

# NLB Group Presentation



Q2 2023 and H1 2023 Results

**NLB Group**

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## Creating value for shareholders

### Leading banking and financial group in SEE

NLB Group is the leading banking and financial group with headquarters and an exclusive strategic interest in **our home region – Southeast Europe.**

### Universal banking model

NLB Group is comprised of eight banks and several companies for ancillary services, which support its clients through **retail, corporate, and investment banking.**

### Value in imperfection

Operating in a geographical niche with fragmented smaller markets and limited attention from large global bank gives NLB Group the **opportunity to operate with economies of scale and scope.**

### Improving the quality of lives in SEE

We understand the SEE region as we share common cultural and historical values and principles with its people. **For us, this region is not just a spot on the map – this is our home, and we want to see it thrive.**

### Recruiting the best talents

NLB Group is one of the most successful business entities in SEE region with attracting and retaining best talents.

### Systemically important banking institution in SEE

Our market position – **above 10% market share** on each market where we operate – puts us in comfortable position **where we can choose the most advantageous approach for growth.**







This is our home. A region of opportunities.





#### NLB, Ljubljana

 Market share by total assets <b>28.6%</b>	 Result after tax <b>223.3</b> (in EUR millions)	 Total assets <b>14,683</b> (in EUR millions)	 Active clients <b>688,984</b>
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#### N Banka, Ljubljana

 Market share by total assets <b>2.1%</b>	 Result after tax <b>7.3</b> (in EUR millions)	 Total assets <b>1,089</b> (in EUR millions)	 Active clients <b>36,746</b>
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#### NLB Banka, Sarajevo

 Market share by total assets <b>6.0%</b>	 Result after tax <b>6.9</b> (in EUR millions)	 Total assets <b>873</b> (in EUR millions)	 Active clients <b>132,175</b>
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#### NLB Banka, Podgorica

 Market share by total assets <b>14.1%</b>	 Result after tax <b>11</b> (in EUR millions)	 Total assets <b>919</b> (in EUR millions)	 Active clients <b>85,318</b>
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#### NLB Banka, Banja Luka

 Market share by total assets <b>20.9%</b>	 Result after tax <b>14</b> (in EUR millions)	 Total assets <b>988</b> (in EUR millions)	 Active clients <b>215,339</b>
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#### NLB Komercijalna Banka, Beograd

 Market share by total assets <b>10.0%</b>	 Result after tax <b>73.6</b> (in EUR millions)	 Total assets <b>4,777</b> (in EUR millions)	 Active clients <b>929,958</b>
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#### NLB Banka, Skopje

 Market share by total assets <b>16.4%</b>	 Result after tax <b>24.5</b> (in EUR millions)	 Total assets <b>1,815</b> (in EUR millions)	 Active clients <b>410,319</b>
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#### NLB Banka, Prishtina

 Market share by total assets <b>16.7%</b>	 Result after tax <b>18.8</b> (in EUR millions)	 Total assets <b>1,107</b> (in EUR millions)	 Active clients <b>227,445</b>
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# Executive Summary

After a strong second quarter, NLB Group confidently enters the rest of the year

## Q2 2023 Highlights

- Solid recurring revenues, cost discipline and resilient asset quality leading to EUR 122.6 million in profit after tax in Q2 (2% growth QoQ)
- Moderate production of housing loans, consumer and corporate loans picking up
- Retail deposits growing, demonstrating client confidence in the NLB brand
- Robust liquidity position with liquidity reserves exceeding EUR 9 billion, out of which EUR 4.5 billion in cash and central bank reserves
- Strong capital position (TCR stood at 18.7% and CET1 ratio 14.7%) ensuring capital return and continued growth
- The region is expected to grow at rates above the Eurozone average

## Important Developments

NLB Group's EUR 4 million donation to support 20 affected municipalities in sustainable restoration, watercourse management, and flood prevention

Issuance of EUR 500 million green senior preferred bonds:

- Strengthening MREL buffer
- Groups' commitment to sustainable principles and business operations

Dividend EUR 55 million paid in June, while the second tranche is expected to be submitted for approval at the General Meeting towards the end of this year

Digital&new solutions: introduction of new Klik in Slovenia, Group solutions (NLB Soft POS, Google Pay in NLB Pay, NLB cashback)

Integration of N Banka proceeding according to the planned timeline (received approval of the ECB)



# 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)	60.8
Population (m)	2.1
NBS loans as % of GDP <sup>(1)</sup>	44.6%
NBS deposits as % of GDP <sup>(1)</sup>	64.7%
Credit ratings (S&P / Moody's / Fitch)	AA- / A3 / A

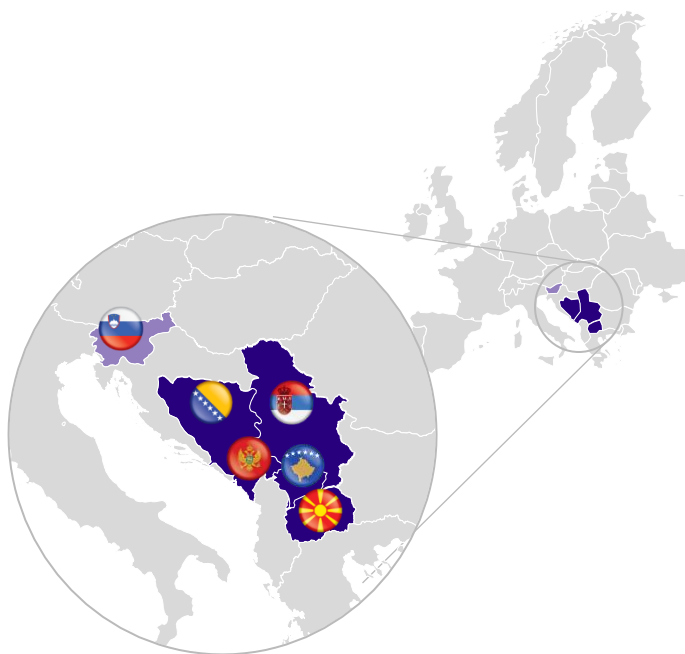
Bosnia and Herzegovina <sup>(2)</sup> 	EUR <sup>(3)</sup>
GDP (EURbn)	23.9
Population (m)	3.5
NBS loans as % of GDP <sup>(1)</sup>	47.0%
NBS deposits as % of GDP <sup>(1)</sup>	62.2%
Credit ratings (S&P / Moody's / Fitch)	B / B3 / n.a.

Montenegro 	EUR
GDP (EURbn)	6.0
Population (m)	0.6
NBS loans as % of GDP <sup>(1)</sup>	63.3%
NBS deposits as % of GDP <sup>(1)</sup>	87.0%
Credit ratings (S&P / Moody's / Fitch)	B / B1 / n.a.

Serbia 	RSD
GDP (EURbn)	62.2
Population (m)	6.8
NBS loans as % of GDP <sup>(1)</sup>	41.6%
NBS deposits as % of GDP <sup>(1)</sup>	50.7%
Credit ratings (S&P / Moody's / Fitch)	BB+/ Ba2 / BB+

Kosovo 	EUR
GDP (EURbn)	9.1
Population (m)	1.8
NBS loans as % of GDP <sup>(1)</sup>	48.3%
NBS deposits as % of GDP <sup>(1)</sup>	61.7%
Credit ratings (S&P / Moody's / Fitch)	n.a. / n.a. / n.a.

North Macedonia 	MKD
GDP (EURbn)	12.6
Population (m)	2.1
NBS loans as % of GDP <sup>(1)</sup>	54.5%
NBS deposits as % of GDP <sup>(1)</sup>	63.0%
Credit ratings (S&P / Moody's / Fitch)	BB- / n.a. / BB+

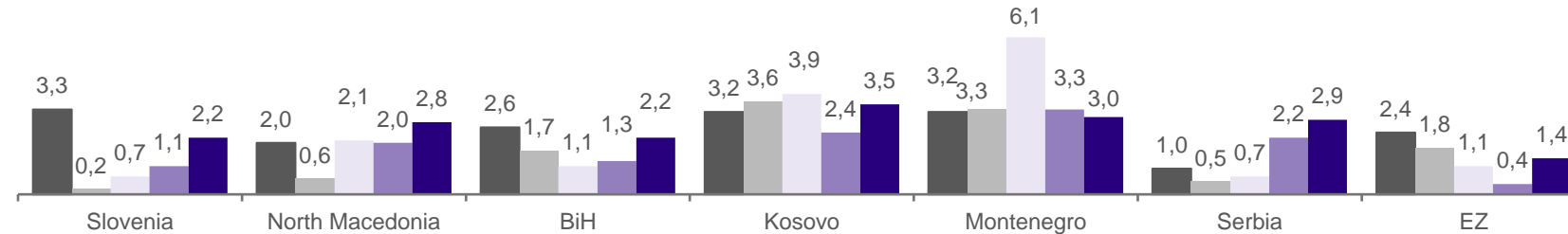


# Regional economic growth has slowed but is expected to stay above the Eurozone

Group's region continued with slow growth, and is expected to grow at rates above Eurozone average, as the demanding macro environment...

Real GDP growth, %

■ Q3 2022 ■ Q4 2022 ■ Q1 2023 ■ 2023 ■ 2024



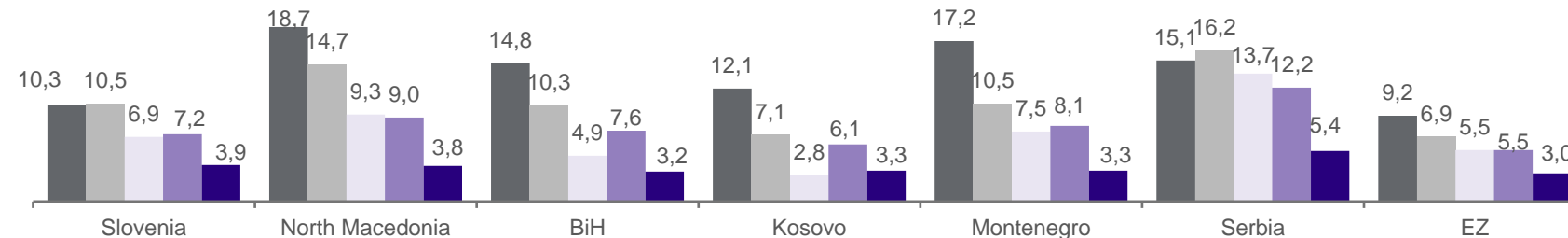
The growth in Q1 of 2023 cooled notably compared with 2022 as economies faced more demanding macroeconomic conditions, higher interest rates and tighter credit conditions. **Household consumption** already had a **negative impact on growth** in the euro area in Q4 of 2022, that deteriorated further (albeit marginally) in Q1 and similar dynamics (albeit with a lag) should weigh on the region.

Sources: FocusEconomics, Statistical offices, NLB Forecasts for 2023 and 2024.

...combined with easing but still high inflation forces households and corporates to limit their consumption and investments.

Inflation rate, % <sup>(1)</sup>

■ dec.22 ■ mar.22 ■ jun.22 ■ 2023 ■ 2024



The double-digit inflation that significantly weighed on **households' purchasing power** and consumption habits, subsided to **single-digits** in June in all countries of the NLB Group except in Serbia. With food still dominating the YoY change, service inflation is to grow further compared MoM and increasingly becoming by far the biggest contributor to the monthly rate of inflation in the short-term.

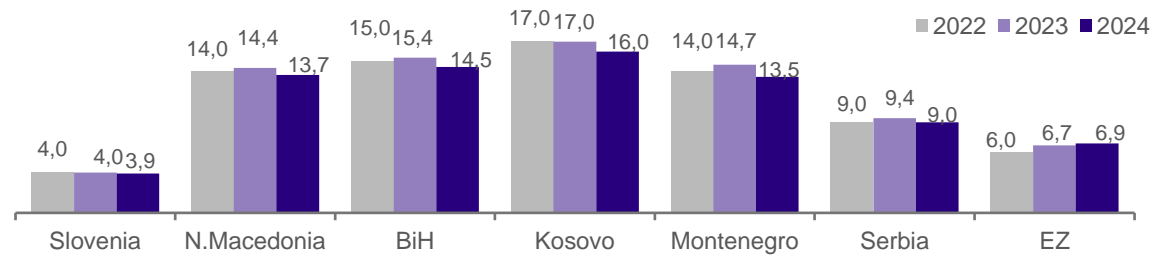
Sources: FocusEconomics, Statistical offices, NLB Forecasts for 2023 and 2024  
Note: (1) HICP for Slovenia, Kosovo and Eurozone, other CPI, aop for 2023 and 2024



# Regional economic growth has slowed but is expected to stay above the Eurozone

## Unemployment rates are expected to stay close to their historical lows...

Unemployment rate, %

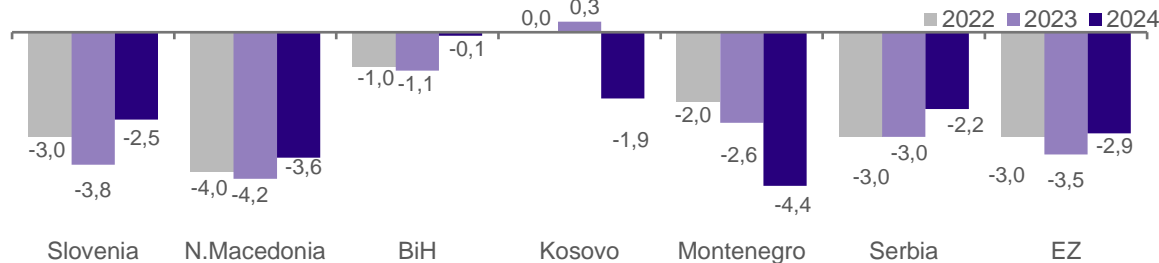


Sources: FocusEconomics, NLB Forecasts for 2023 and 2024, NLB estimation used for Kosovo unemployment for 2022.

By end of the Q1 2023, **employment rate increased** in most countries of the **Group's region**. Nevertheless, the labour market is expected to get slightly less tight in the next year. Structural unemployment remains a weakness in the NLB Group region. Unemployment levels should still remain close to their historical lows.

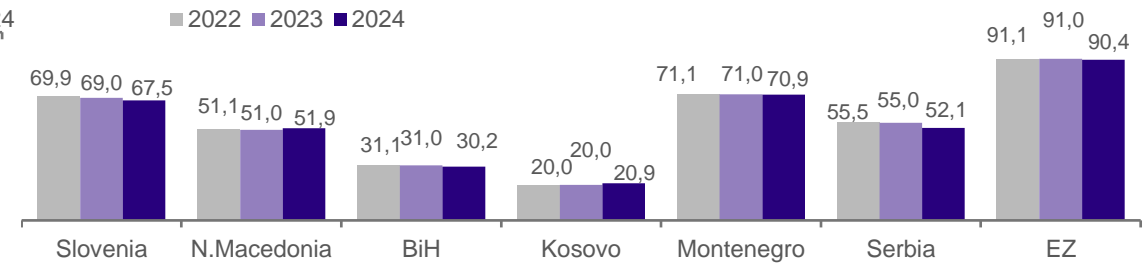
## ...while fiscal metrics will depend on the degree of fiscal policy efficiency and prudence in attempt to address issues related to rising-cost-of-living.

Fiscal Balance, % GDP



Source: FocusEconomics

Public Debt, % of GDP

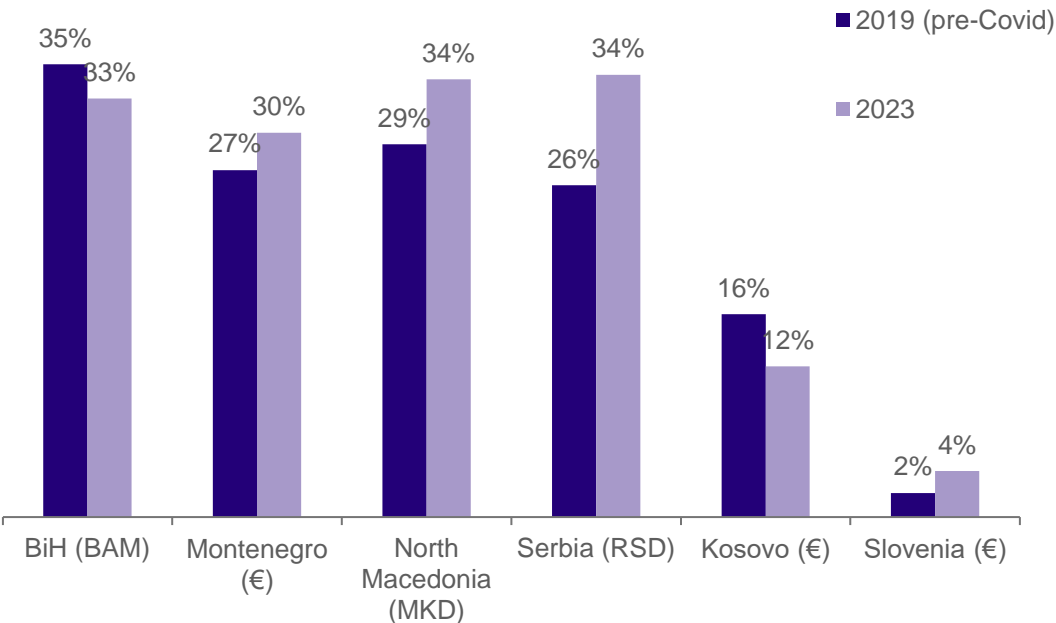


**Fiscal support measures** aimed at alleviating the impact of the increase in energy prices generated notable **fiscal costs** that have been partially offset by increased revenues due to inflation effects. Still most countries exhibit sizable budget deficits that will only slowly be reduced in the next couple of years. Combined with tightening global financial conditions this could lead to reduced fiscal space and increased debt vulnerabilities.

# NLB operates in countries with prudent monetary policy and rising interest rates

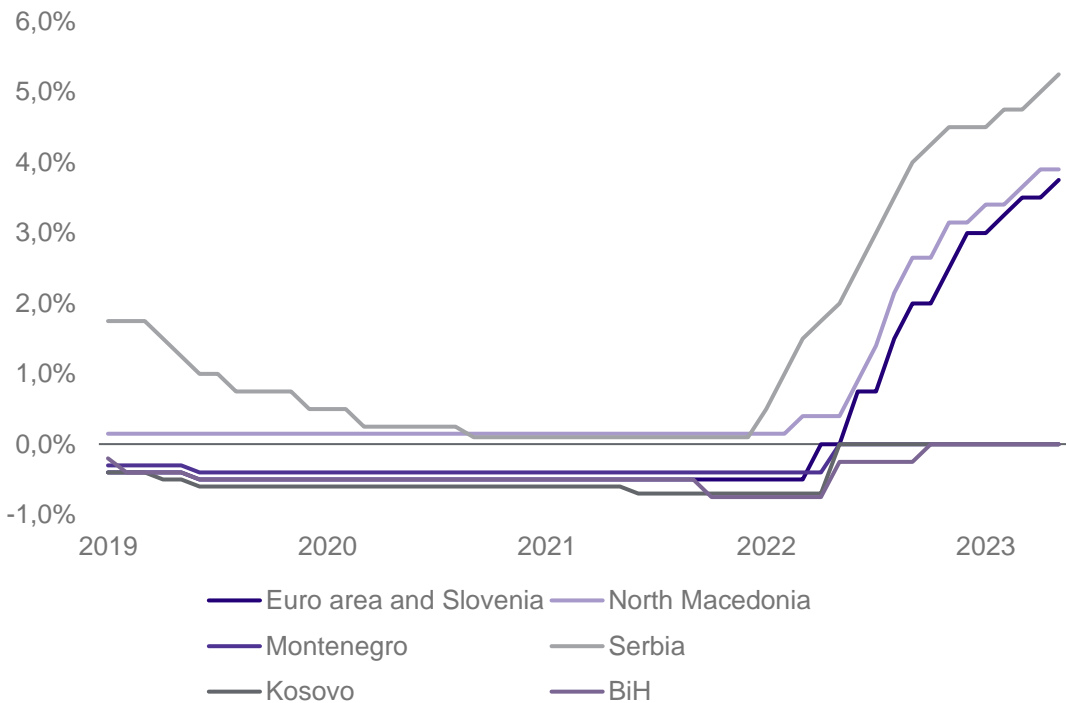
## International reserves as % of GDP

International reserves, 2019 and Q1 2023 annualized, % GDP



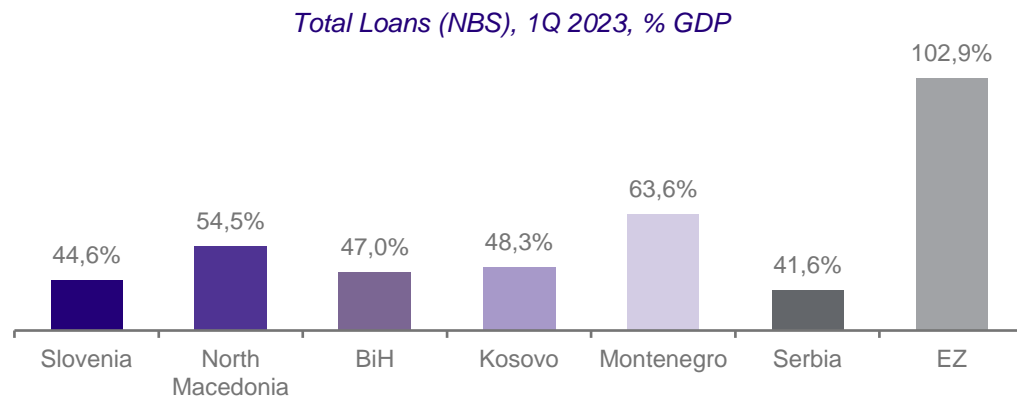
## Central Bank interest rates evolution

Deposit facility rate, 2019 (pre-Covid) – June 2023, %

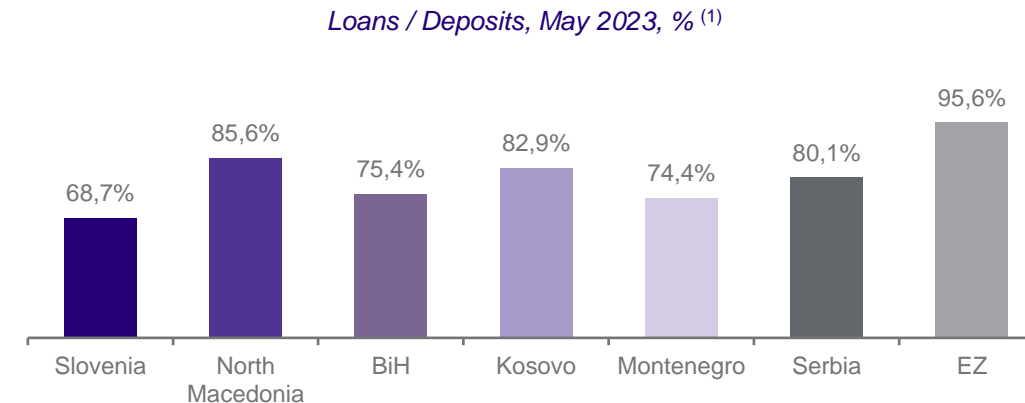


# Markets in which NLB operates have further growth potential

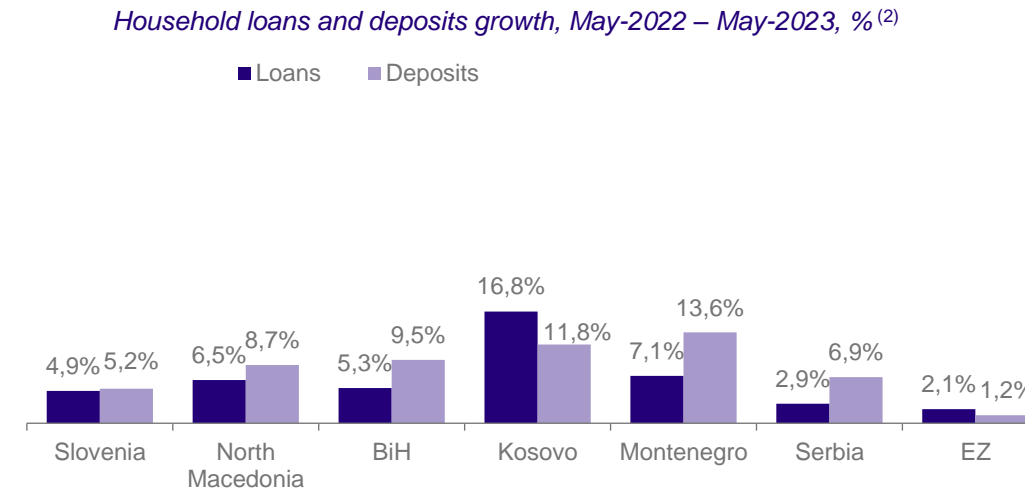
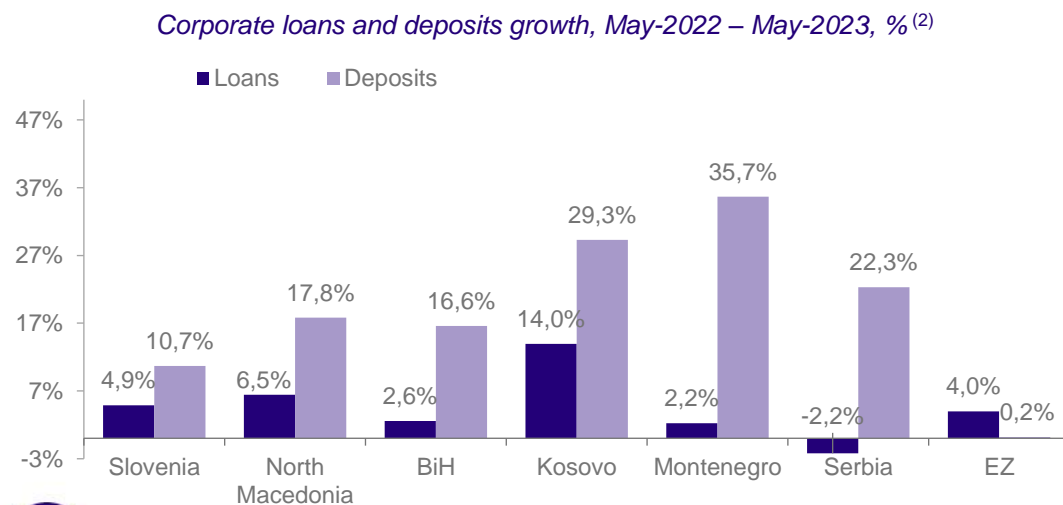
## Low overall sector leverage...



## ...with liquid banking sectors...



## ...and strong deposit growth supporting healthy loan growth rates.



Source: National Central Banks, ECB

Note: NBS – Non Banking Sector; (1) May 23 data for N. Macedonia, BiH, Kosovo, Montenegro, Serbia and Slovenia and Q1 23 data for EZ; (2) YoY data, residential loans and deposits data for Montenegro-

# Key Developments



In 2023, the Bank changed the recognition of obligation for regulatory expenses. In the previous year, these expenses were recognised in Q2, after receiving the Bank of Slovenia's notification, while in 2023, the Bank recognised these expenses in full already in Q1. Comparative amounts for previous periods have been adjusted to reflect this change in the presentation.

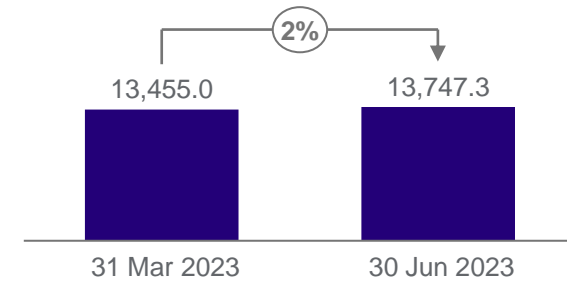


# Key performance indicators of NLB Group

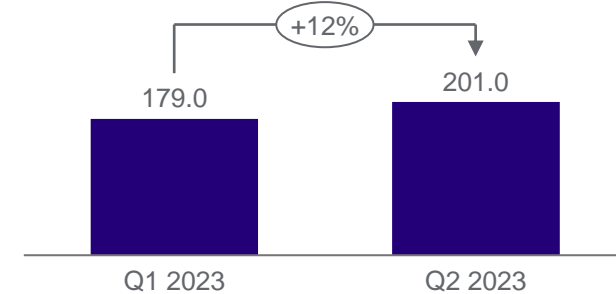
## Strong recurring revenues, cost control and resilient asset quality

	in EUR millions / % / bps						
	1-6 2023	1-6 2022	Change YoY	Q2 2023	Q1 2023	Q2 2022	Change QoQ
<b>Key Income Statement Data</b>							
Net operating income	511.7	358.1	43%	269.7	241.9	193.3	11%
Net interest income	380.0	226.4	68%	201.0	179.0	118.6	12%
Net non-interest income	131.7	131.7	0%	68.7	63.0	74.7	9%
o/w Net fee and commission income	134.6	133.7	1%	68.5	66.1	69.1	4%
Total costs	-240.7	-218.7	-10%	-123.6	-117.1	-116.0	-6%
Result before impairments and provisions	270.9	139.3	94%	146.1	124.8	77.3	17%
Impairments and provisions	17.8	-7.7	-	5.4	12.4	-3.3	-57%
Impairments and provisions for credit risk	29.9	-2.4	-	11.5	18.4	1.6	-37%
Other impairments and provisions	-12.1	-5.3	-129%	-6.2	-6.0	-4.9	-3%
Negative goodwill	0.0	172.8	-	0.0	0.0	0.0	-
Result after tax	242.7	287.0	-15%	122.6	120.1	65.2	2%
<b>Key Financial Indicators</b>							
ROE a.t.	19.4%	10.8%	8.6 p.p.				
ROA a.t.	2.0%	1.0%	1.0 p.p.				
Net interest margin (on interest bearing assets)	3.30%	2.12%	1.18 p.p.				
Operational business margin <sup>(i)</sup>	4.56%	3.40%	1.16 p.p.				
Cost to income ratio (CIR)	47.0%	61.1%	-14.0 p.p.				
Cost of risk net (bps) <sup>(ii, iv)</sup>	-38	-6	-32				
	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Jun 2022	Change YtD	Change YoY	Change QoQ
<b>Key Financial Position Statement Data</b>							
Total assets	24,701.5	24,011.8	24,160.2	22,730.3	2%	9%	3%
Gross loans to customers	13,747.3	13,455.0	13,397.3	12,944.2	3%	6%	2%
Net loans to customers	13,431.8	13,137.7	13,073.0	12,620.2	3%	6%	2%
Deposits from customers	19,924.9	19,732.0	20,027.7	19,151.1	-1%	4%	1%
Equity (without non-controlling interests)	2,586.1	2,507.6	2,365.6	2,195.6	9%	18%	3%
<b>Other Key Financial Indicators</b>							
LTD <sup>(iii)</sup>	67.4%	66.6%	65.3%	65.9%	2.1 p.p.	1.5 p.p.	0.8 p.p.
Total capital ratio	18.7%	18.9%	19.2%	16.5%	-0.4 p.p.	2.3 p.p.	-0.2 p.p.
Total risk exposure amount (RWA)	14,838.4	14,622.3	14,653.1	14,172.5	1%	5%	1%
<b>Employees</b>							
Number of employees	8,154	8,194	8,228	8,394	-74	-240	-40

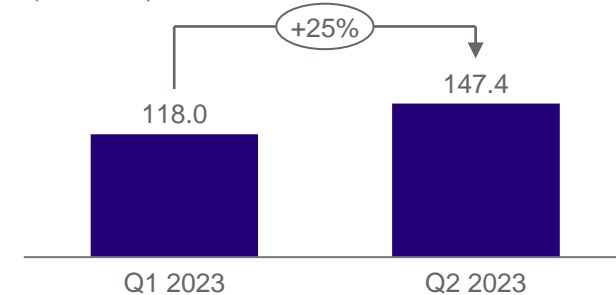
Gross loans to customers (in EURm)



Net interest income (in EURm)



Recurring result before impairments and provisions (in EURm)

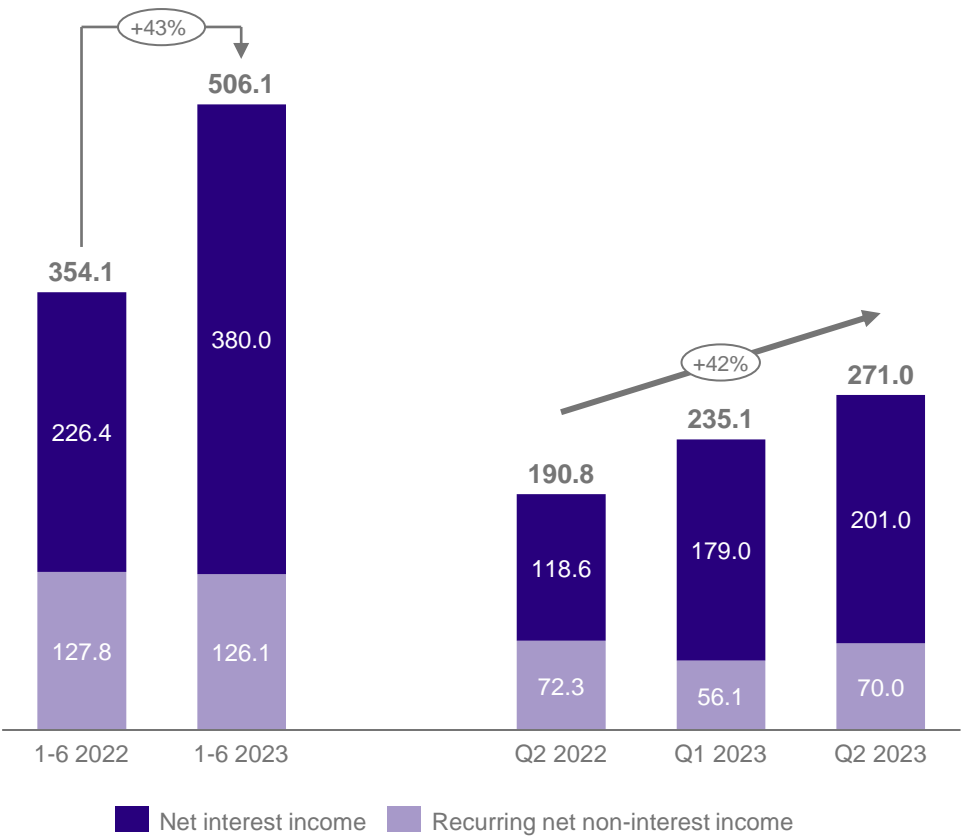


Notes: (i) Operational business margin = Operational business net income annualized / average assets. (ii) Cost of risk = credit impairments and provisions (annualized level) / average net loans to customers. (iii) LTD = Net loans to customers / deposits from customers. (iv) ROE and ROA for 2022 calculated 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.

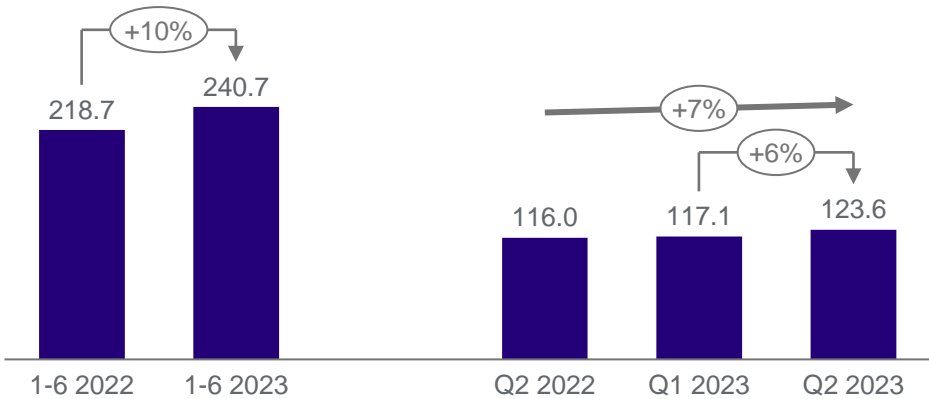
# Revenues and Cost Dynamics

Net interest income growth outpacing cost growth, coupled with the release of provisions

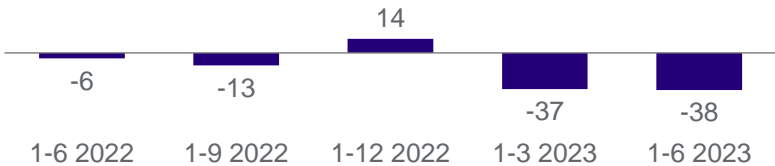
Recurring net operating income (in EUR million)



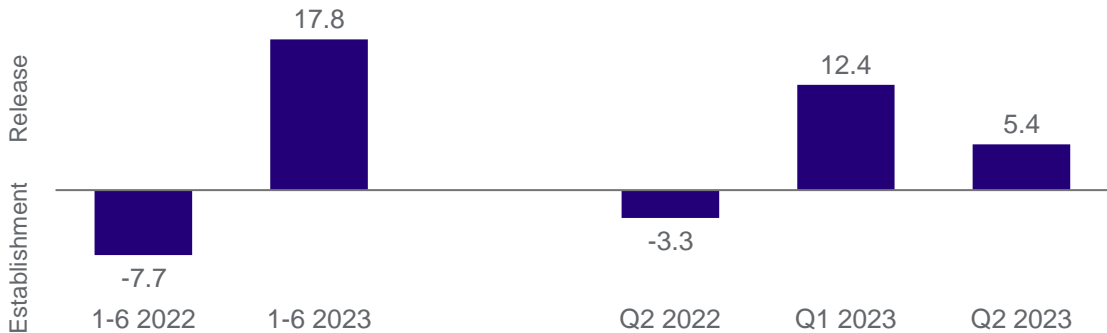
Costs (Group, EURm)



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



Impairments and provisions (Group, EURm)

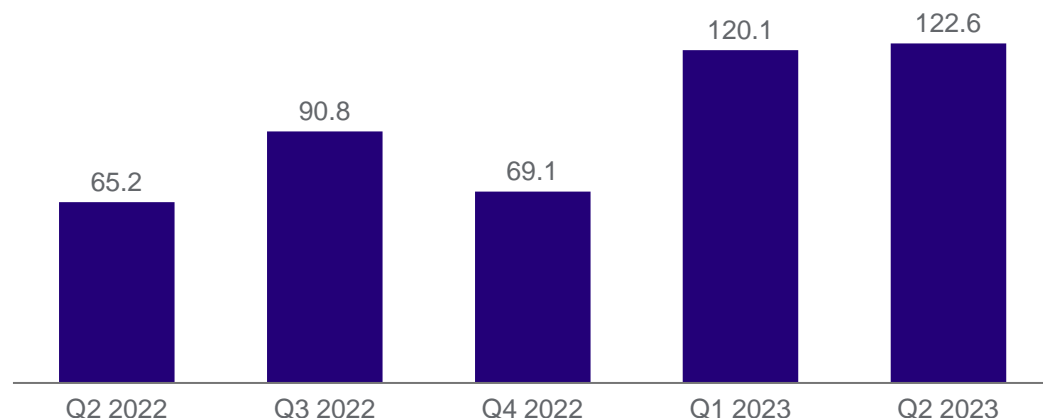


Note: (i) Cost of risk = credit impairments and provisions (annualized level) / average net loans to customers; for CoR 2022 calculation effects of EUR 8.9 million of 12-month expected credit losses recognised at acquisition date for performing portfolio for N Banka not annualized.

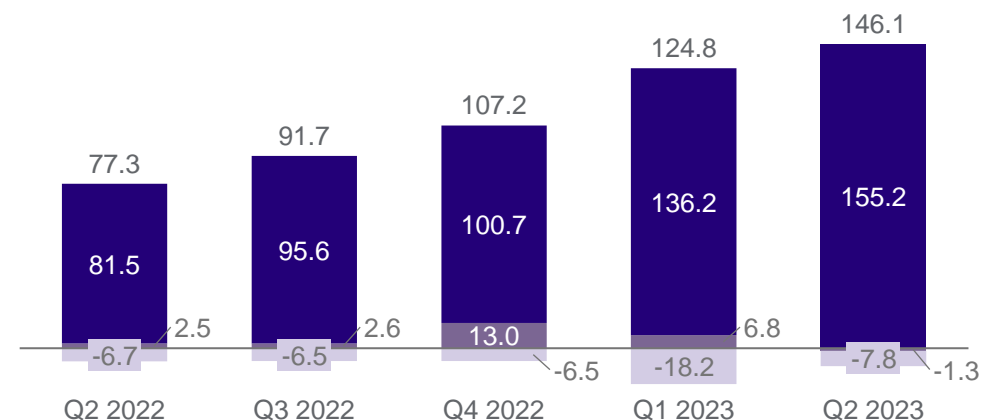
# Profitability

## Strong profitability with increasing contribution from Serbian market

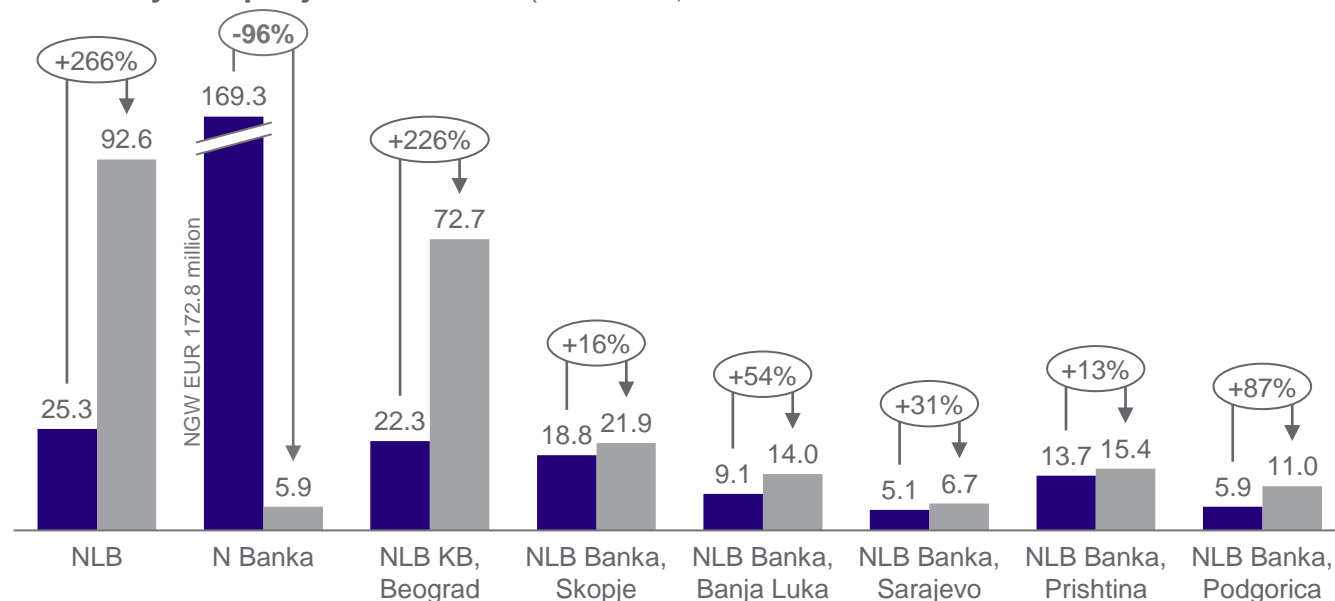
Profit a.t. – quarterly evolution (EUR million)



Result before impairments and provisions by quarters (in EUR million)



Profit a.t. by company – contribution (EUR million)

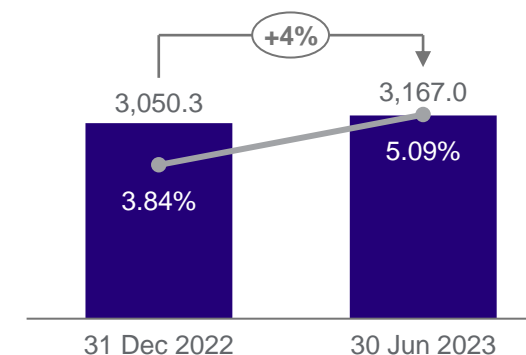
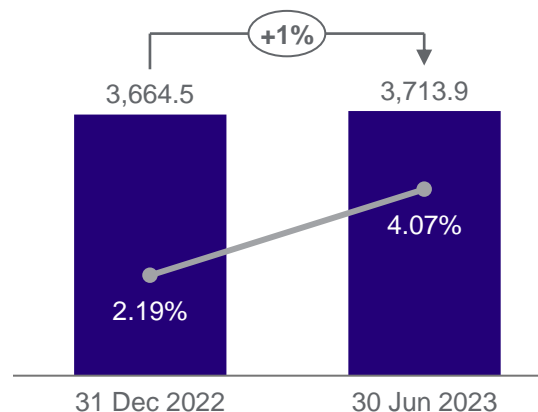
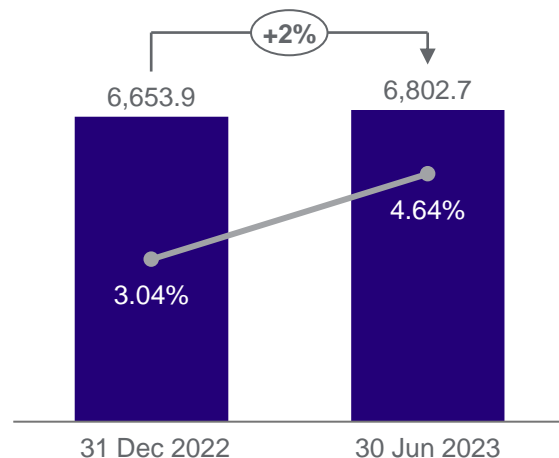
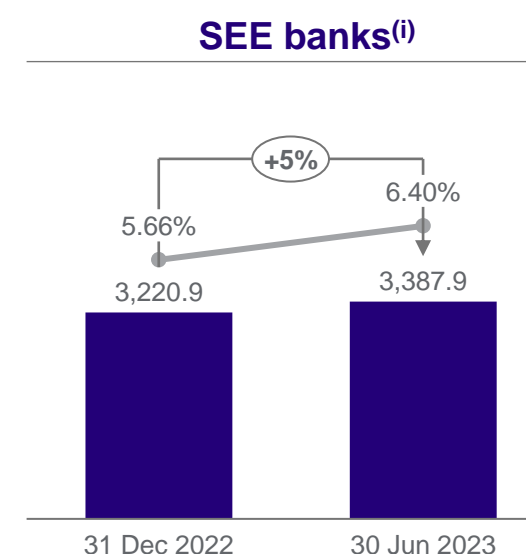
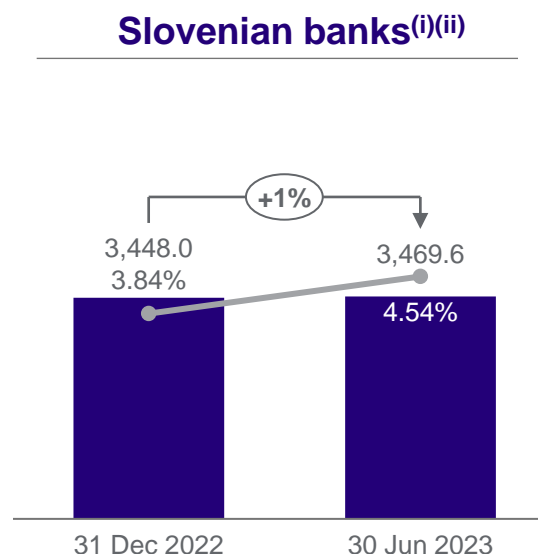
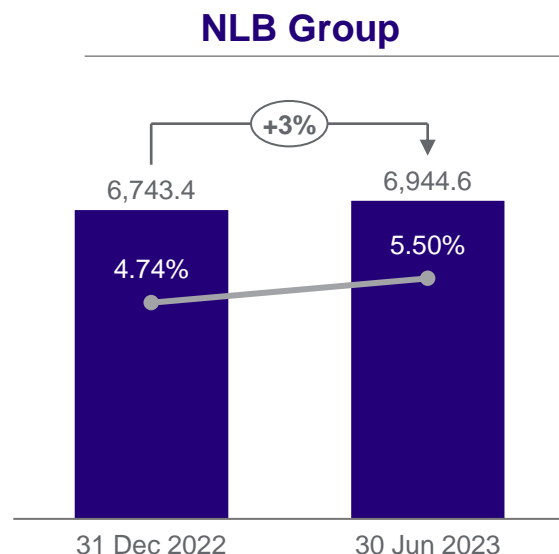


■ Result before impairments and provisions w/o non-recurring income and regulatory costs  
 ■ Non-recurring net non-interest income  
 ■ Regulatory costs

■ 1-6 2022  
 ■ 1-6 2023

# Loan dynamics

Expected moderation of loan growth, however consumer and corporate loans picking up in Q2



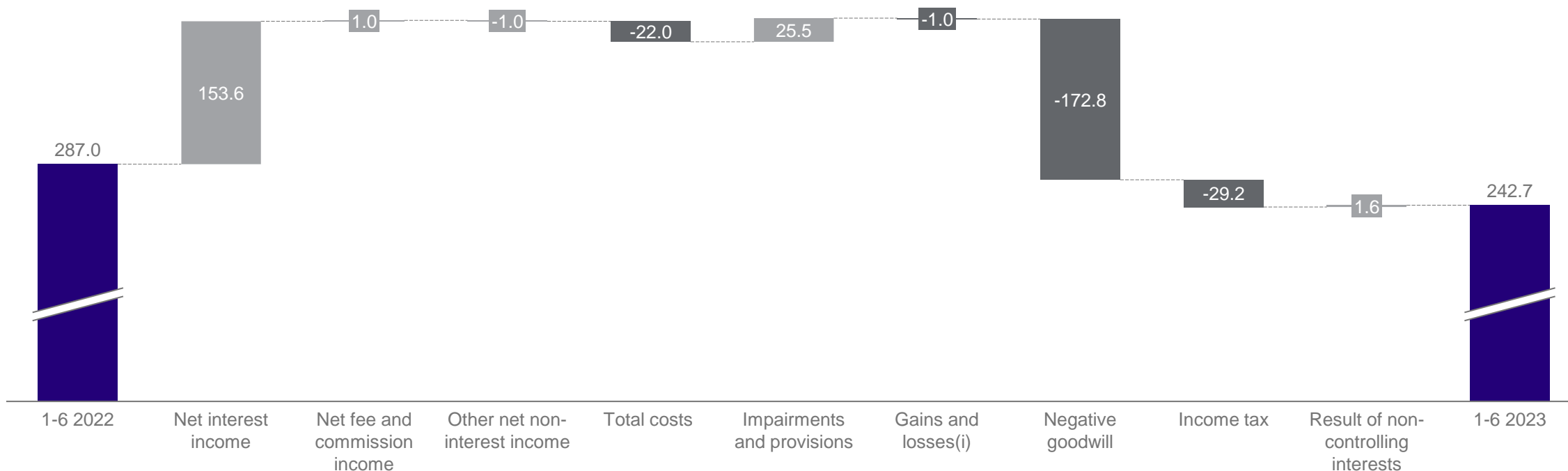
■ Gross loans —●— Interest rates



# Resilient Operating Income Performance

Result reflects strong underlying performance, increase of net interest income and release of provisions

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

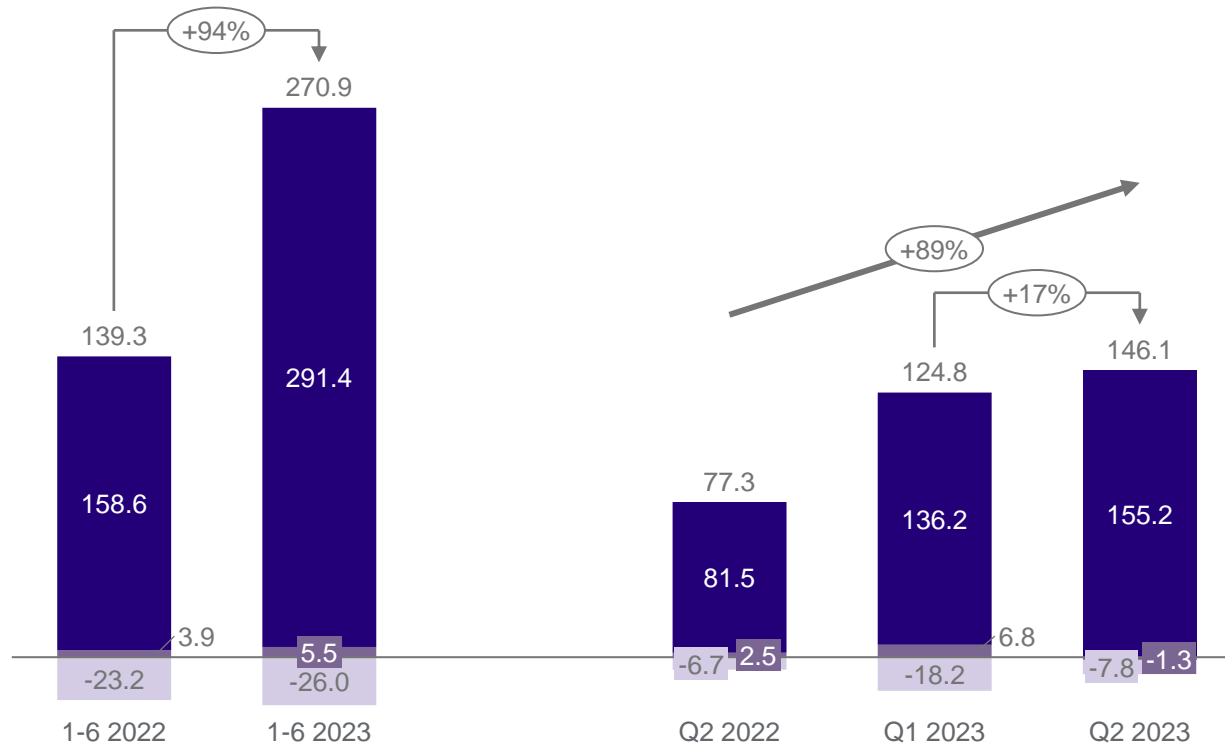


Strong performance of the NLB Group in H1 2023 led to a **profit a.t. of EUR 242.7 million**, lower YoY due to one-off effects from the acquisition of N Banka in Q1 2022. Noteworthy, in H1 2023 profit before impairments and provisions grew 94% YoY.

# Income Statement

## Strong operational performance increasing resilience of the NLB Group

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 amounted to EUR 270.9 million, higher QoQ and YoY. Main drivers of yearly dynamics in recurring pre-provision profit:

- net interest income increased across all markets, mostly driven by increasing interest rates: EUR 153.6 million YoY
- net fee and commission income increased by 1% YoY fueled by increased consumption across all banking members, offsetting the cancellation of high balance deposit fee in the Bank

partly offset by:

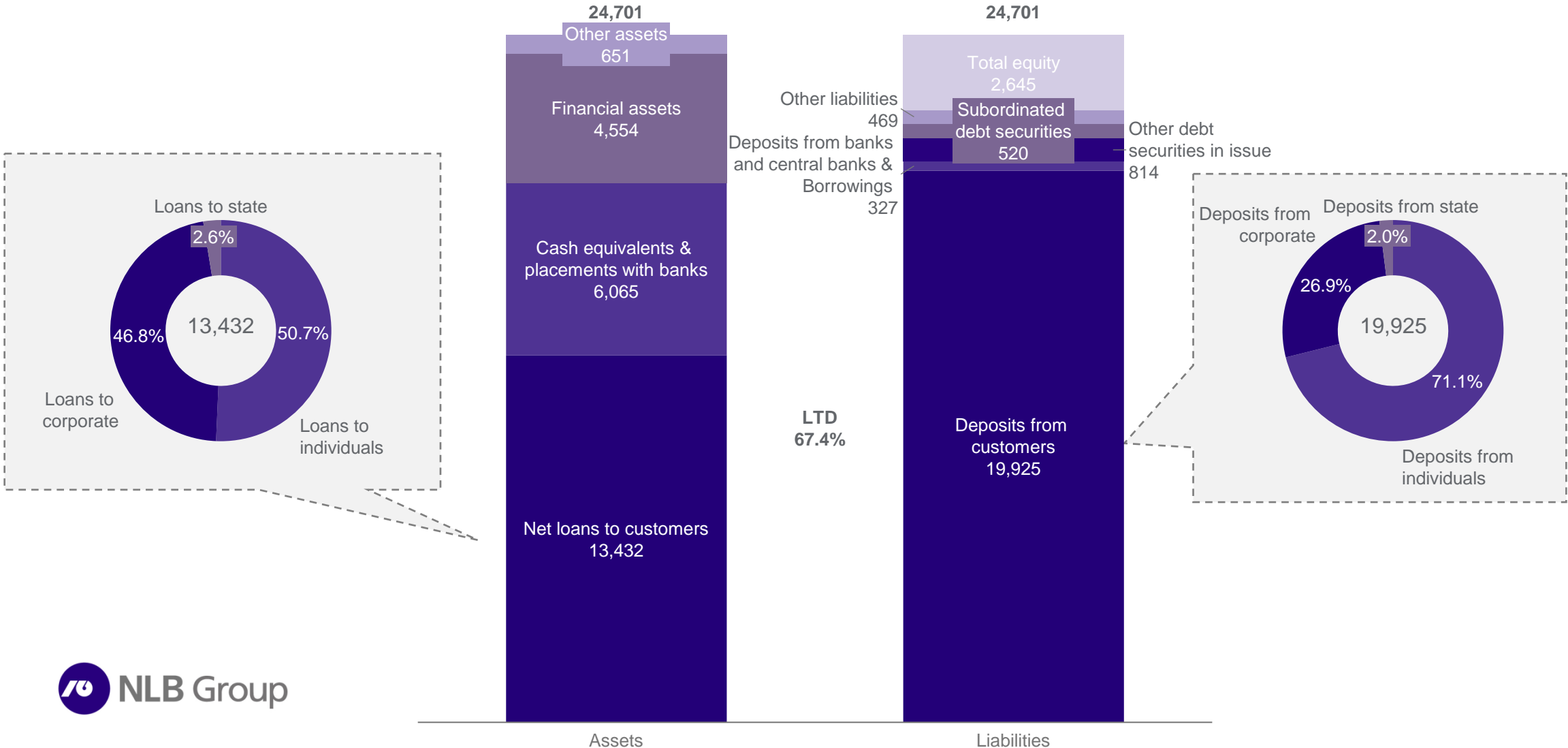
- increased costs, with growth visible in most Group bank members, due to overall inflation in the region and the integration process of N Banka.

The accrual of one-off expenses for regulatory costs in the Bank and N Banka were booked in January, EUR 8.6 million for DGS and EUR 2.9 million for SRF, which negatively impacted net non-interest income in Q1.

# NLB Group's Balance sheet structure

## Deposit (predominately from individuals) driven balance sheet

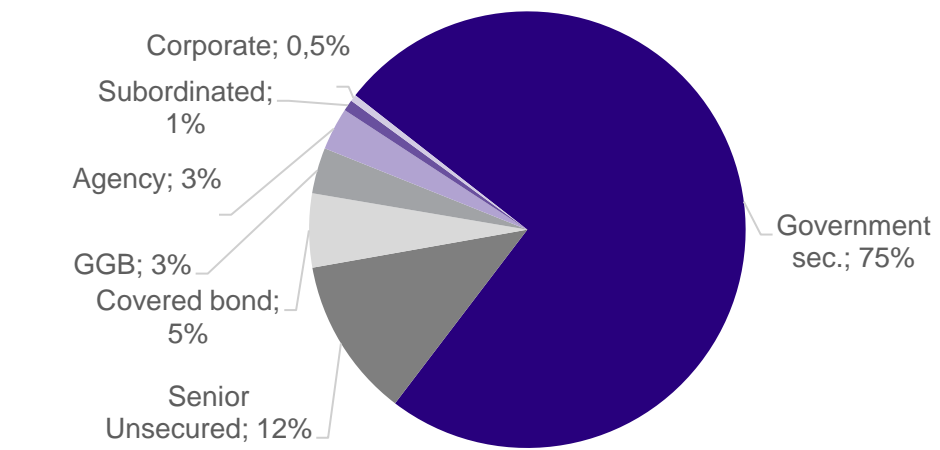
Balance sheet structure (30 Jun 2023, in EURm)



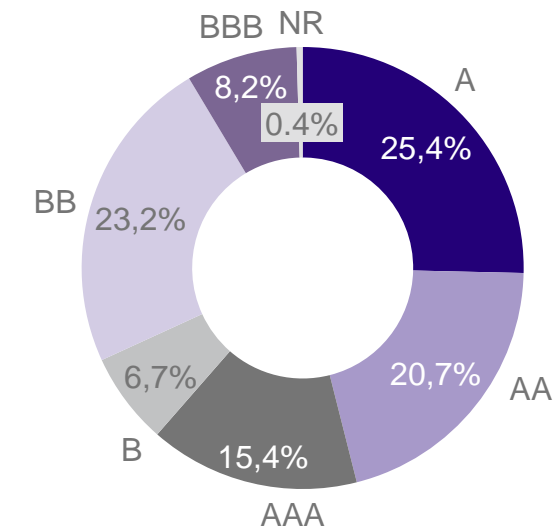
Note: (i) Other assets include investments in subsidiaries, associates, and joint ventures, property and equipment, investment property, intangible assets and other assets .

# Minimal risk from diversified securities portfolio with short duration, coupled with ample cash buffers

BB securities by asset class (NLB Group 30 June 2023)



BB securities by rating (NLB Group, 30 June 2023)



## BB portfolio

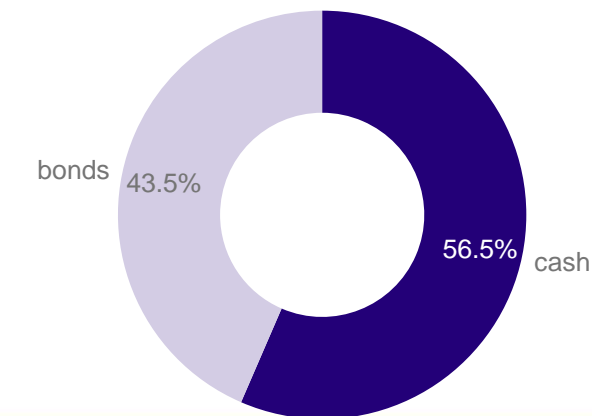
NLB Group, 30 June 2023 (EURm, years)

	Amount	Duration	Unrealized losses (amount)
FVOCI	2,283	2,09	-123
AC	2,146	3,83	-151
Total	4,429	2,94	



5.4% of regulatory capital

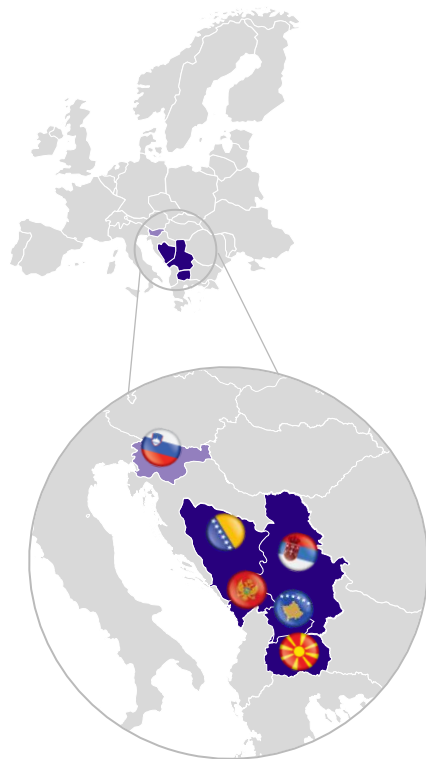
Cash vs bonds (NLB Group, 30 June 2023)










Cash vs corporate deposits ratio is 103.7%.



# Performance indicators across SEE countries



	Slovenia		Serbia	North Macedonia	Bosnia and Herzegovina		Kosovo	Montenegro	
									
	NLB, Ljubljana	N Banka, Ljubljana	NLB Komercijalna Banka, Beograd	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)	223,3	7,3	73,6	24,5	14,0	6,9	18,8	11,0	242,7
Total assets (EURm)	14.683	1.089	4.777	1.815	988	873	1.107	919	24.701
RoE a.t.	26,5%	-	19,2%	18,2%	28,5%	14,6%	30,6%	19,5%	19,4%
Net interest margin	2,53%	3,48%	4,41%	3,57%	3,23%	2,90%	4,13%	4,66%	3,30%
CIR (cost/income ratio)	31,4%	55,1%	41,5%	40,5%	40,0%	57,2%	30,3%	43,9%	47,0%
LTD net	57,3%	121,5%	72,2%	82,3%	67,0%	79,3%	87,9%	72,9%	67,4%
NPL ratio	1,0%	2,2%	0,8%	3,4%	1,0%	2,1%	1,8%	4,1%	1,6%
Branches (#)	66	4 <sup>(i)</sup>	177	48	45	34	33	21	428
Active clients (#) <sup>(ii)</sup>	688.984	36.746	929.958	410.319	215.339	132.175	227.445	85.318	2.726.284
Market share by total assets (%)	28,6%	2,1%	10,0%	16,4%	20,9%	6,0%	16,7%	14,1%	/
	as at 30 Jun 2023	as at 30 Jun 2023	as at 30 Jun 2023	as at 30 Jun 2023	as at 31 Dec 2022	as at 31 Mar 2023	as at 30 Jun 2023	as at 31 Mar 2023	

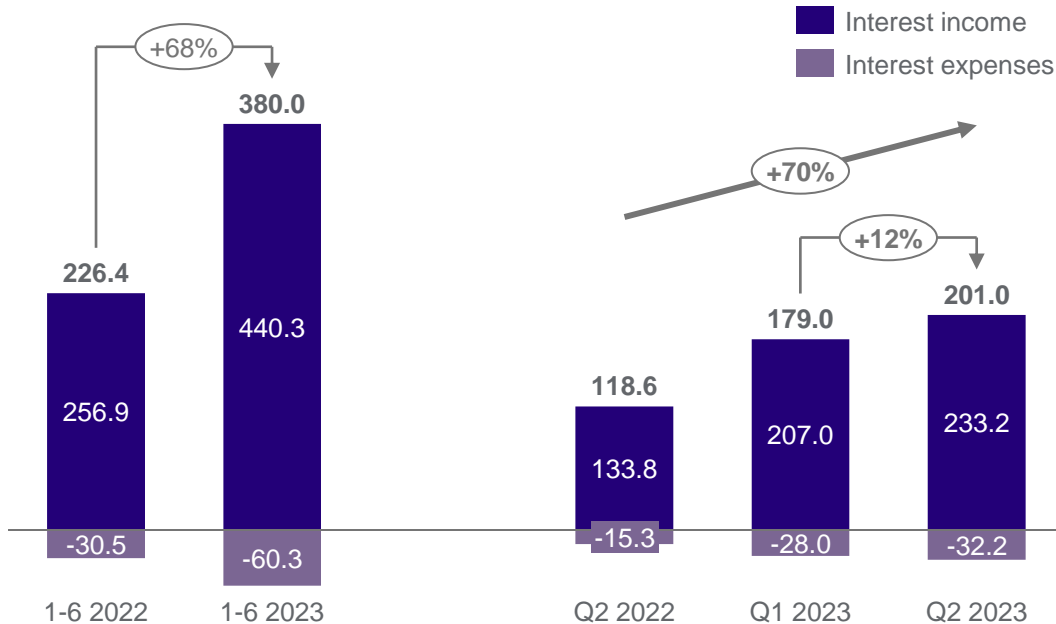
# Business Performance



# Net interest income

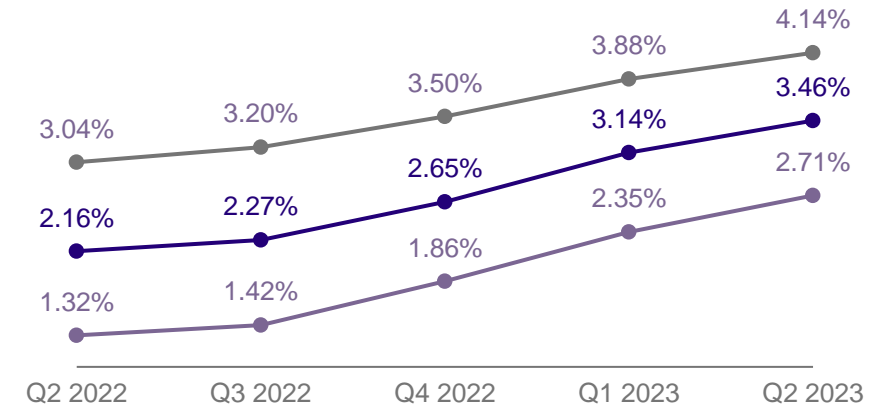
## Margin pick-up on the back of NII growth

Net interest income of NLB Group (in EURm)

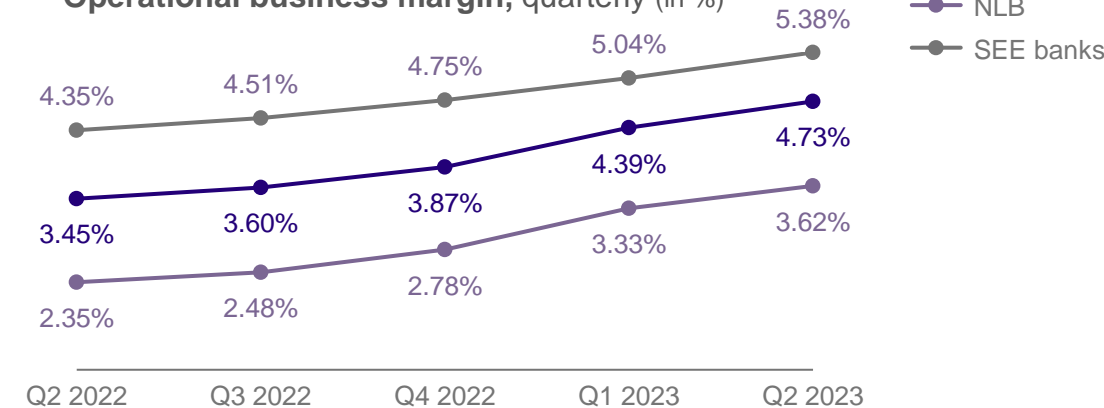


- The main driver behind the QoQ's increase in interest income was the rise in interest rates, predominantly in corporate loans and balances with central banks. At the same time, the upswing in interest expenses was primarily linked to higher deposit interest rates and higher wholesale funding expenses.

Net interest margin, quarterly (in %)



Operational business margin, quarterly (in %)

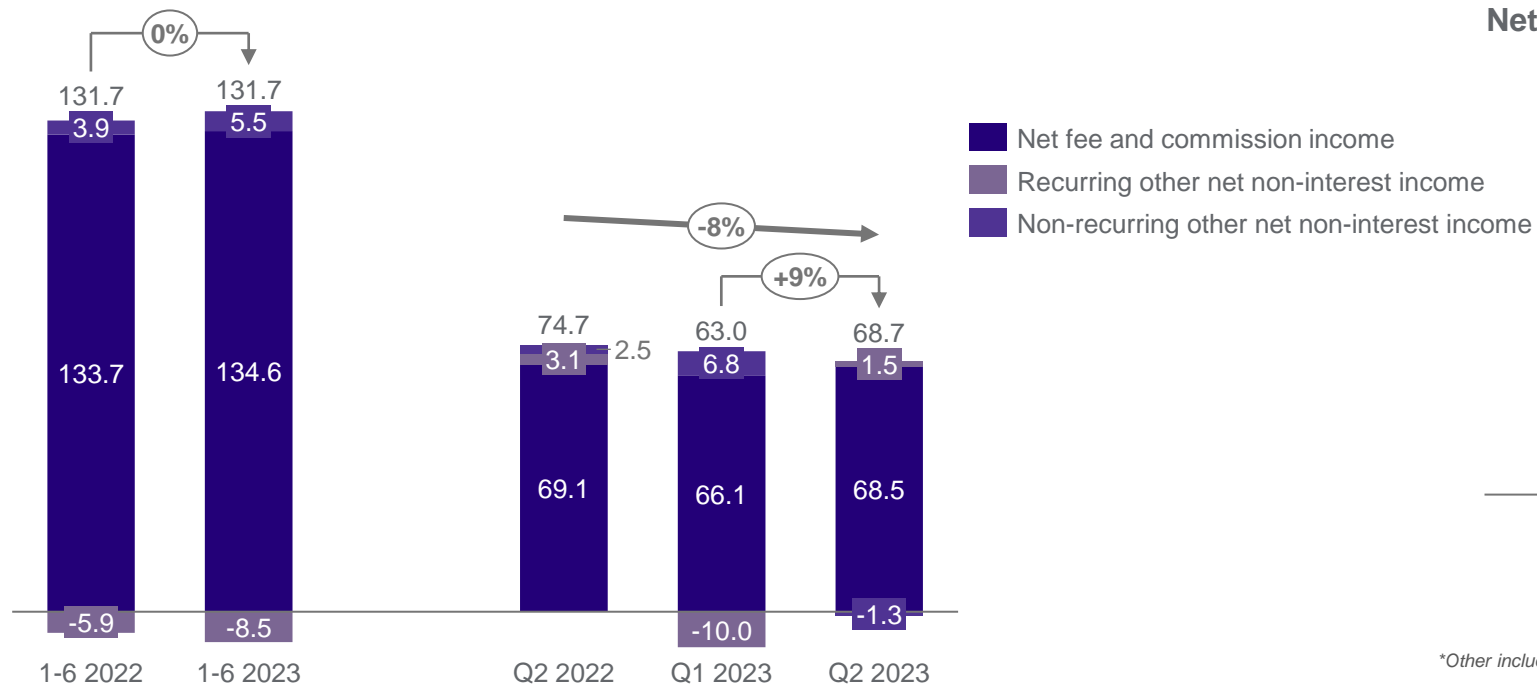


The net interest margin of the Group increased by 1.30 p.p. YoY. Furthermore, the operational business margin also demonstrated 1.28 p.p. rise compared to the previous year, predominantly due to substantial net interest income growth while net fee and commission income growth was subtle.

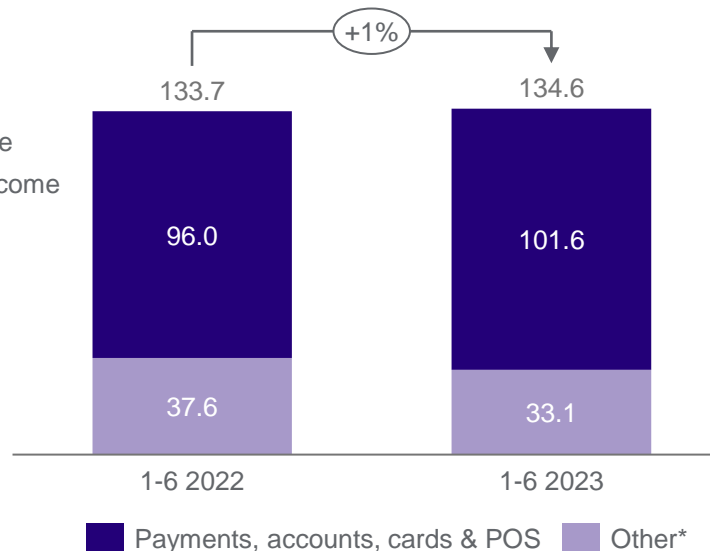
# Net non-interest income

Increased consumption had positive effect on net F&C income (up 4% QoQ)

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



Net fee and commission income (in EURm)



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

- A major part of the net non-interest income has been derived from the net fee and commission income.
- The net non-interest income in Q1 was strongly affected by the accrual of one-off expenses for regulatory costs in NLB and N Banka.
- Part of QoQ increase was also related to higher net fee and commission income (EUR 2.4 million higher QoQ), primarily due to better results from card operations deriving from increased economic activity in most bank members.

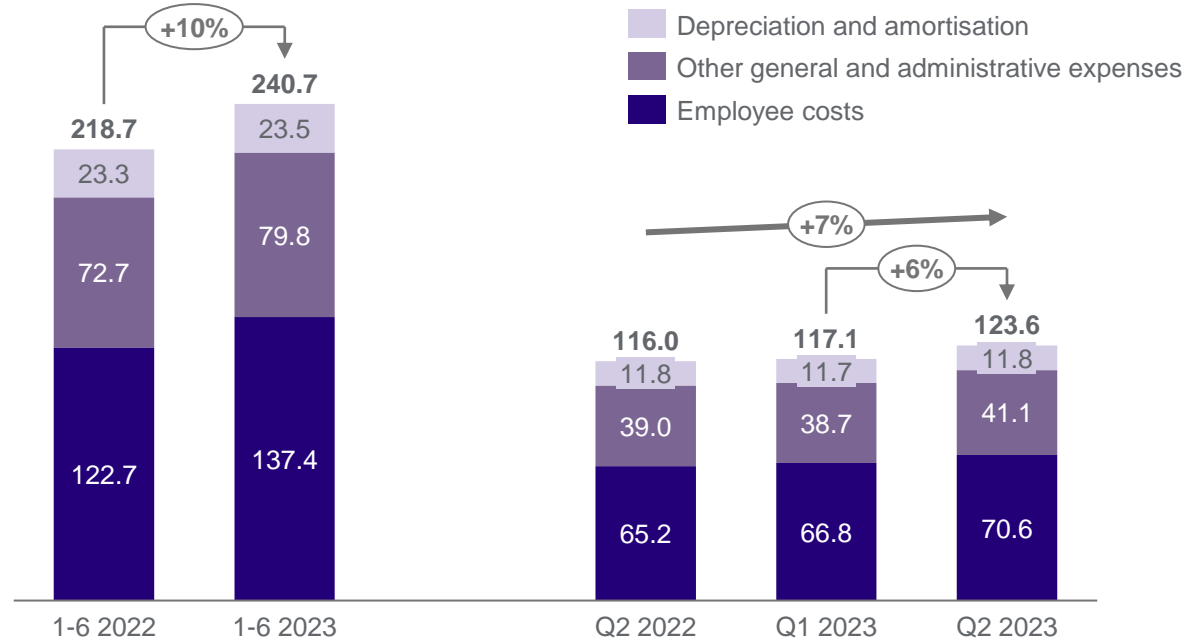
- Moderate growth of 1% YoY.
- Positive impact of increased economic activity and consumption on fees in all banking members.
- The cancellation of high balance deposit fee in NLB.



# Costs

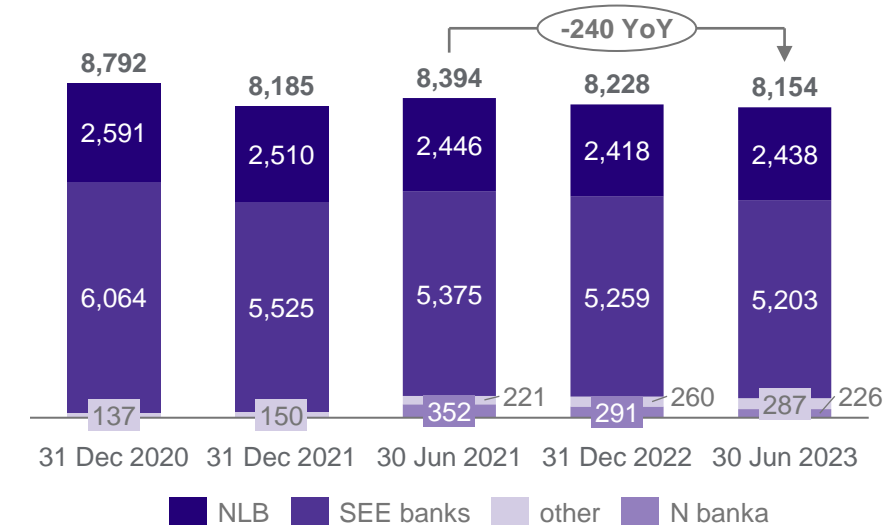
## Inflation and integration of N Banka affecting costs

Total costs (in EURm)



- The total costs increased in the Bank and all SEE banking members to EUR 240.7 million, resulting in a 10% increase YoY. The Group was affected by rising employee costs (higher by EUR 14.7 million YoY) and other general and administrative expenses (higher by EUR 7.1 million YoY).
- Employee costs increased to EUR 137.4 million driven by average salary increases due to inflationary pressures.
- A large part of the increase of general and administrative expenses was related to technology costs, as well as to costs associated with the integration process of N Banka (EUR 3.7 million of integration costs in H1 2023). Technology costs were driven mostly by higher licence costs and maintenance for SW and HW.
- The QoQ increase was 6%, with higher employee costs in all bank members and sponsorship payments in NLB.

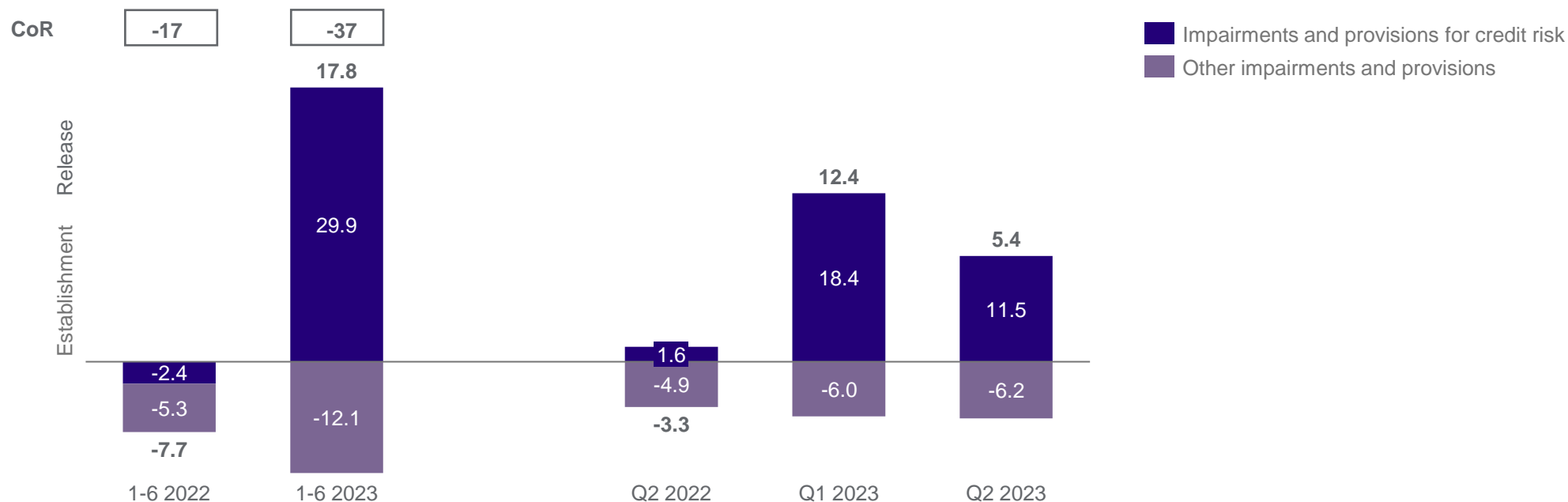
# of employees



# of branches



# Impairments and provisions

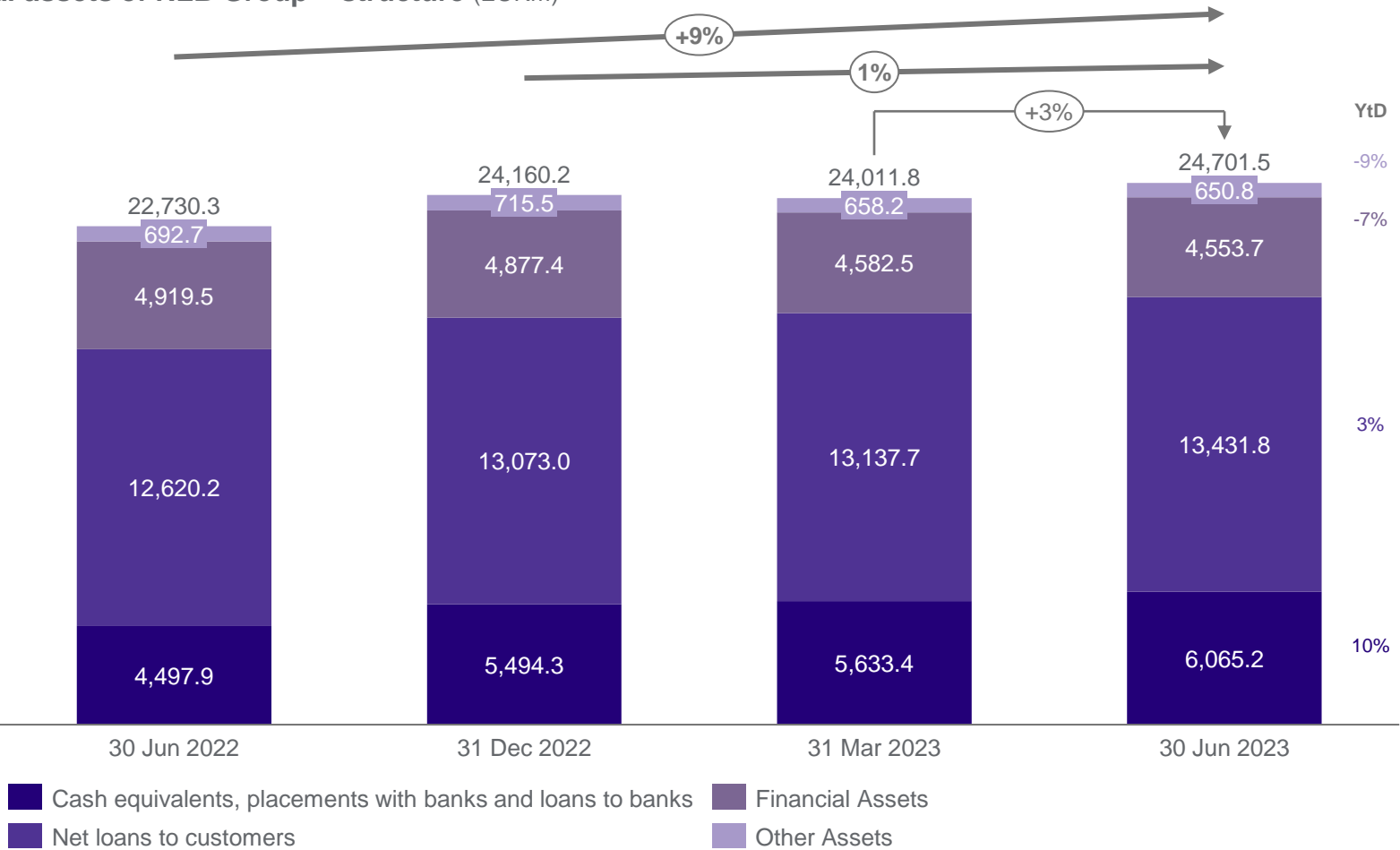


- In H1, impairments and provisions for credit risk were net released in the amount of EUR 29.9 million, the main factors being positive effects from a successful collection of previously written-off receivables due to a favourable environment for NPL resolution, positive portfolio development, mainly due to the sale of Russian bonds, repayments in the corporate segment, and the revised risk parameters in Q2.
- Other impairments and provisions were net established in the amount of EUR 12.1 million, the main reasons for that being established provisions for potential liability in relation to the pending fee repayments in the Slovenian banks.
- The cost of risk was negative, -38 bps, backed by strong off-balance repayment, stable portfolio development and revised risk parameter.

# NLB Group Assets

Total asset growth fueled by growth in net loans to customers and cash balances

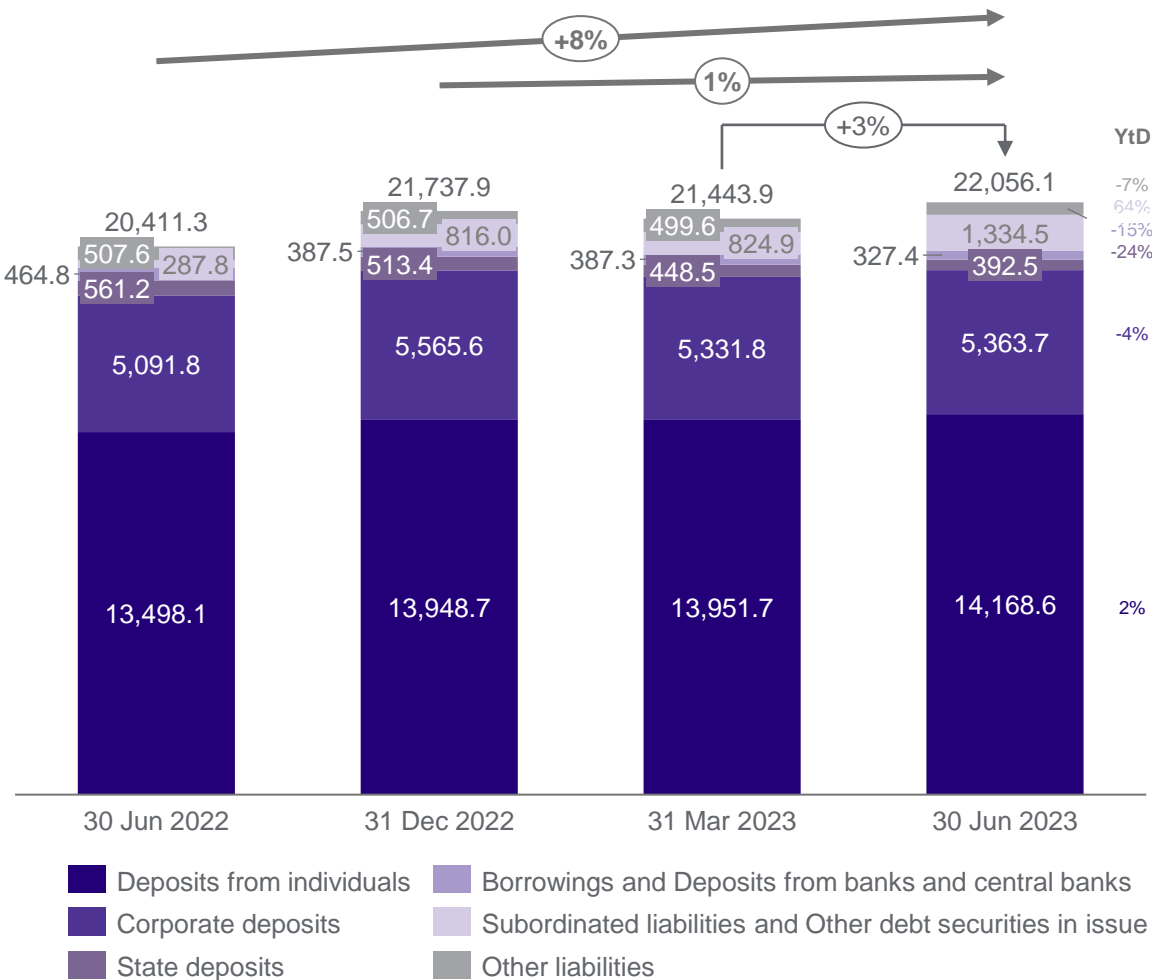
Total assets of NLB Group – structure (EURm)



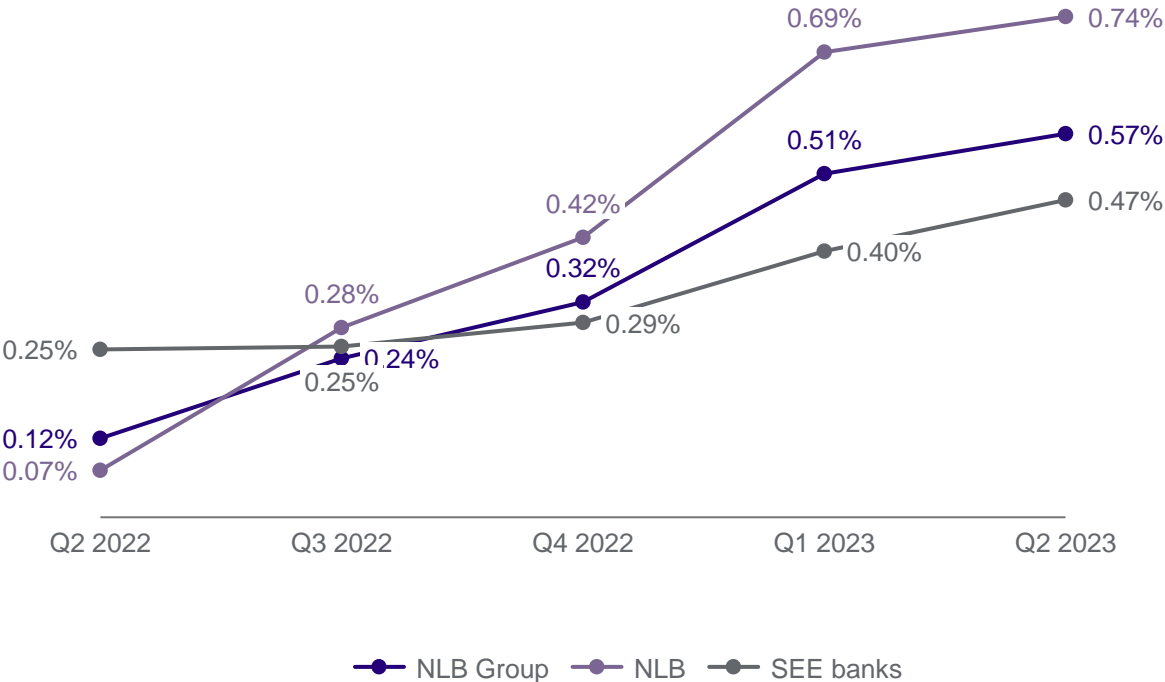
# NLB Group Funding Structure

Average cost of funding is increasing due to wholesale funding, driven by MREL requirement and deposit repricing

Funding structure of the NLB Group (Group, EURm)



Increasing average cost of funding on a Group level (quarterly data)



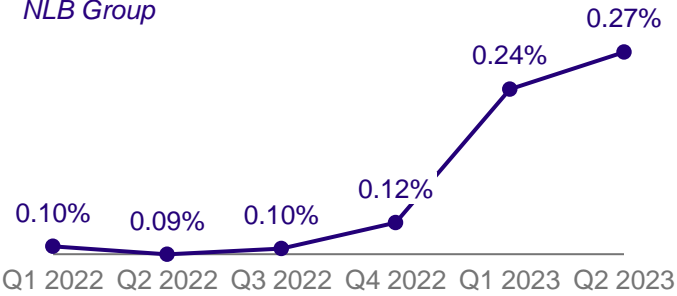
Group's average cost of funding in Q2 2023 was 0.57 %, a substantial increase from 0.12% in Q2 2022.

# NLB Group Funding Driven by Deposits

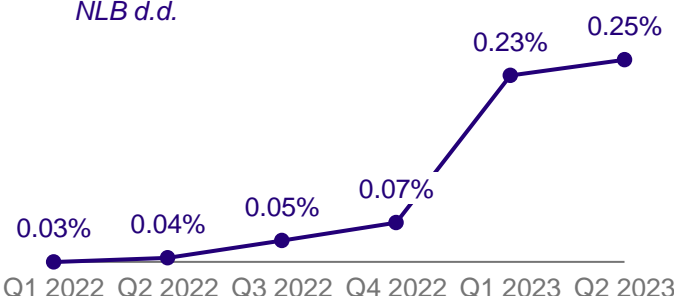
## Deposit interest rates are increasing

### Deposits from NBS (quarterly, in %)

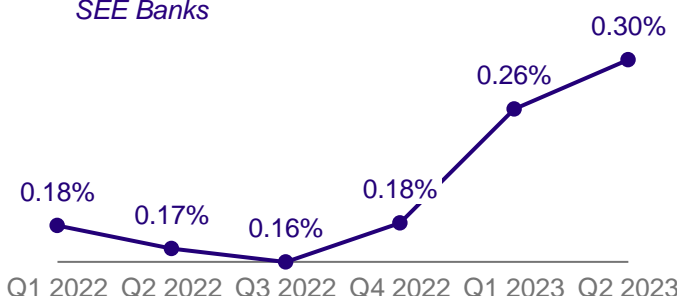
NLB Group



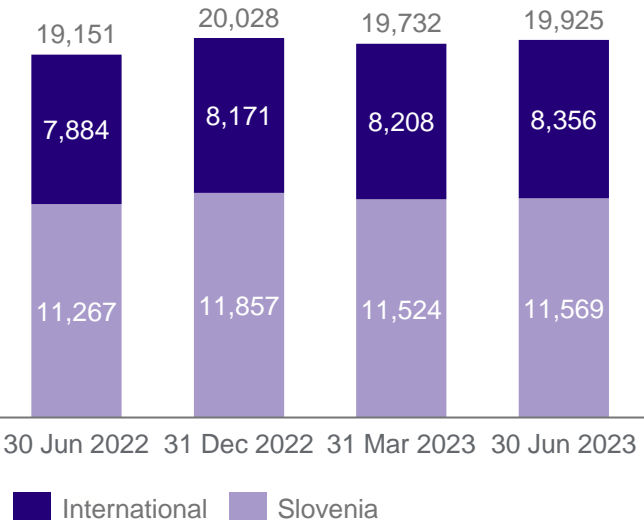
NLB d.d.



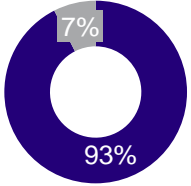
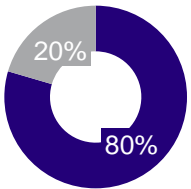
SEE Banks



### Deposit split (Group, EURm)



■ Sight  
■ Term



30 Jun 2023

### NLB d.d. savings accounts

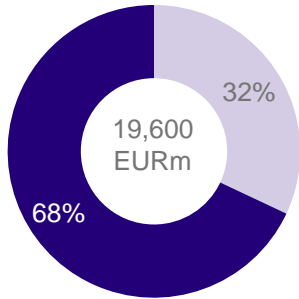
(volume in EURm, share in % of retail deposits)



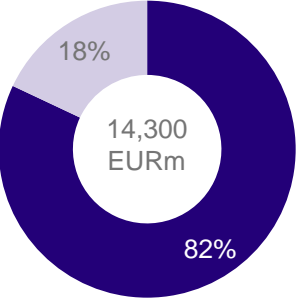
In Slovenia **share of saving accounts in total retail deposits is increasing** due to higher interest rates offered for this products (currently 80 bps).

As of 30 June 2023 EUR 3.3 billion (+20% YoY) or 41% of the retail deposit base were in savings accounts, showing good customer acceptance.

Customer deposits  
(Group, 30 June 2023)



Retail deposits  
(Group, 30 June 2023)



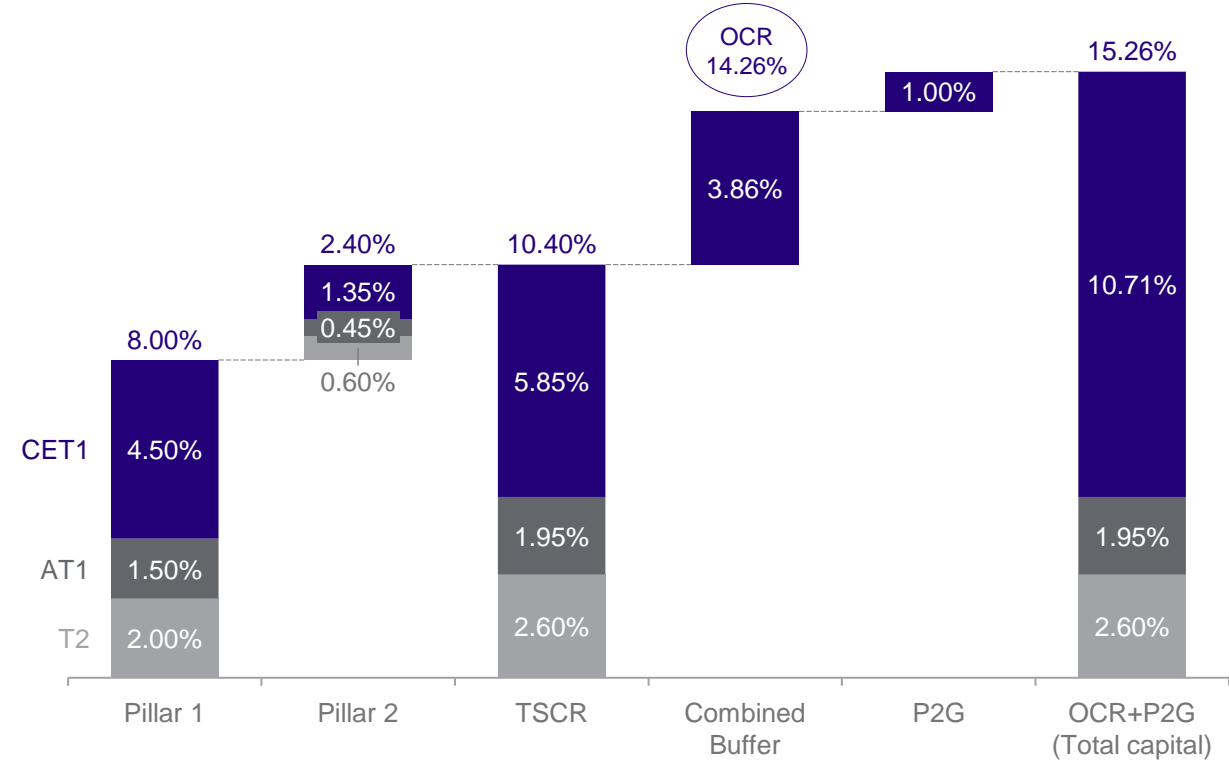
Deposit beta remains low at 5% <sup>(1)</sup>

Primarily deposit funded with sight deposits prevailing.

# Capital

## Capital position enabling growth and dividend distribution

### Capital requirements 2023



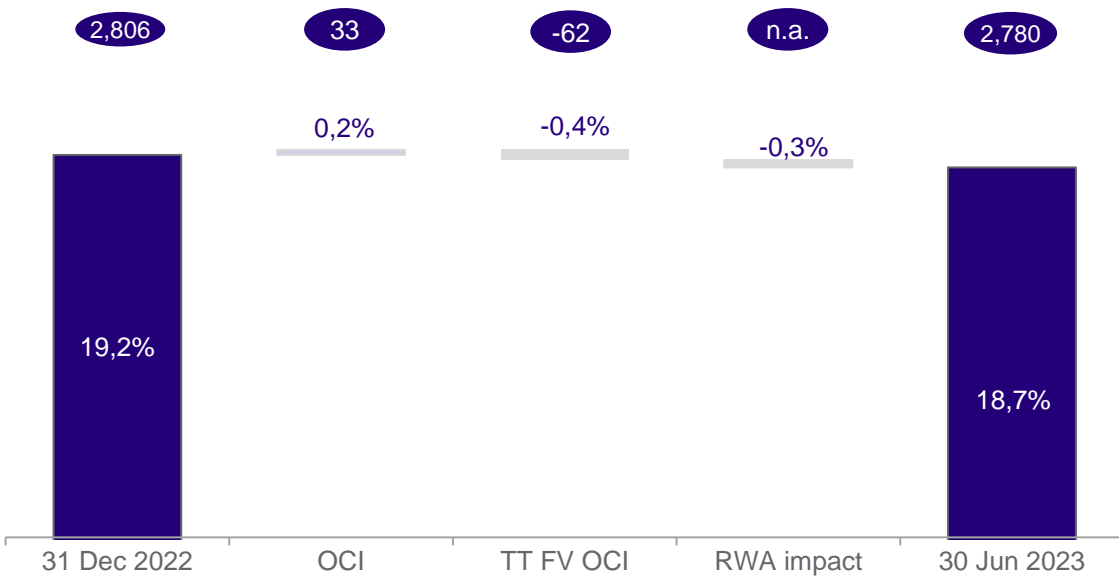
- As of 30 June 2023, the **TCR** for the Group stood at 18.7% (or 0.4 p.p. decrease YtD), and the **CET1 ratio** stood at 14.7% (0.4 p.p. YtD decrease).
- The lower total capital adequacy derives from lower capital (EUR 26.3 million YtD) and higher RWA (EUR 185.3 million YtD).
- Although the overall revaluation adjustments in H1 2023 were positive in the amount of EUR 32.7 million, the total capital decreased by EUR 26.3 million YtD since the temporary treatment of fair value through other comprehensive income (FVOCI) valuations for sovereign securities with the positive effect of EUR 61.7 million as at 31 December 2022 ceased to apply in January 2023.

### Regulatory Requirement, Actual NLB Group as of 30 June 2023

	in EUR millions/in %		
	Regulatory Requirement OCR+P2G	Actual	Surplus
Common Equity Tier 1 capital	1.587,69	2.181,38	593,69
Tier 1 capital	1.876,77	2.269,15	392,39
Total capital	2.262,20	2.780,11	517,91
Total risk exposure amount (RWA)		14.838,35	
Common Equity Tier 1 Ratio	10,71%	14,70%	3,99%
Tier 1 Ratio	12,66%	15,29%	2,63%
Total Capital Ratio	15,26%	18,74%	3,48%

### TCR evolution YtD

EURm



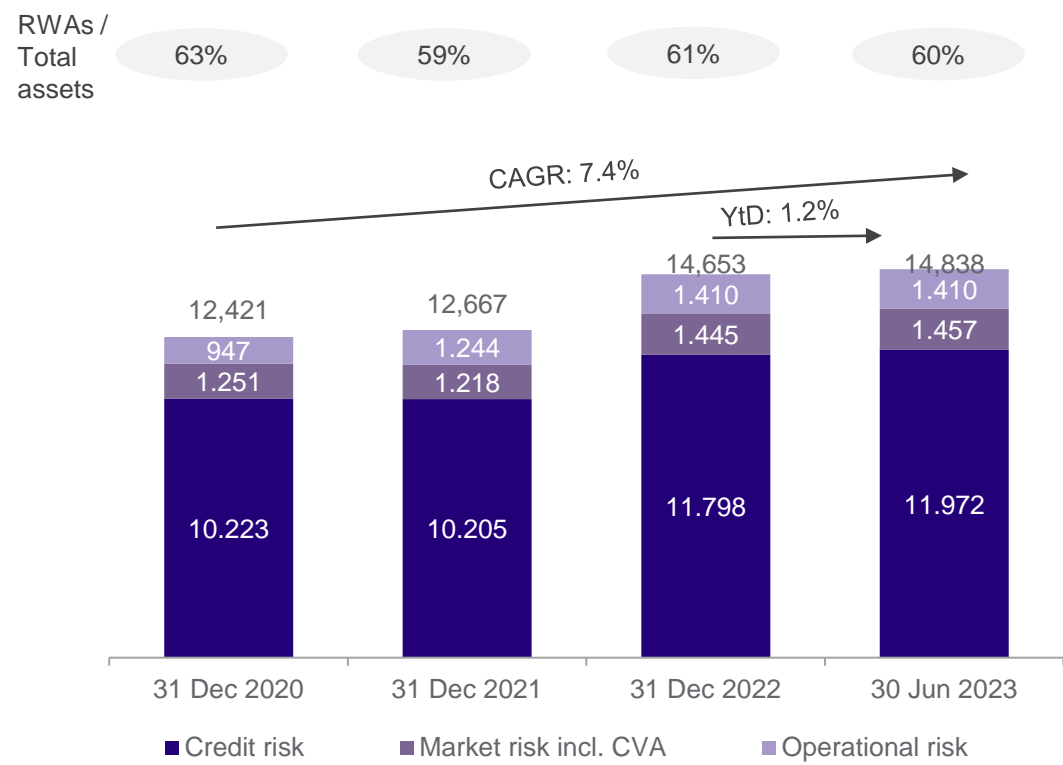
1) The Pillar 2 Requirement 2023 decreased by 0.2 p.p. to 2.40% due to a better overall SREP assessment. 2) On April 2022, the BoS issued a new Regulation on determining the requirement to maintain a systemic risk buffer for banks and savings banks, which on 1 January 2023, introduced the systemic risk buffer rates for the sectoral exposures: 1.0% for all retail exposures to natural persons secured by residential real estate and 0.5% for all other exposures to natural persons. 3) On 24 November 2021, NLB received the decision of the BoS relating to the macro-prudential measure capital buffer for other systemically important institutions. Capital buffer is increased by 0.25 p.p. to 1.25% from 1 January 2023. 4) In December 2022, the BoS raised the countercyclical capital buffer for exposures in the Republic of Slovenia from zero to 0.5% of the total risk exposure amount. Banks have to meet the requirement by 31 December 2023.



# RWA structure

## Prudent RWA management to improve capital ratios

RWA structure (in EURm)



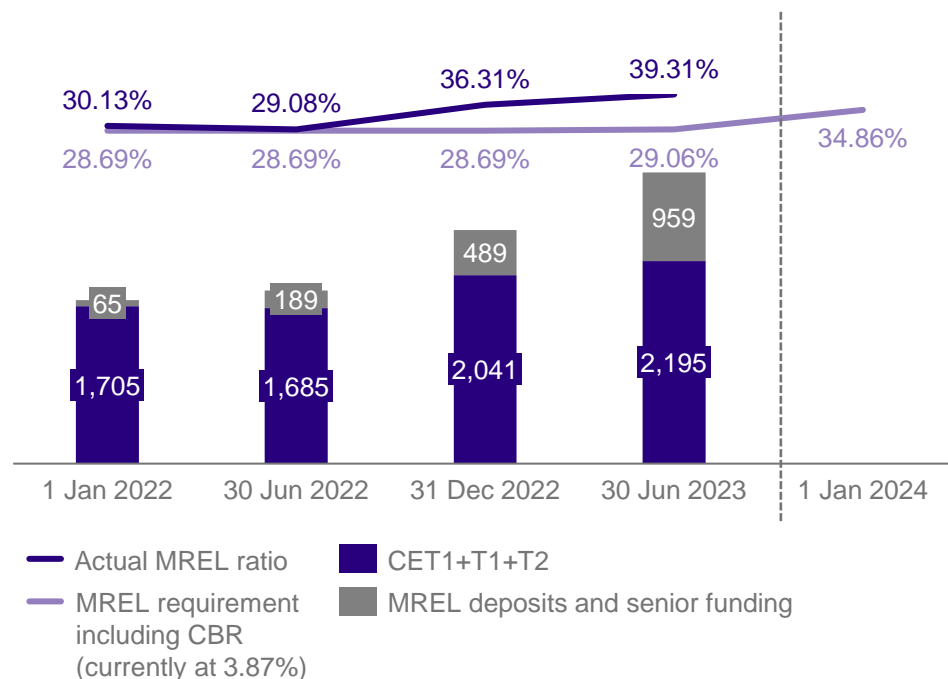
**RWA for credit risk** increased by EUR 171.3 million YtD mainly due to ramping up lending activity in all Group Banks except in N Banka and higher project finance exposures. On the other hand, RWA decreased due to lower liquidity assets, mainly in Komercijalna Banka Beograd (maturity of some Serbian bonds and MIGA guarantee for assets at central banks). Repayments and higher impairments and provisions resulted in the RWA reduction for non-performing exposures.

The increase in **RWAs for market risks and CVA** (Credit Value Adjustments) in the amount of EUR 11.6 million YtD is the result of new position RWA for Equity risk in the amount of EUR 16.2 million, lower RWA for FX risk in the amount of EUR 12.3 million, higher RWA for CVA risk in the amount of EUR 3.2 million, and higher RWA for Traded debt instruments risk in the amount of EUR 4.0 million (primarily due to new IRS derivatives).

# NLB Wholesale Funding

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

Evolution of MREL eligible funding, the MREL requirement and the realised MREL ratio (in EURm, in %)



## MREL requirement:

- 25.19% TREA and 9.97% Leverage Exposure ratio (both excluding applicable CBR) as of 1 January 2022
- 30.99% TREA and 10.39% Leverage Exposure Ratio (both excluding applicable CBR) as of 1 January 2024. LRE as of 30 June 2023 at 19.3% (excl. CBR).

## Outstanding bonds:

Type of the Bond	ISIN code	Issue Date	Maturity	First call date	Interest Rate	Nominal Value
Tier 2	SI0022103855	6 May 2019	6 May 2029	6 May 2024	4.2% p.a.	EUR 45m
Tier 2	XS2080776607	19 Nov 19	19 Nov 2029	19 Nov 2024	3.65% p.a.	EUR 120m
Tier 2	XS2113139195	5 Feb 2020	5 Feb 2030	5 Feb 2025	3.40% p.a.	EUR 120m
Senior Preferred	XS2498964209	19 July 2022	19 July 2025	19 July 2024	6.0% p.a.	EUR 300m
Additional Tier 1	SI0022104275	23 Sep 22	Perpetual	between 23 Sep 2027 and 23 Mar 2028	9.721% p.a.	EUR 82m
Tier 2	XS2413677464	28 Nov 2022	28 Nov 2032	28 Nov 2027	10.750% p.a.	EUR 225m
Senior Preferred	XS2641055012	27 June 2023	27 June 2027	27 June 2026	7.125% p.a.	EUR 500m

Total outstanding bonds 1,392 EUR million (T2: 510 EUR million, SP: 800 EUR million and AT1: 82 EUR million).

## Funding plan in 2023:

EUR 500 million green Senior Preferred bond was issued in June to cover MREL needs becoming binding as of Jan 1 2024.

## NLB Resolution Group

TREA (in EURm)	(as at Q2 2023)
NLB d.d., Ljubljana	6.985
N Banka d.d., Ljubljana	715
NLB Lease&Go, leasing, d.o.o., Ljubljana	179
NLB Skladi d.o.o., Ljubljana	53
Other	91
<b>Total</b>	<b>8.024</b>

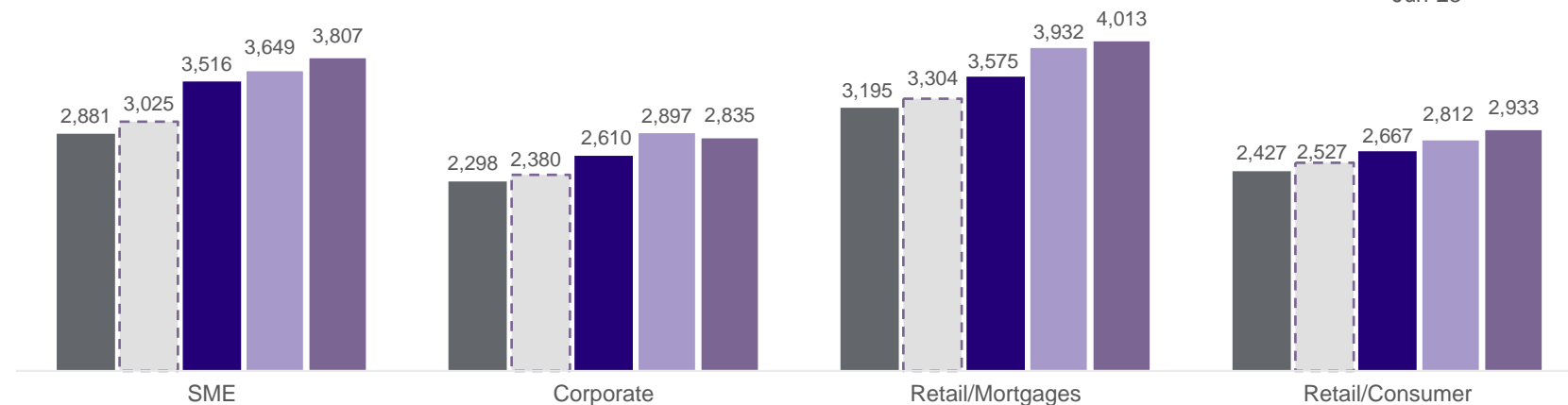
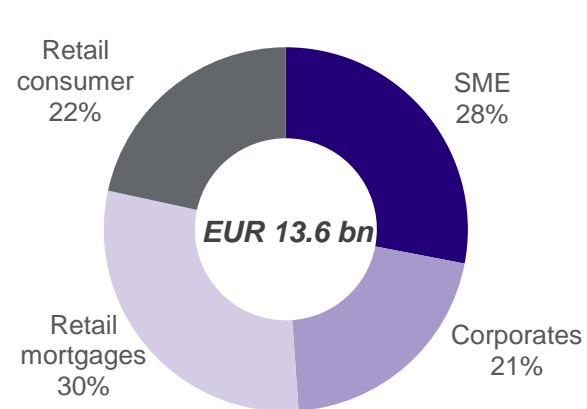
# Asset Quality



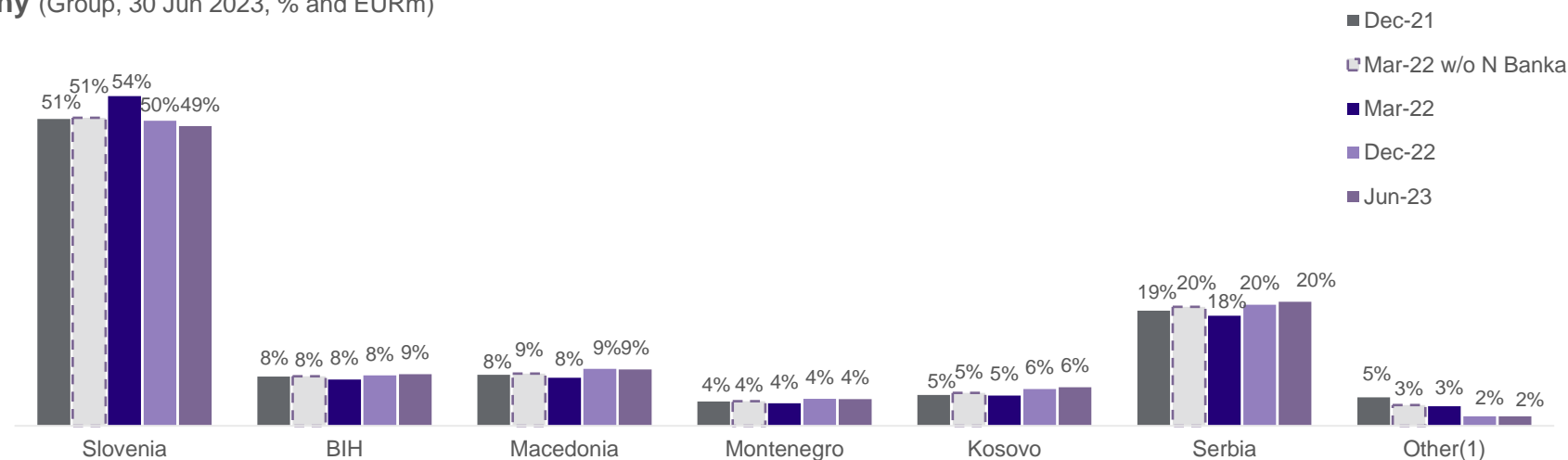
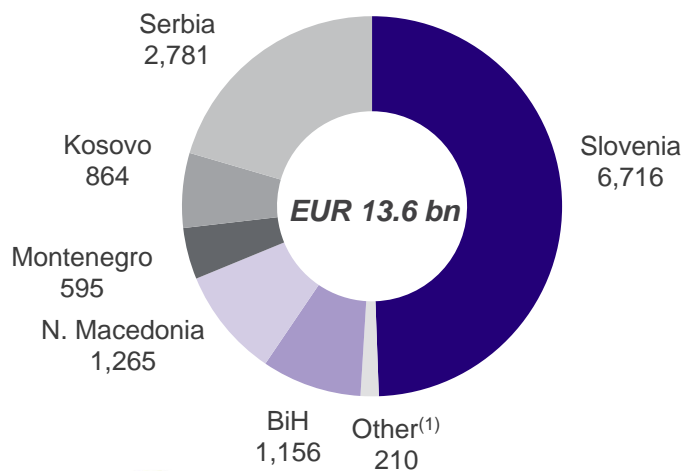
# Asset Quality – NLB Group

Diversified corporate and retail credit portfolio, focused on core markets

Corporate and retail credit portfolio by segment (Group, 30 Jun 2023, % and EURm)



Corporate and retail credit portfolio by geography (Group, 30 Jun 2023, % and EURm)



# NLB Group Asset Quality

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

## Corporate credit portfolio (Group, 30 Jun 2023, in EURm)

Credit portfolio			in EUR thousands	
Corporate sector by industry	NLB Group	%	Δ 2Q 2023	Δ YtD 2023
Accommodation and food service activities	209,270	3%	-3,893	-7,420
Act. of extraterritorial org. and bodies	4	0%	-3	-2
Administrative and support service activities	105,344	2%	14,795	25,552
Agriculture, forestry and fishing	334,831	5%	5,443	8,597
Arts, entertainment and recreation	22,293	0%	-1,244	-1,362
Construction industry	622,823	9%	28,116	53,073
Education	12,810	0%	-697	-1,072
Electricity, gas, steam and air conditioning	531,784	8%	47,396	-18,754
Finance	174,834	3%	2,749	-49,845
Human health and social work activities	45,866	1%	264	-971
Information and communication	289,759	4%	-11,755	-25,171
<b>Manufacturing</b>	<b>1,488,101</b>	<b>22%</b>	<b>28,437</b>	<b>29,251</b>
Mining and quarrying	48,529	1%	-1,286	-5,680
Professional, scientific and techn. act.	194,220	3%	767	7,092
Public admin., defence, compulsory social.	186,304	3%	128	-2,394
Real estate activities	317,405	5%	17,701	4,590
Services	15,395	0%	372	-1,357
Transport and storage	635,747	10%	15,083	6,236
Water supply	61,310	1%	3,996	9,934
<b>Wholesale and retail trade</b>	<b>1,342,882</b>	<b>20%</b>	<b>40,190</b>	<b>64,911</b>
Other	1,835	0%	-700	528
<b>Total Corporate sector</b>	<b>6,641,347</b>	<b>100%</b>	<b>185,857</b>	<b>95,734</b>

- Credit portfolio remains well diversified. Industries with largest exposures include a broad range of diverse activities.
- In H1 NLB Group increased lending, mainly to companies from wholesale and retail trade, manufacturing and from construction industry, the later related to project financing.
- The Bank is very cautious when financing the sectors with possible negative effects resulting from RU/UA crisis, therefore cautious selection of best clients in the region with favourable prospects is exercised.

# NLB Group Asset Quality

## Industry diversification in manufacturing and trade

### Corporate credit portfolio (Group, 30 Jun 2023, in EUR million)

Credit portfolio		in EUR thousands		
Corporate sector by industry	NLB Group	%	Δ 2Q 2023	Δ YtD 2023
<b>Manufacturing</b>	<b>1,488,101</b>	<b>22%</b>	<b>28,437</b>	<b>29,251</b>



Credit portfolio		in EUR thousands		
Main manufacturing activities	NLB Group	%	Δ 2Q 2023	Δ YtD 2023
Manufacture of fabricated metal products, except machinery and equipment	201,963	3%	9,205	11,100
Manufacture of food products	199,826	3%	-12,403	-24,502
Manufacture of electrical equipment	197,323	3%	-226	-5,347
Manufacture of basic metals	144,856	2%	4,896	-934
Manufacture of other non-metallic mineral products	103,682	2%	-1,253	-3,379
Manufacture of rubber and plastic products	84,162	1%	8,215	10,976
Manufacture of motor vehicles, trailers and semi-trailers	83,929	1%	2,207	13,247
Manufacture of machinery and equipment n.e.c.	82,779	1%	6,641	9,236
Other manufacturing activities	389,581	6%	11,154	18,855
<b>Total manufacturing activities</b>	<b>1,488,101</b>	<b>22%</b>	<b>28,437</b>	<b>29,251</b>

Credit portfolio		in EUR thousands		
Corporate sector by industry	NLB Group	%	Δ 2Q 2023	Δ YtD 2023
<b>Wholesale and retail trade</b>	<b>1,342,882</b>	<b>20%</b>	<b>40,190</b>	<b>64,911</b>



Credit portfolio		in EUR thousands		
Main wholesale and retail trade activities	NLB Group	%	Δ 2Q 2023	Δ YtD 2023
Wholesale trade, except of motor vehicles and motorcycles	760,802	11%	31,812	28,706
Retail trade, except of motor vehicles and motorcycles	437,892	7%	-9,457	16,654
Wholesale and retail trade and repair of motor vehicles and motorcycles	144,189	2%	17,836	19,550
<b>Total wholesale and retail trade</b>	<b>1,342,882</b>	<b>20%</b>	<b>40,190</b>	<b>64,911</b>



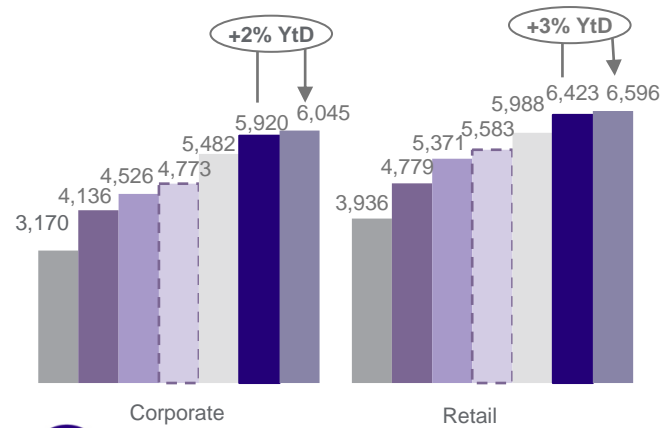
# NLB Group Asset Quality

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

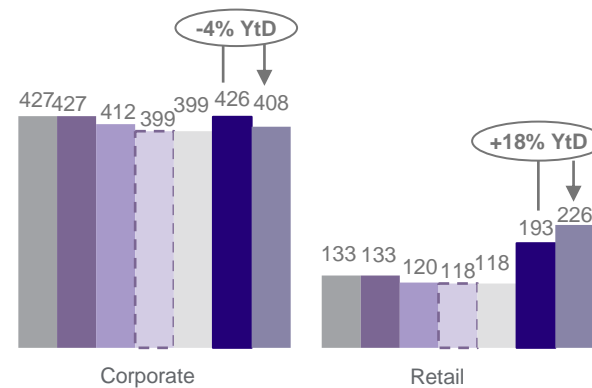
Credit portfolio <sup>(1)</sup> by stages (Group, 30 Jun 2023, in EURm)

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>18,412.4</b>	<b>95.1%</b>	<b>954.8</b>	<b>633.9</b>	<b>3.3%</b>	<b>15.6</b>	<b>312.9</b>	<b>1.6%</b>	<b>-15.2</b>	<b>82.0</b>	<b>0.4%</b>	<b>40.8</b>	<b>6.4%</b>	<b>193.3</b>	<b>61.8%</b>
o/w Corporate	6,044.8	91.0%	124.8	407.6	6.1%	-18.1	188.9	2.8%	-10.9	45.0	0.7%	16.6	4.1%	114.7	60.7%
o/w Retail	6,595.8	95.0%	172.8	226.3	3.3%	33.7	123.8	1.8%	-4.2	34.9	0.5%	24.1	10.7%	78.5	63.4%
o/w State	5,422.2	100.0%	676.6	-	-	-	0.1	0.0	0.1	2.0	0.0%	-	-	0.1	99.4%
o/w Institutions	349.6	100.0%	-19.3	-	-	-	0.1	0.0	0.1	0.1	0.0%	-	-	0.1	97.5%

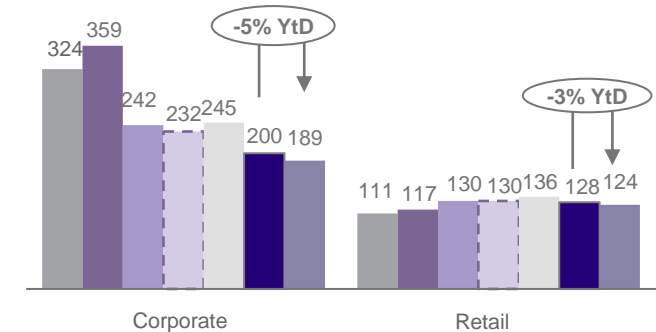
Stage 1 by segment (in EURm)



Stage 2 by segment (in EURm)



Stage 3 (incl. FVTPL) by segment (in EURm)

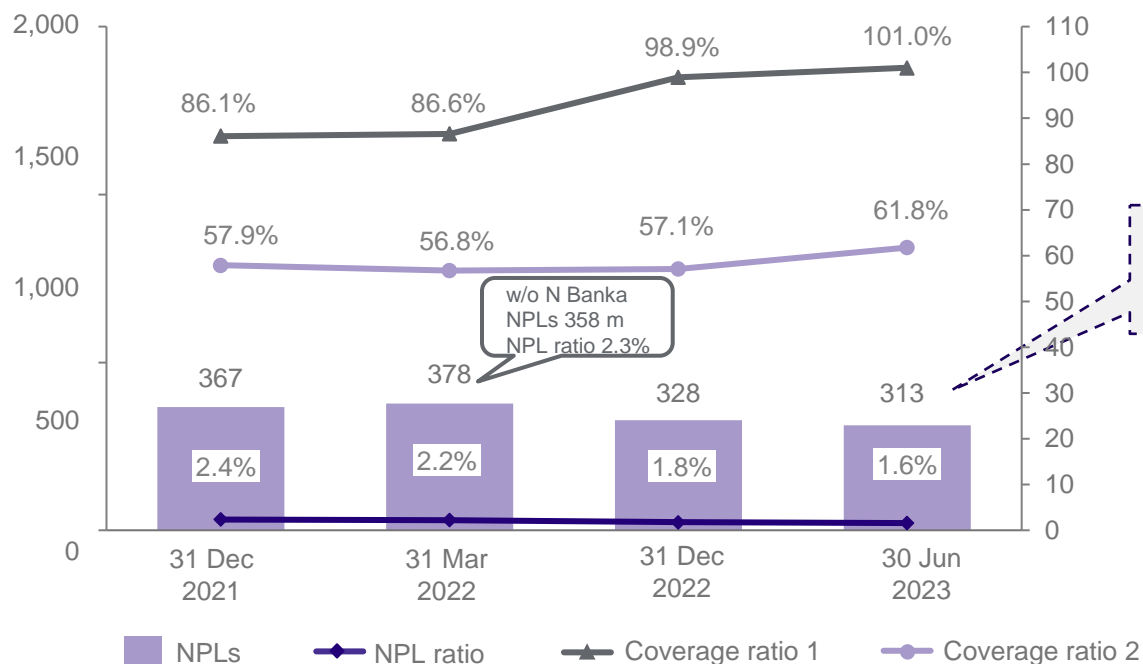


31 Dec 2020 w/o KB
  31 Dec 2020
  31 Dec 2021
  31 Mar 2022 w/o N Banka
  31 Mar 2022
  31 Dec 2022
  30 Jun 2023

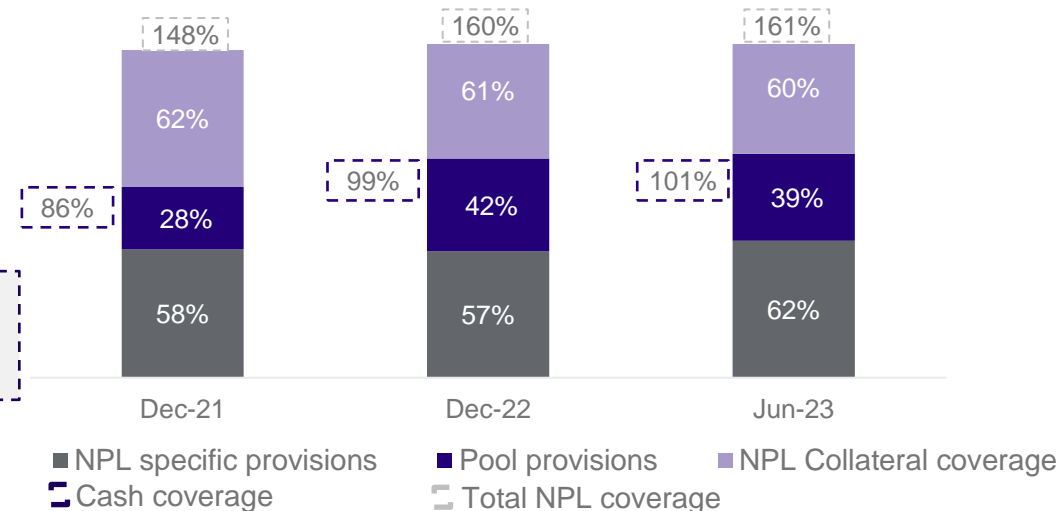
# Asset Quality – NLB Group

NPL ratio further decreased. NPLs are fully covered by provisions and collateral

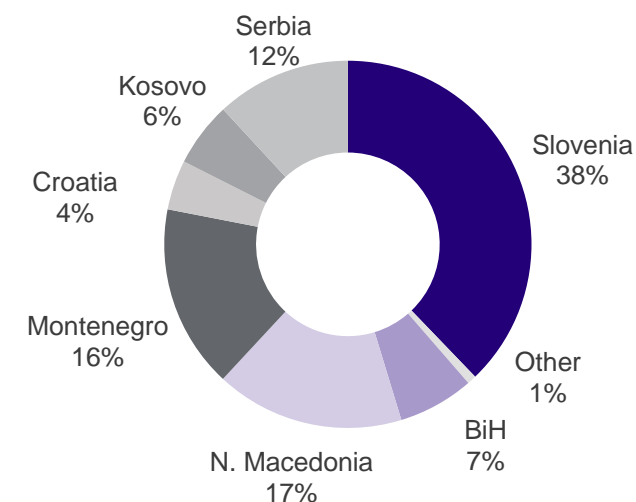
Gross NPL ratio within the planned framework (Group, EURm)



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



NPL by geography (Group, 30 Jun 2023)

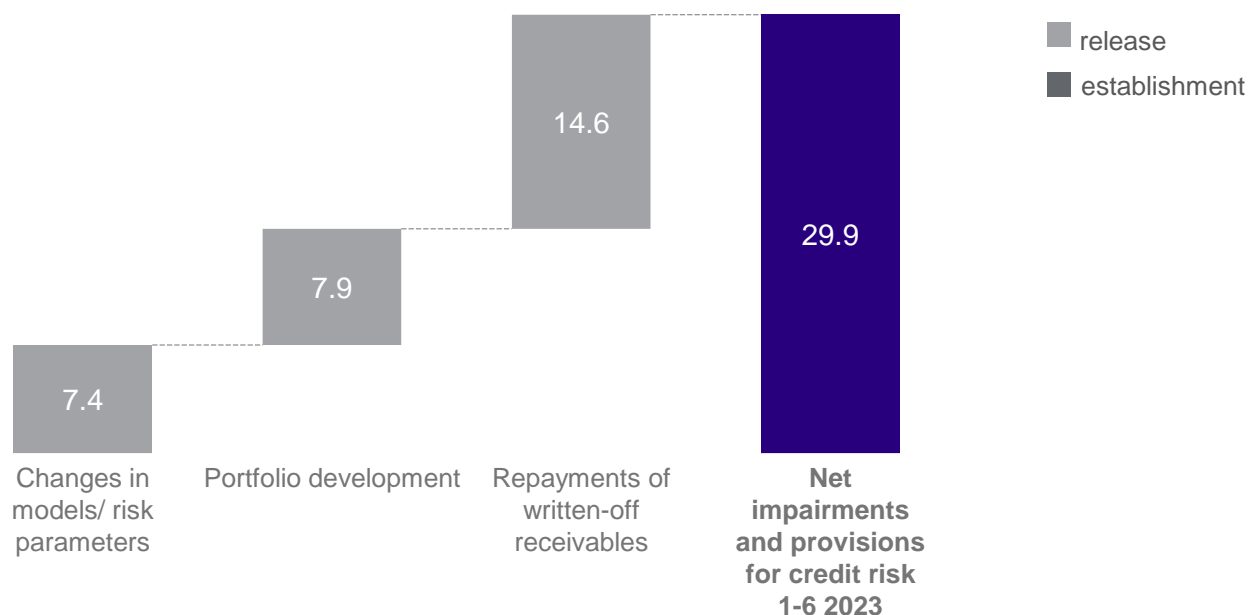


- In H1 favourable NPL movements were recognized, mostly due to repayments and recovery of NPLs.
- **NPL ratio YtD** decreased by 0.2 p.p. to the level of 1.6%, while **NPE ratio** stands at 1.2%. **Coverage ratio** (CR1) increased to 101.0%. NPL coverage ratio (CR2) improved to 61.8%, which is above the EU average as published by the EBA (43.6 % for Q1 2023).

# Asset Quality – NLB Group

## Favorable trends in asset quality

**Cumulative net new impairments and provisions for credit risk**  
(w/o off-balance, H1 2023, in EUR million)

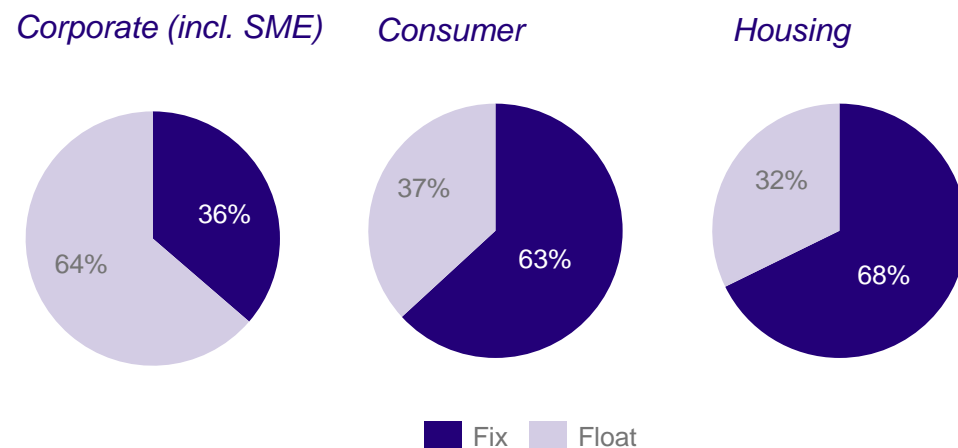


- In H1 2023 net release of impairments and provisions for credit risk in the amount of EUR 29.9 million, resulting in Cost of Risk of -38 bps.
- In Q2 2023 net release of impairments and provisions for credit risk in the amount of EUR 11.5 million:
  - Repayments of written-off receivables remained high at EUR 8.3 million due to a favourable environment for NPLs resolution.
  - Release of EUR 7.3 million resulting from changes in models/risk parameters. Part of the overlays applied to selected parameters in the past years have been abolished, mainly in the corporate segment, which contributed to more favourable parameter values. On the other hand, in the retail segment, the parameters have been increased due to unpredictable situations regarding inflation and higher interest rates.

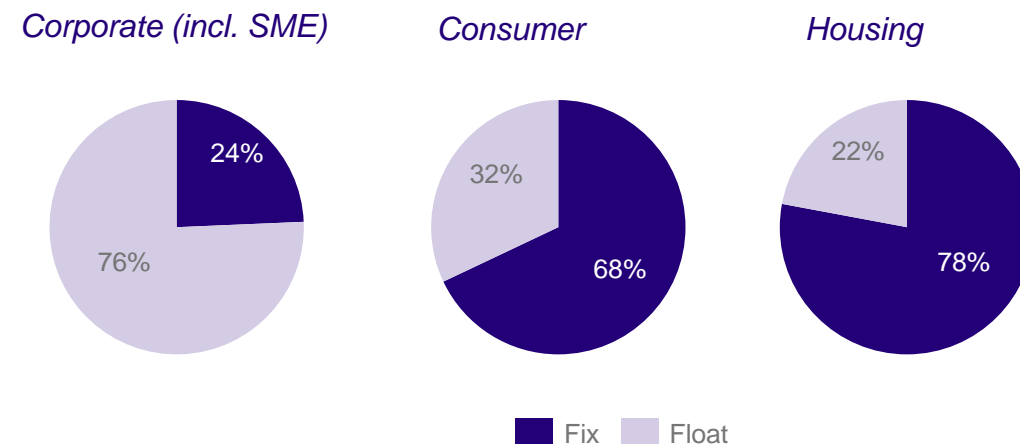
# Asset Quality – NLB Group

## Corporate and retail credit portfolio **split by interest rates**

Corporate and retail portfolio of **NLB Group** (30 Jun 2023)



Corporate and retail portfolio of **NLB d.d.<sup>(1)</sup>** (30 Jun 2023)



In the Retail segment the trend of transfer from variable to fixed interest rates continued in Q2. On NLB Group level the share of exposure with fixed IR increased by 1.9 p.p. in the Consumer and 1,4 p.p. in the Housing loans segment, while the proportions in the Corporate segment remain unchanged.

# Structure of loan portfolio by type of interest rate

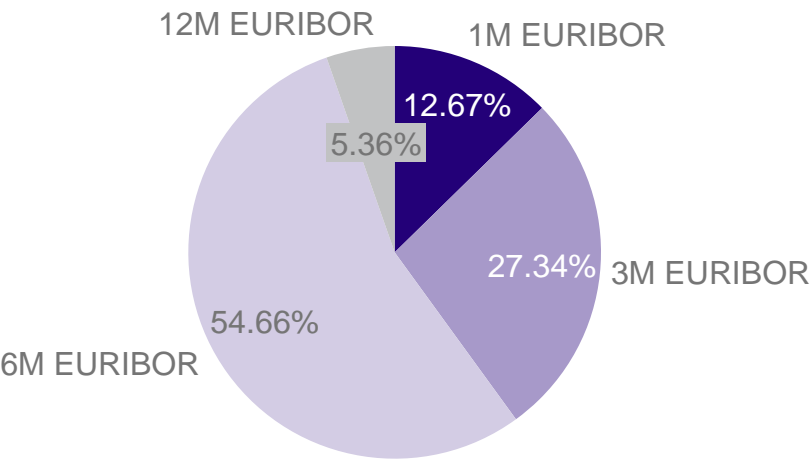
Net interest income sensitivity to higher rates remains intact

## Structure of loan portfolio by type of interest rate

as of June 2023, in EURm

EURIBOR 5,725

Loan portfolio by type of EURIBOR (Group, 30 June 2023)



## Average actual EURIBOR in loan portfolio

	Dec.2022	Mar.2023	Jun.2023
EURIBOR	1,90%	2,53%	3,32%

Repricing of Euribor follows contract date (in majority of cases) or fixed date of repricing for all contracts.

# ESG & Digital





# Integration of Sustainability and ESG factors in the Business Model

MORNINGSTAR | SUSTAINALYTICS

## Highlights in H1 2023 <sup>1</sup>

- **UNEP FI delivered its second response report** on the implementation of the Responsible Banking Principles, highlighting **positive aspects of implementing the principles, developments in the area of climate change and promoting the sustainable culture**. In line with the recommendations, NLB Group will continue to set priority and concrete objectives in its areas of influence. **The requirements of the EBRD E&S Policy were fulfilled and reported.**
- **Further improvements in the sustainability – related governance:** internal audit conducted, realization of sustainability action plan, regular sustainability committees, preparation of comprehensive ESG Policy, standardisation in the Group, activities within **Chapter Zero** aimed at **capacity building of supervisory and management board members** to make climate change a boardroom priority.
- Preparation for **the second annual ESG risk rating**, exploring opportunities to obtain additional relevant ESG ratings and indices.
- **Green bonds issuance with a total nominal amount of EUR 500 million.** The funds raised are intended to support projects with a positive impact on the environment. More: [nlb-green-bond-framework.pdf](#)
- **Regular support to clients' green transition with sustainable corporate and private individuals financing;** ESG Trainings for front office is underway.
- **A progress in Net Zero Business Strategy** (IT support, measuring portfolio emissions...). The first targets for footprint reduction in carbon-intensive industries to be published by the end of 2023.
- Disclosure of qualitative ESG Risks overview and potential risk related to climate change, in line with EBA guidelines (see: NLB Group Basel Pillar III Disclosures for H2 2023, available at [Financial Reports \(nlb.si\)](#).
- Implementation of Human Rights Management System and training in line with **adopted Human Rights Policy.**
- **Management and further reduction of CO2 emissions in NLB Group's operations** through several energy efficiency and other activities.
- **Improved Employee Engagement:** Top Employer award (8th year in the row), several on-going activities to ensure diversity, equity and inclusion, gender equality, a positive organisational culture and employee well-being.
- **Continuation of active contribution to society** through sponsorships, donations and partnerships and their alignment with UN SDGs (new in Q2: **donations totalling EUR 1.35 million** to dozens of organisations in all markets in the region, selected by employees)
- **On-going stakeholder engagement:** reporting on sustainability, ESG Investor call, regular communication with regulators and other stakeholders.



**ESG  
RATING  
2022 <sup>2</sup>**

**17.7  
Low Risk**

**TOP 15%  
Banks**



PRINCIPLES FOR  
RESPONSIBLE  
BANKING

Through the Principles, NLB takes decisive action to align its core strategy, decision-making, lending and investment with the UN Sustainable Development Goals.

## 2030 Key Targets

### 2023:

- **NLB Group Net Zero Strategy**  
Implementation - to align lending and investment portfolios with net-zero emissions targets by 2050
- **CSRD and ESRS implementation**

### 2025:

- Paper usage decrease by 50% (vs. 2019)
- Share of digital users: 55%

### 2030:

- **Sustainable corporate financing: 785 mio EUR or more**
- **75% electricity** used by NLB Group from **zero-carbon resources**
- Entire NLB fleet run by electric energy and **CO2 neutral**

Notes: (1) Quantitative data on Sustainability/ESG activities are currently monitored on Y2Y basis and will be available in NLB Group Sustainability Report 2023 (in April 2024)

(2) As of Dec 5, 2022, based on 2021 data; 2022 rating in the pipeline

# Sustainability Roadmap for 2023

- Our sustainability roadmap 2023 sets next milestones & targets for tackling environmental, social and governance considerations, and focuses on steps to achieving one most important goal – to empower all stakeholders for successful transition to low carbon, inclusive, just and sustainable future.



## Sustainable Operations

- NLB Group will disclose all relevant ESG data.
- The focus will be on the analysis and implementation of the **EU Corporate Sustainability Reporting Directive**, as well as the upcoming **EU Corporate Sustainability Due Diligence Directive**.
- NLB Group will implement **Human Rights Management System**.
- All relevant internal acts will be upgraded for the inclusion of **ESG criteria in the supply/value chain**.
- Continuous reduction of operational **carbon footprint**.
- Maintaining high standards related to **employee well-being**.
- To raise the level of sustainability awareness among employees, the Bank will organize its 2<sup>nd</sup> NLB Group Sustainability Day



## Sustainable Finance

- NLB Group will develop and implement the **Net Zero Business Strategy** in line with **UN PRB & NZBA** with the aim to set its lending and investment decarbonization targets.
- First targets related to **reducing its footprint in carbon-intensive industries** will be published.
- The NLB Group will finalize implementation of **EBRD environmental and social performance requirements** in its business model.
- The NLB Group will continue to support its clients in their green transition – **fine tuning & expanding its sustainability-related products portfolio**.
- **Financing eligible projects within Green Bond Framework**



## Contribution to Society

- NLB Group will continue with its **contributions to local communities**.
- **Sponsorship and donations** will continue to be based on supporting and following the **UN Sustainable Development Goals**.

# 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 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)

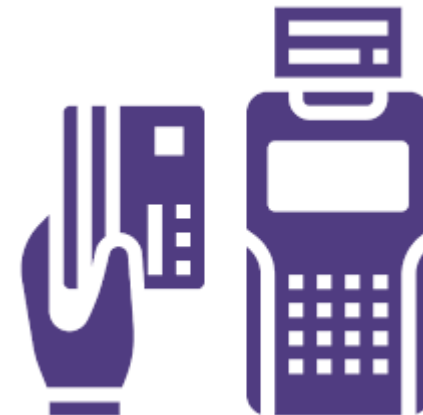
First Slovenian bank sending cards' PIN via SMS

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

First Slovenian bank to offer NLB Smart POS solution on mobile phone to merchants

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

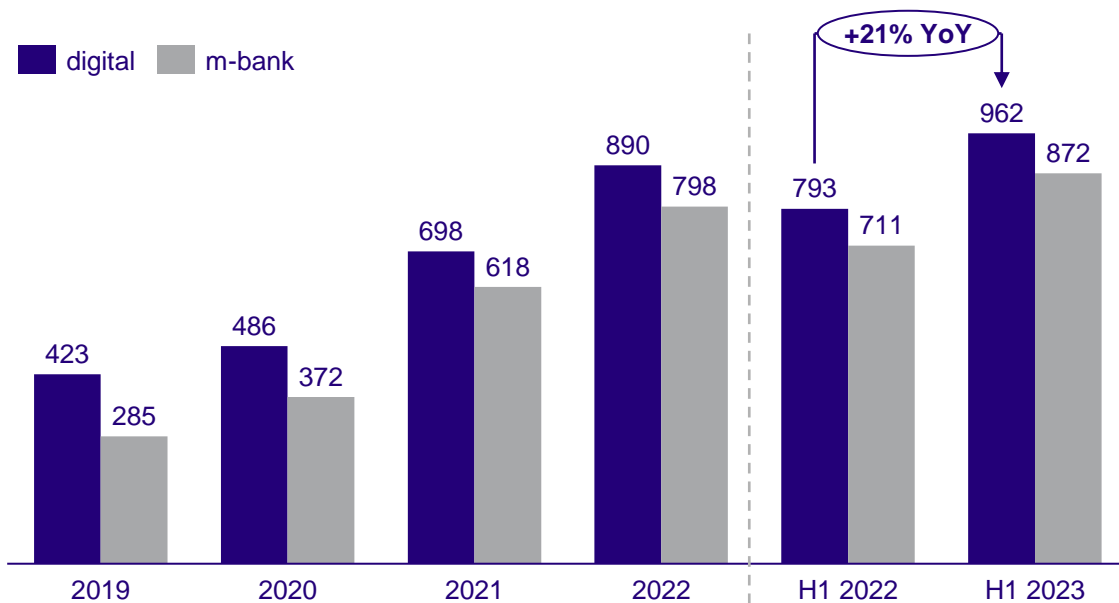
First Slovenian bank issuing digital only debit cards



# Omnichannel – future sales platform

## Customer experience – to be improved and fully digital

NLB Group # active digital & m-bank users (in 000)



*Digital to take primary role especially in transaction banking and simple products contracting*

- ✓ Full digital experience starting with new customer digital on-boarding
- ✓ Seamless customer experience at any touch point all the way customer journey
- ✓ Process orchestration through common platform used for all sales channels
- ✓ Right offer at right time on the right channel by integrated advanced analytics into the omnichannel platform
- ✓ The same experience in the whole Group



*More than 1.4m digital users individuals in the Group as at 30 June 2023.*

# N Banka Integration





# Integration of N Banka into NLB is on home stretch, final Dress Rehearsal planned for August to comprehensively confirm readiness

## Highlights of integration process

### Legal and M&A process

- ECB application has been submitted back in April, final approval received in July.
- Possible client impact has been discussed with Bank of Slovenia with positive feedback on proposed solutions.
- Detailed step plan developed - Legal merger to happen on September 1st and Technical merger during weekend prior to September 4th.

### Clients

- Client churn stabilized by implementation of counter measures, yet technically client numbers decrease due to clean up, overall Gross income of N Banka clients higher than initially due to repricing.
- NLB Branches and Contact Center are in full preparation to be ready to optimally support N Banka clients during and after Cut-over weekend.
- Two N Banka branches will be refurbished and upgrades to NLB standards and integrated into NLB network.

### Employees

- Operational stabilization of N Banka achieved through several structural initiatives.
- More than 140 employees of N Banka either already joined NLB to reinforce functions like HR, compliance or audit, or will join on 1<sup>st</sup> of September.
- Additional resources with relevant knowledge from N Banka have agreed to support based on temporary contracts the stabilization after the legal and technical merger for a certain period.

### Marketing & Communication

- A comprehensive approach towards client communications has been developed, ensuring a steady flow, leveraging on all channels, providing relevant insights and accompanying the merger all the way until finalization of stabilization. This is considered essential for client satisfaction and engagement.
- N Banka's clients were provided with general product information and terms and conditions, as well as with individual product information and relevant Cut-over information.
- Final information on the Cut-over process and support will be sent in mid-August through all available communication channels.
- Internal communication is ongoing.

### Integration Progress

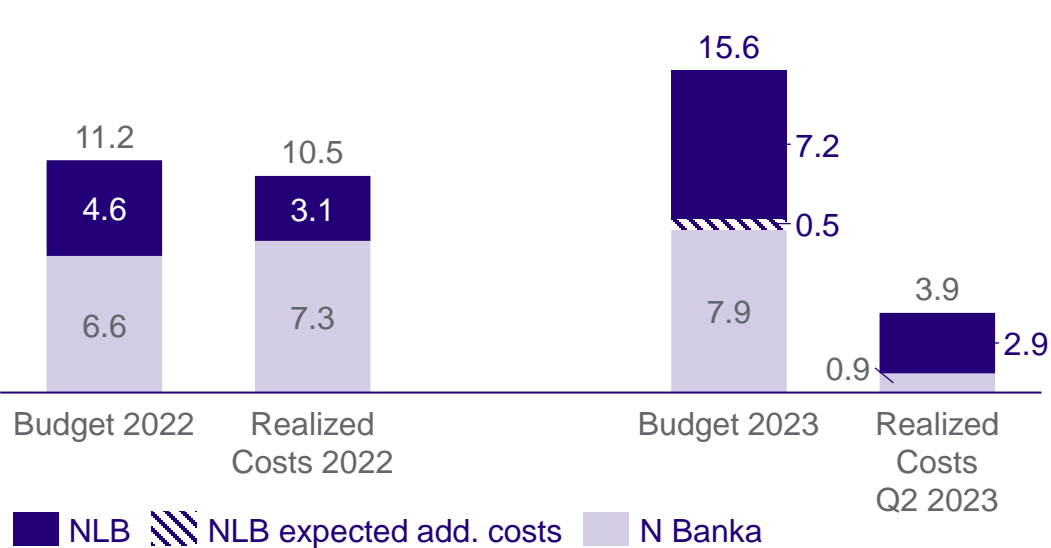
- First stage of data migration, relevant for card production, has been successfully completed: approximately 48,000 new NLB cards were sent to N Banka clients with detailed instructions on how to use them from September on.
- Preparation and testing of cut-over is progressing as planned: two out of three Dress Rehearsals have been completed, identified issues were comprehensively analyzed and are being cleaned before final Dress Rehearsal in August, which is supposed to confirm readiness for the technical merger.



Total integration cost will be covered by synergies by the end of 2025, budget realization so far basically in line with budget plan

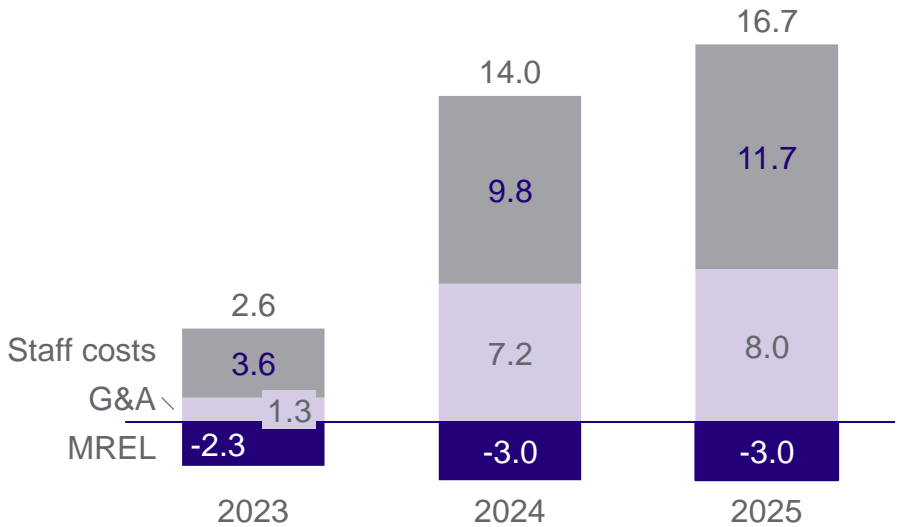
Integration Budget & Synergies

Integration budget & realization (in EUR million, incl. VAT)



- Budget realization as of end of June in line with plan, yet recent budget review suggest additional 500k relating to IT, which has been confirmed by NLB Management Board; other areas are assumed to remain stable
- NB: finally part of HR related costs have been provisioned on group level in 2022, for the sake of consistency, these costs are included under N Banka in above graph

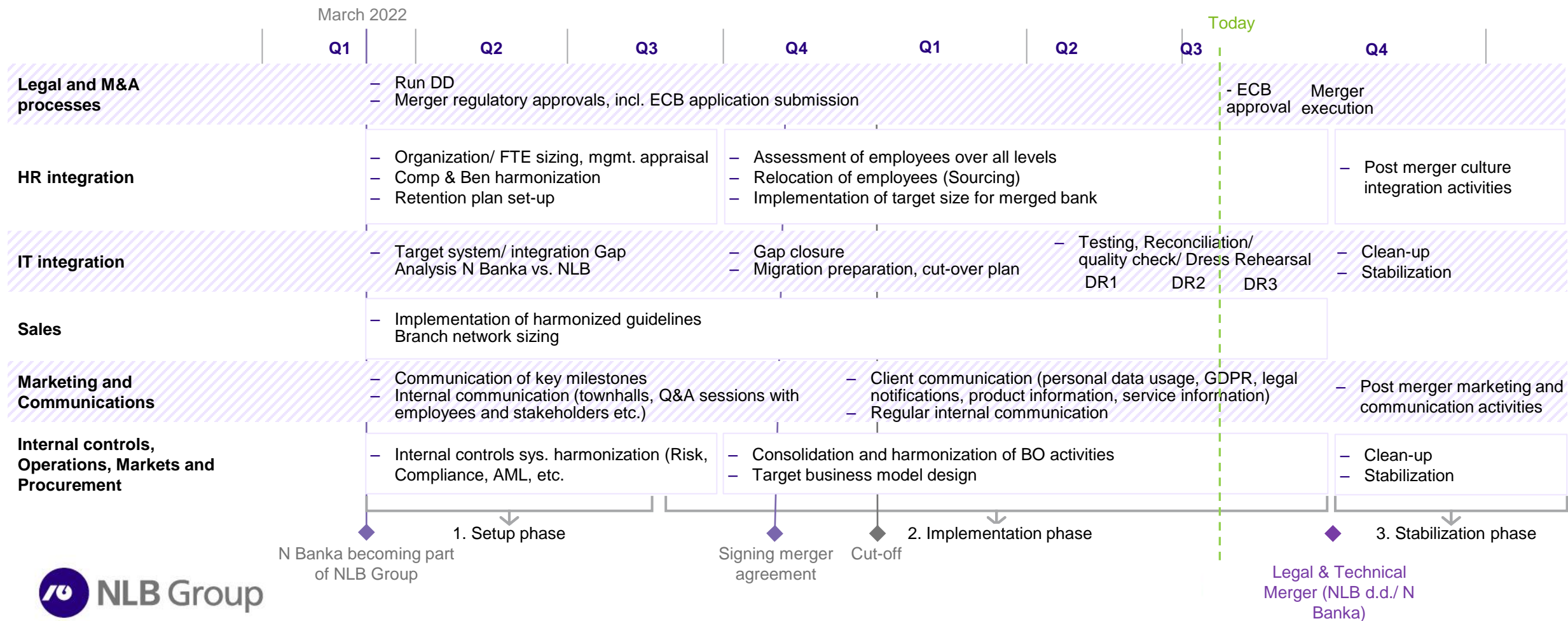
Estimated Synergies (FYE, in EUR million)



- Full synergy potential to be reached in 2025 (yearly run-rate of EUR 16.7 million)
- Limited synergies in 2023 due to merger in September, yet approx. 25% of run-rate synergies expected to kick-in already due to reduction of staff and G&A costs
- Updated calculation of additional MREL funding needed results in an amount of EUR 76 million (instead of EUR 125 million), ultimately leading to lower dis-synergies (EUR 3 million p.a. instead of EUR 5 million p.a.)

# Focus in Q3 2023 is on final Dress Rehearsal (DR3), Cut-over and subsequent stabilization

## H/I integration timeline



# Outlook



# Outlook

KPI	Last Outlook for 2023	Revised Outlook for 2023	Last Outlook for 2025	Revised Outlook for 2025
Regular income	~ EUR 1000 million	~ EUR 1,000 million	> EUR 1,000 million	> EUR 1,000 million
Costs	~ EUR 490 million	~ EUR 490 million	Flat on 2023 level	Flat on 2023 level
Cost of risk	30-40 bps	<b>&lt;15 bps</b>	30-50 bps	30-50 bps
Loan growth	Mid-single digit	Mid-single digit	High single digit	High single digit
Dividend	EUR 110 million	EUR 110 million	EUR 500 million (2022-2025)	EUR 500 million (2022-2025)
ROE a.t.	>14%	<b>&gt;15%</b>	~ 14%	~ 14%
ROE normalised <sup>(i)</sup>	>18%	<b>&gt;20%</b>	~ 20%	~ 20%
Regular profit			> EUR 400 million	> EUR 400 million
Contribution from Serbian market			> EUR 100 million	> EUR 100 million
M&A potential			Tactical M&A capacity of ~ EUR 4 billion RWA	<b>Tactical M&amp;A capacity of &gt; EUR 4 billion RWA</b>

(i) ROE normalised = Result a.t. divided by average risk adjusted capital. Average risk adjusted capital calculated as Tier 1 requirement of average RWA reduced for minority shareholder capital contribution.





## Appendices

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Appendix 2: Segment Analysis 57

Appendix 3: Financial Statements 67



Appendix 1:

# Business Performance



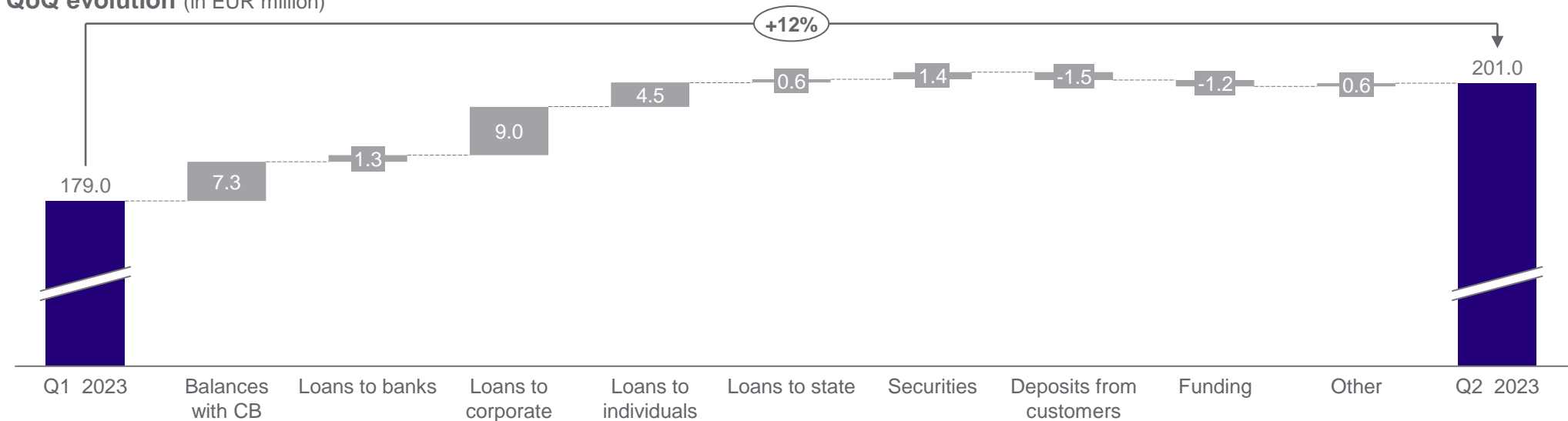


# Net interest income evolution

YoY evolution (in EUR million)

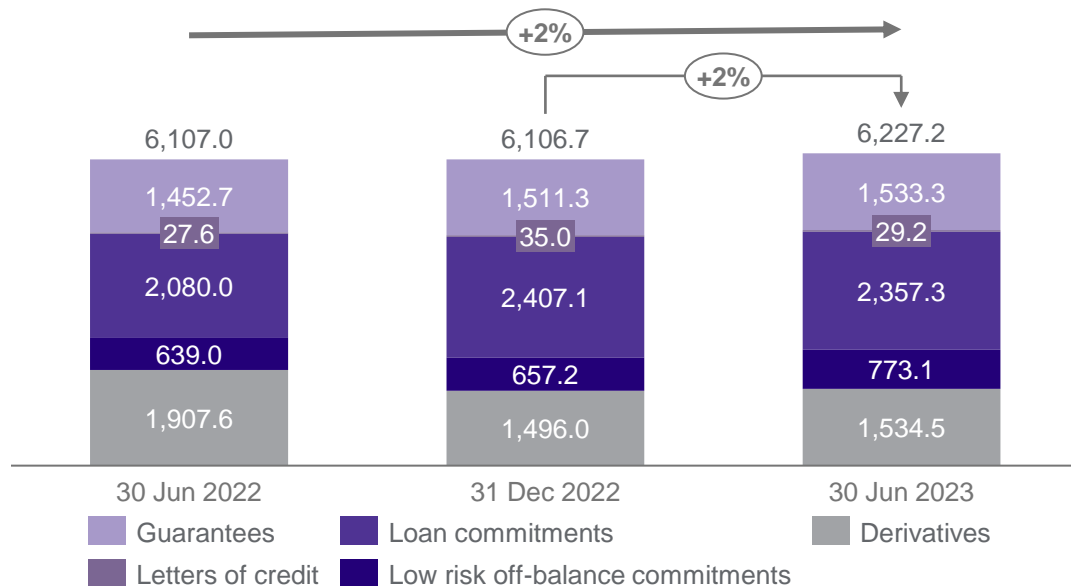


QoQ evolution (in EUR million)



# Off-balance sheet items

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



## Loan commitments

	in EUR million		
	30 Jun 2023	31 Dec 2022	30 Jun 2022
Loans	1,135.9	1,033.9	804.5
Overdrafts Retail	356.9	330.8	277.6
Overdrafts Corporate	207.4	243.1	221.5
Cards	342.4	327.8	322.7
Komercijalna Banka Beograd	238.3	310.2	331.2
N Banka	118.8	180.4	123.2
Other (Lease&Go, ...)	25.2	16.7	64.3
Low risk off-balance commitments	773.1	657.2	639.0
NLB d.d.	342.5	317.0	317.2
NLB Komercijalna banka Beograd	339.9	294.4	154.1
NLB Banka Banja Luka	23.2	18.4	14.6
NLB Banka Podgorica	67.5	27.4	25.2
N Banka	0.0	0.0	128.0
Inter Company	-67.6	-35.9	-65.1
<b>Total</b>	<b>3,130.3</b>	<b>3,064.4</b>	<b>2,719.0</b>

## Derivatives

	in EUR million		
	30 Jun 2023	31 Dec 2022	30 Jun 2022
FX derivatives with customers	177.0	215.5	152.3
Interest rate derivatives with customers	456.7	396.1	634.9
FX derivatives - hedging	132.2	108.4	91.9
Interest rate derivatives - hedging	651.6	644.5	626.2
Options	53.6	60.7	43.4
Derivatives (N Banka contribution)	63.4	71.1	359.0
<b>Total</b>	<b>1,534.5</b>	<b>1,496.2</b>	<b>1,907.6</b>

The majority of NLB Group derivatives are concluded by NLB either for hedging of the banking book or for trading with customers.

## Business with customers

- Customers are mainly using plain vanilla FX and Interest rate derivatives for hedging of their business model.

## 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 2023 interest rate swaps were concluded by NLB Banka, Podgorica which started hedging their portfolio of retail fixed rate loans. FX swaps used for short-term liquidity hedging slightly increased in last year due to increased 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, Ljubljana</b> (retail clients)	<b>NLB &amp; N Banka:</b> <ul style="list-style-type: none"> <li>- Key corporates</li> <li>- SME corporates</li> <li>- Cross Border corporates</li> <li>- Investment banking and custody</li> <li>- Restructuring&amp;workout</li> </ul> <b>NLB Lease&amp;Go, Ljubljana</b> (corporate clients)	NLB Banka, Skopje NLB Banka, Banja Luka NLB Banka, Sarajevo NLB Banka, Prishtina NLB Banka, Podgorica NLB Komercijalna Banka, Beograd Kombank INvest, Beograd NLB DigiT, Beograd NLB Lease&Go, Skopje NLB Lease&Go Leasing, Beograd	<b>NLB &amp; N Banka:</b> <ul style="list-style-type: none"> <li>- Treasury activities</li> <li>- Trading in financial instruments</li> <li>- Asset and liabilities management (ALM)</li> </ul>	<b>REAM</b> <b>NLB Srbija</b> <b>NLB Crna Gora</b> Leasing enteties in liquidation
	<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> <li>• Introducing new digital bank NLB Klik</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)</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 2023, in EUR million)					
Pre-provision result	86.3	32.5	143.0	23.0	-6.0
Result b.t.	71.5	39.3	160.0	27.3	-2.5
Total assets	3,698	3,393	10,290	6,956	323
% of total assets <sup>(2)</sup>	15%	14%	42%	28%	1%
CIR	45.7%	51.4%	45.2%	16.9%	281.9%
Cost of risk (bp)	22	-64	-57	/	/

Notes: (1) 39% minority stake; (2) Other activities 1%.

# Retail Banking in Slovenia

in EUR millions consolidated									
	1-6 2023	1-6 2022	Change YoY		Q2 2023	Q1 2023	Q2 2022	Change QoQ	
Net interest income	110.4	43.6	66.8	153%	61.1	49.3	22.9	24%	
Net interest income from Assets <sup>(i)</sup>	43.6	48.3	-4.7	-10%	21.0	22.6	25.0	-7%	
Net interest income from Liabilities <sup>(i)</sup>	66.8	-4.7	71.4	-	40.1	26.7	-2.2	50%	
Net non-interest income	48.5	46.7	1.8	4%	27.4	21.1	28.3	30%	
o/w Net fee and commission income	56.7	54.6	2.1	4%	28.6	28.2	28.1	2%	
<b>Total net operating income</b>	<b>158.9</b>	<b>90.3</b>	<b>68.6</b>	<b>76%</b>	<b>88.5</b>	<b>70.4</b>	<b>51.1</b>	<b>26%</b>	
Total costs	-72.6	-64.7	-7.9	-12%	-36.7	-35.9	-35.4	-2%	
<b>Result before impairments and provisions</b>	<b>86.3</b>	<b>25.5</b>	<b>60.7</b>	<b>-</b>	<b>51.8</b>	<b>34.5</b>	<b>15.7</b>	<b>50%</b>	
Impairments and provisions	-15.4	-5.8	-9.6	-165%	-3.8	-11.5	-3.9	67%	
Net gains from investments in subsidiaries, associates, and JVs	0.6	1.6	-1.0	-62%	0.3	0.3	1.0	-5%	
<b>Result before tax</b>	<b>71.5</b>	<b>21.3</b>	<b>50.2</b>	<b>-</b>	<b>48.2</b>	<b>23.3</b>	<b>12.7</b>	<b>107%</b>	

	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Jun 2022	Change YtD		Change YoY		Change QoQ
Net loans to customers	3,613.4	3,607.8	3,586.5	3,434.7	26.8	1%	178.6	5%	0%
Gross loans to customers	3,670.6	3,665.8	3,641.0	3,481.5	29.6	1%	189.1	5%	0%
Housing loans	2,216.2	2,195.2	2,173.9	2,037.5	42.3	2%	178.7	9%	1%
Interest rate on housing loans <sup>(ii)</sup>	2.93%	2.93%	2.35%	2.24%	0.58 p.p.		0.69 p.p.		0.00 p.p.
Consumer loans	673.3	655.7	640.9	635.3	32.4	5%	38.0	6%	3%
Interest rate on consumer loans <sup>(ii)</sup>	8.01%	8.00%	7.11%	6.92%	0.90 p.p.		1.09 p.p.		0.01 p.p.
N Banka, Ljubljana	397.5	420.2	446.1	481.1	-48.7	-10%	-83.7	-12%	-5%
NLB Lease&Go, Ljubljana	83.7	76.0	69.0	56.4	14.7	26%	27.3	49%	10%
Other	299.9	318.6	311.1	271.2	-11.2	-4%	28.7	11%	-6%
Deposits from customers	9,265.9	9,091.3	9,085.8	8,747.4	180.1	2%	518.5	6%	2%
Interest rate on deposits <sup>(ii)</sup>	0.25%	0.25%	0.05%	0.03%	0.20 p.p.		0.22 p.p.		0.00 p.p.
N Banka, Ljubljana	402.0	442.3	502.0	519.8	-100.0	-20%	-117.8	-23%	-9%
Non-performing loans (gross)	66.8	69.9	67.7	67.1	-0.9	-1%	-0.3	0%	-4%

	1-6 2023	1-6 2022	Change YoY
Cost of risk (in bps)	22	37	-15
CIR	45.7%	71.7%	-26.0 p.p.
Net interest margin <sup>(ii)</sup>	3.54%	1.46%	2.08 p.p.

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

<sup>(ii)</sup> Net interest margin and interest rates only for NLB. Segment's net interest margin is calculated as the ratio between annualised net interest income(i) and sum of average interest-bearing assets and liabilities divided by 2.

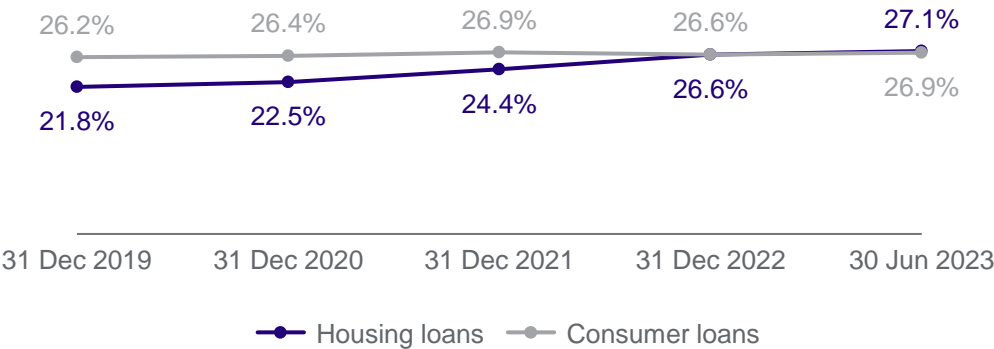
- Net interest income witnessed a substantial surge YoY (EUR 66.8 million higher), primarily due to the key ECB interest rate increase that positively affected the segment's income from clients' deposits. Deposit interest rates are by their nature less elastic, which is, in conditions of an increasing market rate environment and low duration of the deposit base, reflected in a higher segment's income. Nevertheless, the average interest rate on deposits increased by 21 bps YoY. The Bank offered a more attractive interest rate for saving accounts which was positively perceived by customers and consequently share of savings accounts in total deposit pool has been gradually increasing to 41% end of June (compared to 36% end of June 2022). On the other hand, the interest income on the loan portfolio declined as the old portfolio with higher margins matures and loans concluded from mid-2020 prevail. In recent years, the market has become increasingly competitive, pushing client rates down; in addition, recent market rate movements have not been fully incorporated into client loan rates for new businesses, which is reflected in declining income at the segment level. Another reason for the decline of interest income on the loan portfolio in the last quarter was also payments of fees in case of early loan repayment in the Bank.
- Net fee and commission income rose by 4% YoY, with a positive impact of increased economic activity and consumption on fees, partially offsetting the cancellation of high balance deposit fee (EUR 1.3 million) in the Bank.
- The segment's total costs increased YoY due to inflationary pressures having a strong effect on operating costs and the fact that N Banka's cost base was only partially included in total costs in H1 2022.
- Impairments and provisions were net established, primarily due to established provisions for potential liability in relation to the pending fee repayments; additional increase due to revised risk parameters and new loan origination.
- The volume of the Bank's loans was 2% higher YtD, in the housing portfolio by 2% and in the consumer portfolio by 5%..
- The deposit base increased YtD, primarily due to an increase in Q2 related to received holiday payments.



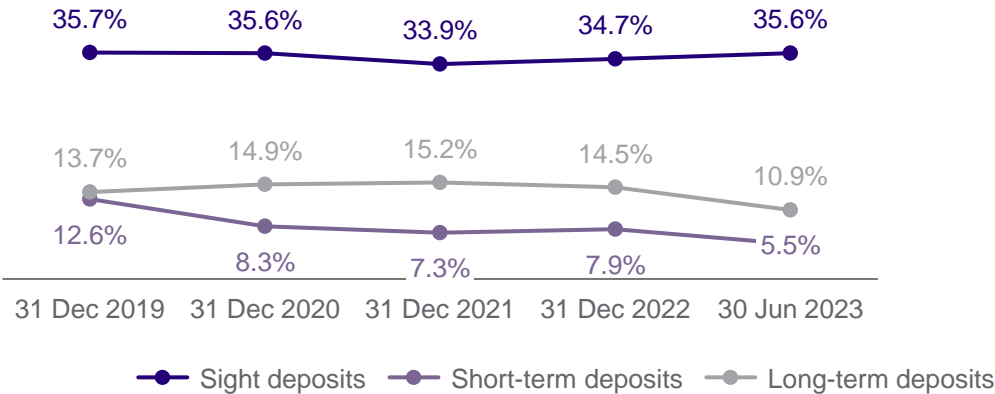
# Retail banking in Slovenia

## High and stable market shares across products

Market share of net loans to individuals in the Bank

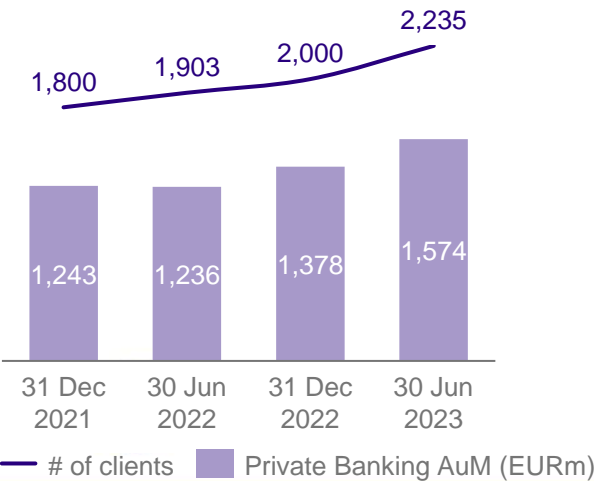


Market share of deposits from individuals in the Bank

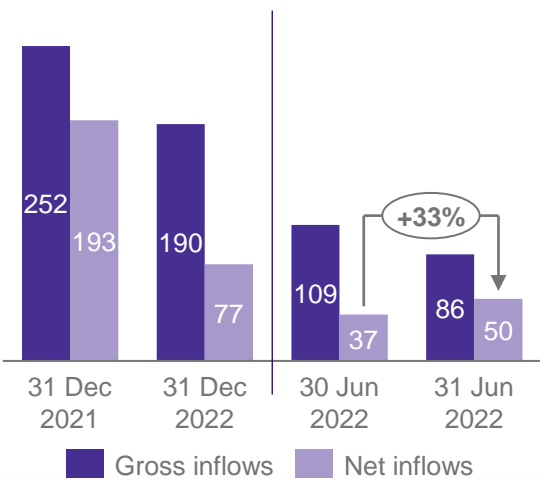


### Upside from fee generating products

NLB Private banking offering



NLB Skladi mutual funds inflows (EURm)



- Start of the mass production of new digital bank NLB Klik.
- As the first Slovenian bank introducing cashback for pay later cards - returning part of the purchase and Smart POS solution on mobile phone to merchants.
- Market shares of Retail lending and deposits are experiencing stable trends.
- #1 player in Private Banking<sup>(1)</sup>
  - Leading position being strengthened with over EUR 1.5 billion of assets under management.
- # 1 player in Slovenian asset management<sup>(2)</sup>
  - AuM of EUR 2,156.5 million as of 30 June 2023 including investments in mutual funds and discretionary portfolios
  - Market share of NLB Skladi at mutual funds in Slovenia is 39.0% as of 30 June 2023, the company is ranked first among its peers in Slovenia, accounting for 54.1% of all net inflows in the market.

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

in EUR millions consolidated								
	1-6 2023	1-6 2022	Change YoY		Q2 2023	Q1 2023	Q2 2022	Change QoQ
Net interest income	45.2	22.0	23.2	105%	24.0	21.2	11.8	13%
Net interest income from Assets <sup>(i)</sup>	28.4	25.8	2.6	10%	14.2	14.2	13.8	0%
Net interest income from Liabilities <sup>(i)</sup>	16.8	-3.8	20.6	-	9.8	7.0	-1.9	40%
Net non-interest income	21.6	27.9	-6.3	-23%	11.5	10.1	15.9	13%
o/w Net fee and commission income	19.5	22.8	-3.3	-14%	9.9	9.7	11.6	2%
<b>Total net operating income</b>	<b>66.8</b>	<b>49.9</b>	<b>16.9</b>	<b>34%</b>	<b>35.5</b>	<b>31.3</b>	<b>27.7</b>	<b>13%</b>
Total costs	-34.4	-28.5	-5.9	-21%	-16.5	-17.9	-16.0	8%
<b>Result before impairments and provisions</b>	<b>32.5</b>	<b>21.4</b>	<b>11.1</b>	<b>52%</b>	<b>19.0</b>	<b>13.4</b>	<b>11.7</b>	<b>42%</b>
Impairments and provisions	6.9	12.7	-5.9	-46%	2.4	4.4	8.7	-46%
<b>Result before tax</b>	<b>39.3</b>	<b>34.1</b>	<b>5.2</b>	<b>15%</b>	<b>21.5</b>	<b>17.9</b>	<b>20.4</b>	<b>20%</b>

	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Jun 2022	Change YtD		Change YoY		Change QoQ
Net loans to customers	3,389.8	3,255.6	3,370.1	3,255.4	19.7	1%	134.4	4%	4%
Gross loans to customers	3,440.5	3,306.8	3,424.6	3,313.1	16.0	0%	127.5	4%	4%
Corporate	3,341.5	3,209.5	3,311.5	3,164.4	30.0	1%	177.0	6%	4%
Key/SME/Cross Border Corporates	2,720.2	2,549.7	2,623.2	2,413.3	97.0	4%	306.9	13%	7%
Interest rate on Key/SME/Cross Border Corporates loans <sup>(ii)</sup>	3.98%	3.74%	1.95%	1.73%	2.03 p.p.		2.25 p.p.		0.24 p.p.
Investment banking	0.1	0.1	0.1	0.1	0.0	8%	0.0	8%	0%
Restructuring and Workout	59.3	56.4	60.8	80.8	-1.5	-2%	-21.6	-27%	5%
N Banka, Ljubljana	417.6	471.1	506.7	577.3	-89.2	-16%	-159.8	-28%	-1%
NLB Lease&Go, Ljubljana	144.3	132.2	120.7	92.8	23.6	20%	51.5	55%	9%
State	98.9	97.2	112.9	148.5	-14.1	-12%	-49.6	-33%	2%
Interest rate on State loans <sup>(ii)</sup>	5.96%	6.88%	2.59%	2.82%	3.37 p.p.		3.14 p.p.		-0.92 p.p.
Deposits from customers	2,263.5	2,394.4	2,731.0	2,499.2	-467.5	-17%	-235.7	-9%	-5%
Interest rate on deposits <sup>(ii)</sup>	0.20%	0.18%	0.07%	0.04%	0.13 p.p.		0.16 p.p.		0.02 p.p.
N Banka, Ljubljana	258.2	269.5	396.5	461.6	-138.4	-0.3	-203.5	-44%	-4%
Non-performing loans (gross)	60.3	64.9	67.6	79.2	-7.3	-11%	-19.0	-24%	-7%

	1-6 2023	1-6 2022	Change YoY
Cost of risk (in bps)	-64	-90	27
CIR	51.4%	57.1%	-5.7 p.p.
Net interest margin <sup>(ii)</sup>	3.12%	1.59%	1.52 p.p.

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

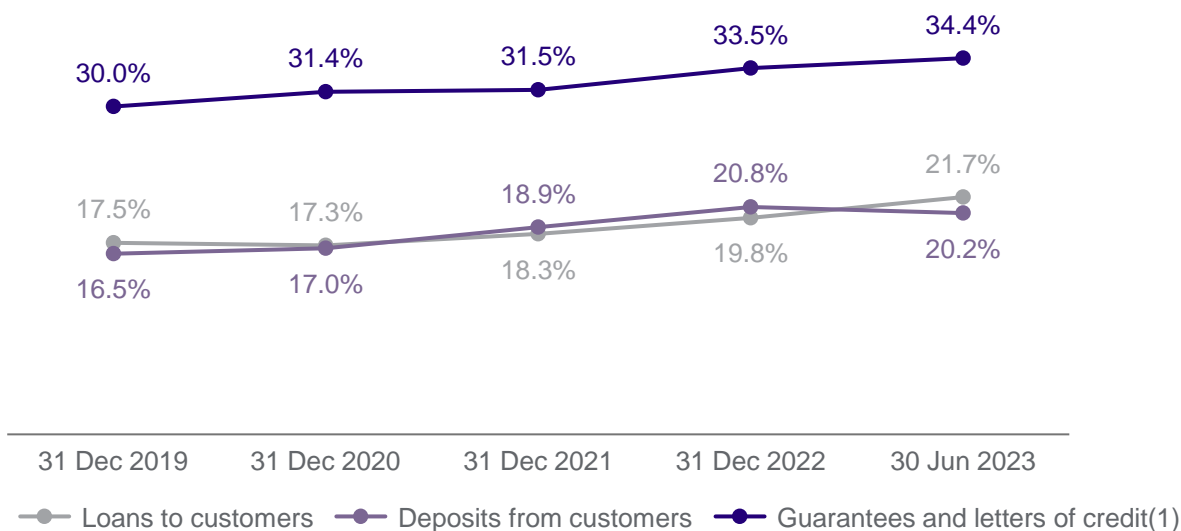
<sup>(ii)</sup> Net interest margin and interest rates only for NLB. Segment's net interest margin is calculated as the ratio between annualised net interest income<sup>(i)</sup> and sum of average interest-bearing assets and liabilities divided by 2.

- The net interest income showed a substantial increase YoY, primarily due to the key ECB rate hike positively affecting the net interest income from clients' deposits and the rise in loan volume. Deposit interest rates, being less sensitive to market rate volatility, demonstrated a higher segment income in a rising market rate environment considering the low duration of the deposit base. On the other hand, the loan market has become increasingly competitive, pushing client rates down and not fully reflecting recent market rate movements, resulting in declining interest margins on the loan portfolio.
- Enhanced economic activity and elevated spending, as well as higher fees for guarantees, favourably impacted the growing fee income in H1 2023; nevertheless, net fee and commission income decreased YoY due to cancellation of the high balance deposit fee, which in H1 2022 amounted to EUR 4.2 million.
- The segment faced over 20% YoY higher costs as operating costs increased, stemming from inflationary trends, and the fact that N Banka's cost base was only partially included in total costs in H1 2022.
- Impairments and provisions were net released in the amount of EUR 6.9 million due to revised risk parameters, positive portfolio development, and successful workout resolution.
- The volume of gross loans increased by EUR 16.0 million YtD. After a somewhat turbulent business environment in the second half of 2022, also marked by the so-called "energy crisis", where the Bank rapidly responded and provided Slovenian energy companies with proper extraordinary liquidity financing lines, such circumstances normalised in H1 2023. The Bank sees this as a positive signal. In H1 2023, the segment's banks approved over EUR 600 million of new loans, and the stock loan volume stayed on the same level YtD due to a reduction of loans in N Banka.
- The volume of deposits decreased by 17% YtD, which can be attributed to a generally noticeable downturn in the entire Slovenian banking system.

# Corporate & Investment Banking in Slovenia

## High market shares across products

**Market share of Corporate Banking in the Bank – evolution and position on the market**



- The Bank cooperates with almost 10,000 loyal corporate clients and holds over 20% market share in loans and deposits.
- The Bank maintains its loans and deposit market share, considering the loan volume growth
- Growth of trade finance business continues, especially in guarantee business, and the Bank is preserving high market shares.
- Strong cross-border financing activity, focusing also on green sustainable finance.
- Executed brokerage orders in amount to EUR 430.0 million (H1-2022: EUR 581.8 million), executed foreign exchange spot deals in amount to EUR 463.2 million (H1-2022: EUR 739.9 million) and transactions involving derivatives amounted to EUR 80.4 million (H1-2022: 217.0 million EUR).
- Engaged in loan syndication business (as a sole mandated lead arranger) in the amount of EUR 150 million and organizing the bond issuance in nominal amount to EUR 501 million.
- Among the top Slovenian players in custodian services for Slovenian and international clients with value of assets under custody amounted to EUR 17.7 billion (31 December 2022: EUR 16.4 billion).
- Further developing intermediary leasing business for the NLB Lease&Go.

# Strategic Foreign Markets

in EUR millions consolidated								
	1-6 2023	1-6 2022	Change YoY		Q2 2023	Q1 2023	Q2 2022	Change QoQ
Net interest income	196.4	137.1	59.3	43%	102.5	93.8	70.8	9%
Interest income	215.6	149.4	66.2	44%	113.2	102.5	76.6	10%
Interest expense	-19.2	-12.4	-6.9	-55%	-10.6	-8.6	-5.8	-23%
Net non-interest income	64.5	57.5	7.0	12%	30.8	33.8	29.7	-9%
o/w Net fee and commission income	58.8	56.9	2.0	3%	30.3	28.6	29.7	6%
<b>Total net operating income</b>	<b>260.9</b>	<b>194.6</b>	<b>66.3</b>	<b>34%</b>	<b>133.3</b>	<b>127.6</b>	<b>100.5</b>	<b>4%</b>
Total costs	-117.9	-109.8	-8.1	-7%	-60.8	-57.1	-56.4	-7%
<b>Result before impairments and provisions</b>	<b>143.0</b>	<b>84.9</b>	<b>58.1</b>	<b>69%</b>	<b>72.5</b>	<b>70.6</b>	<b>44.0</b>	<b>3%</b>
Impairments and provisions	16.9	0.9	16.1	-	5.9	11.1	-2.3	-47%
Negative goodwill (NLB Lease&Go Leasing, Beograd)		0.0	-	-				-
<b>Result before tax</b>	<b>160.0</b>	<b>85.8</b>	<b>74.2</b>	<b>87%</b>	<b>78.3</b>	<b>81.7</b>	<b>41.7</b>	<b>-4%</b>
o/w Result of minority shareholders	6.8	8.4	-1.6	-19%	3.3	3.4	4.3	-3%

	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Jun 2022	Change YtD		Change YoY		Change QoQ
Net loans to customers	6,394.5	6,237.3	6,077.5	5,885.2	316.9	5%	509.3	9%	3%
Gross loans to customers	6,581.6	6,424.6	6,271.4	6,074.9	310.2	5%	506.6	8%	2%
Individuals	3,388.7	3,300.4	3,221.0	3,087.1	167.7	5%	301.6	10%	3%
Interest rate on retail loans	6.40%	6.30%	5.66%	5.53%	0.74 p.p.		0.87 p.p.		0.10 p.p.
Corporate	2,958.2	2,900.1	2,869.0	2,864.7	89.2	3%	93.5	3%	2%
Interest rate on corporate loans	4.99%	4.78%	3.84%	3.60%	1.14 p.p.		1.39 p.p.		0.21 p.p.
State	234.7	224.1	181.4	123.2	53.2	29%	111.5	90%	5%
Interest rate on state loans	6.54%	5.85%	3.65%	3.59%	2.89 p.p.		2.95 p.p.		0.69 p.p.
Deposits from customers	8,355.6	8,208.0	8,171.2	7,884.1	184.4	2%	471.5	6%	2%
Interest rate on deposits	0.28%	0.26%	0.17%	0.17%	0.11 p.p.		0.11 p.p.		0.02 p.p.
Non-performing loans (gross)	156.0	154.2	160.6	178.9	-4.7	-3%	-23.0	-13%	1%

	1-6 2023	1-6 2022	Change YoY
Cost of risk (in bps)	-57	-22	-36
CIR	45.2%	56.4%	-11.2 p.p.
Net interest margin	4.01%	2.94%	1.07 p.p.

<sup>(i)</sup> Contribution profit (annualized) /contribution capital requirement (=15.25% RWA).

- In the rising interest rates environment, net interest income increased by EUR 59.3 million YoY due to higher volumes and interest rates hike. The increase was recorded in all banks, with the highest impact on an interest rate increase in NLB Komercijalna Banka, Beograd of EUR 38.4 million YoY.
- Net non-interest income increased by EUR 7.0 million YoY, of which net fee and commission income increased by EUR 2.0 million due to the positive impact of increased economic activity and consumption on fees across all banking members.
- Total costs increased by EUR 8.1 million YoY due to higher operating costs resulting from inflationary pressures.
- Impairments and provisions were net released in EUR 16.9 million due to successful NPL resolution.
- Regardless of the increased interest rates and lower loan demand in some markets, the segment marked a solid 8% YoY and 5% YtD increase in lending activities. The most significant increase in gross loans to customers was realised by NLB Banka, Sarajevo (13% YoY), NLB Banka, Prishtina (10% YoY) and NLB Komercijalna Banka, Beograd (8% YoY). High performance on new business production continued 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.
- NLB Lease&Go Leasing, Beograd realised remarkable growth of new financial leasing financings by EUR 39.7 million YtD by increasing the financial leasing market share in the country to approximately 11%.

# Financial Markets in Slovenia

in EUR millions consolidated								
	1-6 2023	1-6 2022	Change YoY		Q2 2023	Q1 2023	Q2 2022	Change QoQ
Net interest income	27.7	22.9	4.8	21%	13.0	14.7	12.6	-14%
o/w ALM <sup>(i)</sup>	16.4	14.9	1.5	10%	8.2	8.2	8.4	1%
Net non-interest income	0.0	-1.7	1.7	-	0.9	-0.9	0.2	-
<b>Total net operating income</b>	<b>27.7</b>	<b>21.2</b>	<b>6.5</b>	<b>31%</b>	<b>13.9</b>	<b>13.8</b>	<b>12.7</b>	<b>1%</b>
Total costs	-4.7	-4.6	0.0	-1%	-2.4	-2.3	-2.5	-7%
<b>Result before impairments and provisions</b>	<b>23.0</b>	<b>16.6</b>	<b>6.5</b>	<b>39%</b>	<b>11.5</b>	<b>11.6</b>	<b>10.3</b>	<b>-1%</b>
Impairments and provisions	4.2	-7.5	11.7	-	-0.1	4.3	-6.0	-
<b>Result before tax</b>	<b>27.3</b>	<b>9.0</b>	<b>18.2</b>	<b>-</b>	<b>11.4</b>	<b>15.9</b>	<b>4.3</b>	<b>-29%</b>

	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Jun 2022	Change YtD		Change YoY		Change QoQ
Balances with Central banks	3,901.8	3,534.6	3,373.7	2,443.2	528.2	16%	1,458.6	60%	10%
Banking book securities	2,954.4	2,911.0	2,993.3	3,168.7	-38.9	-1%	-214.3	-7%	1%
Interest rate <sup>(ii)</sup>	0.97%	0.89%	0.74%	0.72%	0.23 p.p.		0.25 p.p.		0.08 p.p.
Borrowings	95.5	160.0	160.5	216.0	-65.0	-4%	-120.5	-56%	-4%
Interest rate <sup>(ii)</sup>	2.26%	2.26%	-0.72%	-0.83%	2.98 p.p.		3.09 p.p.		0.00 p.p.
Subordinated liabilities (Tier 2)	520.0	513.2	508.8	287.8	11.2	2%	232.2	81%	1%
Interest rate <sup>(ii)</sup>	6.80%	6.74%	4.16%	3.69%	2.64 p.p.		3.11 p.p.		0.06 p.p.
Other debt securities in issue	814.5	311.7	307.2		507.3	16%	814.5	-	16%
Interest rate <sup>(ii)</sup>	6.20%	6.12%	6.00%		0.20 p.p.		6.20 p.p.		0.08 p.p.

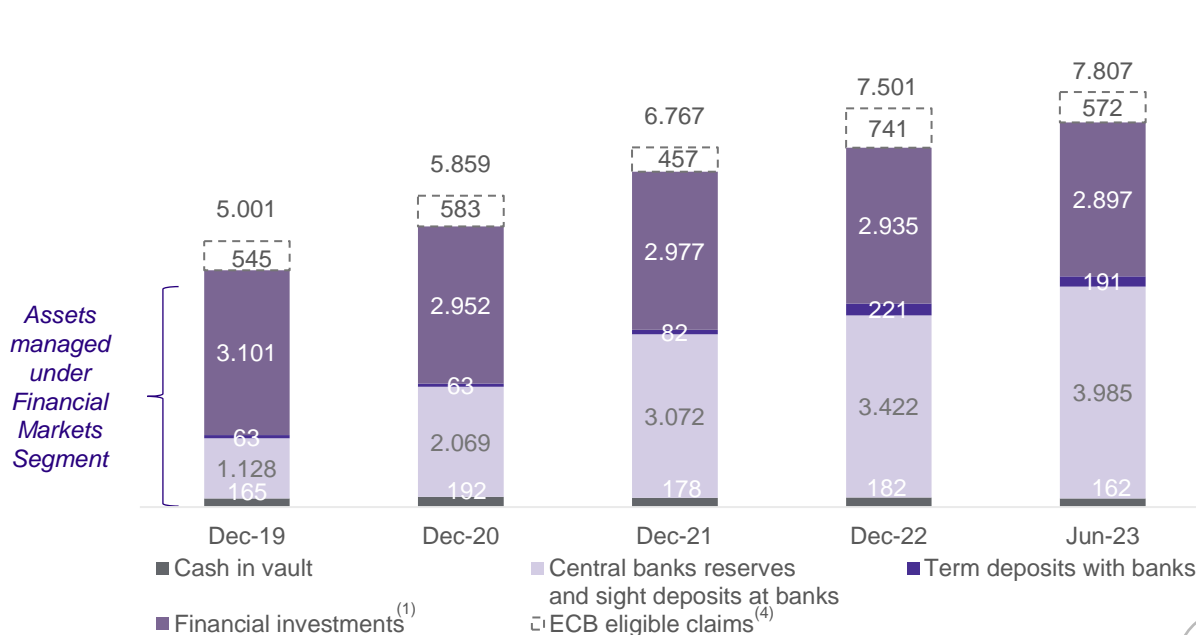
<sup>(i)</sup> Net interest income from assets and liabilities with the use of FTP.

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

- Net interest income was EUR 4.8 million higher YoY. The effects of the rising interest rate environment in the Bank were mainly transferred from asset and liability management (ALM) to corporate and retail segments.
- As at 30 June 2023, the Bank was no longer exposed to the Russian Federation. The USD 8 million nominal exposure that would otherwise mature in September 2023 was sold at the beginning of February 2023, contributing to the impairment release of EUR 4.2 million, which increased the overall result before taxes of the segment.
- There was an increase in balances with the central bank (EUR 528.2 million YtD), where the proceeds from the debt securities in issue were deposited. Namely, in June, the Bank successfully issued its inaugural 4NC3 green senior preferred notes of EUR 500 million. The notes will count towards meeting MREL requirements. Borrowings were lowered on account of the prepayment of TLTRO by N Banka (EUR 63 million).
- In 2023, an ongoing goal is to diversify further the banking book securities portfolio, which until the end of H1, decreased by EUR 39 million in the Bank and by EUR 328 million at the Group level.

# Financial markets in Slovenia

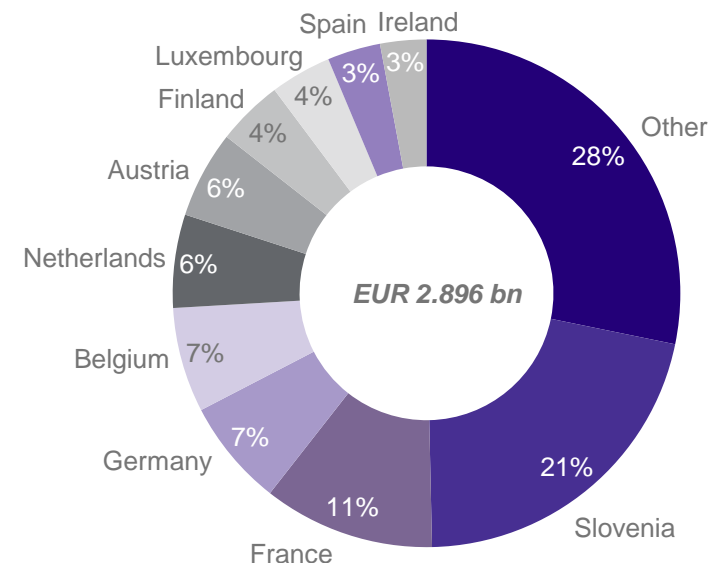
## Liquid assets evolution (EURm)



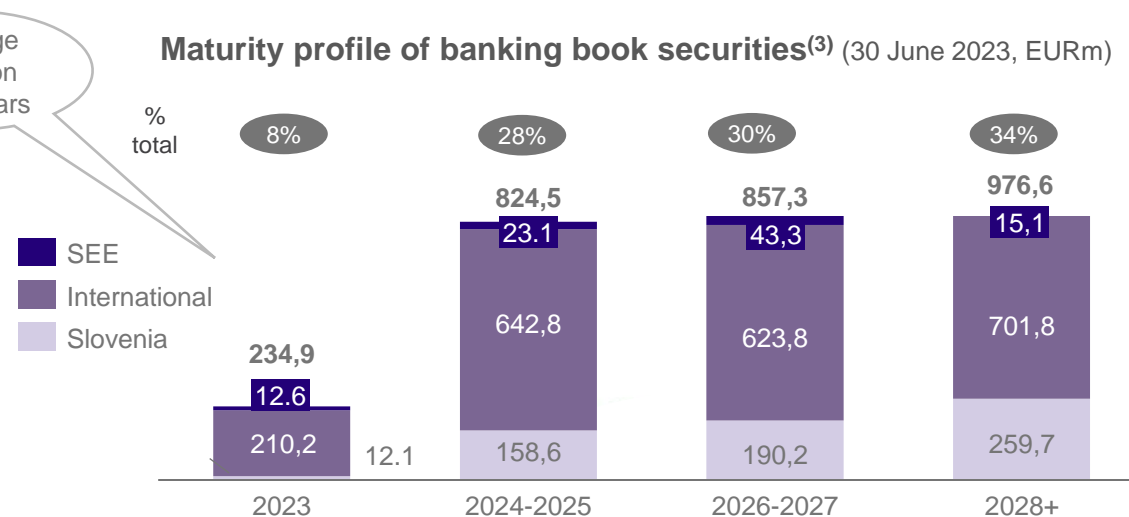
### Well positioned and funded division

- 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 2023): LCR 306% (NLB d.d.) and 245% (NLB Group); NSFR (preliminary) 181% (NLB d.d.) and 184% (NLB Group).

## Well diversified banking book by geography (30 June 2023)



## Maturity profile of banking book securities<sup>(3)</sup> (30 June 2023, EURm)



# Non-Core Members

in EUR millions consolidated								
	1-6 2023	1-6 2022	Change YoY		Q2 2023	Q1 2023	Q2 2022	Change QoQ
Net interest income	0.5	0.1	0.4	-	0.5	0.0	0.0	-
Net non-interest income	-1.9	1.9	-3.9	-	-0.9	-1.0	1.2	7%
<b>Total net operating income</b>	<b>-1.4</b>	<b>2.1</b>	<b>-3.5</b>	<b>-</b>	<b>-0.4</b>	<b>-1.0</b>	<b>1.2</b>	<b>56%</b>
Total costs	-6.4	-5.5	-0.8	-13%	-3.5	-2.9	-3.0	-20%
<b>Result before impairments and provisions</b>	<b>-7.8</b>	<b>-3.5</b>	<b>-4.3</b>	<b>-124%</b>	<b>-3.9</b>	<b>-3.9</b>	<b>-1.7</b>	<b>-1%</b>
Impairments and provisions	1.6	1.0	0.6	56%	1.1	0.5	0.4	103%
<b>Result before tax</b>	<b>-6.3</b>	<b>-2.5</b>	<b>-3.8</b>	<b>-152%</b>	<b>-2.9</b>	<b>-3.4</b>	<b>-1.3</b>	<b>15%</b>

- Wind-down has remained the main objective of the non-core segment in all the non-core portfolios, followed by subsequent reduction of costs. In line with the divestment strategy, the segment recorded a decrease in total assets of EUR 20.8 million YtD. The result before tax was negative (EUR -6.3 million).

	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Jun 2022	Change YtD		Change YoY		Change QoQ
<b>Segment assets</b>	<b>40.8</b>	<b>57.3</b>	<b>61.5</b>	<b>89.9</b>	<b>-20.8</b>	<b>-34%</b>	<b>-49.1</b>	<b>-55%</b>	<b>-29%</b>
Net loans to customers	11.2	12.7	13.8	20.5	-2.6	-13%	-9.2	-45%	-11%
Gross loans to customers	31.7	33.4	35.4	50.3	-3.7	-10%	-18.5	-37%	-5%
Investment property and property & equipment received for repayment of loans	21.7	37.2	39.6	61.8	-18.0	-45%	-40.2	-65%	-43%
Other assets	7.9	7.4	8.1	7.6	-0.2	-3%	0.3	3%	7%
Non-performing loans (gross)	29.9	31.0	32.3	44.8	-2.4	-7%	-15.0	-33%	-4%

# Other

in EUR millions consolidated								
	1-6 2023	1-6 2022	Change YoY		Q2 2023	Q1 2023	Q2 2022	Change QoQ
Total net operating income	3.3	3.3	0.0	0%	1.6	1.7	1.8	-8%
Total costs	-9.3	-8.8	-0.5	-6%	-6.3	-3.0	-4.4	-109%
<b>Result before impairments and provisions</b>	<b>-6.0</b>	<b>-5.5</b>	<b>-0.5</b>	<b>-9%</b>	<b>-4.7</b>	<b>-1.3</b>	<b>-2.7</b>	<b>-</b>
Impairments and provisions	3.5	-9.0	12.5	-	0.0	3.5	-0.1	-100%
Negative goodwill (N Banka)		172.8						
<b>Result before tax</b>	<b>-2.5</b>	<b>158.3</b>	<b>-160.7</b>	<b>-</b>	<b>-4.7</b>	<b>2.2</b>	<b>-2.8</b>	<b>-</b>

- Negative goodwill from N Banka acquisition in the amount of EUR 172.8 million had impact on last year result.
- EUR 9.3 million of total costs (EUR 0.5 million higher YoY); costs related mostly to IT, cash transport, external realization, and costs, regarding vacant business premises.



Appendix 3:

# Financial Statements



# NLB Group Income Statement

(EURm)	1-6 2022	1-6 2023	YoY	Q2 2023	Q1 2023	Q2 2022	QoQ
Interest and similar income	256,9	440,3	71%	233,2	207,0	133,8	13%
Interest and similar expense	-30,5	-60,3	-98%	-32,2	-28,0	-15,3	-15%
<b>Net interest income</b>	<b>226,4</b>	<b>380,0</b>	<b>68%</b>	<b>201,0</b>	<b>179,0</b>	<b>118,6</b>	<b>12%</b>
Fee and commission income	184,6	190,1	3%	98,5	91,7	95,9	7%
Fee and commission expense	-50,9	-55,5	-9%	-29,9	-25,6	-26,8	-17%
<b>Net fee and commission income</b>	<b>133,7</b>	<b>134,6</b>	<b>1%</b>	<b>68,5</b>	<b>66,1</b>	<b>69,1</b>	<b>4%</b>
Dividend income	0,1	0,1	-6%	0,0	0,0	0,1	-6%
Net income from financial transactions	13,7	14,9	9%	6,0	8,9	8,5	-33%
Other operating income	-15,7	-17,9	-14%	-5,8	-12,1	-3,0	52%
<b>Total net operating income</b>	<b>358,1</b>	<b>511,7</b>	<b>43%</b>	<b>269,7</b>	<b>241,9</b>	<b>193,3</b>	<b>11%</b>
Employee costs	-122,7	-137,4	-12%	-70,6	-66,8	-65,2	-6%
Other general and administrative expenses	-72,7	-79,8	-10%	-41,1	-38,7	-39,0	-6%
Depreciation and amortisation	-23,3	-23,5	-1%	-11,8	-11,7	-11,8	-1%
<b>Total costs</b>	<b>-218,7</b>	<b>-240,7</b>	<b>-10%</b>	<b>-123,6</b>	<b>-117,1</b>	<b>-116,0</b>	<b>-6%</b>
<b>Result before impairments and provisions</b>	<b>139,3</b>	<b>270,9</b>	<b>94%</b>	<b>146,1</b>	<b>124,8</b>	<b>77,3</b>	<b>17%</b>
Impairments and provisions for credit risk	-2,4	29,9	-	11,5	18,4	1,6	-37%
Other impairments and provisions	-5,3	-12,1	-129%	-6,2	-6,0	-4,9	-3%
Gains less losses from capital investments in subsidiaries, associates and joint ventures	1,6	0,6	-62%	0,3	0,3	1,0	-5%
Negative goodwill	172,8	0,0	-	0,0	0,0	0,0	-
<b>Result before tax</b>	<b>306,1</b>	<b>289,3</b>	<b>-5%</b>	<b>151,8</b>	<b>137,5</b>	<b>74,9</b>	<b>10%</b>
Income tax	-10,6	-39,8	-	-25,9	-13,9	-5,4	-86%
Result of non-controlling interests	8,4	6,8	-19%	3,3	3,4	4,3	-3%
<b>Result after tax attributable to owners of the parent</b>	<b>287,0</b>	<b>242,7</b>	<b>-15%</b>	<b>122,6</b>	<b>120,1</b>	<b>65,2</b>	<b>2%</b>

# NLB Group Statement of Financial Position

(EURm)	31 Dec 2022	30 Jun 2023	YtD
<b>ASSETS</b>			
Cash and balances with Central Banks and other demand deposits at banks	5.271,4	5.760,4	9%
Financial instruments	4.877,4	4.553,7	-7%
<i>o/w Trading Book</i>	21,6	21,1	-2%
<i>o/w Non-trading Book</i>	4.855,8	4.532,6	-7%
Loans and advances to banks (net)	223,0	304,7	37%
<i>o/w gross loans</i>	223,2	305,0	37%
<i>o/w impairments</i>	-0,3	-0,3	-12%
Loans and advances to customers	13.073,0	13.431,8	3%
<i>o/w gross loans</i>	13.397,3	13.747,3	3%
- Corporates	6.345,7	6.454,4	2%
- State	308,2	347,1	13%
- Individuals	6.743,4	6.945,8	3%
<i>o/w impairments and valuation</i>	-324,4	-315,5	3%
Investments in associates and JV	11,7	12,3	5%
Goodwill	3,5	3,5	0%
Other intangible assets	54,7	52,6	-4%
Property, plant and equipment	251,3	254,3	1%
Investment property	35,6	34,5	-3%
Other assets	358,6	293,6	-18%
<b>Total Assets</b>	<b>24.160,2</b>	<b>24.701,5</b>	<b>2%</b>

(EURm)	31 Dec 2022	30 Jun 2023	YtD
<b>LIABILITIES &amp; EQUITY</b>			
Deposits from banks	106,4	107,4	1%
Deposits from customers	20.027,7	19.924,9	-1%
- Corporates	5.565,6	5.363,7	-4%
- State	513,4	392,5	-24%
- Individuals	13.948,7	14.168,6	2%
Borrowings	281,1	220,0	-22%
Subordinated debt securities	508,8	520,0	2%
Other debt securities in issue	307,2	814,5	165%
Other liabilities	506,7	469,3	-7%
<b>Total Liabilities</b>	<b>21.737,9</b>	<b>22.056,1</b>	<b>1%</b>
Shareholders' funds	2.365,6	2.586,1	9%
Non Controlling Interests	56,7	59,2	4%
<b>Total Equity</b>	<b>2.422,3</b>	<b>2.645,3</b>	<b>9%</b>
<b>Total Liabilities &amp; Equity</b>	<b>24.160,2</b>	<b>24.701,5</b>	<b>2%</b>