



# **We believe in this region's potential**

**Q3 2022 / Interim Report**

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NLB, Ljubljana  
NLB Banka, Ljubljana

NLB Banka, Banja Luka

NLB Komercijalna Banka,  
Beograd

NLB Banka, Sarajevo

NLB Banka, Podgorica

NLB Banka, Prishtina

NLB Banka, Skopje

## **We are – where you are.**

### **Our home is here.**

Here are our families, friends, colleagues, neighbours, our favourite athletes, hosts, who know what kind of coffee we like... All this is our home and we believe in it with all our hearts.

Since we are where you are, we know your potential and understand your commitment – even when no one else understands it. Where others merely see a spot on the map, we see a region full of opportunities.

**And we believe you deserve each and every one of them.**



# NLB Group Strategic Members Overview

	Slovenia					Serbia			North Macedonia		Bosnia and Herzegovina		Kosovo	Montenegro
	NLB Group	NLB, Ljubljana	N Banka, Ljubljana	NLB Lease&Go, Ljubljana	NLB Skladi, Ljubljana	NLB Komercijalna Banka, Beograd <sup>(viii)</sup>	KomBank Invest, Beograd	NLB DigIT, Beograd	NLB Banka, Skopje	NLB Liz&Go, Skopje	NLB Banka, Banja Luka	NLB Banka, Sarajevo	NLB Banka, Prishtina	NLB Banka, Podgorica
<b>Market position</b>														
Branches	444 <sup>(i)</sup>	71	11	-	-	177	-	-	48	-	47	35	33	22
Active clients	1,746,517 <sup>(ii)</sup>	683,923	48,959	-	-	931,535	-	-	405,964	-	223,860	131,880	218,318	82,572
Total assets <sup>(ix)</sup> (in EUR million)	23,498	13,358	1,423	195	1,888 <sup>(iii)</sup>	4,607	1.3	2.5	1,756	0.6	963	808	1,035	834
Profit after tax <sup>(ix)</sup> (in EUR million)	377.8	94.2	9.3	-0.6	6.5	43.0	-0.1	0.1	30.0	-	13.0	8.8	24.6	14.7
Market share (by total assets)	-	26.9%	2.9%	-	38.2% <sup>(iv)</sup>	10.2%	-	-	16.6%	-	20.1% <sup>(v, vii)</sup>	5.8% <sup>(vi, vii)</sup>	16.7%	13.7% <sup>(vii)</sup>

(i) Including NLB Komercijalna Banka, Beograd and N Banka, Ljubljana.

(ii) The total number of active clients for the Group does not include data for NLB Komercijalna Banka, Beograd and N Banka due to different definitions.

(iii) Assets under management.

(iv) Market share of assets under management in mutual funds.

(v) Market share in the Republic of Srpska.

(vi) Market share in the Federation of BiH.

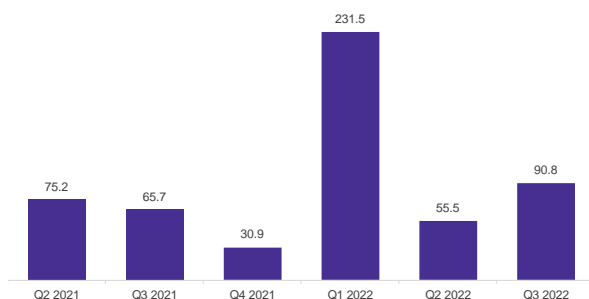
(vii) Data on market share as of 30 June 2022.

(viii) Komercijalna Banka, Beograd and NLB Banka, Beograd merged and as of 30 April 2022 the merged bank operates under the new name NLB Komercijalna banka a.d. Beograd.

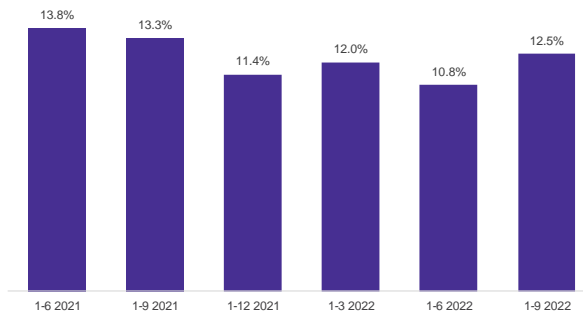
(ix) Data for members on a stand-alone basis as included in the consolidated financial statements of the Group.

# Figures at a Glance

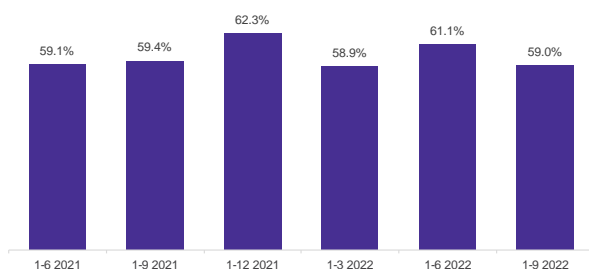
Profit a.t. - quarterly (in EUR million)<sup>(i)</sup>



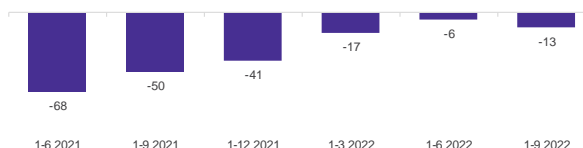
ROE a.t. (in %)<sup>(ii)</sup>



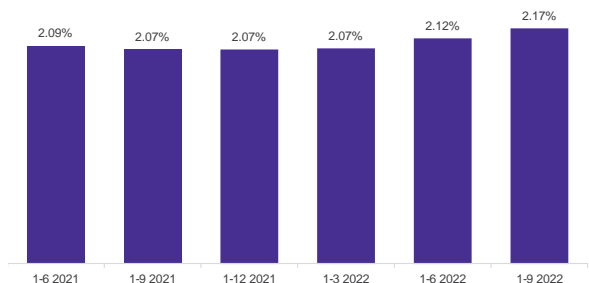
Cost to income ratio - CIR (in %)



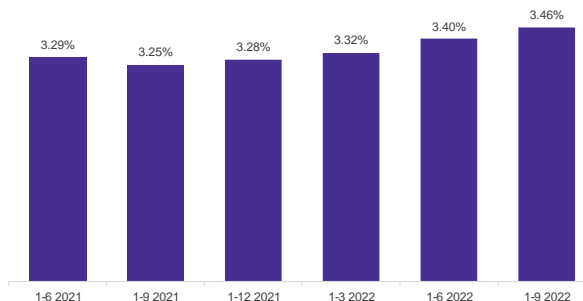
Cost of risk net (in bps)<sup>(iii)</sup>



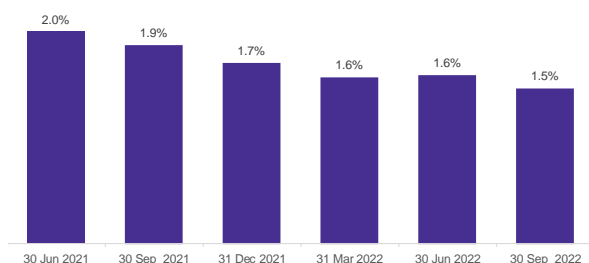
Net interest margin (in %)



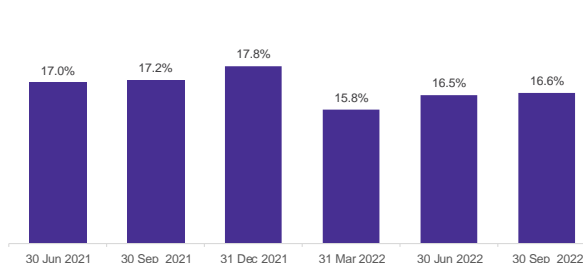
Operational business margin (in %)



NPE ratio - EBA def. (in %)



Total capital ratio (in %)



(i) Profit in Q1 2022 affected by the acquisition of N Banka.

(ii) ROE for 2022 calculated without negative goodwill from the acquisition of N Banka and effects of EUR 8.9 million of 12-month expected credit losses recognised at the acquisition date for the performing portfolio for N Banka not annualized.

(iii) For CoR 2022 calculation effects of EUR 8.9 million of 12-month expected credit losses recognised at the acquisition date for the performing portfolio for N Banka are not annualized.

# Key Financial Indicators<sup>1</sup>

Table 1: Key Financial Indicators of NLB Group

	in EUR million / % / bps					
	1-9 2022	1-9 2021	Change YoY	Q3 2022	Q2 2022	Q3 2021
<b>Key Income Statement Data</b>						
Net operating income	563.7	499.9	13%	205.6	183.6	166.0
Net interest income	353.1	302.3	17%	126.7	118.6	103.7
Net non-interest income	210.6	197.5	7%	78.9	65.0	62.3
Total costs	-332.6	-297.2	-12%	-113.9	-116.0	-99.9
Result before impairments and provisions	231.1	202.7	14%	91.7	67.6	66.1
Impairments and provisions	2.3	25.2	-91%	10.0	-3.3	6.3
Impairments and provisions for credit risk	7.5	34.1	-78%	9.8	1.6	3.3
Other impairments and provisions	-5.1	-8.8	42%	0.2	-4.9	2.9
Negative goodwill	172.8	0.0	-	0.0	0.0	0.0
Result after tax	377.8	205.5	84%	90.8	55.5	65.7
<b>Key Financial Indicators</b>						
Return on equity after tax (ROE a.t.)	12.5%	13.3%	-0.9 p.p.			
Return on assets after tax (ROA a.t.)	1.2%	1.3%	-0.1 p.p.			
Net interest margin (on interest bearing assets)	2.17%	2.07%	0.10 p.p.			
Net interest margin (on total assets - BoS ratio)	2.08%	1.98%	0.10 p.p.			
Operational business margin <sup>(i)</sup>	3.46%	3.25%	0.21 p.p.			
Cost to income ratio (CIR)	59.0%	59.4%	-0.4 p.p.			
Cost of risk net (bps) <sup>(ii)</sup>	-13	-50	37			
	30 Sep 2022	31 Dec 2021	30 Sep 2021	Change YtD	Change YoY	
<b>Key Financial Position Statement Data</b>						
Total assets	23,497.8	21,577.5	21,296.9	9%	10%	
Gross loans to customers	13,244.0	10,903.5	10,593.7	21%	25%	
Net loans to customers	12,925.3	10,587.1	10,267.0	22%	26%	
Deposits from customers	19,573.1	17,640.8	17,248.6	11%	13%	
Equity (w/without non-controlling interests)	2,339.8	2,078.7	2,140.5	13%	9%	
<b>Other Key Financial Indicators</b>						
LTD <sup>(iii)</sup>	66.0%	60.0%	59.5%	6.0 p.p.	6.5 p.p.	
Common Equity Tier 1 Ratio	14.5%	15.5%	14.7%	-0.9 p.p.	-0.2 p.p.	
Total capital ratio	16.6%	17.8%	17.2%	-1.2 p.p.	-0.6 p.p.	
Total risk exposure amount (RWA)	14,283.7	12,667.4	12,824.4	13%	11%	
NPL volume <sup>(iv)</sup>	352.3	367.4	397.5	-4%	-11%	
NPL coverage ratio 1 <sup>(v)</sup>	90.7%	86.1%	82.2%	4.6 p.p.	8.5 p.p.	
NPL coverage ratio 2 <sup>(vi)</sup>	56.2%	57.9%	58.7%	-1.7 p.p.	-2.5 p.p.	
NPL ratio (internal def.) <sup>(vii)</sup>	2.0%	2.4%	2.6%	-0.4 p.p.	-0.6 p.p.	
Net NPL ratio (internal def.) <sup>(viii)</sup>	0.9%	1.0%	1.1%	-0.1 p.p.	-0.2 p.p.	
NPL ratio (EBA def.) <sup>(ix)</sup>	2.7%	3.4%	3.7%	-0.7 p.p.	-1.1 p.p.	
NPE ratio (EBA def.) <sup>(x)</sup>	1.5%	1.7%	1.9%	-0.2 p.p.	-0.4 p.p.	
<b>Employees</b>						
Number of employees	8,265	8,185	8,359	80	-94	

(i) Operational business net income annualized / average assets.

(ii) Cost of risk = credit impairments and provisions (annualized level) / average net loans to customers. Credit impairments and provisions include impairments on loans from customers and provisions for off balance.

(iii) LTD = Net loans to customers / deposits from customers.

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

(v) Coverage of gross non-performing loans with impairments for all loans.

(vi) Coverage of gross non-performing loans with impairments for non-performing loans.

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

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

(ix) NPL ratio as per EBA definition is calculated as follows: (i) Numerator: gross volume of non-performing loans and advances in Finrep 18 without loans held for sale, cash balances at central banks and other demand deposits; (ii) Denominator: gross volume of loans and advances in Finrep 18 without loans held for sale, cash balances at central banks and other demand deposits.

(x) NPE ratio as per EBA definition is calculated as follows: (i) Numerator: total non-performing exposure in Finrep 18; (ii) Denominator: total exposures in Finrep 18.

International credit ratings NLB	30 Sep 2022	30 Jun 2022	Outlook
Standard & Poor's	BBB	BBB	Stable
Moody's <sup>(i)</sup>	Baa1	Baa1	Stable

(i) Unsolicited rating.

<sup>1</sup> ROE and ROA for 2022 calculated without negative goodwill from the acquisition of N Banka and effects of EUR 8.9 million of 12-month expected credit losses recognised at the acquisition date for the performing portfolio for N Banka not annualized; for CoR 2022 calculation effects of EUR 8.9 million of 12-month expected credit losses recognised at the acquisition date for the performing portfolio for N Banka not annualized.

# Macroeconomic Environment

## Macroeconomic summary and outlook

The global economy is experiencing several headwinds with inflation being at its several years peak, tightening financial conditions in majority of economies and geopolitical tensions. The eurozone economy is slowing rapidly as high prices impact business activity and dampen consumer demand. However, GDP grew 2.1% YoY in Q3 2022. Household consumption amid increasing cost of living is being supported by decreased savings. Household saving rate was at 13.7% in Q2, down from 15.2% in Q1 since consumption was increasing at faster rate than gross disposable income. The continuing drop in the eurozone economic sentiment in Q3, from 98.5 in July to 93.7 in September, as well as drops in underlying consumer and business confidence, suggest further slowdown of economy. The eurozone PMI (composite fell to 48.2 in September and hit a 20-month low) indicates that business activity has already been contracting throughout Q3. Worsening performances were observed in both manufacturing and services amid falling demand in both sectors due to intensifying price pressures and growing pessimism regarding outlook. Still, after registering an annual drop of 2.5% in July, industrial production increased by 2.5% in August mainly due to growth in production of capital goods and durable consumer goods. Retail sales growth indicates that demand was slowing in Q3 after retail trade dropped 2% YoY in August, registering a third consecutive month with negative YoY growth. However, the labour market remains strong with unemployment dropping further down to 6.6% in September. The euro area job vacancy rate increased to 3.2% in Q2 (from 3.1% in Q1), which represents a level significantly above long-term average, indicating tight labour market. In the same period, annual increase in labour costs was at 4.0%, with the wage component of the labour costs increasing by 4.1%, up from the 3.7% annual growth recorded in Q1. Inflation pressures persist with industrial producer prices being up by 41.9% YoY in September, with energy sector recording by far the highest growth rate, followed by intermediate goods and non-durable and durable consumer goods. Prices continue to increase with the euro area annual inflation surprising to the upside and rising further to 9.9% in September, from 8.9% recorded in July. However, heterogeneous country inflationary developments that to some degree reflect also idiosyncratic country measures to limit price increases, further complicate the ECB's task of finding the right monetary policy calibration. Higher prices affect people's standard of living, hence prompting governments to introduce a variety of fiscal measures at national and supra-national level. In September, the EU governments agreed on a EUR 140 billion windfall tax on energy companies. Regarding the monetary policy, the ECB raised its key policy rates by 75 bps at its October meeting and signalled that it expects to further raise interest rates to dampen demand and tame prices. In the USA, demand is softening, and consumers have been eating into the excess savings to offset high prices and fuel spending since saving rate (stable at 3.5% in August) is near levels seen during the 2007-2009 Great Recession. The labour market remains tight with 4 million more job vacancies than there are unemployed persons to fill them. Resilient labour market and strong inflation pressures speak in favour of continuing the rate hiking cycle. In the UK, the Bank of England was forced to intervene in the bonds market to prevent liquidity crisis amongst pension funds due to higher yields.

The global and European economy outlook rests on the successful calibration of monetary policy, the course of the war in Ukraine and continued inflationary pressures. Further risks to the downside consist of global tightening in financial conditions triggering widespread emerging market debt distress, further geopolitical fragmentation and tensions, and, in particular for Europe, further sharp reduction in flows or even a complete cut of gas supplies by Russia weighing on output. The euro area is seen growing 2.9% in 2022 with accumulated savings offering support to economy faced with deteriorating confidence, supply shortages, rising energy prices and rising interest rates. In 2023, growth is expected at 1.0%, largely reflecting spillover effects from the war in Ukraine and tighter financial conditions. Slovenia is expected to grow 5.9% in 2022 and 1.2% in 2023 while the Group's region is expected to grow 4.2% in 2022 and 2.0% in 2023.

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

	GDP (annual growth rate in %)				Average inflation (in %, aop)				Unemployment rate (in %, aop)			
	2021	Q2 2022	2022	2023	2021	Q3 2022	2022	2023	2021	Q2 2022	2022	2023
Euro area	5.2	4.1	2.9	1.0	2.6	9.3	7.7	5.5	7.7	6.7	6.8	7.0
Slovenia	8.1	8.2	5.9	1.2	2.0	11.3	8.8	5.8	4.8	4.2	4.2	4.3
BiH	7.1	5.9	2.9	2.0	2.0	16.9	14.0	8.5	17.4	15.7	16.2	15.8
Montenegro	13.0	12.7	3.5	2.6	2.4	15.3	11.9	7.3	16.7	14.6	15.5	15.5
N. Macedonia	4.0	2.8	2.3	2.7	3.2	17.2	13.3	8.0	15.7	14.5	14.7	14.7
Serbia	7.4	3.9	3.5	2.4	4.1	13.3	11.4	7.8	11.0	8.9	9.7	9.5
Kosovo	10.8	2.1	3.3	2.9	3.3	13.3	11.8	7.4	21.3 <sup>(i)</sup>	-	22.0	21.5

Source: Statistical offices, NLB ALM.

Note: NLB Forecasts highlighted in grey; (i) Data for 1-9 2021; aop - average of period.



# **Business Report**



# Key Highlights

## Financial Performance

**Strong business performance marked by continuous loan growth which supported net interest income growth and increased fee and commission income, negatively influenced by increasing costs**

- **Acquisition of Slovenian Sberbank banka** on 1 March and renaming it to **N Banka** on 11 April.<sup>2</sup>
- **Profit a.t.** of EUR 377.8 million including one-off effects from the acquisition of N Banka. Noteworthy, recurring profit before impairments and provisions grew 28% YoY excluding N Banka contribution.
- EUR 2,340.5 million increase of the Group's **gross loans to customers** YtD, with EUR 1,077.6 million increase due to the acquisition of N Banka and strong growth of individual and corporate loan book; impressive new loan production with increasing interest rates supported growth of net interest income.
- **Increase of the deposit base** of the Group YtD, EUR 1,932.3 million, of which EUR 976.6 million due to the acquisition of N Banka.
- **Net fee and commission income growth** continues with strong momentum – 14% YoY growth excluding N Banka's contribution, predominantly due to outstanding results in payment transactions and related services, investment funds and bancassurance products.
- Increasing employee costs and general and administrative expenses in large extent related to the overall inflation in the region, however decrease of costs were recorded on QoQ basis.
- **Net impairments and provisions for credit risk** were released in the amount of EUR 7.5 million, with successful NPL resolution and asset quality at N Banka being better than expected at the acquisition. **Other impairments and provisions** were established in the amount of EUR 5.1 million, of which EUR 4.6 million for reorganization in NLB Komercijalna Banka, Beograd.

## Business Overview

**Leading player in SEE**

- A robust and **sustainable universal business model** with an increased focus on digitalisation and ESG.
- Striving to become a **regional champion**.
- Higher **availability and use of digital channels** – a wider range of 24/7 digital solutions offered to clients.
- **The merger** of Komercijalna Banka, Beograd and NLB Banka, Beograd was completed and from 30 April 2022 the bank operates under the new name **NLB Komercijalna banka a.d. Beograd** (NLB Komercijalna Banka, Beograd).
- The **strategic launch of leasing** is being concluded with having established presence **in three major markets of the Group** (Slovenia, Serbia and North Macedonia) and a very ambitious business plan is getting implemented – aiming to make leasing a material part of the Group with asset volumes to exceed EUR 1 billion in the coming years. Funding of leasing operations will be coming from the banks who will also assume key corporate governance positions (both the Bank and the local Group member banks).

## Asset Quality

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

- Well-diversified, stable, and robust **credit portfolio quality**. No large concentration in any specific industry or client segment. The portfolio remains very stable with increasing Stage 1 exposures. Low **NPE** (EBA def.) of 1.5% with very comfortable NPL coverage ratio 2 of 56.2%.
- The Group carefully monitors the most affected client's segments with the intention to detect any significant increase in credit risk at a very early stage. Direct and indirect exposure of the Group toward Russia and Ukraine is limited.
- **The cost of risk** (-13 bps) remains negative, backed by positive contribution of successful NPL resolution in most of the Group members. The current economic situation led to sluggish growth projections for the Slovenian economy in 2023. On this basis, the Bank formed additional loan loss provisions in Q3 2022. Similar approach is followed in other Group members.

## Capital & Liquidity

**Capital and liquidity position ensuring capital return and continued growth opportunities**

- **The capital position** was above all regulatory requirements (TCR of 16.6%, 1.2 p.p. lower YtD). The acquisition of N Banka had a positive impact on the capital position (its higher RWA was compensated with inclusion of negative goodwill into capital). On the other hand, higher RWAs from an increased lending activity and lower capital due to negative revaluation adjustments had a negative impact on the capital position.
- Dividends in the amount of EUR 50 million were paid to shareholders on 28 June.<sup>3</sup>
- **The liquidity position** of the Group remained very strong, with a high level of unencumbered liquid assets in total assets (37.5%). A **strong deposit** base demonstrated client confidence in the Group.

## Strategy

**Committed to pursue the strategic objectives**

- The Group continues to **execute its strategic initiatives** as well as **explore new business opportunities**, including business cooperation with local and international fintech companies.
- **The digital leadership position** in Slovenia is being applied to other markets where the Group operates. The goal is to become one of the best data science companies in the region to productively use customer data and **evolve a local flexible digital ecosystem** offering products and services to clients.
- The Group will continue to serve the society by aiming to **reduce its carbon footprint and improve the quality of life** in this region. It will drive **business value through sustainability** and commitment to enhance the management of environmental and social risks of its operations as well as meet stakeholders' expectations.

<sup>2</sup> Further information is available in the chapter **Key Events**.

<sup>3</sup> Further information is available in the chapters **Outlook 2022** and **Events After 30 September 2022**.

# Key Events

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

## Management Board change

On 20 January, the Supervisory Board appointed Hedvika Usenik, Antonio Argir, and Andrej Lasič as members of the Management Board. They received all necessary approvals to assume their office as Management Board members as of 28 April. The Management Board has thus six members.

## Swiss Francs Law

On 2 February, the National Assembly of the Republic of Slovenia adopted the Law on Limitation and Distribution of Foreign Exchange Risk Between Creditors and Borrowers Concerning Loan Agreements in Swiss Francs (CHF Law). The CHF Law affects all loan agreements denominated in Swiss francs (regardless of whether the agreements are still in force) concluded between banks operating in Slovenia (including NLB) as lenders and individuals as borrowers in the period from 28 June 2004 to 31 December 2010. The Constitutional Court of the RoS adopted a decision on 10 March to suspend in whole the implementation of the CHF Law until the final decision of the Constitutional Court on the conformity of the CHF Law with the Constitution. During this time the deadlines set for individual liabilities of the banks do not apply. Until the final decision on the constitutionality of the CHF Law is made by the Constitutional Court, the NLB will act in accordance with the applicable legislation and courts' decisions, and will, at the same time, exercise all legal remedies at its disposal.

## New SREP Decision

On 2 February, the ECB issued a new SREP decision for the Bank under which it has reduced the P2R from 2.75% to 2.60%, while P2G remains at 1.00%. The new SREP decision applies as of 1 March. Consequently, the Bank is as of that date required to maintain the OCR at the level of 14.10% on a consolidated basis, consisting of (i) 10.60% TSCR, and (ii) 3.5% CBR.

On 29 April, the BoS issued a new Regulation on determining the requirement to maintain a systemic risk buffer for banks and savings banks which will with 1 January 2023 introduce the systemic risk buffer rates for the sectoral exposures.<sup>4</sup>

## War in Ukraine

In February, the Russian Federation began a military invasion of Ukraine. The NLB Group has limited direct and indirect exposure to the Russian Federation and Ukraine which mainly derives from NLB's investment in Russian sovereign bonds.

## Acquisition of N Banka

On 1 March, the Single Resolution Board (SRB) in coordination with the local regulator, the BoS, decided to adopt a resolution scheme in respect of the Slovenian Sberbank banka. The resolution scheme envisaged the application of the sale of business tool for Sberbank banka and the BoS issued a decision for the sale of 100% shares issued by Sberbank banka. Under the resolution scheme, and following a marketing procedure, the SRB decided to transfer all the shares issued by Sberbank banka to NLB. Therefore, as of 1 March, NLB became a 100% owner of Sberbank banka. On 11 April, Sberbank banka was renamed N Banka and new supervisory board members of the bank were appointed. Activities for the integration of Sberbank banka with the NLB Group are in process.

## Supervisory and Management Board transactions with NLBR shares

Between 25 February and 23 March, Primož Karpe, Chairman of the Supervisory Board, Sergeja Kočar, Member of the Supervisory Board, Blaž Brodnjak, CEO, and Andreas Burkhardt, Member of the Management Board, together acquired 468 ordinary shares of NLB (ISIN: SI0021117344, LJSE ticker NLBR).

Between 12 May and 20 May, Blaž Brodnjak, CEO, Antonio Argir, Member of the Management Board, Andreas Burkhardt, Member of the Management Board, Hedvika Usenik, Member of the Management Board, Andrej Lasič,

<sup>4</sup> Further information is available in the chapter [Capital and Liquidity](#).

Member of the Management Board, and Sergeja Kočar, Member of the Supervisory Board, together acquired 716 ordinary shares of NLB (ISIN: SI0021117344, LJSE ticker NLBR).

On 11 August, Andreas Kligen, member of the Supervisory Board, acquired 100 ordinary shares of NLB (ISIN: SI0021117344, LJSE ticker NLBR).

#### **Notifications of major holdings change**

On 7 March, the shareholding of Schrodgers in the Bank changed from 5.061% to 4.95%.<sup>5</sup>

On 3 June, the shareholding of Brandes Investment Partners, L.P. in the Bank changed to 4.78%.

#### **Merger of Serbian subsidiaries**

Serbian subsidiaries, Komercijalna Banka, Beograd and NLB Banka, Beograd, merged and from 30 April 2022 the merged bank operates under the new name NLB Komercijalna banka a.d. Beograd.

#### **Rating upgrade**

On 11 May, Standard and Poor's rating agency upgraded the NLB's credit rating to BBB/A-2 from BBB-/A-3 with a stable outlook.

#### **NLB became a 100% owner of NLB Komercijalna Banka, Beograd**

On 23 May, the Bank acquired additional 442,799 ordinary shares of NLB Komercijalna banka a.d. Beograd and combined with the existing shareholding reached the ownership of 90.2155% of the basic capital and 91.7294% of shares with voting rights, effectively reaching the squeeze-out threshold. Through the squeeze-out process, NLB additionally acquired 1,528,110 regular shares and 316,260 preferred shares with a total value of EUR 61.7 million. On 13 July 2022, NLB successfully squeezed out the remaining shareholders of NLB Komercijalna banka a.d. Beograd and thereby became a 100% owner of the bank.

#### **NLB officially became a member of the UN-Convended Net-Zero Banking Alliance**

On 6 June, the Bank officially joined the Net-Zero Banking Alliance, an industry-led, UN-convended alliance of banks worldwide, committed to aligning their lending and investment portfolios with net-zero emissions by 2050 or sooner, as set by the most ambitious targets of the Paris Climate Agreement.

#### **General Meeting of Shareholders**

The General Meeting of Shareholders of NLB took place on 20 June and among others the shareholders decided that a part of the distributable profit in the total amount of EUR 50 million shall be paid out to the shareholders as dividends, which is EUR 2.50 gross per share. The dividends were paid on 28 June.<sup>6</sup>

#### **Fees on high balance**

On 1 August, the Bank stopped charging fees on high balances for individuals and corporate clients.

#### **Supervisory Board change**

As of 8 July, Janja Žabjek Dolinšek, workers' representative, is no longer a member of the Supervisory Board.

As of 12 September, Bojana Šteblaj, workers' representative, is no longer a member of the Supervisory Board.

#### **Expansion of the Group's leasing activities to Skopje**

On 21 September, the leasing company NLB Liz&Go, Skopje was established.<sup>7</sup>

#### **Inflationary pressures**

Similarly to the global economy, inflation presents headwinds in Slovenia and the SEE region economies where the Group is present. The Group's operations are currently impacted through increasing costs and gradual repricing of the new loan production.

<sup>5</sup> Further information is available in the chapter **Events After 30 September 2022**.

<sup>6</sup> Further information is available in the chapters **Outlook 2022** and **Events After 30 September 2022**.

<sup>7</sup> Further information is available in the chapter **Strategy**.

# NLB Shareholders Structure<sup>8</sup>

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 (GDRs), representing ordinary shares of NLB, are listed on the Main Market of the London Stock Exchange (ISIN: US66980N2036 and US66980N1046, London Stock Exchange GDR trading symbol: NLB and 55VX). Five GDRs represent one NLB share.

Table 3: NLB's main shareholders as of 30 September 2022<sup>(i)</sup>

Shareholder	Number of shares	Percentage of shares
Bank of New York Mellon on behalf of the GDR holders <sup>(ii)</sup>	10,946,534	54.73
• of which European Bank for Reconstruction and Development (EBRD) <sup>(iii)</sup>	n.a.	>5 and <10
Republic of Slovenia (RoS)	5,000,001	25.00
Other shareholders	4,053,465	20.27
<b>Total</b>	<b>20,000,000</b>	<b>100.00</b>

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

(ii) 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 shareholders' meeting or to exercise any voting rights under the deposited shares.

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

<sup>8</sup> Further information is available in the chapter [Events After 30 September 2022](#).



# Strategy

<b>Become a regional champion</b>	<ul style="list-style-type: none"> <li>The Group aims to further <b>strengthen its role as a systemically important financial institution in the SEE region</b>, and strives to become a <b>market leader in all of its core markets</b> and to have a prominent role in the region's development.</li> </ul>
<b>Putting clients first</b>	<ul style="list-style-type: none"> <li>In retail banking, the Group continues to strive to become <b>closer to its clients</b> by offering anchor products and the most accessible and personalised digital services. In corporate banking, the Bank is looking to provide more complex, cross-border products and services, and to <b>find new entry points in order to suit all its clients' financial needs</b>. The Group has made itself <b>available anywhere and anytime</b> by building a strong customer call centre and upgrading its portfolio of digital sales channels.</li> </ul>
<b>Digitalization</b>	<ul style="list-style-type: none"> <li>The Group is applying its <b>digital leadership position</b> in Slovenia to other markets where the Group operates.</li> <li>It is implementing <b>comprehensive and substantial strategic efforts</b> toward digital distribution and operating models, supported by <b>quicker and better customer service</b> and better internal processes efficiency.</li> <li>The main enabler is investing substantially in IT infrastructure and capabilities to deliver services in a safe and efficient manner. These efforts will be aided by the creation of a technological hub DigIT in Belgrade that develops solutions for the whole Group.</li> </ul>
<b>Grow our market position</b>	<ul style="list-style-type: none"> <li>The Group is continually focused on not only protecting but <b>strengthening its position as a systemic player in Group's home region</b>. This is to be done through engaging with all of the Group's stakeholders and primarily by adding value to three types of its main stakeholders: shareholders, customers, and employees.</li> </ul>
<b>Monetize synergies and opportunities</b>	<ul style="list-style-type: none"> <li>Significant strategic business efforts are undertaken to achieve business synergies across the Group, including costs and operational efficiency. The Group is fully engaged in re-establishing some of the key financial services, thus <b>diversifying its services</b> on a horizontal level, and cooperating with international fintech players.</li> <li>The Bank is simultaneously monitoring additional <b>M&amp;A opportunities</b> that could add value to the Bank's shareholders, including within SEE banking consolidation process and the emergence of fintech.</li> </ul>
<b>Increased importance of leasing – new business opportunity</b>	<ul style="list-style-type: none"> <li>In the Group Strategy, <b>leasing activities represent a significant part of Group's business mix</b>. Leasing operations in Slovenia (Lease&amp;Go) are gaining momentum with increased total assets, new leasing company was established in North Macedonia (NLB Liz&amp;Go) and all regulatory approvals for purchase of leasing entity in Serbia were obtained.</li> <li>Management and governance structures are being set up in new leasing members, with full implementation of Group's corporate governance principles and two members of NLB Management Board being Chair and Co-chair of Lease&amp;Go, Ljubljana Supervisory Board.</li> <li>All activities carried out in last months gave us a confidence that leasing will once again become a significant part of the Group. It is planned that in its mature phase, leasing will contribute more than EUR 1 billion to total assets of the Group, through organic and potentially also inorganic growth.</li> </ul>
<b>Change management</b>	<ul style="list-style-type: none"> <li>To facilitate the strategic focus and support a continuous <b>transformation in an everchanging environment</b>, the Group is following a comprehensive <b>program to deliver its mission and financial targets</b>.</li> <li>Focused efforts are put into increased operational efficiency, cost management, and the improved utilisation of the Group's capital. Simultaneously, overall operational capabilities are being enhanced by improving human capital, optimising IT infrastructure, digitalizing internal processes, and leveraging information capital. To drive the transformation, a new change management platform was set up.</li> </ul>
<b>Sustainability</b>	<ul style="list-style-type: none"> <li><b>Focus on implementation of environmental, social and governance elements</b> in bank's business model is an opportunity for the Group to meet societal expectations, adapt to a changing environment, and mitigate climate and social risks.</li> <li>The Group is driving business value through sustainability, commitment to enhance the management of environmental, and social risks of its operations as well as continue to serve the society by aiming to reduce its carbon footprint (by joining UNEP FI Net Zero Banking Alliance) and improve the quality of life in this region.</li> </ul>

# Financial Performance<sup>9</sup>

Table 4: Income statement of NLB Group

in EUR million										
	1-9 2022	1-9 2021	Change YoY o/w N Banka contribution			Q3 2022	Q2 2022	Q3 2021	Change QoQ	
Net interest income	353.1	302.3	50.8	17.5	17%	126.7	118.6	103.7	8.1	7%
Net fee and commission income	204.2	172.6	31.6	6.8	18%	70.5	69.1	58.6	1.4	2%
Dividend income	0.2	0.2	0.0	0.0	13%	0.1	0.1	0.1	0.0	70%
Net income from financial transactions	24.0	33.4	-9.5	-8.2	28%	10.3	8.5	7.4	1.8	22%
Net other income	-17.8	-8.7	-9.1	7.9	05%	-2.0	-12.7	-3.8	10.6	84%
Net non-interest income	210.6	197.5	13.1	6.5	7%	78.9	65.0	62.3	13.9	21%
<b>Total net operating income</b>	<b>563.7</b>	<b>499.9</b>	<b>63.8</b>	<b>23.9</b>	<b>13%</b>	<b>205.6</b>	<b>183.6</b>	<b>166.0</b>	<b>22.0</b>	<b>12%</b>
Employee costs	-186.4	-168.2	-18.2	-10.3	11%	-63.7	-65.2	-56.5	1.5	2%
Other general and administrative expenses	-111.0	-94.1	-16.9	-6.0	18%	-38.3	-39.0	-31.7	0.7	2%
Depreciation and amortisation	-35.2	-34.8	-0.4	-1.3	-1%	-11.9	-11.8	-11.6	-0.1	0%
Total costs	-332.6	-297.2	-35.4	-17.6	12%	-113.9	-116.0	-99.9	2.2	2%
<b>Result before impairments and provisions</b>	<b>231.1</b>	<b>202.7</b>	<b>28.4</b>	<b>6.4</b>	<b>14%</b>	<b>91.7</b>	<b>67.6</b>	<b>66.1</b>	<b>24.2</b>	<b>36%</b>
Impairments and provisions for credit risk	7.5	34.1	-26.6	5.1	78%	9.8	1.6	3.3	8.2	-
Other impairments and provisions	-5.1	-8.8	3.7	0.0	42%	0.2	-4.9	2.9	5.1	-
Impairments and provisions	2.3	25.2	-22.9	5.1	91%	10.0	-3.3	6.3	13.3	-
Gains less losses from capital investments in subsidiaries, associates, and joint ventures	1.1	0.9	0.2	0.0	22%	-0.4	1.0	0.5	-1.4	-
Negative goodwill	172.8	0.0	172.8	172.8	-	0.0	0.0	0.0	0.0	-
<b>Result before tax</b>	<b>407.4</b>	<b>228.9</b>	<b>178.5</b>	<b>184.3</b>	<b>78%</b>	<b>101.3</b>	<b>65.2</b>	<b>72.9</b>	<b>36.1</b>	<b>55%</b>
Income tax	-21.1	-12.9	-8.2	-2.2	63%	-10.4	-5.4	-3.3	-5.0	92%
Result of non-controlling interests	8.5	10.5	-2.0	0.0	19%	0.1	4.3	3.9	-4.2	97%
<b>Result after tax</b>	<b>377.8</b>	<b>205.5</b>	<b>172.3</b>	<b>182.1</b>	<b>84%</b>	<b>90.8</b>	<b>55.5</b>	<b>65.7</b>	<b>35.3</b>	<b>64%</b>

## Profit

The Group generated EUR 377.8 million of profit after tax, EUR 172.3 million higher YoY, of which most material positive deviation was due to effects related to the acquisition of N Banka. However, a noteworthy result was also recorded with a recurring profit before impairments and provisions with 28% YoY growth without N Banka's contribution.

The result was based on the following key drivers:

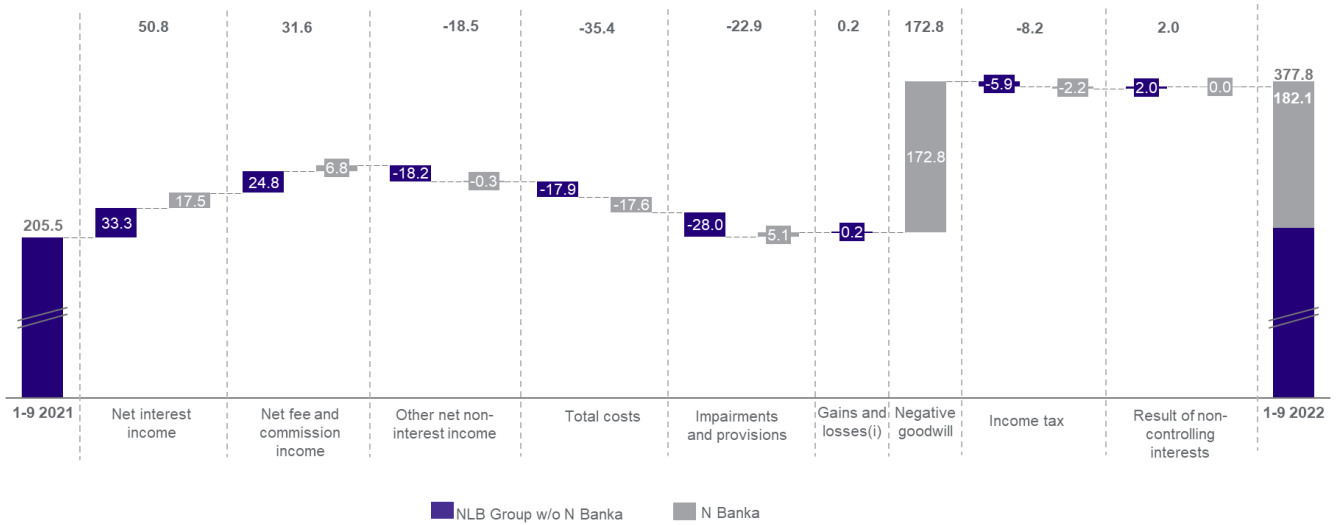
- **Negative goodwill** from the acquisition of N Banka in the amount of EUR 172.8 million.
- **Net interest income** increased EUR 33.3 million YoY without N Banka's contribution mostly due to a higher volume of loans. Interest rates on loans and on central bank balances are also gradually increasing and have positive influence on interest income. The increase of net interest income was recorded in all banks; the highest increases were recorded in the Bank (EUR 18.1 million), NLB Komercijalna Banka, Beograd<sup>10</sup> (EUR 8.9 million), and NLB Banka, Prishtina (EUR 4.2 million).
- **Net fee and commission income** increased 14% YoY without N Banka's contribution; the increase was recorded in all the Group banks, in the Bank by EUR 9.4 million due to higher fees from investment funds and bancassurance products, high balance deposit fee, and higher fees from cards and payments. The cancellation of the high balance deposit fee in August has negative effect on the fee and commission income, but is compensated with the interest income for central bank balances.
- **Total costs** increased YoY in most Group banking members, due to increasing employee costs and general and administrative expenses, mostly related to the overall inflation in the region. However, a decrease of costs was recorded on the QoQ basis.
- **Net impairments and provisions for credit risk** were released in the amount of EUR 7.5 million, with successful NPL resolution and asset quality at N Banka being better than expected at the acquisition. Other impairments and

<sup>9</sup> YoY data are not comparable due to the acquisition of Slovenian Sberbank banka on 1 March 2022, which was renamed to N Banka on 11 April (thereafter in the report referred to as N Banka or the acquisition of N Banka).

<sup>10</sup> Komercijalna Banka, Beograd and NLB Banka, Beograd merged and as of 30 April 2022 the merged bank operates under the new name NLB Komercijalna banka a.d. Beograd; data for joined bank also for 2021.

provisions were established in the amount of EUR 5.1 million, of which EUR 4.6 million for reorganization in NLB Komercijalna Banka, Beograd.

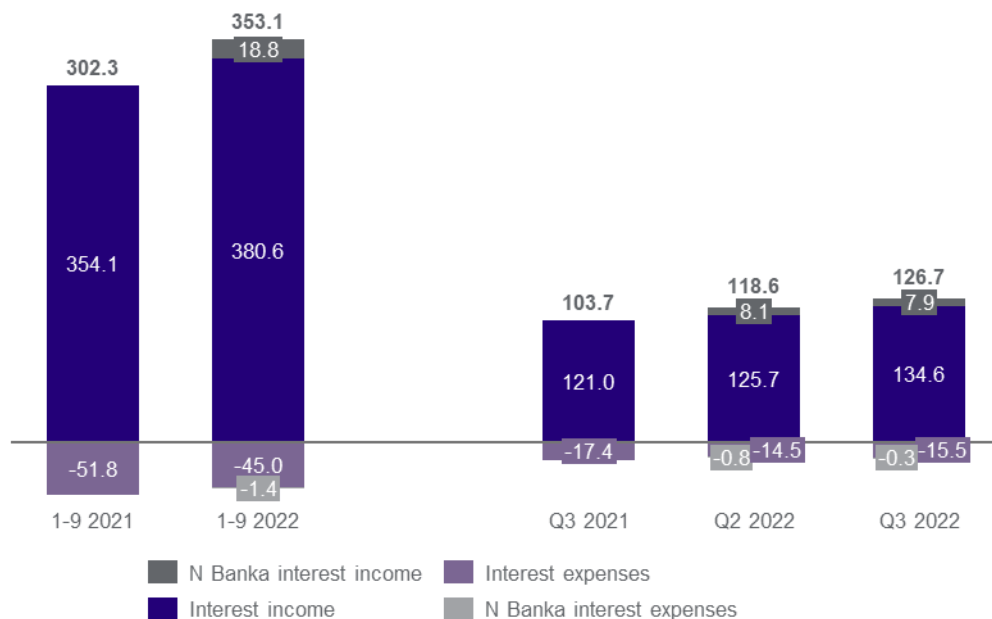
Figure 1: Profit after tax of NLB Group (in EUR million) – evolution YoY



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

## Net Interest Income

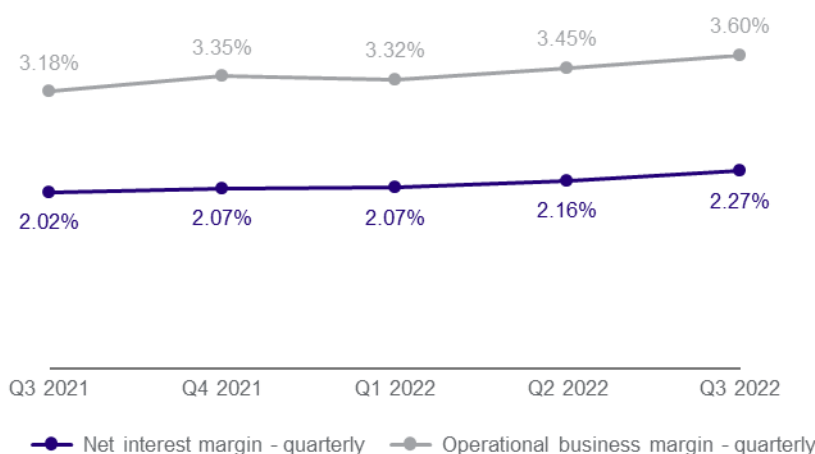
Figure 2: Net interest income of NLB Group (in EUR million)



The net interest income totalled EUR 353.1 million, of which EUR 17.5 million was contributed by N Banka. A higher level of interest income was achieved YoY in all the Group banking members mostly due to a higher volume of loans. TLTRO financing with the ECB at a very favourable interest rate of -1% p.a. was repaid in June and Senior Preferred notes were issued in July. Even after that, the Group's average funding cost was still relatively low due to its funding structure, relying mostly on customer deposits with low interest rates.

On the QoQ basis, the net interest income was higher mostly due to higher volume of loans; however, the key ECB interest rate hike in September also led to higher income from balances at the central bank and higher interest rates on new loans in the Bank.

Figure 3: Net interest margin and Operational business margin of NLB Group (quarterly data, in %)

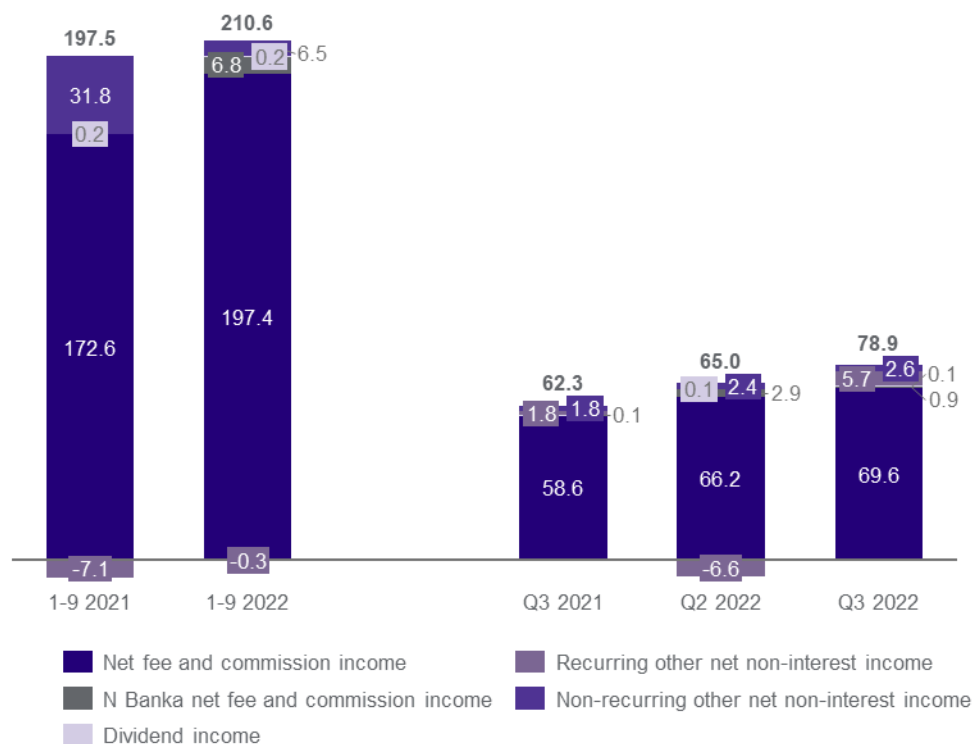


The net interest margin of the Group was 2.27% in Q3, 0.11 p.p. higher QoQ and 0.24 p.p. YoY, mostly due to volume growth; however, with the rising inflation, the Group started with gradual repricing of the new loan production, which advanced with the key ECB interest rate increase. The operational business margin of 3.60% increased 0.15 p.p. QoQ and 0.42 p.p. YoY, due to higher operating business net income growth (backed by the net fee and commission growth) compared to the net interest income growth.



## Net Non-Interest Income

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



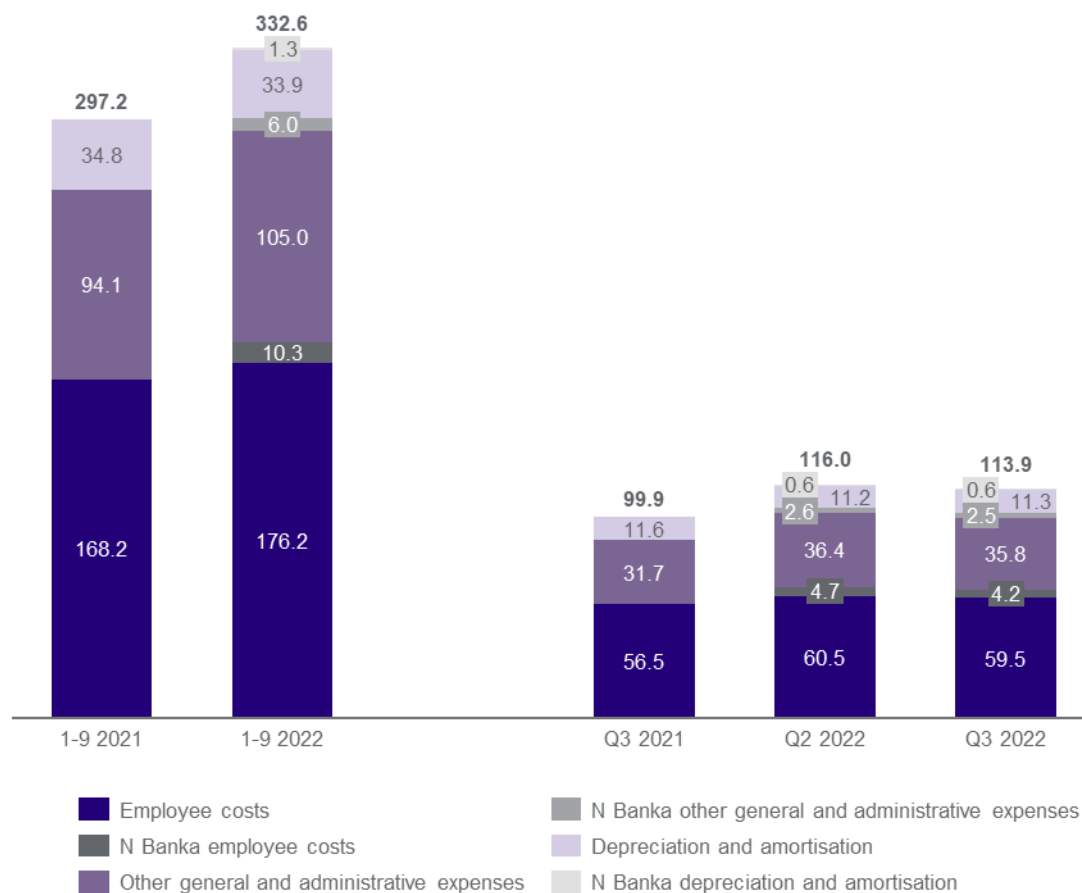
The net non-interest income reached EUR 210.6 million, of which EUR 6.5 million were contributed by N Banka. A major part of the net non-interest income has been derived from the net fee and commission income, which grew YoY, mostly in the Bank (higher fees from investment funds and bancassurance products, high balance deposit fee, higher fees from card and payment services, and advisory services).

The net non-interest income in 1-9 2021 was strongly affected by non-recurring valuation income in the amount of EUR 14.8 million from the repayment of exposure classified as non-performing, and EUR 9.0 million of other operation income from the settlement of a legal dispute, while no major one-offs with influence on non-interest income were recorded this year.

Quarterly dynamics remained positive, with net fee and commission income reaching EUR 70.5 million (up 2% QoQ). This achievement is even more noteworthy, given two important headwinds for the net fee and commission income which emerged in Q3, namely the cancellation of the high balance deposit fees and the Serbian central bank initiative to contain retail fees for a limited period.

## Total Costs

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



The total costs amounted to EUR 332.6 million, of which EUR 17.6 million from N Banka. Without the N Banka's contribution, the total costs increased YoY by 6% due to an increase in the Bank and in most of the SEE banking members. The Group is affected by the inflation and rising employee, material, and energy costs, but has successfully kept them under control. The largest YoY increases were recorded on employee costs (EUR 8.0 million without N Banka contribution) and general and administrative expenses (EUR 10.9 million without N Banka contribution) with increasing marketing cost, especially in the Bank due to the acquisition of N Banka in Slovenia and merger of the Group banks in Serbia (NLB Banka, Beograd and Komercijalna Banka, Beograd), electricity costs (EUR 2.9 million higher YoY), and software maintenance (mostly due to N Banka acquisition).

Despite inflationary pressures, the Group was able to record lower costs on the QoQ basis for 2% both employee as well as other general and administrative costs.

The Group is undertaking several strategic initiatives (channel strategy, digitalization, paperless, lean process, branch network optimisation etc.) to keep costs low. However, given the circumstances and economic situation significant inflationary pressures have been noticed across all cost categories consuming much of successful efficiency measures across the Group and specifically in Serbia. Combined with further planned investments into technology enhancements across the Group upward cost trends are expected for 2023 which will still be a transition year in regards of integration processes in Serbia and Slovenia.

CIR stood at 59.0%, a 0.4 p.p. decrease YoY.

## Net Impairments and Provisions

Figure 6: NLB Group impairments and provisions (in EUR million)



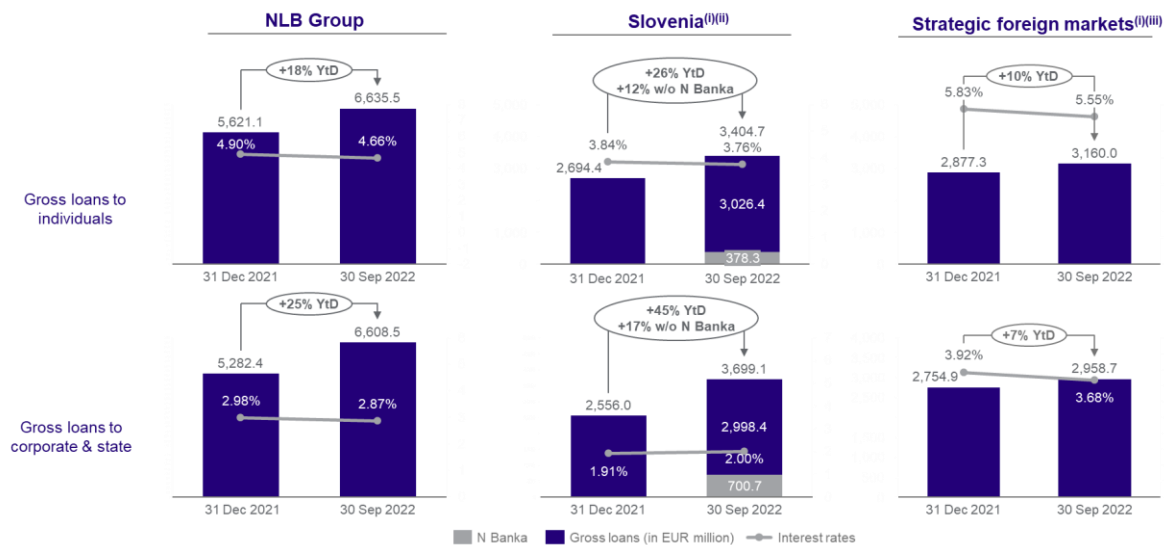
Impairments and provisions for credit risk were net released in the amount of EUR 7.5 million. Positive effects from a successful collection of previously written-off receivables (EUR 28.1 million), mostly in the corporate segment, entirely compensated for 12-month expected credit losses recognised at acquisition date for performing portfolio for N Banka and changes in risk parameters in Q2, while in Q3 less favourable macroeconomic forecasts for Slovenia led to deterioration of risk parameters and additional provisioning.

Other impairments and provisions were established in the amount of EUR 5.1 million, of which EUR 4.6 million for reorganization in NLB Komercijalna Banka, Beograd.





Figure 7: NLB Group gross loans to customers and interest rates on loans YtD dynamics (in EUR million and %)



(i) On the stand-alone basis.

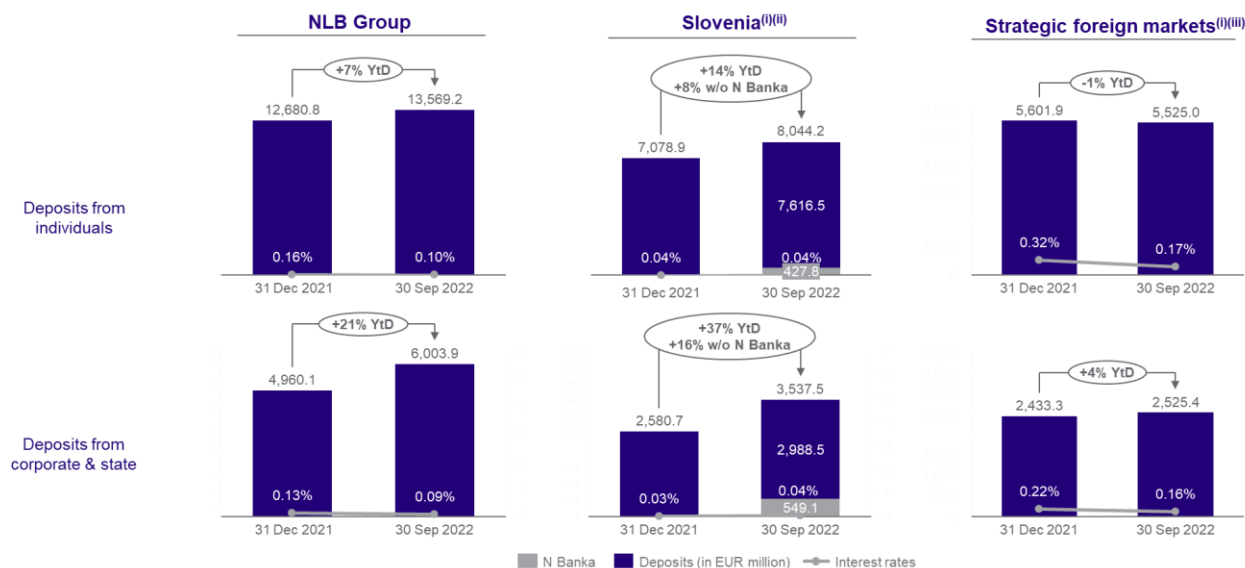
(ii) Includes the Bank and N Banka; interest rates only for the Bank.

(iii) Includes only the banks.

The lending activity is still in the growing trend and gross loans to individuals recorded a 12% YtD increase in the Bank and 10% in the Strategic foreign markets while the gross loans to the corporate and state recorded a 17% and 7% growth in the Bank and in Strategic foreign markets respectively.

The production of new loans in the Group was high, with almost EUR 880 million of new housing loans and over EUR 820 million of new consumer loans approved in 1-9, while over EUR 2.6 billion of new corporate loans were approved in this period. After a long period of low interest rates, the interest rates on the new production started to increase to fight the rising inflation.

Figure 8: NLB Group deposits from customers and interest rates on deposits YtD dynamics (in EUR million and %)



(i) On the stand-alone basis.

(ii) Includes NLB and N Banka; interest rates only for NLB.

(iii) Includes only banks.

The deposit base in the Bank increased YtD; to individuals and to the corporate and state by 8% and 16% respectively; however, in Q3, the growth of deposits from individuals was minimal, while substantial inflow of corporate and state deposits in August was recorded. On the other hand, a minor outflow of deposits from individuals (-1% YtD) was recorded in the Strategic foreign markets, due to outflows in Q1 as a response to the Ukraine war and its influence on

prices and consumer behaviour, with a positive trend perceived in Q2 and Q3. The majority, 87%, of all deposits represented sight deposits due to low interest rate environment.

Figure 9: Total assets of NLB Group by the location of NLB Group entities (in %)

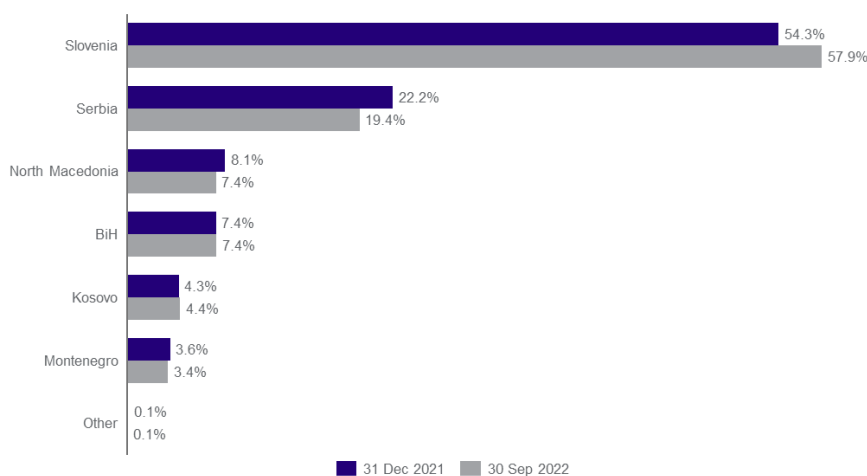
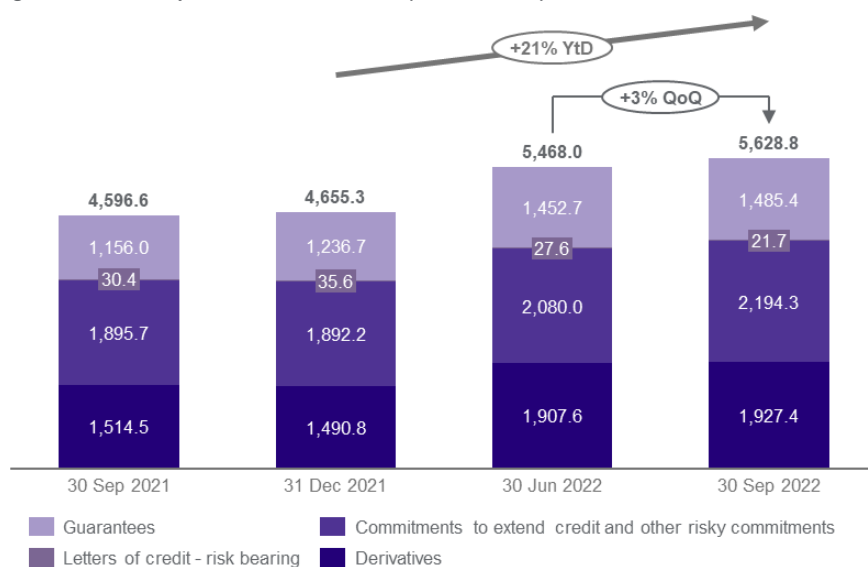


Figure 10: NLB Group off-balance sheet items (in EUR million)



Off-balance sheet items in the Group amounted to EUR 5,628.8 million and were comprised of commitments to extend credit and other risky commitments (39%), derivatives (34%), guarantees (26%), and letters of credit (0.4%).

Commitments to extend credit and other risky commitments were divided between loans (98% corporate), overdrafts (59% retail and 41% corporate) and cards (89% retail). A majority of the Group's derivatives were concluded by the Bank either for the hedging of the banking book or trading with customers.

# Capital and Liquidity

## Capital

Figure 11: NLB Group capital (in EUR million)

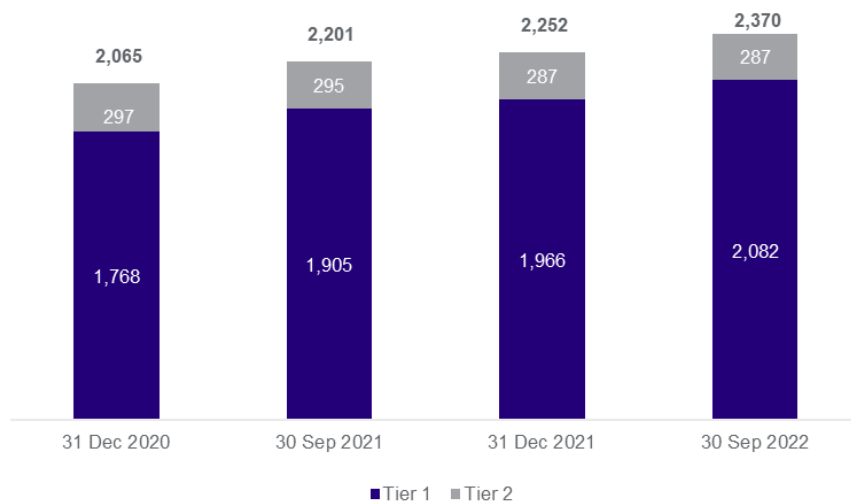
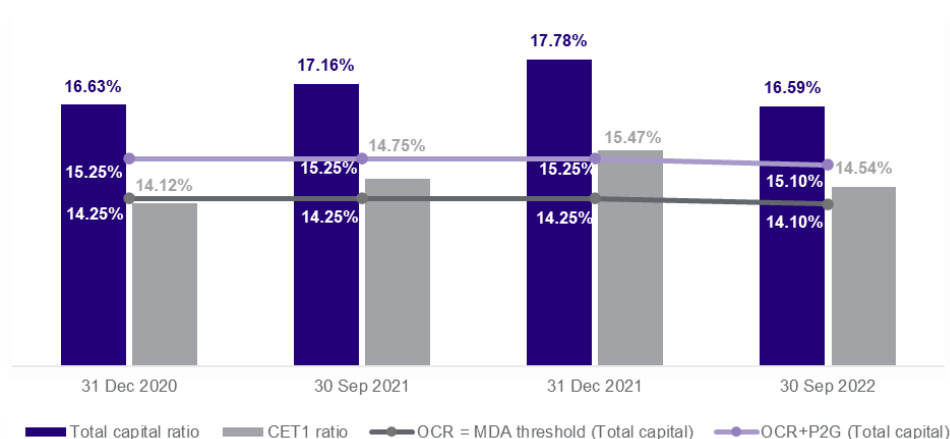


Figure 12: NLB Group capital ratios and regulatory thresholds



The Overall Capital Requirement (OCR) for the Group was 14.10%, consisting of:

- 10.60% TSCR (8.00% Pillar 1 Requirement and 2.60% Pillar 2 Requirement); and
- 3.50% CBR (2.50% Capital Conservation Buffer, 1.00% O-SII Buffer<sup>12</sup> and 0.00% Countercyclical Buffer).

On 29 April 2022, the BoS issued a new Regulation on determining the requirement to maintain a systemic risk buffer for banks and savings banks, which will with 1 January 2023 introduce the systemic risk buffer rates for the sectoral exposures:

- 1.00% for all retail exposures to natural persons secured by residential real estate,
- 0.50% for all other exposures to natural persons.

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

<sup>12</sup> As of 1 January 2023, the O-SII Buffer will amount to 1.25%.

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

**Table 6: NLB Group capital requirements and buffers**

		2022	2021	2020
Pillar 1 (P1R)	CET1	4.5%	4.5%	4.5%
	AT1	1.5%	1.5%	1.5%
	T2	2.0%	2.0%	2.0%
Pillar 2 (SREP req. - P2R)	CET1	1.46%	1.55%	1.55%
	Tier 1	1.95%	2.06%	2.06%
	Total Capital	2.60%	2.75%	2.75%
Total SREP Capital requirement (TSCR)	CET1	5.96%	6.05%	6.05%
	Tier 1	7.95%	8.06%	8.06%
	Total Capital	10.60%	10.75%	10.75%
Combined buffer requirement (CBR)				
Conservation buffer	CET1	2.5%	2.5%	2.5%
O-SII buffer	CET1	1.0%	1.0%	1.0%
Countercyclical buffer	CET1	0.0%	0.0%	0.0%
Overall capital requirement (OCR) = MDA threshold	CET1	9.46%	9.55%	9.55%
	Tier 1	11.45%	11.56%	11.56%
	Total Capital	14.10%	14.25%	14.25%
Pillar 2 Guidance (P2G)	CET1	1.0%	1.0%	1.0%
OCR + P2G	CET1	10.46%	10.55%	10.55%
	Tier 1	12.45%	12.56%	12.56%
	Total Capital	15.10%	15.25%	15.25%

As at 30 September 2022, the TCR for the Group stood at 16.6% (or 1.2 p.p. lower YtD), and the CET1 ratio for the Group stood at 14.5% (0.9 p.p. lower YtD). The lower total capital adequacy derives from higher RWA (EUR 1,616.3 million YtD), which was not compensated by higher capital (EUR 117.1 million YtD). The capital is higher mainly due to the inclusion of negative goodwill from the acquisition of N Banka in retained earnings in the amount of EUR 172.8 million and a partial inclusion of Q1 2022 profit in the amount of EUR 32.2 million, which compensated the negative revaluation adjustments on FVOCI securities (EUR -96.3 million YtD). In accordance with CRR 'Quick fix' from June 2020, temporary treatment of FVOCI for sovereign securities was implemented by the Group in September 2022, which increased the capital by EUR 60.6 million (i.e. accumulated other comprehensive income amounted EUR -106.4 million instead of EUR -167.0 million).

In September 2022, the Bank issued Additional Tier 1 notes in the amount of EUR 82 million which will improve regulatory capital and total capital ratio by approximately 50 bps after receiving the ECB approval.

The capital calculation does not include a part of the 2021 result in the amount of EUR 50 million which is proposed to be paid as the second instalment of dividend distribution in December 2022 subject to General Meeting of Shareholders decision. Therefore, there will be no effect on the capital once the dividends in this amount are paid.



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

	in EUR million				
	Balance at			Change	
	30 Sep 2022	31 Dec 2021	30 Sep 2021	YtD	YoY
<b>Total risk exposure amount (RWA)</b>	<b>14,283.7</b>	<b>12,667.4</b>	<b>12,824.4</b>	<b>1,616.3</b>	<b>1,459.4</b>
RWA for credit risk	11,722.4	10,205.2	10,648.0	1,517.3	1,074.4
Central governments or central banks	1,100.3	1,158.5	1,842.8	-58.2	-742.5
Regional governments or local authorities	94.9	99.8	126.0	-5.0	-31.1
Public sector entities	46.3	47.0	212.7	-0.7	-166.4
Institutions	287.2	310.2	355.1	-23.1	-67.9
Corporates	3,579.5	2,748.7	2,312.4	830.8	1,267.1
Retail	4,373.8	4,171.0	4,190.7	202.9	183.2
Secured by mortgages on immovable property	939.3	453.0	397.1	486.2	542.2
Exposures in default	168.2	179.4	191.8	-11.3	-23.7
Items associated with particularly high risk	567.4	442.5	444.1	124.9	123.4
Covered bonds	34.6	41.1	40.3	-6.5	-5.7
Claims in the form of CU	16.9	19.4	17.6	-2.5	-0.7
Equity exposures	89.2	88.5	79.7	0.7	9.5
Other items	424.8	446.0	437.7	-21.1	-12.9
<b>RWA for market risk + CVA</b>	<b>1,317.3</b>	<b>1,218.2</b>	<b>1,229.0</b>	<b>99.1</b>	<b>88.3</b>
<b>RWA for operational risk</b>	<b>1,244.0</b>	<b>1,244.0</b>	<b>947.3</b>	<b>0.0</b>	<b>296.7</b>

RWAs in the Group increased by EUR 1,616.3 million YtD. RWAs for credit risk increased by EUR 1,517.3 million, where EUR 858.9 million of the increase relates to N Banka. The remaining part of RWA increase in the amount of EUR 658.4 million was mainly the consequence of increased lending activity in all the banks in the Group, mostly in the Bank and NLB Komercijalna Banka, Beograd. Higher RWAs for high-risk exposures was the result of a new loan given to a venture capital company, new loans for project financing as well as drawing of loans for project financing granted in the previous year. RWA growth was partially mitigated by assuring CRR eligibility for real estate collaterals from Bosnia and Herzegovina, Serbia and North Macedonia. Furthermore, RWA decrease was observed for liquidity assets due to a lower exposure to the Serbian central bank and maturity of some Serbian bonds; both in NLB Komercijalna Banka, Beograd. The lower exposure to institutions also resulted in a reduced RWA in almost all Group banks, the most in NLB Komercijalna Banka, Beograd, NLB Banka, Banja Luka and NLB Banka, Podgorica. The repayments as well as the upgrade of some clients contributed to a lower RWA for the exposures in default.

The increase in RWAs for market risks and CVA (Credit Value Adjustments) in the amount of EUR 99.1 million YtD is mainly the result of higher RWA for CVA risk in the amount of EUR 77.1 million (a consequence of an adjustment of calculating exposure in the CVA calculation due to the change of a methodology from a mark to market method to the original exposure method (OEM), and due to the conclusion of longer term and higher size of derivatives by Bank) and higher RWA for FX risk in the amount of EUR 20.6 million.

**MREL requirement** for the Group is based on the Multiple Point of Entry (MPE) approach.

As of 1 January 2022, NLB must comply with MREL requirement on a consolidated basis at resolution group level (i.e., NLB Resolution Group, consisting of NLB and other members of the Group excluding banks), which amounts to:

- 28.69% of TREA (consisting of (i) 25.19% of TREA and (ii) 3.5% CBR),
- 8.03% of LRE.

On 30 September 2022, MREL ratio amounted to 33.58%.<sup>13</sup>

NLB has to ensure a linear build-up of own funds and eligible liabilities towards MREL requirement applicable as of 1 January 2024, which amounts to:

- 31.38% of TREA + applicable CBR,
- 9.97% of LRE.

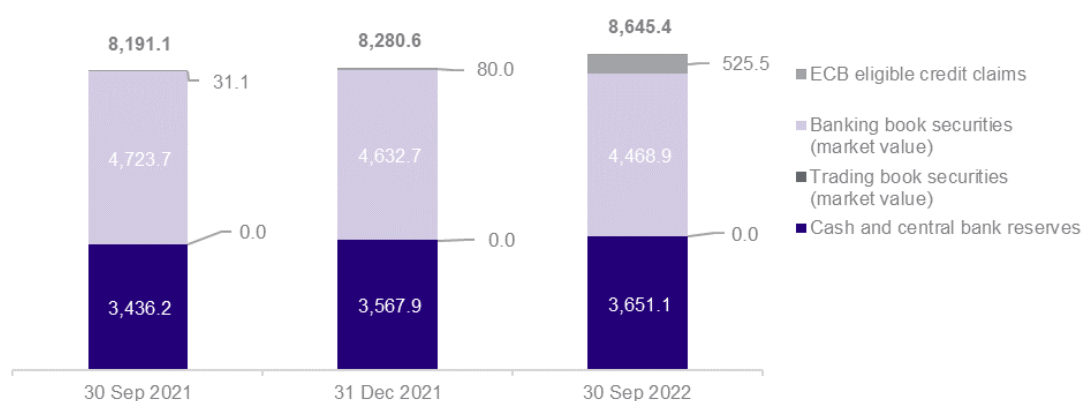
<sup>13</sup> MREL buffer was strengthened in July with Senior Preferred notes issuance of EUR 300 million and in September with Additional Tier 1 notes issuance of EUR 82 million.

## Liquidity

The liquidity position of the Group remains strong, with the LTD ratio (net) of 66.0% (31 December 2021: 60.0%), thus meeting the liquidity indicators high above the regulatory requirements, as well as confirming the low liquidity risk tolerance of the Group.

Unencumbered liquidity reserves of the Group amounted to EUR 8.6 billion (37.5% of total assets; 31 December 2021: EUR 8.3 billion, 38.3% of total assets). Encumbered liquidity reserves, used for operational and regulatory purposes, are excluded from the liquidity reserves portfolio and amount to EUR 0.1 billion (excluding obligatory reserves; 31 December 2021: EUR 0.9 billion). The decrease of the encumbered liquidity reserves is due to the early repayment of additional financing via the central bank secured funding at the end of H1 2022. The market value of debt securities partly diminished due to the rising yields environment and disinvestment.

Figure 13: NLB Group unencumbered liquidity reserves structure reflects a robust liquidity position (in EUR million)



The banking book securities, which accounted for 51.7% of the Group's liquidity reserves (31 December 2021: 55.9%), were dispersed across issuers, geographies, and the remaining average maturity profile, with the aim of adequate liquidity and interest risk management. The investment activity continues with a balanced approach which follows a clear focus on finding attractive market opportunities and at the same time pursuing well-managed credit risk and capital consumption.

The customer deposits base grew by EUR 1.9 billion YtD (1.0 billion as a result of the acquisition of N Banka). Sight customer deposits, which account for 72.2% of the total assets (31 December 2021: 71.0%), remain the key funding base.

# Related-Party Transactions

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

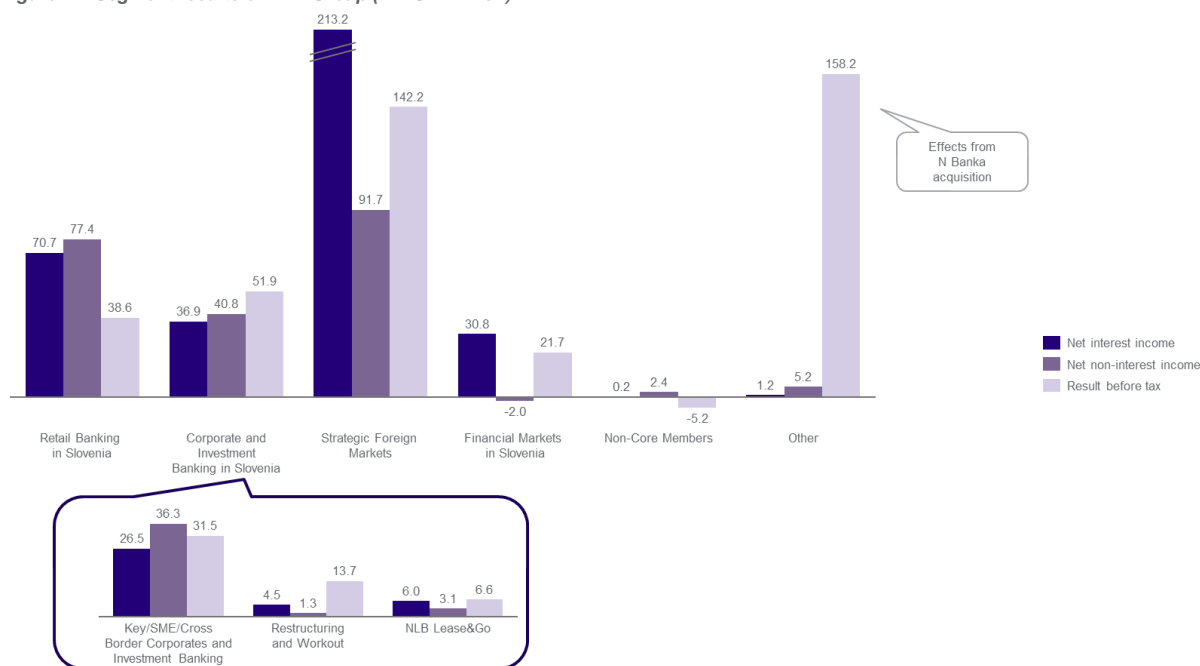
# Segment Analysis

	Core Segments					Non-Core Segment	
	Retail Banking in Slovenia	Corporate and Investment Banking in Slovenia	Strategic Foreign Markets	Financial Markets in Slovenia	Other	Non-Core Members	
	includes banking with individuals and micro companies (the Bank and N Banka), asset management (NLB Skladi), and a part of NLB Lease&Go, Ljubljana subsidiary that includes operations with retail clients as well as the contribution to the result of the associated company Bankart.	includes banking with Key Corporate Clients, SMEs, Cross-Border Corporate financing, Investment Banking and Custody, Restructuring and Workout in the Bank and N Banka and a part of the NLB Lease&Go, Ljubljana subsidiary that includes operations with corporate clients.	include the operations of strategic Group banking members in the strategic markets (North Macedonia, Bosnia and Herzegovina, Kosovo, Montenegro, and Serbia) as well as investment company KomBank Invest, Beograd, NLB DigiT, Beograd, to which IT services from NLB Banka, Beograd were transferred, and newly established leasing company NLB Liz&Go, Skopje. <sup>14</sup>	include treasury activities and trading in financial instruments, while they also present the results of asset and liabilities management (ALM) in both, the Bank and N Banka.	in the Bank and N Bank for the categories whose operating results cannot be allocated to specific segments, including negative goodwill from acquiring N Banka in March 2022, as well as subsidiaries NLB Cultural Heritage Management Institute and Privatinvest (acquired in March 2022).	includes the operations of non-core Group members, i.e. REAM and leasing entities (except NLB Lease&Go), NLB Srbija, and NLB Crna Gora.	
(in EUR million)	<b>NLB Group</b>						
<b>Profit b.t.</b>	407.4	38.6	51.9	142.2	21.7	158.2	-5.2
<b>Contribution to Group's profit b.t.</b>	100%	9%	13%	35%	5%	39%	-1%
<b>Total assets</b>	23,498	3,632	3,395	9,838	6,207	352	74
<b>% of total assets</b>	100%	15%	14%	42%	26%	1%	0%
<b>CIR</b>	59.0%	67.4%	57.6%	54.2%	23.7%	187.5%	335.1%
<b>Cost of risk (bps)</b>	-13	44	-84	-17	/	/	/

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

<sup>14</sup> Komercijalna banka Banja Luka was sold outside the NLB Group on 9 December 2021, so it is not included in the result of the segment for the first nine months of 2022.

Figure 14: Segment results of NLB Group (in EUR million)



The core markets and activities made a profit before tax of EUR 412.6 million, strongly affected by the segment Other with EUR 158.2 million due to the effects from the acquisition of N Banka (negative goodwill and established 12-month expected credit losses recognised at the acquisition date for the performing portfolio for N Banka). Besides this the Strategic Foreign Markets contributed the most important share to the Group's profit before tax in the amount of EUR 142.2 million, followed by Corporate and Investment Banking in Slovenia with EUR 51.9 million, Retail Banking in Slovenia with EUR 38.6 million, and Financial Markets in Slovenia with EUR 21.7 million. The Non-Core Members recorded a loss of EUR 5.2 million.



## Retail Banking in Slovenia

### Financial Highlights

- Increase of net interest income due to higher volume of loans, gradually increasing interest rates, and changes on financial markets.
- Cancellation of high balance fee from August on.
- Changes in risk parameters/models and weights resulted in additional impairments and provisions for credit risk.

### Business Highlights

- Introduction of digital only Mastercard debit cards.
- Further expanding ESG product portfolio.
- Record production of new housing loans.
- 20 years of Private Banking.

## Financial Performance

Table 8: Key financials of Retail Banking in Slovenia

in EUR million consolidated									
	1-9 2022	1-9 2021	Change YoY		Q3 2022	Q2 2022	Q3 2021	Change QoQ	
			o/w N Banka contribution						
Net interest income	70.7	58.9	11.8	6.7	27.1	22.9	20.2	19%	
Net interest income from Assets <sup>(1)</sup>	72.6	61.1	11.5	5.8	24.3	25.0	21.1	-3%	
Net interest income from Liabilities <sup>(1)</sup>	-1.9	-2.2	0.3	0.9	2.8	-2.2	-0.9	-	
Net non-interest income	77.4	64.7	12.7	4.7	30.7	20.6	25.3	45%	
o/w Net fee and commission income	84.6	70.4	14.2	4.7	29.9	28.1	24.5	7%	
<b>Total net operating income</b>	<b>148.1</b>	<b>123.6</b>	<b>24.5</b>	<b>11.4</b>	<b>57.8</b>	<b>43.4</b>	<b>45.5</b>	<b>33%</b>	
Total costs	-99.9	-82.9	-17.0	-10.5	-35.1	-35.4	-27.7	11%	
<b>Result before impairments and provisions</b>	<b>48.2</b>	<b>40.7</b>	<b>7.5</b>	<b>1.0</b>	<b>22.7</b>	<b>8.0</b>	<b>17.8</b>	<b>183%</b>	
Impairments and provisions	-10.8	-4.2	-6.6	0.7	-5.0	-3.9	-1.5	-24%	
Net gains from investments in subsidiaries, associates, and JVs <sup>*</sup>	1.1	0.9	0.2		-0.4	1.0	0.5	-	
<b>Result before tax</b>	<b>38.6</b>	<b>37.5</b>	<b>1.1</b>	<b>1.6</b>	<b>17.3</b>	<b>5.0</b>	<b>16.8</b>	<b>-</b>	

	30 Sep 2022	30 Jun 2022	31 Dec 2021	30 Sep 2021	Change YtD		Change YoY		Change QoQ	
Net loans to customers	3,548.1	3,434.7	2,731.6	2,637.8	816.6	30%	910.3	35%	3%	
Gross loans to customers	3,597.2	3,481.5	2,769.7	2,675.4	827.5	30%	921.9	34%	3%	
Housing loans	2,132.5	2,037.5	1,815.5	1,740.1	317.0	17%	392.4	23%	5%	
Interest rate on housing loans	2.26%	2.24%	2.34%	2.37%		-0.08 p.p.		-0.11 p.p.	0.02 p.p.	
Consumer loans	636.8	635.3	635.6	642.1	1.2	0%	-5.4	-1%	0%	
Interest rate on consumer loans	6.97%	6.92%	6.70%	6.69%		0.27 p.p.		0.28 p.p.	0.05 p.p.	
N Banka, Ljubljana	465.6	481.1							-3%	
NLB Lease&Go, Ljubljana	63.1	56.4	40.4	31.2	22.8	56%	32.0	103%	12%	
Other	299.3	271.2	278.2	262.0	21.0	8%	37.3	14%	10%	
Deposits from customers	8,780.6	8,747.4	7,703.6	7,608.2	1,077.0	14%	1,172.4	15%	0%	
Interest rate on deposits <sup>(2)</sup>	0.04%	0.03%	0.03%	0.03%		0.01 p.p.		0.01 p.p.	0.01 p.p.	
N Banka, Ljubljana	510.7	519.8							-2%	
Non-performing loans (gross)	66.9	67.1	58.1	57.8	8.9	15%	9.1	16%	0%	

	1-9 2022	1-9 2021	Change YoY
Cost of risk (in bps)	44	22	22
CIR	67.4%	67.1%	0.4 p.p.
Interest margin <sup>(3)</sup>	1.54%	1.55%	-0.01 p.p.

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

<sup>(2)</sup> Interest rates only for NLB.

**Net interest income** was EUR 11.8 million higher YoY, of which EUR 6.7 million was contributed by N Banka. The interest income of the retail segment increased mostly due to a higher volume of housing loans and overdrafts, however the interest rates also started to increase due to the key ECB interest rate increase. The high production of new housing loans continued, with EUR 622.0 million of new loans approved in 1-9 (EUR 600.2 million without N Banka; 1-9 2021: EUR 406.4 million) and resulted in the increase of the portfolio. The consumer lending stayed on the same level YtD, with EUR 197.6 million newly approved consumer loans in 1-9 (EUR 187.0 million without N Banka; 1-9 2021: EUR 174.1 million). The portfolio of overdrafts and cards recorded a YtD increase due to seasonal components and also YoY, due to higher consumption and attractive new products. In Q3, the net interest income also increased due to changes in financial markets (higher interests for balances at central banks).

**Net non-interest income** increased YoY due to fee and commission income growth of EUR 14.2 million, with N Banka contributing EUR 4.7 million. The growth derived from all categories, higher fees from the asset management and bancassurance, the income from high balance fee and lower card expenses. From August on, the high balance deposit

fee was cancelled, which has an influence on the fee income for approximately EUR 0.2 million each month, but is compensated with the interest income from the central bank balances.

Higher **costs** by EUR 6.5 million without N Banka's contribution, mostly due to higher operating costs resulting from inflationary pressures.

**Net impairments and provisions** were established due to a higher new production of loans, changes in risk parameters/models and weights reflecting higher risk due to inflationary pressures and increasing interest rates.

**Deposits from customers** increased by EUR 1,077.0 million YtD and EUR 1,172.4 million YoY, of which N Banka contributed EUR 510.7 million. Most of the increase occurred in H1, when in addition to the seasonal effect (payment of holiday allowances), the precautionary savings of households may also have contributed to this, due to the uncertainty of rising prices and the expected impact on their financial situation in the future.

## Business Performance

The Bank continued to strengthen its leading position with a market share of 26.0% in retail lending (30 September 2021: 24.4%) and 31.5% (30 September 2021: 30.5%) in deposit-taking.

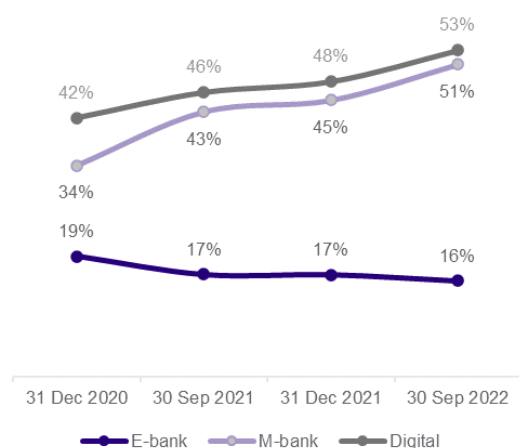
The Bank further increased the market share for housing loans, namely to 26.3% (30 September 2021: 24.0%). The increase was not only triggered by a record production of new housing loans in the period 1-9 2022 (48% increase YoY), but also due to dedicated sales teams supported by successful marketing campaigns which also played an important role in boosting the sales results.

The Bank as the first in Slovenia had a clear vision of an exclusive offer of asset management for wealthy individuals and families. Today, 20 years later, this successful story of Private Banking is an integral part of the offer with more than EUR 1.2 billion assets under management for more than 1,900 clients.

Environmental and social sustainability is an important goal of the Group. It is being incorporated in the Group also with a growing ESG product portfolio. Different financing products help its customers to implement sustainability measures in the development of their own lasting environmental solutions. The ESG-oriented offer includes NLB Green housing loan to finance construction or purchase of a passive house and finance the purchase of solar panels, heat pumps and central ventilation also in cooperation with vendors.

The number of digital users increased in Q3 by 14% YoY. The number of m-bank Klikin and e-bank NLB Klik users YoY increase remains stable at 17% (17,682 new users in Q3) and 7% (5,918 new users in Q3) respectively, which is also well proven by the digital penetration of active clients (see the figure below). The total volume of payments processed digitally through e-bank and m-bank increased by 17% YoY. With targeted workshops, the Bank also encourages elderly population to use digital banking more often.

Figure 15: Digital penetration<sup>(i)</sup>

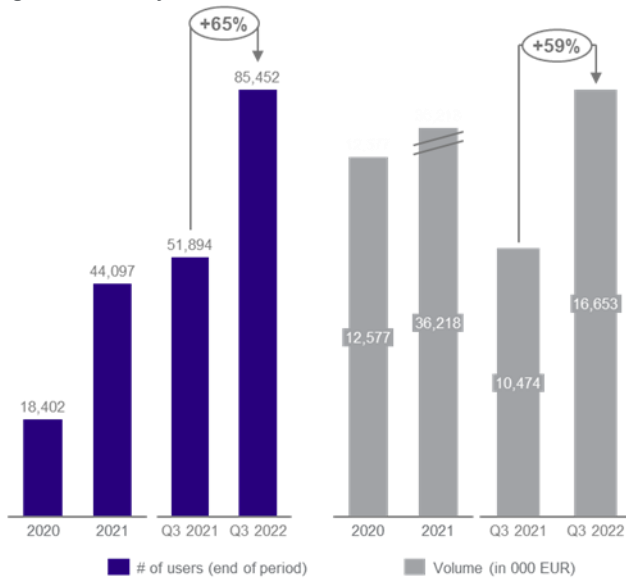


(i) Share of active e-/m-bank and digital users in # of active clients of the Bank.

The 24/7 Contact Centre is firmly positioned as a sales channel and further strengthened the role in proactive customer outbound calling. In Q3, its share of concluded basic financing products of the Bank (such as consumer loans and overdrafts) was 11.5%. In Q3, Contact Centre processed 42% more video calls YoY.

In 2022, Mastercard's personal debit card was introduced in a digital form only, enabling the card and PIN to be issued instantly and can be used immediately after the client digitizes their card in the NLB Pay m-wallet. From May onwards, on-line purchases are no longer possible without strong authentication. Therefore, the use and download of NLB Pay m-wallet is even more important, and proven with continued increase of usage at a significant pace also in Q3.

Figure 16: NLB Pay in numbers



The market share of NLB Skladi increased to 38.2% (30 September 2021: 37.2%) despite the global geopolitical circumstances. The latter affected net inflows in Q3, which experienced a YoY drop of 26%. Nevertheless, the company remains the largest asset management company and mutual funds management company in Slovenia. The total assets under management amounted to EUR 1,883.5 million (30 September 2021: EUR 1,983.3 million), of which EUR 1,460.3 million consisted of mutual funds (30 September 2021: EUR 1,471.5 million) and EUR 423.2 million of the discretionary portfolio (30 September 2021: EUR 511.8 million).

Despite demanding market conditions, the Bank recorded good results in both auxiliary product areas, asset management and bankassurance.

In the Bank's distribution network, bancassurance products of the insurance companies Vita and GENERALI Zavarovalnica are sold. The Bank is the top sales channel among Slovenian banks with savings and investment insurance products, risk and health insurance products from Vita's offer and home and car insurance from Generali's offer.

# Corporate and Investment Banking in Slovenia

## Financial Highlights

- Increase of net interest income due to higher volume of loans in all sub segments, with gradually increasing interest rates.
- Cancellation of high balance fee from August on.
- Changes in risk parameters/models and weights influenced net impairments and provisions for credit risk.

## Business Highlights

- Market share growth continues in all segments and products with approving new quality transactions on domestic and international markets.
- Emphasis on ESG financing.
- Uncertainties in the gas, energy and raw material markets have resonated in an increase in working capital requirements by companies.
- Arranged syndicated facilities in the amount of EUR 676.1 million.

## Financial Performance

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

in EUR million consolidated									
	1-9 2022	1-9 2021	Change YoY		Q3 2022	Q2 2022	Q3 2021	Change QoQ	
			o/w N Banka contribution						
Net interest income	36.9	26.5	10.5	4.2	33%	14.9	11.8	8.6	26%
Net interest income from Assets <sup>(1)</sup>	40.4	30.4	10.0	4.0	33%	14.5	13.8	10.0	6%
Net interest income from Liabilities <sup>(1)</sup>	-3.4	-3.9	0.4	0.2	16%	0.4	-1.9	-1.4	-
Net non-interest income	40.8	53.5	-12.7	2.5	-2%	12.9	14.6	9.8	-14%
o/w Net fee and commission income	34.1	29.4	4.7	2.4	16%	11.2	11.6	9.7	-5%
<b>Total net operating income</b>	<b>77.7</b>	<b>80.0</b>	<b>-2.3</b>	<b>6.7</b>	<b>-3%</b>	<b>27.8</b>	<b>26.4</b>	<b>18.4</b>	<b>5%</b>
Total costs	-44.8	-32.2	-12.6	-7.5	-38%	-16.2	-16.0	-10.8	-18%
<b>Result before impairments and provisions</b>	<b>33.0</b>	<b>47.8</b>	<b>-14.8</b>	<b>-0.8</b>	<b>-3%</b>	<b>11.6</b>	<b>10.4</b>	<b>7.6</b>	<b>11%</b>
Impairments and provisions	18.9	23.1	-4.2	7.7	-18%	6.2	8.7	7.0	-29%
<b>Result before tax</b>	<b>51.9</b>	<b>70.8</b>	<b>-19.0</b>	<b>7.0</b>	<b>-2%</b>	<b>17.7</b>	<b>19.1</b>	<b>14.6</b>	<b>-7%</b>

	30 Sep 2022	30 Jun 2022	31 Dec 2021	30 Sep 2021	Change YtD	Change YoY	Change QoQ
Net loans to customers	3,400.8	3,255.4	2,332.4	2,171.0	1,068.4	46%	4%
Gross loans to customers	3,450.5	3,313.1	2,390.7	2,230.0	1,059.9	44%	4%
Corporate	3,305.0	3,164.4	2,258.5	2,096.1	1,046.5	46%	4%
Key/SME/Cross Border Corporates	2,551.7	2,413.3	2,110.6	1,963.5	441.1	21%	6%
Interest rate on Key/SME/Cross Border Corporates loans	1.77%	1.73%	1.79%	1.80%	-0.02 p.p.	-0.03 p.p.	0.04 p.p.
Investment banking	0.1	0.1	0.1	0.1	0.0	-4%	0%
Restructuring and Workout	66.2	80.8	88.2	85.2	-22.0	-23%	-18%
N Banka	581.3	577.3					1%
NLB Lease&Go	105.6	92.8	59.6	47.3	46.1	77%	14%
State	145.3	148.5	131.9	133.6	13.4	10%	-2%
Interest rate on State loans	2.52%	2.82%	2.07%	2.17%	0.45 p.p.	0.35 p.p.	-0.30 p.p.
Deposits from customers	2,739.1	2,499.2	1,938.2	1,620.2	800.9	41%	10%
Interest rate on deposits <sup>(2)</sup>	0.05%	0.04%	0.03%	0.03%	0.02 p.p.	0.02 p.p.	0.01 p.p.
N Banka, Ljubljana	465.9	461.6					1%
Non-performing loans (gross)	68.7	79.2	72.5	76.1	-3.9	-5%	-13%

	1-9 2022	1-9 2021	Change YoY
Cost of risk (in bps)	-84	-145	61
CIR	57.6%	40.3%	17.3 p.p.
Interest margin <sup>(3)</sup>	1.72%	1.79%	-0.07 p.p.

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

<sup>(2)</sup> Interest rates only for NLB.

**Net interest income** was EUR 6.2 million higher YoY without N Banka's contribution. The interest income from loans in the Key, SME and Cross-Border Corporates in the Bank was EUR 3.2 million higher YoY, mostly due to higher volumes in all sub-segments (EUR 441.1 million YtD growth): however, the interest rates also started to increase due to the key ECB interest rate hikes. In Q3, the net interest income also increased due to changes in financial markets (higher interests for deposits at central banks).

**Net fee and commission income** recorded an EUR 2.3 million increase YoY without N Banka's contribution, mostly due to higher income from high balance fee. However, it was cancelled from August on and influences fee income for approximately EUR 0.8 million each month but is compensated with the interest income from the central bank balances.

**Total costs** increased EUR 5.0 million YoY without N Banka's contribution, mostly due to higher operating costs due to inflationary pressures.

**Net impairments and provisions** were released in the amount of EUR 18.9 million, mostly due to repayments of previously written-off receivables, which offset the establishment of impairments and provisions due to higher exposures, changes in risk parameters/models and weights.

The total value of assets under custody in **Investment Banking and Custody** decreased YoY (30 September 2021: EUR 16.1 billion) and YtD (31 December 2021: EUR 15.9 billion) and amounted to EUR 15.5 billion.

## Business Performance

The objective of this segment is to support the regional economy towards an efficient, sustainable and innovative environment. To this end the products and services are ambitiously combined in different ways to create added value for the clients. Along with standard and alternative financing structures, the Bank is supporting its clients with supplementary products and services, such as M&A and advisory services, various instruments for hedging FX or interest rate risks and trade finance products contributing to efficient risk mitigation.

With a growing client base, exceeding 10,000, NLB remains the leading bank in servicing corporate clients in Slovenia and has a 19.4% market share in corporate loans (30 September 2021: 17.8%).

The Bank is also a leading Slovenian bank in trade finance with products that support the export economy. The Group clients are supported with letters of guarantees, letters of credit and purchases of receivables which are also available through digital channels in a safe and fast way, with a market share of 33.3% (30 September 2021: 31.4%) in guarantees and letters of credit (including guarantee lines). Q3 was marked by growth in volumes, revenues and market shares across all trade finance product groups (guarantees, letters of credit and purchases of receivables).

The entire portfolio continued to grow as several new high-quality transactions were concluded in 1-9, namely almost EUR 1.5 billion of loans were approved to corporate and state clients, presenting a 89.7% YoY increase. The macroeconomic environment remains unpredictable. Uncertainties on gas, energy and raw material market conditions have continued and are already having an impact on the banking business, as companies' demand for working capital lending is increasing.

With tailored offers the banks play their part in transition to a more sustainable future. With strong ESG mission the Bank is fully committed to support and create projects in regional green transformation and well-being. Further steps were made to complement ESG offer for legal entities, namely with NLB Green Investment loan for energy efficient business premises with additional benefits included, and NLB Green loan for reducing the carbon footprint offered within the existing range of NLB loans, exclusively for purposes where a sufficient positive impact on the environment was proven. The Bank will continue to add green products in its offer and in such way promote sustainability awareness among its clients.

After two successful projects during the pandemic, the Group's #HelpFrame under the slogan 'Looking for new Tesla' started for the third time, offering an opportunity to regional companies giving priority to sustainable ideas. Bank's attention is focused on the future of this region, on the opportunities that are opening up for it and that the Group can support with decisions and services.

The Bank obtained a full permission from the BoS to act as an intermediary in an auxiliary function to arrange leasing financing and consequently a new service was added to the range of financing services. It provides new cross-sell opportunities, currently available to SMEs and Key clients.

Mastercard's personal debit card was introduced in a digital form only, enabling the card and PIN to be issued instantly. It can be used immediately after the client digitizes their card in the NLB Pay m-wallet.

Unique regional position with local presence and strength puts the Group in a position where it can significantly contribute to regional development and well-being. This way the Bank is increasingly involved in cross-border financing. In 1-9 involvement in several transactions amounted nearly to EUR 400 million, including financing in the Group's home region and across EEA with sound diversification in terms of geography and industry.



Activities of the Bank in organizing syndicated facilities continued in Q3, with the total amount of EUR 676.1 million in 1-9 2022. In these transactions the Bank acted as the mandated lead arranger, as an agent and also as the leading bank with a EUR 201.0 million participation. In the field of M&A and Advisory services the Bank also acted as a financial advisor and organizer in the sale of a large Slovenian company.

In 1-9 2022, a significant growth of trading volume was achieved in brokerage services and FX spot deals. The Bank executed clients' buy and sell orders in the total amount of EUR 837.6 million (1-9 2021: EUR 702.6 million), while in the area of dealing in financial instruments the Bank executed foreign exchange spot deals in the total of EUR 1,064.1 million (1-9 2021: EUR 653.4 million) and EUR 338.9 million (1-9 2021: EUR 272.2 million) worth of transactions involving derivatives. YoY growth of 63% in the area of foreign exchange spot deals comes due to increased export activities of our clients and our competitive pricing.

The Bank remains one of the top Slovenian players in custodian services for Slovenian and international customers, maintaining 44% market share in performance of depositary tasks (UCITS Directive). The total value of assets under custody on 30 September 2022 was, together with the fund administration services, EUR 15.5 billion (30 September 2021: EUR 16.1 billion).

## Strategic Foreign Markets

### Financial Highlights

- Persistently growing loan portfolio.
- Decreased deposit base from individuals in Q1 with positive trend perceived in Q2 and Q3.
- Gradual adjustment of deposit interest rates contributed to important YoY reduction in interest expenses.
- Strong increase in net fee and commission income.

### Business Highlights

- Serbian banking members, Komercijalna Banka, Beograd and NLB Banka, Beograd merged and since 30 April the merged bank has been operating as NLB Komercijalna Banka a.d. Beograd.
- In April, the Bank established NLB DigIT Company in Serbia to act as a development hub for common IT Group solutions.
- Leasing company NLB Liz&Go, Skopje was established in September 2022.

## Financial Performance

Table 10: Key Financials of Strategic Foreign Markets

in EUR million consolidated								
	1-9 2022	1-9 2021	Change YoY		Q3 2022	Q2 2022	Q3 2021	Change QoQ
Net interest income	213.2	198.1	15.1	8%	76.1	70.8	68.1	8%
Interest income	231.4	223.6	7.9	4%	82.0	76.6	76.0	7%
Interest expense	-18.2	-25.5	7.2	28%	-5.9	-5.8	-8.0	-1%
Net non-interest income	91.7	72.9	18.8	26%	34.2	29.7	24.2	15%
o/w Net fee and commission income	86.5	73.0	13.5	19%	29.7	29.7	24.3	0%
<b>Total net operating income</b>	<b>304.9</b>	<b>271.0</b>	<b>33.9</b>	<b>13%</b>	<b>110.3</b>	<b>100.5</b>	<b>92.2</b>	<b>10%</b>
Total costs	-165.4	-162.6	-2.8	-2%	-55.6	-56.4	-54.7	1%
<b>Result before impairments and provisions</b>	<b>139.5</b>	<b>108.4</b>	<b>31.1</b>	<b>29%</b>	<b>54.7</b>	<b>44.0</b>	<b>37.5</b>	<b>24%</b>
Impairments and provisions	2.7	1.7	1.0	6%	1.8	-2.3	-0.3	-
<b>Result before tax</b>	<b>142.2</b>	<b>110.1</b>	<b>32.1</b>	<b>29%</b>	<b>56.5</b>	<b>41.7</b>	<b>37.2</b>	<b>35%</b>
o/w Result of minority shareholders	8.5	10.5	-2.0	-18%	0.1	4.3	3.9	-9%

	30 Sep 2022	30 Jun 2022	31 Dec 2021	30 Sep 2021	Change YtD		Change YoY		Change QoQ
Net loans to customers	5,930.2	5,885.2	5,441.9	5,361.8	488.3	9%	568.4	1%	1%
Gross loans to customers	6,118.7	6,074.9	5,632.2	5,547.5	486.5	9%	571.2	1%	1%
Individuals	3,160.0	3,087.1	2,877.3	2,836.4	282.8	10%	323.6	1%	2%
Interest rate on retail loans <sup>(i)</sup>	5.55%	5.53%	5.83%	6.10%	-0.28 p.p.		-0.54 p.p.		0.02 p.p.
Corporate	2,832.4	2,864.7	2,613.5	2,538.0	218.9	8%	294.4	1%	1%
Interest rate on corporate loans <sup>(i)</sup>	3.68%	3.60%	3.96%	3.76%	-0.27 p.p.		-0.08 p.p.		0.09 p.p.
State	126.3	123.2	141.4	173.2	-15.1	-1%	-46.9	-2%	2%
Interest rate on state loans <sup>(i)</sup>	3.48%	3.59%	3.35%	3.38%	0.13 p.p.		0.10 p.p.		-0.11 p.p.
Deposits from customers	8,013.9	7,884.1	7,998.8	8,020.1	15.1	0%	-6.1	0%	2%
Interest rate on deposits <sup>(i)</sup>	0.17%	0.17%	0.29%	0.31%	-0.12 p.p.		-0.14 p.p.		-0.01 p.p.
Non-performing loans (gross)	170.1	178.9	191.7	199.5	-21.7	-1%	-29.4	-1%	-5%

	1-9 2022	1-9 2021	Change YoY
Cost of risk (in bps)	-17	-31	14
CIR	54.2%	60.0%	-5.8 p.p.
Interest margin <sup>(i)</sup>	3.02%	2.87%	0.16 p.p.

(i) Changed methodology.

**Net interest income** was higher YoY (EUR 15.1 million), with an increase recorded in all banking members, due to higher volumes in all of them and despite a lower interest margin in most of the banking members. Important contribution derives from adjustment of interest rates for deposits which resulted in lower interest expenses by EUR 7.2 million YoY.

**Net non-interest income** increased by EUR 18.8 million YoY, of which net fee and commission income EUR 13.5 million. The largest increase was recorded in NLB Komercijalna Banka, Beograd due to repricing of services in Q2, but the substantial growth did not continued in Q3, since the Serbian central bank issued the initiative to lower the retail prices by 30%.

**Total costs** have increased YoY in all banking members, due to the increase in operating costs (energy).

A net release of **impairments and provisions** in the amount of EUR 2.7 million, mainly due to impacts arising from successful NPL resolution and despite additional impairments and provisions for reorganization in NLB Komercijalna Banka, Beograd (EUR 4.6 million).

**Gross loans to customers** increased by EUR 486.5 million (9%) YtD, with a little higher growth to individuals (10%) than to corporate (8%). The increase of the loan portfolio is visible in all of the banking members. New loan production

continued its enviable growth, with EUR 262.4 million, EUR 624.8 million and EUR 1,312.4 million newly approved housing, consumer and corporate loans in first nine months, respectively.

**Deposits from customers** recorded a minor growth of EUR 15.1 million YtD, due to decrease of individual deposits in Q1 (EUR 184.9 million), related to influences of war in Ukraine on prices and consumer behaviour and with positive trend perceived in Q2 and Q3 (EUR 44.8 million and EUR 129.8 million).

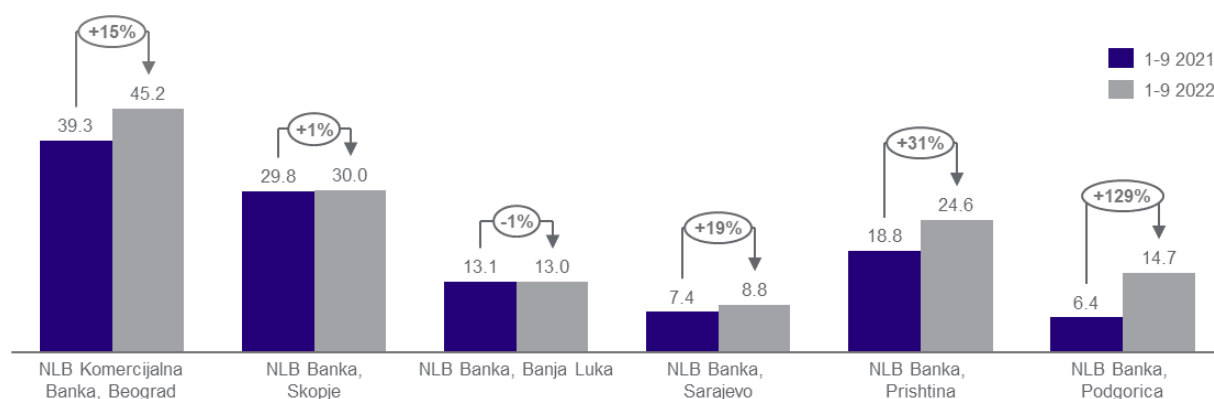
### Financial performance of strategic NLB Group SEE banking members

Amidst macroeconomic challenges, the local economies have shown resilience and the banking members realized solid Q3 results. Inflationary pressures increased across the Group region to double-digit inflation mostly as a result of supply chain disruption and imported food and energy prices increase as the inflation outbursts in euro zone and countries in the region which represent the main foreign trade partners of the Western Balkans.

The customer behaviour was impacted by the rising inflation concerns and expectations of increase in interest rates in Europe. As recession fears grew, the clients exchanged part of their deposits into foreign currency sight deposits, mainly in EUR, however the total non-banking sector deposits base remained flat 0% YtD and stabilized by 2% QoQ growth.

The banking members marked robust 12.5% YoY increase in lending activities, while YtD all banks together recorded a growth of 9%. The largest increase of gross loans to customers was realized by NLB Banka, Prishtina (15%), NLB Komercijalna Banka, Beograd (10% YtD) and NLB Banka, Sarajevo (12%).

Figure 17: Net profit of strategic NLB Group banks<sup>(i)</sup> (in EUR million)



(i) Data on a stand-alone basis as included in the consolidated financial statements of the Group. The profit of NLB Banka, Podgorica 1-9 2021 includes result of Komercijalna Banka, Podgorica, which was merged with NLB Banka, Podgorica in November 2021. The profit of NLB Komercijalna Banka, Beograd includes also profit of NLB Banka, Beograd (Komercijalna Banka, Beograd and NLB Banka, Beograd merged in April 2022).

The remarkable new production, especially in the retail segment contributed to the increase of already strong loans to non-banking sector market share (YtD) in the Group banks – NLB Komercijalna Banka, Beograd, NLB Banka, Sarajevo, NLB Banka, Banja Luka and NLB Banka, Prishtina in the range from 50 to 260 bps. NLB Komercijalna Banka, Beograd increased its market share (YtD) in agro segment by approximately 70 bps reaching 29.7% market share. NLB Banka, Prishtina achieved the highest 35% market share in housing loans on the local market.

Regardless of the future expectations of increase in interest rates, there is still competitive pressure on interest rates, however the Group banks maintained flattish net interest margin trend. In 1-9 2022 the banking members realized net interest margin of 3% ranging between 2.5% (NLB Banka, Banja Luka) and 4.1% (NLB Banka, Prishtina).

## Business Performance

Banking members are important financial services providers in SEE markets and market leaders in various business segments. The market shares by total assets of banking members exceed 10% in five out of six markets.

The loan volumes have so far this year grown stronger than expected. Q3 was for most banks the best ever in loan production. Most of the Group members realized higher growth in retail loans compared to the growth of the local banking sector, in 1-9 NLB Banka, Prishtina achieved the highest loans growth YtD on the local market.

The Group banks continued with high performance on new business generation in the corporate and retail segments by upgrading several products and services which included streamlining and modernising their distribution network and improving their digital offering. Namely, they introduced new digital services, upgraded the existing digital products and introduced robotic solutions for certain processes.

### **Retail Banking**

The banking members realized historically high new retail loan production YtD. The gross loans to individuals marked growth of 14% YoY and 11% YtD, the highest growth was realized by NLB Banka, Prishtina (17% YtD), NLB Banka, Sarajevo (15% YtD) and NLB Banka, Banja Luka (13% YtD).

NLB Komercijalna Banka, Beograd, NLB Banka, Sarajevo, NLB banka, Banja Luka and NLB Banka, Prishtina increased market share in loans to individuals in the range of 50 bps to 300 bps YtD.

As a consequence of the war in Ukraine, retail clients in most of the Group countries of operations, temporarily reacted by exchanging the local currency deposits into EUR deposits, which slightly transformed the banks' deposits from customers. However, deposits from individuals remained stable and increased by 1% YtD, while YoY increased by 4%.

### **Corporate Banking**

The banking members maintained the positive trend in approving new financing and attracting new corporate clients. The banks recorded 12% YoY and 7% YtD growth in corporate segment, whereas the highest level was achieved in NLB Komercijalna Banka, Beograd (11% YtD) and NLB Banka, Prishtina (13% YtD).

## Financial Markets in Slovenia

### Financial Highlights

- Piling up of deposits from customers outweighing the early prepayments of wholesale funding due to early prepayment of TLTRO and certain credit lines.
- Negative effect from securities divestments and higher premium for RWA optimization measures.

### Business Highlights

- Further diversification of liquidity reserves and reinvestment of matured securities.
- The Bank issued Senior Preferred notes in the total amount of EUR 300 million and Additional Tier 1 notes in the total amount of EUR 82 million.

## Financial Performance

Table 11: Key Financials of Financial Markets in Slovenia

in EUR million consolidated									
	1-9 2022	1-9 2021	Change YoY		Q3 2022	Q2 2022	Q3 2021	Change QoQ	
			o/w N Banka contribution						
Net interest income	30.8	18.1	12.8	4.7	7%	7.9	12.6	6.3	-3%
o/w ALM <sup>(1)</sup>	19.0	11.2	7.8	3.5	7%	4.1	8.4	5.0	-5%
Net non-interest income	-2.0	-0.2	-1.7	-0.2	-	-0.3	-0.6	0.5	5%
<b>Total net operating income</b>	<b>28.9</b>	<b>17.9</b>	<b>11.0</b>	<b>4.6</b>	<b>6%</b>	<b>7.7</b>	<b>12.0</b>	<b>6.8</b>	<b>-3%</b>
Total costs	-6.9	-5.9	-1.0	-0.1	-1%	-2.2	-2.5	-1.9	1%
<b>Result before impairments and provisions</b>	<b>22.0</b>	<b>12.0</b>	<b>10.0</b>	<b>4.5</b>	<b>8%</b>	<b>5.5</b>	<b>9.5</b>	<b>4.9</b>	<b>-4%</b>
Impairments and provisions	-0.4	0.4	-0.7	5.6	-	7.2	-6.0	0.3	-
<b>Result before tax</b>	<b>21.7</b>	<b>12.4</b>	<b>9.3</b>	<b>10.1</b>	<b>7%</b>	<b>12.6</b>	<b>3.5</b>	<b>5.1</b>	<b>-</b>
	30 Sep 2022	30 Jun 2022	31 Dec 2021	30 Sep 2021	Change YtD	Change YoY	Change QoQ		
Balances with Central banks	3,071.5	2,443.2	2,982.2	2,758.1	89.2	3%	313.3	1%	2%
Banking book securities	3,001.7	3,168.7	2,977.5	3,100.5	24.3	1%	-98.8	-3%	-3%
Interest rate on banking book securities <sup>(2)</sup>	0.73%	0.72%	0.68%	0.66%	0.05 p.p.		0.07 p.p.		0.01 p.p.
Wholesale funding	205.5	216.0	873.5	863.6	-668.0	-78%	-658.1	-78%	-3%
Interest rate on wholesale funding <sup>(2)</sup>	-0.78%	-0.83%	-0.46%	-0.02%	-0.32 p.p.		-0.76 p.p.		0.05 p.p.
Subordinated liabilities	290.4	287.8	288.5	290.2	1.9	1%	0.2	0%	1%
Interest rate on subordinated liabilities <sup>(2)</sup>	3.70%	3.69%	3.70%	3.70%	0.00 p.p.		0.00 p.p.		0.01 p.p.

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

<sup>(2)</sup> Interest rates only for NLB.

**Net interest income** was EUR 12.8 million higher YoY, of which EUR 4.7 million from N Banka. Excluding N Banka, net interest income increased primarily due to changed FTP policy which in H1 partially transferred the costs of placing the excess liquidity from treasury to retail and corporate segment to de-stimulate the deposit collection.

Lower **net non-interest income**, EUR 1.7 million YoY, mostly due to negative effect from securities divestments and higher premium for RWA optimization measures.

Increases in **balances with central banks** (EUR 89.2 million YtD), due to piling up of non-banking members deposits outweighing the early prepayments of **wholesale funding**. Increase in the **banking book securities** (EUR 24.3 million YtD) mostly caused by the acquisition of N Banka (EUR 47.2 million).

**Wholesale funding** amount decreased by EUR 668.0 million YtD mainly due to early prepayment of TLTRO (EUR 750 million) and certain credit lines (EUR 70 million) in H1.

## Business Performance

The main mission of the segment continued to be the Group's activities on the international financial markets, including treasury operations. With the ongoing war in Ukraine, the attention is focused primarily on the ability of Russia to repay its maturing debt. The Bank still has an exposure to the Russian government bond maturing in September 2023 (EUR 7.6 million) while the one maturing in April 2022 was repaid with a short delay. The fair value of these bonds, which are classified as measured at fair value through other comprehensive income, is assessed to be EUR 2.0 million and impairments recognised in the profit or loss amount to EUR 6.6 million. The market is observed constantly to diminish further possible defaults of issuers included in the banking book securities portfolio and to manage the portfolio according to the market moves (rising yield environment) and economic data (inflation, recession/stagflation). With this aim certain exposures were already lowered in H1.

In 2022 an ongoing goal is to further diversify the banking book securities portfolio which until the end of Q3 decreased by EUR 81.1 million in the Bank and by EUR 406.2 million on the Group level. New investments in the first nine months

amounted to EUR 663.7 million on the Group level (EUR 338.3 million on the Bank level), of which the majority was invested into government bonds of strategic markets, including Slovenia and government bonds rated between AA and AAA. The portfolio included 7.2% of ESG debt securities, issued by governments, multilateral organisations or financial institutions.

In Q3 the Bank issued two notes which count for meeting MREL requirement; in July Senior Preferred notes in the amount of EUR 300 million and in September Additional Tier 1 notes in the amount of EUR 82 million.



## Non-Core Members

### Financial Highlights

- Divestment strategy of non-core members.
- Loss and decrease of total assets in line with the divestment strategy.

### Business Highlights

- Non-core companies continued to monetize assets in line with the divestment plans.

## Financial Performance

Table 12: Key Financials of Non-Core Members

in EUR million consolidated								
	1-9 2022	1-9 2021	Change YoY		Q3 2022	Q2 2022	Q3 2021	Change QoQ
Net interest income	0.2	1.2	-1.0	-83%	0.1	0.0	0.8	206%
Net non-interest income	2.4	5.1	-2.7	-53%	0.4	1.2	2.2	-63%
<b>Total net operating income</b>	<b>2.6</b>	<b>6.3</b>	<b>-3.7</b>	<b>-59%</b>	<b>0.5</b>	<b>1.2</b>	<b>3.0</b>	<b>-56%</b>
Total costs	-8.7	-7.9	-0.8	-10%	-3.2	-3.0	-2.6	-6%
<b>Result before impairments and provisions</b>	<b>-6.1</b>	<b>-1.6</b>	<b>-4.5</b>	-	<b>-2.6</b>	<b>-1.7</b>	<b>0.5</b>	<b>-51%</b>
Impairments and provisions	0.9	2.5	-1.6	-64%	-0.1	0.4	0.8	-
<b>Result before tax</b>	<b>-5.2</b>	<b>0.9</b>	<b>-6.1</b>	-	<b>-2.7</b>	<b>-1.3</b>	<b>1.2</b>	<b>-103%</b>

	30 Sep 2022	30 Jun 2022	31 Dec 2021	30 Sep 2021	Change YtD		Change YoY	
<b>Segment assets</b>	<b>74.1</b>	<b>89.9</b>	<b>95.9</b>	<b>111.8</b>	<b>-21.8</b>	<b>-23%</b>	<b>-37.8</b>	<b>-34%</b>
Net loans to customers	19.5	20.5	24.3	31.6	-4.8	-20%	-12.1	-38%
Gross loans to customers	50.7	50.3	53.9	76.0	-3.1	-6%	-25.3	-33%
Investment property and property & equipment received for repayment of loans	47.5	61.8	65.6	66.2	-18.2	-28%	-18.7	-28%
Other assets	7.1	7.6	6.0	14.0	1.2	15%	-6.9	-49%
Non-performing loans (gross)	46.6	44.8	45.0	62.0	1.6	4%	-15.4	-25%

The segment recorded EUR 5.2 million of **loss before tax** and also a decrease of the **total assets** of the segment YtD (EUR 21.8 million), which is in line with the divestment strategy.

**Impairments and provisions** were net released in the amount of EUR 0.9 million, mostly due to successful collection of previously written-off receivables.

## Business Performance

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

# Risk Factors and Outlook

## Risk factors

### Risk factors affecting the business outlook are (among others):

- The economies' sensitivity to a potential slowdown in the euro area or globally
- Widening credit spreads
- Potential liquidity outflows
- Worsened interest rate outlook
- Energy and commodity prices
- Potential cyber-attacks
- Regulatory, other legislative and tax measures impacting the banks
- Geopolitical uncertainties

In 2022, the Group's region continued to grow on the back of revival in private and investment consumption after being affected by the COVID-19 pandemic in the past period. Higher prices of energy, commodities, raw materials and food, as a result of the war in Ukraine, have and will further impact the economic momentum. As a result, a gradual slowdown in economic growth can be expected. The Group's region is still expected to grow moderately, though the inflationary pressures might suggest a further slowdown, namely in the area of private consumption. However, it is not possible to assume with a high degree of confidence that positive economic momentum will further continue.

Lending growth in the corporate and retail segment is expected to remain relatively moderate, especially in the current circumstances. With regards to credit portfolio quality the Group carefully monitors the most affected clients' segments with the intention to detect any significant increase in credit risk at a very early stage. The Group's direct and indirect exposures towards Russia and Ukraine are limited.

Credit risk usually materially increases in times of economic slowdown. The length and intensity of the war in Ukraine might cause additional spill-over effects in the mid-term period, such as raising the price of energy sources or their availability, which might at a later period have some impact also on other segments of the credit portfolio. These adverse developments could affect the evolution of cost of risk and NPLs. Notwithstanding the established procedures in the Group's credit risk management, there can be no assurance that they will be sufficient to ensure the Group's quality of credit portfolio or the corresponding impairments will remain at the adequate level in the future.

The investment strategy of the Group, referring to the Group's bond portfolio kept for liquidity purposes, adapts to the expected market trends in accordance with the set risk appetite. The war in Ukraine has led to quite considerable volatility in the financial markets, in particular shifts in credit spreads, rising of interest rates and foreign exchange rates fluctuations. Special attention is given to the markets in the Balkans, neighbouring countries to Ukraine and Russia and international banks with operations in Russia. The Group is closely monitoring its major bond portfolio positions, mostly sovereigns, by incorporating adequate early warning systems. Since the beginning of the crisis the Group has been observing credit spreads widening, which is currently impacting FVOCI positions.

No material movements were observed so far regarding the Group's major FX positions. Current developments, market observations and potential mitigations are very closely monitored and discussed. While the Group monitors its liquidity, interest rate, credit spread and FX position and corresponding trends, impacts of credit spread, interest rate and FX fluctuations on its positions, any significant and unanticipated movements on the markets or variety of factors, such as competitive pressures, customer's confidence or other certain factors outside the Group's control, could adversely affect the Group's operations, capital and financial condition.

Special attention is paid to continuous provision of services to clients, their monitoring, health protection measures, and the prevention of cyber attacks and potential fraud events. The Group has established internal controls and other measures to facilitate their adequate management. However, these measures may not always fully prevent potential adverse effects.

The Group is subject to a wide variety of regulations and laws relating to banking, insurance and financial services. Respectively, it faces the risk of significant interventions by a number of regulatory and enforcement authorities in each of the jurisdictions in which it operates.

The SEE region is the Group's most significant geographic area of operations outside of the RoS and the economic conditions in this region are therefore important to the Group's results of operations and financial condition. The Group's financial condition could be adversely affected as a result of any instability or economic deterioration in this region.

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

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

During 2022, the Group reviewed IFRS 9 provisioning by **testing a set of relevant macroeconomic scenarios** to adequately reflect the current circumstances and the related impacts in the future. The Group established and developed multiple scenarios (i.e. baseline, mild and severe) on the level of ECL calculation. The baseline scenario presents a common forecast macroeconomic view for all countries of the Group. This scenario is constructed with the purpose to culminate various outlooks into a unified projection of macroeconomic and financial variables for the Group. This is in line with the concept that the bank has a consolidated view on the future of economic development in SEE. The IFRS 9 baseline scenario is based on the most recent 'official and professional forecasters outputs, with additional specific adjustments for individual countries of the Group.

The macroeconomic rationale behind the alternative scenarios is related to a range of plausible drivers on economic development during the next 3 years. The narrative for the alternative scenarios combines statistical techniques with expert knowledge as a means of concept and validation of outputs. The Group developed both alternative scenarios through the lens of possible expected impact on the regional economic activity. In general, the mild scenario is a demand-driven optimistic scenario, where limited supply disruption factors and an active role from the central banks help to brighten the economic conditions and economic subjects' confidence. This scenario narrates stronger economic growth, while the severe scenario envisions zero real economic growth for all Group home countries. Namely, the severe is a supply-driven pessimistic scenario, where both upside inflation risk and downside growth risk materialize. The Bank includes these scenarios in calculating expected credit losses in the context of IFRS 9.

The Group formed three probable scenarios with an associated probability of occurrence for forward-looking assessment of risk provisioning in the context of IFRS 9. IFRS 9 macroeconomic scenarios incorporate the forward-looking and probability-weighted aspects of ECL impairment calculation. Both features may change when material changes in the future development of the economy are recognized and not embedded in previous forecasts.

The monitoring process of the macroeconomic environment revealed that uncertainties remain high in the global economy due to the energy crisis, inflation, and war in Ukraine. The current economic situation led to sluggish growth projections and a decrease in growth projection for the Slovenian economy in 2023. Hence, the executive decision was to adjust risk expectations using the scenario's weight. The previous scenario weighting set 10%-60%-30% was modified into 0%-50%-50% for Slovenia, where the baseline and severe scenario receive a weight of 50%. On this basis the Bank formed additional loan loss provisions in Q3. Similar approach will be applied in other Group members in case of any material deterioration of the existing economic forecast.

The Group established a comprehensive internal **stress-testing framework** and **early warning systems** in various risk areas with built-in risk factors relevant to the Group's business model. The stress-testing framework is integrated into Risk Appetite, ICAAP, ILAAP, and Recovery Plan to determine how severe and unexpected changes in the business and

macro environment might affect the Group's capital adequacy or liquidity position. Both the stress-testing framework and recovery plan indicators support proactive management of the Group's overall risk profile in these circumstances, including capital and liquidity positions from a forward-looking perspective.

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

## Outlook

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

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

The measures and potentials outlined in the above strategy are reflected in the Group's outlook for the 2022-2023 period (Table 13).

**Table 13: Market performance and outlook for the period 2022-2023**

	Performance in 1-9 2022	2022 <sup>(iii)</sup>	2023
Regular income	EUR 557.2 million	~ EUR 750 million	> EUR 850 million
Costs <sup>(vii)</sup>	EUR 332.6 million <sup>(i)</sup>	~ EUR 460 million	~ EUR 490 million
Cost of risk	-13 bps	Below 30 bps <sup>(iv)</sup>	30-50 bps
Loan growth	21% (12% w/o N Banka)	Low double-digit organic growth	Mid single-digit loan growth
ROE a.t.	12.5%	~ 10%, (ROE normalized <sup>(v)</sup> : 12%)	> 10% (ROE normalized <sup>(v)</sup> : > 12%)
Dividend	EUR 50 million <sup>(ii)</sup>	EUR 100 million <sup>(vi)</sup>	EUR 110 million

(i) Including integration costs.

(ii) Further information is available in the chapters **Key Events** and **Outlook 2022**.

(iii) If legal remedies against the adopted law in February 2022 concerning loan agreements in Swiss francs concluded by banks operating in Slovenia (including NLB) and individuals are unsuccessful, the Bank estimated a negative pre-tax effect on the operations of NLB Group should not exceed EUR 100 million (N Banka is included).

(iv) Includes 8 bps of technical adjustment due to N Banka and excludes potential incremental major disruption(s).

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

(vi) EUR 50 million already paid-out; the second instalment expected to be paid-out by the end of the year. Further information is available in the chapters **Events After 30 September 2022** and **Outlook 2022**.

(vii) Costs including N Banka/restructuring.

The Group is creating value and expects that the regular profit in 2025 will exceed EUR 300 million, of which the contribution from the Serbian market would amount to EUR 100 million, allowing the Bank to meet its ambition of EUR 500 million total capital return through cash dividends between 2022 and 2025.

## Outlook 2022

### Macroeconomic

The global and European economy outlook rests on the successful calibration of monetary policy, the course of the war in Ukraine and continued inflationary pressures. Further risks to the downside consist of global tightening in financial conditions triggering widespread emerging market debt distress, further geopolitical fragmentation and tensions, and, in particular for Europe, further sharp reduction in flows or even a complete cut of gas supplies by Russia weighing on output. Euro area is seen growing 2.9% in 2022 with accumulated savings offering support to the economy faced with deteriorating confidence, supply shortages, rising energy prices and rising interest rates. In 2023, growth is expected at 1.0%, largely reflecting spillover effects from the war in Ukraine and tighter financial conditions. Slovenia is expected to grow 5.9% in 2022 and 1.2% in 2023 while the Group's region is expected to grow 4.2% in 2022 and 2.0% in 2023.

### Revenues and loan growth

The Group expects low double digit organic loan growth in 2022. After exceptionally high new corporate and individual loan origination across all markets in H1, stipulated also by increased inflation and expectations of higher interest rates, slower loan growth is foreseen for H2. Interest income growth is expected to be primarily driven by loan growth and productive use of liquid assets. In H2 the growth of interest income is expected also from an increase of the ECB interest rates and Euribor, however, this will be partially neutralized by interest expenses related to the EUR 300 million Senior Preferred notes issued by the Bank for meeting MREL requirement and reduction of fee and commission income due to cancellation of fees for high balance deposits.<sup>15</sup> Post COVID-19 opening of the economies stimulated demand for fee generating products and income. Based on the above outlined revenue drivers, the outlook for total regular revenues increased from around EUR 730 million to around EUR 750 million in 2022.

If legal remedies against the adopted law in February 2022 concerning loan agreements in Swiss francs concluded by banks operating in Slovenia (including NLB) and individuals are unsuccessful, the Bank estimates the negative pre-tax effect on the operations of the NLB Group should not exceed EUR 100 million (N Banka included).

### Costs and cost of risk

The Group continues to pursue a strong cost containment agenda addressing both employment and non-employment cost elements. Total costs continue to be impacted by the business environment with a visible cost inflation throughout the region. Additionally, the Group continues with its investment activities into information technology upgrades, amid the growing relevance of digital banking. Importantly, integration costs associated with NLB Komercijalna Banka, Beograd and N Banka will contribute to total costs in 2022. All this will increase the costs, however, we expect the cost base to remain around EUR 460 million, a slight increase in cost outlook.

During 2022 most members of the Group faced a favourable development in NPL resolution, positively contributing to the Group's overall cost of risk and compensating the effect of additionally formed provisions due to less favourable macroeconomic forecasts or client's financial deterioration. It is expected that NPL collection will continue to positively impact cost of risk in 2022, but with diminished importance. The remaining direct exposure towards Russian government was already adequately impaired to reflect its fair value. Based on assessed environment the expected cost of risk will be below 30 bps (includes technical adjustment due to N Banka and excludes potential incremental major disruptions).

### Loan portfolio quality

The Group is very prudent in identifying any increase in credit risk, as well as proactive in the area of NPL management. On this basis a well diversified and stable quality of credit portfolio is still expected in the future. The Group has thoroughly analysed potential impacts of increasing energy prices, inflationary pressures and forecast of a decrease in economic growth on its credit portfolio. The Group carefully monitors the most affected industries with the intention to detect any significant increase in credit risk at a very early stage. Increased inflationary pressures might cause some deterioration of credit portfolio quality in the retail segment, though its impact should not be excessive. As a result, the Group strengthened the early warning system for this segment. The Group's direct and indirect exposures toward Russia and Ukraine are limited.

### Liquidity

From liquidity perspective, deposits at the Group level continue to grow (in the Bank and in certain SEE banking members). The liquidity position of the Group is expected to remain solid even if a highly unfavourable liquidity scenario materialises, as the Group holds sufficient liquidity reserves mostly in the form of high quality liquid assets.

The Group is closely monitoring its major bond portfolio positions, mostly sovereigns. Since beginning of the crisis the Group has been observing rising yield environment and credit spreads widening, which materially impacted FVOCI positions. Consequently, the Group carefully manages the structure and concentration of liquidity reserves, by incorporating early warning systems, keeping in mind the potential adverse negative market movements by further shortening of the portfolio duration, reducing certain exposures and classification of new investments with longer maturity in amortized cost group in order to decrease sensitivity of regulatory capital. Besides, the Bank holds Russian

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<sup>15</sup> Further information is available in the chapter [Key Events](#).

government bonds in the current outstanding amount of EUR 7.6 million, which have been revalued to assessed fair value of EUR 2.0 million.<sup>16</sup>

### Capital and MREL

The capital position represents a strong base to cover all regulatory capital requirements, including capital buffers and other currently known requirements, as well as the Pillar 2 Guidance.

In September 2022, the Bank issued Additional Tier 1 notes in the amount of EUR 82 million which will improve regulatory capital and total capital ratio by approximately 50 bps after receiving the ECB approval.

For building MREL capacity the Bank intends to issue new MREL eligible liabilities of approximately EUR 600 million by the end of 2023 by issuing senior and/or Tier 2 notes. This will lead to the Bank meeting binding MREL requirement applicable as of 1 January 2024.

### Dividends

The Bank's general intention is to distribute dividends on yearly basis in line with its capacity, while at the same time fulfilling all regulatory requirements, including the Pillar 2 Guidance and risk appetite. 2021 YE capital calculation does not include part of the 2021 result in the amount of EUR 100 million, envisaged for dividend distribution in 2022.

Dividends in the amount of EUR 50 million (EUR 2.50 gross per share) were already paid on 28 June and the second instalment in the same amount is expected to be paid by the end of the year subject to decision of the General Meeting to be held on 12 December 2022<sup>17</sup>.

The Bank envisages total capital return through cash dividends of EUR 500 million in the period between 2022 and 2025. The Group aims to maintain stable dividend growth and at the same time have room for organic growth and M&A.

### M&A opportunities

The Group's drive to deliver value to the shareholders is subject to organic growth and capacity to engage in further value accretive M&A opportunities. Such opportunities for inorganic growth will be subject to diligent analysis of strategic, financial and other resource utilisation.

### Sustainability

In 2022 the Group continues to demonstrate its commitment to a low-carbon economy and financing the transition by joining the UNEP FI Net Zero Banking Alliance and plans to expand the product portfolio with loans dedicated to supporting energy efficiency and renewable energy production. This year, the Group aims to enhance its measurements of CO2 emissions to full Scope 3 and to start developing its net zero business strategy. The Group will continue with implementation of climate related and environmental risk management as per the EBA and ECB guidelines. Effective integration of sustainability-related regulatory requirements will be important in 2022 for ESG disclosures and reporting (e.g. EU Taxonomy, BASEL Pillar III) and additionally enhanced by meeting the EBRD and MIGA requirements. The Group is focused on becoming paperless, and on introducing a digital only card. The Group plans to make required steps in the direction of obtaining its first ESG rating for the Bank.

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<sup>16</sup> Further information is available in the chapter [Financial Markets in Slovenia](#).

<sup>17</sup> Further information is available in the chapter [Events After 30 September 2022](#).



# Risk Management

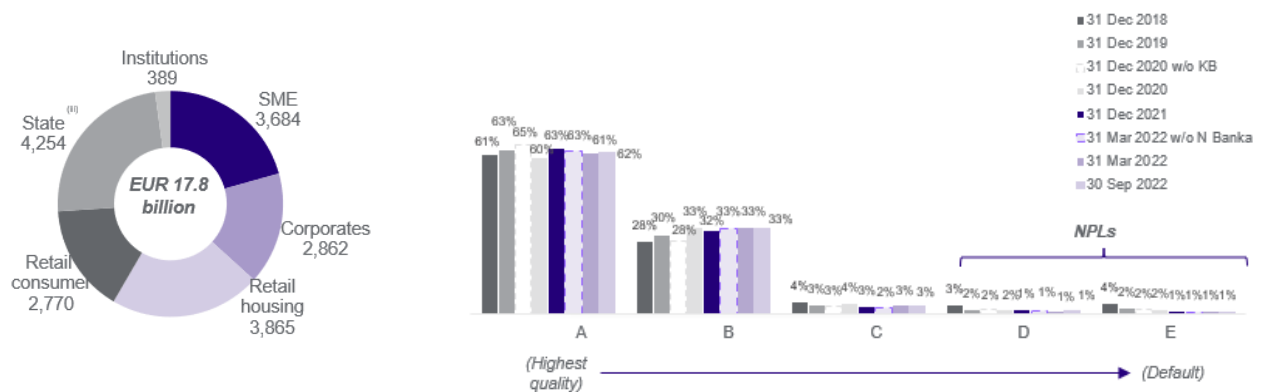
The Bank puts great emphasis on the risk culture and awareness across the entire Group. The main risk principles are set forth by the Group’s Risk Appetite and Risk Strategy, created in accordance with the business strategy. A special focus is placed on the inclusion of risk analysis into the decision-making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

The Group is engaged in contributing to sustainable finance by incorporating environmental, social, and governance (ESG) risks into its business strategies, risk management framework, and internal governance arrangements. The management of ESG risks follows the ECB and EBA guidelines with a tendency of their comprehensive integration into all relevant processes. As a systemically important institution, the Group was included in the 2022 ECB Climate Stress Test exercise, consisting of three distinct modules. By performing this exercise, the ECB assessed how banks are prepared for dealing with financial and economic shocks stemming from climate risk. The exercise was conducted in H1, and the ECB published aggregate results in July 2022.

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. The restructuring approach in the Group is focused on the early detection of clients with potential financial difficulties and their proactive treatment.

The Group is actively present on the SEE markets by financing the existing and new creditworthy clients. The Group’s lending strategy focuses on its core markets of retail, SME, and selected corporate business activities. On the Slovenian market, the focus is on providing appropriate solutions for retail, medium-sized companies, and small enterprise segments, whereas on the corporate segment, the Bank established cooperation with selected corporate clients (through different types of lending or investment instruments). Other Group banking members are universal banks, mainly focused on the retail, medium-sized and small enterprises segments. Their primary goal is to provide comprehensive services to clients by applying prudent risk management principles. Recently acquired N Banka was predominantly focused on retail and SME segment and will complement the existing credit portfolio in Slovenia.

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



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

The current structure of credit portfolio (gross loans) consists of 37.2% retail clients, 16.1% large corporate clients, 20.7% SMEs and micro companies, while the remainder of the portfolio consists of other liquid assets. On 1 March 2022 the Group acquired N Banka. As at 31 March 2022 the newly acquired banking member was included in the Group credit portfolio. With the acquisition of N Banka there were no major changes in the corporate and retail credit portfolio

structure. Credit portfolio remains well diversified, there is no large concentration in any specific industry or client segment. The share of retail portfolio in the whole credit portfolio is quite substantial with the segment of mortgage loans prevailing; an increase of new financing was a dominant trend in the 1-9 2022, but is expected to phase out in the remainder of the year. The majority of loan portfolio refers to euro currency, while the rest originates from local currencies of the SEE banking members. In terms of interest rate type, more than 60% of the loan portfolio is linked to fixed interest rate, and the rest to floating rate (mostly to the Euribor reference rate).

Table 14: Overview of NLB Group corporate loan portfolio by industry as at 30 September 2022

Corporate sector by industry	Credit portfolio		in EUR thousand	
	NLB Group	%	Δ YTD 2022	Δ YTD 2022 w/o N Banka
Accommodation and food service activities	220,245	3%	63,935	7,564
Act. of extraterritorial org. and bodies	0	0%	-8	-8
Administrative and support service activities	134,490	2%	26,346	-8,606
Agriculture, forestry and fishing	320,015	5%	9,277	8,433
Arts, entertainment and recreation	24,084	0%	1,415	-4,070
Construction industry	567,517	9%	132,874	88,900
Education	14,300	0%	1,018	-356
Electricity, gas, steam and air conditioning	496,229	8%	178,058	120,478
Finance	168,346	3%	48,121	36,796
Human health and social work activities	44,726	1%	6,805	-119
Information and communication	314,873	5%	70,784	62,241
<b>Manufacturing</b>	<b>1,480,992</b>	<b>23%</b>	<b>389,875</b>	<b>201,727</b>
Mining and quarrying	55,176	1%	4,788	257
Professional, scientific and techn. act.	206,618	3%	31,252	-45,457
Public admin., defence, compulsory social.	175,485	3%	3,128	2,257
Real estate activities	301,326	5%	50,058	6,957
Services	14,967	0%	2,982	-2,717
Transport and storage	639,583	10%	66,301	36,677
Water supply	62,298	1%	18,423	3,220
<b>Wholesale and retail trade</b>	<b>1,299,639</b>	<b>20%</b>	<b>256,545</b>	<b>151,684</b>
Other	5,289	0%	4,745	1,507
<b>Total Corporate sector</b>	<b>6,546,199</b>	<b>100%</b>	<b>1,366,722</b>	<b>667,363</b>

Main manufacturing activities	Credit portfolio		in EUR thousand	
	NLB Group	%	Δ YTD 2022	Δ YTD 2022 w/o N Banka
Manufacture of food products	216,846	3%	42,879	31,660
Manufacture of electrical equipment	209,430	3%	115,172	71,478
Manufacture of fabricated metal products, except machinery and equipment	199,198	3%	48,778	19,754
Manufacture of basic metals	157,758	2%	4,621	-6,295
Manufacture of other non-metallic mineral products	108,197	2%	43,815	23,516
Manufacture of rubber and plastic products	74,769	1%	17,526	7,424
Manufacture of motor vehicles, trailers and semi-trailers	74,116	1%	26,012	24,114
Manufacture of machinery and equipment n.e.c.	67,347	1%	16,403	10,582
Other manufacturing activities	373,330	6%	74,669	19,494
<b>Total manufacturing activities</b>	<b>1,480,992</b>	<b>23%</b>	<b>389,875</b>	<b>201,727</b>

Main wholesale and retail trade activities	Credit portfolio		in EUR thousand	
	NLB Group	%	Δ YTD 2022	Δ YTD 2022 w/o N Banka
Wholesale trade, except of motor vehicles and motorcycles	714,867	11%	137,137	81,881
Retail trade, except of motor vehicles and motorcycles	464,259	7%	112,205	71,046
Wholesale and retail trade and repair of motor vehicles and motorcycles	120,513	2%	7,203	-1,243
<b>Total wholesale and retail trade</b>	<b>1,299,639</b>	<b>20%</b>	<b>256,545</b>	<b>151,684</b>

Figure 19: NLB Group loan portfolio by stages as at 30 September 2022

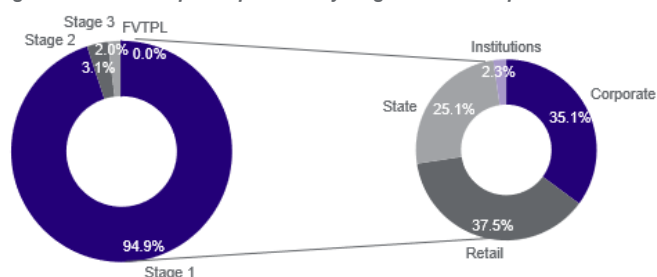


Table 15: NLB Group loan portfolio by stages as at 30 September 2022; in EUR million

	Credit portfolio									Provisions and FV changes for credit portfolio						in EUR million	
	Stage1			Stage2			Stage3 & FVTPL			Stage1		Stage2		Stage3 & FVTPL		Provisions & FV changes	Coverage with provisions and FV changes
	Credit portfolio	Share of Total	YTD change	Credit portfolio	Share of Total	YTD change	Credit portfolio	Share of Total	YTD change	Provision Volume	Provision Coverage	Provision Volume	Provision Coverage	Provision Volume	Provision Coverage		
<b>Total NLB Group</b>	<b>16,923.0</b>	<b>94.9%</b>	<b>2,285.0</b>	<b>545.0</b>	<b>3.1%</b>	<b>12.6</b>	<b>357.1</b>	<b>2.0%</b>	<b>-14.3</b>	<b>80.2</b>	<b>0.5%</b>	<b>42.3</b>	<b>7.8%</b>	<b>197.2</b>	<b>55.2%</b>		
o/w Corporate	5,938.3	90.7%	1,412.7	384.1	5.9%	-28.1	223.8	3.4%	-17.9	51.6	0.9%	29.9	7.8%	119.7	53.5%		
o/w Retail	6,341.4	95.6%	970.3	160.9	2.4%	40.7	133.2	2.0%	3.5	27.2	0.4%	12.4	7.7%	77.4	58.1%		
o/w State	4,254.1	100.0%	51.7	-	-	-	-	-	-	1.2	0.0%	-	-	-	-		
o/w Institutions	389.2	100.0%	-149.7	-	-	-	0.1	-	0.1	0.1	0.0%	-	-	0.1	98.9%		
<b>NLB-G w/o N Banka</b>	<b>15,663.4</b>	<b>94.8%</b>	<b>1,025.4</b>	<b>533.2</b>	<b>3.2%</b>	<b>0.7</b>	<b>333.9</b>	<b>2.0%</b>	<b>-37.5</b>	<b>73.6</b>	<b>0.5%</b>	<b>41.9</b>	<b>7.9%</b>	<b>195.6</b>	<b>58.6%</b>		
o/w Corporate	5,262.3	90.0%	736.8	375.3	6.4%	-36.9	208.6	3.6%	-33.1	46.5	0.9%	29.6	7.9%	118.9	57.0%		
o/w Retail	5,974.0	95.5%	602.9	157.8	2.5%	37.6	125.3	2.0%	-4.4	25.8	0.4%	12.3	7.8%	76.7	61.2%		
o/w State	4,038.8	100.0%	-163.6	-	-	-	-	-	-	1.2	0.0%	-	-	-	-		
o/w Institutions	388.3	100.0%	-150.7	-	-	-	-	-	-	0.1	0.0%	-	-	-	-		

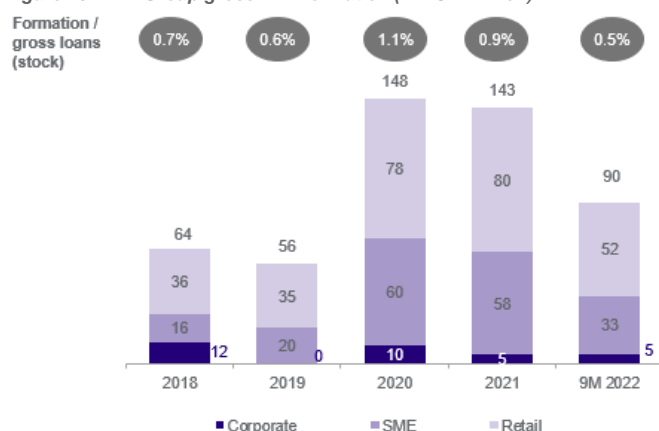
The majority of the Group's loan portfolio is classified as Stage 1 (94.9%), a relatively small portion as Stage 2 (3.1%) and Stage 3 (2.0%). The loans in stages from 1 to 3 are measured at amortized cost, while the remaining minor part (0.002%) represents FVTPL. Under IFRS 3 rules, all assets of NLB Komercijalna Banka, Beograd as well as N Banka were initially recognized at fair value in the Group financial statements. Respectively, all acquired loans were classified either in Stage 1 (performing portfolio) or in Stage 3 (non-performing portfolio). For Stage 3 loans special rules were applied, since they were NPLs already at initial recognition and recognized at fair value without any additional credit loss allowances.

The portfolio quality remains very stable with increasing Stage 1 exposures in corporate and retail segment and a relatively low percentage of NPLs. The percentage of Stage 1 loan portfolio remains at the same level as at 31 December 2021 (95.6%) in the retail segment, while in the corporate segment, despite the adverse economic conditions, it improved to the level of 90.7%, which is a result of a cautious lending policy.

The combination of high-quality portfolio and uncertain macroeconomic conditions led to cumulative new NPLs formation in the first nine months in the amount of EUR 89.9 million, which is 0.5% of the total loan portfolio. Furthermore, NPLs increased also due to the acquisition of N Banka by EUR 19.3 million.

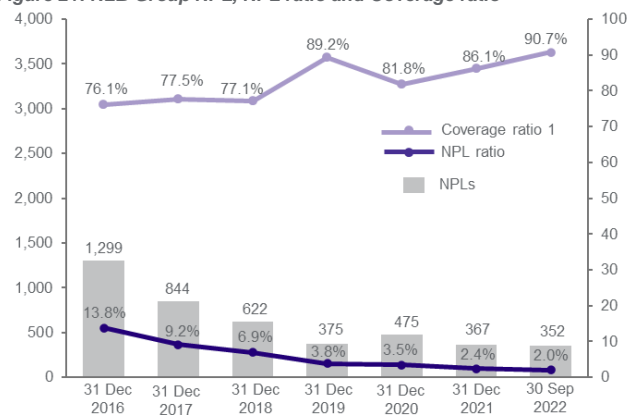
The realised cost of risk in Q3 remained at a relatively low level, mostly due to the positive effects from collection. Nevertheless, in light of less favourable economic forecasts for Slovenia for 2023, the Bank formed additional loan loss provisions in Q3. The macroeconomic situation across the region might be further impacted by inflation, increased prices of energy sources and commodities, which might have some adverse impact on the cost of risk in the next period, namely in the retail segment, but not very excessive.

Figure 20: NLB Group gross NPL formation (in EUR million)



Precisely set targets in the Group's NPL Strategy and various proactive workout approaches facilitated the management of the non-performing portfolio. The Group's approach to NPL management puts a strong emphasis on restructuring and use of other active NPL management tools, such as sale or foreclosure of collateral, the sale of claims and pledged assets. In March 2022 the non-performing credit portfolio stock temporarily stopped its multi-year declining trend as new NPLs from the acquired N Banka were recognized. Otherwise, in the first nine months of the year 2022 favourable NPL movement appeared, mostly due to repayments. The non-performing credit portfolio stock in the Group decreased in comparison with 2021 YE to EUR 352.3 million (2021 YE: EUR 367.4 million). The combined result of all of the effects resulted in 2.0% of NPLs, while the internationally more comparable NPE ratio, based on the EBA methodology, reduced to 1.5%. The Group's indicator gross NPL ratio, defined by the EBA, continued to decline, reaching 2.7% at the end of Q3, and is below the regulatory defined threshold for establishment of NPL strategy framework.

Figure 21: NLB Group NPL, NPL ratio and Coverage ratio<sup>(i)</sup>



(i) By internal definition.

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

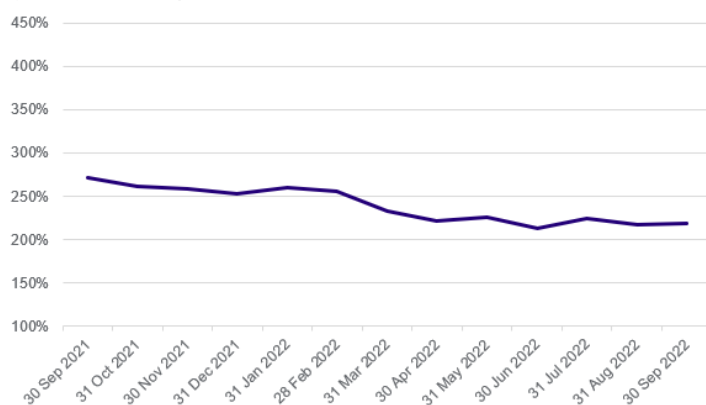
In the light of the war in Ukraine, increasing energy prices, inflationary pressures and a forecast of a decrease in economic growth, the Group has thoroughly analysed potential impact on the credit portfolio. Increasing prices of raw materials, commodities and energy may represent an important factor for certain corporate clients. Additional effects can be related to potential gas shortage for certain corporate clients with high dependency in production cycle mainly from steel, aluminium, glass, mineral, stone, chemicals and paper industry. The Group is closely monitoring the circumstances in the most affected industries (energy, transport, automotive, construction, food production) and has a close communication with key clients to identify any changes in business circumstances. The Group performed stress testing by applying adverse and severe scenarios, the potential estimated losses are perceived as sustainable. On the other hand, the inflation pressure and prices of energy sources may limit the credit capabilities in the retail segment. To enable early identification of significant increase in credit risk (SICR), the Group has strengthened the early warning system for the retail segment in Q3 2022.

An important Group's strength is the NPL coverage ratio 1 (coverage of gross NPLs with impairments for all loans), which remains high at 90.7%. Furthermore, the Group's NPL coverage ratio 2 (coverage of gross NPLs with impairments for NPL) stands at 56.2%, which is well above the EU average as published by the EBA (43.8% for June 2022). As such, it enables a further reduction in NPLs without significantly influencing the cost of risk in the coming years.

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

From liquidity perspective, deposits at the Group level were increasing (in the Bank and in the SEE banking members), although some decrease in retail deposits in most of the SEE banking members was noticed in Q1 2022 due to the war in Ukraine, impacting the members' euro liquidity. Significant attention was given to the structure and concentration of liquidity reserves by incorporating early warning systems, while keeping in mind the potential adverse negative market movements. The Group holds a very strong liquidity position at the Group and individual subsidiary bank level, which is well above the risk appetite with the LCR of 218.5% and unencumbered eligible reserves in the amount of EUR 8,645.8 million, mostly in the form of placements at the ECB and prime debt securities. The main funding base of the Group at the Group and individual subsidiary bank level predominately entails customer deposits, namely in the retail segment, representing a very stable and constantly growing base. A very comfortable level of LTD at 66.0% gives the Group the potential for further customer loan placements.

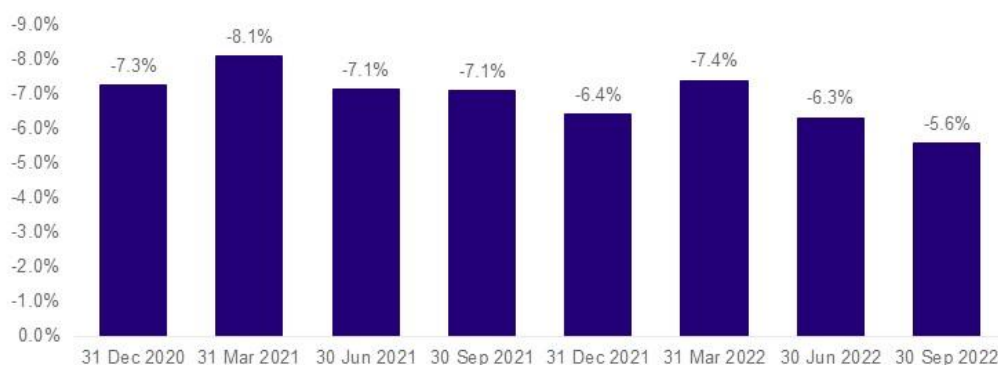
**Figure 22: NLB Group's LCR**



The Group's net open FX position from the transactional risk is at a low level, at the end of Q3 it stood at 2.63% of capital. On the other hand, structural FX positions, recognized in the other comprehensive income on the consolidated basis, arising from investments into Group's non-euro subsidiaries, are impacting the Group's RWA for market risk.

The Group places excess liquidity mainly into banking book securities with fixed interest rate. Despite the current rising interest rate environment, the demand for products with fixed interest rate still persists. The interest rate exposure to interest rate risk slightly decreased and is within the risk appetite limits. If market interest rates increase, the net interest income of the Group is favourably affected, while economic value of equity is negatively affected. When assessing the EVE sensitivity, the Group applies different scenarios. The worst-case regulatory scenario is a parallel shift up by 200 bps. From the EVE perspective, the estimated capital sensitivity of 200 bps equals -5.6% of the Group's capital.

Figure 23: NLB Group's EVE evolution



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

During COVID-19 pandemic in Slovenia and SEE, the Group has taken necessary measures to protect its customers and employees by ensuring the relevant safety conditions and making sure that the services offered by the Group are provided without any disruption. The Group is continuously offering necessary services to clients, especially through digital channels (mobile banking, video calls, telebanking), which it continues to develop at an accelerated pace. Special attention is paid to continuous provision of services to clients, their monitoring, health protection measures, prevention of cyber attacks and corresponding external frauds.

# Corporate Governance

## Management Board

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

There were no changes in the composition of the Management Board in Q3 2022.

## Supervisory Board

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

On 11 August, the Supervisory Board adopted NLB Group Interim Report for the first six months of 2022.

In Q3 2022 there were two changes in the composition of the Supervisory Board:

- The mandate of the member of the Supervisory Board of NLB – workers' representative Janja Žabjek Dolinšek ended on 8 July. Due to her leaving the Bank she no longer met the conditions for managing the function.
- On 12 September, the NLB Workers' Council recalled Bojana Šteblaj from the position of a member of the Supervisory Board - workers' representative.

## General Meeting

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

No General Meeting was summoned nor held in Q3 2022.

General Meeting that shall adopt decision on payment of second intended tranche of distributable profit for 2021 is to be held later this year.<sup>18</sup>

## Guidelines on Disclosure for Listed Companies

In accordance with Section 2.1.3, Point 2, of the Guidelines on Disclosure for Listed Companies, the Bank hereby states that there were no changes in Q3 2022 in the Management Board of the Bank, as well as in the Internal Audit of the Bank.

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<sup>18</sup> Further information is available in the chapter [Events After 30 September 2022](#).

## **Events after 30 September 2022**

On 28 October the Bank announced that the 39th General Meeting of Shareholders of NLB will be held on 12 December. The Bank proposed that the second tranche of the dividend payment in the amount of EUR 50 million shall be made to the shareholders on 20 December 2022.

On 28 October, the shareholding of Schroders in the Bank changed from 4.95% to 5.05%.



# Alternative Performance Indicators

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

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

in EUR million						
NLB Group						
	1-9 2022	1-6 2022	1-3 2022	1-12 2021	1-9 2021	1-6 2021
Numerator						
Credit impairments and provisions <sup>(i)</sup>	-15.3	-6.7	-18.9	-40.8	-49.7	-66.4
Denominator						
Average net loans to customers <sup>(ii)</sup>	12,012.6	11,649.5	11,022.0	10,080.9	9,940.4	9,822.4
<b>Cost of risk (bps)</b>	<b>-13</b>	<b>-6</b>	<b>-17</b>	<b>-41</b>	<b>-50</b>	<b>-68</b>

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

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

(iii) Komercijalna Banka group included from 2021 on. CoR for 2022 annualized without EUR 8.9 million of 12-month expected credit losses recognised at acquisition date for performing portfolio for N Banka.

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

in EUR million						
NLB Group						
	1-9 2022	1-6 2022	1-3 2022	1-12 2021	1-9 2021	1-6 2021
Numerator						
Total costs	332.6	218.7	102.7	415.4	297.2	197.3
Denominator						
Total net operating income	563.7	358.1	174.5	666.9	499.9	333.9
<b>Cost to income ratio (CIR)</b>	<b>59.0%</b>	<b>61.1%</b>	<b>58.9%</b>	<b>62.3%</b>	<b>59.4%</b>	<b>59.1%</b>

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

IFRS 9 classification into stages for loan portfolio:

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

- **Stage 1** – A performing portfolio: no significant increase of credit risk since initial recognition, the Group recognises an allowance based on a 12-month period;
- **Stage 2** – An underperforming portfolio: a significant increase in credit risk since initial recognition, the Group recognises an allowance for a lifetime period;
- **Stage 3** – An impaired portfolio: the Group recognises lifetime allowances for these financial assets. Definition of default is harmonised with the EBA guidelines.

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

Loan portfolio includes loans to banks, loans to other customers, loans mandatorily measured at FVTPL and balances with central banks and other banks. The majority of loan portfolio is classified into IFRS 9 stages. The remaining minor part (0.002 per cent at the end of Q3 2022) represents FVTPL. The classification into stages is calculated on the internal data source, by which the Group measures the loan portfolio quality, and is also published in Business Report of Annual and Interim Reports.

## NLB Group Interim Report Q3 2022

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	30 Sep 2022	30 Sep 2022
Numerator		
Total (AC) loans in Stage 1	16,923.0	15,663.4
Denominator		
Total gross loans	17,825.1	16,530.5
<b>IFRS 9 classification into Stage 1</b>	<b>94.9%</b>	<b>94.8%</b>

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	30 Sep 2022	30 Sep 2022
Numerator		
Total (AC) loans in Stage 1 to Corporates	5,938.3	5,262.3
Denominator		
Total gross loans to Corporates	6,546.2	5,846.2
<b>Corporates - IFRS 9 classification into Stage 1</b>	<b>90.7%</b>	<b>90.0%</b>

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	30 Sep 2022	30 Sep 2022
Numerator		
Total (AC) loans in Stage 1 to Retail	6,341.4	5,974.0
Denominator		
Total gross loans to Retail	6,635.4	6,257.2
<b>Retail - IFRS 9 classification into Stage 1</b>	<b>95.6%</b>	<b>95.5%</b>

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	30 Sep 2022	30 Sep 2022
Numerator		
Total (AC) loans in Stage 2	545.0	533.2
Denominator		
Total gross loans	17,825.1	16,530.5
<b>IFRS 9 classification into Stage 2</b>	<b>3.1%</b>	<b>3.2%</b>

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	30 Sep 2022	30 Sep 2022
Numerator		
Total (AC) loans in Stage 2 to Corporates	384.1	375.3
Denominator		
Total gross loans to Corporates	6,546.2	5,846.2
<b>Corporates - IFRS 9 classification into Stage 2</b>	<b>5.9%</b>	<b>6.4%</b>

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	30 Sep 2022	30 Sep 2022
Numerator		
Total (AC) loans in Stage 2 to Retail	160.9	157.8
Denominator		
Total gross loans to Retail	6,635.4	6,257.2
<b>Retail - IFRS 9 classification into Stage 2</b>	<b>2.4%</b>	<b>2.5%</b>

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	30 Sep 2022	30 Sep 2022
Numerator		
Total (AC + FV/TPL) loans in Stage 3	357.1	333.9
Denominator		
Total gross loans	17,825.1	16,530.5
<b>IFRS 9 classification into Stage 3</b>	<b>2.0%</b>	<b>2.0%</b>

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	30 Sep 2022	30 Sep 2022
Numerator		
Total (AC & FV/TPL) loans in Stage 3 to Corporates	223.8	208.6
Denominator		
Total gross loans to Corporates	6,546.2	5,846.2
<b>Corporates - IFRS 9 classification into Stage 3</b>	<b>3.4%</b>	<b>3.6%</b>

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	30 Sep 2022	30 Sep 2022
Numerator		
Total (AC) loans in Stage 3 to Retail	133.2	125.3
Denominator		
Total gross loans to Retail	6,635.4	6,257.2
<b>Retail - IFRS 9 classification into Stage 3</b>	<b>2.0%</b>	<b>2.0%</b>

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

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

in EUR million													
NLB Group													
	30 Sep 2022	31 Aug 2022	31 Jul 2022	30 Jun 2022	31 May 2022	30 Apr 2022	31 Mar 2022	28 Feb 2022	31 Jan 2022	31 Dec 2021	30 Nov 2021	31 Oct 2021	30 Sep 2021
Numerator													
Stock of HQLA	5,772.1	5,577.4	5,612.1	5,325.3	5,712.1	5,636.4	5,690.4	5,524.2	5,545.5	5,367.1	5,333.4	5,222.9	5,285.7
Denominator													
Net liquidity outflow	2,641.3	2,568.0	2,498.5	2,499.6	2,524.2	2,548.1	2,439.6	2,163.5	2,134.5	2,125.0	2,064.7	1,993.4	1,940.5
<b>LCR</b>	<b>218.5%</b>	<b>217.2%</b>	<b>224.6%</b>	<b>213.1%</b>	<b>226.3%</b>	<b>221.2%</b>	<b>233.3%</b>	<b>255.3%</b>	<b>259.8%</b>	<b>252.6%</b>	<b>258.3%</b>	<b>262.0%</b>	<b>272.4%</b>

Based on the EC's Delegated Act on LCR.

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

in EUR million			
NLB Group			
	30 Sep 2022	31 Dec 2021	30 Sep 2021
Numerator			
Net loans to customers	12,925.3	10,587.1	10,267.0
Denominator			
Deposits from customers	19,573.1	17,640.8	17,248.6
<b>Net loan to deposit ratio (LTD)</b>	<b>66.0%</b>	<b>60.0%</b>	<b>59.5%</b>

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

		in EUR million					
		NLB Group					
		1-9 2022	1-6 2022	1-3 2022	1-12 2021	1-9 2021	1-6 2021
Numerator							
	Net interest income <sup>(i)</sup>	472.1	456.5	437.2	409.4	404.2	400.6
Denominator							
	Average interest bearing assets <sup>(ii)</sup>	21,740.5	21,497.5	21,087.6	19,775.0	19,536.7	19,195.9
	<b>Net interest margin on interest bearing assets</b>	<b>2.17%</b>	<b>2.12%</b>	<b>2.07%</b>	<b>2.07%</b>	<b>2.07%</b>	<b>2.09%</b>

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

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

(iii) Komercijalna Banka group included from 2021 on.

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

		in EUR million				
		NLB Group				
		Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Numerator						
	Net interest income <sup>(i)</sup>	502.7	475.6	437.2	424.6	411.3
Denominator						
	Average interest bearing assets <sup>(ii)</sup>	22,155.9	22,045.9	21,087.6	20,526.7	20,314.4
	<b>Net interest margin on interest bearing assets (quarterly)</b>	<b>2.27%</b>	<b>2.16%</b>	<b>2.07%</b>	<b>2.07%</b>	<b>2.02%</b>

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

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

(iii) Komercijalna Banka group included from 2021 on.

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

		in EUR million	
		NLB Group	
		1-9 2022	1-9 2021
Numerator			
	Net interest income <sup>(i)</sup>	472.1	404.2
Denominator			
	Average total assets <sup>(ii)</sup>	22,722.0	20,420.6
	<b>Net interest margin on total assets</b>	<b>2.08%</b>	<b>1.98%</b>

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

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

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

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

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

Below presented calculations are based on internal data sources.

in EUR million						
NLB Group						
	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021
Numerator						
Total Non-Performing on-balance and off-balance Exposure in Finrep18	397.6	418.5	415.8	415.5	449.8	478.0
Denominator						
Total on-balance and off-balance exposures in Finrep18	27,097.5	26,182.7	26,339.2	24,328.0	24,006.0	23,883.1
<b>NPE (EBA def.) per cent.</b>	<b>1.5%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.7%</b>	<b>1.9%</b>	<b>2.0%</b>

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

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

in EUR million								
NLB Group								
	30 Sep 2022	31 Dec 2021	30 Sep 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016
Numerator								
Total Non-Performing Loans	352.3	367.4	397.5	474.7	374.7	622.3	844.5	1,299.2
Denominator								
Total gross loans	17,825.1	15,541.8	15,224.3	13,686.6	9,793.5	9,017.2	9,130.4	9,443.7
<b>NPL per cent.</b>	<b>2.0%</b>	<b>2.4%</b>	<b>2.6%</b>	<b>3.5%</b>	<b>3.8%</b>	<b>6.9%</b>	<b>9.2%</b>	<b>13.8%</b>

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

in EUR million								
NLB Group								
	30 Sep 2022	31 Dec 2021	30 Sep 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016
Numerator								
Loan loss allowances entire loan portfolio	319.7	316.5	326.8	388.4	334.2	479.6	654.8	988.7
Denominator								
Total Non-Performing Loans	352.3	367.4	397.5	474.7	374.7	622.3	844.5	1,299.2
<b>NPL coverage ratio 1 (NPL CR 1)</b>	<b>90.7%</b>	<b>86.1%</b>	<b>82.2%</b>	<b>81.8%</b>	<b>89.2%</b>	<b>77.1%</b>	<b>77.5%</b>	<b>76.1%</b>

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

in EUR million			
NLB Group			
	30 Sep 2022	31 Dec 2021	30 Sep 2021
Numerator			
Loan loss allowances non-performing loan portfolio	198.1	212.9	233.4
Denominator			
Total Non-Performing Loans	352.3	367.4	397.5
<b>NPL coverage ratio 2 (NPL CR 2)</b>	<b>56.2%</b>	<b>57.9%</b>	<b>58.7%</b>

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

in EUR million			
NLB Group			
	30 Sep 2022	31 Dec 2021	30 Sep 2021
Numerator			
Net volume of non-performing loans	154.2	154.5	164.1
Denominator			
Total Net Loans	17,505.4	15,225.4	14,897.4
<b>Net NPL ratio per cent. (%Net NPL)</b>	<b>0.9%</b>	<b>1.0%</b>	<b>1.1%</b>



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

**NPL ratio (EBA def.)** - The gross NPL ratio is the ratio of the gross carrying amount of non-performing loans and advances to the total gross carrying amount of loans and advances, in accordance with the EBA methodology (report Finrep 18). For the purpose of this calculation, loans and advances classified as held for sale, cash balances at central banks and other demand deposits at banks are excluded both from the denominator and from the numerator. Below presented calculations are based on internal data sources.

in EUR million			
NLB Group			
	30 Sep 2022	31 Dec 2021	30 Sep 2021
Numerator			
Gross volume of Non-Performing Loans and advances w ithout loans held for sale, cash balances at CBs and other demand deposits	362.8	375.1	404.9
Denominator			
Gross volume of Loans and advances in Finrep18 w ithout loans held for sale, cash balances at CBs and other demand deposits	13,586.3	11,128.8	10,872.8
<b>NPL ratio (EBA def.) per cent.</b>	<b>2.7%</b>	<b>3.4%</b>	<b>3.7%</b>

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

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

in EUR thousand								
NLB Group								
	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020
Numerator								
Interest risk in banking book – EVE	-115,458.9	-129,345.0	-141,035.8	-126,650.6	-135,133.4	-134,172.8	-140,567.2	-128,370.1
Denominator								
Equity (Tier I)	2,065,707.0	2,048,380.0	1,906,112.0	1,972,485.0	1,903,800.0	1,879,365.0	1,734,545.0	1,765,000.0
<b>EVE as % of Equity</b>	<b>-5.6%</b>	<b>-6.3%</b>	<b>-7.4%</b>	<b>-6.4%</b>	<b>-7.1%</b>	<b>-7.1%</b>	<b>-8.1%</b>	<b>-7.3%</b>

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

in EUR million						
NLB Group						
	1-9 2022	1-6 2022	1-3 2022	1-12 2021	1-9 2021	1-6 2021
Numerator						
Operational business net income <sup>(i)</sup>	787.0	763.1	730.7	678.1	664.6	659.3
Denominator						
Average total assets <sup>(ii)</sup>	22,722.0	22,458.6	22,006.7	20,659.0	20,420.6	20,066.4
<b>OBM (cumulative)</b>	<b>3.46%</b>	<b>3.40%</b>	<b>3.32%</b>	<b>3.28%</b>	<b>3.25%</b>	<b>3.29%</b>

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

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

(iii) Komercijalna Banka group included from 2021 on.

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

in EUR million						
NLB Group						
	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	
Numerator						
Operational business net income <sup>(i)</sup>	834.0	795.1	730.7	718.0	675.1	
Denominator						
Average total assets <sup>(ii)</sup>	23,185.2	23,050.6	22,006.7	21,414.5	21,232.1	
<b>OBM (quarterly)</b>	<b>3.60%</b>	<b>3.45%</b>	<b>3.32%</b>	<b>3.35%</b>	<b>3.18%</b>	

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

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

(iii) Komercijalna Banka group included from 2021 on.

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

in EUR million						
NLB Group						
	1-9 2022	1-6 2022	1-3 2022	1-12 2021	1-9 2021	1-6 2021
Numerator						
Result after tax <sup>(i)</sup>	275.7	235.6	256.5	236.4	274.0	279.6
Denominator						
Average equity <sup>(ii)</sup>	2,209.5	2,172.4	2,129.9	2,069.9	2,054.2	2,020.6
<b>ROE a.t.</b>	<b>12.5%</b>	<b>10.8%</b>	<b>12.0%</b>	<b>11.4%</b>	<b>13.3%</b>	<b>13.8%</b>

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

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

(iii) Komercijalna Banka group included from 2021 on. ROE a.t. for 2022 calculated without effects of negative goodwill from acquisition of N Banka and effects of EUR 8.9 million of 12-month expected credit losses recognised at acquisition date for performing portfolio for N Banka not annualized.

**Return on assets (ROA a.t.)<sup>(iii)</sup>** - Calculated as the ratio between the result after tax annualized and average total assets.

in EUR million		
<b>NLB Group</b>		
	<b>1-9 2022</b>	<b>1-9 2021</b>
Numerator		
Result after tax <sup>(i)</sup>	275.7	274.0
Denominator		
Average total assets <sup>(ii)</sup>	22,722.0	20,420.6
<b>ROA a.t.</b>	<b>1.2%</b>	<b>1.3%</b>

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

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

(iii) ROA a.t. for 2022 calculated without effects of negative goodwill from acquisition of N Banka and effects of EUR 8.9 million of 12-month expected credit losses recognised at acquisition date for performing portfolio for N Banka not annualized.

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

in EUR million							
<b>NLB Group</b>							
	<b>30 Sep 2022</b>	<b>30 Jun 2022</b>	<b>31 Mar 2022</b>	<b>31 Dec 2021</b>	<b>30 Sep 2021</b>	<b>30 Jun 2021</b>	<b>31 Dec 2020</b>
Numerator							
Total capital (Own funds)	2,369.6	2,336.2	2,194.0	2,252.5	2,200.6	2,172.4	2,065.5
Denominator							
Total risk exposure Amount (Total RWA)	14,283.7	14,172.5	13,843.4	12,667.4	12,824.4	12,755.6	12,421.0
<b>Total capital ratio</b>	<b>16.6%</b>	<b>16.5%</b>	<b>15.8%</b>	<b>17.8%</b>	<b>17.2%</b>	<b>17.0%</b>	<b>16.6%</b>

in EUR million	
<b>NLB</b>	
	<b>30 Sep 2022</b>
Numerator	
Total capital (Own funds)	1,648.4
Denominator	
Total risk exposure Amount (Total RWA)	7,636.2
<b>Total capital ratio</b>	<b>21.6%</b>

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

Table 16: Unaudited Condensed Income Statement of NLB Group for period ended 30 September 2022

Business report	in EUR million	Financial report	in EUR thousands	Notes
Net interest income	353.1	Interest and similar income	399,400	4.1.
		Interest and similar expenses	(46,323)	4.1.
Net fee and commission income	204.2	Fee and commission income	283,959	4.3.
		Fee and commission expenses	(79,784)	4.3.
Dividend income	0.2	Dividend income	203	4.2.
		Gains less losses from financial assets and liabilities not measured at fair value through profit or loss	(1,678)	4.4.
		Gains less losses from financial assets and liabilities held for trading	36,148	4.5.
Net income from financial transactions	24.0	Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	(409)	4.6.
		Gains less losses from financial liabilities measured at fair value through profit or loss	225	
		Fair value adjustments in hedge accounting	1,895	
		Foreign exchange translation gains less losses	(12,200)	
		Gains less losses from modification of financial assets	(8)	
		Gains less losses on derecognition of non-financial assets	1,355	
Net other income	(17.8)	Other net operating income	10,314	4.7.
		Cash contributions to resolution funds and deposit guarantee schemes	(29,609)	4.9.
		Gains less losses from non-current assets held for sale	188	4.14.
Net non-interest income	210.6		210,599	
<b>Total net operating income</b>	<b>563.7</b>		<b>563,676</b>	
Employee costs	(186.4)	Administrative expenses	(297,430)	4.8.
Other general and administrative expenses	(111.0)			
Depreciation and amortisation	(35.2)	Depreciation and amortisation	(35,170)	4.10.
<b>Total costs</b>	<b>(332.6)</b>		<b>(332,600)</b>	
<b>Result before impairments and provisions</b>	<b>231.1</b>		<b>231,076</b>	
Impairments and provisions for credit risk	7.5	Provisions for credit losses	2,471	4.11.
		Impairment of financial assets	4,982	4.12.
Other impairments and provisions	(5.1)	Provisions for other liabilities and charges	(4,856)	4.11.
		Impairment of non-financial assets	(257)	4.12.
Impairments and provisions	2.3		2,340	
Gains less losses from capital investment in subsidiaries, associates, and joint ventures	1.1	Share of profit from investments in associates and joint ventures (accounted for using the equity method)	1,146	
Negative goodwill	172.8	Negative goodwill	172,810	4.13.
<b>Result before tax</b>	<b>407.4</b>	<b>Profit before income tax</b>	<b>407,372</b>	
Income tax	(21.1)	Income tax	(21,063)	4.15.
Result of non-controlling interests	8.5	Attributable to non-controlling interests	8,524	
<b>Result after tax</b>	<b>377.8</b>	<b>Attributable to owners of the parent</b>	<b>377,785</b>	

Table 17: Unaudited Condensed Statement of Financial Position of NLB Group as at 30 September 2022

Business report	in EUR million	Financial report	in EUR thousands	Notes
<b>ASSETS</b>				
Cash, cash balances at central banks, and other demand deposits at banks	4,911.4	Cash, cash balances at central banks and other demand deposits at banks	4,911,376	5.1.
Loans to banks	210.7	Financial assets measured at amortised cost - loans and advances to banks	210,680	5.5.b)
Net loans to customers	12,925.3	Financial assets measured at amortised cost - loans and advances to customers	12,925,322	5.5.c)
		Non-trading financial assets mandatorily at fair value through profit or loss - part (only loans)	-	5.3.
Financial assets	4,765.1		4,765,124	
- Trading book	21.3	Financial assets held for trading	21,323	5.2.a)
- Non-trading book	4,743.8	Non-trading financial assets mandatorily at fair value through profit or loss - part (w without loans)	17,721	5.3.
		Financial assets measured at fair value through other comprehensive income	2,851,040	5.4.
		Financial assets measured at amortised cost - debt securities	1,875,040	5.5.a)
Investments in subsidiaries, associates, and joint ventures	11.9	Investments in associates and joint ventures	11,921	
Property and equipment, investment property	293.2	Property and equipment	255,827	5.7.
		Investment property	37,376	5.8.
Intangible assets	55.2	Intangible assets	55,234	
Other assets	325.0	Financial assets measured at amortised cost - other financial assets	132,773	5.5.d)
		Derivatives - hedge accounting	56,381	
		Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	
		Current income tax assets	1,291	
		Deferred income tax assets	52,798	5.13.
		Other assets	74,597	5.9.
		Non-current assets held for sale	7,135	5.6.
<b>TOTAL ASSETS</b>	<b>23,497.8</b>	<b>Total assets</b>	<b>23,497,835</b>	
<b>LIABILITIES</b>				
Deposits from customers	19,573.1	Financial liabilities measured at amortised cost - due to customers	19,573,116	5.11.
Deposits from banks and central banks	108.3	Financial liabilities measured at amortised cost - deposits from banks and central banks	108,328	5.11.
Borrowings	322.0	Financial liabilities measured at amortised cost - borrowings from banks and central banks	244,569	5.11.
		Financial liabilities measured at amortised cost - borrowings from other customers	77,464	5.11.
Debt securities in issue	302.6	Debt securities in issue	302,649	5.11.
Other liabilities	504.3	Financial liabilities held for trading	20,597	5.2.b)
		Financial liabilities measured at fair value through profit or loss	1,707	5.3.
		Financial liabilities measured at amortised cost - other financial liabilities	270,091	5.11.c)
		Derivatives - hedge accounting	2,758	
		Provisions	124,190	5.12.
		Current income tax liabilities	9,561	
		Deferred income tax liabilities	2,360	5.13.
Subordinated liabilities	290.4	Other liabilities	49,768	5.15.
		Fair value changes of the hedged items in portfolio hedge of interest rate risk	23,225	
		Financial liabilities measured at amortised cost - subordinated liabilities	290,432	5.11.a)
Equity	2,339.8	Equity and reserves attributable to owners of the parent	2,339,830	
Non-controlling interests	57.2	Non-controlling interests	57,190	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>23,497.8</b>	<b>Total liabilities and equity</b>	<b>23,497,835</b>	



# **Unaudited Condensed Interim Financial Statements of NLB Group and NLB**

**as at 30 September 2022**

Prepared in accordance with International accounting standard 34  
'Interim financial reporting'



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# Condensed income statement for the period ended 30 September

					in EUR thousands				
					NLB Group		NLB		
					nine months ended		nine months ended		
					September	September	September	September	
					2022	2021	2022	2021	
					Notes	unaudited	unaudited	unaudited	
					2022	2021	2022	2021	
Interest income calculated using the effective interest method						392,391	347,728	144,597	126,005
Other interest and similar income						7,009	6,414	6,347	5,249
Interest and similar income	4.1.					399,400	354,142	150,944	131,254
Interest expenses calculated using the effective interest method						(27,448)	(31,066)	(15,240)	(11,185)
Other interest and similar expenses						(18,875)	(20,751)	(15,830)	(18,339)
Interest and similar expenses	4.1.					(46,323)	(51,817)	(31,070)	(29,524)
<b>Net interest income</b>						<b>353,077</b>	<b>302,325</b>	<b>119,874</b>	<b>101,730</b>
Dividend income	4.2.					203	179	34,410	4,960
Fee and commission income	4.3.					283,959	242,712	125,975	114,573
Fee and commission expenses	4.3.					(79,784)	(70,109)	(28,171)	(26,163)
<b>Net fee and commission income</b>						<b>204,175</b>	<b>172,603</b>	<b>97,804</b>	<b>88,410</b>
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss	4.4.					(1,678)	425	(1,050)	24
Gains less losses from financial assets and liabilities held for trading	4.5.					36,148	16,827	17,420	4,701
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	4.6.					(409)	16,583	(1,468)	13,413
Gains less losses from financial liabilities measured at fair value through profit or loss						225	-	144	-
Fair value adjustments in hedge accounting						1,895	335	1,895	335
Foreign exchange translation gains less losses						(12,200)	(504)	(11,209)	(313)
Gains less losses on derecognition of non-financial assets						1,355	1,530	8	49
Other net operating income	4.7.					10,314	18,316	2,344	12,858
Administrative expenses	4.8.					(297,430)	(262,338)	(135,064)	(118,472)
Cash contributions to resolution funds and deposit guarantee schemes	4.9.					(29,609)	(28,599)	(9,713)	(9,535)
Depreciation and amortisation	4.10.					(35,170)	(34,814)	(12,755)	(13,176)
Gains less losses from modification of financial assets						(8)	(233)	-	-
Provisions for credit losses	4.11.					2,471	6,370	697	6,263
Provisions for other liabilities and charges	4.11.					(4,856)	(6,575)	(100)	1,717
Impairment of financial assets	4.12.					4,982	27,685	(7,374)	14,923
Impairment of non-financial assets	4.12.					(257)	(2,235)	(6)	104
Negative goodwill	4.13.					172,810	-	-	-
Share of profit from investments in associates and joint ventures (accounted for using the equity method)						1,146	940	-	-
Gains less losses from non-current assets held for sale	4.14.					188	86	161	(73)
<b>Profit before income tax</b>						<b>407,372</b>	<b>228,906</b>	<b>96,018</b>	<b>107,918</b>
Income tax	4.15.					(21,063)	(12,902)	(1,797)	(1,979)
<b>Profit for the period</b>						<b>386,309</b>	<b>216,004</b>	<b>94,221</b>	<b>105,939</b>
Attributable to owners of the parent						377,785	205,519	94,221	105,939
Attributable to non-controlling interests						8,524	10,485	-	-
Earnings per share/diluted earnings per share (in EUR per share)						18.89	10.28	4.71	5.30

## Condensed income statement for the three months ended 30 September

	NLB Group				NLB			
	three months ended				three months ended			
	September 2022		September 2021		September 2022		September 2021	
	Notes	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited
Interest income calculated using the effective interest method		141,890	118,212	52,821	42,585			
Other interest and similar income		660	2,836	733	2,056			
Interest and similar income	4.1.	142,550	121,048	53,554	44,641			
Interest expenses calculated using the effective interest method		(11,950)	(9,448)	(8,001)	(3,548)			
Other interest and similar expenses		(3,892)	(7,918)	(3,270)	(6,911)			
Interest and similar expenses	4.1.	(15,842)	(17,366)	(11,271)	(10,459)			
<b>Net interest income</b>		<b>126,708</b>	<b>103,682</b>	<b>42,283</b>	<b>34,182</b>			
Dividend income	4.2.	102	124	766	450			
Fee and commission income	4.3.	99,391	87,345	42,938	40,240			
Fee and commission expenses	4.3.	(28,882)	(28,795)	(9,230)	(10,234)			
<b>Net fee and commission income</b>		<b>70,509</b>	<b>58,550</b>	<b>33,708</b>	<b>30,006</b>			
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss	4.4.	2	427	-	1			
Gains less losses from financial assets and liabilities held for trading	4.5.	16,740	7,155	8,925	2,123			
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	4.6.	414	(125)	416	(480)			
Gains less losses from financial liabilities measured at fair value through profit or loss		153	-	77	-			
Fair value adjustments in hedge accounting		629	260	629	260			
Foreign exchange translation gains less losses		(7,629)	(139)	(7,313)	(102)			
Gains less losses on derecognition of non-financial assets		248	512	(65)	41			
Other net operating income	4.7.	3,970	2,236	1,884	571			
Administrative expenses	4.8.	(102,015)	(88,237)	(45,756)	(39,767)			
Cash contributions to resolution funds and deposit guarantee schemes	4.9.	(6,453)	(6,402)	-	-			
Depreciation and amortisation	4.10.	(11,857)	(11,621)	(4,190)	(4,377)			
Gains less losses from modification of financial assets		8	(177)	-	-			
Provisions for credit losses	4.11.	704	776	(831)	1,295			
Provisions for other liabilities and charges	4.11.	447	4,297	-	-			
Impairment of financial assets	4.12.	9,136	2,563	(2,016)	4,975			
Impairment of non-financial assets	4.12.	(272)	(1,351)	(6)	104			
Share of profit from investments in associates and joint ventures (accounted for using the equity method)		(424)	519	-	-			
Gains less losses from non-current assets held for sale	4.14.	198	(138)	198	(276)			
<b>Profit before income tax</b>		<b>101,318</b>	<b>72,911</b>	<b>28,709</b>	<b>29,006</b>			
Income tax	4.15.	(10,430)	(3,341)	(1,367)	(199)			
<b>Profit for the period</b>		<b>90,888</b>	<b>69,570</b>	<b>27,342</b>	<b>28,807</b>			
Attributable to owners of the parent		90,771	65,714	27,342	28,807			
Attributable to non-controlling interests		117	3,856	-	-			

## Condensed statement of comprehensive income for the period ended 30 September

	in EUR thousands				
	NLB Group		NLB		
	nine months ended		nine months ended		
	September 2022	September 2021	September 2022	September 2021	
	Notes	unaudited	unaudited	unaudited	
Net profit for the period after tax		386,309	216,004	94,221	105,939
Other comprehensive income after tax		(156,836)	(1,740)	(93,017)	(7,567)
<i>Items that will not be reclassified to income statement</i>					
Actuarial gains/(losses) on defined benefit pension plans		-	(58)	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income		(4,138)	1,384	(1,990)	(231)
Income tax relating to components of other comprehensive income	5.14.	711	(142)	378	54
<i>Items that have been or may be reclassified subsequently to income statement</i>					
Foreign currency translation		1,032	(967)	-	-
Translation gains/(losses) taken to equity		1,032	(967)	-	-
Debt instruments measured at fair value through other comprehensive income		(164,582)	(2,192)	(92,047)	(8,719)
Valuation gains/(losses) taken to equity		(170,472)	(4,993)	(98,261)	(8,529)
Transferred to income statement		5,890	2,801	6,214	(190)
Income tax relating to components of other comprehensive income	5.14.	10,141	235	642	1,329
<b>Total comprehensive income for the period after tax</b>		<b>229,473</b>	<b>214,264</b>	<b>1,204</b>	<b>98,372</b>
Attributable to owners of the parent		221,963	202,917	1,204	98,372
Attributable to non-controlling interests		7,510	11,347	-	-


## Condensed statement of comprehensive income for three months ended 30 September

	in EUR thousands				
	NLB Group		NLB		
	three months ended		three months ended		
	September 2022	September 2021	September 2022	September 2021	
		unaudited	unaudited	unaudited	
Net profit for the period after tax		90,888	69,570	27,342	28,807
Other comprehensive income/(loss) after tax		(34,263)	(3,984)	(20,318)	(1,788)
<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		(1,469)	(226)	(496)	(54)
Income tax relating to components of other comprehensive income		223	78	94	10
<i>Items that have been or may be reclassified subsequently to income statement</i>					
Foreign currency translation		2,291	(935)	-	-
Translation gains/(losses) taken to equity		2,291	(935)	-	-
Debt instruments measured at fair value through other comprehensive income		(37,763)	(3,264)	(19,970)	(2,107)
Valuation gains/(losses) taken to equity		(36,971)	(2,444)	(19,881)	(1,964)
Transferred to income statement		(792)	(820)	(89)	(143)
Income tax relating to components of other comprehensive income		2,455	363	54	363
<b>Total comprehensive income for the period after tax</b>		<b>56,625</b>	<b>65,586</b>	<b>7,024</b>	<b>27,019</b>
Attributable to owners of the parent		51,722	61,859	7,024	27,019
Attributable to non-controlling interests		4,903	3,727	-	-

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

in EUR thousands					
NLB Group					
NLB					
		30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
	Notes	unaudited	audited	unaudited	audited
Cash, cash balances at central banks and other demand deposits at banks	5.1.	4,911,376	5,005,052	3,019,149	3,250,437
Financial assets held for trading	5.2.a)	21,323	7,678	20,886	7,682
Non-trading financial assets mandatorily at fair value through profit or loss	5.3.	17,721	21,161	14,581	12,360
Financial assets measured at fair value through other comprehensive income	5.4.	2,851,040	3,461,860	1,334,558	1,585,751
Financial assets measured at amortised cost					
- debt securities	5.5.a)	1,875,040	1,717,626	1,604,295	1,436,424
- loans and advances to banks	5.5.b)	210,680	140,683	278,233	199,287
- loans and advances to customers	5.5.c)	12,925,322	10,587,121	5,923,509	5,145,153
- other financial assets	5.5.d)	132,773	122,229	73,299	92,404
Derivatives - hedge accounting		56,381	568	56,381	568
Fair value changes of the hedged items in portfolio hedge of interest rate risk		-	7,082	-	7,082
Investments in subsidiaries		-	-	866,932	781,540
Investments in associates and joint ventures		11,921	11,525	4,483	4,483
Tangible assets					
Property and equipment	5.7.	255,827	247,014	78,812	86,122
Investment property	5.8.	37,376	47,624	6,753	9,181
Intangible assets		55,234	59,076	27,640	29,453
Current income tax assets		1,291	3,948	-	3,761
Deferred income tax assets	5.13.	52,798	38,977	34,255	31,902
Other assets	5.9.	74,597	91,221	10,264	11,853
Non-current assets held for sale	5.6.	7,135	7,051	4,275	4,089
<b>Total assets</b>		<b>23,497,835</b>	<b>21,577,496</b>	<b>13,358,305</b>	<b>12,699,532</b>
Financial liabilities held for trading	5.2.b)	20,597	7,585	20,537	7,602
Financial liabilities measured at fair value through profit or loss	5.3.	1,707	-	2,560	352
Financial liabilities measured at amortised cost					
- deposits from banks and central banks	5.11.	108,328	71,828	257,755	109,329
- borrowings from banks and central banks	5.11.	244,569	858,531	45,473	873,479
- due to customers	5.11.	19,573,116	17,640,809	10,604,931	9,659,605
- borrowings from other customers	5.11.	77,464	74,051	474	406
- debt securities in issue	5.11.	302,649	-	302,649	-
- subordinated liabilities	5.11.a)	290,432	288,519	290,432	288,519
- other financial liabilities	5.11.c)	270,091	206,878	149,852	102,527
Derivatives - hedge accounting		2,758	35,377	2,758	35,377
Fair value changes of the hedged items in portfolio hedge of interest rate risk		23,225	-	23,225	-
Provisions	5.12.	124,190	119,404	45,956	49,363
Current income tax liabilities		9,561	5,878	1,568	-
Deferred income tax liabilities	5.13.	2,360	3,045	-	-
Other liabilities	5.15.	49,768	49,468	25,000	21,039
<b>Total liabilities</b>		<b>21,100,815</b>	<b>19,361,373</b>	<b>11,773,170</b>	<b>11,147,598</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
Other equity instruments	5.16.	82,175	-	82,175	-
Accumulated other comprehensive income		(167,467)	(10,552)	(84,249)	8,768
Profit reserves		13,522	13,522	13,522	13,522
Retained earnings		1,340,222	1,004,385	502,309	458,266
		<b>2,339,830</b>	<b>2,078,733</b>	<b>1,585,135</b>	<b>1,551,934</b>
Non-controlling interests		57,190	137,390	-	-
<b>Total equity</b>		<b>2,397,020</b>	<b>2,216,123</b>	<b>1,585,135</b>	<b>1,551,934</b>
<b>Total liabilities and equity</b>		<b>23,497,835</b>	<b>21,577,496</b>	<b>13,358,305</b>	<b>12,699,532</b>

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



Andreas Burkhardt  
Member



Antonija Argič  
Member



Blaž Brodnjak  
Chief executive officer



Hedvika Usenik  
Member



Andrej Lasič  
Member



Archibald Kremser  
Member

Ljubljana, 10 November 2022

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

in EUR thousands

NLB Group	Share capital	Share premium	Other equity instruments	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					
<b>Note</b>			<b>5.16.</b>								
Balance as at 1 Jan 2022	200,000	871,378	-	11,366	(17,184)	(4,734)	13,522	1,004,385	2,078,733	137,390	2,216,123
- Net profit for the period	-	-	-	-	-	-	-	377,785	377,785	8,524	386,309
- Other comprehensive income	-	-	-	(156,837)	1,015	-	-	-	(155,822)	(1,014)	(156,836)
Total comprehensive income after tax	-	-	-	(156,837)	1,015	-	-	377,785	221,963	7,510	229,473
Dividends paid	-	-	-	-	-	-	-	(50,000)	(50,000)	(1,352)	(51,352)
Other equity instruments issued	-	-	82,000	-	-	-	-	-	82,000	-	82,000
Transactions with non-controlling interests	-	-	-	(1,020)	67	(140)	-	8,230	7,137	(86,358)	(79,221)
Other	-	-	175	-	-	-	-	(178)	(3)	-	(3)
<b>Balance as at 30 Sep 2022</b>	<b>200,000</b>	<b>871,378</b>	<b>82,175</b>	<b>(146,491)</b>	<b>(16,102)</b>	<b>(4,874)</b>	<b>13,522</b>	<b>1,340,222</b>	<b>2,339,830</b>	<b>57,190</b>	<b>2,397,020</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 2021	200,000	871,378	42,496	(17,724)	(3,645)	13,522	846,762	1,952,789	170,251	2,123,040
- Net profit for the period	-	-	-	-	-	-	205,519	205,519	10,485	216,004
- Other comprehensive income	-	-	(1,698)	(852)	(52)	-	-	(2,602)	862	(1,740)
Total comprehensive income after tax	-	-	(1,698)	(852)	(52)	-	205,519	202,917	11,347	214,264
Dividends paid	-	-	-	-	-	-	(24,800)	(24,800)	-	(24,800)
Transfer of fair value reserve	-	-	(3,362)	-	-	-	3,362	-	-	-
Transactions with non-controlling interests	-	-	132	-	-	-	9,465	9,597	(34,034)	(24,437)
<b>Balance as at 30 Sep 2021</b>	<b>200,000</b>	<b>871,378</b>	<b>37,568</b>	<b>(18,576)</b>	<b>(3,697)</b>	<b>13,522</b>	<b>1,040,308</b>	<b>2,140,503</b>	<b>147,564</b>	<b>2,288,067</b>

in EUR thousands

NLB	Share capital	Share premium	Other equity instruments	Accumulated other comprehensive income		Profit reserves	Retained earnings	Total equity
				Fair value reserve of financial assets measured at FVOCI	Other			
<b>Note</b>			<b>5.16.</b>					
Balance as at 1 Jan 2022	200,000	871,378	-	12,464	(3,696)	13,522	458,266	1,551,934
- Net profit for the period	-	-	-	-	-	-	94,221	94,221
- Other comprehensive income	-	-	-	(93,017)	-	-	-	(93,017)
Total comprehensive income after tax	-	-	-	(93,017)	-	-	94,221	1,204
Dividends paid	-	-	-	-	-	-	(50,000)	(50,000)
Other equity instruments issued	-	-	82,000	-	-	-	-	82,000
Other	-	-	175	-	-	-	(178)	(3)
<b>Balance as at 30 Sep 2022</b>	<b>200,000</b>	<b>871,378</b>	<b>82,175</b>	<b>(80,553)</b>	<b>(3,696)</b>	<b>13,522</b>	<b>502,309</b>	<b>1,585,135</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 2021	200,000	871,378	27,694	(3,592)	13,522	341,992	1,450,994
- Net profit for the period	-	-	-	-	-	105,939	105,939
- Other comprehensive income	-	-	(7,567)	-	-	-	(7,567)
Total comprehensive income after tax	-	-	(7,567)	-	-	105,939	98,372
Dividends paid	-	-	-	-	-	(24,800)	(24,800)
Transfer of fair value reserve	-	-	(53)	-	-	53	-
<b>Balance as at 30 Sep 2021</b>	<b>200,000</b>	<b>871,378</b>	<b>20,074</b>	<b>(3,592)</b>	<b>13,522</b>	<b>423,184</b>	<b>1,524,566</b>



# Condensed statement of cash flows for the period ended 30 September

	in EUR thousands				
	Notes	NLB Group		NLB	
		nine months ended		nine months ended	
		September 2022	September 2021	September 2022	September 2021
	unaudited	unaudited	unaudited	unaudited	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Interest received		455,449	410,546	173,237	159,673
Interest paid		(36,912)	(47,817)	(22,042)	(28,047)
Dividends received		930	598	53,808	4,955
Fee and commission receipts		282,014	243,759	122,030	113,198
Fee and commission payments		(79,872)	(68,061)	(28,247)	(24,858)
Realised gains from financial assets and financial liabilities not at fair value through profit or loss		78	425	1	24
Net gains/(losses) from financial assets and liabilities held for trading		35,131	15,793	17,151	4,009
Payments to employees and suppliers		(311,854)	(281,293)	(139,640)	(128,451)
Other receipts		17,177	23,128	9,436	15,711
Other payments		(34,932)	(39,917)	(12,241)	(15,422)
Income tax (paid)/received		(13,265)	(5,532)	3,635	(628)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>313,944</b>	<b>251,629</b>	<b>177,128</b>	<b>100,164</b>
<b>(Increases)/decreases in operating assets</b>		<b>(728,657)</b>	<b>(537,434)</b>	<b>(639,657)</b>	<b>(266,838)</b>
Net (increase)/decrease in trading assets		-	68,971	-	2,471
Net (increase)/decrease in non-trading financial assets mandatorily at fair value through profit or loss		3,495	39,855	(2,196)	35,843
Net (increase)/decrease in financial assets measured at fair value through other comprehensive income		435,932	(62,595)	105,346	29,585
Net (increase)/decrease in loans and receivables measured at amortised cost		(1,182,696)	(588,005)	(741,399)	(334,739)
Net (increase)/decrease in other assets		14,612	4,340	(1,408)	2
<b>Increases/(decreases) in operating liabilities</b>		<b>281,951</b>	<b>1,578,056</b>	<b>539,743</b>	<b>1,227,899</b>
Net increase/(decrease) in deposits and borrowings measured at amortised cost		(18,378)	1,578,047	234,888	1,227,816
Net increase/(decrease) in securities measured at amortised cost		299,029	-	299,029	-
Net increase/(decrease) in other liabilities		1,300	9	5,826	83
<b>Net cash flows from operating activities</b>		<b>(132,762)</b>	<b>1,292,251</b>	<b>77,214</b>	<b>1,061,225</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Receipts from investing activities</b>		<b>144,668</b>	<b>483,729</b>	<b>83,076</b>	<b>397,425</b>
Proceeds from sale of property, equipment, and investment property		13,930	3,431	2,926	10
Proceeds from sale of subsidiaries		-	-	-	1
Proceeds from non-current assets held for sale		688	1,264	592	676
Proceeds from disposals of debt securities measured at amortised cost		130,050	479,034	79,558	396,738
<b>Payments from investing activities</b>		<b>(115,012)</b>	<b>(742,464)</b>	<b>(361,422)</b>	<b>(660,109)</b>
Purchase of property, equipment, and investment property		(19,559)	(13,802)	(4,252)	(8,239)
Purchase of intangible assets		(9,458)	(6,158)	(4,873)	(4,072)
Purchase of subsidiaries, net of cash acquired	3., 4.13.	199,160	(24,437)	(85,392)	(24,737)
Purchase of debt securities measured at amortised cost		(285,155)	(698,067)	(266,905)	(623,061)
<b>Net cash flows from investing activities</b>		<b>29,656</b>	<b>(258,735)</b>	<b>(278,346)</b>	<b>(262,684)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Proceeds from financing activities</b>		<b>82,436</b>	<b>-</b>	<b>82,000</b>	<b>-</b>
Issue of ordinary shares and other equity instruments	5.16.	82,000	-	82,000	-
Other proceeds related to financing activities		436	-	-	-
<b>Payments from financing activities</b>		<b>(70,433)</b>	<b>(12,787)</b>	<b>(50,000)</b>	<b>(12,000)</b>
Dividends paid		(51,405)	(12,787)	(50,000)	(12,000)
Purchase of subsidiary's treasury shares	3.	(19,028)	-	-	-
<b>Net cash flows from financing activities</b>		<b>12,003</b>	<b>(12,787)</b>	<b>32,000</b>	<b>(12,000)</b>
Effects of exchange rate changes on cash and cash equivalents		15,670	4,906	1,012	1,807
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(91,103)</b>	<b>1,020,729</b>	<b>(169,132)</b>	<b>786,541</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>5,176,311</b>	<b>4,136,412</b>	<b>3,254,784</b>	<b>2,261,791</b>
<b>Cash and cash equivalents at end of period</b>		<b>5,100,878</b>	<b>5,162,047</b>	<b>3,086,664</b>	<b>3,050,139</b>

	in EUR thousands				
	Notes	NLB Group		NLB	
		30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
		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.	4,912,258	5,005,946	3,019,469	3,250,784
Loans and advances to banks with original maturity up to 3 months		178,963	142,319	67,195	4,000
Debt securities measured at fair value through other comprehensive income with original maturity up to 3 months		9,657	28,046	-	-
<b>Total</b>		<b>5,100,878</b>	<b>5,176,311</b>	<b>3,086,664</b>	<b>3,254,784</b>

# Notes to the condensed interim financial statements

## 1. General information

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

NLB is incorporated and domiciled in Slovenia. The address of its registered office is Trg Republike 2, 1000 Ljubljana. NLB's shares are listed on the Ljubljana Stock Exchange and the global depository receipts ('GDR') representing ordinary shares of NLB are listed on the London Stock Exchange. Five GDRs represent one share of NLB.

As at 30 September 2022 and as at 31 December 2021, 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 2021, which have been prepared in accordance with the International Financial Reporting Standards (hereinafter: 'IFRS') as adopted by the European Union (hereinafter: 'EU').

### 2.2. Share-based payment transactions

#### Cash-settled share-based payment transactions

If certain conditions are met, members of the Management Board and employees performing special work (i.e., those who can significantly impact the risk profile of the Group in the scope of their tasks and activities) receive part of their variable remuneration in the form of financial instruments, whose value is linked to the value of NLB share. Upon expiration of legally prescribed period (up to five years), beneficiaries receive cash payments, depending on the value of NLB share. First contracts including share-based payment transactions were concluded in second quarter of 2022.

In the statement of financial position, a liability is recognised in line 'Financial liabilities measured at fair value through profit or loss.' Its fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in the income statement line 'Gains less losses from financial liabilities measured at fair value through profit or loss.'

#### Equity-settled share-based payment transactions

NLB Group does not have any equity-settled share-based payment transactions.

### 2.3. 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 2021, except for share-based payment transaction which did not exist in 2021 and accounting standards and other amendments effective for annual periods beginning on 1 January 2022 that were endorsed by the EU.

#### Accounting standards and amendments to existing standards that were endorsed by the EU and adopted by NLB Group from 1 January 2022

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

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

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

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

- IAS 1 (amendment and deferral of effective date) – ‘Presentation of Financial Statements: Classification of Liabilities as Current or Non-current’ (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 16 – ‘Leases: Lease Liability in a Sale and Leaseback’ (effective for annual periods beginning on or after 1 January 2024).

### 3. Changes in the composition of the NLB Group

#### Changes in the period ended 30 September 2022

##### Capital changes:

- In March 2022, in accordance with Resolution and Compulsory Winding-Up of Banks Act, NLB became an owner of 100% shares of Sberbank banka d.d., Ljubljana. The purchase price for the bank was EUR 5,109 thousand and was fully paid in cash (note 4.13.). At the General Meeting of Shareholders of Sberbank banka d.d., Ljubljana, held in April 2022, a decision was made to rename Sberbank banka d.d., Ljubljana to N Banka d.d., Ljubljana.
- In March 2022, Komercijalna banka a.d. Beograd bought 2.90% of all ordinary shares in the amount of EUR 19,047 thousand of treasury shares from dissenting shareholders, which Komercijalna banka a.d. Beograd should dispose of within 12 months of their takeover.
- In May 2022, NLB acquired additional 442,799 ordinary shares of NLB Komercijalna banka a.d. Beograd and combined with existing shareholding reached the ownership of 90.2155% of the basic capital and 91.7294% of shares with voting rights. The increase in capital investment was recognised in the amount of EUR 15,715 thousand.
- In July 2022, NLB successfully squeezed out the remaining shareholders of NLB Komercijalna banka a.d. Beograd and thereby became the owner of 100% of this Serbian bank. Prior to the squeeze-out process, NLB owned 90.2155% of share capital and 91.7294% of voting rights. Through the squeeze-out process, NLB acquired 1,528,110 regular shares and 316,260 preferred shares with a total value of EUR 61,865 thousand.

##### Other changes:

- In April 2022, NLB established IT services company named ‘NLB DigIT d.o.o., Beograd.’

- After obtaining all regulatory licenses, as well as by registering the merger with the Business Registers Agency, the integration process of Komercijalna banka a.d. Beograd and NLB Banka a.d., Beograd, was successfully completed. From 30 April 2022, the bank operates under the new name NLB Komercijalna banka a.d. Beograd. Based on the merger of NLB Banka a.d., Beograd to Komercijalna banka a.d. Beograd as the acquirer, NLB Komercijalna Banka a.d. Beograd is its universal legal successor.
- In September 2022, NLB Lease&Go, leasing, d.o.o., Ljubljana (51%) and NLB Banka a.d., Skopje (49%) established financial company named 'NLB Liz&Go d.o.o. Skopje.'

### Changes in year 2021

#### Capital changes:

- In April 2021, NLB increased the share of voting rights in the takeover bid for the remaining shares of Komercijalna banka a.d. Beograd from 83.23% to 87.999% and also acquired 15.328% of preference shares. This increased NLB's share in total shareholding of the bank from 81.42% to 86.42%. The increase in capital investment was recognised in the amount of EUR 23,098 thousand.
- In May 2021, NLB increased the share of voting rights in the public offering of ordinary shares of Komercijalna banka a.d. Beograd from 87.999% to 88.28%. This increased NLB's share in total shareholding of the bank from 86.42% to 86.70%. The increase in capital investment was recognised in the amount of EUR 1,337 thousand.
- In May 2021, NLB acquired the remaining shares of minority shareholders of NLB Banka a.d., Beograd and increased its ownership from 99.997% to 100%. The increase in capital investment was recognised in the amount of EUR 2 thousand.
- An increase in equity reserves in the form of a cash contribution in the amount of EUR 300 thousand in REAM d.o.o., Beograd – Novi Beograd to ensure regular business operations.
- In October 2021, NLB increased its business share in Bankart d.o.o., Ljubljana from 40.08% to 45.64%.
- In November 2021, Komercijalna banka a.d. Podgorica merged with NLB Banka a.d. Podgorica. After this merger, Komercijalna banka a.d. Beograd has 23.97% shareholding of NLB Banka a.d. Podgorica, while NLB has 75.90%.
- In December 2021, an increase in share capital in the form of a cash contribution in the amount of EUR 15,309 thousand in NLB Lease&Go, leasing, d.o.o., Ljubljana for the purpose of achieving NLB Group's leasing strategy.
- In December 2021, NLB increased its ownership in settlement agreement in relation to the put and call option of shares of NLB Banka sh.a., Prishtina from 81.21% to 82.38%. The increase in capital investment was recognised in the amount of EUR 223 thousand.

#### Other changes:

- In April 2021 company BH-RE d.o.o., Sarajevo – u likvidaciji was liquidated. In accordance with a court order, the company was removed from the court register.
- In September 2021, NLB sold its 0.002% ownership interest in Komercijalna banka a.d. Banja Luka to Komercijalna banka a.d. Beograd.
- In November 2021, Prvi Faktor d.o.o., Sarajevo - u likvidaciji was liquidated. In accordance with a court order, the company was removed from the court register.
- In December 2021, Komercijalna banka a.d. Beograd sold its subsidiary Komercijalna banka a.d. Banja Luka.
- In December 2021, NLB sold its subsidiary NLB Leasing d.o.o., Ljubljana – v likvidaciji to NLB Lease&Go, leasing, d.o.o., Ljubljana.

## 4. Notes to the condensed income statement

### 4.1. Interest income and expenses

#### Analysis by type of assets and liabilities

	in EUR thousands									
	NLB Group					NLB				
	three months ended		nine months ended		Change	three months ended		nine months ended		Change
	September 2022	September 2021	September 2022	September 2021		September 2022	September 2021	September 2022	September 2021	
<b>Interest and similar income</b>										
<i>Interest income calculated using the effective interest method</i>	141,890	118,212	392,391	347,728	13%	52,821	42,585	144,597	126,005	15%
Loans and advances to customers at amortised cost	125,452	103,825	348,013	306,538	14%	44,382	36,048	122,374	106,725	15%
Securities measured at amortised cost	4,230	3,446	11,990	10,070	19%	2,881	2,571	8,303	7,521	10%
Financial assets measured at fair value through other comprehensive income	9,614	10,817	29,001	30,609	-5%	2,795	2,959	8,517	8,796	-3%
Loans and advances to banks measured at amortised cost	1,285	59	1,961	340	-	1,641	964	4,208	2,882	46%
Deposits with banks and central banks	1,309	65	1,426	171	-	1,122	43	1,195	81	-
<i>Other interest and similar income</i>	660	2,836	7,009	6,414	9%	733	2,056	6,347	5,249	21%
Financial assets held for trading	620	1,060	2,896	3,806	-24%	680	1,060	2,519	3,504	-28%
Negative interest	36	959	4,077	1,032	-	8	959	3,717	1,032	-
Non-trading financial assets mandatorily at fair value through profit or loss	4	7	36	764	-95%	45	36	111	710	-84%
Other	-	810	-	812	-	-	1	-	3	-
<b>Total</b>	<b>142,550</b>	<b>121,048</b>	<b>399,400</b>	<b>354,142</b>	<b>13%</b>	<b>53,554</b>	<b>44,641</b>	<b>150,944</b>	<b>131,254</b>	<b>15%</b>
<b>Interest and similar expenses</b>										
<i>Interest expenses calculated using the effective interest method</i>	11,950	9,448	27,448	31,066	-12%	8,001	3,548	15,240	11,185	36%
Due to customers	4,771	5,977	13,503	20,237	-33%	1,442	757	3,122	2,310	35%
Borrowings from banks and central banks	272	161	896	1,081	-17%	171	119	444	972	-54%
Borrowings from other customers	228	301	710	913	-22%	-	-	-	-	-
Subordinated liabilities	2,667	2,665	7,883	7,877	0%	2,667	2,665	7,883	7,877	0%
Debt securities in issue	3,620	-	3,620	-	-	3,620	-	3,620	-	-
Deposits from banks and central banks	283	226	527	591	-11%	92	-	152	3	-
Lease liabilities	109	118	309	367	-16%	9	7	19	23	-17%
<i>Other interest and similar expenses</i>	3,892	7,918	18,875	20,751	-9%	3,270	6,911	15,830	18,339	-14%
Derivatives - hedge accounting	1,901	2,590	6,731	7,691	-12%	1,901	2,590	6,731	7,691	-12%
Negative interest	1,249	3,724	8,954	8,928	0%	713	2,944	6,650	6,930	-4%
Financial liabilities held for trading	548	1,005	2,701	3,321	-19%	631	1,005	2,376	3,321	-28%
Interest expense on defined employee benefits	74	28	217	218	0%	20	10	61	30	103%
Other	120	571	272	593	-54%	6	362	12	367	-97%
<b>Total</b>	<b>15,842</b>	<b>17,366</b>	<b>46,323</b>	<b>51,817</b>	<b>-11%</b>	<b>11,271</b>	<b>10,459</b>	<b>31,070</b>	<b>29,524</b>	<b>5%</b>
<b>Net interest income</b>	<b>126,708</b>	<b>103,682</b>	<b>353,077</b>	<b>302,325</b>	<b>17%</b>	<b>42,283</b>	<b>34,182</b>	<b>119,874</b>	<b>101,730</b>	<b>18%</b>

The item 'Negative interest' classified under the line item 'Other interest and similar income' mainly includes the interest from targeted longer-term refinancing operations (TLTRO) in the amount of EUR 4,018 thousand for NLB Group and EUR 3,677 thousand for NLB (note 5.11.).

### 4.2. Dividend income

	in EUR thousands									
	NLB Group					NLB				
	three months ended		nine months ended		Change	three months ended		nine months ended		Change
	September 2022	September 2021	September 2022	September 2021		September 2022	September 2021	September 2022	September 2021	
Financial assets measured at fair value through other comprehensive income	67	115	147	150	-2%	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	-	-	33,623	4,490	-
Investments in associates, and joint ventures	-	-	-	-	-	754	441	754	441	71%
Non-trading financial assets mandatorily at fair value through profit or loss	35	9	56	29	93%	12	9	33	29	14%
<b>Total</b>	<b>102</b>	<b>124</b>	<b>203</b>	<b>179</b>	<b>13%</b>	<b>766</b>	<b>450</b>	<b>34,410</b>	<b>4,960</b>	<b>-</b>

### 4.3. Fee and commission income and expenses

	in EUR thousands									
	NLB Group					NLB				
	three months ended		nine months ended		Change	three months ended		nine months ended		Change
	September 2022	September 2021	September 2022	September 2021		September 2022	September 2021	September 2022	September 2021	
<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	30,781	26,652	81,933	69,026	19%	11,887	10,438	32,753	28,217	16%
Customer transaction accounts	22,539	22,412	67,820	65,411	4%	12,986	14,493	38,989	42,281	-8%
<i>Other fee and commission income</i>										
Payments	23,228	19,794	66,610	56,379	18%	5,912	5,733	17,813	16,715	7%
Investment funds	7,498	7,329	22,407	19,459	15%	2,407	2,360	7,011	6,296	11%
Guarantees	4,243	3,489	11,940	10,285	16%	2,149	1,930	6,122	5,777	6%
Investment banking	3,477	3,161	9,481	8,352	14%	2,733	2,630	7,384	6,701	10%
Agency of insurance products	2,626	2,227	7,745	6,319	23%	1,937	1,830	5,841	5,150	13%
Other services	4,999	2,281	16,023	7,481	114%	2,927	826	10,062	3,436	193%
<b>Total</b>	<b>99,391</b>	<b>87,345</b>	<b>283,959</b>	<b>242,712</b>	<b>17%</b>	<b>42,938</b>	<b>40,240</b>	<b>125,975</b>	<b>114,573</b>	<b>10%</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	21,053	20,043	57,825	50,142	15%	6,918	8,365	21,712	20,858	4%
<i>Other fee and commission expenses</i>										
Payments	3,741	3,574	10,031	8,727	15%	282	227	790	687	15%
Insurance for holders of personal accounts and golden cards	301	2,012	946	2,737	-65%	207	219	661	750	-12%
Investment banking	1,898	1,726	5,321	4,788	11%	1,228	959	3,081	2,778	11%
Guarantees	349	274	1,280	574	123%	342	249	1,240	513	142%
Other services	1,540	1,166	4,381	3,141	39%	253	215	687	577	19%
<b>Total</b>	<b>28,882</b>	<b>28,795</b>	<b>79,784</b>	<b>70,109</b>	<b>14%</b>	<b>9,230</b>	<b>10,234</b>	<b>28,171</b>	<b>26,163</b>	<b>8%</b>
<b>Net fee and commission income</b>	<b>70,509</b>	<b>58,550</b>	<b>204,175</b>	<b>172,603</b>	<b>18%</b>	<b>33,708</b>	<b>30,006</b>	<b>97,804</b>	<b>88,410</b>	<b>11%</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		nine months ended		three months ended		nine months ended	
	September 2022	September 2021	September 2022	September 2021	September 2022	September 2021	September 2022	September 2021
Debt instruments measured at fair value through other comprehensive income	2	427	(1,669)	425	-	1	(316)	24
Debt instruments measured at amortised cost	-	-	(9)	-	-	-	(734)	-
<b>Total</b>	<b>2</b>	<b>427</b>	<b>(1,678)</b>	<b>425</b>	<b>-</b>	<b>1</b>	<b>(1,050)</b>	<b>24</b>

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

	in EUR thousands							
	NLB Group				NLB			
	three months ended		nine months ended		three months ended		nine months ended	
	September 2022	September 2021	September 2022	September 2021	September 2022	September 2021	September 2022	September 2021
Foreign exchange trading	10,740	6,366	23,740	15,416	2,784	1,485	6,269	3,741
Debt instruments	4	75	6	51	-	69	(28)	(200)
Derivatives	5,996	714	12,402	1,360	6,141	569	11,179	1,160
<b>Total</b>	<b>16,740</b>	<b>7,155</b>	<b>36,148</b>	<b>16,827</b>	<b>8,925</b>	<b>2,123</b>	<b>17,420</b>	<b>4,701</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		nine months ended		three months ended		nine months ended	
	September 2022	September 2021	September 2022	September 2021	September 2022	September 2021	September 2022	September 2021
Equity securities	461	(113)	(189)	876	539	(129)	445	301
Debt securities	(47)	(10)	(220)	(30)	-	-	-	-
Loans and advances to customers	-	(2)	-	15,737	(123)	(351)	(1,913)	13,112
<b>Total</b>	<b>414</b>	<b>(125)</b>	<b>(409)</b>	<b>16,583</b>	<b>416</b>	<b>(480)</b>	<b>(1,468)</b>	<b>13,413</b>

Material exposure that was restructured in 2014, and classified as non-performing, was repaid in April 2021. This resulted in positive valuation effect in the amount of EUR 14,837 thousand at NLB Group level and EUR 13,033 thousand at NLB level.

#### 4.7. Other net operating income

	in EUR thousands									
	NLB Group					NLB				
	three months ended		nine months ended		Change	three months ended		nine months ended		Change
	September 2022	September 2021	September 2022	September 2021		September 2022	September 2021	September 2022	September 2021	
<b>Other operating income</b>										
Income from non-banking services	1,868	1,762	5,099	4,947	3%	1,663	1,597	4,670	4,373	7%
Rental income from investment property	570	827	2,324	2,646	-12%	84	106	368	295	25%
Revaluation of investment property to fair value	74	460	146	460	-68%	74	412	85	412	-79%
Other operating income	2,718	1,617	7,177	13,971	-	702	294	2,418	10,116	-
<b>Total</b>	<b>5,230</b>	<b>4,666</b>	<b>14,746</b>	<b>22,024</b>	<b>-33%</b>	<b>2,523</b>	<b>2,409</b>	<b>7,541</b>	<b>15,196</b>	<b>-50%</b>
<b>Other operating expenses</b>										
Revaluation of investment property to fair value	-	112	67	119	-44%	-	105	1	105	-99%
Other operating expenses	1,260	2,318	4,365	3,589	22%	639	1,733	5,196	2,233	133%
<b>Total</b>	<b>1,260</b>	<b>2,430</b>	<b>4,432</b>	<b>3,708</b>	<b>20%</b>	<b>639</b>	<b>1,838</b>	<b>5,197</b>	<b>2,338</b>	<b>122%</b>
<b>Other net operating income</b>	<b>3,970</b>	<b>2,236</b>	<b>10,314</b>	<b>18,316</b>	<b>-44%</b>	<b>1,884</b>	<b>571</b>	<b>2,344</b>	<b>12,858</b>	<b>-82%</b>

Other operating income in 2021 includes settlement of legal dispute in the amount of EUR 8,978 thousand in the NLB Group and EUR 8,559 thousand in NLB.

#### 4.8. Administrative expenses

	in EUR thousands									
	NLB Group					NLB				
	three months ended		nine months ended		Change	three months ended		nine months ended		Change
	September 2022	September 2021	September 2022	September 2021		September 2022	September 2021	September 2022	September 2021	
Employee costs	63,707	56,535	186,422	168,194	11 %	28,359	26,782	84,370	78,596	7 %
Other general and administrative expenses	38,308	31,702	111,008	94,144	18 %	17,397	12,985	50,694	39,876	27 %
<b>Total</b>	<b>102,015</b>	<b>88,237</b>	<b>297,430</b>	<b>262,338</b>	<b>13 %</b>	<b>45,756</b>	<b>39,767</b>	<b>135,064</b>	<b>118,472</b>	<b>14 %</b>

#### 4.9. Cash contributions to resolution funds and deposit guarantee schemes

in EUR thousands										
	NLB Group					NLB				
	three months ended		nine months ended			three months ended		nine months ended		
	September 2022	September 2021	September 2022	September 2021	Change	September 2022	September 2021	September 2022	September 2021	Change
Cash contributions to deposit guarantee schemes	6,453	6,402	27,382	26,607	3 %	-	-	7,614	7,543	1 %
Cash contributions to resolution funds	-	-	2,227	1,992	12 %	-	-	2,099	1,992	5 %
<b>Total</b>	<b>6,453</b>	<b>6,402</b>	<b>29,609</b>	<b>28,599</b>	<b>4 %</b>	<b>-</b>	<b>-</b>	<b>9,713</b>	<b>9,535</b>	<b>2 %</b>

#### 4.10. Depreciation and amortisation

in EUR thousands										
	NLB Group					NLB				
	three months ended		nine months ended			three months ended		nine months ended		
	September 2022	September 2021	September 2022	September 2021	Change	September 2022	September 2021	September 2022	September 2021	Change
Amortisation of intangible assets	3,902	3,969	11,791	12,136	-3 %	1,388	1,505	4,320	4,519	-4 %
Depreciation of property and equipment:										
- own property and equipment	5,815	5,393	16,975	16,079	6 %	2,561	2,645	7,702	7,998	-4 %
- right-of-use assets	2,140	2,259	6,404	6,599	-3 %	241	227	733	659	11 %
<b>Total</b>	<b>11,857</b>	<b>11,621</b>	<b>35,170</b>	<b>34,814</b>	<b>1 %</b>	<b>4,190</b>	<b>4,377</b>	<b>12,755</b>	<b>13,176</b>	<b>-3 %</b>

#### 4.11. Provisions

in EUR thousands										
	NLB Group					NLB				
	three months ended		nine months ended			three months ended		nine months ended		
	September 2022	September 2021	September 2022	September 2021	Change	September 2022	September 2021	September 2022	September 2021	Change
Guarantees and commitments (note 5.12.b)		(704)	(776)	(2,471)	(6,370)	831	(1,295)	(697)	(6,263)	
Restructuring provisions		2	(2)	4,681	7,699	-	-	-	-	-
Provisions for legal risks		(448)	(4,295)	187	(1,124)	-	-	100	(1,717)	
Other provisions		(1)	-	(12)	-	-	-	-	-	-
<b>Total</b>		<b>(1,151)</b>	<b>(5,073)</b>	<b>2,385</b>	<b>205</b>	<b>831</b>	<b>(1,295)</b>	<b>(597)</b>	<b>(7,980)</b>	

#### 4.12. Impairment charge

in EUR thousands										
	NLB Group					NLB				
	three months ended		nine months ended			three months ended		nine months ended		
	September 2022	September 2021	September 2022	September 2021	Change	September 2022	September 2021	September 2022	September 2021	Change
<b>Impairment of financial assets</b>										
Cash balances at central banks, and other demand deposits at banks		(6,872)	(24)	(6,910)	129	72	9	(27)	67	
Loans and advances to customers measured at amortised cost (note 5.10.a)		(1,902)	(996)	(6,859)	(30,903)	1,981	(4,710)	1,166	(14,789)	
Loans and advances to banks measured at amortised cost (note 5.10.a)		22	(68)	84	9	(10)	13	32	12	
Debt securities measured at fair value through other comprehensive income (note 5.10.b)		(790)	(393)	4,221	3,226	(89)	(142)	5,898	(166)	
Debt securities measured at amortised cost (note 5.10.b)		(163)	(1,118)	215	(591)	3	(125)	131	(19)	
Other financial assets measured at amortised cost (note 5.10.a)		569	36	4,267	445	59	(20)	174	(28)	
<b>Total impairment of financial assets</b>		<b>(9,136)</b>	<b>(2,563)</b>	<b>(4,982)</b>	<b>(27,685)</b>	<b>2,016</b>	<b>(4,975)</b>	<b>7,374</b>	<b>(14,923)</b>	
<b>Impairment of other assets</b>										
Property and equipment		-	2	-	90	-	-	-	-	
Other assets		272	1,349	257	2,145	6	(104)	6	(104)	
<b>Total</b>		<b>272</b>	<b>1,351</b>	<b>257</b>	<b>2,235</b>	<b>6</b>	<b>(104)</b>	<b>6</b>	<b>(104)</b>	
<b>Total impairment of non-financial assets</b>		<b>272</b>	<b>1,351</b>	<b>257</b>	<b>2,235</b>	<b>6</b>	<b>(104)</b>	<b>6</b>	<b>(104)</b>	
<b>Total impairment</b>		<b>(8,864)</b>	<b>(1,212)</b>	<b>(4,725)</b>	<b>(25,450)</b>	<b>2,022</b>	<b>(5,079)</b>	<b>7,380</b>	<b>(15,027)</b>	

Impairment of financial assets includes EUR 8,900 thousand of 12-month expected credit losses for Stage 1 financial assets, acquired through a business combination (note 4.13.). Of that, EUR 8,894 thousand relates to financial assets measured at amortised cost, EUR 5 thousand to financial assets measured at fair value through other comprehensive income, and EUR 1 thousand to cash balances at central banks and other demand deposits at banks.

Impairment of debt securities measured at fair value through other comprehensive income relates mainly to impairment of Russian sovereign debt (note 5.4.).

#### 4.13. Acquisition of N Banka d.d., Ljubljana

On the level of the European Central Bank and the Single Resolution Board, a decision was made on 28 February 2022 to suspend the business operations of the banking group Sberbank Europe AG, which also had a subsidiary bank in



Slovenia. At the same time, a transitional period or short-term moratorium was adopted, during which a solution for the Slovenian subsidiary, Sberbank banka d.d., was found with the aim to ensure the continuity of the business operations for all of its clients. On 1 March 2022, in order to maintain financial stability in Slovenia, the Single Resolution Board, in cooperation with the Bank of Slovenia, adopted a scheme and resolution plan for Sberbank banka d.d., Ljubljana. Based on this resolution, the Bank of Slovenia issued a decision using the instrument of sale of operation in a way that all shares are transferred from the shareholders to the transferee. In the process of finding a new owner of Sberbank banka d.d., Ljubljana, a sale agreement was concluded with NLB, which became an owner of 100% of the bank's shares as at 1 March 2022. At the date of acquisition, the acquired bank had one 100% owned subsidiary, company Privatinvest d.o.o., whose assets consist only of repossessed real estate.

In April 2022, Sberbank banka d.d., Ljubljana was renamed to N Banka d.d., Ljubljana.

The purchase price for the bank was EUR 5,109 thousand and was fully paid in cash. There are no contingent consideration arrangements. At the acquisition date, cash in acquired entities amounted to EUR 265,062 thousand, therefore the net inflow of cash amounted to EUR 259,953 thousand (included in the statement of cash flows within payments from investing activities).

The assets and liabilities recognised as a result of the acquisition are as follows:

	in EUR thousands
Cash, cash balances at central banks and other demand deposits at banks	265,062
Financial assets held for trading	4,788
Non-trading financial assets mandatorily at fair value through profit or loss	332
Financial assets measured at fair value through other comprehensive income	69,387
Financial assets measured at amortised cost	
- debt securities	12,819
- loans and advances to banks	2,489
- loans and advances to customers	1,148,615
- other financial assets	3,465
Investments in associates and joint ventures	11
Tangible assets	
Property and equipment	10,905
Investment property	464
Intangible assets	1,424
Current income tax assets	46
Deferred income tax assets	4,481
Other assets	2,169
<b>Total assets</b>	<b>1,526,457</b>
Financial liabilities held for trading	4,698
Financial liabilities measured at amortised cost	
- deposits from banks and central banks	24,937
- borrowings from banks and central banks	190,008
- due to customers	1,072,411
- other financial liabilities	30,155
Provisions	21,896
Current income tax liabilities	2,249
Other liabilities	2,184
<b>Total liabilities</b>	<b>1,348,538</b>
<b>Net identifiable assets acquired</b>	<b>177,919</b>
Consideration given	5,109
<b>Bargain purchase (negative goodwill)</b>	<b>172,810</b>

NLB owns 100% of N Banka, therefore no non-controlling interests were recognised as a result of acquisition.

The acquisition of N Banka resulted in a gain from a bargain purchase (negative goodwill) in the amount of EUR 172,810 thousand, which is recognised in income statement under line item 'Negative goodwill.' Current market conditions, when banks are generally valued below their net book values, usually result in recognition of a gain from a bargain purchase, which is in the case of N Banka even higher than it would be as a result of an orderly transaction, since the bank was acquired in the process of resolution. Negative goodwill is not taxable.

As a result of the acquisition, NLB Group's off-balance sheet liabilities increased by EUR 277,772 thousand:

	in EUR thousands
Guarantees	136,309
- financial	41,615
- non-financial	94,694
Commitments to extend credit	138,749
Letters of credit	2,714
<b>Total</b>	<b>277,772</b>

Since the bank was acquired within very short timeframe in the process of resolution, acquisition-related costs were immaterial.

NLB obtained all the necessary information for measuring fair values, therefore no amounts were measured and recognised on a provisional basis.

The valuation techniques used for measuring the fair value of material assets and liabilities acquired were as follows:

Assets acquired	Valuation technique
Performing loans	<p><i>Discounted cash flow approach:</i> Since these are performing loans, it was assumed that they would be repaid by future cash flows in accordance with amortisation schedules. Credit risk was considered for loans which are classified in Stage 2 in N Banka individual financial statements, by reducing future cash flows accordingly. Also prepayment risk was estimated for consumer and mortgage loans.</p> <p>The discount rates used for fair value measurement of loans were based on the publicly available interest rates published by Bank of Slovenia, that represent market rates and are thus considered the most appropriate. Discount rates differ based on product type, client segment, maturity and currency.</p>
Non-performing loans	<p><i>Discounted cash flow approach:</i> Since these are non-performing loans, it could generally not be assumed that they would be repaid with cash flows from client's regular business. Instead, gone concern principle was used, taking into account liquidation value of collateral as expected cash flows. Appropriate haircuts for age of valuations, type of collateral, type of location, and type of real estate were used to estimate the liquidation value of collateral, which was then discounted for a period of 4 years, with the required yield of 15%.</p>
Debt securities	<p>For debt securities classified in Level 1 of fair value hierarchy, fair values were determined by an observable market price in an active market for an identical asset. For valuing debt securities in Level 2, income approach was used, based on the estimation of future cash flows discounted to the present value. The input parameters used in the income approach were the risk-free yield curve and the spread over the yield curve (credit, liquidity, country).</p>
Real estate	<p>Three approaches were used for estimating the value of real estate - the income capitalisation approach, the sale comparison approach and the residual land value approach. Each views the valuation from different perspectives and considers data from different market sources. The most suitable approach depends on the characteristics and use of individual real estate.</p> <p><i>The income capitalization approach:</i> Values property by the amount of income - cash flow that it can potentially generate. The value of the property is derived by converting the expected income generated from a property into a present value estimate using market capitalization rate. This method is commonly used for valuing income-generating properties.</p> <p><i>The sale comparison approach:</i> Values property by comparing similar properties that have been sold recently. This approach is sometimes referred to as the 'direct sales comparison approach.' The reliability of an indication found by this method depends on the quality of comparable data found in the marketplace and application of adequate adjustments for individually appraised real estate. When sale transactions are not available, the direct sales comparison approach is not applicable.</p> <p><i>Residual land value approach:</i> is a method for calculating the value of development land. It is performed by subtracting from the total value of a development project, all costs associated with the development project, including profit but excluding the cost of the land. It is applicable only for development/construction land.</p>
<b>Liabilities acquired</b>	
Deposits	<p><i>Discounted cash flow approach:</i> Aggregated future cash flows were discounted by applying market interest rates for term deposits. As a discount rate, average market rates on the deposits, published by Bank of Slovenia, were used.</p>

The fair value of acquired loans and advances to customers is EUR 1,148,615 thousand, of which EUR 1,127,261 thousand relates to performing portfolio and EUR 21,354 thousand to non-performing portfolio. The latter was recognised as purchased or originated credit-impaired financial assets (POCI). The gross contractual amount for performing loans and advances to customers is EUR 1,135,072 thousand and for this exposure 12-month expected credit losses in the amount of EUR 8,552 thousand were recognised through the income statement. The gross contractual amount for non-performing loans and advances to customers is EUR 49,641 thousand, and it is expected that approximately EUR 23 million of the contractual cash flows will not be collected.

Immediately after acquisition, 12-month expected credit losses for Stage 1 financial assets in the amount of EUR 8,900 thousand and attributable deferred taxes in the amount of EUR 1,691 thousand were recognised. Additionally, EUR 4,141 thousand of revenue, EUR 1,021 thousand of loss after tax and EUR 907 thousand of other comprehensive loss were recognised in NLB Group financial statements since the acquisition date. Had the acquisition occurred on 1 January 2022, management estimates that consolidated revenue (excluding negative goodwill) would have been approximately EUR 692 million and consolidated profit for the year (excluding negative goodwill) approximately EUR

196 million. The exact result is difficult to determine due to the changed circumstances during the year, especially the impact of the war in Ukraine.

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

	in EUR thousands							
	NLB Group				NLB			
	three months ended		nine months ended		three months ended		nine months ended	
	September 2022	September 2021	September 2022	September 2021	September 2022	September 2021	September 2022	September 2021
Gains less losses from property and equipment	198	(138)	188	86	198	(276)	161	(73)
<b>Total</b>	<b>198</b>	<b>(138)</b>	<b>188</b>	<b>86</b>	<b>198</b>	<b>(276)</b>	<b>161</b>	<b>(73)</b>

#### 4.15. Income tax

	in EUR thousands									
	NLB Group					NLB				
	three months ended		nine months ended			three months ended		nine months ended		
	September 2022	September 2021	September 2022	September 2021	Change	September 2022	September 2021	September 2022	September 2021	Change
Current tax	9,084	3,493	20,124	13,516	49 %	1,480	204	3,130	2,058	52 %
Deferred tax (note 5.13.)	1,346	(152)	939	(614)	-	(113)	(5)	(1,333)	(79)	-
<b>Total</b>	<b>10,430</b>	<b>3,341</b>	<b>21,063</b>	<b>12,902</b>	<b>63 %</b>	<b>1,367</b>	<b>199</b>	<b>1,797</b>	<b>1,979</b>	<b>-9 %</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 thousand						
	NLB Group			NLB		
	30 Sep 2022	31 Dec 2021	Change	30 Sep 2022	31 Dec 2021	Change
Balances and obligatory reserves with central banks	4,146,409	4,133,104	0%	2,754,479	2,982,576	-8%
Cash	542,703	509,596	6%	183,222	178,045	3%
Demand deposits at banks	223,146	363,246	-39%	81,768	90,163	-9%
	<b>4,912,258</b>	<b>5,005,946</b>	<b>-2%</b>	<b>3,019,469</b>	<b>3,250,784</b>	<b>-7%</b>
Allowance for impairment	(882)	(894)	1%	(320)	(347)	8%
<b>Total</b>	<b>4,911,376</b>	<b>5,005,052</b>	<b>-2%</b>	<b>3,019,149</b>	<b>3,250,437</b>	<b>-7%</b>

### 5.2. Financial instruments held for trading

#### a) Financial assets held for trading

in EUR thousands						
	NLB Group			NLB		
	30 Sep 2022	31 Dec 2021	Change	30 Sep 2022	31 Dec 2021	Change
<b>Derivatives, excluding hedging instruments</b>						
Sw ap contracts	14,993	6,665	125%	14,659	6,675	120%
Options	2,114	54	-	2,114	54	-
Forw ard contracts	4,216	959	-	4,113	953	-
<b>Total</b>	<b>21,323</b>	<b>7,678</b>	<b>178%</b>	<b>20,886</b>	<b>7,682</b>	<b>172%</b>

#### b) Financial liabilities held for trading

in EUR thousands						
	NLB Group			NLB		
	30 Sep 2022	31 Dec 2021	Change	30 Sep 2022	31 Dec 2021	Change
<b>Derivatives, excluding hedging instruments</b>						
Sw ap contracts	13,944	6,609	111%	14,033	6,626	112%
Options	2,591	53	-	2,543	53	-
Forw ard contracts	4,062	923	-	3,961	923	-
<b>Total</b>	<b>20,597</b>	<b>7,585</b>	<b>172%</b>	<b>20,537</b>	<b>7,602</b>	<b>170%</b>

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

in EUR thousands						
	NLB Group			NLB		
	30 Sep 2022	31 Dec 2021	Change	30 Sep 2022	31 Dec 2021	Change
<b>Assets</b>						
Shares	5,243	4,472	17%	4,899	4,472	10%
Investments funds	9,358	12,428	-25%	1,457	-	-
Bonds	3,120	4,261	-27%	-	-	-
Loans and advances to companies	-	-	-	8,225	7,888	4%
<b>Total</b>	<b>17,721</b>	<b>21,161</b>	<b>-16%</b>	<b>14,581</b>	<b>12,360</b>	<b>18%</b>
<b>Liabilities</b>						
Loans and advances to companies	-	-	-	1,813	352	-
Other financial liabilities (note 2.2.)	1,707	-	-	747	-	-
<b>Total</b>	<b>1,707</b>	<b>-</b>	<b>-</b>	<b>2,560</b>	<b>352</b>	<b>-</b>

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

#### Analysis by type

in EUR thousands						
	NLB Group			NLB		
	30 Sep 2022	31 Dec 2021	Change	30 Sep 2022	31 Dec 2021	Change
Bonds	2,665,421	3,251,826	-18%	1,248,083	1,526,237	-18%
Shares	20,641	22,109	-7%	270	219	23%
National Resolution Fund	58,032	44,490	30%	42,449	44,490	-5%
Treasury bills	88,915	105,866	-16%	43,756	14,805	196%
Commercial bills	18,031	37,569	-52%	-	-	-
<b>Total</b>	<b>2,851,040</b>	<b>3,461,860</b>	<b>-18%</b>	<b>1,334,558</b>	<b>1,585,751</b>	<b>-16%</b>
Allowance for impairment (note 5.10.b)	(16,818)	(12,016)	-40%	(9,468)	(3,001)	-

As at 30 September 2022, bonds at NLB Group and NLB level include Russian government bonds maturing in September 2023, with notional amount of USD 8,000 thousand (EUR 8,242 thousand). Their fair value as at 30 September 2022 is assessed to be EUR 1,962 thousand (31 December 2021: EUR 7,531 thousand), while the impairment for these bonds amounts to EUR 6.569 thousand (31 December 2021: EUR 19 thousand).

As at 31 December 2021 NLB Group and NLB held also Russian government bond with notional amount of USD 14 million, which was fully repaid in May 2022.

NLB and NLB Group do not have any other direct exposures towards Russia.

## 5.5. Financial assets measured at amortised cost

### Analysis by type

	in EUR thousands					
	NLB Group			NLB		
	30 Sep 2022	31 Dec 2021	Change	30 Sep 2022	31 Dec 2021	Change
Debt securities	1,875,040	1,717,626	9%	1,604,295	1,436,424	12%
Loans and advances to banks	210,680	140,683	50%	278,233	199,287	40%
Loans and advances to customers	12,925,322	10,587,121	22%	5,923,509	5,145,153	15%
Other financial assets	132,773	122,229	9%	73,299	92,404	-21%
<b>Total</b>	<b>15,143,815</b>	<b>12,567,659</b>	<b>20%</b>	<b>7,879,336</b>	<b>6,873,268</b>	<b>15%</b>

#### a) Debt securities

	in EUR thousands					
	NLB Group			NLB		
	30 Sep 2022	31 Dec 2021	Change	30 Sep 2022	31 Dec 2021	Change
Government	1,455,454	1,317,248	10%	1,203,495	1,041,787	16%
Companies	85,485	79,852	7%	65,132	72,632	-10%
Banks	311,477	295,653	5%	311,477	295,653	5%
Financial organisations	26,157	28,178	-7%	26,157	28,178	-7%
	<b>1,878,573</b>	<b>1,720,931</b>	<b>9%</b>	<b>1,606,261</b>	<b>1,438,250</b>	<b>12%</b>
Allowance for impairment (note 5.10.b)	(3,533)	(3,305)	-7%	(1,966)	(1,826)	-8%
<b>Total</b>	<b>1,875,040</b>	<b>1,717,626</b>	<b>9%</b>	<b>1,604,295</b>	<b>1,436,424</b>	<b>12%</b>

#### b) Loans and advances to banks

	in EUR thousands					
	NLB Group			NLB		
	30 Sep 2022	31 Dec 2021	Change	30 Sep 2022	31 Dec 2021	Change
Loans	935	10,200	-91%	132,233	117,490	13%
Time deposits	161,323	130,602	24%	144,856	81,900	77%
Purchased receivables	1,359	79	-	1,359	79	-
Reverse sale and repurchase agreements	47,334	-	-	-	-	-
	<b>210,951</b>	<b>140,881</b>	<b>50%</b>	<b>278,448</b>	<b>199,469</b>	<b>40%</b>
Allowance for impairment (note 5.10.a)	(271)	(198)	-37%	(215)	(182)	-18%
<b>Total</b>	<b>210,680</b>	<b>140,683</b>	<b>50%</b>	<b>278,233</b>	<b>199,287</b>	<b>40%</b>

#### c) Loans and advances to customers

	in EUR thousands					
	NLB Group			NLB		
	30 Sep 2022	31 Dec 2021	Change	30 Sep 2022	31 Dec 2021	Change
Loans	12,482,183	10,310,300	21%	5,739,532	5,006,871	15%
Overdrafts	444,412	352,018	26%	216,377	174,063	24%
Finance lease receivables	172,855	108,715	59%	-	-	-
Credit card business	142,084	129,330	10%	58,884	59,305	-1%
Called guarantees	2,084	2,731	-24%	407	1,333	-69%
	<b>13,243,618</b>	<b>10,903,094</b>	<b>21%</b>	<b>6,015,200</b>	<b>5,241,572</b>	<b>15%</b>
Allowance for impairment (note 5.10.a)	(318,296)	(315,973)	-1%	(91,691)	(96,419)	5%
<b>Total</b>	<b>12,925,322</b>	<b>10,587,121</b>	<b>22%</b>	<b>5,923,509</b>	<b>5,145,153</b>	<b>15%</b>

## d) Other financial assets

	in EUR thousands					
	NLB Group			NLB		
	30 Sep 2022	31 Dec 2021	Change	30 Sep 2022	31 Dec 2021	Change
Receivables in the course of settlement and other temporary accounts	34,896	40,436	-14%	23,687	23,945	-1%
Credit card receivables	19,158	22,670	-15%	14,969	15,270	-2%
Debtors	6,962	8,227	-15%	670	1,311	-49%
Fees and commissions	8,135	7,303	11%	1,267	3,041	-58%
Receivables to brokerage firms and others for the sale of securities and custody services	611	613	0%	610	610	0%
Accrued income	4,698	1,715	174%	5,762	1,690	-
Dividends	-	-	-	-	20,493	-
Prepayments	3,812	1,526	150%	-	-	-
Other financial assets	64,449	45,965	40%	27,366	27,197	1%
	<b>142,724</b>	<b>128,455</b>	<b>11%</b>	<b>74,331</b>	<b>93,557</b>	<b>-21%</b>
Allowance for impairment (note 5.10.a)	(9,948)	(6,226)	-60%	(1,032)	(1,153)	10%
<b>Total</b>	<b>132,773</b>	<b>122,229</b>	<b>9%</b>	<b>73,299</b>	<b>92,404</b>	<b>-21%</b>

## 5.6. Non-current assets held for sale

As at 30 September 2022 'Non-current assets held for sale' includes business premises and assets received as collateral that are in the process of being sold and amounts to EUR 7,135 thousand (31 December 2021: EUR 7,051 thousand) in the NLB Group and EUR 4,275 thousand (31 December 2021: EUR 4,089 thousand) in NLB.

## 5.7. Property and equipment

## Analysis by type

	in EUR thousands					
	NLB Group			NLB		
	30 Sep 2022	31 Dec 2021	Change	30 Sep 2022	31 Dec 2021	Change
Own property and equipment	231,061	223,593	3%	75,461	82,905	-9%
Right-of-use assets	24,766	23,421	6%	3,351	3,217	4%
<b>Total</b>	<b>255,827</b>	<b>247,014</b>	<b>4%</b>	<b>78,812</b>	<b>86,122</b>	<b>-8%</b>

## 5.8. Investment property

	in EUR thousands					
	NLB Group			NLB		
	30 Sep 2022	31 Dec 2021	Change	30 Sep 2022	31 Dec 2021	Change
Buildings	36,430	47,164	-23%	6,571	8,999	-27%
Land	946	460	106%	182	182	0%
<b>Total</b>	<b>37,376</b>	<b>47,624</b>	<b>-22%</b>	<b>6,753</b>	<b>9,181</b>	<b>-26%</b>

## 5.9. Other assets

	in EUR thousands					
	NLB Group			NLB		
	30 Sep 2022	31 Dec 2021	Change	30 Sep 2022	31 Dec 2021	Change
Assets, received as collateral	55,646	75,450	-26%	3,233	4,827	-33%
Deferred expenses	11,394	10,046	13%	5,163	6,202	-17%
Inventories	3,828	2,173	76%	1,411	42	-
Claim for taxes and other dues	1,405	1,826	-23%	275	621	-56%
Prepayments	2,324	1,726	35%	182	161	13%
<b>Total</b>	<b>74,597</b>	<b>91,221</b>	<b>-18%</b>	<b>10,264</b>	<b>11,853</b>	<b>-13%</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

NLB Group									in EUR thousands
	Loans and advances to banks		Loans and advances to customers			Other financial assets			
	12-month expected credit losses	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
Balance as at 1 Jan 2022	198	-	69,297	34,022	212,654	476	36	5,714	
Effects of translation of foreign operations to presentation currency	(1)	-	33	20	1,141	(2)	(1)	(3)	
Transfers	-	-	11,536	(8,070)	(3,466)	13	16	(29)	
Increases/(Decreases) (note 4.12.)	(27)	106	(369)	12,888	7,005	392	4	3,949	
Write-offs	-	-	(280)	(15)	(25,909)	(33)	(23)	(749)	
Changes in models/risk parameters (note 4.12.)	5	-	(1,878)	3,498	(13)	8	11	(13)	
Foreign exchange and other movements	(10)	-	(15)	(13)	6,230	-	-	182	
<b>Balance as at 30 Sep 2022</b>	<b>165</b>	<b>106</b>	<b>78,324</b>	<b>42,330</b>	<b>197,642</b>	<b>854</b>	<b>43</b>	<b>9,051</b>	
Repayments of written-off receivables (note 4.12.)	-	-	-	-	27,990	-	-	84	

Column Increases/(Decreases) includes also 12-month expected credit losses recognised at acquisition of N Banka in the amount of EUR 187 thousand for Loans and advances to banks, in the amount of EUR 8,552 thousand for Loans and advances to customers and in the amount of EUR 95 thousand for Other financial assets (notes 4.12. and 4.13.).

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

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

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

NLB									in EUR thousands
	Loans and advances to banks		Loans and advances to customers			Other financial assets			
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired		
Balance as at 1 Jan 2022	182	13,604	4,208	78,607	62	1	1,090		
Transfers	-	5,678	(4,019)	(1,659)	6	(1)	(5)		
Increases/(Decreases) (note 4.12.)	32	(4,233)	4,415	8,258	31	3	106		
Write-offs	-	(237)	(13)	(11,521)	(6)	(1)	(286)		
Changes in models/risk parameters (note 4.12.)	-	2,189	3,294	(334)	35	-	-		
Foreign exchange and other movements	1	43	1	(6,590)	3	-	(6)		
<b>Balance as at 30 Sep 2022</b>	<b>215</b>	<b>17,044</b>	<b>7,886</b>	<b>66,761</b>	<b>131</b>	<b>2</b>	<b>899</b>		
Repayments of written-off receivables (note 4.12.)	-	-	-	12,423	-	-	1		

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



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

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

## 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	Lifetime ECL not credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2022		3,253	52	11,148	70	798
Effects of translation of foreign operations to presentation currency		-	-	4	-	-
Transfers		-	-	(25)	(803)	828
Increases/(Decreases) (note 4.12.)		84	234	(1,668)	739	5,235
Changes in models/risk parameters (note 4.12.)		(11)	(92)	(97)	12	-
Foreign exchange and other movements		13	-	15	56	506
<b>Balance as at 30 Sep 2022</b>		<b>3,339</b>	<b>194</b>	<b>9,377</b>	<b>74</b>	<b>7,367</b>

Column Increases/(Decreases) includes also 12-month expected credit losses recognised at acquisition of N Banka in the amount of EUR 60 thousand for Debt securities measured at amortised cost and in the amount of EUR 5 thousand for Debt securities measured at fair value through other comprehensive income (notes 4.12. and 4.13.).

Impairment of debt securities measured at fair value through other comprehensive income relates mainly to impairment of Russian sovereign debt (note 5.4.).

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	Lifetime ECL credit-impaired
Balance as at 1 Jan 2021		3,685	8,656	28	798
Effects of translation of foreign operations to presentation currency		(1)	(4)	-	-
Increases/(Decreases) (note 4.12.)		809	439	32	-
Changes in models/risk parameters (note 4.12.)		(1,400)	2,737	18	-
Foreign exchange and other movements		-	(31)	-	-
<b>Balance as at 30 Sep 2021</b>		<b>3,093</b>	<b>11,797</b>	<b>78</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 2022	1,826	2,203	-	798
Transfers	-	(25)	(803)	828
Increases/(Decreases) (note 4.12.)	103	(106)	751	5,235
Changes in models/risk parameters (note 4.12.)	28	18	-	-
Foreign exchange and other movements	9	11	52	506
<b>Balance as at 30 Sep 2022</b>	<b>1,966</b>	<b>2,101</b>	<b>-</b>	<b>7,367</b>

Impairment of debt securities measured at fair value through other comprehensive income relates mainly to impairment of Russian sovereign debt (note 5.4.).

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

## 5.11. Financial liabilities measured at amortised cost

### Analysis by type

in EUR thousands						
	NLB Group			NLB		
	30 Sep 2022	31 Dec 2021	Change	30 Sep 2022	31 Dec 2021	Change
Deposits from banks and central banks	108,328	71,828	51%	257,755	109,329	136%
- Deposits on demand	69,575	56,427	23%	231,981	94,323	146%
- Other deposits	38,753	15,401	152%	25,774	15,006	72%
Borrowings from banks and central banks	244,569	858,531	-72%	45,473	873,479	-95%
Due to customers	19,573,116	17,640,809	11%	10,604,931	9,659,605	10%
- Deposits on demand	16,960,476	15,319,112	11%	9,888,999	8,982,546	10%
- Other deposits	2,612,640	2,321,697	13%	715,932	677,059	6%
Borrowings from other customers	77,464	74,051	5%	474	406	17%
Debt securities in issue	302,649	-	-	302,649	-	-
Subordinated liabilities	290,432	288,519	1%	290,432	288,519	1%
Other financial liabilities	270,091	206,878	31%	149,852	102,527	46%
<b>Total</b>	<b>20,866,649</b>	<b>19,140,616</b>	<b>9%</b>	<b>11,651,566</b>	<b>11,033,865</b>	<b>6%</b>

In June 2021, the Bank participated in the ECB TLTRO III.8 operation and had drawn a credit tranche of EUR 750,000 thousand for three years. The carrying amount of the loan as at 31 December 2021 amounted to EUR 746,021 thousand. The loan was early repaid in June 2022.

In December 2021, N Banka participated in ECB TLTRO III.10 operation and had drawn a credit tranche of EUR 93,000 thousand for three years. The carrying amount of the loan as at 30 September 2022 amounts to EUR 92,540 thousand (EUR 92,850 as at the acquisition date). Decision on potential early repayment on one of the voluntary early repayment dates will depend on the liquidity needs of N Banka at that time.

On 19 July 2022, NLB issued Senior Preferred notes in the aggregate nominal amount of EUR 300 million, maturity date of 19 July 2025 and issuer's option for early redemption on 19 July 2024. The interest on the principal of the notes is accrued at the interest rate of 6% per annum and the issue price was equal to 100% of their nominal amount. The ISIN code of the notes is XS2498964209. Carrying amount as of 30 September 2022 is EUR 302,649 thousand.

## a) Subordinated liabilities

				in EUR thousands			
				NLB Group and NLB			
				30 Sep 2022		31 Dec 2021	
	Currency	Due date	Interest rate	Carrying amount	Nominal value	Carrying amount	Nominal value
Subordinated bonds							
	EUR	06.05.2029	4.20% to 06.05.2024, thereafter 5Y MS + 4.159% p.a.	45,454	45,000	45,903	45,000
	EUR	19.11.2029	3.65% to 19.11.2024, thereafter 5Y MS + 3.833% p.a.	122,927	120,000	119,577	120,000
	EUR	05.02.2030	3.40% to 05.02.2025, thereafter 5Y MS + 3.658% p.a.	122,051	120,000	123,039	120,000
<b>Total</b>				<b>290,432</b>	<b>285,000</b>	<b>288,519</b>	<b>285,000</b>

## b) Movement of subordinated liabilities

		in EUR thousand	
NLB Group and NLB		2022	2021
Balance as at 1 Jan		288,519	288,321
Cash flow items:		(5,970)	(5,970)
- repayments of interest		(5,970)	(5,970)
Non-Cash flow items:		7,883	7,877
- accrued interest		7,883	7,877
<b>Balance as at 30 Sep</b>		<b>290,432</b>	<b>290,228</b>

## c) Other financial liabilities

							in EUR thousands		
							NLB Group		
							NLB		
	30 Sep 2022	31 Dec 2021	Change	30 Sep 2022	31 Dec 2021	Change			
Items in the course of payment	81,656	56,509	45%	29,414	5,940	-			
Liabilities for dividends	1,363	1,425	-4%	-	-	-			
Debit or credit card payables	25,832	27,325	-5%	22,610	24,638	-8%			
Lease liabilities	26,218	24,324	8%	3,371	3,256	4%			
Accrued expenses	30,777	25,852	19%	12,784	12,909	-1%			
Liabilities to brokerage firms and others for securities purchase and custody services	22	297	-93%	5	202	-98%			
Suppliers	7,371	17,514	-58%	2,851	12,049	-76%			
Fees and commissions	146	1,609	-91%	28	1,504	-98%			
Other financial liabilities	96,706	52,023	86%	78,789	42,029	87%			
<b>Total</b>	<b>270,091</b>	<b>206,878</b>	<b>31%</b>	<b>149,852</b>	<b>102,527</b>	<b>46%</b>			

## 5.12. Provisions

## a) Analysis by type

							in EUR thousands		
							NLB Group		
							NLB		
	30 Sep 2022	31 Dec 2021	Change	30 Sep 2022	31 Dec 2021	Change			
Provisions for guarantees and commitments	32,051	33,441	-4%	19,886	20,560	-3%			
Stage 1	14,080	12,912	9%	5,937	3,909	52%			
Stage 2	1,586	1,640	-3%	240	141	70%			
Stage 3	16,385	18,889	-13%	13,709	16,510	-17%			
Employee benefit provisions	23,384	21,447	9%	14,709	14,206	4%			
Provisions for legal risks	43,251	45,288	-4%	3,566	3,466	3%			
Restructuring provisions	16,600	19,217	-14%	7,795	11,131	-30%			
Other provisions	8,904	11	-	-	-	-			
<b>Total</b>	<b>124,190</b>	<b>119,404</b>	<b>4%</b>	<b>45,956</b>	<b>49,363</b>	<b>-7%</b>			

## Legal risks

As disclosed in the annual financial statements of NLB Group and NLB for the year ended 31 December 2021, the largest amount of material monetary claims against NLB Group in connection with legal risks relates to civil claims filed by Privredna banka Zagreb (the PBZ) and Zagrebačka banka (the ZaBa) against NLB, referring to the old savings of LB Branch Zagreb savers. NLB has all along objected to these claims, as it is not liable for the old currency savings, based on numerous process and content-related reason, as described in the annual financial statements.

Furthermore, on 19 July 2018, the National Assembly of the Republic of Slovenia passed the 'Act for Value Protection of Republic of Slovenia's Capital Investment in Nova Ljubljanska banka d.d., Ljubljana' (Zakon za zaščito vrednosti kapitalske naložbe Republike Slovenije v Novi Ljubljanski banki d.d., Ljubljana, hereinafter: 'the ZVKNNLB') which entered into force on 14 August 2018. In accordance with the ZVKNNLB, the Succession Fund of the Republic of Slovenia (Sklad Republike Slovenije za nasledstvo, javni sklad, hereinafter: 'the Fund'), shall compensate NLB for the sums recovered from NLB by enforcement of final judgements delivered by Croatian courts with regard to the transferred foreign currency deposits, that is the principle amount, accrued interest, expenses of court, attorney's

expenses and other expenses of the plaintiff, and expenses related to enforcement with the accrued interest, and shall not compensate NLB for its own costs or for the difference between the book value of its assets sold in enforcement proceedings and the price obtained for such assets in enforcement proceedings. There shall be no compensation for any voluntarily made payments by NLB.

#### ***The Swiss Francs Law***

On 2 February 2022, the Slovenian Parliament passed the 'Law on limitation and distribution of foreign exchange risk between creditors and borrowers concerning loan agreements in Swiss francs' (here and after the CHF Law). The CHF Law affects all loan agreements denominated in Swiss francs (regardless of whether the agreements are still in force) concluded between banks operating in Slovenia (including NLB) as lenders and individuals as borrowers in the period from 28 June 2004 to 31 December 2010, and provides for a cap on the exchange rate between Swiss francs and the Euro to be set at 10% volatility (the 'FX cap') and shall be applied from the conclusion of any of the affected loan agreements. During the validity of the FX cap, the value of instalments and other payments under such loans shall equal the amount at which the FX cap has been triggered and the lender would be required to repay any overpayment to the relevant borrower. Further, any overpayment on such loans by the relevant borrowers shall be subject to default interest to be paid by the lender.

Since the CHF Law affects civil law contractual relationships retroactively, the constitutionality of the Law has been extensively debated during the legislative process with a number of national and European authorities considering the Law to violate the Slovenian Constitution. The shareholders of affected Slovenian banks (including NLB) submitted a joint letter to several Slovenian and European authorities expressing great concern regarding the Law. On 28 February 2022, the banks filed an initiative with the Constitutional Court of the Republic of Slovenia to initiate proceedings to assess the constitutionality of the CHF Law and a proposal for its temporary suspension of enforcement.

The Constitutional Court of the Republic of Slovenia adopted a decision on 10 March 2022 to suspend in whole the implementation of the CHF Law. The decision has been adopted unanimously. The implementation of the law has been suspended until the final decision of the Constitutional Court on the conformity of the CHF Law with the Constitution. During this time the deadlines set for individual liabilities of banks do not apply. Until the final decision of the Constitutional Court on the constitutionality of the CHF Law is made, the NLB will act in accordance with the applicable legislation and courts' decisions, and will, at the same time, exercise all legal remedies at its disposal.

As at 30 September 2022, NLB did not recognise provisions in relation to the CHF Law, since it does not have a present obligation as a result of a past event (the law has been suspended) and it assesses that there is sufficient probability for the review of the (un)constitutionality of the law, based on the fact that the Constitutional court fully suspended the implementation of the law, which confirmed the procedural conditions for assessing the (un)constitutionality of the CHF Law have been demonstrated.

If legal remedies against the law are unsuccessful, the Bank estimated a negative pre-tax effect on the operations of NLB Group should not exceed EUR 100 million (N Banka included).

#### ***Other provisions***

Other provisions in NLB Group relate mainly to the assessed fair values of contingent liabilities of N Banka, which were recognised as at the acquisition date.

## 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 2022	12,912	1,640	18,889
Effects of translation of foreign operations to presentation currency	4	-	2
Acquisition of subsidiary	921	-	180
Transfers	350	160	(510)
Increases/(Decreases) (note 4.11.)	2,000	(307)	(2,073)
Changes in models/risk parameters (note 4.11.)	(2,099)	91	(83)
Foreign exchange and other movements	(8)	2	(20)
<b>Balance as at 30 Sep 2022</b>	<b>14,080</b>	<b>1,586</b>	<b>16,385</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 2021	15,796	2,767	23,611
Effects of translation of foreign operations to presentation currency	(3)	-	-
Transfers	1,077	(447)	(630)
Increases/(Decreases) (note 4.11.)	(1,649)	210	(1,952)
Changes in models/risk parameters (note 4.11.)	(3,200)	(56)	277
Foreign exchange and other movements	4	1	150
<b>Balance as at 30 Sep 2021</b>	<b>12,025</b>	<b>2,475</b>	<b>21,456</b>

in EUR thousands			
NLB			
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2022	3,909	141	16,510
Transfers	469	12	(481)
Increases/(Decreases) (note 4.11.)	2,017	93	(2,345)
Changes in models/risk parameters (note 4.11.)	(455)	(6)	(1)
Foreign exchange and other movements	(3)	-	26
<b>Balance as at 30 Sep 2022</b>	<b>5,937</b>	<b>240</b>	<b>13,709</b>

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

### 5.13. Deferred income tax

	in EUR thousands			
	NLB Group		NLB	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
<b>Deferred income tax assets</b>				
Valuation of financial instruments and capital investments	47,004	33,002	36,753	31,696
Impairment of financial assets	8,832	5,879	2,172	917
Provisions for liabilities and charges	11,833	10,128	2,314	2,660
Depreciation and valuation of non-financial assets	2,456	3,505	110	112
Fair value adjustments of financial instruments measured at amortised cost	1,272	320	-	-
Unpaid dividends	-	3,876	-	3,876
Tax losses	-	253	-	-
Tax reliefs	237	945	-	-
Other	55	62	-	-
<b>Total deferred income tax assets</b>	<b>71,689</b>	<b>57,970</b>	<b>41,349</b>	<b>39,261</b>
<b>Deferred income tax liabilities</b>				
Valuation of financial instruments	8,408	12,026	5,132	6,620
Depreciation and valuation of non-financial assets	1,305	1,374	164	169
Impairment of financial assets	5,456	3,960	1,798	570
Fair value adjustments of financial assets measured at amortised cost	5,089	3,338	-	-
Other	993	1,340	-	-
<b>Total deferred income tax liabilities</b>	<b>21,251</b>	<b>22,038</b>	<b>7,094</b>	<b>7,359</b>
<b>Net deferred income tax assets</b>	<b>52,798</b>	<b>38,977</b>	<b>34,255</b>	<b>31,902</b>
<b>Net deferred income tax liabilities</b>	<b>(2,360)</b>	<b>(3,045)</b>	<b>-</b>	<b>-</b>

	in EUR thousands			
	NLB Group		NLB	
	nine months ended		nine months ended	
	September 2022	September 2021	September 2022	September 2021
<b>Included in the income statement</b>	(939)	614	1,333	79
- valuation of financial instruments and capital investments	5,420	2,055	4,297	365
- impairment of financial assets	2,487	1,918	1,255	(35)
- provisions for liabilities and charges	(227)	100	(346)	(257)
- depreciation and valuation of non-financial assets	(982)	(251)	3	6
- fair value adjustments of financial assets measured at amortised cost	(3,140)	(3,539)	-	-
- tax losses	(253)	-	-	-
- dividends	(3,876)	-	(3,876)	-
- tax reliefs	(709)	(86)	-	-
- other	341	417	-	-
<b>Included in other comprehensive income</b>	<b>10,852</b>	<b>93</b>	<b>1,020</b>	<b>1,383</b>
- valuation and impairment of financial assets measured at fair value through other comprehensive income	10,852	87	1,020	1,383
- actuarial assumptions and experience	-	6	-	-
<b>Included in equity - transfer of fair value reserve</b>	<b>-</b>	<b>368</b>	<b>-</b>	<b>-</b>
- valuation of financial assets measured at fair value through other comprehensive income	-	368	-	-

As at 30 September 2022, NLB recognised EUR 41,349 thousand deferred tax assets (31 December 2021: EUR 39,261 thousand). Unrecognised deferred tax assets amount to EUR 210,608 thousand (31 December 2021: EUR 196,523 thousand) of which EUR 183,842 thousand (31 December 2021: EUR 185,231 thousand) relates to unrecognised deferred tax assets from tax losses (no deadlines by which uncovered tax losses must be utilized), EUR 206 thousand (31 December 2021: EUR 823 thousand) to unrecognised deferred tax assets from tax reliefs and EUR 26,560 thousand (31 December 2021: EUR 10,469 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					
	NLB Group			NLB		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
<b>Nine months ended Sep 2022</b>						
Financial assets measured at fair value through other comprehensive income	(168,720)	10,852	(157,868)	(94,037)	1,020	(93,017)
<b>Total</b>	<b>(168,720)</b>	<b>10,852</b>	<b>(157,868)</b>	<b>(94,037)</b>	<b>1,020</b>	<b>(93,017)</b>

	in EUR thousands					
	NLB Group			NLB		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
<b>Nine months ended Sep 2021</b>						
Financial assets measured at fair value through other comprehensive income	(808)	87	(721)	(8,950)	1,383	(7,567)
Actuarial gains and losses	(58)	6	(52)	-	-	-
<b>Total</b>	<b>(866)</b>	<b>93</b>	<b>(773)</b>	<b>(8,950)</b>	<b>1,383</b>	<b>(7,567)</b>

## 5.15. Other liabilities

	in EUR thousands					
	NLB Group			NLB		
	30 Sep 2022	31 Dec 2021	Change	30 Sep 2022	31 Dec 2021	Change
Accrued salaries	23,522	18,615	26%	13,746	9,050	52%
Unused annual leave	6,027	6,032	0%	2,425	2,425	0%
Taxes payable	3,965	9,450	-58%	2,941	3,999	-26%
Deferred income	12,165	11,374	7%	5,324	5,257	1%
Payments received in advance	4,089	3,997	2%	564	308	83%
<b>Total</b>	<b>49,768</b>	<b>49,468</b>	<b>1%</b>	<b>25,000</b>	<b>21,039</b>	<b>19%</b>

## 5.16. Other equity instruments issued

On 23 September 2022, NLB issued subordinated notes intended to qualify as Additional Tier 1 Instruments in the aggregate nominal amount of EUR 82 million. The notes have no scheduled maturity date. The issuer will have the option for redemption of the notes between 23 September 2027 and 23 March 2028 and on each distribution payment date thereafter. Until 23 March 2028 the interest on the principal of the notes will accrue at the interest rate of 9.721% per annum, and for each subsequent 5-year period, accrue at the applicable interest rate, which shall be reset prior to the commencement of each such period. The issue price was equal to 100% of the nominal amount of the notes. The ISIN code of the notes is SI0022104275. Carrying amount as of 30 September 2022 is EUR 82,175 thousand.

## 5.17. Book value per share

	in EUR thousands			
	NLB Group		NLB	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
Total equity attributable to owners of the parents	2,339,830	2,078,733	1,585,135	1,551,934
Other equity instruments (note 5.16.)	82,175	-	82,175	-
Total equity attributable to owners of the parents excluding other equity instruments issued	2,257,655	2,078,733	1,502,960	1,551,934
Number of shares (in thousands)	20,000	20,000	20,000	20,000
Book value per share (in EUR)	112.9	103.9	75.1	77.6

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

## 5.18. Capital adequacy ratio

	in EUR thousands			
	NLB Group		NLB	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
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	911,175	767,152	358,088	249,845
Profit eligible - from current year	205,039	135,968	-	39,613
Accumulated other comprehensive income	(106,371)	(10,091)	(55,115)	8,768
Other reserves	13,522	13,522	13,522	13,522
Minority interest	25,987	27,905	-	-
Prudential filters: Additional Valuation Adjustments (AVA)	(2,911)	(3,498)	(1,382)	(1,606)
(-) Goodwill	(3,529)	(3,529)	-	-
(-) Other intangible assets	(37,613)	(39,116)	(21,442)	(18,829)
(-) Insufficient coverage for non-performing exposures	(71)	(90)	(22)	(10)
(-) Deduction item related to credit impairments and provisions not included in capital	-	-	(1,197)	-
<b>COMMON EQUITY TIER 1 CAPITAL (CET1)</b>	<b>2,076,606</b>	<b>1,959,601</b>	<b>1,363,830</b>	<b>1,362,681</b>
Minority interest	5,524	5,950	-	-
Additional Tier 1 capital	5,524	5,950	-	-
<b>TIER 1 CAPITAL</b>	<b>2,082,130</b>	<b>1,965,551</b>	<b>1,363,830</b>	<b>1,362,681</b>
Capital instruments and subordinated loans eligible as Tier 2 capital	284,595	284,595	284,595	284,595
Minority interest	2,898	2,344	-	-
<b>TIER 2 CAPITAL</b>	<b>287,493</b>	<b>286,939</b>	<b>284,595</b>	<b>284,595</b>
<b>TOTAL CAPITAL</b>	<b>2,369,623</b>	<b>2,252,490</b>	<b>1,648,425</b>	<b>1,647,276</b>
RWA for credit risk	11,722,427	10,205,172	6,206,396	5,411,433
RWA for market risks	1,228,301	1,206,363	754,238	698,463
RWA for credit valuation adjustment risk	88,988	11,850	88,775	11,850
RWA for operational risk	1,244,023	1,244,023	586,781	586,781
<b>TOTAL RISK EXPOSURE AMOUNT (RWA)</b>	<b>14,283,739</b>	<b>12,667,408</b>	<b>7,636,190</b>	<b>6,708,527</b>
Common Equity Tier 1 Ratio	14.5%	15.5%	17.9%	20.3%
Tier 1 Ratio	14.6%	15.5%	17.9%	20.3%
Total Capital Ratio	16.6%	17.8%	21.6%	24.6%

As at 30 September 2022, the TCR for the NLB Group stood at 16.6% (or 1.2 p.p. lower than as at 31 December 2021), and the CET1 ratio for the Group stood at 14.5% (0.9 p.p. lower than as at 31 December 2021). The lower total capital adequacy derives from higher RWA (EUR 1,616.3 million compared to the end of 2021) which was not compensated by higher capital (EUR 117.1 million compared to the end of 2021). The capital is higher mainly due to inclusion of negative goodwill from acquisition of N Banka in retained earnings in the amount of EUR 172.8 million and partial inclusion of Q1 2022 profit in the amount of EUR 32.2 million, which compensated the negative revaluation adjustments on FVOCI securities (EUR -96.3 million compared to the end of 2021). In accordance with CRR 'Quick fix' from June 2020, temporary treatment of FVOCI for sovereign securities was implemented by the Group in September 2022, which increased capital by EUR 60.6 million (i.e., Accumulated other comprehensive income amounted EUR -106.4 million instead of EUR -167.0 million).

In September 2022, the Bank issued Additional Tier 1 notes in the amount of EUR 82 million which will improve regulatory capital and total capital ratio by approximately 50 bps after receiving the ECB approval (note 5.16.).

The capital calculation does not include a part of the 2021 result in the amount of EUR 50 million which is proposed to be paid as the second instalment of dividend distribution in December 2022 subject to General Meeting of Shareholders decision. Therefore, there will be no effect on the capital once the dividends in this amount are paid.

RWAs in the NLB Group increased by EUR 1,616,3 million compared to the end of 2021. RWA for credit risk increased by EUR 1,517.3 million, where EUR 858.9 million of the increase relates to N Banka. The remaining part of RWA increase in the amount of EUR 658.4 million was mainly the consequence of increased lending activity in all the banks in the NLB Group, mostly in the Bank and NLB Komercijalna Banka, Beograd. Higher RWAs for high-risk exposures is the result of a new loan given to a venture capital company, new loans for project financing as well as drawing of loans for project financing granted in the previous year. RWA growth was partially mitigated by assuring CRR eligibility for real estate collaterals from Bosnia and Herzegovina, Serbia, and North Macedonia. Furthermore, RWA decrease was observed for liquidity assets due to a lower exposure to the Serbian central bank and maturity of some Serbian bonds; both in NLB Komercijalna Banka, Beograd. The lower exposure to institutions also resulted in a reduced RWA in almost all the banks in the NLB Group, the most in NLB Komercijalna Banka, Beograd, NLB Banka Banja Luka and NLB Banka Podgorica. The repayments as well as the upgrade of some clients contributed to a lower RWA for the exposures in default.

The increase in RWAs for market risks and CVA (Credit Value Adjustments) in the amount of EUR 99.1 million compared to the end of 2021 is the result of higher RWA for CVA risk in the amount of EUR 77.1 million (a consequence of an adjustment of calculating exposure in the CVA calculation due to the change of a methodology from a mark to market method to the original exposure method (OEM), and due to the conclusion of longer term and higher size of derivatives by Bank) and higher RWA for FX risk in the amount of EUR 20.6 million.

## 5.19. Off-balance sheet liabilities

	in EUR thousands					
	NLB Group			NLB		
	30 Sep 2022	31 Dec 2021	Change	30 Sep 2022	31 Dec 2021	Change
Loan commitments	2,173,057	1,878,988	16%	1,479,363	1,259,489	17%
Non-financial guarantees	852,888	703,101	21%	473,039	437,166	8%
Financial guarantees	632,556	533,633	19%	305,749	289,935	5%
Letters of credit	21,695	35,615	-39%	765	1,950	-61%
Other	21,203	13,167	61%	8,635	1,037	-
	<b>3,701,399</b>	<b>3,164,504</b>	<b>17%</b>	<b>2,267,551</b>	<b>1,989,577</b>	<b>14%</b>
Provisions (note 5.12.)	(32,051)	(33,441)	4%	(19,886)	(20,560)	3%
<b>Total</b>	<b>3,669,348</b>	<b>3,131,063</b>	<b>17%</b>	<b>2,247,665</b>	<b>1,969,017</b>	<b>14%</b>

In addition to the instruments presented in the table above, NLB Group and NLB have also some low-risk off-balance sheet items, for which 0% credit conversion factor is applied in accordance with the Capital Requirements Regulation (credit and other lines which can be irrevocably cancelled by a bank). As at 30 September 2022, these items at the NLB Group level amount to EUR 603,359 thousand (31 December 2021: EUR 372,403 thousand), and at the NLB level EUR 310,327 thousand (31 December 2021: EUR 302,063 thousand).



## 5.20. Fair value hierarchy of financial and non-financial assets and liabilities

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

The fair value hierarchy comprises the following levels:

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

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

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

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

30 Sep 2022	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
	in EUR thousands							
<b>Financial assets</b>								
Financial instruments held for trading	-	21,323	-	21,323	-	20,886	-	20,886
Derivatives	-	21,323	-	21,323	-	20,886	-	20,886
Derivatives - hedge accounting	-	56,381	-	56,381	-	56,381	-	56,381
Financial assets measured at fair value through other comprehensive income	1,672,736	1,174,879	3,425	2,851,040	1,283,230	49,097	2,231	1,334,558
Debt instruments	1,672,200	1,098,000	2,167	2,772,367	1,283,230	6,647	1,962	1,291,839
Equity instruments	536	76,879	1,258	78,673	-	42,450	269	42,719
Non-trading financial assets mandatorily at fair value through profit or loss	11,365	-	6,356	17,721	-	8,225	6,356	14,581
Debt instruments	3,120	-	-	3,120	-	-	-	-
Equity instruments	8,245	-	6,356	14,601	-	-	6,356	6,356
Loans	-	-	-	-	-	8,225	-	8,225
<b>Financial liabilities</b>								
Financial instruments held for trading	-	20,597	-	20,597	-	20,537	-	20,537
Derivatives	-	20,597	-	20,597	-	20,537	-	20,537
Derivatives - hedge accounting	-	2,758	-	2,758	-	2,758	-	2,758
Financial liabilities measured at fair value through profit or loss	-	1,707	-	1,707	-	2,560	-	2,560
<b>Non-financial assets</b>								
Investment properties	-	16,325	21,051	37,376	-	6,753	-	6,753
Non-current assets held for sale	-	7,135	-	7,135	-	4,275	-	4,275

31 Dec 2021	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
	in EUR thousands							
<b>Financial assets</b>								
Financial instruments held for trading	-	7,677	1	7,678	-	7,681	1	7,682
Derivatives	-	7,677	1	7,678	-	7,681	1	7,682
Derivatives - hedge accounting	-	568	-	568	-	568	-	568
Financial assets measured at fair value through other comprehensive income	2,010,485	1,449,888	1,487	3,461,860	1,533,797	51,735	219	1,585,751
Debt instruments	2,009,699	1,385,211	351	3,395,261	1,533,797	7,245	-	1,541,042
Equity instruments	786	64,677	1,136	66,599	-	44,490	219	44,709
Non-trading financial assets mandatorily at fair value through profit and loss	16,689	-	4,472	21,161	-	7,888	4,472	12,360
Debt instruments	4,261	-	-	4,261	-	-	-	-
Equity instruments	12,428	-	4,472	16,900	-	-	4,472	4,472
Loans	-	-	-	-	-	7,888	-	7,888
<b>Financial liabilities</b>								
Financial instruments held for trading	-	7,585	-	7,585	-	7,602	-	7,602
Derivatives	-	7,585	-	7,585	-	7,602	-	7,602
Derivatives - hedge accounting	-	35,377	-	35,377	-	35,377	-	35,377
Financial liabilities measured at fair value through profit or loss	-	-	-	-	-	352	-	352
<b>Non-financial assets</b>								
Investment properties	-	19,982	27,642	47,624	-	9,181	-	9,181
Non-current assets held for sale	-	7,051	-	7,051	-	4,089	-	4,089

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

Due to technical default of Russia in June 2022, there is no more active market for Russian bonds. Consequently, NLB Group and NLB transferred Russian bonds with notional amount of USD 8 million from Level 1 to 3. Fair value at the date of transfer was EUR 1,812 thousand.

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

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

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

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

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

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 (the Garman and Kohlhagen model, binomial model and Black-Scholes model).

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

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

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

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

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

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

At least one of the three valuation methods are used for the valuation of investment property. The majority of investment property is valued using the income approach where the present value of future expected returns is

assessed. When valuing an investment property, average rents at similar locations and capitalisation ratios such as: the risk-free yield, risk premium and the risk premium to account for capital preservation are used. Rents at similar locations are generated from various sources, like data from lessors and lessees, web databases and own databases. NLB Group has observable data for all investment property at its disposal. If observable data for similar locations are not available, NLB Group uses data from wider locations and adjusts it appropriately.

### Movements of financial assets and liabilities at Level 3

in EUR thousands						
	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	
	Derivatives	Debt instruments	Equity instruments	Equity instruments		
<b>NLB Group</b>						
Balance as at 1 Jan 2022		1	351	1,136	4,472	5,960
Acquisition of subsidiaries	-	-	-	12	-	12
Valuation:						
- through profit or loss	(1)	-	-	-	(326)	(327)
- recognised in other comprehensive income	-	22	110	-	-	132
Exchange differences	-	128	-	-	753	881
Increases	-	-	-	-	2,000	2,000
Decreases	-	(146)	-	-	(543)	(689)
Transfers to Level 3	-	1,812	-	-	-	1,812
<b>Balance as at 30 Sep 2022</b>	-	<b>2,167</b>	<b>1,258</b>	<b>6,356</b>		<b>9,781</b>

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

in EUR thousands						
	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	
	Derivatives	Debt instruments	Equity instruments	Equity instruments		
<b>NLB</b>						
Balance as at 1 Jan 2022		1	-	219	4,472	4,692
Valuation:						
- through profit or loss	(1)	-	-	-	(326)	(327)
- recognised in other comprehensive income	-	22	50	-	-	72
Exchange differences	-	128	-	-	753	881
Increases	-	-	-	-	2,000	2,000
Decreases	-	-	-	-	(543)	(543)
Transfers to Level 3	-	1,812	-	-	-	1,812
<b>Balance as at 30 Sep 2022</b>	-	<b>1,962</b>	<b>269</b>	<b>6,356</b>		<b>8,587</b>

in EUR thousands					
	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
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets	
<b>NLB</b>					
Balance as at 1 Jan 2021	786	274	4,171	22,988	28,219
Valuation:					
- through profit or loss	(1)	-	67	13,749	13,815
- recognised in other comprehensive income	-	1	-	-	1
Exchange differences	-	-	233	9	242
Increases	-	-	-	3,005	3,005
Decreases	-	(56)	-	(39,751)	(39,807)
<b>Balance as at 30 Sep 2021</b>	<b>785</b>	<b>219</b>	<b>4,471</b>	-	<b>5,475</b>

In the nine months ended 30 September 2022 and 2021, NLB Group and NLB recognised the following unrealised gains or losses for financial instruments that were at Level 3 as at 30 September:

		in EUR thousands			
Nine months ended 30 Sep 2022		NLB Group			
	Financial assets held for trading	Financial assets measured at fair value through OCI	Equity instruments	Equity instruments	Non-trading financial assets mandatorily at fair value through profit
	Derivatives	Debt instruments	Equity instruments	Equity instruments	
<b>Items of Income statement</b>					
Gains less losses from financial assets and liabilities held for trading	(1)	-	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	-	-	(326)
Foreign exchange translation gains less losses	-	128	-	-	753
<b>Item of Other comprehensive income</b>					
Financial assets measured at fair value through other comprehensive income	-	22	110	-	-

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

		in EUR thousands			
Nine months ended 30 Sep 2022		NLB			
	Financial assets held for trading	Financial assets measured at fair value through OCI	Equity instruments	Equity instruments	Non-trading financial assets mandatorily at fair value through profit
	Derivatives	Debt instruments	Equity instruments	Equity instruments	
<b>Items of Income statement</b>					
Gains less losses from financial assets and liabilities held for trading	(1)	-	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	-	-	(326)
Foreign exchange translation gains less losses	-	128	-	-	753
<b>Item of Other comprehensive income</b>					
Financial assets measured at fair value through other comprehensive income	-	22	50	-	-

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

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

in EUR thousands		
NLB Group		
Investment property	2022	2021
Balance as at 1 Jan	27,642	32,210
Effects of translation of foreign operations to presentation currency	20	(31)
Additions	58	1,416
Disposals	(6,669)	(628)
Net valuation to fair value	-	34
<b>Balance as at 30 Sep</b>	<b>21,051</b>	<b>33,001</b>

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

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

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

in EUR thousands								
NLB Group					NLB			
	30 Sep 2022		31 Dec 2021		30 Sep 2022		31 Dec 2021	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets measured at amortised cost								
- debt securities	1,875,040	1,718,973	1,717,626	1,745,225	1,604,295	1,462,633	1,436,424	1,461,185
- loans and advances to banks	210,680	210,937	140,683	140,843	278,233	290,536	199,287	204,743
- loans and advances to customers	12,925,322	13,041,508	10,587,121	10,751,051	5,923,509	6,013,692	5,145,153	5,235,839
- other financial assets	132,773	132,773	122,229	122,229	73,299	73,299	92,404	92,404
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	108,328	109,633	71,828	69,720	257,755	258,220	109,329	109,522
- borrowings from banks and central banks	244,569	237,519	858,531	849,834	45,473	38,403	873,479	863,970
- due to customers	19,573,116	19,579,424	17,640,809	17,658,686	10,604,931	10,609,685	9,659,605	9,664,607
- borrowings from other customers	77,464	77,369	74,051	73,744	474	474	406	406
- debt securities in issue	302,649	302,191	-	-	302,649	302,191	-	-
- subordinated liabilities	290,432	254,202	288,519	292,130	290,432	254,202	288,519	292,130
- other financial liabilities	270,091	270,091	206,878	206,878	149,852	149,852	102,527	102,527

#### Loans and advances to banks

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

#### Loans and advances to customers

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

#### Deposits and borrowings from customers

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

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

#### Debt securities measured at amortised cost and issued debt securities

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

*Loan commitments*

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

*Other financial assets and liabilities*

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

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

in EUR thousands								
30 Sep 2022	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	1,430,440	281,304	7,229	1,718,973	1,370,121	92,512	-	1,462,633
- loans and advances to banks	-	210,937	-	210,937	-	290,536	-	290,536
- loans and advances to customers	-	13,041,508	-	13,041,508	-	6,013,692	-	6,013,692
- other financial assets	-	132,773	-	132,773	-	73,299	-	73,299
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	-	109,633	-	109,633	-	258,220	-	258,220
- borrowings from banks and central banks	-	237,519	-	237,519	-	38,403	-	38,403
- due to customers	-	19,579,424	-	19,579,424	-	10,609,685	-	10,609,685
- borrowings from other customers	-	77,369	-	77,369	-	474	-	474
- debt securities in issue	-	302,191	-	302,191	-	302,191	-	302,191
- subordinated liabilities	214,508	39,694	-	254,202	214,508	39,694	-	254,202
- other financial liabilities	-	270,091	-	270,091	-	149,852	-	149,852

in EUR thousands								
31 Dec 2021	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets measured at amortised cost								
- debt securities	1,434,411	303,647	7,167	1,745,225	1,358,293	102,892	-	1,461,185
- loans and advances to banks	-	140,843	-	140,843	-	204,743	-	204,743
- loans and advances to customers	-	10,751,051	-	10,751,051	-	5,235,839	-	5,235,839
- other financial assets	-	122,229	-	122,229	-	92,404	-	92,404
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	-	69,720	-	69,720	-	109,522	-	109,522
- borrowings from banks and central banks	-	849,834	-	849,834	-	863,970	-	863,970
- due to customers	-	17,658,686	-	17,658,686	-	9,664,607	-	9,664,607
- borrowings from other customers	-	73,744	-	73,744	-	406	-	406
- subordinated liabilities	245,700	46,430	-	292,130	245,700	46,430	-	292,130
- other financial liabilities	-	206,878	-	206,878	-	102,527	-	102,527



## 6. Analysis by segment for NLB Group

### a) Segments

NLB Group								in EUR thousands
Nine months ended 30 September 2022	Corporate and			Financial Markets in Slovenia	Non-Core Members	Other activities	Unallocated	Total
	Retail Banking in Slovenia	Investment Banking in Slovenia	Strategic Foreign Markets					
Total net income	148,108	77,711	304,907	28,871	2,598	6,360	-	568,555
Net income from external customers	163,430	87,255	306,419	(2,155)	2,410	6,317	-	563,676
Intersegment net income	(15,322)	(9,544)	(1,512)	31,026	188	43	-	4,879
Net interest income	70,706	36,948	213,200	30,832	216	1,175	-	353,077
Net interest income from external customers	90,427	48,104	217,088	(4,125)	377	1,206	-	353,077
Intersegment net interest income	(19,721)	(11,156)	(3,888)	34,957	(161)	(31)	-	-
Administrative expenses	(91,694)	(41,381)	(144,168)	(6,394)	(8,355)	(11,192)	-	(303,184)
Depreciation and amortisation	(8,180)	(3,374)	(21,199)	(459)	(352)	(731)	-	(34,295)
Reportable segment profit/(loss) before impairment and provision charge	48,234	32,956	139,540	22,018	(6,109)	(5,563)	-	231,076
Other net gains/(losses) from equity investments in subsidiaries, associates and joint ventures	1,146	-	-	-	-	-	-	1,146
Negative goodwill	-	-	-	-	-	172,810	-	172,810
Impairment and provisions charge	(10,777)	18,906	2,697	(367)	913	(9,032)	-	2,340
Profit/(loss) before income tax	38,603	51,862	142,237	21,651	(5,196)	158,215	-	407,372
Owners of the parent	38,603	51,862	133,713	21,651	(5,196)	158,215	-	398,848
Non-controlling interests	-	-	8,524	-	-	-	-	8,524
Income tax	-	-	-	-	-	-	(21,063)	(21,063)
<b>Profit for the year</b>								<b>377,785</b>
<b>30 Sep 2022</b>								
Reportable segment assets	3,619,785	3,395,028	9,838,106	6,206,631	74,113	352,251	-	23,485,914
Investments in associates and joint ventures	11,921	-	-	-	-	-	-	11,921
Reportable segment liabilities	8,812,304	2,798,481	8,357,251	970,818	3,963	157,998	-	21,100,815

NLB Group								
Nine months ended 30 September 2021	Corporate and			Financial Markets in Slovenia	Non-Core Members	Other activities	Unallocated	Total
	Retail Banking in Slovenia	Investment Banking in Slovenia	Strategic Foreign Markets					
Total net income	123,575	79,969	271,005	17,852	6,309	4,467	-	503,177
Net income from external customers	137,093	86,549	272,426	(6,804)	6,159	4,450	-	499,873
Intersegment net income	(13,518)	(6,580)	(1,421)	24,656	150	17	-	3,304
Net interest income	58,880	26,490	198,099	18,067	1,186	(397)	-	302,325
Net interest income from external customers	73,214	32,882	201,053	(5,916)	1,506	(414)	-	302,325
Intersegment net interest income	(14,334)	(6,392)	(2,954)	23,983	(320)	17	-	-
Administrative expenses	(74,156)	(29,073)	(140,686)	(5,368)	(7,318)	(8,397)	-	(264,998)
Depreciation and amortisation	(8,732)	(3,128)	(21,877)	(482)	(623)	(616)	-	(35,458)
Reportable segment profit/(loss) before impairment and provision charge	40,687	47,768	108,442	12,002	(1,632)	(4,546)	-	202,721
Other net gains/(losses) from equity investments in subsidiaries, associates and joint ventures	940	-	-	-	-	-	-	940
Impairment and provisions charge	(4,173)	23,069	1,656	373	2,493	1,827	-	25,245
Profit/(loss) before income tax	37,454	70,837	110,098	12,375	861	(2,719)	-	228,906
Owners of the parent	37,454	70,837	99,613	12,375	861	(2,719)	-	218,421
Non-controlling interests	-	-	10,485	-	-	-	-	10,485
Income tax	-	-	-	-	-	-	(12,902)	(12,902)
<b>Profit for the year</b>								<b>205,519</b>
<b>31 Dec 2021</b>								
Reportable segment assets	2,811,209	2,333,769	9,797,839	6,190,193	95,905	337,056	-	21,565,971
Investments in associates and joint ventures	11,525	-	-	-	-	-	-	11,525
Reportable segment liabilities	7,720,693	1,966,530	8,315,316	1,231,669	7,749	119,416	-	19,361,373

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

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

The core segments are the following:

- Retail Banking in Slovenia, which includes banking with individuals and micro companies (NLB and N Banka), asset management (NLB Skladi), and part of subsidiary NLB Lease&Go Ljubljana that includes operations with retail clients, as well as the contribution to the result of the associated company Bankart.
- Corporate and Investment Banking in Slovenia, which includes banking with Key Corporate Clients, SMEs, Cross-border corporate financing, Investment Banking and Custody, Restructuring and Workout in NLB and N Banka, and part of the subsidiary NLB Lease&Go Ljubljana that includes operations with corporate clients.
- Strategic Foreign Markets, which consist of the operations of strategic Group banks in the strategic markets (North Macedonia, Bosnia and Herzegovina, Kosovo, Montenegro, and Serbia), as well as investment company KomBank Invest, Beograd, NLB DigIT, Beograd, on which IT services from NLB Banka Beograd, were transferred this year and newly established leasing company NLB Liz&Go Skopje. Komercijalna banka, Banja Luka was sold outside the NLB Group on 9 December 2021; its operations are included in the result of the segment for the nine months of 2021.
- Financial Markets in Slovenia include treasury activities and trading in financial instruments, while they also present the results of asset and liabilities management (ALM) in both NLB and N Banka.
- Other accounts in NLB and N Banka for the categories whose operating results cannot be allocated to specific segments, including negative goodwill from acquisition of N Banka in March 2022 as well as subsidiaries NLB Cultural Heritage Management Institute and Privatinvest.

Non-Core Members include the operations of non-core NLB Group members, namely REAM and leasing entities (except NLB Lease&Go Ljubljana and NLB Liz&Go Skopje), NLB Srbija, and NLB Crna Gora. NLB Leasing Ljubljana was sold to the strategic company NLB Lease&Go Ljubljana within the NLB Group in 2021. Despite the change in ownership, its operations continue to be monitored within the segment of non-core members.

NLB Group is primarily a financial group, and net interest income represents the majority of its net revenues. NLB Group's main indicator of a segment's efficiency is net profit before tax.

No revenues were generated from transactions with a single external customer that would amount to 10% or more of NLB Group's revenues.

## b) Geographical information

NLB Group	in EUR thousands							
	Revenues		Net income		Non-current assets		Total assets	
	nine months ended		nine months ended		30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
September 2022	September 2021	September 2022	September 2021					
Slovenia	317,566	258,206	256,424	225,301	154,827	150,829	13,606,817	11,716,270
South East Europe	365,983	338,816	307,248	274,117	205,502	214,380	9,883,400	9,845,128
North Macedonia	69,099	64,792	56,774	51,487	35,713	37,384	1,739,657	1,758,269
Serbia	155,768	141,046	134,467	112,904	102,920	108,515	4,550,701	4,780,843
Montenegro	36,679	32,630	27,997	26,470	18,803	18,328	803,426	775,238
Croatia	36	4	441	213	378	383	3,643	4,025
Bosnia and Herzegovina	61,504	62,524	51,341	51,987	33,271	34,782	1,750,595	1,596,370
Kosovo	42,897	37,820	36,228	31,056	14,417	14,988	1,035,378	930,383
Western Europe	13	11	4	455	29	30	7,618	16,098
Germany	5	2	55	498	29	30	752	971
Switzerland	8	9	(51)	(43)	-	-	6,866	15,127
<b>Total</b>	<b>683,562</b>	<b>597,033</b>	<b>563,676</b>	<b>499,873</b>	<b>360,358</b>	<b>365,239</b>	<b>23,497,835</b>	<b>21,577,496</b>

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

## 7. Related-party transactions

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

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

in EUR thousands									
NLB Group	Management Board and other key management personnel		Family members of the Management Board and other key management personnel		Companies in which members of the Management Board, key management personnel, or their family members have control, joint control or a significant influence		Supervisory Board		
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021	
Loans and deposits issued	2,209	2,097	517	415	429	532	22	60	
Deposits received	2,652	2,170	929	718	1,223	590	458	505	
Other financial assets	1	-	-	-	-	-	-	-	
Other financial liabilities	-	3	-	1	14	14	-	-	
Other financial liabilities measured at fair value through profit or loss (note 2.2.)	825	-	-	-	-	-	-	-	
Other operating liabilities	6,560	2,265	-	-	-	-	-	-	
Guarantees issued and loan commitments	246	215	76	72	44	194	15	23	
<b>NLB</b>	<b>30 Sep 2022</b>	<b>31 Dec 2021</b>	<b>30 Sep 2022</b>	<b>31 Dec 2021</b>	<b>30 Sep 2022</b>	<b>31 Dec 2021</b>	<b>30 Sep 2022</b>	<b>31 Dec 2021</b>	
Loans and deposits issued	2,209	2,097	517	415	429	532	22	60	
Deposits received	2,630	2,170	929	718	1,223	590	458	505	
Other financial assets	-	3	-	-	14	14	-	-	
Other financial liabilities measured at fair value through profit or loss (note 2.2.)	747	-	-	-	-	-	-	-	
Other operating liabilities	6,540	2,265	-	-	-	-	-	-	
Guarantees issued and loan commitments	232	215	76	72	44	194	15	23	
nine months ended									
NLB Group	September 2022		September 2021		September 2022		September 2021		
	September 2022	September 2021	September 2022	September 2021	September 2022	September 2021	September 2022	September 2021	
Interest income	29	29	7	6	6	-	-	1	
Interest expenses	(5)	(2)	-	-	-	-	(1)	(1)	
Fee income	16	10	6	5	77	55	1	1	
Other income	11	7	-	-	-	-	-	-	
Other expenses	-	-	-	-	(354)	(54)	-	-	
<b>NLB</b>	<b>September 2022</b>	<b>September 2021</b>	<b>September 2022</b>	<b>September 2021</b>	<b>September 2022</b>	<b>September 2021</b>	<b>September 2022</b>	<b>September 2021</b>	
Interest income	29	29	7	6	6	-	-	1	
Interest expenses	(5)	(2)	-	-	-	-	(1)	(1)	
Fee income	15	10	6	5	77	55	1	1	
Other income	11	7	-	-	-	-	-	-	
Other expenses	-	-	-	-	(354)	(54)	-	-	

### Key management compensation – payments in the period

in EUR thousands					
NLB Group and NLB	Management Board		Other key management personnel		
	nine months ended		nine months ended		
	September 2022	September 2021	September 2022	September 2021	
Short-term benefits	1,545	1,211	4,569	4,009	
Cost refunds	4	3	68	59	
Long-term bonuses	-	385	-	5	
- severance pay	-	4	58	52	
- other benefits	276	462	1,425	2,829	
- variable part of payments	-	-	-	-	
<b>Total</b>	<b>1,830</b>	<b>2,065</b>	<b>6,120</b>	<b>6,954</b>	

Short-term benefits include:

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

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

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

in EUR thousands				
NLB Group				
	Associates		Joint ventures	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
Loans and deposits issued	1,065	1,011	201	201
Deposits received	7,407	7,967	3,042	3,492
Other financial assets	3	20	-	-
Other financial liabilities	141	1,148	1	1
Guarantees issued and loan commitments	2,033	2,032	-	-
	<b>nine months ended</b>		<b>nine months ended</b>	
	<b>September</b>	<b>September</b>	<b>September</b>	<b>September</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Interest income	27	31	2	3
Interest expenses	-	-	(35)	(46)
Fee income	66	21	-	1
Fee expenses	(11,000)	(9,322)	-	-
Other income	82	122	2	1
Other expenses	(435)	(478)	-	-

in EUR thousands						
NLB						
	Subsidiaries		Associates		Joint ventures	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
Loans and deposits issued	480,144	334,251	990	1,011	201	201
Loans and deposits received	200,615	112,856	7,407	7,967	19	27
Other financial assets	1,565	25,491	3	20	-	-
Other financial liabilities	2,272	1,860	32	1,001	-	-
Guarantees issued and loan commitments	75,025	34,016	2,033	2,032	-	-
Received loan commitments and financial guarantees	10,550	14,541	-	-	-	-
	<b>nine months ended</b>		<b>nine months ended</b>		<b>nine months ended</b>	
	<b>September</b>	<b>September</b>	<b>September</b>	<b>September</b>	<b>September</b>	<b>September</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Interest income	5,950	3,593	27	31	2	3
Interest expenses	(64)	(2)	-	-	-	-
Fee income	7,998	6,998	66	21	-	1
Fee expenses	(279)	(13)	(8,188)	(7,274)	-	-
Other income	932	697	82	122	1	1
Other expenses	(4,826)	(913)	(424)	(465)	-	-
Gains less losses from financial assets and liabilities held for trading	(7,245)	(232)	-	-	-	-
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	(1,913)	(637)	-	-	-	-

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

	in EUR thousands			
	NLB Group		NLB	
	Shareholder		Shareholder	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
Loans and deposits issued	18,935	20,534	18,935	20,534
Investments in securities	636,215	534,522	498,753	483,656
Other financial assets	677	659	677	659
Other financial liabilities	5	4	5	4
Guarantees issued and loan commitments	1,198	1,184	1,198	1,184
	nine months ended		nine months ended	
	September 2022	September 2021	September 2022	September 2021
Interest income	4,773	5,601	4,998	5,502
Interest expenses	-	(698)	-	(618)
Fee income	329	265	329	265
Fee expenses	(18)	(17)	(18)	(17)
Other income	183	142	183	142
Other expenses	(2)	(3)	(2)	(3)
Gains less losses from financial assets and liabilities held for trading	(65)	(153)	(65)	(153)

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

	in EUR thousands			
	Amount of significant transactions concluded during the period		Number of significant transactions concluded during the period	
	nine months ended	12 months ended	nine months ended	12 months ended
	September 2022	December 2021	September 2022	December 2021
<b>NLB Group and NLB</b>				
Guarantees issued and loan commitments	68,000	70,000	1	1

	in EUR thousands			
	Balance of all significant transactions at end of the period		Number of significant transactions at end of the period	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
	September 2022	September 2021	September 2022	September 2021
<b>NLB Group and NLB</b>				
Loans	482,190	507,159	8	7
Debt securities measured at amortised cost	65,132	72,633	1	1
Borrowings, deposits and business accounts	148,020	184,267	4	3
Guarantees issued and loan commitments	152,500	152,500	2	2

	in EUR thousands	
	Effects in the income statement during the period	
	nine months ended	
	September 2022	September 2021
<b>NLB Group and NLB</b>		
Interest income from loans	3,033	2,115
Fees and commissions income	355	241
Interest income from debt securities measured at amortised cost and net valuation effects from hedge accounting	(4,721)	(547)
Interest expenses from borrowings, deposits, and business accounts	(99)	(159)

## 8. Subsidiaries

NLB Group's subsidiaries as at 30 September 2022:

	Nature of Business	Country of Incorporation	NLB's shareholding %	NLB's voting rights %	NLB Group's shareholding %	NLB Group's 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	75.90	75.90	99.87	99.87
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	82.38	82.38	82.38	82.38
NLB Banka d.d., Sarajevo	Banking	Bosnia and Herzegovina	97.34	97.35	97.34	97.35
NLB Komercijalna banka a.d. Beograd	Banking	Serbia	100	100	100	100
KomBank Invest a.d. Beograd	Finance	Serbia	-	-	100	100
N Banka d.d., Ljubljana	Banking	Slovenia	100	100	100	100
Privatinvest d.o.o., Ljubljana	Real estate	Slovenia	-	-	100	100
NLB Skladi d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Lease&Go, leasing d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Liz&Go, d.o.o. Skopje**	Finance	North Macedonia	-	-	100	100
NLB Zavod za upravljanje kulturne dediščine, Ljubljana	Cultural heritage management	Slovenia	100	100	100	100
NLB DigIT d.o.o., Beograd	IT services	Serbia	100	100	100	100
<b>Non-core members</b>						
NLB Leasing d.o.o. - v likvidaciji, Ljubljana*	Finance	Slovenia	-	-	100	100
Optima Leasing d.o.o., Zagreb - "u likvidaciji"	Finance	Croatia	-	-	100	100
NLB Leasing d.o.o., Beograd - u likvidaciji	Finance	Serbia	100	100	100	100
Tara Hotel d.o.o., Budva	Real estate	Montenegro	12.71	12.71	100	100
PRO-REM d.o.o., Ljubljana - v likvidaciji	Real estate	Slovenia	100	100	100	100
OL Nekretnine d.o.o., Zagreb - u likvidaciji	Real estate	Croatia	-	-	100	100
REAM d.o.o., Podgorica	Real estate	Montenegro	100	100	100	100
REAM d.o.o., Beograd - Novi Beograd	Real estate	Serbia	100	100	100	100
SPV 2 d.o.o., Beograd - Novi Beograd	Real estate	Serbia	100	100	100	100
S-REAM d.o.o., Ljubljana	Real estate	Slovenia	100	100	100	100
REAM d.o.o., Zagreb	Real estate	Croatia	-	-	100	100
NLB Srbija d.o.o., Beograd	Real estate	Serbia	100	100	100	100
NLB Crna Gora d.o.o., Podgorica	Finance	Montenegro	100	100	100	100
NLB InterFinanz AG, Zürich in Liquidation	Finance	Switzerland	100	100	100	100
NLB InterFinanz d.o.o., Beograd	Finance	Serbia	-	-	100	100
LHB AG, Frankfurt	Finance	Germany	100	100	100	100

\*100% ownership of NLB Lease&Go, leasing, d.o.o., Ljubljana.

\*\*51% ownership of NLB Lease&Go, leasing, d.o.o., Ljubljana and 49% ownership of NLB Banka a.d., Skopje.

NLB Group's subsidiaries as at 31 December 2021:

	Nature of Business	Country of Incorporation	NLB's shareholding %	NLB's voting rights %	NLB Group's shareholding %	NLB Group's 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	75.90	75.90	99.87	99.87
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	82.38	82.83	82.83	82.83
NLB Banka d.d., Sarajevo	Banking	Bosnia and Herzegovina	97.34	97.35	97.34	97.35
NLB Banka a.d., Beograd	Banking	Serbia	100	100	100	100
Komercijalna banka a.d. Beograd	Banking	Serbia	86.70	88.28	86.70	88.28
KomBank Invest a.d. Beograd	Finance	Serbia	-	-	100	100
NLB Skladi d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Lease&Go, leasing d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Zavod za upravljanje kulturne dediščine, Ljubljana	Cultural heritage management	Slovenia	100	100	100	100
<b>Non-core members</b>						
NLB Leasing d.o.o., Ljubljana - v likvidaciji*	Finance	Slovenia	-	-	100	100
Optima Leasing d.o.o., Zagreb - "u likvidaciji"	Finance	Croatia	-	-	100	100
NLB Leasing d.o.o., Beograd - u likvidaciji	Finance	Serbia	100	100	100	100
Tara Hotel d.o.o., Budva	Real estate	Montenegro	12.71	12.71	100	100
PRO-REM d.o.o., Ljubljana - v likvidaciji	Real estate	Slovenia	100	100	100	100
OL Nekretnine d.o.o., Zagreb - u likvidaciji	Real estate	Croatia	-	-	100	100
REAM d.o.o., Podgorica	Real estate	Montenegro	100	100	100	100
REAM d.o.o., Beograd - Novi Beograd	Real estate	Serbia	100	100	100	100
SPV 2 d.o.o., Beograd - Novi Beograd	Real estate	Serbia	100	100	100	100
S-REAM d.o.o., Ljubljana	Real estate	Slovenia	100	100	100	100
REAM d.o.o., Zagreb	Real estate	Croatia	-	-	100	100
NLB Srbija d.o.o., Beograd	Real estate	Serbia	100	100	100	100
NLB Crna Gora d.o.o., Podgorica	Finance	Montenegro	100	100	100	100
NLB InterFinanz AG, Zürich in Liquidation	Finance	Switzerland	100	100	100	100
NLB InterFinanz d.o.o., Beograd	Finance	Serbia	-	-	100	100
LHB AG, Frankfurt	Finance	Germany	100	100	100	100

\*100% ownership of NLB Lease&Go, leasing, d.o.o., Ljubljana.

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

No events took place after 30 September 2022 that would have had a materially significant influence on the presented condensed interim financial statements.

# Glossary of Terms and Definitions

<b>AC</b>	Amortised Cost
<b>ALCO</b>	Asset-Liability Committee
<b>ALM</b>	Asset and Liability Management
<b>API</b>	Alternative Performance Indicators
<b>AT1</b>	Additional Tier 1 capital
<b>BiH</b>	Bosnia and Herzegovina
<b>BoS</b>	Bank of Slovenia
<b>bps</b>	Basis Points
<b>CB</b>	Central Bank
<b>CBR</b>	Combined Buffer Requirement
<b>CEO</b>	Chief Executive Officer
<b>CET1</b>	Common Equity Tier 1
<b>CIR</b>	Cost-to-Income Ratio
<b>CoR</b>	Cost of Risk
<b>CRR</b>	Capital Requirement Regulation
<b>CSD</b>	Central Security Depository
<b>CVA</b>	Credit Value Adjustment
<b>EBA</b>	European Banking Authority
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>ECB</b>	European Central Bank
<b>ECL</b>	Expected Credit Losses
<b>EEA</b>	European Economic Area
<b>ESG</b>	Environmental, Social and Governance
<b>EVE</b>	Economic Value of Equity
<b>FTP</b>	Fund Transfer Price
<b>FVOCI</b>	Fair Value Through Other Comprehensive Income
<b>FVTPL</b>	Fair Value Through Profit or Loss
<b>FX</b>	Foreign Exchange
<b>GDP</b>	Gross Domestic Product
<b>GDR</b>	Global Depositary Receipts
<b>IAS</b>	International Accounting Standard
<b>ICAAP</b>	Internal Capital Adequacy Assessment Process
<b>IFRS</b>	International Financial Reporting Standard
<b>ILAAP</b>	Internal Liquidity Adequacy Assessment Process
<b>JV</b>	Joint Venture
<b>LCR</b>	Liquidity Coverage Ratio
<b>LRE</b>	Leverage Ratio Exposure
<b>LTD</b>	Loan-to-Deposit Ratio
<b>M&amp;A</b>	Mergers and Acquisitions
<b>MDA</b>	Maximum Distributable Amount
<b>MIGA</b>	Multilateral Investment Guarantee Agency
<b>MREL</b>	Minimum Requirement for Own Funds and Eligible Liabilities



<b>MS</b>	Mid-Swap Rate
<b>NLB or the Bank</b>	NLB d.d., Ljubljana
<b>NPE</b>	Non-Performing Exposures
<b>NPL</b>	Non-Performing Loans
<b>OBM</b>	Operational Business Margin
<b>OEM</b>	Original Exposure Method
<b>OCI</b>	Other Comprehensive Income
<b>OCR</b>	Overall Capital Requirement
<b>O-SII</b>	Other Systemically Important Institution
<b>P1R</b>	Pillar 1 Requirements
<b>P2G</b>	Pillar 2 Guidance
<b>P2R</b>	Pillar 2 Requirements
<b>PMI</b>	Purchasing Managers' Index
<b>p.p.</b>	Percentage point(s)
<b>P&amp;L</b>	Profit and Loss
<b>ROA</b>	Return on Assets
<b>ROE</b>	Return on Equity
<b>RoS</b>	Republic of Slovenia
<b>RWA</b>	Risk Weighted Assets
<b>SEE</b>	South-Eastern Europe
<b>SEE banking members</b>	NLB Group members in the following countries: Serbia, North Macedonia, Bosnia and Herzegovina, Kosovo, and Montenegro
<b>SME</b>	Small and Medium-sized Enterprises
<b>SPPI</b>	Solely Payments of Principal and Interest
<b>SRB</b>	Single Resolution Board
<b>SREP</b>	Supervisory Review and Evaluation Process
<b>The Group</b>	NLB Group
<b>TCR</b>	Total Capital Ratio
<b>TLTRO-III</b>	Targeted Longer-Term Refinancing Operations
<b>TREA</b>	Total Risk Exposure Amount
<b>TSCR</b>	Total SREP Capital Requirement
<b>UCITS</b>	Undertakings for Collective Investment in Transferable Securities
<b>UNEP</b>	UN Environment Programme