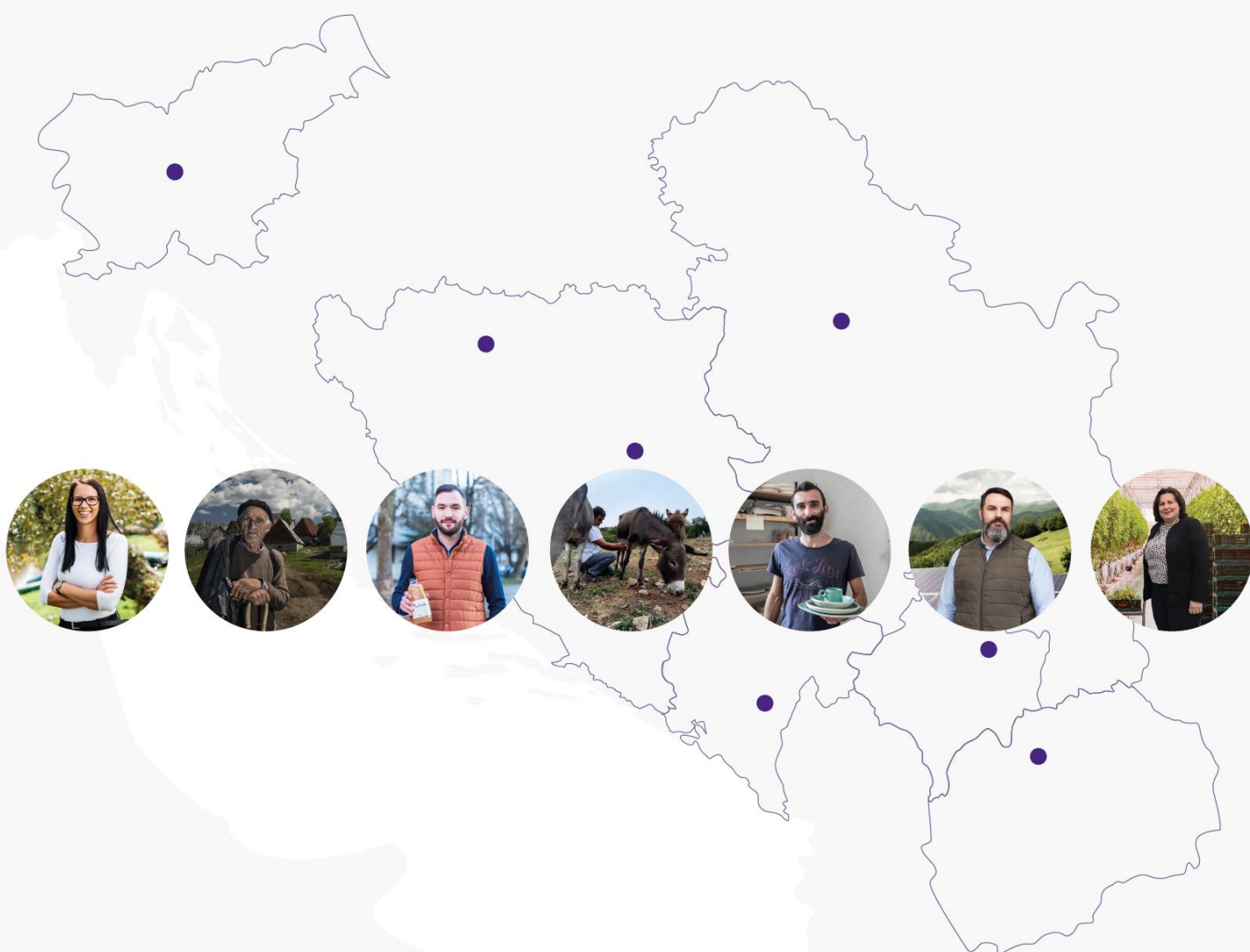


# This is Our Home

Q1 2021 | Interim Report



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NLB, Ljubljana

Slovenia

NLB Banka,  
Banja Luka

Komercijalna  
Banka, Banja Luka

Bosnia and Herzegovina

NLB Banka,  
Sarajevo

NLB Banka,  
Beograd

Komercijalna  
Banka, Beograd

Serbia

Montenegro

NLB Banka,  
Podgorica

Komercijalna  
Banka, Podgorica

NLB Banka,  
Prishtina

Kosovo

NLB Banka,  
Skopje

North Macedonia

## NLB Group Strategic Members Overview

	Slovenia		North Macedonia		Bosnia and Herzegovina			Kosovo	Montenegro		Serbia		
NLB Group	NLB, Ljubljana	NLB Lease&Go, Ljubljana	NLB Skladi, Ljubljana	NLB Banka, Skopje	NLB Banka, Banja Luka	NLB Banka, Sarajevo	Komercijalna Banka, Banja Luka	NLB Banka, Prishtina	NLB Banka, Podgorica	Komercijalna Banka, Podgorica	NLB Banka, Beograd	Komercijalna Banka, Beograd	
<b>Market position</b>													
Branches	293 <sup>(i)</sup>	79	-	-	50	47	36	19	34	19	10	28	203
Active clients	1,850,082 <sup>(i)</sup>	666,313	-	-	411,267	215,919	129,427	46,815	222,588	65,210	15,614	139,358	871,331
Total assets (in EUR million)	19,959	11,338	46	1,771 <sup>(ii)</sup>	1,624	838	648	247	898	537	157	671	3,947
Profit after tax (in EUR million)	64.6	39.3	-0.5	1.9	9.7	3.9	2.0	-0.3	5.7	2.1	0.2	1.6	8.3
Market share (by total assets)		24.6%		35.7%	16.5%	18.4% <sup>(iii, v)</sup>	5.3% <sup>(iv, v)</sup>	5.3% <sup>(iii, v)</sup>	17.3%	11.6%	3.4% <sup>(v)</sup>	1.8% <sup>(v)</sup>	10.0% <sup>(v)</sup>

<sup>(i)</sup> Total number of branches and active clients for the Group do not include data for Komercijalna Banka group banks due to different definitions.

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

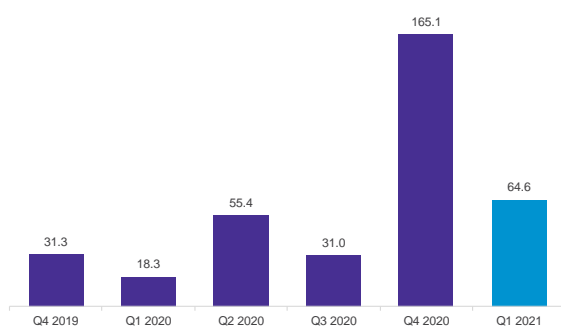
<sup>(iii)</sup> Market share in the Republic of Srpska.

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

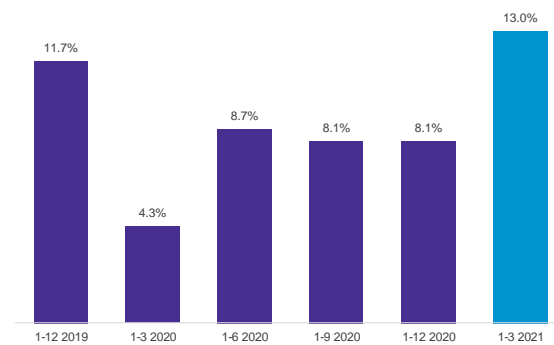
<sup>(v)</sup> Data on market share as of 31 December 2020.

## Figures at a Glance

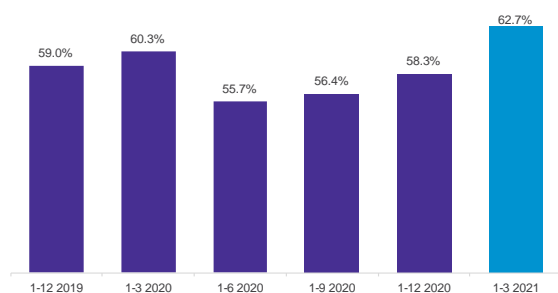
Profit a.t. - quarterly (in EUR million)



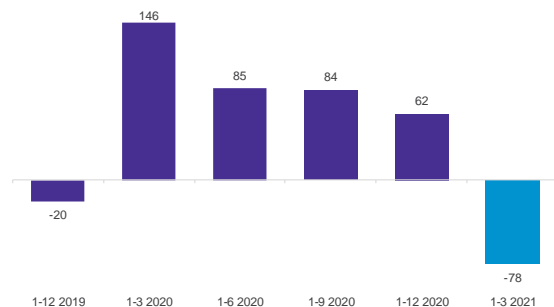
ROE a.t. <sup>(1)</sup> (in %)



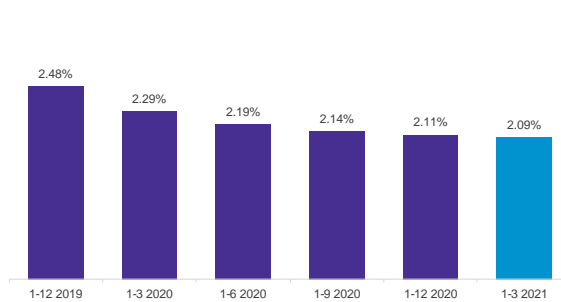
Cost to income ratio - CIR (in %)



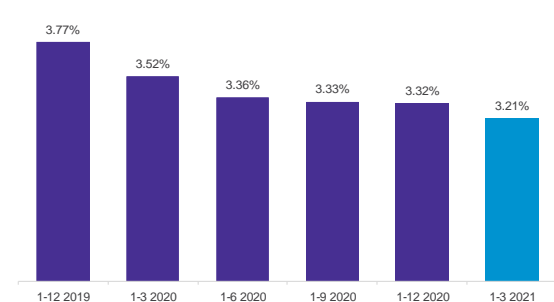
Cost of risk net <sup>(1)</sup> (in bps)



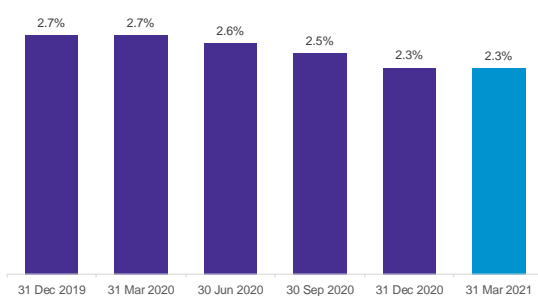
Net interest margin <sup>(1)</sup> (in %)



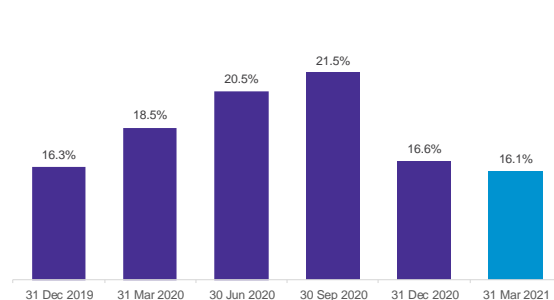
Operational business margin <sup>(1)</sup> (in %)



NPE ratio - EBA def. (in %)



Total capital ratio (in %)



<sup>(1)</sup> Komercijalna Banka group included from 2021 on.

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

Table 1: Key Financial Indicators of NLB Group

NLB Group						
in EUR million / % / bps	1-3 2021	1-3 2020	Change YoY	Q1 2021	Q4 2020	Q1 2020
<b>Key Income Statement Data</b>						
Net operating income	154.0	123.8	24%	154.0	121.2	123.8
Net interest income	97.5	77.4	26%	97.5	75.1	77.4
Net non-interest income	56.5	46.4	22%	56.5	46.1	46.4
Total costs	-96.6	-74.6	-29%	-96.6	-77.7	-74.6
Result before impairments and provisions	57.5	49.2	17%	57.5	43.5	49.2
Impairments and provisions	15.5	-28.3	-	15.5	-21.1	-28.3
Negative goodwill	0.0	0.0	-	0.0	137.9	0.0
Result after tax	64.6	18.3	-	64.6	165.1	18.3
<b>Key Financial Indicators</b>						
Return on equity after tax (ROE a.t.)	13.0%	4.3%	8.7 p.p.			
Return on assets after tax (ROA a.t.)	1.3%	0.5%	0.8 p.p.			
Net interest margin (on interest bearing assets)	2.09%	2.29%	-0.20 p.p.			
Net interest margin (on total assets - BoS ratio)	2.00%	2.20%	-0.19 p.p.			
Operational business margin <sup>(i)</sup>	3.21%	3.52%	-0.31 p.p.			
Cost to income ratio (CIR)	62.7%	60.3%	2.4 p.p.			
Cost of risk net (bps) <sup>(ii)</sup>	-78	146	-224			
in EUR million / %	31 Mar 2021	31 Dec 2020	31 Mar 2020	Change YTD	Change YoY	
<b>Key Financial Position Statement Data</b>						
Total assets	19,959.0	19,565.9	14,288.3	2%	40%	
Gross loans to customers	10,208.2	10,033.3	8,125.6	2%	26%	
Net loans to customers	9,824.5	9,644.9	7,759.8	2%	27%	
Deposits from customers	16,732.1	16,397.2	11,652.9	2%	44%	
Equity (without non-controlling interests)	2,014.1	1,952.8	1,678.9	3%	20%	
<b>Other Key Financial Indicators</b>						
LTD <sup>(iii)</sup>	58.7%	58.8%	66.6%	-0.1 p.p.	-7.9 p.p.	
Common Equity Tier 1 Ratio	13.7%	14.1%	15.4%	-0.4 p.p.	-1.7 p.p.	
Total capital ratio	16.1%	16.6%	18.5%	-0.6 p.p.	-2.5 p.p.	
Total risk weighted assets	12,615.1	12,421.0	9,226.7	2%	37%	
NPL volume <sup>(iv)</sup>	479.5	474.7	393.5	27%	22%	
NPL coverage ratio 1 <sup>(v)</sup>	80.0%	81.8%	92.9%	-1.8 p.p.	-12.9 p.p.	
NPL coverage ratio 2 <sup>(vi)</sup>	56.6%	57.3%	63.8%	-0.7 p.p.	-7.2 p.p.	
NPL ratio (internal def.) <sup>(vii)</sup>	3.5%	3.5%	3.9%	0.0 p.p.	-0.5 p.p.	
Net NPL ratio (internal def.) <sup>(viii)</sup>	1.6%	1.5%	1.5%	0.0 p.p.	0.1 p.p.	
NPL ratio (EBA def.) <sup>(ix)</sup>	4.5%	4.5%	4.6%	0.0 p.p.	-0.1 p.p.	
NPE ratio (EBA def.) <sup>(x)</sup>	2.3%	2.3%	2.7%	0.0 p.p.	-0.4 p.p.	
<b>Employees</b>						
Number of employees	8,725	8,792	5,846	-67	2,879	

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

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

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

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

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

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

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

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

<sup>(ix)</sup> NPL ratio as per EBA definition is calculated as follows: (i) Numerator: gross volume of non-performing loans and advances in Finrep 18 without loans held for sale, cash balances at central banks and other demand deposits; (ii) Denominator: gross volume of loans and advances in Finrep18 without loans held for sale, cash balances at central banks and other demand deposits.

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

International credit ratings NLB	31 Mar 2021	31 Dec 2020	Outlook
Standard & Poor's	BBB-	BBB-	Negative
Fitch <sup>(i)</sup>	-	BB+	-
Moody's <sup>(ii)</sup>	Baa1	Baa1	Stable

<sup>(i)</sup> On 31 December 2020 NLB terminated contractual relationship with the rating agency Fitch.

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

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

# Macroeconomic Environment

## Macroeconomic summary and outlook

In Q1, economies were still crippled by the ongoing COVID-19 pandemic, although differing success in the battle with the pandemic caused differing current economic conditions as well as differing economic prospects among economies. In the Euro area, there was a further tightening of containment measures in several countries, struggling to put the pandemic under control amid slow vaccination rollout. Consequently, the Euro area private sector economy remained a two-speed economy. The services sector was held back by containment measures and continued to represent a drag on growth while the manufacturing sector activity remained strong. At the start of the year, industrial production in the Euro area had fully recovered to pre-pandemic levels but dipped back later, being stalled by inputs supply bottlenecks. The manufacturing supply chain shows some signs of strain as demand for goods returns. Domestic spending remained depressed despite improved retail sales. The big rebound is yet to come in the months ahead, as non-essential retail stores are still closed in many countries. With consumer confidence increasing and accumulated households' excess savings expected to be gradually reinjected into the economy, consumption is seemingly set for a reopening rebound. The resilience in the labour market remained strong, with unemployment rate showing only a small uptick. Considering the contraction in activity and still lasting closures of some sectors, unemployment is only modestly above the pre-crisis levels, although this mild effect is driven by job retention schemes. The Euro area inflation continues to increase but most factors pushing up inflation are temporary in nature since last year's drivers of deflation has become drivers of inflation. Energy inflation, the German VAT increase, and the changes in weights in the inflation basket are some of them. However, disrupted global supply chains and rising commodity prices resulting in increased input costs could eventually result in the pass-through to consumer prices. The ECB gives the impression to be seemingly ready to look through higher inflation prints over the year. As such, monetary policy stance has not changed in Q1, although following a spike in government bond yields due to rising economic growth and inflation expectations, particularly in the US, the ECB announced it will front-load its emergency asset purchases in Q2 2021 to maintain favourable financing conditions and sustain the recovery.

In the Euro area, GDP is seen growing 4.0% this year, while in Slovenia it is seen expanding 4.5%. Supportive fiscal and monetary policies, unleashed pent-up demand and the disbursement of recovery funds should revive domestic spending while restored foreign demand should lift exports. The reopening of economies and rapid rebound, resulting in temporary supply-demand imbalances, are poised to reinforce other temporary factors effects, thereby stronger inflation prints are expected over the year. Disrupted global supply chains pose additional upside inflationary risks. Nevertheless, a large output gap will remain in place thereby keeping the medium-term inflationary pressures in check. The prospective winding down of job retention schemes clouds the outlook of the labour market. The Group's region is seen growing 4.6% on average this year with revival in domestic and foreign demand seen as main drivers of growth. The uncertain evolution of the pandemic still poses main downside risks.

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

	GDP (annual growth rate in %)				Average inflation (in %, aop)				Unemployment rate (in %, aop)			
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
Euro area	1.3	-6.6	4.0	4.0	1.2	0.3	1.4	1.3	7.6	8.0	8.5	8.0
Slovenia	3.2	-5.5	4.5	4.0	1.7	-0.3	1.2	1.5	4.5	5.0	5.0	5.0
BiH	2.9	-4.5	3.0	3.5	0.6	-1.0	0.9	1.3	15.7	18.0	17.5	16.5
Montenegro	4.1	-15.2	6.5	5.0	0.4	-0.3	1.0	1.2	15.1	18.0	16.5	16.0
N. Macedonia	3.2	-4.5	4.0	4.0	0.8	1.2	1.9	1.8	17.3	16.4	17.0	16.5
Serbia	4.2	-1.0	5.0	4.5	1.9	1.6	2.0	2.3	10.4	9.0	9.5	9.0
Kosovo	4.2	-3.9	4.5	4.5	2.7	0.2	1.0	1.6	25.7	26.5	25.5	25.0

Source: Statistical offices, NLB ALM.

Note: NLB forecasts highlighted in green and estimates in grey; aop – average of period.

# Business Report



# Key Highlights

## Financial Performance

Positive effects from cost rationalisation mitigated the decrease of net operating income

- **Profit a.t.** amounted to EUR 64.6 million. Komercijalna Banka group contributed EUR 6.0 million.
- Continuing pressure on **net interest income** partially neutralised by increase of net fee and commission income.
- Continuing focus on the cost discipline, favourable decrease in the Bank due to effective rationalisation of headcount and network and efficient results from on-going cost optimisation projects.
- Positive impact of the release of **impairments and provisions** (EUR 15.5 million in Q1), mostly due to successful repayment of exposures and changes in the credit ratings in the Bank.

## Business Overview

Strengthened market position in Serbia

- Robustness and sustainable business model.
- Strong **deposit base** demonstrating client confidence in the Group.
- Wider array of **digital solutions** (increased number of digital users and number of digital payments), improved **customer experience** and increased presence with **mobile branch NLB Bank&Go**.
- Improved generation of housing loans.
- **New business opportunities** to generate additional revenues.

## Asset Quality

Well diversified asset portfolio

- **Large share of retail in the credit portfolio structure** – positively contributing to the diversification and credit portfolio quality.
- The proactive workout approaches contributed to the negative **cost of risk** (-78 bps).
- Stable **NPE** (EBA def.) of 2.3% with comfortable coverage ratio of 56.6%.
- **Precautionary measures** to minimise potential future losses.

## Capital & Liquidity

Capitalised above regulatory requirements

- **Capital position** above regulatory requirements (TCR of 16.1%, 0.6 p.p. lower YTD).
- **Liquidity position** of the Group remains very strong, with high level of unencumbered liquidity reserves.

## Response to the COVID-19 Pandemic

Adaptation of business operations, proactive response to clients

- Adaptation of processes to ensure higher **availability and use of digital channels** – a wider range of 24/7 accessible digital solutions offered to clients.
- **Supporting clients** through the downturn by offering **moratoriums** (EUR 2,284.4 million) and **new financing** (EUR 119.3 million), most of which is subject to **public guarantee schemes** (EUR 106.2 million). Most approved moratoriums (77.9%) already expired.
- Due to positive experience and effects during the COVID-19, the Bank continues with the **work-from-home initiative**.

## Strategy & Outlook

Committed to pursue its strategic objectives

- **Integration of Komercijalna Banka group** in the process to enable synergy extraction.
- Special focus on **stable revenues** and cost sustainability.
- **Dividend payout** in 2021 proposed in line with applicable regulatory requirements and NLB's capacity.
- Striving to become a **regional champion**, whereby clients remain the first priority.
- Continue to serve the community aiming to **improve the quality of life** in the region.
- Meeting stakeholder needs and expectations and driving **business value through sustainability**.

## Key Events

In January 2021, the Workers' Council of NLB elected Tadeja Žbontar Rems as member of the Supervisory Board of the Bank - representative of workers. Her term of office will run from 22 January 2021 and last until the conclusion of the Annual General Meeting of NLB that decides on the allocation of distributable profit for the fourth financial year after her election, counting the year in which she was appointed as the first one.

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

On 10 March 2021, NLB announced a takeover bid in the Republic of Serbia in accordance with applicable Serbian legislation for the acquisition of all remaining regular shares and all priority shares of Komercijalna Banka, Beograd. The takeover bid was open for acceptance until 9 April 2021.<sup>2</sup>

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<sup>2</sup> Further information is available in chapter Events after 31 March 2021.

## NLB Shareholders Structure

The Bank's issued share capital is divided into 20,000,000 shares. The shares are listed on the Prime Market of the Ljubljana Stock Exchange (ISIN SI0021117344, Ljubljana Stock Exchange trading symbol: NLBR) and the global depositary receipts (GDR), 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 2021<sup>3</sup>

Shareholder	Number of shares	Percentage of shares
Bank of New York Mellon on behalf of the GDR holders <sup>(i)</sup>	11,536,364	57.68
• of which Brandes Investment Partners, L.P. <sup>(ii)</sup>	n.a.	>5 and <10
• of which European Bank for Reconstruction and Development (EBRD) <sup>(ii)</sup>	n.a.	>5 and <10
• of which Schroders plc <sup>(ii)</sup>	n.a.	>5 and <10
Republic of Slovenia (RoS)	5,000,001	25.00
Other shareholders	3,463,635	17.32
<b>Total</b>	<b>20,000,000</b>	<b>100.00</b>

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

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

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

## Financial Performance<sup>4</sup>

Table 4: Income statement of NLB Group

in EUR million	NLB Group		Change YoY			Q1 2021	Q4 2020	Q1 2020	Change QoQ	
	1-3 2021	1-3 2020	o/w KB contribution							
Net interest income	97.5	77.4	20.1	24.0	26%	97.5	75.1	77.4	22.4	30%
Net fee and commission income	54.1	42.4	11.7	9.8	28%	54.1	45.1	42.4	9.0	20%
Dividend income	0.0	0.0	0.0	0.0	0%	0.0	0.0	0.0	0.0	57%
Net income from financial transactions	5.3	3.8	1.5	2.0	39%	5.3	2.0	3.8	3.3	166%
Net other income	-2.8	0.2	-3.1	-3.0	-	-2.8	-1.0	0.2	-1.8	-177%
Net non-interest income	56.5	46.4	10.1	8.9	22%	56.5	46.1	46.4	10.4	23%
<b>Total net operating income</b>	<b>154.0</b>	<b>123.8</b>	<b>30.3</b>	<b>32.8</b>	<b>24%</b>	<b>154.0</b>	<b>121.2</b>	<b>123.8</b>	<b>32.9</b>	<b>27%</b>
Employee costs	-55.1	-42.9	-12.2	-13.2	-28%	-55.1	-42.0	-42.9	-13.1	-31%
Other general and administrative expenses	-29.8	-23.7	-6.1	-7.6	-26%	-29.8	-27.6	-23.7	-2.2	-8%
Depreciation and amortisation	-11.6	-8.1	-3.6	-3.4	-44%	-11.6	-8.0	-8.1	-3.6	-46%
<b>Total costs</b>	<b>-96.6</b>	<b>-74.6</b>	<b>-21.9</b>	<b>-24.2</b>	<b>-29%</b>	<b>-96.6</b>	<b>-77.7</b>	<b>-74.6</b>	<b>-18.9</b>	<b>-24%</b>
<b>Result before impairments and provisions</b>	<b>57.5</b>	<b>49.2</b>	<b>8.3</b>	<b>8.7</b>	<b>17%</b>	<b>57.5</b>	<b>43.5</b>	<b>49.2</b>	<b>14.0</b>	<b>32%</b>
Impairments and provisions for credit risk	16.0	-28.2	44.1	1.3	-	16.0	-13.2	-28.2	29.2	-
Other impairments and provisions	-0.5	-0.2	-0.3	-1.8	-157%	-0.5	-7.9	-0.2	7.5	94%
Impairments and provisions	15.5	-28.3	43.8	-0.5	-	15.5	-21.1	-28.3	36.6	-
Gains less losses from capital investments in subsidiaries, associates, and joint ventures	0.1	0.2	-0.1	0.0	-40%	0.1	0.0	0.2	0.2	-
Negative goodwill	0.0	0.0	0.0	0.0	-	0.0	137.9	0.0	-137.9	-
<b>Result before tax</b>	<b>73.1</b>	<b>21.0</b>	<b>52.1</b>	<b>8.2</b>	<b>-</b>	<b>73.1</b>	<b>160.2</b>	<b>21.0</b>	<b>-87.1</b>	<b>-54%</b>
Income tax	-4.7	-1.6	-3.2	-0.8	-	-4.7	3.8	-1.6	-8.5	-
Result of non-controlling interests	3.8	1.2	2.6	1.4	-	3.8	-1.1	1.2	4.9	-
<b>Result after tax</b>	<b>64.6</b>	<b>18.3</b>	<b>46.3</b>	<b>6.0</b>	<b>-</b>	<b>64.6</b>	<b>165.1</b>	<b>18.3</b>	<b>-100.5</b>	<b>-61%</b>

## Profit

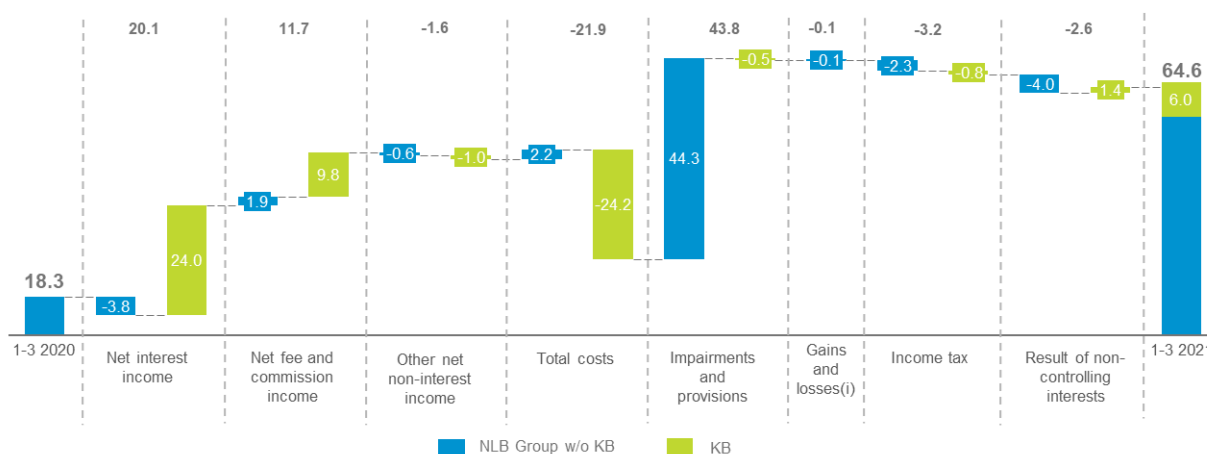
The Group generated EUR 64.6 million of profit after tax, EUR 46.3 million higher YoY – Komercijalna Banka group<sup>5</sup> contributed EUR 6.0 million to the result.

The result was based on the following key drivers:

- **Net interest income** increased due to the contribution of the Komercijalna Banka group (EUR 24.0 million), while it decreased in most other Group banks, in particular in the Bank (EUR 3.5 million YoY), due to lower yields of reinvested debt securities and higher volume of cash and balances with the central bank. The pressure on net interest margins in the Bank and member banks in SEE continues.
- **Net fee and commission income** increased in the Bank mostly due to repricing of packages; in other Group member banks the same level was retained.
- **Total costs** decreased YoY in the Bank (EUR 3.1 million) and in Non-core members (EUR 0.7 million), while other bank members recorded an increase.
- **Net impairments and provisions** were released in the amount of EUR 15.5 million, mostly due to repayment of several exposures and changes in credit ratings in the Bank.

<sup>4</sup> YoY data are not comparable due to Komercijalna Banka, Beograd acquisition at the end of 2020.

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

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

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

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

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

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

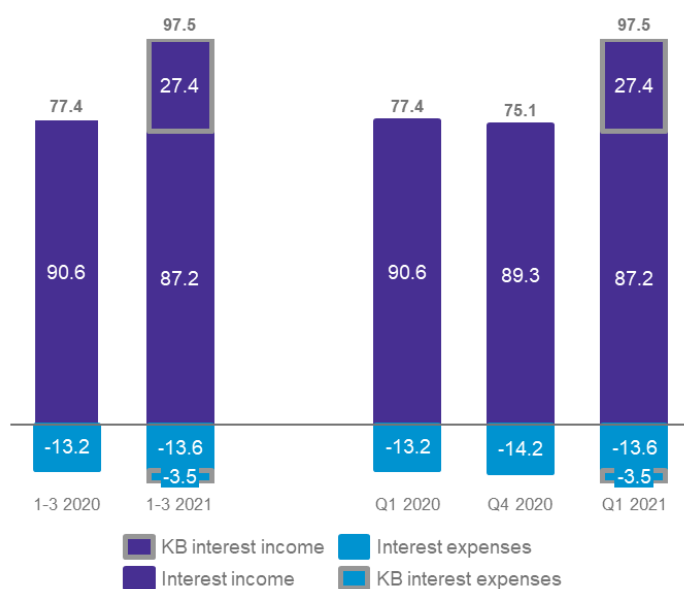
(c) Realised gains/losses on derecognition of financial instruments: from NLB Group perspective, securities were acquired at their fair value at the time of acquisition, while from the perspective of Komerčijalna Banka group they were acquired at different, mostly lower values. Consequently, realised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

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

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

## Net Interest Income

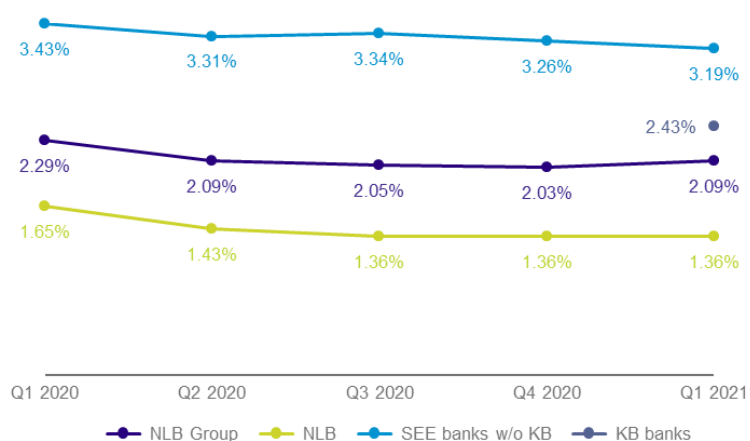
Figure 2: Net interest income of NLB Group (in EUR million)



The net interest income totalled EUR 97.5 million, of which EUR 24.0 million were contributed by the acquired Komerčijalna Banka group. A drop in the interest income is mainly related to lower income from financial assets

due to reinvestment of debt securities with lower yields in the Bank, higher cash volumes and balances with the central bank (bearing negative interest in line with the expansionary monetary policy), and continued pressure on interest rates achieved on the loan portfolio in the Bank and the Group member banks in the SEE region. Higher interest expenses are related to the subordinated Tier 2 instruments raised by the Bank to optimise the capital structure (in February 2020, therefore Q1 2020 was only partially affected). Interest expenses in other member banks were decreasing due to lower interest rates for customer deposits. Additionally, on QoQ basis the interest income and interest expenses decreased due to a decrease of interest rates for loans to customers and deposits, despite an increase in volumes, both in the Bank and in SEE banks.

Figure 3: Net interest margin of NLB Group – quarterly data (in %)<sup>(1)</sup>



<sup>(1)</sup> Net interest margin of Komercijalna Banka group without consideration of consolidation adjustments was 2.88% (see explanation of consolidation adjustments under Figure 1); Komercijalna Banka group is included in NLB Group interest margin from 2021 on.

The net interest margin of 2.09% for the Group was 0.20 p.p. lower than previous year, however 0.19 p.p. higher QoQ due to the inclusion of Komercijalna Banka group banks in the Group, which had 2.43% net interest margin in Q1 2021.

The net interest margin for the Bank was 1.36%, a substantial YoY decrease due to increased expenses for liquidity surplus (EUR 1.2 million), lower income on overdrafts due to lower balances (EUR 0.7 million), lower income from consumer loans (EUR 0.2 million), lower income from investments in securities due to 13 bps lower average interest rate and higher expenses from subordinated debt by EUR 0.5 million.

The net interest margin of the Group member banks in the SEE region without Komercijalna Banka group banks is decreasing, and amounted to 3.19% in Q1, a substantial YoY decrease due to lower income from loans to customers and lower yields from securities, despite increasing volume, higher charges for cash volumes and balances with the central bank, and lower expenses for customer deposits, especially from individuals - lower interest rates, despite increasing volume.

## Net Non-Interest Income

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

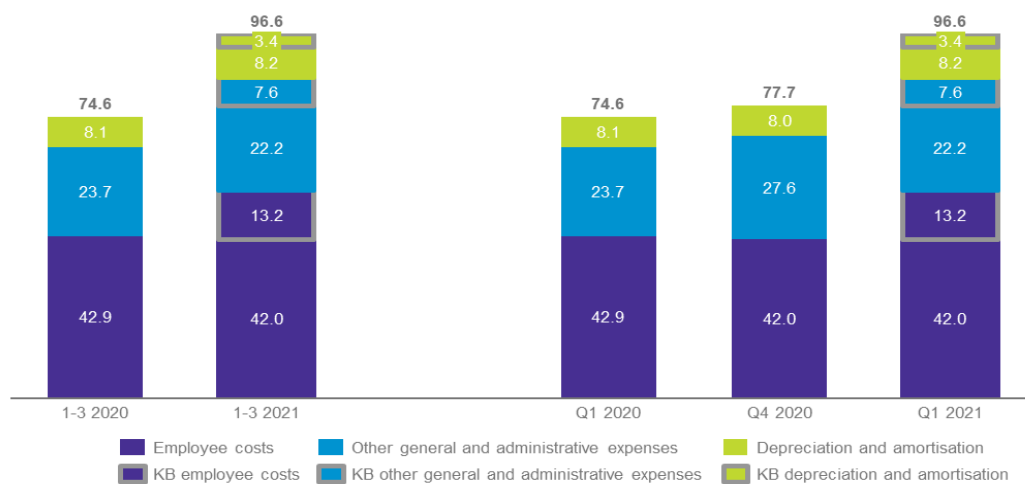


Net non-interest income reached EUR 56.5 million, of which EUR 8.9 million were contributed by Komercijalna Banka group. In Q1 of 2021 and in Q1 2020, a major part of net non-interest income derived from net fees and commissions, which grew in the Bank YoY due to the repricing of the packages, higher net fees from asset management and deposit fee for high balances. Other members' net fees and commissions stayed on the same level.

On the other hand, net fee and commission income decreased QoQ mainly due to a decrease in all SEE member banks.

## Total Costs

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



Total costs amounted to EUR 96.6 million, of which EUR 24.2 million from Komercijalna Banka group. Costs were EUR 3.1 million lower YoY in the Bank due to lower employee costs and positive effects from cost optimisation projects and EUR 0.7 million lower in non-core members.

General and administrative costs decreased QoQ due to cost optimisation projects and cash logistic.

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 62.7%, a 2.4 p.p. YoY increase.

## Net Impairments and Provisions

**Net impairments and provisions** were released in the amount of EUR 15.5 million due to repayment of several exposures and changes in credit ratings in the Bank. In Q1 2020, net impairments and provisions were established in the amount of EUR 28.3 million, mostly due to changed macroeconomic parameters that incorporated estimated impacts of the COVID-19 outbreak.

The cost of risk was negative, -78 bps (146 bps in the same period in 2020).



## Financial Position<sup>6</sup>

Table 5: Statement of financial position of NLB Group

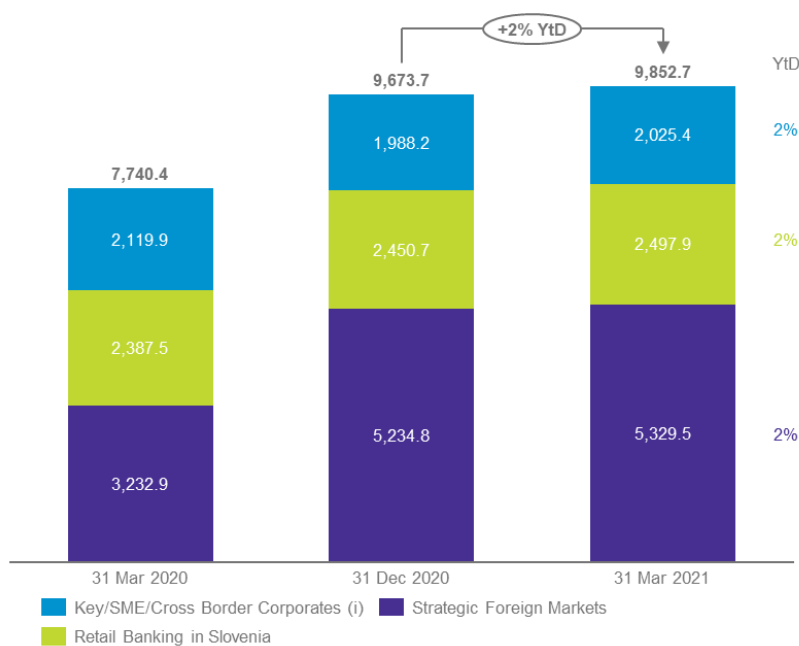
in EUR million	NLB Group						
	31 Mar 2021	31 Dec 2020	31 Mar 2020	Change YtD		Change YoY	
<b>ASSETS</b>							
Cash, cash balances at central banks, and other demand deposits at banks	3,918.2	3,961.8	2,095.4	-43.6	-1%	1,822.8	87%
Loans to banks	205.0	197.0	93.6	8.0	4%	111.3	119%
Net loans to customers	9,824.5	9,644.9	7,759.8	179.6	2%	2,064.7	27%
Gross loans to customers	10,208.2	10,033.3	8,125.6	174.8	2%	2,082.5	26%
- Corporate	4,720.8	4,631.7	3,823.6	89.1	2%	897.2	23%
- Individuals	5,126.6	5,027.6	4,016.1	99.0	2%	1,110.5	28%
- State	360.8	374.0	286.0	-13.2	-4%	74.8	26%
Impairments and valuation of loans to customers	-383.7	-388.4	-365.8	4.7	1%	-17.8	-5%
Financial assets	5,376.4	5,119.5	3,711.2	256.9	5%	1,665.2	45%
- Trading book	75.1	84.9	25.6	-9.8	-11%	49.5	194%
- Non-trading book	5,301.3	5,034.7	3,685.6	266.6	5%	1,615.7	44%
Investments in subsidiaries, associates, and joint ventures	8.1	8.0	7.7	0.1	2%	0.4	5%
Property and equipment, investment property	301.7	304.0	245.4	-2.3	-1%	56.3	23%
Intangible assets	58.2	61.7	37.9	-3.4	-6%	20.3	54%
Other assets	266.9	268.9	337.2	-2.1	-1%	-70.3	-21%
<b>TOTAL ASSETS</b>	<b>19,959.0</b>	<b>19,565.9</b>	<b>14,288.3</b>	<b>393.2</b>	<b>2%</b>	<b>5,670.7</b>	<b>40%</b>
<b>LIABILITIES</b>							
Deposits from customers	16,732.1	16,397.2	11,652.9	334.9	2%	5,079.2	44%
- Corporate	4,011.0	3,949.1	2,641.7	61.8	2%	1,369.2	52%
- Individuals	12,254.4	12,023.5	8,728.6	230.9	2%	3,525.8	40%
- State	466.7	424.5	282.5	42.2	10%	184.2	65%
Deposits from banks and central banks	71.9	72.6	63.1	-0.7	-1%	8.8	14%
Borrowings	251.1	249.8	232.5	1.4	1%	18.6	8%
Other liabilities	428.5	434.9	328.4	-6.5	-1%	100.1	30%
Subordinated liabilities	286.8	288.3	286.6	-1.5	-1%	0.2	0%
Equity	2,014.1	1,952.8	1,678.9	61.3	3%	335.2	20%
Non-controlling interests	174.5	170.3	45.9	4.2	2%	128.6	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>19,959.0</b>	<b>19,565.9</b>	<b>14,288.3</b>	<b>393.2</b>	<b>2%</b>	<b>5,670.7</b>	<b>40%</b>

The Group's total assets increased and totalled EUR 19,959.0 million, a EUR 393.2 million increase YtD mainly due to the continued inflows of deposits (EUR 334.9 million), mostly from individuals (EUR 230.9 million). Excess liquidity was invested in securities (EUR 256.9 million) and in gross loans to customers (EUR 89.1 million to corporate and EUR 99.0 million to individual clients). The share of customers' deposits accounted for 84% of the total funding, same as at 2020 YE.

The LTD ratio (net) was 58.7% at the Group level, the decrease (0.1 p.p. YtD and 7.9 p.p. YoY) was the result of increased deposits due to over liquidity on the market and additionally due to acquisition of strong deposit based Komercijalna Banka group.

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

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



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

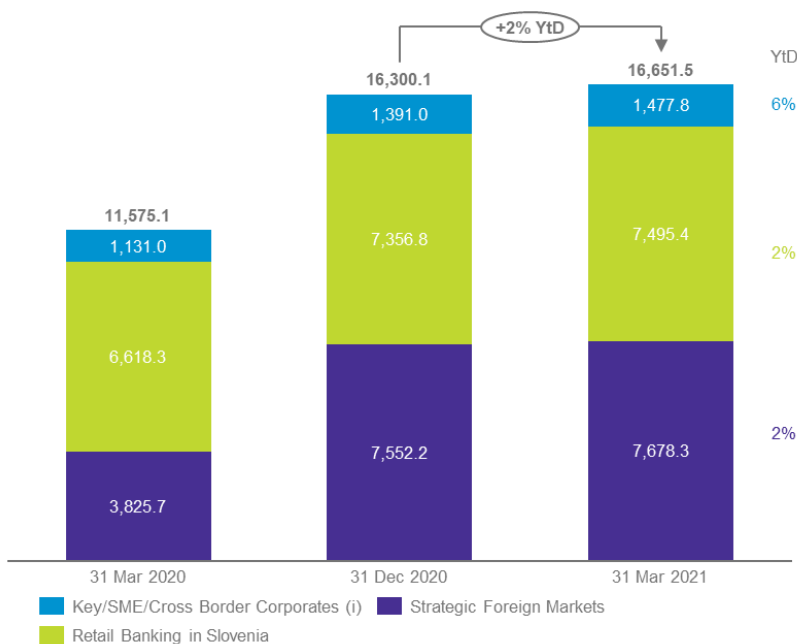
Key business activities recorded a EUR 179.0 million or 2% YtD increase of gross loans to customers, totalling EUR 9,852.7 million.

After the COVID-19 outbreak the trends of increasing business volumes slowed down significantly; however, they are still being recorded. The largest YtD increase was recorded in Strategic Foreign Markets with EUR 94.7 million, with modest growth recorded in most banks compared to 2020 YE.

Gross loans of Retail Banking in Slovenia grew by 47.2 million YtD, mostly due to an increasing volume of housing loans (EUR 47.1 million YtD, with EUR 106.2 million new loans in Q1) related to more attractive offers for clients and intensive marketing campaigns. The volume of consumer loans was slightly lower YtD (EUR 3.7 million); however, new production in Q1 2021 amounted to EUR 56.5 million and was higher compared to Q1 2020 (EUR 51.5 million) as well as Q4 2020 (EUR 48.0 million).

Key/SME/Cross-border corporates recorded a EUR 37.2 million growth YtD, with growth distributed mostly between Key and Cross-border corporates.

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

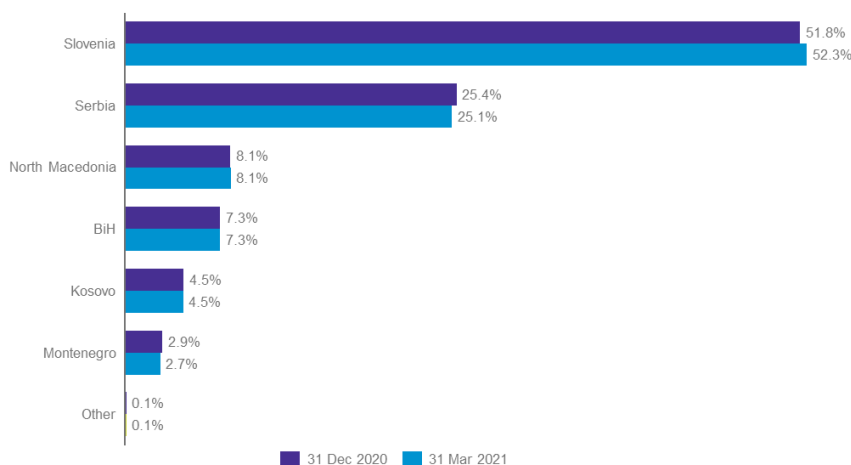


<sup>(i)</sup> Including deposits from Corporate and from the State.

Key business activities recorded a EUR 351.5 million or 2% YtD increase of deposits from customers, totalling EUR 16,651.5 million.

The largest absolute YtD increase was recorded in Retail banking in Slovenia with EUR 138.6 million (1.9%), while the Key/SME/Cross-border corporates achieved the largest relative increase of 6% or EUR 86.6 million. Strategic Foreign Markets also recorded a EUR 126.1 million or 2% YtD increase.

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



<sup>(i)</sup> Geographical analysis based on the booking entity.

# Capital and Liquidity

## Capital

Figure 9: NLB Group capital (in EUR million)

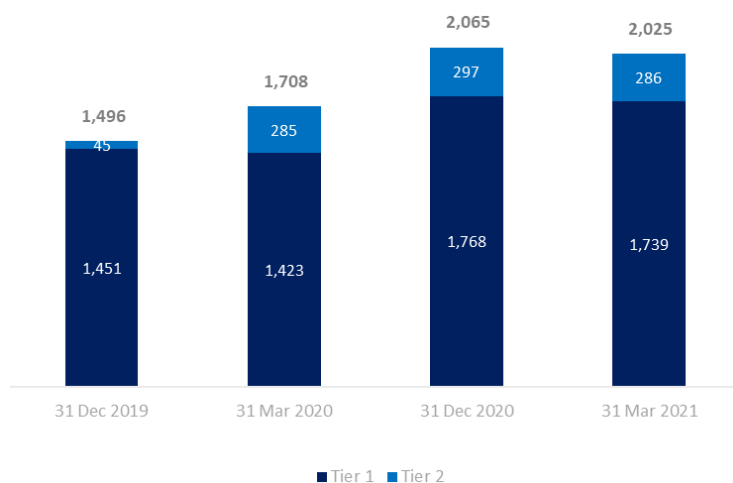
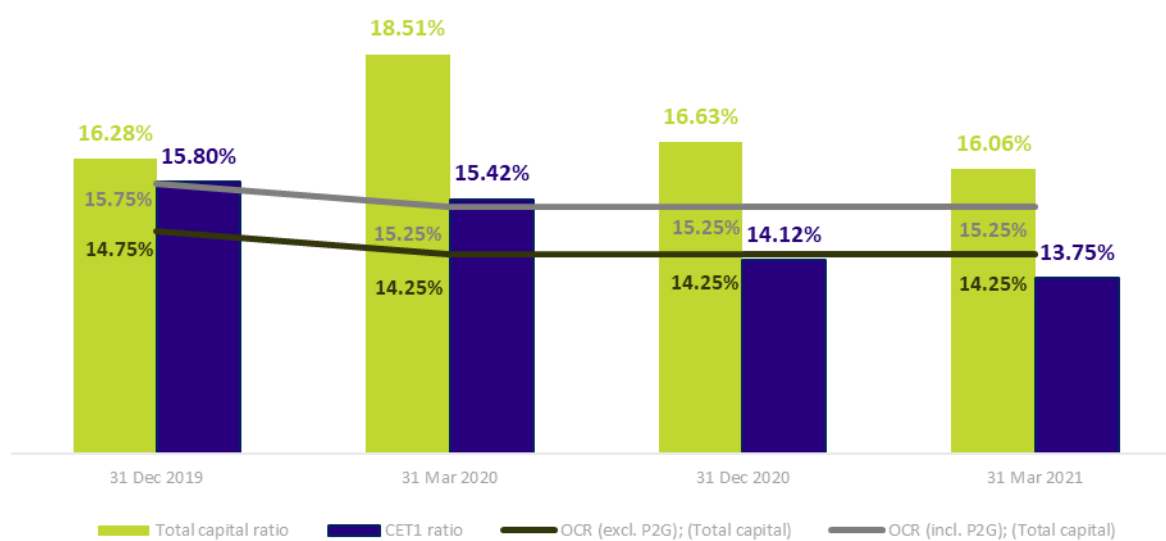


Figure 10: NLB Group capital ratios and regulatory thresholds



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

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

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

Table 6: NLB Group capital requirements and buffers

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

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

As at 31 March 2021, the Total capital ratio for the Group stood at 16.1% (or 0.6 p.p. lower than at the end of 2020). As at 31 March 2021, the CET1 ratio stood at 13.7% (0.4 p.p. lower than at 2020 YE). The lower total capital adequacy derives from lower capital (EUR 40.0 million for the Group) as well as higher RWA. The main effect in the capital was a decrease of NCI – minority interest in the amount of EUR 38.1 million, of which EUR 43.0 million due to Komercijalna Banka, Beograd takeover bid, after obtaining the ECB's approval. If as of 30 September 2021 NLB does not own 100% of Komercijalna Banka, Beograd shares, the remaining part of minority interest will be included back into capital.

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

	Balance at			Change	
	31 Mar 2021	31 Dec 2020	31 Mar 2020	YtD	YoY
<b>Total risk exposure amount (RWA)</b>	<b>12,615.1</b>	<b>12,421.0</b>	<b>9,226.7</b>	<b>194.0</b>	<b>3,388.4</b>
RWA for credit risk	10,320.6	10,222.9	7,725.0	97.6	2,595.6
Central governments or central banks	1,806.6	1,892.2	1,090.2	-85.6	716.4
Regional governments or local authorities	131.7	135.5	58.6	-3.7	73.1
Public sector entities	255.7	248.8	104.3	6.9	151.4
Institutions	321.0	311.7	199.7	9.3	121.3
Corporates	2,247.7	2,224.2	2,205.5	23.5	42.2
Retail	3,950.2	3,891.8	2,935.0	58.4	1,015.1
Secured by mortgages on immovable property	365.7	355.7	352.6	10.0	13.1
Exposures in default	242.5	231.5	149.7	11.0	92.8
Items associated with particular high risk	399.6	344.2	208.7	55.4	190.9
Covered bonds	40.8	40.9	39.2	0.0	1.7
Claims in the form of CU	17.8	18.7	11.8	-0.8	6.0
Equity exposures	78.6	47.1	35.2	31.5	43.4
Other items	462.7	480.9	334.5	-18.2	128.2
RWA for market risk + CVA	1,347.2	1,250.8	547.6	96.4	799.6
RWA for operational risk	947.3	947.3	954.1	0.0	-6.8

RWA for the Group increased in Q1 by EUR 194.0 million. RWA for credit risk increased in Q1 by EUR 97.6 million. Most of the increase was contributed by the Bank (EUR 127.4 million), which is related to the new production in the retail and corporate segment and investments in subordinated bonds (Tier 2). As the result of

RWA optimisation, some banking members of the Group recorded a decrease in RWA. Other factors for RWA reduction are maturity of government bonds in Serbia and Montenegro, as well as lower deposits with central banks.

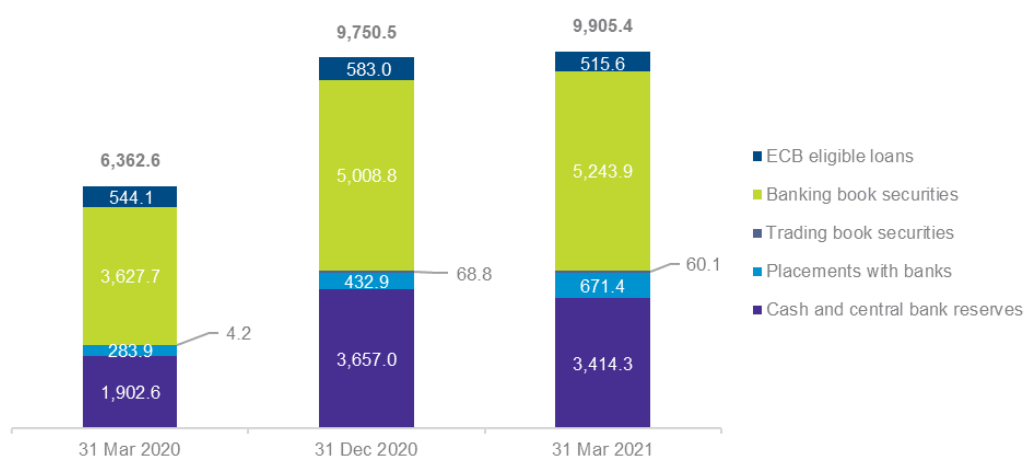
The increase in RWA for market risks and CVA (Credit value adjustments) in the amount of EUR 96.4 million is mainly the result of more open positions in domestic currencies of non-euro subsidiary banks, especially in RSD due to Komercijalna Banka, Beograd takeover bid.

## Liquidity

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

Liquid assets of the Group amounted to EUR 9.9 billion (49.6% of total assets; 2020 YE: EUR 9.8 billion, 49.8% of total assets), of which EUR 1.0 billion (2020 YE: EUR 1.0 billion) were encumbered due to operational and regulatory requirements.

Figure 11: NLB Group liquid assets structure reflects a robust liquidity position (in EUR million)



The banking book securities portfolio, which accounted for 52.9% of the Group's liquid assets (2020 YE: 51.4%), was dispersed appropriately across issuers, geographies, and remaining average maturity, with the aim of adequate liquidity and interest risk management.

In spite of persistent COVID-19-related circumstances, which impede people from spending, cash and central bank/commercial bank balances did not change fundamentally. On the other hand, the investment activity continues with a balanced approach which follows a clear focus on attractive market opportunities and at the same time well-managed credit risk and capital consumption.

Driven by the low interest rate environment, the main change in the funding structure of the Group was the ongoing transformation of term-to-sight customer deposits, representing the key funding base. The share of sight customer deposits was 70.3% of the total assets (2020 YE: 69.7%).

## Related-Party Transactions

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

## Segment Analysis

### Core Segments

### Non-Core Segments

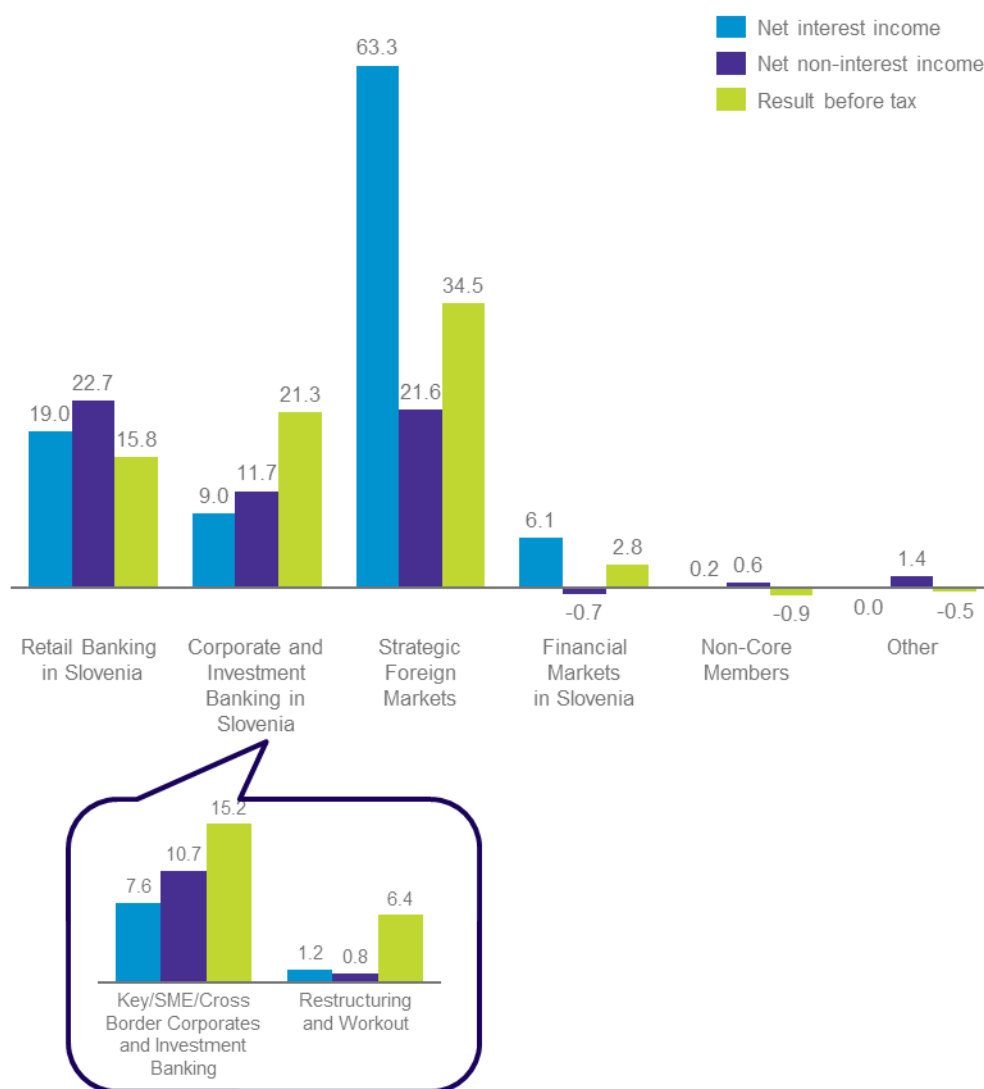
	Retail Banking in Slovenia	Corporate and Investment Banking in Slovenia	Strategic Foreign Markets	Financial Markets in Slovenia	Other	Non-Core Members
	includes banking with individuals and micro companies, asset management (NLB Skladi), and one part of the subsidiary NLB Lease&Go that deals with retail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

(in EUR million)	NLB Group						
<b>Profit b.t.</b>	73.1	15.8	21.3	34.5	2.8	-0.5	-0.9
<b>Contribution to Group's profit b.t.</b>	100%	22%	29%	47%	4%	-1%	-1%
<b>Total assets</b>	19,959	2,544	2,099	9,431	5,373	388	125
<b>% of total assets</b>	100%	13%	11%	47%	27%	2%	1%
<b>CIR</b>	62.7%	64.0%	50.1%	61.6%	35.2%	261.9%	285.8%
<b>Cost of risk (bps)</b>	-78	-12	-212	116	/	/	-704

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



Figure 12: Segment results of NLB Group (in EUR million)



The core markets and activities made a profit before tax of EUR 74.0 million. Strategic Foreign Markets contributed the largest share to the Group's profit before tax in the amount of EUR 34.5 million, followed by Corporate and Investment Banking in Slovenia with EUR 21.3 million, Retail Banking in Slovenia with EUR 15.8 million, and Financial Markets in Slovenia with EUR 2.8 million. The Non-Core Members recorded a loss before tax in the amount of EUR 0.9 million.

## Retail Banking in Slovenia

### Financial Highlights

- Cost efficiency due to a lower number of employees and costs optimisation projects.
- COVID-19 outbreak influence on impairments and provisions.
- Increasing housing loans and deposit base.

### Business Highlights

- Mobile branch NLB Bank&Go started its routes.
- Loans can now be approved also via a video call in the Contact Centre.

## Financial performance

Table 8: Key financials of Retail Banking in Slovenia

Retail Banking in Slovenia								
in EUR million consolidated								
	1-3 2021	1-3 2020	Change YoY		Q1 2021	Q4 2020	Q1 2020	Change QoQ
Net interest income	19.0	21.3	-2.3	-11%	19.0	19.5	21.3	-3%
Net interest income from Assets <sup>(1)</sup>	19.6	19.8	-0.2	-1%	19.6	20.0	19.8	-2%
Net interest income from Liabilities <sup>(1)</sup>	-0.6	1.5	-2.1	-	-0.6	-0.5	1.5	-9%
Net non-interest income	22.7	18.6	4.1	22%	22.7	22.4	18.6	1%
o/w Net fee and commission income	21.8	19.3	2.6	13%	21.8	21.7	19.3	1%
<b>Total net operating income</b>	<b>41.7</b>	<b>39.9</b>	<b>1.7</b>	<b>4%</b>	<b>41.7</b>	<b>41.9</b>	<b>39.9</b>	<b>-1%</b>
Total costs	-26.6	-28.6	1.9	7%	-26.6	-30.1	-28.6	1%
<b>Result before impairments and provisions</b>	<b>15.0</b>	<b>11.4</b>	<b>3.7</b>	<b>32%</b>	<b>15.0</b>	<b>11.8</b>	<b>11.4</b>	<b>27%</b>
Impairments and provisions	0.7	-4.6	5.3	-	0.7	-6.1	-4.6	-
Net gains from investments in subsidiaries, associates, and JVs'	0.1	0.2	-0.1	-40%	0.1	0.0	0.2	-
<b>Result before tax</b>	<b>15.8</b>	<b>7.0</b>	<b>8.8</b>	<b>126%</b>	<b>15.8</b>	<b>5.7</b>	<b>7.0</b>	<b>177%</b>

	31 Mar 2021	31 Dec 2020	31 Mar 2020	Change YtD		Change YoY	
Net loans to customers	2,463.1	2,415.4	2,357.4	47.7	2%	105.7	4%
Gross loans to customers	2,497.9	2,450.7	2,387.5	47.2	2%	110.4	5%
Housing loans	1,581.8	1,534.7	1,435.4	47.1	3%	146.3	10%
Interest rate on housing loans	2.40%	2.51%	2.51%	-0.11 p.p.		-0.11 p.p.	
Consumer loans	648.0	651.7	679.6	-3.7	-1%	-31.5	-5%
Interest rate on consumer loans	6.64%	6.43%	6.35%	0.21 p.p.		0.29 p.p.	
Other	268.0	264.3	272.5	3.7	1%	-4.4	-2%
Deposits from customers	7,495.4	7,356.8	6,618.3	138.6	2%	877.1	13%
Interest rate on deposits	0.03%	0.04%	0.05%	-0.01 p.p.		-0.02 p.p.	
Non-performing loans (gross)	52.3	52.4	43.0	-0.1	0%	9.3	22%

	1-3 2021	1-3 2020	Change YoY
Cost of risk (in bps)	-12	77	-89
CIR	64.0%	71.6%	-7.6 p.p.
Interest margin	1.54%	1.91%	-0.37 p.p.

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

The segment's **profit before tax** amounted to EUR 15.8 million, an EUR 8.8 million increase YoY; this increase is mostly related to higher impairments for credit losses in Q1 2020 due to the COVID-19 outbreak and lower costs.

**Net interest income** was 11% lower YoY. Due to the overliquidity of the Bank, the policy to de-stimulate the deposit collection triggered the retail deposits margin after transfer price (FTP) reduction in the amount of EUR 2.1 million YoY. The interest income from loans to individuals was EUR 0.2 million lower YoY due to lower interest margin and lower portfolio of consumer loans and overdrafts, which was partially compensated with higher volumes of housing loans despite higher volumes. From 2020 on, the COVID-19 outbreak affected the new production of loans to individuals, as well as a change of legislation in the last quarter of 2019 that tightened the measures in consumer and housing lending. Despite that and as a result of several activities (marketing campaigns, individualised preapproved loan campaigns, and process improvements), consumer lending has not recorded a more substantial drop (EUR 3.7 million YtD and a EUR 31.5 million YoY decrease), while the production of new housing loans was EUR 51.2 million higher compared to Q1 2020 (Q1 2021: EUR 106.2 million). Housing loans recorded an increase in the portfolio (EUR 47.1 million YtD and EUR 146.3 million YoY),

also as a result of intensive marketing campaigns and changes in pricing policy. A decrease of balances was recorded in the portfolio of overdrafts (EUR 17.6 million YoY), while cards recorded a slight increase (EUR 5.3 million YoY).

The segment recorded **net non-interest income** of EUR 22.7 million, a EUR 4.1 million (22%) increase YoY, mostly due to higher net fee and commission income (EUR 2.6 million or 13%) related mostly to package repricing and higher net fees from asset management.

Lower **costs** by EUR 1.9 million (7%), due to lower employee costs (lower number of employees) and lower general and administrative costs (optimised cash handling, paperless project).

**Net impairments and provisions** were released in the amount of EUR 0.7 million, while in Q1 2020 additional credit impairments and provisions related to the COVID-19 outbreak were established.

**Deposits from customers** increased by EUR 138.6 million (2%) YtD and EUR 877.1 million (13%) YoY due to lower consumption and social transfers related to the COVID-19 outbreak.

Exposures subject to COVID-19 were concluded in the amount of EUR 124.9 million (4.9 % of the total retail exposure).<sup>7</sup>

## Business Performance

The Bank maintained the leading position with a market share of 23.7% in retail lending (Q1 2020: 23.0%) and 31.0% (Q1 2020: 30.6%) in deposit-taking. An encouraging increase of the market share is noticed for housing loans, namely to 23.0% (Q1 2020: 21.8%), which is the result of very good production of a new housing loans.

A noticeable pick up in the sales of new housing and also consumer loans was recorded and supported by successful campaigns, especially for housing loans where the "Best NLB offer" also includes additional benefits for clients for consumer loan and/or opening of the Premium Package.

The mobile branch NLB Bank&Go was finally able to make its routes across Slovenia and to enable the Bank to be closer to its customers and offering them services in areas in Slovenia where a permanent branch is no longer available. The purpose of the mobile branch is also to encourage and to educate our customers to use modern channels for services. In cooperation with IKEA, one of the largest furniture retailers, the Bank also opened a desk office in its new store.

The number of digital users continued to increase also in Q1 (11% YoY). The number of m-bank Klikin and e-bank NLB Klik users recorded a YoY increase, 21.2% (+ 49,807 users) and 5.9% (+ 13,676 users) respectively. The total volume and number of payments processed in the e-bank and m-bank YoY increase was 28.3% and 16.0% respectively, which also nicely presents the Bank's digital path.

Launching the sales of different products (Quick loans, Vita and Generali insurance products, deposits, savings and cards) via a video call was an important step towards strengthening the role of the Contact Centre as a 24/7

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<sup>7</sup> Further details are available in Table 16.

sales channel. The Contact Centre experienced YoY increases of 3.9% in inbound calls, 62.6% in chats and 114.3% in video call.

The usage of m-wallet NLB Pay noticeably increased. The number of users and volume of transactions increased YoY by 98.8% and 117.8% respectively.

The Bank observed a rising demand from merchants for e-commerce card acceptance which is also noticed in the pick-up of NLB personal card transaction volumes by almost 8% YoY. To provide clients with greater safety in card business, the Bank offers insurance against a loss incurred by the customer in case a card is stolen or lost. Paperless trends are also well incorporated by sending the PIN via an SMS (96.4% of all sent PINs).

The market share of NLB Skladi increased to 35.7% (31 March 2020: 33.8%). With EUR 69.9 million of net inflows in Q1, which is the company's highest quarterly amount of inflows recorded, the company ranked first among its peers in Slovenia, accounting for 45.5% of net inflows in the market. The company remains the largest asset management company and mutual funds management company in Slovenia. The total assets under management amounted to EUR 1,771.5 million (31 March 2020: EUR 1,311.9 million) of which EUR 1,283.7 million consisted of mutual funds (31 March 2020: EUR 859.6 million) and EUR 487.8 million of the discretionary portfolio (31 March 2020: EUR 442.2 million).

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

## Corporate and Investment Banking in Slovenia

### Financial Highlights

- Higher deposit fee for high balances.
- Repayment of several exposures and changes in credit ratings.
- Increased importance of cross-border financing and the leasing company NLB Lease&Go.

### Business Highlights

- Merchants started to implement the process of Flik payments on their POS terminals.
- The Bank received a mandate as the lead arranger to organise a syndicated facility in the amount of EUR 130 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 2021	1-3 2020	Change YoY		Q1 2021	Q4 2020	Q1 2020	Change QoQ
Net interest income	9.0	9.4	-0.4	-4%	9.0	8.4	9.4	7%
Net interest income from Assets <sup>(i)</sup>	10.2	9.7	0.4	4%	10.2	9.6	9.7	6%
Net interest income from Liabilities <sup>(i)</sup>	-1.2	-0.4	-0.8	-	-1.2	-1.2	-0.4	1%
Net non-interest income	11.7	10.9	0.9	8%	11.7	10.6	10.9	10%
o/w Net fee and commission income	9.5	8.7	0.7	9%	9.5	8.4	8.7	13%
<b>Total net operating income</b>	<b>20.7</b>	<b>20.2</b>	<b>0.5</b>	<b>2%</b>	<b>20.7</b>	<b>19.0</b>	<b>20.2</b>	<b>9%</b>
Total costs	-10.4	-10.5	0.1	1%	-10.4	-11.3	-10.5	8%
<b>Result before impairments and provisions</b>	<b>10.3</b>	<b>9.7</b>	<b>0.6</b>	<b>6%</b>	<b>10.3</b>	<b>7.8</b>	<b>9.7</b>	<b>33%</b>
Impairments and provisions	11.0	-9.7	20.7	-	11.0	15.8	-9.7	-36%
<b>Result before tax</b>	<b>21.3</b>	<b>0.0</b>	<b>21.3</b>	<b>-</b>	<b>21.3</b>	<b>23.5</b>	<b>0.0</b>	<b>-9%</b>

	31 Mar 2021	31 Dec 2020	31 Mar 2020	Change YtD		Change YoY	
Net loans to customers	2,103.3	2,047.1	2,168.8	56.2	3%	-65.5	-3%
Gross loans to customers	2,217.4	2,167.5	2,287.5	49.9	2%	-70.1	-3%
Corporate	2,066.9	2,006.4	2,124.0	60.5	3%	-57.1	-3%
Key/SME/Cross Border Corporates	1,875.2	1,827.6	1,962.4	47.7	3%	-87.2	-4%
Interest rate on Key/SME/Cross Border Corporates loans	1.80%	1.79%	1.82%	0.01 p.p.	-	-0.02 p.p.	-
Investment banking	0.1	0.2	0.2	-0.1	-38%	-0.1	-38%
Restructuring and Workout	164.4	160.8	161.4	3.6	2%	3.1	2%
NLB Lease&Go	27.1	17.8	-	9.3	52%	27.1	-
State	150.2	160.7	163.1	-10.5	-7%	-12.9	-8%
Interest rate on State loans	3.34%	2.20%	3.24%	1.14 p.p.	-	0.10 p.p.	-
Deposits from customers	1,558.0	1,487.4	1,203.5	70.5	5%	354.4	29%
Interest rate on deposits	0.04%	0.06%	0.07%	-0.02 p.p.	-	-0.03 p.p.	-
Non-performing loans (gross)	154.2	156.0	145.5	-1.8	-1%	8.6	6%

	1-3 2021	1-3 2020	Change YoY
Cost of risk (in bps)	-212	185	-396
CIR	50.1%	51.9%	-1.8 p.p.
Interest margin	1.91%	2.19%	-0.27 p.p.

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

The segment's **profit before tax** was EUR 21.3 million, while a year before it was close to 0. The lower result in Q1 2020 was due to the establishment of credit impairments and provisions related to the COVID-19 outbreak. The profit before impairments and provisions recorded a 6% increase YoY, mostly due to increased net fee and commission income.

**Net interest income** decreased by EUR 0.4 million YoY. Due to overliquidity of the Bank, the policy to de-stimulate the deposit collection triggered the corporate and state deposits margin after transfer price (FTP) reduction in the amount of EUR 0.8 million YoY. The interest income from loans to corporate and state was EUR 0.3 million higher YoY due to a slightly higher interest margin but lower average loan volume. Despite that, the volume of loans to corporate increased by EUR 60.5 million YtD, mostly due to increased volumes to Cross-border corporates and NLB Lease&Go.

**Net fee and commission income** recorded a 9% increase YoY, mostly due to a higher deposit fee for high balances.

**Total costs** stayed on the same level YoY.

**Net impairments and provisions** were released in the amount of EUR 11.0 million due to repayment of several exposures and changes in credit ratings. Substantial establishment in Q1 2020 was related to the COVID-19 outbreak.

**Investment Banking and Custody** recorded non-interest income in the amount of EUR 3.1 million and a decrease by EUR 0.1 million YoY. The total value of assets under custody increased to EUR 16.4 billion (2020 YE: EUR 16.2 billion).

Exposures subject to COVID-19 in the segment of Non-financial corporations were concluded in the amount of EUR 428.5 million (22.0% of the total corporate exposure).

## Business Performance

The Bank is the leading bank in servicing corporate clients in Slovenia with by far the largest client base. It has a 17.2% market share in corporate loans (Q1 2020: 17.9%), and 31.6% (Q1 2020: 30.9%) in guarantees and letters of credit (including guarantee lines). Improved productivity, which resulted in an increased portfolio and market share, also shows efforts of relationship managers in their proactive approach and focus on customers, being supported with improved processes.

The Bank provides to its customers also an offer of the Slovene Enterprise Fund for faster, easier and cheaper financing, which can also mitigate the financial problems due to COVID-19.

The Bank established a special group of banking experts to support the agricultural segment to help farmers in the development of their farms. As a possible financing of new movable property, leasing will be offered by NLB Lease&Go and the Bank will act as a financial intermediary.

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

The number of m-bank Klikpro users is constantly rising (YoY by 10.9%), which proves that clients fully adopted the processes of digital banking. The app is now also available in the Huawei App Gallery.

The process of implementing Flik payments with merchants on their POS terminals started and will further enhance the use of this modern payment method.

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

In Q1, the Bank received a mandate as the lead arranger to organise a syndicated facility in the amount of EUR 130 million.

Within brokerage services in Q1, the Bank executed clients' buy and sell orders in the total amount of EUR 291.9 million (Q1 2020: EUR 349.9 million), while in the area of dealing in financial instruments the Bank executed foreign exchange spot deals in the total of EUR 229.0 million (Q1 2020: EUR 199.4 million) and for EUR 87.3 million (Q1 2020: EUR 79.2 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 2021 was, together with the fund administration services, EUR 16.5 billion (31 March 2020: EUR 14.1 billion). In provision of investment services for its clients, the Bank also obtained all permits needed to enable its clients investments in the Japanese government debt securities (JGB).

## Strategic Foreign Markets

### Financial Highlights

- Strong pressure on interest margins.
- The COVID-19 outbreak influenced net impairments and provisions.
- Persistent growth of loan portfolio and deposit base.

### Business Highlights

- New production figures in retail paved the road to normality, as March was very successful production period for several Group banks, reaching over the pre-pandemic levels.
- Acceleration of automated solutions for customers – fully automated credit process implemented in NLB Banka, Skopje.

## Financial Performance

Table 10: Key Financials of Strategic Foreign Markets

Strategic Foreign Markets									
in EUR million consolidated									
	1-3 2021	1-3 2020	Change YoY o/w KB contribution			Q1 2021	Q4 2020	Q1 2020	Change QoQ
Net interest income	63.3	39.8	23.5	24.0	59%	63.3	40.1	39.8	58%
Interest income	72.0	46.0	26.0		57%	72.0	45.6	46.0	55%
Interest expense	-8.8	-6.2	-2.6		-4%	-8.8	-5.5	-6.2	-6%
Net non-interest income	21.6	13.0	8.6	8.9	66%	21.6	10.4	13.0	107%
o/w Net fee and commission income	23.3	13.3	10.0	9.8	75%	23.3	14.7	13.3	58%
<b>Total net operating income</b>	<b>84.9</b>	<b>52.8</b>	<b>32.0</b>	<b>32.8</b>	<b>61%</b>	<b>84.9</b>	<b>188.4</b>	<b>52.8</b>	<b>-55%</b>
Total costs	-52.3	-27.6	-24.7	-24.2	-90%	-52.3	-29.2	-27.6	-7%
<b>Result before impairments and provisions</b>	<b>32.6</b>	<b>25.3</b>	<b>7.3</b>		<b>29%</b>	<b>32.6</b>	<b>159.2</b>	<b>25.3</b>	<b>-80%</b>
Impairments and provisions	1.9	-13.9	15.8	-0.5	-	1.9	-25.9	-13.9	-
Negative goodwill (KB)							137.9		
<b>Result before tax</b>	<b>34.5</b>	<b>11.3</b>	<b>23.1</b>	<b>8.2</b>	<b>-</b>	<b>34.5</b>	<b>133.3</b>	<b>11.3</b>	<b>-74%</b>
o/w Result of minority shareholders	3.8	1.2	2.6	1.4	-	3.8	-1.1	1.2	-

	31 Mar 2021	31 Dec 2020	31 Mar 2020	Change YtD		Change YoY	
Net loans to customers	5,144.3	5,052.4	3,086.7	92.0	2%	2,057.7	67%
Gross loans to customers	5,329.5	5,234.8	3,232.9	94.7	2%	2,096.5	65%
Individuals	2,647.6	2,592.9	1,632.3	54.7	2%	1,015.3	62%
Interest rate on retail loans	6.00%	6.28%	6.48%	-0.28 p.p.		-0.48 p.p.	
Corporate	2,486.9	2,443.7	1,494.8	43.2	2%	992.1	66%
Interest rate on corporate loans	3.95%	4.15%	4.29%	-0.20 p.p.		-0.34 p.p.	
State	195.0	198.1	105.9	-3.2	-2%	89.1	84%
Interest rate on state loans	3.33%	3.53%	3.34%	-0.20 p.p.		-0.01 p.p.	
Deposits from customers	7,678.3	7,552.2	3,825.7	126.1	2%	3,852.6	101%
Interest rate on deposits	0.44%	0.43%	0.48%	0.02 p.p.		-0.03 p.p.	
Non-performing loans (gross)	202.9	195.0	111.5	7.8	4%	91.3	82%

	1-3 2021	1-3 2020	Change YoY
Cost of risk (in bps)	116	181	-65
CIR	61.6%	52.1%	9.4 p.p.
Interest margin	2.85%	3.43%	-0.58 p.p.

The segment's **profit before tax** was EUR 34.5 million, of which EUR 8.2 million from Komercijalna Banka group. The main YoY difference is in impairments and provisions established in Q1 2020 due to the COVID-19 outbreak and released in the net amount of EUR 1.9 million in Q1 2021.

**Net interest income** was slightly lower YoY (EUR 0.5 million without Komercijalna Banka group contribution) due to a lower interest margin and despite higher volumes.

**Net non-interest income** decreased by EUR 0.3 million YoY without Komercijalna Banka group contribution, while net fee and commission income slightly increased (EUR 0.1 million).

**Total costs** were slightly increasing in bank members. Cost to income ratio below 50% was achieved by NLB Banka, Prishtina (33.4%), NLB Banka, Skopje (44.1%) and NLB Banka, Banja Luka (48.3%).



**Net impairments and provisions** were released in the amount of EUR 1.9 million and established in the amount of EUR 13.9 million in Q1 2020, mostly related to the COVID-19 outbreak.

**Gross loans to customers** increased by EUR 94.7 million (2%) YtD, due to an increase in gross loans in most of the subsidiary banks; the largest YtD increases were recorded in Komercijalna Banka, Beograd (EUR 41.1 million or 3%), NLB Banka, Sarajevo (EUR 19.7 million or 5%), and NLB Banka, Podgorica (EUR 10.7 million or 3%).

**Deposits from customers** increased by EUR 126.1 million (2%) YtD, due to increase in all banks except NLB Banka, Beograd.

In Strategic Foreign Markets, various moratorium schemes were implemented (opt-in, opt-out), the total amount of moratorium outstanding was EUR 1,758.8 million. Moratorium maturity is normally 3-6 months. Furthermore, additional liquidity by granting new loans to help with the specific situation due to the COVID-19 crisis was approved with an outstanding amount of EUR 88.4 million.<sup>8</sup>

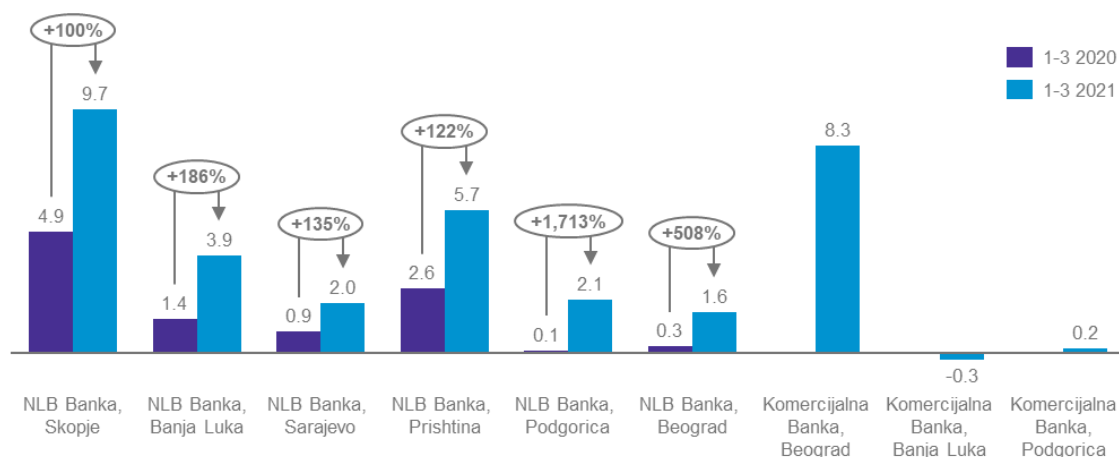
## Business Performance

The stubbornly high infection rates in the region leading to a tightening of restrictions and a slow vaccine rollout reflected on the dynamics of economic recovery in Q1 in all the Group countries of operation. Opt-in moratoriums on loans were still in place in Serbia, Kosovo, Bosnia and Herzegovina, and Montenegro. Rebound in 2021 is more likely to occur later during the year, as new containment measures were introduced in March in all of the Group countries of operation and partial movement restrictions were implemented.

Amidst still prevailing COVID-19 pandemic conditions and prolonged negative effect on general economic activity and private consumption, the Group banking activities started a slight rebound in March and most of the Group banks achieved solid results and higher loans production YoY.

All 9 member banks maintained a strong liquidity position and indicators above minimum requirements. All Group members increased most liquid forms of the bank balance sheet items, such as cash and cash balances with the central banks and increased investments in high liquid securities.

Figure 13: Net profit of strategic NLB Group banks<sup>(1)</sup> (in EUR million)



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

<sup>8</sup> Further details are available in Table 16.

In 2021, the 6 member banks without Komercijalna Banka group banks marked a 6% YoY increase of lending activities, while YtD all 9 member banks together recorded a growth of 2%. Due to remarkable new production enhance in March, even better than the pre-pandemic levels, the retail lending boosted in Q1 in all member banks, with YoY growth in outstanding loans balances up to 14%. The highest YoY growth of outstanding loans was in NLB Banka, Beograd (14%), NLB Banka, Skopje (11%), and NLB Banka, Podgorica (10%). The most exceptional new business loans volumes growth<sup>9</sup> were in NLB Banka, Prishtina by increasing new business volumes in retail by more than 202% YoY (EUR 8.6 million i.e. over 200% YoY of new housing loans and 124% growth in consumer loans), NLB Banka, Sarajevo with a 117% increase of new housing loans, NLB Banka, Skopje with 108% growth of new housing loans and NLB Banka, Banja Luka and NLB Banka, Podgorica with circa 50% growth of new consumer loans. Although the increasing pressure of competition interest rates and reduction of interest margins in all the Group countries of operations, the banks realized net interest margin between 2.3% (NLB Banka, Banja Luka) to 4.7% (Komercijalna Banka, Podgorica). The growth of corporate loans still remains in the negative territory.

Various aspects of banking activities received region-wide recognition.

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<sup>9</sup> NLB Group member banks without Komercijalna Banka group banks.

## Financial Markets in Slovenia

### Financial Highlights

- Lower reinvested yields.
- Increasing liquidity.
- Negative interest rates for balances with central banks.

### Business Highlights

- Further diversification of liquidity reserves and reinvestment of matured securities.
- Decrease of individual high exposures in the portfolio of banking book debt securities of Komercijalna Banka, Beograd.

## Financial Performance

Table 11: Key Financials of Financial Markets in Slovenia

Financial Markets in Slovenia								
in million EUR consolidated								
	1-3 2021	1-3 2020	Change YoY	Q1 2021	Q4 2020	Q1 2020	Change QoQ	
Net interest income	6.1	6.5	-0.5	-7%	6.1	6.6	6.5	-8%
o/w ALM <sup>(1)</sup>	3.3	5.0	-1.8	-33%	3.3	4.4	5.0	-25%
Net non-interest income	-0.7	1.2	-1.9	-	-0.7	0.2	1.2	-
<b>Total net operating income</b>	<b>5.3</b>	<b>7.7</b>	<b>-2.4</b>	<b>-31%</b>	<b>5.3</b>	<b>6.8</b>	<b>7.7</b>	<b>-21%</b>
Total costs	-1.9	-1.9	0.0	0%	-1.9	-2.0	-1.9	4%
<b>Result before impairments and provisions</b>	<b>3.5</b>	<b>5.8</b>	<b>-2.4</b>	<b>-41%</b>	<b>3.5</b>	<b>4.8</b>	<b>5.8</b>	<b>-24%</b>
Impairments and provisions	-0.6	0.0	-0.6	-	-0.6	0.0	0.0	-
<b>Result before tax</b>	<b>2.8</b>	<b>5.8</b>	<b>-3.0</b>	<b>-51%</b>	<b>2.8</b>	<b>4.8</b>	<b>5.8</b>	<b>-41%</b>

	31 Mar 2021	31 Dec 2020	31 Mar 2020	Change YtD	Change YoY
Balances with Central banks	1,772.3	1,998.1	1,082.0	-225.7	-11%
Banking book securities	3,288.9	2,945.8	2,977.5	343.2	12%
<i>Interest rate on banking book securities</i>	<i>0.67%</i>	<i>0.77%</i>	<i>0.80%</i>	<i>-0.10 p.p.</i>	<i>-0.13 p.p.</i>
Wholesale funding	143.4	143.5	161.5	-0.1	0%
<i>Interest rate on wholesale funding</i>	<i>0.52%</i>	<i>0.54%</i>	<i>0.57%</i>	<i>-0.02 p.p.</i>	<i>-0.05 p.p.</i>
Subordinated liabilities	286.8	288.3	286.6	-1.5	-1%
<i>Interest rate on subordinated liabilities</i>	<i>3.69%</i>	<i>3.64%</i>	<i>3.41%</i>	<i>0.05 p.p.</i>	<i>0.28 p.p.</i>

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

**Net interest income** was EUR 0.5 million (7%) lower YoY, mostly due to lower yields on securities despite higher volume and higher balances with central banks bearing negative interests.

**Net non-interest income** was EUR 1.9 million lower YoY due to the sale of debt securities in Q1 2020.

**Balances with central banks** decreased EUR 225.7 million YtD partially due to the transfer of funds to nostro account (purchase of additional equity of Komercijalna Banka group) and an increase of **banking book securities** by EUR 343.2 million or 12%. Debt securities bought were mainly placed in short-term T-bills due to lower risk factors.

## Business Performance

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

Further diversification of liquidity reserves and reinvestment of matured securities in the total amount of EUR 540 million, of which the majority (EUR 240 million) was invested in short-term Slovenian T-bills. New asset class - subordinated bank bonds were included in the portfolio. Total securities portfolio increased by EUR 350 million.

With the acquisition of Komercijalna Banka, Beograd at the end of 2020, exposure to some issuers in the portfolio of banking book debt securities increased. In Q1 2021, a reduction process of certain high exposures began and

is expected to continue throughout the year. Matured assets are being reinvested in government securities of certain EU countries and US.

## Non-Core Members

### Financial Highlights

- Divestment strategy of non-core members.

### Business Highlights

- Non-core members continued to monetize assets in their possession in line with the wind-down plans, however at a slower pace due to the still prevailing COVID-19 conditions and imposed restrictions on court enforcements.
- In February 2021, REAM companies (PRO-REM and REAM Podgorica) successfully concluded several real estate sales.

### Financial Performance

Table 12: Key Financials of Non-Core Members

in EUR millions consolidated		Non-Core Members						
	1-3 2021	1-3 2020	Change YoY		Q1 2021	Q4 2020	Q1 2020	Change QoQ
Net interest income	0.2	0.4	-0.1	-37%	0.2	0.3	0.4	-6%
Net non-interest income	0.6	1.0	-0.4	-37%	0.6	1.4	1.0	-52%
<b>Total net operating income</b>	<b>0.9</b>	<b>1.4</b>	<b>-0.5</b>	<b>-37%</b>	<b>0.9</b>	<b>1.6</b>	<b>1.4</b>	<b>-45%</b>
Total costs	-2.5	-3.4	0.9	26%	-2.5	-3.1	-3.4	19%
<b>Result before impairments and provisions</b>	<b>-1.6</b>	<b>-2.0</b>	<b>0.4</b>	<b>18%</b>	<b>-1.6</b>	<b>-1.5</b>	<b>-2.0</b>	<b>-7%</b>
Impairments and provisions	0.8	-0.2	1.0	-	0.8	2.5	-0.2	-71%
<b>Result before tax</b>	<b>-0.9</b>	<b>-2.2</b>	<b>1.3</b>	<b>60%</b>	<b>-0.9</b>	<b>1.0</b>	<b>-2.2</b>	<b>-</b>

	31 Mar 2021	31 Dec 2020	31 Mar 2020	Change YtD		Change YoY	
<b>Segment assets</b>	<b>124.8</b>	<b>131.2</b>	<b>158.7</b>	<b>-6.4</b>	<b>-5%</b>	<b>-33.9</b>	<b>-21%</b>
Net loans to customers	40.7	45.0	60.2	-4.3	-10%	-19.5	-32%
Gross loans to customers	90.1	95.0	130.9	-4.9	-5%	-40.8	-31%
Investment property and property & equipment received for repayment of loans	68.6	70.2	74.5	-1.5	-2%	-5.9	-8%
Other assets	15.4	16.0	24.0	-0.6	-3%	-8.6	-36%
Non-performing loans (gross)	70.2	71.3	93.4	-1.1	-2%	-23.2	-25%

	1-3 2021	1-3 2020	Change YoY
Cost of risk (in bps)	-704	116	-820
CIR	285.8%	242.8%	42.9 p.p.

**Total assets** of the segment decreased YtD (EUR 6.4 million) in line with the divestment strategy of the non-core segment, hence EUR 0.5 million decrease of the **net operating income**.

The segment recorded EUR 0.9 million of **loss before tax**.

### Business Performance

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

In February 2021, Ream companies (PRO-REM and REAM Podgorica) successfully concluded several real estate sales. REAM Beograd allocated significant resources in Q1 for Komercijalna Banka, Beograd activities. In Prvi Faktor Group, collection activities accelerated, enabling one of the companies to fully repay all loans toward owners at the end of Q1.

Costs optimization activities, such as moving to cheaper office spaces, took place in some of the factoring and forfeiting companies. As part of costs optimization efforts, facility management of the Bank was transferred to S-REAM d.o.o. as of 1 February 2021.

# Risk Factors and Outlook

## Risk Factors

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

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

Based on the measures taken by the governments in Slovenia and other countries, the Group granted an option of moratoriums on the payment of obligations to all eligible borrowers due to COVID-19, which is not treated as a trigger for a significant increase in the credit risk. In accordance with the EBA guidelines, all the clients requiring the moratorium are closely monitored as their financial situation and identification of credit deterioration will lead to a downgrade and will impact the IFRS 9 staging. Those clients did not automatically fall into the forbearance category. The Group regularly assesses the credit quality of the exposures benefiting from these measures and identifies any situation in which payment is unlikely. During 2020, the Group additionally 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 economic slowdown had some negative impacts on the existing loan portfolio quality, namely as an increase of Stage 2 and Stage 3 exposures, and the related cost of risk. Furthermore, it also impacted new loan generation. 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 liquidity position of the Group is expected to remain very solid; the pandemic did not result in any material liquidity outflows. Special attention is paid to continuous provision of services to clients, their monitoring, health protection measures, and the prevention of cyber frauds.

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

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

Based on the ECB baseline the Group developed a set of mild and severe macroeconomic scenarios for the initial period. For the following two-year period, the normal pre-COVID-19 methodology and IMF projections were used. These scenarios, which are based on the expected U-crisis (severe deterioration of macroeconomic indicators in

the initial year and moderate positive growth in the following period), are included in the calculation of expected credit losses in accordance with IFRS 9.

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 guarantees of future financial performance.

The Group is pursuing a range of strategic activities to enhance its business performance. The economic environment has visibly changed, especially in the Euro area. Interest rate outlook is uncertain given the possible changes of the ECB deposit rates. The main ambition is that despite deteriorating market conditions, the Bank is committed to delivering sound financial performance.

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

	Performance in Q1 2021	Outlook 2021	Outlook 2023
Regular income	EUR 154.0 million	> EUR 600 million	> EUR 700 million
Costs	EUR 96.6 million <sup>(i)</sup>	~ EUR 430 million <sup>(ii)</sup>	< EUR 400 million
ROE a.t.	13.0%	High single digit	> 10% (RORAC <sup>(iii)</sup> > 12%)
Loan growth	2%	Mid single digit number	High single digit CAGR (2021-2023)
Cost of risk	-78 bps	70-90 bps	40-60 bps
Dividend payout	/	EUR 92.2 million	> EUR 300 million <sup>(iv)</sup>

<sup>(i)</sup> Including integration costs of EUR 0.5 million.

<sup>(ii)</sup> Initial increase in cost base in 2021 as projected costs include integration costs.

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

<sup>(iv)</sup> Cumulative in the period 2021-2023.

## Outlook 2021

In the Euro area, GDP is seen growing 4.0% this year while in Slovenia it is seen expanding 4.5%. Supportive fiscal and monetary policies, unleashed pent-up demand and the disbursement of recovery funds should revive domestic spending while restored foreign demand should lift exports. The reopening of economies and rapid rebound, resulting in temporary supply-demand imbalances, are poised to reinforce other temporary factors effects, thereby stronger inflation prints are expected over the year. Disrupted global supply chains pose additional inflationary risks. Nevertheless, a large output gap will remain in place thereby keeping the medium-term inflationary pressures in check. The prospective winding down of job retention schemes clouds the outlook of the



labour market. The Group's region is seen growing 4.6% on average this year with revival in domestic and foreign demand seen as main drivers of growth. The uncertain evolution of the pandemic still poses main downside risks.

During the COVID-19 pandemic, the Group has taken the necessary measures to protect its customers and employees by ensuring the relevant safety conditions and making sure services offered by the Group are provided without disruptions. As the COVID-19 situation continues, it is challenging to predict the full extent and duration of its business and economic implications. To adjust to such circumstances, the Group is aiming to further support its clients, also by constant development of its digital channels and adjusted scope of services offered to our clients.

Following stagnation in 2020, and in line with the economic rebound, moderate loan growth in Retail Banking in Slovenia is expected in 2021, with an emphasis on mortgage lending and a slow recovery in consumer lending. Corporate and Investment Banking in Slovenia is also expected to grow with the predominance of cross-border lending. Growth in Strategic Foreign Markets will remain robust and will greatly improve due to the acquired Komercijalna Banka, Beograd. The customer deposit base will remain high. Revenues are expected to improve, with fee business growth returning to pre-COVID-19 levels. However, net interest income will continue to be under pressure due to shrinking margins in all markets and high balance of low-yield liquidity sources. The Group continues to strive for increasing margins over time by stimulating loan growth (especially retail) and pursuing new opportunities. In addition, the Bank as at 1 April 2021 started charging retail deposits with balances exceeding EUR 250,000; consequently, it is expected that a certain portion of retail deposits will be transferred into asset management and insurance products.

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

After a few years of negative cost of risk, the NPL stopped its multi-year declining trend in the Group. The cost of risk in 2021 is as of now expected to outperform the current outlook range (70-90 bps); including potential one-off effects. The main circumstances influencing cost of risk shall be the length and severity of COVID-19-related disruptions in corporate operations and consumer spending, and the impact of off-setting measures by governments.

Further uncertainties and the related economic slowdown might have an additional negative impact on the existing loan portfolio quality, namely as a potential increase of Stage 2 and Stage 3 exposures. However, due to the quite stable quality of the portfolio in the past period, and other precautionary measures to minimise potential future losses, including paying special attention to continuous provision of services to clients and their monitoring, this impact should not be excessive.

From liquidity perspective, the Group did not register any material liquidity outflows, on the contrary, deposits at the Group level are still increasing (in the Bank and in subsidiary banks). The liquidity position of the Group is expected to remain solid even if a highly unfavourable liquidity scenario materialises, as the Group holds sufficient liquidity reserves in the form of placements at the ECB, prime debt securities, and money market placements. Significant deposit inflows are putting an additional strain on profitability.

The capital position represents a strong base to cover all regulatory capital requirements, including capital buffers and other currently known requirements, as well as the Pillar 2 Guidance, also in the aggravated circumstances during the COVID-19 pandemic. Also, in 2021 the Group will continue with the activities to further strengthen the capital position, predominantly by measures to optimize RWAs. Additionally, negative goodwill recognised at acquisition of Komercijalna Banka, Beograd and acknowledged by the ECB, will be included in the regulatory capital after the General Meeting of shareholders, which will be held in June.

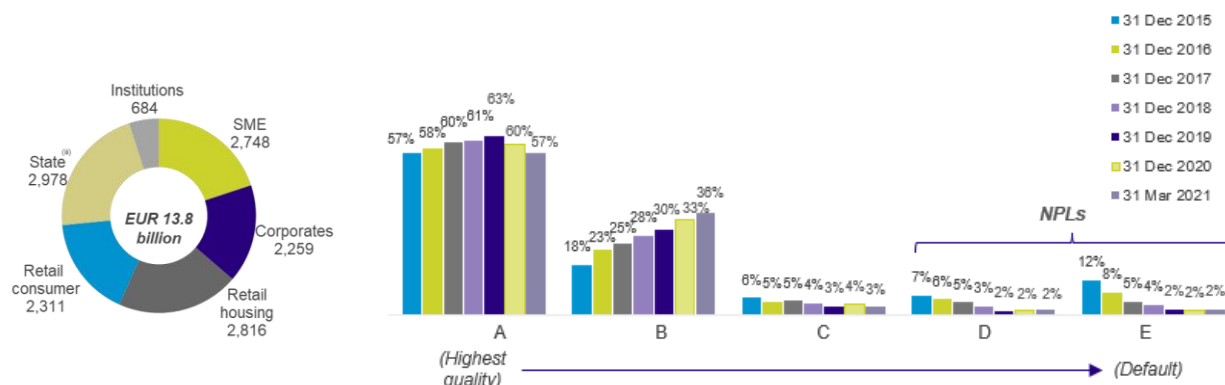
Pursuant to the ECB recommendation of 15 December 2020, the dividend distribution in 2021 should remain prudent and below 15% of the cumulated profit for the year 2019 and 2020 and not higher than a 20 b.p. CET1 ratio for the year 2020 on consolidated basis, whichever is lower, and for which the distribution is subject to prior ECB approval. The prudent level of distribution for NLB on consolidated level amounts to approximately EUR 25 million, and JST does not object to such a distribution plan. Based on the BoS decision on macroprudential restriction on profit distribution of February 2021, the Bank is allowed to distribute dividends only in case of a positive cumulative profit achieved in Q1 2021, whereas the amount of distribution may not exceed 15% of the bank's cumulative profit for years 2019 and 2020 on an individual basis or 0.2% of the Bank's CET1 ratio on an individual basis as at the end of 2020, whereas distribution is also subject to prior BoS notification. Consequently, the envisaged dividend portion as per ECB recommendation will be split into two tranches. The first instalment in the amount of EUR 12.0 million will be payable after the General Meeting of NLB on 22 June 2021. The second instalment will be payable upon expiry of the BoS decision on 18 October 2021 in the amount of EUR 12.8 million, unless such payment would then be contrary to the regulations. In addition to the currently allowed distribution plan, the Bank envisages, subject to regulatory requirements, additional incremental dividends in 2021 to reach a cumulative payout ratio of 70% of the 2020 Group result (without considering the impact of negative goodwill) totalling EUR 92.2 million. The Bank envisages cumulative dividend payout in excess of EUR 300 million in the period 2021-2023.

## Risk Management

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

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

The Group is actively present on SEE markets by financing the existing and new creditworthy clients. Lending growth in the corporate segment remained relatively moderate, especially in the current specific circumstances. Besides that, the COVID-19 situation contributed to a temporary slowdown in the growth of retail segment. The Group's lending strategy focuses on its core markets of retail, SME, and selected corporate business activities. On the Slovenian market, the focus is on providing appropriate solutions for retail, medium-sized companies, and small enterprise segments, whereas on the corporate segment, the Bank established cooperation with selected corporate clients (through different types of lending or investment instruments). All other member banks in the SEE region, where the Group is present, are universal banks, mainly focused on the retail, medium-sized and small enterprises segments. Their primary goal is to provide comprehensive services to clients by applying prudent risk management principles. Recently acquired Komercijalna Banka, Beograd is predominantly focused on retail and large companies, however, its future strategy will be more focused on retail and SME segments.

Figure 14: NLB Group structure of the credit portfolio<sup>(i)</sup> (gross loans) by segment (in EUR million) and rating<sup>(ii)</sup>

<sup>(i)</sup> Loan portfolio also includes reserves at central banks and demand deposits at banks.

<sup>(ii)</sup> 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 >90days and other clients considered 'unlikely to pay' with delays below 90 days. The numbers may not add up to 100% due to rounding.

<sup>(iii)</sup> State includes exposures to central banks.

The current structure of credit portfolio (gross loans) consists of 37.2% retail clients, 16.4% large corporate clients, 19.9% SMEs and micro companies, while the remainder of the portfolio consists of other liquid assets. With the acquisition of Komercijalna Banka, Beograd there were no major changes in the corporate and retail credit portfolio structure. Credit portfolio remains well diversified, there is no large concentration in any specific industry or client segment. The share of retail portfolio in the whole credit portfolio is quite substantial with the segment of mortgage loans still prevailing.

Table 14: Overview of NLB Group corporate loan portfolio by industry as at 31 March 2021; in EUR thousand

Corporate sector by industry	Credit portfolio	%	Main manufacturing activities	Credit portfolio	%
Accommodation and food service activities	143,428.9	2.9%	Manufacture of food products	151,683.6	3.0%
Act. of extraterritorial org. and bodies	4.5	0.0%	Manufacture of basic metals	127,911.9	2.6%
Administrative and support service activities	118,944.6	2.4%	Manufacture of electrical equipment	126,542.4	2.5%
Agriculture, forestry and fishing	289,920.5	5.8%	Manufacture of fabricated metal products, except machinery and equipment	123,005.1	2.5%
Arts, entertainment and recreation	22,260.0	0.4%	Manufacture of rubber and plastic products	64,869.8	1.3%
Construction industry	373,690.9	7.5%	Manufacture of other non-metallic mineral products	54,457.8	1.1%
Education	13,527.3	0.3%	Other manufacturing activities	352,304.8	7.0%
Electricity, gas, steam and air condition	272,950.1	5.5%	<b>Total manufacturing activities</b>	<b>1,000,775.4</b>	<b>20.0%</b>
Finance	188,808.0	3.8%	<b>Main wholesale and retail trade activities</b>	<b>Credit portfolio</b>	<b>%</b>
Human health and social work activities	48,496.8	1.0%	Wholesale trade, except of motor vehicles and motorcycles	542,768.7	10.8%
Information and communication	228,175.9	4.6%	Retail trade, except of motor vehicles and motorcycles	291,034.4	5.8%
<b>Manufacturing</b>	<b>1,000,775.4</b>	<b>20.0%</b>	Wholesale and retail trade and repair of motor vehicles and motorcycles	110,803.2	2.2%
Mining and quarrying	80,221.0	1.6%	<b>Total wholesale and retail trade</b>	<b>944,606.3</b>	<b>18.9%</b>
Professional, scientific and techn. act.	190,523.6	3.8%			
Public admin., defence, compulsory social.	217,481.1	4.3%			
Real estate activities	226,109.9	4.5%			
Services	12,913.3	0.3%			
Transport and storage	592,122.0	11.8%			
Water supply	41,871.4	0.8%			
<b>Wholesale and retail trade</b>	<b>944,606.3</b>	<b>18.9%</b>			
Other	381.7	0.0%			
<b>Total Corporate sector</b>	<b>5,007,213.4</b>	<b>100.0%</b>			

Figure 15: NLB Group loan portfolio by stages as at 31 March 2021

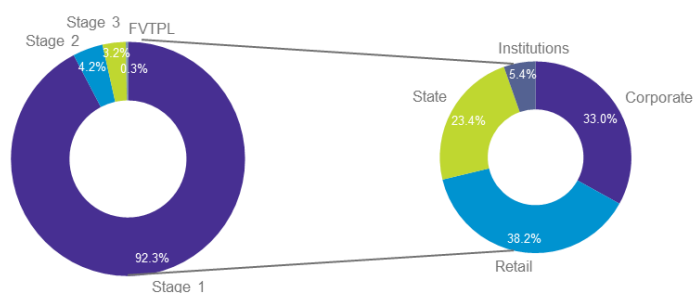


Table 15: NLB Group loan portfolio by stages as at 31 March 2021; in EUR million

	Credit portfolio									Provisions and FV changes for credit portfolio					
	Stage1			Stage2			Stage3 & FVTPL			Stage1		Stage2		Stage3 & FVTPL	
	Credit portfolio	Share of Total	YTD change	Credit portfolio	Share of Total	YTD change	Credit portfolio	Share of Total	YTD change	Provision Volume	Provision Coverage	Provision Volume	Provision Coverage	Provisions & FV changes	Coverage with provisions and FV changes
Total NLB Group	12,736.8	92.3%	86.0	576.7	4.2%	16.7	482.2	3.5%	6.5	75.7	0.6%	37.3	6.5%	270.7	56.1%
o/w Corporate	4,208.4	84.0%	72.8	436.2	8.7%	9.4	362.6	7.2%	4.0	48.4	1.1%	29.0	6.7%	210.0	57.9%
o/w Retail	4,866.5	94.9%	87.2	140.5	2.7%	7.2	119.7	2.3%	2.5	25.8	0.5%	8.3	5.9%	60.8	50.8%
o/w State	2,977.7	100.0%	-312.4	-	-	-	-	-	-	1.2	0.0%	-	-	-	-
o/w Institutions	684.3	100.0%	238.5	-	-	-	-	-	-	0.3	0.1%	-	-	-	-

The majority of the Group's loan portfolio is classified as Stage 1 (92.3%), a relatively small portion as Stage 2 (4.2%) and Stage 3 (3.2%). The loans in stages from 1 to 3 are measured at amortized cost, while the remaining minor part (0.3%) represents FVTPL. Under IFRS 3 rules, all assets of the Komercijalna Banka, Beograd were initially recognized at fair value in the Group financial statements. Respectively all acquired loans were classified either in Stage 1 (performing portfolio) or in Stage 3 (non-performing portfolio). For Stage 3 loans special rules were applied, since they were NPLs already at initial recognition and recognized at fair value without any additional credit loss allowances.

Impacts of the COVID-19 pandemic caused moderate credit quality deterioration, namely as an increase of Stage 2 and Stage 3 exposures. The highest increase in Stage 3 exposures arises from the accommodation and food service activities, while an increase in Stage 2 largely refers to manufacturing. An increase in both stages also occurred in the segment of private individuals. The portfolio quality remains very stable with increasing Stage 1 exposures and a relatively low percentage of NPL loans, which are below the Slovenian average. The percentage of Stage 1 loan portfolio remains at 94.9% in the Retail segment, while in the Corporate segment, despite the adverse economic conditions, there was only a minor decrease to 84.0%, which is a result of cautious lending policy.

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

After the impact of the second COVID-19 wave, the EBA decided to reactivate its guidelines on legislative and non-legislative moratoria. This reactivation ensured that loans, which had previously not benefitted from payment moratoria, could afterwards also benefit from them. The revised EBA guidelines apply for moratoria granted until

31 March 2021 under the condition of maximum payment deferral of 9 months. In some markets where the Group members operate, the local government or regulator renewed or prolonged the granting of payment moratoriums. However, the Group members shall follow the EBA guidelines on moratoria. In accordance with these guidelines, moratoria granted after the period defined by EBA, should be classified on a case-by-case basis, evaluating each client's forbearance status.

Table 16.o: NLB Group COVID-19 Related Transactions (Moratoriums and New Financings); in EUR thousand

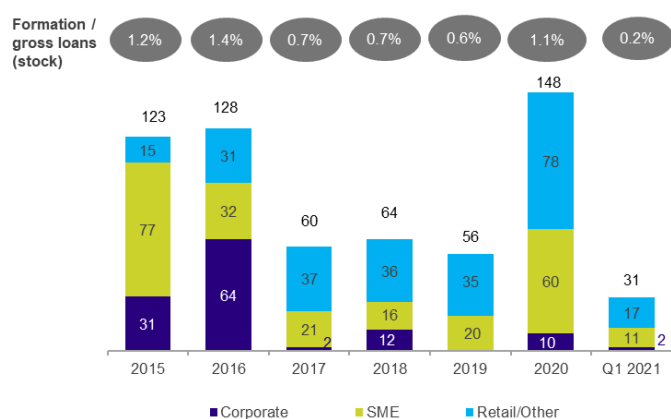
NLB Group member	COVID-19 Moratorium						COVID-19 New Financing						Total COVID-19 Related Transactions	
	Number of clients	Exposure	Of which: EBA Compliant moratoria	Of which: expired by 31 March 2021	% of Exposure	% of Exposure (excl. expired moratoriums)	Number of clients	Exposure	Of which: expired by 31 March 2021	Of which: subject to public guarantee schemes	% of Exposure	Exposure	Of which: expired by 31 March 2021	
<b>NLB, Ljubljana</b>	<b>3,991.0</b>	<b>522,538.8</b>	<b>401,789.2</b>	<b>182,572.4</b>	<b>7.8%</b>	<b>5.1%</b>	<b>93.0</b>	<b>30,928.8</b>	<b>0.0</b>	<b>23,635.0</b>	<b>0.5%</b>	<b>553,467.7</b>	<b>182,572.4</b>	
Retail	3,629.0	124,567.8	117,587.4	39,812.1	1.9%	1.3%	19.0	322.4	0.0	28.0	0.0%	124,890.2	39,812.1	
o/w Housing	1,308.0	80,226.4	76,303.3	24,953.8	1.2%	0.8%	0.0	0.0	0.0	0.0	0.0%	80,226.4	24,953.8	
o/w Consumer	2,691.0	44,341.4	41,284.0	14,858.3	0.7%	0.4%	19.0	322.4	0.0	28.0	0.0%	44,663.7	14,858.3	
Non-financial corporations	360.0	397,887.1	284,117.8	142,760.3	5.9%	3.8%	74.0	30,606.4	0.0	23,607.1	0.5%	428,493.5	142,760.3	
o/w Secured loans	209.0	340,781.2	229,249.1	102,791.0	5.1%	3.6%	36.0	24,537.1	0.0	23,607.1	0.4%	365,318.3	102,791.0	
o/w Unsecured loans	196.0	57,105.9	54,868.7	39,969.3	0.9%	0.3%	40.0	6,069.3	0.0	0.0	0.1%	63,175.2	39,969.3	
Other	2.0	84.0	84.0	0.0	0.0%	0.0%	0.0	0.0	0.0	0.0	0.0%	84.0	0.0	
<b>NLB Leasing d.o.o. - v likvidaciji, Ljubljana</b>	<b>150.0</b>	<b>2,999.3</b>	<b>0.0</b>	<b>2,848.3</b>	<b>14.5%</b>	<b>0.7%</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>	<b>2,999.3</b>	<b>2,848.3</b>	
Retail	87.0	954.0	0.0	843.5	4.6%	0.5%	0.0	0.0	0.0	0.0	0.0%	954.0	843.5	
o/w Housing	0.0	0.0	0.0	0.0	0.0%	0.0%	0.0	0.0	0.0	0.0	0.0%	0.0	0.0	
o/w Consumer	87.0	954.0	0.0	843.5	4.6%	0.5%	0.0	0.0	0.0	0.0	0.0%	954.0	843.5	
Non-financial corporations	63.0	2,045.3	0.0	2,004.8	9.9%	0.2%	0.0	0.0	0.0	0.0	0.0%	2,045.3	2,004.8	
o/w Secured loans	63.0	2,045.3	0.0	2,004.8	9.9%	0.2%	0.0	0.0	0.0	0.0	0.0%	2,045.3	2,004.8	
o/w Unsecured loans	0.0	0.0	0.0	0.0	0.0%	0.0%	0.0	0.0	0.0	0.0	0.0%	0.0	0.0	
Other	0.0	0.0	0.0	0.0	0.0%	0.0%	0.0	0.0	0.0	0.0	0.0%	0.0	0.0	
<b>NLB Banka, Beograd</b>	<b>37,766.0</b>	<b>216,659.7</b>	<b>209,002.6</b>	<b>205,065.6</b>	<b>38.1%</b>	<b>2.0%</b>	<b>291.0</b>	<b>62,586.2</b>	<b>12,687.6</b>	<b>62,586.2</b>	<b>8.8%</b>	<b>279,247.9</b>	<b>217,753.3</b>	
Retail	37,254.0	144,145.6	138,357.4	134,808.1	25.3%	1.6%	35.0	2,276.0	471.5	2,276.0	0.3%	146,421.5	135,279.6	
o/w Housing	814.0	27,952.1	27,824.4	27,712.0	4.9%	0.0%	0.0	0.0	0.0	0.0	0.0%	27,952.1	27,712.0	
o/w Consumer	36,796.0	116,193.4	110,533.0	107,096.0	20.4%	1.6%	35.0	2,276.0	471.5	2,276.0	0.3%	118,469.4	107,567.5	
Non-financial corporations	510.0	72,490.2	70,621.4	70,233.7	12.7%	0.4%	256.0	60,312.2	12,216.2	60,312.2	8.5%	132,802.5	82,449.8	
o/w Secured loans	123.0	38,372.4	36,905.7	36,588.8	6.8%	0.3%	255.0	59,813.3	12,216.2	59,813.3	8.4%	98,185.7	48,804.9	
o/w Unsecured loans	421.0	34,117.8	33,715.7	33,644.9	6.0%	0.1%	1.0	499.0	0.0	499.0	0.1%	34,616.8	33,644.9	
Other	2.0	23.9	23.9	23.9	0.0%	0.0%	0.0	0.0	0.0	0.0	0.0%	23.9	23.9	
<b>NLB banka, Podgorica</b>	<b>7,341.0</b>	<b>157,351.2</b>	<b>157,351.2</b>	<b>157,351.2</b>	<b>35.2%</b>	<b>0.0%</b>	<b>7.0</b>	<b>492.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1%</b>	<b>157,843.3</b>	<b>157,351.2</b>	
Retail	7,128.0	114,120.0	114,120.0	114,120.0	25.5%	0.0%	0.0	0.0	0.0	0.0	0.0%	114,120.0	114,120.0	
o/w Housing	1,741.0	67,491.2	67,491.2	67,491.2	15.1%	0.0%	0.0	0.0	0.0	0.0	0.0%	67,491.2	67,491.2	
o/w Consumer	5,947.0	46,628.8	46,628.8	46,628.8	10.4%	0.0%	0.0	0.0	0.0	0.0	0.0%	46,628.8	46,628.8	
Non-financial corporations	211.0	40,097.6	40,097.6	40,097.6	9.0%	0.0%	7.0	492.1	0.0	0.0	0.1%	40,589.8	40,097.6	
o/w Secured loans	130.0	33,054.5	33,054.5	33,054.5	4.4%	0.0%	0.0	0.0	0.0	0.0	0.0%	33,154.8	33,054.5	
o/w Unsecured loans	118.0	7,043.2	7,043.2	7,043.2	1.6%	0.0%	5.0	391.8	0.0	0.0	0.1%	7,435.0	7,043.2	
Other	2.0	3,133.5	3,133.5	3,133.5	0.7%	0.0%	0.0	0.0	0.0	0.0	0.0%	3,133.5	3,133.5	
<b>NLB Banka, Banja Luka</b>	<b>145.0</b>	<b>20,061.6</b>	<b>8,141.7</b>	<b>16,935.9</b>	<b>3.3%</b>	<b>0.5%</b>	<b>28.0</b>	<b>2,324.3</b>	<b>131.8</b>	<b>0.0</b>	<b>0.4%</b>	<b>22,386.0</b>	<b>17,067.7</b>	
Retail	119.0	2,079.1	333.5	2,014.9	0.3%	0.0%	12.0	338.4	14.5	0.0	0.0%	2,417.5	2,029.4	
o/w Housing	32.0	1,169.1	213.2	1,104.9	0.2%	0.0%	0.0	0.0	0.0	0.0	0.0%	1,169.1	1,104.9	
o/w Consumer	92.0	910.0	120.4	910.0	0.3%	0.0%	12.0	338.4	14.5	0.0	0.0%	1,248.4	924.5	
Non-financial corporations	25.0	11,380.2	1,205.9	8,318.7	1.9%	0.5%	16.0	1,985.9	117.4	0.0	0.3%	13,366.1	8,436.0	
o/w Secured loans	21.0	11,347.4	1,174.8	8,285.9	1.9%	0.5%	5.0	1,477.8	0.0	0.0	0.2%	12,825.2	8,285.9	
o/w Unsecured loans	5.0	32.8	31.0	32.8	0.0%	0.0%	11.0	508.1	117.4	0.0	0.0%	540.9	150.1	
Other	1.0	6,602.3	6,602.3	6,602.3	1.1%	0.0%	0.0	0.0	0.0	0.0	0.0%	6,602.3	6,602.3	
<b>NLB Banka, Skopje</b>	<b>72,309.0</b>	<b>317,911.9</b>	<b>317,911.9</b>	<b>263,826.5</b>	<b>24.6%</b>	<b>4.2%</b>	<b>3.0</b>	<b>121.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>	<b>318,033.0</b>	<b>263,826.5</b>	
Retail	71,749.0	258,927.4	258,927.4	214,591.4	20.0%	3.4%	0.0	0.0	0.0	0.0	0.0%	258,927.4	214,591.4	
o/w Housing	2,070.0	80,226.6	80,226.6	62,628.6	6.2%	1.4%	0.0	0.0	0.0	0.0	0.0%	80,226.6	62,628.6	
o/w Consumer	70,717.0	178,700.8	178,700.8	151,962.8	13.8%	2.1%	0.0	0.0	0.0	0.0	0.0%	178,700.8	151,962.8	
Non-financial corporations	559.0	58,977.9	58,977.9	49,228.4	4.6%	0.8%	3.0	121.1	0.0	0.0	0.0%	59,099.1	49,228.4	
o/w Secured loans	167.0	45,783.0	45,783.0	38,268.8	3.5%	0.6%	3.0	121.1	0.0	0.0	0.0%	45,904.2	38,268.8	
o/w Unsecured loans	425.0	13,194.9	13,194.9	10,959.7	1.0%	0.2%	0.0	0.0	0.0	0.0	0.0%	13,194.9	10,959.7	
Other	1.0	6.6	6.6	6.6	0.0%	0.0%	0.0	0.0	0.0	0.0	0.0%	6.6	6.6	
<b>NLB Banka, Sarajevo</b>	<b>1,368.0</b>	<b>32,596.7</b>	<b>32,596.7</b>	<b>25,455.8</b>	<b>6.0%</b>	<b>1.3%</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>	<b>32,596.7</b>	<b>25,455.8</b>	
Retail	1,313.0	11,750.8	11,750.8	11,619.7	2.2%	0.0%	0.0	0.0	0.0	0.0	0.0%	11,750.8	11,619.7	
o/w Housing	68.0	1,622.0	1,622.0	1,622.0	0.3%	0.0%	0.0	0.0	0.0	0.0	0.0%	1,622.0	1,622.0	
o/w Consumer	1,276.0	10,128.8	10,128.8	9,997.7	1.9%	0.0%	0.0	0.0	0.0	0.0	0.0%	10,128.8	9,997.7	
Non-financial corporations	54.0	19,050.7	19,050.7	12,040.9	3.5%	1.3%	0.0	0.0	0.0	0.0	0.0%	19,050.7	12,040.9	
o/w Secured loans	32.0	14,814.9	14,814.9	9,367.3	2.7%	1.0%	0.0	0.0	0.0	0.0	0.0%	14,814.9	9,367.3	
o/w Unsecured loans	26.0	4,235.8	4,235.8	2,673.6	0.8%	0.3%	0.0	0.0	0.0	0.0	0.0%	4,235.8	2,673.6	
Other	1.0	1,795.2	1,795.2	1,795.2	0.3%	0.0%	0.0	0.0	0.0	0.0	0.0%	1,795.2	1,795.2	
<b>NLB Banka, Prishtina</b>	<b>5,571.0</b>	<b>237,978.3</b>	<b>237,978.3</b>	<b>188,185.1</b>	<b>30.4%</b>	<b>6.4%</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>	<b>237,978.3</b>	<b>188,185.1</b>	
Retail	4,408.0	44,449.1	44,449.1	43,860.2	5.7%	0.1%	0.0	0.0	0.0	0.0	0.0%	44,449.1	43,860.2	
o/w Housing	1,905.0	34,202.1	34,202.1	33,677.9	4.4%	0.1%	0.0	0.0	0.0	0.0	0.0%	34,202.1	33,677.9	
o/w Consumer	3,657.0	10,247.0	10,247.0	10,182.3	1.3%	0.0%	0.0	0.0	0.0	0.0	0.0%	10,247.0	10,182.3	
Non-financial corporations	1,158.0	193,469.2	193,469.2	144,264.9	24.7%	6.3%	0.0	0.0	0.0	0.0	0.0%	193,469.2	144,264.9	
o/w Secured loans	1,144.0	193,393.3	193,393.3	144,189.4	24.7%	6.3%	0.0	0.0	0.0	0.0	0.0%	193,393.3	144,189.4	
o/w Unsecured loans	23.0	75.8	75.8	75.5	0.0%	0.0%	0.0	0.0	0.0	0.0	0.0%	75.8	75.5	
Other	5.0	60.1	60.1	60.1	0.0%	0.0%	0.0	0.0	0.0	0.0	0.0%	60.1	60.1	
<b>Komercijalna Banka, Beograd</b>	<b>112,992.0</b>	<b>707,010.6</b>	<b>688,945.0</b>	<b>673,369.6</b>	<b>28.5%</b>	<b>1.4%</b>	<b>518.0</b>	<b>19,973.3</b>	<b>19,973.3</b>	<b>19,973.3</b>	<b>0.0%</b>	<b>726,983.9</b>	<b>693,342.9</b>	
Retail	110,982.0	488,986.6	472,804.1	471,345.5	19.7%	0.7%	259.0	5,173.1	5,173.1	5,173.1	0.0%	494,159.7	476,518.6	
o/w Housing	9,750.0	229,840.8	223,588.3	223,258.8	9.3%	0.3%	0.0	0.0	0.0	0.0	0.0%	229,840.8	223,258.8	
o/w Consumer	105,520.0	259,145.8	249,215.8	248,086.7	10.4%	0.5%	259.0	5,173.1	5,173.1	5,173.1	0.0%	264,318.9	253,259.8	
Non-financial corporations	1,977.0	217,350.1	215,467.0	201,350.2	8.8%	0.6%	258.0	14,788.0	14,788.0	14,788.0	0.0%	222,138.1	216,138.1	
o/w Secured loans	267.0	101,835.0	100,952.1	87,393.4	4.1%	0.6%	257.0	14,788.0	14,788.0	14,788.0	0.0%	116,623.0	102,181.4	

will expire. Since the expiration of moratorium, 92.9% of exposure has performed without any material delays, while non-expired moratoriums were already reclassified accordingly in 2020 based on future expectations.

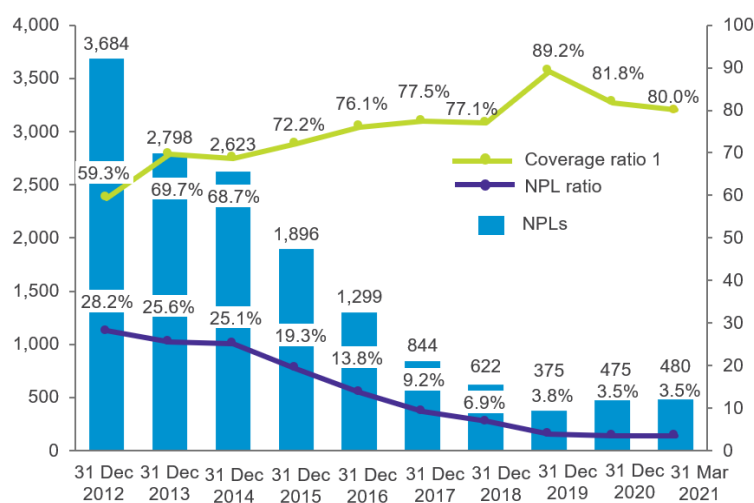
Apart from moratoriums, the Group is also providing additional liquidity by granting new loans to creditworthy clients to help them with the specific situation due to COVID-19 crisis. The volume of such loans was EUR 30.9 million in the Bank and EUR 88.4 million in other Group member banks. EUR 106.2 million of the new COVID-19 loans are subject to public guarantee schemes in Serbia and Slovenia.

The combination of high-quality portfolio, COVID-19 legislative options and uncertain macroeconomic conditions led to cumulative new NPLs formation in the amount of EUR 30.8 million, which is 0.2% of the total portfolio. Additionally, the macroeconomic situation across the region, affected by the COVID-19 pandemic and related economic slowdown (resulting mainly from potential additional lockdowns), might have an adverse impact on cost of risk in 2021.

Figure 16: NLB Group gross NPL formation (in EUR million)



Precisely set targets in the Group's NPL Strategy and various proactive workout approaches facilitated the management of the non-performing portfolio. The Group's approach to NPL management puts a strong emphasis on restructuring and use of other active NPL management tools, such as foreclosure of collateral, the sale of claims and pledged assets. The non-performing credit portfolio stock stopped its multi-year declining trend as a consequence of COVID-19 outbreak. The existing non-performing credit portfolio stock in the Group slightly increased in comparison with the 2020 YE to EUR 479.5 million (2020 YE: EUR 474.7 million). The combined result of all of the effects resulted in 3.5% of NPLs, while the internationally more comparable NPE ratio, based on the EBA methodology, remained at the 2020 YE level at 2.3%. The Group's indicator gross NPL ratio, defined by the EBA, stayed almost the same as at the end of 2020 at 4.5%, and is below the regulatory defined threshold for establishment of NPL strategy framework.

Figure 17: NLB Group NPL, NPL ratio and Coverage ratio<sup>(i)</sup>

<sup>(i)</sup> By internal definition.

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

An important Group's strength is the NPL coverage ratio 1 (coverage of gross NPLs with impairments for all loans), which remains high at 80.0%. Furthermore, the Group's NPL coverage ratio 2 (coverage of gross NPLs with impairments for NPL) stands at 56.6%, which is well above the EU average as published by the EBA (44.9% for 2020 YE). As such, it enables a further reduction in NPLs without significantly influencing the cost of risk in the coming years.

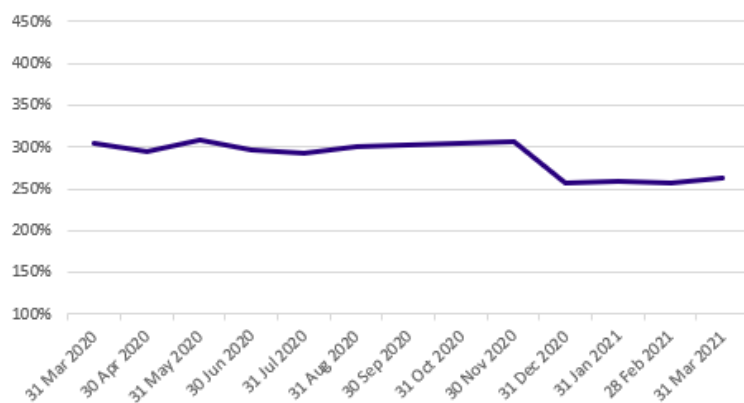
The Group strives to ensure the best possible collateral for long-term loans, namely mortgages in most cases. Thus, the real-estate mortgage is the most frequent form of loan collateral for corporate and retail clients. In the corporate loans, it is followed by government and corporate guarantees. In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

In the COVID-19 environment the Group is perceived as a safe haven and therefore its excess liquidity is growing, while impacts of the pandemic did not cause any material liquidity outflows. Significant attention was put into the structure and concentration of liquidity reserves by incorporating early warning systems, while keeping in mind the potential adverse negative market movements. The Group holds a very strong liquidity position at the Group and individual subsidiary bank level, which is well above the risk appetite with the LCR of 262.0% and unencumbered eligible reserves in the amount of EUR 8,865.0 million in the form of placements at the ECB, prime debt securities, and money market placements. The main funding base of the Group at the Group and individual subsidiary bank level predominately entails customer deposits, namely in the retail segment, representing a very stable and



constantly growing base. A very comfortable level of LTD at 58.7% gives the Group the potential for further customer loan placements.

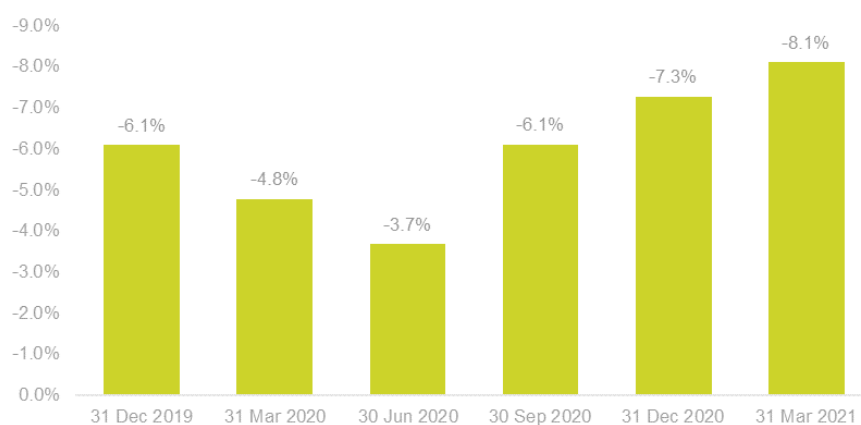
**Figure 18: NLB Group's LCR**



The Group's net open FX position from the transactional risk is at rather low level, at the end of Q1 standing at 5.8% of capital. The position temporarily increased due to operations referring to squeeze out of minority stakes in Komercijalna Banka, Beograd. With regards to structural FX positions on the consolidated basis, which are recognized in the other comprehensive income, the Group's structural FX positions increased by acquisition of Komercijalna Banka, Beograd, resulting in an increase of the Group's RWA for market risk.

The Group's interest rate positions were slightly affected by moratoriums during the year 2020, which were mostly short-term and consequently not very material. The Group places excess liquidity mainly into banking book securities with fixed interest rate, while in the current negative interest rate environment there is also a higher demand for products with fixed interest rate. The interest rate exposure to interest rate risk remains modest, within the risk appetite limits. If market interest rates would increase, the net interest income of the Group would be positively affected, whereas if they decreased, negative effects would be lower due to zero floor clauses included in a number of loan contracts. When assessing EVE sensitivity, the Group members apply different scenarios. For most members, the worst-case regulatory scenario is in the case of interest rate increase by 200 bps. From the EVE perspective, the estimated capital sensitivity of 200 bps equals -8.1% of the Group's capital.

**Figure 19: NLB Group's EVE evolution**



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

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

# Corporate Governance

## Management Board

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

There were no changes in the NLB Management Board in Q1.<sup>10</sup>

## 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 the audit plan of the Internal Audit, all financial transactions (e.g. issuing of own securities, and equity stakes in companies and other legal entities), and supervising the performance of the Internal Audit.

The Workers Council of the Bank has elected Tadeja Žbontar Rems as a member of the Supervisory Board – workers' representative. Her term of office will run from 22 January 2021 and until the conclusion of the Annual General Meeting of the Bank that decides on the allocation of distributable profit for the fourth financial year after her election, counting the year in which she was appointed as the first one.

On the Supervisory Board session of held on 18 February 2021 the Supervisory Board discussed the Group business operations in the previous year and familiarized themselves with the draft of the NLB Group Annual Report 2020. They also took note of the integration process of Komercijalna Banka, Beograd, as well as of the reports submitted by the Bank's experts.

## General Meeting

The shareholders exercise their rights related to the Bank's operations at General Meetings. The Bank's General Meeting pass decisions in accordance with the legislation and the Bank's Articles of Association. The authorizations of the General Meeting are stipulated in the Companies Act, Banking Act, and the 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 Boards and employees, annual schedules, and characteristics of issues of securities.

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<sup>10</sup> Further information is available in Chapter Events after 31 March 2021.

In Q1 the General Meeting of shareholders was neither summoned nor held.<sup>11</sup>

## **Guidelines on Disclosure for Listed Companies**

In accordance with Section 2.1.3, Point 2 of the Guidelines on Disclosure for Listed Companies, the Bank hereby states that apart from changes in the Supervisory Board, as mentioned above, in Q1 there were no changes made to the Management Board and Internal Audit of the Bank.

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<sup>11</sup> Further information is available in Chapter Events after 31 March 2021.

## Events after 31 March 2021

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

The acceptance period in the takeover bid for regular and preferred shares of Komercijalna Banka, Beograd closed on 9 April. The Bank acquired additional 801,876 ordinary shares; after the closing the Bank holds combined 14,799,562 ordinary shares (87.99858% of voting rights). The Bank acquired also 57,250 preferred shares; after the closing the Bank holds 57,250 (15.32757%) of this class of shares. On 13 April the proceeds in the total amount of RSD 2,712,108,541.72 were transferred to shareholders that accepted the offer.

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

Material exposure that was restructured in 2014, and was classified as non-performing, was repaid on 23 April 2021. The effect on the Group will be a reduction of non-performing loans in the amount of EUR 40.8 million and a positive valuation impact of EUR 14.7 million in the income statement. The exposure was measured at fair value through P&L, therefore the effect will be presented within net income from financial transactions and will be evident in the interim report of NLB Group for the H1 2021.

On 4 May 2021 the Bank announced that the 36th General Meeting of NLB will be held on 14 June 2021.

## Alternative Performance Indicators

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

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

(in EUR million and bps)	NLB Group					
	1-3 2021	1-12 2020	1-9 2020	1-6 2020	1-3 2020	1-12 2019
Numerator						
Credit impairments and provisions <sup>(i)</sup>	-75.7	47.6	64.2	65.2	111.9	-14.5
Denominator						
Average net loans to customers <sup>(ii)</sup>	9,703.9	7,696.1	7,674.8	7,666.5	7,660.6	7,339.4
<b>Cost of risk</b>	<b>-78</b>	<b>62</b>	<b>84</b>	<b>85</b>	<b>146</b>	<b>-20</b>

<sup>(i)</sup> 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.

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

<sup>(iii)</sup> Komercijalna Banka group included from 2021 on.

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

(in EUR million and %)	NLB Group					
	1-3 2021	1-12 2020	1-9 2020	1-6 2020	1-3 2020	1-12 2019
Numerator						
Total costs	96.6	293.9	216.3	144.8	74.6	305.0
Denominator						
Total net operating income	154.0	504.5	383.3	260.0	123.8	517.2
<b>Cost to income ratio (CIR)</b>	<b>62.7 %</b>	<b>58.3%</b>	<b>56.4%</b>	<b>55.7%</b>	<b>60.3%</b>	<b>59.0%</b>

CIR is adjusted to changed schemes prescribed by the BoS.

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

IFRS 9 classification into stages for loan portfolio:

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

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

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

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

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

Loan portfolio includes loans to banks, loans to other customers, loans mandatorily measured at FVTPL and balances with central banks and other banks. The majority of loan portfolio is classified into IFRS 9 stages. The remaining minor part (0.3 per cent at the end of December 2020 and at the end of Q1 2021) represents FVTPL. The classification into stages is calculated on the internal data source, by which the Group measures the loan portfolio quality, and is also published in Business Report of Annual and Interim Reports.

NLB Group		
(in EUR million and %)	31 Mar 2021	31 Dec 2020
Numerator		
Total (AC) loans in Stage 1	12,736.8	12,650.8
Denominator		
Total gross loans	13,795.8	13,686.6
<b>IFRS 9 classification into Stage 1</b>	<b>92.3%</b>	<b>92.4%</b>

NLB Group		
(in EUR million and %)	31 Mar 2021	31 Dec 2020
Numerator		
Total (AC) loans in Stage 2	576.7	560.1
Denominator		
Total gross loans	13,795.8	13,686.6
<b>IFRS 9 classification into Stage 2</b>	<b>4.2%</b>	<b>4.1%</b>

NLB Group		
(in EUR million and %)	31 Mar 2021	31 Dec 2020
Numerator		
Total (AC) loans in Stage 3	440.9	434.5
Denominator		
Total gross loans	13,795.8	13,686.6
<b>IFRS 9 classification into Stage 3</b>	<b>3.2%</b>	<b>3.2%</b>

NLB Group		
(in EUR million and %)	31 Mar 2021	31 Dec 2020
Numerator		
Total (FVTPL) loans	41.3	41.2
Denominator		
Total gross loans	13,795.8	13,686.6
<b>IFRS 9 classification into FVTPL</b>	<b>0.3%</b>	<b>0.3%</b>



(in EUR million and %)	NLB Group	
	31 Mar 2021	31 Dec 2020
Numerator		
Total (AC) loans in Stage 1 to Corporates	4,208.4	4,135.7
Denominator		
Total gross loans to Corporates	5,007.2	4,921.0
<b>Corporates - IFRS 9 classification into Stage 1</b>	<b>84.0%</b>	<b>84.0%</b>

(in EUR million and %)	NLB Group	
	31 Mar 2021	31 Dec 2020
Numerator		
Total (AC) loans in Stage 2 to Corporates	436.2	426.8
Denominator		
Total gross loans to Corporates	5,007.2	4,921.0
<b>Corporates - IFRS 9 classification into Stage 2</b>	<b>8.7%</b>	<b>8.7%</b>

(in EUR million and %)	NLB Group	
	31 Mar 2021	31 Dec 2020
Numerator		
Total (AC & FVTPL) loans in Stage 3 to Corporates	362.6	358.6
Denominator		
Total gross loans to Corporates	5,007.2	4,921.0
<b>Corporates - IFRS 9 classification into Stage 3</b>	<b>7.2%</b>	<b>7.3%</b>

(in EUR million and %)	NLB Group	
	31 Mar 2021	31 Dec 2020
Numerator		
Total (AC) loans in Stage 1 to Retail	4,866.5	4,779.2
Denominator		
Total gross loans to Retail	5,126.6	5,029.7
<b>Retail - IFRS 9 classification into Stage 1</b>	<b>94.9%</b>	<b>95.0%</b>

(in EUR million and %)	NLB Group	
	31 Mar 2021	31 Dec 2020
Numerator		
Total (AC) loans in Stage 2 to Retail	140.5	133.3
Denominator		
Total gross loans to Retail	5,126.6	5,029.7
<b>Retail - IFRS 9 classification into Stage 2</b>	<b>2.7%</b>	<b>2.7%</b>

(in EUR million and %)	NLB Group	
	31 Mar 2021	31 Dec 2020
Numerator		
Total (AC) loans in Stage 3 to Retail	119.7	117.1
Denominator		
Total gross loans to Retail	5,126.6	5,029.7
<b>Retail - IFRS 9 classification into Stage 3</b>	<b>2.3%</b>	<b>2.3%</b>

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

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

	NLB Group												
(in EUR million and %)	31 Mar 2021	28 Feb 2021	31 Jan 2021	31 Dec 2020	30 Nov 2020	31 Oct 2020	30 Sep 2020	31 Aug 2020	31 Jul 2020	30 Jun 2020	31 May 2020	30 Apr 2020	31 Mar 2020
Numerator													
Stock of HQLA	4,915.3	4,871.5	5,027.8	5,003.0	4,849.5	4,746.2	4,710.4	4,730.0	4,726.0	4,737.7	4,449.6	4,292.4	3,974.2
Denominator													
Net liquidity outflow	1,876.4	1,889.0	1,945.5	1,943.1	1,586.9	1,555.4	1,553.9	1,569.3	1,616.3	1,594.0	1,439.9	1,457.0	1,308.0
<b>LCR</b>	<b>262.0%</b>	<b>257.9%</b>	<b>258.4%</b>	<b>257.5%</b>	<b>305.6%</b>	<b>305.1%</b>	<b>303.1%</b>	<b>301.4%</b>	<b>292.4%</b>	<b>297.2%</b>	<b>309.0%</b>	<b>294.6%</b>	<b>303.8%</b>

Based on the EC's Delegated Act on LCR.

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

	NLB Group		
(in EUR million and %)	31 Mar 2021	31 Dec 2020	31 Mar 2020
Numerator			
Net loans to customers	9,824.5	9,644.9	7,759.8
Denominator			
Deposits from customers	16,732.1	16,397.2	11,652.9
<b>Net loan to deposit ratio (LTD)</b>	<b>58.7%</b>	<b>58.8%</b>	<b>66.6%</b>

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

	NLB Group					
(in EUR million and %)	1-3 2021	1-12 2020	1-9 2020	1-6 2020	1-3 2020	1-12 2019
Numerator						
Net interest income <sup>(i)</sup>	395.4	299.6	299.9	301.8	311.2	318.5
Denominator						
Average interest bearing assets <sup>(ii)</sup>	18,902.8	14,187.6	14,009.2	13,791.1	13,560.3	12,845.9
<b>Net interest margin on interest bearing assets</b>	<b>2.09%</b>	<b>2.11%</b>	<b>2.14%</b>	<b>2.19%</b>	<b>2.29%</b>	<b>2.48%</b>

<sup>(i)</sup> 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.

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

<sup>(iii)</sup> Komercijalna Banka group included from 2021 on.

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

(in EUR million and %)	NLB Group				
	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Numerator					
Net interest income <sup>(i)</sup>	395.4	298.7	296.1	292.4	311.2
Denominator					
Average interest bearing assets <sup>(ii)</sup>	18,902.8	14,739.7	14,461.7	13,979.9	13,560.3
<b>Net interest margin on interest bearing assets (quarterly)</b>	<b>2.09%</b>	<b>2.03%</b>	<b>2.05%</b>	<b>2.09%</b>	<b>2.29%</b>

(in EUR million and %)	SEE banks total w/o KB				
	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Numerator					
Net interest income <sup>(i)</sup>	159.3	159.6	161.4	155.8	160.1
Denominator					
Average interest bearing assets <sup>(ii)</sup>	5,002.1	4,899.7	4,837.4	4,710.9	4,669.5
<b>Net interest margin on interest bearing assets (quarterly)</b>	<b>3.19%</b>	<b>3.26%</b>	<b>3.34%</b>	<b>3.31%</b>	<b>3.43%</b>

(in EUR million and %)	NLB				
	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Numerator					
Net interest income <sup>(i)</sup>	136.7	137.4	133.5	135.2	149.5
Denominator					
Average interest bearing assets <sup>(ii)</sup>	10,057.3	10,110.7	9,822.4	9,462.8	9,078.1
<b>Net interest margin on interest bearing assets (quarterly)</b>	<b>1.36%</b>	<b>1.36%</b>	<b>1.36%</b>	<b>1.43%</b>	<b>1.65%</b>

(in EUR million and %)	KB banks
	Q1 2021
Numerator	
Net interest income <sup>(i)</sup>	97.3
Denominator	
Average interest bearing assets <sup>(ii)</sup>	4,005.0
<b>Net interest margin on interest bearing assets (quarterly)</b>	<b>2.43%</b>

<sup>(i)</sup> 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.

<sup>(ii)</sup> NLB internal information. Average interest bearing assets (quarterly) for the NLB Group, SEE banks and KB banks are 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). Average interest bearing assets (quarterly) for NLB are calculated as the sum of daily balances in each quarter (from the first day of the quarter to the last day in quarter) divided by the number of days in the quarter.

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

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

(in EUR million and %)	NLB Group	
	1-3 2021	1-3 2020
Numerator		
Net interest income <sup>(i)</sup>	395.4	311.2
Denominator		
Average total assets <sup>(ii)</sup>	19,749.0	14,167.0
<b>Net interest margin on total assets</b>	<b>2.00%</b>	<b>2.20%</b>

<sup>(i)</sup> 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.

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

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

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

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

Below presented calculations are based on internal data sources.

(in EUR million and %)	NLB Group					
	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Numerator						
Total Non-Performing on-balance and off-balance Exposure in Finrep18	520.0	513.0	437.4	443.1	437.7	432.7
Denominator						
Total on-balance and off-balance exposures in Finrep18	22,387.9	22,042.3	17,562.6	17,299.9	16,333.4	16,228.5
<b>NPE per cent.</b>	<b>2.3%</b>	<b>2.3%</b>	<b>2.5%</b>	<b>2.6%</b>	<b>2.7%</b>	<b>2.7%</b>

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

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

(in EUR million and %)	NLB Group										
	31 Mar 2021	31 Dec 2020	31 Mar 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
Numerator											
Total Non-Performing Loans	479.5	474.7	393.5	374.7	622.3	844.5	1,299.2	1,895.5	2,623.4	2,797.7	3,683.6
Denominator											
Total gross loans	13,795.8	13,686.6	9,986.7	9,793.5	9,017.2	9,130.4	9,443.7	9,829.2	10,432.6	10,936.6	13,083.8
<b>NPL per cent.</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.9%</b>	<b>3.8%</b>	<b>6.9%</b>	<b>9.2%</b>	<b>13.8%</b>	<b>19.3%</b>	<b>25.1%</b>	<b>25.6%</b>	<b>28.2%</b>

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

(in EUR million and %)	NLB Group										
	31 Mar 2021	31 Dec 2020	31 Mar 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
Numerator											
Loan loss allowances entire loan portfolio	383.7	388.4	365.6	334.2	479.6	654.8	988.7	1,368.1	1,801.8	1,948.9	2,184.1
Denominator											
Total Non-Performing Loans	479.5	474.7	393.5	374.7	622.3	844.5	1,299.2	1,895.5	2,623.4	2,797.7	3,683.6
<b>NPL coverage ratio 1 (NPL CR 1)</b>	<b>80.0%</b>	<b>81.8%</b>	<b>92.9%</b>	<b>89.2%</b>	<b>77.1%</b>	<b>77.5%</b>	<b>76.1%</b>	<b>72.2%</b>	<b>68.7%</b>	<b>69.7%</b>	<b>59.3%</b>

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

(in EUR million and %)	NLB Group		
	31 Mar 2021	31 Dec 2020	31 Mar 2020
Numerator			
Loan loss allowances non-performing loan portfolio	271.4	272.1	251.0
Denominator			
Total Non-Performing Loans	479.5	474.7	393.5
<b>NPL coverage ratio 2 (NPL CR 2)</b>	<b>56.6%</b>	<b>57.3%</b>	<b>63.8%</b>

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

(in EUR million and %)	NLB Group		
	31 Mar 2021	31 Dec 2020	31 Mar 2020
Numerator			
Net volume of non-performing loans	208.1	202.7	142.5
Denominator			
Total Net Loans	13,412.1	13,298.2	9,621.1
<b>Net NPL ratio per cent. (%Net NPL)</b>	<b>1.6%</b>	<b>1.5%</b>	<b>1.5%</b>

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

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

(in EUR million and %)	NLB Group		
	31 Mar 2021	31 Dec 2020	31 Mar 2020
Numerator			
Gross volume of Non-Performing Loans and advances without loans held for sale, cash balances at CBs and other demand deposits	477.1	466.0	386.1
Denominator			
Gross volume of Loans and advances in Finrep18 without loans held for sale, cash balances at CBs and other demand deposits	10,524.6	10,340.6	8,381.8
<b>NPL ratio (EBA def.) per cent.</b>	<b>4.5%</b>	<b>4.5%</b>	<b>4.6%</b>

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

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

(in EUR thousand and %)	NLB Group					
	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Numerator						
Interest risk in banking book – EVE	-140,567	-128,370	-98,185	-59,547	-68,129	-88,355
Denominator						
Equity (Tier I)	1,734,545	1,765,000	1,622,945	1,616,921	1,426,936	1,451,176
<b>EVE as % of Equity</b>	<b>-8.1%</b>	<b>-7.3%</b>	<b>-6.1%</b>	<b>-3.7%</b>	<b>-4.8%</b>	<b>-6.1%</b>

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

(in EUR million and %)	NLB Group					
	1-3 2021	1-12 2020	1-9 2020	1-6 2020	1-3 2020	1-12 2019
Numerator						
Operational business net income <sup>(i)</sup>	633.3	490.3	486.2	483.0	498.3	502.1
Denominator						
Average total assets <sup>(ii)</sup>	19,749.0	14,759.2	14,589.5	14,383.8	14,167.0	13,311.7
<b>OBM</b>	<b>3.21%</b>	<b>3.32%</b>	<b>3.33%</b>	<b>3.36%</b>	<b>3.52%</b>	<b>3.77%</b>

<sup>(i)</sup> Operational business net income is annualized, calculated as operational business income in the period divided by the number of months for the reporting period and multiplied by 12. 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.

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

<sup>(iii)</sup> Komercijalna Banka group included from 2021 on.

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

(in EUR million and %)	NLB Group					
	1-3 2021	1-12 2020	1-9 2020	1-6 2020	1-3 2020	1-12 2019
Numerator						
Result after tax <sup>(i)</sup>	258.4	141.3	139.5	147.3	73.2	193.6
Denominator						
Average equity <sup>(ii)</sup>	1,983.1	1,741.1	1,720.4	1,703.2	1,697.7	1,658.0
<b>ROE a.t.</b>	<b>13.0%</b>	<b>8.1%</b>	<b>8.1%</b>	<b>8.7%</b>	<b>4.3%</b>	<b>11.7%</b>

<sup>(i)</sup> 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.

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

<sup>(iii)</sup> Komercijalna Banka group included from 2021 on.

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

(in EUR million and %)	NLB Group	
	1-3 2021	1-3 2020
Numerator		
Result after tax <sup>(i)</sup>	258.4	73.2
Denominator		
Average total assets <sup>(ii)</sup>	19,749.0	14,167.0
<b>ROA a.t.</b>	<b>1.3%</b>	<b>0.5%</b>

<sup>(i)</sup> 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.

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



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

(in EUR million and %)	NLB Group					
	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Numerator						
Total capital (Own funds)	2,025.4	2,065.5	1,909.6	1,903.4	1,707.8	1,495.8
Denominator						
Total risk exposure Amount (Total RWA)	12,615.1	12,421.0	8,863.2	9,301.7	9,226.7	9,185.5
<b>Total capital ratio</b>	<b>16.1%</b>	<b>16.6%</b>	<b>21.5%</b>	<b>20.5%</b>	<b>18.5%</b>	<b>16.3%</b>

# 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	March	March	March
		2021	2020	2021	2020
		unaudited	unaudited	unaudited	unaudited
	Notes				
Interest income, using the effective interest method		112,915	88,525	41,339	43,108
Interest income, not using the effective interest method		1,687	2,031	1,701	2,030
Interest and similar income	4.1.	114,602	90,556	43,040	45,138
Interest and similar expenses	4.1.	(17,095)	(13,192)	(9,325)	(7,973)
<b>Net interest income</b>		<b>97,507</b>	<b>77,364</b>	<b>33,715</b>	<b>37,165</b>
Dividend income	4.2.	11	11	4,494	8
Fee and commission income	4.3.	73,839	57,810	35,347	34,084
Fee and commission expenses	4.3.	(19,727)	(15,397)	(7,732)	(8,001)
<b>Net fee and commission income</b>		<b>54,112</b>	<b>42,413</b>	<b>27,615</b>	<b>26,083</b>
Gains less losses from financial assets and liabilities not measured as at fair value through profit or loss	4.4.	(49)	2,362	19	2,362
Gains less losses from financial assets and liabilities held for trading	4.5.	4,682	2,612	1,037	708
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	4.6.	1,139	(474)	801	680
Fair value adjustments in hedge accounting		(129)	165	(129)	165
Foreign exchange translation gains less losses		(355)	(899)	(81)	(687)
Gains less losses on derecognition of non-financial assets		(177)	331	(5)	7
Other net operating income	4.7.	3,621	2,272	2,177	1,642
Administrative expenses	4.8.	(84,945)	(66,574)	(38,844)	(41,673)
Cash contributions to resolution funds and deposit guarantee schemes	4.9.	(6,281)	(2,364)	-	-
Depreciation and amortisation	4.10.	(11,619)	(8,051)	(4,388)	(4,652)
Gains less losses from modification		(36)	-	-	-
Provisions for credit losses	4.11.	3,306	(505)	3,265	825
Provisions for other liabilities and charges	4.11.	(38)	(135)	1,809	-
Impairment of financial assets	4.12.	12,648	(27,650)	8,390	(15,030)
Impairment of non-financial assets	4.12.	(417)	(42)	-	-
Share of profit from investments in associates and joint ventures (accounted for using the equity method)		131	218	-	-
Gains less losses from non-current assets held for sale		-	(5)	-	(5)
<b>Profit before income tax</b>		<b>73,111</b>	<b>21,049</b>	<b>39,875</b>	<b>7,598</b>
Income tax	4.13.	(4,735)	(1,575)	(609)	(122)
<b>Profit for the period</b>		<b>68,376</b>	<b>19,474</b>	<b>39,266</b>	<b>7,476</b>
Attributable to owners of the parent		64,609	18,311	39,266	7,476
Attributable to non-controlling interests		3,767	1,163	-	-
Earnings per share/diluted earnings per share (in EUR per share)		3.23	0.92	1.96	0.37

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

	Notes	in EUR thousands			
		NLB Group		NLB	
		three months ended		three months ended	
		March 2021	March 2020	March 2021	March 2020
		unaudited	unaudited	unaudited	unaudited
<b>Net profit for the period after tax</b>		<b>68,376</b>	<b>19,474</b>	<b>39,266</b>	<b>7,476</b>
<b>Other comprehensive income after tax</b>		<b>(2,856)</b>	<b>(25,634)</b>	<b>(4,738)</b>	<b>(21,824)</b>
<i>Items that will not be reclassified to income statement</i>					
Fair value changes of equity instruments measured at fair value through other comprehensive income		622	(427)	(143)	(459)
Share of other comprehensive income/(losses) of entities accounted for using the equity method		-	8	-	-
Income tax relating to components of other comprehensive income	5.14.	(68)	87	37	87
<i>Items that have been or may be reclassified subsequently to income statement</i>					
Foreign currency translation		(510)	(1,654)	-	-
Translation gains/(losses) taken to equity		(510)	(1,654)	-	-
Debt instruments measured at fair value through other comprehensive income		(3,141)	(25,934)	(5,314)	(23,830)
Valuation gains/(losses) taken to equity		(3,450)	(23,748)	(5,466)	(21,533)
Transferred to income statement		309	(2,186)	152	(2,297)
Income tax relating to components of other comprehensive income	5.14.	241	2,286	682	2,378
<b>Total comprehensive income for the period after tax</b>		<b>65,520</b>	<b>(6,160)</b>	<b>34,528</b>	<b>(14,348)</b>
Attributable to owners of the parent		61,288	(6,998)	34,528	(14,348)
Attributable to non-controlling interests		4,232	838	-	-

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

in EUR thousands

	Notes	NLB Group		NLB	
		31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
		unaudited	audited	unaudited	audited
Cash, cash balances at central banks and other demand deposits at banks	5.1.	3,918,187	3,961,812	2,127,262	2,261,533
Financial assets held for trading	5.2.a)	75,103	84,855	23,803	18,831
Non-trading financial assets mandatorily at fair value through profit or loss	5.3.	42,872	42,393	35,970	35,106
Financial assets measured at fair value through other comprehensive income	5.4.	3,452,475	3,514,290	1,717,486	1,716,351
Financial assets measured at amortised cost					
- debt securities	5.5.a)	1,831,866	1,503,087	1,619,738	1,277,880
- loans and advances to banks	5.5.b)	204,975	197,005	164,274	158,320
- loans and advances to customers	5.5.c)	9,798,629	9,619,860	4,645,744	4,564,178
- other financial assets	5.5.d)	113,894	113,138	65,434	54,503
Derivatives - hedge accounting		97	-	97	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk		9,999	13,844	9,999	13,844
Investments in subsidiaries		-	-	749,060	749,060
Investments in associates and joint ventures		8,120	7,988	1,662	1,662
Tangible assets					
Property and equipment	5.7.	247,289	249,117	89,731	91,675
Investment property	5.8.	54,405	54,842	8,300	8,300
Intangible assets		58,225	61,668	26,796	28,105
Current income tax assets		4,367	4,369	3,281	1,923
Deferred income tax assets	5.13.	30,968	31,789	29,999	29,214
Other assets	5.9.	98,598	97,140	15,032	11,664
Non-current assets held for sale	5.6.	8,957	8,658	4,768	4,454
<b>Total assets</b>		<b>19,959,026</b>	<b>19,565,855</b>	<b>11,338,436</b>	<b>11,026,603</b>
Financial liabilities held for trading	5.2.b)	13,853	15,485	14,029	15,500
Financial liabilities measured at amortised cost					
- deposits from banks and central banks	5.11.	71,945	72,633	124,015	41,635
- borrowings from banks and central banks	5.11.	158,483	158,225	143,379	143,464
- due to customers	5.11.	16,732,097	16,397,167	9,056,637	8,850,755
- borrowings from other customers	5.11.	92,654	91,560	8	13
- subordinated liabilities	5.11.a)	286,833	288,321	286,833	288,321
- other financial liabilities	5.11.c)	224,198	207,300	113,842	101,273
Derivatives - hedge accounting		48,272	61,161	48,272	61,161
Provisions	5.12.	118,201	125,059	57,306	63,790
Current income tax liabilities		956	1,002	-	-
Deferred income tax liabilities	5.13.	4,375	4,475	-	-
Other liabilities	5.15.	18,599	20,427	8,593	9,697
<b>Total liabilities</b>		<b>17,770,466</b>	<b>17,442,815</b>	<b>9,852,914</b>	<b>9,575,609</b>
<b>Equity and reserves attributable to owners of the parent</b>					
Share capital		200,000	200,000	200,000	200,000
Share premium		871,378	871,378	871,378	871,378
Accumulated other comprehensive income		17,246	21,127	19,313	24,102
Profit reserves		13,522	13,522	13,522	13,522
Retained earnings		911,931	846,762	381,309	341,992
		<b>2,014,077</b>	<b>1,952,789</b>	<b>1,485,522</b>	<b>1,450,994</b>
Non-controlling interests		174,483	170,251	-	-
<b>Total equity</b>		<b>2,188,560</b>	<b>2,123,040</b>	<b>1,485,522</b>	<b>1,450,994</b>
<b>Total liabilities and equity</b>		<b>19,959,026</b>	<b>19,565,855</b>	<b>11,338,436</b>	<b>11,026,603</b>

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



Archibald Kremser

CFO



Andreas Burkhardt

CRO



Blaž Brodnjak

CEO &amp; CMO

Ljubljana, 11 May 2021

## 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 2021	200,000	871,378	42,496	(17,724)	(3,645)	13,522	846,762	1,952,789	170,251	2,123,040
- Net profit for the period	-	-	-	-	-	-	64,609	64,609	3,767	68,376
- Other comprehensive income	-	-	(2,900)	(421)	-	-	-	(3,321)	465	(2,856)
Total comprehensive income after tax	-	-	(2,900)	(421)	-	-	64,609	61,288	4,232	65,520
Transfer of fair value reserve	-	-	(560)	-	-	-	560	-	-	-
<b>Balance as at 31 Mar 2021</b>	<b>200,000</b>	<b>871,378</b>	<b>39,036</b>	<b>(18,145)</b>	<b>(3,645)</b>	<b>13,522</b>	<b>911,931</b>	<b>2,014,077</b>	<b>174,483</b>	<b>2,188,560</b>

in EUR thousands

NLB Group	Share capital	Share premium	Accumulated other comprehensive income			Profit reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
			Fair value reserve of financial assets measured at FVOCI	Foreign currency translation reserve	Other					
Balance as at 1 Jan 2020	200,000	871,378	47,880	(17,055)	(4,332)	13,522	574,489	1,685,882	45,015	1,730,897
- Net profit for the period	-	-	-	-	-	-	18,311	18,311	1,163	19,474
- Other comprehensive income	-	-	(23,808)	(1,509)	8	-	-	(25,309)	(325)	(25,634)
Total comprehensive income after tax	-	-	(23,808)	(1,509)	8	-	18,311	(6,998)	838	(6,160)
<b>Balance as at 31 Mar 2020</b>	<b>200,000</b>	<b>871,378</b>	<b>24,072</b>	<b>(18,564)</b>	<b>(4,324)</b>	<b>13,522</b>	<b>592,800</b>	<b>1,678,884</b>	<b>45,853</b>	<b>1,724,737</b>



in EUR thousands

NLB	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	-
<b>Balance as at 31 Mar 2021</b>	<b>200,000</b>	<b>871,378</b>	<b>22,905</b>	<b>(3,592)</b>	<b>13,522</b>	<b>381,309</b>	<b>1,485,522</b>

in EUR thousands

NLB	Share capital	Share premium	Accumulated other comprehensive income		Profit reserves	Retained earnings	Total equity
			Fair value reserve of financial assets measured at FVOCI	Other			
Balance as at 1 Jan 2020	200,000	871,378	24,444	(4,159)	13,522	228,040	1,333,225
- Net profit for the period	-	-	-	-	-	7,476	7,476
- Other comprehensive income	-	-	(21,824)	-	-	-	(21,824)
Total comprehensive income after tax	-	-	(21,824)	-	-	7,476	(14,348)
<b>Balance as at 31 Mar 2020</b>	<b>200,000</b>	<b>871,378</b>	<b>2,620</b>	<b>(4,159)</b>	<b>13,522</b>	<b>235,516</b>	<b>1,318,877</b>

## 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 2021	March 2020	March 2021	March 2020
		unaudited	unaudited	unaudited	unaudited
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Interest received		151,043	108,795	52,151	61,635
Interest paid		(18,166)	(10,171)	(10,426)	(4,763)
Dividends received		11	11	4,494	8
Fee and commission receipts		74,675	58,011	34,807	33,732
Fee and commission payments		(19,485)	(17,067)	(7,298)	(8,249)
Realised gains from financial assets and financial liabilities not at fair value through profit or loss		19	2,637	19	2,637
Net gains/(losses) from financial assets and liabilities held for trading		3,836	2,582	974	930
Payments to employees and suppliers		(92,382)	(77,331)	(49,986)	(50,778)
Other receipts		5,192	5,146	3,384	2,832
Other payments		(7,877)	(3,468)	(1,204)	(416)
Income tax (paid)/received		(3,693)	(7,017)	(1,819)	(3,386)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>93,173</b>	<b>62,128</b>	<b>25,096</b>	<b>34,182</b>
<b>(Increases)/decreases in operating assets</b>		<b>(114,911)</b>	<b>(298,153)</b>	<b>(106,010)</b>	<b>(212,004)</b>
Net (increase)/decrease in trading assets		7,113	135	(8,368)	135
Net (increase)/decrease in non-trading financial assets mandatorily at fair value through profit or loss		1,074	(17,303)	(34)	(17,035)
Net (increase)/decrease in financial assets measured at fair value through other comprehensive income		28,422	(59,059)	(13,940)	(44,172)
Net (increase)/decrease in loans and receivables measured at amortised cost		(152,664)	(223,769)	(83,716)	(150,952)
Net (increase)/decrease in other assets		1,144	1,843	48	20
<b>Increases/(decreases) in operating liabilities</b>		<b>347,455</b>	<b>65,503</b>	<b>302,944</b>	<b>93,412</b>
Net increase/(decrease) in deposits and borrowings measured at amortised cost		347,437	66,091	302,658	93,483
Net increase/(decrease) in other liabilities		18	(588)	286	(71)
<b>Net cash flows from operating activities</b>		<b>325,717</b>	<b>(170,522)</b>	<b>222,030</b>	<b>(84,410)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Receipts from investing activities</b>		<b>111,936</b>	<b>147,813</b>	<b>72,652</b>	<b>114,221</b>
Proceeds from sale of property, equipment, and investment property		102	307	2	80
Proceeds from disposals of debt securities measured at amortised cost		111,834	147,506	72,650	114,141
<b>Payments from investing activities</b>		<b>(461,225)</b>	<b>(78,331)</b>	<b>(430,416)</b>	<b>(50,187)</b>
Purchase of property, equipment, and investment property		(6,566)	(10,878)	(4,361)	(5,681)
Purchase of intangible assets		(3,683)	(5,604)	(2,580)	(4,150)
Purchase of debt securities measured at amortised cost		(450,976)	(61,849)	(423,475)	(40,356)
<b>Net cash flows from investing activities</b>		<b>(349,289)</b>	<b>69,482</b>	<b>(357,764)</b>	<b>64,034</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Proceeds from financing activities</b>		-	<b>119,222</b>	-	<b>119,222</b>
Issue of subordinated debt	5.11.b)	-	119,222	-	119,222
<b>Payments from financing activities</b>		-	<b>(45,000)</b>	-	<b>(45,000)</b>
Repayments of subordinated debt	5.11.b)	-	(45,000)	-	(45,000)
<b>Net cash flows from financing activities</b>		-	<b>74,222</b>	-	<b>74,222</b>
Effects of exchange rate changes on cash and cash equivalents		3,004	(4,104)	1,467	(2,251)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(23,572)</b>	<b>(26,818)</b>	<b>(135,734)</b>	<b>53,846</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>4,136,412</b>	<b>2,263,267</b>	<b>2,261,791</b>	<b>1,308,122</b>
<b>Cash and cash equivalents at end of period</b>		<b>4,115,844</b>	<b>2,232,345</b>	<b>2,127,524</b>	<b>1,359,717</b>

in EUR thousands

	Notes	NLB Group		NLB	
		31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
		unaudited	audited	unaudited	audited
<b>Cash and cash equivalents comprise:</b>					
Cash, cash balances at central banks, and other demand deposits at banks	5.1.	3,919,089	3,962,686	2,127,524	2,261,791
Loans and advances to banks with original maturity up to 3 months		167,977	146,223	-	-
Debt securities measured at fair value through other comprehensive income with original maturity up to 3 months		28,778	27,503	-	-
<b>Total</b>		<b>4,115,844</b>	<b>4,136,412</b>	<b>2,127,524</b>	<b>2,261,791</b>

## Notes to the condensed interim financial statements

### 1. General information

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

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

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

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

### 2. Summary of significant accounting policies

#### 2.1. Statement of compliance

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

#### 2.2. Accounting policies

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

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

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

***Accounting standards and amendments to existing standards 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);
- IFRS 3 (amendment) – ‘Business Combinations’ (effective for annual periods beginning on or after 1 January 2022);
- IAS 16 (amendment) – ‘Property, Plant and Equipment’ (effective for annual periods beginning on or after 1 January 2022);
- IAS 37 (amendment) – ‘Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract’ (effective for annual periods beginning on or after 1 January 2022);
- Annual Improvements (amendments) 2018-2022 (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IAS 1 – ‘Presentation of Financial Statements’ and IFRS Practice Statement 2 – ‘Disclosure of Accounting policies’ (effective for annual periods beginning on or after 1 January 2023);
- IAS 8 (amendment) – ‘Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates’ (effective for annual periods beginning on or after 1 January 2023);
- IFRS 16 (amendment) – ‘Leases: COVID-19-Related Rent Concessions’ (effective for annual periods beginning on or after 1 April 2021).

### 3. Changes in NLB Group

#### *Three months ended 31 March 2021*

There were no changes in the composition of the NLB Group in the first quarter of 2021.

#### *Changes in 2020*

Capital changes:

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

Other changes:

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

## 4. Notes to the condensed income statement

### 4.1. Interest income and expenses

Analysis by type of assets and liabilities

in EUR thousands

	NLB Group			NLB		
	three months ended			three months ended		
	March 2021	March 2020	Change	March 2021	March 2020	Change
<b>Interest and similar income</b>						
<i>Interest income, using the effective interest method</i>	112,915	88,525	28%	41,339	43,108	-4%
Loans and advances to customers at amortised cost	99,752	78,761	27%	35,013	35,767	-2%
Securities measured at amortised cost	3,313	4,665	-29%	2,475	3,750	-34%
Financial assets measured at fair value through other comprehensive income	9,674	4,758	103%	2,888	2,597	11%
Loans and advances to banks measured at amortised cost	134	209	-36%	945	929	2%
Deposits with banks and central banks	42	132	-68%	18	65	-72%
<i>Interest income, not using the effective interest method</i>	1,687	2,031	-17%	1,701	2,030	-16%
Financial assets held for trading	1,324	1,597	-17%	1,324	1,597	-17%
Non-trading financial assets mandatorily at fair value through profit or loss	363	434	-16%	377	433	-13%
<b>Total</b>	<b>114,602</b>	<b>90,556</b>	<b>27%</b>	<b>43,040</b>	<b>45,138</b>	<b>-5%</b>
<b>Interest and similar expenses</b>						
<i>Interest expenses, using the effective interest method</i>	10,760	8,286	30%	3,548	3,407	4%
Due to customers	7,373	5,586	32%	777	1,058	-27%
Borrowings from banks and central banks	225	243	-7%	167	212	-21%
Borrowings from other customers	310	233	33%	-	-	-
Subordinated liabilities	2,583	2,091	24%	2,593	2,091	24%
Deposits from banks and central banks	138	61	126%	3	37	-92%
Lease liabilities	121	72	68%	8	9	-11%
<i>Interest expenses, not using the effective interest method</i>	6,335	4,906	29%	5,777	4,566	27%
Derivatives - hedge accounting	2,527	2,365	7%	2,527	2,365	7%
Negative interest	2,503	1,149	118%	1,983	825	140%
Financial liabilities held for trading	1,254	1,365	-8%	1,254	1,365	-8%
Interest expense on defined employee benefits	31	24	29%	10	7	43%
Other financial liabilities	20	3	-	3	4	-25%
<b>Total</b>	<b>17,095</b>	<b>13,192</b>	<b>30%</b>	<b>9,325</b>	<b>7,973</b>	<b>17%</b>
<b>Net interest income</b>	<b>97,507</b>	<b>77,364</b>	<b>26%</b>	<b>33,715</b>	<b>37,165</b>	<b>-9%</b>

### 4.2. Dividend income

in EUR thousands

	NLB Group			NLB		
	three months ended			three months ended		
	March 2021	March 2020	Change	March 2021	March 2020	Change
Financial assets measured at fair value through other comprehensive income	7	3	133%	-	-	-
Investments in subsidiaries	-	-	-	4,490	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	4	8	-50%	4	8	-50%
<b>Total</b>	<b>11</b>	<b>11</b>	<b>0%</b>	<b>4,494</b>	<b>8</b>	<b>-</b>

## 4.3. Fee and commission income and expenses

in EUR thousands

	NLB Group			NLB		
	three months ended		Change	three months ended		Change
	March 2021	March 2020		March 2021	March 2020	
<b>Fee and commission income</b>						
<i>Fee and commission income relating to financial instruments not at fair value through profit or loss</i>						
Credit cards and ATMs	19,621	15,624	26%	8,143	8,709	-6%
Customer transaction accounts	21,129	16,094	31%	13,618	12,072	13%
<i>Other fee and commission income</i>						
Payments	17,402	12,528	39%	5,256	5,266	0%
Investment funds	5,770	4,934	17%	1,915	1,758	9%
Guarantees	3,344	2,886	16%	1,905	1,761	8%
Investment banking	2,857	2,789	2%	2,297	2,368	-3%
Agency of insurance products	1,814	1,651	10%	1,471	1,288	14%
Other services	1,902	1,304	46%	742	862	-14%
<b>Total</b>	<b>73,839</b>	<b>57,810</b>	<b>28%</b>	<b>35,347</b>	<b>34,084</b>	<b>4%</b>
<b>Fee and commission expenses</b>						
<i>Fee and commission expenses relating to financial instruments not at fair value through profit or loss</i>						
Credit cards and ATMs	14,269	11,731	22%	6,006	6,636	-9%
<i>Other fee and commission expenses</i>						
Payments	2,432	1,633	49%	209	271	-23%
Insurance for holders of personal accounts and golden cards	371	274	35%	303	237	28%
Investment banking	1,407	1,085	30%	803	664	21%
Guarantees	280	53	-	258	31	-
Other services	968	621	56%	153	162	-6%
<b>Total</b>	<b>19,727</b>	<b>15,397</b>	<b>28%</b>	<b>7,732</b>	<b>8,001</b>	<b>-3%</b>
<b>Net fee and commission income</b>	<b>54,112</b>	<b>42,413</b>	<b>28%</b>	<b>27,615</b>	<b>26,083</b>	<b>6%</b>

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

in EUR thousands

	NLB Group		NLB	
	three months ended		three months ended	
	March 2021	March 2020	March 2021	March 2020
Debt instruments measured at fair value through other comprehensive income	(49)	2,265	19	2,265
Debt instruments measured at amortised cost	-	223	-	223
Financial liabilities measured at amortised cost	-	(126)	-	(126)
<b>Total</b>	<b>(49)</b>	<b>2,362</b>	<b>19</b>	<b>2,362</b>

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

in EUR thousands

	NLB Group		NLB	
	three months ended		three months ended	
	March 2021	March 2020	March 2021	March 2020
Foreign exchange trading	4,192	2,761	1,141	1,108
Debt instruments	331	175	(209)	175
Derivatives	159	(324)	105	(575)
<b>Total</b>	<b>4,682</b>	<b>2,612</b>	<b>1,037</b>	<b>708</b>

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

in EUR thousands

	NLB Group		NLB	
	three months ended		three months ended	
	March 2021	March 2020	March 2021	March 2020
Equity securities	371	(1,191)	52	(328)
Debt securities	(11)	(18)	-	-
Loans and advances to customers	779	735	749	1,008
<b>Total</b>	<b>1,139</b>	<b>(474)</b>	<b>801</b>	<b>680</b>

## 4.7. Other net operating income

in EUR thousands

	NLB Group			NLB		
	three months ended			three months ended		
	March 2021	March 2020	Change	March 2021	March 2020	Change
<b>Other operating income</b>						
Income from non-banking services	1,600	1,683	-5%	1,333	1,494	-11%
Rental income from investment property	990	684	45%	94	119	-21%
Other operating income	1,702	811	110%	1,043	356	193%
<b>Total</b>	<b>4,292</b>	<b>3,178</b>	<b>35%</b>	<b>2,470</b>	<b>1,969</b>	<b>25%</b>
<b>Other operating expenses</b>						
Revaluation of investment property to fair value	-	21	-	-	-	-
Other operating expenses	671	885	-24%	293	327	-10%
<b>Total</b>	<b>671</b>	<b>906</b>	<b>-26%</b>	<b>293</b>	<b>327</b>	<b>-10%</b>
<b>Other net operating income</b>	<b>3,621</b>	<b>2,272</b>	<b>59%</b>	<b>2,177</b>	<b>1,642</b>	<b>33%</b>

## 4.8. Administrative expenses

in EUR thousands

	NLB Group			NLB		
	three months ended			three months ended		
	March 2021	March 2020	Change	March 2021	March 2020	Change
Employee costs	55,147	42,919	28%	25,790	27,134	-5%
Other general and administrative expenses	29,798	23,655	26%	13,054	14,539	-10%
<b>Total</b>	<b>84,945</b>	<b>66,574</b>	<b>28%</b>	<b>38,844</b>	<b>41,673</b>	<b>-7%</b>

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

in EUR thousands

	NLB Group			NLB		
	three months ended			three months ended		
	March 2021	March 2020	Change	March 2021	March 2020	Change
Cash contributions to deposit guarantee schemes	6,281	2,364	166%	-	-	-
<b>Total</b>	<b>6,281</b>	<b>2,364</b>	<b>166%</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 4.10. Depreciation and amortisation

in EUR thousands

	NLB Group			NLB		
	three months ended			three months ended		
	March 2021	March 2020	Change	March 2021	March 2020	Change
Amortisation of intangible assets	4,063	2,778	46%	1,499	1,902	-21%
Depreciation of property and equipment:						
- own property and equipment	5,342	4,128	29%	2,680	2,538	6%
- right-of-use assets	2,214	1,145	93%	209	212	-1%
<b>Total</b>	<b>11,619</b>	<b>8,051</b>	<b>44%</b>	<b>4,388</b>	<b>4,652</b>	<b>-6%</b>

## 4.11. Provisions

in EUR thousands

	NLB Group			NLB		
	three months ended			three months ended		
	March 2021	March 2020	Change	March 2021	March 2020	Change
Guarantees and commitments (note 5.12.b)	(3,306)	505		(3,265)	(825)	
Provisions for legal risks	38	135		(1,809)	-	
<b>Total</b>	<b>(3,268)</b>	<b>640</b>		<b>(5,074)</b>	<b>(825)</b>	



## 4.12. Impairment charge

in EUR thousands

	NLB Group		NLB	
	three months ended		three months ended	
	March 2021	March 2020	March 2021	March 2020
<b>Impairment of financial assets</b>				
Cash balances at central banks, and other demand deposits at banks	35	86	4	8
Loans and advances to customers measured at amortised cost (note 5.10.a)	(13,292)	26,775	(9,071)	14,834
Loans and advances to banks measured at amortised cost (note 5.10.a)	26	12	-	17
Debt securities measured at fair value through other comprehensive income (note 5.10.b)	260	78	171	(32)
Debt securities measured at amortised cost (note 5.10.b)	607	101	488	54
Other financial assets measured at amortised cost (note 5.10.a)	(284)	598	18	149
<b>Total</b>	<b>(12,648)</b>	<b>27,650</b>	<b>(8,390)</b>	<b>15,030</b>
<b>Impairment of other assets</b>				
Property and equipment	88	-	-	-
Other assets	329	42	-	-
<b>Total</b>	<b>417</b>	<b>42</b>	<b>-</b>	<b>-</b>
<b>Total impairment</b>	<b>(12,231)</b>	<b>27,692</b>	<b>(8,390)</b>	<b>15,030</b>

## 4.13. Income tax

in EUR thousands

	NLB Group			NLB		
	three months ended			three months ended		
	March 2021	March 2020	Change	March 2021	March 2020	Change
Current tax	3,845	1,552	148%	675	146	-
Deferred tax (note 5.13.)	890	23	-	(66)	(24)	-175%
<b>Total</b>	<b>4,735</b>	<b>1,575</b>	<b>-</b>	<b>609</b>	<b>122</b>	<b>-</b>

## 5. Notes to the condensed statement of financial position

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

in EUR thousands

	NLB Group			NLB		
	31 Mar 2021	31 Dec 2020	Change	31 Mar 2021	31 Dec 2020	Change
Balances and obligatory reserves with central banks	2,876,949	3,149,775	-9%	1,772,541	1,998,297	-11%
Cash	538,065	507,970	6%	225,684	192,405	17%
Demand deposits at banks	504,075	304,941	65%	129,299	71,089	82%
	<b>3,919,089</b>	<b>3,962,686</b>	<b>-1%</b>	<b>2,127,524</b>	<b>2,261,791</b>	<b>-6%</b>
Allowance for impairment	(902)	(874)	-3%	(262)	(258)	-2%
<b>Total</b>	<b>3,918,187</b>	<b>3,961,812</b>	<b>-1%</b>	<b>2,127,262</b>	<b>2,261,533</b>	<b>-6%</b>

### 5.2. Financial instruments held for trading

#### a) Financial assets held for trading

in EUR thousands

	NLB Group			NLB		
	31 Mar 2021	31 Dec 2020	Change	31 Mar 2021	31 Dec 2020	Change
<b>Derivatives, excluding hedging instruments</b>						
Swap contracts	13,097	13,597	-4%	13,087	13,932	-6%
Options	785	786	0%	785	786	0%
Forward contracts	1,141	1,666	-32%	1,132	1,663	-32%
<b>Total derivatives</b>	<b>15,023</b>	<b>16,049</b>	<b>-6%</b>	<b>15,004</b>	<b>16,381</b>	<b>-8%</b>
<b>Securities</b>						
Bonds	60,080	68,806	-13%	8,799	2,450	-
<b>Total securities</b>	<b>60,080</b>	<b>68,806</b>	<b>-13%</b>	<b>8,799</b>	<b>2,450</b>	<b>-</b>
<b>Total</b>	<b>75,103</b>	<b>84,855</b>	<b>-11%</b>	<b>23,803</b>	<b>18,831</b>	<b>26%</b>

#### b) Financial liabilities held for trading

in EUR thousands

	NLB Group			NLB		
	31 Mar 2021	31 Dec 2020	Change	31 Mar 2021	31 Dec 2020	Change
<b>Derivatives, excluding hedging instruments</b>						
Swap contracts	12,796	13,932	-8%	12,972	13,947	-7%
Forward contracts	1,057	1,553	-32%	1,057	1,553	-32%
<b>Total</b>	<b>13,853</b>	<b>15,485</b>	<b>-11%</b>	<b>14,029</b>	<b>15,500</b>	<b>-9%</b>

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

in EUR thousands

	NLB Group			NLB		
	31 Mar 2021	31 Dec 2020	Change	31 Mar 2021	31 Dec 2020	Change
<b>Assets</b>						
Shares	4,941	4,171	18%	4,223	4,171	1%
Investments funds	9,898	10,989	-10%	-	-	-
Bonds	2,155	2,157	0%	-	-	-
Loans and advances to companies	25,878	25,076	3%	31,747	30,935	3%
<b>Total</b>	<b>42,872</b>	<b>42,393</b>	<b>1%</b>	<b>35,970</b>	<b>35,106</b>	<b>2%</b>

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

#### Analysis by type

in EUR thousands

	NLB Group			NLB		
	31 Mar 2021	31 Dec 2020	Change	31 Mar 2021	31 Dec 2020	Change
Bonds	3,266,570	3,260,940	0%	1,660,165	1,598,760	4%
Shares	22,909	22,925	0%	211	273	-23%
National Resolution Fund	44,740	44,874	0%	44,740	44,874	0%
Treasury bills	71,623	135,102	-47%	12,370	72,444	-83%
Commercial bills	46,633	50,449	-8%	-	-	-
<b>Total</b>	<b>3,452,475</b>	<b>3,514,290</b>	<b>-2%</b>	<b>1,717,486</b>	<b>1,716,351</b>	<b>0%</b>
Allowance for impairment (note 5.10.b)	(9,749)	(9,482)	-3%	(3,317)	(3,141)	-6%

## 5.5. Financial assets measured at amortised cost

### Analysis by type

in EUR thousands

	NLB Group			NLB		
	31 Mar 2021	31 Dec 2020	Change	31 Mar 2021	31 Dec 2020	Change
Debt securities	1,831,866	1,503,087	22%	1,619,738	1,277,880	27%
Loans and advances to banks	204,975	197,005	4%	164,274	158,320	4%
Loans and advances to customers	9,798,629	9,619,860	2%	4,645,744	4,564,178	2%
Other financial assets	113,894	113,138	1%	65,434	54,503	20%
<b>Total</b>	<b>11,949,364</b>	<b>11,433,090</b>	<b>5%</b>	<b>6,495,190</b>	<b>6,054,881</b>	<b>7%</b>

#### a) Debt securities

in EUR thousands

	NLB Group			NLB		
	31 Mar 2021	31 Dec 2020	Change	31 Mar 2021	31 Dec 2020	Change
Government	1,470,592	1,173,718	25%	1,263,713	953,881	32%
Companies	86,677	86,946	0%	79,468	79,732	0%
Banks	253,804	220,988	15%	253,804	220,988	15%
Financial organisations	25,082	25,120	0%	25,082	25,120	0%
	<b>1,836,155</b>	<b>1,506,772</b>	<b>22%</b>	<b>1,622,067</b>	<b>1,279,721</b>	<b>27%</b>
Allowance for impairment (note 5.10.b)	(4,289)	(3,685)	-16%	(2,329)	(1,841)	-27%
<b>Total</b>	<b>1,831,866</b>	<b>1,503,087</b>	<b>22%</b>	<b>1,619,738</b>	<b>1,277,880</b>	<b>27%</b>

#### b) Loans and advances to banks

in EUR thousands

	NLB Group			NLB		
	31 Mar 2021	31 Dec 2020	Change	31 Mar 2021	31 Dec 2020	Change
Loans	9,932	9,809	1%	95,099	95,070	0%
Time deposits	167,544	128,074	31%	68,900	63,405	9%
Reverse sale and repurchase agreements	27,236	59,263	-54%	-	-	-
	<b>205,142</b>	<b>197,146</b>	<b>4%</b>	<b>164,429</b>	<b>158,475</b>	<b>4%</b>
Allowance for impairment (note 5.10.a)	(167)	(141)	-18%	(155)	(155)	0%
<b>Total</b>	<b>204,975</b>	<b>197,005</b>	<b>4%</b>	<b>164,274</b>	<b>158,320</b>	<b>4%</b>

#### c) Loans and advances to customers

in EUR thousands

	NLB Group			NLB		
	31 Mar 2021	31 Dec 2020	Change	31 Mar 2021	31 Dec 2020	Change
Loans	9,648,438	9,490,734	2%	4,577,886	4,501,991	2%
Overdrafts	331,826	322,622	3%	151,156	152,487	-1%
Finance lease receivables	60,999	49,517	23%	-	-	-
Credit card business	120,677	125,725	-4%	52,585	52,156	1%
Called guarantees	4,952	3,542	40%	1,083	916	18%
	<b>10,166,892</b>	<b>9,992,140</b>	<b>2%</b>	<b>4,782,710</b>	<b>4,707,550</b>	<b>2%</b>
Allowance for impairment (note 5.10.a)	(368,263)	(372,280)	1%	(136,966)	(143,372)	4%
<b>Total</b>	<b>9,798,629</b>	<b>9,619,860</b>	<b>2%</b>	<b>4,645,744</b>	<b>4,564,178</b>	<b>2%</b>

#### d) Other financial assets

in EUR thousands

	NLB Group			NLB		
	31 Mar 2021	31 Dec 2020	Change	31 Mar 2021	31 Dec 2020	Change
Receivables in the course of collection and other temporary accounts	35,445	32,484	9%	22,912	15,906	44%
Credit card receivables	17,070	20,260	-16%	13,195	11,383	16%
Debtors	5,881	6,316	-7%	520	1,307	-60%
Fees and commissions	6,190	6,563	-6%	1,478	2,871	-49%
Receivables to brokerage firms and others for the sale of securities and custody services	2,726	611	-	2,724	610	-
Prepayments	504	447	13%	-	-	-
Accrued income	2,618	1,327	97%	3,407	1,296	163%
Other financial assets	48,698	50,683	-4%	22,442	22,460	0%
	<b>119,132</b>	<b>118,691</b>	<b>0%</b>	<b>66,678</b>	<b>55,833</b>	<b>19%</b>
Allowance for impairment (note 5.10.a)	(5,238)	(5,553)	6%	(1,244)	(1,330)	6%
<b>Total</b>	<b>113,894</b>	<b>113,138</b>	<b>1%</b>	<b>65,434</b>	<b>54,503</b>	<b>20%</b>

## 5.6. Non-current assets held for sale

Analysis by type

in EUR thousands

	NLB Group			NLB		
	31 Mar 2021	31 Dec 2020	Change	31 Mar 2021	31 Dec 2020	Change
Property and equipment	8,957	8,658	3%	4,768	4,454	7%
<b>Total</b>	<b>8,957</b>	<b>8,658</b>	<b>3%</b>	<b>4,768</b>	<b>4,454</b>	<b>7%</b>

## 5.7. Property and equipment

Analysis by type

in EUR thousands

	NLB Group			NLB		
	31 Mar 2021	31 Dec 2020	Change	31 Mar 2021	31 Dec 2020	Change
Own property and equipment	220,562	223,598	-1%	86,777	88,495	-2%
Right-of-use assets	26,727	25,519	5%	2,954	3,180	-7%
<b>Total</b>	<b>247,289</b>	<b>249,117</b>	<b>-1%</b>	<b>89,731</b>	<b>91,675</b>	<b>-2%</b>

## 5.8. Investment property

in EUR thousands

	NLB Group			NLB		
	31 Mar 2021	31 Dec 2020	Change	31 Mar 2021	31 Dec 2020	Change
Buildings	53,752	54,112	-1%	8,165	8,165	0%
Land	653	730	-11%	135	135	0%
<b>Total</b>	<b>54,405</b>	<b>54,842</b>	<b>-1%</b>	<b>8,300</b>	<b>8,300</b>	<b>0%</b>

## 5.9. Other assets

in EUR thousands

	NLB Group			NLB		
	31 Mar 2021	31 Dec 2020	Change	31 Mar 2021	31 Dec 2020	Change
Assets, received as collateral	75,141	76,017	-1%	4,817	4,926	-2%
Inventories	4,366	7,858	-44%	180	180	0%
Deferred expenses	15,907	9,157	74%	9,668	5,976	62%
Prepayments	1,537	1,159	33%	109	115	-5%
Claim for taxes and other dues	1,647	2,949	-44%	258	467	-45%
<b>Total</b>	<b>98,598</b>	<b>97,140</b>	<b>2%</b>	<b>15,032</b>	<b>11,664</b>	<b>29%</b>

## 5.10. Movements in allowance for the impairment of financial assets

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

in EUR thousands

	NLB Group						
	Loans and advances to banks	Loans and advances to customers			Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2021	141	74,519	40,833	256,928	276	30	5,247
Effects of translation of foreign operations to presentation currency	-	(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)
<b>Balance as at 31 Mar 2021</b>	<b>167</b>	<b>74,603</b>	<b>37,339</b>	<b>256,321</b>	<b>306</b>	<b>33</b>	<b>4,899</b>
Repayments of written-off receivables (note 4.12.)	-	-	-	9,181	-	-	403

Other movements relate mainly to repayments of non-performing exposures in Komercijalna banka, which were at acquisition in December 2020 recognised at fair value, without a corresponding allowance for the impairment.

in EUR thousands

	NLB Group						
	Loans and advances to banks	Loans and advances to customers			Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2020	95	56,728	33,179	232,537	177	27	4,702
Effects of translation of foreign operations to presentation currency	-	(81)	(27)	558	(3)	(1)	(7)
Transfers	-	6,109	(5,743)	(366)	(6)	6	-
Increases/(Decreases) (note 4.12.)	12	(3,121)	4,330	6,982	74	(6)	614
Write-offs	-	(1)	(2)	(5,706)	(4)	-	(697)
Changes in models/risk parameters (note 4.12.)	-	6,342	16,122	-	(31)	5	-
Foreign exchange and other movements	-	23	6	(410)	-	-	-
<b>Balance as at 31 Mar 2020</b>	<b>107</b>	<b>65,999</b>	<b>47,865</b>	<b>233,595</b>	<b>207</b>	<b>31</b>	<b>4,612</b>
Repayments of written-off receivables (note 4.12.)	-	-	-	3,880	-	-	58

in EUR thousands

	NLB						
	Loans and advances to banks	Loans and advances to customers			Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2021	155	25,637	11,287	106,448	73	2	1,255
Transfers	-	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	-	-
<b>Balance as at 31 Mar 2021</b>	<b>155</b>	<b>23,853</b>	<b>8,215</b>	<b>104,898</b>	<b>145</b>	<b>1</b>	<b>1,098</b>
Repayments of written-off receivables (note 4.12.)	-	-	-	3,346	-	-	-

in EUR thousands

	NLB						
	Loans and advances to banks	Loans and advances to customers			Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2020	141	20,724	11,188	86,853	55	9	1,777
Transfers	-	3,859	(3,654)	(205)	-	-	-
Increases/(Decreases) (note 4.12.)	17	(2,066)	2,627	2,015	74	(4)	105
Write-offs	-	(1)	(2)	(373)	(1)	-	(182)
Changes in models/risk parameters (note 4.12.)	-	4,875	8,712	-	(31)	5	-
Foreign exchange and other movements	-	19	1	(47)	-	-	-
<b>Balance as at 31 Mar 2020</b>	<b>158</b>	<b>27,410</b>	<b>18,872</b>	<b>88,243</b>	<b>97</b>	<b>10</b>	<b>1,700</b>
Repayments of written-off receivables (note 4.12.)	-	-	-	1,329	-	-	-

## b) Movements in allowance for the impairment of debt securities

in EUR thousands

	NLB Group			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2021	3,685	8,656	28	798
Effects of translation of foreign operations to presentation currency	(1)	3	-	-
Increases/(Decreases) (note 4.12.)	607	262	(2)	-
Foreign exchange and other movements	(2)	4	-	-
<b>Balance as at 31 Mar 2021</b>	<b>4,289</b>	<b>8,925</b>	<b>26</b>	<b>798</b>

in EUR thousands

	NLB Group			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2020	3,140	4,757	42	798
Effects of translation of foreign operations to presentation currency	(5)	4	-	-
Increases/(Decreases) (note 4.12.)	54	66	(1)	-
Changes in models/risk parameters (note 4.12.)	47	13	-	-
Foreign exchange and other movements	-	1	-	-
<b>Balance as at 31 Mar 2020</b>	<b>3,236</b>	<b>4,841</b>	<b>41</b>	<b>798</b>

in EUR thousands

	NLB			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2021	1,841	2,343	-	798
Increases/(Decreases) (note 4.12.)	488	171	-	-
Foreign exchange and other movements	-	5	-	-
<b>Balance as at 31 Mar 2021</b>	<b>2,329</b>	<b>2,519</b>	<b>-</b>	<b>798</b>

in EUR thousands

	NLB			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2020	1,617	1,714	-	798
Increases/(Decreases) (note 4.12.)	7	(45)	-	-
Changes in models/risk parameters (note 4.12.)	47	13	-	-
<b>Balance as at 31 Mar 2020</b>	<b>1,671</b>	<b>1,682</b>	<b>-</b>	<b>798</b>

## 5.11. Financial liabilities measured at amortised cost

## Analysis by type

in EUR thousands

	NLB Group			NLB		
	31 Mar 2021	31 Dec 2020	Change	31 Mar 2021	31 Dec 2020	Change
Deposits from banks and central banks	71,945	72,633	-1%	124,015	41,635	198%
- Deposits on demand	50,489	52,250	-3%	124,015	41,635	198%
- Other deposits	21,456	20,383	5%	-	-	-
Borrowings from banks and central banks	158,483	158,225	0%	143,379	143,464	0%
Due to customers	16,732,097	16,397,167	2%	9,056,637	8,850,755	2%
- Deposits on demand	14,023,018	13,633,889	3%	8,351,022	8,128,950	3%
- Other deposits	2,709,079	2,763,278	-2%	705,615	721,805	-2%
Borrowings from other customers	92,654	91,560	1%	8	13	-38%
Subordinated liabilities	286,833	288,321	-1%	286,833	288,321	-1%
Other financial liabilities	224,198	207,300	8%	113,842	101,273	12%
<b>Total</b>	<b>17,566,210</b>	<b>17,215,206</b>	<b>2%</b>	<b>9,724,714</b>	<b>9,425,461</b>	<b>3%</b>

## a) Subordinated liabilities

in EUR thousands

	Currency	Due date	Interest rate	NLB Group and NLB			
				31 Mar 2021		31 Dec 2020	
				Carrying amount	Nominal value	Carrying amount	Nominal value
Subordinated bonds							
	EUR	06.05.2029	4.2% to 06.05.2024, thereafter 5Y MS + 4.159% p.a.	46,348	45,000	45,867	45,000
	EUR	19.11.2029	3.65% to 19.11.2024, thereafter 5Y MS + 3.833% p.a.	120,573	120,000	119,480	120,000
	EUR	05.02.2030	3.4% to 05.02.2025, thereafter 5Y MS + 3.658% p.a.	119,912	120,000	122,974	120,000
<b>Total</b>				<b>286,833</b>	<b>285,000</b>	<b>288,321</b>	<b>285,000</b>

## b) Movement of subordinated liabilities

in EUR thousands

	NLB Group and NLB	
	2021	2020
Balance as at 1 Jan	288,321	210,569
Cash flow items:	(4,080)	73,653
- new issued subordinated liabilities	-	119,222
- repayments of subordinated liabilities	-	(45,000)
- repayments of interests	(4,080)	(569)
Non-Cash flow items:	2,592	2,418
- accrued interest	2,592	2,292
- other	-	126
<b>Balance as at 31 Mar</b>	<b>286,833</b>	<b>286,640</b>

## c) Other financial liabilities

in EUR thousands

	NLB Group			NLB		
	31 Mar 2021	31 Dec 2020	Change	31 Mar 2021	31 Dec 2020	Change
Items in the course of payment	64,178	46,395	38%	24,812	4,412	-
Debit or credit card payables	21,554	22,883	-6%	20,005	20,135	-1%
Lease liabilities	27,722	26,359	5%	2,979	3,212	-7%
Accrued expenses	24,726	21,314	16%	13,390	10,635	26%
Accrued salaries	25,091	19,068	32%	9,468	9,807	-3%
Liabilities to brokerage firms and others for securities purchase and custody services	4,098	2,459	67%	4,082	2,443	67%
Suppliers	6,321	20,993	-70%	3,243	15,768	-79%
Unused annual leave	6,079	6,137	-1%	2,497	2,497	0%
Fees and commissions	177	1,100	-84%	47	967	-95%
Other financial liabilities	44,252	40,592	9%	33,319	31,397	6%
<b>Total</b>	<b>224,198</b>	<b>207,300</b>	<b>8%</b>	<b>113,842</b>	<b>101,273</b>	<b>12%</b>

## 5.12. Provisions

## a) Analysis by type

in EUR thousands

	NLB Group			NLB		
	31 Mar 2021	31 Dec 2020	Change	31 Mar 2021	31 Dec 2020	Change
Provisions for guarantees and commitments	38,885	42,174	-8%	25,295	28,543	-11%
Stage 1	15,423	15,796	-2%	6,527	7,510	-13%
Stage 2	2,067	2,767	-25%	539	732	-26%
Stage 3	21,395	23,611	-9%	18,229	20,301	-10%
Employee benefit provisions	20,911	20,707	1%	14,392	14,220	1%
Provisions for legal risks	44,434	46,602	-5%	3,864	5,673	-32%
Restructuring provisions	13,960	15,565	-10%	13,755	15,354	-10%
Other provisions	11	11	0%	-	-	-
<b>Total</b>	<b>118,201</b>	<b>125,059</b>	<b>-5%</b>	<b>57,306</b>	<b>63,790</b>	<b>-10%</b>

## b) Movements in provisions for guarantees and commitments

in EUR thousands

	NLB Group		
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 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
<b>Balance as at 31 Mar 2021</b>	<b>15,423</b>	<b>2,067</b>	<b>21,395</b>

in EUR thousands

	NLB Group		
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2020	12,909	2,444	24,068
Effects of translation of foreign operations to presentation currency	(15)	(5)	(3)
Transfers	433	(404)	(29)
Increases/(Decreases) (note 4.11.)	(436)	(34)	(989)
Changes in models/risk parameters (note 4.11.)	1,012	952	-
Foreign exchange and other movements	(9)	(5)	17
<b>Balance as at 31 Mar 2020</b>	<b>13,894</b>	<b>2,948</b>	<b>23,064</b>

in EUR thousands

	NLB		
	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
<b>Balance as at 31 Mar 2021</b>	<b>6,527</b>	<b>539</b>	<b>18,229</b>

in EUR thousands

	NLB		
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2020	6,145	653	22,365
Transfers	16	7	(23)
Increases/(Decreases) (note 4.11.)	(470)	(230)	(1,208)
Changes in models/risk parameters (note 4.11.)	720	363	-
Foreign exchange and other movements	(2)	-	15
<b>Balance as at 31 Mar 2020</b>	<b>6,409</b>	<b>793</b>	<b>21,149</b>



## 5.13. Deferred income tax

in EUR thousands

	NLB Group		NLB	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
<b>Deferred income tax assets</b>				
Valuation of financial instruments and capital investments	36,514	37,729	36,426	37,650
Impairment of financial assets	3,790	3,190	1,073	947
Provisions for liabilities and charges	8,511	8,489	3,000	3,138
Depreciation and valuation of non-financial assets	4,051	4,063	137	140
Fair value adjustments of financial instruments measured at amortised cost	-	938	-	-
Tax reliefs	1,179	1,179	-	-
Other	60	111	-	-
<b>Total deferred income tax assets</b>	<b>54,105</b>	<b>55,699</b>	<b>40,636</b>	<b>41,875</b>
<b>Deferred income tax liabilities</b>				
Valuation of financial instruments	18,978	21,023	9,814	11,871
Depreciation and valuation of non-financial assets	1,516	1,515	193	193
Impairment of financial assets	3,267	3,271	630	597
Fair value adjustments of financial assets measured at amortised cost	1,928	592	-	-
Other	1,823	1,984	-	-
<b>Total deferred income tax liabilities</b>	<b>27,512</b>	<b>28,385</b>	<b>10,637</b>	<b>12,661</b>
<b>Net deferred income tax assets</b>	<b>30,968</b>	<b>31,789</b>	<b>29,999</b>	<b>29,214</b>
<b>Net deferred income tax liabilities</b>	<b>(4,375)</b>	<b>(4,475)</b>	<b>-</b>	<b>-</b>

in EUR thousands

	NLB Group		NLB	
	three months ended		three months ended	
	March 2021	March 2020	March 2021	March 2020
<b>Included in the income statement</b>	<b>(890)</b>	<b>(23)</b>	<b>66</b>	<b>24</b>
- valuation of financial instruments and capital investments	764	48	81	48
- impairment of financial assets	496	(10)	126	5
- provisions for liabilities and charges	24	(28)	(138)	(29)
- depreciation and valuation of non-financial assets	(10)	(33)	(3)	-
- fair value adjustments of financial assets measured at amortised cost	(2,274)	-	-	-
- other	110	-	-	-
<b>Included in other comprehensive income</b>	<b>173</b>	<b>2,373</b>	<b>719</b>	<b>2,465</b>
- valuation and impairment of financial assets measured at fair value through other comprehensive income	173	2,373	719	2,465

As at 31 March 2021, NLB recognised EUR 40,636 thousand deferred tax assets (31 December 2020: EUR 41,875 thousand). Unrecognised deferred tax assets amount to EUR 221,244 thousand (31 December 2020: EUR 221,494 thousand) of which EUR 174,821 thousand (31 December 2020: EUR 175,350 thousand) relates to unrecognised deferred tax assets from tax loss (no deadlines by which uncovered tax losses must be utilized) and EUR 46,423 thousand (31 December 2020: EUR 46,144 thousand) to unrecognised deferred tax assets from valuation of financial instruments and impairments of non-strategic capital investments.

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

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

in EUR thousands

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

in EUR thousands

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

## 5.15. Other liabilities

in EUR thousands

	NLB Group			NLB		
	31 Mar 2021	31 Dec 2020	Change	31 Mar 2021	31 Dec 2020	Change
Taxes payable	4,502	5,009	-10%	2,985	4,107	-27%
Deferred income	11,956	12,364	-3%	5,417	5,391	0%
Payments received in advance	2,141	2,195	-2%	191	199	-4%
Other liabilities	-	859	-	-	-	-
<b>Total</b>	<b>18,599</b>	<b>20,427</b>	<b>-9%</b>	<b>8,593</b>	<b>9,697</b>	<b>-11%</b>

## 5.16. Book value per share

	NLB Group		NLB	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
Total equity attributable to owners of the parents (in EUR thousand)	2,014,077	1,952,789	1,485,522	1,450,994
Number of shares (in thousands)	20,000	20,000	20,000	20,000
Book value per share (in EUR)	100.7	97.6	74.3	72.5

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

## 5.17. Capital adequacy ratio

in EUR thousands

	NLB Group		NLB	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
Paid-up capital instruments	200,000	200,000	200,000	200,000
Share premium	871,378	871,378	871,378	871,378
Retained earnings - from previous years	616,341	552,146	249,749	228,040
Profit eligible - from current year	-	63,635	-	21,658
Accumulated other comprehensive income	17,707	21,588	19,313	24,102
Other reserves	13,522	13,522	13,522	13,522
Minority interest	54,265	71,562	-	-
Prudential filters: Additional Valuation Adjustments (AVA)	(3,558)	(3,632)	(1,760)	(1,755)
(-) Goodwill	(3,529)	(3,529)	-	-
(-) Other intangible assets	(31,925)	(33,222)	(10,085)	(9,914)
<b>COMMON EQUITY TIER 1 CAPITAL (CET1)</b>	<b>1,734,201</b>	<b>1,753,448</b>	<b>1,342,117</b>	<b>1,347,031</b>
Minority interest	4,874	14,614	-	-
Additional Tier 1 capital	4,874	14,614	-	-
<b>TIER 1 CAPITAL</b>	<b>1,739,075</b>	<b>1,768,062</b>	<b>1,342,117</b>	<b>1,347,031</b>
Capital instruments and subordinated loans eligible as Tier 2 capital	284,595	284,595	284,595	284,595
Minority interest	1,767	12,806	-	-
<b>TIER 2 CAPITAL</b>	<b>286,362</b>	<b>297,401</b>	<b>284,595</b>	<b>284,595</b>
<b>TOTAL CAPITAL</b>	<b>2,025,437</b>	<b>2,065,463</b>	<b>1,626,712</b>	<b>1,631,626</b>
RWA for credit risk	10,320,572	10,222,923	4,935,614	4,805,127
RWA for market risks	1,346,588	1,250,563	724,488	657,088
RWA for credit valuation adjustment risk	563	200	563	200
RWA for operational risk	947,342	947,342	566,385	566,385
<b>TOTAL RISK EXPOSURE AMOUNT (RWA)</b>	<b>12,615,065</b>	<b>12,421,028</b>	<b>6,227,050</b>	<b>6,028,800</b>
Common Equity Tier 1 Ratio	13.7%	14.1%	21.6%	22.3%
Tier 1 Ratio	13.8%	14.2%	21.6%	22.3%
Total Capital Ratio	16.1%	16.6%	26.1%	27.1%

As at 31 March 2021, the Total capital ratio for the NLB Group stood at 16.1% (or 0.6 percentage points lower than at the end of 2020), and for NLB at 26.1% (or 1.0 percentage point lower than at the end of 2020). As at 31 March 2021, the CET1 ratio stood at 13.7% (0.4 p.p. lower than at the end of 2020). The lower total capital adequacy derives from lower capital (EUR 40.0 million for the NLB Group) as well as higher RWA. The main effect in capital was decrease of NCI – Minority interest in the amount of EUR 38.1 million, of which EUR 43.0 million due to Komercijalna banka Beograd takeover bid, after obtaining ECB approval. If as of 30 September 2021 NLB does not own 100% of Komercijalna banka Beograd shares, the remaining part of Minority interest will be included back into capital.

RWA for the NLB Group increased in 2021 by EUR 194.0 million. RWA for credit risk increased in 2021 by EUR 97.6 million. Most of the increase contributed NLB (EUR 127.4 million), which is related with new production on retail and corporate segment and with investments in subordinated bonds representing Tier 2 instruments. As a result of RWA optimization some NLB Group bank members recorded the RWA decrease. Other factors for RWA reduction are maturity of government bonds in Serbia and Montenegro, as well as lower deposits with central banks.

The increase in RWA for market risks and CVA (Credit value adjustments) in amount of EUR 96.4 million is mainly the result of more open positions in domestic currencies of non-euro subsidiary banks, especially in RSD due to Komercijalna banka Beograd takeover bid.

### 5.18. Off-balance sheet liabilities

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2021	31 Dec 2020	Change	31 Mar 2021	31 Dec 2020	Change
Commitments to extend credit	1,765,483	1,816,441	-3%	1,262,501	1,306,791	-3%
Non-financial guarantees	639,261	647,346	-1%	434,777	431,665	1%
Financial guarantees	469,483	479,096	-2%	255,106	258,003	-1%
Letters of credit	29,834	21,794	37%	2,704	2,256	20%
Other	10,228	10,293	-1%	5,922	5,865	1%
	<b>2,914,289</b>	<b>2,974,970</b>	<b>-2%</b>	<b>1,961,010</b>	<b>2,004,580</b>	<b>-2%</b>
Provisions (note 5.12.)	(38,885)	(42,174)	8%	(25,295)	(28,543)	11%
<b>Total</b>	<b>2,875,404</b>	<b>2,932,796</b>	<b>-2%</b>	<b>1,935,715</b>	<b>1,976,037</b>	<b>-2%</b>

Besides the instruments presented in the table above, NLB Group and NLB enter also into contracts related to guarantee lines. When the contract is signed, bank and a client agree on all conditions for issuing guarantees. Nevertheless, NLB Group can discontinue issuing guarantees if the client's conditions worsen. As at 31 March 2021 unused guarantee lines at the NLB Group level amount to EUR 335,044 thousand, and at the NLB level EUR 262,462 thousand (31 December 2020: NLB Group EUR 307,093 thousand and NLB EUR 236,542 thousand).

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

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

The fair value hierarchy comprises the following levels:

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

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

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

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

in EUR thousands

31 Mar 2021	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
<b>Financial assets</b>								
Financial instruments held for trading	8,799	65,519	785	75,103	8,799	14,219	785	23,803
<i>Debt instruments</i>	8,799	51,281	-	60,080	8,799	-	-	8,799
<i>Derivatives</i>	-	14,238	785	15,023	-	14,219	785	15,004
Derivatives - hedge accounting	-	97	-	97	-	97	-	97
Financial assets measured at fair value through other comprehensive income	2,057,832	1,392,957	1,686	3,452,475	1,664,971	52,304	211	1,717,486
<i>Debt instruments</i>	2,049,316	1,334,687	823	3,384,826	1,664,971	7,564	-	1,672,535
<i>Equity instruments</i>	8,516	58,270	863	67,649	-	44,740	211	44,951
Non-trading financial assets mandatorily at fair value through profit or loss	12,053	718	30,101	42,872	-	8,023	27,947	35,970
<i>Debt instruments</i>	2,155	-	-	2,155	-	-	-	-
<i>Equity instruments</i>	9,898	718	4,223	14,839	-	-	4,223	4,223
<i>Loans</i>	-	-	25,878	25,878	-	8,023	23,724	31,747
<b>Financial liabilities</b>								
Financial instruments held for trading	-	13,853	-	13,853	-	14,029	-	14,029
<i>Derivatives</i>	-	13,853	-	13,853	-	14,029	-	14,029
Derivatives - hedge accounting	-	48,272	-	48,272	-	48,272	-	48,272
<b>Non-financial assets</b>								
Investment properties	-	22,672	31,733	54,405	-	8,300	-	8,300
Non-current assets held for sale	-	8,957	-	8,957	-	4,768	-	4,768

in EUR thousands

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

## b) Significant transfers of financial instruments between levels of valuation

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

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

For the three months ended 31 March 2021 and 2020, NLB Group nor NLB had any significant transfers between levels of valuation of financial instruments measured at fair value in financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

in EUR thousands

NLB Group	Financial instruments held for trading	Financial assets measured at fair value through OCI		Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Debt instruments	Equity instruments	Equity instruments	Loans and other financial assets		Loans and other financial liabilities
Balance as at 1 Jan 2021	786	900	927	4,171	25,076	31,860	-
Effects of translation of foreign operations to presentation currency	-	(1)	(1)	-	-	(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)	-
<b>Balance as at 31 Mar 2021</b>	<b>785</b>	<b>823</b>	<b>863</b>	<b>4,223</b>	<b>25,878</b>	<b>32,572</b>	-

in EUR thousands

NLB Group	Financial instruments held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets		Loans and other financial liabilities
Balance as at 1 Jan 2020	807	4,109	2,716	14,961	22,593	7,998
Effects of translation of foreign operations to presentation currency	-	92	-	1	93	-
Valuation:						
- through profit or loss	(43)	-	(328)	(7,164)	(7,535)	(7,899)
- recognised in other comprehensive income	-	1	-	-	1	-
Exchange differences	-	-	-	2	2	7
Increases	-	-	-	18,369	18,369	-
Decreases	-	-	-	(618)	(618)	-
<b>Balance as at 31 Mar 2020</b>	<b>764</b>	<b>4,202</b>	<b>2,388</b>	<b>25,551</b>	<b>32,905</b>	<b>106</b>

in EUR thousands

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

in EUR thousands

NLB	Financial instruments held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets		Loans and other financial liabilities
Balance as at 1 Jan 2020	807	259	2,716	13,055	16,837	7,746
Valuation:						
- through profit or loss	(43)	-	(328)	(6,910)	(7,281)	(7,743)
Exchange differences	-	-	-	2	2	7
Increases	-	-	-	17,887	17,887	-
Decreases	-	-	-	(616)	(616)	-
<b>Balance as at 31 Mar 2020</b>	<b>764</b>	<b>259</b>	<b>2,388</b>	<b>23,418</b>	<b>26,829</b>	<b>10</b>



In three months ended 31 March 2021 and 2020, 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 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
<b>Items of Income statement</b>					
Gains less losses from financial assets and liabilities held for trading	(1)	-	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	(137)	780	-
Foreign exchange translation gains less losses	-	-	189	19	-
<b>Item of Other comprehensive income</b>					
Financial assets measured at fair value through other comprehensive income	-	(9)	-	-	-

in EUR thousands

Three months ended 31 Mar 2020

	NLB Group				
	Financial assets held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss	Loans and other financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets	Loans and other financial liabilities
<b>Items of Income statement</b>					
Gains less losses from financial assets and liabilities held for trading	(43)	-	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	(328)	(7,164)	7,899
Foreign exchange translation gains less losses	-	-	-	2	(7)
<b>Item of Other comprehensive income</b>					
Financial assets measured at fair value through other comprehensive income	-	1	-	-	-

in EUR thousands

Three months ended 31 Mar 2021

	NLB				
	Financial assets held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss	Loans and other financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets	Loans and other financial liabilities
<b>Items of Income statement</b>					
Gains less losses from financial assets and liabilities held for trading	(1)	-	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	(137)	716	-
Foreign exchange translation gains less losses	-	-	189	19	-
<b>Item of Other comprehensive income</b>					
Financial assets measured at fair value through other comprehensive income	-	(9)	-	-	-

in EUR thousands

Three months ended 31 Mar 2020

	NLB				
	Financial assets held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss	Loans and other financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets	Loans and other financial liabilities
<b>Items of Income statement</b>					
Gains less losses from financial assets and liabilities held for trading	(43)	-	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	(328)	(6,910)	7,743
Foreign exchange translation gains less losses	-	-	-	2	(7)

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

in EUR thousands

	NLB Group	
	2021	2020
<b>Investment property</b>		
Balance as at 1 Jan	32,210	28,933
Effects of translation of foreign operations to presentation currency	(17)	(46)
Additions	14	144
Disposals	(474)	(23)
Net valuation to fair value	-	(21)
<b>Balance as at 31 Mar</b>	<b>31,733</b>	<b>28,987</b>

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

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

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

in EUR thousands

	NLB Group				NLB			
	31 Mar 2021		31 Dec 2020		31 Mar 2021		31 Dec 2020	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets measured at amortised cost								
- debt securities	1,831,866	1,880,168	1,503,087	1,563,103	1,619,738	1,663,799	1,277,880	1,333,840
- loans and advances to banks	204,975	205,103	197,005	197,220	164,274	170,078	158,320	165,966
- loans and advances to customers	9,798,629	10,014,582	9,619,860	9,873,137	4,645,744	4,732,355	4,564,178	4,674,069
- other financial assets	113,894	113,894	113,138	113,138	65,434	65,434	54,503	54,503
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	71,945	72,272	72,633	72,648	124,015	124,014	41,635	41,635
- borrowings from banks and central banks	158,483	153,526	158,225	155,673	143,379	138,014	143,464	140,702
- due to customers	16,732,097	16,751,943	16,397,167	16,414,382	9,056,637	9,065,588	8,850,755	8,860,267
- borrowings from other customers	92,654	93,378	91,560	93,020	8	8	13	13
- subordinated liabilities	286,833	281,911	288,321	281,001	286,833	281,911	288,321	281,001
- other financial liabilities	224,198	224,198	207,300	207,300	113,842	113,842	101,273	101,273

**Loans and advances to banks**

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

**Loans and advances to customers**

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

**Deposits and borrowings from customers**

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

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

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

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

*Loan commitments*

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

*Other financial assets and liabilities*

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

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

in EUR thousands

31 Mar 2021	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets measured at amortised cost								
- debt securities	1,793,761	79,230	7,177	1,880,168	1,584,569	79,230	-	1,663,799
- loans and advances to banks	-	205,103	-	205,103	-	170,078	-	170,078
- loans and advances to customers	-	10,014,582	-	10,014,582	-	4,732,355	-	4,732,355
- other financial assets	-	113,894	-	113,894	-	65,434	-	65,434
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	-	72,272	-	72,272	-	124,014	-	124,014
- borrowings from banks and central banks	-	153,526	-	153,526	-	138,014	-	138,014
- due to customers	-	16,751,943	-	16,751,943	-	9,065,588	-	9,065,588
- borrowings from other customers	-	93,378	-	93,378	-	8	-	8
- subordinated liabilities	236,015	45,896	-	281,911	236,015	45,896	-	281,911
- other financial liabilities	-	224,198	-	224,198	-	113,842	-	113,842

in EUR thousands

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

## 6. Analysis by segment for NLB Group

### a) Segments

Three months ended 31 March 2021

in EUR thousands

NLB Group	Corporate and						Unallocated	Total
	Retail Banking in Slovenia	Investment Banking in Slovenia	Strategic Foreign Markets	Financial Markets in Slovenia	Non-Core Members	Other activities		
Total net income	41,658	20,726	84,872	5,343	886	1,414	-	154,899
<i>Net income from external customers</i>	46,263	22,683	85,807	(2,768)	652	1,408	-	154,045
<i>Intersegment net income</i>	(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
<i>Net income from external customers</i>	23,687	11,077	64,251	(1,845)	355	(18)	-	97,507
<i>Intersegment net interest income</i>	(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
<i>Owners of the parent</i>	15,837	21,342	30,702	2,831	(893)	(475)	-	69,344
<i>Non-controlling interests</i>	-	-	3,767	-	-	-	-	3,767
Income tax	-	-	-	-	-	-	(4,735)	(4,735)
<b>Profit for the period</b>								<b>64,609</b>
31 Mar 2021								
Reportable segment assets	2,535,788	2,098,523	9,430,672	5,372,952	124,769	388,202	-	19,950,906
Investments in associates and joint ventures	8,120	-	-	-	-	-	-	8,120
Reportable segment liabilities	7,507,461	1,607,235	7,993,476	556,140	3,770	102,384	-	17,770,466

Three months ended 31 March 2020

in EUR thousands

NLB Group	Corporate and						Unallocated	Total
	Retail Banking in Slovenia	Investment Banking in Slovenia	Strategic Foreign Markets	Financial Markets in Slovenia	Non-Core Members	Other activities		
Total net income	39,933	20,225	52,836	7,707	1,410	2,180	-	124,290
<i>Net income from external customers</i>	42,822	21,841	53,531	2,071	1,357	2,166	-	123,788
<i>Intersegment net income</i>	(2,889)	(1,616)	(695)	5,635	53	14	-	502
Net interest income	21,294	9,353	39,810	6,537	375	(4)	-	77,364
<i>Net income from external customers</i>	24,292	10,699	40,743	1,022	626	(18)	-	77,364
<i>Intersegment net interest income</i>	(2,998)	(1,346)	(933)	5,514	(251)	14	-	-
Administrative expenses	(25,569)	(9,559)	(24,076)	(1,720)	(3,139)	(2,844)	-	(66,907)
Depreciation and amortisation	(3,007)	(940)	(3,474)	(157)	(285)	(357)	-	(8,220)
Reportable segment profit/(loss) before impairment and provision charge	11,357	9,726	25,286	5,830	(2,014)	(1,021)	-	49,163
Other net gains/(losses) from equity investments in subsidiaries, associates and joint ventures	218	-	-	-	-	-	-	218
Impairment and provisions charge	(4,563)	(9,687)	(13,947)	(19)	(227)	111	-	(28,332)
Profit/(loss) before income tax	7,011	39	11,339	5,812	(2,241)	(911)	-	21,049
<i>Owners of the parent</i>	7,011	39	10,176	5,812	(2,241)	(911)	-	19,886
<i>Non-controlling interests</i>	-	-	1,163	-	-	-	-	1,163
Income tax	-	-	-	-	-	-	(1,575)	(1,575)
<b>Profit for the period</b>								<b>18,311</b>
31 Dec 2020								
Reportable segment assets	2,545,714	2,043,324	9,346,255	5,218,038	131,204	273,332	-	19,557,867
Investments in associates and joint ventures	7,988	-	-	-	-	-	-	7,988
Reportable segment liabilities	7,367,145	1,519,067	7,879,089	557,402	4,571	115,540	-	17,442,815

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

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

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

The core segments are the following:

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

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

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

## b) Geographical information

	in EUR thousands							
	Revenues		Net income		Non-current assets		Total assets	
	three months ended		three months ended		31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
	March 2021	March 2020	March 2021	March 2020				
NLB Group								
Slovenia	81,598	81,974	67,908	69,980	150,755	153,671	10,452,144	10,142,675
South East Europe	106,850	66,402	86,170	53,831	217,228	219,886	9,495,223	9,411,671
North Macedonia	20,583	20,383	16,438	16,558	36,945	37,181	1,613,842	1,576,941
Serbia	44,808	8,729	36,190	6,889	106,801	109,167	4,600,952	4,587,600
Montenegro	9,872	7,883	7,672	6,298	18,541	17,934	687,587	709,797
Croatia	-	-	77	(40)	381	381	4,162	4,390
Bosnia and Herzegovina	19,568	17,392	15,886	14,149	38,702	39,576	1,699,611	1,654,026
Kosovo	12,019	12,015	9,907	9,977	15,858	15,647	889,069	878,917
Western Europe	4	1	(33)	(23)	56	58	11,659	11,509
Germany	-	-	47	56	56	58	1,901	1,648
Switzerland	4	1	(80)	(79)	-	-	9,758	9,861
<b>Total</b>	<b>188,452</b>	<b>148,377</b>	<b>154,045</b>	<b>123,788</b>	<b>368,039</b>	<b>373,615</b>	<b>19,959,026</b>	<b>19,565,855</b>

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

## 7. Related-party transactions

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

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

in EUR thousands

NLB Group and NLB	Management Board and other key management personnel		Family members of the Management Board and other key management personnel		Companies in which members of the Management Board, key management personnel, or their family members have control, joint control or a significant influence		Supervisory Board	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
	three months ended March 2021	three months ended March 2020	three months ended March 2021	three months ended March 2020	three months ended March 2021	three months ended March 2020	three months ended March 2021	three months ended March 2020
Loans and deposits issued	2,175	2,284	435	444	1	-	299	305
Deposits received	1,645	1,610	751	956	178	136	354	323
Other financial assets	-	2	-	-	-	-	-	-
Other financial liabilities	2,759	2,759	-	-	5	8	-	-
Guarantees issued and credit commitments	224	242	74	78	6	6	36	33
Interest income	10	10	2	2	-	1	2	1
Interest expense	(1)	(1)	-	-	-	-	-	-
Fee income	3	4	2	1	18	67	-	-
Other income	1	3	-	-	-	-	-	-
Other expenses	-	(4)	-	-	(12)	(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 2021	March 2020	March 2021	March 2020
Short-term benefits	408	412	1,404	1,388
Cost refunds	1	1	19	23
Long-term bonuses	-	259	5	48
- severance pay	1	1	9	18
- other benefits	-	-	-	-
<b>Total</b>	<b>410</b>	<b>673</b>	<b>1,437</b>	<b>1,477</b>

Short-term benefits include:

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

The reimbursement of cost comprises food allowances, 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 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
Loans and deposits issued	1,101	1,106	281	851
Deposits received	2,204	3,973	3,341	3,434
Other financial assets	4	19	-	1
Other financial liabilities	307	596	-	-
Guarantees issued and credit commitments	37	38	-	21
	three months ended		three months ended	
	March 2021	March 2020	March 2021	March 2020
Interest income	8	8	2	3
Interest expense	-	-	(17)	(14)
Fee income	6	3	-	626
Fee expense	(2,308)	(2,650)	-	(628)
Other income	30	38	-	116
Other expenses	(91)	(94)	-	(37)

in EUR thousands

	NLB					
	Subsidiaries		Associates		Joint ventures	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
Loans and deposits issued	245,291	238,562	1,101	1,106	281	851
Deposits received	83,382	19,415	2,204	3,973	221	284
Other financial assets	935	948	4	19	-	1
Other financial liabilities	609	800	60	480	-	-
Guarantees issued and credit commitments	42,111	55,068	37	38	-	21
Received loan commitments and financial guarantees	5,775	6,692	-	-	-	-
	three months ended		three months ended		three months ended	
	March 2021	March 2020	March 2021	March 2020	March 2021	March 2020
Interest income	1,142	1,206	8	8	2	3
Interest expense	(2)	(18)	-	-	-	-
Fee income	2,112	1,952	6	3	-	591
Fee expense	(3)	(4)	(1,538)	(2,004)	-	(237)
Other income	215	125	30	38	-	116
Other expenses	(124)	(63)	(89)	(91)	-	(37)
Gains less losses on derecognition of financial assets/liabilities held for trading	(134)	(243)	-	-	-	-
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	32	175	-	-	-	-





## 8. Subsidiaries

NLB Group's subsidiaries as at 31 March 2021 and 31 December 2020:

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

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

In April 2021 NLB increased the share of voting rights in the takeover bid for the remaining shares of Komercijalna banka from 83.23% to 87.999%, and acquired also 15.328% of preference shares. This increased NLB's share in total shareholding of the bank from 81.42% to 86.42%. The purchase price was RSD 2.71 billion (EUR 23.1 million).

Material exposure that was restructured in 2014, and was classified as non-performing, was repaid on 23 April 2021. The effect on NLB Group will be a reduction of non-performing loans in the amount of EUR 40.8 million and a positive valuation impact of EUR 14.7 million in the income statement. The exposure was measured at fair value through profit or loss, therefore the effect will be presented within income statement item 'Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss.'

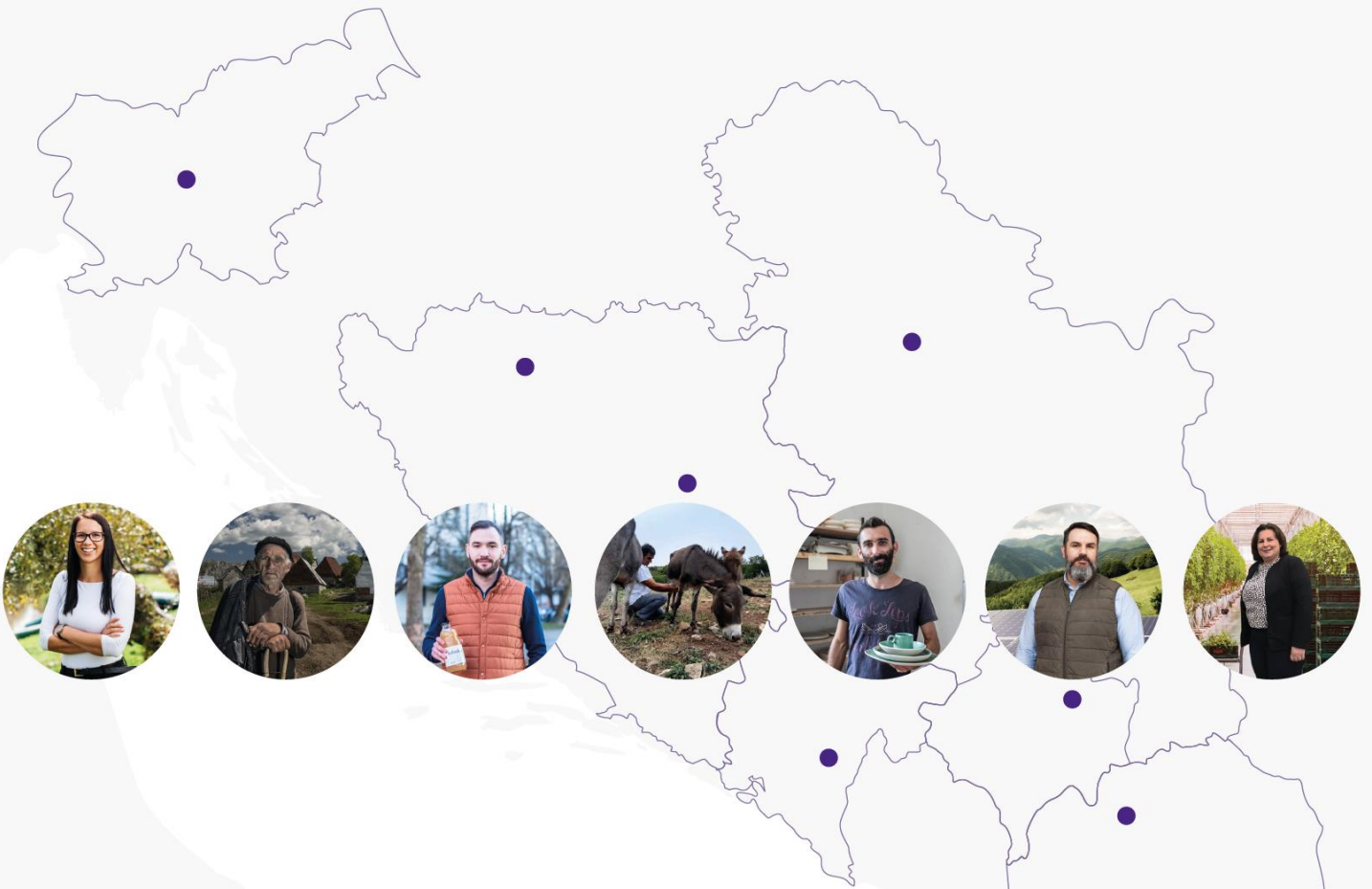
## Glossary of Terms and Definitions

<b>AC</b>	Amortised Cost
<b>ALCO</b>	Asset-Liability Committee
<b>ALM</b>	Asset and Liability Management
<b>API</b>	Alternative Performance Indicators
<b>AT1</b>	Additional Tier 1 capital
<b>AVA</b>	Additional Value Adjustments
<b>BiH</b>	Bosnia and Herzegovina
<b>BoS</b>	Bank of Slovenia
<b>bps</b>	Basis Points
<b>CBR</b>	Combined Buffer Requirement
<b>CEO</b>	Chief Operating Officer
<b>CET1</b>	Common Equity Tier 1
<b>CFO</b>	Chief Financial Officer
<b>CIR</b>	Cost-to-Income Ratio
<b>CMO</b>	Chief Marketing Officer
<b>COO</b>	Chief Operating Officer
<b>CRO</b>	Chief Risk Officer
<b>CRR</b>	Capital Requirement Regulation
<b>CSD</b>	Central Security Depository
<b>CVA</b>	Credit Value Adjustment
<b>EBA</b>	European Banking Authority
<b>EC</b>	European Commission
<b>ECB</b>	European Central Bank
<b>ECL</b>	Expected Credit Losses
<b>EU</b>	European Union
<b>EVE</b>	Economic Value of Equity
<b>FTP</b>	Fund Transfer Price
<b>FVTPL</b>	Fair Value Through Profit or Loss
<b>FX</b>	Foreign Exchange
<b>GDR</b>	Global Depositary Receipts
<b>GDP</b>	Gross Domestic Product
<b>IAS</b>	International Accounting Standard
<b>ICAAP</b>	Internal Capital Adequacy Assessment Process
<b>IFRS</b>	International Financial Reporting Standard
<b>ILAAP</b>	Internal Liquidity Adequacy Assessment Process
<b>IMF</b>	International Monetary Fund
<b>IVS</b>	International Valuation Standards
<b>JST</b>	Joint Supervisory Team
<b>JV</b>	Joint Venture
<b>KB banks</b>	Komercijalna banka a.d. Beograd (Komercijalna Banka, Beograd), Komercijalna banka a.d., Banja Luka (Komercijalna Banka, Banja Luka), Komercijalna banka a.d. Podgorica (Komercijalna Banka, Podgorica)
<b>LCR</b>	Liquidity Coverage Ratio
<b>LTD</b>	Loan-to-Deposit Ratio
<b>MDA</b>	Maximum Distributable Amount
<b>NCI</b>	Non-Controlling Interest

<b>NLB or the Bank</b>	NLB d.d., Ljubljana
<b>NPE</b>	Non-Performing Exposures
<b>NPL</b>	Non-Performing Loans
<b>OBM</b>	Operational Business Margin
<b>OCI</b>	Other Comprehensive Income
<b>OCR</b>	Overall Capital Requirement
<b>O-SII</b>	Other Systemically Important Institution
<b>P1R</b>	Pillar 1 Requirements
<b>P2G</b>	Pillar 2 Guidance
<b>P2R</b>	Pillar 2 Requirements
<b>p.p.</b>	Percentage point(s)
<b>P&amp;L</b>	Profit and Loss
<b>ROA</b>	Return on Assets
<b>ROE</b>	Return on Equity
<b>RORAC</b>	Return on Risk-Adjusted Capital
<b>RoS</b>	Republic of Slovenia
<b>RWA</b>	Risk Weighted Assets
<b>SEE</b>	South-Eastern Europe
<b>SME</b>	Small and Medium-sized Enterprises
<b>SREP</b>	Supervisory Review and Evaluation Process
<b>The Group</b>	NLB Group
<b>TCR</b>	Total Capital Ratio
<b>TSCR</b>	Total SREP Capital Requirement



# This is Our Home



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