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# NLB Group Strategic Members Overview

	Slovenia		North Macedonia	Bosnia and Herzegovina		Kosovo	Montenegro	Serbia	
	NLB Group	NLB, Ljubljana	NLB Skladi, Ljubljana	NLB Banka, Skopje	NLB Banka, Banja Luka	NLB Banka, Sarajevo	NLB Banka, Prishtina	NLB Banka, Podgorica	NLB Banka, Beograd
<b>Market position</b>									
Branches	316	92	-	53	53	37	34	19	28
Active clients	1,844,216	675,586	-	396,133	221,161	136,863	211,529	64,554	138,390
Total assets (in EUR million)	14,288	9,946	1,302 <sup>(i)</sup>	1,472	769	634	800	530	633
Profit after tax (in EUR million)	18.3	7.5	0.7	4.9	1.4	0.9	2.6	0.1	0.3
Market share (by total assets)		23.6%	34.2%	16.1% <sup>(iv)</sup>	18.3% <sup>(ii, iv)</sup>	5.3% <sup>(iii, iv)</sup>	17.8%	11.8% <sup>(v)</sup>	1.7% <sup>(iv)</sup>

<sup>(i)</sup> Assets under management.

<sup>(ii)</sup> Market share in the Republic of Srpska.

<sup>(iii)</sup> Market share in the Federation of BiH.

<sup>(iv)</sup> Data for market share as of 31 December 2019.

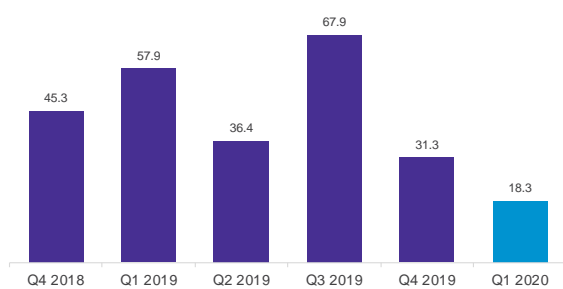
<sup>(v)</sup> Data for market share as of 29 February 2020.



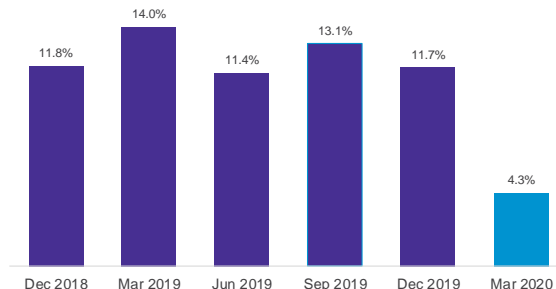
THE TRUST  
 SPONSORSHIPS  
 THEATRE INTERPRETER  
 LOCAL COMMUNITY  
 CSR  
 QUALITY OF LIFE  
 LOCAL COMMUNITY  
 SPORTS FAMILY FRIENDLY ENTERPRISE  
 CULTURE CSR  
 BANK GUARANTEE  
 HEALTHY BANK  
 FLEXIBILITY  
 UNDERSTANDING  
 BANKING PACKAGES  
 ONLINE BANK  
 DIGITAL SERVICES  
 BEST SERVICE  
 MOBILE WALLET NLB PAY  
 TRUST  
 CULTURE  
 KLIKIN  
 HEALTHY BANK  
 SPORTS GAMES  
 R&D  
 ECOLOGY  
 DONATIONS  
 FINANCIAL LITERACY  
 ECOLOGY  
 QUALITY OF LIFE  
 DONATIONS  
 FINANCIAL LITERACY  
 ECOLOGY  
 QUALITY OF LIFE  
 SOCIAL RESPONSIBILITY  
 EASY  
 QUALITY OF LIFE  
 DIGITAL TOP EMPLOYER  
 SARAJEVO  
 MENTORSHIP  
 SPORTS GAMES  
 NLB ORGANIC  
 MOBILE BANKERS  
 PRIVATE BANKING  
 DONATIONS  
 24/7  
 KLIKIN  
 MENTORSHIP  
 TRUST  
 ACCESSIBILITY  
 SPONSORSHIPS  
 FAMILY DAY  
 DIGITAL SERVICES  
 SPONSORSHIPS  
 CULTURE  
 REGIONAL PROJECTS  
 PRISHTINA  
 CONSULTING  
 5.800+ EMPLOYEES  
 STABILITY  
 PODGORICA  
 ENTREPRENEURSHIP  
 PRIVATE BANKING  
 DIGITAL  
 UP TO DATE  
 MENTORSHIP  
 ART  
 DIGITAL  
 TOP EMPLOYER  
 SKOPJE  
 UNDERSTANDING  
 BANKING PACKAGES  
 ONLINE BANK  
 STOCK MARKET  
 SECURITY  
 FAMILY FRIENDLY ENTERPRISE  
 BANK GUARANTEE  
 DONATIONS  
 FINANCIAL LITERACY  
 327 BRANCHES  
 BUSINESS FORUM  
 CULTURE  
 KLIKIN  
 DIGITAL SERVICES  
 LOCAL COMMUNITY  
 MOBILE BANK

## Figures at a Glance

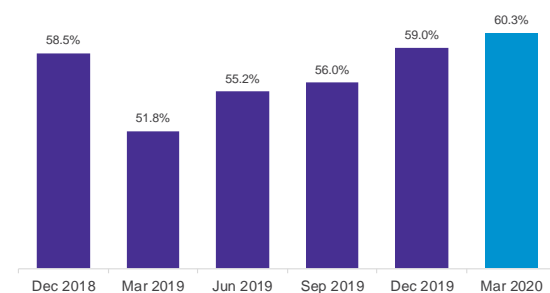
Profit a.t. - quarterly (in EUR million)



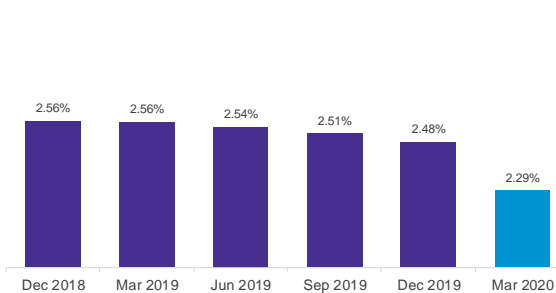
ROE a.t. - YtD (in %)



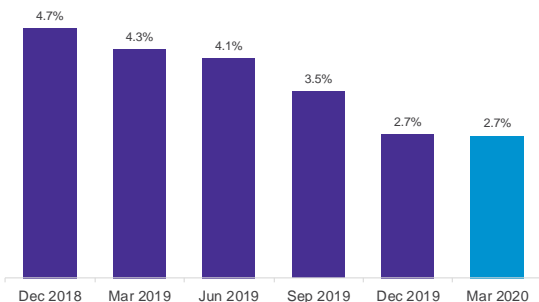
Cost/income ratio (CIR)<sup>(i)</sup> - YtD (in %)



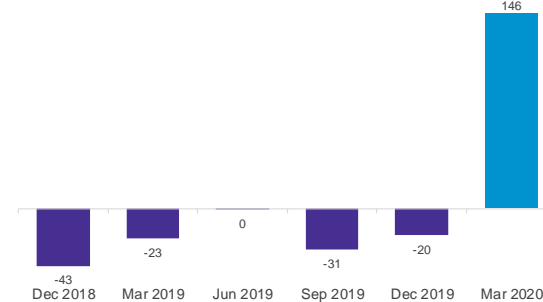
Interest margin<sup>(ii)</sup> - YtD (in %)



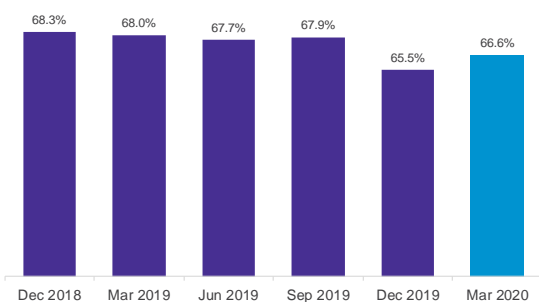
NPE ratio (EBA def.) - YtD (in %)



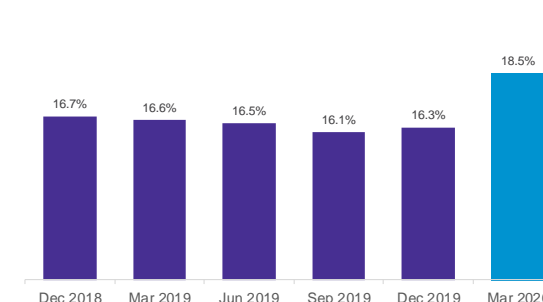
Cost of risk net<sup>(iii)</sup> - YtD (in bp)



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



Total capital ratio - YtD (in %)



<sup>(i)</sup> CIR is adjusted to changed schemes prescribed by the Bank of Slovenia.

<sup>(ii)</sup> Interest margin data for 2018 are adjusted to the new methodology valid from 2019 on (calculation based on the number of days for the period).

<sup>(iii)</sup> Cost of risk for 2019 is adjusted to new methodology.

# Key Financial Indicators

Table 1: Key Financial Indicators of NLB Group

NLB Group						
in EUR million / % / bps	1-3 2020	1-3 2019	Change YoY	Q1 2020	Q4 2019	Q1 2019
<b>Key Income Statement Data</b>						
Net operating income <sup>(i)</sup>	123.8	134.5	-8%	123.8	129.8	134.5
Net interest income	77.4	79.4	-3%	77.4	79.7	79.4
Net non-interest income	46.4	55.2	-16%	46.4	50.1	55.2
Total costs <sup>(ii)</sup>	-74.6	-69.7	-7%	-74.6	-88.0	-69.7
Result before impairments and provisions	49.2	64.8	-24%	49.2	41.9	64.8
Impairments and provisions	-28.3	-0.6	-	-28.3	-10.7	-0.6
Result after tax	18.3	57.9	-68%	18.3	31.3	57.9
<b>Key Financial Indicators</b>						
Return on equity after tax (ROE a.t.)	4.3%	14.0%	-9.7 p.p.			
Return on assets after tax (ROA a.t.)	0.5%	1.8%	-1.3 p.p.			
RORAC a.t. <sup>(iii)</sup>	6.1%	18.6%	-12.5 p.p.			
Interest margin (on interest bearing assets)	2.29%	2.56%	-0.27 p.p.			
Interest margin (on total assets - BoS ratio)	2.20%	2.48%	-0.28 p.p.			
Cost-to-income ratio (CIR) <sup>(iii)</sup>	60.3%	51.8%	8.5 p.p.			
Cost of risk net (bps) <sup>(iv)</sup>	146	-23	169			

in EUR million / %	31 Mar 2020	31 Dec 2019	31 Mar 2019	Change YtD	Change YoY
<b>Key Financial Position Statement Data</b>					
Total assets	14,288.3	14,174.1	13,065.8	1%	9%
Loans to customers (gross)	8,125.6	7,938.3	7,719.0	2%	5%
Loans to customers (net)	7,759.8	7,604.7	7,264.3	2%	7%
Deposits from customers	11,652.9	11,612.3	10,675.8	0%	9%
Equity (without non-controlling interests)	1,678.9	1,685.9	1,683.8	0%	0%
<b>Other Key Financial Indicators</b>					
LTD (Net loans to customers/Deposits from customers)	66.6%	65.5%	68.0%	1.1 p.p.	-1.5 p.p.
Common Equity Tier 1 Ratio	15.4%	15.8%	16.6%	-0.4 p.p.	-1.1 p.p.
Total capital ratio	18.5%	16.3%	16.6%	2.2 p.p.	1.9 p.p.
Total risk weighted assets	9,226.7	9,185.5	8,811.6	0%	5%
NPL volume <sup>(v)</sup>	393.5	374.7	579.2	0%	-32%
NPL coverage ratio 1 <sup>(vi)</sup>	92.9%	89.2%	77.1%	3.7 p.p.	15.8 p.p.
NPL coverage ratio 2 <sup>(vii)</sup>	63.8%	65.0%	64.6%	-1.3 p.p.	-0.8 p.p.
NPL ratio (internal def.) <sup>(viii)</sup>	3.9%	3.8%	6.3%	0.1 p.p.	-2.4 p.p.
Net NPL ratio (internal def.) <sup>(ix)</sup>	1.5%	1.4%	2.3%	0.1 p.p.	-0.9 p.p.
NPL ratio (EBA def.) <sup>(x)</sup>	4.6%	4.6%	7.3%	0.0 p.p.	-2.7 p.p.
NPE ratio (EBA def.) <sup>(xi)</sup>	2.7%	2.7%	4.3%	0.0 p.p.	-1.6 p.p.
<b>Employees</b>					
Number of employees	5,846	5,878	5,831	-32	15

<sup>(i)</sup> Data for 2019 are adjusted to changed schemes prescribed by the BoS (relocation of some items from net other income to other general and administrative expenses). More details are available in note 2.3 in the chapter Unaudited condensed interim financial statements of NLB Group and NLB.

<sup>(ii)</sup> Result a.t. / average capital requirement normalized at 14.25% RWA for 2019 and 13.75% for 2020.

<sup>(iii)</sup> CIR is adjusted to changed schemes prescribed by the BoS.

<sup>(iv)</sup> Cost of risk = credit impairments and provisions (annualised level) / average net loans to customers.

<sup>(v)</sup> 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).

<sup>(vi)</sup> Coverage of gross non-performing loans with impairments for all loans.

<sup>(vii)</sup> Coverage of gross non-performing loans with impairments for non-performing loans.

<sup>(viii)</sup> NPL ratio as per internal definition is calculated as follows: (i) Numerator: total gross non-performing loans; (ii) Denominator: total gross loans.

<sup>(ix)</sup> Net NPL ratio as per internal definition is calculated as follows: (i) Numerator: net non-performing loans; (ii) Denominator: total net loans.

<sup>(x)</sup> 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 Finrep 18 without loans held for sale, cash balances at central banks and other demand deposits.

<sup>(xi)</sup> 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.

International credit ratings NLB	31 Mar 2020	31 Dec 2019	Outlook
Standard & Poor's	BBB-	BBB-	Stable
Fitch	BB+	BB+	Stable <sup>(i)</sup>
Moody's <sup>(ii)</sup>	Baa2	Baa2	Stable

<sup>(i)</sup> Fitch revised Outlook to Negative on 10 April 2020.

<sup>(ii)</sup> Unsolicited rating.

# Macroeconomic Environment

## Macroeconomic summary and outlook

The COVID-19 outbreak in China is having unprecedented effects around the globe, both on people and economies. The deadly virus that has killed thousands of people and infected many more, has deeply affected economies. In order to contain it, governments around the world limited social contacts and shut down economies, while the WHO had to declare the pandemic. The shocks are on both sides, supply and demand. Productions were halted, global trade chains were interrupted, and consumption stalled or disabled. The extent of social (and economic) restrictions depends on the level of the country's medical capabilities. The longer the imposed restrictions persist, more economic havoc they will cause.

Since the impact of coronavirus could be deeper and longer than originally expected, the countervailing economic measures should be unprecedented as well. Monetary measures aiming to ensure enough liquidity and smooth operations in the money markets and among financial intermediaries are being implemented. The FED, ECB and other major central banks have provided major stimulus on the COVID-19 shock and expressed their "whatever it takes" commitments. The adopted enormous fiscal measures are meant to help the companies and households to overcome the economic shock caused by the coronavirus outbreak and are similar around the globe. In general, they can be categorized into four groups: (i) short time working, (ii) household and self-employed income support, (iii) tax and loans forbearance and deferment, and (iv) liquidity and guarantees. Nevertheless, if the virus outbreak is not put under control soon and if the monetary and fiscal stimulus is not big enough, well targeted and has enough impact, the recession may be deeper and more severe. Each additional month of the lockdown is pushing the economies deeper into the recession by additional few percentage points.

It is expected that the global economy will experience a recession of around -3% in 2020. China's economic growth may diminish below 2%, while the other emerging markets can face the recession as well, hence no more support for the global growth. The Euro area, with an already weak economic growth in 2019, could contract by around 6.5% this year, while Slovenia can experience a similar contraction (6.0%). The economic growth in the Group's region could drop to around -4.5% this year. Fiscal measures will be mostly financed by government budgets, which will force them into borrowing, which will in turn increase their public debts. This scenario is expected in case the coronavirus outbreak is put under control and the lockdowns are lifted by the end of May 2020. In this case a U-shaped recession is expected. With an additional month or two of lockdown, the recession will be deeper and as a prolonged U-shape. If the outbreak takes longer and if there will be a second (external) wave of infections, a deep long-term recession with L-shape could be expected. The downside risks remain but with sufficient countervailing measures the worst scenarios can be avoided.

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

	GDP (annual growth rate in %)				Average inflation (in %)				Unemployment rate (in %)			
	2018	2019	2020	2021	2018	2019	2020	2021	2018	2019	2020	2021
Euro area	1.9	1.2	-6.5	3.5	1.8	1.2	0.6	1.2	8.2	7.6	10.0	10.0
Slovenia	4.1	2.4	-6.0	4.0	1.9	1.7	1.0	1.9	5.1	4.6	9.0	7.5
BiH	3.3	2.6	-6.0	3.0	1.4	0.6	0.6	1.5	36.0	33.3	38.0	37.5
Montenegro	5.1	3.6	-9.0	6.0	2.6	0.4	0.9	1.7	15.2	15.1	20.0	18.0
N. Macedonia	2.7	3.6	-3.0	5.0	1.4	0.8	0.6	1.5	20.7	17.3	22.0	21.0
Serbia	4.4	4.2	-2.0	4.0	2.0	1.9	1.5	2.5	12.7	10.4	14.5	14.0
Kosovo	3.8	4.2	-2.5	4.5	1.1	2.7	1.2	1.8	29.6	25.7	30.0	28.5

Source: Statistical offices, NLB Research

Note: Registered unemployment data used for BiH; NLB Forecasts highlighted in grey.



**EXCELLENCE**  
**BEST SERVICE**  
ENTREPRENEURSHIP  
**INTEGRITY**  
QUALITY OF LIFE  
MOBILE BANKERS  
**WIN-WIN**  
UP TO DATE  
**5.800+ EMPLOYEES**  
**TOP EMPLOYER**  
PROFESSIONAL  
GROWTH  
ASSETS  
TRUST  
**24/7**  
STOCK MARKET  
FINANCIAL ADVICE

**PROFESSIONAL**  
PURCHASE OF RECEIVABLES  
**318 BRANCHES**  
REGIONAL PROJECTS  
DIGITAL  
CONTACT CENTRE  
MOBILE WALLET  
NLB PAY  
**KNOWLEDGE**  
STRATEGY

NLB TELEDOM

## Business Report

## Key Developments

EUR 18.3 million

**Result after tax** amounted to EUR 18.3 million, a decrease by EUR 39.6 million or 68% YoY, mainly due to net establishment of impairments and provisions related to COVID-19 outbreak in Q1 2020.

18.5%

**Total capital ratio**

The total capital ratio of the Group reached 18.5% including inclusion of EUR 285 million of subordinated Tier 2 instruments and was well above the regulatory thresholds.

EUR 11.3 million

**Strategic Foreign Markets** contributed 54% to the Group profit before tax.

2.7%

**NPE (EBA def.)**

Further solid quality of the loan portfolio reflected in a stable and relatively low level of NPLs at the end of Q1 2020. Consequently, the NPL ratio stood at 3.9%, while the internationally more comparable NPE (EBA def.) remained at 2.7%.

EUR 77.4 million

**Net interest income** decreased by 3% mostly due to an increase in interest expenses in the Bank related to subordinated instruments issued in 2019 and Q1 2020 and partially compensated by the loan volume growth.

EUR 42.4 million

Increase in the **net fee and commission income** by 6% YoY.

EUR 28.3 million

Established **Impairments and provisions** in total net amount of EUR 28.3 million, mostly due to recalculation of all parameters for credit impairments and provisions related to COVID-19 outbreak in Q1 2020.

60.3%

**CIR** stood at 60.3%, 8.5 p.p. higher YoY.

## Key Events

On 5 February, the Bank issued 10NC5 subordinated Tier 2 notes in the aggregate nominal amount of EUR 120 million. The fixed coupon of the notes during the first five years is 3.40% p.a., thereafter it will be reset to the sum of the then applicable 5Y MS and the fixed margin as provided at the issuance of the notes (i.e. 3.658% p.a.). The notes with ISIN code XS2113139195 and rated BB by S&P rating agency were on 5 February admitted to trading on the Euro MTF Market operated by the Luxembourg Stock Exchange. The investor base was diverse, coming from high quality international as well as regional accounts.

On 26 February, NLB entered into a share purchase agreement with the Republic of Serbia for the acquisition of an 83.23% ordinary shareholding in Komercijalna Banka a.d. Beograd. The closing of the transaction is expected in Q4 2020 and is subject to mandatory regulatory approvals from, amongst others, the ECB, BoS and the National Bank of Serbia. The consideration for the 83.23% shareholding amounts to EUR 387 million, which will be payable in cash on completion.

On 4 March, NLB obtained the ECB's permission to include the subordinated Tier 2 notes it issued on 19 November 2019 in the aggregate amount of EUR 120 million with ISIN code XS2080776607 in the calculation of Tier 2 capital.

In March the COVID-19 pandemic became a global phenomena with wide and far-reaching consequences including implications on the global and regional banking sector and therefore on the Group as well.

On 25 March, NLB obtained the ECB's permission to include the subordinated Tier 2 notes it issued on 5 February 2020 in the aggregate amount of EUR 120 million with ISIN code XS2113139195 in the calculation of Tier 2 capital.

## Shareholder Structure of NLB

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 depository receipts (GDR), representing shares, 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 share of NLB.

Table 3: NLB's main shareholders as of 31 March 2020<sup>1</sup>

Shareholder	Number of shares	Percentage of shares
Bank of New York Mellon on behalf of the GDR holders <sup>(i)</sup>	12,184,681	60.92
• of which Brandes Investment Partners, L.P. <sup>(ii)</sup>	n.a.	>5 and <10
• of which European Bank for Reconstruction and Development (EBRD) <sup>(ii)</sup>	n.a.	>5 and <10
Republic of Slovenia (RoS)	5,000,001	25.00
Other shareholders	2,815,318	14.08
<b>Total</b>	<b>20,000,000</b>	<b>100.00</b>

<sup>(i)</sup> The Bank of New York Mellon holds shares in its capacity as the depository (the GDR Depository) 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 Depository and individual GDR holders do not have any direct right to either attend the shareholder's meeting or to exercise any voting rights under the deposited shares.

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

Notes:

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

## Financial Performance

Table 4: Income statement of NLB Group<sup>2</sup>

in EUR million	NLB Group				Q1 2020	Q4 2019	Q1 2019	Change QoQ	
	1-3 2020	1-3 2019	Change YoY						
Net interest income	77.4	79.4	-2.0	-3%	77.4	79.7	79.4	-2.3	-3%
Net fee and commission income	42.4	40.1	2.3	6%	42.4	43.5	40.1	-1.1	-2%
Dividend income	0.0	0.1	-0.1	-86%	0.0	0.0	0.1	0.0	-35%
Net income from financial transactions	3.8	12.3	-8.5	-69%	3.8	5.8	12.3	-2.0	-35%
Net other income	0.2	2.7	-2.5	-91%	0.2	0.8	2.7	-0.6	-71%
Net non-interest income	46.4	55.2	-8.7	-16%	46.4	50.1	55.2	-3.7	-7%
<b>Total net operating income</b>	<b>123.8</b>	<b>134.5</b>	<b>-10.7</b>	<b>-8%</b>	<b>123.8</b>	<b>129.8</b>	<b>134.5</b>	<b>-6.0</b>	<b>-5%</b>
Employee costs	-42.9	-40.1	-2.9	-7%	-42.9	-48.0	-40.1	5.1	11%
Other general and administrative expenses	-23.7	-21.9	-1.7	-8%	-23.7	-32.3	-21.9	8.7	27%
Depreciation and amortisation	-8.1	-7.7	-0.3	-4%	-8.1	-7.7	-7.7	-0.4	-5%
<b>Total costs</b>	<b>-74.6</b>	<b>-69.7</b>	<b>-4.9</b>	<b>-7%</b>	<b>-74.6</b>	<b>-88.0</b>	<b>-69.7</b>	<b>13.3</b>	<b>15%</b>
<b>Result before impairments and provisions</b>	<b>49.2</b>	<b>64.8</b>	<b>-15.6</b>	<b>-24%</b>	<b>49.2</b>	<b>41.9</b>	<b>64.8</b>	<b>7.3</b>	<b>17%</b>
Impairments and provisions for credit risk	-28.2	3.3	-31.5	-	-28.2	-2.3	3.3	-25.8	-
Other impairments and provisions	-0.2	-3.9	3.7	95%	-0.2	-8.4	-3.9	8.2	98%
Impairments and provisions	-28.3	-0.6	-27.7	-	-28.3	-10.7	-0.6	-17.6	-164%
Gains less losses from capital investments in subsidiaries, associates, and joint ventures	0.2	1.1	-0.9	-81%	0.2	0.0	1.1	0.2	-
<b>Result before tax</b>	<b>21.0</b>	<b>65.3</b>	<b>-44.2</b>	<b>-68%</b>	<b>21.0</b>	<b>31.2</b>	<b>65.3</b>	<b>-10.1</b>	<b>-32%</b>
Income tax	-1.6	-5.4	3.9	71%	-1.6	2.2	-5.4	-3.8	-
Result of non-controlling interests	1.2	2.0	-0.8	-41%	1.2	2.0	2.0	-0.9	-43%
<b>Result after tax</b>	<b>18.3</b>	<b>57.9</b>	<b>-39.6</b>	<b>-68%</b>	<b>18.3</b>	<b>31.3</b>	<b>57.9</b>	<b>-13.0</b>	<b>-42%</b>

## Profit

The Group generated EUR 18.3 million of profit after tax, which is EUR 39.6 million lower YoY.

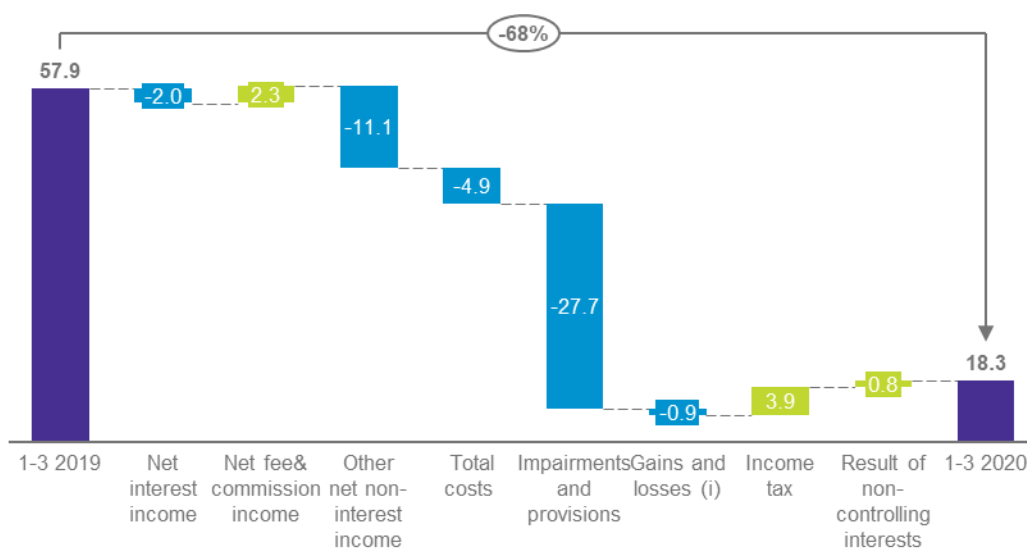
The result was based on the following key drivers and YoY evolution:

- Net interest income lower by EUR 2.0 million (3%), mainly due to an increase in interest expenses in the Bank (new subordinated Tier 2 instruments issued in 2019 and Q1 2020), which was partially compensated with the loan volume growth.
- Higher net fee and commission income by EUR 2.3 million YoY (6%), mainly from the retail segment in the banking subsidiaries in SEE. An increase was recorded in basic accounts fees, payment transactions, and cards and ATM operations (3% in total), and also in fees from investment funds and bancassurance business. Due to the COVID-19 outbreak a decrease of net fee and commission income in the second half of March 2020 was recorded (mainly on card operations, fewer withdrawals and payments made by customers).
- Net income from financial transactions by EUR 8.5 million lower YoY, due to a positive impact of a partial repayment of a larger exposure measured at fair value through profit and loss in the amount of EUR 5.1 million on Q1 2019 results.
- Total costs higher by EUR 4.9 million or 7%, mostly due to higher employee costs, costs of services and IT (mostly licenses).
- Net established impairments and provisions were EUR 28.3 million, while in the same period of previous year EUR 0.6 million. New credit impairments and provisions in total net amount of EUR 24.5 million established in Q1 2020 due to the COVID-19 outbreak.

Notes:

<sup>2</sup> Data for 2019 are adjusted to changed schemes prescribed by the BoS (relocation of some items from net other income to other general and administrative expenses). More details are available in note 2.3 in the chapter Unaudited Condensed Interim Financial Statements of NLB Group and NLB.

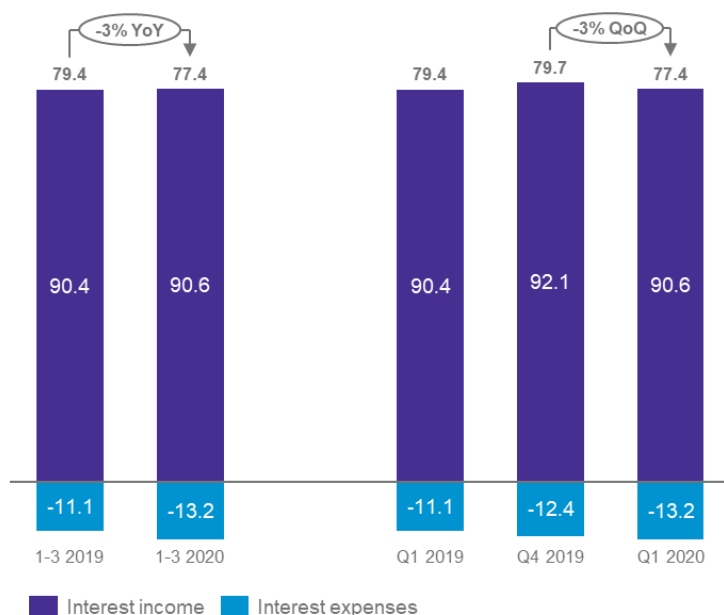
Figure 1: Profit after tax of NLB Group – evolution YoY (in EUR million)



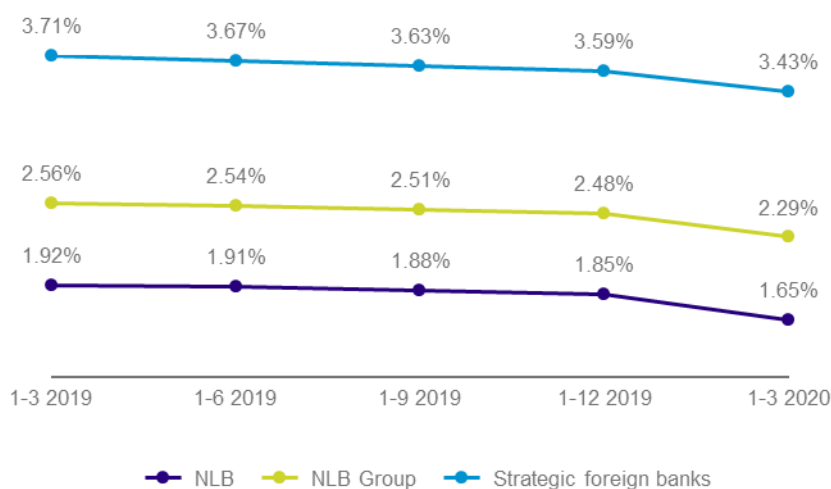
<sup>(i)</sup> Gains less losses from capital investments in subsidiaries, associates, and joint ventures.

## Net Interest Income

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



Net interest income totalled EUR 77.4 million and decreased by EUR 2.0 million or 3% YoY, mostly due to higher interest expenses related to the new subordinated Tier 2 instruments raised by the Bank, while interest expenses for customer deposits were decreasing.

Figure 3: Net interest margin of NLB Group<sup>3</sup> (in %)

Net interest margin (NIM) in the Group decreased YoY and amounted to 2.29%. The interest margin for the Bank and the Group banking members in SEE (Strategic foreign banks) decreased YoY and amounted to 1.65% and 3.43%, respectively. Substantial decrease was recorded due to lower yields on the securities portfolio and loan book and due to higher cost of funding as the Bank issued new subordinated Tier 2 instruments.

## Net Non-Interest Income<sup>4</sup>

Figure 4: Net non-interest income of NLB Group (in EUR million)<sup>5</sup>

Notes:

<sup>3</sup> Calculation of the interest margin based on interest bearing assets.

<sup>4</sup> Please refer to note 2.

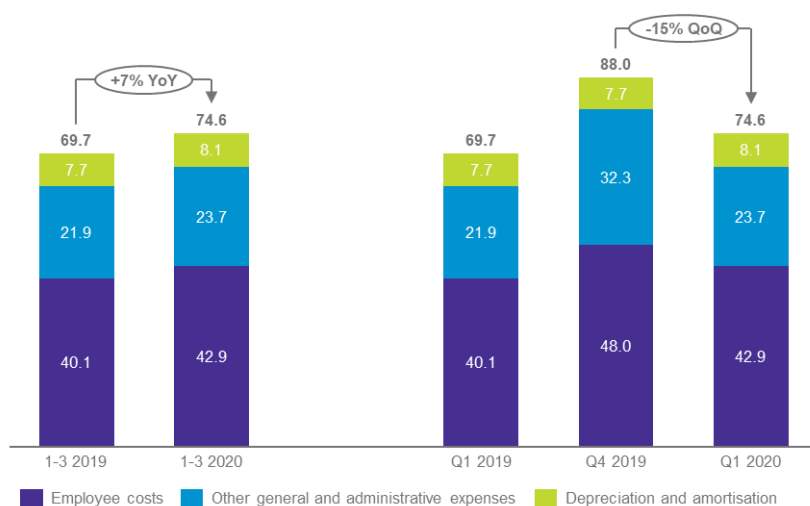
<sup>5</sup> From June 2019 on, a different presentation of non-recurring items is in use.

Net non-interest income reached EUR 46.4 million and decreased by EUR 8.7 million or 16% YoY. The YoY dynamic was influenced by the following factors:

- Net fee and commission income higher by EUR 2.3 million or 6% YoY, mainly from the retail segment in the banking subsidiaries in SEE. An increase was recorded in basic accounts fees, payment transactions, and cards and ATM operations (3% in total), and also in fees from investment funds and bancassurance business. Due to the COVID-19 outbreak a decrease of net fee and commission income in the second half of March 2020 was recorded (mainly on card operations, fewer withdrawals and payments made by customers).
- Important material non-recurring other net non-interest income in Q1 2019 with a positive impact on the Group's result were a partial repayment of a large exposure measured at fair value through profit and loss in the amount of EUR 5.1 million, and the sale of debt securities held by the Bank with a positive effect in the amount of EUR 2.6 million. The Bank realized profit from the sale of the securities portfolio also in Q1 2020 in the amount of EUR 2.3 million.

## Total Costs<sup>6</sup>

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



Total costs amounted to EUR 74.6 million and are thus by EUR 4.9 million or 7% higher YoY. The increase was related to higher employee costs, costs of services and IT (mostly licenses). QoQ decrease was due to performance rewards paid in December and higher other general and administrative costs in Q4 2019 (mostly costs of services and marketing).

CIR stood at 60.3%, an 8.5 p.p. YoY increase driven by lower income and higher costs.

Notes:

<sup>6</sup> Please refer to note 2.



## Net Impairments and Provisions

In first three months, the Group established EUR 28.3 million of **net impairments and provisions**, while in the same period of previous year EUR 0.6 million.

Impairments and provisions for credit risk were net established in the amount of EUR 28.2 million (cost of risk 146 bps), while in Q1 2019 they were net released in the amount of EUR 3.3 million (cost of risk -23 bps).

New **credit impairments and provisions** in total amount of EUR 24.5 million were established in Q1 2020 due to COVID-19 outbreak (recalculation of all parameters is performed annually, usually in the Q2, but since the macroeconomic environment has changed significantly since the year-end, additional ECL (expected credit losses) were recognised already in Q1, based on best assumptions at the moment).

Other impairments and provisions in Q1 2020 were net established in the amount of EUR 0.2 million, while in Q1 2019 they amounted to EUR 3.9 million.

## Financial Position

Table 5: Statement of financial position of NLB Group

in EUR million	NLB Group						
	31 Mar 2020	31 Dec 2019	31 Mar 2019	Change YtD		Change YoY	
<b>ASSETS</b>							
Cash, cash balances at central banks, and other demand deposits at banks	2,095.4	2,101.3	1,589.0	-5.9	0%	506.4	32%
Loans to banks	93.6	93.4	108.9	0.2	0%	-15.2	-14%
Loans to customers	7,759.8	7,604.7	7,264.3	155.1	2%	495.5	7%
Gross loans	8,125.6	7,938.3	7,719.0	187.3	2%	406.6	5%
- Corporate	3,823.6	3,646.3	3,593.1	177.3	5%	230.5	6%
- Individuals	4,016.1	4,013.5	3,780.7	2.6	0%	235.3	6%
- State	286.0	278.6	345.2	7.4	5%	-59.2	-17%
Impairments and valuation of loans to customers	-365.8	-333.6	-454.7	-32.2	-10%	88.9	20%
Financial assets	3,711.2	3,829.7	3,608.0	-118.5	-3%	103.2	3%
- Trading book	25.6	24.0	38.4	1.5	6%	-12.8	-33%
- Non-trading book	3,685.6	3,805.7	3,569.6	-120.0	-3%	116.0	3%
Investments in subsidiaries, associates, and joint ventures	7.7	7.5	42.9	0.2	3%	-35.2	-82%
Property and equipment, investment property	245.4	247.9	252.2	-2.5	-1%	-6.8	-3%
Intangible assets	37.9	39.5	33.2	-1.6	-4%	4.7	14%
Other assets	337.2	250.0	167.3	87.2	35%	169.9	102%
<b>TOTAL ASSETS</b>	<b>14,288.3</b>	<b>14,174.1</b>	<b>13,065.8</b>	<b>114.2</b>	<b>1%</b>	<b>1,222.6</b>	<b>9%</b>
<b>LIABILITIES</b>							
Deposits from customers	11,652.9	11,612.3	10,675.8	40.6	0%	977.1	9%
- Corporate	2,641.7	2,772.0	2,255.3	-130.3	-5%	386.4	17%
- Individuals	8,728.6	8,582.9	8,017.4	145.7	2%	711.2	9%
- State	282.5	257.4	403.1	25.2	10%	-120.5	-30%
Deposits from banks and central banks	63.1	42.8	24.6	20.3	47%	38.5	156%
Borrowings	232.5	234.8	317.4	-2.3	-1%	-84.8	-27%
Other liabilities	328.4	342.6	305.7	-14.2	-4%	22.7	7%
Subordinated liabilities	286.6	210.6	15.3	76.1	36%	271.4	-
Equity	1,678.9	1,685.9	1,683.8	-7.0	0%	-4.9	0%
Non-controlling interests	45.9	45.0	43.2	0.8	2%	2.7	6%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>14,288.3</b>	<b>14,174.1</b>	<b>13,065.8</b>	<b>114.2</b>	<b>1%</b>	<b>1,222.6</b>	<b>9%</b>

Total assets increased by EUR 1,222.6 million YoY (EUR 114.2 million YtD) and totalled EUR 14,288.3 million. Investments in loans to customers were financed by collected deposits, raised subordinated debt and due banking book securities.

Gross loans to customers amounted to EUR 8,125.6 million (5% higher YoY), YoY growth was recorded in gross loans to individuals (EUR 235.3 million or 6% YoY) and to corporate (EUR 230.5 million or 6% YoY).

In Q1 2020 the COVID-19 outbreak affected the lower new production in retail loans (only EUR 2.6 million growth of retail loan book YtD), while the demand for working capital loans, revolving loans and limits for the daily liquidity in corporate loans increased (EUR 177.3 million or 5% growth in corporate loan book YtD).

Deposits from customers increased by 9% YoY, mostly from deposits from corporate (EUR 386.4 million or 17%), while the highest absolute increase from regular business was recorded in deposits from individuals (EUR 711.2 million or 9%). One-off corporate deposit at the 2019 YE, which was transferred outside the Bank during Q1 2020, influenced the significant decrease in corporate deposits (EUR 130.3 million or 5% YtD).

In January 2020 the Bank exercised an early repayment of the subordinated Tier 2 loan raised in 2019 in the amount of EUR 45.0 million, while in February 2020 the Bank raised a subordinated Tier 2 instrument in the nominal amount of EUR 120.0 million.

The LTD ratio (net) was 66.6% at the Group level; a decrease of 1.5 p.p. YoY as a result of increased deposits, which was partially neutralized by growing, but still moderate demand for loans.

Figure 6: NLB Group gross loans to customers by Key business activities (in EUR million)



<sup>0)</sup> Including Gross loans to Corporate and to State.

Key business activities recorded a 9% increase of gross loans to customers YoY to EUR 7,740.4 million (2% increase YtD).

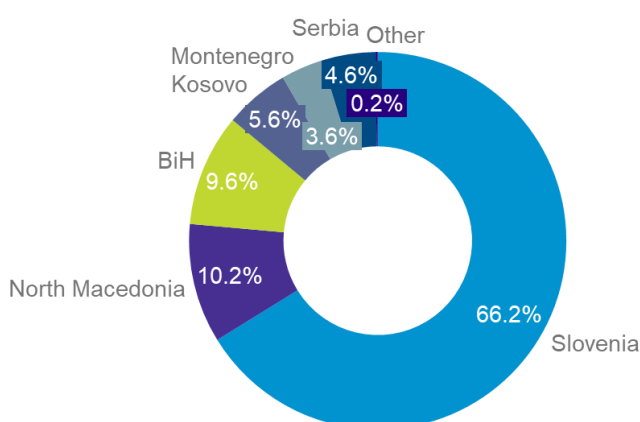
YoY increase of gross loans to customers was recorded in Strategic Foreign Markets (EUR 317.2 million), in Retail Banking in Slovenia (EUR 82.6 million) and in the Key/SME corporate segment (EUR 232.8 million).

Figure 7: NLB Group deposits from customers by Key business activities (in EUR million)



<sup>0</sup> Including Deposits from Corporate and from State.

Deposits from customers in Key business activities increased by 10% YoY, where Strategic Foreign Markets and Retail Banking in Slovenia recorded a substantial YoY increase (EUR 359.6 million and EUR 522.9 million, respectively).

Figure 8: Total assets of NLB Group by booking entity (in %)<sup>7</sup>

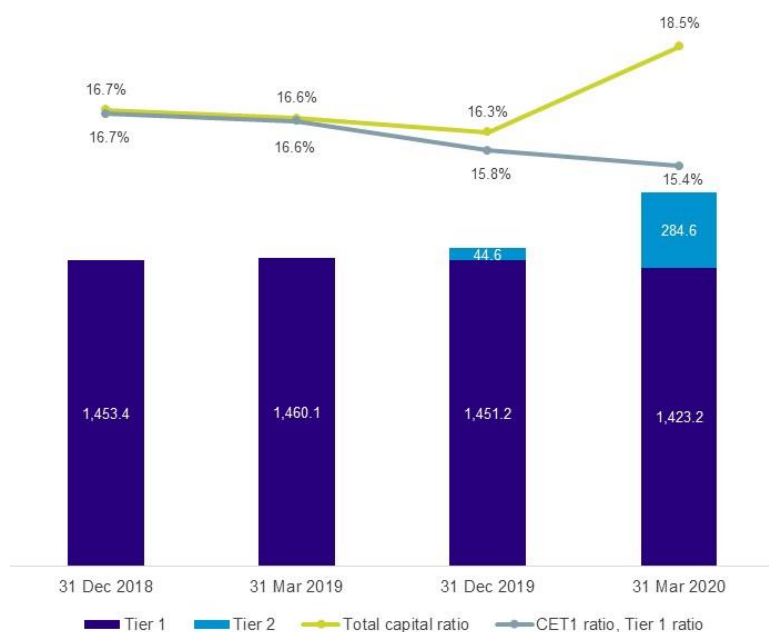
Notes:

<sup>7</sup> Geographical analysis based on the booking entity.

# Capital and Liquidity

## Capital

Figure 9: NLB Group Capital (in EUR million), total capital ratio, CET1 ratio and Tier 1 ratio (in %)



The Overall Capital Requirement (OCR) amounted to 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).

The applicable OCR requirement for 2020 decreased from 14.75% to 14.25%, as Pillar 2 Requirement decreased by 0.5 p.p. to 2.75%, as a result of better overall SREP assessment. Pillar 2 Guidance amounts to 1.00%, which should be comprised entirely of CET1 capital.

Following several measures taken by the ECB in relation to COVID-19, the ECB has effectively, as of 12 March 2020, amended the applicable decision for NLB in relation to the Pillar 2 Requirement composition, whereas Pillar 2 Requirement shall be held in the form of 56.25% of CET1 capital and 75% of Tier 1 capital as a minimum, and not entirely as CET1 capital as required in previous years.

Table 6: NLB Group capital requirements and buffers

		as of 12 Mar 2020	as of 1 Jan till 11 Mar 2020	2019	2018
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 (P2R)	Total Capital	2.75%	2.75%	3.25%	3.5%
Total SREP Capital Requirement (TSCR)	CET1	6.05%	7.25%	7.75%	8.0%
	Tier 1	8.06%	8.75%	9.25%	9.5%
	Total Capital	10.75%	10.75%	11.25%	11.5%
Combined Buffer requirement (CBR)					
Conservation buffer	CET1	2.5%	2.5%	2.5%	1.875%
O-SII buffer	CET1	1.0%	1.0%	1.0%	0.0%
Countercyclical buffer	CET1	0.0%	0.0%	0.0%	0.0%
Overall capital requirement (OCR) = MDA threshold	CET1	9.55%	10.75%	11.25%	9.875%
	Tier 1	11.56%	12.25%	12.75%	11.375%
	Total Capital	14.25%	14.25%	14.75%	13.375%
Pillar 2 Guidance (P2G)	CET1	1.0%	1.0%	1.0%	1.5%
OCR + P2G	CET1	10.55%	11.75%	12.25%	11.375%

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

In 2020 the Bank continued to strengthen and optimize the capital structure. On 5 February 2020 the Bank issued subordinated Tier 2 notes (10NC5) in the aggregate nominal amount of EUR 120 million. On 25 March 2020 NLB obtained the ECB's permission for its inclusion in the capital, so the subordinated notes have been included in the capital as of 31 March 2020. On 4 March 2020 the Bank also obtained the ECB's permission to include in the capital subordinated Tier 2 notes (10NC5) in the amount of EUR 120 million issued in November 2019. Now all existing subordinated Tier 2 notes in the total amount of EUR 284.6 million are included in the capital and contribute 3.1 p.p. to the total capital ratio.

As at 31 March 2020, the Tier 1 ratio and CET1 ratio stood at 15.4%, a 0.4 p.p. YtD decrease due to lower other comprehensive income (EUR -25.3 million). The total capital ratio for the Group stood at 18.5%, a 2.2 p.p. YtD increase due to the inclusion of subordinated Tier 2 notes, which more than compensated the decrease of other comprehensive income.

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

	31 Mar 2020	31 Dec 2019	31 Dec 2018	Change YtD
<b>Total risk exposure amount (RWA)</b>	<b>9,226.7</b>	<b>9,185.5</b>	<b>8,677.6</b>	<b>0.4%</b>
RWA for credit risk	7,725.0	7,720.2	7,179.7	0.1%
RWA for market risks + CVA	547.6	523.7	544.5	4.6%
RWA for operational risk	954.1	941.6	953.5	1.3%

The RWA for credit risk increased by EUR 4.8 million YtD, as a result of new loan production, mainly on the corporate segment. In year 2020, Serbia was included to the lists of third countries whose supervisory and regulatory requirements are considered equivalent to those of the EEA countries. The RWA for exposures to the Serbian central government and central bank denominated in local currency decreased by EUR -

100.1 million. The increase in RWA for market risks and CVA (Credit value adjustments) (EUR 23.8 million) is mainly the result of more open positions in domestic currencies of non-euro subsidiary banks. The increase in the RWA for operational risks (EUR 12.6 million) arose from the higher three-year average of relevant income, which represents the basis for the calculation.

## Liquidity

The liquidity position of the Group remains strong, with LTD ratio (net) of 66.6% (2019 YE: 65.5%), 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 6.4 billion (44.5% of total assets; 2019 YE: EUR 6.5 billion, 45.8% of total assets), of which EUR 0.5 billion (2019 YE: EUR 0.5 billion) were encumbered due to operational and regulatory requirements.

Figure 10: NLB Group liquid assets structure reflects a robust liquidity position (in EUR million)



The banking book securities portfolio, which represented 57.0% of the Group's liquid assets (2019 YE: 57.7%), was dispersed appropriately in terms of issuers, countries, and remaining maturity, with the aim of adequate liquidity and interest risk management.

As a result of the COVID-19 crisis the Group started to moderately adjust its positioning in the market with regards to its investments in securities by increasing the cash allocation ratio and allow for future reinvestment at new stabilised spread levels.

Driven by the low interest rate environment, the main change in the funding structure of the Group was the continued transformation of term-to-sight customer deposits, representing the key funding base. The share of sight customer deposits equalled 67.2% of total assets (2019 YE: 66.8%).

## Related-Party Transactions

A number of banking transactions are entered into with related parties in the normal course of business. The volume of related-party transactions mainly consists of loans issued, deposits, and deposits received. A detailed volume of those transactions is disclosed in the financial part of this report in section 7.



## Segment Analysis

Segments of the 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 asset management (NLB Skladi), as well as the contribution to the result of the associated company Bankart (in Q1 2019 also of the joint venture NLB Vita<sup>8</sup>).
- Corporate and Investment Banking in Slovenia, which includes banking with Key Corporate Clients, SMEs, Investment Banking and Custody, and Restructuring and Workout.
- Financial Markets in Slovenia include treasury activities and trading in financial instruments, while they also present the results of asset and liabilities management (ALM).
- Strategic Foreign Markets, which include the operations of strategic Group banks in strategic markets (Bosnia and Herzegovina, Montenegro, Kosovo, North Macedonia, and Serbia).
- Other accounts for the categories whose operating results cannot be allocated to specific segments, such as the external realization, rents and impairments on real estates, restructuring costs and income and tax.

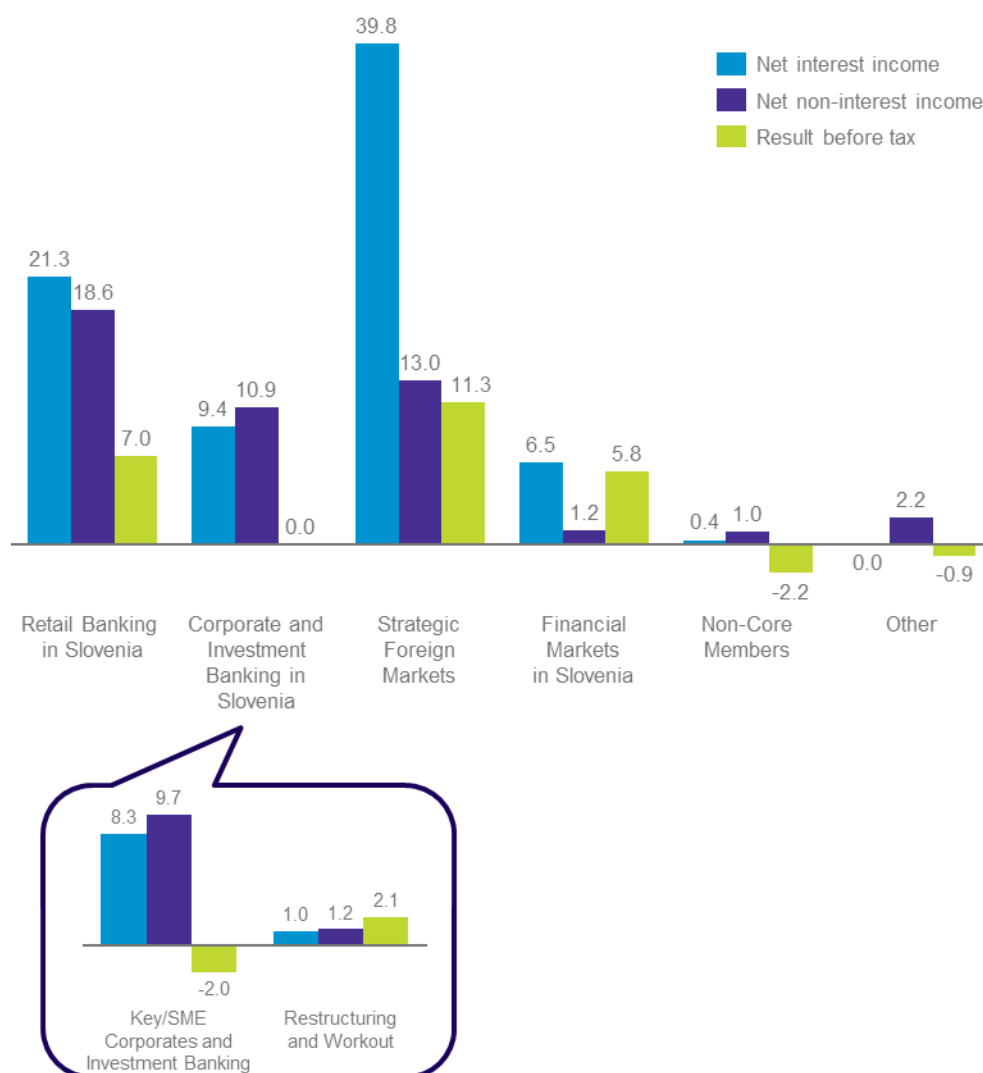
Non-Core Members include the operations of non-core Group members, namely REAM and leasing entities, NLB Srbija and NLB Crna Gora.

Data for 2019 are adjusted to changed schemes prescribed by the BoS (relocation of some items from net other income to other general and administrative expenses), so there might be differences between the previously reported and below numbers. Consequently, CIR might also be different than the one published in 2019. More details are available in note 2.3 in the chapter Unaudited Condensed Interim Financial Statements of NLB Group and NLB of this report.

Notes:

<sup>8</sup> In 2019 the segment also included the result of the JV company NLB Vita. In December 2019 NLB and KBC Insurance NV, in a joint process, agreed to sell their respective stakes. As the sale is expected to be completed within one year from signing the agreement, the investment has been transferred between non-current assets classified as held for sale and their result is no longer included in NLB Group Consolidated Financial Statements.

Figure 11: Segment results of NLB Group (in EUR million)



The Core markets and activities achieved a profit before tax of EUR 23.3 million. Strategic Foreign Markets contributed the largest share to the Group's profit before tax in the amount of EUR 11.3 million, followed by the segment of Retail Banking in Slovenia with EUR 7.0 million, Financial Markets in Slovenia with EUR 5.8 million and Corporate and Investment Banking in Slovenia with EUR 0.04 million, while the segment Other recorded a loss before tax in the amount of EUR 0.9 million.

Non-Core Members recorded a loss before tax in the amount EUR 2.2 million.

## Retail Banking in Slovenia

### Financial Highlights

- The segment's **profit before tax** amounted to EUR 7.0 million, a 57% decrease YoY, due to established credit impairments and provisions due to COVID-19 outbreak, lower profit from the Retail segment in the Bank, and lower contribution from NLB Skladi and NLB Vita<sup>9</sup>.
- **Net interest income** was 7% 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, which resulted in EUR 3.3 million YoY lower interest income from deposits. Interest income from retail loans was EUR 1.9 million higher YoY due to higher volume and higher interest margin. In Q1 2020 the COVID-19 outbreak had already affected new production in retail loans. Especially the production of new consumer loans in Q1 2020 was lower YoY and amounted to EUR 51.5 million (EUR 100.4 million in Q1 2019). Balance of housing loans increased by EUR 58.6 million YoY (EUR 10.4 million YtD). The share of consumer loans in all gross loans decreased to 28% (from 29% at the 2019 YE).
- The segment recorded EUR 18.6 million of **net non-interest income**. The comparison shows EUR 1.4 million (7%) decrease YoY, EUR 0.3 million due to decrease in **net fee and commission income** mainly due to EUR 0.7 million higher expenses of card processing.
- **Total costs** were EUR 1.8 million (7%) higher YoY.
- **Net impairments and provisions** were established in net amount of EUR 4.6 million due to additional credit impairments and provisions related to COVID-19 outbreak in Q1 2020.
- **Deposits from customers** increased EUR 522.9 million (9%) YoY (EUR 162.1 million or 3% YtD).

### Business Highlights

- In response to COVID-19 the clients turned to digital channels and the Bank proved to be well prepared also for such circumstances.
- The Bank further extended the set of products and services offered to clients using digital channels.
- NLB Contact Centre experienced extensive growth in contacts with clients.
- Clients using pay-later payment cards purchases were offered the prolongation of the existing instalment period, i.e. from 24 months to 60 months.

Table 8: Key financials of Retail Banking in Slovenia

in EUR million consolidated		Retail Banking in Slovenia							
	1-3 2020	1-3 2019	Change YoY		Q1 2020	Q4 2019	Q1 2019	Change QoQ	
Net interest income	21.3	23.0	-1.7	-7%	21.3	21.8	23.0	-2%	
Net non-interest income	18.6	20.1	-1.4	-7%	18.6	21.4	20.1	-13%	
o/w Net fee and commission income	19.3	19.5	-0.3	-1%	19.3	20.9	19.5	-8%	
<b>Total net operating income</b>	<b>39.9</b>	<b>43.0</b>	<b>-3.1</b>	<b>-7%</b>	<b>39.9</b>	<b>43.2</b>	<b>43.0</b>	<b>-8%</b>	
Total costs	-28.6	-26.8	-1.8	-7%	-28.6	-33.8	-26.8	16%	
<b>Result before impairments and provisions</b>	<b>11.4</b>	<b>16.2</b>	<b>-4.9</b>	<b>-30%</b>	<b>11.4</b>	<b>9.3</b>	<b>16.2</b>	<b>22%</b>	
Impairments and provisions	-4.6	-1.1	-3.5	-	-4.6	-1.5	-1.1	-199%	
Net gains from investments in subsidiaries, associates, and JVs <sup>1</sup>	0.2	1.1	-0.9	-81%	0.2	0.0	1.1	-	
<b>Result before tax</b>	<b>7.0</b>	<b>16.3</b>	<b>-9.3</b>	<b>-57%</b>	<b>7.0</b>	<b>7.9</b>	<b>16.3</b>	<b>-11%</b>	

Notes:

<sup>9</sup> In 2019 the segment also included the result of the JV company NLB Vita. In December 2019 NLB and KBC Insurance NV, in a joint process, agreed to sell their respective stakes. As the sale is expected to be completed within one year from signing the agreement, the investment has been transferred between non-current assets classified as held for sale and their result is no longer included in NLB Group Consolidated Financial Statements.

	31 Mar 2020	31 Dec 2019	31 Mar 2019	Change YtD		Change YoY	
Net loans to customers	2,357.4	2,385.1	2,277.1	-27.7	-1%	80.3	4%
Gross loans to customers	2,387.5	2,410.2	2,305.0	-22.7	-1%	82.6	4%
Housing loans	1,435.4	1,425.0	1,376.8	10.4	1%	58.6	4%
Interest rate on housing loans	2.51%	2.54%	2.54%	-0.03 p.p.		-0.03 p.p.	
Consumer loans	679.6	688.3	628.4	-8.7	-1%	51.2	8%
Interest rate on consumer loans	6.35%	6.33%	6.28%	0.02 p.p.		0.07 p.p.	
Other	272.5	296.9	299.7	-24.4	-8%	-27.2	-9%
Deposits from customers	6,618.3	6,456.2	6,095.4	162.1	3%	522.9	9%
Interest rate on deposits	0.05%	0.05%	0.06%	0.00 p.p.		-0.01 p.p.	
Non-performing loans (gross)	43.0	40.8	43.9	2.2	5%	-0.9	-2%

	1-3 2020	1-3 2019	Change YoY
Cost of risk (in bps) <sup>(1)</sup>	77	19	58
CIR	71.6%	62.3%	9.3 p.p.
Interest margin	1.91%	2.24%	-0.33 p.p.

<sup>(1)</sup> Cost of risk for 2019 is adjusted to new methodology.

The Bank maintained the leading position with a market share of 23.0% in retail lending (2019 YE: 23.1%) and 30.6% (2019 YE: 30.5%) in deposit-taking.

In spite of the COVID-19 pandemic the Bank managed to provide 24/7 client support by enhancing availability of digital channels and adjusting the number of branches opened (49 branches out of 92) and the number of consultants. In response to circumstances the clients were more prone to use online and mobile banking services.

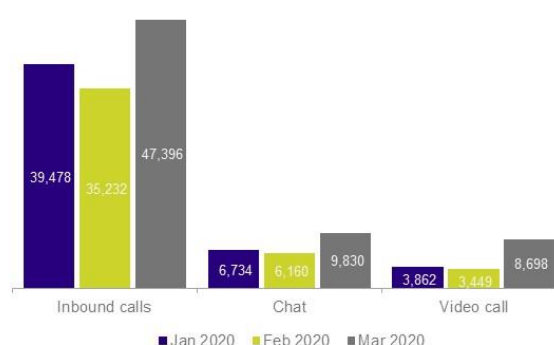
The number of digital users (unique users of e- and m-bank) in Q1 2020 increased by 6% YoY. The number of m-bank Klikin users surpassed the number of e-bank NLB Klik users for the first time. The total volume of payments in e- and m-bank increased in Q1 2020 by 15% YoY, while in March it increased by almost 18% MoM.

The NLB Contact Centre offered full customer support and experienced extensive monthly growth across all channels of communication; in March (compared to February) increases of 35% in inbound calls, 60% in chats and 152% in video call usage were recorded.

Figure 12: Use of the video call functionality (no. of contacts)



Figure 13: NLB Contact Centre in Q1 2020



The number of payments via e- and m-bank increased and indicates that clients are opting for digital payments over in-person payments via branch offices. During the COVID-19 pandemic period the payments via video call are available to clients at the same tariff as through digital channels.

COVID-19 had a negative impact on daily operations with the largest effect on decreased sales of consumer and housing loans. The Bank quickly adapted the sales process to the situation by introducing changes to its offer, namely approval of new extraordinary overdrafts was made possible via digital

channels, prolongation of extraordinary overdrafts with no personal presence of the client necessary and allowing clients to onboard to m-bank via video call.

The Bank prepared the prolongation of existing installment period (from 24 months to 60 months) to clients using pay-later payment cards purchases.

The Bank noticed increased inquiry from merchants for e-commerce card acceptance. However, the volume of transactions with NLB cards increased in Q1 2020 by 1% YoY while in March the volume reduced by 15% MoM. Similar trend was observed in cash withdrawals at ATMs.

The clients will no longer receive new PIN number upon renewal of the Maestro card to contactless card, the existing PIN number will stay valid. For all new Maestro card holders the Bank is starting to send PIN via SMS.

At the end of March an Intervention Act was adopted, stipulating the possibility to defer payment obligations of borrowers with moratorium up to 12 months. The Bank prepared the relevant measures with all necessary instructions and processes.

NLB Skladi market share increased to 34% (31 March 2019: 32%). With EUR 22.2 million of net inflows the company ranked first among comparable companies in Slovenia. The company remained the largest asset management and also mutual funds management company in Slovenia. Total assets under management amounted to EUR 1,311.9 million (31 March 2019: EUR 1,321.9 million) of which EUR 859.6 million consisted of mutual funds (31 March 2019: EUR 871.9 million) and EUR 442.2 million in the discretionary portfolio (31 March 2019: EUR 450.0 million).

In Q1 2020, the Bank continued to sell NLB Vita insurance products<sup>10</sup> and charged total gross written premium of EUR 20.4 million (Q1 2019: EUR 20.5 million), of which EUR 19.4 million was in life insurance (Q1 2019: EUR 19.5 million).

Non-life insurance products, including car and home insurance, are provided to the clients in cooperation with GENERALI Zavarovalnica. The gross written premium in Q1 2020 amounted to EUR 0.5 million (Q1 2019: EUR 0.9 million), due to the pandemic situation almost a 50% drop is recorded.

Notes:

<sup>10</sup> On 27 December 2019 NLB and KBC Insurance NV agreed to sell their respective stakes in the 50/50 life insurance joint venture NLB Vita to Sava Re, parent company of the Sava Insurance Group. NLB still sells NLB Vita insurance products.

## Corporate and Investment Banking in Slovenia

### Financial Highlights

- The segment's **profit before tax** amounted to EUR 0.04 million, EUR 19.4 million decrease YoY. The decrease is mostly due to establishment of credit impairments and provisions due to COVID-19 outbreak in Q1 2020 and lower non-interest income due to a positive one-off effect of partial repayment of a larger exposure measured at fair value through profit and loss in Q1 2019.
- **Net interest income** decreased EUR 1.4 million YoY, due to lower interest rates on loans, despite the EUR 103.7 million increase in gross loans to customers YoY (EUR 136.7 million YtD). Key and SME clients recorded a growth in gross loans (EUR 265.3 million), while gross loans in Restructuring and workout and gross loans to state recorded a decrease YoY (EUR 129.0 million and EUR 32.7 million respectively). YtD increase in corporate loans is partially linked to the COVID-19 situation (additional demand for working capital loans, revolving loans and limits for the daily liquidity).
- **Net fee and commission income** increased EUR 0.5 million YoY (6%), mostly due to increase in fees from investment banking and higher income from fees on high deposits (EUR 0.7 million in Q1 2020).
- **Total costs** increased EUR 0.3 million YoY.
- **Impairments and provisions** were established in net amount of EUR 9.7 million due to additional credit impairments and provisions related to COVID-19 outbreak in Q1 2020.
- The **Investment Banking and Custody** recorded non-interest income in the amount of EUR 3.2 million and increased by EUR 0.7 million YoY. Total income growth is the result of a larger volume of transactions and tariff adjustments. The total value of assets under custody decreased to EUR 14.1 billion (2019 YE: EUR 14.8 billion).

### Business Highlights

- Successful organization of EUR 129.8 million syndicated loans and co-organisation of the Banks own EUR 120 million issuance of subordinated bonds.
- Adequate responsive measures to ease clients' operations.
- Lending for clients was customized to overcome and mitigate the impact of COVID-19.

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

in EUR million consolidated									
Corporate and Investment Banking in Slovenia									
	1-3 2020	1-3 2019	Change YoY		Q1 2020	Q4 2019	Q1 2019	Change QoQ	
Net interest income	9.4	10.8	-1.4	-13%	9.4	8.9	10.8	5%	
Net non-interest income	10.9	15.5	-4.6	-30%	10.9	9.6	15.5	13%	
o/w Net fee and commission income	8.7	8.2	0.5	6%	8.7	7.7	8.2	13%	
<b>Total net operating income</b>	<b>20.2</b>	<b>26.3</b>	<b>-6.1</b>	<b>-23%</b>	<b>20.2</b>	<b>18.5</b>	<b>26.3</b>	<b>9%</b>	
Total costs	-10.5	-10.2	-0.3	-3%	-10.5	-12.8	-10.2	18%	
<b>Result before impairments and provisions</b>	<b>9.7</b>	<b>16.1</b>	<b>-6.4</b>	<b>-40%</b>	<b>9.7</b>	<b>5.7</b>	<b>16.1</b>	<b>72%</b>	
Impairments and provisions	-9.7	3.3	-13.0	-	-9.7	3.2	3.3	-	
<b>Result before tax</b>	<b>0.0</b>	<b>19.4</b>	<b>-19.4</b>	<b>-100%</b>	<b>0.0</b>	<b>8.9</b>	<b>19.4</b>	<b>-100%</b>	

	31 Mar 2020	31 Dec 2019	31 Mar 2019	Change YtD		Change YoY	
Net loans to customers	2,168.8	2,049.6	2,011.4	119.2	6%	157.4	8%
Gross loans to customers	2,287.5	2,150.9	2,183.8	136.7	6%	103.7	5%
Corporate	2,124.0	1,976.8	1,987.7	147.2	7%	136.4	7%
Key/SME Corporates	1,962.4	1,819.3	1,697.2	143.1	8%	265.3	16%
Interest rate on Key/SME Corporates loans	1.82%	1.82%	1.87%	0.00 p.p.		-0.05 p.p.	
Investment banking*	0.2	0.1	0.1	-		-	
Restructuring and Workout	161.4	157.4	290.4	4.0	3%	-129.0	-44%
State	163.1	173.6	195.8	-10.5	-6%	-32.7	-17%
Interest rate on State loans	3.24%	1.88%	2.84%	1.36 p.p.		0.40 p.p.	
Deposits from customers	1,203.5	1,299.1	1,111.7	-95.6	-7%	91.8	8%
Interest rate on deposits	0.07%	0.07%	0.07%	0.00 p.p.		0.00 p.p.	
Non-performing loans (gross)	145.5	128.7	262.8	16.9	13%	-117.2	-45%
	<b>1-3 2020</b>	<b>1-3 2019</b>	<b>Change YoY</b>				
Cost of risk (in bps) <sup>(1)</sup>	185	-62	247				
CIR	51.9%	38.8%	13.2 p.p.				
Interest margin	2.19%	2.38%	-0.19 p.p.				

The Bank is the leading bank in servicing corporate clients in Slovenia with by far the largest client base. It has a 17.9% market share in corporate loans (2019 YE: 17.5%), and 24.4% (2019 YE: 23.6%) in guarantees and letters of credit. The Bank is increasingly focused on mid-sized and small enterprises.

Following the development of the COVID-19 outbreak, the Bank envisaged and prepared adequate responsive measures by approving measures for prevention of clients' financial problems and liquidity issues. The Bank also fully implemented the relevant Intervention Act by adopting special processes, while the moratorium of payments by clients is also possible under the Bank's regular offer.

The Bank maintains its relationship with different Slovenian institutions, among which the most important are: SID Bank, Chamber of Commerce, Slovene Enterprise Fund, Chamber of Craft of Slovenia and regional Development Agencies. In March an agreement on mutual cooperation in the long-term lending to micro, small and medium-sized enterprises and the issuance of guarantees for 2020 was signed with the Slovene Enterprise Fund. Lending was further customized for micro and small enterprises to overcome and mitigate the impact of COVID-19.

The Group's goal is to build up clients' trust and satisfaction also on the basis of proactive support and collaboration among the Group banking members. Such teamwork creates added-value opportunities to facilitate clients' plans across the Group's home region in SEE. An important contribution can be made by those business systems that are going digital and using the Group's business solutions to enhance processes and customer experience.

A traditional Kopaonik Business Forum took place in early March and was also attended by the Group representatives, who used this event for proactive networking with the existing and potential clients.

The Bank as a mandated lead arranger successfully organized syndicated loans of EUR 129.8 million and as a joint lead manager (together with UBS) successfully organized issuance of the Bank's Tier 2 subordinated bonds in the amount of EUR 120 million in the international market.

Due to the COVID-19 pandemic FX markets have experienced rarely seen volatility. YoY comparison shows a 30% higher volume and a 60% higher margin in March 2020. Brokerage services on equity and fixed income markets also remained fully operational and capable to manage extreme order flows and still assured clients to get the service they expect, orders were processed in a timely manner. Increased

volatility in the financial markets due to the COVID-19 pandemic resulted in the rise of brokerage orders in March 2020 by 67% MoM, and 160% YoY, respectively. Brokerage fees grew by 71% YoY.

High volatility of markets doubled the number of financial instruments transactions. Uncertainty on the markets also led to a significant increase of fund disbursements. The total value of assets under custody, together with the fund administration services, was EUR 14.1 billion (31 March 2019: EUR 15.9 billion).



## Strategic Foreign Markets

### Financial Highlights

- The segment's **profit before tax** amounted to EUR 11.3 million, 49% decrease YoY, mostly due to established impairments and provisions due to COVID-19 outbreak.
- Increase of **net interest income** by EUR 1.2 million (3%) YoY was recorded due to higher volume (increase of gross loans to customers by 11% YoY), despite the decreasing trend of interest margins.
- Net non-interest income** increased by EUR 0.5 million or 4% YoY while **net fee and commission income** increased by EUR 1.1 million or 9% YoY, mostly from retail segment.
- Total costs** increased by EUR 1.8 million or 7% YoY, mostly due to increase in employee costs (EUR 0.8 million YoY).
- Impairments and provisions** established in net amount of EUR 13.9 million due to COVID-19 outbreak in Q1 2020.
- Gross loans to customers** increased by EUR 70.9 million (2%) YtD due to increase in gross loans in all subsidiary banks, whereas the largest YtD increases were recorded in NLB Banka, Beograd (EUR 26.3 million), NLB Banka, Prishtina (EUR 15.0 million), and NLB Banka, Podgorica (EUR 14.3 million).

### Business Highlights

- All subsidiary banks reported profit and contributed significantly to the Group's result a.t. (49%).

Table 10: Key Financials of Strategic Foreign Markets

Strategic Foreign Markets								
in EUR million consolidated								
	1-3 2020	1-3 2019	Change YoY		Q1 2020	Q4 2019	Q1 2019	Change QoQ
Net interest income	39.8	38.6	1.2	3%	39.8	40.0	38.6	0%
Net non-interest income	13.0	12.5	0.5	4%	13.0	15.4	12.5	-16%
o/w Net fee and commission income	13.3	12.2	1.1	9%	13.3	14.5	12.2	-8%
<b>Total net operating income</b>	<b>52.8</b>	<b>51.1</b>	<b>1.7</b>	<b>3%</b>	<b>52.8</b>	<b>55.4</b>	<b>51.1</b>	<b>-5%</b>
Total costs	-27.6	-25.7	-1.8	-7%	-27.6	-29.1	-25.7	5%
<b>Result before impairments and provisions</b>	<b>25.3</b>	<b>25.4</b>	<b>-0.1</b>	<b>0%</b>	<b>25.3</b>	<b>26.3</b>	<b>25.4</b>	<b>-4%</b>
Impairments and provisions	-13.9	-3.2	-10.7	-	-13.9	-5.3	-3.2	-163%
<b>Result before tax</b>	<b>11.3</b>	<b>22.2</b>	<b>-10.8</b>	<b>-49%</b>	<b>11.3</b>	<b>21.0</b>	<b>22.2</b>	<b>-46%</b>
o/w Result of minority shareholders	1.2	2.0	-0.8	-41%	1.2	2.0	2.0	-43%

	31 Mar 2020	31 Dec 2019	31 Mar 2019	Change YtD		Change YoY	
Net loans to customers	3,086.7	3,024.6	2,753.6	62.1	2%	333.1	12%
Gross loans to customers	3,232.9	3,162.1	2,915.8	70.9	2%	317.2	11%
Individuals	1,632.3	1,603.8	1,466.7	28.5	2%	165.6	11%
<i>Interest rate on retail loans</i>	<i>6.48%</i>	<i>6.71%</i>	<i>6.80%</i>	<i>-0.23 p.p.</i>		<i>-0.32 p.p.</i>	
Corporate	1,494.8	1,470.3	1,364.6	24.5	2%	130.1	10%
<i>Interest rate on corporate loans</i>	<i>4.29%</i>	<i>4.49%</i>	<i>4.71%</i>	<i>-0.20 p.p.</i>		<i>-0.42 p.p.</i>	
State	105.9	88.0	84.4	17.9	20%	21.5	25%
<i>Interest rate on state loans</i>	<i>3.34%</i>	<i>4.00%</i>	<i>4.23%</i>	<i>-0.66 p.p.</i>		<i>-0.89 p.p.</i>	
Deposits from customers	3,825.7	3,856.7	3,466.1	-30.9	-1%	359.6	10%
<i>Interest rate on deposits</i>	<i>0.48%</i>	<i>0.53%</i>	<i>0.56%</i>	<i>-0.05 p.p.</i>		<i>-0.08 p.p.</i>	
Non-performing loans (gross)	111.5	111.6	146.2	-0.1	0%	-34.7	-24%

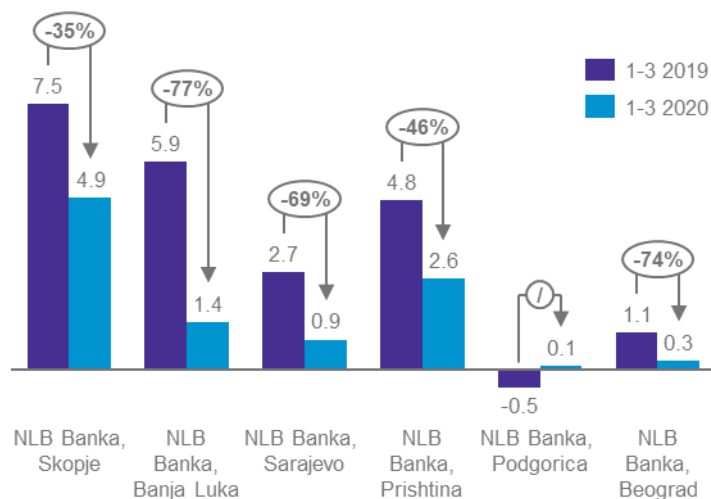
	1-3 2020	1-3 2019	Change YoY
Cost of risk (in bps) <sup>(i)</sup>	181	-10	191
CIR	52.1%	50.3%	1.8 p.p.
Interest margin	3.43%	3.71%	-0.28 p.p.

<sup>(i)</sup> Cost of risk for 2019 is adjusted to new methodology.

COVID-19 pandemic heavily affected the region where the Group banks are operating. All the countries are faced with ongoing restrictions in terms of people mobility and limitations in normal business operations. The primary focus of the banks was in ensuring business continuity, establishing a safe working environment for the employees as well as offering safe and sufficient service availability to the clients.

The local regulators in each of the six markets, where the Group's subsidiary banks are present, adopted new regulatory frameworks to cope with the circumstances and its implications to the economies of the region, and the Group banks have quickly and effectively aligned their operations accordingly with the aim of offering adequate support to corporate and retail clients affected by the crisis. In line with the regulatory recommendations, the dividend payments of the Group members will be postponed till the end of 2020, when the pay-out possibilities will be reassessed.

Figure 14: Net profit of strategic NLB Group banks<sup>11</sup> (in EUR million)



All SEE subsidiary banks reported profits and contributed significantly (49%) to the Group's result a.t. (Q1 2019: 31%).

The net profit of the subsidiary banks in Q1 was EUR 10.0 million in total as the favourable trends of increasing business volumes continued throughout most of the period. From mid-March the COVID-19 outbreak caused a rapid decline in loan demand and a moderate outflow of funds in certain markets. Compared to 2019 YE the gross loans to customers still grew in all subsidiaries; the largest increase was realized by NLB Banka, Beograd (6%), followed by NLB Banka, Podgorica (4%) and NLB Banka, Prishtina (3%). Tight cost management resulted in NLB Banka, Prishtina, reaching the group-wide best CIR of 32.8%, followed by NLB Banka, Skopje with 41.5% and NLB Banka, Banja Luka with 47.8%.

With the weakness of demand the focus has now shifted to applications of the government supported loan repayment deferral activities.

Notes:

<sup>11</sup> Data on the stand-alone basis as included in the consolidated financial statements of the Group.

## Financial Markets in Slovenia

### Financial Highlights

- **Net interest income** was EUR 0.5 million (9%) higher YoY, mostly due to balance sheet management strategy where key priority is de-stimulating of deposit collection due to over liquidity of the bank. FTP for collected deposits decreased, driving ALM expenses substantially lower. This effect was partly neutralized with lower income from the banking book securities portfolio.
- Lower **net non-interest income**, EUR 1.0 million YoY, mostly due to open FX position in HRK, AUD, NOK, RUB and CAD and volatility of those currencies on financial markets. This effect was partly neutralized with higher net interest income from money market deposits in foreign currencies.
- Increase in **balances with central banks** (EUR 415.7 million YoY and EUR 37.9 million YtD), while **Banking book securities** decreased substantially YtD (EUR 116.1 million). Change in the position reflects measures related to management of credit spread risk exposure and regulatory capital optimization. Cashflow from due and sold securities and from raised subordinated debt was placed with the Central Bank.

### Business Highlights

- The Bank issued Tier 2 subordinated bonds in the total amount of EUR 120 million on international capital markets.

Table 11: Key Financials of Financial Markets in Slovenia

in million EUR consolidated		Financial Markets in Slovenia							
	1-3 2020	1-3 2019	Change YoY		Q1 2020	Q4 2019	Q1 2019	Change QoQ	
Net interest income	6.5	6.0	0.5	9%	6.5	8.4	6.0	-22%	
Net non-interest income	1.2	2.1	-1.0	-45%	1.2	0.3	2.1	-	
<b>Total net operating income</b>	<b>7.7</b>	<b>8.1</b>	<b>-0.4</b>	<b>-5%</b>	<b>7.7</b>	<b>8.7</b>	<b>8.1</b>	<b>-11%</b>	
Total costs	-1.9	-1.7	-0.2	-10%	-1.9	-2.3	-1.7	19%	
<b>Result before impairments and provisions</b>	<b>5.8</b>	<b>6.4</b>	<b>-0.6</b>	<b>-9%</b>	<b>5.8</b>	<b>6.3</b>	<b>6.4</b>	<b>-8%</b>	
Impairments and provisions	0.0	-0.3	0.3	94%	0.0	0.0	-0.3	-	
<b>Result before tax</b>	<b>5.8</b>	<b>6.1</b>	<b>-0.3</b>	<b>-5%</b>	<b>5.8</b>	<b>6.4</b>	<b>6.1</b>	<b>-9%</b>	
	<b>31 Mar 2020</b>	<b>31 Dec 2019</b>	<b>31 Mar 2019</b>	<b>Change YtD</b>	<b>Change YoY</b>				
Balances with Central banks	1,082.0	1,044.1	666.3	37.9	4%	415.7	62%		
Banking book securities	2,977.5	3,093.6	2,924.1	-116.1	-4%	53.4	2%		
<i>Interest rate on banking book securities</i>	<i>0.80%</i>	<i>1.03%</i>	<i>1.10%</i>	<i>-0.23 p.p.</i>		<i>-0.30 p.p.</i>			
Wholesale funding <sup>(1)</sup>	161.5	161.6	244.0	-0.1	0%	-82.5	-34%		
<i>Interest rate on wholesale funding<sup>(1)</sup></i>	<i>0.57%</i>	<i>0.50%</i>	<i>0.51%</i>	<i>0.07 p.p.</i>		<i>0.06 p.p.</i>			
Subordinated liabilities	286.6	210.6	-	76.1	36%	-	-		
<i>Interest rate on subordinated liabilities</i>	<i>3.41%</i>	<i>4.03%</i>	-	-	-	-	-		

<sup>(1)</sup> Item includes only borrowings, till 30 June 2019 it included also deposits from banks.

The main mission of the segment continued to be the Group's activities on the international financial markets, including treasury operations. In the challenging environment of low interest rates on financial markets the major focus was on prudent liquidity reserves management and compliance with the regulatory requirements.

In February, the Bank successfully completed the issuance of subordinated Tier 2 notes for inclusion in additional capital in the aggregate amount of EUR 120 million on the international capital markets, with the interest rate of 3.4% p.a.

## Non-Core Members

### Financial Highlights

- A substantial decrease in **total assets** of the segment YoY (EUR 58.2 million) which is in line with the divestment strategy of the non-core segment, hence EUR 2.5 million YoY decrease of **net operating income**.
- The segment recorded EUR 2.2 million of **loss before tax**.
- Lower **net non-interest income** due to positive effect from contractual penalty (EUR 1.3 million) in Q1 2019.
- Additional impairments for credit risk.

### Business Highlights

- Non-core members continued their endeavors to monetize assets in their ownership in line with the liquidation plan, however, due to the circumstances surrounding the COVID-19, such endeavors were in the second half of March gravely impeded and will be postponed.

Table 12: Key Financials of Non-Core members

in EUR million consolidated									
Non-Core Members									
	1-3 2020	1-3 2019	Change YoY		Q1 2020	Q4 2019	Q1 2019	Change QoQ	
Net interest income	0.4	1.0	-0.6	-61%	0.4	0.6	1.0	-33%	
Net non-interest income	1.0	2.9	-1.9	-65%	1.0	1.9	2.9	-45%	
<b>Total net operating income</b>	<b>1.4</b>	<b>3.9</b>	<b>-2.5</b>	<b>-64%</b>	<b>1.4</b>	<b>2.5</b>	<b>3.9</b>	<b>-43%</b>	
Total costs	-3.4	-3.2	-0.3	-9%	-3.4	-4.2	-3.2	18%	
<b>Result before impairments and provisions</b>	<b>-2.0</b>	<b>0.7</b>	<b>-2.8</b>	-	<b>-2.0</b>	<b>-1.7</b>	<b>0.7</b>	<b>-16%</b>	
Impairments and provisions	-0.2	0.7	-0.9	-	-0.2	-1.4	0.7	84%	
<b>Result before tax</b>	<b>-2.2</b>	<b>1.4</b>	<b>-3.7</b>	-	<b>-2.2</b>	<b>-3.2</b>	<b>1.4</b>	<b>29%</b>	
	31 Mar 2020	31 Dec 2019	31 Mar 2019	Change YtD		Change YoY			
<b>Segment assets</b>	<b>158.7</b>	<b>169.5</b>	<b>216.9</b>	<b>-10.7</b>	<b>-6%</b>	<b>-58.2</b>	<b>-27%</b>		
Net loans to customers	60.2	67.4	103.8	-7.2	-11%	-43.6	-42%		
Gross loans to customers	130.9	137.2	196.0	-6.3	-5%	-65.1	-33%		
Investment property and property & equipment received for repayment of loans	74.5	75.6	85.4	-1.0	-1%	-10.9	-13%		
Other assets	24.0	26.5	27.7	-2.5	-9%	-3.7	-14%		
Non-performing loans (gross)	93.4	93.6	126.3	-0.2	0%	-32.9	-26%		
	1-3 2020	1-3 2019	Change YoY						
Cost of risk (in bps) <sup>(1)</sup>	116	-243	359						
CIR	242.8%	81.1%	161.8 p.p.						

<sup>(1)</sup> Cost of risk for 2019 is adjusted to new methodology.

The main objective of the non-core segment remained rigorous wind-down of all non-core portfolios and subsequent reduction of costs.

# Mid-Term Targets, Risk Factors and Outlook 2020

## Mid-Term Targets by 2023

Table 13: Key performance indicators

	1-3/31 March 2020	1-3/31 March 2019	Mid-term Targets <sup>(iv)</sup>
Net interest margin (NIM) <sup>(i)</sup>	2.29%	2.56%	> 2.7%
Loan to deposit (LTD) ratio	66.6%	68.0%	< 95%
Total capital ratio	18.5%	16.6%	15.75% <sup>(iii)</sup>
Costs to income ratio (CIR)	60.3%	51.8% <sup>(iii)</sup>	~ 50.0%
Cost of risk Net (bps)	146	-23	< 90
NPE ratio (EBA definition)	2.7%	4.3%	< 4.0%
Return on equity after tax (ROE a.t.)	4.3%	14.0%	~12.0%

<sup>(i)</sup> Calculated on the basis of average interest bearing assets.

<sup>(ii)</sup> CIR is adjusted to changed schemes prescribed by the BoS.

<sup>(iii)</sup> Revised in April 2020 (from 16.25%); target total capital ratio is regularly revised by the competent bodies to reflect each time the applicable capital requirements.

<sup>(iv)</sup> Mid-term targets are subject to review as COVID-19 will likely have a negative impact on achievement of the targets within the originally foreseen timeframe (2023).

In line with the updated comprehensive five-year strategy approved in November 2019 the Group has been pursuing a range of activities to achieve its strategic financial objectives including mid-term targets set by 2023. The COVID-19 pandemic will most likely impact on the ability of the Group to achieve those targets. The effects of COVID-19 have, however, accelerated the development of the Group's digitisation initiatives, which over time will reduce its physical footprint, enhance efficiency and strengthen customer service. The benefits of digitalisation have already been apparent in Slovenia where the branch network has been substantially reduced in the last few years. In addition, the pending acquisition of Komercijalna banka a.d. Beograd - which is under way to be completed by the end of 2020 (subject to, amongst other things, numerous regulatory approvals) - would materially increase the Group's exposure to Serbia, which in the long term should provide the Group with opportunities for superior levels of growth and profitability. To date, the effects of COVID-19 in Serbia have been less severe than many other countries in the region, with the economy expected to rebound strongly once the health crisis has abated.

As a systemic player in the SEE markets the Group also plays an important societal role and actively contributes to a better quality of life in the region.

The Group has also proven itself by swift and effective response to the outbreak of the COVID-19 in March 2020. Since then the Group has taken various necessary measures to protect its employees and customers, and at the same time ensured uninterrupted services. As the spread of the coronavirus continues to evolve, it is challenging to predict the full extent and duration of its negative business and economic implications. At the same time the Group has started its preparation for the post-crisis period and keeps analysing in what form it could benefit from the changed market conditions in the mid- and long-term.

## Risk Factors

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

Economic momentum in the region where the Group operates has worsened due to COVID-19 pandemic that started at the end of Q1 2020. Governments in the region implemented different mitigation measures, with the aim of mitigating adverse negative impacts of the pandemic. Substantial drop in the economic activity, lower industrial production and consumer spending is expected to cause an economic slowdown and increased unemployment in the region.

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

Consequently, the economic slowdown is expected to have a negative impact on the existing loan portfolio quality, related cost of risk and new loan generation. Credit spread widening, arising from Groups' bond portfolio kept for liquidity purposes, already resulted in negative valuation effects. Therefore, the related Groups' investment strategy adapts to the expected market trends in accordance with the set risk appetite. Liquidity position of the Group is expected to remain solid, impacts of pandemic did not cause any material liquidity outflows. However, such circumstances are expected to have negative impact on the Group's current operating results and related profitability. In this regard, the Group closely follows macroeconomic indicators relevant to the Group's 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.

The Group established comprehensive internal stress testing framework and early warning systems in different risk areas with built-in risk factors, relevant to the Group's business model. Stress testing framework is integrated into Risk appetite, ICAAP, ILAAP and Recovery Plan to determine how severe unexpected changes in the business and macro environment might affect the Group's capital adequacy or liquidity position.

The Group prepared a first set of new macroeconomic scenarios, based on the forecasts prepared by the EC, IMF, UMAR, BoS, other reliable experts and related off-set measures, approved by governments in the region. These scenarios which are currently based on the expected U-crisis (severe deterioration of macroeconomic indicators in 2020 and moderate positive growth in 2021) and integrating government mitigation measures are already included in the calculation of expected credit losses in accordance with IFRS 9. Nevertheless, IFRS 9 provision and impairment calculation will be reviewed in Q2 2020. Both, stress testing framework and recovery plan indicators, support proactive management of the Group's

overall risk profile in these circumstances, namely capital and liquidity position from a forward-looking perspective.

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

## Outlook 2020

The Euro area, with an already weak economic growth in 2019, could contract by around 6.5% this year, while Slovenia can experience a similar contraction (6.0%). The economic growth in the Group's region could drop to around -4.5% this year. Fiscal measures will be mostly financed by government budgets, which will force them into borrowing, which will in turn increase their public debts. This scenario is expected in case the coronavirus outbreak is put under control and the lockdowns are lifted by the end of May 2020. In this case a U-shaped recession is expected. With an additional month or two of lockdown, the recession will be deeper and as a prolonged U-shape. If the outbreak takes longer and if there will be a second (external) wave of infections, a deep long-term recession with L-shape could be expected. The downside risks remain but with sufficient countervailing measures the worst scenarios can be avoided.

Following the indications of the outbreak of the COVID-19 in March 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 services offered by the Group are provided without any disruption. As the outbreak and spread of the coronavirus continues to evolve, it is challenging to predict the full extent and duration of its business and economic implications.

The overall slow-down of the economy is expected to have a negative impact on new loan generation and consequently lower net interest income than previously expected. Margins are expected to be under further pressure. The additional pressure on interest income in retail market in Slovenia is expected due to regulatory restrictions for consumer lending put in place by the end of 2019.

A negative effect is expected also on fees and commissions as a result of lower transaction volumes, of which the most significant negative deviation is foreseen in relation to the card business and in payments.

Nevertheless, the Group continues to strive for increasing margins over time by emphasising higher margin activities and pursuing new opportunities such as leasing.

Due to slower business operations linked to moratoriums and the crisis, some of the activities of the Group are expected to be cancelled or postponed; which is expected to result in lower costs. On the other hand, costs related to protection of health - hygiene, safety products and transportation, resulting from the current situation, are expected to increase.

Due to the impact of worsened macroeconomic environment at the end of Q1 2020 the Group made one-off adjustment of expected credit losses in accordance with new macro forecasts, consequently resulting in

an increase of cost of risk. The cost of risk for 2020 is under current knowledge and anticipated consequences expected to be in a range of 150 bps, although this will depend on the length and severity of disruption in corporate operations and consumer incomes. An important factor, currently hard to assess, is expected to be the impact of off-setting measures by governments, where special focus is on retail automatic stabilisers (special social transfers for employees and the self-employed affected by the crisis) and government guarantee schemes for liquidity of companies.

Clients who apply for a moratorium, as a response to COVID-19 epidemic in the region where the Group operates, will not be automatically classified as forbearance measures, as per IFRS 9 and the definition of default. The Group will assess the credit quality of the exposures benefiting from these measures and identify any situation of unlikeliness to pay. In Q2 2020 the Group will review IFRS 9 provisioning by testing a set of relevant macroeconomic scenarios to adequately reflect the current circumstances and related future impacts.

From liquidity perspective the Group did not register any material liquidity outflows, on the contrary deposits on the Group level are even increasing. In addition, the Group holds a very strong liquidity position, at the Group and individual subsidiary bank level. Even if a very unfavourable liquidity scenario materialized, the Group has sufficient liquidity reserves in the form of placements at the ECB, prime debt securities, and money market placements.

The Group capital position was due to the recent issuances of subordinated Tier 2 notes even stronger at the end of Q1 2020 and stood at 18.5%; it 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, also in the aggravated circumstances during COVID-19 pandemic. The recently adopted ECB measures allow the Group to benefit from the lower capital requirements, while due to the ECB Recommendation on dividend distributions during the COVID-19 pandemic towards European banks, accompanied also with the BoS restriction on dividend distributions applicable for Slovenian banks, the dividend distributions by the Bank are not envisaged in 2020.

Regarding the process of the potential acquisition of Komercijalna banka a.d. Beograd in Serbia (share purchase agreement signed in February 2020, closing process pending), the timing and eventual outcome of the transaction is still subject to regulatory and anti-trust approvals in multiple jurisdictions, as well as other factors closely related to the wider implications COVID-19. Therefore any potential effects the aforementioned acquisition might have are not included in the outlook.



## Asset Quality

The Group 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, designed in accordance with business strategy. 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.

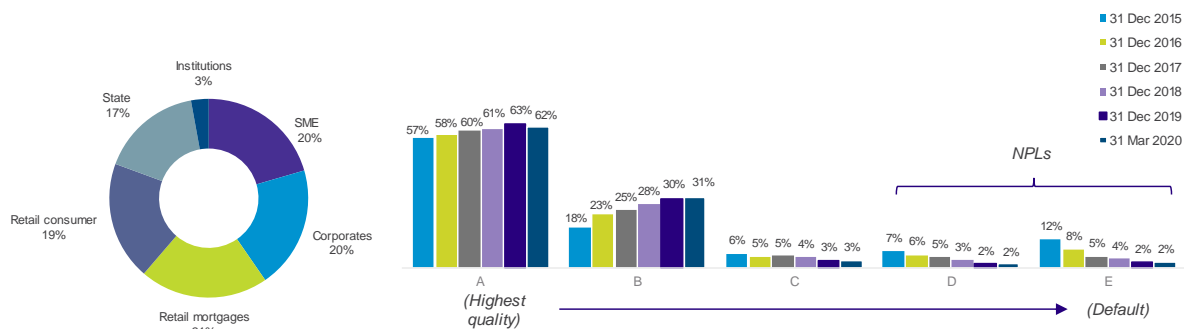
Maintaining a high credit portfolio quality is the most important goal, with the focus on cautious risk taking and quality of new loans leading to a diversified portfolio of customers. The Group is constantly developing a wide range of advanced approaches in the segment of credit risk assessment in line 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.

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, while on the corporate segment, the Bank established cooperation with selected corporate clients (through different types of lending or investments instruments). All other banking members 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 taking into account prudent risk management principles.

The overall slow-down of the economy, caused by COVID-19 epidemic at the end of Q1 2020, is expected to have a negative impact on the existing loan portfolio quality and new loan generation. Cost of risk increased due to the impact of worsened macroeconomic environment at the end of Q1 2020, where its materiality and impacts on risk profile of the loan portfolio in the future will mostly depend on the length and severity of disruption in corporate operations and average retail income (further details are available in section Risk factors and Outlook 2020).

In Q2 2020 the Group will review IFRS 9 provisioning by testing a set of relevant macroeconomic scenarios to adequately reflect the current circumstances and related future impacts.

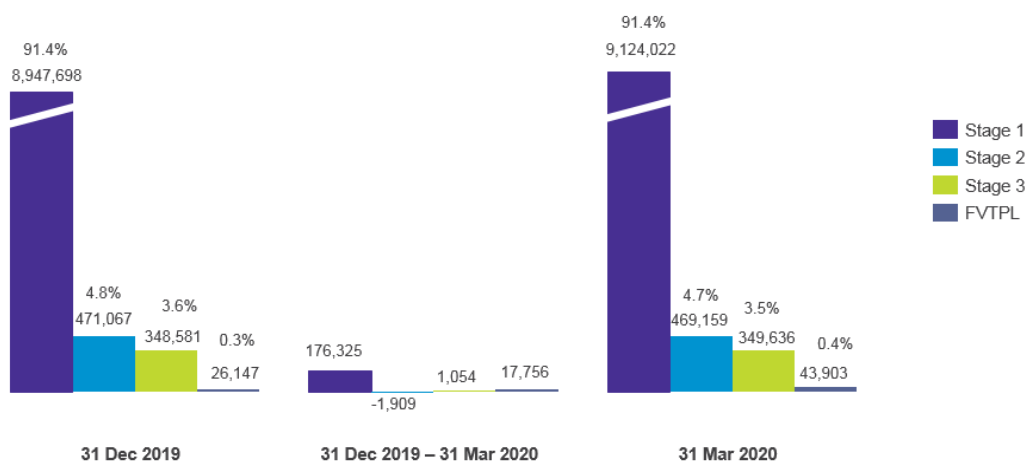
Figure 15: NLB Group structure of the credit portfolio (gross loans) by segment and rating<sup>12</sup>



The current structure of credit portfolio (gross loans) consists of 40% of retail clients, 20% of large corporate clients, 20% of SMEs and micro companies, while the remainder of the portfolio consists of other liquid assets. There is no large concentration in any specific industry or client segment.

The majority of the Group’s loan portfolio is classified as Stage 1 (91.4%), a relatively small portion as Stage 2 (4.7%) and Stage 3 (3.5%). Loans in stages from 1 to 3 are measured at amortized cost, while the remaining minor part (0.4%) represents FVTPL. The portfolio quality was very stable with increasing Stage 1 exposures and a reduction of NPL loans, which are below the Slovenian average. High percentage of Stage 1 loan portfolio is a result of cautious lending policy, while the volume of Stage 2 and 3 loans is quite limited.

Figure 16: NLB Group loan portfolio (valued at amortized cost) by stages



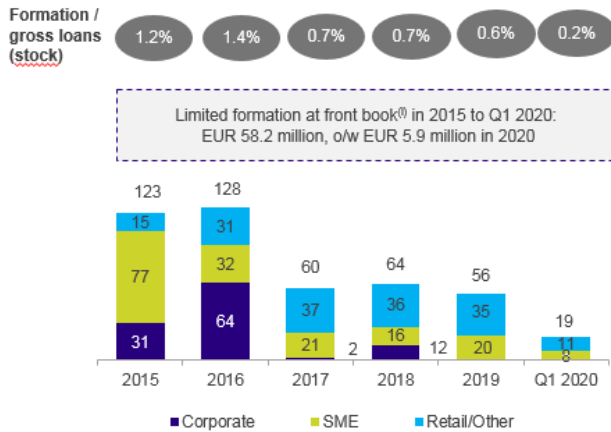
The Group is actively present on the market in the SEE region, financing existing and new creditworthy clients. The successful deleveraging of companies and new investment projects in Slovenia have had a positive influence on the approval of new loans, but nevertheless lending growth in corporate segment remained relatively moderate. In the retail segment, especially in the consumer loan segment, positive trends have been recorded throughout the region. The low unemployment rate and relatively high wage

Notes:

<sup>12</sup> Gross exposures also include reserves at central banks and demand deposits at banks.

growth reflected in the increased household consumption alongside with the increasing residential real-estate prices. Efforts led to cumulatively very low new NPLs formation in the amount of EUR 58.2 million, which represents 0.6% of the total portfolio. In addition, macroeconomic environment across the region, affected by economic slowdown at the end of Q1 2020, resulted in an increased cost of risk. Nevertheless, cost of risk might additionally increase due to worsened economic circumstances caused by COVID-19 pandemic.

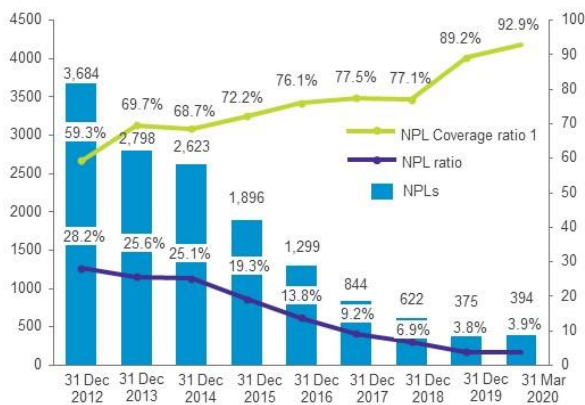
Figure 17: NLB Group gross NPL formation (in EUR million)



<sup>(1)</sup> Refers to Corporate and Retail loans disbursed since 2015.

Precisely set targets in the Group’s NPL Strategy, and different proactive workout approaches supported the management of the non-performing portfolio. Group’s approach to NPL management gives strong emphasis on restructuring, and use of other active NPL management tools such as foreclosure of collateral, the sale of claims and pledged assets. The existing non-performing credit portfolio stock in the Group slightly increased at the end of Q1 2020 to EUR 394 million (2019 YE: EUR 375 million). The combined result of all of the effects resulted in 3.9% of NPLs, while the internationally more comparable NPE ratio, based on the EBA methodology, remained at year-end level at 2.7%. Group’s indicator gross NPL ratio, defined by the EBA, also stayed unchanged at 4.6%, and below the regulatory defined threshold for establishment of NPL strategy framework.

Figure 18: NLB Group NPL, NPL ratio and Coverage ratio<sup>13</sup>



Notes:

<sup>13</sup> By internal definition.

An important Group's strength is the NPL coverage ratio 1 (coverage of gross NPL with impairments for all loans), which remains high at 92.9%. Furthermore, the Group's NPL coverage ratio 2 (coverage of gross NPL with impairments for NPL) stands at 63.8%, which is well above the EU average as published by the EBA (44.7% for Q4 2019). As such, it enables a further reduction in NPLs without significantly influencing the cost of risk in the coming years. Moreover, it proves that past reduction was done on average without a negative impact to the profit and loss account.

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 of 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 insurance companies and guarantors.

## Corporate Governance

### Management Board of the Bank

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 six members (the president and up to five members), 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.

On 30 October 2019, the Supervisory Board of NLB (Supervisory Board) and László Pelle, member of the Management Board and COO, agreed on the termination of his office effective from 31 January 2020. Therefore, on 29 November 2019, the Supervisory Board appointed Petr Brunclík as member of the Management Board, with a five-year term of office from the day he receives consent by the ECB.

Petr Brunclík joined NLB on 2 February 2020 in a function of Executive Assistant of the Management Board. After receiving consent by the ECB he will assume the function of COO and will be responsible for the IT, operations, procurement, and corporate real-estate management departments. The new COO is joining the Bank during its intense digital and IT transformation, challenges associated with the containment measures for the impediment of the coronavirus (COVID-19), as well as numerous challenges being set forth to the banking sector by various fintech companies, and continuing calls to improve customer experience.

### 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. The Supervisory Board acts in accordance with the highest ethical standards, preventing any conflict of interest.

In Q1 2020, there were no changes in the composition of NLB Supervisory Board and its committees compared to previous reporting.

### General Meeting

The shareholders exercise their rights related to the Bank's operations at General Meetings. The Bank's General Meeting pass 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 to shares and equity securities of the Bank.

On 2 April 2020, the NLB Supervisory Board met at its 61st meeting and confirmed two Group reports for 2019: the Annual Report and the Annual Report on Corporate Social Responsibility. The Supervisory Board also confirmed the proposal by the Management Board to convene the General Meeting of NLB, which is scheduled for 15 June 2020.

At the General Meeting, the shareholders will vote on the proposal regarding the allocation of distributable profit from 2019. The Management and Supervisory Boards will propose to the shareholders to keep the entire distributable profit generated by NLB totalling EUR 228,039,879.73 (including the net profit generated in 2019, as well as the profit carried over from the previous years) undistributed as profit to be carried over and not envisaged for distribution due to BoS restrictions on dividend distributions.

The Supervisory Board will also propose to the General Meeting of NLB to nominate members of the NLB Supervisory Board, since the four-year mandate of the current four members expires in 2020. The shareholders will also vote on the proposal regarding the amendments to the Articles of Association of NLB, referring to the participation of workers in the governing body of the Bank in accordance with the Decision passed by the Constitutional Court of the Republic of Slovenia. In addition, an amendment to the Articles of Association is proposed, which enables the Management Board of NLB to convene the General Meeting by electronic means without the physical presence of shareholders.

## **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 apart from changes in the Management Board, as mentioned above, there were no changes made to the Supervisory Board and Internal Audit of the Bank.

## Events after 31 March 2020

On 9 April the Bank disclosed the amendment of the composition of the Pillar 2 additional own funds requirement (P2R). The Bank received a new decision amending the composition of the Pillar 2 (P2R) additional own funds requirement of the currently applicable Decision establishing prudential requirements (SREP). The Pillar 2 additional own funds requirement to be held in the form of CET1 capital, shall, instead, be held in the form of 56.25% of CET1 capital and 75% of Tier 1 capital, as a minimum. The TSCR and the Pillar 2 additional own funds requirement remained unchanged. The decision was applied retroactively from 12 March 2020.

On 9 April the Bank received the decision of the BoS relating to MREL requirement, which amounts to 15.56% of TLOF on sub-consolidated level of the NLB Resolution Group (consisting of the Bank and non-core part of the Group). MREL requirement shall be reached by 31 December 2021 and shall be met at all times from that date onwards. This BoS decision superseded the previous BoS decision on MREL requirement dated 15 May 2019.

On 11 May the Bank disclosed that it is in discussions with Multilateral Investment Guarantee Agency (MIGA; part of World Bank Group) for obtaining guarantees, to insure against the risk of expropriation of mandatory reserves held by the Group banking members with their local central banks, for optimizing the Bank's capital on consolidated basis by reducing the RWA by around EUR 300 million.

Since the Intervention Measure Act on Deferred Payments of Borrowers' Obligations (ZIUOPOK), adopted due to COVID-19 pandemic, came into force in Slovenia on 11 April and based on the received applications for loan moratoriums the Bank by the end of April 2020 granted almost 3,800 such moratoriums in the total amount close to EUR 222 million, of which EUR 130 million to its corporate clients and EUR 92 million to its retail clients. Based on similar intervention acts relating to the debt payment moratorium imposed by governments where the Group operates the Group banking members in SEE by the end of April 2020 granted approximately 49,160 moratoriums in the amount close to EUR 890 million, of which almost EUR 500 million to its corporate clients and close to EUR 390 million to its retail clients. Most of these moratoriums were concluded in April, while in some countries partially already in March 2020. It should be noted that markets such as North Macedonia and Serbia implemented such schemes on an opt-out basis or as strong obligatory measure such as Kosovo and Montenegro, which means that a relatively large share (under current expectations more than 50%) of exposures have been included or will be included (North Macedonia). Other countries like Bosnia and Hercegovina and Slovenia, expect less than 30% of moratoriums. The moratorium applies to a large group of obligors predefined on the basis of broad criteria (national law, business segment, product range, etc) and envisages only changes to the schedule of payments, namely by suspending, postponing or reducing the payments of principal amounts, interest or of full instalments, for a predefined limited period of time. Moratoriums are granted for the period between 3 to 12 months, subject to applicable government measure. Currently beside the stated realised moratoriums the Group has around EUR 700 million requests for moratoriums still pending (50% from North Macedonia on an opt-out basis and the rest based on individual requests mainly from Slovenia).

On 13 May 2020 the ECB provided its consent to the appointment of Petr Brunclík as a member of the NLB Management Board and Chief Operating Officer (COO). After being appointed by the NLB Supervisory Board at the end of November 2019, Petr Brunclík joined NLB in February 2020.





# Unaudited Condensed Interim Financial Statements of NLB Group and NLB

as at 31 March 2020

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

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## Condensed income statement for the period ended 31 March

in EUR thousands

	Notes	NLB Group		NLB	
		three months ended		three months ended	
		March 2020	March 2019	March 2020	March 2019
		unaudited	unaudited	unaudited	unaudited
Interest income, using the effective interest method		88,525	88,718	43,108	43,652
Interest income, not using the effective interest method		2,031	1,721	2,030	1,724
Interest and similar income	4.1.	90,556	90,439	45,138	45,376
Interest and similar expenses	4.1.	(13,192)	(11,089)	(7,973)	(5,619)
<b>Net interest income</b>		<b>77,364</b>	<b>79,350</b>	<b>37,165</b>	<b>39,757</b>
Dividend income	4.2.	11	79	8	4,398
Fee and commission income	4.3.	57,810	53,842	34,084	32,649
Fee and commission expenses	4.3.	(15,397)	(13,759)	(8,001)	(7,429)
<b>Net fee and commission income</b>		<b>42,413</b>	<b>40,083</b>	<b>26,083</b>	<b>25,220</b>
Gains less losses from financial assets and liabilities not measured as at fair value through profit or loss	4.4.	2,362	2,567	2,362	2,567
Gains less losses from financial assets and liabilities held for trading	4.5.	2,612	2,651	708	1,116
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	4.6.	(474)	7,207	680	6,450
Fair value adjustments in hedge accounting		165	(56)	165	(56)
Foreign exchange translation gains less losses		(899)	33	(687)	67
Net gains or losses on derecognition of investments in subsidiaries, joint ventures and associates		-	(105)	-	(1)
Gains less losses on derecognition of non-financial assets		331	393	7	24
Other net operating income	4.7.	2,272	4,594	1,642	1,856
Administrative expenses	4.8.	(66,574)	(61,984)	(41,673)	(37,899)
Cash contributions to deposit guarantee schemes		(2,364)	(2,187)	-	-
Depreciation and amortisation	4.9.	(8,051)	(7,728)	(4,652)	(4,332)
Gains less losses from modification		-	(106)	-	-
Provisions for credit losses	4.10.	(505)	905	825	643
Provisions for other liabilities and charges	4.10.	(135)	(2,987)	-	-
Impairment of financial assets	4.11.	(27,650)	2,396	(15,030)	2,165
Impairment of non-financial assets	4.11.	(42)	(939)	-	3,329
Share of profit from investments in associates and joint ventures (accounted for using the equity method)		218	1,130	-	-
Gains less losses from non-current assets classified as held for sale		(5)	(3)	(5)	-
<b>Profit before income tax</b>		<b>21,049</b>	<b>65,293</b>	<b>7,598</b>	<b>45,304</b>
Income tax	4.12.	(1,575)	(5,434)	(122)	(3,094)
<b>Profit for the period</b>		<b>19,474</b>	<b>59,859</b>	<b>7,476</b>	<b>42,210</b>
Attributable to owners of the parent		18,311	57,893	7,476	42,210
Attributable to non-controlling interests		1,163	1,966	-	-
Earnings per share/diluted earnings per share (in EUR per share)		0.92	2.89	0.37	2.11

## Condensed statement of comprehensive income for the period ended 31 March


		in EUR thousands			
		NLB Group		NLB	
		three months ended		three months ended	
		March	March	March	March
		2020	2019	2020	2019
		unaudited	unaudited	unaudited	unaudited
	Note				
<b>Net profit for the period after tax</b>		<b>19,474</b>	<b>59,859</b>	<b>7,476</b>	<b>42,210</b>
<b>Other comprehensive income after tax</b>		<b>(25,634)</b>	<b>9,706</b>	<b>(21,824)</b>	<b>4,760</b>
<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		(427)	212	(459)	173
Share of other comprehensive income/(losses) of entities accounted for using the equity method		8	1,006	-	-
Income tax relating to components of other comprehensive income	5.14.	87	(224)	87	(33)
<i>Items that may be reclassified subsequently to income statement</i>					
Foreign currency translation		(1,654)	(529)	-	-
Translation gains/(losses) taken to equity		(1,654)	(529)	-	-
Debt instruments measured at fair value through other comprehensive income		(25,934)	6,598	(23,830)	5,704
Valuation gains/(losses) taken to equity		(23,748)	8,369	(21,533)	8,092
Transferred to income statement		(2,186)	(1,771)	(2,297)	(2,388)
Share of other comprehensive income/(losses) of entities accounted for using the equity method		-	4,748	-	-
Income tax relating to components of other comprehensive income	5.14.	2,286	(2,105)	2,378	(1,084)
<b>Total comprehensive income for the period after tax</b>		<b>(6,160)</b>	<b>69,565</b>	<b>(14,348)</b>	<b>46,970</b>
Attributable to owners of the parent		(6,998)	67,607	(14,348)	46,970
Attributable to non-controlling interests		838	1,958	-	-


## Condensed statement of financial position as at 31 March and as at 31 December

in EUR thousands

	Notes	NLB Group		NLB	
		31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
		unaudited	audited	unaudited	audited
Cash, cash balances at central banks and other demand deposits at banks	5.1.	2,095,407	2,101,346	1,355,947	1,292,211
Financial assets held for trading	5.2.a)	25,587	24,038	25,596	24,085
Non-trading financial assets mandatorily at fair value through profit or loss	5.3.	34,297	25,359	33,301	23,287
Financial assets measured at fair value through other comprehensive income	5.4.	2,144,729	2,141,428	1,647,524	1,656,657
Financial assets measured at amortised cost					
- debt securities	5.5.a)	1,532,174	1,653,848	1,377,729	1,485,166
- loans and advances to banks	5.5.b)	93,634	93,403	160,262	144,352
- loans and advances to customers	5.5.c)	7,734,276	7,589,724	4,651,810	4,568,599
- other financial assets	5.5.d)	170,633	97,415	143,701	67,279
Derivatives - hedge accounting		107	788	107	788
Fair value changes of the hedged items in portfolio hedge of interest rate risk		12,139	8,991	12,139	8,991
Investments in subsidiaries		-	-	351,883	351,883
Investments in associates and joint ventures		7,726	7,499	1,366	1,366
Tangible assets					
Property and equipment	5.7.	193,271	195,605	89,168	89,904
Investment property	5.8.	52,151	52,316	9,303	9,303
Intangible assets		37,902	39,542	24,377	25,980
Current income tax assets		10,446	6,284	8,977	5,463
Deferred income tax assets	5.13.	32,070	29,500	32,058	29,569
Other assets	5.9.	68,533	63,811	15,068	11,142
Non-current assets classified as held for sale	5.6.	43,249	43,191	5,593	5,532
<b>Total assets</b>		<b>14,288,331</b>	<b>14,174,088</b>	<b>9,945,909</b>	<b>9,801,557</b>
Trading liabilities	5.2.b)	19,583	17,903	19,733	17,892
Financial liabilities measured at fair value through profit or loss	5.3.	106	7,998	10	7,746
Financial liabilities measured at amortised cost					
- deposits from banks and central banks	5.11.	63,148	42,840	102,334	89,820
- borrowings from banks and central banks	5.11.	169,598	170,385	161,494	161,564
- due to customers	5.11.	11,652,891	11,612,317	7,834,716	7,760,737
- borrowings from other customers	5.11.	62,930	64,458	2,076	2,537
- subordinated liabilities	5.11.a)	286,640	210,569	286,640	210,569
- other financial liabilities	5.11.c)	146,350	158,484	93,773	98,342
Derivatives - hedge accounting		57,878	49,507	57,878	49,507
Provisions	5.12.	87,832	88,414	59,271	60,384
Current income tax liabilities		686	2,271	-	-
Deferred income tax liabilities	5.13.	3,043	2,833	-	-
Other liabilities	5.15.	12,909	15,212	9,107	9,234
<b>Total liabilities</b>		<b>12,563,594</b>	<b>12,443,191</b>	<b>8,627,032</b>	<b>8,468,332</b>
<b>Equity and reserves attributable to owners of the parent</b>					
Share capital		200,000	200,000	200,000	200,000
Share premium		871,378	871,378	871,378	871,378
Accumulated other comprehensive income		1,184	26,493	(1,539)	20,285
Profit reserves		13,522	13,522	13,522	13,522
Retained earnings		592,800	574,489	235,516	228,040
		<b>1,678,884</b>	<b>1,685,882</b>	<b>1,318,877</b>	<b>1,333,225</b>
Non-controlling interests		45,853	45,015	-	-
<b>Total equity</b>		<b>1,724,737</b>	<b>1,730,897</b>	<b>1,318,877</b>	<b>1,333,225</b>
<b>Total liabilities and equity</b>		<b>14,288,331</b>	<b>14,174,088</b>	<b>9,945,909</b>	<b>9,801,557</b>

The Management Board has authorised for issue the financial statements and the accompanying notes.

  
Archibald Kremser  
Member of the  
Management Board

  
Andreas Burkhardt  
Member of the  
Management Board

  
Blaž Brodnjak  
President and CEO

Ljubljana, 14 May 2020

## Condensed statement of changes in equity for the period ended 31 March

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	-	-	-	-	-	-	18,311	18,311	1,163	19,474
- Other comprehensive income	-	-	(23,808)	(1,509)	8	-	-	(25,309)	(325)	(25,634)
Total comprehensive income after tax	-	-	(23,808)	(1,509)	8	-	18,311	(6,998)	838	(6,160)
<b>Balance as at 31 Mar 2020</b>	<b>200,000</b>	<b>871,378</b>	<b>24,072</b>	<b>(18,564)</b>	<b>(4,324)</b>	<b>13,522</b>	<b>592,800</b>	<b>1,678,884</b>	<b>45,853</b>	<b>1,724,737</b>

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 2019	200,000	871,378	28,702	(18,275)	(2,604)	13,522	523,493	1,616,216	41,228	1,657,444
- Net profit for the period	-	-	-	-	-	-	57,893	57,893	1,966	59,859
- Other comprehensive income	-	-	10,227	(513)	-	-	-	9,714	(8)	9,706
Total comprehensive income after tax	-	-	10,227	(513)	-	-	57,893	67,607	1,958	69,565
<b>Balance as at 31 Mar 2019</b>	<b>200,000</b>	<b>871,378</b>	<b>38,929</b>	<b>(18,788)</b>	<b>(2,604)</b>	<b>13,522</b>	<b>581,386</b>	<b>1,683,823</b>	<b>43,186</b>	<b>1,727,009</b>

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	-	-	-	-	-	7,476	7,476
- Other comprehensive income	-	-	(21,824)	-	-	-	(21,824)
Total comprehensive income after tax	-	-	(21,824)	-	-	7,476	(14,348)
<b>Balance as at 31 Mar 2020</b>	<b>200,000</b>	<b>871,378</b>	<b>2,620</b>	<b>(4,159)</b>	<b>13,522</b>	<b>235,516</b>	<b>1,318,877</b>

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 2019	200,000	871,378	18,620	(2,781)	13,522	194,491	1,295,230
- Net profit for the period	-	-	-	-	-	42,210	42,210
- Other comprehensive income	-	-	4,760	-	-	-	4,760
Total comprehensive income after tax	-	-	4,760	-	-	42,210	46,970
<b>Balance as at 31 Mar 2019</b>	<b>200,000</b>	<b>871,378</b>	<b>23,380</b>	<b>(2,781)</b>	<b>13,522</b>	<b>236,701</b>	<b>1,342,200</b>



## Condensed statement of cash flows for the period ended 31 March

in EUR thousands

	Notes	NLB Group		NLB	
		three months ended		three months ended	
		March 2020	March 2019	March 2020	March 2019
		unaudited	unaudited	unaudited	unaudited
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Interest received		108,795	111,121	61,635	66,706
Interest paid		(10,171)	(8,912)	(4,763)	(4,285)
Dividends received		11	79	8	74
Fee and commission receipts		58,011	53,787	33,732	31,999
Fee and commission payments		(17,067)	(14,777)	(8,249)	(7,759)
Realised gains from financial assets and financial liabilities not at fair value through profit or loss		2,637	2,567	2,637	2,567
Net gains/(losses) from financial assets and liabilities held for trading		2,582	2,516	930	1,085
Payments to employees and suppliers		(77,331)	(66,996)	(50,778)	(44,936)
Other income		5,146	5,995	2,832	2,733
Other expenses		(3,468)	(3,671)	(416)	(1,127)
Income tax (paid)/received		(7,017)	(13,650)	(3,386)	(11,245)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>62,128</b>	<b>68,059</b>	<b>34,182</b>	<b>35,812</b>
<b>(Increases)/decreases in operating assets</b>		<b>(298,153)</b>	<b>(259,267)</b>	<b>(212,004)</b>	<b>(158,121)</b>
Net (increase)/decrease in trading assets		135	29,586	135	29,586
Net (increase)/decrease in non-trading financial assets mandatorily at fair value through profit or loss		(17,303)	9,164	(17,035)	9,473
Net (increase)/decrease in financial assets measured at fair value through other comprehensive income		(59,059)	(182,013)	(44,172)	(129,511)
Net (increase)/decrease in loans and receivables measured at amortised cost		(223,769)	(115,235)	(150,952)	(66,926)
Net (increase)/decrease in other assets		1,843	(769)	20	(743)
<b>Increases/(decreases) in operating liabilities</b>		<b>65,503</b>	<b>234,128</b>	<b>93,412</b>	<b>227,548</b>
Net increase/(decrease) in deposits and borrowings measured at amortised cost		66,091	234,414	93,483	227,722
Net increase/(decrease) in other liabilities		(588)	(286)	(71)	(174)
<b>Net cash flows from operating activities</b>		<b>(170,522)</b>	<b>42,920</b>	<b>(84,410)</b>	<b>105,239</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Receipts from investing activities</b>		<b>147,813</b>	<b>85,353</b>	<b>114,221</b>	<b>81,333</b>
Proceeds from sale of property, equipment, and investment property		307	789	80	4
Proceeds from sale of subsidiaries		-	5	-	3,329
Proceeds from disposals of debt securities measured at amortised cost		147,506	84,559	114,141	78,000
<b>Payments from investing activities</b>		<b>(78,331)</b>	<b>(149,090)</b>	<b>(50,187)</b>	<b>(126,760)</b>
Purchase of property, equipment, and investment property		(10,878)	(6,268)	(5,681)	(3,637)
Purchase of intangible assets		(5,604)	(2,528)	(4,150)	(1,836)
Purchase of debt securities measured at amortised cost		(61,849)	(140,294)	(40,356)	(121,287)
<b>Net cash flows from investing activities</b>		<b>69,482</b>	<b>(63,737)</b>	<b>64,034</b>	<b>(45,427)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Proceeds from financing activities</b>		<b>119,222</b>	<b>-</b>	<b>119,222</b>	<b>-</b>
Issue of subordinated debt	5.11.b)	119,222	-	119,222	-
<b>Payments from financing activities</b>		<b>(45,000)</b>	<b>(1)</b>	<b>(45,000)</b>	<b>-</b>
Dividends paid		-	(1)	-	-
Repayments of subordinated debt	5.11.b)	(45,000)	-	(45,000)	-
<b>Net cash flows from financing activities</b>		<b>74,222</b>	<b>(1)</b>	<b>74,222</b>	<b>-</b>
Effects of exchange rate changes on cash and cash equivalents		(4,104)	812	(2,251)	909
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(26,818)</b>	<b>(20,818)</b>	<b>53,846</b>	<b>59,812</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>2,263,267</b>	<b>1,729,093</b>	<b>1,308,122</b>	<b>824,337</b>
<b>Cash and cash equivalents at end of period</b>		<b>2,232,345</b>	<b>1,709,087</b>	<b>1,359,717</b>	<b>885,058</b>

in EUR thousands

	Notes	NLB Group		NLB	
		31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
		unaudited	audited	unaudited	audited
<b>Cash and cash equivalents comprise:</b>					
Cash, cash balances at central banks, and other demand deposits at banks	5.1.	2,096,023	2,101,871	1,356,089	1,292,345
Loans and advances to banks with original maturity up to 3 months		68,381	85,369	3,628	5,770
Debt securities measured at amortised cost with original maturity up to 3 months		-	10,007	-	10,007
Debt securities measured at fair value through other comprehensive income with original maturity up to 3 months		67,941	66,020	-	-
<b>Total</b>		<b>2,232,345</b>	<b>2,263,267</b>	<b>1,359,717</b>	<b>1,308,122</b>

## Notes to the condensed interim financial statements

### 1. General information

Nova Ljubljanska banka d.d. Ljubljana (hereinafter: 'NLB') is a joint-stock entity providing universal banking services. NLB Group consists of NLB and its subsidiaries located in nine countries. 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 depositary receipts ('GDR') representing shares are listed on the London Stock Exchange. Five GDR represent one share of NLB.

As at 31 March 2020 and as at 31 December 2019, 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 2019, which have been prepared in accordance with the International Financial Reporting Standards (hereinafter: 'IFRS') as adopted by the European Union.

#### 2.2 Accounting policies

The same accounting policies and methods of computation were followed in the preparation of these consolidated condensed interim financial statements as for the year ended 31 December 2019, except for accounting standards and other amendments effective for annual periods beginning on 1 January 2020 that were endorsed by the EU and were not early adopted by the NLB Group already in year 2019.

#### ***Accounting standards and amendments to existing standards that were endorsed by the EU and adopted by NLB Group from 1 January 2020***

- IAS 1 and IAS 8 (amendments) – 'Definition of Material' (effective for annual periods beginning on or after 1 January 2020);
- 'Amendments to References to the Conceptual Framework in IFRS Standards' (effective for annual periods beginning on or after 1 January 2020).

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

- IFRS 17 (new standard) – ‘Insurance Contracts’ (effective for annual periods beginning on or after 1 January 2021);
- IFRS 3 (amendment) – ‘Business Combinations’ (effective for annual periods beginning on or after 1 January 2020);
- IAS 1 (amendment) – ‘Presentation of Financial Statements: Classification of Liabilities as Current or Non-current’ (the effective date is unknown);
- IFRS 10 and IAS 28 (amendments) – ‘Sale or Contribution of Assets between an Investor and its Associate or Joint Venture’ (the effective dates are deferred indefinitely).

### 2.3 Comparative amounts

Compared to the presentation of the financial statements for the year ended 31 December 2019, the schemes for presentation of the Income Statement changed due to changed schemes prescribed by the Bank of Slovenia. Comparative amounts have been adjusted to reflect these changes in presentation.

in EUR thousands

	NLB Group			NLB		
	three months ended			three months ended		
	March 2019			March 2019		
	Old	Current	Change	Old	Current	Change
presentation	presentation	presentation		presentation		
Net gains or losses on derecognition of investments in subsidiaries, joint ventures and associates	-	(105)	(105)	-	(1)	(1)
Gains less losses from non-current assets held for sale	(108)	(3)	105	(1)	-	1
Cash contributions to resolution funds and deposit guarantee schemes	-	(2,187)	(2,187)	-	-	-
Other net operating income	1,679	4,594	2,915	1,608	1,856	248
Administrative expenses	(61,256)	(61,984)	(728)	(37,651)	(37,899)	(248)

The effects from derecognition of investments in subsidiaries, associates and joint ventures (outside the scope of IFRS 5 measurement requirements) are included in the income statement as a separate item; before changing the schemes, effects were disclosed under the item titled ‘Net gains or losses from non-current assets held for sale.’

Costs associated with cash contributions to resolution funds and deposit guarantee schemes are included in the income statement as a separate item; before changing the schemes, those costs were included under the item ‘Other operating expenses.’

Expenses related to taxes, compulsory public levies, membership fees and similar fees are recognized under the item ‘Administrative expenses’; before changing those expenses were disclosed under the item ‘Other operating expenses.’

‘Other operating income’ and ‘Other operating expenses’ are included under the item ‘Other net operating income’; before changing the schemes, those items were reported on a separate line item in the income statement.

### 3. Changes in NLB Group

#### *Three months ended 31 March 2020*

There were no changes in the composition of the NLB Group in the first quarter of 2020.

#### *Changes in 2019*

Capital changes:

- In January 2019, decrease of share capital in the amount of EUR 3,324 thousand was registered in NLB Leasing d.o.o. Sarajevo. From March 2019 the company is formally in liquidation.
- An increase in share capital in the form of a cash contribution in the amount of EUR 1,740 thousand in REAM d.o.o., Podgorica to ensure regular business operations.

Other changes:

- In January 2019, REAM d.o.o., Belgrade merged with SR-RE d.o.o., Belgrade. In April 2019, SR-RE d.o.o., Belgrade was renamed REAM d.o.o., Belgrade.
- From 1 January 2019 NLB Srbija d.o.o., Belgrade and NLB Crna Gora d.o.o., Podgorica were transferred from core to non-core members.
- In June 2019, Prospera plus d.o.o., Ljubljana – v likvidaciji and NLB Interfinanz Praha s.r.o., Prague – vo likvidaci were liquidated. In accordance with a court order, companies were removed from the court register.
- In June 2019, NLB sold its subsidiary CBS Invest d.o.o., Sarajevo.
- In December 2019 NLB and KBC Insurance NV, in a joint process, agreed to sell their respective stakes in the life insurance NLB Vita. As the sale is expected to qualify for recognition as a completed sale within one year from the end of the reporting period, investment in joint venture NLB Vita has been transferred from line 'Investments in associates and joint ventures' into line 'Non-current assets classified as held for sale.'

## 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		Change	three months ended		Change
	March 2020	March 2019		March 2020	March 2019	
<b>Interest and similar income</b>						
<i>Interest income, using the effective interest method</i>						
Loans and advances to customers at amortised cost	88,525	88,718	0%	43,108	43,652	-1%
Securities measured at amortised cost	78,761	77,059	2%	35,767	35,303	1%
Financial assets measured at fair value through other comprehensive income	4,665	5,893	-21%	3,750	4,593	-18%
Loans and advances to banks measured at amortised cost	4,758	5,125	-7%	2,597	3,120	-17%
Deposits with banks and central banks	209	341	-39%	929	479	94%
<i>Interest income, not using the effective interest method</i>	132	300	-56%	65	157	-59%
Financial assets held for trading	2,031	1,721	18%	2,030	1,724	18%
Non-trading financial assets mandatorily at fair value through profit or loss	1,597	1,579	1%	1,597	1,579	1%
Derivatives - hedge accounting	434	141	-	433	144	-
<b>Total</b>	<b>90,556</b>	<b>90,439</b>	<b>0%</b>	<b>45,138</b>	<b>45,376</b>	<b>-1%</b>
<b>Interest and similar expenses</b>						
Due to customers	5,586	5,772	-3%	1,058	1,080	-2%
Financial liabilities held for trading	1,365	1,323	3%	1,365	1,323	3%
Derivatives - hedge accounting	2,365	2,080	14%	2,365	2,080	14%
Borrowings from banks and central banks	243	367	-34%	212	306	-31%
Borrowings from other customers	233	251	-7%	-	-	-
Subordinated liabilities	2,091	241	-	2,091	-	-
Negative interest	1,149	852	35%	825	704	17%
Interest expense on defined employee benefits	23	58	-60%	7	34	-79%
Deposits from banks and central banks	61	50	22%	37	84	-56%
Lease liabilities	72	94	-23%	9	7	29%
Other financial liabilities	4	1	-	4	1	-
<b>Total</b>	<b>13,192</b>	<b>11,089</b>	<b>19%</b>	<b>7,973</b>	<b>5,619</b>	<b>42%</b>
<b>Net interest income</b>	<b>77,364</b>	<b>79,350</b>	<b>-3%</b>	<b>37,165</b>	<b>39,757</b>	<b>-7%</b>

### 4.2. Dividend income

in EUR thousands

	NLB Group			NLB		
	three months ended		Change	three months ended		Change
	March 2020	March 2019		March 2020	March 2019	
Financial assets measured at fair value through other comprehensive income	3	5	-40%	-	-	-
Investments in subsidiaries	-	-	-	-	4,324	-
Non-trading financial assets mandatorily at fair value through profit or loss	8	74	-89%	8	74	-89%
<b>Total</b>	<b>11</b>	<b>79</b>	<b>-86%</b>	<b>8</b>	<b>4,398</b>	<b>-100%</b>

### 4.3. Fee and commission income and expenses

in EUR thousands

	NLB Group			NLB		
	three months ended		Change	three months ended		Change
	March 2020	March 2019		March 2020	March 2019	
<b>Fee and commission income</b>						
<i>Fee and commission income relating to financial instruments not at fair value through profit or loss</i>						
Credit cards and ATMs	15,624	15,321	2%	8,709	9,084	-4%
Customer transaction accounts	16,094	13,657	18%	12,072	10,350	17%
<i>Other fee and commission income</i>						
Payments	12,528	12,907	-3%	5,266	6,003	-12%
Investment funds	4,934	4,024	23%	1,758	1,197	47%
Guarantees	2,886	2,759	5%	1,761	1,802	-2%
Investment banking	2,789	2,075	34%	2,368	1,810	31%
Agency of insurance products	1,651	1,761	-6%	1,288	1,451	-11%
Other services	1,304	1,338	-3%	862	952	-9%
<b>Total</b>	<b>57,810</b>	<b>53,842</b>	<b>7%</b>	<b>34,084</b>	<b>32,649</b>	<b>4%</b>
<b>Fee and commission expenses</b>						
<i>Fee and commission expenses relating to financial instruments not at fair value through profit or loss</i>						
Credit cards and ATMs	11,731	10,611	11%	6,636	6,194	7%
<i>Other fee and commission expenses</i>						
Payments	1,633	1,410	16%	271	207	31%
Insurance for holders of personal accounts and golden cards	274	358	-23%	237	299	-21%
Investment banking	1,085	896	21%	664	563	18%
Guarantees	53	43	23%	31	7	-
Other services	621	441	41%	162	159	2%
<b>Total</b>	<b>15,397</b>	<b>13,759</b>	<b>12%</b>	<b>8,001</b>	<b>7,429</b>	<b>8%</b>
<b>Net fee and commission income</b>	<b>42,413</b>	<b>40,083</b>	<b>6%</b>	<b>26,083</b>	<b>25,220</b>	<b>3%</b>

### 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		three months ended	
	March 2020	March 2019	March 2020	March 2019
Debt instruments measured at fair value through other comprehensive income	2,265	2,567	2,265	2,567
Debt instruments measured at amortised cost	223	-	223	-
Financial liabilities measured at amortised cost	(126)	-	(126)	-
<b>Total</b>	<b>2,362</b>	<b>2,567</b>	<b>2,362</b>	<b>2,567</b>

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

in EUR thousands

	NLB Group		NLB	
	three months ended		three months ended	
	March 2020	March 2019	March 2020	March 2019
Foreign exchange trading	2,761	2,446	1,108	972
Debt instruments	175	307	175	307
Derivatives	(324)	(102)	(575)	(163)
<b>Total</b>	<b>2,612</b>	<b>2,651</b>	<b>708</b>	<b>1,116</b>

#### 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		three months ended	
	March 2020	March 2019	March 2020	March 2019
Equity securities	(1,191)	627	(328)	314
Debt securities	(18)	(13)	-	-
Loans and advances to customers	735	6,593	1,008	6,136
<b>Total</b>	<b>(474)</b>	<b>7,207</b>	<b>680</b>	<b>6,450</b>

#### 4.7. Other net operating income

in EUR thousands

	NLB Group			NLB		
	three months ended			three months ended		
	March 2020	March 2019	Change	March 2020	March 2019	Change
<b>Other operating income</b>						
Income from non-banking services	1,683	1,622	4%	1,494	1,305	14%
Rental income from investment property	684	1,220	-44%	119	103	16%
Other operating income	811	2,591	-69%	356	790	-55%
<b>Total</b>	<b>3,178</b>	<b>5,433</b>	<b>-42%</b>	<b>1,969</b>	<b>2,198</b>	<b>-10%</b>
<b>Other operating expenses</b>						
Revaluation of investment property to fair value	21	15	40%	-	-	-
Other operating expenses	885	824	7%	327	342	-4%
<b>Total</b>	<b>906</b>	<b>839</b>	<b>8%</b>	<b>327</b>	<b>342</b>	<b>-4%</b>
<b>Other net operating income</b>	<b>2,272</b>	<b>4,594</b>	<b>-51%</b>	<b>1,642</b>	<b>1,856</b>	<b>-12%</b>

#### 4.8. Administrative expenses

in EUR thousands

	NLB Group			NLB		
	three months ended			three months ended		
	March 2020	March 2019	Change	March 2020	March 2019	Change
Employee costs	42,919	40,058	7%	27,134	24,980	9%
Other general and administrative expenses	23,655	21,926	8%	14,539	12,919	13%
<b>Total</b>	<b>66,574</b>	<b>61,984</b>	<b>7%</b>	<b>41,673</b>	<b>37,899</b>	<b>10%</b>

#### 4.9. Depreciation and amortisation

in EUR thousands

	NLB Group			NLB		
	three months ended			three months ended		
	March 2020	March 2019	Change	March 2020	March 2019	Change
Amortisation of intangible assets	2,778	2,428	14%	1,902	1,776	7%
Depreciation of property and equipment:						
- own property and equipment	4,128	4,188	-1%	2,538	2,385	6%
- right-of-use assets	1,145	1,112	3%	212	171	24%
<b>Total</b>	<b>8,051</b>	<b>7,728</b>	<b>4%</b>	<b>4,652</b>	<b>4,332</b>	<b>7%</b>

#### 4.10. Provisions

in EUR thousands

	NLB Group		NLB	
	three months ended		three months ended	
	March 2020	March 2019	March 2020	March 2019
Guarantees and commitments (note 5.12.b)	505	(905)	(825)	(643)
Provisions for legal risks	135	2,987	-	-
<b>Total</b>	<b>640</b>	<b>2,082</b>	<b>(825)</b>	<b>(643)</b>

#### 4.11. Impairment charge

	in EUR thousands			
	NLB Group		NLB	
	three months ended		three months ended	
	March 2020	March 2019	March 2020	March 2019
<b>Impairment of financial assets</b>				
Cash balances at central banks, and other demand deposits at banks	86	(27)	8	9
Loans and advances to customers measured at amortised cost (note 5.10.a)	26,775	(3,721)	14,834	(2,688)
Loans and advances to banks measured at amortised cost (note 5.10.a)	12	17	17	1
Debt securities measured at fair value through other comprehensive income (note 5.10.b)	78	796	(32)	179
Debt securities measured at amortised cost (note 5.10.b)	101	255	54	141
Other financial assets measured at amortised cost (note 5.10.a)	598	284	149	193
<b>Total</b>	<b>27,650</b>	<b>(2,396)</b>	<b>15,030</b>	<b>(2,165)</b>
<b>Impairment of investments in subsidiaries, associates and joint ventures</b>				
Investments in subsidiaries	-	-	-	(3,329)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,329)</b>
<b>Impairment of other assets</b>				
Other assets	42	939	-	-
<b>Total</b>	<b>42</b>	<b>939</b>	<b>-</b>	<b>-</b>
<b>Total impairment</b>	<b>27,692</b>	<b>(1,457)</b>	<b>15,030</b>	<b>(5,494)</b>

Cost of risk increased due to the impact of worsened macroeconomic environment caused by COVID-19 epidemic at the end of Q1 2020. The Group prepared a first set of new macroeconomic scenarios, based on the forecasts prepared by the EC, IMF, UMAR, BoS, other reliable experts and related off-set measures, approved by governments in the region. These scenarios which are currently based on the expected U-crisis (severe deterioration of macroeconomic indicators in 2020 and moderate positive growth in 2021) and integrating government mitigation measures, are already included in the calculation of expected credit losses in accordance with IFRS 9. Nevertheless, IFRS 9 provision and impairment calculation will be reviewed in Q2 2020.

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

#### 4.12. Income tax

	in EUR thousands					
	NLB Group			NLB		
	three months ended			three months ended		
	March 2020	March 2019	Change	March 2020	March 2019	Change
Current income tax	1,552	4,403	-65%	146	2,067	-93%
Deferred tax (note 5.13.)	23	1,031	-98%	(24)	1,027	-
<b>Total</b>	<b>1,575</b>	<b>5,434</b>	<b>-71%</b>	<b>122</b>	<b>3,094</b>	<b>-96%</b>



## 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		
	31 Mar 2020	31 Dec 2019	Change	31 Mar 2020	31 Dec 2019	Change
Balances and obligatory reserves with central banks	1,574,740	1,569,753	0%	1,082,137	1,044,255	4%
Cash	328,407	339,897	-3%	162,787	164,725	-1%
Demand deposits at banks	192,876	192,221	0%	111,165	83,365	33%
<b>Total</b>	<b>2,096,023</b>	<b>2,101,871</b>	<b>0%</b>	<b>1,356,089</b>	<b>1,292,345</b>	<b>5%</b>
Allowance for impairment	(616)	(525)	-17%	(142)	(134)	-6%
<b>Total</b>	<b>2,095,407</b>	<b>2,101,346</b>	<b>0%</b>	<b>1,355,947</b>	<b>1,292,211</b>	<b>5%</b>

### 5.2. Financial instruments held for trading

#### a) Trading assets

in EUR thousands

	NLB Group			NLB		
	31 Mar 2020	31 Dec 2019	Change	31 Mar 2020	31 Dec 2019	Change
<b>Derivatives, excluding hedging instruments</b>						
Swap contracts	19,863	18,169	9%	19,872	18,216	9%
Options	767	810	-5%	767	810	-5%
Forward contracts	729	734	-1%	729	734	-1%
<b>Total derivatives</b>	<b>21,359</b>	<b>19,713</b>	<b>8%</b>	<b>21,368</b>	<b>19,760</b>	<b>8%</b>
<b>Securities</b>						
Bonds	4,228	4,325	-2%	4,228	4,325	-2%
<b>Total securities</b>	<b>4,228</b>	<b>4,325</b>	<b>-2%</b>	<b>4,228</b>	<b>4,325</b>	<b>-2%</b>
<b>Total</b>	<b>25,587</b>	<b>24,038</b>	<b>6%</b>	<b>25,596</b>	<b>24,085</b>	<b>6%</b>

#### b) Trading liabilities

in EUR thousands

	NLB Group			NLB		
	31 Mar 2020	31 Dec 2019	Change	31 Mar 2020	31 Dec 2019	Change
<b>Derivatives, excluding hedging instruments</b>						
Swap contracts	18,874	17,238	9%	19,024	17,238	10%
Options	4	3	33%	4	3	33%
Forward contracts	705	662	6%	705	651	8%
<b>Total</b>	<b>19,583</b>	<b>17,903</b>	<b>9%</b>	<b>19,733</b>	<b>17,892</b>	<b>10%</b>

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

Financial instruments mandatorily at fair value through profit or loss

in EUR thousands

	NLB Group			NLB		
	31 Mar 2020	31 Dec 2019	Change	31 Mar 2020	31 Dec 2019	Change
<b>Assets</b>						
Shares	2,388	3,167	-25%	2,388	2,716	-12%
Investments funds	4,608	5,475	-16%	-	-	-
Bonds	1,750	1,756	0%	-	-	-
Loans and advances to companies	25,551	14,961	71%	30,913	20,571	50%
<b>Total</b>	<b>34,297</b>	<b>25,359</b>	<b>35%</b>	<b>33,301</b>	<b>23,287</b>	<b>43%</b>
<b>Liabilities</b>						
Loans and advances to companies	106	7,998	-99%	10	7,746	-100%

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

### Analysis by type

in EUR thousands

	NLB Group			NLB		
	31 Mar 2020	31 Dec 2019	Change	31 Mar 2020	31 Dec 2019	Change
Bonds	1,702,095	1,913,623	-11%	1,302,354	1,509,559	-14%
Shares	4,948	4,936	0%	259	259	0%
National Resolution Fund	44,228	44,687	-1%	44,228	44,687	-1%
Treasury bills	310,178	112,162	177%	300,683	102,152	194%
Commercial bills	83,280	66,020	26%	-	-	-
<b>Total</b>	<b>2,144,729</b>	<b>2,141,428</b>	<b>0%</b>	<b>1,647,524</b>	<b>1,656,657</b>	<b>-1%</b>
Allowance for impairment (note 5.10.b)	(5,680)	(5,597)	-1%	(2,480)	(2,512)	1%

## 5.5. Financial assets measured at amortised cost

### Analysis by type

in EUR thousands

	NLB Group			NLB		
	31 Mar 2020	31 Dec 2019	Change	31 Mar 2020	31 Dec 2019	Change
Debt securities	1,532,174	1,653,848	-7%	1,377,729	1,485,166	-7%
Loans and advances to banks	93,634	93,403	0%	160,262	144,352	11%
Loans and advances to customers	7,734,276	7,589,724	2%	4,651,810	4,568,599	2%
Other financial assets	170,633	97,415	75%	143,701	67,279	114%
<b>Total</b>	<b>9,530,717</b>	<b>9,434,390</b>	<b>1%</b>	<b>6,333,502</b>	<b>6,265,396</b>	<b>1%</b>

#### a) Debt securities

in EUR thousands

	NLB Group			NLB		
	31 Mar 2020	31 Dec 2019	Change	31 Mar 2020	31 Dec 2019	Change
Government	1,200,231	1,285,540	-7%	1,044,221	1,115,335	-6%
Companies	81,887	81,350	1%	81,887	81,350	1%
Banks	228,077	264,323	-14%	228,077	264,323	-14%
Financial organisations	25,215	25,775	-2%	25,215	25,775	-2%
<b>Total</b>	<b>1,535,410</b>	<b>1,656,988</b>	<b>-7%</b>	<b>1,379,400</b>	<b>1,486,783</b>	<b>-7%</b>
Allowance for impairment (note 5.10.b)	(3,236)	(3,140)	-3%	(1,671)	(1,617)	-3%
<b>Total</b>	<b>1,532,174</b>	<b>1,653,848</b>	<b>-7%</b>	<b>1,377,729</b>	<b>1,485,166</b>	<b>-7%</b>

#### b) Loans and advances to banks

in EUR thousands

	NLB Group			NLB		
	31 Mar 2020	31 Dec 2019	Change	31 Mar 2020	31 Dec 2019	Change
Loans	2,023	2,213	-9%	86,169	81,633	6%
Time deposits	91,096	91,076	0%	73,629	62,651	18%
Purchased receivables	622	209	198%	622	209	198%
<b>Total</b>	<b>93,741</b>	<b>93,498</b>	<b>0%</b>	<b>160,420</b>	<b>144,493</b>	<b>11%</b>
Allowance for impairment (note 5.10.a)	(107)	(95)	-13%	(158)	(141)	-12%
<b>Total</b>	<b>93,634</b>	<b>93,403</b>	<b>0%</b>	<b>160,262</b>	<b>144,352</b>	<b>11%</b>

#### c) Loans and advances to customers

in EUR thousands

	NLB Group			NLB		
	31 Mar 2020	31 Dec 2019	Change	31 Mar 2020	31 Dec 2019	Change
Loans	7,598,367	7,408,374	3%	4,561,704	4,446,843	3%
Overdrafts	331,251	328,947	1%	176,978	179,381	-1%
Finance lease receivables	42,654	49,017	-13%	-	-	-
Credit card business	105,858	122,730	-14%	46,787	60,688	-23%
Called guarantees	3,605	3,100	16%	866	452	92%
<b>Total</b>	<b>8,081,735</b>	<b>7,912,168</b>	<b>2%</b>	<b>4,786,335</b>	<b>4,687,364</b>	<b>2%</b>
Allowance for impairment (note 5.10.a)	(347,459)	(322,444)	-8%	(134,525)	(118,765)	-13%
<b>Total</b>	<b>7,734,276</b>	<b>7,589,724</b>	<b>2%</b>	<b>4,651,810</b>	<b>4,568,599</b>	<b>2%</b>

## d) Other financial assets

in EUR thousands

	NLB Group			NLB		
	31 Mar 2020	31 Dec 2019	Change	31 Mar 2020	31 Dec 2019	Change
Receivables in the course of collection and other temporary accounts	70,676	28,697	146%	68,503	25,825	165%
Receivables to brokerage firms and others for the sale of securities and custody services	39,687	612	-	39,685	610	-
Credit card receivables	10,525	18,497	-43%	7,731	12,194	-37%
Debtors	4,697	6,360	-26%	692	1,525	-55%
Fees and commissions	4,888	5,315	-8%	2,065	3,524	-41%
Prepayments	106	38	179%	-	-	-
Accrued income	1,594	515	-	2,245	529	-
Dividends	-	46	-	-	46	-
Other financial assets	43,310	42,241	3%	24,587	24,867	-1%
<b>Total</b>	<b>175,483</b>	<b>102,321</b>	<b>72%</b>	<b>145,508</b>	<b>69,120</b>	<b>111%</b>
Allowance for impairment (note 5.10.a)	(4,850)	(4,906)	1%	(1,807)	(1,841)	2%
<b>Total</b>	<b>170,633</b>	<b>97,415</b>	<b>75%</b>	<b>143,701</b>	<b>67,279</b>	<b>114%</b>

## 5.6. Non-current assets classified as held for sale

## Analysis by type

in EUR thousands

	NLB Group			NLB		
	31 Mar 2020	31 Dec 2019	Change	31 Mar 2020	31 Dec 2019	Change
Property and equipment	4,366	4,308	1%	2,184	2,123	3%
Investment in joint venture	38,883	38,883	0%	3,409	3,409	0%
<b>Total</b>	<b>43,249</b>	<b>43,191</b>	<b>0%</b>	<b>5,593</b>	<b>5,532</b>	<b>1%</b>

## 5.7. Property and equipment

## Analysis by type

in EUR thousands

	NLB Group			NLB		
	31 Mar 2020	31 Dec 2019	Change	31 Mar 2020	31 Dec 2019	Change
Own property and equipment	176,846	179,060	-1%	86,579	87,120	-1%
Right-of-use assets	16,425	16,545	-1%	2,589	2,784	-7%
<b>Total</b>	<b>193,271</b>	<b>195,605</b>	<b>-1%</b>	<b>89,168</b>	<b>89,904</b>	<b>-1%</b>

## 5.8. Investment property

in EUR thousands

	NLB Group			NLB		
	31 Mar 2020	31 Dec 2019	Change	31 Mar 2020	31 Dec 2019	Change
Buildings	47,171	47,333	0%	8,692	8,692	0%
Land	4,980	4,983	0%	611	611	0%
<b>Total</b>	<b>52,151</b>	<b>52,316</b>	<b>0%</b>	<b>9,303</b>	<b>9,303</b>	<b>0%</b>

## 5.9. Other assets

in EUR thousands

	NLB Group			NLB		
	31 Mar 2020	31 Dec 2019	Change	31 Mar 2020	31 Dec 2019	Change
Assets, received as collateral	49,674	51,322	-3%	5,260	5,292	-1%
Inventories	2,537	2,513	1%	378	378	0%
Deferred expenses	12,480	6,005	108%	8,981	4,935	82%
Prepayments	2,556	1,950	31%	197	102	93%
Claim for taxes and other dues	1,286	2,021	-36%	252	435	-42%
<b>Total</b>	<b>68,533</b>	<b>63,811</b>	<b>7%</b>	<b>15,068</b>	<b>11,142</b>	<b>35%</b>

## 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
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	-	(81)	(27)	558	(3)	(1)	(7)
Transfers	-	6,109	(5,743)	(366)	(6)	6	-
Increases/(Decreases) (note 4.11.)	12	(3,121)	4,330	6,982	74	(6)	614
Write-offs	-	(1)	(2)	(5,706)	(4)	-	(697)
Changes in models/risk parameters (note 4.11.)	-	6,342	16,122	-	(31)	5	-
Foreign exchange and other movements	-	23	6	(410)	-	-	-
<b>Balance as at 31 Mar 2020</b>	<b>107</b>	<b>65,999</b>	<b>47,865</b>	<b>233,595</b>	<b>207</b>	<b>31</b>	<b>4,612</b>
Repayments of written-off receivables (note 4.11.)	-	-	-	3,880	-	-	58

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
Balance as at 1 Jan 2019	126	41,452	35,537	376,578	182	58	7,956
Effects of translation of foreign operations to presentation currency	-	(24)	(17)	22	1	(1)	(3)
Transfers	-	6,188	(5,214)	(974)	11	(5)	(6)
Increases/(Decreases) (note 4.11.)	17	(3,186)	3,973	(1,513)	(1)	(5)	324
Write-offs	-	-	(1)	(17,671)	-	-	(462)
Foreign exchange and other movements	-	7	2	472	-	-	-
<b>Balance as at 31 Mar 2019</b>	<b>143</b>	<b>44,437</b>	<b>34,280</b>	<b>356,914</b>	<b>193</b>	<b>47</b>	<b>7,809</b>
Repayments of written-off receivables (note 4.11.)	-	-	-	2,995	-	-	34

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
Balance as at 1 Jan 2020	141	20,724	11,188	86,853	55	9	1,777
Transfers	-	3,859	(3,654)	(205)	-	-	-
Increases/(Decreases) (note 4.11.)	17	(2,066)	2,627	2,015	74	(4)	105
Write-offs	-	(1)	(2)	(373)	(1)	-	(182)
Changes in models/risk parameters (note 4.11.)	-	4,875	8,712	-	(31)	5	-
Foreign exchange and other movements	-	19	1	(47)	-	-	-
<b>Balance as at 31 Mar 2020</b>	<b>158</b>	<b>27,410</b>	<b>18,872</b>	<b>88,243</b>	<b>97</b>	<b>10</b>	<b>1,700</b>
Repayments of written-off receivables (note 4.11.)	-	-	-	1,329	-	-	-

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
Balance as at 1 Jan 2019	77	16,789	12,660	173,110	27	6	1,855
Transfers	-	888	(388)	(500)	-	-	-
Increases/(Decreases) (note 4.11.)	1	(194)	(661)	301	69	(5)	133
Write-offs	-	-	(1)	(16,180)	-	-	(266)
Foreign exchange and other movements	-	6	-	2	-	-	-
<b>Balance as at 31 Mar 2019</b>	<b>78</b>	<b>17,489</b>	<b>11,610</b>	<b>156,733</b>	<b>96</b>	<b>1</b>	<b>1,722</b>
Repayments of written-off receivables (note 4.11.)	-	-	-	2,134	-	-	4

## 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 2020	3,140	4,757	42	798
Effects of translation of foreign operations to presentation currency	(5)	4	-	-
Increases/(Decreases) (note 4.11.)	54	66	(1)	-
Changes in models/risk parameters (note 4.11.)	47	13	-	-
Foreign exchange and other movements	-	1	-	-
<b>Balance as at 31 Mar 2020</b>	<b>3,236</b>	<b>4,841</b>	<b>41</b>	<b>798</b>

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 2019	2,898	3,597	75	798
Effects of translation of foreign operations to presentation currency	(2)	(4)	-	-
Transfers	-	(7)	7	-
Increases/(Decreases) (note 4.11.)	255	776	20	-
Foreign exchange and other movements	-	1	-	-
<b>Balance as at 31 Mar 2019</b>	<b>3,151</b>	<b>4,363</b>	<b>102</b>	<b>798</b>

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 4.11.)	7	(45)	-	-
Changes in models/risk parameters (note 4.11.)	47	13	-	-
<b>Balance as at 31 Mar 2020</b>	<b>1,671</b>	<b>1,682</b>	<b>-</b>	<b>798</b>

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 2019	1,323	1,541	-	798
Increases/(Decreases) (note 4.11.)	141	179	-	-
Foreign exchange and other movements	-	1	-	-
<b>Balance as at 31 Mar 2019</b>	<b>1,464</b>	<b>1,721</b>	<b>-</b>	<b>798</b>

## 5.11. Financial liabilities measured at amortised cost

### Analysis by type

in EUR thousands

	NLB Group			NLB		
	31 Mar 2020	31 Dec 2019	Change	31 Mar 2020	31 Dec 2019	Change
Deposits from banks and central banks	63,148	42,840	47%	102,334	89,820	14%
- Deposits on demand	52,962	31,298	69%	100,440	86,366	16%
- Other deposits	10,186	11,542	-12%	1,894	3,454	-45%
Borrowings from banks and central banks	169,598	170,385	0%	161,494	161,564	0%
Due to customers	11,652,891	11,612,317	0%	7,834,716	7,760,737	1%
- Deposits on demand	9,605,027	9,463,888	1%	7,042,162	6,917,810	2%
- Other deposits	2,047,864	2,148,429	-5%	792,554	842,927	-6%
Borrowings from other customers	62,930	64,458	-2%	2,076	2,537	-18%
Subordinated liabilities	286,640	210,569	36%	286,640	210,569	36%
Other financial liabilities	146,350	158,484	-8%	93,773	98,342	-5%
<b>Total</b>	<b>12,381,557</b>	<b>12,259,053</b>	<b>1%</b>	<b>8,481,033</b>	<b>8,323,569</b>	<b>2%</b>

### a) Subordinated liabilities

in EUR thousands

	Currency	Due date	Interest rate	NLB Group				NLB			
				31 Mar 2020		31 Dec 2019		31 Mar 2020		31 Dec 2019	
				Carrying amount	Nominal value	Carrying amount	Nominal value	Carrying amount	Nominal value	Carrying amount	Nominal value
Subordinated bonds											
	EUR	6.5.2029	4.2% to 6.5.2024, thereafter 5Y MS + 4.159% p.a.	46,312	45,000	45,826	45,000	46,312	45,000	45,826	45,000
	EUR	19.11.2029	3.65% to 19.11.2024, thereafter 5Y MS + 3.833% p.a.	120,480	120,000	119,376	120,000	120,480	120,000	119,376	120,000
	EUR	5.2.2030	3.4% to 5.2.2025, thereafter 5Y MS + 3.658% p.a.	119,848	120,000	-	-	119,848	120,000	-	-
Subordinated loans	EUR	20.9.2029	3.826% to 20.9.2024, thereafter 5Y IRS + 4.21% p.a.	-	-	45,367	45,000	-	-	45,367	45,000
<b>Total</b>				<b>286,640</b>	<b>285,000</b>	<b>210,569</b>	<b>210,000</b>	<b>286,640</b>	<b>285,000</b>	<b>210,569</b>	<b>210,000</b>

### b) Movement of subordinated liabilities

in EUR thousands

	NLB Group		NLB	
	2020	2019	2020	2019
Balance as at 1 Jan	210,569	15,050	210,569	-
Exchange differences of opening balances	-	(25)	-	-
Cash flow items:	73,653	-	73,653	-
- new issued subordinated liabilities	119,222	-	119,222	-
- repayments of subordinated liabilities	(45,000)	-	(45,000)	-
- repayments of interests	(569)	-	(569)	-
Non-Cash flow items:	2,418	255	2,418	-
- accrued interest	2,292	241	2,292	-
- other	126	14	126	-
<b>Balance as at 31 Mar</b>	<b>286,640</b>	<b>15,280</b>	<b>286,640</b>	-

### c) Other financial liabilities

in EUR thousands

	NLB Group			NLB		
	31 Mar 2020	31 Dec 2019	Change	31 Mar 2020	31 Dec 2019	Change
Items in the course of payment	30,344	24,124	26%	14,628	4,960	195%
Debit or credit card payables	13,861	24,092	-42%	12,184	20,014	-39%
Lease liabilities	16,780	16,713	0%	2,641	2,784	-5%
Accrued expenses	23,518	17,848	32%	15,207	10,481	45%
Accrued salaries	15,072	13,011	16%	9,458	9,666	-2%
Suppliers	4,118	21,600	-81%	1,721	16,259	-89%
Unused annual leave	3,776	3,784	0%	2,455	2,455	0%
Fees and commissions	105	1,736	-94%	14	1,660	-99%
Other financial liabilities	38,776	35,576	9%	35,465	30,063	18%
<b>Total</b>	<b>146,350</b>	<b>158,484</b>	<b>-8%</b>	<b>93,773</b>	<b>98,342</b>	<b>-5%</b>

## 5.12. Provisions

## a) Analysis by type

in EUR thousands

	NLB Group			NLB		
	31 Mar 2020	31 Dec 2019	Change	31 Mar 2020	31 Dec 2019	Change
Provisions for guarantees and commitments	39,906	39,421	1%	28,351	29,163	-3%
Stage 1	13,894	12,909	8%	6,409	6,145	4%
Stage 2	2,948	2,444	21%	793	653	21%
Stage 3	23,064	24,068	-4%	21,149	22,365	-5%
Employee benefit provisions	17,910	17,704	1%	14,927	14,743	1%
Provisions for legal risks	15,869	16,627	-5%	2,211	2,211	0%
Restructuring provisions	13,985	14,500	-4%	13,697	14,182	-3%
Other provisions	162	162	0%	85	85	0%
<b>Total</b>	<b>87,832</b>	<b>88,414</b>	<b>-1%</b>	<b>59,271</b>	<b>60,384</b>	<b>-2%</b>

## 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 2020	12,909	2,444	24,068
Effects of translation of foreign operations to presentation currency	(15)	(5)	(3)
Transfers	433	(404)	(29)
Increases/(Decreases) (note 4.10.)	(436)	(34)	(989)
Changes in models/risk parameters (note 4.10.)	1,012	952	-
Foreign exchange and other movements	(9)	(5)	17
<b>Balance as at 31 Mar 2020</b>	<b>13,894</b>	<b>2,948</b>	<b>23,064</b>

in EUR thousands

	NLB Group		
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2019	9,044	3,264	26,774
Effects of translation of foreign operations to presentation currency	(6)	(2)	(4)
Transfers	412	(282)	(130)
Increases/(Decreases) (note 4.10.)	(36)	(129)	(740)
<b>Balance as at 31 Mar 2019</b>	<b>9,414</b>	<b>2,851</b>	<b>25,900</b>

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	16	7	(23)
Increases/(Decreases) (note 4.10.)	(470)	(230)	(1,208)
Changes in models/risk parameters (note 4.10.)	720	363	-
Foreign exchange and other movements	(2)	-	15
<b>Balance as at 31 Mar 2020</b>	<b>6,409</b>	<b>793</b>	<b>21,149</b>

in EUR thousands

	NLB		
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2019	4,071	821	24,624
Transfers	89	(44)	(45)
Increases/(Decreases) (note 4.10.)	288	(233)	(698)
Foreign exchange and other movements	-	-	-
Other	-	-	-
<b>Balance as at 31 Mar 2019</b>	<b>4,448</b>	<b>544</b>	<b>23,881</b>

### 5.13. Deferred income tax

in EUR thousands

	NLB Group		NLB	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
<b>Deferred income tax assets</b>				
Valuation of financial instruments and capital investments	36,902	36,286	36,845	36,244
Impairment provisions	927	910	789	784
Employee benefit provisions	4,081	4,109	3,167	3,196
Depreciation and valuation of non-financial assets	1,086	1,087	154	154
<b>Total deferred income tax assets</b>	<b>42,996</b>	<b>42,392</b>	<b>40,955</b>	<b>40,378</b>
<b>Deferred income tax liabilities</b>				
Valuation of financial instruments	9,346	11,159	8,224	10,131
Depreciation and valuation of non-financial assets	1,328	1,296	201	201
Impairment provisions	3,295	3,270	472	477
<b>Total deferred income tax liabilities</b>	<b>13,969</b>	<b>15,725</b>	<b>8,897</b>	<b>10,809</b>
<b>Net deferred income tax assets</b>	<b>32,070</b>	<b>29,500</b>	<b>32,058</b>	<b>29,569</b>
<b>Net deferred income tax liabilities</b>	<b>(3,043)</b>	<b>(2,833)</b>	<b>-</b>	<b>-</b>

in EUR thousands

	NLB Group		NLB	
	three months ended		three months ended	
	March 2020	March 2019	March 2020	March 2019
<b>Included in the income statement</b>				
- valuation of financial instruments and capital investments	(23)	(1,031)	24	(1,027)
- impairment provisions	48	(1,010)	48	(997)
- employee benefit provisions	(10)	85	5	60
- depreciation and valuation of non-financial assets	(28)	(68)	(29)	(90)
	(33)	(38)	-	-
<b>Included in other comprehensive income</b>	<b>2,373</b>	<b>(1,236)</b>	<b>2,465</b>	<b>(1,117)</b>
- valuation and impairment of financial assets measured at fair value through other comprehensive income	2,373	(1,236)	2,465	(1,117)

As at 31 March 2020, NLB recognised EUR 40,955 thousand deferred tax assets (31 December 2019: EUR 40,378 thousand). Unrecognised deferred tax assets amount to EUR 237,394 thousand (31 December 2019: EUR 235,693 thousand) of which EUR 180,069 thousand (31 December 2019: EUR 180,335 thousand) relates to unrecognised deferred tax assets from tax loss and EUR 57,325 thousand (31 December 2019: EUR 55,358 thousand) to unrecognised deferred tax assets from valuation of financial instruments and impairments of non-strategic capital investments.

### 5.14. Income tax relating to components of other comprehensive income

in EUR thousands

Three months ended March 2020	NLB Group			NLB		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Financial assets measured at fair value through other comprehensive income	(26,361)	2,373	(23,988)	(24,289)	2,465	(21,824)
Share of associates and joint ventures	8	-	8	-	-	-
<b>Total</b>	<b>(26,353)</b>	<b>2,373</b>	<b>(23,980)</b>	<b>(24,289)</b>	<b>2,465</b>	<b>(21,824)</b>

in EUR thousands

Three months ended March 2019	NLB Group			NLB		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Financial assets measured at fair value through other comprehensive income	6,810	(1,236)	5,574	5,877	(1,117)	4,760
Share of associates and joint ventures	5,754	(1,093)	4,661	-	-	-
<b>Total</b>	<b>12,564</b>	<b>(2,329)</b>	<b>10,235</b>	<b>5,877</b>	<b>(1,117)</b>	<b>4,760</b>

### 5.15. Other liabilities

in EUR thousands

	NLB Group			NLB		
	31 Mar 2020	31 Dec 2019	Change	31 Mar 2020	31 Dec 2019	Change
Taxes payable	3,334	4,209	-21%	2,660	3,039	-12%
Deferred income	9,072	9,012	1%	6,432	6,142	5%
Payments received in advance	503	1,991	-75%	15	53	-72%
<b>Total</b>	<b>12,909</b>	<b>15,212</b>	<b>-15%</b>	<b>9,107</b>	<b>9,234</b>	<b>-1%</b>



### 5.16. Book value per share

	NLB Group		NLB	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
Total equity attributable to owners of the parents (in EUR thousand)	1,678,884	1,685,882	1,318,877	1,333,225
Number of shares (in thousands)	20,000	20,000	20,000	20,000
Book value per share (in EUR)	83.9	84.3	65.9	66.7

Book value per share is calculated as the ratio of net assets' book value without other equity instruments issued and the number of shares. NLB Group and NLB do not have any other equity instruments issued or treasury shares.

### 5.17. Capital adequacy ratio

	in EUR thousands			
	NLB Group		NLB	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
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	393,648	358,648	60,057	51,891
Current result	-	35,000	-	8,166
Accumulated other comprehensive income	(10,945)	14,364	(1,539)	20,285
Other reserves	13,522	13,522	13,522	13,522
Prudential filters: Additional Valuation Adjustments (AVA)	(2,199)	(2,194)	(1,695)	(1,701)
(-) Goodwill	(3,529)	(3,529)	-	-
(-) Other intangible assets	(34,373)	(36,013)	(24,377)	(25,980)
(-) Deduction item related to credit impairments and provisions not included in capital	(4,328)	-	(2,947)	-
<b>COMMON EQUITY TIER 1 CAPITAL (CET1)</b>	<b>1,423,174</b>	<b>1,451,176</b>	<b>1,114,399</b>	<b>1,137,561</b>
Additional Tier 1 capital	-	-	-	-
<b>TIER 1 CAPITAL</b>	<b>1,423,174</b>	<b>1,451,176</b>	<b>1,114,399</b>	<b>1,137,561</b>
Tier 2 capital	284,595	44,595	284,595	44,595
<b>TOTAL CAPITAL</b>	<b>1,707,769</b>	<b>1,495,771</b>	<b>1,398,994</b>	<b>1,182,156</b>
RWA for credit risk	7,724,996	7,720,232	4,470,928	4,344,829
RWA for market risks	546,638	523,050	273,401	274,025
RWA for credit valuation adjustment risk	913	663	913	663
RWA for operational risk	954,148	941,594	623,776	605,581
<b>TOTAL RISK EXPOSURE AMOUNT (RWA)</b>	<b>9,226,695</b>	<b>9,185,539</b>	<b>5,369,018</b>	<b>5,225,098</b>
Common Equity Tier 1 Ratio	15.4%	15.8%	20.8%	21.8%
Tier 1 Ratio	15.4%	15.8%	20.8%	21.8%
Total Capital Ratio	18.5%	16.3%	26.1%	22.6%

As at 31 March 2020, the Total capital ratio for NLB Group stood at 18.5% (or 2.2 percentage points higher than at the end of 2019), and for NLB at 26.1% (or 3.4 percentage point higher than at the end of 2019). The Tier 1 ratio and Common equity Tier 1 ratio (15.4% or 0.4 percentage points lower than at the end of 2019) differ from Total capital ratio due to Tier 2 instruments. The higher total capital adequacy derives from higher capital (EUR 212.0 million for NLB Group) mainly due to inclusion of all T2 instruments in capital (EUR 240.0 million), while other comprehensive income decreased for EUR -25.3 million. RWA for credit risk increased by EUR 4.8 million due to loan growth. In year 2020, Serbia was included to the lists of third countries whose supervisory and regulatory requirements are considered equivalent as EEA countries. RWA for exposures to Serbian central governments and central banks denominated in local currency decreased by EUR -100.1 million. The increase in RWA for market risks and CVA (Credit value adjustments) (EUR 23.8 million) is mainly the result of more open positions in domestic currencies of non-euro subsidiary banks. The increase in the RWA for operational risks (EUR 12.6 million) arises from the higher three-year average of relevant income, which represents the basis for the calculation.

In 2020 the Bank continued with strengthening and optimizing the capital structure, so on 5 February 2020, the Bank issued subordinated Tier 2 notes (10NC5) in the aggregate nominal amount of EUR 120 million. The fixed coupon of the notes during the first five years is 3.40% p.a., thereafter it will be reset to the sum

of the then applicable 5Y MS and the fixed margin as defined by the terms and conditions of the notes (i.e., 3.658% p.a.). The notes with ISIN code XS2113139195 and rated BB by S&P rating agency were admitted to trading on the Euro MTF Market operated by the Luxembourg Stock Exchange. On 25 March 2020 NLB obtained ECB permission for its inclusion in the capital, so the instrument is included in capital as of 31 March 2020. The Bank also obtained on 4 March 2020 permission by ECB to include in capital Tier 2 notes issued in November 2019. Now all existing T2 instruments are included in capital.

The recently adopted ECB measures allow NLB Group to benefit from the lower capital requirements, while due to ECB Recommendation on dividend distributions during the COVID-19 pandemic towards European banks and the BoS macroprudential measure placing restrictions on banks and savings banks profit distribution, the dividend distributions timeline and capacity will be adjusted accordingly to reflect the implications of COVID-19.

### 5.18. Off-balance sheet liabilities

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2020	31 Dec 2019	Change	31 Mar 2020	31 Dec 2019	Change
Commitments to extend credit	1,250,152	1,346,012	-7%	995,669	1,072,458	-7%
Non-financial guarantees	544,771	532,861	2%	389,679	383,564	2%
Financial guarantees	405,116	383,597	6%	242,805	230,909	5%
Letters of credit	24,193	22,871	6%	5,438	6,243	-13%
Other	10,215	8,742	17%	11,967	14,106	-15%
	<b>2,234,447</b>	<b>2,294,083</b>	<b>-3%</b>	<b>1,645,558</b>	<b>1,707,280</b>	<b>-4%</b>
Provisions (note 5.12.)	(39,906)	(39,421)	-1%	(28,351)	(29,163)	3%
<b>Total</b>	<b>2,194,541</b>	<b>2,254,662</b>	<b>-3%</b>	<b>1,617,207</b>	<b>1,678,117</b>	<b>-4%</b>

Besides 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 31 March 2020 unused guarantee lines at the NLB Group level amount to EUR 311,236 thousand, and at the NLB level EUR 250,056 thousand (31 December 2019: NLB Group EUR 307,199 thousand and NLB EUR 247,485 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 valutors. 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

31 Mar 2020	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
<b>Financial assets</b>								
Financial instruments held for trading	4,228	20,595	764	25,587	4,228	20,604	764	25,596
<i>Debt instruments</i>	4,228	-	-	4,228	4,228	-	-	4,228
<i>Derivatives</i>	-	20,595	764	21,359	-	20,604	764	21,368
Derivatives - hedge accounting	-	107	-	107	-	107	-	107
Financial assets measured at fair value through other comprehensive income	1,834,045	306,482	4,202	2,144,729	1,595,128	52,137	259	1,647,524
<i>Debt instruments</i>	1,833,883	261,670	-	2,095,553	1,595,128	7,909	-	1,603,037
<i>Equity instruments</i>	162	44,812	4,202	49,176	-	44,228	259	44,487
Non-trading financial assets mandatorily at fair value through profit or loss	6,358	-	27,939	34,297	-	-	33,301	33,301
<i>Debt instruments</i>	1,750	-	-	1,750	-	-	-	-
<i>Equity instruments</i>	4,608	-	2,388	6,996	-	-	2,388	2,388
<i>Loans</i>	-	-	25,551	25,551	-	-	30,913	30,913
<b>Financial liabilities</b>								
Financial instruments held for trading	-	19,583	-	19,583	-	19,733	-	19,733
<i>Derivatives</i>	-	19,583	-	19,583	-	19,733	-	19,733
Derivatives - hedge accounting	-	57,878	-	57,878	-	57,878	-	57,878
Financial liabilities measured at fair value through profit or loss	-	-	106	106	-	-	10	10
<b>Non-financial assets</b>								
Investment properties	-	23,164	28,987	52,151	-	9,303	-	9,303
Non-current assets classified as held for sale	-	43,249	-	43,249	-	5,593	-	5,593

in EUR thousands

31 Dec 2019	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
<b>Financial assets</b>								
Financial instruments held for trading	4,325	18,906	807	24,038	4,325	18,953	807	24,085
<i>Debt instruments</i>	4,325	-	-	4,325	4,325	-	-	4,325
<i>Derivatives</i>	-	18,906	807	19,713	-	18,953	807	19,760
Derivatives - hedge accounting	-	788	-	788	-	788	-	788
Financial assets measured at fair value through other comprehensive income	1,847,901	289,418	4,109	2,141,428	1,603,904	52,494	259	1,656,657
<i>Debt instruments</i>	1,847,739	244,066	-	2,091,805	1,603,904	7,807	-	1,611,711
<i>Equity instruments</i>	162	45,352	4,109	49,623	-	44,687	259	44,946
Non-trading financial assets mandatorily at fair value through profit and loss	7,682	-	17,677	25,359	-	-	23,287	23,287
<i>Debt instruments</i>	1,756	-	-	1,756	-	-	-	-
<i>Equity instruments</i>	5,926	-	2,716	8,642	-	-	2,716	2,716
<i>Loans</i>	-	-	14,961	14,961	-	-	-	20,571
<b>Financial liabilities</b>								
Financial instruments held for trading	-	17,903	-	17,903	-	17,892	-	17,892
<i>Derivatives</i>	-	17,903	-	17,903	-	17,892	-	17,892
Derivatives - hedge accounting	-	49,507	-	49,507	-	49,507	-	49,507
Financial liabilities measured at fair value through profit or loss	-	-	7,998	7,998	-	-	7,746	7,746
<b>Non-financial assets</b>								
Investment properties	-	23,383	28,933	52,316	-	9,303	-	9,303
Non-current assets classified as held for sale	-	43,191	-	43,191	-	5,532	-	5,532

## 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			
	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 (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)		
<b>Transfers</b>								
	<i>from level 1 to 3 equity excluded from exchange market</i>		<i>from level 1 to 3 fund management company stops publishing regular</i>	<i>from level 1 to 2 debt securities excluded from exchange market</i>		<i>from level 2 to 3 underlying instrument excluded from exchange market</i>		
	<i>from level 1 to 3 companies in insolvency proceedings</i>		<i>from level 3 to 1 fund management company starts publishing regular</i>	<i>from level 1 to 2 debt securities not liquid (not trading for 6 months)</i>		<i>from level 3 to 2 underlying instrument included in exchange market</i>		
	<i>from level 3 to 1 equity included in exchange market</i>			<i>from level 1 to 3 and from 2 to 3 companies in insolvency proceedings</i>				
				<i>from level 2 to 1 and from 3 to 1 start trading with debt securities on exchange market</i>				
				<i>from level 3 to 2 until valuation parameters are confirmed on ALCO (at least on a quarterly basis)</i>				

For the three months ended 31 March 2020 and 31 March 2019, NLB Group nor NLB had any significant transfers of financial instruments between levels of valuation.

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

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

- debt securities: bonds not quoted on active markets and valued by a valuation model;
- derivatives: derivatives except forward derivatives and options on equity instruments that are not quoted on active markets; and
- 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 appropriately adjusts such data.

#### **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 Slovenian corporate and 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
- 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 appropriately adjusts such data.

### 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	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	-	92	-	1	93	-
Valuation:						
- through profit or loss	(43)	-	(328)	(7,164)	(7,535)	(7,899)
- recognised in other comprehensive income	-	1	-	-	1	-
Exchange differences	-	-	-	2	2	7
Increases	-	-	-	18,369	18,369	-
Decreases	-	-	-	(618)	(618)	-
<b>Balance as at 31 Mar 2020</b>	<b>764</b>	<b>4,202</b>	<b>2,388</b>	<b>25,551</b>	<b>32,905</b>	<b>106</b>

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 2019	329	3,960	1,923	23,800	30,012	4,190
Effects of translation of foreign operations to presentation currency	-	13	-	2	15	(1)
Valuation:						
- through profit or loss	447	-	387	6,398	7,232	(195)
Exchange differences	-	-	-	-	-	8
Increases	-	-	-	4,212	4,212	-
Decreases	-	-	(18)	(13,643)	(13,661)	-
<b>Balance as at 31 Mar 2019</b>	<b>776</b>	<b>3,973</b>	<b>2,292</b>	<b>20,769</b>	<b>27,810</b>	<b>4,002</b>

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	20,571	24,353	7,746
Valuation:						
- through profit or loss	(43)	-	(328)	(6,735)	(7,106)	(7,743)
Exchange differences	-	-	-	2	2	7
Increases	-	-	-	18,224	18,224	-
Decreases	-	-	-	(1,149)	(1,149)	-
<b>Balance as at 31 Mar 2020</b>	<b>764</b>	<b>259</b>	<b>2,388</b>	<b>30,913</b>	<b>34,324</b>	<b>10</b>

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 2019	329	248	1,923	26,594	29,094	3,981
Valuation:						
- through profit or loss	447	-	387	6,008	6,842	(127)
Exchange differences	-	-	-	-	-	8
Increases	-	-	-	4,106	4,106	-
Decreases	-	-	(18)	(13,621)	(13,639)	-
<b>Balance as at 31 Mar 2019</b>	<b>776</b>	<b>248</b>	<b>2,292</b>	<b>23,087</b>	<b>26,403</b>	<b>3,862</b>

In three months ended 31 March 2020 and 2019, NLB Group and NLB recognised the following unrealised gains or losses for financial instruments that were at Level 3 as at 31 March:

in EUR thousands

Three months ended 31 March 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		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
<b>Items of Income statement</b>					
Gains less losses from financial assets and liabilities held for trading	(43)	-	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	(328)	(7,164)	7,899
Foreign exchange translation gains less losses	-	-	-	2	(7)
<b>Item of Other comprehensive income</b>					
Financial assets measured at fair value through other comprehensive income	-	1	-	-	-

in EUR thousands

Three months ended 31 March 2019	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		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
<b>Items of Income statement</b>					
Gains less losses from financial assets and liabilities held for trading	447	-	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	387	6,398	195
Foreign exchange translation gains less losses	-	-	-	-	(8)

in EUR thousands

Three months ended 31 March 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 liabilities
<b>Items of Income statement</b>					
Gains less losses from financial assets and liabilities held for trading	(43)	-	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	(328)	(6,735)	7,743
Foreign exchange translation gains less losses	-	-	-	2	(7)

in EUR thousands

Three months ended 31 March 2019

	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 liabilities
<b>Items of Income statement</b>					
Gains less losses from financial assets and liabilities held for trading	447	-	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	387	6,008	127
Foreign exchange translation gains less losses	-	-	-	-	(8)

**Movements of non-financial assets at Level 3**

in EUR thousands

	NLB Group	
	2020	2019
<b>Investment property</b>		
Balance as at 1 Jan	28,933	32,208
Effects of translation of foreign operations to presentation currency	(46)	(11)
Additions	144	465
Disposals	(23)	(797)
Net valuation to fair value	(21)	15
<b>Balance as at 31 Mar</b>	<b>28,987</b>	<b>31,880</b>

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

in EUR thousands

	NLB Group				NLB			
	31 Mar 2020		31 Dec 2019		31 Mar 2020		31 Dec 2019	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets measured at amortised cost								
- debt securities	1,532,174	1,586,726	1,653,848	1,715,350	1,377,729	1,428,574	1,485,166	1,543,518
- loans and advances to banks	93,634	93,687	93,403	93,503	160,262	166,178	144,352	150,520
- loans and advances to customers	7,734,276	7,968,952	7,589,724	7,775,128	4,651,810	4,838,903	4,568,599	4,713,622
- other financial assets	170,633	170,633	97,415	97,415	143,701	143,701	67,279	67,279
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	63,148	63,148	42,840	42,690	102,334	102,333	89,820	89,820
- borrowings from banks and central banks	169,598	178,548	170,385	178,374	161,494	170,211	161,564	169,312
- due to customers	11,652,891	11,659,954	11,612,317	11,630,157	7,834,716	7,842,435	7,760,737	7,768,365
- borrowings from other customers	62,930	58,079	64,458	63,868	2,076	2,084	2,537	2,548
- subordinated liabilities	286,640	293,756	210,569	211,889	286,640	293,756	210,569	211,889
- other financial liabilities	146,350	146,350	158,484	158,484	93,773	93,773	98,342	98,342



*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*

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 created provisions.

*Other financial assets and liabilities*

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

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

in EUR thousands

31 Mar 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	1,504,714	82,012	-	1,586,726	1,346,562	82,012	-	1,428,574
- loans and advances to banks	-	93,687	-	93,687	-	166,178	-	166,178
- loans and advances to customers	-	7,968,952	-	7,968,952	-	4,838,903	-	4,838,903
- other financial assets	-	170,633	-	170,633	-	143,701	-	143,701
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	-	63,148	-	63,148	-	102,333	-	102,333
- borrowings from banks and central banks	-	178,548	-	178,548	-	170,211	-	170,211
- due to customers	-	11,659,954	-	11,659,954	-	7,842,435	-	7,842,435
- borrowings from other customers	-	58,079	-	58,079	-	2,084	-	2,084
- subordinated liabilities	293,756	-	-	293,756	293,756	-	-	293,756
- other financial liabilities	-	146,350	-	146,350	-	93,773	-	93,773

in EUR thousands

31 Dec 2019	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	1,464,677	250,673	-	1,715,350	1,437,771	105,747	-	1,543,518
- loans and advances to banks	-	93,503	-	93,503	-	150,520	-	150,520
- loans and advances to customers	-	7,775,128	-	7,775,128	-	4,713,622	-	4,713,622
- other financial assets	-	97,415	-	97,415	-	67,279	-	67,279
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	-	42,690	-	42,690	-	89,820	-	89,820
- borrowings from banks and central banks	-	178,374	-	178,374	-	169,312	-	169,312
- due to customers	-	11,630,157	-	11,630,157	-	7,768,365	-	7,768,365
- borrowings from other customers	-	63,868	-	63,868	-	2,548	-	2,548
- subordinated liabilities	166,349	45,540	-	211,889	166,349	45,540	-	211,889
- other financial liabilities	-	158,484	-	158,484	-	98,342	-	98,342

## 6. Analysis by segment for NLB Group

### a) Segments

Three months ended 31 March 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	39,933	20,225	52,836	7,707	1,410	2,180	-	124,290
Net income from external customers	42,822	21,841	53,531	2,071	1,357	2,166	-	123,788
Intersegment net income	(2,889)	(1,616)	(695)	5,635	53	14	-	502
Net interest income	21,294	9,353	39,810	6,537	375	(4)	-	77,364
Net income from external customers	24,292	10,699	40,743	1,022	626	(18)	-	77,364
Intersegment net interest income	(2,998)	(1,346)	(933)	5,514	(251)	14	-	-
Administrative expenses	(25,569)	(9,559)	(24,076)	(1,720)	(3,139)	(2,844)	-	(66,907)
Depreciation and amortisation	(3,007)	(940)	(3,474)	(157)	(285)	(357)	-	(8,220)
Reportable segment profit/(loss) before impairment and provision charge	11,357	9,726	25,286	5,830	(2,014)	(1,021)	-	49,163
Other net gains/(losses) from equity investments in subsidiaries, associates and joint ventures	218	-	-	-	-	-	-	218
Impairment and provisions charge	(4,563)	(9,687)	(13,947)	(19)	(227)	111	-	(28,332)
Profit/(loss) before income tax	7,011	39	11,339	5,812	(2,241)	(911)	-	21,049
Owners of the parent	7,011	39	10,176	5,812	(2,241)	(911)	-	19,886
Non-controlling interests	-	-	1,163	-	-	-	-	1,163
Income tax	-	-	-	-	-	-	(1,575)	(1,575)
<b>Profit for the period</b>								<b>18,311</b>
31 Mar 2020								
Reportable segment assets	2,522,849	2,205,395	4,739,584	4,407,933	158,716	246,128	-	14,280,605
Investments in associates and joint ventures	7,726	-	-	-	-	-	-	7,726
Reportable segment liabilities	6,627,538	1,245,987	4,005,353	577,610	6,359	100,746	-	12,563,594

Three months ended 31 March 2019

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	43,047	26,291	51,099	8,129	3,888	2,382	-	134,835
Net income from external customers	42,571	27,264	51,255	6,922	4,122	2,366	-	134,500
Intersegment net income	476	(973)	(156)	1,207	(234)	16	-	335
Net interest income	22,994	10,791	38,613	6,008	970	(26)	-	79,350
Net income from external customers	22,585	11,501	39,010	4,863	1,432	(42)	-	79,350
Intersegment net interest income	409	(710)	(397)	1,145	(462)	16	-	-
Administrative expenses	(24,032)	(9,202)	(22,367)	(1,560)	(2,817)	(2,191)	-	(62,170)
Depreciation and amortisation	(2,775)	(987)	(3,357)	(149)	(335)	(275)	-	(7,877)
Reportable segment profit/(loss) before impairment and provision charge	16,240	16,102	25,375	6,420	736	(84)	-	64,788
Other net gains/(losses) from equity investments in subsidiaries, associates and joint ventures	1,130	-	-	-	-	-	-	1,130
Impairment and provisions charge	(1,073)	3,295	(3,202)	(320)	677	(2)	-	(625)
Profit/(loss) before income tax	16,297	19,396	22,173	6,099	1,413	(86)	-	65,293
Owners of the parent	16,297	19,396	20,207	6,099	1,413	(86)	-	63,327
Non-controlling interests	-	-	1,966	-	-	-	-	1,966
Income tax	-	-	-	-	-	-	(5,434)	(5,434)
<b>Profit for the period</b>								<b>57,893</b>
31 Dec 2019								
Reportable segment assets	2,551,708	2,042,200	4,731,350	4,412,561	169,456	259,314	-	14,166,589
Investments in associates and joint ventures	7,499	-	-	-	-	-	-	7,499
Reportable segment liabilities	6,464,417	1,341,878	4,043,172	465,168	8,791	119,766	-	12,443,191

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 are divided into several segments. Interest income is reallocated between segments on the basis of fund transfer rates (FTP). Other NLB Group members are, based on their business activity, included in only one segment.

Segments of the 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 asset management (NLB Skladi), as well as the contribution to the result of the associated company Bankart (in Q1 2019 also of the joint venture NLB Vita).
- Corporate and Investment Banking in Slovenia, which includes banking with Key Corporate Clients, SMEs, Investment Banking and Custody, and Restructuring and Workout.
- Financial Markets in Slovenia include treasury activities and trading in financial instruments, while they also present the results of asset and liabilities management (ALM).
- Strategic Foreign Markets, which include the operations of strategic Group banks in strategic markets (Bosnia and Herzegovina, Montenegro, Kosovo, North Macedonia, and Serbia).
- Other accounts for the categories whose operating results cannot be allocated to specific segments.

Non-Core Members include the operations of non-core Group members, REAM and leasing entities, NLB Srbija and NLB Crna Gora.

Data for 2019 are adjusted to changed schemes prescribed by the BoS (relocation of some items from other net operating income to other general and administrative expenses), so there might be changes in previously reported numbers (note 2.3.).

## b) Geographical information

in EUR thousands

	Revenues		Net income		Non-current assets		Total assets	
	three months ended		three months ended		31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
	March 2020	March 2019	March 2020	March 2019				
NLB Group	81,974	81,211	69,980	80,828	148,074	151,934	9,459,700	9,350,558
Slovenia	66,402	62,838	53,831	51,965	142,822	142,870	4,816,294	4,811,617
South East Europe	20,383	20,480	16,558	16,362	35,274	34,971	1,461,329	1,448,179
North Macedonia	8,729	7,554	6,889	6,073	25,016	25,549	656,830	639,351
Serbia	7,883	7,468	6,298	6,395	30,013	30,089	515,578	533,849
Montenegro	-	-	(40)	91	1,939	2,045	10,587	12,497
Croatia	17,392	17,096	14,149	14,359	34,065	34,246	1,373,929	1,381,718
Bosnia and Herzegovina	12,015	10,240	9,977	8,685	16,515	15,970	798,041	796,023
Kosovo	1	311	(23)	1,706	154	158	12,337	11,913
Western Europe	-	2	56	88	149	152	1,958	1,787
Germany	1	309	(79)	1,618	5	6	10,379	10,126
Switzerland	-	-	-	1	-	-	-	-
Czech Republic	148,377	144,360	123,788	134,500	291,050	294,962	14,288,331	14,174,088
<b>Total</b>								

The geographical analysis includes a breakdown of items with respect to the country in which individual NLB Group entities 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 in the normal 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	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
	three months ended		three months ended		three months ended		three months ended	
	March 2020	March 2019	March 2020	March 2019	March 2020	March 2019	March 2020	March 2019
Loans and deposits issued	2,061	2,119	502	520	9	130	243	248
Deposits received	1,640	1,579	1,078	871	126	193	255	198
Other financial liabilities	2,759	2,759	-	-	1	4	-	-
Guarantees issued and credit commitments	249	246	92	82	11	91	20	18
Interest income	10	9	2	2	1	1	1	2
Interest expense	(1)	-	-	-	-	-	-	-
Fee income	4	3	1	1	67	2	-	-
Other income	3	3	-	-	-	-	-	-
Other expenses	(4)	(2)	-	-	(12)	(8)	-	-

### Key management compensation – payments in the period

in EUR thousands

NLB Group and NLB	Management Board		Other key management personnel	
	three months ended		three months ended	
	March 2020	March 2019	March 2020	March 2019
Short-term benefits	412	172	1,388	1,210
Cost refunds	1	1	23	19
Long-term bonuses				
- severance pay	259	-	48	-
- other benefits	1	1	18	17
<b>Total</b>	<b>673</b>	<b>174</b>	<b>1,477</b>	<b>1,246</b>

Short-term benefits include:

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

The reimbursement of cost comprises food allowances and travel expenses.

**Related-party transactions with subsidiaries, associates and joint ventures**

in EUR thousands

	NLB Group			
	Associates		Joint ventures	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
Loans and deposits issued	1,056	1,066	1,203	1,205
Deposits received	1,756	842	13,465	8,455
Other financial assets	8	18	26	539
Other financial liabilities	141	1,294	318	250
Guarantees issued and credit commitments	35	31	27	26
	three months ended		three months ended	
	March 2020	March 2019	March 2020	March 2019
Interest income	8	9	3	7
Interest expense	-	-	(14)	(11)
Fee income	3	2	626	984
Fee expense	(2,650)	(2,164)	(626)	(594)
Other income	38	33	116	34
Other expenses	(94)	(108)	(37)	(22)

in EUR thousands

	NLB					
	Subsidiaries		Associates		Joint ventures	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
Loans and deposits issued	256,663	231,103	1,056	1,066	1,174	1,174
Deposits received	77,146	80,806	1,756	842	10,499	5,418
Other financial assets	777	984	8	18	26	539
Other financial liabilities	110	235	-	1,174	197	116
Guarantees issued and credit commitments	31,765	32,727	35	31	27	26
Received loan commitments and financial guarantees	6,447	3,297	-	-	-	-
	three months ended		three months ended		three months ended	
	March 2020	March 2019	March 2020	March 2019	March 2020	March 2019
Interest income	1,206	936	8	9	3	7
Interest expense	(18)	(71)	-	-	-	-
Fee income	1,952	1,342	3	2	591	952
Fee expense	(4)	(2)	(2,004)	(1,778)	(237)	(299)
Other income	125	97	38	33	116	34
Other expenses	(63)	(50)	(91)	(108)	(37)	(22)
Gains less losses on derecognition of financial assets/liabilities held for trading	(243)	(141)	-	-	-	-
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	175	63	-	-	-	-

**Related-party transactions with major shareholder with significant influence**

in EUR thousands

	NLB Group		NLB	
	Shareholder		Shareholder	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
Loans and deposits issued	24,589	28,206	24,589	28,206
Investments in securities (banking book)	953,201	849,924	851,183	777,047
Investments in securities (trading book)	2,097	1,041	2,097	1,041
Other financial assets	651	651	651	651
Other financial liabilities	2	22	2	22
Guarantees issued and credit commitments	1,207	1,168	1,207	1,168
	three months ended		three months ended	
	March 2020	March 2019	March 2020	March 2019
Interest income	3,420	4,999	3,507	5,043
Fee income	80	44	80	44
Fee expense	(5)	(6)	(5)	(6)
Other income	50	174	50	174
Other expenses	(1)	(3)	(1)	(3)
Gains less losses on derecognition of financial assets/liabilities not classified as at fair value through profit or loss	1,724	2,250	1,724	2,250
Gains less losses on derecognition of financial assets/liabilities held for trading	(12)	(37)	(12)	(37)

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	
	three months ended	12 months ended	three months ended	12 months ended
	March 2020	December 2019	March 2020	December 2019
NLB Group and NLB				
Loans	-	57,113	-	1
Borrowings, deposits and business accounts	-	179,309	-	2
	Balance of all significant transactions at end of the period		Number of significant transactions at end of the period	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
Loans	578,276	582,081	6	6
Debt securities measured at amortised cost	78,535	78,014	1	1
Borrowings, deposits and business accounts	70,060	115,500	1	2
	Effects in the income statement during the period			
	three months ended			
	March 2020	March 2019		
Interest income from loans	895	501		
Fees and commissions income	14	162		
Interest income from debt securities measured at amortised cost	521	1,161		
Interest expense from borrowings, deposits, and business accounts	(130)	(53)		

## 8. Subsidiaries

NLB Group's subsidiaries as at 31 March 2020 and 31 December 2019 were:

Nature of Business	Country of Incorporation	NLB's shareholding %	NLB's voting rights%	NLB Group's shareholding voting rights%	
				shareholding %	voting rights%
<b>Core members</b>					
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., Belgrade	Banking	Serbia	99,997	99,997	99,997 99,997
NLB Skladi d.o.o., Ljubljana	Finance	Slovenia	100	100	100 100
<b>Non-core members</b>					
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 Podgorica d.o.o., Podgorica - "u likvidaciji"	Finance	Montenegro	100	100	100 100
NLB Leasing d.o.o., Belgrade - u likvidaciji	Finance	Serbia	100	100	100 100
NLB Leasing d.o.o., Sarajevo	Finance	Bosnia and Herzegovina	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	Real estate	Bosnia and Herzegovina	-	-	100 100
REAM d.o.o., Podgorica	Real estate	Montenegro	100	100	100 100
REAM d.o.o., Belgrade	Real estate	Serbia	100	100	100 100
SPV 2 d.o.o., Belgrade	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., Belgrade	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., Belgrade - u likvidaciji	Finance	Serbia	-	-	100 100
LHB AG, Frankfurt	Finance	Germany	100	100	100 100

## 9. Events after the end of the reporting period

No events took place after 31 March 2020 that would have had a materially significant influence on the presented condensed interim financial statements.



## Glossary of Terms and Definitions

<b>ALM</b>	Asset and Liability Management
<b>BiH</b>	Bosnia and Herzegovina
<b>BoS</b>	Bank of Slovenia
<b>bps</b>	Basis Points
<b>CBR</b>	Combined Buffer Requirement
<b>CET1</b>	Common Equity Tier 1
<b>CIR</b>	Cost-to-Income Ratio
<b>COO</b>	Chief Operating Officer
<b>CVA</b>	Credit Value Adjustment
<b>EBA</b>	European Banking Authority
<b>EC</b>	European Commission
<b>ECB</b>	European Central Bank
<b>FED</b>	Federal Reserve System
<b>FTP</b>	Fund Transfer Price
<b>FVTPL</b>	Fair Value Through Profit or Loss
<b>FX</b>	Foreign Exchange
<b>GDR</b>	Global Depositary Receipts
<b>GDP</b>	Gross Domestic Product
<b>ICAAP</b>	Internal Capital Adequacy Assessment Process
<b>IFRS</b>	International Financial Reporting Standard
<b>ILAAP</b>	Internal Liquidity Adequacy Assessment Process
<b>IMF</b>	International Monetary Fund
<b>JV</b>	Joint Venture
<b>LTD</b>	Loan-to-Deposit Ratio
<b>MDA</b>	Maximum Distributable Amount
<b>MREL</b>	Minimum Requirement for Own Funds and Eligible Liabilities
<b>NIM</b>	Net Interest Margin
<b>NLB or the Bank</b>	NLB d.d.
<b>NPE</b>	Non-Performing Exposures
<b>NPL</b>	Non-Performing Loans
<b>OCR</b>	Overall Capital Requirement
<b>O-SII</b>	Other Systemically Important Institution
<b>p.p.</b>	Percentage point(s)
<b>P1R</b>	Pillar 1 Requirement
<b>P2G</b>	Pillar 2 Guidance
<b>P2R</b>	Pillar 2 Requirement
<b>ROA</b>	Return on Assets
<b>ROE</b>	Return on Equity
<b>RORAC</b>	Return on Risk-Adjusted Capital
<b>RoS</b>	Republic of Slovenia
<b>RWA</b>	Risk Weighted Assets
<b>SEE</b>	South-Eastern Europe
<b>SME</b>	Small and Medium-sized Enterprises
<b>SPA</b>	Sales and Purchase Agreement

<b>SREP</b>	Supervisory Review and Evaluation Process
<b>The Group</b>	NLB Group
<b>TLOF</b>	Total Liabilities and Own Funds
<b>TSCR</b>	Total SREP Capital Requirement
<b>UMAR</b>	Institute of Macroeconomic Analysis and Development
<b>WHO</b>	World Health Organization



**BANK GUARANTEE** **DIGITAL SERVICES** **B2B** **EASY** **KLIKIN** **TRUST** **UP TO DATE** **EXCELLENCE** **PRIVATE BANKING** **PURCHASE OF RECEIVABLES**

**24/7** **LJUBLJANA** **QUALITY**

**EMPLOYEES** **B2B** **B2C** **KNOWLEDGE** **ACCESSIBILITY** **TRUST** **FINANCIAL LITERACY** **REGIONAL PROJECTS** **FLEXIBILITY** **EXCELLENCE** **PRIVATE BANKING** **PURCHASE OF RECEIVABLES**

**SOCIAL** **CONSULTING** **TRUST** **STABILITY** **TRUST** **FINANCIAL LITERACY** **REGIONAL PROJECTS** **FLEXIBILITY** **EXCELLENCE** **PRIVATE BANKING** **PURCHASE OF RECEIVABLES**

**RESPONSIBILITY** **TRUST** **FINANCIAL LITERACY** **REGIONAL PROJECTS** **FLEXIBILITY** **EXCELLENCE** **PRIVATE BANKING** **PURCHASE OF RECEIVABLES**

**REGIONAL PROJECTS** **R&D** **FINANCIAL LITERACY** **REGIONAL PROJECTS** **FLEXIBILITY** **EXCELLENCE** **PRIVATE BANKING** **PURCHASE OF RECEIVABLES**

**MOBILE WALLET** **NLB PAY** **BEST SERVICE**

**FLEXIBILITY** **TRUST** **SECURITY** **NLB TELEDOM**

**BELGRADE** **TRUST** **24/7** **REGIONAL PROJECTS**

**FINANCIAL ADVICE** **BANJA LUKA**

**PURCHASE OF RECEIVABLES** **BANK GUARANTEE**

**5.800+** **REGIONAL PROJECTS** **B2B** **KLIKIN**

**327 BRANCHES** **PROFESSIONAL**

**MOBILE WALLET** **NLB PAY** **BEST SERVICE** **WIN-WIN**

**BANK GUARANTEE** **PROFESSIONAL** **B2B** **EASY** **TRUST** **EXCELLENCE** **ACCESSIBILITY** **NLB KLIK**

**EASY** **TRUST** **UP TO DATE** **KNOWLEDGE** **ACCESSIBILITY** **GROWTH**

**PODGORICA** **R&D** **SECURITY** **PROFESSIONAL**

**REGIONAL PROJECTS** **SECURITY**

**EASY** **GROWTH** **MENTORSHIP** **WIN-WIN**

**FINANCIAL LITERACY** **CARE** **EXCELLENCE** **ACCESSIBILITY** **NLB KLIK**

**DIGITAL SERVICES** **FLEXIBILITY** **ECOLOGY** **SPONSORSHIP** **GROWTH** **PRISHTINA**

**SKOPJE** **B2B** **FINANCIAL LITERACY** **CARE** **EXCELLENCE** **ACCESSIBILITY** **NLB KLIK** **TRUST** **BANK GUARANTEE** **PURCHASE OF RECEIVABLES**

**NLB KLIK** **WIN-WIN** **KLIKIN** **SPONSORSHIP** **GROWTH** **PRISHTINA**

**GROWTH** **DIGITAL SERVICES** **FLEXIBILITY** **ECOLOGY** **GOOD DEEDS** **MOBILE BANK** **TRUST** **BANK GUARANTEE** **PURCHASE OF RECEIVABLES**

**MOBILE WALLET** **NLB PAY** **DIGITAL** **WIN-WIN** **24/7** **HEALTH** **BANK GUARANTEE** **PURCHASE OF RECEIVABLES**

**MOBILE BANKERS** **DIGITAL** **WIN-WIN** **24/7** **HEALTH** **BANK GUARANTEE** **PURCHASE OF RECEIVABLES**

**SECURITY**