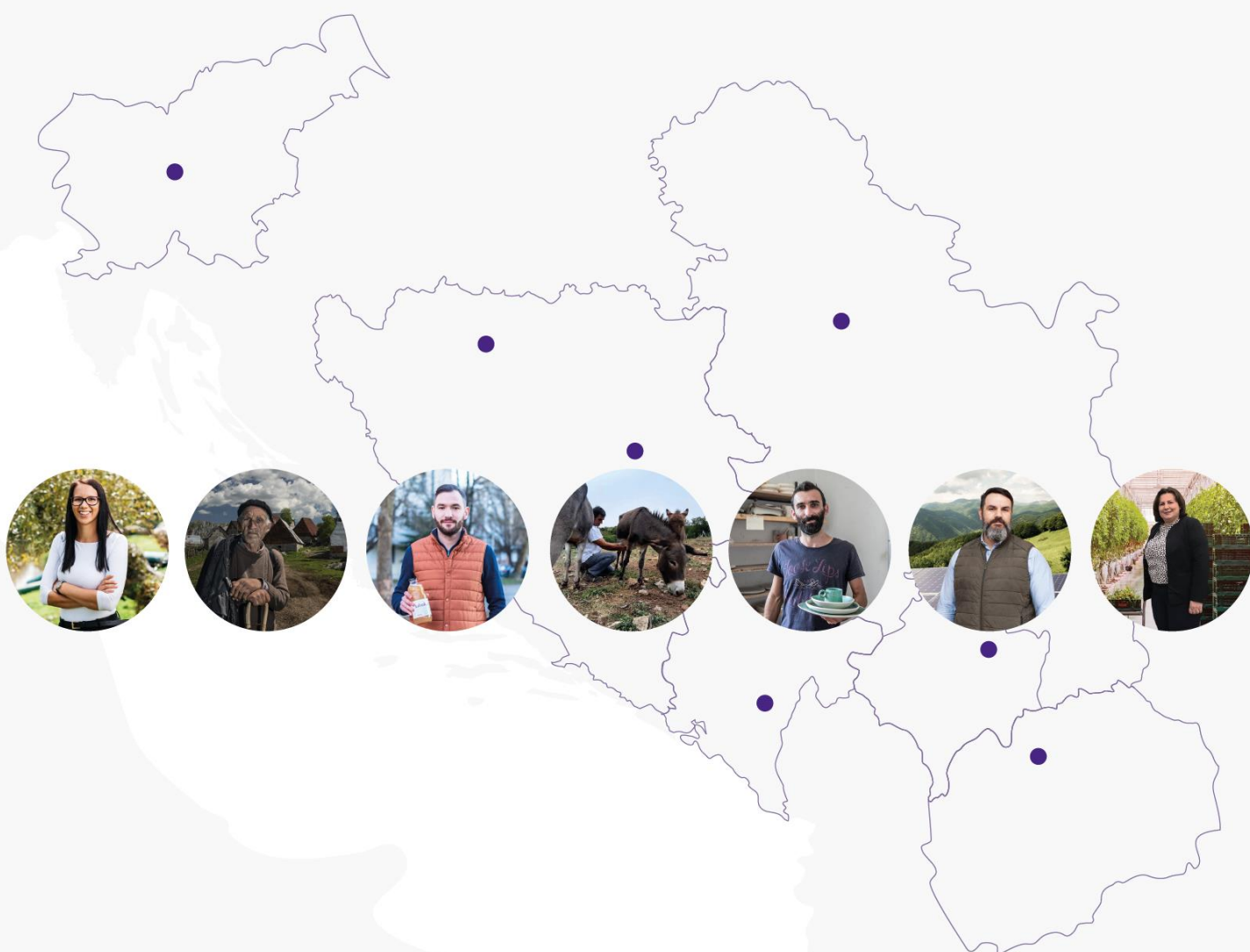


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H1 2021 | Interim Report



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NLB, Ljubljana

Slovenia

NLB Banka,
Banja Luka

Komerčijalna
Banka, Banja Luka

Bosnia and Herzegovina

NLB Banka,
Sarajevo

NLB Banka,
Beograd

Komerčijalna
Banka, Beograd

Serbia

Montenegro

NLB Banka,
Podgorica

Komerčijalna
Banka, Podgorica

NLB Banka,
Prishtina

Kosovo

NLB Banka,
Skopje

North Macedonia

NLB Group Strategic Members Overview

	Slovenia			North Macedonia	Bosnia and Herzegovina			Kosovo	Montenegro		Serbia		
NLB Group	NLB, Ljubljana	NLB Lease&Go, Ljubljana	NLB Skladi, Ljubljana	NLB Banka, Skopje	NLB Banka, Banja Luka	NLB Banka, Sarajevo	Komercijalna Banka, Banja Luka	NLB Banka, Prishtina	NLB Banka, Podgorica	Komercijalna Banka, Podgorica	NLB Banka, Beograd	Komercijalna Banka, Beograd	
Market position													
Branches	293 ⁽ⁱ⁾	79	-	-	50	47	36	19	34	19	10	28	200
Active clients	1,856,339 ⁽ⁱ⁾	669,524	-	-	409,856	217,046	128,696	47,260	217,605	67,742	27,700	145,870	1,031,567
Total assets (in EUR million)	21,187	12,331	65	1,921 ⁽ⁱⁱ⁾	1,656	886	657	272	917	556	155	717	4,089
Profit after tax (in EUR million)	139.8	77.1	-0.7	3.9	22.5	9.9	4.4	0.1	12.4	6.9	-1.0	4.2	11.9
Market share (by total assets)		25.9%		36.4%	16.7% ^(iv)	19.1% ^(iii, v)	5.1% ^(iv, v)	5.5% ^(iii, v)	17.3%	11.7% ^(vi)	3.2%	1.7% ^(v)	10.0% ^(vi)

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

⁽ⁱⁱ⁾ Assets under management.

⁽ⁱⁱⁱ⁾ Market share in the Republic of Srpska.

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

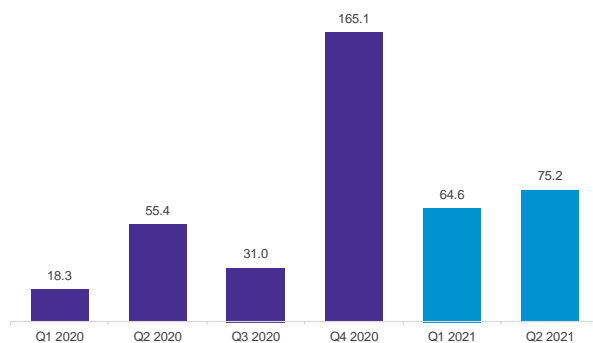
^(v) Data on market share as of 31 March 2021.

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

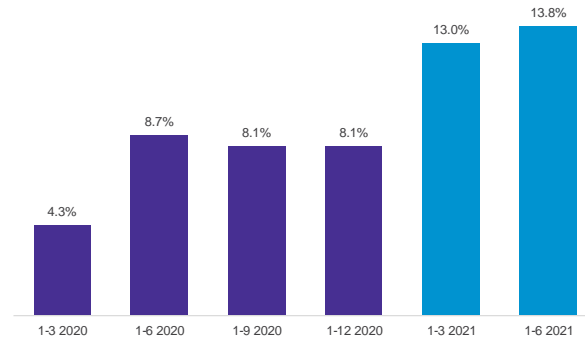
^(vii) Preliminary data.

Figures at a Glance

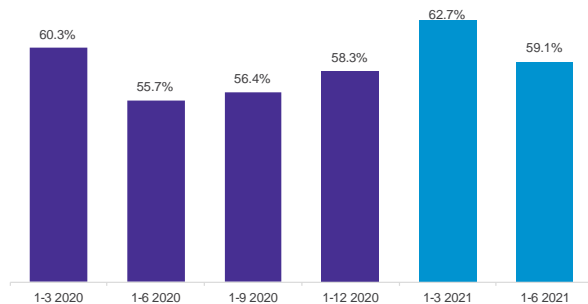
Profit a.t. - quarterly (in EUR million)



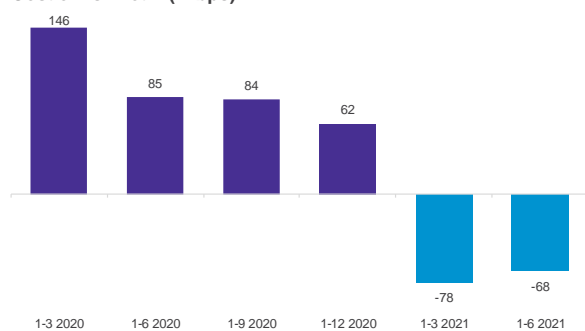
ROE a.t. ⁽¹⁾ (in %)



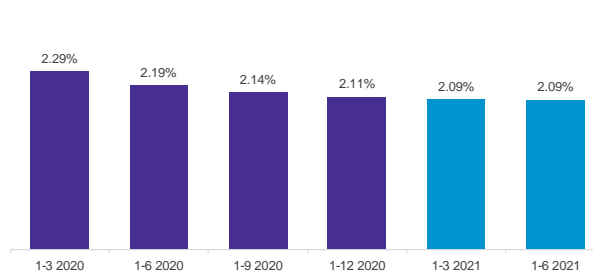
Cost to income ratio - CIR (in %)



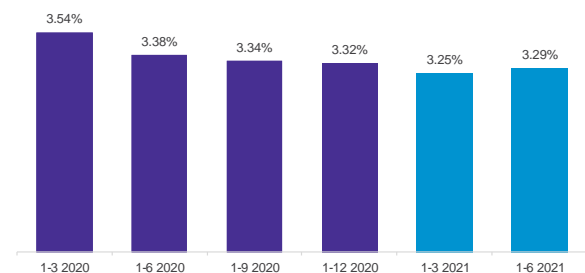
Cost of risk net ⁽¹⁾ (in bps)



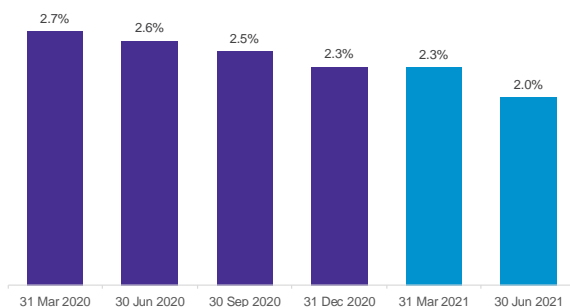
Net interest margin ⁽¹⁾ (in %)



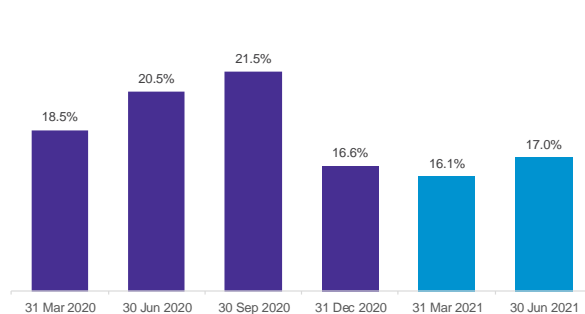
Operational business margin ⁽¹⁾ (in %)



NPE ratio - EBA def. (in %)



Total capital ratio (in %)



⁽¹⁾ Komercijalna Banka group included from 2021 on.

Key Financial Indicators¹

Table 1: Key Financial Indicators of NLB Group

NLB Group						
in EUR million / % / bps	1-6 2021	1-6 2020	Change YoY	Q2 2021	Q1 2021	Q2 2020
Key Income Statement Data						
Net operating income	333.9	260.0	28%	179.9	154.0	136.2
Net interest income	198.6	150.1	32%	101.1	97.5	72.7
Net non-interest income	135.3	109.9	23%	78.7	56.5	63.5
Total costs	-197.3	-144.8	-36%	-100.7	-96.6	-70.2
Result before impairments and provisions	136.6	115.2	19%	79.1	57.5	66.0
Impairments and provisions	19.0	-33.2	-	3.5	15.5	-4.9
Negative goodwill	0.0	0.0	-	0.0	0.0	0.0
Result after tax	139.8	73.7	90%	75.2	64.6	55.4
Key Financial Indicators						
Return on equity after tax (ROE a.t.)	13.8%	8.7%	5.2 p.p.			
Return on assets after tax (ROA a.t.)	1.4%	1.0%	0.4 p.p.			
Net interest margin (on interest bearing assets)	2.09%	2.19%	-0.10 p.p.			
Net interest margin (on total assets - BoS ratio)	2.00%	2.10%	-0.10 p.p.			
Operational business margin ⁽ⁱ⁾	3.29%	3.38%	-0.09 p.p.			
Cost to income ratio (CIR)	59.1%	55.7%	3.4 p.p.			
Cost of risk net (bps) ⁽ⁱⁱ⁾	-68	85	-153			

in EUR million / %	30 Jun 2021	31 Dec 2020	30 Jun 2020	Change YtD	Change YoY
Key Financial Position Statement Data					
Total assets	21,187.3	19,565.9	14,891.9	8%	42%
Gross loans to customers	10,421.8	10,033.3	8,048.9	4%	29%
Net loans to customers	10,071.4	9,644.9	7,686.7	4%	31%
Deposits from customers	17,143.0	16,397.2	12,190.8	5%	41%
Equity (without non-controlling interests)	2,091.4	1,952.8	1,730.6	7%	21%
Other Key Financial Indicators					
LTD ⁽ⁱⁱⁱ⁾	58.7%	58.8%	63.1%	-0.1 p.p.	-4.3 p.p.
Common Equity Tier 1 Ratio	14.7%	14.1%	17.3%	0.6 p.p.	-2.6 p.p.
Total capital ratio	17.0%	16.6%	20.5%	0.4 p.p.	-3.4 p.p.
Total risk weighted assets	12,755.6	12,421.0	9,301.7	3%	37%
NPL volume ^(iv)	427.9	474.7	401.3	-7%	7%
NPL coverage ratio 1 ^(v)	81.9%	81.8%	90.2%	0.1 p.p.	-8.3 p.p.
NPL coverage ratio 2 ^(vi)	59.9%	57.3%	62.6%	2.6 p.p.	-2.7 p.p.
NPL ratio (internal def.) ^(vii)	2.9%	3.5%	3.7%	-0.6 p.p.	-0.8 p.p.
Net NPL ratio (internal def.) ^(viii)	1.2%	1.5%	1.4%	-0.3 p.p.	-0.2 p.p.
NPL ratio (EBA def.) ^(ix)	4.0%	4.5%	4.8%	-0.5 p.p.	-0.8 p.p.
NPE ratio (EBA def.) ^(x)	2.0%	2.3%	2.6%	-0.3 p.p.	-0.6 p.p.
Employees					
Number of employees	8,455	8,792	5,816	-337	2,639

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

⁽ⁱⁱ⁾ Cost of risk = credit impairments and provisions (annualized level) / average net loans to customers.

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

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

^(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 Finrep18 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	31 Mar 2021	30 Jun 2021	Outlook
Standard & Poor's	BBB-	BBB-	Negative
Moody's ⁽ⁱ⁾	Baa1	Baa1	Stable

⁽ⁱ⁾ Unsolicited rating.

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

Macroeconomic Environment

Macroeconomic summary and outlook

GDP in the Euro area contracted by 1.3% YoY in Q1 2021 with private consumption being the main drag on growth. In Q2 2021, the swift recovery started and picked up pace at the end of the quarter, mainly due to improving health situation and easing of containment measures. A strong GDP growth of 13.7% YoY in Q2 2021 confirms that the economic rebound is underway. Private sector economy activity expanded with manufacturing sector being supported by soaring new orders and a sharp expansion in production. Rising vaccination rates and reopening of economies underpinned the pick-up in activity in services sector. However, supply chain problems continue to weigh on the industrial sector, but prospects remain bright as incoming demand is strong. Inflationary cost pressures continue to build in both manufacturing and services with input costs and output prices rising at faster rates. Headline inflation increased in Q2 2021, peaking at 2% in May. With energy inflation coming off its peak in June, headline inflation ticked down to 1.9%, though. In coming months, inflation is set to remain on higher levels with goods and services inflation trending higher due to different reopening and base effects. Thus far, inflation has still been largely seen as being driven by transitory factors. The unemployment rate ticked down in the past months, but a substantial part of employment was still covered by job retention schemes. The latter plays an important part for kick-starting the recovery by preserving stable incomes, enabling accelerated private consumption as spending opportunities become available again with gradual lifting of restrictions. Consumer confidence improved significantly, indicating little consumer restraint upon the reopening of economies. Moreover, economic sentiment being close to record levels further suggests that a rebound in consumption is underway and it is set to strengthen in the coming months. The latter should be reflected in fast GDP growth over the summer. On the monetary policy front, the ECB published the outcome of the long-awaited strategy review. The two key elements are changes to its inflation framework and a climate action plan. The ECB continued to maintain accommodative monetary policy stance with asset purchases to be conducted at a significantly higher pace in Q3 2021, following a pick-up in Q2 2021. Meanwhile, the outcome of the Fed's June meeting was more hawkish than expected, signalling two rate hikes in 2023 and explicitly saying that the asset purchases tapering is discussed.

In the Euro area, GDP is expected to grow 4.5% this year. Its growth should be driven by a rise in consumer and capital spending while reviving external demand supports exports. An expansionary monetary and fiscal policy as well as the disbursement of EU recovery funds should back the growth. Inflationary pressures are expected this year due to rising energy and commodity prices, production bottlenecks and input shortages, capacity constraints and supply-demand imbalances. Inflation could turn out higher in case stated inflationary pressures drivers are more persistent and their outcome is to a larger extent passed through to consumers. In Slovenia, GDP is expected to grow by 5.0% with consumption, investment and foreign demand being the drivers. The Group's region is seen growing 4.9% on average this year with revival in domestic and foreign demand as main drivers. The uncertain evolution of the pandemic, notably the spread and emergence of new virus variants, poses main downside risks.

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

	GDP (annual growth rate in %)				Average inflation (in %, aop)				Unemployment rate (in %, aop)			
	2020	Q1 2021	2021	2022	2020	H1 2021	2021	2022	2020	Q1 2021	2021	2022
Euro area	-6.6	13.7 ⁽ⁱ⁾	4.6	4.5	0.3	1.4	2.0	1.5	8.0	8.2	8.0	7.9
Slovenia	-5.5	1.6	5.0	4.5	-0.3	0.7	1.4	1.7	5.0	5.6	5.0	4.8
BiH	-4.5	1.5	3.2	3.9	-1.0	0.1	1.0	1.0	33.8	33.7	33.0	32.0
Montenegro	-15.2	-6.4	7.0	5.6	-0.3	1.2	1.5	1.6	17.9	21.2 ⁽ⁱⁱ⁾	18.0	17.0
N. Macedonia	-4.5	-1.9	4.0	4.0	1.2	2.4	2.5	2.2	16.4	16.0	16.1	15.6
Serbia	-1.0	1.7	5.6	4.5	1.6	2.3	2.5	2.5	9.0	12.8	10.5	9.5
Kosovo	-2.1	5.6	4.5	5.0	0.2	1.3	1.5	1.7	26.0	27.0 ⁽ⁱⁱ⁾	25.5	25.0

Source: Statistical offices, NLB ALM.

Note: Registered unemployment data used for BiH; NLB forecasts highlighted in green; ⁽ⁱ⁾Data for Q2 2021; ⁽ⁱⁱ⁾Data for Q4 2020; aop - average of period.

Business Report

Key Highlights

Financial Performance

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

- **Profit a.t.** amounted to EUR 139.8 million with visible contribution from Komercijalna Banka group.
- Strong **loan growth** to individuals of 6% YtD with record high new production of housing loans and solid 2% YtD loan growth to corporate and state.
- Strong **growth of net fee and commission income** (40% YoY and 15% YoY without Komercijalna Banka group contribution).
- EUR 136.7 million of **net inflows in NLB Skladi** (YoY doubled production).
- **Non-recurring valuation income** in the amount of EUR 14.7 million from repayment of exposure, classified as non-performing, and EUR 9.0 million of other operation income from the settlement of legal dispute.
- Positive impact of the release of **impairments and provisions for credit risk** (EUR 30.7 million in H1), mostly due to successful repayment of exposures, changes in the credit ratings and changed parameters related to **more favourable macroeconomic forecasts**.

Business Overview

Leading player in SEE

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

Asset Quality

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

- **Large share of retail in the credit portfolio structure** – positively contributing to the diversification and credit portfolio quality.
- Proactive workout approaches and favourable macroeconomic predictions compared to 2020 contributed to the negative **cost of risk** (-68 bps).
- Stable **NPE** (EBA def.) of 2.0% with comfortable coverage ratio of 59.9%.
- **Precautionary measures** to minimise potential future losses.

Capital & Liquidity

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

- **Capital position** above regulatory requirements (TCR of 17.0%, 0.4 p.p. higher YtD); inclusion of negative goodwill recognised at acquisition of Komercijalna Banka, Beograd as of 30 June 2021. Further RWA optimization measures underway.
- In June the Bank paid out the first instalment of dividends envisaged for 2021 in the amount of EUR 12 million. The second instalment of **dividend payout** is envisaged in October 2021 if not contrary to regulation, with an ambition to distribute EUR 92.2 million in total in 2021.
- **Liquidity position** of the Group remains very strong and was additionally **strengthened with EUR 750 million participation in TLTRO-III**. Strong deposit base demonstrating client confidence in the Group.

Response to the COVID-19 Pandemic

Proactive response to clients

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

Strategy & Outlook

Committed to pursue the strategic objectives

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

Key Events

In January 2021, the Workers' Council of NLB elected Tadeja Žbontar Rems as a member of the Supervisory Board of the Bank - representative of workers.

In January 2021, the international independent the Top Employers Institute awarded the Bank the prestigious 'Top Employer' certificate for the 6th consecutive year.

From 1 April 2021, the Bank has been charging a monthly fee of 0.04% for average monthly balances of customers' assets over EUR 250,000 – the sum of balances on NLB Personal Accounts and Packages, NLB Savings Accounts, NLB Gradual Savings and NLB Term Deposits will be taken into account (in savings accounts, gradual savings and term deposits opened or concluded after 27 July 2020 will be considered).²

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

Petr Brunclík, a member of the Management Board and COO has agreed with the Supervisory Board on the termination of his office due to personal reasons taking effect on 30 June 2021. As of 22 April 2021, his responsibilities have been taken over by other members of the Management Board.

On 14 May, NLB disclosed information regarding discussions with MIGA for obtaining a guarantee to optimize its capital on the consolidated basis in relation to Komercijalna Banka, Beograd. The transaction which is scheduled to be concluded later this year could reduce the risk weighted assets of NLB at the consolidated level by up to EUR 252.13 million.

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

On 23 June, NLB disclosed information regarding discussions with MIGA for obtaining additional guarantees to optimize its capital on the consolidated basis in relation to five of NLB Group banking members (NLB Banka, Banja Luka, NLB Banka, Sarajevo, NLB Banka, Podgorica, NLB Banka, Prishtina and NLB Banka, Skopje). The transactions which are scheduled to be carried out later this year could reduce the risk weighted assets of NLB on the consolidated level by up to EUR 108 million.

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

² Further information is available under the section Events after 30 June 2021.

NLB Shareholders Structure

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

Table 3: NLB's main shareholders as of 30 June 2021³

Shareholder	Number of shares	Percentage of shares
Bank of New York Mellon on behalf of the GDR holders ⁽ⁱ⁾	11,421,915	57.11
• of which Brandes Investment Partners, L.P. ⁽ⁱⁱ⁾	n.a.	>5 and <10
• of which European Bank for Reconstruction and Development (EBRD) ⁽ⁱⁱ⁾	n.a.	>5 and <10
• of which Schroders plc ⁽ⁱⁱ⁾	n.a.	>5 and <10
Republic of Slovenia (RoS)	5,000,001	25.00
Other shareholders	3,578,084	17.32
Total	20,000,000	100.00

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

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

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

Financial Performance⁴

Table 4: Income statement of NLB Group

NLB Group										
in EUR million	1-6 2021	1-6 2020	Change YoY			Q2 2021	Q1 2021	Q2 2020	Change QoQ	
					o/w KB contribution					
Net interest income	198.6	150.1	48.6	48.9	32%	101.1	97.5	72.7	3.6	4%
Net fee and commission income	114.1	81.5	32.6	20.8	40%	59.9	54.1	39.0	5.8	11%
Dividend income	0.1	0.1	0.0	0.0	-39%	0.0	0.0	0.1	0.0	-
Net income from financial transactions	26.0	24.3	1.8	3.5	7%	20.8	5.3	20.5	15.5	-
Net other income	-4.9	4.1	-9.0	-6.3	-	-2.0	-2.8	3.9	0.8	28%
Net non-interest income	135.3	109.9	25.3	18.0	23%	78.7	56.5	63.5	22.2	39%
Total net operating income	333.9	260.0	73.9	66.9	28%	179.9	154.0	136.2	25.8	17%
Employee costs	-111.7	-82.7	-28.9	-26.4	-35%	-56.5	-55.1	-39.8	-1.4	-2%
Other general and administrative expenses	-62.4	-46.2	-16.3	-16.6	-35%	-32.6	-29.8	-22.5	-2.8	-10%
Depreciation and amortisation	-23.2	-15.9	-7.3	-6.7	-46%	-11.6	-11.6	-7.9	0.0	0%
Total costs	-197.3	-144.8	-52.5	-49.8	-36%	-100.7	-96.6	-70.2	-4.2	-4%
Result before impairments and provisions	136.6	115.2	21.4	17.1	19%	79.1	57.5	66.0	21.7	38%
Impairments and provisions for credit risk	30.7	-32.8	63.5	4.6	-	14.8	16.0	-4.6	-1.2	-7%
Other impairments and provisions	-11.8	-0.4	-11.3	-13.3	-	-11.3	-0.5	-0.3	-10.8	-
Impairments and provisions	19.0	-33.2	52.2	-8.6	-	3.5	15.5	-4.9	-12.0	-78%
Gains less losses from capital investments in subsidiaries, associates, and joint ventures	0.4	0.4	0.0	0.0	-1%	0.3	0.1	0.2	0.2	21%
Negative goodwill	0.0	0.0	0.0	0.0	-	0.0	0.0	0.0	0.0	-
Result before tax	156.0	82.4	73.6	8.5	89%	82.9	73.1	61.3	9.8	13%
Income tax	-9.6	-5.5	-4.0	0.8	-73%	-4.8	-4.7	-3.9	-0.1	-2%
Result of non-controlling interests	6.6	3.2	3.4	1.2	108%	2.9	3.8	2.0	-0.9	-24%
Result after tax	139.8	73.7	66.1	8.0	90%	75.2	64.6	55.4	10.6	16%

Profit

The Group generated EUR 139.8 million of profit after tax, EUR 66.1 million higher YoY – Komercijalna Banka group⁵ contributed EUR 8.0 million to the result.

The result was based on the following key drivers:

- **Net interest income** increased on the back of Komercijalna Banka group contribution (EUR 48.9 million). Otherwise stable net interest income without Komercijalna Banka group contribution, impacted by excess liquidity which determined a consequent higher volume of cash and balances with central banks, with low or negative interest rates. Interest income stayed at the same level YoY without Komercijalna Banka group contribution, based on higher volumes and increased market shares in loan book compensating the reduction in interest rates.
- **Net fee and commission income** increased in all banks, in the Bank mostly due to repricing of packages, fee for high balances, higher net fees from asset management and card business, and arrangement fees for organization of syndicated loans.
- **Non-recurring valuation income** in the amount of EUR 14.7 million from repayment of exposure, classified as non-performing, and EUR 9.0 million of other operation income from the settlement of a legal dispute; comparable to H1 2020 levels, with the sale of NLB Vita and debt securities.
- **Total costs** decreased YoY in the Bank (EUR 2.3 million) and in Non-core members (EUR 0.7 million), while an increase was recorded in other bank members.

⁴ YoY data are not comparable due to Komercijalna Banka, Beograd acquisition at 2020 YE.

⁵ Komercijalna Banka group: (i) three banks in Serbia, BiH and Montenegro: Komercijalna banka a.d. Beograd (Komercijalna Banka, Beograd), Komercijalna banka a.d., Banja Luka (Komercijalna Banka, Banja Luka), Komercijalna banka a.d. Podgorica (Komercijalna Banka, Podgorica); and (ii) one investment fund company in Serbia: Kombokom INvest a.d. Beograd (Kombokom INvest, Beograd).

- **Net impairments and provisions** were released in the amount of EUR 19.0 million, of which EUR 30.7 million for credit risk, mostly due to repayment of several exposures, changes in credit ratings, and changed parameters for forming collective impairments and provisions related to more favourable macroeconomic forecasts. Other impairments and provisions include EUR 7.7 million of restructuring provisions and EUR 5.0 million provisions for the legal risk in Komercijalna Banka, Beograd.

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



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

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

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

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

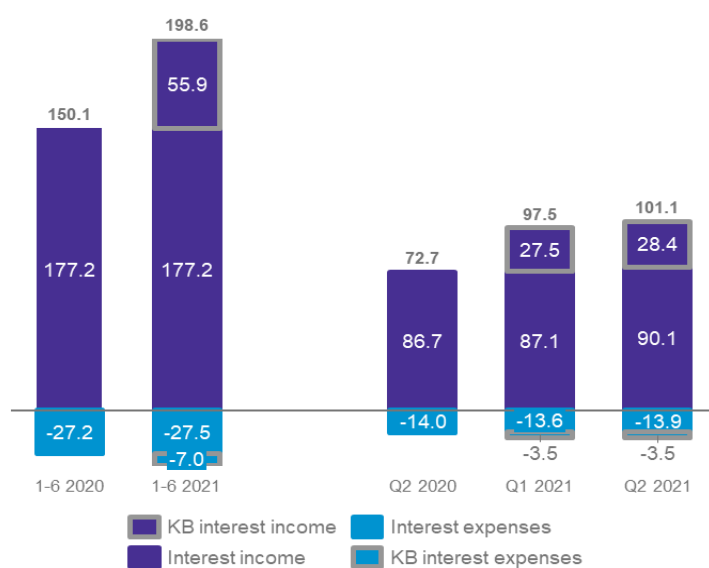
(c) Realised gains/losses on derecognition of financial instruments: from NLB Group perspective, securities were acquired at their fair value at the time of acquisition, while from the perspective of Komercijalna Banka group they were acquired at different, mostly lower values. Consequently, realised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

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

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

Net Interest Income

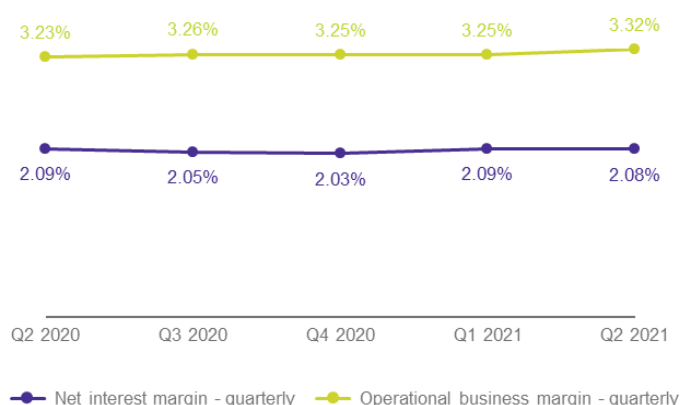
Figure 2: Net interest income of NLB Group (in EUR million)



The net interest income totalled EUR 198.6 million, of which EUR 48.9 million were contributed by the acquired Komercijalna Banka group. Without Komercijalna Banka group contribution the same level of interest income was retained YoY, due to higher volume of securities and loans, despite lower yields and higher cash volumes and balances with the central bank (bearing negative interest in line with the expansionary monetary policy). Slightly higher interest expenses are related to the subordinated Tier 2 instruments raised by the Bank to optimise the capital structure (in February 2020, which means that H1 2020 was not fully affected). Interest expenses in other member banks were decreasing due to lower interest rates for customer deposits. The pressure on the net interest margins in the Bank and member banks in SEE continues.

Additionally, on the QoQ basis the interest income increased due to an increase in volume of loans to customers.

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



The net interest margin of 2.08% in Q2 for the Group was 0.01 p.p. lower than in the same quarter of the previous year, however the operational business margin was 0.10 p.p. higher than in the same quarter of the previous year and amounted to 3.32%, 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 135.3 million, of which EUR 18.0 million were contributed by Komerzialna Banka group. A major part of the net non-interest income has been derived from the net fee and commission income, which grew YoY, mostly in the Bank due to the repricing of the packages, fee for high balances in the amount of EUR 3.5 million (from April on also for individuals⁶), higher net fees from asset management (EUR 136.7 million of net inflows in NLB Skladi, doubled YoY production) and card business (easing of COVID-19 restrictions), and arrangement fees for organization of syndicated loans. With fee for high balances the Bank intends to restrain the deposit inflow, divert extra liquidity to other financial products (mutual funds, investments) and compensate for the negative interest rates charged for the balances at the central bank.

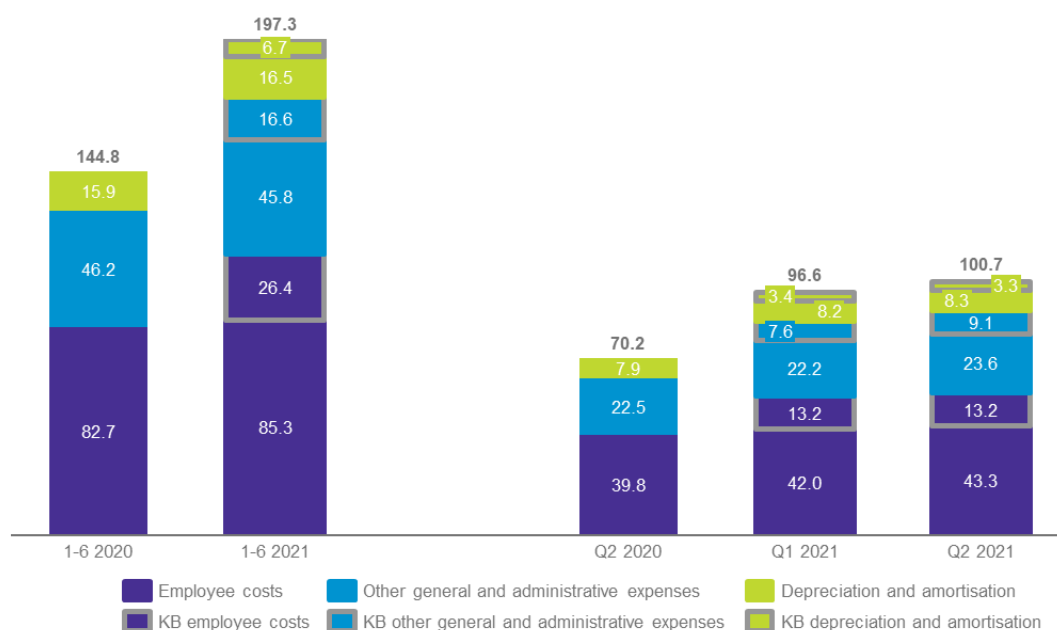
In H1, the net non-interest income was strongly affected by non-recurring valuation income in the amount of EUR 14.7 million from the repayment of exposure classified as non-performing, and EUR 9.0 million of other operation income from the settlement of a legal dispute. The non-recurring items were on a comparable level with H1 2020 (the sale of NLB Vita and debt securities).

The QoQ increase is mainly related to non-recurring income and higher net fee and commission income related to easing of COVID-19 restrictions, partially neutralized by regulatory costs in the Bank (EUR 2.0 million for SRF and EUR 7.5 million for DGS) recognized in June. Regulatory costs in the Bank were EUR 2.3 million higher YoY.

⁶ Further information is available under the section Key Events.

Total Costs

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



The total costs amounted to EUR 197.3 million, of which EUR 49.8 million from Komercijalna Banka group. Without Komercijalna Banka group contribution the costs increased YoY for EUR 2.7 million due to an increase in all member banks in SEE.

However, in the Bank the costs were EUR 2.3 million lower YoY, mostly due to positive effects from cost optimisation projects and also EUR 0.7 million lower in the non-core members.

Integration costs related to Komercijalna Banka, Beograd acquisition in H1 totalled EUR 1.5 million. Since the acquisition the number of employees in Komercijalna Banka group has decreased by 259.

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

CIR stood at 59.1%, a 3.4 p.p. increase YoY.

Net Impairments and Provisions

Net impairments and provisions for credit risk were released in the amount of EUR 30.7 million due to repayment of several exposures, changes in credit ratings, and changed parameters for collective impairments and provisions related to more favourable macroeconomic forecasts.

During the first wave of epidemic in 2020 the Group reviewed IFRS 9 provisioning due to the COVID-19 outbreak, namely relevance of selected macroeconomic scenarios, which resulted in an increase of collective impairments

and provisions. However, in 2021 the economy proved to be more resilient and actual impacts of crisis lower than initially anticipated. Besides, a successful resolution of NPLs in almost all banking members of the Group further contributed to the reduction of annualized cost of risk, which was negative, -68 bps in H1 (85 bps in the same period in 2020).

Other impairments and provisions were established in the amount of EUR 11.8 million, of which EUR 7.7 million restructuring provisions and EUR 5.0 million provisions for legal risks in Komercijalna Banka, Beograd.

Financial Position⁷

Table 5: Statement of financial position of NLB Group

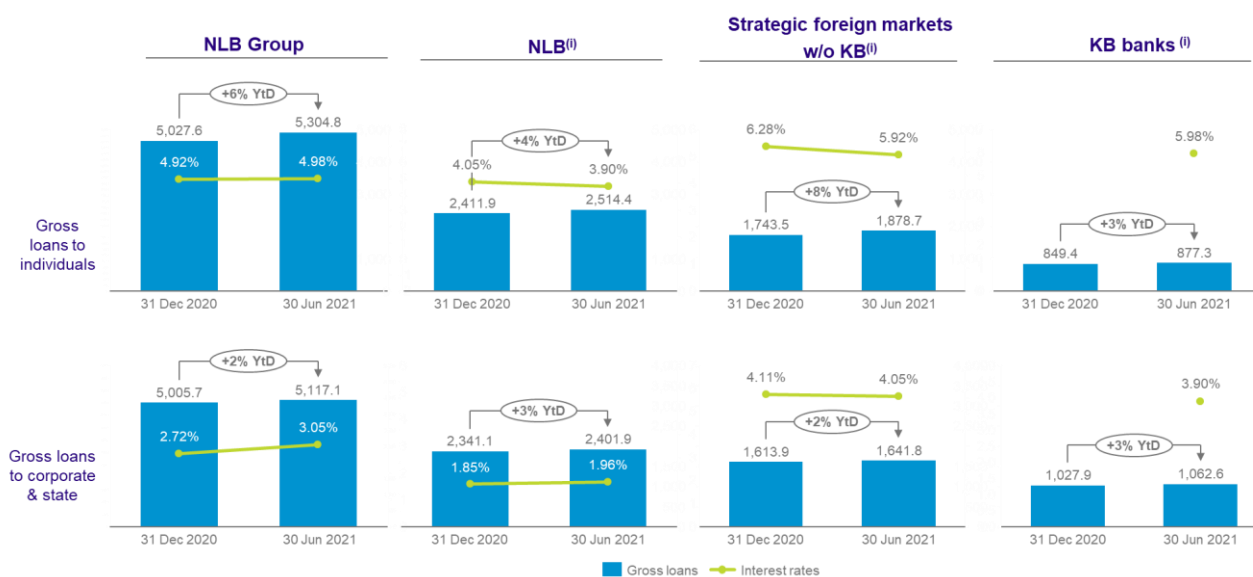
in EUR million	NLB Group								
	30 Jun 2021	31 Dec 2020	30 Jun 2020	Change YTD		Change YoY		Change QoQ	
ASSETS									
Cash, cash balances at central banks, and other demand deposits at banks	4,739.4	3,961.8	3,084.6	777.5	20%	1,654.8	54%	821.2	21%
Loans to banks	243.4	197.0	94.9	46.4	24%	148.5	56%	38.4	9%
Net loans to customers	10,071.4	9,644.9	7,686.7	426.5	4%	2,384.7	31%	246.9	3%
Gross loans to customers	10,421.8	10,033.3	8,048.9	388.5	4%	2,372.9	29%	213.7	2%
- Corporate	4,772.7	4,631.7	3,751.7	141.0	3%	1,021.0	27%	51.9	1%
- Individuals	5,304.8	5,027.6	4,002.6	277.2	6%	1,302.2	33%	178.1	3%
- State	344.4	374.0	294.7	-29.7	-8%	49.7	17%	-16.4	-5%
Impairments and valuation of loans to customers	-350.4	-388.4	-362.2	38.0	10%	11.8	3%	33.2	9%
Financial assets	5,490.9	5,119.5	3,504.8	371.4	7%	1,986.1	57%	114.5	2%
- Trading book	13.5	84.9	22.6	-71.3	-84%	-9.1	-40%	-61.6	-82%
- Non-trading book	5,477.4	5,034.7	3,482.2	442.7	9%	1,995.2	57%	176.0	3%
Investments in subsidiaries, associates, and joint ventures	8.4	8.0	7.9	0.4	5%	0.5	6%	0.3	4%
Property and equipment, investment property	297.1	304.0	243.6	-6.8	-2%	53.5	22%	-4.6	-2%
Intangible assets	55.7	61.7	37.6	-6.0	-10%	18.1	48%	-2.6	-4%
Other assets	281.1	268.9	231.7	12.1	5%	49.3	21%	14.2	5%
TOTAL ASSETS	21,187.3	19,565.9	14,891.9	1,621.4	8%	6,295.4	42%	1,228.3	6%
LIABILITIES									
Deposits from customers	17,143.0	16,397.2	12,190.8	745.8	5%	4,952.1	41%	410.9	2%
- Corporate	4,130.2	3,949.1	2,781.2	181.0	5%	1,348.9	49%	119.2	3%
- Individuals	12,477.8	12,023.5	9,146.9	454.3	4%	3,330.8	36%	223.3	2%
- State	535.0	424.5	262.7	110.5	25%	272.4	104%	68.3	5%
Deposits from banks and central banks	78.0	72.6	54.3	5.4	7%	23.7	44%	6.1	8%
Borrowings	976.6	249.8	220.9	726.8	-	755.7	-	725.5	-
Other liabilities	466.8	434.9	360.1	31.9	7%	106.7	30%	38.4	9%
Subordinated liabilities	287.6	288.3	287.4	-0.8	0%	0.2	0%	0.7	0%
Equity	2,091.4	1,952.8	1,730.6	138.6	7%	360.8	21%	77.4	4%
Non-controlling interests	143.8	170.3	47.7	-26.4	-16%	96.1	-	-30.6	-18%
TOTAL LIABILITIES AND EQUITY	21,187.3	19,565.9	14,891.9	1,621.4	8%	6,295.4	42%	1,228.3	6%

The Group's total assets increased and totalled EUR 21,187.3 million, a EUR 1,621.4 million increase YtD mainly due to the continued inflow of deposits (EUR 745.8 million), mostly from individuals (EUR 454.3 million) and participation in liquidity-providing operation by the ECB in the amount of EUR 750 million (TLTRO-III). Excess liquidity was invested in the securities (EUR 371.4 million) and gross loans to customers (EUR 141.0 million to corporate and EUR 277.2 million to individual clients). The share of customers' deposits accounted for 81% of the total funding, 2.9 p.p. less as at the end of 2020.

The LTD ratio (net) was 58.7% at the Group level, 0.1 p.p. decrease YtD, but 4.3 p.p. decrease YoY, as the result of increased deposits due to excess liquidity on the market and additionally due to the acquisition of the strong deposit-based Komercijalna Banka group.

⁷ YoY data are not comparable due to Komercijalna Banka, Beograd acquisition at the end of 2020.

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



⁽ⁱ⁾ On stand alone basis.

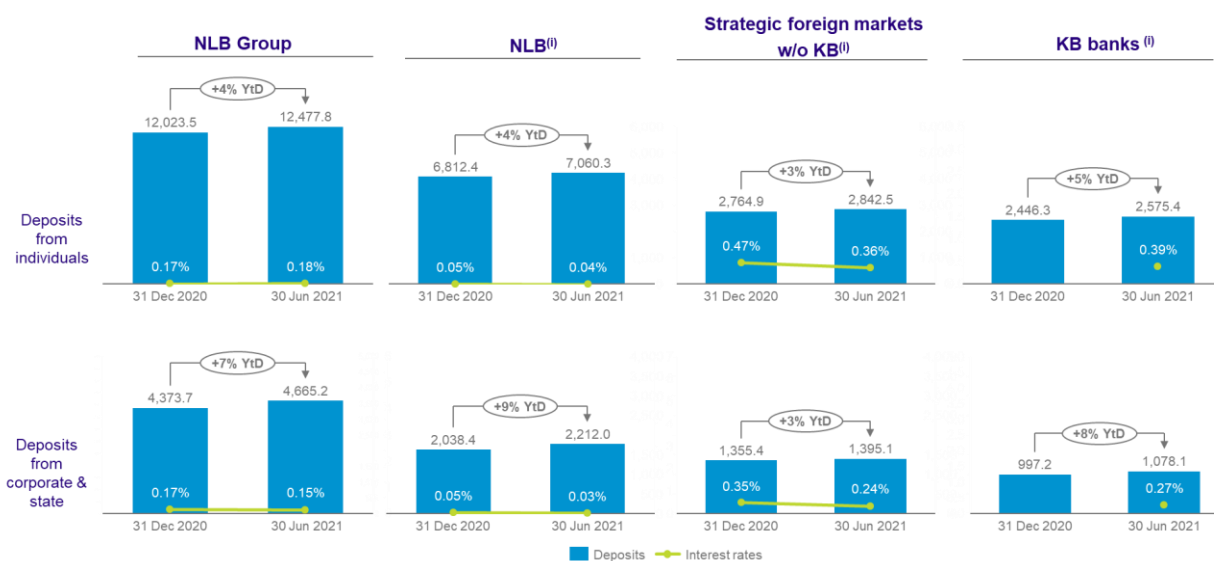
In H1 the lending activity spiked and recorded a significant growth in all the banks. Gross loans to individuals recorded the highest, 8% YtD increase in the Strategic foreign markets (without Komercijalna Banka group banks), while the highest increase of gross loans to the corporate and state was recorded in the Bank and in Komercijalna Banka group banks, i.e. 3% YtD.

Gross loans to individuals in the Bank grew by 102.4 million YtD, mostly due to an increasing volume of housing loans (EUR 132.2 million YtD, with a record new production of EUR 156.0 million in Q2) related to more attractive offers for clients and intensive marketing campaigns. The volume of consumer loans was slightly lower YtD (EUR 8.7 million); however, the new production in Q2 2021 amounted to EUR 56.7 million and was higher compared to Q2 2020 (EUR 34.7 million). Gross loans to corporate and state recorded a EUR 60.8 million growth YtD, mostly in the Key and Cross Border Corporates.

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

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

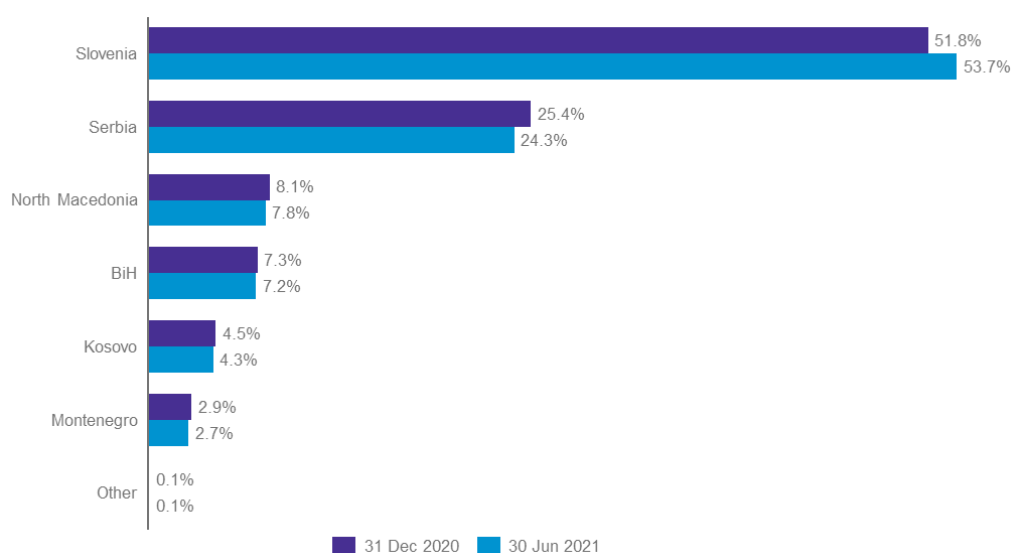
Figure 7: NLB Group deposits from customers and interest rates on deposits YtD dynamics (in EUR million and %)



⁽ⁱ⁾ On stand alone basis.

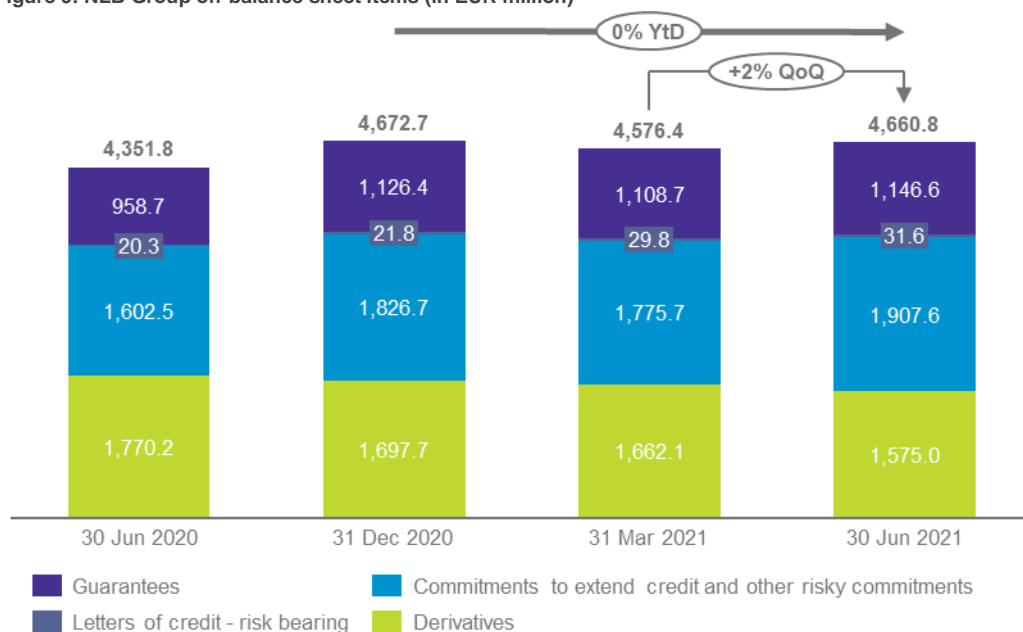
The deposit inflow was recorded across the Group, with the highest, 9% YtD increase of deposits from the corporate and state in the Bank. Deposits from individuals grew most in the Komercijalna Banka group banks, 5% YtD. In the Strategic foreign markets the deposit growth of 3% was recorded from individuals as well as from corporate and state.

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

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

⁽ⁱ⁾ Geographical analysis based on the booking entity.

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



Off-balance sheet items of the Group amounted to EUR 4,660.8 million and were comprised of guarantees (25%), letters of credit (1%), commitments to extend credit and other risky commitments (41%) and derivatives (34%).

Commitments to extend credit and other risky commitments were divided between loans (99% corporate), overdrafts (62% retail and 38% corporate) and cards (89% retail). A majority of the Group's derivatives were concluded by the Bank either for the hedging of the banking book or trading with customers.

Capital and Liquidity

Capital

Figure 10: NLB Group capital (in EUR million)

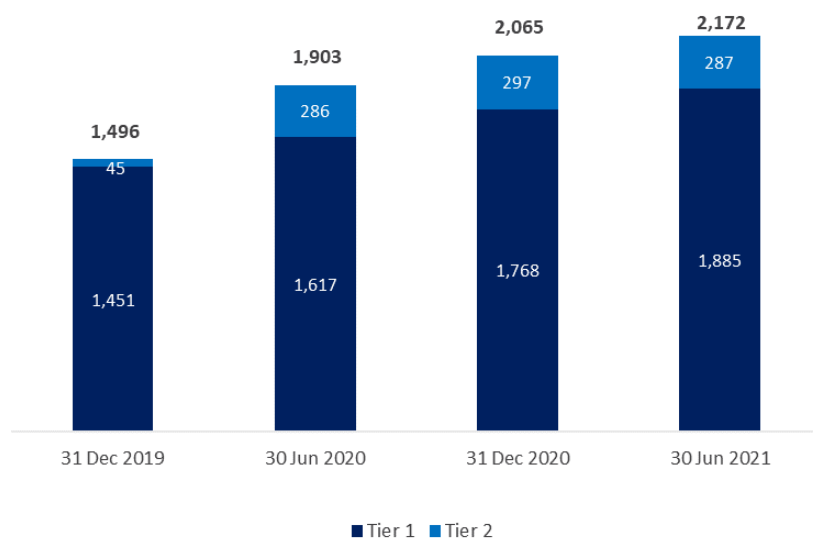
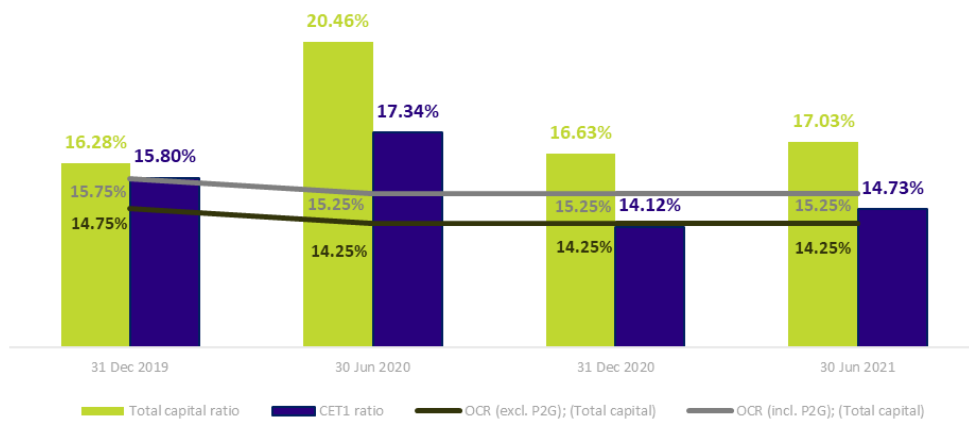


Figure 11: NLB Group capital ratios and regulatory thresholds



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

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

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

Table 6: NLB Group capital requirements and buffers

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

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

As at 30 June 2021, the Total capital ratio for the Group stood at 17.0% (or 0.4 p.p. higher than at 2020 YE), and for the Bank at 25.3% (or 1.8 p.p. lower than at the end of 2020). As at 30 June 2021, the CET1 ratio stood at 14.7% (0.6 p.p. higher than at 2020 YE). The higher total capital adequacy derives from higher capital (EUR 106.9 million for the Group) which offset increased RWA. The main effect was inclusion of negative goodwill in retained earnings in the amount of EUR 137.9 million. On the other hand, minority interest decreased in the amount of EUR 43.6 million, of which EUR 43.0 million due to Komercijalna Banka, Beograd takeover bid, after obtaining ECB approval. If on 30 September 2021 the Bank does not own 100% of Komercijalna Banka, Beograd shares, the remaining part of minority interest will be included back into capital.

The envisaged cumulative dividend payout in 2021 is EUR 92.2 million⁸, and is not included in the capital calculation, therefore there is no effect on the capital in the case of dividend payout in that amount.

⁸ Further information is available under the section Outlook 2021 and Corporate Governance.

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

in EUR million	Balance at			Change	
	30 Jun 2021	31 Dec 2020	30 Jun 2020	YtD	YoY
Total risk exposure amount (RWA)	12,755.6	12,421.0	9,301.7	334.6	3,453.9
RWA for credit risk	10,595.4	10,222.9	7,787.1	372.5	2,808.3
Central governments or central banks	1,829.6	1,892.2	1,178.2	-62.5	651.5
Regional governments or local authorities	126.9	135.5	61.6	-8.5	65.3
Public sector entities	245.4	248.8	105.4	-3.5	140.0
Institutions	365.9	311.7	176.4	54.3	189.5
Corporates	2,367.3	2,224.2	2,107.2	143.0	260.0
Retail	4,098.3	3,891.8	2,990.5	206.6	1,107.9
Secured by mortgages on immovable property	373.1	355.7	358.4	17.5	14.7
Exposures in default	200.6	231.5	155.2	-30.9	45.4
Items associated with particular high risk	395.7	344.2	227.3	51.4	168.4
Covered bonds	40.8	40.9	39.4	-0.1	1.3
Claims in the form of CU	17.5	18.7	12.3	-1.1	5.2
Equity exposures	78.8	47.1	24.3	31.7	54.5
Other items	455.6	480.9	351.0	-25.3	104.6
RWA for market risk + CVA	1,212.8	1,250.8	560.5	-37.9	652.3
RWA for operational risk	947.3	947.3	954.1	0.0	-6.8

RWAs in the Group increased by EUR 334.6 million YtD. RWAs for credit risk increased by EUR 372.5 million YtD. Most of the increase was contributed by the Bank (EUR 286.4 million), which is related to the new production in the retail and corporate segment, with investments in subordinated bonds (Tier 2) and with investments in state bonds. As the result of RWA optimisation, some banking members shifted a part of their liquid assets from the central governments or CB to low risk weighted commercial banks (the highest RWA decrease is seen in the Komercijalna Banka, Beograd).

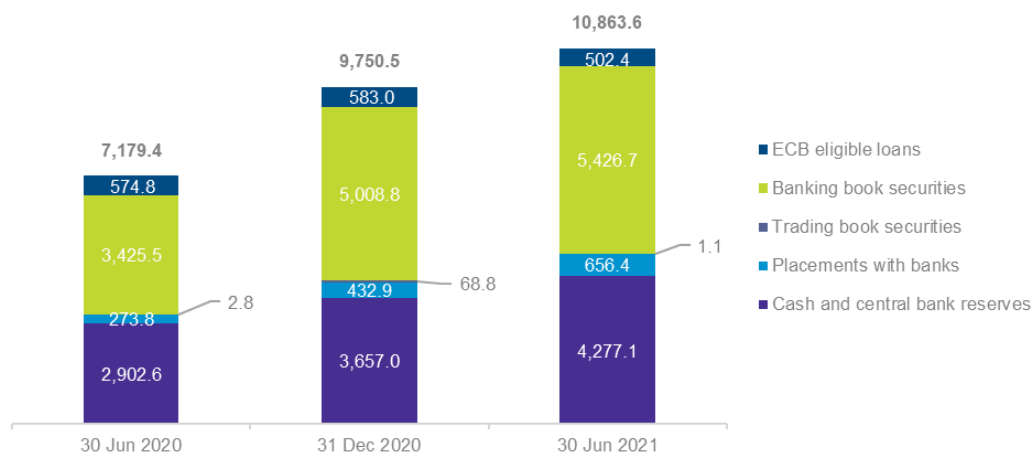
The decrease in RWAs for market risks and CVA (Credit Value Adjustments) in the amount of EUR 37.9 million YtD is mainly the result of lower TDI risk in the amount of EUR 79.4 million (a consequence of closing position of traded debt instruments in Komercijalna Banka, Beograd). RWAs on FX risk increased by EUR 41.1 million YtD mainly due to more open positions in the domestic currencies of non-euro subsidiary banks.

Liquidity

The liquidity position of the Group remains strong, with the LTD ratio (net) of 58.7% (2020 YE: 58.8%), thus meeting the liquidity indicators high above the regulatory requirements, as well as confirming the low liquidity risk tolerance of the Group.

Liquid assets of the Group amounted to EUR 10.9 billion (51.3% of total assets; 2020 YE: EUR 9.8 billion, 49.8% of total assets), of which EUR 1.8 billion (2020 YE: EUR 1.0 billion) were encumbered due to operational and regulatory requirements. The increase of encumbered assets was due to TLTRO-III secured borrowing.

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



⁽¹⁾ Includes encumbered assets.

The banking book securities portfolio, which accounted for 50.0% of the Group's liquid assets (2020 YE: 51.4%), was dispersed appropriately across issuers, geographies, and remaining average maturity, with the aim of adequate liquidity and interest risk management.

Due to TLTRO-III secured borrowing and a persistent growth of NBS deposits, cash and central bank/commercial bank balances together with placements with banks grew in H1, which was partially offset by the NBS loan and banking book securities portfolio increase. The investment activity continues with a balanced approach which follows a clear focus on attractive market opportunities and at the same time well-managed credit risk and capital consumption.

Driven by the low interest rate environment, the main change in the funding structure of the Group was the ongoing transformation of term-to-sight customer deposits, representing the key funding base. The share of sight customer deposits was 68.6% of the total assets (2020 YE: 69.7%).

Related-Party Transactions

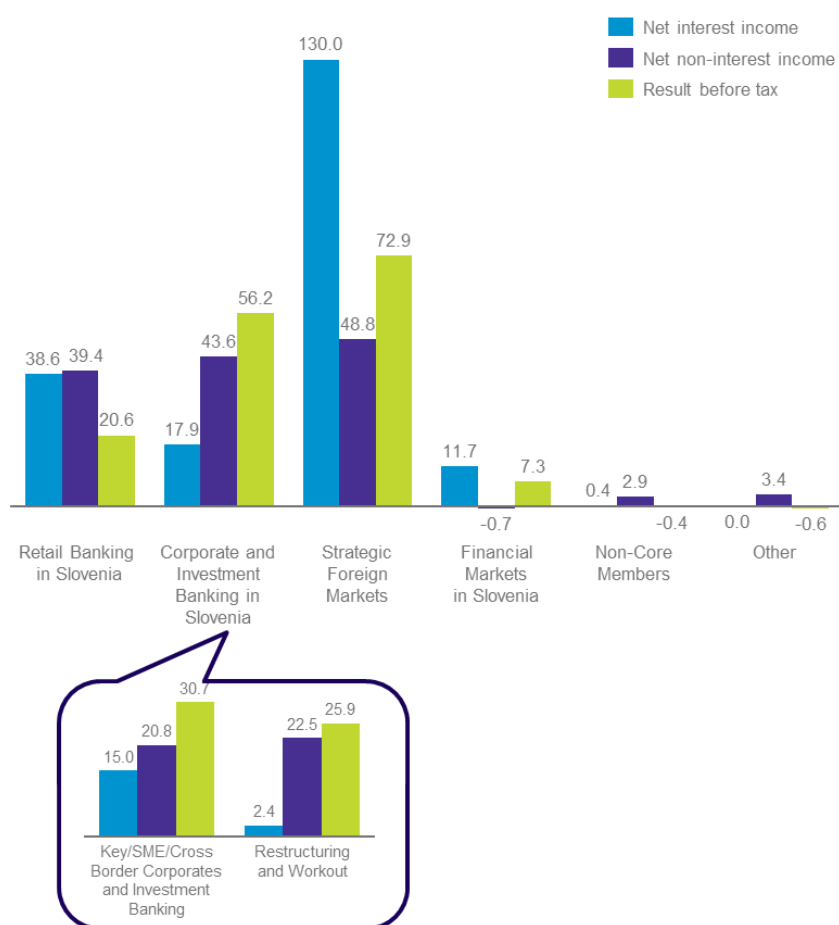
A number of banking transactions have been entered into with the related parties in the normal course of business. The volume of related-party transactions mainly consists of loans and deposits issued and deposits received. Further information on transaction volumes is available in the financial part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

Segment Analysis

	Core Segments					Non-Core Segments	
	Retail Banking in Slovenia	Corporate and Investment Banking in Slovenia	Strategic Foreign Markets	Financial Markets in Slovenia	Other	Non-Core Members	
	includes banking with individuals and micro companies, asset management (NLB Skladi), and one part of the subsidiary NLB Lease&Go that deals with retail clients, and the contribution to the result from the associated company Bankart.	includes banking with Key corporate clients and SMEs, Cross-border corporates, Investment Banking and Custody, Restructuring and Workout, and one part of the subsidiary NLB Lease&Go that renders services to corporate clients.	includes the operations of strategic Group banks in the strategic markets (North Macedonia, BiH, Kosovo, Montenegro, and Serbia). With the acquisition of Komerčijalna Banka, Beograd at 2020 YE, the NLB Group acquired three banks: Komerčijalna Banka, Beograd, Komerčijalna Banka, Podgorica, and Komerčijalna Banka, Banja Luka, as well as an investment fund company Kombank INvest, Beograd.	covers treasury activities and trading in financial instruments, while it also presents the results of asset and liabilities management (ALM).	accounts for the Bank's categories of which the operating results cannot be allocated to specific segments as well as the subsidiary NLB Cultural Heritage Management Institute.	includes the operations of non-core Group members, namely REAM and leasing entities (except NLB Lease&Go), NLB Srbija, and NLB Crna Gora.	
(in EUR million)	NLB Group						
Profit b.t.	156.0	20.6	56.2	72.9	7.3	-0.6	-0.4
Contribution to Group's profit b.t.	100%	13%	36%	47%	5%	0%	0%
Total assets	21,187	2,619	2,140	9,715	6,251	346	117
% of total assets	100%	12%	10%	46%	30%	2%	1%
CIR	59.1%	70.7%	34.8%	60.3%	35.5%	170.2%	164.1%
Cost of risk (bps)	-68	21	-153	140	/	/	-868

NLB Group's main indicator of a segment's efficiency is net profit before tax. There was no income from transactions with a single external customer that amounted to 10% or more of NLB Group's income.

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



The core markets and activities made a profit before tax of EUR 156.4 million. The Strategic Foreign Markets contributed the largest share to the Group's profit before tax in the amount of EUR 72.9 million, followed by the Corporate and Investment Banking in Slovenia with EUR 56.2 million, Retail Banking in Slovenia with EUR 20.6 million, and Financial Markets in Slovenia with EUR 7.3 million. The Non-Core Members recorded a loss before tax in the amount of EUR 0.4 million.

Retail Banking in Slovenia

Financial Highlights

- Record high new production of housing loans.
- Fee for high balances from April on.
- Doubled production of net inflow in NLB Skladi YoY.

Business Highlights

- Sharp increase of m-bank Klikin and m-wallet NLB Pay users.
- Introduction of Mastercard debit cards as a substitute for Maestro cards.
- SMS Instalments for personal pay-later cards was implemented.
- New payment method Flik P2M on POS terminals was introduced.
- Loans can now be approved also via a video call in the Contact Centre.

Financial performance

Table 8: Key financials of Retail Banking in Slovenia

Retail Banking in Slovenia									
in EUR million consolidated									
	1-6 2021	1-6 2020	Change YoY		Q2 2021	Q1 2021	Q2 2020	Change QoQ	
Net interest income	38.6	41.7	-3.0	-7%	19.7	19.0	20.4	4%	
Net interest income from Assets ⁽ⁱ⁾	40.0	38.8	1.2	3%	20.4	19.6	19.0	4%	
Net interest income from Liabilities ⁽ⁱ⁾	-1.3	2.9	-4.2	-	-0.7	-0.6	1.4	-22%	
Net non-interest income	39.4	45.1	-5.7	-13%	16.7	22.7	26.5	-26%	
o/w Net fee and commission income	45.8	39.7	6.1	15%	24.0	21.8	20.4	10%	
Total net operating income	78.1	86.8	-8.7	-10%	36.4	41.7	46.8	-13%	
Total costs	-55.2	-56.1	1.0	2%	-28.5	-26.6	-27.6	-7%	
Result before impairments and provisions	22.9	30.6	-7.8	-25%	7.8	15.0	19.3	-48%	
Impairments and provisions	-2.7	-5.6	3.0	53%	-3.4	0.7	-1.1	-	
Net gains from investments in subsidiaries, associates, and JVs ¹	0.4	0.4	0.0	-1%	0.3	0.1	0.2	121%	
Result before tax	20.6	25.4	-4.8	-19%	4.8	15.8	18.4	-70%	

	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Jun 2020	Change YtD		Change YoY		Change QoQ
Net loans to customers	2,534.9	2,463.1	2,415.4	2,322.0	119.5	5%	212.9	9%	3%
Gross loans to customers	2,570.6	2,497.9	2,450.7	2,350.5	119.9	5%	220.1	9%	3%
Housing loans	1,666.8	1,581.8	1,534.7	1,450.7	132.2	9%	216.2	15%	5%
Interest rate on housing loans	2.40%	2.40%	2.51%	2.52%	-0.11 p.p.		-0.12 p.p.		0.00 p.p.
Consumer loans	643.0	648.0	651.7	661.5	-8.7	-1%	-18.5	-3%	-1%
Interest rate on consumer loans	6.66%	6.64%	6.43%	6.32%	0.23 p.p.		0.34 p.p.		0.02 p.p.
Other	260.7	268.0	264.3	238.3	-3.6	-1%	22.4	9%	-3%
Deposits from customers	7,644.9	7,495.4	7,356.8	7,005.8	288.1	4%	639.1	9%	2%
Interest rate on deposits	0.03%	0.03%	0.04%	0.05%	-0.01 p.p.		-0.02 p.p.		0.00 p.p.
Non-performing loans (gross)	54.8	52.3	52.4	43.0	2.3	4%	11.7	27%	5%

	1-6 2021	1-6 2020	Change YoY
Cost of risk (in bps)	21	48	-27
CIR	70.7%	64.7%	6.0 p.p.
Interest margin	1.55%	1.85%	-0.30 p.p.

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

Net interest income was 7% lower YoY. Due to overliquidity of the Bank, the policy to de-stimulate the deposit collection triggered the retail deposits margin after transfer price (FTP) reduction in the amount of EUR 4.1 million YoY. The interest income from loans to individuals was EUR 0.8 million higher YoY due to a higher volume of housing loans and higher interest margins on consumer loans, due to higher volumes of new production compared to H1 2020 and higher share of loans with a risk premium and quick loans in the portfolio. Lower volumes and interest margins on overdrafts had a negative impact on the interest income. As a result of several activities – marketing campaigns, individualised preapproved loan campaigns, and process improvements - the production of new housing loans was record high in Q2 (EUR 156.0 million), with EUR 262.3 million of new loans approved in H1 (H1 2020: EUR 116.2 million) and resulted in the increase of the portfolio (EUR 132.2 million YtD and EUR 216.2 million YoY). The decrease of balances was recorded in the consumer lending (EUR 8.7 million YtD and

EUR 18.5 million YoY decrease) and the portfolio of overdrafts (EUR 22.0 million YoY decrease), while cards recorded a slight increase (EUR 0.8 million).

Net non-interest income amounted to EUR 39.4 million, EUR 5.7 million (13%) decrease YoY, due to gains made from the sale of the joint venture NLB Vita in Q2 2020 (EUR 11.0 million), which was partially compensated with higher net fee and commission income (EUR 6.1 million or 15%) related mostly to package repricing and higher net fees from the asset management (record high net inflows into NLB Skladi in H1, EUR 136.7 million) and card business (easing of the COVID-19 restrictions). In April the Bank started to charge fee for high balances to restrain the deposit inflow, divert extra liquidity to other financial products (mutual funds, investments) and compensate for the negative interest rates charged for the balances at the central bank.

Lower **costs** by EUR 1.0 million (2%), due to lower employee costs (lower number of employees) and lower general and administrative costs (optimized cash handling, paperless project).

Net impairments and provisions were established in the amount of EUR 2.7 million, due to changes in risk parameters.

Deposits from customers increased by EUR 288.1 million (4%) YtD and EUR 639.1 million (9%) YoY, due to lower consumption YtD (post COVID-19 recovery noticed in May and June) and holiday payments.

As of 30 June, exposures subject to the COVID-19 moratorium are equal to EUR 17 million (1% of the total retail exposure).

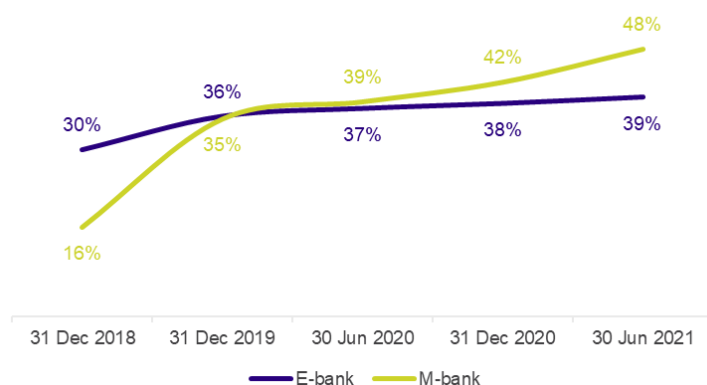
Business Performance

The Bank maintained the leading position with a market share of 24.0% in retail lending (H1 2020: 22.9%) and 30.6% (H1 2020: 31.1%) in deposit-taking. An encouraging increase of the market share is noticed for housing loans, namely to 23.6% (H1 2020: 21.9%), which is the result of a very good production of new housing loans in H1 (34.2%; H1 2020: 25.9%). Campaigns such as the “Best NLB offer”, which also includes additional benefits for clients for consumer loan and/or opening of the Premium Package, contributed to excellent sales results.

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

The mobile branch NLB Bank&Go is becoming more and more recognizable. It offers banking and also other customer services in areas where a traditional branch is no longer available. Higher daily limit of cash withdrawals on ATMs was implemented, also to encourage clients to use ATMs and to strengthen the advisory role of branch offices. In cooperation with IKEA, one of the world's largest furniture retailers, the Bank also opened a desk office in its new store in Ljubljana.

The number of digital users continued to increase also in H1 (11.3% YoY). The number of m-bank Kliikin and e-bank NLB Klik users recorded a YoY increase, 24.6% (60,104 new users) and 5.5% (12,965 new users) respectively. The total volume and number of payments processed in the e-bank and m-bank YoY increase was 38.7% and 16.3% respectively, which also nicely presents the Bank's focus on the digital path.

Figure 14: E- and M-bank penetration⁹

Launching the sales of different products (consumer and housing loans with simple collateral, Vita and Generali insurance products, deposits, savings and cards) via a video call was an important step towards strengthening the role of the Contact Centre as a 24/7 sales channel. The Contact Centre experienced YoY increases of 3.8% in inbound calls, 34.8% in chats and 49.1% in video calls.

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

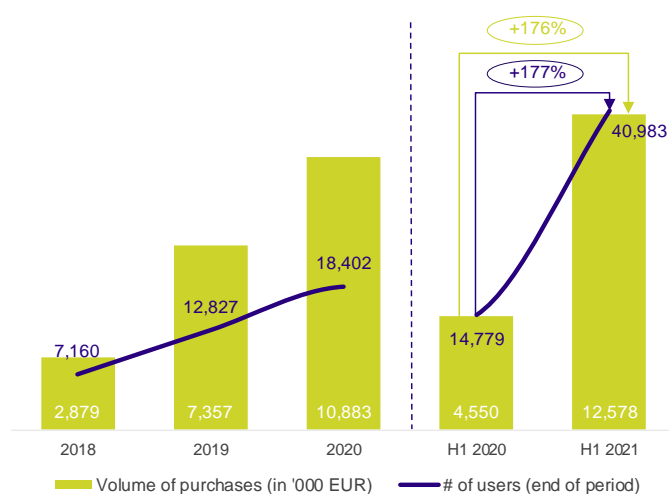
SMS Instalments for personal pay later payment cards were introduced, the only prerequisite being activation of SMS Alarm service. New service complements cards' Instalments payments with merchants on POSes.

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

M-wallet NLB Pay usage increases at significant pace, the m-wallet being also a solution to confirm, by using Strong Customer Authentication (SCA), e-commerce purchases. The number of users and volume of transactions increased YoY by 177.3% and 176.4% respectively.

⁹ Share of e-/m-bank users in # of active clients of the Bank.

Figure 15: NLB Pay in numbers



The market share of NLB Skladi increased to 36.4% (30 June 2020: 34.0%). With EUR 136.7 million of net inflows in H1, which is the company's highest amount of inflows recorded in such period, the company ranked first among its peers in Slovenia, accounting for 53.9% of all net inflows in the market. Fees for high balances of customers' assets introduced in April 2021 also triggered partial reallocation of customer assets from deposits and contributed to an additional increase of interest for asset management products. The company remains the largest asset management company and mutual funds management company in Slovenia. The total assets under management amounted to EUR 1,920.6 million (30 June 2020: EUR 1,448.3 million) of which EUR 1,449.3 million consisted of mutual funds (30 June 2020: EUR 975.8 million) and EUR 514.1 million of the discretionary portfolio (30 June 2020: EUR 472.5 million).

The insurance company Vita remains the Bank's strategic partner. Its products are sold through the Bank's distribution network, such as savings and investment insurance products, risk and health insurance products. Non-life insurance products, including car and home insurance, are provided to the clients in cooperation with GENERALI Zavarovalnica.

Corporate and Investment Banking in Slovenia

Financial Highlights

- Pick up of corporate lending with 4% YtD growth especially in Key and Cross-Border Corporates.
- Increased importance of cross-border financing and the leasing company NLB Lease&Go.
- Non-recurring income from two cases, namely positive valuation effect from repayment of exposure and the settlement of legal dispute in total amount of EUR 21.5 million attributable to the segment.
- Repayment of several exposures, changes in credit ratings and changed risk parameters.

Business Highlights

- Introduction of debit Mastercard business cards to replace Maestro business card.
- First bank in Slovenia with Flik P2M at all merchants with NLB POSes.
- 2021 edition of #HelpFrame started across the Group.
- The Bank organised syndicated facilities in the total amount of EUR 538 million.

Financial Performance

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

Corporate and Investment Banking in Slovenia									
in EUR million consolidated									
	1-6 2021	1-6 2020	Change YoY		Q2 2021	Q1 2021	Q2 2020	Change QoQ	
Net interest income	17.9	17.9	0.0	0%	8.9	9.0	8.5	-1%	
Net interest income from Assets ⁽ⁱ⁾	20.4	18.7	1.7	9%	10.3	10.2	9.0	1%	
Net interest income from Liabilities ⁽ⁱ⁾	-2.5	-0.8	-1.7	-	-1.3	-1.2	-0.4	-12%	
Net non-interest income	43.6	20.7	22.9	111%	31.9	11.7	9.8	172%	
o/w Net fee and commission income	19.7	16.1	3.5	22%	10.2	9.5	7.4	8%	
Total net operating income	61.6	38.6	23.0	60%	40.8	20.7	18.4	97%	
Total costs	-21.4	-20.5	-0.9	-5%	-11.0	-10.4	-10.0	-6%	
Result before impairments and provisions	40.1	18.1	22.0	121%	29.8	10.3	8.4	189%	
Impairments and provisions	16.1	-9.3	25.3	-	5.1	11.0	0.4	-54%	
Result before tax	56.2	8.9	47.4	-	34.9	21.3	8.8	63%	
	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Jun 2020	Change YtD		Change YoY		Change QoQ
Net loans to customers	2,153.2	2,103.3	2,047.1	2,053.8	106.0	5%	99.4	5%	2%
Gross loans to customers	2,244.9	2,217.4	2,167.5	2,168.2	77.4	4%	76.8	4%	1%
Corporate	2,100.5	2,066.9	2,006.4	2,005.3	94.1	5%	95.2	5%	2%
Key/SME/Cross Border Corporates	1,940.6	1,875.2	1,827.6	1,842.0	113.0	6%	98.6	5%	3%
Interest rate on Key/SME/Cross Border Corporates loans	1.82%	1.80%	1.79%	1.81%	0.03 p.p.		0.01 p.p.		0.02 p.p.
Investment banking	0.1	0.1	0.2	0.2	-0.1	-3%	-0.1	-3%	0%
Restructuring and Workout	123.5	164.4	160.8	162.2	-37.3	-23%	-38.7	-24%	-2%
NLB Lease&Go	36.3	27.1	17.8	0.8	18.5	104%	35.5	-	34%
State	144.1	150.2	160.7	162.5	-16.5	-10%	-18.4	-11%	-4%
Interest rate on State loans	2.45%	3.34%	2.20%	2.45%	0.25 p.p.		0.00 p.p.		-0.89 p.p.
Deposits from customers	1,618.9	1,558.0	1,487.4	1,248.5	131.4	9%	370.4	30%	4%
Interest rate on deposits	0.04%	0.04%	0.06%	0.06%	-0.02 p.p.		-0.02 p.p.		0.00 p.p.
Non-performing loans (gross)	111.8	154.2	156.0	136.0	-44.2	-29%	-24.2	-18%	-21%
	1-6 2021	1-6 2020	Change YoY						
Cost of risk (in bps)	-153	87	-241						
CIR	34.8%	53.0%	-18.2 p.p.						
Interest margin	1.85%	2.05%	-0.20 p.p.						

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

Profit before tax was EUR 56.2 million, EUR 47.4 million higher YoY. The result was affected by non-recurring valuation income in the amount of EUR 12.9 million from repayment of exposure, classified as non-performing, and EUR 8.6 million other operation income from the settlement of legal dispute.

Net interest income remained on the same level YoY. Due to over liquidity of the Bank, the policy to de-stimulate the deposit collection triggered the corporate and state deposits margin after transfer price (FTP) reduction in the amount of EUR 1.6 million YoY. The interest income from loans to corporate and state was EUR 0.8 million higher

YoY due to a slightly higher interest margin and average loan volume. The volume of loans to corporate increased by EUR 94.1 million YtD, mostly due to newly approved syndicated loans and increased volumes to Cross Border Corporates and NLB Lease&Go.

Net fee and commission income recorded a 22% increase YoY, mostly due to a higher fee for high balances (EUR 3.4 million, EUR 1.9 million higher YoY) and arrangement fees for organization of syndicated loans.

Total costs increased EUR 0.9 million YoY, due to higher IT costs (licences) and employee costs (post COVID-19 continuation of payments into pension funds).

Net impairments and provisions were net released in the amount of EUR 16.1 million due to repayment of several exposures, changes in credit ratings, and changed parameters for collective impairments and provisions related to more favourable macroeconomic forecasts.

Investment Banking and Custody recorded non-interest income in the amount of EUR 5.9 million and increased by EUR 0.8 million YoY, due to arrangement fees for organization of syndicated loans. The total value of assets under custody increased YoY (30 June 2020: EUR 15.5 billion) but decreased YtD (2020 YE: EUR 16.2 billion) and amounted to EUR 15.8 billion.

Exposures subject to non-expired COVID-19 moratorium in the segment of Non-financial corporations amounted to EUR 102 million as of 30 June 2021. Apart from moratoriums, the Bank provided additional liquidity by granting new loans to creditworthy clients to help them with the specific situation due to COVID-19 in the amount of EUR 29.5 million.

Business Performance

NLB is the leading bank in servicing corporate clients in Slovenia with by far the largest client base and it has a 17.6% market share in corporate loans (H1 2020: 17.4%). Improved productivity, which resulted in an increased portfolio and market share, also shows efforts of relationship managers in their proactive approach and focus on customers, being supported with improved processes.

The Bank is a leading Slovenian bank in the field of trade finance with products that support the export economy. The Group clients are supported with letters of guarantee, letters of credit and purchases of receivables through digital channels in a safe and fast way, with market share of 32.4% (H1 2020: 31.4%) in guarantees and letters of credit (including guarantee lines).

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

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

The number of m-bank Klikpro users is constantly rising (YoY by 12.9%), which proves that clients fully adopted the processes of digital banking. The app is now also available in the Huawei App Gallery.

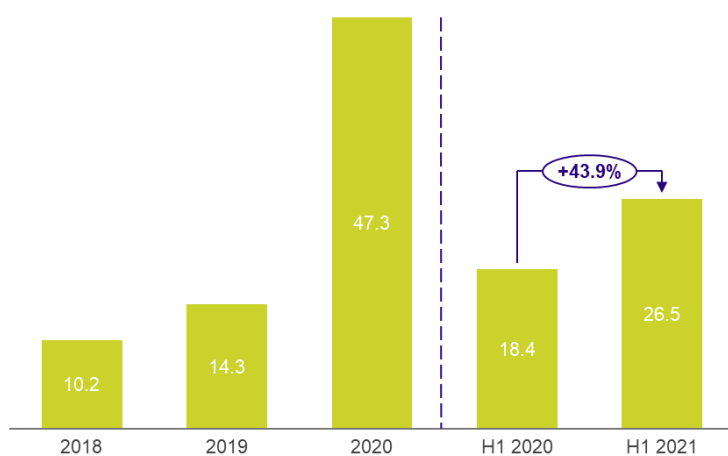
Transition to instant processing means a vast change for payment systems, which is why the Bank has since last year gradually introduced instant payments, including instant internal transfers and Flik payments in NLB Pay. Instant outgoing payments are now available to clients (free of charge) also in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

New debit Mastercard products (NLB Debit Mastercard Business and NLB Debit Mastercard World Business) are now also available to business account holders who are using Maestro business card. SMS Instalments for business pay later cards was introduced to all card holders who activate the service of SMS Alarm, complementing cards' Instalments payments on POSes.

Flik P2M payment method was implemented for all merchants with NLB POSes and thus NLB became the first bank in Slovenia to do so. Flik P2M payments goal is to decrease the use of cash.

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

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



In H1, the Bank organized four syndicated facilities in the total amount of EUR 538 million, where it also acted as the mandated lead arranger, as an agent and also as the leading bank with EUR 216 million participation.

Within brokerage services in H1, the Bank executed clients' buy and sell orders in the total amount of EUR 544.9 million (H1 2020: EUR 589.6 million), while in the area of dealing in financial instruments the Bank executed foreign exchange spot deals in the total of EUR 423.7 million (H1 2020: EUR 364.8 million) and for EUR 174.5 million (H1 2020: EUR 133.0 million) worth of transactions involving derivatives.

The Bank remains one of the top Slovenian players in custodian services for Slovenian and international customers. The total value of assets under custody on 30 June 2021 was, together with the fund administration services, EUR 15.8 billion (30 June 2020: EUR 15.5 billion).

Strategic Foreign Markets

Financial Highlights

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

Business Highlights

- New production in retail paved the road to normality, as H1 was a very successful production period for several Group banks, exceeding the pre-pandemic levels.
- Acceleration of automated solutions for customers in several Group member banks.

Financial Performance

Table 10: Key Financials of Strategic Foreign Markets

Strategic Foreign Markets									
in EUR million consolidated									
	1-6 2021	1-6 2020	Change YoY o/w KB contribution			Q2 2021	Q1 2021	Q2 2020	Change QoQ
Net interest income	130.0	78.6	51.5	48.9	66%	66.7	63.3	38.7	5%
Interest income	147.5	90.6	56.9	56.0	63%	75.5	72.0	44.6	5%
Interest expense	-17.5	-12.1	-5.4	-7.1	-45%	-8.7	-8.8	-5.9	0%
Net non-interest income	48.8	25.2	23.5	18.0	93%	27.2	21.6	12.2	26%
o/w Net fee and commission income	48.8	25.6	23.2	20.7	91%	25.5	23.3	12.3	10%
Total net operating income	178.8	103.8	75.0	67.0	72%	93.9	84.9	50.9	18%
Total costs	-107.9	-53.3	-54.6	-49.9	-102%	-55.6	-52.3	-25.8	-8%
Result before impairments and provisions	70.9	50.5	20.4	17.1	41%	38.3	32.6	25.2	17%
Impairments and provisions	2.0	-17.8	19.8	-8.6	-	0.1	1.9	-3.8	-93%
Negative goodwill (KB)									
Result before tax	72.9	32.7	40.2	8.5	123%	38.4	34.5	21.3	18%
o/w Result of minority shareholders	6.6	3.2	3.4	1.2	104%	2.9	3.8	2.0	-24%

	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Jun 2020	Change YtD		Change YoY		Change QoQ
Net loans to customers	5,281.9	5,144.3	5,052.4	3,165.3	229.5	5%	2,116.6	67%	3%
Gross loans to customers	5,460.3	5,329.5	5,234.8	3,314.4	225.5	4%	2,145.9	65%	2%
Individuals	2,756.1	2,647.6	2,592.9	1,658.2	163.2	6%	1,097.9	66%	4%
Interest rate on retail loans	5.94%	5.99%	6.28%	6.39%	-0.34 p.p.		-0.45 p.p.		-0.05 p.p.
Corporate	2,519.4	2,486.9	2,443.7	1,540.6	75.6	3%	978.8	64%	1%
Interest rate on corporate loans	4.04%	3.96%	4.15%	4.21%	-0.12 p.p.		-0.17 p.p.		0.08 p.p.
State	184.8	195.0	198.1	115.6	-13.3	-7%	69.2	60%	-5%
Interest rate on state loans	3.40%	3.53%	3.53%	3.12%	-0.13 p.p.		0.27 p.p.		-0.14 p.p.
Deposits from customers	7,878.8	7,678.3	7,552.2	3,935.0	326.5	4%	3,943.8	100%	3%
Interest rate on deposits	0.34%	0.34%	0.43%	0.46%	-0.09 p.p.		-0.12 p.p.		0.00 p.p.
Non-performing loans (gross)	198.6	202.9	195.0	126.3	3.6	2%	72.3	57%	-2%

	1-6 2021	1-6 2020	Change YoY
Cost of risk (in bps)	140	116	24
CIR	60.3%	51.4%	9.0 p.p.
Interest margin	2.87%	3.37%	-0.49 p.p.

Profit before tax was EUR 72.9 million, of which EUR 8.5 million from Komercijalna Banka group.

Net interest income without Komercijalna Banka group contribution was higher YoY (EUR 2.5 million) due to higher volumes and despite a lower interest margin.

Net non-interest income increased EUR 5.5 million YoY without Komercijalna Banka group contribution, o/w net fee and commission income EUR 2.5 million.

Total costs increasing YoY in all Group member banks.

Net release of impairments and provisions for credit risk in the amount of EUR 15.3 million, mainly due to repayment of written off receivables in NLB Banka, Skopje and Komercijalna Banka, Beograd (over EUR 6 million in each). **Other impairments and provision** neutralized the effect on total impairments and provisions due to

established restructuring provisions (EUR 7.7 million) and provisions for legal risk (EUR 5.0 million) in Komercijalna Banka, Beograd.

Substantial increase of legal disputes from retail customers of NLB's subsidiaries in Serbia on previously charged loan fees was noticed. The Group believes this is unsubstantiated, also supported by explicit statements of the NBS. NLB as the main shareholder in Komercijalna Banka, Beograd and other foreign investors have joined NBS and IMF in asking authorities to find a remedy to this unattainable situation.

Gross loans to customers increased by EUR 225.5 million (4%) YtD, with most material increase in housing loans. The increase of loan portfolio is visible in most of the member banks; the largest increases were recorded in Komercijalna Banka, Beograd (EUR 70.9 million) and NLB Banka, Skopje (EUR 39.6 million), while Komercijalna Banka, Banja Luka recorded a decrease (EUR 9.7 million).

Deposits from customers increased by EUR 326.5 million YtD. Increase was recorded in all member banks, except in NLB Banka, Beograd.

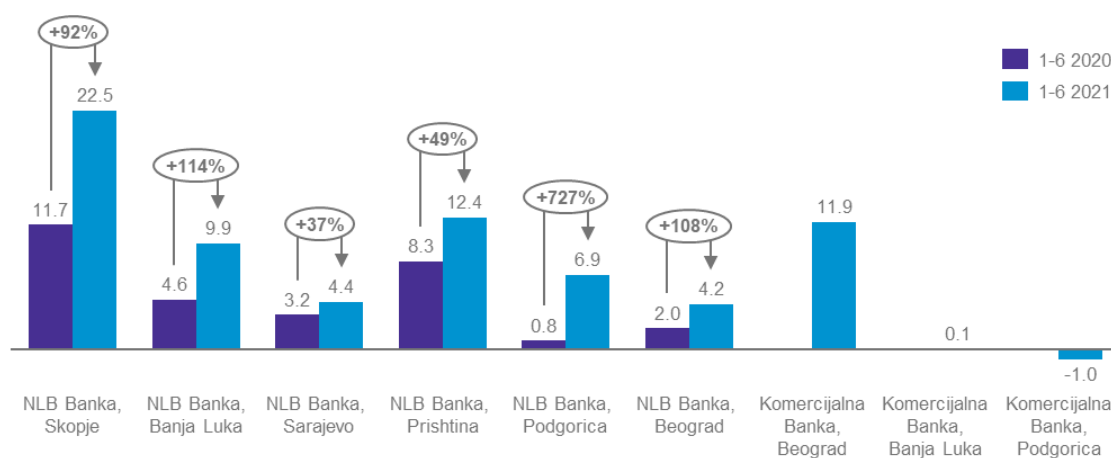
Various moratorium schemes were implemented (opt-in, opt-out), the amount of exposures with remaining non-expired moratorium at the end of H1 is EUR 119 million. Furthermore, additional liquidity by granting new loans to help with the specific situation due to the COVID-19 crisis was approved with outstanding amount of EUR 89.2 million.

Financial Performance of strategic NLB Group banks

Gradual rollback of restrictive measures facilitated by intensified vaccination efforts marked Q2 in all the Group countries of operation reflecting in gradual economic recovery trends. The reopening of large parts of the economy supported the robust bounce-back in the services sector.

The Group banking activities started a slight rebound in H1 and most of the Group banks achieved solid results and higher loan production YoY.

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



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

In H1, the six member banks (without Komercijalna Banka group banks) marked a 5% YoY increase in lending activities, while YtD nine member banks together recorded a growth of 2%. In Q2, the largest increase of gross loans to customers was realized by NLB Banka, Skopje (4%) and NLB Banka, Beograd (4%). Due to remarkable new production the retail lending boosted in six member banks (Komercijalna Banka group banks excluded) contributing also to the increase of already strong market share (YtD) in four banks - NLB Banka, Skopje, NLB Banka, Banja Luka, NLB Banka, Sarajevo and NLB Banka, Podgorica in the range from 0.3 to 0.8 p.p. The easing of measures brought forward the recovery of customer demand. Thus, six Group banks (Komercijalna Banka group banks excluded) recorded double-digit YoY growth in outstanding loans balances in the housing segment – the highest was achieved by NLB Banka, Beograd (57%).

Although the increasing competitive pressure on interest rates and reduction of interest margins in all the Group countries of operations, the banks realized net interest margin between 2.47% (NLB Banka, Banja Luka) to 4.40% (Komercijalna Banka, Podgorica). Net interest income realized by six Group banks (without Komercijalna Banka group banks) increased 3% YoY and marking Q2 2021 as the best quarter in terms of realized net interest income in the last year.

All Group banks recorded 3% YtD growth to corporate and state segment during H1 (the highest was 7% in NLB Banka, Sarajevo). The gradual economic recovery and improved business environment boosted the investment confidence, which resulted in new production of corporate loans at record levels in NLB Banka, Sarajevo and Komercijalna Banka, Beograd.

Despite the lending activities boost due to still low consumption, the customer deposits influx pressure resulted in surplus liquidity in all Group banks which was partially offset by effective balance sheet optimization measures in some banks.

Business Performance

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

The Group banks launched several new products, such as various retail loans with longer maturity, and intensifying the bank assurance product by boosting efforts to increase both interest and the non-interest income. NLB Banka, Beograd and NLB Banka, Prishtina introduced various retail loans with variable interest rate, while other banks, such as NLB Banka, Podgorica extended the retail loans maturity. These recalibrations enabled the banks to mark record new loans disbursements in the second part of H1. Further focus is given also to enhanced digital experience of our clients, whereas automated solutions in several Group member banks were accelerated.

Integration project related to the acquisition of Komercijalna Banka, Beograd in Serbia at 2020 YE is progressing in line with the publicly communicated integration plan.

Financial Markets in Slovenia

Financial Highlights

- Significantly lower reinvestment yields on banking book securities.
- Excess liquidity determined higher volume of cash and balances with central bank with negative interest rates.

Business Highlights

- Further diversification of liquidity reserves and reinvestment of matured securities.
- Participation in the ECB operation TLTRO-III in the amount of EUR 750 million.

Financial Performance

Table 11: Key Financials of Financial Markets in Slovenia

in million EUR
consolidated

Financial Markets in Slovenia									
	1-6 2021	1-6 2020	Change YoY		Q2 2021	Q1 2021	Q2 2020	Change QoQ	
Net interest income	11.7	11.3	0.5	4%	5.7	6.1	4.7	-6%	-6%
o/w ALM ⁽¹⁾	6.2	8.4	-2.2	-26%	2.9	3.3	3.4	-12%	-12%
Net non-interest income	-0.7	15.4	-16.1	-	0.0	-0.7	14.3	-	-
Total net operating income	11.1	26.7	-15.7	-59%	5.7	5.3	19.0	7%	7%
Total costs	-3.9	-3.6	-0.3	-9%	-2.0	-1.9	-1.7	-9%	-9%
Result before impairments and provisions	7.1	23.1	-16.0	-69%	3.7	3.5	17.3	6%	6%
Impairments and provisions	0.1	0.0	0.1	-	0.8	-0.6	0.0	-	-
Result before tax	7.3	23.1	-15.9	-69%	4.4	2.8	17.3	56%	56%

	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Jun 2020	Change YtD		Change YoY		Change QoQ
Balances with Central banks	2,656.0	1,772.3	1,998.1	1,991.0	657.9	33%	665.0	33%	50%
Banking book securities	3,335.5	3,288.9	2,945.8	2,774.0	389.7	13%	561.5	20%	1%
<i>Interest rate on banking book securities</i>	<i>0.65%</i>	<i>0.67%</i>	<i>0.77%</i>	<i>0.78%</i>	<i>-0.12 p.p.</i>		<i>-0.13 p.p.</i>		<i>-0.02 p.p.</i>
Wholesale funding	866.3	143.4	143.5	152.5	722.8	-	713.8	-	-
<i>Interest rate on wholesale funding</i>	<i>1.00%</i>	<i>0.52%</i>	<i>0.54%</i>	<i>0.56%</i>	<i>0.46 p.p.</i>		<i>0.44 p.p.</i>		<i>0.48 p.p.</i>
Subordinated liabilities	287.6	286.8	288.3	287.4	-0.8	0%	0.2	0%	0%
<i>Interest rate on subordinated liabilities</i>	<i>3.69%</i>	<i>3.69%</i>	<i>3.64%</i>	<i>3.56%</i>	<i>0.05 p.p.</i>		<i>0.13 p.p.</i>		<i>0.00 p.p.</i>

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

Net interest income was EUR 0.5 million (4%) higher YoY, mostly due to changed FTP policy which transferred the burden of marginal deposits to retail and corporate segment to de-stimulate the deposit collection. Otherwise, the revenues from banking book securities are YoY lower due to significantly lower reinvestment yields and excess liquidity, additionally reflected in negative effect from higher placements with the central bank at negative interest rates.

Lower **net non-interest income**, EUR 16.1 million YoY, due to one-off effect from the sale of debt securities in H1 2020.

Increase in **balances with central banks** (EUR 657.9 million YtD) partially due to participation in the ECB's liquidity providing operation TLTRO-III, where the obtained funds were temporarily placed on the account with central bank and increased banking book securities by EUR 389.7 million or 13%. Debt securities bought were mainly placed in short-term T-bills due to lower risk factors.

Wholesale funding amount increased due to TLTRO-III secured borrowing, while the interest rate on wholesale funding increased predominantly due to fees associated with prepayment of certain long-term funding sources.

Business Performance

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

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

Further diversification of banking book securities portfolio and reinvestment of matured securities in the total amount of EUR 647 million in the Bank (by EUR 1,099 million on the Group level), of which the majority (EUR 296 million in the Bank and EUR 410 million in the Group) was invested in short-term Slovenian T-bills. New asset class (subordinated bank bonds) were included in the portfolio this year. Total securities portfolio increased by EUR 397 million in the Bank and EUR 454 million on the Group level.

With the acquisition of Komercijalna Banka, Beograd at the end of 2020, exposure to some issuers in the portfolio of banking book debt securities increased. A reduction process of certain high exposures began in Q1, continued in Q2 and is expected to continue throughout the year. Matured assets are being reinvested in government securities of certain EU countries and the US.

Non-Core Members

Financial Highlights

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

Business Highlights

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

Financial Performance

Table 12: Key Financials of Non-Core Members

in EUR millions consolidated									
Non-Core Members									
	1-6 2021	1-6 2020	Change YoY		Q2 2021	Q1 2021	Q2 2020	Change QoQ	
Net interest income	0.4	0.7	-0.3	-47%	0.1	0.2	0.3	-43%	
Net non-interest income	2.9	1.9	1.0	49%	2.2	0.6	0.9	-	
Total net operating income	3.3	2.6	0.6	23%	2.4	0.9	1.2	169%	
Total costs	-5.4	-6.5	1.1	17%	-2.8	-2.5	-3.1	-12%	
Result before impairments and provisions	-2.1	-3.8	1.7	45%	-0.4	-1.6	-1.8	73%	
Impairments and provisions	1.7	-0.1	1.9	-	1.0	0.8	0.1	31%	
Result before tax	-0.4	-4.0	3.6	91%	0.5	-0.9	-1.7	-	

	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Jun 2020	Change YtD		Change YoY		Change QoQ
Segment assets	116.7	124.8	131.2	150.5	-14.5	-11%	-33.8	-22%	-6%
Net loans to customers	34.8	40.7	45.0	58.4	-10.2	-23%	-23.6	-40%	-15%
Gross loans to customers	79.3	90.1	95.0	128.5	-15.7	-17%	-49.2	-38%	-12%
Investment property and property & equipment received for repayment of loans	67.0	68.6	70.2	74.5	-3.2	-5%	-7.5	-10%	-2%
Other assets	14.9	15.4	16.0	17.6	-1.1	-7%	-2.7	-15%	-3%
Non-performing loans (gross)	62.7	70.2	71.3	95.9	-8.6	-12%	-33.3	-35%	-11%

	1-6 2021	1-6 2020	Change YoY
Cost of risk (in bps)	-868	18	-886
CIR	164.1%	244.7%	-80.6 p.p.

A decrease of the **total assets** of the segment YtD (EUR 14.5 million) is in line with the divestment strategy. The segment recorded EUR 0.4 million of **loss before tax**, despite the increase of **net operating income** due to EUR 0.4 million one-off positive effect attributable to the segment from the settlement of legal dispute.

Business Performance

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

In H1 Non-core companies concluded several collection procedures and sale of claims. In addition to this, Ream companies successfully concluded several sales of real estates. REAM Beograd allocated significant resources in H1 for Komercijalna Banka, Beograd activities.

In H1 2021, the Non-Core companies improved their result.

Risk Factors and Outlook

Risk Factors

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

The economic momentum in the region where the Group operates was affected by the COVID-19 pandemic. The governments in the region implemented different measures to mitigate its adverse negative impacts. In 2021, the Group's region is expected to return to growth on the back of revival in private and investment consumption assuming that consumer and investment confidence are restored when the pandemic is successfully curbed.

Lending growth in the corporate segment remained relatively moderate, especially in the current circumstances. On the other hand, the Group faced an increased mortgage loan financing, especially in Slovenia, but also in banking subsidiaries. The economic slowdown caused moderate credit quality deterioration. Nevertheless, the Group faced a favourable NPL movement resulting in lower percentage of NPLs. The investment strategy of the Group, referring to the Group's bond portfolio kept for liquidity purposes, adapts to the expected market trends in accordance with the set risk appetite.

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

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

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

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

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

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

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

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

Outlook

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

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

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

	Performance in H1 2021	Outlook 2021	Outlook 2023
Regular income	EUR 303.7 million	> EUR 600 million	> EUR 700 million
Costs	EUR 197.3 million ⁽ⁱ⁾	~ EUR 430 million ⁽ⁱⁱ⁾	< EUR 400 million
ROE a.t.	13.8%	High single digit	> 10% (RORAC ⁽ⁱⁱⁱ⁾ > 12%)
Loan growth	4%	Mid single digit number	High single digit CAGR (2021-2023)
Cost of risk	-68 bps	20-40 bps ^(iv)	40-60 bps
Dividend payout	12.0	EUR 92.2 million	> EUR 300 million ^(iv)

⁽ⁱ⁾ Including integration costs of EUR 1.5 million.

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

⁽ⁱⁱⁱ⁾ RORAC calculated as Result after tax excl. Tier 2 bonds expenses divided by average RWA at 15.25% capital requirement.

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

^(v) Initial target: 70-90 bps.

Outlook 2021

In the Euro area, GDP is expected to grow 4.5% this year. Growth should be driven by a rise in consumer and capital spending while reviving external demand supports exports. Expansionary monetary and fiscal policy, as well as the disbursement of EU recovery funds, should back the growth. Inflationary pressures are expected this year due to rising energy and commodity prices, production bottlenecks and input shortages, capacity constraints and supply-demand imbalances. Inflation could turn out higher in case stated inflationary pressures drivers are more persistent and their outcome is to larger extent passed through to consumers. In Slovenia, GDP is expected to grow by 5.0% with consumption, investment and foreign demand being the drivers. The Group's region is seen growing 4.9% on average this year with revival in domestic and foreign demand as main drivers. The uncertain evolution of the pandemic, notably the spread and emergence of new virus variants, poses the main downside risks.

Despite the COVID-19 related circumstances the Group ensured continuity of providing services to its clients by adjusting the Group's offer, increased use of digital channels, and enhancing customer experience. The Group is aiming to further support its clients, also by constant development including creating flexible local digital ecosystem of offering products and services.

Following stagnation in 2020, and in line with the economic rebound, strong loan growth in Retail Banking in Slovenia is expected in 2021, with emphasis on mortgage lending. Corporate and Investment Banking in Slovenia is also expected to grow with the predominance of cross-border lending. Growth in Strategic Foreign Markets will remain robust and will greatly improve due to the acquired Komercijalna Banka, Beograd. The customer deposit base will remain high, however, further transfers of retail deposits to asset management and insurance products are expected to continue due to introduction of fee for high balances (as at 1 April 2021 the Bank started charging balances exceeding EUR 250,000; the threshold was decreased to EUR 100,000 as of 1 July 2021¹⁰).

Revenues are expected to improve, with fee business growth returning to pre-COVID-19 levels. However, net interest income will continue to be under pressure due to shrinking margins in all markets and high balance of low-yield liquidity sources. The Group continues to strive for increasing revenues over time by stimulating loan growth and market shares (especially retail), strengthening leasing operations, and pursuing new opportunities.

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

Cost of risk reduced due to more favourable macroeconomic predictions compared to the year end 2020 and strong development in NPL resolution. The cost of risk in 2021 is as of now expected to outperform the previous outlook (70-90 bps) and is expected to be in the range between 20 and 40 bps. The main circumstances influencing cost of risk shall be the length and severity of COVID-19-related potential disruptions in the H2 2021 in corporate operations and consumer spending, and the impact of off-setting measures by governments.

The Group faced favourable NPL movement due to repayment by one of the large corporate clients, and other successfully resolved smaller clients in the region. Moderation of current positive economic trends due to

¹⁰ Further information is available under the section Key Events and Events after 30 June 2021.

uncertainties steaming from potential further waves of COVID-19 and phasing out of moratoria in H2 2021 might have a negative impact on the existing loan portfolio quality, namely as a potential increase of Stage 2 and Stage 3 exposures. However, due to the quite stable quality of the portfolio in the past period, and other precautionary measures to minimise potential future losses, including paying special attention to continuous provision of services to clients and their monitoring, this impact should not be excessive.

From liquidity perspective, deposits at the Group level are still increasing (in the Bank and in subsidiary banks). The liquidity position of the Group is expected to remain solid even if a highly unfavourable liquidity scenario materialises, as the Group holds sufficient liquidity reserves in the form of placements at the ECB, prime debt securities, and money market placements. Significant deposit inflows are putting an additional strain on profitability.

The capital position represents a strong base to cover all regulatory capital requirements, including capital buffers and other currently known requirements, as well as the Pillar 2 Guidance. Negative goodwill recognised at acquisition of Komercijalna Banka, Beograd and acknowledged by the ECB, was included in the regulatory capital as of 30 June 2021 and further improved capital position. Also, in 2021 the Group continues with the activities to optimise RWAs.

Pursuant to the ECB regulation/BoS decision, dividends payout in 2021 is split into two tranches. The first instalment in the amount of EUR 12.0 million was paid on 22 June 2021. The second instalment will be payable upon expiry of the BoS decision on 18 October 2021 in the amount of EUR 12.8 million, unless such payment would then be contrary to the regulations. In addition to the currently allowed distribution plan, the Bank envisages, subject to regulatory requirements, additional incremental dividends in 2021 to reach a cumulative payout ratio of 70% of the 2020 Group result (without considering the impact of negative goodwill) totalling EUR 92.2 million. The Bank envisages cumulative dividend payout in excess of EUR 300 million in the period 2021-2023.

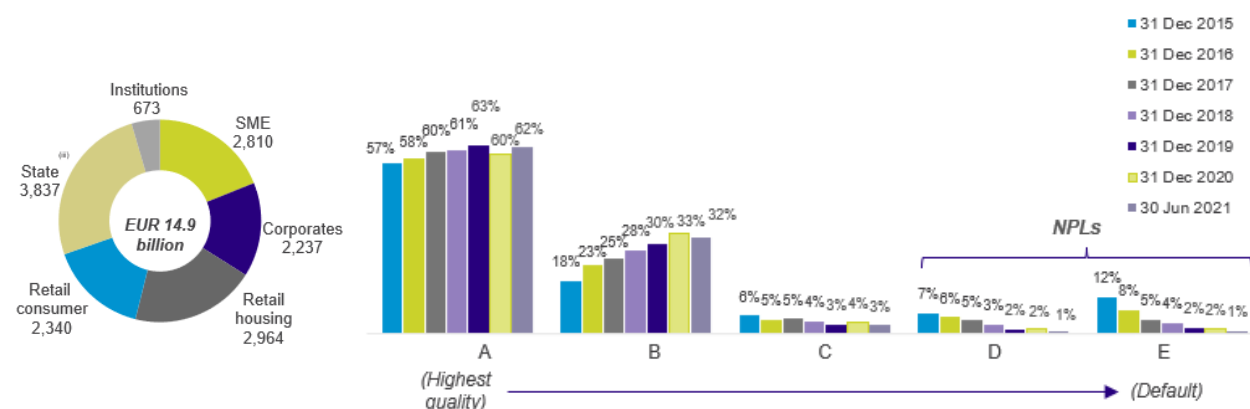
The Group might explore further value accretive M&A opportunities in its domestic and other regional markets where the Group is not yet present with the aim to increase the shareholders' value.

Risk Management

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

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

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

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

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

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

⁽ⁱⁱⁱ⁾ State includes exposures to central banks.

The current structure of credit portfolio (gross loans) consists of 35.7% retail clients, 15.1% large corporate clients, 18.9% SMEs and micro companies, while the remainder of the portfolio consists of other liquid assets. With the acquisition of Komercijalna Banka, Beograd there were no major changes in the corporate and retail credit portfolio structure. Credit portfolio remains well diversified, there is no large concentration in any specific industry or client segment. The share of retail portfolio in the whole credit portfolio is quite substantial with the segment of mortgage loans prevailing; an increase of new financing was recognised in Q2.

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

Corporate sector by industry	Credit portfolio	%
Accommodation and food service activities	141,432	3%
Act. of extraterritorial org. and bodies	5	0%
Administrative and support service activities	107,790	2%
Agriculture, forestry and fishing	299,237	6%
Arts, entertainment and recreation	22,995	0%
Construction industry	392,148	8%
Education	13,432	0%
Electricity, gas, steam and air condition	278,855	6%
Finance	152,991	3%
Human health and social work activities	45,934	1%
Information and communication	247,467	5%
Manufacturing	1,034,937	21%
Mining and quarrying	77,457	2%
Professional, scientific and techn. act.	219,247	4%
Public admin., defence, compulsory social.	209,083	4%
Real estate activities	236,817	5%
Services	11,650	0%
Transport and storage	591,278	12%
Water supply	39,932	1%
Wholesale and retail trade	923,304	18%
Other	931	0%
Total Corporate sector	5,046,923	100%

Main manufacturing activities	Credit portfolio	%
Manufacture of basic metals	159,793	3%
Manufacture of food products	150,372	3%
Manufacture of fabricated metal products, except machinery and equipment	126,762	3%
Manufacture of electrical equipment	123,169	2%
Manufacture of rubber and plastic products	56,981	1%
Manufacture of other non-metallic mineral products	55,718	1%
Other manufacturing activities	362,143	7%
Total manufacturing activities	1,034,937	21%

Main wholesale and retail trade activities	Credit portfolio	%
Wholesale trade, except of motor vehicles and motorcycles	548,376	11%
Retail trade, except of motor vehicles and motorcycles	264,907	5%
Wholesale and retail trade and repair of motor vehicles and motorcycles	110,022	2%
Total wholesale and retail trade	923,304	18%

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

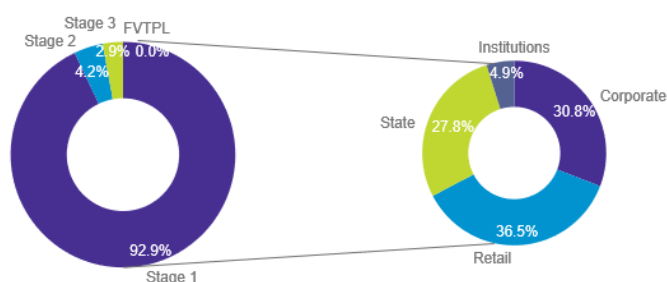


Table 15: NLB Group loan portfolio by stages as at 30 June 2021; in EUR million

	Credit portfolio									Provisions and FV changes for credit portfolio					
	Stage1			Stage2			Stage3 & FVTPL			Stage1		Stage2		Stage3 & FVTPL	
	Credit portfolio	Share of Total	YTD change	Credit portfolio	Share of Total	YTD change	Credit portfolio	Share of Total	YTD change	Provision Volume	Provision Coverage	Provision Volume	Provision Coverage	Provisions & FV changes	Coverage with provisions and FV changes
Total NLB Group	13,810.5	92.9%	1,159.7	619.8	4.2%	59.7	431.6	2.9%	-44.1	63.1	0.5%	31.9	5.1%	255.7	59.2%
o/w Corporate	4,259.1	84.4%	123.4	482.6	9.6%	55.9	305.2	6.0%	-53.4	44.1	1.0%	24.1	5.0%	185.3	60.7%
o/w Retail	5,041.2	95.0%	262.0	137.2	2.6%	3.9	126.3	2.4%	9.2	17.2	0.3%	7.8	5.7%	70.3	55.6%
o/w State	3,837.0	100.0%	546.9	-	-	-	0.1	0.0	0.1	1.4	0.0%	-	-	0.1	94.5%
o/w Institutions	673.1	100.0%	227.4	-	-	-	-	-	-	0.3	0.0%	-	-	-	-

The majority of the Group's loan portfolio is classified as Stage 1 (92.9%), a relatively small portion as Stage 2 (4.2%) and Stage 3 (2.9%). The loans in stages from 1 to 3 are measured at amortized cost, while the remaining minor part (0.002%) represents FVTPL. Under IFRS 3 rules, all assets of the Komercijalna Banka, Beograd were initially recognized at fair value in the Group financial statements. Respectively, all acquired loans were classified either in Stage 1 (performing portfolio) or in Stage 3 (non-performing portfolio). For Stage 3 loans special rules were applied, since they were NPLs already at initial recognition and recognized at fair value without any additional credit loss allowances.

Impacts of the COVID-19 pandemic caused moderate credit quality deterioration, which resulted in an increase of Stage 2 and Stage 3 exposures in the previous periods. In Q2 2021 a reversal was observed, mainly due to successful recovery of NPLs. An increase in both stages occurred in the segment of private individuals. The portfolio quality remains very stable with increasing Stage 1 exposures and a relatively low percentage of NPLs, which are below the Slovenian average. The percentage of Stage 1 loan portfolio remains at 95.0% in the Retail segment, while in the Corporate segment, despite the adverse economic conditions, it remained almost at the same level as at 2020 YE, i.e. at 84.4%, which is a result of cautious lending policy.

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

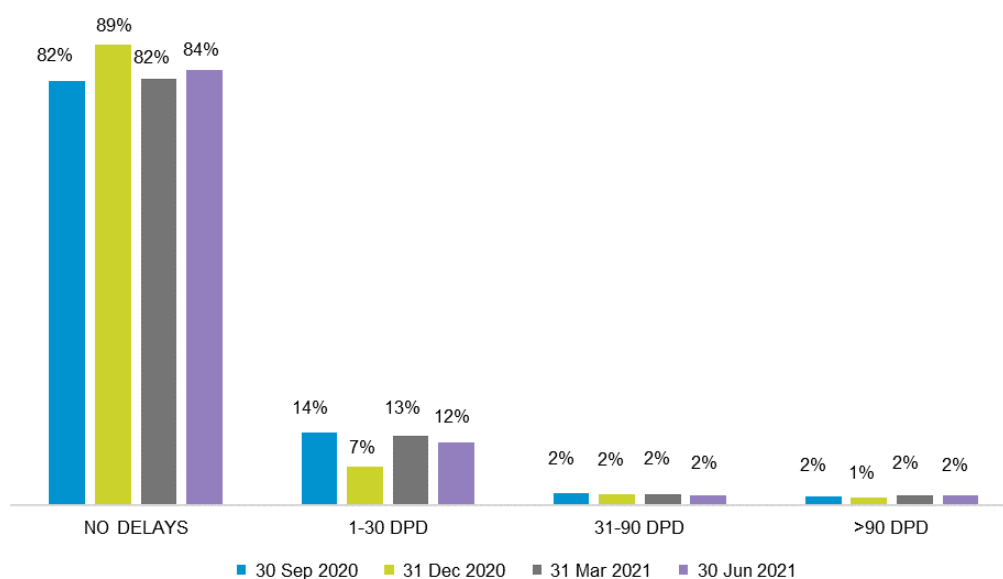
After the impact of the second COVID-19 wave, the EBA decided to reactivate its guidelines on legislative and non-legislative moratoria. This reactivation ensured that loans, which had previously not benefitted from payment moratoria, could afterwards also benefit from them. The revised EBA guidelines apply for moratoria granted until 31 March 2021 under the condition of maximum payment deferral of 9 months. In some markets where the Group

members operate, the local government or regulator renewed or prolonged the granting of payment moratoriums. However, the Group members will follow the EBA guidelines on moratoria. In accordance with these guidelines, moratoria granted after the period defined by the EBA, should be classified on a case-by-case basis, evaluating each client's forbearance status.

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

NLB Group Member	COVID-19 moratoria					
	Exposure	Of which: expired	Outstanding amount	Relevant book	% of Relevant book	% of Relevant book (excl. expired moratoria)
NLB, Ljubljana	486.5	367.9	118.6	7,635.5	6.4%	1.6%
NLB Banka, Beograd	191.9	171.1	20.8	581.0	33.0%	3.6%
NLB Leasing d.o.o. - v likvidaciji, Ljubljana	2.3	2.3	0.0	17.3	13.3%	0.0%
NLB Banka, Podgorica	148.8	142.0	6.8	458.4	32.5%	1.5%
NLB Banka, Banja Luka	19.2	16.2	3.0	661.6	2.9%	0.5%
NLB Banka, Skopje	285.3	278.3	6.9	1,311.4	21.8%	0.5%
NLB Banka, Sarajevo	29.0	26.3	2.7	547.3	5.3%	0.5%
NLB Banka, Prishtina	219.5	182.7	36.8	797.6	27.5%	4.6%
KB Banka, Beograd	637.3	602.7	34.6	2,506.6	25.4%	1.4%
KB Banka, Podgorica	36.5	29.3	7.2	126.3	28.9%	5.7%
KB Banka, Banja Luka	29.4	29.4	0.0	231.7	12.7%	0.0%
Total NLB Group	2,085.7	1,848.3	237.4	14,874.7	14.0%	1.6%

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



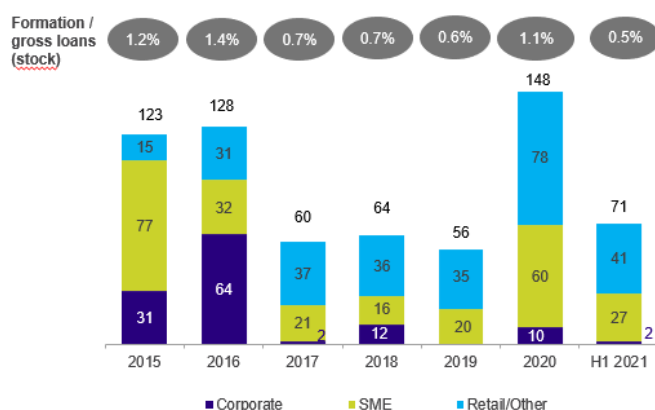
As of 30 June 2021, the exposure with COVID-19 moratoria on the Group level amounts to EUR 2,085.7 million. The amount represents 14.0% of the total gross book value. Nevertheless, 88.6% of the granted moratoria expired at the end of H1, whereas by the 2021 YE almost all the remaining moratoria will expire. Since the expiration of moratorium, 84.0% of exposure has performed without any material delays, while only 2.0% show delays of more than 90 days. Non-expired moratoriums were already reclassified accordingly in 2020 based on future expectations.

Apart from moratoriums, the Group is also providing additional liquidity by granting new loans to creditworthy clients to help them with the specific situation due to the COVID-19 crisis. The volume of such loans is EUR 29.5

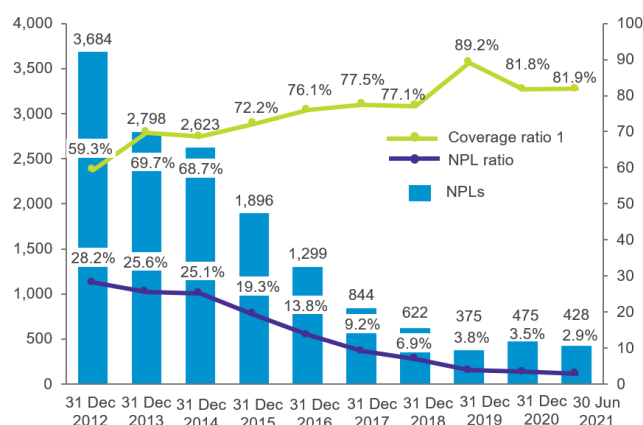
million in the Bank and EUR 89.2 million in other Group member banks, mostly subject to public guarantee schemes in Serbia and Slovenia.

The combination of high-quality portfolio, COVID-19 legislative options and uncertain macroeconomic conditions led to cumulative new NPLs formation in H1 in the amount of EUR 71.0 million, which is 0.5% of the total portfolio. Cost of risk reduction occurred due to more favourable macroeconomic predictions (compared to the 2020) and strong development in NPL resolution. However, the macroeconomic situation across the region might be still affected by COVID-19 and related potential economic slowdown (resulting mainly from potential additional lockdowns), which might have an adverse impact on cost of risk.

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



Precisely set targets in the Group's NPL Strategy and various proactive workout approaches facilitated the management of the non-performing portfolio. The Group's approach to NPL management puts a strong emphasis on restructuring and use of other active NPL management tools, such as foreclosure of collateral, the sale of claims and pledged assets. In Q1 the non-performing credit portfolio stock temporarily stopped its multi-year declining trend as a consequence of the COVID-19 outbreak. In Q2 favourable NPL movement reappeared, mostly due to repayment by one of the large corporate clients. The existing non-performing credit portfolio stock in the Group decreased in comparison with the 2020 YE to EUR 427.9 million (2020 YE: EUR 474.7 million). The combined result of all of the effects resulted in 2.9% of NPLs, while the internationally more comparable NPE ratio, based on the EBA methodology, reduced to 2.0%. The Group's indicator gross NPL ratio, defined by the EBA, is at a lower level as at 2020 YE, amounting to 4.0%, and is below the regulatory defined threshold for establishment of NPL strategy framework.

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

⁽ⁱ⁾ By internal definition.

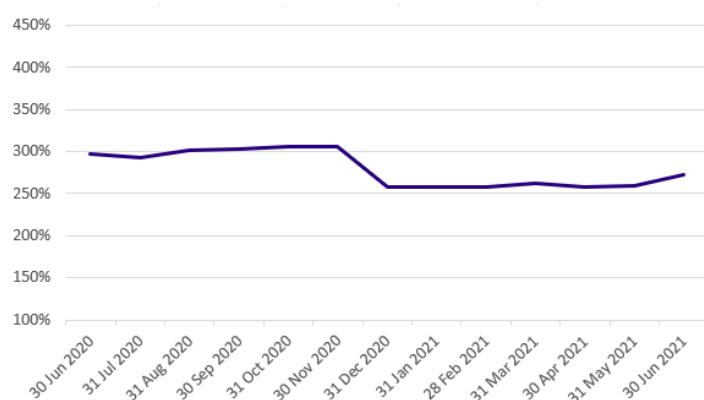
Due to extensive experience gained in the last few years in dealing with clients with financial difficulties, resulting primarily from legacy portfolios, the Group has developed an extensive knowledge base both in the prevention of financial difficulties for clients, to restructure viable clients in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

An important Group's strength is the NPL coverage ratio 1 (coverage of gross NPLs with impairments for all loans), which remains high at 81.9%. Furthermore, the Group's NPL coverage ratio 2 (coverage of gross NPLs with impairments for NPL) stands at 59.9%, which is well above the EU average as published by the EBA (44.7% for the March 2021). As such, it enables a further reduction in NPLs without significantly influencing the cost of risk in the coming years.

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

In the COVID-19 environment the Group is perceived as a safe haven and therefore its excess liquidity is growing, while impacts of the pandemic did not cause any material liquidity outflows. Significant attention was put into the structure and concentration of liquidity reserves by incorporating early warning systems, while keeping in mind the potential adverse negative market movements. The Group holds a very strong liquidity position at the Group and individual subsidiary bank level, which is well above the risk appetite with the LCR of 272.6% and unencumbered eligible reserves in the amount of EUR 9,025.0 million in the form of placements at the ECB, prime debt securities, and money market placements. The main funding base of the Group at the Group and individual subsidiary bank level predominately entails customer deposits, namely in the retail segment, representing a very stable and constantly growing base. A very comfortable level of LTD at 58.7% gives the Group the potential for further customer loan placements.

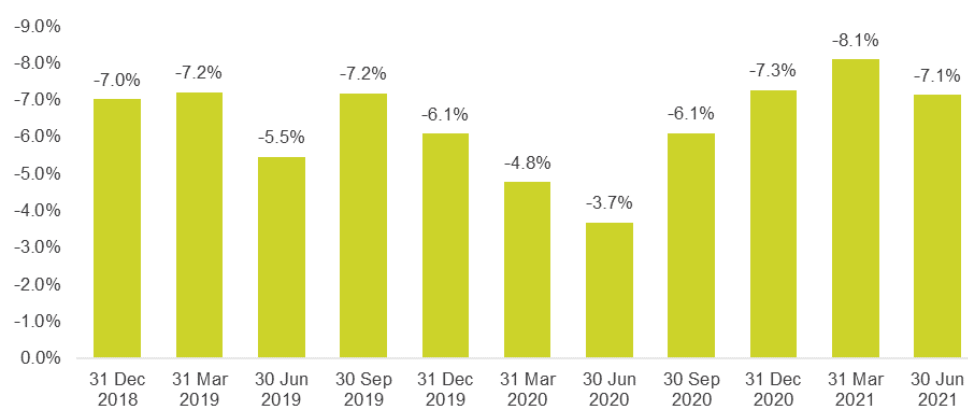
Figure 23: NLB Group's LCR



The Group's net open FX position from the transactional risk is at a low level, at the end of H1 it stood at 0.98% of capital. With regards to structural FX positions on the consolidated basis, which are recognized in the other comprehensive income, the Group's structural FX positions increased by acquisition of Komercijalna Banka, Beograd, resulting in an increase of the Group's RWA for market risk.

The Group's interest rate positions were slightly affected by moratoriums during the last year, which were mostly short-term and consequently not very material. The Group places excess liquidity mainly into banking book securities with fixed interest rate, while in the current negative interest rate environment there is also a higher demand for products with fixed interest rate. The interest rate exposure to interest rate risk remains modest, within the risk appetite limits. If market interest rates increased, the net interest income of the Group would be positively affected, whereas if they decreased, negative effects would be lower due to zero floor clauses included in a number of loan contracts. When assessing the EVE sensitivity, the Group members apply different scenarios. For most members, the worst-case regulatory scenario is in the case of interest rate increase by 200 bps. From the EVE perspective, the estimated capital sensitivity of 200 bps equals -7.1% of the Group's capital.

Figure 24: NLB Group's EVE evolution



In the area of operational risk management, where the Group has established robust operational risk culture, the main qualitative activities refer to the reporting of loss events and identification, assessment, and management of operational risks. On this basis, constant improvement of control activities, processes, and/or organisation are

performed. Besides that, the Group also focuses on proactive mitigation, prevention, and minimisation of potential damage.

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

Corporate Governance

Management Board

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

The Supervisory Board of the Bank and Petr Brunclík, member of the Management Board and Chief Operating Officer (COO), agreed on the termination of office with effect on 30 June 2021. The decision was brought about by personal reasons. As of 22 April 2021, his tasks were taken over by other members of the NLB's Management Board.

Supervisory Board

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

On the session dated 8 April 2021, the Supervisory Board Approved NLB Group's 2020 Annual and Sustainability Reports. On the session the Supervisory Board also confirmed the Management Board's proposal to convene on 14 June 2021 the 36th General Meeting of NLB.

On the session dated 11 May 2021 the Supervisory Board discussed the NLB Group Interim Results for the first quarter of 2021.

General Meeting

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

The shareholders of the Bank gathered at 36th General Meeting on 14 June 2021. Due to COVID-19 pandemic, for the first time the General Meeting was held live and online. The shareholders took note of the approved NLB Group Annual Report 2020, Report of the Supervisory Board of NLB on the results of the examination of the NLB Group Annual Report 2020 and Information on the income of members of the Management Board and Supervisory Board in 2020.

The shareholders decided on the allocation of distributable profit for 2020. The distributable profit of the Bank as at 31 December 2020 was EUR 341,992,219.43 and consisted of net profit for 2020 in the amount of EUR 113,952,339.70 and retained earnings from previous financial years in the amount of EUR 228,039,879.73. Distributable profit in the amount of EUR 24,800,000.00 is to be paid to the Shareholders as dividends in two instalments. In accordance with the ECB recommendation, the BoS decision and adopted resolution of the General Meeting, on 22 June 2021 the Bank paid the first instalment of dividends in the total amount of EUR 12 million (EUR 0.60 per share) and is envisaged to pay the second instalment of dividends on 18 October 2021 in the total amount of EUR 12.8 million (EUR 0.64 per share), with the Management Board being entitled and obliged to cancel in part or in full the payment of the second instalment of the dividend, if the payment were in conflict with the regulations.

The General Meeting granted a discharge to the members of the management and supervisory bodies for the 2020 financial year and adopted amendments and supplements to the Articles of Association of the Bank and appointed Islam Osama Zekry as a new member of the Supervisory Board, as in 2021 the four-year mandate of the Supervisory Board member Peter Groznik expired.

Guidelines on Disclosure for Listed Companies

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

Events after 30 June 2021

From 1 July 2021, the Bank charges a monthly fee of 0.04% for average monthly balances of customers' assets above EUR 100,000 – the sum of balances on NLB Personal Accounts and Packages, NLB Savings Accounts, NLB Gradual Savings and NLB Term Deposits will be taken into account.

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

On 30 July, 2021 the results of stress tests carried out for important banks by the ECB to assess the resilience of the financial institutions have been disclosed. The stress tests for the Bank were carried out based on a static consolidated balance sheet as at 31 December 2020 (full consolidation of acquired Komercijalna Banka, Beograd). Under adverse scenario, CET1 ratio (fully loaded) would fall by maximum 483 bps (published range 300-599 bps) after three years without mitigation measures from the year-end 2020. The average fall of 51 medium sized banks tested by ECB was 680 bps. The result ranks the Group between 6-22 place among 51 banks.

Alternative Performance Indicators

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

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

(in EUR million and bps)	NLB Group					
	1-6 2021	1-3 2021	1-12 2020	1-9 2020	1-6 2020	1-3 2020
Numerator						
Credit impairments and provisions ⁽ⁱ⁾	-66.4	-75.7	47.6	64.2	65.2	111.9
Denominator						
Average net loans to customers ⁽ⁱⁱ⁾	9,822.4	9,703.9	7,696.1	7,674.8	7,666.5	7,660.6
Cost of risk	-68	-78	62	84	85	146

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

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

⁽ⁱⁱⁱ⁾ Komercijalna Banka group included from 2021 on.

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

(in EUR million and %)	NLB Group					
	1-6 2021	1-3 2021	1-12 2020	1-9 2020	1-6 2020	1-3 2020
Numerator						
Total costs	197.3	96.6	293.9	216.3	144.8	74.6
Denominator						
Total net operating income	333.9	154.0	504.5	383.3	260.0	123.8
Cost to income ratio (CIR)	59.1%	62.7%	58.3%	56.4%	55.7%	60.3%

CIR is adjusted to changed schemes prescribed by the BoS.

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

IFRS 9 classification into stages for loan portfolio:

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

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

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

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

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

Loan portfolio includes loans to banks, loans to other customers, loans mandatorily measured at FVTPL and balances with central banks and other banks. The majority of loan portfolio is classified into IFRS 9 stages. The remaining minor part (0.3 per cent at the end of December 2020 and 0.002 per cent at the end of Q2 2021) represents FVTPL. The classification into stages is calculated on the internal data source, by which the Group measures the loan portfolio quality, and is also published in Business Report of Annual and Interim Reports.

	NLB Group
(in EUR million and %)	30 Jun 2021
Numerator	
Total (AC) loans in Stage 1	13,810.5
Denominator	
Total gross loans	14,861.9
IFRS 9 classification into Stage 1	92.9%

	NLB Group
(in EUR million and %)	30 Jun 2021
Numerator	
Total (AC) loans in Stage 3	431.2
Denominator	
Total gross loans	14,861.9
IFRS 9 classification into Stage 3	2.9%

	NLB Group
(in EUR million and %)	30 Jun 2021
Numerator	
Total (AC) loans in Stage 1 to Corporates	4,259.1
Denominator	
Total gross loans to Corporates	5,046.9
Corporates - IFRS 9 classification into Stage 1	84.4%

	NLB Group
(in EUR million and %)	30 Jun 2021
Numerator	
Total (AC) loans in Stage 2 to Corporates	482.6
Denominator	
Total gross loans to Corporates	5,046.9
Corporates - IFRS 9 classification into Stage 2	9.6%

	NLB Group
(in EUR million and %)	30 Jun 2021
Numerator	
Total (AC & FVTPL) loans in Stage 3 to Corporates	305.2
Denominator	
Total gross loans to Corporates	5,046.9
Corporates - IFRS 9 classification into Stage 3	6.0%

	NLB Group
(in EUR million and %)	30 Jun 2021
Numerator	
Total (AC) loans in Stage 2	619.8
Denominator	
Total gross loans	14,861.9
IFRS 9 classification into Stage 2	4.2%

	NLB Group
(in EUR million and %)	30 Jun 2021
Numerator	
Total (FVTPL) loans	0.4
Denominator	
Total gross loans	14,861.9
IFRS 9 classification into FVTPL	0.0%

	NLB Group
(in EUR million and %)	30 Jun 2021
Numerator	
Total (AC) loans in Stage 1 to Retail	5,041.2
Denominator	
Total gross loans to Retail	5,304.7
Retail - IFRS 9 classification into Stage 1	95.0%

	NLB Group
(in EUR million and %)	30 Jun 2021
Numerator	
Total (AC) loans in Stage 2 to Retail	137.2
Denominator	
Total gross loans to Retail	5,304.7
Retail - IFRS 9 classification into Stage 2	2.6%

	NLB Group
(in EUR million and %)	30 Jun 2021
Numerator	
Total (AC) loans in Stage 3 to Retail	126.3
Denominator	
Total gross loans to Retail	5,304.7
Retail - IFRS 9 classification into Stage 3	2.4%

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

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

(in EUR million and %)	NLB Group												
	30 Jun 2021	31 May 2021	30 Apr 2021	31 Mar 2021	28 Feb 2021	31 Jan 2021	31 Dec 2020	30 Nov 2020	31 Oct 2020	30 Sep 2020	31 Aug 2020	31 Jul 2020	30 Jun 2020
Numerator													
Stock of HQLA	5,452.8	4,976.0	4,941.4	4,915.3	4,871.5	5,027.8	5,003.0	4,849.5	4,746.2	4,710.4	4,730.0	4,726.0	4,737.7
Denominator													
Net liquidity outflow	2,000.2	1,915.8	1,918.6	1,876.4	1,889.0	1,945.5	1,943.1	1,586.9	1,555.4	1,553.9	1,569.3	1,616.3	1,594.0
LCR	272.6%	259.7%	257.6%	262.0%	257.9%	258.4%	257.5%	305.6%	305.1%	303.1%	301.4%	292.4%	297.2%

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 and %)	NLB Group		
	30 Jun 2021	31 Dec 2020	30 Jun 2020
Numerator			
Net loans to customers	10,071.4	9,644.9	7,686.7
Denominator			
Deposits from customers	17,143.0	16,397.2	12,190.8
Net loan to deposit ratio (LTD)	58.7%	58.8%	63.1%

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

(in EUR million and %)	NLB Group					
	1-6 2021	1-3 2021	1-12 2020	1-9 2020	1-6 2020	1-3 2020
Numerator						
Net interest income ⁽ⁱ⁾	400.6	395.4	299.6	299.9	301.8	311.2
Denominator						
Average interest bearing assets ⁽ⁱⁱ⁾	19,195.9	18,902.8	14,187.6	14,009.2	13,791.1	13,560.3
Net interest margin on interest bearing assets	2.09%	2.09%	2.11%	2.14%	2.19%	2.29%

⁽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⁾ Komerčijalna Banka group included from 2021 on.

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

(in EUR million and %)	NLB Group				
	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Numerator					
Net interest income ⁽ⁱ⁾	405.7	395.4	298.7	296.1	292.4
Denominator					
Average interest bearing assets ⁽ⁱⁱ⁾	19,459.1	18,902.8	14,739.7	14,461.7	13,979.9
Net interest margin on interest bearing assets (quarterly)	2.08%	2.09%	2.03%	2.05%	2.09%

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

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

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

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

(in EUR million and %)	NLB Group	
	1-6 2021	1-6 2020
Numerator		
Net interest income ⁽ⁱ⁾	400.6	301.8
Denominator		
Average total assets ⁽ⁱⁱ⁾	20,066.4	14,383.8
Net interest margin on total assets	2.00%	2.10%

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

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

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

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

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

Below presented calculations are based on internal data sources.

(in EUR million and %)	NLB Group					
	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Numerator						
Total Non-Performing on-balance and off-balance Exposure in Finrep18	478.0	520.0	513.0	437.4	443.1	437.7
Denominator						
Total on-balance and off-balance exposures in Finrep18	23,883.1	22,387.9	22,042.3	17,562.6	17,299.9	16,333.4
NPE per cent.	2.0%	2.3%	2.3%	2.5%	2.6%	2.7%

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

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

(in EUR million and %)	NLB Group										
	30 Jun 2021	31 Dec 2020	30 Jun 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
Numerator											
Total Non-Performing Loans	427.9	474.7	401.3	374.7	622.3	844.5	1,299.2	1,895.5	2,623.4	2,797.7	3,683.6
Denominator											
Total gross loans	14,861.9	13,686.6	10,863.4	9,793.5	9,017.2	9,130.4	9,443.7	9,829.2	10,432.6	10,936.6	13,083.8
NPL per cent.	2.9%	3.5%	3.7%	3.8%	6.9%	9.2%	13.8%	19.3%	25.1%	25.6%	28.2%

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

(in EUR million and %)	NLB Group										
	30 Jun 2021	31 Dec 2020	30 Jun 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
Numerator											
Loan loss allowances entire loan portfolio	350.7	388.4	362.1	334.2	479.6	654.8	988.7	1,368.1	1,801.8	1,948.9	2,184.1
Denominator											
Total Non-Performing Loans	427.9	474.7	401.3	374.7	622.3	844.5	1,299.2	1,895.5	2,623.4	2,797.7	3,683.6
NPL coverage ratio 1 (NPL CR 1)	81.9%	81.8%	90.2%	89.2%	77.1%	77.5%	76.1%	72.2%	68.7%	69.7%	59.3%

NPL

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

(in EUR million and %)	NLB Group		
	30 Jun 2021	31 Dec 2020	30 Jun 2020
Numerator			
Loan loss allowances non-performing loan portfolio	256.5	272.1	251.3
Denominator			
Total Non-Performing Loans	427.9	474.7	401.3
NPL coverage ratio 2 (NPL CR 2)	59.9%	57.3%	62.6%

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

(in EUR million and %)	NLB Group		
	30 Jun 2021	31 Dec 2020	30 Jun 2020
Numerator			
Net volume of non-performing loans	171.5	202.7	150.0
Denominator			
Total Net Loans	14,511.3	13,298.2	10,501.3
Net NPL ratio per cent. (%Net NPL)	1.2%	1.5%	1.4%

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

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

(in EUR million and %)	NLB Group		
	30 Jun 2021	31 Dec 2020	30 Jun 2020
Numerator			
Gross volume of Non-Performing Loans and advances without loans held for sale, cash balances at CBs and other demand deposits	435.2	466.0	396.1
Denominator			
Gross volume of Loans and advances in Finrep18 without loans held for sale, cash balances at CBs and other demand deposits	10,805.7	10,340.6	8,251.8
NPL ratio (EBA def.) per cent.	4.0%	4.5%	4.8%

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

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

(in EUR million and %)	NLB Group					
	1-6 2021	1-3 2021	1-12 2020	1-9 2020	1-6 2020	1-3 2020
Numerator						
Operational business net income ⁽ⁱ⁾	659.3	642.1	490.3	487.1	485.7	501.0
Denominator						
Average total assets ⁽ⁱⁱ⁾	20,066.4	19,749.0	14,789.5	14,589.5	14,383.8	14,167.0
OBM (cumulative)	3.29%	3.25%	3.32%	3.34%	3.38%	3.54%

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

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

⁽ⁱⁱⁱ⁾ Komercijalna Banka group included from 2021 on.

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

(in EUR million and %)	NLB Group					
	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Numerator						
Operational business net income ⁽ⁱ⁾	676.3	642.1	499.8	489.9	470.3	501.0
Denominator						
Average total assets ⁽ⁱⁱ⁾	20,357.0	19,749.0	15,378.5	15,025.2	14,576.7	14,167.0
OBM (quarterly)	3.32%	3.25%	3.25%	3.26%	3.23%	3.54%

⁽ⁱ⁾ Operational business net income 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⁾ Komerčijalna Banka group included from 2021 on.

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

(in EUR million and %)	NLB Group					
	1-6 2021	1-3 2021	1-12 2020	1-9 2020	1-6 2020	1-3 2020
Numerator						
Result after tax ⁽ⁱ⁾	279.6	258.4	141.3	139.5	147.3	73.2
Denominator						
Average equity ⁽ⁱⁱ⁾	2,020.6	1,983.1	1,741.1	1,720.4	1,703.2	1,697.7
ROE a.t.	13.8%	13.0%	8.1%	8.1%	8.7%	4.3%

⁽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⁾ Komerčijalna Banka group included from 2021 on.

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

(in EUR million and %)	NLB Group	
	1-6 2021	1-6 2020
Numerator		
Result after tax ⁽ⁱ⁾	279.6	147.3
Denominator		
Average total assets ⁽ⁱⁱ⁾	20,066.4	14,383.8
ROA a.t.	1.4%	1.0%

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

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

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

(in EUR million and %)	NLB Group						(in EUR million and %)	NLB
	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020		30 Jun 2021
Numerator							Numerator	
Total capital (Own funds)	2,172.4	2,025.4	2,065.5	1,909.6	1,903.4	1,707.8	Total capital (Own funds)	1,625.3
Denominator							Denominator	
Total risk exposure Amount (Total RWA)	12,755.6	12,615.1	12,421.0	8,863.2	9,301.7	9,226.7	Total risk exposure Amount (Total RWA)	6,423.1
Total capital ratio	17.0%	16.1%	16.6%	21.5%	20.5%	18.5%	Total capital ratio	25.3%

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

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

Business report	in EUR mio	Financial report	in EUR thousands	Notes
Net interest income	198.6	Interest and similar income	233,094	4.1.
		Interest and similar expenses	(34,451)	4.1.
Net fee and commission income	114.1	Fee and commission income	155,367	4.3.
		Fee and commission expenses	(41,314)	4.3.
Dividend income	0.1	Dividend income	55	4.2.
		Gains less losses from financial assets and liabilities not measured as at fair value through profit or loss	(2)	4.4.
		Gains less losses from financial assets and liabilities held for trading	9,672	4.5.
Net income from financial transactions	26.0	Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	16,708	4.6.
		Fair value adjustments in hedge accounting	75	
		Foreign exchange translation gains less losses	(365)	
		Gains less losses from modification	(56)	
		Gains less losses on derecognition of non-financial assets	1,018	
Net other income	(4.9)	Other net operating income	16,080	4.7.
		Cash contributions to resolution funds and deposit guarantee schemes	(22,197)	4.9.
		Gains less losses from non-current assets held for sale	224	
Net non-interest income	135.3		135,265	
Total net operating income	333.9		333,908	
Employee costs	(111.7)	Administrative expenses	(174,101)	4.8.
Other general and administrative expenses	(62.4)	Depreciation and amortisation	(23,193)	4.10.
Depreciation and amortisation	(23.2)			
Total costs	(197.3)		(197,294)	
Result before impairments and provisions	136.6		136,614	
Impairments and provisions for credit risk	30.7	Provisions for credit losses	5,594	4.11.
		Impairment of financial assets	25,122	4.12.
Other impairments and provisions	(11.8)	Provisions for other liabilities and charges	(10,872)	4.11.
		Impairment of non-financial assets	(884)	4.12.
Impairments and provisions	19.0		18,960	
Gains less losses from capital investment in subsidiaries, associates, and joint ventures	0.4	Share of profit from investments in associates and joint ventures (accounted for using the equity method)	421	
Result before tax	156.0		155,995	
Income tax	(9.6)	Income tax	(9,561)	4.13.
Result of non-controlling interests	6.6	Attributable to non-controlling interests	6,629	
Result after tax	139.8	Attributable to owners of the parent	139,805	

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

Business report	in EUR mio	Financial report	in EUR thousands	Notes
ASSETS				
Cash, cash balances at central banks, and other demand deposits at banks	4,739.4	Cash, cash balances at central banks and other demand deposits at banks	4,739,351	5.1.
Loans to banks	243.4	Financial assets measured at amortised cost - loans and advances to banks	243,360	5.5.b)
Net loans to customers	10,071.4	Financial assets measured at amortised cost - loans and advances to customers	10,071,406	5.5.c)
		Non-trading financial assets mandatorily at fair value through profit or loss - part (only loans)	-	5.3.
Financial assets	5,490.9		5,490,917	
- Trading book	13.5	Financial assets held for trading	13,534	5.2.a)
		Non-trading financial assets mandatorily at fair value through profit or loss - part (without loans)	19,075	5.3.
- Non-trading book	5,477.4	Financial assets measured at fair value through other comprehensive income	3,559,367	5.4.
		Financial assets measured at amortised cost - debt securities	1,898,941	5.5.a)
Investments in subsidiaries, associates, and joint ventures	8.4	Investments in associates and joint ventures	8,411	
Property and equipment, investment property	297.1	Property and equipment	243,822	5.7.
		Investment property	53,303	5.8.
Intangible assets	55.7	Intangible assets	55,654	
		Financial assets measured at amortised cost - other financial assets	134,909	5.5.d)
		Derivatives - hedge accounting	163	
Other assets	281.1	Fair value changes of the hedged items in portfolio hedge of interest rate risk	9,221	
		Current income tax assets	248	
		Deferred income tax assets	31,961	5.13.
		Other assets	95,960	5.9.
		Non-current assets held for sale	8,618	5.6.
TOTAL ASSETS	21,187.3	Total assets	21,187,304	
LIABILITIES				
Deposits from customers	17,143.0	Financial liabilities measured at amortised cost - due to customers	17,142,973	5.11.
Deposits from banks and central banks	78.0	Financial liabilities measured at amortised cost - deposits from banks and central banks	78,039	5.11.
Borrowings	976.6	Financial liabilities measured at amortised cost - borrowings from banks and central banks	880,615	5.11.
		Financial liabilities measured at amortised cost - borrowings from other customers	95,988	5.11.
		Financial liabilities held for trading	10,933	5.2.b)
Other liabilities	466.8	Financial liabilities measured at amortised cost - other financial liabilities	264,194	5.11.c)
		Derivatives - hedge accounting	43,670	
		Provisions	120,419	5.12.
		Current income tax liabilities	4,150	
		Deferred income tax liabilities	4,158	5.13.
		Other liabilities	19,321	5.15.
Subordinated liabilities	287.6	Financial liabilities measured at amortised cost - subordinated liabilities	287,563	5.11.a)
Equity	2,091.4	Equity and reserves attributable to owners of the parent	2,091,444	
Non-controlling interests	143.8	Non-controlling interests	143,837	
TOTAL LIABILITIES AND EQUITY	21,187.3	Total liabilities and equity	21,187,304	

Unaudited Condensed Interim Financial Statements of NLB Group and NLB

as at 30 June 2021

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

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Condensed income statement for the period ended 30 June

in EUR thousands

	Notes	NLB Group		NLB	
		six months ended		six months ended	
		June 2021	June 2020	June 2021	June 2020
		unaudited	unaudited	unaudited	unaudited
Interest income, using the effective interest method		229,589	173,360	83,493	83,958
Interest income, not using the effective interest method		3,505	3,889	3,120	3,877
Interest and similar income	4.1.	233,094	177,249	86,613	87,835
Interest and similar expenses	4.1.	(34,451)	(27,182)	(19,065)	(17,043)
Net interest income		198,643	150,067	67,548	70,792
Dividend income	4.2.	55	90	4,510	17
Fee and commission income	4.3.	155,367	111,100	74,333	65,941
Fee and commission expenses	4.3.	(41,314)	(29,646)	(15,929)	(15,673)
Net fee and commission income		114,053	81,454	58,404	50,268
Gains less losses from financial assets and liabilities not measured as at fair value through profit or loss	4.4.	(2)	17,088	23	16,974
Gains less losses from financial assets and liabilities held for trading	4.5.	9,672	4,957	2,578	1,804
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	4.6.	16,708	2,442	13,893	3,080
Fair value adjustments in hedge accounting		75	269	75	269
Foreign exchange translation gains less losses		(365)	(478)	(211)	(595)
Gains less losses on derecognition of non-financial assets		1,018	776	8	8
Other net operating income	4.7.	16,080	4,169	12,287	3,272
Administrative expenses	4.8.	(174,101)	(128,916)	(78,705)	(80,667)
Cash contributions to resolution funds and deposit guarantee schemes	4.9.	(22,197)	(11,851)	(9,535)	(7,103)
Depreciation and amortisation	4.10.	(23,193)	(15,904)	(8,799)	(9,159)
Gains less losses from modification		(56)	-	-	-
Provisions for credit losses	4.11.	5,594	(2,026)	4,968	(1,636)
Provisions for other liabilities and charges	4.11.	(10,872)	(326)	1,717	(476)
Impairment of financial assets	4.12.	25,122	(30,767)	9,948	(13,179)
Impairment of non-financial assets	4.12.	(884)	(111)	-	-
Share of profit from investments in associates and joint ventures (accounted for using the equity method)		421	426	-	-
Gains less losses from non-current assets held for sale	4.13.	224	11,004	203	35,452
Profit before income tax		155,995	82,363	78,912	69,121
Income tax	4.14.	(9,561)	(5,512)	(1,780)	(1,312)
Profit for the period		146,434	76,851	77,132	67,809
Attributable to owners of the parent		139,805	73,669	77,132	67,809
Attributable to non-controlling interests		6,629	3,182	-	-
Earnings per share/diluted earnings per share (in EUR per share)		6.99	3.68	3.86	3.39

Condensed income statement for three months ended 30 June

in EUR thousands

	Notes	NLB Group		NLB	
		three months ended		three months ended	
		June 2021	June 2020	June 2021	June 2020
		unaudited	unaudited	unaudited	unaudited
Interest income, using the effective interest method		116,674	84,835	42,154	40,850
Interest income, not using the effective interest method		1,818	1,858	1,419	1,847
Interest and similar income	4.1.	118,492	86,693	43,573	42,697
Interest and similar expenses	4.1.	(17,356)	(13,990)	(9,740)	(9,070)
Net interest income		101,136	72,703	33,833	33,627
Dividend income	4.2.	44	79	16	9
Fee and commission income	4.3.	81,528	53,290	38,986	31,857
Fee and commission expenses	4.3.	(21,587)	(14,249)	(8,197)	(7,672)
Net fee and commission income		59,941	39,041	30,789	24,185
Gains less losses from financial assets and liabilities not measured as at fair value through profit or loss	4.4.	47	14,726	4	14,612
Gains less losses from financial assets and liabilities held for trading	4.5.	4,990	2,345	1,541	1,096
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	4.6.	15,569	2,916	13,092	2,400
Fair value adjustments in hedge accounting		204	104	204	104
Foreign exchange translation gains less losses		(10)	421	(130)	92
Gains less losses on derecognition of non-financial assets		1,195	445	13	1
Other net operating income	4.7.	12,459	1,897	10,110	1,630
Administrative expenses	4.8.	(89,156)	(62,342)	(39,861)	(38,994)
Cash contributions to resolution funds and deposit guarantee schemes	4.9.	(15,916)	(9,487)	(9,535)	(7,103)
Depreciation and amortisation	4.10.	(11,574)	(7,853)	(4,411)	(4,507)
Gains less losses from modification		(20)	-	-	-
Provisions for credit losses	4.11.	2,288	(1,521)	1,703	(2,461)
Provisions for other liabilities and charges	4.11.	(10,834)	(191)	(92)	(476)
Impairment of financial assets	4.12.	12,474	(3,117)	1,558	1,851
Impairment of non-financial assets	4.12.	(467)	(69)	-	-
Share of profit from investments in associates and joint ventures (accounted for using the equity method)		290	208	-	-
Gains less losses from non-current assets held for sale	4.13.	224	11,009	203	35,457
Profit before income tax		82,884	61,314	39,037	61,523
Income tax	4.14.	(4,826)	(3,937)	(1,171)	(1,190)
Profit for the period		78,058	57,377	37,866	60,333
Attributable to owners of the parent		75,196	55,358	37,866	60,333
Attributable to non-controlling interests		2,862	2,019	-	-

Condensed statement of comprehensive income for the period ended 30 June

in EUR thousands

	Notes	NLB Group		NLB	
		six months ended		six months ended	
		June 2021	June 2020	June 2021	June 2020
		unaudited	unaudited	unaudited	unaudited
Net profit for the period after tax		146,434	76,851	77,132	67,809
Other comprehensive income after tax		2,244	(29,409)	(5,779)	(11,808)
<i>Items that will not be reclassified to income statement</i>					
Actuarial gains/(losses) on defined benefit pension plans		(58)	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income		1,610	(16)	(177)	(20)
Share of other comprehensive income/(losses) of entities accounted for using the equity method		-	8	-	-
Income tax relating to components of other comprehensive income	5.14.	(220)	4	44	4
<i>Items that have been or may be reclassified subsequently to income statement</i>					
Foreign currency translation		(32)	(1,666)	-	-
Translation gains/(losses) taken to equity		(32)	(1,666)	-	-
Debt instruments measured at fair value through other comprehensive income		1,072	(18,789)	(6,612)	(13,780)
Valuation gains/(losses) taken to equity		(2,549)	(14,297)	(6,565)	(9,324)
Transferred to income statement		3,621	(4,492)	(47)	(4,456)
Share of other comprehensive income/(losses) of entities accounted for using the equity method (including transfer to income statement on disposal)		-	(11,026)	-	-
Income tax relating to components of other comprehensive income	5.14.	(128)	2,076	966	1,988
Total comprehensive income for the period after tax		148,678	47,442	71,353	56,001
Attributable to owners of the parent		141,058	44,719	71,353	56,001
Attributable to non-controlling interests		7,620	2,723	-	-

Condensed statement of comprehensive income for three months ended 30 June

in EUR thousands

	Notes	NLB Group		NLB	
		three months ended		three months ended	
		June 2021	June 2020	June 2021	June 2020
		unaudited	unaudited	unaudited	unaudited
Net profit for the period after tax		78,058	57,377	37,866	60,333
Other comprehensive income/(loss) after tax		5,100	(3,775)	(1,041)	10,016
<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		988	411	(34)	439
Share of other comprehensive income/(losses) of entities accounted for using the equity method		-	-	-	-
Income tax relating to components of other comprehensive income		(152)	(83)	7	(83)
<i>Items that have been or may be reclassified subsequently to income statement</i>					
Foreign currency translation		478	(12)	-	-
Translation gains/(losses) taken to equity		478	(12)	-	-
Debt instruments measured at fair value through other comprehensive income		4,213	7,145	(1,298)	10,050
Valuation gains/(losses) taken to equity		901	9,451	(1,099)	12,209
Transferred to income statement		3,312	(2,306)	(199)	(2,159)
Share of other comprehensive income/(losses) of entities accounted for using the equity method (including transfer to income statement on disposal)		-	(11,026)	-	-
Income tax relating to components of other comprehensive income		(369)	(210)	284	(390)
Total comprehensive income for the period after tax		83,158	53,602	36,825	70,349
Attributable to owners of the parent		79,770	51,717	36,825	70,349
Attributable to non-controlling interests		3,388	1,885	-	-

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

in EUR thousands

	Notes	NLB Group		NLB	
		30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
		unaudited	audited	unaudited	audited
Cash, cash balances at central banks and other demand deposits at banks	5.1.	4,739,351	3,961,812	2,961,416	2,261,533
Financial assets held for trading	5.2.a)	13,534	84,855	13,575	18,831
Non-trading financial assets mandatorily at fair value through profit or loss	5.3.	19,075	42,393	12,723	35,106
Financial assets measured at fair value through other comprehensive income	5.4.	3,559,367	3,514,290	1,712,820	1,716,351
Financial assets measured at amortised cost					
- debt securities	5.5.a)	1,898,941	1,503,087	1,667,581	1,277,880
- loans and advances to banks	5.5.b)	243,360	197,005	162,779	158,320
- loans and advances to customers	5.5.c)	10,071,406	9,619,860	4,779,704	4,564,178
- other financial assets	5.5.d)	134,909	113,138	63,238	54,503
Derivatives - hedge accounting		163	-	163	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk		9,221	13,844	9,221	13,844
Investments in subsidiaries		-	-	773,797	749,060
Investments in associates and joint ventures		8,411	7,988	1,662	1,662
Tangible assets					
Property and equipment	5.7.	243,822	249,117	89,283	91,675
Investment property	5.8.	53,303	54,842	8,300	8,300
Intangible assets		55,654	61,668	26,103	28,105
Current income tax assets		248	4,369	13	1,923
Deferred income tax assets	5.13.	31,961	31,789	30,298	29,214
Other assets	5.9.	95,960	97,140	13,848	11,664
Non-current assets held for sale	5.6.	8,618	8,658	4,377	4,454
Total assets		21,187,304	19,565,855	12,330,901	11,026,603
Financial liabilities held for trading	5.2.b)	10,933	15,485	11,051	15,500
Financial liabilities measured at fair value through profit or loss	5.3.	-	-	378	-
Financial liabilities measured at amortised cost					
- deposits from banks and central banks	5.11.	78,039	72,633	141,983	41,635
- borrowings from banks and central banks	5.11.	880,615	158,225	866,300	143,464
- due to customers	5.11.	17,142,973	16,397,167	9,272,237	8,850,755
- borrowings from other customers	5.11.	95,988	91,560	3	13
- subordinated liabilities	5.11.a)	287,563	288,321	287,563	288,321
- other financial liabilities	5.11.c)	264,194	207,300	132,504	101,273
Derivatives - hedge accounting		43,670	61,161	43,670	61,161
Provisions	5.12.	120,419	125,059	55,076	63,790
Current income tax liabilities		4,150	1,002	-	-
Deferred income tax liabilities	5.13.	4,158	4,475	-	-
Other liabilities	5.15.	19,321	20,427	9,789	9,697
Total liabilities		18,952,023	17,442,815	10,820,554	9,575,609
Equity and reserves attributable to owners of the parent					
Share capital		200,000	200,000	200,000	200,000
Share premium		871,378	871,378	871,378	871,378
Accumulated other comprehensive income		18,641	21,127	18,270	24,102
Profit reserves		13,522	13,522	13,522	13,522
Retained earnings		987,903	846,762	407,177	341,992
		2,091,444	1,952,789	1,510,347	1,450,994
Non-controlling interests		143,837	170,251	-	-
Total equity		2,235,281	2,123,040	1,510,347	1,450,994
Total liabilities and equity		21,187,304	19,565,855	12,330,901	11,026,603

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

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	-	-	-	-	-	-	139,805	139,805	6,629	146,434
- Other comprehensive income	-	-	1,332	(21)	(58)	-	-	1,253	991	2,244
Total comprehensive income after tax	-	-	1,332	(21)	(58)	-	139,805	141,058	7,620	148,678
Dividends paid	-	-	-	-	-	-	(12,000)	(12,000)	-	(12,000)
Transfer of fair value reserve	-	-	(3,871)	-	-	-	3,871	-	-	-
Transactions with non-controlling interests	-	-	132	-	-	-	9,465	9,597	(34,034)	(24,437)
Balance as at 30 Jun 2021	200,000	871,378	40,089	(17,745)	(3,703)	13,522	987,903	2,091,444	143,837	2,235,281

in EUR thousands

NLB Group	Share capital	Share premium	Accumulated other comprehensive income			Profit reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
			Fair value reserve of financial assets measured at FVOCI	Foreign currency translation reserve	Other					
Balance as at 1 Jan 2020	200,000	871,378	47,880	(17,055)	(4,332)	13,522	574,489	1,685,882	45,015	1,730,897
- Net profit for the period	-	-	-	-	-	-	73,669	73,669	3,182	76,851
- Other comprehensive income	-	-	(27,404)	(1,554)	8	-	-	(28,950)	(459)	(29,409)
Total comprehensive income after tax	-	-	(27,404)	(1,554)	8	-	73,669	44,719	2,723	47,442
Transfer of fair value reserve	-	-	(2,551)	-	(15)	-	2,566	-	-	-
Balance as at 30 Jun 2020	200,000	871,378	17,925	(18,609)	(4,339)	13,522	650,724	1,730,601	47,738	1,778,339

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	-	-	-	-	-	77,132	77,132
- Other comprehensive income	-	-	(5,779)	-	-	-	(5,779)
Total comprehensive income after tax	-	-	(5,779)	-	-	77,132	71,353
Dividends paid	-	-	-	-	-	(12,000)	(12,000)
Transfer of fair value reserve	-	-	(53)	-	-	53	-
Balance as at 30 Jun 2021	200,000	871,378	21,862	(3,592)	13,522	407,177	1,510,347

in EUR thousands

NLB	Share capital	Share premium	Accumulated other comprehensive income		Profit reserves	Retained earnings	Total equity
			Fair value reserve of financial assets measured at FVOCI	Other			
Balance as at 1 Jan 2020	200,000	871,378	24,444	(4,159)	13,522	228,040	1,333,225
- Net profit for the period	-	-	-	-	-	67,809	67,809
- Other comprehensive income	-	-	(11,808)	-	-	-	(11,808)
Total comprehensive income after tax	-	-	(11,808)	-	-	67,809	56,001
Balance as at 30 Jun 2020	200,000	871,378	12,636	(4,159)	13,522	295,849	1,389,226

Condensed statement of cash flows for the period ended 30 June

in EUR thousands

	Notes	NLB Group		NLB	
		six months ended		six months ended	
		June 2021	June 2020	June 2021	June 2020
		unaudited	unaudited	unaudited	unaudited
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		286,406	196,466	110,811	113,936
Interest paid		(34,564)	(26,132)	(20,774)	(14,056)
Dividends received		43	100	4,507	27
Fee and commission receipts		156,515	111,312	73,357	65,466
Fee and commission payments		(41,734)	(31,563)	(15,473)	(15,953)
Realised gains from financial assets and financial liabilities not at fair value through profit or loss		98	17,388	23	17,274
Net gains/(losses) from financial assets and liabilities held for trading		9,010	4,794	2,030	1,748
Payments to employees and suppliers		(186,822)	(133,309)	(91,341)	(85,690)
Other receipts		17,423	9,344	13,710	4,981
Other payments		(26,520)	(12,870)	(10,686)	(7,576)
Income tax (paid)/received		(2,789)	(3,577)	347	3,280
Cash flows from operating activities before changes in operating assets and liabilities		177,066	131,953	66,511	83,437
(Increases)/decreases in operating assets		(375,748)	(111,923)	(199,988)	11,971
Net (increase)/decrease in trading assets		67,939	595	1,385	595
Net (increase)/decrease in non-trading financial assets mandatorily at fair value through profit or loss		39,315	(14,969)	35,843	(14,586)
Net (increase)/decrease in financial assets measured at fair value through other comprehensive income		(85,608)	12,622	(18,868)	17,886
Net (increase)/decrease in loans and receivables measured at amortised cost		(400,417)	(114,268)	(217,234)	7,841
Net (increase)/decrease in other assets		3,023	4,097	(1,114)	235
Increases/(decreases) in operating liabilities		1,512,469	612,940	1,282,423	520,891
Net increase/(decrease) in deposits and borrowings measured at amortised cost		1,512,091	612,481	1,281,872	520,866
Net increase/(decrease) in other liabilities		378	459	551	25
Net cash flows from operating activities		1,313,787	632,970	1,148,946	616,299
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts from investing activities		266,147	387,809	200,668	350,372
Proceeds from sale of property, equipment, and investment property		3,320	390	2	81
Proceeds from sale of intangible assets		-	298	-	-
Proceeds from non-current assets held for sale		760	39,078	594	39,078
Proceeds from disposals of debt securities measured at amortised cost		262,067	348,043	200,072	311,213
Payments from investing activities		(713,209)	(159,489)	(638,351)	(73,399)
Purchase of property, equipment, and investment property		(9,752)	(16,207)	(5,953)	(7,423)
Purchase of intangible assets		(4,752)	(9,649)	(3,386)	(7,596)
Purchase of subsidiaries and increase in subsidiaries' equity		(24,437)	-	(24,737)	(3,010)
Purchase of debt securities measured at amortised cost		(674,268)	(133,633)	(604,275)	(55,370)
Net cash flows from investing activities		(447,062)	228,320	(437,683)	276,973
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from financing activities		-	119,222	-	119,222
Issue of subordinated debt	5.11.b)	-	119,222	-	119,222
Payments from financing activities		(12,000)	(45,000)	(12,000)	(45,000)
Dividends paid		(12,000)	-	(12,000)	-
Repayments of subordinated debt	5.11.b)	-	(45,000)	-	(45,000)
Net cash flows from financing activities		(12,000)	74,222	(12,000)	74,222
Effects of exchange rate changes on cash and cash equivalents		3,641	(3,737)	1,411	(1,572)
Net increase/(decrease) in cash and cash equivalents		854,725	935,512	699,263	967,494
Cash and cash equivalents at beginning of period		4,136,412	2,263,267	2,261,791	1,308,122
Cash and cash equivalents at end of period		4,994,778	3,195,042	2,962,465	2,274,044

in EUR thousands

	Notes	NLB Group		NLB	
		30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
		unaudited	audited	unaudited	audited
Cash and cash equivalents comprise:					
Cash, cash balances at central banks, and other demand deposits at banks	5.1.	4,740,361	3,962,686	2,961,732	2,261,791
Loans and advances to banks with original maturity up to 3 months		225,455	146,223	733	-
Debt securities measured at fair value through other comprehensive income with original maturity up to 3 months		28,962	27,503	-	-
Total		4,994,778	4,136,412	2,962,465	2,261,791

Statement of management's responsibility

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

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


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

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

Management Board



Archibald Kremser
CFO



Andreas Burkhardt
CRO



Blaž Brodnjak
CEO & CMO

Ljubljana, 12 August 2021

Notes to the condensed interim financial statements

1. General information

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

NLB is incorporated and domiciled in Slovenia. The address of its registered office is Trg Republike 2, Ljubljana. NLB's shares are listed on the Ljubljana Stock Exchange and the global depository receipts ('GDR') representing ordinary shares of NLB are listed on the London Stock Exchange. Five GDRs represent one share of NLB. As at 30 June 2021 and as at 31 December 2020, the largest shareholder of NLB with significant influence is the Republic of Slovenia, owning 25.00% plus one share.

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

2. Summary of significant accounting policies

2.1. Statement of compliance

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

2.2. Accounting policies

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

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

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

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

- IFRS 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) 2018-2022 (effective for annual periods beginning on or after 1 January 2022).

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

- IFRS 17 (new standard) – ‘Insurance Contracts’ including Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023);
- IAS 1 (amendment and deferral of effective date) – ‘Presentation of Financial Statements: Classification of Liabilities as Current or Non-current’ (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 – ‘Presentation of Financial Statements’ and IFRS Practice Statement 2 – ‘Disclosure of Accounting policies’ (effective for annual periods beginning on or after 1 January 2023);
- IAS 8 (amendment) – ‘Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates’ (effective for annual periods beginning on or after 1 January 2023);
- IFRS 16 (amendment) – ‘Leases: Covid-19-Related Rent Concessions’ (effective for annual periods beginning on or after 1 April 2021);
- IAS 12 (amendment) - ‘Income Tax: Deferred Tax related to Assets and Liabilities arising from a Single Transaction’ (effective for annual periods beginning on or after 1 January 2023).

3. Changes in the composition of the NLB Group

Changes in the period ended 30 June 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. Belgrade from 83.23% to 87.999% and acquired also 15.328% of preference shares. This increased NLB's share in total shareholding of the bank from 81.42% to 86.42%.
- In May 2021 NLB increased the share of voting rights in the public offering of ordinary shares of Komercijalna banka a.d. Belgrade from 87.999% to 88,28%. This increased NLB's share in total shareholding of the bank from 86.42% to 86.70%.
- In May 2021 NLB acquired the remaining shares of minority shareholders of NLB Banka a.d., Belgrade and increased its ownership from 99.997% to 100%.
- An increase in equity reserves in the form of a cash contribution in the amount of EUR 300 thousand in REAM d.o.o., Belgrade to ensure regular business operations.

Other changes:

- In April 2021 company BH_RE d.o.o. Sarajevo – u likvidaciji was liquidated. In accordance with a court order, company was removed from the court register.

Changes in year 2020

Capital changes:

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

Other changes:

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

4. Notes to the condensed income statement

4.1. Interest income and expenses

Analysis by type of assets and liabilities

in EUR thousands

	NLB Group					NLB				
	three months ended		six months ended		Change	three months ended		six months ended		Change
	June 2021	June 2020	June 2021	June 2020		June 2021	June 2020	June 2021	June 2020	
Interest and similar income										
<i>Interest income, using the effective interest method</i>	116,674	84,835	229,589	173,360	32%	42,154	40,850	83,493	83,958	-1%
Loans and advances to customers at amortised cost	102,961	76,651	202,713	155,412	30%	35,664	34,316	70,677	70,083	1%
Securities measured at amortised cost	3,311	3,980	6,624	8,645	-23%	2,475	3,171	4,950	6,921	-28%
Financial assets measured at fair value through other comprehensive income	10,118	4,080	19,792	8,838	124%	2,949	2,381	5,837	4,978	17%
Loans and advances to banks measured at amortised cost	220	86	354	295	20%	1,046	974	1,991	1,903	5%
Deposits with banks and central banks	64	38	106	170	-38%	20	8	38	73	-48%
<i>Interest income, not using the effective interest method</i>	1,818	1,858	3,505	3,889	-10%	1,419	1,847	3,120	3,877	-20%
Financial assets held for trading	1,422	1,441	2,746	3,038	-10%	1,120	1,441	2,444	3,038	-20%
Non-trading financial assets mandatorily at fair value through profit or loss	394	417	757	851	-11%	297	406	674	839	-20%
Other	2	-	2	-	-	2	-	2	-	-
Total	118,492	86,693	233,094	177,249	32%	43,573	42,697	86,613	87,835	-1%
Interest and similar expenses										
<i>Interest expenses, using the effective interest method</i>	10,858	8,328	21,618	16,598	30%	4,089	3,701	7,637	7,092	8%
Due to customers	6,887	5,159	14,260	10,745	33%	776	878	1,553	1,936	-20%
Borrowings from banks and central banks	695	224	920	467	97%	686	196	853	408	109%
Borrowings from other customers	302	228	612	461	33%	-	-	-	-	-
Subordinated liabilities	2,619	2,617	5,212	4,708	11%	2,619	2,617	5,212	4,708	11%
Deposits from banks and central banks	227	16	365	61	-	-	-	3	21	-86%
Lease liabilities	128	84	249	156	60%	8	10	16	19	-16%
<i>Interest expenses, not using the effective interest method</i>	6,498	5,662	12,833	10,584	21%	5,651	5,369	11,428	9,951	15%
Derivatives – hedge accounting	2,574	2,284	5,101	4,649	10%	2,574	2,284	5,101	4,649	10%
Negative interest	2,701	2,138	5,204	3,303	58%	2,003	1,863	3,986	2,704	47%
Financial liabilities held for trading	1,062	1,215	2,316	2,580	-10%	1,062	1,215	2,316	2,580	-10%
Interest expense on defined employee benefits	159	24	190	47	-	10	7	20	14	43%
Other	2	1	22	5	-	2	-	5	4	25%
Total	17,356	13,990	34,451	27,182	27%	9,740	9,070	19,065	17,043	12%
Net interest income	101,136	72,703	198,643	150,067	32%	33,833	33,627	67,548	70,792	-5%

4.2. Dividend income

in EUR thousands

	NLB Group					NLB				
	three months ended		six months ended		Change	three months ended		six months ended		Change
	June 2021	June 2020	June 2021	June 2020		June 2021	June 2020	June 2021	June 2020	
Financial assets measured at fair value through other comprehensive income	28	70	35	73	-52%	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	-	-	4,490	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	16	9	20	17	18%	16	9	20	17	18%
Total	44	79	55	90	-39%	16	9	4,510	17	-

4.3. Fee and commission income and expenses

in EUR thousands

	NLB Group					NLB				
	three months ended		six months ended		Change	three months ended		six months ended		Change
	June 2021	June 2020	June 2021	June 2020		June 2021	June 2020	June 2021	June 2020	
Fee and commission income										
<i>Fee and commission income relating to financial instruments not at fair value through profit or loss</i>										
Credit cards and ATMs	22,753	14,478	42,374	30,102	41%	9,636	8,557	17,779	17,266	3%
Customer transaction accounts	21,870	16,009	42,999	32,103	34%	14,170	11,939	27,788	24,011	16%
<i>Other fee and commission income</i>										
Payments	19,183	11,546	36,585	24,074	52%	5,726	4,949	10,982	10,215	8%
Investment funds	6,360	4,201	12,130	9,135	33%	2,021	1,271	3,936	3,029	30%
Guarantees	3,452	2,827	6,796	5,713	19%	1,942	1,737	3,847	3,498	10%
Investment banking	2,334	1,973	5,191	4,762	9%	1,774	1,639	4,071	4,007	2%
Agency of insurance products	2,278	1,275	4,092	2,926	40%	1,849	1,001	3,320	2,289	45%
Other services	3,298	981	5,200	2,285	128%	1,868	764	2,610	1,626	61%
Total	81,528	53,290	155,367	111,100	40%	38,986	31,857	74,333	65,941	13%
Fee and commission expenses										
<i>Fee and commission expenses relating to financial instruments not at fair value through profit or loss</i>										
Credit cards and ATMs	15,830	11,031	30,099	22,762	32%	6,487	6,271	12,493	12,907	-3%
<i>Other fee and commission expenses</i>										
Payments	2,721	1,117	5,153	2,750	87%	251	162	460	433	6%
Insurance for holders of personal accounts and golden cards	354	199	725	473	53%	228	172	531	409	30%
Investment banking	1,655	1,246	3,062	2,331	31%	1,016	862	1,819	1,526	19%
Guarantees	20	38	300	91	-	6	25	264	56	-
Other services	1,007	618	1,975	1,239	59%	209	180	362	342	6%
Total	21,587	14,249	41,314	29,646	39%	8,197	7,672	15,929	15,673	2%
Net fee and commission income	59,941	39,041	114,053	81,454	40%	30,789	24,185	58,404	50,268	16%

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		six months ended		three months ended		six months ended	
	June 2021	June 2020	June 2021	June 2020	June 2021	June 2020	June 2021	June 2020
Debt instruments measured at fair value through other comprehensive income	47	2,200	(2)	4,465	4	2,086	23	4,351
Debt instruments measured at amortised cost	-	12,526	-	12,749	-	12,526	-	12,749
Financial liabilities measured at amortised cost	-	-	-	(126)	-	-	-	(126)
Total	47	14,726	(2)	17,088	4	14,612	23	16,974

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

in EUR thousands

	NLB Group				NLB			
	three months ended		six months ended		three months ended		six months ended	
	June 2021	June 2020	June 2021	June 2020	June 2021	June 2020	June 2021	June 2020
Foreign exchange trading	4,858	2,560	9,050	5,321	1,115	999	2,256	2,107
Debt instruments	(355)	78	(24)	253	(60)	78	(269)	253
Derivatives	487	(293)	646	(617)	486	19	591	(556)
Total	4,990	2,345	9,672	4,957	1,541	1,096	2,578	1,804

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		six months ended		three months ended		six months ended	
	June 2021	June 2020	June 2021	June 2020	June 2021	June 2020	June 2021	June 2020
Equity securities	618	802	989	(389)	378	381	430	53
Debt securities	(9)	(9)	(20)	(27)	-	-	-	-
Loans and advances to customers	14,960	2,123	15,739	2,858	12,714	2,019	13,463	3,027
Total	15,569	2,916	16,708	2,442	13,092	2,400	13,893	3,080

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

4.7. Other net operating income

in EUR thousands

	NLB Group					NLB				
	three months ended		six months ended		Change	three months ended		six months ended		Change
	June 2021	June 2020	June 2021	June 2020		June 2021	June 2020	June 2021	June 2020	
Other operating income										
Income from non-banking services	1,585	1,280	3,185	2,963	7%	1,443	1,158	2,776	2,652	5%
Rental income from investment property	829	633	1,819	1,317	38%	95	112	189	231	-18%
Revaluation of investment property to fair value	-	388	-	388	-	-	388	-	388	-
Other operating income	10,652	337	12,354	1,148	-	8,779	122	9,822	478	-
Total	13,066	2,638	17,358	5,816	198%	10,317	1,780	12,787	3,749	-
Other operating expenses										
Revaluation of investment property to fair value	7	6	7	27	-74%	-	6	-	6	-
Other operating expenses	600	735	1,271	1,620	-22%	207	144	500	471	6%
Total	607	741	1,278	1,647	-22%	207	150	500	471	5%
Other net operating income	12,459	1,897	16,080	4,169	-	10,110	1,630	12,287	3,272	-

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

4.8. Administrative expenses

in EUR thousands

	NLB Group					NLB				
	three months ended		six months ended		Change	three months ended		six months ended		Change
	June 2021	June 2020	June 2021	June 2020		June 2021	June 2020	June 2021	June 2020	
Employee costs	56,512	39,820	111,659	82,739	35%	26,024	24,936	51,814	52,070	0%
Other general and administrative expenses	32,644	22,522	62,442	46,177	35%	13,837	14,058	26,891	28,597	-6%
Total	89,156	62,342	174,101	128,916	35%	39,861	38,994	78,705	80,667	-2%

4.9. Cash contributions to resolution funds and deposit guarantee schemes

in EUR thousands

	NLB Group					NLB				
	three months ended		six months ended		Change	three months ended		six months ended		Change
	June 2021	June 2020	June 2021	June 2020		June 2021	June 2020	June 2021	June 2020	
Cash contributions to deposit guarantee schemes	13,924	7,835	20,205	10,199	96%	7,543	5,451	7,543	5,451	38%
Cash contributions to resolution funds	1,992	1,652	1,992	1,652	21%	1,992	1,652	1,992	1,652	21%
Total	15,916	9,487	22,197	11,851	87%	9,535	7,103	9,535	7,103	34%

4.10. Depreciation and amortisation

in EUR thousands

	NLB Group					NLB				
	three months ended		six months ended		Change	three months ended		six months ended		Change
	June 2021	June 2020	June 2021	June 2020		June 2021	June 2020	June 2021	June 2020	
Amortisation of intangible assets	4,104	2,581	8,167	5,359	52%	1,515	1,808	3,014	3,710	-19%
Depreciation of property and equipment:										
- own property and equipment	5,344	4,128	10,686	8,256	29%	2,673	2,492	5,353	5,030	6%
- right-of-use assets	2,126	1,144	4,340	2,289	90%	223	207	432	419	3%
Total	11,574	7,853	23,193	15,904	46%	4,411	4,507	8,799	9,159	-4%

4.11. Provisions

in EUR thousands

	NLB Group					NLB				
	three months ended		six months ended		Change	three months ended		six months ended		Change
	June 2021	June 2020	June 2021	June 2020		June 2021	June 2020	June 2021	June 2020	
Guarantees and commitments (note 5.12.b)	(2,288)	1,521	(5,594)	2,026	(1,703)	2,461	(4,968)	1,636		
Restructuring provisions	7,701	-	7,701	-	-	-	-	-		
Provisions for legal risks	3,133	257	3,171	392	92	476	(1,717)	476		
Other provisions	-	(66)	-	(66)	-	-	-	-		
Total	8,546	1,712	5,278	2,352	(1,611)	2,937	(6,685)	2,112		

4.12. Impairment charge

in EUR thousands

	NLB Group					NLB				
	three months ended		six months ended		Change	three months ended		six months ended		Change
	June 2021	June 2020	June 2021	June 2020		June 2021	June 2020	June 2021	June 2020	
Impairment of financial assets										
Cash balances at central banks, and other demand deposits at banks	118	140	153	226	54	114	58	122		
Loans and advances to customers measured at amortised cost (note 5.10.a)	(16,615)	2,505	(29,907)	29,280	(1,008)	(1,928)	(10,079)	12,906		
Loans and advances to banks measured at amortised cost (note 5.10.a)	51	(4)	77	8	(1)	30	(1)	47		
Debt securities measured at fair value through other comprehensive income (note 5.10.b)	3,359	(105)	3,619	(27)	(195)	(73)	(24)	(105)		
Debt securities measured at amortised cost (note 5.10.b)	(80)	168	527	269	(382)	(128)	106	(74)		
Other financial assets measured at amortised cost (note 5.10.a)	693	413	409	1,011	(26)	134	(8)	283		
Total	(12,474)	3,117	(25,122)	30,767	(1,558)	(1,851)	(9,948)	13,179		
Impairment of other assets										
Property and equipment	-	-	88	-	-	-	-	-		
Other assets	467	69	796	111	-	-	-	-		
Total	467	69	884	111	-	-	-	-		
Total impairment	(12,007)	3,186	(24,238)	30,878	(1,558)	(1,851)	(9,948)	13,179		

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

in EUR thousands

	NLB Group					NLB				
	three months ended		six months ended		Change	three months ended		six months ended		Change
	June 2021	June 2020	June 2021	June 2020		June 2021	June 2020	June 2021	June 2020	
Gains less losses on derecognition of subsidiaries, associates and joint ventures	-	11,006	-	11,006	-	35,454	-	35,454		
Gains less losses from property and equipment	224	3	224	(2)	203	3	203	(2)		
Total	224	11,009	224	11,004	203	35,457	203	35,452		

4.14. Income tax

in EUR thousands

	NLB Group					NLB				
	three months ended		six months ended		Change	three months ended		six months ended		Change
	June 2021	June 2020	June 2021	June 2020		June 2021	June 2020	June 2021	June 2020	
Current tax	6,178	4,026	10,023	5,578	80%	1,179	1,206	1,854	1,352	37%
Deferred tax (note 5.13.)	(1,352)	(89)	(462)	(66)	-	(8)	(16)	(74)	(40)	-85%
Total	4,826	3,937	9,561	5,512	73%	1,171	1,190	1,780	1,312	36%

5. Notes to the condensed statement of financial position

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

in EUR thousands

	NLB Group			NLB		
	30 Jun 2021	31 Dec 2020	Change	30 Jun 2021	31 Dec 2020	Change
Balances and obligatory reserves with central banks	3,734,230	3,149,775	19%	2,656,262	1,998,297	33%
Cash	543,732	507,970	7%	184,643	192,405	-4%
Demand deposits at banks	462,399	304,941	52%	120,827	71,089	70%
	4,740,361	3,962,686	20%	2,961,732	2,261,791	31%
Allowance for impairment	(1,010)	(874)	-16%	(316)	(258)	-22%
Total	4,739,351	3,961,812	20%	2,961,416	2,261,533	31%

5.2. Financial instruments held for trading

a) Financial assets held for trading

in EUR thousands

	NLB Group			NLB		
	30 Jun 2021	31 Dec 2020	Change	30 Jun 2021	31 Dec 2020	Change
Derivatives, excluding hedging instruments						
Swap contracts	10,824	13,597	-20%	10,866	13,932	-22%
Options	785	786	0%	785	786	0%
Forward contracts	842	1,666	-49%	841	1,663	-49%
Total derivatives	12,451	16,049	-22%	12,492	16,381	-24%
Securities						
Bonds	1,083	68,806	-98%	1,083	2,450	-56%
Total securities	1,083	68,806	-98%	1,083	2,450	-56%
Total	13,534	84,855	-84%	13,575	18,831	-28%

b) Financial liabilities held for trading

in EUR thousands

	NLB Group			NLB		
	30 Jun 2021	31 Dec 2020	Change	30 Jun 2021	31 Dec 2020	Change
Derivatives, excluding hedging instruments						
Swap contracts	10,152	13,932	-27%	10,270	13,947	-26%
Forward contracts	781	1,553	-50%	781	1,553	-50%
Total	10,933	15,485	-29%	11,051	15,500	-29%

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

in EUR thousands

	NLB Group			NLB		
	30 Jun 2021	31 Dec 2020	Change	30 Jun 2021	31 Dec 2020	Change
Assets						
Shares	5,391	4,171	29%	4,601	4,171	10%
Investments funds	11,549	10,989	5%	-	-	-
Bonds	2,135	2,157	-1%	-	-	-
Loans and advances to companies	-	25,076	-	8,122	30,935	-74%
Total	19,075	42,393	-55%	12,723	35,106	-64%
Liabilities						
Loans and advances to companies	-	-	-	378	-	-

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

Analysis by type

in EUR thousands

	NLB Group			NLB		
	30 Jun 2021	31 Dec 2020	Change	30 Jun 2021	31 Dec 2020	Change
Bonds	3,351,417	3,260,940	3%	1,653,905	1,598,760	3%
Shares	20,265	22,925	-12%	219	273	-20%
National Resolution Fund	44,696	44,874	0%	44,696	44,874	0%
Treasury bills	96,149	135,102	-29%	14,000	72,444	-81%
Commercial bills	46,840	50,449	-7%	-	-	-
Total	3,559,367	3,514,290	1%	1,712,820	1,716,351	0%
Allowance for impairment (note 5.10.b)	(13,109)	(9,482)	-38%	(3,120)	(3,141)	1%

5.5. Financial assets measured at amortised cost

Analysis by type

in EUR thousands

	NLB Group			NLB		
	30 Jun 2021	31 Dec 2020	Change	30 Jun 2021	31 Dec 2020	Change
Debt securities	1,898,941	1,503,087	26%	1,667,581	1,277,880	30%
Loans and advances to banks	243,360	197,005	24%	162,779	158,320	3%
Loans and advances to customers	10,071,406	9,619,860	5%	4,779,704	4,564,178	5%
Other financial assets	134,909	113,138	19%	63,238	54,503	16%
Total	12,348,616	11,433,090	8%	6,673,302	6,054,881	10%

a) Debt securities

in EUR thousands

	NLB Group			NLB		
	30 Jun 2021	31 Dec 2020	Change	30 Jun 2021	31 Dec 2020	Change
Government	1,511,198	1,173,718	29%	1,284,784	953,881	35%
Companies	80,386	86,946	-8%	73,174	79,732	-8%
Banks	286,427	220,988	30%	286,427	220,988	30%
Financial organisations	25,144	25,120	0%	25,144	25,120	0%
	1,903,155	1,506,772	26%	1,669,529	1,279,721	30%
Allowance for impairment (note 5.10.b)	(4,214)	(3,685)	-14%	(1,948)	(1,841)	-6%
Total	1,898,941	1,503,087	26%	1,667,581	1,277,880	30%

b) Loans and advances to banks

in EUR thousands

	NLB Group			NLB		
	30 Jun 2021	31 Dec 2020	Change	30 Jun 2021	31 Dec 2020	Change
Loans	14,631	9,809	49%	89,540	95,070	-6%
Time deposits	194,139	128,074	52%	71,900	63,405	13%
Purchased receivables	1,493	-	-	1,493	-	-
Reverse sale and repurchase agreements	33,315	59,263	-44%	-	-	-
	243,578	197,146	24%	162,933	158,475	3%
Allowance for impairment (note 5.10.a)	(218)	(141)	-55%	(154)	(155)	1%
Total	243,360	197,005	24%	162,779	158,320	3%

c) Loans and advances to customers

in EUR thousands

	NLB Group			NLB		
	30 Jun 2021	31 Dec 2020	Change	30 Jun 2021	31 Dec 2020	Change
Loans	9,902,926	9,490,734	4%	4,719,260	4,501,991	5%
Overdrafts	316,144	322,622	-2%	134,180	152,487	-12%
Finance lease receivables	76,066	49,517	54%	-	-	-
Credit card business	122,623	125,725	-2%	53,561	52,156	3%
Called guarantees	3,694	3,542	4%	544	916	-41%
	10,421,453	9,992,140	4%	4,907,545	4,707,550	4%
Allowance for impairment (note 5.10.a)	(350,047)	(372,280)	6%	(127,841)	(143,372)	11%
Total	10,071,406	9,619,860	5%	4,779,704	4,564,178	5%

d) Other financial assets

in EUR thousands

	NLB Group			NLB		
	30 Jun 2021	31 Dec 2020	Change	30 Jun 2021	31 Dec 2020	Change
Receivables in the course of collection and other temporary accounts	37,355	32,484	15%	21,551	15,906	35%
Credit card receivables	18,857	20,260	-7%	14,027	11,383	23%
Debtors	5,942	6,316	-6%	597	1,307	-54%
Fees and commissions	6,498	6,563	-1%	1,628	2,871	-43%
Receivables to brokerage firms and others for the sale of securities and custody services	611	611	0%	610	610	0%
Prepayments	485	447	9%	-	-	-
Accrued income	1,908	1,327	44%	2,660	1,296	105%
Other financial assets	68,927	50,683	36%	23,287	22,460	4%
	140,583	118,691	18%	64,360	55,833	15%
Allowance for impairment (note 5.10.a)	(5,674)	(5,553)	-2%	(1,122)	(1,330)	16%
Total	134,909	113,138	19%	63,238	54,503	16%

5.6. Non-current assets held for sale

Analysis by type

in EUR thousands

	NLB Group			NLB		
	30 Jun 2021	31 Dec 2020	Change	30 Jun 2021	31 Dec 2020	Change
Property and equipment	8,618	8,658	0%	4,377	4,454	-2%
Total	8,618	8,658	0%	4,377	4,454	-2%

5.7. Property and equipment

Analysis by type

in EUR thousands

	NLB Group			NLB		
	30 Jun 2021	31 Dec 2020	Change	30 Jun 2021	31 Dec 2020	Change
Own property and equipment	218,598	223,598	-2%	86,084	88,495	-3%
Right-of-use assets	25,224	25,519	-1%	3,199	3,180	1%
Total	243,822	249,117	-2%	89,283	91,675	-3%

5.8. Investment property

in EUR thousands

	NLB Group			NLB		
	30 Jun 2021	31 Dec 2020	Change	30 Jun 2021	31 Dec 2020	Change
Buildings	52,649	54,112	-3%	8,165	8,165	0%
Land	654	730	-10%	135	135	0%
Total	53,303	54,842	-3%	8,300	8,300	0%

5.9. Other assets

in EUR thousands

	NLB Group			NLB		
	30 Jun 2021	31 Dec 2020	Change	30 Jun 2021	31 Dec 2020	Change
Assets, received as collateral	73,301	76,017	-4%	4,754	4,926	-3%
Inventories	3,860	7,858	-51%	180	180	0%
Deferred expenses	13,192	9,157	44%	7,466	5,976	25%
Prepayments	4,313	1,159	-	1,195	115	-
Claim for taxes and other dues	1,294	2,949	-56%	253	467	-46%
Total	95,960	97,140	-1%	13,848	11,664	19%

5.10. Movements in allowance for the impairment of financial assets

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

in EUR thousands

	NLB Group						
	Loans and advances to banks	Loans and advances to customers			Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2021	141	74,519	40,833	256,928	276	30	5,247
Effects of translation of foreign operations to presentation currency	-	(1)	(6)	(212)	2	(1)	(2)
Transfers	-	18,799	(5,918)	(12,881)	255	(2)	(253)
Increases/(Decreases) (note 4.12.)	2	(18,780)	(1,339)	25,241	108	13	785
Write-offs	-	(72)	(13)	(24,226)	(30)	-	(436)
Changes in models/risk parameters (note 4.12.)	75	(12,527)	(1,626)	8,341	(65)	5	3
Foreign exchange and other movements	-	(11)	20	2,978	(2)	(2)	(257)
Balance as at 30 Jun 2021	218	61,927	31,951	256,169	544	43	5,087
Repayments of written-off receivables (note 4.12.)	-	-	-	29,217	-	-	440

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

in EUR thousands

	NLB Group						
	Loans and advances to banks	Loans and advances to customers			Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2020	95	56,728	33,179	232,537	177	27	4,702
Effects of translation of foreign operations to presentation currency	(2)	(92)	(32)	851	-	2	1
Transfers	-	9,096	(10,563)	1,467	(14)	8	6
Increases/(Decreases) (note 4.12.)	15	(4,104)	6,724	12,887	171	(157)	939
Write-offs	-	(5)	(4)	(12,711)	(7)	-	(720)
Changes in models/risk parameters (note 4.12.)	(7)	6,194	12,819	953	(23)	161	5
Foreign exchange and other movements	-	27	6	(68)	-	-	-
Balance as at 30 Jun 2020	101	67,844	42,129	235,916	304	41	4,933
Repayments of written-off receivables (note 4.12.)	-	-	-	6,193	-	-	85

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	-	6,028	(3,190)	(2,838)	10	-	(10)
Increases/(Decreases) (note 4.12.)	(1)	(8,676)	(1,565)	8,057	50	-	(2)
Write-offs	-	(72)	(13)	(7,665)	(9)	-	(192)
Changes in models/risk parameters (note 4.12.)	-	(10,198)	(1,529)	7,915	(57)	-	2
Foreign exchange and other movements	-	(5)	18	(1,798)	1	-	(1)
Balance as at 30 Jun 2021	154	12,714	5,008	110,119	68	2	1,052
Repayments of written-off receivables (note 4.12.)	-	-	-	4,083	-	-	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 2020	141	20,724	11,188	86,853	55	9	1,777
Transfers	-	5,791	(4,746)	(1,045)	2	1	(3)
Increases/(Decreases) (note 4.12.)	58	(3,220)	2,473	2,244	131	(9)	190
Write-offs	-	(5)	(4)	(3,623)	(1)	-	(509)
Changes in models/risk parameters (note 4.12.)	(11)	5,364	8,338	130	(29)	1	(1)
Foreign exchange and other movements	-	7	-	(35)	-	-	-
Balance as at 30 Jun 2020	188	28,661	17,249	84,524	158	2	1,454
Repayments of written-off receivables (note 4.12.)	-	-	-	2,423	-	-	-

b) Movements in allowance for the impairment of debt securities

in EUR thousands

	NLB Group			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2021	3,685	8,656	28	798
Effects of translation of foreign operations to presentation currency	1	1	-	-
Increases/(Decreases) (note 4.12.)	961	446	39	-
Changes in models/risk parameters (note 4.12.)	(434)	3,116	18	-
Foreign exchange and other movements	1	7	-	-
Balance as at 30 Jun 2021	4,214	12,226	85	798

in EUR thousands

	NLB Group			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2020	3,140	4,757	42	798
Effects of translation of foreign operations to presentation currency	(8)	6	-	-
Increases/(Decreases) (note 4.12.)	241	161	-	-
Changes in models/risk parameters (note 4.12.)	28	(186)	(2)	-
Balance as at 30 Jun 2020	3,401	4,738	40	798

in EUR thousands

	NLB			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2021	1,841	2,343	-	798
Increases/(Decreases) (note 4.12.)	579	102	-	-
Changes in models/risk parameters (note 4.12.)	(473)	(126)	-	-
Foreign exchange and other movements	1	3	-	-
Balance as at 30 Jun 2021	1,948	2,322	-	798

in EUR thousands

	NLB			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2020	1,617	1,714	-	798
Increases/(Decreases) (note 4.12.)	(105)	(94)	-	-
Changes in models/risk parameters (note 4.12.)	31	(11)	-	-
Foreign exchange and other movements	-	(1)	-	-
Balance as at 30 Jun 2020	1,543	1,608	-	798

5.11. Financial liabilities measured at amortised cost

Analysis by type

in EUR thousands

	NLB Group			NLB		
	30 Jun 2021	31 Dec 2020	Change	30 Jun 2021	31 Dec 2020	Change
Deposits from banks and central banks	78,039	72,633	7%	141,983	41,635	-
- Deposits on demand	59,391	52,250	14%	141,983	41,635	-
- Other deposits	18,648	20,383	-9%	-	-	-
Borrowings from banks and central banks	880,615	158,225	-	866,300	143,464	-
Due to customers	17,142,973	16,397,167	5%	9,272,237	8,850,755	5%
- Deposits on demand	14,533,699	13,633,889	7%	8,584,145	8,128,950	6%
- Other deposits	2,609,274	2,763,278	-6%	688,092	721,805	-5%
Borrowings from other customers	95,988	91,560	5%	3	13	-77%
Subordinated liabilities	287,563	288,321	0%	287,563	288,321	0%
Other financial liabilities	264,194	207,300	27%	132,504	101,273	31%
Total	18,749,372	17,215,206	9%	10,700,590	9,425,461	14%

a) Subordinated liabilities

in EUR thousands

	Currency	Due date	Interest rate	NLB Group and NLB			
				30 Jun 2021		31 Dec 2020	
				Carrying amount	Nominal value	Carrying amount	Nominal value
Subordinated bonds							
	EUR	06.05.2029	4.2% to 06.05.2024, thereafter 5Y MS + 4.159% p.a.	44,936	45,000	45,867	45,000
	EUR	19.11.2029	3.65% to 19.11.2024, thereafter 5Y MS + 3.833% p.a.	121,689	120,000	119,480	120,000
	EUR	05.02.2030	3.4% to 05.02.2025, thereafter 5Y MS + 3.658% p.a.	120,938	120,000	122,974	120,000
Total				287,563	285,000	288,321	285,000

b) Movement of subordinated liabilities

in EUR thousands

	NLB Group and NLB	
	2021	2020
Balance as at 1 Jan	288,321	210,569
Cash flow items:	(5,970)	71,763
- new issued subordinated liabilities	-	119,222
- repayments of subordinated liabilities	-	(45,000)
- repayments of interests	(5,970)	(2,459)
Non-Cash flow items:	5,212	5,036
- accrued interest	5,212	4,910
- other	-	126
Balance as at 30 Jun	287,563	287,368

c) Other financial liabilities

in EUR thousands

	NLB Group			NLB		
	30 Jun 2021	31 Dec 2020	Change	30 Jun 2021	31 Dec 2020	Change
Items in the course of payment	84,875	46,395	83%	39,215	4,412	-
Debit or credit card payables	21,489	22,883	-6%	19,174	20,135	-5%
Lease liabilities	26,173	26,359	-1%	3,232	3,212	1%
Accrued expenses	22,430	21,314	5%	11,732	10,635	10%
Accrued salaries	25,181	19,068	32%	9,764	9,807	0%
Liabilities to brokerage firms and others for securities purchase and custody services	8,533	2,459	-	8,513	2,443	-
Suppliers	5,812	20,993	-72%	2,664	15,768	-83%
Unused annual leave	6,360	6,137	4%	2,497	2,497	0%
Fees and commissions	257	1,100	-77%	99	967	-90%
Other financial liabilities	63,084	40,592	55%	35,614	31,397	13%
Total	264,194	207,300	27%	132,504	101,273	31%

5.12. Provisions

a) Analysis by type

in EUR thousands

	NLB Group			NLB		
	30 Jun 2021	31 Dec 2020	Change	30 Jun 2021	31 Dec 2020	Change
Provisions for guarantees and commitments	36,593	42,174	-13%	23,585	28,543	-17%
Stage 1	13,205	15,796	-16%	4,698	7,510	-37%
Stage 2	1,436	2,767	-48%	280	732	-62%
Stage 3	21,952	23,611	-7%	18,607	20,301	-8%
Employee benefit provisions	20,687	20,707	0%	14,586	14,220	3%
Provisions for legal risks	45,588	46,602	-2%	3,956	5,673	-30%
Restructuring provisions	17,540	15,565	13%	12,949	15,354	-16%
Other provisions	11	11	0%	-	-	-
Total	120,419	125,059	-4%	55,076	63,790	-14%

Legal risks

As disclosed in the annual financial statements of NLB Group and NLB for the year ended 31 December 2020, the largest amount of material monetary claims against NLB Group in connection with legal risks relates to civil claims filed by Privredna banka Zagreb (the PBZ) and Zagrebačka banka (the ZaBa) against NLB, referring to the old savings of LB Branch Zagreb savers. Compared to 31 December 2020, there was a change regarding the PBZ legal dispute with principal amount of EUR 375,938.42, therefore the table below summarising the amounts according to final court decisions (not including penalty interest) has been updated with latest measures taken by NLB.

Date of the ruling	Plaintiff	Principal amount in EUR	Costs of the proceedings in HRK	Measures taken by NLB
May 2015	PBZ	254.76	15,781.25	Constitutional suit against the final judgement, as NLB found the court decision contrary to the legislation in force and constitutional principles and as well contrary to the Memorandum concluded between the Republic of Slovenia and the Republic of Croatia. Constitutional Court of the Republic of Croatia rejected the constitutional appeal of NLB d.d. on 21 May 2018.
April 2018	PBZ	222,426.39	253,283.37	Constitutional suit against the court decisions (including the decision of the Supreme Court of the Republic of Croatia in the revision proceeding), as NLB found the court decision contrary to the legislation in force and constitutional principles, and as well contrary to the Memorandum concluded between the Republic of Slovenia and the Republic of Croatia.
September 2017	ZaBa	492,430.53	748,583.75	Constitutional suit against the court decisions (including the decision of the Supreme Court of the Republic of Croatia in the revision proceeding), as NLB found the court decision contrary to the legislation in force and constitutional principles, and as well contrary to the Memorandum concluded between the Republic of Slovenia and the Republic of Croatia.
November 2017	PBZ	220,115.98	688,268.12	NLB challenged the judgments with the extraordinary legal measure (revision) on the Supreme Court of the Republic of Croatia and later, if necessary, will challenge the judgments with all other available remedies of the obligations of the old foreign currency savings in accordance with Slovenian Constitutional Law are not the liabilities of NLB.
December 2018	PBZ	375,938.42	679,926.08	Constitutional suit against the court decisions (including the decision of the Supreme Court of the Republic of Croatia in the revision proceeding), as NLB found the court decision contrary to the legislation in force and constitutional principles and as well contrary to the Memorandum concluded between the Republic of Slovenia and the Republic of Croatia.
March 2019	PBZ	9,185,141.76	3,198,760.00	NLB challenged the judgment with the extraordinary legal measure (revision) on the Supreme Court of the Republic of Croatia and later, if necessary, will challenge the judgment with all other available remedies of the obligations of the old foreign currency savings in accordance with Slovenian Constitutional Law are not the liabilities of NLB.

b) Movements in provisions for guarantees and commitments

in EUR thousands

	NLB Group		
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2021	15,796	2,767	23,611
Effects of translation of foreign operations to presentation currency	-	-	(1)
Transfers	944	(610)	(334)
Increases/(Decreases) (note 4.11.)	(713)	(570)	(1,602)
Changes in models/risk parameters (note 4.11.)	(2,828)	(151)	270
Foreign exchange and other movements	6	-	8
Balance as at 30 Jun 2021	13,205	1,436	21,952

in EUR thousands

	NLB Group		
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2020	12,909	2,444	24,068
Effects of translation of foreign operations to presentation currency	(7)	(5)	5
Transfers	499	(407)	(92)
Increases/(Decreases) (note 4.11.)	3,365	845	(2,307)
Changes in models/risk parameters (note 4.11.)	(207)	334	(4)
Foreign exchange and other movements	-	1	9
Balance as at 30 Jun 2020	16,559	3,212	21,679

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	251	(85)	(166)
Increases/(Decreases) (note 4.11.)	(382)	(238)	(1,809)
Changes in models/risk parameters (note 4.11.)	(2,683)	(129)	273
Foreign exchange and other movements	2	-	8
Balance as at 30 Jun 2021	4,698	280	18,607

in EUR thousands

	NLB		
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2020	6,145	653	22,365
Transfers	62	19	(81)
Increases/(Decreases) (note 4.11.)	2,960	829	(2,363)
Changes in models/risk parameters (note 4.11.)	92	143	(25)
Foreign exchange and other movements	(1)	-	9
Balance as at 30 Jun 2020	9,258	1,644	19,905

5.13. Deferred income tax

in EUR thousands

	NLB Group		NLB	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Deferred income tax assets				
Valuation of financial instruments and capital investments	36,332	37,729	36,209	37,650
Impairment of financial assets	4,558	3,190	963	947
Provisions for liabilities and charges	9,334	8,489	2,942	3,138
Depreciation and valuation of non-financial assets	3,843	4,063	133	140
Fair value adjustments of financial instruments measured at amortised cost	-	938	-	-
Tax reliefs	1,093	1,179	-	-
Other	86	111	-	-
Total deferred income tax assets	55,246	55,699	40,247	41,875
Deferred income tax liabilities				
Valuation of financial instruments	17,919	21,023	9,178	11,871
Depreciation and valuation of non-financial assets	1,502	1,515	178	193
Impairment of financial assets	3,813	3,271	593	597
Fair value adjustments of financial assets measured at amortised cost	2,546	592	-	-
Other	1,663	1,984	-	-
Total deferred income tax liabilities	27,443	28,385	9,949	12,661
Net deferred income tax assets	31,961	31,789	30,298	29,214
Net deferred income tax liabilities	(4,158)	(4,475)	-	-

in EUR thousands

	NLB Group		NLB	
	six months ended		six months ended	
	June 2021	June 2020	June 2021	June 2020
Included in the income statement	462	66	74	40
- valuation of financial instruments and capital investments	1,436	124	246	124
- impairment of financial assets	1,076	76	16	(34)
- provisions for liabilities and charges	845	(25)	(196)	(50)
- depreciation and valuation of non-financial assets	(208)	(109)	8	-
- fair value adjustments of financial assets measured at amortised cost	(2,892)	-	-	-
- other	291	-	-	-
Included in other comprehensive income	(348)	2,080	1,010	1,992
- valuation and impairment of financial assets measured at fair value through other comprehensive income	(348)	2,080	1,010	1,992
Included in equity - transfer of fair value reserve	368	-	-	-
- valuation of financial assets measured at fair value through other comprehensive income	368	-	-	-

As at 30 June 2021, NLB recognised EUR 40,247 thousand deferred tax assets (31 December 2020: EUR 41,875 thousand). Unrecognised deferred tax assets amount to EUR 220,562 thousand (31 December 2020: EUR 221,494 thousand) of which EUR 174,311 thousand (31 December 2020: EUR 175,350 thousand) relates to unrecognised deferred tax assets from tax loss (no deadlines by which uncovered tax losses must be utilized) and EUR 46,251 thousand (31 December 2020: EUR 46,144 thousand) to unrecognised deferred tax assets from valuation of financial instruments and impairments of non-strategic capital investments.

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

5.14. Income tax relating to components of other comprehensive income

in EUR thousands

Six months ended June 2021	NLB Group			NLB		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Financial assets measured at fair value through other comprehensive income	2,682	(348)	2,334	(6,789)	1,010	(5,779)
Actuarial gains and losses	(58)	-	(58)	-	-	-
Total	2,624	(348)	2,276	(6,789)	1,010	(5,779)

in EUR thousands

Six months ended June 2020	NLB Group			NLB		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Financial assets measured at fair value through other comprehensive income	(18,805)	2,080	(16,725)	(13,800)	1,992	(11,808)
Share of associates and joint ventures	(11,018)	-	(11,018)	-	-	-
Total	(29,823)	2,080	(27,743)	(13,800)	1,992	(11,808)

5.15. Other liabilities

in EUR thousands

	NLB Group			NLB		
	30 Jun 2021	31 Dec 2020	Change	30 Jun 2021	31 Dec 2020	Change
Taxes payable	4,687	5,009	-6%	3,359	4,107	-18%
Deferred income	11,641	12,364	-6%	5,748	5,391	7%
Payments received in advance	2,993	2,195	36%	682	199	-
Other liabilities	-	859	-	-	-	-
Total	19,321	20,427	-5%	9,789	9,697	1%

5.16. Book value per share

	NLB Group		NLB	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Total equity attributable to owners of the parents (in EUR thousand)	2,091,444	1,952,789	1,510,347	1,450,994
Number of shares (in thousands)	20,000	20,000	20,000	20,000
Book value per share (in EUR)	104.6	97.6	75.5	72.5

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

5.17. Capital adequacy ratio

in EUR thousands

	NLB Group		NLB	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Paid-up capital instruments	200,000	200,000	200,000	200,000
Share premium	871,378	871,378	871,378	871,378
Retained earnings - from previous years	766,975	552,146	249,751	228,040
Profit eligible - from current year	-	63,635	-	21,658
Accumulated other comprehensive income	19,102	21,588	18,270	24,102
Other reserves	13,522	13,522	13,522	13,522
Minority interest	47,068	71,562	-	-
Prudential filters: Additional Valuation Adjustments (AVA)	(3,603)	(3,632)	(1,742)	(1,755)
(-) Goodwill	(3,529)	(3,529)	-	-
(-) Other intangible assets	(31,470)	(33,222)	(10,470)	(9,914)
(-) Insufficient coverage for non-performing exposures	(24)	-	-	-
COMMON EQUITY TIER 1 CAPITAL (CET1)	1,879,419	1,753,448	1,340,709	1,347,031
Minority interest	5,849	14,614	-	-
Additional Tier 1 capital	5,849	14,614	-	-
TIER 1 CAPITAL	1,885,268	1,768,062	1,340,709	1,347,031
Capital instruments and subordinated loans eligible as Tier 2 capital	284,595	284,595	284,595	284,595
Minority interest	2,490	12,806	-	-
TIER 2 CAPITAL	287,085	297,401	284,595	284,595
TOTAL CAPITAL	2,172,353	2,065,463	1,625,304	1,631,626
RWA for credit risk	10,595,435	10,222,923	5,132,784	4,805,127
RWA for market risks	1,212,276	1,250,563	723,401	657,088
RWA for credit valuation adjustment risk	538	200	538	200
RWA for operational risk	947,342	947,342	566,385	566,385
TOTAL RISK EXPOSURE AMOUNT (RWA)	12,755,591	12,421,028	6,423,108	6,028,800
Common Equity Tier 1 Ratio	14.7%	14.1%	20.9%	22.3%
Tier 1 Ratio	14.8%	14.2%	20.9%	22.3%
Total Capital Ratio	17.0%	16.6%	25.3%	27.1%

As at 30 June 2021, the Total capital ratio for the NLB Group stood at 17.0% (or 0.4 percentage points higher than at the end of 2020), and for NLB at 25.3% (or 1.8 percentage points lower than at the end of 2020). As at 30 June 2021, the CET1 ratio stood at 14.7% (0.6 percentage points higher than at the end of 2020). The higher total capital adequacy derives from higher capital (EUR 106.9 million for the NLB Group) which compensated higher RWA. The main effect in capital was inclusion of Negative Goodwill in Retained earnings in the amount of EUR 137.9 million. On the other hand, Minority interest decreased in the amount of EUR 43.6 million, of which EUR 43.0 million due to Komercijalna banka Belgrade takeover bid, after obtaining ECB approval. If as of 30 September 2021 NLB does not own 100% of Komercijalna banka Belgrade shares, the remaining part of Minority interest will be included back into capital.

RWA for the NLB Group increased in 2021 by EUR 334.6 million. RWA for credit risk increased in 2021 by EUR 372.5 million. Most of the increase contributed NLB (EUR 286.4 million), which is related with new production on retail and corporate segment and with investments in subordinated bonds representing Tier 2 instruments and with investments in state bonds.

Pursuant to the ECB/Bank of Slovenia regulation and decision of General Meeting of NLB d.d. from 14 June 2021 dividend payouts in 2021 are split into two tranches. The first instalment in the amount of EUR 12.0 million was paid on 22 June 2021. The second instalment will be payable upon expiry of the Bank of Slovenia decision on 18 October 2021 in the amount of EUR 12.8 million, unless such payment would then be contrary to the regulations. In addition to the currently allowed distribution plan, the Bank envisages, subject to regulatory requirements, additional incremental dividends in 2021 to reach a cumulative payout ratio of 70% of the 2020 Group result (without considering the impact of negative goodwill) totalling EUR 92.2 million. The envisaged cumulative dividend payout in 2021 (EUR 92.2 million) is not included in capital calculation, therefore there is no effect on capital in case of dividend payout.

5.18. Off-balance sheet liabilities

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2021	31 Dec 2020	Change	30 Jun 2021	31 Dec 2020	Change
Commitments to extend credit	1,902,009	1,816,441	5%	1,372,031	1,306,791	5%
Non-financial guarantees	670,442	647,346	4%	444,943	431,665	3%
Financial guarantees	476,123	479,096	-1%	255,875	258,003	-1%
Letters of credit	31,571	21,794	45%	3,273	2,256	45%
Other	5,579	10,293	-46%	968	5,865	-83%
	3,085,724	2,974,970	4%	2,077,090	2,004,580	4%
Provisions (note 5.12.)	(36,593)	(42,174)	13%	(23,585)	(28,543)	17%
Total	3,049,131	2,932,796	4%	2,053,505	1,976,037	4%

Besides the instruments presented in the table above, NLB Group and NLB enter also into contracts related to guarantee lines. When the contract is signed, bank and a client agree on all conditions for issuing guarantees. Nevertheless, NLB Group can discontinue issuing guarantees if the client's conditions worsen. As at 30 June 2021 unused guarantee lines at the NLB Group level amount to EUR 382,301 thousand, and at the NLB level EUR 310,215 thousand (31 December 2020: NLB Group EUR 307,093 thousand and NLB EUR 236,542 thousand).

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

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

The fair value hierarchy comprises the following levels:

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

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

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

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

in EUR thousands

30 Jun 2021	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets								
Financial instruments held for trading	1,083	11,666	785	13,534	1,083	11,707	785	13,575
<i>Debt instruments</i>	1,083	-	-	1,083	1,083	-	-	1,083
<i>Derivatives</i>	-	11,666	785	12,451	-	11,707	785	12,492
Derivatives - hedge accounting	-	163	-	163	-	163	-	163
Financial assets measured at fair value through other comprehensive income	2,084,785	1,472,868	1,714	3,559,367	1,660,311	52,290	219	1,712,820
<i>Debt instruments</i>	2,080,090	1,413,476	840	3,494,406	1,660,311	7,594	-	1,667,905
<i>Equity instruments</i>	4,695	59,392	874	64,961	-	44,696	219	44,915
Non-trading financial assets mandatorily at fair value through profit or loss	13,684	790	4,601	19,075	-	8,122	4,601	12,723
<i>Debt instruments</i>	2,135	-	-	2,135	-	-	-	-
<i>Equity instruments</i>	11,549	790	4,601	16,940	-	-	4,601	4,601
<i>Loans</i>	-	-	-	-	-	8,122	-	8,122
Financial liabilities								
Financial instruments held for trading	-	10,933	-	10,933	-	11,051	-	11,051
<i>Derivatives</i>	-	10,933	-	10,933	-	11,051	-	11,051
Derivatives - hedge accounting	-	43,670	-	43,670	-	43,670	-	43,670
Non-financial assets								
Investment properties	-	20,313	32,990	53,303	-	8,300	-	8,300
Non-current assets held for sale	-	8,618	-	8,618	-	4,377	-	4,377

in EUR thousands

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

b) Significant transfers of financial instruments between levels of valuation

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

Fair value hierarchy	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)		
Transfers								
	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)				

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

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

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

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

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

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

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

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

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

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

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

- equities: mainly financial equities that are not quoted on active markets;
- derivative financial instruments: forward derivatives and options on equity instruments that are not quoted on an active organised market. Fair values for forward derivatives are determined using the discounted cash flow model. Fair values for equity options are determined using valuation models for options (Garman and Kohlhagen model, binomial model and Black-Scholes model). Unobservable inputs include

the fair values of underlying instruments determined using valuation models. The source of observable market inputs is the Bloomberg information system; and

- non-performing loans measured at fair value, which according to IFRS 9 do not pass SPPI test. Fair value is calculated on the basis of the discounted expected future cash flows with the required rate of return. In defining the expected cash flows for non-performing loans, the value of collateral and other pay off estimates can be used.

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

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

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

Movements of financial assets and liabilities at Level 3

in EUR thousands

NLB Group	Financial instruments held for trading	Financial assets measured at fair value through OCI		Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Debt instruments	Equity instruments	Equity instruments	Loans and other financial assets		Loans and other financial liabilities
Balance as at 1 Jan 2021	786	900	927	4,171	25,076	31,860	-
Effects of translation of foreign operations to presentation currency	-	-	(1)	-	-	(1)	-
Valuation:							
- through profit or loss	(1)	-	-	290	15,369	15,658	-
- recognised in other comprehensive income	-	-	3	-	-	3	-
Exchange differences	-	-	-	140	9	149	-
Increases	-	-	1	-	3,017	3,018	-
Decreases	-	(60)	(56)	-	(43,471)	(43,587)	-
Balance as at 30 Jun 2021	785	840	874	4,601	-	7,100	-

in EUR thousands

NLB Group	Financial instruments held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets		Loans and other financial liabilities
Balance as at 1 Jan 2020	807	4,110	2,716	14,960	22,593	7,998
Effects of translation of foreign operations to presentation currency	-	70	-	-	70	-
Valuation:						
- through profit or loss	(66)	-	53	(5,138)	(5,151)	(7,996)
- recognised in other comprehensive income	-	18	-	-	18	-
Exchange differences	-	-	-	8	8	8
Increases	-	-	-	18,858	18,858	-
Decreases	-	(3,360)	-	(3,762)	(7,122)	-
Balance as at 30 Jun 2020	741	838	2,769	24,926	29,274	10

in EUR thousands

NLB	Financial instruments held for trading	Financial assets measured at fair value through OCI		Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Debt instruments	Equity instruments	Equity instruments	Loans and other financial assets		Loans and other financial liabilities
Balance as at 1 Jan 2021	786	-	274	4,171	22,988	28,219	-
Valuation:							
- through profit or loss	(1)	-	-	290	13,371	13,660	-
- recognised in other comprehensive income	-	-	1	-	-	1	-
Exchange differences	-	-	-	140	9	149	-
Increases	-	-	-	-	3,005	3,005	-
Decreases	-	-	(56)	-	(39,373)	(39,429)	-
Balance as at 30 Jun 2021	785	-	219	4,601	-	5,605	-

in EUR thousands

NLB	Financial instruments held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets		Loans and other financial liabilities
Balance as at 1 Jan 2020	807	259	2,716	13,055	16,837	7,746
Valuation:						
- through profit or loss	(66)	-	53	(5,033)	(5,046)	(7,744)
- recognised in other comprehensive income	-	15	-	-	15	-
Exchange differences	-	-	-	8	8	8
Increases	-	-	-	18,503	18,503	-
Decreases	-	-	-	(3,680)	(3,680)	-
Balance as at 30 Jun 2020	741	274	2,769	22,853	26,637	10

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

in EUR thousands

Six months ended 30 Jun 2021	NLB Group				
	Financial assets held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss	Loans and other financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets	Loans and other financial liabilities
Items of Income statement					
Gains less losses from financial assets and liabilities held for trading	(1)	-	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	290	-	-
Foreign exchange translation gains less losses	-	-	140	-	-
Item of Other comprehensive income					
Financial assets measured at fair value through other comprehensive income	-	3	-	-	-

in EUR thousands

Six months ended 30 Jun 2020	NLB Group				
	Financial assets held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss	Loans and other financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets	Loans and other financial liabilities
Items of Income statement					
Gains less losses from financial assets and liabilities held for trading	(66)	-	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	53	(5,138)	7,996
Foreign exchange translation gains less losses	-	-	-	8	(8)
Item of Other comprehensive income					
Financial assets measured at fair value through other comprehensive income	-	18	-	-	-

in EUR thousands

Six months ended 30 Jun 2021	NLB				
	Financial assets held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss	Loans and other financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets	Loans and other financial liabilities
Items of Income statement					
Gains less losses from financial assets and liabilities held for trading	(1)	-	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	290	-	-
Foreign exchange translation gains less losses	-	-	140	-	-
Item of Other comprehensive income					
Financial assets measured at fair value through other comprehensive income	-	1	-	-	-

in EUR thousands

Six months ended 30 Jun 2020	NLB				
	Financial assets held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss	Loans and other financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets	Loans and other financial liabilities
Items of Income statement					
Gains less losses from financial assets and liabilities held for trading	(66)	-	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	53	(5,033)	7,744
Foreign exchange translation gains less losses	-	-	-	8	(8)
Item of Other comprehensive income					
Financial assets measured at fair value through other comprehensive income	-	15	-	-	-

Movements of non-financial assets at Level 3

in EUR thousands

	NLB Group	
	2021	2020
Investment property		
Balance as at 1 Jan	32,210	28,933
Effects of translation of foreign operations to presentation currency	(3)	(51)
Additions	1,374	329
Disposals	(584)	(23)
Net valuation to fair value	(7)	(21)
Balance as at 30 Jun	32,990	29,167

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

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

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

in EUR thousands

	NLB Group				NLB			
	30 Jun 2021		31 Dec 2020		30 Jun 2021		31 Dec 2020	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets measured at amortised cost								
- debt securities	1,898,941	1,942,061	1,503,087	1,563,103	1,667,581	1,705,672	1,277,880	1,333,840
- loans and advances to banks	243,360	243,550	197,005	197,220	162,779	171,072	158,320	165,966
- loans and advances to customers	10,071,406	10,318,221	9,619,860	9,873,137	4,779,704	4,859,915	4,564,178	4,674,069
- other financial assets	134,909	134,909	113,138	113,138	63,238	63,238	54,503	54,503
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	78,039	79,084	72,633	72,648	141,983	141,983	41,635	41,635
- borrowings from banks and central banks	880,615	871,938	158,225	155,673	866,300	857,399	143,464	140,702
- due to customers	17,142,973	17,130,091	16,397,167	16,414,382	9,272,237	9,272,928	8,850,755	8,860,267
- borrowings from other customers	95,988	96,451	91,560	93,020	3	3	13	13
- subordinated liabilities	287,563	287,954	288,321	281,001	287,563	287,954	288,321	281,001
- other financial liabilities	264,194	264,194	207,300	207,300	132,504	132,504	101,273	101,273

Loans and advances to banks

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

Loans and advances to customers

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

Deposits and borrowings from customers

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

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

Debt securities measured at amortised cost and issued debt securities

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

Loan commitments

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

Other financial assets and liabilities

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

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

in EUR thousands

30 Jun 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	1,831,611	103,271	7,179	1,942,061	1,602,401	103,271	-	1,705,672
- loans and advances to banks	-	243,550	-	243,550	-	171,072	-	171,072
- loans and advances to customers	-	10,318,221	-	10,318,221	-	4,859,915	-	4,859,915
- other financial assets	-	134,909	-	134,909	-	63,238	-	63,238
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	-	79,084	-	79,084	-	141,983	-	141,983
- borrowings from banks and central banks	-	871,938	-	871,938	-	857,399	-	857,399
- due to customers	-	17,130,091	-	17,130,091	-	9,272,928	-	9,272,928
- borrowings from other customers	-	96,451	-	96,451	-	3	-	3
- subordinated liabilities	241,810	46,144	-	287,954	241,810	46,144	-	287,954
- other financial liabilities	-	264,194	-	264,194	-	132,504	-	132,504

in EUR thousands

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

6. Analysis by segment for NLB Group

a) Segments

Six months ended 30 June 2021

in EUR thousands

NLB Group	Retail Banking in Slovenia	Corporate and Investment Banking in Slovenia	Strategic Foreign Markets	Financial Markets in Slovenia	Non-Core Members	Other activities	Unallocated	Total
Total net income	78,055	61,550	178,779	11,060	3,268	3,331	-	336,043
<i>Net income from external customers</i>	87,039	65,945	179,699	(5,255)	3,160	3,320	-	333,908
<i>Intersegment net income</i>	(8,984)	(4,395)	(920)	16,315	108	11	-	2,135
Net interest income	38,631	17,905	130,023	11,734	374	(24)	-	198,643
<i>Net income from external customers</i>	48,088	22,180	131,954	(4,136)	592	(35)	-	198,643
<i>Intersegment net interest income</i>	(9,457)	(4,275)	(1,931)	15,870	(218)	11	-	-
Administrative expenses	(49,336)	(19,327)	(93,297)	(3,610)	(4,948)	(5,304)	-	(175,822)
Depreciation and amortisation	(5,856)	(2,075)	(14,576)	(318)	(415)	(367)	-	(23,607)
Reportable segment profit/(loss) before impairment and provision charge	22,863	40,148	70,906	7,132	(2,095)	(2,340)	-	136,614
Other net gains/(losses) from equity investments in subsidiaries, associates and joint ventures	421	-	-	-	-	-	-	421
Impairments and provisions	(2,678)	16,063	1,995	119	1,738	1,723	-	18,960
Profit/(loss) before income tax	20,606	56,211	72,901	7,251	(357)	(617)	-	155,995
<i>Owners of the parent</i>	20,606	56,211	66,272	7,251	(357)	(617)	-	149,366
<i>Non-controlling interests</i>	-	-	6,629	-	-	-	-	6,629
Income tax	-	-	-	-	-	-	(9,561)	(9,561)
Profit for the period								139,805
30 Jun 2021								
Reportable segment assets	2,610,622	2,140,303	9,714,762	6,250,969	116,700	345,537	-	21,178,893
Investments in associates and joint ventures	8,411	-	-	-	-	-	-	8,411
Reportable segment liabilities	7,660,146	1,681,681	8,223,001	1,284,770	3,764	98,661	-	18,952,023

Six months ended 30 June 2020

in EUR thousands

NLB Group	Retail Banking in Slovenia	Corporate and Investment Banking in Slovenia	Strategic Foreign Markets	Financial Markets in Slovenia	Non-Core Members	Other activities	Unallocated	Total
Total net income	86,756	38,589	103,782	26,725	2,649	2,533	-	261,034
<i>Net income from external customers</i>	92,646	41,622	105,568	15,171	2,472	2,508	-	259,987
<i>Intersegment net income</i>	(5,890)	(3,032)	(1,786)	11,554	177	24	-	1,047
Net interest income	41,666	17,871	78,552	11,279	707	(8)	-	150,067
<i>Net income from external customers</i>	47,778	20,710	80,492	(45)	1,165	(33)	-	150,067
<i>Intersegment net interest income</i>	(6,112)	(2,838)	(1,940)	11,324	(458)	24	-	-
Administrative expenses	(50,201)	(18,641)	(46,423)	(3,294)	(5,930)	(5,134)	-	(129,623)
Depreciation and amortisation	(5,941)	(1,819)	(6,894)	(303)	(553)	(734)	-	(16,244)
Reportable segment profit/(loss) before impairment and provision charge	30,615	18,130	50,465	23,128	(3,834)	(3,337)	-	115,167
Other net gains/(losses) from equity investments in subsidiaries, associates and joint ventures	426	-	-	-	-	-	-	426
Impairments and provisions	(5,647)	(9,272)	(17,789)	(21)	(135)	(366)	-	(33,230)
Profit/(loss) before income tax	25,394	8,858	32,676	23,107	(3,969)	(3,703)	-	82,363
<i>Owners of the parent</i>	25,394	8,858	29,494	23,107	(3,969)	(3,703)	-	79,181
<i>Non-controlling interests</i>	-	-	3,182	-	-	-	-	3,182
Income tax	-	-	-	-	-	-	(5,512)	(5,512)
Profit for the period								73,669
31 Dec 2020								
Reportable segment assets	2,545,714	2,043,324	9,346,255	5,218,038	131,204	273,332	-	19,557,867
Investments in associates and joint ventures	7,988	-	-	-	-	-	-	7,988
Reportable segment liabilities	7,367,145	1,519,067	7,879,089	557,402	4,571	115,540	-	17,442,815

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

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

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

The core segments are the following:

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

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

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

b) Geographical information

in EUR thousands

	Revenues		Net income		Non-current assets		Total assets	
	six months ended		six months ended		30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	June 2021	June 2020	June 2021	June 2020				
NLB Group	167,942	158,727	152,667	153,941	147,405	153,671	11,398,527	10,142,675
Slovenia	220,571	129,709	180,819	106,308	213,741	219,886	9,779,273	9,411,671
South East Europe	42,284	39,834	33,831	32,875	36,386	37,181	1,648,783	1,576,941
North Macedonia	92,320	16,840	74,237	13,270	105,056	109,167	4,716,598	4,587,600
Serbia	20,564	15,273	17,722	12,056	18,323	17,934	717,568	709,797
Montenegro	4	13	196	184	385	381	4,199	4,390
Croatia	40,914	34,309	34,615	28,413	38,162	39,576	1,780,671	1,654,026
Bosnia and Herzegovina	24,485	23,440	20,218	19,510	15,429	15,647	911,454	878,917
Kosovo	3	3	422	(262)	44	58	9,504	11,509
Western Europe	1	1	490	69	44	58	606	1,648
Germany	2	2	(68)	(331)	-	-	8,898	9,861
Switzerland	388,516	288,439	333,908	259,987	361,190	373,615	21,187,304	19,565,855
Total								

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 in the normal course of business. The volume of related-party transactions and the outstanding balances are as follows:

in EUR thousands

NLB Group and NLB	Management Board and other key management personnel		Family members of the Management Board and other key management personnel		Companies in which members of the Management Board, key management personnel, or their family members have control, joint control or a significant influence		Supervisory Board	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	six months ended		six months ended		six months ended		six months ended	
	June 2021	June 2020	June 2021	June 2020	June 2021	June 2020	June 2021	June 2020
Loans and deposits issued	2,069	2,284	427	444	1	-	65	305
Deposits received	2,019	1,610	877	956	218	136	391	323
Other financial assets	-	2	-	-	-	-	-	-
Other financial liabilities	3,197	2,759	-	-	7	8	-	-
Guarantees issued and credit commitments	233	242	73	78	5	6	23	33
Interest income	19	19	4	4	-	1	3	4
Interest expense	(1)	(2)	-	-	-	-	-	-
Fee income	6	6	3	3	37	77	-	-
Other income	4	7	-	-	-	-	-	-
Other expenses	-	(6)	-	-	(29)	(29)	-	-

Key management compensation – payments in the period

in EUR thousands

NLB Group and NLB	Management Board		Other key management personnel	
	six months ended		six months ended	
	June 2021	June 2020	June 2021	June 2020
Short-term benefits	834	802	2,675	2,705
Cost refunds	2	2	40	49
Long-term bonuses	-	259	5	48
- severance pay	-	-	-	-
- other benefits	3	1	33	24
- variable part of payments	375	-	2,096	-
Total	1,214	1,064	4,849	2,826

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 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Loans and deposits issued	1,096	1,106	281	851
Deposits received	4,438	3,973	3,616	3,434
Other financial assets	4	19	-	1
Other financial liabilities	393	596	3	-
Guarantees issued and credit commitments	2,035	38	-	21
	six months ended		six months ended	
	June 2021	June 2020	June 2021	June 2020
Interest income	22	16	2	6
Interest expense	-	-	(35)	(29)
Fee income	11	6	-	981
Fee expense	(5,803)	(5,923)	-	(952)
Other income	69	79	1	140
Other expenses	(290)	(264)	-	(37)

in EUR thousands

	NLB					
	Subsidiaries		Associates		Joint ventures	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Loans and deposits issued	283,714	238,562	1,096	1,106	281	851
Deposits received	97,733	19,415	4,438	3,973	118	284
Other financial assets	1,057	948	4	19	-	1
Other financial liabilities	1,410	800	95	480	-	-
Guarantees issued and credit commitments	41,757	55,068	2,035	38	-	21
Received loan commitments and financial guarantees	5,680	6,692	-	-	-	-
	six months ended		six months ended		six months ended	
	June 2021	June 2020	June 2021	June 2020	June 2021	June 2020
Interest income	2,308	2,526	22	16	2	5
Interest expense	(2)	(19)	-	-	-	-
Fee income	4,372	3,421	11	6	-	923
Fee expense	(8)	(11)	(4,307)	(4,569)	-	(332)
Other income	449	229	69	79	1	140
Other expenses	(511)	(129)	(284)	(260)	-	(37)
Gains less losses on derecognition of financial assets/liabilities held for trading	(141)	56	-	-	-	-
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	(286)	317	-	-	-	-

Related-party transactions with major shareholder with significant influence

in EUR thousands

	NLB Group		NLB	
	Shareholder		Shareholder	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Loans and deposits issued	19,928	23,219	19,928	23,219
Investments in securities (banking book)	923,664	691,868	783,137	597,123
Investments in securities (trading book)	1,083	-	1,083	-
Other financial assets	659	807	659	807
Other financial liabilities	10	6	10	6
Guarantees issued and credit commitments	1,165	1,241	1,165	1,241

	six months ended		six months ended	
	June 2021	June 2020	June 2021	June 2020
Interest income	3,796	5,862	3,923	6,032
Interest expenses	(466)	(508)	(466)	(508)
Fee income	154	109	154	109
Fee expense	(11)	(12)	(11)	(12)
Other income	91	104	91	104
Other expenses	(2)	(1)	(2)	(1)
Gains less losses on derecognition of financial assets/liabilities not classified as at fair value through profit or loss	-	14,664	-	14,664
Gains less losses on derecognition of financial assets/liabilities held for trading	(147)	44	(147)	44

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	
	six months ended	12 months ended	six months ended	12 months ended
	June 2021	December 2020	June 2021	December 2020
NLB Group and NLB				
Guarantees issued and credit commitments	70,000	112,500	1	1

in EUR thousands

	Balance of all significant transactions at end of the period		Number of significant transactions at end of the period	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
NLB Group and NLB				
Loans	483,047	516,058	6	6
Debt securities measured at amortised cost	73,174	76,396	1	1
Borrowings, deposits and business accounts	171,562	70,006	3	1
Guarantees issued and credit commitments	222,500	152,500	3	2

in EUR thousands

	Effects in the income statement during the period	
	six months ended	
	June 2021	June 2020
NLB Group and NLB		
Interest income from loans	1,391	1,841
Fees and commissions income	172	14
Interest income from debt securities measured at amortised cost and net valuation effects from hedge accounting	(449)	914
Interest expense from borrowings, deposits, and business accounts	(106)	(183)

8. Subsidiaries

NLB Group's subsidiaries as at 30 June 2021:

	Nature of Business	Country of Incorporation	NLB's shareholding %	NLB's voting rights %	NLB Group's shareholding %	NLB Group's voting rights%
Core members						
NLB Banka a.d., Skopje	Banking	North Macedonia	86.97	86.97	86.97	86.97
NLB Banka a.d., Podgorica	Banking	Montenegro	99.83	99.83	99.83	99.83
NLB Banka a.d., Banja Luka	Banking	Bosnia and Herzegovina	99.85	99.85	99.85	99.85
NLB Banka sh.a., Prishtina	Banking	Kosovo	81.21	81.21	81.21	81.21
NLB Banka d.d., Sarajevo	Banking	Bosnia and Herzegovina	97.34	97.35	97.34	97.35
NLB Banka a.d., Belgrade	Banking	Serbia	100	100	100	100
Komercijalna banka a.d. Belgrade	Banking	Serbia	86.70	88.28	86.70	88.28
Komercijalna banka a.d. Banja Luka	Banking	Bosnia and Herzegovina	0.002	0.002	100	100
Komercijalna banka a.d. Podgorica	Banking	Montenegro	-	-	100	100
KomBank Invest a.d. Belgrade	Finance	Serbia	-	-	100	100
NLB Skladi d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Lease&Go, leasing d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Zavod za upravljanje kulturne dediščine, Ljubljana	Cultural heritage management	Slovenia	100	100	100	100
Non-core members						
NLB Leasing d.o.o. - v likvidaciji, Ljubljana	Finance	Slovenia	100	100	100	100
Optima Leasing d.o.o., Zagreb - "u likvidaciji"	Finance	Croatia	-	-	100	100
NLB Leasing d.o.o., Belgrade - 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., Belgrade	Real estate	Serbia	100	100	100	100
SPV 2 d.o.o., Belgrade	Real estate	Serbia	100	100	100	100
S-REAM d.o.o., Ljubljana	Real estate	Slovenia	100	100	100	100
REAM d.o.o., Zagreb	Real estate	Croatia	-	-	100	100
NLB Srbija d.o.o., Belgrade	Real estate	Serbia	100	100	100	100
NLB Crna Gora d.o.o., Podgorica	Real estate	Montenegro	100	100	100	100
NLB InterFinanz AG, Zürich in Liquidation	Finance	Switzerland	100	100	100	100
NLB InterFinanz d.o.o., Belgrade	Finance	Serbia	-	-	100	100
LHB AG, Frankfurt	Finance	Germany	100	100	100	100

NLB Group's subsidiaries as at 31 December 2020:

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

9. Events after the end of the reporting period

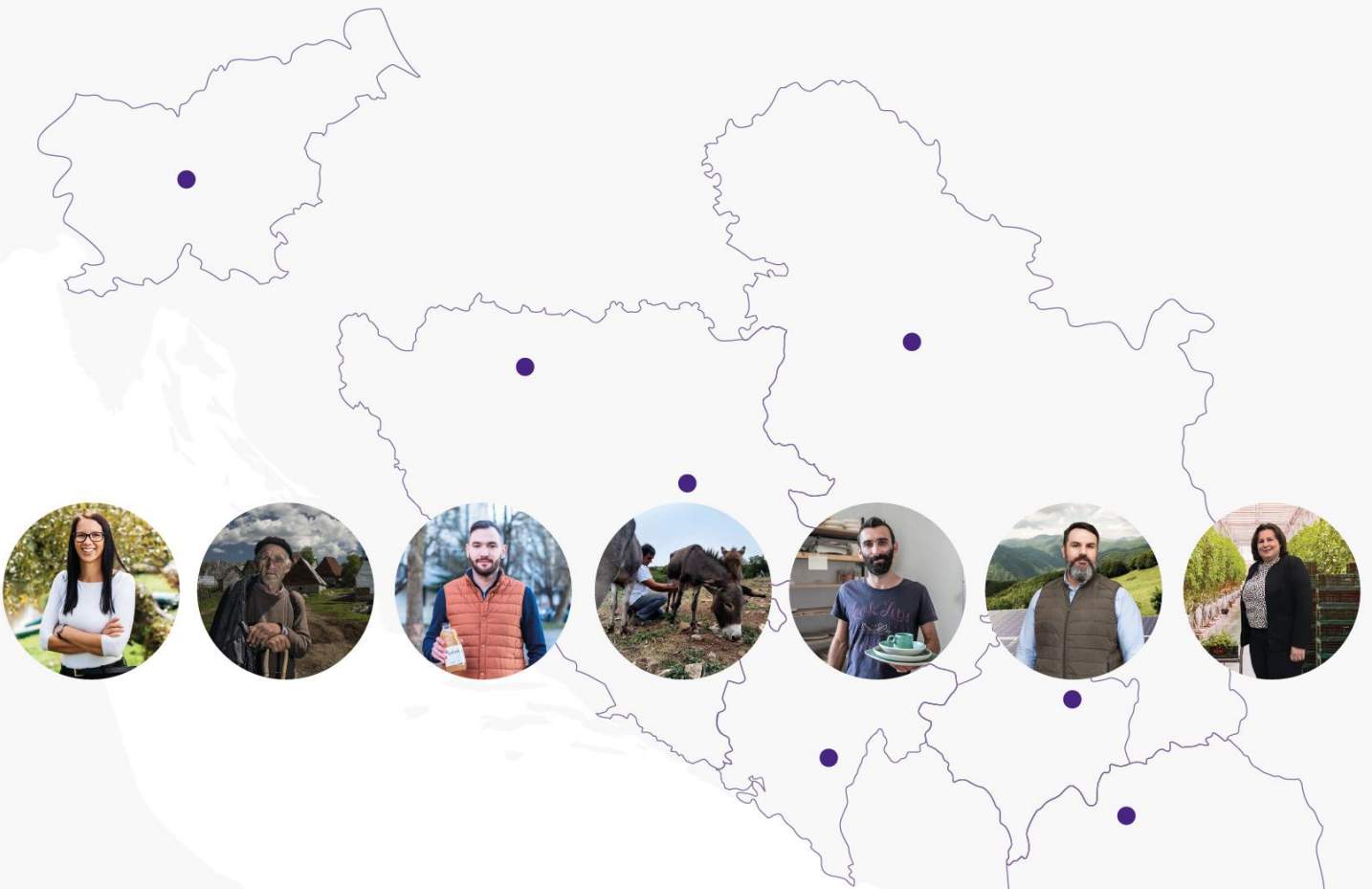
No events took place after 30 June 2021 that would have had a materially significant influence on the presented condensed interim financial statements.

Glossary of Terms and Definitions

AC	Amortised Cost
ALCO	Asset-Liability Committee
ALM	Asset and Liability Management
API	Alternative Performance Indicators
AT1	Additional Tier 1 capital
BiH	Bosnia and Herzegovina
BoS	Bank of Slovenia
bps	Basis Points
CB	Central Bank
CBR	Combined Buffer Requirement
CEO	Chief Operating Officer
CET1	Common Equity Tier 1
CFO	Chief Financial Officer
CIR	Cost-to-Income Ratio
CMO	Chief Marketing Officer
COO	Chief Operating Officer
CRO	Chief Risk Officer
CRR	Capital Requirement Regulation
CSD	Central Security Depository
CVA	Credit Value Adjustment
DGS	Deposit Guarantee Schemes
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ECL	Expected Credit Losses
ESG	Environmental, Social and Governance
EU	European Union
EVE	Economic Value of Equity
FTP	Fund Transfer Price
FVTPL	Fair Value Through Profit or Loss
FX	Foreign Exchange
GDR	Global Depositary Receipts
GDP	Gross Domestic Product
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standard
ILAAP	Internal Liquidity Adequacy Assessment Process
IMF	International Monetary Fund
JV	Joint Venture
LCR	Liquidity Coverage Ratio
LTD	Loan-to-Deposit Ratio
MDA	Maximum Distributable Amount
MREL	Minimum Requirement for own funds and Eligible Liabilities
MS	Mid-Swap Rate
NBS	National Bank of Serbia

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

This is Our Home



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