



We believe in this region's potential

Q1 2022 / Interim Report

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NLB, Ljubljana
NLB Banka, Ljubljana

NLB Banka, Banja Luka

Komercijalna Banka, Beograd
NLB Banka, Beograd

NLB Banka, Sarajevo

NLB Banka, Podgorica

NLB Banka, Prishtina

NLB Banka, Skopje

We are – where you are.

Our home is here.

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

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

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

NLB Group Strategic Members Overview

	Slovenia					Serbia			North Macedonia	Bosnia and Herzegovina		Kosovo	Montenegro
	NLB Group	NLB, Ljubljana	N Banka, Ljubljana	NLB Lease&Go, Ljubljana	NLB Skladi, Ljubljana	Komercijalna Banka, Beograd ^(ix)	NLB Banka, Beograd ^(ix)	Kombank INvest, Beograd	NLB Banka, Skopje	NLB Banka, Banja Luka	NLB Banka, Sarajevo	NLB Banka, Prishtina	NLB Banka, Podgorica
Market position in Q1 2022													
Branches	481 ⁽ⁱ⁾	75	12	-	-	180	28	-	48	47	36	33	22
Active clients	1,879,253 ⁽ⁱⁱ⁾	674,374	52,769	-	-	908,996	140,835	-	411,650	214,729	131,241	227,662	78,762
Total assets (in EUR million)	23,019	13,075	1,433	147	2,040 ⁽ⁱⁱⁱ⁾	4,110	669	2	1,755	923	740	931	769
Profit after tax (in EUR million)	231.5	32.7	-8.2	0.0	2.2	11.3	2.1	0.0	11.0	4.5	2.6	7.5	4.2
Market share (by total assets)	-	26.9%	3.6% ^(vii)	-	37.4% ^(iv)	9.6% ^(viii)	1.6%	-	16.9% ^(vii)	19.1% ^(v, vii)	5.5% ^(vi, vii)	16.7%	14.0% ^(viii)

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

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

(iii) Assets under management.

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

(v) Market share in the Republic of Srpska.

(vi) Market share in the Federation of BiH.

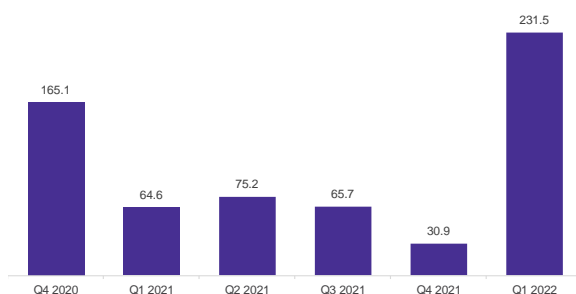
(vii) Data on market share as of 31 December 2021.

(viii) Data on market share as of 28 February 2022.

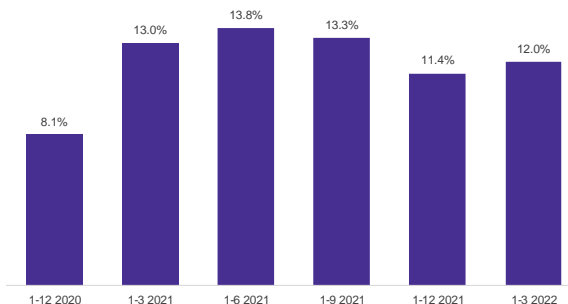
(ix) Komercijalna Banka, Beograd and NLB Banka, Beograd, merged and from 30 April 2022 the bank operates under the new name NLB Komercijalna banka a.d. Beograd.

Figures at a Glance

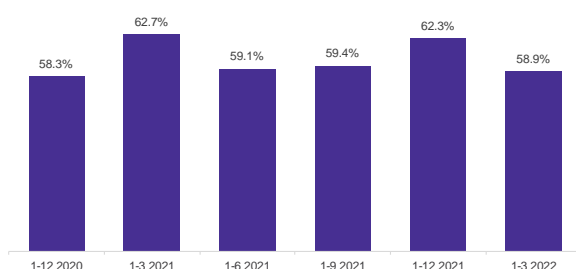
Profit a.t. - quarterly (in EUR million)⁽ⁱⁱ⁾



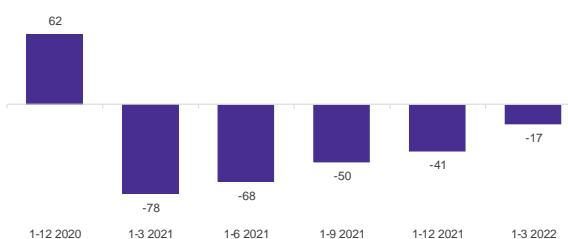
ROE a.t. ⁽ⁱ⁾ (in %)



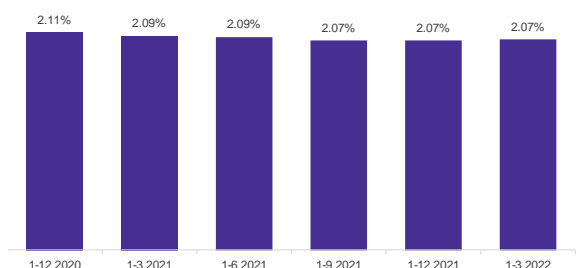
Cost to income ratio - CIR (in %)



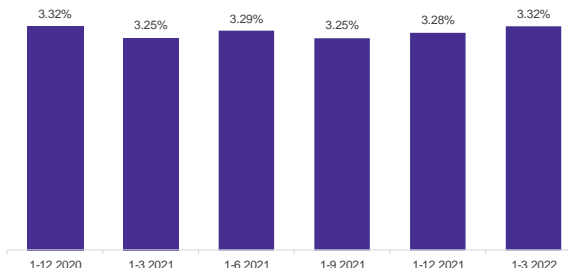
Cost of risk net ⁽ⁱ⁾ (in bps)



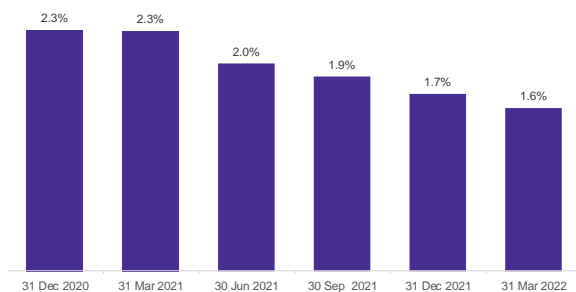
Net interest margin ⁽ⁱ⁾ (in %)



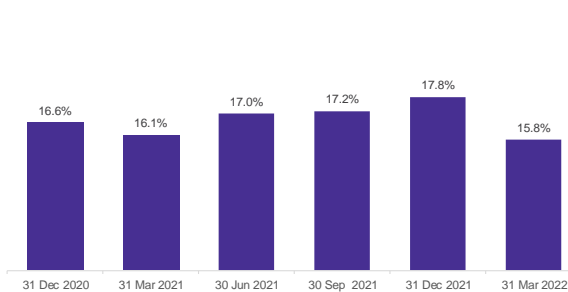
Operational business margin ⁽ⁱ⁾ (in %)



NPE ratio - EBA def. (in %)



Total capital ratio (in %)



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

(ii) Profit in Q1 2022 affected by N Banka acquisition.

Key Financial Indicators¹

Table 1: Key Financial Indicators of NLB Group

	in EUR million / % / bps					
	1-3 2022	1-3 2021	Change YoY	Q1 2022	Q4 2021	Q1 2021
Key Income Statement Data						
Net operating income	174.5	154.0	13%	174.5	167.0	154.0
Net interest income	107.8	97.5	11%	107.8	107.0	97.5
Net non-interest income	66.7	56.5	18%	66.7	60.0	56.5
Total costs	-102.7	-96.6	-6%	-102.7	-118.2	-96.6
Result before impairments and provisions	71.8	57.5	25%	71.8	48.8	57.5
Impairments and provisions	-4.4	15.5	-	-4.4	-16.5	15.5
Impairments and provisions for credit risk	-4.0	16.0	-	-4.0	1.8	16.0
Other impairments and provisions	-0.4	-0.5	22%	-0.4	-18.3	-0.5
Negative goodwill	172.8	0.0	-	172.8	0.0	0.0
Result after tax	231.5	64.6	-	231.5	30.9	64.6
Key Financial Indicators						
Return on equity after tax (ROE a.t.)	12.0%	13.0%	-1.0 p.p.			
Return on assets after tax (ROA a.t.)	1.2%	1.3%	-0.1 p.p.			
Net interest margin (on interest bearing assets)	2.07%	2.09%	-0.02 p.p.			
Net interest margin (on total assets - BoS ratio)	1.99%	2.00%	-0.02 p.p.			
Operational business margin ⁽ⁱ⁾	3.32%	3.25%	0.07 p.p.			
Cost to income ratio (CIR)	58.9%	62.7%	-3.8 p.p.			
Cost of risk net (bps) ⁽ⁱⁱ⁾	-17	-78	61			
	31 Mar 2022	31 Dec 2021	31 Mar 2021	Change YtD	Change YoY	
Key Financial Position Statement Data						
Total assets	23,019.1	21,577.5	19,959.0	7%	15%	
Gross loans to customers	12,434.6	10,903.5	10,208.2	14%	22%	
Net loans to customers	12,108.7	10,587.1	9,824.5	14%	23%	
Deposits from customers	18,525.8	17,640.8	16,732.1	5%	11%	
Equity (without non-controlling interests)	2,254.4	2,078.7	2,014.1	6%	12%	
Other Key Financial Indicators						
LTD ⁽ⁱⁱⁱ⁾	65.4%	60.0%	58.7%	5.3 p.p.	6.6 p.p.	
Common Equity Tier 1 Ratio	13.7%	15.5%	13.7%	-1.7 p.p.	0.0 p.p.	
Total capital ratio	15.8%	17.8%	16.1%	-1.9 p.p.	-0.2 p.p.	
Total risk exposure amount (RWA)	13,843.4	12,667.4	12,615.1	9%	10%	
NPL volume ^(iv)	377.6	367.4	479.5	3%	-21%	
NPL coverage ratio 1 ^(v)	86.6%	86.1%	80.0%	0.5 p.p.	6.6 p.p.	
NPL coverage ratio 2 ^(vi)	56.8%	57.9%	56.6%	-1.1 p.p.	0.2 p.p.	
NPL ratio (internal def.) ^(vii)	2.2%	2.4%	3.5%	-0.1 p.p.	-1.2 p.p.	
Net NPL ratio (internal def.) ^(viii)	1.0%	1.0%	1.6%	0.0 p.p.	-0.6 p.p.	
NPL ratio (EBA def.) ^(ix)	3.0%	3.4%	4.5%	-0.3 p.p.	-1.5 p.p.	
NPE ratio (EBA def.) ^(x)	1.6%	1.7%	2.3%	-0.1 p.p.	-0.7 p.p.	
Employees						
Number of employees	8,475	8,185	8,725	290	-250	

(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 2022	31 Dec 2021	Outlook
Standard & Poor's	BBB-	BBB-	Stable
Moody's ⁽ⁱ⁾	Baa1	Baa1	Stable

(i) Unsolicited rating.

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

Macroeconomic Environment

Macroeconomic summary and outlook

The inflationary pressures risks in euro area are lasting longer than was expected and are in particular hitting low-income households. The effects of the war in Ukraine will come from higher prices for gasoline, food, metals, and intermediate inputs to manufacturing, lingering global supply constraints, and weaker GDP growth as consumers pull back spending. Factors that have for a large part driven global growth, including greater supply of labour and fast growth in capital stock to worker ratios, are expected to weaken. The household saving rate in the euro area was at 13.3% in Q4 2021 (compared with 15.0% in the Q3 2021). The euro area Q1 2022 GDP growth rate was reported at 0.2% QoQ and 5.0% YoY. Looser restrictions, tighter labour markets and accumulated savings, coupled with EU fund disbursements and loose fiscal and monetary policies, will sustain activity. While inflation pressures intensify, consumers and companies grew more cautious. The willingness to spend has abated considering high uncertainty, suggesting a further slowdown in private consumption, while elevated levels of savings provide some buffer for consumption. The ECB decided to accelerate the pace of policy normalisation, with faster quantitative tightening in Q2 and net purchases to end in Q3 2022, paving the way for a potential first rate hike. The speed of normalisation will depend on the economic fallout from the above mentioned war, the severity and persistence of the inflation shock. Energy is expected to be the most important driver (44.7%, compared with 32.0% in February 2022). Core inflation advanced to 3.5%. This puts the ECB in a very tough position, as current inflation is greatly influenced by a supply shock. Demand is already being slowed significantly by the massive squeeze in real wages, production disruptions, dropping consumer confidence, and tighter financing conditions because of higher bond yields. The ECB estimates that the heavier energy bill has already reduced household purchasing power by around 2% until January 2022, as the household spending decreased 0.6% in Q4 2021, in contrast to the 4.5% increase in Q3 2021. Gross fixed capital formation rebounded 3.5% after falling 0.9% in Q3 2021. Exports and imports climbed 2.9% and 4.6%, respectively. The euro area retail trade grew 5.0% YoY in February 2022 and a disappointing 0.3% MoM. The PMI composite index, dipped to 54.9 in March 2022 from February's 55.5. Industrial production in the euro area remained volatile and suppressed during Q1 2022 as it swung monthly between positive and negative values ranging from -1.5% to 2.0%.

The Group's region is expected to grow at around 3.5% in 2022, with private consumption and investment posing as main drivers. The euro area's economy is seen expanding 3.0% in 2022, while the Slovenian economy will expand by 3.5%. Weakening external demand and tighter global financing conditions, increasing expenditure shares and high import dependence have left households exposed to commodity price shocks. Those are anticipated to have second-order effects, passing through to inflation and worsening food insecurity. In February 2022, the euro area's seasonally adjusted unemployment rate was 6.8%, down from 6.9% MoM and 8.2% YoY. The euro area's annual inflation was up to 7.4% YoY in March 2022 (estimate for April at 7.5%), up from 5.9% in February. Private consumption remains solid in all countries of the Group. Robust fixed investment should aid the overall economic growth in all the countries of the Group's region. With consumption and demand remaining robust but showing signs of slowing down, a modest tightening of financial conditions is set to persevere in the forthcoming months. The resulting fall in real wages is likely to weigh on consumer spending, and consequently on economic growth.

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	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
Euro area	-6.5	5.3	3.0	2.7	0.3	2.6	6.0	2.9	8.0	7.7	7.2	7.2
Slovenia	-4.2	8.1	3.5	3.4	-0.3	2.0	6.7	3.4	5.0	4.7	4.4	4.4
BiH	-2.9	7.0	2.6	2.8	-1.1	2.0	6.2	3.1	15.9	15.4	15.3	15.1
Montenegro	-15.3	12.4	4.2	3.9	-0.3	2.4	7.0	3.9	17.9	16.7	16.1	15.5
N. Macedonia	-6.1	4.0	3.2	3.2	1.2	3.2	6.9	3.5	16.4	15.7	15.1	14.7
Serbia	-0.9	7.4	3.6	4.1	1.6	4.1	8.2	4.5	9.7	11.1	10.0	9.4
Kosovo	-5.3	10.5	3.9	4.2	0.2	3.3	7.0	3.7	25.9	25.4(i)	23.0	22.2

Source: Statistical offices, NLB ALM.

Note: NLB Forecasts highlighted in grey; (i) Data for Q1 2021; aop - average of period.



Business Report

Key Highlights

Financial Performance

Strong business performance marked by continuous loan growth which supported net interest income growth and increased fee and commission income

- **Acquisition of Slovenian Sberbank banka** on 1 March and renaming it to **N Banka** on 11 April (hereinafter in the report referred to as N Banka or acquisition of N Banka).²
- **High Q1 2022 profit a.t.** of EUR 231.5 million due to one-off effects from the acquisition of N Banka. However, noteworthy Q1 result was recorded also with recurring profit before impairments and provisions reaching EUR 70.3 million or 29% QoQ and 28% YoY growth.
- EUR 1,531.1 million increase of the Group's **gross loans to customers** YtD, with EUR 1,132.7 million increase due to the acquisition of N Banka and strong growth of individual and corporate loan book; impressive new housing loans production compensated reduction in interest rates, and supported growth of net interest income.
- **Increase of the deposit base** of the Group YtD, EUR 885.0 million, of which the majority of EUR 844.4 million is due to the acquisition of N Banka. Decrease of deposits from individuals on all strategic foreign markets (withdrawals from individuals as reaction on the war in Ukraine) and quarterly moderate growth in Slovenia (excluding N Banka contribution).
- **Net fee and commission income** continues with strong momentum – YoY recorded a 17% growth without N Banka contribution, with outstanding results in payment transactions and related services, investment funds and bancassurance products.
- Continuous **cost discipline**.
- EUR 4.9 million **net released impairments and provisions for credit risk** were scattered across markets without material concentration in any member. On the other hand EUR 8.9 million of 12-month expected credit losses were recognised at acquisition date for the performing portfolio for N Banka.

Business Overview

Leading player in SEE

- A robust and **sustainable universal business model** with increased focus on digitalisation and ESG.
- Striving to become a **regional champion**.
- Higher **availability and use of digital channels** – a wider range of 24/7 digital solutions offered to clients.
- **The merger** of Komercijalna Banka, Beograd and NLB Banka, Beograd was completed and from 30 April 2022 the bank operates under the new name **NLB Komercijalna banka a.d. Beograd**.

Asset Quality

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

- **Positive trends in asset quality** continued, resulting in a further decline of the NPL ratio and negative cost of risk. Direct and indirect exposure of NLB Group toward Russia and Ukraine is moderate.
- Well-diversified, stable, and robust **credit portfolio quality**.
- **Cost of risk** (-17 bps) remains negative. Acquired N Banka contributed to its increase, otherwise other members of the Group experienced positive effects due to successful NPL resolution.
- Stable and low level of **NPE** (EBA def.) of 1.6% with a comfortable NPL coverage ratio of 56.8%.
- No asset quality deterioration was observed in **loans with expired moratoriums**.

Capital & Liquidity

Capital and liquidity position ensuring capital return and continued growth opportunities

- **The capital position** was above regulatory requirements (TCR of 15.8%, 1.9 p.p. lower YtD). Acquisition of N Banka, which resulted in higher RWA on one side and lower capital due to negative revaluation adjustments on the other, had a negative impact on the capital position. Capital consumption of N Banka will be fully funded with inclusion of its negative goodwill into capital.
- **The liquidity position** of the Group remained very strong, with a high level of unencumbered liquid assets in total assets (35.6%). A **strong deposit** base demonstrated client confidence in the Group, even though some SEE members experienced some outflows due to the war in Ukraine.

Strategy

Committed to pursue the strategic objectives

- The Group continues to **execute its strategic initiatives** as well as **explore new business opportunities** on both domestic and other regional markets where the Group is not yet present.
- **The digital leadership position** in Slovenia is being applied to other markets in which the Group operates. The goal is to become one of the best data science companies in the region to productively use customer data and **to evolve a local flexible digital ecosystem** offering products and services for clients.
- The Group will continue to serve society through aiming to **reduce its carbon footprint and to improve the quality of life** in the region. It will drive **business value through sustainability** and commitment to enhance the management of environmental and social risks of its operations as well as meet stakeholders' needs and expectations.

² Further information is available in the chapters [Key Events](#) and [Events after 31 March 2022](#).

Key Events

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

Management Board change³

On 20 January, the Supervisory Board appointed Hedvika Usenik, Antonio Argir and Andrej Lasič as members of the Management Board, thus expanding it to six members in total. Their five-year term of office will start after they have obtained their respective licences. Until then, they will continue to act as executive assistants to the Management Board.

Swiss Francs Law

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

New SREP Decision

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

War in Ukraine

In February, the Russian Federation began a military invasion of Ukraine. The Group has limited exposure to the Russian Federation and Ukraine which mainly derives from NLB's investment in Russian sovereign bonds in the approximate amount of EUR 20 million.⁴ Since the beginning of the tensions, the credit spreads widening was observed, which is currently materially impacting the Bank's FVOCI positions.

Acquisition of N Banka⁵

On 1 March, the Single Resolution Board (SRB) in coordination with the local regulator, the BoS, decided to adopt a resolution scheme in respect of the Slovenian Sberbank banka. The resolution scheme envisaged the application of the sale of business tool for Sberbank banka and the BoS issued a decision for the sale of 100% shares issued by Sberbank banka. Under the resolution scheme, and following a marketing procedure, the SRB decided to transfer all the shares issued by Sberbank banka to NLB. Therefore, as of 1 March, NLB became a 100% owner of Sberbank banka. In the following months activities for the integration of Sberbank banka within NLB Group will be carried out. On 11 April, Sberbank banka was renamed to N Banka.

Supervisory and Management board transactions with NLBR shares

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

Notification of major holdings

On 7 March, the shareholding of Schrodgers in the Bank changed from 5.061% to 4.95%.

³ Further information is available in the chapter [Events after 31 March 2022](#).

⁴ Further information is available in the chapter [Events after 31 March 2022](#).

⁵ Further information is available in the chapter [Events after 31 March 2022](#).

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

Table 3: NLB's main shareholders as of 31 March 2022⁽ⁱ⁾

Shareholder	Number of shares	Percentage of shares
Bank of New York Mellon on behalf of the GDR holders ⁽ⁱⁱ⁾	11,137,854	55.69
• of which Brandes Investment Partners, L.P. ⁽ⁱⁱⁱ⁾	n.a.	>5 and <10
• of which European Bank for Reconstruction and Development (EBRD) ⁽ⁱⁱⁱ⁾	n.a.	>5 and <10
Republic of Slovenia (RoS)	5,000,001	25.00
Other shareholders	3,862,145	19.31
Total	20,000,000	100.00

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

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

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

Financial Performance⁶

Table 4: Income statement of NLB Group

in EUR million										
	1-3 2022	1-3 2021	Change YoY o/w N Banka contribution			Q1 2022	Q4 2021	Q1 2021	Change QoQ	
Net interest income	107.8	97.5	10.3	2.6	11%	107.8	107.0	97.5	0.8	1%
Net fee and commission income	64.5	54.1	10.4	1.1	19%	64.5	64.6	54.1	0.0	0%
Dividend income	0.0	0.0	0.0	0.0	-	0.0	0.0	0.0	0.0	-7%
Net income from financial transactions	5.2	5.3	-0.1	-0.1	-2%	5.2	5.0	5.3	0.2	3%
Net other income	-3.0	-2.8	-0.2	0.4	-7%	-3.0	-9.6	-2.8	6.6	68%
Net non-interest income	66.7	56.5	10.2	1.3	18%	66.7	60.0	56.5	6.7	11%
Total net operating income	174.5	154.0	20.5	3.9	13%	174.5	167.0	154.0	7.4	4%
Employee costs	-57.5	-55.1	-2.4	-1.4	-4%	-57.5	-63.1	-55.1	5.6	9%
Other general and administrative expenses	-33.7	-29.8	-3.9	-0.9	13%	-33.7	-43.4	-29.8	9.7	22%
Depreciation and amortisation	-11.5	-11.6	0.1	-0.2	1%	-11.5	-11.7	-11.6	0.2	2%
Total costs	-102.7	-96.6	-6.1	-2.5	-6%	-102.7	-118.2	-96.6	15.5	13%
Result before impairments and provisions	71.8	57.5	14.3	1.4	25%	71.8	48.8	57.5	23.0	47%
Impairments and provisions for credit risk	-4.0	16.0	-20.0	-9.3	-	-4.0	1.8	16.0	-5.8	-
Other impairments and provisions	-0.4	-0.5	0.1	0.0	22%	-0.4	-18.3	-0.5	17.9	98%
Impairments and provisions	-4.4	15.5	-19.9	-9.3	-	-4.4	-16.5	15.5	12.1	73%
Gains less losses from capital investments in subsidiaries, associates, and joint ventures	0.6	0.1	0.5	0.0	-	0.6	0.2	0.1	0.4	-
Negative goodwill	172.8	0.0	172.8	172.8	-	172.8	0.0	0.0	172.8	-
Result before tax	240.8	73.1	167.7	164.9	-	240.8	32.5	73.1	208.3	-
Income tax	-5.2	-4.7	-0.5	-0.4	10%	-5.2	-0.6	-4.7	-4.6	-
Result of non-controlling interests	4.1	3.8	0.3	0.0	9%	4.1	1.0	3.8	3.1	-
Result after tax	231.5	64.6	166.9	164.6	-	231.5	30.9	64.6	200.6	-

Profit

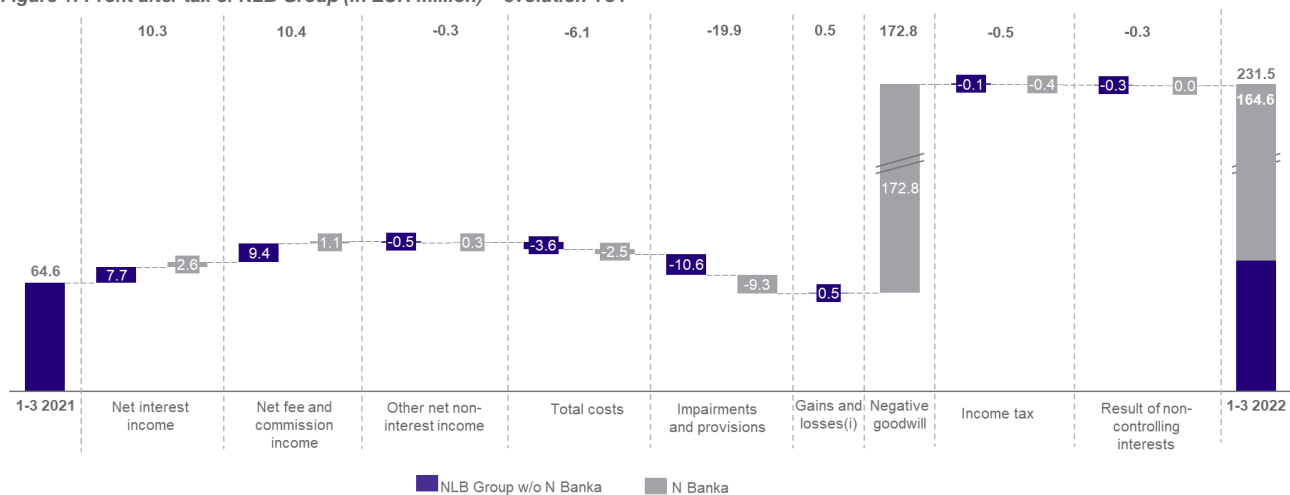
The Group generated EUR 231.5 million of profit after tax, EUR 166.9 million higher YoY, due to effects related to the acquisition of N Banka.

The result was based on the following key drivers:

- **Negative goodwill** from the acquisition of N Banka in the amount of EUR 172.8 million.
- **Net interest income** increased EUR 7.7 million without N Banka's contribution, due to higher volume of loans, especially to individuals, and lower interest rates for deposits in bank members. Increase of net interest income was recorded in all banks; the highest increases were recorded in the Bank (EUR 4.2 million), Komercijalna Banka, Beograd (EUR 1.6 million), and NLB Banka, Prishtina (EUR 1.2 million).
- **Net fee and commission income** increased 17% YoY without N Banka's contribution; increase was recorded in almost all Group banks, mostly in the Bank due higher fees from investment funds and bancassurance products, high balance deposit fee and higher fees from cards and payments (normalization after COVID-19 in Q1 2021), and in Komercijalna Banka, Beograd EUR 2.9 million or 33%, mostly due to repricing of services.
- **Total costs** slightly increased YoY in most Group banking members.
- **Net impairments and provisions for credit risk** were released in the amount of EUR 4.9 million, scattered across markets without material concentration in any member. On the other hand EUR 8.9 million of 12-month expected credit losses were recognised at acquisition date for performing portfolio for N Banka.

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

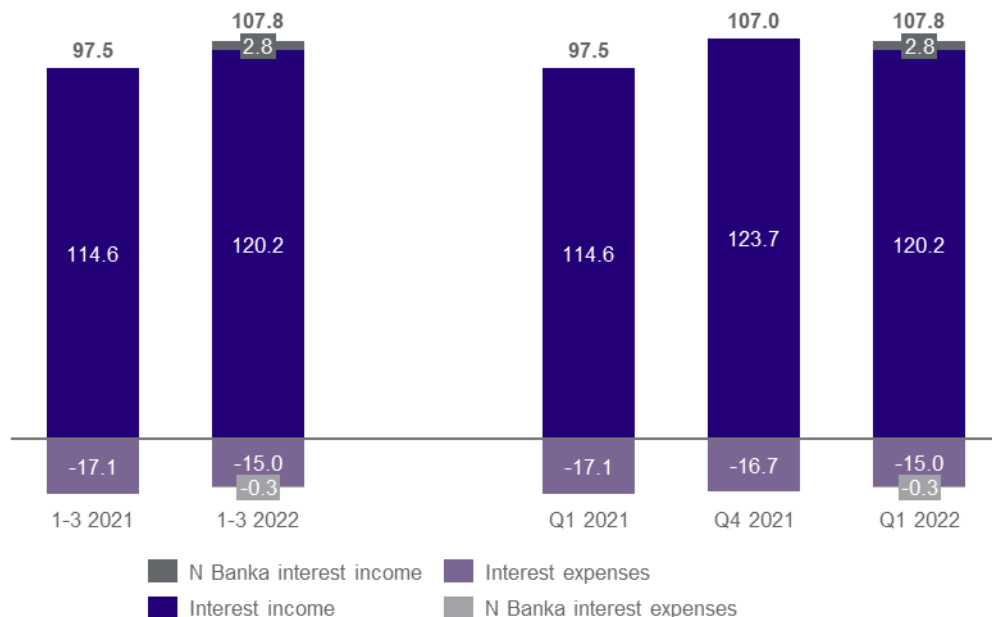
Figure 1: Profit after tax of NLB Group (in EUR million) – evolution YoY



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

Net Interest Income

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



The net interest income totalled EUR 107.8 million, of which EUR 2.6 million was contributed by N Banka. Without N Banka's contribution, higher level of interest income was achieved YoY due to higher volume of loans, despite lower yields. Lower interest expenses are related to TLTRO financing with the ECB at a very favourable interest rate of -1% p.a. and lower interest rates for customer deposits in SEE banking members. The pressure on the net interest margins in the Bank and SEE banking members continues.

On the QoQ basis the interest income and expenses were lower due to lower interest rates on loans and outflow of deposits in SEE banking members, due to the war in Ukraine (conservative behaviour of customers).

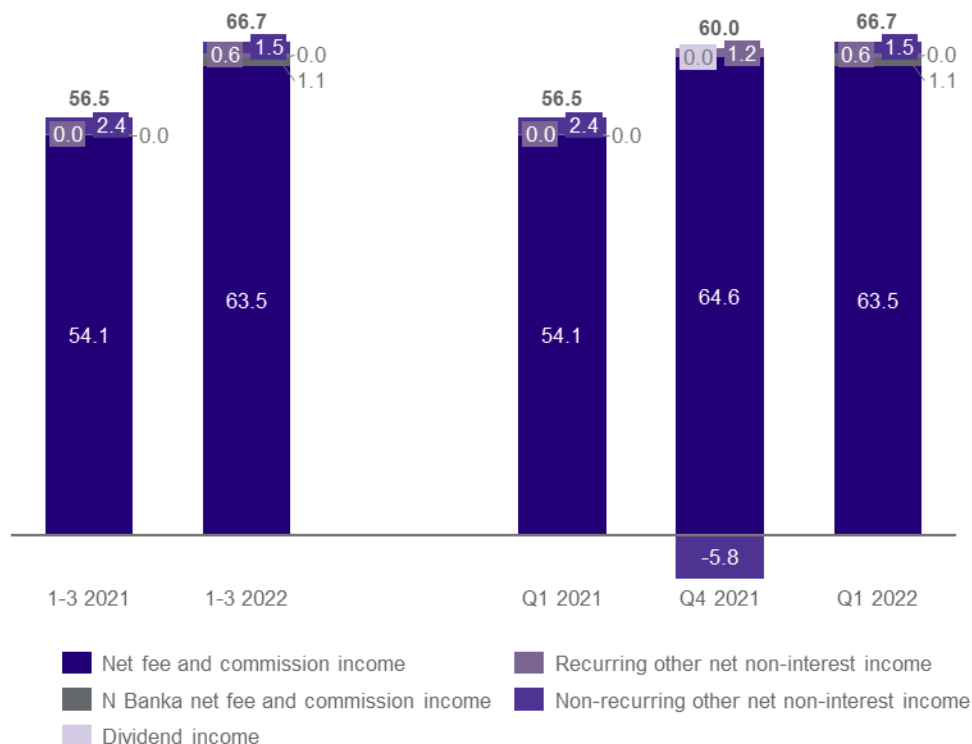
Figure 3: Net interest margin and Operational business margin of NLB Group (quarterly data, in %)



The net interest margin of 2.07% was 0.02 p.p. lower YoY, while operational business margin of 3.32% increased 0.07 p.p. YoY, due to higher operating business net income growth (backed by the net fee and commission growth) compared to the net interest income growth.

Net Non-Interest Income

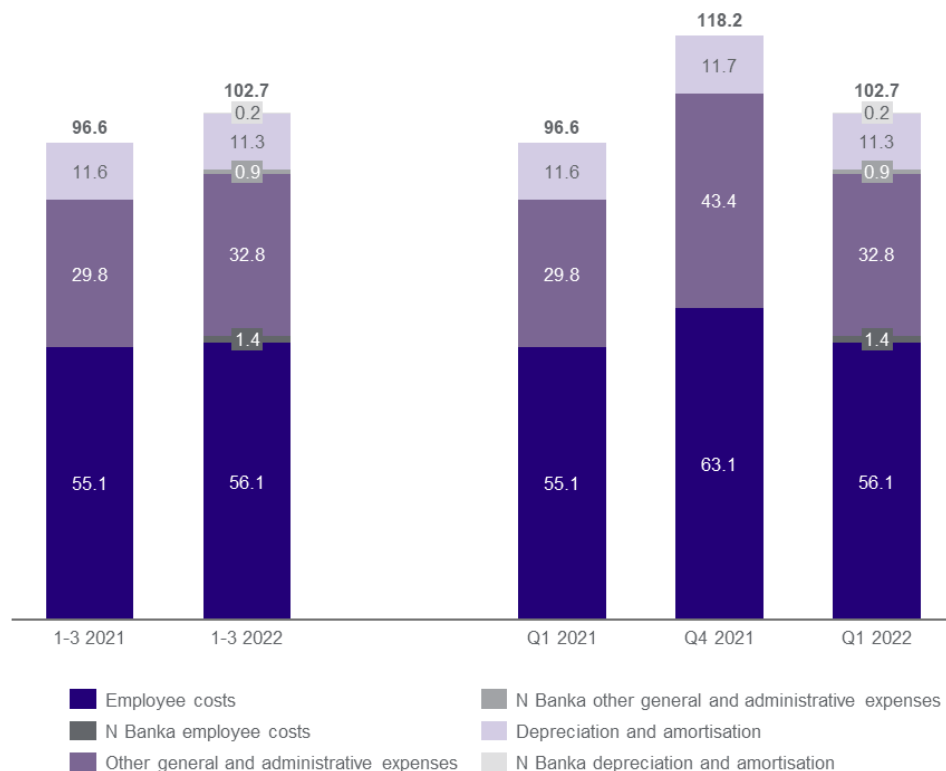
Figure 4: Net non-interest income of NLB Group (in EUR million)



The net non-interest income reached EUR 66.7 million, of which EUR 1.3 million were contributed by N Banka. A major part of the net non-interest income has been derived from the net fee and commission income, which grew YoY, mostly in the Bank (higher fees from investment funds and bancassurance products, high balance deposit fee, higher fees from card and payment services due to normalization after COVID-19 restrictions in Q1 2021, and arrangement fees for organisation of syndicated loans) and in Komercijalna Banka, Beograd due to repricing of services.

Total Costs

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



The total costs amounted to EUR 102.7 million, of which EUR 2.5 million from N Banka. Without N Banka's contribution the total costs increased YoY for EUR 3.6 million due to an increase in the Bank and in most of the Group SEE banking members. The highest increase of EUR 3.0 million was recorded in the Bank, mainly due to higher employee costs, costs of marketing (elevated because of the acquisition in Slovenia and merger of the banks in Serbia), costs of services and operating costs (higher energy prices).

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 58.9%, a 3.8 p.p. decrease YoY.

Net Impairments and Provisions

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



Net impairments and provisions for credit risk were released in the amount of EUR 4.9 million, scattered across markets without material concentration in any member. First quarter on asset quality front did not indicate any worsening of the business environment. On the other hand EUR 8.9 million of 12-month expected credit losses were recognised at acquisition date for performing portfolio for N Banka.

Financial Position⁷

Table 5: Statement of financial position of NLB Group

in EUR million

	31 Mar 2022		31 Dec 2021	31 Mar 2021		Change YtD		Change YoY
		o/w N Banka						
ASSETS								
Cash, cash balances at central banks, and other demand deposits at banks	4,865.4	17.9 ⁽ⁱ⁾	5,005.1	3,918.2	-139.6	-3%	947.3	24%
Loans to banks	162.8	2.5	140.7	205.0	22.1	6%	-42.2	-21%
Net loans to customers	12,108.7	1,124.0	10,587.1	9,824.5	1,521.5	14%	2,284.2	23%
Gross loans to customers	12,434.6	1,132.7	10,903.5	10,208.2	1,531.1	14%	2,226.4	22%
- Corporate	5,884.6	683.7	4,996.0	4,720.8	888.5	8%	1,163.8	25%
- Individuals	6,242.1	411.0	5,621.1	5,126.6	621.0	11%	1,115.5	22%
- State	307.9	38.0	286.3	360.8	21.5	8%	-52.9	-15%
Impairments and valuation of loans to customers	-325.9	-8.7	-316.3	-383.7	-9.6	-3%	57.8	15%
Financial assets	5,219.9	68.9	5,208.3	5,376.4	11.6	0%	-156.6	-3%
- Trading book	10.9	2.8	7.7	75.1	3.2	41%	-64.2	-86%
- Non-trading book	5,209.0	66.1	5,200.6	5,301.3	8.4	0%	-92.3	-2%
Investments in subsidiaries, associates, and joint ventures	12.1	0.0	11.5	8.1	0.6	5%	4.0	50%
Property and equipment, investment property	302.2	11.2	294.6	301.7	7.5	3%	0.5	0%
Intangible assets	57.8	1.4	59.1	58.2	-1.3	-2%	-0.4	-1%
Other assets	290.2	9.1	271.1	266.9	19.1	7%	23.3	9%
TOTAL ASSETS	23,019.1	1,235.0	21,577.5	19,959.0	1,441.6	7%	3,060.1	15%
LIABILITIES								
Deposits from customers	18,525.8	844.4	17,640.8	16,732.1	885.0	5%	1,793.7	11%
- Corporate	4,934.8	387.2	4,463.7	4,011.0	471.1	11%	923.9	23%
- Individuals	13,097.3	425.6	12,680.8	12,254.4	416.5	3%	842.8	7%
- State	493.6	31.7	496.4	466.7	-2.7	-1%	27.0	6%
Deposits from banks and central banks	115.0	3.7	71.8	71.9	43.2	60%	43.0	60%
Borrowings	1,241.0	189.1	932.6	251.1	308.4	33%	989.9	-
Other liabilities	474.3	34.0	427.6	428.5	46.7	11%	45.8	11%
Subordinated liabilities	287.0	0.0	288.5	286.8	-1.5	-1%	0.2	0%
Equity	2,254.4	163.7	2,078.7	2,014.1	175.7	8%	240.3	12%
Non-controlling interests	121.6	0.0	137.4	174.5	-15.8	-12%	-52.9	-30%
TOTAL LIABILITIES AND EQUITY	23,019.1	1,235.0	21,577.5	19,959.0	1,441.6	7%	3,060.1	15%

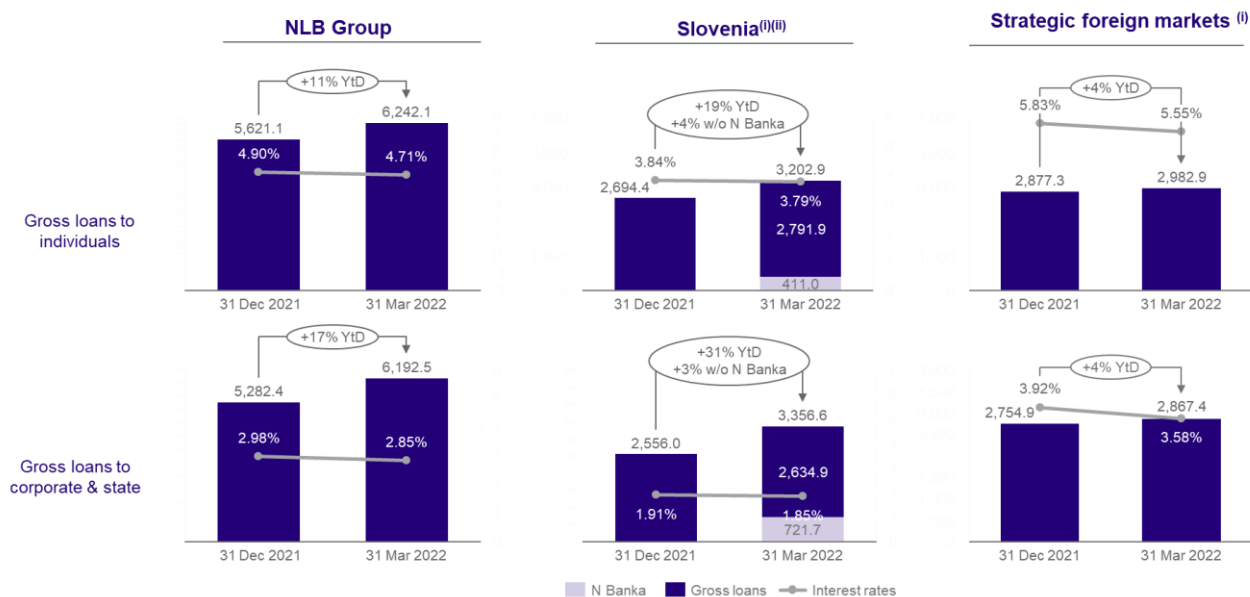
⁽ⁱ⁾ Excluding funding provided by NLB in the amount of EUR 190.8 million

The Group's total assets totalled EUR 23,019.1 million, a EUR 1,441.6 million increase YtD mainly due to the acquisition of N Banka (EUR 1,235.0 million). The Group's gross loans to customers increased by EUR 1,531.1 million, with EUR 1,132.7 million increase due to the acquisition of N Banka. Without N Banka, a EUR 398.4 million YtD growth in gross loans to customers was recorded, EUR 210.0 million to individuals and EUR 204.9 million to corporate. A slight increase of the deposit base of the Group YtD without N Banka's deposits was recorded.

The LTD ratio (net) was 65.4% at the Group level, a 5.3 p.p. increase YtD and 6.6 p.p. YoY, as the result of the acquisition of N Banka, with higher LTD, as well as higher increase of gross loans compared to deposits.

⁷ YoY data are not comparable due to the acquisition of Slovenian Sberbank banka on 1 March 2022, which was renamed to N Banka on 11 April (thereafter in the report referred to as N Banka or acquisition of N Banka).

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



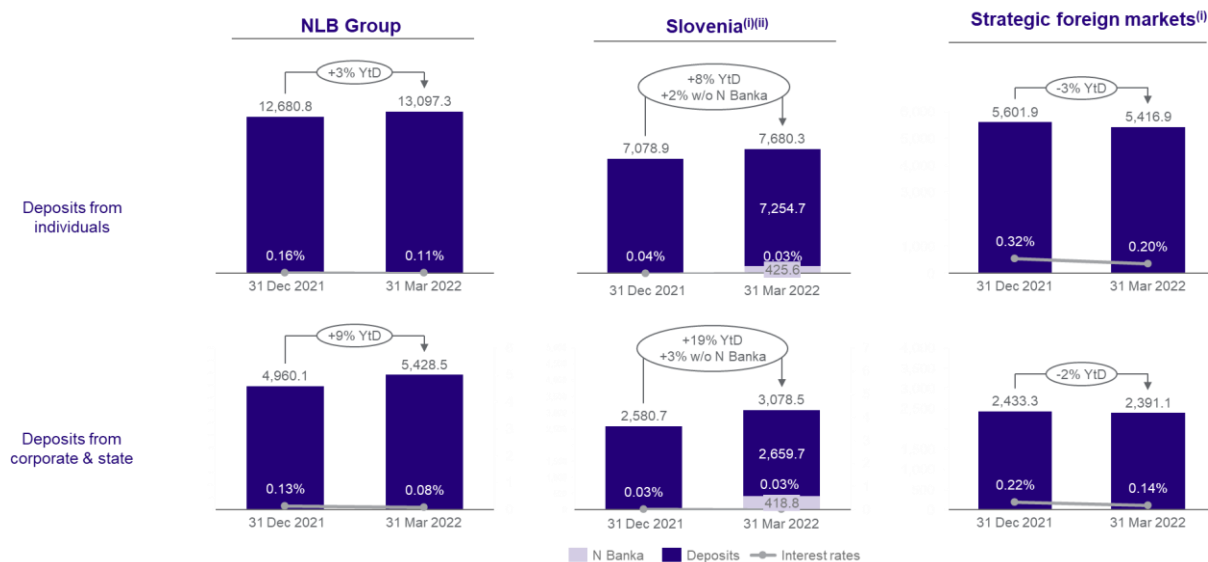
(i) On stand alone basis.

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

The lending activity is still in the growing trend and gross loans to individuals recorded a 4% YtD increase in the Bank and in the Strategic foreign markets while the gross loans to the corporate and state recorded a 3% and 4% growth in the Bank and in Strategic foreign markets respectively.

Production of new loans in the Group was high, with almost EUR 270 million of new housing as well as consumer loans approved in Q1. After a long period of low interest rates there are signs of a changing trend as the interest rates on the new production started to increase.

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



(i) On stand alone basis.

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

The deposit base in the Bank increased YtD; to individuals and to corporate and state by 2% and 3% respectively. Growth of deposits from individuals in January and February was influenced by seasonality (more savings after higher consumption in December), social transfers and increase in pensions, while slight decrease was recorded in March. An outflow of deposits was also recorded in the Strategic foreign markets YtD, from individuals and from corporate and state, 3% and 2% respectively, as a response to the war in Ukraine.

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

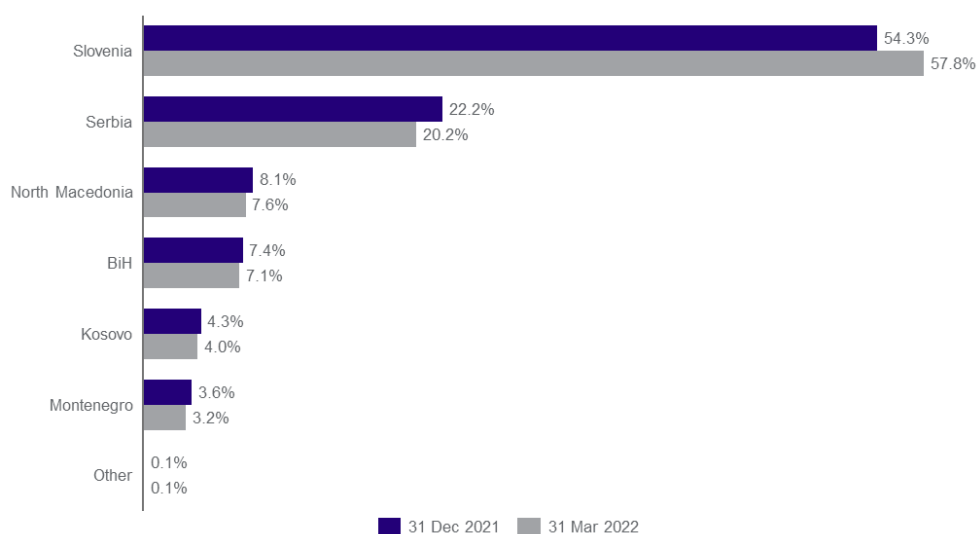
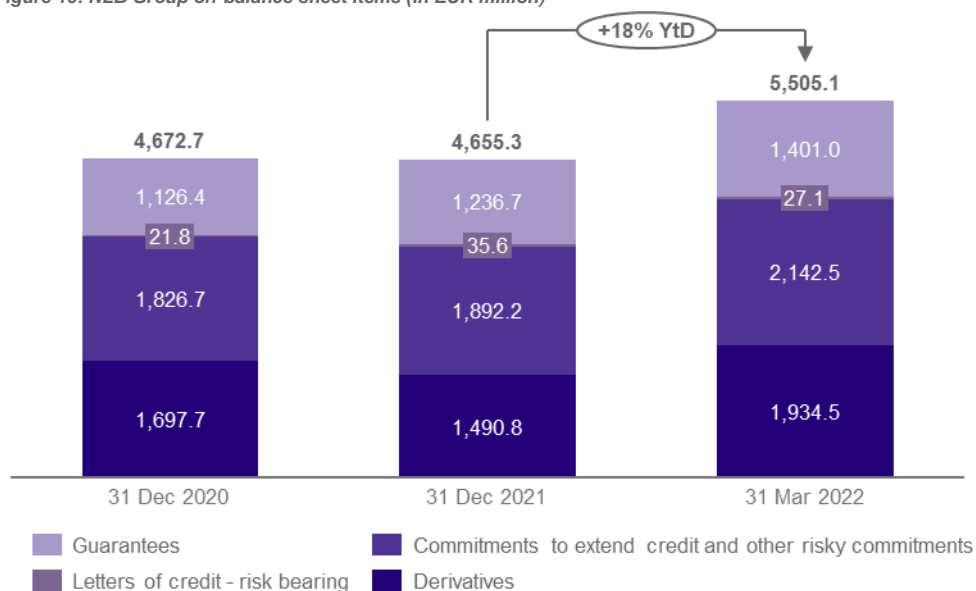


Figure 10: NLB Group off-balance sheet items (in EUR million)



Off-balance sheet items in the Group amounted to EUR 5,505.1 million and were comprised of commitments to extend credit and other risky commitments (39%), derivatives (35%), guarantees (25%), and letters of credit (0.5%).

Commitments to extend credit and other risky commitments were divided between loans (99% corporate), overdrafts (59% retail and 41% corporate) and cards (89% retail). A majority of the Group's derivatives were concluded by the Bank either for the hedging of the banking book or trading with customers.

Capital and Liquidity

Capital

Figure 11: NLB Group capital (in EUR million)

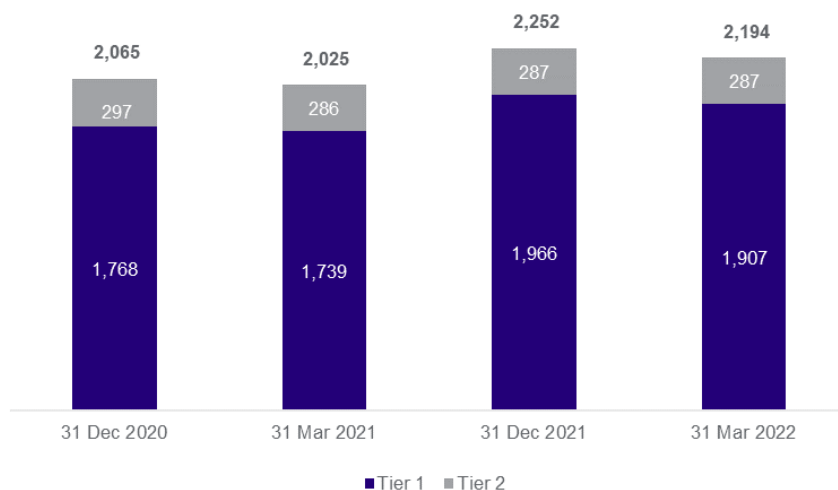
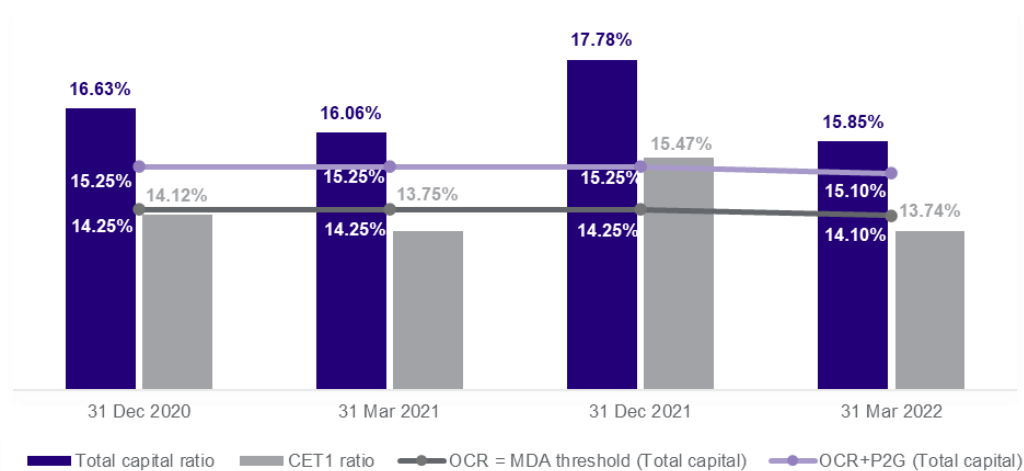


Figure 12: NLB Group capital ratios and regulatory thresholds



The Overall Capital Requirement (OCR) was 14.10% for the Bank on the consolidated basis, consisting of:

- 10.60% TSCR (8% Pillar 1 Requirement and 2.60% Pillar 2 Requirement); and
- 3.5% CBR (2.5% Capital Conservation Buffer, 1% O-SII Buffer⁸ and 0% Countercyclical Buffer).

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

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.

⁸ As of 1 January 2023 the O-SII Buffer will amount to 1.25%.

Table 6: NLB Group capital requirements and buffers

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

As at 31 March 2022, the TCR for the Group stood at 15.8% (or 1.9 p.p. lower than as at 31 December 2021), and for the Bank at 23.1% (or 1.4 p.p. lower than as at 31 December 2021). As at 31 March 2022, the CET1 ratio at the consolidated level stood at 13.7% (1.7 p.p. lower than as at 31 December 2021). The lower total capital adequacy derives from higher RWA (EUR 1,176.0 million YtD) and lower capital (EUR 58.5 million YtD). The capital is lower mainly due to negative revaluation adjustments (EUR 55.5 million YtD) on FVOCI.

The capital position will be further strengthened by the inclusion of negative goodwill from N Banka acquisition, when the approval from the ECB is obtained. The capital calculation does not include a part of the 2021 result in the amount of EUR 100 million, envisaged for dividend distribution in 2022. Therefore, there will be no effect on the capital in case dividends are paid.

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

	in EUR million				
	Balance at			Change	
	31 Mar 2022	31 Dec 2021	31 Mar 2021	YtD	YoY
Total risk exposure amount (RWA)	13,843.4	12,667.4	12,615.1	1,176.0	1,228.3
RWA for credit risk	11,366.6	10,205.2	10,320.6	1,161.5	1,046.1
Central governments or central banks	1,135.9	1,158.5	1,806.6	-22.6	-670.7
Regional governments or local authorities	97.0	99.8	131.7	-2.8	-34.7
Public sector entities	47.1	47.0	255.7	0.1	-208.6
Institutions	270.2	310.2	321.0	-40.1	-50.8
Corporates	3,288.7	2,748.7	2,247.7	539.9	1,040.9
Retail	4,572.5	4,171.0	3,950.2	401.5	622.3
Secured by mortgages on immovable property	606.6	453.0	365.7	153.5	240.9
Exposures in default	191.0	179.4	242.5	11.6	-51.4
Items associated with particularly high risk	543.1	442.5	399.6	100.6	143.5
Covered bonds	40.2	41.1	40.8	-0.9	-0.7
Claims in the form of CU	17.5	19.4	17.8	-1.9	-0.3
Equity exposures	91.8	88.5	78.6	3.3	13.2
Other items	465.2	446.0	462.7	19.2	2.5
RWA for market risk + CVA	1,232.7	1,218.2	1,347.2	14.5	-114.5
RWA for operational risk	1,244.0	1,244.0	947.3	0.0	296.7

RWAs in the Group increased by EUR 1,176.0 million YtD. RWA for credit risk increased by EUR 1,161.5 million, where EUR 858.9 million of the increase relates to N Banka. The remaining part of RWA increase in the amount of EUR 302.6 million was mainly the consequence of increased lending activity, mostly in the Bank and Komercijalna Banka, Beograd. Higher RWAs for high-risk exposures is the result of a new loan given to a venture capital company, new loans for project financing as well as drawing of loans for project financing granted in the previous months. Repayments, upgrade, change in provisioning level reduced RWA for defaulted exposures. Furthermore, RWA decrease was observed for liquid assets due to a lower exposure to the Serbian central bank and maturity of some Serbian bonds, both in Komercijalna Banka, Beograd. The lower exposure to institutions also resulted in a reduced RWA in almost all Group banks, the most in Komercijalna Banka, Beograd.

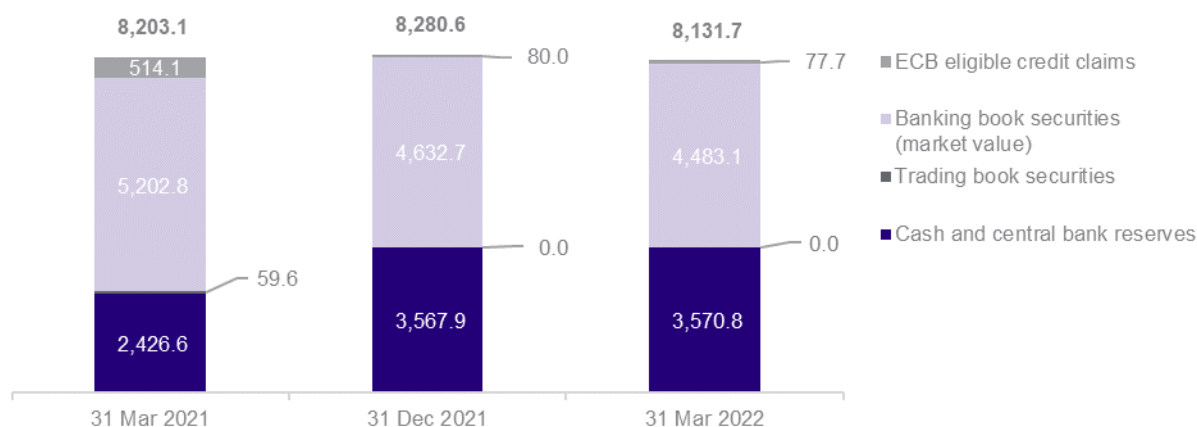
The increase in RWAs for market risks and CVA (Credit Value Adjustments) in the amount of EUR 14.5 million YtD is mainly the result of higher RWA for CVA risk in the amount of EUR 17.2 million (a consequence of the conclusion of long-term derivatives).

Liquidity

The liquidity position of the Group remains strong, with the LTD ratio (net) of 65.4% (31 December 2021: 60.0%), thus meeting the liquidity indicators high above the regulatory requirements, as well as confirming the low liquidity risk tolerance of the Group.

Unencumbered liquidity reserves of the Group amounted to EUR 8.1 billion (35.6% of total assets; 31 December 2021: EUR 8.3 billion, 38.3% of total assets). Encumbered liquidity reserves, used for operational and regulatory purposes, are excluded from the liquidity reserves portfolio; they amount to EUR 1.0 billion (31 December 2021: EUR 0.9 billion); excluding obligatory reserves. The increase of the encumbered liquidity reserves is due to additional financing via central bank secured funding for covering the customer deposit outflows of some SEE banking members.

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



The banking book securities, which accounted for 55.1% of the Group's liquidity reserves (31 December 2021: 55.9%), were dispersed appropriately across issuers, geographies, and the remaining average maturity profile, with the aim of adequate liquidity and interest risk management. The investment activity continues with a balanced approach which follows a clear focus on finding attractive market opportunities and at the same time pursuing well-managed credit risk and capital consumption.

After a prolonged period of growth, the customer deposits (excluding the N Banka) declined in Q1 mainly due to the war in Ukraine which led to a withdrawal of a certain amount of deposits. Including the N Banka, customer deposits base grew by EUR 0.9 billion YtD. Sight customer deposits, which account for 69.1% of the total assets (31 December 2021: 71.0%), remain the key funding base. A lower share of sight customer deposits is a consequence of the acquisition of N Banka.

Related-Party Transactions

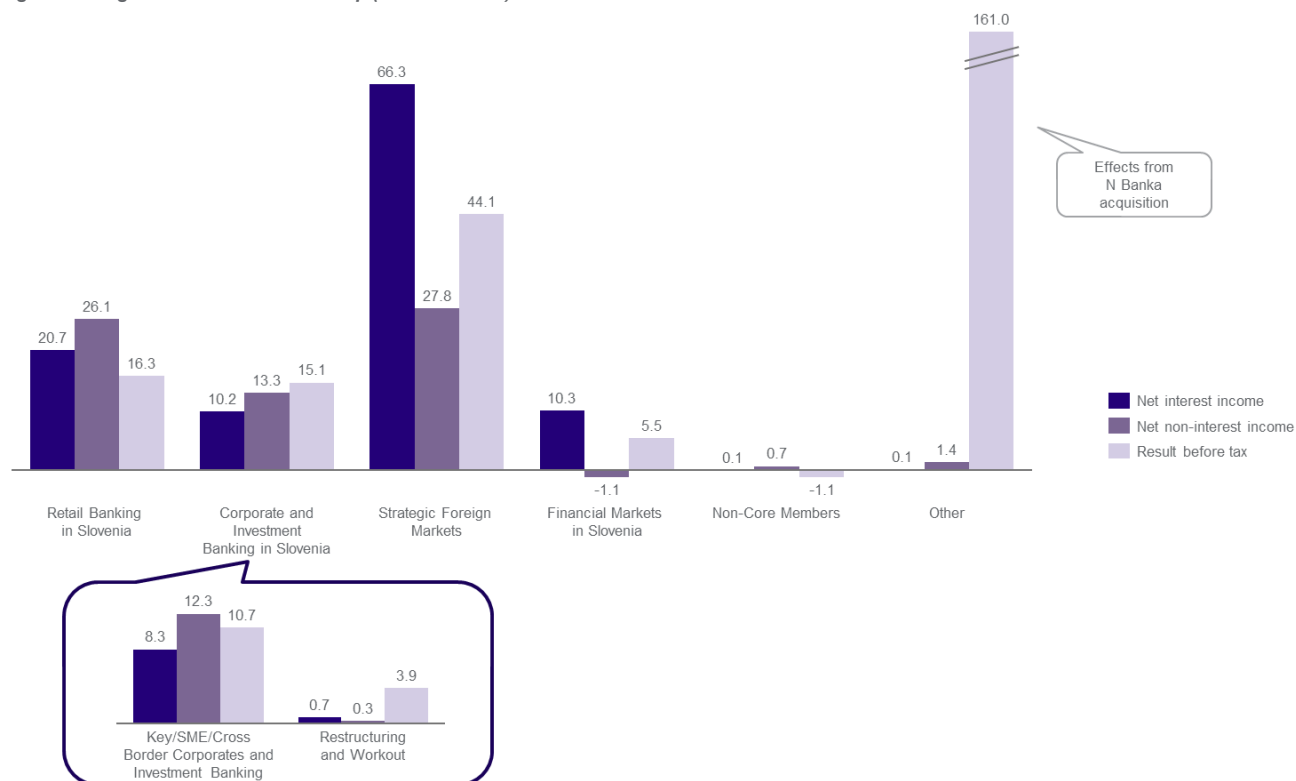
A number of banking transactions have been entered into with related parties in the normal course of business. The volume of related-party transactions mainly consists of loans and deposits issued and deposits received. Further information on transaction volumes is available in the Financial Part of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

Segment Analysis

	Core Segments					Non-Core Segment	
	Retail Banking in Slovenia	Corporate and Investment Banking in Slovenia	Strategic Foreign Markets	Financial Markets in Slovenia	Other	Non-Core Members	
	includes banking with individuals and micro companies (the Bank and N Banka), asset management (NLB Skladi), and a part of NLB Lease&Go subsidiary that includes operations with retail clients as well as the contribution to the result of the associated company Bankart.	includes banking with Key Corporate Clients, SMEs, Cross-border corporate financing, Investment Banking and Custody, Restructuring and Workout in the Bank and N Banka and a part of the NLB Lease&Go subsidiary that includes operations with corporate clients.	include the operations of strategic Group banking members in the strategic markets (North Macedonia, Bosnia and Herzegovina, Kosovo, Montenegro, and Serbia). Komercijalna Banka, Banja Luka was sold on 9 December 2021, so it is not included in the result of this segment for Q1 2022.	include treasury activities and trading in financial instruments, while they also present the results of asset and liabilities management (ALM) in both the Bank and N Banka.	in the Bank and N Bank for the categories whose operating results cannot be allocated to specific segments, including negative goodwill from acquiring N Banka in March 2022 as well as subsidiaries NLB Cultural Heritage Management Institute and Privat Invest (acquired in March 2022).	includes the operations of non-core Group members, i.e. REAM and leasing entities (except NLB Lease&Go), NLB Srbija, and NLB Crna Gora.	
(in EUR million)	NLB Group						
Profit b.t.	240.8	16.3	15.1	44.1	5.5	161.0	-1.1
Contribution to Group's profit b.t.	100%	7%	6%	18%	2%	67%	-1%
Total assets	23,019	3,435	3,053	9,661	6,397	378	94
% of total assets	100%	15%	13%	42%	28%	2%	0%
CIR	58.9%	62.6%	53.2%	56.6%	23.7%	285.8%	317.4%
Cost of risk (bps)	-17	25	-64	-26	/	/	/

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

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



The core markets and activities made a profit before tax of EUR 242.0 million, strongly affected by the segment Other with EUR 161.0 million due to the effects from the acquisition of N Banka (negative goodwill and established 12 month expected credit losses recognised at the acquisition date for the performing portfolio for N Banka). Besides this the Strategic Foreign Markets contributed the most important share to the Group's profit before tax in the amount of EUR 44.1 million, followed by the Retail Banking in Slovenia with EUR 16.3 million, Corporate and Investment Banking in Slovenia with EUR 15.1 million, and Financial Markets in Slovenia with EUR 5.5 million. The Non-Core Members recorded a loss of EUR 1.1 million.

Retail Banking in Slovenia

Financial Highlights

- High new production of housing loans.
- Increase in net fee and commission income due to normalization after COVID-19-related restrictions in Q1 2022.

Business Highlights

- Introduction of digital only Mastercard debit cards.
- Further expanding ESG product portfolio.

Financial Performance

Table 8: Key financials of Retail Banking in Slovenia

Retail Banking in Slovenia									
in EUR million consolidated									
	1-3 2022	1-3 2021	Change YoY			Q1 2022	Q4 2021	Q1 2021	Change QoQ
			o/w N Banka contribution						
Net interest income	20.7	19.0	1.8	1.0	9%	20.7	20.7	19.0	0%
Net interest income from Assets ⁽¹⁾	23.2	19.6	3.7	0.9	19%	23.2	21.6	19.6	8%
Net interest income from Liabilities ⁽¹⁾	-2.5	-0.6	-1.9	0.1	-	-2.5	-1.0	-0.6	-10%
Net non-interest income	26.1	22.7	3.4	0.8	15%	26.1	26.8	22.7	-3%
o/w Net fee and commission income	26.5	21.8	4.7	0.8	22%	26.5	26.2	21.8	1%
Total net operating income	46.8	41.7	5.2	1.8	12%	46.8	47.5	41.7	-1%
Total costs	-29.3	-26.6	-2.7	-1.4	-18%	-29.3	-33.6	-26.6	13%
Result before impairments and provisions	17.5	15.0	2.5	0.4	17%	17.5	13.9	15.0	26%
Impairments and provisions	-1.9	0.7	-2.5	-0.2	-	-1.9	-2.5	0.7	26%
Net gains from investments in subsidiaries, associates, and JVs ⁽²⁾	0.6	0.1	0.5	-	-	0.6	0.2	0.1	-
Result before tax	16.3	15.8	0.4	0.2	3%	16.3	11.5	15.8	41%

	31 Mar 2022	31 Dec 2021	31 Mar 2021	Change YtD		Change YoY	
Net loans to customers	3,337.4	2,731.6	2,463.1	605.9	22%	874.3	33%
Gross loans to customers	3,382.3	2,769.7	2,497.9	612.6	22%	884.5	33%
Housing loans	1,908.8	1,815.5	1,581.8	93.3	5%	327.0	2%
Interest rate on housing loans	2.24%	2.34%	2.40%	-0.10 p.p.	-	-0.16 p.p.	-
Consumer loans	638.1	635.6	648.0	2.5	0%	-10.0	-2%
Interest rate on consumer loans	6.92%	6.70%	6.64%	0.22 p.p.	-	0.28 p.p.	-
N Banka, Ljubljana	502.7	-	-	-	-	-	-
NLB Lease&Go, Ljubljana	48.4	40.4	13.0	8.1	2%	35.4	-
Other	284.3	278.2	255.0	6.0	2%	29.3	1%
Deposits from customers	8,412.6	7,703.6	7,495.4	708.9	9%	917.2	13%
Interest rate on deposits ⁽³⁾	0.03%	0.03%	0.03%	0.00 p.p.	-	0.00 p.p.	-
N Banka, Ljubljana	517.5	-	-	-	-	-	-
Non-performing loans (gross)	65.1	58.1	52.3	7.0	13%	12.8	24%

	1-3 2022	1-3 2021	Change YoY
Cost of risk (in bps)	25	-12	37
CIR	62.6%	64.0%	-1.4 p.p.
Interest margin ⁽⁴⁾	1.48%	1.54%	-0.06 p.p.

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

⁽²⁾ Interest rates only for NLB.

Net interest income was EUR 1.8 million higher YoY, of which EUR 1.0 million was contributed by N Banka. The interest income in the Bank's retail segment increased mostly due to a higher volume of housing loans and overdrafts. As a result of several activities the production of new housing loans in the Bank was still high, with EUR 179.6 million of new loans approved in Q1 (in Q1 2021: EUR 106.2 million), and it resulted in the increase of the portfolio. The slight increase of balances was recorded in the consumer lending in the Bank YtD (EUR 2.5 million), while on YoY basis a EUR 10.0 million decrease was recorded. The portfolio of overdrafts recorded YtD and YoY increase, EUR 6.4 million and EUR 18.3 million respectively. The portfolio of cards decreased YtD (EUR 1.5 million), but recorded a slight increase YoY (EUR 4.2 million).

Net non-interest income growth of EUR 3.4 million derived from fee and commission income, with EUR 4.7 million increase YoY, with N Banka contributing EUR 0.8 million. The growth was mostly related to normalization after COVID-19-related restrictions in Q1 2022, the income from high balance fee of EUR 0.4 million from private individuals (not yet charged in Q1 2021) and with a slight increase recorded also from micro clients, as well as net fees from the asset management and bancassurance.

Higher **costs** by EUR 1.3 million without N Banka's contribution, due to higher operating costs in the Bank.

Net impairments and provisions were established, mostly due to a higher new production of loans.

Deposits from customers increased by EUR 708.9 million YtD and EUR 917.2 million YoY in the Bank; growth of deposits from individuals in January and February was influenced by seasonality (more savings after higher consumption in December), social transfers and increase in pensions, while slight decrease was recorded in March.

Business Performance

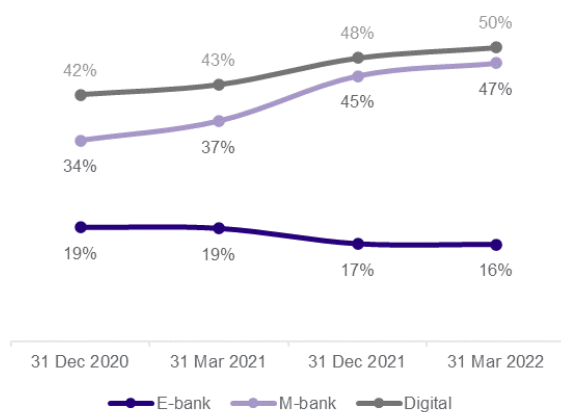
The Bank strengthens its leading position with a market share of 25.1% in the retail lending (31 March 2021: 23.7%) and 31.3% (31 March 2021: 31.0%) in the deposit-taking.

A noticeable increase of the market share for housing loans, namely to 25.0% (31 March 2021: 23.0%), which is the result of a record production of new housing loans in Q1 2022. Apart from the generally positive economic sentiment and dedicated sales teams, successful marketing campaigns played an important role in contributing to the excellent sales results.

An ESG-oriented offer for financing the purchase of solar panels, heat pumps and central ventilation with one of the Slovenian leading manufacturers of heat pumps was introduced.

The number of digital users increased in Q1 (14% YoY). The number of m-bank Klikin and e-bank NLB Klik users recorded a YoY increase of 20% (16,588 new users) and 7% (6,448 new users) respectively, which is also well proven by the digital penetration of active clients (see the figure below). The total volume and number of payments processed in the e-bank and m-bank YoY increased by 22% and 13% respectively.

Figure 15: Digital penetration⁽ⁱ⁾



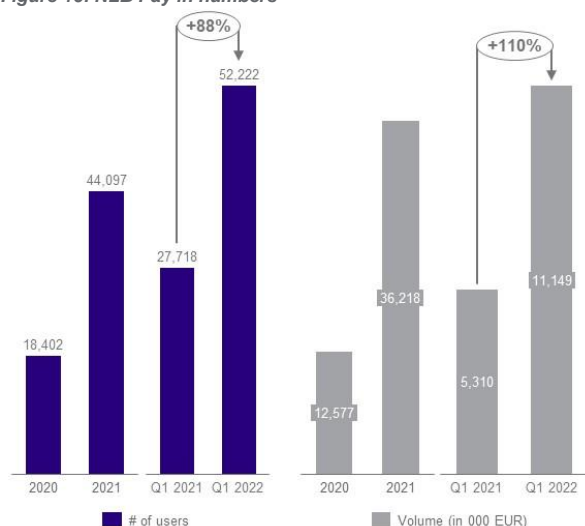
(i) Share of active e-/m-bank and digital users in # of active clients of the Bank.

The 24/7 Contact Centre is firmly positioned as a sales channel. In Q1 2022, its share of closed basic financing products of the Bank (such as consumer loans and overdrafts) was almost 10%. On the YoY basis, 31% more video calls were processed by the Contact Centre.

In Q1, Mastercard's personal debit card was introduced in a digital form only, enabling the card and PIN to be issued instantly. It can be used immediately after the client digitizes his card in the NLB Pay m-wallet.

The NLB Pay m-wallet usage continued to increase at a significant pace. The number of users and volume of transactions increased by 88% and 110% YoY.

Figure 16: NLB Pay in numbers



The market share of NLB Skladi increased to 37.4% (31 March 2021: 35.7%) despite the global geopolitical circumstances. The latter affected net inflows in Q1 2022, which saw a YoY drop of 64.1%. Nevertheless, the company remains the largest asset management company and mutual funds management company in Slovenia. The total assets under management amounted to EUR 2,040.1 million (31 March 2021: EUR 1,771.5 million) of which EUR 1,557.3 million consisted of mutual funds (31 March 2021: EUR 1,283.7 million) and EUR 482.9 million of the discretionary portfolio (31 March 2021: EUR 487.8 million).

Bancassurance products of the insurance companies Vita with savings and investment insurance products, risk and health insurance products, and GENERALI Zavarovalnica with non-life insurance products, are sold through the Bank's distribution network.

Corporate and Investment Banking in Slovenia

Financial Highlights

- Growth in loan portfolio in all sub-segments.
- Growing fee for high balances.
- Increase in net fee and commission income due to normalization after COVID-19-related restrictions in Q1 2022.

Business Highlights

- Market share growth continues with approving new quality transactions on domestic and international market.
- Introduction of digital only Mastercard debit cards.
- Acquired a full permission from the BoS to arrange leasing financing.
- Arranged syndicated facilities in the amount of EUR 290 million.

Financial Performance

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

Corporate and Investment Banking in Slovenia

in EUR million consolidated

	1-3 2022	1-3 2021	Change YoY		Q1 2022	Q4 2021	Q1 2021	Change QoQ	
			o/w N Banka contribution						
Net interest income	10.2	9.0	1.2	0.6	14%	10.2	9.2	9.0	11%
Net interest income from Assets ⁽¹⁾	12.1	10.2	1.9	0.6	19%	12.1	10.7	10.2	13%
Net interest income from Liabilities ⁽¹⁾	-1.9	-1.2	-0.7	0.0	-5%	-1.9	-1.5	-1.2	-27%
Net non-interest income	13.3	11.7	1.6	0.6	14%	13.3	12.3	11.7	8%
o/w Net fee and commission income	11.2	9.5	1.8	0.4	19%	11.2	9.5	9.5	18%
Total net operating income	23.5	20.7	2.8	1.2	14%	23.5	21.5	20.7	9%
Total costs	-12.5	-10.4	-2.1	-1.0	-2%	-12.5	-12.9	-10.4	3%
Result before impairments and provisions	11.0	10.3	0.7	0.2	7%	11.0	8.6	10.3	28%
Impairments and provisions	4.1	11.0	-6.9	0.2	-6%	4.1	7.4	11.0	-4%
Result before tax	15.1	21.3	-6.3	0.4	-2%	15.1	16.0	21.3	-6%

	31 Mar 2022	31 Dec 2021	31 Mar 2021	Change YtD		Change YoY	
Net loans to customers	3,060.8	2,332.4	2,103.3	728.5	31%	957.5	46%
Gross loans to customers	3,122.8	2,390.7	2,217.4	732.2	31%	905.4	41%
Corporate	2,962.7	2,258.5	2,066.9	704.2	31%	895.8	43%
Key/SME/Cross Border Corporates	2,211.9	2,110.6	1,875.2	101.2	5%	336.6	18%
Interest rate on Key/SME/Cross Border Corporates loans	1.76%	1.79%	1.80%	-0.03 p.p.		-0.04 p.p.	
Investment banking	0.1	0.1	0.1	0.0	-4%	0.0	-4%
Restructuring and Workout	83.6	88.2	164.4	-4.6	-5%	-80.8	-4%
N Banka	592.0						
NLB Lease&Go	75.1	59.6	27.1	15.6	26%	48.0	17%
State	160.0	131.9	150.2	28.1	21%	9.9	7%
Interest rate on State loans	3.89%	2.07%	3.34%	1.82 p.p.		0.55 p.p.	
Deposits from customers	2,322.6	1,938.2	1,558.0	384.5	20%	764.7	49%
Interest rate on deposits ⁽¹⁾	0.03%	0.03%	0.04%	0.00 p.p.		-0.01 p.p.	
N Banka, Ljubljana	326.9						
Non-performing loans (gross)	85.5	72.5	154.2	12.9	18%	-68.7	-4%

	1-3 2022	1-3 2021	Change YoY
Cost of risk (in bps)	-64	-212	147
CIR	53.2%	50.1%	3.0 p.p.
Interest margin ⁽¹⁾	1.64%	1.91%	-0.28 p.p.

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

⁽²⁾ Interest rates only for NLB.

Net interest income was EUR 0.6 million higher YoY without N Banka's contribution. The interest income from loans in the Key, SME and Cross Border Corporates in the Bank was EUR 1.3 million higher YoY, mostly due to higher volumes in all sub segments (EUR 101.2 million YtD growth).

Net fee and commission income recorded an EUR 1.4 million increase YoY without N Banka's contribution, mostly due to normalization after COVID-19-related restrictions in Q1 2022, a higher fee for high balances (EUR 2.0 million in 1-3 2022, EUR 0.5 million higher YoY), and arrangement fees for the organization of syndicated loans.

Total costs increased EUR 1.1 million YoY without N Banka's contribution, due to higher operating costs in the Bank.

Net impairments and provisions were released in the amount of EUR 3.9 million, mostly due to repayments of previously written-off receivables.

The total value of assets under custody in **Investment Banking and Custody** decreased YoY (31 March 2021: EUR 16.4 billion) but increased YtD (31 December 2021: EUR 15.9 billion) and amounted to EUR 16.2 billion.

Business Performance

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

With a growing client base, the NLB remains the leading bank in servicing corporate clients in Slovenia and has a 18.2% market share in corporate loans (31 March 2021: 17.2%).

The Bank is also a leading Slovenian bank in the field of trade finance with products that support the export economy. The Group clients are supported with letters of guarantees, letters of credit and purchases of receivables through digital channels in a safe and fast way, with a market share of 32.2% (31 March 2021: 31.6%) in guarantees and letters of credit (including guarantee lines).

The entire portfolio continued to grow as several new high-quality transactions were concluded in Q1 2022, namely EUR 458.6 million of loans were approved to corporate and state clients making a 156% YoY increase.

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

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

The Bank participates in Digital Volunteers EU Programme of which goal is to support European SMEs on their way to digital transformation. The Bank and the Group are becoming high-tech company and are logical partner to SME in the digital transition. Example of such partnership is successful cooperation with renowned Slovenian furniture company where the Bank's experts supported the renovation of the company's network system infrastructure and upgraded the server infrastructure, introduced new solutions of IT security and eased the company's transition to cloud computing.

In Q1, the Bank continued with organizing syndicated facilities in the total amount of EUR 290 million, where it also acted as the mandated lead arranger, as an agent and also as the leading bank with a EUR 90 million participation.

In Q1, a significant growth of trading volume was achieved in brokerage services and FX spot deals. The Bank executed clients' buy and sell orders in the total amount of EUR 368.1 million (Q1 2021: EUR 291.9 million), while in the area of dealing in financial instruments the Bank executed foreign exchange spot deals in the total of EUR 336.9 million (Q1 2021: EUR 229.0 million) and for EUR 85.9 million (Q1 2021: EUR 87.3 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 31 March 2022 was, together with the fund administration services, EUR 16.2 billion (31 March 2021: EUR 16.5 billion).

Strategic Foreign Markets

Financial Highlights

- Persistently growing loan portfolio, especially housing loans.
- Decreasing deposit base, especially from individuals.
- Strong pressure on interest margins.

Business Highlights

- Record demand and new production of retail loans in Q1 2022 pushed by elevated inflation and future expectation for interest rates increase.
- Acceleration of automated solutions for customers in several Group banking members.
- Serbian banking members, Komercijalna Banka, Beograd and NLB Banka, Beograd were merged at the end of April.⁹

Financial Performance

Table 10: Key Financials of Strategic Foreign Markets

Strategic Foreign Markets								in EUR million consolidated	
	1-3 2022	1-3 2021	Change YoY		Q1 2022	Q4 2021	Q1 2021	Change QoQ	
Net interest income	66.3	63.3	3.1	5%	66.3	68.7	63.3	-3%	
Interest income	72.9	72.0	0.8	1%	72.9	76.1	72.0	-4%	
Interest expense	-6.5	-8.8	2.2	25%	-6.5	-7.4	-8.8	11%	
Net non-interest income	27.8	21.6	6.2	29%	27.8	22.2	21.6	25%	
o/w Net fee and commission income	27.1	23.3	3.9	17%	27.1	28.5	23.3	5%	
Total net operating income	94.2	84.9	9.3	11%	94.2	90.9	84.9	4%	
Total costs	-53.3	-52.3	-1.1	-2%	-53.3	-65.4	-52.3	18%	
Result before impairments and provisions	40.8	32.6	8.2	25%	40.8	25.6	32.6	60%	
Impairments and provisions	3.2	1.9	1.4	73%	3.2	-22.4	1.9	-	
Result before tax	44.1	34.5	9.6	28%	44.1	3.2	34.5	-	
o/w Result of minority shareholders	4.1	3.8	0.3	9%	4.1	1.0	3.8	-	

	31 Mar 2022	31 Dec 2021	31 Mar 2021	Change YtD		Change YoY	
Net loans to customers	5,660.8	5,441.9	5,144.3	218.9	4%	516.5	10%
Gross loans to customers	5,850.2	5,632.2	5,329.5	218.0	4%	520.8	10%
Individuals	2,982.9	2,877.3	2,647.6	105.6	4%	335.3	13%
Interest rate on retail loans ⁽ⁱ⁾	5.55%	5.83%	6.00%	-0.28 p.p.		-0.45 p.p.	
Corporate	2,732.8	2,613.5	2,486.9	119.3	5%	245.9	10%
Interest rate on corporate loans ⁽ⁱ⁾	3.60%	3.96%	3.95%	-0.35 p.p.		-0.35 p.p.	
State	134.6	141.4	195.0	-6.8	-3%	-60.4	-3%
Interest rate on state loans ⁽ⁱ⁾	3.13%	3.35%	3.33%	-0.22 p.p.		-0.20 p.p.	
Deposits from customers	7,775.2	7,998.8	7,678.3	-223.6	-3%	96.9	1%
Interest rate on deposits ⁽ⁱ⁾	0.18%	0.29%	0.35%	-0.11 p.p.		-0.17 p.p.	
Non-performing loans (gross)	185.2	191.7	202.9	-6.5	-3%	-17.6	-3%

	1-3 2022	1-3 2021	Change YoY	
Cost of risk (in bps)	-26	-32	6	
CIR	56.6%	61.6%	-5.0 p.p.	
Interest margin ⁽ⁱ⁾	2.83%	2.85%	-0.02 p.p.	

(i) Changed methodology.

Net interest income was higher YoY (EUR 3.1 million), with an increase recorded in all banking members, due to higher volumes in all of them and despite a lower interest margin in most of the banking members.

Net non-interest income increased by EUR 6.2 million YoY, of which net fee and commission income EUR 3.9 million. The largest increase was recorded in Komercijalna Banka, Beograd due to repricing of services.

Total costs have increased YoY in all banking members, except in NLB Banka, Podgorica.

A net release of impairments and provisions for credit risks in the amount of EUR 3.2 million, mainly due to impacts arising from successful NPL resolution.

Gross loans to customers increased by EUR 218.0 million (4%) YtD, equally distributed between individuals and corporate. The increase of the loan portfolio is visible in all of the banking members, except NLB Banka, Beograd, due to

⁹ Further information is available in the chapter [Events after 31 March 2022](#).

the integration process with Komercijalna Banka, Beograd. Housing loans continued its enviable growth, with almost EUR 90 million newly approved in Q1.

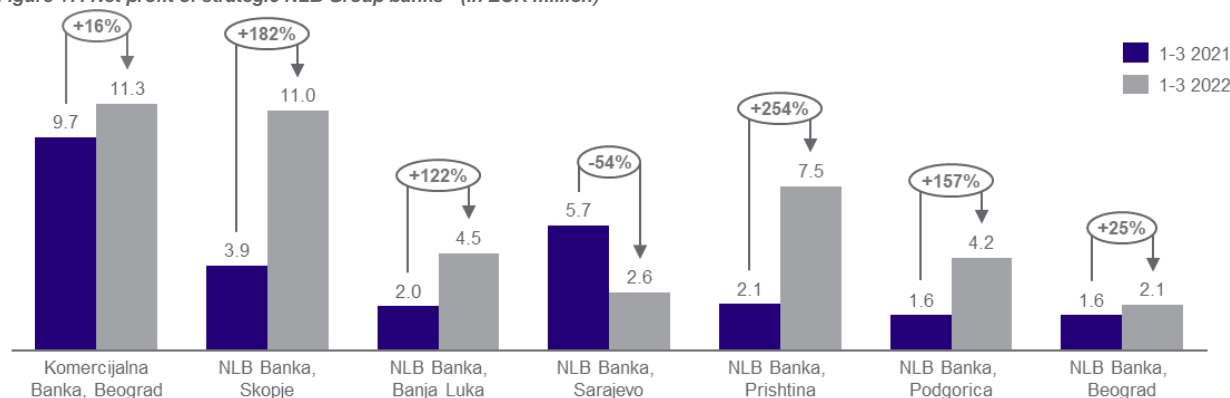
Deposits from customers decreased by EUR 223.6 million YtD, mostly from individuals as a response to the war in Ukraine; decrease was recorded in all banking members, except in NLB Banka, Podgorica.

Financial performance of strategic NLB Group SEE banking members

The Group banking members achieved solid results in Q1 by accomplishing twofold growth results.

In Q1 the overall pandemic situation in the region improved, resulting in removing restrictions. Even though the war in Ukraine impacted the economic activities in the region and customer behaviour, the banking members remained overliquid and well capitalized and had strong financial performance in Q1.

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. The profit of NLB Banka, Podgorica 1-3 2021 does not include profit of Komercijalna Banka, Podgorica (EUR 0.2 million), which was merged with NLB Banka, Podgorica in November 2021.

In Q1 2022, the member banks marked 15% YoY increase in lending activities, while YtD all member banks together recorded a growth of 4%. In Q1, the largest increase of gross loans to customers was realized by Komercijalna Banka, Beograd (8%) and NLB Banka, Prishtina (7%).

Despite the war in Ukraine and its impact on the economy, the investment confidence recovery and expectation for change of macro assumptions resulted in historically record production of new corporate loans. The banking members recorded 5% YtD growth in corporate segment, whereas the highest level was achieved in Komercijalna Banka, Beograd (11% YtD).

The remarkable new production in Q1 2022 in the Retail segment contributed to the increase of already strong market share (YtD) in the Group banks – Komercijalna Banka, Beograd, NLB Banka, Skopje and NLB Banka, Prishtina in the range from 2 to 34 bps.

Regardless of the future expectations of increase of interest rates, there is still competitive pressure on interest rates and reduction of interest margins present in all the Group countries of operations. In 1-3 2022 the banking members realized net interest margin ranging between 2.4% (NLB Banka, Banja Luka) to 4.2% (NLB Banka, Prishtina).

Business Performance

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

In 1-3 2022, the Group banks continued with high performance on new business generation in the corporate and retail segments by upgrading several products and services which included streamlining and modernising their distribution network and improving their digital offering. Namely, they introduced new digital services and upgraded the existing digital products.

Retail Banking

In Q1, as a consequence of the war in Ukraine, retail clients, in most of the Group countries of operations, temporarily reacted by exchanging the local currency deposits into EUR deposits, which slightly transformed the bank's non-banking sector deposits. Consequently, retail deposits dropped by 3.3% YtD, while YoY still increased by 10.4%.

The ease of restrictive measures in the Group countries, increased inflation and expectations on future rising of interest rates pushed the retail clients demand and the banking members realized historically high new retail loans production. The gross retail loans marked growth of 3.9% YtD, the highest growth realized by NLB Banka, Prishtina (6.1% of retail loans and 9.7% YtD growth of consumer loans).

Corporate Banking

In Q1 the banking members maintained the positive trend in approving new financings and attracting new corporate clients. The banking members recorded 5% YtD growth in corporate segment, whereas the highest level was achieved in Komercijalna Banka, Beograd (11% YtD).

Financial Markets in Slovenia

Financial Highlights

- Negative effect on net non-interest income from securities divestments and higher premium for RWA optimization measures.
- Increase of deposits in the Bank led to increases in balances with central banks and the banking book securities.

Business Highlights

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

Financial Performance

Table 11: Key Financials of Financial Markets in Slovenia

Financial Markets in Slovenia

in EUR million consolidated									
	1-3 2022	1-3 2021	Change YoY			Q1 2022	Q4 2021	Q1 2021	Change QoQ
				o/w N Banka contribution					
Net interest income	10.3	6.1	4.2	0.7	70%	10.3	8.3	6.1	24%
o/w ALM ⁽¹⁾	6.5	3.3	3.2	0.5	99%	6.5	5.9	3.3	11%
Net non-interest income	-1.1	-0.7	-0.4	0.0	-54%	-1.1	-2.1	-0.7	47%
Total net operating income	9.2	5.3	3.9	0.7	72%	9.2	6.3	5.3	47%
Total costs	-2.2	-1.9	-0.3	0.0	-18%	-2.2	-2.8	-1.9	22%
Result before impairments and provisions	7.0	3.5	3.6	0.7	103%	7.0	3.5	3.5	103%
Impairments and provisions	-1.5	-0.6	-0.9	-0.4	-140%	-1.5	0.0	-0.6	-
Result before tax	5.5	2.8	2.7	0.3	95%	5.5	3.4	2.8	61%
	31 Mar 2022	31 Dec 2021	31 Mar 2021	Change YtD		Change YoY			
Balances with Central banks	3,116.8	2,982.2	1,772.3	134.6	5%	1,344.5	76%		
Banking book securities	3,223.8	2,977.5	3,288.9	246.3	8%	-65.2	-2%		
<i>Interest rate on banking book securities⁽¹⁾</i>	<i>0.72%</i>	<i>0.68%</i>	<i>0.67%</i>	<i>0.04 p.p.</i>		<i>0.05 p.p.</i>			
Wholesale funding	1,046.5	873.5	143.4	173.1	20%	903.2	-		
<i>Interest rate on wholesale funding⁽¹⁾</i>	<i>-0.89%</i>	<i>-0.46%</i>	<i>0.52%</i>	<i>-0.43 p.p.</i>		<i>-1.41 p.p.</i>			
Subordinated liabilities	287.0	288.5	286.8	-1.5	-1%	0.2	0%		
<i>Interest rate on subordinated liabilities⁽¹⁾</i>	<i>3.69%</i>	<i>3.70%</i>	<i>3.69%</i>	<i>-0.01 p.p.</i>		<i>0.00 p.p.</i>			

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

⁽²⁾ Interest rates only for NLB.

Net interest income was EUR 4.2 million higher YoY, of which EUR 0.7 million from N Banka. Excluding N Banka, net interest income increased primarily due to changed FTP policy which partially transferred the costs of placing the excess liquidity from treasury to retail and corporate segment to de-stimulate the deposit collection.

Lower **net non-interest income**, EUR 0.4 million YoY, mostly due to negative effect from securities divestments and higher premium for RWA optimization measures.

Increases in **balances with central banks** (EUR 134.6 million YtD) and **the banking book securities** (EUR 246.3 million YtD) were mostly caused by increase of deposits in the Bank.

Wholesale funding amount increased by EUR 173.1 million YtD due to the acquisition of N Banka.

Business Performance

The main mission of the segment continued to be the Group's activities on the international financial markets, including treasury operations. With the on-going war in Ukraine, the attention is focused primarily on the ability of Russia to repay its maturing debt. The Bank has an exposure to the Russian government bond maturing in April 2022 and September 2023.¹⁰ The market is observed constantly to diminish further possible defaults of issuers included in the banking book securities portfolio. With this aim certain exposures were lowered in Q1 2022.

In 2022 an on-going goal is to further diversify the banking book securities portfolio which in Q1 increased by EUR 136.5 million in the Bank and remained unchanged on the Group level. New investments in Q1 amounted to EUR 747.5 million on the Group level (EUR 328.7 million on the Bank level), of which the majority was invested into government bonds of strategic markets, including Slovenia and government bonds rated between AA and AAA. The portfolio included 3.3% of ESG debt securities, issued by governments, multilateral organisations or commercial banks.

¹⁰ Further information is available in chapter [Events after 31 March 2022](#).

Non-Core Members

Financial Highlights

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

Business Highlights

- Non-core companies continued to monetize assets in line with the divestment plans, however, due to the circumstances surrounding COVID-19 in the beginning of 2022, such endeavours were still impeded.

Financial Performance

Table 12: Key Financials of Non-Core Members

Non-Core Members								
in EUR million consolidated								
	1-3 2022	1-3 2021	Change YoY		Q1 2022	Q4 2021	Q1 2021	Change QoQ
Net interest income	0.1	0.2	-0.2	-63%	0.1	0.1	0.2	-43%
Net non-interest income	0.7	0.6	0.1	12%	0.7	0.8	0.6	-6%
Total net operating income	0.8	0.9	-0.1	-9%	0.8	0.9	0.9	-1%
Total costs	-2.6	-2.5	0.0	-1%	-2.6	-3.4	-2.5	23%
Result before impairments and provisions	-1.8	-1.6	-0.1	-7%	-1.8	-2.5	-1.6	30%
Impairments and provisions	0.6	0.8	-0.1	-13%	0.6	2.9	0.8	-73%
Result before tax	-1.1	-0.9	-0.2	-28%	-1.1	0.4	-0.9	-

	31 Mar 2022	31 Dec 2021	31 Mar 2021	Change YtD		Change YoY	
Segment assets	93.8	95.9	124.8	-2.1	-2%	-31.0	-24%
Net loans to customers	22.0	24.3	40.7	-2.3	-5%	-18.7	-46%
Gross loans to customers	51.6	53.9	90.1	-2.3	-4%	-38.6	-43%
Investment property and property & equipment received for repayment of loans	65.5	65.6	68.6	-0.1	0%	-3.1	-5%
Other assets	6.3	6.0	15.4	0.3	5%	-9.2	-53%
Non-performing loans (gross)	44.7	45.0	70.2	-0.3	-1%	-25.5	-36%

The segment recorded EUR 1.1 million of **loss before tax** and also a minor decrease of the **total assets** of the segment YtD (EUR 2.1 million), which is in line with the divestment strategy.

Impairments and provisions were net released in the amount of EUR 0.6 million, mostly due to successful NPL collection.

Business Performance

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

Risk Factors and Outlook

Risk factors

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

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

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

Lending growth in the corporate segment is expected to remain relatively moderate, especially in the current circumstances. N Banka became a member of the NLB Group in March 2022. With regards to credit portfolio the Group carefully monitors its clients who are present or have direct and indirect connection with Russia, Ukraine or their neighbouring countries. The Group's direct and indirect exposures toward Russia and Ukraine are moderate. These clients are closely monitored with the intention to detect any significant increase in credit risk at a very early stage.

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

The investment strategy of the Group, referring to the Group's bond portfolio kept for liquidity purposes, adapts to the expected market trends in accordance with the set risk appetite. The war in Ukraine has led to quite considerable volatility in the financial markets, in particular shifts in credit spreads, interest rates and foreign exchange rates. Special attention is given to the markets in the Balkans, neighbouring countries to Ukraine and Russia and international banks with operations in Russia. The Group is closely monitoring its major bond portfolio positions, mostly sovereigns, with stronger connection to the crisis in Russia. Besides, the Group holds Russian government bonds.¹¹ Since beginning of the crisis the Group has been observing credit spreads widening which is currently impacting our FVOCI positions.

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

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

¹¹ Further information is available in the chapter [Events after 31 March 2022](#).

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

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

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

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

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

- The **baseline scenario** presents a common forecast macroeconomic view for all countries that are present in the Group. This scenario is constructed with the purpose to culminate various outlooks into a unified projection of macroeconomic and financial variables for the Group. This is in line with the concept that the Bank has a consolidated view on the future of economic development in SEE. The IFRS 9 baseline scenario is based on the NLB monthly Economic Outlook that was created in April 2021.
- The macroeconomic rationale behind the **alternative scenarios** is related to a range of plausible impacts of the COVID-19 pandemic on economic development during the next 3 years. The basis for the alternative scenarios is related to the ECB's view of economic development after the coronavirus outbreak since early 2020. Based on the ECB illustration of a mild and severe scenario resolution of the pandemic crisis through the lens of possible expected impact on economic activity in the euro area, the Group developed both alternative scenarios. In general, the mild scenario envisions a resolution of the health crisis by the end of 2021 and a long-term reviving process of the economy, while a severe scenario assumes a more protracted crisis and permanent losses in economic potential. These scenarios were included in the calculation of ECL in accordance with IFRS 9 as of 30 June 2021. Apart from this the Group had kept track of the latest economic developments and changing official projections.
- The latest set of IFRS 9 scenarios for macroeconomic variables is applied in the modelling process for the probability of default (PD) and loss given default (LGD) estimates. Nevertheless, the focus in macroeconomic scenarios is on the trajectory of real GDP and the unemployment rate over the projection horizon from 2021 to 2023. Both variables are included in the modelling process of PD and LGD, respectively.

In H1 2022 the Group will conduct regular yearly revision of IFRS 9 provisioning.

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

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

Outlook

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

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

The measures and potentials outlined in the above strategy are reflected in the Group's outlook for the 2022 to 2023 period (Table 13). Potential effects of acquisition of N Banka are not included in the outlook (except where indicated).

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

	Performance in Q1 2022	2022 ^(iv)	2023
Regular income	EUR 173.0 million	~ EUR 690 million	> EUR 700 million
Costs	EUR 102.7 million ⁽ⁱ⁾	Costs in range of 2021	~ EUR 400 million
Cost of risk	-17 bps	30 bps ^(v)	30-50 bps
Loan growth	14% (4% w/o N Banka)	High single digit loan growth	High single-digit loan growth
Dividend	/ ⁽ⁱⁱ⁾	EUR 100 million	EUR 110 million
ROE a.t.	12.0%	~ 10%, (ROE normalized ⁽ⁱⁱⁱ⁾ : 12%)	> 10% (ROE normalized ⁽ⁱⁱⁱ⁾ : > 12%)

(i) Including integration costs.

(ii) Further information is available in the chapter [Outlook 2022](#).

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

(iv) If legal remedies against the adopted law in February 2022 concerning loan agreements in Swiss francs concluded by banks operating in Slovenia (including NLB) and individuals are unsuccessful, the Bank estimated a negative pre-tax effect on the operations of NLB and NLB Group should not exceed EUR 70 - 75 million (not more than EUR 100 million if N Banka is included).

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

Outlook 2022

Macroeconomic

The euro area inflationary pressure risks are lasting longer than was expected and are hitting low-income households in particular. Greater supply of labour and fast growth in capital stock to worker ratios, are expected to weaken. The household saving rate was at 13.3% in Q4 2021 (15.0% in Q3 2021). The euro area Q1 2022 GDP growth rate was reported at 0.2% QoQ and 5.0% YoY. Energy is expected to be the most important driver (44.7%, compared with 32.0% in February). While inflation pressures intensify (7.5% in March 2022 YoY), consumers and companies grew more cautious. The willingness to spend has abated considering high uncertainty, suggesting a further slowdown in private consumption, while elevated levels of savings provide some buffer for consumption. The ECB decided to accelerate the pace of policy normalisation, with faster QE tapering in Q2 2022 and net purchases to end in Q3, paving the way for a potential first rate hike. Core inflation advanced to 3.5%. This puts the ECB in a very tough position, as current inflation is greatly influenced by a supply shock. Demand is already being slowed significantly by the massive squeeze in real wages, production disruptions, dropping consumer confidence, and tighter financing conditions because of higher bond yields. The household spending decreased 0.6% in Q4 2021, in contrast to the 4.5% increase in Q3. Gross fixed capital formation rebounded 3.5% after falling 0.9% in Q3. Exports and imports climbed 2.9% and 4.6%, respectively. The euro area retail trade grew 5.0% YoY in February 2022 and 0.3% MoM. The PMI composite index, dipped to 54.9 in March 2022 from February's 55.5. Industrial production in the Euro zone remained volatile and suppressed during Q1 2022 as it swung monthly between positive and negative values ranging from -1.5% to 2.0%.

Revenues and loan growth

The Group expects high single digit loan growth in 2022. Retail Banking in Slovenia is expected to see continuation of strong loan growth also in 2022, with a healthy demand for mortgage loans. Corporate and Investment Banking in Slovenia is also expected to grow on the back of cross-border lending and revival in investment spending. Strategic Foreign Markets will maintain robust performance with loan growth expected to reach double digit growth. Therefore, interest income growth is expected to be primarily driven by loan book growth, and productive use of liquid assets. Post

COVID-19 opening of the economies and introduction of high balance fees stimulated demand for fee generating products and income. All of the above should result in total regular revenues of around EUR 690 million in 2022.

If legal remedies against the adopted law in February 2022 concerning loan agreements in Swiss francs concluded by banks operating in Slovenia (including NLB) and individuals are unsuccessful, the Bank estimated a negative pre-tax effect on the operations of NLB and NLB Group should not exceed EUR 70 - 75 million (not more than EUR 100 million if N Banka is included).

Costs and cost of risk

The Group will continue to pursue a strong cost containment agenda addressing both labour and non-labour cost elements. Total costs continue to be impacted by the business environment with a visible labour cost inflation throughout the region. Additionally, the Group continues with its investment activities into information technology upgrades, amid the growing relevance of digital banking. Importantly, integration costs associated with the acquired Komercijalna Banka, Beograd and N Banka will contribute to total costs in 2022.

The realised cost of risk in Q1 2022 at -17 bps was impacted by acquisition of N Banka, due to recognition of 12-month expected credit losses for the performing portfolio. Otherwise, other members of the Group faced in Q1 2022 a favourable development in NPL resolution, positively contributing to the Group's cost of risk. It is expected that resolutions will continue to positively impact cost of risk in 2022, but with a diminished importance. Direct and indirect exposure of the Group toward Russia and Ukraine is moderate, respectfully its impact on cost of risk should not be excessive. Based on assessed environment the expected cost of risk will be 30 bps (includes 8 bps of technical adjustment due to N Banka and excludes potential incremental major disruption(s)), and therefore on the lower end of the 2023 outlook range (30-50 bps).

Loan portfolio quality

The Group anticipates lending growth in all key segments. Special focus will be given to the retail segment where the Group experienced strong growth in the previous year. The Group is very prudent in identifying any increase in credit risk, as well as proactive in the area of NPL management. On this basis well diversified and stable quality of credit portfolio is still expected during the year 2022. With regards to credit portfolio the Group carefully monitors its clients being present or having direct and indirect connection with Russia, Ukraine or its neighbouring countries. The Group's direct and indirect exposures toward Russia and Ukraine are moderate. These clients are closely monitored with the intention to detect any significant increase in credit risk at a very early stage. Potential moderation of current positive economic trends due to uncertainties of global supply constraints and inflationary pressures might have some negative impact on the existing loan portfolio quality, but its impact should not be excessive.

Liquidity

From liquidity perspective, deposits at the Group level are still increasing (in the Bank and in SEE banking members), although some decrease of retail deposits in most of SEE banking members occurred in Q1 2022 due to the war in Ukraine, impacting their euro liquidity. The liquidity position of the Group is expected to remain solid even if a highly unfavourable liquidity scenario materialises, as the Group holds sufficient liquidity reserves mostly in the form of placements at the ECB and prime debt securities.

Special attention is given to the markets in the Balkans, neighbouring countries to Ukraine and Russia and international banks with operations in Russia. NLB Group is closely monitoring its major bond portfolio positions, mostly sovereigns, with stronger connection to the Russian crisis. Besides, the Bank holds Russian government bonds in the current outstanding amount of EUR 7.6 million.¹² Since beginning of the crisis the Group has been observing credit spreads widening which is currently materially impacting FVOCI positions. Consequently, the Group carefully manages the structure and concentration of liquidity reserves, by incorporating early warning systems, keeping in mind the potential adverse negative market movements by further shortening of the portfolio duration, reducing certain exposures and classification of new investments with longer duration as hold to collect in order to decrease sensitivity to regulatory capital.

The Bank is considering early repayment of ECB TLTRO in June 2022. If materialized, this will not have a material impact on the Group's liquidity position.

¹² Further information is available in the chapter [Events after 31 March 2022](#).

Capital

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. It will be further strengthened by inclusion of negative goodwill from N Banka acquisition, when the approval from the ECB is obtained.

The Bank is exploring opportunities for MREL funding, issuance of Tier 2, and potential issuance of Additional Tier 1 instrument(s) to further strengthen and optimize its capital on solo and consolidated level. Based on transitional increase of MREL requirement, the Bank in 2022 intends to strengthen MREL eligible liabilities to the required amount of around EUR 400 million (EUR 94 million of MREL eligible liabilities obtained so far). Also, in 2022 the Group continues with activities to optimise RWAs.

M&A opportunities

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 shareholders' value.

Dividends

The Bank's general intention is to distribute dividends on yearly basis in line with its capacity, while at the same time fulfilling all regulatory requirements, including the Pillar 2 Guidance and risk appetite. 2021 YE capital calculation does not include part of the 2021 result in the amount of EUR 100 million, envisaged for dividend distribution. Therefore, there will be no effect on the capital in case the dividends are paid. The dividend payment in the year 2022 is intended to be split in two instalments.¹³ The Bank envisages cumulative dividend payout of EUR 210 million in the period 2022-2023.

Sustainability

In 2022, the Group intends to make sustainability even more tangible throughout the Group. To support the shift towards a low-carbon economy and finance the transition the Group plans to expand the product portfolio with loans dedicated to supporting energy efficiency and renewable energy production. The Group is focused on becoming paperless, and on introducing digital only card. The Group supports global decarbonization goals and aims to expand the Group's measurements of emissions to Scope 3. The Group will continue with implementation of climate related and environmental risk management as per the EBA and ECB guidelines, whereas participation in the ECB climate-risk stress test exercise will provide additional valuable insight. Effective integration of sustainability-related regulatory requirements will be important in 2022 for ESG disclosures and reporting (e.g. EU Taxonomy, BASEL Pillar III) and additionally enhanced by meeting the EBRD and MIGA requirements. The Group plans to make required steps in the direction of obtaining its first ESG rating, and to continue to provide relevant trainings on the topics of Sustainability to the Group's employees.

¹³ Further information is available in the chapter [Events after 31 March 2022](#).

Risk Management

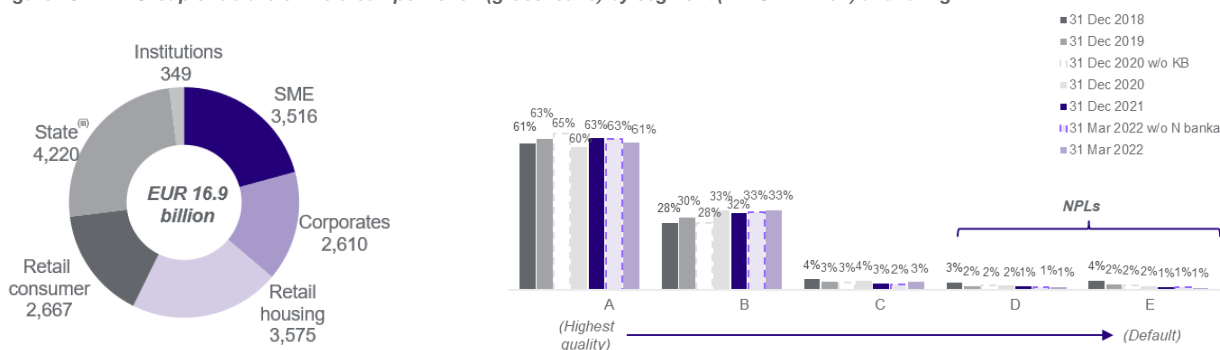
The Bank puts great emphasis on the risk culture and awareness across the entire Group. The main risk principles are set forth by the Group's Risk Appetite and Risk Strategy, created in accordance with the business strategy. A special focus is placed on the inclusion of risk analysis into the decision-making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

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

Maintaining a high credit portfolio quality is the most important goal, with the focus on cautious risk taking and quality of new loans leading to a diversified portfolio of customers. The Group is constantly developing a wide range of advanced approaches in the segment of credit risk assessment in line with best banking practice to further enhance the existing risk management tools, while at the same time enabling greater customer responsiveness. The restructuring approach in the Group is focused on the early detection of clients with potential financial difficulties and their proactive treatment.

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

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



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

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

(iii) State includes exposures to central banks.

The current structure of credit portfolio (gross loans) consists of 36.9% retail clients, 15.4% large corporate clients, 20.8% SMEs and micro companies, while the remainder of the portfolio consists of other liquid assets. On 1 March 2022 the Group acquired N Banka. As at 31 March 2022 the newly acquired banking member was included in the Group credit portfolio. With the acquisition of N Banka there were no major changes in the corporate and retail credit portfolio structure. Credit portfolio remains well diversified, there is no large concentration in any specific industry or client

segment. The share of retail portfolio in the whole credit portfolio is quite substantial with the segment of mortgage loans prevailing; an increase of new financing was recognised in Q1. The majority of loan portfolio refers to euro currency, while the rest originates from local currencies of the Group banking members. From interest rate type, more than 60% of the loan portfolio is linked to fixed interest rate, and the rest to floating rate (mostly to the Euribor reference rate).

Table 14: Overview of NLB Group corporate loan portfolio by industry as at 31 March 2022

Corporate sector by industry	Credit portfolio		in EUR thousand		
	NLB Group	%	NLB Group w/o N Banka	%	Δ
Accommodation and food service activities	225,660	4%	162,069	3%	63,591
Act. of extraterritorial org. and bodies	8,118	0%	4	0%	8,114
Administrative and support service activities	145,970	2%	103,806	2%	42,163
Agriculture, forestry and fishing	316,381	5%	315,160	6%	1,222
Arts, entertainment and recreation	27,130	0%	21,012	0%	6,118
Construction industry	522,400	9%	476,828	9%	45,572
Education	14,609	0%	12,894	0%	1,715
Electricity, gas, steam and air condition	467,961	8%	420,508	8%	47,453
Finance	116,085	2%	102,979	2%	13,106
Human health and social work activities	43,912	1%	37,146	1%	6,766
Information and communication	247,908	4%	239,038	4%	8,870
Manufacturing	1,326,786	22%	1,135,683	21%	191,103
Mining and quarrying	55,671	1%	50,424	1%	5,247
Professional, scientific and techn. act.	244,252	4%	154,663	3%	89,590
Public admin., defence, compulsory social.	168,667	3%	167,722	3%	945
Real estate activities	310,094	5%	265,799	5%	44,295
Services	18,091	0%	11,482	0%	6,609
Transport and storage	632,651	10%	604,097	11%	28,554
Water supply	57,179	1%	44,343	1%	12,836
Wholesale and retail trade	1,172,480	19%	1,078,222	20%	94,257
Other	4,462	0%	764	0%	3,698
Total Corporate sector	6,126,468	100%	5,404,644	100%	721,824

Main manufacturing activities	Credit portfolio		in EUR thousand		
	NLB Group	%	NLB Group w/o N Banka	%	Δ
Manufacture of food products	191,914	3%	178,509	3%	13,405
Manufacture of fabricated metal products, except machinery and equipment	186,145	3%	154,786	3%	31,359
Manufacture of basic metals	162,420	3%	149,495	3%	12,925
Manufacture of electrical equipment	142,203	2%	102,422	2%	39,782
Manufacture of other non-metallic mineral products	95,389	2%	73,214	1%	22,175
Manufacture of rubber and plastic products	70,033	1%	58,022	1%	12,011
Manufacture of machinery and equipment n.e.c.	61,611	1%	55,845	1%	5,767
Manufacture of motor vehicles, trailers and semi-trailers	59,099	1%	56,892	1%	2,207
Other manufacturing activities	357,971	6%	306,499	6%	51,473
Total manufacturing activities	1,326,786	22%	1,135,683	21%	191,103

Main wholesale and retail trade activities	Credit portfolio		in EUR thousand		
	NLB Group	%	NLB Group w/o N Banka	%	Δ
Wholesale trade, except of motor vehicles and motorcycles	651,728	11%	593,400	11%	58,327
Retail trade, except of motor vehicles and motorcycles	395,546	6%	369,376	7%	26,170
Wholesale and retail trade and repair of motor vehicles and motorcycles	125,206	2%	115,446	2%	9,760
Total wholesale and retail trade	1,172,480	19%	1,078,222	20%	94,257

Figure 19: NLB Group loan portfolio by stages as at 31 March 2022

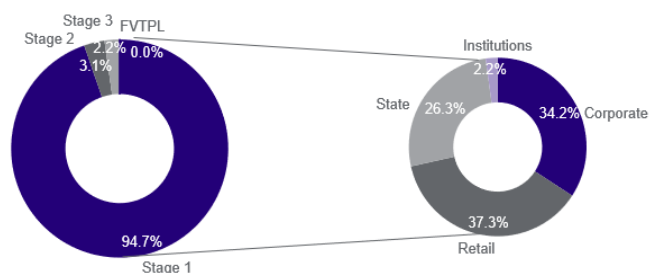


Table 15: NLB Group loan portfolio by stages as at 31 March 2022; in EUR million

	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	16,038.3	94.7%	1,400.3	517.6	3.1%	-14.8	381.2	2.3%	9.8	80.9	0.5%	32.5	6.3%	213.6	56.0%
o/w Corporate	5,482.0	89.5%	956.5	399.2	6.5%	-12.9	245.2	4.0%	3.4	58.3	1.1%	24.7	6.2%	135.0	55.1%
o/w Retail	5,987.7	95.9%	616.6	118.3	1.9%	-1.9	136.0	2.2%	6.3	21.0	0.4%	7.8	6.6%	78.6	57.8%
o/w State	4,219.5	100.0%	17.1	-	-	-	-	-	-	1.3	0.0%	-	-	-	-
o/w Institutions	349.1	100.0%	-189.9	-	-	-	-	-	-	0.3	0.1%	-	-	-	-
NLB-G w/o N Banka	14,767.6	94.4%	129.7	517.6	3.3%	-14.8	361.9	2.3%	-9.5	71.1	0.5%	32.5	6.3%	213.6	59.0%
o/w Corporate	4,773.2	88.3%	247.7	399.2	7.4%	-12.9	232.2	4.3%	-9.6	51.0	1.1%	24.7	6.2%	135.0	58.1%
o/w Retail	5,583.0	95.7%	211.9	118.3	2.0%	-1.9	129.7	2.2%	0.0	18.7	0.3%	7.8	6.6%	78.6	60.6%
o/w State	4,066.9	100.0%	-135.5	-	-	-	-	-	-	1.3	0.0%	-	-	-	-
o/w Institutions	344.5	100.0%	-194.4	-	-	-	-	-	-	0.1	0.0%	-	-	-	-

The majority of the Group's loan portfolio is classified as Stage 1 (94.7%), a relatively small portion as Stage 2 (3.1%) and Stage 3 (2.3%). 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 as well as N Banka were initially recognized at fair value in the Group financial statements. Respectively, all acquired loans were classified either in Stage 1 (performing portfolio) or in Stage 3 (non-performing portfolio). For Stage 3 loans special rules were applied, since they were NPLs already at initial recognition and recognized at fair value without any additional credit loss allowances.

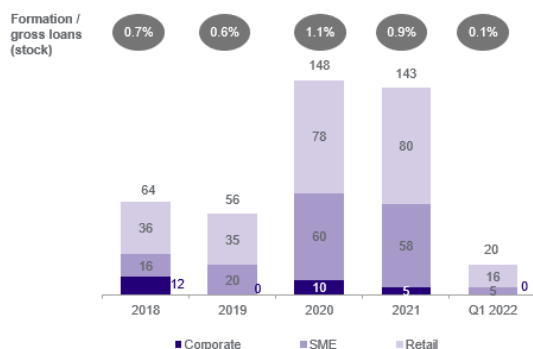
The portfolio quality remains very stable with increasing Stage 1 exposures and a relatively low percentage of NPLs. The percentage of Stage 1 loan portfolio remains almost at the same level as at 31 December 2021 (95.9%) in the retail segment, while in the corporate segment, despite the adverse economic conditions, it improved to the level of 89.5%, which is a result of a cautious lending policy.

COVID-19 did not have a meaningful impact on the quality of the credit portfolio. The vast schemes introduced by the governments in the Group countries providing moratoriums to eligible clients as part of the COVID-19 pandemic measures phased out during 2021. The exposures with expired moratoria are closely monitored, but do not show material deviations in quality compared to the remaining portfolio.

The combination of high-quality portfolio and uncertain macroeconomic conditions led to cumulative new NPLs formation in Q1 in the amount of EUR 20.3 million, which is 0.1% of the total portfolio. Furthermore, NPLs increased also due to the acquisition of N Banka by EUR 19.3 million.

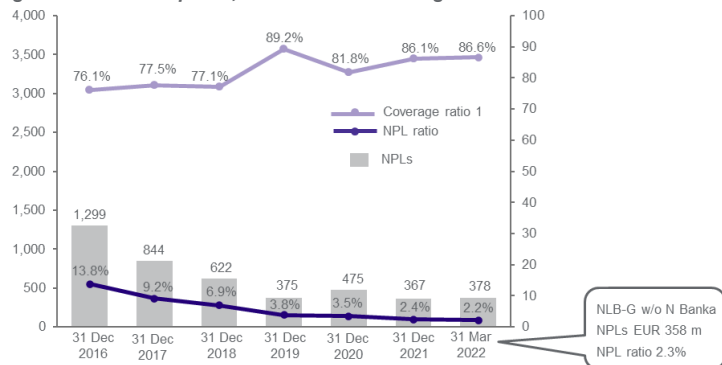
The acquisition of N Banka influenced the Group's cost of risk, though other members of the Group experienced positive development in NPL resolution. However, the macroeconomic situation across the region might be impacted by the war in Ukraine, leading to increased prices of raw materials and energy sources, which might have some adverse impact on the cost of risk, but not excessive.

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



Precisely set targets in the Group's NPL Strategy and various proactive workout approaches facilitated the management of the non-performing portfolio. The Group's approach to NPL management puts a strong emphasis on restructuring and use of other active NPL management tools, such as sale or foreclosure of collateral, the sale of claims and pledged assets. In Q1 the non-performing credit portfolio stock temporarily stopped its multi-year declining trend as new NPLs from the acquired N Banka were recognized. Otherwise, favourable NPL movement appeared, mostly due to repayments. The non-performing credit portfolio stock in the Group increased in comparison with 2021 YE to EUR 377.6 million (2021 YE: EUR 367.4 million). The combined result of all of the effects resulted in 2.2% of NPLs, while the internationally more comparable NPE ratio, based on the EBA methodology, reduced to 1.6%. The Group's indicator gross NPL ratio, defined by the EBA, continued to decline, reaching 3.0% at the end of Q1, and is below the regulatory defined threshold for establishment of NPL strategy framework.

Figure 21: 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 the implemented early warning tools, and efficient analysis and reporting mechanisms, the Group was able to proactively identify and engage with potentially distressed borrowers.

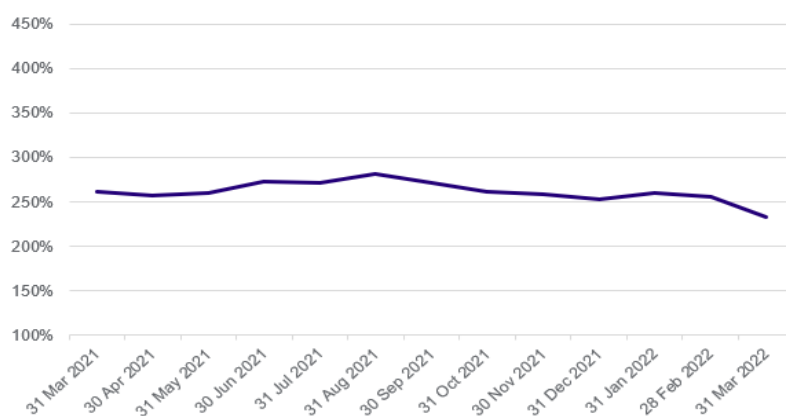
In the light of the war in Ukraine the Group has thoroughly analysed potential impact on the credit portfolio. The direct exposure to counterparties is limited and predominantly refers to Russian government bonds maturing in April 2022 and September 2023¹⁴. The Group may be affected by the secondary effect of the crisis, where increasing prices of raw materials and energy may represent an important factor for certain corporate clients. The Group is closely monitoring the circumstances in the most affected industries (energy, transport, automotive, construction, food production) and has a close communication with key clients to identify any changes in the business circumstances. The loan exposure to clients where high indirect impact of the war in Ukraine has been identified, amounts to EUR 161 million as at 31 March 2022. On the other hand, the inflation pressure and prices of energy sources may limit the credit capabilities in the retail segment. The Group has performed stress testing using the ECB adverse and severe scenarios, the potential estimated losses are perceived as sustainable.

An important Group's strength is the NPL coverage ratio 1 (coverage of gross NPLs with impairments for all loans), which remains high at 86.6%. Furthermore, the Group's NPL coverage ratio 2 (coverage of gross NPLs with impairments for NPL) stands at 56.8%, which is well above the EU average as published by the EBA (44.5% for the December 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.

From liquidity perspective, deposits at the Group level were increasing (in the Bank and in the SEE banking members), although some decrease of retail deposits in most of the SEE banking members was noticed in Q1 2022 due to the war in Ukraine, impacting the members' euro liquidity. Significant attention was given to the structure and concentration of liquidity reserves by incorporating early warning systems, while keeping in mind the potential adverse negative market movements. The Group holds a very strong liquidity position at the Group and individual subsidiary bank level, which is well above the risk appetite with the LCR of 233.3% and unencumbered eligible reserves in the amount of EUR 8,184.9 million, mostly in the form of placements at the ECB and prime debt securities. The main funding base of the Group at the Group and individual subsidiary bank level predominately entails customer deposits, namely in the retail segment, representing a very stable and constantly growing base. A very comfortable level of LTD at 65.4% gives the Group the potential for further customer loan placements.

Figure 22: NLB Group's LCR

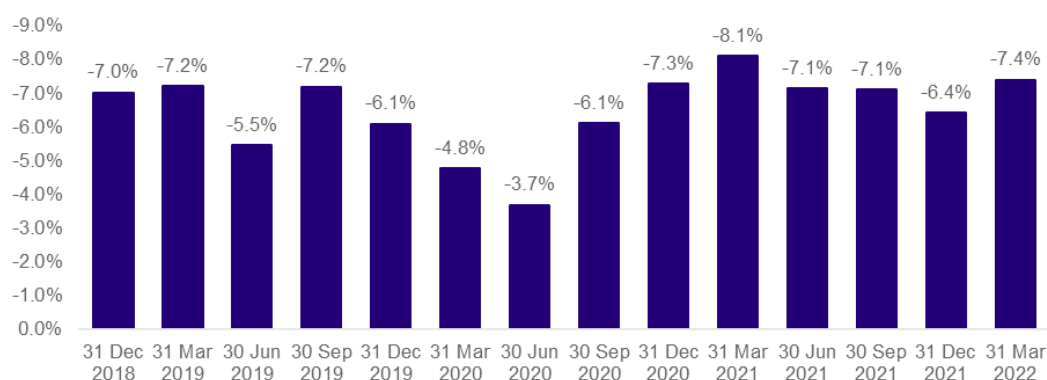


¹⁴ Further information is available in the chapter [Events after 31 March 2022](#).

The Group's net open FX position from the transactional risk is at a low level, at the end of Q1 it stood at 2.07% of capital. With regards to structural FX positions on the consolidated basis, which are recognized in the other comprehensive income, the Group's structural FX positions increased by acquisition of Komercijalna Banka, Beograd, impacting the Group's RWA for market risk.

The Group places excess liquidity mainly into banking book securities with fixed interest rate, while in the current still negative interest rate environment, anticipating potential hikes of market rates, there is also a higher demand for products with fixed interest rate. The interest rate exposure to interest rate risk remains modest, within the risk appetite limits. If market interest rates increase, the net interest income of the Group would be favourably affected, while economic value of equity would be negatively affected. When assessing the EVE sensitivity, the Group applies different scenarios. The worst-case regulatory scenario is a parallel shift up by 200 bps. From the EVE perspective, the estimated capital sensitivity of 200 bps equals -7.4% of the Group's capital.

Figure 23: NLB Group's EVE evolution



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

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

Corporate Governance

Management Board

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

On 20 January 2022 the Supervisory Board appointed three new members of the Management Board, thus expanding it to six members in total. Hedvika Usenik, Antonio Argir, and Andrej Lasič were appointed as new members of the NLB Management Board. They all come from NLB or the Group, have extensive experience and proven value creating track record. A five-year term of office for the new members starts after they obtained consent of the regulator. Until then they continue to perform their functions of executive assistants to the Management Board.¹⁵

The Bank's Management Board supplemented with three new members offers the best combination of various knowledge, experience, and competencies, and is properly equipped for challenges brought by the recent Group expansion (acquisition of Komercijalna Banka, Beograd and purchase of N Banka, intensive digitalisation and emphasis on top quality user experience, as well as a commitment to sustainable operations and development.

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.

In Q1 Supervisory Board held two sessions. On 20 January it adopted decision on appointment of three members of the Management Board as stated above and focused on implementation of the NLB Group Strategy and the status of ESG factors' inclusion in the NLB Group business model. On 24 February the Supervisory Board adopted NLB Group unaudited financial results 2021 and other decision falling within its competence.

There were no changes in the composition of the Supervisory Board in Q1 2022.¹⁶

General Meeting

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

In Q1 2022 the General Meeting of shareholders was neither summoned nor held.¹⁷

¹⁵ Further information is available in the chapter [Events after 31 March 2022](#).

¹⁶ Further information is available in the chapter [Events after 31 March 2022](#).

¹⁷ Further information is available in the chapter [Events after 31 March 2022](#).

Guidelines on Disclosure for Listed Companies

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

Events after 31 March 2022

On 11 April 2022 a general meeting of the Slovenian bank Sberbank banka d.d. (member of NLB Group since 1 March 2022) changed the bank's name to N Banka d.d. and appointed new supervisory board members of the bank.

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

As of 31 March 2022, the NLB Group held EUR 20 million of Russian government bonds maturing in April 2022 and in September 2023. Bonds maturing in April 2022 in the amount of EUR 13.3 million were fully repaid on 2 May 2022, which decreased exposure towards Russian government to EUR 7.6 million.

Hedvika Usenik, Antonio Argir in Andrej Lasič, who were appointed by Supervisory Board on 20 January 2022 received all necessary approvals to assume the office of the Management Board member(s) as of 28 April 2022. The Management Board now has six members.

On 6 May 2022 the Bank announced that the General Meeting of Shareholders of NLB will take place on 20 June 2022 and proposed to the General Meeting that the first tranche of the dividend payment of EUR 50 million shall be made to the shareholders on 28 June 2022.

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						
NLB Group						
	1-3 2022	1-12 2021	1-9 2021	1-6 2021	1-3 2021	1-12 2020
Numerator						
Credit impairments and provisions ⁽ⁱ⁾	-18.9	-40.8	-49.7	-66.4	-75.7	47.6
Denominator						
Average net loans to customers ⁽ⁱⁱ⁾	11,022.0	10,080.9	9,940.4	9,822.4	9,703.9	7,696.1
Cost of risk (bps)	-17	-41	-50	-68	-78	62

(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. CoR for 2022 annualized without EUR 8.9 million of 12-month expected credit losses recognised at acquisition date for performing portfolio for N Banka

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

in EUR million						
NLB Group						
	1-3 2022	1-12 2021	1-9 2021	1-6 2021	1-3 2021	1-12 2020
Numerator						
Total costs	102.7	415.4	297.2	197.3	96.6	293.9
Denominator						
Total net operating income	174.5	666.9	499.9	333.9	154.0	504.5
Cost to income ratio (CIR)	58.9%	62.3%	59.4%	59.1%	62.7%	58.3%

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

IFRS 9 classification into stages for loan portfolio:

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

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

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

Loan portfolio includes loans to banks, loans to other customers, loans mandatorily measured at FVTPL and balances with central banks and other banks. The majority of loan portfolio is classified into IFRS 9 stages. The remaining minor part (0.002 per cent at the end of December 2021 and 0.002 per cent at the end of Q1 2022) represents FVTPL. The classification into stages is calculated on the internal data source, by which the Group measures the loan portfolio quality, and is also published in Business Report of Annual and Interim Reports.

NLB Group Interim Report Q1 2022

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	31 Mar 2022	31 Mar 2022
Numerator		
Total (AC) loans in Stage 1	16,038.3	14,767.6
Denominator		
Total gross loans	16,937.1	15,647.1
IFRS 9 classification into Stage 1	94.7%	94.4%

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	31 Mar 2022	31 Mar 2022
Numerator		
Total (AC) loans in Stage 2	517.6	517.6
Denominator		
Total gross loans	16,937.1	15,647.1
IFRS 9 classification into Stage 2	3.1%	3.3%

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	31 Mar 2022	31 Mar 2022
Numerator		
Total (AC + FVTPL) loans in Stage 3	381.2	361.9
Denominator		
Total gross loans	16,937.1	15,647.1
IFRS 9 classification into Stage 3	2.3%	2.3%

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	31 Mar 2022	31 Mar 2022
Numerator		
Total (AC) loans in Stage 1 to Corporates	5,482.0	4,773.2
Denominator		
Total gross loans to Corporates	6,126.5	5,404.6
Corporates - IFRS 9 classification into Stage 1	89.5%	88.3%

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	31 Mar 2022	31 Mar 2022
Numerator		
Total (AC) loans in Stage 2 to Corporates	399.2	399.2
Denominator		
Total gross loans to Corporates	6,126.5	5,404.6
Corporates - IFRS 9 classification into Stage 2	6.5%	7.4%

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	31 Mar 2022	31 Mar 2022
Numerator		
Total (AC & FVTPL) loans in Stage 3 to Corporates	245.2	232.2
Denominator		
Total gross loans to Corporates	6,126.5	5,404.6
Corporates - IFRS 9 classification into Stage 3	4.0%	4.3%

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	31 Mar 2022	31 Mar 2022
Numerator		
Total (AC) loans in Stage 1 to Retail	5,987.7	5,583.0
Denominator		
Total gross loans to Retail	6,242.1	5,831.0
Retail - IFRS 9 classification into Stage 1	95.9%	95.7%

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	31 Mar 2022	31 Mar 2022
Numerator		
Total (AC) loans in Stage 2 to Retail	118.3	118.3
Denominator		
Total gross loans to Retail	6,242.1	5,831.0
Retail - IFRS 9 classification into Stage 2	1.9%	2.0%

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	31 Mar 2022	31 Mar 2022
Numerator		
Total (AC) loans in Stage 3 to Retail	136.0	129.7
Denominator		
Total gross loans to Retail	6,242.1	5,831.0
Retail - IFRS 9 classification into Stage 3	2.2%	2.2%

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

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

in EUR million													
NLB Group													
	31 Mar 2022	28 Feb 2022	31 Jan 2022	31 Dec 2021	30 Nov 2021	31 Oct 2021	30 Sep 2021	31 Aug 2021	31 Jul 2021	30 Jun 2021	31 May 2021	30 Apr 2021	31 Mar 2021
Numerator													
Stock of HQLA	5,690.4	5,524.2	5,545.5	5,367.1	5,333.4	5,222.9	5,285.7	5,346.8	5,350.7	5,452.8	4,976.0	4,941.4	4,915.3
Denominator													
Net liquidity outflow	2,439.6	2,163.5	2,134.5	2,125.0	2,064.7	1,993.4	1,940.5	1,899.7	1,966.5	2,000.2	1,915.8	1,918.6	1,876.4
LCR	233.3%	255.3%	259.8%	252.6%	258.3%	262.0%	272.4%	281.4%	272.1%	272.6%	259.7%	257.6%	262.0%

Based on the EC's Delegated Act on LCR.

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

in EUR million			
NLB Group			
	31 Mar 2022	31 Dec 2021	31 Mar 2021
Numerator			
Net loans to customers	12,108.7	10,587.1	9,824.5
Denominator			
Deposits from customers	18,525.8	17,640.8	16,732.1
Net loan to deposit ratio (LTD)	65.4%	60.0%	58.7%

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						
NLB Group						
(in EUR million and %)	1-3 2022	1-12 2021	1-9 2021	1-6 2021	1-3 2021	1-12 2020
Numerator						
Net interest income ⁽ⁱ⁾	437.2	409.4	404.2	400.6	395.4	299.6
Denominator						
Average interest bearing assets ⁽ⁱⁱ⁾	21,087.6	19,775.0	19,536.7	19,195.9	18,902.8	14,187.6
Net interest margin on interest bearing assets	2.07%	2.07%	2.07%	2.09%	2.09%	2.11%

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

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

(iii) Komercijalna Banka group included from 2021 on.

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

in EUR million						
NLB Group						
	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	
Numerator						
Net interest income ⁽ⁱ⁾	437.2	424.6	411.3	405.7	395.4	
Denominator						
Average interest bearing assets ⁽ⁱⁱ⁾	21,087.6	20,526.7	20,314.4	19,459.1	18,902.8	
Net interest margin on interest bearing assets (quarterly)	2.07%	2.07%	2.02%	2.08%	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) Komercijalna Banka group included from 2021 on.

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

in EUR million		
NLB Group		
	1-3 2022	1-3 2021
Numerator		
Net interest income ⁽ⁱ⁾	437.2	395.4
Denominator		
Average total assets ⁽ⁱⁱ⁾	22,006.7	19,749.0
Net interest margin on total assets	1.99%	2.00%

(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						
NLB Group						
	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020
Numerator						
Total Non-Performing on-balance and off-balance Exposure in Finrep18	415.8	415.5	449.8	478.0	520.0	513.0
Denominator						
Total on-balance and off-balance exposures in Finrep18	26,339.2	24,328.0	24,006.0	23,883.1	22,387.9	22,042.3
NPE (EBA def.) per cent.	1.6%	1.7%	1.9%	2.0%	2.3%	2.3%

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

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

in EUR million								
NLB Group								
	31 Mar 2022	31 Dec 2021	31 Mar 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016
Numerator								
Total Non-Performing Loans	377.6	367.4	479.5	474.7	374.7	622.3	844.5	1,299.2
Denominator								
Total gross loans	16,937.1	15,541.8	13,795.8	13,686.6	9,793.5	9,017.2	9,130.4	9,443.7
NPL per cent.	2.2%	2.4%	3.5%	3.5%	3.8%	6.9%	9.2%	13.8%

in EUR million	
NLB Group (w/o N Banka)	
	31 Mar 2022
Numerator	
Total Non-Performing Loans	358.3
Denominator	
Total gross loans	15,647.1
NPL per cent.	2.3%

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

in EUR million								
NLB Group								
	31 Mar 2022	31 Dec 2021	31 Mar 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016
Numerator								
Loan loss allowances entire loan portfolio	327.1	316.5	383.7	388.4	334.2	479.6	654.8	988.7
Denominator								
Total Non-Performing Loans	377.6	367.4	479.5	474.7	374.7	622.3	844.5	1,299.2
NPL coverage ratio 1 (NPL CR 1)	86.6%	86.1%	80.0%	81.8%	89.2%	77.1%	77.5%	76.1%

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

in EUR million			
NLB Group			
	31 Mar 2022	31 Dec 2021	31 Mar 2021
Numerator			
Loan loss allowances non-performing loan portfolio	214.4	212.9	271.4
Denominator			
Total Non-Performing Loans	377.6	367.4	479.5
NPL coverage ratio 2 (NPL CR 2)	56.8%	57.9%	56.6%

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			
NLB Group			
	31 Mar 2022	31 Dec 2021	31 Mar 2021
Numerator			
Net volume of non-performing loans	163.3	154.5	208.1
Denominator			
Total Net Loans	16,610.1	15,225.4	13,412.1
Net NPL ratio per cent. (%Net NPL)	1.0%	1.0%	1.6%

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			
NLB Group			
	31 Mar 2022	31 Dec 2021	31 Mar 2021
Numerator			
Gross volume of Non-Performing Loans and advances w without loans held for sale, cash balances at CBs and other demand deposits	385.5	375.1	477.1
Denominator			
Gross volume of Loans and advances in Finrep18 w without loans held for sale, cash balances at CBs and other demand deposits	12,716.9	11,128.8	10,524.6
NPL ratio (EBA def.) per cent.	3.0%	3.4%	4.5%

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

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

in EUR thousand														
NLB Group														
	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018
Numerator														
Interest risk in banking book – EVE	-141,035.8	-126,650.6	-135,133.4	-134,172.8	-140,567.2	-128,370.1	-98,185.0	-59,547.0	-68,129.0	-88,355.0	-102,318.6	-77,840.8	-105,255.6	-102,397.2
Denominator														
Equity (Tier I)	1,906,112.0	1,972,485.0	1,903,800.0	1,879,365.0	1,734,545.0	1,765,000.0	1,622,945.0	1,616,921.0	1,426,936.0	1,451,176.0	1,424,020.0	1,425,298.0	1,460,078.0	1,458,318.0
EVE as % of Equity	-7.4%	-6.4%	-7.1%	-7.1%	-8.1%	-7.3%	-6.1%	-3.7%	-4.8%	-6.1%	-7.2%	-5.5%	-7.2%	-7.0%

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

in EUR million						
NLB Group						
	1-3 2022	1-12 2021	1-9 2021	1-6 2021	1-3 2021	1-12 2020
Numerator						
Operational business net income ⁽ⁱ⁾	730.7	678.1	664.6	659.3	642.1	490.3
Denominator						
Average total assets ⁽ⁱⁱ⁾	22,006.7	20,659.0	20,420.6	20,066.4	19,749.0	14,789.5
OBM (cumulative)	3.32%	3.28%	3.25%	3.29%	3.25%	3.32%

(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					
NLB Group					
	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Numerator					
Operational business net income ⁽ⁱ⁾	730.7	718.0	675.1	676.3	642.1
Denominator					
Average total assets ⁽ⁱⁱ⁾	22,006.7	21,414.5	21,232.1	20,357.0	19,749.0
OBM (quarterly)	3.32%	3.35%	3.18%	3.32%	3.25%

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

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

(iii) Komercijalna Banka group included from 2021 on.

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

in EUR million						
NLB Group						
	1-3 2022	1-12 2021	1-9 2021	1-6 2021	1-3 2021	1-12 2020
Numerator						
Result after tax ⁽ⁱ⁾	256.5	236.4	274.0	279.6	258.4	141.3
Denominator						
Average equity ⁽ⁱⁱ⁾	2,129.9	2,069.9	2,054.2	2,020.6	1,983.1	1,741.1
ROE a.t.	12.0%	11.4%	13.3%	13.8%	13.0%	8.1%

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

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

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

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

in EUR million		
NLB Group		
	1-3 2022	1-3 2021
Numerator		
Result after tax ⁽ⁱ⁾	256.5	258.4
Denominator		
Average total assets ⁽ⁱⁱ⁾	22,006.7	19,749.0
ROA a.t.	1.2%	1.3%

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

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

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

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

in EUR million						
NLB Group						
	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020
Numerator						
Total capital (Own funds)	2,194.0	2,252.5	2,200.6	2,172.4	2,025.4	2,065.5
Denominator						
Total risk exposure Amount (Total RWA)	13,843.4	12,667.4	12,824.4	12,755.6	12,615.1	12,421.0
Total capital ratio	15.8%	17.8%	17.2%	17.0%	16.1%	16.6%

in EUR million	
NLB	
	31 Mar 2022
Numerator	
Total capital (Own funds)	1,606.5
Denominator	
Total risk exposure Amount (Total RWA)	6,948.8
Total capital ratio	23.1%

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

Table 16: Unaudited Condensed Income Statement of NLB Group for period ended 31 March 2022

Business report	in EUR million	Financial report	in EUR thousands	Notes
Net interest income	107.8	Interest and similar income	123,021	4.1.
		Interest and similar expenses	(15,223)	4.1.
Net fee and commission income	64.5	Fee and commission income	88,632	4.3.
		Fee and commission expenses	(24,101)	4.3.
Dividend income	0.0	Dividend income	41	4.2.
		Gains less losses from financial assets and liabilities not measured at fair value through profit or loss	(1,746)	4.4.
		Gains less losses from financial assets and liabilities held for trading	7,709	4.5.
Net income from financial transactions	5.2	Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	(222)	4.6.
		Fair value adjustments in hedge accounting	19	
		Foreign exchange translation gains less losses	(588)	
		Gains less losses from modification of financial assets	(6)	
		Gains less losses on derecognition of non-financial assets	720	
Net other income	(3.0)	Other net operating income	2,974	4.7.
		Cash contributions to resolution funds and deposit guarantee schemes	(6,748)	4.9.
		Gains less losses from non-current assets held for sale	13	
Net non-interest income	66.7		66,697	
Total net operating income	174.5		174,495	
Employee costs	(57.5)			
Other general and administrative expenses	(33.7)	Administrative expenses	(91,191)	4.8.
Depreciation and amortisation	(11.5)	Depreciation and amortisation	(11,514)	4.10.
Total costs	(102.7)		(102,705)	
Result before impairments and provisions	71.8		71,790	
Impairments and provisions for credit risk	(4.0)	Provisions for credit losses	760	4.11.
		Impairment of financial assets	(4,787)	4.12.
Other impairments and provisions	(0.4)	Provisions for other liabilities and charges	(363)	4.11.
		Impairment of non-financial assets	7	4.12.
Impairments and provisions	(4.4)		(4,383)	
Gains less losses from capital investment in subsidiaries, associates, and joint ventures	0.6	Share of profit from investments in associates and joint ventures (accounted for using the equity method)	610	
Negative goodwill	172.8	Negative goodwill	172,810	4.13.
Result before tax	240.8	Profit before income tax	240,827	
Income tax	(5.2)	Income tax	(5,202)	4.14.
Result of non-controlling interests	4.1	Attributable to non-controlling interests	4,102	
Result after tax	231.5	Attributable to owners of the parent	231,523	

Table 17: Unaudited Condensed Statement of Financial Position of NLB Group as at 31 March 2022

Business report	in EUR million	Financial report	in EUR thousands	Notes
ASSETS				
Cash, cash balances at central banks, and other demand deposits at banks	4,865.4	Cash, cash balances at central banks and other demand deposits at banks	4,865,445	5.1.
Loans to banks	162.8	Financial assets measured at amortised cost - loans and advances to banks	162,763	5.5.b)
Net loans to customers	12,108.7	Financial assets measured at amortised cost - loans and advances to customers	12,108,663	5.5.c)
		Non-trading financial assets mandatorily at fair value through profit or loss - part (only loans)	-	5.3.
Financial assets	5,219.9		5,219,878	
- Trading book	10.9	Financial assets held for trading	10,855	5.2.a)
		Non-trading financial assets mandatorily at fair value through profit or loss - part (without loans)	18,889	5.3.
- Non-trading book	5,209.0	Financial assets measured at fair value through other comprehensive income	3,344,201	5.4.
		Financial assets measured at amortised cost - debt securities	1,845,933	5.5.a)
Investments in subsidiaries, associates, and joint ventures	12.1	Investments in associates and joint ventures	12,146	
Property and equipment, investment property	302.2	Property and equipment	254,024	5.7.
		Investment property	48,157	5.8.
Intangible assets	57.8	Intangible assets	57,821	
Other assets	290.2	Financial assets measured at amortised cost - other financial assets	126,853	5.5.d)
		Derivatives - hedge accounting	6,491	
		Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	
		Current income tax assets	4,268	
		Deferred income tax assets	47,173	5.13.
		Other assets	98,498	5.9.
		Non-current assets held for sale	6,901	5.6.
TOTAL ASSETS	23,019.1	Total assets	23,019,081	
LIABILITIES				
Deposits from customers	18,525.8	Financial liabilities measured at amortised cost - due to customers	18,525,772	5.11.
Deposits from banks and central banks	115.0	Financial liabilities measured at amortised cost - deposits from banks and central banks	114,986	5.11.
Borrowings	1,241.0	Financial liabilities measured at amortised cost - borrowings from banks and central banks	1,164,683	5.11.
		Financial liabilities measured at amortised cost - borrowings from other customers	76,320	5.11.
Other liabilities	474.3	Financial liabilities held for trading	8,874	5.2.b)
		Financial liabilities measured at amortised cost - other financial liabilities	263,018	5.11.c)
		Derivatives - hedge accounting	10,759	
		Provisions	127,951	5.12.
		Current income tax liabilities	6,655	
		Deferred income tax liabilities	2,975	5.13.
		Other liabilities	52,385	5.15.
		Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,679	
Subordinated liabilities	287.0	Financial liabilities measured at amortised cost - subordinated liabilities	287,033	5.11.a)
Equity	2,254.4	Equity and reserves attributable to owners of the parent	2,254,406	
Non-controlling interests	121.6	Non-controlling interests	121,585	
TOTAL LIABILITIES AND EQUITY	23,019.1	Total liabilities and equity	23,019,081	



Unaudited Condensed Interim Financial Statements of NLB Group and NLB

as at 31 March 2021

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

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Condensed income statement for the period ended 31 March

in EUR thousands					
	NLB Group		NLB		
	three months ended		three months ended		
	March 2022	March 2021	March 2022	March 2021	
	Notes	unaudited	unaudited	unaudited	unaudited
Interest income calculated using the effective interest method		119,978	112,915	44,855	41,339
Other interest and similar income		3,043	1,687	2,849	1,701
Interest and similar income	4.1.	123,021	114,602	47,704	43,040
Interest expenses calculated using the effective interest method		(7,673)	(10,760)	(3,439)	(3,548)
Other interest and similar expenses		(7,550)	(6,335)	(6,374)	(5,777)
Interest and similar expenses	4.1.	(15,223)	(17,095)	(9,813)	(9,325)
Net interest income		107,798	97,507	37,891	33,715
Dividend income	4.2.	41	11	9,471	4,494
Fee and commission income	4.3.	88,632	73,839	40,449	35,347
Fee and commission expenses	4.3.	(24,101)	(19,727)	(8,672)	(7,732)
Net fee and commission income		64,531	54,112	31,777	27,615
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss	4.4.	(1,746)	(49)	(1,050)	19
Gains less losses from financial assets and liabilities held for trading	4.5.	7,709	4,682	3,312	1,037
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	4.6.	(222)	1,139	155	801
Fair value adjustments in hedge accounting		19	(129)	19	(129)
Foreign exchange translation gains less losses		(588)	(355)	(1,360)	(81)
Gains less losses on derecognition of non-financial assets		720	(177)	52	(5)
Other net operating income	4.7.	2,974	3,621	(1,757)	2,177
Administrative expenses	4.8.	(91,191)	(84,945)	(41,952)	(38,844)
Cash contributions to resolution funds and deposit guarantee schemes	4.9.	(6,748)	(6,281)	-	-
Depreciation and amortisation	4.10.	(11,514)	(11,619)	(4,314)	(4,388)
Gains less losses from modification of financial assets		(6)	(36)	-	-
Provisions for credit losses	4.11.	760	3,306	524	3,265
Provisions for other liabilities and charges	4.11.	(363)	(38)	-	1,809
Impairment of financial assets	4.12.	(4,787)	12,648	253	8,390
Impairment of non-financial assets	4.12.	7	(417)	-	-
Negative goodwill	4.13.	172,810	-	-	-
Share of profit from investments in associates and joint ventures (accounted for using the equity method)		610	131	-	-
Gains less losses from non-current assets held for sale		13	-	10	-
Profit before income tax		240,827	73,111	33,031	39,875
Income tax	4.14.	(5,202)	(4,735)	(371)	(609)
Profit for the period		235,625	68,376	32,660	39,266
Attributable to owners of the parent		231,523	64,609	32,660	39,266
Attributable to non-controlling interests		4,102	3,767	-	-
Earnings per share/diluted earnings per share (in EUR per share)		11.58	3.23	1.63	1.96

Condensed statement of comprehensive income for the period ended 31 March

	in EUR thousands				
	NLB Group			NLB	
	three months ended			three months ended	
		March 2022	March 2021	March 2022	March 2021
	Notes	unaudited	unaudited	unaudited	unaudited
Net profit for the period after tax		235,625	68,376	32,660	39,266
Other comprehensive income after tax		(56,724)	(2,856)	(40,015)	(4,738)
<i>Items that will not be reclassified to income statement</i>					
Fair value changes of equity instruments measured at fair value through other comprehensive income		(89)	622	(761)	(143)
Income tax relating to components of other comprehensive income	5.14.	55	(68)	145	37
<i>Items that have been or may be reclassified subsequently to income statement</i>					
Foreign currency translation		984	(510)	-	-
Translation gains/(losses) taken to equity		984	(510)	-	-
Debt instruments measured at fair value through other comprehensive income		(61,727)	(3,141)	(40,677)	(5,314)
Valuation gains/(losses) taken to equity		(64,241)	(3,450)	(41,980)	(5,466)
Transferred to income statement		2,514	309	1,303	152
Income tax relating to components of other comprehensive income	5.14.	4,053	241	1,278	682
Total comprehensive income for the period after tax		178,901	65,520	(7,355)	34,528
Attributable to owners of the parent		176,241	61,288	(7,355)	34,528
Attributable to non-controlling interests		2,660	4,232	-	-

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

	Notes	in EUR thousand			
		NLB Group		NLB	
		31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
		unaudited	audited	unaudited	audited
Cash, cash balances at central banks and other demand deposits at banks	5.1.	4,865,445	5,005,052	3,127,392	3,250,437
Financial assets held for trading	5.2.a)	10,855	7,678	8,071	7,682
Non-trading financial assets mandatorily at fair value through profit or loss	5.3.	18,889	21,161	13,360	12,360
Financial assets measured at fair value through other comprehensive income	5.4.	3,344,201	3,461,860	1,587,647	1,585,751
Financial assets measured at amortised cost					
- debt securities	5.5.a)	1,845,933	1,717,626	1,570,278	1,436,424
- loans and advances to banks	5.5.b)	162,763	140,683	406,570	199,287
- loans and advances to customers	5.5.c)	12,108,663	10,587,121	5,319,839	5,145,153
- other financial assets	5.5.d)	126,853	122,229	68,324	92,404
Derivatives - hedge accounting		6,491	568	6,491	568
Fair value changes of the hedged items in portfolio hedge of interest rate risk		-	7,082	-	7,082
Investments in subsidiaries		-	-	786,649	781,540
Investments in associates and joint ventures		12,146	11,525	4,483	4,483
Tangible assets					
Property and equipment	5.7.	254,024	247,014	81,499	86,122
Investment property	5.8.	48,157	47,624	9,116	9,181
Intangible assets		57,821	59,076	28,179	29,453
Current income tax assets		4,268	3,948	4,149	3,761
Deferred income tax assets	5.13.	47,173	38,977	33,549	31,902
Other assets	5.9.	98,498	91,221	15,519	11,853
Non-current assets held for sale	5.6.	6,901	7,051	4,017	4,089
Total assets		23,019,081	21,577,496	13,075,132	12,699,532
Financial liabilities held for trading	5.2.b)	8,874	7,585	5,998	7,602
Financial liabilities measured at fair value through profit or loss	5.3.	-	-	415	352
Financial liabilities measured at amortised cost					
- deposits from banks and central banks	5.11.	114,986	71,828	258,151	109,329
- borrowings from banks and central banks	5.11.	1,164,683	858,531	857,417	873,479
- due to customers	5.11.	18,525,772	17,640,809	9,914,457	9,659,605
- borrowings from other customers	5.11.	76,320	74,051	413	406
- subordinated liabilities	5.11.a)	287,033	288,519	287,033	288,519
- other financial liabilities	5.11.c)	263,018	206,878	126,874	102,527
Derivatives - hedge accounting		10,759	35,377	10,759	35,377
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1,679	-	1,679	-
Provisions	5.12.	127,951	119,404	47,523	49,363
Current income tax liabilities		6,655	5,878	-	-
Deferred income tax liabilities	5.13.	2,975	3,045	-	-
Other liabilities	5.15.	52,385	49,468	19,834	21,039
Total liabilities		20,643,090	19,361,373	11,530,553	11,147,598
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		(66,054)	(10,552)	(31,247)	8,768
Profit reserves		13,522	13,522	13,522	13,522
Retained earnings		1,235,560	1,004,385	490,926	458,266
		2,254,406	2,078,733	1,544,579	1,551,934
Non-controlling interests		121,585	137,390	-	-
Total equity		2,375,991	2,216,123	1,544,579	1,551,934
Total liabilities and equity		23,019,081	21,577,496	13,075,132	12,699,532

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

in EUR thousands										
NLB Group	Share capital	Share premium	Accumulated other comprehensive income			Profit reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
			Fair value reserve of financial assets measured at FVOCI	Foreign currency translation reserve	Other					
Balance as at 1 Jan 2022	200,000	871,378	11,366	(17,184)	(4,734)	13,522	1,004,385	2,078,733	137,390	2,216,123
- Net profit for the period	-	-	-	-	-	-	231,523	231,523	4,102	235,625
- Other comprehensive income	-	-	(56,171)	889	-	-	-	(55,282)	(1,442)	(56,724)
Total comprehensive income after tax	-	-	(56,171)	889	-	-	231,523	176,241	2,660	178,901
Transactions with non-controlling interests	-	-	(192)	-	(28)	-	(348)	(568)	(18,465)	(19,033)
Balance as at 31 Mar 2022	200,000	871,378	(44,997)	(16,295)	(4,762)	13,522	1,235,560	2,254,406	121,585	2,375,991

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 2022	200,000	871,378	11,366	(17,184)	(4,734)	13,522	1,004,385	2,078,733	137,390	2,216,123
- Net profit for the period	-	-	-	-	-	-	231,523	231,523	4,102	235,625
- Other comprehensive income	-	-	(56,171)	889	-	-	-	(55,282)	(1,442)	(56,724)
Total comprehensive income after tax	-	-	(56,171)	889	-	-	231,523	176,241	2,660	178,901
Transactions with non-controlling interests	-	-	(192)	-	(28)	-	(348)	(568)	(18,465)	(19,033)
Balance as at 31 Mar 2022	200,000	871,378	(44,997)	(16,295)	(4,762)	13,522	1,235,560	2,254,406	121,585	2,375,991

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 2022	200,000	871,378	12,464	(3,696)	13,522	458,266	1,551,934
- Net profit for the period	-	-	-	-	-	32,660	32,660
- Other comprehensive income	-	-	(40,015)	-	-	-	(40,015)
Total comprehensive income after tax	-	-	(40,015)	-	-	32,660	(7,355)
Balance as at 31 Mar 2022	200,000	871,378	(27,551)	(3,696)	13,522	490,926	1,544,579

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	-	-	-	-	-	39,266	39,266
- Other comprehensive income	-	-	(4,738)	-	-	-	(4,738)
Total comprehensive income after tax	-	-	(4,738)	-	-	39,266	34,528
Transfer of fair value reserve	-	-	(51)	-	-	51	-
Balance as at 31 Mar 2021	200,000	871,378	22,905	(3,592)	13,522	381,309	1,485,522

Condensed statement of cash flows for the period ended 31 March

	in EUR thousands				
	Notes	NLB Group		NLB	
		three months ended		three months ended	
		March 2022	March 2021	March 2022	March 2021
	unaudited	unaudited	unaudited	unaudited	
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		156,784	151,043	55,427	52,151
Interest paid		(17,544)	(18,166)	(12,762)	(10,426)
Dividends received		57	11	29,509	4,494
Fee and commission receipts		89,762	74,675	40,695	34,807
Fee and commission payments		(24,599)	(19,485)	(8,763)	(7,298)
Realised gains from financial assets and financial liabilities not at fair value through profit or loss		2	19	1	19
Net gains/(losses) from financial assets and liabilities held for trading		5,579	3,836	1,319	974
Payments to employees and suppliers		(101,987)	(92,382)	(53,344)	(49,986)
Other receipts		5,285	5,192	3,117	3,384
Other payments		(10,563)	(7,877)	(3,526)	(1,204)
Income tax (paid)/received		(6,597)	(3,693)	(975)	(1,819)
Cash flows from operating activities before changes in operating assets and liabilities		96,179	93,173	50,698	25,096
(Increases)/decreases in operating assets		(311,390)	(114,911)	(312,299)	(106,010)
Net (increase)/decrease in trading assets		-	7,113	-	(8,368)
Net (increase)/decrease in non-trading financial assets mandatorily at fair value through profit or loss		4,406	1,074	749	(34)
Net (increase)/decrease in financial assets measured at fair value through other comprehensive income		69,197	28,422	(64,989)	(13,940)
Net (increase)/decrease in loans and receivables measured at amortised cost		(387,735)	(152,664)	(248,175)	(83,716)
Net (increase)/decrease in other assets		2,742	1,144	116	48
Increases/(decreases) in operating liabilities		(58,389)	347,455	386,036	302,944
Net increase/(decrease) in deposits and borrowings measured at amortised cost		(55,088)	347,437	386,500	302,658
Net increase/(decrease) in other liabilities		(3,301)	18	(464)	286
Net cash flows from operating activities		(273,600)	325,717	124,435	222,030
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts from investing activities		72,060	111,936	36,844	72,652
Proceeds from sale of property, equipment, and investment property		303	102	87	2
Proceeds from non-current assets held for sale		85	-	85	-
Proceeds from disposals of debt securities measured at amortised cost		71,672	111,834	36,672	72,650
Payments from investing activities		54,373	(461,225)	(188,362)	(430,416)
Purchase of property, equipment, and investment property		(4,768)	(6,566)	(1,055)	(4,361)
Purchase of intangible assets		(4,639)	(3,683)	(2,592)	(2,580)
Purchase of subsidiaries, net of cash acquired	3., 4.13.	259,953	-	(5,109)	-
Purchase of debt securities measured at amortised cost		(196,173)	(450,976)	(179,606)	(423,475)
Net cash flows from investing activities		126,433	(349,289)	(151,518)	(357,764)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments from financing activities		(19,057)	-	-	-
Dividends paid		(10)	-	-	-
Purchase of subsidiary's treasury shares	3.	(19,047)	-	-	-
Net cash flows from financing activities		(19,057)	-	-	-
Effects of exchange rate changes on cash and cash equivalents		2,145	3,004	(690)	1,467
Net increase/(decrease) in cash and cash equivalents		(166,224)	(23,572)	(27,083)	(135,734)
Cash and cash equivalents at beginning of period		5,176,311	4,136,412	3,254,784	2,261,791
Cash and cash equivalents at end of period		5,012,232	4,115,844	3,227,011	2,127,524

	in EUR thousands				
	Notes	NLB Group		NLB	
		31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
		unaudited	audited	unaudited	audited
Cash and cash equivalents comprise:					
Cash, cash balances at central banks, and other demand deposits at banks	5.1.	4,866,314	5,005,946	3,127,725	3,250,784
Loans and advances to banks with original maturity up to 3 months		131,280	142,319	99,286	4,000
Debt securities measured at fair value through other comprehensive income with original maturity up to 3 months		14,638	28,046	-	-
Total		5,012,232	5,176,311	3,227,011	3,254,784

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 three months ending 31 March 2022, 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 31 March 2022, 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



Andreas Burkhardt
Member



Antonio Argir
Member



Blaž Brodnjak
Chief executive officer



Hedvika Usenik
Member



Andrej Lasič
Member



Archibald Kremser
Member

Ljubljana, 11 May 2022

Notes to the condensed interim financial statements

1. General information

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

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

As at 31 March 2022 and as at 31 December 2021, the largest shareholder of NLB with significant influence is the Republic of Slovenia, owning 25.00% plus one share.

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

2. Summary of significant accounting policies

2.1. Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 'Interim financial reporting' and should be read in conjunction with the annual financial statements of NLB Group and NLB for the year ended 31 December 2021, which have been prepared in accordance with the International Financial Reporting Standards (hereinafter: 'IFRS') as adopted by the European Union (hereinafter: 'EU').

2.2. Accounting policies

The same accounting policies and methods of computation were followed in the preparation of these consolidated condensed interim financial statements as for the year ended 31 December 2021, except for accounting standards and other amendments effective for annual periods beginning on 1 January 2022 that were endorsed by the EU.

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

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

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

- Amendments to IAS 1 – 'Presentation of Financial Statements' and IFRS Practice Statement 2 – 'Disclosure of Accounting policies' (effective for annual periods beginning on or after 1 January 2023);
- IAS 8 (amendment) – 'Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates' (effective for annual periods beginning on or after 1 January 2023).

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);
- IAS 12 (amendment) - ‘Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction’ (effective for annual periods beginning on or after 1 January 2023).

3. Changes in the composition of the NLB Group

Changes in the period ended 31 March 2022

Capital changes:

- In March 2022, in accordance with Resolution and Compulsory Winding-Up of Banks Act, NLB became an owner of 100% shares of Sberbank banka d.d., Ljubljana. The purchase price for the bank was EUR 5,109 thousand and was fully paid in cash (note 4.13.). At the General Meeting of Shareholders of Sberbank banka d.d., Ljubljana, held in April 2022, a decision was made to rename Sberbank banka d.d., Ljubljana to N Banka d.d., Ljubljana.
- In March 2022, Komercijalna banka a.d. Beograd bought 2.90% of all ordinary shares in the amount of EUR 19,047 thousand of treasury shares from dissenting shareholders, which Komercijalna banka a.d. Beograd should dispose of within 12 months of their takeover.

Changes in year 2021

Capital changes:

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

Other changes:

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

4. Notes to the condensed income statement

4.1. Interest income and expenses

Analysis by type of assets and liabilities

	in EUR thousands					
	NLB Group			NLB		
	three months ended			three months ended		
	March 2022	March 2021	Change	March 2022	March 2021	Change
Interest and similar income						
<i>Interest income calculated using the effective interest method</i>	119,978	112,915	6%	44,855	41,339	9%
Loans and advances to customers at amortised cost	106,362	99,752	7%	38,188	35,013	9%
Securities measured at amortised cost	3,670	3,313	11%	2,613	2,475	6%
Financial assets measured at fair value through other comprehensive income	9,662	9,674	0%	2,857	2,888	-1%
Loans and advances to banks measured at amortised cost	247	134	84%	1,175	945	24%
Deposits with banks and central banks	37	42	-12%	22	18	22%
<i>Other interest and similar income</i>	3,043	1,687	80%	2,849	1,701	67%
Financial assets held for trading	1,049	1,324	-21%	928	1,324	-30%
Negative interest	1,982	-	0%	1,888	-	0%
Non-trading financial assets mandatorily at fair value through profit or loss	12	363	-97%	33	377	-91%
Total	123,021	114,602	7%	47,704	43,040	11%
Interest and similar expenses						
<i>Interest expenses calculated using the effective interest method</i>	7,673	10,760	-29%	3,439	3,548	-3%
Due to customers	4,393	7,373	-40%	767	777	-1%
Borrowings from banks and central banks	145	225	-36%	56	167	-66%
Borrowings from other customers	250	310	-19%	-	-	-
Subordinated liabilities	2,595	2,593	0%	2,595	2,593	0%
Deposits from banks and central banks	195	138	41%	16	3	-
Lease liabilities	95	121	-21%	5	8	-38%
<i>Other interest and similar expenses</i>	7,550	6,335	19%	6,374	5,777	10%
Derivatives - hedge accounting	2,477	2,527	-2%	2,477	2,527	-2%
Negative interest	3,939	2,503	57%	2,993	1,983	51%
Financial liabilities held for trading	995	1,254	-21%	882	1,254	-30%
Interest expense on defined employee benefits	55	31	77%	20	10	100%
Other	84	20	-	2	3	-33%
Total	15,223	17,095	-11%	9,813	9,325	5%
Net interest income	107,798	97,507	11%	37,891	33,715	12%

The item 'Negative interest' classified under the line item 'Other interest and similar income' mainly includes the interest from targeted longer-term refinancing operations (TLTRO) in the amount of EUR 1,955 thousand for NLB Group and EUR 1,875 thousand for NLB (note 5.11.).

4.2. Dividend income

	in EUR thousands					
	NLB Group			NLB		
	three months ended			three months ended		
	March 2022	March 2021	Change	March 2022	March 2021	Change
Financial assets measured at fair value through other comprehensive income	31	7	-	-	-	-
Investments in subsidiaries	-	-	-	9,461	4,490	111%
Non-trading financial assets mandatorily at fair value through profit or loss	10	4	150%	10	4	150%
Total	41	11	-	9,471	4,494	111%

4.3. Fee and commission income and expenses

	in EUR thousands					
	NLB Group			NLB		
	three months ended			three months ended		
	March 2022	March 2021	Change	March 2022	March 2021	Change
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	23,936	19,621	22%	9,535	8,143	17%
Customer transaction accounts	22,468	21,129	6%	12,945	13,618	-5%
<i>Other fee and commission income</i>						
Payments	20,054	17,402	15%	5,685	5,256	8%
Investment funds	7,723	5,770	34%	2,376	1,915	24%
Guarantees	3,709	3,344	11%	1,937	1,905	2%
Investment banking	3,072	2,857	8%	2,423	2,297	5%
Agency of insurance products	2,469	1,814	36%	1,960	1,471	33%
Other services	5,201	1,902	173%	3,588	742	-
Total	88,632	73,839	20%	40,449	35,347	14%
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	17,754	14,269	24%	6,935	6,006	15%
<i>Other fee and commission expenses</i>						
Payments	2,818	2,432	16%	203	209	-3%
Insurance for holders of personal accounts and golden cards	328	371	-12%	229	303	-24%
Investment banking	1,547	1,407	10%	722	803	-10%
Guarantees	438	280	56%	413	258	60%
Other services	1,216	968	26%	170	153	11%
Total	24,101	19,727	22%	8,672	7,732	12%
Net fee and commission income	64,531	54,112	19%	31,777	27,615	15%

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

	in EUR thousands			
	NLB Group		NLB	
	three months ended		three months ended	
	March 2022	March 2021	March 2022	March 2021
Debt instruments measured at fair value through other comprehensive income	(1,747)	(49)	(316)	19
Debt instruments measured at amortised cost	1	-	(734)	-
Total	(1,746)	(49)	(1,050)	19

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

	in EUR thousands			
	NLB Group		NLB	
	three months ended		three months ended	
	March 2022	March 2021	March 2022	March 2021
Foreign exchange trading	5,110	4,192	1,686	1,141
Debt instruments	(41)	331	(57)	(209)
Derivatives	2,640	159	1,683	105
Total	7,709	4,682	3,312	1,037

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

	in EUR thousands			
	NLB Group		NLB	
	three months ended		three months ended	
	March 2022	March 2021	March 2022	March 2021
Equity securities	(137)	371	189	52
Debt securities	(85)	(11)	-	-
Loans and advances to customers	-	779	(34)	749
Total	(222)	1,139	155	801

4.7. Other net operating income

	in EUR thousands					
	NLB Group			NLB		
	three months ended			three months ended		
	March 2022	March 2021	Change	March 2022	March 2021	Change
Other operating income						
Income from non-banking services	1,544	1,600	-4%	1,443	1,333	8%
Rental income from investment property	1,042	990	5%	152	94	62%
Revaluation of investment property to fair value	61	-	-	-	-	-
Other operating income	2,164	1,702	-	507	1,043	-
Total	4,811	4,292	12%	2,102	2,470	-15%
Other operating expenses						
Revaluation of investment property to fair value	66	-	-	-	-	-
Other operating expenses	1,771	671	164%	3,859	293	-
Total	1,837	671	174%	3,859	293	-
Other net operating income	2,974	3,621	-18%	(1,757)	2,177	-

4.8. Administrative expenses

	in EUR thousands					
	NLB Group			NLB		
	three months ended			three months ended		
	March 2022	March 2021	Change	March 2022	March 2021	Change
Employee costs	57,502	55,147	4 %	26,522	25,790	3 %
Other general and administrative expenses	33,689	29,798	13 %	15,430	13,054	18 %
Total	91,191	84,945	7 %	41,952	38,844	8 %

4.9. Cash contributions to resolution funds and deposit guarantee schemes

	in EUR thousands					
	NLB Group			NLB		
	three months ended			three months ended		
	March 2022	March 2021	Change	March 2022	March 2021	Change
Cash contributions to deposit guarantee schemes	6,700	6,281	7 %	-	-	-
Cash contributions to resolution funds	48	-	-	-	-	-
Total	6,748	6,281	7 %	-	-	-

4.10. Depreciation and amortisation

	in EUR thousands					
	NLB Group			NLB		
	three months ended			three months ended		
	March 2022	March 2021	Change	March 2022	March 2021	Change
Amortisation of intangible assets	3,926	4,063	-3 %	1,502	1,499	0 %
Depreciation of property and equipment:						
- own property and equipment	5,489	5,342	3 %	2,574	2,680	-4 %
- right-of-use assets	2,099	2,214	-5 %	238	209	14 %
Total	11,514	11,619	-1 %	4,314	4,388	-2 %

4.11. Provisions

	in EUR thousands			
	NLB Group		NLB	
	three months ended		three months ended	
	March 2022	March 2021	March 2022	March 2021
Guarantees and commitments (note 5.12.b)	(760)	(3,306)	(524)	(3,265)
Provisions for legal risks	373	38	-	(1,809)
Other provisions	(10)	-	-	-
Total	(397)	(3,268)	(524)	(5,074)

4.12. Impairment charge

	in EUR thousands			
	NLB Group		NLB	
	three months ended		three months ended	
	March 2022	March 2021	March 2022	March 2021
Impairment of financial assets				
Cash balances at central banks, and other demand deposits at banks	(22)	35	(14)	4
Loans and advances to customers measured at amortised cost (note 5.10.a)	2,628	(13,292)	(1,602)	(9,071)
Loans and advances to banks measured at amortised cost (note 5.10.a)	93	26	207	-
Debt securities measured at fair value through other comprehensive income (note 5.10.b)	767	260	987	171
Debt securities measured at amortised cost (note 5.10.b)	524	607	139	488
Other financial assets measured at amortised cost (note 5.10.a)	797	(284)	30	18
Total impairment of financial assets	4,787	(12,648)	(253)	(8,390)
Impairment of other assets				
Property and equipment	-	88	-	-
Other assets	(7)	329	-	-
Total	(7)	417	-	-
Total impairment of non-financial assets	(7)	417	-	-
Total impairment	4,780	(12,231)	(253)	(8,390)

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

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

On the level of the European Central Bank and the Single Resolution Board, a decision was made on 28 February 2022 to suspend the business operations of the banking group Sberbank Europe AG, which also had a subsidiary bank in Slovenia. At the same time, a transitional period or short-term moratorium was adopted, during which a solution for the Slovenian subsidiary, Sberbank banka d.d., was found with the aim to ensure the continuity of the business operations

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

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

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

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

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

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

Acquisition of N Banka resulted in a gain from a bargain purchase (negative goodwill) in the amount of EUR 172,810 thousand, which is recognised in income statement under line item 'Negative goodwill.' Current market conditions, when banks are generally valued below their net book values, usually result in recognition of a gain from a bargain purchase, which is in case of N Banka even higher than it would be as a result of an orderly transaction, since the bank was acquired in the process of resolution.

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

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

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

NLB is currently finalising its post-acquisition due diligence, therefore some changes to the presented assets and liabilities recognised as a result of the acquisition are still possible. Nevertheless, material changes are not expected.

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

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

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

Immediately after acquisition, 12-month expected credit losses for Stage 1 financial assets in the amount of EUR 8,900 thousand and attributable deferred taxes in the amount of EUR 1,691 thousand were recognised. Additionally, EUR 4,141 thousand of revenue, EUR 1,021 thousand of loss after tax and EUR 907 thousand of other comprehensive loss were recognised in NLB Group financial statements since the acquisition date.

4.14. Income tax

	in EUR thousands					
	NLB Group			NLB		
	three months ended			three months ended		
	March 2022	March 2021	Change	March 2022	March 2021	Change
Current tax	4,881	3,845	27 %	595	675	-12 %
Deferred tax (note 5.13.)	321	890	-64 %	(224)	(66)	-
Total	5,202	4,735	10 %	371	609	-39 %

5. Notes to the condensed statement of financial position

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

	in EUR thousand					
	NLB Group			NLB		
	31 Mar 2022	31 Dec 2021	Change	31 Mar 2022	31 Dec 2021	Change
	Balances and obligatory reserves with central banks	4,136,866	4,133,104	0%	2,864,428	2,982,576
Cash	526,742	509,596	3%	187,456	178,045	5%
Demand deposits at banks	202,706	363,246	-44%	75,841	90,163	-16%
	4,866,314	5,005,946	-3%	3,127,725	3,250,784	-4%
Allowance for impairment	(869)	(894)	3%	(333)	(347)	4%
Total	4,865,445	5,005,052	-3%	3,127,392	3,250,437	-4%

5.2. Financial instruments held for trading

a) Financial assets held for trading

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2022	31 Dec 2021	Change	31 Mar 2022	31 Dec 2021	Change
	Derivatives, excluding hedging instruments					
Sw ap contracts	8,464	6,665	27%	6,501	6,675	-3%
Options	811	54	-	185	54	-
Forward contracts	1,580	959	65%	1,385	953	45%
Total derivatives	10,855	7,678	41%	8,071	7,682	5%
Total	10,855	7,678	41%	8,071	7,682	5%

b) Financial liabilities held for trading

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2022	31 Dec 2021	Change	31 Mar 2022	31 Dec 2021	Change
	Derivatives, excluding hedging instruments					
Sw ap contracts	6,232	6,609	-6%	4,512	6,626	-32%
Options	1,098	53	-	184	53	-
Forward contracts	1,544	923	67%	1,302	923	41%
Total	8,874	7,585	17%	5,998	7,602	-21%

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

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2022	31 Dec 2021	Change	31 Mar 2022	31 Dec 2021	Change
	Assets					
Shares	5,045	4,472	13%	4,661	4,472	4%
Investments funds	9,656	12,428	-22%	800	-	-
Bonds	4,188	4,261	-2%	-	-	-
Loans and advances to companies	-	-	-	7,899	7,888	0%
Total	18,889	21,161	-11%	13,360	12,360	8%
Liabilities						
Loans and advances to companies	-	-	-	415	352	18%

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

Analysis by type

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2022	31 Dec 2021	Change	31 Mar 2022	31 Dec 2021	Change
Bonds	3,009,586	3,251,826	-7%	1,416,912	1,526,237	-7%
Shares	22,916	22,109	4%	219	219	0%
National Resolution Fund	59,782	44,490	34%	43,729	44,490	-2%
Treasury bills	234,219	105,866	121%	126,787	14,805	-
Commercial bills	17,698	37,569	-53%	-	-	-
Total	3,344,201	3,461,860	-3%	1,587,647	1,585,751	0%
Allowance for impairment (note 5.10.b)	(12,792)	(12,016)	-6%	(3,990)	(3,001)	-33%

5.5. Financial assets measured at amortised cost

Analysis by type

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2022	31 Dec 2021	Change	31 Mar 2022	31 Dec 2021	Change
Debt securities	1,845,933	1,717,626	7%	1,570,278	1,436,424	9%
Loans and advances to banks	162,763	140,683	16%	406,570	199,287	104%
Loans and advances to customers	12,108,663	10,587,121	14%	5,319,839	5,145,153	3%
Other financial assets	126,853	122,229	4%	68,324	92,404	-26%
Total	14,244,212	12,567,659	13%	7,365,011	6,873,268	7%

a) Debt securities

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2022	31 Dec 2021	Change	31 Mar 2022	31 Dec 2021	Change
Government	1,404,034	1,317,248	7%	1,146,604	1,041,787	10%
Companies	90,837	79,852	14%	70,748	72,632	-3%
Banks	328,757	295,653	11%	328,757	295,653	11%
Financial organisations	26,135	28,178	-7%	26,135	28,178	-7%
	1,849,763	1,720,931	7%	1,572,244	1,438,250	9%
Allowance for impairment (note 5.10.b)	(3,830)	(3,305)	-16%	(1,966)	(1,826)	-8%
Total	1,845,933	1,717,626	7%	1,570,278	1,436,424	9%

b) Loans and advances to banks

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2022	31 Dec 2021	Change	31 Mar 2022	31 Dec 2021	Change
Loans	10,480	10,200	3%	129,057	117,490	10%
Time deposits	151,854	130,602	16%	277,169	81,900	-
Purchased receivables	733	79	-	733	79	-
	163,067	140,881	16%	406,959	199,469	104%
Allowance for impairment (note 5.10.a)	(304)	(198)	-54%	(389)	(182)	-114%
Total	162,763	140,683	16%	406,570	199,287	104%

c) Loans and advances to customers

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2022	31 Dec 2021	Change	31 Mar 2022	31 Dec 2021	Change
Loans	11,759,240	10,310,300	14%	5,173,037	5,006,871	3%
Overdrafts	402,103	352,018	14%	185,164	174,063	6%
Finance lease receivables	130,344	108,715	20%	-	-	-
Credit card business	139,722	129,330	8%	58,237	59,305	-2%
Called guarantees	2,786	2,731	2%	1,555	1,333	17%
	12,434,195	10,903,094	14%	5,417,993	5,241,572	3%
Allowance for impairment (note 5.10.a)	(325,532)	(315,973)	-3%	(98,154)	(96,419)	-2%
Total	12,108,663	10,587,121	14%	5,319,839	5,145,153	3%

d) Other financial assets

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2022	31 Dec 2021	Change	31 Mar 2022	31 Dec 2021	Change
Receivables in the course of settlement and other temporary accounts	36,979	40,436	-9%	18,738	23,945	-22%
Credit card receivables	17,221	22,670	-24%	12,598	15,270	-17%
Debtors	6,883	8,227	-16%	527	1,311	-60%
Fees and commissions	7,456	7,303	2%	1,075	3,041	-65%
Receivables to brokerage firms and others for the sale of securities and custody services	610	613	0%	610	610	0%
Accrued income	2,406	1,715	40%	3,473	1,690	106%
Dividends	-	-	-	488	20,493	-98%
Prepayments	4,524	1,526	196%	-	-	-
Other financial assets	57,505	45,965	25%	31,846	27,197	17%
	133,584	128,455	4%	69,355	93,557	-26%
Allowance for impairment (note 5.10.a)	(6,731)	(6,226)	-8%	(1,031)	(1,153)	11%
Total	126,853	122,229	4%	68,324	92,404	-26%

5.6. Non-current assets held for sale

The line item 'Non-current assets held for sale' includes business premises and assets received as collateral that are in the process of being sold and amounts to EUR 6,901 thousand (31 December 2021: EUR 7,051 thousand) in the NLB Group and EUR 4,017 thousand (31 December 2021: EUR 4,089 thousand) in NLB.

5.7. Property and equipment

Analysis by type

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2022	31 Dec 2021	Change	31 Mar 2022	31 Dec 2021	Change
Own property and equipment	226,536	223,593	1%	78,073	82,905	-6%
Right-of-use assets	27,488	23,421	17%	3,426	3,217	6%
Total	254,024	247,014	3%	81,499	86,122	-5%

5.8. Investment property

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2022	31 Dec 2021	Change	31 Mar 2022	31 Dec 2021	Change
Buildings	47,211	47,164	0%	8,934	8,999	-1%
Land	946	460	106%	182	182	0%
Total	48,157	47,624	1%	9,116	9,181	-1%

5.9. Other assets

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2022	31 Dec 2021	Change	31 Mar 2022	31 Dec 2021	Change
Assets, received as collateral	73,734	75,450	-2%	4,709	4,827	-2%
Deferred expenses	18,068	10,046	80%	10,372	6,202	67%
Inventories	2,143	2,173	-1%	42	42	0%
Claim for taxes and other dues	1,401	1,826	-23%	243	621	-61%
Prepayments	3,152	1,726	83%	153	161	-5%
Total	98,498	91,221	8%	15,519	11,853	31%

5.10. Movements in allowance for the impairment of financial assets

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

in EUR thousands							
NLB Group							
	Loans and advances to banks	Loans and advances to customers		Other financial assets			
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	
Balance as at 1 Jan 2022	198	69,297	34,022	212,654	476	36	5,714
Effects of translation of foreign operations to presentation currency	-	40	16	144	-	(2)	-
Transfers	-	3,952	(2,522)	(1,430)	4	25	(29)
Increases/(Decreases) (note 4.12.)	93	5,810	1,463	3,593	207	(12)	623
Write-offs	-	-	-	(2,579)	(13)	(11)	(295)
Changes in models/risk parameters (note 4.12.)	-	(354)	(442)	(31)	-	-	(1)
Foreign exchange and other movements	13	(97)	12	1,984	-	4	5
Balance as at 31 Mar 2022	304	78,648	32,549	214,335	674	40	6,017
Repayments of written-off receivables (note 4.12.)	-	-	-	7,411	-	-	20

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

in EUR thousands							
NLB Group							
	Loans and advances to banks	Loans and advances to customers		Other financial assets			
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	
Balance as at 1 Jan 2021	141	74,519	40,833	256,928	276	30	5,247
Effects of translation of foreign operations to presentation currency	-	(17)	(7)	(443)	(1)	(2)	(1)
Transfers	-	6,840	(4,334)	(2,506)	25	(5)	(20)
Increases/(Decreases) (note 4.12.)	26	(6,734)	854	1,769	23	10	86
Write-offs	-	-	(2)	(3,746)	(19)	-	(193)
Foreign exchange and other movements	-	(5)	(5)	4,319	2	-	(220)
Balance as at 31 Mar 2021	167	74,603	37,339	256,321	306	33	4,899
Repayments of written-off receivables (note 4.12.)	-	-	-	9,181	-	-	403

in EUR thousands							
NLB							
	Loans and advances to banks	Loans and advances to customers		Other financial assets			
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	
Balance as at 1 Jan 2022	182	13,604	4,208	78,607	62	1	1,090
Transfers	-	1,561	(623)	(938)	-	-	-
Increases/(Decreases) (note 4.12.)	207	(1,779)	841	2,742	(8)	-	38
Write-offs	-	-	-	(308)	(2)	-	(151)
Foreign exchange and other movements	-	3	-	236	-	-	1
Balance as at 31 Mar 2022	389	13,389	4,426	80,339	52	1	978
Repayments of written-off receivables (note 4.12.)	-	-	-	3,406	-	-	-

in EUR thousands							
NLB							
	Loans and advances to banks	Loans and advances to customers		Other financial assets			
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	
Balance as at 1 Jan 2021	155	25,637	11,287	106,448	73	2	1,255
Transfers	-	3,213	(2,384)	(829)	6	(1)	(5)
Increases/(Decreases) (note 4.12.)	-	(4,988)	(713)	(24)	69	-	(51)
Write-offs	-	-	(2)	(1,095)	(5)	-	(101)
Foreign exchange and other movements	-	(9)	27	398	2	-	-
Balance as at 31 Mar 2021	155	23,853	8,215	104,898	145	1	1,098
Repayments of written-off receivables (note 4.12.)	-	-	-	3,346	-	-	-

b) Movements in allowance for the impairment of debt securities

in EUR thousands					
NLB Group					
	Debt securities measured at amortised cost		Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	Lifetime ECL not credit - impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2022	3,253	52	11,148	70	798
Effects of translation of foreign operations to presentation currency	2	1	4	-	-
Transfers	-	-	(26)	26	-
Increases/(Decreases) (note 4.12.)	257	267	(139)	934	-
Changes in models/risk parameters (note 4.12.)	-	-	(28)	-	-
Foreign exchange and other movements	(2)	-	5	-	-
Balance as at 31 Mar 2022	3,510	320	10,964	1,030	798

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

in EUR thousands					
NLB Group					
	Debt securities measured at amortised cost		Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	Lifetime ECL not credit - impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2021	3,685	-	8,656	28	798
Effects of translation of foreign operations to presentation currency	(1)	-	3	-	-
Increases/(Decreases) (note 4.12.)	607	-	262	(2)	-
Foreign exchange and other movements	(2)	-	4	-	-
Balance as at 31 Mar 2021	4,289	-	8,925	26	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	Lifetime ECL not credit - impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2022	1,826	-	2,203	-	798
Transfers	-	-	(26)	26	-
Increases/(Decreases) (note 4.12.)	139	-	48	939	-
Foreign exchange and other movements	1	-	2	-	-
Balance as at 31 Mar 2022	1,966	-	2,227	965	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	Lifetime ECL not credit - impaired	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.)	488	-	171	-	-
Foreign exchange and other movements	-	-	5	-	-
Balance as at 31 Mar 2021	2,329	-	2,519	-	798

5.11. Financial liabilities measured at amortised cost

Analysis by type

	in EUR thousand					
	NLB Group			NLB		
	31 Mar 2022	31 Dec 2021	Change	31 Mar 2022	31 Dec 2021	Change
Deposits from banks and central banks	114,986	71,828	60%	258,151	109,329	136 ¹
- Deposits on demand	83,946	56,427	49%	239,128	94,323	154 ¹
- Other deposits	31,040	15,401	102%	19,023	15,006	27 ¹
Borrowings from banks and central banks	1,164,683	858,531	36%	857,417	873,479	-2 ¹
Due to customers	18,525,772	17,640,809	5%	9,914,457	9,659,605	3 ¹
- Deposits on demand	15,918,371	15,319,112	4%	9,201,171	8,982,546	2 ¹
- Other deposits	2,607,401	2,321,697	12%	713,286	677,059	5 ¹
Borrowings from other customers	76,320	74,051	3%	413	406	2 ¹
Subordinated liabilities	287,033	288,519	-1%	287,033	288,519	-1 ¹
Other financial liabilities	263,018	206,878	27%	126,874	102,527	24 ¹
Total	20,431,812	19,140,616	7%	11,444,345	11,033,865	4¹

In June 2021, the Bank participated in the ECB TLTRO III.8 operation and had drawn a credit tranche of EUR 750,000 thousand for three years. Based on currently available information, the Bank plans to opt for early repayment in June 2022. The carrying amount of the loan as of 31 March 2022 amounts to EUR 744,146 thousand (31 December 2021: EUR 746,021 thousand).

In December 2021, N Banka participated in ECB TLTRO III.10 operation and had drawn a credit tranche of EUR 93,000 thousand for three years. The carrying amount of the loan as of 31 March 2022 amounts to EUR 92,770 thousand (EUR 92.850 as at the acquisition date). Decision on potential early repayment on one of the voluntary early repayment dates will depend on the liquidity needs of N Banka at that time.

a) Subordinated liabilities

	in EUR thousands					
	NLB Group and NLB					
	31 Mar 2022		31 Dec 2021			
Currency	Due date	Interest rate	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.	46,383	45,000	45,903	45,000
EUR	19.11.2029	3.65% to 19.11.2024, thereafter 5Y MS + 3.833% p.a.	120,672	120,000	119,577	120,000
EUR	05.02.2030	3.4% to 05.02.2025, thereafter 5Y MS + 3.658% p.a.	119,978	120,000	123,039	120,000
Total			287,033	285,000	288,519	285,000

b) Movement of subordinated liabilities

NLB Group and NLB	in EUR thousand	
	2022	2021
Balance as at 1 Jan	288,519	288,321
Cash flow items:	(4,080)	(4,080)
- repayments of interest	(4,080)	(4,080)
Non-Cash flow items:	2,594	2,592
- accrued interest	2,594	2,592
Balance as at 31 Mar	287,033	286,833

c) Other financial liabilities

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2022	31 Dec 2021	Change	31 Mar 2022	31 Dec 2021	Change
Items in the course of payment	97,079	56,509	72%	23,541	5,940	-
Liabilities for dividends	1,389	1,425	-3%	-	-	-
Debit or credit card payables	20,882	27,325	-24%	18,859	24,638	-23%
Lease liabilities	28,546	24,324	17%	3,439	3,256	6%
Accrued expenses	30,719	25,852	19%	14,795	12,909	15%
Liabilities to brokerage firms and others for securities purchase and custody services	5,012	297	-	4,910	202	-
Suppliers	6,993	17,514	-60%	3,395	12,049	-72%
Fees and commissions	226	1,609	-86%	79	1,504	-95%
Other financial liabilities	72,172	52,023	39%	57,856	42,029	38%
Total	263,018	206,878	27%	126,874	102,527	24%

5.12. Provisions

a) Analysis by type

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2022	31 Dec 2021	Change	31 Mar 2022	31 Dec 2021	Change
Provisions for guarantees and commitments	33,827	33,441	1%	20,056	20,560	-2%
Stage 1	15,071	12,912	17%	5,183	3,909	33%
Stage 2	1,656	1,640	1%	144	141	2%
Stage 3	17,100	18,889	-9%	14,729	16,510	-11%
Employee benefit provisions	22,754	21,447	6%	14,370	14,206	1%
Provisions for legal risks	44,937	45,288	-1%	3,466	3,466	0%
Restructuring provisions	17,527	19,217	-9%	9,631	11,131	-13%
Other provisions	8,906	11	-	-	-	-
Total	127,951	119,404	7%	47,523	49,363	-4%

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

b) Movements in provisions for guarantees and commitments

	in EUR thousands			
	NLB Group			
		12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2022		12,912	1,640	18,889
Effects of translation of foreign operations to presentation currency		8	1	-
Acquisition of subsidiary		921	-	180
Transfers		217	(3)	(214)
Increases/(Decreases) (note 4.11.)		1,032	28	(1,765)
Changes in models/risk parameters (note 4.11.)		(45)	(10)	-
Foreign exchange and other movements		26	-	10
Balance as at 31 Mar 2022		15,071	1,656	17,100

	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		2	-	(1)
Transfers		325	(359)	34
Increases/(Decreases) (note 4.11.)		(700)	(341)	(2,265)
Foreign exchange and other movements		-	-	16
Balance as at 31 Mar 2021		15,423	2,067	21,395

	in EUR thousands			
	NLB			
		12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2022		3,909	141	16,510
Transfers		142	32	(174)
Increases/(Decreases) (note 4.11.)		1,137	(29)	(1,632)
Foreign exchange and other movements		(5)	-	25
Balance as at 31 Mar 2022		5,183	144	14,729

	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		175	(120)	(55)
Increases/(Decreases) (note 4.11.)		(1,158)	(73)	(2,034)
Foreign exchange and other movements		-	-	17
Balance as at 31 Mar 2021		6,527	539	18,229

5.13. Deferred income tax

in EUR thousands				
	NLB Group		NLB	
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
Deferred income tax assets				
Valuation of financial instruments and capital investments	37,326	33,002	33,209	31,696
Impairment of financial assets	6,327	5,879	1,131	917
Provisions for liabilities and charges	11,783	10,128	2,507	2,660
Depreciation and valuation of non-financial assets	3,508	3,505	110	112
Fair value adjustments of financial instruments measured at amortised cost	2,279	320	-	-
Unpaid dividends	-	3,876	-	3,876
Tax losses	-	253	-	-
Tax reliefs	713	945	-	-
Other	48	62	-	-
Total deferred income tax assets	61,984	57,970	36,957	39,261
Deferred income tax liabilities				
Valuation of financial instruments	7,259	12,026	2,484	6,620
Depreciation and valuation of non-financial assets	1,333	1,374	166	169
Impairment of financial assets	4,380	3,960	758	570
Fair value adjustments of financial assets measured at amortised cost	3,578	3,338	-	-
Other	1,236	1,340	-	-
Total deferred income tax liabilities	17,786	22,038	3,408	7,359
Net deferred income tax assets	47,173	38,977	33,549	31,902
Net deferred income tax liabilities	(2,975)	(3,045)	-	-

in EUR thousands				
	NLB Group		NLB	
	three months ended		three months ended	
	March 2022	March 2021	March 2022	March 2021
Included in the income statement				
- valuation of financial instruments and capital investments	(321)	(890)	224	66
- impairment of financial assets	4,526	764	4,038	81
- provisions for liabilities and charges	173	496	214	126
- depreciation and valuation of non-financial assets	(272)	24	(153)	(138)
- fair value adjustments of financial assets measured at amortised cost	43	(10)	1	(3)
- tax losses	(521)	(2,274)	-	-
- dividends	(253)	-	-	-
- tax reliefs	(3,876)	-	(3,876)	-
- other	(232)	-	-	-
- other	91	110	-	-
Included in other comprehensive income	4,108	173	1,423	719
- valuation and impairment of financial assets measured at fair value through other comprehensive income	4,108	173	1,423	719

As at 31 March 2021, NLB recognised EUR 36,957 thousand deferred tax assets (31 December 2021: EUR 39,261 thousand). Unrecognised deferred tax assets amount to EUR 201,940 thousand (31 December 2021: EUR 196,523 thousand) of which EUR 184,752 thousand (31 December 2021: EUR 185,231 thousand) relates to unrecognised deferred tax assets from tax loss (no deadlines by which uncovered tax losses must be utilized), EUR 804 thousand (31 December 2021: EUR 823 thousand) to unrecognised deferred tax assets from tax reliefs and EUR 16,384 thousand (31 December 2021: EUR 10,469 thousand) to unrecognised deferred tax assets from valuation of financial instruments and impairments of non-strategic capital investments.

5.14. Income tax relating to components of other comprehensive income

in EUR thousands						
	NLB Group			NLB		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Three months ended March 2022						
Financial assets measured at fair value through other comprehensive income	(61,816)	4,108	(57,708)	(41,438)	1,423	(40,015)
Total	(61,816)	4,108	(57,708)	(41,438)	1,423	(40,015)

in EUR thousands						
	NLB Group			NLB		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Three months ended March 2021						
Financial assets measured at fair value through other comprehensive income	(2,519)	173	(2,346)	(5,457)	719	(4,738)
Total	(2,519)	173	(2,346)	(5,457)	719	(4,738)

5.15. Other liabilities

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2022	31 Dec 2021	Change	31 Mar 2022	31 Dec 2021	Change
Accrued salaries	26,201	18,615	41%	9,129	9,050	1%
Unused annual leave	6,023	6,032	0%	2,425	2,425	0%
Taxes payable	5,158	9,450	-45%	3,343	3,999	-16%
Deferred income	11,359	11,374	0%	4,865	5,257	-7%
Payments received in advance	3,644	3,997	-9%	72	308	-77%
Total	52,385	49,468	6%	19,834	21,039	-6%

5.16. Book value per share

	in EUR thousand			
	NLB Group		NLB	
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
Total equity attributable to owners of the parents	2,254,406	2,078,733	1,544,579	1,551,934
Number of shares (in thousands)	20,000	20,000	20,000	20,000
Book value per share (in EUR)	112.7	103.9	77.2	77.6

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

5.17. Capital adequacy ratio

	in EUR thousands			
	NLB Group		NLB	
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
Paid-up capital instruments	200,000	200,000	200,000	200,000
Share premium	871,378	871,378	871,378	871,378
Retained earnings - from previous years	902,773	767,152	289,458	249,845
Profit eligible - from current year	-	135,968	-	39,613
Accumulated other comprehensive income	(65,593)	(10,091)	(31,247)	8,768
Other reserves	13,522	13,522	13,522	13,522
Minority interest	25,849	27,905	-	-
Prudential filters: Additional Valuation Adjustments (AVA)	(3,383)	(3,498)	(1,607)	(1,606)
(-) Goodwill	(3,529)	(3,529)	-	-
(-) Other intangible assets	(38,654)	(39,116)	(19,295)	(18,829)
(-) Insufficient coverage for non-performing exposures	(337)	(90)	(281)	(10)
(-) Deduction item related to credit impairments and provisions not included in capital	(556)	-	-	-
COMMON EQUITY TIER 1 CAPITAL (CET1)	1,901,470	1,959,601	1,321,928	1,362,681
Minority interest	5,095	5,950	-	-
Additional Tier 1 capital	5,095	5,950	-	-
TIER 1 CAPITAL	1,906,565	1,965,551	1,321,928	1,362,681
Capital instruments and subordinated loans eligible as Tier 2 capital	284,595	284,595	284,595	284,595
Minority interest	2,830	2,344	-	-
TIER 2 CAPITAL	287,425	286,939	284,595	284,595
TOTAL CAPITAL	2,193,990	2,252,490	1,606,523	1,647,276
RWA for credit risk	11,366,649	10,205,172	5,659,342	5,411,433
RWA for market risks	1,203,651	1,206,363	675,988	698,463
RWA for credit valuation adjustment risk	29,050	11,850	26,663	11,850
RWA for operational risk	1,244,023	1,244,023	586,781	586,781
TOTAL RISK EXPOSURE AMOUNT (RWA)	13,843,373	12,667,408	6,948,774	6,708,527
Common Equity Tier 1 Ratio	13.7%	15.5%	19.0%	20.3%
Tier 1 Ratio	13.8%	15.5%	19.0%	20.3%
Total Capital Ratio	15.8%	17.8%	23.1%	24.6%

As at 31 March 2022, the TCR for the Group stood at 15.8% (or 1.9 p.p. lower than as at 31 December 2021), and for the Bank at 23.1% (or 1.4 p.p. lower than as at 31 December 2021). As at 31 March 2022, the CET1 ratio at the consolidated level stood at 13.7% (1.7 p.p. lower than as at 31 December 2021). The lower total capital adequacy derives from higher RWA (EUR 1,176.0 million compared to the end of 2021) and lower capital (EUR 58.5 million compared to the end of 2021). The capital is lower mainly due to negative revaluation adjustments (EUR 55.5 million compared to the end of 2021) on FVOCI.

The capital position will be further strengthened by the inclusion of negative goodwill from N Banka acquisition, when the approval from the ECB is obtained. The capital calculation does not include a part of the 2021 result in the amount of EUR 100 million, envisaged for dividend distribution in 2022. Therefore, there will be no effect on the capital in case dividends are paid.

RWAs in the Group increased by EUR 1,176,0 million compared to the end of 2021. RWA for credit risk increased by EUR 1,161.5 million, where EUR 858.9 million of the increase relates to N Banka. The remaining part of RWA increase in the amount of EUR 302.6 million was mainly the consequence of increased lending activity, mostly in the Bank and Komercijalna Banka, Beograd. Higher RWA for high-risk exposures is the result of a new loan given to a venture capital company, new loans for project financing as well as drawing of loans for project financing granted in the previous months. Repayments, upgrade, change in provisioning level reduced RWA for defaulted exposures. Furthermore, RWA decrease was observed for liquidity assets due to a lower exposure to the Serbian central bank and maturity of some Serbian bonds, both in Komercijalna Banka, Beograd. The lower exposure to institutions also resulted in a reduced RWA in almost all the banks in the Group, but mostly in Komercijalna Banka, Beograd.

The increase in RWAs for market risks and CVA (Credit Value Adjustments) in the amount of EUR 14.5 million compared to the end of 2021 is mainly the result of higher RWA for CVA risk in the amount of EUR 17.2 million (a consequence of the conclusion of long-term derivatives).

5.18. Off-balance sheet liabilities

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2022	31 Dec 2021	Change	31 Mar 2022	31 Dec 2021	Change
Loan commitments	2,121,020	1,878,988	13%	1,381,860	1,259,489	10%
Non-financial guarantees	807,752	703,101	15%	441,616	437,166	1%
Financial guarantees	593,198	533,633	11%	285,208	289,935	-2%
Letters of credit	27,111	35,615	-24%	3,172	1,950	63%
Other	21,513	13,167	63%	5,464	1,037	-
	3,570,594	3,164,504	13%	2,117,320	1,989,577	6%
Provisions (note 5.12.)	(33,827)	(33,441)	-1%	(20,056)	(20,560)	2%
Total	3,536,767	3,131,063	13%	2,097,264	1,969,017	7%

In addition to the instruments presented in the table above, NLB Group and NLB have also some low-risk off-balance sheet items, for which 0% credit conversion factor is applied in accordance with the Capital Requirements Regulation (credit and other lines which can be irrevocably cancelled by a bank). As at 31 March 2022 these items at the NLB Group level amount to EUR 518,342 thousand (31 December 2021: EUR 372,403 thousand), and at the NLB level EUR 312,475 thousand (31 December 2021: EUR 302,063 thousand).

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

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

The fair value hierarchy comprises the following levels:

- Level 1 – Quoted prices (unadjusted) on active markets. This level includes listed equities, debt instruments, derivatives, units of investment funds and other unadjusted market prices of assets and liabilities. When an asset or liability may be exchanged in multiple active markets, the principal market for the asset or liability must be determined. In the absence of a principal market, the most advantageous market for the asset or liability must be determined.

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

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

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

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

	NLB Group				NLB			
				Total fair value				Total fair value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
31 Mar 2022								
Financial assets								
Financial instruments held for trading	-	10,855	-	10,855	-	8,071	-	8,071
Derivatives	-	10,855	-	10,855	-	8,071	-	8,071
Derivatives - hedge accounting	-	6,491	-	6,491	-	6,491	-	6,491
Financial assets measured at fair value through other comprehensive income	2,062,210	1,280,566	1,425	3,344,201	1,536,543	50,885	219	1,587,647
Debt instruments	2,061,313	1,199,915	275	3,261,503	1,536,543	7,156	-	1,543,699
Equity instruments	897	80,651	1,150	82,698	-	43,729	219	43,948
Non-trading financial assets mandatorily at fair value through profit or loss	13,428	-	5,461	18,889	-	7,899	5,461	13,360
Debt instruments	4,188	-	-	4,188	-	-	-	-
Equity instruments	9,240	-	5,461	14,701	-	-	5,461	5,461
Loans	-	-	-	-	-	7,899	-	7,899
Financial liabilities								
Financial instruments held for trading	-	8,874	-	8,874	-	5,998	-	5,998
Derivatives	-	8,874	-	8,874	-	5,998	-	5,998
Derivatives - hedge accounting	-	10,759	-	10,759	-	10,759	-	10,759
Financial liabilities measured at fair value through profit or loss	-	-	-	-	-	415	-	415
Non-financial assets								
Investment properties	-	20,491	27,666	48,157	-	9,116	-	9,116
Non-current assets held for sale	-	6,901	-	6,901	-	4,017	-	4,017

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

b) Significant transfers of financial instruments between levels of valuation

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

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

For the three months ended 31 March 2022 and 2021, NLB Group nor NLB had any significant transfers between levels of valuation of financial instruments measured at fair value in financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Movements of financial assets and liabilities at Level 3

	in EUR thousands						
	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	
NLB Group							
Balance as at 1 Jan 2022	1	351	1,136	4,472	-	5,960	-
Acquisition of subsidiaries	-	-	12	-	-	12	-
Effects of translation of foreign operations to presentation currency	-	-	2	-	-	2	-
Valuation:							
- through profit or loss	(1)	-	-	107	-	106	-
Exchange differences	-	-	-	82	-	82	-
Increases	-	-	-	800	-	800	-
Decreases	-	(76)	-	-	-	(76)	-
Balance as at 31 Mar 2022	-	275	1,150	5,461	-	6,886	-

	in EUR thousands						
	Financial instruments held for trading	Financial assets measured at fair value through OCI		Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	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	
NLB Group							
Balance as at 1 Jan 2021	786	900	927	4,171	25,076	31,860	-
Effects of translation of foreign operations to presentation currency	-	(1)	(1)	-	-	(2)	-
Valuation:							
- through profit or loss	(1)	-	-	(137)	780	642	-
- recognised in other comprehensive income	-	-	(9)	-	-	(9)	-
Exchange differences	-	-	-	189	19	208	-
Increases	-	-	-	-	729	729	-
Decreases	-	(76)	(54)	-	(726)	(856)	-
Balance as at 31 Mar 2021	785	823	863	4,223	25,878	32,572	-

	in EUR thousands						
	Financial instruments held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	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	
NLB							
Balance as at 1 Jan 2022		1	-	219	4,472	-	4,692
Valuation:							
- through profit or loss		(1)	-	-	107	-	106
Exchange differences		-	-	-	82	-	82
Increases		-	-	-	800	-	800
Decreases		-	-	-	-	-	-
Balance as at 31 Mar 2022		-	-	219	5,461	-	5,680

	in EUR thousands					
	Financial instruments held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	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
NLB						
Balance as at 1 Jan 2021	786	-	274	4,171	22,988	28,219
Valuation:						
- through profit or loss	(1)	-	-	(137)	716	578
- recognised in other comprehensive income			(9)	-	-	(9)
Exchange differences	-	-	-	189	19	208
Increases	-	-	-	-	727	727
Decreases	-	-	(54)	-	(726)	(780)
Balance as at 31 Mar 2021	785	-	211	4,223	23,724	28,943

In three months ended 31 March 2022 and 2021, NLB Group and NLB recognised the following unrealised gains or losses for financial instruments that were at Level 3 as at 31 March:

	in EUR thousands				
	Three months ended 31 Mar 2022				
	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		-	-	107	-
Foreign exchange translation gains less losses		-	-	82	-
Item of Other comprehensive income					
Financial assets measured at fair value through other comprehensive income		-	-	-	-

	in EUR thousands				
	Three months ended 31 Mar 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		-	-	(137)	780
Foreign exchange translation gains less losses		-	-	189	19
Item of Other comprehensive income					
Financial assets measured at fair value through other comprehensive income		-	(9)	-	-

Three months ended 31 Mar 2022						in EUR thousands					
						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	Loans and other financial liabilities	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						-	-	107	-	-	-
Foreign exchange translation gains less losses						-	-	82	-	-	-
Item of Other comprehensive income											
Financial assets measured at fair value through other comprehensive income						-	-	-	-	-	-

Three months ended 31 Mar 2021						in EUR thousands					
						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	Loans and other financial liabilities	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						-	-	(137)	716	-	-
Foreign exchange translation gains less losses						-	-	189	19	-	-
Item of Other comprehensive income											
Financial assets measured at fair value through other comprehensive income						-	(9)	-	-	-	-

Movements of non-financial assets at Level 3

				in EUR thousands	
				NLB Group	
Investment property				2022	2021
Balance as at 1 Jan				27,642	32,210
Effects of translation of foreign operations to presentation currency				20	(17)
Additions				35	14
Disposals				(31)	(474)
Balance as at 31 Mar				27,666	31,733

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

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

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

									in EUR thousands										
									NLB Group										
									NLB										
									31 Mar 2022		31 Dec 2021								
									31 Mar 2022		31 Dec 2021								
									Carrying value	Fair value	Carrying value	Fair value							
Financial assets measured at amortised cost																			
- debt securities												1,845,933	1,810,985	1,717,626	1,745,225	1,570,278	1,535,555	1,436,424	1,461,185
- loans and advances to banks												162,763	162,710	140,683	140,843	406,570	412,447	199,287	204,743
- loans and advances to customers												12,108,663	12,281,300	10,587,121	10,751,051	5,319,839	5,428,704	5,145,153	5,235,839
- other financial assets												126,853	126,853	122,229	122,229	68,324	68,324	92,404	92,404
Financial liabilities measured at amortised cost																			
- deposits from banks and central banks												114,986	116,638	71,828	69,720	258,151	258,583	109,329	109,522
- borrowings from banks and central banks												1,164,683	1,162,510	858,531	849,834	857,417	853,353	873,479	863,970
- due to customers												18,525,772	18,540,536	17,640,809	17,658,686	9,914,457	9,919,538	9,659,605	9,664,607
- borrowings from other customers												76,320	75,574	74,051	73,744	413	413	406	406
- subordinated liabilities												287,033	289,429	288,519	292,130	287,033	289,429	288,519	292,130
- other financial liabilities												263,018	263,018	206,878	206,878	126,874	126,874	102,527	102,527

Loans and advances to banks

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

Loans and advances to customers

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

Deposits and borrowings from customers

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

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

Debt securities measured at amortised cost and issued debt securities

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

Loan commitments

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

Other financial assets and liabilities

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

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

in EUR thousands								
	NLB Group				NLB			
31 Mar 2022	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	1,673,822	113,601	23,562	1,810,985	1,434,757	100,798	-	1,535,555
- loans and advances to banks	-	162,710	-	162,710	-	412,447	-	412,447
- loans and advances to customers	-	12,281,300	-	12,281,300	-	5,428,704	-	5,428,704
- other financial assets	-	126,853	-	126,853	-	68,324	-	68,324
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	-	116,638	-	116,638	-	258,583	-	258,583
- borrowings from banks and central banks	-	1,162,510	-	1,162,510	-	853,353	-	853,353
- due to customers	-	18,540,536	-	18,540,536	-	9,919,538	-	9,919,538
- borrowings from other customers	-	75,574	-	75,574	-	413	-	413
- subordinated liabilities	244,001	45,428	-	289,429	244,001	45,428	-	289,429
- other financial liabilities	-	263,018	-	263,018	-	126,874	-	126,874

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

6. Analysis by segment for NLB Group

a) Segments

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
Three months ended 31 March 2022								
Total net income	46,831	23,530	94,160	9,207	809	1,537	-	176,074
Net income from external customers	50,148	26,391	94,649	1,023	769	1,515	-	174,495
Intersegment net income	(3,317)	(2,861)	(489)	8,184	40	22	-	1,579
Net interest income	20,748	10,202	66,333	10,302	84	129	-	107,798
Net interest income from external customers	27,398	13,267	67,526	(694)	169	132	-	107,798
Intersegment net interest income	(6,650)	(3,065)	(1,193)	10,996	(85)	(3)	-	-
Administrative expenses	(26,571)	(11,432)	(46,175)	(2,014)	(2,455)	(4,095)	-	(92,742)
Depreciation and amortisation	(2,743)	(1,080)	(7,142)	(167)	(113)	(297)	-	(11,542)
Reportable segment profit/(loss) before impairment and provision charge	17,517	11,018	40,843	7,026	(1,759)	(2,855)	-	71,790
Other net gains/(losses) from equity investments in subsidiaries, associates and joint ventures	610	-	-	-	-	-	-	610
Negative goodwill	-	-	-	-	-	-	172,810	172,810
Impairment and provisions charge	(1,851)	4,061	3,219	(1,515)	617	(8,914)	-	(4,383)
Profit/(loss) before income tax	16,276	15,079	44,062	5,511	(1,142)	161,041	-	240,827
Owners of the parent	16,276	15,079	39,960	5,511	(1,142)	161,041	-	236,725
Non-controlling interests	-	-	4,102	-	-	-	-	4,102
Income tax	-	-	-	-	-	-	(5,202)	(5,202)
Profit for the year								231,523
31 Mar 2022								
Reportable segment assets	3,423,071	3,053,099	9,661,105	6,397,405	93,784	378,471	-	23,006,935
Investments in associates and joint ventures	12,146	-	-	-	-	-	-	12,146
Reportable segment liabilities	8,433,697	2,374,985	8,224,210	1,459,563	4,136	146,499	-	20,643,090

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
Three months ended 31 March 2021								
Total net income	41,658	20,726	84,872	5,343	886	1,414	-	154,899
Net income from external customers	46,263	22,683	85,807	(2,768)	652	1,408	-	154,045
Intersegment net income	(4,605)	(1,957)	(935)	8,111	234	6	-	854
Net interest income	18,963	8,985	63,279	6,054	238	(12)	-	97,507
Net interest income from external customers	23,687	11,077	64,251	(1,845)	355	(18)	-	97,507
Intersegment net interest income	(4,724)	(2,092)	(972)	7,899	(117)	6	-	-
Administrative expenses	(23,789)	(9,408)	(44,936)	(1,730)	(2,332)	(3,407)	-	(85,602)
Depreciation and amortisation	(2,854)	(985)	(7,330)	(151)	(200)	(296)	-	(11,816)
Reportable segment profit/(loss) before impairment and provision charge	15,015	10,333	32,606	3,462	(1,646)	(2,289)	-	57,481
Other net gains/(losses) from equity investments in subsidiaries, associates and joint ventures	131	-	-	-	-	-	-	131
Impairment and provisions charge	691	11,009	1,863	(631)	753	1,814	-	15,499
Profit/(loss) before income tax	15,837	21,342	34,469	2,831	(893)	(475)	-	73,111
Owners of the parent	15,837	21,342	30,702	2,831	(893)	(475)	-	69,344
Non-controlling interests	-	-	3,767	-	-	-	-	3,767
Income tax	-	-	-	-	-	-	(4,735)	(4,735)
Profit for the year								64,609
31 Dec 2021								
Reportable segment assets	2,811,209	2,333,769	9,797,839	6,190,193	95,905	337,056	-	21,565,971
Investments in associates and joint ventures	11,525	-	-	-	-	-	-	11,525
Reportable segment liabilities	7,720,693	1,966,530	8,315,316	1,231,669	7,749	119,416	-	19,361,373

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

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

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

The core segments are the following:

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

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

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

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

b) Geographical information

NLB Group	in EUR thousands							
	Revenues		Net income		Non-current assets		Total assets	
	three months ended		three months ended		31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
	March 2022	March 2021	March 2022	March 2021				
Slovenia	97,174	81,598	79,576	67,908	160,924	150,829	13,295,011	11,716,270
South East Europe	114,512	106,850	94,887	86,170	211,194	214,380	9,707,875	9,845,128
North Macedonia	22,165	20,583	19,199	16,438	37,003	37,384	1,747,020	1,758,269
Serbia	49,193	44,808	40,407	36,190	106,299	108,515	4,651,875	4,780,843
Montenegro	10,483	9,872	8,307	7,672	17,828	18,328	733,854	775,238
Croatia	-	-	15	77	378	383	4,132	4,025
Bosnia and Herzegovina	19,296	19,568	15,645	15,886	34,555	34,782	1,640,144	1,596,370
Kosovo	13,375	12,019	11,314	9,907	15,131	14,988	930,850	930,383
Western Europe	8	4	32	(33)	30	30	16,195	16,098
Germany	1	-	29	47	30	30	888	971
Switzerland	7	4	3	(80)	-	-	15,307	15,127
Total	211,694	188,452	174,495	154,045	372,148	365,239	23,019,081	21,577,496

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

7. Related-party transactions

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

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

in EUR thousands									
NLB Group and NLB	Management Board and other key management personnel		Family members of the Management Board and other key management personnel		Companies in which members of the Management Board, key management personnel, or their family members have control, joint control or a significant influence		Supervisory Board		
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021	
Loans and deposits issued	2,149	2,097	487	415	502	532	59	60	
Deposits received	2,115	2,170	850	718	3,342	590	429	505	
Other financial liabilities	1	3	-	1	11	14	-	-	
Other operating liabilities	2,265	2,265	-	-	-	-	-	-	
Guarantees issued and loan commitments	230	215	76	72	40	194	24	23	

	three months ended		three months ended		three months ended		three months ended		
	March	March	March	March	March	March	March	March	
	2022	2021	2022	2021	2022	2021	2022	2021	
Interest income	9	10	3	2	2	-	-	2	
Interest expenses	(1)	(1)	-	-	-	-	-	-	
Fee income	5	3	2	2	22	18	-	-	
Other income	3	1	-	-	-	-	-	-	
Other expenses	-	-	-	-	(13)	(12)	-	-	

Key management compensation – payments in the period

in EUR thousands					
NLB Group and NLB	Management Board		Other key management personnel		
	three months ended		three months ended		
	March	March	March	March	
	2022	2021	2022	2021	
Short-term benefits	382	408	1,613	1,404	
Cost refunds	1	1	23	19	
Long-term bonuses	-	-	-	5	
- severance pay	-	-	-	9	
- other benefits	1	1	18	9	
Total	384	410	1,654	1,437	

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	
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
Loans and deposits issued	1,076	1,011	201	201
Deposits received	10,414	7,967	3,456	3,492
Other financial assets	1	20	-	-
Other financial liabilities	221	1,148	-	1
Guarantees issued and loan commitments	2,036	2,032	-	-
	three months ended		three months ended	
	March	March	March	March
	2022	2021	2022	2021
Interest income	7	8	1	2
Interest expenses	-	-	(12)	(17)
Fee income	20	6	-	-
Fee expenses	(2,535)	(2,308)	-	-
Other income	29	30	-	-
Other expenses	(123)	(91)	-	-

in EUR thousands						
NLB						
	Subsidiaries		Associates		Joint ventures	
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
Loans and deposits issued	559,492	334,251	1,000	1,011	201	201
Loans and deposits received	191,466	112,857	10,414	7,967	31	27
Other financial assets	5,063	25,491	1	20	-	-
Other financial liabilities	1,728	1,860	79	1,001	-	-
Guarantees issued and loan commitments	68,211	34,016	2,036	2,032	-	-
Received loan commitments and financial guarantees	13,175	14,541	-	-	-	-
	three months ended		three months ended		three months ended	
	March	March	March	March	March	March
	2022	2021	2022	2021	2022	2021
Interest income	1,538	1,142	7	8	1	2
Interest expenses	-	(2)	-	-	-	-
Fee income	2,695	2,112	20	6	-	-
Fee expenses	(5)	(3)	(1,743)	(1,538)	-	-
Other income	295	215	29	30	-	-
Other expenses	(3,144)	(124)	(116)	(89)	-	-
Gains less losses from financial assets and liabilities held for trading	(341)	(134)	-	-	-	-
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	(34)	32	-	-	-	-

Related-party transactions with major shareholder with significant influence

	in EUR thousands			
	NLB Group		NLB	
	Shareholder		Shareholder	
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
Loans and deposits issued	17,017	20,534	17,017	20,534
Investments in securities	819,855	534,522	594,218	483,656
Other financial assets	612	659	612	659
Other financial liabilities	5	4	5	4
Guarantees issued and loan commitments	1,181	1,184	1,181	1,184
	three months ended		three months ended	
	March 2022	March 2021	March 2022	March 2021
Interest income	2,119	1,981	2,230	2,365
Interest expenses	(49)	(193)	(49)	(193)
Fee income	137	89	137	89
Fee expenses	-	(4)	-	(4)
Other income	-	46	-	46
Other expenses	-	(1)	-	(1)
Gains less losses from financial assets and liabilities held for trading	(62)	(119)	(62)	(119)

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

	in EUR thousands			
	Amount of significant transactions concluded during the period		Number of significant transactions concluded during the period	
	three months ended		three months ended	
	March 2022	December 2021	March 2022	December 2021
NLB Group and NLB				
Guarantees issued and loan commitments	-	70,000	-	1

	in EUR thousands			
	Balance of all significant transactions at end of the period		Number of significant transactions at end of the period	
	31 Mar 2022		31 Dec 2021	
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
NLB Group and NLB				
Loans	498,945	507,159	7	7
Debt securities measured at amortised cost	70,748	72,633	1	1
Borrowings, deposits and business accounts	150,327	184,267	4	3
Guarantees issued and loan commitments	152,500	152,500	2	2

	in EUR thousands	
	Effects in the income statement during the period	
	three months ended	
	March 2022	March 2021
NLB Group and NLB		
Interest income from loans	871	744
Fees and commissions income	130	14
Interest income from debt securities measured at amortised cost and net valuation effects from hedge accounting	(1,885)	(280)
Interest expenses from borrowings, deposits, and business accounts	(53)	(52)

8. Subsidiaries

NLB Group's subsidiaries as at 31 March 2022:

in EUR thousands						
	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	75.90	75.90	99.87	99.87
NLB Banka a.d., Banja Luka	Banking	Bosnia and Herzegovina	99.85	99.85	99.85	99.85
NLB Banka s.h.a., Prishtina	Banking	Kosovo	82.38	82.38	82.38	82.38
NLB Banka d.d., Sarajevo	Banking	Bosnia and Herzegovina	97.34	97.35	97.34	97.35
NLB Banka a.d., Beograd	Banking	Serbia	100	100	100	100
Komercijalna banka a.d. Beograd	Banking	Serbia	86.70	88.28	86.70	88.28
KomBank Invest a.d. Beograd	Finance	Serbia	-	-	100	100
N Banka d.d., Ljubljana	Banking	Slovenia	100	100	100	100
Privatinvest d.o.o., Ljubljana	Real estate	Slovenia	-	-	100	100
NLB Skladi d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Lease&Go, leasing d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Zavod za upravljanje kulturne dediščine, Ljubljana	Cultural heritage management	Slovenia	100	100	100	100
Non-core members						
NLB Leasing d.o.o. - v likvidaciji, Ljubljana*	Finance	Slovenia	100	100	100	100
Optima Leasing d.o.o., Zagreb - "u likvidaciji"	Finance	Croatia	-	-	100	100
NLB Leasing d.o.o., Beograd - u likvidaciji	Finance	Serbia	100	100	100	100
Tara Hotel d.o.o., Budva	Real estate	Montenegro	12.71	12.71	100	100
PRO-REM d.o.o., Ljubljana - v likvidaciji	Real estate	Slovenia	100	100	100	100
OL Nekretnine d.o.o., Zagreb - u likvidaciji	Real estate	Croatia	-	-	100	100
REAM d.o.o., Podgorica	Real estate	Montenegro	100	100	100	100
REAM d.o.o., Beograd - Novi Beograd	Real estate	Serbia	100	100	100	100
SPV 2 d.o.o., Beograd - Novi Beograd	Real estate	Serbia	100	100	100	100
S-REAM d.o.o., Ljubljana	Real estate	Slovenia	100	100	100	100
REAM d.o.o., Zagreb	Real estate	Croatia	-	-	100	100
NLB Srbija d.o.o., Beograd	Real estate	Serbia	100	100	100	100
NLB Crna Gora d.o.o., Podgorica	Finance	Montenegro	100	100	100	100
NLB InterFinanz AG, Zürich in Liquidation	Finance	Switzerland	100	100	100	100
NLB InterFinanz d.o.o., Beograd	Finance	Serbia	-	-	100	100
LHB AG, Frankfurt	Finance	Germany	100	100	100	100

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

NLB Group's subsidiaries as at 31 December 2021:

in EUR thousands						
	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	75.90	75.90	99.87	99.87
NLB Banka a.d., Banja Luka	Banking	Bosnia and Herzegovina	99.85	99.85	99.85	99.85
NLB Banka s.h.a., Prishtina	Banking	Kosovo	82.38	82.83	82.83	82.83
NLB Banka d.d., Sarajevo	Banking	Bosnia and Herzegovina	97.34	97.35	97.34	97.35
NLB Banka a.d., Beograd	Banking	Serbia	100	100	100	100
Komercijalna banka a.d. Beograd	Banking	Serbia	86.70	88.28	86.70	88.28
KomBank Invest a.d. Beograd	Finance	Serbia	-	-	100	100
NLB Skladi d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Lease&Go, leasing d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Zavod za upravljanje kulturne dediščine, Ljubljana	Cultural heritage management	Slovenia	100	100	100	100
Non-core members						
NLB Leasing d.o.o., Ljubljana - v likvidaciji*	Finance	Slovenia	100	100	100	100
Optima Leasing d.o.o., Zagreb - "u likvidaciji"	Finance	Croatia	-	-	100	100
NLB Leasing d.o.o., Beograd - u likvidaciji	Finance	Serbia	100	100	100	100
Tara Hotel d.o.o., Budva	Real estate	Montenegro	12.71	12.71	100	100
PRO-REM d.o.o., Ljubljana - v likvidaciji	Real estate	Slovenia	100	100	100	100
OL Nekretnine d.o.o., Zagreb - u likvidaciji	Real estate	Croatia	-	-	100	100
REAM d.o.o., Podgorica	Real estate	Montenegro	100	100	100	100
REAM d.o.o., Beograd - Novi Beograd	Real estate	Serbia	100	100	100	100
SPV 2 d.o.o., Beograd - Novi Beograd	Real estate	Serbia	100	100	100	100
S-REAM d.o.o., Ljubljana	Real estate	Slovenia	100	100	100	100
REAM d.o.o., Zagreb	Real estate	Croatia	-	-	100	100
NLB Srbija d.o.o., Beograd	Real estate	Serbia	100	100	100	100
NLB Crna Gora d.o.o., Podgorica	Finance	Montenegro	100	100	100	100
NLB InterFinanz AG, Zürich in Liquidation	Finance	Switzerland	100	100	100	100
NLB InterFinanz d.o.o., Beograd	Finance	Serbia	-	-	100	100
LHB AG, Frankfurt	Finance	Germany	100	100	100	100

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

9. Events after the end of the reporting period

After obtaining all regulatory licenses, as well as by registering the merger with the Business Registers Agency, the integration process of Komercijalna banka a.d. Beograd and NLB Banka a.d., Beograd, was successfully completed. From 30 April 2022, the bank operates under the new name NLB Komercijalna banka a.d. Beograd. Based on the merger of NLB Banka a.d., Beograd to Komercijalna banka a.d. Beograd as the acquirer, NLB Komercijalna Banka a.d. Beograd is its universal legal successor.

As of 31 March 2022, the NLB Group held EUR 20 million of Russian government bonds maturing in April 2022 and in September 2023. Bonds maturing in April 2022 in the amount of EUR 13.3 million were fully repaid on 2 May 2022, which decreased exposure towards Russian government to EUR 7.6 million.

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 Executive Officer
CET1	Common Equity Tier 1
CFO	Chief Financial Officer
CIR	Cost-to-Income Ratio
CMO	Chief Marketing Officer
COO	Chief Operating Officer
CoR	Cost of Risk
CRO	Chief Risk Officer
CRR	Capital Requirement Regulation
CSD	Central Security Depository
CVA	Credit Value Adjustment
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ECL	Expected Credit Losses
ESG	Environmental, Social and Governance
EVE	Economic Value of Equity
FTP	Fund Transfer Price
FVOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
FX	Foreign Exchange
GDP	Gross Domestic Product
GDR	Global Depository Receipts
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standard
ILAAP	Internal Liquidity Adequacy Assessment Process
IVS	International Valuation Standards
JV	Joint Venture
LCR	Liquidity Coverage Ratio
LTD	Loan-to-Deposit Ratio
MDA	Maximum Distributable Amount

MIGA	Multilateral Investment Guarantee Agency
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
MS	Mid-Swap Rate
NBS	Non Banking Sector
NCI	Non-Controlling Interest
NLB or the Bank	NLB d.d., Ljubljana
NPE	Non-Performing Exposures
NPL	Non-Performing Loans
OBM	Operational Business Margin
OCI	Other Comprehensive Income
OCR	Overall Capital Requirement
O-SII	Other Systemically Important Institution
P1R	Pillar 1 Requirements
P2G	Pillar 2 Guidance
P2M	Person to Merchant
P2R	Pillar 2 Requirements
POCI	Purchased or Originated Credit-Impaired
p.p.	Percentage point(s)
P&L	Profit and Loss
ROA	Return on Assets
ROE	Return on Equity
RoS	Republic of Slovenia
RWA	Risk Weighted Assets
SEE	South-Eastern Europe
SEE banking members	NLB Group members in the following countries: Serbia, North Macedonia, Bosnia and Herzegovina, Kosovo, and Montenegro
SME	Small and Medium-sized Enterprises
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
The Group	NLB Group
TCR	Total Capital Ratio
TLTRO-III	Targeted Longer-Term Refinancing Operations
TSCR	Total SREP Capital Requirement