



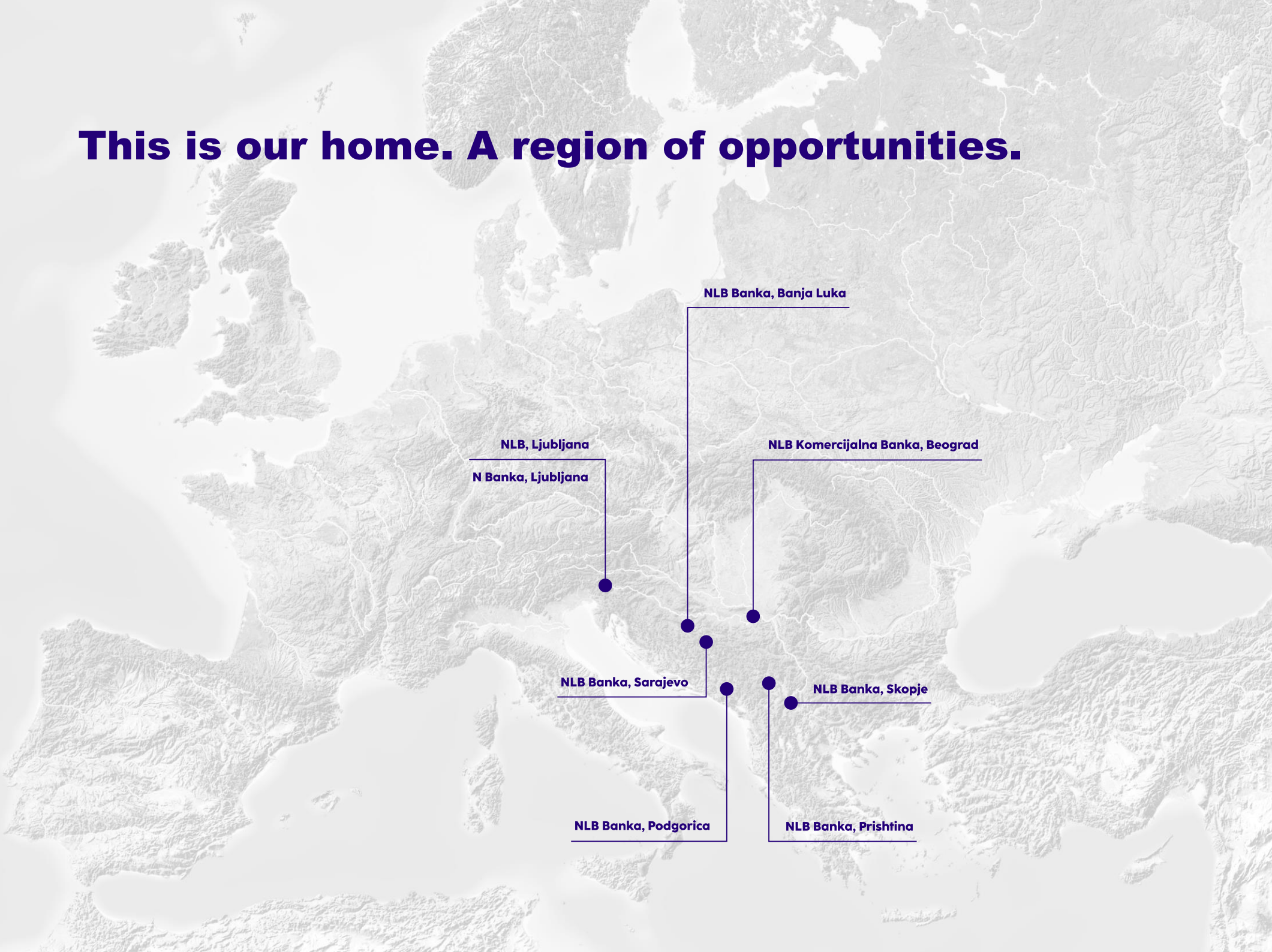
# **Creating better footprints.**

**NLB Group Interim Report Q1 2023**

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# **This is our home. A region of opportunities.**



**NLB Banka, Banja Luka**

**NLB, Ljubljana**

**N Banka, Ljubljana**

**NLB Komercijalna Banka, Beograd**

**NLB Banka, Sarajevo**

**NLB Banka, Skopje**

**NLB Banka, Podgorica**

**NLB Banka, Prishtina**

# Key Members Overview

	Slovenia				Serbia		North Macedonia	Bosnia and Herzegovina		Kosovo	Montenegro
	NLB Group	NLB, Ljubljana	N Banka, Ljubljana	NLB Lease&Go, Ljubljana	NLB Skladi, Ljubljana	NLB Komercijalna Banka, Beograd	NLB Banka, Skopje	NLB Banka, Banja Luka	NLB Banka, Sarajevo	NLB Banka, Prishtina	NLB Banka, Podgorica
<b>Market position</b>											
Branches	438 <sup>(i)</sup>	71	9	-	-	180	48	47	34	33	21
Active clients	2,697,773	686,838	37,964	-	-	910,666 <sup>(ii)</sup>	406,844	213,985	132,532	225,866	83,078
Total assets <sup>(ix)</sup> (in EUR millions)	24,012	13,909	1,214	240	2,061 <sup>(iii)</sup>	4,699	1,817	1,006	847	1,099	827
Profit after tax <sup>(ix)</sup> (in EUR millions)	120	51	6	0	2	39	14	6	3	9	5
Market share (by total assets)	-	27.6%	2.4%	8.8% <sup>(vii)</sup>	39.0% <sup>(iv)</sup>	9.8% <sup>(viii)</sup>	16.5% <sup>(vii)</sup>	20.1% <sup>(v)(vii)</sup>	6.0% <sup>(vi)(vii)</sup>	16.7%	13.0%

(i) 5 out of 9 N Banka's branches operating within NLB, Ljubljana branches, therefore not included in total number.

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

(iii) Assets under management.

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

(v) Market share in the Republic of Srpska.

(vi) Market share in the Federation of BiH.

(vii) Data on market share as of 31 December 2022.

(viii) Data on market share as of 28 February 2023.

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

# NLB Group at a Glance

## Key Highlights

### Financial Performance

**Loan growth continued despite higher interest rates, supporting net interest income growth, with the latter being main contributor to excellent Q1 result.**

- In Q1 2023, the Group generated EUR 120.1 million of **profit after tax** with almost double regular profit before impairments and provisions YoY. Profit in Q1 2022 was strongly influenced by negative goodwill from the acquisition of N Banka.
- **Net interest income** rose significantly, 66% YoY and 18% QoQ, driven by the healthy mix of margin expansion and volume growth. Due to lower price elasticity of deposits, deposit beta (calculated based on YoY change of average customer deposit interest rate compared with the change of average ECB deposit facility rate) in the respective period remains low at 5% on NLB Group level. Consequently **net interest margin** widened to 3.14% (1.07 p.p. YoY increase).
- EUR 1,020.5 million YoY increase of the Group's **gross loans to customers**, out of which EUR 608.6 million to individuals as a result of a record high new production of housing loans in Q2 and Q3 of 2022. Later new loan production slowed down, but was still stable.
- **Net fee and commission income** increased by 2% YoY, with increased fees from cards and ATM operations, as well as payment transactions offsetting the cancellation of high balance deposit fee in the Bank.
- The accrual of one-time expenses for **regulatory costs** in Slovenian banks was booked in January, EUR 8.6 million for DGS and EUR 2.9 million for SRF.
- **Total costs** increased by 14% YoY, with growth visible in all Group bank members, due to overall inflation in the region and the integration process in Slovenia. Worth mentioning is also that N Banka's cost base was only partially included in total costs in Q1 2022 – neutralizing for all costs related to N Banka, cost growth would have been lower, 8% YoY.
- **Impairments and provisions for credit risk** in the total amount of EUR 18.4 million were net released, the main factors being positive effects from a successful collection of previously written-off receivables and favourable portfolio development.

### Business Overview

**Leading player in SEE.**

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

### Asset Quality

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

- Well-diversified, stable and robust **credit portfolio quality**. No large concentration in any specific industry or client segment. The portfolio remains very stable with increasing Stage 1 exposures. Low **NPE** (EBA def.) of 1.3% with very comfortable NPL coverage ratio 2 of 58.0%.
- The Group carefully monitors the potentially vulnerable segments with the intention to detect any significant increase in credit risk at a very early stage.
- **The cost of risk** was negative (-37 bps), backed by the sale of Russian government bonds and positive contribution from NPL resolution in most of the Group members.

### Capital, Liquidity & Funding

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

- **The capital position** was above all regulatory requirements (TCR of 18.9%, 0.3 p.p. lower YtD).
- **The liquidity position** of the Group remained very strong, with a high level of unencumbered liquid assets in total assets (38.4%).
- Group **retail deposits** represent a majority of the Group's funding structure and are the most stable funding source with around 80% being insured by the DGS. Despite turbulent business environment in Q1, retail deposits remained flat and demonstrate client confidence in the Group.
- A very comfortable level of **LTD** at 66.6% gives the Group the potential for further customer loan placements.

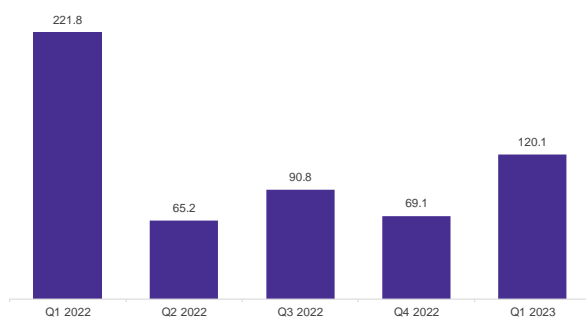
### Outlook

**Upwards revised guidance.**

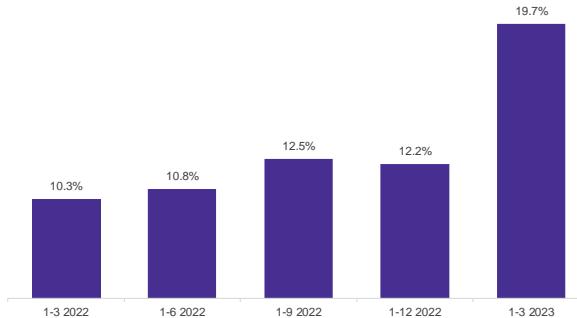
- The Group is further **revising upwards guidance** for the regular income, ROE and also slightly improving CoR guidance for the FY2023 as a consequence of changed interest rate environment and ongoing prudent loan origination, coupled with successful streamlining of business processes.

## Key Figures

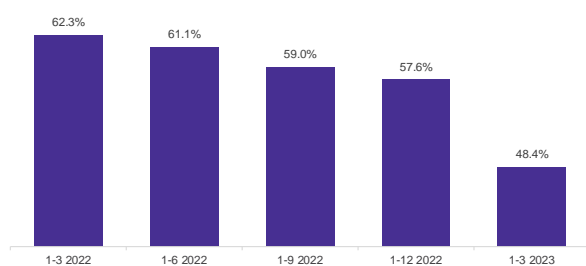
Profit a.t. - quarterly (in EUR millions)<sup>(i)(iv)</sup>



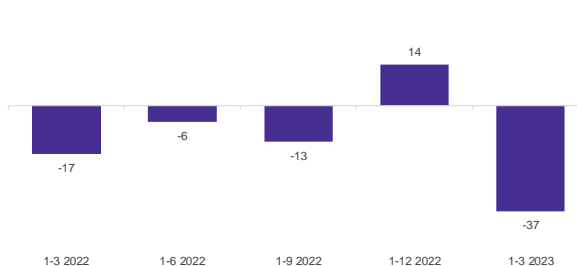
ROE a.t. (in %)<sup>(ii)(iv)</sup>



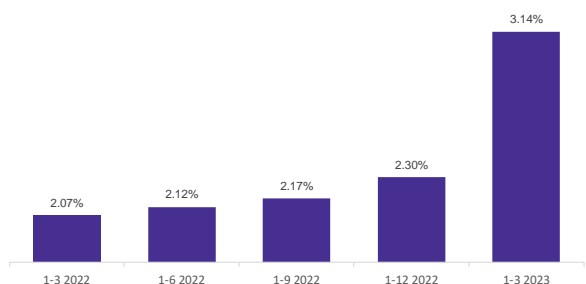
Cost to income ratio - CIR (in %)<sup>(iv)</sup>



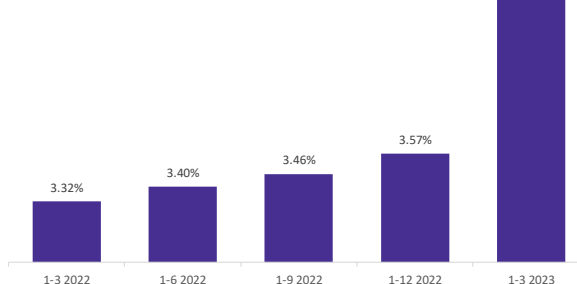
Cost of risk net (in bps)<sup>(iii)</sup>



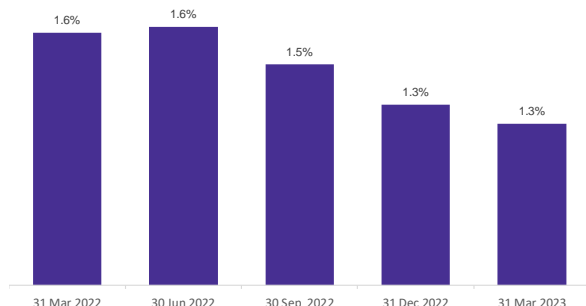
Net interest margin (in %)



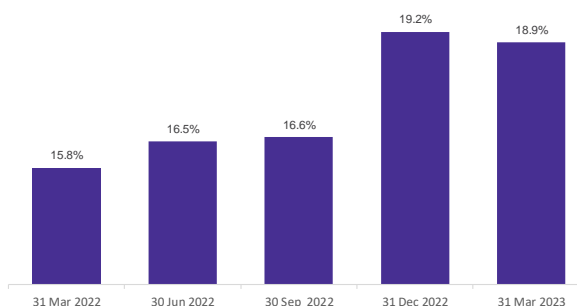
Operational business margin (in %)



NPE ratio - EBA def. (in %)



Total capital ratio (in %)



(i) Profit in Q1 2022 affected by the acquisition of N Banka.

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

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

(iv) In 2023, the Bank changed the recognition of obligation for regulatory expenses. In the previous year, these expenses were recognised in Q2, after receiving the Bank of Slovenia's notification, while in 2023, the Bank recognised these expenses in full already in Q1. Comparative amounts for previous periods have been adjusted to reflect this change in the presentation. For more information see Note 2.2. of Unaudited Condensed Interim Financial Statements of NLB Group and NLB.

# Key Financial Indicators<sup>1</sup>

Table 1: Key Financial Indicators of NLB Group

in EUR millions / % / bps						
	1-3 2023	1-3 2022	Change YoY	Q1 2023	Q4 2022	Q1 2022
<b>Key Income Statement Data</b>						
Net operating income	241.9	164.8	47%	241.9	234.9	164.8
Net interest income	179.0	107.8	66%	179.0	151.8	107.8
Net non-interest income	63.0	57.0	10%	63.0	83.0	57.0
Total costs	-117.1	-102.7	-14%	-117.1	-127.7	-102.7
Result before impairments and provisions	124.8	62.1	101%	124.8	107.2	62.1
Impairments and provisions	12.4	-4.4	-	12.4	-31.2	-4.4
Impairments and provisions for credit risk	18.4	-4.0	-	18.4	-25.0	-4.0
Other impairments and provisions	-6.0	-0.4	-	-6.0	-6.3	-0.4
Negative goodwill	0.0	172.8	-	0.0	0.1	172.8
Result after tax	120.1	221.8	-46%	120.1	69.1	221.8
<b>Key Financial Indicators</b>						
Return on equity after tax (ROE a.t.)	19.7%	10.3%	9.5 p.p.			
Return on assets after tax (ROA a.t.)	2.0%	1.0%	1.0 p.p.			
Net interest margin (on interest bearing assets)	3.14%	2.07%	1.07 p.p.			
Net interest margin (on total assets - BoS ratio)	3.02%	1.99%	1.03 p.p.			
Operational business margin <sup>(i)</sup>	4.39%	3.32%	1.06 p.p.			
Cost to income ratio (CIR)	48.4%	62.3%	-13.9 p.p.			
Cost of risk net (bps) <sup>(ii)</sup>	-37	-17	-20			
	31 Mar 2023	31 Dec 2022	31 Mar 2022	Change YtD	Change YoY	
<b>Key Financial Position Statement Data</b>						
Total assets	24,011.8	24,160.2	23,019.1	-1%	4%	
Gross loans to customers	13,455.0	13,397.3	12,434.6	0%	8%	
Net loans to customers	13,137.7	13,073.0	12,108.7	0%	8%	
Deposits from customers	19,732.0	20,027.7	18,525.8	-1%	7%	
Equity (w/ without non-controlling interests)	2,507.6	2,365.6	2,244.7	6%	12%	
<b>Other Key Financial Indicators</b>						
LTD <sup>(iii)</sup>	66.6%	65.3%	65.4%	1.3 p.p.	1.2 p.p.	
Common Equity Tier 1 Ratio	14.8%	15.1%	13.7%	-0.3 p.p.	1.1 p.p.	
Total capital ratio	18.9%	19.2%	15.8%	-0.2 p.p.	3.1 p.p.	
Total risk exposure amount (RWA)	14,622.3	14,653.1	13,843.4	0%	6%	
NPL volume <sup>(iv)</sup>	320.1	328.3	377.6	-2%	-2%	
NPL coverage ratio 1 <sup>(v)</sup>	99.3%	98.9%	86.6%	0.3 p.p.	12.7 p.p.	
NPL coverage ratio 2 <sup>(vi)</sup>	58.0%	57.1%	56.8%	0.9 p.p.	1.3 p.p.	
NPL ratio (internal def.) <sup>(vii)</sup>	1.7%	1.8%	2.2%	-0.1 p.p.	-0.5 p.p.	
Net NPL ratio (internal def.) <sup>(viii)</sup>	0.7%	0.8%	1.0%	0.0 p.p.	-0.2 p.p.	
NPL ratio (EBA def.) <sup>(ix)</sup>	2.4%	2.4%	3.0%	-0.1 p.p.	-0.7 p.p.	
NPE ratio (EBA def.) <sup>(x)</sup>	1.3%	1.3%	1.6%	-0.1 p.p.	-0.3 p.p.	
<b>Employees</b>						
Number of employees	8,194	8,228	8,475	-34	-281	
<b>International credit ratings NLB</b>						
	31 Mar 2023	31 Dec 2022		Outlook		
Standard & Poor's		BBB	BBB			Stable
Moody's <sup>(xi)</sup>		A3	Baa1			Stable

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

(ii) Cost of risk = credit impairments and provisions (annualized level) / average net loans to customers. Credit impairments and provisions include impairments on loans from customers and provisions for off balance.

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

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

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

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

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

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

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

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

(xi) Unsolicited rating.

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

# Key Events

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Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

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<b>January</b>	<ul style="list-style-type: none"> <li>• <b>Top Employer certificate:</b> The Top Employers Institute awarded the Bank the prestigious Top Employer certificate for the 8th consecutive year.</li> </ul>
<b>February</b>	<ul style="list-style-type: none"> <li>• <b>Rating upgrade:</b> Moody's upgraded NLB's long-term deposits rating to A3 from Baa1.</li> <li>• <b>New CEO of NLB Skladi:</b> Luka Podlogar assumed the CEO position of NLB Skladi. Blaž Bračič remains a member of the Management Board.</li> </ul>
<b>March</b>	<ul style="list-style-type: none"> <li>• <b>USA regional banks &amp; Credit Suisse turmoil:</b> The collapse of two regional banks in the USA, Silicon Valley Bank and Signature Bank, had impacts also in Europe and put European banks under stress as well. Swiss financial regulators engineered an emergency rescue plan for Credit Suisse in the form of UBS Group AG buying Credit Suisse. As of 31 March 2023, the Group has only small exposure to Credit Suisse, deriving mainly from a limited investment in bonds. From a liquidity point of view, no material deviations from the normal intra-monthly deposit dynamics were identified at the NLB Group level as a result of the turmoil.</li> <li>• <b>Slovenia's Best Private Bank for High Net Worth Individuals:</b> Euromoney awarded NLB as part of the global private banking awards in 2023.</li> </ul>

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# Macroeconomic Environment

## Macroeconomic summary and outlook

The global economy witnessed two bank runs in the US in Q1 2023 that caused the government to step in. Similarly, Credit Suisse was taken over by UBS with state assistance. Since then, the instability scares have subsided but have nevertheless highlighted the fact that growth is clearly slowing down, but inflation is not retreating as fast as the CBs would have hoped for. The euro area quarterly GDP has been on a steady decline since Q2 2022 and has reached the point of stagnation in Q4 QoQ (+1.8% YoY). The household saving rate in the euro area was at 14.1% in Q4 of 2022 (compared with 13.3% in Q3 2022). The increase is explained by gross disposable income increasing by 2.2%, at a faster rate than individual consumption (+1.3% QoQ, down from 2.3% in Q3 2022). The NFC gross fixed capital formation fell by 5.4% QoQ. Household final consumption expenditure fell by -0.9% QoQ as it was weighed by declining real incomes, and tightening monetary policy. Hence, the housing prices growth rate was declining throughout the 2022 (in Q4 +2.9% YoY and in Q3 6.6% YoY) as the mortgage rates have risen. Fixed investment retreated (-3.6% QoQ), whereas government consumption increased (+0.7% QoQ). Net exports contributed positively to growth (+0.9 p.p. QoQ), but this was due to a drop in imports (-1.9% QoQ), with exports remaining stable (+0.1% QoQ). Wage growth accelerated in Q4 2022 as the hourly labour costs rose by 5.7% YoY (3.7% YoY in Q3), propping consumption. The economic sentiment was at 99.6 in February and 99.3 in March, very near to its long-term mean of 100. The composite Purchasing Managers' Index (PMI) came in at 53.7 in March 2023, improving further from February's 52.0 print. It boasted the strongest increase in service sector activity in 10 months and confirmed two different realities of the economy, as the services sector appears to be pulling the weight, while manufacturing activity continues to struggle. Industrial production rose on average by 1.4% YoY in the January–February 2023 period, predominantly due to growth in the production of capital goods. The volume of retail trade stagnated on average in the first two months with the MoM gains from the first month undone in the second, with the biggest negative contribution coming from retail trade with automotive fuel. The unemployment rate stood at 6.6%, remaining quite tight in historical terms as the job vacancy rate came in at 3.1% in Q4 of 2022. Industrial producer prices fell by 3.3% in February YTD with declining energy prices influencing the move. The euro area inflation rate was 6.9% YoY in March 2023, down from 9.2% in December 2022. Food and services (along with the core inflation) have exhibited a growing trend throughout Q1 and remain the largest contributors in the equation. Concerning the monetary policy, the ECB increased the key interest rates by 50 bps twice in Q1. It additionally signalled that a further 25 bps hike is to be expected. In April, the ECB president warned of a fragmented world and repeated supply shocks in the future. In the US, personal consumption rose on average by 1.1% MoM in the January–February period. Low growth in consumption indicates declining purchasing power as inflationary pressures persist. Investment should remain weak on behalf of tightening credit conditions. Producer price inflation declined in February, with falling global energy prices still supportive of the disinflationary trend.

The euro area outlook depends on the future course of the war in Ukraine, the speed with which inflation will subside and the calibration of the monetary policy. The latter will reduce growth in trade and exports, while fixed investment will probably decline as unit labour costs and borrowing costs jump higher. Headline inflation will fall this year due to drops in wholesale energy and food prices as well as dissipating supply chain bottlenecks. Core inflation will be sticky in the short-term but should also ease going forward, with the only part of inflation that could rise further being services sector inflation, which could be pushed higher by rising wage costs. The economic slowdown however is expected to keep the overall wage growth in check. That said, the EU funds allocation should support activity. The Q1 2023 financial system issues have subsided and are assumed to have limited spillover effects on real economy. Labour market should get slightly less tight due to stagnation. The economic growth is to edge down to 0.0% in 2023. In 2024, GDP is seen increasing by 1.6%, as declining interest rates and lower energy prices should support activity. Slovenia is expected to grow by 0.6% in 2023 and 2.2% in 2024. The Group's region is expected to grow by 1.3% in 2023 and 2.7% in 2024.

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

	GDP (annual growth rate in %)				Average inflation (in %, aop)				Unemployment rate (in %, aop)			
	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
Euro area	5.3	3.5	0.0	1.6	2.6	8.4	6.1	3.0	7.7	6.7	7.0	7.3
Slovenia	8.2	5.4	0.6	2.2	2.0	9.3	6.8	3.9	4.8	4.2	4.0	4.2
BiH	7.1	3.8	1.0	2.0	2.0	14.0	8.0	3.0	17.4	15.4	15.2	15.1
Montenegro	13.0	6.1	2.6	3.2	2.4	13.0	7.5	2.6	16.7	14.7	13.7	13.3
N. Macedonia	3.9	2.1	1.6	3.0	3.2	14.1	8.5	3.6	15.7	14.4	13.9	13.7
Serbia	7.5	2.3	1.8	3.1	4.1	12.0	10.1	5.4	11.1	9.4	9.5	9.2
Kosovo	10.5	3.3	2.4	3.5	3.3	11.6	7.0	3.5	20.8	17.0	16.5	16.0

Source: Statistical offices, NLB ALM.

Note: NLB estimates and forecasts are highlighted in grey.



# **Business Report**

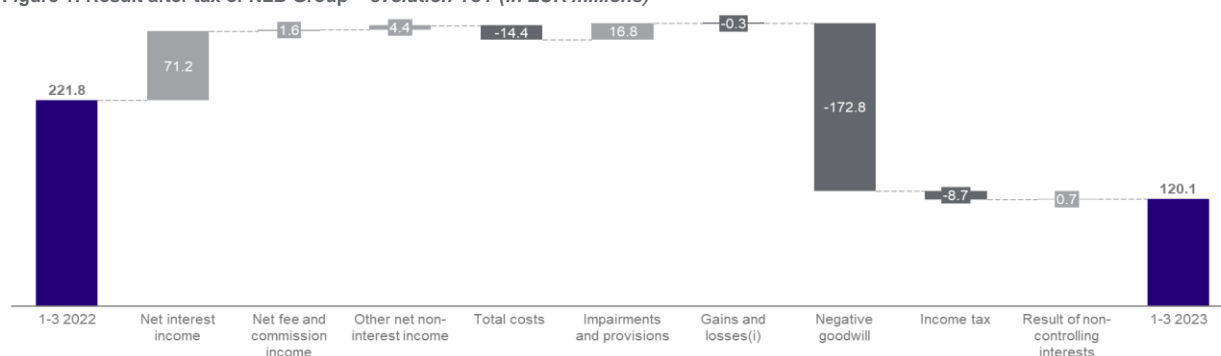
# Overview of financial performance<sup>2</sup>

In Q1 2023, the Group generated EUR 120.1 million of profit after tax, i.e. EUR 101.7 million lower than a year before when the result was strongly influenced by negative goodwill from the acquisition of N Banka (EUR 172.8 million). A noteworthy result of EUR 124.8 million was also recorded in a profit before impairments and provisions, a EUR 62.7 million increase YoY.

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

- A EUR 1,020.5 million YoY increase of the Group's gross loans to customers, out of which EUR 608.6 million to individuals as a result of a record high new production of housing loans in Q2 and Q3 of 2022. Later new loan production stabilized as a result of increasing interest rates.
- An increase of the deposit base, EUR 1,206.3 million YoY, of which EUR 854.4 million from individuals. A decrease of EUR 295.7 million was recorded in Q1 2023, in large part from corporate clients in Slovenia; however, the Bank maintained its market share in deposits from customers of 27.7%.
- Substantial increase of net interest income, 66% YoY, due to higher interest rates on loans and central bank balances, while the response on deposit side did not follow with the same pace. Deposit beta (calculated based on YoY change of average customer deposit interest rate compared with the change of average ECB deposit facility rate) in the respective period remains low at 5% on NLB Group level. Consequently net interest margin improved by 1.07 p.p. YoY to 3.14%.
- Net fee and commission income increased by 2% YoY. In the Bank, the net increase of the fees from cards operations as well as payment transactions was offset by the cancellation of high balance deposit fee in the Bank. The increase was recorded also in all bank members.
- The accrual of regulatory costs in Slovenian banks was booked in January 2023, EUR 8.6 million for Deposit Guarantee Scheme (DGS) and EUR 2.9 million for Single Resolution Fund (SRF), influencing net other non-interest income.
- Total costs increased by 14% YoY, with growth visible in all Group bank members, due to overall inflation in the region and the integration process in Slovenia. Worth mentioning is also that N Banka's cost base was only partially included to total costs in Q1 2022 – neutralizing for all costs related to N Banka, cost growth would have been lower, 8% YoY.
- Release of the impairments and provisions for credit risk in the total amount of EUR 18.4 million due to good asset quality trends and a decisive workout approach. Cost of risk was -37 bps.
- Other impairments and provisions were established in the net amount of EUR 6.0 million, the main reasons for that being the release of provisions for legal risk in the Bank and the establishment of provisions for liability in relation to reimbursement of fees in case of early loan repayment.

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



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

<sup>2</sup> In 2023, the Bank changed the recognition of obligation for regulatory expenses. In the previous year, these expenses were recognised in second quarter, after receiving the Bank of Slovenia's notification, while in 2023, the Bank recognised these expenses in full already in first quarter. Comparative amounts for previous periods have been adjusted to reflect this change in the presentation. For more information see Note 2.2. of Unaudited Condensed Interim Financial Statements of the NLB Group and NLB.

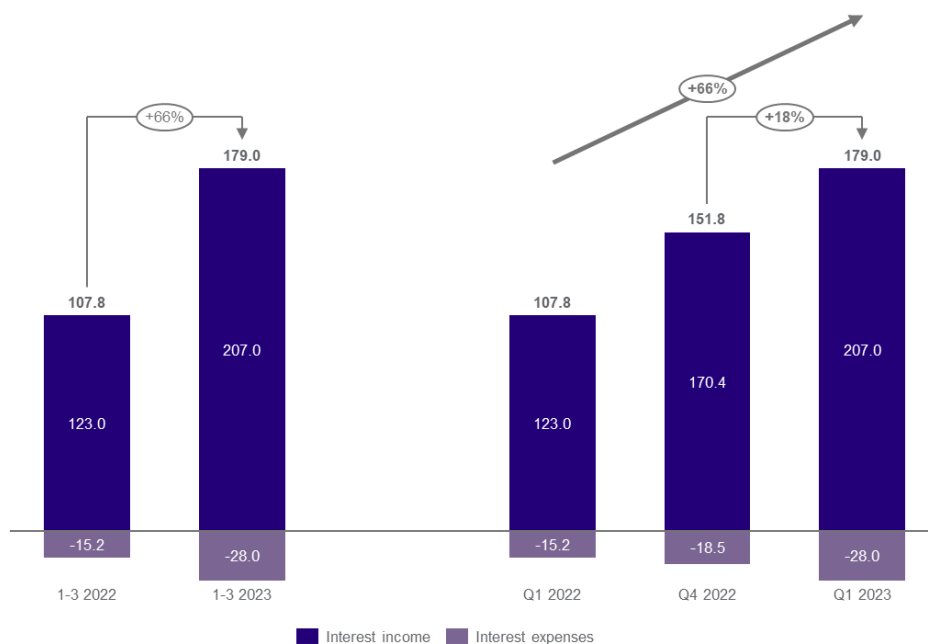
# Income Statement<sup>3</sup>

Table 3: Income statement of NLB Group

in EUR millions									
	1-3 2023	1-3 2022	Change YoY		Q1 2023	Q4 2022	Q1 2022	Change QoQ	
Net interest income	179.0	107.8	71.2	+66%	179.0	151.8	107.8	27.1	+18%
Net fee and commission income	66.1	64.5	1.6	+2%	66.1	69.2	64.5	-3.1	-4%
Dividend income	0.0	0.0	0.0	+20%	0.0	0.0	0.0	0.0	+26%
Net income from financial transactions	8.9	5.2	3.7	+72%	8.9	12.6	5.2	-3.8	-30%
Net other income	-12.1	-12.8	0.7	+5%	-12.1	1.2	-12.8	-13.3	-
Net non-interest income	63.0	57.0	6.0	+10%	63.0	83.0	57.0	-20.1	-24%
<b>Total net operating income</b>	<b>241.9</b>	<b>164.8</b>	<b>77.1</b>	<b>+47%</b>	<b>241.9</b>	<b>234.9</b>	<b>164.8</b>	<b>7.0</b>	<b>+3%</b>
Employee costs	-66.8	-57.5	-9.3	+16%	-66.8	-71.2	-57.5	4.5	+6%
Other general and administrative expenses	-38.7	-33.7	-5.0	+15%	-38.7	-44.2	-33.7	5.5	+12%
Depreciation and amortisation	-11.7	-11.5	-0.1	-1%	-11.7	-12.2	-11.5	0.6	+5%
Total costs	-117.1	-102.7	-14.4	+14%	-117.1	-127.7	-102.7	10.6	+8%
<b>Result before impairments and provisions</b>	<b>124.8</b>	<b>62.1</b>	<b>62.7</b>	<b>+101%</b>	<b>124.8</b>	<b>107.2</b>	<b>62.1</b>	<b>17.6</b>	<b>+16%</b>
Impairments and provisions for credit risk	18.4	-4.0	22.4	-	18.4	-25.0	-4.0	43.3	-
Other impairments and provisions	-6.0	-0.4	-5.6	-	-6.0	-6.3	-0.4	0.3	+5%
Impairments and provisions	12.4	-4.4	16.8	-	12.4	-31.2	-4.4	43.6	-
Gains less losses from capital investments in subsidiaries, associates, and joint ventures	0.3	0.6	-0.3	-50%	0.3	-0.4	0.6	0.7	-
Negative goodwill	0.0	172.8	-172.8	-	0.0	0.1	172.8	-0.1	-
<b>Result before tax</b>	<b>137.5</b>	<b>231.1</b>	<b>-93.6</b>	<b>-40%</b>	<b>137.5</b>	<b>75.7</b>	<b>231.1</b>	<b>61.8</b>	<b>+82%</b>
Income tax	-13.9	-5.2	-8.7	+68%	-13.9	-4.2	-5.2	-9.8	-
Result of non-controlling interests	3.4	4.1	-0.7	+16%	3.4	2.4	4.1	1.0	+40%
<b>Result after tax</b>	<b>120.1</b>	<b>221.8</b>	<b>-101.7</b>	<b>+46%</b>	<b>120.1</b>	<b>69.1</b>	<b>221.8</b>	<b>51.1</b>	<b>+74%</b>

## Net Interest Income

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

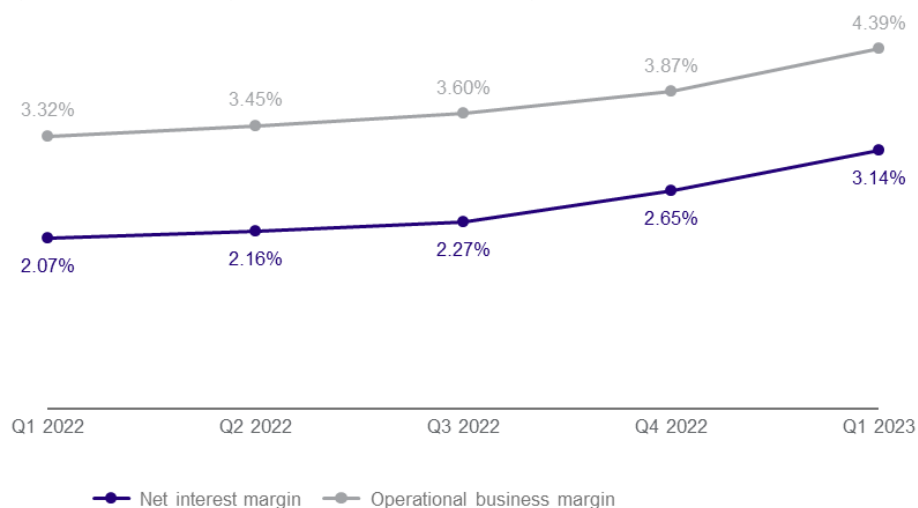


The net interest income totalled EUR 179.0 million (a 66% increase YoY) and is higher YoY in all Group banking members mostly on behalf of higher interest rates. The increase of interest income was coming mostly from loans to customers

<sup>3</sup> Please refer to Note 4.

(EUR 56.8 of which EUR 23.6 million from individuals and EUR 33.2 million from corporate and state) and balances at banks and central banks (EUR 25.1 million), while interest expenses increased mostly due to higher expenses from wholesale funding raised for minimum requirement for own funds and eligible liabilities (MREL) and capital requirement and to a lesser degree higher expenses for customers deposits.

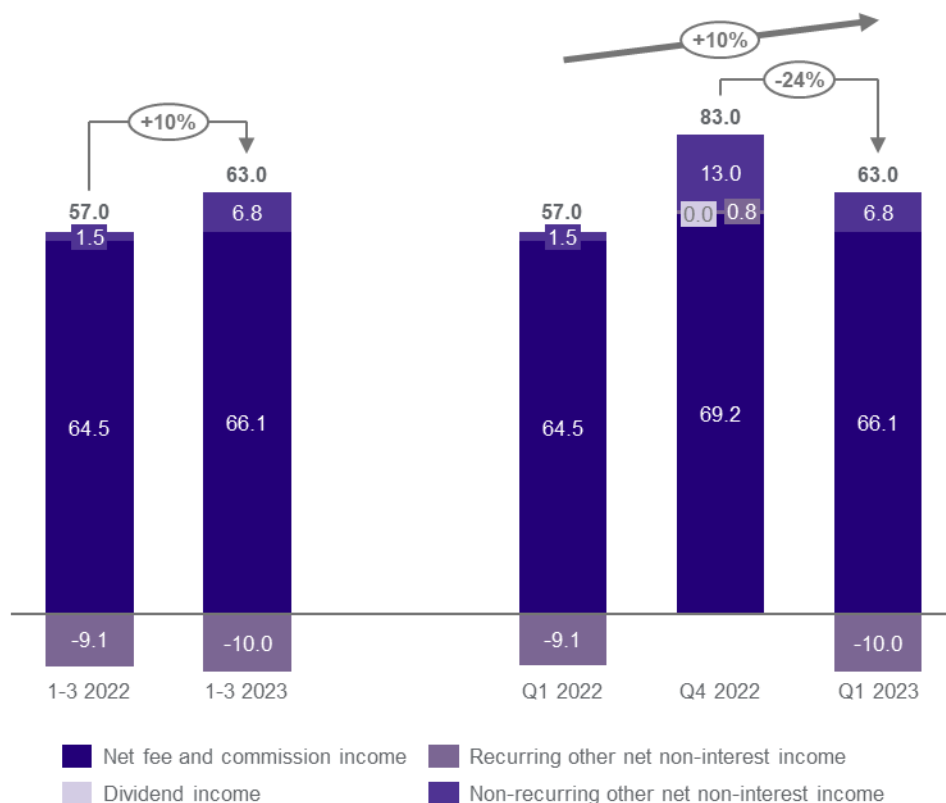
**Figure 3: Net interest margin and Operational business margin of NLB Group (quarterly data, in %)**



The net interest margin of the Group increased and reached 3.14% in Q1 2023 (1.07 p.p. higher YoY basis) while the operational business margin reached 4.39% (1.06 p.p. higher YoY).

## Net Non-Interest Income<sup>4</sup>

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



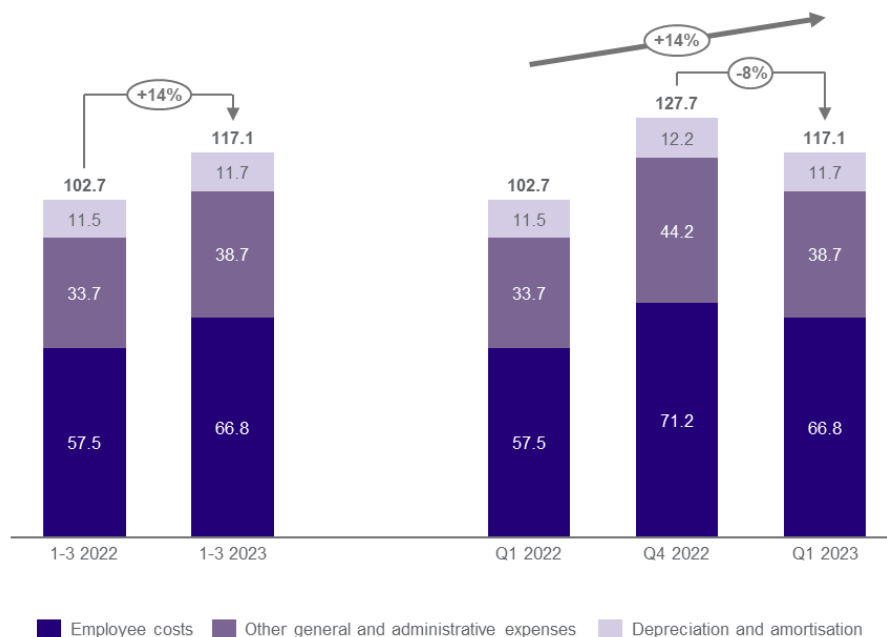
The net non-interest income reached EUR 62.9 million (10% higher YoY). A major part of the net non-interest income has been derived from the net fee and commission income, which grew by 2% YoY, with increased fees from card and payment operations noticed in all banking members offsetting the cancellation of high balance deposit fee in the Bank. Worth noting is also the fact that N Banka became part of the Group in March 2022 and was therefore only partially included in last year's Q1 result.

The net non-interest income in Q1 2023 was strongly affected by the accrual of one-off expenses for regulatory costs in NLB and N Banka in the amount of EUR 8.6 million for DGS and EUR 2.9 million for SRF. On QoQ basis, a decrease in net non-interest income was also related to a very strong result from card operations in Q4, related to seasonally higher consumption.

<sup>4</sup> Please refer to Note 4.

## Total Costs

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



The total costs amounted to EUR 117.1 million, 14% higher YoY, due to an increase in the Bank and in all South-Eastern Europe (SEE) banking members. The Group is affected by rising employee (higher by EUR 9.3 million YoY) and other general and administrative expenses (higher by EUR 5.0 million YoY), in large part related to the inflation, as well as costs related to the integration process of N Banka (EUR 2.0 million of integration costs in Q1 2023) and the fact that N Banka's cost base was only partially included in total costs in Q1 2022 – neutralizing for all costs related to N Banka, cost growth would have been lower, 8% YoY.

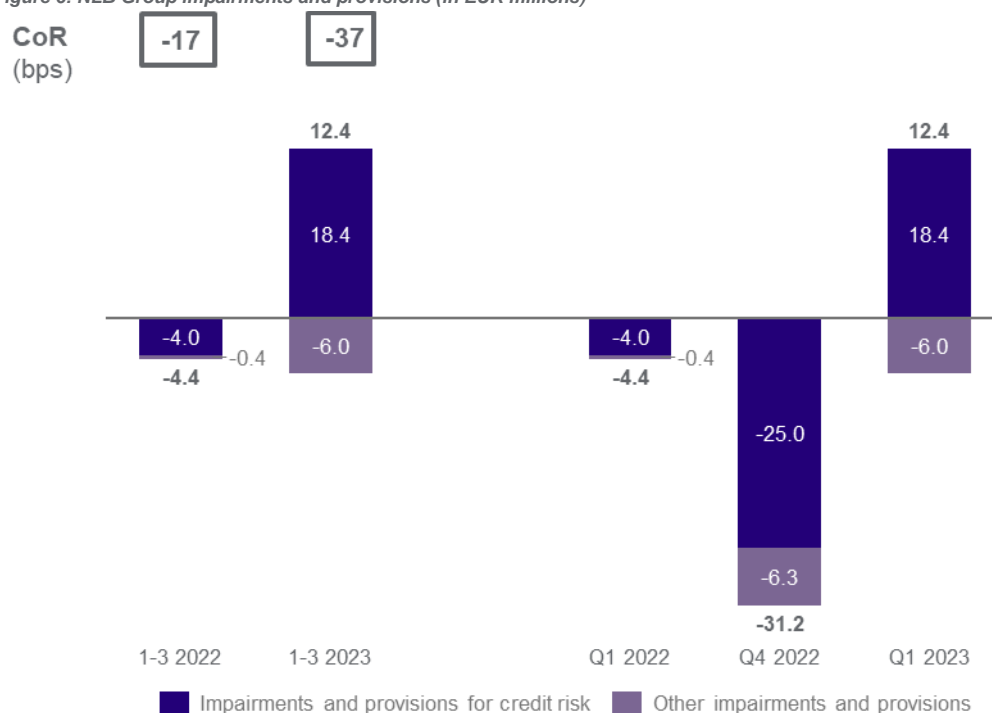
The Group is undertaking several strategic initiatives (channel strategy, digitalization, paperless, lean process, branch network optimisation etc.) to keep the costs low. However, given the circumstances and economic situation, significant inflationary pressures have been noticed across all cost categories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

CIR stood at 48.4%, a 13.9 p.p. decrease YoY, due to strong growth of net operating income that significantly outpaced the growth of total costs.



## Impairments and Provisions

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



Impairments and provisions for credit risk were net released in the amount of EUR 18.4 million, the main factors being positive effects from a successful collection of previously written-off receivables, due to a favourable environment for NPLs resolution, and positive portfolio development, mainly due to the liquidation of Russian bonds and repayments in the corporate segment. The cost of risk was negative, -37 bps.

Other impairments and provisions were net established in the amount of EUR 6.0 million, the main reasons for that being the release of provisions for legal risk in the Bank and the establishment of other provisions for liability in relation to the reimbursement of fees in case of early loan repayment.

# Statement of Financial Position

Table 4: Statement of financial position of NLB Group<sup>5</sup>

	in EUR millions						
	31 Mar 2023	31 Dec 2022	31 Mar 2022	Change YtD		Change YoY	
<b>ASSETS</b>							
Cash, cash balances at central banks, and other demand deposits at banks	5,304.3	5,271.4	4,865.4	32.9	1%	438.9	9%
Loans to banks	329.1	223.0	162.8	106.1	48%	166.3	02%
Net loans to customers	13,137.7	13,073.0	12,108.7	64.7	0%	1,029.0	8%
Gross loans to customers	13,455.0	13,397.3	12,434.6	57.7	0%	1,020.5	8%
- Corporate	6,269.3	6,345.7	5,884.6	-76.4	-1%	384.7	7%
- Individuals	6,850.7	6,743.4	6,242.1	107.3	2%	608.6	10%
- State	335.0	308.2	307.9	26.8	9%	27.1	9%
Impairments and valuation of loans to customers	-317.3	-324.4	-325.9	7.0	2%	8.5	3%
Financial assets	4,582.5	4,877.4	5,219.9	-294.9	-6%	-637.3	-12%
- Trading book	19.3	21.6	10.9	-2.3	-11%	8.4	-77%
- Non-trading book	4,563.3	4,855.8	5,209.0	-292.6	-6%	-645.7	-12%
Investments in subsidiaries, associates, and joint ventures	12.0	11.7	12.1	0.3	3%	-0.2	-1%
Property and equipment	252.1	251.3	254.0	0.8	0%	-1.9	-1%
Investment property	35.3	35.6	48.2	-0.3	-1%	-12.8	-27%
Intangible assets	56.9	58.2	57.8	-1.3	-2%	-0.9	-2%
Other assets	301.9	358.6	290.2	-56.8	-16%	11.7	4%
<b>TOTAL ASSETS</b>	<b>24,011.8</b>	<b>24,160.2</b>	<b>23,019.1</b>	<b>-148.5</b>	<b>-1%</b>	<b>992.7</b>	<b>4%</b>
<b>LIABILITIES</b>							
Deposits from customers	19,732.0	20,027.7	18,525.8	-295.7	-1%	1,206.3	7%
- Corporate	5,331.8	5,565.6	4,934.8	-233.8	-4%	397.0	8%
- Individuals	13,951.7	13,948.7	13,097.3	2.9	0%	854.4	7%
- State	448.5	513.4	493.6	-64.9	-13%	-45.1	-9%
Deposits from banks and central banks	107.4	106.4	115.0	1.0	1%	-7.6	-7%
Borrowings	279.9	281.1	1,241.0	-1.2	0%	-961.1	-77%
Subordinated debt securities	513.2	508.8	287.0	4.4	1%	226.1	79%
Other debt securities in issue	311.7	307.2	0.0	4.5	1%	311.7	-
Other liabilities	499.6	506.7	484.0	-7.1	-1%	15.6	3%
Equity	2,507.6	2,365.6	2,244.7	142.0	6%	262.9	12%
Non-controlling interests	60.3	56.7	121.6	3.5	6%	-61.3	-50%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>24,011.8</b>	<b>24,160.2</b>	<b>23,019.1</b>	<b>-148.5</b>	<b>-1%</b>	<b>992.7</b>	<b>4%</b>

The Group's **total assets** amounted to EUR 24,011.8 million, with a EUR 148.5 million decrease YtD and a EUR 992.7 million increase YoY.

The LTD ratio (net) was 66.6% at the Group level, a 1.3 p.p. increase YtD, as a result of the deposit decrease.

<sup>5</sup> Please refer to Note 4.

Figure 7: Balance sheet structure of NLB Group on 31 March 2023 (in EUR millions)

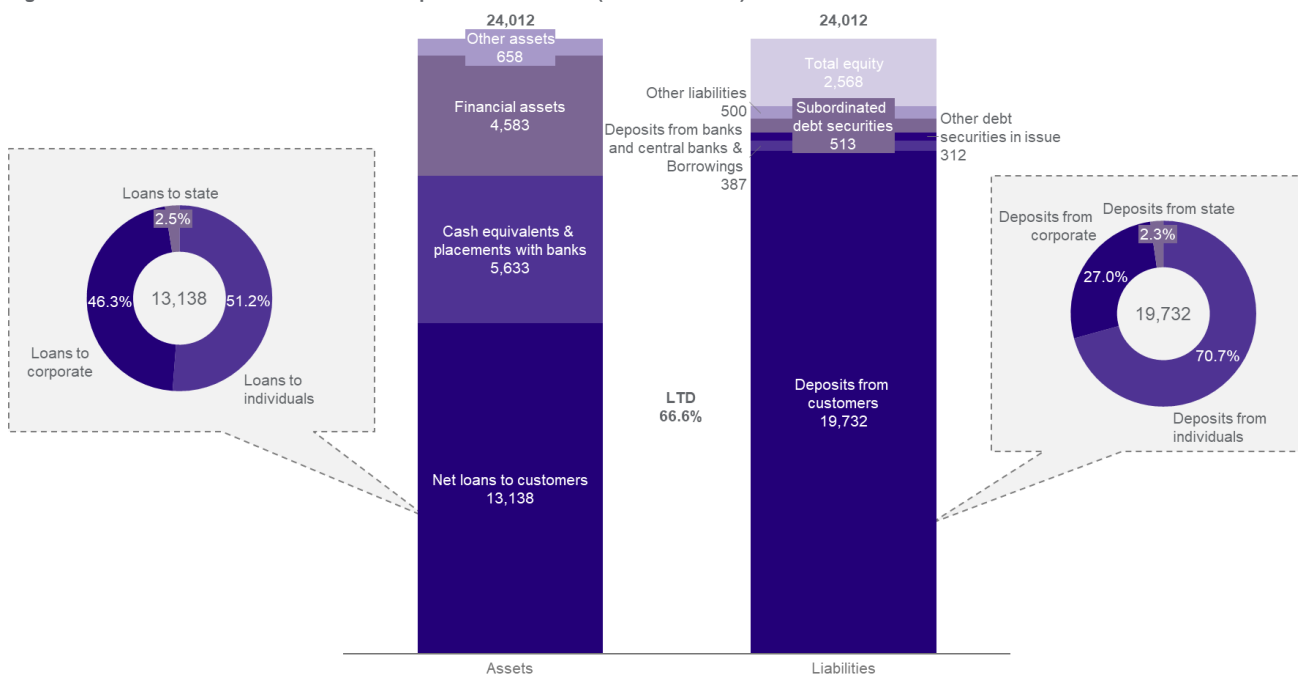
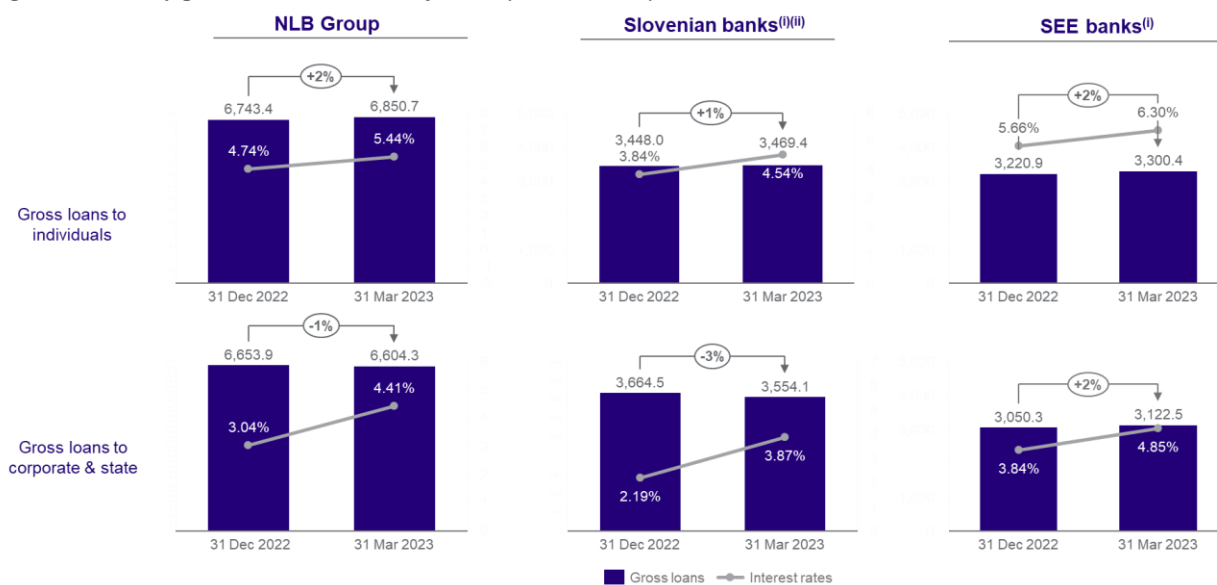


Figure 8: NLB Group gross loans to customers dynamics (in EUR millions)

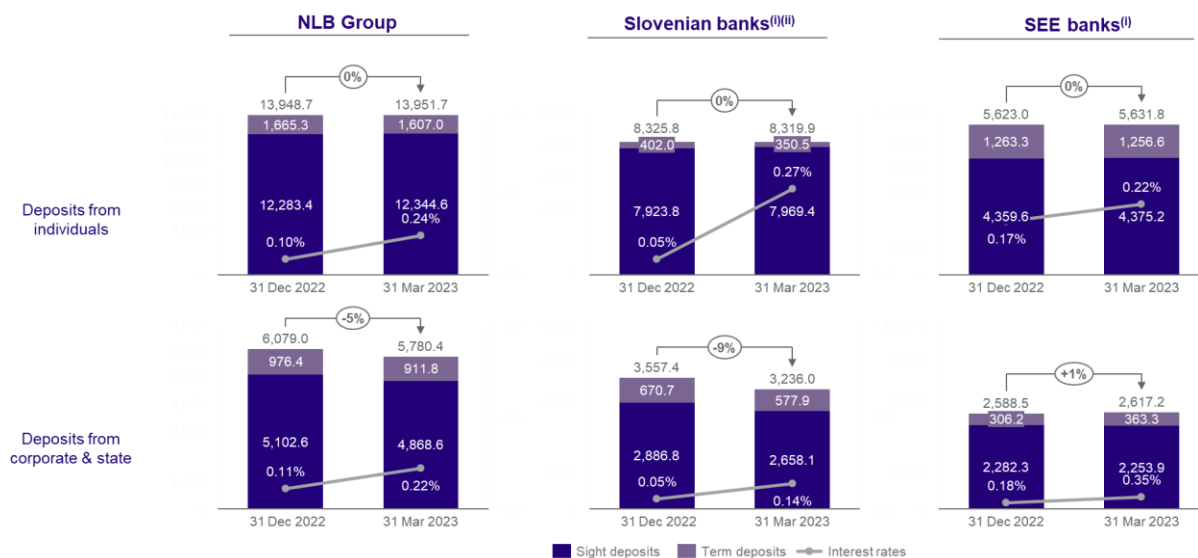


(i) On the stand-alone basis.  
 (ii) Interest rates only for NLB.

As expected in the rising interest rate environment, the demand for new loans in the Group slowed down, nevertheless new production of loans remained healthy with over EUR 180 million of new housing loans, almost EUR 300 million of new consumer loans, and close to EUR 600 million of new corporate loans approved in Q1 2023.

Total stock of **gross loans to customers** remained at the same level YtD, however gross loans to individuals recorded a 1% and 2% YtD growth in Slovenian banks and SEE banks, respectively. Gross loans to corporate and state on SEE markets recorded a 2% growth YtD, while a decrease of 3% YtD in Slovenian banks was recorded in large extent due to approximately EUR 145 million of syndicated loans to energy sector being repaid after the normalization of the crisis (provided as extraordinary liquidity financing lines to respective sector in emerging energy crisis in H2 2022).

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



(i) On the stand-alone basis.

(ii) Interest rates only for NLB.

**The deposit base** of the Group decreased YtD. While the deposits from individuals stayed on the same level YtD in Slovenian as well as in SEE Banks, the deposits from corporate and state recorded a decrease of 9% in the Slovenian banks, dispensed between the Bank and N Banka. This decrease was noticeable in the entire Slovenian banking system; however, the Bank maintained its market share in deposits from customers of 27.7%.

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

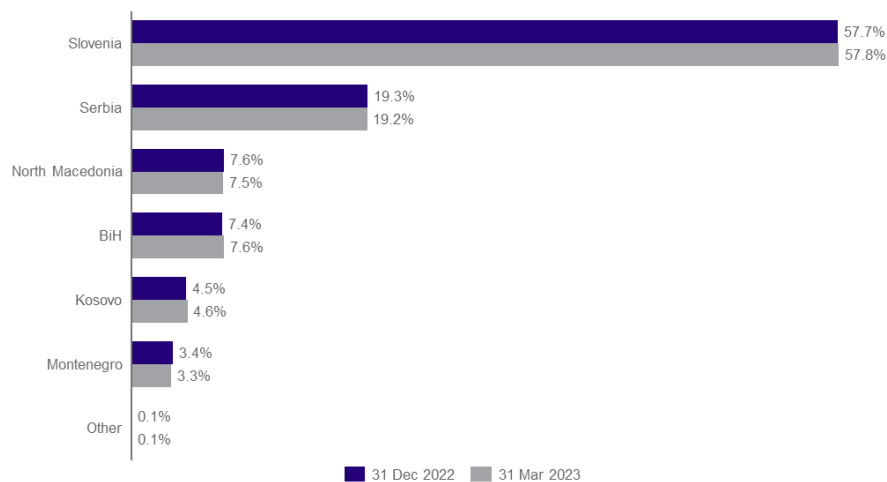


Figure 11: NLB Group off-balance sheet items (in EUR millions)



**Off-balance sheet items** of the Group amounted to EUR 5,573.4 million and increased by 1% YoY.

The volume of guarantees increased YoY by EUR 106.1 million, driving guarantee fee income higher by 19%.

Major part of loan commitments was divided between loans (58%), overdrafts (27%) and cards (15%). Growth in loan commitments YoY was driven by liquidity needs of the customers and represent further potential for interest income growth.

A majority of the Group's derivatives were concluded by the Bank either for the hedging of the banking book or trading with customers. Customers are mainly using plain vanilla foreign exchange (FX) and interest rate derivatives for hedging of their business model, while derivatives for the hedging of the banking book purposes are mainly concluded in the Bank; interest rate swaps in line with fair value hedge accounting rules. Micro and macro hedges are used for hedging of fixed rate loan portfolio, while micro interest rate swaps are used for the purpose of securities hedging. FX swaps are used for short-term liquidity hedging due to placement of foreign currency.

# Capital and Liquidity

## Capital

Figure 12: NLB Group capital (in EUR millions)

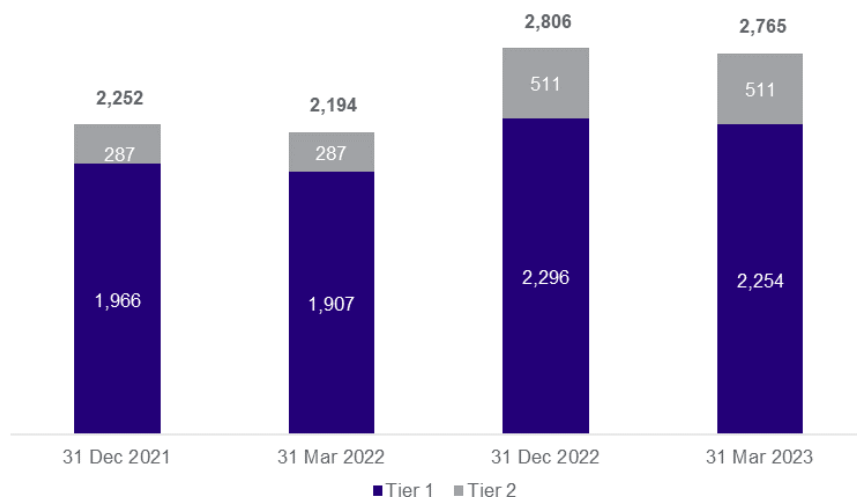
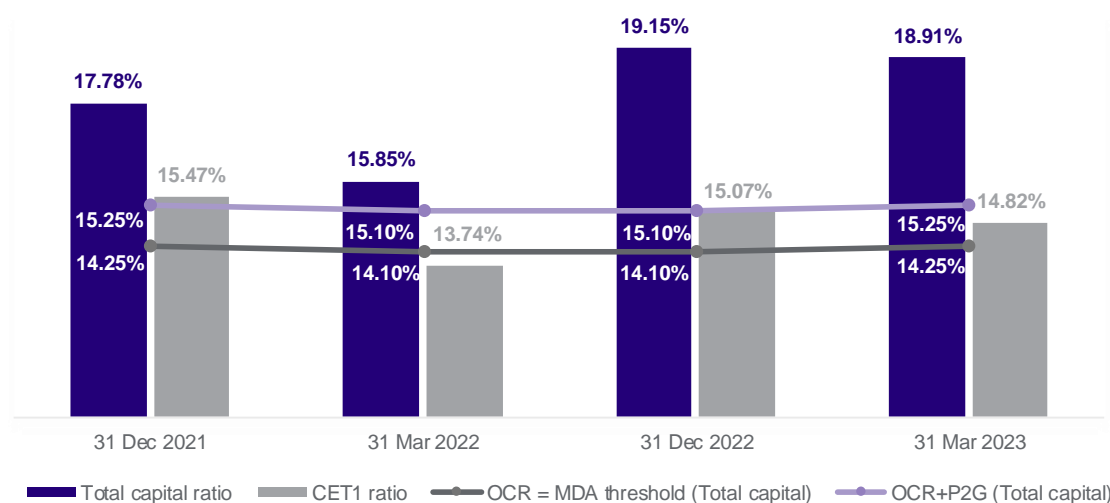


Figure 13: NLB Group capital ratios and regulatory thresholds



The Overall Capital Requirement (OCR) for the Group was 14.25%, consisting of:

- 10.40% total SREP capital requirement (TSCR) (8.00% Pillar 1 Requirement (P1R) and 2.40% Pillar 2 Requirement (P2R)); and
- 3.85% Combined Buffer Requirement (CBR) (2.50% Capital Conservation Buffer, 1.25% O-SII Buffer, 0.10% Systemic Risk Buffer and 0.00% Countercyclical Buffer).

**Changes** that came into effect on 1 January 2023:

- The Pillar 2 Requirement for 2023 **decreased by 0.2 p.p. to 2.40%**, as a result of a better overall Supervisory Review and Evaluation Process (SREP) assessment.
- The Capital Buffer for Other Systemically Important Institutions (O-SII) **increased by 0.25 p.p. to 1.25%**.
- A new BoS regulation introduced the systemic risk buffer rates for the sectoral exposures in the Republic of Slovenia: 1.0% for all retail exposures to natural persons secured by residential real estate and 0.5% for all other exposures to natural persons, resulted in **0.10% Systemic Risk Buffer** in Q1 2023.

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

In December 2022, the BoS announced that due to growing uncertainties in the economic environment and systemic risks, the countercyclical buffer for credit exposures in the Republic of Slovenia is increased from 0.0% to the level of 0.5% of the total risk exposure amount. Banks have to meet the requirement by 31 December 2023.

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.

**Table 5: NLB Group capital requirements and buffers**

		2023	2022	Change 2023-2022	2021
Pillar 1 (P1R)	CET1	4.50%	4.50%	0.00%	4.50%
	AT1	1.50%	1.50%	0.00%	1.50%
	T2	2.00%	2.00%	0.00%	2.00%
Pillar 2 (SREP req. - P2R)	CET1	1.35%	1.46%	-0.11%	1.55%
	Tier 1	1.80%	1.95%	-0.15%	2.06%
	Total Capital	2.40%	2.60%	-0.20%	2.75%
Total SREP Capital requirement (TSCR)	CET1	5.85%	5.96%	-0.11%	6.05%
	Tier 1	7.80%	7.95%	-0.15%	8.06%
	Total Capital	10.40%	10.60%	-0.20%	10.75%
Combined buffer requirement (CBR)					
Conservation buffer	CET1	2.50%	2.50%	0.00%	2.50%
O-SII buffer	CET1	1.25%	1.00%	0.25%	1.00%
Systemic risk buffer	CET1	0.10%	0.00%	0.10%	0.00%
Countercyclical buffer	CET1	0.00%	0.00%	0.00%	0.00%
Overall capital requirement (OCR) = MDA threshold	CET1	9.70%	9.46%	0.24%	9.55%
	Tier 1	11.65%	11.45%	0.20%	11.56%
	Total Capital	14.25%	14.10%	0.15%	14.25%
Pillar 2 Guidance (P2G)	CET1	1.00%	1.00%	0.00%	1.00%
OCR + P2G	CET1	10.70%	10.46%	0.24%	10.55%
	Tier 1	12.65%	12.45%	0.20%	12.56%
	Total Capital	15.25%	15.10%	0.15%	15.25%

As at 31 March 2023, the total capital ratio (TCR) for the Group stood at 18.9% and the CET1 ratio for the Group stood at 14.8%, both decreased by 0.3 p.p. YtD due to lower total capital. Although the overall revaluation adjustments in Q1 2023 were positive in the amount EUR 21.9 million, the total capital decreased by EUR 41.1 million YtD, since the temporary treatment of fair value through other comprehensive income (FVOCI) valuations for sovereign securities with the positive effect of EUR 61.7 million as at 31 December 2022 ceased to apply in January 2023.

The total capital does not include a part of the 2022 result in the amount of EUR 110 million, which is envisaged to be paid as the dividend in 2023. Therefore, there will be no effect on the capital once the dividends are paid.

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

	in EUR millions				
	Balance at			Change	
	31 Mar 2023	31 Dec 2022	31 Mar 2022	YtD	YoY
<b>Total risk exposure amount (RWA)</b>	<b>14,622.3</b>	<b>14,653.1</b>	<b>13,843.4</b>	<b>-30.8</b>	<b>778.9</b>
RWA for credit risk	11,758.0	11,797.9	11,366.6	-39.8	391.4
Central governments or central banks	993.2	1,109.2	1,135.9	-116.1	-142.7
Regional governments or local authorities	98.8	101.2	97.0	-2.4	1.7
Public sector entities	53.1	57.9	47.1	-4.8	6.0
Institutions	285.2	292.0	270.2	-6.9	15.0
Corporates	3,524.6	3,520.3	3,288.7	4.3	236.0
Retail	4,389.3	4,371.0	4,572.5	18.3	-183.2
Secured by mortgages on immovable property	1,012.3	987.7	606.6	24.5	405.7
Exposures in default	145.1	156.4	191.0	-11.3	-45.9
Items associated with particularly high risk	690.6	642.4	543.1	48.1	147.4
Covered bonds	30.8	31.5	40.2	-0.7	-9.4
Claims in the form of CU	18.3	17.9	17.5	0.4	0.8
Equity exposures	95.2	90.1	91.8	5.1	3.4
Other items	421.6	420.1	465.2	1.5	-43.6
<b>RWA for market risk + CVA</b>	<b>1,454.2</b>	<b>1,445.1</b>	<b>1,232.7</b>	<b>9.1</b>	<b>221.4</b>
<b>RWA for operational risk</b>	<b>1,410.1</b>	<b>1,410.1</b>	<b>1,244.0</b>	<b>0.0</b>	<b>166.1</b>

Risk Weighted Assets (RWA) in the Group decreased by EUR 30.8 million YtD. RWAs for credit risk decreased by EUR 39.8 million, mainly due to maturity of liquid assets in NLB Komercijalna Banka, Beograd and lower placements at CB in foreign currency (EUR). RWA reduction was partially offset by project finance exposures and retail lending exposures growth. Overall, RWA of corporate segment is on the level of the year 2022 while in Retail segment increased.

The increase in RWAs for market risks and Credit Value Adjustments (CVA) in the amount of EUR 9.1 million YtD is the result of higher RWA for FX risk in the amount of EUR 12.1 million, higher RWA for CVA risk in the amount of EUR 4.9 million, and lower RWA for TDI risk in the amount of EUR 8.0 million (as a consequence of termination of some deals).

## MREL Compliance

The **MREL requirement** (Minimum Requirement for Own Funds and Eligible Liabilities) for the Group is based on the Multiple Point of Entry (MPE) approach.

As of 1 January 2022, NLB must comply with MREL requirement on a consolidated basis at resolution group level (i.e., NLB Resolution Group), which amounts to:

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

On 31 March 2023, the MREL ratio amounted to 34.15% which is above regulatory requirements.

NLB has to ensure a linear build-up of own funds and eligible liabilities towards the MREL requirement applicable as at 1 January 2024, which amounts to:

- 31.38% of TREA + applicable CBR,
- 9.97% of LRE.



## NLB Shareholders Structure

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

Table 7: NLB's main shareholders as of 31 March 2023<sup>(i)</sup>

Shareholder	Number of shares	Percentage of shares
Bank of New York Mellon on behalf of the GDR holders <sup>(ii)</sup>	10,908,100	54.54
• of which European Bank for Reconstruction and Development (EBRD) <sup>(iii)</sup>	n.a.	>5 and <10
• of which Schroders plc <sup>(iii)</sup>	n.a.	>5 and <10
Republic of Slovenia (RoS)	5,000,001	25.00
Other shareholders	4,091,899	20.46
<b>Total</b>	<b>20,000,000</b>	<b>100.00</b>

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

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

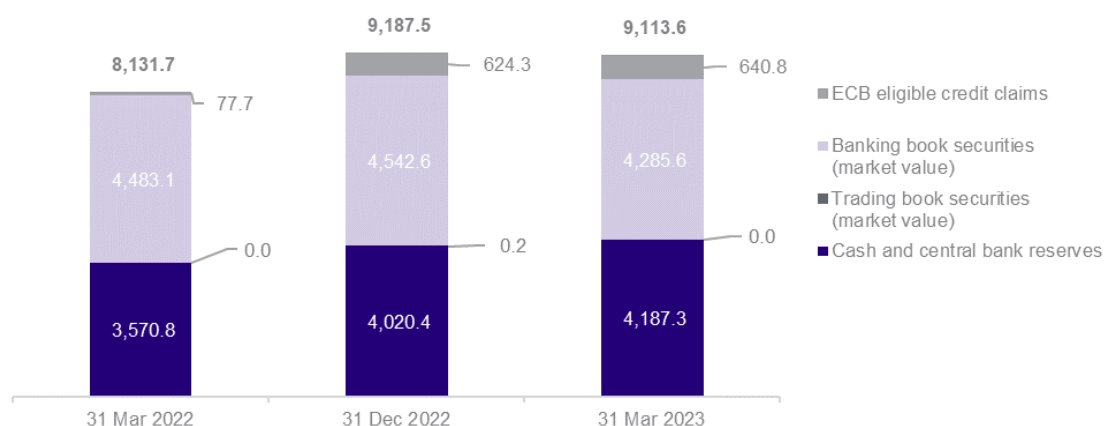
(iii) The information on GDR ownership is based on self-declarations made by individual GDR holders as required pursuant to the applicable provisions of the Slovenian law.

## Liquidity

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

Unencumbered liquidity reserves of the Group amounted to EUR 9.1 billion, corresponding to 38.0% of total assets (31 December 2022: EUR 9.2 billion, 39.0% of total assets). Encumbered liquidity reserves, used for operational and regulatory purposes, are excluded from the liquidity reserves portfolio and amounted to EUR 0.1 billion – excluding obligatory reserves (31 December 2022: EUR 0.1 billion). Debt securities portfolio decreased due to regular maturity of investments which were not reinvested in securities but rather placed with Central banks.

Figure 14: NLB Group unencumbered liquidity reserves structure reflects a robust liquidity position (in EUR millions)



The banking book securities, which accounted for 47.0% of the Group's liquidity reserves (31 December 2022: 49.4%), were dispersed across issuers, geographies, and the remaining average maturity profile, with the aim of adequate liquidity and interest risk management. The investment activity continues with a balanced approach which follows a clear focus on finding attractive market opportunities and at the same time pursuing well-managed credit risk and capital consumption.

# Segment Analysis<sup>6</sup>

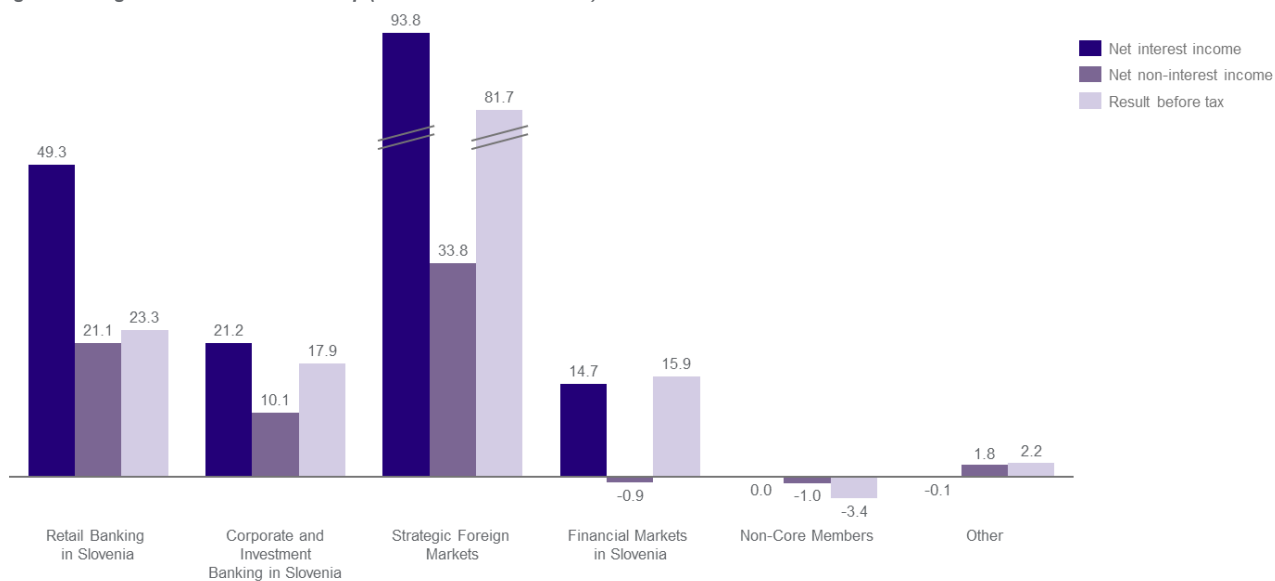
Table 8: Segments of NLB Group

NLB Group	Core Segments					Non-Core Segments	
	Retail Banking in Slovenia	Corporate and Investment Banking in Slovenia	Strategic Foreign Markets	Financial Markets in Slovenia	Other	Non-Core Members	
	includes banking with individuals and micro companies (the Bank and N Banka), asset management (NLB Skladi), a part of NLB Lease&Go, Ljubljana that includes operations with retail clients, and the contribution to the result of the associated company Bankart.	includes banking with Key Corporate Clients, SMEs, Cross-Border Corporate financing, Investment Banking and Custody, Restructuring and Workout in the Bank and N Banka and a part of the NLB Lease&Go, Ljubljana that includes operations with corporate clients.	include the operations of strategic Group banking members in the strategic markets (North Macedonia, BiH, Kosovo, Montenegro, and Serbia), investment company KomBank Invest, Beograd, NLB DigIT, Beograd, to which IT services from NLB Banka, Beograd were transferred in 2022, the newly established leasing company NLB Lease&Go, Skopje and in 2022 the purchased company NLB Lease&Go Leasing, Beograd.	include treasury activities and trading in financial instruments, while they also present the results of asset and liabilities management (ALM) in both, the Bank and N Banka.	accounts in the Bank and N Banka for the categories whose operating results cannot be allocated to specific segments, including negative goodwill from the acquisition of N Banka in March 2022, as well as subsidiaries NLB Cultural Heritage Management Institute and Privatinvest.	includes the operations of non-core Group members, i.e., REAM and leasing entities in liquidation, NLB Srbija, and NLB Crna Gora.	
Profit b.t. (in EUR millions)	138	23	18	82	16	2	-3
Contribution to Group's profit b.t.	100%	17%	13%	59%	12%	2%	-2%
Total assets (in EUR millions)	24,012	3,691	3,254	10,112	6,545	353	57
% of total assets	100%	15%	14%	42%	27%	1%	0%
CIR	48.4%	51.0%	57.2%	44.7%	16.3%	175.4%	-290.0%
Cost of risk (bps)	-37	26	-56	-72	/	/	/

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

<sup>6</sup> In 2023 the Bank changed the recognition of obligation for regulatory expenses. In the previous year, these expenses were recognised in second quarter, after receiving the Bank of Slovenia's notification, while in 2023, the Bank recognised these expenses in full already in first quarter. Comparative amounts for previous periods in the segments Retail Banking in Slovenia, Corporate and Investment Banking in Slovenia and Financial Markets in Slovenia have been adjusted to reflect this change in the presentation. For more information see Note 2.2. of Unaudited Condensed Interim Financial Statements of the NLB Group and NLB.

Figure 15: Segment results of NLB Group (1-3 2023 in EUR millions)



The core markets and activities made a profit before tax of EUR 140.9 million, with the largest contribution to the Group's profit before tax from the segment Strategic Foreign Markets, EUR 81.7 million, followed by Retail Banking in Slovenia with EUR 23.3 million, Corporate and Investment Banking in Slovenia with EUR 17.9 million, and Financial Markets in Slovenia with EUR 15.9 million. The Non-Core Members recorded a loss of EUR 3.4 million.

# Retail Banking in Slovenia

## Highlights

- Increased net interest income due to higher margin on clients' deposits.
- Solid new loan production, despite a slowdown related to higher interest rate environment.
- Housing loan under the terms of the Guarantee Scheme Act included in the offer.
- Establishment of other provisions for liability in relation to reimbursement of fees in case of early loan repayment.
- Introducing NLB Cashback, pay and get rewards platform for Mastercard pay later cards.
- Private Banking received an award as Slovenia's Best Private Bank for High Net Worth Individuals.

## Financial and Business Performance

Table 9: Key financials of Retail Banking in Slovenia segment

in EUR millions consolidated							
	1-3 2023	1-3 2022	Change YoY	Q1 2023	Q4 2022	Q1 2022	Change QoQ
Net interest income	49.3	20.7	28.6 138%	49.3	34.1	20.7	45%
Net interest income from Assets <sup>(i)</sup>	22.6	23.2	-0.6 -3%	22.6	23.2	23.2	-2%
Net interest income from Liabilities <sup>(i)</sup>	26.7	-2.5	29.2 -	26.7	10.9	-2.5	144%
Net non-interest income	21.1	18.4	2.7 14%	21.1	29.3	18.4	23%
o/w Net fee and commission income	28.2	26.5	1.6 6%	28.2	28.7	26.5	2%
<b>Total net operating income</b>	<b>70.4</b>	<b>39.2</b>	<b>31.2 80%</b>	<b>70.4</b>	<b>63.4</b>	<b>39.2</b>	<b>18%</b>
Total costs	-35.9	-29.3	-6.6 -23%	-35.9	-44.2	-29.3	19%
<b>Result before impairments and provisions</b>	<b>34.5</b>	<b>9.8</b>	<b>24.6 250%</b>	<b>34.5</b>	<b>19.2</b>	<b>9.8</b>	<b>80%</b>
Impairments and provisions	-11.5	-1.9	-9.7 -51%	-11.5	-10.7	-1.9	8%
Net gains from investments in subsidiaries, associates, and JVs	0.3	0.6	-0.3 -50%	0.3	-0.4	0.6	-
<b>Result before tax</b>	<b>23.3</b>	<b>8.6</b>	<b>14.6 170%</b>	<b>23.3</b>	<b>8.2</b>	<b>8.6</b>	<b>184%</b>

	31 Mar 2023	31 Dec 2022	31 Mar 2022	Change YTD	Change YoY
Net loans to customers	3,607.8	3,586.5	3,337.4	21.2 1%	270.3 8%
Gross loans to customers	3,665.8	3,641.0	3,382.3	24.8 1%	283.5 8%
Housing loans	2,195.2	2,173.9	1,908.8	21.3 1%	286.5 15%
Interest rate on housing loans <sup>(ii)</sup>	2.93%	2.35%	2.24%	0.58 p.p.	0.69 p.p.
Consumer loans	655.7	640.9	638.1	14.8 2%	17.6 3%
Interest rate on consumer loans <sup>(ii)</sup>	8.00%	7.11%	6.92%	0.89 p.p.	1.08 p.p.
N Banka, Ljubljana	420.2	446.1	502.7	-26.0 -6%	-82.6 -16%
NLB Lease&Go, Ljubljana	76.0	69.0	48.4	7.1 1%	27.6 5%
Other	318.6	311.1	284.3	7.6 2%	34.4 12%
Deposits from customers	9,091.3	9,085.8	8,412.6	5.6 0%	678.8 8%
Interest rate on deposits <sup>(ii)</sup>	0.25%	0.05%	0.03%	0.20 p.p.	0.22 p.p.
N Banka, Ljubljana	442.3	502.0	517.5	-59.8 -12%	-75.3 -15%
Non-performing loans (gross)	69.9	67.7	65.1	2.2 3%	4.9 7%

	1-3 2023	1-3 2022	Change YoY
Cost of risk (in bps)	26	25	1
CIR	51.0%	74.9%	-23.8 p.p.
Net interest margin <sup>(ii)</sup>	3.18%	1.48%	1.70 p.p.

(i) Net interest income from assets and liabilities with the use of Fund Transfer Pricing (FTP).

(ii) Net interest margin and interest rates only for NLB.

**Net interest income** was EUR 28.6 million higher YoY, mostly due to the key ECB interest rate increase that had positive effect on interest margin on clients' deposits. Deposit interest rates are by their nature less elastic which, in increasing market rate environment and taking low duration of the deposit base into account, is reflected in a higher margin. On the other hand, the average margin on loan portfolio has declined as the old high-margin portfolio is maturing and loans concluded from mid 2020 prevails. In recent years the market has become increasingly competitive pushing client rates (and margins) down; in addition recent market rate movements have not been fully incorporated into client loan rates for new business, which is reflected in declining margin at the portfolio level. However, it must be noted that the main drivers of net interest income YoY growth on the Bank level were increasing market rates and higher loan volume.

**Net fee and commission income** was EUR 1.6 million higher YoY, mostly due to the acquisition of N Banka in March 2022 and higher fees from bancassurance, but partially offset due to cancellation of high balance deposit fee (EUR 0.6 million).

**Costs** went up by EUR 6.6 million, mostly due to higher operating costs resulting from inflationary pressures.

**Impairments and provisions** were net established in the amount of EUR 11.5 million, due to an increase of volume and portfolio development, and establishment of other provisions for liability in relation to reimbursement of fees in case of early loan repayment.

The Bank continued to strengthen its leading position with a market share of 26.4% in retail lending (31 March 2022: 25.1%) and 32.0% (31 March 2022: 31.3%) in deposit-taking. After the merger with N Banka the market share will increase, with current market shares of N Banka of 2.9% in lending and 1.4% in deposit-taking. The retail part of NLB Lease&Go, Ljubljana successfully continued to grow at a steady pace and recorded a 10% portfolio increase YtD.

The market share of housing loans of the Bank continue to increase and reached 26.9% (31 March 2022: 25.0%). The **volume of loans** in the Bank was higher by 1% YtD in both, housing and consumer portfolio, supported by dedicated sales teams and successful marketing campaigns, despite a slowdown related to the interest rate hike.

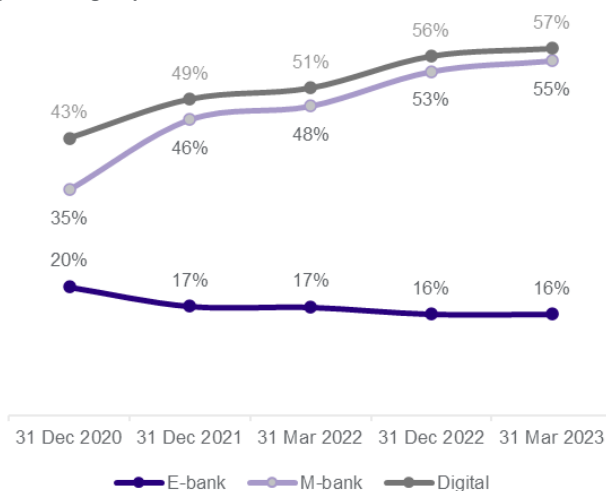
The housing loan campaign for young borrowers in the Bank has started, in which 100 young families will be reimbursed in 3 installments of up to EUR 1,000 this year as well. Young borrowers under the age of 38, when solving the housing issue, can also obtain loan under the terms of the Housing Guarantee Scheme Act, which is now part of the Bank's offer.

The Bank is also financing its clients' needs with increased amounts of regular overdraft for NLB packages Young, Active, Premium and Private and adding regular overdraft to package My World and Basic Account.

The **deposit base** remained stable YtD.

The number of active digital users in the Bank continued to grow also in Q1 2023 by 14% YoY. The increase of the number of m-bank Klikin and e-bank NLB Klik users YoY remains stable at 14% (14,713 new users in Q1) and 6% (6,482 new users in Q1) respectively, proven by the digital penetration of active clients (see the figure below). Updates to Klikin brought some novelties, including the order for activation of SMS instalments for paylater cards. The new digital bank NLB Klik welcomed its first users, who now enjoy a uniform platform user experience and functionalities in both, web and mobile versions.

Figure 16: Digital penetration<sup>(i)</sup>



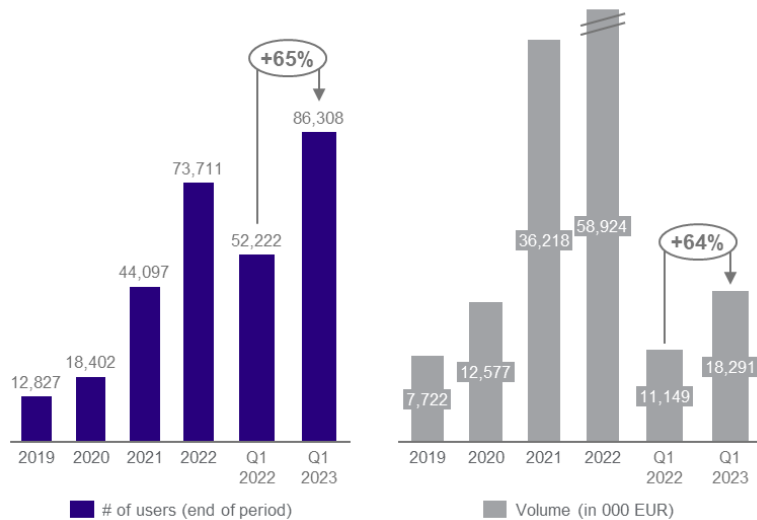
(i) Share of active e-/m-bank and digital users in # of clients with an active transactional account.

The Bank is advocating simple, safe and environmentally friendly provision of services at every step. As the m-bank Klikin is conveniently always in the palm of our clients' hands, it is their first and logical choice in carrying out payments. However, with the possibility of choosing, paying at an ATM is definitely the second choice. Since the universal payment order (UPN) is uniform for all payments in euros, the Bank's clients can pay UPN orders at ATMs without fee. Paying at an ATM is simple and available 24 hours a day, 7 days a week.

The Contact Centre is firmly positioned as a sales channel and proactive in customer outbound calling. The new unified support for contact management is now supported with Natural Language processing model for sorting customers' emails by recognizing the topic and sentiment of the question and is gradually implemented in contact centres of the Group banks. In Q1 2023, the share of concluded basic financing products of the Bank (such as consumer loans and overdrafts) was 11.5%, while Contact Centre processed 22% more video calls YoY.

In Q1 2023, a complete redesign of NLB Pay was implemented, including visual redesign, improved user experience and security improvements, and the possibility to add any merchant loyalty card.

Figure 17: NLB Pay in numbers



Doing business with NLB Mastercard paylater cards brings novelty to the Slovenian market – the return of a part of the purchase value. Clients' chance to get an amount refunded to a card account with NLB Cashback with a goal to incentivise specific spending behaviours and grow cardholders preference. All NLB Mastercard paylater cardholders will get EUR 5 back to their card account every month if they spend more than EUR 300 per month.

In security and monitoring of suspicious transactions, a 2way SMS message was introduced, which is based on the identified risky transactions and the generated alarm in the internal security system. The SMS message contains the reason and instructions for sending a return SMS with a key word to confirm or reject the transaction. Upon sending, the online payment card is temporarily blocked until the Bank receives the customer's response.

The Bank is participating in Visa international card scheme program *Slovenia pays digitally*, which will also contribute to decrease of cash payments share and expanding Bank's POS network for clients from micro segment.

The Bank's Private Banking segment received a special Euromoney's Private Banking Award in Q1 2023 in the field of country awards. Private Banking was recognized as Slovenia's Best Private Bank for High Net Worth Individuals.

NLB Skladi remains the largest asset management company and mutual funds management company in Slovenia with market share of 39.0%. Net inflows in Q1 2023 amounted to EUR 37.2 million, accounting for 49.7% of all net inflows in the market. The total assets under management amounted to EUR 2,060.2 million (31 December 2022: EUR 1,883.5 million) of which EUR 1,631.3 million consisted of mutual funds (31 December 2022: EUR 1,460.3 million) and EUR 428.9 million of the discretionary portfolio (31 December 2022: EUR 423.2 million).

# Corporate and Investment Banking in Slovenia

## Highlights

- Increase of net interest income due to higher interest margin on clients' deposits.
- Growth in fees from cards and guarantees offset partly with the cancellation of high balance fee.
- Loan and deposit volume growth pace cooling down, the Bank still preserving and improving its market shares.
- Strong cross-boarder financing activity, focusing also on sustainable finance.
- Growth of trade finance business continues and the Bank is preserving high market shares.

## Financial and Business Performance

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

in EUR millions consolidated								
	1-3 2023	1-3 2022	Change YoY		Q1 2023	Q4 2022	Q1 2022	Change QoQ
Net interest income	21.2	10.2	11.0	108%	21.2	16.0	10.2	33%
Net interest income from Assets <sup>(i)</sup>	14.2	12.1	2.1	17%	14.2	13.3	12.1	7%
Net interest income from Liabilities <sup>(i)</sup>	7.0	-1.9	8.9	-	7.0	2.7	-1.9	168%
Net non-interest income	10.1	12.0	-1.9	-16%	10.1	11.5	12.0	-13%
o/w Net fee and commission income	9.7	11.2	-1.5	-13%	9.7	9.5	11.2	-23%
<b>Total net operating income</b>	<b>31.3</b>	<b>22.2</b>	<b>9.1</b>	<b>41%</b>	<b>31.3</b>	<b>27.5</b>	<b>22.2</b>	<b>14%</b>
Total costs	-17.9	-12.5	-5.4	43%	-17.9	-20.3	-12.5	13%
<b>Result before impairments and provisions</b>	<b>13.4</b>	<b>9.7</b>	<b>3.7</b>	<b>38%</b>	<b>13.4</b>	<b>7.1</b>	<b>9.7</b>	<b>86%</b>
Impairments and provisions	4.4	4.1	0.4	10%	4.4	-6.8	4.1	-
<b>Result before tax</b>	<b>17.9</b>	<b>13.8</b>	<b>4.1</b>	<b>30%</b>	<b>17.9</b>	<b>0.4</b>	<b>13.8</b>	<b>-</b>

	31 Mar 2023	31 Dec 2022	31 Mar 2022	Change YTD		Change YoY	
Net loans to customers	3,255.6	3,370.1	3,060.8	-114.5	-4%	194.8	6%
Gross loans to customers	3,306.8	3,424.6	3,122.8	-117.7	-4%	184.0	6%
Corporate	3,209.5	3,311.5	2,962.7	-102.0	-3%	246.8	8%
Key/SME/Cross Border Corporates	2,549.7	2,623.2	2,211.9	-73.5	-3%	337.8	13%
Interest rate on Key/SME/Cross Border Corporates loans <sup>(ii)</sup>	3.74%	1.95%	1.76%	1.79 p.p.		1.98 p.p.	
Investment banking	0.1	0.1	0.1	0.0	8%	0.0	8%
Restructuring and Workout	56.4	60.8	83.6	-4.4	-7%	-27.2	-33%
N Banka, Ljubljana	471.1	506.7	592.0	-35.7	-7%	-120.9	-20%
NLB Lease&Go, Ljubljana	132.2	120.7	75.1	11.5	10%	57.1	76%
State	97.2	112.9	160.0	-15.7	-14%	-62.8	-39%
Interest rate on State loans <sup>(ii)</sup>	6.88%	2.59%	3.89%	4.29 p.p.		2.99 p.p.	
Deposits from customers	2,394.4	2,731.0	2,322.6	-336.5	-14%	71.8	3%
Interest rate on deposits <sup>(ii)</sup>	0.18%	0.07%	0.03%	0.11 p.p.		0.15 p.p.	
N Banka, Ljubljana	269.5	396.5	326.9	-127.0	-0.3	-57.4	-18%
Non-performing loans (gross)	64.9	67.6	85.5	-2.7	-4%	-20.6	24%

	1-3 2023	1-3 2022	Change YoY
Cost of risk (in bps)	-56	-64	8
CIR	57.2%	56.3%	0.9 p.p.
Net interest margin <sup>(ii)</sup>	2.91%	1.64%	1.27 p.p.

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

(ii) Net interest margin and interest rates only for NLB.

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

The **net interest income** was EUR 11.0 million higher YoY, mostly due to the key ECB interest rate increase that had a positive effect on the interest margin on clients' deposits. Deposit interest rates are by their nature less elastic which, in increasing market rate environment and taking low duration of the deposit base into account, is reflected in a higher margin. On the other hand, the average margin on loan portfolio has declined as the old high-margin portfolio is maturing and loans concluded from mid 2020 prevails. In recent years the market has become increasingly competitive pushing client rates (and margins) down; in addition recent market rate movements have not been fully incorporated into client loan rates for new business, which is reflected in declining margin at the portfolio level. However, it must be noted that the main drivers of net interest income YoY growth on the Bank level were increasing market rates and higher loan volume.

Lower **net fee and commission income** YoY, an increase related to higher income from cards and guarantees but offset with cancelation of the high balance deposit fee which had negative influence on fee income of EUR 2.0 million in Q1 2023.

Higher **costs** by EUR 5.4 million, mostly due to higher operating costs resulting from inflationary pressures.



**Impairments and provisions** were net released in the amount of EUR 4.4 million, mostly due to repayments of previously written-off receivables.

The **volume of gross loans** decreased by EUR 114.5 million YtD. After a rather turbulent business environment in the second half of 2022, marked also by the so-called “energy crisis”, where the Bank rapidly responded and provided to Slovenian energy companies proper extraordinary liquidity financing lines, such circumstances normalized in Q1 2023 and also by such utilisation of respective liquidity lines materially decreased. The Bank sees this as a very good signal, however, business environment remains less predictable and corporate clients continue business activities with very high caution levels. In Q1 2023 the Bank approved EUR 162.1 millions of new loans, the stock loan volume dropped by 2.7% YtD, mostly due to before mentioned repayments of extraordinary liquidity lines. Despite that the Bank additionally increased its market share for 0.8 p.p. to 21.3%. With a EUR 11.5 million increase in the portfolio, the contribution of NLB Lease&Go, Ljubljana to the segment is growing. N Banka corporate loan portfolio has been relatively stable with regular repayments in Q1 2023.

The **volume of deposits** decreased by EUR 336.5 million or 8.9% YtD, due to general noticeable decrease in all Slovenian banking system, however, the Bank still has high market share of 20.6% which again confirmed the trust of its clients. In the last month declining trend in the banking system normalized.

The Bank remains among the top Slovenian players in custodian services for Slovenian and international clients. The total value of **assets under custody** increased YtD, mostly on domestic markets, and amounted to EUR 17.5 billion (31 December 2022: EUR 16.4 billion).

**Trade finance business** continues sound growth, with the Bank having a leading position. Guarantees volume further increased in Q1 2023 by 2.2% YtD and the Bank holds a high market share at 33.5%. Strong focus is being given to the area of purchase of receivables business, including a reverse factoring product, which was newly developed in Q4 2022. Activities of cross-boarder financing have been developing very good, loan outstanding portfolio amounted to EUR 341 million end of Q1 2023, with additional approved and still not utilised loans amounting to EUR 107 million in the same period. A very important part of respective financing activities has been focusing on green sustainable projects in the entire home region.

In the area of **brokerage services** the Bank executed clients' buy and sell orders in the amount of EUR 204.5 million (Q1 2022: EUR 368.1 million), as in the area of dealing with financial instruments the Bank executed foreign exchange spot deals in the amount of EUR 224.1 million (Q1 2022: EUR 336.9 million) and transactions involving derivatives amounted to EUR 48.1 million (Q1 2022: EUR 85.9 million).

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

The Bank has been active in **financial advisory business**. Besides mergers and acquisitions (M&A) and Advisory business it was engaged in loan syndication business and organizing the bond issuings in the amount of EUR 22.6 million.

In light of **digital payments**, the Bank improved its solutions to our corporate clients by NLB Pay complete redesign. New payment method Flik P2eM at E-Commerce merchants was launched. In addition, Visa international card scheme invited the Bank to expand the possibilities of digital payments under the program *Slovenia pays digitally* that allows the Bank to expand its points of sale and at the same time to decrease the share of cash payments. The target group addressed by the program are primarily micro and small businesses.

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

# Strategic Foreign Markets

## Highlights

- Double-digit jump in net interest income and increased net interest margin in most banking members.
- Robust lending activities growth over the local markets dynamics.
- The deposit base remains stable.
- Remarkable growth of leasing portfolio in Serbia.
- NLB DigIT obtained ISO Certification for Digital Solutions Services to Financial Markets.

## Financial and Business Performance

Table 11: Key Financials of Strategic Foreign Markets segment

in EUR millions consolidated								
	1-3 2023	1-3 2022	Change YoY	Q1 2023	Q4 2022	Q1 2022	Change QoQ	
Net interest income	93.8	66.3	27.5	41%	93.8	84.8	66.3	11%
Interest income	102.5	72.9	29.6	41%	102.5	91.4	72.9	12%
Interest expense	-8.6	-6.5	-2.1	32%	-8.6	-6.5	-6.5	33%
Net non-interest income	33.8	27.8	5.9	21%	33.8	37.8	27.8	-1%
o/w Net fee and commission income	28.6	27.1	1.4	5%	28.6	32.2	27.1	-1%
<b>Total net operating income</b>	<b>127.6</b>	<b>94.2</b>	<b>33.5</b>	<b>36%</b>	<b>127.6</b>	<b>122.7</b>	<b>94.2</b>	<b>4%</b>
Total costs	-57.1	-53.3	-3.7	-7%	-57.1	-62.8	-53.3	9%
<b>Result before impairments and provisions</b>	<b>70.6</b>	<b>40.8</b>	<b>29.7</b>	<b>73%</b>	<b>70.6</b>	<b>59.9</b>	<b>40.8</b>	<b>18%</b>
Impairments and provisions	11.1	3.2	7.9	-	11.1	-15.0	3.2	-
<b>Result before tax</b>	<b>81.7</b>	<b>44.1</b>	<b>37.6</b>	<b>85%</b>	<b>81.7</b>	<b>44.9</b>	<b>44.1</b>	<b>82%</b>
o/w Result of minority shareholders	3.4	4.1	-0.7	-18%	3.4	2.4	4.1	40%

	31 Mar 2023	31 Dec 2022	31 Mar 2022	Change YTD	Change YoY
Net loans to customers	6,237.3	6,077.5	5,660.8	159.7	3%
Gross loans to customers	6,424.6	6,271.4	5,850.2	153.2	2%
Individuals	3,300.4	3,221.0	2,982.9	79.5	2%
Interest rate on retail loans	6.30%	5.66%	5.55%	0.64 p.p.	0.75 p.p.
Corporate	2,900.1	2,869.0	2,732.8	31.1	1%
Interest rate on corporate loans	4.78%	3.84%	3.60%	0.94 p.p.	1.18 p.p.
State	224.1	181.4	134.6	42.7	2%
Interest rate on state loans	5.85%	3.65%	3.13%	2.20 p.p.	2.72 p.p.
Deposits from customers	8,208.0	8,171.2	7,775.2	36.8	0%
Interest rate on deposits	0.26%	0.17%	0.18%	0.09 p.p.	0.08 p.p.
Non-performing loans (gross)	154.2	160.6	185.2	-6.4	-3%

	1-3 2023	1-3 2022	Change YoY
Cost of risk (in bps)	-72	-26	-46
CIR	44.7%	56.6%	-11.9 p.p.
Net interest margin	3.88%	2.83%	1.04 p.p.

The Group banking members in SEE markets with strong liquidity and well capitalized are important financial services providers and market leaders in various business segments. The market shares by total assets of banking members exceed 10% in five out of six markets. Most of the Group members realized higher growth in retail loans compared to the growth of the local banking sector. Amid interest rates pricing pressures and banking sector turmoil across the globe, the Group banking members continued having sound key financial indicators and realized solid Q1 2023 results.

Regardless of the increased interest rates and lower loans demand on some markets, the banking members marked a robust 10% (EUR 574.4 million) YoY and 2% (EUR 153.2 million) YtD increase in lending activities. The largest increase of gross loans to customers was realized by NLB Banka, Sarajevo (16% YoY), NLB Komercijalna Banka, Beograd (12% YoY) and NLB Banka, Pristina (12% YoY). High performance on new business generation continued in the corporate and retail segments by upgrading several products and services, which included streamlining and modernising their distribution network and improving their digital offering.

NLB Lease&Go Leasing, Beograd realized remarkable growth of new financial leasing financings by EUR 14 million YtD by increasing the financial leasing market share in the country to circa 8%.

The customer behaviour was impacted by the increased interest rates environment and banking sector fallouts, causing slight loans demand drop and deposits withdrawals in some countries of operations. However, the overall confidence remained strong in the banking sector, thus the total **customer deposit** base increased by 6% YoY and remained flat YtD.

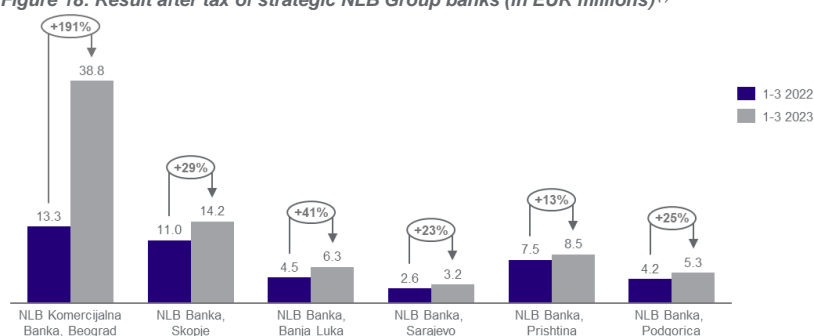
**Net interest income** increased by EUR 27.5 million YoY due to the higher volumes and interest rates hike. The increase was recorded in all banks, with by far the highest impact of interest rate increase in NLB Komercijalna Banka, Beograd of EUR 17.4 million YoY (including NLB Banka, Beograd in Q1 2022).

**Net non-interest income** increased by EUR 5.9 million YoY, of which net fee and commission income by EUR 1.4 million.

**Total costs** increased by EUR 3.7 million YoY, due to higher operating costs resulting from inflationary pressures and establishment of two new leasing companies and NLB Digit, Beograd.

**Impairments and provisions** were net released in the amount of EUR 11.1 million, mainly due to successful NPL resolution.

Figure 18: Result after tax of strategic NLB Group banks (in EUR millions)<sup>(i)</sup>



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

Despite the strong pricing competitive pressure on interest rates on both assets and liabilities side, the Group banks realized net interest margin growth up to 120 bps. In Q1 2023, banking members realized **net interest margin** of 3.9% ranging between 2.9% (NLB Banka, Sarajevo) and 4.6% (NLB Banka, Podgorica).

## Retail Banking

Despite the worries of a potential credit squeeze, the banking members realized robust new retail loan production YoY and YtD. The increase of the loan portfolio to individuals was visible in all of the banking members. New loan production was still on high levels, especially in consumer loans. The gross loans to individuals marked a growth of 11% YoY and 3% YtD, the highest growth was realized by NLB Banka, Prishtina (17% YoY), NLB Banka, Sarajevo (16% YoY) and NLB Banka, Banja Luka (14% YoY).

All Group banks increased their market share in loans to individuals in various sub-segments in the range of 10 bps to 70 bps YtD, solid housing loans market share boost was marked in NLB Banka, Sarajevo and NLB Banka, Podgorica and the consumer loans market share increased in NLB Banka, Banja Luka and NLB Banka, Skopje. NLB Banka, Prishtina realized the highest growth YtD on the local market in the retail segment and NLB Komercijalna Banka, Beograd's growth in the retail segment significantly outperformed the market. New production in ESG Loans was accelerating in Q1 2023 by offering various NLB Green Loans through partners – Eco mortgage loan through business partners, Eco home appliances loans, electric and hybrid vehicles etc. The banking sector turbulences in Q1 2023 increased the clients concerns over their deposits; however, considering the Group banks as a safe haven, the total SEE banks deposits from individuals remained stable and increased by 4% YoY and remained flat YtD.

## Corporate Banking

The banking members maintained the positive trend in approving new financing and attracting new corporate clients. The banks recorded a 6% YoY and a 1% YtD growth in the corporate segment, whereas the highest level was achieved in NLB Banka, Sarajevo (16% YoY) and NLB Banka, Prishtina (9% YoY). In Q1 2023, NLB Komercijalna Banka, Beograd achieved a 3.5% YtD corporate loans growth by strongly outperforming the whole local market and increasing the market share in the corporate segment by 13 bps.

The total SEE banks deposits from corporates remained stable and increased by 13% YoY and remained flat YtD.

# Financial Markets in Slovenia

## Highlights

- Further diversification of liquidity reserves, reinvestment of matured securities and increased balances with central bank.
- The remaining exposure towards Russian Federation was divested in Q1 2023.

## Financial and Business Performance

Table 12: Key Financials of Financial Markets in Slovenia segment

in EUR millions consolidated								
	1-3 2023	1-3 2022	Change YoY		Q1 2023	Q4 2022	Q1 2022	Change QoQ
Net interest income	14.7	10.3	4.4	43%	14.7	16.5	10.3	-11%
o/w ALM <sup>(i)</sup>	8.2	6.5	1.7	23%	8.2	12.1	6.5	-31%
Net non-interest income	-0.9	-1.8	0.9	53%	-0.9	1.3	-1.8	-
<b>Total net operating income</b>	<b>13.8</b>	<b>8.5</b>	<b>5.4</b>	<b>63%</b>	<b>13.8</b>	<b>17.7</b>	<b>8.5</b>	<b>-21%</b>
Total costs	-2.3	-2.2	-0.1	-4%	-2.3	-2.6	-2.2	13%
<b>Result before impairments and provisions</b>	<b>11.6</b>	<b>6.3</b>	<b>5.3</b>	<b>84%</b>	<b>11.6</b>	<b>15.2</b>	<b>6.3</b>	<b>-24%</b>
Impairments and provisions	4.3	-1.5	5.8	-	4.3	-3.0	-1.5	-
<b>Result before tax</b>	<b>15.9</b>	<b>4.8</b>	<b>11.1</b>	<b>-</b>	<b>15.9</b>	<b>12.2</b>	<b>4.8</b>	<b>31%</b>

	31 Mar 2023	31 Dec 2022	31 Mar 2022	Change YTD	Change YoY
Balances with Central banks	3,534.6	3,373.7	3,116.8	161.0	5%
Banking book securities	2,911.0	2,993.3	3,223.8	-82.3	-3%
Interest rate <sup>(ii)</sup>	0.89%	0.74%	0.72%	0.15 p.p.	0.17 p.p.
Borrowings	160.0	160.5	1,046.5	-0.4	0%
Interest rate <sup>(ii)</sup>	2.26%	-0.72%	-0.89%	2.98 p.p.	3.15 p.p.
Subordinated liabilities (Tier 2)	513.2	508.8	287.0	4.4	1%
Interest rate <sup>(ii)</sup>	6.74%	4.16%	3.69%	2.58 p.p.	3.05 p.p.
Other debt securities in issue	311.7	307.2	-	4.5	1%
Interest rate <sup>(ii)</sup>	6.12%	6.00%	-	0.12 p.p.	6.12 p.p.

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

(ii) Interest rates only for NLB.

The main mission of the segment continued to be the Group's activities on the international financial markets, including treasury operations. The market is observed constantly to diminish further possible defaults of issuers included in the banking book securities portfolio and to manage the portfolio according to the market moves (rising yield environment) and economic data (inflation, recession/stagflation).

**Net interest income** was EUR 4.4 million higher YoY and EUR 1.8 million lower QoQ. On YoY comparison, net interest income increased primarily due to the acquisition of N Banka, while the QoQ decrease was recorded due to the partial transfer of term-transformation result from asset and liability management (ALM) to corporate and retail segments.

As at 31 March 2023, the Bank does not have any exposure towards the Russian federation anymore. The USD 8 million nominal exposure that would otherwise mature in September 2023 was sold at the beginning of February 2023, what contributed to the impairments release in the amount of EUR 4.3 million. The Bank also thoroughly observed the events concerning Credit Suisse. The exposure towards this banking Group securities was partially diminished by participating in its tender offer in March 2023.

In 2023, an ongoing goal is to further diversify the banking book securities portfolio, which until the end of Q1 decreased by EUR 129 million in the Bank and by EUR 295 million on the Group level. The bonds measured at FVOCI represented at the end of Q1 55% of the Group and 40% of the Bank securities portfolio. Negative valuation of FVOCI Group portfolio as at 31 March 2023 amounted to EUR 134 million (net of hedge accounting effects and related deferred tax) and unrealized losses from securities measured at amortized cost (AC) portfolio amounted to EUR 152 million.

The Group securities portfolio includes EUR 229 million (5.1%) of ESG debt securities issued by governments, multilateral organisations or financial institutions.

There was an increase in **balances with the central bank** (EUR 161.0 million YtD).

# Non-Core Members

## Highlights

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

## Financial and Business Performance

Table 13: Key Financials of Non-Core Members

in EUR millions consolidated								
	1-3 2023	1-3 2022	Change YoY		Q1 2023	Q4 2022	Q1 2022	Change QoQ
Net interest income	0.0	0.1	-0.1	-	0.0	0.1	0.1	-
Net non-interest income	-1.0	0.7	-1.7	-	-1.0	2.0	0.7	-
<b>Total net operating income</b>	<b>-1.0</b>	<b>0.8</b>	<b>-1.8</b>	-	<b>-1.0</b>	<b>2.1</b>	<b>0.8</b>	-
Total costs	-2.9	-2.6	-0.3	-11%	-2.9	-3.9	-2.6	24%
<b>Result before impairments and provisions</b>	<b>-3.9</b>	<b>-1.8</b>	<b>-2.1</b>	-122%	<b>-3.9</b>	<b>-1.8</b>	<b>-1.8</b>	-117%
Impairments and provisions	0.5	0.6	-0.1	-16%	0.5	-1.7	0.6	-
<b>Result before tax</b>	<b>-3.4</b>	<b>-1.1</b>	<b>-2.2</b>	-197%	<b>-3.4</b>	<b>-3.5</b>	<b>-1.1</b>	4%

	31 Mar 2023	31 Dec 2022	31 Mar 2022	Change YTD		Change YoY	
<b>Segment assets</b>	<b>57.3</b>	<b>61.5</b>	<b>93.8</b>	<b>-4.3</b>	-5%	<b>-36.5</b>	-39%
Net loans to customers	12.7	13.8	22.0	-1.1	-5%	-9.3	-42%
Gross loans to customers	33.4	35.4	51.6	-2.0	-4%	-18.1	-35%
Investment property and property & equipment received for repayment of loans	37.2	39.6	65.5	-2.4	-4%	-28.3	-43%
Other assets	7.4	8.1	6.3	-0.7	-11%	1.1	18%
Non-performing loans (gross)	31.0	32.3	44.7	-1.2	-3%	-13.6	-31%

Wind-down has remained the main objective of the non-core segment in all the non-core portfolios followed by subsequent reduction of costs. In line with divestment strategy the segment recorded a decrease in total assets in the amount of EUR 4.3 million YtD. The result before tax was negative (EUR -3.4 million).

# Risk Factors and Outlook

## Risk factors

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

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

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

Credit risk usually considerably increases in times of economic slowdown. In light of inflationary pressures, and a forecast of a decrease in economic growth, the Group has thoroughly analysed potential impact on the credit portfolio. Lending growth in the corporate and retail segments is expected to remain relatively moderate, especially in the current circumstances. With regards to credit portfolio quality, the Group carefully monitors the most affected segments with the intention to detect any significant increase in credit risk at a very early stage. The aforementioned adverse developments could affect the evolution of 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 quality of credit portfolio or the corresponding impairments will remain at the adequate level in the future.

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

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

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

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

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

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

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

During 2022, the Group reviewed IFRS 9 provisioning by **testing a set of relevant macroeconomic scenarios** to adequately reflect the current circumstances and the related impacts in the future. The Group established and developed multiple scenarios (i.e., baseline, mild, and severe) on the level of an Expected Credit Losses (ECL) calculation. The baseline scenario presents a common forecast macroeconomic view for all countries of the Group. This scenario is constructed with the purpose to culminate various outlooks into a unified projection of macroeconomic and financial variables for the Group. This is in line with the concept that the Bank has a consolidated view on the future of economic development in SEE. The IFRS 9 baseline scenario is based on the most recent official and professional forecaster outputs, with additional specific adjustments for individual countries of the Group.

The macroeconomic rationale behind the alternative scenarios is related to a range of plausible drivers of economic development in the next three years (for the upcoming two years). The narrative for the alternative scenarios combines statistical techniques with expert knowledge as a means of the concept and validation of outputs. The Group developed both alternative scenarios through the lens of possible expected impact on the regional economic activity. In general, the mild scenario is a demand-driven optimistic scenario, where limited supply disruption factors and an active role from the central banks help to brighten the economic conditions and economic subjects' confidence. This scenario narrates stronger economic growth, while the severe scenario envisions zero real economic growth for all Group home countries. Namely, the severe one is a supply-driven pessimistic scenario, where both upside inflation risk and downside growth risk materialize. The Bank includes these scenarios in calculating expected credit losses in the context of IFRS 9.

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 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. A comprehensive review and updating of the scenario perspective should be undertaken and completed prior to the conclusion of the forthcoming quarter.

The monitoring process of the macroeconomic environment revealed that uncertainties remain high in the global economy due to the energy crisis, inflation, and the war in Ukraine. The current economic situation led to sluggish growth projections, persistent inflationary pressures, and interest rate hikes. Increased uncertainty and changes in expectations of macroeconomic development affected forecasts for some economies in the Group. Material decreases in growth projections for Slovenia and Serbia for 2023 were noticed. Hence, an executive decision was taken to adjust risk expectations using the scenario's weight. The scenario probability weighting was changed to 0%-10%-90% where severe and baseline scenarios reflect the likelihood of relevant future economic conditions for them. The likelihood of occurrence for the pessimistic scenario was derived to 90%, whereby the baseline scenario received a weight of 10%. Minor changes were also applied in other countries based on the latest available forecast. A comprehensive review and updating of the scenario perspective should be undertaken and completed prior to the conclusion of the forthcoming quarter.

The Group established a comprehensive internal **stress-testing framework** and **early warning systems** in various risk areas with built-in risk factors relevant to the Group's business model. The stress-testing framework is integrated into Risk Appetite, Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP), and the Recovery Plan to determine how severe and unexpected changes in the business and macro environment might affect the Group's capital adequacy or liquidity position. Both 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 might be used by the Group are determined by various internal policies and applied when necessary. Moreover, the selection and application of mitigation measures follows a three-layer approach, considering the feasibility analysis of the measure, its impact on the Group's business model, and the strength of the available measure.



## Outlook

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

Based on current and expected rates environment, growth outlook, strict costs control supported by IT/digital solutions, and successful implementation of the Group's strategy and initiatives, the 2023 outlook and guidance for 2025 have been revised and further improved.

The Group is further revising upwards guidance for the regular income in 2023 as a consequence of changed interest rate environment. It is expected that regular income would be around EUR 1,000 million (increase by EUR ~ 100 million versus the previous guidance). Based on the low cost of risk in the first quarter and analysis of underlying dynamics in the asset quality, the Group expects the cost of risk to be between 30 bps and 40 bps in the full year 2023, a slight improvement to the previous guidance. Accounting for higher expected regular income, stable cost guidance, slightly lower CoR guidance, the Group also raised guidance for ROE a.t. to above 14% (from the previous around 11%) and similarly ROE normalized is expected to exceed 18% (from the previous indication of ROE normalized at 14%).

During the inaugural Investor Day, which took place in May 2022, the Group communicated several KPIs for the year 2025, i.e., regular profit will exceed EUR 300 million, a EUR 100 million contribution from the Serbian market, EUR 500 million total capital return through cash dividends between 2022 and 2025, tactical M&A capacity of EUR 1.5 billion RWA, and ROE a.t. will exceed 12%. The Group remains committed to deliver on these KPIs, moreover it improved the outlook already in its Annual Report 2022 (for the regular profit to be around EUR 400 million, tactical M&A capacity to EUR 2 billion RWA, and ROE to exceed 13%) and based on market rate expectations it is improving it further (for regular profit to exceed EUR 400 million, and ROE a.t. to be around 14%). Despite indicating significantly increased tactical M&A capacity from EUR 2 to around 4 billion RWA, the outlook does not include any potential inorganic growth component.

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

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

	<b>Last Outlook for 2023</b>	<b>Revised Outlook for 2023</b>	<b>Last Outlook for 2025</b>	<b>Revised Outlook for 2025</b>
Regular income	~ EUR 900 million	~ EUR 1,000 million	> EUR 1,000 million	> EUR 1,000 million
Costs	~ EUR 490 million	~ EUR 490 million	Flat on 2023 level or below	Flat on 2023 level
Cost of risk	30-50 bps	30-40 bps	30-50 bps	30-50 bps
Loan growth	Mid single-digit	Mid single-digit	High single-digit	High single-digit
Dividends	EUR 110 million	EUR 110 million	EUR 500 million (2022-2025)	EUR 500 million (2022-2025)
ROE a.t.	~11%	>14%	> 13%	~ 14%
ROE normalized <sup>(i)</sup>	~14%	>18%	> 17%	~ 20%
Regular profit			~ EUR 400 million	> EUR 400 million
Contribution from Serbian market			> EUR 100 million	> EUR 100 million
M&A potential			Tactical M&A capacity of EUR 2 billion RWA	Tactical M&A capacity of ~ EUR 4 billion RWA

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

# Outlook 2023

## Macroeconomic

The euro area outlook rests dependent on the future course of the war in Ukraine, the speed with which inflation will subside and the calibration of the monetary policy. The latter will reduce growth in trade and exports, while fixed investment will probably decline as unit labour costs and borrowing costs jump higher. Headline inflation will fall rapidly this year due to drops in wholesale energy and food prices as well as dissipating supply chain bottlenecks. Core inflation will continue to be sticky in the short-term but should also ease going forward. It seems the only part of inflation that could rise somewhat further is services sector inflation, which could be pushed higher by rising wage costs. The economic slowdown, however, is expected to keep the overall wage growth in check, which should also reduce services sector inflation during the course of the year. That said, the EU funds allocation should support activity. Labour market should get slightly less tight due to stagnation (which should mute wage demands). The Group's region is expected to grow 1.3% in 2023 and 2.7% in 2024. The region should expand at a significantly slower pace this year. Private consumption should cool considerably amid still-elevated inflation, declining real wages and higher interest rates. Additionally, a less supportive global economic backdrop will likely weigh on the external sector. Geopolitical disputes cloud the regional outlook but are to remain regionally contained.

## Revenues

The outlook for regular income increased from the previously communicated of around EUR 900 million to around EUR 1,000 million in 2023, primarily as a consequence of changed interest rate environment. However, interest income growth is expected to be primarily driven by higher rates, loan production, and the productive use of liquid assets. Moderate growth of net fee and commission income is expected for 2023, mainly on the account of basic services, such as payments and cards, but also bancassurance and asset management products. The continued increase of digital sales activities, cross-sell, and new client acquisition should further support the growth of net fee and commission income going forward.

## Costs

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

## Loan growth and portfolio quality

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

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

The Group remains very prudent in identifying any increase in credit risk, as well as proactive in the area of NPL management. Consequently, a well-diversified and stable quality of credit portfolio is expected in 2023. Based on assessed environment, the cost of risk in 2023 is expected to be between 30 bps and 40 bps.

## Liquidity

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

**Capital and MREL**

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

Wholesale funding in 2023 will be driven by the MREL requirement. For this purpose the Bank intends to issue EUR 300-500 million new senior MREL eligible notes, most likely in green format (green notes). This will lead to the Bank comfortably meeting binding MREL requirement applicable as of 1 January 2024.

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

**Dividends**

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

In the period between 2022 and 2025, the Bank envisages a total capital return through cash dividends of EUR 500 million. Dividends in the amount of EUR 100 million were paid in 2022, while for the year 2023 the Bank anticipates a dividend payment in the amount of EUR 110 million.

**M&A opportunities**

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

## Risk Management

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

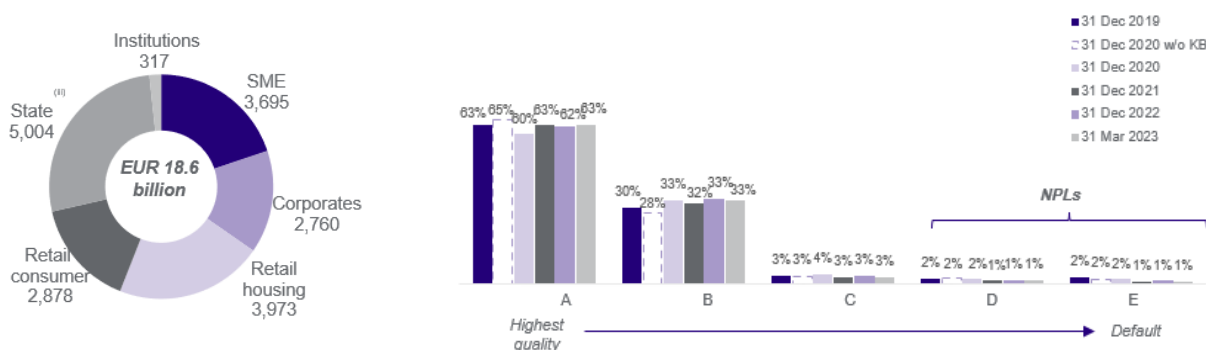
Risk Management in the Group is in charge of managing, assessing, and monitoring risks within the Bank as the main entity in Slovenia, and the competence centre for seven banking subsidiaries and three leasing companies. Management and control of risks is performed through a clear organisational structure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

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

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

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

Figure 19: NLB Group structure of the credit portfolio<sup>(i)</sup> (gross loans) by segment (in EUR millions) and rating<sup>(ii)</sup>



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

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

(iii) State includes exposures to central banks.

The current structure of credit portfolio (gross loans) consists of 36.8% retail clients, 14.8% large corporate clients, 19.8% SMEs and micro companies, while the remainder of the portfolio consists of other liquid assets. Credit portfolio remains well diversified, there is no large concentration in any specific industry or client segment. The share of retail portfolio in the whole credit portfolio is quite substantial with the segment of mortgage loans prevailing. Moderate organic loan growth is expected in 2023, with slower pace than the year before. The majority of loan portfolio refers to euro currency, while the rest originates from local currencies of the SEE banking members. In terms of interest rate type, more than 50% of the Group corporate and retail loan portfolio is linked to fixed interest rate, and the rest to floating rate (mostly to the Euribor reference rate).

Table 15: Overview of NLB Group corporate loan portfolio by industry as at 31 March 2023

Corporate sector by industry	Credit portfolio			in EUR thousands		
	NLB Group	%	Δ YTD 2023	NLB Group	%	Δ YTD 2023
Accommodation and food service activities	213,163	3%	-3,528			
Act. of extraterritorial org. and bodies	7	0%	1			
Administrative and support service activities	90,549	1%	10,757			
Agriculture, forestry and fishing	329,388	5%	3,154			
Arts, entertainment and recreation	23,537	0%	-118			
Construction industry	594,708	9%	24,957			
Education	13,507	0%	-375			
Electricity, gas, steam and air conditioning	484,388	8%	-66,150			
Finance	172,085	3%	-52,594			
Human health and social work activities	45,602	1%	-1,235			
Information and communication	301,514	5%	-13,416			
<b>Manufacturing</b>	<b>1,459,665</b>	<b>23%</b>	<b>815</b>			
Mining and quarrying	49,815	1%	-4,395			
Professional, scientific and techn. act.	193,453	3%	6,325			
Public admin., defence, compulsory social.	186,176	3%	-2,522			
Real estate activities	299,704	5%	-13,111			
Services	15,023	0%	-1,729			
Transport and storage	620,664	10%	-8,846			
Water supply	57,315	1%	5,939			
<b>Wholesale and retail trade</b>	<b>1,302,692</b>	<b>20%</b>	<b>24,720</b>			
Other	2,535	0%	1,228			
<b>Total Corporate sector</b>	<b>6,455,490</b>	<b>100%</b>	<b>-90,122</b>			

Main manufacturing activities	Credit portfolio			in EUR thousands		
	NLB Group	%	Δ YTD 2023	NLB Group	%	Δ YTD 2023
Manufacture of food products	212,228	3%	-12,100			
Manufacture of electrical equipment	197,549	3%	-5,122			
Manufacture of fabricated metal products, except machinery and equipment	192,758	3%	1,895			
Manufacture of basic metals	139,960	2%	-5,830			
Manufacture of other non-metallic mineral products	104,935	2%	-2,126			
Manufacture of motor vehicles, trailers and semi-trailers	81,722	1%	11,040			
Manufacture of machinery and equipment n.e.c.	76,138	1%	2,595			
Manufacture of rubber and plastic products	75,947	1%	2,761			
Other manufacturing activities	378,427	6%	7,700			
<b>Total manufacturing activities</b>	<b>1,459,665</b>	<b>23%</b>	<b>815</b>			

Main wholesale and retail trade activities	Credit portfolio			in EUR thousands		
	NLB Group	%	Δ YTD 2023	NLB Group	%	Δ YTD 2023
Wholesale trade, except of motor vehicles and motorcycles	728,990	11%	-3,105			
Retail trade, except of motor vehicles and motorcycles	447,349	7%	26,112			
Wholesale and retail trade and repair of motor vehicles and motorcycles	126,353	2%	1,714			
<b>Total wholesale and retail trade</b>	<b>1,302,692</b>	<b>20%</b>	<b>24,720</b>			

Figure 20: NLB Group loan portfolio by stages as at 31 March 2023

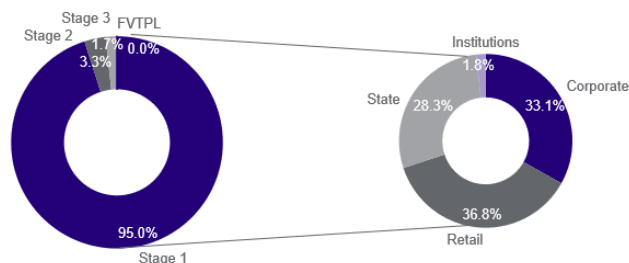


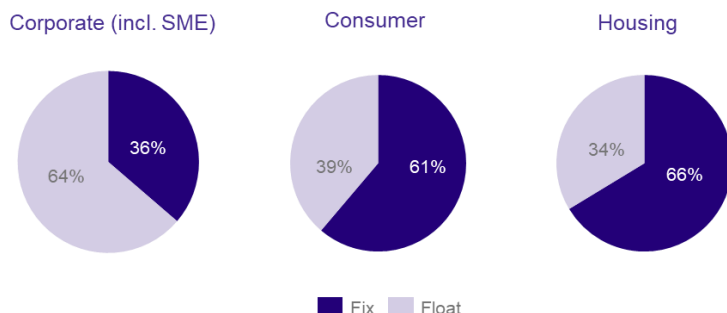
Table 16: NLB Group loan portfolio by stages as at 31 March 2023; in EUR millions

	Credit portfolio									Provisions and FV changes for credit portfolio						
	Stage 1			Stage 2			Stage 3 & FVTPL			Stage 1		Stage 2		Stage 3 & FVTPL		
	Credit portfolio	Share of Total	YTD change	Credit portfolio	Share of Total	YTD change	Credit portfolio	Share of Total	YTD change	Provision Volume	Provision Coverage	Provision Volume	Provision Coverage	Provisions & FV changes	Coverage with provisions and FV changes	
<b>Total NLB Group</b>	<b>17,701.0</b>	<b>95.0%</b>	<b>243.5</b>	<b>606.7</b>	<b>3.3%</b>	<b>-11.6</b>	<b>320.1</b>	<b>1.7%</b>	<b>-7.9</b>	<b>80.2</b>	<b>0.5%</b>	<b>38.9</b>	<b>6.4%</b>	<b>185.8</b>	<b>58.0%</b>	
o/w Corporate	5,860.8	90.8%	-59.3	402.1	6.2%	-23.6	192.6	3.0%	-7.3	51.6	0.9%	24.8	6.2%	107.2	55.7%	
o/w Retail	6,519.0	95.2%	96.1	204.6	3.0%	12.0	127.4	1.9%	-0.7	27.2	0.4%	14.1	6.9%	78.4	61.6%	
o/w State	5,004.2	100.0%	258.6	-	-	-	0.1	0.0	0.1	1.2	0.0%	-	-	0.1	98.2%	
o/w Institutions	317.0	100.0%	-51.9	-	-	-	0.1	0.0	0.1	0.1	0.0%	-	-	0.1	91.4%	

The majority of the Group's loan portfolio is classified as Stage 1 (95.0%), a relatively small portion as Stage 2 (3.3%) and Stage 3 (1.7%). The loans in stages from 1 to 3 are measured at amortized cost, while the remaining minor part (0.002%) represents fair value through profit or loss (FVTPL). Under IFRS 3 rules, all assets of NLB Komercijalna Banka, Beograd as well as N Banka were initially recognized at fair value in the Group financial statements. Respectively, all acquired loans were classified either in Stage 1 (performing portfolio) or in Stage 3 (non-performing portfolio). For Stage 3 loans special rules were applied, since they were NPLs already at initial recognition and recognized at fair value without any additional credit loss allowances.

The portfolio quality remains very stable with increasing Stage 1 exposures in corporate and retail segment and a relatively low percentage of NPLs. The percentage of Stage 1 loan portfolio remains at the same level as at 31 December 2022 (95.2%) in the retail segment, while in the corporate segment, despite the adverse economic conditions, it improved to the level of 90.8%, which is a result of a cautious lending policy.

Figure 21: NLB Group corporate and retail loan portfolio (in EUR millions) by interest rates as at 31 March 2023



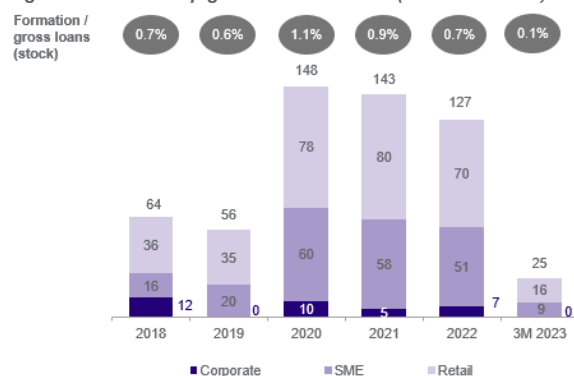
Approximately 50% of the NLB Group corporate and retail loan portfolio is linked to a fixed interest rate, and the rest to a floating rate (mostly to the Euribor reference rate). The corporate segment is dominated by floating interest rates. In the retail segment, transfer from variable to fixed interest rates continues in Q1, more than 64% of the retail loan portfolio is linked to a fixed interest rate.

The volume of exposure to corporates secured with commercial real estate (CRE) remains at 2022-year end level and amounted to EUR 2.3 billion. This category includes all exposures where CRE collateral is available regardless the loan-to-value (LTV) ratio or financing purpose. In most cases, CRE portfolio includes real estate used by the owners of the property for conducting their business, which means that CRE loans are, especially in the region for SME highly collateralised with commercial properties as backup repayment possibility, while loans are approved based on company cashflows. The biggest loans in CRE category are related to project financing, which is limited by the Group’s risk appetite and represents less than 10% of the total exposure volume in CRE category.

Uncertain macroeconomic conditions resulted in a moderately low cumulative new NPLs formation in the first three months in the amount of EUR 24.7 million, representing 0.1% of the total loan portfolio. Nevertheless, the Group’s credit portfolio remains of high quality whereby the Group follows cautious lending standards and has effective early warning systems in place.

In Q1 2023 CoR was negative at 37 bps, mainly due to the sale of Russian government bonds and a positive contribution from NPL resolution. The macroeconomic situation across the region might be further impacted by high inflation and a relatively low GDP growth. They might have some adverse impact on the cost of risk in the next period, but they should not be very excessive.

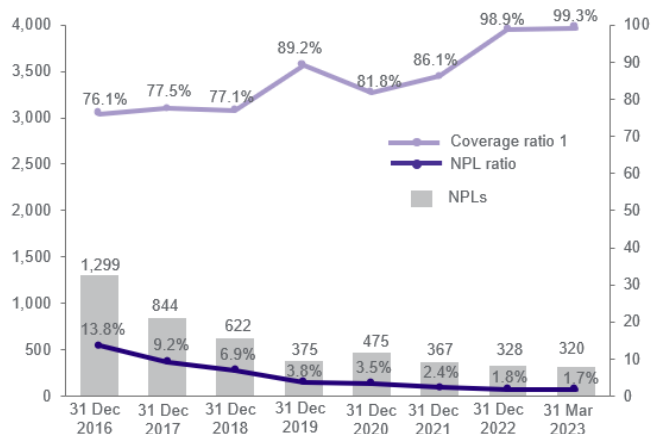
Figure 22: NLB Group gross NPL formation (in EUR millions)



Precisely set targets in the Group’s NPL Strategy and various proactive workout approaches facilitated the management of the non-performing portfolio. The Group’s approach to NPL management puts a strong emphasis on restructuring and

use of other active NPL management tools, such as sale or foreclosure of collateral, the sale of claims and pledged assets. In 2023, the multi-year declining trend of the non-performing credit portfolio stock continued, mostly due to repayments and cured clients. The non-performing credit portfolio stock in the Group decreased in comparison with the end of 2022 to EUR 320.1 million (2022 YE: EUR 328.3 million). The combined result of all the effects resulted in 1.7% of NPLs, while the internationally more comparable NPE ratio, based on the EBA methodology, stood at 1.3%. The Group's indicator gross NPL ratio, defined by the EBA, remained at 2022 year-end level, reaching 2.4% at the end of Q1 2023.

Figure 23: NLB Group NPL, NPL ratio and Coverage ratio<sup>(i)</sup>



(i) By internal definition.

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

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

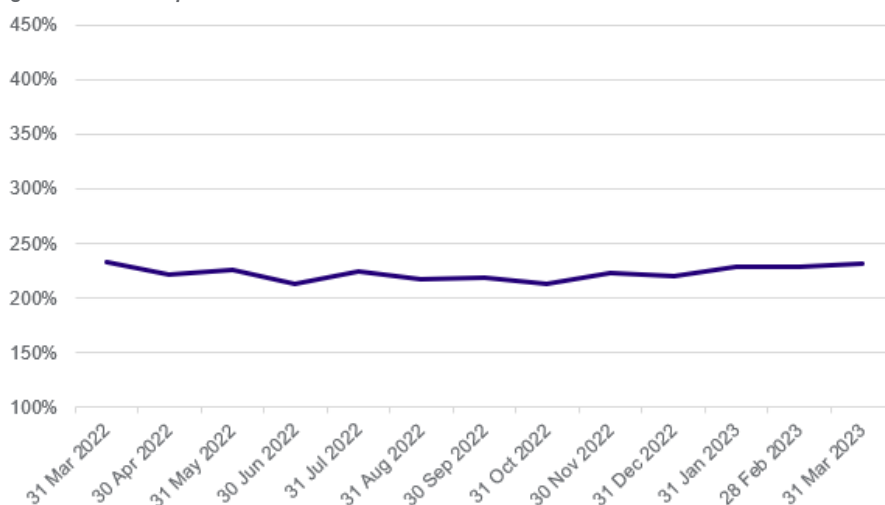
An important Group's strength is the NPL coverage ratio 1 (coverage of gross NPLs with impairments for all loans), which remains high at 99.3%. Furthermore, the Group's NPL coverage ratio 2 (coverage of gross NPLs with impairments for NPL) stands at 58.0%, which is well above the EU average as published by the EBA (43.4% for December 2022). As such, it enables a further reduction in NPLs without significantly influencing the cost of risk in the coming years.

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

The liquidity position of the Group remained stable. The impacts of the war in Ukraine, its overall economic implication and recent developments in the banking system did not cause any material liquidity outflows. The Group holds a very strong liquidity position at the Group and individual subsidiary bank level, which is well above the risk appetite with the Liquidity Coverage Ratio (LCR) of 231.3% and unencumbered eligible reserves in the amount of EUR 9,113.6 million, mostly in the form of placements at the ECB and prime debt securities. Significant attention is given to the structure and concentration of liquidity reserves by incorporating early warning systems. The main funding base of the Group at the

Group and individual subsidiary bank level predominately entails customer deposits, namely in the retail segment, representing a very stable and constantly growing base. A very comfortable level of LTD at 66.6% gives the Group the potential for further customer loan placements.

Figure 24: NLB Group's LCR



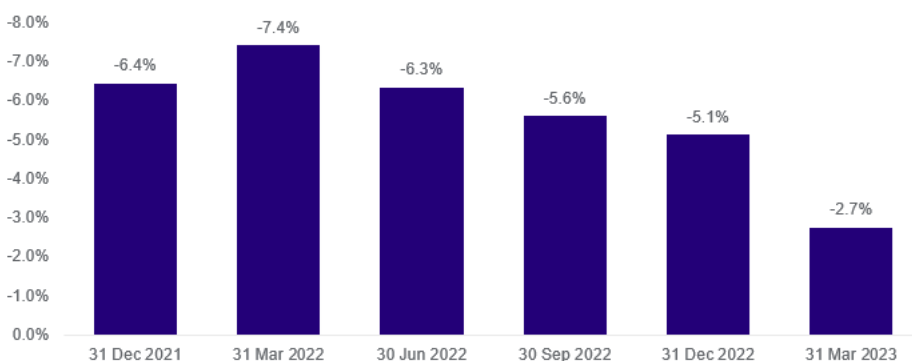
The Group's net open FX position from the transactional risk is at a low level, at the end of Q1 2023 it stood at 0.81% of capital. On the other hand, structural FX positions, recognized in the other comprehensive income (OCI) on the consolidated basis, arising from investments into Group's non-euro subsidiaries, are impacting the Group's RWA for market risk.

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

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

In Q1 2023 the exposure to interest rate risk decreased as a result of implementation of new methodology for core deposits and stable capital in the parent bank. For Group, the worst-case regulatory scenario is in the case of a parallel shock of IR by + 200 bps. From the EVE perspective, the estimated capital sensitivity equals -2.7% of the Group's T1 capital.

Figure 25: NLB Group's EVE evolution



In the area of operational risk management, where the Group has established robust operational risk culture, the main qualitative activities refer to the reporting of loss events and identification, assessment, and management of operational



risks. On this basis, constant improvements of control activities, processes, and/or organisation are performed. Besides that, the Group also focuses on proactive mitigation, prevention, and minimisation of potential damage.

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

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

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

# Sustainability

In 2023, the Group continues to implement its sustainability agenda in all three pillars of the Sustainability Framework.

In the **Sustainable Financing Pillar**, the primary focus is on development and implementation of net-zero business strategy and measurement of portfolio emissions. First targets related to reducing its footprint in carbon-intensive industries will be published by the end of 2023. The Group continues to incorporate environmental, social, and governance risks into its business strategies, risk management framework, and internal governance in accordance with the ECB and European Banking Authority (EBA) guidelines and best banking practices. The Group aims to improve its ESG rating and will finalize the implementation of the EBRD environmental and social performance requirements in its business model. The Group will continue to support its clients in their green transition – fine tuning its products and expanding its green financing.

In the **Sustainable Operations Pillar**, the Group continues to disclose all relevant ESG data and further implement the EU Taxonomy, the Bank will further strengthen sustainability-related governance by standardisation of sustainability throughout the Group, developing comprehensive ESG policy, targets and action plans, in accordance with regulations, regular internal audit recommendations, and best international ESG practice. The Group will continue to reduce its operational carbon footprint, in particular by implementing energy efficiency and energy resources management. The Group will also upgrade all relevant internal acts for the inclusion of the ESG criteria in the supply chain. After signing the Commitment to Respect Human Rights in Business in January 2023, a comprehensive Human Rights Management System will be prepared and implemented in the Group by the end of 2023. The Bank will continue to enable regular sustainability trainings to all its employees and new activities related to the well-being of employees and in line with the Full Family Friendly Company certificate.

In the **Contribution to Society Pillar**, the Group continues with its contributions to local communities, as well as sponsorship and donations which follow the UN Sustainable Development Goals. To raise the level of awareness about sustainability among employees, the second NLB Group Sustainability Day will be organized.

## Related-Party Transactions

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

# Corporate Governance

## Management Board

The Management Board of the Bank leads, represents, and acts on behalf of the Bank, independently and at its own discretion, as provided for by the law and the Bank's Articles of Association. In accordance with the Articles of Association, the Management Board has three to seven members (the president and up to six members), appointed and dismissed by the Supervisory Board. The president and members of the Management Board are appointed for a five-year term of office and may be reappointed or dismissed early in accordance with the law and Articles of Association.

There were no changes in the composition of the Management Board in Q1 2023.

## Supervisory Board

The Supervisory Board of the Bank carries out its tasks in compliance with the provisions of the laws governing the operations of banks and companies, as well as the Articles of Association of the Bank. In accordance with the two-tier governance system and the authorizations for supervising the Management Board, the Supervisory Board is, among other tasks, responsible for: issuing approvals to the Management Board in relation to the Bank's business policy and financial plan, the strategy of the Bank and the Group, organizing the internal control system, drafting an audit plan of the Internal Audit, all financial transactions (e.g. issuing of own securities, and equity stakes in companies and other legal entities), and supervising the performance of the Internal Audit.

At the meeting dated 23 February 2023 the Supervisory Board adopted NLB Group Unaudited Financial Results 2022.

There were no changes in the composition of the Supervisory Board in Q1 2023.

## General Meeting

The shareholders exercise their rights related to the Bank's operations at General Meetings of the Bank. General Meeting adopts decisions in accordance with the legislation and the Bank's Articles of Association. The authorizations of the General Meeting are stipulated in the Companies Act, Banking Act, and Articles of Association of the Bank. Decisions adopted by the General Meeting include, among others: adopt and amend the Articles of Association, use of distributable profit, grant a discharge from liability to the Management and Supervisory Board, changes to the Bank's share capital, appoint and discharge members of the Supervisory Board, remuneration and profit-sharing by the members of the Supervisory and Management Board and employees, annual schedules, and characteristics of issues of securities convertible into shares and equity securities of the Bank.

No General Meeting was summoned nor held in Q1 2023.

## Guidelines on Disclosure for Listed Companies

In accordance with Section 2.1.3, Point 2, of the Guidelines on Disclosure for Listed Companies, the Bank hereby states that there were no changes in Q1 2023 in the Management Board of the Bank, as well as in the Internal Audit of the Bank.

## **Events after 31 March 2023**

On 14 April acquisition agreement concluded on 16 November 2022 between the acquiring company NLB and the acquired company N Banka was submitted to the court registry of the District Court in Ljubljana.

# Alternative Performance Indicators

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

**Cost of risk<sup>(iii)</sup>** - Calculated as the ratio between credit impairments and provisions annualized from the income statement and average net loans to customers.

NLB Group					
	1-3 2023	1-12 2022	1-9 2022	1-6 2022	1-3 2022
Numerator					
Credit impairments and provisions <sup>(i)</sup>	-48.7	17.6	-15.3	-6.7	-18.9
Denominator					
Average net loans to customers <sup>(ii)</sup>	13,087.6	12,256.6	12,012.6	11,649.5	11,022.0
<b>Cost of risk (bps)</b>	<b>-37</b>	<b>14</b>	<b>-13</b>	<b>-6</b>	<b>-17</b>

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

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

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

**Cost to income ratio (CIR)<sup>(i)</sup>** - Indicator of cost efficiency, calculated as the ratio between total costs and total net operating income.

in EUR millions					
NLB Group					
	1-3 2023	1-12 2022	1-9 2022	1-6 2022	1-3 2022
Numerator					
Total costs	117.1	460.3	332.6	218.7	102.7
Denominator					
Total net operating income	241.9	798.5	563.7	358.1	164.8
<b>Cost to income ratio (CIR)</b>	<b>48.4%</b>	<b>57.6%</b>	<b>59.0%</b>	<b>61.1%</b>	<b>62.3%</b>

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

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

IFRS 9 classification into stages for loan portfolio:

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

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

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

Loan portfolio includes loans to banks, loans to other customers, loans mandatorily measured at FVTPL and balances with central banks and other banks. The majority of loan portfolio is classified into IFRS 9 stages. The remaining minor part (0.002 per cent at the end of Q1 2023) represents FVTPL. The classification into stages is calculated on the internal data source, by which the Group measures the loan portfolio quality, and is also published in Business Report of Annual and Interim Reports.

## NLB Group Interim Report Q1 2023

in EUR millions		
	NLB Group	NLB Group (w/o N Banka)
	31 Mar 2023	31 Mar 2023
Numerator		
Total (AC) loans in Stage 1	17,701.0	16,685.4
Denominator		
Total gross loans	18,627.9	17,525.9
<b>IFRS 9 classification into Stage 1</b>	<b>95.0%</b>	<b>95.2%</b>

in EUR millions		
	NLB Group	NLB Group (w/o N Banka)
	31 Mar 2023	31 Mar 2023
Numerator		
Total (AC) loans in Stage 2	606.7	544.7
Denominator		
Total gross loans	18,627.9	17,525.9
<b>IFRS 9 classification into Stage 2</b>	<b>3.3%</b>	<b>3.1%</b>

in EUR millions		
	NLB Group	NLB Group (w/o N Banka)
	31 Mar 2023	31 Mar 2023
Numerator		
Total (AC + FVTPL) loans in Stage 3	320.1	295.8
Denominator		
Total gross loans	18,627.9	17,525.9
<b>IFRS 9 classification into Stage 3</b>	<b>1.7%</b>	<b>1.7%</b>

in EUR millions		
	NLB Group	NLB Group (w/o N Banka)
	31 Mar 2023	31 Mar 2023
Numerator		
Total (AC) loans in Stage 1 to Corporates	5,860.8	5,379.6
Denominator		
Total gross loans to Corporates	6,455.5	5,908.3
<b>Corporates - IFRS 9 classification into Stage 1</b>	<b>90.8%</b>	<b>91.1%</b>

in EUR millions		
	NLB Group	NLB Group (w/o N Banka)
	31 Mar 2023	31 Mar 2023
Numerator		
Total (AC) loans in Stage 2 to Corporates	402.1	353.1
Denominator		
Total gross loans to Corporates	6,455.5	5,908.3
<b>Corporates - IFRS 9 classification into Stage 2</b>	<b>6.2%</b>	<b>6.0%</b>

in EUR millions		
	NLB Group	NLB Group (w/o N Banka)
	31 Mar 2023	31 Mar 2023
Numerator		
Total (AC & FVTPL) loans in Stage 3 to Corporates	192.6	175.5
Denominator		
Total gross loans to Corporates	6,455.5	5,908.3
<b>Corporates - IFRS 9 classification into Stage 3</b>	<b>3.0%</b>	<b>3.0%</b>

in EUR millions		
	NLB Group	NLB Group (w/o N Banka)
	31 Mar 2023	31 Mar 2023
Numerator		
Total (AC) loans in Stage 1 to Retail	6,519.0	6,194.5
Denominator		
Total gross loans to Retail	6,851.0	6,506.2
<b>Retail - IFRS 9 classification into Stage 1</b>	<b>95.2%</b>	<b>95.2%</b>

in EUR millions		
	NLB Group	NLB Group (w/o N Banka)
	31 Mar 2023	31 Mar 2023
Numerator		
Total (AC) loans in Stage 2 to Retail	204.6	191.6
Denominator		
Total gross loans to Retail	6,851.0	6,506.2
<b>Retail - IFRS 9 classification into Stage 2</b>	<b>3.0%</b>	<b>2.9%</b>

in EUR millions		
	NLB Group	NLB Group (w/o N Banka)
	31 Mar 2023	31 Mar 2023
Numerator		
Total (AC) loans in Stage 3 to Retail	127.4	120.2
Denominator		
Total gross loans to Retail	6,851.0	6,506.2
<b>Retail - IFRS 9 classification into Stage 3</b>	<b>1.9%</b>	<b>1.8%</b>

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

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

													in EUR millions	
													NLB Group	
	31 Mar 2023	28 Feb 2023	31 Jan 2023	31 Dec 2022	30 Nov 2022	31 Oct 2022	30 Sep 2022	31 Aug 2022	31 Jul 2022	30 Jun 2022	31 May 2022	30 Apr 2022	31 Mar 2022	
Numerator														
Stock of HQLA	6,131.6	6,093.1	6,069.0	6,028.3	5,836.6	5,505.7	5,772.1	5,577.4	5,612.1	5,325.3	5,712.1	5,636.4	5,690.4	
Denominator														
Net liquidity outflow	2,651.4	2,663.4	2,649.8	2,736.6	2,612.2	2,587.4	2,641.3	2,568.0	2,498.5	2,499.6	2,524.2	2,548.1	2,439.6	
<b>LCR</b>	<b>231.3%</b>	<b>228.8%</b>	<b>229.0%</b>	<b>220.3%</b>	<b>223.4%</b>	<b>212.8%</b>	<b>218.5%</b>	<b>217.2%</b>	<b>224.6%</b>	<b>213.0%</b>	<b>226.3%</b>	<b>221.2%</b>	<b>233.3%</b>	

Based on the EC's Delegated Act on LCR.

**Net loan to deposit ratio (LTD)** - Calculated as the ratio between net loans to customers and deposits from customers. There is no regulatory LTD limit, however the aim of this measure is to restrict extensive growth of the loan portfolio.

				in EUR millions	
				NLB Group	
	31 Mar 2023	31 Dec 2022	31 Mar 2022		
Numerator					
Net loans to customers	13,137.7	13,073.0	12,108.7		
Denominator					
Deposits from customers	19,732.0	20,027.7	18,525.8		
<b>Net loan to deposit ratio (LTD)</b>	<b>66.6%</b>	<b>65.3%</b>	<b>65.4%</b>		



**Net interest margin on the basis of interest-bearing assets (cumulative)** - Calculated as the ratio between net interest income annualized and average interest-bearing assets.

in EUR millions					
NLB Group					
	1-3 2023	1-12 2022	1-9 2022	1-6 2022	1-3 2022
Numerator					
Net interest income <sup>(i)</sup>	725.8	504.9	472.1	456.5	437.2
Denominator					
Average interest bearing assets <sup>(ii)</sup>	23,106.7	21,988.4	21,740.5	21,497.5	21,087.6
<b>Net interest margin on interest-bearing assets</b>	<b>3.14%</b>	<b>2.30%</b>	<b>2.17%</b>	<b>2.12%</b>	<b>2.07%</b>

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

(ii) NLB internal information. Average interest-bearing assets for the Group are calculated as the sum of balance from the previous year end (31 December) and monthly balances of the last day of each month from January to the reporting month t divided by (t+1).

**Net interest margin on the basis of interest-bearing assets (quarterly)** - Calculated as the ratio between net interest income annualized and average interest-bearing assets.

in EUR millions					
NLB Group					
	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Numerator					
Net interest income <sup>(i)</sup>	725.8	602.4	502.7	475.6	437.2
Denominator					
Average interest bearing assets <sup>(ii)</sup>	23,106.7	22,730.4	22,155.9	22,045.9	21,087.6
<b>Net interest margin on interest-bearing assets (quarterly)</b>	<b>3.14%</b>	<b>2.65%</b>	<b>2.27%</b>	<b>2.16%</b>	<b>2.07%</b>

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

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

**Net interest margin on total assets** - Calculated as the ratio between net interest income annualized and average total assets.

in EUR millions		
NLB Group		
	1-3 2023	1-3 2022
Numerator		
Net interest income <sup>(i)</sup>	725.8	437.2
Denominator		
Average total assets <sup>(ii)</sup>	24,049.9	22,006.7
<b>Net interest margin on total assets</b>	<b>3.02%</b>	<b>1.99%</b>

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

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

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

**NPE (EBA def) per cent.** (on-balance and off-balance) / Classified on-balance and off-balance exposures - NPE per cent. in accordance with the EBA methodology: NPE as a percentage of all exposures to clients in Finrep18, before deduction of allowances for the expected credit losses; ratio in gross terms.

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

Below presented calculations are based on internal data sources.

in EUR millions						
NLB Group						
	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
Numerator						
Total Non-Performing on-balance and off-balance Exposure in Finrep18	354.9	373.6	397.6	418.5	415.8	415.5
Denominator						
Total on-balance and off-balance exposures in Finrep18	28,119.8	28,133.2	27,097.5	26,182.7	26,339.2	24,328.0
<b>NPE (EBA def.) per cent.</b>	<b>1.3%</b>	<b>1.3%</b>	<b>1.5%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.7%</b>

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

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

		in EUR millions							
		NLB Group							
	31 Mar 2023	31 Dec 2022	31 Mar 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	
Numerator									
Total Non-Performing Loans	320.1	328.3	377.6	367.4	474.7	374.7	622.3	844.5	
Denominator									
Total gross loans	18,627.9	18,403.9	16,937.1	15,541.8	13,686.6	9,793.5	9,017.2	9,130.4	
<b>NPL per cent.</b>	<b>1.7%</b>	<b>1.8%</b>	<b>2.2%</b>	<b>2.4%</b>	<b>3.5%</b>	<b>3.8%</b>	<b>6.9%</b>	<b>9.2%</b>	

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

		in EUR millions							
		NLB Group							
	31 Mar 2023	31 Dec 2022	31 Mar 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	
Numerator									
Loan loss allowances entire loan portfolio	317.8	324.8	327.1	316.5	388.4	334.2	479.6	654.8	
Denominator									
Total Non-Performing Loans	320.1	328.3	377.6	367.4	474.7	374.7	622.3	844.5	
<b>NPL coverage ratio 1 (NPL CR 1)</b>	<b>99.3%</b>	<b>98.9%</b>	<b>86.6%</b>	<b>86.1%</b>	<b>81.8%</b>	<b>89.2%</b>	<b>77.1%</b>	<b>77.5%</b>	

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

in EUR millions			
NLB Group			
	31 Mar 2023	31 Dec 2022	31 Mar 2022
Numerator			
Loan loss allowances non-performing loan portfolio	185.8	187.4	214.4
Denominator			
Total Non-Performing Loans	320.1	328.3	377.6
<b>NPL coverage ratio 2 (NPL CR 2)</b>	<b>58.0%</b>	<b>57.1%</b>	<b>56.8%</b>

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

in EUR millions			
NLB Group			
	31 Mar 2023	31 Dec 2022	31 Mar 2022
Numerator			
Net volume of non-performing loans	134.3	140.9	163.3
Denominator			
Total Net Loans	18,310.0	18,079.1	16,610.1
<b>Net NPL ratio per cent. (%Net NPL)</b>	<b>0.7%</b>	<b>0.8%</b>	<b>1.0%</b>

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

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

in EUR millions			
NLB Group			
	31 Mar 2023	31 Dec 2022	31 Mar 2022
Numerator			
Gross volume of Non-Performing Loans and advances w ithout loans held for sale, cash balances at CBs and other demand deposits	329.3	337.2	385.5
Denominator			
Gross volume of Loans and advances in Finrep18 w ithout loans held for sale, cash balances at CBs and other demand deposits	13,906.4	13,796.0	12,716.9
<b>NPL ratio (EBA def.) per cent.</b>	<b>2.4%</b>	<b>2.4%</b>	<b>3.0%</b>

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

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

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

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

in EUR millions					
NLB Group					
	1-3 2023	1-12 2022	1-9 2022	1-6 2022	1-3 2022
Numerator					
Operational business net income <sup>(i)</sup>	1,054.7	820.0	787.0	763.1	730.7
Denominator					
Average total assets <sup>(ii)</sup>	24,049.9	22,975.9	22,722.0	22,458.6	22,006.7
<b>OBM (cumulative)</b>	<b>4.39%</b>	<b>3.57%</b>	<b>3.46%</b>	<b>3.40%</b>	<b>3.32%</b>

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

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

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

in EUR millions					
NLB Group					
	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Numerator					
Operational business net income <sup>(i)</sup>	1,054.7	917.9	834.0	795.1	730.7
Denominator					
Average total assets <sup>(ii)</sup>	24,049.9	23,740.9	23,185.2	23,050.6	22,006.7
<b>OBM (quarterly)</b>	<b>4.39%</b>	<b>3.87%</b>	<b>3.60%</b>	<b>3.45%</b>	<b>3.32%</b>

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

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

**Return on equity after tax (ROE a.t.)<sup>(iii)</sup>** - Calculated as the ratio between result after tax annualized and average equity.

in EUR millions					
NLB Group					
	1-3 2023	1-12 2022	1-9 2022	1-6 2022	1-3 2022
Numerator					
Result after tax <sup>(i)</sup>	480.6	274.0	275.7	235.6	217.6
Denominator					
Average equity <sup>(ii)</sup>	2,436.5	2,248.7	2,209.5	2,172.4	2,122.6
<b>ROE a.t.</b>	<b>19.7%</b>	<b>12.2%</b>	<b>12.5%</b>	<b>10.8%</b>	<b>10.3%</b>

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

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

(iii) ROE a.t. for 2022 calculated without effects of negative goodwill from acquisition of N Banka and effects of EUR 8.9 million of 12-month expected credit losses recognised at acquisition date for performing portfolio for N Banka not annualized. In 2023 the Bank changed the recognition of obligation for regulatory expenses, data for 1-3 2022 are adjusted (more information in Note 2.2. of Unaudited Condensed Interim Financial Statements of NLB Group and NLB).

**Return on assets (ROA a.t.)<sup>(iii)</sup>** - Calculated as the ratio between the result after tax annualized and average total assets.

in EUR millions		
NLB Group		
	1-3 2023	1-3 2022
Numerator		
Result after tax <sup>(i)</sup>	480.6	217.6
Denominator		
Average total assets <sup>(ii)</sup>	24,049.9	22,006.7
<b>ROA a.t.</b>	<b>2.0%</b>	<b>1.0%</b>

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

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

(iii) ROA a.t. for 2022 calculated without effects of negative goodwill from acquisition of N Banka and effects of EUR 8.9 million of 12-month expected credit losses recognised at acquisition date for performing portfolio for N Banka not annualized. In 2023 the Bank changed the recognition of obligation for regulatory expenses, data for 1-3 2022 are adjusted (more information in Note 2.2. of Unaudited Condensed Interim Financial Statements of NLB Group and NLB).

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

in EUR millions								
NLB Group								
(in EUR million and %)	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021
Numerator								
Total capital (Own funds)	2,765.2	2,806.4	2,369.6	2,336.2	2,194.0	2,252.5	2,200.6	2,172.4
Denominator								
Total risk exposure Amount (Total RWA)	14,622.3	14,653.1	14,283.7	14,172.5	13,843.4	12,667.4	12,824.4	12,755.6
<b>Total capital ratio</b>	<b>18.9%</b>	<b>19.2%</b>	<b>16.6%</b>	<b>16.5%</b>	<b>15.8%</b>	<b>17.8%</b>	<b>17.2%</b>	<b>17.0%</b>

in EUR millions	
NLB	
	31 Mar 2023
Numerator	
Total capital (Own funds)	1,979.5
Denominator	
Total risk exposure Amount (Total RWA)	7,934.8
<b>Total capital ratio</b>	<b>24.9%</b>

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

Table 17: Unaudited Condensed Income Statement of NLB Group for period ended 31 March 2023

Business report	in EUR millions	Financial report	in EUR thousands	Notes
Net interest income	179.0	Interest and similar income	207,009	4.1.
		Interest and similar expenses	(28,040)	4.1.
Net fee and commission income	66.1	Fee and commission income	91,685	4.3.
		Fee and commission expenses	(25,580)	4.3.
Dividend income	0.0	Dividend income	49	4.2.
		Gains less losses from financial assets and liabilities not measured at fair value through profit or loss	(781)	4.4.
		Gains less losses from financial assets and liabilities held for trading	5,929	4.5.
Net income from financial transactions	8.9	Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	577	4.6.
		Gains less losses from financial liabilities measured at fair value through profit or loss	(283)	
		Fair value adjustments in hedge accounting	(64)	
		Foreign exchange translation gains less losses	3,654	
		Gains less losses from modification of financial assets	(138)	
Net other income	(12.1)	Gains less losses on derecognition of non-financial assets	(794)	
		Other net operating income	2,206	4.7.
		Cash contributions to resolution funds and deposit guarantee schemes	(18,182)	4.9.
		Gains less losses from non-current assets held for sale	4,673	4.14.
Net non-interest income	63.0		62,951	
<b>Total net operating income</b>	<b>241.9</b>		<b>241,920</b>	
Employee costs	(66.8)			
Other general and administrative expenses	(38.7)	Administrative expenses	(105,458)	4.8.
Depreciation and amortisation	(11.7)	Depreciation and amortisation	(11,654)	4.10.
<b>Total costs</b>	<b>(117.1)</b>		<b>(117,112)</b>	
<b>Result before impairments and provisions</b>	<b>124.8</b>		<b>124,808</b>	
Impairments and provisions for credit risk	18.4	Provisions for credit losses	2,183	4.11.
		Impairment of financial assets	16,187	4.12.
Other impairments and provisions	(6.0)	Provisions for other liabilities and charges	(5,927)	4.11.
		Impairment of non-financial assets	(38)	4.12.
Impairments and provisions	12.4		12,405	
Gains less losses from capital investment in subsidiaries, associates, and joint ventures	0.3	Share of profit from investments in associates and joint ventures (accounted for using the equity method)	307	
<b>Result before tax</b>	<b>137.5</b>	<b>Profit before income tax</b>	<b>137,520</b>	
Income tax	(13.9)	Income tax	(13,942)	4.15.
Result of non-controlling interests	3.4	Attributable to non-controlling interests	3,437	
<b>Result after tax</b>	<b>120.1</b>	<b>Attributable to owners of the parent</b>	<b>120,141</b>	



Table 18: Unaudited Condensed Statement of Financial Position of NLB Group as at 31 March 2023

Business report	in EUR millions	Financial report	in EUR thousands	Notes
<b>ASSETS</b>				
Cash, cash balances at central banks, and other demand deposits at banks	5,304.3	Cash, cash balances at central banks, and other demand deposits at banks	5,304,300	5.1.
Loans to banks	329.1	Financial assets measured at amortised cost - loans and advances to banks	329,112	5.5.b)
Net loans to customers	13,137.7	Financial assets measured at amortised cost - loans and advances to customers	13,137,662	5.5.c)
Financial assets	4,582.5		4,582,537	
- Trading book	19.3	Financial assets held for trading	19,262	5.2.a)
		Non-trading financial assets mandatorily at fair value through profit or loss - part (without loans)	19,385	5.3.
- Non-trading book	4,563.3	Financial assets measured at fair value through other comprehensive income	2,551,235	5.4.
		Financial assets measured at amortised cost - debt securities	1,992,655	5.5.a)
Investments in subsidiaries, associates, and joint ventures	12.0	Investments in associates and joint ventures	11,985	
Property and equipment	252.1	Property and equipment	252,086	5.7.
Investment property	35.3	Investment property	35,317	5.8.
Intangible assets	56.9	Intangible assets	56,907	
		Financial assets measured at amortised cost - other financial assets	123,930	5.5.d)
		Derivatives - hedge accounting	54,593	
Other assets	301.9	Fair value changes of the hedged items in portfolio hedge of interest rate risk	(21,508)	
		Current income tax assets	995	
		Deferred income tax assets	52,757	5.13.
		Other assets	82,005	5.9.
		Non-current assets held for sale	9,092	5.6.
<b>TOTAL ASSETS</b>	<b>24,011.8</b>	<b>Total assets</b>	<b>24,011,770</b>	
<b>LIABILITIES</b>				
Deposits from customers	19,732.0	Financial liabilities measured at amortised cost - due to customers	19,732,023	5.11.
Deposits from banks and central banks	107.4	Financial liabilities measured at amortised cost - deposits from banks and central banks	107,425	5.11.
		Financial liabilities measured at amortised cost - borrowings from banks and central banks	201,025	5.11.
Borrowings	279.9	Financial liabilities measured at amortised cost - borrowings from other customers	78,896	5.11.
Subordinated debt securities	513.2	Financial liabilities measured at amortised cost -		
Other debt securities in issue	311.7	debt securities issue	824,915	5.11.
		Financial liabilities held for trading	19,086	5.2.b)
		Financial liabilities measured at fair value through profit or loss	2,093	5.3.
Other liabilities	499.6	Financial liabilities measured at amortised cost - other financial liabilities	282,462	5.11.c)
		Derivatives - hedge accounting	2,467	
		Provisions	122,641	5.12.
		Current income tax liabilities	16,526	
		Deferred income tax liabilities	2,604	5.13.
		Other liabilities	51,748	5.15.
Equity	2,507.6	Equity and reserves attributable to owners of the parent	2,507,596	
Non-controlling interests	60.3	Non-controlling interests	60,263	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>24,011.8</b>	<b>Total liabilities and equity</b>	<b>24,011,770</b>	



# **Unaudited Condensed Interim Financial Statements of NLB Group and NLB**

**as at 31 March 2023**

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

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# Condensed income statement for the period ended 31 March

	in EUR thousands				
	NLB Group		NLB		
	three months ended		three months ended		
	March 2023	March 2022	March 2023	March 2022	
Notes	unaudited	unaudited	unaudited	unaudited	
Interest income calculated using the effective interest method		204,526	119,978	92,746	44,855
Other interest and similar income		2,483	3,043	2,714	2,849
Interest and similar income	4.1.	207,009	123,021	95,460	47,704
Interest expenses calculated using the effective interest method		(26,269)	(7,673)	(20,519)	(3,439)
Other interest and similar expenses		(1,771)	(7,550)	(1,541)	(6,374)
Interest and similar expenses	4.1.	(28,040)	(15,223)	(22,060)	(9,813)
<b>Net interest income</b>		<b>178,969</b>	<b>107,798</b>	<b>73,400</b>	<b>37,891</b>
Dividend income	4.2.	49	41	8,414	9,471
Fee and commission income	4.3.	91,685	88,632	39,549	40,449
Fee and commission expenses	4.3.	(25,580)	(24,101)	(8,634)	(8,672)
<b>Net fee and commission income</b>		<b>66,105</b>	<b>64,531</b>	<b>30,915</b>	<b>31,777</b>
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss	4.4.	(781)	(1,746)	(788)	(1,050)
Gains less losses from financial assets and liabilities held for trading	4.5.	5,929	7,709	1,490	3,312
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	4.6.	577	(222)	478	155
Gains less losses from financial liabilities measured at fair value through profit or loss		(283)	-	(144)	-
Fair value adjustments in hedge accounting		(64)	19	(43)	19
Foreign exchange translation gains less losses		3,654	(588)	2,217	(1,360)
Gains less losses on derecognition of non-financial assets		(794)	720	22	52
Other net operating income	4.7.	2,206	2,974	1,694	(1,757)
Administrative expenses	4.8.	(105,458)	(91,191)	(49,090)	(41,952)
Cash contributions to resolution funds and deposit guarantee schemes	4.9.	(18,182)	(16,461)	(9,713)	(9,713)
Depreciation and amortisation	4.10.	(11,654)	(11,514)	(4,182)	(4,314)
Gains less losses from modification of financial assets		(138)	(6)	-	-
Provisions for credit losses	4.11.	2,183	760	1,074	524
Provisions for other liabilities and charges	4.11.	(5,927)	(363)	(5,741)	-
Impairment of financial assets	4.12.	16,187	(4,787)	3,625	253
Impairment of non-financial assets	4.12.	(38)	7	-	-
Negative goodwill	4.13.	-	172,810	-	-
Share of profit from investments in associates and joint ventures (accounted for using the equity method)		307	610	-	-
Gains less losses from non-current assets held for sale	4.14.	4,673	13	188	10
<b>Profit before income tax</b>		<b>137,520</b>	<b>231,114</b>	<b>53,816</b>	<b>23,318</b>
Income tax	4.15.	(13,942)	(5,202)	(2,576)	(371)
<b>Profit for the period</b>		<b>123,578</b>	<b>225,912</b>	<b>51,240</b>	<b>22,947</b>
Attributable to owners of the parent		120,141	221,810	51,240	22,947
Attributable to non-controlling interests		3,437	4,102	-	-
Earnings per share/diluted earnings per share (in EUR per share)		6.01	11.09	2.56	1.15

## Condensed statement of comprehensive income for the period ended 31 March

	in EUR thousands				
	NLB Group		NLB		
	three months ended		three months ended		
	March 2023	March 2022	March 2023	March 2022	
Notes	unaudited	unaudited	unaudited	unaudited	
Net profit for the period after tax		123,578	225,912	51,240	22,947
Other comprehensive income after tax		21,956	(56,724)	9,201	(40,015)
<i>Items that will not be reclassified to income statement</i>					
Fair value changes of equity instruments measured at fair value through other comprehensive income		1,483	(89)	284	(761)
Income tax relating to components of other comprehensive income	5.14.	(220)	55	(54)	145
<i>Items that have been or may be reclassified subsequently to income statement</i>					
Foreign currency translation		1,843	984	-	-
Translation gains/(losses) taken to equity		1,843	984	-	-
Debt instruments measured at fair value through other comprehensive income		19,484	(61,727)	7,805	(40,677)
Valuation gains/(losses) taken to equity		23,970	(64,241)	11,638	(41,980)
Transferred to income statement		(4,486)	2,514	(3,833)	1,303
Income tax relating to components of other comprehensive income	5.14.	(634)	4,053	1,166	1,278
<b>Total comprehensive income for the period after tax</b>		<b>145,534</b>	<b>169,188</b>	<b>60,441</b>	<b>(17,068)</b>
Attributable to owners of the parent		142,003	166,528	60,441	(17,068)
Attributable to non-controlling interests		3,531	2,660	-	-

# Condensed statement of financial position as at 31 March and as at 31 December

	Notes	in EUR thousands			
		NLB Group		NLB	
		31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022
		unaudited	audited	unaudited	audited
Cash, cash balances at central banks, and other demand deposits at banks	5.1.	5,304,300	5,271,365	3,477,634	3,339,024
Financial assets held for trading	5.2.a)	19,262	21,588	20,208	21,692
Non-trading financial assets mandatorily at fair value through profit or loss	5.3.	19,385	19,031	15,964	15,411
Financial assets measured at fair value through other comprehensive income	5.4.	2,551,235	2,919,203	1,174,071	1,334,061
Financial assets measured at amortised cost					
- debt securities	5.5.a)	1,992,655	1,917,615	1,674,975	1,597,448
- loans and advances to banks	5.5.b)	329,112	222,965	328,060	350,625
- loans and advances to customers	5.5.c)	13,137,662	13,072,986	6,026,442	6,054,413
- other financial assets	5.5.d)	123,930	177,823	77,903	114,399
Derivatives - hedge accounting		54,593	59,362	54,568	59,362
Fair value changes of the hedged items in portfolio hedge of interest rate risk		(21,508)	(23,767)	(21,723)	(23,767)
Investments in subsidiaries		-	-	904,040	904,040
Investments in associates and joint ventures		11,985	11,677	4,571	4,571
Tangible assets					
Property and equipment	5.7.	252,086	251,316	76,563	78,592
Investment property	5.8.	35,317	35,639	6,753	6,753
Intangible assets		56,907	58,235	30,425	30,425
Current income tax assets		995	1,696	-	-
Deferred income tax assets	5.13.	52,757	55,527	34,838	34,888
Other assets	5.9.	82,005	72,543	19,757	13,161
Non-current assets held for sale	5.6.	9,092	15,436	3,873	4,235
<b>Total assets</b>		<b>24,011,770</b>	<b>24,160,240</b>	<b>13,908,922</b>	<b>13,939,333</b>
Financial liabilities held for trading	5.2.b)	19,086	21,589	19,518	22,150
Financial liabilities measured at fair value through profit or loss	5.3.	2,093	1,796	2,617	2,514
Financial liabilities measured at amortised cost					
- deposits from banks and central banks	5.11.	107,425	106,414	282,026	212,656
- borrowings from banks and central banks	5.11.	201,025	198,609	43,501	57,292
- due to customers	5.11.	19,732,023	20,027,726	10,843,994	10,984,411
- borrowings from other customers	5.11.	78,896	82,482	211	216
- debt securities issued	5.11.	824,915	815,990	824,915	815,990
- other financial liabilities	5.11.c)	282,462	294,463	148,284	164,567
Derivatives - hedge accounting		2,467	2,124	2,223	2,124
Provisions	5.12.	122,641	122,652	47,375	45,216
Current income tax liabilities		16,526	12,420	5,054	3,940
Deferred income tax liabilities	5.13.	2,604	2,569	-	-
Other liabilities	5.15.	51,748	49,081	25,893	25,387
<b>Total liabilities</b>		<b>21,443,911</b>	<b>21,737,915</b>	<b>12,245,611</b>	<b>12,336,463</b>
<b>Equity and reserves attributable to owners of the parent</b>					
Share capital		200,000	200,000	200,000	200,000
Share premium		871,378	871,378	871,378	871,378
Other equity instruments	5.16.	86,149	84,184	86,149	84,184
Accumulated other comprehensive income		(138,726)	(160,588)	(72,476)	(81,677)
Profit reserves		13,522	13,522	13,522	13,522
Retained earnings		1,475,273	1,357,089	564,738	515,463
		<b>2,507,596</b>	<b>2,365,585</b>	<b>1,663,311</b>	<b>1,602,870</b>
Non-controlling interests		60,263	56,740	-	-
<b>Total equity</b>		<b>2,567,859</b>	<b>2,422,325</b>	<b>1,663,311</b>	<b>1,602,870</b>
<b>Total liabilities and equity</b>		<b>24,011,770</b>	<b>24,160,240</b>	<b>13,908,922</b>	<b>13,939,333</b>

The Management Board of NLB has authorised for issue the financial statements and the accompanying notes.



**Andreas Burkhardt**  
Member



**Antonio Argir**  
Member



**Blaž Brodnjak**  
Chief executive officer



**Hedvika Usenik**  
Member



**Andrej Lasič**  
Member



**Archibald Kremser**  
Member

Ljubljana, 11 May 2023

## Condensed statement of changes in equity for the period ended 31 March

in EUR thousands											
NLB Group	Share capital	Share premium	Other equity instruments	Accumulated other comprehensive income			Profit reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
				Fair value reserve of financial assets measured at FVOCI	Foreign currency translation reserve	Other					
<b>Note</b>			5.16.								
Balance as at 1 Jan 2023	200,000	871,378	84,184	(142,909)	(16,485)	(1,194)	13,522	1,357,089	2,365,585	56,740	2,422,325
- Net profit for the period	-	-	-	-	-	-	-	120,141	120,141	3,437	123,578
- Other comprehensive income	-	-	-	20,066	1,796	-	-	-	21,862	94	21,956
Total comprehensive income after tax	-	-	-	20,066	1,796	-	-	120,141	142,003	3,531	145,534
Transactions with non-controlling interests	-	-	-	-	-	-	-	8	8	(8)	-
Other	-	-	1,965	-	-	-	-	(1,965)	-	-	-
<b>Balance as at 31 Mar 2023</b>	<b>200,000</b>	<b>871,378</b>	<b>86,149</b>	<b>(122,843)</b>	<b>(14,689)</b>	<b>(1,194)</b>	<b>13,522</b>	<b>1,475,273</b>	<b>2,507,596</b>	<b>60,263</b>	<b>2,567,859</b>

in EUR thousands										
NLB Group	Share capital	Share premium	Accumulated other comprehensive income			Profit reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
			Fair value reserve of financial assets measured at FVOCI	Foreign currency translation reserve	Other					
Balance as at 1 Jan 2022	200,000	871,378	11,366	(17,184)	(4,734)	13,522	1,004,385	2,078,733	137,390	2,216,123
- Net profit for the period	-	-	-	-	-	-	221,810	221,810	4,102	225,912
- Other comprehensive income	-	-	(56,171)	889	-	-	-	(55,282)	(1,442)	(56,724)
Total comprehensive income after tax	-	-	(56,171)	889	-	-	221,810	166,528	2,660	169,188
Transactions with non-controlling interests	-	-	(192)	-	(28)	-	(348)	(568)	(18,465)	(19,033)
<b>Balance as at 31 Mar 2022</b>	<b>200,000</b>	<b>871,378</b>	<b>(44,997)</b>	<b>(16,295)</b>	<b>(4,762)</b>	<b>13,522</b>	<b>1,225,847</b>	<b>2,244,693</b>	<b>121,585</b>	<b>2,366,278</b>



in EUR thousands

NLB	Share capital	Share premium	Other equity instruments	Accumulated other comprehensive income		Profit reserves	Retained earnings	Total equity
				Fair value reserve of financial assets measured at FVOCI	Other			
<b>Note</b>			<b>5.16.</b>					
Balance as at 1 Jan 2023	200,000	871,378	84,184	(79,743)	(1,934)	13,522	515,463	1,602,870
- Net profit for the period	-	-	-	-	-	-	51,240	51,240
- Other comprehensive income	-	-	-	9,201	-	-	-	9,201
Total comprehensive income after tax	-	-	-	9,201	-	-	51,240	60,441
Other	-	-	1,965	-	-	-	(1,965)	-
<b>Balance as at 31 Mar 2023</b>	<b>200,000</b>	<b>871,378</b>	<b>86,149</b>	<b>(70,542)</b>	<b>(1,934)</b>	<b>13,522</b>	<b>564,738</b>	<b>1,663,311</b>

in EUR thousands

NLB	Share capital	Share premium	Other equity instruments	Accumulated other comprehensive income		Profit reserves	Retained earnings	Total equity
				Fair value reserve of financial assets measured at FVOCI	Other			
Balance as at 1 Jan 2022	200,000	871,378		12,464	(3,696)	13,522	458,266	1,551,934
- Net profit for the period	-	-	-	-	-	-	22,947	22,947
- Other comprehensive income	-	-	-	(40,015)	-	-	-	(40,015)
Total comprehensive income after tax	-	-	-	(40,015)	-	-	22,947	(17,068)
<b>Balance as at 31 Mar 2022</b>	<b>200,000</b>	<b>871,378</b>		<b>(27,551)</b>	<b>(3,696)</b>	<b>13,522</b>	<b>481,213</b>	<b>1,534,866</b>

# Condensed statement of cash flows for the period ended 31 March

	in EUR thousands				
	Notes	NLB Group		NLB	
		three months ended		three months ended	
		March 2023	March 2022	March 2023	March 2022
	unaudited	unaudited	unaudited	unaudited	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Interest received		220,171	156,784	93,181	55,427
Interest paid		(14,493)	(17,544)	(13,045)	(12,762)
Dividends received		37	57	11	29,509
Fee and commission receipts		93,086	89,762	39,001	40,695
Fee and commission payments		(26,441)	(24,599)	(9,267)	(8,763)
Realised gains from financial assets and financial liabilities not at fair value through profit or loss		7	2	-	1
Net gains/(losses) from financial assets and liabilities held for trading		5,432	5,579	139	1,319
Payments to employees and suppliers		(110,651)	(101,987)	(49,593)	(53,344)
Other receipts		5,001	5,285	4,702	3,117
Other payments		(7,461)	(10,563)	(1,256)	(3,526)
Income tax (paid)/received		(6,827)	(6,597)	-	(975)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>157,861</b>	<b>96,179</b>	<b>63,873</b>	<b>50,698</b>
<b>(Increases)/decreases in operating assets</b>		<b>370,154</b>	<b>(311,390)</b>	<b>122,927</b>	<b>(312,299)</b>
Net (increase)/decrease in trading assets		200	-	200	-
Net (increase)/decrease in non-trading financial assets mandatorily at fair value through profit or loss		120	4,406	(40)	749
Net (increase)/decrease in financial assets measured at fair value through other comprehensive income		381,912	69,197	168,681	(64,989)
Net (increase)/decrease in loans and receivables measured at amortised cost		(10,746)	(387,735)	(44,452)	(248,175)
Net (increase)/decrease in other assets		(1,332)	2,742	(1,462)	116
<b>Increases/(decreases) in operating liabilities</b>		<b>(321,444)</b>	<b>(58,389)</b>	<b>(101,231)</b>	<b>386,036</b>
Net increase/(decrease) in deposits and borrowings measured at amortised cost		(321,244)	(55,088)	(102,379)	386,500
Net increase/(decrease) in other liabilities		(200)	(3,301)	1,148	(464)
<b>Net cash flows from operating activities</b>		<b>206,571</b>	<b>(273,600)</b>	<b>85,569</b>	<b>124,435</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Receipts from investing activities</b>		<b>116,113</b>	<b>72,060</b>	<b>43,815</b>	<b>36,844</b>
Proceeds from sale of property, equipment, and investment property		595	303	83	87
Proceeds from non-current assets held for sale		10,856	85	550	85
Proceeds from disposals of debt securities measured at amortised cost		104,662	71,672	43,182	36,672
<b>Payments from investing activities</b>		<b>(189,869)</b>	<b>54,373</b>	<b>(129,620)</b>	<b>(188,362)</b>
Purchase of property, equipment, and investment property		(5,067)	(4,768)	(1,626)	(1,055)
Purchase of intangible assets		(4,971)	(4,639)	(3,715)	(2,592)
Purchase of subsidiaries, net of cash acquired	3., 4.13.	-	259,953	-	(5,109)
Purchase of debt securities measured at amortised cost		(179,831)	(196,173)	(124,279)	(179,606)
<b>Net cash flows from investing activities</b>		<b>(73,756)</b>	<b>126,433</b>	<b>(85,805)</b>	<b>(151,518)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Payments from financing activities</b>		<b>(221)</b>	<b>(19,057)</b>	<b>-</b>	<b>-</b>
Dividends paid		(221)	(10)	-	-
Purchase of subsidiary's treasury shares	3.	-	(19,047)	-	-
<b>Net cash flows from financing activities</b>		<b>(221)</b>	<b>(19,057)</b>	<b>-</b>	<b>-</b>
Effects of exchange rate changes on cash and cash equivalents		361	2,145	(573)	(690)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>132,594</b>	<b>(166,224)</b>	<b>(236)</b>	<b>(27,083)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>5,500,222</b>	<b>5,176,311</b>	<b>3,494,435</b>	<b>3,254,784</b>
<b>Cash and cash equivalents at end of period</b>		<b>5,633,177</b>	<b>5,012,232</b>	<b>3,493,626</b>	<b>3,227,011</b>

	in EUR thousands				
	Notes	NLB Group		NLB	
		31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022
		unaudited	audited	unaudited	audited
<b>Cash and cash equivalents comprise:</b>					
Cash, cash balances at central banks, and other demand deposits at banks	5.1.	5,305,466	5,272,538	3,478,008	3,339,381
Loans and advances to banks with original maturity up to 3 months		300,101	208,404	15,618	155,054
Debt securities measured at fair value through other comprehensive income with original maturity up to 3 months		27,610	19,280	-	-
<b>Total</b>		<b>5,633,177</b>	<b>5,500,222</b>	<b>3,493,626</b>	<b>3,494,435</b>

# Notes to the condensed interim financial statements

## 1. General information

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

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

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

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

## 2. Summary of significant accounting policies

### 2.1. Statement of compliance

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

### 2.2. Comparative amounts

Compared to the presentation of the financial statements for the three months ended 31 March 2022, the Bank changed the recognition of obligation for Cash contributions to resolution funds and deposit guarantee schemes expenses (note 4.9.). In the previous year these expenses were recognised in a second quarter of the year 2022, after receiving Bank of Slovenia's notification. In 2023, the Bank recognised these expenses in full already in the first quarter of the year 2023. Comparative amounts have been adjusted to reflect this change in the presentation.

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

### 2.3. Accounting policies

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

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

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

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

- IAS 1 (amendment and deferral of effective date) – ‘Presentation of Financial Statements: Classification of Liabilities as Current or Non-current’ (effective for annual periods beginning on or after 1 January 2024);
- IAS 1 – ‘Presentation of Financial Statements: Non-current Liabilities with Covenants’ (effective for annual periods beginning on or after 1 January 2024);
- Amendments to IFRS 16 – ‘Leases: Lease Liability in a Sale and Leaseback’ (effective for annual periods beginning on or after 1 January 2024).

## 3. Changes in the composition of the NLB Group

### Changes in the period ended 31 March 2023

#### Capital changes:

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

### Changes in year 2022

#### Capital changes:

- In March 2022, in accordance with Resolution and Compulsory Winding-Up of Banks Act, NLB became an owner of 100% shares of Sberbank banka d.d., Ljubljana. The purchase price for the bank was EUR 5,109 thousand and was fully paid in cash (note 4.13.). At the General Meeting of Shareholders of Sberbank banka d.d., Ljubljana, held in April 2022, a decision was made to rename Sberbank banka d.d., Ljubljana to ‘N Banka d.d., Ljubljana.’
- In March 2022, Komercijalna banka a.d. Beograd bought 2.90% of all ordinary shares in the amount of EUR 19,047 thousand of treasury shares from dissenting shareholders, which Komercijalna banka a.d. Beograd should dispose of within 12 months of their takeover.
- In April 2022, NLB established IT services company named ‘NLB DigIT d.o.o., Beograd.’
- In May 2022, NLB acquired an additional 442,799 ordinary shares of NLB Komercijalna banka a.d. Beograd and combined with existing shareholding reached the ownership of 90.2155% of the basic capital and 91.7294% of shares with voting rights. The increase in capital investment was recognised in the amount of EUR 15,715 thousand.
- In July 2022, NLB successfully squeezed out the remaining shareholders of NLB Komercijalna banka a.d. Beograd and thereby became the owner of 100% of this Serbian bank. Prior to the squeeze-out process, NLB owned 90.2155% of share capital and 91.7294% of voting rights. Through the squeeze-out process, NLB acquired 1,528,110 regular shares and 316,260 preferred shares with a total value of EUR 61,865 thousand.
- In September 2022, an increase in share capital in the form of a cash contribution in the amount of EUR 306 thousand in NLB Lease&Go, leasing, d.o.o., Ljubljana for the purpose of achieving NLB Group’s leasing strategy.

- In September 2022, NLB Lease&Go, leasing, d.o.o., Ljubljana (51%) and NLB Banka a.d., Skopje (49%) established financial company named 'NLB Liz&Go d.o.o. Skopje.' In December 2022, the company was renamed to 'NLB Lease&Go d.o.o. Skopje.'
- In November 2022, NLB Lease&Go, leasing, d.o.o., Ljubljana became an owner of 95.20% of financial company 'Zastava Istrabenz Lizing, d.o.o., Beograd.' The purchase price for the company was EUR 1,036 thousand and was fully paid in cash. In January 2023, the company was renamed to 'NLB Lease&Go leasing d.o.o. Beograd.'
- In December 2022, an increase in share capital in the form of a cash contribution in the amount of EUR 2,100 thousand in NLB Lease&Go, leasing, d.o.o., Ljubljana for the purpose of achieving NLB Group's leasing strategy.
- In December 2022, an increase in share capital in the form of a cash contribution in the amount of EUR 21,130 thousand in S-REAM d.o.o., Ljubljana for the purpose of consolidation of real estate companies in Slovenia.

Other changes:

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

## 4. Notes to the condensed income statement

### 4.1. Interest income and expenses

#### Analysis by type of assets and liabilities

	in EUR thousands					
	NLB Group			NLB		
	three months ended			three months ended		
	March 2023	March 2022	Change	March 2023	March 2022	Change
<b>Interest and similar income</b>						
<i>Interest income calculated using the effective interest method</i>	204,526	119,978	70%	92,746	44,855	107%
Loans and advances to customers at amortised cost	163,153	106,362	53%	64,550	38,188	69%
Securities measured at amortised cost	5,852	3,670	59%	3,703	2,613	42%
Financial assets measured at fair value through other comprehensive income	10,142	9,662	5%	2,525	2,857	-12%
Loans and advances to banks measured at amortised cost	4,239	247	-	2,639	1,175	125%
Deposits with banks and central banks	21,140	37	-	19,329	22	-
<i>Other interest and similar income</i>	2,483	3,043	-18%	2,714	2,849	-5%
Financial assets held for trading	1,081	1,049	3%	1,241	928	34%
Negative interest	-	1,982	-	-	1,888	-
Non-trading financial assets mandatorily at fair value through profit or loss	12	12	0%	83	33	152%
Derivatives - hedge accounting	1,390	-	-	1,390	-	-
<b>Total</b>	<b>207,009</b>	<b>123,021</b>	<b>68%</b>	<b>95,460</b>	<b>47,704</b>	<b>100%</b>
<b>Interest and similar expenses</b>						
<i>Interest expenses calculated using the effective interest method</i>	26,269	7,673	-	20,519	3,439	-
Due to customers	11,625	4,393	165%	6,266	767	-
Borrowings from banks and central banks	372	145	157%	171	56	-
Borrowings from other customers	309	250	24%	-	-	-
Subordinated liabilities	8,475	2,595	-	8,475	2,595	-
Debt securities issued	4,530	-	-	4,530	-	-
Deposits from banks and central banks	833	195	-	1,058	16	-
Lease liabilities	125	95	32%	19	5	-
<i>Other interest and similar expenses</i>	1,771	7,550	-77%	1,541	6,374	-76%
Derivatives - hedge accounting	302	2,477	-88%	290	2,477	-88%
Negative interest	352	3,939	-91%	230	2,993	-92%
Financial liabilities held for trading	852	995	-14%	928	882	5%
Interest expense on defined employee benefits	176	55	-	88	20	-
Other	89	84	6%	5	2	150%
<b>Total</b>	<b>28,040</b>	<b>15,223</b>	<b>84%</b>	<b>22,060</b>	<b>9,813</b>	<b>125%</b>
<b>Net interest income</b>	<b>178,969</b>	<b>107,798</b>	<b>66%</b>	<b>73,400</b>	<b>37,891</b>	<b>94%</b>

The item 'Negative interest' classified under the line item 'Other interest and similar income' in 2022 mainly includes the interest from targeted longer-term refinancing operations (TLTRO) in the amount of EUR 1,955 thousand for NLB Group and EUR 1,875 thousand for NLB (note 5.11.).

### 4.2. Dividend income

	in EUR thousands					
	NLB Group			NLB		
	three months ended			three months ended		
	March 2023	March 2022	Change	March 2023	March 2022	Change
Financial assets measured at fair value through other comprehensive income	36	31	16%	-	-	-
Investments in subsidiaries	-	-	-	8,401	9,461	-11%
Non-trading financial assets mandatorily at fair value through profit or loss	13	10	30%	13	10	30%
<b>Total</b>	<b>49</b>	<b>41</b>	<b>20%</b>	<b>8,414</b>	<b>9,471</b>	<b>-11%</b>

### 4.3. Fee and commission income and expenses

	in EUR thousands					
	NLB Group			NLB		
	three months ended			three months ended		
	March 2023	March 2022	Change	March 2023	March 2022	Change
<b>Fee and commission income</b>						
<i>Fee and commission income relating to financial instruments not at fair value through profit or loss</i>						
Credit cards and ATMs	27,359	23,936	14%	10,939	9,535	15%
Customer transaction accounts	22,385	22,468	0%	13,306	12,945	3%
<i>Other fee and commission income</i>						
Payments	22,108	20,054	10%	5,748	5,685	1%
Investment funds	7,737	7,723	0%	2,187	2,376	-8%
Guarantees	4,263	3,709	15%	2,153	1,937	11%
Investment banking	3,116	3,072	1%	2,345	2,423	-3%
Agency of insurance products	2,869	2,469	16%	2,267	1,960	16%
Other services	1,848	5,201	-64%	604	3,588	-83%
<b>Total</b>	<b>91,685</b>	<b>88,632</b>	<b>3%</b>	<b>39,549</b>	<b>40,449</b>	<b>-2%</b>
<b>Fee and commission expenses</b>						
<i>Fee and commission expenses relating to financial instruments not at fair value through profit or loss</i>						
Credit cards and ATMs	18,926	17,754	7%	6,822	6,935	-2%
<i>Other fee and commission expenses</i>						
Payments	3,198	2,818	13%	279	203	37%
Insurance for holders of personal accounts and golden cards	533	328	63%	309	229	35%
Investment banking	1,647	1,547	6%	733	722	2%
Guarantees	359	438	-18%	339	413	-18%
Other services	917	1,216	-25%	152	170	-11%
<b>Total</b>	<b>25,580</b>	<b>24,101</b>	<b>6%</b>	<b>8,634</b>	<b>8,672</b>	<b>0%</b>
<b>Net fee and commission income</b>	<b>66,105</b>	<b>64,531</b>	<b>2%</b>	<b>30,915</b>	<b>31,777</b>	<b>-3%</b>

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

	in EUR thousands			
	NLB Group		NLB	
	three months ended		three months ended	
	March 2023	March 2022	March 2023	March 2022
Debt instruments measured at fair value through other comprehensive income	(781)	(1,747)	(788)	(316)
Debt instruments measured at amortised cost	-	1	-	(734)
<b>Total</b>	<b>(781)</b>	<b>(1,746)</b>	<b>(788)</b>	<b>(1,050)</b>

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

	in EUR thousands			
	NLB Group		NLB	
	three months ended		three months ended	
	March 2023	March 2022	March 2023	March 2022
Foreign exchange trading	6,733	5,110	1,306	1,686
Debt instruments	63	(41)	14	(57)
Derivatives	(867)	2,640	170	1,683
<b>Total</b>	<b>5,929</b>	<b>7,709</b>	<b>1,490</b>	<b>3,312</b>

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

	in EUR thousands				
	NLB Group		NLB		
	three months ended			three months ended	
	March 2023	March 2022	March 2023	March 2022	
Equity securities	562	(137)	329	189	
Debt securities	15	(85)	-	-	
Loans and advances to customers	-	-	149	(34)	
<b>Total</b>	<b>577</b>	<b>(222)</b>	<b>478</b>	<b>155</b>	

#### 4.7. Other net operating income

	in EUR thousands					
	NLB Group			NLB		
	three months ended			three months ended		
	March 2023	March 2022	Change	March 2023	March 2022	Change
<b>Other operating income</b>						
Income from non-banking services	1,809	1,544	17%	1,625	1,443	13%
Rental income from investment property	376	1,042	-64%	79	152	-48%
Revaluation of investment property to fair value	55	61	-10%	-	-	-
Sale of investment property	-	32	-	-	19	-
Other operating income	1,241	2,132	-	823	488	-
<b>Total</b>	<b>3,481</b>	<b>4,811</b>	<b>-28%</b>	<b>2,527</b>	<b>2,102</b>	<b>20%</b>
<b>Other operating expenses</b>						
Expenses related to issued service guarantees	17	26	-35%	17	26	-35%
Revaluation of investment property to fair value	-	66	-	-	-	-
Other operating expenses	1,258	1,745	-28%	816	3,833	-79%
<b>Total</b>	<b>1,275</b>	<b>1,837</b>	<b>-31%</b>	<b>833</b>	<b>3,859</b>	<b>-78%</b>
<b>Other net operating income</b>	<b>2,206</b>	<b>2,974</b>	<b>-26%</b>	<b>1,694</b>	<b>(1,757)</b>	<b>-</b>

#### 4.8. Administrative expenses

	in EUR thousands					
	NLB Group			NLB		
	three months ended			three months ended		
	March 2023	March 2022	Change	March 2023	March 2022	Change
Employee costs	66,763	57,502	16 %	30,656	26,522	16 %
Other general and administrative expenses	38,695	33,689	15 %	18,434	15,430	19 %
<b>Total</b>	<b>105,458</b>	<b>91,191</b>	<b>16 %</b>	<b>49,090</b>	<b>41,952</b>	<b>17 %</b>

#### 4.9. Cash contributions to resolution funds and deposit guarantee schemes

	in EUR thousands					
	NLB Group			NLB		
	three months ended			three months ended		
	March 2023	March 2022	Change	March 2023	March 2022	Change
Cash contributions to deposit guarantee schemes	15,075	14,314	5 %	7,614	7,614	0 %
Cash contributions to resolution funds	3,107	2,147	45 %	2,099	2,099	0 %
<b>Total</b>	<b>18,182</b>	<b>16,461</b>	<b>10 %</b>	<b>9,713</b>	<b>9,713</b>	<b>0 %</b>



#### 4.10. Depreciation and amortisation

	in EUR thousands					
	NLB Group			NLB		
	three months ended			three months ended		
	March 2023	March 2022	Change	March 2023	March 2022	Change
Amortisation of intangible assets	3,752	3,926	-4 %	1,390	1,502	-7 %
Depreciation of property and equipment:						
- own property and equipment	5,855	5,489	7 %	2,548	2,574	-1 %
- right-of-use assets	2,047	2,099	-2 %	244	238	3 %
<b>Total</b>	<b>11,654</b>	<b>11,514</b>	<b>1 %</b>	<b>4,182</b>	<b>4,314</b>	<b>-3 %</b>

#### 4.11. Provisions

	in EUR thousands			
	NLB Group		NLB	
	three months ended		three months ended	
	March 2023	March 2022	March 2023	March 2022
Guarantees and commitments (note 5.12.b)	(2,183)	(760)	(1,074)	(524)
Provisions for legal risks	(3,394)	373	(3,559)	-
Other provisions	9,321	(10)	9,300	-
<b>Total</b>	<b>3,744</b>	<b>(397)</b>	<b>4,667</b>	<b>(524)</b>

#### 4.12. Impairment charge

	in EUR thousands			
	NLB Group		NLB	
	three months ended		three months ended	
	March 2023	March 2022	March 2023	March 2022
<b>Impairment of financial assets</b>				
Cash balances at central banks, and other demand deposits at banks	26	(22)	17	(14)
Loans and advances to customers measured at amortised cost (note 5.10.a)	(10,010)	2,628	632	(1,602)
Loans and advances to banks measured at amortised cost (note 5.10.a)	14	93	69	207
Debt securities measured at fair value through other comprehensive income (note 5.10.b)	(5,267)	767	(4,621)	987
Debt securities measured at amortised cost (note 5.10.b)	286	524	94	139
Other financial assets measured at amortised cost (note 5.10.a)	(1,236)	797	184	30
<b>Total impairment of financial assets</b>	<b>(16,187)</b>	<b>4,787</b>	<b>(3,625)</b>	<b>(253)</b>
<b>Impairment of other assets</b>				
Other assets	38	(7)	-	-
<b>Total</b>	<b>38</b>	<b>(7)</b>	<b>-</b>	<b>-</b>
<b>Total impairment of non-financial assets</b>	<b>38</b>	<b>(7)</b>	<b>-</b>	<b>-</b>
<b>Total impairment</b>	<b>(16,149)</b>	<b>4,780</b>	<b>(3,625)</b>	<b>(253)</b>

Impairment of financial assets in 2022 includes EUR 8,900 thousand of 12-month expected credit losses for Stage 1 financial assets, acquired through a business combination (note 4.13.). Of that, EUR 8,894 thousand relates to financial assets measured at amortised cost, EUR 5 thousand to financial assets measured at fair value through other comprehensive income, and EUR 1 thousand to cash balances at central banks and other demand deposits at banks.

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

#### 4.13. Acquisition of N Banka d.d., Ljubljana

On the level of the European Central Bank and the Single Resolution Board (SRB), a decision was made on 28 February 2022 to suspend the business operations of the banking group Sberbank Europe AG, which also had a subsidiary bank in Slovenia. At the same time, a transitional period or short-term moratorium was adopted, during which a solution for the Slovenian subsidiary, Sberbank banka d.d., was found with the aim to ensure the continuity of the

business operations for all of its clients. On 1 March 2022, in order to maintain financial stability in Slovenia, the SRB, in cooperation with the Bank of Slovenia, adopted a scheme and resolution plan for Sberbank banka d.d., Ljubljana. Based on this resolution, the Bank of Slovenia issued a decision using the instrument of sale of operation in a way that all shares are transferred from the shareholders to the transferee. In the process of finding a new owner of Sberbank banka d.d., Ljubljana, a sale agreement was concluded with NLB, which became an owner of 100% of the bank's shares as at 1 March 2022. At the date of acquisition, the acquired bank had one 100% owned subsidiary, company Privatinvest d.o.o., whose assets consist only of repossessed real estate. It also had an investment into Bankart d.o.o., Ljubljana, which is in individual financial statements of the acquired bank accounted for as financial asset measured at fair value through other comprehensive income, while on the level of NLB Group it is an associate.

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

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

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

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

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

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

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

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

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

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

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

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

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

Immediately after acquisition, 12-month expected credit losses for Stage 1 financial assets in the amount of EUR 8,900 thousand and attributable deferred taxes in the amount of EUR 1,691 thousand were recognised. Additionally, EUR 4,141 thousand of revenue, EUR 1,021 thousand of loss after tax and EUR 907 thousand of other comprehensive loss were recognised in NLB Group financial statements since the acquisition date. Had the acquisition occurred on 1 January 2022, management estimates that consolidated revenue (excluding negative goodwill) for the three months ended 31 March 2022 would have been approximately EUR 220 million and consolidated profit for the same period (excluding negative goodwill) approximately EUR 50 million. The exact result is difficult to determine due to the changed circumstances during the year, especially the impact of the war in Ukraine.

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

	in EUR thousands			
	NLB Group		NLB	
	three months ended		three months ended	
	March 2023	March 2022	March 2023	March 2022
Gains less losses from property and equipment	4,673	13	188	10
<b>Total</b>	<b>4,673</b>	<b>13</b>	<b>188</b>	<b>10</b>

#### 4.15. Income tax

	in EUR thousands					
	NLB Group			NLB		
	three months ended			three months ended		
	March 2023	March 2022	Change	March 2023	March 2022	Change
Current tax	11,977	4,881	145 %	1,414	595	138 %
Deferred tax (note 5.13.)	1,965	321	-	1,162	(224)	-
<b>Total</b>	<b>13,942</b>	<b>5,202</b>	<b>168 %</b>	<b>2,576</b>	<b>371</b>	<b>-</b>

## 5. Notes to the condensed statement of financial position

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

	in EUR thousand					
	NLB Group			NLB		
	31 Mar 2023	31 Dec 2022	Change	31 Mar 2023	31 Dec 2022	Change
	Balances and obligatory reserves with central banks	4,685,594	4,536,526	3%	3,260,418	3,104,442
Cash	462,034	489,197	-6%	168,589	180,483	-7%
Demand deposits at banks	157,838	246,815	-36%	49,001	54,456	-10%
	<b>5,305,466</b>	<b>5,272,538</b>	<b>1%</b>	<b>3,478,008</b>	<b>3,339,381</b>	<b>4%</b>
Allowance for impairment	(1,166)	(1,173)	1%	(374)	(357)	-5%
<b>Total</b>	<b>5,304,300</b>	<b>5,271,365</b>	<b>1%</b>	<b>3,477,634</b>	<b>3,339,024</b>	<b>4%</b>

### 5.2. Financial instruments held for trading

#### a) Financial assets held for trading

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2023	31 Dec 2022	Change	31 Mar 2023	31 Dec 2022	Change
	<b>Derivatives, excluding hedging instruments</b>					
Sw ap contracts	16,670	16,169	3%	17,616	16,274	8%
Options	2,196	2,312	-5%	2,196	2,312	-5%
Forward contracts	396	2,904	-86%	396	2,903	-86%
<b>Total derivatives</b>	<b>19,262</b>	<b>21,385</b>	<b>-10%</b>	<b>20,208</b>	<b>21,489</b>	<b>-6%</b>
<b>Securities</b>						
Treasury bills	-	203	-	-	203	-
<b>Total securities</b>	<b>-</b>	<b>203</b>	<b>-</b>	<b>-</b>	<b>203</b>	<b>-</b>
- quoted	-	203	-	-	203	-
<b>Total</b>	<b>19,262</b>	<b>21,588</b>	<b>-11%</b>	<b>20,208</b>	<b>21,692</b>	<b>-7%</b>

#### b) Financial liabilities held for trading

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2023	31 Dec 2022	Change	31 Mar 2023	31 Dec 2022	Change
	<b>Derivatives, excluding hedging instruments</b>					
Sw ap contracts	15,976	15,903	0%	16,480	16,535	0%
Options	2,627	2,800	-6%	2,571	2,742	-6%
Forward contracts	483	2,886	-83%	467	2,873	-84%
<b>Total</b>	<b>19,086</b>	<b>21,589</b>	<b>-12%</b>	<b>19,518</b>	<b>22,150</b>	<b>-12%</b>

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

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2023	31 Dec 2022	Change	31 Mar 2023	31 Dec 2022	Change
<b>Assets</b>						
Shares	5,541	5,579	-1%	5,541	5,211	6%
Investments funds	10,701	10,336	4%	2,458	2,308	6%
Bonds	3,143	3,116	1%	-	-	-
Loans and advances to companies	-	-	-	7,965	7,892	1%
<b>Total</b>	<b>19,385</b>	<b>19,031</b>	<b>2%</b>	<b>15,964</b>	<b>15,411</b>	<b>4%</b>
<b>Liabilities</b>						
Loans and advances to companies	-	-	-	1,745	1,786	-2%
Other financial liabilities	2,093	1,796	17%	872	728	20%
<b>Total</b>	<b>2,093</b>	<b>1,796</b>	<b>17%</b>	<b>2,617</b>	<b>2,514</b>	<b>4%</b>

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

#### Analysis by type

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2023	31 Dec 2022	Change	31 Mar 2023	31 Dec 2022	Change
Bonds	2,159,946	2,506,224	-14%	1,090,016	1,196,760	-9%
Shares	23,419	22,285	5%	269	269	0%
National Resolution Fund	58,510	58,122	1%	42,799	42,515	1%
Treasury bills	281,750	310,748	-9%	40,987	94,517	-57%
Commercial bills	27,610	21,824	27%	-	-	-
<b>Total</b>	<b>2,551,235</b>	<b>2,919,203</b>	<b>-13%</b>	<b>1,174,071</b>	<b>1,334,061</b>	<b>-12%</b>
Allowance for impairment (note 5.10.b)	(9,119)	(15,876)	43%	(2,682)	(8,799)	70%

As at 31 March 2023, the Bank does not have any exposure towards the Russia anymore. Russian government bond in the nominal amount of USD 8,000 thousand that would otherwise mature in September 2023, was sold at the beginning of February 2023.

### 5.5. Financial assets measured at amortised cost

#### Analysis by type

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2023	31 Dec 2022	Change	31 Mar 2023	31 Dec 2022	Change
Debt securities	1,992,655	1,917,615	4%	1,674,975	1,597,448	5%
Loans and advances to banks	329,112	222,965	48%	328,060	350,625	-6%
Loans and advances to customers	13,137,662	13,072,986	0%	6,026,442	6,054,413	0%
Other financial assets	123,930	177,823	-30%	77,903	114,399	-32%
<b>Total</b>	<b>15,583,359</b>	<b>15,391,389</b>	<b>1%</b>	<b>8,107,380</b>	<b>8,116,885</b>	<b>0%</b>

#### a) Debt securities

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2023	31 Dec 2022	Change	31 Mar 2023	31 Dec 2022	Change
Government	1,493,780	1,486,496	0%	1,194,322	1,184,601	1%
Companies	90,519	84,979	7%	70,311	64,913	8%
Banks	390,288	323,944	20%	390,288	323,944	20%
Financial organisations	22,137	25,980	-15%	22,137	25,980	-15%
	<b>1,996,724</b>	<b>1,921,399</b>	<b>4%</b>	<b>1,677,058</b>	<b>1,599,438</b>	<b>5%</b>
Allowance for impairment (note 5.10.b)	(4,069)	(3,784)	-8%	(2,083)	(1,990)	-5%
<b>Total</b>	<b>1,992,655</b>	<b>1,917,615</b>	<b>4%</b>	<b>1,674,975</b>	<b>1,597,448</b>	<b>5%</b>

#### b) Loans and advances to banks

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2023	31 Dec 2022	Change	31 Mar 2023	31 Dec 2022	Change
Loans	684	782	-13%	127,336	127,717	0%
Time deposits	153,441	118,241	30%	196,605	221,271	-11%
Reverse sale and repurchase agreements	170,863	102,358	67%	-	-	-
Purchased receivables	4,404	1,853	138%	4,404	1,853	138%
	<b>329,392</b>	<b>223,234</b>	<b>48%</b>	<b>328,345</b>	<b>350,841</b>	<b>-6%</b>
Allowance for impairment (note 5.10.a)	(280)	(269)	-4%	(285)	(216)	-32%
<b>Total</b>	<b>329,112</b>	<b>222,965</b>	<b>48%</b>	<b>328,060</b>	<b>350,625</b>	<b>-6%</b>

### c) Loans and advances to customers

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2023	31 Dec 2022	Change	31 Mar 2023	31 Dec 2022	Change
Loans	12,611,780	12,626,259	0%	5,824,093	5,873,443	-1%
Overdrafts	466,116	425,135	10%	229,243	208,499	10%
Finance lease receivables	225,750	193,948	16%	-	-	-
Credit card business	147,524	148,870	-1%	64,943	64,460	1%
Called guarantees	3,479	2,772	26%	2,286	1,423	61%
	<b>13,454,649</b>	<b>13,396,984</b>	<b>0%</b>	<b>6,120,565</b>	<b>6,147,825</b>	<b>0%</b>
Allowance for impairment (note 5.10.a)	(316,987)	(323,998)	2%	(94,123)	(93,412)	-1%
<b>Total</b>	<b>13,137,662</b>	<b>13,072,986</b>	<b>0%</b>	<b>6,026,442</b>	<b>6,054,413</b>	<b>0%</b>

### d) Other financial assets

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2023	31 Dec 2022	Change	31 Mar 2023	31 Dec 2022	Change
Receivables in the course of settlement and other temporary accounts	33,598	36,712	-8%	22,533	19,370	16%
Credit card receivables	18,959	41,364	-54%	15,464	30,544	-49%
Debtors	7,343	8,516	-14%	546	2,710	-80%
Fees and commissions	8,617	8,737	-1%	921	2,359	-61%
Receivables to brokerage firms and others for the sale of securities and custody services	3	31,587	-100%	-	31,081	-
Accrued income	4,490	3,390	32%	5,476	3,413	60%
Dividends	-	-	-	8,401	-	-
Prepayments	3,380	2,563	32%	-	-	-
Other financial assets	56,758	53,988	5%	25,611	25,935	-1%
	<b>133,148</b>	<b>186,857</b>	<b>-29%</b>	<b>78,952</b>	<b>115,412</b>	<b>-32%</b>
Allowance for impairment (note 5.10.a)	(9,218)	(9,034)	-2%	(1,049)	(1,013)	-4%
<b>Total</b>	<b>123,930</b>	<b>177,823</b>	<b>-30%</b>	<b>77,903</b>	<b>114,399</b>	<b>-32%</b>

## 5.6. Non-current assets held for sale

As at 31 March 2023 'Non-current assets held for sale' includes business premises and assets received as collateral that are in the process of being sold and amounts to EUR 9,092 thousand (31 December 2022: EUR 15,436 thousand) in the NLB Group and EUR 3,873 thousand (31 December 2022: EUR 4,235 thousand) in NLB.

## 5.7. Property and equipment

### Analysis by type

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2023	31 Dec 2022	Change	31 Mar 2023	31 Dec 2022	Change
Own property and equipment	227,923	228,944	0%	73,262	75,262	-3%
Right-of-use assets	24,163	22,372	8%	3,301	3,330	-1%
<b>Total</b>	<b>252,086</b>	<b>251,316</b>	<b>0%</b>	<b>76,563</b>	<b>78,592</b>	<b>-3%</b>

## 5.8. Investment property

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2023	31 Dec 2022	Change	31 Mar 2023	31 Dec 2022	Change
Buildings	34,850	34,576	1%	6,571	6,571	0%
Land	467	1,063	-56%	182	182	0%
<b>Total</b>	<b>35,317</b>	<b>35,639</b>	<b>-1%</b>	<b>6,753</b>	<b>6,753</b>	<b>0%</b>

## 5.9. Other assets

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2023	31 Dec 2022	Change	31 Mar 2023	31 Dec 2022	Change
Assets, received as collateral	49,339	51,586	-4%	3,170	3,170	0%
Deferred expenses	20,923	12,200	72%	12,681	6,929	83%
Inventories	5,341	4,961	8%	3,057	2,324	32%
Claim for taxes and other dues	2,934	1,509	94%	197	417	-53%
Prepayments	3,468	2,287	52%	652	321	103%
<b>Total</b>	<b>82,005</b>	<b>72,543</b>	<b>13%</b>	<b>19,757</b>	<b>13,161</b>	<b>50%</b>

## 5.10. Movements in allowance for the impairment of financial assets

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

in EUR thousands								
NLB Group								
	Loans and advances to banks		Loans and advances to customers			Other financial assets		
	12-month expected credit losses	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2023	161	108	91,225	45,812	186,961	1,246	38	7,750
Effects of translation of foreign operations to presentation currency	(1)	-	58	26	(70)	2	1	2
Transfers	-	-	8,426	(7,029)	(1,397)	23	(5)	(18)
Increases/(Decreases) (note 4.12.)	15	(1)	(7,974)	1,059	3,224	(573)	8	(597)
Write-offs	-	-	-	(1)	(8,792)	(7)	(2)	(229)
Changes in models/risk parameters (note 4.12.)	-	-	(56)	(14)	-	-	-	-
Foreign exchange and other movements	(2)	-	25	4	5,500	104	(4)	1,479
<b>Balance as at 31 Mar 2023</b>	<b>173</b>	<b>107</b>	<b>91,704</b>	<b>39,857</b>	<b>185,426</b>	<b>795</b>	<b>36</b>	<b>8,387</b>
Repayments of written-off receivables (note 4.12.)	-	-	-	-	6,249	-	-	74

in EUR thousands								
NLB Group								
	Loans and advances to banks		Loans and advances to customers			Other financial assets		
	12-month expected credit losses	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2022	198	-	69,297	34,022	212,654	476	36	5,714
Effects of translation of foreign operations to presentation currency	-	-	40	16	144	-	(2)	-
Transfers	-	-	3,952	(2,522)	(1,430)	4	25	(29)
Increases/(Decreases) (note 4.12.)	93	-	5,810	1,463	3,593	207	(12)	623
Write-offs	-	-	-	-	(2,579)	(13)	(11)	(295)
Changes in models/risk parameters (note 4.12.)	-	-	(354)	(442)	(31)	-	-	(1)
Foreign exchange and other movements	13	-	(97)	12	1,984	-	4	5
<b>Balance as at 31 Mar 2022</b>	<b>304</b>	<b>-</b>	<b>78,648</b>	<b>32,549</b>	<b>214,335</b>	<b>674</b>	<b>40</b>	<b>6,017</b>
Repayments of written-off receivables (note 4.12.)	-	-	-	-	7,411	-	-	20

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

in EUR thousands								
NLB								
	Loans and advances to banks		Loans and advances to customers			Other financial assets		
	12-month expected credit losses	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2023	216	-	21,041	8,185	64,186	203	2	808
Transfers	-	-	2,371	(2,354)	(17)	1	(1)	-
Increases/(Decreases) (note 4.12.)	69	-	(3,329)	2,266	4,215	(115)	-	299
Write-offs	-	-	-	-	(2,760)	(2)	-	(138)
Foreign exchange and other movements	-	-	(5)	(1)	325	-	-	(8)
<b>Balance as at 31 Mar 2023</b>	<b>285</b>	<b>-</b>	<b>20,078</b>	<b>8,096</b>	<b>65,949</b>	<b>87</b>	<b>1</b>	<b>961</b>
Repayments of written-off receivables (note 4.12.)	-	-	-	-	2,520	-	-	-

in EUR thousands								
NLB								
	Loans and advances to banks		Loans and advances to customers			Other financial assets		
	12-month expected credit losses	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2022	182	-	13,604	4,208	78,607	62	1	1,090
Transfers	-	-	1,561	(623)	(938)	-	-	-
Increases/(Decreases) (note 4.12.)	207	-	(1,779)	841	2,742	(8)	-	38
Write-offs	-	-	-	-	(308)	(2)	-	(151)
Foreign exchange and other movements	-	-	3	-	236	-	-	1
<b>Balance as at 31 Mar 2022</b>	<b>389</b>	<b>-</b>	<b>13,389</b>	<b>4,426</b>	<b>80,339</b>	<b>52</b>	<b>1</b>	<b>978</b>
Repayments of written-off receivables (note 4.12.)	-	-	-	-	3,406	-	-	-

## b) Movements in allowance for the impairment of debt securities

in EUR thousands					
NLB Group					
	Debt securities measured at amortised cost		Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	Lifetime ECL not credit - impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2023	3,519	265	9,029	70	6,777
Effects of translation of foreign operations to presentation currency	(1)	1	5	-	-
Increases/(Decreases) (note 4.12.)	311	(25)	(780)	(4)	(4,483)
Write-offs	-	-	-	-	(1,537)
Foreign exchange and other movements	(1)	-	1	-	41
<b>Balance as at 31 Mar 2023</b>	<b>3,828</b>	<b>241</b>	<b>8,255</b>	<b>66</b>	<b>798</b>

in EUR thousands					
NLB Group					
	Debt securities measured at amortised cost		Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	Lifetime ECL not credit - impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2022	3,253	52	11,148	70	798
Effects of translation of foreign operations to presentation currency	2	1	4	-	-
Transfers	-	-	(26)	26	-
Increases/(Decreases) (note 4.12.)	257	267	(139)	934	-
Changes in models/risk parameters (note 4.12.)	-	-	(28)	-	-
Foreign exchange and other movements	(2)	-	5	-	-
<b>Balance as at 31 Mar 2022</b>	<b>3,510</b>	<b>320</b>	<b>10,964</b>	<b>1,030</b>	<b>798</b>

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

in EUR thousands					
NLB					
	Debt securities measured at amortised cost		Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	Lifetime ECL not credit - impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2023	1,990	-	2,022	-	6,777
Increases/(Decreases) (note 4.12.)	94	-	(138)	-	(4,483)
Write-offs	-	-	-	-	(1,537)
Foreign exchange and other movements	(1)	-	-	-	41
<b>Balance as at 31 Mar 2023</b>	<b>2,083</b>	<b>-</b>	<b>1,884</b>	<b>-</b>	<b>798</b>

in EUR thousands					
NLB					
	Debt securities measured at amortised cost		Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	Lifetime ECL not credit - impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2022	1,826	-	2,203	-	798
Transfers	-	-	(26)	26	-
Increases/(Decreases) (note 4.12.)	139	-	48	939	-
Foreign exchange and other movements	1	-	2	-	-
<b>Balance as at 31 Mar 2022</b>	<b>1,966</b>	<b>-</b>	<b>2,227</b>	<b>965</b>	<b>798</b>



## 5.11. Financial liabilities measured at amortised cost

### Analysis by type

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2023	31 Dec 2022	Change	31 Mar 2023	31 Dec 2022	Change
Deposits from banks and central banks	107,425	106,414	1%	282,026	212,656	33%
- Deposits on demand	85,650	86,892	-1%	257,498	193,523	33%
- Other deposits	21,775	19,522	12%	24,528	19,133	28%
Borrowings from banks and central banks	201,025	198,609	1%	43,501	57,292	-24%
Due to customers	19,732,023	20,027,726	-1%	10,843,994	10,984,411	-1%
- Deposits on demand	17,213,190	17,386,022	-1%	10,161,167	10,268,908	-1%
- Other deposits	2,518,833	2,641,704	-5%	682,827	715,503	-5%
Borrowings from other customers	78,896	82,482	-4%	211	216	-2%
Debt securities issued	824,915	815,990	1%	824,915	815,990	1%
Other financial liabilities	282,462	294,463	-4%	148,284	164,567	-10%
<b>Total</b>	<b>21,226,746</b>	<b>21,525,684</b>	<b>-1%</b>	<b>12,142,931</b>	<b>12,235,132</b>	<b>-1%</b>

In December 2021, N Banka participated in ECB TLTRO III.10 operation and had drawn a credit tranche of EUR 93,000 thousand for three years. In December 2022, N Banka early repaid a part of the loan in the amount of EUR 30,000 thousand. The carrying amount of the loan as at 31 March 2023 amounts to EUR 63,000 thousand (EUR 92,850 as at the acquisition date).

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

#### a) Debt securities issued

	in EUR thousands							
	NLB Group and NLB							
	31 Mar 2023				31 Dec 2022			
	Currency	Due date	Interest rate	Carrying amount	Nominal value	Carrying amount	Nominal value	
Subordinated bonds								
	EUR	06.05.2029	4.20% to 06.05.2024, thereafter 5Y MS + 4.159% p.a.	46,422	45,000	45,941	45,000	
	EUR	19.11.2029	3.65% to 19.11.2024, thereafter 5Y MS + 3.833% p.a.	120,773	120,000	119,677	120,000	
	EUR	05.02.2030	3.40% to 05.02.2025, thereafter 5Y MS + 3.658% p.a.	120,046	120,000	123,106	120,000	
	EUR	28.11.2032	10.75% to 28.11.2027, thereafter 5Y MS + 8.298% p.a.	225,933	225,000	220,054	225,000	
<b>Total Subordinated bonds</b>				<b>513,174</b>	<b>510,000</b>	<b>508,778</b>	<b>510,000</b>	
Senior Preferred notes								
	EUR	19.07.2025	6% to 19.07.2024, thereafter 1Y MS + 4.835% p.a.	311,741	30,000	307,212	300,000	
<b>Total Senior Preferred notes</b>				<b>311,741</b>	<b>30,000</b>	<b>307,212</b>	<b>300,000</b>	
<b>Total Debt securities issued</b>				<b>824,915</b>	<b>540,000</b>	<b>815,990</b>	<b>810,000</b>	

#### b) Movement of debt securities issued

	in EUR thousand			
	Subordinated bonds		Senior Preferred notes	
	2023	2022	2023	2022
<b>NLB Group and NLB</b>				
Balance as at 1 Jan	508.778	288.519	307.212	-
Cash flow items:				
- repayments of interest	(4.080)	(4.080)	-	-
Non-Cash flow items:				
- accrued interest	8.476	2.594	4.529	-
<b>Balance as at 31 Mar</b>	<b>513.174</b>	<b>287.033</b>	<b>311.741</b>	<b>-</b>

#### c) Other financial liabilities

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2023	31 Dec 2022	Change	31 Mar 2023	31 Dec 2022	Change
Items in the course of payment	80,527	70,232	15%	24,736	16,281	52%
Debit or credit card payables	27,934	72,148	-61%	24,883	54,920	-55%
Lease liabilities	25,619	23,840	7%	3,290	3,349	-2%
Accrued expenses	46,556	33,574	39%	25,969	15,898	63%
Liabilities to brokerage firms and others for securities purchase and custody services	9,604	224	-	9,599	205	-
Suppliers	9,841	19,608	-50%	5,625	13,455	-58%
Fees and commissions	136	751	-82%	15	633	-98%
Other financial liabilities	82,245	74,086	11%	54,167	59,826	-9%
<b>Total</b>	<b>282,462</b>	<b>294,463</b>	<b>-4%</b>	<b>148,284</b>	<b>164,567</b>	<b>-10%</b>

## 5.12. Provisions

### a) Analysis by type

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2023	31 Dec 2022	Change	31 Mar 2023	31 Dec 2022	Change
Provisions for guarantees and commitments	35,417	37,609	-6%	19,225	20,299	-5%
Stage 1	18,289	18,826	-3%	8,007	8,156	-2%
Stage 2	1,889	1,953	-3%	202	378	-47%
Stage 3	15,239	16,830	-9%	11,016	11,765	-6%
Employee benefit provisions	18,373	18,026	2%	12,063	11,876	2%
Provisions for legal risks	39,142	43,209	-9%	25	3,584	-99%
Restructuring provisions	19,512	21,036	-7%	6,301	7,288	-14%
Other provisions	10,197	2,772	-	9,761	2,169	-
<b>Total</b>	<b>122,641</b>	<b>122,652</b>	<b>0%</b>	<b>47,375</b>	<b>45,216</b>	<b>5%</b>

#### Legal risks

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

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

#### Other provisions

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

## b) Movements in provisions for guarantees and commitments

in EUR thousands			
NLB Group			
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2023	18,826	1,953	16,830
Effects of translation of foreign operations to presentation currency	6	2	4
Transfers	128	11	(139)
Increases/(Decreases) (note 4.11.)	(649)	(77)	(1,457)
Foreign exchange and other movements	(22)	-	1
<b>Balance as at 31 Mar 2023</b>	<b>18,289</b>	<b>1,889</b>	<b>15,239</b>

in EUR thousands			
NLB Group			
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2022	12,912	1,640	18,889
Effects of translation of foreign operations to presentation currency	8	1	-
Acquisition of subsidiary	921	-	180
Transfers	217	(3)	(214)
Increases/(Decreases) (note 4.11.)	1,032	28	(1,765)
Changes in models/risk parameters (note 4.11.)	(45)	(10)	-
Foreign exchange and other movements	26	-	10
<b>Balance as at 31 Mar 2022</b>	<b>15,071</b>	<b>1,656</b>	<b>17,100</b>

in EUR thousands			
NLB			
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2023	8,156	378	11,765
Transfers	96	(10)	(86)
Increases/(Decreases) (note 4.11.)	(245)	(166)	(663)
<b>Balance as at 31 Mar 2023</b>	<b>8,007</b>	<b>202</b>	<b>11,016</b>

in EUR thousands			
NLB			
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2022	3,909	141	16,510
Transfers	142	32	(174)
Increases/(Decreases) (note 4.11.)	1,137	(29)	(1,632)
Foreign exchange and other movements	(5)	-	25
<b>Balance as at 31 Mar 2022</b>	<b>5,183</b>	<b>144</b>	<b>14,729</b>

### 5.13. Deferred income tax

	in EUR thousands			
	NLB Group		NLB	
	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022
<b>Deferred income tax assets</b>				
Valuation of financial instruments and capital investments	46,254	48,415	37,429	38,028
Impairment of financial assets	8,079	9,480	905	2,050
Provisions for liabilities and charges	9,573	9,899	1,717	1,819
Depreciation and valuation of non-financial assets	4,467	4,737	101	109
Fair value adjustments of financial instruments measured at amortised cost	1,871	2,046	-	-
Other	116	141	-	-
<b>Total deferred income tax assets</b>	<b>70,360</b>	<b>74,718</b>	<b>40,152</b>	<b>42,006</b>
<b>Deferred income tax liabilities</b>				
Valuation of financial instruments	7,877	8,375	4,642	5,283
Depreciation and valuation of non-financial assets	1,586	1,641	163	163
Impairment of financial assets	4,422	5,501	509	1,672
Fair value adjustments of financial assets measured at amortised cost	5,532	5,366	-	-
Other	790	877	-	-
<b>Total deferred income tax liabilities</b>	<b>20,207</b>	<b>21,760</b>	<b>5,314</b>	<b>7,118</b>
<b>Net deferred income tax assets</b>	<b>52,757</b>	<b>55,527</b>	<b>34,838</b>	<b>34,888</b>
<b>Net deferred income tax liabilities</b>	<b>(2,604)</b>	<b>(2,569)</b>	<b>-</b>	<b>-</b>

	in EUR thousands			
	NLB Group		NLB	
	three months ended		three months ended	
	March 2023	March 2022	March 2023	March 2022
<b>Included in the income statement</b>	<b>(1,965)</b>	<b>(321)</b>	<b>(1,162)</b>	<b>224</b>
- valuation of financial instruments and capital investments	422	4,526	93	4,038
- impairment of financial assets	(1,563)	173	(1,145)	214
- provisions for liabilities and charges	(334)	(272)	(102)	(153)
- depreciation and valuation of non-financial assets	(222)	43	(8)	1
- fair value adjustments of financial assets measured at amortised cost	(332)	(521)	-	-
- tax losses	-	(253)	-	-
- dividends	-	(3,876)	-	(3,876)
- tax reliefs	-	(232)	-	-
- other	64	91	-	-
<b>Included in other comprehensive income</b>	<b>(854)</b>	<b>4,108</b>	<b>1,112</b>	<b>1,423</b>
- valuation and impairment of financial assets measured at fair value through other comprehensive income	(854)	4,108	1,112	1,423

As at 31 March 2023, NLB recognised EUR 40,152 thousand deferred tax assets (31 December 2022: EUR 42,006 thousand). Unrecognised deferred tax assets amount to EUR 198,338 thousand (31 December 2022: EUR 202,802 thousand) of which EUR 178,868 thousand (31 December 2022: EUR 180,589 thousand) relates to unrecognised deferred tax assets from tax losses (no deadlines by which uncovered tax losses must be utilized) and EUR 19,471 thousand (31 December 2022: EUR 22,213 thousand) to unrecognised deferred tax assets from valuation of financial instruments and impairments of non-strategic capital investments.

### 5.14. Income tax relating to components of other comprehensive income

	in EUR thousands					
	NLB Group			NLB		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
<b>Three months ended March 2023</b>						
Financial assets measured at fair value through other comprehensive income	20,967	(854)	20,113	8,089	1,112	9,201
<b>Total</b>	<b>20,967</b>	<b>(854)</b>	<b>20,113</b>	<b>8,089</b>	<b>1,112</b>	<b>9,201</b>

	in EUR thousands					
	NLB Group			NLB		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
<b>Three months ended March 2022</b>						
Financial assets measured at fair value through other comprehensive income	(61,816)	4,108	(57,708)	(41,438)	1,423	(40,015)
<b>Total</b>	<b>(61,816)</b>	<b>4,108</b>	<b>(57,708)</b>	<b>(41,438)</b>	<b>1,423</b>	<b>(40,015)</b>

## 5.15. Other liabilities

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2023	31 Dec 2022	Change	31 Mar 2023	31 Dec 2022	Change
Accrued salaries	24,118	21,948	10%	14,265	14,014	2%
Unused annual leave	6,772	6,886	-2%	2,569	2,569	0%
Taxes payable	6,461	5,724	13%	3,391	4,023	-16%
Deferred income	10,660	11,177	-5%	4,451	4,749	-6%
Payments received in advance	3,737	3,346	12%	1,217	32	-
<b>Total</b>	<b>51,748</b>	<b>49,081</b>	<b>5%</b>	<b>25,893</b>	<b>25,387</b>	<b>2%</b>

## 5.16. Other equity instruments issued

On 23 September 2022, NLB issued subordinated notes intended to qualify as Additional Tier 1 Instruments in the aggregate nominal amount of EUR 82 million. The notes have no scheduled maturity date. The issuer has the option for early redemption of the notes in the period between 23 September 2027 and 23 March 2028, and on each distribution payment date after 23 March 2028. Until 23 March 2028, the interest on the principal of the notes will accrue at the interest rate of 9.721% per annum, and for each subsequent 5-year period, will accrue at the applicable interest rate, which shall be reset prior to the commencement of each such period (5Y MS + 7.20% per annum). The coupon payments are discretionary and non-cumulative. The notes terms provide for a temporary write-down in the event that the Common Equity Tier 1 ratio of NLB Group and/or NLB drop(s) below 5.125%. The issue price was equal to 100% of the nominal amount of the notes. The ISIN code of the notes is SI0022104275. Carrying amount as of 31 March 2023 is EUR 86,149 thousand (31 December 2022: EUR 84,184 thousand).

## 5.17. Book value per share

	in EUR thousands			
	NLB Group		NLB	
	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022
Total equity attributable to owners of the parents	2,507,596	2,365,585	1,663,311	1,602,870
Other equity instruments (note 5.16.)	86,149	84,184	86,149	84,184
Total equity attributable to owners of the parents excluding other equity instruments issued	2,421,447	2,281,401	1,577,162	1,518,686
Number of shares (in thousands)	20,000	20,000	20,000	20,000
Book value per share (in EUR)	121.1	114.1	78.9	75.9

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

## 5.18. Capital adequacy ratio

	in EUR thousands			
	NLB Group		NLB	
	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022
Paid-up capital instruments	200,000	200,000	200,000	200,000
Share premium	871,378	871,378	871,378	871,378
Retained earnings - from previous years	1,241,305	908,965	403,498	355,861
Profit eligible - from current year	-	334,297	-	49,602
Accumulated other comprehensive income	(138,278)	(98,470)	(72,476)	(50,527)
Other reserves	13,522	13,522	13,522	13,522
Minority interest	27,398	26,806	-	-
Prudential filters: Additional Valuation Adjustments (AVA)	(2,609)	(2,981)	(1,222)	(1,385)
(-) Goodwill	(3,529)	(3,529)	-	-
(-) Other intangible assets	(41,790)	(41,351)	(24,393)	(23,675)
(-) Insufficient coverage for non-performing exposures	(485)	(418)	(322)	(80)
<b>COMMON EQUITY TIER 1 CAPITAL (CET1)</b>	<b>2,166,912</b>	<b>2,208,219</b>	<b>1,389,985</b>	<b>1,414,696</b>
Capital instruments eligible as AT1 Capital	82,000	82,000	82,000	82,000
Minority interest	5,662	5,481	-	-
<b>Additional Tier 1 capital</b>	<b>87,662</b>	<b>87,481</b>	<b>82,000</b>	<b>82,000</b>
<b>TIER 1 CAPITAL</b>	<b>2,254,574</b>	<b>2,295,700</b>	<b>1,471,985</b>	<b>1,496,696</b>
Capital instruments and subordinated loans eligible as Tier 2 capital	507,516	507,516	507,516	507,516
Minority interest	3,154	3,159	-	-
<b>TIER 2 CAPITAL</b>	<b>510,670</b>	<b>510,675</b>	<b>507,516</b>	<b>507,516</b>
<b>TOTAL CAPITAL</b>	<b>2,765,244</b>	<b>2,806,375</b>	<b>1,979,501</b>	<b>2,004,212</b>
RWA for credit risk	11,758,017	11,797,851	6,468,311	6,356,959
RWA for market risks	1,363,625	1,359,476	761,651	776,963
RWA for credit valuation adjustment risk	90,525	85,600	92,175	86,138
RWA for operational risk	1,410,132	1,410,132	612,654	612,654
<b>TOTAL RISK EXPOSURE AMOUNT (RWA)</b>	<b>14,622,299</b>	<b>14,653,059</b>	<b>7,934,791</b>	<b>7,832,714</b>
Common Equity Tier 1 Ratio	14.8%	15.1%	17.5%	18.1%
Tier 1 Ratio	15.4%	15.7%	18.6%	19.1%
<b>Total Capital Ratio</b>	<b>18.9%</b>	<b>19.2%</b>	<b>24.9%</b>	<b>25.6%</b>

As at 31 March 2023, the total capital ratio (TCR) for the NLB Group stood at 18.9% and the CET1 ratio for the NLB Group stood at 14.8%, both decreased by 0.3 p.p. compared to the end of 2022 due to lower total capital. Although the overall revaluation adjustments in Q1 2023 were positive in the amount EUR 21.9 million, the total capital decreased by EUR 41.1 million compared to the end of 2022 since the temporary treatment of fair value through other comprehensive income (FVOCI) valuations for sovereign securities with the positive effect of EUR 61.7 million as at 31 December 2022 ceased to apply in January 2023.

The total capital does not include a part of the 2022 result in the amount of EUR 110 million, which is envisaged to be paid as the dividend in 2023. Therefore, there will be no effect on the capital once the dividends are paid.

Risk Weighted Assets (RWA) in the NLB Group decreased by EUR 30.8 million compared to the end of 2022. RWAs for credit risk decreased by EUR 39.8 million, mainly due to maturity of liquid assets in NLB Komercijalna Banka, Beograd and lower placements at Central Bank in foreign currency (EUR). RWA reduction was partially offset by project finance exposures and retail lending exposures growth. Overall, RWA of corporate segment is on the level of the year 2022 while in retail segment increased.

The increase in RWAs for market risks and Credit Value Adjustments (CVA) in the amount of EUR 9.1 million compared to the end of 2022 is the result of higher RWA for FX risk in the amount of EUR 12.1 million, higher RWA for CVA risk in the amount of EUR 4.9 million, and lower RWA for TDI risk in the amount of EUR 8.0 million (as a consequence of termination of some deals).

## 5.19. Off-balance sheet liabilities

	in EUR thousands					
	NLB Group			NLB		
	31 Mar 2023	31 Dec 2022	Change	31 Mar 2023	31 Dec 2022	Change
Loan commitments	2,482,282	2,388,468	4%	1,845,954	1,635,498	13%
Non-financial guarantees	875,969	862,779	2%	484,808	462,805	5%
Financial guarantees	631,106	648,529	-3%	320,284	326,791	-2%
Letters of credit	33,960	35,029	-3%	17,461	13,204	32%
Other	19,100	18,655	2%	9,796	9,706	1%
	<b>4,042,417</b>	<b>3,953,460</b>	<b>2%</b>	<b>2,678,303</b>	<b>2,448,004</b>	<b>9%</b>
Provisions (note 5.12.)	(35,417)	(37,609)	6%	(19,225)	(20,299)	5%
<b>Total</b>	<b>4,007,000</b>	<b>3,915,851</b>	<b>2%</b>	<b>2,659,078</b>	<b>2,427,705</b>	<b>10%</b>

In addition to the instruments presented in the table above, NLB Group and NLB have also some low-risk off-balance sheet items, for which 0% credit conversion factor is applied in accordance with the Capital Requirements Regulation (credit and other lines which can be irrevocably cancelled by a bank). As at 31 March 2023, these items at the NLB Group level amount to EUR 705,020 thousand (31 December 2022: EUR 657,232 thousand), and at the NLB level EUR 330,772 thousand (31 December 2022: EUR 316,977 thousand).

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

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

The fair value hierarchy comprises the following levels:

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

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

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

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

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

	NLB Group				NLB				in EUR thousands	
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value		
<b>31 Mar 2023</b>										
<b>Financial assets</b>										
Financial instruments held for trading	-	19,242	20	19,262	-	20,188	20	20,208		
Derivatives	-	19,242	20	19,262	-	20,188	20	20,208		
Derivatives - hedge accounting	-	54,593	-	54,593	-	54,568	-	54,568		
Financial assets measured at fair value through other comprehensive income	1,618,901	930,939	1,395	2,551,235	1,124,395	49,407	269	1,174,071		
Debt instruments	1,618,378	850,791	137	2,469,306	1,124,395	6,608	-	1,131,003		
Equity instruments	523	80,148	1,258	81,929	-	42,799	269	43,068		
Non-trading financial assets mandatorily at fair value through profit or loss	11,386	-	7,999	19,385	-	7,965	7,999	15,964		
Debt instruments	3,143	-	-	3,143	-	-	-	-		
Equity instruments	8,243	-	7,999	16,242	-	-	7,999	7,999		
Loans	-	-	-	-	-	7,965	-	7,965		
<b>Financial liabilities</b>										
Financial instruments held for trading	-	19,086	-	19,086	-	19,518	-	19,518		
Derivatives	-	19,086	-	19,086	-	19,518	-	19,518		
Derivatives - hedge accounting	-	2,467	-	2,467	-	2,223	-	2,223		
Financial liabilities measured at fair value through profit or loss	-	2,093	-	2,093	-	2,617	-	2,617		
<b>Non-financial assets</b>										
Investment properties	-	12,192	23,125	35,317	-	6,753	-	6,753		
Non-current assets held for sale	-	9,092	-	9,092	-	3,873	-	3,873		

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

#### b) Significant transfers of financial instruments between levels of valuation

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

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

For the three months ended 31 March 2023 and 2022, NLB Group nor NLB had any significant transfers between levels of valuation of financial instruments measured at fair value in financial statements.



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

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

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

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

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

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

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

At least one of the three valuation methods are used for the valuation of investment property. The majority of investment property is valued using the income approach where the present value of future expected returns is assessed. When valuing an investment property, average rents at similar locations and capitalisation ratios such as: the risk-free yield, risk premium and the risk premium to account for capital preservation are used. Rents at similar locations are generated from various sources, like data from lessors and lessees, web databases and own databases. NLB Group has observable data for all investment property at its disposal. If observable data for similar locations are not available, NLB Group uses data from wider locations and adjusts it appropriately.

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

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

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

Non-financial assets on Level 3 of the fair value hierarchy at NLB Group include investment properties.

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

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

At least one of the three valuation methods are used for the valuation of investment property. The majority of investment property is valued using the income approach where the present value of future expected returns is assessed. When valuing an investment property, average rents at similar locations and capitalisation ratios such as: the risk-free yield, risk premium and the risk premium to account for capital preservation are used. Rents at similar locations are generated from various sources, like data from lessors and lessees, web databases and own databases. NLB Group has observable data for all investment property at its disposal. If observable data for similar locations are not available, NLB Group uses data from wider locations and adjusts it appropriately.

### Movements of financial assets and liabilities at Level 3

	in EUR thousands				
	Financial instruments held for trading	Financial assets measured at fair value through OCI		Non-trading financial assets mandatorily at fair value through profit or loss	Total financial assets
	Derivatives	Debt instruments	Equity instruments	Equity instruments	
<b>NLB Group</b>					
Balance as at 1 Jan 2023	17	2,236	1,256	7,519	11,028
Valuation:					
- through profit or loss	3	-	-	428	431
- recognised in other comprehensive income	-	5,768	(1)	-	5,767
Exchange differences	-	20	-	(98)	(78)
Increases	-	-	-	150	150
Decreases	-	(6,350)	-	-	(6,350)
Write-offs	-	(1,537)	-	-	(1,537)
<b>Balance as at 31 Mar 2023</b>	<b>20</b>	<b>137</b>	<b>1,258</b>	<b>7,999</b>	<b>9,414</b>

	in EUR thousands				
	Financial instruments held for trading	Financial assets measured at fair value through OCI		Non-trading financial assets mandatorily at fair value through profit or loss	Total financial assets
	Derivatives	Debt instruments	Equity instruments	Equity instruments	
<b>NLB Group</b>					
Balance as at 1 Jan 2022	1	351	1,136	4,472	5,960
Acquisition of subsidiaries	-	-	12	-	12
Effects of translation of foreign operations to presentation currency	-	-	2	-	2
Valuation:					
- through profit or loss	(1)	-	-	107	106
Exchange differences	-	-	-	82	82
Increases	-	-	-	800	800
Decreases	-	(76)	-	-	(76)
<b>Balance as at 31 Mar 2022</b>	<b>-</b>	<b>275</b>	<b>1,150</b>	<b>5,461</b>	<b>6,886</b>

	in EUR thousands				
	Financial instruments held for trading	Financial assets measured at fair value through OCI		Non-trading financial assets mandatorily at fair value through profit or loss	Total financial assets
	Derivatives	Debt instruments	Equity instruments	Equity instruments	
<b>NLB</b>					
Balance as at 1 Jan 2023	17	2,026	269	7,519	9,831
Valuation:					
- through profit or loss	3	-	-	428	431
- recognised in other comprehensive income	-	5,768	-	-	5,768
Exchange differences	-	20	-	(98)	(78)
Increases	-	-	-	150	150
Decreases	-	(6,277)	-	-	(6,277)
Write-offs	-	(1,537)	-	-	(1,537)
<b>Balance as at 31 Mar 2023</b>	<b>20</b>	<b>-</b>	<b>269</b>	<b>7,999</b>	<b>8,288</b>

	in EUR thousands				
	Financial instruments held for trading	Financial assets measured at fair value through OCI		Non-trading financial assets mandatorily at fair value through profit or loss	Total financial assets
	Derivatives	Debt instruments	Equity instruments	Equity instruments	
<b>NLB</b>					
Balance as at 1 Jan 2022	1	-	219	4,472	4,692
Valuation:					
- through profit or loss	(1)	-	-	107	106
Exchange differences	-	-	-	82	82
Increases	-	-	-	800	800
<b>Balance as at 31 Mar 2022</b>	<b>-</b>	<b>-</b>	<b>219</b>	<b>5,461</b>	<b>5,680</b>

In the three months ended 31 March 2023 and 2022, NLB Group and NLB recognised the following unrealised gains or losses for financial instruments that were at Level 3 as at 31 March:

					in EUR thousands			
Three months ended 31 Mar 2023					NLB Group			
	Financial assets held for trading	Financial assets measured at fair value through OCI		Non-trading financial assets mandatorily at fair value through profit or loss				
		Derivatives	Debt instruments		Equity instruments	Equity instruments		
<b>Items of Income statement</b>								
Gains less losses from financial assets and liabilities held for trading		3	-	-	-	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss		-	-	-	-	-	-	428
Foreign exchange translation gains less losses		-	-	-	-	-	-	(98)
<b>Item of Other comprehensive income</b>								
Financial assets measured at fair value through other comprehensive income		-	-	-	-	(1)	-	-

					in EUR thousands			
Three months ended 31 Mar 2022					NLB Group			
	Financial assets held for trading	Financial assets measured at fair value through OCI		Non-trading financial assets mandatorily at fair value through profit or loss				
		Derivatives	Debt instruments		Equity instruments	Equity instruments		
<b>Items of Income statement</b>								
Gains less losses from financial assets and liabilities held for trading		(1)	-	-	-	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss		-	-	-	-	-	-	107
Foreign exchange translation gains less losses		-	-	-	-	-	-	82

					in EUR thousands			
Three months ended 31 Mar 2023					NLB			
	Financial assets held for trading	Financial assets measured at fair value through OCI		Non-trading financial assets mandatorily at fair value through profit or loss				
		Derivatives	Debt instruments		Equity instruments	Equity instruments		
<b>Items of Income statement</b>								
Gains less losses from financial assets and liabilities held for trading		3	-	-	-	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss		-	-	-	-	-	-	428
Foreign exchange translation gains less losses		-	-	-	-	-	-	(98)

					in EUR thousands			
Three months ended 31 Mar 2022					NLB			
	Financial assets held for trading	Financial assets measured at fair value through OCI		Non-trading financial assets mandatorily at fair value through profit or loss				
		Derivatives	Debt instruments		Equity instruments	Equity instruments		
<b>Items of Income statement</b>								
Gains less losses from financial assets and liabilities held for trading		(1)	-	-	-	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss		-	-	-	-	-	-	107
Foreign exchange translation gains less losses		-	-	-	-	-	-	82

### Movements of non-financial assets at Level 3

				in EUR thousands	
				NLB Group	
<b>Investment property</b>				2023	2022
Balance as at 1 Jan				23,447	27,642
Effects of translation of foreign operations to presentation currency				36	20
Additions				86	35
Disposals				(444)	(31)
<b>Balance as at 31 Mar</b>				<b>23,125</b>	<b>27,666</b>

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

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

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

	in EUR thousands							
	NLB Group				NLB			
	31 Mar 2023		31 Dec 2022		31 Mar 2023		31 Dec 2022	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets measured at amortised cost</b>								
- debt securities	1,992,655	1,840,623	1,917,615	1,749,169	1,674,975	1,536,705	1,597,448	1,442,453
- loans and advances to banks	329,112	329,068	222,965	223,077	328,060	328,060	350,625	362,422
- loans and advances to customers	13,137,662	12,910,255	13,072,986	12,883,859	6,026,442	5,946,883	6,054,413	5,965,468
- other financial assets	123,930	123,930	177,823	177,823	77,903	77,903	114,399	114,399
<b>Financial liabilities measured at amortised cost</b>								
- deposits from banks and central banks	107,425	106,942	106,414	106,627	282,026	281,609	212,656	212,880
- borrowings from banks and central banks	201,025	190,946	198,609	193,774	43,501	39,397	57,292	52,897
- due to customers	19,732,023	19,728,247	20,027,726	20,031,938	10,843,994	10,846,731	10,984,411	10,989,255
- borrowings from other customers	78,896	77,186	82,482	80,684	211	211	216	216
- debt securities issued	824,915	805,689	815,990	788,892	824,915	805,689	815,990	788,892
- other financial liabilities	282,462	282,462	294,463	294,463	148,284	148,284	164,567	164,567

#### *Loans and advances to banks*

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

#### *Loans and advances to customers*

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

#### *Deposits and borrowings from customers*

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

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

#### *Debt securities measured at amortised cost and issued debt securities*

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

#### *Loan commitments*

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

#### *Other financial assets and liabilities*

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

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

in EUR thousands								
	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
<b>31 Mar 2023</b>								
Financial assets measured at amortised cost								
- debt securities	1,528,102	305,279	7,242	1,840,623	1,443,716	92,989	-	1,536,705
- loans and advances to banks	-	329,068	-	329,068	-	328,060	-	328,060
- loans and advances to customers	-	12,910,255	-	12,910,255	-	5,946,883	-	5,946,883
- other financial assets	-	123,930	-	123,930	-	77,903	-	77,903
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	-	106,942	-	106,942	-	281,609	-	281,609
- borrowings from banks and central banks	-	190,946	-	190,946	-	39,397	-	39,397
- due to customers	-	19,728,247	-	19,728,247	-	10,846,731	-	10,846,731
- borrowings from other customers	-	77,186	-	77,186	-	211	-	211
- debt securities issued	764,351	41,338	-	805,689	764,351	41,338	-	805,689
- other financial liabilities	-	282,462	-	282,462	-	148,284	-	148,284

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

## 6. Analysis by segment for NLB Group

### a) Segments<sup>7</sup>

NLB Group								
in EUR thousands								
	Corporate and			Financial	Non-Core	Other	Unallocated	Total
	Retail	Investment	Strategic	Markets in	Members	activities		
Three months ended 31 March 2023	Banking in	Banking in	Foreign	Slovenia				
	Slovenia	Slovenia	Markets					
Total net income	70,393	31,329	127,619	13,824	(1,001)	1,718	-	243,882
Net income from external customers	56,374	42,137	128,979	13,778	(1,021)	1,673	-	241,920
Intersegment net income	14,019	(10,808)	(1,360)	46	20	45	-	1,962
Net interest income	49,311	21,200	93,847	14,724	(8)	(105)	-	178,969
Net interest income from external customers	36,024	33,442	95,200	14,368	60	(125)	-	178,969
Intersegment net interest income	13,287	(12,242)	(1,353)	356	(68)	20	-	-
Administrative expenses	(33,239)	(16,641)	(50,237)	(2,106)	(2,796)	(2,772)	-	(107,791)
Depreciation and amortisation	(2,687)	(1,273)	(6,823)	(152)	(107)	(241)	-	(11,283)
Reportable segment profit/(loss) before impairment and provision charge	34,467	13,415	70,559	11,566	(3,904)	(1,295)	-	124,808
Other net gains/(losses) from equity investments in subsidiaries, associates and joint ventures	307	-	-	-	-	-	-	307
Impairment and provisions charge	(11,523)	4,449	11,098	4,334	515	3,532	-	12,405
Profit/(loss) before income tax	23,251	17,864	81,657	15,900	(3,389)	2,237	-	137,520
Owners of the parent	23,251	17,864	78,220	15,900	(3,389)	2,237	-	134,083
Non-controlling interests	-	-	3,437	-	-	-	-	3,437
Income tax	-	-	-	-	-	-	(13,942)	(13,942)
<b>Profit for the year</b>								<b>120,141</b>
<b>31 Mar 2023</b>								
Reportable segment assets	3,679,230	3,253,896	10,111,724	6,544,824	57,304	352,807	-	23,999,785
Investments in associates and joint ventures	11,985	-	-	-	-	-	-	11,985
Reportable segment liabilities	9,110,729	2,448,449	8,566,230	1,130,876	3,981	183,646	-	21,443,911

NLB Group								
in EUR thousands								
	Corporate and			Financial	Non-Core	Other	Unallocated	Total
	Retail	Investment	Strategic	Markets in	Members	activities		
Three months ended 31 March 2022	Banking in	Banking in	Foreign	Slovenia				
	Slovenia	Slovenia	Markets					
Total net income	39,162	22,225	94,160	8,468	809	1,537	-	166,361
Net income from external customers	42,479	25,086	94,649	284	769	1,515	-	164,782
Intersegment net income	(3,317)	(2,861)	(489)	8,184	40	22	-	1,579
Net interest income	20,748	10,202	66,333	10,302	84	129	-	107,798
Net interest income from external customers	27,398	13,267	67,526	(694)	169	132	-	107,798
Intersegment net interest income	(6,650)	(3,065)	(1,193)	10,996	(85)	(3)	-	-
Administrative expenses	(26,571)	(11,432)	(46,175)	(2,014)	(2,455)	(4,095)	-	(92,742)
Depreciation and amortisation	(2,743)	(1,080)	(7,142)	(167)	(113)	(297)	-	(11,542)
Reportable segment profit/(loss) before impairment and provision charge	9,848	9,713	40,843	6,287	(1,759)	(2,855)	-	62,077
Other net gains/(losses) from equity investments in subsidiaries, associates and joint ventures	610	-	-	-	-	-	-	610
Negative goodwill	-	-	-	-	-	172,810	-	172,810
Impairment and provisions charge	(1,851)	4,061	3,219	(1,515)	617	(8,914)	-	(4,383)
Profit/(loss) before income tax	8,607	13,774	44,062	4,772	(1,142)	161,041	-	231,114
Owners of the parent	8,607	13,774	39,960	4,772	(1,142)	161,041	-	227,012
Non-controlling interests	-	-	4,102	-	-	-	-	4,102
Income tax	-	-	-	-	-	-	(5,202)	(5,202)
<b>Profit for the year</b>								<b>221,810</b>
<b>31 Dec 2022</b>								
Reportable segment assets	3,665,110	3,372,047	10,179,396	6,514,047	61,563	356,400	-	24,148,563
Investments in associates and joint ventures	11,677	-	-	-	-	-	-	11,677
Reportable segment liabilities	9,108,497	2,777,001	8,539,025	1,118,681	3,754	190,957	-	21,737,915

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

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

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

<sup>7</sup> In 2023 the Bank changed the recognition of obligation for regulatory expenses. In the previous year, these expenses were recognised in second quarter, after receiving Bank of Slovenia's notification, while in 2023, the Bank recognised these expenses in full already in first quarter. Comparative amounts for previous periods in the segments Retail Banking in Slovenia, Corporate and Investment Banking in Slovenia and Financial Markets in Slovenia have been adjusted to reflect this change in the presentation.

The core segments are the following:

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

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

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

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

## b) Geographical information

NLB Group	in EUR thousands							
	Revenues		Net income		Non-current assets		Total assets	
	three months ended		three months ended		31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022
March 2023	March 2022	March 2023	March 2022					
Slovenia	153,552	97,174	114,276	79,576	151,643	152,037	13,857,193	13,935,167
South East Europe	145,191	114,512	127,611	94,887	204,624	204,802	10,145,637	10,216,136
North Macedonia	26,080	22,165	21,712	19,199	35,576	36,348	1,801,981	1,832,477
Serbia	67,249	49,193	63,189	40,407	101,120	100,822	4,638,739	4,672,351
Montenegro	13,134	10,483	10,480	8,307	17,493	17,416	783,592	825,400
Croatia	-	-	(414)	15	-	377	2,565	3,557
Bosnia and Herzegovina	23,159	19,296	19,650	15,645	35,636	35,550	1,819,713	1,799,877
Kosovo	15,569	13,375	12,994	11,314	14,799	14,289	1,099,047	1,082,474
Western Europe	-	8	33	32	28	28	8,940	8,937
Germany	-	1	41	29	28	28	648	691
Switzerland	-	7	(8)	3	-	-	8,292	8,246
<b>Total</b>	<b>298,743</b>	<b>211,694</b>	<b>241,920</b>	<b>174,495</b>	<b>356,295</b>	<b>356,867</b>	<b>24,011,770</b>	<b>24,160,240</b>

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

## 7. Related-party transactions

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

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

	in EUR thousands							
	Management Board and other key management personnel		Family members of the Management Board and other key management personnel		Companies in which members of the Management Board, key management personnel, or their family members have control, joint control or a significant influence		Supervisory Board	
NLB Group	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022
Loans and deposits issued	1,982	2,173	464	469	-	-	53	54
Deposits received	2,485	2,556	1,333	926	257	218	362	348
Other financial liabilities	-	2	-	-	2	3	-	-
Other financial liabilities measured at fair value through profit or loss	955	801	-	-	-	-	-	-
Other operating liabilities	6,559	6,559	-	-	-	-	-	-
Guarantees issued and loan commitments	254	237	67	70	-	-	11	17
<b>NLB</b>	<b>31 Mar 2023</b>	<b>31 Dec 2022</b>	<b>31 Mar 2023</b>	<b>31 Dec 2022</b>	<b>31 Mar 2023</b>	<b>31 Dec 2022</b>	<b>31 Mar 2023</b>	<b>31 Dec 2022</b>
Loans and deposits issued	1,982	2,172	464	469	-	-	53	54
Deposits received	2,465	2,536	1,333	926	257	218	362	348
Other financial liabilities	-	2	-	-	2	3	-	-
Other financial liabilities measured at fair value through profit or loss	872	728	-	-	-	-	-	-
Other operating liabilities	6,539	6,539	-	-	-	-	-	-
Guarantees issued and loan commitments	240	223	67	70	-	-	11	17
	<b>three months ended</b>		<b>three months ended</b>		<b>three months ended</b>		<b>three months ended</b>	
	<b>March 2023</b>	<b>March 2022</b>	<b>March 2023</b>	<b>March 2022</b>	<b>March 2023</b>	<b>March 2022</b>	<b>March 2023</b>	<b>March 2022</b>
<b>NLB Group</b>								
Interest income	13	9	4	3	-	2	1	-
Interest expenses	(5)	(1)	(1)	-	-	-	(1)	-
Fee income	4	5	1	2	1	22	1	-
Other income	2	3	-	-	-	-	-	-
Other expenses	-	-	-	-	(20)	(13)	-	-
	<b>three months ended</b>		<b>three months ended</b>		<b>three months ended</b>		<b>three months ended</b>	
	<b>March 2023</b>	<b>March 2022</b>	<b>March 2023</b>	<b>March 2022</b>	<b>March 2023</b>	<b>March 2022</b>	<b>March 2023</b>	<b>March 2022</b>
<b>NLB</b>								
Interest income	13	9	4	3	-	2	1	-
Interest expenses	(5)	(1)	(1)	-	-	-	(1)	-
Fee income	4	5	1	2	1	22	1	-
Other income	2	3	-	-	-	-	-	-
Other expenses	-	-	-	-	(20)	(13)	-	-

### Key management compensation – payments in the period

	in EUR thousands				
	Management Board		Other key management personnel		
	three months ended		three months ended		
NLB Group and NLB	March 2023	March 2022	March 2023	March 2022	March 2022
Short-term benefits	784	382	1,729	1,613	
Cost refunds	2	1	28	23	
Long-term bonuses	-	-	-	-	-
- severance pay	-	-	120	-	-
- other benefits	5	1	41	18	-
- variable part of payments	-	-	10	-	-
<b>Total</b>	<b>791</b>	<b>384</b>	<b>1,928</b>	<b>1,654</b>	

Short-term benefits include:

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

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



## Related-party transactions with subsidiaries, associates and joint ventures

in EUR thousands				
NLB Group				
	Associates		Joint ventures	
	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022
Loans and deposits issued	1,054	1,057	-	201
Deposits received	7,419	5,375	1,018	3,071
Other financial assets	3	7	-	-
Other financial liabilities	109	1,116	-	1
Guarantees issued and loan commitments	2,031	2,034	-	-
	<b>three months ended</b>		<b>three months ended</b>	
	<b>March</b>	<b>March</b>	<b>March</b>	<b>March</b>
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Interest income	14	7	1	1
Interest expenses	-	-	(7)	(12)
Fee income	1	20	-	-
Fee expenses	(2,634)	(2,535)	-	-
Other income	12	29	1	-
Other expenses	(71)	(123)	-	-

in EUR thousands						
NLB						
	Subsidiaries		Associates		Joint ventures	
	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022
Loans and deposits issued	564,275	561,392	979	982	-	201
Loans and deposits received	240,986	178,779	7,419	5,375	19	40
Other financial assets	10,326	2,514	3	7	-	-
Other financial liabilities	1,917	2,710	32	972	-	-
Guarantees issued and loan commitments	108,527	46,366	2,031	2,034	-	-
Received loan commitments and financial guarantees	10,683	10,983	-	-	-	-
	<b>three months ended</b>		<b>three months ended</b>		<b>three months ended</b>	
	<b>March</b>	<b>March</b>	<b>March</b>	<b>March</b>	<b>March</b>	<b>March</b>
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Interest income	4,529	1,538	14	7	1	1
Interest expenses	(1,263)	-	-	-	-	-
Fee income	2,434	2,695	1	20	-	-
Fee expenses	-	(5)	(1,872)	(1,743)	-	-
Other income	545	295	12	29	-	-
Other expenses	(1,289)	(3,144)	(71)	(116)	-	-
Gains less losses from financial assets and liabilities held for trading	1,450	(341)	-	-	-	-
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	148	(34)	-	-	-	-

## Related-party transactions with major shareholder with significant influence

	in EUR thousands			
	NLB Group		NLB	
	Shareholder		Shareholder	
	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022
Loans and deposits issued	13,614	17,595	13,614	17,595
Investments in securities	545,025	564,287	431,096	473,389
Other financial assets	71	31,141	71	31,141
Other financial liabilities	17	2	17	2
Guarantees issued and loan commitments	1,138	1,194	1,138	1,194
	three months ended		three months ended	
	March 2023	March 2022	March 2023	March 2022
Interest income	2,260	2,119	2,074	2,230
Interest expenses	(21)	(49)	(21)	(49)
Fee income	163	137	163	137
Fee expenses	(4)	-	(4)	-
Other income	79	-	79	-
Other expenses	(2)	-	(2)	-
Gains less losses from financial assets and liabilities held for trading	-	(62)	-	(62)

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

	in EUR thousands			
	Amount of significant transactions concluded during the period		Number of significant transactions concluded during the period	
	three months ended	12 months ended	three months ended	12 months ended
	March 2023	December 2022	March 2023	December 2022
<b>NLB Group and NLB</b>				
Guarantees issued and loan commitments	-	188,000	-	3

	in EUR thousands			
	Balance of all significant transactions at end of the period		Number of significant transactions at end of the period	
	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022
	March 2023	December 2022	March 2023	December 2022
<b>NLB Group and NLB</b>				
Loans	430,227	565,330	6	10
Debt securities measured at amortised cost	65,406	64,913	1	1
Borrowings, deposits and business accounts	-	108,606	-	3
Guarantees issued and loan commitments	272,500	152,500	4	2

	in EUR thousands	
	Effects in the income statement during the period	
	three months ended	
	March 2023	March 2022
<b>NLB Group and NLB</b>		
Interest income from loans	3,798	871
Fees and commissions income	17	130
Interest income from debt securities measured at amortised cost and net valuation effects from hedge accounting	-	(1,885)
Interest expenses from borrowings, deposits, and business accounts	493	(53)

## 8. Subsidiaries

NLB Group's subsidiaries as at 31 March 2023:

	Nature of Business	Country of Incorporation	NLB's shareholding %	NLB's voting rights %	NLB Group's shareholding %	NLB Group's voting rights%
<b>Core members</b>						
NLB Banka a.d., Skopje	Banking	North Macedonia	86.97	86.97	86.97	86.97
NLB Banka a.d., Podgorica	Banking	Montenegro	99.87	99.87	99.87	99.87
NLB Banka a.d., Banja Luka	Banking	Bosnia and Herzegovina	99.85	99.85	99.85	99.85
NLB Banka sh.a., Prishtina	Banking	Kosovo	82.38	82.38	82.38	82.38
NLB Banka d.d., Sarajevo	Banking	Bosnia and Herzegovina	97.34	97.35	97.34	97.35
NLB Komercijalna banka a.d. Beograd	Banking	Serbia	100	100	100	100
KomBank Invest a.d. Beograd	Finance	Serbia	-	-	100	100
N Banka d.d., Ljubljana	Banking	Slovenia	100	100	100	100
Privatinvest d.o.o., Ljubljana	Real estate	Slovenia	-	-	100	100
NLB Skladi d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Lease&Go, leasing d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Lease&Go, d.o.o. Skopje**	Finance	North Macedonia	-	-	100	100
NLB Lease&Go leasing d.o.o. Beograd	Finance	Serbia	-	-	99	99
NLB Zavod za upravljanje kulturne dediščine, Ljubljana	Cultural heritage management	Slovenia	100	100	100	100
NLB DigIT d.o.o., Beograd	IT services	Serbia	100	100	100	100
<b>Non-core members</b>						
NLB Leasing d.o.o., Ljubljana - v likvidaciji*	Finance	Slovenia	-	-	100	100
Optima Leasing d.o.o., Zagreb - "u likvidaciji"	Finance	Croatia	-	-	100	100
NLB Leasing d.o.o., Beograd - u likvidaciji	Finance	Serbia	100	100	100	100
Tara Hotel d.o.o., Budva	Real estate	Montenegro	12.71	12.71	100	100
REAM d.o.o., Podgorica	Real estate	Montenegro	100	100	100	100
REAM d.o.o., Beograd - Novi Beograd	Real estate	Serbia	100	100	100	100
SPV 2 d.o.o., Beograd - Novi Beograd	Real estate	Serbia	100	100	100	100
S-REAM d.o.o., Ljubljana	Real estate	Slovenia	100	100	100	100
REAM d.o.o., Zagreb	Real estate	Croatia	-	-	100	100
PRO-REM d.o.o., Ljubljana - v likvidaciji	Real estate	Slovenia	-	-	100	100
OL Nekretnine d.o.o., Zagreb - u likvidaciji	Real estate	Croatia	-	-	100	100
NLB Srbija d.o.o., Beograd	Real estate	Serbia	100	100	100	100
NLB Crna Gora d.o.o., Podgorica	Finance	Montenegro	100	100	100	100
NLB InterFinanz AG, Zürich in Liquidation	Finance	Switzerland	100	100	100	100
NLB InterFinanz d.o.o., Beograd	Finance	Serbia	-	-	100	100
LHB AG, Frankfurt	Finance	Germany	100	100	100	100

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

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

NLB Group's subsidiaries as at 31 December 2022:

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

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

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

## **9. Events after the end of the reporting period**

No events took place after 31 March 2023 that would have had a materially significant influence on the presented condensed interim financial statements.

# Glossary of Terms and Definitions

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

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