Building on advantages of our homecourt

Pillar III Disclosures for the First half of 2024

Contents

1. Key highlights

(Article 447 of CRR)

Table 1 – EU KM Key metrics template of NLB Group

		30.06.2024	31.03.2024	31.12.2023	30.09.2023	30.06.2023
		a	b	c	d	e
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	2,523,241	2,519,491	2,509,911	2,192,893	2,181,381
2	Tier 1 capital	2,611,129	2,607,376	2,597,818	2,280,566	2,269,153
3	Total capital	3,158,473	3,199,406	3,109,207	2,791,407	2,780,111
	Risk-weighted exposure amounts					
4	Total risk exposure amount (TREA)	16,017,152	15,427,769	15,337,162	14,919,023	14,838,352
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio	15.75%	16.33%	16.36%	14.70%	14.70%
6	Tier 1 ratio	16.30%	16.90%	16.94%	15.29%	15.29%
7	Total capital ratio	19.72%	20.74%	20.27%	18.71%	18.74%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage	2.12%	2.12%	2.40%	2.40%	2.40%
EU 7b	of which: to be made up of CET1 capital	1.19%	1.19%	1.35%	1.35%	1.35%
EU 7c	of which: to be made up of Tier 1 capital	1.59%	1.59%	1.80%	1.80%	1.80%
EU 7d	Total SREP own funds requirements	10.12%	10.12%	10.40%	10.40%	10.40%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer	2.50%	2.50%	2.50%	2.50%	2.50%
9	Institution specific countercyclical capital buffer	0.26%	0.26%	0.26%	0.01%	0.01%
EU 9a	Systemic risk buffer	0.10%	0.10%	0.10%	0.10%	0.10%
EU 10a	Other Systemically Important Institution buffer	1.25%	1.25%	1.25%	1.25%	1.25%
11	Combined buffer requirement	4.11%	4.11%	4.11%	3.86%	3.86%
EU 11a	Overall capital requirements	14.23%	14.23%	14.51%	14.26%	14.26%
12	CET1 available after meeting the total SREP own funds requirements	1,051,265	1,101,679	1,075,886	797,964	793,995
	Leverage ratio					
13	Total exposure measure	27,647,476	27,028,794	26,927,714	26,320,818	25,778,410
14	Leverage ratio	9.44%	9.65%	9.65%	8.66%	8.80%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14c	Total SREP leverage ratio requirements	3.00%	3.00%	3.00%	3.00%	3.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement	3.00%	3.00%	3.00%	3.00%	3.00%
EU 14e	Overall leverage ratio requirement	3.00%	3.00%	3.00%	3.00%	3.00%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA)	6,953,811	6,700,372	6,428,200	6,174,159	5,916,414
EU 16a	Cash outflows - Total weighted value	3,308,277	3,277,825	3,211,716	3,162,936	3,128,451
EU 16b	Cash inflows - Total weighted value	524,616	536,504	513,754	503,623	505,154
16	Total net cash outflows	2,783,661	2,741,321	2,697,962	2,659,314	2,623,297
17	Liquidity coverage ratio	249.82%	244.28%	238.17%	232.11%	225.52%
	Net Stable Funding Ratio					
18	Total available stable funding	22,408,978	21,717,251	21,868,469	21,156,302	20,870,086
19	Total required stable funding	12,356,145	11,902,634	11,677,566	11,499,159	11,368,668
20	NSFR ratio	181.36%	182.46%	187.27%	183.98%	183.58%

Key ratios and figures are reflected throughout the Pillar 3 disclosures, while the summary is presented in Table 1.

Figure 1: Total capital (in EUR millions) of NLB Group

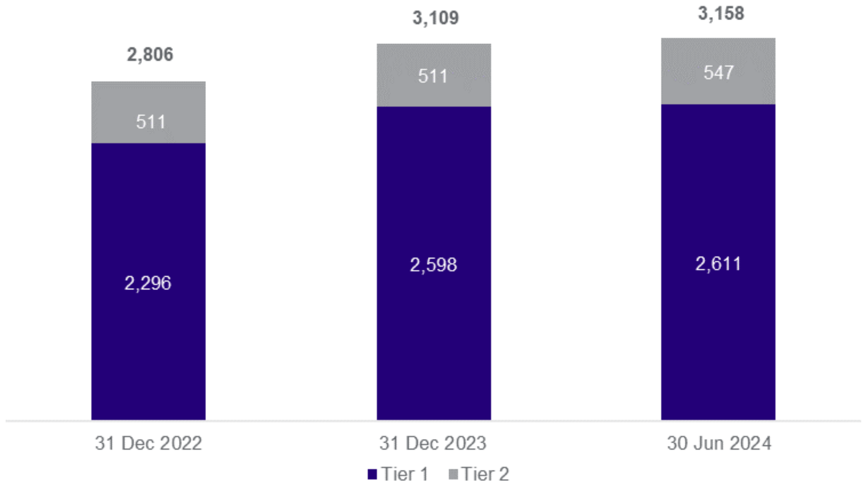


Figure 2: Total capital and capital ratio evolution YtD of NLB Group

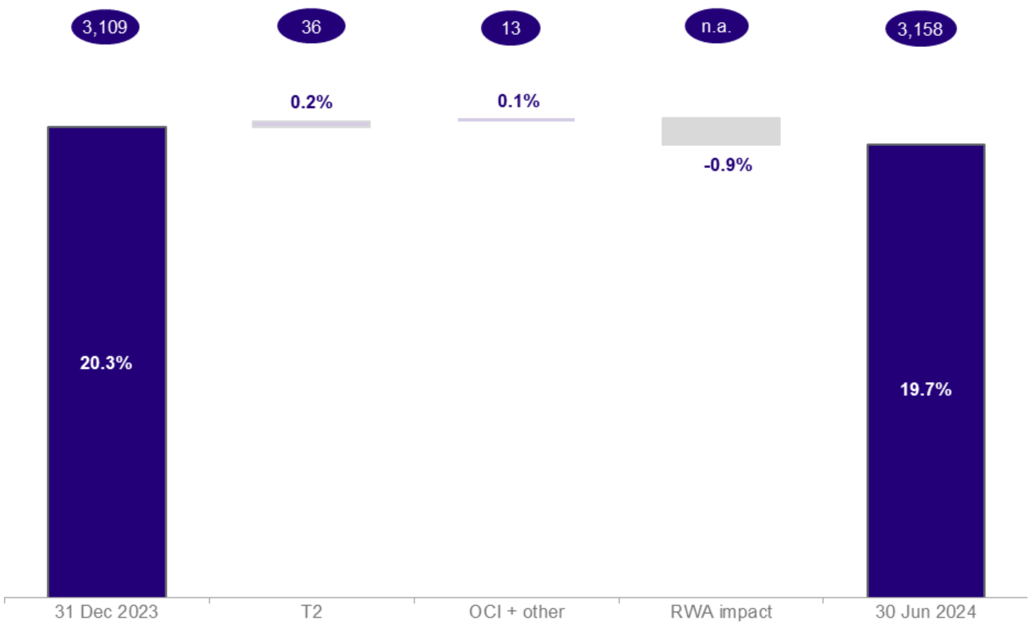
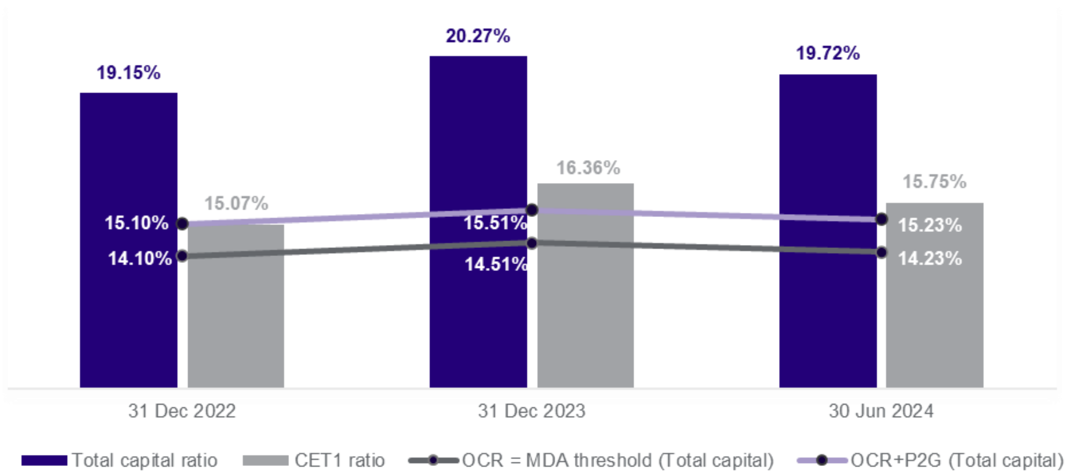


Figure 3: Capital ratios and regulatory thresholds (in %) of NLB Group



2. Introduction

In the context of this document, the 'EU banking legislation' describes the package of the CRR, CRD, and regulatory/implementing technical standards. It commonly refers as containing the following three Pillars:

- Pillar 1 contains mechanisms and requirements for the calculation by financial institutions of their minimum capital requirements for credit risk, market risk, and operational risk;
- Pillar 2 is intended to ensure that each financial institution has sound internal processes in place to assess the adequacy of its capital, based on a thorough evaluation of its risks. Supervisors are tasked with evaluating how well financial institutions assess their capital adequacy needs relative to their risks. Risks not considered under Pillar 1 are considered under this Pillar;
- Pillar 3 is intended to complement Pillar 1 and Pillar 2. It requires that financial institutions disclose information on the scope of the application of the EU banking legislation requirements, particularly covering own funds requirements/risk weighted exposure amounts (RWEA) and resources, risk exposures, and risk assessment processes.

For ease of reference, the requirements described under the last indent above are referred to as 'Pillar 3' in this Report. Pillar 3 contains both qualitative and quantitative disclosure requirements.

All disclosures are prepared on a consolidated basis (Prudential consolidation) and in EUR thousands, unless otherwise stated. Any discrepancies between data disclosed in this document are due to the effect of rounding.

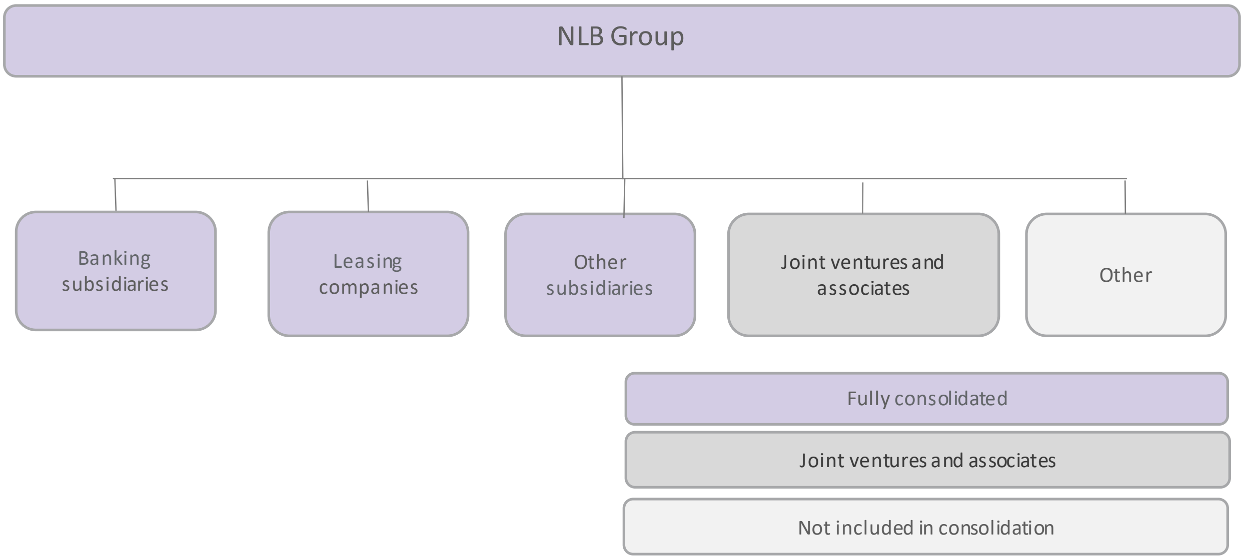
CRD V and EBA guidelines oblige the NLB Group (hereinafter: 'the Group') to disclose information at least on an annual basis. To ensure the effective communication of the Group's business and risk profile, the Group also pays particular attention to the possible need to provide information more frequently than annually. A separate Pillar 3 document is also published quarterly on the NLB's website Financial Reports (nlb.si), following our Annual or Interim Reports for NLB Group disclosure.

It should be noted that while some quantitative information in this document is based on financial data contained in the H1 2024 NLB Group Interim Report, other quantitative data is sourced from the regulatory reporting (Finrep and Corep) and is calculated according to regulatory requirements. Pillar 3 quantitative data is thus not always directly comparable with the quantitative data contained in the H1 2024 NLB Group Interim Report. Some details of the key differences between the Group's accounting and regulatory exposures are presented in Table 2 – EU CC2.

3. Scope of application

In accordance with the capital legislation, NLB d.d. (LEI Code 5493001BABFV7P27OW30, hereafter 'NLB' or 'the Bank') has the position of an 'EU parent bank,' and so is a parent company of the Group. NLB is therefore obliged to disclose information on a consolidated basis. Consolidated financial statements for the purpose of Pillar 3 disclosures are based on CRR requirements (regulatory scopes of consolidation). A summarised presentation of the Group in accordance with the regulatory scope of consolidation is presented below.

Figure 4: NLB Group scheme



The consolidation for *accounting purposes* comprises all:

- subsidiaries (banking, leasing, and other subsidiaries) controlled by the Bank or the Group;
- associated companies in which the Group directly or indirectly holds between 20% and 50% of the voting rights, and over which the Group exercises significant influence, but does not have control; and
- jointly controlled companies (i.e., jointly controlled by the Group based on a contractual agreement).

In contrast to the accounting consolidation, the *regulatory consolidation* includes only (in accordance with the definitions under Article 4 of CRR) credit institutions, financial institutions, ancillary service undertakings, and asset management companies.

The difference between accounting consolidation and regulatory consolidation as at 30 June 2024 represents:

- the company operating in the area of other activities *NLB Zavod za upravljanje kulturne dediščine* (ZUKD – the NLB Cultural Heritage Management Institute), and
- the IT services company *NLB DigIT*, *Beograd*,

which are not included in regulatory consolidation, in accordance with Article 4 of CRR. Companies from the Prvi Faktor Group are excluded from the regulatory consolidation (that would otherwise require the proportional consolidation method, in accordance with CRD) due to immateriality in accordance with CRR. In the accounting consolidation, the net assets of the Prvi Faktor Group using the equity method amount to zero.

Table EU CC2 represents the main differences between the basis of consolidation and carrying values as reported in published financial statements in the H1 2024 NLB Group Interim Report, and under the scope of regulatory consolidation.

Table 2 – EU CC2 – Reconciliation of regulatory own funds to balance sheet in the financial statements of NLB Group

	30.06.2024	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference to rows in CC1
		a	b	c
Assets - ***Breakdown by asset classes according to the balance sheet in the published financial statements***				
1	Cash, cash balances at central banks and other demand deposits at banks	5,116,321	5,116,320	
2	Financial assets held for trading	13,692	13,692	
3	Non-trading financial assets mandatorily at fair value through profit or loss	12,688	12,688	
4	Financial assets measured at fair value through other comprehensive income	2,753,959	2,753,959	72
5	Financial assets measured at amortised cost			
6	- debt securities	3,139,562	3,139,562	72
7	- loans and advances to banks	410,678	410,678	
8	- loans and advances to customers	14,399,307	14,399,457	
9	- other financial assets	170,663	170,596	
10	Derivatives - hedge accounting	45,032	45,032	
11	Fair value changes of the hedged items in portfolio hedge of interest rate risk	(15,128)	(15,128)	
12	Investments in subsidiaries	-	2,406	
13	Investments in associates and joint ventures	12,302	12,302	73
14	Tangible assets			
15	Property and equipment	280,934	277,686	
16	Investment property	25,774	25,774	
17	Intangible assets	64,872	64,852	
18	Goodwill	4,931	4,931	8
19	Other intangible assets	59,941	59,921	8
20	Current income tax assets	77	76	
21	Deferred income tax assets	117,852	117,852	75
22	that rely on future profitability and do not arise from temporary differences	46,329	46,329	10
23	that rely on future profitability and arise from temporary differences	71,523	71,523	part of 75
24	Other assets	60,941	60,579	
25	Non-current assets held for sale	4,138	4,138	
26	**Total assets**	**26,613,664**	**26,612,521**	
Liabilities - ***Breakdown by liability classes according to the balance sheet in the published financial statements***				
27	Financial liabilities held for trading	10,585	10,585	
28	Financial liabilities measured at fair value through profit or loss	8,521	8,521	
29	Financial liabilities measured at amortised cost			
30	- deposits from banks and central banks	94,283	94,283	
31	- borrowings from banks and central banks	116,060	116,060	
32	- due to customers	20,693,767	20,695,059	
33	- borrowings from other customers	102,766	102,766	
34	- debt securities issued	1,874,041	1,874,041	46
35	- other financial liabilities	356,144	358,532	
36	Derivatives - hedge accounting	2,646	2,646	
37	Provisions	99,273	99,243	
38	Current income tax liabilities	11,213	11,213	
39	Deferred income tax liabilities	14,008	14,008	
40	Other liabilities	84,451	83,732	
41	**Total liabilities**	**23,467,758**	**23,470,689**	
Shareholders' Equity				
42	Share capital	200,000	200,000	1
43	Share premium	871,378	871,378	1
44	Other equity instruments	88,142	88,142	31
45	Accumulated other comprehensive income	(59,806)	(59,356)	3
46	Profit reserves	13,522	13,522	3
47	**Retained earnings**	**1,968,017**	**1,963,493**	**2**
		3,081,253	**3,077,179**	
48	Non-controlling interests	64,653	64,653	5; 34; 48
49	**Total shareholders' equity**	**3,145,906**	**3,141,832**	
50	**Total liabilities and shareholders' equity**	**26,613,664**	**26,612,521**	

4. Capital and capital requirements

4.1. Capital adequacy
(Article 438 b of CRR)

The European banking capital legislation – CRD V, defines three capital ratios reflecting a different quality of capital:

- Common Equity Tier 1 ratio (ratio between common or CET1 capital and risk-weighted exposure amount or RWA), which must be at least 4.5%;
- Tier 1 capital ratio (Tier 1 capital to RWA), which must be at least 6%;
- Total capital ratio (Total capital to RWA), which must be at least 8%.

In addition to the aforementioned ratios, which constitute the Pillar 1 Requirement, the Bank must meet other requirements and recommendations that are imposed by the supervisory institutions or by the legislation:

- The Pillar 2 Requirement (SREP requirement): bank-specific, obligatory requirement set by the supervisory institution through the SREP process (together with the Pillar 1 Requirement it represents the minimum total SREP capital requirement – TSCR);
- The applicable combined buffer requirement (CBR): system of capital buffers to be added on top of TSCR – breaching of the CBR is not a breach of capital requirement, but triggers limitations in payment of dividends and other distributions from capital. Some of the buffers are prescribed by law for all banks and some of them are bank-specific, set by the supervisory institution (CBR and TSCR together form the overall capital requirement – OCR);
- Pillar 2 Capital Guidance: capital recommendation set by the supervisory institution through the SREP process. It is bank-specific and as recommendation not obligatory. Any non-compliance does not affect dividends or other distributions from capital; however, it might lead to intensified supervision and the imposition of measures to re-establish a prudent level of capital (including preparation of capital restoration plan).

Table 3 – Capital requirements and buffers of NLB Group

		2024	2023	2022
Pillar 1 (P1R)	CET1	4.5%	4.5%	4.5%
	AT1	1.5%	1.5%	1.5%
	T2	2.0%	2.0%	2.0%
Pillar 2 (SREP req. - P2R)	CET1	1.19%	1.35%	1.46%
	Tier 1	1.59%	1.80%	1.95%
	Total Capital	2.12%	2.40%	2.60%
Total SREP Capital requirement (TSCR)	CET1	5.69%	5.85%	5.96%
	Tier 1	7.59%	7.80%	7.95%
	Total Capital	10.12%	10.40%	10.60%
Capital conservation buffer	CET1	2.50%	2.50%	2.5%
O-SII buffer	CET1	1.25%	1.25%	1.0%
Systemic risk buffer	CET1	0.10%	0.10%	0.0%
Countercyclical buffer	CET1	0.26%	0.26%	0.0%
Combined buffer requirement (CBR)		4.11%	4.11%	3.50%
Overall capital requirement (OCR) = MDA threshold	CET1	9.80%	9.96%	9.46%
	Tier 1	11.70%	11.91%	11.45%
	Total Capital	14.23%	14.51%	14.10%
Pillar 2 Guidance (P2G)	CET1	1.0%	1.0%	1.0%
OCR + P2G	CET1	10.80%	10.96%	10.46%
	Tier 1	12.70%	12.91%	12.45%
	Total Capital	15.23%	15.51%	15.10%

As at the end of June 2024, the Group's Overall Capital Requirement (OCR) on a consolidated basis was 14.23%, which is lower than at the end of year 2023. This requirement has not changed in the second quarter of 2024, and the composition is as follows:

- The Total SREP Capital Requirement (TSCR) is 10.12%, which includes 8.00% Pillar 1 and 2.12% Pillar 2 Requirements. As at 1 January 2024, the Pillar 2 Requirement decreased by 0.28 p.p. to 2.12% due to an improved overall SREP assessment;
- The second component is the Combined Buffer Requirement (CBR), which is 4.11%, and includes a 2.50% Capital Conservation Buffer, a 1.25% O-SII Buffer, a 0.26% Countercyclical Buffer and a 0.10% Systemic risk buffer.

In addition to the above requirements, the Pillar 2 Guidance (P2G) is 1.0% of Common Equity Tier 1 (CET1).

Table 4 – Capital adequacy of NLB Group:

	30.06.2024	**31.12.2023**
Paid up capital instruments	200,000	200,000
Share premium	871,378	871,378
Retained earnings	1,561,868	1,235,363
Current result	-	327,398
Accumulated other comprehensive income	(59,356)	(75,662)
Other reserves	13,522	13,522
Minority interest	29,101	28,798
Prudential filters: Additional Valuation Adjustments (AVA)	(2,791)	(2,295)
(-) Goodwill	(4,931)	(3,529)
(-) Other intangible assets	(37,728)	(37,153)
(-) Deferred tax assets	(46,329)	(47,002)
(-) Insufficient coverage for non-performing exposures	(1,493)	(907)
COMMON EQUITY TIER 1 CAPITAL (CET1)	**2,523,241**	**2,509,911**
Capital instruments eligible as AT1 Capital	82,000	82,000
Minority interest	5,888	5,907
Additional Tier 1 capital	**87,888**	**87,907**
TIER 1 CAPITAL	**2,611,129**	**2,597,818**
Capital instruments and subordinated loans eligible as T2 capital	543,321	507,516
Minority interest	4,023	3,874
Tier 2 capital	**547,344**	**511,390**
TOTAL CAPITAL	**3,158,473**	**3,109,208**
Risk exposure amount for credit risk	12,819,884	12,168,121
Risk exposure amount for market risks	1,469,715	1,447,713
Risk exposure amount for CVA	20,425	14,200
Risk exposure amount for operational risk	1,707,128	1,707,128
TOTAL RISK EXPOSURE AMOUNT (RWA)	**16,017,152**	**15,337,162**
Common Equity Tier 1 Ratio	15.75%	16.36%
Tier 1 Ratio	16.30%	16.94%
Total Capital Ratio	**19.72%**	**20.27%**

The Bank of Slovenia has increased the countercyclical capital buffer for exposures in Slovenia from 0% to 0.5%. The Bank had to meet the required buffer from 31 December 2023 onwards. Starting from 1 January 2023, the Bank of Slovenia has mandated that banks maintain systemic risk buffer rates for sectoral exposures. The required rates are

1.0% for all retail exposures to natural persons secured by residential real estate and 0.5% for all other exposures to natural persons.

Effective as at 1 January 2025, there will be some changes in the capital buffer rates for Slovenia. The countercyclical capital buffer rate for exposures in Slovenia will increase from 0.5% to 1.0%. At the same time, the sectoral systemic risk buffer for retail exposures to natural persons secured by residential real estate will decrease from 1.0% to 0.5%.

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

As at 30 June 2024, the total capital ratio (TCR) for the Group stood at 19.7% (or 0.6% p.p. decrease compared to the end of 2023) and the CET1 ratio for the Group stood at 15.8% (0.6% p.p. decrease compared to the end of 2023), being well above requirements. The lower total capital adequacy resulted from higher RWA (increased EUR 680.0 million compared to the end of 2023), although capital increased by EUR 49.3 million compared to the end of 2023. The Group increased its capital mainly with an increased volume of T2 instruments (EUR 35.8 million) and EUR 16.3 million in revaluation adjustments.

The total capital does not include a part of the 2023 result in the amount of EUR 110.0 million, which is still envisaged to be paid as a dividend in 2024 (EUR 110.0 million was paid as a dividend in June 2024). Therefore, there will be no effect on the capital once dividends are paid.

The drivers behind the differences between the RWAs in H1 2024 are explained in Chapter 4.3. Risk weighted exposure in Table 6 – EU OV1 – Overview of risk-weighted exposure amounts of NLB Group.

4.2. Detailed presentation of capital elements

(Article 437 a of CRR)

The table below shows the elements of the calculation of the capital of the Group at the end of June 2024 in detail.

The Group does not have any capital instruments (issued before the implementation of CRR) that would no longer be eligible for inclusion, and therefore subject to pre-CRR treatment.

Table 5 – EU CC1 – Composition of regulatory own funds

	30.06.2024	Amounts	Source based on reference numbers (CC2 column b)
		a	b
Common equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	1,071,378	42 + 43
	of which: ordinary shares	1,071,378	42 + 43
2	Retained earnings	1,561,868	part of 47
3	Accumulated other comprehensive income (and other reserves)	(45,834)	part of 45 + 46
5	Minority interest (amount allowed in consolidated CET1)	29,101	part of 48
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**2,616,513**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(2,791)	
8	Intangible assets (net of related tax liability) (negative amount)	(42,659)	18 + part of 19
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(46,329)	22
27a	Other regulatory adjustments	(1,493)	
27a1	Deduction item related to insufficient coverage for non-performing exposures	(1,493)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(93,272)**	
29	**Common Equity Tier 1 (CET1) capital**	**2,523,241**	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	82,000	part of 44
31	of which: classified as equity under applicable accounting standards	82,000	part of 44
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	5,888	part of 48
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**87,888**	
44	**Additional Tier 1 (AT1) capital**	**87,888**	
45	**Tier 1 capital (T1= CET1 + AT1)**	**2,611,129**	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	543,321	part of 34
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	4,023	part of 48
51	**Tier 2 (T2) capital before regulatory adjustments**	**547,344**	
58	**Tier 2 (T2) capital**	**547,344**	
59	**Total capital (TC = T1 + T2)**	**3,158,473**	
60	**Total risk exposure amount**	**16,017,152**	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital ratio	15.75%	
62	Tier 1 capital ratio	16.30%	
63	**Total capital ratio**	**19.72%**	
64	Institution CET1 overall capital requirements	9.80%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.26%	
67	of which: systemic risk buffer requirement	0.10%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	1.25%	
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	9.75%	
Amounts below the threshold for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	70,199	part of 4 and part of 6
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	12,302	part of 13
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	117,852	21

4.3. Risk-weighted exposure
(Article 438 d of CRR)

The Group uses the following approaches to calculate Pillar 1 capital requirements on a consolidated basis:

- Credit risk – standardised approach,
- Market risk – standardised approach, and
- Operational risk – basis indicator approach.

In the calculation of capital ratios, risk is expressed as a risk exposure amount or a capital requirement. The capital requirement for an individual risk amounts to 8% of the total exposure to the individual risk.

Table 6 shows the detailed composition of the risk weighted exposure amounts of the Group at the end of June 2024, at the end of March 2024, and at the end of 2023; as well as composition of own fund (capital) requirements at the end of June 2024.

Table 6 – EU OV1 – Overview of risk weighted exposure amounts of NLB Group

		Total risk exposure amounts (TREA)			Total own funds requirement
		30.06.2024	31.03.2024	31.12.2023	30.06.2024
		a	b	b-3	c
1	**Credit risk (excluding CCR)**	**12,576,863**	**12,006,791**	**11,942,285**	**1,006,149**
2	of which the standardised approach	12,576,863	12,006,791	11,942,285	1,006,149
6	**Counterparty credit risk - CCR**	**53,883**	**50,650**	**47,981**	**4,311**
7	of which the standardised approach	33,458	33,787	33,781	2,677
EU 8b	of which credit valuation adjustment - CVA	20,425	16,863	14,200	1,634
20	**Position, foreign exchange and commodities risks (Market risk)**	**1,469,715**	**1,448,450**	**1,447,713**	**117,577**
21	of which the standardised approach	1,469,715	1,448,450	1,447,713	117,577
23	**Operational risk**	**1,707,128**	**1,707,128**	**1,707,128**	**136,570**
EU 23a	of which basic indicator approach	1,707,128	1,707,128	1,707,128	136,570
24	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**209,563**	**214,750**	**192,055**	**16,765**
29	**Total**	**16,017,152**	**15,427,769**	**15,337,162**	**1,281,372**

In the first half of 2024, the RWA of the Group for credit risk (lines 2, 7, and 24 in Table 6) increased by EUR 651.8 million due to lending activity, which was more predominant in the retail segment. New production in the corporate segment was partially offset by repayments provided by corporate clients in NLB, NLB Banka Skopje, and NLB Banka, Sarajevo. Additionally, RWA for high-risk exposures increased due to new project financing loans given, mainly in NLB and NLB Komercijalna Banka, Beograd, and withdrawals of project finance loans approved in the previous periods. However, the decrease in RWA for liquidity assets resulted from reduced exposures towards central governments and central banks, partially offset by higher RWA due to purchasing subordinated bonds.

The increase in RWAs for market risks and Credit Value Adjustments (CVA) (lines EU 8b and 21 in Table 6) in the amount of EUR 28.1 million during the first six months of 2024 was driven by higher RWA for FX risk of EUR 23.8 million (mainly due to more opened positions in domestic currencies of non-euro subsidiary banks), higher RWA for CVA risk of EUR 6.2 million, and lower RWA for TDI risk of EUR 5.2 million (due to closed net positions from IRS) and higher RWA for EQU of EUR 3.4 million (due to the inclusion of a collective investment unit (CIU) of the new member Generali Investments, Skopje).

4.4. 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;
- Potential liquidity outflows;
- Widening credit spreads;
- Worsened interest rate outlook / Persistence of high inflation;
- Energy and commodity price volatility;
- Increasing unemployment;
- Geopolitical uncertainties;
- Potential cyber-attacks;
- Litigation risks;
- Regulatory, other legislative, and tax measures impacting the banks.

In 2024, growth in the Group's region is expected to remain moderate, whereby anticipated interest rate cuts and the disinflation process are expected to contribute positively to loan growth. Additional geopolitical uncertainties pose downside risks that could potentially result in a slowdown, affecting investment growth and private consumption.

Credit risk usually increases considerably in times of an economic slowdown. The Group has thoroughly analysed and adjusted the potential impact on the credit portfolio in light of inflationary pressures and potential decreases in economic growth. The lending growth in the corporate and retail segments is expected to grow at around high single-digit rate. 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 and geopolitical uncertainties 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 remain adequate.

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. Given that market interest rates in 2024 are expected to decrease, the Group is focusing on stabilising net interest income and reducing its sensitivity. Geopolitical uncertainties have increased volatility in the financial markets, particularly shifts in credit spreads, rising interest rates, and foreign exchange rate fluctuations. The Group closely monitors its prominent bond portfolio positions, mostly sovereign, and carefully manages them by incorporating adequate early warning systems to limit the potential sensitivity of regulatory capital.

So far, no material movements regarding the Group's significant FX positions have been observed. 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, and 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, 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 only sometimes entirely prevent possible adverse effects.

With regards to litigation risk, in recent years, and even more so in recent periods, the Bank has seen a shift in the case law that is generally becoming more favourable to consumers. The Bank has noticed an increase in the number of proceedings against the Bank in the consumer protection area, which was expected. The current litigations against the Bank referring to CHF are less material, but the Bank is closely monitoring the latest developments.

The Group is subject to various regulations and laws relating to banking, insurance, and financial services. Consequently, it faces the risk of significant interventions by several regulatory and enforcement authorities in each jurisdiction in which it operates, including any changes in the tax treatment of the banking business and changes in the interpretation of legislation. A comparable materialisation level of such risks may also be expected in future periods.

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

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.

In H1 2024, the Group regularly reviewed the IFRS 9 provisioning by testing the relevant macroeconomic scenarios to adequately reflect the current circumstances and their future impacts. 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 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 an expected forecast macroeconomic view for all the 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 decreasing inflation as energy-related impact on goods and services prices abate, a slightly less tight labour market, GDP growth supported by declining interest rates and strong private consumption due to real wage growth, resilient labour market and positive expectations, industry and export activity pick-up, and limited spillover effects of financial system issues / major trading partners growth slowdown on the real economy.

The alternative scenarios are based on plausible drivers of economic development for the next three years. The optimistic alternative scenario demonstrates supply-driven positive developments. Supply chains adapt swiftly and support an optimistic economic stance - keeping a lid on inflation pressures. Labour skill mismatches are addressed through targeted training programs. Automation and technology adoption create new job opportunities, offsetting any displacement. In the short-term, financing conditions ease, and business confidence rebounds. Consumer spending picks up, contributing to overall growth. The ECB considers both demand and supply factors when setting interest rates. In this scenario, the ECB maintains a dovish stance, easing aggressively until the inflation rebounds towards the ECB target.

The severe alternative scenario paints a picture of bleak economic developments, where supply constraints, geopolitical tensions, technological shifts, and labour market disruption hinder economic recovery. Moreover, high public debt diverts funds from productive investments. Policymakers must navigate these challenges to ensure stability and sustainable growth. This adverse scenario results in a prolonged global recession, with growth falling well below the levels needed to achieve sustainable development goals in the mid-term. The ECB carefully considers demand and supply factors when setting interest rates to prevent abrupt economic shifts.

The Bank considers these scenarios when calculating expected credit losses in the context of IFRS 9. On this basis, the Group revised scenario weights in H1 2024. The assigned weights were 20%–60%–20% (alternative scenarios receiving 20% each, and the baseline scenario 60%).

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 the 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 measure's feasibility analysis, its impact on the Group's business model, and the strength of the available measure.

4.5. Capital buffers – Countercyclical buffer

(Article 440 of CRR)

On 1 January 2016, the Bank of Slovenia introduced a macro-prudential measure: a countercyclical capital buffer intended to protect the banking sector from losses potentially caused by cyclical risks in the economy. The purpose of the countercyclical capital buffer is to ensure that the Bank has a sufficient capital base in periods of credit growth, to be used in stress periods or when the conditions for lending are less favourable i.e., to absorb losses. When the defined buffer rate is more than 0%, or when the already established rate is increased, the new buffer rate applies 12 months after publication (except for extraordinary cases). The buffer value may fluctuate between 0% and 2.5% of the amount of total risk exposure (in exceptional cases also more) and depends on the amount of risk in the system.

Table 7 – Amount of bank-specific countercyclical capital buffer for NLB Group

30.06.2024	
Total risk exposure amount	16,017,152
Institution specific countercyclical buffer rate	0.26%
Institution specific countercyclical buffer requirement	41,766

Exposures to the Republic of Slovenia are declared at the level of 0.5% of the total risk exposure amount, the Bank of Slovenia declared a new raise to 1% of the total risk exposure, where the requirement must be fulfilled from 1 January 2025 onwards. The required value of the buffer for exposures in Slovenia as at 30 June 2024 was at 0.5%. To define the buffer rate, the Bank of Slovenia followed the methodology of the BCBS, ESRB, and the credit cycle assessment for Slovenia. The buffer rates applicable to exposure in other countries of the European Economic Area are those defined on the ESRB website, refreshed quarterly, while the buffer rate applying to credit exposures to countries not listed on that page nor prescribed by the Bank of Slovenia or a competent authority of that country are 0%. Countercyclical capital rates have generally been set at 0%, except for Denmark and Norway which, as at 30 June 2024, had a countercyclical capital rate of 2.5%; Bulgaria, Netherlands, Sweden, United Kingdom had 2%; Czech Republic had 1.75%, Croatia, Ireland and Slovakia had 1.5%; France and Australia had 1%, Germany had 0.75%; Luxembourg, Belgium and Slovenia had rates of 0.5%.

A calculation of the bank-specific countercyclical capital buffer is made on an individual, as well as on a consolidated level. The Bank defines the geographic distribution of exposures, which are subject to the calculation of capital requirement for credit risk using the standardised approach and the special risk or risk of non-payment, and migrations for exposures from the trading book. If the Bank's exposures represent less than 2% of its total risk-weighted exposures, these exposures may be presented at the geographic location of the Bank and additionally explained.

The rate of the bank-specific countercyclical capital buffer is composed of the weighted average of countercyclical capital buffer rates used in those countries where the relevant credit exposures of this institution are located.

Table 8 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer of NLB Group

30.06.2024	General credit exposures	Own funds requirements		Risk-weighted exposure amounts	Own funds requirement weights (%)	Counter-cyclical capital buffer rate (%)
	Exposure value under the SA	Relevant credit risk exposures - Credit risk	Total			
Country	a	g	j	k	l	m
Slovenia	7,162,637	407,969	407,969	5,099,613	46.23%	0.50%
Serbia	3,151,997	186,424	186,424	2,330,300	21.12%	
North Macedonia	1,324,318	78,508	78,508	981,350	8.90%	
Bosnia and Herzegovina	1,247,338	77,423	77,423	967,788	8.77%	
Kosovo	984,738	61,755	61,755	771,938	7.00%	
Montenegro	676,938	42,363	42,363	529,538	4.80%	
Netherlands	65,210	5,176	5,176	64,700	0.59%	2.00%
France	53,561	4,273	4,273	53,413	0.48%	1.00%
Austria	51,736	4,028	4,028	50,350	0.46%	
United States	44,370	3,405	3,405	42,563	0.39%	
Italy	30,847	2,439	2,439	30,488	0.28%	
Denmark	25,127	2,010	2,010	25,125	0.23%	2.50%
Luxembourg	20,605	1,635	1,635	20,438	0.19%	0.50%
Belgium	20,525	1,605	1,605	20,063	0.18%	0.50%
United Kingdom	16,218	1,101	1,101	13,763	0.12%	2.00%
Ireland	10,280	822	822	10,275	0.09%	1.50%
Germany	9,453	643	643	8,038	0.07%	0.75%
Croatia	5,852	550	550	6,875	0.06%	1.50%
Switzerland	4,320	238	238	2,975	0.03%	
Spain	729	37	37	463	0.00%	
Sweden	605	37	37	463	0.00%	2.00%
Malta	442	21	21	263	0.00%	
Czech Republic	399	26	26	325	0.00%	1.75%
Russian Federation	261	8	8	100	0.00%	
China	222	13	13	163	0.00%	
United Arab Emirates	203	9	9	113	0.00%	
Australia	128	4	4	50	0.00%	1.00%
Latvia	89	5	5	63	0.00%	
Hungary	69	4	4	50	0.00%	
Slovakia	63	5	5	63	0.00%	1.50%
Poland	38	3	3	38	0.00%	
Bulgaria	37	2	2	25	0.00%	2.00%
Mauritius	37	3	3	38	0.00%	
Brazil	33	2	2	25	0.00%	
Canada	32	2	2	25	0.00%	
Albania	29	2	2	25	0.00%	
Norway	15	1	1	13	0.00%	2.50%
Turkey	14	1	1	13	0.00%	
Kenya	10	1	1	13	0.00%	
Kuwait	9	1	1	13	0.00%	
Other	58	-	-	-	0.00%	-
Total	**14,909,592**	**882,554**	**882,554**	**11,031,925**	**100.00%**	**-**

5. Credit risk

5.1. Credit risk quality

(Article 442 c and g of CRR)

Table 9 – EU CR1-A – Maturity of exposures of NLB Group

	30.06.2024	Net exposure value				
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	Total
		a	b	c	d	f
1	Loans and advances	7,130	2,283,527	4,605,467	8,084,606	14,980,729
2	Debt securities	-	1,051,579	3,290,534	1,468,845	5,810,959
3	**Total**	**7,130**	**3,335,106**	**7,896,001**	**9,553,451**	**20,791,688**

	31.12.2023	Net exposure value				
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	Total
		a	b	c	d	f
1	Loans and advances	8,190	2,279,190	4,280,375	7,880,391	14,448,146
2	Debt securities	-	1,227,560	2,482,686	986,014	4,696,260
3	**Total**	**8,190**	**3,506,750**	**6,763,061**	**8,866,405**	**19,144,406**

At the end of June 2024, 45.9% of net on-balance exposure had remaining maturity of “Over 5 years,” followed by the “1 year to 5 years” category with 38.0%, and the “Up to 1 year” category with 16.0%. In the last six months, the highest increase was noticed in the “1 year to 5 years” category.

Table 10 – EU CQ7 – Collateral obtained by taking possession and execution processes of NLB Group

	30.06.2024	Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
		a	b
1	Property, plant, and equipment (PP&E)	13,347	(1,856)
2	Other than PP&E	52,287	(9,368)
3	Residential immovable property	6,378	(1,641)
4	Commercial immovable property	45,467	(7,602)
5	Movable property (auto, shipping, etc.)	442	(125)
8	**Total**	**65,634**	**(11,224)**

5.2. Non-performing and forborne exposures

(Article 442 c, e, and f of CRR)

The Group uses a unified definition of past due and default exposures that is aligned with Article 178 of CRR. The defaulted clients are rated D, DF, or E based on the Bank's internal rating system, which includes clients with material delays over 90 days, as well as clients that were assessed as unlikely to pay. All facilities of the same private individual client obtain a common rating grade.

For all defaulted clients, an assessment of (individual or collective) impairments and provisions is performed. Individual impairments and provisions are prepared for all defaulted clients exceeding the materiality threshold, while clients with lower exposure obtain collective impairments and provisions. These are based on 100% PD and LGDs ratios applicable based on the available collateral and expected repayments from other sources.

A forborne loan (or restructured financial asset) is a financial asset in relation to which forbearance has been introduced. The most frequent forbearance measures in the Group are, but not limited to:

- an extension or forbearance on asset repayment;
- reduction of interest rates;
- reduction of number of receivables resulting from a contractually agreed debt waiver and ownership restructuring;
- debt-to-equity swap;
- a takeover of other assets (including collateral liquidation) for a full or partial repayment.

Forbearance status is a trigger for transferring the receivable to Stage 2, for which lifetime impairments and provisions are applied.

Table 11 – EU CQ4 – Quality of non-performing exposures by geography of NLB Group

	30.06.2024	Gross carrying/nominal amount			Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing				
	Exposures	Total	Total	Of which defaulted			
		a	b	c	e	f	g
1	**On-balance-sheet**	**21,208,568**	**316,302**	**316,302**	**(354,631)**		**(51)**
2	Slovenia	7,961,509	136,288	136,288	(128,780)		-
3	Serbia	4,174,430	35,590	35,590	(48,683)		(44)
4	North Macedonia	1,649,866	45,222	45,222	(52,196)		-
5	Bosnia and Herzegovina	1,474,202	24,141	24,141	(41,217)		(7)
6	Kosovo	1,040,116	25,885	25,885	(40,076)		-
7	Montenegro	747,450	35,497	35,497	(28,993)		-
8	Other countries	4,160,995	13,679	13,679	(14,686)		-
9	**Off-balance-sheet**	**5,133,129**	**21,427**	**21,427**		**(25,538)**	
10	Slovenia	2,949,429	13,979	13,979		(13,633)	
11	Serbia	1,266,052	4,242	4,242		(3,125)	
12	North Macedonia	264,254	1,408	1,408		(3,511)	
13	Bosnia and Herzegovina	275,561	534	534		(3,080)	
14	Kosovo	92,788	279	279		(595)	
15	Montenegro	185,328	984	984		(1,499)	
16	Other countries	99,717	1	1		(95)	
17	**Total**	**26,341,697**	**337,729**	**337,729**	**(354,631)**	**(25,538)**	**(51)**

Table 12 – EU CR2 – Changes in the stock of non-performing loans and advances of NLB Group

	2024	Gross carrying amount
1	**Initial stock of non-performing loans and advances**	**310,810**
2	Inflows to non-performing portfolios	102,573
3	Outflows from non-performing portfolios	(97,879)
4	Outflows due to write-offs	(17,193)
5	Outflows due to other situations	(80,686)
6	**Final stock of non-performing loans and advances**	**315,504**

Table 13 – EU CR1 – Performing and non-performing exposures and related provisions of NLB Group

		Gross carrying amount/nominal amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures		Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Accumu-lated partial write-off	On performing exposures	On non-performing exposures
	30.06.2024	Total	Of which Stage 1	Of which Stage 2	Total	Of which Stage 3	Total	Of which Stage 1	Of which Stage 2	Total	Of which Stage 3			
		a	b	c	d	f	g	h	i	j	l	m	n	o
005	Cash balances at central banks and other demand deposits	4,661,895	4,661,883	12	28	28	(1,180)	(1,180)	-	(28)	(28)	-	501,599	-
010	**Loans and advances**	**15,005,622**	**14,059,598**	**944,789**	**315,504**	**298,888**	**(126,138)**	**(75,617)**	**(52,836)**	**(214,257)**	**(208,478)**	**(9,154)**	**6,914,276**	**83,333**
020	Central banks	221,442	221,442	-	-	-	(89)	(89)	-	-	-	-	-	-
030	General governments	417,657	411,918	5,739	643	643	(2,655)	(2,485)	(170)	(621)	(621)	-	11,368	-
040	Credit institutions	248,525	248,504	21	149	149	(301)	(301)	-	(149)	(149)	-	111	-
050	Other financial corporations	122,221	116,495	5,726	459	459	(520)	(517)	(3)	(459)	(459)	(1,341)	15,388	-
060	Non-financial corporations	6,051,982	5,547,484	504,305	161,189	147,485	(46,915)	(30,510)	(18,380)	(101,900)	(97,978)	(7,813)	3,005,504	53,116
070	Of which SMEs	3,796,281	3,484,113	311,975	154,150	142,757	(34,470)	(22,508)	(12,127)	(98,846)	(94,258)	(7,455)	2,288,562	51,549
080	Households	7,943,795	7,513,755	428,998	153,064	150,152	(75,658)	(41,715)	(34,283)	(111,128)	(109,271)	-	3,881,905	30,217
090	**Debt securities**	**5,884,659**	**5,871,286**	**12,391**	**798**	**798**	**(13,489)**	**(12,539)**	**(950)**	**(798)**	**(798)**	**-**	**281,445**	**-**
100	Central banks	26,033	26,033	-	-	-	(12)	(12)	-	-	-	-	-	-
110	General governments	4,408,672	4,403,421	5,151	-	-	(11,090)	(10,924)	(166)	-	-	-	-	-
120	Credit institutions	1,237,175	1,237,175	-	-	-	(1,246)	(1,246)	-	-	-	-	152,000	-
130	Other financial corporations	119,983	119,101	-	798	798	(225)	(225)	-	(798)	(798)	-	60,559	-
140	Non-financial corporations	92,796	85,556	7,240	-	-	(916)	(132)	(784)	-	-	-	68,886	-
150	**Off-balance-sheet exposures**	**5,111,702**	**4,962,030**	**149,599**	**21,427**	**17,252**	**(14,343)**	**(11,910)**	**(2,433)**	**(11,195)**	**(8,629)**		**706,805**	**3,191**
160	Central banks	107	107	-	-	-	-	-	-	-	-		-	-
170	General governments	194,736	188,629	6,107	162	162	(515)	(514)	(1)	(152)	(152)		112,370	-
180	Credit institutions	85,952	85,952	-	-	-	(37)	(37)	-	-	-		818	-
190	Other financial corporations	45,811	45,731	80	27	27	(76)	(76)	-	(5)	(5)		2,312	8
200	Non-financial corporations	3,973,119	3,849,399	123,667	19,018	14,863	(11,703)	(9,533)	(2,170)	(10,349)	(7,793)		556,574	2,605
210	Households	811,977	792,212	19,745	2,220	2,200	(2,012)	(1,750)	(262)	(689)	(679)		34,731	578
220	**Total**	**30,663,878**	**29,554,797**	**1,106,791**	**337,757**	**316,966**	**(155,150)**	**(101,246)**	**(56,219)**	**(226,278)**	**(217,933)**	**(9,154)**	**8,404,125**	**86,524**

Table 14 –EU CQ1 – Credit quality of forborne exposures of NLB Group

	30.06.2024	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures	Total	Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Total	Of which defaulted	Of which impaired				
		a	b	c	d	e	f	g	h
1	**Loans and advances**	**116,585**	**117,484**	**117,484**	**117,433**	**(10,711)**	**(74,667)**	**89,177**	**37,139**
3	General governments	487	189	189	189	(28)	(189)	-	-
5	Other financial corporations	-	431	431	431	-	(431)	-	-
6	Non-financial corporations	72,134	79,499	79,499	79,448	(4,232)	(49,414)	58,220	27,044
7	Households	43,964	37,365	37,365	37,365	(6,451)	(24,633)	30,957	10,095
9	Loan commitments given	44	281	281	281	(2)	(230)	48	45
10	**Total**	**116,629**	**117,765**	**117,765**	**117,714**	**(10,713)**	**(74,897)**	**89,225**	**37,184**

Table 15 – EU CQ5 – Credit quality of loans and advances to non-financial corporations by industry of NLB Group

	30.06.2024	Gross carrying amount / nominal amount		Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Total	Of which defaulted		
		a	c	e	f
1	Agriculture, forestry and fishing	107,296	3,760	(3,193)	-
2	Mining and quarrying	44,502	196	(1,049)	-
3	Manufacturing	1,577,331	29,807	(28,236)	(7)
4	Electricity, gas, steam and air conditioning supply	554,600	608	(7,389)	-
5	Water supply	62,472	798	(1,018)	-
6	Construction	641,973	24,355	(24,446)	-
7	Wholesale and retail trade	1,360,367	30,709	(32,404)	-
8	Transport and storage	576,702	15,178	(12,070)	-
9	Accommodation and food service activities	177,169	26,833	(12,503)	-
10	Information and communication	252,122	3,419	(5,186)	-
11	Financial and insurance actvities	70,365	13	(516)	-
12	Real estate activities	376,586	9,558	(6,085)	-
13	Professional, scientific and technical activities	217,732	7,482	(7,354)	-
14	Administrative and support service activities	115,895	1,950	(2,248)	(44)
15	Public administration and defense, compulsory social security	4,658	12	(104)	-
16	Education	12,566	43	(123)	-
17	Human health services and social work activities	36,588	247	(380)	-
18	Arts, entertainment and recreation	15,803	4,824	(3,068)	-
19	Other services	8,444	1,397	(1,392)	-
20	**Total**	**6,213,171**	**161,189**	**(148,764)**	**(51)**

5.3. Mitigation techniques

(Article 453 f of CRR)

Table 16 – EU CR3 – CRM techniques – Overview of NLB Group

	30.06.2024	Unsecured carrying amount	Secured carrying amount		
			Total	of which secured by collateral	of which secured by financial guarantees
		a	b	c	d
1	Loans and advances	12,985,440	6,997,609	6,673,718	323,891
2	Debt securities	5,604,012	281,445	-	281,445
3	**Total**	**18,589,452**	**7,279,054**	**6,673,718**	**605,336**
4	of which non-performing exposures	232,969	83,333	81,414	1,919
5	of which defaulted	232,969	83,333	81,414	1,919

At the end of June 2024, the secured part of the portfolio represented 28.1% of the total portfolio.

5.4. Credit risk – standardised approach

(Article 444 (e) and 453 g, h and i of CRR)

Table 17 – EU CR4 – standardised approach – Credit risk exposure and CRM effects of NLB Group

	30.06.2024	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
	Exposure classes	a	b	c	d	e	f
1	Central governments or central banks	9,005,126	61,846	8,891,500	45,972	860,707	9.63%
2	Regional government or local authorities	305,167	14,913	303,242	2,863	97,246	31.77%
3	Public sector entities	165,752	10,502	160,162	1,920	18,512	11.42%
4	Multilateral development banks	179,678	-	681,277	-	-	-
5	International organisations	404,787	-	404,787	-	-	-
6	Institutions	987,520	126,617	1,023,398	61,474	377,741	34.82%
7	Corporates	4,156,075	2,304,306	3,828,764	464,254	3,948,481	91.97%
8	Retail	6,520,239	2,208,623	6,468,804	407,263	4,880,169	70.97%
9	Secured by mortgages on immovable property	2,855,874	120,465	2,855,874	17,961	1,074,171	37.38%
10	Exposures in default	97,224	10,243	95,178	3,219	111,857	113.68%
11	Exposures associated with particularly high risk	526,614	309,450	492,288	61,358	830,470	150.00%
12	Covered bonds	200,676	-	200,676	-	26,600	13.25%
14	Collective investment undertakings	65,464	-	65,464	-	16,722	25.54%
15	Equity	105,122	-	105,122	-	123,575	117.55%
16	Other items	909,004	3,653	907,787	2,065	453,632	49.86%
17	**Total**	**26,484,322**	**5,170,618**	**26,484,322**	**1,068,351**	**12,819,882**	**46.53%**

The table shows exposures before CRM and CCF, exposures post-CCF and -CRM, and RWA for all customer segments. In the first half of 2024, an increase of exposures was noticed in the Retail, Corporate and Secured by mortgages on immovable property exposure categories, which is in line with the findings in other disclosure tables. The last column shows RWA density or the average risk weight for each client segment. The average weight increased from 45.34% in 2023 to 46.53% in the first half of 2024.

	31.12.2023	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
	Exposure classes	a	b	c	d	e	f
1	Central governments or central banks	9,542,756	66,531	9,488,954	47,126	899,781	9.44%
2	Regional government or local authorities	261,180	8,156	258,912	1,413	96,941	37.24%
3	Public sector entities	104,186	10,101	97,300	1,852	19,149	19.31%
4	Multilateral development banks	96,108	-	591,869	-	-	-
5	International organisations	21,055	-	21,055	-	-	-
6	Institutions	1,028,235	111,765	1,047,576	51,565	369,801	33.64%
7	Corporates	3,963,950	2,271,347	3,627,158	440,669	3,740,359	91.95%
8	Retail	6,140,288	2,251,985	6,068,857	420,640	4,605,969	70.98%
9	Secured by mortgages on immovable property	2,832,112	112,576	2,832,112	14,738	1,067,467	37.50%
10	Exposures in default	102,065	9,743	101,543	2,085	117,427	113.32%
11	Exposures associated with particularly high risk	434,663	247,092	398,955	48,892	671,770	150.00%
12	Covered bonds	217,557	-	217,557	-	27,838	12.80%
14	Collective investment undertakings	63,182	-	63,182	-	12,864	20.36%
15	Equity	85,598	-	85,598	-	104,377	121.94%
16	Other items	911,319	3,357	903,623	1,657	434,378	47.98%
17	**Total**	**25,804,254**	**5,092,652**	**25,804,254**	**1,030,637**	**12,168,121**	**45.34%**

Table 18 – EU CR5 – Standardised Approach of NLB Group

	30.06.2024	Risk weight										Total	of which unrated
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others		
	Exposure classes	a	d	e	f	g	i	j	k	l	o	q	r
1	Central governments or central banks	7,942,850	67,312	57,112	-	15,096	-	613,840	-	71,523	169,739	8,937,472	8,937,472
2	Regional government or local authorities	108,454	-	125,507	-	-	-	72,144	-	-	-	306,105	306,105
3	Public sector entities	127,490	-	222	-	31,804	-	2,566	-	-	-	162,082	162,082
4	Multilateral development banks	681,277	-	-	-	-	-	-	-	-	-	681,277	681,277
5	International organisations	404,787	-	-	-	-	-	-	-	-	-	404,787	404,787
6	Institutions	-	-	625,340	-	410,894	-	48,638	-	-	-	1,084,872	308,141
7	Corporates	-	-	-	-	-	-	4,293,018	-	-	-	4,293,018	4,293,018
8	Retail	-	-	-	-	-	6,876,067	-	-	-	-	6,876,067	6,876,067
9	Secured by mortgages on immovable property	-	-	-	2,211,769	583,610	76,693	1,763	-	-	-	2,873,835	2,873,835
10	Exposures in default	-	-	-	-	-	-	71,477	26,920	-	-	98,397	98,397
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	553,647	-	-	553,647	553,647
12	Covered bonds	-	140,213	59,856	-	-	-	607	-	-	-	200,676	82,245
14	Collective investment undertakings	-	-	-	-	-	-	-	4,205	-	61,259	65,464	65,464
15	Equity	-	-	-	-	-	-	92,820	-	12,302	-	105,122	105,122
16	Other items	447,665	-	10,693	-	-	-	451,493	-	-	-	909,852	908,975
17	**Total**	**9,712,523**	**207,525**	**878,731**	**2,211,769**	**1,041,404**	**6,952,760**	**5,648,366**	**584,772**	**83,825**	**230,997**	**27,552,672**	**26,656,634**

The exposure values post-CRM and post-CCR in each specific risk-weight class are distributed based on the standardised approach rules. The 0% weight prevails in the Central government exposure category, 20% and 50% for the Institutions (depending on ECAI rating and residual maturity of the exposure), 35% for Secured by real estate exposure category, and 75% in the Retail exposure category – while 100% is applied to all other exposure categories. The 150% weight is only applied to high-risk exposures and those default exposures whose provision coverage does not exceed 20%. In the first half of 2024, the highest increase was noticed on the risk weight of 35% in the Secured by mortgages on immovable property exposure category and on the risk weight of 20% in the Institutions exposure category.

	31.12.2023	Risk weight											Total	of which unrated
		0%	4%	20%	35%	50%	70%	75%	100%	150%	250%	Others		
	Exposure classes	a	c	e	f	g	h	i	j	k	l	o	q	r
1	Central governments or central banks	8,461,057	91,115	156,019	49,948	-	7,509	-	706,130	-	64,303	-	9,536,080	9,536,080
2	Regional government or local authorities	73,370	-	-	112,518	-	-	-	74,438	-	-	-	260,325	260,325
3	Public sector entities	63,936	-	-	194	-	31,823	-	3,199	-	-	-	99,152	99,152
4	Multilateral development banks	591,869	-	-	-	-	-	-	-	-	-	-	591,869	591,869
5	International organisations	21,055	-	-	-	-	-	-	-	-	-	-	21,055	21,055
6	Institutions	-	-	-	726,472	-	296,264	-	76,405	-	-	-	1,099,141	340,393
7	Corporates	-	-	-	-	-	-	-	4,067,827	-	-	-	4,067,827	4,067,827
8	Retail	-	-	-	-	-	-	6,489,497	-	-	-	-	6,489,497	6,489,497
9	Secured by mortgages on immovable property	-	-	-	-	2,144,836	617,261	82,819	1,934	-	-	-	2,846,850	2,846,850
10	Exposures in default	-	-	-	-	-	-	-	76,032	27,597	-	-	103,628	103,628
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	447,847	-	-	447,847	447,847
12	Covered bonds	-	-	161,668	55,273	-	-	-	617	-	-	-	217,557	82,153
14	Collective investment undertakings	-	-	-	-	-	-	-	2,558	-	-	60,625	63,182	63,182
15	Equity	-	-	-	-	-	-	-	73,079	-	12,519	-	85,598	85,598
16	Other items	458,724	-	-	15,224	-	-	-	431,330	2	-	-	905,281	905,121
17	**Total**	**9,670,011**	**91,115**	**317,687**	**959,629**	**2,144,836**	**952,856**	**6,572,316**	**5,513,548**	**475,446**	**76,822**	**60,625**	**26,834,891**	**25,940,579**

6. Exposure to counterparty credit risk

(Articles 439 e, f, g, h, l and 444 e of CRR)

Table 19 – EU CCR1 – Analysis of CCR exposure by approach for NLB Group

	30.06.2024	Replace-ment cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
		a	b	c	d	e	f	g	h
EU-1	EU - Original Exposure Method (for derivatives)	3,288	33,503		1.4	51,507	51,507	51,507	24,257
EU-2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	*Of which securities financing transactions netting sets*			-		-	-	-	-
2b	*Of which derivatives and long settlement transactions netting sets*			-		-	-	-	-
2c	*Of which from contractual cross-product netting sets*			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	**Total**					**51,507**	**51,507**	**51,507**	**24,257**

Table 20 - EU CCR2 – Transactions subject to own funds requirements for CVA risk for NLB Group

	30.06.2024	Exposure value	RWEA
		a	b
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) stressed VaR component (including the 3× multiplier)		-
4	Transactions subject to the Standardised method	38,306	20,425
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**38,306**	**20,425**

Table 21 – EU CCR3 – Standardised Approach – CCR exposures by regulatory exposure class and risk weights of NLB Group

	30.06.2024	Risk weight											Total exposure value
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
	Exposure classes	a	b	c	d	e	f	g	h	i	j	k	l
1	Central governments or central banks	7,931,015	-	-	67,312	57,112	15,096	-	-	613,843	4	231,358	8,915,740
2	Regional government or local authorities	108,454	-	-	-	125,507	-	-	-	72,165	-	-	306,126
3	Public sector entities	127,490	-	-	-	222	32,277	-	3,222	2,567	26	-	165,804
4	Multilateral development banks	681,277	-	-	-	-	-	-	-	-	-	-	681,277
5	International organisations	404,787	-	-	-	-	-	-	-	-	-	-	404,787
6	Institutions	-	-	-	140,213	685,196	410,894	-	108	97,173	-	9,408	1,342,992
7	Corporates	-	-	-	-	-	97,939	-	11,162	2,317,794	29,414	192	2,456,500
8	Retail	11,835	-	-	-	-	485,199	-	6,938,268	2,105,755	555,327	2,285,634	12,382,018
9	Institutions and corporates with a short-term credit assessment												-
10	Other items	447,665	-	-	-	10,693	-	-	-	439,069	-	-	897,428
11	**Total**	**9,712,523**	**-**	**-**	**207,525**	**878,731**	**1,041,404**	**-**	**6,952,760**	**5,648,366**	**584,772**	**2,526,591**	**27,552,672**

	31.12.2023	Risk weight											Total exposure value
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
	Exposure classes	a	b	c	d	e	f	g	h	i	j	k	l
1	Central governments or central banks	8,448,677	-	91,115	156,019	49,948	7,509	-	-	706,131	21	52,383	9,511,803
2	Regional government or local authorities	73,370	-	-	-	112,518	-	-	-	74,469	-	-	260,357
3	Public sector entities	63,936	-	-	-	194	32,278	-	452	3,201	-	-	100,060
4	Multilateral development banks	591,869	-	-	-	-	-	-	-	-	-	-	591,869
5	International organisations	21,055	-	-	-	-	-	-	-	-	-	-	21,055
6	Institutions	-	-	-	161,668	781,745	296,264	-	216	108,156	-	11,528	1,359,578
7	Corporates	-	-	-	-	-	127,711	-	12,164	2,173,100	31,057	131	2,344,164
8	Retail	12,380	-	-	-	-	489,094	-	6,559,484	2,027,764	444,365	2,218,240	11,751,328
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	458,724	-	-	-	15,224	-	-	-	420,726	2	-	894,677
11	**Total**	**9,670,011**	**-**	**91,115**	**317,687**	**959,629**	**952,856**	**-**	**6,572,316**	**5,513,549**	**475,446**	**2,282,283**	**26,834,891**

The exposure values post-CRM and post-CCR in each specific risk-weight class are distributed based on the standardised approach rules. The 0% weight prevails in the Central Government exposure category, 20% and 50% for the Institutions (depending on ECAI rating and residual maturity of the exposure), and 75% in the Retail exposure category, while 100% is applied to all other exposure categories. The 150% weight is only applied to high-risk exposures and those default exposures whose provision coverage does not exceed 20%. In the first half of 2024, the highest increase was noticed on the risk weight 75% in Retail exposure category and on the risk weight 0% in the International organisations exposure category.

7. Exposure to market risk

(Article 445 of CRR)

Table 22 – EU MR1 – Market risk under the standardised approach of NLB Group

		30.06.2024	31.12.2023
		RWEAs	RWEAs
		a	b
	Outright products		
1	Interest rate risk (general and specific)	10,850	16,050
2	Equity risk (general and specific)	3,802	400
3	Foreign exchange risk	1,455,038	1,431,263
9	**Total**	**1,469,690**	**1,447,713**

8. Interest rate risk on positions not included in the trading book

(Article 448(1) a and b of CRR)

Table 23 – EU IRRBB1 – Interest rate risks of non-trading book activities

Supervisory shock scenarios	Changes of the economic value of equity		Changes of the net interest income	
	30.06.2024	31.12.2023	30.06.2024	31.12.2023
	a	b	c	d
Parallel up	-1.84%	-2.66%	5.05%	6.71%
Parallel down	-0.95%	-0.45%	-6.11%	-8.67%
Steepener	1.63%	2.79%		
Flattener	-2.33%	-2.19%		
Short rates up	-2.61%	-2.53%		
Short rates down	1.90%	1.28%		

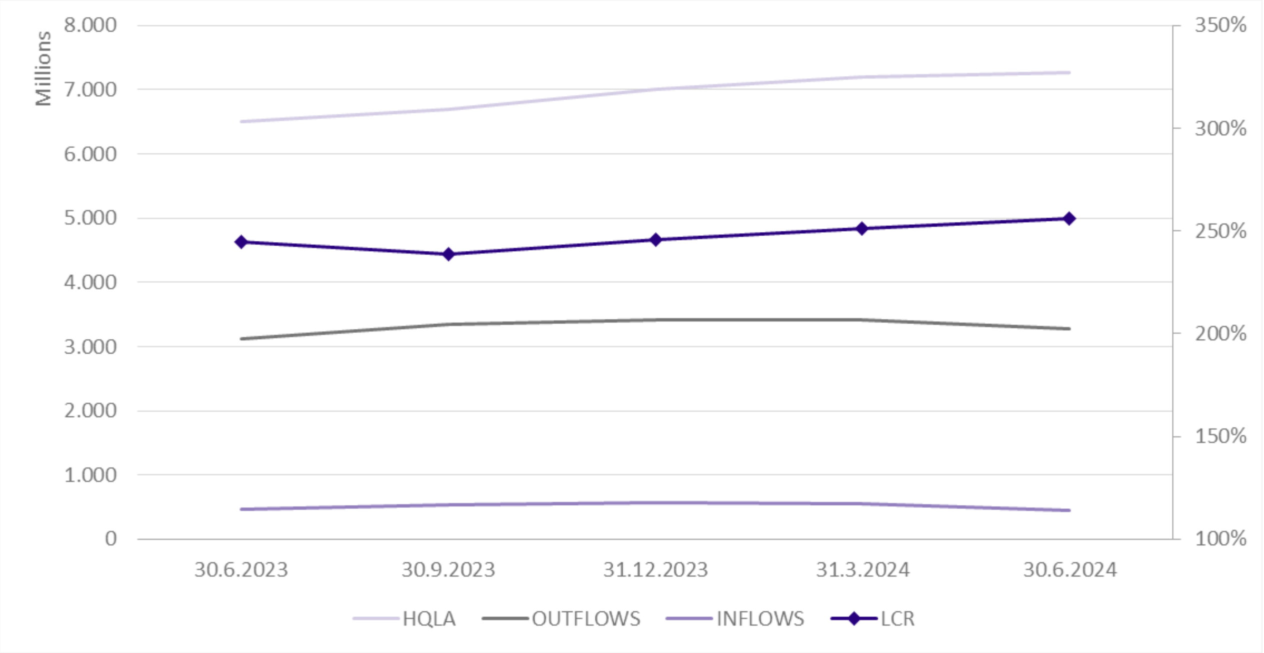
9. Liquidity

(Article 451a (2) and (3) of CRR)

Liquidity coverage ratio

The Group holds a very strong liquidity position at the Group (and individual subsidiary bank) level, which is well above the risk appetite. In the first half of 2024 (1 January 2024 – 30 June 2024), the LCR of the Group ranged between 245% and 265% (256% as of 30 June 2024). The surplus of HQLA is at a very high level in the Group, ranging between EUR 4.04 billion and EUR 4.56 billion in the last six months (EUR 4.43 billion as of 30 June 2024).

Figure 5: Movement of LCR and inputs to LCR calculation of NLB Group



In the first half of the year 2024, a slightly increasing trend was recorded. This increase was mainly due to a higher liquidity buffer, which resulted from additional purchases of high-quality securities. Additionally, the LCR increased in May due to the issuance of senior preferred notes. Net liquidity outflows remained stable, although there was a decrease in outflows, primarily from corporate customers.

One of the specific rules for calculating consolidated LCR on the Group level is that, from each subsidiary (banking member) only HQLA in the amount of its net liquidity outflows in specific currency is included in the calculation of consolidated LCR.

The structures of HQLA, outflows, and inflows over one-year period are shown in figures below.

Figure 6: LCR: Structure of HQLA (in %) of NLB Group

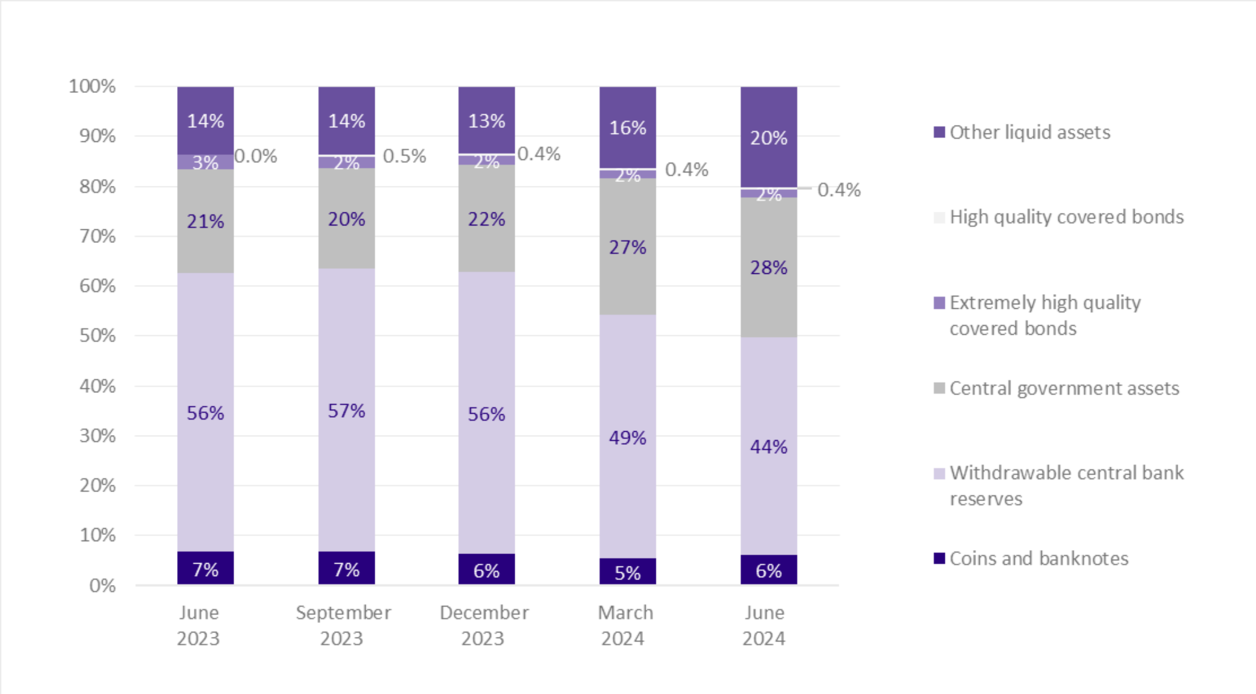


Figure 7: LCR: structure of outflows (in %) of NLB Group

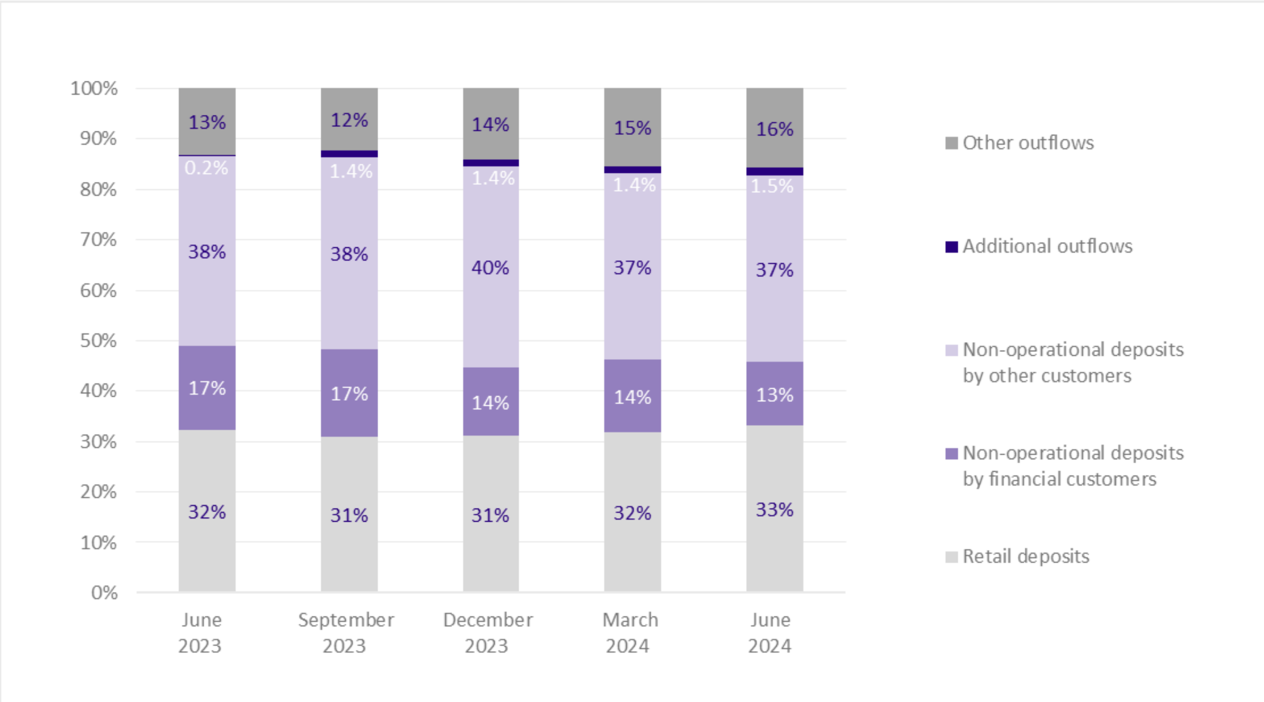
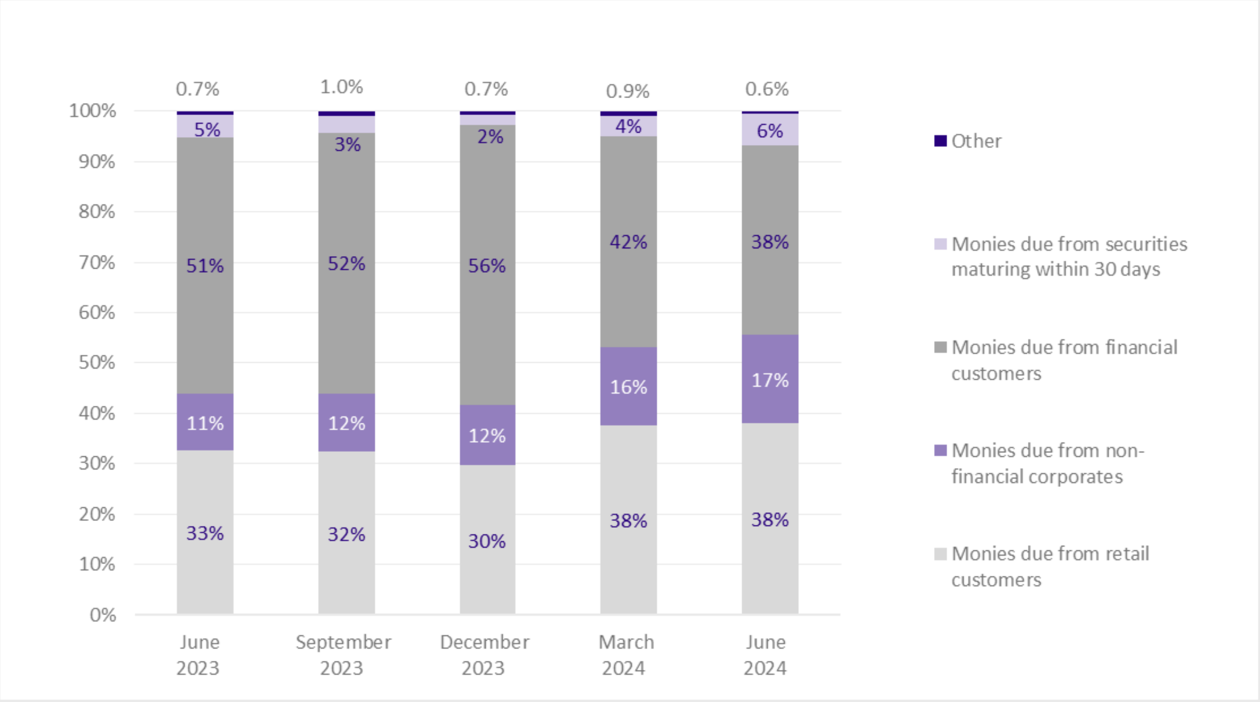


Figure 8: LCR: structure of inflows (in %) of NLB Group



Concentration of funding and liquidity sources

In accordance with the Risk Appetite Statement of the NLB Group, the tolerance for liquidity risk is low. Therefore, the goal of the funding strategy is to ensure a sufficient, stable, and well-diversified funding base in the long term, and compliance with relevant regulatory frameworks.

The funding strategy in the Bank is established in a way that enables diversification, minimises concentration risk, and limits the reliance on a short-term wholesale funding or other unstable sources. With the objective to efficiently manage liquidity and funding risk, the Group regularly performs stress tests and makes liquidity projections under different scenarios. With this approach, the Group is able to detect any potential liquidity and funding needs early.

In accordance with the business model, the primary source of funding of the Group represents customer (non-banking sector) deposits. The Group's deposit base is highly stable and diversified. Due to the high importance of customer deposits in the Group's funding, it is very important to limit a high concentration. The desired diversification is achieved using different instruments, including the application of limits by type of counterparty. The dependence on wholesale funding is low. The Group takes into consideration concentration of funding to have well diversified sources of funding and to prevent unwanted effects of concentration. For customer deposits as main funding sources of the Group, a limit is set to prevent a too high concentration of depositors.

Limit values are also set for other Group members and defined in the Group Risk Management Standards. All banking members of the Group must adopt limit values in their policies and comply with the limits. Any deviations from the limit values must be reported and justified to the parent bank. The funding structure is presented to ALCO on a monthly basis.

On the Group level, at the end of June 2024, the top 30 counterparties provided 3.0% of the total liabilities, while the top 30 counterparties in the Bank provided 3.2% of the total liabilities.

High-level description of the composition of the institution`s liquidity buffer

The liquidity buffer represents the most liquid assets that are available immediately and can be used in a stressed situation within a short-term survival period (the Bank, the Group members: 1 month). It is composed of cash, a central bank balance (excluding obligatory reserve), and internally defined unencumbered high-quality liquid assets (debt securities) which can be liquidated via repo or sale without significant value loss. There are no legal, regulatory, or operational impediments to using these assets to obtain funding.

The table below illustrates the values and data for each of the four calendar quarters (July – September, October – December, January – March and April – June,). They are calculated as a simple average of observations on the last calendar day of each month for a period of 12 months before the end of each quarter.

Table 24 – LIQ1 – Quantitative information of LCR of NLB Group (in EUR millions)

EU 1a	Quarter ending on	Total unweighted value (average)				Total weighted value (average)			
		30.06.2024	31.03.2024	31.12.2023	30.09.2023	30.06.2024	31.03.2024	31.12.2023	30.09.2023
		a	b	c	d	e	f	g	h
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
High-quality liquid assets									
1	Total high-quality liquid assets (HQLA)					6,954	6,700	6,428	6,174
Cash-outflows									
2	Retail deposits and deposits from small business customers, of which:	16,584	16,357	16,165	15,982	1,063	1,040	1,014	992
3	*Stable deposits*	12,059	12,002	11,922	11,857	603	600	596	593
4	*Less stable deposits*	3,825	3,673	3,507	3,378	460	440	418	400
5	Unsecured wholesale funding	3,719	3,717	3,679	3,645	1,779	1,787	1,769	1,756
7	*Non-operational deposits (all counterparties)*	3,713	3,713	3,675	3,643	1,773	1,783	1,764	1,754
8	*Unsecured debt*	6	4	4	2	6	4	4	2
10	Additional requirements	2,277	2,294	2,332	2,342	223	215	209	201
11	*Outflows related to derivative exposures and other collateral requirements*	41	30	20	10	41	30	20	10
13	*Credit and liquidity facilities*	2,236	2,264	2,312	2,332	183	185	189	191
14	Other contractual funding obligations	241	237	224	223	148	143	130	125
15	Other contingent funding obligations	1,664	1,623	1,584	1,553	95	93	90	89
16	**TOTAL CASH OUTFLOWS**					**3,308**	**3,278**	**3,212**	**3,163**
Cash-inflows									
18	Inflows from fully performing exposures	766	779	750	733	504	516	493	483
19	Other cash inflows	20	20	21	21	20	20	21	21
20	**TOTAL CASH INFLOWS**	**786**	**799**	**770**	**754**	**525**	**537**	**514**	**504**
EU-20c	***Inflows subject to 75% cap***	**786**	**799**	**770**	**754**	**525**	**537**	**514**	**504**
						TOTAL ADJUSTED VALUE			
21	**LIQUIDITY BUFFER**					**6,954**	**6,700**	**6,428**	**6,174**
22	**TOTAL NET CASH OUTFLOWS**					**2,784**	**2,741**	**2,698**	**2,659**
23	**LIQUIDITY COVERAGE RATIO**					**249.82%**	**244.28%**	**238.17%**	**232.11%**

Derivative exposures and potential collateral calls
The Group enters into the derivatives to support corporate customers and financial institutions in their management of financial exposures (sales business), and in order to manage the Group risks such as interest rate risk and FX risk.

To mitigate CCR risk arising from derivatives, the Group uses netting agreements such as the ISDA Master Agreement, the Global Master Repurchase Agreement (GMRA), and the Slovenian framework agreement. Furthermore, collateral agreements (e.g., ISDA Credit Support Annex) are in place to substantially reduce credit risk arising out of derivatives transactions. Additionally, clearing transactions via a clearing house is in place for relevant derivatives transactions. Daily margin call calculations are in place for each relevant counterparty. Portfolio reconciliation is agreed as per European Market Infrastructure Regulation (EMIR). The Bank is calculating the net positive market value for individual counterparty exposure on a daily basis, and as a result collateral is adjusted accordingly. Regarding the LCR, the CCR exposure from the derivatives is low and there are no significant outflows to be recorded.

Currency mismatch in the LCR
The Bank actively manages liquidity risk exposures and funding needs within and across legal entities, business lines, and currencies, considering legal, regulatory, and operational limitation to the transferability of liquidity. Specific characteristics and liquidity risks of foreign exchange positions are considered, particularly when preparing the plan of cash flows by currency.

In the Group, there are no currency mismatches in the LCR. The LCR indicator is fulfilled in all currencies because the Group has enough liquidity reserves in all currencies where the outflows might happen. The most significant currency of the Group is euro currency. Additionally, the Group reports LCR in a second significant currency, which is in Serbian dinar (RSD). As at 30 June 2024, the aggregate liabilities in RSD represented 6.3% of total liabilities of the Group, therefore, RSD qualified as a significant currency.

Other items in the LCR calculation that are not captured in the LCR disclosure table
The Group is focused on its retail banking activities, therefore the structure of the balance sheet does not include any complex products. There are no other items in the LCR calculation that are not captured in the LCR disclosure table.

The liquidity of the Bank is strong, and the volume of unencumbered liquidity reserves is at a high level. The Global Risk view is that liquidity position is strong, and it will continue to maintain at high levels, as is also reflected in liquidity planning and cash flow forecasting.

Table 25 – LIQ2 – Net Stable Funding Ratio of NLB Group

	30.06.2024	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
		a	b	c	d	e
Available stable funding (ASF) Items						
1	**Capital items and instruments**	**-**	**-**	**-**	**3,155,456**	**3,155,456**
2	*Own funds*	-	-	-	3,155,456	3,155,456
4	**Retail deposits**		**16,418,749**	**369,417**	**248,617**	**15,993,212**
5	*Stable deposits*		12,411,933	292,960	150,549	12,220,198
6	*Less stable deposits*		4,006,816	76,457	98,068	3,773,014
7	**Wholesale funding:**		**3,500,614**	**99,494**	**1,686,602**	**3,259,939**
9	*Other wholesale funding*		3,500,614	99,494	1,686,602	3,259,939
11	**Other liabilities:**	**13,232**	**1,119,969**	**-**	**371**	**371**
12	*NSFR derivative liabilities*	13,232				
13	*All other liabilities and capital instruments not included in the above categories*		1,119,969	-	371	371
14	**Total available stable funding (ASF)**					**22,408,978**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					**145,753**
17	**Performing loans and securities:**		**2,501,533**	**1,846,136**	**11,374,774**	**11,234,519**
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		1,654,793	1,264,909	5,395,635	10,178,652
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		25,101	21,674	375,673	1,751,495
22	*Performing residential mortgages, of which:*		442,527	490,297	4,914,950	-
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		54,572	68,321	2,188,422	-
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		404,213	90,930	1,064,189	1,055,867
26	**Other assets:**		**470,378**	**18,452**	**447,730**	**757,728**
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*				6,215	5,282
29	*NSFR derivative assets*				57,747	57,747
30	*NSFR derivative liabilities before deduction of variation margin posted*				1,869	93
31	*All other assets not included in the above categories*		404,547	18,452	447,730	694,606
32	**Off-balance sheet items**		**4,059,306**	**-**	**-**	**218,145**
33	**Total RSF**					**12,356,145**
34	**Net Stable Funding Ratio**					**181.36%**

10. ESG risks

(Article 449 (a) of CRR)

10.1. Introduction

NLB Group's medium-term strategy encompasses strategic ambitions related to sustainability, including environmental, social, and governance (ESG) risks. The Group is committed to the implementation of ESG factors and risks in its business model in accordance with national and EU regulations, guidelines, contracts, as well as voluntary commitments and initiatives, the most relevant being:

- **European Central Bank (ECB) and European Banking Authority (EBA)** regulations, guidelines, and recommendations.
- Requirements and recommendations of the **European Bank for Reconstruction and Development (EBRD),** which impose on the Group contractual obligations related to the implementation of sustainability requirements in line with EBRD's **Environmental and Social Policy.** The policy promotes environmentally sound and sustainable development and sets out performance requirements to which joining banks should adhere to. In this respect, the Groups operates in accordance with performance requirements 2 (Labour and Working Conditions), 4 (Health, Safety, and Security), and 9 (Financial Intermediaries).
- Requirements and recommendations of the **Multilateral Investment Guarantee Agency (MIGA),** which impose on the Group contractual obligations related to the implementation of sustainability requirements.
- **UNEP FI Principles of Responsible Banking (UN PRB)**, which the Group has committed to by becoming an UNEP FI member in 2020 as the first banking group in SEE, headquartered in Slovenia. Through the Principles, the Bank, and its Group members take decisive action to align its core strategy, decision-making, lending, and investment with the UN Sustainable Development Goals. In 2020, the Group also performed an impact analysis in accordance with UN PRB framework, which resulted in setting out three key impact areas: (1) Climate, (2) Resource efficiency and security, and (3) Inclusive and healthy economies, as well as objectives and targets against these areas. The first and the second areas address environmental considerations, while the latter addresses social considerations.
- **UNEP FI Net Zero Banking Alliance (NZBA)**, which aims to harmonise credit and investment portfolios by reaching net zero emissions by 2050 or earlier. In line with NLB's commitment to a climate-positive future and its net zero ambition, NLB officially joined the UNEP FI Net Zero Banking Alliance in May 2022, becoming the first banking group headquartered in SEE to sign the Commitment Statement.

Based on the aforementioned frameworks, the Group has developed a comprehensive internal governance and documentary framework which encompasses internal policies, manuals, and other internal acts addressing all sustainability aspects. In 2023, the Bank updated its governance of the ESG area by introducing two new internal documents: the Sustainability Policy, and Standard – Rulebook on sustainability management, which were adopted by the NLB Management Board and Supervisory Board, their implementation in the Group members is underway and it will be completed in 2024. Both documents demonstrate a clear top-down and bottom-up process for sustainability governance, including climate change aspects, that extends from individual business units and countries to the management bodies. The Bank also updated other sustainability-related internal documents in various business areas in line with regulatory and other developments, which were discussed and approved by the management body. These developments are monitored regularly by the Sustainability Unit, Compliance and Integrity, as well as within specific business areas, and are promptly implemented in the internal governance framework. Together with the rulebook, the sustainability policy also establishes overarching and forward-looking sustainability-related principles and objectives, as well as governance and management rules and procedures to integrate sustainability and ESG factors in the Group's business model and processes.

The policy explains in detail the three pillars of the Group sustainability:

- sustainable operations,
- sustainable finance, and
- contribution to society.

General objectives that the Group pursues within all three pillars, are described in the following chapters. In addition to presented general objectives, the Group is focused on raising awareness about ESG considerations addressed in all three sustainability pillars among employees, clients, suppliers, business partners and other key stakeholders.

Moreover, the Group will further develop processes and policies in order to assess, address, and manage relevant ESG risks that emerge from both environmental and social changes, and will continue to embed them in the business model, strategy, governance, and financial planning.

The Group's effort and progress on its sustainability journey are recognised by Sustainalytics, one of the world's leading independent ESG research, ratings, and data firms. In 2022, the Group received its first ESG Risk Rating, becoming the first bank with headquarters and an exclusive strategic interest in SEE that has obtained this rating, as well as the first among the companies listed on the Ljubljana Stock Exchange. In 2023, the Group recorded a 1.7-point improvement to achieve an overall ESG Risk Rating of 16.0 points, placing the Group under the 'Low Risk' category.

Further insight:

- For more information, please refer the NLB Group Sustainability Policy (public): **NLB Sustainability policy**

Explanation of Further insights note in the remaining of the document
The Group's aim is to provide the stakeholders with a comprehensive overview of its ESG management. Therefore, this report describes basic information on the chapter matter, and it also includes direct references to relevant chapters in the 2023 NLB Group Sustainability Report, and other relevant resources.

10.2. Environmental risk

10.2.1. Business strategy and processes

a. An institution's business strategy to integrate environmental factors and risks, taking into account the impact of environmental factors and risks on institution's business environment, business model, strategy, and financial planning

The Group considers environmental factors and risks as those related to climate change and environmental degradation (such as waste disposal, air and water pollution, and nature conservation, including biodiversity loss).

Environmental factors and risks are included in the Group's business strategy and implemented through the NLB Group Sustainability Policy and its established sustainability pillars. The general objectives that the Group pursue withing each sustainability pillar are outlined in the remaining part of this chapter.

Sustainable operations:

- to decarbonise the Group's own operations, by achieving net-zero operational emissions by 2050 or sooner;
- to ensure positive environmental impacts and to minimise the adverse impact of the Group's own non-financial operations on key stakeholders;
- to identify and mitigate environmental risks, and to pursue environmentally-related opportunities stemming from business relations with key stakeholders that might affect financial operations of the Group or our stakeholders.

Sustainable finance:

- to integrate environmental factors in the Group's business and investment decisions;
- to align the lending and investment portfolios with achieving net-zero emissions by 2050 or sooner;
- to ensure a positive impact by financing a green transition;
- to identify and mitigate climate-related and other ESG risks in relation to the Group's lending or investments;
- to ensure responsible asset management by integrating environmental factors into the investment policy.

Contribution to society:

- to ensure that each CSR activity contribute to environmentally-related UN Sustainable Development Goals;
- to create added value by focusing on genuine societal needs and actively responding to these societal needs with managing appropriate initiatives, sponsorships, donations, and other partnerships, including those related to responsibility to the environment.

Further insights
For more information, please refer to the following chapters of 2023 NLB Group Sustainability Report, on the NLB webpage www.nlb.si/sustainability

- Integration of environmental risk;
- Climate (Net-Zero) Strategy;
- Credit Risk Management;
- NLB Group's approach to biodiversity;
- NLB Group's operational environmental impact.

b. Objectives, targets, and limits to assess and address environmental risk in the short, medium, and long terms, and performance assessment against these objectives, targets, and limits, including forward-looking information in the design of business strategy and processes

The Group has consistently taken proactive measures to address environmental risks and to minimise the environmental impact of its portfolio and operations. In 2021, the Group took an important step by implementing a coal exclusion policy, prohibiting the financing of new coal-fired power plants. In addition, the Group is active in financing of renewable energy projects and promotes energy efficiency throughout its operations.

Within NZBA commitment to decarbonise the Group's lending and investing portfolio:

- the Group has set the objective to reach net zero emissions by 2050 or sooner;
- published its first Net Zero Disclosure report in December 2023. In the report, the Group has set and publicly disclosed 2030 intermediate targets for reducing emissions associated with financing activities for four key sectors: power generation, iron and steel, commercial real estate, residential real-estate;
- committed to mobilise EUR 1.9 billion in sustainable, i.e., green transition finance by 2030.

The targets are set in line with the Guidelines for Climate Target Setting for Banks (https://www.unepfi.org/industries/banking/guidelines-for-climate-target-setting-for-banks), and based on widely accepted science-based decarbonisation scenarios. The targets cover the Group's financed emissions, Scope 3 category 15, and apply to the Group's lending activities for clients' Scope 1 and Scope 2. They have been developed under the supervision of internal risk functions and are approved at the executive level. Moreover, they are cascaded to the Management Boards of all banking members and respective business areas (risk, sales) and included in performance assessment schemes.

In line with NZBA guidelines, the Group commits to reviewing its targets at least every five years, ensuring they align with significant changes in international agreements or national goals. The Group will also publish annual progress reports on these targets in its sustainability reports and continue to enhance its internal capabilities for target tracking and monitoring.

In terms of its own operational environmental impact, the Group has set the following targets:

- in line with UNEP FI NZBA: to reach net zero emissions by 2050 or sooner.
- in line with the UNEP FI PRB Impact Analysis, Impact area Resource efficiency – Security:
    - Share of electricity from zero-carbon sources: 75% by 2030,
    - Paper consumption (No. of prints): 50% decrease by 2025 vs baseline year 2019.

In 2023, the Group made significant steps towards a comprehensive strategy which will encompass the Group's own operations and the portfolio, ensuring a holistic and timely decarbonisation approach.

Further insights:

- NLB Group Net Zero Disclosure Report, available on NLB website: **Report,**
- Chapters Climate (Net-Zero) Strategy and Sustainable Operations/NLB Group's operational environmental impact in the 2023 NLB Group Sustainability Report, available on the NLB webpage www.nlb.si/sustainability.

c. Current investment activities and (future) investment targets towards environmental objectives and EU Taxonomy-aligned activities

The Group journey to net-zero is supported by sound ESG risk management in lending and investing, as well as providing financial products for clients' transition to more environmentally sustainable operations.

The Group provides financing to various sustainable economic activities that meet financial and sustainability eligibility criteria of relevant frameworks, such as EU Taxonomy, MIGA, EBRD, NLB Group Green Bond Framework (following ICMA Green Bond Standards), etc. To support climate change mitigation, the Group has developed a wide and diversified offer of green financing products and defined criteria, internal documents and procedures to assess if a transaction is green/climate neutral.

In 2023, the Group continued with successful financing of the green transformation for private individuals, micro business, and corporates throughout the region. At the end of 2023, the total volume of new production of green finance and outstanding stock stood at EUR 287 million and EUR 560 million, respectively. H1 realisation from the corporate and retail green finance range of products is aligned with the annual business targets and the commitment to mobilise EUR 1.9 billion of sustainable (green) financing by 2030. NLB has continued to strengthen the ESG culture group-wide by conducting regular meetings, providing training on recognizing effective ESG strategies in companies, on-site meetings to further promote and educate on green loans. The green financing performance for 2024 will be disclosed in the 2024 NLB Group Sustainability Report.

Table 26: NLB Group green financing at the end of 2023

in EUR millions

	New production	Portfolio volume	Main purpose
Corporate green financing	198	331	Renewable Energy: + 58% Green Building: 30% Energy Efficiency :11%
Retail green financing	89	229	Green Building: + 80% Other: Clean transport, Energy Efficiency and Renewable Energy

* Data refer to NLB and 6 subsidiary banks in the region. Green lending classification refers to the internal methodology of the Group, which refers to EBRD, MIGA and EU taxonomy frameworks (and NZBA in case of retail green financing). If a loan is mapped to either of these frameworks, is currently considered as a green loan. To ensure a robust and standardised overview of green lending, this methodology will be fully aligned with CSRD, ESRS and EU taxonomy within regulatory timeframes.

** Retail green financing breakdown by type of client: new production (90% private individuals, 10% micro business), portfolio (95% private individuals, 5% micro business).

NLB funds, asset management as a member of the Group, offers two sub-funds which promote environmental and social characteristics and adhere to Article 8 of Regulation SFDR ((EU) 2019/2088. At the end of 2023, net asset value of Sub-fund NLB Funds – Equity Socially Responsible Global Advanced Markets and Sub-fund NLB Funds – Equity Environmental stood at EUR 81.7 million and EUR 11.3 million, respectively.

In June 2023, the Bank issued its inaugural green bond in a benchmark size of EUR 500 million. The proceeds shall be used in line with NLB Green Bond Framework ("GBF") which is aligned with ICMA principles. The Group can finance or refinance existing or future projects in the fields of renewable energy, energy efficiency, green buildings, clean transport, sustainable management of water and wastewater, and pollution prevention and control. The eligibility criteria – as outlined in the use of proceeds section of NLB Green Bond Framework – consider the EU Taxonomy Regulation and the EU Taxonomy Climate Delegated Act with the intention to apply them on a best-efforts basis

On June 19, 2024, the NLB published its first Green Bond Allocation and Impact Report which is prepared in line with NLB GBF as of May 2023 and externally reviewed by Morningstar Sustainalytics. The report provides a comprehensive overview of green projects financed by NLB and other NLB Group entities for the purposes of issued green bond. The report provides transparency into the allocation of green bond proceeds, the measurement of impacts, and the NLB Group's ongoing efforts to enhance its climate (net-zero) strategy. As of 31 March 2024, out of EUR 500 million green bond issuance in June 2023, 341 EUR million proceeds were allocated in line with GBF and 139,008 tCO_2 emissions were avoided. In line with GBF, full allocation is expected by 27 June 2026.

In terms of forward-looking business strategy, the Group committed to following targets:

- to mobilise EUR 1.9 billion in sustainable, i.e., transition finance by 2030,
- to finance at least 30% of new production in most energy efficient commercial buildings (<50 kg CO_2/m^2) in Slovenia by 2030,
- to finance at least 15% of new production in top-rated mortgages (A & B EPC class) in Slovenia by 2030.

Supporting clients in their transition to a low-carbon economy will stay in the Group's focus by fine-tuning products with consideration of future legislation and technical development, as well as by providing them with timely and relevant information about possible solutions for reducing their environmental footprint.

Further insights:

- Chapter Sustainable Finance and ESG Risk Management in 2023 NLB Group Sustainability Report on the NLB webpage www.nlb.si/sustainability.
- NLB Green Bond Framework, available in NLB webpage. Read full document
- Green Bond Alocation and Impact report. Read full document
- Calculation of Green Asset Ratio in line with EU Taxonomy in the Chapter 14.10. in this report.

d. Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate and reduce environmental risks

In accordance with NLB Group Risk Strategy and internal policies the Group is willing to finance clients which adequately consider environmental responsibility in their business model and strategy. For certain clients above the defined threshold, additional ESG screening activities is being performed. To ensure that credit decisions of the Group banking members adhere to sustainable financing criteria, the Group established the Environmental and Social Credit Policy Framework, which is binding for front offices and employees in credit risk management defined in the Environmental and Social Credit Policy Framework.

The Group also established Environmental and Social Management System, which is the mechanism for environmental and social screening of current or potential financing applications against the Multilateral Investment Guarantee Agency's and The European Bank for Reconstruction and Development Exclusion List, as well as applicable environmental and social laws. Through ESMS, environmental and social risks are integrated in NLB Group's Risk Appetite Statement, and the management of these risks addresses the Group's overall credit approval process and related credit portfolio management.

To contribute to a sustainable transition and to decarbonise the credit portfolio by 2050, the Group has committed to strict limitation of the new financing of certain activities. This commitment is included as a rule in the NLB Group Risk Appetite Statement, NLB Group Lending Policy, and other specific instructions that are binding for all Group members.

Further insights:

- This report: sections l), m), and n) where ESMS and other processes, activities, and tools to mitigate and reduce environmental risks are presented;
- Chapter Sustainable Operations in 2023 NLB Group Sustainability Report, available on the NLB webpage www.nlb.si/sustainability, where policies and procedures to mitigate environmental risks in NLB Group's own operations and in relations to its supply chain.

10.2.2. Governance

e. Responsibilities of the management body for setting the risk framework, supervising and managing the implementation of the objectives, strategy and policies in the context of environmental risk management covering relevant transmission channels

The governance of sustainability and ESG matters (including environmental risks) in the Group, representing an important element of the Group's overall corporate governance, is implemented in accordance with the set strategic guidelines, established internal policies, and procedures which consider the European banking regulations, the regulations adopted by the Bank of Slovenia, the current EBA guidelines, and the relevant good banking practices. EU regulations are followed by the Group, while the Group members operating outside Slovenia are also compliant with the rules set by their local regulators.

The Management Board and the Supervisory Board of the Bank and management bodies of the other Group members are responsible for effective governance, and strategic oversight of sustainability matters, ESG risks and opportunities, including environmental and climate-related ones.

In 2023, management bodies addressed (discussed and/or made resolutions at their sessions) several ESG-related topics (including climate and other environmental), within their respective area of responsibility, whether stand-alone or in connection with broader strategic topics. Key topics included (but not limited to) the Group's net-zero disclosure report and business strategy, operational carbon footprint measurement and related measures to reduce environmental impact and further improve energy efficiency.

Further insights:

- Chapter Sustainability Governance in the 2023 NLB Group Sustainability Report, available on NLB website www.nlb.si/sustainability,
- Chapter Corporate Governance Statement in the 2023 NLB Group Annual report, available on NLB website www.nlb.si/financial-reports.

f. Management body's integration of short-, medium- and long-term effects of environmental factors and risks, organisational structure both within business lines and internal control functions

Responsibility for ESG risk management, including climate-related and environmental risks, is assigned within the organisational structure of the Group member and is in accordance with the three lines of defence model.

Organisational structure related to management of environmental factors and risks is described in section (e).
Apart from the Management and the Supervisory Boards and their bodies, competence lines in the Group (business lines, organisational units) tackle sustainability in their respective area of work and responsibilities, including climate-related, other environmental and social risks and other ESG considerations.

Internal controls are established at all levels of the Bank's organisational structure, especially at the levels of commercial, control, and support functions, and all financial services of the Bank. In its daily business, the Bank uses the internal document Internal Control System in NLB, which lays down the internal control system and the responsibilities for its establishment, continuous operation, and improvement.

The internal control system in the Group is implemented on several levels, that are first, second, and third level controls, which are also utilised for climate-related topics and broader sustainability agenda. The internal control system is designed to ensure that a process or other measure is in place for each key risk to effectively reduce or manage that risk, and that the process or measure is effective for this purpose.

First line of defence
First-level controls are designed to ensure the proper implementation of ESG-related business activities in every organisational unit. All business and non-business units represent the first line of defence, having primary responsibility for day-to-day risk management in climate-related and other ESG matters. This applies especially to frontline employees in corporate, retail, and financial markets.

Second line of defence
Second-level controls are divided between two internal control functions: risk management, and business compliance. The risk management function defines rules about the risk appetite, risk strategy, other risk policies and guidelines, risk monitoring and management in the area of the ESG regulatory framework and climate-related risks. The business compliance function sees to the supervision of the correct implementation and ensuring compliance (line controls) with the regulatory framework, its consistent interpretation at the Group level, as well as to identifying, assessing, preventing, and monitoring overall risks to compliance and integrity in the Bank.

Third line of defence
The third level of control is performed by the internal audit function, which assesses and regularly checks the completeness, functionality, and adequacy of the internal control system. Internal audit is completely independent of both the first- and second-level control functions. Sustainability and ESG matters are part of the Audit Universe, which is a comprehensive overview of all activities subject to internal audit. As such, it is integrated in the regular annual planning process of NLB and other Group members.

Further insights:

- Chapter, Sustainability Governance, sub-chapter Integration of sustainability, and ESG in three lines of defence in 2023 NLB Group Sustainability Report, available on the NLB webpage www.nlb.si/sustainability,
- Chapter, Corporate Governance Statement in the 2023 NLB Group Annual report, available on the NLB webpage https://www.nlb.si/financial-reports.

g. Integration of measures to manage environmental factors and risks in internal governance arrangements, including the role of committees, the allocation of tasks and responsibilities, and the feedback loop from risk management to the management body covering relevant transmission channels

To assist and advise in sustainability implementation process, as well as to execute individual tasks within powers of the management body, there are several bodies (committees) in place, including the NLB Group Operational Risk Committee and Risk Committee.

Committees support the management body in fulfilling the responsibilities of managing respective areas, including sustainability. Identifying impacts, risks, and opportunities that arise from environmental, social (including human rights), and governance issues, supporting and accelerating integration of ESG factors in the Group are among the key responsibilities of each committee.

Committees of NLB Management Board:

- Sustainability Committee is an advisory body to the Management Board, which tackles risks and opportunities, related to climate and other sustainability issues.
- A Climate Change Committee is a new body set out at the end of 2023. The committee has full authority and responsibility over the development and implementation of NLB Group Net Zero Strategy to streamline decision-making and enhance accountability related to set decarbonisation targets.
- Six collective decision-making bodies that provide decision-making support to the whole Management Board: The Corporate Credit Committee, Assets and Liabilities Management Committee of NLB Group, NLB Operational Risk Committee, The Group Real Estate Management Committee, The Sales Committee, and Risk Committee.
- Three decision-making bodies that provide decision-making support to respective Management Board members: Committee for New and Existing Products, Committee for Business IT Architecture, and Data Management Committee.

Committees of the NLB Supervisory Board:

- The Audit Committee, The Risk Committee, The Remuneration Committee, The Nomination Committee, The Operations and IT Committee.

In case environmental risks are identified that could affect the Groups business model, operations or performance, such case is escalated according to internal rules and procedures.

Further insights:

- Chapter, Sustainability Governance, sub-chapters The Management Board's and the Supervisory Board's oversight of sustainability and ESG, and Management's role in managing ESG risks and opportunities in the 2023 NLB Group Sustainability Report, available on the NLB webpage https://www.nlb.si/sustainability;
- Chapter General information on risk management, objectives, and policies, sub-chapter Risk measurement and reporting systems in this report (2023 Pillar III Disclosures).

h. Lines of reporting and frequency of reporting relating to environmental risk

Environmental risks are regularly discussed and reported at all sessions of management bodies, as well as through daily operations, in accordance with internal rules and procedures. Sessions of committees (listed in section (g) above) are convened according to the plan of meetings, regularly and frequently. The majority of them are held once a week, some of them monthly or every two or three months. *Ad hoc* meetings are convened in case certain issues need to be addressed urgently. Internal control functions have access to the Supervisory Board in the manner stipulated by the banking regulations. They regularly (quarterly) report to the Supervisory Board about their work.

Further insights:

- Chapter, General information on risk management, objectives, and policies, sub-chapter Risk measurement and reporting systems in this report (2023 Pillar III Disclosures).

i. Alignment of the remuneration policy with the institution's environmental risk-related objectives

The target-setting, performance evaluation and remuneration framework for the highest governance bodies, and other identified employees who can significantly impact the risk profile of the Bank and/or the Group in the scope of their tasks and activities, is set out in the Remuneration policy for members of the Supervisory and Management Boards of the Bank and in the Remuneration Policy for Employees in the Bank and in the Group (hereinafter: 'the remuneration policies'). Based on the group guidelines the principles of the remuneration policy were also implemented in the Group members. Both remuneration policies provide clear guidelines for prudent remuneration to have responsible, fair and transparent remuneration mechanisms, forming the basis for developing business with the objective of creating and protecting value for all stakeholders. The proposal for the remuneration policies is approved by the Management Board and the Remuneration Committee and adopted by the Supervisory Board.

As part of the performance evaluation process, the Group put special attention on the achievement of ESG goals. Given the sustainability roadmap of the Group, Management Board members and other identified employees (those who can significantly impact the risk profile of the Bank and/or the Group in the scope of their tasks and activities) are committed to achieve targets, which are set out in their respective areas.

In 2023, concrete targets have been included in their performance plans, and were part of the Management Board members' individual assessments, as follows:

- NLB's CEO: 20% weighting
- Other Members of NLB's Management Board: from 17% to 20% weighting.

Further insight:

- Chapter, Remuneration and integration of ESG goals in 2023 NLB Group Sustainability Report, available on the NLB webpage www.nlb.si/sustainability;
- Chapter Remuneration Policy in this report (2023 Pillar III Disclosures).

10.2.3. Risk management

j. Integration of short-, medium- and long-term effects of environmental factors and risks in the risk framework

The Group conducts materiality assessment as part of its overall risk identification process to determine the level of transition and physical risk to which the Group is exposed. In addition, the Group uses all disposable climate and environmental data and studies available for its region (namely provided by different relevant state institutions) to determine the level of environmental risk to which the Group is exposed. In this process identification of environmental risk factors, relevant transmission channels and their materiality and impact to the Group's financial performance in the short-, medium- and long-term period are assessed. Furthermore, the Bank also considers two different climate scenarios in the long-term period, pessimistic RCP 8.5 and optimistic RCP 2.6 scenarios. While many climate studies project temperature and climate change until the year 2100, our materiality assessment also addressed the period beyond the year 2050.

From the perspective of physical risk, the most relevant (material) risk drivers are drought and floods, while hail and windstorms are also frequent but less material. Though we can expect that its impact will increase in the long run, especially if no adequate policy changes will be implemented in a timely manner. Chronic risk is not yet determined as material risk driver. Transition risk arises already in the short-term period due to determination of EU (Fit for 55 regulatory framework) to reduce the carbon emissions according to its ambitious net zero strategy by 2050. With implementation of Net zero strategy of NLB Group, it is expected that its impacts will gradually diminish in the long run. Nevertheless, the Group assessed them as more material than physical risk.

Further insight:

- Sub-chapter Materiality Assessment, described in combined chapter below (l, m, and n) of this report (H1 2024 Basel Pillar III Disclosures)

k. **Definitions, methodologies, and international standards on which the environmental risk management framework is based**

As presented in the Introduction section, the management of environmental and other ESG risks, the Group follows ECB and EBA guidelines, with the attempting to integrate comprehensively into all relevant processes. In addition, the Bank is a signatory of the Framework Agreements with the EBRD, the Contract of Guarantees with MIGA, the UN PRB, and the UN NZBA.

l. **Processes to identify, measure, and monitor activities and exposures (and collateral where applicable) sensitive to environmental risks, covering relevant transmission channels**
m. **Activities, commitments, and exposures contributing to mitigate environmental risks**
n. **Implementation of tools for identification, measurement, and management of environmental risks**

The Group is engaged in contributing to sustainable finance by incorporating ESG risks into its business strategies, risk management framework, and internal governance arrangements. Thus, sustainable finance integrates ESG criteria into the Group's business and investment decisions. ESG risks do not represent a new risk category but rather one of the risk drivers of the existing type of risks, such as credit, liquidity, market, and operational risk. The Group integrates and manages them within the established risk management framework in the areas of credit, liquidity, market, and operational risk.

This combined chapter outlines processes, activities, and tools (materiality assessment, ESMS in the credit approval process, related credit portfolio management, collateral management) to mitigate environmental risks and to identify, measure, and monitor exposures.

1.Materiality assessment
The Group performs materiality assessment in the following steps:

1. In the first step, the climate and other environmental risk drivers relevant to Slovenia and other countries where the Group is present are identified. Besides physical and transition risks, the Group also considers exposure to other environmental risks, such as biodiversity risk, waste disposal and pollution.
2. In the next step, the Group defines the transmission channels to better understand how the climate & environmental risk drivers translate into traditional financial risk categories.
3. In the third step, the Group assesses the probability and impact of each identified risk driver using internal and external sources and methodologies. The assessment considers the geographic location and industry (segment) of the client.
4. Furthermore, the Group assesses how other factors (sources of variability) which determine the probability or the size of the impact, so called amplifiers, mitigants and geographical heterogeneity impact its operations.
5. In the last step the materiality of the impact is assessed. Considering probability and impact score, final vulnerability score is determined and assigned to each exposure. The Heatmap tool is used for the representation of vulnerability to each climate and environmental risk driver.

The Group performed the materiality assessment of physical risk. Key findings were as follows:

- Short-term exposure to physical risk is not material however it is expected to increase gradually due to climate change.
- Over the medium-term horizon, the level of physical risk is assessed as moderately low.
- Over the long-term horizon, considering RCP 2.6 scenario, the level of physical risk is higher, however still at moderately low level. Considering RCP 8.5 scenario, the level of physical risk over the long-term period is increased and assessed as moderate.
- From materiality perspective, we can conclude that floods and drought are currently the only material risk driver in certain industries and regions. Hail and windstorm are less material. Other events are not material. Chronic risk is also not determined as material risk in the short- and medium-term periods. From the perspective of direct corporate exposure, mostly agriculture sector in some countries is materially exposed to physical risk (high and moderately high level of drought) in the mid-term horizon. Vulnerability to physical risk in other industries is less material. Within short- and medium-term horizon, no exposure is allocated to high-risk bucket. Considering long-term horizon, 7% of the corporate portfolio is allocated to the high-risk bucket under RCP 2.6 scenario, and 17% under RCP 8.5 scenario.

The Group performed the materiality assessment of transition risk. Key findings were as follows:

- Transition risk is already a material risk driver and will reach its peak in the mid-term horizon;
- Over the short-term horizon, the level of transition risk is assessed as moderately low;
- Over the mid-term horizon the level of transition risk will increase to moderate level;
- Over the long-term horizon the level of transition risk is expected to start decreasing;
- As such, exposure to transition risk over the long-term horizon is less material. Using UNEP-FI methodology for classification of transition risk, only 4% of corporate portfolio is allocated to high-risk bucket and 10% to moderately high-risk bucket. 40% of the portfolio is allocated to the low or moderately low-risk bucket and the remaining part is allocated to the moderate-risk bucket;
- From industry view perspective, above moderate exposures are in manufacturing, wholesale and retail trade, construction and electricity production sectors in Slovenia and Serbia. Less material are such exposures in Kosovo and other countries. For these sectors direct and indirect emission cost factors are contributing to the above the average risk score. Though many industries will be heavily impacted also by Capital Expenditure needs (higher, above average, CAPEX risk score). Country wise, the overall transition risk is the lowest in Slovenia and the highest in Serbia, even though the methodology by UNEP-FI is not country specific. In countries other than Slovenia (the rest of the Group), we expect a delayed transition. This means lower short-term risk and faster transition in the mid-term period.

The Group also assessed the importance of other environmental risks. The main findings were as follows:

- Short-term exposure to other environmental risks is not significant but is expected to increase gradually and peak in the medium term.
- In the medium term, the level of other environmental risks is assessed as moderately low.
- In contrast to transition risk, other environmental risks are not expected to decrease in the long term.

Further insights:
- Chapter, Materiality Assessment in the 2023 NLB Group Sustainability Report, available on the NLB webpage [www.nlb.si/sustainability.](http://www.nlb.si/sustainability)

2. ESMS – Environmental and Social Risk Management System
The Group has established the Environmental and Social Risk Management System, a comprehensive risk assessment and monitoring mechanism in 2021, which applies to transactions with the greatest potential for significant negative environmental and social impacts.

ESMS was initially set up to provide screening of current or potential financing applications against the MIGA and EBRD Exclusion List and applicable environmental and social laws, in line with Framework Agreements with the EBRD, the Contract of Guarantees with MIGA and the UNEP FI Principle for responsible banking. The main objectives of ESMS are to identify and manage the Group's exposure to the ESG risk of its clients, and to promote their good environmental and social business practices. The system is fully embedded in the Group's loan origination and monitoring, and is regularly updated with any material factors or procedures in line with ESG-related developments and requirements.

The implemented Environmental and Social Management System applies to transactions with the greatest potential for significant negative environmental and social impacts. According to ESMS, ESG risk management is considered on three levels:

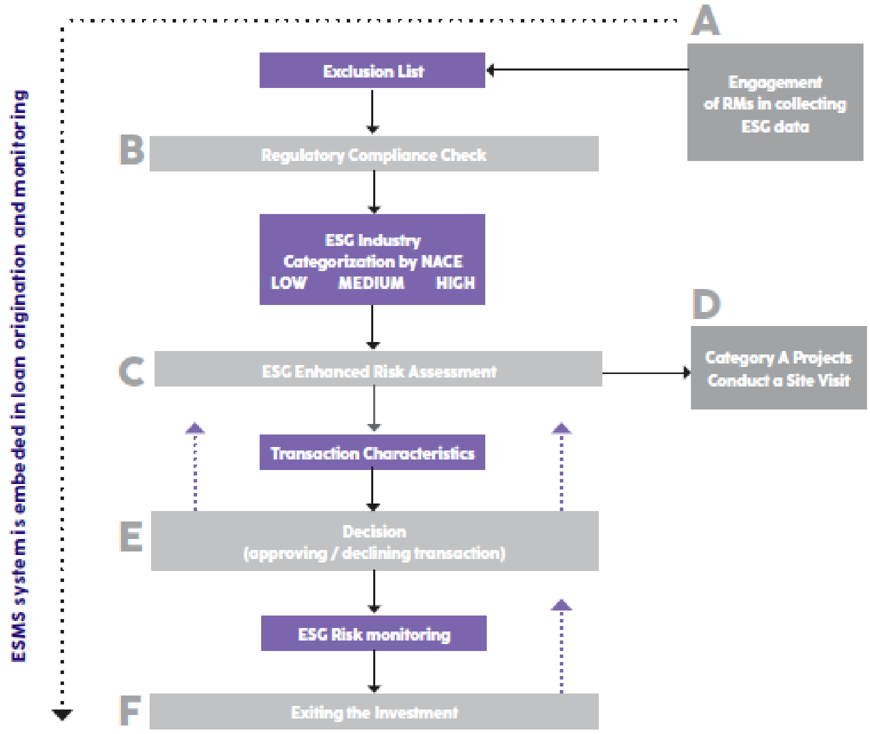
- having a low impact on the environment and having the potential to replace high-impact activities (e.g., renewable energy),
- reducing impact form other activities,
- making a positive environmental contribution.

ESG enhanced risk assessment in the Group is performed:

- at annual review of client, when the thresholds of exposure and ESG risk level are met and,
- at new transaction proposal, when:
  - new loans relate to project finance with total value of project above EUR 10 million,
  - financing applications relating to secondary market transactions or syndicated loans where the participation of the Bank is below 25% of the total loan value,

- new loans are above EUR 3 million of at least 36 months of maturity and the client bridges the threshold for ESG review at annual review.

Figure 9: Key steps of the transaction approval process



3. Collateral management

Real estate plays an important role in debates on the transition to a carbon-neutral economy. The Group ESG risk management is in collateral evaluation process is focused on real estate climate transition and physical risks. Identification and materiality of specific ESG risks for real estate in collateral is assessed through the Group methodology for environmental risks. Climate transition and physical risks are measured through energy performance data of real estate and collateral location data.

Further insights:

- Collateral management in the 2023 NLB Group Sustainability Report, available on NLB webpage www.nlb.si/sustainability.

4. Operational and reputation risks

The Group carefully considers potential reputation and liability risks which could arise from sustainable financing of its clients. Special attention is given to the approval of new products and monitoring of fulfilment of relevant criteria by the clients. Additional key risk indicators have been addressed, servicing as an early warning system in the area of ESG risks. Besides, physical risks, as part of ESG risks in the area of operational risk, are addressed in the Group's business continuity management (BCM). Business continuity plans include relevant ESG risks. They are prepared to be used in the event of natural disasters, IT disasters, and the undesired effects of the environment to mitigate their consequences. Additionally, ESG risk screening in the supply chain is part of the Group's supplier selection and regular assessment process.

Further insights:

- ESG Risks in credit risk management, sub-chapter ESMS - Environmental and Social Risk Management System in the 2023 NLB Group Sustainability Report, available on the NLB webpage www.nlb.si/sustainability.

o. **Results and outcome of the risk tools implemented and the estimated impact of environmental risk on capital and liquidity risk profile**

The Group established its own ESG stress-testing concept to identify the most relevant financial vulnerabilities stemming from climate risk, which is constantly further enhanced by considering available ESG-related data. Such a stress-testing framework is the subject of a regular internal validation cycle and related procedures where the Group established comprehensive validation framework. Specifically, the Group supports a robust validation governance process and controls over applied selected risk approaches and internal models.

As a systemically important institution, the Group was included in the ECB Stress test exercise – 2024 EBA Fit for-55 climate risk scenario analysis. The results of this exercise were publicly disclosed only on aggregate (whole banking) level. The Group's results were in line with average the peer group results, which was also valid for income generating perspective (referring to certain industrial sectors).

Further insights:
For more information on stress testing, please refer to:
- Chapter General information on risk management, objectives, and policies, sub-chapter Stress-testing in this report (2023 Pillar III Disclosures).

p. **Data availability, quality, and accuracy, and efforts to improve these aspects**

The availability of ESG data in the region where the Group operates is still lacking. Nevertheless, the Group made a significant progress in obtaining relevant ESG-related data from its clients, being a prerequisite for adequate decision-making and corresponding proactive management of ESG risks. For the purpose of calculating credit portfolio GHG emissions, several important activities started in 2022. The collection of ESG data was further improved in the year 2023 for larger corporate clients where the Group initiated direct Scope 1 & 2 & 3 data gathering processes, and whereas for SME and micro segments, the Group developed its own proxies in cooperation with an external expert.

The Group is engaged in collecting and analysing different transition and physical risk relevant data, and we are using publicly available climate change studies relevant for the region where the Group operates in our long-term projections.

The main tool used to collect ESG-relevant data from the clients is the ESG questionnaire. For the time being, it is used for larger clients engaged in high-risk activities according to internal ESG classification. Eventually, the scope will also be extended to other segments. In the questionnaire, the clients must provide ESG-relevant data and information on how ESG factors and policies are integrated into their operations. In addition, clients' data are also collected through their financial and non-financial reports, media or other external resources. Furthermore, when needed, the Bank also performs more extensive ESG reviews of the clients. Within the due diligence process, clients need to clarify whether the company put policies and mitigators in place relating to their operations' ESG risks.

Further insights:
- Chapter, Data availability in NLB Group Sustainability Report, available on the NLB webpage www.nlb.si/sustainability.

q. **A description of limits to environmental risks (as drivers of prudential risks) that are set and triggering escalation and exclusion in the case of breaching these limits**

To contribute to a sustainable transition and to decarbonise the credit portfolio by 2050, the Group has committed to strict limitations of new financing of certain activities. This commitment is included as a rule in internal documents, such as the NLB Group Risk Appetite Statement, NLB Group Lending Policy, and other specific instructions binding for the all Group members.

The Group acknowledges that phasing out coal is the main priority to reach the Paris Agreement's goal of limiting global temperature rise to 1.5 degrees. Thus, we set risk appetite limits for coal mining (no new financing) and a target to reach zero exposure by 2030. By that, no new direct financing goes to coal-related industries – thermal coal mining or coal-fired electricity generation capacity in any way, including eventual transitional enhancements, are to be provided.

A transaction is rejected in the case that client is involved in any activity on the exclusion list. Screening is performed at the time the financing application is received, at the time the financing is approved, and periodically (e.g., annually) until the maturity of the financing.

The full list of cross-sectoral and sector-specific prohibited (exclusion list), restricted, and normal activities from the ESG perspective, including MIGA and EBRD requirements, that the Group adheres to in the financing decisions and process is comprehensively defined in the NLB Group Lending Policy and published on the websites of NLB and the other Group members.

Further insights:

- Chapter, Limits and exclusions in 2023 NLB Group Sustainability Report, available on the NLB webpage www.nlb.si/sustainability.
- the Exclusion list on the NLB webpage: www.nlb.si/exclusion-list.

r. Description of the link (transmission channels) between environmental risks with credit risk, liquidity and funding risk, market risk, operational risk, and reputational risk in the risk management framework

Please refer to sections (l) and (n), where this topic is described.

10.3. Social risks

10.3.1. Business strategy and processes

a. Adjustment of the institution's business strategy to integrate social factors and risks taking into account the impact of social risk on the institution's business environment, business model, strategy, and financial planning

The Group considers as social risks those related to the rights, well-being, and interests of people and communities. These include (but are not limited to) factors such as (in)equality, health, inclusiveness, labour relations, workplace health and safety, human capital, and communities.

Social factors and risks are included in the Group's business strategy and implemented through the NLB Group Sustainability Policy and its established sustainability pillars. The general objectives that the Group pursues withing each sustainability pillar are outlined in the remaining of this chapter.

Sustainable operations:

- to ensure positive social impacts and to minimise adverse impacts of the Group's own non-financial operations on key stakeholders, including:
  - to ensure sustainable employee relations, such as: capabilities development, talent retention, and development, DEI – diversity, equity, and inclusion, reducing gender pay gap, ensuring health and safety, work environment, and well-being and work-life balance;
  - to ensure sustainable client relations, including actively engaging with clients, promoting ensuring responsible product development, marketing and communication; accessibility, financial literacy, and inclusion;
  - to ensure sustainable procurement by including assessment of ESG risks at all stages of the procurement life cycle;
- to identify and mitigate social risks and to pursue opportunities stemming from business relations with key stakeholders that might affect the financial operations of the Group or our stakeholders.

Sustainable finance:

- to integrate social factors into the Group's business and investment decisions,
- to ensure a positive impact by developing and offering social financing,
- to identify and mitigate social risks in relation to the Group's lending or investments,
- to ensure responsible asset management by integrating social factors into the investment policy.

Contribution to society:

- to ensure that each CSR activity contributes to socially-related UN Sustainable Development Goals,

- to create added value by focusing on genuine societal needs and actively responding to these societal needs by managing appropriate initiatives, sponsorships, donations, and other partnerships, including those related to education, financial literacy and mentoring, sustainable and inclusive entrepreneurship, supporting youth, female and disabled sports, and philanthropy.

Further insights:

- Chapter, Social risk management in the NLB Group Sustainability Report, available on the NLB webpage www.nlb.si/sustainability.

b. Objectives, targets, and limits to assess and address social risk in short-term, medium-term and long-term, and performance assessment against these objectives, targets and limits, including forward-looking information in the design of business strategy and processes

By the impact analysis that the Group executed within UN PRB framework, the third Impact area, i.e., *Inclusive and healthy economies* was defined. In 2023, the Group reviewed and upgraded related target to increase digital penetration (% of active digital users in total number of active clients), which are as follows:

- to reach 55% digital penetration by 2025,
- to reach 70% digital penetration by 2030.

At the end of 2023, the digital penetration in the Group stood at 50.4%.

At the Group, we also recognise the challenges of social and financial inclusion of specific and vulnerable stakeholders (such as women, elderly citizens, youth, etc.) as well as a need to support clients, organisations, and projects which address important social challenges. So, we aim to complement our green offer with social financing. Thus, we will additionally create a social impact and contribute to a more inclusive and just society in the region where the Group operates.

Further insights:

- Chapter, Sustainable client relations, sub-chapter Digital-technological accessibility, available on the NLB webpage www.nlb.si/sustainability.

c. Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate and reduce socially harmful activities

The Group's approach to managing its own social impacts, including human rights considerations (either as an employer or a business partner) as well as of the Group's clients, are stipulated in the overarching Sustainability Policy, and complemented with other domain-specific Group's internal acts.

Most relevant policies and procedures with substantial focus on mitigation and reducing socially harmful activities in engagement with our clients is the Policy Environmental and Social Transaction Policy Framework in NLB and NLB Group. As already described in the chapter, Environmental Risk, section (d), the objectives of this policy are to set out how the Group assesses and manages environmental and social risks and impacts associated with the transactions and promote good environmental and social management practices in the client's transactions. In line with the policy clients' strategies to mitigate socially harmful activities and other social risks, are included in the screening (due diligence) process within the Group's ESMS.

The Group regularly monitors fulfilment of non-financing activities that are not supported by the Group (exclusion list) due to negative social impact. To mitigate social risk, ESMS system includes Regulatory Compliance Check, by which the client is checked for legal compliance and a contractual clause is included in the loan agreements that specify that the client operates and complies with all applicable Slovenian and EU regulations applicable to the client (borrower) and its business, including social regulations (in addition to environmental).

Data for assessing social risk management are collected via a questionnaire (developed in cooperation with the Bank Association of Slovenia). The questionnaire is part of the ESMS due diligence process for clients with the exposure above EUR 10 million and E&S classification as high risk. Within the process, clients have to clarify whether the company put in place policies relating to the social aspects of operations. Questions refer to (but are not limited to) following areas: impact on community/society, employee relationships, customer protection and product responsibility, human rights.

For detailed information on screening process, please refer to the chapter, Environmental Risk, section (d), as the described process with new or existing counterparties also applies to social risks.

Further insight:
For additional information please refer to the 2023 NLB Group Sustainability Report 2023, available on the NLB webpage www.nlb.si/sustainability
- Chapter Social risk management;
- Chapter Responsible Conduct and Respecting Human Rights;
- Chapter ESG Risks in credit risk management.

10.3.2. Governance

d. Responsibilities of the management body for setting the risk framework, supervising, and managing the implementation of the objectives, strategy, and policies in the context of social risk management: (i) Activities towards the community and society, (ii) Employee relationships and labour standards, (iii) Customer protection and product responsibility, (iv) Human rights

As the highest governance bodies, the Management and the Supervisory Boards are responsible for managing and supervising the implementation of social factors and risks in the Group model, respectively. To this end, the governance bodies discussed and adopted several policies which refer to different areas of social risk management, including activities towards the community and society, employee relationships and labour standards, customer protection and product responsibility, human rights, and supply chain. Policies describe general goals, strategic directions, rules, and procedures in specific areas.

In 2023, both governance bodies addressed (discussed and/or made resolutions on) several ESG-related topics (including social), within their respective area of responsibility, whether stand-alone or in connection with broader strategic topics. Key topics included (but not limited to) social risk management (within risk management strategy), diversity, respecting human rights, and human resources considerations.

Responsibilities of the management body in the context of social risk management per specific areas:

- **Activities towards the community and society**
  At the Group, we actively contribute towards wider socio-economic development through our corporate social responsibility activities with an overarching focus on education in the communities where we operate. As a parent bank, NLB has established an internal policy which defines key areas of social and environmental responsibility of NLB and the Group's members in terms of their contribution to society. It defines rules and procedures for managing sponsorship, donations, and other partnerships with the Group's stakeholders. In addition to taking care of the Group's employees, the key pillars of the Group's socially responsible behaviour are promoting entrepreneurship, financial literacy, and mentoring, support for world-class and youth sports, humanitarianism, and the protection of cultural heritage.

- **Employee relations and labour standards**
  The Group continuously embeds sustainability matters and ESG factors into human resource management and organisation. We are not only adhering to labour-related regulations; we are committed to investing in employee development, building a diverse and inclusive workplace environment, and seeking to improve the employee experience constantly. In recent years, we have established respective internal HR documents, rules and procedures, initiatives, and practices to assess HR–related risks and opportunities, manage human resources, and ensure human capital development. The key internal document is Human Resources Development and Organisation Strategy, which defines the basic areas and activities of activities within the Group, in the field of human resources, education, and organisation. The policy is complemented with the Standards for Human Resources Business Line in NLB Group, which is meant to set up the standards of operation and harmonisation of the operations in the Group members. In addition to this overarching policy, the Group has established several domain-specific policies which tackle key human resources risks and opportunities in specific domains, such as talent management and retention, training and development, prevention of mobbing and harassment, diversity, family-friendly measures, remuneration, and others.

- **Customer protection and product responsibility**
  The Group members review new products and marketing policies before offering them to ensure that clients can have full confidence in the Group's products and services. The review is done by specific committees, i.e., Committee for new and existing products in the Bank and equivalent committees in the other Group members. The committee in the Bank oversees approving and monitoring products while also focusing on risks related to the product and the method of managing those risks. The review process applies to all new and existing products and services, and involves key control functions, including Compliance and Integrity, to ensure that the products and services are compliant with all applicable laws, regulations, as well as ethical standards. In the new revised version of the form, ESG risks are added as obligatory category to specify product features from an ESG perspective and appropriate management of possible ESG risks. The Group members provide information to clients in compliance with regulations, local legislation related to customer rights, guidelines, and codes of professional associations. Thus, the Group provides impartial, clear, and non-misleading information, by using the appropriate communication channels to clients. The Group is committed to responsible lending, by offering clients financial products in accordance with their needs and income profile, and to educate them about all aspects of a product, including potential negative consequences and risks.

- **Human rights**
  The Group has established the Policy for Respecting Human Rights. The policy describes the Group's commitment to respect human rights in line with the highest international standards. The policy aims to systematically monitor respect for human rights in all business areas, prevent human rights abuses in the context of banking business, and mitigate risks in this respect. The policy contributes to a common understanding among employees of respecting human rights in relations with all Group stakeholders internally (employees) and externally (customers, suppliers, and other stakeholders).

- **Supply chain**
  Additionally, social risk screening in the supply chain is part of the Group's supplier selection and regular assessment process as stipulated in the Standard Procurement in the Members of the NLB Group, the purpose of which is to ensure a uniform and transparent procurement procedure (including performing the business activities in line with standards of conduct required by the NLB Group Code of Conduct, and the minimum principles of ethical, social, and environmental conduct that the Group expects from all its suppliers). Among others, the supplier is required to disclose whether it respects/considers social factors such as respect of human rights, free choice of employment, prohibition of child labour, prohibition of undeclared work, prohibition of discrimination, right to adequate pay, right to adequate working time, right to trade unions, the right to human personality and dignity, the right to health and safety, and the right to diversity.

Further insight:
For additional information please refer to the NLB Group Sustainability Report 2023, available on the NLB webpage www.nlb.si/sustainability:
- Chapter Sustainable Operations – subchapters: Sustainable employee relations, Sustainable client relations, Sustainable procurement,
- Chapter Responsible Conduct and Respecting Human Rights,
- Chapter Contribution to Society.

e. Integration of measures to manage social factors and risks in internal governance arrangements, including the role of committees, the allocation of tasks and responsibilities, and the feedback loop from risk management to the management body

Respective organisations units, which are responsible for specific social area, are responsible for setting out a social risk framework, risk identification, measurement, and monitoring, organising trainings, and establishing a mechanism to address violations. They are also responsible for developing and updating the internal acts, as well as steering their implementation in the Group's operation.

As already described in chapter, Environmental risk (sub-chapter Governance), there are several committees in place, who assist and advise in the social risk management process, as well as to execute individual tasks within powers of the Management Board. Identifying risks and opportunities that also arise from social issues (in addition to environmental and governance risks), supporting and accelerating integration of social factors in the Group are among the key responsibilities of each committee. When appropriate, according to internal rules and procedures, social risks are considered also at the respective Supervisory Board Committees.

Moreover, social risks are monitored through the Group's internal control system on three levels: the first level (all business units), second (risk management and compliance), and third level controls (internal audit). In the case that social risks are identified that could affect the Groups business model, operations or performance, such a case is escalated according to internal rules and procedures.

Further insights:

- Chapter, Governance in the 2023 NLB Group Sustainability Report, available on the NLB webpage www.nlb.si/sustainability.

f. Lines of reporting and frequency of reporting relating to social risk

Social risks are regularly discussed and reported at all sessions of governance bodies, as well as through daily operations, in accordance with internal rules and procedures. Sessions of the Group's committees are convened according to the plan of meetings, regularly and frequently. The majority of them are held once a week, some of them monthly or every two or three months. *Ad hoc* meetings are convened in case certain issues need to be addressed urgently. Internal control functions have access to the Supervisory Board in the manner stipulated by the banking regulations. They regularly (quarterly) report to the Supervisory Board about their work.

The Group has also established Environmental & Social Incident Reporting, which sets out the procedure of environmental and social incidents reporting to EBRD and MIGA. As a rule, in addition to governance bodies of the Group member these financial Institutions must be promptly notified of any environmental incident or accident related to the client or the project, which has, or is likely to have, a significant adverse business effect.

g. Alignment of the remuneration policy in line with institution's social risk-related objectives

The Remuneration Policy for the Members of the Supervisory Board of NLB and the Members of the Management Board of NLB, addresses social risks within overarching ESG risks, as described in chapter (i) in qualitative disclosures on environmental risk. In this respect, social risks are a part of the performance evaluation process.

Further insights:

- Chapter, Remuneration and integration of ESG goals in the 2023 NLB Group Sustainability Report, available on the NLB webpage www.nlb.si/sustainability;
- Chapter 16. Remuneration policy in 2023 Pillar III Disclosures.

10.3.3. Risk management

h. Definitions, methodologies, and international standards on which the social risk management framework is based

The Group's social risk management framework considers national and international regulations, methodologies, and standards in all aforementioned areas. Among these, the Group is focused and also follows ECB and EBA guidelines with the goal of seeing their comprehensive integration into all relevant processes. The cornerstone for addressing social factors and risks is the Policy on Respect for Human Rights. The policy contains the commitment of the Bank and the Group to respect human rights in accordance with all the highest international standards, including but not limited to the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social, and Cultural Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the UN Guidelines, Performance Standards 2 (Labour and Working Conditions), 4 (Health, Safety and Security), and 9 (Financial Intermediaries) as per EBRD Environmental and Social Policy (https://www.ebrd.com/environmental-and-social-policy.pdf), and the OECD Guidelines. At the national level, expectations of economic operators are regulated by the National Action Plan of the Republic of Slovenia for the Respect of Human Rights in Business.

Further insight:

- Other relevant policies related to social risk management are described in previous chapters of social risk qualitative disclosures: Business strategy and processes (section c), and Governance (section d).

i. **Processes to identify, measure, and monitor activities and exposures (and collateral where applicable) sensitive to social risk, covering relevant transmission channels**
j. **Activities, commitments, and assets contributing to mitigate social risk**
k. **Implementation of tools for identification and management of social risk**

Processes and activities to identify, measure, and monitor social risk within credit process, as well as implementation tools for identifications and management of social risks are described in the Group's ESMS screening process, and in other internal policies, that govern specific social-related risks. For detailed information on ESMS, please refer to chapter Environmental risk (sections l, m, and n, sub-section 2: Environmental and Social Risk Management System), as the described process of tackling environmental risk related to new or existing counterparties also applies to social risks.

The Group regularly monitors fulfilment of non-financing activities that are not supported by the Group (exclusion list) due to negative social impact. To mitigate social risk, ESMS system includes Regulatory Compliance Check, by which the client is checked for legal compliance and a contractual clause is included in the loan agreements that specify that the client operates and complies with all applicable Slovenian and EU regulations applicable to the client (borrower) and its business, including social regulations (in addition to environmental).

Key topics that are subject to screening are:

- the equality of people,
- non-discriminatory regulation,
- the possibility of advancement of the individual and social groups,
- and cultural heritage.

In addition, the Group has also established implementation of tools for mitigation of social risks that are related to the Group's operations, as well as early warning systems and escalation process at different levels:

- monitoring the stakeholders' perceptions and opinions by surveys and other research tools;
- monitoring the public opinion, issues, and trends that might evolve in social risk;
- setting out the mechanisms that enable internal or external stakeholders to raise complaints and concerns (such as grievance, whistleblowing mechanisms, contact centres, publicly accessible e-mail addresses, internal process for communicating critical concerns, etc.);
- setting out efficient processes to manage social risks in all respective business areas;
- addressing social risks in business continuity plans (BCP).

Further insights:

- Chapter, ESG Risks in credit risk management, sub-chapter ESMS – Environmental and Social Risk Management System in the 2023 NLB Group Sustainability Report, available on the NLB webpage nlb-sustainability.
- The full list of sustainable economic activities (environmental and social ones) promoted by NLB Group is described in NLB Group Sustainability Policy, available on the Bank's webpage nlb-sustainability.

l. **Description of setting limits to social risk and cases to trigger escalation and exclusion in the case of breaching these limits**

Please refer to section (q) of environmental qualitative disclosures, as described procedure applies also for social risks.

m. **Description of the link (transmission channels) between social risks with credit risk, liquidity and funding risk, market risk, operational risk, and reputational risk in the risk management framework**

Please refer to sections (i), (j) and (k), where this topic is described.

10.4. Governance risk

10.4.1. Business strategy and process

The Group considers governance risks as those relates to its own governance and clients' practices. This may include, but it is not limited to, management body's remuneration, diversity and structure, shareholder rights, bribery and corruption, compliance, ethical standards, fair tax strategy, and the inclusion of ESG policies.

Governance factors and risks are included in the Group's business strategy and implemented through the NLB Group Sustainability Policy and its established sustainability pillars. The general objectives that the Group pursues withing each sustainability pillar are outlined in the remaining part of this chapter.

Sustainable operations:

- to manage the Group's direct environmental and social impacts while ensuring responsible business, conduct, compliance, and ethical and efficient operations,
- to mitigate governance risks in the Group's operations in relations with its stakeholders.

Sustainable finance:

- to integrate governance factors into the Group's business and investment decisions,
- to manage governance risks stemming from the sustainable (green and social) transition.

Contribution to society:

- to manage initiatives, sponsorships, donations and other partnerships in line with the highest governance standards.

10.4.2. Governance and Risk Management

a. The institution's integration in their governance arrangements governance performance of the counterparty, including committees of the highest governance body, committees responsible for decision-making on economic, environmental, and social topics

The Group has implemented a comprehensive sustainability governance framework (top-down and bottom up). As the highest management and governance bodies, the Management and the Supervisory Boards are responsible for managing and supervising the implementation of governance considerations (factors and risk) management framework, respectively. In 2023, both boards addressed (discussed and/or made resolutions) several ESG-related (including governance) considerations, within their respective area of responsibility, whether stand-alone or in connection with broader strategic topics. Key governance topics addressed were related to compliance, integrity, KPIs and plans, reporting, remuneration, and performance assessment, and DEI – diversity, equity, and inclusion, and the gender pay gap.

Respective organisations units, which are responsible for specific governance area, are responsible for setting out a governance risks framework, risks identification, measurement, and monitoring, organising trainings, and establishing a mechanism to address violations. They are also responsible for developing and updating the internal acts, as well as steering their implementation in the Group's operation.

As described in previous sections, there are several committees in place that assist and advise in the governance risk management process, as well as to execute individual tasks within powers of the NLB Management Board. Identifying risks and opportunities that also arise from governance risks (in addition to environmental and social risks) and supporting and accelerating the integration of governance factors in the Group are among the key responsibilities of each committee. When appropriate, according to internal rules and procedures, governance risks are also considered by the respective Supervisory Board's Committees.

In addition, governance risks are monitored through the Group's internal control system on three levels: the first level (all business units), the second (risk management and compliance), and the third level controls (internal audit). In case governance risks are identified that could affect the Group's business model, operations or performance, such a case is escalated according to internal rules and procedures.

Further insights:

- Chapter, Sustainability Governance, in the 2023 NLB Group Sustainability Report, available on www.nlb.si/sustainability.

b. **Institution's accounting of the counterparty's highest governance body's role in non-financial reporting**

Activities to engage and monitor client's management on governance risks (in addition to environmental and social risks) are set out in the Environmental and Social Transaction Policy Framework in NLB and NLB Group.
The activities include the assessment of:

- whether the commitment to managing sustainability/ESG is relevant to the business,
- presence of effective systems to manage sustainability/ESG, including accountability,
- past record of regulatory breaches, fines, lawsuits, negative media, or stakeholder protests/complaints that demonstrate how well the client has been managing sustainability/ESG,
- past track record through an online search of publicly available information such as media reports, social media, and nongovernmental organisation websites.

In this respect, during environmental and social screening of a client, the role of its Management Board and/or Supervisory Board is assessed. This is done by reviewing their statement on non-financial reporting (if it is included in the client's annual report) and within a questionnaire during the extended overview, which includes a specific question on the commitment level of senior management to ESG matters.

c. **Institution's integration in governance arrangements the governance performance of their counterparties**
d. **Institution's integration in risk management arrangements the governance performance of their counterparties**

Integration of assessing and monitoring of clients' governance performance in the Group's governance arrangements is described in this chapter (section a). In terms of risk management, clients' strategies to mitigate governance risks and governance performance are included in the screening (due diligence) process within the Group's ESMS. For more information on the ESMS and screening process, please refer to the chapter, Environmental Risk, sections l, m, and n, sub-section 2: Environmental and Social Risk Management System, as the described process with new or existing counterparties also applies to governance risks. The Group is continuously upgrading activities in order to rectify managing counterparties' governance risks.

In particular, to monitor client's governance performance, the Bank uses a questionnaire (developed in cooperation with the Bank Association of Slovenia). The questionnaire is part of the ESMS due diligence process for clients with the exposure above EUR 10 million and ESG classification as high risk, and is used to assess client's arrangements as follows:

- ethical aspects of governance (including anti-corruption and bribery considerations, related measures, trainings, and education, avoiding conflict of interest),
- strategy and risk management (including business continuity plan, protection of personal data),
- diversity of the Management and Supervisory Boards,
- transparency of the customer's reporting on past emissions performance across all relevant scopes.

Further insights:

- For more information, please refer to chapters in the 2023 NLB Group Sustainability Report, available on www.nlb.si/sustainability:
    - Chapter, ESG Risks in credit risk management, sub-chapter ESMS - Environmental and Social Risk Management System;
    - Chapter Sustainability Governance.

10.5. Credit quality of exposures

This template provides information on exposures to nonfinancial companies operating in sectors that significantly contribute to climate change, including, among other things, information on the credit quality of the exposures and on financed emissions.

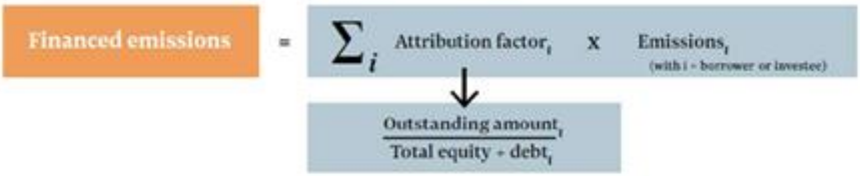
The perimeter Gross Carrying Amount includes exposures in the banking book, including loans and advances, debt securities and equity instruments to non-financial corporations, other than those held for trading.

The availability of ESG data (and Financed emissions data among others) in the region where the Group operates is still lacking. Nevertheless, the Group made a large progress in the process of obtaining relevant ESG-related data from its clients in the region.

The Group used the following data sources to obtain the GHG carbon emission data:

- Data provided by the clients (for a limited number of clients, the Bank was able to obtain actual Scope 1, 2, 3 emissions data);
- Data found on the client's home web pages;
- External data/Proxies for Scope 1, 2, 3 emissions for clients with no reported/published carbon footprint data.

Figure 10: Calculation of financed emissions



The attribution factor is calculated as Gross carrying amount / (short term + long term financial debt + equity) -> on balance sheet data.

Table 27 – Template 1: Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions, and residual maturity for NLB Group

in EUR million

		a	b	c	d	e
	Sector/subsector	**Gross carrying amount**				
	30.06.2024	**Total**	**Of which exposures towards companies excluded from EU Paris-aligned Benchmarks****	**Of which environmentally sustainable (CCM)**	**Of which stage 2 exposures**	**Of which non-performing exposures**
1	**Exposures towards sectors that highly contribute to climate change***	5,563	246	79	463	142
2	A - Agriculture, forestry and fishing	107	-	-	4	4
3	B - Mining and quarrying	45	11	-	15	-
4	*B.05 - Mining of coal and lignite*	2	2	-	2	-
5	*B.06 - Extraction of crude petroleum and natural gas*	9	9	-	9	-
6	*B.07 - Mining of metal ores*	-	-	-	-	-
7	*B.08 - Other mining and quarrying*	34	-	-	4	-
8	*B.09 - Mining support service activities*	-	-	-	-	-
9	C - Manufacturing	1,577	-	-	136	30
10	*C.10 - Manufacture of food products*	254	-	-	31	3
11	*C.11 - Manufacture of beverages*	35	-	-	1	1
12	*C.12 - Manufacture of tobacco products*	16	-	-	-	-
13	*C.13 - Manufacture of textiles*	13	-	-	1	-
14	*C.14 - Manufacture of wearing apparel*	37	-	-	-	-
15	*C.15 - Manufacture of leather and related products*	6	-	-	2	1
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	48	-	-	10	3
17	*C.17 - Manufacture of paper and paperboard*	30	-	-	7	-
18	*C.18 - Printing and reproduction of recorded media*	30	-	-	2	1
19	*C.19 - Manufacture of coke and refined petroleum products*	-	-	-	-	-
20	*C.20 - Production of chemicals and chemical products*	33	-	-	-	-
21	*C.21 - Manufacture of pharmaceutical products and pharmaceutical preparations*	26	-	-	2	-
22	*C.22 - Manufacture of rubber products*	71	-	-	1	1
23	*C.23 - Manufacture of other non-metallic mineral products*	115	-	-	4	5
24	*C.24 - Manufacture of basic metals*	163	-	-	14	-
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	182	-	-	38	8
26	*C.26 - Manufacture of computer, electronic and optical products*	27	-	-	1	-
27	*C.27 - Manufacture of electrical equipment*	221	-	-	4	-
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	85	-	-	8	-
29	*C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	91	-	-	2	2
30	*C.30 - Manufacture of other transport equipment*	4	-	-	-	-
31	*C.31 - Manufacture of furniture*	44	-	-	2	2
32	*C.32 - Other manufacturing*	30	-	-	5	1
33	*C.33 - Repair and installation of machinery and equipment*	16	-	-	1	-
34	D - Electricity, gas, steam and air conditioning supply	561	87	60	105	1
35	*D35.1 - Electric power generation, transmission and distribution*	472	50	60	54	1
36	*D35.11 - Production of electricity*	214	50	-	54	1
37	*D35.2 - Manufacture of gas; distribution of gaseous fuels through mains*	37	37	-	-	-
38	*D35.3 - Steam and air conditioning supply*	52	-	-	51	-
39	E - Water supply; sewerage, waste management and remediation activities	62	-	-	5	1
40	F - Construction	649	-	-	71	24
41	*F.41 - Construction of buildings*	416	-	-	62	14
42	*F.42 - Civil engineering*	89	-	-	2	7
43	*F.43 - Specialised construction activities*	144	-		7	3
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	1,361	147	2	58	31
45	H - Transportation and storage	645	1	17	21	15
46	*H.49 - Land transport and transport via pipelines*	248	1	15	15	15
47	*H.50 - Water transport*	1	-	-	-	-
48	*H.51 - Air transport*	2	-	-	-	-
49	*H.52 - Warehousing and support activities for transportation*	376	-	-	5	-
50	*H.53 - Postal and courier activities*	18	-	2	-	-
51	I - Accommodation and food service activities	177	-	-	39	27
52	L - Real estate activities	377	-	-	10	10
53	**Exposures towards sectors other than those that highly contribute to climate change***	746	-	40	49	19
54	K - Financial and insurance activities	70	-	8	-	-
55	Exposures to other sectors (NACE codes J, M - U)	676	-	33	49	19
56	TOTAL	6,309	246	120	512	161

* In accordance with the Commission delegated regulation EU) 2020/1818 supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks -Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006

** In accordance with Article 12(1) points (d) to (g) and Article 12(2) of Regulation (EU) 2020/1818

	Sector/subsector 30.06.2024	f	g	h
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		Total	Of which Stage 2 exposures	Of which non-performing exposures
1	**Exposures towards sectors that highly contribute to climate change***	(130)	(15)	(88)
2	A - Agriculture, forestry and fishing	(3)	-	(2)
3	B - Mining and quarrying	(1)	(1)	-
4	*B.05 - Mining of coal and lignite*	-	-	-
5	*B.06 - Extraction of crude petroleum and natural gas*	-	-	-
6	*B.07 - Mining of metal ores*	-	-	-
7	*B.08 - Other mining and quarrying*	(1)	-	-
8	*B.09 - Mining support service activities*	-	-	-
9	C - Manufacturing	(28)	(2)	(19)
10	*C.10 - Manufacture of food products*	(5)	(2)	(1)
11	*C.11 - Manufacture of beverages*	-	-	-
12	*C.12 - Manufacture of tobacco products*	-	-	-
13	*C.13 - Manufacture of textiles*	-	-	-
14	*C.14 - Manufacture of wearing apparel*	-	-	-
15	*C.15 - Manufacture of leather and related products*	-	-	-
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	(2)	-	(2)
17	*C.17 - Manufacture of paper and paperboard*	-	-	-
18	*C.18 - Printing and reproduction of recorded media*	(1)	-	(1)
19	*C.19 - Manufacture of coke and refined petroleum products*	-	-	-
20	*C.20 - Production of chemicals and chemical products*	-	-	-
21	*C.21 - Manufacture of pharmaceutical products and pharmaceutical preparations*	-	-	-
22	*C.22 - Manufacture of rubber products*	(1)	-	(1)
23	*C.23 - Manufacture of other non-metallic mineral products*	(4)	-	(3)
24	*C.24 - Manufacture of basic metals*	1	2	-
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	(8)	(1)	(7)
26	*C.26 - Manufacture of computer, electronic and optical products*	-	-	-
27	*C.27 - Manufacture of electrical equipment*	(1)	-	-
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	(1)	-	-
29	*C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	(2)	-	(2)
30	*C.30 - Manufacture of other transport equipment*	-	-	-
31	*C.31 - Manufacture of furniture*	(1)	-	(1)
32	*C.32 - Other manufacturing*	-	-	-
33	*C.33 - Repair and installation of machinery and equipment*	-	-	-
34	D - Electricity, gas, steam and air conditioning supply	(7)	(5)	-
35	*D35.1 - Electric power generation, transmission and distribution*	(7)	(4)	-
36	*D35.11 - Production of electricity*	(6)	(4)	-
37	*D35.2 - Manufacture of gas; distribution of gaseous fuels through mains*	-	-	-
38	*D35.3 - Steam and air conditioning supply*	(1)	(1)	-
39	E - Water supply; sewerage, waste management and remediation activities	(1)	-	(1)
40	F - Construction	(25)	(2)	(19)
41	*F.41 - Construction of buildings*	(16)	(2)	(12)
42	*F.42 - Civil engineering*	(5)	-	(5)
43	*F.43 - Specialised construction activities*	(4)	-	(3)
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	(32)	(3)	(22)
45	H - Transportation and storage	(12)	(1)	(10)
46	*H.49 - Land transport and transport via pipelines*	(11)	(1)	(9)
47	*H.50 - Water transport*	-	-	-
48	*H.51 - Air transport*	-	-	-
49	*H.52 - Warehousing and support activities for transportation*	(1)	-	-
50	*H.53 - Postal and courier activities*	-	-	-
51	I - Accommodation and food service activities	(13)	(1)	(10)
52	L - Real estate activities	(7)	-	(5)
53	**Exposures towards sectors other than those that highly contribute to climate change***	(20)	(2)	(14)
54	K - Financial and insurance activities	(1)	-	-
55	Exposures to other sectors (NACE codes J, M - U)	(20)	(2)	(14)
56	TOTAL	(151)	(17)	(102)

in EUR million

	Sector/subsector 30.06.2024	i GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent) Total	j Of which Scope 3 financed emissions	k GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting
1	**Exposures towards sectors that highly contribute to climate change***	10,760,432	9,425,628	23%
2	A - Agriculture, forestry and fishing	182,579	121,215	-
3	B - Mining and quarrying	133,080	119,009	37%
4	*B.05 - Mining of coal and lignite*	18,169	17,220	-
5	*B.06 - Extraction of crude petroleum and natural gas*	64,650	59,580	100%
6	*B.07 - Mining of metal ores*	-	-	
7	*B.08 - Other mining and quarrying*	50,240	42,197	22%
8	*B.09 - Mining support service activities*	21	12	-
9	C - Manufacturing	3,092,931	2,660,978	25%
10	*C.10 - Manufacture of food products*	276,881	232,060	6%
11	*C.11 - Manufacture of beverages*	25,531	19,406	-
12	*C.12 - Manufacture of tobacco products*	13,848	11,495	-
13	*C.13 - Manufacture of textiles*	16,562	10,504	12%
14	*C.14 - Manufacture of wearing apparel*	31,689	29,751	-
15	*C.15 - Manufacture of leather and related products*	3,490	2,947	-
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	38,906	31,762	-
17	*C.17 - Manufacture of paper and paperboard*	36,781	24,200	-
18	*C.18 - Printing and reproduction of recorded media*	16,926	15,062	-
19	*C.19 - Manufacture of coke and refined petroleum products*	389	173	-
20	*C.20 - Production of chemicals and chemical products*	44,577	29,267	12%
21	*C.21 - Manufacture of pharmaceutical products and pharmaceutical preparations*	4,708	2,243	3%
22	*C.22 - Manufacture of rubber products*	150,454	133,612	29%
23	*C.23 - Manufacture of other non-metallic mineral products*	178,288	91,232	25%
24	*C.24 - Manufacture of basic metals*	1,098,334	942,478	56%
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	545,744	519,689	17%
26	*C.26 - Manufacture of computer, electronic and optical products*	46,281	45,226	8%
27	*C.27 - Manufacture of electrical equipment*	269,897	241,698	67%
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	122,655	116,031	8%
29	*C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	105,513	101,119	52%
30	*C.30 - Manufacture of other transport equipment*	2,658	2,437	-
31	*C.31 - Manufacture of furniture*	33,127	30,576	-
32	*C.32 - Other manufacturing*	17,891	16,613	-
33	*C.33 - Repair and installation of machinery and equipment*	11,801	11,395	-
34	D - Electricity, gas, steam and air conditioning supply	705,104	376,471	39%
35	*D35.1 - Electric power generation, transmission and distribution*	572,023	345,373	36%
36	*D35.11 - Production of electricity*	217,341	19,120	15%
37	*D35.2 - Manufacture of gas; distribution of gaseous fuels through mains*	29,745	28,733	-
38	*D35.3 - Steam and air conditioning supply*	103,335	2,365	97%
39	E - Water supply; sewerage, waste management and remediation activities	212,642	144,032	-
40	F - Construction	453,506	424,403	13%
41	*F.41 - Construction of buildings*	218,296	201,835	18%
42	*F.42 - Civil engineering*	113,023	105,637	13%
43	*F.43 - Specialised construction activities*	122,187	116,931	0%
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	4,979,786	4,875,865	12%
45	H - Transportation and storage	902,835	636,785	52%
46	*H.49 - Land transport and transport via pipelines*	657,521	434,314	6%
47	*H.50 - Water transport*	5,030	4,108	-
48	*H.51 - Air transport*	65,101	32,466	-
49	*H.52 - Warehousing and support activities for transportation*	150,469	142,703	84%
50	*H.53 - Postal and courier activities*	24,713	23,194	-
51	I - Accommodation and food service activities	59,484	39,183	-
52	L - Real estate activities	38,485	27,687	18%
53	**Exposures towards sectors other than those that highly contribute to climate change***	410,632	363,695	9%
54	K - Financial and insurance activities	81,597	80,521	43%
55	Exposures to other sectors (NACE codes J, M - U)	329,035	283,174	6%
56	TOTAL	11,171,064	9,789,324	21%

in EUR million

in EUR million

	Sector/subsector 30.06.2024	l <= 5 years	m > 5 year <= 10 years	n > 10 year <= 20 years	o > 20 years	p Average weighted maturity
1	**Exposures towards sectors that highly contribute to climate change***	3,835	1,365	291	72	4.0
2	A - Agriculture, forestry and fishing	88	17	3	-	2.7
3	B - Mining and quarrying	27	4	13	-	5.9
4	*B.05 - Mining of coal and lignite*	2	-	-	-	4.8
5	*B.06 - Extraction of crude petroleum and natural gas*	9	-	-	-	1.6
6	*B.07 - Mining of metal ores*	-	-	-	-	-
7	*B.08 - Other mining and quarrying*	16	4	13	-	7.1
8	*B.09 - Mining support service activities*	-	-	-	-	1.3
9	C - Manufacturing	1,095	464	2	16	3.3
10	*C.10 - Manufacture of food products*	166	88	-	1	3.2
11	*C.11 - Manufacture of beverages*	27	8	-	-	3.3
12	*C.12 - Manufacture of tobacco products*	16	-	-	-	0.6
13	*C.13 - Manufacture of textiles*	13	1	-	-	2.5
14	*C.14 - Manufacture of wearing apparel*	17	20	-	-	4.3
15	*C.15 - Manufacture of leather and related products*	6	-	-	-	2.3
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	35	11	1	-	3.3
17	*C.17 - Manufacture of paper and paperboard*	27	3	-	-	2.7
18	*C.18 - Printing and reproduction of recorded media*	18	11	1	-	4.2
19	*C.19 - Manufacture of coke and refined petroleum products*	-	-	-	-	0.5
20	*C.20 - Production of chemicals and chemical products*	21	12	-	-	3.9
21	*C.21 - Manufacture of pharmaceutical products and pharmaceutical preparations*	25	-	-	-	2.3
22	*C.22 - Manufacture of rubber products*	45	25	-	1	3.6
23	*C.23 - Manufacture of other non-metallic mineral products*	55	60	-	-	4.2
24	*C.24 - Manufacture of basic metals*	123	34	-	6	3.6
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	118	64	-	1	3.4
26	*C.26 - Manufacture of computer, electronic and optical products*	26	1	-	-	1.4
27	*C.27 - Manufacture of electrical equipment*	180	34	-	7	2.5
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	72	14	-	-	2.6
29	*C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	58	33	-	-	3.8
30	*C.30 - Manufacture of other transport equipment*	4	-	-	-	1.8
31	*C.31 - Manufacture of furniture*	27	16	-	-	3.7
32	*C.32 - Other manufacturing*	7	23	-	-	5.6
33	*C.33 - Repair and installation of machinery and equipment*	9	6	-	-	3.3
34	D - Electricity, gas, steam and air conditioning supply	221	138	162	41	8.8
35	*D35.1 - Electric power generation, transmission and distribution*	170	99	162	41	9.7
36	*D35.11 - Production of electricity*	101	53	60	-	7.0
37	*D35.2 - Manufacture of gas; distribution of gaseous fuels through mains*	37	-	-	-	2.8
38	*D35.3 - Steam and air conditioning supply*	14	39	-	-	5.1
39	E - Water supply; sewerage, waste management and remediation activities	45	13	5	-	3.6
40	F - Construction	506	132	10	2	3.4
41	*F.41 - Construction of buildings*	324	83	9	1	3.6
42	*F.42 - Civil engineering*	86	3	-	-	1.8
43	*F.43 - Specialised construction activities*	96	46	1	1	3.8
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	1,140	208	3	10	2.5
45	H - Transportation and storage	512	131	-	2	3.1
46	*H.49 - Land transport and transport via pipelines*	186	60	-	2	2.8
47	*H.50 - Water transport*	1	-	-	-	1.7
48	*H.51 - Air transport*	2	-	-	-	0.9
49	*H.52 - Warehousing and support activities for transportation*	307	69	-	-	3.3
50	*H.53 - Postal and courier activities*	16	2	-	-	3.4
51	I - Accommodation and food service activities	70	88	18	-	5.1
52	L - Real estate activities	132	170	74	1	7.0
53	**Exposures towards sectors other than those that highly contribute to climate change***	499	223	14	7	4.2
54	K - Financial and insurance activities	7	57	4	2	7.2
55	Exposures to other sectors (NACE codes J, M - U)	493	166	10	5	3.9
56	TOTAL	4,335	1,588	305	79	4.0

10.6. Energy efficiency of the collateral

The purpose of this template is to measure the energy efficiency of the loans collateralised with commercial and residential immovable property and of repossessed real estate collaterals, in terms of their consumption as expressed in kWh/m2 and/or their energy performance certificates (EPCs).

With the aim of promoting the energy efficiency of buildings, the Energy Performance of Buildings Directive (2010/31/EU) and the Energy Efficiency Directive (2012/27/ EU) introduced EPCs in Europe. Following their entry into force, these certificates are compulsory for the sale and rent of immovable property in the Eurozone.

Energy performance certificates provide relevant information to banks on energy efficiency of buildings in collateral, so EPC data collection initiative is in action. The Group used different sources and methods to obtain data on EPC of the real estate in collateral as the Group is present on EU and non-EU markets.

For new lending, the Bank gathers official energy performance certificates for real estate in collateral, collected from the borrower at loan origination and included in the NLB database, and official EPC has been mandatory for new residential mortgage loans for private individuals since the end of 2023 (before that, only in cases when EPC was mandatory according to Slovenian law) which will, in time, increase the share of official EPC data.

For back book the Bank relies on actual data from the public EPC registry (which is periodically matched with the Bank’s real estate in collateral) and modelled EPCs. For obtaining modelled EPCs an external provider modelled missing EPCs based on public EPC registry data and information from the country specific databases. Activities for collecting additional official and more accurate modelled energy performance certificates in the whole Group are underway.

In other non-EU countries multiple difficulties were discovered during the EPC data collection initiative. In some countries EPCs are not established in the local legislation (e.g., Montenegro, Kosovo), while in others EPCs do exist but are not enforced by local law. Additional measures are in development to increase the share of official EPC data on all markets.

Table 28 – Template 2: Banking book – Climate change transition risk: Loans collateralised by immovable property – Energy efficiency of the collateral of NLB Group

in EUR million

	Counterparty sector 30.06.2024	Total gross carrying amount amount							Total gross carrying amount amount								
			Level of energy efficiency (EP score in kWh/m² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
		Total	0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G	Total	Of which level of energy efficiency estimated *
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
1	**Total EU area**	2,960	1,436	353	102	9	2	2	57	141	215	201	91	51	39	2,163	38.4%
2	Of which Loans collateralised by commercial immovable property	1,004	449	59	12	1	-	-	-	-	6	1	2	-	-	994	46.6%
3	Of which Loans collateralised by residential immovable property	1,945	986	293	90	8	2	2	57	141	209	199	89	51	39	1,159	58.1%
4	Of which Collateral obtained by taking possession: residential and commercial immovable properties	11	1	-	-	-	-	-	-	-	1	1	-	-	-	10	0.0%
5	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	1,137	859	213	65	-	-	-								1,137	100.0%
6	**Total non-EU area**	3,404	1	-	-	-	-	-	-	-	-	-	4	-	-	3,400	0.0%
7	Of which Loans collateralised by commercial immovable property	1,751	-	-	-	-	-	-	-	-	-	-	-	-	-	1,751	0.0%
8	Of which Loans collateralised by residential immovable property	1,608	1	-	-	-	-	-	-	-	-	-	-	-	-	1,607	0.1%
9	Of which Collateral obtained by taking possession: residential and commercial immovable properties	46	-	-	-	-	-	-	-	-	-	-	4	-	-	42	0.0%
10	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	1	1	-	-	-	-	-								1	100.0%

* (EP score in kWh/m² of collateral)

10.7. Alignment metrics

Table 29 – Template 3: Banking book – Climate change transition risk: Alignment metrics of NLB Group

	Sector	NACE Sectors (a minima)	Portfolio gross carrying amount (Mn EUR)	Alignment metric	Year of reference	Distance to IEA NZE2050 in %***	Target (year of reference + 3 years)
	a	b	c	d	e	f	g
1	Power	D 35.11	245	0.210 tCO2e/MWh	2023	27	Not available
2	Fossil fuel combustion						
3	Automotive						
4	Aviation						
5	Maritime transport						
6	Cement, clinker and lime production						
7	Iron and steel, coke, and metal ore production	C 24.10	57	0.808 tCO2e/tonne steel	2023	(24)	Not available
8	Chemicals						

*** PiT distance to 2030 NZE2050 scenario in % (for each metric)

10.8. Exposures to top 20 carbon-intensive firms

Table 30 – Template 4: Banking book – Climate change transition risk: Exposures to top 20 carbon-intensive firms on 30 June 2024 of NLB Group

in EUR million

	Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	Of which environmentally sustainable (CCM)	Weighted average maturity	Number of top 20 polluting firms included
	a	b	c	d	e
1	9	0.03%	N/A	2	1

*For counterparties among the top 20 carbon emitting companies in the world

The objective of this template is to show aggregate exposure to the 20 most carbon-intensive companies globally. The perimeter includes loans and advances, debt securities, and equity instruments, classified under the accounting portfolios in the banking book, excluding financial assets held for trading and held for sale assets.

As the EBA instructions do not specify which list to use to cover this template, we have decided to use one of the two options mentioned as an example in the EBA's implementing technical standards on prudential disclosures on ESG risks namely the Carbon Majors Database.

Regarding environmentally sustainable (CCM) column, according to the Pillar 3 ESG implementing technical standards, we currently have no knowledge regarding reported company.

10.9. Exposures subject to physical risk

The purpose of this template is to identify exposures subject to acute and chronic physical risk, including exposures collateralised by immovable property, exposures by the business sector, and foreclosed assets.

The perimeter Gross Carrying Amount includes exposures in the banking book, including loans and advances, debt securities and equity instruments not held-for-trading and not held-for-sale.

The Bank uses an internal methodology for assessment of various physical risk events (hazards). Based on the location and industry of the client's vulnerability score is assigned to each exposure. A 5-level risk scale is used (low, moderately low, moderate, moderately high, and high risk). The Group has no exposure assigned to the high-risk bucket. However, limited exposure arising from acute physical risk is assigned to moderately high-risk bucket which the Bank still considers as exposures sensitive to impact from acute climate change events. Moderately high-risk exposure mostly relates to exposures in agriculture, which is vulnerable to drought. Less material are energy production, water supply, sewage, and waste management industries which are sensitive either to drought or floods. Furthermore, there is very limited exposure collateralised by immovable property vulnerable to floods.

For loans collateralised by commercial or residential real-estate a specific tool for assessing flood risk based on national (Slovenian) flood risk zones was developed – determining flood risk with matching the micro-location of real estate in collateral with official flood exposure zones. For all collaterals in our portfolio, flood risk (high, moderate high, moderate, moderate low, low) was determined, as exposures sensitive to impact from acute climate change events collateral in the High and Moderately high flood risk bucket was included. Other physical risks in Slovenia are assessed as not material to the Bank's collateral exposure. For the Group members, a similar exercise with the same IT tool is on-going using EU flood exposure maps. For each collateral, coordinates will be determined and compared with a flood risk map.

The Group has not identified any exposure sensitive to impact of chronic climate change events.

Table 31 – Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk of NLB Group

in EUR million

30.06.2024	Gross carrying amount (Mln EUR)													
		of which exposures sensitive to impact from climate change physical events												
Slovenia, Bosnia and Herzegovina, Serbia, Montenegro, Kosovo, North Macedonia	Total	Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposu-res	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity						Total	of which Stage 2 exposu-res	Of which non-performing exposures
a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
1 A - Agriculture, forestry and fishing	107	66	14	3	-	34	-	83	-	3	3	(3)	-	(2)
2 B - Mining and quarrying	45	-	-	-	-	-	-	-	-	-	-	-	-	-
3 C - Manufacturing	1,555	-	-	-	-	-	-	-	-	-	-	-	-	-
4 D - Electricity, gas, steam and air conditioning supply	525	3	8	19	-	126	-	30	-	-	-	-	-	-
5 E - Water supply; sewerage, waste management and remediation activities	62	11	3	-	-	32	-	14	-	-	-	-	-	-
6 F - Construction	649	-	-	-	-	-	-	-	-	-	-	-	-	-
7 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	1,339	-	-	-	-	-	-	-	-	-	-	-	-	-
8 H - Transportation and storage	638	-	-	-	-	-	-	-	-	-	-	-	-	-
9 L - Real estate activities	377	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Loans collateralised by residential immovable property	3,541	1	1	10	4	211	-	16	-	1	-	-	-	-
11 Loans collateralised by commercial immovable property	2,742	1	-	-	-	79	-	1	-	-	-	-	-	-
12 Repossessed colaterals	55	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Other relevant sectors	-	-	-	-	-	-	-	-	-	-	-	-	-	-

10.10. Green Asset Ratio (GAR)

The concept of the Green Asset Ratio within the framework of the EU Taxonomy and its implications for banks involves measuring the proportion of a bank's assets that meet the criteria outlined in the Taxonomy for environmentally sustainable economic activities. This ratio serves as a metric for stakeholders to assess the extent to which a bank's portfolio supports environmental sustainability objectives. Banks are required to report their Green Asset Ratio as part of sustainability reporting obligations, providing transparency and accountability in their sustainability efforts.

However, while the Green Asset Ratio is a step towards improving transparency, it will not tell the whole story of banks' transition efforts. For instance, a substantial part of our portfolio is excluded (for instance, loans to smaller companies and international non-EU business), therefore the actual number of aligned activities is higher. Also, the banks' reporting is dependent on the data of the counterparties, which are at the beginning of their own green transformation and also have difficulties evaluating their own sustainability. Therefore, the additional metrics that are disclosed need to be analysed together with other relevant information on banks' efforts to finance transition.

Our calculation approach:

- Green asset ratio, GAR, is calculated as identified Taxonomy-aligned assets (numerator), divided by total assets, eligible for taxonomy, covered by the KPI (denominator). Exposures towards central banks, central governments, supranational and the Bank's trading portfolio are excluded from both the numerator and denominator (not covered by the KPI). Exposures to regional and local public authorities and entities controlled by states, where the use of proceeds is unknown, are also excluded from the numerator and denominator of the KPI.
- To assess Taxonomy-related KPIs for non-financial undertakings (NFRD-corporates are corporates which fall under the non-financial reporting requirements, including Taxonomy reporting requirements), publicly available information on the percentage of eligibility and alignment of turnover-based (Turnover) of the counterparties is used.
- To determine households' eligibility for KPIs, we considered the entire portfolio of mortgage loans, with assets subject to energy efficiency rules. For alignment KPIs on the households' portfolio, we focused on the "Acquisition and ownership of buildings" parameter under Delegated Regulation 2021/2139 (excluding the "Renovation of existing buildings" parameter under Delegated Regulation 2021/2139, and "Motor vehicles" due to a lack of specific information related to the identification of "green loans") to assess a significant contribution to climate change mitigation:
    - For buildings built before 31 December 2020, the building shall be rated at least an energy performance class A. Alternatively, the building shall be placed in the upper 15% of the national or regional building stock, expressed as an operational primary energy demand and demonstrated by appropriate evidence that includes at least a comparison between the performance of the asset in question and that of the national or regional stock built before 31 December 2020, and differentiates at least between residential and non-residential buildings.
    - For buildings constructed after 31 December 2020, the building shall meet the criteria set out in Section 7.1 of the Annex to the Delegated Act (Construction of new buildings) that are relevant at the time of purchase.

Table 32 – Template 6: Summary of GAR KPIs on NLB Group

30.06.2024	KPI			% coverage (over total assets)*
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	
GAR stock	0.99%	-	0.99%	63.86%
GAR flow	0.00%	-	(0.00%)	1.85%

* % of assets covered by the KPI over banks´ total assets

Table 32 provides summary information for the GAR indicators, shown in tables 33 and 34. GAR represents the level of alignment of the Group's assets for the climate change mitigation (CCM) and climate change adaptation (CCA) objective, according to the European taxonomy (Regulation 2020/852, in line with articles 10 and 11).

At 30 June 2024 the Group's GAR was 0.99% (unchanged YtD) of total covered assets and is explained by exposures contributing to the climate change mitigation objective.

Table 33 – Template 7: Mitigating actions: Assets for the calculation of GAR of NLB Group

in EUR million

	Disclosure reference date 30.06.2024	Total gross carrying amount	Climate Change Mitigation (CCM)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)			
					Of which specialised lending	Of which transitional	Of which enabling
		a	b	c	d	e	f
	GAR - Covered assets in both numerator and denominator						
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	10,953	3,678	168	-	6	63
2	**Financial corporations**	1,763	243	19	-	-	19
3	Credit institutions	1,486	243	19	-	-	19
4	Loans and advances	249	-	-	-	-	-
5	Debt securities, including UoP	1,237	243	19	-	-	19
6	Equity instruments	-	-	-		-	-
7	Other financial corporations	277	-	-	-	-	-
8	of which investment firms	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-
11	Equity instruments	-	-	-		-	-
12	of which management companies	4	-	-	-	-	-
13	Loans and advances	3	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-
15	Equity instruments	-	-	-		-	-
16	of which insurance undertakings	2	-	-	-	-	-
17	Loans and advances	1	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-
19	Equity instruments	-	-	-		-	-
20	**Non-financial corporations (subject to NFRD disclosure obligations)**	909	79	64	-	6	44
21	Loans and advances	828	72	59	-	1	44
22	Debt securities, including UoP	82	6	6	-	6	-
23	Equity instruments	-	-	-		-	-
24	**Households**	8,097	3,356	84	-	-	-
25	of which loans collateralised by residential immovable property	3,356	3,356	84	-	-	-
26	of which building renovation loans	-	-	-	-	-	-
27	of which motor vehicle loans	-	-	-	-	-	-
28	**Local governments financing**	184	-	-	-	-	-
29	Housing financing	-	-	-	-	-	-
30	Other local governments financing	184	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	57	-	-	-	-	-
32	**TOTAL GAR ASSETS**	**11,010**	**3,678**	**168**	**-**	**6**	**63**
	Assets excluded from the numerator for GAR calculation (covered in the denominator)						
33	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**	2,236					
34	Loans and advances	2,236					
35	Debt securities	-					
36	Equity instruments	-					
37	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**	3,163					
38	Loans and advances	3,150					
39	Debt securities	11					
40	Equity instruments	2					
41	Derivatives	45					
42	On demand interbank loans	-					
43	Cash and cash-related assets	456					
44	Other assets (e.g. Goodwill, commodities etc.)	10					
45	**TOTAL ASSETS IN THE DENOMINATOR (GAR)**	**16,919**					
	Other assets excluded from both the numerator and denominator for GAR-calculation						
46	Sovereigns	4,746					
47	Central banks exposure	4,814					
48	Trading book	14					
49	**TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR**	**9,574**					
50	**TOTAL ASSETS**	**26,493**					

in EUR million

	Disclosure reference date 30.06.2024	Climate Change Adaptation (CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)			
				Of which specialised lending	Of which transitional	Of which enabling
		g	h	i	j	k
	GAR - Covered assets in both numerator and denominator					
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	-	-	-	-	-
2	**Financial corporations**	-	-	-	-	-
3	Credit institutions	-	-	-	-	-
4	Loans and advances	-	-	-	-	-
5	Debt securities, including UoP	-	-	-	-	-
6	Equity instruments	-	-		-	-
7	Other financial corporations	-	-	-	-	-
8	of which investment firms	-	-	-	-	-
9	Loans and advances	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-
11	Equity instruments	-	-		-	-
12	of which management companies	-	-	-	-	-
13	Loans and advances	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-
15	Equity instruments	-	-		-	-
16	of which insurance undertakings	-	-	-	-	-
17	Loans and advances	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-
19	Equity instruments	-	-		-	-
20	**Non-financial corporations (subject to NFRD disclosure obligations)**	-	-	-	-	-
21	Loans and advances	-	-	-	-	-
22	Debt securities, including UoP	-	-	-	-	-
23	Equity instruments	-	-		-	-
24	**Households**					
25	of which loans collateralised by residential immovable property					
26	of which building renovation loans					
27	of which motor vehicle loans					
28	**Local governments financing**	-	-	-	-	-
29	Housing financing	-	-	-	-	-
30	Other local governments financing	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-
32	**TOTAL GAR ASSETS**	**-**	**-**	**-**	**-**	**-**
	Assets excluded from the numerator for GAR calculation (covered in the denominator)					
33	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**					
34	Loans and advances					
35	Debt securities					
36	Equity instruments					
37	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**					
38	Loans and advances					
39	Debt securities					
40	Equity instruments					
41	Derivatives					
42	On demand interbank loans					
43	Cash and cash-related assets					
44	Other assets (e.g. Goodwill, commodities etc.)					
45	**TOTAL ASSETS IN THE DENOMINATOR (GAR)**					
	Other assets excluded from both the numerator and denominator for GAR-calculation					
46	Sovereigns					
47	Central banks exposure					
48	Trading book					
49	**TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR**					
50	**TOTAL ASSETS**					

in EUR million

	Disclosure reference date 30.06.2024	TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)			
				Of which specialised lending	Of which transitional/adaptation	Of which enabling
		l	m	n	o	p
	GAR - Covered assets in both numerator and denominator					
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	3,678	168	-	6	63
2	**Financial corporations**	243	19	-	-	19
3	Credit institutions	243	19	-	-	19
4	Loans and advances	-	-	-	-	-
5	Debt securities, including UoP	243	19	-	-	19
6	Equity instruments	-	-		-	-
7	Other financial corporations	-	-	-	-	-
8	of which investment firms	-	-	-	-	-
9	Loans and advances	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-
11	Equity instruments	-	-		-	-
12	of which management companies	-	-	-	-	-
13	Loans and advances	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-
15	Equity instruments	-	-		-	-
16	of which insurance undertakings	-	-	-	-	-
17	Loans and advances	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-
19	Equity instruments	-	-		-	-
20	**Non-financial corporations (subject to NFRD disclosure obligations)**	79	64	-	6	44
21	Loans and advances	72	59	-	1	44
22	Debt securities, including UoP	6	6	-	6	-
23	Equity instruments	-	-		-	-
24	**Households**	3,356	84	-	-	-
25	of which loans collateralised by residential immovable property	3,356	84	-	-	-
26	of which building renovation loans	-	-	-	-	-
27	of which motor vehicle loans	-	-	-	-	-
28	**Local governments financing**	-	-	-	-	-
29	Housing financing	-	-	-	-	-
30	Other local governments financing	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-
32	**TOTAL GAR ASSETS**	**3,678**	**168**	**-**	**6**	**63**
	Assets excluded from the numerator for GAR calculation (covered in the denominator)					
33	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**					
34	Loans and advances					
35	Debt securities					
36	Equity instruments					
37	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**					
38	Loans and advances					
39	Debt securities					
40	Equity instruments					
41	Derivatives					
42	On demand interbank loans					
43	Cash and cash-related assets					
44	Other assets (e.g. Goodwill, commodities etc.)					
45	**TOTAL ASSETS IN THE DENOMINATOR (GAR)**					
	Other assets excluded from both the numerator and denominator for GAR-calculation					
46	Sovereigns					
47	Central banks exposure					
48	Trading book					
49	**TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR**					
50	**TOTAL ASSETS**					

Table 33 provides the gross book value, in terms of eligibility and alignment with the European taxonomy, for loans and advances, debt securities, and equity instruments, with details by counterparty type (financial corporates, non-financial corporates, households, and local governments).

Table 34 – Template 8: GAR (%) of NLB Group

		Disclosure reference date: KPIs on stock															
	30.06.2024	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of total assets covered
			Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
	% (compared to total covered assets in the denominator)			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/ adaptation	Of which enabling	
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
1	GAR	21.73%	0.99%	-	0.04%	0.37%	-	-	-	-	-	21.73%	0.99%	-	0.04%	0.37%	63.86%
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	21.73%	0.99%	-	0.04%	0.37%	-	-	-	-	-	21.73%	0.99%	-	0.04%	0.37%	41.34%
3	Financial corporations	1.43%	0.11%	-	-	0.11%	-	-	-	-	-	1.43%	0.11%	-	-	0.11%	6.65%
4	Credit institutions	1.43%	0.11%	-	-	0.11%	-	-	-	-	-	1.43%	0.11%	-	-	0.11%	5.61%
5	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.05%
6	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01%
8	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01%
9	Non-financial corporations subject to NFRD disclosure obligations	0.46%	0.38%	-	0.04%	0.26%	-	-	-	-	-	0.46%	0.38%	-	0.04%	0.26%	3.43%
10	Households	19.84%	0.50%	-	-	-						19.84%	0.50%	-	-	-	30.56%
11	of which loans collateralised by residential immovable property	19.84%	0.50%	-	-	-						19.84%	0.50%	-	-	-	12.67%
12	of which building renovation loans	-	-	-	-	-						-	-	-	-	-	-
13	of which motor vehicle loans	-	-	-	-	-						-	-	-	-	-	-
14	Local government financing	-	-	-	-	-						-	-	-	-	-	0.69%
15	Housing financing	-	-	-	-	-						-	-	-	-	-	-
16	Other local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.69%
17	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-						-	-	-	-	-	0.21%

30.06.2024		Disclosure reference date T: KPIs on flows															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of total new assets covered
			Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
	% (compared to total covered assets in the denominator)			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/ adaptation	Of which enabling	
		q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af
1	GAR	(0.05%)	-	-	-	0.05%	-	-	-	-	-	(0.05%)	-	-	-	0.05%	1.85%
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	(0.05%)	-	-	-	0.05%	-	-	-	-	-	(0.05%)	-	-	-	0.05%	1.34%
3	Financial corporations	(0.04%)	0.01%	-	-	0.01%	-	-	-	-	-	(0.04%)	0.01%	-	-	0.01%	0.93%
4	Credit institutions	(0.04%)	0.01%	-	-	0.01%	-	-	-	-	-	(0.04%)	0.01%	-	-	0.01%	0.65%
5	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.27%
6	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.01%)
8	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.01%)
9	Non-financial corporations subject to NFRD disclosure obligations	0.01%	0.02%	-	-	0.04%	-	-	-	-	-	0.01%	0.02%	-	-	0.04%	(0.29%)
10	Households	(0.02%)	(0.03%)	-	-	-						(0.02%)	(0.03%)	-	-	-	0.75%
11	of which loans collateralised by residential immovable property	(0.02%)	(0.03%)	-	-	-						(0.02%)	(0.03%)	-	-	-	0.36%
12	of which building renovation loans	-	-	-	-	-						-	-	-	-	-	-
13	of which motor vehicle loans	-	-	-	-	-						-	-	-	-	-	-
14	Local government financing	-	-	-	-	-						-	-	-	-	-	(0.04%)
15	Housing financing	-	-	-	-	-						-	-	-	-	-	-
16	Other local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.04%)
17	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-						-	-	-	-	-	(0.02%)

Table 34 provides the eligibility and alignment levels of: loans and advances, debt securities, and equity instruments, for the different portfolios, compared to total assets, with detailed information for the stock as of 30 June 2024. The covered total assets include exposures towards financial and non-financial corporations, households, local government financing and other exposure (e.g., derivatives, on demand interbank loans, liquidity, goodwill). The difference from total banking assets is related to exposures towards states, central banks, trading book.

In light of the methodology described for the template 7 (Table 33), the percentage of eligibility, on the stock, is 21.73%, the alignment 0.99%.

11. Leverage ratio

(Article 451 of CRR)

The leverage ratio is calculated in line with provisions from the CRR and CRD, including the amendments. The leverage ratio was introduced into the Basel III framework as a simple, transparent, non-risk-based supplementary measure to the risk-based capital requirements. The purpose of the leverage ratio is to limit the size of bank's balance sheets, and with a special emphasis on exposures, which are not weighted within the framework of the existing capital requirement calculations. Therefore, the leverage calculation uses Tier 1 as the numerator, and the denominator is the total exposure of all active balance sheet and off-balance-sheet items after the adjustments are made, in the context of which the exposures from individual derivatives, exposures from transactions of security funding, and other off-balance sheet items are especially pointed out. The leverage ratio is calculated in accordance with the fully phased definition of the capital measure and has become one of the mandatory minimum capital requirements.

Table 35 – Leverage ratio of NLB Group

	30.06.2024	31.03.2024	31.12.2023
Tier 1 capital	2,611,129	2,607,376	2,597,818
Total leverage exposures	27,647,476	27,028,794	26,927,714
Leverage ratio	**9.44%**	**9.65%**	**9.65%**

The leverage ratio of the Group as at 30 June 2024 amounted to 9.44%, which is well above the 3% threshold defined by the BCBS. Since the minimum requirement was exceeded so significantly, the risk of excessive leverage is not material. The Group's business model supports a low leverage risk appetite. In order to assure a limited risk appetite for leverage, the Group follows different indicators to identify reasons for past changes and potential future threats. The leverage ratio is also included in an early warning system, as a recovery plan indicator where certain limits for a case of any excess of defined triggers are set and the notification system is defined. The leverage ratio is regularly and quarterly monitored and reported to the Capital Management Group, and the Management and the Supervisory Board of the Bank. Moreover, the leverage is also integrated in a stress tests framework with the aim to maintain an adequate level of capital even if extraordinary circumstances would occur. If leverage ratio remains stable under stressed conditions, the risk of a forced reduction of the Bank's assets can be assessed as low.

The leverage ratio as at 30 June 2024 decreased in comparison with the end of 2023, by 0.21 p.p. by the higher value of the total leverage exposure in the amount of EUR 720 million and the increase of the capital by EUR 13 million. The increase in the total leverage exposure was influenced by increase of on-balance exposures at the end of June 2024, which rose by EUR 683 million, especially to retail, corporate and institutions while off-balance sheet exposures increased by EUR 29 million. Compared to the end of 2023, derivative exposures increased by EUR 8 million, nevertheless their share in the total exposure measures is very low.

As at 30 June 2024, the leverage exposure was mainly driven by on-balance sheet exposures (95.8%), and other off-balance sheet exposure (4.05%), the rest exposure arose from derivatives and was not significant. Among on-balance sheet exposures, the most significant were exposures treated as sovereigns (33.9%), retail exposures (24.5%), exposures to corporates (15.6%), and 10.7% to exposures secured by mortgages of immovable properties.

Table 36 – LRCom - Leverage ratio common disclosure for NLB Group

		CRR leverage ratio exposures		
		a	b	c
		30.06.2024	**31.03.2024**	**31.12.2023**
On-balance sheet exposures (excluding derivatives and SFTs)				
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	26,569,215	25,971,301	25,884,709
6	(Asset amounts deducted in determining Tier 1 capital)	(91,779)	(90,275)	(89,979)
7	**Total on-balance sheet exposures (excluding derivatives, SFTs)**	**26,477,436**	**25,881,026**	**25,794,730**
Derivative exposures				
EU-9b	Exposure determined under Original Exposure Method	56,184	50,858	48,656
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	(4,676)	(4,983)	(5,310)
13	**Total derivative exposures**	**51,508**	**45,875**	**43,346**
Securities financing transaction (SFT) exposures				
18	**Total securities financing transaction exposures**	**-**	**-**	**-**
Other off-balance sheet exposures				
19	Off-balance sheet exposures at gross notional amount	5,139,972	2,583,731	5,076,543
20	(Adjustments for conversion to credit equivalent amounts)	(4,021,440)	(1,481,838)	(3,986,905)
22	**Off-balance sheet exposures**	**1,118,532**	**1,101,893**	**1,089,638**
Excluded exposures				
EU-22k	**(Total exempted exposures)**	**-**	**-**	**-**
Capital and total exposure measure				
23	Tier 1 capital	2,611,129	2,607,376	2,597,818
24	**Total exposure measure**	**27,647,476**	**27,028,794**	**26,927,714**
Leverage ratio				
25	**Leverage ratio**	**9.44%**	**9.65%**	**9.65%**
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans)	9.65%	8.80%	9.10%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	9.65%	8.80%	9.10%
26	Regulatory minimum leverage ratio requirement	3.00%	3.00%	3.00%
27	Leverage ratio buffer requirement (%)	3.00%	3.00%	3.00%
EU-27a	Overall leverage ratio requirement	3.00%	3.00%	3.00%
Choice on transitional arrangements and relevant exposures				
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Fully phased in	Fully phased in	Fully phased in
Disclosure of mean values				
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	27,647,476	27,028,794	26,927,714
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	27,647,476	27,028,794	26,927,714
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9.44%	9.65%	9.65%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9.44%	9.65%	9.65%

Table 37 – EU LR1 – LRSum – Summary reconciliation of accounting assets and leverage ratio exposures for NLB Group

		30.06.2024
		a
1	**Total assets as per published financial statements**	**26,613,664**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(1,143)
8	Adjustments for derivative financial instruments	(5,232)
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1,118,532
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	(2,791)
12	Other adjustments	(75,554)
13	**Total exposure measure**	**27,647,476**

Table 38 – EU LR3 LRSpl – Split-up of on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures) for NLB Group

		30.06.2024	31.12.2023
		a	b
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**26,569,215**	**25,884,709**
EU-2	Trading book exposures	2,935	100
EU-3	Banking book exposures, of which:	26,566,280	25,884,609
EU-4	Covered bonds	200,639	217,492
EU-5	Exposures treated as sovereigns	8,999,666	9,537,071
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	650,449	461,338
EU-7	Institutions	1,391,958	1,048,981
EU-8	Secured by mortgages of immovable properties	2,855,874	2,832,112
EU-9	Retail exposures	6,520,239	6,140,289
EU-10	Corporate	4,155,913	3,963,657
EU-11	Exposures in default	96,426	101,267
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	1,695,116	1,582,402

12. Appendices

12.1. Appendix 1: MREL requirement

(Article 447 h of CRR and Article 45i (3) a and c of BRRD)

This template provides summary information about the Bank's Minimum Requirement for own funds and Eligible Liabilities (MREL). It covers the disclosures required by point (h) of Article 447 CRR and points (a) and (c) of Article 45i (3) BRRD. It has to be disclosed by the Bank as the resolution entity on the basis of its Resolution group level (i.e., NLB Resolution Group, consisting of the Bank and other members of the Group excluding other banks).

As at 1 January 2024, the Bank must comply with MREL requirement on a consolidated basis at resolution group level of 30.66% of Total Risk Exposure Amount (TREA) increased by applicable Combined Buffer Requirement (CBR) and 10.69% of the Total Exposure Measure (TEM – leverage exposure).

As of 30 June 2024, the MREL ratio was 44.62% as percentage of TREA compared to the requirement of 35.01% of TREA (with CBR). This means the Bank has a MREL surplus of EUR 839 million above its MREL requirement. Expressed as percentage of the Leverage exposure, the Bank ratio was 22.47%, while the requirement is 10.69% of Leverage exposure.

Table 39 – EU KM2: Key metrics – MREL and, where applicable, the G-SII requirement for own funds and eligible liabilities for NLB Group

	30.06.2024	Minimum requirement for own funds and eligible liabilities (MREL)
		a
	Own funds and eligible liabilities, ratios, and components	
1	Own funds and eligible liabilities	3,893,261
EU-1a	Of which own funds and subordinated liabilities	2,523,261
2	Total risk exposure amount of the resolution group (TREA)	8,726,154
3	Own funds and eligible liabilities as a percentage of TREA (row1/row2)	44.62%
EU-3a	Of which own funds and subordinated liabilities	28.92%
4	Total exposure measure of the resolution group	17,328,574
5	Own funds and eligible liabilities as percentage of the total exposure measure	22.47%
EU-5a	Of which own funds or subordinated liabilities	14.56%
	Minimum requirement for own funds and eligible liabilities (MREL)	
EU-7	MREL requirement expressed as percentage of the total risk exposure amount	30.66%
EU-9	MREL requirement expressed as percentage of the total exposure measure	10.69%

12.2. Appendix 2: List of all disclosures required under Part 8 of CRR

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452 g)	/	/
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455 d)	/	/
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12.3. Appendix 3: Abbreviations

ALCO	Asset and Liability Committee
ASF	Available stable funding
AT1	Additional Tier 1 capital
AVA	Additional Valuation Adjustments
BCBS	Basel Committee on Banking Supervision
BCM	Business continuity management
BRRD	Bank Recovery and Resolution Directive
CAPEX	Capital Expenditure
CBR	Combined buffer requirement
CCA	Climate change adaptation
CCF	Credit conversion factor
CCM	Climate change mitigation
CCP	Central Counterparty
CCR	Counterparty credit risk
CEO	Chief Executive Officer
CET1	Common equity tier 1 capital
CRD	Capital Requirements Directive
CRD V	Capital Requirements Directive and Regulation
CRM	Credit Risk Mitigation
CRR	Capital Requirements Regulation
CVA	Credit valuation adjustment
DEI	Diversity, Equity and Inclusion
E&S	Environmental and social
EBA	European Banking Authority
EBRD	Development
ECAI	External Credit Assessment Institutions
ECB	European Central Bank
ECL	Expected Credit Losses
EEPE	Effective Expected Positive Exposure
EMIR	European Market Infrastructure Regulation
EPC	Energy performance certificat
ESG	Environmental, social and governance
ESMS	Environmental and Social Management System
ESRB	European Systemic Risk Board
EU	European Union
EVE	Economic Value of Equity
FX	Foreign Exchange
GAR	Green Asset Ratio
GBF	Green Bond Framework
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GMRA	Global Master Repurchase Agreement
G-SII	Global systemically important institutions
HfT	Held for trading
HQLA	High-quality liquid assets
ICAAP	Internal Capital Adequacy Assessment Process
ICMA	International Capital Market Association
IEA	International Energy Agency
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
ILO	International Labour Organization
IRS	Interest rate swap
ISDA	International Swaps and Derivatives Association
IT	Information Technology
KPI	Key Performance Indicator
LCR	Liquidity coverage ratio
LEI	Legal Entity Identifier
LGD	Loss given default
MDA	Maximum Distributable Amount
MIGA	Multilateral Investment Guarantee Agency
MREL	Minimum Requirement for own funds and Eligible Liabilities
NACE	Nomenclature of Economic Activities
NFRD	Non-Financial Reporting Directive
NPL	Non Performing Loans
NSFR	Net Stable Funding Ratio
NZBA	Net Zero Banking Alliance
NZE	Net Zero Emissions
OCI	Other comprehensive income
OCR	Overall capital requirement
OECD	Organisation for Economic Co-operation and Development
O-SII	Other systemically important institutions
P2G	Pillar 2 Guidance
P1R	Pillar 2 Requirement
P2R	Pillar 2 Requirement
PD	Probability of default
PFE	Potential Future Exposure
PP&E	Property, plant and equipment
PSE	Public Sector Entity
RC	Replacement cost
RCP	Representative Concentration Pathways
RSF	Required stable funding
RWA	Risk-weighted assets
RWEA	Risk weighted exposure amount
SA	Standardised Approach
SEE	Southeast Europe
SFDR	Sustainability-related disclosures in the financial services sector
SFT	Securities Financing Transactions
SME	Small Medium Enterprise
SREP	Supervisory Review and Evaluation Process
T1	Tier 1 (capital)
T2	Tier 2 (capital)
TDI	Traded Debt Instruments
TEM	Total Exposure Measure
TREA	Total risk exposure amount
TSCR	Total SREP capital requirement
UoP	Use-of-proceeds
UN	United Nations
UNEP FI	United Nations Environment Programme Finance Initiative
UN PRB	United Nations Principles of Responsible Banking
VaR	Value at risk