁱ⁾	n.a.	>5 and <10
Republic of Slovenia (RoS)	5,000,001	25.00
Other shareholders	3,582,984	17.91
Total	20,000,000	100.00

⁽ⁱ⁾ The Bank of New York Mellon holds shares in its capacity as the depositary (the GDR Depositary) for the GDR holders and is not the beneficial owner of such shares. The GDR holders have the right to convert their GDRs into shares. The rights under the deposited shares can be exercised by the GDR holders only through the GDR Depositary and individual GDR holders do not have any direct right to either attend the shareholders' meeting or to exercise any voting rights under the deposited shares.

⁽ⁱⁱ⁾ The information on GDR ownership is based on self-declarations made by individual GDR holders as required pursuant to the applicable provisions of the Slovenian law.

² Information is sourced from the NLB shareholders book available at the web services of CSD (Central Security Depository, Slovenian: KDD - Centralna klirinško depotna družba) to the CSD members. Information on major holdings is based on self-declarations by individual holders pursuant to the applicable provisions of the Slovenian legislation, which requires that the holders of shares in a listed company notify the company whenever their direct and/or indirect holdings go over the present thresholds of 5%, 10%, 15%, 20%, 25%, 1/3, 50% or 75%. The table provides all self-declared major holders whose notifications have been received. In reliance on this obligation vested in the holders of major holdings, the Bank postulates that no other entities nor any natural persons hold directly and/or indirectly ten or more percent of the Bank's shares.

Financial Performance³

Table 4: Income statement of NLB Group

NLB Group										
in EUR million	1-9 2021	1-9 2020	Change YoY		Q3 2021	Q2 2021	Q3 2020	Change QoQ		
				o/w KB contribution						
Net interest income	302.3	224.5	77.8	74.4	103.7	101.1	74.4	2.5	3%	
Net fee and commission income	172.6	125.1	47.5	29.6	58.6	59.9	43.7	-1.4	-2%	
Dividend income	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.1	82%	
Net income from financial transactions	33.4	30.0	3.4	6.2	7.4	20.8	5.7	-13.4	-64%	
Net other income	-8.7	3.6	-12.2	-9.6	-3.8	-2.0	-0.5	-1.8	-86%	
Net non-interest income	197.5	158.8	38.7	26.4	62.3	78.7	48.9	-16.4	-21%	
Total net operating income	499.9	383.3	116.6	100.7	166.0	179.9	123.3	-13.9	-8%	
Employee costs	-168.2	-122.9	-45.3	-38.9	-56.5	-56.5	-40.2	0.0	0%	
Other general and administrative expenses	-94.1	-69.6	-24.5	-25.7	-31.7	-32.6	-23.5	0.9	3%	
Depreciation and amortisation	-34.8	-23.7	-11.1	-10.0	-11.6	-11.6	-7.8	0.0	0%	
Total costs	-297.2	-216.3	-80.9	-74.6	-99.9	-100.7	-71.4	0.9	1%	
Result before impairments and provisions	202.7	167.0	35.7	26.1	66.1	79.1	51.9	-13.0	-16%	
Impairments and provisions for credit risk	34.1	-49.1	83.1	4.4	3.3	14.8	-16.3	-11.4	-77%	
Other impairments and provisions	-8.8	-1.2	-7.6	-9.9	2.9	-11.3	-0.7	14.2	-	
Impairments and provisions	25.2	-50.2	75.5	-5.5	6.3	3.5	-17.0	2.8	82%	
Gains less losses from capital investments in subsidiaries, associates, and joint ventures	0.9	0.9	0.0	0.0	0.5	0.3	0.5	0.2	79%	
Negative goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	
Result before tax	228.9	117.7	111.2	20.6	72.9	82.9	35.4	-10.0	-12%	
Income tax	-12.9	-8.9	-4.0	0.7	-3.3	-4.8	-3.4	1.5	31%	
Result of non-controlling interests	10.5	4.2	6.3	2.8	3.9	2.9	1.0	1.0	35%	
Result after tax	205.5	104.6	100.9	18.5	65.7	75.2	31.0	-9.5	-13%	

Profit

The Group generated EUR 205.5 million of profit after tax, EUR 100.9 million higher YoY – Komercijalna Banka group⁴ contributed EUR 18.5 million to the result.

The result was based on the following key drivers:

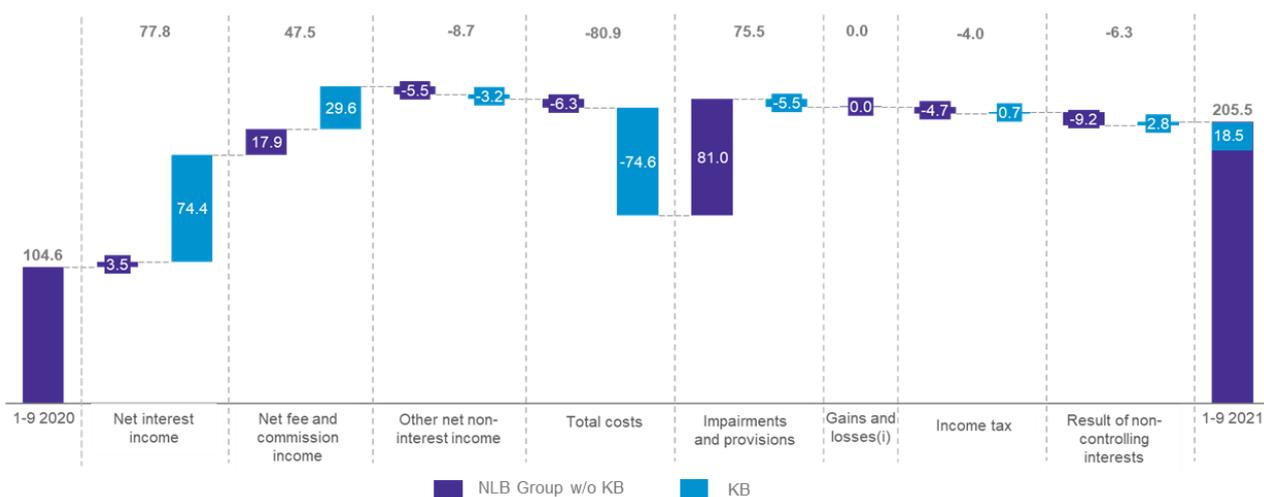
- **Net interest income** increased EUR 77.8 million on the back of Komercijalna Banka group contribution (EUR 74.4 million). Otherwise stable net interest income without Komercijalna Banka group contribution, impacted by excess liquidity which determined a consequent higher volume of cash and balances with central banks, with low or negative interest rates. Interest income higher YoY without Komercijalna Banka group contribution, based on higher volumes and increased market shares in the loan book compensating the reduction in interest rates.
- **Net fee and commission income** increased in all banks, in the Bank mostly due to repricing of packages, fee for high balances, higher net fees from asset management and bancassurance, and arrangement fees for organisation of syndicated loans.
- **Non-recurring valuation income** in the amount of EUR 14.7 million from repayment of exposure, classified as non-performing, and EUR 9.0 million of other operation income from the settlement of a legal dispute; comparable to 1-9 2020 levels, with the sale of NLB Vita and debt securities.
- **Total costs** decreased YoY in the Bank (EUR 2.0 million) and in Non-core members (EUR 1.5 million), while an increase was recorded in other bank members.

³ YoY data are not comparable due to Komercijalna Banka, Beograd acquisition at 2020 YE.

⁴ Komercijalna Banka group (KB): (i) three banks in Serbia, BiH and Montenegro: Komercijalna banka a.d. Beograd (Komercijalna Banka, Beograd), Komercijalna banka a.d., Banja Luka (Komercijalna Banka, Banja Luka), Komercijalna banka a.d. Podgorica (Komercijalna Banka, Podgorica); and (ii) one investment fund company in Serbia: Kombokbank INvest a.d. Beograd (Kombokbank INvest, Beograd).

- **Net impairments and provisions** were released in the amount of EUR 25.2 million, of which EUR 34.1 million for credit risk, mostly due to repayment of several exposures, changes in credit ratings, and changed parameters for forming collective impairments and provisions related to more favourable macroeconomic forecasts. Other impairments and provisions include establishment of EUR 7.7 million restructuring provisions and EUR 5.4 million provisions for legal risk in Komercijalna Banka, Beograd, while at the same time EUR 4.5 million provisions were released due to a successfully closed legal procedure in Komercijalna Banka, Beograd.

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



⁽ⁱ⁾ Gains less losses from capital investments in the subsidiaries, associates, and joint ventures.

⁽ⁱⁱ⁾ Individual results of entities in Komercijalna Banka group can be notably different as their contribution to the NLB Group result due to initial recognition of acquired assets and assumed liabilities at fair value, as required by IFRS 3. This affects mostly the following P&L items:

(a) Impairment of financial instruments: some IFRS 9 methodological differences between NLB Group and Komercijalna Banka group were already taken into account when calculating fair values at initial recognition (such as hair-cuts for collaterals for non-performing exposures), while in Komercijalna Banka group this harmonisation is taking place during 2021.

(b) Net interest income: most securities measured at fair value through other comprehensive income were acquired at a premium from NLB Group perspective, therefore their yield to maturity is lower than in Komercijalna Banka group banks standalone financial statements. Additionally, also differences between fair values of loans and deposits and their book values in Komercijalna Banka group banks at the time of acquisition are being amortised through net interest income.

(c) Realised gains/losses on derecognition of financial instruments: from NLB Group perspective, securities were acquired at their fair value at the time of acquisition, while from the perspective of Komercijalna Banka group they were acquired at different, mostly lower values. Consequently, realised result on derecognition of these securities in NLB Group is different than in Komercijalna Banka group banks standalone financial statements.

(d) Amortisation and depreciation: at closing, NLB Group recognised in its consolidated financial statements additional intangible assets (trade name and core deposits) which are now being amortised in the period of 5 years. Additionally, there are some differences in depreciation due to recognition of real estate at fair value, which was in some cases different than net book value in Komercijalna Banka group banks standalone financial statements.

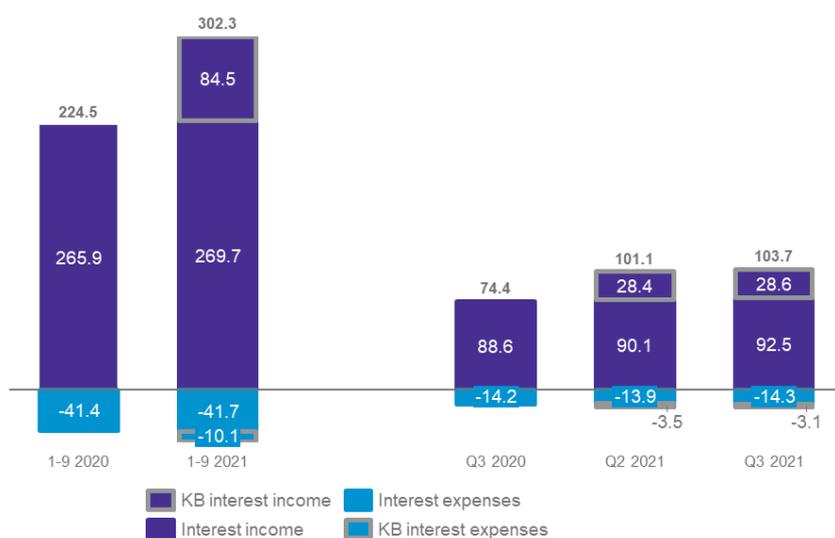
(e) Provisions for legal risks: At initial recognition, contingent liabilities were recognised at fair value, which was in some cases different compared to provisions recognised according to IAS 37 in individual financial statements of Komercijalna Banka group.

(f) Release of impairments of investments in subsidiaries: all effects in relation to release of impairments of investments in subsidiaries recognised in individual financial statements of Komercijalna Banka, Beograd are eliminated in NLB Group consolidated financial statements.

(g) Income taxes: deferred taxes recognised on all consolidation adjustments.

Net Interest Income

Figure 2: Net interest income of NLB Group (in EUR million)



The net interest income totalled EUR 302.3 million, of which EUR 84.5 million was contributed by the acquired Komercijalna Banka group. Without Komercijalna Banka group contribution, higher level of interest income was achieved YoY, due to higher volume of securities and loans, despite lower yields. Slightly higher interest expenses are related to higher cash volumes and balances with the central bank (bearing negative interest in line with the expansionary monetary policy) and the subordinated Tier 2 instruments raised by the Bank to optimise the capital structure (in February 2020, which means that the period 1-9 2020 was not fully affected). Interest expenses in most member banks were decreasing due to lower interest rates for customer deposits. The pressure on the net interest margins in the Bank and member banks in SEE continues.

On the QoQ basis the interest income and expenses were affected by higher liquidity position streaming from TLTRO-III secured borrowing.

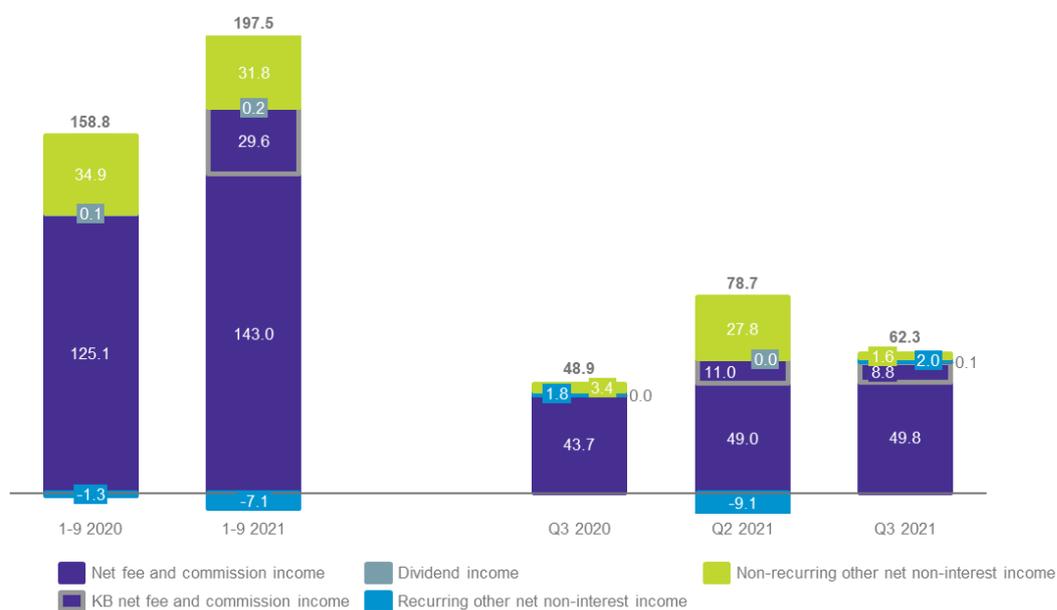
Figure 3: Margins of the NLB Group – quarterly data (in %)



The net interest margin of 2.02% as well as the operational business margin of 3.20% in Q3 for the Group was 0.2 p.p. and 0.06 p.p. lower YoY, due to an increase of interest bearing assets and continued pressure on interest rates. Net interest margin and operational business margin for the Group for Q3 2021 stood at 2.10% and 3.30% if TLTRO-III secured borrowing effect is excluded; hence margins remain flat QoQ.

Net Non-Interest Income

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



The net non-interest income reached EUR 197.5 million, of which EUR 26.4 million were contributed by Komercijalna Banka group. A major part of the net non-interest income has been derived from the net fee and commission income, which grew YoY, mostly in the Bank due to the repricing of the packages, fee for high balances in the amount of EUR 5.7 million (from April on also for individuals⁵), higher net fees from asset management (NLB Skladi YoY almost doubled gross inflows and more than tripled net inflows into mutual funds, totalled EUR 195.6 million and EUR 151.7 million, respectively) and bancassurance (higher YoY inflows with new distribution terms), and arrangement fees for organisation of syndicated loans.

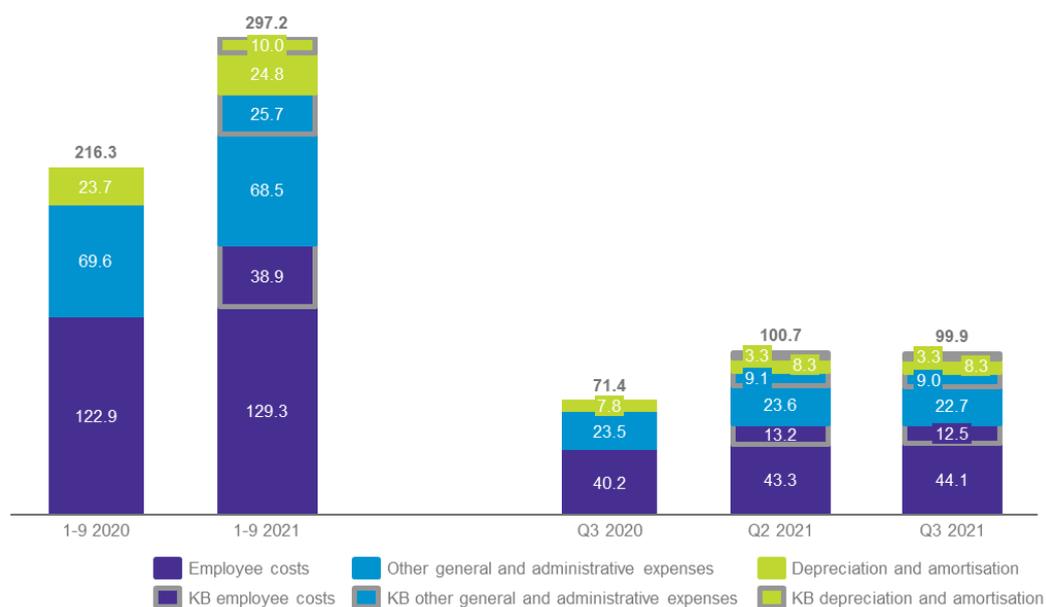
In 1-9 2021, the net non-interest income was strongly affected by non-recurring valuation income in the amount of EUR 14.7 million from the repayment of exposure classified as non-performing, and EUR 9.0 million of other operation income from the settlement of a legal dispute. The non-recurring items were on a comparable level with 1-9 2020 (the sale of NLB Vita and debt securities).

The QoQ decrease is mainly related to non-recurring income in Q2.

⁵ Further information is available under the section Key Events.

Total Costs

Figure 5: Total costs of NLB Group (in EUR million)



The total costs amounted to EUR 297.2 million, of which EUR 74.6 million from Komerčijalna Banka group. Without Komerčijalna Banka group contribution the costs increased YoY for EUR 6.3 million due to an increase in all member banks in SEE.

However, in the Bank the costs were EUR 2.0 million lower YoY, mostly due to positive effects from cost optimisation projects, and also EUR 1.5 million lower in the Non-core members.

The Group is undertaking several strategic initiatives (channel strategy, digitalisation, paperless, lean process, branch network optimisation etc.) to maintain the sustainable cost base going forward.

CIR stood at 59.4%, a 3.0 p.p. increase YoY.

Net Impairments and Provisions

Net impairments and provisions for credit risk were released in the amount of EUR 34.1 million due to repayment of several exposures, changes in credit ratings, and changed parameters for collective impairments and provisions related to more favourable macroeconomic forecasts.

During the first wave of the epidemic in 2020 the Group reviewed IFRS 9 provisioning due to the COVID-19 outbreak, namely relevance of selected macroeconomic scenarios, which resulted in an increase of collective impairments and provisions. However, in 2021 the economy proved to be more resilient and actual impacts of the crisis lower than initially anticipated. Besides, a successful resolution of NPLs in almost all banking members of the Group further contributed to the reduction of annualized cost of risk, which was negative, -50 bps in 1-9 2021 (84 bps in 1-9 2020).

Other impairments and provisions include establishment of EUR 7.7 million restructuring provisions and EUR 5.4 million provisions for legal risk in Komercijalna Banka, Beograd, while at the same time EUR 4.5 million provisions were released due to a successfully closed legal procedure in Komercijalna Banka, Beograd.

Financial Position⁶

Table 5: Statement of financial position of NLB Group

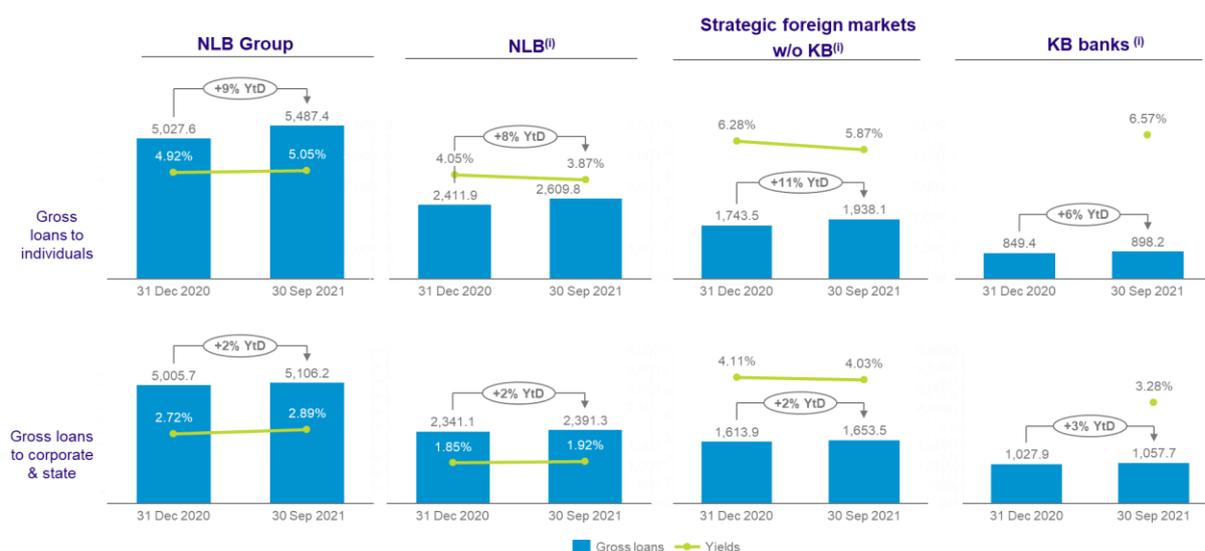
in EUR million	NLB Group									
	30 Sep 2021	30 Jun 2021	31 Dec 2020	30 Sep 2020	Change YTD	Change YoY	Change QoQ			
ASSETS										
Cash, cash balances at central banks, and other demand deposits at banks	4,947.0	4,739.4	3,961.8	3,010.9	985.2	25%	1,936.1	64%	207.6	4%
Loans to banks	211.7	243.4	197.0	112.5	14.6	7%	99.1	88%	-31.7	-13%
Net loans to customers	10,267.0	10,071.4	9,644.9	7,749.0	622.0	6%	2,517.9	32%	195.6	2%
Gross loans to customers	10,593.7	10,421.8	10,033.3	8,111.1	560.3	6%	2,482.5	31%	171.8	2%
- Corporate	4,783.9	4,772.7	4,631.7	3,702.4	152.2	3%	1,081.5	29%	11.2	0%
- Individuals	5,487.4	5,304.8	5,027.6	4,119.4	459.8	9%	1,368.0	33%	182.7	3%
- State	322.3	344.4	374.0	289.3	-51.7	-14%	33.0	11%	-22.0	-6%
Impairments and valuation of loans to customers	-326.7	-350.4	-388.4	-362.1	61.7	16%	35.4	10%	23.7	7%
Financial assets	5,264.7	5,490.9	5,119.5	3,783.8	145.1	3%	1,480.9	39%	-226.2	-4%
- Trading book	10.5	13.5	84.9	16.8	-74.4	-88%	-6.3	-38%	-3.1	-23%
- Non-trading book	5,254.2	5,477.4	5,034.7	3,767.0	219.5	4%	1,487.2	39%	-223.2	-4%
Investments in subsidiaries, associates, and joint ventures	8.5	8.4	8.0	7.7	0.5	6%	0.8	10%	0.1	1%
Property and equipment, investment property	296.2	297.1	304.0	240.0	-7.8	-3%	56.2	23%	-0.9	0%
Intangible assets	53.0	55.7	61.7	37.5	-8.7	-14%	15.5	41%	-2.7	-5%
Other assets	249.0	281.1	268.9	204.2	-19.9	-7%	44.8	22%	-32.1	-11%
TOTAL ASSETS	21,296.9	21,187.3	19,565.9	15,145.7	1,731.1	9%	6,151.2	41%	109.6	1%
LIABILITIES										
Deposits from customers	17,248.6	17,143.0	16,397.2	12,408.8	851.4	5%	4,839.8	39%	105.6	1%
- Corporate	4,276.6	4,130.2	3,949.1	2,915.0	327.4	8%	1,361.5	47%	146.4	4%
- Individuals	12,495.2	12,477.8	12,023.5	9,197.2	471.7	4%	3,298.0	36%	17.4	0%
- State	476.8	535.0	424.5	296.5	52.3	12%	180.3	51%	-58.2	-11%
Deposits from banks and central banks	82.0	78.0	72.6	49.7	9.3	13%	32.3	65%	3.9	5%
Borrowings	975.6	976.6	249.8	218.6	725.8	-	757.0	-	-1.0	0%
Other liabilities	412.5	466.8	434.9	359.0	-22.4	-5%	53.6	15%	-54.3	-12%
Subordinated liabilities	290.2	287.6	288.3	290.0	1.9	1%	0.2	0%	2.7	1%
Equity	2,140.5	2,091.4	1,952.8	1,770.8	187.7	10%	369.7	21%	49.1	2%
Non-controlling interests	147.6	143.8	170.3	48.9	-22.7	-13%	98.6	-	3.7	3%
TOTAL LIABILITIES AND EQUITY	21,296.9	21,187.3	19,565.9	15,145.7	1,731.1	9%	6,151.2	41%	109.6	1%

The Group's total assets increased and totalled EUR 21,296.9 million, a EUR 1,731.1 million increase YtD mainly due to the continued inflow of deposits (EUR 851.4 million), from individuals (EUR 471.7 million) as well as from corporate (EUR 327.4), and participation in a liquidity-providing operation by the ECB in the amount of EUR 750 million (TLTRO-III). Excess liquidity was in large extent placed in the account at the central bank (EUR 985.2 million YtD increase), but also invested in securities (EUR 219.5 million) and gross loans to customers (EUR 152.2 million to corporate and EUR 459.8 million to individual clients). However, there are signs of deposit growth cool-down in last quarter, with loan balance finally achieving higher growth than deposit base. The share of customers' deposits accounted for 81% of the total funding, 2.8 p.p. less as at the end of 2020.

The LTD ratio (net) was 59.5% at the Group level, 0.7 p.p. increase YtD, while YoY decrease of 2.9 p.p. was recorded, as the result of increased deposits due to excess liquidity on the market and additionally due to the acquisition of the strong deposit-based Komercijalna Banka group.

⁶ YoY data are not comparable due to Komercijalna Banka, Beograd acquisition at the end of 2020.

Figure 6: NLB Group gross loans to customers and interest rates on loans YtD dynamics (in EUR million and %)



(I) On stand alone basis.

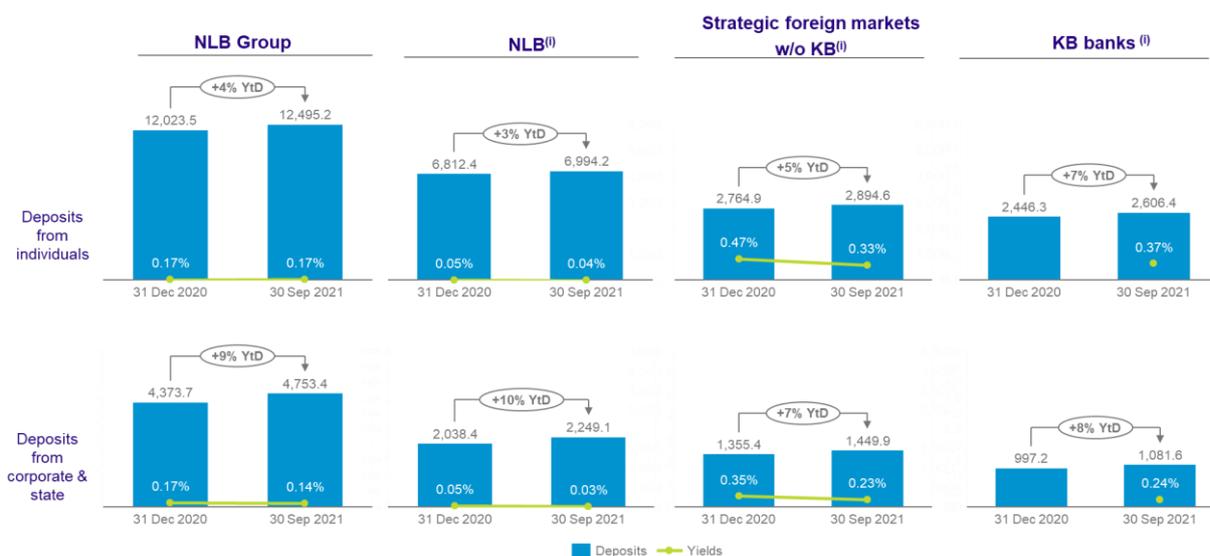
The lending activity spiked and recorded a significant growth in all the banks in 1-9 2021. Gross loans to individuals recorded the highest, 11% YtD increase in Strategic foreign markets (without Komercijalna Banka group banks), while the highest increase of gross loans to the corporate and state was recorded in Komercijalna Banka group banks, i.e. 3% YtD.

Gross loans to individuals in the Bank grew by EUR 197.9 million YtD, mostly due to an increasing volume of housing loans (EUR 205.4 million YtD, with enviable high new production of EUR 405.9 million in 1-9 2021, compared to EUR 202.3 million in the same period of the previous year) related to more attractive offers for clients and intensive marketing campaigns. The volume of consumer loans was slightly lower YtD (EUR 11.5 million); however, the new production in 1-9 2021 amounted to EUR 174.0 million and was higher compared to 1-9 2020 (EUR 148.8 million). Gross loans to corporate and state recorded a EUR 50.2 million growth YtD, distributed across all sub-segments.

The volume of gross loans to customers in Strategic foreign markets increased, with a remarkable new production in lending to individuals, with all the Group member banks recording a double-digit YoY growth in outstanding loan balances in the housing segment.

Despite the declining trend of interest rates on loans, the interest rate on corporate and state loans in the Bank increased, due to the syndicated loan with an attractive interest rate and higher volume of Cross-border corporate loans, bearing higher interest rates.

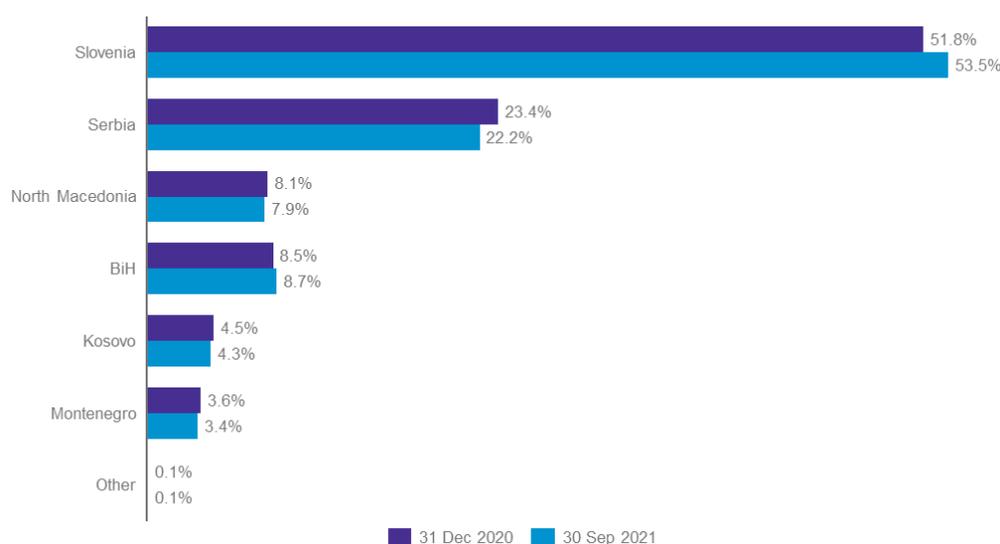
Figure 7: NLB Group deposits from customers and interest rates on deposits YtD dynamics (in EUR million and %)



⁽ⁱ⁾ On stand alone basis.

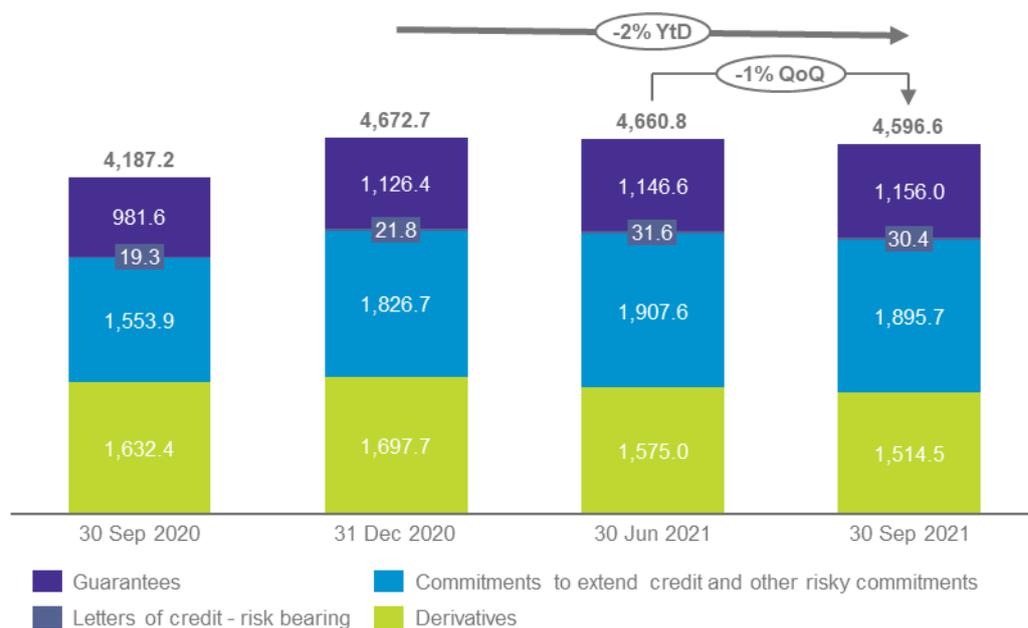
The deposit inflow was recorded across the Group, with the highest 10% YtD increase of deposits from the corporate and state in the Bank. Deposits from individuals grew the most in Komercijalna Banka group banks, 7% YtD. In the Strategic foreign markets the strong deposit growth of 7% was recorded from corporate and state and 5% from individuals.

The interest rate for deposits has been decreasing, but a fee for high balances has been charged by the Bank to corporate and from April on also to individual clients, which should affect the deposit base.

Figure 8: Total assets of NLB Group by booking entity (in %)⁽ⁱ⁾

⁽ⁱ⁾ The geographical analysis includes a breakdown of items with respect to the country in which individual NLB Group members are located. Komercijalna Banka group is divided between the countries based on each entity location from 30 September 2021 on, with YE data adjusted to the new methodology.

Figure 9: NLB Group off-balance sheet items (in EUR million)



Off-balance sheet items of the Group amounted to EUR 4,596.6 million and were comprised of guarantees (25%), letters of credit (1%), commitments to extend credit and other risky commitments (41%), and derivatives (33%).

Commitments to extend credit and other risky commitments were divided between loans (98% corporate), overdrafts (61% retail and 39% corporate) and cards (89% retail). A majority of the Group's derivatives were concluded by the Bank either for the hedging of the banking book or trading with customers.

Capital and Liquidity

Capital

Figure 10: NLB Group capital (in EUR million)

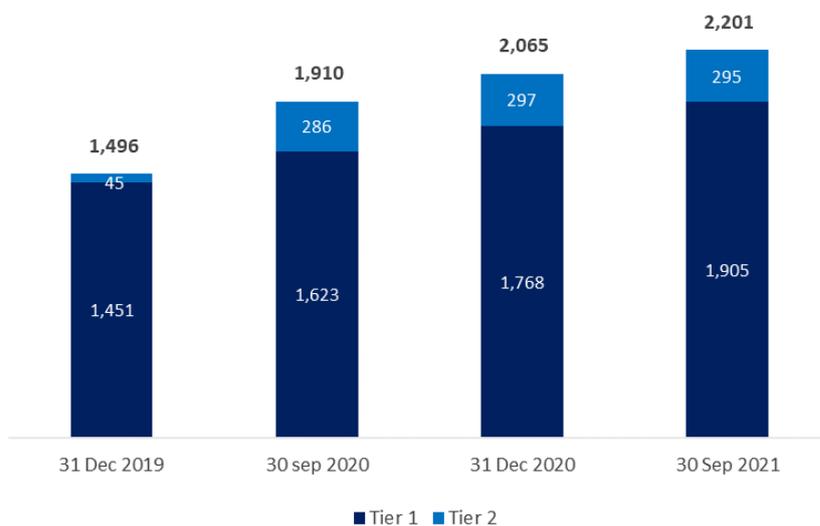


Figure 11: NLB Group capital ratios and regulatory thresholds



The Overall Capital Requirement (OCR) was 14.25% for the Bank on a consolidated basis, consisting of:

- 10.75% TSCR (8% Pillar 1 Requirement and 2.75% Pillar 2 Requirement); and
- 3.5% CBR (2.5% Capital Conservation Buffer, 1% O-SII Buffer and 0% Countercyclical Buffer).

Pillar 2 Guidance is 1.00%, which should be comprised entirely of CET1 capital.

Table 6: NLB Group capital requirements and buffers

		2021	from 12 March 2020 onwards	as at 1 January till 11 March 2020	2019
Pillar 1 (P1R)	CET1	4.5%	4.5%	4.5%	4.5%
	AT1	1.5%	1.5%	1.5%	1.5%
	T2	2.0%	2.0%	2.0%	2.0%
Pillar 2 (SREP req. - P2R)	CET1	1.55%	1.55%	0.0%	0.0%
	Tier 1	2.06%	2.06%	0.0%	0.0%
	Total Capital	2.75%	2.75%	2.75%	3.25%
Total SREP Capital requirement (TSCR)	CET1	6.05%	6.05%	7.25%	7.75%
	Tier 1	8.06%	8.06%	8.75%	9.25%
	Total Capital	10.75%	10.75%	10.75%	11.25%
Combined buffer requirement (CBR)					
Conservation buffer	CET1	2.5%	2.5%	2.5%	2.5%
O-SII buffer	CET1	1.0%	1.0%	1.0%	1.0%
Countercyclical buffer	CET1	0.0%	0.0%	0.0%	0.0%
Overall capital requirement (OCR) = MDA threshold	CET1	9.55%	9.55%	10.75%	11.25%
	Tier 1	11.56%	11.56%	12.25%	12.75%
	Total Capital	14.25%	14.25%	14.25%	14.75%
Pillar 2 Guidance (P2G)	CET1	1.0%	1.0%	1.0%	1.0%
OCR + P2G	CET1	10.55%	10.55%	11.75%	12.25%

The Bank and Group's capital covers all the current and announced regulatory capital requirements, including capital buffers and other currently known requirements, as well as the Pillar 2 Guidance.

As at 30 September 2021, the Total capital ratio for the Group stood at 17.2% (or 0.5 p.p. higher than at 2020 YE), and for the Bank at 25.4% (or 1.7 p.p. lower than at the end of 2020). As at 30 September 2021, the CET1 ratio at the consolidated level stood at 14.7% (0.6 p.p. higher than at 2020 YE). The higher total capital adequacy derives from higher capital (EUR 135.2 million for the Group) which offset the increased RWA. The main effect was inclusion of negative goodwill in retained earnings in the amount of EUR 137.9 million. On the other hand, the minority interest decreased by EUR 12.3 million, mainly due to an increase of the shareholding in Komercijalna Banka, Beograd.

The envisaged cumulative dividend payout in 2021 is EUR 92.2 million⁷, and is not included in the capital calculation, and consequently there is no effect on the capital in the case of dividend payout in that amount.

⁷ Further information is available under the section Outlook 2021 and Corporate Governance.

Table 7: Total risk exposure for NLB Group (in EUR million)

in EUR million	Balance at			Change	
	30 Sep 2021	31 Dec 2020	30 Sep 2020	YtD	YoY
Total risk exposure amount (RWA)	12,824.4	12,421.0	8,863.2	403.3	3,961.1
RWA for credit risk	10,648.0	10,222.9	7,374.4	425.1	3,273.7
Central governments or central banks	1,842.8	1,892.2	878.3	-49.3	964.6
Regional governments or local authorities	126.0	135.5	62.6	-9.4	63.5
Public sector entities	212.7	248.8	101.8	-36.1	111.0
Institutions	355.1	311.7	235.5	43.4	119.5
Corporates	2,312.4	2,224.2	1,869.3	88.2	443.1
Retail	4,190.7	3,891.8	3,055.5	298.9	1,135.1
Secured by mortgages on immovable property	397.1	355.7	349.2	41.4	47.9
Exposures in default	191.8	231.5	156.9	-39.7	34.9
Items associated with particularly high risk	444.1	344.2	256.0	99.8	188.1
Covered bonds	40.3	40.9	41.6	-0.6	-1.3
Claims in the form of CU	17.6	18.7	12.5	-1.0	5.1
Equity exposures	79.7	47.1	25.0	32.7	54.7
Other items	437.7	480.9	330.2	-43.1	107.6
RWA for market risk + CVA	1,229.0	1,250.8	534.7	-21.8	694.3
RWA for operational risk	947.3	947.3	954.1	0.0	-6.8

RWAs in the Group increased by EUR 403.3 million YtD. RWAs for credit risk increased by EUR 425.1 million YtD. Most of the increase was contributed by the Bank (EUR 273.5 million), and it is related to the new production in the retail and corporate segments, with investments in subordinated bonds (Tier 2) and with investments in state bonds. As a result of RWA optimisation, some banking members shifted a part of their liquid assets from the central governments or CB to low risk weighted commercial banks (the highest RWA decrease is seen in the Komercijalna Banka, Beograd).

The decrease in RWAs for market risks and CVA (Credit Value Adjustments) in the amount of EUR 21.8 million YtD is mainly the result of lower TDI risk in the amount of EUR 79.5 million (a consequence of closing position of traded debt instruments in Komercijalna Banka, Beograd). RWAs on FX risk increased by EUR 57.6 million YtD mainly due to more open positions in the domestic currencies of non-euro subsidiary banks.

Liquidity

The liquidity position of the Group remains strong, with the LTD ratio (net) of 59.5% (2020 YE: 58.8%), thus meeting the liquidity indicators high above the regulatory requirements, as well as confirming the low liquidity risk tolerance of the Group.

Liquid assets of the Group amounted to EUR 10.8 billion (50.5% of total assets; 2020 YE: EUR 9.8 billion, 49.8% of total assets), of which EUR 1.9 billion (2020 YE: EUR 1.0 billion) were encumbered due to operational and regulatory requirements. The increase of encumbered assets was due to TLTRO-III secured borrowing.

Figure 12: NLB Group liquid assets⁽¹⁾ structure reflects a robust liquidity position (in EUR million)



⁽¹⁾ Includes encumbered assets.

The banking book securities portfolio, which accounted for 48.3% of the Group's liquid assets (2020 YE: 51.4%), was dispersed appropriately across issuers, geographies, and remaining average maturity, with the aim of adequate liquidity and interest risk management.

Due to TLTRO-III secured borrowing and a persistent growth of NBS deposits, cash and central bank/commercial bank balances together with placements with banks grew, which was partially offset by the NBS loan and banking book securities portfolio increase. The investment activity continues with a balanced approach which follows a clear focus on attractive market opportunities and at the same time well-managed credit risk and capital consumption.

Driven by the low interest rate environment, the main change in the funding structure of the Group was the ongoing transformation of term-to-sight customer deposits representing the key funding base. The share of sight customer deposits was 69.5% of the total assets (2020 YE: 69.7%).

Related-Party Transactions

A number of banking transactions have been entered into with the related parties in the normal course of business. The volume of related-party transactions mainly consists of loans and deposits issued and deposits received. Further information on transaction volumes is available in the financial part of this report under point 7.

Segment Analysis

Core Segments

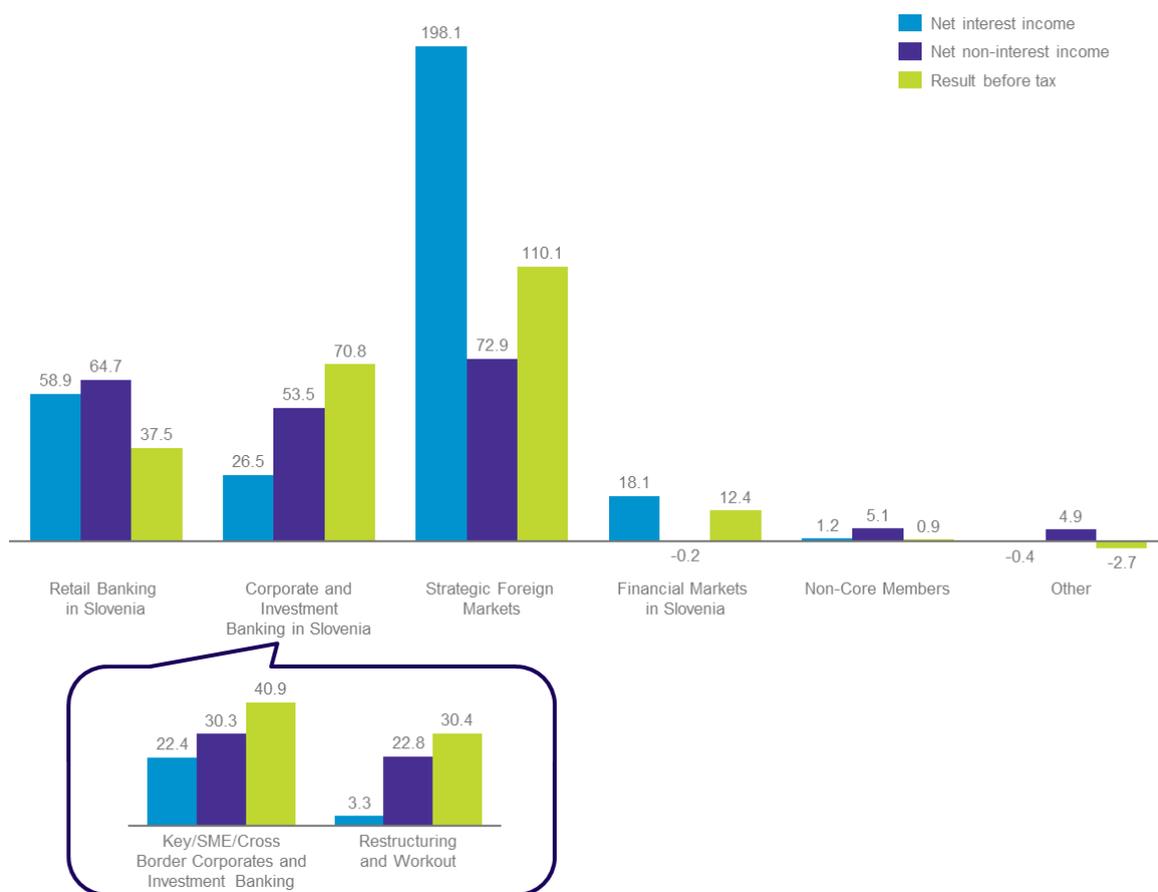
Non-Core Segments

	Retail Banking in Slovenia	Corporate and Investment Banking in Slovenia	Strategic Foreign Markets	Financial Markets in Slovenia	Other	Non-Core Members
	includes banking with individuals and micro companies, asset management (NLB Skladi), and one part of the subsidiary NLB Lease&Go that deals with retail clients, as well as the contribution to the result from the associated company Bankart.	includes banking with Key corporate clients and SMEs, Cross-border corporates, Investment Banking and Custody, Restructuring and Workout, and one part of the subsidiary NLB Lease&Go that renders services to corporate clients.	includes the operations of strategic Group banks in the strategic markets (North Macedonia, BiH, Kosovo, Montenegro, and Serbia). With the acquisition of Komerčijalna Banka, Beograd at 2020 YE, the NLB Group acquired three banks: Komerčijalna Banka, Beograd, Komerčijalna Banka, Podgorica, and Komerčijalna Banka, Banja Luka, as well as an investment fund company Kombank INvest, Beograd.	covers treasury activities and trading in financial instruments, while it also presents the results of asset and liabilities management (ALM).	accounts for the Bank's categories of which the operating results cannot be allocated to specific segments as well as the subsidiary NLB Cultural Heritage Management Institute.	includes the operations of non-core Group members, namely REAM and leasing entities (except NLB Lease&Go), NLB Srbija, and NLB Crna Gora.

(in EUR million)	NLB Group						
Profit b.t.	228.9	37.5	70.8	110.1	12.4	-2.7	0.9
Contribution to Group's profit b.t.	100%	16%	31%	48%	5%	-1%	0%
Total assets	21,297	2,721	2,161	9,833	6,127	342	112
% of total assets	100%	13%	10%	46%	29%	2%	1%
CIR	59.4%	67.1%	40.3%	60.0%	32.8%	201.8%	125.9%
Cost of risk (bps)	-50	22	-145	-31	/	/	-879

NLB Group's main indicator of a segment's efficiency is net profit before tax. No revenues were generated from transactions with a single external customer that would amount to 10% or more of Group's revenues.

Figure 13: Segment results of NLB Group (in EUR million)



The core markets and activities made a profit before tax of EUR 228.0 million. The Strategic Foreign Markets contributed the largest share to the Group's profit before tax in the amount of EUR 110.1 million, followed by the Corporate and Investment Banking in Slovenia with EUR 70.8 million, Retail Banking in Slovenia with EUR 37.5 million, Financial Markets in Slovenia with EUR 12.4 million, and the Non-Core Members with EUR 0.9 million.

Retail Banking in Slovenia

Financial Highlights

- High new production of housing loans.
- Fee for high balances for individuals charged since April.
- Decrease of balance of deposits from individuals in Q3.
- More than tripled production of net inflow in mutual funds of NLB Skladi YoY.

Business Highlights

- Introduction of Mastercard debit cards as a substitute for Maestro cards.
- SMS Instalments for personal pay-later cards were implemented.
- A new payment method Flik P2M on POS terminals was introduced.
- Upgrade of NLB Pay with Card Credential Storage for easier e-commerce transactions.
- Loans can be approved also via a video call in the Contact Centre.

Financial performance

Table 8: Key financials of Retail Banking in Slovenia

Retail Banking in Slovenia									
in EUR million consolidated									
	1-9 2021	1-9 2020	Change YoY		Q3 2021	Q2 2021	Q3 2020	Change QoQ	
Net interest income	58.9	61.9	-3.1	-5%	20.2	19.7	20.3	3%	
Net interest income from Assets ⁽¹⁾	61.1	58.4	2.7	5%	21.1	20.4	19.6	3%	
Net interest income from Liabilities ⁽¹⁾	-2.2	3.5	-5.7	-	-0.9	-0.7	0.6	-18%	
Net non-interest income	64.7	66.5	-1.9	-3%	25.3	16.7	21.5	51%	
o/w Net fee and commission income	70.4	61.1	9.3	15%	24.5	24.0	21.4	2%	
Net net operating income	123.6	128.5	-4.9	-4%	45.5	36.4	41.7	25%	
Total costs	-82.9	-84.0	1.2	1%	-27.7	-28.5	-27.9	3%	
Result before impairments and provisions	40.7	44.4	-3.7	-8%	17.8	7.8	13.8	127%	
Impairments and provisions	-4.2	-9.0	4.8	54%	-1.5	-3.4	-3.4	56%	
Net gains from investments in subsidiaries, associates, and JVs ²	0.9	0.9	0.0	5%	0.5	0.3	0.5	79%	
Result before tax	37.5	36.3	1.1	3%	16.8	4.8	10.9	-	
	30 Sep 2021	30 Jun 2021	31 Dec 2020	30 Sep 2020	Change YtD		Change YoY		Change QoQ
Net loans to customers	2,637.8	2,534.9	2,415.4	2,386.4	222.5	9%	251.5	11%	4%
Gross loans to customers	2,675.4	2,570.6	2,450.7	2,418.4	224.7	9%	257.0	11%	4%
Housing loans	1,740.1	1,666.8	1,534.7	1,487.8	205.4	13%	252.3	17%	4%
Interest rate on housing loans	2.37%	2.40%	2.51%	2.52%	-0.14 p.p.		-0.15 p.p.		-0.03 p.p.
Consumer loans	642.1	643.0	651.7	663.0	-9.6	-1%	-20.9	-3%	0%
Interest rate on consumer loans	6.69%	6.66%	6.43%	6.39%	0.26 p.p.		0.30 p.p.		0.03 p.p.
Other	293.2	260.7	264.3	264.1	28.8	11%	29.1	11%	12%
Deposits from customers	7,608.2	7,644.9	7,356.8	7,040.1	251.4	3%	568.2	8%	0%
Interest rate on deposits	0.03%	0.03%	0.04%	0.05%	-0.01 p.p.		-0.02 p.p.		0.00 p.p.
Non-performing loans (gross)	57.8	54.8	52.4	45.8	5.4	10%	12.0	26%	6%
	1-9 2021	1-9 2020	Change YoY						
Cost of risk (in bps)	22	51	-29						
CIR	67.1%	65.4%	1.7 p.p.						
Interest margin	1.55%	1.80%	-0.25 p.p.						

⁽¹⁾ Net interest income from assets and liabilities with the use of FTP.

Net interest income was 5% lower YoY. Due to over liquidity of the Bank, the policy to de-stimulate the deposit collection triggered the retail deposits margin after transfer price (FTP) reduction in the amount of EUR 5.7 million YoY. The interest income from loans to individuals was EUR 2.7 million higher YoY due to a higher volume of housing loans and higher interest margins on consumer loans, due to higher volumes of new production and higher share of loans with a risk premium and quick loans in the portfolio. Lower volumes on overdrafts had a negative impact on the interest income. As a result of several activities – marketing campaigns, individualised preapproved loan campaigns, and process improvements – the production of new housing loans was still high in Q3 (EUR 143.5 million), with EUR 405.8 million of new loans approved in 2021 (1-9 2020: EUR 202.3 million) and resulted in the increase of the portfolio (EUR 205.4 million YtD and EUR 252.3 million YoY). The decrease of balances was recorded in the consumer lending (EUR 9.6 million YtD and EUR 20.9 million YoY). The portfolio of overdrafts recorded YtD increase (EUR 3.1 million), however YoY balance decreased (EUR 3.3 million). The portfolio of cards remained on the same level YtD and recorded a slight increase YoY (EUR 1.0 million).

Net non-interest income amounted to EUR 64.7 million, a EUR 1.9 million (3%) decrease YoY due to gains made from the sale of the joint venture NLB Vita in 2020 (EUR 11.0 million), which was almost completely compensated for with higher net fee and commission income (EUR 9.3 million or 15%) related mostly to package repricing and higher net fees from the asset management (high net inflows in mutual funds of NLB Skladi, EUR 151.7 million) and bancassurance. In April, the Bank started charging a fee for high balances for individuals to restrain the deposit inflow, divert extra liquidity to other financial products (mutual funds, investments) and compensate for the negative interest rates charged for the balances at the central bank; the retail segment in total collected EUR 0.9 million of such fees in the period 1-9 2021 (EUR 0.2 million in 1-9 2020), of which EUR 0.4 million from individuals.

Lower **costs** by EUR 1.2 million (1%), due to lower employee costs (a lower number of employees) and cost optimization projects in the Bank.

Net impairments and provisions were established in the amount of EUR 4.2 million, due to changes in risk parameters.

Deposits from customers increased by EUR 251.4 million (3%) YtD and EUR 568.2 million (8%) YoY, with a stable balance retained in Q3 2021 (a decrease in deposits from individuals and an increase in deposits from micro companies).

As of 30 September, exposures subject to the COVID-19 moratorium equal EUR 13.8 million (0.24% of the total retail exposure).

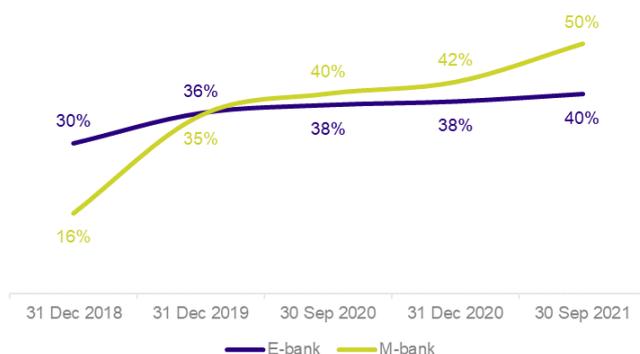
Business Performance

The Bank maintained the leading position with a market share of 24.4% in the retail lending (30 September 2020: 23.2%) and 30.5% (30 September 2020: 31.1%) in the deposit-taking. An encouraging increase of the market share is noticed for housing loans, namely to 24.0% (30 September 2020: 22.2%), which is the result of a very good production of new housing loans in 1-9 2021 (market share of 32.5%; 1-9 2020: 26.8%). Apart from the generally positive economic sentiment, successful marketing campaigns played an important role in contributing to the excellent sales results.

Following the ESG orientation of the Group, special financing for the purchase of solar panels, power storage and heat pumps was agreed to be offered to customers of one of the Slovenian retailers selling technical products.

The mobile branch NLB Bank&Go, engaged in promotional visits to various cities, is becoming more and more recognized. A higher daily limit of cash withdrawals on ATMs was put in place, also to encourage clients to use ATMs and to strengthen the advisory role of branch offices.

The number of digital users continued to increase also in Q3 (12% YoY). The number of m-bank Klikin and e-bank NLB Klik users recorded a YoY increase of 25% (63,742 new users) and 6% (14,162 new users) respectively, which is also well proven by the digital penetration (see the figure below). The total volume and number of payments processed in the e-bank and m-bank YoY increased by 35% and 15% respectively, which also collaborates the Bank's digital focus.

Figure 14: E- and M-bank penetration⁽ⁱ⁾

⁽ⁱ⁾ Share of e-/m-bank users in # of active clients of the Bank.

The launch and sale of various products (consumer and housing loans with simple collateral, Vita and Generali insurance products, deposits, savings and cards, onboarding of e- and m-bank) via a video call was an important step towards strengthening the role of the Contact Centre as a 24/7 sales channel. The Contact Centre saw a YoY increases of 3% in inbound calls, 30% in chats and 59% in video calls.

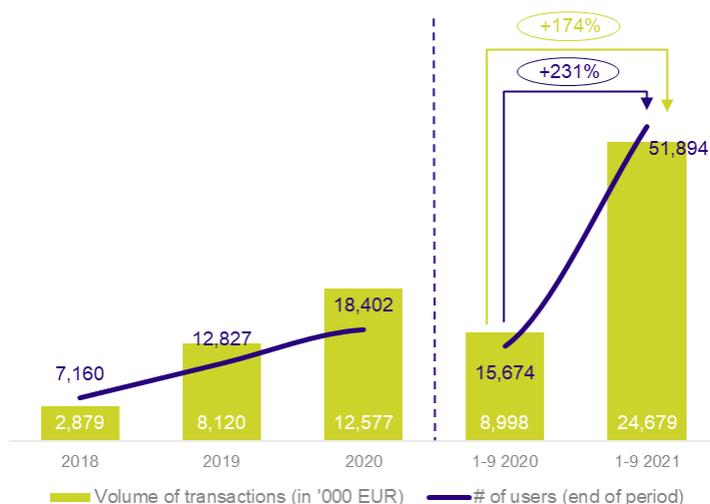
New debit Mastercard cards (NLB Debit Mastercard, NLB Debit Mastercard World and NLB Mastercard World Elite) can be digitized and are now part of the client's wallet and mobile wallet NLB Pay instead of Maestro card, initially for all new clients and gradually, after the expiry of Maestro cards, for all the existing clients. The Mastercard debit card offers added value to clients in the times when most purchases are made online.

SMS Instalments for personal pay-later payment cards were introduced, the only condition was the activation of SMS Alarm service. This new service complements card purchases in instalments on POS terminals in shops.

An introduction of a new method of payment within the local instant payment scheme Flik P2M is important to migrate cash to non-cash transactions. Flik P2M is included in the m-wallet NLB Pay.

M-wallet NLB Pay usage is increasing at a significant pace and the application is also constantly upgraded, the most recent new functionality is displaying card data of simple e-commerce purchases. In the past, this app was something that was nice to have, but today it's become must-have, especially as it is an easy way to confirm e-commerce purchases. The number of users and volume of transactions has increased YoY by 231% and 174% respectively.

Figure 15: NLB Pay in numbers



The market share of NLB Skladi increased to 37.2% (30 September 2020: 33.9%). With EUR 179.1 million of net inflows in 1-9 2021, which is the company's highest amount of inflows recorded in the first nine months of any year so far, the company ranked first among its peers in Slovenia, accounting for 53.9% of all net inflows in the market. Fees for high balances of customers' assets introduced in April 2021 also triggered a partial reallocation of customer assets from deposits and contributed to an additional increase of interest on asset management products. The company remains the largest asset management company and mutual funds management company in Slovenia. The total assets under management amounted to EUR 1,983.3 million (30 September 2020: EUR 1,488.0 million) of which EUR 1,471.5 million consisted of mutual funds (30 September 2020: EUR 1,005.8 million) and EUR 511.8 million of the discretionary portfolio (30 September 2020: EUR 482.2 million).

The insurance company Vita remains the Bank's strategic partner. Its products are sold through the Bank's distribution network, such as savings and investment insurance products, risk and health insurance products. A new product was introduced of Vita health insurances – NLB Vita Specialist, among other also to cover the cost of medical specialists and more complex diagnostic examinations, with health services provided within 10 working days. Non-life insurance products, including car and home insurance, are provided to the clients in cooperation with the insurance company GENERALI Zavarovalnica.

Corporate and Investment Banking in Slovenia

Financial Highlights

- A growing importance of cross-border financing and the leasing company NLB Lease&Go.
- A growing fee for high balances.
- Non-recurring income from two cases, namely a positive valuation effect from the repayment of an exposure and the settlement of a legal dispute in a total amount of EUR 21.5 million attributable to the segment.
- Repayment of several exposures, changes in credit ratings and changed risk parameters.

Business Highlights

- Client base expanded with additional stable and well-performing groups of companies and also several new, high quality transactions have been closed.
- The Bank organised syndicated facilities in the total amount of EUR 557.0 million.
- Debit Mastercard business cards introduced to replace the Maestro business card.
- The first bank in Slovenia with Flik P2M available in all the shops with NLB POS terminals.
- A new package offer of NLB Business Package Basic, Advanced and Comprehensive was implemented.
- 2021 edition of #HelpFrame underway across the Group.

Financial Performance

Table 9: Key Financials of Corporate and Investment Banking in Slovenia

in EUR million consolidated									
Corporate and Investment Banking in Slovenia									
	1-9 2021	1-9 2020	Change YoY		Q3 2021	Q2 2021	Q3 2020	Change QoQ	
Net interest income	26.5	25.6	0.9	3%	8.6	8.9	7.8	-4%	
Net interest income from Assets ⁽ⁱ⁾	30.4	27.2	3.2	12%	10.0	10.3	8.5	-3%	
Net interest income from Liabilities ⁽ⁱ⁾	-3.9	-1.6	-2.3	-145%	-1.4	-1.3	-0.8	-3%	
Net non-interest income	53.5	30.5	22.9	75%	9.8	31.9	9.8	-69%	
o/w Net fee and commission income	29.4	24.8	4.6	18%	9.7	10.2	8.7	-5%	
Total net operating income	80.0	56.2	23.8	42%	18.4	40.8	17.6	-55%	
Total costs	-32.2	-30.5	-1.7	-5%	-10.8	-11.0	-10.1	2%	
Result before impairments and provisions	47.8	25.6	22.1	86%	7.6	29.8	7.5	-74%	
Impairments and provisions	23.1	-6.8	29.8	-	-	7.0	5.1	39%	
Result before tax	70.8	18.9	52.0	-	14.6	34.9	10.0	-58%	
	30 Sep 2021	30 Jun 2021	31 Dec 2020	30 Sep 2020	Change YtD		Change YoY		Change QoQ
Net loans to customers	2,171.0	2,153.2	2,047.1	2,022.0	123.9	6%	149.0	7%	1%
Gross loans to customers	2,230.0	2,244.9	2,167.5	2,130.6	62.5	3%	99.5	5%	-1%
Corporate	2,096.1	2,100.5	2,006.4	1,969.9	89.7	4%	126.2	6%	0%
Key/SME/Cross Border Corporates	1,963.5	1,940.6	1,827.6	1,802.0	136.0	7%	161.5	9%	1%
Interest rate on Key/SME/Cross Border Corporates loans	1.80%	1.82%	1.79%	1.79%	0.01 p.p.		0.01 p.p.		-0.02 p.p.
Investment banking	0.1	0.1	0.2	0.2	-0.1	-3%	-0.1	-3%	0%
Restructuring and Workout	85.2	123.5	160.8	156.0	-75.6	-47%	-70.8	-43%	-31%
NLB Lease&Go	47.3	36.3	17.8	11.7	29.5	163%	35.6	-	30%
State	133.6	144.1	160.7	160.3	-27.0	-17%	-26.6	-17%	-7%
Interest rate on State loans	2.17%	2.45%	2.20%	2.18%	-0.03 p.p.		-0.01 p.p.		-0.28 p.p.
Deposits from customers	1,620.2	1,618.9	1,487.4	1,354.1	132.7	9%	266.1	20%	0%
Interest rate on deposits	0.03%	0.04%	0.06%	0.06%	-0.03 p.p.		-0.03 p.p.		-0.01 p.p.
Non-performing loans (gross)	76.1	111.8	156.0	129.7	-79.9	-51%	-53.6	-41%	-32%
	1-9 2021	1-9 2020	Change YoY						
Cost of risk (in bps)	-145	43	-189						
CIR	40.3%	54.3%	-14.1 p.p.						
Interest margin	1.79%	1.94%	-0.15 p.p.						

⁽ⁱ⁾ Net interest income from assets and liabilities with the use of FTP.

Profit before tax was EUR 70.8 million, EUR 52.0 million higher YoY. The result was affected by non-recurring valuation income in the amount of EUR 12.9 million from the repayment of an exposure classified as non-performing, and EUR 8.6 million other operation income from the settlement of a legal dispute.

Net interest income was 3% higher YoY. Due to over liquidity of the Bank, the policy to de-stimulate the deposit collection triggered the deposits margin after transfer price (FTP) reduction in the amount of EUR 2.3 million YoY. The interest income from loans to corporate and state was EUR 3.2 million higher YoY, of which EUR 0.9 million

from corporate part of NLB Lease&Go. The volume of loans to corporate customers increased by EUR 89.7 million YtD, mostly due to newly approved syndicated loans and increased volumes in the Cross-border Corporates and NLB Lease&Go.

Net fee and commission income recorded an 18% increase YoY, mostly due to a higher fee for high balances on customers assets (EUR 4.8 million in 1-9 2021, EUR 2.6 million higher YoY) and arrangement fees for organization of syndicated loans.

Total costs increased EUR 1.7 million YoY, due to higher IT costs (licences) and employee costs.

Net impairments and provisions were released in the amount of EUR 23.1 million due to the repayment of several exposures, changes in credit ratings, and changed parameters for collective impairments and provisions related to more favourable macroeconomic forecasts.

Investment Banking and Custody recorded non-interest income in the amount of EUR 8.9 million and increased by EUR 1.4 million YoY, due to arrangement fees for organization of syndicated loans. The total value of assets under custody increased YoY (30 September 2020: EUR 15.3 billion) but decreased YtD (2020 YE: EUR 16.2 billion) and amounted to EUR 15.5 billion.

Exposures subject to non-expired COVID-19 moratoriums in the segment of Non-financial corporations amounted to EUR 50.0 million as at 30 September 2021. Apart from moratoriums, the Bank has provided additional liquidity by granting new loans to creditworthy clients to help them with the specific situation due to COVID-19 in the amount of EUR 29.2 million.

Business Performance

NLB is the leading bank in servicing corporate clients in Slovenia with by far the largest client base and it has a 17.8% market share in corporate loans (30 September 2020: 17.1%). Higher productivity, which resulted in an increased portfolio and market share, also reflects ongoing efforts by relationship managers in their proactive approach and focus on customers, supported with improved processes. With the appropriate mix of products, we have been able to increase the profitability on YoY basis.

The Bank remains a reliable partner to Slovenian companies also when they want to expand their activities abroad. Clients can get long-term financing facilities and advising services to find a best-suited financing structure. In this way the Bank supports key projects important for the development of the country and also our home region.

Despite large loan repayments, the entire portfolio grew as several new high-quality transactions were concluded in financing exports and manufacturing, the state, project finance, acquisitions, factoring and international finance. In the period 1-9 2021, EUR 865.4 million of loans have been approved to corporate and state clients presenting a 25% YoY increase.

In the process of integrating the ESG factors, the Bank directs its growing efforts towards identifying new business opportunities arising from its transition to supporting circular and carbon neutral economy.

The Bank is also a leading Slovenian bank in the field of trade finance with products that support the export economy. The Group clients are supported with letters of guarantees, letters of credit and purchases of

receivables through digital channels in a safe and fast way, with a market share of 31.4% (30 September 2020: 31.5%) in guarantees and letters of credit (including guarantee lines).

Excess liquidity, a rather limited Slovenian market and a wish to expand the operations with the existing and new clients are the main reasons why cross-border financing is becoming increasingly important. In the SEE, the Bank is currently supporting mainly telecommunications and food industry as well as renewable energy sources and infrastructural projects.

#HelpFrame, a social environment project with a clearly defined sustainability component, continues also in 2021. In addition to know-how, advice and services, advertising space will also be made available to the selected entrepreneurs, farmers and small and micro companies, thus helping them present their work and efforts to potential buyers and customers.

The number of m-bank Klikpro users is constantly rising (YoY by 13%), which proves that clients fully adopted the process of digital banking. The app is now also available in the Huawei App Gallery.

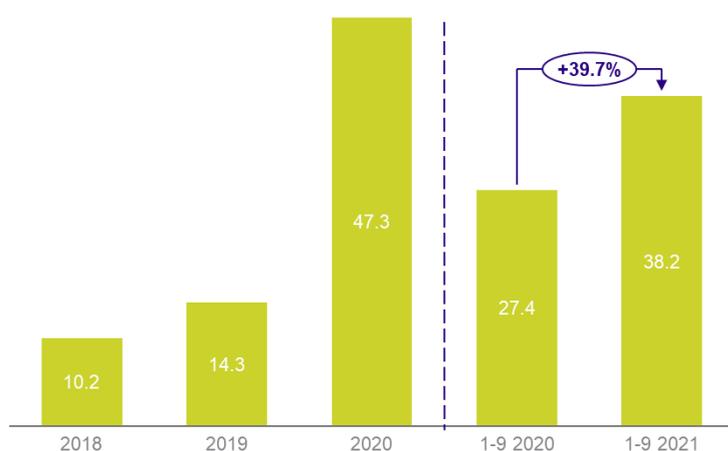
A transition to instant processing means a vast change for payment systems, which is why the Bank has since last year gradually introduced instant payments, including instant internal transfers and Flik payments in the NLB Pay. Instant outgoing payments are now available to clients (free of charge) also in m-banking solutions Klikin and Klikpro. By transitioning to instant processing of payments (operating 24/7) the Bank showed its commitment to enhancing user experience and digitalization.

New debit Mastercard products (NLB Debit Mastercard Business and NLB Debit Mastercard World Business) are now also available to business account holders who are using Maestro business card. New debit cards are included in the new package offer for legal entities, namely NLB Business Package Basic, Advanced and Comprehensive, with a special offer for single clients' target group of Newly Established and Non-Profit.

The Flik P2M payment method was implemented in all the shops with NLB POS terminals and this way the NLB has become the first bank in Slovenia to do so. Flik P2M payments goal is to decrease the use of cash.

Users of e-commerce expect safe and simple on-line purchases, which is why the Bank offers NLB E-commerce, a modern payment platform, to its providers and their clients. The platform provides safety and simplicity, competitive edge to providers, and good user experience.

Figure 16: E-commerce purchases (in EUR million)



In 1-9 2021, the Bank organized five syndicated facilities in the total amount of EUR 557.0 million, where it also acted as the mandated lead arranger, as an agent and also as the leading bank with a EUR 228.2 million participation.

In brokerage services in 1-9 2021, the Bank executed clients' buy and sell orders in the total amount of EUR 702.6 million (1-9 2020: EUR 753.6 million), while in the area of dealing in financial instruments the Bank executed foreign exchange spot deals in the total of EUR 653.4 million (1-9 2020: EUR 525.3 million) and for EUR 272.2 million (1-9 2020: EUR 185.8 million) worth of transactions involving derivatives.

The Bank remains one of the top Slovenian players in custodian services for Slovenian and international customers. The total value of assets under custody on 30 September 2021 was, together with the fund administration services, EUR 16.1 billion (30 September 2020: EUR 15.3 billion).

Strategic Foreign Markets

Financial Highlights

- Persistently growing loan portfolio, especially housing loans and deposit base.
- Strong pressure on interest margins.
- Integration process of Komercijalna Banka group going in line with the plan.

Business Highlights

- New production in retail paved the way to normality, as 1-9 2021 was a very successful production period for several Group banks, exceeding the pre-pandemic levels.
- Acceleration of automated solutions for customers in several Group member banks.

Financial Performance

Table 10: Key Financials of Strategic Foreign Markets

Strategic Foreign Markets										
in EUR million consolidated										
	1-9 2021	1-9 2020	Change YoY o/w KB contribution			Q3 2021	Q2 2021	Q3 2020	Change QoQ	
Net interest income	198.1	119.1	79.0	74.5	66%	68.1	66.7	40.6	2%	
Interest income	223.6	137.0	86.5	84.7	63%	76.0	75.5	46.4	1%	
Interest expense	-25.5	-17.9	-7.6	-10.2	-42%	-8.0	-8.7	-5.8	9%	
Net non-interest income	72.9	39.4	33.5	26.4	85%	24.2	27.2	14.2	-11%	
o/w Net fee and commission income	73.0	39.4	33.6	29.5	85%	24.3	25.5	13.8	-5%	
Total net operating income	271.0	158.6	112.4	100.9	74%	92.2	93.9	54.8	-2%	
Total costs	-162.6	-79.9	-82.7	-74.8	-104%	-54.7	-55.6	-26.5	2%	
Result before impairments and provisions	108.4	78.7	29.7	26.1	38%	37.5	38.3	28.2	-2%	
Impairments and provisions	1.7	-33.2	34.8	-5.5	-	-0.3	0.1	-15.4	-	
Negative goodwill (KB)	-	-	-	-	-	-	-	-	-	
Result before tax	110.1	45.5	64.6	20.6	142%	37.2	38.4	12.8	-3%	
o/w Result of minority shareholders	10.5	4.2	6.3	2.8	153%	3.9	2.9	1.0	35%	

	30 Sep 2021	30 Jun 2021	31 Dec 2020	30 Sep 2020	Change YtD		Change YoY		Change QoQ
Net loans to customers	5,361.8	5,281.9	5,052.4	3,199.5	309.4	6%	2,162.2	68%	2%
Gross loans to customers	5,547.5	5,460.3	5,234.8	3,352.7	312.7	6%	2,194.8	65%	2%
Individuals	2,836.4	2,756.1	2,592.9	1,711.0	243.5	9%	1,125.4	66%	3%
Interest rate on retail loans	6.10%	5.94%	6.28%	6.34%	-0.18 p.p.		-0.24 p.p.		0.16 p.p.
Corporate	2,538.0	2,519.4	2,443.7	1,528.6	94.2	4%	1,009.4	66%	1%
Interest rate on corporate loans	3.76%	4.04%	4.15%	4.19%	-0.39 p.p.		-0.43 p.p.		-0.28 p.p.
State	173.2	184.8	198.1	113.1	-25.0	-13%	60.0	53%	-6%
Interest rate on state loans	3.38%	3.40%	3.53%	3.63%	-0.14 p.p.		-0.24 p.p.		-0.01 p.p.
Deposits from customers	8,020.1	7,878.8	7,552.2	4,013.4	467.8	6%	4,006.6	100%	2%
Interest rate on deposits	0.31%	0.34%	0.43%	0.44%	-0.11 p.p.		-0.13 p.p.		-0.02 p.p.
Non-performing loans (gross)	199.5	198.6	195.0	130.8	4.4	2%	68.7	52%	0%

	1-9 2021	1-9 2020	Change YoY
Cost of risk (in bps)	-31	140	-171
CIR	60.0%	50.4%	9.6 p.p.
Interest margin	2.87%	3.35%	-0.49 p.p.

Profit before tax was EUR 110.1 million, of which EUR 20.6 million from Komercijalna Banka group.

Net interest income without Komercijalna Banka group contribution was higher YoY (EUR 4.5 million) due to higher volumes despite a lower interest margin.

Net non-interest income increased EUR 7.0 million YoY without Komercijalna Banka group contribution, o/w net fee and commission income EUR 4.2 million.

Total costs increasing YoY in all Group member banks.

Net release of impairments and provisions for credit risk in the amount of EUR 1.7 million, mainly due to successful resolution of NPLs in almost all banking members of the Group. Additionally EUR 4.5 million provisions were released due to the successfully closed legal procedure in Komercijalna Banka, Beograd. Restructuring

provisions (EUR 7.7 million) and provisions for legal risks (EUR 5.4 million) in Komercijalna Banka, Beograd almost neutralized the positive developments of the total impairments and provisions.

Substantial increase of legal disputes from retail customers of NLB's subsidiaries in Serbia on previously charged loan fees was noticed. In September, the Civil Department of the Supreme Court of Cassation issued the position in favour of Serbian banks, but it is still necessary to wait for the harmonization of court practice on the basis of this position.

Gross loans to customers increased by EUR 312.7 million (6%) YtD, with the most material increase in housing loans. The increase of the loan portfolio is visible in most of the member banks; the largest increases were recorded in Komercijalna Banka, Beograd (EUR 99.4 million) and NLB Banka, Skopje (EUR 61.4 million), while Komercijalna Banka, Banja Luka and Komercijalna Banka, Podgorica saw a decrease (EUR 14.3 million and EUR 6.6 million, respectively).

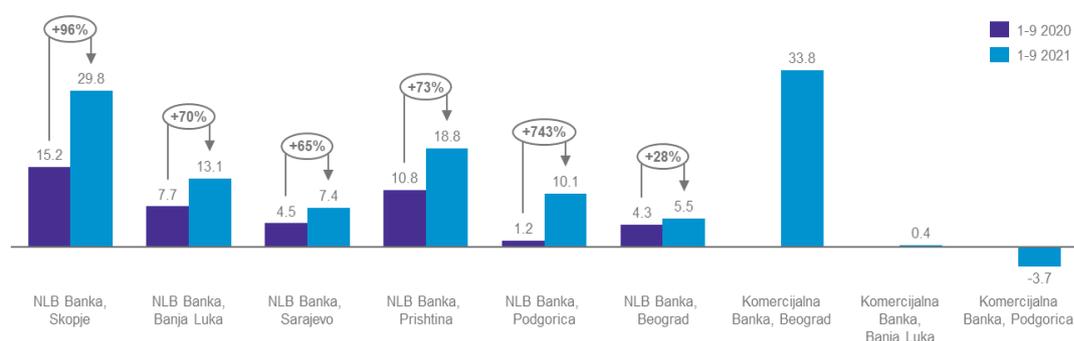
Various moratorium schemes were implemented (opt-in, opt-out), the amount of exposures with the remaining non-expired moratorium at the end of Q3 is EUR 18.0 million. Furthermore, additional liquidity was approved by granting new loans to help with the specific situation due to the COVID-19 crisis with an outstanding loan balance of EUR 177.8 million.

Deposits from customers increased by EUR 467.8 million YtD, which was recorded in all member banks, except NLB Banka, Beograd.

Financial performance of strategic NLB Group banks

The Group banking activities marked a slight rebound in Q3 and most of the Group banks achieved solid results and higher loan production YoY. Despite the overall pandemic situation coming from the fourth COVID-19 wave and over liquidity in all markets, the measures taken by the banks impacted positively the subsidiaries' financial performance in Q3.

Figure 17: Net profit of strategic NLB Group banks⁽¹⁾ (in EUR million)



⁽¹⁾ Data on a stand-alone basis as included in the consolidated financial statements of the Group.

In Q3, the six member banks (without Komercijalna Banka group banks) marked a 7% YoY increase in lending activities, while YtD nine member banks together recorded a growth of 6%. In Q3, the largest increase of gross loans to customers was realized by NLB Banka, Sarajevo (10%).

Due to remarkable new production the retail lending in 1-9 2021 boosted in six member banks (Komerčijalna Banka group banks excluded) contributing also to the increase of already strong market share (YtD) in three banks - NLB Banka, Skopje, NLB Banka, Banja Luka and NLB Banka, Podgorica in the range from 0.2 to 0.8 p.p. The easing of measures brought forward the recovery of customer demand. The gross retail loans marked double-digit growth of 9% YtD, the highest growth realized by NLB Banka, Beograd (17%).

The gradual economic recovery and improved business environment boosted the investment confidence, which in 1-9 2021 resulted in record production of new corporate loans. The Group banks recorded 4% YtD growth in corporate segment, whereas the highest level was achieved in NLB Banka, Sarajevo (12% YtD).

Although the increasing competitive pressure on interest rates and reduction of interest margins in all the Group countries of operations, in 1-9 2021 the banks realized net interest margin ranging between 2.42% (NLB Banka, Banja Luka) to 4.06% (NLB Banka, Podgorica). Net interest income realized by six Group banks (without Komerčijalna Banka group banks) increased 4% YoY and marking Q3 2021 as the best quarter in terms of realized net interest income in the period in 2020 and 2021 (so far).

During Q3 the Group member banks continued with proactive pricing liabilities management and balance sheet optimization, impacting positively the Group RWA. The 3rd party equivalence regime for BiH and North Macedonia which is applicable as of 24 October will have an additional positive effect on the Group RWA.

Business Performance

NLB Group banks are important financial services providers in SEE markets and market leaders in various business segments. The market shares by total assets of subsidiary banks exceed 10% in five out of six markets.

In 1-9 2021, the Group banks continued with high performance on new business generation in the the corporate and retail segments by upgrading several products and services which included streamlining and modernising their distribution network and improving their digital offering. Namely, they introduced new digital services and upgraded the existing digital products.

Retail Banking

In Q3 the banks introduced promotional campaigns on housing and consumer loans.

The ease of restrictive measures in the Group countries, increased diaspora visits (Kosovo, North Macedonia, BiH) and the positive effect of tourist season (Montenegro) significantly impacted the fees and commissions income by marking 11% increase YoY with the highest growth recorded by NLB Banka, Podgorica (29% YoY) and NLB Banka, Prishtina (14% YoY). The sale of Bank assurance product in NLB Banka, Prishtina was very well received by the clients, boosting the non-interest income.

Mobile wallet (NLB Pay) has already been offered to clients by Group member banks (except in Komerčijalna Banka group) and a new communication platform based on Viber for interactions with clients was introduced by NLB Banka, Podgorica and NLB Banka, Skopje.

Corporate Banking

In Q3 despite continuous interest rate pressure from the market, the Group banks maintained the positive trend in approving new financings and attracting new corporate clients. During Q3, the banks launched various campaigns for fostering loans and other products. NLB Banka, Skopje offered mobile banking with promotional conditions in the first months of the offer.

Integration project related to the acquisition of Komercijalna Banka, Beograd in Serbia is progressing in line with the publicly communicated integration plan. The planned merger of Komercijalna Banka, Podgorica to NLB Banka, Podgorica in Q4 was approved by Montenegro Central Bank in September. Activities for the sale of Komercijalna Banka, Banja Luka are ongoing⁸.

⁸ Further information is available in chapter Events after 30 September 2021.

Financial Markets in Slovenia

Financial Highlights

- Significantly lower reinvestment yields on banking book securities.
- Excess liquidity determined higher volume of cash and balances with central bank with negative interest rates.
- Significant decrease of the interest rate on wholesale funding due to participation in the ECB's liquidity providing operation TLTRO-III.

Business Highlights

- Further diversification of liquidity reserves and reinvestment of matured securities.

Financial Performance

Table 11: Key Financials of Financial Markets in Slovenia

in million EUR consolidated									
Financial Markets in Slovenia									
	1-9 2021	1-9 2020	Change YoY		Q3 2021	Q2 2021	Q3 2020	Change QoQ	
Net interest income	18.1	16.9	1.2	7%	6.3	5.7	5.6	1%	
o/w ALM ⁽¹⁾	11.2	12.1	-0.9	-8%	5.0	2.9	3.7	73%	
Net non-interest income	-0.2	16.0	-16.2		0.5	0.0	0.6		
Total net operating income	17.9	32.9	-15.0	-46%	6.8	5.7	6.2	19%	
Total costs	-5.9	-5.6	-0.2	-4%	-1.9	-2.0	-2.0	6%	
Result before impairments and provisions	12.0	27.3	-15.3	-56%	4.9	3.7	4.1	33%	
Impairments and provisions	0.4	-1.3	1.7		0.3	0.8	-1.3	-66%	
Result before tax	12.4	26.0	-13.6	-52%	5.1	4.4	2.8	16%	

	30 Sep 2021	30 Jun 2021	31 Dec 2020	30 Sep 2020	Change YtD		Change YoY		Change QoQ
Balances with Central banks	2,758.1	2,656.0	1,998.1	1,931.1	760.1	38%	827.0	43%	4%
Banking book securities	3,100.5	3,335.5	2,945.8	3,054.1	154.7	5%	46.4	2%	-7%
<i>Interest rate on banking book securities</i>	<i>0.66%</i>	<i>0.65%</i>	<i>0.77%</i>	<i>0.77%</i>	<i>-0.11 p.p.</i>		<i>-0.11 p.p.</i>		<i>0.01 p.p.</i>
Wholesale funding	863.6	866.3	143.5	151.4	720.2	-	712.2	-	0%
<i>Interest rate on wholesale funding</i>	<i>-0.02%</i>	<i>1.00%</i>	<i>0.54%</i>	<i>0.55%</i>	<i>-0.56 p.p.</i>		<i>-0.57 p.p.</i>		<i>-1.02 p.p.</i>
Subordinated liabilities	290.2	287.6	288.3	290.0	1.9	1%	0.2	0%	1%
<i>Interest rate on subordinated liabilities</i>	<i>3.70%</i>	<i>3.69%</i>	<i>3.64%</i>	<i>3.62%</i>	<i>0.06 p.p.</i>		<i>0.08 p.p.</i>		<i>0.01 p.p.</i>

⁽¹⁾ Net interest income from assets and liabilities with the use of FTP.

Net interest income was EUR 1.2 million (7%) higher YoY, mostly due to changed FTP policy which partially transferred the costs of placing the excess liquidity from treasury to retail and corporate segment to de-stimulate the deposit collection. Otherwise, the revenues from treasury activities are YoY lower due to significantly lower reinvestment yields of banking book securities and excess liquidity, additionally reflected in negative effect from higher placements with the central bank at negative interest rates.

Lower **net non-interest income**, EUR 16.2 million YoY, due to one-off effect from the sale of debt securities, which positively impacted 1-9 2020 performance.

Increase in **balances with central banks** (EUR 760.1 million YtD) mostly due to participation in the ECB's liquidity providing operation TLTRO-III, where the obtained funds were temporarily placed on the account with central bank and increased banking book securities by EUR 154.7 million or 5%.

Wholesale funding amount increased due to TLTRO-III secured borrowing, which was also the predominant reason for significant decrease of the interest rate on wholesale funding.

Business Performance

The main mission of the segment continued to be the Group's activities on the international financial markets, including treasury operations.

In June the Bank participated in liquidity-providing operation by the ECB, TLTRO-III in the amount of EUR 750 million. The liquidity reserves balance did not change since it is a secured funding, taking as collateral ECB eligible securities and credit claims which form the liquidity reserves.

In 2021 an on-going goal is to further diversify the banking book securities portfolio which increased by EUR 151.4 million in the Bank and EUR 187.8 million on the Group level. New investments amount to EUR 1,074.6 million on the Group level (EUR 493.5 million on the Bank level), of which the majority was invested into government bonds of strategic markets, including Slovenia. New asset class (subordinated bank bonds) was included in the portfolio this year.

With the acquisition of Komercijalna Banka, Beograd at the end of 2020, exposure to some issuers in the portfolio of banking book debt securities increased. A reduction process of certain high exposures began in Q1 and continues throughout the year. Matured assets are being reinvested in government securities of certain EU countries and the US.

Non-Core Members

Financial Highlights

- Divestment strategy of non-core members.
- EUR 0.4 million one-off positive effect attributable to the segment from the settlement of a legal dispute.

Business Highlights

- Non-core members continued to monetize assets in their possession in line with the wind-down plans, however at a slower pace due to the still prevailing COVID-19 conditions, and imposed restrictions on court enforcements.
- Non-core members recorded positive overall net result, as a result of successful collection procedures and sale of real estates.

Financial Performance

Table 12: Key Financials of Non-Core Members

in EUR millions consolidated		Non-Core Members						
	1-9 2021	1-9 2020	Change YoY		Q3 2021	Q2 2021	Q3 2020	Change QoQ
Net interest income	1.2	0.9	0.2	26%	0.8	0.1	0.2	-
Net non-interest income	5.1	2.9	2.2	77%	2.2	2.2	0.9	-1%
Total net operating income	6.3	3.8	2.5	65%	3.0	2.4	1.2	28%
Total costs	-7.9	-9.7	1.8	18%	-2.6	-2.8	-3.2	9%
Result before impairments and provisions	-1.6	-5.9	4.3	72%	0.5	-0.4	-2.0	-
Impairments and provisions	2.5	0.4	2.1	-	0.8	1.0	0.5	-23%
Result before tax	0.9	-5.5	6.4	-	1.2	0.5	-1.6	127%

	30 Sep 2021	30 Jun 2021	31 Dec 2020	30 Sep 2020	Change YtD		Change YoY		Change QoQ
Segment assets	111.8	116.7	131.2	143.3	-19.4	-15%	-31.5	-22%	-4%
Net loans to customers	31.6	34.8	45.0	52.6	-13.4	-30%	-20.9	-40%	-9%
Gross loans to customers	76.0	79.3	95.0	120.7	-19.0	-20%	-44.7	-37%	-4%
Investment property and property & equipment received for repayment of loans	66.2	67.0	70.2	73.1	-4.0	-6%	-7.0	-10%	-1%
Other assets	14.0	14.9	16.0	17.6	-1.9	-12%	-3.6	-20%	-6%
Non-performing loans (gross)	62.0	62.7	71.3	92.9	-9.3	-13%	-30.9	-33%	-1%

	1-9 2021	1-9 2020	Change YoY
Cost of risk (in bps)	-879	-145	-734
CIR	125.9%	253.4%	-127.5 p.p.

A decrease of the **total assets** of the segment YtD (EUR 19.4 million) is in line with the divestment strategy. The segment recorded EUR 0.9 million of **profit before tax**, due to the increase of **net operating income** related to EUR 0.4 million one-off positive effect attributable to the segment from the settlement of a legal dispute.

Impairments and provisions were released in the net amount of EUR 2.5 million, mostly due to successful NPL collection.

Business Performance

Rigorous wind-down has remained the main objective of the non-core segment in all the non-core portfolios followed by subsequent reduction of costs.

In 1-9 2021 Non-core companies concluded several collection procedures and sale of claims. In addition to this, Ream companies successfully concluded several sales of real estates. REAM Beograd allocated significant resources in Q3 for Komercijalna Banka, Beograd activities.

Risk Factors and Outlook

Risk Factors

Risk factors affecting the business outlook are (among others): the economies' sensitivity to a potential slowdown in the Euro area or globally, widening credit spreads, potential liquidity outflows, worsened interest rate outlook, potential cyber-attacks, regulatory and tax measures impacting the banks, and other geopolitical uncertainties.

The economic momentum in the region where the Group operates was affected by the COVID-19 pandemic. The governments in the region implemented different measures to mitigate its adverse negative impacts. In 2021, the Group's region returned to growth on the back of revival in private and investment consumption. However, it is not possible to assume with a high degree of confidence that such economic momentum will continue.

Lending growth in the corporate segment remained relatively moderate, especially in the current circumstances. On the other hand, the Group faced an increased mortgage loan financing, especially in Slovenia, as well as in banking subsidiaries. Impacts of the COVID-19 pandemic caused moderate credit quality deterioration. Nevertheless, the Group faced a favourable NPL movement resulting in lower percentage of NPLs and positive effects from on- and off-balance sheet collection. The investment strategy of the Group, referring to the Group's bond portfolio kept for liquidity purposes, adapts to the expected market trends in accordance with the set risk appetite.

Special attention is paid to continuous provision of services to clients, their monitoring, health protection measures, and the prevention of cyber frauds.

In this regard, the Group closely follows the macroeconomic indicators relevant to its operations:

- GDP trends and forecasts
- Economic sentiment
- Unemployment rate
- Consumer confidence
- Construction sentiment
- Deposit stability and growth of loans in the banking sector
- Credit spreads and related future forecasts
- Interest rate development and related future forecasts
- FX rates
- Other relevant market indicators

During 2021, the Group reviewed IFRS 9 provisioning by testing a set of relevant macroeconomic scenarios to adequately reflect the current circumstances and the related impacts in the future. The Group established and developed multiple scenarios (i.e. baseline, mild and severe) on the level of ECL calculation.

The baseline scenario presents a common forecast macroeconomic view for all countries that are present in the Group. This scenario is constructed with the purpose to culminate various outlooks into a unified projection of macroeconomic and financial variables for the Group. This is in line with the concept that the Bank has a consolidated view on the future of economic development in SEE. The IFRS 9 baseline scenario is based on the NLB monthly Economic Outlook that was created in April 2021.

The macroeconomic rationale behind the alternative scenarios is related to a range of plausible impacts of the COVID-19 pandemic on economic development during the next 3 years. The basis for the alternative scenarios is related to the ECB's view of economic development after the coronavirus outbreak since early 2020. Based on the ECB illustration of a mild and severe scenario resolution of the pandemic crisis through the lens of possible expected impact on economic activity in the Euro area, the Group developed both alternative scenarios. In general, the mild scenario envisions a resolution of the health crisis by the end of 2021 and a long-term reviving process of the economy, while a severe scenario assumes a more protracted crisis and permanent losses in economic potential. These scenarios were included in the calculation of ECL in accordance with IFRS 9 as of 30 June 2021.

The Group established a comprehensive internal stress-testing framework and early warning systems in various risk areas with built-in risk factors relevant to the Group's business model. The stress-testing framework is integrated into Risk Appetite, ICAAP, ILAAP, and Recovery Plan to determine how severe and unexpected changes in the business and macro environment might affect the Group's capital adequacy or liquidity position. Both the stress-testing framework and recovery plan indicators support proactive management of the Group's overall risk profile in these circumstances, including capital and liquidity positions from a forward-looking perspective.

Risk Management actions that might be used by the Group are determined by various internal policies and applied when necessary. Moreover, the selection and application of mitigation measures follows a three-layer approach, considering the feasibility analysis of the measure, its impact on the Group's business model, and the strength of available measure.

Outlook

The indicated outlook constitutes forward-looking statements which are subject to a number of risk factors and are not a guarantee of future financial performance.

The Group is pursuing a range of strategic activities to enhance its business performance. Interest rate outlook is uncertain given the adaptive monetary policy of the ECB to the general economic sentiment. The Bank is committed to delivering sound financial performance.

Table 13: Market performance and outlook for the period 2021-2023

	Performance in 1-9 / Sep 2021	Outlook 2021	Outlook 2023
Regular income	EUR 468.0 million	> EUR 600 million	> EUR 700 million
Costs	EUR 297.2 million ⁽ⁱ⁾	~ EUR 430 million ⁽ⁱⁱ⁾	< EUR 400 million
ROE a.t.	13.3%	> 10% ^(vii)	> 10% (ROE norm. ⁽ⁱⁱⁱ⁾ > 12%)
Loan growth	6%	Mid single digit number	High single digit CAGR (2021-2023)
Cost of risk	-50 bps	Around -20 bps ^(v)	30-50 bps ^(viii)
Dividend payout	EUR 12.0 million ^(vi)	EUR 92.2 million	> EUR 300 million ^(iv)

⁽ⁱ⁾ Including integration costs.

⁽ⁱⁱ⁾ Initial increase in cost base in 2021 as projected costs include integration costs.

⁽ⁱⁱⁱ⁾ ROE normalized = Result a.t. w/o minority shareholder profit divided by consumed capital. Consumed capital computed as 13.06% of average RWA reduced for minority shareholder capital contribution.

^(iv) Cumulative in the period 2021-2023.

^(v) Initial target: 70-90 bps, updated target in H1 report: 20-40 bps.

^(vi) Further information is available in chapter Outlook 2021 and Events after 30 September 2021.

^(vii) Initial target: high single digit.

^(viii) Initial target: 40-60 bps.

Outlook 2021

In the Euro area, GDP is expected to grow 5.0% this year. Private consumption, which is the key driver of the economic recovery, is presumed to continue growing strongly in the remaining part of the year amid relaxation of containment measures and accumulated savings allowing for the release of some pent-up demand. Moreover, business investment is expected to remain resilient while recovery in external demand should support robust expansion in exports. Inflationary pressures stemming from rising energy and commodity prices, still unresolved supply chain bottlenecks and input shortages, alongside with the still lasting COVID-19 pandemic are key downside risks to the outlook. Inflation could turn out higher in case inflationary pressures turn out more persistent. In Slovenia, GDP is expected to grow by 6.5% this year with consumption, investment and foreign demand being the main growth drivers. The Group's region is seen growing 6.1% on average this year with revival in domestic and foreign demand as main growth drivers.

The Group has committed to sustainability, and has been enhancing the management of environmental and social risks of its operations. It also substantially increased the use of digital channels, improved customer experience, and aims to create a flexible local digital ecosystem for offering products and services.

In line with the economic rebound, strong loan growth in Retail Banking in Slovenia is expected in 2021, with emphasis on mortgage lending. Corporate and Investment Banking in Slovenia is also expected to grow on the back of cross-border lending. Growth in Strategic Foreign Markets will remain robust and will greatly improve due to the acquired Komercijalna Banka, Beograd. Therefore, interest income improvement is primarily driven by loan book growth and successful response to continuous margin pressure in all markets, and productive use of liquid assets. Opening of the economies and introduction of high balance fees stimulated demand for fee generating products and income. All the above should result in total regular revenues of over EUR 600 million in 2021.

The commitment to cost containment remains strong and the Group will continue to pursue a strong cost agenda addressing both labour and non-labour cost elements. Nevertheless, costs are expected to moderately increase in 2021, given the pressure on labour cost inflation throughout the region and continued investment activities into information technology upgrades, amid the growing relevance of digital banking and, last but not least, integration costs associated with the acquired Komercijalna Banka, Beograd.

The cost of risk in 2021 is due to more favourable macroeconomic situation compared to the 2020 YE and very strong development in NPL resolution expected to substantially outperform previous outlook guidance for 2021 (20-40 bps) and is expected to be around -20 bps.

The Group faced favourable NPL movement due to repayments in the segment of large corporate clients, and other successfully resolved smaller exposures in the region. Moderation of current positive economic trends due to uncertainties steaming from potential further waves of COVID-19 might have a negative impact on the existing loan portfolio quality, namely as a potential increase of Stage 2 and Stage 3 exposures. However, due to the quite stable quality of the portfolio in the past period, and other precautionary measures to minimise potential future losses, including paying special attention to continuous provision of services to clients and their monitoring, this impact should not be excessive.

From liquidity perspective, deposits at the Group level are still increasing (in the Bank and in subsidiary banks), although growth of retail deposits has moderated in Q3 2021. The liquidity position of the Group is expected to remain solid even if a highly unfavourable liquidity scenario materialises, as the Group holds sufficient liquidity

reserves in the form of placements at the ECB, prime debt securities, and money market placements. Deposit inflows are putting an additional strain on profitability.

The capital position represents a strong base to cover all regulatory capital requirements, including capital buffers and other currently known requirements, as well as the Pillar 2 Guidance. The Bank is exploring opportunities for potential issuance of Tier 2 instrument to further strengthen and optimize its capital on solo and consolidated level and to benefit from current favourable market environment. Also, in 2021 the Group continues with the activities to optimise RWAs.

Pursuant to the ECB regulation/BoS decision, dividends payout in 2021 was split into two tranches. The first instalment in the amount of EUR 12.0 million was paid on 22 June 2021 and the second was paid upon expiry of the BoS decision on 18 October 2021 in the amount of EUR 12.8 million. The Bank envisages additional incremental dividends in 2021 in order to reach a cumulative payout EUR 92.2 million. The Bank envisages cumulative dividend payout in excess of EUR 300 million in the period 2021-2023.

The Group might explore further value accretive M&A opportunities in its domestic and other regional markets where the Group is not yet present with the aim to increase the shareholders' value.

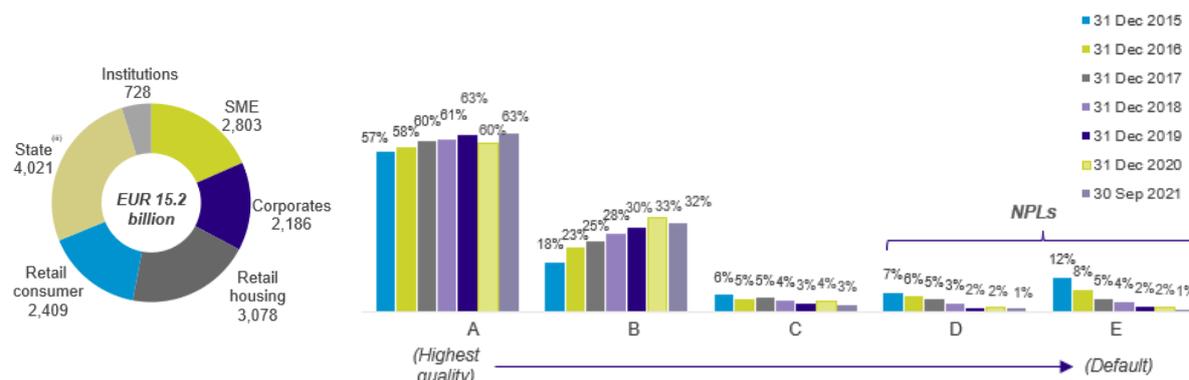
Risk Management

The Bank puts great emphasis on the risk culture and awareness across the entire Group. The main risk principles are set forth by the Group's Risk Appetite and Risk Strategy, created in accordance with the business strategy. A special focus is placed on the inclusion of risk analysis into the decision-making process at strategic and operating levels, diversification to avoid large concentration, optimal capital usage and allocation, appropriate risk-adjusted pricing and overall compliance with internal rules and regulations.

The Group was included into 2020 ECB Stress test exercise, whose qualitative outcomes were included in the determination of Pillar 2 requirement, namely as an element of risk governance, and setting Pillar 2 Guidance. On 30 July, the results of stress tests carried out for important banks by the ECB to assess the resilience of the financial institutions have been disclosed. Under adverse scenario, CET1 ratio (fully loaded) would fall by maximum 483 bps (published range 300-599 bps) after three years without mitigation measures from the year-end 2020. Results of adverse depletion were lower than for peer group and SSM sample banks. Final results of the bottom-up stress test showed that even in a very unfavourable market conditions defined by the EBA and ECB, the Group holds sufficient resilience in terms of capitalisation.

Maintaining a high credit portfolio quality is the most important goal, with the focus on cautious risk taking and quality of new loans leading to a diversified portfolio of customers. The Group is constantly developing a wide range of advanced approaches in the segment of credit risk assessment in line with best banking practice to further enhance the existing risk management tools, while at the same time enabling greater customer responsiveness. Moreover, the restructuring approach is focused on the early detection of clients with potential financial difficulties and their proactive treatment. From the beginning of the COVID-19 pandemic, the Group has fully respected the EBA guidelines on payment moratoria regarding forbore exposures, frequently performing the assessment of borrowers and ensuring effective early warning systems. Respectively, monitoring systems were upgraded with the intention to detect any significant increase in credit risk at an early stage. All relevant information is available to management bodies to assure adequate and timely oversight over the most important elements of credit risk management and to execute mitigation measures if needed.

The Group is actively present on the SEE markets by financing the existing and new creditworthy clients. Lending growth in the corporate segment remained relatively moderate, especially in the current specific circumstances. On the other hand, the Group faced an increased mortgage loan financing, especially in Slovenia, but also in banking subsidiaries. The Group's lending strategy focuses on its core markets of retail, SME, and selected corporate business activities. On the Slovenian market, the focus is on providing appropriate solutions for retail, medium-sized companies, and small enterprise segments, whereas on the corporate segment, the Bank established cooperation with selected corporate clients (through different types of lending or investment instruments). All other member banks in the SEE region, where the Group is present, are universal banks, mainly focused on the retail, medium-sized and small enterprises segments. Their primary goal is to provide comprehensive services to clients by applying prudent risk management principles. Recently acquired Komercijalna Banka, Beograd was predominantly focused on retail and large companies, however, its future strategy is more focused on retail and SME segments.

Figure 18: NLB Group structure of the credit portfolio⁽ⁱ⁾ (gross loans) by segment (in EUR million) and rating⁽ⁱⁱ⁾

⁽ⁱ⁾ Loan portfolio also includes reserves at central banks and demand deposits at banks.

⁽ⁱⁱ⁾ Rating A, B and C are performing exposures. Rating A: investment grade clients with high financial stability; Rating B: clients with high ability to repay their obligations, a significant aggravation of the economic environment would cause problems to them; Rating C: performing clients with increased level of risk who may encounter problems with settlement of liabilities in the future; Ratings D and E are NPLs: Default clients (article 178 of CRR), including clients in delay >90 days and other clients considered 'unlikely to pay' with delays below 90 days. The numbers may not add up to 100% due to rounding.

⁽ⁱⁱⁱ⁾ State includes exposures to central banks.

The current structure of credit portfolio (gross loans) consists of 36.0% retail clients, 14.4% large corporate clients, 18.4% SMEs and micro companies, while the remainder of the portfolio consists of other liquid assets. With the acquisition of Komercijalna Banka, Beograd there were no major changes in the corporate and retail credit portfolio structure. Credit portfolio remains well diversified, there is no large concentration in any specific industry or client segment. The share of retail portfolio in the whole credit portfolio is quite substantial with the segment of mortgage loans prevailing; an increase of new financing was recognised in Q3.

Table 14: Overview of NLB Group corporate loan portfolio by industry as at 30 September 2021; in EUR thousand

Corporate sector by industry	Credit portfolio	%
Accommodation and food service activities	140,064	3%
Act. of extraterritorial org. and bodies	6	0%
Administrative and support service activities	97,951	2%
Agriculture, forestry and fishing	302,248	6%
Arts, entertainment and recreation	20,686	0%
Construction industry	414,746	8%
Education	14,267	0%
Electricity, gas, steam and air condition	283,537	6%
Finance	107,122	2%
Human health and social work activities	45,371	1%
Information and communication	232,201	5%
Manufacturing	1,055,551	21%
Mining and quarrying	42,384	1%
Professional, scientific and techn. act.	178,816	4%
Public admin., defence, compulsory social.	197,667	4%
Real estate activities	255,001	5%
Services	12,036	0%
Transport and storage	586,127	12%
Water supply	44,808	1%
Wholesale and retail trade	957,777	19%
Other	193	0%
Total Corporate sector	4,988,559	100%

Main manufacturing activities	Credit portfolio	%
Manufacture of food products	172,300	3%
Manufacture of basic metals	163,903	3%
Manufacture of fabricated metal products, except machinery and equipment	137,054	3%
Manufacture of electrical equipment	98,880	2%
Manufacture of rubber and plastic products	56,698	1%
Manufacture of other non-metallic mineral products	55,323	1%
Manufacture of machinery and equipment n.e.c.	52,418	1%
Other manufacturing activities	318,975	6%
Total manufacturing activities	1,055,551	21%

Main wholesale and retail trade activities	Credit portfolio	%
Wholesale trade, except of motor vehicles and motorcycles	576,232	12%
Retail trade, except of motor vehicles and motorcycles	259,084	5%
Wholesale and retail trade and repair of motor vehicles and motorcycles	122,461	2%
Total wholesale and retail trade	957,777	19%

Figure 19: NLB Group loan portfolio by stages as at 30 September 2021



Table 15: NLB Group loan portfolio by stages as at 30 September 2021; in EUR million

	Credit portfolio									Provisions and FV changes for credit portfolio					
	Stage1			Stage2			Stage3 & FVTPL			Stage1		Stage2		Stage3 & FVTPL	
	Credit portfolio	Share of Total	YTD change	Credit portfolio	Share of Total	YTD change	Credit portfolio	Share of Total	YTD change	Provision Volume	Provision Coverage	Provision Volume	Provision Coverage	Provisions & FV changes	Coverage with provisions and FV changes
Total NLB Group	14,287.7	93.8%	1,636.8	534.5	3.5%	-25.6	402.2	2.6%	-73.5	61.5	0.4%	32.8	6.1%	232.5	57.8%
o/w Corporate	4,310.7	86.4%	175.0	404.5	8.1%	-22.3	273.4	5.5%	-85.2	42.5	1.0%	25.1	6.2%	158.1	57.8%
o/w Retail	5,228.7	95.3%	449.5	130.0	2.4%	-3.3	128.7	2.3%	11.5	17.5	0.3%	7.7	5.9%	74.2	57.7%
o/w State	4,020.6	100.0%	730.5	-	-	-	0.1	0%	0.1	1.4	0.0%	-	-	0.1	99.2%
o/w Institutions	727.6	100.0%	281.8	-	-	-	-	-	-	0.2	0.0%	-	-	-	-

The majority of the Group's loan portfolio is classified as Stage 1 (93.8%), a relatively small portion as Stage 2 (3.5%) and Stage 3 (2.6%). The loans in stages from 1 to 3 are measured at amortized cost, while the remaining minor part (0.002%) represents FVTPL. Under IFRS 3 rules, all assets of the Komercijalna Banka, Beograd were initially recognized at fair value in the Group financial statements. Respectively, all acquired loans were classified either in Stage 1 (performing portfolio) or in Stage 3 (non-performing portfolio). For Stage 3 loans special rules were applied, since they were NPLs already at initial recognition and recognized at fair value without any additional credit loss allowances.

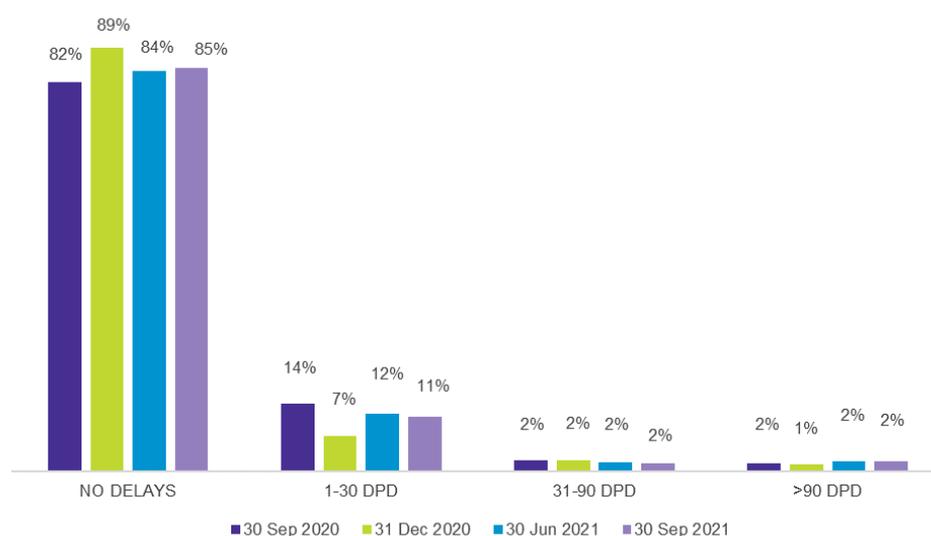
Impacts of the COVID-19 pandemic caused moderate credit quality deterioration, which resulted in an increase of Stage 2 and Stage 3 exposures in the previous periods. In Q2 2021 a reversal was observed, mainly due to successful recovery of NPLs. The portfolio quality remains very stable with increasing Stage 1 exposures and a relatively low percentage of NPLs, which are below the Slovenian average. The percentage of Stage 1 loan portfolio remains almost at the same level as at 2020 YE (95.3%) in the Retail segment, while in the Corporate segment, despite the adverse economic conditions, it improved to the level of 86.4%, which is a result of a cautious lending policy.

Based on the measures taken by the governments in Slovenia and other countries, the Group made moratoria available to all eligible borrowers to defer payment of obligations due to COVID-19, which were not treated as a trigger for a significant increase of the credit risk. Nevertheless, all clients requiring the moratorium are closely monitored as their financial situation and identification of credit deterioration will lead to downgrade and will impact the IFRS 9 staging.

Table 16: NLB Group COVID-19 moratoriums as at 30 September 2021; in EUR million

NLB Group Member	COVID-19 moratoria					
	Exposure	Of which: expired	Outstanding amount	Relevant book	% of Relevant book	% of Relevant book (excl. expired moratoria)
NLB, Ljubljana	447.1	389.0	58.1	7,820.6	5.7%	0.7%
NLB Banka, Beograd	162.9	160.2	2.7	574.5	28.4%	0.5%
NLB Leasing d.o.o. - v likvidaciji, Ljubljana	1.9	1.9	0.0	14.3	13.0%	0.0%
NLB banka, Podgorica	139.1	138.1	1.0	471.5	29.5%	0.2%
NLB Banka, Banja Luka	18.4	18.4	0.0	672.3	2.7%	0.0%
NLB Banka, Skopje	259.7	255.6	4.1	1,366.9	19.0%	0.3%
NLB Banka, Sarajevo	26.9	24.2	2.7	580.1	4.6%	0.5%
NLB Banka, Prishtina	199.3	196.7	2.6	799.7	24.9%	0.3%
KB Banka, Beograd	577.6	573.9	3.7	2,544.5	22.7%	0.1%
KB Banka, Podgorica	32.6	32.4	0.1	124.3	26.2%	0.1%
KB Banka, Banja Luka	27.4	26.2	1.2	227.4	12.0%	0.5%
Total NLB Group	1,892.8	1,816.7	76.1	15,196.2	12.5%	0.5%

Figure 20: Percentage of days past due for expired COVID-19 moratoriums in NLB Group



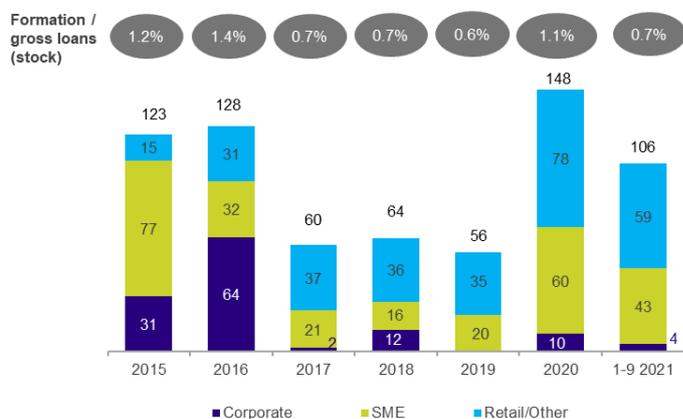
As of 30 September 2021, the exposure with COVID-19 moratoria on the Group level amounted to EUR 1,892.8 million. The amount represents 12.5% of the total gross book value. Nevertheless, 96.0% of the granted moratoria expired by the end of Q3, whereas almost all the remaining moratoria will expire by the 2021 YE. Since the expiration of moratorium, 84.8% of exposure has performed without any material delays, while only 2.2% show delays of more than 90 days. Non-expired moratoria were already reclassified accordingly in 2020 based on future expectations.

Apart from moratoria, the Group is also providing additional liquidity by granting new loans to creditworthy clients to help them with the specific situation due to the COVID-19 crisis. The volume of such loans is EUR 29.2 million in the Bank and EUR 177.8 million in other Group member banks, mostly subject to public guarantee schemes in Serbia and Slovenia.

The combination of high-quality portfolio, COVID-19 legislative options and uncertain macroeconomic conditions led to cumulative new NPLs formation in 1-9 2021 in the amount of EUR 106.2 million, which is 0.7% of the total portfolio. Cost of risk reduction occurred due to more favourable macroeconomic predictions (compared to the

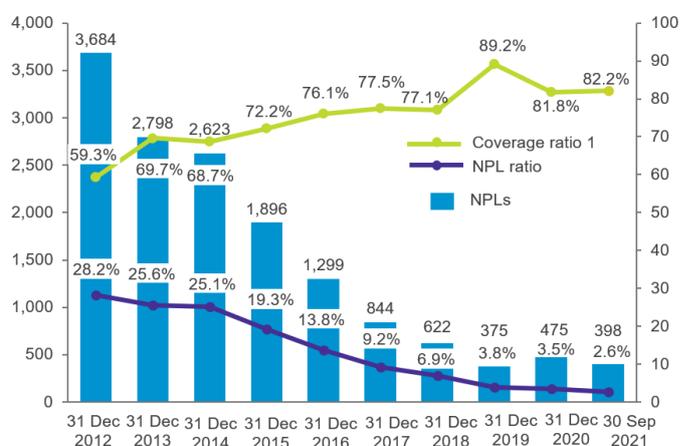
2020) and strong development in NPL resolution. However, the macroeconomic situation across the region might be still affected by COVID-19 and related potential economic slowdown (resulting mainly from potential additional lockdowns), which might have an adverse impact on cost of risk.

Figure 21: NLB Group gross NPL formation (in EUR million)



Precisely set targets in the Group's NPL Strategy and various proactive workout approaches facilitated the management of the non-performing portfolio. The Group's approach to NPL management puts a strong emphasis on restructuring and use of other active NPL management tools, such as foreclosure of collateral, the sale of claims and pledged assets. In Q1 the non-performing credit portfolio stock temporarily stopped its multi-year declining trend as a consequence of the COVID-19 outbreak. In Q2 favourable NPL movement reappeared, mostly due to repayment by one of the large corporate clients. The trend of favourable NPL resolution also continued in Q3. The existing non-performing credit portfolio stock in the Group decreased in comparison with the 2020 YE to EUR 397.5 million (2020 YE: EUR 474.7 million). The combined result of all of the effects resulted in 2.6% of NPLs, while the internationally more comparable NPE ratio, based on the EBA methodology, reduced to 1.9%. The Group's indicator gross NPL ratio, defined by the EBA, continued to decline, reaching 3.7% at the end of Q3, and is below the regulatory defined threshold for establishment of NPL strategy framework.

Figure 22: NLB Group NPL, NPL ratio and Coverage ratio⁽ⁱ⁾



⁽ⁱ⁾ By internal definition.

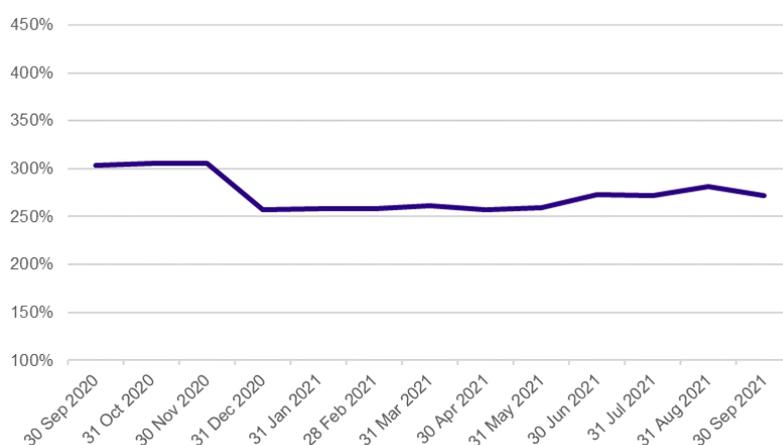
Due to extensive experience gained in the last few years in dealing with clients with financial difficulties, resulting primarily from legacy portfolios, the Group has developed an extensive knowledge base both in the prevention of financial difficulties for clients, to restructure viable clients in case of need, and to efficiently work out exposures with no realistic recovery prospects. This extensive knowledge base is available throughout the Group, and risk units as well as restructuring and workout teams are properly staffed and have the capacity to deal, if needed, with considerably increased volumes in a professional and efficient manner. Due to this fact, as well as due to implemented early warning tools, and efficient analysis and reporting mechanisms, the Group was able to proactively identify and engage with potentially distressed borrowers. Respectfully, the Group was well prepared to deal proactively with distressed debtors in the context of COVID-19.

An important Group's strength is the NPL coverage ratio 1 (coverage of gross NPLs with impairments for all loans), which remains high at 82.2%. Furthermore, the Group's NPL coverage ratio 2 (coverage of gross NPLs with impairments for NPL) stands at 58.7%, which is well above the EU average as published by the EBA (44.3% for the June 2021). As such, it enables a further reduction in NPLs without significantly influencing the cost of risk in the coming years.

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

In the COVID-19 environment the Group is perceived as a safe haven and therefore its excess liquidity is growing, while impacts of the pandemic did not cause any material liquidity outflows. Significant attention was given to the structure and concentration of liquidity reserves by incorporating early warning systems, while keeping in mind the potential adverse negative market movements. The Group holds a very strong liquidity position at the Group and individual subsidiary bank level, which is well above the risk appetite with the LCR of 272.4% and unencumbered eligible reserves in the amount of EUR 8,865.9 million in the form of placements at the ECB, prime debt securities, and money market placements. The main funding base of the Group at the Group and individual subsidiary bank level predominately entails customer deposits, namely in the retail segment, representing a very stable and constantly growing base. A very comfortable level of LTD at 59.5% gives the Group the potential for further customer loan placements.

Figure 23: NLB Group's LCR



The Group's net open FX position from the transactional risk is at a low level, at the end of Q3 it stood at 1.07% of capital. With regards to structural FX positions on the consolidated basis, which are recognized in the other comprehensive income, the Group's structural FX positions increased by acquisition of Komercijalna Banka, Beograd, resulting in an increase of the Group's RWA for market risk.

The Group places excess liquidity mainly into banking book securities with fixed interest rate, while in the current negative interest rate environment there is also a higher demand for products with fixed interest rate. The interest rate exposure to interest rate risk remains modest, within the risk appetite limits. If market interest rates increase, the net interest income of the Group would be favourably affected, while economic value of equity would be negatively affected. When assessing the EVE sensitivity, the Group applies different scenarios. The worst-case regulatory scenario is a parallel shift up by 200 bps. From the EVE perspective, the estimated capital sensitivity of 200 bps equals -7.1% of the Group's capital.

Figure 24: NLB Group's EVE evolution



In the area of operational risk management, where the Group has established robust operational risk culture, the main qualitative activities refer to the reporting of loss events and identification, assessment, and management of operational risks. On this basis, constant improvement of control activities, processes, and/or organisation are performed. Besides that, the Group also focuses on proactive mitigation, prevention, and minimisation of potential damage.

Following the indications of the COVID-19 outbreak in Slovenia and SEE, the Group has taken necessary measures to protect its customers and employees by ensuring the relevant safety conditions and making sure that the services offered by the Group are provided without any disruption. The Group is continuously offering necessary services to clients, especially through digital channels (mobile banking, video calls, telebanking), which the Group continues to develop at an accelerated pace. A crisis management team is established in the Bank and other member banks with full engagement of the Management Board members. Special attention is paid to continuous provision of services to clients, their monitoring, health protection measures and prevention of cyber frauds.

Corporate Governance

Management Board

The Management Board of the Bank (Management Board) leads, represents, and acts on behalf of the Bank, independently and at its own discretion, as provided for by the law and the Bank's Articles of Association. In accordance with the Articles of Association, the Management Board has three to seven members (the president and up to six members, one of whom may be the worker manager), which are appointed and dismissed by the Supervisory Board. The president and members of the Management Board are appointed for a five-year term of office and may be reappointed or dismissed early in accordance with the law and Articles of Association.

There were no changes in the composition of the Management Board in Q3 2021.

Supervisory Board

The Supervisory Board of the Bank (Supervisory Board) carries out its tasks in compliance with the provisions of the laws governing the operations of banks and companies, as well as the Articles of Association of the Bank. In accordance with the two-tier governance system and the authorizations for supervising the Management Board, the Supervisory Board is, among other tasks, responsible for: issuing approvals to the Management Board in relation to the Bank's business policy and financial plan, the strategy of the Bank and the Group, organizing the internal control system, drafting an audit plan of the Internal Audit, all financial transactions (e.g. issuing of own securities, and equity stakes in companies and other legal entities), and supervising the performance of the Internal Audit.

On the session dated 12 August 2021 the Supervisory Board discussed the NLB Group Interim Results for the first six months of 2021 and granted consent to transactions requiring Supervisory Board of NLB approval.

There were no changes in the composition of the Supervisory Board in Q3 2021.

General Meeting

The shareholders exercise their rights related to the Bank's operations at General Meetings of the Bank (General Meeting). General Meeting adopts decisions in accordance with the legislation and the Bank's Articles of Association. The authorizations of the General Meeting are stipulated in the Companies Act, Banking Act, and Articles of Association of the Bank. Decisions adopted by the General Meeting include, among others: adopt and amend the Articles of Association, use of distributable profit, grant a discharge from liability to the Management and Supervisory Board, changes to the Bank's share capital, appoint and discharge members of the Supervisory Board, remuneration and profit-sharing by the members of the Supervisory and Management Board and employees, annual schedules, and characteristics of issues of securities convertible into shares and equity securities of the Bank.

According to decision adopted at 36th General Meeting on 14 June 2021, the distributable profit in the amount of EUR 24.8 million was paid to the Shareholders as dividends in two instalments. In accordance with the ECB recommendation, the BoS decision and adopted resolution of the General Meeting, the Bank paid the first instalment of dividends on 22 June 2021 in the total amount of EUR 12 million (EUR 0.60 per share) and the second instalment of dividends on 18 October 2021 in the total amount of EUR 12.8 million (EUR 0.64 per share).

Guidelines on Disclosure for Listed Companies

In accordance with Section 2.1.3, Point 2, of the Guidelines on Disclosure for Listed Companies, the Bank hereby states that there were no changes in the Management Board and Supervisory Board of the Bank, as well as in the Internal Audit of the Bank.

Events after 30 September 2021

On 18 October the second instalment of dividend in the amount of EUR 12.8 million was paid by the Bank.

On 27 October Komercijalna Banka, Beograd and Banka Poštanska štedionica a.d., Beograd signed a sale and purchase agreement relating to 100% ordinary shares of Komercijalna Banka, Banja Luka. The closing of the transaction is envisaged by 31 March 2022, subject to regulatory approvals. The effect of the transaction on the consolidated financial statements is not material.

On 5 November the Bank announced that the 37th General Meeting of NLB will be held on 16 December.

Alternative Performance Indicators

The Bank has chosen to present these APIs, either because they are commonly used within the industry or because they are commonly used by investors and as such suitable for disclosure. The APIs are used internally to monitor and manage operations of the Bank and the Group, and are not considered to be directly comparable with similar KPIs presented by other companies. The Bank's APIs are described below together with definitions.

Cost of risk⁽ⁱⁱⁱ⁾ - Calculated as the ratio between credit impairments and provisions annualized from the income statement and average net loans to customers.

(in EUR million and bps)	NLB Group					
	1-9 2021	1-6 2021	1-3 2021	1-12 2020	1-9 2020	1-6 2020
Numerator						
Credit impairments and provisions ⁽ⁱ⁾	-49.8	-66.4	-75.7	47.6	64.2	65.2
Denominator						
Average net loans to customers ⁽ⁱⁱ⁾	9,940.4	9,822.4	9,703.9	7,696.1	7,674.8	7,666.5
Cost of risk	-50	-68	-78	62	84	85

⁽ⁱ⁾ NLB internal information. Credit impairments and provisions are annualized, calculated as all established and released impairments on loans and provisions for off balance (from the income statement) in the period divided by the number of months per reporting period and multiplied by 12. The net established Credit impairments and provisions are shown with a positive sign, net released Credit impairments and provisions are shown with a negative sign.

⁽ⁱⁱ⁾ NLB internal information. Average net loans to customers are calculated as a sum of balance from the previous year end (31 December) and monthly balances as of the last day of each month from January to month t divided by (t+1).

⁽ⁱⁱⁱ⁾ Komercijalna Banka group included from 2021 on.

Cost to income ratio (CIR) - Indicator of cost efficiency, calculated as the ratio between total costs and total net operating income.

(in EUR million and %)	NLB Group					
	1-9 2021	1-6 2021	1-3 2021	1-12 2020	1-9 2020	1-6 2020
Numerator						
Total costs	297.2	197.3	96.6	293.9	216.3	144.8
Denominator						
Total net operating income	499.9	333.9	154.0	504.5	383.3	260.0
Cost to income ratio (CIR)	59.4%	59.1%	62.7%	58.3%	56.4%	55.7%

FVTPL - Financial assets measured as a mandatory requirement at fair value through profit or loss (FVTPL) are not classified into stages and are therefore shown separately (before deduction of fair value adjustment for credit risk; loans with contractual cash flows that are not solely payments of principal and interest on the principal amount outstanding).

IFRS 9 classification into stages for loan portfolio:

IFRS 9 requires an expected loss model, where allowances for expected credit losses (ECL) are formed. Loans measured at AC are classified into the following stages (before deduction of loan loss allowances):

Stage 1 – A performing portfolio: no significant increase of credit risk since initial recognition, the Group recognises an allowance based on a 12-month period;

Stage 2 – An underperforming portfolio: a significant increase in credit risk since initial recognition, the Group recognises an allowance for a lifetime period;

Stage 3 – An impaired portfolio: the Group recognises lifetime allowances for these financial assets. Definition of default is harmonised with the EBA guidelines.

A significant increase in credit risk is assumed: when a credit rating significantly deteriorates at the reporting date in comparison to the credit rating at initial recognition; when a financial asset has material delays over 30 days (days past due are also included in the credit rating assessment); if the Group expects to grant the client forbearance or if the client is placed on the watch list.

Loan portfolio includes loans to banks, loans to other customers, loans mandatorily measured at FVTPL and balances with central banks and other banks. The majority of loan portfolio is classified into IFRS 9 stages. The remaining minor part (0.3 per cent at the end of December 2020 and 0.002 per cent at the end of Q3 2021) represents FVTPL. The classification into stages is calculated on the internal data source, by which the Group measures the loan portfolio quality, and is also published in Business Report of Annual and Interim Reports.

(in EUR million and %)	NLB Group 30 Sep 2021
Numerator	
Total (AC) loans in Stage 1	14,287.7
Denominator	
Total gross loans	15,224.3
IFRS 9 classification into Stage 1	93.8%

(in EUR million and %)	NLB Group 30 Sep 2021
Numerator	
Total (AC) loans in Stage 3	401.8
Denominator	
Total gross loans	15,224.3
IFRS 9 classification into Stage 3	2.6%

(in EUR million and %)	NLB Group 30 Sep 2021
Numerator	
Total (AC) loans in Stage 1 to Corporates	4,310.7
Denominator	
Total gross loans to Corporates	4,988.6
Corporates - IFRS 9 classification into Stage 1	86.4%

(in EUR million and %)	NLB Group 30 Sep 2021
Numerator	
Total (AC) loans in Stage 2 to Corporates	404.5
Denominator	
Total gross loans to Corporates	4,988.6
Corporates - IFRS 9 classification into Stage 2	8.1%

(in EUR million and %)	NLB Group 30 Sep 2021
Numerator	
Total (AC & FVTPL) loans in Stage 3 to Corporates	273.4
Denominator	
Total gross loans to Corporates	4,988.6
Corporates - IFRS 9 classification into Stage 3	5.5%

(in EUR million and %)	NLB Group 30 Sep 2021
Numerator	
Total (AC) loans in Stage 2	534.5
Denominator	
Total gross loans	15,224.3
IFRS 9 classification into Stage 2	3.5%

(in EUR million and %)	NLB Group 30 Sep 2021
Numerator	
Total (FVTPL) loans	0.4
Denominator	
Total gross loans	15,224.3
IFRS 9 classification into FVTPL	0.0%

(in EUR million and %)	NLB Group 30 Sep 2021
Numerator	
Total (AC) loans in Stage 1 to Retail	5,228.7
Denominator	
Total gross loans to Retail	5,487.4
Retail - IFRS 9 classification into Stage 1	95.3%

(in EUR million and %)	NLB Group 30 Sep 2021
Numerator	
Total (AC) loans in Stage 2 to Retail	130.0
Denominator	
Total gross loans to Retail	5,487.4
Retail - IFRS 9 classification into Stage 2	2.4%

(in EUR million and %)	NLB Group 30 Sep 2021
Numerator	
Total (AC) loans in Stage 3 to Retail	128.7
Denominator	
Total gross loans to Retail	5,487.4
Retail - IFRS 9 classification into Stage 3	2.3%

Liquidity coverage ratio - LCR refers to high liquid assets held by the financial institution to cover its net liquidity outflows over a 30-calendar day stress period.

The LCR requires financial institutions to maintain a sufficient reserve of high-quality liquid assets (HQLA) to withstand a crisis that puts their cash flows under pressure. The assets to hold must be equal to or greater than their net cash outflow over a 30-calendar-day stress period (having at least 100% coverage). The parameters of the stress scenario are defined under Basel III guidelines. Below presented calculations are based on internal data sources.

	NLB Group												
(in EUR million and %)	30 Sep 2021	31 Aug 2021	31 Jul 2021	30 Jun 2021	31 May 2021	30 Apr 2021	31 Mar 2021	28 Feb 2021	31 Jan 2021	31 Dec 2020	30 Nov 2020	31 Oct 2020	30 Sep 2020
Numerator													
Stock of HQLA	5,285.7	5,346.8	5,350.7	5,452.8	4,976.0	4,941.4	4,915.3	4,871.5	5,027.8	5,003.0	4,849.5	4,746.2	4,710.4
Denominator													
Net liquidity outflow	1,940.5	1,899.7	1,966.5	2,000.2	1,915.8	1,918.6	1,876.4	1,889.0	1,945.5	1,943.1	1,586.9	1,555.4	1,553.9
LCR	272.4%	281.4%	272.1%	272.6%	259.7%	257.6%	262.0%	257.9%	258.4%	257.5%	305.6%	305.1%	303.1%

Based on the EC's Delegated Act on LCR.

Net loan to deposit ratio (LTD) - Calculated as the ratio between net loans to customers and deposits from customers. There is no regulatory LTD limit, however the aim of this measure is to restrict extensive growth of the loan portfolio.

	NLB Group		
(in EUR million and %)	30 Sep 2021	31 Dec 2020	30 Sep 2020
Numerator			
Net loans to customers	10,267.0	9,644.9	7,749.0
Denominator			
Deposits from customers	17,248.6	16,397.2	12,408.8
Net loan to deposit ratio (LTD)	59.5%	58.8%	62.4%

Net interest margin on the basis of interest bearing assets (cumulative)⁽ⁱⁱⁱ⁾ - Calculated as the ratio between net interest income annualized and average interest bearing assets.

(in EUR million and %)	NLB Group					
	1-9 2021	1-6 2021	1-3 2021	1-12 2020	1-9 2020	1-6 2020
Numerator						
Net interest income ⁽ⁱ⁾	404.2	400.6	395.4	299.6	299.9	301.8
Denominator						
Average interest bearing assets ⁽ⁱⁱ⁾	19,536.7	19,195.9	18,902.8	14,187.6	14,009.2	13,791.1
Net interest margin on interest bearing assets	2.07%	2.09%	2.09%	2.11%	2.14%	2.19%

⁽ⁱ⁾ Net interest income is annualized, calculated as the sum of interest income and interest expenses in the period divided by the number of days in the period and multiplied by the number of days in the year.

⁽ⁱⁱ⁾ NLB internal information. Average interest bearing assets for the Group are calculated as the sum of balance from the previous year end (31 December) and monthly balances of the last day of each month from January to the reporting month t divided by (t+1).

⁽ⁱⁱⁱ⁾ Komercijalna Banka group included from 2021 on.

Net interest margin on the basis of interest bearing assets (quarterly)⁽ⁱⁱⁱ⁾ - Calculated as the ratio between net interest income annualized and average interest bearing assets.

(in EUR million and %)	NLB Group				
	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Numerator					
Net interest income ⁽ⁱ⁾	411.3	405.7	395.4	298.7	296.1
Denominator					
Average interest bearing assets ⁽ⁱⁱ⁾	20,314.4	19,459.1	18,902.8	14,739.7	14,461.7
Net interest margin on interest bearing assets (quarterly)	2.02%	2.08%	2.09%	2.03%	2.05%

⁽ⁱ⁾ Net interest income (quarterly) is annualized, calculated as the sum of interest income and interest expenses in the period divided by the number of days in the quarter and multiplied by the number of days in the year.

⁽ⁱⁱ⁾ NLB internal information. Average interest bearing assets (quarterly), calculated as the sum of monthly balances (t) for the corresponding quarter and monthly balance at the end of the previous quarter divided by (t+1).

⁽ⁱⁱⁱ⁾ Komercijalna Banka group included in NLB Group net interest margin (quarterly) from 2021 on.

Net interest margin on total assets - Calculated as the ratio between net interest income annualized and average total assets.

(in EUR million and %)	NLB Group	
	1-9 2021	1-9 2020
Numerator		
Net interest income ⁽ⁱ⁾	404.2	299.9
Denominator		
Average total assets ⁽ⁱⁱ⁾	20,420.6	14,589.5
Net interest margin on total assets	1.98%	2.06%

⁽ⁱ⁾ Net interest income is annualized, calculated as the sum of interest income and interest expenses in the period divided by number of days in the period and multiplied by number of days in the year.

⁽ⁱⁱ⁾ NLB internal information. Average total assets for the Group are calculated as the sum of balance from the previous year end (31 December) and monthly balances of the last day of each month from January to month t divided by (t+1).

NPE - NPE includes risk exposure to D and E rated clients (includes loans and advances, debt securities and off-balance exposures, which are included in report Finrep 18; before deduction of allowances for the expected credit losses). NPE measured by fair value loans through P&L (FVTPL) are taken into account at fair value increased by amount of negative fair value changes for credit risk.

NPE per cent. (on-balance and off-balance) / Classified on-balance and off-balance exposures - NPE per cent. in accordance with the EBA methodology: NPE as a percentage of all exposures to clients in Finrep18, before deduction of allowances for the expected credit losses; ratio in gross terms.

Where NPE includes risk exposure to D and E rated clients (includes loans and advances, debt securities and off-balance exposures, which are included in report Finrep 18; before deduction of allowances for the expected credit losses). Share of NPEs is calculated on the basis of internal data source, by which the Group monitors the portfolio quality.

Below presented calculations are based on internal data sources.

(in EUR million and %)	NLB Group					
	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020
Numerator						
Total Non-Performing on-balance and off-balance Exposure in Finrep18	449.8	478.0	520.0	513.0	437.4	443.1
Denominator						
Total on-balance and off-balance exposures in Finrep18	24,006.0	23,883.1	22,387.9	22,042.3	17,562.6	17,299.9
NPE per cent.	1.9%	2.0%	2.3%	2.3%	2.5%	2.6%

NPL - Non-performing loans include loans to D and E rated clients, namely loans at least 90 days past due, or loans unlikely to be repaid without recourse to collateral (before deduction of loan loss allowances).

NPL per cent. - Share of non-performing loans in total loans: non-performing loans as a percentage of total loans to clients before deduction of loan loss allowances; ratio in gross terms. Where non-performing loans are defined as loans to D and E rated clients, namely loans at least 90 days past due, or loans unlikely to be repaid without recourse to collateral (before deduction of loan loss allowances). Share of non-performing loans is calculated on the basis of internal data source, by which the Group monitors the loan portfolio quality.

(in EUR million and %)	NLB Group										
	30 Sep 2021	31 Dec 2020	30 Sep 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
Numerator											
Total Non-Performing Loans	397.5	474.7	399.2	374.7	622.3	844.5	1,299.2	1,895.5	2,623.4	2,797.7	3,683.6
Denominator											
Total gross loans	15,224.3	13,686.6	10,897.7	9,793.5	9,017.2	9,130.4	9,443.7	9,829.2	10,432.6	10,936.6	13,083.8
NPL per cent.	2.6%	3.5%	3.7%	3.8%	6.9%	9.2%	13.8%	19.3%	25.1%	25.6%	28.2%

NPL coverage ratio 1 - The coverage of the gross non-performing loans portfolio with loan loss allowances on the entire loan portfolio - loan impairment in respect of non-performing loans. It shows the level of credit impairments and provisions that the entity has already absorbed into its profit and loss account in respect of the total of impaired loans. NPL coverage ratio 1 is calculated on the basis of internal data source, by which the Group monitors the quality of loan portfolio.

(in EUR million and %)	NLB Group										
	30 Sep 2021	31 Dec 2020	30 Sep 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
Numerator											
Loan loss allowances entire loan portfolio	326.8	388.4	362.0	334.2	479.6	654.8	988.7	1,368.1	1,801.8	1,948.9	2,184.1
Denominator											
Total Non-Performing Loans	397.5	474.7	399.2	374.7	622.3	844.5	1,299.2	1,895.5	2,623.4	2,797.7	3,683.6
NPL coverage ratio 1 (NPL CR 1)	82.2%	81.8%	90.7%	89.2%	77.1%	77.5%	76.1%	72.2%	68.7%	69.7%	59.3%

NPL coverage ratio 2 - The coverage of the gross non-performing loans portfolio with loan loss allowances on the non-performing loans portfolio. NPL coverage ratio 2 is calculated on the basis of internal data source, by which the Group monitors the loan portfolio quality.

(in EUR million and %)	NLB Group		
	30 Sep 2021	31 Dec 2020	30 Sep 2020
Numerator			
Loan loss allowances non-performing loan portfolio	233.4	272.1	248.7
Denominator			
Total Non-Performing Loans	397.5	474.7	399.2
NPL coverage ratio 2 (NPL CR 2)	58.7%	57.3%	62.3%

Net NPL Ratio - Share of net non-performing loans in total net loans: non-performing loans after deduction of loss allowances on the non-performing loans portfolio as a percentage of total loans to clients after deduction of loan loss allowances; ratio in net terms. Below presented calculations are based on internal data sources.

(in EUR million and %)	NLB Group		
	30 Sep 2021	31 Dec 2020	30 Sep 2020
Numerator			
Net volume of non-performing loans	164.1	202.7	150.5
Denominator			
Total Net Loans	14,897.4	13,298.2	10,535.7
Net NPL ratio per cent. (%Net NPL)	1.1%	1.5%	1.4%

Non-performing loans and advances (EBA def.) - Non-performing loans include loans and advances in accordance with the EBA Methodology that are classified as D and E, namely loans at least 90 days past due, or loans unlikely to be repaid without recourse to collateral (before deduction of loan loss allowances).

NPL ratio (EBA def.) - The gross NPL ratio is the ratio of the gross carrying amount of non-performing loans and advances to the total gross carrying amount of loans and advances, in accordance with the EBA methodology (report Finrep18). For the purpose of this calculation, loans and advances classified as held for sale, cash balances at central banks and other demand deposits at banks are excluded both from the denominator and from the numerator. Below presented calculations are based on internal data sources.

(in EUR million and %)	NLB Group		
	30 Sep 2021	31 Dec 2020	30 Sep 2020
Numerator			
Gross volume of Non-Performing Loans and advances without loans held for sale, cash balances at CBs and other demand deposits	404.9	466.0	394.5
Denominator			
Gross volume of Loans and advances in Finrep18 without loans held for sale, cash balances at CBs and other demand deposits	10,872.8	10,340.6	8,307.3
NPL ratio (EBA def.) per cent.	3.7%	4.5%	4.7%

EVE (Economic Value of Equity) method is a measure of sensitivity of changes in market interest rates on the economic value of financial instruments. EVE represents the present value of net future cash flows and provides a comprehensive view of the possible long-term effects of changing interest rates at least under the six prescribed standardised interest rate shock scenarios or more if necessary, according to the situation on financial markets. Calculations are taking into account behavioural and automatic options as well as allocation of non-maturing deposits.

The assessment of the impact of a change in interest rates of 200 bps on the economic value of the banking book position:

	NLB Group											
(in EUR thousand and %)	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018
Numerator												
Interest risk in banking book – EVE	-135,133	-134,173	-140,567	-128,370	-98,185	-59,547	-68,129	-88,355	-102,319	-77,841	-105,256	-102,397
Denominator												
Equity (Tier I)	1,903,800	1,879,365	1,734,545	1,765,000	1,622,945	1,616,921	1,426,936	1,451,176	1,424,020	1,425,298	1,460,078	1,458,318
EVE as % of Equity	-7.1%	-7.1%	-8.1%	-7.3%	-6.1%	-3.7%	-4.8%	-6.1%	-7.2%	-5.5%	-7.2%	-7.0%

Operational business margin (OBM) (cumulative)⁽ⁱⁱⁱ⁾ – Calculated as the ratio between operational business net income annualized and average assets.

	NLB Group					
(in EUR million and %)	1-9 2021	1-6 2021	1-3 2021	1-12 2020	1-9 2020	1-6 2020
Numerator						
Operational business net income ⁽ⁱ⁾	666.0	659.3	642.1	490.3	487.1	485.7
Denominator						
Average total assets ⁽ⁱⁱ⁾	20,420.6	20,066.4	19,749.0	14,789.5	14,589.5	14,383.8
OBM (cumulative)	3.26%	3.29%	3.25%	3.32%	3.34%	3.38%

⁽ⁱ⁾ Operational business net income (cumulative) is annualized, calculated as operational business income in the period divided by the number of days in the period and multiplied by number of days in the year. Operational business income consists of net interest income (excluding interest expenses from subordinated securities), net fees and commissions and net gains and losses from financial assets and liabilities held for trading that derive from foreign exchange trading.

⁽ⁱⁱ⁾ NLB internal information. Average total assets is calculated as a sum of balance as at the end of the previous year end (31 December) and monthly balances of the last day of each month from January to month t divided by (t+1).

⁽ⁱⁱⁱ⁾ Komercijalna Banka group included from 2021 on.

Operational business margin (OBM) (quarterly) ⁽ⁱⁱⁱ⁾ – Calculated as the ratio between operational business net income annualized and average assets.

(in EUR million and %)	NLB Group				
	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Numerator					
Operational business net income ⁽ⁱ⁾	679.2	676.3	642.1	499.8	489.9
Denominator					
Average total assets ⁽ⁱⁱ⁾	21,232.1	20,357.0	19,749.0	15,378.5	15,025.2
OBM (quarterly)	3.20%	3.32%	3.25%	3.25%	3.26%

⁽ⁱ⁾ Operational business net income (quarterly) is annualized, calculated as operational business income in the period divided by the number of days in the quarter and multiplied by the number of days in the year. Operational business income consists of net interest income (excluding interest expenses from subordinated securities), net fees and commissions and net gains and losses from financial assets and liabilities held for trading that derive from foreign exchange trading.

⁽ⁱⁱ⁾ NLB internal information. Average total assets is calculated as a sum of balance as at the end of the previous year end (31 December) and monthly balances of the last day of each month from January to month t divided by (t+1).

⁽ⁱⁱⁱ⁾ Komercijalna Banka group included from 2021 on.

Return on equity after tax (ROE a.t.) ⁽ⁱⁱⁱ⁾ - Calculated as the ratio between result after tax annualized and average equity.

(in EUR million and %)	NLB Group					
	1-9 2021	1-6 2021	1-3 2021	1-12 2020	1-9 2020	1-6 2020
Numerator						
Result after tax ⁽ⁱ⁾	274.0	279.6	258.4	141.3	139.5	147.3
Denominator						
Average equity ⁽ⁱⁱ⁾	2,054.2	2,020.6	1,983.1	1,741.1	1,720.4	1,703.2
ROE a.t.	13.3%	13.8%	13.0%	8.1%	8.1%	8.7%

⁽ⁱ⁾ Result after tax is annualized, calculated as result after tax in the period divided by number of months for reporting period and multiplied by 12.

⁽ⁱⁱ⁾ NLB internal information. Average equity is calculated as a sum of balance as at end of previous year end (31 December) and monthly balances of the last day of each month from January to month t divided by (t+1).

⁽ⁱⁱⁱ⁾ Komercijalna Banka group included from 2021 on.

Return on assets (ROA a.t.) - Calculated as the ratio between the result after tax annualized and average total assets.

(in EUR million and %)	NLB Group	
	1-9 2021	1-9 2020
Numerator		
Result after tax ⁽ⁱ⁾	274.0	139.5
Denominator		
Average total assets ⁽ⁱⁱ⁾	20,420.6	14,589.5
ROA a.t.	1.3%	1.0%

⁽ⁱ⁾ Result after tax is annualized, calculated as the result after tax in the period divided by number of months per reporting period and multiplied by 12.

⁽ⁱⁱ⁾ NLB internal information. Average total assets are calculated as the sum of balance as at the previous year end (31 December) and monthly balances on the last day of each month from January to month t divided by (t+1).

Total capital ratio (TCR) - Total capital ratio is the institution's own funds expressed as a percentage of the total risk exposure amount.

(in EUR million and %)	NLB Group							(in EUR million and %)	NLB
	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Dec 2019		30 Sep 2021
Numerator								Numerator	
Total capital (Own funds)	2,200.6	2,172.4	2,025.4	2,065.5	1,909.6	1,903.4	1,495.8	Total capital (Own funds)	1,623.2
Denominator								Denominator	
Total risk exposure Amount (Total RWA)	12,824.4	12,755.6	12,615.1	12,421.0	8,863.2	9,301.7	9,185.5	Total risk exposure Amount (Total RWA)	6,398.0
Total capital ratio	17.2%	17.0%	16.1%	16.6%	21.5%	20.5%	16.3%	Total capital ratio	25.4%

Reconciliation of Financial Statements in Business and Financial Part of the Report

Table 17: Unaudited Condensed Income Statement of NLB Group for period ended 30 September 2021

Business report	in EUR mio	Financial report	in EUR thousands	Notes
Net interest income	302.3	Interest and similar income	354,142	4.1.
		Interest and similar expenses	(51,817)	4.1.
Net fee and commission income	172.6	Fee and commission income	242,712	4.3.
		Fee and commission expenses	(70,109)	4.3.
Dividend income	0.2	Dividend income	179	4.2.
		Gains less losses from financial assets and liabilities not measured at fair value through profit or loss	425	4.4.
		Gains less losses from financial assets and liabilities held for trading	16,827	4.5.
Net income from financial transactions	33.4	Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	16,583	4.6.
		Fair value adjustments in hedge accounting	335	
		Foreign exchange translation gains less losses	(504)	
		Gains less losses from modification	(233)	
		Gains less losses on derecognition of non-financial assets	1,530	
Net other income	(8.7)	Other net operating income	18,316	4.7.
		Cash contributions to resolution funds and deposit guarantee schemes	(28,599)	4.9.
		Gains less losses from non-current assets held for sale	86	4.13.
Net non-interest income	197.5		197,548	
Total net operating income	499.9		499,873	
Employee costs	(168.2)	Administrative expenses	(262,338)	4.8.
Other general and administrative expenses	(94.1)	Depreciation and amortisation	(34,814)	4.10.
Depreciation and amortisation	(34.8)			
Total costs	(297.2)		(297,152)	
Result before impairments and provisions	202.7		202,721	
Impairments and provisions for credit risk	34.1	Provisions for credit losses	6,370	4.11.
		Impairment of financial assets	27,685	4.12.
Other impairments and provisions	(8.8)	Provisions for other liabilities and charges	(6,575)	4.11.
		Impairment of non-financial assets	(2,235)	4.12.
Impairments and provisions	25.2		25,245	
Gains less losses from capital investment in subsidiaries, associates, and joint ventures	0.9	Share of profit from investments in associates and joint ventures (accounted for using the equity method)	940	
Result before tax	228.9		228,906	
Income tax	(12.9)	Income tax	(12,902)	4.14.
Result of non-controlling interests	10.5	Attributable to non-controlling interests	10,485	
Result after tax	205.5	Attributable to owners of the parent	205,519	

Table 18: Unaudited Condensed Statement of Financial Position of NLB Group as at 30 September 2021

Business report	in EUR mio	Financial report	in EUR thousands	Notes
ASSETS				
Cash, cash balances at central banks, and other demand deposits at banks	4,947.0	Cash, cash balances at central banks and other demand deposits at banks	4,946,999	5.1.
Loans to banks	211.7	Financial assets measured at amortised cost - loans and advances to banks	211,654	5.5.b)
Net loans to customers	10,267.0	Financial assets measured at amortised cost - loans and advances to customers	10,266,960	5.5.c)
		Non-trading financial assets mandatorily at fair value through profit or loss - part (only loans)	-	5.3.
Financial assets	5,264.7		5,264,687	
- Trading book	10.5	Financial assets held for trading	10,457	5.2.a)
		Non-trading financial assets mandatorily at fair value through profit or loss - part (without loans)	17,644	5.3.
- Non-trading book	5,254.2	Financial assets measured at fair value through other comprehensive income	3,530,863	5.4.
		Financial assets measured at amortised cost - debt securities	1,705,723	5.5.a)
Investments in subsidiaries, associates, and joint ventures	8.5	Investments in associates and joint ventures	8,488	
Property and equipment, investment property	296.2	Property and equipment	242,085	5.7.
		Investment property	54,098	5.8.
Intangible assets	53.0	Intangible assets	52,959	
		Financial assets measured at amortised cost - other financial assets	113,164	5.5.d)
		Derivatives - hedge accounting	226	
Other assets	249.0	Fair value changes of the hedged items in portfolio hedge of interest rate risk	8,549	
		Current income tax assets	1,240	
		Deferred income tax assets	32,154	5.13.
		Other assets	86,147	5.9.
		Non-current assets held for sale	7,523	5.6.
TOTAL ASSETS	21,296.9	Total assets	21,296,933	
LIABILITIES				
Deposits from customers	17,248.6	Financial liabilities measured at amortised cost - due to customers	17,248,584	5.11.
Deposits from banks and central banks	82.0	Financial liabilities measured at amortised cost - deposits from banks and central banks	81,976	5.11.
Borrowings	975.6	Financial liabilities measured at amortised cost - borrowings from banks and central banks	878,562	5.11.
		Financial liabilities measured at amortised cost - borrowings from other customers	97,005	5.11.
		Financial liabilities held for trading	8,819	5.2.b)
Other liabilities	412.5	Financial liabilities measured at amortised cost - other financial liabilities	227,669	5.11.c)
		Derivatives - hedge accounting	40,469	
		Provisions	108,264	5.12.
		Current income tax liabilities	5,668	
		Deferred income tax liabilities	3,765	5.13.
		Other liabilities	17,857	5.15.
Subordinated liabilities	290.2	Financial liabilities measured at amortised cost - subordinated liabilities	290,228	5.11.a)
Equity	2,140.5	Equity and reserves attributable to owners of the parent	2,140,503	
Non-controlling interests	147.6	Non-controlling interests	147,564	
TOTAL LIABILITIES AND EQUITY	21,296.9	Total liabilities and equity	21,296,933	

Unaudited Condensed Interim Financial Statements of NLB Group and NLB

as at 30 September 2021

Prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'

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Condensed income statement for the period ended 30 September

in EUR thousands

	Notes	NLB Group		NLB	
		nine months ended		nine months ended	
		September 2021	September 2020	September 2021	September 2020
		unaudited	unaudited	unaudited	unaudited
Interest income, using the effective interest method		348,760	260,239	127,037	125,255
Interest income, not using the effective interest method		5,382	5,626	4,217	5,573
Interest and similar income	4.1.	354,142	265,865	131,254	130,828
Interest and similar expenses	4.1.	(51,817)	(41,366)	(29,524)	(26,471)
Net interest income		302,325	224,499	101,730	104,357
Dividend income	4.2.	179	104	4,960	743
Fee and commission income	4.3.	242,712	171,718	114,573	101,869
Fee and commission expenses	4.3.	(70,109)	(46,580)	(26,163)	(24,735)
Net fee and commission income		172,603	125,138	88,410	77,134
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss	4.4.	425	17,560	24	16,974
Gains less losses from financial assets and liabilities held for trading	4.5.	16,827	7,215	4,701	3,550
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	4.6.	16,583	4,467	13,413	5,145
Fair value adjustments in hedge accounting		335	644	335	644
Foreign exchange translation gains less losses		(504)	210	(313)	(1,220)
Gains less losses on derecognition of non-financial assets		1,530	894	49	13
Other net operating income	4.7.	18,316	6,062	12,858	4,243
Administrative expenses	4.8.	(262,338)	(192,538)	(118,472)	(120,157)
Cash contributions to resolution funds and deposit guarantee schemes	4.9.	(28,599)	(14,226)	(9,535)	(7,103)
Depreciation and amortisation	4.10.	(34,814)	(23,730)	(13,176)	(13,513)
Gains less losses from modification		(233)	(108)	-	-
Provisions for credit losses	4.11.	6,370	(2,591)	6,263	(1,964)
Provisions for other liabilities and charges	4.11.	(6,575)	(838)	1,717	(476)
Impairment of financial assets	4.12.	27,685	(46,463)	14,923	(15,617)
Impairment of non-financial assets	4.12.	(2,235)	(330)	104	76
Share of profit from investments in associates and joint ventures (accounted for using the equity method)		940	895	-	-
Gains less losses from non-current assets held for sale	4.13.	86	10,852	(73)	35,234
Profit before income tax		228,906	117,716	107,918	88,063
Income tax	4.14.	(12,902)	(8,925)	(1,979)	(2,546)
Profit for the period		216,004	108,791	105,939	85,517
Attributable to owners of the parent		205,519	104,639	105,939	85,517
Attributable to non-controlling interests		10,485	4,152	-	-
Earnings per share/diluted earnings per share (in EUR per share)		10.28	5.23	5.30	4.28

Condensed income statement for three months ended 30 September

in EUR thousands

	Notes	NLB Group		NLB	
		three months ended		three months ended	
		September 2021	September 2020	September 2021	September 2020
		unaudited	unaudited	unaudited	unaudited
Interest income, using the effective interest method		119,171	86,879	43,544	41,297
Interest income, not using the effective interest method		1,877	1,737	1,097	1,696
Interest and similar income	4.1.	121,048	88,616	44,641	42,993
Interest and similar expenses	4.1.	(17,366)	(14,184)	(10,459)	(9,428)
Net interest income		103,682	74,432	34,182	33,565
Dividend income	4.2.	124	14	450	726
Fee and commission income	4.3.	87,345	60,618	40,240	35,928
Fee and commission expenses	4.3.	(28,795)	(16,934)	(10,234)	(9,062)
Net fee and commission income		58,550	43,684	30,006	26,866
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss	4.4.	427	472	1	-
Gains less losses from financial assets and liabilities held for trading	4.5.	7,155	2,258	2,123	1,746
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	4.6.	(125)	2,025	(480)	2,065
Fair value adjustments in hedge accounting		260	375	260	375
Foreign exchange translation gains less losses		(139)	688	(102)	(625)
Gains less losses on derecognition of non-financial assets		512	118	41	5
Other net operating income	4.7.	2,236	1,893	571	971
Administrative expenses	4.8.	(88,237)	(63,622)	(39,767)	(39,490)
Cash contributions to resolution funds and deposit guarantee schemes	4.9.	(6,402)	(2,375)	-	-
Depreciation and amortisation	4.10.	(11,621)	(7,826)	(4,377)	(4,354)
Gains less losses from modification		(177)	(108)	-	-
Provisions for credit losses	4.11.	776	(565)	1,295	(328)
Provisions for other liabilities and charges	4.11.	4,297	(512)	-	-
Impairment of financial assets	4.12.	2,563	(15,696)	4,975	(2,438)
Impairment of non-financial assets	4.12.	(1,351)	(219)	104	76
Share of profit from investments in associates and joint ventures (accounted for using the equity method)		519	469	-	-
Gains less losses from non-current assets held for sale	4.13.	(138)	(152)	(276)	(218)
Profit before income tax		72,911	35,353	29,006	18,942
Income tax	4.14.	(3,341)	(3,413)	(199)	(1,234)
Profit for the period		69,570	31,940	28,807	17,708
Attributable to owners of the parent		65,714	30,970	28,807	17,708
Attributable to non-controlling interests		3,856	970	-	-

Condensed statement of comprehensive income for the period ended 30 September

in EUR thousands

	Notes	NLB Group		NLB	
		nine months ended		nine months ended	
		September 2021	September 2020	September 2021	September 2020
		unaudited	unaudited	unaudited	unaudited
Net profit for the period after tax		216,004	108,791	105,939	85,517
Other comprehensive income after tax		(1,740)	(19,998)	(7,567)	(4,297)
<i>Items that will not be reclassified to income statement</i>					
Actuarial gains/(losses) on defined benefit pension plans		(58)	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income		1,384	130	(231)	125
Share of other comprehensive income/(losses) of entities accounted for using the equity method		-	8	-	-
Income tax relating to components of other comprehensive income	5.14.	(142)	(26)	54	(24)
<i>Items that have been or may be reclassified subsequently to income statement</i>					
Foreign currency translation		(967)	(1,737)	-	-
Translation gains/(losses) taken to equity		(967)	(1,737)	-	-
Debt instruments measured at fair value through other comprehensive income		(2,192)	(7,497)	(8,719)	(4,383)
Valuation gains/(losses) taken to equity		(4,993)	(3,258)	(8,529)	(722)
Transferred to income statement		2,801	(4,239)	(190)	(3,661)
Share of other comprehensive income/(losses) of entities accounted for using the equity method (including transfer to income statement on disposal)		-	(11,026)	-	-
Income tax relating to components of other comprehensive income	5.14.	235	150	1,329	(15)
Total comprehensive income for the period after tax		214,264	88,793	98,372	81,220
Attributable to owners of the parent		202,917	84,883	98,372	81,220
Attributable to non-controlling interests		11,347	3,910	-	-

Condensed statement of comprehensive income for three months ended 30 September

in EUR thousands

	Notes	NLB Group		NLB	
		three months ended		three months ended	
		September 2021	September 2020	September 2021	September 2020
		unaudited	unaudited	unaudited	unaudited
Net profit for the period after tax		69,570	31,940	28,807	17,708
Other comprehensive income/(loss) after tax		(3,984)	9,411	(1,788)	7,511
<i>Items that will not be reclassified to income statement</i>					
Fair value changes of equity instruments measured at fair value through other comprehensive income		(226)	146	(54)	145
Income tax relating to components of other comprehensive income		78	(30)	10	(28)
<i>Items that have been or may be reclassified subsequently to income statement</i>					
Foreign currency translation		(935)	(71)	-	-
Translation gains/(losses) taken to equity		(935)	(71)	-	-
Debt instruments measured at fair value through other comprehensive income		(3,264)	11,292	(2,107)	9,397
Valuation gains/(losses) taken to equity		(2,444)	11,039	(1,964)	8,602
Transferred to income statement		(820)	253	(143)	795
Income tax relating to components of other comprehensive income		363	(1,926)	363	(2,003)
Total comprehensive income for the period after tax		65,586	41,351	27,019	25,219
Attributable to owners of the parent		61,859	40,164	27,019	25,219
Attributable to non-controlling interests		3,727	1,187	-	-

Condensed statement of financial position as at 30 September and as at 31 December

in EUR thousands

	Notes	NLB Group		NLB	
		30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
		unaudited	audited	unaudited	audited
Cash, cash balances at central banks and other demand deposits at banks	5.1.	4,946,999	3,961,812	3,049,814	2,261,533
Financial assets held for trading	5.2.a)	10,457	84,855	10,436	18,831
Non-trading financial assets mandatorily at fair value through profit or loss	5.3.	17,644	42,393	12,254	35,106
Financial assets measured at fair value through other comprehensive income	5.4.	3,530,863	3,514,290	1,657,120	1,716,351
Financial assets measured at amortised cost					
- debt securities	5.5.a)	1,705,723	1,503,087	1,488,212	1,277,880
- loans and advances to banks	5.5.b)	211,654	197,005	176,540	158,320
- loans and advances to customers	5.5.c)	10,266,960	9,619,860	4,895,739	4,564,178
- other financial assets	5.5.d)	113,164	113,138	70,748	54,503
Derivatives - hedge accounting		226	-	226	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk		8,549	13,844	8,549	13,844
Investments in subsidiaries		-	-	773,796	749,060
Investments in associates and joint ventures		8,488	7,988	1,662	1,662
Tangible assets					
Property and equipment	5.7.	242,085	249,117	88,081	91,675
Investment property	5.8.	54,098	54,842	9,084	8,300
Intangible assets		52,959	61,668	25,330	28,105
Current income tax assets		1,240	4,369	1,007	1,923
Deferred income tax assets	5.13.	32,154	31,789	30,676	29,214
Other assets	5.9.	86,147	97,140	10,141	11,664
Non-current assets held for sale	5.6.	7,523	8,658	4,094	4,454
Total assets		21,296,933	19,565,855	12,313,509	11,026,603
Financial liabilities held for trading	5.2.b)	8,819	15,485	8,856	15,500
Financial liabilities measured at fair value through profit or loss	5.3.	-	-	363	-
Financial liabilities measured at amortised cost					
- deposits from banks and central banks	5.11.	81,976	72,633	158,337	41,635
- borrowings from banks and central banks	5.11.	878,562	158,225	863,616	143,464
- due to customers	5.11.	17,248,584	16,397,167	9,243,305	8,850,755
- borrowings from other customers	5.11.	97,005	91,560	-	13
- subordinated liabilities	5.11.a)	290,228	288,321	290,228	288,321
- other financial liabilities	5.11.c)	227,669	207,300	124,543	101,273
Derivatives - hedge accounting		40,469	61,161	40,469	61,161
Provisions	5.12.	108,264	125,059	50,895	63,790
Current income tax liabilities		5,668	1,002	-	-
Deferred income tax liabilities	5.13.	3,765	4,475	-	-
Other liabilities	5.15.	17,857	20,427	8,331	9,697
Total liabilities		19,008,866	17,442,815	10,788,943	9,575,609
Equity and reserves attributable to owners of the parent					
Share capital		200,000	200,000	200,000	200,000
Share premium		871,378	871,378	871,378	871,378
Accumulated other comprehensive income		15,295	21,127	16,482	24,102
Profit reserves		13,522	13,522	13,522	13,522
Retained earnings		1,040,308	846,762	423,184	341,992
		2,140,503	1,952,789	1,524,566	1,450,994
Non-controlling interests		147,564	170,251	-	-
Total equity		2,288,067	2,123,040	1,524,566	1,450,994
Total liabilities and equity		21,296,933	19,565,855	12,313,509	11,026,603

Condensed statement of changes in equity for the period ended 30 September

in EUR thousands

NLB Group	Share capital	Share premium	Accumulated other comprehensive income			Profit reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
			Fair value reserve of financial assets measured at FVOCI	Foreign currency translation reserve	Other					
Balance as at 1 Jan 2021	200,000	871,378	42,496	(17,724)	(3,645)	13,522	846,762	1,952,789	170,251	2,123,040
- Net profit for the period	-	-	-	-	-	-	205,519	205,519	10,485	216,004
- Other comprehensive income	-	-	(1,698)	(852)	(52)	-	-	(2,602)	862	(1,740)
Total comprehensive income after tax	-	-	(1,698)	(852)	(52)	-	205,519	202,917	11,347	214,264
Dividends paid/declared	-	-	-	-	-	-	(24,800)	(24,800)	-	(24,800)
Transfer of fair value reserve	-	-	(3,362)	-	-	-	3,362	-	-	-
Transactions with non-controlling interests	-	-	132	-	-	-	9,465	9,597	(34,034)	(24,437)
Balance as at 30 Sep 2021	200,000	871,378	37,568	(18,576)	(3,697)	13,522	1,040,308	2,140,503	147,564	2,288,067

in EUR thousands

NLB Group	Share capital	Share premium	Accumulated other comprehensive income			Profit reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
			Fair value reserve of financial assets measured at FVOCI	Foreign currency translation reserve	Other					
Balance as at 1 Jan 2020	200,000	871,378	47,880	(17,055)	(4,332)	13,522	574,489	1,685,882	45,015	1,730,897
- Net profit for the period	-	-	-	-	-	-	104,639	104,639	4,152	108,791
- Other comprehensive income	-	-	(18,145)	(1,619)	8	-	-	(19,756)	(242)	(19,998)
Total comprehensive income after tax	-	-	(18,145)	(1,619)	8	-	104,639	84,883	3,910	88,793
Transfer of fair value reserve	-	-	(2,551)	-	(15)	-	2,566	-	-	-
Balance as at 30 Sep 2020	200,000	871,378	27,184	(18,674)	(4,339)	13,522	681,694	1,770,765	48,925	1,819,690

in EUR thousands

NLB	Share capital	Share premium	Accumulated other comprehensive income		Profit reserves	Retained earnings	Total equity
			Fair value reserve of financial assets measured at FVOCI	Other			
Balance as at 1 Jan 2021	200,000	871,378	27,694	(3,592)	13,522	341,992	1,450,994
- Net profit for the period	-	-	-	-	-	105,939	105,939
- Other comprehensive income	-	-	(7,567)	-	-	-	(7,567)
Total comprehensive income after tax	-	-	(7,567)	-	-	105,939	98,372
Dividends paid/declared	-	-	-	-	-	(24,800)	(24,800)
Transfer of fair value reserve	-	-	(53)	-	-	53	-
Balance as at 30 Sep 2021	200,000	871,378	20,074	(3,592)	13,522	423,184	1,524,566

in EUR thousands

NLB	Share capital	Share premium	Accumulated other comprehensive income		Profit reserves	Retained earnings	Total equity
			Fair value reserve of financial assets measured at FVOCI	Other			
Balance as at 1 Jan 2020	200,000	871,378	24,444	(4,159)	13,522	228,040	1,333,225
- Net profit for the period	-	-	-	-	-	85,517	85,517
- Other comprehensive income	-	-	(4,297)	-	-	-	(4,297)
Total comprehensive income after tax	-	-	(4,297)	-	-	85,517	81,220
Balance as at 30 Sep 2020	200,000	871,378	20,147	(4,159)	13,522	313,557	1,414,445

Condensed statement of cash flows for the period ended 30 September

in EUR thousands

	Notes	NLB Group		NLB	
		nine months ended		nine months ended	
		September 2021	September 2020	September 2021	September 2020
		unaudited	unaudited	unaudited	unaudited
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		410,546	277,535	159,673	158,390
Interest paid		(47,817)	(36,556)	(28,047)	(20,951)
Dividends received		598	776	4,955	746
Fee and commission receipts		243,759	170,583	113,198	99,705
Fee and commission payments		(68,061)	(51,084)	(24,858)	(24,986)
Realised gains from financial assets and financial liabilities not at fair value through profit or loss		425	17,860	24	17,274
Net gains/(losses) from financial assets and liabilities held for trading		15,793	8,033	4,009	4,303
Payments to employees and suppliers		(281,293)	(191,766)	(128,451)	(122,297)
Other receipts		23,128	10,879	15,711	7,320
Other payments		(39,917)	(16,233)	(15,422)	(9,422)
Income tax (paid)/received		(5,532)	(6,845)	(628)	1,991
Cash flows from operating activities before changes in operating assets and liabilities		251,629	183,182	100,164	112,073
(Increases)/decreases in operating assets		(537,434)	(309,188)	(266,838)	(162,988)
Net (increase)/decrease in trading assets		68,971	(843)	2,471	(843)
Net (increase)/decrease in non-trading financial assets mandatorily at fair value through profit or loss		39,855	(14,585)	35,843	(14,559)
Net (increase)/decrease in financial assets measured at fair value through other comprehensive income		(62,595)	(172,825)	29,585	(166,394)
Net (increase)/decrease in loans and receivables measured at amortised cost		(588,005)	(121,521)	(334,739)	19,017
Net (increase)/decrease in other assets		4,340	586	2	(209)
Increases/(decreases) in operating liabilities		1,578,056	829,625	1,227,899	687,836
Net increase/(decrease) in deposits and borrowings measured at amortised cost		1,578,047	829,293	1,227,816	687,996
Net increase/(decrease) in other liabilities		9	332	83	(160)
Net cash flows from operating activities		1,292,251	703,619	1,061,225	636,921
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts from investing activities		483,729	424,709	397,425	385,558
Proceeds from sale of property, equipment, and investment property		3,431	2,394	10	87
Proceeds from sale of subsidiaries		-	-	1	-
Proceeds from non-current assets held for sale		1,264	39,078	676	39,078
Proceeds from disposals of debt securities measured at amortised cost		479,034	383,237	396,738	346,393
Payments from investing activities		(742,464)	(262,724)	(660,109)	(174,675)
Purchase of property, equipment, and investment property		(13,802)	(18,783)	(8,239)	(8,624)
Purchase of intangible assets		(6,158)	(11,292)	(4,072)	(8,650)
Purchase of subsidiaries and increase in subsidiaries' equity		(24,437)	-	(24,737)	(3,010)
Purchase of debt securities measured at amortised cost		(698,067)	(232,649)	(623,061)	(154,391)
Net cash flows from investing activities		(258,735)	161,985	(262,684)	210,883
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from financing activities		-	119,222	-	119,222
Issuance of subordinated debt	5.11.b)	-	119,222	-	119,222
Payments from financing activities		(12,787)	(45,000)	(12,000)	(45,000)
Dividends paid		(12,787)	-	(12,000)	-
Repayments of subordinated debt	5.11.b)	-	(45,000)	-	(45,000)
Net cash flows from financing activities		(12,787)	74,222	(12,000)	74,222
Effects of exchange rate changes on cash and cash equivalents		4,906	(5,078)	1,807	(1,965)
Net increase/(decrease) in cash and cash equivalents		1,020,729	939,826	786,541	922,026
Cash and cash equivalents at beginning of period		4,136,412	2,263,267	2,261,791	1,308,122
Cash and cash equivalents at end of period		5,162,047	3,198,015	3,050,139	2,228,183

in EUR thousands

	Notes	NLB Group		NLB	
		30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
		unaudited	audited	unaudited	audited
Cash and cash equivalents comprise:					
Cash, cash balances at central banks, and other demand deposits at banks	5.1.	4,947,990	3,962,686	3,050,139	2,261,791
Loans and advances to banks with original maturity up to 3 months		185,730	146,223	-	-
Debt securities measured at fair value through other comprehensive income with original maturity up to 3 months		28,327	27,503	-	-
Total		5,162,047	4,136,412	3,050,139	2,261,791

Statement of management's responsibility

The Management Board hereby confirms and approves the release of the condensed interim financial statements of NLB Group and NLB for the nine months ending 30 September 2021, the accompanying accounting policies, and notes to the financial statements.

The Management Board is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34 'Interim financial reporting' as adopted by the European Union in order to give a true and fair view of the financial position of NLB Group and NLB as at 30 September 2021, and their financial results and cash flows for the period then ended.

The Management Board also confirms that appropriate accounting policies were consistently applied, and that the accounting estimates were prepared in accordance with the principles of prudence and good management. The Management Board further confirms that the condensed interim financial statements of NLB Group and NLB have been prepared on a going-concern basis for NLB Group and NLB and are in line with valid legislation and IAS 34 'Interim financial reporting.'

The Management Board is also responsible for appropriate accounting practices, the adoption of appropriate measures for the safeguarding of assets, and the prevention and identification of fraud and other irregularities or illegal acts.

Management Board

Archibald Kreinsek
CFO

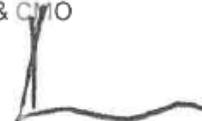


Ljubljana, 11 November 2021

Andreas Burkhardt
CRO



Blaž Brodnjak
CEO & CIO



Notes to the condensed interim financial statements

1. General information

Nova Ljubljanska banka d.d. Ljubljana (hereinafter: 'NLB') is a Slovenian joint-stock entity providing universal banking services. NLB Group consists of NLB and its subsidiaries located in nine countries. Information on the NLB Group's structure is disclosed in note 8. Information on other related party relationships of NLB Group is provided in note 7.

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

As at 30 September 2021 and as at 31 December 2020, the largest shareholder of NLB with significant influence is the Republic of Slovenia, owning 25.00% plus one share.

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

2. Summary of significant accounting policies

2.1. Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 'Interim financial reporting' and should be read in conjunction with the annual financial statements of NLB Group and NLB for the year ended 31 December 2020, which have been prepared in accordance with the International Financial Reporting Standards (hereinafter: 'IFRS') as adopted by the European Union (hereinafter: 'EU').

2.2. Accounting policies

The same accounting policies and methods of computation were followed in the preparation of these consolidated condensed interim financial statements as for the year ended 31 December 2020, except for accounting standards and other amendments effective for annual periods beginning on 1 January 2021 that were endorsed by the EU.

Accounting standards and amendments to existing standards that were endorsed by the EU and adopted by NLB Group from 1 January 2021

- IFRS 4 (amendment) – 'Insurance Contracts' – deferral of IFRS 9 (effective for annual periods beginning on or after 1 January 2021);
- IFRS 9 (amendment), IAS 39 (amendment), IFRS 7 (amendment), IFRS 4 (amendment) and IFRS 16 (amendment) – 'Interest Rate Benchmark Reform – Phase 2' (effective for annual periods beginning on or after 1 January 2021).

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

- IFRS 16 (amendment) – ‘Leases: Covid-19-Related Rent Concessions’ (effective for annual periods beginning on or after 1 April 2021);
- IFRS 3 (amendment) – ‘Business Combinations’ (effective for annual periods beginning on or after 1 January 2022);
- IAS 16 (amendment) – ‘Property, Plant and Equipment’ (effective for annual periods beginning on or after 1 January 2022);
- IAS 37 (amendment) – ‘Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract’ (effective for annual periods beginning on or after 1 January 2022);
- Annual Improvements (amendments) 2018-2020 (effective for annual periods beginning on or after 1 January 2022).

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

- IFRS 17 (new standard) – ‘Insurance Contracts’ including Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023);
- IAS 1 (amendment and deferral of effective date) – ‘Presentation of Financial Statements: Classification of Liabilities as Current or Non-current’ (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 – ‘Presentation of Financial Statements’ and IFRS Practice Statement 2 – ‘Disclosure of Accounting policies’ (effective for annual periods beginning on or after 1 January 2023);
- IAS 8 (amendment) – ‘Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates’ (effective for annual periods beginning on or after 1 January 2023);
- IAS 12 (amendment) - ‘Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction’ (effective for annual periods beginning on or after 1 January 2023).

3. Changes in the composition of the NLB Group

Changes in the period ended 30 September 2021

Capital changes:

- In April 2021 NLB increased the share of voting rights in the takeover bid for the remaining shares of Komercijalna banka a.d., Beograd from 83.23% to 87.999% and acquired also 15.328% of preference shares. This increased NLB's share in total shareholding of the bank from 81.42% to 86.42%.
- In May 2021 NLB increased the share of voting rights in the public offering of ordinary shares of Komercijalna banka a.d., Beograd from 87.999% to 88,28%. This increased NLB's share in total shareholding of the bank from 86.42% to 86.70%.
- In May 2021 NLB acquired the remaining shares of minority shareholders of NLB Banka a.d., Beograd and increased its ownership from 99.997% to 100%.
- An increase in equity reserves in the form of a cash contribution in the amount of EUR 300 thousand in REAM d.o.o., Beograd to ensure regular business operations.

Other changes:

- In April 2021 company BH_RE d.o.o., Sarajevo – u likvidaciji was liquidated. In accordance with a court order, company was removed from the court register.
- In September 2021, NLB sold its 0.002% ownership interest in Komercijalna banka a.d., Banja Luka to Komercijalna banka a.d., Beograd.

Changes in year 2020

Capital changes:

- In December 2020, NLB acquired an 83.23% ordinary shareholding in Komercijalna banka a.d., Beograd, which represents 81.42% of total shareholding in the bank.
- In December 2020, NLB acquired 1 ordinary share of Komercijalna banka a.d., Banja Luka which represents a 0.002% share of their capital.
- In December 2020, NLB acquired additional shares of Bankart d.o.o., Ljubljana and thereby increased its ownership from 39.44% to 40.08%.
- An increase in share capital in the form of a debt to equity conversion in the amount of EUR 1,800 thousand in NLB Leasing Podgorica d.o.o. – u likvidaciji.

Other changes:

- In April 2020, NLB established the nonfinancial cultural heritage institute named 'NLB Zavod za upravljanje kulturne dediščine, Ljubljana.'
- In May 2020, NLB established financial company named 'NLB Lease&Go, leasing, d.o.o., Ljubljana.'
- In May 2020, all the suspensive conditions under the joint NLB and KBC Insurance NV sale agreement signed in December 2019 were met, therefore the sale of NLB's 50% stake in the share capital of NLB Vita d.d., Ljubljana was completed.
- In December 2020, BH-RE d.o.o., Sarajevo – beginning of the liquidation procedure entered in the court register.

- In December 2020, NLB sold its subsidiaries NLB Leasing d.o.o., Sarajevo - u likvidaciji and NLB Leasing Podgorica d.o.o., Podgorica - u likvidaciji.

4. Notes to the condensed income statement

4.1. Interest income and expenses

Analysis by type of assets and liabilities

in EUR thousands

	NLB Group					NLB				
	three months ended		nine months ended		Change	three months ended		nine months ended		Change
	September 2021	September 2020	September 2021	September 2020		September 2021	September 2020	September 2021	September 2020	
Interest and similar income										
<i>Interest income, using the effective interest method</i>	119,171	86,879	348,760	260,239	34%	43,544	41,297	127,037	125,255	1%
Loans and advances to customers at amortised cost	103,825	78,536	306,538	233,948	31%	36,048	34,643	106,725	104,726	2%
Securities measured at amortised cost	3,446	3,739	10,070	12,384	-19%	2,571	2,886	7,521	9,807	-23%
Financial assets measured at fair value through other comprehensive income	10,817	4,533	30,609	13,371	129%	2,959	2,770	8,796	7,748	14%
Loans and advances to banks measured at amortised cost	1,018	53	1,372	348	-	1,923	992	3,914	2,895	35%
Deposits with banks and central banks	65	18	171	188	-9%	43	6	81	79	3%
<i>Interest income, not using the effective interest method</i>	1,877	1,737	5,382	5,626	-4%	1,097	1,696	4,217	5,573	-24%
Financial assets held for trading	1,060	1,173	3,806	4,211	-10%	1,060	1,173	3,504	4,211	-17%
Non-trading financial assets mandatorily at fair value through profit or loss	7	564	764	1,415	-46%	36	523	710	1,362	-48%
Other	810	-	812	-	-	1	-	3	-	-
Total	121,048	88,616	354,142	265,865	33%	44,641	42,993	131,254	130,828	0%
Interest and similar expenses										
<i>Interest expenses, using the effective interest method</i>	9,448	8,232	31,066	24,830	25%	3,548	3,818	11,185	10,910	3%
Due to customers	5,977	5,055	20,237	15,800	28%	757	956	2,310	2,892	-20%
Borrowings from banks and central banks	161	213	1,081	680	59%	119	186	972	594	64%
Borrowings from other customers	301	224	913	685	33%	-	-	-	-	-
Subordinated liabilities	2,665	2,664	7,877	7,372	7%	2,665	2,664	7,877	7,372	7%
Deposits from banks and central banks	226	8	591	69	-	-	3	3	24	-88%
Lease liabilities	118	68	367	224	64%	7	9	23	28	-18%
<i>Interest expenses, not using the effective interest method</i>	7,918	5,952	20,751	16,536	25%	6,911	5,610	18,339	15,561	18%
Derivatives – hedge accounting	2,590	2,327	7,691	6,976	10%	2,590	2,327	7,691	6,976	10%
Negative interest	3,724	2,507	8,928	5,810	54%	2,944	2,184	6,930	4,888	42%
Financial liabilities held for trading	1,005	1,090	3,321	3,670	-10%	1,005	1,090	3,321	3,670	-10%
Interest expense on defined employee benefits	28	25	218	72	-	10	8	30	22	36%
Other	571	3	593	8	-	362	1	367	5	-
Total	17,366	14,184	51,817	41,366	25%	10,459	9,428	29,524	26,471	12%
Net interest income	103,682	74,432	302,325	224,499	35%	34,182	33,565	101,730	104,357	-3%

4.2. Dividend income

in EUR thousands

	NLB Group					NLB				
	three months ended		nine months ended		Change	three months ended		nine months ended		Change
	September 2021	September 2020	September 2021	September 2020		September 2021	September 2020	September 2021	September 2020	
Financial assets measured at fair value through other comprehensive income	115	7	150	80	88%	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	-	49	4,490	49	-
Investments in associates, and joint ventures	-	-	-	-	-	441	670	441	670	-34%
Non-trading financial assets mandatorily at fair value through profit or loss	9	7	29	24	21%	9	7	29	24	21%
Total	124	14	179	104	72%	450	726	4,960	743	-

4.3. Fee and commission income and expenses

in EUR thousands

	NLB Group					NLB				
	three months ended		nine months ended		Change	three months ended		nine months ended		Change
	September 2021	September 2020	September 2021	September 2020		September 2021	September 2020	September 2021	September 2020	
Fee and commission income										
<i>Fee and commission income relating to financial instruments not at fair value through profit or loss</i>										
Credit cards and ATMs	26,652	17,594	69,026	47,696	45%	10,438	10,024	28,217	27,290	3%
Customer transaction accounts	22,412	16,625	65,411	48,728	34%	14,493	12,375	42,281	36,386	16%
<i>Other fee and commission income</i>										
Payments	19,794	13,115	56,379	37,189	52%	5,733	5,424	16,715	15,639	7%
Investment funds	7,329	4,956	19,459	14,091	38%	2,360	1,724	6,296	4,753	32%
Guarantees	3,489	2,938	10,285	8,651	19%	1,930	1,830	5,777	5,328	8%
Investment banking	3,161	2,798	8,352	7,560	10%	2,630	2,484	6,701	6,491	3%
Agency of insurance products	2,227	1,675	6,319	4,601	37%	1,830	1,410	5,150	3,699	39%
Other services	2,281	917	7,481	3,202	134%	826	657	3,436	2,283	51%
Total	87,345	60,616	242,712	171,718	41%	40,240	35,928	114,573	101,869	12%
Fee and commission expenses										
<i>Fee and commission expenses relating to financial instruments not at fair value through profit or loss</i>										
Credit cards and ATMs	20,043	12,647	50,142	35,409	42%	8,365	7,178	20,858	20,085	4%
<i>Other fee and commission expenses</i>										
Payments	3,574	1,649	8,727	4,399	98%	227	228	687	661	4%
Insurance for holders of personal accounts and golden cards	2,012	292	2,737	765	-	219	155	750	564	33%
Investment banking	1,726	1,351	4,788	3,682	30%	959	885	2,778	2,411	15%
Guarantees	274	418	574	509	13%	249	398	513	454	13%
Other services	1,166	577	3,141	1,816	73%	215	218	577	560	3%
Total	28,795	16,934	70,109	46,580	51%	10,234	9,062	26,163	24,735	6%
Net fee and commission income	58,550	43,684	172,603	125,138	38%	30,006	26,866	88,410	77,134	15%

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

in EUR thousands

	NLB Group				NLB			
	three months ended		nine months ended		three months ended		nine months ended	
	September 2021	September 2020	September 2021	September 2020	September 2021	September 2020	September 2021	September 2020
Debt instruments measured at fair value through other comprehensive income	427	472	425	4,937	1	-	24	4,351
Debt instruments measured at amortised cost	-	-	-	12,749	-	-	-	12,749
Financial liabilities measured at amortised cost	-	-	-	(126)	-	-	-	(126)
Total	427	472	425	17,560	1	-	24	16,974

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

in EUR thousands

	NLB Group				NLB			
	three months ended		nine months ended		three months ended		nine months ended	
	September 2021	September 2020	September 2021	September 2020	September 2021	September 2020	September 2021	September 2020
Foreign exchange trading	6,366	2,249	15,416	7,570	1,485	1,140	3,741	3,247
Debt instruments	75	28	51	281	69	28	(200)	281
Derivatives	714	(19)	1,360	(636)	569	578	1,160	22
Total	7,155	2,258	16,827	7,215	2,123	1,746	4,701	3,550

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

in EUR thousands

	NLB Group				NLB			
	three months ended		nine months ended		three months ended		nine months ended	
	September 2021	September 2020	September 2021	September 2020	September 2021	September 2020	September 2021	September 2020
Equity securities	(113)	1,236	876	847	(129)	1,236	301	1,289
Debt securities	(10)	(2)	(30)	(29)	-	-	-	-
Loans and advances to customers	(2)	791	15,737	3,649	(351)	829	13,112	3,856
Total	(125)	2,025	16,583	4,467	(480)	2,065	13,413	5,145

Material exposure that was restructured in 2014, and was classified as non-performing, was repaid in April 2021. This resulted in positive valuation effect in the amount of EUR 14,700 thousand at NLB Group level and EUR 12,897 thousand at NLB level.

4.7. Other net operating income

in EUR thousands

	NLB Group					NLB				
	three months ended		nine months ended		Change	three months ended		nine months ended		Change
	September 2021	September 2020	September 2021	September 2020		September 2021	September 2020	September 2021	September 2020	
Other operating income										
Income from non-banking services	1,762	1,710	4,947	4,673	6%	1,597	1,511	4,373	4,163	5%
Rental income from investment property	827	644	2,646	1,961	35%	106	123	295	354	-17%
Revaluation of investment property to fair value	460	496	460	884	-48%	412	496	412	884	-53%
Other operating income	1,617	490	13,971	1,638	-	294	411	10,116	889	-
Total	4,666	3,340	22,024	9,156	141%	2,409	2,541	15,196	6,290	142%
Other operating expenses										
Revaluation of investment property to fair value	112	85	119	112	6%	105	81	105	87	21%
Other operating expenses	2,318	1,362	3,589	2,982	20%	1,733	1,489	2,233	1,960	14%
Total	2,430	1,447	3,708	3,094	20%	1,838	1,570	2,338	2,047	14%
Other net operating income	2,236	1,893	18,316	6,062	-	571	971	12,858	4,243	-

Other operating income includes settlement of legal dispute in the amount of EUR 8,978 thousand in the NLB Group and EUR 8,559 thousand in NLB.

4.8. Administrative expenses

in EUR thousands

	NLB Group					NLB				
	three months ended		nine months ended		Change	three months ended		nine months ended		Change
	September 2021	September 2020	September 2021	September 2020		September 2021	September 2020	September 2021	September 2020	
Employee costs	56,535	40,172	168,194	122,911	37%	26,782	25,108	78,596	77,178	2%
Other general and administrative expenses	31,702	23,450	94,144	69,627	35%	12,985	14,382	39,876	42,979	-7%
Total	88,237	63,622	262,338	192,538	36%	39,767	39,490	118,472	120,157	-1%

4.9. Cash contributions to resolution funds and deposit guarantee schemes

in EUR thousands

	NLB Group					NLB				
	three months ended		nine months ended		Change	three months ended		nine months ended		Change
	September 2021	September 2020	September 2021	September 2020		September 2021	September 2020	September 2021	September 2020	
Cash contributions to deposit guarantee schemes	6,402	2,375	26,607	12,574	112%	-	-	7,543	5,451	38%
Cash contributions to resolution funds	-	-	1,992	1,652	21%	-	-	1,992	1,652	21%
Total	6,402	2,375	28,599	14,226	101%	-	-	9,535	7,103	34%

4.10. Depreciation and amortisation

in EUR thousands

	NLB Group					NLB				
	three months ended		nine months ended		Change	three months ended		nine months ended		Change
	September 2021	September 2020	September 2021	September 2020		September 2021	September 2020	September 2021	September 2020	
Amortisation of intangible assets	3,969	2,409	12,136	7,768	56%	1,505	1,636	4,519	5,346	-15%
Depreciation of property and equipment:										
- own property and equipment	5,393	4,281	16,079	12,537	28%	2,645	2,512	7,998	7,542	6%
- right-of-use assets	2,259	1,136	6,599	3,425	93%	227	206	659	625	5%
Total	11,621	7,826	34,814	23,730	47%	4,377	4,354	13,176	13,513	-2%

4.11. Provisions

in EUR thousands

	NLB Group				NLB			
	three months ended		nine months ended		three months ended		nine months ended	
	September 2021	September 2020	September 2021	September 2020	September 2021	September 2020	September 2021	September 2020
Guarantees and commitments (note 5.12.b)	(776)	565	(6,370)	2,591	(1,295)	328	(6,263)	1,964
Restructuring provisions	(2)	-	7,699	-	-	-	-	-
Provisions for legal risks	(4,295)	481	(1,124)	873	-	-	(1,717)	476
Other provisions	-	31	-	(35)	-	-	-	-
Total	(5,073)	1,077	205	3,429	(1,295)	328	(7,980)	2,440

4.12. Impairment charge

in EUR thousands

	NLB Group				NLB			
	three months ended		nine months ended		three months ended		nine months ended	
	September 2021	September 2020	September 2021	September 2020	September 2021	September 2020	September 2021	September 2020
Impairment of financial assets								
Cash balances at central banks, and other demand deposits at banks	(24)	16	129	242	9	(5)	67	117
Loans and advances to customers measured at amortised cost (note 5.10.a)	(996)	14,273	(30,903)	43,553	(4,710)	1,268	(14,789)	14,174
Loans and advances to banks measured at amortised cost (note 5.10.a)	(68)	10	9	18	13	(31)	12	16
Debt securities measured at fair value through other comprehensive income (note 5.10.b)	(393)	725	3,226	698	(142)	795	(166)	690
Debt securities measured at amortised cost (note 5.10.b)	(1,118)	22	(591)	291	(125)	289	(19)	215
Other financial assets measured at amortised cost (note 5.10.a)	36	650	445	1,661	(20)	122	(28)	405
Total	(2,563)	15,696	(27,685)	46,463	(4,975)	2,438	(14,923)	15,617
Impairment of other assets								
Property and equipment	2	16	90	16	-	-	-	-
Other assets	1,349	203	2,145	314	(104)	(76)	(104)	(76)
Total	1,351	219	2,235	330	(104)	(76)	(104)	(76)
Total impairment	(1,212)	15,915	(25,450)	46,793	(5,079)	2,362	(15,027)	15,541

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

in EUR thousands

	NLB Group				NLB			
	three months ended		nine months ended		three months ended		nine months ended	
	September 2021	September 2020	September 2021	September 2020	September 2021	September 2020	September 2021	September 2020
Gains less losses on derecognition of subsidiaries, associates and joint ventures	-	-	-	11,006	-	-	-	35,454
Gains less losses from property and equipment	(138)	(152)	86	(154)	(276)	(218)	(73)	(220)
Total	(138)	(152)	86	10,852	(276)	(218)	(73)	35,234

4.14. Income tax

in EUR thousands

	NLB Group					NLB				
	three months ended		nine months ended		Change	three months ended		nine months ended		Change
	September 2021	September 2020	September 2021	September 2020		September 2021	September 2020	September 2021	September 2020	
Current tax	3,493	4,058	13,516	9,636	40%	204	1,422	2,058	2,774	-26%
Deferred tax (note 5.13.)	(152)	(645)	(614)	(711)	14%	(5)	(188)	(79)	(228)	65%
Total	3,341	3,413	12,902	8,925	45%	199	1,234	1,979	2,546	-22%

5. Notes to the condensed statement of financial position

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

in EUR thousands

	NLB Group			NLB		
	30 Sep 2021	31 Dec 2020	Change	30 Sep 2021	31 Dec 2020	Change
Balances and obligatory reserves with central banks	3,919,478	3,149,775	24%	2,758,441	1,998,297	38%
Cash	529,083	507,970	4%	189,662	192,405	-1%
Demand deposits at banks	499,429	304,941	64%	102,036	71,089	44%
	4,947,990	3,962,686	25%	3,050,139	2,261,791	35%
Allowance for impairment	(991)	(874)	-13%	(325)	(258)	-26%
Total	4,946,999	3,961,812	25%	3,049,814	2,261,533	35%

5.2. Financial instruments held for trading

a) Financial assets held for trading

in EUR thousands

	NLB Group			NLB		
	30 Sep 2021	31 Dec 2020	Change	30 Sep 2021	31 Dec 2020	Change
Derivatives, excluding hedging instruments						
Swap contracts	8,770	13,597	-36%	8,772	13,932	-37%
Options	785	786	0%	785	786	0%
Forward contracts	902	1,666	-46%	879	1,663	-47%
Total derivatives	10,457	16,049	-35%	10,436	16,381	-36%
Securities						
Bonds	-	68,806	-	-	2,450	-
Total securities	-	68,806	-	-	2,450	-
Total	10,457	84,855	-88%	10,436	18,831	-45%

b) Financial liabilities held for trading

in EUR thousands

	NLB Group			NLB		
	30 Sep 2021	31 Dec 2020	Change	30 Sep 2021	31 Dec 2020	Change
Derivatives, excluding hedging instruments						
Swap contracts	7,997	13,932	-43%	8,034	13,947	-42%
Forward contracts	821	1,553	-47%	821	1,553	-47%
Total	8,819	15,485	-43%	8,856	15,500	-43%

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

in EUR thousands

	NLB Group			NLB		
	30 Sep 2021	31 Dec 2020	Change	30 Sep 2021	31 Dec 2020	Change
Assets						
Shares	4,471	4,171	7%	4,471	4,171	7%
Investments funds	11,650	10,989	6%	-	-	-
Bonds	1,523	2,157	-29%	-	-	-
Loans and advances to companies	-	25,076	-	7,783	30,935	-75%
Total	17,644	42,393	-58%	12,254	35,106	-65%
Liabilities						
Loans and advances to companies	-	-	-	363	-	-

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

Analysis by type

in EUR thousands

	NLB Group			NLB		
	30 Sep 2021	31 Dec 2020	Change	30 Sep 2021	31 Dec 2020	Change
Bonds	3,320,937	3,260,940	2%	1,597,446	1,598,760	0%
Shares	20,818	22,925	-9%	218	273	-20%
National Resolution Fund	44,642	44,874	-1%	44,642	44,874	-1%
Treasury bills	111,025	135,102	-18%	14,814	72,444	-80%
Commercial bills	33,441	50,449	-34%	-	-	-
Total	3,530,863	3,514,290	0%	1,657,120	1,716,351	-3%
Allowance for impairment (note 5.10.b)	(12,673)	(9,482)	-34%	(2,980)	(3,141)	5%

5.5. Financial assets measured at amortised cost

Analysis by type

in EUR thousands

	NLB Group			NLB		
	30 Sep 2021	31 Dec 2020	Change	30 Sep 2021	31 Dec 2020	Change
Debt securities	1,705,723	1,503,087	13%	1,488,212	1,277,880	16%
Loans and advances to banks	211,654	197,005	7%	176,540	158,320	12%
Loans and advances to customers	10,266,960	9,619,860	7%	4,895,739	4,564,178	7%
Other financial assets	113,164	113,138	0%	70,748	54,503	30%
Total	12,297,501	11,433,090	8%	6,631,239	6,054,881	10%

a) Debt securities

in EUR thousands

	NLB Group			NLB		
	30 Sep 2021	31 Dec 2020	Change	30 Sep 2021	31 Dec 2020	Change
Government	1,308,697	1,173,718	12%	1,097,120	953,881	15%
Companies	80,280	86,946	-8%	73,075	79,732	-8%
Banks	293,015	220,988	33%	293,015	220,988	33%
Financial organisations	26,824	25,120	7%	26,824	25,120	7%
	1,708,816	1,506,772	13%	1,490,034	1,279,721	16%
Allowance for impairment (note 5.10.b)	(3,093)	(3,685)	16%	(1,822)	(1,841)	1%
Total	1,705,723	1,503,087	13%	1,488,212	1,277,880	16%

b) Loans and advances to banks

in EUR thousands

	NLB Group			NLB		
	30 Sep 2021	31 Dec 2020	Change	30 Sep 2021	31 Dec 2020	Change
Loans	9,534	9,809	-3%	104,041	95,070	9%
Time deposits	176,013	128,074	37%	71,900	63,405	13%
Purchased receivables	765	-	-	765	-	-
Reverse sale and repurchase agreements	25,493	59,263	-57%	-	-	-
	211,806	197,146	7%	176,707	158,475	12%
Allowance for impairment (note 5.10.a)	(152)	(141)	-8%	(167)	(155)	-8%
Total	211,654	197,005	7%	176,540	158,320	12%

c) Loans and advances to customers

in EUR thousands

	NLB Group			NLB		
	30 Sep 2021	31 Dec 2020	Change	30 Sep 2021	31 Dec 2020	Change
Loans	10,026,091	9,490,734	6%	4,773,465	4,501,991	6%
Overdrafts	349,101	322,622	8%	165,465	152,487	9%
Finance lease receivables	92,950	49,517	88%	-	-	-
Credit card business	121,616	125,725	-3%	52,782	52,156	1%
Called guarantees	3,533	3,542	0%	550	916	-40%
	10,593,291	9,992,140	6%	4,992,262	4,707,550	6%
Allowance for impairment (note 5.10.a)	(326,331)	(372,280)	12%	(96,523)	(143,372)	33%
Total	10,266,960	9,619,860	7%	4,895,739	4,564,178	7%

d) Other financial assets

in EUR thousands

	NLB Group			NLB		
	30 Sep 2021	31 Dec 2020	Change	30 Sep 2021	31 Dec 2020	Change
Receivables in the course of settlement and other temporary accounts	39,455	32,484	21%	30,215	15,906	90%
Credit card receivables	16,808	20,260	-17%	12,772	11,383	12%
Debtors	6,998	6,316	11%	1,120	1,307	-14%
Fees and commissions	6,442	6,563	-2%	1,170	2,871	-59%
Receivables to brokerage firms and others for the sale of securities and custody services	611	611	0%	610	610	0%
Prepayments	1,871	447	-	-	-	-
Accrued income	2,246	1,327	69%	3,304	1,296	155%
Other financial assets	44,765	50,683	-12%	22,743	22,460	1%
	119,196	118,691	0%	71,934	55,833	29%
Allowance for impairment (note 5.10.a)	(6,032)	(5,553)	-9%	(1,186)	(1,330)	11%
Total	113,164	113,138	0%	70,748	54,503	30%

5.6. Non-current assets held for sale

Analysis by type

in EUR thousands

	NLB Group			NLB		
	30 Sep 2021	31 Dec 2020	Change	30 Sep 2021	31 Dec 2020	Change
Property and equipment	7,523	8,658	-13%	4,094	4,454	-8%
Total	7,523	8,658	-13%	4,094	4,454	-8%

5.7. Property and equipment

Analysis by type

in EUR thousands

	NLB Group			NLB		
	30 Sep 2021	31 Dec 2020	Change	30 Sep 2021	31 Dec 2020	Change
Own property and equipment	217,053	223,598	-3%	84,866	88,495	-4%
Right-of-use assets	25,032	25,519	-2%	3,215	3,180	1%
Total	242,085	249,117	-3%	88,081	91,675	-4%

5.8. Investment property

in EUR thousands

	NLB Group			NLB		
	30 Sep 2021	31 Dec 2020	Change	30 Sep 2021	31 Dec 2020	Change
Buildings	53,397	54,112	-1%	8,902	8,165	9%
Land	701	730	-4%	182	135	35%
Total	54,098	54,842	-1%	9,084	8,300	9%

5.9. Other assets

in EUR thousands

	NLB Group			NLB		
	30 Sep 2021	31 Dec 2020	Change	30 Sep 2021	31 Dec 2020	Change
Assets, received as collateral	71,108	76,017	-6%	4,752	4,926	-4%
Inventories	2,999	7,858	-62%	42	180	-77%
Deferred expenses	9,228	9,157	1%	4,968	5,976	-17%
Prepayments	1,673	1,159	44%	139	115	21%
Claim for taxes and other dues	1,139	2,949	-61%	240	467	-49%
Total	86,147	97,140	-11%	10,141	11,664	-13%

5.10. Movements in allowance for the impairment of financial assets

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

in EUR thousands

	NLB Group						
	Loans and advances to banks		Loans and advances to customers		Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2021	141	74,519	40,833	256,928	276	30	5,247
Effects of translation of foreign operations to presentation currency	2	(22)	(11)	(37)	1	-	1
Transfers	-	15,684	(10,113)	(5,571)	272	(1)	(271)
Increases/(Decreases) (note 4.12.)	(37)	(14,902)	2,345	23,711	9	8	1,397
Write-offs	-	(79)	(17)	(56,782)	(37)	(4)	(627)
Changes in models/risk parameters (note 4.12.)	46	(14,747)	(201)	9,078	(69)	8	14
Foreign exchange and other movements	-	(2)	22	5,695	8	-	(230)
Balance as at 30 Sep 2021	152	60,451	32,858	233,022	460	41	5,531
Repayments of written-off receivables (note 4.12.)	-	-	-	36,187	-	-	922

Other movements relate mainly to income from repayments of non-performing exposures in Komercijalna Banka, which were at acquisition in December 2020 recognised at fair value, without a corresponding allowance for the impairment and to expenses due to initial recognition of non-performing exposure at fair value in NLB.

in EUR thousands

	NLB Group						
	Loans and advances to banks	Loans and advances to customers			Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2020	95	56,728	33,179	232,537	177	27	4,702
Effects of translation of foreign operations to presentation currency	-	(100)	(34)	(58)	(2)	(8)	-
Transfers	-	10,887	(14,120)	3,233	(3)	(3)	6
Increases/(Decreases) (note 4.12.)	33	(1,937)	11,142	25,294	99	(135)	1,675
Write-offs	-	(6)	(6)	(28,532)	(17)	(4)	(1,890)
Changes in models/risk parameters (note 4.12.)	(15)	1,307	15,259	1,787	(21)	166	16
Foreign exchange and other movements	-	1	5	29	(1)	-	326
Balance as at 30 Sep 2020	113	66,880	45,425	234,290	232	43	4,835
Repayments of written-off receivables (note 4.12.)	-	-	-	9,299	-	-	139

in EUR thousands

	NLB						
	Loans and advances to banks	Loans and advances to customers			Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2021	155	25,637	11,287	106,448	73	2	1,255
Transfers	-	7,059	(3,806)	(3,253)	13	-	(13)
Increases/(Decreases) (note 4.12.)	12	(10,661)	(1,778)	6,753	27	(1)	120
Write-offs	-	(76)	(14)	(36,602)	(11)	-	(226)
Changes in models/risk parameters (note 4.12.)	-	(10,198)	(1,529)	7,915	(57)	-	2
Foreign exchange and other movements	-	2	19	(680)	2	-	-
Balance as at 30 Sep 2021	167	11,763	4,179	80,581	47	1	1,138
Repayments of written-off receivables (note 4.12.)	-	-	-	5,291	-	-	119

Other movements relate mainly to expenses due to initial recognition of non-performing exposure at fair value.

in EUR thousands

	NLB						
	Loans and advances to banks	Loans and advances to customers			Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2020	141	20,724	11,188	86,853	55	9	1,777
Transfers	-	7,227	(6,518)	(709)	-	1	(1)
Increases/(Decreases) (note 4.12.)	34	(4,895)	3,514	6,615	43	(7)	396
Write-offs	-	(6)	(6)	(6,820)	(1)	-	(680)
Changes in models/risk parameters (note 4.12.)	(18)	5,484	7,416	(484)	(25)	1	(2)
Foreign exchange and other movements	-	(11)	(1)	(50)	-	-	-
Balance as at 30 Sep 2020	157	28,523	15,593	85,405	72	4	1,490
Repayments of written-off receivables (note 4.12.)	-	-	-	3,476	-	-	1

b) Movements in allowance for the impairment of debt securities

in EUR thousands

	NLB Group			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2021	3,685	8,656	28	798
Effects of translation of foreign operations to presentation currency	(1)	(4)	-	-
Increases/(Decreases) (note 4.12.)	809	439	32	-
Changes in models/risk parameters (note 4.12.)	(1,400)	2,737	18	-
Foreign exchange and other movements	-	(31)	-	-
Balance as at 30 Sep 2021	3,093	11,797	78	798

in EUR thousands

	NLB Group			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2020	3,140	4,757	42	798
Effects of translation of foreign operations to presentation currency	(7)	5	1	-
Increases/(Decreases) (note 4.12.)	87	965	(5)	-
Changes in models/risk parameters (note 4.12.)	204	(253)	(9)	-
Foreign exchange and other movements	-	(2)	-	-
Balance as at 30 Sep 2020	3,424	5,472	29	798

in EUR thousands

	NLB			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2021	1,841	2,343	-	798
Increases/(Decreases) (note 4.12.)	454	(40)	-	-
Changes in models/risk parameters (note 4.12.)	(473)	(126)	-	-
Foreign exchange and other movements	-	5	-	-
Balance as at 30 Sep 2021	1,822	2,182	-	798

in EUR thousands

	NLB			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2020	1,617	1,714	-	798
Increases/(Decreases) (note 4.12.)	7	681	-	-
Changes in models/risk parameters (note 4.12.)	208	9	-	-
Foreign exchange and other movements	-	(2)	-	-
Balance as at 30 Sep 2020	1,832	2,402	-	798

5.11. Financial liabilities measured at amortised cost

Analysis by type

in EUR thousands

	NLB Group			NLB		
	30 Sep 2021	31 Dec 2020	Change	30 Sep 2021	31 Dec 2020	Change
Deposits from banks and central banks	81,976	72,633	13%	158,337	41,635	-
- Deposits on demand	63,331	52,250	21%	158,337	41,635	-
- Other deposits	18,645	20,383	-9%	-	-	-
Borrowings from banks and central banks	878,562	158,225	-	863,616	143,464	-
Due to customers	17,248,584	16,397,167	5%	9,243,305	8,850,755	4%
- Deposits on demand	14,797,279	13,633,889	9%	8,585,272	8,128,950	6%
- Other deposits	2,451,305	2,763,278	-11%	658,033	721,805	-9%
Borrowings from other customers	97,005	91,560	6%	-	13	-
Subordinated liabilities	290,228	288,321	1%	290,228	288,321	1%
Other financial liabilities	227,669	207,300	10%	124,543	101,273	23%
Total	18,824,024	17,215,206	9%	10,680,029	9,425,461	13%

a) Subordinated liabilities

in EUR thousands

	Currency	Due date	Interest rate	NLB Group and NLB			
				30 Sep 2021		31 Dec 2020	
				Carrying amount	Nominal value	Carrying amount	Nominal value
Subordinated bonds							
	EUR	06.05.2029	4.2% to 06.05.2024, thereafter 5Y MS + 4.159% p.a.	45,417	45,000	45,867	45,000
	EUR	19.11.2029	3.65% to 19.11.2024, thereafter 5Y MS + 3.833% p.a.	122,827	120,000	119,480	120,000
	EUR	05.02.2030	3.4% to 05.02.2025, thereafter 5Y MS + 3.658% p.a.	121,984	120,000	122,974	120,000
Total				290,228	285,000	288,321	285,000

b) Movement of subordinated liabilities

in EUR thousands

	NLB Group and NLB	
	2021	2020
Balance as at 1 Jan	288,321	210,569
Cash flow items:	(5,970)	71,763
- new issued subordinated liabilities	-	119,222
- repayments of subordinated liabilities	-	(45,000)
- repayments of interest	(5,970)	(2,459)
Non-Cash flow items:	7,877	7,699
- accrued interest	7,877	7,573
- other	-	126
Balance as at 30 Sep	290,228	290,031

c) Other financial liabilities

in EUR thousands

	NLB Group			NLB		
	30 Sep 2021	31 Dec 2020	Change	30 Sep 2021	31 Dec 2020	Change
Items in the course of payment	58,372	45,931	27%	19,209	4,412	-
Liabilities for dividends	13,213	464	-	12,800	-	-
Debit or credit card payables	20,570	22,883	-10%	18,831	20,135	-6%
Lease liabilities	25,936	26,359	-2%	3,248	3,212	1%
Accrued expenses	25,586	21,314	20%	13,828	10,635	30%
Accrued salaries	19,758	19,068	4%	8,981	9,807	-8%
Liabilities to brokerage firms and others for securities purchase and custody services	3,893	2,459	58%	3,811	2,443	56%
Suppliers	4,900	20,993	-77%	2,101	15,768	-87%
Unused annual leave	6,330	6,137	3%	2,497	2,497	0%
Fees and commissions	186	1,100	-83%	54	967	-94%
Other financial liabilities	48,925	40,592	21%	39,183	31,397	25%
Total	227,669	207,300	10%	124,543	101,273	23%

5.12. Provisions

a) Analysis by type

in EUR thousands

	NLB Group			NLB		
	30 Sep 2021	31 Dec 2020	Change	30 Sep 2021	31 Dec 2020	Change
Provisions for guarantees and commitments	35,956	42,174	-15%	22,306	28,543	-22%
Stage 1	12,025	15,796	-24%	3,980	7,510	-47%
Stage 2	2,475	2,767	-11%	236	732	-68%
Stage 3	21,456	23,611	-9%	18,090	20,301	-11%
Employee benefit provisions	21,126	20,707	2%	14,759	14,220	4%
Provisions for legal risks	37,023	46,602	-21%	1,682	5,673	-70%
Restructuring provisions	14,148	15,565	-9%	12,148	15,354	-21%
Other provisions	11	11	0%	-	-	-
Total	108,264	125,059	-13%	50,895	63,790	-20%

Legal risks

As disclosed in the annual financial statements of NLB Group and NLB for the year ended 31 December 2020, the largest amount of material monetary claims against NLB Group in connection with legal risks relates to civil claims filed by Privredna banka Zagreb (the PBZ) and Zagrebačka banka (the ZaBa) against NLB, referring to the old savings of LB Branch Zagreb savers. Compared to 31 December 2020, there was a change regarding the PBZ legal dispute with principal amount of SEK 3,855,173.35, the ZaBa legal dispute with principal amount of EUR 492,430.53 and the PBZ legal dispute with principal amount of EUR 222,426.39, therefore the table below summarising the amounts according to final court decisions (not including penalty interest), has been updated with latest measures taken by NLB.

Date of the ruling	Plaintiff	Principal amount	Costs of the proceedings	Measures taken by NLB
May 2015	PBZ	254.76 EUR	15,781.25 HRK	Constitutional suit against the final judgement, as NLB found the court decision contrary to the legislation in force and constitutional principles and as well contrary to the Memorandum concluded between the Republic of Slovenia and the Republic of Croatia. Constitutional Court of the Republic of Croatia rejected the constitutional appeal of NLB d.d. on 21 May 2018.
April 2018	PBZ	222,426.39 EUR	253,283.37 HRK	Constitutional suit against the court decisions (including the decision of the Supreme Court of the Republic of Croatia in the revision proceeding), as NLB found the court decision contrary to the legislation in force and constitutional principles, and as well contrary to the Memorandum concluded between the Republic of Slovenia and the Republic of Croatia. Constitutional Court of the Republic of Croatia rejected the constitutional appeal of NLB d.d. on 5 October 2021.
September 2017	ZaBa	492,430.53 EUR	748,583.75 HRK	Constitutional suit against the court decisions (including the decision of the Supreme Court of the Republic of Croatia in the revision proceeding), as NLB found the court decision contrary to the legislation in force and constitutional principles, and as well contrary to the Memorandum concluded between the Republic of Slovenia and the Republic of Croatia. Constitutional Court of the Republic of Croatia rejected the constitutional appeal of NLB d.d. on 5 October 2021.
November 2017	PBZ	220,115.98 EUR	688,268.12 HRK	NLB challenged the judgments with the extraordinary legal measure (revision) on the Supreme Court of the Republic of Croatia and later, if necessary, will challenge the judgments with all other available remedies of the obligations of the old foreign currency savings in accordance with Slovenian Constitutional Law are not the liabilities of NLB.
December 2018	PBZ	3,855,173.35 SEK	679,926.08 HRK	Constitutional suit against the court decisions (including the decision of the Supreme Court of the Republic of Croatia in the revision proceeding), as NLB found the court decision contrary to the legislation in force and constitutional principles and as well contrary to the Memorandum concluded between the Republic of Slovenia and the Republic of Croatia.
March 2019	PBZ	9,185,141.76 USD	3,198,760.00 HRK	NLB challenged the judgment with the extraordinary legal measure (revision) on the Supreme Court of the Republic of Croatia and later, if necessary, will challenge the judgment with all other available remedies of the obligations of the old foreign currency savings in accordance with Slovenian Constitutional Law are not the liabilities of NLB.

b) Movements in provisions for guarantees and commitments

in EUR thousands

	NLB Group		
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2021	15,796	2,767	23,611
Effects of translation of foreign operations to presentation currency	(3)	-	-
Transfers	1,077	(447)	(630)
Increases/(Decreases) (note 4.11.)	(1,649)	210	(1,952)
Changes in models/risk parameters (note 4.11.)	(3,200)	(56)	277
Foreign exchange and other movements	4	1	150
Balance as at 30 Sep 2021	12,025	2,475	21,456

in EUR thousands

	NLB Group		
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2020	12,909	2,444	24,068
Effects of translation of foreign operations to presentation currency	(1)	(6)	21
Transfers	571	(506)	(65)
Increases/(Decreases) (note 4.11.)	3,899	588	(1,907)
Changes in models/risk parameters (note 4.11.)	(676)	727	(40)
Foreign exchange and other movements	-	1	10
Balance as at 30 Sep 2020	16,702	3,248	22,087

in EUR thousands

	NLB		
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2021	7,510	732	20,301
Transfers	333	(35)	(298)
Increases/(Decreases) (note 4.11.)	(1,183)	(332)	(2,209)
Changes in models/risk parameters (note 4.11.)	(2,683)	(129)	273
Foreign exchange and other movements	3	-	23
Balance as at 30 Sep 2021	3,980	236	18,090

in EUR thousands

	NLB		
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2020	6,145	653	22,365
Transfers	182	(83)	(99)
Increases/(Decreases) (note 4.11.)	3,053	551	(2,134)
Changes in models/risk parameters (note 4.11.)	228	363	(97)
Foreign exchange and other movements	(3)	(1)	12
Balance as at 30 Sep 2020	9,605	1,483	20,047

5.13. Deferred income tax

in EUR thousands

	NLB Group		NLB	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
Deferred income tax assets				
Valuation of financial instruments and capital investments	36,175	37,729	35,974	37,650
Impairment of financial assets	5,158	3,190	912	947
Provisions for liabilities and charges	8,590	8,489	2,881	3,138
Depreciation and valuation of non-financial assets	3,834	4,063	130	140
Fair value adjustments of financial instruments measured at amortised cost	-	938	-	-
Tax reliefs	1,091	1,179	-	-
Other	48	111	-	-
Total deferred income tax assets	54,896	55,699	39,897	41,875
Deferred income tax liabilities				
Valuation of financial instruments	16,716	21,023	8,478	11,871
Depreciation and valuation of non-financial assets	1,541	1,515	177	193
Impairment of financial assets	3,557	3,271	566	597
Fair value adjustments of financial assets measured at amortised cost	3,191	592	-	-
Other	1,502	1,984	-	-
Total deferred income tax liabilities	26,507	28,385	9,221	12,661
Net deferred income tax assets	32,154	31,789	30,676	29,214
Net deferred income tax liabilities	(3,765)	(4,475)	-	-

in EUR thousands

	NLB Group		NLB	
	nine months ended		nine months ended	
	September 2021	September 2020	September 2021	September 2020
Included in the income statement	614	711	79	228
- valuation of financial instruments and capital investments	2,055	120	365	120
- impairment of financial assets	1,918	858	(35)	172
- provisions for liabilities and charges	100	(40)	(257)	(68)
- depreciation and valuation of non-financial assets	(251)	(227)	6	4
- fair value adjustments of financial assets measured at amortised cost	(3,539)	-	-	-
- other	417	-	-	-
Included in other comprehensive income	93	124	1,383	(39)
- valuation and impairment of financial assets measured at fair value through other comprehensive income	87	124	1,383	(39)
- actuarial assumptions and experience	6	-	-	-
Included in equity - transfer of fair value reserve	368	-	-	-
- valuation of financial assets measured at fair value through other comprehensive income	368	-	-	-

As at 30 September 2021, NLB recognised EUR 39,897 thousand deferred tax assets (31 December 2020: EUR 41,875 thousand). Unrecognised deferred tax assets amount to EUR 220,131 thousand (31 December 2020: EUR 221,494 thousand) of which EUR 173,931 thousand (31 December 2020: EUR 175,350 thousand) relates to unrecognised deferred tax assets from tax loss (no deadlines by which uncovered tax losses must be utilized) and EUR 46,200 thousand (31 December 2020: EUR 46,144 thousand) to unrecognised deferred tax assets from valuation of financial instruments and impairments of non-strategic capital investments.

In addition to NLB, Komercijalna Banka, Beograd also has a significant amount of tax loss for which no deferred tax assets are recognized. This tax loss expires in 2021 and as at 30 September 2021 amounts to EUR 73,898 thousand (31 December 2020: EUR 73,898 thousand).

5.14. Income tax relating to components of other comprehensive income

in EUR thousands

Nine months ended September 2021	NLB Group			NLB		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Valuation of financial assets measured at fair value through other comprehensive income	(3,999)	323	(3,676)	(8,789)	1,352	(7,437)
Impairment of debt instruments measured at fair value through other comprehensive income	3,191	(236)	2,955	(161)	31	(130)
Actuarial gains and losses	(58)	6	(52)	-	-	-
Total	(866)	93	(773)	(8,950)	1,383	(7,567)

in EUR thousands

Nine months ended September 2020	NLB Group			NLB		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Valuation of financial assets measured at fair value through other comprehensive income	(8,063)	311	(7,752)	(4,946)	92	(4,854)
Impairment of debt instruments measured at fair value through other comprehensive income	696	(187)	509	688	(131)	557
Share of associates and joint ventures	(11,018)	-	(11,018)	-	-	-
Total	(18,385)	124	(18,261)	(4,258)	(39)	(4,297)

5.15. Other liabilities

in EUR thousands

	NLB Group			NLB		
	30 Sep 2021	31 Dec 2020	Change	30 Sep 2021	31 Dec 2020	Change
Taxes payable	4,092	5,009	-18%	2,681	4,107	-35%
Deferred income	11,139	12,364	-10%	5,487	5,391	2%
Payments received in advance	2,626	2,195	20%	163	199	-18%
Other liabilities	-	859	-	-	-	-
Total	17,857	20,427	-13%	8,331	9,697	-14%

5.16. Book value per share

	NLB Group		NLB	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
Total equity attributable to owners of the parents (in EUR thousand)	2,140,503	1,952,789	1,524,566	1,450,994
Number of shares (in thousands)	20,000	20,000	20,000	20,000
Book value per share (in EUR)	107.0	97.6	76.2	72.5

Book value per share is calculated as the ratio of net assets' book value excluding other equity instruments issued and the number of shares. NLB Group and NLB do not have any other equity instruments issued or treasury shares.

5.17. Capital adequacy ratio

in EUR thousands

	NLB Group		NLB	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
Paid-up capital instruments	200,000	200,000	200,000	200,000
Share premium	871,378	871,378	871,378	871,378
Retained earnings - from previous years	766,466	552,146	249,751	228,040
Profit eligible - from current year	-	63,635	-	21,658
Accumulated other comprehensive income	15,756	21,588	16,482	24,102
Other reserves	13,522	13,522	13,522	13,522
Minority interest	62,029	71,562	-	-
Prudential filters: Additional Valuation Adjustments (AVA)	(3,568)	(3,632)	(1,681)	(1,755)
(-) Goodwill	(3,529)	(3,529)	-	-
(-) Other intangible assets	(30,522)	(33,222)	(10,802)	(9,914)
(-) Insufficient coverage for non-performing exposures	(93)	-	(1)	-
COMMON EQUITY TIER 1 CAPITAL (CET1)	1,891,439	1,753,448	1,338,649	1,347,031
Minority interest	13,808	14,614	-	-
Additional Tier 1 capital	13,808	14,614	-	-
TIER 1 CAPITAL	1,905,247	1,768,062	1,338,649	1,347,031
Capital instruments and subordinated loans eligible as Tier 2 capital	284,595	284,595	284,595	284,595
Minority interest	10,807	12,806	-	-
TIER 2 CAPITAL	295,402	297,401	284,595	284,595
TOTAL CAPITAL	2,200,649	2,065,463	1,623,244	1,631,626
RWA for credit risk	10,648,018	10,222,923	5,148,196	4,805,127
RWA for market risks	1,228,663	1,250,563	683,038	657,088
RWA for credit valuation adjustment risk	350	200	350	200
RWA for operational risk	947,342	947,342	566,385	566,385
TOTAL RISK EXPOSURE AMOUNT (RWA)	12,824,373	12,421,028	6,397,969	6,028,800
Common Equity Tier 1 Ratio	14.7%	14.1%	20.9%	22.3%
Tier 1 Ratio	14.9%	14.2%	20.9%	22.3%
Total Capital Ratio	17.2%	16.6%	25.4%	27.1%

As at 30 September 2021, the Total capital ratio for the NLB Group stood at 17.2% (or 0.5 percentage points higher than at the end of 2020), and for NLB at 25.4% (or 1.7 percentage points lower than at the end of 2020). As at 30 September 2021, the CET1 ratio at consolidated level stood at 14.7% (0.6 percentage points higher than at the end of 2020). The higher total capital adequacy derives from higher capital (EUR 135.2 million for the NLB Group) which compensated higher RWA. The main effect in capital was inclusion of Negative Goodwill in Retained earnings in the amount of EUR 137.9 million. On the other hand, Minority interest decreased in the amount of EUR 12.3 million, mainly due to increase of share holding in Komercijalna Banka, Beograd.

RWA for the NLB Group increased in 2021 by EUR 403.3 million, of which EUR 425.1 million relates to RWA for credit risk. More than half of the increase contributed NLB (EUR 273.5 million), which is related with new production on retail and corporate segments, investments in subordinated bonds representing Tier 2 instruments and with investments in state bonds.

Pursuant to the ECB regulation/Bank of Slovenia decision, dividends payout in 2021 was split into two tranches. The first instalment in the amount of EUR 12.0 million was paid on 22 June 2021 and the second was paid upon expiry of the Bank of Slovenia decision on 18 October 2021 in the amount of EUR 12.8 million. The Bank envisages additional incremental dividends in 2021 in order to reach a cumulative payout EUR 92.2 million. The envisaged cumulative dividend payout in 2021 (EUR 92.2 million) is not included in capital calculation, therefore there is no effect on capital in case of dividend payout.

5.18. Off-balance sheet liabilities

	in EUR thousands					
	NLB Group			NLB		
	30 Sep 2021	31 Dec 2020	Change	30 Sep 2021	31 Dec 2020	Change
Loan commitments	1,883,545	1,816,441	4%	1,332,286	1,306,791	2%
Non-financial guarantees	666,818	647,346	3%	439,388	431,665	2%
Financial guarantees	489,134	479,096	2%	260,201	258,003	1%
Letters of credit	30,401	21,794	39%	1,357	2,256	-40%
Other	12,147	10,293	18%	1,312	5,865	-78%
	3,082,045	2,974,970	4%	2,034,544	2,004,580	1%
Provisions (note 5.12.)	(35,956)	(42,174)	15%	(22,306)	(28,543)	22%
Total	3,046,089	2,932,796	4%	2,012,238	1,976,037	2%

In addition to the instruments presented in the table above, NLB Group and NLB enter also into contracts related to guarantee lines. When the contract is signed, bank and a client agree on all conditions for issuing guarantees. Nevertheless, NLB Group can discontinue issuing guarantees if the client's conditions worsen. As at 30 September 2021 unused guarantee lines at the NLB Group level amount to EUR 360,151 thousand, and at the NLB level EUR 287,943 thousand (31 December 2020: NLB Group EUR 307,093 thousand and NLB EUR 236,542 thousand).

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

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

The fair value hierarchy comprises the following levels:

- Level 1 – Quoted prices (unadjusted) on active markets. This level includes listed equities, debt instruments, derivatives, units of investment funds and other unadjusted market prices of assets and liabilities. When an asset or liability may be exchanged in multiple active markets, the principal market for the asset or liability must be determined. In the absence of a principal market, the most advantageous market for the asset or liability must be determined.
- Level 2 – A valuation technique where inputs are observable, either directly (i.e., prices) or indirectly (i.e., derived from prices). Level 2 includes prices quoted for similar assets or liabilities in active markets and prices quoted for identical or similar assets and liabilities in markets that are not active. The sources of input parameters for financial instruments, such as yield curves, credit spreads, foreign exchange rates and the volatility of interest rates and foreign exchange rates, is Bloomberg.
- Level 3 – A valuation technique where inputs are not based on observable market data. Unobservable inputs are used to the extent that relevant observable inputs are not available. Unobservable inputs must reflect the assumptions that market participants would use when pricing an asset or liability. This level includes non-tradable shares and bonds and derivatives associated with these investments and other assets and liabilities for which fair value cannot be determined with observable market inputs.

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

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

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

in EUR thousands

30 Sep 2021	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets								
Financial instruments held for trading	-	9,672	785	10,457	-	9,651	785	10,436
<i>Derivatives</i>	-	9,672	785	10,457	-	9,651	785	10,436
Derivatives - hedge accounting	-	226	-	226	-	226	-	226
Financial assets measured at fair value through other comprehensive income	2,090,923	1,438,155	1,785	3,530,863	1,604,998	51,903	219	1,657,120
<i>Debt instruments</i>	2,086,267	1,378,387	750	3,465,404	1,604,998	7,262	-	1,612,260
<i>Equity instruments</i>	4,656	59,768	1,035	65,459	-	44,641	219	44,860
Non-trading financial assets mandatorily at fair value through profit or loss	13,173	-	4,471	17,644	-	7,783	4,471	12,254
<i>Debt instruments</i>	1,523	-	-	1,523	-	-	-	-
<i>Equity instruments</i>	11,650	-	4,471	16,121	-	-	4,471	4,471
<i>Loans</i>	-	-	-	-	-	7,783	-	7,783
Financial liabilities								
Financial instruments held for trading	-	8,819	-	8,819	-	8,856	-	8,856
<i>Derivatives</i>	-	8,819	-	8,819	-	8,856	-	8,856
Derivatives - hedge accounting	-	40,469	-	40,469	-	40,469	-	40,469
Financial liabilities measured at fair value through profit or loss	-	-	-	-	-	363	-	363
Non-financial assets								
Investment properties	-	21,097	33,001	54,098	-	9,084	-	9,084
Non-current assets held for sale	-	7,523	-	7,523	-	4,094	-	4,094

in EUR thousands

31 Dec 2020	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets								
Financial instruments held for trading	2,450	81,619	786	84,855	2,450	15,595	786	18,831
<i>Debt instruments</i>	2,450	66,356	-	68,806	2,450	-	-	2,450
<i>Derivatives</i>	-	15,263	786	16,049	-	15,595	786	16,381
Financial assets measured at fair value through other comprehensive income	2,068,317	1,444,146	1,827	3,514,290	1,663,619	52,458	274	1,716,351
<i>Debt instruments</i>	2,060,346	1,385,245	900	3,446,491	1,663,619	7,585	-	1,671,204
<i>Equity instruments</i>	7,971	58,901	927	67,799	-	44,873	274	45,147
Non-trading financial assets mandatorily at fair value through profit or loss	13,146	-	29,247	42,393	-	7,947	27,159	35,106
<i>Debt instruments</i>	2,157	-	-	2,157	-	-	-	-
<i>Equity instruments</i>	10,989	-	4,171	15,160	-	-	4,171	4,171
<i>Loans</i>	-	-	25,076	25,076	-	7,947	22,988	30,935
Financial liabilities								
Financial instruments held for trading	-	15,485	-	15,485	-	15,500	-	15,500
<i>Derivatives</i>	-	15,485	-	15,485	-	15,500	-	15,500
Derivatives - hedge accounting	-	61,161	-	61,161	-	61,161	-	61,161
Non-financial assets								
Investment properties	-	22,632	32,210	54,842	-	8,300	-	8,300
Non-current assets held for sale	-	8,658	-	8,658	-	4,454	-	4,454

b) Significant transfers of financial instruments between levels of valuation

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

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

For the nine months ended 30 September 2021 and 2020, NLB Group nor NLB had any significant transfers between levels of valuation of financial instruments measured at fair value in financial statements.

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

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

- debt securities: mostly bonds not quoted on active markets and valued by a valuation model;
- derivatives: derivatives except forward derivatives and options on equity instruments that are not quoted on active markets;
- performing loans measured at fair value, which according to IFRS 9 do not pass SPPI test. Fair value is calculated on the basis of the discounted expected future cash flows with the required rate of return;
- the National Resolution Fund.

Non-financial assets on Level 2 of the fair value hierarchy at NLB Group and NLB include investment property.

When valuing bonds classified on Level 2, NLB Group primarily uses the income approach based on an estimation of future cash flows discounted to the present value.

The input parameters used in the income approach are the risk-free yield curve and the spread over the yield curve (credit, liquidity, country).

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

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

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

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

- equities: mainly financial equities that are not quoted on active markets;
- derivative financial instruments: forward derivatives and options on equity instruments that are not quoted on an active organised market. Fair values for forward derivatives are determined using the discounted cash flow model. Fair values for equity options are determined using valuation models for options (Garman and Kohlhagen model, binomial model and Black-Scholes model). Unobservable inputs include the fair values of underlying instruments determined using valuation models. The source of observable market inputs is the Bloomberg information system; and
- non-performing loans measured at fair value, which according to IFRS 9 do not pass SPPI test. Fair value is calculated on the basis of the discounted expected future cash flows with the required rate of return. In defining the expected cash flows for non-performing loans, the value of collateral and other pay off estimates can be used.

Non-financial assets on Level 3 of the fair value hierarchy at NLB Group include investment property.

NLB Group uses three valuation methods for the valuation of equity financial assets mentioned in first bullet: the income, market and cost approaches. NLB Group selects valuation model and values of unobservable input data within a reasonable possible range but uses model and input data that other market participants would use.

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

Movements of financial assets and liabilities at Level 3

in EUR thousands

NLB Group	Financial instruments held for trading	Financial assets measured at fair value through OCI		Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Debt instruments	Equity instruments	Equity instruments	Loans and other financial assets		Loans and other financial liabilities
Balance as at 1 Jan 2021	786	900	927	4,171	25,076	31,860	-
Effects of translation of foreign operations to presentation currency	-	(1)	(1)	-	-	(2)	-
Valuation:							
- through profit or loss	(1)	-	-	67	15,747	15,813	-
- recognised in other comprehensive income	-	-	164	-	-	164	-
Exchange differences	-	-	-	233	9	242	-
Increases	-	-	1	-	3,017	3,018	-
Decreases	-	(149)	(56)	-	(43,849)	(44,054)	-
Balance as at 30 Sep 2021	785	750	1,035	4,471	-	7,041	-

in EUR thousands

NLB Group	Financial instruments held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets		Loans and other financial liabilities
Balance as at 1 Jan 2020	807	4,109	2,716	14,961	22,593	7,998
Effects of translation of foreign operations to presentation currency	-	59	-	-	59	-
Valuation:						
- through profit or loss	(84)	-	1,287	(4,357)	(3,154)	(8,006)
- recognised in other comprehensive income	-	18	-	-	18	-
Exchange differences	-	-	-	19	19	8
Increases	-	-	-	19,703	19,703	-
Decreases	-	(3,348)	-	(4,629)	(7,977)	-
Balance as at 30 Sep 2020	723	838	4,003	25,697	31,261	-

in EUR thousands

NLB	Financial instruments held for trading	Financial assets measured at fair value through OCI		Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Debt instruments	Equity instruments	Equity instruments	Loans and other financial assets		Loans and other financial liabilities
Balance as at 1 Jan 2021	786	-	274	4,171	22,988	28,219	-
Valuation:							
- through profit or loss	(1)	-	-	67	13,749	13,815	-
- recognised in other comprehensive income	-	-	1	-	-	1	-
Exchange differences	-	-	-	233	9	242	-
Increases	-	-	-	-	3,005	3,005	-
Decreases	-	-	(56)	-	(39,751)	(39,807)	-
Balance as at 30 Sep 2021	785	-	219	4,471	-	5,475	-

in EUR thousands

NLB	Financial instruments held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets		Loans and other financial liabilities
Balance as at 1 Jan 2020	807	259	2,716	13,055	16,837	7,746
Valuation:						
- through profit or loss	(84)	-	1,287	(4,322)	(3,119)	(7,754)
- recognised in other comprehensive income	-	15	-	-	15	-
Exchange differences	-	-	-	19	19	8
Increases	-	-	-	19,347	19,347	-
Decreases	-	-	-	(4,547)	(4,547)	-
Balance as at 30 Sep 2020	723	274	4,003	23,552	28,552	-

In nine months ended 30 September 2021 and 2020, NLB Group and NLB recognised the following unrealised gains or losses for financial instruments that were at Level 3 as at 30 September:

in EUR thousands

Nine months ended 30 Sep 2021	NLB Group				
	Financial assets held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss	Loans and other financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets	Loans and other financial liabilities
Items of Income statement					
Gains less losses from financial assets and liabilities held for trading	(1)	-	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	67	-	-
Foreign exchange translation gains less losses	-	-	233	-	-
Item of Other comprehensive income					
Financial assets measured at fair value through other comprehensive income	-	164	-	-	-

in EUR thousands

Nine months ended 30 Sep 2020	NLB Group				
	Financial assets held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss	Loans and other financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets	Loans and other financial liabilities
Items of Income statement					
Gains less losses from financial assets and liabilities held for trading	(84)	-	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	1,287	(4,357)	8,006
Foreign exchange translation gains less losses	-	-	-	8	(8)
Item of Other comprehensive income					
Financial assets measured at fair value through other comprehensive income	-	18	-	-	-

in EUR thousands

Nine months ended 30 Sep 2021	NLB				
	Financial assets held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss	Loans and other financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets	Loans and other financial liabilities
Items of Income statement					
Gains less losses from financial assets and liabilities held for trading	(1)	-	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	67	-	-
Foreign exchange translation gains less losses	-	-	233	-	-
Item of Other comprehensive income					
Financial assets measured at fair value through other comprehensive income	-	1	-	-	-

in EUR thousands

Nine months ended 30 Sep 2020	NLB				
	Financial assets held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss	Loans and other financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets	Loans and other financial liabilities
Items of Income statement					
Gains less losses from financial assets and liabilities held for trading	(84)	-	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	1,287	(4,322)	7,754
Foreign exchange translation gains less losses	-	-	-	19	(8)
Item of Other comprehensive income					
Financial assets measured at fair value through other comprehensive income	-	15	-	-	-

Movements of non-financial assets at Level 3

in EUR thousands

	NLB Group	
	2021	2020
Investment property		
Balance as at 1 Jan	32,210	28,933
Effects of translation of foreign operations to presentation currency	(31)	(58)
Additions	1,416	584
Disposals	(628)	(252)
Net valuation to fair value	34	(25)
Balance as at 30 Sep	33,001	29,182

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

Financial instruments not measured at fair value in financial statements are not managed on a fair value basis. For respective instruments fair values are calculated for disclosure purposes only and do not impact the NLB Group statement of financial position or income statement.

In the table below are estimated fair values of financial instruments not measured at fair value in the statement of financial position.

in EUR thousands

	NLB Group				NLB			
	30 Sep 2021		31 Dec 2020		30 Sep 2021		31 Dec 2020	
	Carrying value	Fair value						
Financial assets measured at amortised cost								
- debt securities	1,705,723	1,743,853	1,503,087	1,563,103	1,488,212	1,523,292	1,277,880	1,333,840
- loans and advances to banks	211,654	211,793	197,005	197,220	176,540	184,744	158,320	165,966
- loans and advances to customers	10,266,960	10,480,119	9,619,860	9,873,137	4,895,739	4,972,298	4,564,178	4,674,069
- other financial assets	113,164	113,164	113,138	113,138	70,748	70,748	54,503	54,503
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	81,976	83,246	72,633	72,648	158,337	158,337	41,635	41,635
- borrowings from banks and central banks	878,562	870,111	158,225	155,673	863,616	853,933	143,464	140,702
- due to customers	17,248,584	17,249,631	16,397,167	16,414,382	9,243,305	9,250,185	8,850,755	8,860,267
- borrowings from other customers	97,005	96,311	91,560	93,020	-	-	13	13
- subordinated liabilities	290,228	293,450	288,321	281,001	290,228	293,450	288,321	281,001
- other financial liabilities	227,669	227,669	207,300	207,300	124,543	124,543	101,273	101,273

Loans and advances to banks

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

Loans and advances to customers

The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates for debts with similar credit risk and residual maturities to determine their fair value.

Deposits and borrowings from customers

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

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

Debt securities measured at amortised cost and issued debt securities

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

Loan commitments

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

Other financial assets and liabilities

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

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

in EUR thousands

30 Sep 2021	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets measured at amortised cost								
- debt securities	1,633,388	103,294	7,171	1,743,853	1,419,998	103,294	-	1,523,292
- loans and advances to banks	-	211,793	-	211,793	-	184,744	-	184,744
- loans and advances to customers	-	10,480,119	-	10,480,119	-	4,972,298	-	4,972,298
- other financial assets	-	113,164	-	113,164	-	70,748	-	70,748
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	-	83,246	-	83,246	-	158,337	-	158,337
- borrowings from banks and central banks	-	870,111	-	870,111	-	853,933	-	853,933
- due to customers	-	17,249,631	-	17,249,631	-	9,250,185	-	9,250,185
- borrowings from other customers	-	96,311	-	96,311	-	-	-	-
- subordinated liabilities	247,032	46,418	-	293,450	247,032	46,418	-	293,450
- other financial liabilities	-	227,669	-	227,669	-	124,543	-	124,543

in EUR thousands

31 Dec 2020	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets measured at amortised cost								
- debt securities	1,267,437	288,484	7,182	1,563,103	1,254,337	79,503	-	1,333,840
- loans and advances to banks	-	197,220	-	197,220	-	165,966	-	165,966
- loans and advances to customers	-	9,873,137	-	9,873,137	-	4,674,069	-	4,674,069
- other financial assets	-	113,138	-	113,138	-	54,503	-	54,503
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	-	72,648	-	72,648	-	41,635	-	41,635
- borrowings from banks and central banks	-	155,673	-	155,673	-	140,702	-	140,702
- due to customers	-	16,414,382	-	16,414,382	-	8,860,267	-	8,860,267
- borrowings from other customers	-	93,020	-	93,020	-	13	-	13
- subordinated liabilities	234,629	46,372	-	281,001	234,629	46,372	-	281,001
- other financial liabilities	-	207,300	-	207,300	-	101,273	-	101,273

6. Analysis by segment for NLB Group

a) Segments

Nine months ended 30 September 2021

in EUR thousands

NLB Group	Corporate and						Unallocated	Total
	Retail Banking in Slovenia	Investment Banking in Slovenia	Strategic Foreign Markets	Financial Markets in Slovenia	Non-Core Members	Other activities		
Total net income	123,575	79,969	271,005	17,852	6,309	4,467	-	503,177
Net income from external customers	137,093	86,549	272,426	(6,804)	6,159	4,450	-	499,873
Intersegment net income	(13,518)	(6,580)	(1,421)	24,656	150	17	-	3,304
Net interest income	58,880	26,490	198,099	18,067	1,186	(397)	-	302,325
Net income from external customers	73,214	32,882	201,053	(5,916)	1,506	(414)	-	302,325
Intersegment net interest income	(14,334)	(6,392)	(2,954)	23,983	(320)	17	-	-
Administrative expenses	(74,156)	(29,073)	(140,686)	(5,368)	(7,318)	(8,397)	-	(264,998)
Depreciation and amortisation	(8,732)	(3,128)	(21,877)	(482)	(623)	(616)	-	(35,458)
Reportable segment profit/(loss) before impairment and provision charge	40,687	47,768	108,442	12,002	(1,632)	(4,546)	-	202,721
Other net gains/(losses) from equity investments in subsidiaries, associates and joint ventures	940	-	-	-	-	-	-	940
Impairments and provisions	(4,173)	23,069	1,656	373	2,493	1,827	-	25,245
Profit/(loss) before income tax	37,454	70,837	110,098	12,375	861	(2,719)	-	228,906
Owners of the parent	37,454	70,837	99,613	12,375	861	(2,719)	-	218,421
Non-controlling interests	-	-	10,485	-	-	-	-	10,485
Income tax	-	-	-	-	-	-	(12,902)	(12,902)
Profit for the period								205,519
30 Sep 2021								
Reportable segment assets	2,712,660	2,161,330	9,833,362	6,127,232	111,849	342,012	-	21,288,445
Investments in associates and joint ventures	8,488	-	-	-	-	-	-	8,488
Reportable segment liabilities	7,622,617	1,664,144	8,334,981	1,271,832	3,949	111,343	-	19,008,866

Nine months ended 30 September 2020

in EUR thousands

NLB Group	Corporate and						Unallocated	Total
	Retail Banking in Slovenia	Investment Banking in Slovenia	Strategic Foreign Markets	Financial Markets in Slovenia	Non-Core Members	Other activities		
Total net income	128,477	56,163	158,558	32,878	3,834	5,379	-	385,290
Net income from external customers	138,177	60,504	161,866	14,397	3,460	4,907	-	383,311
Intersegment net income	(9,699)	(4,340)	(3,308)	18,480	374	472	-	1,979
Net interest income	61,929	25,629	119,135	16,882	945	(21)	-	224,499
Net income from external customers	71,989	30,344	122,069	(1,479)	1,627	(51)	-	224,499
Intersegment net interest income	(10,060)	(4,715)	(2,934)	18,361	(682)	30	-	-
Administrative expenses	(75,290)	(27,761)	(69,436)	(5,171)	(8,928)	(7,410)	-	(193,996)
Depreciation and amortisation	(8,760)	(2,763)	(10,425)	(451)	(788)	(1,064)	-	(24,251)
Reportable segment profit/(loss) before impairment and provision charge	44,428	25,639	78,697	27,256	(5,882)	(3,095)	-	167,043
Other net gains/(losses) from equity investments in subsidiaries, associates and joint ventures	895	-	-	-	-	-	-	895
Impairments and provisions	(9,006)	(6,772)	(33,182)	(1,306)	355	(310)	-	(50,222)
Profit/(loss) before income tax	36,317	18,867	45,515	25,949	(5,527)	(3,405)	-	117,716
Owners of the parent	36,317	18,867	41,363	25,949	(5,527)	(3,405)	-	113,564
Non-controlling interests	-	-	4,152	-	-	-	-	4,152
Income tax	-	-	-	-	-	-	(8,925)	(8,925)
Profit for the period								104,639
31 Dec 2020								
Reportable segment assets	2,545,714	2,043,324	9,346,255	5,218,038	131,204	273,332	-	19,557,867
Investments in associates and joint ventures	7,988	-	-	-	-	-	-	7,988
Reportable segment liabilities	7,367,145	1,519,067	7,879,089	557,402	4,571	115,540	-	17,442,815

Segment reporting is presented in accordance with the strategy on the basis of the organisational structure used in management reporting of NLB Group's results. NLB Group's segments are business units that focus on different customers and markets. They are managed separately because each business unit requires different strategies and service levels.

The business activities of NLB group are divided into several segments. Interest income and expenses are reallocated between segments on the basis of fund transfer prices (FTP). Other NLB Group members are, based on their business activity, included in only one segment except NLB Lease&Go which is according to its business activities divided into two segments.

The segments of NLB Group are divided into core and non-core segments.

The core segments are the following:

- Retail Banking in Slovenia, which includes banking with individuals and micro companies, asset management (NLB Skladi), and one part of the subsidiary NLB Lease&Go that deals with retail clients, and the contribution to the result from the associated company Bankart.
- Corporate and Investment Banking in Slovenia, which includes banking with Key corporate clients and SMEs, Cross-border corporates, Investment Banking and Custody, Restructuring and Workout, and one part of the subsidiary NLB Lease&Go that renders services to corporate clients.
- Strategic Foreign Markets, which includes the operations of strategic Group banks in the strategic markets (North Macedonia, Bosnia and Herzegovina, Kosovo, Montenegro, and Serbia). With the acquisition of Komercijalna banka a.d., Beograd at the end of the year 2020, the NLB Group acquired three banks: Komercijalna Banka Beograd, Komercijalna Banka Podgorica, and Komercijalna Banka Banja Luka, as well as an investment fund company KomBank Invest Beograd.
- Financial Markets in Slovenia covers treasury activities and trading in financial instruments, while it also presents the results of asset and liabilities management (ALM).
- Other accounts for the Bank's categories of which the operating results cannot be allocated to specific segments as well as the subsidiary NLB Cultural Heritage Management Institute.

Non-Core Members includes the operations of non-core Group members, namely REAM and leasing entities (except NLB Lease&Go), NLB Srbija, and NLB Crna Gora.

NLB Group is primarily a financial group, and net interest income represents the majority of its net revenues. NLB Group's main indicator of a segment's efficiency is net profit before tax. No revenues were generated from transactions with a single external customer that would amount to 10% or more of NLB Group's revenues.

b) Geographical information

	in EUR thousands							
	Revenues		Net income		Non-current assets		Total assets	
	nine months ended		nine months ended					
	September 2021	September 2020	September 2021	September 2020	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
NLB Group								
Slovenia	258,206	240,272	225,301	220,748	146,495	153,671	11,391,236	10,142,675
South East Europe	338,816	197,407	274,117	162,942	211,103	219,886	9,896,761	9,411,671
North Macedonia	64,792	60,577	51,487	49,824	36,246	37,181	1,679,282	1,576,941
Serbia	141,046	26,116	112,904	21,727	104,039	109,167	4,732,021	4,587,600
Montenegro	32,630	23,259	26,470	18,759	18,013	17,934	728,755	709,797
Croatia	4	25	213	185	384	381	4,020	4,390
Bosnia and Herzegovina	62,524	51,901	51,987	42,980	37,608	39,576	1,842,443	1,654,026
Kosovo	37,820	35,529	31,056	29,467	14,813	15,647	910,240	878,917
Western Europe	11	8	455	(379)	32	58	8,936	11,509
Germany	2	2	498	(5)	32	58	488	1,648
Switzerland	9	6	(43)	(374)	-	-	8,448	9,861
Total	597,033	437,687	499,873	383,311	357,630	373,615	21,296,933	19,565,855

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

7. Related-party transactions

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

A number of banking transactions are entered into with related parties within regular course of business. The volume of related-party transactions and the outstanding balances are as follows:

in EUR thousands

NLB Group and NLB	Management Board and other key management personnel		Family members of the Management Board and other key management personnel		Companies in which members of the Management Board, key management personnel, or their family members have control, joint control or a significant influence		Supervisory Board	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
	nine months ended		nine months ended		nine months ended		nine months ended	
	September 2021	September 2020	September 2021	September 2020	September 2021	September 2020	September 2021	September 2020
Loans and deposits issued	2,095	2,284	417	444	1	-	62	305
Deposits received	2,135	1,610	835	956	390	136	420	323
Other financial assets	-	2	-	-	-	-	-	-
Other financial liabilities	2,265	2,759	-	-	1	8	-	-
Guarantees issued and loan commitments	229	242	73	78	155	6	24	33
Interest income	29	28	6	6	-	1	1	5
Interest expenses	(2)	(3)	-	-	-	-	(1)	-
Fee income	10	11	5	4	55	88	1	1
Other income	7	12	-	-	-	-	-	-
Other expenses	-	(1)	-	-	(54)	(49)	-	-

Key management compensation – payments in the period

in EUR thousands

NLB Group and NLB	Management Board		Other key management personnel	
	nine months ended		nine months ended	
	September 2021	September 2020	September 2021	September 2020
Short-term benefits	1,211	1,149	4,009	3,963
Cost refunds	3	4	59	71
Long-term bonuses				
- severance pay	385	259	5	81
- other benefits	4	1	52	24
- variable part of payments	462	-	2,829	-
Total	2,065	1,413	6,954	4,139

Short-term benefits include:

- monetary benefits (gross salaries, supplementary insurance, holiday allowances, other bonuses); and
- non-monetary benefits (company cars, health care, residential facilities, etc.).

The reimbursement of cost comprises food allowances, travel expenses and use of own resources.

Related-party transactions with subsidiaries, associates and joint ventures

in EUR thousands

	NLB Group			
	Associates		Joint ventures	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
Loans and deposits issued	1,091	1,106	281	851
Deposits received	6,142	3,973	3,533	3,434
Other financial assets	16	19	-	1
Other financial liabilities	156	596	1	-
Guarantees issued and loan commitments	2,033	38	-	21
	nine months ended		nine months ended	
	September 2021	September 2020	September 2021	September 2020
Interest income	31	24	3	9
Interest expense	-	-	(46)	(45)
Fee income	21	10	1	924
Fee expense	(9,322)	(9,897)	-	(332)
Other income	122	127	1	142
Other expense	(478)	(416)	-	(37)

in EUR thousands

	NLB					
	Subsidiaries		Associates		Joint ventures	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
Loans and deposits issued	287,955	238,562	1,091	1,106	281	851
Deposits received	122,780	19,415	6,142	3,973	55	284
Other financial assets	1,186	948	16	19	-	1
Other financial liabilities	1,589	800	30	480	-	-
Guarantees issued and loan commitments	51,024	55,068	2,033	38	-	21
Received loan commitments and financial guarantees	5,050	6,692	-	-	-	-
	nine months ended		nine months ended		nine months ended	
	September 2021	September 2020	September 2021	September 2020	September 2021	September 2020
Interest income	3,593	3,783	31	24	3	8
Interest expense	(2)	(22)	-	-	-	-
Fee income	6,998	5,364	21	10	1	924
Fee expense	(13)	(18)	(7,274)	(7,768)	-	(332)
Other income	697	565	122	127	1	142
Other expense	(913)	(626)	(465)	(412)	-	(37)
Gains less losses from financial assets and liabilities held for trading	(232)	632	-	-	-	-
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	(637)	424	-	-	-	-

Related-party transactions with major shareholder with significant influence

in EUR thousands

	NLB Group		NLB	
	Shareholder		Shareholder	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
Loans and deposits issued	20,153	23,219	20,153	23,219
Investments in securities (banking book)	765,226	691,868	600,261	597,123
Other financial assets	641	807	641	807
Other financial liabilities	6	6	6	6
Guarantees issued and loan commitments	1,218	1,241	1,218	1,241
	nine months ended		nine months ended	
	September 2021	September 2020	September 2021	September 2020
Interest income	5,601	7,665	5,502	7,908
Interest expenses	(698)	(508)	(618)	(508)
Fee income	265	183	265	183
Fee expense	(17)	(19)	(17)	(19)
Other income	142	152	142	152
Other expenses	(3)	(3)	(3)	(3)
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss	-	14,664	-	14,664
Gains less losses from financial assets and liabilities held for trading	(153)	43	(153)	43

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

in EUR thousands

	Amount of significant transactions concluded during the period		Number of significant transactions concluded during the period	
	nine months ended	12 months ended	nine months ended	12 months ended
	September 2021	December 2020	September 2021	December 2020
NLB Group and NLB				
Guarantees issued and loan commitments	70,000	112,500	1	1

in EUR thousands

	Balance of all significant transactions at end of the period		Number of significant transactions at end of the period	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
	NLB Group and NLB			
Loans	470,434	516,058	6	6
Debt securities measured at amortised cost	73,075	76,396	1	1
Borrowings, deposits and business accounts	112,314	70,006	3	1
Guarantees issued and loan commitments	222,500	152,500	3	2

in EUR thousands

	Effects in the income statement during the period	
	nine months ended	
	September 2021	September 2020
NLB Group and NLB		
Interest income from loans	2,115	2,792
Fees and commissions income	241	17
Interest income from debt securities measured at amortised cost and net valuation effects from hedge accounting	(547)	1,093
Interest expense from borrowings, deposits, and business accounts	(159)	(236)

8. Subsidiaries

NLB Group's subsidiaries as at 30 September 2021:

	Nature of Business	Country of Incorporation	NLB's shareholding %	NLB's voting rights %	NLB Group's shareholding %	NLB Group's voting rights%
Core members						
NLB Banka a.d., Skopje	Banking	North Macedonia	86.97	86.97	86.97	86.97
NLB Banka a.d., Podgorica	Banking	Montenegro	99.83	99.83	99.83	99.83
NLB Banka a.d., Banja Luka	Banking	Bosnia and Herzegovina	99.85	99.85	99.85	99.85
NLB Banka sh.a., Prishtina	Banking	Kosovo	81.21	81.21	81.21	81.21
NLB Banka d.d., Sarajevo	Banking	Bosnia and Herzegovina	97.34	97.35	97.34	97.35
NLB Banka a.d., Beograd	Banking	Serbia	100	100	100	100
Komercijalna banka a.d. Beograd	Banking	Serbia	86.70	88.28	86.70	88.28
Komercijalna banka a.d. Banja Luka	Banking	Bosnia and Herzegovina	-	-	100	100
Komercijalna banka a.d. Podgorica	Banking	Montenegro	-	-	100	100
KomBank Invest a.d. Beograd	Finance	Serbia	-	-	100	100
NLB Skladi d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Lease&Go, leasing d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Zavod za upravljanje kulturne dediščine, Ljubljana	Cultural heritage management	Slovenia	100	100	100	100
Non-core members						
NLB Leasing d.o.o. - v likvidaciji, Ljubljana	Finance	Slovenia	100	100	100	100
Optima Leasing d.o.o., Zagreb - "u likvidaciji"	Finance	Croatia	-	-	100	100
NLB Leasing d.o.o., Beograd - u likvidaciji	Finance	Serbia	100	100	100	100
Tara Hotel d.o.o., Budva	Real estate	Montenegro	12.71	12.71	100	100
PRO-REM d.o.o., Ljubljana - v likvidaciji	Real estate	Slovenia	100	100	100	100
OL Nekretnine d.o.o., Zagreb - u likvidaciji	Real estate	Croatia	-	-	100	100
REAM d.o.o., Podgorica	Real estate	Montenegro	100	100	100	100
REAM d.o.o., Beograd	Real estate	Serbia	100	100	100	100
SPV 2 d.o.o., Beograd	Real estate	Serbia	100	100	100	100
S-REAM d.o.o., Ljubljana	Real estate	Slovenia	100	100	100	100
REAM d.o.o., Zagreb	Real estate	Croatia	-	-	100	100
NLB Srbija d.o.o., Beograd	Real estate	Serbia	100	100	100	100
NLB Crna Gora d.o.o., Podgorica	Real estate	Montenegro	100	100	100	100
NLB InterFinanz AG, Zürich in Liquidation	Finance	Switzerland	100	100	100	100
NLB InterFinanz d.o.o., Beograd	Finance	Serbia	-	-	100	100
LHB AG, Frankfurt	Finance	Germany	100	100	100	100

NLB Group's subsidiaries as at 31 December 2020:

	Nature of Business	Country of Incorporation	NLB's shareholding %	NLB's voting rights %	NLB Group's shareholding %	NLB Group's voting rights%
Core members						
NLB Banka a.d., Skopje	Banking	North Macedonia	86.97	86.97	86.97	86.97
NLB Banka a.d., Podgorica	Banking	Montenegro	99.83	99.83	99.83	99.83
NLB Banka a.d., Banja Luka	Banking	Bosnia and Herzegovina	99.85	99.85	99.85	99.85
NLB Banka sh.a., Prishtina	Banking	Kosovo	81.21	81.21	81.21	81.21
NLB Banka d.d., Sarajevo	Banking	Bosnia and Herzegovina	97.34	97.35	97.34	97.35
NLB Banka a.d., Beograd	Banking	Serbia	99.997	99.997	99.997	99.997
Komercijalna banka a.d. Beograd	Banking	Serbia	81.42	83.23	81.42	83.23
Komercijalna banka a.d. Banja Luka	Banking	Bosnia and Herzegovina	0.002	0.002	100	100
Komercijalna banka a.d. Podgorica	Banking	Montenegro	-	-	100	100
KomBank Invest a.d. Beograd	Finance	Serbia	-	-	100	100
NLB Skladi d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Lease&Go, leasing d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Zavod za upravljanje kulturne dediščine, Ljubljana	Cultural heritage management	Slovenia	100	100	100	100
Non-core members						
NLB Leasing d.o.o. - v likvidaciji, Ljubljana	Finance	Slovenia	100	100	100	100
Optima Leasing d.o.o., Zagreb - "u likvidaciji"	Finance	Croatia	-	-	100	100
NLB Leasing d.o.o., Beograd - u likvidaciji	Finance	Serbia	100	100	100	100
Tara Hotel d.o.o., Budva	Real estate	Montenegro	12.71	12.71	100	100
PRO-REM d.o.o., Ljubljana - v likvidaciji	Real estate	Slovenia	100	100	100	100
OL Nekretnine d.o.o., Zagreb - u likvidaciji	Real estate	Croatia	-	-	100	100
BH-RE d.o.o., Sarajevo - u likvidaciji	Real estate	Bosnia and Herzegovina	-	-	100	100
REAM d.o.o., Podgorica	Real estate	Montenegro	100	100	100	100
REAM d.o.o., Beograd	Real estate	Serbia	100	100	100	100
SPV 2 d.o.o., Beograd	Real estate	Serbia	100	100	100	100
S-REAM d.o.o., Ljubljana	Real estate	Slovenia	100	100	100	100
REAM d.o.o., Zagreb	Real estate	Croatia	-	-	100	100
NLB Srbija d.o.o., Beograd	Real estate	Serbia	100	100	100	100
NLB Crna Gora d.o.o., Podgorica	Real estate	Montenegro	100	100	100	100
NLB InterFinanz AG, Zürich in Liquidation	Finance	Switzerland	100	100	100	100
NLB InterFinanz d.o.o., Beograd	Finance	Serbia	-	-	100	100
LHB AG, Frankfurt	Finance	Germany	100	100	100	100

9. Events after the end of the reporting period

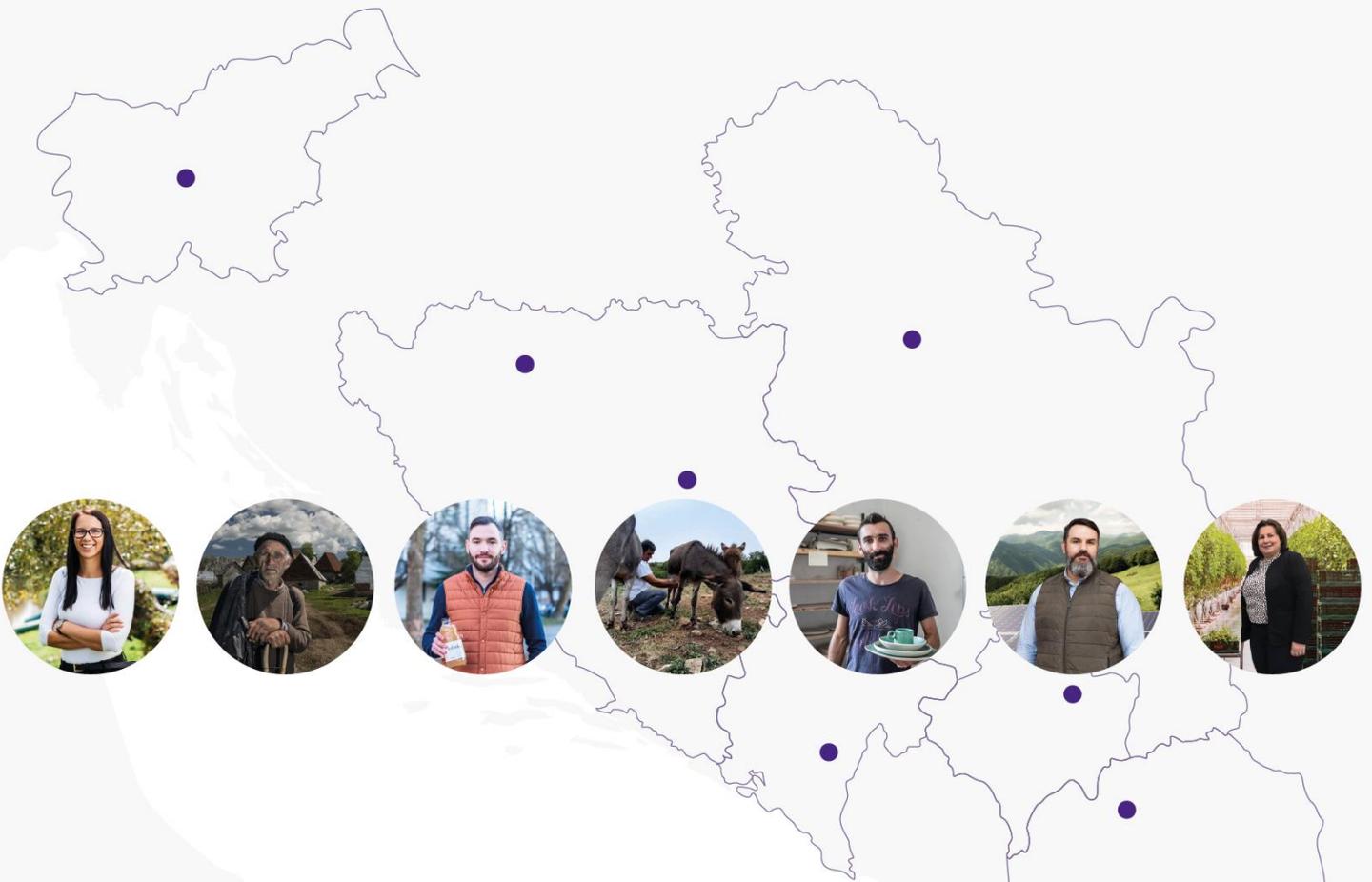
On 27 October Komercijalna Banka, Beograd and Banka Poštanska štedionica a.d., Beograd signed a sale and purchase agreement relating to 100% ordinary shares of Komercijalna Banka, Banja Luka. The closing of the transaction is envisaged by 31 March 2022, subject to regulatory approvals. The effect of the transaction on the consolidated financial statements is not material.

Glossary of Terms and Definitions

AC	Amortised Cost
ALCO	Asset-Liability Committee
ALM	Asset and Liability Management
API	Alternative Performance Indicators
AT1	Additional Tier 1 capital
BiH	Bosnia and Herzegovina
BoS	Bank of Slovenia
bps	Basis Points
CAGR	Compound Annual Growth Rate
CB	Central Bank
CBR	Combined Buffer Requirement
CET1	Common Equity Tier 1
CIR	Cost-to-Income Ratio
COO	Chief Operating Officer
CRR	Capital Requirement Regulation
CSD	Central Security Depository
CU	Collective Undertakings
CVA	Credit Value Adjustment
DPD	Days Past Due
EBA	European Banking Authority
ECB	European Central Bank
ECL	Expected Credit Losses
ESG	Environmental, Social and Governance
EVE	Economic Value of Equity
FTP	Fund Transfer Price
FVTPL	Fair Value Through Profit or Loss
FX	Foreign Exchange
GDR	Global Depository Receipts
GDP	Gross Domestic Product
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standard
ILAAP	Internal Liquidity Adequacy Assessment Process
IMF	International Monetary Fund
JV	Joint Venture
LCR	Liquidity Coverage Ratio
LTD	Loan-to-Deposit Ratio
MDA	Maximum Distributable Amount
MIGA	Multilateral Investment Guarantee Agency
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
MS	Mid-Swap Rate
NBS	Non Banking Sector
NCI	Non-Controlling Interest
NLB or the Bank	NLB d.d., Ljubljana
NPE	Non-Performing Exposures

NPL	Non-Performing Loans
OBM	Operational Business Margin
OCI	Other Comprehensive Income
OCR	Overall Capital Requirement
O-SII	Other Systemically Important Institution
P1R	Pillar 1 Requirements
P2G	Pillar 2 Guidance
P2M	Person to Merchant
P2R	Pillar 2 Requirements
p.p.	Percentage point(s)
P&L	Profit and Loss
ROA	Return on Assets
ROE	Return on Equity
RoS	Republic of Slovenia
RWA	Risk Weighted Assets
SEE	South-Eastern Europe
SME	Small and Medium-sized Enterprises
SREP	Supervisory Review and Evaluation Process
The Group	NLB Group
TCR	Total Capital Ratio
TDI	Traded Debt Instruments
TLTRO-III	Targeted longer-term refinancing operations
TSCR	Total SREP Capital Requirement

This is Our Home



#HelpFrame is our first social-environmental project with a clearly defined sustainability component, and includes all the markets of our home region. With this project, we offer advice, knowledge, professional help, as well as our own advertising space to micro and small entrepreneurs as well as farmers. We thus try to help them to reach their customers and make an important contribution to strengthening their activities.