



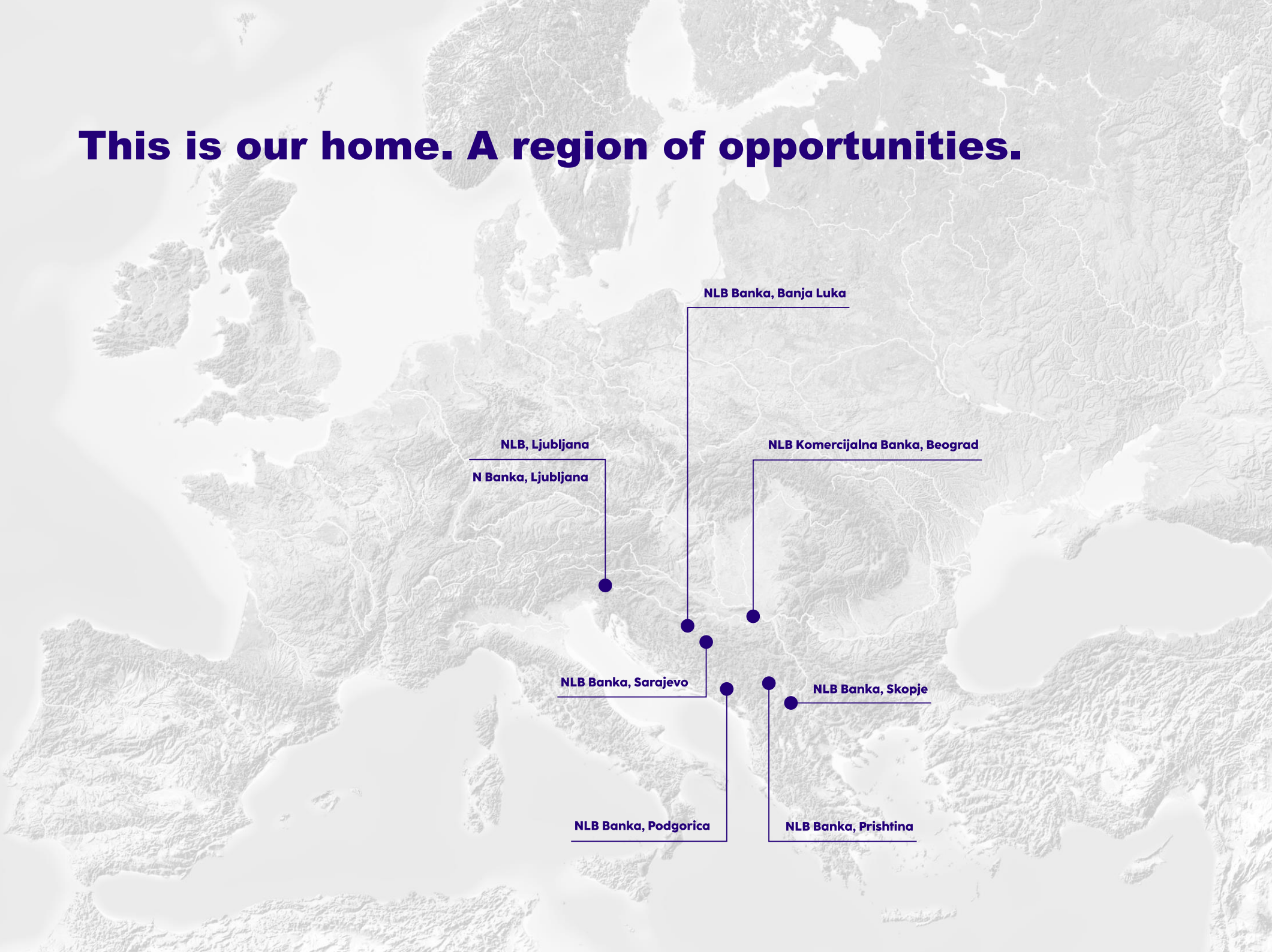
Creating better footprints.

NLB Group Interim Report H1 2023

Contents

Key Members Overview	4
NLB Group at a Glance	5
Key Highlights	5
Key Figures	6
Key Financial Indicators	7
Key Events	8
Macroeconomic Environment	9
BUSINESS REPORT	11
Overview of Financial Performance	12
Income Statement	13
Statement of Financial Position	18
Capital and Liquidity	22
Capital	22
MREL Compliance	25
NLB Shareholders Structure	26
Liquidity	27
Segment Analysis	28
Retail Banking in Slovenia	30
Corporate and Investment Banking in Slovenia	34
Strategic Foreign Markets	37
Financial Markets in Slovenia	39
Non-Core Members	40
Risk Factors and Outlook	41
Risk Factors	41
Outlook	44
Outlook 2023	45
Risk Management	47
Sustainability	53
Related-Party Transactions	54
Corporate Governance	55
Management Board	55
Supervisory Board	55
General Meeting	55
Guidelines on Disclosure for Listed Companies	56
Events after 30 June 2023	57
Alternative Performance Indicators	58
Reconciliation of Financial Statements in Business and Financial Part of the Report	69
UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS OF NLB GROUP AND NLB	71
Glossary of Terms and Definitions	115

This is our home. A region of opportunities.



NLB Banka, Banja Luka

NLB, Ljubljana

N Banka, Ljubljana

NLB Komercijalna Banka, Beograd

NLB Banka, Sarajevo

NLB Banka, Skopje

NLB Banka, Podgorica

NLB Banka, Prishtina

Key Members Overview

	Slovenia				Serbia	N. Macedonia	BiH	Kosovo	Montenegro		
	NLB Group	NLB, Ljubljana	N Banka, Ljubljana	NLB Lease&Go, Ljubljana	NLB Skladi, Ljubljana	NLB Komercijalna Banka, Beograd	NLB Banka, Skopje	NLB Banka, Banja Luka	NLB Banka, Sarajevo	NLB Banka, Prishtina	NLB Banka, Podgorica
Market position											
Branches	428 ⁽ⁱ⁾	66	4	-	-	177	48	45	34	33	21
Active clients	2,726,284	688,984	36,746	-	-	929,958 ⁽ⁱⁱ⁾	410,319	215,339	132,175	227,445	85,318
Total assets ^(viii) (in EUR millions)	24,701	14,683	1,089	252	2,157 ⁽ⁱⁱⁱ⁾	4,777	1,815	988	873	1,107	919
Profit after tax ^(viii) (in EUR millions)	243	223	7	2	5	74	25	14	7	19	11
Market share (by total assets)	-	28.6%	2.1%	8.9% ^(vii)	39.0% ^(iv)	10.0%	16.4% ^(vii)	20.9% ^{(v)(vii)}	6.0% ^{(vi)(vii)}	16.7%	14.1%

(i) 1 out of 5 N Banka's branches operating within NLB, Ljubljana branches, therefore not included in the total number.

(ii) Number of active clients of NLB Komercijalna Banka, Beograd measured by different definitions as for the rest of the NLB Group members.

(iii) Assets under management.

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

(v) Market share in the Republic of Srpska.

(vi) Market share in the Federation of Bosnia and Herzegovina.

(vii) Data on market share as of 31 March 2023.

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

NLB Group at a Glance

Key Highlights

Financial Performance

Continued loan growth with higher interest rates supporting net interest income growth.

- In H1 2023, the Group generated EUR 242.7 million of **profit after tax** and almost doubled the regular profit before impairments and provisions YoY. Profit in H1 2022 was strongly influenced by negative goodwill from the acquisition of N Banka.
- **Net interest income** rose significantly, 68% YoY and 12% QoQ, driven by the healthy mix of margin expansion and volume growth. Due to the lower price elasticity of deposits, deposit beta (YoY change of average customer deposit interest rate compared with the change of average ECB deposit facility rate) in the respective period remains low at 5% on NLB Group level. **Net interest margin** widened to 3.30% (a 1.18 p.p. YoY increase).
- EUR 803.1 million YoY increase of the Group's **gross loans to customers**, with a noteworthy EUR 500.7 million attributed to individuals, despite a subsequent slowdown in new production of housing loans in response to the rising interest rate environment.
- YoY, **net fee and commission income** grew by 1%, fuelled by increased consumption across all banking members, offsetting the cancellation of high balance deposit fee in the Bank.
- **Total costs** increased by 10% YoY, with growth visible in most Group bank members, due to overall inflation in the region and the integration process of N Banka in Slovenia.
- **Impairments and provisions for credit risk** in the total amount of EUR 29.9 million were net released, the main factors being positive effects from favourable portfolio development, revised risk parameters in June and a thriving workout results.

Business Overview

Leading player in SEE.

- A robust and **sustainable universal business model** with an increased focus on digitalisation and ESG.
- Striving to be a **regional champion**.
- Higher **availability and use of digital channels** – a wider range of 24/7 digital solutions offered to clients.
- The **strategic launch of leasing** is being concluded with having established presence **in three major markets of the Group** (Slovenia, Serbia and North Macedonia) and a very ambitious business plan is getting implemented – aiming to make leasing a material part of the Group with asset volumes to exceed EUR 1 billion in the coming years.
- Integration process of N Banka is progressing according to set targets and plan.

Asset Quality

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

- Well-diversified, stable and robust **credit portfolio quality**. No large concentration in any specific industry or client segment. The portfolio remains very stable with increasing Stage 1 exposures. Low **NPE** (EBA def.) of 1.2% with very comfortable NPL coverage ratio 2 of 61.8%.
- The Group carefully monitors the potentially vulnerable segments to detect any significant increase in credit risk at a very early stage.
- **The cost of risk** was negative (-38 bps), backed by stable portfolio development, revised risk parameters and strong workout results.

Capital, Liquidity & Funding

Capital and liquidity position ensuring capital return and continued growth opportunities.

- The Bank issued its inaugural EUR 500 million **green senior preferred notes** to further strengthen the MREL buffer. Through this issuance, the Group commits to positively contributing towards a low-carbon sustainable economy by supporting eligible green projects within our region markets.
- **The capital position** exceeded all regulatory requirements (TCR of 18.7%, 0.4 p.p. lower YtD).
- **The liquidity position** of the Group remained very strong, with a high level of unencumbered liquid assets in total assets (38.5%).
- Group **retail deposits** represent a major and most stable funding source, with around 80% of retail deposits being insured by the deposit guarantee schemes. Despite the turbulent business environment in H1, retail deposits remained flat and demonstrated client confidence in the Group.
- A very comfortable level of **LTD** at 67.4% gives the Group the potential for further customer loan placements.

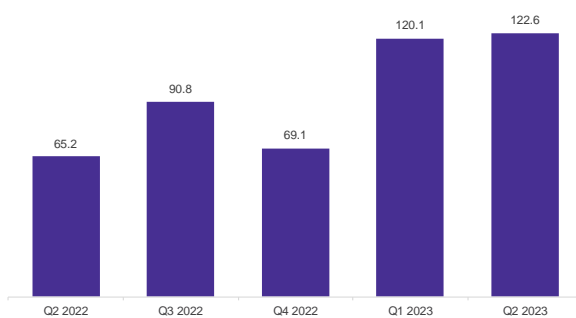
Outlook

Slight improvement of the guidance.

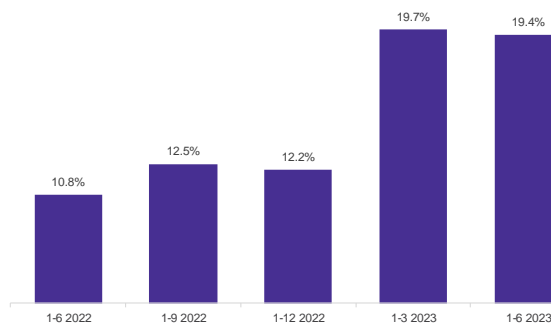
- Minor adjustments to the previously communicated 2023 outlook and guidance for 2025 exhibit strong asset quality prospects for the whole 2023 and slightly improved expected capital generation leading to an increase in tactical M&A capacity.

Key Figures

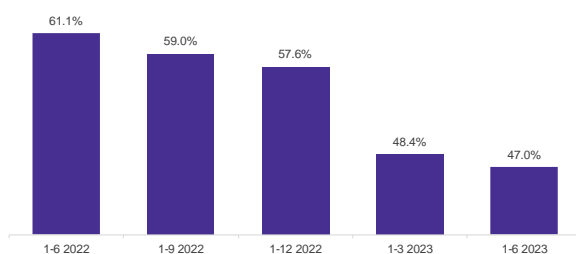
Profit a.t. - quarterly (in EUR millions)⁽ⁱ⁾



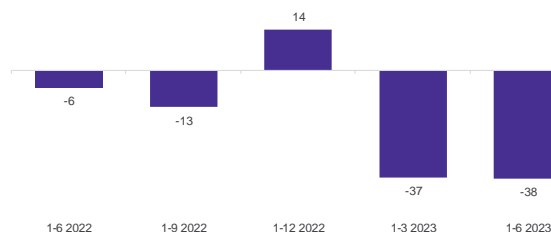
ROE a.t. (in %)⁽ⁱⁱ⁾



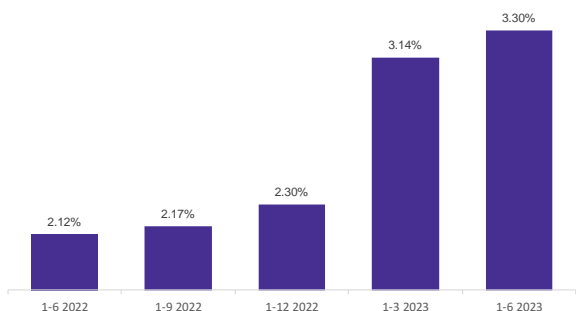
Cost to income ratio - CIR (in %)⁽ⁱ⁾



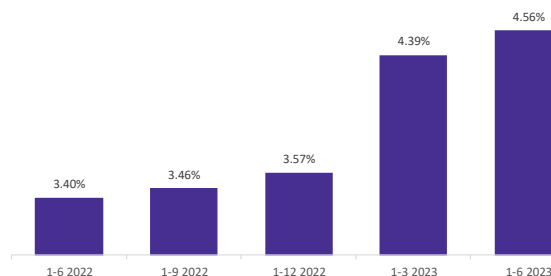
Cost of risk net (in bps)⁽ⁱⁱⁱ⁾



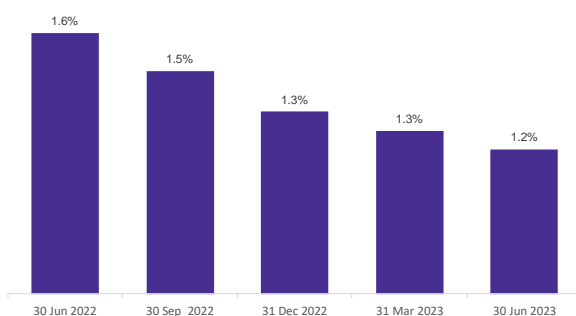
Net interest margin (in %)



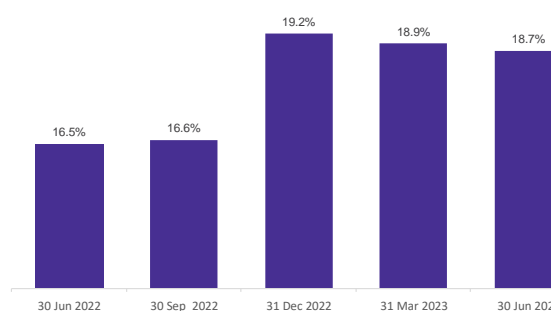
Operational business margin (in %)



NPE ratio - EBA def. (in %)



Total capital ratio (in %)



(i) 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. For more information, see Note 2.2. of the Unaudited Condensed Interim Financial Statements of the NLB Group and NLB.

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

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

Key Financial Indicators¹

Table 1: Key Financial Indicators of NLB Group

	in EUR millions / % / bps						
	1-6 2023	1-6 2022	Change YoY	Q2 2023	Q1 2023	Q2 2022	Change QoQ
Key Income Statement Data							
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%
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%
Key Financial Indicators							
Return on equity after tax (ROE a.t.)	19.4%	10.8%	8.6 p.p.				
Return on assets after tax (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.				
Net interest margin (on total assets - BoS ratio)	3.17%	2.03%	1.14 p.p.				
Operational business margin ⁽ⁱ⁾	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) ⁽ⁱⁱ⁾	-38	-6	-32				
	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Jun 2022	Change YtD	Change YoY	Change QoQ
Key Financial Position Statement Data							
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 (w/without non-controlling interests)	2,586.1	2,507.6	2,365.6	2,195.6	9%	18%	3%
Other Key Financial Indicators							
LTD ⁽ⁱⁱⁱ⁾	67.4%	66.6%	65.3%	65.9%	2.1 p.p.	1.5 p.p.	0.8 p.p.
Common Equity Tier 1 Ratio	14.7%	14.8%	15.1%	14.4%	-0.4 p.p.	0.3 p.p.	-0.1 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%
NPL volume ^(iv)	312.9	320.1	328.3	370.1	-5%	-5%	-2%
NPL coverage ratio 1 ^(v)	101.0%	99.3%	98.9%	87.8%	2.1 p.p.	13.2 p.p.	1.8 p.p.
NPL coverage ratio 2 ^(vi)	61.8%	58.0%	57.1%	57.5%	4.7 p.p.	4.3 p.p.	3.8 p.p.
NPL ratio (internal def.) ^(vii)	1.6%	1.7%	1.8%	2.2%	-0.2 p.p.	-0.6 p.p.	-0.1 p.p.
Net NPL ratio (internal def.) ^(viii)	0.6%	0.7%	0.8%	0.9%	-0.2 p.p.	-0.3 p.p.	-0.1 p.p.
NPL ratio (EBA def.) ^(ix)	2.3%	2.4%	2.4%	2.9%	-0.2 p.p.	-0.6 p.p.	-0.1 p.p.
NPE ratio (EBA def.) ^(x)	1.2%	1.3%	1.3%	1.6%	-0.1 p.p.	-0.4 p.p.	-0.1 p.p.
Employees							
Number of employees	8,154	8,194	8,228	8,394	-74	-240	-40
International credit ratings NLB							
	30 Jun 2023	31 Mar 2023	Outlook				
Standard & Poor's		BBB		BBB	Stable		
Moody's ^(xi)		A3		A3	Stable		

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

(ii) CoR= credit impairments and provisions (annualised level) / average net loans to customers. Credit impairments and provisions include impairments on loans from customers and provisions for off balance.

(iii) Loan-to-Deposit Ratio (LTD) = Net loans to customers / deposits from customers.

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

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

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

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

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

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

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

(xi) Unsolicited rating.

¹ In 2023, the Bank changed the recognition of obligation for regulatory expenses. In the previous year, these expenses were recognised in the second quarter after receiving the Bank of Slovenia's notification, while in 2023, the Bank recognised these expenses in full already in the first quarter. Comparative amounts for previous periods have been adjusted to reflect this change in the presentation. For more information, see Note 2.2. of the Unaudited Condensed Interim Financial Statements of the NLB Group and NLB.

Key Events

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
January												
February												
March												
April												
May												
June												

- January**
 - Top Employer certificate:** The Top Employers Institute awarded the Bank the prestigious Top Employer certificate for the 8th consecutive year.
- February**
 - Rating upgrade:** Moody's upgraded NLB's long-term deposits rating to A3 from Baa1.
 - New CEO of NLB Skladi:** Luka Podlogar assumed the CEO position at NLB Skladi. Blaž Bračič remains a member of the Management Board.
- March**
 - USA regional banks & Credit Suisse turmoil:** The collapse of two regional banks in the USA, Silicon Valley Bank and Signature Bank, had impacts also in Europe and put European banks under stress as well. Swiss financial regulators engineered an emergency rescue plan for Credit Suisse in the form of UBS Group AG buying Credit Suisse. As of 31 March 2023, the Group has only small exposure to Credit Suisse, deriving mainly from a limited bond investment. From a liquidity point of view, no material deviations from the normal intra-monthly deposit dynamics were identified at the Group level as a result of the turmoil.
 - Slovenia's Best Private Bank for High Net Worth Individuals:** Euromoney awarded NLB as part of the global private banking awards in 2023.
- April**
 - Acquisition:** The agreement concluded on 16 November 2022 between the acquiring company NLB and the acquired company N Banka was submitted to the court registry of the District Court in Ljubljana.
- May**
 - MREL requirement:** From 1 January 2024, the MREL requirement to be met by the Bank on a consolidated basis at the resolution group level shall be 30.99% of the Total Risk Exposure Amount excluding applicable CBR and 10.39% of the Leverage Ratio Exposure.
- June**
 - Dividend payment:** The Bank paid the dividends (the first tranche) of EUR 55 million, or EUR 2.75 gross per share.
 - New members of the Supervisory Board:** The General Assembly appointed four members, two of whom are current – Shrenik Dhirajlal Davda and Mark William Lane Richards and two new members – Cvetka Selšek and André-Marc Prudent-Toccanier, all for a four-year term.
 - Green Senior Preferred Notes:** The Bank debuted in issuing green senior preferred notes amounting to EUR 500 million with a maturity of 4NC3, counting towards meeting the MREL requirements.
 - Donation to various associations, humanitarian organizations and groups:** The Bank decided to donate EUR 1.35 million to more than 30 recipients from the SEE region in the area of childcare, socially vulnerable families, care for the elderly and also care for employees who might be in need due to illness or accident.

Macroeconomic Environment

Macroeconomic Summary and Outlook

The global economy is slowing down substantially in 2023, with the effect of war in Ukraine being further aggravated by ever-increasing debt distress. Tight credit conditions combined with weakened external demand impair growth (initially higher than expected), as some countries have already been experiencing currency depreciations and widening of sovereign credit spreads. Headline inflation is on a clear downward trend as supply chain bottlenecks improve, energy and commodity prices decrease, which combined with the base effect, contributes to price stabilization. Nevertheless, inflation stickiness surprised central banks as they seem to have anticipated a faster descent. Global trade is deteriorating due to retreating demand and its pivot towards services, hurting industrial production.

The euro area household saving rate was 14.1% in Q1 of 2023 as the household investment rate rose to 10.3%. Gross fixed capital formation increased by 6.8% QoQ, outpacing the gross disposable income growth rate (+2.0% QoQ). The latter exceeded the consumption growth rate (+1.8% QoQ), making it possible for households to save. The household and NFC loan growth rates continued declining at a similar rate to Q1, as the former clocked in at 2.5% YoY and the latter at 4.6% YoY in April. The monetary policy strain is noticeably impacting the loan appetite as higher interest rates, and stricter banks' credit standards make loans harder to afford or negatively impact the creditworthiness of would-be customers. The deteriorated housing market prospects also added to a decreasing effect on loan growth. Deposit growth slowed further for households to 1.4% YoY and NFCs to 0.8% YoY. In June, inflation stood at 5.5%, averaging 6.2% in Q2, with core inflation rising again after declining in April and May, bringing it on the verge of tying and exceeding the headline rate. Services registered the highest monthly contribution, as energy had a deflationary impact on the rate. The Producer Price Index maintained momentum and fell by almost 2.0% in May MoM (-1.5% YoY), suggesting that the HICP will follow the disinflationary trend. In the January-April 2023 period, the exports grew by 5.4% YoY (but lost momentum as April saw a negative external trade growth contribution) as imports fell by 2.9% YoY and a trade deficit of EUR -17.2 billion was recorded in the period. Industrial production declined on average by -1.4% MoM (-0.6% YoY) from March to April, with only the production of capital goods having a positive contribution. Similarly, the volume of retail trade declined on average by -0.2% MoM (-2.9% YoY) during the same period.

The unemployment rate remained the beacon of hope for the economy, persisting at 6.5% on average in April-May, propping up economic growth. In Q1 2023, the hourly labour costs rose by 5.0% YoY as wages and salaries per hour increased by 4.6% (of which the most in the service sector), while the non-wage component rose by 6.2%. Real wages rose by a modest 0.7% QoQ. The Euro Area House Price Index has been declining since Q1 2022. It is nearing the contraction territory (in annual rate of change). It rose by 0.4% YoY in Q1 2023 but fell by 0.9% QoQ. The Stoxx Europe 600 Index lost approximately 1.8% of its value during Q2, and bond yields have risen by a couple of bps (15Y) to 39 bps (2Y) in the same period. The ESI weakened during Q2 from 98.9 to 95.4 as most subindexes deteriorated. The composite PMI clocked in at 49.9 in June, marking a slowdown in the economy due to a continuing decline in factory output and a loss of momentum in services. On a positive note, input cost inflation fell to a two-and-a-half-year low.

Concerning the monetary policy, the European Central Bank (ECB) increased the key rates twice by 25 bps in Q2, as an upward revision of their 2025 inflation projection suggests that inflation has not subsided as they would have hoped. The Governing Council decided to discontinue the reinvestments under the APP as of July 2023 and reinvest the principal payments from maturing securities purchased under the PEPP until at least the end of 2024. In July, another 25 bps were added to the three key rates, while no clues were left as to their actions going beyond, other than a usual commitment to data dependency.

In April, producer inflation eased, and unemployment remained close to record lows in Slovenia. In April-May, consumer prices decelerated, while the government extended its fuel price regulation scheme for another year in June, likely keeping a lid on energy inflation ahead. Q1's sharp nominal wage growth acceleration will likely continue to boost consumer purchasing power in Q2, propping private consumption. Industrial activity, exports and retail sales all dragged on output in April. GDP growth softened in Bosnia and Herzegovina in Q1. Private spending and investment swung into contraction. Likewise, exports of goods and services lost ground. Q1 saw a rebound in gross capital formation in Kosovo and a positive contribution to growth from the external sector. The expansion in household consumption cooled, restrained by still-high

inflation. The Montenegrin economy expanded 6.1% in Q1 (+2.8 p.p. QoQ). More substantial increases in household spending, fixed investment and external sector contributed positively to growth. Government spending, however, cooled. In Q2, momentum may have moderated. Merchandise exports and industrial production contracted in April, and imports nearly stagnated. The sole driver of growth in North Macedonia was a deterioration in imports, which swung into contraction as household consumption growth decelerated, and public expenditure and fixed investment declined faster. Exports growth eased amid a bleaker international backdrop. Economic growth in Serbia lost steam in Q2. Industrial output expanded at a softer rate in April–May relative to the Q1 average. Retail sales shrank faster than in Q1, suggesting a retreating consumption, while external sector data points to cooling domestic and foreign demand.

The euro area economy will grow timidly this year, held back by inflation inertia, higher interest rates and global headwinds, weighing further on growth and commerce. We see GDP expanding by 0.4% in 2023 and 1.4% in 2024. Slovenia's GDP is expected to grow by 1.1% in 2023 and 2.2% in 2024. The Group's region is expected to grow by 1.8% in 2023 and 2.6% in 2024.²

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

	GDP (annual growth rate in %)				Average inflation (in %, aop)				Unemployment rate (in %, aop)			
	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
Euro area	5.3	3.5	0.4	1.4	2.6	8.4	5.5	3.0	7.7	6.7	6.8	6.9
Slovenia	8.2	5.4	1.1	2.2	2.0	9.3	7.2	3.9	4.8	4.2	4.0	3.9
BiH	7.1	4.0	1.3	2.2	2.0	14.0	7.6	3.2	17.4	15.4	15.0	14.5
Montenegro	13.0	6.1	3.3	3.0	2.4	13.0	8.1	3.3	16.7	14.7	13.7	13.5
N. Macedonia	3.9	2.1	2.0	2.8	3.2	14.1	9.0	3.8	15.7	14.4	14.1	13.7
Serbia	7.5	2.3	2.2	2.9	4.1	12.0	12.2	5.4	11.1	9.4	9.2	9.0
Kosovo	10.5	3.5	3.0	3.5	3.3	11.6	6.1	3.3	20.8	17.0	16.5	16.0

Source: Statistical offices, NLB Asset and Liability Management (ALM).

Note: NLB estimates and forecasts are highlighted in grey.

² For more information, see chapter Outlook 2023.



Business Report

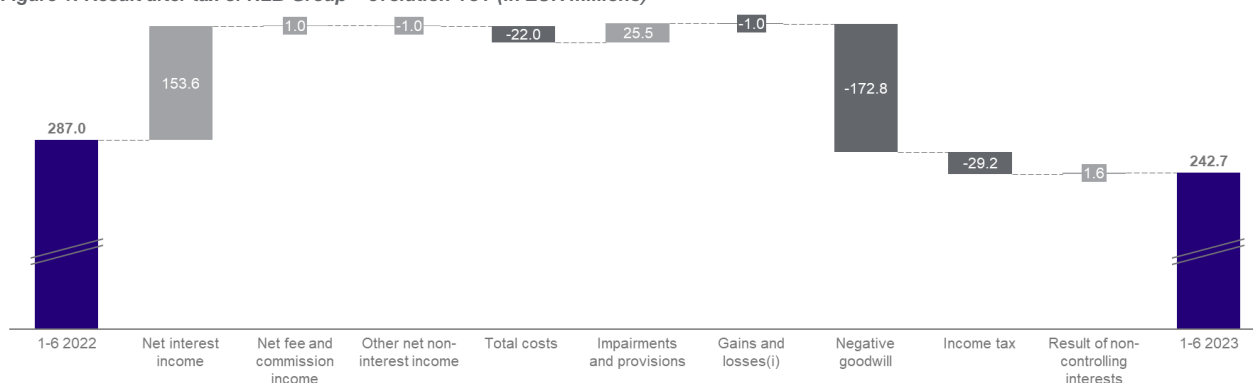
Overview of Financial Performance

The Group recorded a noteworthy result of EUR 270.9 million in profit before impairments and provisions, marking a substantial YoY increase of EUR 131.6 million. Nevertheless, profit after tax amounted EUR 242.7 million, i.e. EUR 44.3 million lower than a year before when the result was notably influenced by negative goodwill (EUR 172.8 million) stemming from the acquisition of N Banka.

The Group's half-year result was based on the following key drivers:

- The Group's gross loans to customers increased by EUR 803.1 million YoY, of which EUR 500.7 million to individuals, despite a subsequent slowdown in new loan production of housing loans in response to rising interest rate environment. In Q1 2023, a decrease in loans from corporate clients in Slovenia ensued due to a positive evolution of the energy crisis that led to the repayment of loans within the energy sector. However, a boost in new production of corporate loans in Q2 effectively compensated for this decrease.
- The deposit base increased by EUR 773.8 million YoY, of which EUR 670.6 million were from individuals. The lower YoY increase in corporate deposits was related to a considerable decrease in Q1 in the entire Slovenian banking system.
- A substantial increase in net interest income, 68% YoY, due to higher interest rates on loans and central bank balances. Deposit beta (YoY change of average customer deposit interest rate compared with the change of average ECB deposit facility rate) in the respective period remains low at 5% on the Group level. Consequently, the net interest margin improved by 1.18 p.p. YoY to 3.30%.
- Net fee and commission income rose moderately by 1% YoY, benefitting from the favourable impact of economic activity and consumption upswing in all banking members, effectively mitigating the effect of cancellation of the high balance deposit fee in the Bank.
- Total costs witnessed an uptick of 10% YoY owing to general inflationary trends within the region and to the integration process in Slovenia and are in line with the guidance.
- The Group net released EUR 29.9 million of impairments and provisions for credit risk, driven by favourable asset quality trends, a decisive workout approach, and revised risk parameters. CoR was -38 bps.
- Other impairments and provisions were net established in the amount of EUR 12.1 million.
- Higher income tax due to received dividends in the Bank from Group members.

Figure 1: Result after tax of NLB Group – evolution YoY (in EUR millions)



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

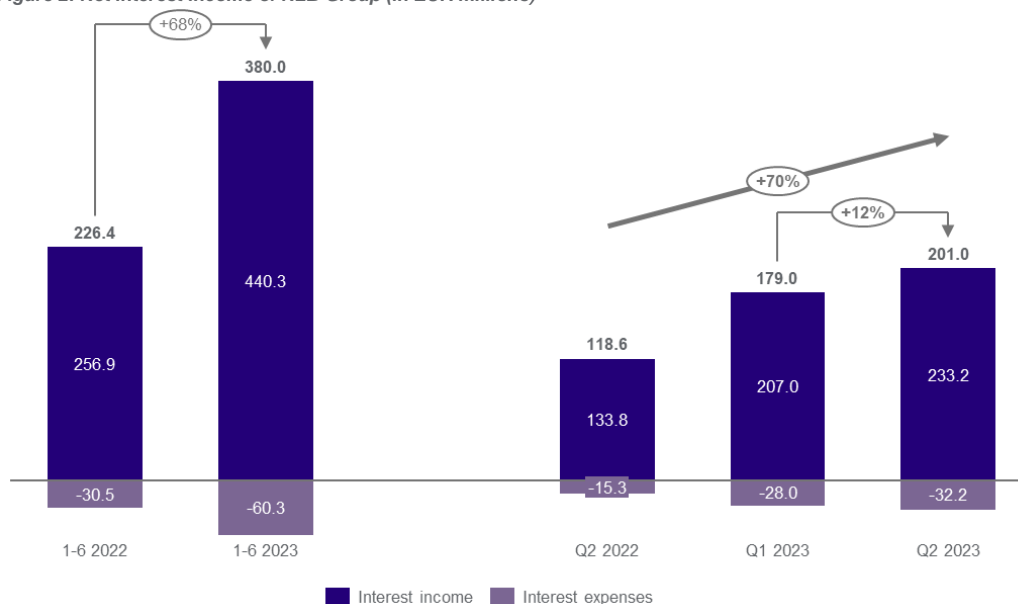
Income Statement³

Table 3: Income statement of NLB Group

in EUR millions									
	1-6 2023	1-6 2022	Change YoY		Q2 2023	Q1 2023	Q2 2022	Change QoQ	
Net interest income	380.0	226.4	153.6	+68%	201.0	179.0	118.6	22.0	+12%
Net fee and commission income	134.6	133.7	1.0	+1%	68.5	66.1	69.1	2.4	+4%
Dividend income	0.1	0.1	0.0	-6%	0.0	0.0	0.1	0.0	-6%
Net income from financial transactions	14.9	13.7	1.2	+9%	6.0	8.9	8.5	-2.9	-33%
Net other income	-17.9	-15.7	-2.2	-14%	-5.8	-12.1	-3.0	6.3	+52%
Net non-interest income	131.7	131.7	0.0	0%	68.7	63.0	74.7	5.8	+9%
Total net operating income	511.7	358.1	153.6	+43%	269.7	241.9	193.3	27.8	+11%
Employee costs	-137.4	-122.7	-14.7	+12%	-70.6	-66.8	-65.2	-3.9	-6%
Other general and administrative expenses	-79.8	-72.7	-7.1	+10%	-41.1	-38.7	-39.0	-2.5	-6%
Depreciation and amortisation	-23.5	-23.3	-0.2	-1%	-11.8	-11.7	-11.8	-0.2	-1%
Total costs	-240.7	-218.7	-22.0	+10%	-123.6	-117.1	-116.0	-6.5	-6%
Result before impairments and provisions	270.9	139.3	131.6	+94%	146.1	124.8	77.3	21.3	+17%
Impairments and provisions for credit risk	29.9	-2.4	32.3	-	11.5	18.4	1.6	-6.8	-37%
Other impairments and provisions	-12.1	-5.3	-6.8	-29%	-6.2	-6.0	-4.9	-0.2	-3%
Impairments and provisions	17.8	-7.7	25.5	-	5.4	12.4	-3.3	-7.0	-57%
Gains less losses from capital investments in subsidiaries, associates, and joint ventures	0.6	1.6	-1.0	-62%	0.3	0.3	1.0	0.0	-5%
Negative goodwill	0.0	172.8	-172.8	-	0.0	0.0	0.0	0.0	-
Result before tax	289.3	306.1	-16.7	-5%	151.8	137.5	74.9	14.3	+10%
Income tax	-39.8	-10.6	-29.2	-	-25.9	-13.9	-5.4	-12.0	-86%
Result of non-controlling interests	6.8	8.4	-1.6	-19%	3.3	3.4	4.3	-0.1	-3%
Result after tax	242.7	287.0	-44.3	-15%	122.6	120.1	65.2	2.4	+2%

Net Interest Income

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

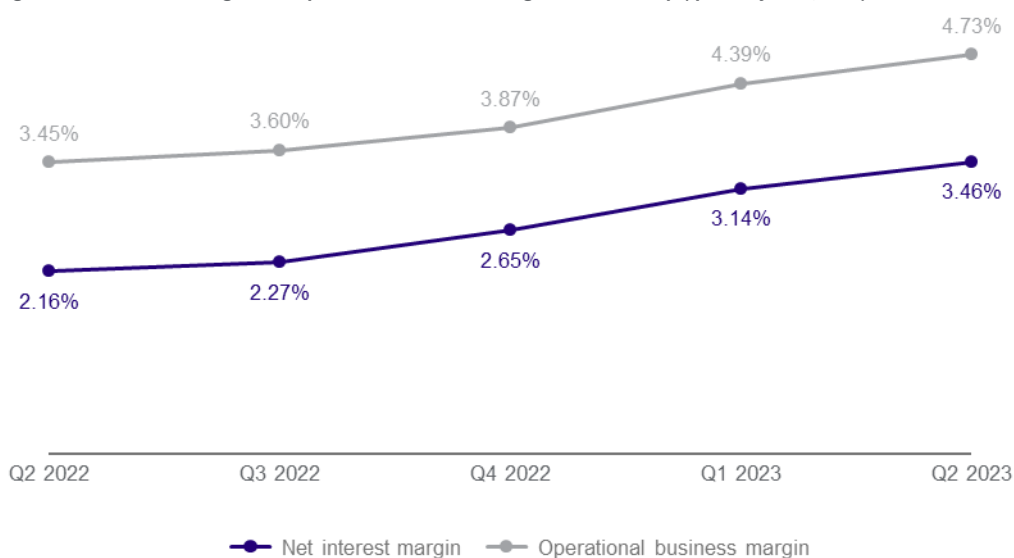


³ In 2023, the Bank changed the recognition of obligation for regulatory expenses. In the previous year, these expenses were recognised in the second quarter after receiving the Bank of Slovenia's notification, while in 2023, the Bank recognised these expenses in full already in the first quarter. Comparative amounts for previous periods have been adjusted to reflect this change in the presentation. For more information, see Note 2.2. of the Unaudited Condensed Interim Financial Statements of the NLB Group and NLB.

The net interest income reached EUR 380.0 million and was higher in all Group banking members, signifying a 68% YoY increase, primarily because of prevailing higher interest rates. The growth in interest income mainly came from loans to customers (EUR 118.0 million; EUR 46.9 million allocated to individuals and EUR 71.2 million to corporate and state) and balances at banks and central banks (EUR 57.3 million). At the same time, interest expenses predominately increased due to higher expenses incurred from wholesale funding raised for the minimum requirement for own funds and eligible liabilities (MREL) and capital requirement. Additionally, higher expenses for customer deposits also contributed to higher expenses, albeit to a lesser extent.

The main driver behind the QoQ's increase in interest income was the rising interest rates, predominantly contributed by corporate loans and balances with the central bank. At the same time, the upswing in interest expenses was primarily linked to the increase in interest rates on deposits and higher wholesale funding expenses.

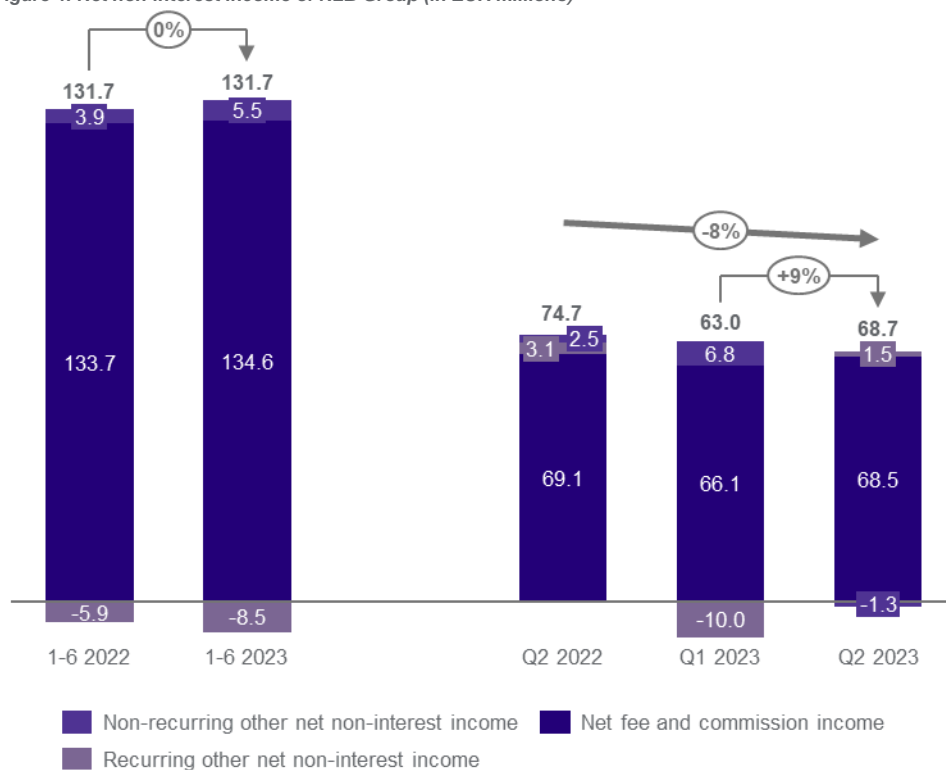
Figure 3: Net interest margin and Operational business margin of NLB Group (quarterly data, in %)



Consequently, the net interest margin of the Group increased by 1.30 p.p. YoY. Furthermore, the operational business margin also demonstrated a 1.28 p.p. rise compared to the previous year.

Net Non-Interest Income⁴

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



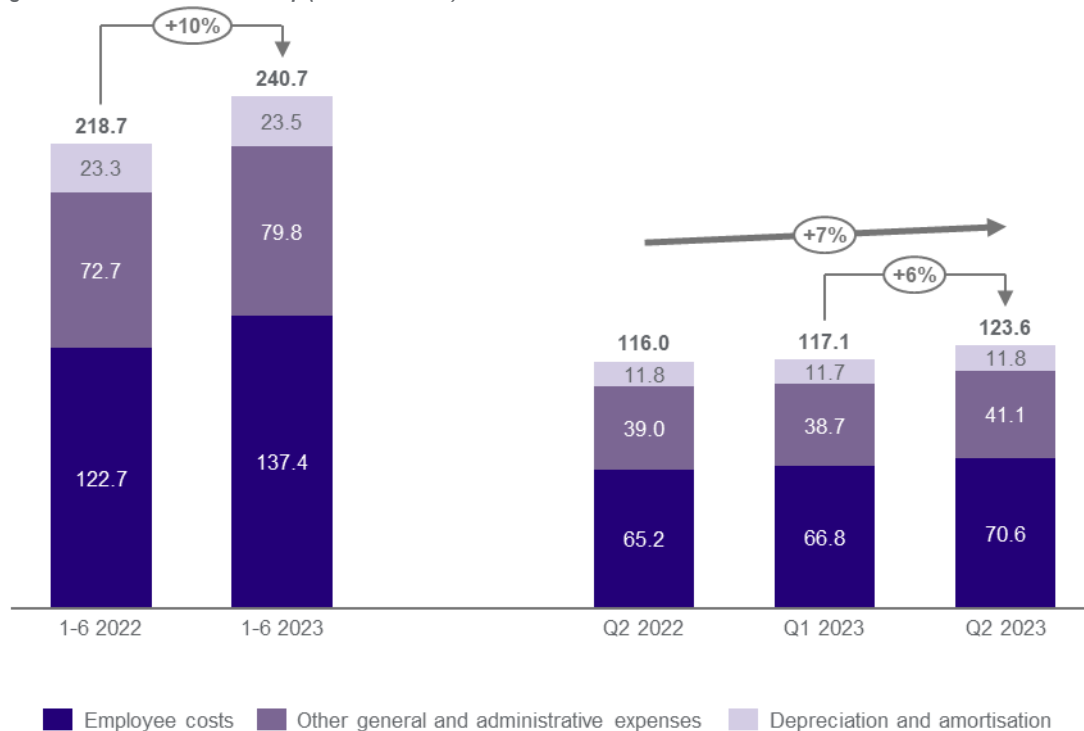
The net non-interest income stayed the same YoY, amounting to EUR 131.7 million. A significant part of the net non-interest income was attributed to the net fee and commission income, which grew by 1% YoY. A positive impact of increased economic activity and consumption on fees across all banking members, specifically in Q2, offset the effect of cancelling the high balance deposit fee at the Bank. It is also worth noting that N Banka joined the Group in March 2022 and was only partially included in last year's H1 result.

The QoQ increase was related to EUR 2.4 million higher net fee and commission income, primarily driven by better results from card operations stemming from increased economic activity in most bank members, and the fact that the recurring net non-interest income was in Q1 notably affected by the expenses for regulatory costs in the Slovenian banks.

⁴ Please refer to Note 3.

Total Costs

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



The total costs heightened in the Bank and all SEE banking members to EUR 240.7 million, resulting in a 10% increase YoY, mostly as a consequence of rising employee costs (higher by EUR 14.7 million YoY) and other general and administrative expenses (higher by EUR 7.1 million YoY). A large part of the rise was related to inflation, as well as to costs associated with the integration process of N Banka (EUR 4.2 million of integration costs in H1 2023) and the fact that N Banka's cost base was only partially included in total costs in H1 2022. Neutralising for all costs related to N Banka, cost growth would have been 3 p.p. lower.

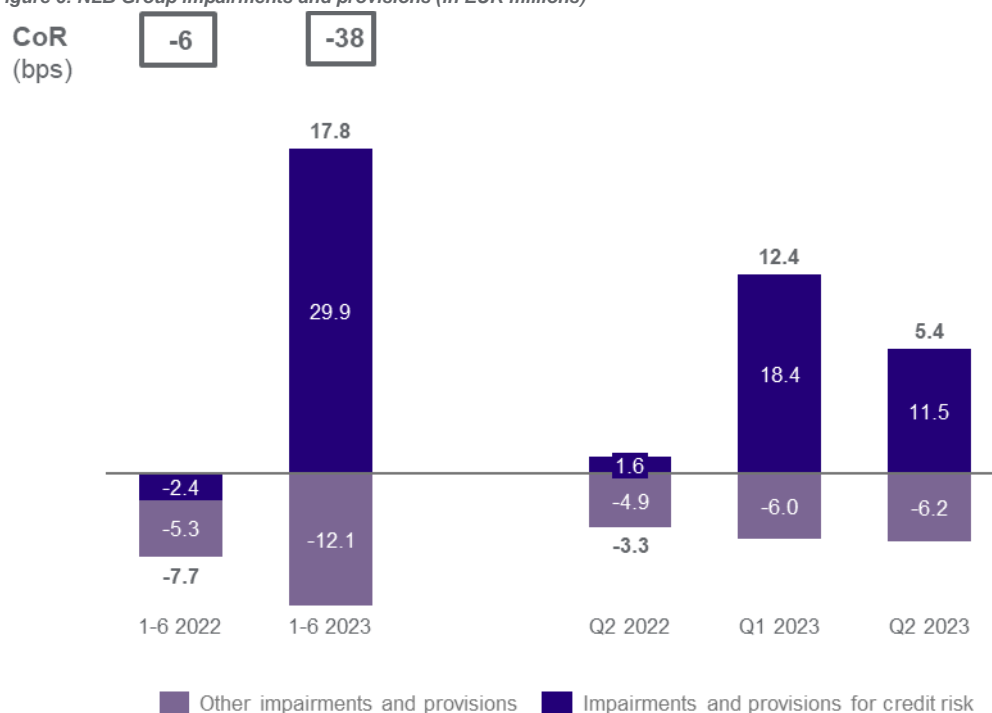
The QoQ increase was 6%, with higher employee costs for all bank members and sponsorship payments in the Bank.

The Group is undertaking several strategic initiatives (channel strategy, digitalisation, paperless, lean process, branch network optimisation etc.) to keep the costs low. However, given the circumstances and economic situation, significant inflationary pressures have been noticed across all cost categories consuming much of the successful efficiency measures across the Group. Combined with further planned investments into technology enhancements across the Group, upward cost trends are expected to continue in 2023, which will still be a transition year concerning the integration process in Slovenia.

Cost-to-Income Ratio (CIR) stood at 47.0%, a 14.0 p.p. reduction YoY, due to strong net operating income growth that significantly outpaced the growth of total costs.

Impairments and Provisions

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



Impairments and provisions for credit risk were net released in the amount of EUR 29.9 million due to positive portfolio development, the main factors being positive effects from a favourable environment for NPL resolution, liquidation of Russian bonds, and the revised risk parameters in Q2. The CoR was negative (-38 bps).

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.

Statement of Financial Position

Table 4: Statement of financial position of NLB Group

	in EUR millions									
	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Jun 2022	Change YtD	Change YoY	Change QoQ			
ASSETS										
Cash, cash balances at central banks, and other demand deposits at banks	5,760.4	5,304.3	5,271.4	4,321.1	489.0	9%	1,439.3	3%	456.1	9%
Loans to banks	304.7	329.1	223.0	176.8	81.8	37%	127.9	72%	-24.4	-7%
Net loans to customers	13,431.8	13,137.7	13,073.0	12,620.2	358.8	3%	811.5	6%	294.1	2%
Gross loans to customers	13,747.3	13,455.0	13,397.3	12,944.2	349.9	3%	803.1	6%	292.3	2%
- Corporate	6,454.4	6,269.3	6,345.7	6,213.5	108.7	2%	240.9	4%	185.1	3%
- Individuals	6,945.8	6,850.7	6,743.4	6,445.0	202.3	3%	500.7	8%	95.0	1%
- State	347.1	335.0	308.2	285.7	38.9	13%	61.4	21%	12.1	4%
Impairments and valuation of loans to customers	-315.5	-317.3	-324.4	-324.0	8.8	3%	8.5	3%	1.8	1%
Financial assets	4,553.7	4,582.5	4,877.4	4,919.5	-323.7	-7%	-365.8	-7%	-28.8	-1%
- Trading book	21.1	19.3	21.6	14.9	-0.4	-2%	6.2	12%	1.9	10%
- Non-trading book	4,532.6	4,563.3	4,855.8	4,904.6	-323.3	-7%	-372.0	-8%	-30.7	-1%
Investments in subsidiaries, associates, and joint ventures	12.3	12.0	11.7	13.1	0.6	5%	-0.8	-6%	0.3	2%
Property and equipment	254.3	252.1	251.3	252.6	3.0	1%	1.7	1%	2.2	1%
Investment property	34.5	35.3	35.6	45.3	-1.1	-3%	-10.8	-24%	-0.8	-2%
Intangible assets	56.1	56.9	58.2	55.3	-2.1	-4%	0.8	1%	-0.8	-1%
Other assets	293.6	301.9	358.6	326.3	-65.0	-18%	-32.7	-10%	-8.2	-3%
TOTAL ASSETS	24,701.5	24,011.8	24,160.2	22,730.3	541.2	2%	1,971.1	9%	689.7	3%
LIABILITIES										
Deposits from customers	19,924.9	19,732.0	20,027.7	19,151.1	-102.9	-1%	773.8	4%	192.8	1%
- Corporate	5,363.7	5,331.8	5,565.6	5,091.8	-201.8	-4%	271.9	5%	31.9	1%
- Individuals	14,168.6	13,951.7	13,948.7	13,498.1	219.9	2%	670.6	5%	217.0	2%
- State	392.5	448.5	513.4	561.2	-120.9	-24%	-168.7	-30%	-56.0	-12%
Deposits from banks and central banks	107.4	107.4	106.4	138.0	1.0	1%	-30.6	-22%	0.0	0%
Borrowings	220.0	279.9	281.1	326.8	-61.1	-22%	-106.8	-33%	-59.9	-21%
Subordinated debt securities	520.0	513.2	508.8	287.8	11.2	2%	232.2	81%	6.8	1%
Other debt securities in issue	814.5	311.7	307.2	0.0	507.3	65%	814.5	-	502.7	61%
Other liabilities	469.3	499.6	506.7	507.6	-37.4	-7%	-38.3	-8%	-30.3	-6%
Equity	2,586.1	2,507.6	2,365.6	2,195.6	220.5	9%	390.5	18%	78.5	3%
Non-controlling interests	59.2	60.3	56.7	123.5	2.5	4%	-64.3	-52%	-1.0	-2%
TOTAL LIABILITIES AND EQUITY	24,701.5	24,011.8	24,160.2	22,730.3	541.2	2%	1,971.1	9%	689.7	3%

The Group's **total assets** amounted to EUR 24,701.5 million, with a EUR 541.2 million increase YtD and a EUR 1,971.1 million increase YoY.

In June, the Group successfully issued a EUR 500 million senior preferred green bond, which meets the MREL requirement.

Non-trading book decreased due to the regular maturity of investments not reinvested in securities but placed with central banks. The investment activity continues with a balanced approach focusing on finding attractive market opportunities while pursuing well-managed credit risk and capital consumption.

The LTD ratio (net) was 67.4% at the Group level, a 2.1 p.p. increase YtD as loan growth outpaced the deposit decrease.

Figure 7: Balance sheet structure of NLB Group as at 30 June 2023 (in EUR millions)

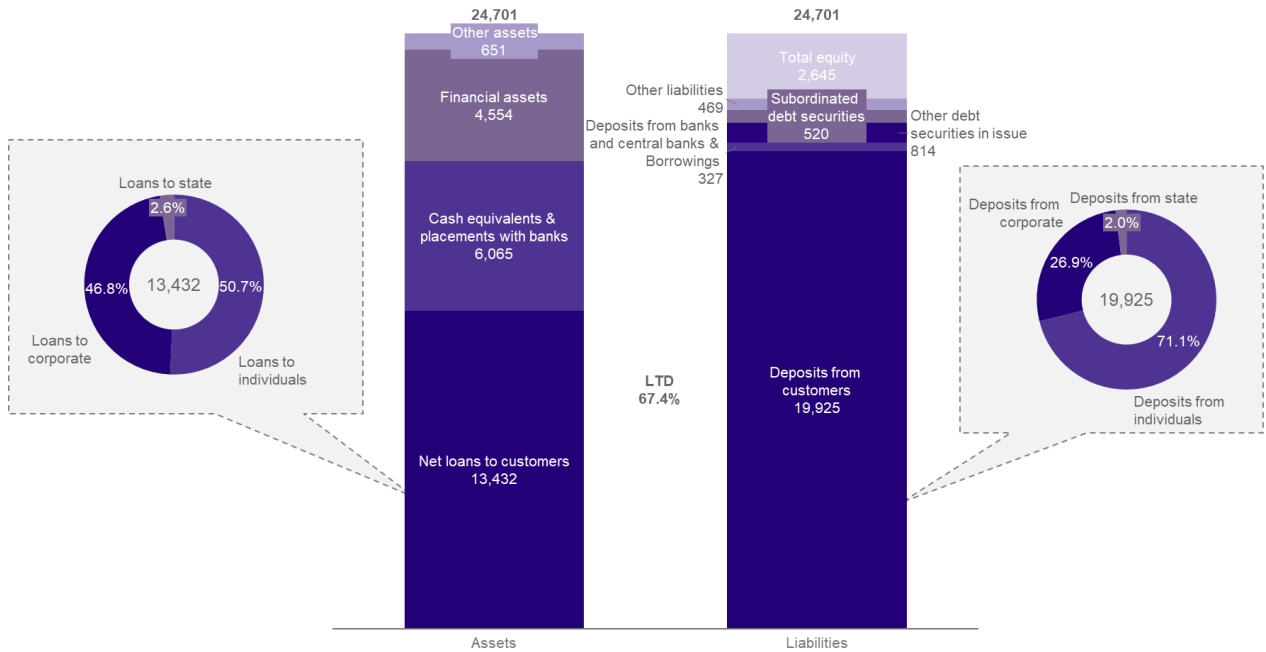
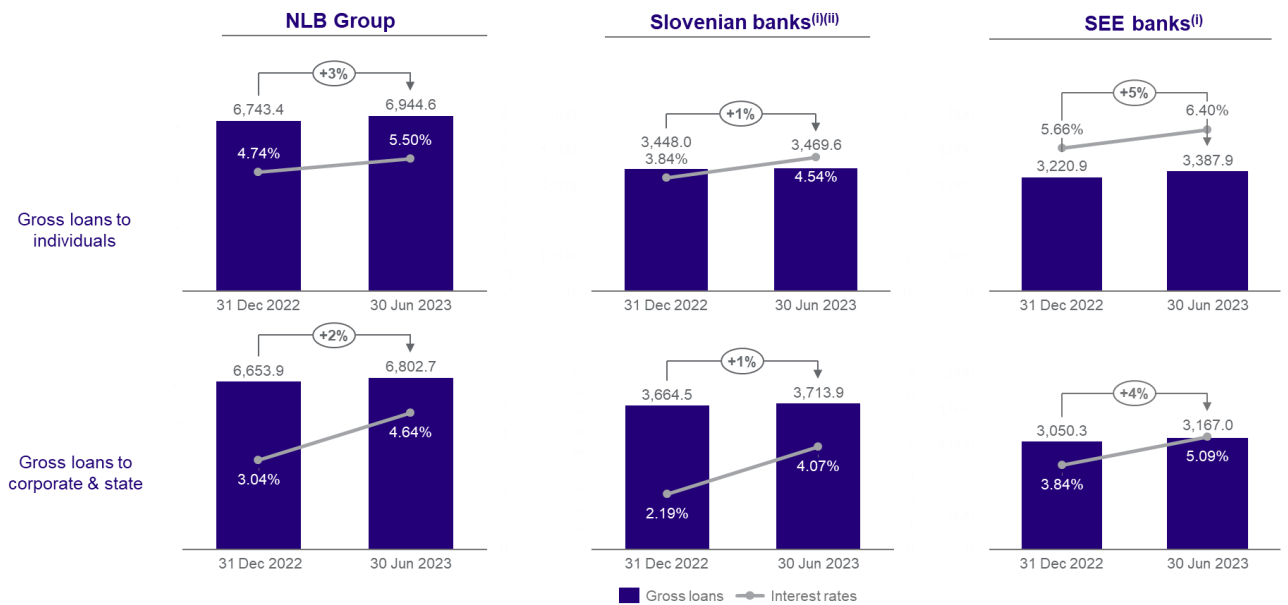


Figure 8: NLB Group gross loans to customers dynamics (in EUR millions)

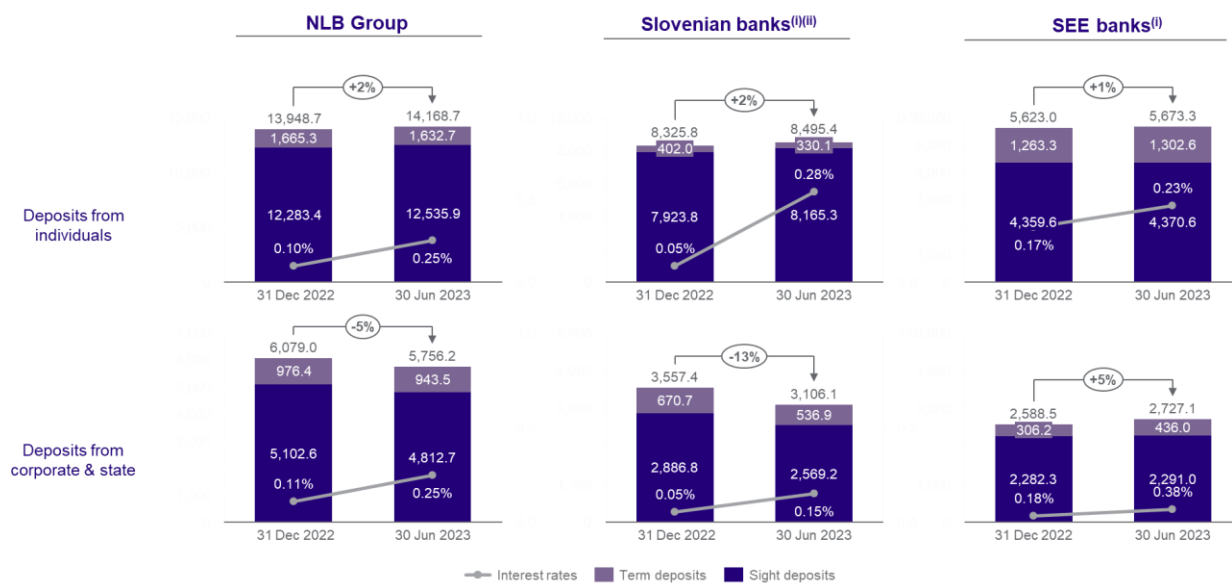


(i) On the stand-alone basis.
 (ii) Interest rates only for NLB.

Despite rising interest rates, the total stock of **gross loans to customers** increased YtD, with higher growth recorded in SEE banks in both individual and corporate and state segments. In Slovenia, the growth of gross loans to corporate and state was negatively affected by the favourable development in the energy sector after the normalisation of the crisis that led to the repayment of loans in Q1 (provided as extraordinary liquidity financing lines to the respective industry in the emerging energy crisis in H2 2022).

As expected in the higher interest rate environment, the demand for new loans slowed down, with satisfactory results in the segment of private individuals. Loan demand of the corporate segment was in higher in Q2 than in the previous two quarters, with around EUR 250 million in newly approved loans.

Figure 9: NLB Group deposits from customers dynamics (in EUR millions)



(i) On a stand-alone basis.
 (ii) Interest rates only for NLB.

The **deposit base** of the Group declined by 1% YtD due to a 13% decline in deposits from corporate and state in Slovenian banks, similar to the entire Slovenian banking system. The decline was partially neutralised with an increase in SEE banks. Moreover, deposits from individuals moderately increased across all markets of the Group.

Figure 10: Total assets of NLB Group by the location of NLB Group entities (in %)

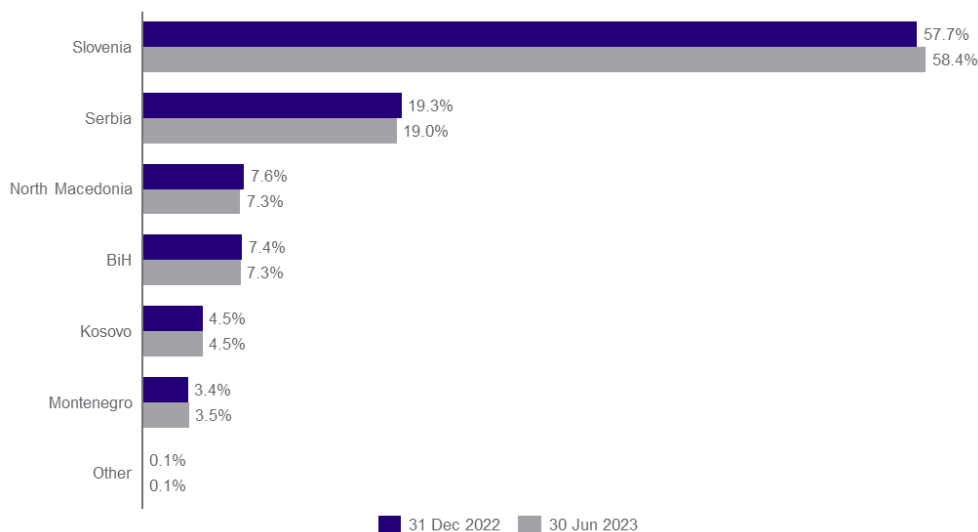
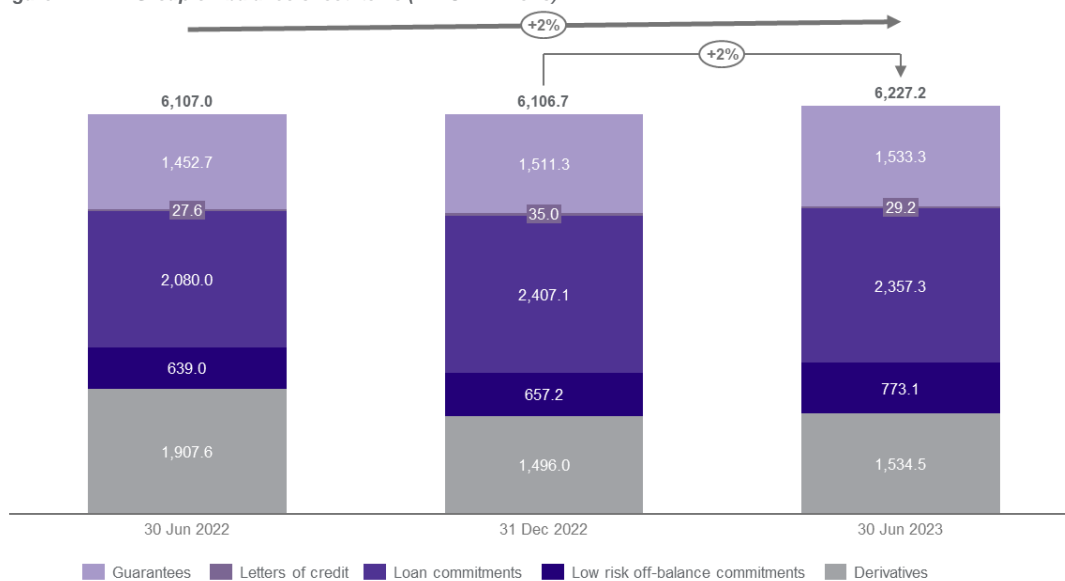


Figure 11: NLB Group off-balance sheet items (in EUR millions)



Off-balance sheet items of the Group increased by 2% YoY and YtD to EUR 6,227.2 million.

The liquidity needs of the customers, representing a further potential for revenue growth, led to an increase in loan commitments YoY. A significant part of loan commitments was divided between loans (EUR 804.5 million), overdrafts (EUR 557.6 million), and cards (EUR 322.7 million).

Higher volume of guarantees drove the guarantee fee income up by 18%, the vast occurring in Q1.

The Bank concluded most of the Group's derivatives to hedge the banking book or for trading with customers. Customers mainly used plain vanilla foreign exchange (FX) and interest rate derivatives for hedging their business model. The Bank was concluding interest rate swaps in line with fair value hedge accounting rules. Micro and macro hedges were used for hedging fixed-rate loan portfolio, and micro-interest rate swaps were used for securities hedging. In 2023, interest rate swaps were concluded by NLB Banka, Podgorica, which started hedging its portfolio of retail fixed-rate loans. FX swaps used for short-term liquidity hedging rose slightly last year due to the increased placement of foreign currency.

Capital and Liquidity

Capital

Figure 12: NLB Group capital (in EUR millions)

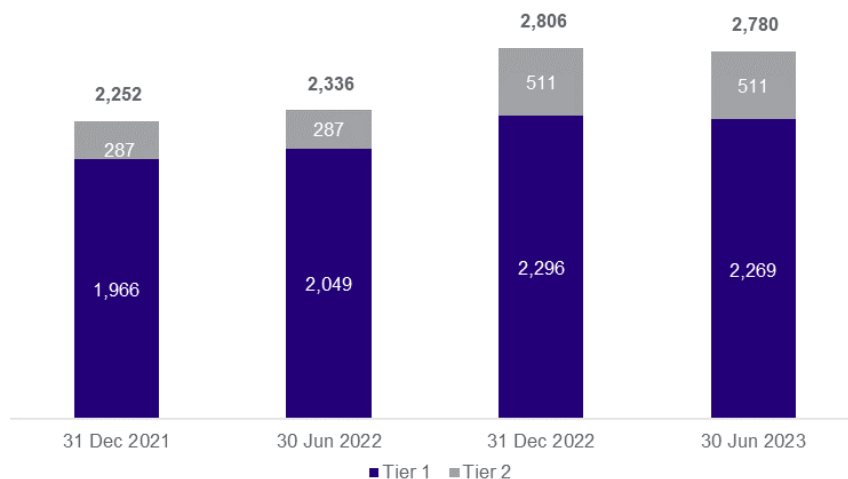
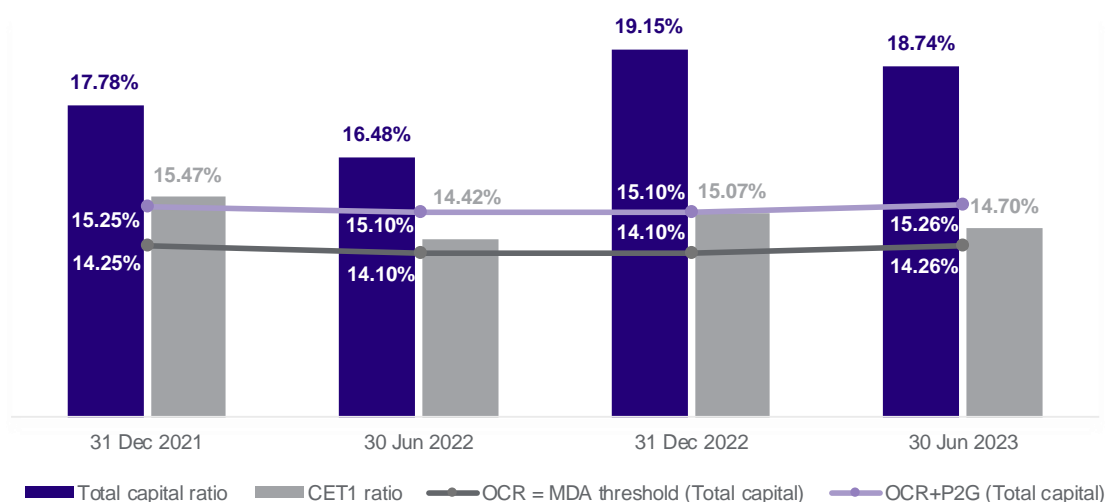


Figure 13: NLB Group capital ratios and regulatory thresholds



The Overall Capital Requirement (OCR) for the Group was 14.26%, consisting of:

- 10.40% total SREP capital requirement (TSCR) (8.00% Pillar 1 Requirement (P1R) and 2.40% Pillar 2 Requirement (P2R)) and
- 3.86% Combined Buffer Requirement (CBR) (2.50% Capital Conservation Buffer, 1.25% O-SII Buffer, 0.10% Systemic Risk Buffer and 0.01% Countercyclical Buffer).

Changes that came into effect on 1 January 2023:

- The Pillar 2 Requirement for 2023 **decreased by 0.2 p.p. to 2.40%** due to a better overall Supervisory Review and Evaluation Process (SREP) assessment.
- The Capital Buffer for Other Systemically Important Institutions (O-SII) **increased by 0.25 p.p. to 1.25%**.
- A new BoS regulation introduced the systemic risk buffer rates for the sectoral exposures in the Republic of Slovenia (RoS): 1.0% for all retail exposures to private individuals secured by residential real estate and 0.5% for all other exposures to private individuals, resulted in **0.10% Systemic Risk Buffer** in H1 2023.

Pillar 2 Guidance (P2G) remains at 1.00% and should be comprised entirely of Common Equity Tier 1 (CET1) capital.

In December 2022, the BoS announced that due to growing uncertainties in the economic environment and systemic risks, **the countercyclical buffer** for credit exposures in the RoS increased from **0.0% to 0.5%** of the total risk exposure amount. Banks have to meet the requirement **by 31 December 2023**. The Countercyclical Buffer calculated at NLB Group level on 30 June 2023 was 0.01%.

The Group's capital covers all the current and announced regulatory capital requirements, including capital buffers and other currently known conditions, as well as the P2G.

Table 5: NLB Group capital requirements and buffers

		H1 2023	2022	Change 2023-2022	2021
Pillar 1 (P1R)	CET1	4.50%	4.50%	0.00%	4.50%
	AT1	1.50%	1.50%	0.00%	1.50%
	T2	2.00%	2.00%	0.00%	2.00%
Pillar 2 (SREP req. - P2R)	CET1	1.35%	1.46%	-0.11%	1.55%
	Tier 1	1.80%	1.95%	-0.15%	2.06%
	Total Capital	2.40%	2.60%	-0.20%	2.75%
Total SREP Capital requirement (TSCR)	CET1	5.85%	5.96%	-0.11%	6.05%
	Tier 1	7.80%	7.95%	-0.15%	8.06%
	Total Capital	10.40%	10.60%	-0.20%	10.75%
Combined buffer requirement (CBR)					
Conservation buffer	CET1	2.50%	2.50%	0.00%	2.50%
O-SII buffer	CET1	1.25%	1.00%	0.25%	1.00%
Systemic risk buffer	CET1	0.10%	0.00%	0.10%	0.00%
Countercyclical buffer	CET1	0.01%	0.00%	0.01%	0.00%
Overall capital requirement (OCR) = MDA threshold	CET1	9.71%	9.46%	0.25%	9.55%
	Tier 1	11.66%	11.45%	0.21%	11.56%
	Total Capital	14.26%	14.10%	0.16%	14.25%
Pillar 2 Guidance (P2G)	CET1	1.00%	1.00%	0.00%	1.00%
OCR + P2G	CET1	10.71%	10.46%	0.25%	10.55%
	Tier 1	12.66%	12.45%	0.21%	12.56%
	Total Capital	15.26%	15.10%	0.16%	15.25%

As at 30 June 2023, the total capital ratio (TCR) for the Group stood at 18.7%, and the CET1 ratio for the Group stood at 14.7%, both decreasing by 0.4 p.p. YtD due to lower total capital and higher RWA. 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.

The total capital does not include a part of the 2022 result in the amount of EUR 55 million, which is still envisaged to be paid as dividend in 2023 (EUR 55 million were paid as dividend in June). Therefore, there will be no effect on the capital once dividends are paid.

Table 6: Total risk exposure for NLB Group (in EUR millions)

	in EUR millions				
	Balance at			Change	
	30 Jun 2023	31 Dec 2022	30 Jun 2022	YtD	YoY
Total risk exposure amount (RWA)	14,838.4	14,653.1	14,172.5	185.3	665.8
RWA for credit risk	11,971.6	11,797.9	11,605.7	173.7	365.9
Central governments or central banks	949.6	1,109.2	1,095.8	-159.6	-146.1
Regional governments or local authorities	98.1	101.2	97.1	-3.1	1.0
Public sector entities	52.8	57.9	48.9	-5.1	3.9
Institutions	318.5	292.0	288.5	26.4	30.0
Corporates	3,629.9	3,520.3	3,417.5	109.6	212.4
Retail	4,463.6	4,371.0	4,495.5	92.6	-31.9
Secured by mortgages on immovable property	1,025.5	987.7	802.2	37.8	223.4
Exposures in default	132.1	156.4	175.2	-24.3	-43.1
Items associated with participatory high risk	736.8	642.4	588.4	94.3	148.4
Covered bonds	30.4	31.5	36.5	-1.1	-6.1
Claims in the form of CU	21.9	17.9	17.1	4.0	4.9
Equity exposures	98.3	90.1	93.9	8.2	4.4
Other items	414.2	420.1	449.1	-5.9	-35.0
RWA for market risk + CVA	1,456.6	1,445.1	1,322.9	11.6	133.8
RWA for operational risk	1,410.1	1,410.1	1,244.0	0.0	166.1

Risk Weighted Assets (RWA) in the Group increased by EUR 185.3 million compared to the end of 2022. RWAs for credit risk increased by EUR 173.7 million, mainly due to ramping up lending activity in all the Group Banks except in N Banka. On the other hand, RWA decreased due to lower liquidity assets, mainly in Komercijalna Banka Beograd (maturity of several 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 Credit Value Adjustments (CVA) in the amount of EUR 11.6 million compared to the end of 2022 is the result of a 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).

MREL Compliance

The **MREL requirement** for the Group is based on the Multiple Point of Entry (MPE) approach, which means that the NLB must comply with MREL requirement on a consolidated basis at resolution group level (i.e. NLB Resolution Group, consisting of NLB d.d., Ljubljana and N Banka d.d. and other members of the NLB Group excluding banks).

As of 1 January 2022, NLB had to comply with the MREL requirement on a consolidated basis at NLB Resolution Group level of:

- 25.19% of Total Risk Exposure Amount (TREA) + applicable CBR⁵;
- 8.03% of Leverage Ratio Exposure (LRE).

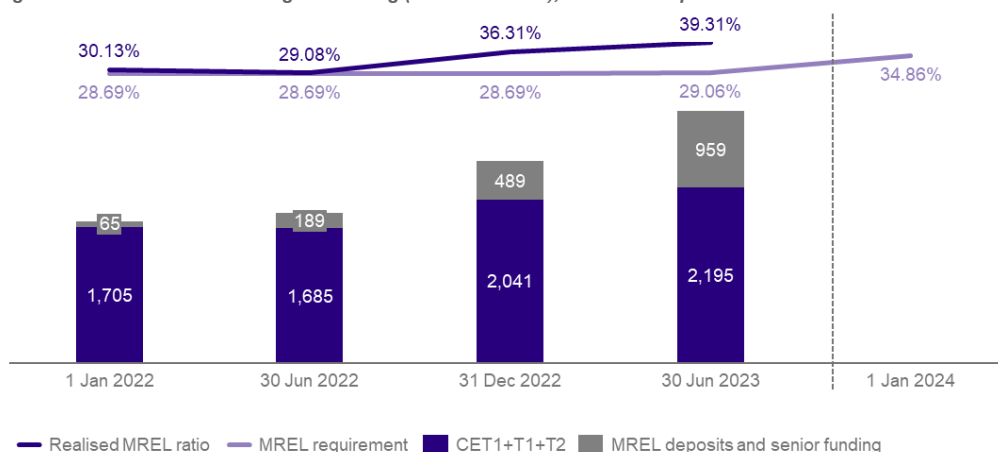
On 24 May 2023, NLB received a new decision from the BoS regarding the MREL requirement. NLB has to ensure a linear build-up of its funds and eligible liabilities towards the MREL requirement applicable as of 1 January 2024, which amounts to:

- 30.99% of TREA + applicable CBR⁶;
- 10.39% of LRE.

In June 2023, The Bank issued EUR 500 million green senior preferred notes which further strengthened the MREL buffer, ensuring the Bank comfortably meets the higher MREL requirement from 1 January 2024 onwards.

On 30 June 2023, the MREL ratio was 39.31%, which is well above the regulatory requirements.

Figure 14: Evolution of MREL eligible funding (in EUR millions), the MREL requirement and the realised MREL ratio



⁵ Amounted to 3.50%.

⁶ As at end of June it amounted to 3.87%, calculated on the NLB Resolution Group level.

NLB Shareholders Structure

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

Table 7: NLB's main shareholders as at 30 June 2023⁽ⁱ⁾

Shareholder	Number of shares	Percentage of shares
Bank of New York Mellon on behalf of the GDR holders ⁽ⁱⁱ⁾	10,747,839	53.74
• of which European Bank for Reconstruction and Development (EBRD) ⁽ⁱⁱⁱ⁾	n.a.	>5 and <10
• of which Schroders plc ⁽ⁱⁱⁱ⁾	n.a.	>5 and <10
Republic of Slovenia (RoS)	5,000,001	25.00
Other shareholders	4,252,160	21.26
Total	20,000,000	100.00

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

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

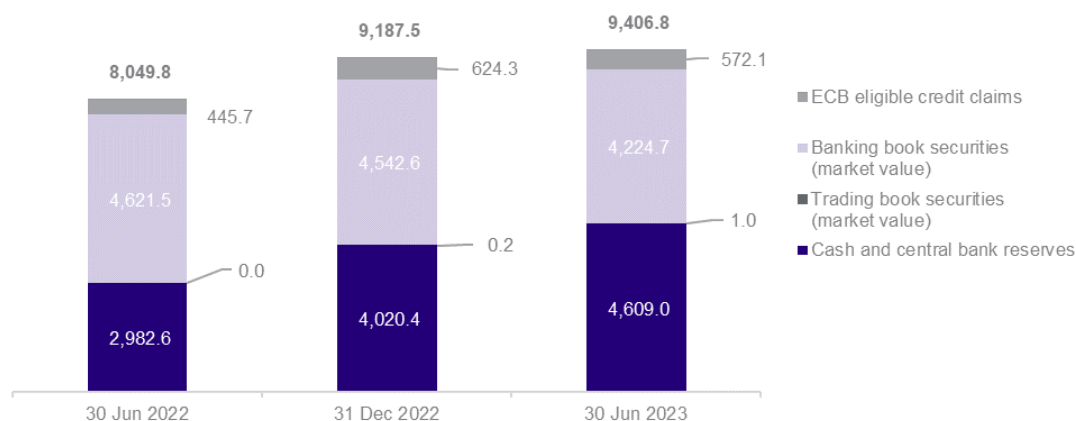
(iii) The information on GDR ownership is based on self-declarations made by individual GDR holders as required under the applicable provisions of Slovenian law.

Liquidity

The liquidity position of the Group remains strong, thus meeting the liquidity indicators high above the regulatory requirements, as well as confirming the low liquidity risk tolerance of the Group.

As of 30 June 2023 unencumbered liquidity reserves of the Group amounted to EUR 9.4 billion, corresponding to 38.5% of total assets (31 December 2022: EUR 9.2 billion, 39.0% of total assets). Encumbered liquidity reserves, used for operational and regulatory purposes, are excluded from the liquidity reserves portfolio and amounted to EUR 0.1 billion – excluding obligatory reserves (31 December 2022: EUR 0.1 billion).

Figure 15: NLB Group's unencumbered liquidity reserves structure reflects a robust liquidity position (in EUR millions)



The largest part of unencumbered liquidity reserves with 49.0% was in the category of cash and central banks reserves. The banking book securities, which accounted for 44.9% of the Group's liquidity reserves, were dispersed across issuers, geographies, and the remaining average maturity profile, aiming for adequate liquidity and interest risk management. The investment activity continues with a balanced approach that focuses on finding attractive market opportunities while pursuing well-managed credit risk and capital consumption.

Segment Analysis⁷

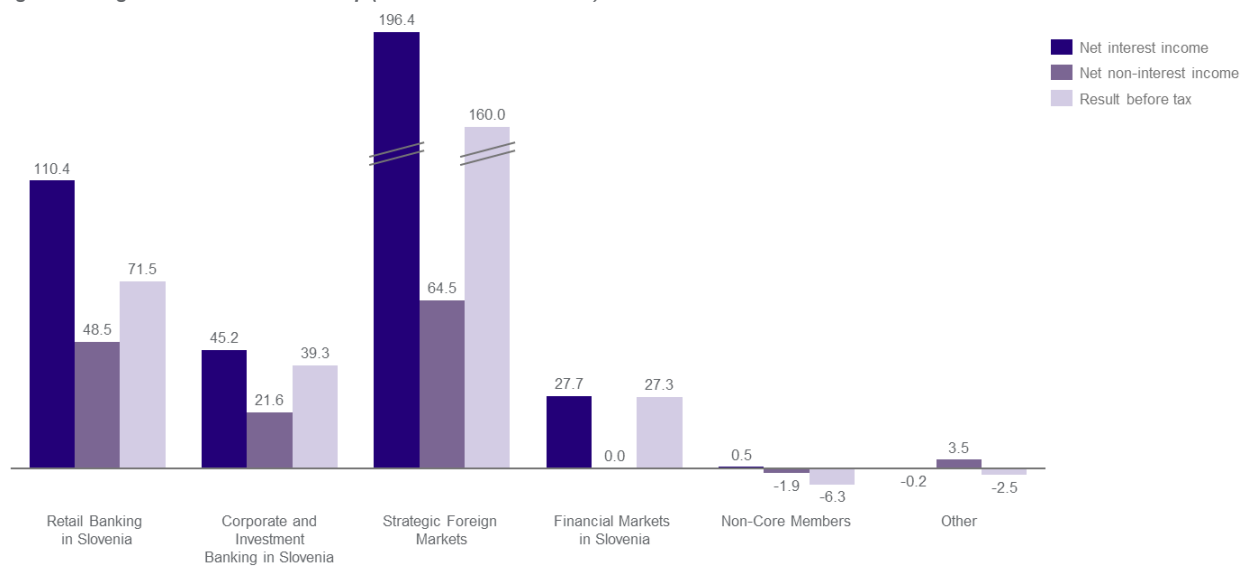
Table 8: Segments of NLB Group

	NLB Group	Core Segments				Non-Core Segments	
		Retail Banking in Slovenia	Corporate and Investment Banking in Slovenia	Strategic Foreign Markets	Financial Markets in Slovenia	Other	Non-Core Members
		includes banking with individuals and micro companies (the Bank and N Banka), asset management (NLB Skladi), a part of NLB Lease&Go, Ljubljana that includes operations with retail clients, and the contribution to the result of the associated company Bankart.	includes banking with Key Corporate Clients, SMEs, Cross-Border Corporate Financing, Investment Banking and Custody, Restructuring and Workout in the Bank and N Banka and a part of the NLB Lease&Go, Ljubljana that includes operations with corporate clients.	include the operations of strategic Group banking members in the strategic markets (North Macedonia, BiH, Kosovo, Montenegro, and Serbia), investment company KomBank Invest, Beograd, NLB DigIT, Beograd, to which IT services from NLB Banka, Beograd were transferred in 2022, the newly established leasing company NLB Lease&Go, Skopje and in 2022 the purchased company NLB Lease&Go Leasing, Beograd.	include treasury activities and trading in financial instruments, while they also present the results of asset and liabilities management (ALM) in both, the Bank and N Banka.	accounts in the Bank and N Banka for the categories whose operating results cannot be allocated to specific segments, including negative goodwill from the acquisition of N Banka in March 2022, as well as subsidiaries NLB Cultural Heritage Management Institute and Privatinvest.	includes the operations of non-core Group members, i.e., REAM and leasing entities in liquidation, NLB Srbija, and NLB Crna Gora.
Profit b.t. (in EUR millions)	289	71	39	160	27	-2	-6
Contribution to Group's profit b.t.	100%	25%	14%	55%	9%	-1%	-2%
Total assets (in EUR millions)	24,701	3,698	3,393	10,290	6,956	323	41
% of total assets	100%	15%	14%	42%	28%	1%	0%
CIR	47.0%	45.7%	51.4%	45.2%	16.9%	281.9%	-443.6%
Cost of risk (bps)	-38	22	-64	-57	/	/	/

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

⁷ In 2023, the Bank changed the recognition of obligation for regulatory expenses. In the previous year, these expenses were recognised in the second quarter after receiving the Bank of Slovenia's notification, while in 2023, the Bank recognised these expenses in full already in the first quarter. Comparative amounts for previous periods in the segments Retail Banking in Slovenia, Corporate and Investment Banking in Slovenia and Financial Markets in Slovenia have been adjusted to reflect this change in the presentation. For more information, see Note 2.2. of the Unaudited Condensed Interim Financial Statements of the NLB Group and NLB.

Figure 16: Segment results of NLB Group (1-6 2023 in EUR millions)



The core markets and activities made a profit before tax of EUR 295.6 million, with the most significant contribution to the Group's profit before tax from the Strategic Foreign Markets segment, EUR 160.0 million, followed by Retail Banking in Slovenia with EUR 71.5 million, Corporate and Investment Banking in Slovenia with EUR 39.3 million, and Financial Markets in Slovenia with EUR 27.3 million. As in line with the divestment plans, the Non-Core Members recorded a loss of EUR 6.3 million.

Retail Banking in Slovenia

Highlights

- Significantly increased net interest income, mostly due to higher volumes and margins on client deposits; additionally, the positive impact also from a higher volume of loans.
- Successful new loan production, especially for consumer loans.
- Introducing NLB Cashback, a pay and get rewards platform for Mastercard pay later cards.
- Extensive internal and public beta testing of new omnichannel digital banking solution NLB Klik.
- Including Google Pay in mobile wallet NLB Pay.
- The first bank on the market to implement mobile solution NLB Smart POS for merchants.

Financial and Business Performance

Table 9: Key financials of Retail Banking in Slovenia segment

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 ⁽ⁱ⁾	43.6	48.3	-4.7	-10%	21.0	22.6	25.0	-7%	
Net interest income from Liabilities ⁽ⁱ⁾	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%	
Total net operating income	158.9	90.3	68.6	76%	88.5	70.4	51.1	26%	
Total costs	-72.6	-64.7	-7.9	-12%	-36.7	-35.9	-35.4	-2%	
Result before impairments and provisions	86.3	25.5	60.7	-	51.8	34.5	15.7	50%	
Impairments and provisions	-15.4	-5.8	-9.6	-163%	-3.8	-11.5	-3.9	67%	
Net gains from investments in subsidiaries, associates, and JVs	0.6	1.6	-1.0	-63%	0.3	0.3	1.0	-3%	
Result before tax	71.5	21.3	50.2	-	48.2	23.3	12.7	107%	
	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 ⁽ⁱⁱ⁾	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 ⁽ⁱⁱ⁾	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	-11%	-83.7	-11%	-5%
NLB Lease&Go, Ljubljana	83.7	76.0	69.0	56.4	14.7	26%	27.3	4%	10%
Other	299.9	318.6	311.1	271.2	-11.2	-4%	28.7	1%	-8%
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 ⁽ⁱⁱ⁾	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	-21%	-117.8	-2%	-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						
CR	45.7%	71.7%	-26.0 p.p.						
Net interest margin ⁽ⁱⁱ⁾	3.54%	1.46%	2.08 p.p.						

(i) Net interest income from assets and liabilities using Fund Transfer Pricing (FTP).

(ii) Net interest margin and interest rates only for NLB. The segment's net interest margin is calculated as the ratio between annualised net interest income⁽ⁱ⁾ and the 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 22 bps YoY. The Bank offered 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 37% 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 for 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, 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.

In H1 2023, **impairments and provisions** were net established for credit risk due to revised risk parameters and new loan origination and other provisions related to potential liability in relation to the pending fee repayments. With regards to litigation risk, in recent years, and even more so in recent months, we have seen a shift in case law that is, in general, more favourable to consumers, including in relation to CHF litigations. The current litigations against the Bank related to CHF are not material, but we are closely monitoring developments.

The **leading position of the Bank on the market** continued to strengthen with a market share of 26.5% in retail lending (30 June 2022: 25.6%) and 32.1% (30 June 2022: 31.5%) in deposit-taking. After the merger with N Banka, the market share will further increase, with current market shares of N Banka of 2.8% in lending and 1.3% in deposit-taking. The retail part of NLB Lease&Go, Ljubljana successfully continued to grow steadily and recorded a 21% portfolio increase YtD.

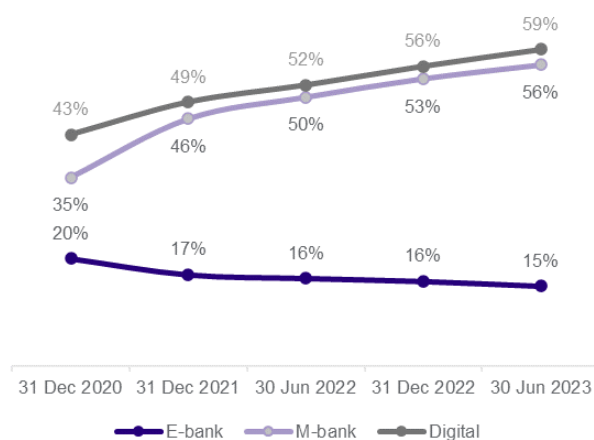
Despite a slowdown related to the interest rate hike, the Bank's market share of housing loans continued to increase and reached 27.1% (30 June 2022: 25.8%), with the market share of new housing loans being on a stable level of around 30%; nevertheless, the market has been cooled down. The **volume of the Bank's loans** was 2% higher YtD, in the housing portfolio by 2%, and in the consumer portfolio by 5%.

Besides the housing loan campaign, the Bank also offers financing under the terms of the Housing Guarantee Scheme Act to young families when solving their housing issues. The Bank is also financing its clients' needs with increased amounts of regular overdrafts for NLB packages Young, Active, Premium, and Private and adding regular overdrafts to packages My World and Basic Account. Following the ESG-oriented offer approach, the Bank signed additional new cooperation agreements with vendors in green financing for the NLB Green Partner loan product.

The **deposit base** increased YtD, primarily due to an increase in Q2 related to received holiday payments. To retain clients and to adapt to the situation in financial markets, an additional offer of the NLB Investment pair was introduced, presenting a combination of a deposit and a selected product of Vita, NLB Skladi, Alfi Re, or gold.

After nearly 24 years since its beginning, **digital banking** led to the current digital penetration of active clients (see Figure 17). New milestones, the finalisation of testing, and at the start of the mass introduction of the new NLB Klik and the outsourcing of digital certificates to ReKono were set almost at the same time, enabling the Bank to focus on new banking technologies. The same visuals, same procedures, same functionalities and user experience on any device, smartphone, computer or tablet are the advantages of the new digital bank NLB Klik. The number of active digital users in the Bank continued to grow at a steady 14% YoY, while the increase in the number of digital users YoY remains stable at 11% (20,440 new users in Q2).

Figure 17: Digital penetration⁽ⁱ⁾



(i) Share of active e-/m-bank and active digital users in # of clients with an active transactional account.

More and more clients use digital banking and 24/7 accessible channels (ATMs, Contact Centre), leading to a further decrease in **branch offices**, with five closed in Q2.

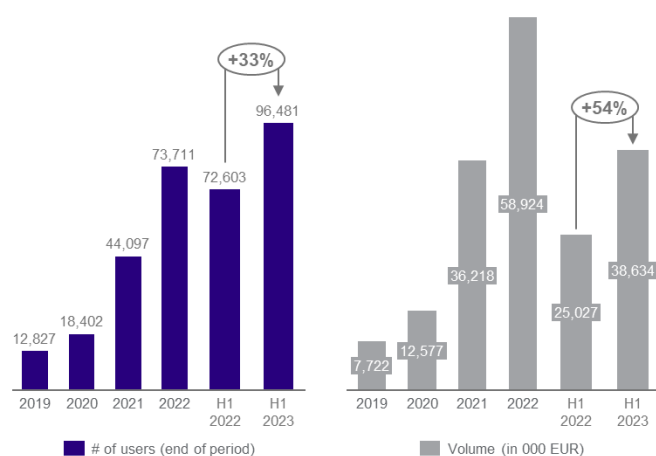
With the brace of the unified support for contact management (managed by a Natural Language processing model), the **Contact Centre** continues to present a 24/7 contact point to Bank's clients in any situation that raises questions or doubts about using the Bank's product or channels. Contact Centre processed 24% more video calls YoY. The shares of completed sales through Contact Centre (in H1 2023, 11% for consumer loans and overdrafts, and 13% for cards) advocate the role of Contact Centre as a sales channel. To harmonise contact centres within the Group, a joint strategy was prepared and standard contact management support is gradually being implemented in all member banks.

The Bank is advocating simple, safe and environmentally friendly provision of services at every step. Paying at an **ATM** is a convenient choice. Transactions are simple and available 24/7, also for the blind and visually impaired with the adaption of the ATM. The first such ATM was introduced in Ljubljana, with 52 locations further identified across the country. With the help of wired headphones, the blind and visually impaired can independently withdraw cash and check the account's balance.

NLB maintains a leading role in instant payment services, such as P2P (Peer-to-Peer) payments and cross-border instant payments. In H1 2023, the constant growth of online instant payments was also recorded.

In H1 2023, a complete redesign of mobile wallet **NLB Pay** was implemented, including a visual redesign, improved user experience and security improvements, and the possibility to add any merchant loyalty card. The most important update was the implementation of Google Pay, changing the Group mobile wallet NLB Pay to an app for confirming e-commerce purchases and Flik payments, while the Google Pay mobile wallet operates as a virtual or smart wallet enabling payments and money transfers directly from the phone or smartwatch. With Google Pay being part of NLB Pay, payment is simpler by just approaching a POS terminal, faster with no PIN necessary for purchases up to EUR 50, and convenient to use worldwide.

Figure 18: NLB Pay in numbers



The Bank has introduced the possibility of returning part of the value of purchases called NLB Cashback for NLB Mastercard pay-later cardholders. The service is a novelty in the Slovenian market, which was also implemented across the Group.

The Bank introduced a 2way SMS message to prevent fraud if risky transactions are identified. The SMS message includes further instructions for the client on confirming or rejecting the transaction. By doing so, NLB has contributed to public awareness of fraud prevention.

As the first among Slovenian banks, the Bank launched Group's new mobile POS terminal solution NLB Smart POS primarily for micro-segment, small businesses, and outdoor merchants. With the new app, merchants can change their smartphone or tablet into a mobile POS terminal and offer their clients simple, fast and safe contactless payments. A smaller volume of business is no longer a stopper for our clients to provide cashless payments through an affordable solution. NLB Smart POS accepts Visa and Mastercard cards and any cards digitized in mobile wallets.

In Q1 2023, Euromoney awarded the Bank's **Private Banking segment** as Slovenia's Best Private Bank for High Net Worth Individuals. NLB Skladi launched a new portfolio of selected government bonds, an excellent addition to individual assets management offers for Private Banking clients.

NLB Skladi, Slovenia's largest asset management company, maintains a high market share of 39.0%. Net inflows in H1 2023 amounted to EUR 74.3 million, accounting for 54.1% of all net inflows in the market. The total assets under management amounted to EUR 2,156.5 million (31 December 2022: EUR 1,883.5 million), of which EUR 1,720.9 million consisted of mutual funds (31 December 2022: EUR 1,460.3 million) and EUR 435.6 million of the discretionary portfolio (31 December 2022: EUR 423.2 million).

Insurance company **Vita** implemented new health insurance NLB Vita Diseases, which provides coverage in the event of one or more severe diseases. The target clients are those who want to cover possible partial loss of income and additional costs or faster medical care.

Corporate and Investment Banking in Slovenia

Highlights

- Net interest income increase driven by higher volumes and margins on client deposits; additionally, the positive impact also from a higher volume of loans.
- The Bank maintains strong market shares in loans and deposits.
- Growth in net fees from cards and guarantees partly offset by the cancellation of the high balance deposit fee.
- An active role in raising awareness and supporting clients in ESG development and sustainable finance, resulting in an increased volume of sustainable financing.
- Growth in trade finance business continues, allowing the Bank to preserve high market shares.

Financial and Business Performance

Table 10: Key financials of Corporate and Investment Banking in Slovenia segment

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	106%	24.0	21.2	11.8	133%	
Net interest income from Assets ⁽ⁱ⁾	28.4	25.8	2.6	10%	14.2	14.2	13.8	0%	
Net interest income from Liabilities ⁽ⁱ⁾	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%	
Total net operating income	66.8	49.9	16.9	34%	35.5	31.3	27.7	13%	
Total costs	-34.4	-28.5	-5.9	-21%	-16.5	-17.9	-16.0	8%	
Result before impairments and provisions	32.5	21.4	11.1	52%	19.0	13.4	11.7	42%	
Impairments and provisions	6.9	12.7	-5.9	-46%	2.4	4.4	8.7	-48%	
Result before tax	39.3	34.1	5.2	15%	21.5	17.9	20.4	20%	

	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 ⁽ⁱⁱ⁾	3.96%	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	-21%	5%
N Banka, Ljubljana	417.6	471.1	506.7	577.3	-89.2	-16%	-159.8	-28%	-13%
NLB Lease&Go, Ljubljana	144.3	132.2	120.7	92.8	23.6	20%	51.5	55%	8%
State	98.9	97.2	112.9	148.5	-14.1	-1%	-49.6	-3%	2%
Interest rate on State loans ⁽ⁱⁱ⁾	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	-1%	-235.7	-1%	-3%
Interest rate on deposits ⁽ⁱⁱ⁾	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	-4%	-8%
Non-performing loans (gross)	60.3	64.9	67.6	79.2	-7.3	-1%	-19.0	-2%	-3%

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

(i) Net interest income from assets and liabilities using FTP.

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

In the Corporate and Investment Banking segment, the Bank cooperates with almost 10,000 loyal corporate clients and holds over 20% of the market share in loans and deposits. The business's principal is strong customer centricity and a focus on actual client needs, with comprehensive and tailor-made financial solutions to support our economy.

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 short maturity of the deposit base. On the other hand, the loan market has become increasingly competitive, where client rates have not increased fully to reflect 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. However, the business environment remains less predictable and corporate clients continue business activities cautiously. 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. Despite that, the market share of the corporate loans of the Bank and N Banka remained strong at 24.7%. Furthermore, with a EUR 23.6 million portfolio increase, the contribution of NLB Lease&Go, Ljubljana to the segment is growing.

The **volume of deposits** decreased by 17% YtD, which can be attributed to a generally noticeable downturn in the entire Slovenian banking system. In the beginning of the year the Bank observed some higher volatility in several client accounts, but then volume volatility rather normalised and the Bank keeps a very strong deposit base with majority of clients having house-bank relationship.

The Bank remains among the top Slovenian players in custodian services for Slovenian and international clients. The total value of **assets under custody** increased YtD, mostly on domestic markets, and amounted to EUR 17.6 billion (31 December 2022: EUR 16.4 billion).

Sound growth in the **trade finance business** continues, with the Bank having a leading position. Guarantees volume further increased in H1 2023 by 11% YtD, and the Bank increased its market share by 0.9 p.p. to 34.4%. Strong focus is being given to purchasing the receivables business, including a reverse factoring product, newly developed in Q4 2022.

Activities of **cross-border financing** have been developing well. Loan outstanding portfolio amounted to EUR 361 million end of H1 2023, with additional approved and still not utilised loans amounting to EUR 103.6 million in the same period. A significant part of respective financing activities has focused on green sustainable projects in the home region. Outside the home region activities are still concentrated on Schuldschein loans, approved to big international investment-grade rated companies, mainly located in the Nordics and Western Europe.

In the **brokerage services**, the Bank executed clients' buy and sell orders of EUR 430.0 million in H1 2023 (compared to EUR 581.8 million in H1 2022). In dealing with financial instruments, the Bank conducted foreign exchange spot deals amounting to EUR 463.2 million (compared to EUR 739.9 million in H1 2022) and transactions involving derivatives reached EUR 80.4 million (compared to EUR 217.0 million in H1 2022).

The NLB trading platform has been developing very successfully, enabling clients to use a modern and best possible interaction with the Bank for executing deals with financial instruments. The services for buying and selling physical gold, a product developed last year, have also shown considerable growth and high interest on the clients' side.

The Bank has been active in **financial advisory business**. In addition to mergers and acquisitions (M&A) and advisory business, it was engaged in the organisation of syndicated loans (as a sole mandated lead arranger) in the amount of EUR 150 million and organising the bond issuing (as a lead arranger or joint lead arranger) in the nominal amount of EUR 500 million.

In light of **digital payments**, the Bank improved its solutions to corporate clients with a complete redesign of NLB Pay and by including Google Pay operating as a virtual or smart wallet enabling payments. A new payment method Flik P2eM at E-Commerce merchants was launched. As the first among Slovenian banks, the Bank launched the Group's new mobile POS terminal solution NLB Smart POS primarily for the micro-segment and small businesses. With the new

app, merchants can change their smartphone or tablet into a mobile POS terminal and offer their clients simple, fast and safe contactless payments.

Intermediary business for NLB Lease&Go, Ljubljana has also been the focus of the Bank's commercial activities, providing clients with the best possible financing solutions in financing vehicles and equipment.

Strategic Foreign Markets

Highlights

- Most profitable segment of the Group, with NLB Komercijalna Banka, Beograd contributing 52% to the segment's profit before tax.
- Double-digit jump in net interest income and increased net interest margin in all banking members.
- Robust consumer lending activities growth over the local markets' dynamics.
- Increasing deposit base showing the overall confidence in the banking sector.
- Remarkable growth of the leasing portfolio in Serbia.

Financial and Business Performance

Table 11: Key Financials of Strategic Foreign Markets segment

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	-2%
Net non-interest income	64.5	57.5	7.0	12%	30.8	33.8	29.7	8%
o/w Net fee and commission income	58.8	56.9	2.0	3%	30.3	28.6	29.7	6%
Total net operating income	260.9	194.6	66.3	34%	133.3	127.6	100.5	4%
Total costs	-117.9	-109.8	-8.1	-7%	-60.8	-57.1	-56.4	-1%
Result before impairments and provisions	143.0	84.9	58.1	69%	72.5	70.6	44.0	3%
Impairments and provisions	16.9	0.9	16.1	-	5.9	11.1	-2.3	-1%
Result before tax	160.0	85.8	74.2	87%	78.3	81.7	41.7	-4%
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	23%	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	8,356.6	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
CR	45.2%	56.4%	-11.2 p.p.
Net interest margin	4.01%	2.94%	1.07 p.p.

The Group banking members are the leading financial institutions in the SEE markets with solid liquidity and well-capitalised, serving various business segments' clients with a full range of banking products and services.

The market shares by total assets of banking members exceed 10% in five out of six markets. Most of the Group members realised higher growth in retail loans compared to the growth of the local banking sector. Amid interest rates pricing pressures and banking sector turmoil across the globe, the Group banking members continued having sound key financial indicators and realised remarkable H1 2023 results.

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%.

Customer behaviour was impacted by the increased interest rates environment and banking sector fallouts, causing slight housing loans to demand drop. However, the overall confidence remained strong in the banking sector. Thus the total **customer deposit** base increased by 2% YtD and 6% YoY.

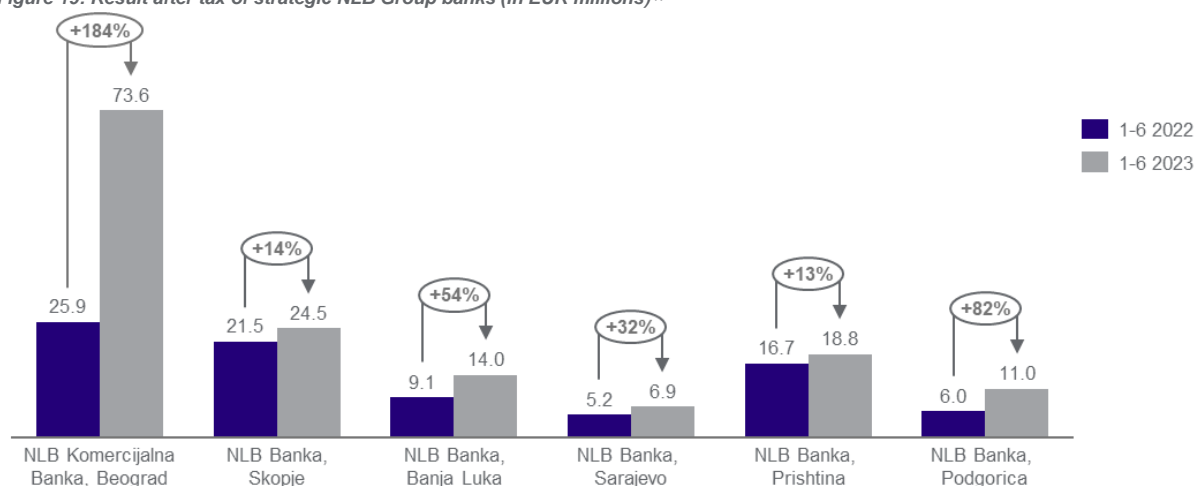
In the rising interest rates environment, **net interest income** increased by EUR 59.3 million YoY due to higher volumes and interest rates hike. The increase was recorded in all banks, with the highest impact on an interest rate increase in NLB Komercijalna Banka, Beograd of EUR 38.4 million YoY.

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.

Figure 19: Result after tax of strategic NLB Group banks (in EUR millions)⁽ⁱ⁾



(i) The profit of NLB Komercijalna Banka, Beograd in 2022 also includes the profit of NLB Banka, Beograd (Komercijalna Banka, Beograd and NLB Banka, Beograd merged in April 2022).

Despite the strong pricing competitive pressure on interest rates on assets and liabilities, the segment realised net interest margin YoY growth of slightly over 100 bps. In H1 2023, banking members realised a **net interest margin** between 2.9% (NLB Banka, Sarajevo) and 4.7% (NLB Banka, Podgorica).

Retail Banking

Despite the loan squeeze as a result of increasing interest rates, the banking members realised robust new retail loan production YoY and YtD. The loan portfolio increase to individuals was visible to all banking members. New loan production was still at high levels, significantly outperforming the local markets, especially in consumer loans. The gross loans to individuals marked a double-digit growth of 10% YoY and 5% YtD. The highest increase was realised by NLB Banka, Prishtina (15% YoY), NLB Banka, Sarajevo (13% YoY) and NLB Banka, Banja Luka (12% YoY).

All Group banks increased their market share in loans to individuals in various sub-segments from 10 to 90 bps YtD. Solid housing loans market share boost was marked by NLB Banka, Podgorica and the consumer loans market share increased by NLB Banka, Banja Luka, NLB Komercijalna Banka, Beograd, NLB Banka, Skopje, NLB Banka, Prishtina and NLB Banka, Sarajevo. New production in ESG loans accelerated in H1 2023 by offering various NLB Green Loans through partners – Eco mortgage loans through business partners, Eco home appliances loans, electric and hybrid vehicles etc. The banking sector turbulences at the beginning of the year increased the clients' concerns over their deposits; however, considering the Group banks as a safe haven, the total SEE banks deposits from individuals increased by 1% YtD and 4% YoY.

Corporate Banking

The banking members maintained a positive trend in approving new financing and attracting new corporate clients. The banks recorded a 2% YoY and a 2% YtD growth in the corporate segment, whereas the highest level was achieved in NLB Banka, Sarajevo (11% YoY) and NLB Banka, Prishtina (7% YoY). The total SEE banks deposits from corporates increased by 5% YtD and 16% YoY.

Financial Markets in Slovenia

Highlights

- The Bank successfully issued its inaugural green senior preferred notes for EUR 500 million.
- Further diversification of liquidity reserves, reinvestment of matured securities and increased balances with the central bank.
- The remaining exposure towards the Russian Federation was divested in Q1 2023.

Financial and Business Performance

Table 12: Key Financials of Financial Markets in Slovenia segment

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	13.0	14.7	12.6	0.4%
o/w ALM ⁽ⁱ⁾	16.4	14.9	1.5	8.2	8.2	8.4	1%
Net non-interest income	0.0	-1.7	1.7	0.9	-0.9	0.2	-
Total net operating income	27.7	21.2	6.5	13.9	13.8	12.7	1%
Total costs	-4.7	-4.6	0.0	-2.4	-2.3	-2.5	-0.1%
Result before impairments and provisions	23.0	16.6	6.5	11.5	11.6	10.3	-1%
Impairments and provisions	4.2	-7.5	11.7	-0.1	4.3	-6.0	-
Result before tax	27.3	9.0	18.2	11.4	15.9	4.3	-24%

	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%	10%
Banking book securities	2,954.4	2,911.0	2,993.3	3,168.7	-38.9	-1%	1%
Interest rate ⁽ⁱⁱ⁾	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%	-4%
Interest rate ⁽ⁱⁱ⁾	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%	1%
Interest rate ⁽ⁱⁱ⁾	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%	16%
Interest rate ⁽ⁱⁱ⁾	6.20%	6.12%	6.00%		0.20 p.p.	6.20 p.p.	0.08 p.p.

(i) Net interest income from assets and liabilities using FTP.

(ii) Interest rates only for NLB.

The primary mission of the segment continued to be the Group's activities on the international financial markets, including treasury operations. The market is observed constantly for the Group's investment and funding purposes. The former intends to diminish further possible defaults of issuers included in the banking book securities portfolio and to manage the portfolio according to the market moves (rising yield environment) / economic data (inflation, recession). The latter gives the Group an overview of market conditions for future bond issuances.

Net interest income was EUR 4.8 million higher YoY. The effects of the rising interest rate environment were mainly transferred through ALM from Financial Markets to segments Retail banking in Slovenia and Corporate and investment banking in Slovenia.

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 requirement. **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. At the end of H1, the bonds measured at FVOCI represented 52% of the Group and 37% of the Bank securities portfolio. The negative valuation of the FVOCI Group portfolio as at 30 June 2023 amounted to EUR 123 million (net of hedge accounting effects and related deferred tax), and unrealised losses from securities measured at amortised cost (AC) portfolio amounted to EUR 151 million. The Group securities portfolio includes EUR 278 million (or 6.3%) of the ESG debt securities issued by governments, multilateral organisations or financial institutions.

Non-Core Members

Highlights

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

Financial and Business Performance

Table 13: Key Financials of 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%
Total net operating income	-1.4	2.1	-3.5	-	-0.4	-1.0	1.2	56%
Total costs	-6.4	-5.5	-0.8	-1%	-3.5	-2.9	-3.0	-2%
Result before impairments and provisions	-7.8	-3.5	-4.3	-124%	-3.9	-3.9	-1.7	-1%
Impairments and provisions	1.6	1.0	0.6	56%	1.1	0.5	0.4	10%
Result before tax	-6.3	-2.5	-3.8	-152%	-2.9	-3.4	-1.3	15%

	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Jun 2022	Change YTD		Change YoY		Change QoQ
Segment assets	40.8	57.3	61.5	89.9	-20.8	-3%	-49.1	-5%	-2%
Net loans to customers	11.2	12.7	13.8	20.5	-2.6	-1%	-9.2	-4%	-1%
Gross loans to customers	31.7	33.4	35.4	50.3	-3.7	-1%	-18.5	-3%	-3%
Investment property and property & equipment received for repayment of loans	21.7	37.2	39.6	61.8	-18.0	-4%	-40.2	-6%	-4%
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	-1%	-15.0	-3%	-4%

Wind-down has remained the main objective of the non-core segment in all the non-core portfolios, followed by a subsequent reduction of the operating income. In line with the divestment strategy, the segment recorded a decrease in total assets of EUR 20.8 million YtD.

Risk Factors and Outlook

Risk Factors

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

- The economy's sensitivity to a potential slowdown in the euro area or globally
- Widening credit spreads
- Potential liquidity outflows
- Worsened interest rate outlook / Persistence of high inflation
- Energy and commodity price volatility
- Increasing unemployment
- Potential cyber-attacks
- Regulatory, other legislative, and tax measures impacting the banks
- Geopolitical uncertainties

The sharp rebound from the covid recession has turned in the prospective stagflation in 2023. As a result of rising inflation, high interest rates, weaker external demand and increased macroeconomic uncertainty, subdued economic growth or its gradual slowdown is expected. The Group's region is still expected to grow moderately, though relatively high inflationary pressures and other uncertainties might suggest a further slowdown, namely in private consumption and investment growth.

Credit risk usually considerably increases in times of economic slowdown. The Group has thoroughly analysed and adjusted the potential impact on the credit portfolio in light of anticipated inflationary pressures and expected decrease in economic growth. Lending growth in the corporate and retail segments is expected to remain relatively moderate, especially in such circumstances. Regarding the credit portfolio quality, the Group carefully monitors the potentially most affected segments to detect any significant increase in credit risk at a very early stage. The aforementioned adverse developments could affect the cost of risk and NPLs. Notwithstanding the established procedures in the Group's credit risk management, there can be no certainty that they will be sufficient to ensure the Group's credit portfolio quality or the corresponding impairments to remain at the adequate level in the future.

The investment strategy of the Group, referring to the Group's bond portfolio kept for liquidity purposes, adapts to the expected market trends in accordance with the set risk appetite. The war in Ukraine has led to considerable volatility in the financial markets, particularly shifts in credit spreads, rising interest rates and foreign exchange rate fluctuations. The Group is closely monitoring its major bond portfolio positions, mostly sovereigns, and carefully manages them also by incorporating adequate early warning systems to limit the potential sensitivity of regulatory capital.

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

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

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

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

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

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

During 2023, the Group reviewed the IFRS 9 provisioning by **testing a set of relevant macroeconomic scenarios** to reflect the current circumstances and their future impacts accurately. The Group established multiple scenarios (i.e., baseline, optimistic and severe) for the Expected Credit Losses (ECL) calculation, aiming to create a unified projection of macroeconomic and financial variables for the Group, aligned with the Bank's consolidated view of the future of economic development in the SEE. The Group formed three probable scenarios with an associated probability of occurrence for forward-looking assessment of risk provisioning in the context of the IFRS 9. These IFRS 9 macroeconomic scenarios incorporate the forward-looking and probability-weighted aspects of the ECL impairment calculation. Both features may change when material changes in the future development of the economy are recognised and not embedded in previous forecasts.

The baseline scenario presents a common forecast macroeconomic view for all countries of the Group. This scenario is based on recent official and professional forecasts, with specific adjustments for individual countries of the Group. Key characteristics include no additional supply shocks, decreasing inflation due to increased ECB key rate and quantitative tightening, a slightly less tight labour market, GDP growth supported by declining interest rates and positive expectations, regional containment of political tensions, and limited spillover effects of financial system issues on the real economy.

The alternative scenarios are based on plausible drivers of economic development for the next three years. The optimistic scenario is supply- and demand-driven, with a mild winter and sufficient energy supplies easing price pressures in the euro area. China's decision to abandon strict covid restrictions supports the euro area exports, stimulating demand. Lower inflation leads to an optimistic financial market outlook, and the first year shows positive growth expectations, followed by additional ECB support and moderated growth potential in the following two years.

The severe, supply- and demand-driven scenario depicts sluggish economic growth due to lower consumer purchasing power, geopolitical disruption, and elevated inflation. The Group home countries experience near-zero real economic growth, leading to substantial upward shocks in financial markets. Political tensions persist, causing supply disruptions, and inflation remains higher than expected, resulting in increased long-term inflation expectations. GDP growth remains low as the ECB implements a restrictive monetary policy. Despite a slow increase in the unemployment rate, many industries still face a tight labour market. The financial system stabilises, allowing the ECB to focus on taming inflation. The Bank considers these scenarios in calculating expected credit losses in the context of the IFRS 9.

On this basis, the Group revised scenario weights in H1 2023 and assigned weights of 20%-60%-20% (alternative scenarios receiving 20% each, and the baseline scenario 60%), with minor changes in some entities to reflect the likelihood of relevant future economic conditions in their environment.

The Group established a comprehensive internal **stress-testing framework** and **early warning systems** in various risk areas with built-in risk factors relevant to the Group's business model. The stress-testing framework is integrated into Risk Appetite, Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP), and the Recovery Plan to determine how severe and unexpected changes in the business and macro

environment might affect the Group's capital adequacy or liquidity position. The stress-testing framework and recovery plan indicators support proactive management of the Group's overall risk profile in these circumstances, including capital and liquidity positions from a forward-looking perspective.

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

Outlook

The indicated outlook constitutes forward-looking statements which are subject to a number of risk factors and are not a guarantee of future financial performance. The Group is pursuing a range of strategic activities to enhance its business performance. The interest rate outlook is uncertain given the adaptive monetary policy of the ECB and local central banks to the general economic sentiment.

Minor adjustments to the previously communicated 2023 outlook and guidance for 2025 exhibit strong asset quality prospects for the whole 2023 and improved expected capital generation leading to an increase in tactical M&A capacity.

The Group is improving the CoR outlook for 2023 to below 15 bps (from previously announced expectations of CoR between 30 and 40 bps) as a function of underlying strong trends and despite the recent floods in Slovenia. The natural disaster has significantly impacted public infrastructure as well as numerous households and businesses. The Group's current evaluation indicates the immediate impact on its business operations as moderate; however this assessment is preliminary and will develop further as more comprehensive perspectives and client feedback are gathered. NLB Group is proactively working with its customers and, if necessary, offering financial (liquidity) assistance in addition to our commitment of EUR 4 million in humanitarian and financial aid. Better than previously expected asset quality also leads to ROE a.t. and ROE normalised upward revision. In 2023, ROE a.t. is expected to be above 15% (previously above 14%), and ROE normalised above 20% (previously 18%).

During the inaugural Investor Day, which took place in May 2022, the Group communicated several KPIs for 2025, i.e., regular profit will exceed EUR 300 million, a EUR 100 million contribution from the Serbian market, EUR 500 million total capital return through cash dividends between 2022 and 2025, tactical M&A capacity of EUR 1.5 billion RWA, and ROE a.t. will exceed 12%. The Group remains committed to delivering on these KPIs. Based on the evolution of a supportive business environment and several key initiatives being successfully implemented, the Group has further refined 2025 targets for stated KPIs. Strong income-generating capacity, coupled with a decisive cost containment ambition and strong asset quality prospects, mirrors the regular profit exceeding EUR 400 million. Capital return remains anchored to the nominal dividend payment, thus increasing the tactical M&A capacity (from around EUR 4 billion RWA to above EUR 4 billion RWA).

The measures and potentials outlined in the above strategy are reflected in the Group's outlook for the 2023-2025 period.

Table 14: Market performance and outlook for the period 2023-2025

	Last Outlook for 2023	Revised Outlook for 2023	Last Outlook for 2025	Revised Outlook for 2025
Regular income	~ EUR 1,000 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	<15 bps	30-50 bps	30-50 bps
Loan growth	Mid single-digit	Mid single-digit	High single-digit	High single-digit
Dividends	EUR 110 million	EUR 110 million	EUR 500 million (2022-2025)	EUR 500 million (2022-2025)
ROE a.t.	>14%	>15%	~ 14%	~ 14%
ROE normalized ⁽ⁱ⁾	>18%	>20%	~ 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	Tactical M&A capacity of > EUR 4 billion RWA

(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.

Outlook 2023

Macroeconomic

The euro area economy will grow only timidly this year, held back by inflation inertia, higher interest rates and global headwinds, weighing further on growth and commerce even if supply bottlenecks have eased off. Private consumption will be supported by a strong labour market that is, however, bound to become marginally less tight over the course of the next two years. Risks to the outlook are a tight labour market that could exert additional pressure on wage growth and minimum wages and uncertainty that will weigh on private investment. Declining inflation should relieve consumer purchasing power and bolster growth in the second half of the year as the PPI has subsided noticeably, reducing pressure on producer margins. The pass-through of energy costs into the prices of goods has eased, and the trend is expected to continue. Services should remain the most significant contributor to the monthly inflation rate, albeit at a declining pace. That said, the distribution of EU funds should sustain activity. A possible rate hike cycle extension induced reignition of financial turbulence in the banking sector impacting financing conditions for highly indebted Mediterranean countries poses a material risk for the outlook.

Economic momentum in Slovenia will weaken this year due to decelerations in private consumption, investment (also household investment), and exports. Moreover, higher interest rates will drag on output. The key factors to watch are the ECB's monetary policy and the government's ability to pursue reforms and absorb EU funds. The economy will expand by 1.1% in 2023 and 2.2% in 2024. Economic growth is seen slowing this year in Serbia as tighter financing conditions and stubbornly-high inflation (the highest in the region) constrain demand. Additionally, global headwinds will hamper export growth. Key factors to watch include geopolitical tensions with Kosovo, anti-government protests and the upcoming parliamentary elections. On a positive note, Serbia expects a record amount of FDI to aid the development and strengthening of the economy. We see GDP rising at a 2.2% rate in 2023 and expanding by 2.9% in 2024. The Group's region is expected to grow by 1.8% in 2023 and 2.6% in 2024. Tighter global financing conditions will hamper expansions in investment activity and private spending due to sticky inflation and higher borrowing costs. The global economic slowdown will weigh on the external sector. The evolution of ethno-nationalist tensions and EU-accession-related structural reforms are factors to watch.

Revenues

The outlook for regular income remains at around EUR 1,000 million in 2023, primarily as a consequence of changed interest rate environment. However, interest income growth is expected to be primarily driven by higher rates, loan production, and the productive use of liquid assets. Moderate growth of net fee and commission income is expected for 2023, mainly on the account of basic services, such as payments and cards, but also bancassurance and asset management products. The continued increase of digital sales activities, cross-sell, and new client acquisition should further support the growth of net fee and commission income going forward.

Costs

The Group continues to pursue a strong cost containment agenda addressing both employee and other cost elements. Total costs continue to be impacted by the business environment with a visible cost inflation throughout the region. Additionally, the Group continues with its investment activities into information technology upgrades amid the growing relevance of digital banking. Moreover, integration costs associated with N Banka will contribute to the total costs in 2023. All this will increase the costs, with the expectation for the cost base of around EUR 490 million in 2023.

Loan growth and portfolio quality

The Group expects mid-single digit organic loan growth in 2023. Slower loan growth is foreseen for 2023 after exceptionally high new corporate and retail loan origination across all markets in 2022. Retail and corporate business should further grow in all markets in line or above the market system growth. The expectation is accounting for higher interest rates, inflationary pressures, and low GDP growth.

The Group is closely monitoring the macroeconomic and geopolitical circumstances and communicates closely with key clients to identify any changes in business circumstances. On the other hand, slowdown caused by weaker external demand, still elevated inflation, and greater uncertainty may limit the credit capabilities in the retail segment or weigh on lower investment growth. To enable early identification of significant increase in credit risk (SICR), the Group has strengthened the established early warning systems.

The Group remains very prudent in identifying any increase in credit risk and proactive in the area of NPL management. Consequently, a well-diversified and stable quality of the credit portfolio is expected in 2023. Based on the assessed environment, revised risk parameters, stable portfolio development, and positive contribution from the collection, the cost of risk in 2023 is expected to be below 15 bps.

Liquidity

The liquidity position of the Group is expected to remain robust even if a highly unfavourable liquidity scenario materialises, as the Group holds sufficient liquidity reserves mainly in the form of high-quality liquid assets. A significant part of liquidity reserves represents a bond portfolio, mostly sovereigns, which is closely monitored across the Group.

Capital and MREL

The capital position represents a solid basis to cover all regulatory capital requirements, including capital buffers and other currently known requirements, as well as the P2G.

The MREL requirement predominantly drives wholesale funding in 2023. Following the most recent outlook published in the Q1 2023 report, where an issuance of EUR 300-500 million of new senior MREL eligible notes was indicated, the Bank issued a 4NC3 green senior preferred notes in the amount of EUR 500 million on 27 June. This issuance will lead the Bank comfortably meeting the higher MREL requirement applicable as of 1 January 2024.

The Bank will become a more regular issuer on capital markets in the following years, mainly for MREL compliance. The annual anticipated issuance / re-financing size will be around EUR 300 million in the next years.

Dividends

The Bank's general intention is to distribute dividends on a yearly basis, while at the same time fulfilling all regulatory requirements, including the P2G and risk appetite. The Group aims to maintain stable dividend growth and at the same time have room to support organic growth and potential M&A opportunities.

In the period between 2022 and 2025, the Bank envisages a total capital return through cash dividends of EUR 500 million. Dividends in the amount of EUR 100 million were paid in 2022, while for 2023, the Bank anticipates a dividend payment in the amount of EUR 110 million. The first tranche, in the total amount of EUR 55 million, was paid out in June, and the second tranche is expected to be submitted for approval at the General Meeting towards the end of this year.

M&A opportunities

The Group's drive to deliver value to the shareholders is subject to organic growth and the capacity to engage in further value accretive M&A opportunities. Such opportunities for inorganic growth will be subject to a diligent analysis of strategic, financial, and other resource utilisation.

Risk Management

The Bank puts great emphasis on the risk culture and awareness across the entire Group. Efficient management of risks and capital is crucial for the Group to sustain long-term profitable and sustainable operations. The main risk principles are set forth by the Group's Risk Appetite and Risk Strategy, created in accordance with the business strategy. The Group's Risk Management framework is forward-looking and tailored to its business model and corresponding risk profile. A special focus is placed on the inclusion of risk analysis, including the ESG risk factors, into the decision-making process at strategic and operating levels, diversification to avoid large concentration, optimal capital usage and allocation, appropriate risk-adjusted pricing, and overall compliance with internal rules and regulations.

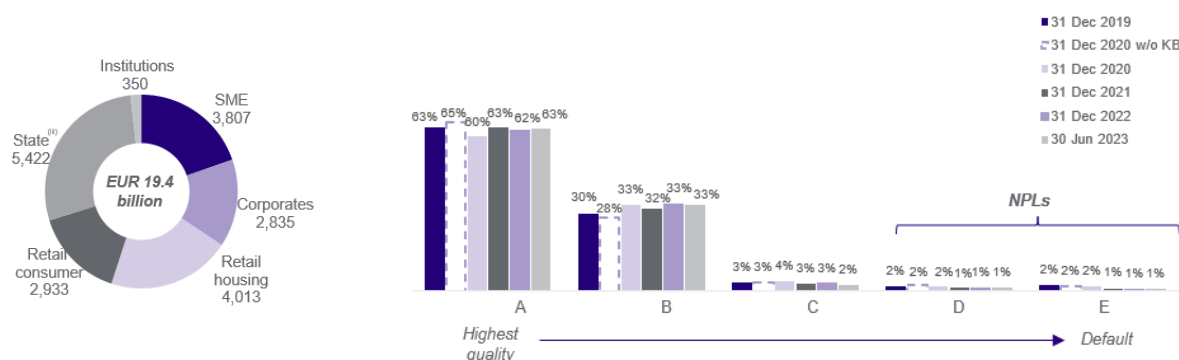
Risk Management in the Group is in charge of managing, assessing, and monitoring risks within the Bank as the main entity in Slovenia and the competence centre for seven banking subsidiaries and three leasing companies. Management and control of risks is performed through a clear organisational structure with clearly defined roles and responsibilities. The organisation and delineation of competencies is designed to prevent conflicts of interest and ensure a transparent and documented decision-making process that is subject to the relevant upward and downward flow of information.

As a systemically important institution, the Group participates in the EBA EU-wide and ECB SSM stress test exercise. This EU-wide stress test is designed to assess the resilience of the European banking sector in the current uncertain and changing macroeconomic environment. The range of results of the exercise is expected to be published by the ECB at the end of July 2023.

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

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

Figure 20: NLB Group structure of the credit portfolio⁽ⁱ⁾ (gross loans) by segment (in EUR millions) and rating⁽ⁱⁱ⁾



(i) Loan portfolio also includes reserves at central banks and demand deposits at banks.

(ii) Ratings A, B and C are performing exposures. Rating A: investment grade clients with high financial stability; Rating B: clients with high ability to repay their obligations, a significant aggravation of the economic environment would cause problems to them; Rating C: performing clients with increased level of risk who may encounter problems with settlement of liabilities in the future; Ratings D and E are NPLs: default clients (Article 178 of the Capital Requirement Regulation), including clients in delay >90 days and other clients considered 'unlikely to pay' with delays below 90 days. The numbers may not add up to 100% due to rounding.

(iii) State includes exposures to central banks.

The current structure of the credit portfolio (gross loans) consists of 35.9% retail clients, 14.68% large corporate clients, 19.78% SMEs and micro companies, while the remainder of the portfolio consists of other liquid assets. The credit portfolio remains well diversified, and there is no significant concentration in any specific industry or client segment. The share of the retail portfolio in the whole credit portfolio is quite substantial, with the segment of mortgage loans prevailing. Moderate organic loan growth is expected in 2023 at a slower pace than the year before. Most of the loan portfolio refers to the euro currency, while the rest originates from local currencies of the SEE banking members.

Table 15: Overview of NLB Group corporate loan portfolio by industry as at 30 June 2023

Corporate sector by industry	Credit portfolio		in EUR thousands	
	NLB Group	%	Δ Q2 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
Manufacturing	1,488,101	22%	28,437	29,251
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
Wholesale and retail trade	1,342,882	20%	40,190	64,911
Other	1,835	0%	-700	528
Total Corporate sector	6,641,347	100%	185,857	95,734

Main manufacturing activities	Credit portfolio		in EUR thousands	
	NLB Group	%	Δ Q2 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
Total manufacturing activities	1,488,101	22%	28,437	29,251

Main wholesale and retail trade activities	Credit portfolio		in EUR thousands	
	NLB Group	%	Δ Q2 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
Total wholesale and retail trade	1,342,882	20%	40,190	64,911

Figure 21: NLB Group loan portfolio by stages as at 30 June 2023

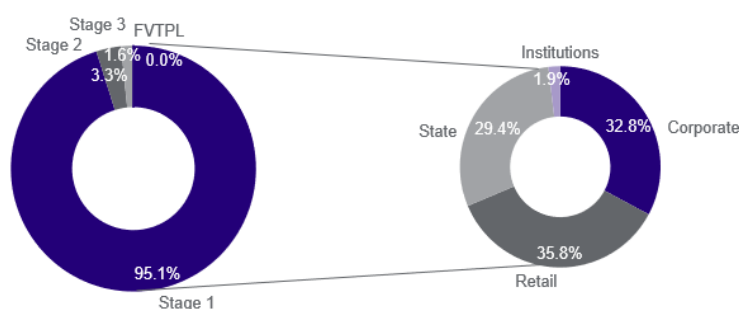


Table 16: NLB Group loan portfolio by stages as at 30 June 2023; in EUR millions

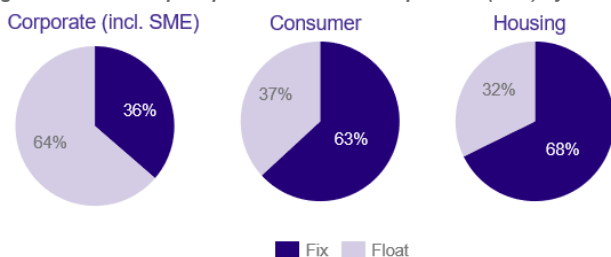
	in EUR millions														
	Credit portfolio									Provisions and FV changes for credit portfolio					
	Stage1			Stage2			Stage3 & FVTPL			Stage1		Stage2		Stage3 & FVTPL	
	Credit portfolio	Share of Total	YTD change	Credit portfolio	Share of Total	YTD change	Credit portfolio	Share of Total	YTD change	Provision Volume	Provision Coverage	Provision Volume	Provision Coverage	Provisions & FV changes	Coverage with provisions and FV changes
Total NLB Group	18,412.4	95.1%	954.8	633.9	3.3%	15.6	312.9	1.6%	-15.2	82.0	0.4%	40.8	6.4%	193.3	61.8%
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%

The majority of the Group's loan portfolio is classified as Stage 1 (95.1%), a relatively small portion as Stage 2 (3.3%), and Stage 3 (1.6%). The loans in stages 1 to 3 are measured at amortised cost, while the remaining minor part (0.002%) represents fair value through profit or loss (FVTPL). Under the IFRS 3 rules, all assets of NLB Komercijalna Banka, Beograd and N Banka were initially recognised at fair value in the Group financial statements. Respectively, all acquired loans were classified either in Stage 1 (performing portfolio) or Stage 3 (non-performing portfolio). Special rules were applied for Stage 3 loans since they were NPLs already at initial recognition and recognised at fair value without additional credit loss allowances.

The portfolio quality remains stable, with increasing Stage 1 exposures in the corporate and retail segments and a relatively low percentage of NPLs. The percentage of Stage 1 loan portfolio remains at a similar level as at 31 December

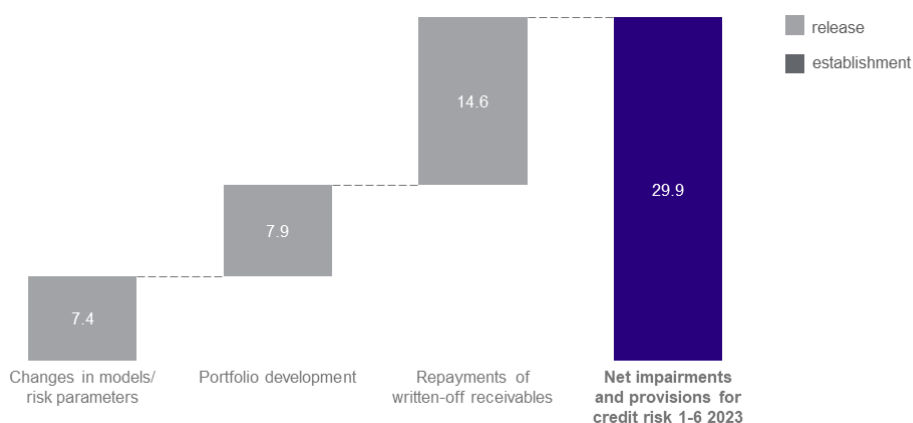
2022 (95.0%) in the retail segment, while in the corporate segment, despite the adverse economic conditions, it improved to the level of 91.0%, which is the result of a cautious lending policy.

Figure 22: NLB Group corporate and retail loan portfolio (in %) by interest rates as at 30 June 2023



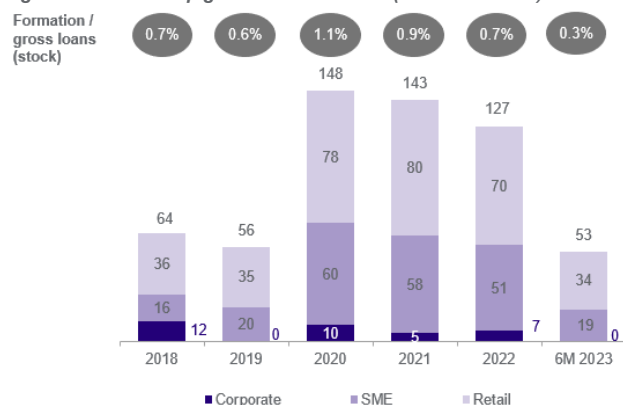
Approximately 51% of the Group corporate and retail loan portfolio is linked to a fixed interest rate, and the rest to a floating rate (mainly the Euribor reference rate). The corporate segment is dominated by floating interest rates. In the retail segment, the transfer from variable to fixed interest rates continues in Q2; almost 66% of the retail loan portfolio is linked to a fixed interest rate.

Figure 23: NLB Group cumulative net new impairments and provisions for credit risk (in EUR millions)



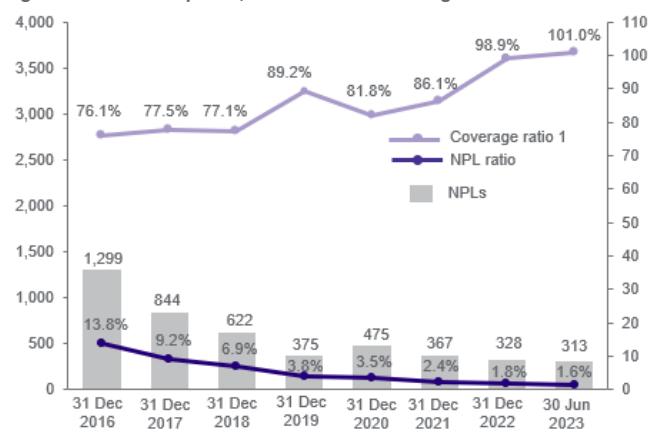
In H1 2023, CoR was negative at 38 bps as a result of the repayment of written-off receivables (EUR 14.6 million), portfolio development (EUR 7.9 million), and revised risk parameters (EUR 7.4 million). Part of the overlays applied to selected risk parameters in the past years has been abolished, mainly 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 situation regarding inflation and interest rates. The macroeconomic situation across the region might be further impacted by high inflation and relatively low GDP growth. They might have some adverse impact on the cost of risk in the next period, but they should not be excessive.

Figure 24: NLB Group gross NPL formation (in EUR millions)



Macroeconomic uncertainty caused by subdued economic growth, inflation, and increasing interest rates resulted in a moderately low cumulative new NPL formation of EUR 53.2 million in the first six months, representing 0.3% of the total loan portfolio. Nevertheless, the Group's credit portfolio remains of high quality, whereby the Group follows cautious lending standards and has effective early warning systems in place.

Figure 25: NLB Group NPL, NPL ratio and Coverage ratio⁽ⁱ⁾



(i) By internal definition.

Precisely set targets in the Group's NPL Strategy and various proactive workout approaches facilitated the management of the non-performing portfolio. The Group's approach to NPL management strongly emphasises restructuring and using other active NPL management tools, such as the sale or foreclosure of collateral, the sale of claims and pledged assets. In 2023, the multi-year declining trend of the non-performing credit portfolio stock continued, primarily due to repayments and cured clients. The non-performing credit portfolio stock in the Group decreased since the end of 2022 to EUR 312.9 million (31 December 2022: EUR 328.3 million). The combined effects resulted in 1.6% of NPLs, while the internationally more comparable NPE ratio, based on the EBA methodology, stood at 1.2%. The Group's indicator gross NPL ratio, defined by the EBA, also fell below the 2022 year-end level, reaching 2.3% at the end of Q2 2023.

Due to extensive experience gained in the last few years in dealing with clients with financial difficulties, resulting primarily from legacy portfolios, the Group has developed an extensive knowledge base both in preventing financial difficulties of clients by restructuring receivables and in successfully recovering exposures with no realistic recovery prospects. This extensive knowledge base is available throughout the Group, and risk units as well as restructuring and workout teams are properly staffed and have the capacity to deal, if needed, with considerably increased volumes in a professional and efficient manner. Due to this fact, as well as due to the implemented early warning tools, and efficient analysis and reporting mechanisms, the Group is able to proactively identify and engage with potentially distressed borrowers.

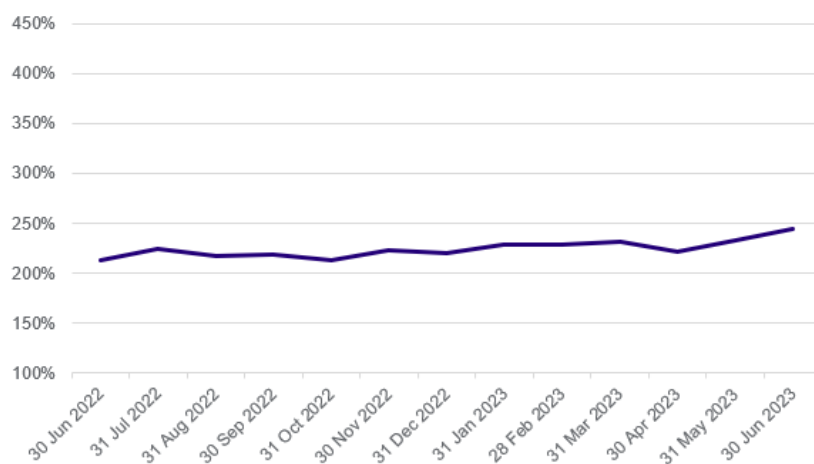
The Group is closely monitoring the macroeconomic and geopolitical circumstances and communicates closely with key clients to identify any changes in business circumstances. On the other hand, slowdown caused by weaker external demand, still elevated inflation, and greater uncertainty may limit the credit capabilities in the retail segment or weigh on lower investment growth. The Group has strengthened the established early warning systems to enable early identification of SICR.

An important Group's strength is the NPL coverage ratio 1 (coverage of gross NPLs with impairments for all loans), which remains high at 101.0%. Furthermore, the Group's NPL coverage ratio 2 (coverage of gross NPLs with impairments for NPL) improved in Q2 and stands at 61.8%, well above the EU average published by the EBA (43.6% for March 2023). As such, it enables a further reduction in NPLs without significantly influencing the cost of risk in the coming years.

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

The liquidity position of the Group remained stable. The impacts of the war in Ukraine, its overall economic implication and recent developments in the banking system did not cause any material liquidity outflows. The Group holds a very strong liquidity position at the Group and individual subsidiary bank level, which is well above the risk appetite with the Liquidity Coverage Ratio (LCR) of 244.8% and unencumbered eligible reserves in the amount of EUR 9,406.8 million, mainly in the form of placements at the ECB and prime debt securities. Significant attention is given to the structure and concentration of liquidity reserves by incorporating early warning systems. The main funding base of the Group at the Group and individual subsidiary bank level predominately entails customer deposits, namely in the retail segment, representing a very stable and constantly growing base. A very comfortable level of LTD at 67.4% gives the Group the potential for further customer loan placements.

Figure 26: NLB Group's LCR



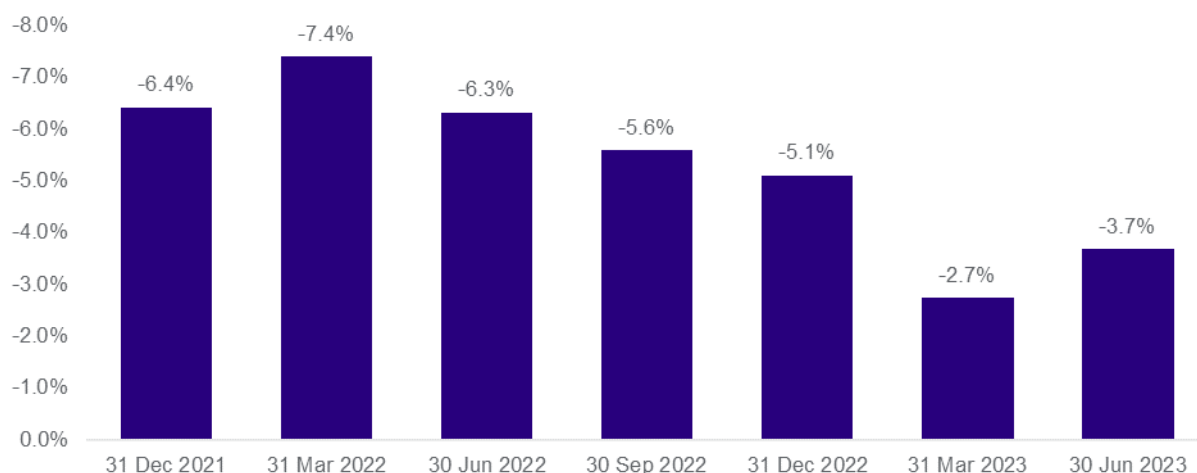
The Group's net open FX position from the transactional risk is low. At the end of H1 2023, it stood at 0.60% of capital. On the other hand, structural FX positions, recognised in the other comprehensive income (OCI) on the consolidated basis, arising from investments into Group's non-euro subsidiaries, impact the Group's RWA for market risk.

Regarding market risks in the trading book, the Group pursues a low-risk appetite for market risk in the trading book. The exposure to trading (according to the CRR) is only allowed to the parent Bank as the main entity of the Group and is very limited.

The exposure to interest rate risk is moderate and derives mainly from the banking book positions. Bonds and loans with a fixed interest rate contribute the most to the interest rate risk exposure in terms of the Economic Value of Equity (EVE) indicator. In contrast, exposure is managed with core deposits, which represent the most important and material element of the interest rate risk management. To a lesser extent, the Group uses plain vanilla derivatives for hedging the risk.

The Group applies different scenarios when assessing the EVE sensitivity. From the EVE perspective, the estimated capital sensitivity of the worst regulatory scenario equals -3.67% of the Group's T1 capital.

Figure 27: NLB Group's EVE evolution



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

Special attention is dedicated to the stress-testing system, based on a scenario analysis referring to the potential high severity, low-frequency events and modelling data on loss events. Apart from losses already included in the loss event database, one-off and unpredictable extreme events are also considered. Furthermore, key risk indicators, serving as an early warning system for the broader field of operational risks are regularly monitored, analysed, and reported with the aim of improving the existing internal controls and enabling on-time reactions.

The Group contributes to sustainable finance by incorporating the ESG risks into its business strategies, risk management framework, and internal governance arrangements. The Group integrates and manages them within the established risk management framework in the areas of credit, liquidity, market, and operational risk. The management of the ESG risks follows the ECB and EBA guidelines, following the tendency of their comprehensive integration into all relevant processes.

The Group conducts a materiality assessment as part of its overall risk identification process to determine the level of transitional and physical risk to which the Group is exposed. The Group's exposure towards these risks is rather low. Transition risk is assessed as more material than physical risk. With the implementation of the Net Zero Strategy of the NLB Group in 2023, it is expected that its impacts will gradually diminish. Results of internal climate stress tests showed no material impacts on the Group's capital and liquidity position.

Sustainability

In the first half of 2023, the Group continued to meet the objectives set out in its Sustainability Framework. The Group implements ESG considerations in its business strategy, risk management framework and internal governance promptly and in line with evolving requirements. In doing so, the Group follows legislation, guidelines from the ECB, EBA, UNEP-FI, EBRD and best banking practices and is intensively preparing to implement the CSRD and the forthcoming ESRS standards. In June, UNEP FI delivered its second response report on implementing the Responsible Banking Principles, highlighting positive aspects of implementing the principles, developments in climate change and promoting the sustainable culture. In line with the recommendations, the Group will continue to set priority and concrete objectives in its impact areas.

Sustainable finance

- Preparation for the second annual ESG risk rating (by Sustainalytics) is in progress.
- Commitment to supporting clients in transitioning to a low-carbon economy and society continues. H1 realisation from the corporate and retail green finance offering aligned with business targets.
- The NLB issued green senior preferred bonds with a total nominal amount of EUR 500 million in June. With the funds raised, the Group's member banks intend to support projects positively impacting the environment. For more information on green bonds, please refer to [NLB Green Bond Framework](#).
- As a signatory to the Net Zero Banking Alliance, NLB is demonstrating progress in developing its Net Zero Business Strategy, providing IT support for generating and processing customer emissions data and measuring portfolio emissions. The first targets for footprint reduction in carbon-intensive industries at the Group level will be published by the end of 2023.
- The Group has implemented its strategic orientations and annual plans in risk management. These include, among other things, the appropriate implementation of ESG risks in the risk management framework, the decision-making process at strategic and operational levels, including implementation in the credit process, and customer/project due diligence. To enhance awareness of ESG risks and their appropriate treatment, training for the Group employees is provided.
- A disclosure of potential transition risk related to climate change, in line with EBA guidelines, including the credit quality of exposures to non-financial corporates by sector, issue and remaining maturity, will be prepared in the context of Basel Pillar 3 Disclosures - June 2023. For more information on potential transition risk, please refer to [NLB Group Pillar III Disclosures](#).
- Adequate placement of ESG investments into the investment policy under European guidelines, Slovenian legislation and the guidelines of the regulator for the sub-funds: NLB Skladi Zeleni delniški and NLB Skladi – Družbeno odgovorni razviti trgi delniški are in progress.

Sustainable operations

- The Group regularly monitors and strengthens existing mechanisms and activities for responsible governance and oversight in sustainability and ESG. The first comprehensive internal audit in this area was conducted and followed by an action plan to strengthen the governance further. The Group is also an ambassador of the Chapter Zero initiative, which enables members of the Supervisory and Management Boards of the Group's members to strengthen their competencies to adequately address climate change in the Group's business model.
- After signing the Commitment to Respect Human Rights in Business (as part of the National Action Plan) in January, the Group adopted the Policy on Respect for Human Rights in NLB d.d. and the NLB Group and provided adequate training.
- Standardisation of sustainability and ESG management in the Group is underway, including amendments of essential procedures and internal acts.
- The Group members continue to take action to reduce their emissions by optimising energy and resource consumption and reduction of paper consumption through the digitalisation and automation of processes.
- In line with the annual plans, activities such as education, development of competencies and encouragement of employees to physical activity, as well as the implementation of the policy on respecting human rights, are being carried out to ensure diversity, equity, inclusion, engagement and well-being of employees, gender equality, and positive organisational culture.

Contribution to society

A major strategic guideline for the Group CSR activities is their alignment with the UN Sustainable Development Goals. In June 2023, the Group donated EUR 1.35 million to dozens of organisations in all regional markets, selected by its employees as one of many sustainability efforts in which our employees are actively involved.

Related-Party Transactions

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

Corporate Governance

Management Board

In accordance with the Articles of Association of NLB, the Management Board has three to seven members (the president and up to six members) appointed and dismissed by the Supervisory Board. The president and members of the Management Board are appointed for a five-year term of office and may be re-appointed or dismissed early by the law and Articles of Association.

The current composition of the Management Board is as follows: Blaž Brodnjak as President & CEO, Archibald Kremser as Chief Financial Officer (CFO), Andreas Burkhardt as Chief Risk Officer (CRO), Hedvika Usenik as Chief Marketing Officer (CMO), responsible for Retail Banking and Private Banking, Antonio Argir, responsible for Group governance, payments and innovations and Andrej Lasič as CMO, responsible for Corporate and Investment Banking.

The composition of the Management Board in H1 2023 remained the same.

Supervisory Board

According to the Articles of Association of NLB, the Supervisory Board consists of 12 members, of which eight represent the interests of shareholders, and four represent the interests of employees. Members of the Supervisory Board representing the interests of shareholders are elected and recalled by the General Meeting from persons proposed by shareholders or the Supervisory Board. Members of the Supervisory Board representing the interests of employees are elected and recalled by the Works Council, taking into account the conditions for members of the Supervisory Board laid down in the regulations and the Articles of Association.

As the term of office of four members of the Supervisory Board, namely Deputy Chairman Andreas Klingen, Shrenik Dhirajlal Davda, Gregor Rok Kastelic, and Mark William Lane Richards, expired the General Meeting on its session dated 19 June 2023 appointed four members, of whom two are existing, and two are new. The shareholders re-appointed Shrenik Dhirajlal Davda and Mark William Lane Richards. Also, they appointed two new members, namely Cvetka Selšek, a former CEO and Chairwoman of the Société Générale SKB Bank (Slovenia), and André-Marc Prudent-Toccanier, a seasoned banker who has held various managerial positions in his 40-year career at Société Générale. All four are appointed for a four-year term of office, which begins on the day of their appointment or, in the case of newly appointed members, after receiving all of the necessary regulatory approvals.

In addition to the members appointed on the session of the General Meeting and its Chairman Primož Karpe, the Supervisory Board consists of David Eric Simon, Verica Trstenjak, Islam Osama Zekry, and two employee representatives Sergeja Kočar and Tadeja Žbontar Rems.

General Meeting

The shareholders exercise their rights related to the Bank's operations at General Meetings of the Bank. Decisions adopted by the General Meeting include, among others: adopting and amending the Articles of Association of NLB, use of distributable profit, granting a discharge from liability to the Management and Supervisory Board, changes to the Bank's share capital, appointing and discharging members of the Supervisory Board, remuneration and profit-sharing by the members of the Supervisory and Management Board and employees, annual schedules, and characteristics of issues of securities convertible into shares and equity securities of the Bank.

At the 40th General Meeting, shareholders took note of the adopted NLB Group Annual Report 2022. They adopted the Report of the Supervisory Board of NLB on the results of the examination of the NLB Group Annual Report 2022 and the Report on remuneration in the business year 2022 with the Additional information to the Report on remuneration in the business year 2022 based on Slovenian Sovereign Holding's Baselines and the Internal Audit Report for 2022 and Opinion of the Supervisory Board of NLB.

The General Meeting also adopted decisions on allocating distributable profit from the previous year and granted a discharge from liability to the Management Board and Supervisory Board. The shareholders decided that part of the distributable profit would be paid out as dividends in a total amount of EUR 55 million, which is EUR 2.75 gross per share. This dividend payout is only the first one planned this year. The second tranche is expected to be submitted for approval at the General Meeting towards the end of this year.

The General Meeting adopted decisions on the election of the Supervisory Board members, as already mentioned above, and decided on payments to the members of the Supervisory Board and its committees.

Guidelines on Disclosure for Listed Companies

By Section 2.1.3, Point 2, of the Guidelines on Disclosure for Listed Companies, the Bank now states that there were no changes in the Management Board of the Bank, as well as in the Internal Audit of the Bank in H1 2023.

Events after 30 June 2023

On 3 August 2023, NLB received the authorisation of the ECB for the acquisition of N Banka.

At the beginning of August, Slovenia was faced with large-scale flooding near all rivers. Affected was mainly infrastructure (local roads and bridges), and in a certain part, also companies and property of natural persons. The Bank itself did not suffer any material damage but may indirectly be affected by the inability of certain companies to operate and natural persons whose employment may be threatened or their assets may be affected. Overall, the consequences for the Bank are assessed as limited. As a part of risk management, the Bank has been developing a model for assessing flood risk based on flood risk zones and is actively working on further enhancing this model, which will enable an additional reduction of negative impacts of future similar events for the Bank. In addition, the Bank decided to provide the necessary systemic measures for both retail and corporate clients. Furthermore, the Bank will donate EUR 4 million to the most afflicted municipalities for sustainable reconstruction and investments and help its employees who suffered damage with solidarity aid.

Alternative Performance Indicators

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

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

	NLB Group				
	1-6 2023	1-3 2023	1-12 2022	1-9 2022	1-6 2022
Numerator					
Credit impairments and provisions ⁽ⁱ⁾	-49.8	-48.7	17.6	-15.3	-6.7
Denominator					
Average net loans to customers ⁽ⁱⁱ⁾	13,213.9	13,087.6	12,256.6	12,012.6	11,649.5
Cost of risk (bps)	-38	-37	14	-13	-6

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

(ii) NLB internal information. Average net loans to customers are calculated as a sum of balance from the previous year's end (31 December) and monthly balances as of the last day of each month from January to month t divided by (t+1).

(iii) CoR for 2022 annualised without EUR 8.9 million of 12-month expected credit losses recognised at acquisition date for performing portfolio for N Banka.

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

	NLB Group				
	1-6 2023	1-3 2023	1-12 2022	1-9 2022	1-6 2022
Numerator					
Total costs	240.7	117.1	460.3	332.6	218.7
Denominator					
Total net operating income	511.7	241.9	798.5	563.7	358.1
Cost to income ratio (CIR)	47.0%	48.4%	57.6%	59.0%	61.1%

(i) In 2023, the Bank changed the recognition of obligation for regulatory expenses, data for 1-3 2022 are adjusted (more information in Note 2.2. of Unaudited Condensed Interim Financial Statements of NLB Group and NLB).

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

IFRS 9 classification into stages for loan portfolio:

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

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

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

The loan portfolio includes loans to banks, loans to other customers, loans mandatorily measured at FVTPL and balances with central banks and other banks. The majority of the loan portfolio is classified into IFRS 9 stages. The remaining minor part (0.002 per cent at the end of Q2 2023) represents FVTPL. The classification into stages is calculated on the internal data source, by which the Group measures the loan portfolio quality, and is also published in the Business Report of Annual and Interim Reports.

in EUR millions		
NLB Group		
	30 Jun 2023	31 Dec 2022
Numerator		
Total (AC) loans in Stage 1	18,412.4	17,457.5
Denominator		
Total gross loans	19,359.2	18,403.9
IFRS 9 classification into Stage 1	95.1%	94.9%

in EUR millions		
NLB Group		
	30 Jun 2023	31 Dec 2022
Numerator		
Total (AC) loans in Stage 2	633.9	618.3
Denominator		
Total gross loans	19,359.2	18,403.9
IFRS 9 classification into Stage 2	3.3%	3.4%

in EUR millions		
NLB Group		
	30 Jun 2023	31 Dec 2022
Numerator		
Total (AC + FVTPL) loans in Stage 3	312.9	328.1
Denominator		
Total gross loans	19,359.2	18,403.9
IFRS 9 classification into Stage 3	1.6%	1.8%

in EUR millions		
NLB Group		
	30 Jun 2023	31 Dec 2022
Numerator		
Total (AC) loans in Stage 1 to Corporates	6,044.8	5,920.1
Denominator		
Total gross loans to Corporates	6,641.3	6,545.6
Corporates - IFRS 9 classification into Stage 1	91.0%	90.4%

in EUR millions		
NLB Group		
	30 Jun 2023	31 Dec 2022
Numerator		
Total (AC) loans in Stage 2 to Corporates	407.6	425.7
Denominator		
Total gross loans to Corporates	6,641.3	6,545.6
Corporates - IFRS 9 classification into Stage 2	6.1%	6.5%

in EUR millions		
NLB Group		
	30 Jun 2023	31 Dec 2022
Numerator		
Total (AC & FVTPL) loans in Stage 3 to Corporates	188.9	199.9
Denominator		
Total gross loans to Corporates	6,641.3	6,545.6
Corporates - IFRS 9 classification into Stage 3	2.8%	3.1%

NLB Group Interim Report H1 2023

in EUR millions		
NLB Group		
	30 Jun 2023	31 Dec 2022
Numerator		
Total (AC) loans in Stage 1 to Retail	6,595.8	6,423.0
Denominator		
Total gross loans to Retail	6,945.9	6,743.6
Retail - IFRS 9 classification into Stage 1	95.0%	95.2%

in EUR millions		
NLB Group		
	30 Jun 2023	31 Dec 2022
Numerator		
Total (AC) loans in Stage 2 to Retail	226.3	192.6
Denominator		
Total gross loans to Retail	6,945.9	6,743.6
Retail - IFRS 9 classification into Stage 2	3.3%	2.9%

in EUR millions		
NLB Group		
	30 Jun 2023	31 Dec 2022
Numerator		
Total (AC) loans in Stage 3 to Retail	123.8	128.0
Denominator		
Total gross loans to Retail	6,945.9	6,743.6
Retail - IFRS 9 classification into Stage 3	1.8%	1.9%

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

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

													in EUR millions	
													NLB Group	
	30 Jun 2023	31 May 2023	30 Apr 2023	31 Mar 2023	28 Feb 2023	31 Jan 2023	31 Dec 2022	30 Nov 2022	31 Oct 2022	30 Sep 2022	31 Aug 2022	31 Jul 2022	30 Jun 2022	
Numerator														
Stock of HQLA	6,505.1	5,922.2	5,943.8	6,131.6	6,093.1	6,069.0	6,028.3	5,836.6	5,505.7	5,772.1	5,577.4	5,612.1	5,325.3	
Denominator														
Net liquidity outflow	2,657.4	2,541.8	2,671.8	2,651.4	2,663.4	2,649.8	2,736.6	2,612.2	2,587.4	2,641.3	2,568.0	2,498.5	2,499.6	
LCR⁽ⁱ⁾	244.8%	233.0%	222.5%	231.3%	228.8%	229.0%	220.3%	223.4%	212.8%	218.5%	217.2%	224.6%	213.0%	

(i) Based on the EC's Delegated Act on LCR.

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

				in EUR millions	
				NLB Group	
	30 Jun 2023	31 Dec 2022	30 Jun 2022		
Numerator					
Net loans to customers	13,431.8	13,073.0	12,620.2		
Denominator					
Deposits from customers	19,924.9	20,027.7	19,151.1		
Net loan to deposit ratio (LTD)	67.4%	65.3%	65.9%		

Net interest margin based on interest-bearing assets (cumulative) – Calculated as the ratio between net interest income annualised and average interest-bearing assets.

in EUR millions					
NLB Group					
	1-6 2023	1-3 2023	1-12 2022	1-9 2022	1-6 2022
Numerator					
Net interest income ⁽ⁱ⁾	766.2	725.8	504.9	472.1	456.5
Denominator					
Average interest bearing assets ⁽ⁱⁱ⁾	23,219.3	23,106.7	21,988.4	21,740.5	21,497.5
Net interest margin on interest-bearing assets	3.30%	3.14%	2.30%	2.17%	2.12%

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

(ii) NLB internal information. Average interest-bearing assets for the Group calculates as the sum of the balance from the previous year's end (31 December) and monthly balances of the last day of each month from January to the reporting month t divided by (t+1).

Net interest margin based on interest-bearing assets (quarterly) – Calculated as the ratio between net interest income annualised and average interest-bearing assets.

in EUR millions					
NLB Group					
	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Numerator					
Net interest income ⁽ⁱ⁾	806.2	725.8	602.4	502.7	475.6
Denominator					
Average interest bearing assets ⁽ⁱⁱ⁾	23,301.0	23,106.7	22,730.4	22,155.9	22,045.9
Net interest margin on interest-bearing assets (quarterly)	3.46%	3.14%	2.65%	2.27%	2.16%

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

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

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

in EUR millions		
NLB Group		
	1-6 2023	1-6 2022
Numerator		
Net interest income ⁽ⁱ⁾	766.2	456.5
Denominator		
Average total assets ⁽ⁱⁱ⁾	24,147.9	22,458.6
Net interest margin on total assets	3.17%	2.03%

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

(ii) NLB internal information. Average total assets for the Group are calculated as the sum of the balance from the previous year's end (31 December) and monthly balances of the last day of each month from January to month t divided by (t+1).

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

NPE (EBA def) per cent (on-balance and off-balance) / Classified on-balance and off-balance exposures – NPE per cent under the EBA methodology: NPE as a percentage of all exposures to clients in Finrep 18, before deduction of allowances for the expected credit losses; the ratio in gross terms.

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

Below presented calculations are based on internal data sources.

in EUR millions						
NLB Group						
	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022
Numerator						
Total Non-Performing on-balance and off-balance Exposure in Finrep18	344.4	354.9	373.6	397.6	418.5	415.8
Denominator						
Total on-balance and off-balance exposures in Finrep18	28,729.2	28,119.8	28,133.2	27,097.5	26,182.7	26,339.2
NPE (EBA def.) per cent.	1.2%	1.3%	1.3%	1.5%	1.6%	1.6%

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

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

in EUR millions								
NLB Group								
	30 Jun 2023	31 Dec 2022	30 Jun 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017
Numerator								
Total Non-Performing Loans	312.9	328.3	370.1	367.4	474.7	374.7	622.3	844.5
Denominator								
Total gross loans	19,359.2	18,403.9	16,888.6	15,541.8	13,686.6	9,793.5	9,017.2	9,130.4
NPL per cent.	1.6%	1.8%	2.2%	2.4%	3.5%	3.8%	6.9%	9.2%

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

in EUR millions								
NLB Group								
	30 Jun 2023	31 Dec 2022	30 Jun 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017
Numerator								
Loan loss allowances entire loan portfolio	316.1	324.8	324.9	316.5	388.4	334.2	479.6	654.8
Denominator								
Total Non-Performing Loans	312.9	328.3	370.1	367.4	474.7	374.7	622.3	844.5
NPL coverage ratio 1 (NPL CR 1)	101.0%	98.9%	87.8%	86.1%	81.8%	89.2%	77.1%	77.5%

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

in EUR millions			
NLB Group			
	30 Jun 2023	31 Dec 2022	30 Jun 2022
Numerator			
Loan loss allowances non-performing loan portfolio	193.3	187.4	212.7
Denominator			
Total Non-Performing Loans	312.9	328.3	370.1
NPL coverage ratio 2 (NPL CR 2)	61.8%	57.1%	57.5%

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

in EUR millions			
NLB Group			
	30 Jun 2023	31 Dec 2022	30 Jun 2022
Numerator			
Net volume of non-performing loans	119.5	140.9	157.3
Denominator			
Total Net Loans	19,043.1	18,079.1	16,563.7
Net NPL ratio per cent. (%Net NPL)	0.6%	0.8%	0.9%

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

NPL ratio (EBA def.) – The gross NPL ratio is the ratio of the gross carrying amount of non-performing loans and advances to the total gross carrying amount of loans and advances under the EBA methodology (report Finrep 18). For this calculation, loans and advances classified as held for sale, cash balances at central banks and other demand deposits at banks are excluded from the denominator and the numerator. Below presented calculations are based on internal data sources.

in EUR millions			
NLB Group			
	30 Jun 2023	31 Dec 2022	30 Jun 2022
Numerator			
Gross volume of Non-Performing Loans and advances w ithout loans held for sale, cash balances at CBs and other demand deposits	322.2	337.2	380.7
Denominator			
Gross volume of Loans and advances in Finrep18 w ithout loans held for sale, cash balances at CBs and other demand deposits	14,192.3	13,796.0	13,258.7
NPL ratio (EBA def.) per cent.	2.3%	2.4%	2.9%

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

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

in EUR thousands							
NLB Group							
	30 Jun 2023	31 Mar 2023	30 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
Numerator							
Interest risk in banking book – EVE	-83,353.2	-61,615.8	-110,452.4	-115,458.9	-129,345.0	-141,035.8	-126,650.6
Denominator							
Equity (Tier I)	2,269,153.0	2,254,020.0	2,166,333.0	2,065,707.0	2,048,380.0	1,906,112.0	1,972,485.0
EVE as % of Equity	-3.7%	-2.7%	-5.1%	-5.6%	-6.3%	-7.4%	-6.4%

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

in EUR millions					
NLB Group					
	1-6 2023	1-3 2023	1-12 2022	1-9 2022	1-6 2022
Numerator					
Operational business net income ⁽ⁱ⁾	1,100.2	1,054.7	820.0	787.0	763.1
Denominator					
Average total assets ⁽ⁱⁱ⁾	24,147.9	24,049.9	22,975.9	22,722.0	22,458.6
OBM (cumulative)	4.56%	4.39%	3.57%	3.46%	3.40%

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

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

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

in EUR millions					
NLB Group					
	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Numerator					
Operational business net income ⁽ⁱ⁾	1,145.3	1,054.7	917.9	834.0	795.1
Denominator					
Average total assets ⁽ⁱⁱ⁾	24,211.9	24,049.9	23,740.9	23,185.2	23,050.6
OBM (quarterly)	4.73%	4.39%	3.87%	3.60%	3.45%

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

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

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

in EUR millions					
NLB Group					
	1-6 2023	1-3 2023	1-12 2022	1-9 2022	1-6 2022
Numerator					
Result after tax ⁽ⁱ⁾	485.4	480.6	274.0	275.7	235.6
Denominator					
Average equity ⁽ⁱⁱ⁾	2,499.2	2,436.5	2,248.7	2,209.5	2,172.4
ROE a.t.	19.4%	19.7%	12.2%	12.5%	10.8%

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

(ii) NLB internal information. Average equity is calculated as a sum of the balance at the end of the previous year's end (31 December) and monthly balances of the last day of each month from January to month t divided by (t+1).

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

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

in EUR millions		
NLB Group		
	1-6 2023	1-6 2022
Numerator		
Result after tax ⁽ⁱ⁾	485.4	235.6
Denominator		
Average total assets ⁽ⁱⁱ⁾	24,147.9	22,458.6
ROA a.t.	2.0%	1.0%

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

(ii) NLB internal information. Average total assets are calculated as the sum of balance at the previous year's end (31 December) and monthly balances on the last day of each month from January to month t divided by (t+1).

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

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

in EUR millions								
NLB Group								
(in EUR million and %)	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021
Numerator								
Total capital (Own funds)	2,780.1	2,765.2	2,806.4	2,369.6	2,336.2	2,194.0	2,252.5	2,200.6
Denominator								
Total risk exposure Amount (Total RWA)	14,838.4	14,622.3	14,653.1	14,283.7	14,172.5	13,843.4	12,667.4	12,824.4
Total capital ratio	18.7%	18.9%	19.2%	16.6%	16.5%	15.8%	17.8%	17.2%

in EUR millions	
NLB	
	30 Jun 2023
Numerator	
Total capital (Own funds)	1,983.6
Denominator	
Total risk exposure Amount (Total RWA)	8,212.9
Total capital ratio	24.2%

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

Table 17: Unaudited Condensed Income Statement of NLB Group for period ended 30 June 2023

Business report	in EUR millions	Financial report	in EUR thousands	Notes
Net interest income	380.0	Interest and similar income	440,252	4.1.
		Interest and similar expenses	(60,287)	4.1.
Net fee and commission income	134.6	Fee and commission income	190,145	4.3.
		Fee and commission expenses	(55,500)	4.3.
Dividend income	0.1	Dividend income	95	4.2.
		Gains less losses from financial assets and liabilities not measured at fair value through profit or loss	(696)	4.4.
		Gains less losses from financial assets and liabilities held for trading	13,866	4.5.
Net income from financial transactions	14.9	Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	1,055	4.6.
		Gains less losses from financial liabilities measured at fair value through profit or loss	(448)	
		Fair value adjustments in hedge accounting	(57)	
		Foreign exchange translation gains less losses	1,372	
		Gains less losses from modification of financial assets	(202)	
		Gains less losses on derecognition of non-financial assets	117	
		Other net operating income	3,281	4.8.
Net other income	(17.9)	Cash contributions to resolution funds and deposit guarantee schemes	(25,956)	4.10.
		Gains less losses from non-current assets held for sale	5,084	4.15.
		Net gains or losses on derecognition of investments in subsidiaries, associates and joint ventures	(467)	4.7.
Net non-interest income	131.7		131,689	
Total net operating income	511.7		511,654	
Employee costs	(137.4)	Administrative expenses	(217,232)	4.9.
Other general and administrative expenses	(79.8)			
Depreciation and amortisation	(23.5)	Depreciation and amortisation	(23,479)	4.11.
Total costs	(240.7)		(240,711)	
Result before impairments and provisions	270.9		270,943	
Impairments and provisions for credit risk	29.9	Provisions for credit losses	7,202	4.12.
		Impairment of financial assets	22,711	4.13.
Other impairments and provisions	(12.1)	Provisions for other liabilities and charges	(11,807)	4.12.
		Impairment of non-financial assets	(327)	4.13.
Impairments and provisions	17.8		17,779	
Gains less losses from capital investment in subsidiaries, associates, and joint ventures	0.6	Share of profit from investments in associates and joint ventures (accounted for using the equity method)	600	
Result before tax	289.3	Profit before income tax	289,322	
Income tax	(39.8)	Income tax	(39,845)	4.16.
Result of non-controlling interests	6.8	Attributable to non-controlling interests	6,777	
Result after tax	242.7	Attributable to owners of the parent	242,700	

Table 18: Unaudited Condensed Statement of Financial Position of NLB Group as at 30 June 2023

Business report	in EUR millions	Financial report	in EUR thousands	Notes
ASSETS				
Cash, cash balances at central banks, and other demand deposits at banks	5,760.4	Cash, cash balances at central banks, and other demand deposits at banks	5,760,414	5.1.
Loans to banks	304.7	Financial assets measured at amortised cost - loans and advances to banks	304,745	5.5.b)
Net loans to customers	13,431.8	Financial assets measured at amortised cost - loans and advances to customers	13,431,757	5.5.c)
Financial assets	4,553.7		4,553,713	
- Trading book	21.1	Financial assets held for trading	21,148	5.2.a)
		Non-trading financial assets mandatorily at fair value through profit or loss - part (w ithout loans)	19,673	5.3.
- Non-trading book	4,532.6	Financial assets measured at fair value through other comprehensive income	2,366,805	5.4.
		Financial assets measured at amortised cost - debt securities	2,146,087	5.5.a)
Investments in subsidiaries, associates, and joint ventures	12.3	Investments in associates and joint ventures	12,278	
Property and equipment	254.3	Property and equipment	254,288	5.7.
Investment property	34.5	Investment property	34,505	5.8.
Intangible assets	56.1	Intangible assets	56,127	
		Financial assets measured at amortised cost - other financial assets	139,293	5.5.d)
		Derivatives - hedge accounting	56,314	
Other assets	293.6	Fair value changes of the hedged items in portfolio hedge of interest rate risk	(21,641)	
		Current income tax assets	75	
		Deferred income tax assets	50,266	5.13.
		Other assets	60,996	5.9.
		Non-current assets held for sale	8,328	5.6.
TOTAL ASSETS	24,701.5	Total assets	24,701,458	
LIABILITIES				
Deposits from customers	19,924.9	Financial liabilities measured at amortised cost - due to customers	19,924,864	5.11.
Deposits from banks and central banks	107.4	Financial liabilities measured at amortised cost - deposits from banks and central banks	107,410	5.11.
		Financial liabilities measured at amortised cost - borrow ings from banks and central banks	129,985	5.11.
Borrow ings	220.0	Financial liabilities measured at amortised cost - borrow ings from other customers	90,054	5.11.
Subordinated debt securities	520.0	Financial liabilities measured at amortised cost - debt securities issue	1,334,490	5.11.
Other debt securities in issue	814.5			
		Financial liabilities held for trading	18,818	5.2.b)
		Financial liabilities measured at fair value through profit or loss	4,052	5.3.
Other liabilities	469.3	Financial liabilities measured at amortised cost - other financial liabilities	254,591	5.11.c)
		Derivatives - hedge accounting	624	
		Provisions	110,153	5.12.
		Current income tax liabilities	19,828	
		Deferred income tax liabilities	2,287	5.13.
		Other liabilities	58,973	5.15.
Equity	2,586.1	Equity and reserves attributable to ow ners of the parent	2,586,083	
Non-controlling interests	59.2	Non-controlling interests	59,246	
TOTAL LIABILITIES AND EQUITY	24,701.5	Total liabilities and equity	24,701,458	



Unaudited Condensed Interim Financial Statements of NLB Group and NLB

as at 30 June 2023

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

Contents

Condensed income statement for the period ended 30 June	73
Condensed income statement for the three months ended 30 June	74
Condensed statement of comprehensive income for the period ended 30 June	75
Condensed statement of comprehensive income for three months ended 30 June	75
Condensed statement of financial position as at 30 June and as at 31 December	76
Condensed statement of changes in equity for the period ended 30 June	77
Condensed statement of cash flows for the period ended 30 June	79
Statement of management's responsibility	80
Notes to the condensed interim financial statements	81
1. General information	81
2. Summary of significant accounting policies	81
2.1. Statement of compliance	81
2.2. Comparative amounts	81
2.3. Accounting policies	81
3. Changes in the composition of the NLB Group	82
4. Notes to the condensed income statement	84
4.1. Interest income and expenses	84
4.2. Dividend income	84
4.3. Fee and commission income and expenses	84
4.4. Gains less losses from financial assets and liabilities not measured at fair value through profit or loss	85
4.5. Gains less losses from financial assets and liabilities held for trading	85
4.6. Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	85
4.7. Disposal of Tara Hotel d.o.o., Budva	85
4.8. Other net operating income	86
4.9. Administrative expenses	86
4.10. Cash contributions to resolution funds and deposit guarantee schemes	86
4.11. Depreciation and amortisation	86
4.12. Provisions	86
4.13. Impairment charge	87
4.14. Acquisition of N Banka d.d., Ljubljana	87
4.15. Gains less losses from non-current assets held for sale	89
4.16. Income tax	89
5. Notes to the condensed statement of financial position	90
5.1. Cash, cash balances at central banks and other demand deposits at banks	90
5.2. Financial instruments held for trading	90
5.3. Non-trading financial instruments mandatorily at fair value through profit or loss	90
5.4. Financial assets measured at fair value through other comprehensive income	91
5.5. Financial assets measured at amortised cost	91
5.6. Non-current assets held for sale	92
5.7. Property and equipment	92
5.8. Investment property	92
5.9. Other assets	92
5.10. Movements in allowance for the impairment of financial assets	93
5.11. Financial liabilities measured at amortised cost	95
5.12. Provisions	96
5.13. Deferred income tax	98
5.14. Income tax relating to components of other comprehensive income	98
5.15. Other liabilities	99
5.16. Other equity instruments issued	99
5.17. Book value per share	99
5.18. Capital adequacy ratio	100
5.19. Off-balance sheet liabilities	101
5.20. Fair value hierarchy of financial and non-financial assets and liabilities	101
6. Analysis by segment for NLB Group	108
7. Related-party transactions	110
8. Subsidiaries	113
9. Events after the end of the reporting period	114

Condensed income statement for the period ended 30 June

in EUR thousands					
	Notes	NLB Group		NLB	
		six months ended		six months ended	
		June 2023	June 2022	June 2023	June 2022
		unaudited	unaudited	unaudited	unaudited
Interest income calculated using the effective interest method		433,341	250,501	198,949	91,776
Other interest and similar income		6,911	6,349	7,244	5,614
Interest and similar income	4.1.	440,252	256,850	206,193	97,390
Interest expenses calculated using the effective interest method		(55,962)	(15,498)	(43,319)	(7,239)
Other interest and similar expenses		(4,325)	(14,983)	(3,228)	(12,560)
Interest and similar expenses	4.1.	(60,287)	(30,481)	(46,547)	(19,799)
Net interest income		379,965	226,369	159,646	77,591
Dividend income	4.2.	95	101	130,168	33,644
Fee and commission income	4.3.	190,145	184,568	81,372	83,037
Fee and commission expenses	4.3.	(55,500)	(50,902)	(18,953)	(18,941)
Net fee and commission income		134,645	133,666	62,419	64,096
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss	4.4.	(696)	(1,680)	(788)	(1,050)
Gains less losses from financial assets and liabilities held for trading	4.5.	13,866	19,408	2,235	8,495
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	4.6.	1,055	(823)	1,376	(1,884)
Gains less losses from financial liabilities measured at fair value through profit or loss		(448)	72	(228)	67
Fair value adjustments in hedge accounting		(57)	1,266	(332)	1,266
Foreign exchange translation gains less losses		1,372	(4,571)	3,303	(3,896)
Net gains or losses on derecognition of investments in subsidiaries, associates and joint ventures	4.7.	(467)	-	(105)	-
Gains less losses on derecognition of non-financial assets		117	1,107	20	73
Other net operating income	4.8.	3,281	6,344	3,483	460
Administrative expenses	4.9.	(217,232)	(195,415)	(101,473)	(89,308)
Cash contributions to resolution funds and deposit guarantee schemes	4.10.	(25,956)	(23,156)	(11,383)	(9,713)
Depreciation and amortisation	4.11.	(23,479)	(23,313)	(8,373)	(8,565)
Gains less losses from modification of financial assets		(202)	(16)	-	-
Provisions for credit losses	4.12.	7,202	1,767	2,088	1,528
Provisions for other liabilities and charges	4.12.	(11,807)	(5,303)	(5,742)	(100)
Impairment of financial assets	4.13.	22,711	(4,154)	4,392	(5,358)
Impairment of non-financial assets	4.13.	(327)	15	-	-
Negative goodwill	4.14.	-	172,810	-	-
Share of profit from investments in associates and joint ventures (accounted for using the equity method)		600	1,570	-	-
Gains less losses from non-current assets held for sale	4.15.	5,084	(10)	123	(37)
Profit before income tax		289,322	306,054	240,829	67,309
Income tax	4.16.	(39,845)	(10,633)	(17,524)	(430)
Profit for the period		249,477	295,421	223,305	66,879
Attributable to owners of the parent		242,700	287,014	223,305	66,879
Attributable to non-controlling interests		6,777	8,407	-	-
Earnings per share/diluted earnings per share (in EUR per share)		12.14	14.35	11.17	3.34

Condensed income statement for the three months ended 30 June

	NLB Group		NLB		
	three months ended		three months ended		
	June 2023	June 2022	June 2023	June 2022	
	Notes	unaudited	unaudited	unaudited	unaudited
Interest income calculated using the effective interest method		228,815	130,523	106,203	46,921
Other interest and similar income		4,428	3,306	4,530	2,765
Interest and similar income	4.1.	233,243	133,829	110,733	49,686
Interest expenses calculated using the effective interest method		(29,362)	(7,825)	(22,591)	(3,800)
Other interest and similar expenses		(2,885)	(7,433)	(1,896)	(6,186)
Interest and similar expenses	4.1.	(32,247)	(15,258)	(24,487)	(9,986)
Net interest income		200,996	118,571	86,246	39,700
Dividend income	4.2.	46	60	121,754	24,173
Fee and commission income	4.3.	98,460	95,936	41,823	42,588
Fee and commission expenses	4.3.	(29,920)	(26,801)	(10,319)	(10,269)
Net fee and commission income		68,540	69,135	31,504	32,319
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss	4.4.	85	66	-	-
Gains less losses from financial assets and liabilities held for trading	4.5.	7,937	11,699	745	5,183
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	4.6.	478	(601)	898	(2,039)
Gains less losses from financial liabilities measured at fair value through profit or loss		(165)	72	(84)	67
Fair value adjustments in hedge accounting		7	1,247	(289)	1,247
Foreign exchange translation gains less losses		(2,282)	(3,983)	1,086	(2,536)
Net gains or losses on derecognition of investments in subsidiaries, associates and joint ventures	4.7.	(467)	-	(105)	-
Gains less losses on derecognition of non-financial assets		911	387	(2)	21
Other net operating income	4.8.	1,075	3,370	1,789	2,217
Administrative expenses	4.9.	(111,774)	(104,224)	(52,383)	(47,356)
Cash contributions to resolution funds and deposit guarantee schemes	4.10.	(7,774)	(6,695)	(1,670)	-
Depreciation and amortisation	4.11.	(11,825)	(11,799)	(4,191)	(4,251)
Gains less losses from modification of financial assets		(64)	(10)	-	-
Provisions for credit losses	4.12.	5,019	1,007	1,014	1,004
Provisions for other liabilities and charges	4.12.	(5,880)	(4,940)	(1)	(100)
Impairment of financial assets	4.13.	6,524	633	767	(5,611)
Impairment of non-financial assets	4.13.	(289)	8	-	-
Share of profit from investments in associates and joint ventures (accounted for using the equity method)		293	960	-	-
Gains less losses from non-current assets held for sale	4.15.	411	(23)	(65)	(47)
Profit before income tax		151,802	74,940	187,013	43,991
Income tax	4.16.	(25,903)	(5,431)	(14,948)	(59)
Profit for the period		125,899	69,509	172,065	43,932
Attributable to owners of the parent		122,559	65,204	172,065	43,932
Attributable to non-controlling interests		3,340	4,305	-	-

Condensed statement of comprehensive income for the period ended 30 June

	in EUR thousands				
	NLB Group		NLB		
	six months ended		six months ended		
	June 2023	June 2022	June 2023	June 2022	
Notes	unaudited	unaudited	unaudited	unaudited	
Net profit for the period after tax		249,477	295,421	223,305	66,879
Other comprehensive income after tax		32,943	(122,573)	12,149	(72,699)
<i>Items that will not be reclassified to income statement</i>					
Fair value changes of equity instruments measured at fair value through other comprehensive income		3,122	(2,669)	510	(1,494)
Income tax relating to components of other comprehensive income	5.14.	(451)	488	(97)	284
<i>Items that have been or may be reclassified subsequently to income statement</i>					
Foreign currency translation		1,151	(1,259)	-	-
Translation gains/(losses) taken to equity		1,151	(1,259)	-	-
Debt instruments measured at fair value through other comprehensive income		30,695	(126,819)	10,379	(72,077)
Valuation gains/(losses) taken to equity		36,073	(133,501)	14,319	(78,380)
Transferred to income statement		(5,378)	6,682	(3,940)	6,303
Income tax relating to components of other comprehensive income	5.14.	(1,574)	7,686	1,357	588
Total comprehensive income for the period after tax		282,420	172,848	235,454	(5,820)
Attributable to owners of the parent		275,495	170,241	235,454	(5,820)
Attributable to non-controlling interests		6,925	2,607	-	-

Condensed statement of comprehensive income for three months ended 30 June

	in EUR thousands				
	NLB Group		NLB		
	three months ended		three months ended		
	June 2023	June 2022	June 2023	June 2022	
	unaudited	unaudited	unaudited	unaudited	
Net profit for the period after tax		125,899	69,509	172,065	43,932
Other comprehensive income/(loss) after tax		10,987	(65,849)	2,948	(32,684)
<i>Items that will not be reclassified to income statement</i>					
Fair value changes of equity instruments measured at fair value through other comprehensive income		1,639	(2,580)	226	(733)
Income tax relating to components of other comprehensive income		(231)	433	(43)	139
<i>Items that have been or may be reclassified subsequently to income statement</i>					
Foreign currency translation		(692)	(2,243)	-	-
Translation gains/(losses) taken to equity		(692)	(2,243)	-	-
Debt instruments measured at fair value through other comprehensive income		11,211	(65,092)	2,574	(31,400)
Valuation gains/(losses) taken to equity		12,103	(69,260)	2,681	(36,400)
Transferred to income statement		(892)	4,168	(107)	5,000
Income tax relating to components of other comprehensive income		(940)	3,633	191	(690)
Total comprehensive income for the period after tax		136,886	3,660	175,013	11,248
Attributable to owners of the parent		133,492	3,713	175,013	11,248
Attributable to non-controlling interests		3,394	(53)	-	-

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

in EUR thousands					
NLB Group					
NLB					
	Notes	30 Jun 2023 unaudited	31 Dec 2022 audited	30 Jun 2023 unaudited	31 Dec 2022 audited
Cash, cash balances at central banks, and other demand deposits at banks	5.1.	5,760,414	5,271,365	3,944,416	3,339,024
Financial assets held for trading	5.2.a)	21,148	21,588	22,102	21,692
Non-trading financial assets mandatorily at fair value through profit or loss	5.3.	19,673	19,031	16,536	15,411
Financial assets measured at fair value through other comprehensive income	5.4.	2,366,805	2,919,203	1,095,703	1,334,061
Financial assets measured at amortised cost					
- debt securities	5.5.a)	2,146,087	1,917,615	1,796,616	1,597,448
- loans and advances to banks	5.5.b)	304,745	222,965	325,586	350,625
- loans and advances to customers	5.5.c)	13,431,757	13,072,986	6,263,442	6,054,413
- other financial assets	5.5.d)	139,293	177,823	108,421	114,399
Derivatives - hedge accounting		56,314	59,362	56,098	59,362
Fair value changes of the hedged items in portfolio hedge of interest rate risk		(21,641)	(23,767)	(21,713)	(23,767)
Investments in subsidiaries		-	-	902,280	904,040
Investments in associates and joint ventures		12,278	11,677	4,571	4,571
Tangible assets					
Property and equipment	5.7.	254,288	251,316	76,320	78,592
Investment property	5.8.	34,505	35,639	6,814	6,753
Intangible assets		56,127	58,235	31,132	30,425
Current income tax assets		75	1,696	-	-
Deferred income tax assets	5.13.	50,266	55,527	34,982	34,888
Other assets	5.9.	60,996	72,543	15,313	13,161
Non-current assets held for sale	5.6.	8,328	15,436	4,069	4,235
Total assets		24,701,458	24,160,240	14,682,688	13,939,333
Financial liabilities held for trading	5.2.b)	18,818	21,589	19,966	22,150
Financial liabilities measured at fair value through profit or loss	5.3.	4,052	1,796	3,361	2,514
Financial liabilities measured at amortised cost					
- deposits from banks and central banks	5.11.	107,410	106,414	321,226	212,656
- borrowings from banks and central banks	5.11.	129,985	198,609	61,744	57,292
- due to customers	5.11.	19,924,864	20,027,726	10,941,123	10,984,411
- borrowings from other customers	5.11.	90,054	82,482	210	216
- debt securities issued	5.11.	1,334,490	815,990	1,334,490	815,990
- other financial liabilities	5.11.c)	254,591	294,463	140,342	164,567
Derivatives - hedge accounting		624	2,124	470	2,124
Provisions	5.12.	110,153	122,652	38,572	45,216
Current income tax liabilities		19,828	12,420	8,451	3,940
Deferred income tax liabilities	5.13.	2,287	2,569	-	-
Other liabilities	5.15.	58,973	49,081	29,409	25,387
Total liabilities		22,056,129	21,737,915	12,899,364	12,336,463
Equity and reserves attributable to owners of the parent					
Share capital		200,000	200,000	200,000	200,000
Share premium		871,378	871,378	871,378	871,378
Other equity instruments	5.16.	88,136	84,184	88,136	84,184
Accumulated other comprehensive income		(127,856)	(160,588)	(69,528)	(81,677)
Profit reserves		13,522	13,522	13,522	13,522
Retained earnings		1,540,903	1,357,089	679,816	515,463
		2,586,083	2,365,585	1,783,324	1,602,870
Non-controlling interests		59,246	56,740	-	-
Total equity		2,645,329	2,422,325	1,783,324	1,602,870
Total liabilities and equity		24,701,458	24,160,240	14,682,688	13,939,333

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

in EUR thousands											
NLB Group	Share capital	Share premium	Other equity instruments	Accumulated other comprehensive income			Profit reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
				Fair value reserve of financial assets measured at FVOCI	Foreign currency translation reserve	Other					
Note			5.16.								
Balance as at 1 Jan 2023	200,000	871,378	84,184	(142,909)	(16,485)	(1,194)	13,522	1,357,089	2,365,585	56,740	2,422,325
- Net profit for the period	-	-	-	-	-	-	-	242,700	242,700	6,777	249,477
- Other comprehensive income	-	-	-	31,620	1,175	-	-	-	32,795	148	32,943
Total comprehensive income after tax	-	-	-	31,620	1,175	-	-	242,700	275,495	6,925	282,420
Dividends paid	-	-	-	-	-	-	-	(55,000)	(55,000)	(4,411)	(59,411)
Transfer of fair value reserve	-	-	-	(63)	-	-	-	63	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	-	-	8	8	(8)	-
Other	-	-	3,952	-	-	-	-	(3,957)	(5)	-	(5)
Balance as at 30 Jun 2023	200,000	871,378	88,136	(111,352)	(15,310)	(1,194)	13,522	1,540,903	2,586,083	59,246	2,645,329

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

in EUR thousands

NLB	Share capital	Share premium	Other equity instruments	Accumulated other comprehensive income		Profit reserves	Retained earnings	Total equity
				Fair value reserve of financial assets measured at FVOCI	Other			
Note			5.16.					
Balance as at 1 Jan 2023	200,000	871,378	84,184	(79,743)	(1,934)	13,522	515,463	1,602,870
- Net profit for the period	-	-	-	-	-	-	223,305	223,305
- Other comprehensive income	-	-	-	12,149	-	-	-	12,149
Total comprehensive income after tax	-	-	-	12,149	-	-	223,305	235,454
Dividends paid	-	-	-	-	-	-	(55,000)	(55,000)
Other	-	-	3,952	-	-	-	(3,952)	-
Balance as at 30 Jun 2023	200,000	871,378	88,136	(67,594)	(1,934)	13,522	679,816	1,783,324

in EUR thousands

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

Condensed statement of cash flows for the period ended 30 June

	in EUR thousands				
	NLB Group		NLB		
	six months ended		six months ended		
	June 2023	June 2022	June 2023	June 2022	
Notes	unaudited	unaudited	unaudited	unaudited	
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		457,651	308,450	209,448	119,944
Interest paid		(31,567)	(27,596)	(24,094)	(17,339)
Dividends received		71	82	116,990	40,251
Fee and commission receipts		190,477	185,254	79,093	82,461
Fee and commission payments		(55,237)	(51,039)	(19,504)	(19,158)
Realised gains from financial assets and financial liabilities not at fair value through profit or loss		92	78	-	1
Net gains/(losses) from financial assets and liabilities held for trading		12,250	16,214	449	5,862
Payments to employees and suppliers		(237,252)	(208,516)	(111,313)	(96,673)
Other receipts		10,617	9,880	6,739	5,555
Other payments		(34,007)	(26,228)	(13,466)	(11,245)
Income tax (paid)/received		(21,565)	(9,807)	(5,689)	3,635
Cash flows from operating activities before changes in operating assets and liabilities		291,530	196,772	238,653	113,294
(Increases)/decreases in operating assets		292,896	(646,495)	(75,199)	(503,890)
Net (increase)/decrease in trading assets		(800)	(165)	(800)	(165)
Net (increase)/decrease in non-trading financial assets mandatorily at fair value through profit or loss		138	3,531	(90)	(1,949)
Net (increase)/decrease in financial assets measured at fair value through other comprehensive income		545,395	291,601	246,750	(34,315)
Net (increase)/decrease in loans and receivables measured at amortised cost		(249,900)	(945,091)	(320,635)	(467,580)
Net (increase)/decrease in other assets		(1,937)	3,629	(424)	119
Increases/(decreases) in operating liabilities		(178,261)	(313,233)	70,865	(113,628)
Net increase/(decrease) in deposits and borrowings measured at amortised cost		(186,588)	(308,260)	65,639	(113,646)
Net increase/(decrease) in other liabilities		8,327	(4,973)	5,226	18
Net cash flows from operating activities		406,165	(762,956)	234,319	(504,224)
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts from investing activities		194,160	109,961	81,147	56,177
Proceeds from sale of property, equipment, and investment property		1,605	3,563	87	273
Proceeds from sale of subsidiaries	3., 4.7.	13,019	-	1,655	-
Proceeds from non-current assets held for sale		12,290	85	710	85
Proceeds from disposals of debt securities measured at amortised cost		167,246	106,313	78,695	55,819
Payments from investing activities		(408,390)	(11,211)	(293,894)	(264,498)
Purchase of property, equipment, and investment property		(10,833)	(10,589)	(3,829)	(2,120)
Purchase of intangible assets		(7,501)	(6,950)	(5,499)	(3,775)
Purchase of subsidiaries, net of cash acquired	3., 4.14.	-	259,953	-	(23,220)
Purchase of debt securities measured at amortised cost		(390,056)	(253,625)	(284,566)	(235,383)
Net cash flows from investing activities		(214,230)	98,750	(212,747)	(208,321)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from financing activities		497,708	436	497,708	-
Issuance of Senior Preferred notes	5.11.b)	497,708	-	497,708	-
Other proceeds related to financing activities		-	436	-	-
Payments from financing activities		(59,456)	(70,343)	(55,000)	(50,000)
Dividends paid		(59,456)	(51,324)	(55,000)	(50,000)
Purchase of subsidiary's treasury shares	3.	-	(19,019)	-	-
Net cash flows from financing activities		438,252	(69,907)	442,708	(50,000)
Effects of exchange rate changes on cash and cash equivalents		(2,142)	2,678	(372)	(1,082)
Net increase/(decrease) in cash and cash equivalents		630,187	(734,113)	464,280	(762,545)
Cash and cash equivalents at beginning of period		5,500,222	5,176,311	3,494,435	3,254,784
Cash and cash equivalents at end of period		6,128,267	4,444,876	3,958,343	2,491,157

	in EUR thousands				
	NLB Group		NLB		
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022	
	Notes	unaudited	audited	unaudited	audited
Cash and cash equivalents comprise:					
Cash, cash balances at central banks, and other demand deposits at banks	5.1.	5,761,625	5,272,538	3,944,843	3,339,381
Loans and advances to banks with original maturity up to 3 months		366,642	208,404	13,500	155,054
Debt securities measured at fair value through other comprehensive income with original maturity up to 3 months		-	19,280	-	-
Total		6,128,267	5,500,222	3,958,343	3,494,435

Statement of management's responsibility

The Management Board hereby confirms and approves the release of the condensed interim financial statements of NLB Group and NLB for the six months ending 30 June 2023, the accompanying accounting policies, and notes to the financial statements.

The Management Board is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34 'Interim financial reporting' as adopted by the European Union in order to give a true and fair view of the financial position of NLB Group and NLB as at 30 June 2023, and their financial results and cash flows for the period then ended.

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

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

Management Board



Andreas Burkhardt
Member



Antonio Argir
Member



Blaž Brodnjak
Chief executive officer



Hedvika Usenik
Member



Andrej Lasič
Member



Archibald Kremser
Member

Ljubljana, 10 August 2023

Notes to the condensed interim financial statements

1. General information

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

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

As at 30 June 2023 and as at 31 December 2022, the largest shareholder of NLB with significant influence is the Republic of Slovenia, owning 25.00% plus one share.

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

2. Summary of significant accounting policies

2.1. Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 'Interim financial reporting' and should be read in conjunction with the annual financial statements of NLB Group and NLB for the year ended 31 December 2022, which have been prepared in accordance with the International Financial Reporting Standards (hereinafter: 'IFRS') as adopted by the European Union (hereinafter: 'EU').

2.2. Comparative amounts

Compared to the presentation of the financial statements for the three months ended 31 March 2022, the Bank changed the recognition of obligation for Cash contributions to resolution funds and deposit guarantee schemes expenses (note 4.10.). In the previous year, these expenses were recognised in the second quarter of 2022 after receiving the Bank of Slovenia's notification. In 2023, the Bank already recognised these expenses in full in the first quarter of the year 2023. Comparative amounts have been adjusted to reflect this change in the presentation.

31 Mar 2022	Notes	NLB Group			NLB		
		Old presentation	New presentation	Change	Old presentation	New presentation	Change
<i>Condensed income statement:</i>							
Cash contributions to resolution funds and deposit guarantee schemes	4.9.	(6,748)	(16,461)	(9,713)	-	(9,713)	(9,713)
Profit before income tax		240,827	231,114	(9,713)	33,031	23,318	(9,713)
Profit for the period		235,625	225,912	(9,713)	32,660	22,947	(9,713)
Attributable to owners of the parent		231,523	221,810	(9,713)	32,660	22,947	(9,713)
Earnings per share/diluted earnings per share (in EUR per share)		11.58	11.09	(0.49)	1.63	1.15	(0.49)

2.3. Accounting policies

The same accounting policies and methods of computation were followed in preparing these consolidated condensed interim financial statements as for the year ended 31 December 2022, except for accounting standards and other amendments effective for annual periods beginning on 1 January 2023 that were endorsed by the EU.

Accounting standards and amendments to existing standards that were endorsed by the EU and adopted by NLB Group from 1 January 2023

- IAS 1 (amendment) – ‘Presentation of Financial Statements’ and IFRS Practice Statement 2 – ‘Disclosure of Accounting policies’ (effective for annual periods beginning on or after 1 January 2023);
- IAS 8 (amendment) – ‘Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates’ (effective for annual periods beginning on or after 1 January 2023);
- IFRS 17 (new standard) – ‘Insurance Contracts’ including Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023);
- IAS 12 (amendment) – ‘Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction’ (effective for annual periods beginning on or after 1 January 2023).

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

- IAS 12 (amendment) – ‘Income taxes: International Tax Reform – Pillar Two Model Rules’ (effective for annual periods beginning on or after 1 January 2023);
- IAS 1 (amendment and deferral of effective date) – ‘Presentation of Financial Statements: Classification of Liabilities as Current or Non-current’ (effective for annual periods beginning on or after 1 January 2024);
- IAS 1 (amendment) – ‘Presentation of Financial Statements: Non-current Liabilities with Covenants’ (effective for annual periods beginning on or after 1 January 2024);
- IFRS 16 (amendment) – ‘Leases: Lease Liability in a Sale and Leaseback’ (effective for annual periods beginning on or after 1 January 2024);
- IAS 7 (amendment) – ‘Statement of Cash Flows’ and IFRS 7 – ‘Financial Instruments: Disclosures: Supplier Finance Arrangements’ (effective for annual periods beginning on or after 1 January 2024).

3. Changes in the composition of the NLB Group

Changes in the period ended 30 June 2023

Capital changes:

- In January 2023, NLB Lease&Go, leasing, d.o.o., Ljubljana increased share capital in the form of a cash contribution in the amount of EUR 2,100 thousand in company Zastava Istrabenz Lizing, d.o.o., Beograd. Ownership interest increased from 95.20% to 99%. In January 2023, the company was renamed to ‘NLB Lease&Go leasing d.o.o. Beograd.’
- In June 2023, NLB Lease&Go, leasing, d.o.o., Ljubljana increased share capital in the form of a cash contribution in the amount of EUR 1,195 thousand in company ‘NLB Lease&Go leasing d.o.o. Beograd.’ Ownership interest increased from 99% to 99.30%.

Other changes:

- In April 2023, after merging with REAM d.o.o., Beograd, subsidiary SPV 2 d.o.o., Beograd ceased to exist. All its assets and liabilities were transferred to REAM d.o.o., Beograd which become after merger its universal legal successor.
- In May 2023, NLB Group sold its subsidiary Tara Hotel d.o.o. Budva (note 4.7.).

Changes in year 2022

Capital changes:

- In March 2022, in accordance with the Resolution and Compulsory Winding-Up of Banks Act, NLB became an owner of 100% shares of Sberbank banka d.d., Ljubljana. The purchase price for the bank was EUR 5,109 thousand and was fully paid in cash (note 4.14.). At the General Meeting of Shareholders of Sberbank banka d.d., Ljubljana, held in April 2022, a decision was made to rename Sberbank banka d.d., Ljubljana to ‘N Banka d.d., Ljubljana.’
- In March 2022, Komercijalna banka a.d. Beograd bought 2.90% of all ordinary shares in the amount of EUR 19,047 thousand of treasury shares from dissenting shareholders, which Komercijalna banka a.d. Beograd should dispose of within 12 months of their takeover.

- In April 2022, NLB established an IT services company named 'NLB DigIT d.o.o., Beograd.'
- In May 2022, NLB acquired an additional 442,799 ordinary shares of NLB Komercijalna banka a.d. Beograd and combined with existing shareholding reached the ownership of 90.2155% of the basic capital and 91.7294% of shares with voting rights. The increase in capital investment was recognised in EUR 15,715 thousand.
- In July 2022, NLB successfully squeezed out the remaining shareholders of NLB Komercijalna banka a.d. Beograd and thereby became the owner of 100% of this Serbian bank. Prior to the squeeze-out process, NLB owned 90.2155% of share capital and 91.7294% of voting rights. Through the squeeze-out process, NLB acquired 1,528,110 regular shares and 316,260 preferred shares with a total value of EUR 61,865 thousand.
- In September 2022, an increase in share capital in the form of a cash contribution in the amount of EUR 306 thousand in NLB Lease&Go, leasing, d.o.o., Ljubljana to achieve NLB Group's leasing strategy.
- In September 2022, NLB Lease&Go, leasing, d.o.o., Ljubljana (51%) and NLB Banka a.d., Skopje (49%) established financial company named NLB Liz&Go d.o.o. Skopje. In December 2022, the company was renamed to NLB Lease&Go d.o.o. Skopje.
- In November 2022, NLB Lease&Go, leasing, d.o.o., Ljubljana became an owner of 95.20% of financial company 'Zastava Istrabenz Lizing, d.o.o., Beograd.' The purchase price for the company was EUR 1,036 thousand and was fully paid in cash. In January 2023, the company was renamed to 'NLB Lease&Go leasing d.o.o. Beograd.'
- In December 2022, an increase in share capital in the form of a cash contribution in the amount of EUR 2,100 thousand in NLB Lease&Go, leasing, d.o.o., Ljubljana for the purpose of achieving NLB Group's leasing strategy.
- In December 2022, an increase in share capital in the form of a cash contribution in the amount of EUR 21,130 thousand in S-REAM d.o.o., Ljubljana for the purpose of consolidation of real estate companies in Slovenia.

Other changes:

- After obtaining all regulatory licenses, as well as by registering the merger with the Business Registers Agency, the integration process of Komercijalna banka a.d. Beograd and NLB Banka a.d., Beograd, was successfully completed. From 30 April 2022, the bank operates under the new name NLB Komercijalna banka a.d. Beograd. Based on the merger of NLB Banka a.d., Beograd to Komercijalna banka a.d. Beograd as the acquirer, NLB Komercijalna Banka a.d. Beograd is its universal legal successor.
- In November 2022, NLB Komercijalna banka a.d. Beograd sold its 23.97% ownership interest in NLB Banka a.d., Podgorica to NLB.
- In December 2022, NLB sold its 100% ownership interest in PRO-REM d.o.o., Ljubljana – v likvidaciji to S-REAM d.o.o., Ljubljana.

4. Notes to the condensed income statement

4.1. Interest income and expenses

Analysis by type of assets and liabilities

	in EUR thousands									
	NLB Group					NLB				
	three months ended		six months ended			three months ended		six months ended		
	June 2023	June 2022	June 2023	June 2022	Change	June 2023	June 2022	June 2023	June 2022	Change
Interest and similar income										
<i>Interest income calculated using the effective interest method</i>	228,815	130,523	433,341	250,501	73%	106,203	46,921	198,949	91,776	117%
Loans and advances to customers at amortised cost	177,555	116,199	340,708	222,561	53%	69,457	39,804	134,007	77,992	72%
Securities measured at amortised cost	7,517	4,090	13,369	7,760	72%	4,940	2,809	8,643	5,422	59%
Financial assets measured at fair value through other comprehensive income	9,777	9,725	19,919	19,387	3%	2,391	2,865	4,916	5,722	-14%
Loans and advances to banks measured at amortised cost	5,454	429	9,693	676	-	3,416	1,392	6,055	2,567	136%
Deposits with banks and central banks	28,512	80	49,652	117	-	25,999	51	45,328	73	-
<i>Other interest and similar income</i>	4,428	3,306	6,911	6,349	9%	4,530	2,765	7,244	5,614	29%
Financial assets held for trading	1,645	1,227	2,726	2,276	20%	1,672	911	2,913	1,839	58%
Negative interest	-	2,059	-	4,041	-	-	1,821	-	3,709	-
Non-trading financial assets mandatorily at fair value through profit or loss	12	20	24	32	-25%	101	33	184	66	179%
Derivatives - hedge accounting	2,771	-	4,161	-	-	2,757	-	4,147	-	-
Total	233,243	133,829	440,252	256,850	71%	110,733	49,686	206,193	97,390	112%
Interest and similar expenses										
<i>Interest expenses calculated using the effective interest method</i>	29,362	7,825	55,962	15,498	-	22,591	3,800	43,319	7,239	-
Due to customers	13,490	4,339	25,446	8,732	191%	7,073	913	13,548	1,680	-
Borrowings from banks and central banks	333	479	705	624	13%	171	217	342	273	25%
Borrowings from other customers	327	232	636	482	32%	-	-	-	-	-
Subordinated liabilities	8,728	2,621	17,203	5,216	-	8,728	2,621	17,203	5,216	-
Debt securities issued	5,030	-	9,560	-	-	5,030	-	9,560	-	-
Deposits from banks and central banks	1,297	49	2,130	244	-	1,562	44	2,620	60	-
Lease liabilities	157	105	282	200	41%	27	5	46	10	-
<i>Other interest and similar expenses</i>	2,885	7,433	4,325	14,983	-71%	1,896	6,186	3,228	12,560	-74%
Derivatives - hedge accounting	308	2,353	610	4,830	-87%	294	2,353	584	4,830	-88%
Negative interest	-	3,766	21	7,705	-100%	-	2,944	21	5,937	-100%
Financial liabilities held for trading	1,542	1,158	2,394	2,153	11%	1,503	863	2,431	1,745	39%
Interest expense on defined employee benefits	186	88	362	143	153%	89	21	177	41	-
Other	849	68	938	152	-	10	5	15	7	114%
Total	32,247	15,258	60,287	30,481	98%	24,487	9,986	46,547	19,799	135%
Net interest income	200,996	118,571	379,965	226,369	68%	86,246	39,700	159,646	77,591	106%

The line item 'Negative interest' classified under the line item 'Other interest and similar income' in 2022 mainly includes the interest from targeted longer-term refinancing operations (TLTRO) in the amount of EUR 3,992 thousand for NLB Group and EUR 3,677 thousand for NLB (note 5.11.).

4.2. Dividend income

	in EUR thousands									
	NLB Group					NLB				
	three months ended		six months ended			three months ended		six months ended		
	June 2023	June 2022	June 2023	June 2022	Change	June 2023	June 2022	June 2023	June 2022	Change
Financial assets measured at fair value through other comprehensive income	33	49	69	80	-14%	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	121,741	24,162	130,142	33,623	-
Non-trading financial assets mandatorily at fair value through profit or loss	13	11	26	21	24%	13	11	26	21	24%
Total	46	60	95	101	-6%	121,754	24,173	130,168	33,644	-

4.3. Fee and commission income and expenses

	in EUR thousands									
	NLB Group					NLB				
	three months ended		six months ended			three months ended		six months ended		
	June 2023	June 2022	June 2023	June 2022	Change	June 2023	June 2022	June 2023	June 2022	Change
Fee and commission income										
<i>Fee and commission income relating to financial instruments not at fair value through profit or loss</i>										
Credit cards and ATMs	33,074	27,216	60,433	51,152	18%	12,664	11,331	23,603	20,866	13%
Customer transaction accounts	23,611	22,813	45,996	45,281	2%	13,266	13,058	26,572	26,003	2%
<i>Other fee and commission income</i>										
Payments	21,401	23,328	43,509	43,382	0%	6,227	6,216	11,975	11,901	1%
Investment funds	7,816	7,186	15,553	14,909	4%	2,274	2,228	4,461	4,604	-3%
Guarantees	4,517	3,988	8,780	7,697	14%	2,296	2,036	4,449	3,973	12%
Investment banking	2,181	2,932	5,297	6,004	-12%	1,803	2,228	4,148	4,651	-11%
Agency of insurance products	3,291	2,650	6,160	5,119	20%	2,272	1,944	4,539	3,904	16%
Other services	2,569	5,823	4,417	11,024	-60%	1,021	3,547	1,625	7,135	-77%
Total	98,460	95,936	190,145	184,568	3%	41,823	42,588	81,372	83,037	-2%
Fee and commission expenses										
<i>Fee and commission expenses relating to financial instruments not at fair value through profit or loss</i>										
Credit cards and ATMs	22,459	19,018	41,385	36,772	13%	8,170	7,859	14,992	14,794	1%
<i>Other fee and commission expenses</i>										
Payments	3,542	3,472	6,740	6,290	7%	300	305	579	508	14%
Insurance for holders of personal accounts and golden cards	326	317	859	645	33%	190	225	499	454	10%
Investment banking	2,020	1,876	3,667	3,423	7%	1,099	1,131	1,832	1,853	-1%
Guarantees	467	493	826	931	-11%	427	485	766	898	-15%
Other services	1,106	1,625	2,023	2,841	-29%	133	264	285	434	-34%
Total	29,920	26,801	55,500	50,902	9%	10,319	10,269	18,953	18,941	0%
Net fee and commission income	68,540	69,135	134,645	133,666	1%	31,504	32,319	62,419	64,096	-3%

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

	in EUR thousands							
	NLB Group				NLB			
	three months ended		six months ended		three months ended		six months ended	
	June 2023	June 2022	June 2023	June 2022	June 2023	June 2022	June 2023	June 2022
Debt instruments measured at fair value through other comprehensive income	85	76	(696)	(1,671)	-	-	(788)	(316)
Debt instruments measured at amortised cost	-	(10)	-	(9)	-	-	-	(734)
Total	85	66	(696)	(1,680)	-	-	(788)	(1,050)

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

	in EUR thousands							
	NLB Group				NLB			
	three months ended		six months ended		three months ended		six months ended	
	June 2023	June 2022	June 2023	June 2022	June 2023	June 2022	June 2023	June 2022
Foreign exchange trading	6,991	7,890	13,724	13,000	1,064	1,799	2,370	3,485
Debt instruments	7	43	70	2	5	29	19	(28)
Derivatives	939	3,766	72	6,406	(324)	3,355	(154)	5,038
Total	7,937	11,699	13,866	19,408	745	5,183	2,235	8,495

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

	in EUR thousands							
	NLB Group				NLB			
	three months ended		six months ended		three months ended		six months ended	
	June 2023	June 2022	June 2023	June 2022	June 2023	June 2022	June 2023	June 2022
Equity securities	464	(513)	1,026	(650)	297	(283)	626	(94)
Debt securities	(10)	(88)	5	(173)	-	-	-	-
Loans and advances to customers	24	-	24	-	601	(1,756)	750	(1,790)
Total	478	(601)	1,055	(823)	898	(2,039)	1,376	(1,884)

4.7. Disposal of Tara Hotel d.o.o., Budva

In May 2023, NLB Group sold its subsidiary Tara Hotel d.o.o., Budva. The assets and liabilities derecognised from NLB Group financial statements as a result of disposal are as follows:

	in EUR thousands
Cash, cash balances at central banks and other demand deposits at banks	2
Financial assets measured at amortised cost	
- other financial assets	19
Other assets	13,938
Total assets	13,959
Financial liabilities measured at amortised cost	
- borrowings from banks and central banks	178
- other financial liabilities	20
Deferred income tax liabilities	193
Other liabilities	82
Total liabilities	473
Net assets of subsidiary	13,486
Total disposal consideration	13,019
Cash and cash equivalents in subsidiary sold	2
Cash inflow on disposal	13,021
Consideration for disposal of the subsidiary	13,019
Carrying amount of net assets disposed of	13,486
Loss from disposal of subsidiary in consolidated financial statements	(467)

At sale of Tara Hotel d.o.o., Budva NLB Group realised a loss in the amount of EUR 467 thousand and NLB in the amount of EUR 105 thousand.

4.8. Other net operating income

in EUR thousands										
	NLB Group					NLB				
	three months ended		six months ended			three months ended		six months ended		
	June 2023	June 2022	June 2023	June 2022	Change	June 2023	June 2022	June 2023	June 2022	Change
Other operating income										
Income from non-banking services	1,964	1,687	3,773	3,231	17%	1,698	1,564	3,323	3,007	11%
Rental income from investment property	535	712	911	1,754	-48%	79	132	158	284	-44%
Revaluation of investment property to fair value	102	11	157	72	118%	102	11	102	11	-
Sale of investment property	-	337	-	369	-	-	(1)	-	18	-
Other operating income	1,298	1,958	2,539	4,090	-52%	686	1,210	1,509	1,698	4%
Total	3,899	4,705	7,380	9,516	-22%	2,565	2,916	5,092	5,018	1%
Other operating expenses										
Expenses related to issued service guarantees	8	60	25	86	-71%	8	60	25	86	-71%
Revaluation of investment property to fair value	41	1	41	67	-39%	41	1	41	1	-
Other operating expenses	2,775	1,274	4,033	3,019	34%	727	638	1,543	4,471	-65%
Total	2,824	1,335	4,099	3,172	29%	776	699	1,609	4,558	-65%
Other net operating income	1,075	3,370	3,281	6,344	-48%	1,789	2,217	3,483	460	-

4.9. Administrative expenses

in EUR thousands										
	NLB Group					NLB				
	three months ended		six months ended			three months ended		six months ended		
	June 2023	June 2022	June 2023	June 2022	Change	June 2023	June 2022	June 2023	June 2022	Change
Employee costs	70,627	65,213	137,390	122,715	12 %	32,248	29,489	62,904	56,011	12 %
Other general and administrative expenses	41,147	39,011	79,842	72,700	10 %	20,135	17,867	38,569	33,297	16 %
Total	111,774	104,224	217,232	195,415	11 %	52,383	47,356	101,473	89,308	14 %

4.10. Cash contributions to resolution funds and deposit guarantee schemes

in EUR thousands										
	NLB Group					NLB				
	three months ended		six months ended			three months ended		six months ended		
	June 2023	June 2022	June 2023	June 2022	Change	June 2023	June 2022	June 2023	June 2022	Change
Cash contributions to deposit guarantee schemes	7,962	6,648	23,911	20,962	14 %	2,071	-	9,686	7,614	27 %
Cash contributions to resolution funds	(188)	47	2,045	2,194	-7 %	(401)	-	1,697	2,099	-19 %
Total	7,774	6,695	25,956	23,156	12 %	1,670	-	11,383	9,713	17 %

4.11. Depreciation and amortisation

in EUR thousands										
	NLB Group					NLB				
	three months ended		six months ended			three months ended		six months ended		
	June 2023	June 2022	June 2023	June 2022	Change	June 2023	June 2022	June 2023	June 2022	Change
Amortisation of intangible assets	3,616	3,963	7,368	7,889	-7 %	1,359	1,430	2,749	2,932	-6 %
Depreciation of property and equipment:										
- own property and equipment	6,139	5,671	11,994	11,160	7 %	2,553	2,567	5,101	5,141	-1 %
- right-of-use assets	2,070	2,165	4,117	4,264	-3 %	279	254	523	492	6 %
Total	11,825	11,799	23,479	23,313	1 %	4,191	4,251	8,373	8,565	-2 %

4.12. Provisions

in EUR thousands										
	NLB Group					NLB				
	three months ended		six months ended			three months ended		six months ended		
	June 2023	June 2022	June 2023	June 2022	Change	June 2023	June 2022	June 2023	June 2022	Change
Guarantees and commitments (note 5.12.b)	(5,019)	(1,007)	(7,202)	(1,767)	(1,014)	(1,004)	(2,088)	(1,528)		
Restructuring provisions	-	4,679	-	4,679	-	-	-	-	-	-
Provisions for legal risks	4,210	262	816	635	1	100	(3,558)	100		
Other provisions	1,670	(1)	10,991	(11)	-	-	9,300	-		
Total	861	3,933	4,605	3,536	(1,013)	(904)	3,654	(1,428)		

4.13. Impairment charge

	in EUR thousands							
	NLB Group				NLB			
	three months ended		six months ended		three months ended		six months ended	
	June 2023	June 2022	June 2023	June 2022	June 2023	June 2022	June 2023	June 2022
Impairment of financial assets								
Cash balances at central banks, and other demand deposits at banks	(109)	(16)	(83)	(38)	53	(85)	70	(99)
Loans and advances to customers measured at amortised cost (note 5.10.a)	(7,711)	(7,585)	(17,721)	(4,957)	(1,030)	787	(398)	(815)
Loans and advances to banks measured at amortised cost (note 5.10.a)	20	(31)	34	62	(31)	(165)	38	42
Debt securities measured at fair value through other comprehensive income (note 5.10.b)	(807)	4,244	(6,074)	5,011	(107)	5,000	(4,728)	5,987
Debt securities measured at amortised cost (note 5.10.b)	976	(146)	1,262	378	355	(11)	449	128
Other financial assets measured at amortised cost (note 5.10.a)	1,107	2,901	(129)	3,698	(7)	85	177	115
Total impairment of financial assets	(6,524)	(633)	(22,711)	4,154	(767)	5,611	(4,392)	5,358
Impairment of other assets								
Other assets	289	(8)	327	(15)	-	-	-	-
Total	289	(8)	327	(15)	-	-	-	-
Total impairment of non-financial assets	289	(8)	327	(15)	-	-	-	-
Total impairment	(6,235)	(641)	(22,384)	4,139	(767)	5,611	(4,392)	5,358

Impairment of financial assets in 2022 includes EUR 8,900 thousand of 12-month expected credit losses for Stage 1 financial assets, acquired through a business combination (note 4.14.). Of that, EUR 8,894 thousand relates to financial assets measured at amortised cost, EUR 5 thousand to financial assets measured at fair value through other comprehensive income, and EUR 1 thousand to cash balances at central banks and other demand deposits at banks.

Release of impairment of debt securities measured at fair value through other comprehensive income in 2023 relates mainly to impairment of Russian sovereign debt, which was sold in February 2023 (note 5.4.).

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

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

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

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

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

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

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

The acquisition of N Banka resulted in a gain from a bargain purchase (negative goodwill) in the amount of EUR 172,810 thousand, which is recognised in the income statement under the line item 'Negative goodwill.' Current market conditions, when banks are generally valued below their net book values, usually result in recognition of a gain from a bargain purchase, which is in the case of N Banka even higher than it would be as a result of an orderly transaction, since the bank was acquired in the process of resolution. Negative goodwill is not taxable.

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

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

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

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

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

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

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

Immediately after acquisition, 12-month expected credit losses for Stage 1 financial assets in the amount of EUR 8,900 thousand and attributable deferred taxes in the amount of EUR 1,691 thousand were recognised. Additionally, EUR 15,945 thousand of revenue, EUR 3,740 thousand of gain after tax and EUR 1,994 thousand of other comprehensive loss were recognised in NLB Group financial statements since the acquisition date. Had the acquisition occurred on 1 January 2022, management estimates that consolidated revenue (excluding negative goodwill) for the six months ended 30 June 2022 would have been approximately EUR 450 million and consolidated profit for the same period (excluding negative goodwill) approximately EUR 105 million. The exact result is difficult to determine due to the changed circumstances during the year, especially the impact of the war in Ukraine.

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

	in EUR thousands							
	NLB Group				NLB			
	three months ended		six months ended		three months ended		six months ended	
	June 2023	June 2022	June 2023	June 2022	June 2023	June 2022	June 2023	June 2022
Gains less losses from property and equipment	411	(23)	5,084	(10)	(65)	(47)	123	(37)
Total	411	(23)	5,084	(10)	(65)	(47)	123	(37)

4.16. Income tax

	in EUR thousands								
	NLB Group				NLB				
	three months ended		six months ended		three months ended		six months ended		
	June 2023	June 2022	June 2023	June 2022	June 2023	June 2022	June 2023	June 2022	
Current tax	24,724	6,159	36,701	11,040	-	14,944	1,055	16,358	1,650
Deferred tax (note 5.13.)	1,179	(728)	3,144	(407)	-	4	(996)	1,166	(1,220)
Total	25,903	5,431	39,845	10,633	-	14,948	59	17,524	430

5. Notes to the condensed statement of financial position

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

in EUR thousand						
	NLB Group			NLB		
	30 Jun 2023	31 Dec 2022	Change	30 Jun 2023	31 Dec 2022	Change
Balances and obligatory reserves with central banks	5,107,763	4,536,526	13%	3,648,217	3,104,442	18%
Cash	454,741	489,197	-7%	160,533	180,483	-11%
Demand deposits at banks	199,121	246,815	-19%	136,093	54,456	150%
	5,761,625	5,272,538	9%	3,944,843	3,339,381	18%
Allowance for impairment	(1,211)	(1,173)	-3%	(427)	(357)	-20%
Total	5,760,414	5,271,365	9%	3,944,416	3,339,024	18%

5.2. Financial instruments held for trading

a) Financial assets held for trading

in EUR thousands						
	NLB Group			NLB		
	30 Jun 2023	31 Dec 2022	Change	30 Jun 2023	31 Dec 2022	Change
Derivatives, excluding hedging instruments						
Sw ap contracts	17,808	16,169	10%	18,764	16,274	15%
Options	2,078	2,312	-10%	2,078	2,312	-10%
Forward contracts	257	2,904	-91%	255	2,903	-91%
Total derivatives	20,143	21,385	-6%	21,097	21,489	-2%
Securities						
Bonds	1,005	-	-	1,005	-	-
Treasury bills	-	203	-	-	203	-
Total securities	1,005	203	-	1,005	203	-
Total	21,148	21,588	-2%	22,102	21,692	2%

b) Financial liabilities held for trading

in EUR thousands						
	NLB Group			NLB		
	30 Jun 2023	31 Dec 2022	Change	30 Jun 2023	31 Dec 2022	Change
Derivatives, excluding hedging instruments						
Sw ap contracts	16,051	15,903	1%	17,262	16,535	4%
Options	2,515	2,800	-10%	2,453	2,742	-11%
Forward contracts	252	2,886	-91%	251	2,873	-91%
Total	18,818	21,589	-13%	19,966	22,150	-10%

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

in EUR thousands						
	NLB Group			NLB		
	30 Jun 2023	31 Dec 2022	Change	30 Jun 2023	31 Dec 2022	Change
Assets						
Shares	5,807	5,579	4%	5,807	5,211	11%
Investments funds	10,753	10,336	4%	2,488	2,308	8%
Bonds	3,113	3,116	0%	-	-	-
Loans and advances to companies	-	-	-	8,241	7,892	4%
Total	19,673	19,031	3%	16,536	15,411	7%
Liabilities						
Loans and advances to companies	-	-	-	1,610	1,786	-10%
Other financial liabilities	4,052	1,796	126%	1,751	728	141%
Total	4,052	1,796	126%	3,361	2,514	34%

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

Analysis by type

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2023	31 Dec 2022	Change	30 Jun 2023	31 Dec 2022	Change
Bonds	2,022,817	2,506,224	-19%	1,042,361	1,196,760	-13%
Shares	24,649	22,285	11%	287	269	7%
National Resolution Fund	58,795	58,122	1%	43,007	42,515	1%
Treasury bills	260,544	310,748	-16%	10,048	94,517	-89%
Commercial bills	-	21,824	-	-	-	-
Total	2,366,805	2,919,203	-19%	1,095,703	1,334,061	-18%
Allowance for impairment (note 5.10.b)	(8,310)	(15,876)	48%	(2,574)	(8,799)	71%

As at 30 June 2023, the Bank does not have any exposure towards the Russia anymore. Russian government bond in the nominal amount of USD 8,000 thousand that would otherwise mature in September 2023, was sold at the beginning of February 2023.

5.5. Financial assets measured at amortised cost

Analysis by type

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2023	31 Dec 2022	Change	30 Jun 2023	31 Dec 2022	Change
Debt securities	2,146,087	1,917,615	12%	1,796,616	1,597,448	12%
Loans and advances to banks	304,745	222,965	37%	325,586	350,625	-7%
Loans and advances to customers	13,431,757	13,072,986	3%	6,263,442	6,054,413	3%
Other financial assets	139,293	177,823	-22%	108,421	114,399	-5%
Total	16,021,882	15,391,389	4%	8,494,065	8,116,885	5%

a) Debt securities

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2023	31 Dec 2022	Change	30 Jun 2023	31 Dec 2022	Change
Government	1,564,878	1,486,496	5%	1,233,126	1,184,601	4%
Companies	82,914	84,979	-2%	62,589	64,913	-4%
Banks	480,835	323,944	48%	480,835	323,944	48%
Financial organisations	22,503	25,980	-13%	22,503	25,980	-13%
	2,151,130	1,921,399	12%	1,799,053	1,599,438	12%
Allowance for impairment (note 5.10.b)	(5,043)	(3,784)	-33%	(2,437)	(1,990)	-22%
Total	2,146,087	1,917,615	12%	1,796,616	1,597,448	12%

b) Loans and advances to banks

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2023	31 Dec 2022	Change	30 Jun 2023	31 Dec 2022	Change
Loans	657	782	-16%	129,121	127,717	1%
Time deposits	145,629	118,241	23%	191,465	221,271	-13%
Reverse sale and repurchase agreements	153,507	102,358	50%	-	-	-
Purchased receivables	5,254	1,853	184%	5,254	1,853	184%
	305,047	223,234	37%	325,840	350,841	-7%
Allowance for impairment (note 5.10.a)	(302)	(269)	-12%	(254)	(216)	-18%
Total	304,745	222,965	37%	325,586	350,625	-7%

c) Loans and advances to customers

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2023	31 Dec 2022	Change	30 Jun 2023	31 Dec 2022	Change
Loans	12,878,578	12,626,259	2%	6,079,228	5,873,443	4%
Overdrafts	444,460	425,135	5%	210,200	208,499	1%
Finance lease receivables	271,489	193,948	40%	-	-	-
Credit card business	148,387	148,870	0%	65,198	64,460	1%
Called guarantees	4,037	2,772	46%	2,336	1,423	64%
	13,746,951	13,396,984	3%	6,356,962	6,147,825	3%
Allowance for impairment (note 5.10.a)	(315,194)	(323,998)	3%	(93,520)	(93,412)	0%
Total	13,431,757	13,072,986	3%	6,263,442	6,054,413	3%

d) Other financial assets

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2023	31 Dec 2022	Change	30 Jun 2023	31 Dec 2022	Change
Receivables in the course of settlement and other temporary accounts	66,460	36,712	81%	53,431	19,370	176%
Credit card receivables	18,960	41,364	-54%	13,627	30,544	-55%
Debtors	8,006	8,516	-6%	1,070	2,710	-61%
Fees and commissions	9,323	8,737	7%	1,126	2,359	-52%
Receivables to brokerage firms and others for the sale of securities and custody services	3	31,587	-100%	-	31,081	-
Accrued income	5,089	3,390	50%	5,855	3,413	72%
Dividends	-	-	-	7,466	-	-
Prepayments	2,428	2,563	-5%	-	-	-
Other financial assets	39,275	53,988	-27%	26,891	25,935	4%
	149,544	186,857	-20%	109,466	115,412	-5%
Allowance for impairment (note 5.10.a)	(10,251)	(9,034)	-13%	(1,045)	(1,013)	-3%
Total	139,293	177,823	-22%	108,421	114,399	-5%

5.6. Non-current assets held for sale

As at 30 June 2023 'Non-current assets held for sale' includes business premises and assets received as collateral that are in the process of being sold and amounts to EUR 8,328 thousand (31 December 2022: EUR 15,436 thousand) in the NLB Group and EUR 4,069 thousand (31 December 2022: EUR 4,235 thousand) in NLB.

5.7. Property and equipment

Analysis by type

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2023	31 Dec 2022	Change	30 Jun 2023	31 Dec 2022	Change
Own property and equipment	229,832	228,944	0%	72,335	75,262	-4%
Right-of-use assets	24,456	22,372	9%	3,985	3,330	20%
Total	254,288	251,316	1%	76,320	78,592	-3%

5.8. Investment property

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2023	31 Dec 2022	Change	30 Jun 2023	31 Dec 2022	Change
Buildings	34,080	34,576	-1%	6,674	6,571	2%
Land	425	1,063	-60%	140	182	-23%
Total	34,505	35,639	-3%	6,814	6,753	1%

5.9. Other assets

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2023	31 Dec 2022	Change	30 Jun 2023	31 Dec 2022	Change
Assets, received as collateral	33,355	51,586	-35%	3,170	3,170	0%
Deferred expenses	16,659	12,200	37%	9,250	6,929	33%
Inventories	4,384	4,961	-12%	1,984	2,324	-15%
Claim for taxes and other dues	3,469	1,509	130%	200	417	-52%
Prepayments	3,129	2,287	37%	709	321	121%
Total	60,996	72,543	-16%	15,313	13,161	16%

5.10. Movements in allowance for the impairment of financial assets

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

in EUR thousands								
NLB Group								
	Loans and advances to banks		Loans and advances to customers			Other financial assets		
	12-month expected credit losses	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2023	161	108	91,225	45,812	186,961	1,246	38	7,750
Effects of translation of foreign operations to presentation currency	(1)	-	(15)	(8)	49	2	-	(3)
Transfers	-	-	14,141	(11,213)	(2,928)	133	(22)	(111)
Increases/(Decreases) (note 4.13.)	23	11	(12,306)	8,536	6,351	(328)	67	478
Write-offs	-	-	(25)	(4)	(16,722)	(11)	(1)	(478)
Changes in models/risk parameters (note 4.13.)	-	-	(12,375)	5,950	512	(107)	(25)	(17)
Foreign exchange and other movements	-	-	13	(4)	11,244	123	(7)	1,748
Disposal of subsidiary	-	-	-	-	-	-	-	(224)
Balance as at 30 Jun 2023	183	119	80,658	49,069	185,467	1,058	50	9,143
Repayments of written-off receivables (note 4.13.)	-	-	-	-	14,389	-	-	197

in EUR thousands								
NLB Group								
	Loans and advances to banks		Loans and advances to customers			Other financial assets		
	12-month expected credit losses	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2022	198	-	69,297	34,022	212,654	476	36	5,714
Effects of translation of foreign operations to presentation currency	-	-	(50)	(17)	342	1	(1)	4
Transfers	(60)	60	9,788	(5,889)	(3,899)	4	25	(29)
Increases/(Decreases) (note 4.13.)	21	45	(63)	6,283	10,305	109	(6)	3,664
Write-offs	-	-	(1)	(5)	(9,643)	(22)	(19)	(566)
Changes in models/risk parameters (note 4.13.)	(4)	-	(4,991)	3,001	24	(6)	11	(13)
Foreign exchange and other movements	-	-	6	(2)	2,484	176	4	27
Balance as at 30 Jun 2022	155	105	73,986	37,393	212,267	738	50	8,801
Repayments of written-off receivables (note 4.13.)	-	-	-	-	19,516	-	-	61

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

in EUR thousands								
NLB								
	Loans and advances to banks		Loans and advances to customers			Other financial assets		
	12-month expected credit losses	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2023	216	-	21,041	8,185	64,186	203	2	808
Transfers	-	-	5,836	(3,786)	(2,050)	1	-	(1)
Increases/(Decreases) (note 4.13.)	36	-	(5,236)	4,458	8,093	(131)	12	395
Write-offs	-	-	(1)	(2)	(6,474)	(2)	(1)	(205)
Changes in models/risk parameters (note 4.13.)	2	-	(3,288)	1,826	(14)	(31)	-	-
Foreign exchange and other movements	-	-	2	1	743	1	-	(6)
Balance as at 30 Jun 2023	254	-	18,354	10,682	64,484	41	13	991
Repayments of written-off receivables (note 4.13.)	-	-	-	-	6,237	-	-	68

in EUR thousands								
NLB								
	Loans and advances to banks		Loans and advances to customers			Other financial assets		
	12-month expected credit losses	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2022	182	-	13,604	4,208	78,607	62	1	1,090
Transfers	-	-	2,834	(1,723)	(1,111)	4	1	(5)
Increases/(Decreases) (note 4.13.)	42	-	(2,736)	1,370	8,827	51	1	47
Write-offs	-	-	(1)	(5)	(3,333)	(5)	(1)	(205)
Changes in models/risk parameters (note 4.13.)	-	-	(1,275)	2,796	(299)	17	-	-
Foreign exchange and other movements	1	-	21	-	(5,159)	2	-	-
Balance as at 30 Jun 2022	225	-	12,447	6,646	77,532	131	2	927
Repayments of written-off receivables (note 4.13.)	-	-	-	-	9,498	-	-	1

b) Movements in allowance for the impairment of debt securities

in EUR thousands					
NLB Group					
	Debt securities measured at amortised cost		Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	Lifetime ECL not credit - impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2023	3,519	265	9,029	70	6,777
Effects of translation of foreign operations to presentation currency	(2)	(2)	5	-	-
Transfers	(52)	52	-	-	-
Increases/(Decreases) (note 4.13.)	652	68	(1,511)	(9)	(4,483)
Write-offs	-	-	-	-	(1,537)
Changes in models/risk parameters (note 4.13.)	27	515	(73)	2	-
Foreign exchange and other movements	1	-	(1)	-	41
Balance as at 30 Jun 2023	4,145	898	7,449	63	798

in EUR thousands					
NLB Group					
	Debt securities measured at amortised cost		Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	Lifetime ECL not credit - impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2022	3,253	52	11,148	70	798
Effects of translation of foreign operations to presentation currency	(2)	-	(6)	-	-
Transfers	-	-	(27)	(801)	828
Increases/(Decreases) (note 4.13.)	249	249	(861)	744	5,232
Changes in models/risk parameters (note 4.13.)	(28)	(92)	(116)	12	-
Foreign exchange and other movements	7	-	20	52	-
Balance as at 30 Jun 2022	3,479	209	10,158	77	6,858

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

in EUR thousands					
NLB					
	Debt securities measured at amortised cost		Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	Lifetime ECL not credit - impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2023	1,990	-	2,022	-	6,777
Transfers	(52)	52	-	-	-
Increases/(Decreases) (note 4.13.)	294	168	(231)	-	(4,483)
Write-offs	-	-	-	-	(1,537)
Changes in models/risk parameters (note 4.13.)	(13)	-	(14)	-	-
Foreign exchange and other movements	(1)	(1)	(1)	-	41
Balance as at 30 Jun 2023	2,218	219	1,776	-	798

in EUR thousands					
NLB					
	Debt securities measured at amortised cost		Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	Lifetime ECL not credit - impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2022	1,826	-	2,203	-	798
Transfers	-	-	(25)	(803)	828
Increases/(Decreases) (note 4.13.)	117	-	5	751	5,232
Changes in models/risk parameters (note 4.13.)	11	-	(1)	-	-
Foreign exchange and other movements	4	-	5	52	-
Balance as at 30 Jun 2022	1,958	-	2,187	-	6,858

5.11. Financial liabilities measured at amortised cost

Analysis by type

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2023	31 Dec 2022	Change	30 Jun 2023	31 Dec 2022	Change
Deposits from banks and central banks	107,410	106,414	1%	321,226	212,656	51%
- Deposits on demand	74,047	86,892	-15%	278,938	193,523	44%
- Other deposits	33,363	19,522	71%	42,288	19,133	121%
Borrowings from banks and central banks	129,985	198,609	-35%	61,744	57,292	8%
Due to customers	19,924,864	20,027,726	-1%	10,941,123	10,984,411	0%
- Deposits on demand	17,348,624	17,386,022	0%	10,308,612	10,268,908	0%
- Other deposits	2,576,240	2,641,704	-2%	632,511	715,503	-12%
Borrowings from other customers	90,054	82,482	9%	210	216	-3%
Debt securities issued	1,334,490	815,990	64%	1,334,490	815,990	64%
Other financial liabilities	254,591	294,463	-14%	140,342	164,567	-15%
Total	21,841,394	21,525,684	1%	12,799,135	12,235,132	5%

In December 2021, N Banka participated in ECB TLTRO III.10 operation and had drawn a credit tranche of EUR 93,000 thousand for three years. In December 2022, N Banka early repaid a part of the loan in the amount of EUR 30,000 thousand. In June 2023, N Banka early repaid also the remaining part of the loan in the amount of EUR 63,000 thousand.

In June 2021, the Bank participated in the ECB TLTRO III.8 operation and had drawn a credit tranche of EUR 750,000 thousand for three years. The loan was early repaid in June 2022.

a) Debt securities issued

	in EUR thousands							
	NLB Group and NLB							
	30 Jun 2023				31 Dec 2022			
	Currency	Due date	Interest rate	Carrying amount	Nominal value	Carrying amount	Nominal value	
Subordinated bonds								
	EUR	06.05.2029	4.20% to 06.05.2024, thereafter 5Y MS + 4.159% p.a.	45,011	45,000	45,941	45,000	
	EUR	19.11.2029	3.65% to 19.11.2024, thereafter 5Y MS + 3.833% p.a.	121,890	120,000	119,677	120,000	
	EUR	05.02.2030	3.40% to 05.02.2025, thereafter 5Y MS + 3.658% p.a.	121,073	120,000	123,106	120,000	
	EUR	28.11.2032	10.75% to 28.11.2027, thereafter 5Y MS + 8.298% p.a.	232,036	225,000	220,054	225,000	
Total Subordinated bonds				520,010	510,000	508,778	510,000	
Senior Preferred notes								
	EUR	19.07.2025	6% to 19.07.2024, thereafter 1Y MS + 4.835% p.a.	316,390	300,000	307,212	300,000	
	EUR	27.06.2027	7.125% to 27.07.2026, thereafter 1Y MS + 3.606% p.a.	498,090	500,000	-	-	
Total Senior Preferred notes				814,480	800,000	307,212	300,000	
Total Debt securities issued				1,334,490	1,310,000	815,990	810,000	

b) Movement of debt securities issued

	in EUR thousand			
	NLB Group and NLB			
	Subordinated bonds		Senior Preferred notes	
	2023	2022	2023	2022
Balance as at 1 Jan	508,778	288,519	307,212	-
Cash flow items:	(5,970)	(5,970)	497,708	-
- new debt securities issued	-	-	497,708	-
- repayments of interest	(5,970)	(5,970)	-	-
Non-Cash flow items:	17,202	5,216	9,560	-
- accrued interest	17,202	5,216	9,560	-
Balance as at 30 Jun	520,010	287,765	814,480	-

c) Other financial liabilities

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2023	31 Dec 2022	Change	30 Jun 2023	31 Dec 2022	Change
Items in the course of payment	90,093	70,232	28%	36,290	16,281	123%
Debit or credit card payables	30,378	72,148	-58%	26,474	54,920	-52%
Lease liabilities	26,123	23,840	10%	3,989	3,349	19%
Accrued expenses	29,011	33,574	-14%	13,064	15,898	-18%
Liabilities to brokerage firms and others for securities purchase and custody services	6,051	224	-	6,033	205	-
Suppliers	6,873	19,608	-65%	3,256	13,455	-76%
Fees and commissions	134	751	-82%	14	633	-98%
Other financial liabilities	65,928	74,086	-11%	51,222	59,826	-14%
Total	254,591	294,463	-14%	140,342	164,567	-15%

5.12. Provisions

a) Analysis by type

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2023	31 Dec 2022	Change	30 Jun 2023	31 Dec 2022	Change
Provisions for guarantees and commitments	30,401	37,609	-19%	18,211	20,299	-10%
Stage 1	14,380	18,826	-24%	7,036	8,156	-14%
Stage 2	2,455	1,953	26%	431	378	14%
Stage 3	13,566	16,830	-19%	10,744	11,765	-9%
Employee benefit provisions	18,734	18,026	4%	12,292	11,876	4%
Provisions for legal risks	39,717	43,209	-8%	26	3,584	-99%
Restructuring provisions	17,174	21,036	-18%	5,303	7,288	-27%
Other provisions	4,127	2,772	49%	2,740	2,169	26%
Total	110,153	122,652	-10%	38,572	45,216	-15%

Legal risks

As disclosed in the annual financial statements of NLB Group and NLB for the year ended 31 December 2022, the largest amount of material monetary claims against NLB Group in connection with legal risks relates to civil claims filed by Privredna banka Zagreb (the PBZ) and Zagrebačka banka (the ZaBa) against NLB, referring to the old savings of LB Branch Zagreb savers. NLB has all along objected to these claims, as it is not liable for the old currency savings, based on numerous process and content-related reason, as described in the annual financial statements.

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

Other provisions

Other provisions in the NLB Group and NLB relate mainly to liability in relation to reimbursement of fees in case of early loan repayment.

b) Movements in provisions for guarantees and commitments

in EUR thousands			
NLB Group			
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2023	18,826	1,953	16,830
Effects of translation of foreign operations to presentation currency	1	-	1
Transfers	125	130	(255)
Increases/(Decreases) (note 4.12.)	(1,967)	(420)	(3,017)
Changes in models/risk parameters (note 4.12.)	(2,602)	797	7
Foreign exchange and other movements	(3)	(5)	-
Balance as at 30 Jun 2023	14,380	2,455	13,566

in EUR thousands			
NLB Group			
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2022	12,912	1,640	18,889
Effects of translation of foreign operations to presentation currency	(1)	(3)	1
Acquisition of subsidiary	921	-	180
Transfers	206	92	(298)
Increases/(Decreases) (note 4.12.)	936	24	(618)
Changes in models/risk parameters (note 4.12.)	(2,224)	172	(57)
Foreign exchange and other movements	(4)	3	37
Balance as at 30 Jun 2022	12,746	1,928	18,134

in EUR thousands			
NLB			
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2023	8,156	378	11,765
Transfers	105	81	(186)
Increases/(Decreases) (note 4.12.)	(522)	(429)	(871)
Changes in models/risk parameters (note 4.12.)	(703)	401	36
Balance as at 30 Jun 2023	7,036	431	10,744

in EUR thousands			
NLB			
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2022	3,909	141	16,510
Transfers	320	1	(321)
Increases/(Decreases) (note 4.12.)	269	(3)	(1,159)
Changes in models/risk parameters (note 4.12.)	(660)	26	(1)
Foreign exchange and other movements	(4)	-	26
Balance as at 30 Jun 2022	3,834	165	15,055

5.13. Deferred income tax

	in EUR thousands			
	NLB Group		NLB	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
Deferred income tax assets				
Valuation of financial instruments and capital investments	45,273	48,415	37,705	38,028
Impairment of financial assets	8,473	9,480	952	2,050
Provisions for liabilities and charges	8,852	9,899	1,618	1,819
Depreciation and valuation of non-financial assets	4,285	4,737	103	109
Fair value adjustments of financial instruments measured at amortised cost	1,946	2,046	-	-
Other	222	141	-	-
Total deferred income tax assets	69,051	74,718	40,378	42,006
Deferred income tax liabilities				
Valuation of financial instruments	8,161	8,375	4,761	5,283
Depreciation and valuation of non-financial assets	1,482	1,641	146	163
Impairment of financial assets	4,137	5,501	489	1,672
Fair value adjustments of financial assets measured at amortised cost	6,593	5,366	-	-
Other	699	877	-	-
Total deferred income tax liabilities	21,072	21,760	5,396	7,118
Net deferred income tax assets	50,266	55,527	34,982	34,888
Net deferred income tax liabilities	(2,287)	(2,569)	-	-

	in EUR thousands			
	NLB Group		NLB	
	six months ended		six months ended	
	June 2023	June 2022	June 2023	June 2022
Included in the income statement	(3,144)	407	(1,166)	1,220
- valuation of financial instruments and capital investments	406	4,969	122	4,163
- impairment of financial assets	(949)	2,109	(1,098)	1,174
- provisions for liabilities and charges	(1,047)	455	(201)	(243)
- depreciation and valuation of non-financial assets	(483)	(20)	11	2
- fair value adjustments of financial assets measured at amortised cost	(1,330)	(2,743)	-	-
- tax losses	-	(253)	-	-
- dividends	-	(3,876)	-	(3,876)
- tax reliefs	-	(463)	-	-
- other	259	229	-	-
Included in other comprehensive income	(2,025)	8,174	1,260	872
- valuation and impairment of financial assets measured at fair value through other comprehensive income	(2,025)	8,174	1,260	872

As at 30 June 2023, NLB recognised EUR 40,378 thousand deferred tax assets (31 December 2022: EUR 42,006 thousand). Unrecognised deferred tax assets amount to EUR 187,450 thousand (31 December 2022: EUR 202,802 thousand) of which EUR 168,892 thousand (31 December 2022: EUR 180,589 thousand) relates to unrecognised deferred tax assets from tax losses (no deadlines by which uncovered tax losses must be utilized) and EUR 18,558 thousand (31 December 2022: EUR 22,213 thousand) to unrecognised deferred tax assets from valuation of financial instruments and impairments of non-strategic capital investments.

5.14. Income tax relating to components of other comprehensive income

	in EUR thousands					
	NLB Group			NLB		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Six months ended June 2023						
Financial assets measured at fair value through other comprehensive income	33,817	(2,025)	31,792	10,889	1,260	12,149
Total	33,817	(2,025)	31,792	10,889	1,260	12,149

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

5.15. Other liabilities

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2023	31 Dec 2022	Change	30 Jun 2023	31 Dec 2022	Change
Accrued salaries	30,033	21,948	37%	18,204	14,014	30%
Unused annual leave	6,612	6,886	-4%	2,569	2,569	0%
Taxes payable	8,352	5,724	46%	3,397	4,023	-16%
Deferred income	10,109	11,177	-10%	4,526	4,749	-5%
Payments received in advance	3,867	3,346	16%	713	32	-
Total	58,973	49,081	20%	29,409	25,387	16%

5.16. Other equity instruments issued

On 23 September 2022, NLB issued subordinated notes intended to qualify as Additional Tier 1 Instruments in the aggregate nominal amount of EUR 82 million. The notes have no scheduled maturity date. The issuer has the option for early redemption of the notes in the period between 23 September 2027 and 23 March 2028, and on each distribution payment date after 23 March 2028. Until 23 March 2028, the interest on the principal of the notes will accrue at the interest rate of 9.721% per annum, and for each subsequent 5-year period, will accrue at the applicable interest rate, which shall be reset prior to the commencement of each such period (5Y MS + 7.20% per annum). The coupon payments are discretionary and non-cumulative. The notes terms provide for a temporary write-down in the event that the Common Equity Tier 1 ratio of NLB Group and/or NLB drop(s) below 5.125%. The issue price was equal to 100% of the nominal amount of the notes. The ISIN code of the notes is SI0022104275. Carrying amount as of 30 June 2023 is EUR 88,136 thousand (31 December 2022: EUR 84,184 thousand).

5.17. Book value per share

	in EUR thousands			
	NLB Group		NLB	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
Total equity attributable to owners of the parents	2,586,083	2,365,585	1,783,324	1,602,870
Other equity instruments (note 5.16.)	88,136	84,184	88,136	84,184
Total equity attributable to owners of the parents excluding other equity instruments issued	2,497,947	2,281,401	1,695,188	1,518,686
Number of shares (in thousands)	20,000	20,000	20,000	20,000
Book value per share (in EUR)	124.9	114.1	84.8	75.9

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

5.18. Capital adequacy ratio

	in EUR thousands			
	NLB Group		NLB	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
Paid-up capital instruments	200,000	200,000	200,000	200,000
Share premium	871,378	871,378	871,378	871,378
Retained earnings - from previous years	1,239,376	908,965	401,511	355,861
Profit eligible - from current year	-	334,297	-	49,602
Accumulated other comprehensive income	(127,402)	(98,470)	(69,528)	(50,527)
Other reserves	13,522	13,522	13,522	13,522
Minority interest	27,911	26,806	-	-
Prudential filters: Additional Valuation Adjustments (AVA)	(2,426)	(2,981)	(1,146)	(1,385)
(-) Goodwill	(3,529)	(3,529)	-	-
(-) Other intangible assets	(37,153)	(41,351)	(21,603)	(23,675)
(-) Insufficient coverage for non-performing exposures	(296)	(418)	(46)	(80)
COMMON EQUITY TIER 1 CAPITAL (CET1)	2,181,381	2,208,219	1,394,088	1,414,696
Capital instruments eligible as AT1 Capital	82,000	82,000	82,000	82,000
Minority interest	5,772	5,481	-	-
Additional Tier 1 capital	87,772	87,481	82,000	82,000
TIER 1 CAPITAL	2,269,153	2,295,700	1,476,088	1,496,696
Capital instruments and subordinated loans eligible as Tier 2 capital	507,516	507,516	507,516	507,516
Minority interest	3,442	3,159	-	-
TIER 2 CAPITAL	510,958	510,675	507,516	507,516
TOTAL CAPITAL	2,780,111	2,806,375	1,983,604	2,004,212
RWA for credit risk	11,971,594	11,797,851	6,723,857	6,356,959
RWA for market risks	1,367,001	1,359,476	784,000	776,963
RWA for credit valuation adjustment risk	89,625	85,600	92,363	86,138
RWA for operational risk	1,410,132	1,410,132	612,654	612,654
TOTAL RISK EXPOSURE AMOUNT (RWA)	14,838,352	14,653,059	8,212,874	7,832,714
Common Equity Tier 1 Ratio	14.7%	15.1%	17.0%	18.1%
Tier 1 Ratio	15.3%	15.7%	18.0%	19.1%
Total Capital Ratio	18.7%	19.2%	24.2%	25.6%

As at 30 June 2023, the total capital ratio (TCR) for the NLB Group stood at 18.7% and the CET1 ratio for the NLB Group stood at 14.7%, both decreased by 0.4 p.p. compared to the end of 2022 due to lower total capital. Although the overall revaluation adjustments in H1 2023 were positive in the amount EUR 32.7 million, the total capital decreased by EUR 26.3 million compared to the end of 2022 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.

The total capital does not include a part of the 2022 result in the amount of EUR 55 million, which is still envisaged to be paid as the dividend in 2023 (EUR 55 million were paid as dividend in June). Therefore, there will be no effect on the capital once the dividends are paid.

Risk Weighted Assets (RWA) in the NLB Group increased by EUR 185.3 million compared to the end of 2022. RWAs for credit risk increased by EUR 173.7 million, 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 Credit Value Adjustments (CVA) in the amount of EUR 11.6 million compared to the end of 2022 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 (mostly due to new IRS derivatives).

5.19. Off-balance sheet liabilities

	in EUR thousands					
	NLB Group			NLB		
	30 Jun 2023	31 Dec 2022	Change	30 Jun 2023	31 Dec 2022	Change
Loan commitments	2,337,950	2,388,468	-2%	1,758,671	1,635,498	8%
Non-financial guarantees	903,035	862,779	5%	514,767	462,805	11%
Financial guarantees	630,220	648,529	-3%	317,747	326,791	-3%
Letters of credit	29,163	35,029	-17%	13,975	13,204	6%
Other	792,382	675,887	17%	351,741	326,683	8%
	4,692,750	4,610,692	2%	2,956,901	2,764,981	7%
Provisions (note 5.12.)	(30,401)	(37,609)	19%	(18,211)	(20,299)	10%
Total	4,662,349	4,573,083	2%	2,938,690	2,744,682	7%

The line item 'Other' include also some low-risk off-balance sheet items, for which 0% credit conversion factor is applied in accordance with the Capital Requirements Regulation (credit and other lines which can be irrevocably cancelled by a bank). As at 30 June 2023, these items at the NLB Group level amount to EUR 773,077 thousand (31 December 2022: EUR 657,232 thousand), and at the NLB level EUR 342,530 thousand (31 December 2022: EUR 316,977 thousand).

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

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

The fair value hierarchy comprises the following levels:

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

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

Unobservable inputs shall reflect the estimates and assumptions that other market participants would use when pricing the asset or liability.

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

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

	NLB Group				NLB				in EUR thousands	
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value		
30 Jun 2023										
Financial assets										
Financial instruments held for trading	1,005	20,122	21	21,148	1,005	21,076	21	22,102		
<i>Debt instruments</i>	1,005	-	-	1,005	1,005	-	-	1,005		
<i>Derivatives</i>	-	20,122	21	20,143	-	21,076	21	21,097		
Derivatives - hedge accounting	-	56,314	-	56,314	-	56,098	-	56,098		
Financial assets measured at fair value through other comprehensive income	1,527,656	837,740	1,409	2,366,805	1,045,718	49,698	287	1,095,703		
<i>Debt instruments</i>	1,527,182	756,039	140	2,283,361	1,045,718	6,691	-	1,052,409		
<i>Equity instruments</i>	474	81,701	1,269	83,444	-	43,007	287	43,294		
Non-trading financial assets mandatorily at fair value through profit or loss	11,378	-	8,295	19,673	-	8,241	8,295	16,536		
<i>Debt instruments</i>	3,113	-	-	3,113	-	-	-	-		
<i>Equity instruments</i>	8,265	-	8,295	16,560	-	-	8,295	8,295		
<i>Loans</i>	-	-	-	-	-	8,241	-	8,241		
Financial liabilities										
Financial instruments held for trading	-	18,818	-	18,818	-	19,966	-	19,966		
<i>Derivatives</i>	-	18,818	-	18,818	-	19,966	-	19,966		
Derivatives - hedge accounting	-	624	-	624	-	470	-	470		
Financial liabilities measured at fair value through profit or loss	-	4,052	-	4,052	-	3,361	-	3,361		
Non-financial assets										
Investment properties	-	11,421	23,084	34,505	-	6,814	-	6,814		
Non-current assets held for sale	-	4,069	4,259	8,328	-	4,069	-	4,069		

	NLB Group				NLB				in EUR thousands	
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value		
31 Dec 2022										
Financial assets										
Financial instruments held for trading	203	21,368	17	21,588	203	21,472	17	21,692		
<i>Debt instruments</i>	203	-	-	203	203	-	-	203		
<i>Derivatives</i>	-	21,368	17	21,385	-	21,472	17	21,489		
Derivatives - hedge accounting	-	59,362	-	59,362	-	59,362	-	59,362		
Financial assets measured at fair value through other comprehensive income	1,746,405	1,169,306	3,492	2,919,203	1,282,584	49,182	2,295	1,334,061		
<i>Debt instruments</i>	1,745,896	1,090,664	2,236	2,838,796	1,282,584	6,667	2,026	1,291,277		
<i>Equity instruments</i>	509	78,642	1,256	80,407	-	42,515	269	42,784		
Non-trading financial assets mandatorily at fair value through profit and loss	11,512	-	7,519	19,031	-	7,892	7,519	15,411		
<i>Debt instruments</i>	3,116	-	-	3,116	-	-	-	-		
<i>Equity instruments</i>	8,396	-	7,519	15,915	-	-	7,519	7,519		
<i>Loans</i>	-	-	-	-	-	7,892	-	7,892		
Financial liabilities										
Financial instruments held for trading	-	21,589	-	21,589	-	22,150	-	22,150		
<i>Derivatives</i>	-	21,589	-	21,589	-	22,150	-	22,150		
Derivatives - hedge accounting	-	2,124	-	2,124	-	2,124	-	2,124		
Financial liabilities measured at fair value through profit or loss	-	1,796	-	1,796	-	2,514	-	2,514		
Non-financial assets										
Investment properties	-	12,192	23,447	35,639	-	6,753	-	6,753		
Non-current assets held for sale	-	4,235	11,201	15,436	-	4,235	-	4,235		

b) Significant transfers of financial instruments between levels of valuation

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

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

For the six months ended 30 June 2023 and 2022, NLB Group nor NLB had any significant transfers between levels of valuation of financial instruments measured at fair value in financial statements.

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

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

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

Non-financial assets on Level 2 of the fair value hierarchy at NLB Group and NLB include investment properties and non-current assets held for sale.

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

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

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

At least one of the three valuation methods are used for the valuation of investment property. The majority of investment property is valued using the income approach where the present value of future expected returns is assessed.

When valuing an investment property, average rents at similar locations and capitalisation ratios such as: the risk-free yield, risk premium, and the risk premium to account for capital preservation are used. Rents at similar locations are generated from various sources, like data from lessors and lessees, web databases, and own databases. NLB Group has observable data for all investment property at its disposal. If observable data for similar locations are not available, NLB Group uses data from wider locations and adjusts it appropriately.

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

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

- equities: mainly financial equities that are not quoted on active markets;
- debt instruments: bonds not quoted on active markets and valued by valuation model with inputs which are not based on observable market data;
- derivative financial instruments: forward derivatives and options on equity instruments that are not quoted on an active organised market. Fair values for forward derivatives are determined using the discounted cash flow model. Fair values for equity options are determined using valuation models for options (Garman and Kohlhagen model, binomial model and Black-Scholes model). Unobservable inputs include the fair values of underlying instruments determined using valuation models. The source of observable market inputs is the Bloomberg information system;
- non-performing loans measured at fair value, which according to IFRS 9 do not pass SPPI test. Fair value is calculated on the basis of the discounted expected future cash flows with the required rate of return. In defining the expected cash flows for non-performing loans, the value of collateral and other pay off estimates can be used;
- Russian bonds due to technical default in June 2022.

Non-financial assets on Level 3 of the fair value hierarchy at NLB Group include investment properties and non-current assets held for sale.

NLB Group uses three valuation methods for the valuation of equity financial assets mentioned in the first bullet: income, market, and cost approaches.

NLB Group selects valuation model and values of unobservable input data within a reasonable possible range, but uses model and input data that other market participants would use.

At least one of the three valuation methods are used for the valuation of investment property. The majority of investment property is valued using the income approach where the present value of future expected returns is assessed.

When valuing an investment property, average rents at similar locations and capitalisation ratios such as: the risk-free yield, risk premium and the risk premium to account for capital preservation are used. Rents at similar locations are generated from various sources, like data from lessors and lessees, web databases, and own databases. NLB Group has observable data for all investment property at its disposal. If observable data for similar locations are not available, NLB Group uses data from wider locations and adjusts it appropriately.

Movements of financial assets and liabilities at Level 3

					in EUR thousands	
	Financial instruments held for trading	Financial assets measured at fair value through OCI		Non-trading financial assets mandatorily at fair value through profit or loss	Total financial assets	
		Debt instruments	Equity instruments			
NLB Group	Derivatives	Debt instruments	Equity instruments	Equity instruments		
Balance as at 1 Jan 2023	17	2,236	1,256	7,519	11,028	
Effects of translation of foreign operations to presentation currency	-	-	2	-	2	
Valuation:						
- through profit or loss	4	-	-	745	749	
- recognised in other comprehensive income	-	5,768	30	-	5,798	
Exchange differences	-	20	-	(119)	(99)	
Increases	-	-	-	150	150	
Decreases	-	(6,347)	(19)	-	(6,366)	
Write-offs	-	(1,537)	-	-	(1,537)	
Balance as at 30 Jun 2023	21	140	1,269	8,295	9,725	

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

					in EUR thousands	
	Financial instruments held for trading	Financial assets measured at fair value through OCI		Non-trading financial assets mandatorily at fair value through profit or loss	Total financial assets	
		Debt instruments	Equity instruments			
NLB	Derivatives	Debt instruments	Equity instruments	Equity instruments		
Balance as at 1 Jan 2023	17	2,026	269	7,519	9,831	
Valuation:						
- through profit or loss	4	-	-	745	749	
- recognised in other comprehensive income	-	5,768	18	-	5,786	
Exchange differences	-	20	-	(119)	(99)	
Increases	-	-	-	150	150	
Decreases	-	(6,277)	-	-	(6,277)	
Write-offs	-	(1,537)	-	-	(1,537)	
Balance as at 30 Jun 2023	21	-	287	8,295	8,603	

in EUR thousands					
	Financial instruments held for trading	Financial assets measured at fair value through OCI		Non-trading financial assets mandatorily at fair value through profit or loss	Total financial assets
	Derivatives	Debt instruments	Equity instruments	Equity instruments	
NLB					
Balance as at 1 Jan 2022	1	-	219	4,472	4,692
Valuation:					
- through profit or loss	(1)	-	-	(446)	(447)
- recognised in other comprehensive income	-	-	50	-	50
Exchange differences	-	-	-	351	351
Increases	-	-	-	2,000	2,000
Transfers to Level 3	-	1,812	-	-	1,812
Balance as at 30 Jun 2022	-	1,812	269	6,377	8,458

In the six months ended 30 June 2023 and 2022, NLB Group and NLB recognised the following unrealised gains or losses for financial instruments that were at Level 3 as at 30 June:

in EUR thousands					
Six months ended 30 Jun 2023					
NLB Group					
	Financial assets held for trading	Financial assets measured at fair value through OCI		Non-trading financial assets mandatorily at fair value through profit or loss	
	Derivatives	Debt instruments	Equity instruments	Equity instruments	
Items of income statement					
Gains less losses from financial assets and liabilities held for trading		4	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss		-	-	-	745
Foreign exchange translation gains less losses		-	-	-	(119)
Item of Other comprehensive income					
Financial assets measured at fair value through other comprehensive income		-	-	30	-

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

in EUR thousands					
Six months ended 30 Jun 2023					
NLB					
	Financial assets held for trading	Financial assets measured at fair value through OCI		Non-trading financial assets mandatorily at fair value through profit or loss	
	Derivatives	Debt instruments	Equity instruments	Equity instruments	
Items of income statement					
Gains less losses from financial assets and liabilities held for trading		4	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss		-	-	-	745
Foreign exchange translation gains less losses		-	-	-	(119)
Item of Other comprehensive income					
Financial assets measured at fair value through other comprehensive income		-	-	18	-

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

Movements of non-financial assets at Level 3

NLB Group	in EUR thousands			
	Investment property		Non-current assets held for sale	
	2023	2022	2023	2022
Balance as at 1 Jan	23,447	27,642	11,201	2,962
Effects of translation of foreign operations to presentation currency	(4)	25	7	(3)
Additions	86	35	-	-
Disposals	(445)	(559)	(6,949)	(105)
Balance as at 30 Jun	23,084	27,143	4,259	2,854

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

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

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

	in EUR thousands							
	NLB Group				NLB			
	30 Jun 2023		31 Dec 2022		30 Jun 2023		31 Dec 2022	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets measured at amortised cost								
- debt securities	2,146,087	1,995,233	1,917,615	1,749,169	1,796,616	1,656,157	1,597,448	1,442,453
- loans and advances to banks	304,745	304,839	222,965	223,077	325,586	325,586	350,625	362,422
- loans and advances to customers	13,431,757	13,191,696	13,072,986	12,883,859	6,263,442	6,191,161	6,054,413	5,965,468
- other financial assets	139,293	139,293	177,823	177,823	108,421	108,421	114,399	114,399
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	107,410	107,489	106,414	106,627	321,226	320,944	212,656	212,880
- borrowings from banks and central banks	129,985	125,064	198,609	193,774	61,744	56,946	57,292	52,897
- due to customers	19,924,864	19,920,725	20,027,726	20,031,938	10,941,123	10,941,143	10,984,411	10,989,255
- borrowings from other customers	90,054	90,522	82,482	80,684	210	210	216	216
- debt securities issued	1,334,490	1,330,073	815,990	788,892	1,334,490	1,330,073	815,990	788,892
- other financial liabilities	254,591	254,591	294,463	294,463	140,342	140,342	164,567	164,567

Loans and advances to banks

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

Loans and advances to customers

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

Deposits and borrowings from customers

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

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

Debt securities measured at amortised cost and debt securities issued

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

Loan commitments

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

Other financial assets and liabilities

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

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

in EUR thousands								
30 Jun 2023	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets measured at amortised cost								
- debt securities	1,637,822	350,183	7,228	1,995,233	1,566,016	90,141	-	1,656,157
- loans and advances to banks	-	304,839	-	304,839	-	325,586	-	325,586
- loans and advances to customers	-	13,191,696	-	13,191,696	-	6,191,161	-	6,191,161
- other financial assets	-	139,293	-	139,293	-	108,421	-	108,421
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	-	107,489	-	107,489	-	320,944	-	320,944
- borrowings from banks and central banks	-	125,064	-	125,064	-	56,946	-	56,946
- due to customers	-	19,920,725	-	19,920,725	-	10,941,143	-	10,941,143
- borrowings from other customers	-	90,522	-	90,522	-	210	-	210
- debt securities issued	1,290,496	39,577	-	1,330,073	1,290,496	39,577	-	1,330,073
- other financial liabilities	-	254,591	-	254,591	-	140,342	-	140,342

in EUR thousands								
31 Dec 2022	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets measured at amortised cost								
- debt securities	1,476,615	265,325	7,229	1,749,169	1,350,003	92,450	-	1,442,453
- loans and advances to banks	-	223,077	-	223,077	-	362,422	-	362,422
- loans and advances to customers	-	12,883,859	-	12,883,859	-	5,965,468	-	5,965,468
- other financial assets	-	177,823	-	177,823	-	114,399	-	114,399
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	-	106,627	-	106,627	-	212,880	-	212,880
- borrowings from banks and central banks	-	193,774	-	193,774	-	52,897	-	52,897
- due to customers	-	20,031,938	-	20,031,938	-	10,989,255	-	10,989,255
- borrowings from other customers	-	80,684	-	80,684	-	216	-	216
- debt securities issued	748,958	39,934	-	788,892	748,958	39,934	-	788,892
- other financial liabilities	-	294,463	-	294,463	-	164,567	-	164,567

6. Analysis by segment for NLB Group

a) Segments⁸

in EUR thousands								
NLB Group								
	Retail Banking in Slovenia	Corporate and Investment Banking in Slovenia	Strategic Foreign Markets	Financial Markets in Slovenia	Non-Core Members	Other activities	Unallocated	Total
Six months ended 30 June 2023								
Total net income	158,866	66,824	260,929	27,729	(1,442)	3,302	-	516,208
Net income from external customers	119,960	92,346	261,158	36,709	(1,726)	3,207	-	511,654
Intersegment net income	38,906	(25,522)	(229)	(8,980)	284	95	-	4,554
Net interest income	110,362	45,233	196,383	27,711	476	(200)	-	379,965
Net interest income from external customers	72,897	70,990	199,345	36,615	364	(246)	-	379,965
Intersegment net interest income	37,465	(25,757)	(2,962)	(8,904)	112	46	-	-
Administrative expenses	(67,267)	(31,749)	(104,098)	(4,376)	(6,173)	(8,814)	-	(222,477)
Depreciation and amortisation	(5,337)	(2,619)	(13,809)	(305)	(223)	(495)	-	(22,788)
Reportable segment profit/(loss) before impairment and provision charge	86,262	32,456	143,022	23,048	(7,838)	(6,007)	-	270,943
Other net gains/(losses) from equity investments in subsidiaries, associates and joint ventures	600	-	-	-	-	-	-	600
Impairment and provisions charge	(15,367)	6,859	16,948	4,214	1,585	3,540	-	17,779
Profit/(loss) before income tax	71,495	39,315	159,970	27,262	(6,253)	(2,467)	-	289,322
Owners of the parent	71,495	39,315	153,193	27,262	(6,253)	(2,467)	-	282,545
Non-controlling interests	-	-	6,777	-	-	-	-	6,777
Income tax	-	-	-	-	-	-	(39,845)	(39,845)
Profit for the year								242,700
30 Jun 2023								
Reportable segment assets	3,685,717	3,393,463	10,289,505	6,956,357	40,801	323,337	-	24,689,180
Investments in associates and joint ventures	12,278	-	-	-	-	-	-	12,278
Reportable segment liabilities	9,283,868	2,326,503	8,700,506	1,586,452	2,949	155,851	-	22,056,129

in EUR thousands								
NLB Group								
	Retail Banking in Slovenia	Corporate and Investment Banking in Slovenia	Strategic Foreign Markets	Financial Markets in Slovenia	Non-Core Members	Other activities	Unallocated	Total
Six months ended 30 June 2022								
Total net income	90,274	49,906	194,631	21,211	2,054	3,292	-	361,368
Net income from external customers	100,831	56,560	195,098	347	1,977	3,264	-	358,077
Intersegment net income	(10,557)	(6,654)	(467)	20,864	77	28	-	3,291
Net interest income	43,608	22,028	137,083	22,891	117	642	-	226,369
Net interest income from external customers	58,194	29,128	139,529	(1,419)	275	662	-	226,369
Intersegment net interest income	(14,586)	(7,100)	(2,446)	24,310	(158)	(20)	-	-
Administrative expenses	(59,277)	(26,324)	(95,592)	(4,341)	(5,315)	(8,259)	-	(199,108)
Depreciation and amortisation	(5,458)	(2,190)	(14,165)	(307)	(233)	(558)	-	(22,911)
Reportable segment profit/(loss) before impairment and provision charge	25,539	21,392	84,874	16,563	(3,494)	(5,525)	-	139,349
Other net gains/(losses) from equity investments in subsidiaries, associates and joint ventures	1,570	-	-	-	-	-	-	1,570
Negative goodwill	-	-	-	-	-	172,810	-	172,810
Impairment and provisions charge	(5,800)	12,740	896	(7,518)	1,016	(9,009)	-	(7,675)
Profit/(loss) before income tax	21,309	34,132	85,770	9,045	(2,478)	158,276	-	306,054
Owners of the parent	21,309	34,132	77,363	9,045	(2,478)	158,276	-	297,647
Non-controlling interests	-	-	8,407	-	-	-	-	8,407
Income tax	-	-	-	-	-	-	(10,633)	(10,633)
Profit for the year								287,014
31 Dec 2022								
Reportable segment assets	3,665,110	3,372,047	10,179,396	6,514,047	61,563	356,400	-	24,148,563
Investments in associates and joint ventures	11,677	-	-	-	-	-	-	11,677
Reportable segment liabilities	9,108,497	2,777,001	8,539,025	1,118,681	3,754	190,957	-	21,737,915

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

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

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

⁸ In 2023, the Bank changed the recognition of obligation for regulatory expenses. In the previous year, these expenses were recognised in second quarter, after receiving Bank of Slovenia's notification, while in 2023, the Bank recognised these expenses in full already in first quarter. Comparative amounts for previous periods in the segments Retail Banking in Slovenia, Corporate and Investment Banking in Slovenia and Financial Markets in Slovenia have been adjusted to reflect this change in the presentation.

The core segments are the following:

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

Non-Core Members include the operations of non-core NLB Group members, namely REAM and leasing entities in liquidation, NLB Srbija, and NLB Crna Gora.

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

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

b) Geographical information

NLB Group	in EUR thousands							
	Revenues		Net income		Non-current assets		Total assets	
	six months ended		six months ended		30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
	June 2023	June 2022	June 2023	June 2022				
Slovenia	325,373	205,479	253,221	162,338	151,899	152,037	14,384,186	13,935,167
South East Europe	305,119	236,024	260,612	195,595	205,271	204,802	10,308,191	10,216,136
North Macedonia	53,053	45,246	43,696	37,363	34,635	36,348	1,800,939	1,832,477
Serbia	143,226	100,733	127,830	83,884	102,816	100,822	4,728,227	4,672,351
Montenegro	28,368	22,489	23,193	17,715	17,811	17,416	859,102	825,400
Croatia	-	3	(369)	128	-	377	2,276	3,557
Bosnia and Herzegovina	48,431	39,783	39,321	32,905	35,757	35,550	1,810,238	1,799,877
Kosovo	32,011	27,770	26,941	23,600	14,252	14,289	1,107,409	1,082,474
Western Europe	-	16	(2,179)	144	28	28	9,081	8,937
Germany	-	3	47	46	28	28	613	691
Switzerland	-	13	(2,226)	98	-	-	8,468	8,246
Total	630,492	441,519	511,654	358,077	357,198	356,867	24,701,458	24,160,240

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

7. Related-party transactions

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

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

in EUR thousands									
NLB Group	Management Board and other key management personnel		Family members of the Management Board and other key management personnel		Companies in which members of the Management Board, key management personnel, or their family members have control, joint control or a significant influence		Supervisory Board		
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022	
Loans and deposits issued	1,763	2,173	455	469	-	-	32	54	
Deposits received	2,650	2,556	966	926	257	218	326	348	
Other financial liabilities	-	2	-	-	3	3	-	-	
Other financial liabilities measured at fair value through profit or loss	1,840	801	-	-	-	-	-	-	
Other operating liabilities	10,345	6,559	-	-	-	-	-	-	
Guarantees issued and loan commitments	266	237	72	70	-	-	13	17	
NLB	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022	
Loans and deposits issued	1,763	2,172	455	469	-	-	32	54	
Deposits received	2,628	2,536	966	926	257	218	326	348	
Other financial liabilities	-	2	-	-	3	3	-	-	
Other financial liabilities measured at fair value through profit or loss	1,750	728	-	-	-	-	-	-	
Other operating liabilities	10,345	6,539	-	-	-	-	-	-	
Guarantees issued and loan commitments	257	223	72	70	-	-	13	17	
	six months ended		six months ended		six months ended		six months ended		
	June 2023	June 2022	June 2023	June 2022	June 2023	June 2022	June 2023	June 2022	
NLB Group									
Interest income	26	18	8	4	-	4	1	1	
Interest expenses	(14)	(2)	(3)	-	-	-	(2)	(1)	
Fee income	7	10	4	4	1	62	-	1	
Other income	6	7	-	-	-	-	-	-	
Other expenses	-	-	-	-	(45)	(43)	-	-	
	six months ended		six months ended		six months ended		six months ended		
	June 2023	June 2022	June 2023	June 2022	June 2023	June 2022	June 2023	June 2022	
NLB									
Interest income	26	18	8	4	-	4	1	1	
Interest expenses	(14)	(2)	(3)	-	-	-	(2)	(1)	
Fee income	7	10	4	4	1	62	-	1	
Other income	6	7	-	-	-	-	-	-	
Other expenses	-	-	-	-	(45)	(43)	-	-	

Key management compensation – payments in the period

in EUR thousands						
NLB Group and NLB	Management Board		Other key management personnel			
	six months ended		six months ended			
	June 2023	June 2022	June 2023	June 2022		
Short-term benefits	1,540	863	3,322	3,125		
Cost refunds	5	2	56	47		
Long-term bonuses	-	-	-	-		
- severance pay	-	-	120	-		
- other benefits	9	2	81	38		
- variable part of payments	299	276	1,252	1,425		
Total	1,853	1,143	4,831	4,635		

Short-term benefits include:

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

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

Related-party transactions with subsidiaries, associates and joint ventures

in EUR thousands				
NLB Group				
	Associates		Joint ventures	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
Loans and deposits issued	992	1,057	-	201
Deposits received	6,278	5,375	1,484	3,071
Other financial assets	3	7	-	-
Other financial liabilities	315	1,116	-	1
Guarantees issued and loan commitments	2,030	2,034	-	-
	six months ended		six months ended	
	June	June	June	June
	2023	2022	2023	2022
Interest income	20	15	1	1
Interest expenses	-	-	(17)	(27)
Fee income	3	47	-	-
Fee expenses	(6,450)	(6,723)	-	-
Other income	22	71	3	2
Other expenses	(345)	(263)	-	-

in EUR thousands						
NLB						
	Subsidiaries		Associates		Joint ventures	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
Loans and deposits issued	694,332	561,392	936	982	-	201
Loans and deposits received	286,163	178,779	6,278	5,375	430	40
Derivatives						
Fair value	(5,814)	(6,681)	-	-	-	-
Contractual amount	247,894	113,711	-	-	-	-
Other financial assets	9,705	2,514	3	7	-	-
Other financial liabilities	3,300	2,710	44	972	-	-
Guarantees issued and loan commitments	79,558	46,366	2,030	2,034	-	-
Received loan commitments and financial guarantees	10,883	10,983	-	-	-	-
	six months ended		six months ended		six months ended	
	June	June	June	June	June	June
	2023	2022	2023	2022	2023	2022
Interest income	10,350	3,416	20	15	1	1
Interest expenses	(2,923)	(7)	-	-	-	-
Fee income	4,885	5,306	3	47	-	-
Fee expenses	(1)	(55)	(4,871)	(4,907)	-	-
Other income	1,063	621	22	71	1	1
Other expenses	(2,451)	(3,934)	(322)	(256)	-	-
Gains less losses from financial assets and liabilities held for trading	(274)	(740)	-	-	-	-
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	725	(1,790)	-	-	-	-

Related-party transactions with major shareholder with significant influence

	in EUR thousands			
	NLB Group		NLB	
	Shareholder		Shareholder	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
Loans and deposits issued	13,571	17,595	13,571	17,595
Investments in securities	571,880	564,287	435,992	473,389
Other financial assets	84	31,141	84	31,141
Other financial liabilities	13	2	13	2
Guarantees issued and loan commitments	1,384	1,194	1,384	1,194
	six months ended		six months ended	
	June 2023	June 2022	June 2023	June 2022
Interest income	4,033	3,591	3,435	3,756
Interest expenses	(21)	(207)	(21)	(207)
Fee income	260	196	260	196
Fee expenses	(11)	(11)	(11)	(11)
Other income	145	123	145	123
Other expenses	(3)	(2)	(3)	(2)
Gains less losses from financial assets and liabilities held for trading	-	(62)	-	(62)

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

	in EUR thousands			
	Amount of significant transactions concluded during the period		Number of significant transactions concluded during the period	
	six months ended		six months ended	
	June 2023	December 2022	June 2023	December 2022
NLB Group and NLB				
Guarantees issued and loan commitments	-	188,000	-	3

	in EUR thousands			
	Balance of all significant transactions at end of the period		Number of significant transactions at end of the period	
	six months ended		six months ended	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
NLB Group and NLB				
Loans	404,849	565,330	6	10
Debt securities measured at amortised cost	62,019	64,913	1	1
Borrowings, deposits and business accounts	-	108,606	-	3
Guarantees issued and loan commitments	232,500	152,500	3	2

	in EUR thousands	
	Effects in the income statement during the period	
	six months ended	
	June 2023	June 2022
NLB Group and NLB		
Interest income from loans	7,749	1,758
Fees and commissions income	35	260
Interest income from debt securities measured at amortised cost and net valuation effects from hedge accounting	456	(2,989)
Interest expenses from borrowings, deposits, and business accounts	-	(99)

8. Subsidiaries

NLB Group's subsidiaries as at 30 June 2023:

	Nature of Business	Country of Incorporation	NLB's shareholding %	NLB's voting rights %	NLB Group's shareholding %	NLB Group's voting rights%
Core members						
NLB Banka a.d., Skopje	Banking	North Macedonia	86.97	86.97	86.97	86.97
NLB Banka a.d., Podgorica	Banking	Montenegro	99.87	99.87	99.87	99.87
NLB Banka a.d., Banja Luka	Banking	Bosnia and Herzegovina	99.85	99.85	99.85	99.85
NLB Banka sh.a., Prishtina	Banking	Kosovo	82.38	82.38	82.38	82.38
NLB Banka d.d., Sarajevo	Banking	Bosnia and Herzegovina	97.34	97.35	97.34	97.35
NLB Komercijalna banka a.d. Beograd	Banking	Serbia	100	100	100	100
KomBank Invest a.d. Beograd	Finance	Serbia	-	-	100	100
N Banka d.d., Ljubljana	Banking	Slovenia	100	100	100	100
Privatinvest d.o.o., Ljubljana	Real estate	Slovenia	-	-	100	100
NLB Skladi d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Lease&Go, leasing d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Lease&Go, d.o.o. Skopje**	Finance	North Macedonia	-	-	100	100
NLB Lease&Go leasing d.o.o. Beograd	Finance	Serbia	-	-	99.30	99.30
NLB Zavod za upravljanje kulturne dediščine, Ljubljana	Cultural heritage management	Slovenia	100	100	100	100
NLB DigiT d.o.o., Beograd	IT services	Serbia	100	100	100	100
Non-core members						
NLB Leasing d.o.o., Ljubljana - v likvidaciji*	Finance	Slovenia	-	-	100	100
Optima Leasing d.o.o., Zagreb - "u likvidaciji"	Finance	Croatia	-	-	100	100
NLB Leasing d.o.o., Beograd - u likvidaciji	Finance	Serbia	100	100	100	100
REAM d.o.o., Podgorica	Real estate	Montenegro	100	100	100	100
REAM d.o.o., Beograd - Novi Beograd	Real estate	Serbia	100	100	100	100
S-REAM d.o.o., Ljubljana	Real estate	Slovenia	100	100	100	100
REAM d.o.o., Zagreb	Real estate	Croatia	-	-	100	100
PRO-REM d.o.o., Ljubljana - v likvidaciji	Real estate	Slovenia	-	-	100	100
OL Nekretnine d.o.o., Zagreb - u likvidaciji	Real estate	Croatia	-	-	100	100
NLB Srbija d.o.o., Beograd	Real estate	Serbia	100	100	100	100
NLB Crna Gora d.o.o., Podgorica	Finance	Montenegro	100	100	100	100
NLB InterFinanz AG, Zürich in Liquidation	Finance	Switzerland	100	100	100	100
NLB InterFinanz d.o.o., Beograd	Finance	Serbia	-	-	100	100
LHB AG, Frankfurt	Finance	Germany	100	100	100	100

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

**51% ownership of NLB Lease&Go, leasing, d.o.o., Ljubljana and 49% ownership of NLB Banka a.d., Skopje.

NLB Group's subsidiaries as at 31 December 2022:

	Nature of Business	Country of Incorporation	NLB's shareholding %	NLB's voting rights %	NLB Group's shareholding %	NLB Group's voting rights%
Core members						
NLB Banka a.d., Skopje	Banking	North Macedonia	86.97	86.97	86.97	86.97
NLB Banka a.d., Podgorica	Banking	Montenegro	99.87	99.87	99.87	99.87
NLB Banka a.d., Banja Luka	Banking	Bosnia and Herzegovina	99.85	99.85	99.85	99.85
NLB Banka sh.a., Prishtina	Banking	Kosovo	82.38	82.38	82.38	82.38
NLB Banka d.d., Sarajevo	Banking	Bosnia and Herzegovina	97.34	97.35	97.34	97.35
NLB Komercijalna banka a.d. Beograd	Banking	Serbia	100	100	100	100
KomBank Invest a.d. Beograd	Finance	Serbia	-	-	100	100
N Banka d.d., Ljubljana	Banking	Slovenia	100	100	100	100
Privatinvest d.o.o., Ljubljana	Real estate	Slovenia	-	-	100	100
NLB Skladi d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Lease&Go, leasing d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Lease&Go, d.o.o. Skopje**	Finance	North Macedonia	-	-	100	100
NLB Lease&Go leasing d.o.o. Beograd	Finance	Serbia	-	-	95.20	95.20
NLB Zavod za upravljanje kulturne dediščine, Ljubljana	Cultural heritage management	Slovenia	100	100	100	100
NLB DigiT d.o.o., Beograd	IT services	Serbia	100	100	100	100
Non-core members						
NLB Leasing d.o.o., Ljubljana - v likvidaciji*	Finance	Slovenia	-	-	100	100
Optima Leasing d.o.o., Zagreb - "u likvidaciji"	Finance	Croatia	-	-	100	100
NLB Leasing d.o.o., Beograd - u likvidaciji	Finance	Serbia	100	100	100	100
Tara Hotel d.o.o., Budva	Real estate	Montenegro	12.71	12.71	100	100
REAM d.o.o., Podgorica	Real estate	Montenegro	100	100	100	100
REAM d.o.o., Beograd - Novi Beograd	Real estate	Serbia	100	100	100	100
SPV 2 d.o.o., Beograd - Novi Beograd	Real estate	Serbia	100	100	100	100
S-REAM d.o.o., Ljubljana	Real estate	Slovenia	100	100	100	100
REAM d.o.o., Zagreb	Real estate	Croatia	-	-	100	100
PRO-REM d.o.o., Ljubljana - v likvidaciji	Real estate	Slovenia	-	-	100	100
OL Nekretnine d.o.o., Zagreb - u likvidaciji	Real estate	Croatia	-	-	100	100
NLB Srbija d.o.o., Beograd	Real estate	Serbia	100	100	100	100
NLB Crna Gora d.o.o., Podgorica	Finance	Montenegro	100	100	100	100
NLB InterFinanz AG, Zürich in Liquidation	Finance	Switzerland	100	100	100	100
NLB InterFinanz d.o.o., Beograd	Finance	Serbia	-	-	100	100
LHB AG, Frankfurt	Finance	Germany	100	100	100	100

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

**51% ownership of NLB Lease&Go, leasing, d.o.o., Ljubljana and 49% ownership of NLB Banka a.d., Skopje.

9. Events after the end of the reporting period

On 3 August 2023, NLB received the authorisation of the ECB for the acquisition of N Banka.

Glossary of Terms and Definitions

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

MREL	Minimum Requirement for Own Funds and Eligible Liabilities
MS	Mid-Swap Rate
NLB or the Bank	NLB d.d., Ljubljana
NPE	Non-Performing Exposures
NPL	Non-Performing Loans
OBM	Operational Business Margin
OCI	Other Comprehensive Income
OCR	Overall Capital Requirement
O-SII	Other Systemically Important Institution
P1R	Pillar 1 Requirements
P2G	Pillar 2 Guidance
P2R	Pillar 2 Requirements
PMI	Purchasing Managers' Index
POCI	Purchased or Originated Credit-Impaired financial assets
p.p.	Percentage point(s)
P&L	Profit and Loss
ROA	Return on Assets
ROE	Return on Equity
RoS	Republic of Slovenia
RWA	Risk Weighted Assets
SEE	South-Eastern Europe
SEE banking members	NLB Group members in the following countries: Serbia, North Macedonia, Bosnia and Herzegovina, Kosovo, and Montenegro
SICR	Significant increase in Credit Risk
SME	Small and Medium-sized Enterprises
SPPI	Solely Payments of Principal and Interest
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
SRF	Single Resolution Fund
The Group	NLB Group
TCR	Total Capital Ratio
TLTRO	Targeted Longer-Term Refinancing Operations
TREA	Total Risk Exposure Amount
TSCR	Total SREP Capital Requirement
UPN	Universal Payment Order
ZVKNNLB	Slovenian Act for Value Protection of Republic of Slovenia's Capital Investment in Nova Ljubljanska banka d.d., Ljubljana