

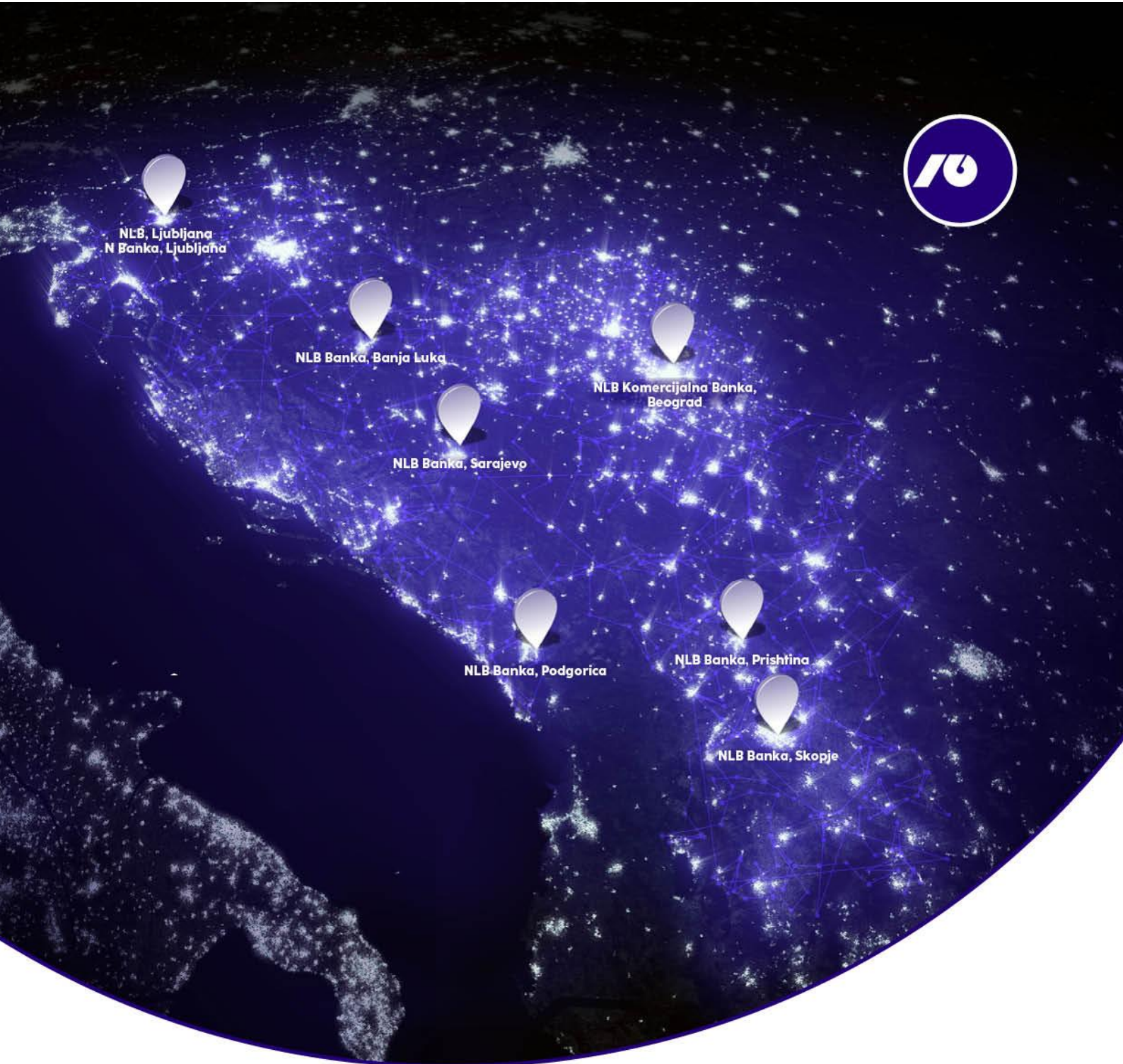


We believe in this region's potential

H1 2022 / Interim Report

Contents

NLB Group Strategic Members Overview	4
Figures at a Glance	5
Key Financial Indicators	6
Macroeconomic Environment	7
BUSINESS REPORT	9
Key Highlights	10
Key Events	11
NLB Shareholders Structure	13
Financial Performance	14
Profit	14
Net Interest Income	16
Net Non-Interest Income	17
Total Costs	18
Net Impairments and Provisions	19
Financial Position	20
Capital and Liquidity	23
Capital	23
Liquidity	25
Related-Party Transactions	27
Segment Analysis	28
Retail Banking in Slovenia	30
Corporate and Investment Banking in Slovenia	33
Strategic Foreign Markets	36
Financial Markets in Slovenia	39
Non-Core Members	41
Risk Factors and Outlook	42
Risk factors	42
Outlook	44
Outlook 2022	44
Risk Management	47
Corporate Governance	52
Management Board	52
Supervisory Board	52
General Meeting	52
Guidelines on Disclosure for Listed Companies	53
Events after 30 June 2022	54
Alternative Performance Indicators	55
Reconciliation of Financial Statements in Business and Financial Part of the Report	65
UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS OF NLB GROUP AND NLB	67
Glossary of Terms and Definitions	111



We are – where you are.

Our home is here.

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

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

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

NLB Group Strategic Members Overview

	Slovenia					Serbia		North Macedonia	Bosnia and Herzegovina		Kosovo	Montenegro
	NLB Group	NLB, Ljubljana	N Banka, Ljubljana	NLB Lease&Go, Ljubljana	NLB Skladi, Ljubljana	NLB Komercijalna Banka, Beograd ^(ix)	KomBank Invest, Beograd	NLB Banka, Skopje	NLB Banka, Banja Luka	NLB Banka, Sarajevo	NLB Banka, Prishtina	NLB Banka, Podgorica
Market position in H1 2022												
Branches	454 ⁽ⁱ⁾	71	12	-	-	186	-	48	47	35	33	22
Active clients	1,764,933 ⁽ⁱⁱ⁾	678,942	50,923	-	-	962,095	-	409,384	217,749	131,692	246,106	81,060
Total assets ^(x) (in EUR million)	22,730	12,558	1,447	174	1,907 ⁽ⁱⁱⁱ⁾	4,622	1	1,744	947	788	979	772
Profit after tax ^(x) (in EUR million)	287.0	66.9	-3.5	-0.2	4.2	23.7	-0.0	21.5	9.1	5.2	16.7	6.0
Market share (by total assets)	-	26.1%	3.0%	-	37.9% ^(iv)	10.7%	-	16.8%	19.9% ^(v, vii)	5.6% ^(vi, vii)	17.0%	13.9% ^(viii)

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

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

(iii) Assets under management.

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

(v) Market share in the Republic of Srpska.

(vi) Market share in the Federation of BiH.

(vii) Data on market share as of 31 March 2022.

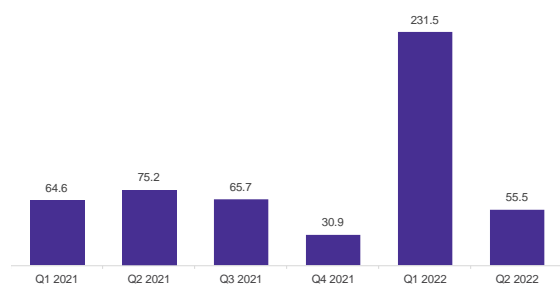
(viii) Data on market share as of 31 May 2022.

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

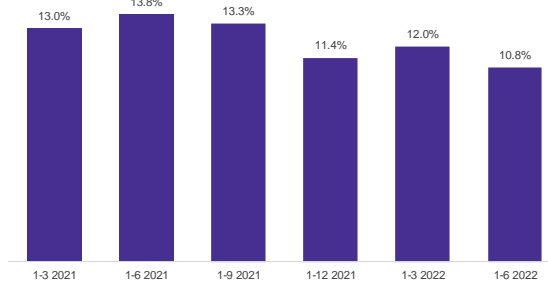
(x) Data for members on a stand-alone basis as included in the consolidated financial statements of the Group.

Figures at a Glance

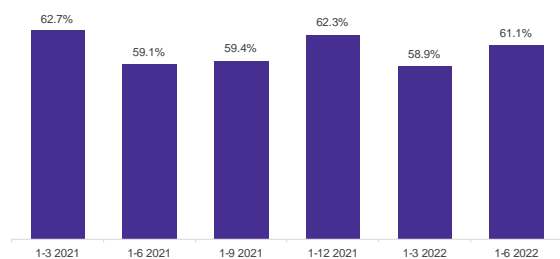
Profit a.t. - quarterly (in EUR million)⁽ⁱ⁾



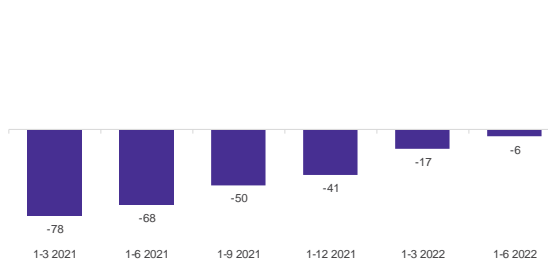
ROE a.t. (in %)⁽ⁱⁱ⁾



Cost to income ratio - CIR (in %)



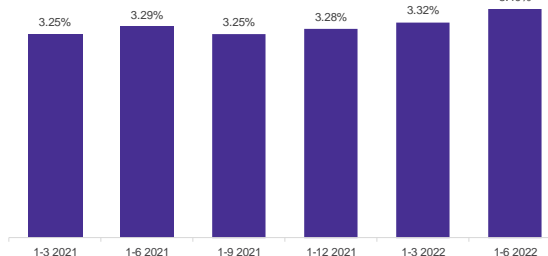
Cost of risk net (in bps)⁽ⁱⁱⁱ⁾



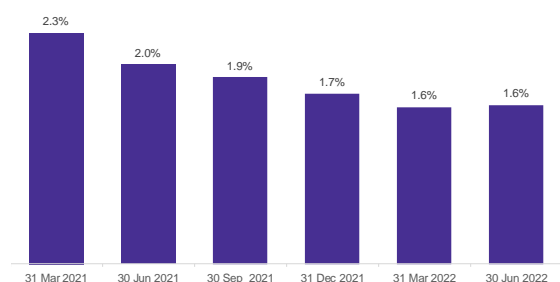
Net interest margin (in %)



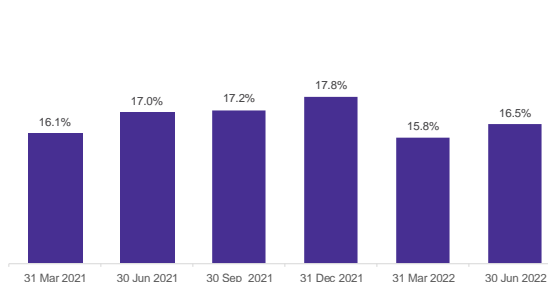
Operational business margin (in %)



NPE ratio - EBA def. (in %)



Total capital ratio (in %)



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

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

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

Key Financial Indicators¹

Table 1: Key Financial Indicators of NLB Group

	in EUR million / % / bps					
	1-6 2022	1-6 2021	Change YoY	Q2 2022	Q1 2022	Q2 2021
Key Income Statement Data						
Net operating income	358.1	333.9	7%	183.6	174.5	179.9
Net interest income	226.4	198.6	14%	118.6	107.8	101.1
Net non-interest income	131.7	135.3	-3%	65.0	66.7	78.7
Total costs	-218.7	-197.3	-11%	-116.0	-102.7	-100.7
Result before impairments and provisions	139.3	136.6	2%	67.6	71.8	79.1
Impairments and provisions	-7.7	19.0	-	-3.3	-4.4	3.5
Impairments and provisions for credit risk	-2.4	30.7	-	1.6	-4.0	14.8
Other impairments and provisions	-5.3	-11.8	55%	-4.9	-0.4	-11.3
Negative goodwill	172.8	0.0	-	0.0	172.8	0.0
Result after tax	287.0	139.8	105%	55.5	231.5	75.2
Key Financial Indicators						
Return on equity after tax (ROE a.t.)	10.8%	13.8%	-3.0 p.p.			
Return on assets after tax (ROA a.t.)	1.0%	1.4%	-0.3 p.p.			
Net interest margin (on interest bearing assets)	2.12%	2.09%	0.04 p.p.			
Net interest margin (on total assets - BoS ratio)	2.03%	2.00%	0.04 p.p.			
Operational business margin ⁽ⁱ⁾	3.40%	3.29%	0.11 p.p.			
Cost to income ratio (CIR)	61.1%	59.1%	2.0 p.p.			
Cost of risk net (bps) ⁽ⁱⁱ⁾	-6	-68	62			
	30 Jun 2022	31 Dec 2021	30 Jun 2021	Change YtD	Change YoY	
Key Financial Position Statement Data						
Total assets	22,730.3	21,577.5	21,187.3	5%	7%	
Gross loans to customers	12,944.2	10,903.5	10,421.8	19%	24%	
Net loans to customers	12,620.2	10,587.1	10,071.4	19%	25%	
Deposits from customers	19,151.1	17,640.8	17,143.0	9%	12%	
Equity (w without non-controlling interests)	2,195.6	2,078.7	2,091.4	6%	5%	
Other Key Financial Indicators						
LTD ⁽ⁱⁱⁱ⁾	65.9%	60.0%	58.7%	5.9 p.p.	7.1 p.p.	
Common Equity Tier 1 Ratio	14.4%	15.5%	14.7%	-1.1 p.p.	-0.3 p.p.	
Total capital ratio	16.5%	17.8%	17.0%	-1.3 p.p.	-0.5 p.p.	
Total risk exposure amount (RWA)	14,172.5	12,667.4	12,755.6	12%	11%	
NPL volume ^(iv)	370.1	367.4	427.9	1%	-14%	
NPL coverage ratio 1 ^(v)	87.8%	86.1%	81.9%	1.7 p.p.	5.9 p.p.	
NPL coverage ratio 2 ^(vi)	57.5%	57.9%	59.9%	-0.4 p.p.	-2.5 p.p.	
NPL ratio (internal def.) ^(vii)	2.2%	2.4%	2.9%	-0.2 p.p.	-0.7 p.p.	
Net NPL ratio (internal def.) ^(viii)	0.9%	1.0%	1.2%	-0.1 p.p.	-0.2 p.p.	
NPL ratio (EBA def.) ^(ix)	2.9%	3.4%	4.0%	-0.5 p.p.	-1.2 p.p.	
NPE ratio (EBA def.) ^(x)	1.6%	1.7%	2.0%	-0.1 p.p.	-0.4 p.p.	
Employees						
Number of employees	8,394	8,185	8,455	209	-61	

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

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

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

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

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

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

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

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

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

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

International credit ratings NLB	30 Jun 2022	31 Mar 2022	Outlook
Standard & Poor's	BBB	BBB-	Stable
Moody's ⁽ⁱ⁾	Baa1	Baa1	Stable

(i) Unsolicited rating.

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

Macroeconomic Environment

Macroeconomic summary and outlook

Global supply pressures continue to equate in positive monthly increments in annual inflation readings. This is increasing the dent in consumer savings which appear to be running out, as toned-down retail trade and consumer confidence readings suggest. The ECB terminated the net Asset Purchase Programme (APP) as of 1 July, reinvestments of the Pandemic Emergency Purchase Programme (PEPP) remain the first line of defence to counter a widening of yield spreads. ECB hiked three key rates by 50 bps at the July monetary policy meeting in an effort to restore credibility to its inflation fighting mandate. The challenge for the ECB is to turn the policy screws in the euro area without causing divergence in borrowing costs for its more heavily indebted economies such as Italy and Greece. The ECB approved the Transmission Protection Instrument (TPI) to ensure the uniform monetary policy transmission, without getting into details. The EUR fell from approximately 1.08 to under 1.00 against the USD, to return to hovering slightly above parity in the second half of July and early August. ECB's bank lending survey for Q2 suggests that risk perceptions related to the economic outlook, industry or firm-specific situation and banks' decreased risk tolerance had a strong tightening impact on credit standards for housing loans and a moderate net tightening for consumer credit. Loan demand from households decreased in net terms for loans for house purchase and continued to increase in net terms for consumer credit. Banks' cost of funds and balance sheet constraints had a tightening impact on credit standards for loans to firms, as monetary policy is becoming less accommodative. The ECB took further steps to incorporate climate change into monetary policy operations. It decided to replace the corporate bonds it holds from highly polluting companies to companies with better climate performance through reinvestment. In Q1, seasonally adjusted GDP increased by 0.2% QoQ and by 5.0% YoY. The euro area annual inflation was 8.6% in June, up from 8.1% in May and 7.4% in April. Energy has the highest annual rate (41.9%, compared with 39.1% in May), followed by food, alcohol and tobacco (8.9%, compared with 7.5% in May). A weaker euro might push it further up by raising import prices. The core inflation in MoM comparison fell by 0.1 p.p. to 3.7% in June. The harmonized unemployment was 6.4% in May, down from 6.8% in April. Consumers have started to be more mindful of their spending as consumption increased at a slower rate (+1.9%) than households' gross disposable income (+2.9%). Spending on discretionary items has been cut as consumers are buying smaller quantities or delaying purchases. Many are trading down, turning to private labels, discounters, or more affordable brands. Due to this difference, the household saving rate was at 15.0% in Q1 (up by 0.9 p.p. QoQ). The premise does not concern the housing market as the House price index rose by 9.8% in the euro area, the highest YoY increase since house prices started to be collected in 2005. In May, the seasonally adjusted industrial production increased by 1.6% YoY (+0.8% MoM), in April it fell by -2.5% (+0.5% MoM) as it did in March by -1.1% (-1.7% MoM). Most of the confidence indicators fell in June (construction, economic, retail and consumer) except for the services and industrial confidence, thereafter the Economic Sentiment Indicator (ESI) decreased by 1 p.p. The confidence fall is in line with the retail data not being too confident regarding future consumption. The euro area composite Purchasing Managers Index (PMI) dropped to 52.0 from 54.8 MoM as both the services and manufacturing components decrease. The Zentrum für Europäische Wirtschaftsforschung (ZEW) Economic Sentiment for Germany tumbled to -53.8 in July from -28 in June, the lowest since December 2011. This notable monthly deterioration implies that the six-months expectations concerning the economy, inflation rates, interest rates, stock markets and exchange rates are at more than a decade-low levels.

Tight labour markets remain a beacon of support to private spending. With limited fiscal space, countries will need to carefully weigh the costs and benefits of new spending commitments in response to higher energy and food prices. Economic growth is set to cool notably this year as fears of recession cloud the outlook especially if Russian natural gas supply comes to a standstill as a part of Russian retaliating sanctions. In this case heating bills would skyrocket during the winter months fuelling inflation further into 2023. The Group's region is seen expanding 4.0% in 2022 and 2.9% in 2023. Global supply constraints persist as the war in Ukraine rages on, impeding growth. The inflation rate is eroding real disposable incomes and consumer confidence, boding poorly for (household) spending and consumption. In Slovenia, the retail sales data confirm private consumption is still going strong (May YoY reading the highest in the euro area). Key factors to watch include the volatile global energy market as well as the new Slovenian government's legislative agenda. The GDP growth should decrease this year to 5.5% on a tougher base effect. In 2023, the Slovenian economy is seen growing 2.1%. Euro area GDP will record a softer pace of growth this year, restrained by high commodity prices, supply shortages, depressed confidence and rising interest rates. The risks of financial instability due

to high public debts and the prolongation of the war in Ukraine cloud the outlook. The euro area economy is seen expanding 2.7% in 2022, while in 2023 GDP is seen increasing 1.8%.

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

	GDP (annual growth rate in %)				Average inflation (in %, aop)				Unemployment rate (in %, aop)			
	2021	Q1 2022	2022	2023	2021	H1 2022	2022	2023	2021	Q1 2022	2022	2023
Euro area	5.3	5.4	2.7	1.8	2.6	7.1	7.3	3.9	7.7	7.0	6.8	6.9
Slovenia	8.1	9.8	5.5	2.1	2.0	7.3	8.4	4.4	4.7	4.3	4.2	4.2
BiH	7.5	5.5	2.9	2.8	2.0	11.5	12.0	4.5	17.4	16.7	16.2	15.8
Montenegro	12.4	7.2	2.7	3.4	2.4	9.8	10.5	4.1	16.7	16.8	16.0	16.0
N. Macedonia	4.0	2.4	2.3	3.1	3.2	10.0	11.5	4.5	15.7	14.8	15.0	14.7
Serbia	7.5	4.4	3.5	3.6	4.1	9.7	10.7	5.5	11.1	10.6	10.5	10.0
Kosovo	10.5	4.9	3.3	3.7	3.4	10.4	10.5	4.6	25.4(i)	-	24.4	24.0

Source: Statistical offices, NLB ALM.

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



Business Report

Key Highlights

Financial Performance

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

- **Acquisition of Slovenian Sberbank banka** on 1 March and renaming it to **N Banka** on 11 April.²
- **Profit a.t.** of EUR 287.0 million including one-off effects from the acquisition of N Banka. Noteworthy, in H1 recurring profit before impairments and provisions grew 25% YoY excluding N Banka contribution.
- EUR 2,040.8 million increase of the Group's **gross loans to customers** YtD, with EUR 1,092.8 million increase due to the acquisition of N Banka and strong growth of individual and corporate loan book; impressive new loan production with increasing interest rates supported growth of net interest income.
- **Increase of the deposit base** of the Group YtD, EUR 1,510.3 million, of which EUR 981.4 million due to the acquisition of N Banka.
- **Net fee and commission income growth** continues with strong momentum – 14% YoY growth excluding N Banka's contribution, predominantly due to outstanding results in payment transactions and related services, investment funds and bancassurance products.
- The Bank's annual regulatory charge (SRF, DGS) burdened Q2 in the amount of EUR 9.7 million and together with increasing employee costs and general and administrative expenses led to a QoQ decline in result before impairments and provisions.
- **Net impairments and provisions for credit risk** were established in the amount of EUR 2.4 million, of which EUR 8.9 million of 12-month expected credit losses were recognised at acquisition date for performing portfolio for N Banka. **Other impairments and provisions** were established in the amount of EUR 5.3 million, of which EUR 4.6 million for reorganization in NLB Komercijalna Banka, Beograd.

Business Overview

Leading player in SEE

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

Asset Quality

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

- The credit portfolio remains very stable with increasing Stage 1 exposures and a relatively low percentage of NPLs. Direct and indirect exposure of the Group toward Russia and Ukraine is limited and carefully monitored.
- Well-diversified, stable, and robust **credit portfolio quality**. No large concentration in any specific industry or client segment.
- **Cost of risk** (-6 bps) remains negative, backed by positive contribution due to successful NPL resolution in most of NLB Group members.
- Low **NPE** (EBA def.) of 1.6% with very comfortable NPL coverage ratio 2 of 57.5%.

Capital & Liquidity

Capital and liquidity position ensuring capital return and continued growth opportunities

- **The capital position** was above all regulatory requirements (TCR of 16.5%, 1.3 p.p. lower YtD). The acquisition of N Banka had a positive impact on the capital position (its higher RWA was compensated with inclusion of negative goodwill into capital). On the other hand, higher RWAs from an increased lending activity and lower capital due to negative revaluation adjustments had a negative impact on the capital position.
- Dividends in the amount of EUR 50 million were paid to shareholders on 28 June.
- **The liquidity position** of the Group remained very strong, with a high level of unencumbered liquid assets in total assets (35.9%). A **strong deposit** base demonstrated client confidence in the Group.

Strategy

Committed to pursue the strategic objectives

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

² Further information is available in the chapter [Key Events](#).

Key Events

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

Management Board change

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

Swiss Francs Law

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

New SREP Decision

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

On 29 April, the BoS issued a new Regulation on determining the requirement to maintain a systemic risk buffer for banks and savings banks which will with 1 January 2023 introduce the systemic risk buffer rates for the sectoral exposures.³

War in Ukraine

In February, the Russian Federation began a military invasion of Ukraine. The NLB Group has limited exposure to the Russian Federation and Ukraine which mainly derives from NLB's investment in Russian sovereign bonds. As of 31 December 2021, the NLB Group held EUR 20 million of Russian government bonds maturing in April 2022 and in September 2023. Bonds maturing in April 2022 in the amount of EUR 13.3 million were fully repaid on 2 May 2022, which decreased the exposure towards Russian government to EUR 7.6 million. The fair value of these bonds, which are classified as measured at fair value through other comprehensive income, is assessed to be EUR 1.8 million and impairments recognised in the profit or loss amount to EUR 6.1 million.

Acquisition of N Banka

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

³ Further information is available in chapter [Capital and Liquidity](#).

Supervisory and Management Board transactions with NLBR shares

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

Additionally, between 12 May and 20 May, Blaž Brodnjak, CEO, Antonio Argir, Member of the Management Board, Sergeja Kočar, Member of the Supervisory Board, Andreas Burkhardt, Member of the Management Board, Hedvika Usenik, Member of the Management Board, and Andrej Lasič, Member of the Management Board, together acquired 716 ordinary shares of NLB (ISIN: SI0021117344, LJSE ticker NLBR).

Notifications of major holdings change

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

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

Merger of Serbian subsidiaries

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

Rating upgrade

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

NLB became 100% owner of NLB Komercijalna Banka, Beograd

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

NLB officially became a member of the UN-Convened Net-Zero Banking Alliance

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

General Meeting of Shareholders

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

NLB Shareholders Structure

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

Table 3: NLB's main shareholders as of 30 June 2022⁽ⁱ⁾

Shareholder	Number of shares	Percentage of shares
Bank of New York Mellon on behalf of the GDR holders ⁽ⁱⁱ⁾	11,054,420	55.27
• of which European Bank for Reconstruction and Development (EBRD) ⁽ⁱⁱⁱ⁾	n.a.	>5 and <10
Republic of Slovenia (RoS)	5,000,001	25.00
Other shareholders	3,945,579	19.73
Total	20,000,000	100.00

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

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

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

Financial Performance⁴

Table 4: Income statement of NLB Group

in EUR million										
	1-6 2022	1-6 2021	Change YoY o/w N Banka contribution			Q2 2022	Q1 2022	Q2 2021	Change QoQ	
Net interest income	226.4	198.6	27.7	9.9	14%	118.6	107.8	101.1	10.8	10%
Net fee and commission income	133.7	114.1	19.6	4.0	17%	69.1	64.5	59.9	4.6	7%
Dividend income	0.1	0.1	0.0	0.0	84%	0.1	0.0	0.0	0.0	46%
Net income from financial transactions	13.7	26.0	-12.4	-0.9	48%	8.5	5.2	20.8	3.3	64%
Net other income	-15.7	-4.9	-10.8	1.0	-	-12.7	-3.0	-2.0	-9.6	-
Net non-interest income	131.7	135.3	-3.6	4.1	-3%	65.0	66.7	78.7	-1.7	-3%
Total net operating income	358.1	333.9	24.2	14.0	7%	183.6	174.5	179.9	9.1	5%
Employee costs	-122.7	-111.7	-11.1	-6.1	10%	-65.2	-57.5	-56.5	-7.7	13%
Other general and administrative expenses	-72.7	-62.4	-10.3	-3.5	16%	-39.0	-33.7	-32.6	-5.3	16%
Depreciation and amortisation	-23.3	-23.2	-0.1	-0.7	-1%	-11.8	-11.5	-11.6	-0.3	-2%
Total costs	-218.7	-197.3	-21.4	-10.4	11%	-116.0	-102.7	-100.7	-13.3	13%
Result before impairments and provisions	139.3	136.6	2.7	3.7	2%	67.6	71.8	79.1	-4.2	-6%
Impairments and provisions for credit risk	-2.4	30.7	-33.1	-5.8	-	1.6	-4.0	14.8	5.7	-
Other impairments and provisions	-5.3	-11.8	6.5	0.0	55%	-4.9	-0.4	-11.3	-4.6	-
Impairments and provisions	-7.7	19.0	-26.6	-5.9	-	-3.3	-4.4	3.5	1.1	25%
Gains less losses from capital investments in subsidiaries, associates, and joint ventures	1.6	0.4	1.1	0.0	-	1.0	0.6	0.3	0.4	57%
Negative goodwill	172.8	0.0	172.8	172.8	-	0.0	172.8	0.0	-172.8	-
Result before tax	306.1	156.0	150.1	170.6	96%	65.2	240.8	82.9	-175.6	-73%
Income tax	-10.6	-9.6	-1.1	-1.3	11%	-5.4	-5.2	-4.8	-0.2	-4%
Result of non-controlling interests	8.4	6.6	1.8	0.0	27%	4.3	4.1	2.9	0.2	5%
Result after tax	287.0	139.8	147.2	169.3	105%	55.5	231.5	75.2	-176.0	-76%

Profit

The Group generated EUR 287.0 million of profit after tax, EUR 147.2 million higher YoY, of which most material positive deviation due to effects related to the acquisition of N Banka. However, noteworthy H1 result was also recorded with a recurring profit before impairments and provisions with 25% YoY growth without N Banka's contribution.

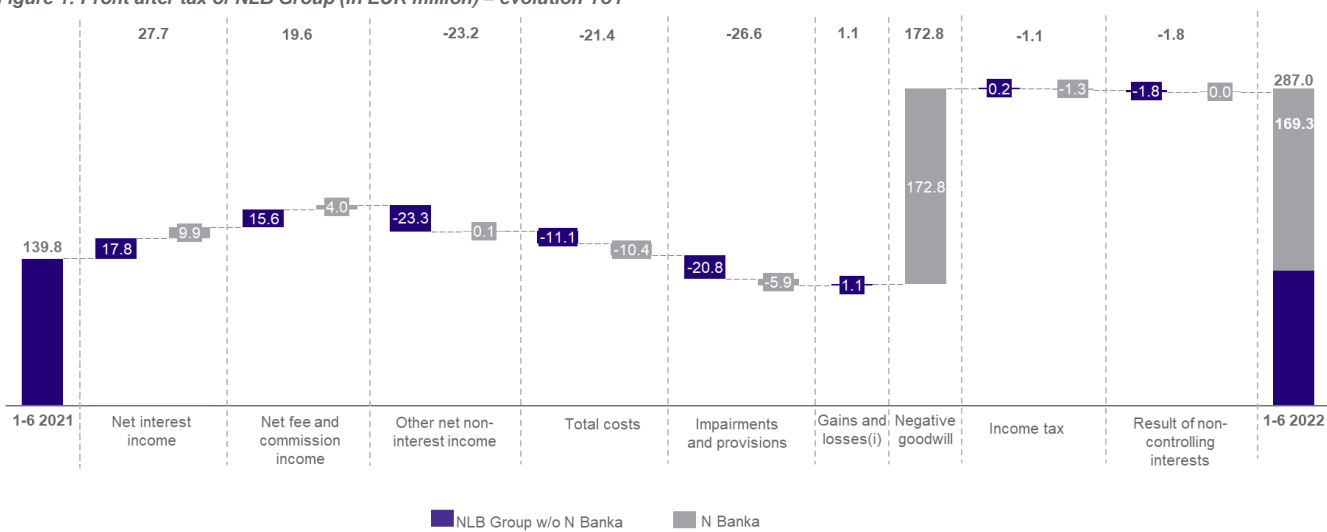
The result was based on the following key drivers:

- **Negative goodwill** from the acquisition of N Banka in the amount of EUR 172.8 million.
- **Net interest income** increased EUR 17.8 million YoY without N Banka's contribution due to a higher volume of loans despite lower interest rates. The increase of net interest income was recorded in all banks; the highest increases were recorded in the Bank (EUR 10.0 million), NLB Komercijalna Banka, Beograd⁵ (EUR 4.2 million), and NLB Banka, Prishtina (EUR 2.8 million).
- **Net fee and commission income** increased 14% YoY without N Banka's contribution; the increase was recorded in all Group banks, mostly in the Bank due to higher fees from investment funds and bancassurance products, high balance deposit fee and higher fees from cards and payments (normalization after COVID-19 restrictions in 2021), and in NLB Komercijalna Banka, Beograd⁵ EUR 5.7 million or 26%, mostly due to repricing of services.
- **Total costs** slightly increased YoY in most Group banking members, due to increasing employee costs and general and administrative expenses, mostly related to the inflation in the region.
- **Net impairments and provisions for credit risk** were established in the amount of EUR 2.4 million, of which EUR 8.9 million of 12-month expected credit losses were recognised at the acquisition date for the performing portfolio for N Banka. Other impairments and provisions were established in the amount of EUR 5.3 million, of which EUR 4.6 million for reorganization in NLB Komercijalna Banka, Beograd.

⁴ YoY data are not comparable due to the acquisition of Slovenian Sberbank banka on 1 March 2022, which was renamed to N Banka on 11 April (thereafter in the report referred to as N Banka or the acquisition of N Banka).

⁵ Komercijalna Banka, Beograd and NLB Banka, Beograd merged and as of 30 April 2022 the merged bank operates under the new name NLB Komercijalna banka a.d. Beograd; data for joined bank also for 2021.

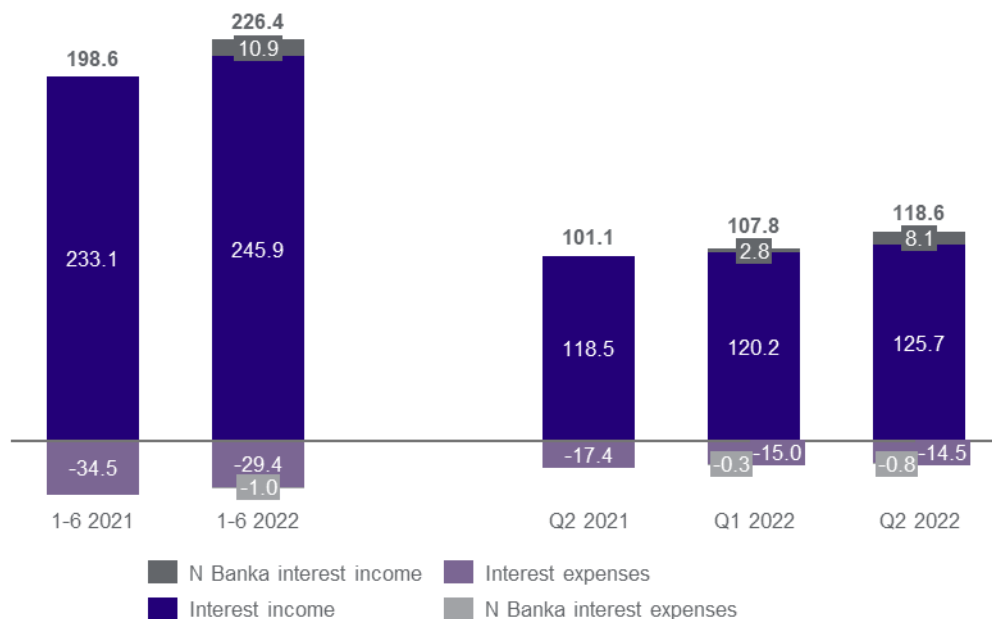
Figure 1: Profit after tax of NLB Group (in EUR million) – evolution YoY



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

Net Interest Income

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



The net interest income totalled EUR 226.4 million, of which EUR 9.9 million was contributed by N Banka. Without N Banka's contribution, a higher level of interest income was achieved YoY in all Group banking members due to a higher volume of loans despite lower yields. Lower interest expenses are related to TLTRO financing with the ECB (repayment by NLB in June) at a very favourable interest rate of -1% p.a. and lower interest rates for customer deposits in SEE banking members.

On the QoQ basis the net interest income was higher due to higher volume of loans.

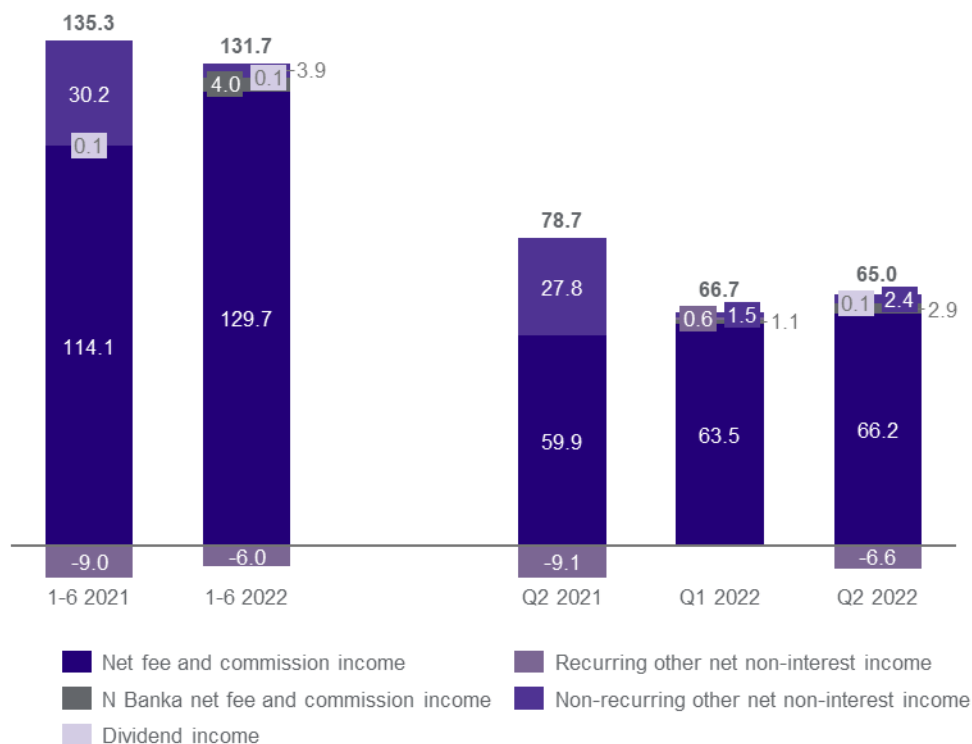
Figure 3: Net interest margin and Operational business margin of NLB Group (quarterly data, in %)



The net interest margin of the Group was 2.16% in Q2 2022, 0.08 p.p. higher QoQ and 0.07 p.p. YoY, mostly due to volume growth, however the Bank started with gradual repricing of the new loan production. The operational business margin of 3.45% increased 0.13 p.p. QoQ and YoY, due to higher operating business net income growth (backed by the net fee and commission growth) compared to the net interest income growth. Due to the inflation in Europe, further growth of interest rates is expected.

Net Non-Interest Income

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



The net non-interest income reached EUR 131.7 million, of which EUR 4.1 million were contributed by N Banka. A major part of the net non-interest income has been derived from the net fee and commission income, which grew YoY, mostly in the Bank (higher fees from investment funds and bancassurance products, high balance deposit fee, higher fees from card and payment services due to normalization after COVID-19 restrictions in 2021, fees for the organization of syndicated loans and advisory services) and in NLB Komercijalna Banka, Beograd⁶ due to repricing of services.

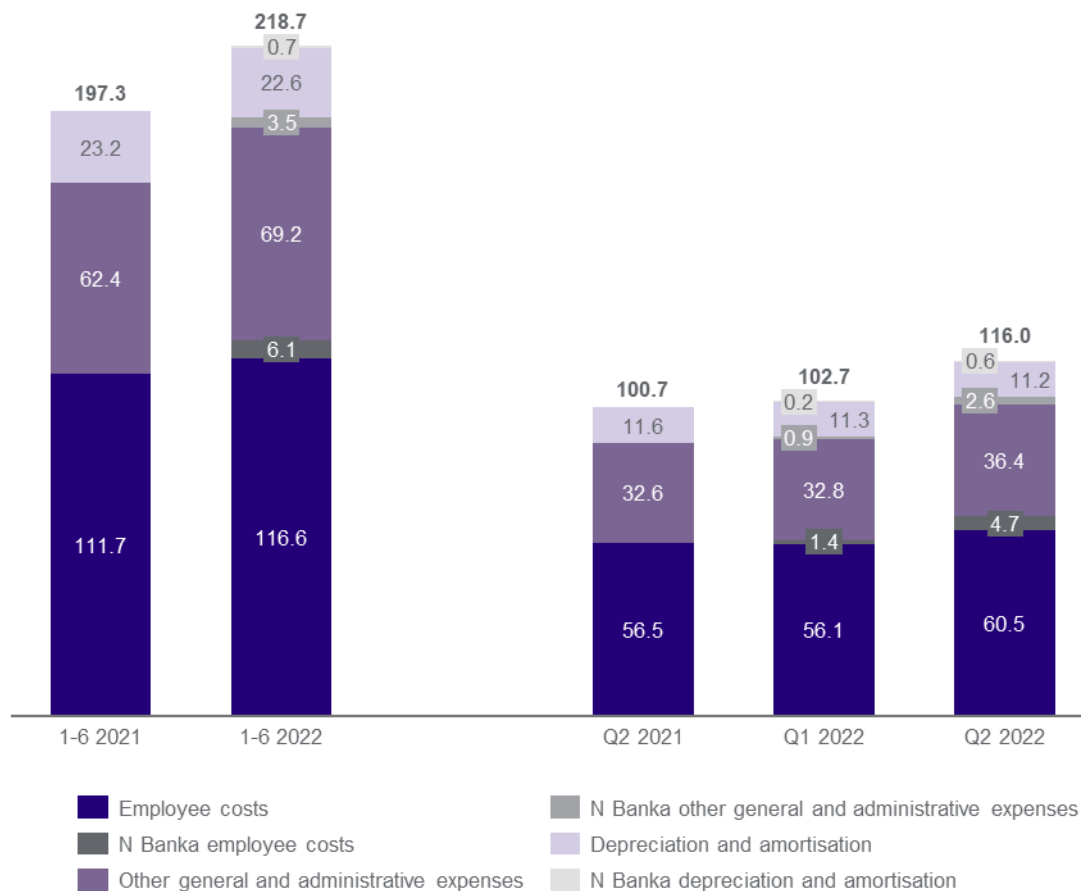
The net non-interest income in H1 2021 was strongly affected by non-recurring valuation income in the amount of EUR 14.8 million from the repayment of exposure classified as non-performing, and EUR 9.0 million of other operation income from the settlement of a legal dispute, while no major one-offs with influence on non-interest income were recorded this year.

Regulatory costs for the Group amounted to EUR 23.2 million in H1 2022, with a one-time yearly payment in the Bank in the amount of EUR 9.7 million (EUR 2.1 million SRF and EUR 7.6 million DGS) made in June.

⁶ Komercijalna Banka, Beograd and NLB Banka, Beograd merged on 30 April 2022.

Total Costs

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



The total costs amounted to EUR 218.7 million, of which EUR 10.4 million from N Banka. Without the N Banka's contribution the total costs increased YoY by EUR 11.1 million due to an increase in the Bank and in most of the SEE banking members. Banks in the whole region are, as well as all industries, affected by the inflation and rising labour, material, and energy costs, due to the war in Ukraine, which caused an evident growth of employee costs and general and administrative expenses. The Bank's marketing costs also increased due to the acquisition of N Banka in Slovenia and merger of the Group banks in Serbia (NLB Banka, Beograd and Komercijalna Banka, Beograd).

The Group is undertaking several strategic initiatives (channel strategy, digitalisation, paperless, lean process, branch network optimisation etc.) to keep costs low, given the circumstances and economic situation.

CIR stood at 61.1%, a 2.0 p.p. increase YoY.

Net Impairments and Provisions

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



Impairments and provisions for credit risk were net established in the amount of EUR 2.4 million. Additional new impairments and provisions, including 12-month expected credit losses recognised at the acquisition date for the performing portfolio of N Banka were almost fully compensated by positive effects from a successful collection of previously written-off receivables (EUR 19.6 million) and changes in risk parameters/models (EUR 4.3 million, mostly in the corporate segment).

Other impairments and provisions were established in the amount of EUR 5.3 million, of which EUR 4.6 million for reorganization in NLB Komercijalna Banka, Beograd.

Financial Position⁷

Table 5: Statement of financial position of NLB Group

	in EUR million										
	30 Jun 2022	o/w N Banka	31 Mar 2022	31 Dec 2021	30 Jun 2021	Change YTD	Change YoY	Change YoY	Change QoQ		
ASSETS											
Cash, cash balances at central banks, and other demand deposits at banks	4,321.1	186.8 ⁽⁶⁾	4,865.4	5,005.1	4,739.4	-683.9	-14%	-418.2	-9%	-544.3	-11%
Loans to banks	176.8	0.0	162.8	140.7	243.4	36.1	26%	-66.5	-27%	14.1	9%
Net loans to customers	12,620.2	1,084.8	12,108.7	10,587.1	10,071.4	2,033.1	19%	2,548.8	5%	511.6	4%
Gross loans to customers	12,944.2	1,092.8	12,434.6	10,903.5	10,421.8	2,040.8	19%	2,522.4	24%	509.7	4%
- Corporate	6,213.5	666.6	5,884.6	4,996.0	4,772.7	1,217.4	24%	1,440.8	0%	328.9	6%
- Individuals	6,445.0	391.8	6,242.1	5,621.1	5,304.8	824.0	15%	1,140.3	21%	202.9	3%
- State	285.7	34.3	307.9	286.3	344.4	-0.6	0%	-58.6	-17%	-22.2	-7%
Impairments and valuation of loans to customers	-324.0	-8.0	-325.9	-316.3	-350.4	-7.7	-2%	26.4	8%	1.9	1%
Financial assets	4,919.5	69.2	5,219.9	5,208.3	5,490.9	-288.8	-6%	-571.4	-10%	-300.4	-6%
- Trading book	14.9	4.2	10.9	7.7	13.5	7.2	54%	1.4	10%	4.0	37%
- Non-trading book	4,904.6	64.9	5,209.0	5,200.6	5,477.4	-296.1	-6%	-572.8	-10%	-304.4	-6%
Investments in subsidiaries, associates, and joint ventures	13.1	0.0	12.1	11.5	8.4	1.6	14%	4.7	56%	1.0	8%
Property and equipment, investment property	297.9	10.8	302.2	294.6	297.1	3.3	1%	0.8	0%	-4.3	-1%
Intangible assets	55.3	1.3	57.8	59.1	55.7	-3.7	-6%	-0.3	-1%	-2.5	-4%
Other assets	326.3	10.9	290.2	271.1	281.1	55.3	20%	45.3	16%	36.2	12%
TOTAL ASSETS	22,730.3	1,363.8	23,019.1	21,577.5	21,187.3	1,152.8	5%	1,543.0	7%	-288.7	-1%
LIABILITIES											
Deposits from customers	19,151.1	981.4	18,525.8	17,640.8	17,143.0	1,510.3	9%	2,008.1	12%	625.3	3%
- Corporate	5,091.8	455.7	4,934.8	4,463.7	4,130.2	628.1	14%	961.7	33%	157.0	3%
- Individuals	13,498.1	433.3	13,097.3	12,680.8	12,477.8	817.3	6%	1,020.3	8%	400.8	3%
- State	561.2	92.5	493.6	496.4	535.0	64.9	13%	26.2	5%	67.6	14%
Deposits from banks and central banks	138.0	5.6	115.0	71.8	78.0	66.2	82%	60.0	77%	23.0	20%
Borrowings	326.8	171.9	1,241.0	932.6	976.6	-605.8	-65%	-649.8	-67%	-914.2	-74%
Other liabilities	507.6	37.4	474.3	427.6	466.8	80.0	19%	40.8	9%	33.3	7%
Subordinated liabilities	287.8	0.0	287.0	288.5	287.6	-0.8	0%	0.2	0%	0.7	0%
Equity	2,195.6	167.4	2,254.4	2,078.7	2,091.4	116.8	6%	104.1	5%	-58.9	-3%
Non-controlling interests	123.5	0.0	121.6	137.4	143.8	-13.9	-10%	-20.3	-14%	1.9	2%
TOTAL LIABILITIES AND EQUITY	22,730.3	1,363.8	23,019.1	21,577.5	21,187.3	1,152.8	5%	1,543.0	7%	-288.7	-1%

⁽⁶⁾Excluding funding provided by NLB in the amount of EUR 82.5 million.

The Group's total assets were EUR 22,730.3 million, a EUR 1,152.8 million increase YtD due to the acquisition of N Banka (EUR 1,363.8 million).

Cash, cash balances at central banks, and other demand deposits in the banks decreased by EUR 683.9 million YtD. While the balance of banking members on the strategic markets and in N Banka increased, the decrease in the Bank was mainly a result of early repayment of TLTRO in June (EUR 750 million).

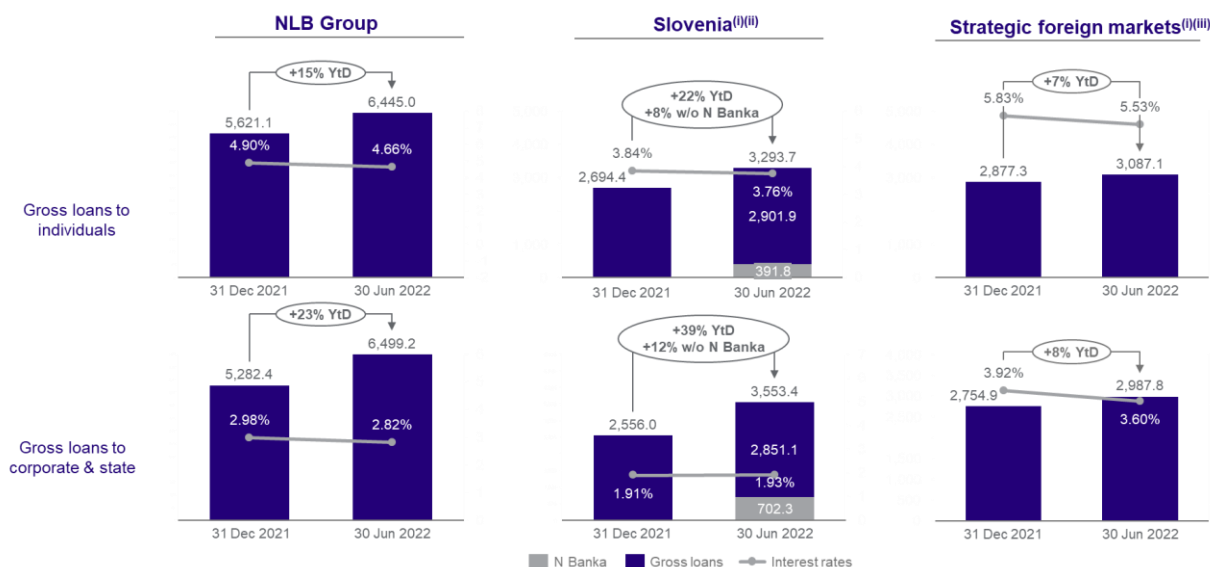
In H1 of 2022, unencumbered liquidity reserves decreased by EUR 231 million due to a higher loan growth and lower market value of marketable assets (i.e. debt securities).

The Group's gross loans to customers increased by EUR 2,040.8 million, with a EUR 1,092.8 million increase due to the acquisition of N Banka. Without N Banka, a EUR 948.0 million YtD growth in gross loans to customers was recorded, EUR 432.1 million to individuals and EUR 550.8 million to corporate. An increase of the deposit base of the Group YtD without N Banka's deposits was EUR 528.9 million.

The LTD ratio (net) was 65.9% at the Group level, a 5.9 p.p. increase YtD and 7.1 p.p. YoY, as a result of the acquisition of N Banka, with a higher LTD, as well as a higher increase of gross loans compared to deposits.

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

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



(i) On the stand-alone basis.

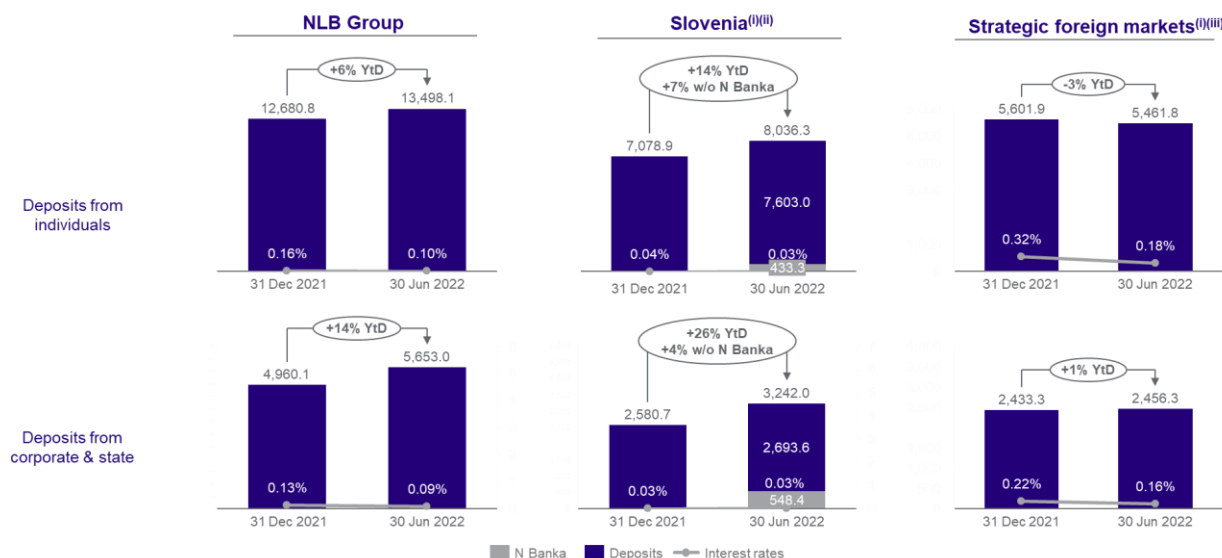
(ii) Includes the Bank and N Banka; interest rates only for the Bank.

(iii) Includes only the banks.

The lending activity is still in the growing trend and gross loans to individuals recorded a 8% YtD increase in the Bank and 7% in the Strategic foreign markets while the gross loans to the corporate and state recorded a 12% and 8% growth in the Bank and in Strategic foreign markets respectively.

The production of new loans in the Group was high, with almost EUR 600 million of new housing loans and nearly EUR 550 million of new consumer loans approved in H1, while over EUR 1.5 billion of new corporate loans were approved in this period. After a long period of low interest rates there are signs of a changing trend as the interest rates on the new production started to increase.

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



(i) On stand alone basis.

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

(iii) Includes only banks.

The deposit base in the Bank increased YtD; to individuals and to corporate and state by 7% and 4% respectively. Growth of deposits from individuals was influenced mostly by seasonality (more savings in the beginning of the year after a higher consumption in December and holiday allowances), social transfers and increase in pensions. On the other hand, an outflow of deposits from individuals (3% YtD) was recorded in the Strategic foreign markets, due to decrease in

Q1 as a response to Ukraine war and its influence on prices and consumer behaviour, with positive trend perceived in Q2.

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

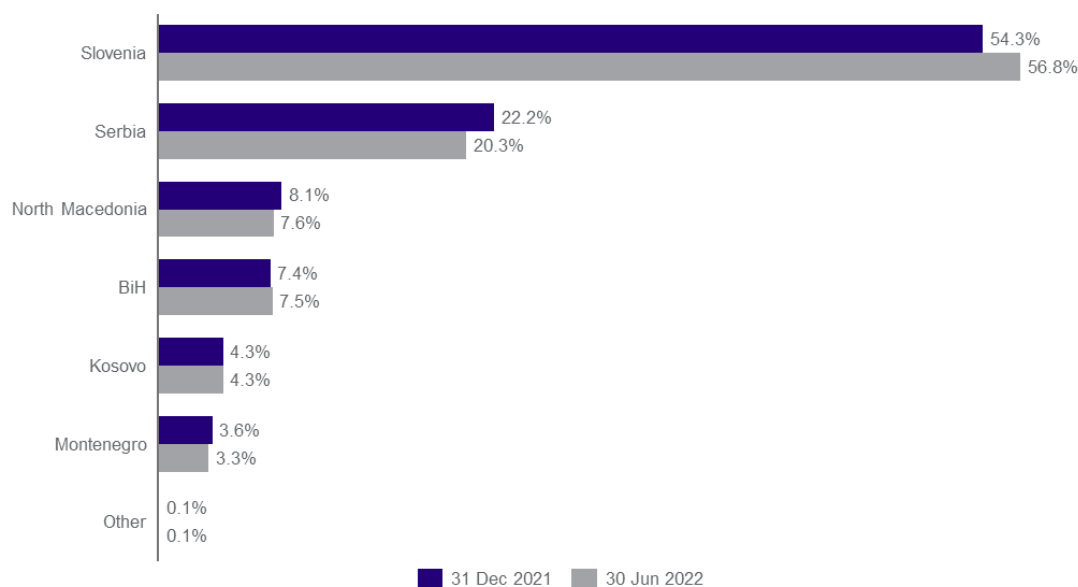
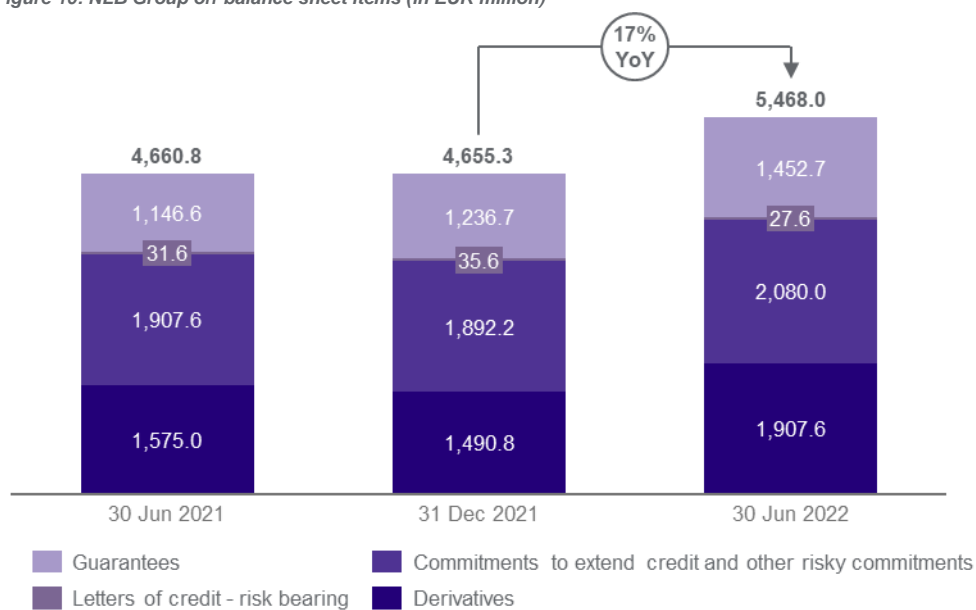


Figure 10: NLB Group off-balance sheet items (in EUR million)



Off-balance sheet items in the Group amounted to EUR 5,468.0 million and were comprised of commitments to extend credit and other risky commitments (38%), derivatives (35%), guarantees (27%), and letters of credit (0.5%).

Commitments to extend credit and other risky commitments were divided between loans (99% corporate), overdrafts (60% retail and 40% corporate) and cards (89% retail). A majority of the Group's derivatives were concluded by the Bank either for the hedging of the banking book or trading with customers.

Capital and Liquidity

Capital

Figure 11: NLB Group capital (in EUR million)

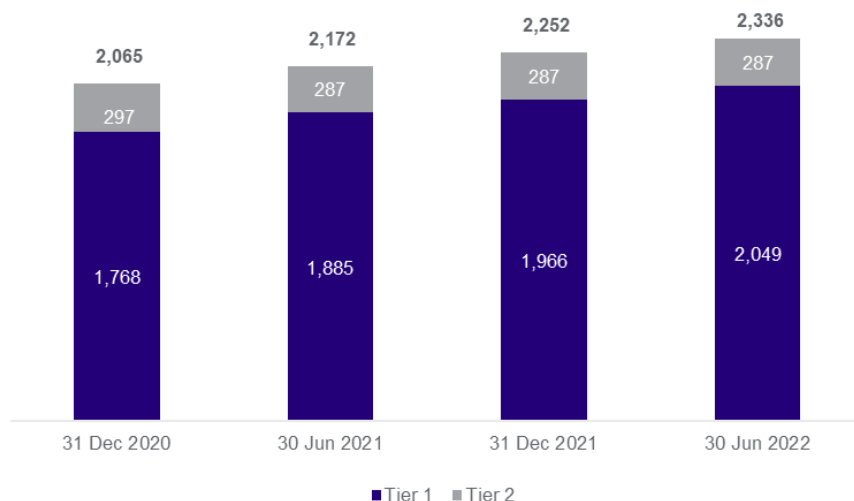
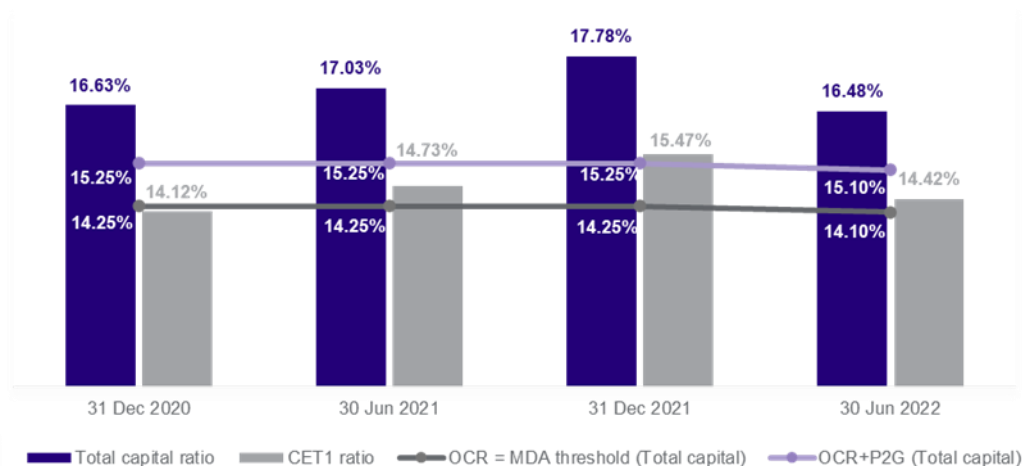


Figure 12: NLB Group capital ratios and regulatory thresholds



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

- 10.60% TSCR (8.00% Pillar 1 Requirement and 2.60% Pillar 2 Requirement); and
- 3.50% CBR (2.50% Capital Conservation Buffer, 1.00% O-SII Buffer⁸ and 0.00% Countercyclical Buffer).

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

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

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

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

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

Table 6: NLB Group capital requirements and buffers

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

As at 30 June 2022, the TCR for the Group stood at 16.5% (or 1.3 p.p. lower than as at 31 December 2021), and the CET1 ratio for the Group stood at 14.4% (1.1 p.p. lower than as at 31 December 2021). The lower total capital adequacy derives from higher RWA (EUR 1,505.1 million compared to 2021 YE) which was not compensated by higher capital (EUR 83.7 million compared to 2021 YE). The capital is higher mainly due to the inclusion of negative goodwill from acquisition of N Banka in retained earnings in the amount of EUR 172.8 million and a partial inclusion of Q1 2022 profit in the amount of EUR 32.2 million, which compensated the negative revaluation adjustments on FVOCI securities (EUR -117.1 million compared to the end of 2021).

The capital calculation does not include a part of the 2021 result in the amount of EUR 50 million, still envisaged as the second instalment of dividend distribution in 2022. Therefore, there will be no effect on the capital in case dividends are paid.

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

	in EUR million				
	Balance at			Change	
	30 Jun 2022	31 Dec 2021	30 Jun 2021	YtD	YoY
Total risk exposure amount (RWA)	14,172.5	12,667.4	12,755.6	1,505.1	1,417.0
RWA for credit risk	11,605.7	10,205.2	10,595.4	1,400.5	1,010.2
Central governments or central banks	1,095.8	1,158.5	1,829.6	-62.7	-733.9
Regional governments or local authorities	97.1	99.8	126.9	-2.7	-29.8
Public sector entities	48.9	47.0	245.4	1.9	-196.5
Institutions	288.5	310.2	365.9	-21.7	-77.4
Corporates	3,417.5	2,748.7	2,367.3	668.8	1,050.3
Retail	4,495.5	4,171.0	4,098.3	324.5	397.1
Secured by mortgages on immovable property	802.2	453.0	373.1	349.1	429.0
Exposures in default	175.2	179.4	200.6	-4.2	-25.4
Items associated with particularly high risk	588.4	442.5	395.7	145.9	192.8
Covered bonds	36.5	41.1	40.8	-4.6	-4.3
Claims in the form of CU	17.1	19.4	17.5	-2.4	-0.4
Equity exposures	93.9	88.5	78.8	5.4	15.1
Other items	449.1	446.0	455.6	3.1	-6.5
RWA for market risk + CVA	1,322.9	1,218.2	1,212.8	104.7	110.1
RWA for operational risk	1,244.0	1,244.0	947.3	0.0	296.7

RWAs in the Group increased by EUR 1,505.1 million YtD. RWAs for credit risk increased by EUR 1,400.5 million, where EUR 858.9 million of the increase relates to N Banka. The remaining part of RWA increase in the amount of EUR 541.6 million was mainly the consequence of increased lending activity in all the banks in the Group, mostly in the Bank and NLB Komercijalna Banka, Beograd. Higher RWAs for high-risk exposures is the result of a new loan given to a venture capital company, new loans for project financing as well as drawing of loans for project financing granted in the previous year. RWA growth was partially mitigated by assuring CRR eligibility for real estate collaterals from Bosnia and Herzegovina, and Serbia. Furthermore, RWA decrease was observed for liquid assets due to a lower exposure to the Serbian central bank and maturity of some Serbian bonds; both in NLB Komercijalna Banka, Beograd. The lower exposure to institutions also resulted in a reduced RWA in almost all Group banks, the most in NLB Komercijalna Banka, Beograd.

The increase in RWAs for market risks and CVA (Credit Value Adjustments) in the amount of EUR 104.7 million YtD is mainly the result of higher RWA for CVA risk in the amount of EUR 62.1 million (a consequence of the conclusion of long-term derivatives) and higher RWA for FX risk in the amount of EUR 42.6 million.

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

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

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

On 30 June 2022, MREL ratio amounts to 29.07%.⁹

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

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

Liquidity

The liquidity position of the Group remains strong, with the LTD ratio (net) of 65.9% (31 December 2021: 60.0%), thus meeting the liquidity indicators high above the regulatory requirements, as well as confirming the low liquidity risk tolerance of the Group.

Unencumbered liquidity reserves of the Group amounted to EUR 8.0 billion (35.4% of total assets; 31 December 2021: EUR 8.3 billion, 38.3% of total assets). Encumbered liquidity reserves, used for operational and regulatory purposes, are excluded from the liquidity reserves portfolio; they amount to EUR 0.1 billion (31 December 2021: EUR 0.9 billion); excluding obligatory reserves. The decrease of the encumbered liquidity reserves is due to the early repayment of additional financing via central bank secured funding, hence the amount of unencumbered liquidity reserves has remained practically unchanged, whereas its structure has changed. Nevertheless, the market value of debt securities partly diminished due to the environment of rising yields and disinvestment.

⁹ MREL buffer was strengthened in July 2022 with senior preferred bond issuance of EUR 300 million.

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



The banking book securities, which accounted for 57.4% of the Group's liquidity reserves (31 December 2021: 55.9%), were dispersed across issuers, geographies, and the remaining average maturity profile, with the aim of adequate liquidity and interest risk management. The investment activity continues with a balanced approach which follows a clear focus on finding attractive market opportunities and at the same time pursuing well-managed credit risk and capital consumption.

The customer deposits base grew by EUR 1.5 billion YtD (1.0 billion as a result of the acquisition of N Banka). Sight customer deposits, which account for 72.5% of the total assets (31 December 2021: 71.0%), remain the key funding base.

Related-Party Transactions

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

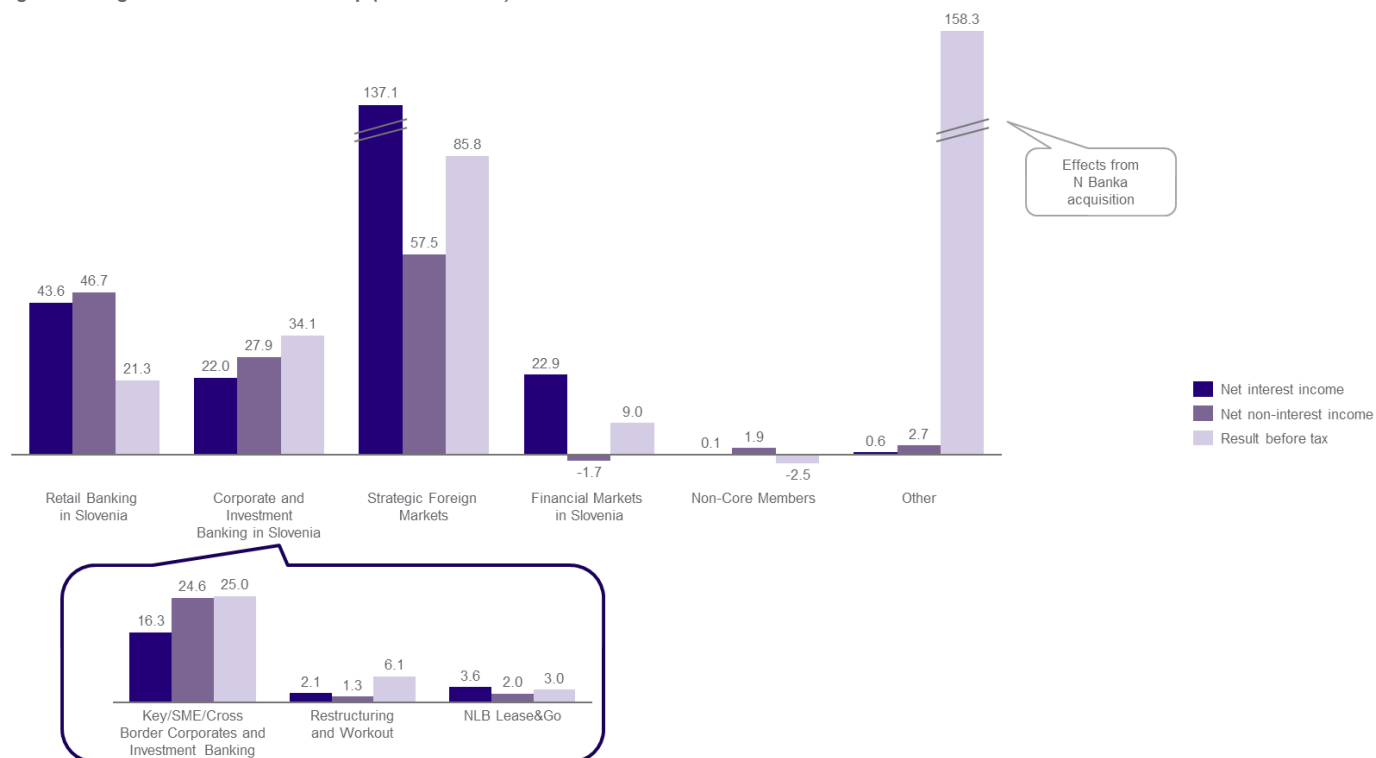
Segment Analysis

	Core Segments					Non-Core Segment	
	Retail Banking in Slovenia	Corporate and Investment Banking in Slovenia	Strategic Foreign Markets	Financial Markets in Slovenia	Other	Non-Core Members	
	includes banking with individuals and micro companies (the Bank and N Banka), asset management (NLB Skladi), and a part of NLB Lease&Go subsidiary that includes operations with retail clients as well as the contribution to the result of the associated company Bankart.	includes banking with Key Corporate Clients, SMEs, Cross-border corporate financing, Investment Banking and Custody, Restructuring and Workout in the Bank and N Banka and a part of the NLB Lease&Go subsidiary that includes operations with corporate clients.	include the operations of strategic Group banking members in the strategic markets (North Macedonia, Bosnia and Herzegovina, Kosovo, Montenegro, and Serbia) as well as investment company KomBank Invest, Beograd and newly established company NLB DigIT, Beograd, to which IT services from NLB Banka, Beograd were transferred. ¹⁰	include treasury activities and trading in financial instruments, while they also present the results of asset and liabilities management (ALM) in both, the Bank and N Banka.	in the Bank and N Bank for the categories whose operating results cannot be allocated to specific segments, including negative goodwill from acquiring N Banka in March 2022 as well as subsidiaries NLB Cultural Heritage Management Institute and Privatinvest (acquired in March 2022).	includes the operations of non-core Group members, i.e. REAM and leasing entities (except NLB Lease&Go), NLB Srbija, and NLB Crna Gora.	
(in EUR million)	NLB Group						
Profit b.t.	306.1	21.3	34.1	85.8	9.0	158.3	-2.5
Contribution to Group's profit b.t.	100%	7%	11%	28%	3%	52%	0%
Total assets	22,730	3,524	3,267	9,760	5,711	379	90
% of total assets	100%	16%	14%	43%	25%	2%	0%
CIR	61.1%	71.7%	57.1%	56.4%	21.9%	267.8%	270.1%
Cost of risk (bps)	-6	37	-90	-22	/	/	/

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

¹⁰ Komercijalna banka Banja Luka was sold outside the NLB Group on 9 December 2021, so it is not included in the result of the segment for the first half of 2022.

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



The core markets and activities made a profit before tax of EUR 308.5 million, strongly affected by the segment Other with EUR 158.3 million due to the effects from the acquisition of N Banka (negative goodwill and established 12-month expected credit losses recognised at the acquisition date for the performing portfolio for N Banka). Besides this the Strategic Foreign Markets contributed the most important share to the Group's profit before tax in the amount of EUR 85.8 million, followed by Corporate and Investment Banking in Slovenia with EUR 34.1 million, Retail Banking in Slovenia with EUR 21.3 million, and Financial Markets in Slovenia with EUR 9.0 million. The Non-Core Members recorded a loss of EUR 2.5 million.

Retail Banking in Slovenia

Financial Highlights

- Increase of net interest income due to higher volume of loans.
- Increase in net fee and commission income deriving from all categories.
- The revenue increase was almost nullified by cost increase due to inflation.

Business Highlights

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

Financial Performance

Table 8: Key financials of Retail Banking in Slovenia

in EUR million consolidated									
	1-6 2022	1-6 2021	Change YoY o/w N Banka contribution		Q2 2022	Q1 2022	Q2 2021	Change QoQ	
Net interest income	43.6	38.6	5.0	4.0	13%	22.9	20.7	19.7	10%
Net interest income from Assets ⁽ⁱ⁾	48.3	40.0	8.3	3.5	21%	25.0	23.2	20.4	8%
Net interest income from Liabilities ⁽ⁱ⁾	-4.7	-1.3	-3.4	0.5	-	-2.2	-2.5	-0.7	1%
Net non-interest income	46.7	39.4	7.2	2.7	18%	20.6	26.1	16.7	-2%
o/w Net fee and commission income	54.6	45.8	8.8	2.7	19%	28.1	26.5	24.0	6%
Total net operating income	90.3	78.1	12.2	6.7	16%	43.4	46.8	36.4	-7%
Total costs	-64.7	-55.2	-9.5	-5.9	-18%	-35.4	-29.3	-28.5	-2%
Result before impairments and provisions	25.5	22.9	2.7	0.8	12%	8.0	17.5	7.8	-54%
Impairments and provisions	-5.8	-2.7	-3.1	1.2	-11%	-3.9	-1.9	-3.4	-13%
Net gains from investments in subsidiaries, associates, and JVs ⁽ⁱⁱ⁾	1.6	0.4	1.1	-	-	1.0	0.6	0.3	57%
Result before tax	21.3	20.6	0.7	2.0	3%	5.0	16.3	4.8	-69%

	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Jun 2021	Change YtD	Change YoY	Change QoQ
Net loans to customers	3,434.7	3,337.4	2,731.6	2,534.9	703.1	28%	3%
Gross loans to customers	3,481.5	3,382.3	2,769.7	2,570.6	711.8	28%	3%
Housing loans	2,037.5	1,908.8	1,815.5	1,666.8	222.0	13%	7%
Interest rate on housing loans	2.24%	2.24%	2.34%	2.40%	-0.10 p.p.	-0.16 p.p.	0.00 p.p.
Consumer loans	635.3	638.1	635.6	643.0	-0.3	0%	0%
Interest rate on consumer loans	6.92%	6.92%	6.70%	6.66%	0.22 p.p.	0.26 p.p.	0.00 p.p.
N Banka, Ljubljana	481.1	502.7	-	-	-	-	-2%
NLB Lease&Go, Ljubljana	56.4	48.4	40.4	22.3	16.0	40%	16%
Other	271.2	284.3	278.2	238.4	-7.0	-3%	-5%
Deposits from customers	8,747.4	8,412.6	7,703.6	7,644.9	1,043.7	14%	4%
Interest rate on deposits ⁽ⁱⁱⁱ⁾	0.03%	0.03%	0.03%	0.03%	0.00 p.p.	0.00 p.p.	0.00 p.p.
N Banka, Ljubljana	519.8	517.5	-	-	-	-	0%
Non-performing loans (gross)	67.1	65.1	58.1	54.8	9.0	15%	3%

	1-6 2022	1-6 2021	Change YoY
Cost of risk (in bps)	37	21	16
CIR	71.7%	70.7%	1.0 p.p.
Interest margin ⁽ⁱⁱⁱ⁾	1.46%	1.55%	-0.08 p.p.

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

⁽ⁱⁱ⁾ Interest rates only for NLB.

Net interest income was EUR 5.0 million higher YoY, of which EUR 4.0 million was contributed by N Banka. The interest income of retail segment increased mostly due to a higher volume of housing loans and overdrafts. The high production of new housing loans continued, with EUR 419.1 million of new loans approved in H1 (EUR 414.8 million without N Banka; H1 2021: EUR 262.8 million) and resulted in the increase of the portfolio. The consumer lending stayed on the same level YtD, with EUR 132.4 million newly approved consumer loans in H1 (EUR 125.3 million without N Banka; H1 2021: EUR 113.3 million). The portfolio of overdrafts and cards recorded YtD decrease due to seasonal components, but increased significantly YoY, due to higher consumption and attractive new products.

Net non-interest income increased YoY due to fee and commission income growth of EUR 8.8 million, with N Banka contributing EUR 2.7 million. The growth derived from all categories, higher fees from the asset management and bancassurance, the income from high balance fee (EUR 0.9 million from private individuals), and normalization after COVID-19-related restrictions in 2021.

Higher **costs** by EUR 5.9 million without N Banka's contribution, due to higher operating costs resulting from inflationary pressures.

Net impairments and provisions were established, mostly due to a higher new production of loans and changes in risk parameters/models in June reflecting expected inflationary burden on the households.

Deposits from customers increased by EUR 1,043.7 million YtD and EUR 1,102.5 million YoY, of which N Banka contributed EUR 519.8 million. Growth of deposits from individuals was influenced mostly by seasonality (more savings in the beginning of the year after higher consumption in December and holiday allowances), social transfers and increase in pensions.

Business Performance

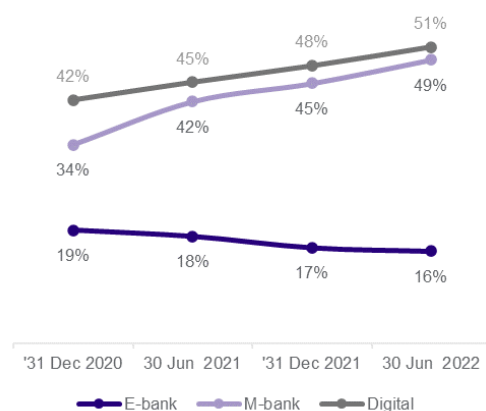
The Bank continued to strengthen its leading position with a market share of 25.6% in retail lending (30 June 2021: 24.0%) and 31.5% (30 June 2021: 30.6%) in deposit-taking.

Increase of the market share for housing loans, namely to 25.8% (30 June 2021: 23.6%), was also triggered by market conditions, which contributed to a record production of new housing loans in H1 2022 (58% increase YoY). Dedicated sales teams and successful marketing campaigns also played an important role in boosting the sales results.

Environmental and social sustainability are an important part of the Group mission. Sustainability is being incorporated in the Group and ESG product portfolio is growing. With different financing products the Bank helps its customers in implementation of sustainability measures in development of lasting environmental solutions. An ESG-oriented offer includes NLB Green housing loan to finance construction or purchase of a passive house and finance the purchase of solar panels, heat pumps and central ventilation.

The number of digital users increased in H1 by 14% YoY. The number of m-bank Klikin and e-bank NLB Klik users recorded a YoY increase of 17% (34,149 new users in H1) and 7% (12,770 new users in H1) respectively, which is also well proven by the digital penetration of active clients (see the figure below). The total volume and number of payments processed in the e-bank and m-bank YoY increased by 18% and 13% respectively. To empower elderly population to use digital banking more often, several workshops were organized with excellent response and positive feedback from participants. On top, more digital products were activated, and with the participation of students working part-time in the Bank, the event had an intergenerational component as well.

Figure 15: Digital penetration⁽ⁱ⁾



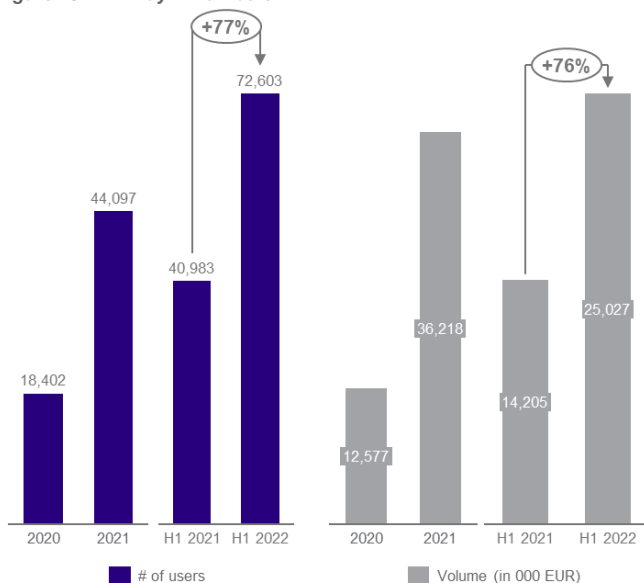
(i) Share of active e-/m-bank and digital users in # of active clients of the Bank.

The 24/7 Contact Centre is firmly positioned as a sales channel. In H1, its share of concluded basic financing products of the Bank (such as consumer loans and overdrafts) was almost 9%. On the YoY basis, 28% more video calls were processed.

In H1, Mastercard's personal debit card was introduced in a digital form only, enabling the card and PIN to be issued instantly and can be used immediately after the client digitizes their card in the NLB Pay m-wallet. Contactless payments' limit with no PIN needed was raised to 50 EUR also for NLB cards, and with green awareness in mind, payment slip is now issued only on customer's demand.

From May onwards on-line purchases are no longer possible without strong authentication. Therefore the use and download of NLB Pay m-wallet is even more important, and proven with continued increase of usage at a significant pace. The number of users and volume of transactions increased by 77% and 76% YoY.

Figure 16: NLB Pay in numbers



The market share of NLB Skladi increased to 37.9% (30 June 2021: 36.4%) despite the global geopolitical circumstances. The latter affected net inflows in H1, which experienced a YoY drop of 22%. Nevertheless, the company remains the largest asset management company and mutual funds management company in Slovenia. The total assets under management amounted to EUR 1,906.8 million (30 June 2021: EUR 1,920.6 million) of which EUR 1,463.1 million consisted of mutual funds (30 June 2021: EUR 1,406.5 million) and EUR 443.7 million of the discretionary portfolio (30 June 2021: EUR 514.1 million).

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

Corporate and Investment Banking in Slovenia

Financial Highlights

- Growth in loan portfolio in all sub-segments with record high new loan production resulted in YoY interest income growth.
- Growing net fee and commission income with fees for high balance deposits compensating negative margin on deposit side.
- Release of net impairments and provisions triggered by partial repayments of written off receivables.

Business Highlights

- Market share growth continues with approving new quality transactions on domestic and international markets.
- Introduction of digital only Mastercard debit cards.
- Increasingly present ESG driven financing.
- Acquired a full permission from the BoS to arrange leasing financing.
- Arranged syndicated facilities in the amount of EUR 676 million.
- M&A services - successfully executed sell mandate of a large Slovenian company.

Financial Performance

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

in EUR million consolidated								
	1-6 2022	1-6 2021	Change YoY		Q2 2022	Q1 2022	Q2 2021	Change QoQ
			o/w N Banka contribution					
Net interest income	22.0	17.9	4.1	2.5	11.8	10.2	8.9	16%
Net interest income from Assets ⁽¹⁾	25.8	20.4	5.4	2.4	13.8	12.1	10.3	14%
Net interest income from Liabilities ⁽¹⁾	-3.8	-2.5	-1.3	0.1	-1.9	-1.9	-1.3	-3%
Net non-interest income	27.9	43.6	-15.8	1.7	14.6	13.3	31.9	9%
o/w Net fee and commission income	22.8	19.7	3.2	1.5	11.6	11.2	10.2	3%
Total net operating income	49.9	61.6	-11.6	4.1	26.4	23.5	40.8	12%
Total costs	-28.5	-21.4	-7.1	-4.4	-16.0	-12.5	-11.0	3%
Result before impairments and provisions	21.4	40.1	-18.8	-0.2	10.4	11.0	29.8	-6%
Impairments and provisions	12.7	16.1	-3.3	3.4	8.7	4.1	5.1	11%
Result before tax	34.1	56.2	-22.1	3.1	19.1	15.1	34.9	26%

	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Jun 2021	Change Ytd	Change YoY	Change QoQ
Net loans to customers	3,255.4	3,060.8	2,332.4	2,153.2	923.0	40%	6%
Gross loans to customers	3,313.1	3,122.8	2,390.7	2,244.9	922.4	36%	6%
Corporate	3,164.4	2,962.7	2,258.5	2,100.5	905.9	40%	7%
Key/SME/Cross Border Corporates	2,413.3	2,211.9	2,110.6	1,940.6	302.7	14%	9%
Interest rate on Key/SME/Cross Border Corporates loans	1.73%	1.76%	1.79%	1.82%	-0.06 p.p.	-0.09 p.p.	-0.03 p.p.
Investment banking	0.1	0.1	0.1	0.1	0.0	-4%	0%
Restructuring and Workout	80.8	83.6	88.2	123.5	-7.4	-8%	-3%
N Banka	577.3	592.0					-2%
NLB Lease&Go	92.8	75.1	59.6	36.3	33.3	56%	24%
State	148.5	160.0	131.9	144.1	16.6	13%	3%
Interest rate on State loans	2.82%	3.89%	2.07%	2.45%	0.75 p.p.	0.37 p.p.	-1.07 p.p.
Deposits from customers	2,499.2	2,322.6	1,938.2	1,618.9	561.1	29%	8%
Interest rate on deposits ⁽²⁾	0.04%	0.03%	0.03%	0.04%	0.01 p.p.	0.00 p.p.	0.01 p.p.
N Banka, Ljubljana	461.6	326.9					41%
Non-performing loans (gross)	79.2	85.5	72.5	111.8	6.7	9%	-7%

	1-6 2022	1-6 2021	Change YoY
Cost of risk (in bps)	-90	-153	63
CIR	57.1%	34.8%	22.4 p.p.
Interest margin ⁽³⁾	1.59%	1.85%	-0.26 p.p.

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

⁽²⁾ Interest rates only for NLB.

Net interest income was EUR 1.7 million higher YoY without N Banka's contribution. The interest income from loans in the Key, SME and Cross Border Corporates in the Bank was EUR 2.3 million higher YoY, mostly due to higher volumes in all sub segments (EUR 302.7 million Ytd growth). New production was enviably high, with EUR 453.7 million of long-term loans approved in H1 2022.

Net fee and commission income recorded an EUR 1.7 million increase YoY without N Banka's contribution, mostly due to higher income from high balance fee, higher consumption and normalization after COVID-19-related restrictions in 2021 (influence on payment and card business), and fees for the organization of syndicated loans and advisory services.

Income from high balance fee amounted to EUR 4.6 million in H1 (EUR 1.2 million increase YoY) and compensated negative costs of marginal deposits or negative margin on deposit side.

Total costs increased EUR 2.7 million YoY without N Banka's contribution, due to higher operating costs due to inflationary pressures.

Net impairments and provisions were released in the amount of EUR 12.7 million, mostly due to repayments of previously written-off receivables and changes in risk parameters/models in June.

The total value of assets under custody in **Investment Banking and Custody** decreased YoY (30 June 2021: EUR 15.8 billion) and YtD (31 December 2021: EUR 15.9 billion) and amounted to EUR 15.5 billion.

Business Performance

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

With a growing client base, NLB remains the leading bank in servicing corporate clients in Slovenia and has a 19.1% market share in corporate loans (30 June 2021: 17.6%).

The Bank is also a leading Slovenian bank in the field of trade finance with products that support the export economy. The Group clients are supported with letters of guarantees, letters of credit and purchases of receivables which are also available through digital channels in a safe and fast way, with a market share of 32.2% (30 June 2021: 32.4%) in guarantees and letters of credit (including guarantee lines).

The entire portfolio continued to grow as several new high-quality transactions were concluded in H1, namely almost EUR 850 million of loans were approved to corporate and state clients, making a 39% YoY increase.

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

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

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

Unique regional position with local presence and strength puts the Group in a position where it can significantly contribute to regional development and well-being. This way the Bank is increasingly involved in cross-border financing. In H1 involvement in several transactions amounted to EUR 341 million, including financing in the Group's home region and across EEA with sound diversification in terms of geography and industry.

Activities of the Bank in organizing syndicated facilities continued across H1, in the total amount of EUR 676 million, where the Bank acted as the mandated lead arranger, as an agent and also as the leading bank with a EUR 201 million participation. In the field of M&A and Advisory services the Bank also acted as a financial advisor and organizer in the sale of a large Slovenian company.

In H1, a significant growth of trading volume was achieved in brokerage services and FX spot deals. The Bank executed clients' buy and sell orders in the total amount of EUR 581.8 million (H1 2021: EUR 544.9 million), while in the area of

dealing in financial instruments the Bank executed foreign exchange spot deals in the total of EUR 739.8 million (H1 2021: EUR 423.7 million) and EUR 217.0 million (H1 2021: EUR 174.5 million) worth of transactions involving derivatives. YoY growth of 75% in the area of foreign exchange spot deals comes due to increased export activities of our clients and our competitive pricing.

The Bank remains one of the top Slovenian players in custodian services for Slovenian and international customers, it also increased its estimated market share in performance of depositary tasks (UCITS Directive) from 38% to 45.5%. The total value of assets under custody on 30 June 2022 was, together with the fund administration services, EUR 15.5 billion (30 June 2021: EUR 15.8 billion).

Strategic Foreign Markets

Financial Highlights

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

Business Highlights

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

Financial Performance

Table 10: Key Financials of Strategic Foreign Markets

in EUR million consolidated								
	1-6 2022	1-6 2021	Change YoY		Q2 2022	Q1 2022	Q2 2021	Change QoQ
Net interest income	137.1	130.0	7.1	5%	70.8	66.3	66.7	7%
Interest income	149.4	147.5	1.9	1%	76.6	72.9	75.5	5%
Interest expense	-12.4	-17.5	5.1	29%	-5.8	-6.5	-8.7	11%
Net non-interest income	57.5	48.8	8.8	18%	29.7	27.8	27.2	7%
o/w Net fee and commission income	56.9	48.8	8.1	17%	29.7	27.1	25.5	10%
Total net operating income	194.6	178.8	15.9	9%	100.5	94.2	93.9	7%
Total costs	-109.8	-107.9	-1.9	-2%	-56.4	-53.3	-55.6	-3%
Result before impairments and provisions	84.9	70.9	14.0	20%	44.0	40.8	38.3	8%
Impairments and provisions	0.9	2.0	-1.1	-53%	-2.3	3.2	0.1	-
Result before tax	85.8	72.9	12.9	18%	41.7	44.1	38.4	-5%
o/w Result of minority shareholders	8.4	6.6	1.8	27%	4.3	4.1	2.9	5%

	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Jun 2021	Change YtD		Change YoY		Change QoQ
Net loans to customers	5,885.2	5,660.8	5,441.9	5,281.9	443.3	8%	603.3	12%	4%
Gross loans to customers	6,074.9	5,850.2	5,632.2	5,460.3	442.7	8%	614.6	12%	4%
Individuals	3,087.1	2,982.9	2,877.3	2,756.1	209.8	7%	331.0	12%	3%
Interest rate on retail loans ⁽ⁱ⁾	5.53%	5.55%	5.83%	5.94%	-0.30 p.p.		-0.41 p.p.		-0.02 p.p.
Corporate	2,864.7	2,732.8	2,613.5	2,519.4	251.1	10%	345.3	14%	5%
Interest rate on corporate loans ⁽ⁱ⁾	3.60%	3.60%	3.96%	4.04%	-0.36 p.p.		-0.44 p.p.		0.00 p.p.
State	123.2	134.6	141.4	184.8	-18.2	-13%	-61.6	-33%	-3%
Interest rate on state loans ⁽ⁱ⁾	3.59%	3.13%	3.35%	3.40%	0.24 p.p.		0.20 p.p.		0.46 p.p.
Deposits from customers	7,884.1	7,775.2	7,998.8	7,878.8	-114.8	-1%	5.3	0%	1%
Interest rate on deposits ⁽ⁱ⁾	0.17%	0.18%	0.29%	3.33%	-0.12 p.p.		-3.16 p.p.		-0.01 p.p.
Non-performing loans (gross)	178.9	185.2	191.7	198.6	-12.8	-7%	-19.7	-13%	-3%

	1-6 2022	1-6 2021	Change YoY
Cost of risk (in bps)	-22	-59	38
CIR	56.4%	60.3%	-3.9 p.p.
Interest margin ⁽ⁱ⁾	2.94%	2.87%	0.07 p.p.

(i) Changed methodology.

Net interest income was higher YoY (EUR 7.1 million), with an increase recorded in all banking members, due to higher volumes in all of them and despite a lower interest margin in most of the banking members. Important contribution derives from adjustment of interest rates for deposits which resulted in lower interest expenses by EUR 5.1 million YoY.

Net non-interest income increased by EUR 8.8 million YoY, of which net fee and commission income EUR 8.1 million. The largest increase was recorded in NLB Komercijalna Banka, Beograd due to repricing of services.

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

A net release of **impairments and provisions for credit risks** in the amount of EUR 6.2 million, mainly due to impacts arising from successful NPL resolution. **Other impairments and provisions** were established, mostly for reorganization in NLB Komercijalna Banka Beograd (EUR 4.6 million).

Gross loans to customers increased by EUR 442.7 million (8%) YtD, with a little higher growth to corporate (10%) than to individuals (7%). The increase of the loan portfolio is visible in all of the banking members. New loan production continued its enviable growth, with EUR 135.2 million, EUR 324.0 million and EUR 604.3 million newly approved housing, consumer and corporate loans in H1, respectively.

Deposits from customers decreased by EUR 114.8 million YtD, due to decrease of individual deposits in Q1 (EUR 184.9 million), related to influences of war in Ukraine on prices and consumer behavior and with positive trend perceived in Q2 (EUR 44.8 million).

Financial performance of strategic NLB Group SEE banking members

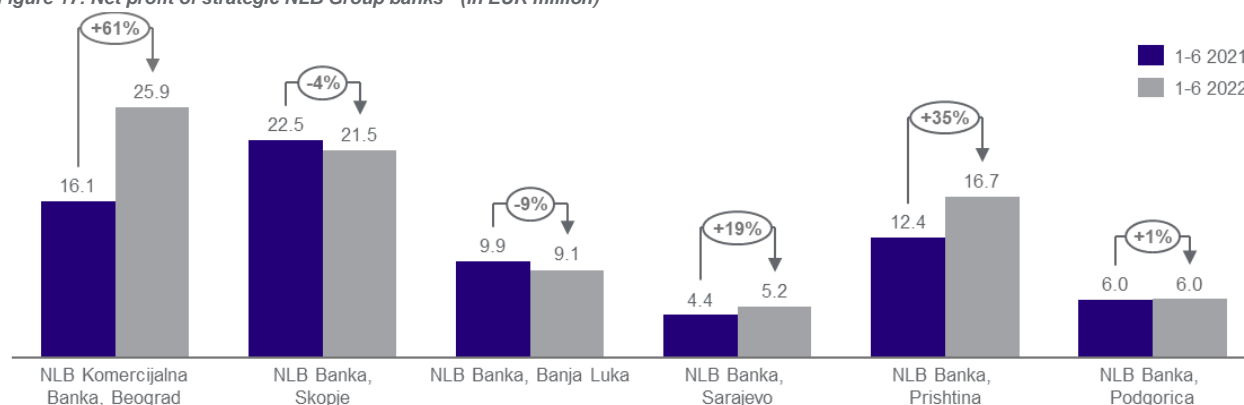
Amidst macroeconomic challenges the banking members realized solid H1 results. Inflationary pressures increased across the Group region during this period mostly as a result of supply chain disruption and imported food and energy prices increase as the inflation outbursts in euro zone and countries in the region which represent the main foreign trade partners of the Western Balkans.

The customer behaviour was impacted by the rising inflation concerns and expectations of increase in interest rates in Europe. As recession fears grew, the clients exchanged part of their deposits into foreign currency sight deposits, mainly in EUR, however the total non-banking sector deposits base remained stable and increased 6% YoY and was flattish YtD.

The banking members marked robust 11% YoY increase in lending activities, while YtD all banks together recorded a growth of 8%. The largest increase of gross loans to customers was realized by NLB Banka, Prishtina (13%) and NLB Komercijalna Banka, Beograd (10%).

The banking members remained overliquid and well capitalized.

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



(i) Data on a stand-alone basis as included in the consolidated financial statements of the Group. The profit of NLB Banka, Podgorica 1-6 2021 include result of Komercijalna Banka, Podgorica, which was merged with NLB Banka, Podgorica in November 2021. The profit of NLB Komercijalna Banka, Beograd include also profit of NLB Banka, Beograd (Komercijalna Banka, Beograd and NLB Banka, Beograd merged in April 2022).

The remarkable new production, especially in the retail segment contributed to the increase of already strong market share (YtD) in the Group banks – NLB Komercijalna Banka, Beograd, NLB Banka, Sarajevo, NLB Banka, Banja Luka and NLB Banka, Prishtina in the range from 10 to 60 bps. NLB Komercijalna Banka, Beograd increased market share (YtD) in Agro segment by approximately 70 bps reaching 29.7% market share.

Regardless of the future expectations of increase in interest rates, there is still competitive pressure on interest rates, however the Group banks maintained flattish net interest margin trend. In 1-6 2022 the banking members realized net interest margin ranging between 2.4% (NLB Banka, Banja Luka) and 4.2% (NLB Banka, Prishtina).

Business Performance

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

The loan volumes have so far this year grown stronger than expected. H1 2022 was for most banks the best ever in loan production. Most of the Group members realized higher growth in retail loans compared to the growth of the local banking sector.

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

Retail Banking

During H1 the banking members realized historically high new retail loan production. The gross loans to individuals marked growth of 12% YoY and 7% YtD, the highest growth was realized by NLB Banka, Prishtina (12% YtD) and NLB Banka, Sarajevo (11% YtD).

NLB Banka, Skopje and NLB Banka, Prishtina increased market share in loans to individuals by approximately 50 bps YtD.

As a consequence of the war in Ukraine, retail clients in most of the Group countries of operations, temporary reacted by exchanging the local currency deposits into EUR deposits, which slightly transformed the banks' deposits from customers. Consequently, deposits from individuals dropped by 2% YtD, while YoY still increased by 1%.

Corporate Banking

The banking members maintained the positive trend in approving new financings and attracting new corporate clients. The banks recorded 10% YtD growth in corporate segment, whereas the highest level was achieved in NLB Komercijalna Banka, Beograd (14% YtD) and NLB Banka, Prishtina (13% YtD).

Financial Markets in Slovenia

Financial Highlights

- Decrease of wholesale funding and consequently balances with central banks due to early prepayment of TLTRO and certain credit lines.
- Short-term investments with a well-managed credit risk and capital consumption.

Business Highlights

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

Financial Performance

Table 11: Key Financials of Financial Markets in Slovenia

in EUR million consolidated									
	1-6 2022	1-6 2021	Change YoY		Q2 2022	Q1 2022	Q2 2021	Change QoQ	
				o/w N Banka contribution					
Net interest income	22.9	11.7	11.2	2.6 95%	12.6	10.3	5.7	23%	
o/w ALM ⁽¹⁾	14.9	6.2	8.7	1.9 14%	8.4	6.5	2.9	28%	
Net non-interest income	-1.7	-0.7	-1.0	0.0 -100%	-0.6	-1.1	0.0	47%	
Total net operating income	21.2	11.1	10.2	2.6 92%	12.0	9.2	5.7	30%	
Total costs	-4.6	-3.9	-0.7	-0.1 -18%	-2.5	-2.2	-2.0	13%	
Result before impairments and provisions	16.6	7.1	9.4	2.5 132%	9.5	7.0	3.7	36%	
Impairments and provisions	-7.5	0.1	-7.6	-1.5 -	-6.0	-1.5	0.8	-	
Result before tax	9.0	7.3	1.8	1.0 25%	3.5	5.5	4.4	-38%	

	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Jun 2021	Change YtD	Change YoY	Change QoQ
Balances with Central banks	2,443.2	3,116.8	2,982.2	2,656.0	-539.0 -10%	-212.8 -8%	-24%
Banking book securities	3,168.7	3,223.8	2,977.5	3,335.5	191.2 6%	-166.8 -5%	-2%
<i>Interest rate on banking book securities⁽¹⁾</i>	<i>0.72%</i>	<i>0.72%</i>	<i>0.68%</i>	<i>0.65%</i>	<i>0.04 p.p.</i>	<i>0.07 p.p.</i>	<i>0.00 p.p.</i>
Wholesale funding	216.0	1,046.5	873.5	866.3	-657.4 -74%	-650.3 -74%	-7%
<i>Interest rate on wholesale funding⁽¹⁾</i>	<i>-0.83%</i>	<i>-0.89%</i>	<i>-0.46%</i>	<i>1.00%</i>	<i>-0.37 p.p.</i>	<i>-1.83 p.p.</i>	<i>0.06 p.p.</i>
Subordinated liabilities	287.8	287.0	288.5	287.6	-0.8 0%	0.2 0%	0%
<i>Interest rate on subordinated liabilities⁽¹⁾</i>	<i>3.69%</i>	<i>3.69%</i>	<i>3.70%</i>	<i>3.69%</i>	<i>-0.01 p.p.</i>	<i>0.00 p.p.</i>	<i>0.00 p.p.</i>

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

⁽²⁾ Interest rates only for NLB.

Net interest income was EUR 11.2 million higher YoY, of which EUR 2.6 million from N Banka. Excluding N Banka, net interest income increased primarily due to changed FTP policy which partially transferred the costs of placing the excess liquidity from treasury to retail and corporate segment to de-stimulate the deposit collection.

Lower **net non-interest income**, EUR 1.0 million YoY, mostly due to negative effect from securities divestments and higher premium for RWA optimization measures.

Decreases in **balances with central banks** (EUR 539.0 million YtD), due to early prepayments of TLTRO (EUR 750 million) and certain credit lines (EUR 70 million). Increase in the **banking book securities** (EUR 191.2 million YtD) mostly caused by the acquisition of N Banka (EUR 69 million) and short-term investments with a well-managed credit risk and capital consumption.

Wholesale funding amount decreased by EUR 657.4 million YtD mainly due to early prepayment of TLTRO (EUR 750 million) and certain credit lines (EUR 70 million) in Q2, while the increase in Q1 was related to the acquisition of N Banka.

Business Performance

The main mission of the segment continued to be the Group's activities on the international financial markets, including treasury operations. With the on-going war in Ukraine, the attention is focused primarily on the ability of Russia to repay its maturing debt. The Bank still has an exposure to the Russian government bond maturing in September 2023 while the one maturing in April 2022 was repaid with a short delay.¹¹ The market is observed constantly to diminish further possible defaults of issuers included in the banking book securities portfolio and to manage the portfolio according to the market moves (rising yield environment) and economic data (inflation, recession). With this aim certain exposures were already lowered in H1.

In 2022 an on-going goal is to further diversify the banking book securities portfolio which in H1 increased by EUR 83.5 million in the Bank and decreased by EUR 246.9 million on the Group level. New investments in H1 amounted to EUR 683.5 million on the Group level (EUR 422.7 million on the Bank level), of which the majority was invested into government bonds of strategic markets, including Slovenia and government bonds rated between AA and AAA. The portfolio included 3.4% of ESG debt securities, issued by governments, multilateral organisations or commercial banks.

¹¹ Further information is available in chapter [Key Events](#).

Non-Core Members

Financial Highlights

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

Business Highlights

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

Financial Performance

Table 12: Key Financials of Non-Core Members

in EUR million consolidated								
	1-6 2022	1-6 2021	Change YoY		Q2 2022	Q1 2022	Q2 2021	Change QoQ
Net interest income	0.1	0.4	-0.3	-68%	0.0	0.1	0.1	-61%
Net non-interest income	1.9	2.9	-1.0	-33%	1.2	0.7	2.2	67%
Total net operating income	2.1	3.3	-1.2	-37%	1.2	0.8	2.4	54%
Total costs	-5.5	-5.4	-0.2	-3%	-3.0	-2.6	-2.8	-10%
Result before impairments and provisions	-3.5	-2.1	-1.4	-67%	-1.7	-1.8	-0.4	1%
Impairments and provisions	1.0	1.7	-0.7	-41%	0.4	0.6	1.0	-38%
Result before tax	-2.5	-0.4	-2.1	-	-1.3	-1.1	0.5	-17%

	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Jun 2021	Change YtD		Change YoY	
Segment assets	89.9	93.8	95.9	116.7	-6.0	-6%	-26.8	-23%
Net loans to customers	20.5	22.0	24.3	34.8	-3.9	-11%	-14.3	-41%
Gross loans to customers	50.3	51.6	53.9	79.3	-3.6	-5%	-29.1	-37%
Investment property and property & equipment received for repayment of loans	61.8	65.5	65.6	67.0	-3.8	-6%	-5.2	-8%
Other assets	7.6	6.3	6.0	14.9	1.6	2%	-7.3	-49%
Non-performing loans (gross)	44.8	44.7	45.0	62.7	-0.2	0%	-17.8	-28%

The segment recorded EUR 2.5 million of **loss before tax** and also a minor decrease of the **total assets** of the segment YtD (EUR 6.0 million), which is in line with the divestment strategy.

Impairments and provisions were net released in the amount of EUR 1.0 million, mostly due to successful collection of previously written-off receivables.

Business Performance

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

Risk Factors and Outlook

Risk factors

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

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

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

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

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

The investment strategy of the Group, referring to the Group's bond portfolio kept for liquidity purposes, adapts to the expected market trends in accordance with the set risk appetite. The war in Ukraine has led to quite considerable volatility in the financial markets, in particular shifts in credit spreads, interest rates and foreign exchange rates. Special attention is given to the markets in the Balkans, neighbouring countries to Ukraine and Russia and international banks with operations in Russia. The Group is closely monitoring its major bond portfolio positions, mostly sovereigns, with stronger connection to the crisis in Russia. Besides, the Group holds Russian government bonds.¹² Since the beginning of the crisis the Group has been observing credit spreads widening, which is currently impacting FVOCI positions.

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

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

¹² Further information is available in the chapter [Key Events](#).

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

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

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

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

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

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

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

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

Outlook

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

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

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

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

	Performance in H1 2022	2022 ⁽ⁱⁱⁱ⁾	2023
Regular income	EUR 354.1 million	~ EUR 730 million	~ EUR 800 million
Costs ^(vii)	EUR 218.7 million ⁽ⁱ⁾	below EUR 460 million	in the range of 2022
Cost of risk	-6 bps	Below 30 bps ^(iv)	30-50 bps
Loan growth	19% (9% w/o N Banka)	Low double-digit organic growth	High single-digit loan growth
ROE a.t.	10.8%	~ 10%, (ROE normalized ^(v) : 12%)	> 10% (ROE normalized ^(v) : 12%)
Dividend	EUR 50 million ⁽ⁱⁱ⁾	EUR 100 million ^(vi)	EUR 110 million

(i) Including integration costs.

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

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

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

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

(vi) EUR 50 million already paid-out; the second instalment expected to be paid-out by the end of the year.

(vii) Costs including N Banka/restructuring.

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

Outlook 2022

Macroeconomic

Tight labour markets remain a beacon of support to private spending. With limited fiscal space, countries will need to carefully weigh the costs and benefits of new spending commitments in response to higher energy and food prices. Economic growth is set to cool notably this year as fears of recession cloud the outlook especially if Russian natural gas supply comes to a standstill as a part of Russian retaliating sanctions. In this case heating bills would skyrocket during the winter months fuelling inflation further into 2023. The Group's region is seen expanding 4.0% in 2022 and 2.9% in 2023. Global supply constraints persist as the war in Ukraine rages on, impeding growth. The inflation rate is eroding real disposable incomes and consumer confidence, boding poorly for (household) spending and consumption. In Slovenia, the retail sales data confirm private consumption is still going strong (May YoY reading the highest in the euro area). Key factors to watch include the volatile global energy market as well as the new Slovenian government's legislative agenda. The GDP growth should decrease this year to 5.5% on a tougher base effect. In 2023, the Slovenian economy is seen growing 2.1%. Euro area GDP will record a softer pace of growth this year, restrained by high commodity prices, supply shortages, depressed confidence and rising interest rates. The risks of financial instability due to high public debts and the prolongation of the war in Ukraine cloud the outlook. The euro area economy is seen expanding 2.7% in 2022, while in 2023 GDP is seen increasing 1.8%.

Revenues and loan growth

The Group expects low double digit organic loan growth in 2022. After exceptionally high new corporate and individual loan origination across all markets in H1, stipulated also by increased inflation and expectations of higher interest rates, slower loan growth is foreseen for H2. Interest income growth is expected to be primarily driven by loan growth and productive use of liquid assets. In H2 the improvement of interest income is expected also from an increase of the ECB interest rates and Euribor, however, this will be almost neutralized by interest expenses related to the new senior preferred bond issued for meeting MREL requirement (issued by the Bank in July 2022 in the amount of EUR 300 million) and reduction of fee and commission revenues due to abolishment of fees for high balance deposits.¹³ Post COVID-19 opening of the economies stimulated demand for fee generating products and income. All of the above should result in total regular revenues at around EUR 730 million in 2022.

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

Costs and cost of risk

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

The realised cost of risk in H1 2022 at -6 bps remained at low level. Most members of the Group faced in H1 2022 a favourable development in NPL resolution, positively contributing to the Group's overall cost of risk. It is expected that resolutions will continue to positively impact cost of risk in 2022, but with diminished importance. Increased inflationary pressures might cause some deterioration of credit portfolio quality in the retail segment, though its impact should not be excessive. Direct and indirect exposure of the Group toward Russia and Ukraine is limited, whereby the remaining direct exposure towards Russian government was already adequately impaired to reflect its fair value. Based on assessed environment the expected cost of risk will be below 30 bps (includes technical adjustment due to N Banka and excludes potential incremental major disruptions).

Loan portfolio quality

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

Liquidity

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

Special attention is given to the markets in the Balkans, neighbouring countries to Ukraine and Russia and international banks with operations in Russia. NLB Group is closely monitoring its major bond portfolio positions, mostly sovereigns, with stronger connection to the Russian crisis. Besides, the Bank holds Russian government bonds in the current outstanding amount of EUR 7.6 million, which have been revalued to assessed fair value of EUR 1.8 million.¹⁴ Since beginning of the crisis the Group has been observing raising yield environment and credit spreads widening which

¹³ Further information is available in the chapter [Events after 30 June 2022](#).

¹⁴ Further information is available in the chapter [Key Events](#).

materially impacted FVOCI positions. Consequently, the Group carefully manages the structure and concentration of liquidity reserves, by incorporating early warning systems, keeping in mind the potential adverse negative market movements by further shortening of the portfolio duration, reducing certain exposures and classification of new investments with longer maturity in amortized cost group in order to decrease sensitivity of regulatory capital.

Capital

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

The Bank is exploring opportunities for issuance of Tier 2, and Additional Tier 1 bonds to further strengthen and optimize its capital on solo and consolidated level. Also, in 2022 the Group continues with activities to optimise RWAs.

Dividends

The Bank's general intention is to distribute dividends on yearly basis in line with its capacity, while at the same time fulfilling all regulatory requirements, including the Pillar 2 Guidance and risk appetite. 2021 YE capital calculation does not include part of the 2021 result in the amount of EUR 100 million, envisaged for dividend distribution in 2022. Dividends in the amount of EUR 50 million (EUR 2.50 gross per share) were already paid on 28 June and the second instalment in the same amount is expected to be paid by the end of the year.

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

M&A opportunities

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

Sustainability

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

Risk Management

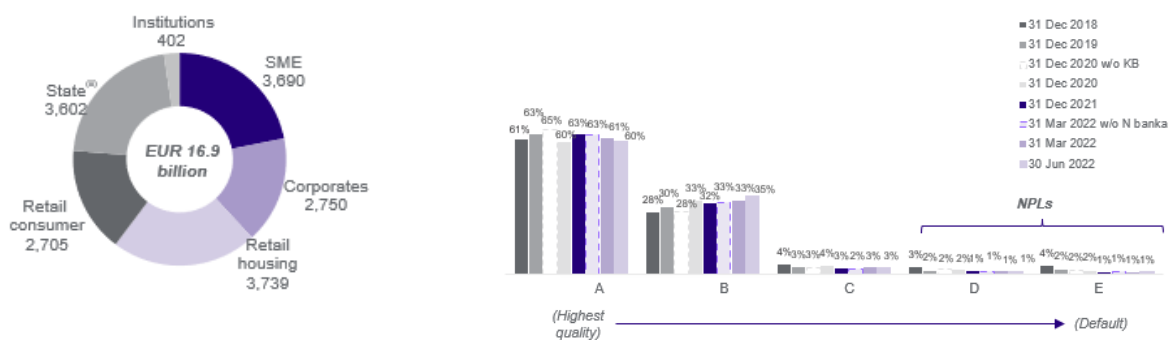
The Bank puts great emphasis on the risk culture and awareness across the entire Group. The main risk principles are set forth by the Group’s Risk Appetite and Risk Strategy, created in accordance with the business strategy. A special focus is placed on the inclusion of risk analysis into the decision-making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

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

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

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

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



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

The current structure of credit portfolio (gross loans) consists of 38.2% retail clients, 16.3% large corporate clients, 21.9% SMEs and micro companies, while the remainder of the portfolio consists of other liquid assets. On 1 March 2022 the Group acquired N Banka. As at 31 March 2022 the newly acquired banking member was included in the Group credit

portfolio. With the acquisition of N Banka there were no major changes in the corporate and retail credit portfolio structure. Credit portfolio remains well diversified, there is no large concentration in any specific industry or client segment. The share of retail portfolio in the whole credit portfolio is quite substantial with the segment of mortgage loans prevailing; an increase of new financing was recognised in Q2. The majority of loan portfolio refers to euro currency, while the rest originates from local currencies of the SEE banking members. In terms of interest rate type, more than 56% of the loan portfolio is linked to fixed interest rate, and the rest to floating rate (mostly to the Euribor reference rate).

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

Corporate sector by industry	Credit portfolio			in EUR thousand	
	NLB Group	%	Δ H1 2022	Δ H1 2022 w/o N Banka	
Accommodation and food service activities	225,282	3%	68,972	6,544	
Act. of extraterritorial org. and bodies	0	0%	-8	-8	
Administrative and support service activities	142,734	2%	34,590	-3,745	
Agriculture, forestry and fishing	321,086	5%	10,348	9,442	
Arts, entertainment and recreation	25,692	0%	3,023	-2,635	
Construction industry	561,666	9%	127,023	75,063	
Education	14,228	0%	946	-523	
Electricity, gas, steam and air conditioning	450,825	7%	132,655	83,794	
Finance	171,551	3%	51,325	39,096	
Human health and social work activities	44,631	1%	6,710	-296	
Information and communication	341,486	5%	97,397	87,925	
Manufacturing	1,382,873	21%	291,755	114,249	
Mining and quarrying	56,830	1%	6,442	1,413	
Professional, scientific and techn. act.	242,807	4%	67,441	-14,205	
Public admin., defence, compulsory social.	168,599	3%	-3,757	-4,670	
Real estate activities	317,205	5%	65,937	19,860	
Services	20,100	0%	8,115	106	
Transport and storage	635,497	10%	62,215	31,563	
Water supply	66,271	1%	22,396	7,922	
Wholesale and retail trade	1,246,035	19%	202,941	108,140	
Other	4,975	0%	4,430	930	
Total Corporate sector	6,440,372	100%	1,260,895	559,966	

Main manufacturing activities	Credit portfolio			in EUR thousand	
	NLB Group	%	Δ H1 2022	Δ H1 2022 w/o N Banka	
Manufacture of fabricated metal products, except machinery and equipment	201,355	3%	50,935	20,515	
Manufacture of food products	187,250	3%	13,283	1,121	
Manufacture of basic metals	177,557	3%	24,420	11,533	
Manufacture of electrical equipment	155,993	2%	61,734	25,930	
Manufacture of other non-metallic mineral products	93,205	1%	28,822	11,045	
Manufacture of rubber and plastic products	72,489	1%	15,246	4,923	
Manufacture of machinery and equipment n.e.c.	66,448	1%	15,504	9,923	
Manufacture of motor vehicles, trailers and semi-trailers	64,174	1%	16,070	13,958	
Other manufacturing activities	364,402	6%	65,741	15,300	
Total manufacturing activities	1,382,873	21%	291,755	114,249	

Main wholesale and retail trade activities	Credit portfolio			in EUR thousand	
	NLB Group	%	Δ H1 2022	Δ H1 2022 w/o N Banka	
Wholesale trade, except of motor vehicles and motorcycles	701,788	11%	124,058	62,187	
Retail trade, except of motor vehicles and motorcycles	416,457	6%	64,404	40,206	
Wholesale and retail trade and repair of motor vehicles and motorcycles	127,790	2%	14,479	5,746	
Total wholesale and retail trade	1,246,035	19%	202,941	108,140	

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

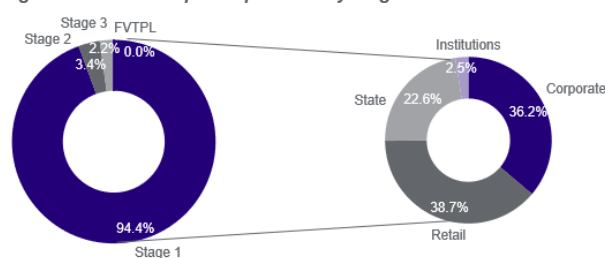


Table 15: NLB Group loan portfolio by stages as at 30 June 2022; in EUR million

	Credit portfolio									Provisions and FV changes for credit portfolio						in EUR million	
	Stage1			Stage2			Stage3 & FVTPL			Stage1		Stage2		Stage3 & FVTPL		Coverage with provisions and FV changes	
	Credit portfolio	Share of Total	YTD change	Credit portfolio	Share of Total	YTD change	Credit portfolio	Share of Total	YTD change	Provision Volume	Provision Coverage	Provision Volume	Provision Coverage	Provisions & FV changes			
Total NLB Group	15,941.7	94.4%	1,303.8	572.3	3.4%	39.9	374.5	2.2%	3.1	75.7	0.5%	37.4	6.5%	211.8	56.5%		
o/w Corporate	5,770.0	89.6%	1,244.5	429.4	6.7%	17.2	241.0	3.7%	-0.8	49.8	0.9%	26.1	6.1%	135.1	56.1%		
o/w Retail	6,167.8	95.7%	796.6	142.9	2.2%	22.6	133.4	2.1%	3.7	24.6	0.4%	11.3	7.9%	76.6	57.4%		
o/w State	3,602.3	100.0%	-600.1	-	-	-	-	-	-	1.2	0.0%	-	-	-	-		
o/w Institutions	401.7	100.0%	-137.3	-	-	-	0.1	-	0.1	0.1	0.0%	-	-	0.1	98.2%		
NLB-G w/o N Banka	14,624.9	94.1%	-13.0	562.2	3.6%	29.8	353.1	2.3%	-18.4	68.3	0.5%	36.8	6.5%	211.0	59.8%		
o/w Corporate	5,088.3	88.7%	562.8	422.8	7.4%	10.7	228.3	4.0%	-13.5	43.6	0.9%	25.6	6.1%	134.7	59.0%		
o/w Retail	5,788.1	95.6%	416.9	139.4	2.3%	19.1	124.7	2.1%	-5.0	23.4	0.4%	11.2	8.0%	76.3	61.1%		
o/w State	3,349.5	100.0%	-852.9	-	-	-	-	-	-	1.1	0.0%	-	-	-	-		
o/w Institutions	399.1	100.0%	-139.8	-	-	-	-	-	-	0.1	0.0%	-	-	-	-		

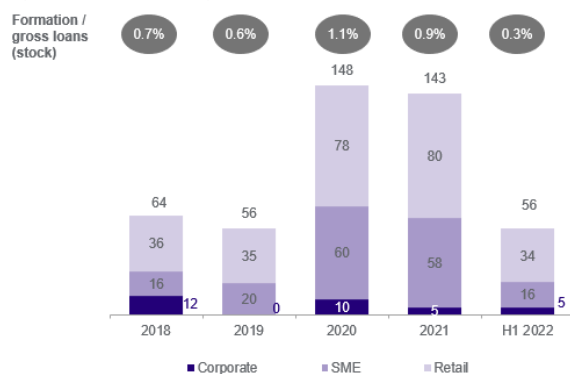
The majority of the Group's loan portfolio is classified as Stage 1 (94.4%), a relatively small portion as Stage 2 (3.4%) and Stage 3 (2.2%). The loans in stages from 1 to 3 are measured at amortized cost, while the remaining minor part (0.002%) represents FVTPL. Under IFRS 3 rules, all assets of NLB Komercijalna Banka, Beograd as well as N Banka were initially recognized at fair value in the Group financial statements. Respectively, all acquired loans were classified either in Stage 1 (performing portfolio) or in Stage 3 (non-performing portfolio). For Stage 3 loans special rules were applied, since they were NPLs already at initial recognition and recognized at fair value without any additional credit loss allowances.

The portfolio quality remains very stable with increasing Stage 1 exposures in corporate and retail segment and a relatively low percentage of NPLs. The percentage of Stage 1 loan portfolio remains almost at the same level as at 31 December 2021 (95.7%) in the retail segment, while in the corporate segment, despite the adverse economic conditions, it improved to the level of 89.6%, which is a result of a cautious lending policy.

The combination of high-quality portfolio and uncertain macroeconomic conditions led to cumulative new NPLs formation in H1 in the amount of EUR 56.2 million, which is 0.3% of the total portfolio. Furthermore, NPLs increased also due to the acquisition of N Banka by EUR 19.3 million.

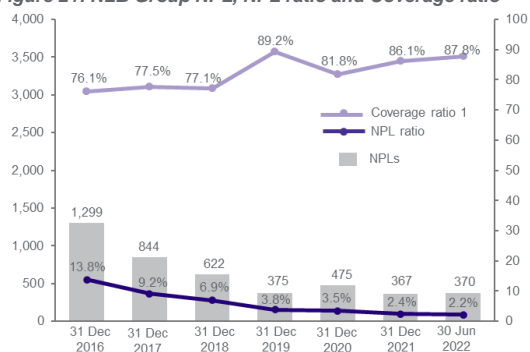
The realised cost of risk in H1 remained at relatively low level. However, the macroeconomic situation across the region might be impacted by the war in Ukraine, leading to increased prices of energy sources and commodities, which might have some adverse impact on the cost of risk, namely in the retail segment, but not excessive.

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



Precisely set targets in the Group's NPL Strategy and various proactive workout approaches facilitated the management of the non-performing portfolio. The Group's approach to NPL management puts a strong emphasis on restructuring and use of other active NPL management tools, such as sale or foreclosure of collateral, the sale of claims and pledged assets. In March 2022 the non-performing credit portfolio stock temporarily stopped its multi-year declining trend as new NPLs from the acquired N Banka were recognized. Otherwise, in H1 favourable NPL movement appeared, mostly due to repayments. The non-performing credit portfolio stock in the Group increased in comparison with 2021 YE to EUR 370.1 million (2021 YE: EUR 367.4 million). The combined result of all of the effects resulted in 2.2% of NPLs, while the internationally more comparable NPE ratio, based on the EBA methodology, reduced to 1.6%. The Group's indicator gross NPL ratio, defined by the EBA, continued to decline, reaching 2.9% at the end of H1, and is below the regulatory defined threshold for establishment of NPL strategy framework.

Figure 21: NLB Group NPL, NPL ratio and Coverage ratio⁽ⁱ⁾



(i) By internal definition.

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

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

In the light of the war in Ukraine the Group has thoroughly analysed potential impact on the credit portfolio. The direct exposure to counterparties is limited and predominantly refers to Russian government bonds, which were partially repaid, while the remaining instrument maturing in September 2023 was appropriately provisioned to reflect its fair value of EUR 1.8 million.¹⁵ The Group may be affected by the secondary effect of the crisis, where increasing prices of raw materials, commodities and energy may represent an important factor for certain corporate clients. Additional effect can be related to potential gas shortage for certain corporate clients with high dependency in production cycle mainly from steel, aluminium, glass, mineral, stone, chemicals and paper industry.

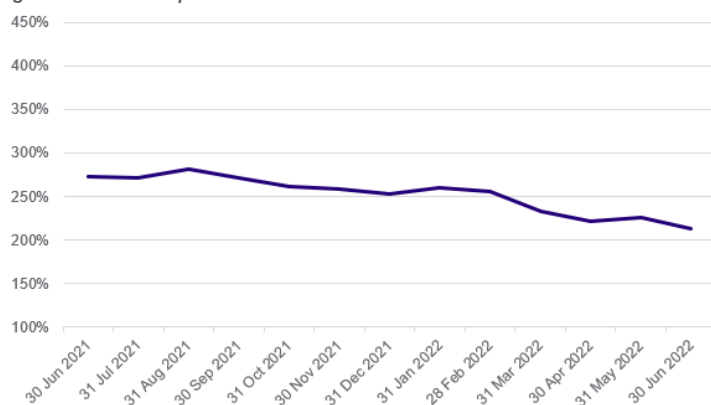
The Group is closely monitoring the circumstances in the most affected industries (energy, transport, automotive, construction, food production) and has a close communication with key clients to identify any changes in the business circumstances. The loan exposures related to potential impacts stemming from the conflict in Ukraine, which are deriving primarily from potential gas shortage, amount to less than EUR 500 million. Such exposures are mainly located in Slovenia. On the other hand, the inflation pressure and prices of energy sources may limit the credit capabilities in the retail segment. The Group has performed stress testing by applying adverse and severe scenarios, the potential estimated losses are perceived as sustainable.

An important Group's strength is the NPL coverage ratio 1 (coverage of gross NPLs with impairments for all loans), which remains high at 87.8%. Furthermore, the Group's NPL coverage ratio 2 (coverage of gross NPLs with impairments for NPL) stands at 57.5%, which is well above the EU average as published by the EBA (44.9% for March 2022). As such, it enables a further reduction in NPLs without significantly influencing the cost of risk in the coming years.

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

From liquidity perspective, deposits at the Group level were increasing (in the Bank and in the SEE banking members), although some decrease in retail deposits in most of the SEE banking members was noticed in Q1 2022 due to the war in Ukraine, impacting the members' euro liquidity. Significant attention was given to the structure and concentration of liquidity reserves by incorporating early warning systems, while keeping in mind the potential adverse negative market movements. The Group holds a very strong liquidity position at the Group and individual subsidiary bank level, which is well above the risk appetite with the LCR of 213.1% and unencumbered eligible reserves in the amount of EUR 8,049.8 million, mostly in the form of placements at the ECB and prime debt securities. Consequently, the Bank performed early repayment of the ECB TLTRO in June 2022. The main funding base of the Group at the Group and individual subsidiary bank level predominately entails customer deposits, namely in the retail segment, representing a very stable and constantly growing base. A very comfortable level of LTD at 65.9% gives the Group the potential for further customer loan placements.

Figure 22: NLB Group's LCR

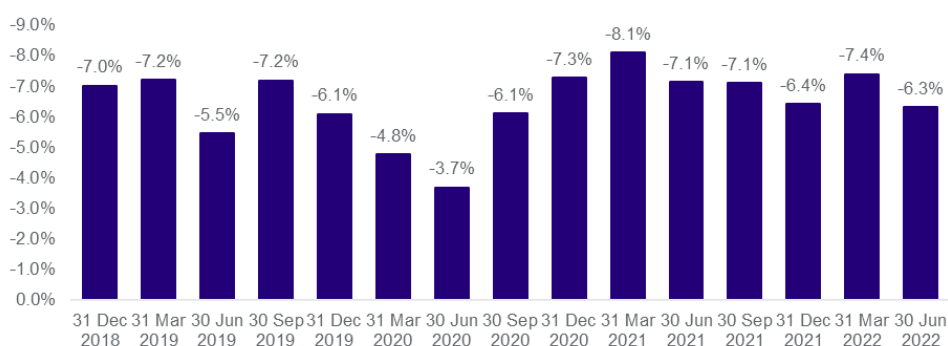


¹⁵ Further information is available in the chapter [Key Events](#).

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

The Group places excess liquidity mainly into banking book securities with fixed interest rate, while in the current still negative interest rate environment, anticipating potential hikes of market rates, there is also a higher demand for products with fixed interest rate. The interest rate exposure to interest rate risk remains modest, within the risk appetite limits. If market interest rates increase, the net interest income of the Group would be favourably affected, while economic value of equity would be negatively affected. When assessing the EVE sensitivity, the Group applies different scenarios. The worst-case regulatory scenario is a parallel shift up by 200 bps. From the EVE perspective, the estimated capital sensitivity of 200 bps equals -6.3% of the Group's capital.

Figure 23: NLB Group's EVE evolution



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

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

Corporate Governance

Management Board

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

On 20 January 2022, the Supervisory Board appointed Hedvika Usenik, Antonio Argir, and Andrej Lasič as three new members of the Management Board. They assumed their functions on 28 April 2022, upon receiving approval from the regulator. They all have already worked in NLB or the Group, have extensive experience and proven value creating track record. As of 30 June 2022 the Management Board consists of:

- Blaž Brodnjak as President & CEO,
- Archibald Kremser as Chief Financial Officer (CFO),
- Andreas Burkhardt as Chief Risk Officer (CRO),
- Hedvika Usenik as Chief Marketing Officer (CMO), responsible for Retail Banking and Private Banking,
- Antonio Argir who is responsible for Group governance, payments and innovations, and
- Andrej Lasič as CMO, responsible for Corporate and Investment Banking.

Supervisory Board

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

On the session dated 14 April 2022, the Supervisory Board approved NLB Group Annual Report 2021 and the NLB Group Sustainability Report 2021. The Supervisory Board also confirmed the Management Board's proposal to convene the 38th General Meeting of Shareholders of NLB on 20 June 2022.

There were no changes in the composition of the Supervisory Board in H1 2022.¹⁶

General Meeting

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

On 20 June 2022, shareholders gathered at the 38th General Meeting and took note of the adopted NLB Group 2021 Annual Report, the Report of the Supervisory Board of NLB on the results of the examination of the NLB Group Annual Report 2021, the Report on remunerations for the business year 2021 and the Additional information to the Report on

¹⁶ Further information is available in the chapter [Events After 30 June 2022](#).

remuneration for the business year 2021. The shareholders also decided on the allocation of distributable profit for 2021 (the first tranche of dividends in the amount of EUR 50 million, while the decision on the second tranche of dividends is to be proposed to the General Meeting that will be held towards the end of this year) and granting a discharge from liability to the Management Board and the Supervisory Board. The General Meeting also took note of various reports and adopted the proposal regarding the amendments and supplements to the Articles of Association of NLB d.d., appointed the auditing company KPMG Slovenija, d.o.o. as the auditor of NLB for the financial years 2023-2026, and adopted the Policy on the Provision of Diversity of the Management Body and Senior Management.

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 in the reporting period there were no changes in the Supervisory Board of the Bank, as well as in the Internal Audit of the Bank.¹⁷

¹⁷ Further information is available in the chapter [Events After 30 June 2022](#).

Events after 30 June 2022

Supervisory Board change

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

Issuance of senior preferred notes

On 19 July the Bank issued 3NC2 senior preferred notes in the amount of EUR 300 million on international markets for meeting MREL requirement.

Fees on high balance

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

Alternative Performance Indicators

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

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

in EUR million						
NLB Group						
	1-6 2022	1-3 2022	1-12 2021	1-9 2021	1-6 2021	1-3 2021
Numerator						
Credit impairments and provisions ⁽ⁱ⁾	-6.7	-18.9	-40.8	-49.7	-66.4	-75.7
Denominator						
Average net loans to customers ⁽ⁱⁱ⁾	11,649.5	11,022.0	10,080.9	9,940.4	9,822.4	9,703.9
Cost of risk (bps)	-6	-17	-41	-50	-68	-78

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

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

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

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

in EUR million						
NLB Group						
	1-6 2022	1-3 2022	1-12 2021	1-9 2021	1-6 2021	1-3 2021
Numerator						
Total costs	218.7	102.7	415.4	297.2	197.3	96.6
Denominator						
Total net operating income	358.1	174.5	666.9	499.9	333.9	154.0
Cost to income ratio (CIR)	61.1%	58.9%	62.3%	59.4%	59.1%	62.7%

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

IFRS 9 classification into stages for loan portfolio:

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

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

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

Loan portfolio includes loans to banks, loans to other customers, loans mandatorily measured at FVTPL and balances with central banks and other banks. The majority of loan portfolio is classified into IFRS 9 stages. The remaining minor part (0.002 per cent at the end of December 2021 and 0.002 per cent at the end of H1 2022) represents FVTPL. The classification into stages is calculated on the internal data source, by which the Group measures the loan portfolio quality, and is also published in Business Report of Annual and Interim Reports.

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	30 Jun 2022	30 Jun 2022
Numerator		
Total (AC) loans in Stage 1	15,941.7	14,624.9
Denominator		
Total gross loans	16,888.6	15,540.2
IFRS 9 classification into Stage 1	94.4%	94.1%

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	30 Jun 2022	30 Jun 2022
Numerator		
Total (AC) loans in Stage 1 to Corporates	5,770.0	5,088.3
Denominator		
Total gross loans to Corporates	6,440.4	5,739.4
Corporates - IFRS 9 classification into Stage 1	89.6%	88.7%

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	30 Jun 2022	30 Jun 2022
Numerator		
Total (AC) loans in Stage 1 to Retail	6,167.8	5,788.1
Denominator		
Total gross loans to Retail	6,444.1	6,052.2
Retail - IFRS 9 classification into Stage 1	95.7%	95.6%

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	30 Jun 2022	30 Jun 2022
Numerator		
Total (AC) loans in Stage 2	572.3	562.2
Denominator		
Total gross loans	16,888.6	15,540.2
IFRS 9 classification into Stage 2	3.4%	3.6%

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	30 Jun 2022	30 Jun 2022
Numerator		
Total (AC) loans in Stage 2 to Corporates	429.4	422.8
Denominator		
Total gross loans to Corporates	6,440.4	5,739.4
Corporates - IFRS 9 classification into Stage 2	6.7%	7.4%

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	30 Jun 2022	30 Jun 2022
Numerator		
Total (AC) loans in Stage 2 to Retail	142.9	139.4
Denominator		
Total gross loans to Retail	6,444.1	6,052.2
Retail - IFRS 9 classification into Stage 2	2.2%	2.3%

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	30 Jun 2022	30 Jun 2022
Numerator		
Total (AC + FVTPL) loans in Stage 3	374.5	353.1
Denominator		
Total gross loans	16,888.6	15,540.2
IFRS 9 classification into Stage 3	2.2%	2.3%

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	30 Jun 2022	30 Jun 2022
Numerator		
Total (AC & FVTPL) loans in Stage 3 to Corporates	241.0	228.3
Denominator		
Total gross loans to Corporates	6,440.4	5,739.4
Corporates - IFRS 9 classification into Stage 3	3.7%	4.0%

in EUR million		
	NLB Group	NLB Group (w/o N Banka)
	30 Jun 2022	30 Jun 2022
Numerator		
Total (AC) loans in Stage 3 to Retail	133.4	124.7
Denominator		
Total gross loans to Retail	6,444.1	6,052.2
Retail - IFRS 9 classification into Stage 3	2.1%	2.1%

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

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

in EUR million													
NLB Group													
	30 Jun 2022	31 May 2022	30 Apr 2022	31 Mar 2022	28 Feb 2022	31 Jan 2022	31 Dec 2021	30 Nov 2021	31 Oct 2021	30 Sep 2021	31 Aug 2021	31 Jul 2021	30 Jun 2021
Numerator													
Stock of HQLA	5,325.3	5,712.1	5,636.4	5,690.4	5,524.2	5,545.5	5,367.1	5,333.4	5,222.9	5,285.7	5,346.8	5,350.7	5,452.8
Denominator													
Net liquidity outflow	2,499.6	2,524.2	2,548.1	2,439.6	2,163.5	2,134.5	2,125.0	2,064.7	1,993.4	1,940.5	1,899.7	1,966.5	2,000.2
LCR	213.1%	226.3%	221.2%	233.3%	255.3%	259.8%	252.6%	258.3%	262.0%	272.4%	281.4%	272.1%	272.6%

Based on the EC's Delegated Act on LCR.

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

in EUR million			
NLB Group			
	30 Jun 2022	31 Dec 2021	30 Jun 2021
Numerator			
Net loans to customers	12,620.2	10,587.1	10,071.4
Denominator			
Deposits from customers	19,151.1	17,640.8	17,143.0
Net loan to deposit ratio (LTD)	65.9%	60.0%	58.7%

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

in EUR million						
NLB Group						
(in EUR million and %)	1-6 2022	1-3 2022	1-12 2021	1-9 2021	1-6 2021	1-3 2021
Numerator						
Net interest income ⁽ⁱ⁾	456.5	437.2	409.4	404.2	400.6	395.4
Denominator						
Average interest bearing assets ⁽ⁱⁱ⁾	21,497.5	21,087.6	19,775.0	19,536.7	19,195.9	18,902.8
Net interest margin on interest bearing assets	2.12%	2.07%	2.07%	2.07%	2.09%	2.09%

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

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

(iii) Komercijalna Banka group included from 2021 on.

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

in EUR million					
NLB Group					
	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Numerator					
Net interest income ⁽ⁱ⁾	475.6	437.2	424.6	411.3	405.7
Denominator					
Average interest bearing assets ⁽ⁱⁱ⁾	22,045.9	21,087.6	20,526.7	20,314.4	19,459.1
Net interest margin on interest bearing assets (quarterly)	2.16%	2.07%	2.07%	2.02%	2.08%

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

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

(iii) Komercijalna Banka group included from 2021 on.

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

in EUR million		
NLB Group		
	1-6 2022	1-6 2021
Numerator		
Net interest income ⁽ⁱ⁾	456.5	400.6
Denominator		
Average total assets ⁽ⁱⁱ⁾	22,458.6	20,066.4
Net interest margin on total assets	2.03%	2.00%

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

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

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

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

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

Below presented calculations are based on internal data sources.

in EUR million						
NLB Group						
	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021
Numerator						
Total Non-Performing on-balance and off-balance Exposure in Finrep18	418.5	415.8	415.5	449.8	478.0	520.0
Denominator						
Total on-balance and off-balance exposures in Finrep18	26,182.7	26,339.2	24,328.0	24,006.0	23,883.1	22,387.9
NPE (EBA def.) per cent.	1.6%	1.6%	1.7%	1.9%	2.0%	2.3%

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

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

in EUR million								
NLB Group								
	30 Jun 2022	31 Dec 2021	30 Jun 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016
Numerator								
Total Non-Performing Loans	370.1	367.4	427.9	474.7	374.7	622.3	844.5	1,299.2
Denominator								
Total gross loans	16,888.6	15,541.8	14,861.9	13,686.6	9,793.5	9,017.2	9,130.4	9,443.7
NPL per cent.	2.2%	2.4%	2.9%	3.5%	3.8%	6.9%	9.2%	13.8%

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

in EUR million								
NLB Group								
	30 Jun 2022	31 Dec 2021	30 Jun 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016
Numerator								
Loan loss allowances entire loan portfolio	324.9	316.5	350.7	388.4	334.2	479.6	654.8	988.7
Denominator								
Total Non-Performing Loans	370.1	367.4	427.9	474.7	374.7	622.3	844.5	1,299.2
NPL coverage ratio 1 (NPL CR 1)	87.8%	86.1%	81.9%	81.8%	89.2%	77.1%	77.5%	76.1%

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

in EUR million			
NLB Group			
	30 Jun 2022	31 Dec 2021	30 Jun 2021
Numerator			
Loan loss allowances non-performing loan portfolio	212.7	212.9	256.5
Denominator			
Total Non-Performing Loans	370.1	367.4	427.9
NPL coverage ratio 2 (NPL CR 2)	57.5%	57.9%	59.9%

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

in EUR million			
NLB Group			
	30 Jun 2022	31 Dec 2021	30 Jun 2021
Numerator			
Net volume of non-performing loans	157.3	154.5	171.5
Denominator			
Total Net Loans	16,563.7	15,225.4	14,511.3
Net NPL ratio per cent. (%Net NPL)	0.9%	1.0%	1.2%

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

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

in EUR million			
NLB Group			
	30 Jun 2022	31 Dec 2021	30 Jun 2021
Numerator			
Gross volume of Non-Performing Loans and advances w ithout loans held for sale, cash balances at CBs and other demand deposits	380.7	375.1	435.2
Denominator			
Gross volume of Loans and advances in Finrep18 w ithout loans held for sale, cash balances at CBs and other demand deposits	13,258.7	11,128.8	10,805.7
NPL ratio (EBA def.) per cent.	2.9%	3.4%	4.0%

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

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

in EUR thousand															
NLB Group															
	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018
Numerator															
Interest risk in banking book – EVE	-129,345.0	-141,035.8	-126,650.6	-135,133.4	-134,172.8	-140,567.2	-128,370.1	-98,185.0	-59,547.0	-68,129.0	-88,355.0	-102,318.6	-77,840.8	-105,255.6	-102,397.2
Denominator															
Equity (Tier I)	2,048,380.0	1,906,112.0	1,972,485.0	1,903,800.0	1,879,365.0	1,734,545.0	1,765,000.0	1,622,945.0	1,616,921.0	1,426,936.0	1,451,176.0	1,424,020.0	1,425,298.0	1,460,078.0	1,458,318.0
EVE as % of Equity	-6.3%	-7.4%	-6.4%	-7.1%	-7.1%	-8.1%	-7.3%	-6.1%	-3.7%	-4.8%	-6.1%	-7.2%	-5.5%	-7.2%	-7.0%

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

in EUR million						
NLB Group						
	1-6 2022	1-3 2022	1-12 2021	1-9 2021	1-6 2021	1-3 2021
Numerator						
Operational business net income ⁽ⁱ⁾	763.1	730.7	678.1	664.6	659.3	642.1
Denominator						
Average total assets ⁽ⁱⁱ⁾	22,458.6	22,006.7	20,659.0	20,420.6	20,066.4	19,749.0
OBM (cumulative)	3.40%	3.32%	3.28%	3.25%	3.29%	3.25%

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

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

(iii) Komercijalna Banka group included from 2021 on.

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

in EUR million					
NLB Group					
	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Numerator					
Operational business net income ⁽ⁱ⁾	795.1	730.7	718.0	675.1	676.3
Denominator					
Average total assets ⁽ⁱⁱ⁾	23,050.6	22,006.7	21,414.5	21,232.1	20,357.0
OBM (quarterly)	3.45%	3.32%	3.35%	3.18%	3.32%

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

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

(iii) Komercijalna Banka group included from 2021 on.

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

in EUR million						
NLB Group						
	1-6 2022	1-3 2022	1-12 2021	1-9 2021	1-6 2021	1-3 2021
Numerator						
Result after tax ⁽ⁱ⁾	235.6	256.5	236.4	274.0	279.6	258.4
Denominator						
Average equity ⁽ⁱⁱ⁾	2,172.4	2,129.9	2,069.9	2,054.2	2,020.6	1,983.1
ROE a.t.	10.8%	12.0%	11.4%	13.3%	13.8%	13.0%

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

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

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

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

in EUR million		
NLB Group		
	1-6 2022	1-6 2021
Numerator		
Result after tax ⁽ⁱ⁾	235.6	279.6
Denominator		
Average total assets ⁽ⁱⁱ⁾	22,458.6	20,066.4
ROA a.t.	1.0%	1.4%

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

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

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

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

in EUR million							
NLB Group							
(in EUR million and %)	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020
Numerator							
Total capital (Own funds)	2,336.2	2,194.0	2,252.5	2,200.6	2,172.4	2,025.4	2,065.5
Denominator							
Total risk exposure Amount (Total RWA)	14,172.5	13,843.4	12,667.4	12,824.4	12,755.6	12,615.1	12,421.0
Total capital ratio	16.5%	15.8%	17.8%	17.2%	17.0%	16.1%	16.6%

in EUR million	
NLB	
	30 Jun 2022
Numerator	
Total capital (Own funds)	1,640.9
Denominator	
Total risk exposure Amount (Total RWA)	7,328.0
Total capital ratio	22.4%

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

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

Business report	in EUR million	Financial report	in EUR thousands	Notes
Net interest income	226.4	Interest and similar income	256,850	4.1.
		Interest and similar expenses	(30,481)	4.1.
Net fee and commission income	133.7	Fee and commission income	184,568	4.3.
		Fee and commission expenses	(50,902)	4.3.
Dividend income	0.1	Dividend income	101	4.2.
		Gains less losses from financial assets and liabilities not measured at fair value through profit or loss	(1,680)	4.4.
		Gains less losses from financial assets and liabilities held for trading	19,408	4.5.
Net income from financial transactions	13.7	Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	(823)	4.6.
		Gains less losses from financial liabilities measured at fair value through profit or loss	72	
		Fair value adjustments in hedge accounting	1,266	
		Foreign exchange translation gains less losses	(4,571)	
		Gains less losses from modification of financial assets	(16)	
		Gains less losses on derecognition of non-financial assets	1,107	
Net other income	(15.7)	Other net operating income	6,344	4.7.
		Cash contributions to resolution funds and deposit guarantee schemes	(23,156)	4.9.
		Gains less losses from non-current assets held for sale	(10)	4.14.
Net non-interest income	131.7		131,708	
Total net operating income	358.1		358,077	
Employee costs	(122.7)	Administrative expenses	(195,415)	4.8.
Other general and administrative expenses	(72.7)			
Depreciation and amortisation	(23.3)	Depreciation and amortisation	(23,313)	4.10.
Total costs	(218.7)		(218,728)	
Result before impairments and provisions	139.3		139,349	
Impairments and provisions for credit risk	(2.4)	Provisions for credit losses	1,767	4.11.
		Impairment of financial assets	(4,154)	4.12.
Other impairments and provisions	(5.3)	Provisions for other liabilities and charges	(5,303)	4.11.
		Impairment of non-financial assets	15	4.12.
Impairments and provisions	(7.7)		(7,675)	
Gains less losses from capital investment in subsidiaries, associates, and joint ventures	1.6	Share of profit from investments in associates and joint ventures (accounted for using the equity method)	1,570	
Negative goodwill	172.8	Negative goodwill	172,810	4.13.
Result before tax	306.1	Profit before income tax	306,054	
Income tax	(10.6)	Income tax	(10,633)	4.15.
Result of non-controlling interests	8.4	Attributable to non-controlling interests	8,407	
Result after tax	287.0	Attributable to owners of the parent	287,014	

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

Business report	in EUR million	Financial report	in EUR thousands	Notes
ASSETS				
Cash, cash balances at central banks, and other demand deposits at banks	4,321.1	Cash, cash balances at central banks and other demand deposits at banks	4,321,116	5.1.
Loans to banks	176.8	Financial assets measured at amortised cost - loans and advances to banks	176,826	5.5.b)
Net loans to customers	12,620.2	Financial assets measured at amortised cost - loans and advances to customers	12,620,218	5.5.c)
		Non-trading financial assets mandatorily at fair value through profit or loss - part (only loans)	-	5.3.
Financial assets	4,919.5		4,919,480	
- Trading book	14.9	Financial assets held for trading	14,899	5.2.a)
		Non-trading financial assets mandatorily at fair value through profit or loss - part (without loans)	17,943	5.3.
- Non-trading book	4,904.6	Financial assets measured at fair value through other comprehensive income	3,020,043	5.4.
		Financial assets measured at amortised cost - debt securities	1,866,595	5.5.a)
Investments in subsidiaries, associates, and joint ventures	13.1	Investments in associates and joint ventures	13,105	
Property and equipment, investment property	297.9	Property and equipment	252,606	5.7.
		Investment property	45,321	5.8.
Intangible assets	55.3	Intangible assets	55,328	
Other assets	326.3	Financial assets measured at amortised cost - other financial assets	138,304	5.5.d)
		Derivatives - hedge accounting	32,725	
		Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	
		Current income tax assets	1,677	
		Deferred income tax assets	51,683	5.13.
		Other assets	94,510	5.9.
		Non-current assets held for sale	7,441	5.6.
TOTAL ASSETS	22,730.3	Total assets	22,730,340	
LIABILITIES				
Deposits from customers	19,151.1	Financial liabilities measured at amortised cost - due to customers	19,151,110	5.11.
Deposits from banks and central banks	138.0	Financial liabilities measured at amortised cost - deposits from banks and central banks	138,006	5.11.
Borrowings	326.8	Financial liabilities measured at amortised cost - borrowings from banks and central banks	250,662	5.11.
		Financial liabilities measured at amortised cost - borrowings from other customers	76,141	5.11.
Other liabilities	507.6	Financial liabilities held for trading	11,979	5.2.b)
		Financial liabilities measured at fair value through profit or loss	1,535	5.3.
		Financial liabilities measured at amortised cost - other financial liabilities	283,602	5.11.c)
		Derivatives - hedge accounting	5,341	
		Provisions	128,999	5.12.
		Current income tax liabilities	5,439	
		Deferred income tax liabilities	2,687	5.13.
		Other liabilities	54,347	5.15.
		Fair value changes of the hedged items in portfolio hedge of interest rate risk	13,666	
Subordinated liabilities	287.8	Financial liabilities measured at amortised cost - subordinated liabilities	287,765	5.11.a)
Equity	2,195.6	Equity and reserves attributable to owners of the parent	2,195,555	
Non-controlling interests	123.5	Non-controlling interests	123,506	
TOTAL LIABILITIES AND EQUITY	22,730.3	Total liabilities and equity	22,730,340	



Unaudited Condensed Interim Financial Statements of NLB Group and NLB

as at 30 June 2022

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

Contents

Condensed income statement for the period ended 30 June	69
Condensed income statement for the three months ended 30 June	70
Condensed statement of comprehensive income for the period ended 30 June	71
Condensed statement of comprehensive income for three months ended 30 June	71
Condensed statement of financial position as at 30 June and as at 31 December	72
Condensed statement of changes in equity for the period ended 30 June	73
Condensed statement of cash flows for the period ended 30 June	75
Statement of management's responsibility	76
Notes to the condensed interim financial statements	77
1. General information	77
2. Summary of significant accounting policies	77
2.1. Statement of compliance	77
2.2. Share-based payment transactions	77
2.3. Accounting policies	77
3. Changes in the composition of the NLB Group	78
4. Notes to the condensed income statement	80
4.1. Interest income and expenses	80
4.2. Dividend income	80
4.3. Fee and commission income and expenses	80
4.4. Gains less losses from financial assets and liabilities not measured at fair value through profit or loss	81
4.5. Gains less losses from financial assets and liabilities held for trading	81
4.6. Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	81
4.7. Other net operating income	81
4.8. Administrative expenses	81
4.9. Cash contributions to resolution funds and deposit guarantee schemes	82
4.10. Depreciation and amortisation	82
4.11. Provisions	82
4.12. Impairment charge	82
4.13. Acquisition of N Banka d.d., Ljubljana	83
4.14. Gains less losses from non-current assets held for sale	85
4.15. Income tax	85
5. Notes to the condensed statement of financial position	86
5.1. Cash, cash balances at central banks and other demand deposits at banks	86
5.2. Financial instruments held for trading	86
5.3. Non-trading financial instruments mandatorily at fair value through profit or loss	86
5.4. Financial assets measured at fair value through other comprehensive income	86
5.5. Financial assets measured at amortised cost	87
5.6. Non-current assets held for sale	88
5.7. Property and equipment	88
5.8. Investment property	88
5.9. Other assets	88
5.10. Movements in allowance for the impairment of financial assets	89
5.11. Financial liabilities measured at amortised cost	91
5.12. Provisions	92
5.13. Deferred income tax	94
5.14. Income tax relating to components of other comprehensive income	95
5.15. Other liabilities	95
5.16. Book value per share	95
5.17. Capital adequacy ratio	96
5.18. Off-balance sheet liabilities	96
5.19. Fair value hierarchy of financial and non-financial assets and liabilities	97
6. Analysis by segment for NLB Group	104
7. Related-party transactions	106
8. Subsidiaries	109
9. Events after the end of the reporting period	110

Condensed income statement for the period ended 30 June

in EUR thousands					
	Notes	NLB Group		NLB	
		six months ended		six months ended	
		June 2022	June 2021	June 2022	June 2021
		unaudited	unaudited	unaudited	unaudited
Interest income calculated using the effective interest method		250,501	229,516	91,776	83,420
Other interest and similar income		6,349	3,578	5,614	3,193
Interest and similar income	4.1.	256,850	233,094	97,390	86,613
Interest expenses calculated using the effective interest method		(15,498)	(21,618)	(7,239)	(7,637)
Other interest and similar expenses		(14,983)	(12,833)	(12,560)	(11,428)
Interest and similar expenses	4.1.	(30,481)	(34,451)	(19,799)	(19,065)
Net interest income		226,369	198,643	77,591	67,548
Dividend income	4.2.	101	55	33,644	4,510
Fee and commission income	4.3.	184,568	155,367	83,037	74,333
Fee and commission expenses	4.3.	(50,902)	(41,314)	(18,941)	(15,929)
Net fee and commission income		133,666	114,053	64,096	58,404
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss	4.4.	(1,680)	(2)	(1,050)	23
Gains less losses from financial assets and liabilities held for trading	4.5.	19,408	9,672	8,495	2,578
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	4.6.	(823)	16,708	(1,884)	13,893
Gains less losses from financial liabilities measured at fair value through profit or loss		72	-	67	-
Fair value adjustments in hedge accounting		1,266	75	1,266	75
Foreign exchange translation gains less losses		(4,571)	(365)	(3,896)	(211)
Gains less losses on derecognition of non-financial assets		1,107	1,018	73	8
Other net operating income	4.7.	6,344	16,080	460	12,287
Administrative expenses	4.8.	(195,415)	(174,101)	(89,308)	(78,705)
Cash contributions to resolution funds and deposit guarantee schemes	4.9.	(23,156)	(22,197)	(9,713)	(9,535)
Depreciation and amortisation	4.10.	(23,313)	(23,193)	(8,565)	(8,799)
Gains less losses from modification of financial assets		(16)	(56)	-	-
Provisions for credit losses	4.11.	1,767	5,594	1,528	4,968
Provisions for other liabilities and charges	4.11.	(5,303)	(10,872)	(100)	1,717
Impairment of financial assets	4.12.	(4,154)	25,122	(5,358)	9,948
Impairment of non-financial assets	4.12.	15	(884)	-	-
Negative goodwill	4.13.	172,810	-	-	-
Share of profit from investments in associates and joint ventures (accounted for using the equity method)		1,570	421	-	-
Gains less losses from non-current assets held for sale	4.14.	(10)	224	(37)	203
Profit before income tax		306,054	155,995	67,309	78,912
Income tax	4.15.	(10,633)	(9,561)	(430)	(1,780)
Profit for the period		295,421	146,434	66,879	77,132
Attributable to owners of the parent		287,014	139,805	66,879	77,132
Attributable to non-controlling interests		8,407	6,629	-	-
Earnings per share/diluted earnings per share (in EUR per share)		14.35	6.99	3.34	3.86

Condensed income statement for the three months ended 30 June

	NLB Group		NLB		
	three months ended		three months ended		
	June 2022	June 2021	June 2022	June 2021	
	Notes	unaudited	unaudited	unaudited	
Interest income calculated using the effective interest method		130,523	116,601	46,921	42,081
Other interest and similar income		3,306	1,891	2,765	1,492
Interest and similar income	4.1.	133,829	118,492	49,686	43,573
Interest expenses calculated using the effective interest method		(7,825)	(10,858)	(3,800)	(4,089)
Other interest and similar expenses		(7,433)	(6,498)	(6,186)	(5,651)
Interest and similar expenses	4.1.	(15,258)	(17,356)	(9,986)	(9,740)
Net interest income		118,571	101,136	39,700	33,833
Dividend income	4.2.	60	44	24,173	16
Fee and commission income	4.3.	95,936	81,528	42,588	38,986
Fee and commission expenses	4.3.	(26,801)	(21,587)	(10,269)	(8,197)
Net fee and commission income		69,135	59,941	32,319	30,789
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss	4.4.	66	47	-	4
Gains less losses from financial assets and liabilities held for trading	4.5.	11,699	4,990	5,183	1,541
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	4.6.	(601)	15,569	(2,039)	13,092
Gains less losses from financial liabilities measured at fair value through profit or loss		72	-	67	-
Fair value adjustments in hedge accounting		1,247	204	1,247	204
Foreign exchange translation gains less losses		(3,983)	(10)	(2,536)	(130)
Gains less losses on derecognition of non-financial assets		387	1,195	21	13
Other net operating income	4.7.	3,370	12,459	2,217	10,110
Administrative expenses	4.8.	(104,224)	(89,156)	(47,356)	(39,861)
Cash contributions to resolution funds and deposit guarantee schemes	4.9.	(16,408)	(15,916)	(9,713)	(9,535)
Depreciation and amortisation	4.10.	(11,799)	(11,574)	(4,251)	(4,411)
Gains less losses from modification of financial assets		(10)	(20)	-	-
Provisions for credit losses	4.11.	1,007	2,288	1,004	1,703
Provisions for other liabilities and charges	4.11.	(4,940)	(10,834)	(100)	(92)
Impairment of financial assets	4.12.	633	12,474	(5,611)	1,558
Impairment of non-financial assets	4.12.	8	(467)	-	-
Share of profit from investments in associates and joint ventures (accounted for using the equity method)		960	290	-	-
Gains less losses from non-current assets held for sale	4.14.	(23)	224	(47)	203
Profit before income tax		65,227	82,884	34,278	39,037
Income tax	4.15.	(5,431)	(4,826)	(59)	(1,171)
Profit for the period		59,796	78,058	34,219	37,866
Attributable to owners of the parent		55,491	75,196	34,219	37,866
Attributable to non-controlling interests		4,305	2,862	-	-

Condensed statement of comprehensive income for the period ended 30 June

	in EUR thousands				
	NLB Group		NLB		
	six months ended		six months ended		
	June 2022	June 2021	June 2022	June 2021	
	Notes	unaudited	unaudited	unaudited	unaudited
Net profit for the period after tax		295,421	146,434	66,879	77,132
Other comprehensive income after tax		(122,573)	2,244	(72,699)	(5,779)
<i>Items that will not be reclassified to income statement</i>					
Actuarial gains/(losses) on defined benefit pension plans		-	(58)	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income		(2,669)	1,610	(1,494)	(177)
Income tax relating to components of other comprehensive income	5.14.	488	(220)	284	44
<i>Items that have been or may be reclassified subsequently to income statement</i>					
Foreign currency translation		(1,259)	(32)	-	-
Translation gains/(losses) taken to equity		(1,259)	(32)	-	-
Debt instruments measured at fair value through other comprehensive income		(126,819)	1,072	(72,077)	(6,612)
Valuation gains/(losses) taken to equity		(133,501)	(2,549)	(78,380)	(6,565)
Transferred to income statement		6,682	3,621	6,303	(47)
Income tax relating to components of other comprehensive income	5.14.	7,686	(128)	588	966
Total comprehensive income for the period after tax		172,848	148,678	(5,820)	71,353
Attributable to owners of the parent		170,241	141,058	(5,820)	71,353
Attributable to non-controlling interests		2,607	7,620	-	-

Condensed statement of comprehensive income for three months ended 30 June

	in EUR thousands				
	NLB Group		NLB		
	three months ended		three months ended		
	June 2022	June 2021	June 2022	June 2021	
		unaudited	unaudited	unaudited	unaudited
Net profit for the period after tax		59,796	78,058	34,219	37,866
Other comprehensive income/(loss) after tax		(65,849)	5,100	(32,684)	(1,041)
<i>Items that will not be reclassified to income statement</i>					
Actuarial gains/(losses) on defined benefit pension plans		-	(58)	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income		(2,580)	988	(733)	(34)
Income tax relating to components of other comprehensive income		433	(152)	139	7
<i>Items that have been or may be reclassified subsequently to income statement</i>					
Foreign currency translation		(2,243)	478	-	-
Translation gains/(losses) taken to equity		(2,243)	478	-	-
Debt instruments measured at fair value through other comprehensive income		(65,092)	4,213	(31,400)	(1,298)
Valuation gains/(losses) taken to equity		(69,260)	901	(36,400)	(1,099)
Transferred to income statement		4,168	3,312	5,000	(199)
Income tax relating to components of other comprehensive income		3,633	(369)	(690)	284
Total comprehensive income for the period after tax		(6,053)	83,158	1,535	36,825
Attributable to owners of the parent		(6,000)	79,770	1,535	36,825
Attributable to non-controlling interests		(53)	3,388	-	-

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

in EUR thousands					
NLB Group					
NLB					
	Notes	30 Jun 2022 unaudited	31 Dec 2021 audited	30 Jun 2022 unaudited	31 Dec 2021 audited
Cash, cash balances at central banks and other demand deposits at banks	5.1.	4,321,116	5,005,052	2,368,628	3,250,437
Financial assets held for trading	5.2.a)	14,899	7,678	10,676	7,682
Non-trading financial assets mandatorily at fair value through profit or loss	5.3.	17,943	21,161	14,368	12,360
Financial assets measured at fair value through other comprehensive income	5.4.	3,020,043	3,461,860	1,504,950	1,585,751
Financial assets measured at amortised cost					
- debt securities	5.5.a)	1,866,595	1,717,626	1,599,093	1,436,424
- loans and advances to banks	5.5.b)	176,826	140,683	300,943	199,287
- loans and advances to customers	5.5.c)	12,620,218	10,587,121	5,647,493	5,145,153
- other financial assets	5.5.d)	138,304	122,229	101,515	92,404
Derivatives - hedge accounting		32,725	568	32,725	568
Fair value changes of the hedged items in portfolio hedge of interest rate risk		-	7,082	-	7,082
Investments in subsidiaries		-	-	804,760	781,540
Investments in associates and joint ventures		13,105	11,525	4,483	4,483
Tangible assets					
Property and equipment	5.7.	252,606	247,014	79,471	86,122
Investment property	5.8.	45,321	47,624	8,954	9,181
Intangible assets		55,328	59,076	27,971	29,453
Current income tax assets		1,677	3,948	-	3,761
Deferred income tax assets	5.13.	51,683	38,977	33,994	31,902
Other assets	5.9.	94,510	91,221	13,075	11,853
Non-current assets held for sale	5.6.	7,441	7,051	4,587	4,089
Total assets		22,730,340	21,577,496	12,557,686	12,699,532
Financial liabilities held for trading	5.2.b)	11,979	7,585	7,963	7,602
Financial liabilities measured at fair value through profit or loss	5.3.	1,535	-	3,058	352
Financial liabilities measured at amortised cost					
- deposits from banks and central banks	5.11.	138,006	71,828	169,533	109,329
- borrowings from banks and central banks	5.11.	250,662	858,531	44,142	873,479
- due to customers	5.11.	19,151,110	17,640,809	10,296,584	9,659,605
- borrowings from other customers	5.11.	76,141	74,051	437	406
- subordinated liabilities	5.11.a)	287,765	288,519	287,765	288,519
- other financial liabilities	5.11.c)	283,602	206,878	161,236	102,527
Derivatives - hedge accounting		5,341	35,377	5,341	35,377
Fair value changes of the hedged items in portfolio hedge of interest rate risk		13,666	-	13,666	-
Provisions	5.12.	128,999	119,404	45,915	49,363
Current income tax liabilities		5,439	5,878	1,017	-
Deferred income tax liabilities	5.13.	2,687	3,045	-	-
Other liabilities	5.15.	54,347	49,468	24,915	21,039
Total liabilities		20,411,279	19,361,373	11,061,572	11,147,598
Equity and reserves attributable to owners of the parent					
Share capital		200,000	200,000	200,000	200,000
Share premium		871,378	871,378	871,378	871,378
Accumulated other comprehensive income		(127,645)	(10,552)	(63,931)	8,768
Profit reserves		13,522	13,522	13,522	13,522
Retained earnings		1,238,300	1,004,385	475,145	458,266
		2,195,555	2,078,733	1,496,114	1,551,934
Non-controlling interests		123,506	137,390	-	-
Total equity		2,319,061	2,216,123	1,496,114	1,551,934
Total liabilities and equity		22,730,340	21,577,496	12,557,686	12,699,532

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

in EUR thousands										
NLB Group	Share capital	Share premium	Accumulated other comprehensive income			Profit reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
			reserve of financial assets measured at FVOCI	Foreign currency translation reserve	Other					
Balance as at 1 Jan 2022	200,000	871,378	11,366	(17,184)	(4,734)	13,522	1,004,385	2,078,733	137,390	2,216,123
- Net profit for the period	-	-	-	-	-	-	287,014	287,014	8,407	295,421
- Other comprehensive income	-	-	(117,098)	325	-	-	-	(116,773)	(5,800)	(122,573)
Total comprehensive income after tax	-	-	(117,098)	325	-	-	287,014	170,241	2,607	172,848
Dividends paid/declared	-	-	-	-	-	-	(50,000)	(50,000)	(1,352)	(51,352)
Transactions with non-controlling interests	-	-	(275)	-	(45)	-	(3,099)	(3,419)	(15,139)	(18,558)
Balance as at 30 Jun 2022	200,000	871,378	(106,007)	(16,859)	(4,779)	13,522	1,238,300	2,195,555	123,506	2,319,061

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
			reserve of financial assets measured at FVOCI	Foreign currency translation reserve	Other					
Balance as at 1 Jan 2021	200,000	871,378	42,496	(17,724)	(3,645)	13,522	846,762	1,952,789	170,251	2,123,040
- Net profit for the period	-	-	-	-	-	-	139,805	139,805	6,629	146,434
- Other comprehensive income	-	-	1,332	(21)	(58)	-	-	1,253	991	2,244
Total comprehensive income after tax	-	-	1,332	(21)	(58)	-	139,805	141,058	7,620	148,678
Dividends paid	-	-	-	-	-	-	(12,000)	(12,000)	-	(12,000)
Transfer of fair value reserve	-	-	(3,871)	-	-	-	3,871	-	-	-
Transactions with non-controlling interests	-	-	132	-	-	-	9,465	9,597	(34,034)	(24,437)
Balance as at 30 Jun 2021	200,000	871,378	40,089	(17,745)	(3,703)	13,522	987,903	2,091,444	143,837	2,235,281

in EUR thousands

NLB	Share capital	Share premium	Accumulated other comprehensive income		Profit reserves	Retained earnings	Total equity
			Fair value reserve of financial assets measured at FVOCI	Other			
Balance as at 1 Jan 2022	200,000	871,378	12,464	(3,696)	13,522	458,266	1,551,934
- Net profit for the period	-	-	-	-	-	66,879	66,879
- Other comprehensive income	-	-	(72,699)	-	-	-	(72,699)
Total comprehensive income after tax	-	-	(72,699)	-	-	66,879	(5,820)
Dividends paid	-	-	-	-	-	(50,000)	(50,000)
Balance as at 30 Jun 2022	200,000	871,378	(60,235)	(3,696)	13,522	475,145	1,496,114

in EUR thousands

NLB	Share capital	Share premium	Accumulated other comprehensive income		Profit reserves	Retained earnings	Total equity
			Fair value reserve of financial assets measured at FVOCI	Other			
Balance as at 1 Jan 2021	200,000	871,378	27,694	(3,592)	13,522	341,992	1,450,994
- Net profit for the period	-	-	-	-	-	77,132	77,132
- Other comprehensive income	-	-	(5,779)	-	-	-	(5,779)
Total comprehensive income after tax	-	-	(5,779)	-	-	77,132	71,353
Dividends paid	-	-	-	-	-	(12,000)	(12,000)
Transfer of fair value reserve	-	-	(53)	-	-	53	-
Balance as at 30 Jun 2021	200,000	871,378	21,862	(3,592)	13,522	407,177	1,510,347

Condensed statement of cash flows for the period ended 30 June

	in EUR thousands				
	Notes	NLB Group		NLB	
		six months ended		six months ended	
		June 2022	June 2021	June 2022	June 2021
	unaudited	unaudited	unaudited	unaudited	
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		308,450	286,406	119,944	110,811
Interest paid		(27,596)	(34,564)	(17,339)	(20,774)
Dividends received		82	43	40,251	4,507
Fee and commission receipts		185,254	156,515	82,461	73,357
Fee and commission payments		(51,039)	(41,734)	(19,158)	(15,473)
Realised gains from financial assets and financial liabilities not at fair value through profit or loss		78	98	1	23
Net gains/(losses) from financial assets and liabilities held for trading		16,214	9,010	5,862	2,030
Payments to employees and suppliers		(208,516)	(186,822)	(96,673)	(91,341)
Other receipts		9,880	17,423	5,555	13,710
Other payments		(26,228)	(26,520)	(11,245)	(10,686)
Income tax (paid)/received		(9,807)	(2,789)	3,635	347
Cash flows from operating activities before changes in operating assets and liabilities		196,772	177,066	113,294	66,511
(Increases)/decreases in operating assets		(646,495)	(375,748)	(503,890)	(199,988)
Net (increase)/decrease in trading assets		(165)	67,939	(165)	1,385
Net (increase)/decrease in non-trading financial assets mandatorily at fair value through profit or loss		3,531	39,315	(1,949)	35,843
Net (increase)/decrease in financial assets measured at fair value through other comprehensive income		291,601	(85,608)	(34,315)	(18,868)
Net (increase)/decrease in loans and receivables measured at amortised cost		(945,091)	(400,417)	(467,580)	(217,234)
Net (increase)/decrease in other assets		3,629	3,023	119	(1,114)
Increases/(decreases) in operating liabilities		(313,233)	1,512,469	(113,628)	1,282,423
Net increase/(decrease) in deposits and borrowings measured at amortised cost		(308,260)	1,512,091	(113,646)	1,281,872
Net increase/(decrease) in other liabilities		(4,973)	378	18	551
Net cash flows from operating activities		(762,956)	1,313,787	(504,224)	1,148,946
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts from investing activities		109,961	266,147	56,177	200,668
Proceeds from sale of property, equipment, and investment property		3,563	3,320	273	2
Proceeds from non-current assets held for sale		85	760	85	594
Proceeds from disposals of debt securities measured at amortised cost		106,313	262,067	55,819	200,072
Payments from investing activities		(11,211)	(713,209)	(264,498)	(638,351)
Purchase of property, equipment, and investment property		(10,589)	(9,752)	(2,120)	(5,953)
Purchase of intangible assets		(6,950)	(4,752)	(3,775)	(3,386)
Purchase of subsidiaries, net of cash acquired	3., 4.13.	259,953	(24,437)	(23,220)	(24,737)
Purchase of debt securities measured at amortised cost		(253,625)	(674,268)	(235,383)	(604,275)
Net cash flows from investing activities		98,750	(447,062)	(208,321)	(437,683)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from financing activities		436	-	-	-
Other proceeds related to financing activities		436	-	-	-
Payments from financing activities		(70,343)	(12,000)	(50,000)	(12,000)
Dividends paid		(51,324)	(12,000)	(50,000)	(12,000)
Purchase of subsidiary's treasury shares	3.	(19,019)	-	-	-
Net cash flows from financing activities		(69,907)	(12,000)	(50,000)	(12,000)
Effects of exchange rate changes on cash and cash equivalents		2,678	3,641	(1,082)	1,411
Net increase/(decrease) in cash and cash equivalents		(734,113)	854,725	(762,545)	699,263
Cash and cash equivalents at beginning of period		5,176,311	4,136,412	3,254,784	2,261,791
Cash and cash equivalents at end of period		4,444,876	4,994,778	2,491,157	2,962,465

	in EUR thousands				
	Notes	NLB Group		NLB	
		30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
		unaudited	audited	unaudited	audited
Cash and cash equivalents comprise:					
Cash, cash balances at central banks, and other demand deposits at banks	5.1.	4,321,969	5,005,946	2,368,876	3,250,784
Loans and advances to banks with original maturity up to 3 months		122,907	142,319	122,281	4,000
Debt securities measured at fair value through other comprehensive income with original maturity up to 3 months		-	28,046	-	-
Total		4,444,876	5,176,311	2,491,157	3,254,784

Statement of management's responsibility

The Management Board hereby confirms and approves the release of the condensed interim financial statements of NLB Group and NLB for the six months ending 30 June 2022, the accompanying accounting policies, and notes to the financial statements.

The Management Board is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34 'Interim financial reporting' as adopted by the European Union in order to give a true and fair view of the financial position of NLB Group and NLB as at 30 June 2022, and their financial results and cash flows for the period then ended.

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

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

Management Board


Andreas Burkhardt
Member


Antonio Agir
Member


Blaž Brodnjak
Chief executive officer


Heavika Usenik
Member


Andrej Lasič
Member


Archibald Kremser
Member

Ljubljana, 11 August 2022

Notes to the condensed interim financial statements

1. General information

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

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

As at 30 June 2022 and as at 31 December 2021, the largest shareholder of NLB with significant influence is the Republic of Slovenia, owning 25.00% plus one share.

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

2. Summary of significant accounting policies

2.1. Statement of compliance

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

2.2. Share-based payment transactions

Cash-settled share-based payment transactions

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

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

Equity-settled share-based payment transactions

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

2.3. Accounting policies

The same accounting policies and methods of computation were followed in the preparation of these consolidated condensed interim financial statements as for the year ended 31 December 2021, except for share-based payment transaction which did not exist in 2021 and accounting standards and other amendments effective for annual periods beginning on 1 January 2022 that were endorsed by the EU.

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

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

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

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

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

- IFRS 17 (new standard) – ‘Insurance Contracts’ including Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023);
- IAS 1 (amendment and deferral of effective date) – ‘Presentation of Financial Statements: Classification of Liabilities as Current or Non-current’ (effective for annual periods beginning on or after 1 January 2023);
- IAS 12 (amendment) - ‘Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction’ (effective for annual periods beginning on or after 1 January 2023).

3. Changes in the composition of the NLB Group

Changes in the period ended 30 June 2022

Capital changes:

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

Other changes:

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

Changes in year 2021

Capital changes:

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

Other changes:

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

4. Notes to the condensed income statement

4.1. Interest income and expenses

Analysis by type of assets and liabilities

	in EUR thousands									
	NLB Group					NLB				
	three months ended		six months ended			three months ended		six months ended		
	June 2022	June 2021	June 2022	June 2021	Change	June 2022	June 2021	June 2022	June 2021	Change
Interest and similar income										
<i>Interest income calculated using the effective interest method</i>	130,523	116,601	250,501	229,516	9%	46,921	42,081	91,776	83,420	10%
Loans and advances to customers at amortised cost	116,199	102,961	222,561	202,713	10%	39,804	35,664	77,992	70,677	10%
Securities measured at amortised cost	4,090	3,311	7,760	6,624	17%	2,809	2,475	5,422	4,950	10%
Financial assets measured at fair value through other comprehensive income	9,725	10,118	19,387	19,792	-2%	2,865	2,949	5,722	5,837	-2%
Loans and advances to banks measured at amortised cost	429	147	676	281	141%	1,392	973	2,567	1,918	34%
Deposits with banks and central banks	80	64	117	106	10%	51	20	73	38	92%
<i>Other interest and similar income</i>	3,306	1,891	6,349	3,578	77%	2,765	1,492	5,614	3,193	76%
Financial assets held for trading	1,227	1,422	2,276	2,746	-17%	911	1,120	1,839	2,444	-25%
Negative interest	2,059	73	4,041	73	-	1,821	73	3,709	73	-
Non-trading financial assets mandatorily at fair value through profit or loss	20	394	32	757	-96%	33	297	66	674	-90%
Other	-	2	-	2	-	-	2	-	2	-
Total	133,829	118,492	256,850	233,094	10%	49,686	43,573	97,390	86,613	12%
Interest and similar expenses										
<i>Interest expenses calculated using the effective interest method</i>	7,825	10,858	15,498	21,618	-28%	3,800	4,089	7,239	7,637	-5%
Due to customers	4,339	6,887	8,732	14,260	-39%	913	776	1,680	1,553	8%
Borrowings from banks and central banks	479	695	624	920	-32%	217	686	273	853	-68%
Borrowings from other customers	232	302	482	612	-21%	-	-	-	-	-
Subordinated liabilities	2,621	2,619	5,216	5,212	0%	2,621	2,619	5,216	5,212	0%
Deposits from banks and central banks	49	227	244	365	-33%	44	-	60	3	-
Lease liabilities	105	128	200	249	-20%	5	8	10	16	-38%
<i>Other interest and similar expenses</i>	7,433	6,498	14,983	12,833	17%	6,186	5,651	12,560	11,428	10%
Derivatives - hedge accounting	2,353	2,574	4,830	5,101	-5%	2,353	2,574	4,830	5,101	-5%
Negative interest	3,766	2,701	7,705	5,204	48%	2,944	2,003	5,937	3,986	49%
Financial liabilities held for trading	1,158	1,062	2,153	2,316	-7%	863	1,062	1,745	2,316	-25%
Interest expense on defined employee benefits	88	159	143	190	-25%	21	10	41	20	105%
Other	68	2	152	22	-	5	2	7	5	40%
Total	15,258	17,356	30,481	34,451	-12%	9,986	9,740	19,799	19,065	4%
Net interest income	118,571	101,136	226,369	198,643	14%	39,700	33,833	77,591	67,548	15%

The item 'Negative interest' classified under the line item 'Other interest and similar income' mainly includes the interest from targeted longer-term refinancing operations (TLTRO) in the amount of EUR 3,992 thousand for NLB Group and EUR 3,677 thousand for NLB (note 5.11.).

4.2. Dividend income

	in EUR thousands									
	NLB Group					NLB				
	three months ended		six months ended			three months ended		six months ended		
	June 2022	June 2021	June 2022	June 2021	Change	June 2022	June 2021	June 2022	June 2021	Change
Financial assets measured at fair value through other comprehensive income	49	28	80	35	129%	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	24,162	-	33,623	4,490	-
Non-trading financial assets mandatorily at fair value through profit or loss	11	16	21	20	5%	11	16	21	20	5%
Total	60	44	101	55	84%	24,173	16	33,644	4,510	-

4.3. Fee and commission income and expenses

	in EUR thousands									
	NLB Group					NLB				
	three months ended		six months ended			three months ended		six months ended		
	June 2022	June 2021	June 2022	June 2021	Change	June 2022	June 2021	June 2022	June 2021	Change
Fee and commission income										
<i>Fee and commission income relating to financial instruments not at fair value through profit or loss</i>										
Credit cards and ATMs	27,216	22,753	51,152	42,374	21%	11,331	9,636	20,866	17,779	17%
Customer transaction accounts	22,813	21,870	45,281	42,999	5%	13,058	14,170	26,003	27,788	-6%
<i>Other fee and commission income</i>										
Payments	23,328	19,183	43,382	36,585	19%	6,216	5,726	11,901	10,982	8%
Investment funds	7,186	6,360	14,909	12,130	23%	2,228	2,021	4,604	3,936	17%
Guarantees	3,988	3,452	7,697	6,796	13%	2,036	1,942	3,973	3,847	3%
Investment banking	2,932	2,334	6,004	5,191	16%	2,228	1,774	4,651	4,071	14%
Agency of insurance products	2,650	2,278	5,119	4,092	25%	1,944	1,849	3,904	3,320	18%
Other services	5,823	3,298	11,024	5,200	112%	3,547	1,868	7,135	2,610	173%
Total	95,936	81,528	184,568	155,367	19%	42,588	38,986	83,037	74,333	12%
Fee and commission expenses										
<i>Fee and commission expenses relating to financial instruments not at fair value through profit or loss</i>										
Credit cards and ATMs	19,018	15,830	36,772	30,099	22%	7,859	6,487	14,794	12,493	18%
<i>Other fee and commission expenses</i>										
Payments	3,472	2,721	6,290	5,153	22%	305	251	508	460	10%
Insurance for holders of personal accounts and golden cards	317	354	645	725	-11%	225	228	454	531	-15%
Investment banking	1,876	1,655	3,423	3,062	12%	1,131	1,016	1,853	1,819	2%
Guarantees	493	20	931	300	-	485	6	898	264	-
Other services	1,625	1,007	2,841	1,975	44%	264	209	434	362	20%
Total	26,801	21,587	50,902	41,314	23%	10,269	8,197	18,941	15,929	19%
Net fee and commission income	69,135	59,941	133,666	114,053	17%	32,319	30,789	64,096	58,404	10%

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

	in EUR thousands							
	NLB Group				NLB			
	three months ended		six months ended		three months ended		six months ended	
	June 2022	June 2021	June 2022	June 2021	June 2022	June 2021	June 2022	June 2021
Debt instruments measured at fair value through other comprehensive income	76	47	(1,671)	(2)	-	4	(316)	23
Debt instruments measured at amortised cost	(10)	-	(9)	-	-	-	(734)	-
Total	66	47	(1,680)	(2)	-	4	(1,050)	23

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

	in EUR thousands							
	NLB Group				NLB			
	three months ended		six months ended		three months ended		six months ended	
	June 2022	June 2021	June 2022	June 2021	June 2022	June 2021	June 2022	June 2021
Foreign exchange trading	7,890	4,858	13,000	9,050	1,799	1,115	3,485	2,256
Debt instruments	43	(355)	2	(24)	29	(60)	(28)	(269)
Derivatives	3,766	487	6,406	646	3,355	486	5,038	591
Total	11,699	4,990	19,408	9,672	5,183	1,541	8,495	2,578

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

	in EUR thousands							
	NLB Group				NLB			
	three months ended		six months ended		three months ended		six months ended	
	June 2022	June 2021	June 2022	June 2021	June 2022	June 2021	June 2022	June 2021
Equity securities	(513)	618	(650)	989	(283)	378	(94)	430
Debt securities	(88)	(9)	(173)	(20)	-	-	-	-
Loans and advances to customers	-	14,960	-	15,739	(1,756)	12,714	(1,790)	13,463
Total	(601)	15,569	(823)	16,708	(2,039)	13,092	(1,884)	13,893

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

4.7. Other net operating income

	in EUR thousands									
	NLB Group					NLB				
	three months ended		six months ended			three months ended		six months ended		
	June 2022	June 2021	June 2022	June 2021	Change	June 2022	June 2021	June 2022	June 2021	Change
Other operating income										
Income from non-banking services	1,687	1,585	3,231	3,185	1%	1,564	1,443	3,007	2,776	8%
Rental income from investment property	712	829	1,754	1,819	-4%	132	95	284	189	50%
Revaluation of investment property to fair value	11	-	72	-	-	11	-	11	-	-
Other operating income	2,295	10,652	4,459	12,354	-	1,209	8,779	1,716	9,822	-
Total	4,705	13,066	9,516	17,358	-45%	2,916	10,317	5,018	12,787	-61%
Other operating expenses										
Revaluation of investment property to fair value	1	7	67	7	-	1	-	1	-	-
Other operating expenses	1,334	600	3,105	1,271	144%	698	207	4,557	500	-
Total	1,335	607	3,172	1,278	148%	699	207	4,558	500	-
Other net operating income	3,370	12,459	6,344	16,080	-61%	2,217	10,110	460	12,287	-96%

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

4.8. Administrative expenses

	in EUR thousands									
	NLB Group					NLB				
	three months ended		six months ended			three months ended		six months ended		
	June 2022	June 2021	June 2022	June 2021	Change	June 2022	June 2021	June 2022	June 2021	Change
Employee costs	65,213	56,512	122,715	111,659	10%	29,489	26,024	56,011	51,814	8%
Other general and administrative expenses	39,011	32,644	72,700	62,442	16%	17,867	13,837	33,297	26,891	24%
Total	104,224	89,156	195,415	174,101	12%	47,356	39,861	89,308	78,705	13%

4.9. Cash contributions to resolution funds and deposit guarantee schemes

	in EUR thousands									
	NLB Group					NLB				
	three months ended		six months ended			three months ended		six months ended		
	June 2022	June 2021	June 2022	June 2021	Change	June 2022	June 2021	June 2022	June 2021	Change
Cash contributions to deposit guarantee schemes	14,262	13,924	20,962	20,205	4 %	7,614	7,543	7,614	7,543	1 %
Cash contributions to resolution funds	2,146	1,992	2,194	1,992	10 %	2,099	1,992	2,099	1,992	5 %
Total	16,408	15,916	23,156	22,197	4 %	9,713	9,535	9,713	9,535	2 %

4.10. Depreciation and amortisation

	in EUR thousands									
	NLB Group					NLB				
	three months ended		six months ended			three months ended		six months ended		
	June 2022	June 2021	June 2022	June 2021	Change	June 2022	June 2021	June 2022	June 2021	Change
Amortisation of intangible assets	3,963	4,104	7,889	8,167	-3 %	1,430	1,515	2,932	3,014	-3 %
Depreciation of property and equipment:										
- own property and equipment	5,671	5,344	11,160	10,686	4 %	2,567	2,673	5,141	5,353	-4 %
- right-of-use assets	2,165	2,126	4,264	4,340	-2 %	254	223	492	432	14 %
Total	11,799	11,574	23,313	23,193	1 %	4,251	4,411	8,565	8,799	-3 %

4.11. Provisions

	in EUR thousands									
	NLB Group					NLB				
	three months ended		six months ended			three months ended		six months ended		
	June 2022	June 2021	June 2022	June 2021	Change	June 2022	June 2021	June 2022	June 2021	Change
Guarantees and commitments (note 5.12.b)	(1,007)	(2,288)	(1,767)	(5,594)	(1,004)	(1,703)	(1,528)	(4,968)		
Restructuring provisions	4,679	7,701	4,679	7,701	-	-	-	-	-	-
Provisions for legal risks	262	3,133	635	3,171	100	92	100	(1,717)		
Other provisions	(1)	-	(11)	-	-	-	-	-	-	-
Total	3,933	8,546	3,536	5,278	(904)	(1,611)	(1,428)	(6,685)		

4.12. Impairment charge

	in EUR thousands									
	NLB Group					NLB				
	three months ended		six months ended			three months ended		six months ended		
	June 2022	June 2021	June 2022	June 2021	Change	June 2022	June 2021	June 2022	June 2021	Change
Impairment of financial assets										
Cash balances at central banks, and other demand deposits at banks	(16)	118	(38)	153	(85)	54	(99)	58		
Loans and advances to customers measured at amortised cost (note 5.10.a)	(7,585)	(16,615)	(4,957)	(29,907)	787	(1,008)	(815)	(10,079)		
Loans and advances to banks measured at amortised cost (note 5.10.a)	(31)	51	62	77	(165)	(1)	42	(1)		
Debt securities measured at fair value through other comprehensive income (note 5.10.b)	4,244	3,359	5,011	3,619	5,000	(195)	5,987	(24)		
Debt securities measured at amortised cost (note 5.10.b)	(146)	(80)	378	527	(11)	(382)	128	106		
Other financial assets measured at amortised cost (note 5.10.a)	2,901	693	3,698	409	85	(26)	115	(8)		
Total impairment of financial assets	(633)	(12,474)	4,154	(25,122)	5,611	(1,558)	5,358	(9,948)		
Impairment of other assets										
Property and equipment	-	-	-	88	-	-	-	-		
Other assets	(8)	467	(15)	796	-	-	-	-		
Total	(8)	467	(15)	884	-	-	-	-		
Total impairment of non-financial assets	(8)	467	(15)	884	-	-	-	-		
Total impairment	(641)	(12,007)	4,139	(24,238)	5,611	(1,558)	5,358	(9,948)		

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

Impairment of debt securities measured at amortised cost relates mainly to impairment of Russian sovereign debt (note 5.4.).

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

On the level of the European Central Bank and the Single Resolution Board, a decision was made on 28 February 2022 to suspend the business operations of the banking group Sberbank Europe AG, which also had a subsidiary bank in Slovenia. At the same time, a transitional period or short-term moratorium was adopted, during which a solution for the Slovenian subsidiary, Sberbank banka d.d., was found with the aim to ensure the continuity of the business operations for all of its clients. On 1 March 2022, in order to maintain financial stability in Slovenia, the Single Resolution Board, in cooperation with the Bank of Slovenia, adopted a scheme and resolution plan for Sberbank banka d.d., Ljubljana. Based on this resolution, the Bank of Slovenia issued a decision using the instrument of sale of operation in a way that all shares are transferred from the shareholders to the transferee. In the process of finding a new owner of Sberbank banka d.d., Ljubljana, a sale agreement was concluded with NLB, which became an owner of 100% of the bank's shares as at 1 March 2022. At the date of acquisition, the acquired bank had one 100% owned subsidiary, company Privatinvest d.o.o., whose assets consist only of repossessed real estate.

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

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

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

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

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

The acquisition of N Banka resulted in a gain from a bargain purchase (negative goodwill) in the amount of EUR 172,810 thousand, which is recognised in income statement under line item 'Negative goodwill.' Current market conditions, when banks are generally valued below their net book values, usually result in recognition of a gain from a

bargain purchase, which is in the case of N Banka even higher than it would be as a result of an orderly transaction, since the bank was acquired in the process of resolution. Negative goodwill is not taxable.

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

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

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

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

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

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

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

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

were recognised in NLB Group financial statements since the acquisition date. Had the acquisition occurred on 1 January 2022, management estimates that consolidated revenue (excluding negative goodwill) would have been approximately EUR 450 million and consolidated profit for the year (excluding negative goodwill) approximately EUR 105 million. The exact result is difficult to determine due to the changed circumstances during the year, especially the impact of the war in Ukraine.

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

in EUR thousands								
	NLB Group				NLB			
	three months ended		six months ended		three months ended		six months ended	
	June 2022	June 2021	June 2022	June 2021	June 2022	June 2021	June 2022	June 2021
Gains less losses from property and equipment	(23)	224	(10)	224	(47)	203	(37)	203
Total	(23)	224	(10)	224	(47)	203	(37)	203

4.15. Income tax

in EUR thousands										
	NLB Group					NLB				
	three months ended		six months ended			three months ended		six months ended		
	June 2022	June 2021	June 2022	June 2021	Change	June 2022	June 2021	June 2022	June 2021	Change
Current tax	6,159	6,178	11,040	10,023	10 %	1,055	1,179	1,650	1,854	-11 %
Deferred tax (note 5.13.)	(728)	(1,352)	(407)	(462)	12 %	(996)	(8)	(1,220)	(74)	-
Total	5,431	4,826	10,633	9,561	11 %	59	1,171	430	1,780	-76 %

5. Notes to the condensed statement of financial position

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

in EUR thousand						
	NLB Group			NLB		
	30 Jun 2022	31 Dec 2021	Change	30 Jun 2022	31 Dec 2021	Change
Balances and obligatory reserves with central banks	3,517,590	4,133,104	-15%	2,088,544	2,982,576	-30%
Cash	554,708	509,596	9%	192,742	178,045	8%
Demand deposits at banks	249,671	363,246	-31%	87,590	90,163	-3%
	4,321,969	5,005,946	-14%	2,368,876	3,250,784	-27%
Allowance for impairment	(853)	(894)	5%	(248)	(347)	29%
Total	4,321,116	5,005,052	-14%	2,368,628	3,250,437	-27%

5.2. Financial instruments held for trading

a) Financial assets held for trading

in EUR thousands						
	NLB Group			NLB		
	30 Jun 2022	31 Dec 2021	Change	30 Jun 2022	31 Dec 2021	Change
Derivatives, excluding hedging instruments						
Swap contracts	11,138	6,665	67%	7,707	6,675	15%
Options	1,182	54	-	645	54	-
Forward contracts	2,579	959	169%	2,324	953	144%
Total	14,899	7,678	94%	10,676	7,682	39%

b) Financial liabilities held for trading

in EUR thousands						
	NLB Group			NLB		
	30 Jun 2022	31 Dec 2021	Change	30 Jun 2022	31 Dec 2021	Change
Derivatives, excluding hedging instruments						
Swap contracts	7,983	6,609	21%	5,022	6,626	-24%
Options	1,490	53	-	661	53	-
Forward contracts	2,506	923	172%	2,280	923	147%
Total	11,979	7,585	58%	7,963	7,602	5%

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

in EUR thousands						
	NLB Group			NLB		
	30 Jun 2022	31 Dec 2021	Change	30 Jun 2022	31 Dec 2021	Change
Assets						
Shares	4,754	4,472	6%	4,377	4,472	-2%
Investments funds	10,018	12,428	-19%	2,000	-	-
Bonds	3,171	4,261	-26%	-	-	-
Loans and advances to companies	-	-	-	7,991	7,888	1%
Total	17,943	21,161	-15%	14,368	12,360	16%
Liabilities						
Loans and advances to companies	-	-	-	2,234	352	-
Other financial liabilities (note 2.2.)	1,535	-	-	824	-	-
Total	1,535	-	-	3,058	352	-

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

Analysis by type

in EUR thousands						
	NLB Group			NLB		
	30 Jun 2022	31 Dec 2021	Change	30 Jun 2022	31 Dec 2021	Change
Bonds	2,751,075	3,251,826	-15%	1,301,288	1,526,237	-15%
Shares	21,392	22,109	-3%	269	219	23%
National Resolution Fund	58,710	44,490	32%	42,945	44,490	-3%
Treasury bills	179,930	105,866	70%	160,448	14,805	-
Commercial bills	8,936	37,569	-76%	-	-	-
Total	3,020,043	3,461,860	-13%	1,504,950	1,585,751	-5%
Allowance for impairment (note 5.10.b)	(17,093)	(12,016)	-42%	(9,045)	(3,001)	-

As at 30 June 2022, bonds at NLB Group and NLB level include Russian government bonds maturing in September 2023, with notional amount of USD 8,000 thousand (EUR 7,607 thousand). Their fair value as at 30 June 2022 is assessed to be EUR 1,812 thousand (31 December 2021: EUR 7,531 thousand), while the impairment for these bonds amounts to EUR 6,061 thousand (31 December 2021: EUR 19 thousand).

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

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

5.5. Financial assets measured at amortised cost

Analysis by type

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2022	31 Dec 2021	Change	30 Jun 2022	31 Dec 2021	Change
Debt securities	1,866,595	1,717,626	9%	1,599,093	1,436,424	11%
Loans and advances to banks	176,826	140,683	26%	300,943	199,287	51%
Loans and advances to customers	12,620,218	10,587,121	19%	5,647,493	5,145,153	10%
Other financial assets	138,304	122,229	13%	101,515	92,404	10%
Total	14,801,943	12,567,659	18%	7,649,044	6,873,268	11%

a) Debt securities

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2022	31 Dec 2021	Change	30 Jun 2022	31 Dec 2021	Change
Government	1,439,589	1,317,248	9%	1,190,563	1,041,787	14%
Companies	87,070	79,852	9%	66,864	72,632	-8%
Banks	317,440	295,653	7%	317,440	295,653	7%
Financial organisations	26,184	28,178	-7%	26,184	28,178	-7%
	1,870,283	1,720,931	9%	1,601,051	1,438,250	11%
Allowance for impairment (note 5.10.b)	(3,688)	(3,305)	-12%	(1,958)	(1,826)	-7%
Total	1,866,595	1,717,626	9%	1,599,093	1,436,424	11%

b) Loans and advances to banks

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2022	31 Dec 2021	Change	30 Jun 2022	31 Dec 2021	Change
Loans	6,715	10,200	-34%	135,034	117,490	15%
Time deposits	143,727	130,602	10%	164,749	81,900	101%
Purchased receivables	1,385	79	-	1,385	79	-
Reverse sale and repurchase agreements	25,259	-	-	-	-	-
	177,086	140,881	26%	301,168	199,469	51%
Allowance for impairment (note 5.10.a)	(260)	(198)	-31%	(225)	(182)	-24%
Total	176,826	140,683	26%	300,943	199,287	51%

c) Loans and advances to customers

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2022	31 Dec 2021	Change	30 Jun 2022	31 Dec 2021	Change
Loans	12,227,990	10,310,300	19%	5,501,125	5,006,871	10%
Overdrafts	417,096	352,018	18%	183,257	174,063	5%
Finance lease receivables	154,487	108,715	42%	-	-	-
Credit card business	142,290	129,330	10%	58,980	59,305	-1%
Called guarantees	2,001	2,731	-27%	756	1,333	-43%
	12,943,864	10,903,094	19%	5,744,118	5,241,572	10%
Allowance for impairment (note 5.10.a)	(323,646)	(315,973)	-2%	(96,625)	(96,419)	0%
Total	12,620,218	10,587,121	19%	5,647,493	5,145,153	10%

d) Other financial assets

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2022	31 Dec 2021	Change	30 Jun 2022	31 Dec 2021	Change
Receivables in the course of settlement and other temporary accounts	42,199	40,436	4%	33,005	23,945	38%
Credit card receivables	21,415	22,670	-6%	16,604	15,270	9%
Debtors	8,072	8,227	-2%	1,014	1,311	-23%
Fees and commissions	7,878	7,303	8%	1,134	3,041	-63%
Receivables to brokerage firms and others for the sale of securities and custody services	776	613	27%	775	610	27%
Accrued income	2,095	1,715	22%	2,992	1,690	77%
Dividends	-	-	-	13,467	20,493	-34%
Prepayments	3,894	1,526	155%	-	-	-
Other financial assets	61,564	45,965	34%	33,584	27,197	23%
	147,893	128,455	15%	102,575	93,557	10%
Allowance for impairment (note 5.10.a)	(9,589)	(6,226)	-54%	(1,060)	(1,153)	8%
Total	138,304	122,229	13%	101,515	92,404	10%

5.6. Non-current assets held for sale

As at 30 June 2022 'Non-current assets held for sale' includes business premises and assets received as collateral that are in the process of being sold and amounts to EUR 7,441 thousand (31 December 2021: EUR 7,051 thousand) in the NLB Group and EUR 4,587 thousand (31 December 2021: EUR 4,089 thousand) in NLB.

5.7. Property and equipment

Analysis by type

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2022	31 Dec 2021	Change	30 Jun 2022	31 Dec 2021	Change
Own property and equipment	226,685	223,593	1%	76,119	82,905	-8%
Right-of-use assets	25,921	23,421	11%	3,352	3,217	4%
Total	252,606	247,014	2%	79,471	86,122	-8%

5.8. Investment property

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2022	31 Dec 2021	Change	30 Jun 2022	31 Dec 2021	Change
Buildings	44,375	47,164	-6%	8,772	8,999	-3%
Land	946	460	106%	182	182	0%
Total	45,321	47,624	-5%	8,954	9,181	-2%

5.9. Other assets

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2022	31 Dec 2021	Change	30 Jun 2022	31 Dec 2021	Change
Assets, received as collateral	71,515	75,450	-5%	4,709	4,827	-2%
Deferred expenses	15,865	10,046	58%	7,904	6,202	27%
Inventories	2,470	2,173	14%	42	42	0%
Claim for taxes and other dues	1,407	1,826	-23%	296	621	-52%
Prepayments	3,253	1,726	88%	124	161	-23%
Total	94,510	91,221	4%	13,075	11,853	10%

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	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2022	198	-	69,297	34,022	212,654	476	36	5,714
Effects of translation of foreign operations to presentation currency	-	-	(50)	(17)	342	1	(1)	4
Transfers	(60)	60	9,788	(5,889)	(3,899)	4	25	(29)
Increases/(Decreases) (note 4.12.)	21	45	(63)	6,283	10,305	109	(6)	3,664
Write-offs	-	-	(1)	(5)	(9,643)	(22)	(19)	(566)
Changes in models/risk parameters (note 4.12.)	(4)	-	(4,991)	3,001	24	(6)	11	(13)
Foreign exchange and other movements	-	-	6	(2)	2,484	176	4	27
Balance as at 30 Jun 2022	155	105	73,986	37,393	212,267	738	50	8,801
Repayments of written-off receivables (note 4.12.)	-	-	-	-	19,516	-	-	61

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

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

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

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

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 2022	182	13,604	4,208	78,607	62	1	1,090
Transfers	-	2,834	(1,723)	(1,111)	4	1	(5)
Increases/(Decreases) (note 4.12.)	42	(2,736)	1,370	8,827	51	1	47
Write-offs	-	(1)	(5)	(3,333)	(5)	(1)	(205)
Changes in models/risk parameters (note 4.12.)	-	(1,275)	2,796	(299)	17	-	-
Foreign exchange and other movements	1	21	-	(5,159)	2	-	-
Balance as at 30 Jun 2022	225	12,447	6,646	77,532	131	2	927
Repayments of written-off receivables (note 4.12.)	-	-	-	9,498	-	-	1

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

in EUR thousands							
NLB							
	Loans and advances to banks	Loans and advances to customers		Other financial assets			
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2021	155	25,637	11,287	106,448	73	2	1,255
Transfers	-	6,028	(3,190)	(2,838)	10	-	(10)
Increases/(Decreases) (note 4.12.)	(1)	(8,676)	(1,565)	8,057	50	-	(2)
Write-offs	-	(72)	(13)	(7,665)	(9)	-	(192)
Changes in models/risk parameters (note 4.12.)	-	(10,198)	(1,529)	7,915	(57)	-	2
Foreign exchange and other movements	-	(5)	18	(1,798)	1	-	(1)
Balance as at 30 Jun 2021	154	12,714	5,008	110,119	68	2	1,052
Repayments of written-off receivables (note 4.12.)	-	-	-	4,083	-	-	1

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

b) Movements in allowance for the impairment of debt securities

in EUR thousands						
NLB Group						
	Debt securities measured at amortised cost		Debt securities measured at fair value through other comprehensive income			
	12-month expected credit losses	Lifetime ECL not credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2022		3,253	52	11,148	70	798
Effects of translation of foreign operations to presentation currency		(2)	-	(6)	-	-
Transfers		-	-	(27)	(801)	828
Increases/(Decreases) (note 4.12.)		249	249	(861)	744	5,232
Changes in models/risk parameters (note 4.12.)		(28)	(92)	(116)	12	-
Foreign exchange and other movements		7	-	20	52	-
Balance as at 30 Jun 2022		3,479	209	10,158	77	6,858

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

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

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

in EUR thousands				
NLB				
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2022	1,826	2,203	-	798
Transfers	-	(25)	(803)	828
Increases/(Decreases) (note 4.12.)	117	5	751	5,232
Changes in models/risk parameters (note 4.12.)	11	(1)	-	-
Foreign exchange and other movements	4	5	52	-
Balance as at 30 Jun 2022	1,958	2,187	-	6,858

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

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

5.11. Financial liabilities measured at amortised cost

Analysis by type

in EUR thousands						
	NLB Group			NLB		
	30 Jun 2022	31 Dec 2021	Change	30 Jun 2022	31 Dec 2021	Change
Deposits from banks and central banks	138,006	71,828	92%	169,533	109,329	55%
- Deposits on demand	85,916	56,427	52%	150,474	94,323	60%
- Other deposits	52,090	15,401	-	19,059	15,006	27%
Borrowings from banks and central banks	250,662	858,531	-71%	44,142	873,479	-95%
Due to customers	19,151,110	17,640,809	9%	10,296,584	9,659,605	7%
- Deposits on demand	16,483,305	15,319,112	8%	9,592,530	8,982,546	7%
- Other deposits	2,667,805	2,321,697	15%	704,054	677,059	4%
Borrowings from other customers	76,141	74,051	3%	437	406	8%
Subordinated liabilities	287,765	288,519	0%	287,765	288,519	0%
Other financial liabilities	283,602	206,878	37%	161,236	102,527	57%
Total	20,187,286	19,140,616	5%	10,959,697	11,033,865	-1%

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

In December 2021, N Banka participated in ECB TLTRO III.10 operation and had drawn a credit tranche of EUR 93,000 thousand for three years. The carrying amount of the loan as at 30 June 2022 amounts to EUR 92,535 thousand (EUR 92.850 as at the acquisition date). Decision on potential early repayment on one of the voluntary early repayment dates will depend on the liquidity needs of N Banka at that time.

a) Subordinated liabilities

in EUR thousands							
NLB Group and NLB							
				30 Jun 2022		31 Dec 2021	
	Currency	Due date	Interest rate	Carrying amount	Nominal value	Carrying amount	Nominal value
Subordinated bonds	EUR	06.05.2029	4.20% to 06.05.2024, thereafter 5Y MS + 4.159% p.a.	44,973	45,000	45,903	45,000
	EUR	19.11.2029	3.65% to 19.11.2024, thereafter 5Y MS + 3.833% p.a.	121,788	120,000	119,577	120,000
	EUR	05.02.2030	3.40% to 05.02.2025, thereafter 5Y MS + 3.658% p.a.	121,004	120,000	123,039	120,000
Total				287,765	285,000	288,519	285,000

b) Movement of subordinated liabilities

			in EUR thousand	
NLB Group and NLB	2022	2021		
Balance as at 1 Jan	288,519	288,321		
Cash flow items:	(5,970)	(5,970)		
- repayments of interest	(5,970)	(5,970)		
Non-Cash flow items:	5,216	5,212		
- accrued interest	5,216	5,212		
Balance as at 30 Jun	287,765	287,563		

c) Other financial liabilities

							in EUR thousands		
	NLB Group			NLB			30 Jun 2022	31 Dec 2021	Change
	30 Jun 2022	31 Dec 2021	Change	30 Jun 2022	31 Dec 2021	Change			
Items in the course of payment	106,687	56,509	89%	49,477	5,940	-			
Liabilities for dividends	1,441	1,425	1%	-	-	-			
Debit or credit card payables	25,711	27,325	-6%	21,786	24,638	-12%			
Lease liabilities	27,213	24,324	12%	3,375	3,256	4%			
Accrued expenses	26,949	25,852	4%	10,704	12,909	-17%			
Liabilities to brokerage firms and others for securities purchase and custody services	83	297	-72%	12	202	-94%			
Suppliers	8,419	17,514	-52%	4,383	12,049	-64%			
Fees and commissions	239	1,609	-85%	125	1,504	-92%			
Other financial liabilities	86,860	52,023	67%	71,374	42,029	70%			
Total	283,602	206,878	37%	161,236	102,527	57%			

5.12. Provisions

a) Analysis by type

							in EUR thousands		
	NLB Group			NLB			30 Jun 2022	31 Dec 2021	Change
	30 Jun 2022	31 Dec 2021	Change	30 Jun 2022	31 Dec 2021	Change			
Provisions for guarantees and commitments	32,808	33,441	-2%	19,054	20,560	-7%			
Stage 1	12,746	12,912	-1%	3,834	3,909	-2%			
Stage 2	1,928	1,640	18%	165	141	17%			
Stage 3	18,134	18,889	-4%	15,055	16,510	-9%			
Employee benefit provisions	23,053	21,447	7%	14,567	14,206	3%			
Provisions for legal risks	44,385	45,288	-2%	3,566	3,466	3%			
Restructuring provisions	19,848	19,217	3%	8,728	11,131	-22%			
Other provisions	8,905	11	-	-	-	-			
Total	128,999	119,404	8%	45,915	49,363	-7%			

Legal risks

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

Furthermore, on 19 July 2018, the National Assembly of the Republic of Slovenia passed the 'Act for Value Protection of Republic of Slovenia's Capital Investment in Nova Ljubljanska banka d.d., Ljubljana' (Zakon za zaščito vrednosti kapitalske naložbe Republike Slovenije v Novi Ljubljanski banki d.d., Ljubljana, hereinafter: 'the ZVKNNLB') which entered into force on 14 August 2018. In accordance with the ZVKNNLB, the Succession Fund of the Republic of Slovenia (Sklad Republike Slovenije za nasledstvo, javni sklad, hereinafter: 'the Fund'), shall compensate NLB for the sums recovered from NLB by enforcement of final judgements delivered by Croatian courts with regard to the transferred foreign currency deposits, that is the principle amount, accrued interest, expenses of court, attorney's expenses and other expenses of the plaintiff, and expenses related to enforcement with the accrued interest, and shall not compensate NLB for its own costs or for the difference between the book value of its assets sold in enforcement proceedings and the price obtained for such assets in enforcement proceedings. There shall be no compensation for any voluntarily made payments by NLB.

The Swiss Francs Law

On 2 February 2022, the Slovenian Parliament passed the 'Law on limitation and distribution of foreign exchange risk between creditors and borrowers concerning loan agreements in Swiss francs' (here and after the CHF Law). The CHF Law affects all loan agreements denominated in Swiss francs (regardless of whether the agreements are still in force)

concluded between banks operating in Slovenia (including NLB) as lenders and individuals as borrowers in the period from 28 June 2004 to 31 December 2010, and provides for a cap on the exchange rate between Swiss francs and the Euro to be set at 10% volatility (the 'FX cap') and shall be applied from the conclusion of any of the affected loan agreements. During the validity of the FX cap, the value of instalments and other payments under such loans shall equal the amount at which the FX cap has been triggered and the lender would be required to repay any overpayment to the relevant borrower. Further, any overpayment on such loans by the relevant borrowers shall be subject to default interest to be paid by the lender.

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

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

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

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

Other provisions

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

b) Movements in provisions for guarantees and commitments

in EUR thousands			
NLB Group			
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2022	12,912	1,640	18,889
Effects of translation of foreign operations to presentation currency	(1)	(3)	1
Acquisition of subsidiary	921	-	180
Transfers	206	92	(298)
Increases/(Decreases) (note 4.11.)	936	24	(618)
Changes in models/risk parameters (note 4.11.)	(2,224)	172	(57)
Foreign exchange and other movements	(4)	3	37
Balance as at 30 Jun 2022	12,746	1,928	18,134

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

in EUR thousands			
NLB			
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2022	3,909	141	16,510
Transfers	320	1	(321)
Increases/(Decreases) (note 4.11.)	269	(3)	(1,159)
Changes in models/risk parameters (note 4.11.)	(660)	26	(1)
Foreign exchange and other movements	(4)	-	26
Balance as at 30 Jun 2022	3,834	165	15,055

in EUR thousands			
NLB			
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2021	7,510	732	20,301
Transfers	251	(85)	(166)
Increases/(Decreases) (note 4.11.)	(382)	(238)	(1,809)
Changes in models/risk parameters (note 4.11.)	(2,683)	(129)	273
Foreign exchange and other movements	2	-	8
Balance as at 30 Jun 2021	4,698	280	18,607

5.13. Deferred income tax

in EUR thousands				
	NLB Group		NLB	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Deferred income tax assets				
Valuation of financial instruments and capital investments	42,613	33,002	34,648	31,696
Impairment of financial assets	8,486	5,879	2,091	917
Provisions for liabilities and charges	12,504	10,128	2,417	2,660
Depreciation and valuation of non-financial assets	3,395	3,505	109	112
Fair value adjustments of financial instruments measured at amortised cost	1,386	320	-	-
Unpaid dividends	-	3,876	-	3,876
Tax losses	-	253	-	-
Tax reliefs	481	945	-	-
Other	59	62	-	-
Total deferred income tax assets	68,924	57,970	39,265	39,261
Deferred income tax liabilities				
Valuation of financial instruments	7,143	12,026	3,388	6,620
Depreciation and valuation of non-financial assets	1,287	1,374	164	169
Impairment of financial assets	5,491	3,960	1,719	570
Fair value adjustments of financial assets measured at amortised cost	4,899	3,338	-	-
Other	1,108	1,340	-	-
Total deferred income tax liabilities	19,928	22,038	5,271	7,359
Net deferred income tax assets	51,683	38,977	33,994	31,902
Net deferred income tax liabilities	(2,687)	(3,045)	-	-

in EUR thousands				
	NLB Group		NLB	
	six months ended		six months ended	
	June 2022	June 2021	June 2022	June 2021
Included in the income statement				
- valuation of financial instruments and capital investments	407	462	1,220	74
- impairment of financial assets	2,109	1,076	1,174	16
- provisions for liabilities and charges	455	845	(243)	(196)
- depreciation and valuation of non-financial assets	(20)	(208)	2	8
- fair value adjustments of financial assets measured at amortised cost	(2,743)	(2,892)	-	-
- tax losses	(253)	-	-	-
- dividends	(3,876)	-	(3,876)	-
- tax reliefs	(463)	(86)	-	-
- other	229	291	-	-
Included in other comprehensive income	8,174	(348)	872	1,010
- valuation and impairment of financial assets measured at fair value through other comprehensive income	8,174	(348)	872	1,010
Included in equity - transfer of fair value reserve	-	368	-	-
- valuation of financial assets measured at fair value through other comprehensive income	-	368	-	-

As at 30 June 2022, NLB recognised EUR 39,264 thousand deferred tax assets (31 December 2021: EUR 39,261 thousand). Unrecognised deferred tax assets amount to EUR 207,589 thousand (31 December 2021: EUR 196,523 thousand).

thousand) of which EUR 184,257 thousand (31 December 2021: EUR 185,231 thousand) relates to unrecognised deferred tax assets from tax losses (no deadlines by which uncovered tax losses must be utilized), EUR 411 thousand (31 December 2021: EUR 823 thousand) to unrecognised deferred tax assets from tax reliefs and EUR 22,921 thousand (31 December 2021: EUR 10,469 thousand) to unrecognised deferred tax assets from valuation of financial instruments and impairments of non-strategic capital investments.

5.14. Income tax relating to components of other comprehensive income

	in EUR thousands					
	NLB Group			NLB		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Six months ended June 2022						
Financial assets measured at fair value through other comprehensive income	(129,488)	8,174	(121,314)	(73,571)	872	(72,699)
Total	(129,488)	8,174	(121,314)	(73,571)	872	(72,699)

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

5.15. Other liabilities

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2022	31 Dec 2021	Change	30 Jun 2022	31 Dec 2021	Change
Accrued salaries	28,688	18,615	54%	13,848	9,050	53%
Unused annual leave	6,019	6,032	0%	2,425	2,425	0%
Taxes payable	4,999	9,450	-47%	3,498	3,999	-13%
Deferred income	11,975	11,374	5%	5,066	5,257	-4%
Payments received in advance	2,666	3,997	-33%	78	308	-75%
Total	54,347	49,468	10%	24,915	21,039	18%

5.16. Book value per share

	in EUR thousands			
	NLB Group		NLB	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Total equity attributable to owners of the parents (in EUR thousand)	2,195,555	2,078,733	1,496,114	1,551,934
Number of shares (in thousands)	20,000	20,000	20,000	20,000
Book value per share (in EUR)	109.8	103.9	74.8	77.6

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

5.17. Capital adequacy ratio

	in EUR thousands			
	NLB Group		NLB	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Paid-up capital instruments	200,000	200,000	200,000	200,000
Share premium	871,378	871,378	871,378	871,378
Retained earnings - from previous years	900,020	767,152	358,266	249,845
Profit eligible - from current year	205,039	135,968	-	39,613
Accumulated other comprehensive income	(127,184)	(10,091)	(63,931)	8,768
Other reserves	13,522	13,522	13,522	13,522
Minority interest	26,184	27,905	-	-
Prudential filters: Additional Valuation Adjustments (AVA)	(3,065)	(3,498)	(1,530)	(1,606)
(-) Goodwill	(3,529)	(3,529)	-	-
(-) Other intangible assets	(38,408)	(39,116)	(20,554)	(18,829)
(-) Insufficient coverage for non-performing exposures	(130)	(90)	(91)	(10)
(-) Deduction item related to credit impairments and provisions not included in capital	(350)	-	(727)	-
COMMON EQUITY TIER 1 CAPITAL (CET1)	2,043,477	1,959,601	1,356,333	1,362,681
Minority interest	5,451	5,950	-	-
Additional Tier 1 capital	5,451	5,950	-	-
TIER 1 CAPITAL	2,048,928	1,965,551	1,356,333	1,362,681
Capital instruments and subordinated loans eligible as Tier 2 capital	284,595	284,595	284,595	284,595
Minority interest	2,682	2,344	-	-
TIER 2 CAPITAL	287,277	286,939	284,595	284,595
TOTAL CAPITAL	2,336,205	2,252,490	1,640,928	1,647,276
RWA for credit risk	11,605,651	10,205,172	5,906,176	5,411,433
RWA for market risks	1,248,975	1,206,363	763,913	698,463
RWA for credit valuation adjustment risk	73,900	11,850	71,088	11,850
RWA for operational risk	1,244,023	1,244,023	586,781	586,781
TOTAL RISK EXPOSURE AMOUNT (RWA)	14,172,549	12,667,408	7,327,958	6,708,527
Common Equity Tier 1 Ratio	14.4%	15.5%	18.5%	20.3%
Tier 1 Ratio	14.5%	15.5%	18.5%	20.3%
Total Capital Ratio	16.5%	17.8%	22.4%	24.6%

As at 30 June 2022, the TCR for the Group stood at 16.5% (or 1.3 p.p. lower than as at 31 December 2021), and the CET1 ratio for the Group stood at 14.4% (1.1 p.p. lower than as at 31 December 2021). The lower total capital adequacy derives from higher RWA (EUR 1,505.1 million compared to 2021 YE) which was not compensated by higher capital (EUR 83.7 million compared to 2021 YE). The capital is higher mainly due to the inclusion of negative goodwill from acquisition of N Banka in retained earnings in the amount of EUR 172.8 million and a partial inclusion of Q1 2022 profit in the amount of EUR 32.2 million, which compensated the negative revaluation adjustments on FVOCI securities (EUR -117.1 million compared to the end of 2021).

The capital calculation does not include a part of the 2021 result in the amount of EUR 50 million, still envisaged for second instalment of dividend distribution in 2022. Therefore, there will be no effect on the capital in case dividends are paid.

RWAs in the NLB Group increased by EUR 1,505,1 million compared to the end of 2021. RWA for credit risk increased by EUR 1,400.5 million, where EUR 858.9 million of the increase relates to N Banka. The remaining part of RWA increase in the amount of EUR 541.6 million was mainly the consequence of increased lending activity in all the banks in the NLB Group, mostly in the Bank and NLB Komercijalna Banka, Beograd. Higher RWA for high-risk exposures is the result of a new loan given to a venture capital company, new loans for project financing as well as drawing of loans for project financing granted in the previous year. RWA growth was partially mitigated by assuring CRR eligibility for real estate collaterals from Bosnia and Herzegovina, and Serbia. Furthermore, RWA decrease was observed for liquidity assets due to a lower exposure to the Serbian central bank and maturity of some Serbian bonds; both in NLB Komercijalna Banka, Beograd. The lower exposure to institutions also resulted in a reduced RWA in almost all the banks in the NLB Group, but mostly in NLB Komercijalna Banka, Beograd.

The increase in RWAs for market risks and CVA (Credit Value Adjustments) in the amount of EUR 104.7 million compared to the end of 2021 is the result of higher RWA for CVA risk in the amount of EUR 62.1 million (the consequence of the conclusion of long-term derivatives) and higher RWA for FX risk in the amount of EUR 42.6 million.

5.18. Off-balance sheet liabilities

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2022	31 Dec 2021	Change	30 Jun 2022	31 Dec 2021	Change
Loan commitments	2,065,298	1,878,988	10%	1,403,157	1,259,489	11%
Non-financial guarantees	835,331	703,101	19%	459,372	437,166	5%
Financial guarantees	617,383	533,633	16%	303,936	289,935	5%
Letters of credit	27,636	35,615	-22%	3,575	1,950	83%
Other	14,680	13,167	11%	3,958	1,037	-
	3,560,328	3,164,504	13%	2,173,998	1,989,577	9%
Provisions (note 5.12.)	(32,808)	(33,441)	2%	(19,054)	(20,560)	7%
Total	3,527,520	3,131,063	13%	2,154,944	1,969,017	9%

In addition to the instruments presented in the table above, NLB Group and NLB have also some low-risk off-balance sheet items, for which 0% credit conversion factor is applied in accordance with the Capital Requirements Regulation (credit and other lines which can be irrevocably cancelled by a bank). As at 30 June 2022, these items at the NLB Group level amount to EUR 639,047 thousand (31 December 2021: EUR 372,403 thousand), and at the NLB level EUR 317,162 thousand (31 December 2021: EUR 302,063 thousand).

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

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

The fair value hierarchy comprises the following levels:

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

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

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

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

30 Jun 2022	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
	in EUR thousands							
Financial assets								
Financial instruments held for trading	-	14,899	-	14,899	-	10,676	-	10,676
Derivatives	-	14,899	-	14,899	-	10,676	-	10,676
Derivatives - hedge accounting	-	32,725	-	32,725	-	32,725	-	32,725
Financial assets measured at fair value through other comprehensive income	1,811,046	1,205,695	3,302	3,020,043	1,452,850	50,019	2,081	1,504,950
Debt instruments	1,810,478	1,127,371	2,092	2,939,941	1,452,850	7,074	1,812	1,461,736
Equity instruments	568	78,324	1,210	80,102	-	42,945	269	43,214
Non-trading financial assets mandatorily at fair value through profit or loss	11,566	-	6,377	17,943	-	7,991	6,377	14,368
Debt instruments	3,171	-	-	3,171	-	-	-	-
Equity instruments	8,395	-	6,377	14,772	-	-	6,377	6,377
Loans	-	-	-	-	-	7,991	-	7,991
Financial liabilities								
Financial instruments held for trading	-	11,979	-	11,979	-	7,963	-	7,963
Derivatives	-	11,979	-	11,979	-	7,963	-	7,963
Derivatives - hedge accounting	-	5,341	-	5,341	-	5,341	-	5,341
Financial liabilities measured at fair value through profit or loss	-	1,535	-	1,535	-	3,058	-	3,058
Non-financial assets								
Investment properties	-	18,228	27,093	45,321	-	8,954	-	8,954
Non-current assets held for sale	-	7,441	-	7,441	-	4,587	-	4,587

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

b) Significant transfers of financial instruments between levels of valuation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Movements of financial assets and liabilities at Level 3

in EUR thousands						
	Financial instruments held for trading	Financial assets measured at fair value through OCI		Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets
NLB Group	Derivatives	Debt instruments	Equity instruments	Equity instruments	Loans and other financial assets	
Balance as at 1 Jan 2022		1	351	1,136	4,472	5,960
Acquisition of subsidiaries	-	-	-	12	-	12
Effects of translation of foreign operations to presentation currency	-	-	(1)	-	-	(1)
Valuation:						
- through profit or loss	(1)	-	-	(446)	-	(447)
- recognised in other comprehensive income	-	-	63	-	-	63
Exchange differences	-	-	-	351	-	351
Increases	-	-	-	2,000	-	2,000
Decreases	-	(71)	-	-	-	(71)
Transfers to Level 3	-	1,812	-	-	-	1,812
Balance as at 30 Jun 2022	-	2,092	1,210	6,377	-	9,679

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

in EUR thousands						
	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
NLB	Derivatives	Debt instruments	Equity instruments	Equity instruments	Loans and other financial assets	
Balance as at 1 Jan 2022		1	-	219	4,472	4,692
Valuation:						
- through profit or loss	(1)	-	-	(446)	-	(447)
- recognised in other comprehensive income	-	-	50	-	-	50
Exchange differences	-	-	-	351	-	351
Increases	-	-	-	2,000	-	2,000
Decreases	-	-	-	-	-	-
Transfers to Level 3	-	1,812	-	-	-	1,812
Balance as at 30 Jun 2022	-	1,812	269	6,377	-	8,458

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

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

in EUR thousands			
Six months ended 30 Jun 2022	NLB Group		
	Financial assets held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments
Items of Income statement			
Gains less losses from financial assets and liabilities held for trading	(1)	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	(446)
Foreign exchange translation gains less losses	-	-	351
Item of Other comprehensive income			
Financial assets measured at fair value through other comprehensive income	-	63	-

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

in EUR thousands			
Six months ended 30 Jun 2022	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
	Derivatives	Equity instruments	Equity instruments
Items of Income statement			
Gains less losses from financial assets and liabilities held for trading	(1)	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	(446)
Foreign exchange translation gains less losses	-	-	351
Item of Other comprehensive income			
Financial assets measured at fair value through other comprehensive income	-	50	-

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

Movements of non-financial assets at Level 3

in EUR thousands		
NLB Group		
Investment property	2022	2021
Balance as at 1 Jan	27,642	32,210
Effects of translation of foreign operations to presentation currency	(25)	(3)
Additions	35	1,374
Disposals	(559)	(584)
Net valuation to fair value	-	(7)
Balance as at 30 Jun	27,093	32,990

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

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

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

in EUR thousands								
NLB Group				NLB				
30 Jun 2022		31 Dec 2021		30 Jun 2022		31 Dec 2021		
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets measured at amortised cost								
- debt securities	1,866,595	1,764,675	1,717,626	1,745,225	1,599,093	1,505,654	1,436,424	1,461,185
- loans and advances to banks	176,826	176,991	140,683	140,843	300,943	312,625	199,287	204,743
- loans and advances to customers	12,620,218	12,835,788	10,587,121	10,751,051	5,647,493	5,763,152	5,145,153	5,235,839
- other financial assets	138,304	138,304	122,229	122,229	101,515	101,515	92,404	92,404
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	138,006	137,195	71,828	69,720	169,533	169,960	109,329	109,522
- borrowings from banks and central banks	250,662	248,464	858,531	849,834	44,142	42,396	873,479	863,970
- due to customers	19,151,110	19,161,187	17,640,809	17,658,686	10,296,584	10,302,030	9,659,605	9,664,607
- borrowings from other customers	76,141	80,688	74,051	73,744	437	437	406	406
- subordinated liabilities	287,765	267,285	288,519	292,130	287,765	267,285	288,519	292,130
- other financial liabilities	283,602	283,602	206,878	206,878	161,236	161,236	102,527	102,527

Loans and advances to banks

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

Loans and advances to customers

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

Deposits and borrowings from customers

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

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

Debt securities measured at amortised cost and issued debt securities

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

Loan commitments

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

Other financial assets and liabilities

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

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

in EUR thousands								
30 Jun 2022	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets measured at amortised cost								
- debt securities	1,472,973	284,698	7,004	1,764,675	1,410,392	95,262	-	1,505,654
- loans and advances to banks	-	176,991	-	176,991	-	312,625	-	312,625
- loans and advances to customers	-	12,835,788	-	12,835,788	-	5,763,152	-	5,763,152
- other financial assets	-	138,304	-	138,304	-	101,515	-	101,515
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	-	137,195	-	137,195	-	169,960	-	169,960
- borrowings from banks and central banks	-	248,464	-	248,464	-	42,396	-	42,396
- due to customers	-	19,161,187	-	19,161,187	-	10,302,030	-	10,302,030
- borrowings from other customers	-	80,688	-	80,688	-	437	-	437
- subordinated liabilities	225,733	41,552	-	267,285	225,733	41,552	-	267,285
- other financial liabilities	-	283,602	-	283,602	-	161,236	-	161,236

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

6. Analysis by segment for NLB Group

a) Segments

in EUR thousands								
NLB Group								
	Corporate and							
	Retail	Investment	Strategic	Financial	Non-Core	Other	Unallocated	Total
Six months ended 30 June 2022	Banking in	Banking in	Foreign	Markets in	Members	activities		
	Slovenia	Slovenia	Markets	Slovenia				
Total net income	90,274	49,906	194,631	21,211	2,054	3,292	-	361,368
<i>Net income from external customers</i>	100,831	56,560	195,098	347	1,977	3,264	-	358,077
<i>Intersegment net income</i>	(10,557)	(6,654)	(467)	20,864	77	28	-	3,291
Net interest income	43,608	22,028	137,083	22,891	117	642	-	226,369
<i>Net interest income from external customers</i>	58,194	29,128	139,529	(1,419)	275	662	-	226,369
<i>Intersegment net interest income</i>	(14,586)	(7,100)	(2,446)	24,310	(158)	(20)	-	-
Administrative expenses	(59,277)	(26,324)	(95,592)	(4,341)	(5,315)	(8,259)	-	(199,108)
Depreciation and amortisation	(5,458)	(2,190)	(14,165)	(307)	(233)	(558)	-	(22,911)
Reportable segment profit/(loss) before impairment and provision charge	25,539	21,392	84,874	16,563	(3,494)	(5,525)	-	139,349
Other net gains/(losses) from equity investments in subsidiaries, associates and joint ventures	1,570	-	-	-	-	-	-	1,570
Negative goodwill	-	-	-	-	-	172,810	-	172,810
Impairment and provisions charge	(5,800)	12,740	896	(7,518)	1,016	(9,009)	-	(7,675)
Profit/(loss) before income tax	21,309	34,132	85,770	9,045	(2,478)	158,276	-	306,054
<i>Owners of the parent</i>	21,309	34,132	77,363	9,045	(2,478)	158,276	-	297,647
<i>Non-controlling interests</i>	-	-	8,407	-	-	-	-	8,407
Income tax	-	-	-	-	-	-	(10,633)	(10,633)
Profit for the year								287,014
30 Jun 2022								
Reportable segment assets	3,510,780	3,266,667	9,760,220	5,711,040	89,903	378,625	-	22,717,235
Investments in associates and joint ventures	13,105	-	-	-	-	-	-	13,105
Reportable segment liabilities	8,772,842	2,579,179	8,243,808	658,223	2,683	154,544	-	20,411,279

in EUR thousands								
NLB Group								
	Corporate and							
	Retail	Investment	Strategic	Financial	Non-Core	Other	Unallocated	Total
Six months ended 30 June 2021	Banking in	Banking in	Foreign	Markets in	Members	activities		
	Slovenia	Slovenia	Markets	Slovenia				
Total net income	78,055	61,550	178,779	11,060	3,268	3,331	-	336,043
<i>Net income from external customers</i>	87,039	65,945	179,699	(5,255)	3,160	3,320	-	333,908
<i>Intersegment net income</i>	(8,984)	(4,395)	(920)	16,315	108	11	-	2,135
Net interest income	38,631	17,905	130,023	11,734	374	(24)	-	198,643
<i>Net interest income from external customers</i>	48,088	22,180	131,954	(4,136)	592	(35)	-	198,643
<i>Intersegment net interest income</i>	(9,457)	(4,275)	(1,931)	15,870	(218)	11	-	-
Administrative expenses	(49,336)	(19,327)	(93,297)	(3,610)	(4,948)	(5,304)	-	(175,822)
Depreciation and amortisation	(5,856)	(2,075)	(14,576)	(318)	(415)	(367)	-	(23,607)
Reportable segment profit/(loss) before impairment and provision charge	22,863	40,148	70,906	7,132	(2,095)	(2,340)	-	136,614
Other net gains/(losses) from equity investments in subsidiaries, associates and joint ventures	421	-	-	-	-	-	-	421
Impairment and provisions charge	(2,678)	16,063	1,995	119	1,738	1,723	-	18,960
Profit/(loss) before income tax	20,606	56,211	72,901	7,251	(357)	(617)	-	155,995
<i>Owners of the parent</i>	20,606	56,211	66,272	7,251	(357)	(617)	-	149,366
<i>Non-controlling interests</i>	-	-	6,629	-	-	-	-	6,629
Income tax	-	-	-	-	-	-	(9,561)	(9,561)
Profit for the year								139,805
31 Dec 2021								
Reportable segment assets	2,811,209	2,333,769	9,797,839	6,190,193	95,905	337,056	-	21,565,971
Investments in associates and joint ventures	11,525	-	-	-	-	-	-	11,525
Reportable segment liabilities	7,720,693	1,966,530	8,315,316	1,231,669	7,749	119,416	-	19,361,373

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

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

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

The core segments are the following:

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

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

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

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

b) Geographical information

NLB Group	Revenues		Net income		Non-current assets		In EUR thousands	
	six months ended		six months ended		30 Jun 2022	31 Dec 2021	Total assets	
	June 2022	June 2021	June 2022	June 2021			30 Jun 2022	31 Dec 2021
Slovenia	205,479	167,942	162,338	152,667	157,615	150,829	12,906,669	11,716,270
South East Europe	236,024	220,571	195,595	180,819	208,715	214,380	9,807,243	9,845,128
North Macedonia	45,246	42,284	37,363	33,831	36,212	37,384	1,731,774	1,758,269
Serbia	100,733	92,320	83,884	74,237	105,654	108,515	4,615,826	4,780,843
Montenegro	22,489	20,564	17,715	17,722	17,761	18,328	761,424	775,238
Croatia	3	4	128	196	379	383	4,150	4,025
Bosnia and Herzegovina	39,783	40,914	32,905	34,615	33,809	34,782	1,714,801	1,596,370
Kosovo	27,770	24,485	23,600	20,218	14,900	14,988	979,268	930,383
Western Europe	16	3	144	422	30	30	16,428	16,098
Germany	3	1	46	490	30	30	838	971
Switzerland	13	2	98	(68)	-	-	15,590	15,127
Total	441,519	388,516	358,077	333,908	366,360	365,239	22,730,340	21,577,496

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

7. Related-party transactions

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

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

in EUR thousands									
	Management Board and other key management personnel		Family members of the Management Board and other key management personnel		Companies in which members of the Management Board, key management personnel, or their family members have control, joint control or a significant influence		Supervisory Board		
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021	
NLB Group									
Loans and deposits issued	2,008	2,097	471	415	463	532	56	60	
Deposits received	2,742	2,170	903	718	1,857	590	386	505	
Other financial assets	1	-	-	-	-	-	-	-	
Other financial liabilities	-	3	-	1	10	14	-	-	
Other financial liabilities measured at fair value through profit or loss (note 2.2.)	824	-	-	-	-	-	-	-	
Other operating liabilities	6,584	2,265	-	-	-	-	-	-	
Guarantees issued and loan commitments	258	215	81	72	44	194	24	23	
NLB									
Loans and deposits issued	2,008	2,097	471	415	463	532	56	60	
Deposits received	2,618	2,170	903	718	1,857	590	386	505	
Other financial assets	-	3	-	-	10	14	-	-	
Other financial liabilities measured at fair value through profit or loss (note 2.2.)	824	-	-	-	-	-	-	-	
Other operating liabilities	6,540	2,265	-	-	-	-	-	-	
Guarantees issued and loan commitments	244	215	81	72	44	194	24	23	
	six months ended		six months ended		six months ended		six months ended		
	June 2022	June 2021	June 2022	June 2021	June 2022	June 2021	June 2022	June 2021	
NLB and NLB Group									
Interest income	18	19	4	4	4	-	1	3	
Interest expenses	(2)	(1)	-	-	-	-	(1)	-	
Fee income	10	6	4	3	62	37	1	-	
Other income	7	4	-	-	-	-	-	-	
Other expenses	-	-	-	-	(43)	(29)	-	-	

Key management compensation – payments in the period

in EUR thousands					
	Management Board		Other key management personnel		
	six months ended		six months ended		
	June 2022	June 2021	June 2022	June 2021	
NLB Group and NLB					
Short-term benefits	863	834	3,125	2,675	
Cost refunds	2	2	47	40	
Long-term bonuses					
- severance pay	-	-	-	5	
- other benefits	2	3	38	33	
- variable part of payments	276	375	1,425	2,096	
Total	1,143	1,214	4,635	4,849	

Short-term benefits include:

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

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

Related-party transactions with subsidiaries, associates and joint ventures

in EUR thousands				
NLB Group				
	Associates		Joint ventures	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Loans and deposits issued	1,069	1,011	201	201
Deposits received	11,763	7,967	3,421	3,492
Other financial assets	5	20	-	-
Other financial liabilities	403	1,148	-	1
Guarantees issued and loan commitments	36	2,032	-	-
	six months ended		six months ended	
	June	June	June	June
	2022	2021	2022	2021
Interest income	15	22	1	2
Interest expenses	-	-	(27)	(35)
Fee income	47	11	-	-
Fee expenses	(6,723)	(5,803)	-	-
Other income	71	69	2	1
Other expenses	(263)	(290)	-	-

in EUR thousands						
NLB						
	Subsidiaries		Associates		Joint ventures	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Loans and deposits issued	471,710	334,251	993	1,011	201	201
Loans and deposits received	89,608	112,857	11,763	7,967	20	27
Other financial assets	18,267	25,491	5	20	-	-
Other financial liabilities	1,998	1,860	114	1,001	-	-
Guarantees issued and loan commitments	85,070	34,016	36	2,032	-	-
Received loan commitments and financial guarantees	11,057	14,541	-	-	-	-
	six months ended		six months ended		six months ended	
	June	June	June	June	June	June
	2022	2021	2022	2021	2022	2021
Interest income	3,420	2,308	15	22	1	2
Interest expenses	(11)	(2)	-	-	-	-
Fee income	5,306	4,372	47	11	-	-
Fee expenses	(55)	(8)	(4,907)	(4,307)	-	-
Other income	621	449	71	69	1	1
Other expenses	(3,934)	(511)	(256)	(284)	-	-
Gains less losses from financial assets and liabilities held for trading	(740)	(141)	-	-	-	-
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	(1,790)	(286)	-	-	-	-

Related-party transactions with major shareholder with significant influence

	in EUR thousands			
	NLB Group		NLB	
	Shareholder		Shareholder	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Loans and deposits issued	17,845	20,534	17,845	20,534
Investments in securities	785,072	534,522	618,619	483,656
Other financial assets	669	659	669	659
Other financial liabilities	16	4	16	4
Guarantees issued and loan commitments	1,127	1,184	1,127	1,184
	six months ended		six months ended	
	June	June	June	June
	2022	2021	2022	2021
Interest income	3,591	3,796	3,756	3,923
Interest expenses	(207)	(466)	(207)	(466)
Fee income	196	154	196	154
Fee expenses	(11)	(11)	(11)	(11)
Other income	123	91	123	91
Other expenses	(2)	(2)	(2)	(2)
Gains less losses from financial assets and liabilities held for trading	(62)	(147)	(62)	(147)

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

	in EUR thousands			
	Amount of significant transactions concluded during the period		Number of significant transactions concluded during the period	
	six months ended	12 months ended	six months ended	12 months ended
	June	December	June	December
	2022	2021	2022	2021
NLB Group and NLB				
Guarantees issued and loan commitments	-	70,000	-	1

	in EUR thousands			
	Amount of significant transactions concluded during the period		Number of significant transactions concluded during the period	
	six months ended	12 months ended	six months ended	12 months ended
	June	December	June	December
	2022	2021	2022	2021
NLB Group and NLB				
Guarantees issued and loan commitments	-	70,000	-	1

	in EUR thousands	
	Effects in the income statement during the period	
	six months ended	
	June	June
	2022	2021
NLB Group and NLB		
Interest income from loans	1,758	1,391
Fees and commissions income	280	172
Interest income from debt securities measured at amortised cost and net valuation effects from hedge accounting	(2,989)	(449)
Interest expenses from borrowings, deposits, and business accounts	(99)	(106)

8. Subsidiaries

NLB Group's subsidiaries as at 30 June 2022:

in EUR thousands						
	Nature of Business	Country of Incorporation	NLB's shareholding %	NLB's voting rights %	NLB Group's shareholding %	NLB Group's voting rights%
Core members						
NLB Banka a.d., Skopje	Banking	North Macedonia	86.97	86.97	86.97	86.97
NLB Banka a.d., Podgorica	Banking	Montenegro	75.90	75.90	99.87	99.87
NLB Banka a.d., Banja Luka	Banking	Bosnia and Herzegovina	99.85	99.85	99.85	99.85
NLB Banka sh.a., Prishtina	Banking	Kosovo	82.38	82.38	82.38	82.38
NLB Banka d.d., Sarajevo	Banking	Bosnia and Herzegovina	97.34	97.35	97.34	97.35
NLB Komercijalna banka a.d. Beograd	Banking	Serbia	90.22	91.73	90.22	91.73
KomBank Invest a.d. Beograd	Finance	Serbia	-	-	100	100
N Banka d.d., Ljubljana	Banking	Slovenia	100	100	100	100
Privatinvest d.o.o., Ljubljana	Real estate	Slovenia	-	-	100	100
NLB Skladi d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Lease&Go, leasing d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Zavod za upravljanje kulturne dediščine, Ljubljana	Cultural heritage management	Slovenia	100	100	100	100
NLB DigIT d.o.o., Beograd	IT services	Serbia	100	100	100	100
Non-core members						
NLB Leasing d.o.o. - v likvidaciji, Ljubljana*	Finance	Slovenia	100	100	100	100
Optima Leasing d.o.o., Zagreb - "u likvidaciji"	Finance	Croatia	-	-	100	100
NLB Leasing d.o.o., Beograd - u likvidaciji	Finance	Serbia	100	100	100	100
Tara Hotel d.o.o., Budva	Real estate	Montenegro	12.71	12.71	100	100
PRO-REM d.o.o., Ljubljana - v likvidaciji	Real estate	Slovenia	100	100	100	100
OL Nekretnine d.o.o., Zagreb - u likvidaciji	Real estate	Croatia	-	-	100	100
REAM d.o.o., Podgorica	Real estate	Montenegro	100	100	100	100
REAM d.o.o., Beograd - Novi Beograd	Real estate	Serbia	100	100	100	100
SPV 2 d.o.o., Beograd - Novi Beograd	Real estate	Serbia	100	100	100	100
S-REAM d.o.o., Ljubljana	Real estate	Slovenia	100	100	100	100
REAM d.o.o., Zagreb	Real estate	Croatia	-	-	100	100
NLB Srbija d.o.o., Beograd	Real estate	Serbia	100	100	100	100
NLB Crna Gora d.o.o., Podgorica	Finance	Montenegro	100	100	100	100
NLB InterFinanz AG, Zürich in Liquidation	Finance	Switzerland	100	100	100	100
NLB InterFinanz d.o.o., Beograd	Finance	Serbia	-	-	100	100
LHB AG, Frankfurt	Finance	Germany	100	100	100	100

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

NLB Group's subsidiaries as at 31 December 2021:

in EUR thousands						
	Nature of Business	Country of Incorporation	NLB's shareholding %	NLB's voting rights %	NLB Group's shareholding %	NLB Group's voting rights%
Core members						
NLB Banka a.d., Skopje	Banking	North Macedonia	86.97	86.97	86.97	86.97
NLB Banka a.d., Podgorica	Banking	Montenegro	75.90	75.90	99.87	99.87
NLB Banka a.d., Banja Luka	Banking	Bosnia and Herzegovina	99.85	99.85	99.85	99.85
NLB Banka sh.a., Prishtina	Banking	Kosovo	82.38	82.83	82.83	82.83
NLB Banka d.d., Sarajevo	Banking	Bosnia and Herzegovina	97.34	97.35	97.34	97.35
NLB Banka a.d., Beograd	Banking	Serbia	100	100	100	100
Komercijalna banka a.d. Beograd	Banking	Serbia	86.70	88.28	86.70	88.28
KomBank Invest a.d. Beograd	Finance	Serbia	-	-	100	100
NLB Skladi d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Lease&Go, leasing d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Zavod za upravljanje kulturne dediščine, Ljubljana	Cultural heritage management	Slovenia	100	100	100	100
Non-core members						
NLB Leasing d.o.o., Ljubljana - v likvidaciji*	Finance	Slovenia	100	100	100	100
Optima Leasing d.o.o., Zagreb - "u likvidaciji"	Finance	Croatia	-	-	100	100
NLB Leasing d.o.o., Beograd - u likvidaciji	Finance	Serbia	100	100	100	100
Tara Hotel d.o.o., Budva	Real estate	Montenegro	12.71	12.71	100	100
PRO-REM d.o.o., Ljubljana - v likvidaciji	Real estate	Slovenia	100	100	100	100
OL Nekretnine d.o.o., Zagreb - u likvidaciji	Real estate	Croatia	-	-	100	100
REAM d.o.o., Podgorica	Real estate	Montenegro	100	100	100	100
REAM d.o.o., Beograd - Novi Beograd	Real estate	Serbia	100	100	100	100
SPV 2 d.o.o., Beograd - Novi Beograd	Real estate	Serbia	100	100	100	100
S-REAM d.o.o., Ljubljana	Real estate	Slovenia	100	100	100	100
REAM d.o.o., Zagreb	Real estate	Croatia	-	-	100	100
NLB Srbija d.o.o., Beograd	Real estate	Serbia	100	100	100	100
NLB Crna Gora d.o.o., Podgorica	Finance	Montenegro	100	100	100	100
NLB InterFinanz AG, Zürich in Liquidation	Finance	Switzerland	100	100	100	100
NLB InterFinanz d.o.o., Beograd	Finance	Serbia	-	-	100	100
LHB AG, Frankfurt	Finance	Germany	100	100	100	100

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

9. Events after the end of the reporting period

On 13 July 2022, NLB successfully squeezed out the remaining shareholders of NLB Komercijalna banka a.d. Beograd and thereby became the owner of 100% of this Serbian bank. Prior to the squeeze-out process, NLB owned 90.2155% of share capital and 91.7294% of voting rights. Through the squeeze-out process, NLB acquired 1,528,110 regular shares and 316,260 preferred shares with a total value of EUR 61.7 million.

On 19 July 2022, NLB issued senior preferred notes in the aggregate nominal amount of EUR 300 million, maturity date of 19 July 2025 and issuer's option for early redemption on 19 July 2024. The interest on the principal of the notes will accrue at the interest rate of 6% per annum and the issue price was equal to 100% of their nominal amount. The ISIN code of the notes is XS2498964209. The investor base is diverse, coming from international, domestic as well as regional accounts.

Glossary of Terms and Definitions

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

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