Creating better footprints.

NLB Group Interim Report Q3 2023

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This is our home. A region of opportunities.

Key Members Overview

		Slovenia			Serbia	N. Macedonia	BiH		Kosovo	Montenegro
	NLB Group	**NLB, Ljubljana**[(i)]	**NLB Lease&Go, Ljubljana**	**NLB Skladi, Ljubljana**	**NLB Komercijalna Banka, Beograd**	**NLB Banka, Skopje**	**NLB Banka, Banja Luka**	**NLB Banka, Sarajevo**	**NLB Banka, Prishtina**	**NLB Banka, Podgorica**
Market position										
Branches	420	68	-	-	173	48	43	34	33	21
Active clients	2,699,292	694,273	-	-	934,350[(ii)]	407,585	209,958	132,152	234,229	86,745
Total assets[(viii)] (in EUR millions)	25,278	15,726	266	2,199[(iii)]	4,845	1,806	1,022	893	1,177	981
Profit after tax[(viii)] (in EUR millions)	387	283	2	8	115	34	20	11	27	19
Market share (by total assets)	-	30.3%	9.1%[(vi)]	39.3%[(iii)]	9.9%	15.9%[(vii)]	20.5%[(v)(vii)]	6.1%[(vi)(vii)]	17.0%	14.5%

(i) Merger of NLB and N Banka on 1 September 2023.

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

(iii) Assets under management.

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

(v) Market share in the Republic of Srpska.

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

(vii) Data on market share as of 30 June 2023.

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

NLB Group at a Glance

Key Highlights

Financial Performance **A healthy demand for loans with higher interest rates supports the net interest income growth.**	• In the first nine months of 2023, the Group generated EUR 386.9 million of **profit after tax**, a 2% YoY increase, despite the strong impact of negative goodwill from the acquisition of N Banka (EUR 172.8 million) on the last year's profit. The regular profit before impairments and provisions almost doubled YoY. • **Net interest income** rose significantly, 70% YoY and 10% QoQ, driven by the healthy mix of volume growth and margin expansion. Due to lower price elasticity of deposits, the deposit beta (cumulative change of average customer deposit interest rate compared to the change of average ECB deposit facility rate) in the respective period remains low at around 6% on the NLB Group level. **Net interest margin** widened by 1.25 p.p. YoY to 3.42%. • EUR 592.9 million YtD and EUR 746.2 million YoY increase of the Group's **gross loans to customers**, with a noteworthy EUR 363.7 million or 5% YtD and EUR 471.7 million or 7% YoY attributed to individuals. • YoY increase in the **net fee and commission income**, fuelled by increased consumption across all banking members, effectively offset the cancellation of high balance deposit fees in the Bank. • EUR 4.0 million in donations for flood recovery in Slovenia affected the **net non-interest income** of the quarter. • **Total costs** grew by 9% YoY due to general inflationary trends within the region and some cost effects in relation to the integration process in Slovenia (EUR 7.2 million). Excluding N Banka effects YoY cost growth would be 1 p.p. lower. • Net release of **impairments and provisions for credit risk** of EUR 26.8 million was mainly driven by the successful collection of previously written-off receivables, revised risk parameters, and a stable portfolio development.
Business Overview **A 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 the presence established **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. • The **integration process of N Banka** was successfully completed in accordance with the targets and plan.
Asset Quality **Good asset quality trends with a well-diversified portfolio, prudent credit standards and a decisive workout approach.**	• A well-diversified, stable and robust **credit portfolio quality**. A substantial share of the retail segment and no large concentration in any specific industry or client segment. • The portfolio remains very stable with growing Stage 1 exposures. Low **NPEs** (EBA def.) of 1.2% with a very comfortable NPL coverage ratio 2 of 63.0%. The Group carefully monitors potentially vulnerable segments to detect any significant increase in credit risk at a very early stage. • **The cost of risk** was negative (-23 bps), backed by a stable portfolio development, revised risk parameters and strong workout results.
Capital, Liquidity & Funding **Capital and liquidity position ensuring capital return and continued growth opportunities.**	• **The capital position** exceeded all regulatory requirements (CET1 stood at 14.7%, Tier 1 at 15.3% and TCR at 18.7%). • The Bank issued its inaugural EUR 500 million **green senior preferred notes** to strengthen the MREL buffer. Through this issuance, the Group commits to positively contributing towards a low-carbon sustainable economy by supporting eligible green projects within our region's markets. • **The liquidity position** of the Group remained very strong, with a high level of unencumbered liquid assets in total assets (38.8%). • Group's **deposits from individuals** represent the major and most stable funding source, with around 80% of retail deposits insured by deposit guarantee schemes. Despite the turbulent business environment, deposits from individuals remained stable (1% YtD and 4% YoY growth), which demonstrates a strong client confidence in the Group. • A very comfortable level of **LTD** at 67.4% gives the Group plenty of growth potential.

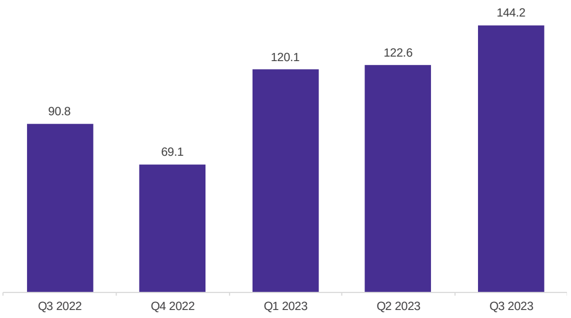
Outlook

A slightly refined outlook for 2023 with an updated revenue, cost and cost of risk guidance.

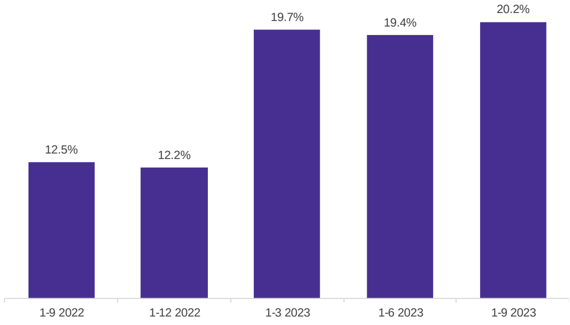
- Introducing the **cost-to-income ratio** KPI to reflect operating efficiency.
- **Updates to the guidance** for the Regular Income, Costs and Cost of Risk **for 2023**.
- The inflation is expected, albeit at a moderate pace, to determine the cost outlook for 2025 also for the NLB Group. **The revised cost outlook of around EUR 530 million for 2025** clearly reflects this reality, although cost containment initiatives throughout the NLB Group **should yield cost inflation below the headline inflation growth**.
- The process of setting the **new strategy** is underway, and it is expected **to outline key decisions around capital management up until 2030, including capital returns**.

Key Figures

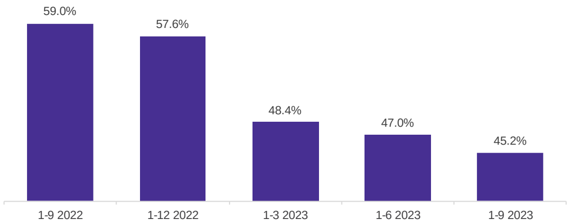
Profit a.t. - quarterly (in EUR millions)(i)



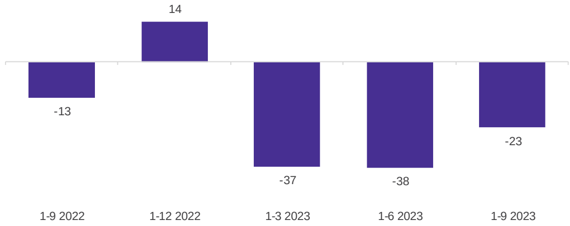
ROE a.t. (in %)(ii)



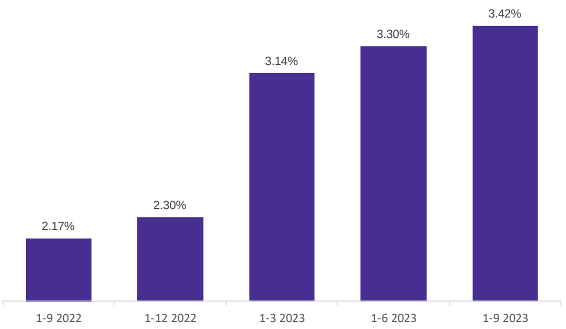
Cost to income ratio - CIR (in %)(i)



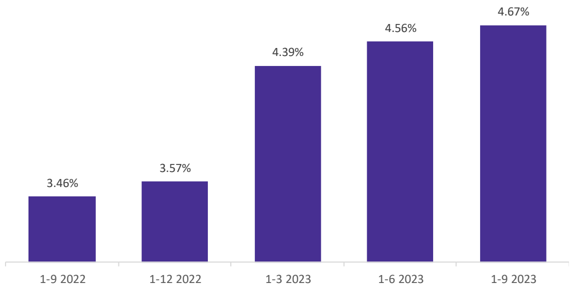
Cost of risk net (in bps)(iii)



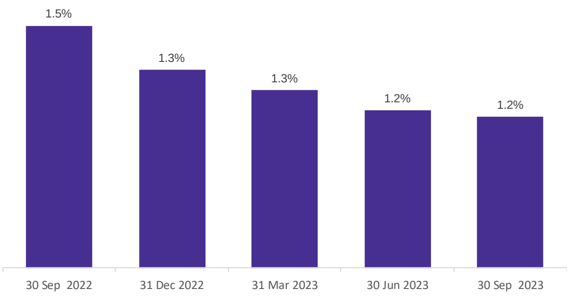
Net interest margin (in %)



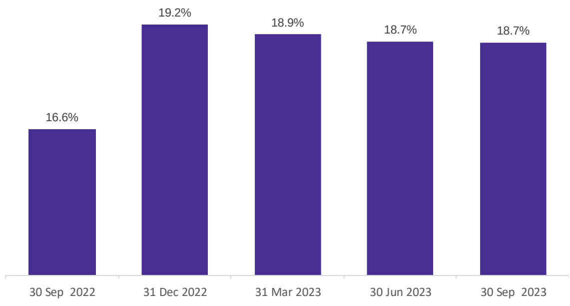
Operational business margin (in %)



NPE ratio - EBA def. (in %)



Total capital ratio (in %)



(i) In 2023, the Bank changed the recognition of obligation for regulatory expenses. In the previous year, these expenses were recognised in Q2 after receiving the Bank of Slovenia's notification, while in 2023, the Bank recognised these expenses in full already in Q1. Comparative amounts for previous periods have been adjusted to reflect this change in the presentation. For more information, see Note 2.2. of the Unaudited Condensed Interim Financial Statements of the NLB Group and NLB.
(ii) Return on Equity (ROE) for 2022 calculated without negative goodwill from the acquisition of N Banka and effects of EUR 8.9 million of 12-month expected credit losses recognised at the acquisition date for the performing portfolio for N Banka are not annualised.
(iii) For the Cost of Risk (CoR) 2022 calculation, the effects of EUR 8.9 million of 12-month expected credit losses recognised at the acquisition date for the performing portfolio for N Banka are not annualised.

Key Financial Indicators

Table 1: Key Financial Indicators of NLB Group

in EUR millions / % / bps

	1-9 2023	1-9 2022	Change YoY	Q3 2023	Q2 2023	Q3 2022	Change QoQ
Key Income Statement Data							
Net operating income	800.8	563.7	42%	289.2	269.7	205.6	7%
Net interest income	601.5	353.1	70%	221.5	201.0	126.7	10%
Net non-interest income	199.4	210.6	-5%	67.7	68.7	78.9	-2%
Total costs	-361.6	-332.6	-9%	-120.9	-123.6	-113.9	2%
Result before impairments and provisions	439.2	231.1	90%	168.2	146.1	91.7	15%
Impairments and provisions	13.9	2.3	-	-3.8	5.4	10.0	-
Impairments and provisions for credit risk	26.8	7.5	-	-3.1	11.5	9.8	-
Other impairments and provisions	-12.8	-5.1	-151%	-0.7	-6.2	0.2	89%
Negative goodwill	0.0	172.8	-	0.0	0.0	0.0	-
Result after tax	386.9	377.8	2%	144.2	122.6	90.8	18%
Key Financial Indicators							
Return on equity after tax (ROE a.t.)	20.2%	12.5%	7.7 p.p.				
Return on assets after tax (ROA a.t.)	2.1%	1.2%	0.9 p.p.				
Net interest margin (on interest bearing assets)	3.42%	2.17%	1.25 p.p.				
Net interest margin (on total assets - BoS ratio)	3.29%	2.08%	1.21 p.p.				
Operational business margin(i)	4.67%	3.46%	1.21 p.p.				
Cost to income ratio (CIR)	45.2%	59.0%	-13.8 p.p.				
Cost of risk net (bps)(ii)	-23	-13	-11				

	30 Sep 2023	30 Jun 2023	31 Dec 2022	30 Sep 2022	Change YtD	Change YoY	Change QoQ
Key Financial Position Statement Data							
Total assets	25,278.0	24,701.5	24,160.2	23,497.8	5%	8%	2%
Gross loans to customers	13,990.2	13,747.3	13,397.3	13,244.0	4%	6%	2%
Net loans to customers	13,666.1	13,431.8	13,073.0	12,925.3	5%	6%	2%
Deposits from customers	20,289.1	19,924.9	20,027.7	19,573.1	1%	4%	2%
Equity (without non-controlling interests)	2,734.9	2,586.1	2,365.6	2,339.8	16%	17%	6%
Other Key Financial Indicators							
LTD(iii)	67.4%	67.4%	65.3%	66.0%	2.1 p.p.	1.3 p.p.	-0.1 p.p.
Common Equity Tier 1 Ratio	14.7%	14.7%	15.1%	14.5%	-0.4 p.p.	0.2 p.p.	0.0 p.p.
Total capital ratio	18.7%	18.7%	19.2%	16.6%	-0.4 p.p.	2.1 p.p.	0.0 p.p.
Total risk exposure amount (RWA)	14,919.0	14,838.4	14,653.1	14,283.7	2%	4%	1%
NPL volume(iv)	312.5	312.9	328.3	352.3	-5 %	-5 %	0 %
NPL coverage ratio 1(v)	103.9%	101.0%	98.9%	90.7%	5.0 p.p.	13.2 p.p.	2.9 p.p.
NPL coverage ratio 2(vi)	63.0%	61.8%	57.1%	56.2%	5.9 p.p.	6.8 p.p.	1.2 p.p.
NPL ratio (internal def.)(vii)	1.6%	1.6%	1.8%	2.0%	-0.2 p.p.	-0.4 p.p.	0.0 p.p.
Net NPL ratio (internal def.)(viii)	0.6%	0.6%	0.8%	0.9%	-0.2 p.p.	-0.3 p.p.	0.0 p.p.
NPL ratio (EBA def.)(ix)	2.2%	2.3%	2.4%	2.7%	-0.2 p.p.	-0.5 p.p.	-0.1 p.p.
NPE ratio (EBA def.)(x)	1.2%	1.2%	1.3%	1.5%	-0.1 p.p.	-0.3 p.p.	0.0 p.p.
Employees							
Number of employees	8,078	8,154	8,228	8,265	-150	-187	-76

International credit ratings NLB	30 Sep 2023	30 Jun 2023	Outlook
Standard & Poor's	BBB	BBB	Stable
Moody's(xi)	A3	A3	Stable

(i) Operational business net income annualised / average assets.
(ii) CoR= credit impairments and provisions (annualised level) / average net loans to customers. Credit impairments and provisions include impairments on loans from customers and provisions for off balance.
(iii) Loan-to-Deposit Ratio (LTD) = Net loans to customers / deposits from customers.
(iv) Non-performing loans include loans to D- and E-rated clients, i.e. loans at least 90 days past due or loans unlikely to be repaid without recourse to collateral (before deduction of loan loss allowances).
(v) Coverage of gross non-performing loans with impairments for all loans.
(vi) Coverage of gross non-performing loans with impairments for non-performing loans.
(vii) Non-Performing Loans (NPL) ratio as per internal definition is calculated as follows: (i) Numerator: total gross non-performing loans; (ii) Denominator: total gross loans.
(viii) Net NPL ratio as per internal definition is calculated as follows: (i) Numerator: net non-performing loans; (ii) Denominator: total net loans.
(ix) NPL ratio as per EBA definition is calculated as follows: (i) Numerator: gross volume of non-performing loans and advances in Finrep 18 without loans held for sale, cash balances at central banks and other demand deposits; (ii) Denominator: gross volume of loans and advances in Finrep 18 without loans held for sale, cash balances at central banks and other demand deposits.
(x) Non-Performing Exposures (NPE) ratio as per EBA definition is calculated as follows: (i) Numerator: total non-performing exposure in Finrep 18; (ii) Denominator: total exposures in Finrep 18.
(xi) Unsolicited rating.

Key Events

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

January	• **Top Employer certificate:** The Top Employers Institute awarded the Bank the prestigious Top Employer certificate for the 8th consecutive year.
February	• **Rating upgrade:** Credit rating agency Moody's upgraded NLB's long-term deposits rating to A3 from Baa1. • **New CEO of NLB Skladi**: Luka Podlogar assumed the CEO position at NLB Skladi. Blaž Bračič remains a member of the Management Board.
March	• **USA regional banks & Credit Suisse turmoil:** The collapse of two regional banks in the USA, Silicon Valley Bank and Signature Bank, had impacts on Europe as it put European banks under a lot of stress. Swiss financial regulators engineered an emergency rescue plan for Credit Suisse with the UBS Group AG buying Credit Suisse. As of 31 March 2023, the Group has only a small exposure to Credit Suisse, derived mainly from a limited bond investment. From a liquidity point of view, no material deviations from the normal intra-monthly deposit dynamics were identified at the Group level as a result of the turmoil. • **Slovenia's Best Private Bank for High Net Worth Individuals:** Euromoney awarded NLB as part of the global private banking awards in 2023.
April	• **Acquisition:** The agreement concluded on 16 November 2022 between the acquiring company NLB and the acquired company N Banka was submitted to the court registry of the District Court of Ljubljana.
May	• **MREL requirement:** From 1 January 2024, the MREL requirement to be met by the Bank on a consolidated basis at the resolution group level shall be 30.99% of the Total Risk Exposure Amount, excluding applicable CBR and 10.39% of the Leverage Ratio Exposure.
June	• **Dividend payment:** The Bank paid the dividends (the first tranche) of EUR 55 million, or EUR 2.75 gross per share. • **New members of the Supervisory Board:** The General Meeting appointed four members, two of whom were members before – Shrenik Dhirajlal Davda and Mark William Lane Richards, and two new members – Cvetka Selšek and André-Marc Prudent-Toccanier, all for a four-year term. • **Green Senior Preferred Notes:** The Bank debuted in issuing green senior preferred notes amounting to EUR 500 million with a maturity of 4NC3, counting towards meeting the MREL requirements. • **Donations to various associations, humanitarian organisations and groups:** The Bank decided to donate EUR 1.35 million to more than 30 recipients from the SEE region in the area of childcare, socially vulnerable families, care for the elderly and employees who might be in need due to illness or accident.
August	• **ECB's licence for N Banka merger**: On 3 August 2023, NLB received the authorisation of the ECB for the merger of N Banka. • **Measures taken regarding the floods in Slovenia:** To help alleviate the effects of the floods that affected a part of Slovenia, the Bank introduced systemic steps, including a donation of EUR 4 million for sustainable reconstruction to the most afflicted municipalities. The Bank also provided solidarity aid to its affected employees. In addition, NLB Banka, Skopje donated EUR 60,000 to the Slovenian Red Cross and other organisations to support flood relief efforts. As a part of risk management, the Bank has been enhancing its existing flood risk assessment model based on flood risk zones to minimise the negative impacts of similar events in the future.
September	• **N Banka legal merger:** On 1 September, the legal and operational merger between N Banka and NLB was successfully completed 18 months after having been acquired by NLB within the envisaged budget and timeframe.

Macroeconomic Environment

Macroeconomic Summary and Outlook

The global economy is facing new headwinds, with the effect of war in Ukraine being further aggravated by ever-increasing debt distress and the Israeli-Palestinian hostilities that should, along with China's loss of momentum, see the global economy expand at a softer pace in the remainder of the year. Financial conditions tightened across advanced and emerging market economies over the last quarter. Global trade is deteriorating as most countries are cutting back on imports, while private consumption remains weak and savings are diminishing.

Eurozone

The households' saving rate in the euro area was higher in Q2 2023, at 14.8% (14.5% in Q1 2023), which can be explained by gross disposable income rising by 1.3% QoQ. Meanwhile private consumption expenditure rose slightly less, 1.0% QoQ, as the continued drop in spending on goods offset the still buoyant demand for services. On the other hand, the households' investment rate in the euro area decreased to 9.8% (10.1% in Q1 2023) as the household gross fixed capital formation contracted by 2.3% QoQ for the first time since Q2 2020, offsetting the increase in disposable income.

From January to July 2023 the value of export went up by 9.3% YoY, while imports remained on the same level. The export-import ratio was 101.0%. However, in July, exports contracted by 2.7% YoY, and imports fell by 18.2% YoY, setting a negative course and not boding well for a possible positive contribution to the Q3 GDP. In July, August, and September, the HICP rose by 5.3%, 5.2% and 4.3% YoY, respectively. Car fuel increased in September due to the rise in oil prices, offset by further drops in household energy inflation. Core inflation fell under the 5.0% mark for the first time this year, while food contributed the most to the YoY price growth, and non-energy industrial goods dominated MoM price growth. Industrial producer prices contracted by 0.5% MoM in July and rose by 0.6% MoM in August - for the first time this year. The Producer Price Index (PPI) decreased by 7.6% YoY in July and by 11.5% YoY in August. Industrial production in July contracted by 1.1% MoM and by 2.2% YoY. The volume of retail trade contracted by 0.1% MoM in July (-1.0% YoY) and by 1.2% MoM in August (-2.1% YoY). Both comparisons were dominated by lower volumes in automobile fuel and point towards demand still in retreat.

The labour market has so far remained resilient despite the slowing economy. In August 2023, the euro area unemployment rate was 6.4%, down from 6.5% in July and also down from 6.7% a year ago. In Q2 2023, the hourly wages and salaries increased by 4.6% YoY. While employment grew by 0.2% QoQ, the momentum is slowing. The service sector, a significant driver of employment growth since mid-2022, similarly creates fewer jobs. The Economic Sentiment Indicator (ESI) weakened during Q3 from 93.6 to 92.8, with all subindices apart from industrial confidence deteriorating in the observed period. The composite PMI commenced the quarter with a reading of 48.6 and finished it with 47.2 in September, up from 46.7 in August – a three-year low. The September reading indicated a further moderate contraction in business activity levels across the private sector economy, with manufacturing and service output declining. Inflows of new orders fell at the sharpest rate since November 2020.

The monetary policy strain is noticeably impacting the loan appetite through higher interest rates and stricter banks' credit standards. The deteriorated housing market prospects also added to a decreasing effect on loan growth. Household deposits grew by 0.4% in July and have maintained that same growth in August. In contrast, non-financial corporation (NFC) deposits saw a steeper decline of 1.3% in July, gathering pace to contract by 2.6% in August. Bank funding costs continued to rise, reflecting further increases in deposit interest rates, adding pressure to the lending environment.
As a consequence of these factors, the household and NFC loans growth rates have maintained the declining trajectory from Q1 2023 to finish at (or under) the 1.0% growth mark. The household loans grew by 1.3% YoY in July and 1.0% YoY in August (driven by declines in housing loans, consumer credit and loans to unincorporated small businesses). Meanwhile, NFC loans increased by 2.2% YoY in July (supported by the base effect) and by 0.6% YoY in August, both increasingly feeling the strain of higher interest rates passing through the economy. The ECB issued new macroeconomic projections in September for the euro area average inflation at 5.6% in 2023, 3.2% in 2024 and 2.1% in 2025, an upward revision for 2023 and 2024 (reflecting an increase in energy prices) and a downward revision for 2025.

Financing conditions have tightened further and are increasingly impeding demand. In September, the Governing Council raised the three key rates by 25 bps. They consider that the key ECB interest rates have »reached levels that, maintained for a sufficiently long duration, will return inflation to the target.« Monetary aggregates were contracting on record at the fastest annual pace, driven by subdued credit growth and the balance sheet reduction. The M1 growth contracted further, by 9.2% YoY in July, after falling by 8.0% YoY in June, the most significant decrease in its history. The M3 growth slipped into the negative territory for the first time since February 2010, dropping from 0.6% YoY in June to -0.4% YoY in July, its lowest rate since EMU began. This marked decline resulted from a large monthly outflow (lending dynamics to households and firms have fallen to zero in the last months, and the discontinuation of reinvestments under the Asset Purchase Program (APP) has drained liquidity from the financial system) and base effects. The index Euro Stoxx 600 started the Q3 promisingly but then declined in value from its peak in August and, finished the quarter with a fall of 1.7% QoQ. Bond yields have steadily moved upwards throughout the quarter, for the 2Y bond marginally, from 3.13% to 3.16% and for the 10Y maturity, from 2.48% to 2.87%. House prices, as measured by the House Price Index, fell by 1.7% YoY and rose by 0.1% QoQ.

Slovenia and Markets of the NLB region

In Q2 2023, **Slovenia** saw a nearly doubled YoY GDP growth, one of the fastest expansions in the euro area on rebounding public spending, which outweighed a drop in private consumption and softer fixed investment growth. Available Q3 data paints a downbeat picture as more significant drops in retail sales and industrial output in July and August (compared to Q2), the rising inflation in September, negative consumer sentiment and recent ECB rate hikes bode ill for domestic activity. Additionally, record floods in August resulted in damage worth in billions of euros in parts of the country with however limited wider impact.

GDP YoY growth in **Serbia** accelerated in Q2 due to more robust fixed investment and public spending. In Q3, the economy gained traction. Softer producer and consumer price pressures likely supported activity in July–September, as signalled by faster annual growth in industrial output and a milder decline in retail sales relative to Q2. Merchandise exports lost steam in the same period. Recent violent events in Kosovo have reflected poorly on the envisaged conflict resolution with Kosovo, however the situation has visibly calmed down recently. As a result of rising interest rates, the National Bank of Serbia adopted temporary measures for banks concerning housing loans to natural persons. Consequently, the interest rate is limited for borrowers' first housing loan with a variable interest rate, and the principal amount not exceeding EUR 200,000 is secured by a mortgage for the next 15 months, starting with the October instalment.

Economic growth in **North Macedonia** eased to 1.1% YoY in Q2 from 2.1% in Q1. The deceleration was driven by weaker growth in private consumption and a contraction in exports. Conversely, public spending and total investment declined at a softer rate. In Q3, available data indicates that domestic activity lost steam as retail sales and industrial output fell in YoY terms in July–August. Meanwhile, external sector data for July paints a mixed picture: merchandise exports rebounded in YoY terms, while tourist arrivals grew slower than Q2's average.

Economic growth eased to 1.2% YoY in Q2 from 1.7% in Q1 in **Bosnia and Herzegovina**. A contraction in exports and slowdowns in investment activity and public spending drove the deceleration as private consumption rebounded. Industrial output rebounded annually in July–August, while retail sales grew faster than in Q2.

Kosovo's YoY GDP growth decelerated to 2.0% in Q2 from 3.9% in Q1. The decline was driven by weaker export growth. Domestic demand strengthened, with imports, investment, and private and public spending gaining traction. Available data for Q3 suggest that the economic growth weakened further. In July–August, merchandise exports contracted at a sharper annual rate relative to Q2’s average. Additionally, ethnic discord bodes poorly for conflict resolution with Serbia and threatens stability.

In **Montenegro**, the pace of YoY GDP growth accelerated in Q2. The reading benefited from export growth slowing considerably softer than import growth, supporting the external sector. Government expenditure expanded faster as household spending and fixed investment growth rates moderated. Available data for Q3 suggest the activity cooled. Merchandise exports swung to contraction in July and August, and inflation rebounded in August, boding poorly for household spending. Growing tourist numbers in the same period should have supported the activity. In September, S&P Global Ratings affirmed the country’s ‘B’ rating with a stable outlook.

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

	GDP (growth rate in %)						Average inflation (in %, aop)						Unemployment rate (in %, aop)		
	YoY			QoQ			YoY			MoM			QoQ		
	Q2 2023	Q1 2023	Q4 2022	Q2 2023	Q1 2023	Q4 2022	Sep 2023	Aug 2023	Jul 2023	Sep 2023	Aug 2023	Jul 2023	Q2 2023	Q1 2023	Q4 2022
Euro area	0.5(i)	1.2	1.8	0.2(i)	0.0	0.0	4.3	5.2	5.3	0.3	0.5	-0.1	6.5	6.6	6.6
Slovenia	1.6	1.0	0.9	1.1	0.2	0.7	7.1	6.1	5.7	0.7	0.2	0.0	3.7	3.6	3.6
BiH	1.2	1.7	2.5	1.0	1.1	1.1	4.1	4.7	4.0	0.6	1.0	-0.2	13.1	13.3	14.3
Montenegro	6.9	6.2	3.6	-	-	-	7.9	8.6	6.9	0.8	1.7	1.0	12.9	15.5	14.4
N. Macedonia	1.0	1.8	0.9	0.2	0.9	0.1	6.6	8.3	8.4	-0.1	1.2	1,0	13.1	13.3	14.0
Serbia	1.7	0.9	0.5	1.3	0.2	0.7	10.2	11.5	12.5	0.3	0.4	-0.1	9.7	10.1	9.2
Kosovo	2.0	3.9	3.6	-	-	-	4.2	3.2	2.3	0.9	1.0	0.4	-	-	11.8

Source: Statistical offices, NLB ALM.

Note: Real GDP growth rates, seasonally adjusted; HICP inflation for EA and Slovenia. (i) Euro area grew by 0.1% YoY and fell by 0.1% QoQ in Q3 2023.

Business Report

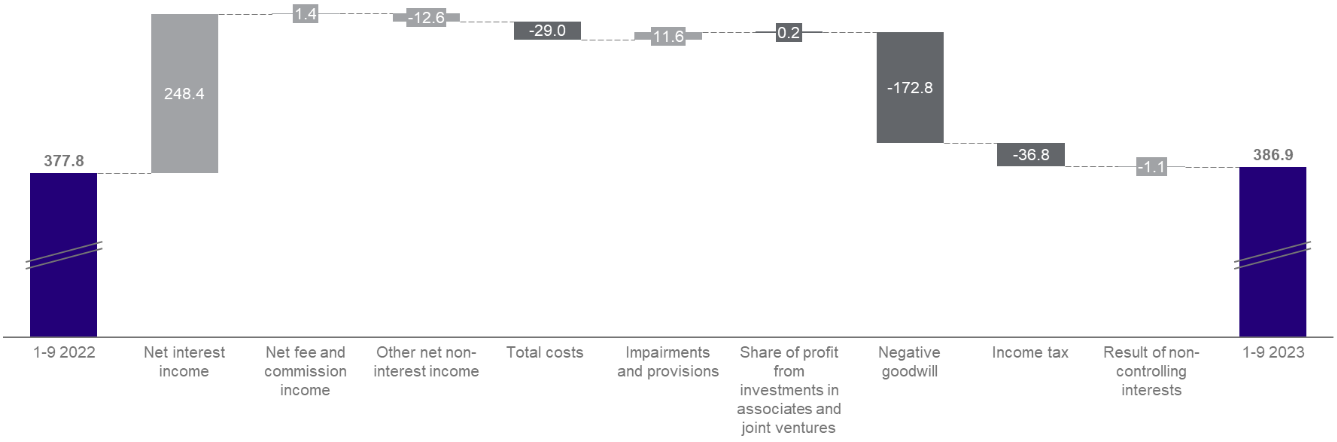
Overview of Financial Performance

The Group's profit after tax reached EUR 386.9 million, 2% higher YoY, despite the strong influence of negative goodwill from the acquisition of N Banka (EUR 172.8 million) on last year's profit. A noteworthy result of EUR 439.2 million was also recorded in profit before impairments and provisions, marking a substantial YoY increase of EUR 208.1 million.

The Group's nine-month result was driven by the following key factors:

- The Group's gross loans to customers increased by EUR 746.2 million YoY, of which EUR 471.7 million to individuals, despite the prevailing rising interest rate environment.
- The deposit base increased by EUR 716.0 million YoY, of which EUR 587.5 million were from individuals and EUR 289.4 million from corporate.
- A substantial 70% YoY increase in net interest income was propelled by healthy loan demand and the effects of higher interest rates on loans and central bank balances. Deposit beta (cumulative change of average customer deposit interest rate compared with the change of average ECB deposit facility rate) in the respective period remains low at around 6% on the Group level. Consequently, the annual net interest margin improved by 1.25 p.p. YoY to 3.42%, while quarterly stands at 3.64%.
- Net fee and commission income rose moderately by 1% YoY, benefitting from the favourable impact of economic activity and an upswing in consumer spending across all banking members, effectively mitigating the effect of cancellation of the high balance deposit fee in the Bank and temporary measures, particularly in Serbia.
- EUR 4.0 million donations for flood recovery in Slovenia affected the net non-interest income of the quarter.
- Total costs witnessed an uptick of 9% YoY owing to general inflationary trends within the region and to the integration process in Slovenia. Excluding N Banka effects YoY costs growth would be 1 p.p. lower.
- The Group net released EUR 26.8 million of impairments and provisions for credit risk, mainly driven by the successful collection of previously written-off receivables, the revised risk parameters, and stable portfolio development. CoR remained negative at -23 bps.
- Other impairments and provisions were net established in the amount of EUR 12.8 million.

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



Income Statement

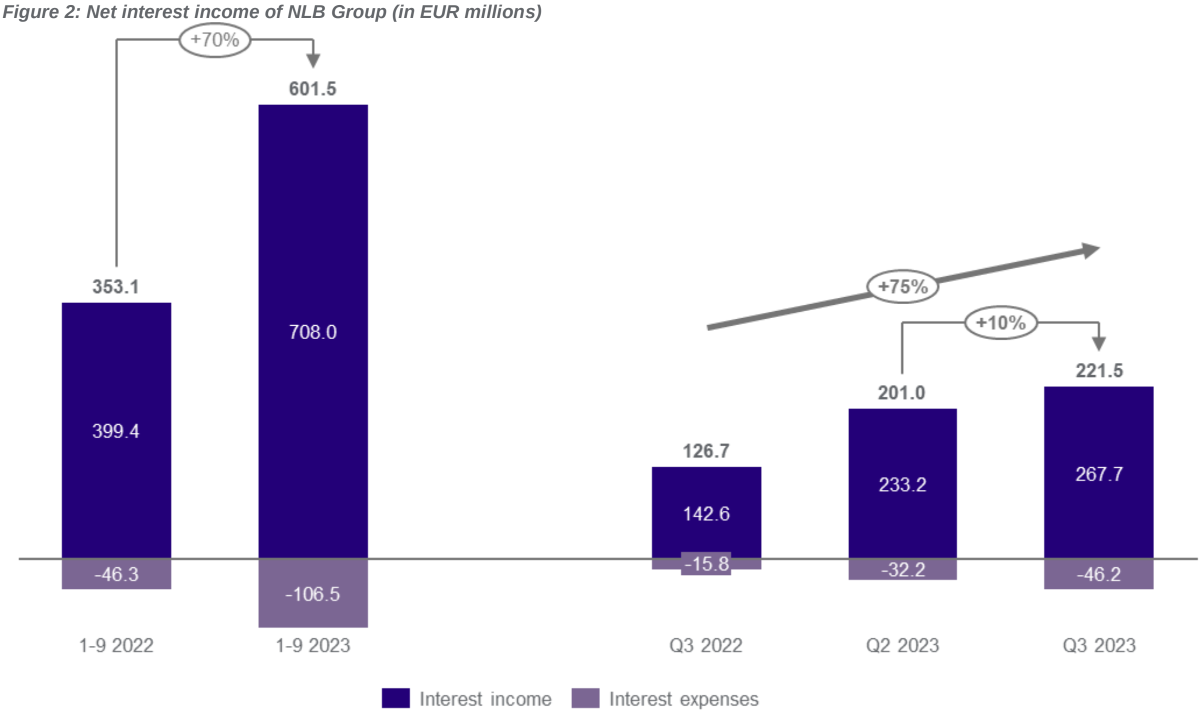
Table 3: Income statement of NLB Group

in EUR millions

	1-9 2023	1-9 2022	Change YoY		Q3 2023	Q2 2023	Q3 2022	Change QoQ	
Net interest income	601.5	353.1	248.4	70%	221.5	201.0	126.7	20.5	10%
Net fee and commission income	205.6	204.2	1.4	1%	70.9	68.5	70.5	2.4	3%
Dividend income	0.2	0.2	-0.1	-26%	0.1	0.0	0.1	0.0	22%
Net income from financial transactions	19.6	24.0	-4.4	-18%	4.7	6.0	10.3	-1.3	-22%
Net other income	-26.0	-17.8	-8.2	-46%	-8.0	-5.8	-2.0	-2.2	-37%
Net non-interest income	199.4	210.6	-11.2	-5%	67.7	68.7	78.9	-1.1	-2%
Total net operating income	**800.8**	**563.7**	**237.1**	**42%**	**289.2**	**269.7**	**205.6**	**19.4**	**7%**
Employee costs	-207.4	-186.4	-21.0	-11%	-70.0	-70.6	-63.7	0.6	1%
Other general and administrative expenses	-118.7	-111.0	-7.7	-7%	-38.8	-41.1	-38.3	2.3	6%
Depreciation and amortisation	-35.5	-35.2	-0.4	-1%	-12.0	-11.8	-11.9	-0.2	-2%
Total costs	-361.6	-332.6	-29.0	-9%	-120.9	-123.6	-113.9	2.7	2%
Result before impairments and provisions	**439.2**	**231.1**	**208.1**	**90%**	**168.2**	**146.1**	**91.7**	**22.1**	**15%**
Impairments and provisions for credit risk	26.8	7.5	19.3	-	-3.1	11.5	9.8	-14.7	-
Other impairments and provisions	-12.8	-5.1	-7.7	-151%	-0.7	-6.2	0.2	5.5	89%
Impairments and provisions	13.9	2.3	11.6	-	-3.8	5.4	10.0	-9.2	-
Share of profit from investments in associates and joint ventures	1.3	1.1	0.2	15%	0.7	0.3	-0.4	0.4	144%
Negative goodwill	0.0	172.8	-172.8	-	0.0	0.0	0.0	0.0	-
Result before tax	**454.4**	**407.4**	**47.1**	**12%**	**165.1**	**151.8**	**101.3**	**13.3**	**9%**
Income tax	-57.9	-21.1	-36.8	-175%	-18.0	-25.9	-10.4	7.9	30%
Result of non-controlling interests	9.6	8.5	1.1	13%	2.8	3.3	0.1	-0.5	-15%
Result after tax	**386.9**	**377.8**	**9.2**	**2%**	**144.2**	**122.6**	**90.8**	**21.7**	**18%**

Net Interest Income

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

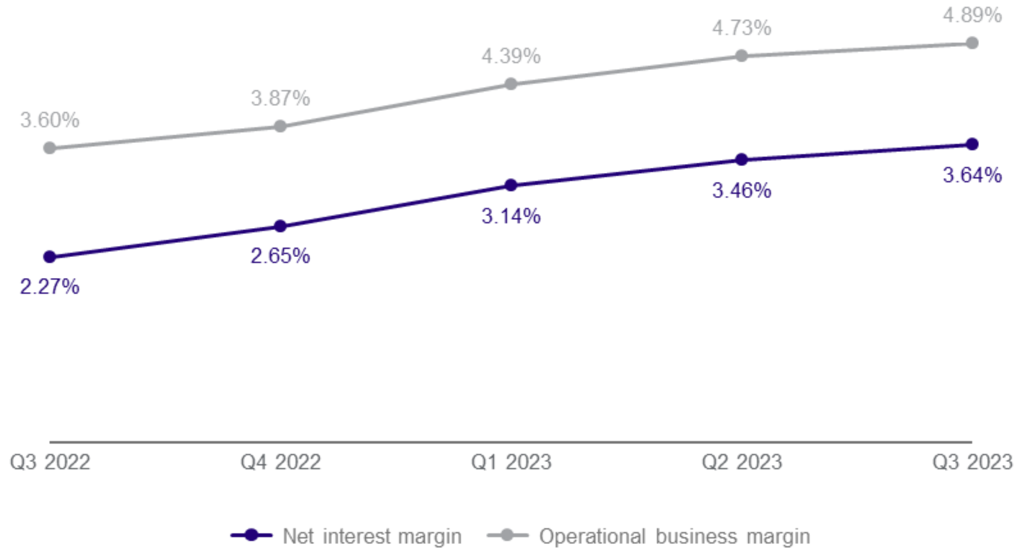


There was a significant 70% YoY increase in net interest income in all Group banking members, supported by loan volume growth from healthy demand for loans, coupled with prevailing higher interest rates. The growth mainly came from loans to customers, with EUR 190.1 million (EUR 74.2 million allocated to individuals and EUR 115.9 million to corporate and state), and balances at banks and central banks amounting to EUR 96.1 million. At the same time, interest expenses predominately increased due to higher expenses incurred from wholesale funding raised for the minimum requirement for own funds and eligible liabilities (MREL) and capital requirement. Higher expenses for customer deposits also contributed to elevated interest expenses.

Similar to the YoY comparison, the main reasons behind the QoQ increase in interest income were loan volume growth and the rising interest rates, mitigated by higher expenses for debt securities and deposits.

Average interest rates on deposits remained low at 0.30% for 1-9 2023 but have gradually increased QoQ (10 bps increase in Q3 compared to Q2) due to higher deposit interest rates, especially for savings accounts and term deposits.

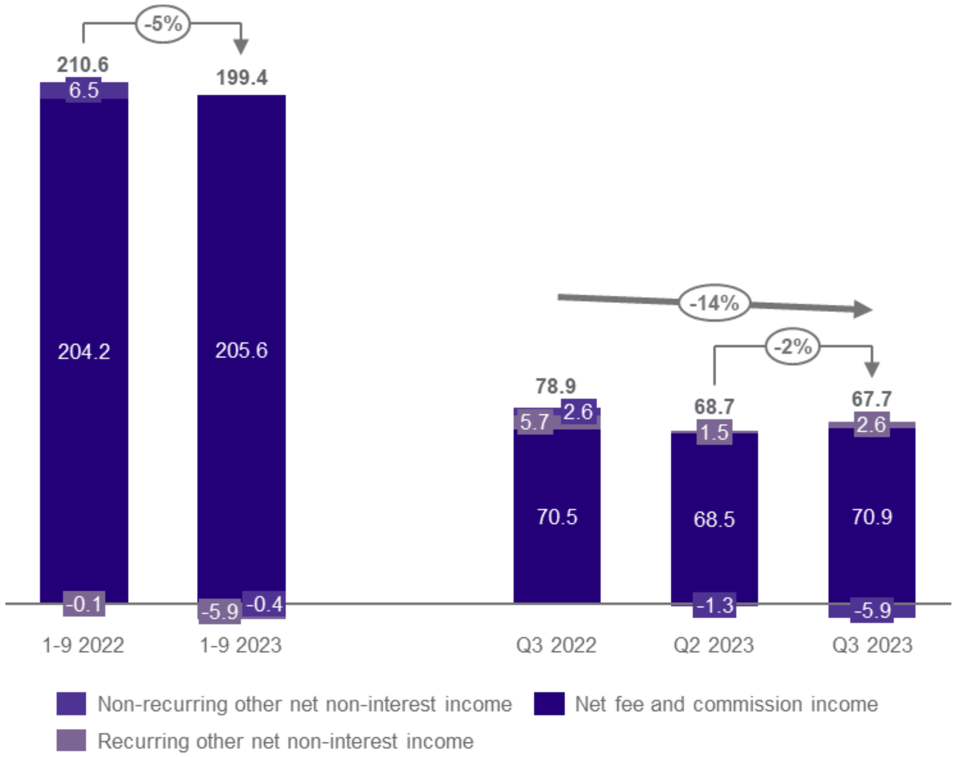
Figure 3: Net interest margin and Operational business margin of NLB Group (quarterly data, in %)



The Group's cumulative net interest margin increased by 1.25 p.p. YoY to 3.42%. Additionally, the cumulative operational business margin also saw a 1.21 p.p. YoY increase and reached 4.67%.

Net Non-Interest Income

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

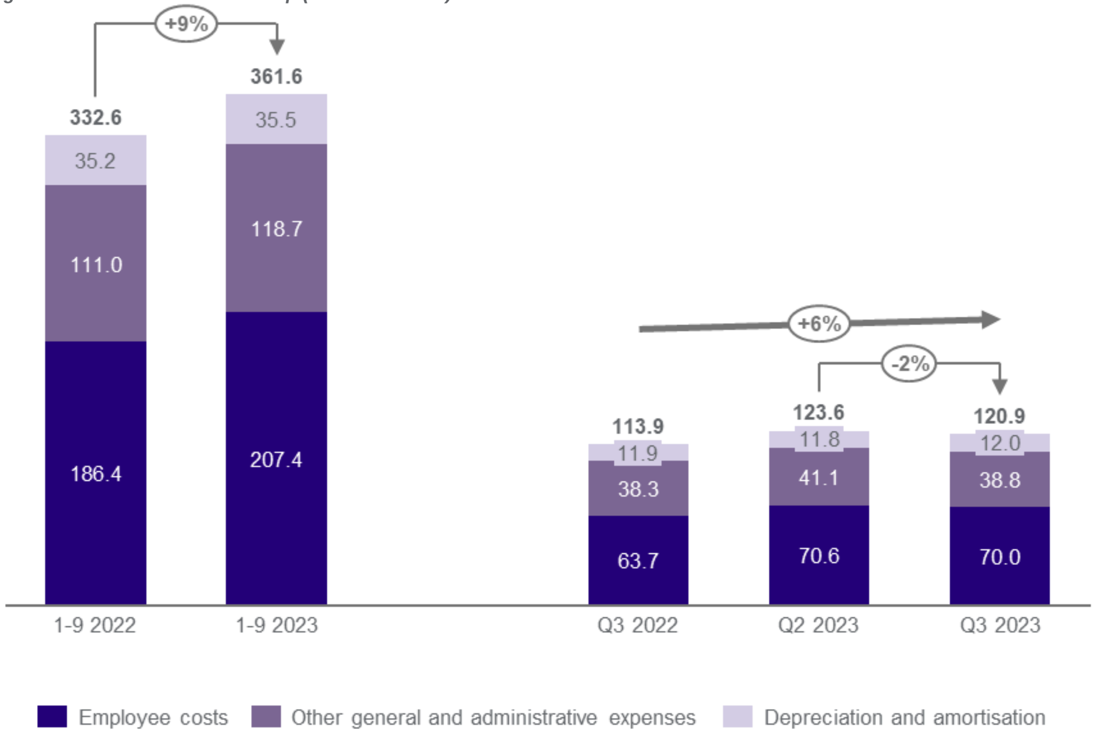


Despite a 5% YoY decline in net non-interest income, net fee and commission income – a significant part of it – remained stable. This resilience can be attributed to the positive impact of increased economic activity and consumption, leading to higher fees across all banking members, which effectively countered the impact of cancelling the high balance deposit fee at the Bank and temporary measures, particularly in Serbia. It is also worth noting that N Banka joined the Group in March 2022 and was only partially included in last year's nine-month results. The overall YoY decrease in net non-interest income derives from higher regulatory charges and non-recurring income, mainly stemming from the negative effect from exchange rate differences and donations paid out.

In Q3, the Bank donated EUR 4.0 million to 20 municipalities affected by the floods in Slovenia, which, together with exchange rate differences, affected the net non-interest income of the quarter.

Total Costs

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



Total costs increased by 9% YoY; the increase was noted in the Bank and all SEE banking members and was primarily driven by a EUR 21.0 million rise in employee costs and a EUR 7.7 million increase in other general and administrative expenses. A large part of the rise can be attributed to inflation, the expansion in leasing companies, costs associated with the integration process of N Banka (EUR 7.2 million of integration costs in 1-9 2023) and the fact that N Banka's cost base was only partially included in total costs from the previous year. Excluding N Banka effects YoY costs growth would be 1 p.p. lower.

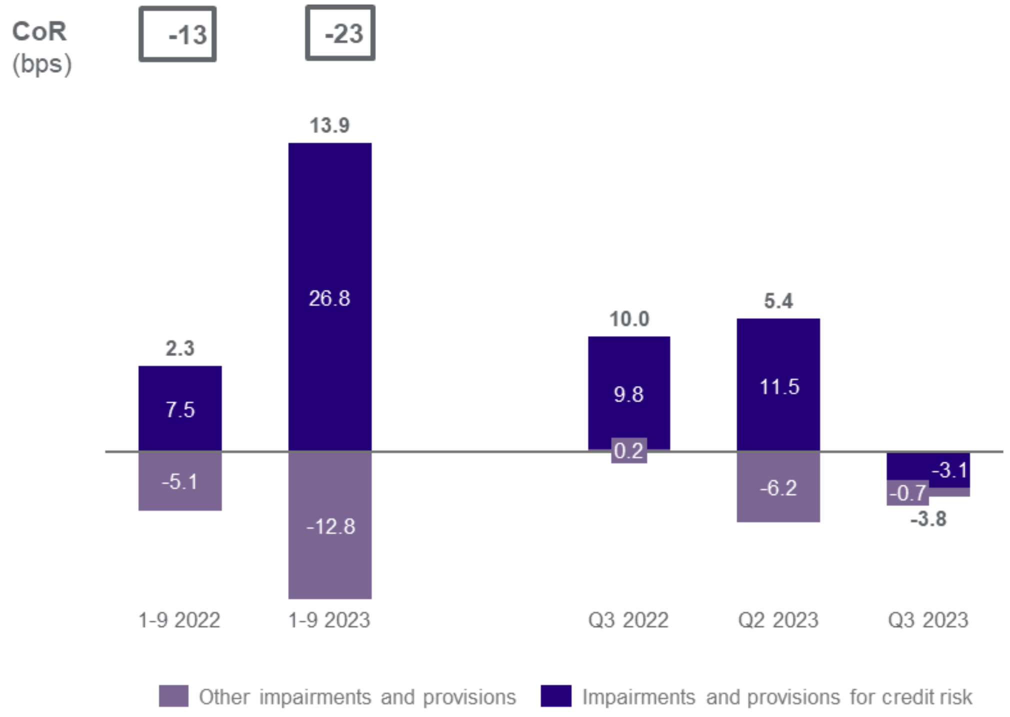
However, on a QoQ basis, costs decreased by 2% due to cost optimisation and HR synergies related to the merger of NLB and N Banka, reduced sponsorships expenses (following a robust Q2), and lower consulting costs within the Bank.

The Group is actively pursuing several strategic initiatives (channel strategy, digitalisation, paperless, lean process, branch network optimisation, etc.) to maintain cost efficiency. However, the prevailing economic situation and significant inflationary pressures have affected all cost categories, offsetting many successful efficiency measures across the Group.

Cost-to-Income Ratio (CIR) stood at 45.2%, representing a significant 13.8 p.p. reduction YoY, driven by strong net operating income growth that outpaced the increase in total costs.

Impairments and Provisions

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



The Group net released EUR 26.8 million impairments and provisions for credit risk. The effects of releases were mainly driven by the successful collection of previously written-off receivables, the revised risk parameters, and the stable portfolio development, resulting in a negative CoR of -23 bps.

Portfolio development in Q3 contributed to the net establishment of impairments and provisions for credit risk, deriving solely from the segment of individuals, since net release was recorded in the corporate segment.

Other impairments and provisions relate mainly to the pending fee repayments in the Slovenian banks.

Statement of Financial Position

Table 4: Statement of financial position of NLB Group

in EUR millions

	30 Sep 2023	30 Jun 2023	31 Dec 2022	30 Sep 2022	Change YtD		Change YoY		Change QoQ	
ASSETS										
Cash, cash balances at central banks, and other demand deposits at banks	5,815.7	5,760.4	5,271.4	4,911.4	544.3	10%	904.3	18%	55.3	1%
Loans to banks	518.6	304.7	223.0	210.7	295.6	133%	307.9	146%	213.8	70%
Net loans to customers	13,666.1	13,431.8	13,073.0	12,925.3	593.1	5%	740.7	6%	234.3	2%
Gross loans to customers	13,990.2	13,747.3	13,397.3	13,244.0	592.9	4%	746.2	6%	242.9	2%
- Corporate	6,526.0	6,454.4	6,345.7	6,321.7	180.2	3%	204.3	3%	71.6	1%
- Individuals	7,107.2	6,945.8	6,743.4	6,635.5	363.7	5%	471.7	7%	161.4	2%
- State	357.1	347.1	308.2	286.9	48.9	16%	70.2	24%	10.0	3%
Impairments and valuation of loans to customers	-324.2	-315.5	-324.4	-318.7	0.2	0%	-5.5	-2%	-8.6	-3%
Financial assets	4,653.1	4,553.7	4,877.4	4,765.1	-224.3	-5%	-112.0	-2%	99.4	2%
- Trading book	25.0	21.1	21.6	21.3	3.4	16%	3.7	17%	3.8	18%
- Non-trading book	4,628.1	4,532.6	4,855.8	4,743.8	-227.7	-5%	-115.7	-2%	95.6	2%
Investments in subsidiaries, associates, and joint ventures	13.0	12.3	11.7	11.9	1.3	11%	1.1	9%	0.7	6%
Property and equipment	257.1	254.3	251.3	255.8	5.8	2%	1.3	1%	2.8	1%
Investment property	33.1	34.5	35.6	37.4	-2.5	-7%	-4.3	-11%	-1.4	-4%
Intangible assets	55.4	56.1	58.2	55.2	-2.9	-5%	0.1	0%	-0.7	-1%
Other assets	266.0	293.6	358.6	325.0	-92.6	-26%	-59.0	-18%	-27.6	-9%
TOTAL ASSETS	**25,278.0**	**24,701.5**	**24,160.2**	**23,497.8**	**1,117.8**	**5%**	**1,780.2**	**8%**	**576.6**	**2%**
LIABILITIES										
Deposits from customers	20,289.1	19,924.9	20,027.7	19,573.1	261.4	1%	716.0	4%	364.3	2%
- Corporate	5,676.8	5,363.7	5,565.6	5,387.4	111.2	2%	289.4	5%	313.1	6%
- Individuals	14,156.7	14,168.6	13,948.7	13,569.2	208.0	1%	587.5	4%	-11.9	0%
- State	455.7	392.5	513.4	616.5	-57.8	-11%	-160.9	-26%	63.2	16%
Deposits from banks and central banks	127.2	107.4	106.4	108.3	20.8	20%	18.9	17%	19.8	18%
Borrowings	221.0	220.0	281.1	322.0	-60.1	-21%	-101.0	-31%	1.0	0%
Subordinated debt securities	529.0	520.0	508.8	290.4	20.2	4%	238.6	82%	9.0	2%
Other debt securities in issue	810.0	814.5	307.2	302.6	502.8	164%	507.4	168%	-4.4	-1%
Other liabilities	504.9	469.3	506.7	504.3	-1.8	0%	0.6	0%	35.6	8%
Equity	2,734.9	2,586.1	2,365.6	2,339.8	369.3	16%	395.0	17%	148.8	6%
Non-controlling interests	61.9	59.2	56.7	57.2	5.2	9%	4.7	8%	2.7	5%
TOTAL LIABILITIES AND EQUITY	**25,278.0**	**24,701.5**	**24,160.2**	**23,497.8**	**1,117.8**	**5%**	**1,780.2**	**8%**	**576.6**	**2%**

The Group's **total assets** amounted to EUR 25,278.0 million, with a EUR 1,117.8 million increase YtD and a EUR 1,780.2 million increase YoY. The LTD ratio (net) was 67.4% at the Group level, a 2.1 p.p. YtD increase as loan growth outpaced the deposit increase.

Figure 7: Total assets of NLB Group by the location of NLB Group entities (in %)

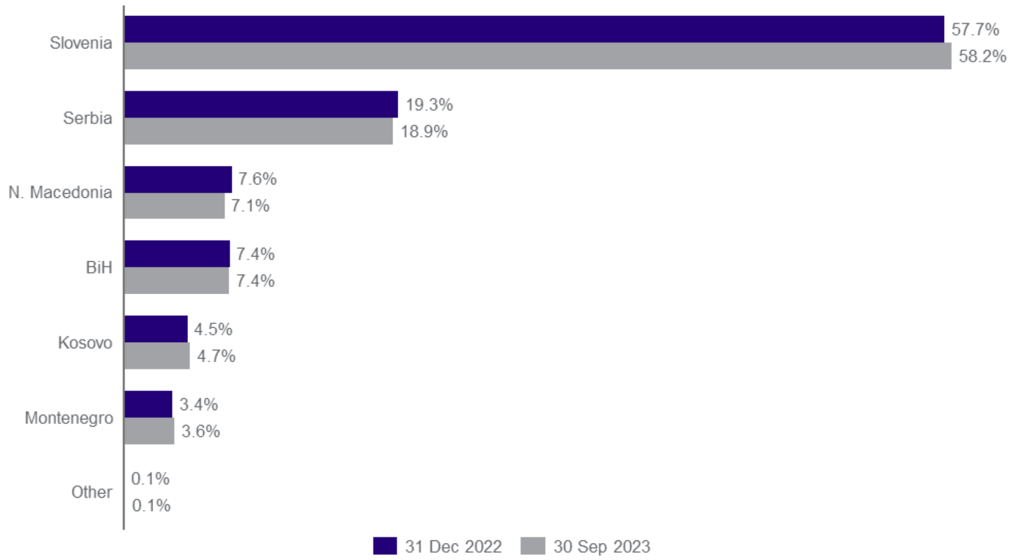


Figure 8: Balance sheet structure of NLB Group on 30 September 2023 (in EUR millions)

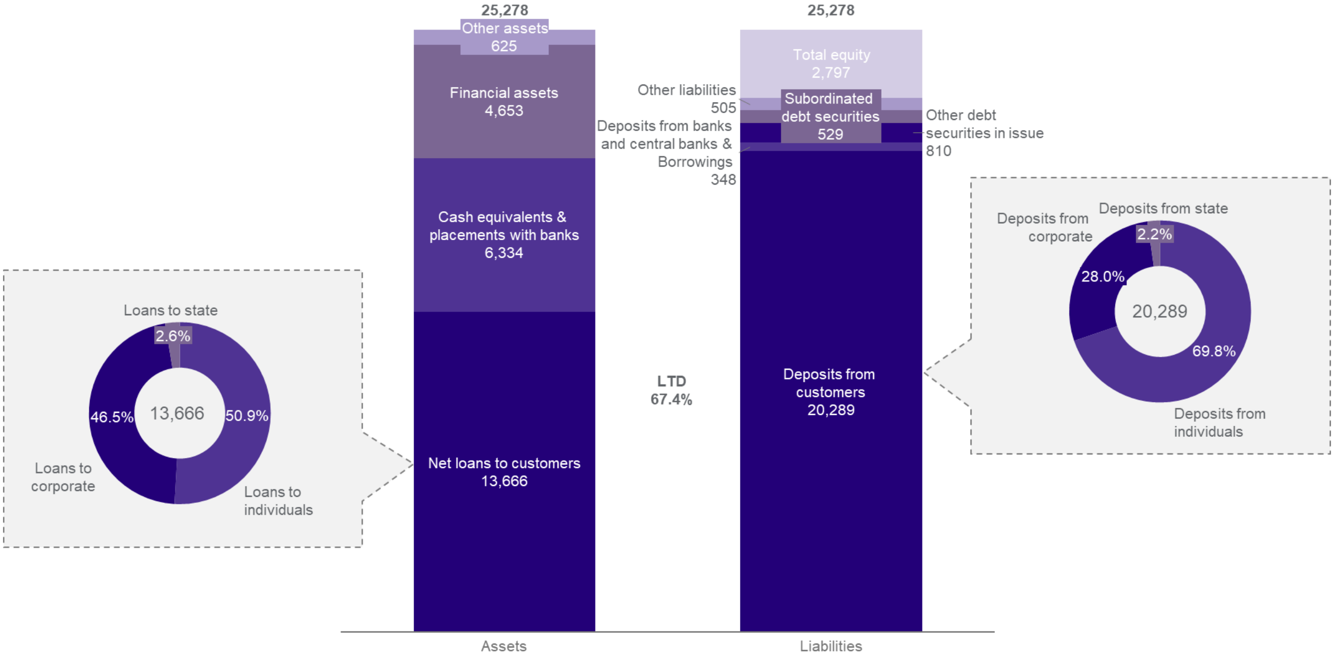
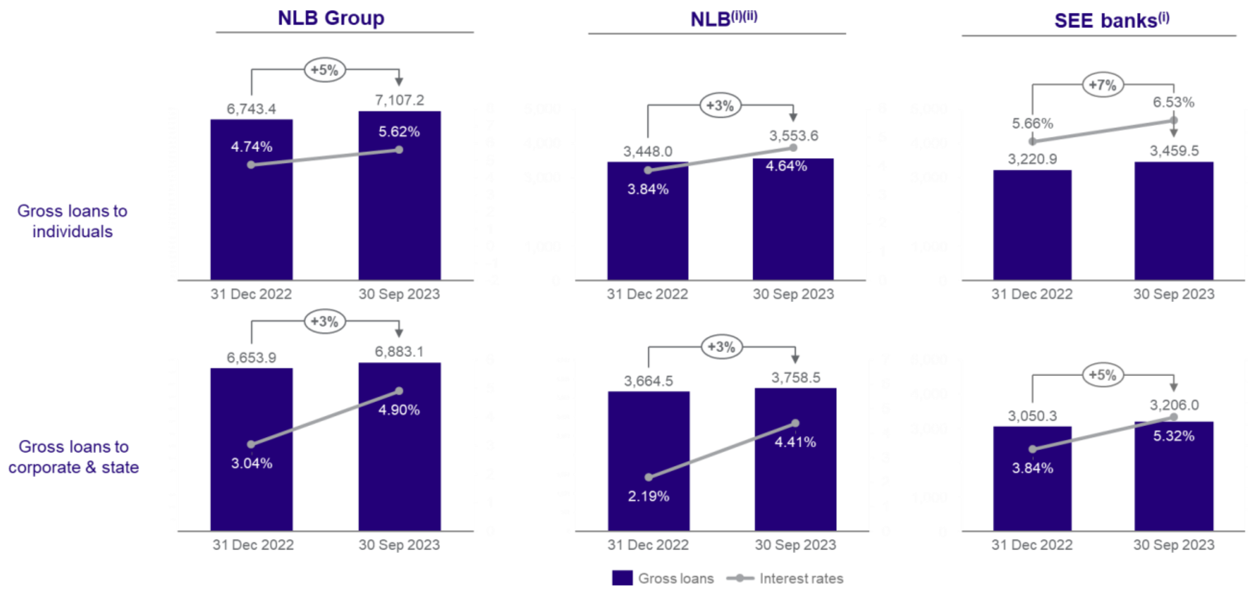


Figure 9: NLB Group gross loans to customers YtD dynamics (in EUR millions)



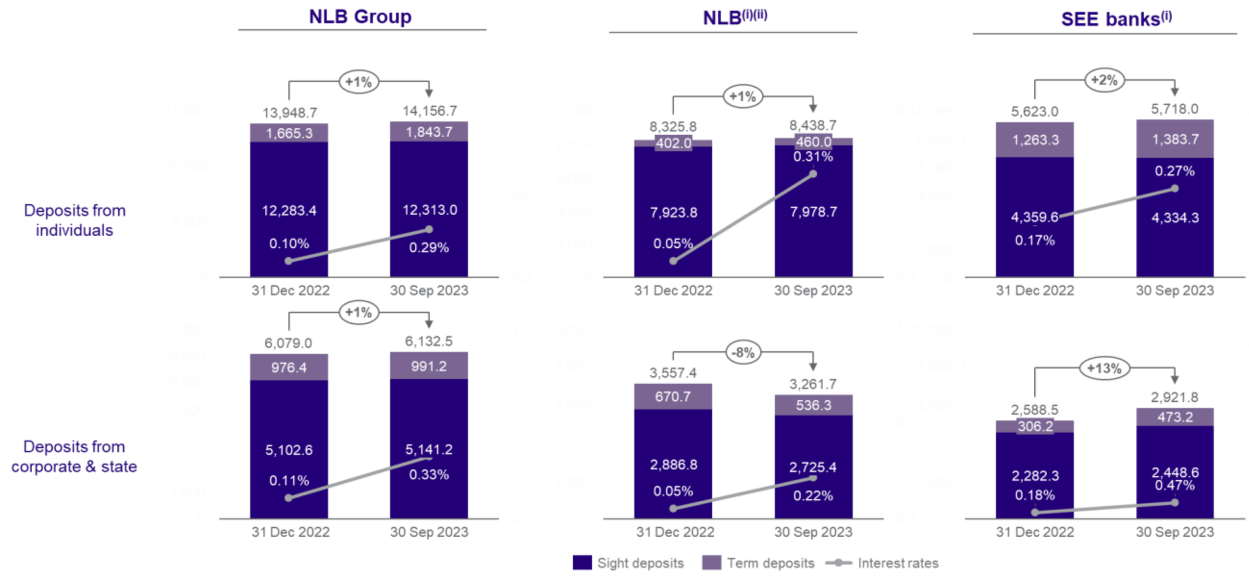
(i) On a stand-alone basis.
(ii) Merger of NLB and N Banka on 1 September 2023. Before September 2023, N Banka and NLB. Interest rates before the merger only for NLB.

The growth in loan volume has moderated with the rise in interest rates, yet it has remained positive due to a healthy demand for gross loans both within the Bank and in SEE markets.

In Slovenia, the growth of gross loans to corporates and the state was negatively affected by the favourable development in the energy sector after the normalisation of the crisis that led to the repayment of loans in Q1 (provided as extraordinary liquidity financing lines to the respective industry in the emerging energy crisis in H2 2022). After a robust Q2, the demand normalised in Q3, leading to steady and healthy growth. On the other hand, the growth of gross loans to individuals in Q3 exceeded that of previous quarters, with strong new production in housing and consumer loans.

Consistent growth of gross loans to individuals and to corporate and state in SEE banks, accompanied by buoyant new production in individual and corporate segments, contributed to overall YtD growth of 4% in gross loans at the Group level.

Figure 10: NLB Group deposits from customers YtD dynamics (in EUR millions)

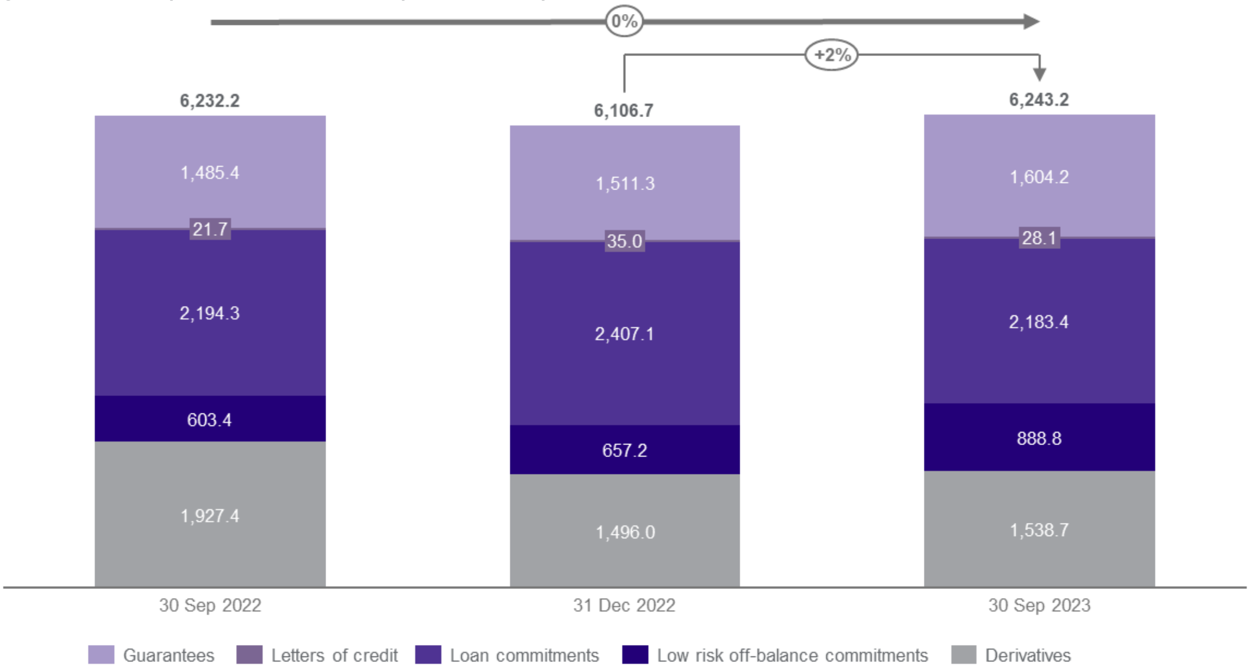


(i) On a stand-alone basis.
(ii) Merger of NLB and N Banka on 1 September 2023. Before September 2023, N Banka and NLB. Interest rates before the merger only for NLB.

The **deposit base** of the Group increased by 1% YtD and was marked by a substantial 13% growth in corporate and state deposits in SEE banks, particularly during a strong Q3. On the other hand, an 8% decline in corporate and state deposits was recorded in the Bank due to significant outflows in the first half of the year, similar to the entire Slovenian banking system. However, the trend reversed in Q3, showing a considerable rebound.

The growth in deposits from individuals displayed moderate growth. The Bank responded to the competitive pressures by offering attractive pricing for term deposits. Consequently, the share of term and savings accounts in the total deposits from individuals has gradually risen to 46% at the end of September (compared to 43% at the end of the year).

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



Off-balance sheet items of the Group increased by 2% YtD to EUR 6,243.2 million.

A significant part of loan commitments was divided between loans (EUR 1,075.7 million), overdrafts (EUR 552.9 million), and cards (EUR 360.5 million).

A higher volume of guarantees drove the guarantee fee income up by 12% YoY.

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

Capital and Liquidity

Capital

Figure 12: NLB Group capital (in EUR millions)

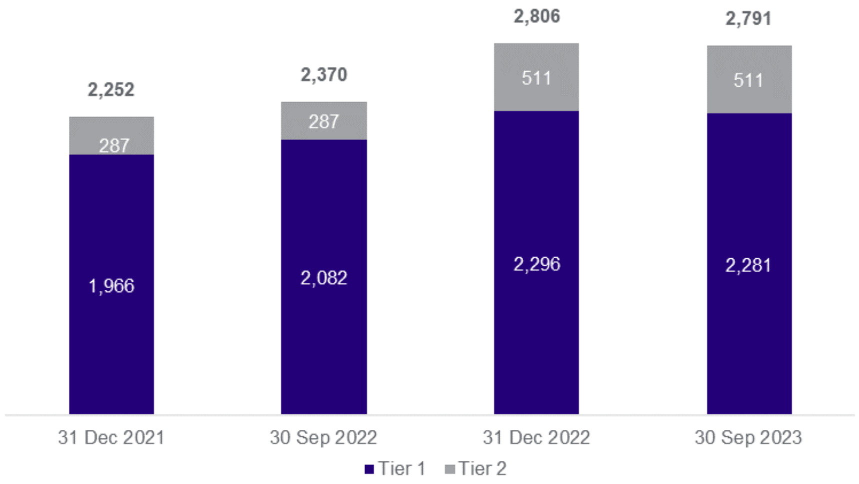
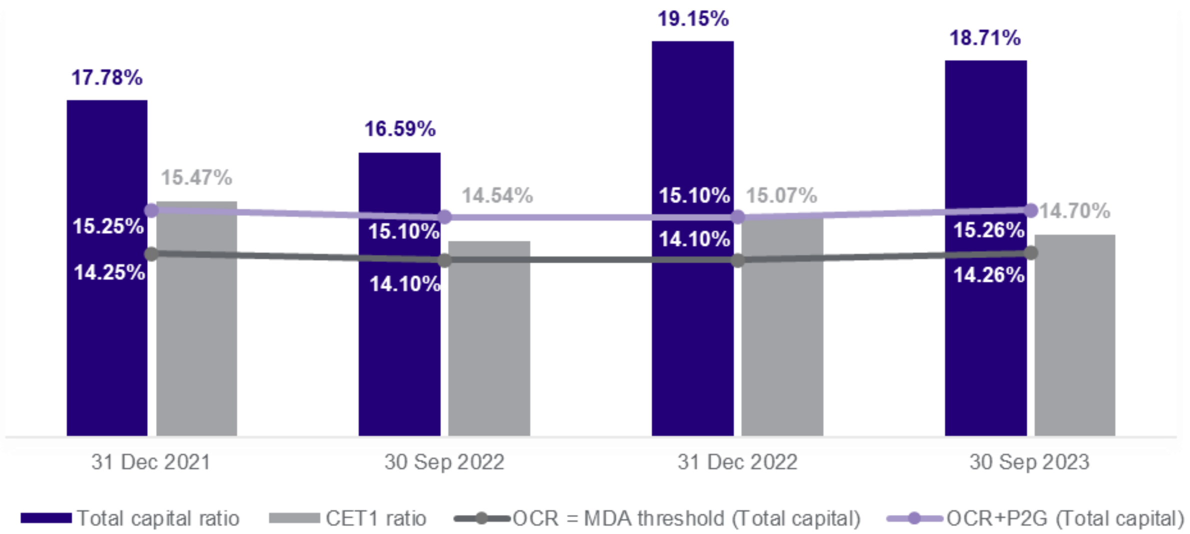


Figure 13: NLB Group capital ratios and regulatory thresholds



The Overall Capital Requirement (OCR) for the Group was 14.26%, consisting of:
- 10.40% total SREP capital requirement (TSCR) (8.00% Pillar 1 Requirement (P1R) and 2.40% Pillar 2 Requirement P2R)) and
- 3.86% Combined Buffer Requirement (CBR) (2.50% Capital Conservation Buffer, 1.25% O-SII Buffer, 0.10% Systemic Risk Buffer and 0.01% Countercyclical Buffer).

Changes that came into effect on 1 January 2023:
- The Pillar 2 Requirement for 2023 **decreased by 0.2 p.p. to 2.40%** due to a better overall Supervisory Review and Evaluation Process (SREP) assessment.
- The Capital Buffer for Other Systemically Important Institutions (O-SII) **increased by 0.25 p.p. to 1.25%**.
- A new BoS regulation introduced the systemic risk buffer rates for the sectoral exposures in the Republic of Slovenia (RoS): 1.0% for all retail exposures to private individuals secured by residential real estate and 0.5% for all other exposures to private individuals, resulted in **0.10% Systemic Risk Buffer** in Q3 2023.

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

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

In September 2023, the Bank of Slovenia verified compliance with the criteria for Other Systemically Important Institutions (O-SII) and set the new values of the indicator of systemic importance and the respective buffer rates for each O-SII. It is worth noting that the adjustment will not impact the O-SII buffer for NLB. The Bank of Slovenia has confirmed that the existing buffer of 1.25% of the total risk exposure will remain unchanged.

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

Table 5: NLB Group capital requirements and buffers

		Q3 2023	2022	Change 2023-2022	2021
Pillar 1 (P1R)	CET1	4.50%	4.50%	0.00%	4.50%
	AT1	1.50%	1.50%	0.00%	1.50%
	T2	2.00%	2.00%	0.00%	2.00%
Pillar 2 (SREP req. - P2R)	CET1	1.35%	1.46%	-0.11%	1.55%
	Tier 1	1.80%	1.95%	-0.15%	2.06%
	Total Capital	2.40%	2.60%	-0.20%	2.75%
Total SREP Capital requirement (TSCR)	CET1	5.85%	5.96%	-0.11%	6.05%
	Tier 1	7.80%	7.95%	-0.15%	8.06%
	Total Capital	10.40%	10.60%	-0.20%	10.75%
Combined buffer requirement (CBR)					
Conservation buffer	CET1	2.50%	2.50%	0.00%	2.50%
O-SII buffer	CET1	1.25%	1.00%	0.25%	1.00%
Systemic risk buffer	CET1	0.10%	0.00%	0.10%	0.00%
Countercyclical buffer	CET1	0.01%	0.00%	0.01%	0.00%
Overall capital requirement (OCR) = MDA threshold	CET1	9.71%	9.46%	0.25%	9.55%
	Tier 1	11.66%	11.45%	0.21%	11.56%
	Total Capital	14.26%	14.10%	0.16%	14.25%
Pillar 2 Guidance (P2G)	CET1	1.00%	1.00%	0.00%	1.00%
OCR + P2G	CET1	10.71%	10.46%	0.25%	10.55%
	Tier 1	12.66%	12.45%	0.21%	12.56%
	Total Capital	15.26%	15.10%	0.16%	15.25%

As of 30 September 2023, the total capital ratio (TCR) for the Group stood at 18.7%, and the CET1 ratio for the Group stood at 14.7%, decreasing by 0.4 p.p. YtD due to lower total capital and higher RWA. Although the overall revaluation adjustments in 2023, until the end of September, were positive in the amount of EUR 45.2 million, the total capital decreased by EUR 15.0 million YtD since the temporary treatment of fair value through other comprehensive income (FVOCI) valuations for sovereign securities with the positive effect of EUR 61.7 million as at 31 December 2022 ceased to apply in January 2023.

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

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

in EUR millions

	Balance at			Change	
	30 Sep 2023	31 Dec 2022	30 Sep 2022	YtD	YoY
Total risk exposure amount (RWA)	**14,919.0**	**14,653.1**	**14,283.7**	**266.0**	**635.3**
RWA for credit risk	12,027.0	11,797.9	11,722.4	229.1	304.6
Central governments or central banks	839.6	1,109.2	1,100.3	-269.7	-260.7
Regional governments or local authorities	95.5	101.2	94.9	-5.7	0.6
Public sector entities	20.7	57.9	46.3	-37.2	-25.6
Institutions	345.3	292.0	287.2	53.3	58.2
Corporates	3,785.8	3,520.3	3,579.5	265.5	206.3
Retail	4,561.1	4,371.0	4,373.8	190.1	187.3
Secured by mortages on immovable property	994.1	987.7	939.3	6.4	54.8
Exposures in default	128.7	156.4	168.2	-27.8	-39.5
Items associated with particulary high risk	703.4	642.4	567.4	60.9	135.9
Covered bonds	29.5	31.5	34.6	-1.9	-5.0
Claims in the form of CU	13.7	17.9	16.9	-4.2	-3.2
Equity exposures	102.8	90.1	89.2	12.7	13.6
Other items	406.8	420.1	424.8	-13.3	-18.0
RWA for market risk + CVA	**1,481.9**	**1,445.1**	**1,317.3**	**36.8**	**164.6**
RWA for operational risk	**1,410.1**	**1,410.1**	**1,244.0**	**0.0**	**166.1**

Risk Weighted Assets (RWA) in the Group increased by EUR 266.0 million compared to the end of 2022. RWAs for credit risk increased by EUR 229.1 million, mainly due to ramping up lending activity in all the Group Banks. On the other hand, RWA decreased due to lower liquidity assets, mainly in NLB Komercijalna Banka Beograd (maturity of several Serbian bonds and MIGA guarantee for assets at central banks). Repayments and higher impairments and provisions resulted in the RWA reduction for non-performing exposures.

The increase in RWAs for market risks and Credit Value Adjustments (CVA) in the amount of EUR 36.8 million compared to the end of 2022 is the result of a new position RWA for Equity risk in the amount of EUR 19.5 million, higher RWA for FX risk in the amount of EUR 9.3 million, higher RWA for CVA risk in the amount of EUR 9.2 million (due to new deals), and lower RWA for Traded debt instruments risk in the amount of EUR 1.2 million.

MREL Compliance

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

Table 7: NLB Resolution Group[(i)] and RWA contribution as at 30 September 2023

in EUR millions

Entity	RWA
NLB, Ljubljana	7,800
NLB Lease&Go, Ljubljana	187
NLB Skladi, Ljubljana	50
Other	103
TREA total	**8,140**

(i) Major entities.

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

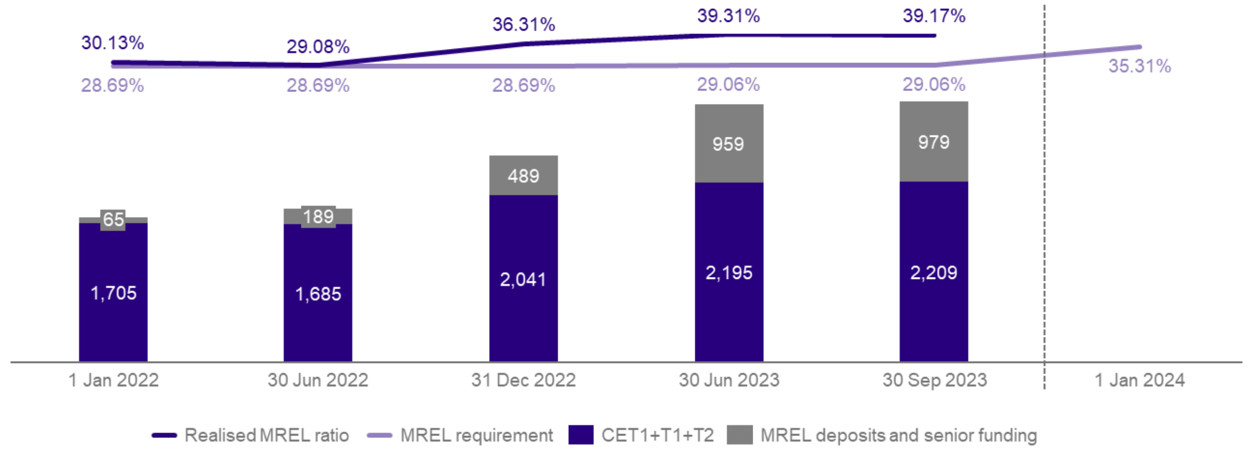
- 25.19% of Total Risk Exposure Amount (TREA) + applicable CBR[1];
- 8.03% of Leverage Ratio Exposure (LRE).

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

- 30.99% of TREA + applicable CBR[2];
- 10.39% of LRE.

In June 2023, the Bank issued green senior preferred notes of EUR 500 million, further strengthening the MREL buffer, ensuring that the Bank can comfortably meet the higher MREL requirement from 1 January 2024 onwards.
On 30 September 2023, the MREL ratio was 39.17%, well above the regulatory requirements.

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



1 Amounted to 3.50%.
2 As at the end of September, it amounted to 3.87%, calculated on the NLB Resolution Group level.

NLB Shareholders Structure

The Bank has issued share capital divided into 20,000,000 shares. The shares are listed on the Prime Market of the Ljubljana Stock Exchange (ISIN SI0021117344, Ljubljana Stock Exchange trading symbol: NLBR), and the Global Depositary 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 8: NLB's main shareholders as at 30 September 2023[(i)]

Shareholder	Number of shares	Percentage of shares
Bank of New York Mellon on behalf of the GDR holders[(ii)]	10,710,574	53.55
• *of which European Bank for Reconstruction and Development (EBRD)*[(iii)]	n.a.	>5 and <10
• *of which Schroders plc*[(iii)]	n.a.	>5 and <10
Republic of Slovenia (RoS)	5,000,001	25.00
Other shareholders	4,289,425	21.45
Total	**20,000,000**	**100.00**

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

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

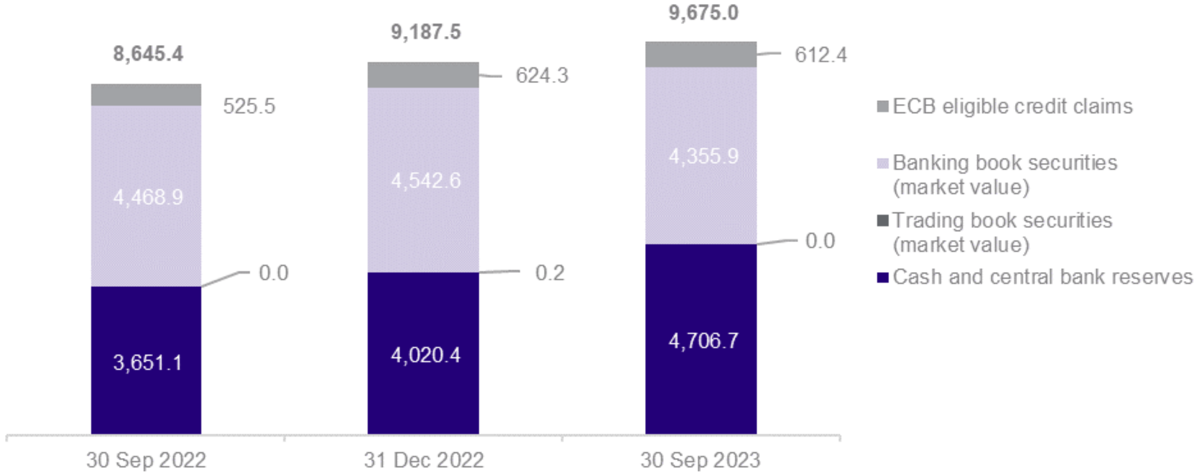
(iii) The information on GDR ownership is based on self-declarations made by individual GDR holders as required under the applicable provisions of Slovenian law.

Liquidity

The Group's liquidity position remains strong, with liquidity indicators high above the regulatory requirements, indicating the Group's low tolerance for liquidity risk.

The unencumbered liquidity reserves of the Group grew to EUR 9.7 billion YtD, representing 38.8% of the Group's total assets. Encumbered liquidity reserves, used for operational and regulatory purposes, are excluded from the liquidity reserves portfolio, and amounted to EUR 40.1 million, excluding obligatory reserves.

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



The largest part of unencumbered liquidity reserves, with 48.6% was held in cash and central bank reserves. The banking book securities, which accounted for 45.0% of the Group's liquidity reserves, were dispersed across issuers, geographies, and the remaining average maturity profile, aiming for adequate liquidity and interest risk management. The investment activity continues with a balanced approach to finding attractive market opportunities while pursuing well-managed credit risk and capital consumption.

Segment Analysis

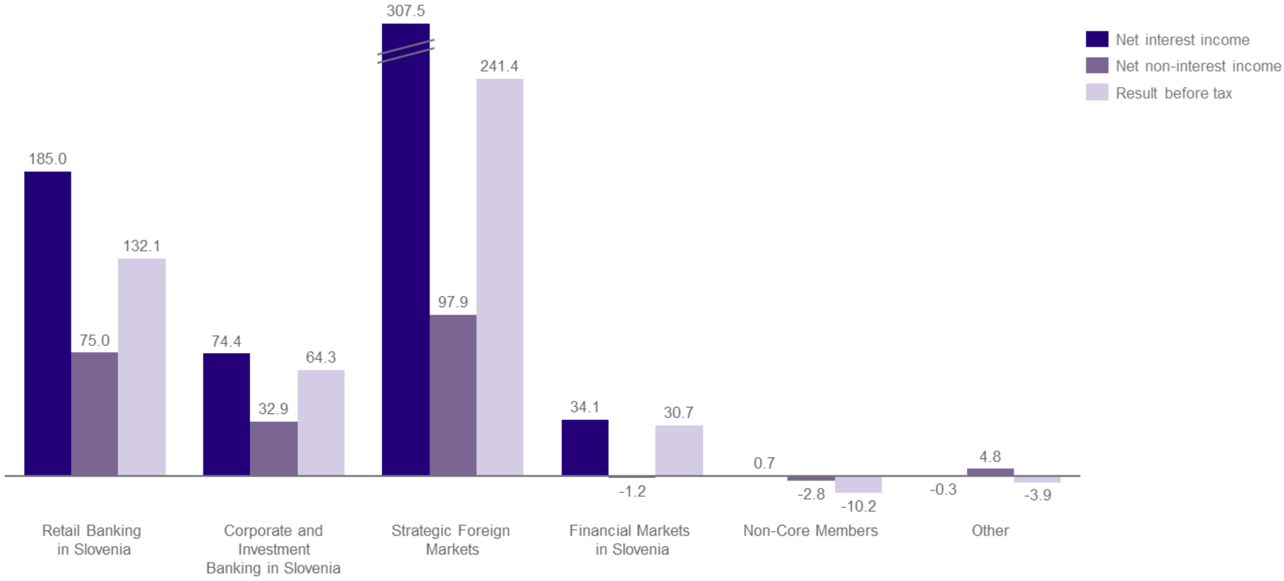
Table 9: Segments of NLB Group[3]

	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)	454	132	64	241	31	-4	-10
Contribution to Group's profit b.t.	100%	29%	14%	53%	7%	-1%	-2%
Total assets (in EUR millions)	25,278	3,730	3,498	10,579	7,073	353	44
% of total assets	100%	15%	14%	42%	28%	1%	0%
CIR	45.2%	41.2%	48.1%	44.3%	21.5%	307.4%	-458.2%
Cost of risk (bps)	-23	36	-51	-36	/	/	/

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

3 N Banka is included in the segment analysis for the period 1 January – 30 September 2023 and the year 2022 as an independent legal entity; in the segment analysis for the period 1 January – 30 September 2023, it is included with the result for the period 1 January – 31 August 2023.

Figure 16: Segment results of NLB Group (1-9 2023 in EUR millions)



The core markets and activities made a profit before tax of EUR 464.6 million, with the most significant contribution to the Group's profit before tax from the Strategic Foreign Markets segment, EUR 241.4 million, followed by Retail Banking in Slovenia with EUR 132.1 million, Corporate and Investment Banking in Slovenia with EUR 64.3 million, and Financial Markets in Slovenia with EUR 30.7 million. As per the divestment plans, the Non-Core Members recorded a loss of EUR 10.2 million.

Retail Banking in Slovenia

Highlights

- Significantly increased net interest income, primarily due to higher volumes and margins on client deposits.
- New loan production of consumer loans reaching record volumes.
- Attractive interest rates for term deposits were offered.
- New omnichannel digital banking solution NLB Klik fully introduced.
- Measures for post-flood recovery were introduced.
- Successful migration of N Banka's clients.

Financial and Business Performance

Table 10: Key financials of Retail Banking in Slovenia segment

in EUR millions consolidated

	1-9 2023	1-9 2022	Change YoY		Q3 2023	Q2 2023	Q3 2022	Change QoQ
Net interest income	185.0	70.7	114.3	162%	74.7	61.1	27.1	22%
Net interest income from Assets(i)	65.4	72.6	-7.2	-10%	21.8	21.0	24.3	4%
Net interest income from Liabilities(i)	119.6	-1.9	121.5	-	52.9	40.1	2.8	32%
Net non-interest income	75.0	77.4	-2.4	-3%	26.5	27.4	30.7	-3%
o/w Net fee and commission income	84.5	84.6	-0.1	0%	27.7	28.6	29.9	-3%
Total net operating income	**260.0**	**148.1**	**111.9**	**76%**	**101.1**	**88.5**	**57.8**	**14%**
Total costs	-107.0	-99.9	-7.1	-7%	-34.4	-36.7	-35.1	6%
Result before impairments and provisions	**153.0**	**48.2**	**104.8**	**-**	**66.7**	**51.8**	**22.7**	**29%**
Impairments and provisions	-22.2	-10.8	-11.4	-106%	-6.8	-3.8	-5.0	-78%
Share of profit from investments in associates and joint ventures	1.3	1.1	0.2	15%	0.7	0.3	-0.4	144%
Result before tax	**132.1**	**38.6**	**93.5**	**-**	**60.6**	**48.2**	**17.3**	**26%**

	30 Sep 2023	30 Jun 2023	31 Dec 2022	30 Sep 2022	Change YtD		Change YoY		Change QoQ
Net loans to customers	3,637.6	3,613.4	3,586.5	3,548.1	51.1	1%	89.5	3%	1%
Gross loans to customers	3,701.8	3,670.6	3,641.0	3,597.2	60.8	2%	104.6	3%	1%
Housing loans(ii)	2,465.3	2,216.2	2,173.9	2,132.5	291.3	13%	332.8	16%	11%
Interest rate on housing loans (iii)	*3.00%*	*2.93%*	*2.35%*	*2.26%*	*0.65 p.p.*		*0.74 p.p.*		*0.07 p.p.*
Consumer loans(ii)	791.5	673.3	640.9	636.8	150.6	23%	154.7	24%	18%
Interest rate on consumer loans (iii)	*8.11%*	*8.01%*	*7.11%*	*6.97%*	*1.00 p.p.*		*1.14 p.p.*		*0.10 p.p.*
N Banka, Ljubljana	0.0	397.5	446.1	465.6	-446.1	-	-465.6	-	-100%
NLB Lease&Go, Ljubljana	89.3	83.7	69.0	63.1	20.3	29%	26.1	41%	7%
Other	355.8	299.9	311.1	299.3	44.8	14%	56.6	19%	19%
Deposits from customers	9,226.0	9,265.9	9,085.8	8,780.6	140.2	2%	445.4	5%	0%
Interest rate on deposits (iii)	*0.29%*	*0.25%*	*0.05%*	*0.04%*	*0.24 p.p.*		*0.25 p.p.*		*0.04 p.p.*
N Banka, Ljubljana	0.0	402.0	502.0	510.7	-502.0	-	-510.7	-	-100%
Non-performing loans (gross)	74.0	66.8	67.7	66.9	6.3	9%	7.1	11%	11%

	1-9 2023	1-9 2022	Change YoY
Cost of risk (in bps)	36	44	-8
CIR	41.2%	67.4%	-26.3 p.p.
Net interest margin(iii)	3.93%	1.54%	2.39 p.p.

(i) Net interest income from assets and liabilities using Fund Transfer Pricing (FTP).
(ii) After the merger of the NLB and N Banka, the loans from N Banka were distributed between housing and consumer loans.
(iii) Net interest margin and interest rates before the merger of NLB and N Banka only for NLB. The segment's net interest margin is calculated as the ratio between annualised net interest income(i) and the sum of average interest-bearing assets and liabilities divided by 2.

Net interest income experienced a substantial YoY increase (EUR 114.3 million higher), primarily due to higher volumes and the key ECB interest rate increase that positively affected the segment's income from clients' deposits. The average interest rate on deposits increased by 25 bps YoY. The Bank offered more attractive interest rates for term deposits and savings accounts for individuals, which customers perceived positively. Consequently, the share of term and savings accounts in the total deposits from individuals has gradually risen to 46% at the end of September (compared to 43% at the end of the year).

Net fee and commission income stayed on the same level YoY. A positive effect of increased economic activity and consumption was entirely offset by the cancellation of the high balance deposit fee (EUR 1.8 million).

The segment's **total costs** increased YoY due to inflationary pressures strongly affecting the operating costs and the fact that N Banka's cost base was only partially included in total costs in 2022.

Impairments and provisions were net established for credit risk due to the portfolio development and revised risk parameters, being positively offset by the collection of written-off receivables. Other provisions related to potential liability in relation to the pending fee repayments.

The operational merger of N Banka was successfully completed at the beginning of September. With the merger, the Bank again confirmed its systemically **important position in the market**. Market share in retail lending increased to 29.2% (30 September 2022: 29.0%) and stayed flat in deposit-taking with 33.3% (30 September 2022: 33.3%), including the effect of N Banka's merger. The retail part of NLB Lease&Go, Ljubljana, successfully continued to grow steadily and recorded a 29% portfolio increase YtD.

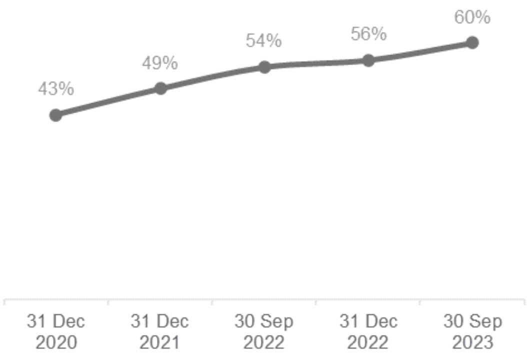
The Bank's **market share of housing and consumer loans** reached 30.1% and 29.9% (30 September 2022: 29.4% and 30.7%) respectively, recording the highest market share of new housing loans in Q3 months at almost 40%.

The **deposit base** increased YtD and the structure changed according to the interest rate increase for term deposits, resulting in a shift to long-term deposits. The change of the NLB Investment pair offer is also impacting the latter.

Immediately after the first dimensions of the **floods** became known, the Bank prepared measures to mitigate its consequences. Like in the COVID crisis, the Bank prepared its measures to help the recovery and revival of the economy, including moratoriums without additional costs, more favourable loans, and the possibility of free early release of deposits.

Nearly 24 years after the beginning of **digital banking,** the e-bank NLB Klik and m-bank Klikin were replaced with the new omnichannel solution NLB Klik. The same look&feel, procedures, functionalities and user experience on any device, smartphone, computer or tablet are the advantages of the new digital bank NLB Klik. With the new solution, the Bank witnessed another boost in active digital users by 15% YoY and active digital penetration by 5.7 p.p. YoY.

Figure 17: Digital penetration(i)



(i) Share of active digital users in # of clients with an active transactional account.

When introducing changes, the **Contact Centre** (CC) is a crucial 24/7 contact point for the Bank's clients for any help or inquiries regarding the use of the Bank's product or channels. It is also well-accepted as a virtual bank for contracting new products, as 10% of consumer loans and overdraft sales were realised via the CC in Q3 2023.

With the implementation of Google Pay, the Group's mobile wallet **NLB Pay** was transformed into an app for confirming e-commerce purchases and Flik payments. The implementation of the new Group's mobile POS terminal solution, the **NLB Smart POS,** was well received by micro-segment, small businesses, and outdoor merchants, enabling them to provide simple, fast and safe services.

The Bank is aware of the importance of trust and reliability when choosing a financial partner. In this light, in cooperation with **NLB Lease&Go**, the Bank has extended the range of financial services and introduced a solution to make buying a car more accessible for our clients. Leasing can now be concluded in the branch offices, where clients receive high-quality financial services and professional advice for choosing the most suitable leasing solution based on individual needs. The digital aspect is covered with an innovative NLB Quick Leasing model, enabling simple and quick approval of car E2E digital financing.

NLB Skladi, Slovenia's largest asset management company, maintains a high market share of 39.7%. Net inflows in the first nine months amounted to EUR 122.9 million, accounting for 56.4% of all net inflows in the market. The total assets under management grew almost by 17% YtD to EUR 2,199.5 million, of which EUR 1,759.7 million consisted of mutual funds and EUR 439.8 million of the discretionary portfolio.

Corporate and Investment Banking in Slovenia

Highlights

- Net interest income increase driven by higher volumes and margins on client deposits.
- Strong market shares in loans and deposits.
- An active role in raising awareness and supporting clients in ESG development and sustainable finance, resulting in an increased volume of sustainable financing.
- Growth in the trade finance business continues, allowing the Bank to preserve high market shares.
- Measures to help recover from the consequences of floods were prepared.
- In September, the successful migration of clients and their portfolios and the integration of N Banka was completed.

Financial and Business Performance

Table 11: Key financials of Corporate and Investment Banking in Slovenia segment

in EUR millions consolidated

	1-9 2023	1-9 2022	Change YoY		Q3 2023	Q2 2023	Q3 2022	Change QoQ
Net interest income	74.4	36.9	37.5	101%	29.2	24.0	14.9	21%
Net interest income from Assets[i]	44.7	40.4	4.3	11%	16.3	14.2	14.5	14%
Net interest income from Liabilities[i]	29.7	-3.4	33.1	-	12.9	9.8	0.4	32%
Net non-interest income	32.9	40.8	-7.9	-19%	11.3	11.5	12.9	-1%
o/w Net fee and commission income	30.6	34.1	-3.5	-10%	11.0	9.9	11.2	12%
Total net operating income	**107.3**	**77.7**	**29.6**	**38%**	**40.5**	**35.5**	**27.8**	**14%**
Total costs	-51.6	-44.8	-6.9	-15%	-17.3	-16.5	-16.2	-5%
Result before impairments and provisions	**55.7**	**33.0**	**22.7**	**69%**	**23.2**	**19.0**	**11.6**	**22%**
Impairments and provisions	8.6	18.9	-10.3	-54%	1.7	2.4	6.2	-28%
Result before tax	**64.3**	**51.9**	**12.4**	**24%**	**25.0**	**21.5**	**17.7**	**16%**

	30 Sep 2023	30 Jun 2023	31 Dec 2022	30 Sep 2022	Change YtD		Change YoY		Change QoQ
Net loans to customers	3,472.1	3,389.8	3,370.1	3,400.8	102.0	3%	71.4	2%	2%
Gross loans to customers	3,524.4	3,440.5	3,424.6	3,450.5	99.9	3%	73.9	2%	2%
Corporate	3,426.3	3,341.5	3,311.5	3,305.0	114.8	3%	121.3	4%	3%
Key/SME/Cross Border Corporates[ii]	3,177.0	2,720.2	2,623.2	2,551.7	553.8	21%	625.3	25%	17%
Interest rate on Key/SME/Cross Border Corporates loans[iii]	*4.31%*	*3.98%*	*1.95%*	*1.77%*	*2.36 p.p.*		*2.54 p.p.*		*0.33 p.p.*
Investment banking	0.1	0.1	0.1	0.1	0.0	8%	0.0	8%	0%
Restructuring and Workout[ii]	97.2	59.3	60.8	66.2	36.4	60%	30.9	47%	64%
N Banka, Ljubljana	0.0	417.6	506.7	581.3	-506.7	-	-581.3	-	-100%
NLB Lease&Go, Ljubljana	152.0	144.3	120.7	105.6	31.4	26%	46.4	44%	5%
State	97.4	98.9	112.9	145.3	-15.5	-14%	-47.9	-33%	-1%
Interest rate on State loans[iii]	*5.87%*	*5.96%*	*2.59%*	*2.52%*	*3.28 p.p.*		*3.35 p.p.*		*-0.09 p.p.*
Deposits from customers	2,405.6	2,263.5	2,731.0	2,739.1	-325.4	-12%	-333.4	-12%	6%
Interest rate on deposits[iii]	*0.24%*	*0.20%*	*0.07%*	*0.05%*	*0.17 p.p.*		*0.19 p.p.*		*0.04 p.p.*
N Banka, Ljubljana	0.0	258.2	396.5	465.9	-396.5	-	-465.9	-	-100%
Non-performing loans (gross)	61.1	60.3	67.6	68.7	-6.6	-10%	-7.6	-11%	1%

	1-9 2023	1-9 2022	Change YoY
Cost of risk (in bps)	-51	-84	33
CIR	48.1%	57.6%	-9.5 p.p.
Net interest margin[iii]	3.37%	1.72%	1.65 p.p.

(i) Net interest income from assets and liabilities using FTP.
(ii) After the merger of NLB and N Banka, the loans from N Banka were distributed between Key/SME/Cross Border Corporates and Restructuring and Workout.
(iii) Net interest margin and interest rates before the merger of NLB and N Banka only for NLB. The segment's net interest margin is calculated as the ratio between annualised net interest income[i] and the sum of average interest-bearing assets and liabilities divided by 2.

The Corporate and Investment Banking segment cooperates with almost 11,000 corporate clients and holds 25.7% of the market share in loans and 22.4% in deposits. The business's principal is customer centricity and a focus on actual client needs, with comprehensive and tailor-made financial solutions to support our economy.

The **net interest income** showed a substantial increase YoY, primarily due to the rise in loan volume and the key ECB rate hike positively affecting the net interest income from clients' deposits. Deposit interest rates, being less sensitive to market rate volatility, demonstrated a higher segment income in a rising market rate environment, considering the short maturity of the deposit base. On the other hand, the loan market has become increasingly competitive, where client rates have not increased fully to reflect recent market rate movements, resulting in declining interest margins on the loan portfolio.

Net fee and commission income decreased YoY due to the cancellation of the high balance deposit fee, which in 1-9 2022 amounted to EUR 5.7 million, partially offset by higher fees from guarantees (EUR 0.8 million) and payment transactions (EUR 0.2 million).

The segment faced 15% YoY higher **costs** as operating costs increased, stemming from inflationary trends and the fact that N Banka's cost base was only partially included in total costs in 1-9 2022.

Impairments and provisions were net released in the amount of EUR 8.6 million due to the portfolio development, revised risk parameters and successful workout resolution.

The **volume of gross loans** increased by EUR 99.9 million YtD, with a EUR 31.4 million portfolio increase from the contribution of NLB Lease&Go, Ljubljana. After a robust Q2, the demand normalised in Q3, leading to steady and healthy growth. In Q3 2023, over EUR 300 million of new loans were approved. The business environment remains less predictable and corporate clients continue business activities cautiously.

The Bank is increasing its share of financing the green transformation of Slovenian companies and beyond. In the first nine months of 2023, the share of new green loans in total new long-term loans exceeded 20%.

In the wake of the August **floods**, the Bank prepared its measures to help the economy recover from the consequences of the floods, including a more favourable loan line of EUR 100 million and, if necessary, a moratorium on the repayment of loan obligations.

The **volume of deposits** decreased by 12% YtD, which can be attributed to a generally noticeable downturn in the entire Slovenian banking system. At the beginning of the year, the Bank observed some higher volatility in several client accounts. However, the volume volatility rather normalised then, and the Bank kept a very strong deposit base with most clients having house-bank relationships.

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 17.7 billion (31 December 2022: EUR 16.4 billion).

Sound growth in the **trade finance business** continues, with a market share of 39.2%. A strong focus was being given to purchasing the receivables business, including a reverse factoring product, newly developed in Q4 2022.

Activities of **cross-border financing** have been developing well. At the end of Q3 2023, the loan outstanding portfolio reached EUR 394.5 million, with additional approved and still not utilised loans amounting to EUR 118.7 million in the same period. A significant part of respective financing activities has focused on green and sustainable projects within the home region while supporting other key industries (telecommunications, energy, real estate, etc.). Outside the home, region activities are concentrated on Schuldschein loans, approved to big international investment-grade rated companies, mainly located in the Nordics and Western Europe. A further focus is being put into exploring options to enter international syndication deals, especially in the renewables universe.

The Bank executed clients' buy and sell orders of EUR 620.7 million within the **brokerage services** in 1-9 2023. In dealing with financial instruments, the Bank conducted foreign exchange spot deals amounting to EUR 694.6 million, and transactions involving derivatives reached EUR 117.6 million.

The NLB trading platform has been developing successfully, offering clients the best possible interaction with the Bank for executing financial instrument deals. The services for buying and selling physical gold, introduced last year, have also shown considerable growth and high interest on the clients' side.

The Bank has been actively involved in **financial advisory business**. In addition to mergers and acquisitions (M&A) and advisory business, it was engaged in the organisation of syndicated loans (as a sole mandated lead arranger) in the amount of EUR 155 million and organising the bond issuing (as a lead arranger or joint lead arranger) in the nominal amount of EUR 502 million.

In light of **digital payments**, the Bank improved its solutions to corporate clients by revamping NLB Pay and incorporating Google Pay, transforming it into a virtual or smart wallet enabling payments. A new payment method, Flik P2eM, for E-Commerce merchants was launched. As the first among Slovenian banks, the Bank launched the Group's new mobile POS terminal solution, NLB Smart POS, primarily for the micro-segment and small businesses. With the new app, merchants can transform their smartphones or tablets into mobile POS terminals, offering their clients simple, fast and safe contactless payments.

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

Strategic Foreign Markets

Highlights

- All subsidiary banks robustly profitable and earning Cost of Capital (CoC) with NLB Komercijalna Banka, Beograd contributing 53% to the segment's pre-tax profit.
- Double-digit jump in net interest income and increased net interest margin in all banking members.
- Robust consumer lending activity growth over the local markets' dynamics.
- Increasing the deposit base from Retail and Corporate clients shows the overall confidence in the banking members.
- Remarkable growth of the leasing portfolio in Serbia.
- Continuous sustainable financing and operations improving the carbon footprint of the banks.
- Regional Central Banks' regulatory changes – obligatory reserve changes in North Macedonia and Bosnia and Herzegovina, housing loan interest rate cap in Serbia.

Financial and Business Performance

Table 12: Key Financials of Strategic Foreign Markets segment

in EUR millions consolidated

	1-9 2023	1-9 2022	Change YoY		Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Change QoQ
Net interest income	307.5	213.2	94.3	44%	111.2	102.5	93.8	84.8	76.1	8%
Interest income	340.1	231.4	108.7	47%	124.5	113.2	102.5	91.4	82.0	10%
Interest expense	-32.6	-18.2	-14.3	-79%	-13.3	-10.6	-8.6	-6.5	-5.9	-26%
Net non-interest income	97.9	91.7	6.2	7%	33.3	30.8	33.8	37.8	34.2	8%
o/w Net fee and commission income	91.2	86.5	4.7	5%	32.4	30.3	28.6	32.2	29.7	7%
Total net operating income	**405.4**	**304.9**	**100.5**	**33%**	**144.5**	**133.3**	**127.6**	**122.7**	**110.3**	**8%**
Total costs	-179.5	-165.4	-14.1	-9%	-61.5	-60.8	-57.1	-62.8	-55.6	-1%
Result before impairments and provisions	**226.0**	**139.5**	**86.4**	**62%**	**82.9**	**72.5**	**70.6**	**59.9**	**54.7**	**14%**
Impairments and provisions	15.5	2.7	12.8	-	-1.5	5.9	11.1	-15.0	1.8	-
Result before tax	**241.4**	**142.2**	**99.2**	**70%**	**81.5**	**78.3**	**81.7**	**44.9**	**56.5**	**4%**
o/w Result of minority shareholders	9.6	8.5	1.1	13%	2.8	3.3	3.4	2.4	0.1	-15%

	30 Sep 2023	30 Jun 2023	31 Dec 2022	30 Sep 2022	Change YtD		Change YoY		Change QoQ
Net loans to customers	6,524.3	6,394.5	6,077.5	5,930.2	446.7	7%	594.1	10%	2%
Gross loans to customers	6,712.2	6,581.6	6,271.4	6,118.7	440.8	7%	593.5	10%	2%
Individuals	3,461.2	3,388.7	3,221.0	3,160.0	240.2	7%	301.2	10%	2%
Interest rate on retail loans	*6.53%*	*6.40%*	*5.66%*	*5.55%*	*0.87 p.p.*		*0.98 p.p.*		*0.13 p.p.*
Corporate	3,005.4	2,958.2	2,869.0	2,832.4	136.4	5%	173.0	6%	2%
Interest rate on corporate loans	*5.20%*	*4.99%*	*3.84%*	*3.68%*	*1.35 p.p.*		*1.51 p.p.*		*0.21 p.p.*
State	245.6	234.7	181.4	126.3	64.2	35%	119.4	95%	5%
Interest rate on state loans	*6.90%*	*6.54%*	*3.65%*	*3.48%*	*3.25 p.p.*		*3.42 p.p.*		*0.36 p.p.*
Deposits from customers	8,614.9	8,355.6	8,171.2	8,013.9	443.7	5%	601.0	7%	3%
Interest rate on deposits	*0.33%*	*0.28%*	*0.17%*	*0.17%*	*0.16 p.p.*		*0.16 p.p.*		*0.05 p.p.*
Non-performing loans (gross)	148.9	156.0	160.6	170.1	-11.8	-7%	-21.2	-12%	-5%

	1-9 2023	1-9 2022	Change YoY
Cost of risk (in bps)	-36	-17	-19
CIR	44.3%	54.2%	-10.0 p.p.
Net interest margin	4.12%	3.02%	1.10 p.p.

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

The **market shares** by total assets of banking members exceed 10% in five out of six markets. Most of the Group members had a higher growth in retail loans compared to the growth of the local banking sector. Amid interest rate, pricing pressures and regulatory changes and despite signs of an economic slowdown, the banking members from the Group continued to grow which resulted in remarkable Q3 2023 results.

Regardless of higher interest rates, lower **loan demand** in some markets and regulatory interventions[4], the segment saw a solid 10% YoY and 7% YtD increase in lending activities. The most significant increase in gross loans to customers was achieved by NLB Komercijalna Banka, Beograd (11% YoY) and NLB Banka, Prishtina (10.5% YoY). High performance in new business production continued in the corporate and retail segments as several products and

4 Serbian Central Bank introduced limitations on housing loans in Serbia up to EUR 200 thousand. As per new rules, the fixed portion of variable rates loans should not be more than 1.1% up to 31 December 2024, and the interest rate cap is 5.03% for loans with fixed interest rates.

services were upgraded, which included streamlining and modernising their distribution network and improving their digital offering.

NLB Lease&Go Leasing, Beograd realised a remarkable growth in new financial leasing financing of EUR 61 million YtD by increasing the financial leasing market share in the country to approximately 11%.

The higher interest rate environment and economy contraction affected customers' behaviour. The overall confidence remained strong in the banking members and the total **customer deposit** base increased by 5% YtD and over 7% YoY.

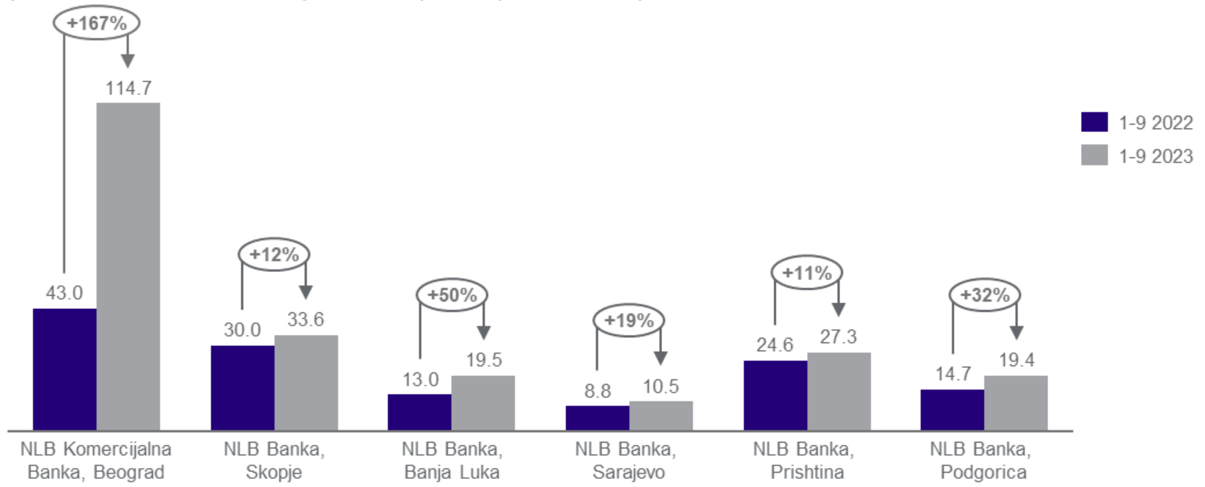
In the rising interest rate environment, the **net interest income** increased by EUR 94.3 million YoY, due to higher volumes and interest rate hikes. All banking members recorded a double-digit increase YoY, with the highest impact in interest rate increase in NLB Komercijalna Banka, Beograd, of EUR 61 million YoY.

The **net non-interest income** increased by EUR 6.2 million YoY, of which the net fee and commission income increased by EUR 4.7 million due to the positive impact of increased economic activity and higher volumes of payments and card operations.

Total costs increased by EUR 14.1 million YoY due to higher operating costs resulting from inflationary pressures, however, improving the Cost-to-income ratio of all banking members in the range between 30% to 54%.

Impairments and provisions were net released in EUR 15.5 million due to successful NPL resolution.

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



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

Despite the strong pricing competitive pressure on interest rates on assets and liabilities, in Q3 2023, the banking members realised a **net interest margin** between 2.98% (NLB Banka, Sarajevo) and 4.69% (NLB Banka, Podgorica).

Retail Banking

Despite the loan squeeze due to increasing interest rates, the banking members realised robust new retail loan production YoY and YtD. The loan portfolio increase to individuals was seen in all banking members. New loan production was still high, significantly outperforming the local markets, especially in consumer loans. The gross loans to individuals marked a double-digit growth of 10% YoY and 7% YtD. The highest increase was achieved by NLB Banka, Prishtina (15% YoY), NLB Banka, Banja Luka (12% YoY) and NLB Banka, Skopje (10% YoY).

All the banks in the Group increased their market share in loans to individuals in various sub-segments from 20 to 150 bps YtD. A solid housing loan market share boost was marked by NLB Banka, Podgorica and NLB Banka, Skopje, and the consumer loans market share increased in NLB Banka, Banja Luka with an impressive growth of 160 bps market share YtD, NLB Komercijalna Banka, Beograd, NLB Banka, Skopje, NLB Banka, Prishtina and NLB Banka, Sarajevo. A new production in ESG loans accelerated in Q3 2023 with the offering of various NLB Green Loans through partners –

Eco mortgage loans through business partners, Eco home appliance loans, electric and hybrid vehicles, etc. Turbulences in the banking sector at the beginning of the year increased the clients' concerns over their deposits. The Group banks retained the customer confidence as the total SEE bank deposits from individuals increased by 2% YtD and 4% YoY.

Corporate Banking

The banking members maintained a positive trend in approving new financing and attracting new corporate clients. The banks recorded a 5% YoY and a 3% YtD growth in the corporate segment, with the highest levels achieved in NLB Banka, Sarajevo (9% YoY) and NLB Banka, Prishtina (8% YoY). The SEE banks attracted corporate deposits by increasing the balances from corporates by 12% YtD and 18% YoY. The banks continued with sustainable financing by supporting green investments focusing particularly on solar power plants and energy efficiency.

Financial Markets in Slovenia

Highlights

- The Bank successfully issued its inaugural green senior preferred notes for EUR 500 million.
- A further diversification of liquidity reserves, reinvestment of matured securities and increased balances with the central bank.
- As of January 2023, the ALM result from term transformation (benefits of the large sticky deposit base) is largely passed on to the business segments. The remaining result was largely the effect of deliberate credit spread investment positions in well-diversified books of high-grade sovereigns and financial instruments.
- Negative valuation effects gradually being reversed (EUR 45 million YtD and EUR 12.5 million Q3 2023) via FVOCI.

Financial and Business Performance

Table 13: Key Financials of Financial Markets in Slovenia segment

in EUR millions consolidated

	1-9 2023	1-9 2022	Change YoY		Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Change QoQ
Net interest income	34.1	30.8	3.3	11%	6.4	13.0	14.7	16.5	7.9	-51%
Net interest income w/o ALM(i)	17.5	11.8	5.6	48%	6.2	4.7	6.5	4.4	3.9	30%
o/w ALM	16.7	19.0	-2.3	-12%	0.2	8.2	8.2	12.1	4.1	-97%
Net non-interest income	-1.2	-2.0	0.8	40%	-1.2	0.9	-0.9	1.3	-0.3	-
Total net operating income	**33.0**	**28.9**	**4.1**	**14%**	**5.2**	**13.9**	**13.8**	**17.7**	**7.7**	**-62%**
Total costs	-7.1	-6.9	-0.2	-3%	-2.4	-2.4	-2.3	-2.6	-2.2	1%
Result before impairments and provisions	**25.9**	**22.0**	**3.9**	**18%**	**2.8**	**11.5**	**11.6**	**15.2**	**5.5**	**-75%**
Impairments and provisions	4.8	-0.4	5.2	-	0.6	-0.1	4.3	-3.0	7.2	-
Result before tax	**30.7**	**21.7**	**9.0**	**42%**	**3.4**	**11.4**	**15.9**	**12.2**	**12.6**	**-70%**

	30 Sep 2023	30 Jun 2023	31 Dec 2022	30 Sep 2022	Change YtD		Change YoY		Change QoQ
Balances with Central banks	3,976.7	3,901.8	3,373.7	3,071.5	603.0	18%	905.2	29%	2%
Banking book securities	2,994.8	2,954.4	2,993.3	3,001.7	1.5	0%	-6.9	0%	1%
Interest rate (ii)	*1.07%*	*0.97%*	*0.74%*	*0.73%*	*0.33 p.p.*		*0.34 p.p.*		*0.10 p.p.*
Borrowings	73.3	95.5	160.5	205.5	-87.2	-54%	-132.2	-64%	-23%
Interest rate (ii)	*2.05%*	*2.26%*	*-0.72%*	*-0.78%*	*2.77 p.p.*		*2.83 p.p.*		*-0.21 p.p.*
Subordinated liabilities (Tier 2)	529.0	520.0	508.8	290.4	20.2	4%	238.6	82%	2%
Interest rate (ii)	*6.87%*	*6.80%*	*4.16%*	*3.70%*	*2.71 p.p.*		*3.17 p.p.*		*0.07 p.p.*
Other debt securities in issue	810.0	814.5	307.2	302.7	502.8	164%	507.4	168%	-1%
Interest rate (ii)	*6.46%*	*6.20%*	*6.00%*	*5.95%*	*0.46 p.p.*		*0.51 p.p.*		*0.26 p.p.*

(i) Net interest income from assets and liabilities using FTP.
(ii) Interest rates only for NLB.

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

The **net interest income** was EUR 3.3 million higher YoY due to the rising interest rate environment. At the same time, it was lower by EUR 6.6 million QoQ due to the new bond issuance and further transfer of ALM results to Retail Banking and Corporate and Investment Banking segments.

As of 30 September 2023, the Bank is no longer exposed to the Russian Federation. The USD 8 million nominal exposure that would have otherwise matured in September 2023 had been sold at the beginning of February 2023, contributing to the impairment release of EUR 4.2 million, which increased the overall **result before taxes** of the segment.

There was an increase in **balances with the central bank** (EUR 603.0 million YtD), mainly due to deposited proceeds from the **debt securities in issue**. Namely, in June, the Bank successfully issued its inaugural 4NC3 green senior preferred notes of EUR 500 million. The notes count towards meeting the MREL requirement. **Borrowings** were lowered by EUR 87.2 million YtD on account of the prepayment of TLTRO by N Banka (EUR 63 million) in H1.

In 2023, an ongoing goal is to further diversify the **banking book securities** portfolio, which at the end of Q3 maintained the balance as of the end of 2022 in the Bank but lower at the Group level by EUR 228 million. At the end of Q3, the bonds measured at FVOCI represented 48% of the Group and 34% of the Bank securities portfolio, having duration of 1,97 years (the Group) and 2,60 years (the Bank), while duration of portfolio measured at amortized costs (AC) was at

3,68 years (the Group) and 4,04 years (the Bank). The negative valuation of the FVOCI Group portfolio as at 30 September 2023 amounted to EUR 110 million (net of hedge accounting effects and related deferred taxes), and unrealised losses from securities measured at amortised cost (AC) the portfolio amounted to EUR 156 million. The Group securities portfolio includes EUR 297 million (or 6.6%) of the ESG debt securities issued by governments, multilateral organisations or financial institutions, of which EUR 106 million were bought in 2023.

Non-Core Members

Highlights

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

Financial and Business Performance

Table 14: Key Financials of Non-Core Members

in EUR millions consolidated

	1-9 2023	1-9 2022	Change YoY		Q3 2023	Q2 2023	Q3 2022	Change QoQ
Net interest income	0.7	0.2	0.4	-	0.2	0.5	0.1	-62%
Net non-interest income	-2.8	2.4	-5.2	-	-0.9	-0.9	0.4	1%
Total net operating income	**-2.2**	**2.6**	**-4.8**	**-**	**-0.7**	**-0.4**	**0.5**	**-65%**
Total costs	-9.9	-8.7	-1.2	-14%	-3.5	-3.5	-3.2	-2%
Result before impairments and provisions	**-12.1**	**-6.1**	**-6.0**	**-98%**	**-4.3**	**-3.9**	**-2.6**	**-9%**
Impairments and provisions	1.9	0.9	1.0	108%	0.3	1.1	-0.1	-71%
Result before tax	**-10.2**	**-5.2**	**-5.0**	**-97%**	**-4.0**	**-2.9**	**-2.7**	**-38%**

	30 Sep 2023	30 Jun 2023	31 Dec 2022	30 Sep 2022	Change YtD		Change YoY		Change QoQ
Segment assets	**44.3**	**40.8**	**61.5**	**74.1**	**-17.3**	**-28%**	**-29.8**	**-40%**	**9%**
Net loans to customers	10.3	11.2	13.8	19.5	-3.5	-25%	-9.2	-47%	-8%
Gross loans to customers	30.0	31.7	35.4	50.7	-5.4	-15%	-20.8	-41%	-6%
Investment property and property & equipment received for repayment of loans	19.5	21.7	39.6	47.5	-20.1	-51%	-27.9	-59%	-10%
Other assets	14.5	7.9	8.1	7.1	6.4	78%	7.4	108%	84%
Non-performing loans (gross)	28.5	29.9	32.3	46.6	-3.7	-12%	-18.1	-39%	-4%

The wind-down has remained the main objective of the non-core segment in all the non-core portfolios, followed by a subsequent reduction of the operating income. In line with the divestment strategy, the liquidation of NLB Leasing Beograd was concluded, and the sale of Optima Leasing Zagreb was realized; thereby, the segment's total assets decreased by EUR 17.3 million YtD.

Risk Factors and Outlook

Risk Factors

Risk factors affecting the business outlook are (among others):	• The economy's sensitivity to a potential slowdown in the euro area or globally • Potential liquidity outflows • Widening credit spreads • Worsened interest rate outlook / Persistence of high inflation • Energy and commodity price volatility • Increasing unemployment • Geopolitical uncertainties • Potential cyber-attacks • Litigation risks • Regulatory, other legislative, and tax measures impacting the banks

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

Credit risk usually considerably increases in times of economic slowdown. The Group has thoroughly analysed and adjusted the potential impact on the credit portfolio in the light of anticipated inflationary pressures and expected decreases in economic growth. Lending growth in the corporate and retail segments is expected to remain relatively moderate, especially in such circumstances. Regarding the credit portfolio quality, the Group carefully monitors the potentially most affected segments to detect any significant increase in credit risk at a very early stage. In August 2023, certain areas in Slovenia were damaged by the floods. Their impact on the quality of the Bank's credit portfolio in the corporate and retail segments are estimated as negligible, and only minor client credit quality deteriorations or received collaterals are expected. The aforementioned adverse developments could affect the cost of risk and NPLs. Notwithstanding the established procedures in the Group's credit risk management, there can be no certainty that they will be sufficient to ensure the Group's credit portfolio quality or the corresponding impairments remain at an adequate level.

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. Geopolitical uncertainties have increased volatility in the financial markets, particularly shifts in credit spreads, rising interest rates and foreign exchange rate fluctuations. The Group is closely monitoring its prominent bond portfolio positions, mostly sovereigns, and carefully manages them by incorporating adequate early warning systems to limit the potential sensitivity of regulatory capital.

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

Special attention is paid to the continuous provision of services to clients, their monitoring, health protection measures, and the prevention of cyber-attacks and potential fraud events. The Group has established internal controls and other measures to facilitate adequate management. However, these measures may only sometimes fully prevent potential adverse effects.

With regards to litigation risk, in recent years, and even more so in recent periods, we have seen a shift in case law that is generally more favourable to consumers, including when it comes to CHF litigations. We have noticed a slight increase in the number of proceedings against the Bank, which was expected. The current litigations against the Bank referring to CHF are not material, but Bank is closely monitoring developments.

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

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

In this regard, the Group closely follows the macroeconomic indicators relevant to its operations:
- GDP trends and forecasts,
- Economic sentiment,
- Unemployment rate,
- Consumer confidence,
- Construction sentiment,
- Deposit stability and growth of loans in the banking sector,
- Credit spreads and related future forecasts,
- Interest rate development and related future forecasts,
- FX rates,
- Energy and commodity prices,
- Other relevant market indicators.

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

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

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

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

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

The Group established a comprehensive internal **stress-testing framework** and **early warning systems** in various risk areas with built-in risk factors relevant to the Group's business model. The stress-testing framework is integrated into Risk Appetite, Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP), and the Recovery Plan to determine how severe and unexpected changes in the business and macro environment might affect the Group's capital adequacy or liquidity position. The stress-testing framework and recovery plan indicators support proactive management of the Group's overall risk profile in these circumstances, including capital and liquidity positions from a forward-looking perspective.

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

Outlook

The indicated outlook constitutes forward-looking statements which are subject to several risk factors and are not a guarantee of future financial performance. The Group is pursuing various 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.

The evolution in the first nine months and expected trends in the remainder of the year warrant fine-tuning our guidance compared to the last communicated outlook. The regular income is now expected to exceed EUR 1,000 million, compared to the previous guidance, which was around EUR 1,000 million. Persistent and high inflationary rates in the region throughout 2023 had impacted higher than previously envisaged cost dynamics, so we are increasing the cost guidance 2025 from around EUR 490 million to around EUR 530 million, however remain committed to a CIR target of < 50%. We are simultaneously refining our CoR guidance to reflect solid underlying trends in asset quality and a favourable environment enabling a successful NPL resolution. Previously, our guidance for 2023 CoR was under 15 bps, which is now expected to be around 0.

With this outlook, we are introducing the new KPI – cost-to-income ratio (CIR) as an important indication of the Bank's operating efficiency. For 2023, CIR is envisaged to be around 46% and for 2025 below 50%. The inflation is expected, albeit at a moderate pace, to determine the cost outlook for 2025 for the Group. The revised cost outlook of around EUR 530 million for 2025 clearly reflects this reality. However, cost containment initiatives throughout the Group focused on structural shifts towards increasingly digital production should keep cost inflation below the blended regional headline inflation growth over upcoming period.

The outlook for 2025 remains an integral part of the published Outlook. This is a direct consequence of the set of KPIs communicated at the NLB's first Investor Day, held in Belgrade in May 2022. Throughout 2023, we have revised the outlook mainly for the current year due to the ongoing solid performance, while leaving the 2025 outlook essentially unchanged. Such a conservative communication approach has led to already achieved or exceeded specific KPI targets. Despite this, the 2025 targets have remained broadly unchanged with the clear indication that the risk in delivering 2025 numbers is to the upside. The adjustment in the regular income target from over EUR 1,000 million to around EUR 1,100 million displays optimism regarding the strength of underlying trends regardless of expected lower average interest rates.

When the Bank acquired Komercijalna Banka in Serbia in 2020, this transformational acquisition presented an opportunity in one of the key regional markets. Yet, simultaneously, it took a lot of hard work to deliver on expectations. At the first Investor Day in May 2022, we announced the guidance that the merged bank in Serbia should contribute EUR 100 million already in the year 2025. And indeed, the performance of the merged entity has been remarkable. The NLB Komercijalna Banka contributed EUR 114.5 million in the first nine months of this year, comfortably surpassing the target set for 2025 and leading us to omit this item line from the outlook(s). The disclosure of the performance of this subsidiary and all others remains a part of our regular reports and presentations.

During the COVID period, the visibility of the business environment and the operating performance of banks decreased significantly. To overcome this hindrance, the Group issued a forward guidance for the capital return. For the period between 2022 and 2025, we communicated our commitment to return EUR 500 million to the shareholders. Since then, the performance of the Group excelled, allowing for a greater resilience of the banking group and a decent amount of capital buffer for tactical M&A. The process of setting the new 2030 strategy is underway, and it is expected to outline key decisions regarding capital management going forward, including capital returns.

The outlook already includes the impact from the expected but not yet implemented Slovenian government's tax measures, directed towards reconstruction efforts following the floods that occurred this summer. The tax on total assets is expected to result in excess of EUR 30 million negative impact on P&L in the year 2024. It is expected that it will be applied in 2024, and it is understood that tax measures will be in force for five years. In Serbia, the National Bank of Serbia has already enforced interest rate regulation on housing loans, leading to the so-called modification loss of around EUR 16 million, affecting already the 2023 result. Both impacts are already factored into this outlook.

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

Table 15: Market performance and outlook for the period 2023-2025

	Last Outlook for 2023	Revised Outlook for 2023	Last Outlook for 2025	Revised Outlook for 2025
Regular income	~ EUR 1,000 million	> EUR 1,000 million	> EUR 1,000 million	~ EUR 1,100 million
Costs	~ EUR 490 million	~ EUR 500 million	Flat on 2023 level	~ EUR 530 million
Cost of risk	< 15 bps	~ 0 bps	30-50 bps	30-50 bps
CIR		~ 46%		< 50%
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)(i)
ROE a.t. ROE normalized(ii)	>15% >20%	>15% >20%	~ 14% ~ 20%	~ 14% ~ 20%
Regular profit			> EUR 400 million	> EUR 400 million
Contribution from Serbian market		> EUR 100 million	> EUR 100 million	-(iii)
M&A potential			Tactical M&A capacity of > EUR 4 billion RWA	Tactical M&A capacity of > EUR 4 billion RWA

(i) Future capital returns will be revised during the new 2030 strategy process.
(ii) ROE normalised = result a.t. divided by the average risk-adjusted capital. An average risk-adjusted capital is calculated as a Tier 1 requirement of average RWA reduced by minority shareholder capital contribution.
(iii) This item line will be omitted from further announcements.

Outlook 2023

Macroeconomic

The economy is likely to remain subdued for the remainder of the year. It broadly stagnated over Q3, and recent indicators suggest a weak Q4. A retreating appetite for the euro area's exports and the impact of tight financing conditions are hampering growth, which is evident from lower private and corporate investments. The PMI paints a picture of a marginally improved service sector, which is still in contraction and looks likely to stay there for the rest of the year. Over time, the economic momentum should pick up propelled by rising real incomes and falling inflation, higher wages and a strong labour market, factors that should underpin consumer spending (as consumers still seem able to have savings). The indicators point to a stagnation in the near term, as weak business and consumer confidence and low foreign demand suggest a moderate end to the year, as do rising bond yields and increasing oil prices. The latter could see further increases due to the escalation of the Israeli-Palestinian conflict. The economy should gradually improve over the next year as domestic and foreign demand recover, should the Middle East hostilities be resolved peacefully.

Table 16: 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)		
	2022	**2023**	**2024**	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**
Euro area	3.4	0.4	1.1	8.4	5.7	2.7	6.8	6.5	6.7
Slovenia	2.5	1.3	2.2	9.3	7.5	3.6	4.0	3.7	3.9
BiH	3.8	1.6	2.5	14.0	7.0	3.2	15.4	13.0	12.5
Montenegro	6.4	4.0	3.0	13.0	8.9	3.8	14.7	13.7	13.5
N. Macedonia	2.1	2.0	2.8	14.2	10.2	4.2	14.4	13.1	12.7
Serbia	2.5	1.7	2.9	12.0	12.6	5.8	9.4	9.5	9.0
Kosovo	5.2	3.5	3.7	11.6	5.1	2.8	12.6	11.0	10.5

Source: Statistical offices, NLB ALM.
Note: NLB's estimates and forecasts are highlighted in grey.

The euro area economy will expand only modestly this year, weighed down by elevated inflation, higher interest rates and global headwinds. Next year, growth should gain traction amid rising real incomes and an improved global backdrop. The ECB monetary policy is the crucial factor to observe. Potential banking and financial sector turbulence and high public debt levels pose risks. We see GDP expanding by 0.4% in 2023 and 1.1% in 2024.

GDP growth in Slovenia is slowing down in 2023 from last year's already heavily revised number as domestic demand and exports both lose steam amid higher interest rates, slowing global growth and flooding in August. In search of funds, the government announced that it plans to increase the corporate tax in the first year from 19% to 21%, possibly to 23% in 2025. The banks are to be further burdened with a windfall tax of 0.2 p.p. of their balance sheet total for a five-year period. That said, recovery spending and EU funds should provide support. Longer than anticipated disruptions to the automotive part industry and delays to reforms agreed with the EU are downside risks. We see GDP expanding by 1.3% in 2023 and 2.2% in 2024.

The economic growth is likewise forecast to slow down in Serbia. The domestic demand will soften amid higher interest rates and still-elevated inflation. Higher lending rates are aggravating the risk of (debt) default as the Q2 NPL ratio increased. Additionally, downbeat activity in Europe will weigh on the external sector. Key factors to watch include tensions with Kosovo, economic reform progress, anti-government protests, and upcoming parliamentary elections. We see GDP expanding by 1.7% in 2023 and 2.9% in 2024.

In North Macedonia, GDP is set to expand at a softer rate in 2023 than last year. Tighter financing conditions will hamper domestic activity, especially via a marked slowdown in investment growth. Additionally, subdued activity in Europe and regional geopolitical uncertainty will hamper exports. EU accession progress remains a key factor to monitor. We see GDP expanding by 2.0% in 2023, and 2.8% in 2024.

The economic growth in Bosnia and Herzegovina this year is slow compared to last year. Tighter financing conditions will dent the investment activity and private consumption, but a more robust public spending and recovering tourism activity will provide much-needed support. The evolution of ethno-nationalist tensions and EU-accession-related structural reforms are factors to monitor. Bosnia and Herzegovina's GDP will expand by 1.6% in 2023 and 2.5% in 2024.

Kosovo's economic growth is set to be broadly stable in 2023 compared with last year. Rebounds in public spending and investment should offset weaker exports and private consumption expansions. The key factors to monitor are tensions and violence in the north of the country and with neighbouring Serbia. We see GDP expanding 3.5% in 2023 and 3.7% in 2024.

This year, the economy should grow at a softer clip than in 2022 in Montenegro. Depleted savings amid stubbornly high inflation and elevated interest rates should weigh heavily on household spending. Additionally, global economic headwinds will weigh on the external sector. A rebounding industrial sector should, however, support the overall business activity. We see GDP expanding by 4.0% in 2023 and 3.0% in 2024.

Revenues

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

Costs

The Group continues to pursue a strong cost containment agenda addressing employee and other cost elements. Total costs continue to be impacted by the business environment, with visible cost inflation throughout the region. Additionally, the Group continues investing in information technology upgrades amid the growing relevance of digital banking. The elevated inflation in the region that only in 2023 started to gradually moderate has led to a higher cost base throughout 2023, impacting also expected costs for the entire year. It is still expected that 2024 and the subsequent years will bring respite in inflation rates, lessening the cost inflation.

Loan growth and portfolio quality

The Group expects mid-single-digit organic loan growth in 2023. A 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 with or above the market system growth. The expectation accounts for higher interest rates, inflationary pressures, and low GDP growth.

Impacts of the floods in Slovenia are estimated as negligible, and only minor client credit quality deteriorations or received collaterals are expected. Besides, the Group monitors the macroeconomic and geopolitical circumstances closely and communicates with key clients to identify any changes to their business circumstances. The slowdown caused by a weaker external demand, still elevated inflation, and more significant uncertainty may limit the credit capabilities or weigh on lower investment growth. To enable early identification of significant increases in credit risk (SICR), the Group has strengthened the established early warning systems.

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

Liquidity

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

Capital and MREL

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

With the EUR 500 million 4NC3 green senior preferred notes issuance as of June 2023, wholesale funding activities were concluded for this year. This issuance will enable the Bank to comfortably meet the higher MREL requirement applicable as of 1 January 2024. In 2024, the Bank is considering issuing senior preferred notes in the amount of EUR 300 million and Tier 2 notes in the amount of EUR 300 million, subject to market conditions.

Dividends

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

Between 2022 and 2025, we committed to returning EUR 500 million to our shareholders. Since then, the performance of the NLB Group excelled, allowing for an increased resilience of the Group and maintaining a decent amount of capital buffer for tactical M&A. The process of setting the new 2030 strategy is underway, and it is expected to outline key decisions around capital management going forward, including capital returns. The dividends in the amount of EUR 100 million were paid in 2022, while for 2023, the Bank anticipates a dividend payment of EUR 110 million. The first tranche, in the total amount of EUR 55 million, was paid out in June, and the second tranche has been submitted for approval at the General Meeting scheduled for 11 December 2023.

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 in core banking sectors and ancillary services. Such inorganic growth opportunities will be subject to a careful analysis of how to best utilise our strategic, financial, and other resources.

Risk Management

The Bank emphasises 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, designed 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 particular focus is placed on including risk analysis and the ESG risk factors into the decision-making process at strategic and operating levels, diversification to avoid large concentration, optimal capital usage and allocation, appropriate risk-adjusted pricing, and overall compliance with the internal rules and regulations.

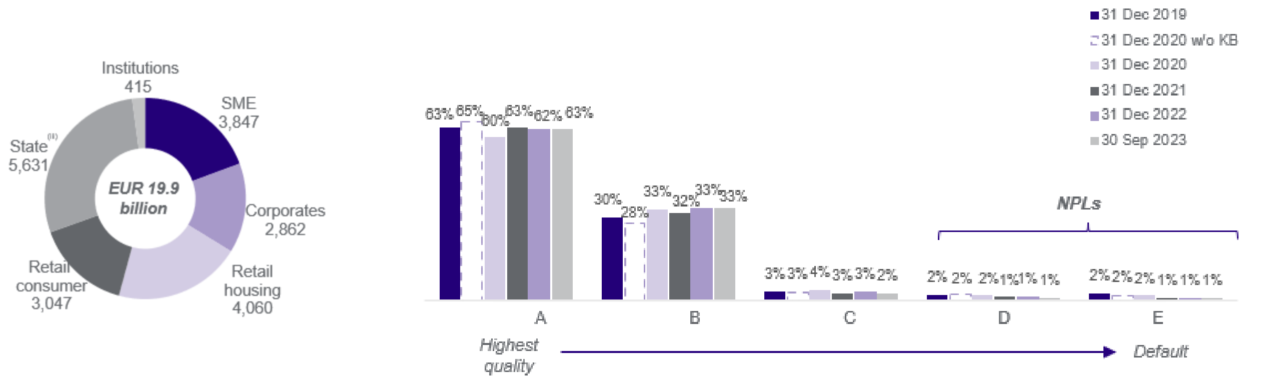
Risk Management in the Group manages, assesses, and monitors risks within the Bank as the main entity in Slovenia and the competence centre for seven banking subsidiaries and three leasing companies. Management and control of risks are performed through a clear organisational structure with clearly defined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

As a systemically important institution, the Group was included in the ECB Stress Test exercise performed in H1 2023. On 30 July, the results of stress tests carried out for important banks by the ECB to assess the resilience of the financial institutions were disclosed. Under the adverse scenario, the CET1 ratio (fully loaded) would fall in the 300-599 bps range after three years without mitigation measures. The Group's results of adverse depletion were lower than the peer group and average SSM sample banks results. Besides, the Group's data quality and accuracy were assessed as above average. The final results of the bottom-up stress test showed that even in a very unfavourable market condition defined by the EBA and ECB, the Group holds sufficient resilience in terms of capitalisation. The qualitative outcomes will be included in the determination of capital requirements by the ECB, namely setting Pillar 2 Guidance.

Maintaining a high credit portfolio quality is the most important goal, focusing on cautious risk-taking and the quality of new loans, leading to a diversified portfolio of customers. The Group is constantly developing a wide range of advanced approaches in the segment of credit risk assessment in line with the best banking practices to enhance the existing risk management tools further 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 existing and new creditworthy clients. The Group's lending strategy focuses on its core markets of retail, SME, and selected corporate business activities. In the Slovenian market, the focus is on providing appropriate solutions for retail, medium-sized companies, and small enterprise segments. In contrast, in the corporate segment, the Bank established cooperation with selected corporate clients (through different types of lending or investment instruments). Other Group banking members are universal banks, mainly focused on the retail, medium-sized and small enterprises segments. Their primary goal is to provide comprehensive services to clients by applying prudent risk management principles. Recently acquired N Banka, which was merged with NLB in Q3 2023, 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(i) (gross loans) by segment (in EUR millions) and rating(ii)



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

The current structure of the credit portfolio (gross loans) consists of 35.8% retail clients, 14.4% large corporate clients, and 19.4% SMEs and micro companies, while the remainder of the portfolio consists of other liquid assets. The credit portfolio remains well diversified, and no significant concentration exists in any specific industry or client segment. The share of the retail portfolio in the whole credit portfolio is quite substantial, with the segment of mortgage loans prevailing. Corporate financing includes financing income-producing real-estate projects, representing a minor part of the portfolio (approximately EUR 400 million). The projects are closely monitored through each phase of the construction. Moderate organic loan growth is expected in 2023 at a slower pace than the year before. Most of the loan portfolio refers to the euro currency, while the rest originates from the local currencies of the SEE banking members.

Table 17: Overview of NLB Group corporate loan portfolio by industry as at 30 September 2023

Credit porfolio			in EUR thousands	
Corporate sector by industry	**NLB Group**	**%**	**Δ Q3 2023**	**Δ YtD 2023**
Accommodation and food service activities	217,461	3%	8,191	771
Act. of extraterritorial org. and bodies	5	0%	1	0
Administrative and support service activities	107,155	2%	1,811	27,364
Agriculture, forestry and fishing	340,072	5%	5,240	13,837
Arts, entertainment and recreation	22,615	0%	322	-1,041
Construction industry	594,995	9%	-27,828	25,244
Education	14,435	0%	1,625	553
Electricity, gas, steam and air conditioning	513,913	8%	-17,872	-36,625
Finance	168,920	3%	-5,915	-55,760
Human health and social work activities	44,927	1%	-938	-1,909
Information and communication	283,911	4%	-5,848	-31,019
Manufacturing	**1,560,984**	**23%**	**72,883**	**102,134**
Mining and quarrying	48,786	1%	257	-5,423
Professional, scientific and techn. act.	205,412	3%	11,192	18,284
Public admin., defence, compulsory social.	182,333	3%	-3,971	-6,365
Real estate activities	361,925	5%	44,520	49,110
Services	15,413	0%	18	-1,339
Transport and storage	646,411	10%	10,664	16,900
Water supply	58,206	1%	-3,104	6,830
Wholesale and retail trade	**1,321,022**	**20%**	**-21,860**	**43,051**
Other	311	0%	-1,523	-996
Total Corporate sector	**6,709,213**	**100%**	**67,866**	**163,600**

Credit porfolio			in EUR thousands	
Main manufacturing activities	**NLB Group**	**%**	**Δ Q3 2023**	**Δ YtD 2023**
Manufacture of food products	266,143	4%	66,318	41,815
Manufacture of fabricated metal products, except machinery and equipment	201,520	3%	-443	10,657
Manufacture of electrical equipment	200,724	3%	3,400	-1,947
Manufacture of basic metals	185,603	3%	40,747	39,813
Manufacture of other non-metallic mineral products	101,326	2%	-2,356	-5,734
Manufacture of machinery and equipment n.e.c.	95,964	1%	13,184	22,421
Manufacture of motor vehicles, trailers and semi-trailers	91,230	1%	7,301	20,548
Manufacture of rubber and plastic products	77,243	1%	-6,919	4,057
Other manufacturing activities	341,231	5%	-48,351	-29,496
Total manufacturing activities	**1,560,984**	**23%**	**72,883**	**102,134**

Credit porfolio			in EUR thousands	
Main wholesale and retail trade activities	**NLB Group**	**%**	**Δ Q3 2023**	**Δ YtD 2023**
Wholesale trade, except of motor vehicles and motorcycles	747,653	11%	-13,149	15,557
Retail trade, except of motor vehicles and motorcycles	433,880	6%	-4,012	12,643
Wholesale and retail trade and repair of motor vehicles and motorcycles	139,489	2%	-4,699	14,851
Total wholesale and retail trade	**1,321,022**	**20%**	**-21,860**	**43,051**

Figure 20: NLB Group loan portfolio by stages as at 30 September 2023

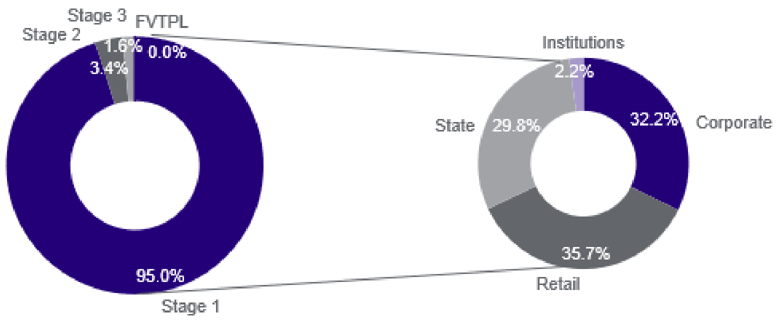


Table 18: NLB Group loan portfolio by stages as at 30 September 2023 (in EUR millions)

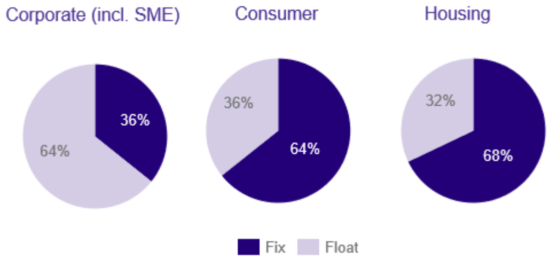
in EUR millions

	Credit portfolio									Provisions and FV changes for credit portfolio					
	Stage1			Stage2			Stage3 & FVTPL			Stage1		Stage2		Stage3 & FVTPL	
	Credit portfolio	Share of Total	YTD change	Credit portfolio	Share of Total	YTD change	Credit portfolio	Share of Total	YTD change	Provision Volume	Provision Coverage	Provision Volume	Provision Coverage	Provisions & FV changes	Coverage with provisions and FV changes
Total NLB Group	**18,865.6**	**95.0%**	**1,408.0**	**683.9**	**3.4%**	**65.7**	**312.8**	**1.6%**	**-15.3**	**87.3**	**0.5%**	**40.6**	**5.9%**	**196.9**	**62.9%**
o/w Corporate	6,082.6	90.7%	162.5	442.7	6.6%	17.0	184.0	2.7%	-15.9	46.9	0.8%	15.0	3.4%	114.3	62.1%
o/w Retail	6,737.6	94.8%	314.6	241.2	3.4%	48.6	128.4	1.8%	0.4	38.1	0.6%	25.6	10.6%	82.4	64.2%
o/w State	5,630.3	100.0%	884.7	-	-	-	0.3	0.0	0.3	2.1	0.0%	-	-	0.1	17.4%
o/w Institutions	415.2	100.0%	46.3	-	-	-	0.1	0.0	0.1	0.2	0.0%	-	-	0.1	75.2%

Despite the challenging macroeconomic environment, the Group's asset quality remains robust. The majority of the Group's loan portfolio is classified as Stage 1 (95.0%), a relatively small portion as Stage 2 (3.4%), and Stage 3 (1.6%). The loans in stages 1 to 3 are measured at amortised cost, while the remaining minor part (0.002%) represents fair value through profit or loss (FVTPL). Under the IFRS 3 rules, all NLB Komercijalna Banka, Beograd and N Banka assets were initially recognised at fair value in the Group financial statements. Respectively, all acquired loans were classified either in Stage 1 (performing portfolio) or Stage 3 (non-performing portfolio). Special rules were applied for Stage 3 loans since they were NPLs already at initial recognition and recognised at fair value without additional credit loss allowances.

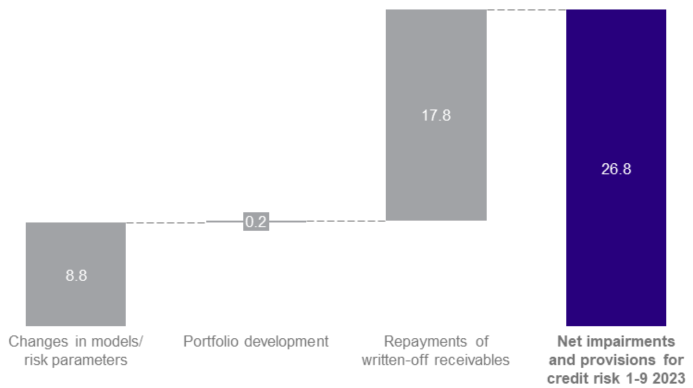
The portfolio quality remains stable, with increasing Stage 1 exposures in the corporate and retail segments and a relatively low percentage of NPLs. The percentage of Stage 1 loan portfolio remains at a similar level as at 31 December 2022 (94.8%) in the retail segment, while in the corporate segment, despite the adverse economic conditions, it improved to the level of 90.7%, which is the result of a cautious lending policy.

Figure 21: NLB Group corporate and retail loan portfolio (in %) by interest rates as at 30 September 2023



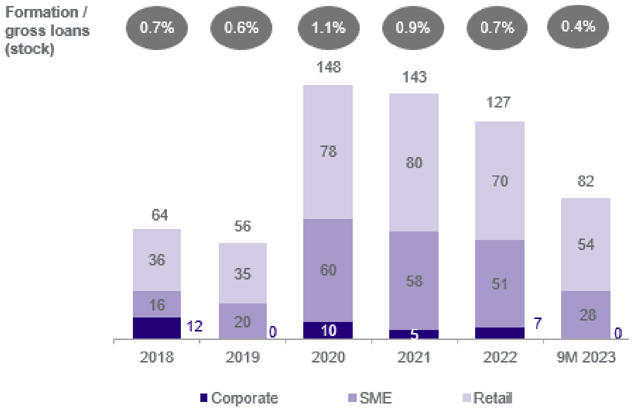
Approximately 51.5% of the Group corporate and retail loan portfolio is linked to a fixed interest rate, and the rest to a floating rate (mainly the Euribor reference rate). The corporate segment is dominated by floating interest rates. In the retail segment, the transfer from variable to fixed interest rates continues in Q3; 66.4% of the retail loan portfolio is linked to a fixed interest rate and 67.9% on housing loans, which limits the sensitivity of the retail sector to increasing reference rates.

Figure 22: NLB Group cumulative net new impairments and provisions for credit risk (in EUR millions)



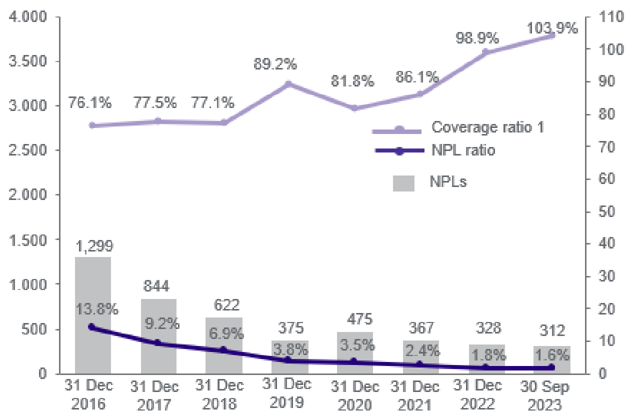
In the first nine months of 2023, CoR was negative at -23 bps as a result of the repayment of written-off receivables (EUR 17.8 million), portfolio development (EUR 0.2 million), and revised risk parameters (EUR 8.8 million). Part of the overlays applied to selected risk parameters in the past years have been abolished, mainly in the corporate segment, contributing to more favourable parameter values. On the other hand, in the retail segment, the parameters have been increased due to unpredictable situations regarding inflation and interest rates. The macroeconomic situation across the region might be further impacted by high inflation and relatively low GDP growth. They might have some adverse impact on the cost of risk in the next period, but it should not be excessive.

Figure 23: NLB Group gross NPL formation (in EUR millions)



Macroeconomic uncertainty caused by subdued economic growth, inflation, and increasing interest rates resulted in a moderately low cumulative new NPL formation of EUR 82.3 million in the first nine months, representing 0.4% of the total loan portfolio. Nevertheless, the Group's credit portfolio remains of high quality, whereby the Group follows cautious lending standards and has effective early warning systems in place.

Figure 24: NLB Group NPL, NPL ratio and Coverage ratio(i)



(i) By internal definition.

Precisely set targets in the Group's NPL Strategy and various proactive workout approaches facilitated the management of the non-performing portfolio. The Group's approach to NPL management strongly emphasises restructuring and using other active NPL management tools, such as the sale or foreclosure of collateral, the sale of claims and pledged assets. In 2023, the multi-year declining trend of the non-performing credit portfolio stock continued, primarily due to repayments and cured clients. The non-performing credit portfolio stock in the Group decreased since the end of 2022 to EUR 312.5 million (31 December 2022: EUR 328.3 million). The combined effects resulted in 1.6% of NPLs, while the internationally more comparable NPE ratio, based on the EBA methodology, stood at 1.2%. The Group's indicator gross NPL ratio, defined by the EBA, also fell below the 2022 year-end level, reaching 2.2% at the end of Q3 2023.

Due to extensive experience gained in the last few years in dealing with clients with financial challenges resulting primarily from legacy portfolios, the Group has developed an extensive knowledge base in preventing clients' financial difficulties by restructuring receivables and successfully recovering exposures with no realistic recovery prospects. This extensive knowledge base is available throughout the Group, and risk units, as well as restructuring and workout teams, are adequately 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 identify and engage with potentially distressed borrowers proactively.

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

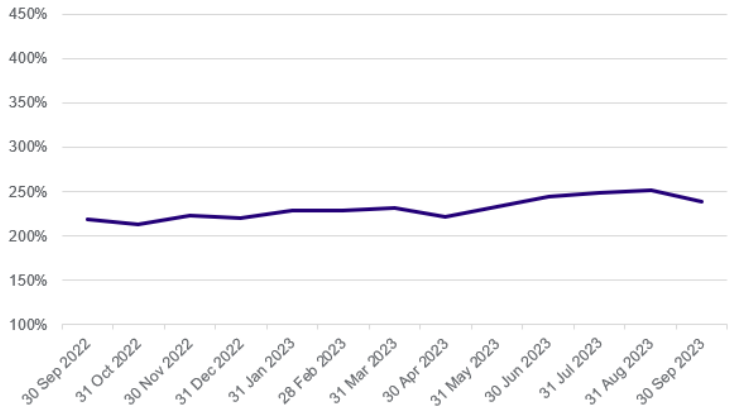
In August 2023, certain areas in Slovenia were damaged by floods. The bank has offered moratoria and liquidity loans to private individuals and corporations that experienced material damage. However, the need for such measures was negligible; only minor client credit quality deteriorations or received collaterals were identified. Therefore, no visible impact on the Bank credit portfolio is expected.

An important Group's strength is the NPL coverage ratio 1 (coverage of gross NPLs with impairments for all loans), which remains high at 103.9%. Furthermore, the Group's NPL coverage ratio 2 (coverage of gross NPLs with impairments for NPL) improved in Q3 and stands at 63.0%, well above the EU average published by the EBA (42.9% for June 2023). As such, it enables a further reduction in NPLs without significantly influencing the cost of risk in the coming years.

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

The liquidity position of the Group remains stable. Geopolitical uncertainties and corresponding banking system developments did not cause any material 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 238.9% and unencumbered eligible reserves in the amount of EUR 9,806.2 million, mainly in the form of placements at the ECB and prime debt securities. Significant attention is given to the structure and concentration of liquidity reserves by incorporating early warning systems. The main funding base of the Group at the Group and individual subsidiary bank level predominately entails customer deposits, namely in the retail segment, representing a very stable and constantly growing base. A very comfortable level of LTD at 67.4% gives the Group the potential for further customer loan placements.

Figure 25: NLB Group's LCR



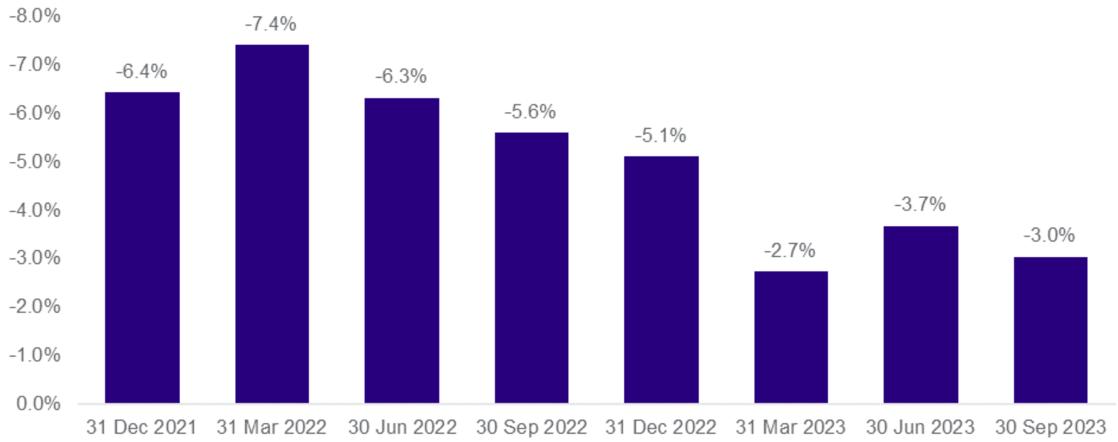
The Group's net open FX position from the transactional risk is low. At the end of Q3 2023, it stood at 0.92% of capital. On the other hand, structural FX positions, recognised in the other comprehensive income (OCI) on the consolidated basis, arising from investments into the Group's non-euro subsidiaries, impact the Group's RWA for market risk.

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

The exposure to interest rate risk is moderate and derives mainly from the banking book positions. The Group has a strategy of maintaining a low Economic Value of Equity (EVE) indicator while simultaneously monitoring the effects on Earnings At Risk (EAR). Bonds and loans with a fixed interest rate contribute the most to the interest rate risk exposure in terms of the EVE indicator. In contrast, exposure is managed with core deposits, representing the most important and material element of interest rate risk management. To a lesser extent, the Group uses plain vanilla derivatives for hedging the risk.

The Group applies different scenarios when assessing the EVE sensitivity. From the EVE perspective, the estimated capital sensitivity of the worst regulatory scenario equals -3.04% of the Group's T1 capital.

Figure 26: NLB Group's EVE evolution



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

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

The Group contributes to sustainable finances 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 credit, liquidity, market, and operational risk. The management of ESG risks follows the ECB and EBA guidelines, following the tendency of their comprehensive integration into all relevant processes.

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

Sustainability

In Q3 2023, the Group continued meeting the objectives set out in its Sustainability Framework. The Group implements ESG considerations in its business strategy, risk management framework and internal governance promptly and in line with evolving requirements. In doing so, the Group follows legislation, guidelines from the ECB, EBA, UNEP FI, EBRD and best banking practices and is intensively preparing to implement the CSRD and the forthcoming ESRS standards, which will be transposed into the Slovenian legislation in 2024. In line with the recommendations by UNEP FI, the Group continues to set priorities and concrete objectives in its impact areas. The Group is also continuously enhancing the sustainable culture among employees. The renewed e-training on sustainability was launched across the Group in September, and the preparations for the awareness-building Sustainability Festival in October are underway.

Sustainable finance

- A new Sustainalytics ESG Risk Rating assessment is underway and is expected to be published in November. (current ESG Rating, published in 2022, stands at 17.7).
- Commitment to supporting clients in transitioning to a low-carbon economy and society continues. Q3 realisation from the corporate and retail green finance offering is aligned with the business targets.
- The identified eligible loan pool is in line with the NLB Green Bond Framework (issuance of EUR 500 million in June 2023).
- As a signatory to the Net Zero Banking Alliance, NLB is demonstrating progress in developing its Net Zero Business Strategy, providing IT support for generating and processing customer emissions data and measuring portfolio emissions. The first targets for footprint reduction in carbon-intensive industries at the Group level will be published by the end of 2023.
- The Group has implemented its strategic orientations and annual plans in risk management. These include, among other things, the appropriate implementation of ESG risks in the risk management framework, the decision-making process at strategic and operational levels, including implementation in the credit process, and customer/project due diligence. Training for the Group employees is provided to enhance awareness of ESG risks and their appropriate treatment.

Sustainable operations

- The Group regularly monitors and strengthens the existing mechanisms and activities for responsible governance and oversight in sustainability and ESG. The first comprehensive internal audit in this area was conducted and followed by an action plan to strengthen the governance further. The Group is also an ambassador of the Chapter Zero Slovenia initiative, which enables members of the Supervisory and Management Boards of the Group's members to strengthen their competencies to address climate change in the Group's business model properly.
- After signing the Commitment to Respect Human Rights in Business (as part of the National Action Plan) in January 2023, the Group adopted the Policy on Respect for Human Rights in NLB and the NLB Group and provided adequate training.
- Standardisation of sustainability and ESG management in the Group is underway, including amendments to essential procedures and internal acts.
- The Group members continue to take action to reduce their emissions by optimising energy and resource consumption and reducing paper consumption through digitalisation and automation of processes.
- In line with the annual plans, activities such as education, development of competencies and encouragement of employees to physical activity, as well as the implementation of the policy on respecting human rights, are being carried out to ensure diversity, equity, inclusion, engagement and well-being of employees, gender equality, and positive organisational culture.

Contribution to society

The Group follows its major strategic guideline for the Group's CSR activities – their alignment with the UN Sustainable Development Goals. To mitigate the negative impacts of floods in Slovenia in August, NLB donated EUR 4 million for the 20 most affected municipalities and EUR 0.5 million for employees. In June 2023, the Group donated EUR 1.35 million to dozens of organisations in all regional markets, selected by its employees as one of many sustainability efforts in which our employees are actively involved.

Related-Party Transactions

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

Corporate Governance

Management Board

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

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

The composition of the Management Board in Q3 2023 remained the same.

Supervisory Board

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

As the term of office of four members of the Supervisory Board expired, the General Meeting on its session held on 19 June 2023 appointed four members, two existing and two new. The shareholders reappointed Shrenik Dhirajlal Davda and Mark William Lane Richards. Also, they appointed two new members - Cvetka Selšek and André-Marc Prudent-Toccanier. All four members have been appointed for a four-year term of office. The re-elected members' term of office begins on the day of their appointment. Cvetka Selšek and Andre Marc Prudent-Toccanier took up their office as members of the Supervisory Board on 15 August 2023, after the European Central Bank agreed to their appointment to this function, to which they were appointed at the General Meeting in June.

As of 15 August 2023, the Supervisory Board of NLB consists of Primož Karpe, the Chairman of the Supervisory Board, Shrenik Dhirajlal Davda, Deputy Chairman of the Supervisory Board, David Eric Simon, Mark William Lane Richards, Verica Trstenjak, Islam Osama Zekry, Cvetka Selšek and André-Marc Prudent-Toccanier, and two employees' representatives Sergeja Kočar and Tadeja Žbontar Rems.

General Meeting

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

The next General Meeting of Shareholders is scheduled for December 2023.

Guidelines on Disclosure for Listed Companies

According to the Guidelines on Disclosure for Listed Companies, Section 2.1.3, Point 2, the Bank now states that there were no changes to the Management Board of the Bank, as well as the Internal Audit of the Bank in Q3 2023.

Events after 30 September 2023

No events took place after 30 September 2023 that would have had a materially significant influence on the presented NLB Group Interim Business Report Q3 2023.

Alternative Performance Indicators

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

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

	NLB Group				
	1-9 2023	**1-6 2023**	**1-3 2023**	**1-12 2022**	**1-9 2022**
Numerator					
Credit impairments and provisions[i]	-31.2	-49.8	-48.7	17.6	-15.3
Denominator					
Average net loans to customers[ii]	13,334.3	13,213.9	13,087.6	12,256.6	12,012.6
Cost of risk (bps)	**-23**	**-38**	**-37**	**14**	**-13**

(i) NLB internal information. Credit impairments and provisions are annualised, calculated as all established and released impairments on loans to customers and provisions for off-balance (from the income statement) in the period divided by the number of months per reporting period and multiplied by 12. The net established Credit impairments and provisions are shown with a positive sign, net released Credit impairments and provisions are shown with a negative sign.
(ii) NLB internal information. Average net loans to customers are calculated as a sum of balance from the previous year's end (31 December) and monthly balances as of the last day of each month from January to month t divided by (t+1).
(iii) CoR for 2022 annualised without EUR 8.9 million of 12-month expected credit losses recognised at acquisition date for performing portfolio for N Banka.

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

in EUR millions

	NLB Group				
	1-9 2023	**1-6 2023**	**1-3 2023**	**1-12 2022**	**1-9 2022**
Numerator					
Total costs	361.6	240.7	117.1	460.3	332.6
Denominator					
Total net operating income	800.8	511.7	241.9	798.5	563.7
Cost to income ratio (CIR)	**45.2%**	**47.0%**	**48.4%**	**57.6%**	**59.0%**

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

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

IFRS 9 classification into stages for loan portfolio:

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

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

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

The loan portfolio includes loans to banks, loans to other customers, loans mandatorily measured at FVTPL and balances with central banks and other banks. The majority of the loan portfolio is classified into IFRS 9 stages. The remaining minor part (0.002 per cent at the end of Q3 2023) represents FVTPL. The classification into stages is calculated on the internal data source, by which the Group measures the loan portfolio quality, and is also published in the Business Report of Annual and Interim Reports.

in EUR millions

	NLB Group	
	30 Sep 2023	31 Dec 2022
Numerator		
Total (AC) loans in Stage 1	18,865.6	17,457.5
Denominator		
Total gross loans	19,862.3	18,403.9
IFRS 9 classification into Stage 1	**95.0%**	**94.9%**

in EUR millions

	NLB Group	
	30 Sep 2023	31 Dec 2022
Numerator		
Total (AC) loans in Stage 2	683.9	618.3
Denominator		
Total gross loans	19,862.3	18,403.9
IFRS 9 classification into Stage 2	**3.4%**	**3.4%**

in EUR millions

	NLB Group	
	30 Sep 2023	31 Dec 2022
Numerator		
Total (AC + FVTPL) loans in Stage 3	312.8	328.1
Denominator		
Total gross loans	19,862.3	18,403.9
IFRS 9 classification into Stage 3	**1.6%**	**1.8%**

in EUR millions

	NLB Group	
	30 Sep 2023	31 Dec 2022
Numerator		
Total (AC) loans in Stage 1 to Corporates	6,082.6	5,920.1
Denominator		
Total gross loans to Corporates	6,709.2	6,545.6
Corporates - IFRS 9 classification into Stage 1	**90.7%**	**90.4%**

in EUR millions

	NLB Group	
	30 Sep 2023	31 Dec 2022
Numerator		
Total (AC) loans in Stage 2 to Corporates	442.7	425.7
Denominator		
Total gross loans to Corporates	6,709.2	6,545.6
Corporates - IFRS 9 classification into Stage 2	**6.6%**	**6.5%**

in EUR millions

	NLB Group	
	30 Sep 2023	31 Dec 2022
Numerator		
Total (AC & FVTPL) loans in Stage 3 to Corporates	184.0	199.9
Denominator		
Total gross loans to Corporates	6,709.2	6,545.6
Corporates - IFRS 9 classification into Stage 3	**2.7%**	**3.1%**

in EUR millions

	NLB Group	
	30 Sep 2023	31 Dec 2022
Numerator		
Total (AC) loans in Stage 1 to Retail	6,737.6	6,423.0
Denominator		
Total gross loans to Retail	7,107.2	6,743.6
Retail - IFRS 9 classification into Stage 1	**94.8%**	**95.2%**

in EUR millions

	NLB Group	
	30 Sep 2023	31 Dec 2022
Numerator		
Total (AC) loans in Stage 2 to Retail	241.2	192.6
Denominator		
Total gross loans to Retail	7,107.2	6,743.6
Retail - IFRS 9 classification into Stage 2	**3.4%**	**2.9%**

in EUR millions

	NLB Group	
	30 Sep 2023	31 Dec 2022
Numerator		
Total (AC) loans in Stage 3 to Retail	128.4	128.0
Denominator		
Total gross loans to Retail	7,107.2	6,743.6
Retail - IFRS 9 classification into Stage 3	**1.8%**	**1.9%**

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

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

in EUR millions

	NLB Group												
	30 Sep 2023	31 Aug 2023	31 Jul 2023	30 Jun 2023	31 May 2023	30 Apr 2023	31 Mar 2023	28 Feb 2023	31 Jan 2023	31 Dec 2022	30 Nov 2022	31 Oct 2022	30 Sep 2022
Numerator													
Stock of HQLA	6,687.7	6,772.4	6,594.5	6,505.1	5,922.2	5,943.8	6,131.6	6,093.1	6,069.0	6,028.3	5,836.6	5,505.7	5,772.1
Denominator													
Net liquidity outflow	2,799.8	2,691.4	2,648.8	2,657.4	2,541.8	2,671.8	2,651.4	2,663.4	2,649.8	2,736.6	2,612.2	2,587.4	2,641.3
LCR(i)	**238.9%**	**251.6%**	**249.0%**	**244.8%**	**233.0%**	**222.5%**	**231.3%**	**228.8%**	**229.0%**	**220.3%**	**223.4%**	**212.8%**	**218.5%**

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

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

in EUR millions

	NLB Group			
	30 Sep 2023	30 Jun 2023	31 Dec 2022	30 Sep 2022
Numerator				
Net loans to customers	13,666.1	13,431.8	13,073.0	12,925.3
Denominator				
Deposits from customers	20,289.1	19,924.9	20,027.7	19,573.1
Net loan to deposit ratio (LTD)	**67.4%**	**67.4%**	**65.3%**	**66.0%**

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

in EUR millions

	NLB Group				
	1-9 2023	1-6 2023	1-3 2023	1-12 2022	1-9 2022
Numerator					
Net interest income(i)	804.1	766.2	725.8	504.9	472.1
Denominator					
Average interest bearing assets(ii)	23,524.9	23,219.3	23,106.7	21,988.4	21,740.5
Net interest margin on interest-bearing assets	**3.42%**	**3.30%**	**3.14%**	**2.30%**	**2.17%**

(i) Net interest income is annualised, calculated as the sum of interest income and interest expenses in the period divided by the number of days in the period and multiplied by the number of days in the year.
(ii) NLB internal information. Average interest-bearing assets for the Group are calculated as the sum of the balance from the previous year's end (31 December) and monthly balances of the last day of each month from January to the reporting month t divided by (t+1).

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

in EUR millions

	NLB Group				
	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Numerator					
Net interest income(i)	878.7	806.2	725.8	602.4	502.7
Denominator					
Average interest bearing assets(ii)	24,127.6	23,301.0	23,106.7	22,730.4	22,155.9
Net interest margin on interest-bearing assets (quarterly)	**3.64%**	**3.46%**	**3.14%**	**2.65%**	**2.27%**

(i) Net interest income (quarterly) is annualised, calculated as the sum of interest income and interest expenses in the period divided by the number of days in the quarter and multiplied by the number of days in the year.
(ii) NLB internal information. Average interest-bearing assets (quarterly) for the Group, calculated as the sum of monthly balances (t) for the corresponding quarter and monthly balance at the end of the previous quarter divided by (t+1).

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

in EUR millions

	NLB Group	
	1-9 2023	1-9 2022
Numerator		
Net interest income(i)	804.1	472.1
Denominator		
Average total assets(ii)	24,448.2	22,722.0
Net interest margin on total assets	**3.29%**	**2.08%**

(i) Net interest income is annualised, calculated as the sum of interest income and interest expenses in the period divided by the number of days in the period and multiplied by the number of days in the year.
(ii) NLB internal information. Average total assets for the Group are calculated as the sum of the balance from the previous year's end (31 December) and monthly balances of the last day of each month from January to month t divided by (t+1).

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

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

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

The below-presented calculations are based on internal data sources.

in EUR millions

	NLB Group			
	30 Sep 2023	30 Jun 2023	31 Dec 2022	30 Sep 2022
Numerator				
Total Non-Performing on-balance and off-balance Exposure in Finrep18	345.4	344.4	373.6	397.6
Denominator				
Total on-balance and off-balance exposures in Finrep18	29,299.3	28,729.2	28,133.2	27,097.5
NPE (EBA def.) per cent.	**1.2 %**	**1.2%**	**1.3%**	**1.5%**

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

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

in EUR millions

	NLB Group			
	30 Sep 2023	30 Jun 2023	31 Dec 2022	30 Sep 2022
Numerator				
Total Non-Performing Loans	312.5	312.9	328.3	352.3
Denominator				
Total gross loans	19,862.3	19,359.2	18,403.9	17,825.1
NPL per cent.	**1.6%**	**1.6%**	**1.8%**	**2.0%**

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

in EUR millions

	NLB Group			
	30 Sep 2023	30 Jun 2023	31 Dec 2022	30 Sep 2022
Numerator				
Loan loss allowances entire loan portfolio	324.8	316.1	324.8	319.7
Denominator				
Total Non-Performing Loans	312.5	312.9	328.3	352.3
NPL coverage ratio 1 (NPL CR 1)	**103.9%**	**101.0%**	**98.9%**	**90.7%**

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

in EUR millions

	NLB Group			
	30 Sep 2023	30 Jun 2023	31 Dec 2022	30 Sep 2022
Numerator				
Loan loss allowances non-performing loan portfolio	196.9	193.3	187.4	198.1
Denominator				
Total Non-Performing Loans	312.5	312.9	328.3	352.3
NPL coverage ratio 2 (NPL CR 2)	**63.0%**	**61.8%**	**57.1%**	**56.2%**

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 the deduction of loan loss allowances; ratio in net terms. The below-presented calculations are based on internal data sources.

in EUR millions

	NLB Group			
	30 Sep 2023	30 Jun 2023	31 Dec 2022	30 Sep 2022
Numerator				
Net volume of non-performing loans	115.6	119.5	140.9	154.2
Denominator				
Total Net Loans	19,537.6	19,043.1	18,079.1	17,505.4
Net NPL ratio per cent. (%Net NPL)	**0.6%**	**0.6%**	**0.8%**	**0.9%**

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

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

in EUR millions

	NLB Group			
	30 Sep 2023	30 Jun 2023	31 Dec 2022	30 Sep 2022
Numerator				
Gross volume of Non-Performing Loans and advances without loans held for sale, cash balances at CBs and other demand deposits	322.6	322.2	337.2	362.8
Denominator				
Gross volume of Loans and advances in Finrep18 without loans held for sale, cash balances at CBs and other demand deposits	14,637.3	14,192.3	13,796.0	13,586.3
NPL ratio (EBA def.) per cent.	**2.2%**	**2.3%**	**2.4%**	**2.7%**

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

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

in EUR thousands

	NLB Group							
	30 Sep 2023	30 Jun 2023	31 Mar 2023	30 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
Numerator								
Interest risk in banking book – EVE	-69,389.2	-83,353.2	-61,615.8	-110,452.4	-115,458.9	-129,345.0	-141,035.8	-126,650.6
Denominator								
Equity (Tier I)	2,281,260.0	2,269,153.0	2,254,020.0	2,166,333.0	2,065,707.0	2,048,380.0	1,906,112.0	1,972,485.0
EVE as % of Equity	**-3.0%**	**-3.7%**	**-2.7%**	**-5.1%**	**-5.6%**	**-6.3%**	**-7.4%**	**-6.4%**

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

in EUR millions

	NLB Group				
	1-9 2023	1-6 2023	1-3 2023	1-12 2022	1-9 2022
Numerator					
Operational business net income(i)	1,141.8	1,100.2	1,054.7	820.0	787.0
Denominator					
Average total assets(ii)	24,448.2	24,147.9	24,049.9	22,975.9	22,722.0
OBM (cumulative)	**4.67%**	**4.56%**	**4.39%**	**3.57%**	**3.46%**

(i) Operational business net income (cumulative) is annualised, calculated as operational business income in the period divided by the number of days in the period and multiplied by 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 is calculated as a sum of balance as at the end of the previous year's end (31 December) and monthly balances of the last day of each month from January to month t divided by (t+1).

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

in EUR millions

	NLB Group				
	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Numerator					
Operational business net income(i)	1,223.6	1,145.3	1,054.7	917.9	834.0
Denominator					
Average total assets(ii)	25,037.1	24,211.9	24,049.9	23,740.9	23,185.2
OBM (quarterly)	**4.89%**	**4.73%**	**4.39%**	**3.87%**	**3.60%**

(i) Operational business net income (quarterly) is annualised, calculated as operational business income in the period divided by the number of days in the quarter and multiplied by the number of days in the year. Operational business income consists of net interest income (excluding interest expenses from subordinated securities), net fees and commissions and net gains and losses from financial assets and liabilities held for trading that derive from foreign exchange trading.
(ii) NLB internal information. Average total assets (quarterly) for the Group are calculated as the sum of monthly balances (t) for the corresponding quarter and monthly balance at the end of the previous quarter divided by (t+1).

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

in EUR millions

	NLB Group				
	1-9 2023	1-6 2023	1-3 2023	1-12 2022	1-9 2022
Numerator					
Result after tax(i)	515.9	485.4	480.6	274.0	275.7
Denominator					
Average equity(ii)	2,558.9	2,499.2	2,436.5	2,248.7	2,209.5
ROE a.t.	**20.2%**	**19.4%**	**19.7%**	**12.2%**	**12.5%**

(i) Result after tax is annualised, calculated as a result after tax in the period divided by the number of months for the reporting period and multiplied by 12.
(ii) NLB internal information. Average equity is calculated as a sum of the balance at the end of the previous year's end (31 December) and monthly balances of the last day of each month from January to month t divided by (t+1).
(iii) ROE a.t. for 2022 calculated without effects of negative goodwill from the acquisition of N Banka and impact of EUR 8.9 million of 12-month expected credit losses recognised at acquisition date for performing portfolio for N Banka not annualised.

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

in EUR millions

	NLB Group	
	1-9 2023	**1-9 2022**
Numerator		
Result after tax[(i)]	515.9	275.7
Denominator		
Average total assets[(ii)]	24,448.2	22,722.0
ROA a.t.	**2.1%**	**1.2%**

(i) Result after tax is annualised, calculated as the result after tax in the period divided by the number of months per reporting period and multiplied by 12.
(ii) NLB internal information. Average total assets are calculated as the sum of balance at the previous year's end (31 December) and monthly balances on the last day of each month from January to month t divided by (t+1).
(iii) ROA a.t. for 2022 calculated without effects of negative goodwill from the acquisition of N Banka and impact of EUR 8.9 million of 12-month expected credit losses recognised at acquisition date for performing portfolio for N Banka not annualised.

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

in EUR millions

	NLB Group							
(in EUR million and %)	**30 Sep 2023**	**30 Jun 2023**	**31 Mar 2023**	**31 Dec 2022**	**30 Sep 2022**	**30 Jun 2022**	**31 Mar 2022**	**31 Dec 2021**
Numerator								
Total capital (Own funds)	2,791.4	2,780.1	2,765.2	2,806.4	2,369.6	2,336.2	2,194.0	2,252.5
Denominator								
Total risk exposure Amount (Total RWA)	14,919.0	14,838.4	14,622.3	14,653.1	14,283.7	14,172.5	13,843.4	12,667.4
Total capital ratio	**18.7%**	**18.7%**	**18.9%**	**19.2%**	**16.6%**	**16.5%**	**15.8%**	**17.8%**

in EUR millions

	NLB
	30 Sep 2023
Numerator	
Total capital (Own funds)	2,189.6
Denominator	
Total risk exposure Amount (Total RWA)	8,829.2
Total capital ratio	**24.8%**

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

Table 19: Unaudited Condensed Income Statement of NLB Group for period ended 30 September 2023

Business report	in EUR millions	Financial report	in EUR thousands	Notes
Net interest income	601.5	Interest and similar income	707,990	4.1.
		Interest and similar expenses	(106,536)	4.1.
Net fee and commission income	205.6	Fee and commission income	295,284	4.3.
		Fee and commission expenses	(89,705)	4.3.
Dividend income	0.2	Dividend income	151	4.2.
Net income from financial transactions	19.6	Gains less losses from financial assets and liabilities not measured at fair value through profit or loss	(697)	4.4.
		Gains less losses from financial assets and liabilities held for trading	24,009	4.5.
		Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	1,135	4.6.
		Gains less losses from financial liabilities measured at fair value through profit or loss	(685)	
		Fair value adjustments in hedge accounting	305	
		Foreign exchange translation gains less losses	(3,968)	
		Gains less losses from modification of financial assets	(514)	
Net other income	(26.0)	Gains less losses on derecognition of non-financial assets	414	
		Other net operating income	761	4.8.
		Cash contributions to resolution funds and deposit guarantee schemes	(32,363)	4.10.
		Gains less losses from non-current assets held for sale	5,994	4.15.
		Net gains or losses on derecognition of investments in subsidiaries, associates and joint ventures	(766)	4.7.
Net non-interest income	199.4		199,355	
Total net operating income	**800.8**		**800,809**	
Employee costs	(207.4)	Administrative expenses	(326,123)	4.9.
Other general and administrative expenses	(118.7)			
Depreciation and amortisation	(35.5)	Depreciation and amortisation	(35,520)	4.11.
Total costs	**(361.6)**		**(361,643)**	
Result before impairments and provisions	**439.2**		**439,166**	
Impairments and provisions for credit risk	26.8	Provisions for credit losses	9,716	4.12.
		Impairment of financial assets	17,050	4.13.
Other impairments and provisions	(12.8)	Provisions for other liabilities and charges	(12,357)	4.12.
		Impairment of non-financial assets	(469)	4.13.
Impairments and provisions	13.9		13,940	
Gains less losses from capital investment in subsidiaries, associates, and joint ventures	1.3	Share of profit from investments in associates and joint ventures (accounted for using the equity method)	1,316	
Result before tax	**454.4**	**Profit before income tax**	**454,422**	
Income tax	(57.9)	Income tax	(57,880)	4.16.
Result of non-controlling interests	9.6	Attributable to non-controlling interests	9,604	
Result after tax	**386.9**	**Attributable to owners of the parent**	**386,938**	

Table 20: Unaudited Condensed Statement of Financial Position of NLB Group as at 30 September 2023

Business report	in EUR millions	Financial report	in EUR thousands	Notes
ASSETS				
Cash, cash balances at central banks, and other demand deposits at banks	5,815.7	Cash, cash balances at central banks, and other demand deposits at banks	5,815,707	5.1.
Loans to banks	518.6	Financial assets measured at amortised cost - loans and advances to banks	518,550	5.5.b)
Net loans to customers	13,666.1	Financial assets measured at amortised cost - loans and advances to customers	13,666,068	5.5.c)
Financial assets	4,653.1		4,653,115	
- Trading book	25.0	Financial assets held for trading	20,095	5.2.a)
- Non-trading book	4,628.1	Non-trading financial assets mandatorily at fair value through profit or loss - part (without loans)	19,905	5.3.
		Financial assets measured at fair value through other comprehensive income	2,243,294	5.4.
		Financial assets measured at amortised cost - debt securities	2,369,821	5.5.a)
Investments in subsidiaries, associates, and joint ventures	13.0	Investments in associates and joint ventures	12,994	
Property and equipment	257.1	Property and equipment	257,116	5.7.
Investment property	33.1	Investment property	33,097	5.8.
Intangible assets	55.4	Intangible assets	55,384	
Other assets	266.0	Financial assets measured at amortised cost - other financial assets	125,978	5.5.d)
		Derivatives - hedge accounting	62,013	
		Fair value changes of the hedged items in portfolio hedge of interest rate risk	(26,346)	
		Current income tax assets	60	
		Deferred income tax assets	49,281	5.13.
		Other assets	49,751	5.9.
		Non-current assets held for sale	5,266	5.6.
TOTAL ASSETS	**25,278.0**	**Total assets**	**25,278,034**	
LIABILITIES				
Deposits from customers	20,289.1	Financial liabilities measured at amortised cost - due to customers	20,289,142	5.11.
Deposits from banks and central banks	127.2	Financial liabilities measured at amortised cost - deposits from banks and central banks	127,184	5.11.
Borrowings	221.0	Financial liabilities measured at amortised cost - borrowings from banks and central banks	127,167	5.11.
		Financial liabilities measured at amortised cost - borrowings from other customers	93,823	5.11.
Subordinated debt securities	529.0	Financial liabilities measured at amortised cost - debt securities issue	1,339,057	5.11.
Other debt securities in issue	810.0			
Other liabilities	504.9	Financial liabilities held for trading	18,192	5.2.b)
		Financial liabilities measured at fair value through profit or loss	4,370	5.3.
		Financial liabilities measured at amortised cost - other financial liabilities	293,271	5.11.c)
		Derivatives - hedge accounting	594	
		Provisions	99,635	5.12.
		Current income tax liabilities	31,450	
		Deferred income tax liabilities	1,714	5.13.
		Other liabilities	55,654	5.15.
Equity	2,734.9	Equity and reserves attributable to owners of the parent	2,734,857	
Non-controlling interests	61.9	Non-controlling interests	61,924	
TOTAL LIABILITIES AND EQUITY	**25,278.0**	**Total liabilities and equity**	**25,278,034**	

Unaudited Condensed Interim Financial Statements of NLB Group and NLB

as at 30 September 2023

Prepared in accordance with International accounting standard 34 ‘Interim financial reporting’

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Condensed income statement for the period ended 30 September

					in EUR thousands
		NLB Group		NLB	
		nine months ended		nine months ended	
		September 2023	September 2022	September 2023	September 2022
	Notes	unaudited	unaudited	unaudited	unaudited
Interest income calculated using the effective interest method		695,378	392,391	329,463	144,597
Other interest and similar income		12,612	7,009	12,901	6,347
Interest and similar income	4.1.	707,990	399,400	342,364	150,944
Interest expenses calculated using the effective interest method		(99,444)	(27,448)	(78,068)	(15,240)
Other interest and similar expenses		(7,092)	(18,875)	(5,212)	(15,830)
Interest and similar expenses	4.1.	(106,536)	(46,323)	(83,280)	(31,070)
Net interest income		**601,454**	**353,077**	**259,084**	**119,874**
Dividend income	4.2.	151	203	130,181	34,410
Fee and commission income	4.3.	295,284	283,959	124,720	125,975
Fee and commission expenses	4.3.	(89,705)	(79,784)	(30,739)	(28,171)
Net fee and commission income		**205,579**	**204,175**	**93,981**	**97,804**
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss	4.4.	(697)	(1,678)	(789)	(1,050)
Gains less losses from financial assets and liabilities held for trading	4.5.	24,009	36,148	368	17,420
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	4.6.	1,135	(409)	1,423	(1,468)
Gains less losses from financial liabilities measured at fair value through profit or loss		(685)	225	(328)	144
Fair value adjustments in hedge accounting		305	1,895	(41)	1,895
Foreign exchange translation gains less losses		(3,968)	(12,200)	298	(11,209)
Net gains or losses on derecognition of investments in subsidiaries, associates and joint ventures	4.7.	(766)	-	(105)	-
Gains less losses on derecognition of non-financial assets		414	1,355	21	8
Other net operating income	4.8.	761	10,314	312	2,344
Administrative expenses	4.9.	(326,123)	(297,430)	(154,187)	(135,064)
Cash contributions to resolution funds and deposit guarantee schemes	4.10.	(32,363)	(29,609)	(11,383)	(9,713)
Depreciation and amortisation	4.11.	(35,520)	(35,170)	(13,119)	(12,755)
Gains less losses from modification of financial assets		(514)	(8)	-	-
Provisions for credit losses	4.12.	9,716	2,471	4,176	697
Provisions for other liabilities and charges	4.12.	(12,357)	(4,856)	(5,985)	(100)
Impairment of financial assets	4.13.	17,050	4,982	(1,764)	(7,374)
Impairment of non-financial assets	4.13.	(469)	(257)	4,099	(6)
Negative goodwill	4.14.	-	172,810	-	-
Share of profit from investments in associates and joint ventures (accounted for using the equity method)		1,316	1,146	-	-
Gains less losses from non-current assets held for sale	4.15.	5,994	188	156	161
Profit before income tax		**454,422**	**407,372**	**306,398**	**96,018**
Income tax	4.16.	(57,880)	(21,063)	(23,548)	(1,797)
Profit for the period		**396,542**	**386,309**	**282,850**	**94,221**
Attributable to owners of the parent		386,938	377,785	282,850	94,221
Attributable to non-controlling interests		9,604	8,524	-	-
Earnings per share/diluted earnings per share (in EUR per share)		19.35	18.89	14.14	4.71

Condensed income statement for the three months ended 30 September

		NLB Group		NLB	
		three months ended		three months ended	
		September 2023	September 2022	September 2023	September 2022
	Notes	unaudited	unaudited	unaudited	unaudited
Interest income calculated using the effective interest method		262,037	141,890	130,514	52,821
Other interest and similar income		5,701	660	5,657	733
Interest and similar income	4.1.	267,738	142,550	136,171	53,554
Interest expenses calculated using the effective interest method		(43,482)	(11,950)	(34,749)	(8,001)
Other interest and similar expenses		(2,767)	(3,892)	(1,984)	(3,270)
Interest and similar expenses	4.1.	(46,249)	(15,842)	(36,733)	(11,271)
Net interest income		**221,489**	**126,708**	**99,438**	**42,283**
Dividend income	4.2.	56	102	13	766
Fee and commission income	4.3.	105,139	99,391	43,348	42,938
Fee and commission expenses	4.3.	(34,205)	(28,882)	(11,786)	(9,230)
Net fee and commission income		**70,934**	**70,509**	**31,562**	**33,708**
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss	4.4.	(1)	2	(1)	-
Gains less losses from financial assets and liabilities held for trading	4.5.	10,143	16,740	(1,867)	8,925
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	4.6.	80	414	47	416
Gains less losses from financial liabilities measured at fair value through profit or loss		(237)	153	(100)	77
Fair value adjustments in hedge accounting		362	629	291	629
Foreign exchange translation gains less losses		(5,340)	(7,629)	(3,005)	(7,313)
Net gains or losses on derecognition of investments in subsidiaries, associates and joint ventures	4.7.	(299)	-	-	-
Gains less losses on derecognition of non-financial assets		297	248	1	(65)
Other net operating income	4.8.	(2,520)	3,970	(3,171)	1,884
Administrative expenses	4.9.	(108,891)	(102,015)	(52,714)	(45,756)
Cash contributions to resolution funds and deposit guarantee schemes	4.10.	(6,407)	(6,453)	-	-
Depreciation and amortisation	4.11.	(12,041)	(11,857)	(4,746)	(4,190)
Gains less losses from modification of financial assets		(312)	8	-	-
Provisions for credit losses	4.12.	2,514	704	2,088	(831)
Provisions for other liabilities and charges	4.12.	(550)	447	(243)	-
Impairment of financial assets	4.13.	(5,661)	9,136	(6,156)	(2,016)
Impairment of non-financial assets	4.13.	(142)	(272)	4,099	(6)
Share of profit from investments in associates and joint ventures (accounted for using the equity method)		716	(424)	-	-
Gains less losses from non-current assets held for sale	4.15.	910	198	33	198
Profit before income tax		**165,100**	**101,318**	**65,569**	**28,709**
Income tax	4.16.	(18,035)	(10,430)	(6,024)	(1,367)
Profit for the period		**147,065**	**90,888**	**59,545**	**27,342**
Attributable to owners of the parent		144,238	90,771	59,545	27,342
Attributable to non-controlling interests		2,827	117	-	-

Condensed statement of comprehensive income for the period ended 30 September

					in EUR thousands
		NLB Group		NLB	
		nine months ended		nine months ended	
		September 2023	September 2022	September 2023	September 2022
	Notes	unaudited	unaudited	unaudited	unaudited
Net profit for the period after tax		396,542	386,309	282,850	94,221
Other comprehensive income after tax		45,505	(156,836)	17,249	(93,017)
Items that will not be reclassified to income statement					
Fair value changes of equity instruments measured at fair value through other comprehensive income		3,559	(4,138)	809	(1,990)
Income tax relating to components of other comprehensive income	5.14.	(541)	711	(154)	378
Items that have been or may be reclassified subsequently to income statement					
Foreign currency translation		1,586	1,032	-	-
Translation gains/(losses) taken to equity		1,586	1,032	-	-
Debt instruments measured at fair value through other comprehensive income		43,012	(164,582)	14,718	(92,047)
Valuation gains/(losses) taken to equity		48,884	(170,472)	18,901	(98,261)
Transferred to income statement		(5,872)	5,890	(4,183)	6,214
Income tax relating to components of other comprehensive income	5.14.	(2,111)	10,141	1,876	642
Total comprehensive income for the period after tax		442,047	229,473	300,099	1,204
Attributable to owners of the parent		432,240	221,963	300,099	1,204
Attributable to non-controlling interests		9,807	7,510	-	-

Condensed statement of comprehensive income for three months ended 30 September

				in EUR thousands
	NLB Group		NLB	
	three months ended		three months ended	
	September 2023	September 2022	September 2023	September 2022
	unaudited	unaudited	unaudited	unaudited
Net profit for the period after tax	147,065	90,888	59,545	27,342
Other comprehensive income/(loss) after tax	12,562	(34,263)	5,100	(20,318)
Items that will not be reclassified to income statement				
Fair value changes of equity instruments measured at fair value through other comprehensive income	437	(1,469)	299	(496)
Income tax relating to components of other comprehensive income	(90)	223	(57)	94
Items that have been or may be reclassified subsequently to income statement				
Foreign currency translation	435	2,291	-	-
Translation gains/(losses) taken to equity	435	2,291	-	-
Debt instruments measured at fair value through other comprehensive income	12,317	(37,763)	4,339	(19,970)
Valuation gains/(losses) taken to equity	12,811	(36,971)	4,582	(19,881)
Transferred to income statement	(494)	(792)	(243)	(89)
Income tax relating to components of other comprehensive income	(537)	2,455	519	54
Total comprehensive income for the period after tax	159,627	56,625	64,645	7,024
Attributable to owners of the parent	156,745	51,722	64,645	7,024
Attributable to non-controlling interests	2,882	4,903	-	-

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

					in EUR thousands
		NLB Group		NLB	
		30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
	Notes	unaudited	audited	unaudited	audited
Cash, cash balances at central banks, and other demand deposits at banks	5.1.	5,815,707	5,271,365	4,136,866	3,339,024
Financial assets held for trading	5.2.a)	20,095	21,588	21,724	21,692
Non-trading financial assets mandatorily at fair value through profit or loss	5.3.	19,905	19,031	16,667	15,411
Financial assets measured at fair value through other comprehensive income	5.4.	2,243,294	2,919,203	1,076,047	1,334,061
Financial assets measured at amortised cost					
- debt securities	5.5.a)	2,369,821	1,917,615	1,932,179	1,597,448
- loans and advances to banks	5.5.b)	518,550	222,965	161,611	350,625
- loans and advances to customers	5.5.c)	13,666,068	13,072,986	7,186,033	6,054,413
- other financial assets	5.5.d)	125,978	177,823	93,516	114,399
Derivatives - hedge accounting		62,013	59,362	61,318	59,362
Fair value changes of the hedged items in portfolio hedge of interest rate risk		(26,346)	(23,767)	(25,857)	(23,767)
Investments in subsidiaries		-	-	882,975	904,040
Investments in associates and joint ventures		12,994	11,677	4,582	4,571
Tangible assets					
Property and equipment	5.7.	257,116	251,316	81,977	78,592
Investment property	5.8.	33,097	35,639	7,719	6,753
Intangible assets		55,384	58,235	32,781	30,425
Current income tax assets		60	1,696	-	-
Deferred income tax assets	5.13.	49,281	55,527	37,825	34,888
Other assets	5.9.	49,751	72,543	13,526	13,161
Non-current assets held for sale	5.6.	5,266	15,436	4,116	4,235
Total assets		**25,278,034**	**24,160,240**	**15,725,605**	**13,939,333**
Financial liabilities held for trading	5.2.b)	18,192	21,589	19,079	22,150
Financial liabilities measured at fair value through profit or loss	5.3.	4,370	1,796	3,499	2,514
Financial liabilities measured at amortised cost					
- deposits from banks and central banks	5.11.	127,184	106,414	277,409	212,656
- borrowings from banks and central banks	5.11.	127,167	198,609	84,055	57,292
- due to customers	5.11.	20,289,142	20,027,726	11,700,334	10,984,411
- borrowings from other customers	5.11.	93,823	82,482	217	216
- debt securities issued	5.11.	1,339,057	815,990	1,339,057	815,990
- other financial liabilities	5.11.c)	293,271	294,463	172,862	164,567
Derivatives - hedge accounting		594	2,124	574	2,124
Provisions	5.12.	99,635	122,652	42,258	45,216
Current income tax liabilities		31,450	12,420	13,856	3,940
Deferred income tax liabilities	5.13.	1,714	2,569	-	-
Other liabilities	5.15.	55,654	49,081	30,220	25,387
Total liabilities		**22,481,253**	**21,737,915**	**13,683,420**	**12,336,463**
Equity and reserves attributable to owners of the parent					
Share capital		200,000	200,000	200,000	200,000
Share premium		871,378	871,378	871,378	871,378
Other equity instruments	5.16.	82,174	84,184	82,174	84,184
Accumulated other comprehensive income		(115,349)	(160,588)	(67,145)	(81,677)
Profit reserves		13,522	13,522	13,522	13,522
Retained earnings		1,683,132	1,357,089	942,256	515,463
		2,734,857	**2,365,585**	**2,042,185**	**1,602,870**
Non-controlling interests		61,924	56,740	-	-
Total equity		**2,796,781**	**2,422,325**	**2,042,185**	**1,602,870**
Total liabilities and equity		**25,278,034**	**24,160,240**	**15,725,605**	**13,939,333**

The Management Board 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, 9 November 2023

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

in EUR thousands

NLB Group	Share capital	Share premium	Other equity instruments	Accumulated other comprehensive income: Fair value reserve of financial assets measured at FVOCI	Accumulated other comprehensive income: Foreign currency translation reserve	Accumulated other comprehensive income: Other	Profit reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
Note			**5.16.**								
Balance as at 1 Jan 2023	200,000	871,378	84,184	(142,909)	(16,485)	(1,194)	13,522	1,357,089	2,365,585	56,740	2,422,325
- Net profit for the period	-	-	-	-	-	-	-	386,938	386,938	9,604	396,542
- Other comprehensive income	-	-	-	43,677	1,625	-	-	-	45,302	203	45,505
Total comprehensive income after tax	-	-	-	43,677	1,625	-	-	386,938	432,240	9,807	442,047
Dividends paid	-	-	-	-	-	-	-	(55,000)	(55,000)	(4,615)	(59,615)
Transfer of fair value reserve	-	-	-	(63)	-	-	-	63	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	-	-	8	8	(8)	-
Other	-	-	(2,010)	-	-	-	-	(5,966)	(7,976)	-	(7,976)
Balance as at 30 Sep 2023	**200,000**	**871,378**	**82,174**	**(99,295)**	**(14,860)**	**(1,194)**	**13,522**	**1,683,132**	**2,734,857**	**61,924**	**2,796,781**

in EUR thousands

NLB Group	Share capital	Share premium	Other equity instruments	Accumulated other comprehensive income: reserve of financial assets measured at	Accumulated other comprehensive income: Foreign currency translation reserve	Accumulated other comprehensive income: Other	Profit reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
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	-	-	-	-	-	-	-	377,785	377,785	8,524	386,309
- Other comprehensive income	-	-	-	(156,837)	1,015	-	-	-	(155,822)	(1,014)	(156,836)
Total comprehensive income after tax	-	-	-	(156,837)	1,015	-	-	377,785	221,963	7,510	229,473
Dividends paid	-	-	-	-	-	-	-	(50,000)	(50,000)	(1,352)	(51,352)
Other equity instruments issued	-	-	82,000	-	-	-	-	-	82,000	-	82,000
Transactions with non-controlling interests	-	-	-	(1,020)	67	(140)	-	8,230	7,137	(86,358)	(79,221)
Other	-	-	175	-	-	-	-	(178)	(3)	-	(3)
Balance as at 30 Sep 2022	**200,000**	**871,378**	**82,175**	**(146,491)**	**(16,102)**	**(4,874)**	**13,522**	**1,340,222**	**2,339,830**	**57,190**	**2,397,020**

in EUR thousands

NLB	Share capital	Share premium	Other equity instruments	Accumulated other comprehensive income: Fair value reserve of financial assets measured at FVOCI	Accumulated other comprehensive income: Other	Profit reserves	Retained earnings	Total equity
Note			**5.16.**					
Balance as at 1 Jan 2023	200,000	871,378	84,184	(79,743)	(1,934)	13,522	515,463	1,602,870
- Net profit for the period	-	-	-	-	-	-	282,850	282,850
- Other comprehensive income	-	-	-	17,249	-	-	-	17,249
Total comprehensive income after tax	-	-	-	17,249	-	-	282,850	300,099
Dividends paid	-	-	-	-	-	-	(55,000)	(55,000)
Merger of subsidiary	-	-	-	(2,890)	173	-	204,904	202,187
Other	-	-	(2,010)	-	-	-	(5,961)	(7,971)
Balance as at 30 Sep 2023	**200,000**	**871,378**	**82,174**	**(65,384)**	**(1,761)**	**13,522**	**942,256**	**2,042,185**

in EUR thousands

NLB	Share capital	Share premium	Other equity instruments	Accumulated other comprehensive income: Fair value reserve of financial assets measured at FVOCI	Accumulated other comprehensive income: Other	Profit reserves	Retained earnings	Total equity
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	-	-	-	-	-	-	94,221	94,221
- Other comprehensive income	-	-	-	(93,017)	-	-	-	(93,017)
Total comprehensive income after tax	-	-	-	(93,017)	-	-	94,221	1,204
Dividends paid	-	-	-	-	-	-	(50,000)	(50,000)
Other equity instruments issued	-	-	82,000	-	-	-	-	82,000
Other	-	-	175		-		(178)	(3)
Balance as at 30 Sep 2022	**200,000**	**871,378**	**82,175**	**(80,553)**	**(3,696)**	**13,522**	**502,309**	**1,585,135**

Condensed statement of cash flows for the period ended 30 September

					in EUR thousands
		NLB Group		NLB	
		nine months ended		nine months ended	
		September 2023	September 2022	September 2023	September 2022
	Notes	unaudited	unaudited	unaudited	unaudited
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		713,992	455,449	333,367	173,237
Interest paid		(76,669)	(36,912)	(64,546)	(22,042)
Dividends received		125	930	124,093	53,808
Fee and commission receipts		294,246	282,014	120,676	122,030
Fee and commission payments		(88,877)	(79,872)	(30,576)	(28,247)
Realised gains from financial assets and financial liabilities not at fair value through profit or loss		92	78	-	1
Net gains/(losses) from financial assets and liabilities held for trading		22,397	35,131	2,865	17,151
Payments to employees and suppliers		(353,290)	(311,854)	(159,161)	(139,640)
Other receipts		19,480	17,177	9,830	9,436
Other payments		(47,035)	(34,932)	(18,029)	(12,241)
Income tax (paid)/received		(27,678)	(13,265)	(6,781)	3,635
Cash flows from operating activities before changes in operating assets and liabilities		**456,783**	**313,944**	**311,738**	**177,128**
(Increases)/decreases in operating assets		**22,956**	**(728,657)**	**(128,558)**	**(639,657)**
Net (increase)/decrease in trading assets		200	-	200	-
Net (increase)/decrease in non-trading financial assets mandatorily at fair value through profit or loss		(92)	3,495	(90)	(2,196)
Net (increase)/decrease in financial assets measured at fair value through other comprehensive income		703,737	435,932	319,275	105,346
Net (increase)/decrease in loans and receivables measured at amortised cost		(683,736)	(1,182,696)	(447,281)	(741,399)
Net (increase)/decrease in other assets		2,847	14,612	(662)	(1,408)
Increases/(decreases) in operating liabilities		**364,897**	**(17,078)**	**214,828**	**240,714**
Net increase/(decrease) in deposits and borrowings measured at amortised cost		357,573	(18,378)	208,443	234,888
Net increase/(decrease) in other liabilities		7,324	1,300	6,385	5,826
Net cash flows from operating activities		**844,636**	**(431,791)**	**398,008**	**(221,815)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts from investing activities		**267,009**	**144,668**	**135,587**	**83,076**
Proceeds from sale of property, equipment, and investment property		4,015	13,930	89	2,926
Proceeds from sale of subsidiaries, net of cash and cash equivalents	3., 4.7.	12,776	-	20,068	-
Proceeds from non-current assets held for sale		16,624	688	860	592
Proceeds from disposals of debt securities measured at amortised cost		233,594	130,050	114,570	79,558
Payments from investing activities		**(671,569)**	**(115,012)**	**(451,495)**	**(361,422)**
Purchase of property, equipment, and investment property		(17,228)	(19,559)	(5,650)	(4,252)
Purchase of intangible assets		(12,755)	(9,458)	(8,451)	(4,873)
Purchase of subsidiaries, net of cash acquired	3., 4.14.	-	199,160	-	(85,392)
Purchase of debt securities measured at amortised cost		(641,586)	(285,155)	(437,394)	(266,905)
Net cash flows from investing activities		**(404,560)**	**29,656**	**(315,908)**	**(278,346)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from financing activities		**497,708**	**381,465**	**497,708**	**381,029**
Issuance of Senior Preferred notes	5.11.b)	497,708	299,029	497,708	299,029
Issue of ordinary shares and other equity instruments	5.16.	-	82,000	-	82,000
Other proceeds related to financing activities		-	436	-	-
Payments from financing activities		**(59,626)**	**(70,433)**	**(55,000)**	**(50,000)**
Dividends paid		(59,626)	(51,405)	(55,000)	(50,000)
Purchase of subsidiary's treasury shares	3.	-	(19,028)	-	-
Net cash flows from financing activities		**438,082**	**311,032**	**442,708**	**331,029**
Effects of exchange rate changes on cash and cash equivalents		(1,182)	15,670	(89)	1,012
Net increase/(decrease) in cash and cash equivalents		**878,158**	**(91,103)**	**524,808**	**(169,132)**
Cash and cash equivalents at beginning of period		**5,500,222**	**5,176,311**	**3,494,435**	**3,254,784**
Cash and cash equivalents of merged bank at date of the merger		**-**	**-**	**118,158**	**-**
Cash and cash equivalents at end of period		**6,377,198**	**5,100,878**	**4,137,312**	**3,086,664**

					in EUR thousands
		NLB Group		NLB	
		30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
	Notes	unaudited	audited	unaudited	audited
Cash and cash equivalents comprise:					
Cash, cash balances at central banks, and other demand deposits at banks	5.1.	5,816,923	5,272,538	4,137,312	3,339,381
Loans and advances to banks with original maturity up to 3 months		534,393	208,404	-	155,054
Debt securities measured at fair value through other comprehensive income with original maturity up to 3 months		25,882	19,280	-	-
Total		**6,377,198**	**5,500,222**	**4,137,312**	**3,494,435**

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 depositary receipts ('GDR') representing ordinary shares of NLB are listed on the London Stock Exchange. Five GDRs represent one share of NLB.

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

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

2. Summary of significant accounting policies

2.1. Statement of compliance

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

2.2. Comparative amounts

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

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

2.3. Accounting policies

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

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

- IAS 1 (amendment) – 'Presentation of Financial Statements' and IFRS Practice Statement 2 – 'Disclosure of Accounting policies' (effective for annual periods beginning on or after 1 January 2023);

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

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

- IAS 12 (amendment) – 'Income taxes: International Tax Reform – Pillar Two Model Rules' (effective for annual periods beginning on or after 1 January 2023);
- IAS 1 (amendment and deferral of effective date) – 'Presentation of Financial Statements: Classification of Liabilities as Current or Non-current' (effective for annual periods beginning on or after 1 January 2024);
- IAS 1 (amendment) – 'Presentation of Financial Statements: Non-current Liabilities with Covenants' (effective for annual periods beginning on or after 1 January 2024);
- IFRS 16 (amendment) – 'Leases: Lease Liability in a Sale and Leaseback' (effective for annual periods beginning on or after 1 January 2024);
- IAS 7 (amendment) – 'Statement of Cash Flows' and IFRS 7 – 'Financial Instruments: Disclosures: Supplier Finance Arrangements' (effective for annual periods beginning on or after 1 January 2024);
- IAS 21 (amendment) – 'The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability' (effective for annual periods beginning on or after 1 January 2025).

3. Changes in the composition of the NLB Group

Changes in the period ended 30 September 2023

Capital changes:

- In January 2023, NLB Lease&Go, leasing, d.o.o., Ljubljana increased share capital in the form of a cash contribution in the amount of EUR 2,100 thousand in company Zastava Istrabenz Lizing, d.o.o., Beograd. Ownership interest increased from 95.20% to 99%. In January 2023, the company was renamed to 'NLB Lease&Go leasing d.o.o. Beograd.'
- In June 2023, NLB Lease&Go, leasing, d.o.o., Ljubljana increased share capital in the form of a cash contribution in the amount of EUR 1,195 thousand in company 'NLB Lease&Go leasing d.o.o. Beograd.' Ownership interest increased from 99% to 99.30%.
- In September 2023, an increase in share capital in the form of a cash contribution in the amount of EUR 767 thousand in KomBank Invest a.d. Beograd.
- In September 2023, an increase in share capital in the form of a cash contribution in the amount of EUR 1,571 thousand in NLB Lease&Go, d.o.o. Skopje.

Other changes:

- In April 2023, after merging with REAM d.o.o., Beograd, subsidiary SPV 2 d.o.o., Beograd ceased to exist. All its assets and liabilities were transferred to REAM d.o.o., Beograd which become after merger its universal legal successor.
- In May 2023, NLB Group sold its subsidiary Tara Hotel d.o.o. Budva (note 4.7.b).
- In July 2023, in North Macedonia in Skopje, street name 'Majka Tereza 1' was renamed into the street name 'Vodnjanska 1' which resulted in the change of the official headquarters address of NLB Banka a.d., Skopje and NLB Lease&Go, d.o.o. Skopje. The change of headquarters address was formally entered into the Register on 4 July 2023 for NLB Banka a.d., Skopje and on 17 July 2023 for NLB Lease&Go, d.o.o. Skopje.
- In July 2023, a purchase agreement was signed for the sale of NLB Group`s subsidiary Optima Leasing d.o.o., Zagreb – u likvidaciji. The transfer of the ownership was entered into Register of Companies on 13 September 2023 (note 4.7.a).
- In August 2023, NLB received an authorisation of the ECB for the merger of the N Banka. On 1 September 2023, with entry of the merger in the Register of Companies, the process of legal merger of N Banka with NLB was closed. As at the date of merger, N Banka ceased to exist as an independent legal entity, and NLB as a universal successor, took over all of its rights and obligations (note 4.14.b).

- In September 2023, NLB Leasing d.o.o., Beograd – u likvidaciji was liquidated. In accordance with the court order, the company was removed from the court register.
- In September 2023, after cross boarder merging with S-REAM d.o.o., Ljubljana, subsidiary REAM d.o.o, Zagreb ceased to exist. All its assets and liabilities were transferred to S-REAM d.o.o., Ljubljana which become after merger its universal legal successor.

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. 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' (note 4.14.a).
- In March 2022, Komercijalna banka a.d. Beograd bought 2.90% of all ordinary shares in the amount of EUR 19,047 thousand of treasury shares from dissenting shareholders, which Komercijalna banka a.d. Beograd should dispose of within 12 months of their takeover.
- In April 2022, NLB established an IT services company named 'NLB DigIT d.o.o., Beograd.'
- In May 2022, NLB acquired an additional 442,799 ordinary shares of NLB Komercijalna banka a.d. Beograd and combined with existing shareholding reached the ownership of 90.2155% of the basic capital and 91.7294% of shares with voting rights. The increase in capital investment was recognised in EUR 15,715 thousand.
- In July 2022, NLB successfully squeezed out the remaining shareholders of NLB Komercijalna banka a.d. Beograd and thereby became the owner of 100% of this Serbian bank. Prior to the squeeze-out process, NLB owned 90.2155% of share capital and 91.7294% of voting rights. Through the squeeze-out process, NLB acquired 1,528,110 regular shares and 316,260 preferred shares with a total value of EUR 61,865 thousand.
- In September 2022, an increase in share capital in the form of a cash contribution in the amount of EUR 306 thousand in NLB Lease&Go, leasing, d.o.o., Ljubljana to achieve NLB Group's leasing strategy.
- In September 2022, NLB Lease&Go, leasing, d.o.o., Ljubljana (51%) and NLB Banka a.d., Skopje (49%) established financial company named NLB Liz&Go d.o.o. Skopje. In December 2022, the company was renamed to NLB Lease&Go d.o.o. Skopje.
- In November 2022, NLB Lease&Go, leasing, d.o.o., Ljubljana became an owner of 95.20% of financial company 'Zastava Istrabenz Lizing, d.o.o., Beograd.' The purchase price for the company was EUR 1,036 thousand and was fully paid in cash. In January 2023, the company was renamed to 'NLB Lease&Go leasing d.o.o. Beograd.'
- In December 2022, an increase in share capital in the form of a cash contribution in the amount of EUR 2,100 thousand in NLB Lease&Go, leasing, d.o.o., Ljubljana for the purpose of achieving NLB Group's leasing strategy.
- In December 2022, an increase in share capital in the form of a cash contribution in the amount of EUR 21,130 thousand in S-REAM d.o.o., Ljubljana for the purpose of consolidation of real estate companies in Slovenia.

Other changes:

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

4. Notes to the condensed income statement

4.1. Interest income and expenses

Analysis by type of assets and liabilities

in EUR thousands

	NLB Group					NLB				
	three months ended		nine months ended			three months ended		nine months ended		
	September 2023	September 2022	September 2023	September 2022	Change	September 2023	September 2022	September 2023	September 2022	Change
Interest and similar income										
Interest income calculated using the effective interest method	262,037	141,890	695,378	392,391	77%	130,514	52,821	329,463	144,597	128%
Loans and advances to customers at amortised cost	197,542	125,452	538,250	348,013	55%	83,474	44,382	217,481	122,374	78%
Securities measured at amortised cost	10,337	4,230	23,706	11,990	98%	6,968	2,881	15,611	8,303	88%
Financial assets measured at fair value through other comprehensive income	9,211	9,614	29,130	29,001	0%	2,205	2,795	7,121	8,517	-16%
Loans and advances to banks measured at amortised cost	5,867	1,285	15,560	1,961	-	863	1,641	6,918	4,208	64%
Deposits with banks and central banks	39,080	1,309	88,732	1,426	-	37,004	1,122	82,332	1,195	-
Other interest and similar income	5,701	660	12,612	7,009	80%	5,657	733	12,901	6,347	103%
Financial assets held for trading	1,783	620	4,509	2,896	56%	1,715	680	4,628	2,519	84%
Negative interest	-	36	-	4,077	-	-	8	-	3,717	-
Non-trading financial assets mandatorily at fair value through profit or loss	13	4	37	36	3%	117	45	301	111	171%
Derivatives - hedge accounting	3,905	-	8,066	-	-	3,825	-	7,972	-	-
Total	**267,738**	**142,550**	**707,990**	**399,400**	**77%**	**136,171**	**53,554**	**342,364**	**150,944**	**127%**
Interest and similar expenses										
Interest expenses calculated using the effective interest method	43,482	11,950	99,444	27,448	-	34,749	8,001	78,068	15,240	-
Due to customers	19,470	4,771	44,916	13,503	-	10,193	1,442	23,741	3,122	-
Borrowings from banks and central banks	482	272	1,187	896	32%	184	171	526	444	18%
Borrowings from other customers	429	228	1,065	710	50%	-	-	-	-	-
Subordinated liabilities	9,007	2,667	26,210	7,883	-	9,007	2,667	26,210	7,883	-
Debt securities issued	13,423	3,620	22,983	3,620	-	13,423	3,620	22,983	3,620	-
Deposits from banks and central banks	476	283	2,606	527	-	1,899	92	4,519	152	-
Lease liabilities	195	109	477	309	54%	43	9	89	19	-
Other interest and similar expenses	2,767	3,892	7,092	18,875	-62%	1,984	3,270	5,212	15,830	-67%
Derivatives - hedge accounting	790	1,901	1,400	6,731	-79%	790	1,901	1,374	6,731	-80%
Negative interest	-	1,249	21	8,954	-100%	-	713	21	6,650	-100%
Financial liabilities held for trading	1,660	548	4,054	2,701	50%	1,097	631	3,528	2,376	48%
Interest expense on defined employee benefits	183	74	545	217	151%	88	20	265	61	-
Other	134	120	1,072	272	-	9	5	24	12	100%
Total	**46,249**	**15,842**	**106,536**	**46,323**	**130%**	**36,733**	**11,271**	**83,280**	**31,070**	**168%**
Net interest income	**221,489**	**126,708**	**601,454**	**353,077**	**70%**	**99,438**	**42,283**	**259,084**	**119,874**	**116%**

The line item 'Negative interest' classified under the line item 'Other interest and similar income' in 2022 mainly includes the interest from targeted longer-term refinancing operations (TLTRO) in the amount of EUR 4,018 thousand for NLB Group and EUR 3,677 thousand for NLB (note 5.11.).

4.2. Dividend income

in EUR thousands

	NLB Group					NLB				
	three months ended		nine months ended			three months ended		nine months ended		
	September 2023	September 2022	September 2023	September 2022	Change	September 2023	September 2022	September 2023	September 2022	Change
Financial assets measured at fair value through other comprehensive income	43	67	112	147	-24%	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	-	-	130,142	33,623	-
Investments in associates, and joint ventures	-	-	-	-	-	-	754	-	754	-
Non-trading financial assets mandatorily at fair value through profit or loss	13	35	39	56	-30%	13	12	39	33	18%
Total	**56**	**102**	**151**	**203**	**-26%**	**13**	**766**	**130,181**	**34,410**	**-**

4.3. Fee and commission income and expenses

in EUR thousands

	NLB Group					NLB				
	three months ended		nine months ended			three months ended		nine months ended		
	September 2023	September 2022	September 2023	September 2022	Change	September 2023	September 2022	September 2023	September 2022	Change
Fee and commission income										
Fee and commission income relating to financial instruments not at fair value through profit or loss										
Credit cards and ATMs	37,127	30,781	97,560	81,933	19%	13,064	11,887	36,667	32,753	12%
Customer transaction accounts	23,349	22,539	69,345	67,820	2%	13,121	12,986	39,693	38,989	2%
Other fee and commission income										
Payments	21,740	23,228	65,249	66,610	-2%	6,154	5,912	18,129	17,813	2%
Investment funds	8,627	7,498	24,180	22,407	8%	2,564	2,407	7,025	7,011	0%
Guarantees	4,443	4,243	13,223	11,940	11%	2,335	2,149	6,784	6,122	11%
Investment banking	3,704	3,477	9,001	9,481	-5%	3,073	2,733	7,221	7,384	-2%
Agency of insurance products	3,336	2,626	9,496	7,745	23%	2,410	1,937	6,949	5,841	19%
Other services	2,813	4,999	7,230	16,023	-55%	627	2,927	2,252	10,062	-78%
Total	**105,139**	**99,391**	**295,284**	**283,959**	**4%**	**43,348**	**42,938**	**124,720**	**125,975**	**-1%**
Fee and commission expenses										
Fee and commission expenses relating to financial instruments not at fair value through profit or loss										
Credit cards and ATMs	26,954	21,053	68,339	57,825	18%	9,593	6,918	24,585	21,712	13%
Other fee and commission expenses										
Payments	3,159	3,741	9,899	10,031	-1%	291	282	870	790	10%
Insurance for holders of personal accounts and golden cards	96	301	955	946	1%	191	207	690	661	4%
Investment banking	2,170	1,898	5,837	5,321	10%	1,132	1,228	2,964	3,081	-4%
Guarantees	431	349	1,257	1,280	-2%	414	342	1,180	1,240	-5%
Other services	1,395	1,540	3,418	4,381	-22%	165	253	450	687	-34%
Total	**34,205**	**28,882**	**89,705**	**79,784**	**12%**	**11,786**	**9,230**	**30,739**	**28,171**	**9%**
Net fee and commission income	**70,934**	**70,509**	**205,579**	**204,175**	**1%**	**31,562**	**33,708**	**93,981**	**97,804**	**-4%**

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		nine months ended		three months ended		nine months ended	
	September 2023	September 2022	September 2023	September 2022	September 2023	September 2022	September 2023	September 2022
Debt instruments measured at fair value through other comprehensive income	(1)	2	(697)	(1,669)	(1)	-	(789)	(316)
Debt instruments measured at amortised cost	-	-	-	(9)	-	-	-	(734)
Total	**(1)**	**2**	**(697)**	**(1,678)**	**(1)**	**-**	**(789)**	**(1,050)**

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

in EUR thousands

	NLB Group				NLB			
	three months ended		nine months ended		three months ended		nine months ended	
	September 2023	September 2022	September 2023	September 2022	September 2023	September 2022	September 2023	September 2022
Foreign exchange trading	6,971	10,740	20,695	23,740	1,048	2,784	3,418	6,269
Debt instruments	36	4	106	6	35	-	54	(28)
Derivatives	3,136	5,996	3,208	12,402	(2,950)	6,141	(3,104)	11,179
Total	**10,143**	**16,740**	**24,009**	**36,148**	**(1,867)**	**8,925**	**368**	**17,420**

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		nine months ended		three months ended		nine months ended	
	September 2023	September 2022	September 2023	September 2022	September 2023	September 2022	September 2023	September 2022
Equity securities	69	461	1,095	(189)	1	539	627	445
Debt securities	11	(47)	16	(220)	-	-	-	-
Loans and advances to customers	-	-	24	-	46	(123)	796	(1,913)
Total	**80**	**414**	**1,135**	**(409)**	**47**	**416**	**1,423**	**(1,468)**

4.7. Disposal of subsidiaries

a) Disposal of subsidiary Optima Leasing d.o.o., Zagreb – u likvidaciji

In September 2023, NLB Group sold its subsidiary Optima Leasing d.o.o., Zagreb – u likvidaciji.

The assets and liabilities derecognised from NLB Group financial statements as a result of disposal are as follows:

	in EUR thousands
Cash, cash balances at central banks and other demand deposits at banks	713
Financial assets measured at amortised cost	
- other financial assets	4
Other assets	104
Total assets	**821**
Provisions	30
Other liabilities	22
Total liabilities	**52**
Net assets of subsidiary	769
Total disposal consideration	**470**
Cash and cash equivalents in subsidiary sold	(713)
Cash outflow on disposal	**(243)**
Consideration for disposal of the subsidiary	470
Carrying amount of net assets disposed of	769
Loss from disposal of subsidiary in consolidated financial statements	(299)

At sale of subsidiary Optima Leasing d.o.o., Zagreb – u likvidaciji, NLB Group realised a loss in the amount of EUR 299 thousand.

b) Disposal of subsidiary Tara Hotel d.o.o., Budva

In May 2023, NLB Group sold its subsidiary Tara Hotel d.o.o., Budva.

The assets and liabilities derecognised from NLB Group financial statements as a result of disposal are as follows:

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

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

4.8. Other net operating income

										in EUR thousands
	NLB Group					NLB				
	three months ended		nine months ended			three months ended		nine months ended		
	September 2023	September 2022	September 2023	September 2022	Change	September 2023	September 2022	September 2023	September 2022	Change
Other operating income										
Income from non-banking services	2,123	1,868	5,896	5,099	16%	1,752	1,663	5,075	4,670	9%
Rental income from investment property	442	570	1,353	2,324	-42%	64	84	222	368	-40%
Revaluation of investment property to fair value	121	74	278	146	90%	121	74	223	85	162%
Sale of investment property	380	1,455	380	1,824	-79%	-	375	-	393	-
Other operating income	1,980	1,263	4,519	5,353	-16%	457	327	1,966	2,025	-3%
Total	**5,046**	**5,230**	**12,426**	**14,746**	**-16%**	**2,394**	**2,523**	**7,486**	**7,541**	**-1%**
Other operating expenses										
Donations	4,981	175	5,773	924	-	4,841	43	5,686	3,292	73%
Expenses related to issued service guarantees	521	148	546	234	133%	521	148	546	234	133%
Revaluation of investment property to fair value	9	-	50	67	-25%	-	-	41	1	-
Other operating expenses	2,055	937	5,296	3,207	65%	203	448	901	1,670	-46%
Total	**7,566**	**1,260**	**11,665**	**4,432**	**163%**	**5,565**	**639**	**7,174**	**5,197**	**38%**
Other net operating income	**(2,520)**	**3,970**	**761**	**10,314**	**-93%**	**(3,171)**	**1,884**	**312**	**2,344**	**-87%**

The line item 'Donations' classified under the 'Other operating expenses' in year 2023 include also donations of NLB for floods mitigation in Slovenia in third quarter 2023 to municipalities in the total amount of EUR 4,000 thousand.

4.9. Administrative expenses

										in EUR thousands
	NLB Group					NLB				
	three months ended		nine months ended			three months ended		nine months ended		
	September 2023	September 2022	September 2023	September 2022	Change	September 2023	September 2022	September 2023	September 2022	Change
Employee costs	70,042	63,707	207,432	186,422	11 %	33,029	28,359	95,933	84,370	14 %
Other general and administrative expenses	38,849	38,308	118,691	111,008	7 %	19,685	17,397	58,254	50,694	15 %
Total	**108,891**	**102,015**	**326,123**	**297,430**	**10 %**	**52,714**	**45,756**	**154,187**	**135,064**	**14 %**

4.10. Cash contributions to resolution funds and deposit guarantee schemes

in EUR thousands

	NLB Group					NLB				
	three months ended		nine months ended			three months ended		nine months ended		
	September 2023	September 2022	September 2023	September 2022	Change	September 2023	September 2022	September 2023	September 2022	Change
Cash contributions to deposit guarantee schemes	6,356	6,420	30,267	27,382	11 %	-	-	9,686	7,614	27 %
Cash contributions to resolution funds	51	33	2,096	2,227	-6 %	-	-	1,697	2,099	-19 %
Total	**6,407**	**6,453**	**32,363**	**29,609**	**9 %**	**-**	**-**	**11,383**	**9,713**	**17 %**

4.11. Depreciation and amortisation

in EUR thousands

	NLB Group					NLB				
	three months ended		nine months ended			three months ended		nine months ended		
	September 2023	September 2022	September 2023	September 2022	Change	September 2023	September 2022	September 2023	September 2022	Change
Amortisation of intangible assets	3,794	3,902	11,162	11,791	-5 %	1,657	1,388	4,406	4,320	2 %
Depreciation of property and equipment:										
- own property and equipment	6,157	5,815	18,151	16,975	7 %	2,610	2,561	7,711	7,702	0 %
- right-of-use assets	2,090	2,140	6,207	6,404	-3 %	479	241	1,002	733	37 %
Total	**12,041**	**11,857**	**35,520**	**35,170**	**1 %**	**4,746**	**4,190**	**13,119**	**12,755**	**3 %**

4.12. Provisions

in EUR thousands

	NLB Group				NLB			
	three months ended		nine months ended		three months ended		nine months ended	
	September 2023	September 2022	September 2023	September 2022	September 2023	September 2022	September 2023	September 2022
Guarantees and commitments (note 5.12.b)	(2,514)	(704)	(9,716)	(2,471)	(2,088)	831	(4,176)	(697)
Restructuring provisions	(352)	2	(352)	4,681	-	-	-	-
Provisions for legal risks	902	(448)	1,718	187	243	-	(3,315)	100
Other provisions	-	(1)	10,991	(12)	-	-	9,300	-
Total	**(1,964)**	**(1,151)**	**2,641**	**2,385**	**(1,845)**	**831**	**1,809**	**(597)**

4.13. Impairment charge

in EUR thousands

	NLB Group				NLB			
	three months ended		nine months ended		three months ended		nine months ended	
	September 2023	September 2022	September 2023	September 2022	September 2023	September 2022	September 2023	September 2022
Impairment of financial assets								
Cash balances at central banks, and other demand deposits at banks	(495)	(6,872)	(578)	(6,910)	19	72	89	(27)
Loans and advances to customers measured at amortised cost (note 5.10.a)	3,998	(1,902)	(13,723)	(6,859)	6,108	1,981	5,710	1,166
Loans and advances to banks measured at amortised cost (note 5.10.a)	(3)	22	31	84	(88)	(10)	(50)	32
Debt securities measured at fair value through other comprehensive income (note 5.10.b)	(495)	(790)	(6,569)	4,221	(244)	(89)	(4,972)	5,898
Debt securities measured at amortised cost (note 5.10.b)	297	(163)	1,559	215	128	3	577	131
Other financial assets measured at amortised cost (note 5.10.a)	2,359	569	2,230	4,267	233	59	410	174
Total impairment of financial assets	**5,661**	**(9,136)**	**(17,050)**	**(4,982)**	**6,156**	**2,016**	**1,764**	**7,374**
Impairment of investments in subsidiaries, associates and joint ventures								
Investments in subsidiaries	-	-	-	-	(4,094)	-	(4,094)	-
Total	**-**	**-**	**-**	**-**	**(4,094)**	**-**	**(4,094)**	**-**
Impairment of other assets								
Other assets	142	272	469	257	(5)	6	(5)	6
Total	**142**	**272**	**469**	**257**	**(5)**	**6**	**(5)**	**6**
Total impairment of non-financial assets	**142**	**272**	**469**	**257**	**(4,099)**	**6**	**(4,099)**	**6**
Total impairment	**5,803**	**(8,864)**	**(16,581)**	**(4,725)**	**2,057**	**2,022**	**(2,335)**	**7,380**

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

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

a) Acquisition of N Banka d.d., Ljubljana

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

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

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

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

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

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

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

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

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

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

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

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

Assets acquired	Valuation technique
Performing loans	*Discounted cash flow approach:* Since these are performing loans, it w as assumed that they w ould be repaid by future cash flow s in accordance w ith amortisation schedules. Credit risk w as considered for loans w hich are classified in Stage 2 in N Banka individual financial statements, by reducing future cash flow s accordingly. Also prepayment risk w as estimated for consumer and mortgage loans. The discount rates used for fair value measurement of loans w ere based on the publicly available interest rates published by Bank of Slovenia, that represent market rates and are thus considered the most appropriate. Discount rates differ based on product type, client segment, maturity and currency.
Non-performing loans	*Discounted cash flow approach* : Since these are non-performing loans, it could generally not be assumed that they w ould be repaid w ith cash flow s from client's regular business. Instead, gone concern principle w as used, taking into account liquidation value of collateral as expected cash flow s. Appropriate haircuts for age of valuations, type of collateral, type of location, and type of real estate w ere used to estimate the liquidation value of collateral, w hich w as then discounted for a period of 4 years, w ith the required yield of 15%.
Debt securities	For debt securities classified in Level 1 of fair value hierarchy, fair values w ere determined by an observable market price in an active market for an identical asset. For valuing debt securities in Level 2, income approach w as used, based on the estimation of future cash flow s discounted to the present value. The input parameters used in the income approach w ere the risk-free yield curve and the spread over the yield curve (credit, liquidity, country).
Real estate	Three approaches w ere used for estimating the value of real estate - the income capitalisation approach, the sale comparison approach and the residual land value approach. Each view s 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. *The income capitalization approach:* 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. *The sale comparison approach:* 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. *Residual land value approach:* 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 w ith the development project, including profit but excluding the cost of the land. It is applicable only for development/construction land.
Liabilities acquired	
Deposits	*Discounted cash flow approach:* Aggregated future cash flow s w ere discounted by applying market interest rates for term deposits. As a discount rate, average market rates on the deposits, published by Bank of Slovenia, w ere used.

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

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

b) Merger of N Banka d.d., Ljubljana with NLB d.d., Ljubljana

On 1 September 2023, with entry of the merger in the Register of Companies, the process of legal merger of N Banka d.d. with NLB d.d. was closed. As at the date of the merger, N Banka ceased to exist as an independent legal entity, and NLB, as a universal legal successor, took over all of its rights and obligations.

Merger was accounted for using merger accounting principles, due to the fact that such a merger is considered to be a business combination involving entities under common control. NLB has applied for the merger the following accounting policy:

- As of 1 September 2023 all assets, liabilities and off-balance sheet items of N Banka were recognised as they were reported for the purposes of NLB Group financial statements as of 31 August 2023 in relevant line items of assets, liabilities and off-balance sheet items of merged bank; and
- As of 1 September 2023 all income and expenses of N Banka were recognised as they were reported for the purposes of NLB Group financial statements as of 31 August 2023 directly into retained earnings. Therefore only income and expenses from 1 September 2023 onwards were recognised in the income statement of merged bank.

As at the day of the merger, NLB also took over control of the company Privatinvest d.o.o., which was 100% owned by N Banka and whose assets consist only of repossessed real estate. N Banka also had an investment in Bankart d.o.o., Ljubljana, which was from the day of the merger transferred to NLB.

The total assets and the equity of N Banka recognised at the day of the merger were as follows:

	in EUR thousands
Total assets	957,879
Equity	199,746

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

								in EUR thousands
	NLB Group				NLB			
	three months ended		nine months ended		three months ended		nine months ended	
	September 2023	September 2022	September 2023	September 2022	September 2023	September 2022	September 2023	September 2022
Gains less losses from property and equipment	910	198	5,994	188	33	198	156	161
Total	**910**	**198**	**5,994**	**188**	**33**	**198**	**156**	**161**

4.16. Income tax

										in EUR thousands
	NLB Group					NLB				
	three months ended		nine months ended			three months ended		nine months ended		
	September 2023	September 2022	September 2023	September 2022	Change	September 2023	September 2022	September 2023	September 2022	Change
Current tax	18,245	9,084	54,946	20,124	173 %	5,979	1,480	22,337	3,130	-
Deferred tax (note 5.13.)	(210)	1,346	2,934	939	-	45	(113)	1,211	(1,333)	-
Total	**18,035**	**10,430**	**57,880**	**21,063**	**175 %**	**6,024**	**1,367**	**23,548**	**1,797**	**-**
Effective tax rate (income tax/profit before income tax)	10.9	10.3	12.7	5.2	-	9.2	4.8	7.7	1.9	-

Current tax in 2023 includes EUR 6,144 thousand withholding tax suffered in other countries for which no tax credit was available in Slovenia (2022: EUR 1,114 thousand). The main part of this amount is withholding tax on distributed dividends.

5. Notes to the condensed statement of financial position

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

in EUR thousand

	NLB Group			NLB		
	30 Sep 2023	31 Dec 2022	Change	30 Sep 2023	31 Dec 2022	Change
Balances and obligatory reserves with central banks	5,170,311	4,536,526	14%	3,919,238	3,104,442	26%
Cash	463,700	489,197	-5%	176,520	180,483	-2%
Demand deposits at banks	182,912	246,815	-26%	41,554	54,456	-24%
	5,816,923	**5,272,538**	**10%**	**4,137,312**	**3,339,381**	**24%**
Allowance for impairment	(1,216)	(1,173)	-4%	(446)	(357)	-25%
Total	**5,815,707**	**5,271,365**	**10%**	**4,136,866**	**3,339,024**	**24%**

5.2. Financial instruments held for trading

a) Financial assets held for trading

in EUR thousands

	NLB Group			NLB		
	30 Sep 2023	31 Dec 2022	Change	30 Sep 2023	31 Dec 2022	Change
Derivatives, excluding hedging instruments						
Swap contracts	17,906	16,169	11%	19,537	16,274	20%
Options	1,907	2,312	-18%	1,907	2,312	-18%
Forward contracts	282	2,904	-90%	280	2,903	-90%
Total derivatives	**20,095**	**21,385**	**-6%**	**21,724**	**21,489**	**1%**
Securities						
Treasury bills	-	203	-	-	203	-
Total securities	**-**	**203**	**-**	**-**	**203**	**-**
Total	**20,095**	**21,588**	**-7%**	**21,724**	**21,692**	**0%**

b) Financial liabilities held for trading

in EUR thousands

	NLB Group			NLB		
	30 Sep 2023	31 Dec 2022	Change	30 Sep 2023	31 Dec 2022	Change
Derivatives, excluding hedging instruments						
Swap contracts	15,605	15,903	-2%	16,493	16,535	0%
Options	2,359	2,800	-16%	2,359	2,742	-14%
Forward contracts	228	2,886	-92%	227	2,873	-92%
Total	**18,192**	**21,589**	**-16%**	**19,079**	**22,150**	**-14%**

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

in EUR thousands

	NLB Group			NLB		
	30 Sep 2023	31 Dec 2022	Change	30 Sep 2023	31 Dec 2022	Change
Assets						
Shares	5,807	5,579	4%	5,807	5,211	11%
Investments funds	7,372	10,336	-29%	2,488	2,308	8%
Bonds	6,726	3,116	116%	-	-	-
Loans and advances to companies	-	-	-	8,372	7,892	6%
Total	**19,905**	**19,031**	**5%**	**16,667**	**15,411**	**8%**
Liabilities						
Loans and advances to companies	-	-	-	1,577	1,786	-12%
Other financial liabilities	4,370	1,796	143%	1,922	728	164%
Total	**4,370**	**1,796**	**143%**	**3,499**	**2,514**	**39%**

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

Analysis by type

in EUR thousands

	NLB Group			NLB		
	30 Sep 2023	31 Dec 2022	Change	30 Sep 2023	31 Dec 2022	Change
Bonds	1,879,491	2,506,224	-25%	1,006,389	1,196,760	-16%
Shares	24,709	22,285	11%	303	269	13%
National Resolution Fund	59,149	58,122	2%	59,149	42,515	39%
Treasury bills	254,063	310,748	-18%	10,206	94,517	-89%
Commercial bills	25,882	21,824	19%	-	-	-
Total	**2,243,294**	**2,919,203**	**-23%**	**1,076,047**	**1,334,061**	**-19%**
Allowance for impairment (note 5.10.b)	(7,813)	(15,876)	51%	(2,536)	(8,799)	71%

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

5.5. Financial assets measured at amortised cost

Analysis by type

in EUR thousands

	NLB Group			NLB		
	30 Sep 2023	31 Dec 2022	Change	30 Sep 2023	31 Dec 2022	Change
Debt securities	2,369,821	1,917,615	24%	1,932,179	1,597,448	21%
Loans and advances to banks	518,550	222,965	133%	161,611	350,625	-54%
Loans and advances to customers	13,666,068	13,072,986	5%	7,186,033	6,054,413	19%
Other financial assets	125,978	177,823	-29%	93,516	114,399	-18%
Total	**16,680,417**	**15,391,389**	**8%**	**9,373,339**	**8,116,885**	**15%**

a) Debt securities

in EUR thousands

	NLB Group			NLB		
	30 Sep 2023	31 Dec 2022	Change	30 Sep 2023	31 Dec 2022	Change
Government	1,746,685	1,486,496	18%	1,313,634	1,184,601	11%
Companies	83,706	84,979	-1%	76,483	64,913	18%
Banks	522,279	323,944	61%	522,279	323,944	61%
Financial organisations	22,491	25,980	-13%	22,491	25,980	-13%
	2,375,161	**1,921,399**	**24%**	**1,934,887**	**1,599,438**	**21%**
Allowance for impairment (note 5.10.b)	(5,340)	(3,784)	-41%	(2,708)	(1,990)	-36%
Total	**2,369,821**	**1,917,615**	**24%**	**1,932,179**	**1,597,448**	**21%**

b) Loans and advances to banks

in EUR thousands

	NLB Group			NLB		
	30 Sep 2023	31 Dec 2022	Change	30 Sep 2023	31 Dec 2022	Change
Loans	630	782	-19%	134,906	127,717	6%
Time deposits	225,897	118,241	91%	20,707	221,271	-91%
Reverse sale and repurchase agreements	286,050	102,358	179%	-	-	-
Purchased receivables	6,275	1,853	-	6,275	1,853	-
	518,852	**223,234**	**132%**	**161,888**	**350,841**	**-54%**
Allowance for impairment (note 5.10.a)	(302)	(269)	-12%	(277)	(216)	-28%
Total	**518,550**	**222,965**	**133%**	**161,611**	**350,625**	**-54%**

c) Loans and advances to customers

in EUR thousands

	NLB Group			NLB		
	30 Sep 2023	31 Dec 2022	Change	30 Sep 2023	31 Dec 2022	Change
Loans	13,043,668	12,626,259	3%	6,953,481	5,873,443	18%
Overdrafts	490,685	425,135	15%	268,300	208,499	29%
Finance lease receivables	301,289	193,948	55%	-	-	-
Credit card business	150,012	148,870	1%	78,427	64,460	22%
Called guarantees	4,233	2,772	53%	2,418	1,423	70%
	13,989,887	**13,396,984**	**4%**	**7,302,626**	**6,147,825**	**19%**
Allowance for impairment (note 5.10.a)	(323,819)	(323,998)	0%	(116,593)	(93,412)	-25%
Total	**13,666,068**	**13,072,986**	**5%**	**7,186,033**	**6,054,413**	**19%**

d) Other financial assets

	NLB Group			NLB		
in EUR thousands	30 Sep 2023	31 Dec 2022	Change	30 Sep 2023	31 Dec 2022	Change
Receivables in the course of settlement and other temporary accounts	43,367	36,712	18%	27,959	19,370	44%
Credit card receivables	33,353	41,364	-19%	28,248	30,544	-8%
Debtors	8,374	8,516	-2%	589	2,710	-78%
Fees and commissions	9,139	8,737	5%	1,022	2,359	-57%
Receivables to brokerage firms and others for the sale of securities and custody services	193	31,587	-99%	192	31,081	-99%
Accrued income	6,355	3,390	87%	7,535	3,413	121%
Prepayments	3,266	2,563	27%	-	-	-
Other financial assets	32,431	53,988	-40%	29,465	25,935	14%
	136,478	**186,857**	**-27%**	**95,010**	**115,412**	**-18%**
Allowance for impairment (note 5.10.a)	(10,500)	(9,034)	-16%	(1,494)	(1,013)	-47%
Total	**125,978**	**177,823**	**-29%**	**93,516**	**114,399**	**-18%**

5.6. Non-current assets held for sale

As at 30 September 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 5,266 thousand (31 December 2022: EUR 15,436 thousand) in the NLB Group and EUR 4,116 thousand (31 December 2022: EUR 4,235 thousand) in NLB.

5.7. Property and equipment

Analysis by type

	NLB Group			NLB		
in EUR thousands	30 Sep 2023	31 Dec 2022	Change	30 Sep 2023	31 Dec 2022	Change
Own property and equipment	232,684	228,944	2%	76,356	75,262	1%
Right-of-use assets	24,432	22,372	9%	5,621	3,330	69%
Total	**257,116**	**251,316**	**2%**	**81,977**	**78,592**	**4%**

5.8. Investment property

	NLB Group			NLB		
in EUR thousands	30 Sep 2023	31 Dec 2022	Change	30 Sep 2023	31 Dec 2022	Change
Buildings	32,692	34,576	-5%	7,575	6,571	15%
Land	405	1,063	-62%	144	182	-21%
Total	**33,097**	**35,639**	**-7%**	**7,719**	**6,753**	**14%**

5.9. Other assets

	NLB Group			NLB		
in EUR thousands	30 Sep 2023	31 Dec 2022	Change	30 Sep 2023	31 Dec 2022	Change
Assets, received as collateral	28,093	51,586	-46%	3,175	3,170	0%
Deferred expenses	12,921	12,200	6%	7,139	6,929	3%
Inventories	4,650	4,961	-6%	2,343	2,324	1%
Claim for taxes and other dues	1,176	1,509	-22%	197	417	-53%
Prepayments	2,911	2,287	27%	672	321	109%
Total	**49,751**	**72,543**	**-31%**	**13,526**	**13,161**	**3%**

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	-	(32)	(13)	197	(1)	3	(3)
Transfers	-	-	23,292	(21,221)	(2,071)	27	(31)	4
Increases/(Decreases) (note 4.13.)	58	(27)	(15,950)	18,698	7,487	(339)	75	2,875
Write-offs	-	-	(33)	(17)	(25,235)	(29)	(12)	(589)
Changes in models/risk parameters (note 4.13.)	-	-	(12,705)	5,614	716	(118)	(26)	(13)
Foreign exchange and other movements	-	1	2	7	21,085	(106)	(3)	43
Disposal ob subsidiary	-	-	-	-	-	(20)	-	(271)
Balance as at 30 Sep 2023	**220**	**82**	**85,799**	**48,880**	**189,140**	**660**	**44**	**9,796**
Repayments of w ritten-off receivables (note 4.13.)	-	-	-	-	17,583	-	-	224

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	(1)	-	33	20	1,141	(2)	(1)	(3)
Transfers	-	-	11,536	(8,070)	(3,466)	13	16	(29)
Increases/(Decreases) (note 4.13.)	(27)	106	(369)	12,888	7,005	392	4	3,949
Write-offs	-	-	(280)	(15)	(25,909)	(33)	(23)	(749)
Changes in models/risk parameters (note 4.13.)	5	-	(1,878)	3,498	(13)	8	11	(13)
Foreign exchange and other movements	(10)	-	(15)	(13)	6,230	-	-	182
Balance as at 30 Sep 2022	**165**	**106**	**78,324**	**42,330**	**197,642**	**854**	**43**	**9,051**
Repayments of w ritten-off receivables (note 4.13.)	-	-	-	-	27,990	-	-	84

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

in EUR thousands

	NLB							
	Loans and advances to banks		Loans and advances to customers			Other financial assets		
	12-month expected credit losses	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2023	216	-	21,041	8,185	64,186	203	2	808
Transfers	-	-	9,811	(8,638)	(1,173)	(198)	(4)	202
Increases/(Decreases) (note 4.13.)	(23)	(29)	(11,337)	10,934	15,677	(127)	9	634
Write-offs	-	-	(1)	(2)	(6,738)	(4)	(1)	(245)
Changes in models/risk parameters (note 4.13.)	2	-	(4,225)	1,683	(12)	(34)	-	-
Foreign exchange and other movements	-	1	8	6	1,484	-	-	1
Merger of subsidiary	-	110	7,090	4,436	4,178	222	-	26
Balance as at 30 Sep 2023	**195**	**82**	**22,387**	**16,604**	**77,602**	**62**	**6**	**1,426**
Repayments of w ritten-off receivables (note 4.13.)	-	-	-	-	7,010	-	-	72

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	-	-	5,678	(4,019)	(1,659)	6	(1)	(5)
Increases/(Decreases) (note 4.13.)	32	-	(4,233)	4,415	8,258	31	3	106
Write-offs	-	-	(237)	(13)	(11,521)	(6)	(1)	(286)
Changes in models/risk parameters (note 4.13.)	-	-	2,189	3,294	(334)	35	-	-
Foreign exchange and other movements	1	-	43	1	(6,590)	3	-	(6)
Balance as at 30 Sep 2022	**215**	**-**	**17,044**	**7,886**	**66,761**	**131**	**2**	**899**
Repayments of w ritten-off receivables (note 4.13.)	-	-	-	-	12,423	-	-	1

b) Movements in allowance for the impairment of debt securities

in EUR thousands					
	NLB Group				
	Debt securities measured at amortised cost		Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	Lifetime ECL not credit - impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2023	3,519	265	9,029	70	6,777
Effects of translation of foreign operations to presentation currency	(4)	1	-	-	-
Transfers	(52)	52	-	-	-
Increases/(Decreases) (note 4.13.)	1,133	(98)	(1,995)	(11)	(4,483)
Write-offs	-	-	-	-	(1,537)
Changes in models/risk parameters (note 4.13.)	9	515	(80)	-	-
Foreign exchange and other movements	-	-	2	-	41
Balance as at 30 Sep 2023	**4,605**	**735**	**6,956**	**59**	**798**

Release of lifetime ECL credit-impaired debt securities measured at fair value through other comprehensive income relates to impairment of Russian sovereign debt, which was sold in February 2023.

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	-	-	4	-	-
Transfers	-	-	(25)	(803)	828
Increases/(Decreases) (note 4.13.)	84	234	(1,668)	739	5,235
Changes in models/risk parameters (note 4.13.)	(11)	(92)	(97)	12	-
Foreign exchange and other movements	13	-	15	56	506
Balance as at 30 Sep 2022	**3,339**	**194**	**9,377**	**74**	**7,367**

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

in EUR thousands					
	NLB				
	Debt securities measured at amortised cost		Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	Lifetime ECL not credit - impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2023	1,990	-	2,022	-	6,777
Transfers	(52)	52	-	-	-
Increases/(Decreases) (note 4.13.)	469	144	(468)	-	(4,483)
Write-offs	-	-	-	-	(1,537)
Changes in models/risk parameters (note 4.13.)	(36)	-	(21)	-	-
Foreign exchange and other movements	-	1	1	-	41
Merger of subsidiary	140	-	204	-	-
Balance as at 30 Sep 2023	**2,511**	**197**	**1,738**	**-**	**798**

Release of lifetime ECL credit-impaired debt securities measured at fair value through other comprehensive income relates to impairment of Russian sovereign debt, which was sold in February 2023.

in EUR thousands					
	NLB				
	Debt securities measured at amortised cost		Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	Lifetime ECL not credit - impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2022	1,826	-	2,203	-	798
Transfers	-	-	(25)	(803)	828
Increases/(Decreases) (note 4.13.)	103	-	(106)	751	5,235
Changes in models/risk parameters (note 4.13.)	28	-	18	-	-
Foreign exchange and other movements	9	-	11	52	506
Balance as at 30 Sep 2022	**1,966**	**-**	**2,101**	**-**	**7,367**

5.11. Financial liabilities measured at amortised cost

Analysis by type

	NLB Group			NLB		
in EUR thousands	30 Sep 2023	31 Dec 2022	Change	30 Sep 2023	31 Dec 2022	Change
Deposits from banks and central banks	127,184	106,414	20%	277,409	212,656	30%
- Deposits on demand	95,468	86,892	10%	236,589	193,523	22%
- Other deposits	31,716	19,522	62%	40,820	19,133	113%
Borrowings from banks and central banks	127,167	198,609	-36%	84,055	57,292	47%
Due to customers	20,289,142	20,027,726	1%	11,700,334	10,984,411	7%
- Deposits on demand	17,454,207	17,386,022	0%	10,704,096	10,268,908	4%
- Other deposits	2,834,935	2,641,704	7%	996,238	715,503	39%
Borrowings from other customers	93,823	82,482	14%	217	216	0%
Debt securities issued	1,339,057	815,990	64%	1,339,057	815,990	64%
Other financial liabilities	293,271	294,463	0%	172,862	164,567	5%
Total	**22,269,644**	**21,525,684**	**3%**	**13,573,934**	**12,235,132**	**11%**

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

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

a) Debt securities issued

in EUR thousands				NLB Group and NLB			
				30 Sep 2023		31 Dec 2022	
	Currency	Due date	Interest rate	Carrying amount	Nominal value	Carrying amount	Nominal value
Subordinated bonds							
	EUR	06.05.2029	4.20% to 06.05.2024, thereafter 5Y MS + 4.159% p.a.	45,493	45,000	45,941	45,000
	EUR	19.11.2029	3.65% to 19.11.2024, thereafter 5Y MS + 3.833% p.a.	123,030	120,000	119,677	120,000
	EUR	05.02.2030	3.40% to 05.02.2025, thereafter 5Y MS + 3.658% p.a.	122,120	120,000	123,106	120,000
	EUR	28.11.2032	10.75% to 28.11.2027, thereafter 5Y MS + 8.298% p.a.	238,376	225,000	220,054	225,000
Total Subordinated bonds				**529,019**	**510,000**	**508,778**	**510,000**
Senior Preferred notes							
	EUR	19.07.2025	6% to 19.07.2024, thereafter 1Y MS + 4.835% p.a.	302,940	300,000	307,212	300,000
	EUR	27.06.2027	7.125% to 27.07.2026, thereafter 1Y MS + 3.606% p.a.	507,098	500,000	-	-
Total Senior Preferred notes				**810,038**	**800,000**	**307,212**	**300,000**
Total Debt securities issued				**1,339,057**	**1,310,000**	**815,990**	**810,000**

b) Movement of debt securities issued

in EUR thousand	Subordinated bonds		Senior Preferred notes	
NLB Group and NLB	**2023**	**2022**	**2023**	**2022**
Balance as at 1 Jan	508,778	288,519	307,212	-
Cash flow items:	(5,970)	(5,970)	479,708	-
- new debt securities issued	-	-	497,708	-
- repayments of interest	(5,970)	(5,970)	(18,000)	-
Non-Cash flow items:	26,211	7,883	23,118	-
- accrued interest	26,211	7,883	23,118	-
Balance as at 30 Sep	**529,019**	**290,432**	**810,038**	**-**

c) Other financial liabilities

	NLB Group			NLB		
in EUR thousands	30 Sep 2023	31 Dec 2022	Change	30 Sep 2023	31 Dec 2022	Change
Items in the course of payment	84,856	70,232	21%	26,990	16,281	66%
Debit or credit card payables	65,085	72,148	-10%	55,932	54,920	2%
Lease liabilities	26,137	23,840	10%	5,658	3,349	69%
Accrued expenses	32,184	33,574	-4%	15,955	15,898	0%
Liabilities to brokerage firms and others for securities purchase and custody services	15,386	224	-	15,366	205	-
Suppliers	7,577	19,608	-61%	4,699	13,455	-65%
Fees and commissions	221	751	-71%	118	633	-81%
Other financial liabilities	61,825	74,086	-17%	48,144	59,826	-20%
Total	**293,271**	**294,463**	**0%**	**172,862**	**164,567**	**5%**

5.12. Provisions

a) Analysis by type

						in EUR thousands
	NLB Group			NLB		
	30 Sep 2023	31 Dec 2022	Change	30 Sep 2023	31 Dec 2022	Change
Provisions for guarantees and commitments	27,891	37,609	-26%	16,839	20,299	-17%
Stage 1	14,114	18,826	-25%	6,704	8,156	-18%
Stage 2	1,818	1,953	-7%	472	378	25%
Stage 3	11,959	16,830	-29%	9,663	11,765	-18%
Employee benefit provisions	19,083	18,026	6%	13,111	11,876	10%
Provisions for legal risks	39,943	43,209	-8%	5,643	3,584	57%
Restructuring provisions	10,303	21,036	-51%	4,387	7,288	-40%
Other provisions	2,415	2,772	-13%	2,278	2,169	5%
Total	**99,635**	**122,652**	**-19%**	**42,258**	**45,216**	**-7%**

Legal risks

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

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

Other provisions

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

b) Movements in provisions for guarantees and commitments

in EUR thousands

	NLB Group		
	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2023	18,826	1,953	16,830
Effects of translation of foreign operations to presentation currency	(1)	-	1
Transfers	479	(137)	(342)
Increases/(Decreases) (note 4.12.)	(1,688)	(849)	(4,527)
Changes in models/risk parameters (note 4.12.)	(3,507)	851	4
Foreign exchange and other movements	5	-	(7)
Balance as at 30 Sep 2023	**14,114**	**1,818**	**11,959**

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	4	-	2
Acquisition of subsidiary	921	-	180
Transfers	350	160	(510)
Increases/(Decreases) (note 4.12.)	2,000	(307)	(2,073)
Changes in models/risk parameters (note 4.12.)	(2,099)	91	(83)
Foreign exchange and other movements	(8)	2	(20)
Balance as at 30 Sep 2022	**14,080**	**1,586**	**16,385**

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	70	180	(250)
Increases/(Decreases) (note 4.12.)	(1,007)	(496)	(1,950)
Changes in models/risk parameters (note 4.12.)	(1,142)	387	32
Merger of subsidiary	627	23	66
Balance as at 30 Sep 2023	**6,704**	**472**	**9,663**

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	469	12	(481)
Increases/(Decreases) (note 4.12.)	2,017	93	(2,345)
Changes in models/risk parameters (note 4.12.)	(455)	(6)	(1)
Foreign exchange and other movements	(3)	-	26
Balance as at 30 Sep 2022	**5,937**	**240**	**13,709**

5.13. Deferred income tax

	NLB Group		NLB	
in EUR thousands	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
Deferred income tax assets				
Valuation of financial instruments and capital investments	44,952	48,415	39,363	38,028
Impairment of financial assets	8,182	9,480	996	2,050
Provisions for liabilities and charges	8,229	9,899	1,572	1,819
Depreciation and valuation of non-financial assets	4,941	4,737	104	109
Fair value adjustments of financial instruments measured at amortised cost	1,838	2,046	1,313	-
Other	130	141	-	-
Total deferred income tax assets	**68,272**	**74,718**	**43,348**	**42,006**
Deferred income tax liabilities				
Valuation of financial instruments	8,322	8,375	4,896	5,283
Depreciation and valuation of non-financial assets	1,259	1,641	145	163
Impairment of financial assets	3,840	5,501	482	1,672
Fair value adjustments of financial assets measured at amortised cost	6,674	5,366	-	-
Other	610	877	-	-
Total deferred income tax liabilities	**20,705**	**21,760**	**5,523**	**7,118**
Net deferred income tax assets	**49,281**	**55,527**	**37,825**	**34,888**
Net deferred income tax liabilities	**(1,714)**	**(2,569)**	**-**	**-**

	NLB Group		NLB	
in EUR thousands	nine months ended		nine months ended	
	September 2023	September 2022	September 2023	September 2022
Included in the income statement	**(2,934)**	**(939)**	**(1,211)**	**1,333**
- valuation of financial instruments and capital investments	594	5,420	191	4,297
- impairment of financial assets	(991)	2,487	(1,118)	1,255
- provisions for liabilities and charges	(1,668)	(227)	(292)	(346)
- depreciation and valuation of non-financial assets	398	(982)	13	3
- fair value adjustments of financial assets measured at amortised cost	(1,523)	(3,140)	(5)	-
- tax losses	-	(253)	-	-
- dividends	-	(3,876)	-	(3,876)
- tax reliefs	-	(709)	-	-
- other	256	341	-	-
Included in other comprehensive income	**(2,652)**	**10,852**	**1,722**	**1,020**
- valuation and impairment of financial assets measured at fair value through other comprehensive income	(2,652)	10,852	1,722	1,020

As at 30 September 2023, NLB recognised EUR 43,348 thousand deferred tax assets (31 December 2022: EUR 42,006 thousand). Unrecognised deferred tax assets amount to EUR 177,657 thousand (31 December 2022: EUR 202,802 thousand) of which EUR 163,665 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 13,992 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		
Nine months ended September 2023	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Financial assets measured at fair value through other comprehensive income	46,571	(2,652)	43,919	15,527	1,722	17,249
Total	**46,571**	**(2,652)**	**43,919**	**15,527**	**1,722**	**17,249**

in EUR thousands	NLB Group			NLB		
Nine months ended September 2022	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Financial assets measured at fair value through other comprehensive income	(168,720)	10,852	(157,868)	(94,037)	1,020	(93,017)
Total	**(168,720)**	**10,852**	**(157,868)**	**(94,037)**	**1,020**	**(93,017)**

5.15. Other liabilities

in EUR thousands

	NLB Group			NLB		
	30 Sep 2023	31 Dec 2022	Change	30 Sep 2023	31 Dec 2022	Change
Accrued salaries	29,104	21,948	33%	19,706	14,014	41%
Unused annual leave	6,509	6,886	-5%	2,569	2,569	0%
Taxes payable	5,349	5,724	-7%	3,242	4,023	-19%
Deferred income	10,718	11,177	-4%	4,376	4,749	-8%
Payments received in advance	3,974	3,346	19%	327	32	-
Total	**55,654**	**49,081**	**13%**	**30,220**	**25,387**	**19%**

5.16. Other equity instruments issued

On 23 September 2022, NLB issued subordinated notes intended to qualify as Additional Tier 1 Instruments in the aggregate nominal amount of EUR 82 million. The notes have no scheduled maturity date. The issuer has the option for early redemption of the notes in the period between 23 September 2027 and 23 March 2028, and on each distribution payment date after 23 March 2028. Until 23 March 2028, the interest on the principal of the notes will accrue at the interest rate of 9.721% per annum, and for each subsequent 5-year period, will accrue at the applicable interest rate, which shall be reset prior to the commencement of each such period (5Y MS + 7.20% per annum). The coupon payments are discretionary and non-cumulative. The notes terms provide for a temporary write-down in the event that the Common Equity Tier 1 ratio of NLB Group and/or NLB drop(s) below 5.125%. The issue price was equal to 100% of the nominal amount of the notes. The ISIN code of the notes is SI0022104275. Carrying amount as of 30 September 2023 is EUR 82,174 thousand (31 December 2022: EUR 84,184 thousand).

5.17. Book value per share

in EUR thousands

	NLB Group		NLB	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
Total equity attributable to owners of the parents	2,734,857	2,365,585	2,042,185	1,602,870
Other equity instruments (note 5.16.)	82,174	84,184	82,174	84,184
Total equity attributable to owners of the parents excluding other equity instruments issued	2,652,683	2,281,401	1,960,011	1,518,686
Number of shares (in thousands)	20,000	20,000	20,000	20,000
Book value per share (in EUR)	132.6	114.1	98.0	75.9

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

5.18. Capital adequacy ratio

in EUR thousands

	NLB Group		NLB	
	30 Sep 2023	31 Dec 2022	30 Sep 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	1,237,367	908,965	595,140	355,861
Profit eligible - from current year	-	334,297	-	49,602
Accumulated other comprehensive income	(114,893)	(98,470)	(67,145)	(50,527)
Other reserves	13,522	13,522	13,522	13,522
Minority interest	27,402	26,806	-	-
Prudential filters: Additional Valuation Adjustments (AVA)	(2,301)	(2,981)	(1,125)	(1,385)
(-) Goodwill	(3,529)	(3,529)	-	-
(-) Other intangible assets	(35,495)	(41,351)	(20,814)	(23,675)
(-) Insufficient coverage for non-performing exposures	(558)	(418)	(168)	(80)
COMMON EQUITY TIER 1 CAPITAL (CET1)	**2,192,893**	**2,208,219**	**1,590,788**	**1,414,696**
Capital instruments eligible as AT1 Capital	82,000	82,000	82,000	82,000
Minority interest	5,673	5,481	-	-
Additional Tier 1 capital	**87,673**	**87,481**	**82,000**	**82,000**
TIER 1 CAPITAL	**2,280,566**	**2,295,700**	**1,672,788**	**1,496,696**
Capital instruments and subordinated loans eligible as Tier 2 capital	507,516	507,516	507,516	507,516
Minority interest	3,325	3,159	-	-
TIER 2 CAPITAL	**510,841**	**510,675**	**507,516**	**507,516**
TOTAL CAPITAL	**2,791,407**	**2,806,375**	**2,180,304**	**2,004,212**
RWA for credit risk	12,026,990	11,797,851	7,363,590	6,356,959
RWA for market risks	1,387,088	1,359,476	755,726	776,963
RWA for credit valuation adjustment risk	94,813	85,600	97,250	86,138
RWA for operational risk	1,410,132	1,410,132	612,654	612,654
TOTAL RISK EXPOSURE AMOUNT (RWA)	**14,919,023**	**14,653,059**	**8,829,220**	**7,832,714**
Common Equity Tier 1 Ratio	14.7%	15.1%	18.0%	18.1%
Tier 1 Ratio	15.3%	15.7%	18.9%	19.1%
Total Capital Ratio	**18.7%**	**19.2%**	**24.7%**	**25.6%**

As at 30 September 2023, the total capital ratio (TCR) for the NLB Group stood at 18.7% and the CET1 ratio for the NLB Group stood at 14.7%, both decreased by 0.4 p.p. compared to the end of 2022 due to lower total capital and higher RWA. Although the overall revaluation adjustments in 2023 till the end of September were positive in the amount EUR 45.2 million, the total capital decreased by EUR 15.0 million compared to the end of 2022 since the temporary treatment of fair value through other comprehensive income (FVOCI) valuations for sovereign securities with the positive effect of EUR 61.7 million as at 31 December 2022 ceased to apply in January 2023.

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

Risk Weighted Assets (RWA) in the NLB Group increased by EUR 266.0 million compared to the end of 2022. RWAs for credit risk increased by EUR 229.1 million, mainly due to ramping up lending activity in all Group Banks and higher project finance exposures. On the other hand, RWA decreased due to lower liquidity assets mainly in NLB Komercijalna Banka Beograd (maturity of some Serbian bonds and MIGA guarantee for assets at central banks). Repayments and higher impairments and provisions resulted in the RWA reduction for non-performing exposures.

The increase in RWAs for market risks and Credit Value Adjustments (CVA) in the amount of EUR 36.8 million compared to the end of 2022 is the result of new position RWA for Equity risk in the amount of EUR 19.5 million, higher RWA for FX risk in the amount of EUR 9.3 million, higher RWA for CVA risk in the amount of EUR 9.2 million (due to new deals), and lower RWA for Traded debt instruments risk in the amount of EUR 1.2 million.

5.19. Off-balance sheet liabilities

in EUR thousands

	NLB Group			NLB		
	30 Sep 2023	31 Dec 2022	Change	30 Sep 2023	31 Dec 2022	Change
Loan commitments	2,158,303	2,388,468	-10%	1,707,618	1,635,498	4%
Non-financial guarantees	947,938	862,779	10%	645,795	462,805	40%
Financial guarantees	656,303	648,529	1%	373,319	326,791	14%
Letters of credit	28,089	35,029	-20%	10,433	13,204	-21%
Other	913,883	675,887	35%	405,977	326,683	24%
	4,704,516	**4,610,692**	**2%**	**3,143,142**	**2,764,981**	**14%**
Provisions (note 5.12.)	(27,891)	(37,609)	26%	(16,839)	(20,299)	17%
Total	**4,676,625**	**4,573,083**	**2%**	**3,126,303**	**2,744,682**	**14%**

The line item ‘Other’ include also some low-risk off-balance sheet items, for which 0% credit conversion factor is applied in accordance with the Capital Requirements Regulation (credit and other lines which can be irrevocably cancelled by a bank). As at 30 September 2023, these items at the NLB Group level amount to EUR 888,825 thousand (31 December 2022: EUR 657,232 thousand), and at the NLB level EUR 395,771 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 valuators. 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

in EUR thousands

	NLB Group				NLB			
30 Sep 2023	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Financial assets								
Financial instruments held for trading	-	20,074	21	20,095	-	21,703	21	21,724
Derivatives	-	20,074	21	20,095	-	21,703	21	21,724
Derivatives - hedge accounting	-	62,013	-	62,013	-	61,318	-	61,318
Financial assets measured at fair value through other comprehensive income	1,473,052	768,901	1,341	2,243,294	1,010,225	65,519	303	1,076,047
Debt instruments	1,472,569	686,799	68	2,159,436	1,010,225	6,370	-	1,016,595
Equity instruments	483	82,102	1,273	83,858	-	59,149	303	59,452
Non-trading financial assets mandatorily at fair value through profit or loss	11,610	-	8,295	19,905	-	8,372	8,295	16,667
Debt instruments	6,726	-	-	6,726	-	-	-	-
Equity instruments	4,884	-	8,295	13,179	-	-	8,295	8,295
Loans	-	-	-	-	-	8,372	-	8,372
Financial liabilities								
Financial instruments held for trading	-	18,192	-	18,192	-	19,079	-	19,079
Derivatives	-	18,192	-	18,192	-	19,079	-	19,079
Derivatives - hedge accounting	-	594	-	594	-	574	-	574
Financial liabilities measured at fair value through profit or loss	-	4,370	-	4,370	-	3,499	-	3,499
Non-financial assets								
Investment properties	-	11,007	22,090	33,097	-	7,719	-	7,719
Non-current assets held for sale	-	4,116	1,150	5,266	-	4,116	-	4,116

in EUR thousands

	NLB Group				NLB			
31 Dec 2022	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Financial assets								
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
Financial liabilities								
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
Non-financial assets								
Investment properties	-	12,192	23,447	35,639	-	6,753	-	6,753
Non-current assets held for sale	-	4,235	11,201	15,436	-	4,235	-	4,235

b) Significant transfers of financial instruments between levels of valuation

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

							Derivatives		
Fair value hierarchy	**Equities**	**Equity stake**	**Gold**	**Funds**	**Debt securities**	**Loans**	**Equities**	**Currency**	**Interest**
1	market value from exchange market		market value from spot market	regular valuation by fund management company	market value from exchange market				
2					valuation model	valuation model	valuation model (underlying instrument in level 1)	valuation model	valuation model
3	valuation model	valuation model		valuation model	valuation model	valuation model	valuation model (underlying instrument in level 3)		
Transfers									
	from Level 1 to 3 equity excluded from exchange market			*from Level 1 to 3* fund management company stops publishing regular valuation	*from Level 1 to 2* debt securities excluded from exchange market	*from Level 2 to 3* counterparty reclassified from performing to 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 nine months ended 30 September 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 valuated by a valuation model with inputs which are based on observable market data;
- derivatives: derivatives except forward derivatives and options on equity instruments that are not quoted on active markets;
- performing loans measured at fair value, which according to IFRS 9 do not pass SPPI test. Fair value is calculated on the basis of the discounted expected future cash flows with the required rate of return;
- the National Resolution Fund.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Movements of financial assets and liabilities at Level 3

in EUR thousands

	Financial instruments held for trading	Financial assets measured at fair value through OCI		Non-trading financial assets mandatorily at fair value through profit or loss	Total financial assets
NLB Group	Derivatives	Debt instruments	Equity instruments	Equity instruments	
Balance as at 1 Jan 2023	17	2,236	1,256	7,519	11,028
Effects of translation of foreign operations to presentation currency	-	-	1	-	1
Valuation:					
- through profit or loss	4	-	-	552	556
- recognised in other comprehensive income	-	5,768	35	-	5,803
Exchange differences	-	21	-	74	95
Increases	-	-	-	150	150
Decreases	-	(6,420)	(19)	-	(6,439)
Write-offs	-	(1,537)	-	-	(1,537)
Balance as at 30 Sep 2023	**21**	**68**	**1,273**	**8,295**	**9,657**

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
NLB Group	Derivatives	Debt instruments	Equity instruments	Equity instruments	
Balance as at 1 Jan 2022	1	351	1,136	4,472	5,960
Acquisition of subsidiaries	-	-	12	-	12
Valuation:					
- through profit or loss	(1)	-	-	(326)	(327)
- recognised in other comprehensive income	-	22	110	-	132
Exchange differences	-	128	-	753	881
Increases	-	-	-	2,000	2,000
Decreases	-	(146)	-	(543)	(689)
Transfers to Level 3	-	1,812	-	-	1,812
Balance as at 30 Sep 2022	**-**	**2,167**	**1,258**	**6,356**	**9,781**

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
NLB	Derivatives	Debt instruments	Equity instruments	Equity instruments	
Balance as at 1 Jan 2023	17	2,026	269	7,519	9,831
Valuation:					
- through profit or loss	4	-	-	552	556
- recognised in other comprehensive income	-	5,768	19	-	5,787
Exchange differences	-	21	-	74	95
Increases	-	-	-	150	150
Decreases	-	(6,278)	-	-	(6,278)
Write-offs	-	(1,537)	-	-	(1,537)
Merger of subsidiary	-	-	15	-	15
Balance as at 30 Sep 2023	**21**	**-**	**303**	**8,295**	**8,619**

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
NLB	Derivatives	Debt instruments	Equity instruments	Equity instruments	
Balance as at 1 Jan 2022	1	-	219	4,472	4,692
Valuation:					
- through profit or loss	(1)	-	-	(326)	(327)
- recognised in other comprehensive income	-	22	50	-	72
Exchange differences	-	128	-	753	881
Increases	-	-	-	2,000	2,000
Decreases	-	-	-	(543)	(543)
Transfers to Level 3	-	1,812	-	-	1,812
Balance as at 30 Sep 2022	**-**	**1,962**	**269**	**6,356**	**8,587**

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

in EUR thousands

Nine months ended 30 Sep 2023	NLB Group			
	Financial assets held for trading	Financial assets measured at fair value through OCI		Non-trading financial assets mandatorily at fair value through profit or loss
	Derivatives	Debt instruments	Equity instruments	Equity instruments
Items of Income statement				
Gains less losses from financial assets and liabilities held for trading	4	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	-	552
Foreign exchange translation gains less losses	-	-	-	74
Item of Other comprehensive income				
Financial assets measured at fair value through other comprehensive income	-	-	35	-

in EUR thousands

Nine months ended 30 Sep 2022	NLB Group			
	Financial assets held for trading	Financial assets measured at fair value through OCI		Non-trading financial assets mandatorily at fair value through profit or loss
	Derivatives	Debt instruments	Equity instruments	Equity instruments
Items of Income statement				
Gains less losses from financial assets and liabilities held for trading	(1)	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	-	(326)
Foreign exchange translation gains less losses	-	128	-	753
Item of Other comprehensive income				
Financial assets measured at fair value through other comprehensive income	-	22	110	-

in EUR thousands

Nine months ended 30 Sep 2023	NLB			
	Financial assets held for trading	Financial assets measured at fair value through OCI		Non-trading financial assets mandatorily at fair value through profit or loss
	Derivatives	Debt instruments	Equity instruments	Equity instruments
Items of Income statement				
Gains less losses from financial assets and liabilities held for trading	4	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	-	552
Foreign exchange translation gains less losses	-	-	-	74
Item of Other comprehensive income				
Financial assets measured at fair value through other comprehensive income	-	-	19	-

in EUR thousands

Nine months ended 30 Sep 2022	NLB			
	Financial assets held for trading	Financial assets measured at fair value through OCI		Non-trading financial assets mandatorily at fair value through profit or loss
	Derivatives	Debt instruments	Equity instruments	Equity instruments
Items of Income statement				
Gains less losses from financial assets and liabilities held for trading	(1)	-	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	-	(326)
Foreign exchange translation gains less losses	-	128	-	753
Item of Other comprehensive income				
Financial assets measured at fair value through other comprehensive income	-	22	50	-

Movements of non-financial assets at Level 3

in EUR thousands

	Investment property		Non-current assets held for sale	
NLB Group	**2023**	**2022**	**2023**	**2022**
Balance as at 1 Jan	23,447	27,642	11,201	2,962
Effects of translation of foreign operations to presentation currency	(13)	20	14	3
Disposal of subsidiary	(372)		-	-
Additions	86	58	-	-
Disposals	(1,058)	(6,669)	(10,065)	(105)
Balance as at 30 Sep	**22,090**	**21,051**	**1,150**	**2,860**

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

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

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

in EUR thousands

	NLB Group				NLB			
	30 Sep 2023		31 Dec 2022		30 Sep 2023		31 Dec 2022	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets measured at amortised cost								
- debt securities	2,369,821	2,214,108	1,917,615	1,749,169	1,932,179	1,782,641	1,597,448	1,442,453
- loans and advances to banks	518,550	518,360	222,965	223,077	161,611	161,611	350,625	362,422
- loans and advances to customers	13,666,068	13,134,902	13,072,986	12,883,859	7,186,033	6,897,146	6,054,413	5,965,468
- other financial assets	125,978	125,978	177,823	177,823	93,516	93,516	114,399	114,399
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	127,184	126,632	106,414	106,627	277,409	276,904	212,656	212,880
- borrowings from banks and central banks	127,167	116,011	198,609	193,774	84,055	72,167	57,292	52,897
- due to customers	20,289,142	20,285,466	20,027,726	20,031,938	11,700,334	11,696,854	10,984,411	10,989,255
- borrowings from other customers	93,823	94,103	82,482	80,684	217	217	216	216
- debt securities issued	1,339,057	1,351,360	815,990	788,892	1,339,057	1,351,360	815,990	788,892
- other financial liabilities	293,271	293,271	294,463	294,463	172,862	172,862	164,567	164,567

Loans and advances to banks

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

Loans and advances to customers

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

Deposits and borrowings from customers

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

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

Debt securities measured at amortised cost and debt securities issued

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

Loan commitments

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

Other financial assets and liabilities

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

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

in EUR thousands

30 Sep 2023	NLB Group Level 1	NLB Group Level 2	NLB Group Level 3	NLB Group Total fair value	NLB Level 1	NLB Level 2	NLB Level 3	NLB Total fair value
Financial assets measured at amortised cost								
- debt securities	1,832,374	374,511	7,223	2,214,108	1,679,528	103,113	-	1,782,641
- loans and advances to banks	-	518,360	-	518,360	-	161,611	-	161,611
- loans and advances to customers	-	13,134,902	-	13,134,902	-	6,897,146	-	6,897,146
- other financial assets	-	125,978	-	125,978	-	93,516	-	93,516
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	-	126,632	-	126,632	-	276,904	-	276,904
- borrowings from banks and central banks	-	116,011	-	116,011	-	72,167	-	72,167
- due to customers	-	20,285,466	-	20,285,466	-	11,696,854	-	11,696,854
- borrowings from other customers	-	94,103	-	94,103	-	217	-	217
- debt securities issued	1,351,360	-	-	1,351,360	1,351,360	-	-	1,351,360
- other financial liabilities	-	293,271	-	293,271	-	172,862	-	172,862

in EUR thousands

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

6. Analysis by segment for NLB Group

a) Segments[5]

in EUR thousands

Nine months ended 30 September 2023	Retail Banking in Slovenia	Corporate and Investment Banking in Slovenia	Strategic Foreign Markets	Financial Markets in Slovenia	Non-Core Members	Other activities	Unallocated	Total
	NLB Group							
Total net income	260,011	107,303	405,421	32,965	(2,170)	4,469	-	807,999
Net income from external customers	183,484	148,902	405,136	61,483	(2,507)	4,311	-	800,809
Intersegment net income	76,527	(41,599)	285	(28,518)	337	158	-	7,190
Net interest income	185,018	74,409	307,541	34,137	662	(313)	-	601,454
Net interest income from external customers	110,613	115,469	312,130	63,090	549	(397)	-	601,454
Intersegment net interest income	74,405	(41,060)	(4,589)	(28,953)	113	84	-	-
Administrative expenses	(98,773)	(47,459)	(158,745)	(6,614)	(9,599)	(12,848)	-	(334,038)
Depreciation and amortisation	(8,227)	(4,164)	(20,707)	(464)	(345)	(888)	-	(34,795)
Reportable segment profit/(loss) before impairment and provision charge	153,011	55,680	225,969	25,887	(12,114)	(9,267)	-	439,166
Share of profit from investments in associates and joint ventures	1,316	-	-	-	-	-	-	1,316
Impairment and provisions charge	(22,204)	8,603	15,478	4,799	1,896	5,368	-	13,940
Profit/(loss) before income tax	132,123	64,283	241,447	30,686	(10,218)	(3,899)	-	454,422
Owners of the parent	132,123	64,283	231,843	30,686	(10,218)	(3,899)	-	444,818
Non-controlling interests	-	-	9,604	-	-	-	-	9,604
Income tax	-	-	-	-	-	-	(57,880)	(57,880)
Profit for the year								**386,938**
30 Sep 2023								
Reportable segment assets	3,716,519	3,498,212	10,579,455	7,073,302	44,306	353,246	-	25,265,040
Investments in associates and joint ventures	12,994	-	-	-	-	-	-	12,994
Reportable segment liabilities	9,245,933	2,465,432	8,999,132	1,479,623	2,649	288,484	-	22,481,253

in EUR thousands

Nine months ended 30 September 2022	Retail Banking in Slovenia	Corporate and Investment Banking in Slovenia	Strategic Foreign Markets	Financial Markets in Slovenia	Non-Core Members	Other activities	Unallocated	Total
	NLB Group							
Total net income	148,108	77,711	304,907	28,871	2,598	6,360	-	568,555
Net income from external customers	163,430	87,255	306,419	(2,155)	2,410	6,317	-	563,676
Intersegment net income	(15,322)	(9,544)	(1,512)	31,026	188	43	-	4,879
Net interest income	70,706	36,948	213,200	30,832	216	1,175	-	353,077
Net interest income from external customers	90,427	48,104	217,088	(4,125)	377	1,206	-	353,077
Intersegment net interest income	(19,721)	(11,156)	(3,888)	34,957	(161)	(31)	-	-
Administrative expenses	(91,694)	(41,381)	(144,168)	(6,394)	(8,355)	(11,192)	-	(303,184)
Depreciation and amortisation	(8,180)	(3,374)	(21,199)	(459)	(352)	(731)	-	(34,295)
Reportable segment profit/(loss) before impairment and provision charge	48,234	32,956	139,540	22,018	(6,109)	(5,563)	-	231,076
Share of profit from investments in associates and joint ventures	1,146	-	-	-	-	-	-	1,146
Negative goodwill						172,810	-	172,810
Impairment and provisions charge	(10,777)	18,906	2,697	(367)	913	(9,032)	-	2,340
Profit/(loss) before income tax	38,603	51,862	142,237	21,651	(5,196)	158,215	-	407,372
Owners of the parent	38,603	51,862	133,713	21,651	(5,196)	158,215	-	398,848
Non-controlling interests	-	-	8,524	-	-	-	-	8,524
Income tax	-	-	-	-	-	-	(21,063)	(21,063)
Profit for the year								**377,785**
31 Dec 2022								
Reportable segment assets	3,665,110	3,372,047	10,179,396	6,514,047	61,563	356,400	-	24,148,563
Investments in associates and joint ventures	11,677	-	-	-	-	-	-	11,677
Reportable segment liabilities	9,108,497	2,777,001	8,539,025	1,118,681	3,754	190,957	-	21,737,915

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

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

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

5 N Banka is included in the segment analysis for the period 1 January – 30 September 2023 and the year 2022 as an independent legal entity; in the segment analysis for the period 1 January – 30 September 2023, it is included with the result for the period 1 January – 31 August 2023.

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

in EUR thousands

NLB Group	Revenues nine months ended September 2023	Revenues nine months ended September 2022	Net income nine months ended September 2023	Net income nine months ended September 2022	Non-current assets 30 Sep 2023	Non-current assets 31 Dec 2022	Total assets 30 Sep 2023	Total assets 31 Dec 2022
Slovenia	521,940	317,566	400,074	256,424	151,074	152,037	14,666,017	13,935,167
South East Europe	481,445	365,983	402,919	307,248	207,489	204,802	10,595,348	10,216,136
North Macedonia	81,635	69,099	66,104	56,774	33,841	36,348	1,794,487	1,832,477
Serbia	227,616	155,768	197,209	134,467	104,375	100,822	4,842,019	4,672,351
Montenegro	46,277	36,679	36,466	27,997	19,185	17,416	903,070	825,400
Croatia	-	36	(558)	441	-	377	1,211	3,557
Bosnia and Herzegovina	76,111	61,504	62,217	51,341	36,139	35,550	1,877,074	1,799,877
Kosovo	49,806	42,897	41,481	36,228	13,949	14,289	1,177,487	1,082,474
Western Europe	40	13	(2,184)	4	28	28	16,669	8,937
Germany	-	5	48	55	28	28	550	691
Switzerland	40	8	(2,232)	(51)	-	-	16,119	8,246
Total	**1,003,425**	**683,562**	**800,809**	**563,676**	**358,591**	**356,867**	**25,278,034**	**24,160,240**

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

7. Related-party transactions

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

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

in EUR thousands

	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	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
Loans and deposits issued	1,802	2,173	449	469	-	-	24	54
Deposits received	2,644	2,556	1,014	926	253	218	334	348
Other financial liabilities	-	2	-	-	4	3	-	-
Other financial liabilities measured at fair value through profit or loss	2,022	801	-	-	-	-	-	-
Other operating liabilities	11,080	6,559	-	-	-	-	-	-
Guarantees issued and loan commitments	271	237	69	70	-	-	16	17

NLB	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
Loans and deposits issued	1,801	2,172	449	469	-	-	24	54
Deposits received	2,633	2,536	1,014	926	253	218	334	348
Other financial liabilities	-	2	-	-	4	3	-	-
Other financial liabilities measured at fair value through profit or loss	1,922	728	-	-	-	-	-	-
Other operating liabilities	11,080	6,539	-	-	-	-	-	-
Guarantees issued and loan commitments	263	223	69	70	-	-	16	17

	nine months ended		nine months ended		nine months ended		nine months ended	
NLB Group	September 2023	September 2022	September 2023	September 2022	September 2023	September 2022	September 2023	September 2022
Interest income	43	29	13	7	-	6	1	-
Interest expenses	(22)	(5)	(4)	-	-	-	(3)	(1)
Fee income	13	16	5	6	2	77	1	1
Other income	11	11	-	-	-	-	-	-
Other expenses	-	-	-	-	(62)	(354)	-	-

	nine months ended		nine months ended		nine months ended		nine months ended	
NLB	September 2023	September 2022	September 2023	September 2022	September 2023	September 2022	September 2023	September 2022
Interest income	43	29	13	7	-	6	1	-
Interest expenses	(22)	(5)	(4)	-	-	-	(3)	(1)
Fee income	13	15	5	6	2	77	1	1
Other income	11	11	-	-	-	-	-	-
Other expenses	-	-	-	-	(62)	(354)	-	-

Key management compensation – payments in the period

in EUR thousands

	Management Board		Other key management personnel	
	nine months ended		nine months ended	
NLB Group and NLB	September 2023	September 2022	September 2023	September 2022
Short-term benefits	2,293	1,545	4,927	4,569
Cost refunds	7	4	83	68
Long-term bonuses				
- severance pay	-	-	120	-
- other benefits	14	5	121	58
- variable part of payments	299	276	1,252	1,425
Total	**2,613**	**1,830**	**6,503**	**6,120**

Short-term benefits include:

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

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

Related-party transactions with subsidiaries, associates and joint ventures

in EUR thousands

	NLB Group			
	Associates		Joint ventures	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
Loans and deposits issued	963	1,057	-	201
Deposits received	8,330	5,375	1,440	3,071
Other financial assets	3	7	-	-
Other financial liabilities	279	1,116	-	1
Guarantees issued and loan commitments	33	2,034	-	-

	nine months ended		nine months ended	
	September 2023	September 2022	September 2023	September 2022
Interest income	48	27	1	2
Interest expenses	-	-	(26)	(35)
Fee income	5	66	-	-
Fee expenses	(10,726)	(11,000)	-	-
Other income	32	82	4	2
Other expenses	(603)	(435)	-	-

in EUR thousands

	NLB					
	Subsidiaries		Associates		Joint ventures	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
Loans and deposits issued	462,320	561,392	963	982	-	201
Loans and deposits received	207,521	178,779	8,330	5,375	412	40
Derivatives						
Fair value	68	(6,681)	-	-	-	-
Contractual amount	184,451	113,711	-	-	-	-
Other financial assets	1,548	2,514	3	7	-	-
Other financial liabilities	3,804	2,710	39	972	-	-
Guarantees issued and loan commitments	74,598	46,366	33	2,034	-	-
Received loan commitments and financial guarantees	10,711	10,983	-	-	-	-

	nine months ended		nine months ended		nine months ended	
	September 2023	September 2022	September 2023	September 2022	September 2023	September 2022
Interest income	14,307	5,950	48	27	1	2
Interest expenses	(3,517)	(64)	-	-	-	-
Fee income	7,531	7,998	5	66	-	-
Fee expenses	(3)	(279)	(8,193)	(8,188)	-	-
Other income	1,395	932	32	82	1	1
Other expenses	(3,413)	(4,826)	(566)	(424)	-	-
Gains less losses from financial assets and liabilities held for trading	(2,009)	(7,245)	-	-	-	-
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	772	(1,913)	-	-	-	-

Related-party transactions with major shareholder with significant influence

in EUR thousands

	NLB Group Shareholder		NLB Shareholder	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
Loans and deposits issued	13,911	17,595	13,911	17,595
Investments in securities	587,253	564,287	507,485	473,389
Other financial assets	73	31,141	73	31,141
Other financial liabilities	39	2	39	2
Guarantees issued and loan commitments	1,486	1,194	1,486	1,194

	nine months ended		nine months ended	
	September 2023	September 2022	September 2023	September 2022
Interest income	5,935	4,773	4,865	4,998
Interest expenses	(21)	-	(21)	-
Fee income	501	329	501	329
Fee expenses	(18)	(18)	(18)	(18)
Other income	205	183	205	183
Other expenses	(4)	(2)	(4)	(2)
Gains less losses from financial assets and liabilities not measured at fair value through profit or loss	(609)	-	(609)	-
Gains less losses from financial assets and liabilities held for trading	-	(65)	-	(65)

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	
	nine months ended	12 months ended	nine months ended	12 months ended
NLB Group and NLB	September 2023	December 2022	September 2023	December 2022
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	
NLB Group and NLB	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
Loans	404,575	565,330	7	10
Debt securities measured at amortised cost	62,766	64,913	1	1
Borrowings, deposits and business accounts	-	108,606	-	3
Guarantees issued and loan commitments	152,500	152,500	2	2

in EUR thousands

	Effects in the income statement during the period	
	nine months ended	
NLB Group and NLB	September 2023	September 2022
Interest income from loans	13,314	3,033
Fees and commissions income	37	355
Interest income from debt securities measured at amortised cost and net valuation effects from hedge accounting	1,124	(4,721)
Interest expenses from borrowings, deposits, and business accounts	-	(99)

8. Subsidiaries

NLB Group's subsidiaries as at 30 September 2023:

in %

	Nature of Business	Country of Incorporation	NLB Group		NLB	
			Shareholding	Voting rights	Shareholding	Voting rights
Core members						
NLB Banka a.d., Skopje	Banking	North Macedonia	86.97	86.97	86.97	86.97
NLB Banka a.d., Podgorica	Banking	Montenegro	99.87	99.87	99.87	99.87
NLB Banka a.d., Banja Luka	Banking	Bosnia and Herzegovina	99.85	99.85	99.85	99.85
NLB Banka sh.a., Prishtina	Banking	Kosovo	82.38	82.38	82.38	82.38
NLB Banka d.d., Sarajevo	Banking	Bosnia and Herzegovina	97.34	97.35	97.34	97.35
NLB Komercijalna banka a.d. Beograd	Banking	Serbia	100	100	100	100
KomBank Invest a.d. Beograd	Finance	Serbia	100	100	-	-
NLB Skladi d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Lease&Go, leasing d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Lease&Go, d.o.o. Skopje**	Finance	North Macedonia	100	100	-	-
NLB Lease&Go leasing d.o.o. Beograd	Finance	Serbia	99.30	99.30	-	-
NLB Zavod za upravljanje kulturne dediščine, Ljubljana	Cultural heritage management	Slovenia	100	100	100	100
NLB DigIT d.o.o., Beograd	IT services	Serbia	100	100	100	100
Non-core members						
NLB Leasing d.o.o., Ljubljana - v likvidaciji*	Finance	Slovenia	100	100	-	-
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
REAM d.o.o., Podgorica	Real estate	Montenegro	100	100	100	100
REAM d.o.o., Beograd - Novi Beograd	Real estate	Serbia	100	100	100	100
S-REAM d.o.o., Ljubljana	Real estate	Slovenia	100	100	100	100
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
Privatinvest d.o.o., Ljubljana	Real estate	Slovenia	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:

in %

	Nature of Business	Country of Incorporation	NLB Group		NLB	
			Shareholding	Voting rights	Shareholding	Voting rights
Core members						
NLB Banka a.d., Skopje	Banking	North Macedonia	86.97	86.97	86.97	86.97
NLB Banka a.d., Podgorica	Banking	Montenegro	99.87	99.87	99.87	99.87
NLB Banka a.d., Banja Luka	Banking	Bosnia and Herzegovina	99.85	99.85	99.85	99.85
NLB Banka sh.a., Prishtina	Banking	Kosovo	82.38	82.38	82.38	82.38
NLB Banka d.d., Sarajevo	Banking	Bosnia and Herzegovina	97.34	97.35	97.34	97.35
NLB Komercijalna banka a.d. Beograd	Banking	Serbia	100	100	100	100
KomBank Invest a.d. Beograd	Finance	Serbia	100	100	-	-
N Banka d.d., Ljubljana	Banking	Slovenia	100	100	100	100
Privatinvest d.o.o., Ljubljana	Real estate	Slovenia	100	100	-	-
NLB Skladi d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Lease&Go, leasing d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Lease&Go, d.o.o. Skopje**	Finance	North Macedonia	100	100	-	-
NLB Lease&Go leasing d.o.o. Beograd	Finance	Serbia	95.20	95.20	-	-
NLB Zavod za upravljanje kulturne dediščine, Ljubljana	Cultural heritage management	Slovenia	100	100	100	100
NLB DigIT d.o.o., Beograd	IT services	Serbia	100	100	100	100
Non-core members						
NLB Leasing d.o.o., Ljubljana - v likvidaciji*	Finance	Slovenia	100	100	-	-
Optima Leasing d.o.o., Zagreb - "u likvidaciji"	Finance	Croatia	100	100	-	-
NLB Leasing d.o.o., Beograd - u likvidaciji	Finance	Serbia	100	100	100	100
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
Tara Hotel d.o.o., Budva	Real estate	Montenegro	100	100	12.71	12.71
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

*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 30 September 2023 that would have 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
APP	Asset Purchase Program
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
CC	Contact Centre
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CIR	Cost-to-Income Ratio
CoC	Cost of Capital
CoR	Cost of Risk
CRR	Capital Requirement Regulation
CSD	Central Security Depository
CVA	Credit Value Adjustment
DGS	Deposit Guarantee Scheme
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ECL	Expected Credit Losses
EEA	European Economic Area
ESI	Economic Sentiment Indicator
ESG	Environmental, Social and Governance
EVE	Economic Value of Equity
FTP	Fund Transfer Price
FVOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
FX	Foreign Exchange
GDP	Gross Domestic Product
GDR	Global Depositary Receipts
HICP	Harmonised Index of Consumer Prices
HQLA	High-Quality Liquid Assets
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standard
ILAAP	Internal Liquidity Adequacy Assessment Process
IVS	International Valuation Standards
KPI	Key Performance Indicator
LCR	Liquidity Coverage Ratio

LRE	Leverage Ratio Exposure
LTD	Loan-to-Deposit Ratio
LTV	Loan-to-value
M&A	Mergers and Acquisitions
MPE	Multiple Point of Entry
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
MS	Mid-Swap Rate
NFC	Non-Financial Corporation
NLB or the Bank	NLB d.d., Ljubljana
NPE	Non-Performing Exposures
NPL	Non-Performing Loans
OBM	Operational Business Margin
OCI	Other Comprehensive Income
OCR	Overall Capital Requirement
O-SII	Other Systemically Important Institution
P1R	Pillar 1 Requirements
P2G	Pillar 2 Guidance
P2R	Pillar 2 Requirements
PMI	Purchasing Managers' Index
POCI	Purchased or Originated Credit-Impaired financial assets
p.p.	Percentage point(s)
PPI	Producer Price Index
P&L	Profit and Loss
ROA	Return on Assets
ROE	Return on Equity
RoS	Republic of Slovenia
RWA	Risk Weighted Assets
SEE	South-Eastern Europe
SEE banking members	NLB Group members in the following countries: Serbia, North Macedonia, Bosnia and Herzegovina, Kosovo, and Montenegro
SICR	Significant increase in Credit Risk
SME	Small and Medium-sized Enterprises
SPPI	Solely Payments of Principal and Interest
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
SRF	Single Resolution Fund
T1	Tier 1 Capital
The Group	NLB Group
TCR	Total Capital Ratio
TLTRO	Targeted Longer-Term Refinancing Operations
TREA	Total Risk Exposure Amount
TSCR	Total SREP Capital Requirement
UPN	Universal Payment Order
ZVKNNLB	Slovenian Act for Value Protection of Republic of Slovenia's Capital Investment in Nova Ljubljanska banka d.d., Ljubljana