May 8, 2025

Sound Start to 2025: NLB Group Reaches EUR 125.8 Million Net Profit in Q1

The first three months of 2025, the global economy experienced several significant developments with a major focus on the enactment of the new U.S. tariffs. During this period that challenged the resilience of businesses, **NLB Group delivered a solid result of EUR 125.8 million in net profit**, with strategic members contributing 62% to the result, further confirming the importance of the Group's business diversification.

In a period of increased unpredictability, however, not only business variety but also strategic flexibility remain key differentiating factors. Continued strong performance in the near term enables structural investments to strengthen the company's competitive moat. At the same time, NLB's primary focus continues to be in delivering on the promise of creating substantial value for shareholders. In 2025, the bank retains 50% from 2024's profit for the year-end capital ratio, meaning that **50% of 2024's profit or EUR 257 million is available for distribution in 2025.** As in the previous years, NLB will propose at the General Meeting that will be held on June 16, 2025, that the distribution be made in two tranches in 2025, assuming that no material M&A activity becomes actionable.

"NLB Group has once again demonstrated the strength and stability of its business model in Q1, delivering solid results despite the challenging economic landscape. Our focus on disciplined execution and sustainable growth continues to create value for our shareholders, with a 17% increase in our dividend payout that reflects the strength of our financial position," commented NLB's CEO **Blaž Brodnjak** upon publication of the results. "Beyond our financial performance, we continue to drive the strategic initiatives we launched earlier this year, which will gain further momentum in the coming weeks with the appointment of Reinhard Höll as the seventh member of the NLB Management Board in the role of CTO (pending approvals). Additionally, we remain committed to being a responsible and supportive pillar of society, exemplified by our recent investment in the regional arts through the opening of a new gallery. We are focused on the future – investing meaningfully in further strengthening our foundation and positioning our banks and affiliated companies as pillars of stability within our home region."

The **Chairman of the Supervisory Board Primož Karpe** also commented on the Group's results in the first quarter, emphasizing, "The Supervisory Board is pleased with the Group's solid foundational performance, which demonstrates that, even amidst an uncertain economic landscape, the Group continues to navigate challenges successfully. We are confident that the anticipated positive developments in the economic environment, backed by the Group's relentless focus on its strategic goals will provide give us enough leeway to continue creating shareholder value."

It is expected that **GDP will grow in 2025 from 2024**, nevertheless it will remain subdued by historical standards. Private spending is forecast to slightly accelerate as inflation declines closer to the ECB's 2.0% target. Moreover, lower interest rates should underpin a rebound in fixed investment. In contrast, the combination of the ReArm Europe Plan (a EUR 800 billion investment plan) and the U.S. tariffs present a mixed outlook for the European economy, with the timing and magnitude of tariffs still changing.

In **NLB Group's region, GDP growth is expected to strengthen to 3.0% YoY in 2025 and 3.2% YoY in 2026.** Fixed investment will strengthen on lower interest rates, while the healthier EU demand will propel exports, but private spending might lose some steam in certain countries.

Key Highlights of the Q1

The after tax result in Q1 2025 is EUR 125.8 million (with an increase of EUR 38.8 million QoQ and a decline of EUR 14.2 million YoY). The year over year dynamic was driven by stable net interest income, as loan growth countered the impact of lower interest rates, growing net fee and commission income, increased costs primarily due to the acquisitions of the SLS Group and Asset Management business in North Macedonia, some one-off new strategy implementation related investments and other non-recurring costs, as well as a more significant adjustment of remuneration of a broader talent pool in a tail environment of the region wide wage inflation. The gradual normalisation of CoR led to higher impairments and provisions for credit risk, affecting the bottom-line, yet staying on the lower end of the guided range.

Net interest income (NII) in Q1 reached EUR 233.9 million, a 3% decrease (EUR 6.1 million) from the fourth quarter. More than 70% of the QoQ decrease was driven by the lower number of days in the quarter. Additionally, the monetary policy of the ECB influenced the average interest rate level. The higher volume of loans almost entirely counterbalanced the effect of lower average interest rates on loans to customers, with a net effect of EUR 2.8 million, excluding the impact from the lower number of days in the quarter. Interest income from balances at banks and central banks declined by EUR 2.3 million, mostly driven by the declining trend in interest rates. Interest expenses recorded a slight increase, as higher expenses from funding (EUR 2.4 million), predominantly due to issued senior preferred notes in January (EUR 3.2 million). Higher expenses were largely counterbalanced with lower expenses for customer deposits (EUR 1.9 million), deriving from lower interest rates.

The **net interest income sensitivity, simulated by a 100-bps immediate parallel downward shift in interest rates**, currently stands at approximately EUR -67.2 million or -2.34% of the T1 capital, driven mainly by:

- the cash (EUR -18.4 million) and
- floating rate loan positions (EUR -64.4 million) while being partially compensated by
- interest rate swaps (EUR 12.0 million) and
- deposits (EUR 21.2 million).

The focus on stabilising the net interest income includes ongoing increased fixed interest rate loan stock, active management of the funding mix, liabilities hedging activities, and increasing duration and volume of the banking book securities portfolio.

In 2025, NII sensitivity improved by EUR 3.6 million or 13 bps (from -2.47% to -2.34% relative to T1 capital, or from EUR -70.7 million to a level of EUR -67.2 million in case of -100-bps parallel shift). NLB Group significantly reduced it in 2025 by increasing the volume of fixed-interest rate loans (EUR 652 million) and new interest rate hedges on issued liabilities (EUR 500 million) while reducing the central bank balances (EUR 142 million) and increasing investments in high-quality debt securities (EUR 364 million).

Net non-interest income (NNII) reached EUR 78.3 million in the first quarter of 2025 – a 3% decline QoQ. In the QoQ comparison, net non-interest income was significantly affected by the accrual of one-off expenses for regulatory costs in NLB, amounting to EUR 11.4 million. Net fee and commission income, a significant component of the net non-interest income, declined by 1% QoQ to EUR 80.4 million. The decline to the previous quarter was primarily due to lower seasonal income from payment transactions in SEE banks, with NLB Skladi, Ljubljana, the market leading asset management company recording exceptional results, with net inflows to the funds in Q1 reaching EUR 88.8 million and total AUM in Slovenia of EUR 3,027.5 million (41.7% market share).

Total costs, excluding the tax on the balance sheet, in Q1 amounted to EUR 145.7 million, a decrease of EUR 24.1 million QoQ. Excluding for the seasonal effects in the fourth quarter of approximately EUR 23.7 million (around EUR 10 million in regular G&A cost seasonality and EUR 14 million of variable compensation given a strong financial performance in 2024), costs would have been flat QoQ.

A comparison of the first quarter of 2025 with the first quarter of 2024 reveals that inclusion of the SLS Group added EUR 7.7 million to the costs and other non-recurring items EUR 3.0 million. Employee costs YoY, excluding SLS Group (EUR 3.1 million) increased by EUR 7.2 million YoY, primarily due to group wide salary adjustments to market levels in the still high wage inflation environment. In 2024, average gross salaries in the region saw an increase of 8–14% compared to 2023, necessitating overall upward salary adjustments and higher compensation for talents, particularly considering the 2030 strategy implementation. Excluding

SLS Group (EUR 2.3 million), other general and administrative expenses increased by EUR 4.9 million, largely attributed to the non-recurring new strategy implementation enabling costs and IT investments into accelerated digitisation, following the strategic aspiration of more than 80% of all new mass business origination in 2030 being executed end-to-end digitally. EUR 3.8 million increase in depreciation is linked to the acquisition of the SLS Group (EUR 2.3 million) and higher investments in 2024.

The **Cost-to-Income Ratio** (CIR – excluding the tax on the balance sheet from the calculation) in the first quarter was kept at reasonable **46.7%.**

The Group closely monitors the macroeconomic and geopolitical circumstances, remaining very prudent in identifying any increase in credit risk at a very early stage and proactive in NPL management. **Net established impairments and provisions for credit risk in Q1 2025 amounted to EUR 14.5 million**. Established provisions are the result of new financing, transfers between stages due to credit quality deterioration of certain clients, and increased coverage of retail NPLs. Repayments of written-off receivables lowered the net effect in the amount of EUR 5.4 million. The **cost of risk for Q1 2025 stood at 37 bps**, which is in line with the outlook for 2025.

In the current macroeconomic environment, the Group's asset quality remains robust. The majority of the Group's loan portfolio is classified as Stage 1 (93.3%), with a relatively small portion in Stage 2 (5.1%), and Stage 3 (1.6%). The increase in Stage 2 allocation was mainly observed in the retail segment; however, the increase remains low compared to the entire portfolio (EUR 37.5 million YtD). In addition, the 70.2% of Stage 2 retail exposure shows no delays. The state and institutions segment outflow reflects a redistribution of excess liquidity into alternative products within the non-financial sector.

The cumulative new NPL formation of EUR 47.0 million in the first three months, representing 0.2% of the total loan portfolio, was moderate. The multi-year declining trend in the non-performing credit portfolio stock has stopped, primarily at retail clients, as the growth of new NPLs exceeded repayments and recovery of existing NPLs. As a result, the non-performing credit portfolio stock in the Group increased to EUR 333.4 million on 31 March 2025, up from EUR 330.5 million on 31 December 2024. However, EUR 119.6 million of NPLs showed no payment delays.

Despite an increase in the higher-quality loan portfolio and only a slight increase in the NPL portfolio, the **NPL ratio remained unchanged** from the 2024-year level, standing **at 1.6%.** Based on the EBA methodology, the internationally comparable NPE ratio stood at 1.1%. The Group's gross NPL ratio, as defined by the EBA, remained stable at 1.9% at the end of Q1 2025.

Other impairments and provisions were **net released in the amount of EUR 2.3 million**, mainly due to the favourably resolved legal dispute in NLB Komercijalna Banka, Beograd.

in EUR millions/%

	1–3 2025	1–3 2024	Change YoY	Q1 2025	Q4 2024	Q1 2024	Change QoQ
Key Income Statement Data							
Net operating income	312.2	298.1	5%	312.2	320.8	298.1	-3%
Net interest income	233.9	232.2	1%	233.9	240.0	232.2	-3%
Net non-interest income	78.3	65.9	19%	78.3	80.8	65.9	-3%
o/w Net fee and commission income	80.4	71.1	13%	80.4	81.0	71.1	-1%
Total costs	-145.7	-124.3	-17%	-145.7	-169.8	-124.3	14%
Tax on balance sheet	-8.1	-8.1	0%	-8.1	-8.6	-8.1	6%
Result before impairments and provisions	158.5	165.8	-4%	158.5	142.3	165.8	11%
Impairments and provisions	-12.2	-4.7	-162%	-12.2	-45.3	-4.7	73%

Impairments and provisions for credit risk	-14.5	-4.4	-	-14.5	-32.9	-4.4	56%
Other impairments and provisions	2.3	-0.3	-	2.3	-12.4	-0.3	-
Result after tax	125.8	140.0	-10%	125.8	87.0	140,0	45%

The Group's **total assets amounted to EUR 28,678.5 million**, reflecting an increase of EUR 643.2 million YtD and EUR 2,652.8 million YoY, with YoY increase being affected by the SLS Group acquisition. The Group's **LTD ratio (net) increased by 3.0 p.p. YtD to 76.6%** due to higher loan production, which was financed not only through deposits, but through the issuance of senior preferred notes in the nominal amount of EUR 500 million in January.

In Q1 2025, **loan volume marked an enviable growth**, widespread across geographies and segments, and achieved a **3% YtD increase** at the Group level to reach **EUR 17,295.9 million** gross loans.

In Slovenia, business activity remained strong, supported by the vibrant new production of loans. NLB achieved a 4% YtD growth in gross loans to corporate and state, while loans to private individuals also grew by 3%, driven by high new production of housing and consumer loans, EUR 170.9 million and EUR 144.5 million, respectively (compared to EUR 91.4 million and EUR 125.8 million in Q1 2024). In SEE banks, the growth of gross loans was similar to the one in Slovenia, with 4% growth achieved in gross loans to individuals and a 3% growth of gross loans to corporate and state.

The Group's **deposit base decreased by 1% in Q1** (by EUR 127.4 million) **to EUR 22,078.9 million**, mostly due to a decline in deposits from corporate and state. This has a strong seasonal component, as corporate deposits traditionally increase in the second half of the year. Additionally, many companies also deposit funds over the new year, resulting in temporarily higher balances at the year-end.

Deposits from individuals increased YtD, showing moderate growth in most banking members. In NLB, deposits from individuals were impacted by the RoS retail bond issue, which led to a reduction in the deposit base in March. The volume of term deposits in NLB started to decrease from the last quarter of 2024 on, as due to declining interest rates, not all of the matured term deposits were renewed. Instead, these funds were either allocated to alternative investments (e.g., mutual funds) or transferred to savings accounts. Consequently, the share of term and savings accounts in total deposits from individuals stayed at the same level of 51% (EUR 4,563.3 million at 31 March 2025 compared to EUR 4,537.5 million as at 31 December 2024) with a notable shift from term deposits to savings accounts.

As at 31 March 2025, the Group's **TCR stood at 18.8%** (a 0.1 p.p. increase YtD), while the **CET1 ratio stood at 15.4%,** remaining well above regulatory requirements. The higher total capital adequacy resulted from a lower RWA of EUR 116.3 million YtD, although the capital decreased by EUR 7.1 million YtD. The decrease in capital was mainly due to a EUR 10.5 million reduction in T2 instruments.

The **total capital does not include EUR 257.3 million of the 2024 result**, which is envisaged to be paid out as a dividend in 2025. Therefore, there will be no effect on the capital once the dividends are paid.

in EUR millions/%/bps

	31 Mar 25	31 Dec 24	31 Mar 24	Change YoY	Change QoQ
Key Financial Position Statement Data					
Total assets	28,678.5	28,035.4	26,025.7	10%	2%
Gross loans to customers	17,295.9	16,721.4	14,197.1	22%	3%
Net loans to customers	16,923.3	16,363.6	13,859.9	22%	3%
Deposits from customers	22,078.9	22,206.3	20,471.5	8%	-1%
Equity (without non-controlling interests)	3,356.2	3,226.0	3,035.6	11%	4%
Other Key Financial Indicators					
LTD	76.6%	73.7%	67.7%	8.9 p.p.	3.0 p.p.
Common Equity Tier 1 Ratio	15.0%	15.3%	16.4%	-1.3 p.p.	-0.3 p.p.

Tier 1 Ratio	15.5%	15.8%	16.9%	-1.5 p.p.	-0.3 p.p.
Total capital ratio	18.8%	18.7%	20.7%	-1.9 p.p.	0.1 p.p.
Total risk exposure amount (RWA)	18,099.8	18,216.1	15,427.8	17%	-1%
Employees					
Number of employees	8,292	8,322	7,999	-30	293

The decrease in interest rates on loans and central bank balances led to a YoY decline in the Group's **net interest margin by 0.27 p.p. to 3.46%.** Similarly, the operational business margin fell by 0.26 p.p. YoY to 4.72%. However, this decline was effectively mitigated by replacing less profitable central bank balances with a more lucrative loan portfolio acquired from the SLS Group.

			in %/p.p./bps
Key Financial Indicators	**1-3 2025**	**1-3 2024**	**Change YoY**
Return on equity after tax (ROE a.t.)	15.3%	18.9%	-3.6 p.p.
Return on equity after tax (ROE a.t.) normalised (i)	21.4%	29.2%	-7.8 p.p.
Return on assets after tax (ROA a.t.)	1.8%	2.2%	-0.4 p.p.
Net interest margin (on interest bearing assets)	3.46%	3.73%	-0.27 p.p.
Operational business margin	4.72%	4.98%	-0.26 p.p.
Cost-to-income ratio (CIR)(ii)	46.7%	44.4%	2.3 p.p.
Cost of risk net (bps)	37	10	27

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

Outlook[1]

The Bank reaffirms its 2025 guidance. The performance in the first quarter of 2025 corroborates the expectations for the full year guidance the Bank previously communicated. **Recurring revenues** are expected to be **stable at around EUR 1,200 million**, supported with buoyant loan growth offsetting lower rates. **Cost-to-income ratio** in 2025 is expected **at around 48%**, with deliberate transitory investments into processes' enhancements and IT support to accelerate digital capabilities of the Group.

Cost of risk guidance remains in the **30 to 50 basis point bandwidth**. The Group assesses the loan book as stable, well-diversified and resilient despite the recent geopolitical uncertainties. The provisioning level is adequate, although adverse developments in global business environment and prolonged increased uncertainty could have an effect on asset quality.

Loan growth in the first quarter with 3% is a testament to the Group's strong market position and showcases the confidence customers have in the NLB Group. It is expected that this trend will remain unabated in 2025, **delivering to the at least "high single digit" loan growth guidance**.

Convocation of the General Meeting of Shareholders (published **here**), to be held on 16 June 2025 with the Item 3 of the agenda is the first step in delivering 50% of 2024 profit paid out as dividends. Namely, the NLB Management and Supervisory Boards propose to **pay-out dividends** in the amount of EUR 128,600,000.00 or **EUR 6.43 gross per share**. This is consistent with the guidance and the approach to pay dividends twice per year, as it allows the Bank to engage in a structured strategic dialogue with shareholders semi-annually.

ROE after tax and ROE normalised for the average risk-adjusted capital are expected to be within the guidance of **around 15% and more than 20%**, respectively. The difference between both is on the back of deliberate capital buffers that allow the Bank to pursue both organic, as well as growth through M&A.

	Outlook for 2025	**Outlook for 2026**
Recurring income	~ EUR 1,200 million	> EUR 1,300 million
CIR	~ 48%	Below 48%
Cost-of-risk	30–50 bps	30–50 bps

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

Loan growth	High single-digit	High single-digit
Dividends	50% of 2024 profit	50–60% of 2025 profit
ROE a.t.	~ 15%	~ 15%
ROE a.t. normalised[(i)]	> 20%	> 20%
M&A potential	M&A capacity of up to EUR 4 billion RWA[(ii)]	

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

You are Kindly Invited to the Webcast Presentation

We kindly invite all interested stakeholders to the **presentation of the NLB Group's First Quarter 2025 results**, hosted by the NLB Management Board. The call will take place on Thursday, 8 May 2025, at 16:00 CEST/15.00 UK and will be available at **https://www.nlb.si/ir-events**.

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