February 20, 2025

NLB Group Paves the Way to Achieving Strategic Ambitions with EUR 514.6 Million in Net Profit for 2024

Looking back at the 2024, it's clear that it has been yet another strong year for NLB Group – one that will play a crucial role in shaping not only its future, but also in the development of the Southeastern European region in which the Group operates. It was a year that, amongst others, marked the successful **acquisitions of SLS Group and Generali Investments AD Skopje**, dynamic activity on regional financial and international **capital markets**, several **enhancements in clients' user experience**, a substantial dividend payout of EUR 220 million in two tranches, and kicked off a new period in the Group's transformation with the **introduction of its new business strategy**.

The new strategy equally balances revenue generation based on **best practices** (e.g., housing finance, bancassurance, consumer finance, trade finance, transition finance, and payments), and the transformation of NLB into the leading operating platform in the region through rigorous simplification and digitalization, while still maintaining its prudent risk practices. NLB Group continuously focuses on enhancing the external and internal customers' user experience (UX) across all channels and has rolled out group-wide business solutions. **NLB Klik has been recognised as the best mobile and web bank on the market in 2024**, driven by a remarkable increase in digital sales in Slovenia. This success is also attributed to the end-to-end digital availability of major daily banking products.

Strategic initiatives will continue to focus on a common feature development roadmap and the unification of platforms in the Group. Key improvements will include advancements in payments, enhanced security settings, and better contextual help and support. UX/CX, as measured by a transactional **Net Promoter Score** has shown consistent and steady growth over the years (increased by six percentage points YoY, reaching **67**), which also indicates a stable level of satisfaction.

The financial year concluded with a strong **profit after tax** result at **EUR 514.6 million**, with **pre-provision profit up a respectable 9% YoY (EUR 51.2 million)**. Profit after tax was, however, still down EUR 36.1 million or a 7% decline compared to the previous year, which was positively influenced by the booking of deferred tax assets (EUR 61.9 million) and negatively by the booking of WHT (EUR 9.6 million), with 2024 also showing a moderate, but still positive cost of risk of 14 bps (2023 still had a negative cost of risk).

Double digit organic loan growth across the markets and segments in the year was further elevated by the integration of SLS Group into NLB Group as at Q3, providing another future lever of growth. SLS Group's financial contribution entering the income statement for the last four months of the year, is not yet indicative of its potential. It is expected to contribute in 2025 already close to EUR 30 million to NLB Group's result (including funding synergies accounted for in NLB d.d.), excluding integration costs, which in 2025 amount to EUR 4.3 million coming from this acquisition (out of total integration costs of EUR 9 million).

Shareholder returns will remain a priority, with the **expected 50% dividend pay-outs in 2025, out of 2024's profit**, providing a tangible cash-yield for shareholders.

“Global economic development that held up well in the first half of the year, albeit being more moderate later, nevertheless supported NLB Group’s performance. All our banking members in our home region of SEE strengthened their market positions, with subsidiaries delivering solid net earnings and contributing 58.2% to the Group’s after-tax result. This further underscores the importance of diversified operations – not only in banking but across the broader financial sector, which ultimately remains a key pillar of the Group’s vision for the future,” commented **NLB’s CEO Blaž Brodnjak** upon publication of the 2024 unaudited results. “NLB Group is firmly positioned for further growth and development, continued delivery on shareholders’ expectations – indeed, we expect this year’s dividend payout to reach 50% of 2024’s profit – and the ability to continue supporting all the markets, societies, and communities in our home region where we operate,” he added.

The Chairman of the Supervisory Board, Primož Karpe, reflecting on both past and future periods of the Group’s operations, added: “The Supervisory Board is satisfied with the Group’s strong baseline performance, exemplifying that even in a dynamic environment, the Group maintains its resilience and prudence in decision-making. Our operating model is future-oriented, focused on end-to-end process optimisation and subsequent digitalization, allowing scalability, understanding of technology and data, and the talent required to utilise it productively, investing in it to help transform the bank. The end game is to serve the clients better and with more tailor-made solutions, enhancing their user experience. That said, we are confidently looking ahead towards our communicated strategic ambitions and our ability to deliver on long-term growth targets and the creation of lasting value for all stakeholders.”

Key Highlights of the Q4 and the Full Year 2024

Result after tax in Q4 was materially impacted by success based variable HR compensation (approximately EUR 14 million) on the back of strong overall result, **seasonality** in G&A (around EUR 10 million) and legal provisions and other **one-off charges** (all amounting to some EUR 20 million). Further we have seen somewhat elevated credit risk charges of EUR 32 million, mostly related to **downgrades in idiosyncratic situations**. Cumulative effects of this burdened Q4 bottom line with some EUR 44 million in seasonal/one-off charges and EUR 32 million in credit provisions resulting in after-tax result **of EUR 87.0 million in Q4**.

Net interest income (NII) in Q4 reached EUR 240.0 million, a 3% increase (EUR 6.2 million) from the third quarter. In the last quarter of the year, the Group successfully compensated declining interest rates with healthy loan growth and various mitigation measures. Acquisition of the SLS Group loan portfolio (EUR 8.6 million of NII in the fourth quarter) contributed significantly to the NII growth.

The full year’s growth of NII, to EUR 934.2 million, came in at 12%. Net interest income represents 75% of total net revenues, SLS effecting this number yet only marginally. The NII growth mainly came from loans to customers EUR 140.8 million (of which EUR 77.2 million in retail, EUR 63.6 million in corporate and state exposures) and securities EUR 64.3 million. At the same time, interest expenses increased due to higher expenses incurred from MREL-eligible wholesale funding (EUR 37.7 million) and higher expenses for customer deposits (EUR 46.8 million).

In the past year and over the long term, NLB Group has shown that it is capable of successfully managing its **net interest income sensitivity.** The latter, simulated by a 100-bps immediate parallel downward shift in interest rates, yields to **EUR -70.7 million or -2.47% of T1 capital**, driven mainly by the cash (EUR -17.1 million) and floating rate loan positions (EUR -63.3 million).

NII sensitivity in 2024 improved by EUR 30.7 million or 145 bps (from -3.92% to -2.47% relative to T1 capital). NLB Group reduced it in 2024 significantly by:

- increasing the **volume of fixed interest rate loans** (EUR 2,853 million),
- new **interest rate hedges** (EUR 1,070 million),
- reduction of **central bank balances** (EUR 2,368 million),
- and increase of **investments in high-quality debt securities** (EUR 1,509 million).

Net non-interest income (NNII) reached EUR 80.8 million in the fourth quarter of 2024, a 6% decline QoQ. **Net fee and commission income**, a significant component of the net non-interest income, **declined by 1% QoQ to EUR 81.0 million**. The decline in the last quarter derives mainly from a one-off in NLB Komercijalna Banka, Beograd, due to an adjustment of receivables related to card operations (around EUR 2 million) and some minor positive accrued revenues in the third quarter.

The **overall YoY increase in the net non-interest income by 19% (from EUR 260.0 million in 2023 to EUR 310.6 million in 2024)** derives from higher net fee and commission income on the back of economic activity and smaller negative impact from non-recurring items than in the previous year. The non-recurring net non-interest income was positively influenced by the early redemption of Tier 2 notes (EUR 2.7 million) in Q1, but negatively affected by a modification loss recorded for interest rate regulation on housing loans in NLB Komercijalna Banka, Beograd in Q4 (EUR 3.9 million in 2024, compared to EUR 15.3 million in 2023).

Total costs in the fourth quarter amounting to **EUR 178.5 million, an increase of EUR 29.8 million, of which majority (approx. EUR 24 million) is seasonal** (approximately EUR 10 million in regular G&A cost seasonality and EUR 14 million of variable compensation given very strong financial performance). A smaller part is related to labour cost inflation (approximately EUR 2 million or 3% QoQ). As SLS Group was acquired in September, Q4 showed a full cost effect, being EUR 2.3 million higher QoQ. The Bank continues to accrue tax on the balance sheet in the cost item line, EUR 8.6 million in the fourth quarter.

Total costs of the Group in 2024 amounted to EUR 602.2 million, an increase of EUR 67.2 million (BS tax of EUR 33.2 million excluded), of which approximately EUR 45 million or 9% is result of like-for-like cost increases (i.e., normalising for BS tax introduced in 2024, SLS integration, and some other smaller one-offs). This elevated cost dynamic is a reflection of the strong inflationary pressures of 2024 in HR (around EUR 30 million increase, of which EUR 23 million in banks, the rest across other core businesses) with the remainder mostly in continued investments into improvement of branches and IT environment. The considerable HR cost dynamic in the core banking operations is a function of effects of repricing and variable compensation (EUR 31 million) more than offsetting effects of headcount reductions, amounting to around EUR -8 million. It is clear that this tension will continue to put pressure on costs in 2025, although measures to address headcount efficiencies will be substantially increased.

The Cost-to-Income Ratio (CIR – excluding the tax on the balance sheet from the calculation) declined by 0.2 percentage points YoY to 45.7%.

Impairments and provisions for credit risk in Q4 were net established in the amount of EUR 32.9 million. The established impairments derive from the following items:

- Additional provisions of EUR 35.6 million were established for portfolio development, mostly in the Corporate segment (new financing, transfer to Stage 2 and Stage 3);
- Repayments of written-off receivables in the amount of EUR 10.7 million due to a favourable environment for NPL resolution;
- Established impairments and provisions in the amount of EUR 7.9 million related to the change in models/risk parameters in NLB.

In 2024, the Group established impairments and provisions for a credit risk of EUR 20.6 million. **The cost of risk** remained at a relatively low level and confidently within the guidance, with **14 basis points**.

Other impairments and provisions were net established in the amount **of EUR 16.9 million**. The vast majority were established mainly in the last quarter due to provisions for legal risk (o/w EUR 4.0 million in NLB and EUR 3.8 million in NLB Komercijalna Banka, Beograd) and restructuring provisions (mostly in Slovenia, EUR 2.5 million in NLB and EUR 1.4 million in Slovenian leasing companies).

The multi-year declining trend of the non-performing credit portfolio stock discontinued in 2024, as the growth of new NPLs slightly exceeded repayments and recovery of existing NPLs. **The non-performing credit portfolio** stock in the Group increased to a still very moderate **EUR 330.5 million** at the end of 2024 compared to EUR 300.5 million at the end of 2023. Additionally, new NPLs from the acquired SLS Group were recognised. The combination of a slight increase in the non-performing credit portfolio stock and credit growth of a high-quality portfolio nevertheless resulted in further **decrease of gross NPL ratio (EBA def.) from 2.1% to 2.0% YoY.** The NPE ratio (EBA def.) remained almost unchanged at the previous year-end level and stood at very low 1.1%.

The effective tax rate (calculated as income tax divided by profit before tax) for the year 2024 for the **NLB Group was 13%, and for NLB, 7%**. The effective tax rate of NLB was significantly influenced by non-taxable income, which consisted mostly of received dividends and the release of impairments of equity investments in subsidiary banks.

In 2024, a tax on balance sheet was introduced for five years as one of measures related to the floods in 2023 and amounted to EUR 33 million for 2024. **The overall contribution rate, which includes income tax and the balance sheet tax for the year 2024 for the NLB Group was 18% and for NLB 13%.**

in EUR millions/%

	1–12 2024	1–12 2023	Change YoY	Q4 2024	Q3 2024	Q4 2023	Change QoQ
Key Income Statement Data							
Net operating income	**1,244.8**	**1,093.3**	**14%**	**320.8**	**320.0**	**292.5**	**0%**
Net interest income	934.2	833.3	12%	240.0	233.7	231.9	3%
Net non-interest income	310.6	260.0	19%	80.8	86.2	60.6	-6%
o/w Net fee and commission income	312.9	278.0	13%	81.0	81.9	72.4	-1%
Total costs	-602.2	-501.9	-20%	-178.5	-148.7	-140.2	-20%
Result before impairments and provisions	**642.6**	**591.4**	**9%**	**142.3**	**171.3**	**152.3**	**-17%**
Impairments and provisions	-37.4	-14.1	-166%	-45.3	-2.6	-28.0	-
Impairments and provisions for credit risk	-20.6	11.8	-	-32.9	0.6	-15.0	-
Other impairments and provisions	-16.9	-25.9	*35%*	-12.4	-3.2	-13.0	-
Result after tax	**514.6**	**550.7**	**-7%**	**87.0**	**135.5**	**163.8**	**-36%**

The momentum in **lending activity** in 2024 was impressive, with **gross loans growing by 19% (EUR 2,657.8 million), reaching EUR 16,721.4 million.** In addition to a EUR 970.4 million YoY increase in gross loans from the SLS Group, the NLB Group achieved a significant 12% organic loan portfolio growth. Notably, high growth was recorded in NLB and SEE banks in both segments, individuals and corporate and the state.

NLB recorded a 10% growth in gross loans to individuals, with stronger dynamics in the second half of the year. The new production exceeded EUR 500 million in housing and consumer loans approved in 2024, reflecting a YoY increase of 30% and 38%, respectively. Corporate and state loans grew by 10%, excluding the intragroup loan to the newly acquired SLS Group.

In SEE banks, a 16% increase was recorded in loans to corporate and state, with especially strong growth in the last quarter in all bank members. The growth rate of loans to individuals was similar, namely 15%.

The Group's **deposit base increased in 2024 by 7% (EUR 1,473.6 million) to EUR 22,206.3 million**. The largest increase of 15% was recorded in corporate and state deposits at the SEE banks due to the region's improved economic situation, especially in the second half of the year. The Bank's corporate and state deposit base remained stable, supported by an upswing in the second half of the year.

Moreover, deposits from individuals grew across all Group member banks. In the SEE banks, deposits increased by 11%, with steady growth throughout the year, while in NLB a 5% growth was recorded. The volume of term deposits in NLB increased by EUR 163.6 million in 2024 as clients shifted from sight to term deposits starting in Q3 2023. Most of these term deposits matured in the last quarter of 2024, and due to declining interest rates, not all were renewed. Instead, these funds were either allocated to alternative investments (e.g., mutual funds) or transferred to savings accounts. Consequently, the share of term and savings accounts in total deposits from individuals gradually rose to 51% (or EUR 4,537.5 million) by the year's end, compared to 48% (or EUR 4,061.9 million) on 31 December 2023.

The Group's balance sheet volume reached EUR 28,035.4 million by year's end, reflecting a EUR 2,093.4 million YoY increase. Growth in the customer's deposits and additional MREL funding supported the organic loan book growth, while the liquidity reserves were used to acquire the SLS Group. The LTD ratio (net) increased by 7.4 p.p. YoY to 73.7% at the Group level. The increase was driven by the acquisition of SLS Group, which led to a higher growth in net loans compared to the deposits.

As at 31 December 2024, the Group's **TCR stood at 18.7% (or 1.5 p.p. decrease YoY), while the CET1 ratio at 15.3% (or 1.1 p.p. decrease YoY),** both well above requirements. The lower total capital adequacy derives from relatively higher RWA (EUR 2,878.9 million YoY), at capital increasing by EUR 302.1 million YoY. The Group increased its capital by partially including 2024 profit (EUR 257.0 million) and revaluation adjustments (EUR 56.5 million).

in EUR millions/%/bps

	31 Dec 24	30 Sep 24	31 Dec 23	Change YoY	Change QoQ
Key Financial Position Statement Data					
Total assets	28,035.4	27,243.4	25,942.0	8%	3%
Gross loans to customers	16,721.4	16,071.4	14,063.6	19%	4%
Net loans to customers	16,363.6	15,739.3	13,734.6	19%	4%
Deposits from customers	22,206.3	21,373.9	20,732.7	7%	4%
Equity (without non-controlling interests)	3,226.0	3,242.1	2,882.9	12%	0%
Other Key Financial Indicators					
LTD	73.7%	73.6%	66.2%	7.4 p.p.	0.1 p.p.
Common Equity Tier 1 Ratio	15.3%	16.4%	16.4%	0.4 p.p.	-1.1 p.p.
Tier 1 Ratio	15.8%	15.4%	16.9%	-1.2 p.p.	0.4 p.p.
Total capital ratio	18.7%	18.6%	20.3%	-1.5 p.p.	0.2 p.p.
Total risk exposure amount (RWA)	18,216.1	17,064.0	15,337.2	19%	7%
Employees					
Number of employees	8,322	8,343	7,982	340	-21

The Group's annual **net interest margin and operational business margin increased by 0.14 p.p. YoY to 3.64% and by 0.21 p.p. to 4.97%.** However, the growth in these margins was affected by the monetary easing, marked by four consecutive ECB's key interest rate cuts from June onwards. The decline in the Group level was effectively mitigated by organic loan growth and by replacing less profitable central bank balances with a more lucrative loan portfolio acquired from the SLS Group. The declining trend in margins in the last quarter in NLB and SEE banks can be observed as a function of the declining rates.

in EUR millions/%/p.p./bps

Key Financial Indicators	1-12 2024	1-12 2023	Change YoY
Return on equity after tax (ROE a.t.)	16.5%	21.0%	-4.5 p.p.
Return on equity after tax (ROE a.t.) normalised (i)	25.5%	29.3%	-3.8 p.p.
Return on assets after tax (ROA a.t.)	1.9%	2.2%	-0.3 p.p.
Net interest margin (on interest bearing assets)	3.64%	3.50%	0.14 p.p.
Operational business margin	4.97%	4.75%	0.21 p.p.
Cost-to-income ratio (CIR)(ii)	45.7%	45.9%	-0.2 p.p.
Cost of risk net (bps)	14	-7	21

(i) ROE a.t. normalised = result a.t. divided by the average risk-adjusted capital. An average risk-adjusted capital is calculated as a Tier 1 requirement of average RWA reduced by minority shareholder capital contribution.
(ii) Tax on balance sheet excluded from the calculation for the year 2024.

Outlook[1]

Looking ahead to 2025, **recurring income is expected to stabilise at around EUR 1,200 million**. This forecast reflects a balanced approach to maintaining profitability amidst a forecasted lower interest rate environment. Despite these headwinds, the Group remains committed to **disciplined cost management**. The CIR is projected to transitionally increase in 2025 (expected to be at approximately 48%), influenced by

[1] The indicated outlook constitutes forward-looking statements which are subject to a number of risk factors and are not a guarantee of future financial performance. The interest rate outlook is uncertain, given the adaptive monetary policy of the ECB and local central banks to the general economic sentiment.

the integration of SLS Group, coupled with ongoing strategic investments into the acceleration of a mobile/digital first transformation, and in 2030 the targeting of at least 90% of new production of standard transactions through end-to-end digital solutions. These efforts aim to enhance the Group's operational capacity and position it for sustained growth in the medium term.

The cost of risk in 2025 is expected to normalise between 30 and 50 basis points, reflecting a prudent but proactive approach to risk management in a dynamic lending environment. Loan growth is expected to remain robust at high single-digit levels, driven by the Group's strategic focus on core market expansion while preserving sound asset quality. This sustained growth in lending activity is supported by relatively higher GDP growth rates and lower indebtedness across both retail and corporate segments in the region. The continued momentum in loan growth is anticipated to enhance revenue generation, while maintaining a well-diversified and balanced loan portfolio.

For 2026, the Group projects **recurring income to exceed EUR 1,300 million**, reflecting the benefits of strategic initiatives and improved operational efficiencies driving the CIR below 48%, and realising the benefits from continued investments in technology and digitalization efforts. The cost of risk is expected to remain within the 30–50 bps range, maintaining the Group's conservative risk posture. Loan growth is forecasted to sustain its high single-digit trajectory, accentuating the Bank's ability to support economic activity while delivering consistent financial performance.

Shareholder returns will remain a priority, with **dividend pay-outs expected at 50% of 2024's profit in 2025, and further increasing to the range 50–60% by 2026**. RoE a.t. is projected to stabilise at approximately 15%, while the normalised RoE should remain above 20%, underscoring the Group's strong capital generation capabilities and resilience in achieving its strategic objectives outlined in Strategy 2030. The provided guidance collectively reinforces the Group's commitment to delivering sustainable value to investors and maintaining its leadership position in the market.

	Last Communicated Outlook for 2025	**Revised Outlook for 2025**	**Outlook for 2026**
Recurring income	~ EUR 1,200 million	~ EUR 1,200 million	> EUR 1,300 million
CIR	~ 48%	~ 48%	Below 48%
Cost-of-risk	30–50 bps	30–50 bps	30–50 bps
Loan growth	High single-digit	High single-digit	High single-digit
Dividends	More than 40% of 2024 profit	**50% of 2024 profit**	50–60% of 2025 profit
ROE a.t. ROE a.t. normalised(i)	~ 15% > 20%	~ 15% > 20%	~ 15% > 20%
M&A potential	M&A capacity of up to EUR 4 billion RWA(ii)	M&A capacity of up to EUR 4 billion RWA(ii)	

(i) ROE a.t. normalised = result a.t. divided by the average risk-adjusted capital. An average risk-adjusted capital is calculated as a Tier 1 requirement of average RWA reduced by minority shareholder capital contribution.
(ii) Assisted with the combination of capital from issuing AT1 notes and a temporary reduction of the dividend payments.

You are Kindly Invited to the Webcast Presentation

We kindly invite all interested stakeholders to the **presentation of the NLB Group's Fourth Quarter and Full Year 2024 results**, hosted by the NLB Management Board. The call will take place on Thursday, 20 February, 2025, at 16:00 CEST/15.00 UK and will be available at **https://www.nlbgroup.com/int-en/investor-relations/investor-relations-events.**

Members of the Management Board will, as usual, receive and address your questions live during the webcast. If you already know what you wish to ask them, you may submit your questions in advance. If you register for the event, you will be able to send them via the web app, or you may simply send them to the email address **IR@nlb.si**.