

# NLB Group Presentation

H1 2022 Results



**NLB Group**

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# Executive Summary

## Strong performance supported by N Banka acquisition

### H1 2022 Key Events

- Acquisition of Slovenian **Sberbank banka** on 1 March and renaming it to **N Banka** on 11 April.
- The integration process of Komercijalna Banka a.d., Belgrade and NLB Banka a.d., Belgrade, was successfully completed. From 30 April 2022, the bank operates under the new name **NLB Komercijalna banka a.d., Belgrade**. Based on the merger of NLB Banka a.d., Belgrade to Komercijalna Banka a.d., Belgrade as the acquirer, NLB Komercijalna Banka a.d., Belgrade is its universal legal successor.
- **S&P Rating:** On 11 May, 2022 S&P upgraded NLB to BBB with stable outlook.
- On 6 June NLB officially became a member of the UN-Convended **Net-Zero Banking Alliance**

### H1 2022 Business Performance

- Strong business performance marked by **exceptional loan growth** which supported net interest income growth and increased fee and commission income
- **Good asset quality trends** with well diversified portfolio, prudent credit standards and decisive workout approach
- **Strong capital and liquidity position** ensuring capital return and continued growth

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

- Limited and carefully monitored direct/indirect exposure to RU & UKR
- Inflationary pressures increased across the Group's region during this period
- GDP in the Group's region is seen expanding 4.0% in 2022 and 2.9% in 2023.
- The SEE region does not rely on natural gas as much as the euro area does.

# Key Developments



# Key performance indicators of NLB Group

## Impressive recurring performance with strong loan production

in EUR million / % / bps

	Q2 2022	Q1 2022	Q2 2021	Change YoY	Change QoQ
<b>Key Income Statement Data</b>					
Net operating income	183.6	174.5	179.9	7%	5%
Net interest income	118.6	107.8	101.1	14%	10%
Net non-interest income	65.0	66.7	78.7	-3%	-3%
o/w Net fee and commission income	69.1	64.5	59.9	17%	7%
Total costs	-116.0	-102.7	-100.7	-11%	-13%
Result before impairments and provisions	67.6	71.8	79.1	2%	-6%
Impairments and provisions	-3.3	-4.4	3.5	-	25%
Impairments and provisions for credit risk	1.6	-4.0	14.8	-	-
Other impairments and provisions	-4.9	-0.4	-11.3	55%	-
Negative goodwill	0.0	172.8	0.0	-	-
Result after tax	55.5	231.5	75.2	105%	-76%

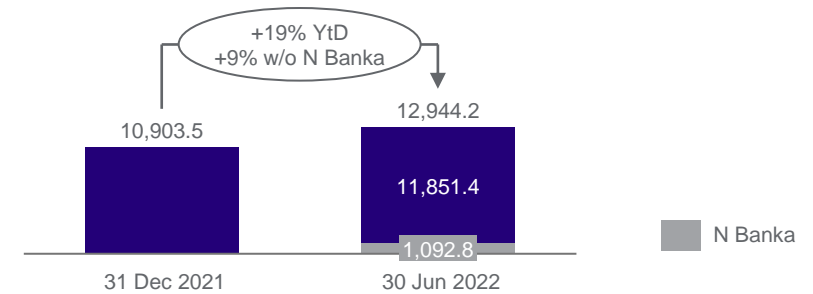
	1-6 2022	1-6 2021	ChangeYoY
<b>Key Financial Indicators</b>			
Return on equity after tax (ROE a.t.) <sup>(iv)</sup>	10.8%	13.8%	-3.0 p.p.
Return on assets after tax (ROA a.t.) <sup>(iv)</sup>	1.0%	1.4%	-0.3 p.p.
Net interest margin (on interest bearing assets)	2.12%	2.09%	0.04 p.p.
Operational business margin <sup>(i)</sup>	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) <sup>(ii, iv)</sup>	-6	-68	62

	30 Jun 2022	31 Dec 2021	30 Jun 2021	Change YtD	Change YoY
<b>Key Financial Position Statement Data</b>					
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%

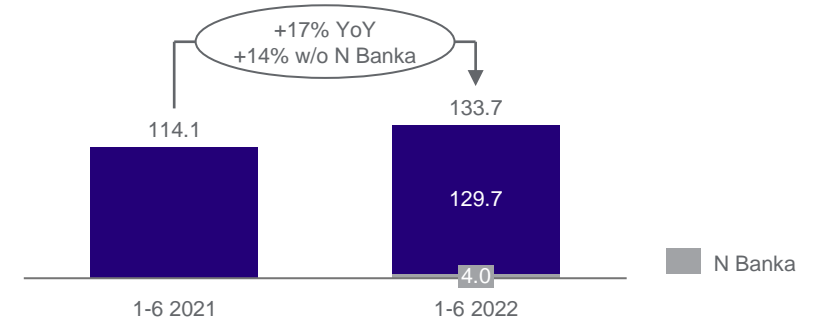
	30 Jun 2022	31 Dec 2021	30 Jun 2021	Change YtD	Change YoY
<b>Other Key Financial Indicators</b>					
LTD <sup>(iii)</sup>	65.9%	60.0%	58.7%	5.9 p.p.	7.1 p.p.
Total capital ratio	16.5%	17.8%	17.0%	-1.3 p.p.	-0.5 p.p.
Total risk exposure amount (RWA)	14,172.5	12,667.4	12,755.6	12%	11%

	30 Jun 2022	31 Dec 2021	30 Jun 2021	Change YtD	Change YoY
<b>Employees</b>					
Number of employees	8,394	8,185	8,455	209	-61

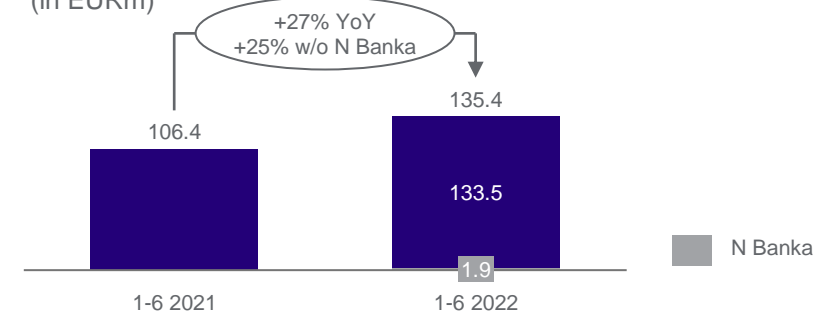
### Gross loans to customers (in EURm)



### Net fee and commission income (in EURm)



### Recurring result before impairments and provisions (in EURm)



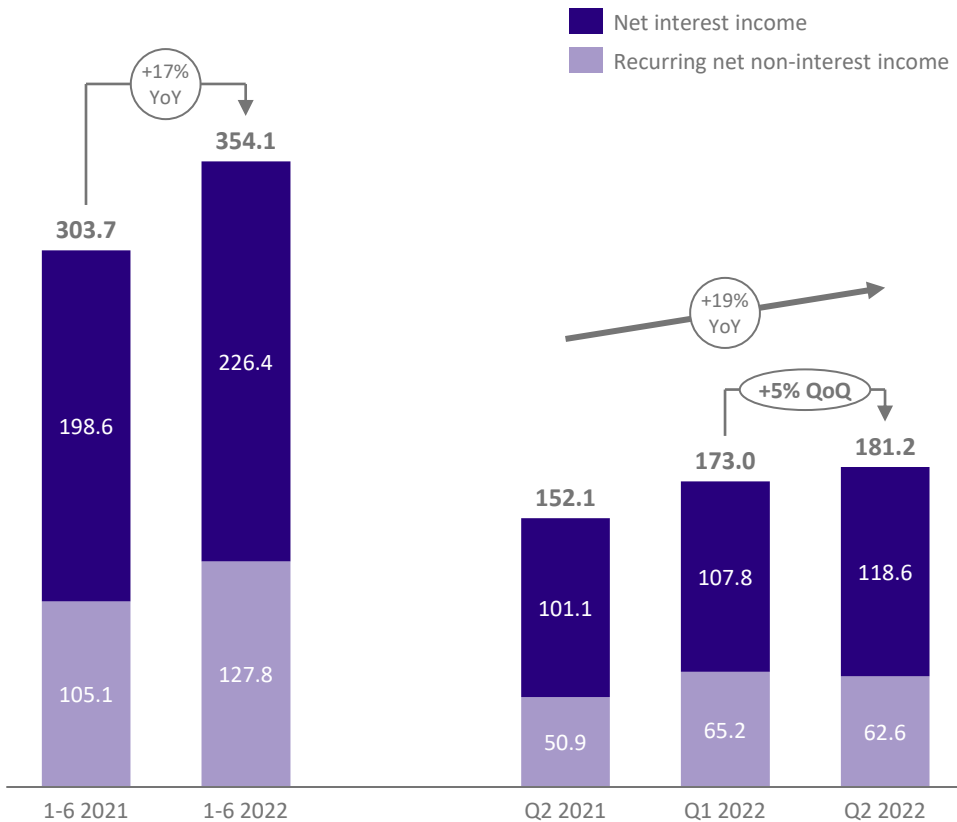
Notes: (i) Operational business margin = net income annualized / average assets. (ii) Cost of risk = credit impairments and provisions (annualized level) / average net loans to customers. (iii) LTD = Net loans to customers / deposits from customers. (iv) ROE and ROA for 2022 calculated without negative goodwill from acquisition of N Banka and effects of EUR 8.9 million of 12-month expected credit losses recognised at acquisition date for performing portfolio for N Banka not annualized; for CoR 2022 calculation effects of EUR 8.9 million of 12-month expected credit losses recognised at acquisition date for performing portfolio for N Banka not annualized.

# Revenues and Cost Dynamics

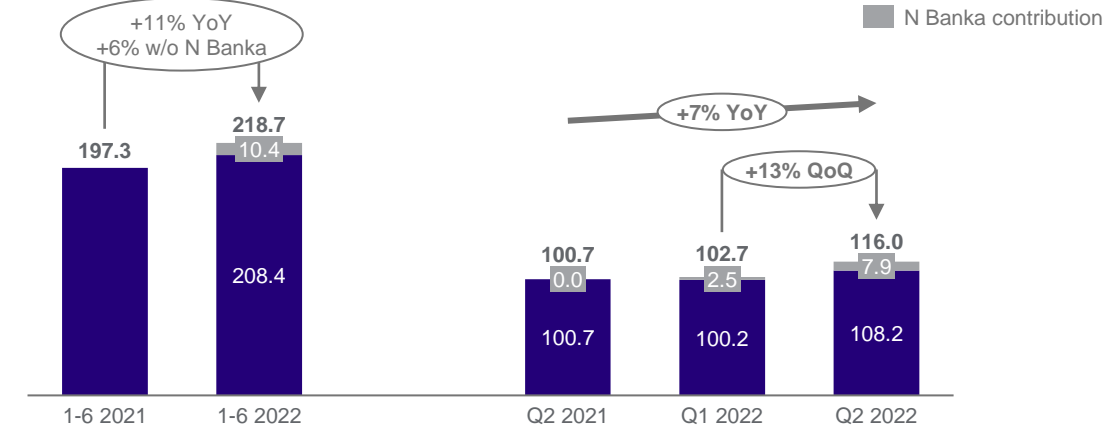
Strong recurring income momentum and still negative CoR

## Recurring net operating income

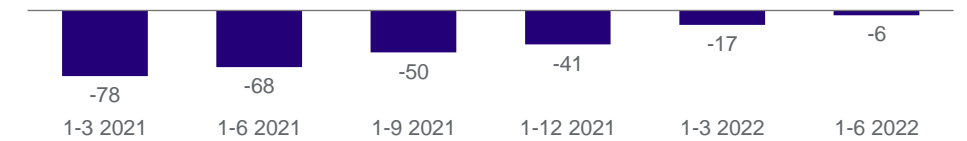
(in EUR million)



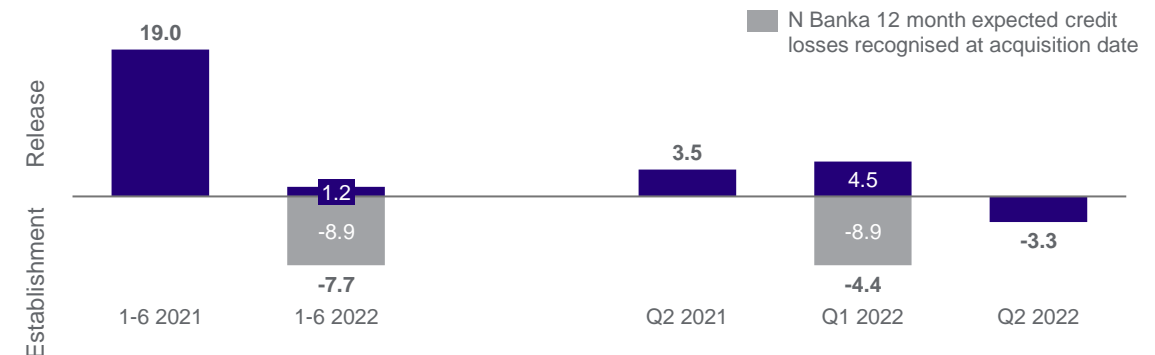
## Costs (Group, EURm)



## Cost of risk<sup>(i)</sup> (Group, bps)



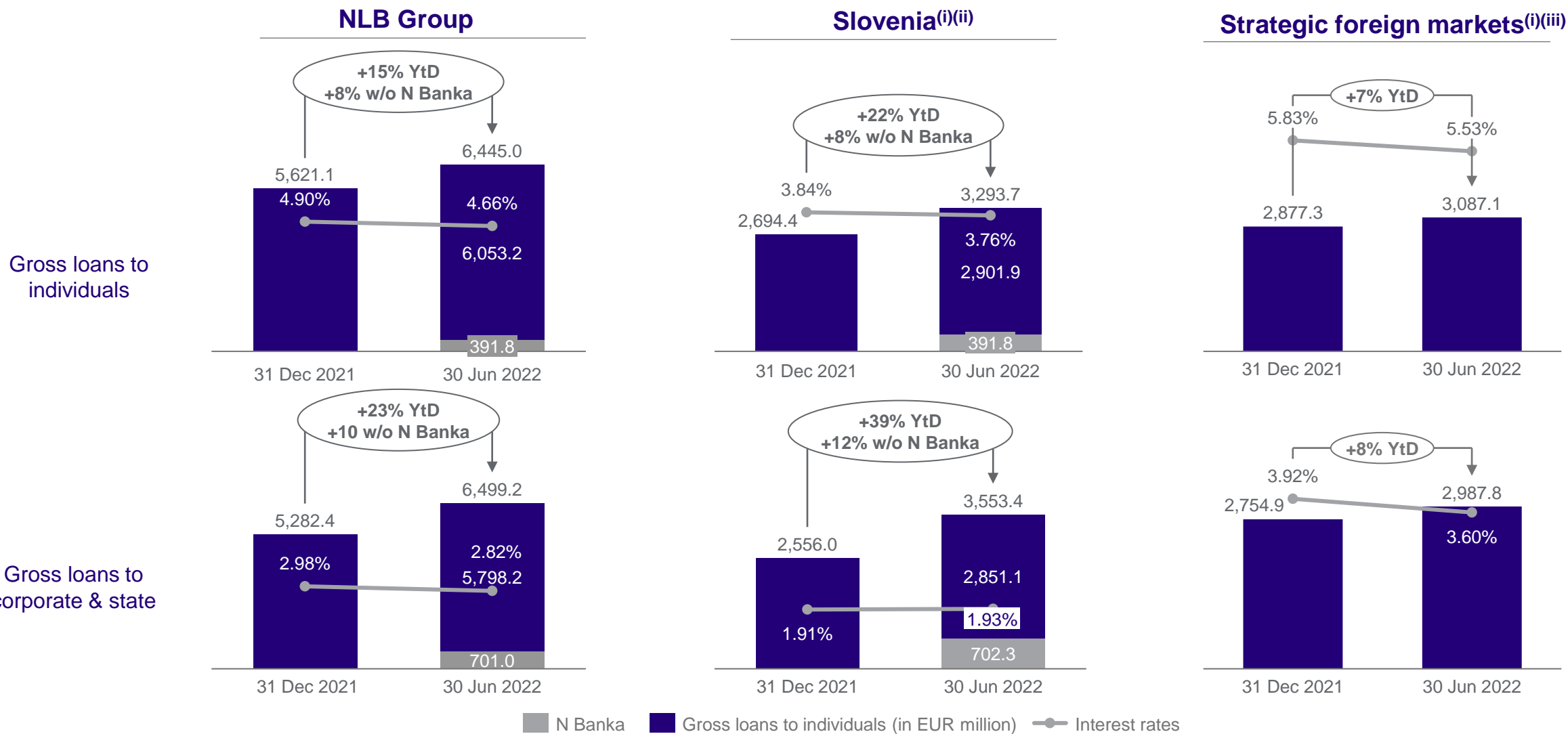
## Net impairments and provisions (Group, EURm)



Note: (i) Cost of risk = credit impairments and provisions (annualized level) / average net loans to customers; for CoR 2022 calculation effects of EUR 8.9 million of 12-month expected credit losses recognised at acquisition date for performing portfolio for N Banka not annualized.

# Loan dynamics

High loan growth across all markets and all segments

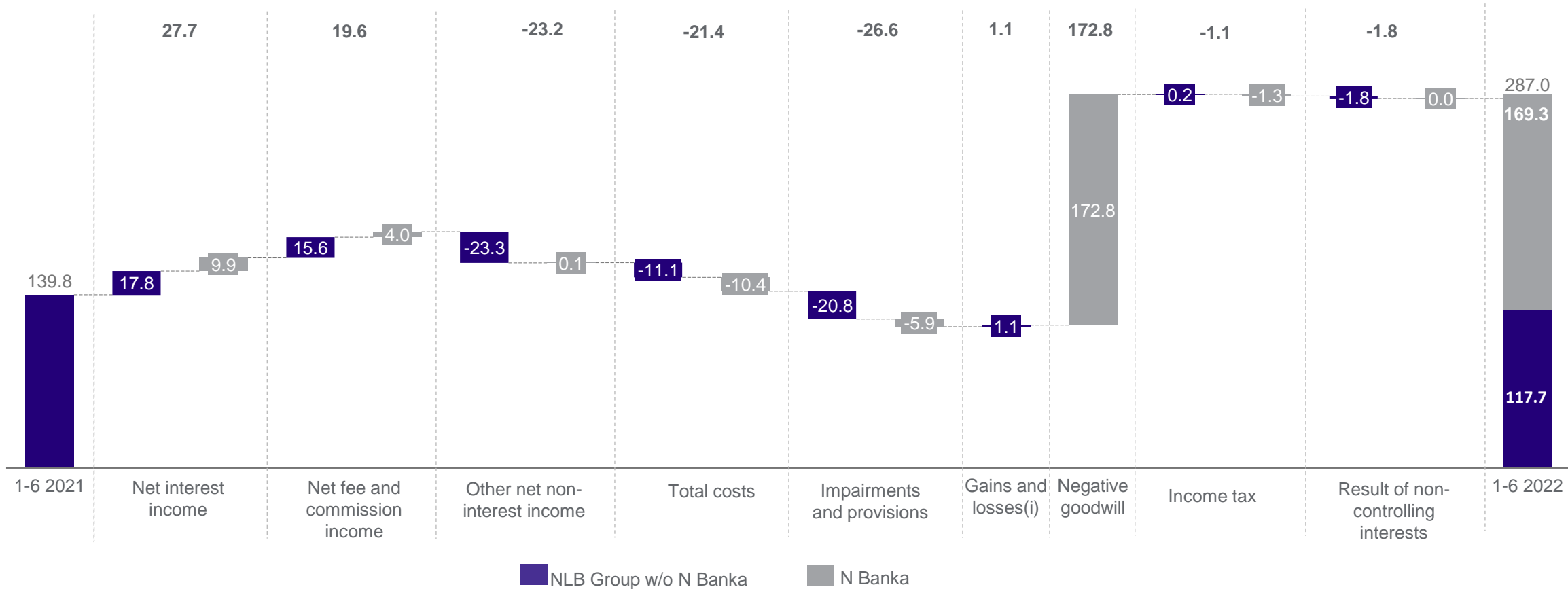


Note: (i) On stand alone basis; (ii) Includes NLB and N Banka; interest rates only for NLB; (iii) Includes only banks.

# Resilient Operating Income Performance

Result reflects strong underlying performance and contribution from N Banka

Net profit of NLB Group – evolution YoY (in EURm)



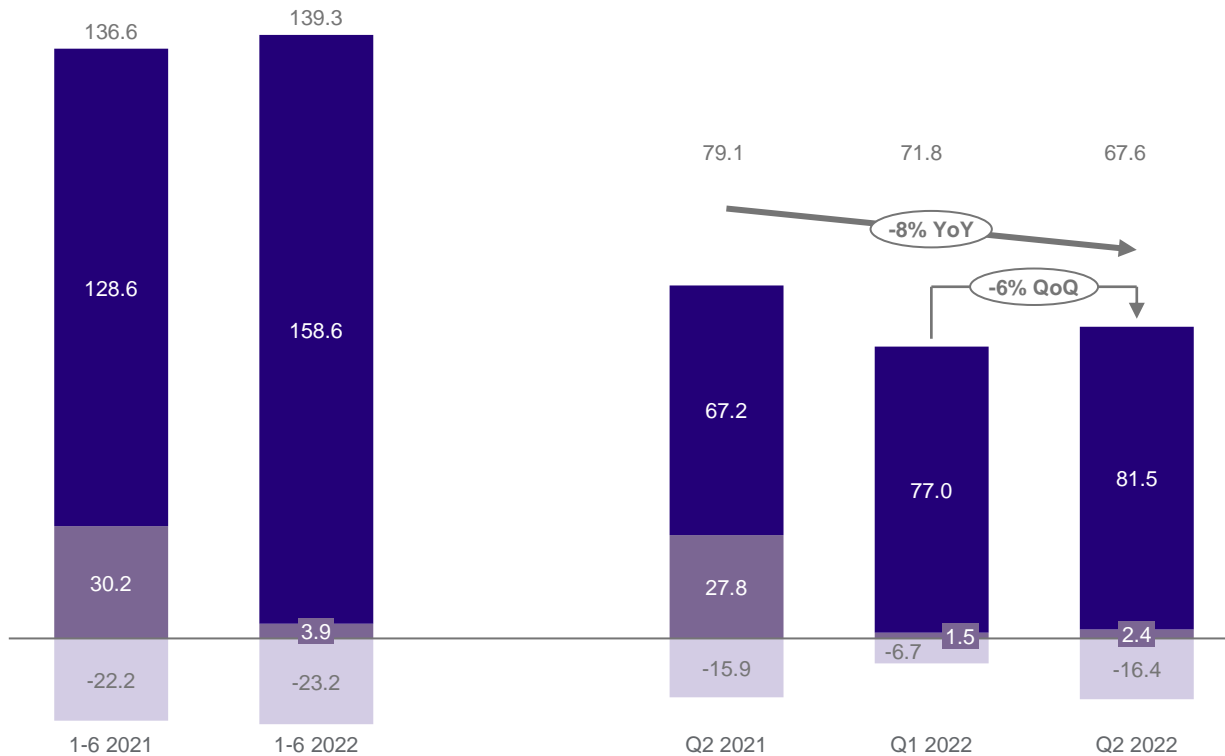
Strong performance of the NLB Group in H1 2022 led to a **profit of EUR 287.0 million**, including one-off effects from the acquisition of N Banka. Noteworthy, in H1 recurring profit before impairments and provisions grew 25% YoY excluding N Banka contribution.



# Income Statement

Recurring pre-provision profit is growing QoQ and YoY

Result before impairments and provisions (Group, EURm)



- Result before impairments and provisions w/o non-recurring income and regulatory costs
- Non-recurring net non-interest income
- Regulatory costs

Result before impairments and provisions EUR 67.6 million, lower QoQ and YoY w/o N Banka contribution, with recurring pre-provision profit growing QoQ and YoY. Main drivers:

- net interest income increased across all markets due to loan growth: EUR 17.8 million YoY (excluding N Banka)
- net fee and commission income increased 14% YoY (excluding N Banka); increase in all markets, mostly in Slovenia due to higher fees from investment funds and bancassurance products, high balance deposit fee and higher fees from cards and payments, and in Serbia, mostly due to repricing of services,

but was burdened with:

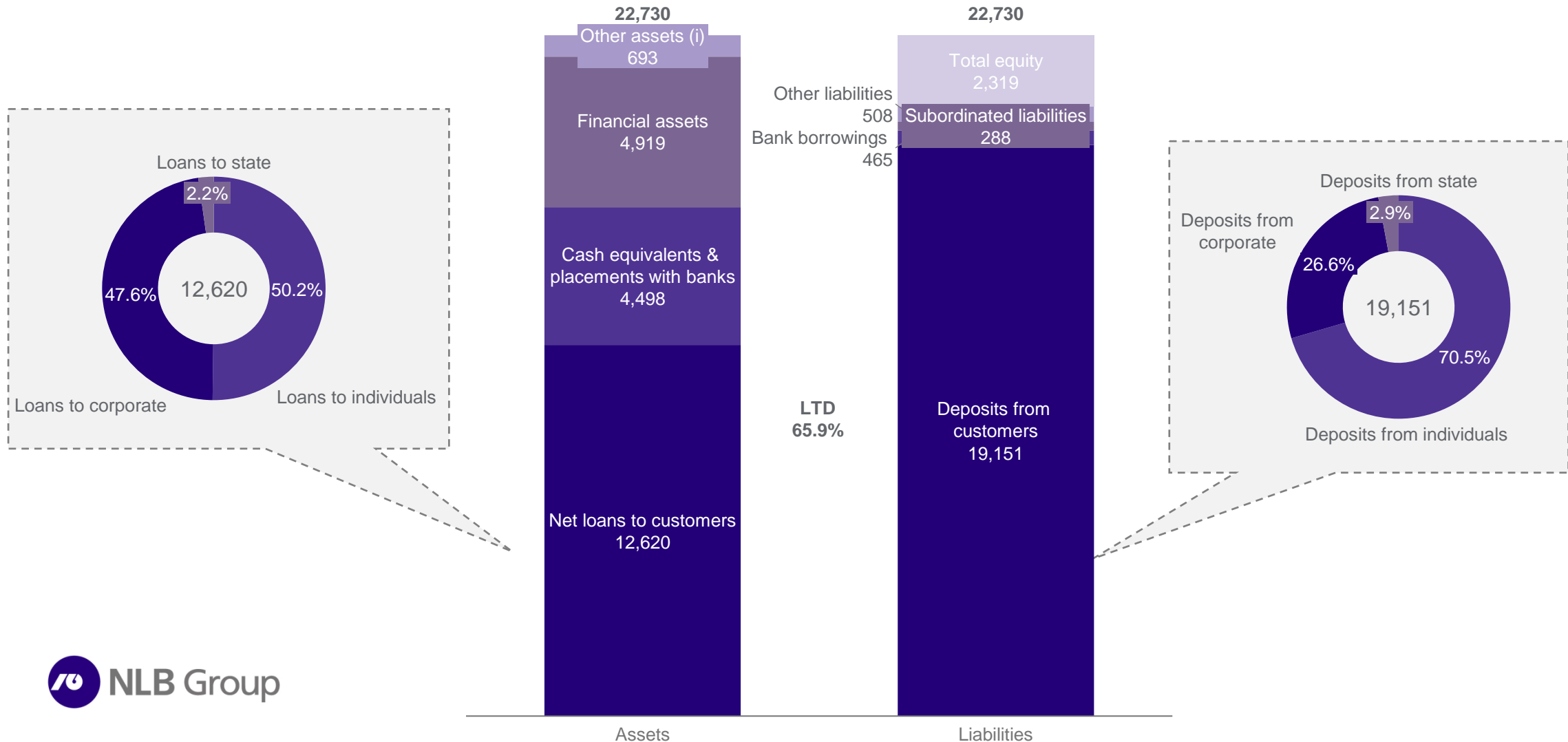
- annual regulatory charge of EUR 9.7 million in NLB d.d. (SRF, DGS) in Q2,
- increased employee costs and general and administrative expenses.

Also, there were no larger non-recurring items in H1 2022, while in H1 2021 material positive impact from one-off items contributed to pre-provision profit.

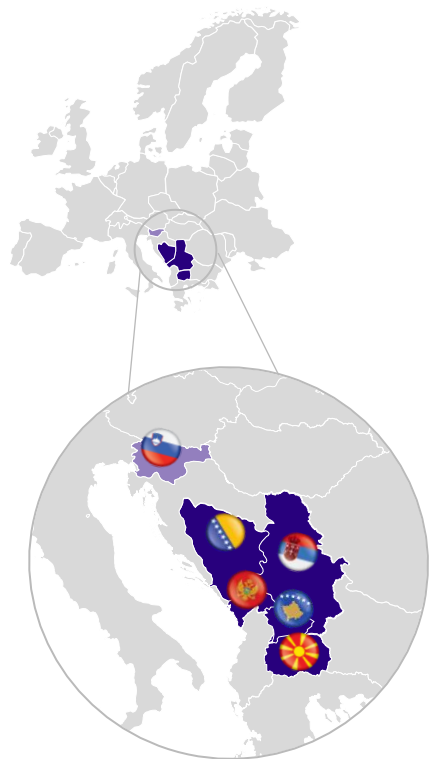
# NLB Group's Balance sheet structure








## Deposit (predominately retail) driven balance sheet

Balance sheet structure (30 Jun 2022, in EURm)



# Performance indicators across SEE countries



	Slovenia 		Serbia  NLB Komercijalna Banka, Beograd <sup>(ii)</sup>	North Macedonia 	Bosnia and Herzegovina 		Kosovo 	Montenegro 	
	NLB, Ljubljana	N Banka, Ljubljana		NLB Banka, Skopje	NLB Banka, Banja Luka	NLB Banka, Sarajevo	NLB Banka, Prishtina	NLB Banka, Podgorica	NLB Group
	Data on stand-alone basis								
									Consolidated data
Result after tax (EURm)	66.9	-3.5	25.9	21.5	9.1	5.2	16.7	6.0	287.0
Total assets (EURm)	12,558	1,447	4,622	1,744	947	788	979	772	22,730
RoE a.t.	8.7%	-	7.4%	17.3%	18.4%	11.6%	31.3%	12.6%	10.8%
Net interest margin	1.32%	1.26%	2.66%	3.02%	2.42%	2.61%	4.17%	3.88%	2.12%
CIR (cost/income ratio)	57.9%	73.9%	64.9%	42.0%	46.5%	59.0%	30.3%	51.7%	61.1%
LTD net	54.9%	110.6%	67.9%	80.5%	66.7%	78.5%	91.2%	82.7%	65.9%
NPL ratio	1.5%	1.5%	1.1%	4.0%	1.4%	2.6%	1.8%	6.2%	2.2%
Branches (#)	71	12	186	48	47	35	33	22	454
Active clients (#) <sup>(i)</sup>	678,942	50,923	962,095	409,384	217,749	131,692	246,106	81,060	1,764,933
Market share by total assets (%)	26.1%	3.0%	10.7%	16.8%	19.9%	5.6%	17.0%	13.9%	/
	as at 30 Jun 2022	as at 30 Jun 2022	as at 30 Jun 2022	as at 30 Jun 2022	as at 31 Mar 2022	as at 31 Mar 2022	as at 30 Jun 2022	as at 31 May 2022	

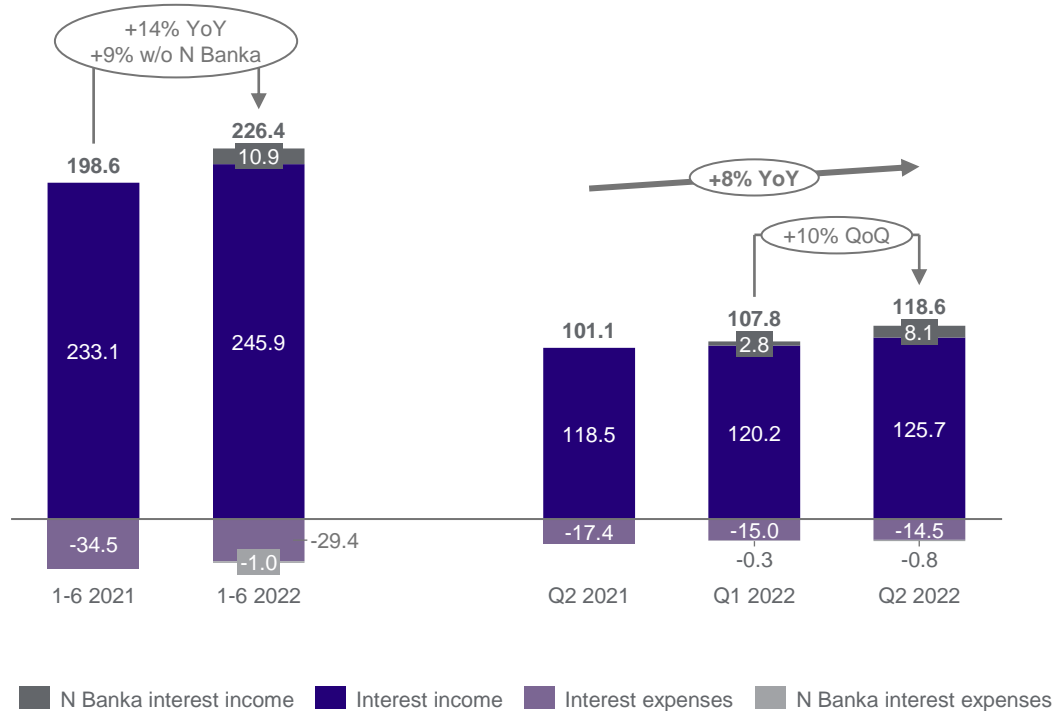
# Business Performance



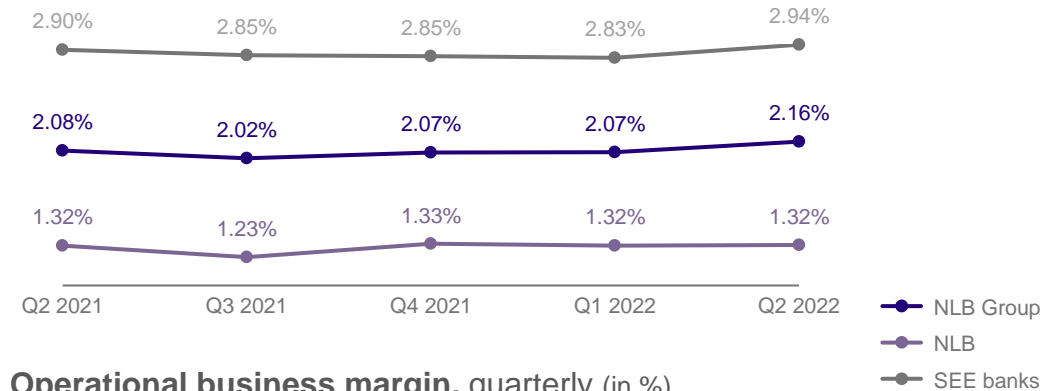
# Net interest income

Strong loan growth contributed to significant NII growth, also margins are improving

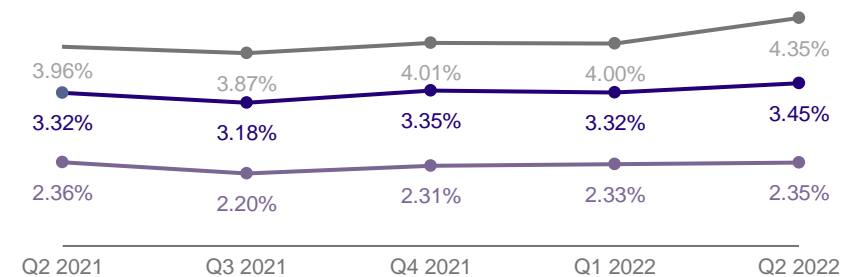
Net interest income of NLB Group (in EURm)



Net interest margin, quarterly (in %)



Operational business margin, quarterly (in %)



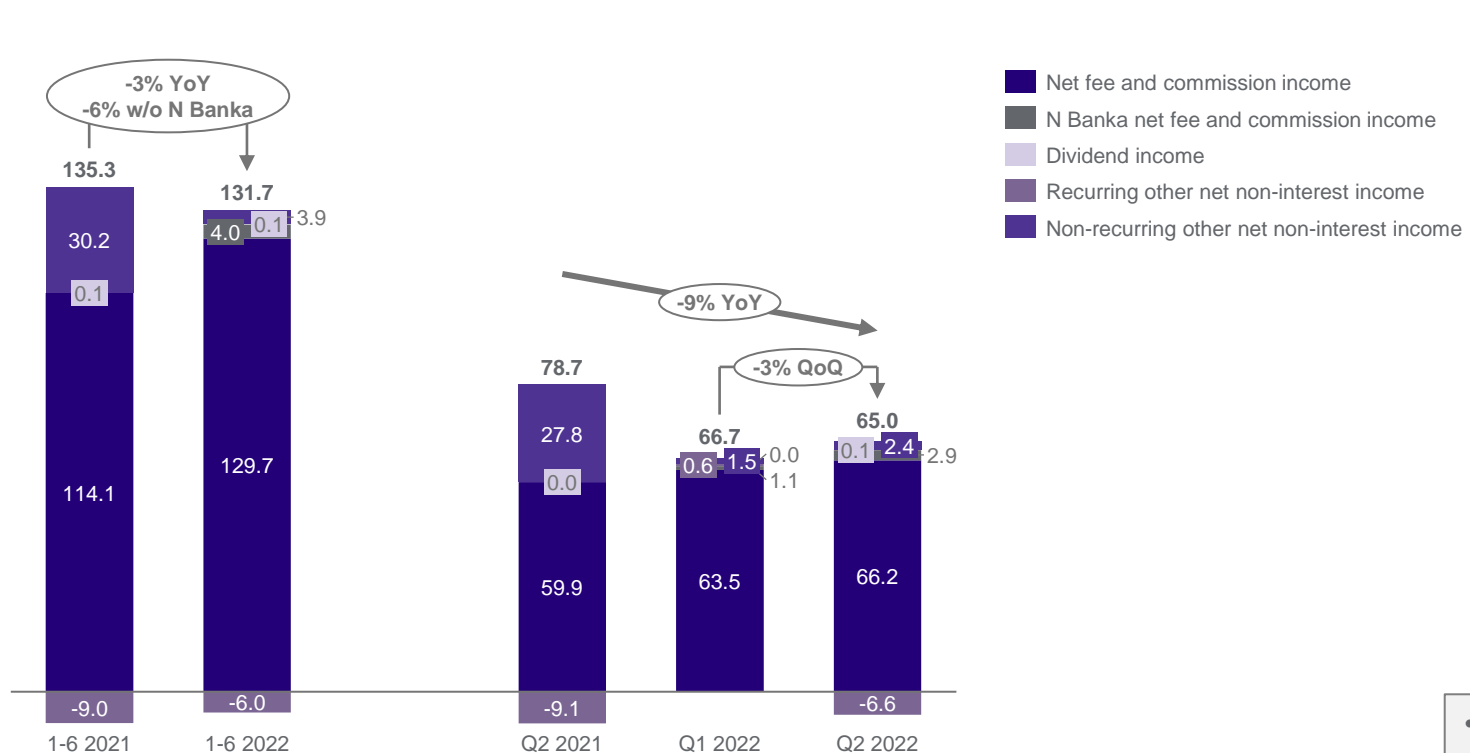
- Higher interest income due to high loan growth
- Lower interest expenses YoY:
  - NLB d.d.'s TLTRO financing with ECB at very favourable interest rate of -1% p.a. (repayment in June)
  - lower interest rates for customer deposits in SEE subsidiaries.

The net interest margin of the Group was higher QoQ and YoY, mostly due to loan growth, however NLB d.d. started with gradual repricing of the new loan production. Operational business margin also increased, due to higher operating business net income growth (backed by the net fee and commission growth) compared to the net interest income growth. Further growth of interest rates is expected.

# Net non-interest income

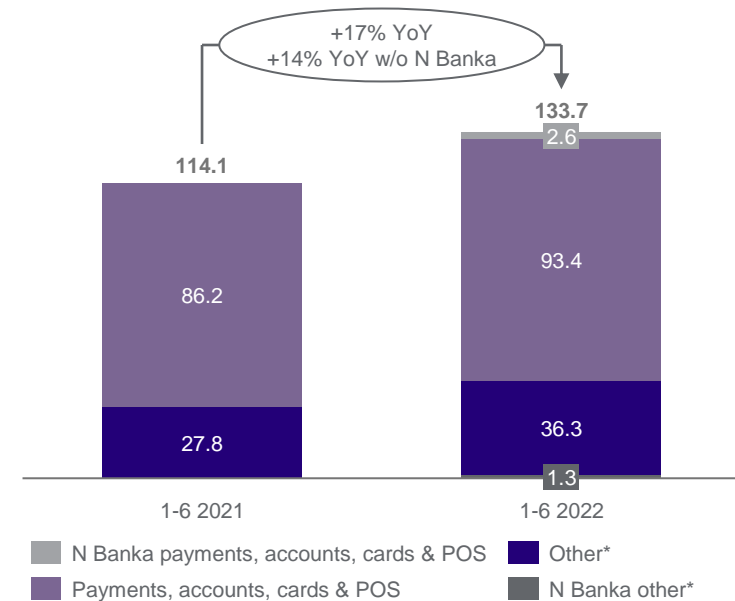
## Outstanding growth of F&C income

Net non-interest income of the NLB Group (in EUR million)



- Net fee and commission income lower YoY due to non-recurring income in H1 2021 (non-recurring valuation income in the amount of EUR 14.7 million from the repayment of exposure classified as non-performing, and EUR 9.0 million from the settlement of a legal dispute)
- Regulatory costs in NLB in the amount of EUR 9.7 million (EUR 2.1 million SRF and EUR 7.6 million DGS) were paid in June

Net fee and commission income (in EUR million)



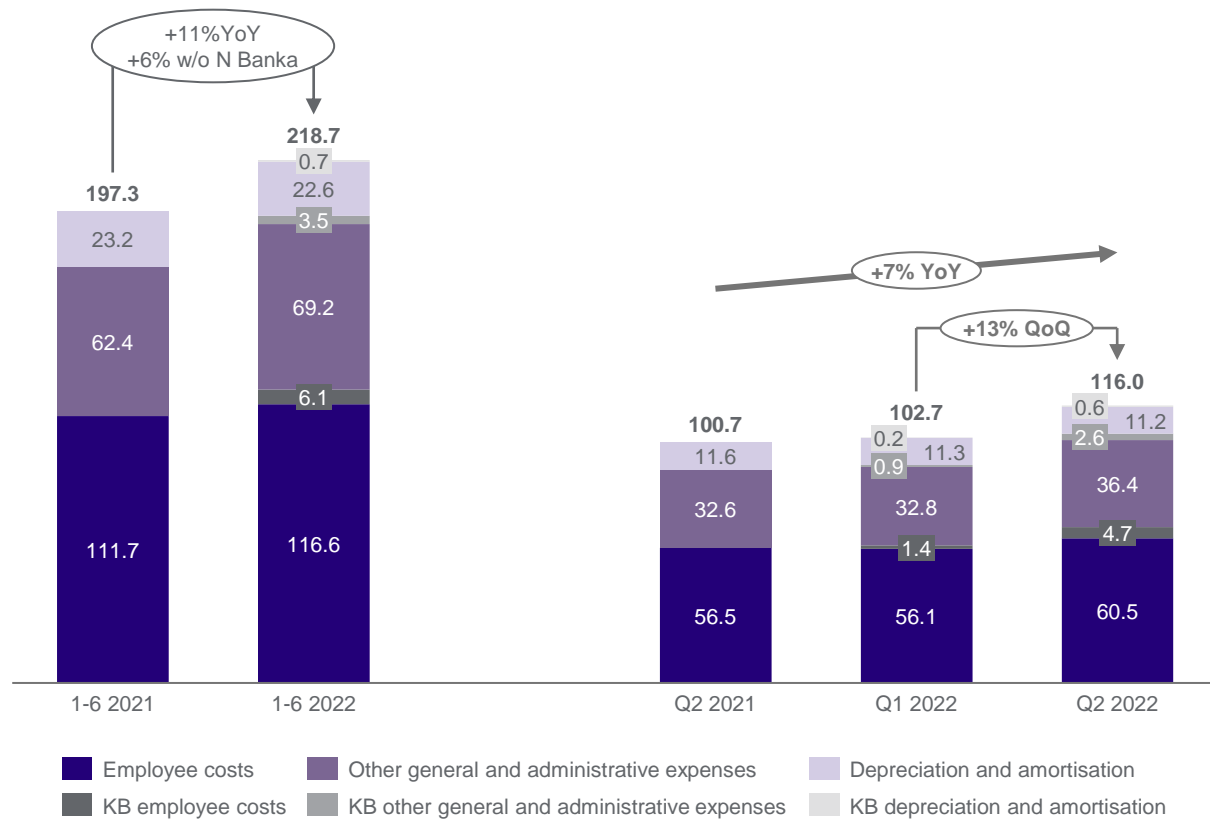
\*Other includes investment funds, guarantees, investment banking, insurance products and other services.

- Increase in card and payment transactions and related services
- Fee for high balances in the amount of EUR 5.5 million in NLB (o/w EUR 4.6 million for corporate clients, EUR 0.9 million for private individuals)
- Higher net fees from asset management and bancassurance

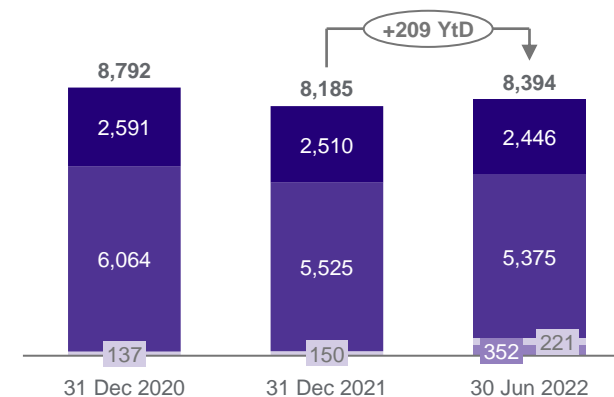
# Costs

## Inflation and integration of NLB KB and N Banka affecting costs

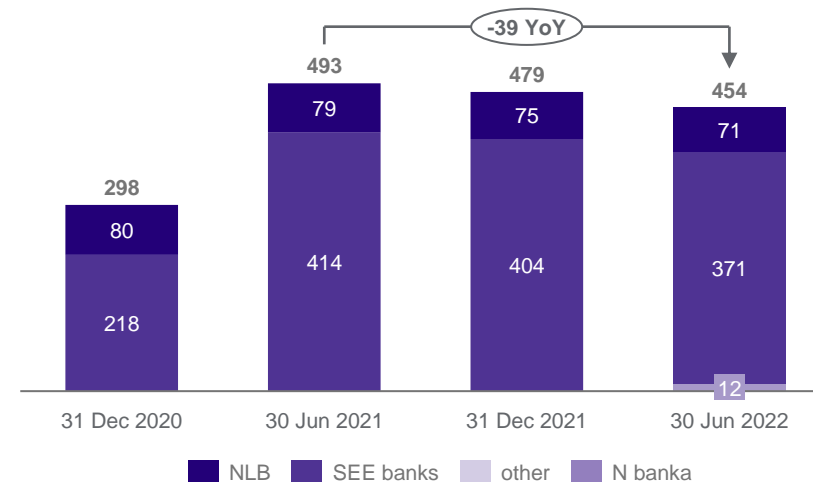
Total costs (in EURm)



# of employees



# of branches

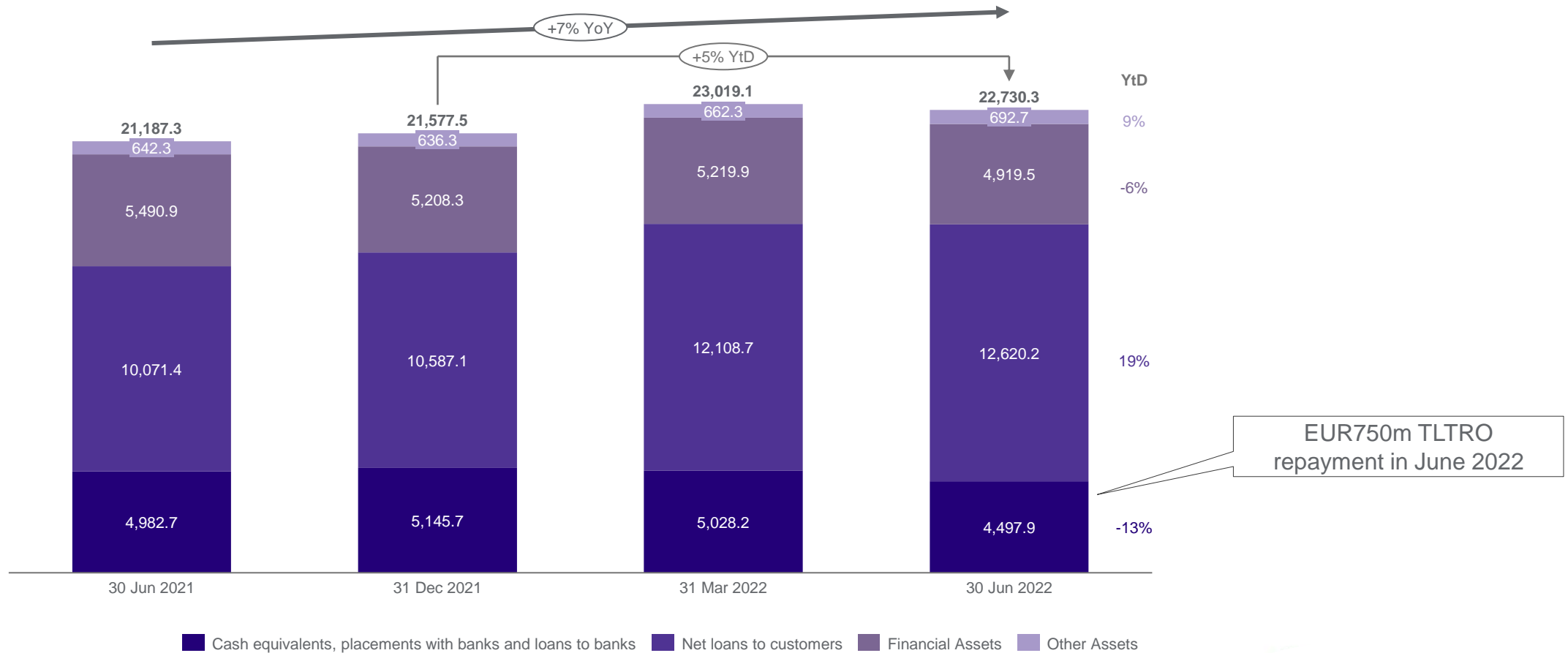


- Excluding N Banka costs increased EUR 3.6 million ( 6%) YoY due to an increase in the Bank and in most of the Group SEE banking members.
- Banks in the whole region are affected by inflation and rising labour, material and energy costs, which caused noticeable growth of employee costs and general and administrative expenses. Costs of marketing also increased due to the acquisition in Slovenia and merger of the banks in Serbia.

# NLB Group Assets

Asset side of the balance sheet remains highly liquid

Total assets of NLB Group – structure (EURm)

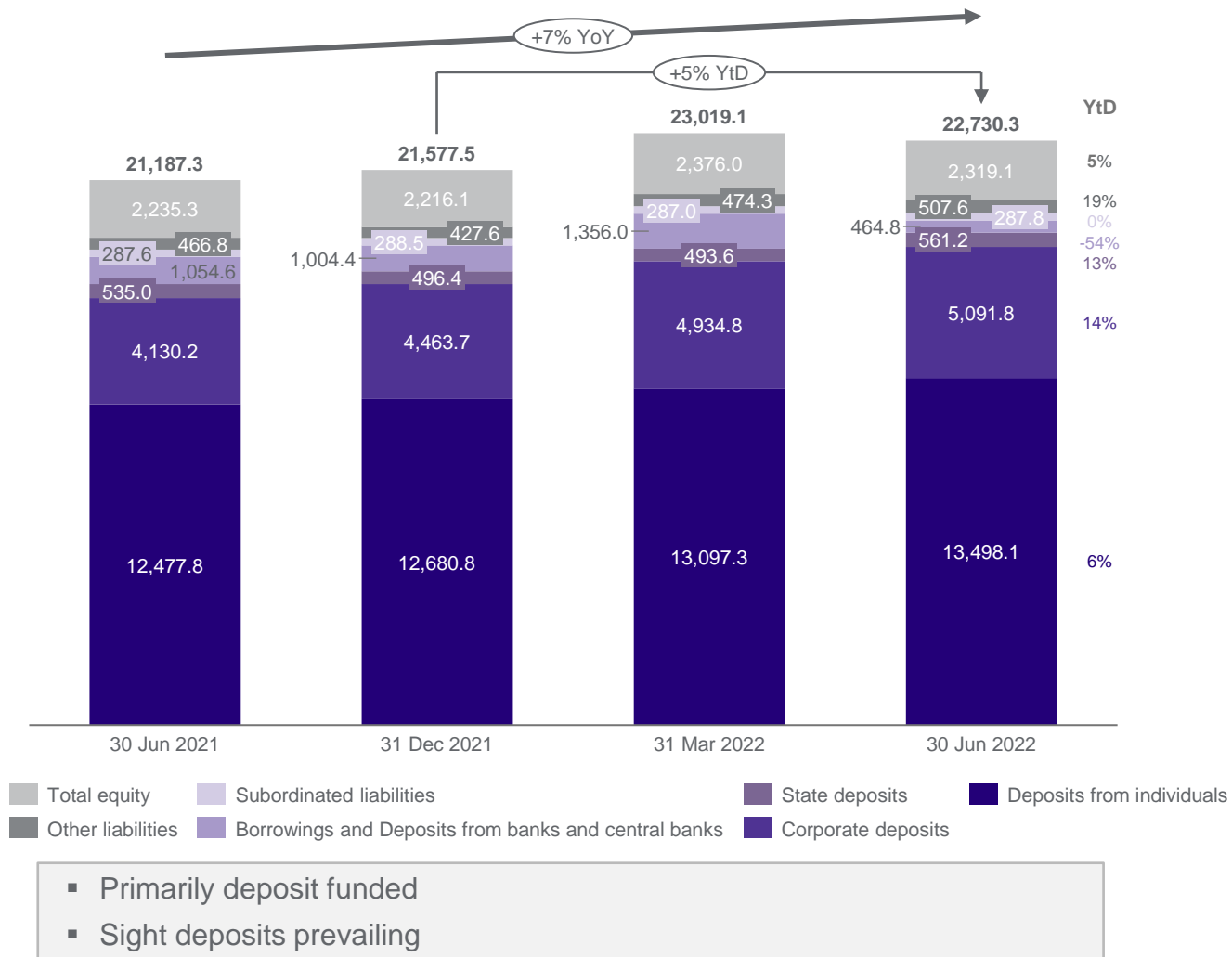




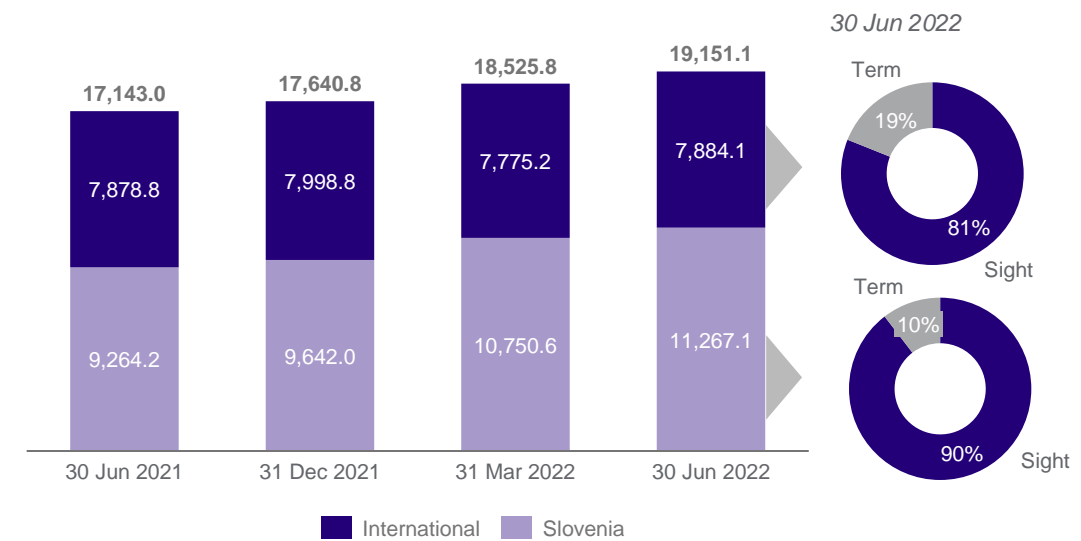
# NLB Group Liabilities and Equity

## Deposit increase due to N Banka acquisition

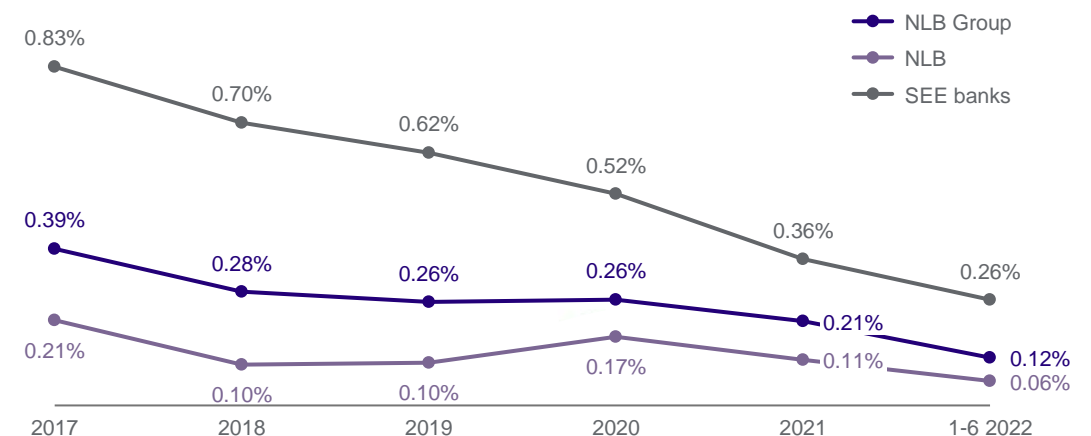
Deposits accounting for 80% of funding (Group, EURm)



Deposit split (Group, EURm)



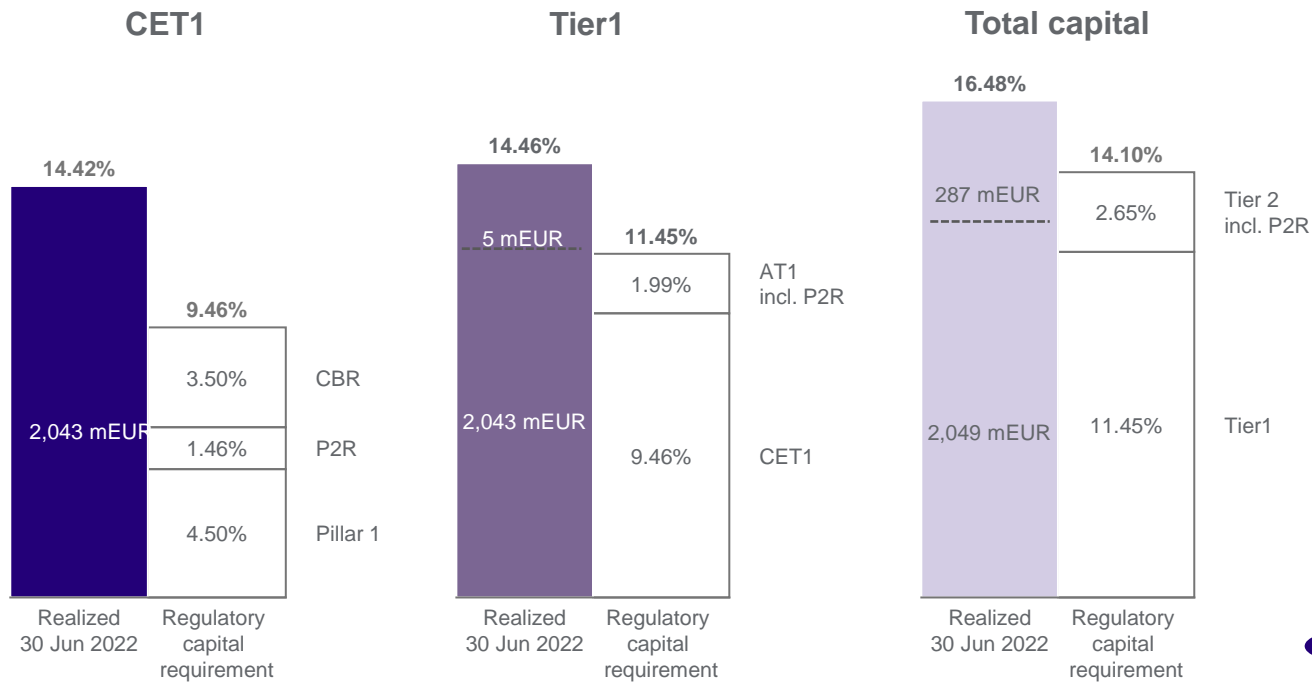
Average cost of funding (%)<sup>(i)</sup>



Note: (i) SEE banks include KB from 2021 on.

# Capital

## Capital position enabling growth and substantial dividend distribution



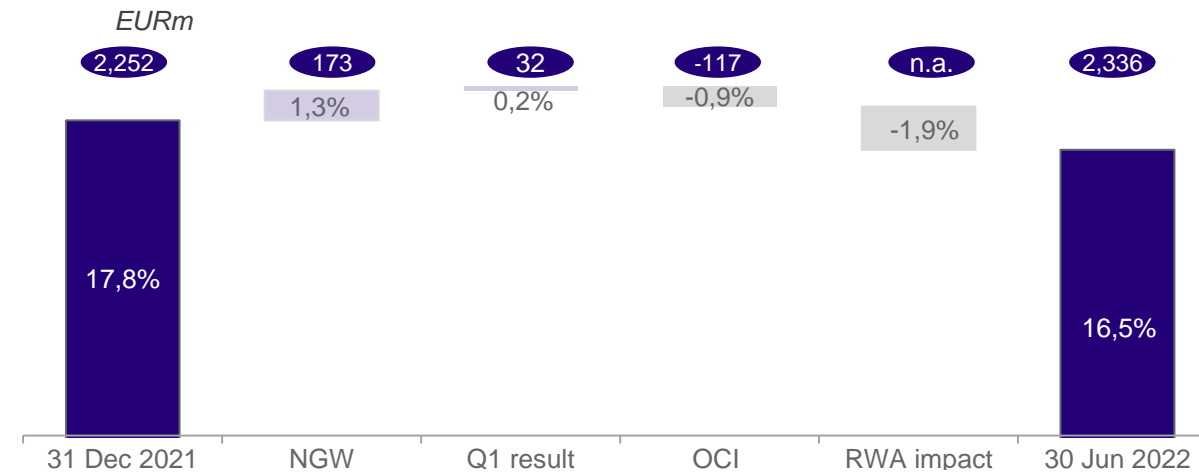
**The Overall Capital Requirement (OCR) is 14.10%** for the Bank on a consolidated basis, consisting of:

- 10.60% TSCR (8% P1R and 2.60% P2R); and
- 3.5% CBR (2.5% Capital Conservation Buffer, 1% O-SII Buffer and 0% Countercyclical Buffer).

Pillar 2 Guidance is set at 1.00%.

As at 30 June 2022, the **TCR** for the Group stood at 16.5% (or 1.3 p.p. lower than as at 2021 YE), and the **CET1 ratio** for the Group stood at 14.4% (1.1 p.p. lower than as at 2021 YE). 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 inclusion of negative goodwill in retained earnings in the amount of EUR 172.8 million and partial inclusion of Q1 2022 profit in the amount of EUR 32.2 million, which compensated the negative revaluation adjustments on FVOCI securities (EUR -117.1 million compared to the end of 2021).

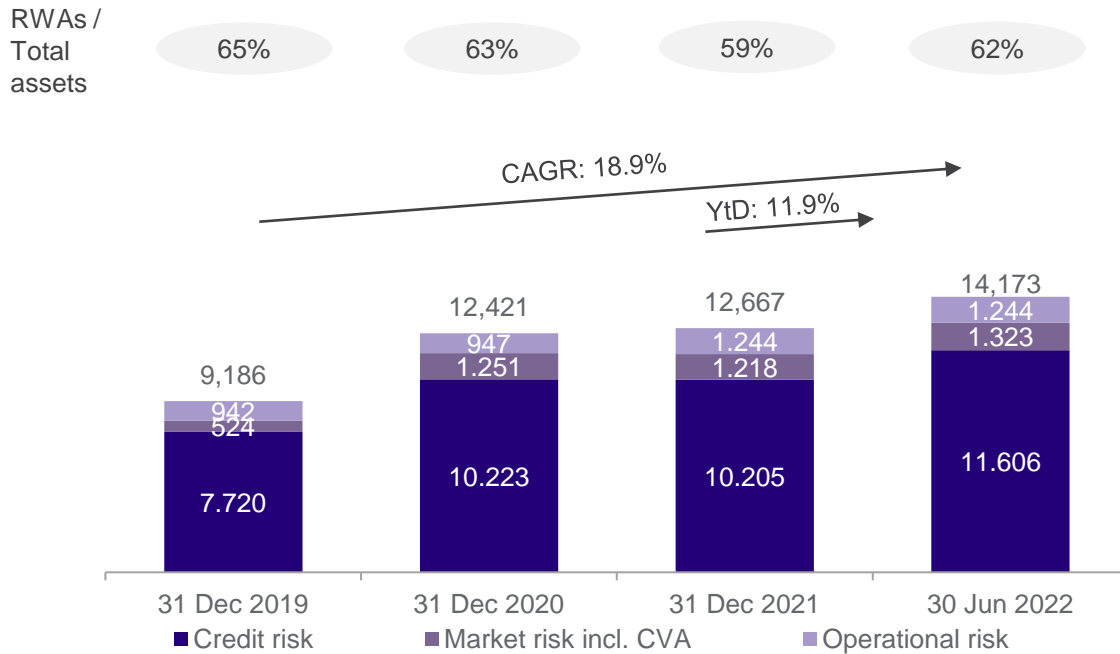
### TCR evolution YtD



# RWA structure

## Prudent RWA management to improve capital ratios

RWA structure (in EURm)



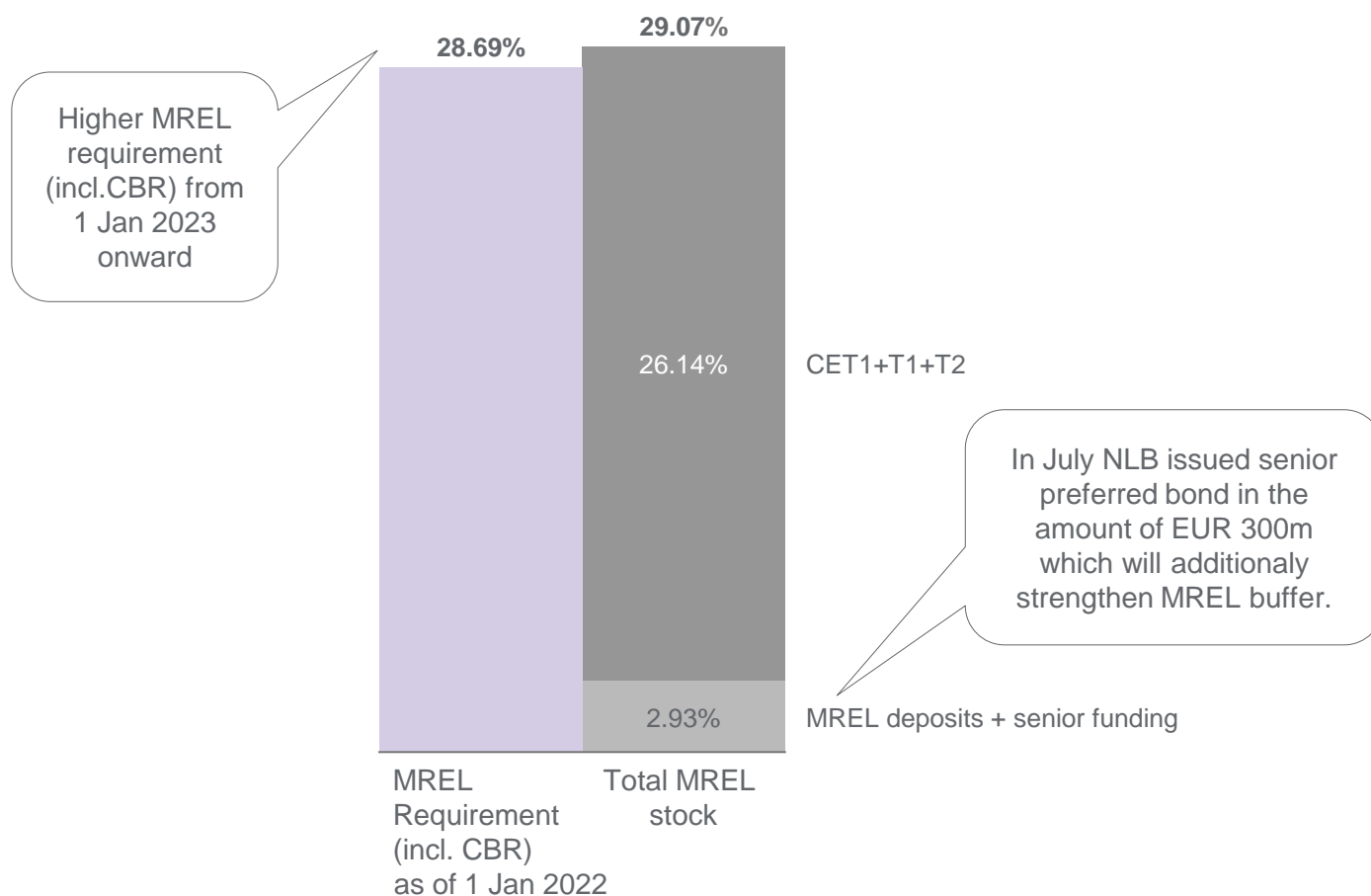
**RWA for credit risk** increased by EUR 1,400.5 million, where EUR 858.9 million of the increase relates to N Banka. The remaining part of RWA increase in the amount of EUR 541.6 million was mainly the consequence of increased lending activity in all the banks in the Group, mostly in the Bank and NLB 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 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.

# NLB Wholesale Funding

Wholesale funding is driven by MREL requirement and to further strengthen and optimize the capital

MREL Stock in % (as at 30 Jun 2022)



## Funding plan in 2022:

- Tier 2 public bond issuance (subject to market conditions)
- NLB is in discussion with an IFI and other potential investors for AT1 bond private placement

## MREL requirement:

- 25.19% TREA (excluding CBR, currently at 3.5%) as of 1 January 2022
- 31.38% TREA (excluding CBR) as of 1 January 2024

NLB Resolution Group		30 Jun 2022
TREA		(EUR m)
NLB d.d., Ljubljana		6,146
NLB Lease&Go, Ljubljana		111
NLB Skladi d.o.o., Ljubljana		47
NLB Interfinanz AG, in Liquidation		32
Other		107
<b>Total</b>		<b>6,444</b>

# Asset Quality

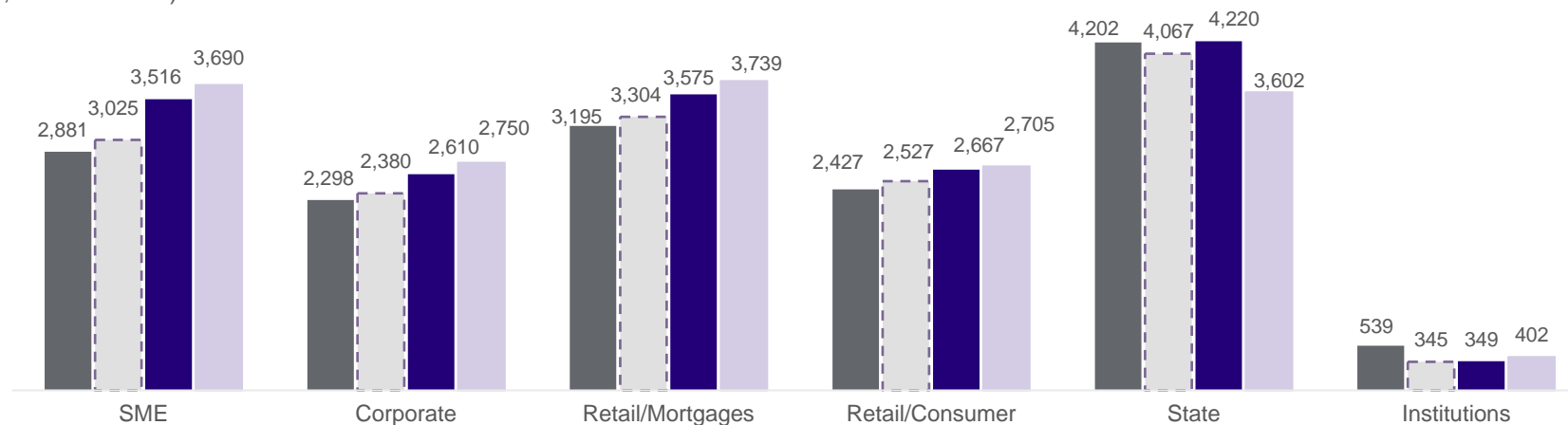
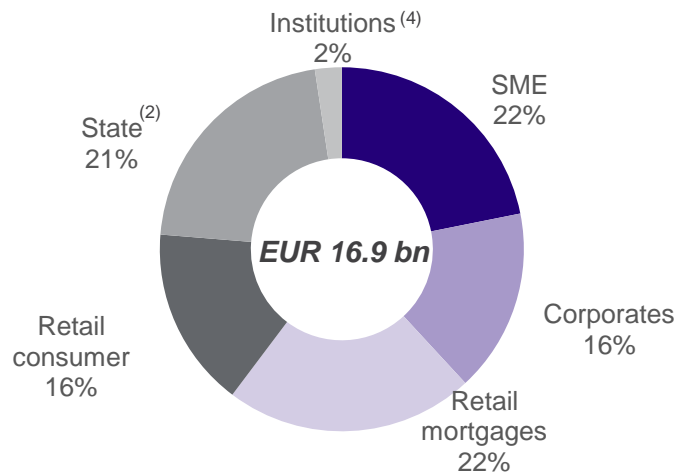


# Asset Quality – NLB Group

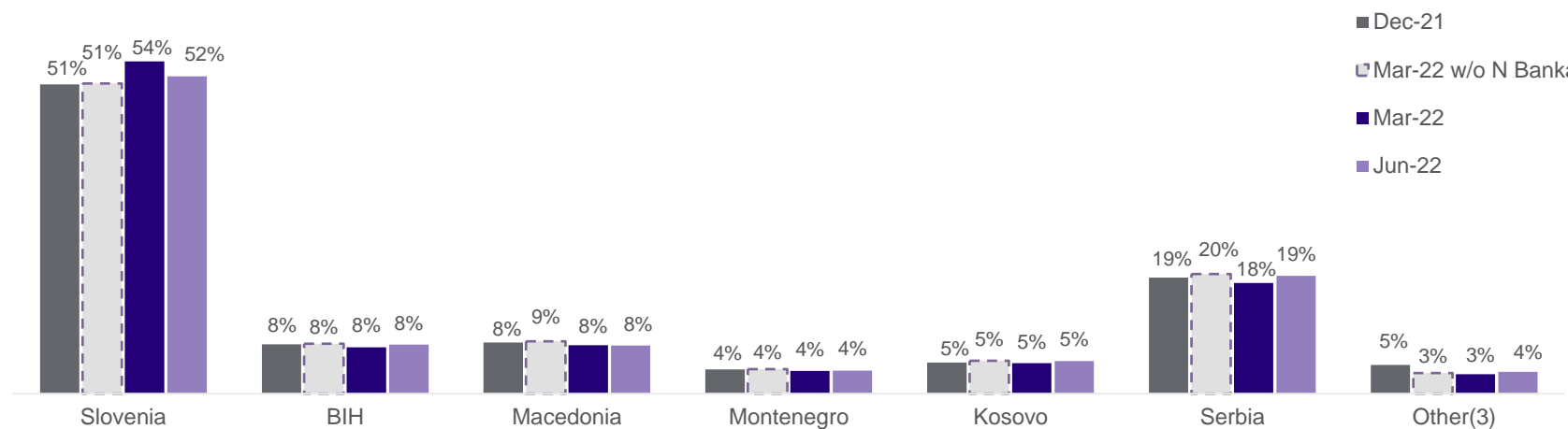
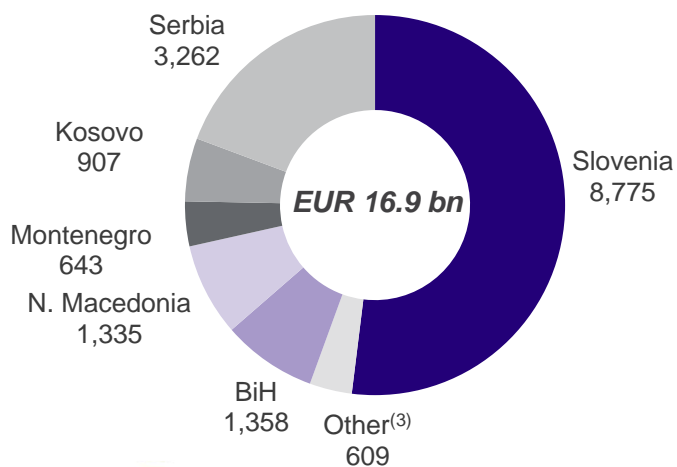
## Diversified credit portfolio, focused on core markets

■ Dec-21  
 ▨ Mar-22 w/o N Banka  
 ■ Mar-22  
 ■ Jun-22

**Credit portfolio<sup>(1)</sup> by segment** (Group, 30 Jun 2022, % and EURm)



**Credit portfolio<sup>(1)</sup> by geography** (Group, 30 Jun 2022, % and EURm)



Source: Company information; Note: (1) Credit portfolio also includes advances to banks and central banks; (2) State includes exposures to central banks; (3) The largest part represent EU members.

(4) Institutions include Deposit-taking corporations except the central bank (mainly commercial banks) and Financial auxiliaries

# NLB Group Asset Quality

Portfolio diversification reduces risk, no large concentration in any specific industry

Corporate credit portfolio<sup>(1)</sup> (in EUR million)

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
<b>Total Corporate sector</b>	<b>6.440.372</b>	<b>100%</b>	<b>1.260.895</b>	<b>559.966</b>

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
<b>Total manufacturing activities</b>	<b>1,382,873</b>	<b>21%</b>	<b>291,755</b>	<b>114,249</b>

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
<b>Total wholesale and retail trade</b>	<b>1,246,035</b>	<b>19%</b>	<b>202,941</b>	<b>108,140</b>



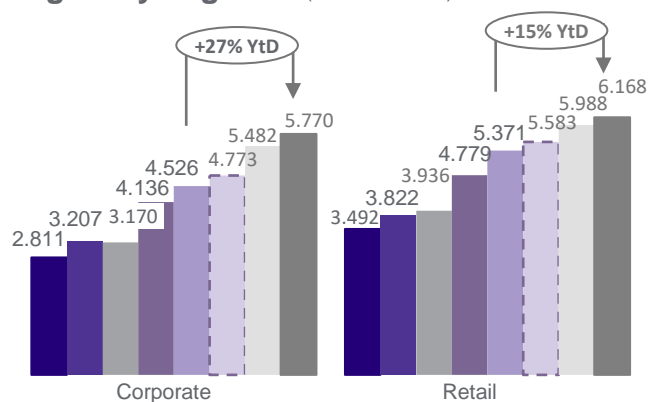
# NLB Group Asset Quality

High % of Stage 1 Loan portfolio (measured at amortized cost & FVTPL)

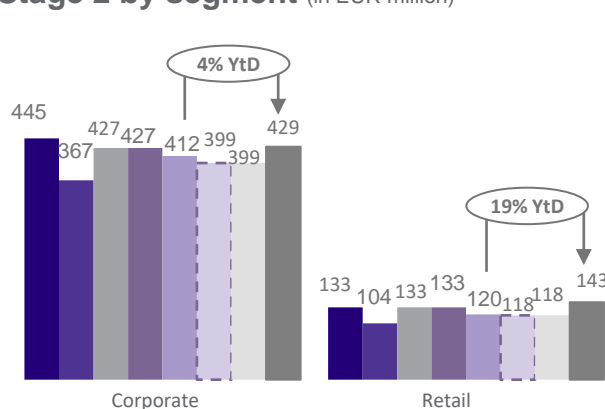
Loan portfolio by stages (in EUR million)

	in EUR million														
	Credit portfolio									Provisions and FV changes for credit portfolio					
	Stage1			Stage2			Stage3 & FVTPL			Stage1		Stage2		Stage3 & FVTPL	
	Credit portfolio	Share of Total	YTD change	Credit portfolio	Share of Total	YTD change	Credit portfolio	Share of Total	YTD change	Provision Volume	Provision Coverage	Provision Volume	Provision Coverage	Provisions & FV changes	Coverage with provisions and FV changes
<b>Total NLB Group</b>	<b>15,941.7</b>	<b>94.4%</b>	<b>1,303.8</b>	<b>572.3</b>	<b>3.4%</b>	<b>39.9</b>	<b>374.5</b>	<b>2.2%</b>	<b>3.1</b>	<b>75.7</b>	<b>0.5%</b>	<b>37.4</b>	<b>6.5%</b>	<b>211.8</b>	<b>56.5%</b>
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%

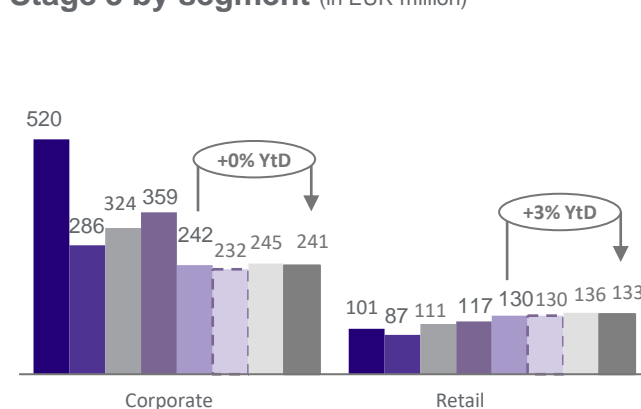
Stage 1 by segment (in EUR million)



Stage 2 by segment (in EUR million)



Stage 3 by segment (in EUR million)

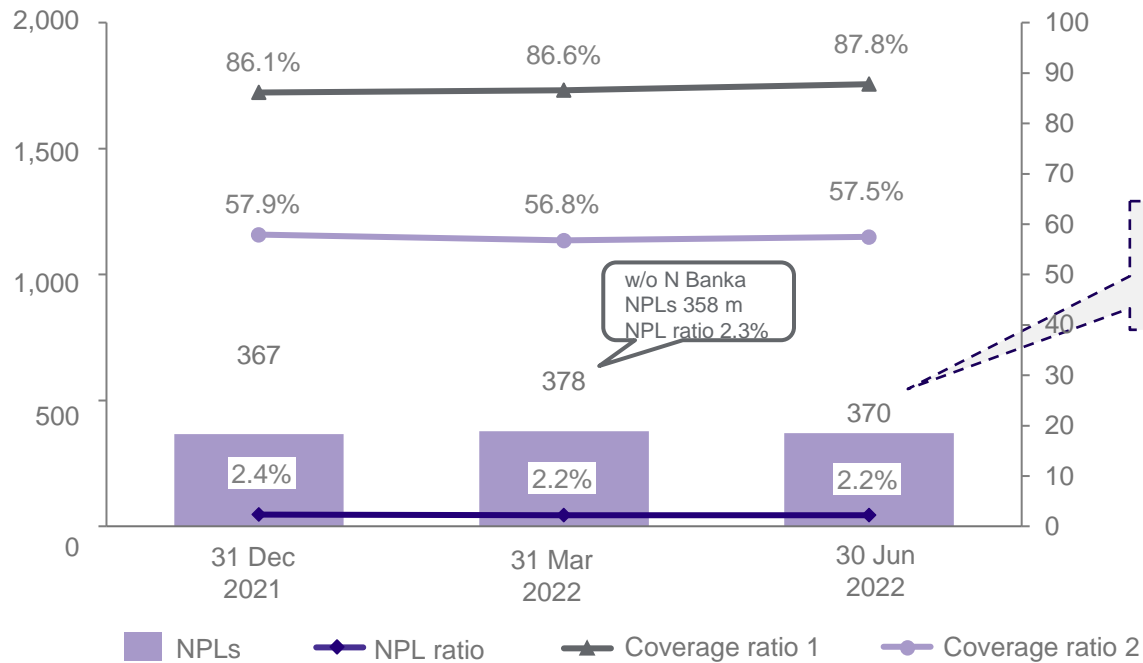




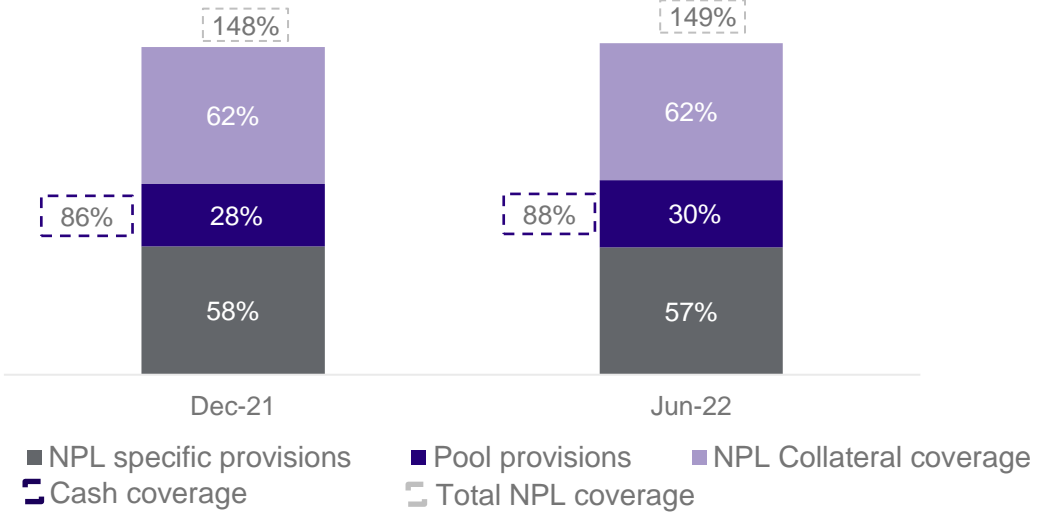
# Asset Quality – NLB Group

NPL ratio stable. NPLs are fully covered by provisions and collateral

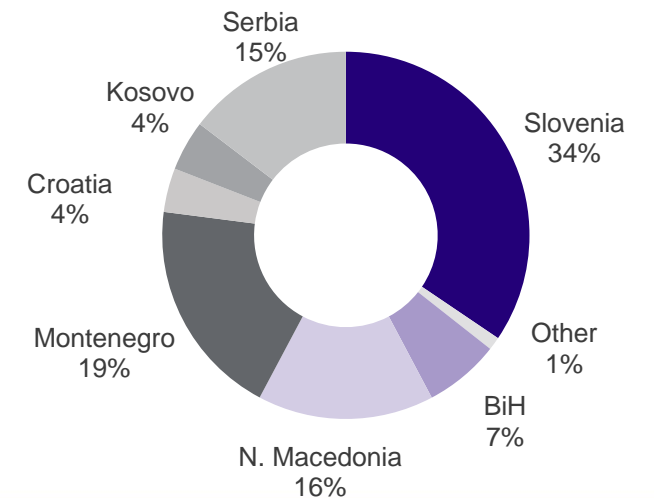
Gross NPL ratio within the planned framework (Group, EURm)



NPL cash and collateral coverage<sup>(1)</sup> (Group, %)



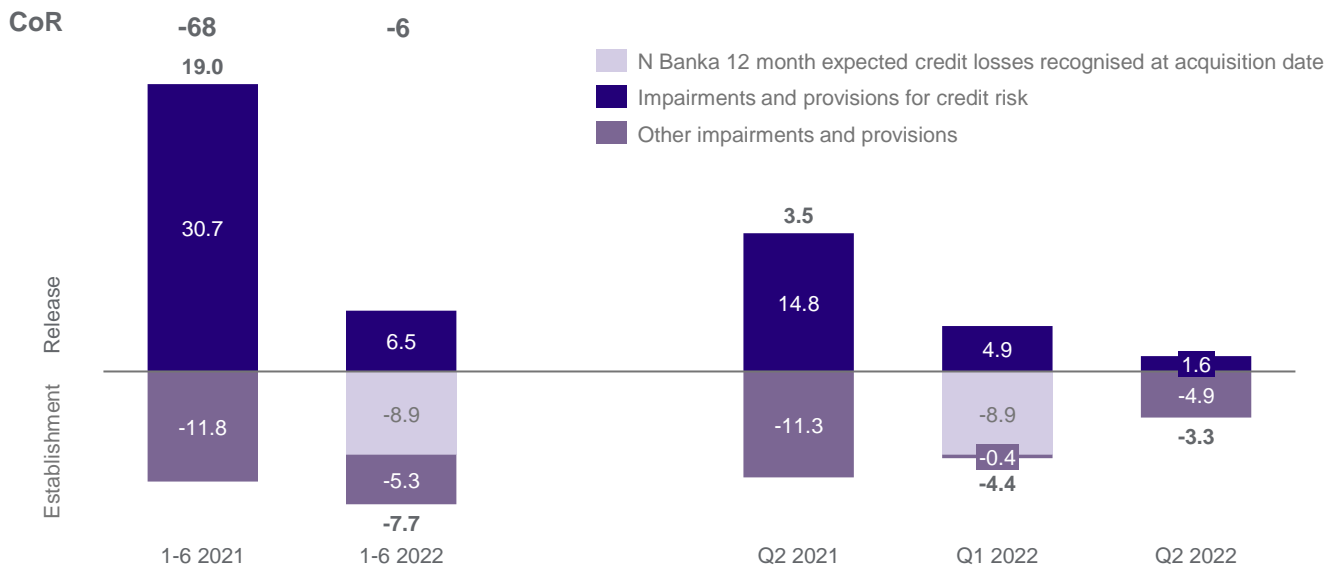
NPL by geography (Group, 30 Jun 2022)



- The Group's decisive approach to NPL management puts a strong emphasis on restructuring and use of other active NPL management tools. In Q1 NPLs increased as a new NPLs from the acquired N Banka were recognized. Otherwise, favourable NPL movement, mostly due to repayments.
- NPL ratio** decreased by 0.2 p.p to the level of 2.2%, **NPE ratio** reduced by 0.1 p.p. to 1.6%, while **coverage ratio** (CR1) increased to 87.8%. Further, the Group's NPL coverage ratio (CR2) stands at 57.5%, which is above the EU average as published by the EBA (44.9 % for Q1 2022).

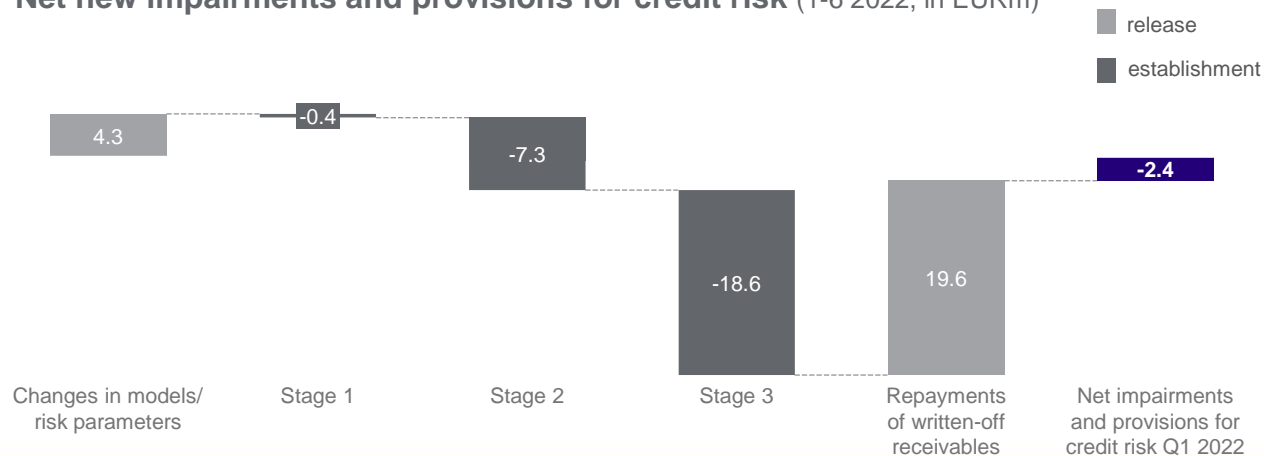
# Impairments and provisions<sup>(1)</sup>

Cost of risk (-6 bps) remains negative, backed by positive contribution due to successful NPL resolution in most of NLB Group members.



- In H1 2022 net impairments and provisions for credit risk were released in the amount of EUR 6.5 million and 8.9 million of 12-month expected credit losses were recognised at acquisition date for performing portfolio of 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 KB Beograd
- Cost of risk was negative, -6 bps

## Net new impairments and provisions for credit risk (1-6 2022, in EURm)



- In H1 2022 net impairments and provisions for credit risk established in the amount of EUR 2.4 million
- Impairments and provisions by stages are established by the inflow of asset into each stage
- Release of impairments and provisions of EUR 19.6 million triggered by partial repayments of written off receivables, mostly in the corporate segment
- Change of risk parameters with incorporation of new macroeconomic scenarios resulted in net release of provisions of EUR 4.3 million. The release occurred on the corporate segment, while in the retail segment the provisioning volume increased to reflect expected inflationary burden on the households

Note: (1) Credit impairments and provisions are used for calculation of CoR and represent major part of impairments and provisions for credit risk (include also credit impairments and provisions for other financial assets).

# Additional Credit Risk Stress Testing concerning Energy sensitive industries

Stress test scenario – potential estimated losses are perceived as sustainable

## Scenario assumptions:

- Negative GDP in 2023 (currently positive outlooks)
- High inflation on average up to 10%
- 3m Euribor up to 0.94% (0.25 % as at 3 Aug 2022)
- High energy commodity prices

## Gas usage important only in Slovenia and Serbia.

### Gas usage in industry, mainly in:

- Steel, aluminium production - mainly Slovenia
- Glass, stone, mineral production - mainly Slovenia
- Chemicals production – mainly Slovenia
- Paper industry – mainly Serbia
- Individual cases highly dependent on gas usage

## Results:

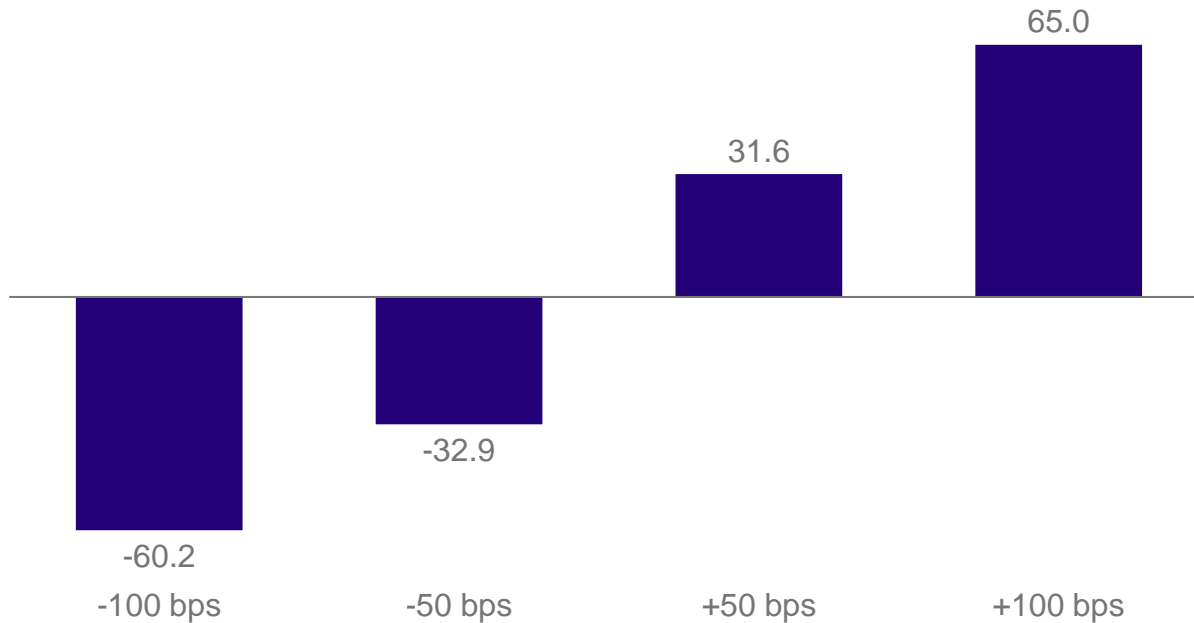
Estimated cost of risk expected bellow 90 bps.  
NPL (EBA) bellow 4 % (currently 2.9%)

Individual exposures above  
EUR 1 million  
Total bellow EUR 500 million

# NII sensitivity to interest rate shifts – NLB Group

## Estimated impact on NII in the next 12 months to parallel interest rate shifts

NII sensitivity to -100bps, -50bps, +50bps, +100 bps  
(Group, EURm)



NLB Group	Nominal principal	NII (in 1Y period)
<b>ASSETS</b>	<b>23,254,645</b>	<b>571,903</b>
<i>CB and cash</i>	2,949,851	-2,462
<i>Loans</i>	14,407,415	483,247
<i>BB Securities</i>	5,897,379	91,117
<b>LIABILITIES</b>	<b>-20,461,890</b>	<b>-50,800</b>
<i>NBS Deposits</i>	-19,551,431	-23,133
<i>Wholesale funding</i>	-625,422	-11,680
<i>Securities issued</i>	-285,036	-15,986
<b>Derivatives</b>	<b>625,481</b>	<b>-2,608</b>
<b>TOTAL NII</b>		<b>518,495</b>
<b>% of Equity</b>		<b>25.31%</b>

Parallel increase in interest rates would have positive impact on net interest income for the NLB Group.

NII sensitivity is calculated on the balance sheet as of June 2022.

# ESG & Digital



# NLB's Dive Towards a Higher Integration of Sustainability in its Business Model

- **Key priority is to address the topic of sustainable development**, to accelerate the integration of ESG factors and the upcoming EU regulation and all related changes that affect its business model.

## Key Milestones:

### ▪ General

- In May, **NLB joined UNEP FI Net zero Banking Alliance**
- **NLB Group Sustainability Report 2021 published** and available at: [https://www.nlb.si/sustainability\\_report\\_2021.pdf](https://www.nlb.si/sustainability_report_2021.pdf)
- **NLB Group Sustainability Framework published** and available at: <https://www.nlb.si/sustainability>
- **NLB Group Sustainability training program published** and is being carried out throughout the NLB Group.

### ▪ Environment & Social

- **Establishment of the ESMS** (Environmental and Social Management System), in NLB d.d. and six banking subsidiaries based on the contractual agreements with MIGA and EBRD.
- **1st self-assessment reporting** (together with **impact analysis, materiality assessment and target setting**) in line with **UNEP FI Principles of Responsible Banking**, available in NLB Group Sustainability report 2021.
  - Received **positive feedback from UNEP FI PRB on our successful reporting**.
- As of second half 2021 particular focus on **financing renewable energy and energy efficiency projects**:
  - **Green loan for financing of energy efficiency of business buildings & loan for reducing carbon footprint implemented.**
  - **Digital card only** product for our retail and corporate clientes **implemented.**
  - Product specification for **solar power plant financing solutions** for retail and business banking clients in Slovenia **confirmed.**
- **1st NLB Group Carbon footprint measurement performed** and available in NLB Group Sustainability report 2021.
  - In 2023 a report on Scope 1, Scope 2 and Scope 3, including bank's lending and investment activities (Scope 3, Category 15) => target to be aligned with the Paris Agreement and will support the transition towards a net-zero economy by 2050.
- **EU Taxonomy** application is under way, with the 1st reporting published in the NLB Group Sustainability report 2021.

### ▪ Governance

- **NLB Group Sustainability Committee** established in December 2021, with 3 sessions until end of H1 2022 carried out and continues with its work.
- **ESG Coordinators appointed in the NLB Group** to act as a single point of contact for all Sustainability and ESG related issues and tasks in the NLB Group member.
- Interim status report on the implementation of requirements based on **'ECB Guide on climate-related and environmental risks**, submitted to ECB. It is expected that further deep dives on the NLB's practices will be conducted in the context of the full supervisory review in 2022.
- **Integration of ESG together with upgraded risk-related internal documents for NLB d.d. and NLB Group** is under way (Lending Policy for Non-Financial Companies, Environmental and Social Transaction Categorization Methodology Framework, Policy Environmental and Social Transaction Categorization Framework, Manual MIGA Performance Standards in NLB Group, MIGA E&S Process Instructions in NLB Group).

# NLB Group Sustainability implementation roadmap

Sustainability implementation focus	Task/Target	Deadline	Status
Sustainability Governance	• Further development & upgrade of corporate sustainability governance.	2022	Ongoing
Carbon emissions measurement	• Upgrade of 2nd NLB Group Carbon footprint report with additional Scope 3 categories.	2H2022	Ongoing
ESG data collection	• Establishing data collection channels (automatization & digitalization).	2H2022	Ongoing
Sustainable fleet management	• NLB Group Sustainable Car Fleet Management and Company Car Policy adopted and implemented.	2H2022	Ongoing
Responsible procurement	• Upgrade of standards for procurement with the ESG content in the NLB Group. • Upgrade of the questionnaire for the annual evaluation of suppliers with broadened ESG content.	2H2022	Ongoing
CSR	• Renewal of CSR Policy and implementation in NLB Group (strong focus on UN SDG).	2H2022	Ongoing
ESG Score and Rating	• Continuing preparations for obtaining first ESG rating.	2H2022	Ongoing
Sustainability financing products development	• <u>Completed</u> : Development and launch of two financing products for legal entities (loan to increase energy efficiency of business buildings & loan for reducing carbon footprint). Launch of Green partner loan product for retail and legal entities. • <u>Ongoing</u> : A) Proposal of Green loan for circular economy. B) Proposal of collaboration with Leasing for financing ESG mobility.	2H2022	Ongoing
Green bond issuance	• Green bond framework development.	2H2022	Ongoing
EBRD E&S requirements	• Implementation of EBRD environmental & social performance requirements.	2H2022	Ongoing
ESG KPIs system	• Preparation of KPIs matrix (GRI requirements and regulatory demands), which will serve as input to further upgrade of sustainability reporting.	2H2022	Ongoing
Human Rights	• Development of NLB Group Human Rights Policy.	2H2022	Ongoing
ESG Risk Management	• Continuing the implementation of ESG risks into RM framework in line with ECB requirements and based on best practice. • Continuing the implementation of ESG factors within loan approval process and development of methodologies for ESG risk assessment on the level of sector, client and transaction.	2H2022	Ongoing
Net-Zero Business Strategy	• Development of Net-Zero business strategy aligned with NZBA requirements and disclosures.	Q3 2023	Ongoing
EU Taxonomy	• Continuation of implementation of Green EU Taxonomy	Ongoing according to regulatory deadlines.	Ongoing

# State-of-the art services & channels

The pioneer of banking innovation in Slovenia



First Slovenian bank enabling **24/7 opening of personal account** and the only bank with **full digital signing of documents in M-bank**



First Slovenian bank sending cards' PIN via SMS



First Slovenian bank implementing **Flik P2M (Person to Merchant)** at all POSes



First Slovenian bank to launch **chat and video call functionalities** and the only bank with **multichannel 24/7 support**



Only bank with **fully mobile express loan capabilities** (Consumer & SME)



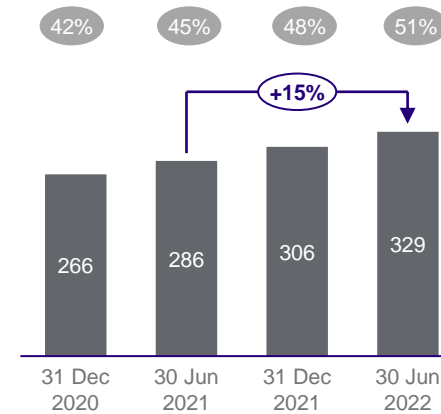
First Slovenian bank to offer **card management functionalities** and biometric recognition to **confirm online purchases in mobile wallet**



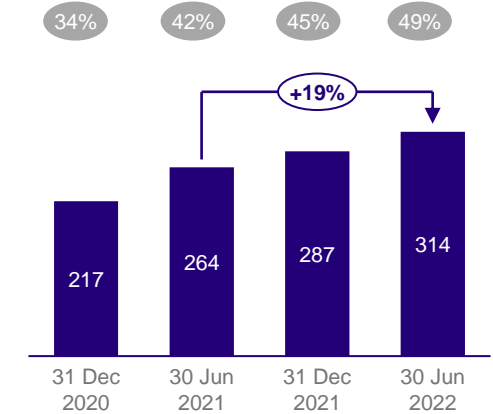
First Slovenian bank issuing **digital only debit cards**

## Demonstrated success in digital activation

Digital users<sup>(1)</sup> ('000s)

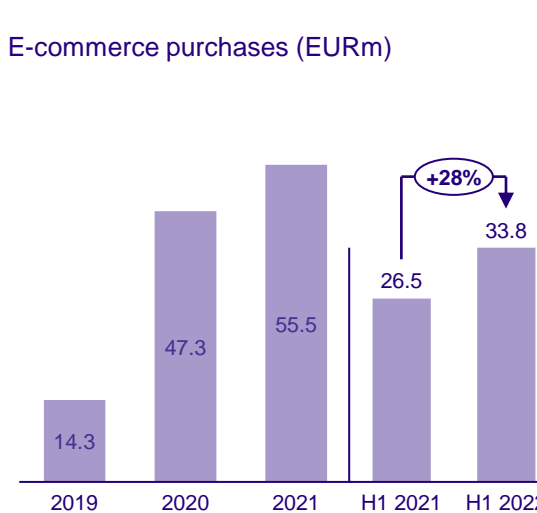


Mobile bank users<sup>(2)</sup> ('000s)

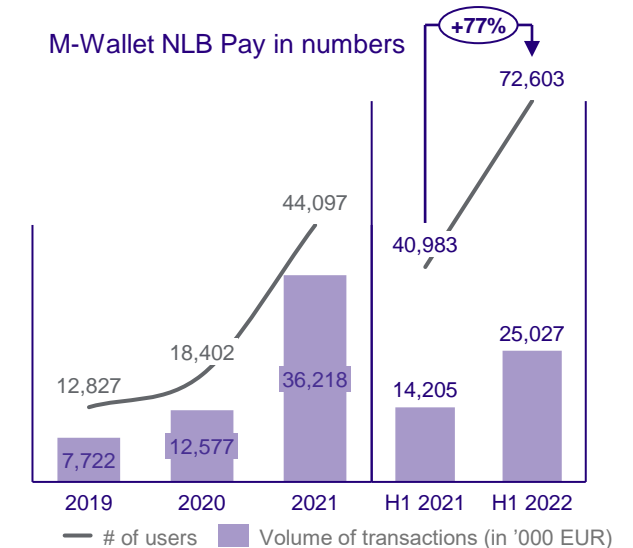


% Penetration of active client base

E-commerce purchases (EURm)



M-Wallet NLB Pay in numbers





# Sberbank banka acquisition



Targets for N Banka integration have been clearly defined, the project is set up and initiated, and measures have been undertaken to stabilize business and operations

Status of integration of N Banka into NLB as of August 8, 2022

**Targets have been set ...**



**...the project is running...**

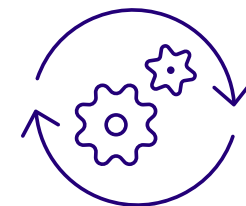


**...business and ops stable...**

- **Legal and technical merger** is currently envisaged to be completed in **Q2 2023**
- Understanding of **order of magnitude of synergies** to be achieved is reached
- **Challenges** have been **understood, issues identified** and **solutions** to address those **are currently being defined**

- **Highly structured approach** to project works developed, **all streams are fully up and running, external partner for project management support** selected (Zeb)
- Ongoing tasks and **challenges** are aligned and resolved **together with external support and vendors** (e.g., Bankart, HRC, SIA)

- **Immediate actions are taken** in various dimensions to **stabilize**:
  - **Business** (client churn, payment network)
  - **Control setup** (Compliance, AML, and Risk management)
  - **Operations**
  - **HR and key staff**
- **Harmonization of critical functions** currently under way



# Outlook



# Outlook

	Performance in H1 2022	2022 <sup>(3)</sup>	2023
Regular income	EUR 354.1 million	~ EUR 730 million	> EUR 800 million
Costs <sup>(6)</sup>	EUR 218.7 million <sup>(1)</sup>	Below 460 million	In the range of 2022
Cost of risk	-6 bps	Below 30 bps <sup>(4)</sup>	30-50 bps
Loan growth	19% (9% w/o N Banka)	Low double-digit organic growth	High single-digit loan growth
Dividend	EUR 50 million	EUR 100 million <sup>(5)</sup>	EUR 110 million
ROE a.t.	10.8%	~ 10%, (ROE normalized <sup>(2)</sup> : 12%)	> 10% (ROE normalized <sup>(2)</sup> : 12%)

## Notes:

- (1) Including integration costs;
- (2) 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;
- (3) If legal remedies against the adopted law in February 2022 concerning loan agreements in Swiss francs concluded by banks operating in Slovenia (including NLB) and individuals are unsuccessful, the Bank estimated a negative pre-tax effect on the operations of NLB and NLB Group should not exceed EUR 70 - 75 million (not more than EUR 100 million if N Banka is included);
- (4) Includes 8 bps of technical adjustment due to N Banka and excludes potential incremental major disruption(s).
- (5) (vi) EUR 50 million already paid-out; the second instalment expected to be paid-out by the end of the year.
- (6) Costs including N banka/restructuring

The background of the page is a dark, textured map of the world. Overlaid on the map is a complex network of glowing blue lines and nodes, resembling a data or communication network. Several white, teardrop-shaped location pins are scattered across the map, primarily in the North American and European regions.

## Appendixes

Appendix 1: Business Performance 38

Appendix 2: Segment Analysis 41

Appendix 3: Macro Overview 51

Appendix 4: Financial Statements 57

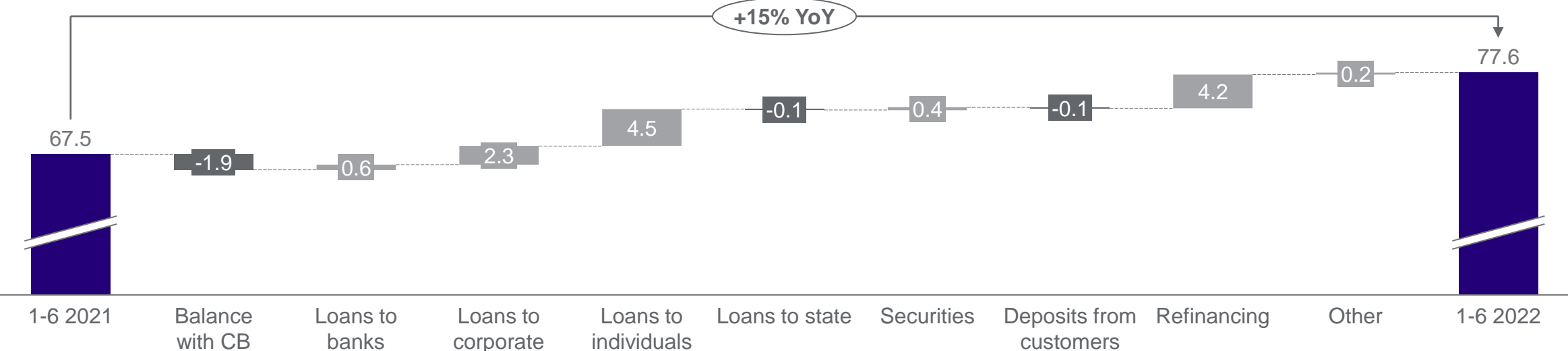
Appendix 1:

# Business Performance

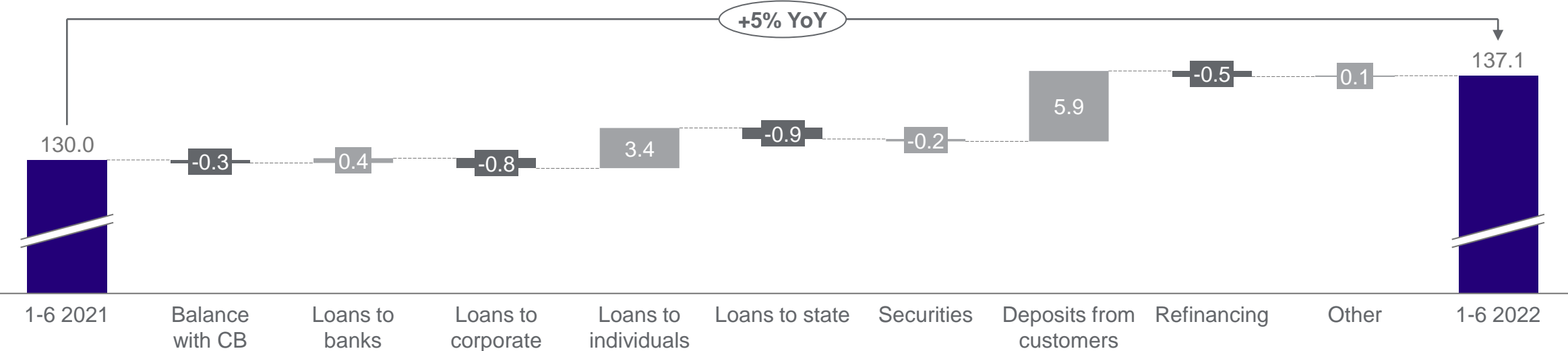


# Net interest income evolution

Net interest income evolution - NLB

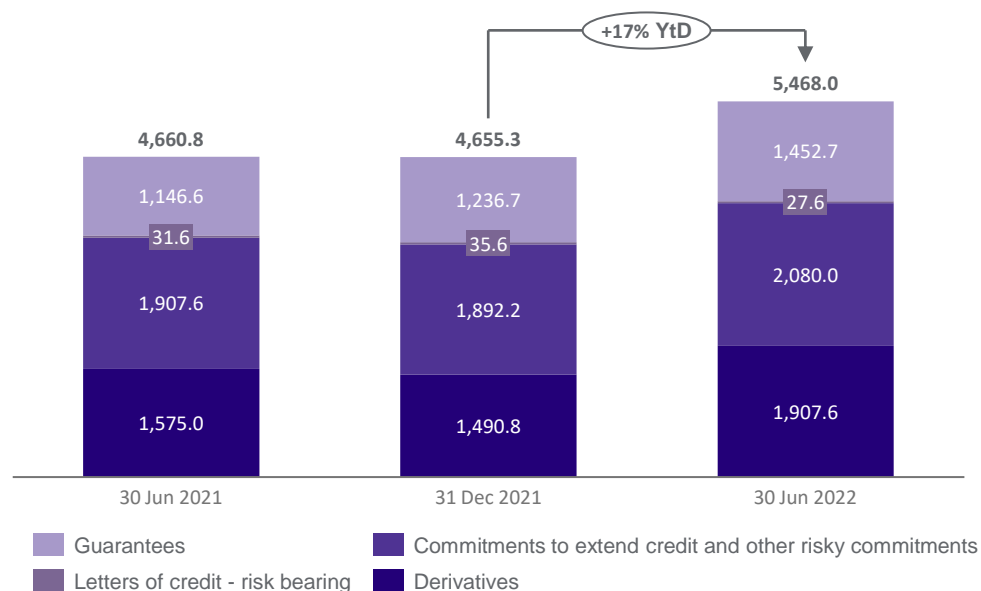


Net interest income evolution – SEE banks



# Off-balance sheet items

Off-balance sheet items of NLB Group – structure (in EUR million)



## Commitments to extend credit and other risky commitments

	in EUR million		
	30 Jun 2022	31 Dec 2021	30 Jun 2021
Loans	804.5	712.3	814.9
Overdrafts Retail	277.6	310.5	327.7
Overdrafts Corporate	221.5	216.1	198.1
Cards	322.7	311.0	310.1
Komercijalna Banka Group	331.2	335.9	294.2
N Banka	123.2		
Other (Lease&Go, ...)	64.3	21.2	17.7
Inter Company	-65.1	-14.8	-55.1
<b>Total</b>	<b>2,080.0</b>	<b>1,892.1</b>	<b>1,907.6</b>

- Majority in loans are from Corporate (99% on 30 June 2022)
- Majority in cards are from Retail (89% on 30 June 2022)
- Other include also inter company relations

## Derivatives

	in EUR million		
	30 Jun 2022	31 Dec 2021	30 Jun 2021
FX derivatives with customers	152.3	87.4	171.3
o/w NLB stand alone	214.4	102.5	191.0
Interest rate derivatives with customers	634.9	701.3	708.5
o/w NLB stand alone	634.1	694.7	708.5
FX derivatives - hedging (NLB)	91.9	87.9	74.3
Interest rate derivatives - hedging (NLB)	626.2	573.3	574.8
Options (NLB)	43.4	40.8	46.1
Derivatives (N Banka)	359.0		
<b>Total</b>	<b>1,907.6</b>	<b>1,490.8</b>	<b>1,575.0</b>

Majority of NLB Group derivatives are concluded by NLB either for hedging of the banking book or for trading with customers. With acquisition of N Banka customer derivatives increased for EUR 380 million.

## Business with customers

- Customers are mainly using plain vanilla FX and Interest rate derivatives for hedging of their business model. Aside increase due to impact of N Banka customer derivatives on NLB d.d. slightly increased in first quarter, mainly due to increased volatility on FX, though clients still prefer fixed rate loan or open IR position over derivative hedging.

## Hedging

- NLB is concluding interest rate swaps in line with fair value hedge accounting rules. Micro and macro hedges are used for hedging of fixed rate loan portfolio and micro Interest rate swaps are used for the purpose of securities hedging. In last year no new hedges were concluded due to sufficient risk appetite and negative effect of swap.
- FX swaps used for short term liquidity hedging increased in last year mainly due to placement of foreign currency.



Appendix 2:

# Segment Analysis



# NLB Group key business segments

	Retail banking in Slovenia	Corporate and investment banking in Slovenia	Strategic foreign markets	Financial markets in Slovenia	Non-core members
	<b>Retail (NLB &amp; N Banka)</b> <b>Micro (NLB &amp; N Banka)</b> <b>NLB Skladi</b> <b>Bankart<sup>(1)</sup></b> <b>NLB Lease&amp;Go (retail clients)</b>	<b>NLB &amp; N Banka:</b> - Key corporates - SME corporates - Cross Border corporates - Investment banking and custody - Restructuring&workout <b>NLB Lease&amp;Go (corporate clients)</b>	<b>NLB Banka, Skopje</b> <b>NLB Banka, Banja Luka</b> <b>NLB Banka, Sarajevo</b> <b>NLB Banka, Prishtina</b> <b>NLB Banka, Podgorica</b> <b>NLB Komercijalna Banka, Beograd</b> <b>Kombank INvest, Beograd</b> <b>NLB DigIT, Beograd</b>	<b>NLB &amp; N Banka:</b> - Treasury activities - Trading in financial instruments - Asset and liabilities management (ALM)	<b>REAM</b> <b>Leasing (except NLB Lease&amp;Go)</b> <b>NLB Srbija</b> <b>NLB Crna Gora</b>
	<ul style="list-style-type: none"> <li>Largest retail banking group in Slovenia by loans and deposits</li> <li>#1 in private banking and asset management</li> <li>Focused on upgrading customer digital experience and satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Market leader in corporate banking with focus on advisory and long-term strategic partnerships</li> <li>Market leader in Investment Banking and Custody services</li> <li>Regional know-how and experience in Corporate Finance and #1 lead organiser for syndicated loans in Slovenia</li> <li>Strong trade finance operations and other fee-based business</li> <li>Market leader at FX and interest rate hedges</li> </ul>	<ul style="list-style-type: none"> <li>Leading SEE franchise with six subsidiary banks<sup>(3, 4, 5)</sup> and one investment fund company</li> <li>The only international banking group with exclusive focus on the SEE region</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining stable funding base</li> <li>Management of well diversified liquidity reserves</li> <li>Managing interest rate positions with responsive pricing policy</li> </ul>	<ul style="list-style-type: none"> <li>Assets booked non-core subsidiaries funded via NLB</li> <li>Controlled wind-down of remaining assets, including collection of claims, liquidation of subsidiaries and sale of assets</li> </ul>
(Jun 2022, in EUR million)					
<b>Pre-provision result</b>	25.5	21.4	84.9	16.6	-3.5
<b>Result b.t.</b>	21.3	34.1	85.8	9.0	-2.5
<b>Total assets</b>	3,524	3,267	9,760	5,711	90
<b>% of total assets<sup>(2)</sup></b>	16%	14%	43%	25%	0%
<b>CIR</b>	71.7%	57.1%	56.4%	21.9%	270.1%
<b>Cost of risk (bp)</b>	37	-90	-22	/	/

Notes: (1) 39% minority stake; (2) Other activities 2%; (3) Merger of NLB Banka, Podgorica and KB Podgorica on 12 November 2021; (4) Sale of KB Banja Luka on 9 December 2021; (5) Merger of NLB banka Beograd and Komercijalna banka to NLB Komercijalna banka, at the end of April 2022.

# Retail Banking in Slovenia

## Retail Banking in Slovenia

in EUR million consolidated

			Change YoY			Q2 2022	Q1 2022	Q2 2021	Change QoQ
	1-6 2022	1-6 2021	o/w N Banka contribution						
Net interest income	43.6	38.6	5.0	4.0	13%	22.9	20.7	19.7	10%
Net interest income from Assets <sup>(i)</sup>	48.3	40.0	8.3	3.5	21%	25.0	23.2	20.4	8%
Net interest income from Liabilities <sup>(i)</sup>	-4.7	-1.3	-3.4	0.5	-	-2.2	-2.5	-0.7	12%
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%
<b>Total net operating income</b>	<b>90.3</b>	<b>78.1</b>	<b>12.2</b>	<b>6.7</b>	<b>16%</b>	<b>43.4</b>	<b>46.8</b>	<b>36.4</b>	<b>-7%</b>
Total costs	-64.7	-55.2	-9.5	-5.9	-10%	-35.4	-29.3	-28.5	-2%
<b>Result before impairments and provisions</b>	<b>25.5</b>	<b>22.9</b>	<b>2.7</b>	<b>0.8</b>	<b>12%</b>	<b>8.0</b>	<b>17.5</b>	<b>7.8</b>	<b>-54%</b>
Impairments and provisions	-5.8	-2.7	-3.1	1.2	-117%	-3.9	-1.9	-3.4	-113%
Net gains from investments in subsidiaries, associates, and JVs <sup>1</sup>	1.6	0.4	1.1	-	-	1.0	0.6	0.3	57%
<b>Result before tax</b>	<b>21.3</b>	<b>20.6</b>	<b>0.7</b>	<b>2.0</b>	<b>3%</b>	<b>5.0</b>	<b>16.3</b>	<b>4.8</b>	<b>-69%</b>
	<b>30 Jun 2022</b>	<b>31 Mar 2022</b>	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>		<b>Change YtD</b>	<b>Change YoY</b>	<b>Change QoQ</b>	
Net loans to customers	3,434.7	3,337.4	2,731.6	2,534.9	703.1	26%	899.8	33%	3%
Gross loans to customers	3,481.5	3,382.3	2,769.7	2,570.6	711.8	26%	910.9	33%	3%
Housing loans	2,037.5	1,908.8	1,815.5	1,666.8	222.0	12%	370.7	22%	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%	-7.8	-1%	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							-4%
NLB Lease&Go, Ljubljana	56.4	48.4	40.4	22.3	16.0	40%	34.0	152%	16%
Other	271.2	284.3	278.2	238.4	-7.0	-3%	32.8	14%	-5%
Deposits from customers	8,747.4	8,412.6	7,703.6	7,644.9	1,043.7	14%	1,102.5	14%	4%
Interest rate on deposits <sup>(ii)</sup>	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%	12.3	23%	3%
	<b>1-6 2022</b>	<b>1-6 2021</b>	<b>Change YoY</b>						
Cost of risk (in bps)	37	21	16						
CIR	71.7%	70.7%	1.0 p.p.						
Interest margin <sup>(iii)</sup>	1.46%	1.55%	-0.08 p.p.						

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

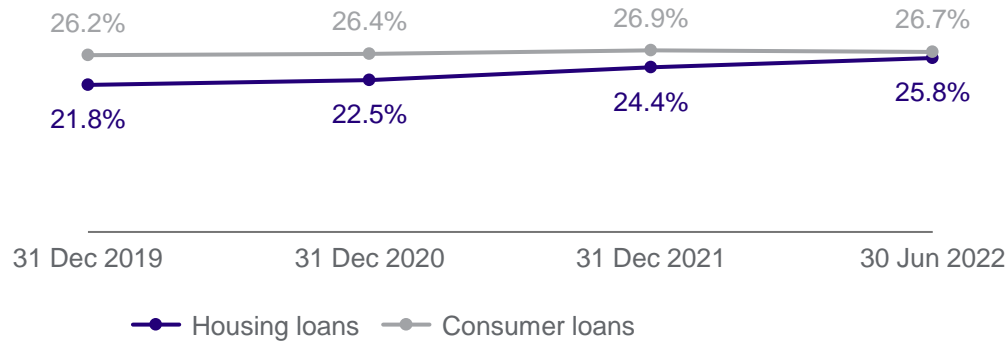
<sup>(ii)</sup> Interest rates only for NLB.

- 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 due to 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 contributed N Banka. 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.

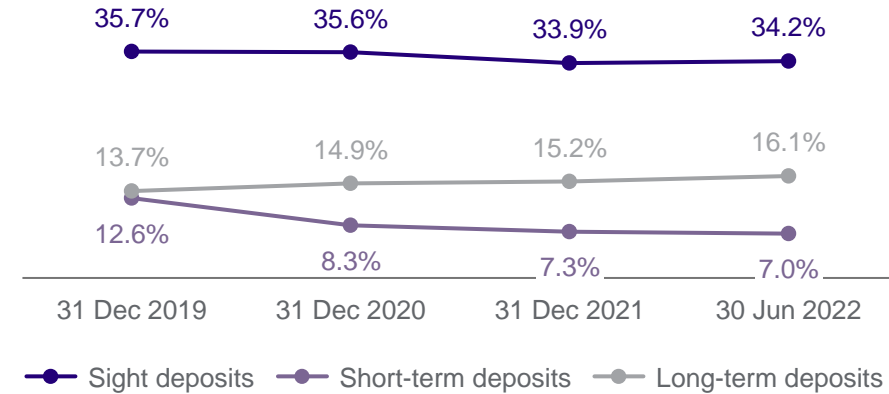
# Retail banking in Slovenia

## High and stable market shares across products

Market share of net loans to individuals in Slovenia

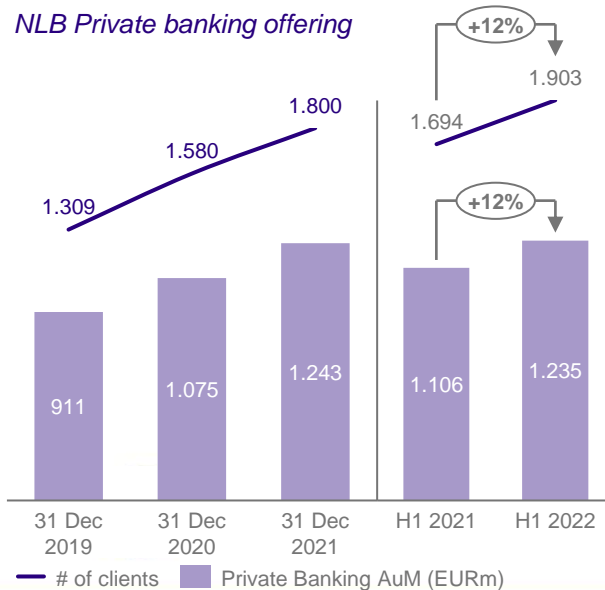


Market share of deposits from individuals in Slovenia

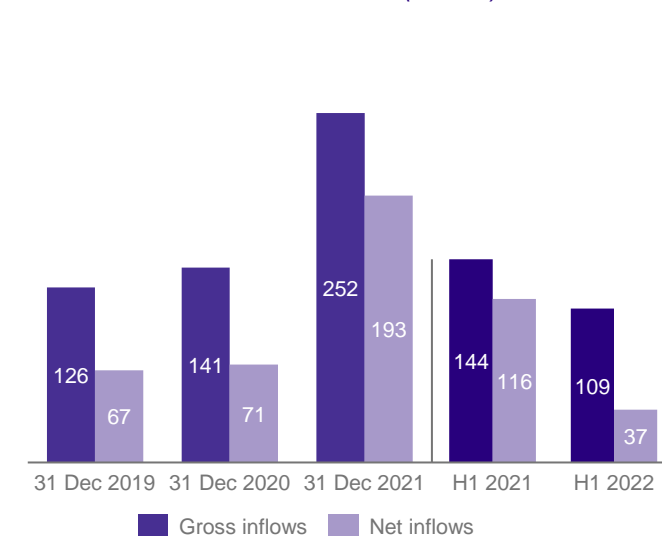


### Upside from fee generating products

NLB Private banking offering



NLB Skladi mutual funds inflows (EURm)



- The Bank's market share in housing loans still increasing, which is the result of an impressive record production of new housing loans in H1 2022.
- More ESG products were added to the offer.
- #1 player in Private Banking<sup>(1)</sup>
  - Leading position being strengthened with reaching over EUR 1.2 billion of assets under management.
- # 1 player in Slovenian asset management<sup>(2)</sup>
  - AuM of 1,906.8 EURm as of 30 June 2022 including investments in mutual funds and discretionary portfolios
  - Market share of NLB Skladi at mutual funds in Slovenia increased to 37.9% as of 30 June 2022, despite demanding global circumstances affecting net inflows.

Source: Bank of Slovenia (retail loans and deposits), Company information, Slovenian Fund Management Association  
 Note: (1) Company information; (2) By AuM (Slovenian Fund Management Association).

# Corporate and Investment banking in Slovenia

## 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	23%	11.8	10.2	8.9	16%
Net interest income from Assets <sup>(i)</sup>	25.8	20.4	5.4	2.4	27%	13.8	12.1	10.3	14%
Net interest income from Liabilities <sup>(i)</sup>	-3.8	-2.5	-1.3	0.1	-5%	-1.9	-1.9	-1.3	-3%
Net non-interest income	27.9	43.6	-15.8	1.7	-3%	14.6	13.3	31.9	9%
o/w Net fee and commission income	22.8	19.7	3.2	1.5	16%	11.6	11.2	10.2	3%
<b>Total net operating income</b>	<b>49.9</b>	<b>61.6</b>	<b>-11.6</b>	<b>4.1</b>	<b>-19%</b>	<b>26.4</b>	<b>23.5</b>	<b>40.8</b>	<b>12%</b>
Total costs	-28.5	-21.4	-7.1	-4.4	-3%	-16.0	-12.5	-11.0	-2%
<b>Result before impairments and provisions</b>	<b>21.4</b>	<b>40.1</b>	<b>-18.8</b>	<b>-0.2</b>	<b>-4%</b>	<b>10.4</b>	<b>11.0</b>	<b>29.8</b>	<b>-6%</b>
Impairments and provisions	12.7	16.1	-3.3	3.4	-2%	8.7	4.1	5.1	11%
<b>Result before tax</b>	<b>34.1</b>	<b>56.2</b>	<b>-22.1</b>	<b>3.1</b>	<b>-3%</b>	<b>19.1</b>	<b>15.1</b>	<b>34.9</b>	<b>26%</b>

	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%	1,102.2	5%	6%
Gross loans to customers	3,313.1	3,122.8	2,390.7	2,244.9	922.4	39%	1,068.1	4%	6%
Corporate	3,164.4	2,962.7	2,258.5	2,100.5	905.9	40%	1,064.0	5%	7%
Key/SME/Cross Border Corporates	2,413.3	2,211.9	2,110.6	1,940.6	302.7	14%	472.7	24%	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%	0.0	-4%	0%
Restructuring and Workout	80.8	83.6	88.2	123.5	-7.4	-8%	-42.6	-3%	-3%
N Banka	577.3	592.0							-2%
NLB Lease&Go	92.8	75.1	59.6	36.3	33.3	56%	56.6	15%	24%
State	148.5	160.0	131.9	144.1	16.6	13%	4.3	3%	1%
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%	880.4	54%	8%
Interest rate on deposits <sup>(ii)</sup>	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%	-32.6	-2%	-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 <sup>(i)</sup>	1.59%	1.85%	-0.26 p.p.

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

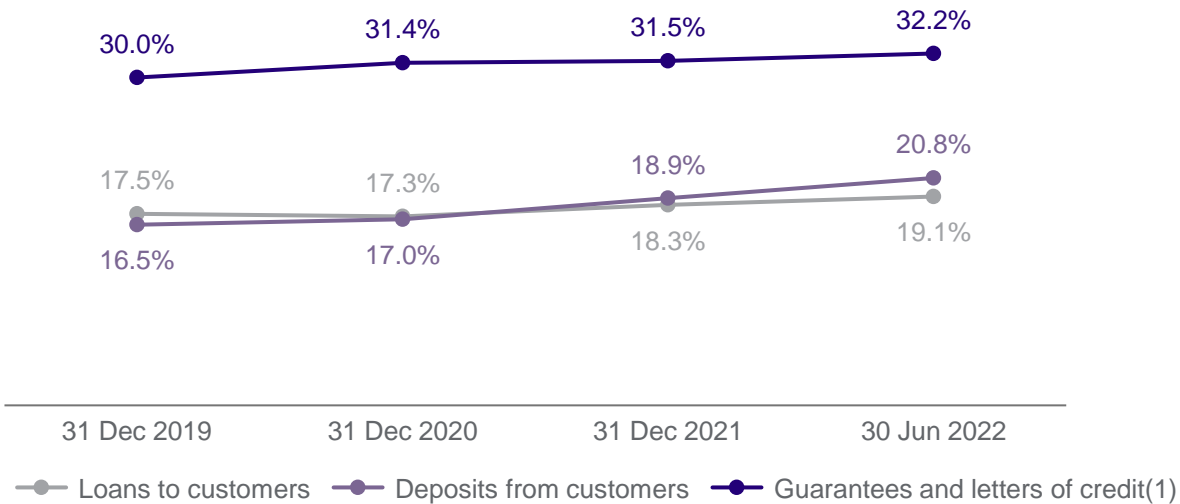
<sup>(ii)</sup> Interest rates only for NLB.

- 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 excess 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.

# Corporate & Investment Banking in Slovenia

## High market shares across products

Market shares - evolution and position on the market



- Largest bank in the country with high capacity to lend to and service large clients serving over 10,000 corporate clients as of 30 June 2022.
- ESG products included in the offer.
- Cross-border financing is becoming increasingly important.
- New cross-selling potential with leasing financing added to the offer.
- Leading Slovenian bank in the field of trade finance with products that support the export economy.
- As the leading bank in the Slovenian market for the organization of syndicated loans, the Bank continues to successfully support and finance the expansion of Slovenian companies in the region.
- Investment Banking being also successful organizer of issuance of instruments on debt capital markets.

Strong local corporate fee business, across merchant acquiring, investment banking and custody services

**EUR 676 million**  
of syndicated loans arranged

**EUR 15.5 bn**  
assets under custody



# Strategic Foreign Markets

## 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%	
<b>Total net operating income</b>	<b>194.6</b>	<b>178.8</b>	<b>15.9</b>	<b>9%</b>	<b>100.5</b>	<b>94.2</b>	<b>93.9</b>	<b>7%</b>	
Total costs	-109.8	-107.9	-1.9	-2%	-56.4	-53.3	-55.6	-6%	
<b>Result before impairments and provisions</b>	<b>84.9</b>	<b>70.9</b>	<b>14.0</b>	<b>20%</b>	<b>44.0</b>	<b>40.8</b>	<b>38.3</b>	<b>8%</b>	
Impairments and provisions	0.9	2.0	-1.1	-53%	-2.3	3.2	0.1	-	
<b>Result before tax</b>	<b>85.8</b>	<b>72.9</b>	<b>12.9</b>	<b>18%</b>	<b>41.7</b>	<b>44.1</b>	<b>38.4</b>	<b>-5%</b>	
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	11%	4%
Gross loans to customers	6,074.9	5,850.2	5,632.2	5,460.3	442.7	8%	614.6	11%	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 <sup>(i)</sup>	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 <sup>(i)</sup>	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	-32%	-8%
Interest rate on state loans <sup>(i)</sup>	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 <sup>(i)</sup>	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	-11%	-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 <sup>(i)</sup>	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 Markets in Slovenia

## Financial Markets in Slovenia

in EUR million consolidated

	Change YoY				Q2 2022	Q1 2022	Q2 2021	Change QoQ
	1-6 2022	1-6 2021	o/w N Banka contribution					
Net interest income	22.9	11.7	11.2	2.6	12.6	10.3	5.7	22%
o/w ALM <sup>(i)</sup>	14.9	6.2	8.7	1.9	8.4	6.5	2.9	28%
Net non-interest income	-1.7	-0.7	-1.0	0.0	-0.6	-1.1	0.0	47%
<b>Total net operating income</b>	<b>21.2</b>	<b>11.1</b>	<b>10.2</b>	<b>2.6</b>	<b>12.0</b>	<b>9.2</b>	<b>5.7</b>	<b>30%</b>
Total costs	-4.6	-3.9	-0.7	-0.1	-2.5	-2.2	-2.0	14%
<b>Result before impairments and provisions</b>	<b>16.6</b>	<b>7.1</b>	<b>9.4</b>	<b>2.5</b>	<b>9.5</b>	<b>7.0</b>	<b>3.7</b>	<b>36%</b>
Impairments and provisions	-7.5	0.1	-7.6	-1.5	-6.0	-1.5	0.8	-
<b>Result before tax</b>	<b>9.0</b>	<b>7.3</b>	<b>1.8</b>	<b>1.0</b>	<b>3.5</b>	<b>5.5</b>	<b>4.4</b>	<b>-34%</b>

	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	-14%	-212.8
Banking book securities	3,168.7	3,223.8	2,977.5	3,335.5	191.2	6%	-166.8
<i>Interest rate on banking book securities<sup>(ii)</sup></i>	0.72%	0.72%	0.68%	0.65%	0.04 p.p.	0.07 p.p.	0.00 p.p.
Wholesale funding	216.0	1,046.5	873.5	866.3	-657.4	-74%	-650.3
<i>Interest rate on wholesale funding<sup>(ii)</sup></i>	-0.83%	-0.89%	-0.46%	1.00%	-0.37 p.p.	-1.83 p.p.	0.06 p.p.
Subordinated liabilities	287.8	287.0	288.5	287.6	-0.8	0%	0.2
<i>Interest rate on subordinated liabilities<sup>(ii)</sup></i>	3.69%	3.69%	3.70%	3.69%	-0.01 p.p.	0.00 p.p.	0.00 p.p.

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

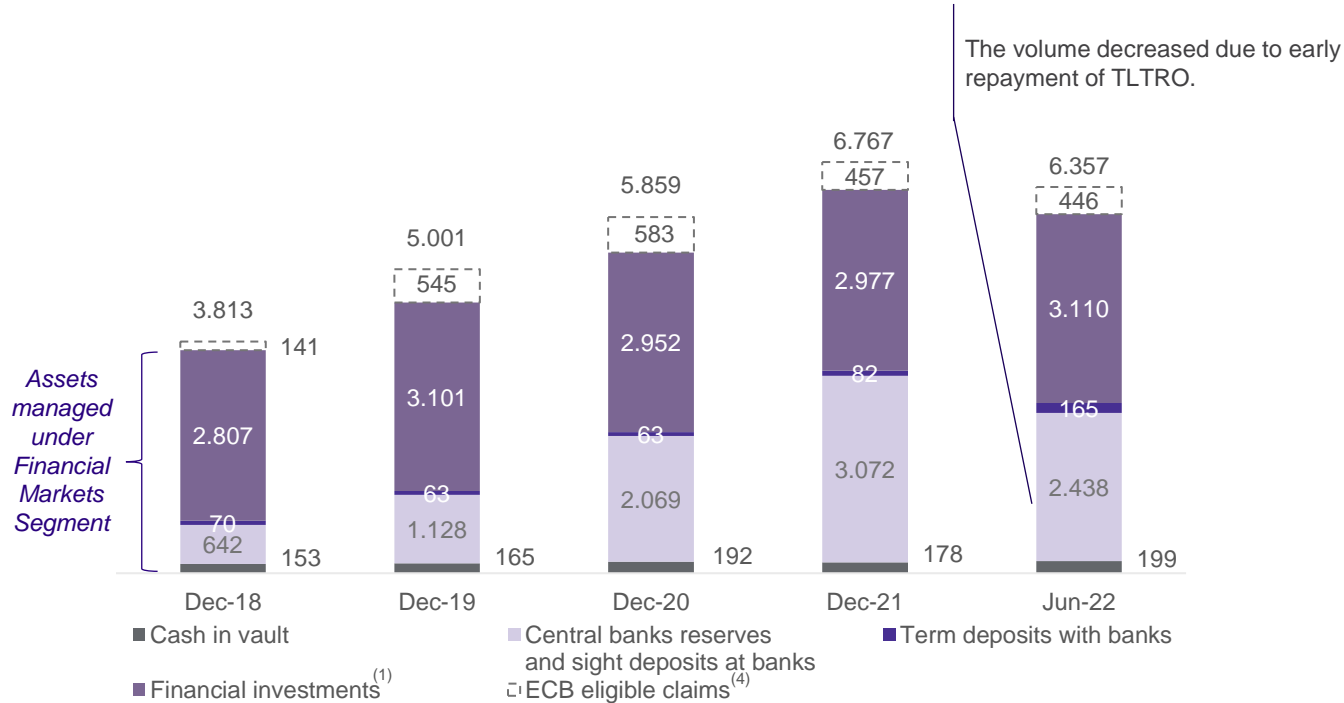
<sup>(ii)</sup> Interest rates only for NLB.

- 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.



# Financial markets in Slovenia

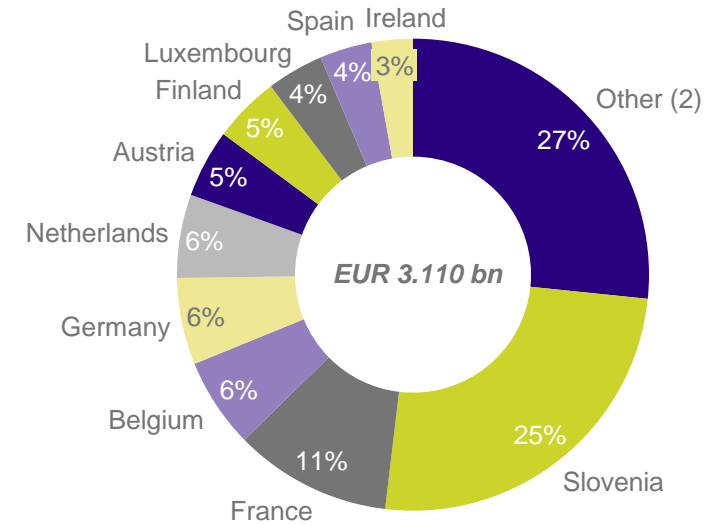
## Liquid assets evolution (EURm)



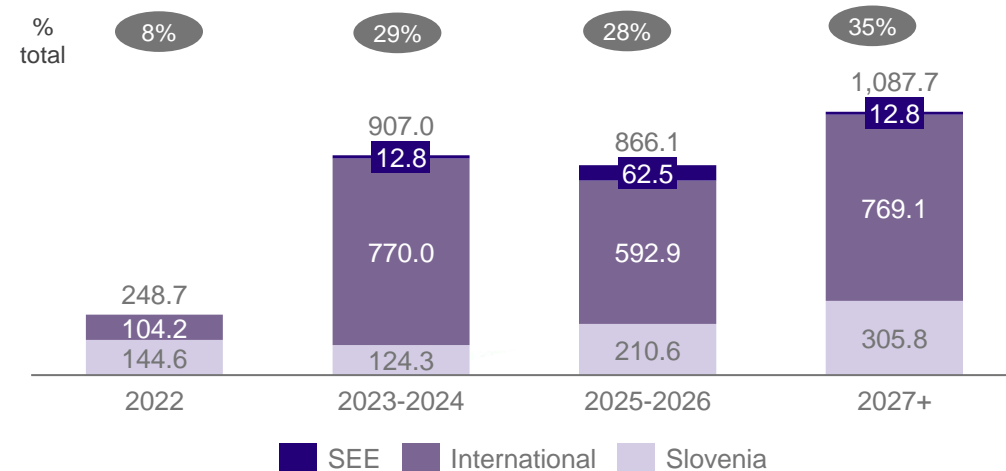
### Well positioned and funded division

- Strong liquidity buffer provides solid base for future core growth consisting of liquid assets which are not encumbered for operational or regulatory purposes
- Banking book securities portfolio is well diversified in terms of asset class and geography to minimize concentration risk, and is invested predominantly in high quality issuers on prudent tenors
- Liquidity ratios (as of 30 Jun 2022): LCR 275% (NLB d.d.) and 213% (NLB Group); NSFR (preliminary) 172% (NLB d.d.) and 176% (NLB Group).

## Well diversified banking book by geography (30 Jun 2022)



## Maturity profile of banking book securities<sup>(3)</sup> (30 Jun 2022, EURm)



Note: Numbers refer to NLB d.d. and N Banka; (1) Incl. trading and banking book securities (book value); (2) Includes other European countries, USA, Canada, Kazakhstan, Israel and Russian Federation; (3) Including state guaranteed bonds; (4) Loans booked under segment Corporate Banking Slovenia.

# Non-Core Members

## 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	-69%	0.0	0.1	0.1	-61%
Net non-interest income	1.9	2.9	-1.0	-34%	1.2	0.7	2.2	67%
<b>Total net operating income</b>	<b>2.1</b>	<b>3.3</b>	<b>-1.2</b>	<b>-37%</b>	<b>1.2</b>	<b>0.8</b>	<b>2.4</b>	<b>54%</b>
Total costs	-5.5	-5.4	-0.2	-3%	-3.0	-2.6	-2.8	-16%
<b>Result before impairments and provisions</b>	<b>-3.5</b>	<b>-2.1</b>	<b>-1.4</b>	<b>-67%</b>	<b>-1.7</b>	<b>-1.8</b>	<b>-0.4</b>	<b>1%</b>
Impairments and provisions	1.0	1.7	-0.7	-41%	0.4	0.6	1.0	-33%
<b>Result before tax</b>	<b>-2.5</b>	<b>-0.4</b>	<b>-2.1</b>	<b>-</b>	<b>-1.3</b>	<b>-1.1</b>	<b>0.5</b>	<b>-17%</b>

	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Jun 2021	Change YtD		Change YoY	
<b>Segment assets</b>	<b>89.9</b>	<b>93.8</b>	<b>95.9</b>	<b>116.7</b>	<b>-6.0</b>	<b>-6%</b>	<b>-26.8</b>	<b>-23%</b>
Net loans to customers	20.5	22.0	24.3	34.8	-3.9	-16%	-14.3	-41%
Gross loans to customers	50.3	51.6	53.9	79.3	-3.6	-7%	-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	-9%
Other assets	7.6	6.3	6.0	14.9	1.6	27%	-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 NPL collection.

# Other

in EUR million consolidated

	1-6 2022	1-6 2021	Change YoY		Q2 2022	Q1 2022	Q2 2021	Change QoQ
Total net operating income	3.3	3.3	0.0	-1%	1.8	1.5	1.9	14%
Total costs	-8.8	-5.7	-3.1	-55%	-4.4	-4.4	-2.0	-1%
<b>Result before impairments and provisions</b>	<b>-5.5</b>	<b>-2.3</b>	<b>-3.2</b>	<b>-136%</b>	<b>-2.7</b>	<b>-2.9</b>	<b>-0.1</b>	<b>6%</b>
Impairments and provisions	-9.0	1.7	-10.7	-	-0.1	-8.9	-0.1	99%
Negative goodwill (N Banka)	172.8					172.8		
<b>Result before tax</b>	<b>158.3</b>	<b>-0.6</b>	<b>158.9</b>	<b>-</b>	<b>-2.8</b>	<b>161.0</b>	<b>-0.1</b>	<b>-</b>

- Negative goodwill from N Banka acquisition in the amount of EUR 172.8 million attributable to this segment.
- EUR 8.8 million of total costs (EUR 3.1 million higher YoY); costs related mostly to IT, cash transport, external realization, and costs, regarding vacant business premises.
- Net impairments and provisions established in the amount of EUR 9.0 million; in this amount 12-month expected credit losses were recognised at acquisition date for performing portfolio for N Banka.

Appendix 3:

# Macro Overview



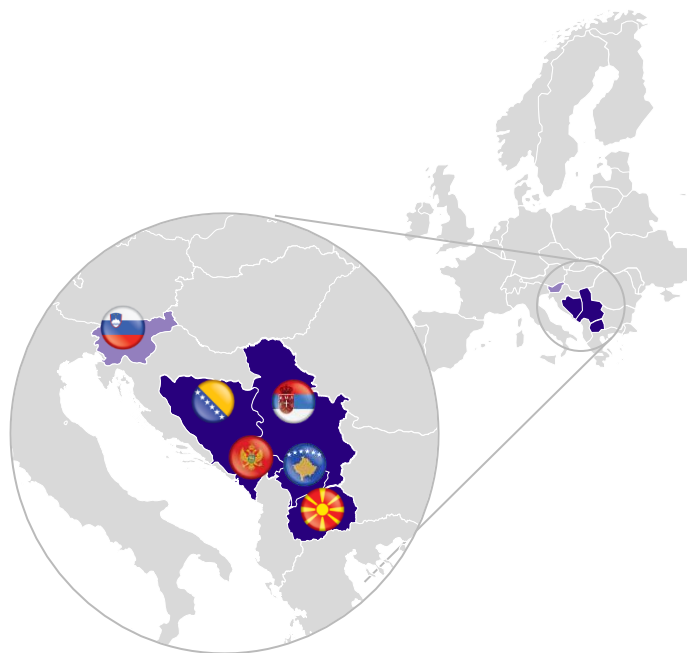
# NLB Group – Macro overview

NLB d.d. & 7 subsidiary banks operate in Slovenia (EU member) & 5 SEE countries (convergence to EU)

Slovenia 	EUR
GDP (EURbn)	52.0
Population (m)	2.1
NBS loans as % of GDP <sup>(1)</sup>	47.6%
NBS deposits as % of GDP <sup>(1)</sup>	69.0%
Credit ratings (S&P / Moody's / Fitch)	AA- / A3 / A

Bosnia and Herzegovina <sup>(2)</sup> 	EUR <sup>(3)</sup>
GDP (EURbn)	19.4
Population (m)	3.3
NBS loans as % of GDP <sup>(1)</sup>	61.2%
NBS deposits as % of GDP <sup>(1)</sup>	79.7%
Credit ratings (S&P / Moody's / Fitch)	B / B3 / n.a.

Montenegro 	EUR
GDP (EURbn)	4.9
Population (m)	0.6
NBS loans as % of GDP <sup>(1)</sup>	67.4%
NBS deposits as % of GDP <sup>(1)</sup>	84.3%
Credit ratings (S&P / Moody's / Fitch)	B / B1 / n.a.



Serbia 	RSD
GDP (EURbn)	53.3
Population (m)	6.9
NBS loans as % of GDP <sup>(1)</sup>	45.2%
NBS deposits as % of GDP <sup>(1)</sup>	52.8%
Credit ratings (S&P / Moody's / Fitch)	BB+ / Ba2 / BB+

Kosovo 	EUR
GDP (EURbn)	7.8
Population (m)	1.8
NBS loans as % of GDP <sup>(1)</sup>	48.0%
NBS deposits as % of GDP <sup>(1)</sup>	60.3%
Credit ratings (S&P / Moody's / Fitch)	n.a. / n.a. / n.a.

North Macedonia 	MKD
GDP (EURbn)	11.7
Population (m)	2.1
NBS loans as % of GDP <sup>(1)</sup>	52.6%
NBS deposits as % of GDP <sup>(1)</sup>	62.0%
Credit ratings (S&P / Moody's / Fitch)	BB- / n.a. / BB+

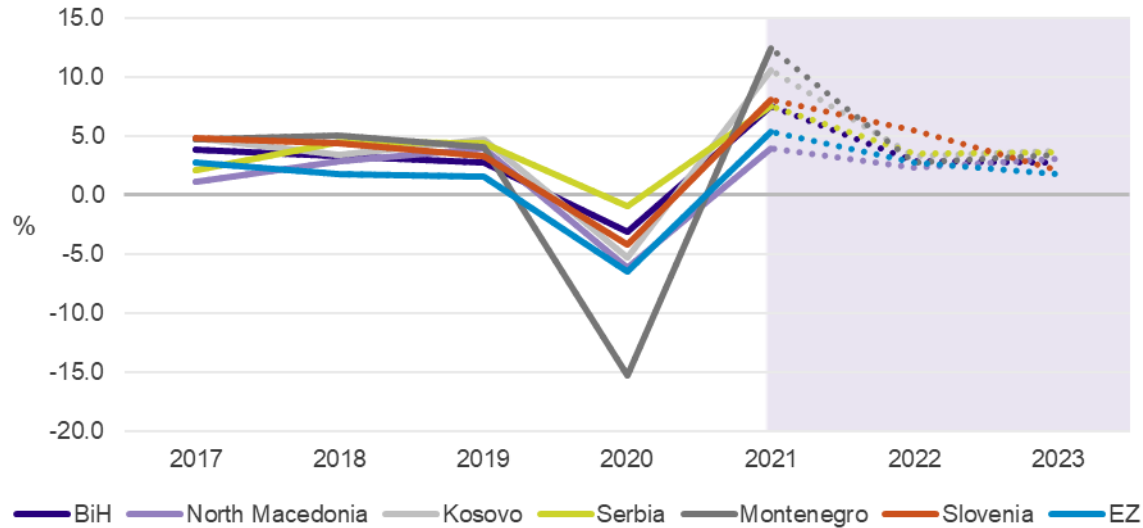


Source: Central banks, National Statistics Offices, FocusEconomics, NLB

Note: GDP volume for 1Q 2022 annualized (1) Non-banking sector loans/deposits as % of GDP for 1Q, annualized (2) Bosnia and Herzegovina is comprised of 2 entities, The Federation of Bosnia and Herzegovina and Republika Srpska; (3) Official currency is BAM – Bosnia-Herzegovina Convertible Mark, pegged to EUR.

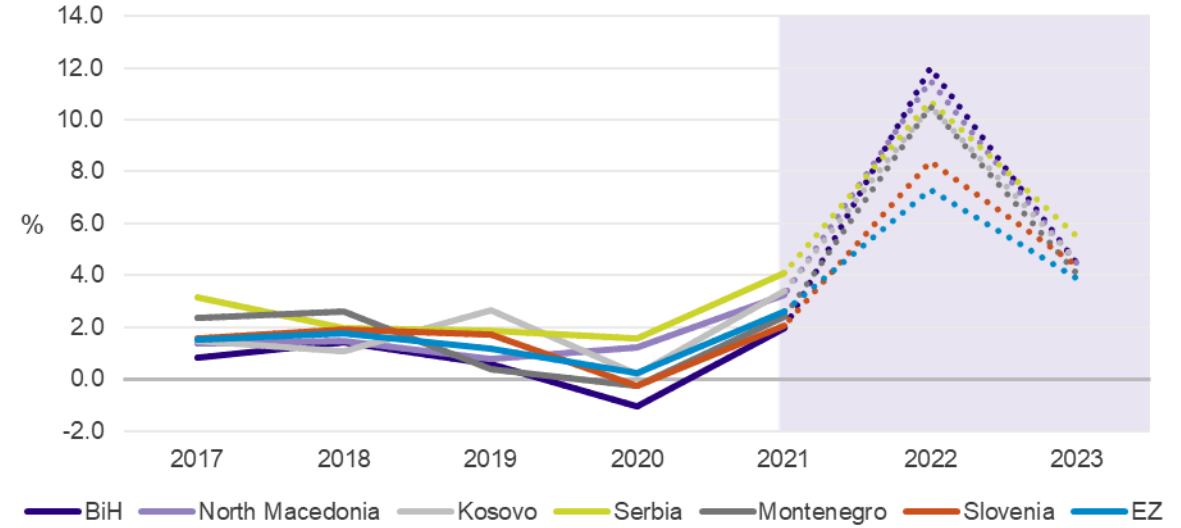
# Macro Overview – Economic data

## Real GDP growth, %



Sources: FocusEconomics, NLB Forecasts for 2022 and 2023.

## Average inflation rate, %



Sources: FocusEconomics, NLB Forecasts for 2022 and 2023  
Note: HICP for Slovenia, Kosovo and Eurozone, other CPI

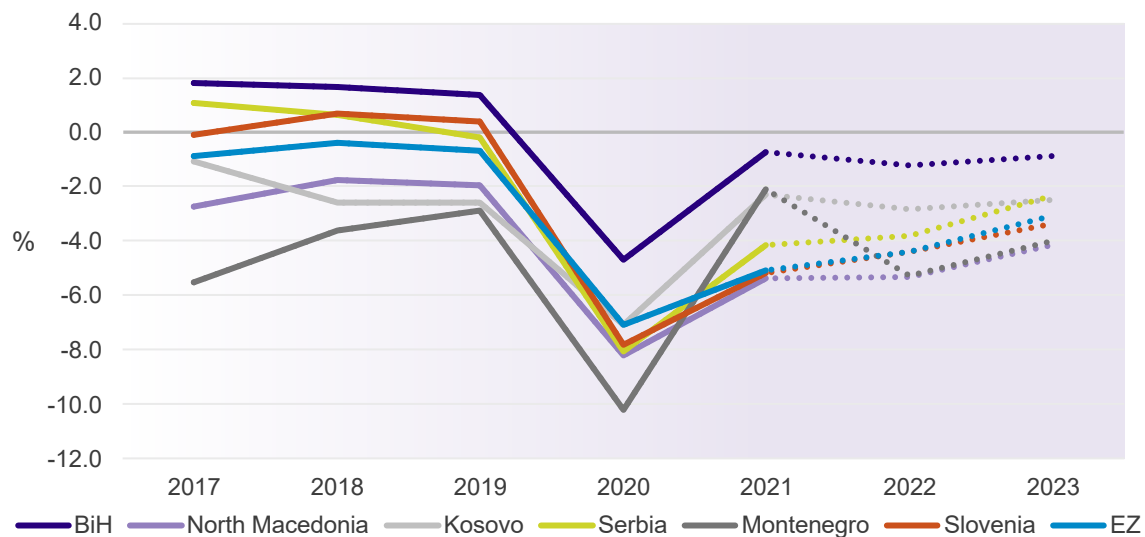
### KEY FINDINGS:

The economies lost steam in 1H. Shrinking retail sales in sequential terms in April–May and falling consumer confidence amid soaring inflation, mean household spending was likely subdued. Moreover, weaker business confidence and lower manufacturing PMI prints suggest that soaring commodity prices and rising interest rates, coupled with supply shortages, hit the secondary sector. Support to growth will have come from strong labour markets and public investments.

The **group's region GDP** is set to grow at a milder pace this year, at a rate of 4.0% in 2022. Financial instability risks stemming from high public debts and gas rationing cloud the outlook. Higher commodity prices and supply bottlenecks will fuel **inflation** this year. Gas supply cuts, a weaker Euro, second-round effects and further lockdowns in China pose risks.

# Macro Overview – Fiscal data

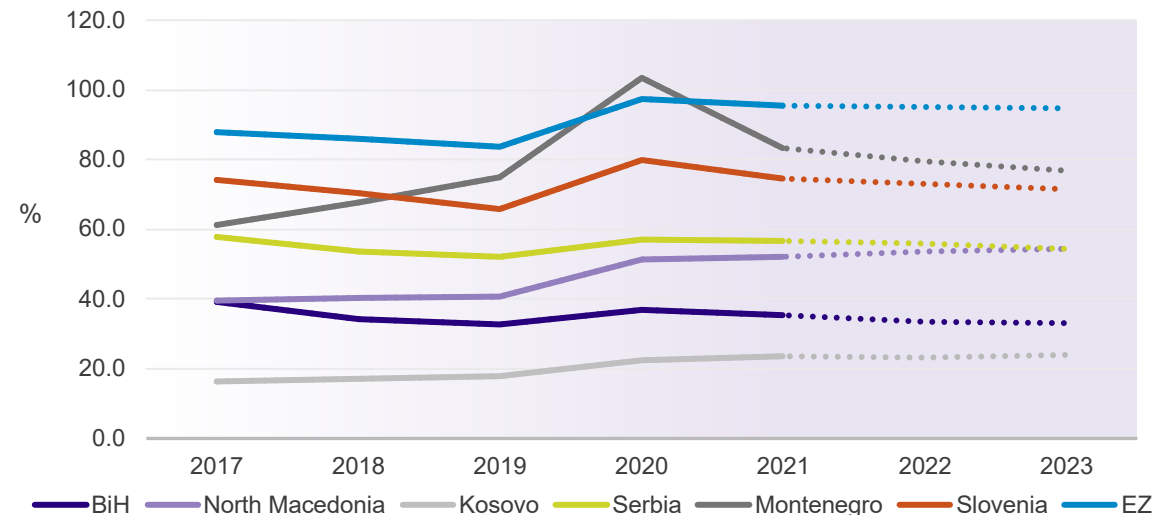
## Fiscal Balance, % GDP



Sources: FocusEconomics

Note: Consensus Forecasts for 2022 and 2023, estimation for 2021 (Kosovo)

## Public Debt, % GDP



Sources: FocusEconomics

Note: Consensus Forecasts for 2022 and 2023, estimation for 2021 (N.Macedonia and BiH).

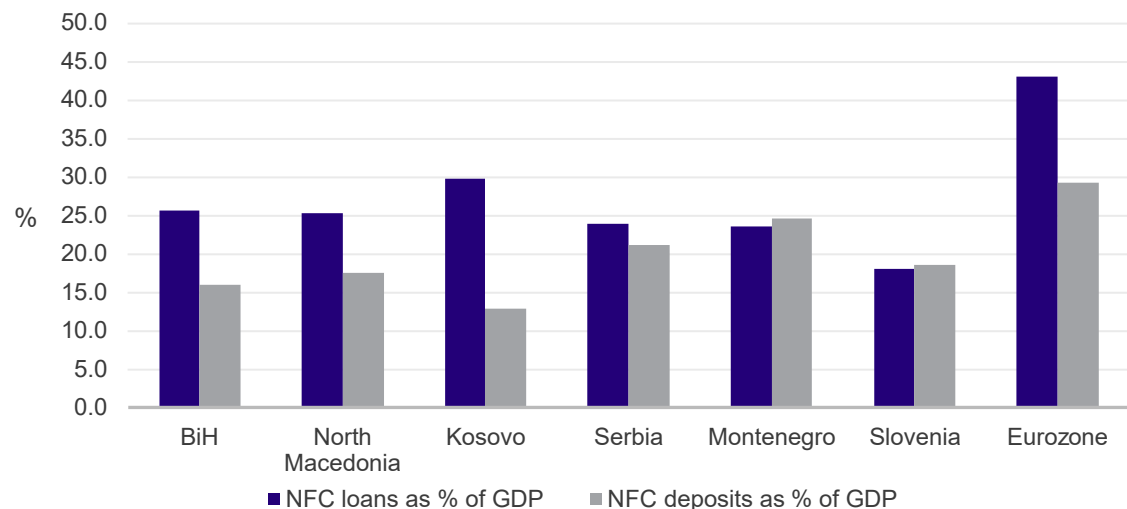
### KEY FINDINGS:

**Public debts** remained at elevated levels in 1H 2022 after the increase in 2020 resulting from fiscal measures adopted to mitigate the economic and social impact of the pandemic-induced crisis. In general, public debts of countries in the Group's region are below the Euro area level and decreasing (apart from N.Macedonia and Kosovo). Elevated levels of inflation have lowered the real cost of debt repayment for governments.

**Fiscal balances** are expected to improve albeit at a gradual pace. Although inflation bodes well for short term fiscal revenues, diminishing real income poses a threat to long term improvement of fiscal balances.

# Macro Overview – Monetary data

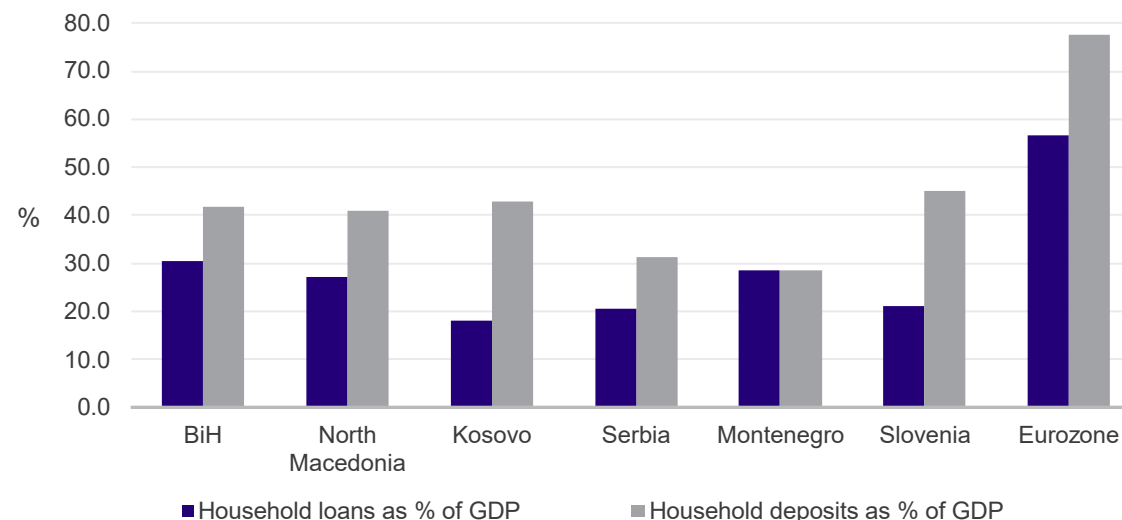
## NFC loans and deposits, % GDP



Sources: National Central Banks, ECB, Own calculations

Note: NFC loans and deposits as % of GDP for 1Q, annualized; residential deposits and loans for Montenegro.

## Household loans and deposits, % GDP



Sources: National Central Banks, ECB, Own calculations

Note: Household loans and deposits as % of GDP for 1Q 2022, annualized; Residential deposits and loans for Montenegro

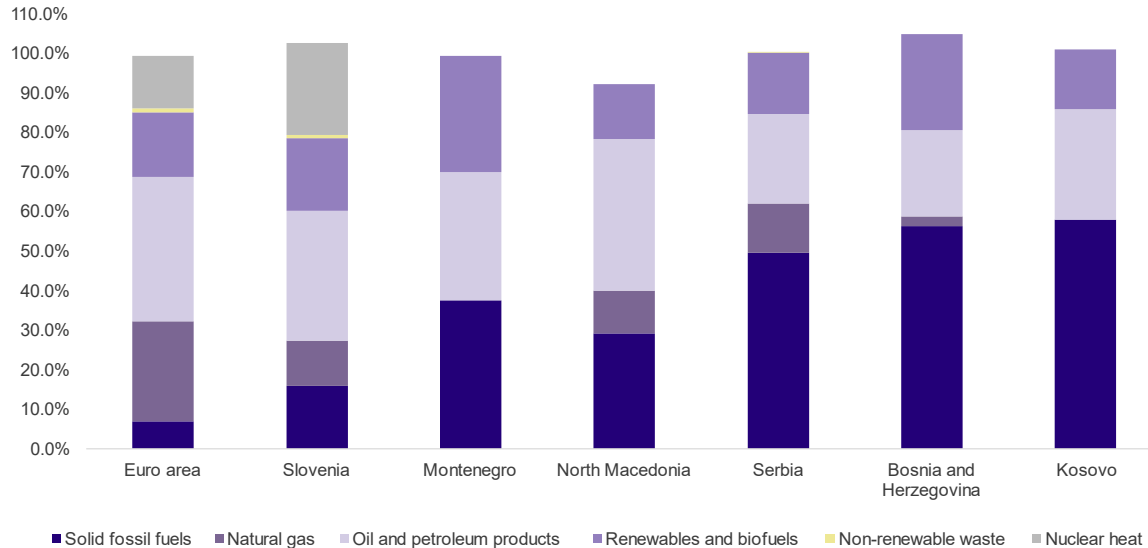
### KEY FINDINGS:

Loans to non-financial corporations and households' loans as a percentage of GDP indicate that the whole Group has **the potential for further growth**, especially when compared to the levels in the Euro area. Households generally still exhibit healthy deposit bases that support further growth. Kosovo has the most pronounced gap between NFC loans and NFC deposits.

Economic recovery in the Group's region reflected in encouraging credit activity with **loans to NFC and households growing 11.1% YoY** (May 2022). The inflow of deposits continued with **NFC and households deposits growing 7.6%** in the same period, albeit with great differences among the countries of the region.

# Macro Overview – energy in the region

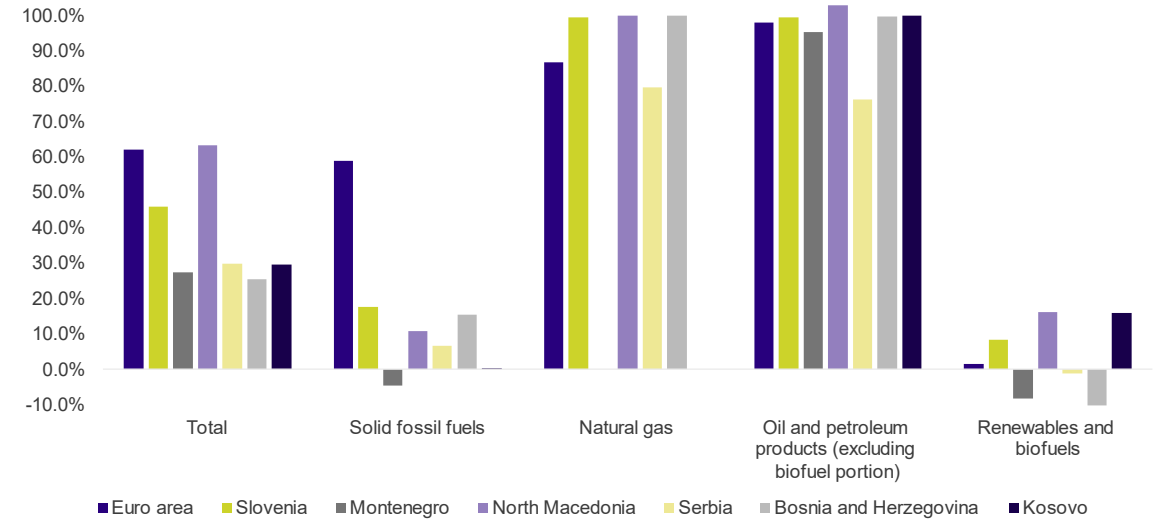
## Energy mix of euro area and SEE region in 2020



Source: Eurostat.

Note: Combined share above (below) 100% means that the country is net exporter (importer) of electricity.

## Energy import dependency in 2020



Source: Eurostat

Note: Natural gas data unavailable for Montenegro and Kosovo - no operational infrastructure; A negative share means that the country is a net exporter; If the share is more than 100%, the fuel is put in stocks.

### KEY FINDINGS:

The SEE region does not rely on natural gas as much as the euro area does, whereas the opposite is true for solid fossil fuels. Gas consumption in the Western Balkans currently stands at about 4 bcm per year, mainly in heating and combined heat and power systems in major towns in Serbia (imports approx. 80%), N. Macedonia (imports 100%), and BiH (imports 100%). N. Macedonia has been the most focused on phasing out coal with an initial target of 2027. The government seeks to expand the natural gas with a 160km Greece-N. Macedonia interconnector. In BiH, a 187 km Croatia-BiH gas interconnector is planned for operation in 2024. Serbia is the largest gas consumer in the region, with over 2.7 bcm annual consumption. It is mainly dependent on coal for power, and gas use is limited to combined heat and power systems and district heating systems. Serbia signed a new 3-yr agreement with Gazprom in May.



Appendix 4:

# Financial Statements



# NLB Group Income Statement

(EURm)	1-6 2022	1-6 2021	YoY	Q2 2022	Q1 2022	Q2 2021	QoQ
Interest and similar income	256,9	233,1	10%	133,8	123,0	118,5	9%
Interest and similar expense	-30,5	-34,5	12%	-15,3	-15,2	-17,4	0%
Net interest income	226,4	198,6	14%	118,6	107,8	101,1	10%
Fee and commission income	184,6	155,4	19%	95,9	88,6	81,5	8%
Fee and commission expense	-50,9	-41,3	-23%	-26,8	-24,1	-21,6	-11%
Net fee and commission income	133,7	114,1	17%	69,1	64,5	59,9	7%
Dividend income	0,1	0,1	84%	0,1	0,0	0,0	46%
Net income from financial transactions	13,7	26,0	-48%	8,5	5,2	20,8	64%
Other operating income	-15,7	-4,9	-	-12,7	-3,0	-2,0	-
<b>Total net operating income</b>	<b>358,1</b>	<b>333,9</b>	<b>7%</b>	<b>183,6</b>	<b>174,5</b>	<b>179,9</b>	<b>5%</b>
Employee costs	-122,7	-111,7	-10%	-65,2	-57,5	-56,5	-13%
Other general and administrative expenses	-72,7	-62,4	-16%	-39,0	-33,7	-32,6	-16%
Depreciation and amortisation	-23,3	-23,2	-1%	-11,8	-11,5	-11,6	-2%
<b>Total costs</b>	<b>-218,7</b>	<b>-197,3</b>	<b>-11%</b>	<b>-116,0</b>	<b>-102,7</b>	<b>-100,7</b>	<b>-13%</b>
<b>Result before impairments and provisions</b>	<b>139,3</b>	<b>136,6</b>	<b>2%</b>	<b>67,6</b>	<b>71,8</b>	<b>79,1</b>	<b>-6%</b>
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	-
Gains less losses from capital investments in subsidiaries, associates and joint ventures	1,6	0,4	-	1,0	0,6	0,3	57%
Negative goodwill	172,8	0,0	-	0,0	172,8	0,0	-
<b>Result before tax</b>	<b>306,1</b>	<b>156,0</b>	<b>96%</b>	<b>65,2</b>	<b>240,8</b>	<b>82,9</b>	<b>-73%</b>
Income tax	-10,6	-9,6	-11%	-5,4	-5,2	-4,8	-4%
Result of non-controlling interests	8,4	6,6	27%	4,3	4,1	2,9	5%
<b>Result after tax attributable to owners of the parent</b>	<b>287,0</b>	<b>139,8</b>	<b>105%</b>	<b>55,5</b>	<b>231,5</b>	<b>75,2</b>	<b>-76%</b>

# NLB Group Statement of Financial Position

(EURm)	30 Jun 2022	31 Dec 2021	YtD
<b>ASSETS</b>			
Cash and balances with Central Banks and other demand deposits at banks	4.321,1	5.005,1	-14%
Financial instruments	4.919,5	5.208,3	-6%
<i>o/w Trading Book</i>	14,9	7,7	94%
<i>o/w Non-trading Book</i>	4.904,6	5.200,6	-6%
Loans and advances to banks (net)	176,8	140,7	26%
<i>o/w gross loans</i>	177,1	140,9	26%
<i>o/w impairments</i>	-0,3	-0,2	-31%
Loans and advances to customers	12.620,2	10.587,1	19%
<i>o/w gross loans</i>	12.944,2	10.903,5	19%
- Corporates	6.213,5	4.996,0	24%
- State	285,7	286,3	0%
- Individuals	6.445,0	5.621,1	15%
<i>o/w impairments and valuation</i>	-324,0	-316,3	-2%
Investments in associates and JV	13,1	11,5	14%
Goodwill	3,5	3,5	0%
Other intangible assets	51,8	55,5	-7%
Property, plant and equipment	252,6	247,0	2%
Investment property	45,3	47,6	-5%
Other assets	326,3	271,1	20%
<b>Total Assets</b>	<b>22.730,3</b>	<b>21.577,5</b>	<b>5%</b>

(EURm)	30 Jun 2022	31 Dec 2021	YtD
<b>LIABILITIES &amp; EQUITY</b>			
Deposits from banks and central banks	138,0	71,8	92%
Deposits from customers	19.151,1	17.640,8	9%
- Corporates	5.091,8	4.463,7	14%
- State	561,2	496,4	13%
- Individuals	13.498,1	12.680,8	6%
Borrowings	326,8	932,6	-65%
Subordinated liabilities	287,8	288,5	0%
Other liabilities	507,6	427,6	19%
<b>Total Liabilities</b>	<b>20.411,3</b>	<b>19.361,4</b>	<b>5%</b>
Shareholders' equity	2.195,6	2.078,7	6%
Non Controlling Interests	123,5	137,4	-10%
<b>Total Equity</b>	<b>2.319,1</b>	<b>2.216,1</b>	<b>5%</b>
<b>Total Liabilities &amp; Equity</b>	<b>22.730,3</b>	<b>21.577,5</b>	<b>5%</b>