Here We are a Part of Something Bigger

Pillar III Disclosures for the H1 2025

Contents

1. Key highlights

(Article 438 b and 447 of CRR)

Table 1 – EU KM Key metrics template of NLB Group

		30.06.2025	31.03.2025	31.12.2024	30.09.2024	30.06.2024
		a	b	c	d	e
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	2,802,766	2,788,768	2,785,818	2,535,289	2,523,241
2	Tier 1 capital	2,887,038	2,874,602	2,872,352	2,621,311	2,611,129
3	Total capital	3,415,245	3,402,000	3,411,258	3,168,726	3,158,473
	Risk-weighted exposure amounts					
4	Total risk exposure amount	18,608,243	18,099,747	18,216,105	17,064,027	16,017,152
4a	Total risk exposure pre-floor	18,608,243	18,099,747	-	-	-
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	15.06%	15.41%	15.29%	14.86%	15.75%
5b	Common Equity Tier 1 ratio considering unfloored TREA (%)	15.06%	15.41%	0.00%	0.00%	0.00%
6	Tier 1 ratio (%)	15.51%	15.88%	15.77%	15.36%	16.30%
6b	Tier 1 ratio considering unfloored TREA (%)	15.51%	15.88%	0.00%	0.00%	0.00%
7	Total capital ratio (%)	18.35%	18.80%	18.73%	18.57%	19.72%
7b	Total capital ratio considering unfloored TREA (%)	18.35%	18.80%	0.00%	0.00%	0.00%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7d	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.12%	2.12%	2.12%	2.12%	2.12%
EU 7e	of which: to be made up of CET1 capital (%)	1.19%	1.19%	1.19%	1.19%	1.19%
EU 7f	of which: to be made up of Tier 1 capital (%)	1.59%	1.59%	1.59%	1.59%	1.59%
EU 7g	Total SREP own funds requirements (%)	10.12%	10.12%	10.12%	10.12%	10.12%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.78%	0.76%	0.52%	0.36%	0.26%
EU 9a	Systemic risk buffer (%)	0.08%	0.08%	0.11%	0.11%	0.10%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer (%)	1.25%	1.25%	1.25%	1.25%	1.25%
11	Combined buffer requirement (%)	4.61%	4.59%	4.38%	4.22%	4.11%
EU 11a	Overall capital requirements (%)	14.73%	14.71%	14.50%	14.34%	14.23%
12	CET1 available after meeting the total SREP own funds requirements	1,092,668	1,125,401	1,111,758	967,105	1,051,265
	Leverage ratio					
13	Total exposure measure	31,047,934	30,306,798	29,082,843	28,253,682	27,647,476
14	Leverage ratio (%)	9.30%	9.49%	9.88%	9.28%	9.44%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14b	of which: to be made up of CET1 capital (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	3.00%	3.00%	3.00%	3.00%	3.00%
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%	3.00%	3.00%

		30.06.2025	31.03.2025	31.12.2024	30.09.2024	30.06.2024
		a	b	c	d	e
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value-average)	6,334,011	6,584,777	6,792,546	6,997,399	6,953,811
EU 16a	Cash outflows - Total weighted value	3,493,814	3,414,235	3,376,826	3,334,902	3,308,277
EU 16b	Cash inflows - Total weighted value	499,589	480,040	492,233	511,010	524,616
16	Total net cash outflows (adjusted value)	2,994,225	2,934,196	2,884,593	2,823,892	2,783,661
17	Liquidity coverage ratio (%)	211.95%	225.28%	236.32%	247.91%	249.82%
	Net Stable Funding Ratio					
18	Total available stable funding	24,480,025	23,884,082	23,461,035	22,604,140	22,408,978
19	Total required stable funding	15,135,589	14,461,039	14,001,121	13,473,477	12,356,145
20	NSFR ratio (%)	161.74%	165.16%	167.57%	167.77%	181.36%

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

Figure 1: Total capital (in EUR million) and capital ratio evolution (in %) YtD of NLB Group

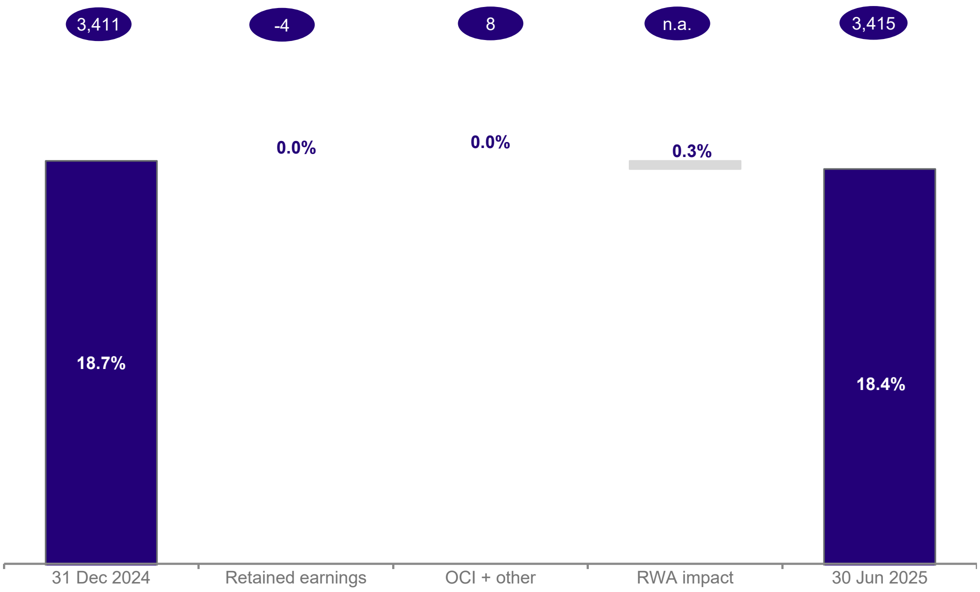
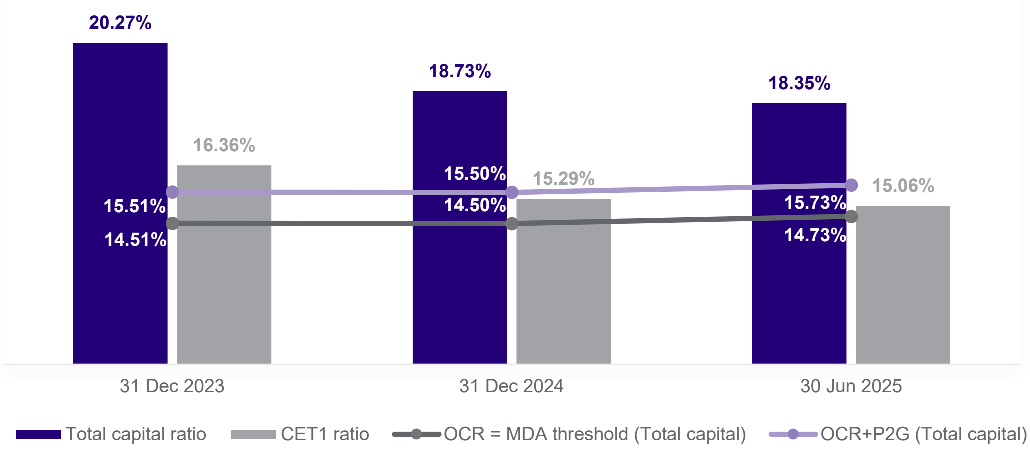


Figure 2: Capital ratios and regulatory thresholds (in %) of NLB Group



2. Introduction

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

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

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

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

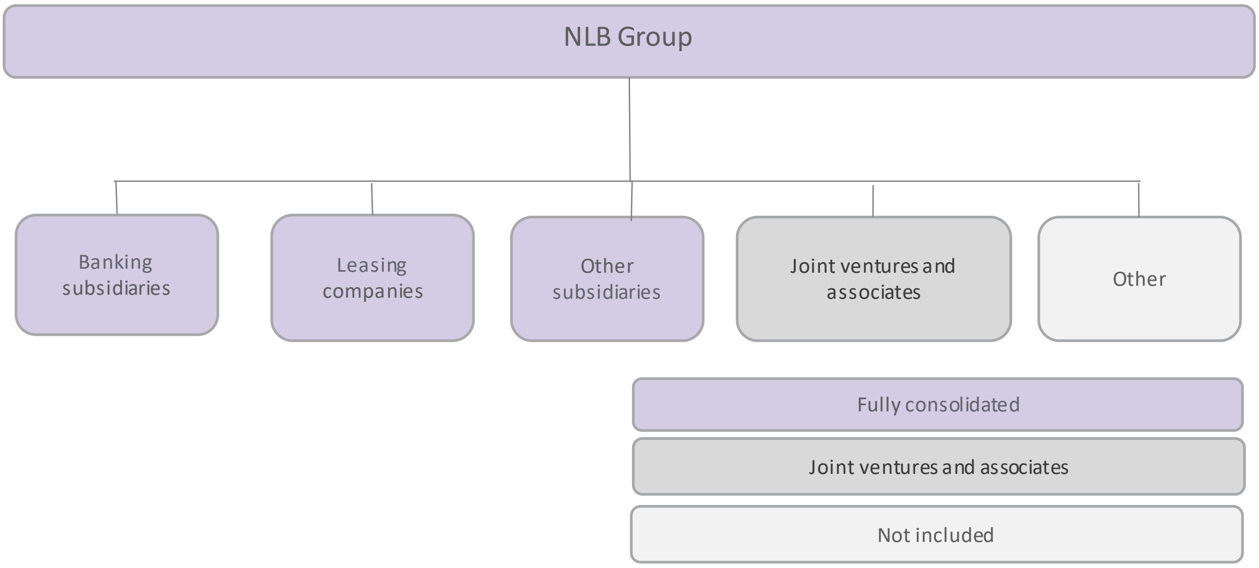
CRD V and EBA guidelines require the Group to disclose whole information at least on an annual basis. The frequency and scope of disclosures for the Group as large institution are defined in CRR article 433a. To ensure the effective communication of the Group’s business and risk profile, the Group also pays particular attention to the possible need to provide information more frequently than annually. A separate Pillar 3 document is also published quarterly on NLB’s website Financial Reports (nlbgroup), following our Annual or Interim Reports for NLB Group disclosure.

It should be noted that while some quantitative information in this document is based on financial data contained in the H1 2025 NLB Group Interim Report, other quantitative data is sourced from the regulatory reporting (Finrep and Corep) and is calculated according to regulatory requirements. Pillar 3 quantitative data is thus not always directly comparable with the quantitative data contained in the H1 2025 NLB Group Interim Report. Some details of the key differences between the Group’s accounting and regulatory exposures are presented in Table 2 – EU CC2.

3. Scope of application
(Articles 436 a, b, c, and d of CRR)

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

Figure 3: NLB Group scheme



The consolidation for *accounting purposes* comprises all:

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

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

The difference between accounting consolidation and regulatory consolidation as at 30 June 2025 represents:

- the company operating in the area of other activities *NLB MUZA Zavod za upravljanje kulturne dediščine* (the Cultural Heritage Management Institute),
- the IT services company *NLB DigIT*, *Beograd*, and
- the non-financial company for digital business NLB Car&Go, Ljubljana,

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

Table EU CC2 represents the main differences between the basis of consolidation and carrying values as reported in published financial statements in the H1 2025 NLB Group Interim Report, and under the scope of regulatory consolidation.

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

	30.06.2025	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference to rows in CC1
		a	b	c
Assets - ***Breakdown by asset clases according to the balance sheet in the published financial statements***				
1	Cash, cash balances at central banks and other demand deposits at banks	4,215,233	4,215,232	
2	Financial assets held for trading	6,813	6,813	
3	Non-trading financial assets mandatorily at fair value through profit or loss	19,269	19,269	
4	Financial assets measured at fair value through other comprehensive income	2,806,857	2,806,857	72
5	Financial assets measured at amortised cost			
6	- debt securities	3,833,351	3,833,351	72
7	- loans and advances to banks	351,325	351,325	
8	- loans and advances to customers	17,481,510	17,481,826	
9	- other financial assets	161,662	160,673	
10	Derivatives - hedge accounting	72,047	72,047	
11	Fair value changes of the hedged items in portfolio hedge of interest rate risk	(9,149)	(9,149)	
12	Investments in subsidiaries	-	3,463	
13	Investments in associates and joint ventures	14,037	14,037	73
14	Tangible assets			
15	Property and equipment	312,610	309,310	
16	Investment property	22,292	22,292	
17	Intangible assets	100,199	99,046	
18	Goodwill	8,069	8,069	8
19	Other intangible assets	92,130	90,977	8
20	Current income tax assets	12	11	
21	Deferred income tax assets	116,077	116,071	75
22	that rely on future profitability and do not arise from temporary differences	61,413	61,413	10
23	that rely on future profitability and arise from temporary differences	54,664	54,658	part of 75
24	Other assets	64,761	64,220	
25	Non-current assets held for sale	4,123	4,123	
26	**Total assets**	**29,573,029**	**29,570,817**	
Liabilities - ***Breakdown by liability clases according to the balance sheet in the published financial statements***				
27	Financial liabilities held for trading	6,227	6,227	
28	Financial liabilities measured at fair value through profit or loss	11,888	11,884	
29	Financial liabilities measured at amortised cost			
30	- deposits from banks and central banks	178,771	178,771	
31	- borrowings from banks and central banks	246,048	246,048	
32	- due to customers	22,837,831	22,838,886	
33	- borrowings from other customers	185,175	185,175	
34	- debt securities issued	2,077,921	2,077,921	46
35	- other financial liabilities	335,274	336,762	
36	Derivatives - hedge accounting	4,148	4,148	
37	Provisions	95,942	95,891	
38	Current income tax liabilities	17,427	17,427	
39	Deferred income tax liabilities	13,959	13,959	
40	Other liabilities	104,621	104,221	
41	**Total liabilities**	**26,115,232**	**26,117,320**	
Shareholders' Equity				
42	Share capital	200,000	200,000	1
43	Share premium	871,378	871,378	1
44	Other equity instruments	88,137	88,137	31
45	Accumulated other comprehensive income	(5,229)	(4,778)	3
46	Profit reserves	186,332	186,332	3
47	**Retained earnings**	**2,045,535**	**2,040,784**	**2**
		3,386,153	**3,381,853**	
48	Non-controlling interests	71,644	71,644	5; 34; 48
49	**Total shareholders' equity**	**3,457,797**	**3,453,497**	
50	**Total liabilities and shareholders' equity**	**29,573,029**	**29,570,817**	

4. Capital and capital requirements

4.1. Capital Adequacy
(Article 438 of CRR)

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

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

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

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

Table 3 – Capital requirements and buffers of NLB Group

		2025	2024	2023
Pillar 1 (P1R)	CET1	4.5%	4.5%	4.5%
	AT1	1.5%	1.5%	1.5%
	T2	2.0%	2.0%	2.0%
Pillar 2 (SREP req. - P2R)	CET1	1.19%	1.19%	1.35%
	Tier 1	1.59%	1.59%	1.80%
	Total Capital	2.12%	2.12%	2.40%
Total SREP Capital requirement (TSCR)	CET1	5.69%	5.69%	5.85%
	Tier 1	7.59%	7.59%	7.80%
	Total Capital	10.12%	10.12%	10.40%
Capital conservation buffer	CET1	2.50%	2.50%	2.50%
O-SII buffer	CET1	1.25%	1.25%	1.25%
Systemic risk buffer	CET1	0.08%	0.11%	0.10%
Countercyclical buffer	CET1	0.78%	0.52%	0.26%
Combined buffer requirement (CBR)		4.61%	4.38%	4.11%
Overall capital requirement (OCR) = MDA threshold	CET1	10.30%	10.07%	9.96%
	Tier 1	12.20%	11.97%	11.91%
	Total Capital	14.73%	14.50%	14.51%
Pillar 2 Guidance (P2G)	CET1	1.00%	1.00%	1.00%
OCR + P2G	CET1	11.30%	11.07%	10.96%
	Tier 1	13.20%	12.97%	12.91%
	Total Capital	15.73%	15.50%	15.51%

As at the end of June 2025, the Group's Overall Capital Requirement (OCR) on a consolidated basis was 14.73%, representing an increase of 0.24 p.p. compared to the end of 2024, mainly due to a higher Combined Buffer Requirement (CBR) due to the rise in the Countercyclical Buffer. The OCR comprises:

- The Total SREP Capital Requirement (TSCR) is 10.12%, which includes 8.00% Pillar 1 and 2.12% Pillar 2 Requirements.
- The second component is the Combined Buffer Requirement (CBR), which is 4.61%, and includes a 2.50% Capital Conservation Buffer, a 1.25% O-SII Buffer, a 0.78% Countercyclical Buffer, and a 0.08% Systemic Risk Buffer.

Additionally, the regulator recommends a Pillar 2 Guidance (P2G) at 1.0% of the Common Equity Tier 1 (CET1), which the Group maintains to ensure resilience under severe economic stress scenarios.

As of 1 January 2025, the capital buffer rates for Slovenia changed:
- The countercyclical capital buffer rate for exposures in Slovenia increased from 0.5% to 1.0%. In June 2025, the Group CCYB buffer was calculated at 0.78%, further impacted by the CCYB rates of its subsidiary banks, namely NLB Banka Skopje, NLB Banka Prishtina, and NLB Banka Podgorica.
- In January 2025, the sectoral systemic risk buffer for retail exposures to private individuals secured by residential real estate decreased from 1.0% to 0.5%, which was reflected in a 0.08% Systemic Risk Buffer in June 2025.

Table 4 – Capital adequacy of NLB Group:

	30.06.2025	31.12.2024
Paid up capital instruments	200,000	200,000
Share premium	871,378	871,378
Retained earnings	1,638,059	1,385,040
Current result	-	256,973
Accumulated other comprehensive income	(4,778)	(19,197)
Other reserves	186,332	186,332
Minority interest	40,894	38,480
Prudential filters: Additional Valuation Adjustments (AVA)	(2,978)	(2,606)
(-) Goodwill	(8,069)	(8,069)
(-) Other intangible assets	(58,990)	(65,420)
(-) Deferred tax assets	(53,305)	(51,667)
(-) Insufficient coverage for non-performing exposures	(5,777)	(5,426)
COMMON EQUITY TIER 1 CAPITAL (CET1)	**2,802,766**	**2,785,818**
Capital instruments eligible as AT1 Capital	82,000	82,000
Minority interest	2,272	4,534
Additional Tier 1 capital	**84,272**	**86,534**
TIER 1 CAPITAL	**2,887,038**	**2,872,352**
Capital instruments and subordinated loans eligible as T2 capital	522,921	533,421
Minority interest	5,286	5,485
Tier 2 capital	**528,207**	**538,906**
TOTAL CAPITAL	**3,415,245**	**3,411,258**
Risk exposure amount for credit risk	15,358,788	14,508,398
Risk exposure amount for market risks	1,598,711	1,505,108
Risk exposure amount for CVA	20,248	16,613
Risk exposure amount for operational risk	1,630,496	2,185,986
TOTAL RISK EXPOSURE AMOUNT (RWA)	**18,608,243**	**18,216,105**
Common Equity Tier 1 Ratio	15.06%	15.29%
Tier 1 Ratio	15.51%	15.77%
Total Capital Ratio	**18.35%**	**18.73%**

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

As at 30 June 2025, the Group's TCR stood at 18.4% (a 0.4 p.p. decrease compared to the end of 2024), while the CET1 ratio stood at 15.1%, remaining well above regulatory requirements. The lower total capital adequacy resulted from a higher RWA of EUR 392.1 million compared to the end of 2024, although the capital increased by EUR 4.0 million compared to the end of 2024.

The total capital does not include the envisaged amount to be paid out as a second tranche of the dividend in 2025. Therefore, there will be no effect on the capital if the dividends are paid.

The drivers behind the differences between the RWAs in H1 2025 are explained in Chapter 4.3. Risk-weighted exposure in the Table 6 – EU OV1 – An Overview of Risk-weighted exposure amounts of NLB Group.

4.2. Detailed presentation of capital elements

(Article 437 a of CRR)

The table below shows the elements of the calculation of the capital of the Group at the end of June 2025 in detail. A summarised substantive presentation of the elements relevant for the Group is given in Chapter 4.1. Capital Adequacy.

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

Table 5 – EU CC1 – Composition of regulatory own funds

	30.06.2025	Amounts	Source based on reference numbers (CC2 column b)
		a	b
Common equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	1,071,378	42 + 43
	of which: ordinary shares	1,071,378	42 + 43
2	Retained earnings	1,638,059	part of 47
3	Accumulated other comprehensive income (and other reserves)	181,554	part of 45 + 46
5	Minority interest (amount allowed in consolidated CET1)	40,894	part of 48
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**2,931,885**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(2,978)	
8	Intangible assets (net of related tax liability) (negative amount)	(67,059)	18 + part of 19
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(53,305)	22
27a	Other regulatory adjustments	(5,777)	
27a1	Deduction item related to insufficient coverage for non-performing exposures	(5,777)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(129,119)**	
29	**Common Equity Tier 1 (CET1) capital**	**2,802,766**	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	82,000	part of 44
31	of which: classified as equity under applicable accounting standards	82,000	part of 44
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	2,272	part of 48
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**84,272**	
44	**Additional Tier 1 (AT1) capital**	**84,272**	
45	**Tier 1 capital (T1= CET1 + AT1)**	**2,887,038**	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	522,921	part of 34
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	5,286	part of 48
51	**Tier 2 (T2) capital before regulatory adjustments**	**528,207**	
58	**Tier 2 (T2) capital**	**528,207**	
59	**Total capital (TC = T1 + T2)**	**3,415,245**	
60	**Total risk exposure amount**	**18,608,243**	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital ratio	15.06%	
62	Tier 1 capital ratio	15.51%	
63	**Total capital ratio**	**18.35%**	
64	Institution CET1 overall capital requirements	10.30%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.78%	
67	of which: systemic risk buffer requirement	0.08%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	1.25%	
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	9.06%	

	30.06.2025	Amounts	Source based on reference numbers (CC2 column b)
		a	b
Amounts below the threshold for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	106,386	part of 4 and part of 6
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	14,037	part of 13
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	105,344	21

4.3. Risk-weighted exposure

(Article 438 CRR)

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

- Credit risk – standardised approach,
- Market risk – simplified standardised approach,
- CVA risk – reduced basic approach (R-BA), and
- Operational risk – standardised approach.

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

In the first half of 2025, the Group's RWA for credit risk increased by EUR 850.4 million (lines 2 and 7 in Table 6) driven by changes in the EU regulatory rules effective from 1 January 2025 (approximately EUR 311.8 million) and portfolio development (approximately EUR 538.6 million).

The most significant RWA increase due to legislative changes was seen in off-balance sheet exposures, namely for the undrawn part of overdrafts and loans, where the Credit Conversion Factor (CCF) was changed from 20% to 40%. In certain Group banks, the RWA increase is related to the introduction of a multiplier of 1.5 for FX transactions in retail. On the other hand, a RWA decrease for high-risk exposures under CRR2 (150% weight) was recognised. Under CRR3, the latter were reclassified into other categories, namely ADC, IPRE, or the debtor category, where a more favourable risk weight can be applied. Lower risk weights for exposures secured by CRR-eligible residential real estate and using S&P corporate ratings also contributed to the lower RWA.

Portfolio growth in 2025 resulted in an RWA increase, mainly in corporates and retail, where a large part of the loans is at least partially secured by real estate. The RWA increase due to portfolio growth was partially offset by the capital optimisation when tying up liquid assets.

The increase in RWAs for market risks and Credit Value Adjustments (CVA) by EUR 97.2 million (lines 10 and 20 in Table 6) during the first six months of 2025 was mainly driven by a higher RWA for FX risk, which rose by EUR 95.4 million (mainly due to an increase in open positions in domestic currencies held by non-euro subsidiary banks). The RWA for CVA risk slightly increased by EUR 3.6 million mainly following the implementation of the new Reduced Basic (BA) CVA risk method for its calculation.

With the entry into force of CRR3 on 1 January 2025, the Bank adopted the new standardised approach for calculating capital requirements for operational risk. This implementation resulted in a lower Business indicator and marginal coefficient, leading to a decrease of EUR 555.5 million in the Group risk exposure for operational risk in the first half of 2025. The reduction reflects the more risk-sensitive methodology under the revised regulatory framework. Due to a change in methodology (from Basic to Standardised), the marginal coefficient has decreased from 15% to 12% for the Business Indicator up to EUR 1 billion, reducing the capital requirement for operational risk. The asset component predominately influences the calculation at 55% and the Financial Component (Interest, Leases, and Dividend Component) at 42%. The calculation also takes in account data from M&A entities and their three-year average. Within the Group, the most significant contribution to the capital requirements for operational risk comes from NLB d.d. (46%), NLB Komercijalna Banka Beograd (20%), and NLB Banka Skopje (8%).

Table 6 shows the detailed composition of the Group's risk-weighted exposure amounts at the end of June 2025, March 2025, and 2024, as well as its own fund (capital) requirements at the end of June 2025.

Table 6 – EU OV1 – An Overview of Risk-weighted exposure amounts of NLB Group

		Total risk exposure amounts (TREA)			Total own funds requirement
		30.06.2025	31.03.2025	31.12.2024	30.06.2025
		a	b	b-1	c
1	Credit risk (excluding CCR)	15,333,255	14,880,533	14,472,920	1,226,660
2	Of which the standardised approach	15,333,255	14,880,533	14,472,920	1,226,660
3	Of which the Foundation IRB (F-IRB) approach	-	-	-	-
4	Of which slotting approach	-	-	-	-
EU 4a	Of which equities under the simple risk weighted approach	-	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-	-
6	Counterparty credit risk - CCR	25,533	22,581	35,478	2,043
7	Of which the standardised approach	25,533	22,581	35,478	2,043
8	Of which internal model method (IMM)	-	-	-	-
EU 8a	Of which exposures to a CCP	-	-	-	-
9	Of which other CCR	-	-	-	-
10	Credit valuation adjustments risk - CVA risk	20,248	22,087	16,613	1,620
10a	Of which the standardised approach (SA)	-	-	16,613	-
10b	Of which the basic approach (F-BA and R-BA)	20,248	22,087	-	1,620
10c	Of which the simplified approach	-	-	-	-
15	Settlement risk	-	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	-	-	-	-
17	Of which SEC-IRBA approach	-	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-	-
19	Of which SEC-SA approach	-	-	-	-
EU 19a	Of which 1250% / deduction	-	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	1,598,711	1,569,231	1,505,108	127,897
21	Of which the Alternative standardised approach (A-SA)	-	-	-	-
21a	Of which the Simplified standardised approach (S-SA)	1,598,711	1,569,231	1,505,108	127,897
22	Of which Alternative Internal Model Approach (A-IMA)	-	-	-	-
EU 22a	Large exposures	-	-	-	-
23	Reclassifications between the trading and non-trading books	-	-	-	-
24	Operational risk	1,630,496	1,605,315	2,185,986	130,440
24a	Exposures to crypto-assets	-	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	165,190	166,165	171,060	13,215
26	Output floor applied (%)	-	-	-	
27	Floor adjustment (before application of transitional cap)	-	-	-	
28	Floor adjustment (after application of transitional cap)	-	-	-	
29	**Total**	**18,608,243**	**18,099,747**	**18,216,105**	**1,488,659**

4.4. Risk factors

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

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

After a year in which euro area economic growth stagnated while countries in the Group's region expanded more quickly on the back of household consumption wage growth remained elevated, impacting the reacceleration of inflation. Lending growth peaked modestly the previous year due to rising interest rate trends. While the Group's regional growth is expected to improve in 2025, ongoing uncertainty keeps the growth subdued. Moreover, inflationary pressures, lower-than-expected GDP growth, geopolitical and other uncertainties could slow private consumption and investment growth.

Credit risk usually increases considerably in times of an economic slowdown. At the end of H1 2025, the Group's credit portfolio remained high-quality, well-diversified and stable, with a low level of NPLs. There was no large concentration in any selected industry sector. The latter is significant as geopolitical tensions, the green transition, and other macro developments could materially impact specific industry sectors. The Group monitors the macroeconomic and geopolitical circumstances closely, remains very prudent in identifying any increase in credit risk at a very early stage, and is proactive in NPL management. In this respect, improved statistical models in banking members of the Group were implemented.

The aforementioned adverse developments, including geopolitical and other uncertainties, could affect the cost of risk and NPLs. Notwithstanding the established procedures in the Group's credit risk management, there can be no certainty that they will be sufficient to ensure the Group's credit portfolio quality or that the corresponding impairments will remain adequate.

The investment strategy of the Group, referring to the Group's bond portfolio kept for liquidity purposes, adapts to the expected market trends following the set risk appetite. Investment activity continued with a balanced approach to finding attractive market opportunities while pursuing a well-managed credit spread, interest rate risk, and capital consumption. Geopolitical uncertainties impacted the volatility in the financial markets, particularly shifts in credit spreads, interest rates and foreign exchange rate fluctuations. The Group closely monitors 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, and any significant and unanticipated movements on the markets or a variety of factors, such as competitive pressures, consumer confidence, or other certain factors outside the Group's control, could adversely affect the Group's operations, capital, and financial condition.

Special attention is paid to the ongoing provision of client services and their monitoring, and the prevention of cyberattacks and potential fraud events. The Group has established internal controls and other measures to facilitate adequate management. However, these measures may only sometimes entirely prevent possible adverse effects.

Concerning litigation risk, in recent years, and even more so in recent periods, the Bank has seen a shift in case law that is generally more favourable to consumers, e.g. litigation cases related to loan processing fees and loan insurance premiums in Serbia and CHF litigations in Slovenia. In the latter case, there has been an increase in the number of proceedings against the Bank, which was expected. The current litigations against the Bank referring to CHF are less material, but the Bank is closely monitoring developments.

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

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

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

- GDP trends and forecasts,
- economic sentiment,
- unemployment rate,
- consumer confidence,
- construction sentiment,
- deposit stability and growth of loans in the banking sector,
- credit spreads and related future forecasts,
- interest rate development and related future forecasts,
- FX rates,
- energy and commodity prices,
- other relevant market indicators.

In H1 2025, the Group regularly reviewed the IFRS 9 provisioning by testing the relevant macroeconomic scenarios to reflect the current circumstances and their future impacts adequately. 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 possible scenarios with an associated probability of occurrence for forward-looking assessment of risk provisioning in the context of IFRS 9. These IFRS 9 macroeconomic scenarios incorporate the forward-looking and probability-weighted aspects of the ECL impairment calculation. Both features may change when material changes in the future development of the economy are recognised and not embedded in previous forecasts.

The baseline macroeconomic scenario predicts sub-trend growth for major economies like the U.S., China, India, and the Euro area, with no significant recession in the mid-term. Euro area consumer confidence and private consumption will drive the growth, while government spending focuses on recovery and structural challenges. The ECB is expected to maintain a gradual approach to interest rate cuts, achieving its 2% inflation target by late 2025. Trade tensions and US tariffs effects remain a risk, but global trade recovery will benefit the euro area in general. The end of the Ukraine conflict may positively affect global GDP growth by late 2025. The euro yield curve will see notable bull steepening in 2025 and moderate bear steepening in 2026.

The alternative macroeconomic scenarios are based on plausible drivers of economic development in the mid-term. The optimistic alternative scenario demonstrates supply-driven positive developments; it alleviates geopolitical tensions, technological advancements, and stable energy prices, which improve supply and foster robust economic growth. Global economy benefits from Ukraine-Russia ceasefire and Euro area from a well-functioning labour market, favourable global trade conditions with mild adverse tariffs effects from the U.S, and coordinated monetary policies of major central banks, leading to a sustainable, resilient, and confident economic environment. The ECB's expected easing cycle stabilises rates and lending conditions. Politics in Europe has come to a consensus, supporting coordinated but gradual green transition and contributing further to production potential.

The severe alternative scenario demonstrates supply-driven bleak developments; it is characterised by the U.S. pressure escalation on Iran and further complicating relations with China related to the Taiwan question, posing a threat to the global economy and financial system, and leading to a breakdown of confidence. The war in Ukraine does not show signs of meaningful resolution. Persistent supply chain problems and rising energy prices create challenges for the Euro area, further hindering economic growth due to supply shortages. Labour shortages, trade barriers, and price wars induced by the imposed U.S. tariffs add pressure, leading to prolonged economic insecurity. The ECB faces difficulties in managing high and persistent inflation and sluggish supply-demand, exacerbated by the U.S. monetary policy loss of credibility, increased financial markets uncertainty, and a slowdown of trading channels due to increased FX volatility.

The Bank considers these scenarios when calculating expected credit losses in the context of IFRS 9. On this basis, the Group revised scenario weights in H1 2025. Group assigned weights of 20%-60%-20% (alternative scenarios receiving 20% each, and the baseline scenario 60%) as a starting point, with increased severe scenario weight 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 the Risk Appetite, the Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP), and the Recovery Plan to determine how severe and unexpected changes in the business, geopolitical, and macro environments might affect the Group's capital adequacy or liquidity position. The stress-testing framework and recovery plan indicators support proactive management of the Group's overall risk profile in these circumstances, including capital and liquidity positions from a forward-looking perspective.

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

4.5. Capital buffers – Countercyclical buffer

(Article 440 of CRR)

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

Table 7 – EU CCyB2 – Amount of bank-specific countercyclical capital buffer for NLB Group

30.06.2025	
Total risk exposure amount	18,608,243
Institution specific countercyclical buffer rate	0.78%
Institution specific countercyclical buffer requirement	145,434

For the last quarter of 2023, the Bank of Slovenia raised the countercyclical capital buffer for exposures to the Republic of Slovenia from 0% to the level of 0.5% of the total risk exposure amount and declared a new raise to 1% of the total risk exposure, where the requirement must be fulfilled from 1 January 2025 onwards. The required value of the buffer for exposures in Slovenia as at 30 June 2025 was at 1.0%. To define the buffer rate, the Bank of Slovenia followed the methodology of the BCBS, ESRB, and the credit cycle assessment for Slovenia. The buffer rates applicable to exposure in other countries of the European Economic Area are those defined on the ESRB website, refreshed quarterly, while the buffer rate applying to credit exposures to countries not listed on that page nor prescribed by the Bank of Slovenia or a competent authority of that country are 0%. Counter-cyclical capital rates have generally been set at 0%, except for Denmark, Iceland, and Norway which, as at 30 June 2025, had a countercyclical capital rate of 2.5%; Bulgaria, Kosovo, Netherlands, Sweden, and United Kingdom had 2%; Estonia, Croatia, North Macedonia Ireland, and Slovakia had 1.5% ; Czech Republic had 1.25% ; Australia, Belgium Cyprus, France, Korea, Lithuania, Latvia, Romania had 1%; Germany had 0.75%; Montenegro, Hungary, Hong Kong, Luxembourg, Chile had 0.5% while Russian federation and Albania had 0.25%.

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

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

Table 8 – EU CCyB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer of NLB Group

30.06.2025	General credit exposures	Own funds requirements		Risk-weighted exposure amounts	Own funds requirement weights (%)	Counter-cyclical capital buffer rate (%)
	Exposure value under the SA	Relevant credit risk exposures - Credit risk	Total			
Country	a	g	j	k	l	m
Slovenia	8,799,016	486,050	486,050	6,075,625	45.00%	1.00%
Serbia	3,757,430	231,356	231,356	2,891,950	21.00%	-
North Macedonia	1,595,424	92,058	92,058	1,150,725	9.00%	1.50%
Bosnia and Herzegovina	1,428,002	93,599	93,599	1,169,987	9.00%	-
Kosovo	1,186,957	75,893	75,893	948,662	7.00%	2.00%
Montenegro	778,840	50,192	50,192	627,400	5.00%	0.50%
Croatia	165,059	10,310	10,310	128,874	1.00%	1.50%
France	113,004	9,038	9,038	112,974	1.00%	1.00%
Luxembourg	78,744	5,443	5,443	68,037	1.00%	0.50%
Austria	62,642	4,889	4,889	61,113	0.00%	-
Netherlands	62,095	4,352	4,352	54,400	0.00%	2.00%
United States	47,951	3,795	3,795	47,437	0.00%	-
Germany	34,219	2,633	2,633	32,912	0.00%	0.75%
Italy	30,794	2,428	2,428	30,350	0.00%	-
Belgium	26,266	2,052	2,052	25,650	0.00%	1.00%
Spain	20,489	1,612	1,612	20,150	0.00%	-
Switzerland	7,012	516	516	6,450	0.00%	-
United Kingdom	1,194	81	81	1,013	0.00%	2.00%
Sweden	547	34	34	425	0.00%	2.00%
Malta	426	22	22	275	0.00%	-
Czech Republic	402	26	26	325	0.00%	1.25%
Ireland	386	30	30	375	0.00%	1.50%
China	204	12	12	150	0.00%	-
Slovakia	135	10	10	125	0.00%	1.50%
Russian Federation	128	6	6	75	0.00%	2.50%
Australia	117	3	3	38	0.00%	1.00%
Poland	108	9	9	113	0.00%	-
Iceland	102	6	6	75	0.00%	2.50%
Latvia	86	8	8	100	0.00%	1.00%
Norway	86	2	2	25	0.00%	2.50%
Hungary	84	5	5	63	0.00%	0.50%
United Arab Emirates	64	1	1	13	0.00%	-
Israel	40	4	4	50	0.00%	-
Mauritius	38	2	2	25	0.00%	-
Brazil	30	2	2	25	0.00%	-
Bulgaria	23	1	1	-	0.00%	2.00%
Turkey	17	1	1	13	0.00%	-
Monaco	13	1	1	13	0.00%	-
Kenya	10	1	1	13	0.00%	-
Thailand	10	1	1	-	0.00%	-
Other	80	-	-	-	0.00%	-
Total	**18,198,274**	**1,076,484**	**1,076,484**	**13,456,025**	**100.00%**	**-**

5. Credit risk

5.1. Credit risk quality

(Article 442 c and g of CRR)

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

	30.06.2025	Net exposure value				
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	Total
		a	b	c	d	f
1	Loans and advances	3,410	2,587,569	5,495,475	9,907,367	17,993,821
2	Debt securities	-	1,274,337	2,830,893	2,442,347	6,547,577
3	**Total**	**3,410**	**3,861,906**	**8,326,368**	**12,349,714**	**24,541,398**

	31.12.2024	Net exposure value				
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	Total
		a	b	c	d	f
1	Loans and advances	1,144	2,470,643	5,332,343	9,156,546	16,960,676
2	Debt securities	-	1,165,163	3,187,247	1,844,476	6,196,886
3	**Total**	**1,144**	**3,635,806**	**8,519,590**	**11,001,022**	**23,157,562**

At the end of June 2025, 50.3% of net on-balance exposure had remaining maturity of “Over 5 years,” followed by the “1 year to 5 years” category with 33.9%, and the “Up to 1 year” category with 15.7%. In the last year, the highest increase was noticed in the “Over 5 years” category.

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

	30.06.2025	Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
		a	b
1	Property, plant, and equipment (PP&E)	1,341	(113)
2	Other than PP&E	41,688	(9,940)
3	Residential immovable property	6,624	(2,931)
4	Commercial immovable property	33,575	(6,871)
5	Movable property (auto, shipping, etc.)	1,489	(138)
8	**Total**	**43,029**	**(10,053)**

5.2. Non-performing and forborne exposures

(Article 442 e, and f of CRR)

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

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

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

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

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

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

	30.06.2025	Gross carrying/nominal amount			Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing				
	Exposures	Total	Total	Of which defaulted			
		a	b	c	e	f	g
1	**On-balance-sheet**	**24,916,126**	**342,222**	**342,237**	**(373,103)**		-
2	Slovenia	9,393,623	170,464	170,464	(160,739)		-
3	Serbia	4,696,214	41,840	41,840	(52,169)		-
4	North Macedonia	1,912,555	30,650	30,650	(40,116)		-
5	Bosnia and Herzegovina	1,633,682	24,071	24,071	(43,288)		-
6	Kosovo	1,238,989	21,078	21,078	(34,398)		-
7	Montenegro	840,122	30,870	30,870	(26,391)		-
8	Other countries	5,200,941	23,249	23,264	(16,002)		-
9	**Off-balance-sheet**	**5,589,513**	**13,584**	**13,584**		**(20,510)**	
10	Slovenia	3,221,836	8,937	8,937		(9,254)	
11	Serbia	1,360,916	2,418	2,418		(5,121)	
12	North Macedonia	323,859	722	722		(1,885)	
13	Bosnia and Herzegovina	305,934	144	144		(2,311)	
14	Kosovo	105,605	213	213		(588)	
15	Montenegro	180,652	1,150	1,150		(1,239)	
16	Other countries	90,711	-	-		(112)	
17	**Total**	**30,505,639**	**355,806**	**355,821**	**(373,103)**	**(20,510)**	-

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

	2025	Gross carrying amount
1	**Initial stock of non-performing loans and advances**	**339,328**
2	Inflows to non-performing portfolios	137,284
3	Outflows from non-performing portfolios	(135,173)
4	Outflows due to write-offs	(22,066)
5	Outflow due to other situations	(113,107)
6	**Final stock of non-performing loans and advances**	**341,439**

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

		Gross carrying amount/nominal amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures		Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			On performing exposures	On non-performing exposures
	30.06.2025	Total	Of which Stage 1	Of which Stage 2	Total	Of which Stage 3	Total	Of which Stage 1	Of which Stage 2	Total	Of which Stage 3			
		a	b	c	d	f	g	h	i	j	l	m	n	o
005	Cash balances at central banks and other demand deposits	3,679,875	3,679,869	6	28	28	(890)	(890)	-	(28)	(28)	-	461,500	-
010	**Loans and advances**	**18,015,024**	**16,801,515**	**1,207,790**	**341,439**	**316,766**	**(148,678)**	**(79,433)**	**(71,507)**	**(213,961)**	**(204,137)**	**(9,040)**	**8,685,660**	**103,811**
020	Central banks	163,492	163,492	-	-	-	(3)	(3)	-	-	-	-	-	-
030	General governments	633,503	626,898	6,605	605	605	(3,007)	(2,408)	(599)	(601)	(601)	-	121,628	-
040	Credit institutions	221,111	221,094	17	44	44	(284)	(284)	-	(33)	(33)	-	34	-
050	Other financial corporations	201,807	201,286	521	527	527	(973)	(970)	(3)	(518)	(518)	(1,341)	32,993	8
060	Non-financial corporations	7,029,902	6,466,590	559,904	168,786	152,279	(52,796)	(31,399)	(22,941)	(95,099)	(88,685)	(7,699)	3,586,309	68,747
070	Of which SMEs	5,070,443	4,681,209	386,067	153,498	139,649	(38,029)	(24,809)	(13,956)	(90,629)	(84,665)	(7,455)	2,783,701	59,314
080	Households	9,765,209	9,122,155	640,743	171,477	163,311	(91,615)	(44,369)	(47,964)	(117,710)	(114,300)	-	4,944,696	35,056
090	**Debt securities**	**6,558,866**	**6,547,989**	**9,715**	**798**	**798**	**(9,668)**	**(9,509)**	**(159)**	**(798)**	**(798)**	**-**	**261,060**	**-**
100	Central banks	26,298	26,298	-	-	-	(12)	(12)	-	-	-	-	-	-
110	General governments	4,732,242	4,731,154	978	-	-	(7,767)	(7,722)	(45)	-	-	-	-	-
120	Credit institutions	1,596,673	1,596,673	-	-	-	(1,376)	(1,376)	-	-	-	-	180,294	-
130	Other financial corporations	178,835	176,280	1,503	798	798	(272)	(256)	(16)	(798)	(798)	-	80,766	-
140	Non-financial corporations	24,818	17,584	7,234	-	-	(241)	(143)	(98)	-	-	-	-	-
150	**Off-balance-sheet exposures**	**5,576,199**	**5,417,869**	**158,060**	**13,584**	**13,413**	**(13,195)**	**(11,122)**	**(2,073)**	**(7,316)**	**(7,306)**	**-**	**780,172**	**3,034**
160	Central banks	113	113	-	-	-	-	-	-	-	-	-	-	-
170	General governments	39,418	39,328	90	111	111	(96)	(96)	-	(19)	(19)	-	15	-
180	Credit institutions	87,310	87,310	-	-	-	(35)	(35)	-	-	-	-	742	-
190	Other financial corporations	41,638	41,604	34	36	36	(38)	(38)	-	(8)	(8)	-	3,920	10
200	Non-financial corporations	4,551,643	4,418,452	132,943	11,981	11,831	(11,079)	(9,271)	(1,808)	(6,766)	(6,766)	-	731,921	2,690
210	Households	856,077	831,062	24,993	1,456	1,435	(1,947)	(1,682)	(265)	(523)	(513)	-	43,574	334
220	**Total**	**33,829,964**	**32,447,242**	**1,375,571**	**355,849**	**331,005**	**(172,431)**	**(100,954)**	**(73,739)**	**(222,103)**	**(212,269)**	**-**	**10,188,392**	**106,845**

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

30.06.2025		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
			Non-performing forborne						
		Performing forborne	Total	Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures	Total	Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
		a	b	c	d	e	f	g	h
1	**Loans and advances**	**103,716**	**121,527**	**121,527**	**121,527**	**(15,123)**	**(75,974)**	**98,007**	**40,069**
3	General governments	1,343	156	156	156	(197)	(156)	-	-
5	Other financial corporations	-	481	481	481	-	(481)	-	-
6	Non-financial corporations	45,486	75,950	75,950	75,950	(2,841)	(46,280)	65,294	29,168
7	Households	56,887	44,940	44,940	44,940	(12,085)	(29,057)	32,713	10,901
9	Loan commitments given	746	95	95	95	(3)	(39)	584	19
10	**Total**	**104,462**	**121,622**	**121,622**	**121,622**	**(15,126)**	**(76,013)**	**98,591**	**40,088**

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

30.06.2025		Gross carrying amount / nominal amount		Accumu-lated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Total	Of which defaulted		
		a	c	e	f
1	Agriculture, forestry and fishing	127,961	3,811	(3,727)	-
2	Mining and quarrying	44,602	45	(820)	-
3	Manufacturing	1,804,397	41,194	(37,540)	-
4	Electricity, gas, steam and air conditioning supply	630,911	377	(3,937)	-
5	Water supply	71,722	548	(1,073)	-
6	Construction	802,391	16,938	(16,849)	-
7	Wholesale and retail trade	1,566,074	31,038	(31,522)	-
8	Transport and storage	594,026	24,838	(13,663)	-
9	Accommodation and food service activities	253,585	18,493	(10,394)	-
10	Information and communication	219,831	2,692	(6,207)	-
11	Financial and insurance actvities	79,493	67	(468)	-
12	Real estate activities	430,827	8,648	(6,648)	-
13	Professional, scientific and technical activities	283,745	12,708	(9,989)	-
14	Administrative and support service activities	169,573	3,837	(2,415)	-
15	Public administration and defense, compulsory social security	4,206	5	(84)	-
16	Education	16,882	106	(229)	-
17	Human health services and social work activities	55,551	235	(450)	-
18	Arts, entertainment and recreation	15,619	1,769	(540)	-
19	Other services	27,292	1,437	(1,340)	-
20	**Total**	**7,198,688**	**168,786**	**(147,895)**	**-**

5.3. Credit risk mitigation techniques

(Article 453 f of CRR)

Table 16 – EU CR3 – CRM techniques – Disclosure of the use of credit risk mitigation technique of NLB Group

30.06.2025		Unsecured carrying amount	Secured carrying amount		
			Total	of which secured by collateral	of which secured by financial guarantees
		a	b	c	d
1	Loans and advances	13,246,895	8,789,471	8,424,869	364,602
2	Debt securities	6,298,604	261,060	-	261,060
3	**Total**	**19,545,499**	**9,050,531**	**8,424,869**	**625,662**
4	of which non-performing exposures	238,426	103,811	98,488	5,323
5	of which defaulted	238,426	103,811	98,488	5,323

At the end of June 2025, the secured part of the portfolio represented 31.6% of the total portfolio. However, it has to be considered that such a low share is due to strict rules applied to the eligible collateral in the standardised approach.

5.4. Credit risk – standardised approach

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

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

	30.06.2025	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
	Exposure classes	a	b	c	d	e	f
1	Central governments or central banks	8,048,010	319,119	7,992,667	139,544	781,926	9.62%
2	Non-central government public sector entities	652,359	35,564	647,852	11,465	127,872	19.39%
EU 2a	Regional governments or local authorities	471,325	12,531	471,325	3,728	100,488	21.15%
EU 2b	Public sector entities	181,034	23,032	176,528	7,736	27,384	14.86%
3	Multilateral development banks	222,700	-	684,200	-	-	-
EU 3a	International organisations	545,698	-	545,698	-	-	-
4	Institutions	1,347,631	129,241	1,313,668	64,956	426,619	30.95%
5	Covered bonds	224,261	-	224,261	-	23,720	10.58%
6	Corporates	3,327,921	2,704,613	3,018,598	608,708	3,350,705	92.37%
6.1	Of which: Specialised Lending	196,046	52,718	185,332	19,770	208,880	101.84%
7	Subordinated debt exposures and equity	124,295	-	124,295	-	178,053	143.25%
EU 7a	Subordinated debt exposures	65,405	-	65,405	-	98,107	150.00%
EU 7b	Equity	58,890	-	58,890	-	79,945	135.75%
8	Retail exposures	6,618,337	1,907,859	6,578,742	517,611	5,075,619	71.52%
9	Secured by mortgages on immovable property and ADC exposures	7,049,006	871,656	7,036,473	198,577	4,759,405	65.78%
9.1	Secured by mortgages on residential immovable property - non IPRE	4,077,166	30,918	4,075,320	5,551	2,024,345	49.61%
9.2	Secured by mortgages on residential immovable property - IPRE	15,024	20	15,024	8	11,933	79.38%
9.3	Secured by mortgages on commercial immovable property - non IPRE	2,184,689	597,590	2,174,001	108,291	1,630,102	71.42%
9.4	Secured by mortgages on commercial immovable property - IPRE	307,061	2,995	307,061	1,198	295,439	95.84%
9.5	Acquisition, Development and Construction (ADC)	465,067	240,133	465,067	83,529	797,587	145.39%
10	Exposures in default	127,457	6,317	121,222	1,133	145,808	119.17%
EU 10a	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
EU 10b	Collective investment undertakings (CIU)	71,672	-	71,672	-	17,512	24.43%
EU 10c	Other items	1,012,528	-	1,012,528	-	471,550	46.57%
12	**Total**	**29,371,876**	**5,974,368**	**29,371,876**	**1,541,995**	**15,358,789**	**49.68%**

The table shows exposures before CRM and CCF, exposure post-CCF and -CRM and RWA for all customer segments. The last column shows RWA density or the average risk weight for each client segment. The drivers behind the differences between the RWAs in H1 2025 are explained in Chapter 4.3. Risk-weighted exposure. Due to the abovementioned changes in exposure, the average weight decreased from 50.1% in December 2024 to 49.7% in June 2025.

Table 18 – EU CR5 – Standardised Approach of NLB Group

	30.06.2025	Risk weight								
		0%	2%	4%	10%	20%	30%	35%	40%	45%
	Exposure classes	a	b	c	d	e	f	g	h	i
1	Central governments or central banks	7,104,670	-	88,613	195,070	39,834	-	-	-	-
2	Non-central government public sector entities	398,434	-	-	-	140,878	-	-	-	-
EU 2a	Regional governments or local authorities	262,010	-	-	-	140,693	-	-	-	-
Eu 2b	Public sector entities	136,424	-	-	-	184	-	-	-	-
3	Multilateral development banks	684,200	-	-	-	-	-	-	-	-
EU 3a	International organisations	545,698	-	-	-	-	-	-	-	-
4	Institutions	-	24,313	-	-	506,915	512,877	-	58,718	-
5	Covered bonds	-	-	-	209,625	11,251	-	-	-	-
6	Corporates	-	-	-	-	607	-	-	-	-
6.1	Of which: Specialised Lending	-	-	-	-	-	-	-	-	-
7	Subordinated debt exposures and equity	-	-	-	-	-	-	-	-	-
EU 7a	Subordinated debt exposures	-	-	-	-	-	-	-	-	-
EU 7b	Equity	-	-	-	-	-	-	-	-	-
8	Retail exposures	-	-	-	-	-	-	-	-	-
9	Secured by mortgages on immovable property and ADC exposures	-	-	-	-	2,452,086	5,635	587	-	15
9,1	Secured by mortgages on residential immovable property - non IPRE	-	-	-	-	2,432,601	-	-	-	-
9.1.1	no loan splitting applied	-	-	-	-	-	-	-	-	-
9.1.2	loan splitting applied (secured)	-	-	-	-	2,432,601	-	-	-	-
9.1.3	loan splitting applied (unsecured)	-	-	-	-	-	-	-	-	-
9,2	Secured by mortgages on residential immovable property - IPRE	-	-	-	-	-	5,635	587	-	15
9,3	Secured by mortgages on commercial immovable property - non IPRE	-	-	-	-	19,485	-	-	-	-
9.3.1	no loan splitting applied	-	-	-	-	-	-	-	-	-
9.3.2	loan splitting applied (secured)	-	-	-	-	19,485	-	-	-	-
9.3.3	loan splitting applied (unsecured)	-	-	-	-	-	-	-	-	-
9,4	Secured by mortgages on commercial immovable property - IPRE	-	-	-	-	-	-	-	-	-
9,5	Acquisition, Development and Construction (ADC)	-	-	-	-	-	-	-	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-
EU 10a	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
EU 10b	Collective investment undertakings (CIU)	-	-	-	-	-	-	-	-	-
EU 10c	Other items	540,978	-	-	-	-	-	-	-	-
EU 11c	**Total**	**9,273,980**	**24,313**	**88,613**	**404,696**	**3,151,570**	**518,512**	**587**	**58,718**	**15**

	30.06.2025	Risk weight								
		50%	60%	70%	75%	80%	90%	100%	105%	110%
	Exposure classes	j	k	l	m	n	o	p	q	r
1	Central governments or central banks	63,155	-	-	-	-	-	587,982	-	-
2	Non-central government public sector entities	40,550	-	-	-	-	-	79,455	-	-
EU 2a	Regional governments or local authorities	-	-	-	-	-	-	72,350	-	-
Eu 2b	Public sector entities	40,550	-	-	-	-	-	7,106	-	-
3	Multilateral development banks	-	-	-	-	-	-	-	-	-
EU 3a	International organisations	-	-	-	-	-	-	-	-	-
4	Institutions	242,578	-	-	28,221	-	-	5,004	-	-
5	Covered bonds	-	-	-	-	-	-	-	-	-
6	Corporates	6,053	-	-	251,992	-	-	3,236,394	-	-
6.1	Of which: Specialised Lending	-	-	-	-	-	-	72,841	-	-
7	Subordinated debt exposures and equity	-	-	-	-	-	-	44,853	-	-
EU 7a	Subordinated debt exposures	-	-	-	-	-	-	-	-	-
EU 7b	Equity	-	-	-	-	-	-	44,853	-	-
8	Retail exposures	-	-	-	7,087,784	-	-	8,570	-	-
9	Secured by mortgages on immovable property and ADC exposures	2,525	750,416	160,747	1,883,952	-	16,698	1,324,962	3,679	12,763
9,1	Secured by mortgages on residential immovable property - non IPRE	1,017	-	-	1,617,630	-	-	29,623	-	-
9.1.1	no loan splitting applied	-	-	-	1,184,203	-	-	26,198	-	-
9.1.2	loan splitting applied (secured)	-	-	-	-	-	-	-	-	-
9.1.3	loan splitting applied (unsecured)	1,017	-	-	433,428	-	-	3,425	-	-
9,2	Secured by mortgages on residential immovable property - IPRE	-	-	-	166	-	-	-	3,679	-
9,3	Secured by mortgages on commercial immovable property - non IPRE	1,508	750,416	-	266,156	-	-	1,244,727	-	-
9.3.1	no loan splitting applied	-	-	-	208,652	-	-	821,910	-	-
9.3.2	loan splitting applied (secured)	-	750,416	-	-	-	-	-	-	-
9.3.3	loan splitting applied (unsecured)	1,508	-	-	57,504	-	-	422,817	-	-
9,4	Secured by mortgages on commercial immovable property - IPRE	-	-	160,747	-	-	16,698	-	-	12,763
9,5	Acquisition, Development and Construction (ADC)	-	-	-	-	-	-	50,612	-	-
10	Exposures in default	-	-	-	-	-	-	75,450	-	-
EU 10a	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
EU 10b	Collective investment undertakings (CIU)	-	-	-	-	-	-	7,954	-	-
EU 10c	Other items	-	-	-	-	-	-	471,550	-	-
EU 11c	**Total**	**354,860**	**750,416**	**160,747**	**9,251,949**	**-**	**16,698**	**5,842,173**	**3,679**	**12,763**

	30.06.2025	Risk weight							Total	of which unrated
		130%	150%	250%	370%	400%	1250%	Others		
	Exposure classes	s	t	u	v	w	x	y	z	aa
1	Central governments or central banks	-	847	52,039	-	-	-	-	8,132,211	8,132,211
2	Non-central government public sector entities	-	-	-	-	-	-	-	659,317	659,317
EU 2a	Regional governments or local authorities	-	-	-	-	-	-	-	475,053	475,053
Eu 2b	Public sector entities	-	-	-	-	-	-	-	184,264	184,264
3	Multilateral development banks	-	-	-	-	-	-	-	684,200	684,200
EU 3a	International organisations	-	-	-	-	-	-	-	545,698	545,698
4	Institutions	-	-	-	-	-	-	-	1,378,624	196,383
5	Covered bonds	-	-	-	-	-	-	3,385	224,261	11,251
6	Corporates	132,261	-	-	-	-	-	-	3,627,307	3,288,532
6.1	Of which: Specialised Lending	132,261	-	-	-	-	-	-	205,102	205,102
7	Subordinated debt exposures and equity	-	65,405	14,037	-	-	-	-	124,295	124,295
EU 7a	Subordinated debt exposures	-	65,405	-	-	-	-	-	65,405	7,867
EU 7b	Equity	-	-	14,037	-	-	-	-	58,890	58,890
8	Retail exposures	-	-	-	-	-	-	-	7,096,353	7,096,353
9	Secured by mortgages on immovable property and ADC exposures	-	620,984	-	-	-	-	-	7,235,050	7,235,050
9,1	Secured by mortgages on residential immovable property - non IPRE	-	-	-	-	-	-	-	4,080,871	4,080,871
9.1.1	no loan splitting applied	-	-	-	-	-	-	-	1,210,401	1,210,401
9.1.2	loan splitting applied (secured)	-	-	-	-	-	-	-	2,432,601	2,432,601
9.1.3	loan splitting applied (unsecured)	-	-	-	-	-	-	-	437,869	437,869
9,2	Secured by mortgages on residential immovable property - IPRE	-	4,950	-	-	-	-	-	15,032	15,032
9,3	Secured by mortgages on commercial immovable property - non IPRE	-	-	-	-	-	-	-	2,282,293	2,282,293
9.3.1	no loan splitting applied	-	-	-	-	-	-	-	1,030,562	1,030,562
9.3.2	loan splitting applied (secured)	-	-	-	-	-	-	-	769,901	769,901
9.3.3	loan splitting applied (unsecured)	-	-	-	-	-	-	-	481,829	481,829
9,4	Secured by mortgages on commercial immovable property - IPRE	-	118,051	-	-	-	-	-	308,259	308,259
9,5	Acquisition, Development and Construction (ADC)	-	497,984	-	-	-	-	-	548,595	548,595
10	Exposures in default	-	46,905	-	-	-	-	-	122,355	122,355
EU 10a	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
EU 10b	Collective investment undertakings (CIU)	-	-	-	-	-	-	63,718	71,672	71,672
EU 10c	Other items	-	-	-	-	-	-	-	1,012,528	1,006,147
EU 11c	**Total**	**132,261**	**734,142**	**66,076**	**-**	**-**	**-**	**67,103**	**30,913,871**	**29,115,926**

The exposure values post-CRM and post-CCR in each specific risk-weight class are distributed based on the standardised approach rules. The 0% weight prevails in the Central government segment, 50% for the Institutions (depending on ECAI rating and residual maturity of the exposure), 20% for Secured by real estate exposure and 75% in the Retail segment, while 100% is applied to all other segments. The 150% weight is only applied to ADC CRE and ADC RRE not high quality, IPRE exposures with not eligible RE collaterals, subordinated debt and those default exposures, whose provision coverage does not exceed 20%. In the first half of 2025, the highest increase was noticed due to changed EU Basel 3 regulation rules: central governments (binding offers CCF=40%). The CCF effect of 40% is also reflected in the corporate and retail segments.

6. Exposure to counterparty credit risk

(Article 439 and 444 e of CRR)

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

	30.06.2025	Replace-ment cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
		a	b	c	d	e	f	g	h
EU-1	EU - Original Exposure Method (for derivatives)	4,987	28,900		1.4	47,442	47,442	47,442	25,230
EU-2	EU - Simplified SA-CCR (for derivatives)	-	-		-	-	-	-	-
1	SA-CCR (for derivatives)	-	-		-	-	-	-	-
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	*Of which securities financing transactions netting sets*			-		-	-	-	-
2b	*Of which derivatives and long settlement transactions netting sets*			-		-	-	-	-
2c	*Of which from contractual cross-product netting sets*			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	**Total**					**47,442**	**47,442**	**47,442**	**25,230**

Table 20 – EU CCR3 – Standardised Approach – CCR exposures by regulatory exposure class and risk weights of NLB Group

	30.06.2025	**Risk weight**											**Total exposure value**
		0%	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Others**	
	Exposure classes	a	b	c	d	e	f	g	h	i	j	k	l
1	Central governments or central banks	7,093,957	-	88,613	195,070	39,834	63,155	-	-	587,988	880	41,956	8,111,452
2	Regional government or local authorities	262,010	-	-	-	140,693	-	-	-	72,352	2,060	-	477,115
3	Public sector entities	136,424	-	-	-	518	43,075	-	-	9,798	569	-	190,384
4	Multilateral development banks	684,200	-	-	-	-	-	-	-	-	-	-	684,200
5	International organisations	545,698	-	-	-	-	-	-	-	-	-	-	545,698
6	Institutions	-	24,313	-	209,625	518,772	248,630	-	28,221	5,668	48,914	581,591	1,665,735
7	Corporates	-	-	-	-	2,171	-	603	251,992	2,577,127	78,156	219,958	3,130,006
8	Retail	10,714	-	-	-	2,449,582	-	160,144	8,971,736	2,117,690	603,564	783,324	15,096,754
9	Institutions and corporates with a short-term credit assessment												
10	Other items	540,978	-	-	-	-	-	-	-	471,550	-	-	1,012,528
11	**Total**	**9,273,980**	**24,313**	**88,613**	**404,696**	**3,151,570**	**354,860**	**160,747**	**9,251,949**	**5,842,173**	**734,142**	**1,626,828**	**30,913,871**

	31.12.2024	Risk weight											Total exposure value
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
	Exposure classes	a	b	c	d	e	f	g	h	i	j	k	l
1	Central governments or central banks	7,005,704	-	-	6,772	61,424	18,183	-	-	722,406	4	57,096	7,871,590
2	Regional government or local authorities	156,589	-	-	-	133,376	-	-	-	75,709	-	-	365,673
3	Public sector entities	134,436	-	-	-	180	43,151	-	-	7,718	644	-	186,131
4	Multilateral development banks	678,323	-	-	-	-	-	-	-	-	-	-	678,323
5	International organisations	515,054	-	-	-	-	-	-	-	-	-	-	515,054
6	Institutions	-	-	-	160,646	784,983	485,250	-	-	88,851	-	7,155	1,526,886
7	Corporates	-	-	-	-	-	148,623	-	10,610	2,448,867	28,279	402	2,636,782
8	Retail	11,280	-	-	-	-	437,019	-	8,178,453	2,283,454	798,920	2,463,944	14,173,071
9	Institutions and corporates with a short-term credit assessment												
10	Other items	523,120	-	-	-	22,185	-	-	0	463,593	0	-	1,008,898
11	**Total**	**9,024,507**	**-**	**-**	**167,418**	**1,002,148**	**1,132,227**	**-**	**8,189,063**	**6,090,599**	**827,848**	**2,528,598**	**28,962,408**

The exposure values post-CRM and post-CCR in each specific risk-weight class are distributed based on the standardised approach rules. The 0% weight prevails in the Central Government segment, 50% for the Institutions (depending on ECAI rating and residual maturity of the exposure), and 20%, 70% and 75% in the Retail segment, while 100% is applied to all other segments. The 150% weight is only applied to ADC CRE and ADC RRE not high quality, IPRE exposures with not eligible RE collaterals, subordinated debt and those default exposures, whose provision coverage does not exceed 20%. At the end of H1 2025, the highest increase was noticed due to changed EU Basel 3 regulation rules: central governments (binding offers CCF=40%). The CCF effect of 40% is also reflected in the corporate and retail segments.

7. Exposure to market risk

(Article 445 of CRR)

Table 21 – EU MR3 – Market risk under the simplified standardised approach (SSA)

	30.06.2025	Own Funds Requirements			
		Outright products	Options		
			Simplified approach	Delta-plus approach	Scenario approach
		a	b	c	d
1	Interest rate risk (general and specific)	816	-	-	-
2	Equity risk (general and specific)	403	-	-	-
3	Commodity risk	-	-	-	-
4	Foreign exchange risk	119,190	-	-	-
5	Securitisation (specific risk)	-			
6	**Total OFR SSA**	**120,409**	**-**	**-**	**-**

8. Credit valuation adjustment risk

(Article 445(a) of CRR)

Table 22 – EU CVA 1 – Credit valuation adjustment risk under the Reduced Basic Approach (R-BA)

	30.06.2025	Components of Own Funds Requirements	Own funds requirements
		a	b
1	Aggregation of systematic components of CVA risk	3,987	
2	Aggregation of idiosyncratic components of CVA risk	1,727	
3	**Total**		**5,714**

Description of the Group's processes to manage credit valuation adjustment (CVA) risk:
(Article 445a (1) (a) of CRR)

CVA risk is not material for the Group, so we do not actively hedge it.

The Group manages credit valuation adjustment (CVA) risk in accordance with its overall risk management framework. CVA risk arises from the potential for changes in the credit spread of counterparties to impact the fair value of the derivative exposures. Given the nature and size of the Group's derivatives portfolio, which is limited and does not include credit derivatives or securities financing transactions, the CVA risk exposure is low and non-complex.

The Group has implemented processes to identify, measure, monitor, and control CVA risk. These processes include:

- regular assessment of counterparty credit quality and exposures;
- application of conservative valuation adjustments based on observed market parameters;
- ongoing monitoring of counterparty exposures through risk reports that are reviewed by relevant risk control functions.

The Group does not engage in active hedging of CVA risk. Instead, it adopts a conservative approach by limiting exposure to counterparties with strong credit profiles and maintaining prudent internal limits. The more detailed description of managing counterparty risk in described in the chapter Exposure to counterparty credit risk. Due to the absence of a CVA hedging strategy, there are no processes in place for monitoring hedge effectiveness.

Basic approach for CVA risk
(Article 445a (1) (b) of CRR)

Considering the limited scope of its derivatives activity (an absence of securities financing transactions or credit derivatives) and an absence of CVA hedging, the Group has opted not to use the standardised CVA risk approach. Instead, the Group calculates the own funds requirements for CVA risk using the Reduced Basic Approach (R-BA) as permitted under the CRR framework. The stress test results of CVA risk are included in the institution's Pillar 1 capital adequacy calculations.

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

(Article 448 of CRR)

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

Supervisory shock scenarios	Changes of the economic value of equity		Changes of the net interest income	
	30.06.2025	31.12.2024	30.06.2025	31.12.2024
	a	b	c	d
Parallel up	-5.78%	-7.41%	3.55%	4.06%
Parallel down	-1.42%	4.18%	-4.76%	-4.98%
Steepener	1.41%	0.28%		
Flattener	-3.76%	-0.85%		
Short rates up	-4.22%	-2.88%		
Short rates down	2.50%	2.19%		

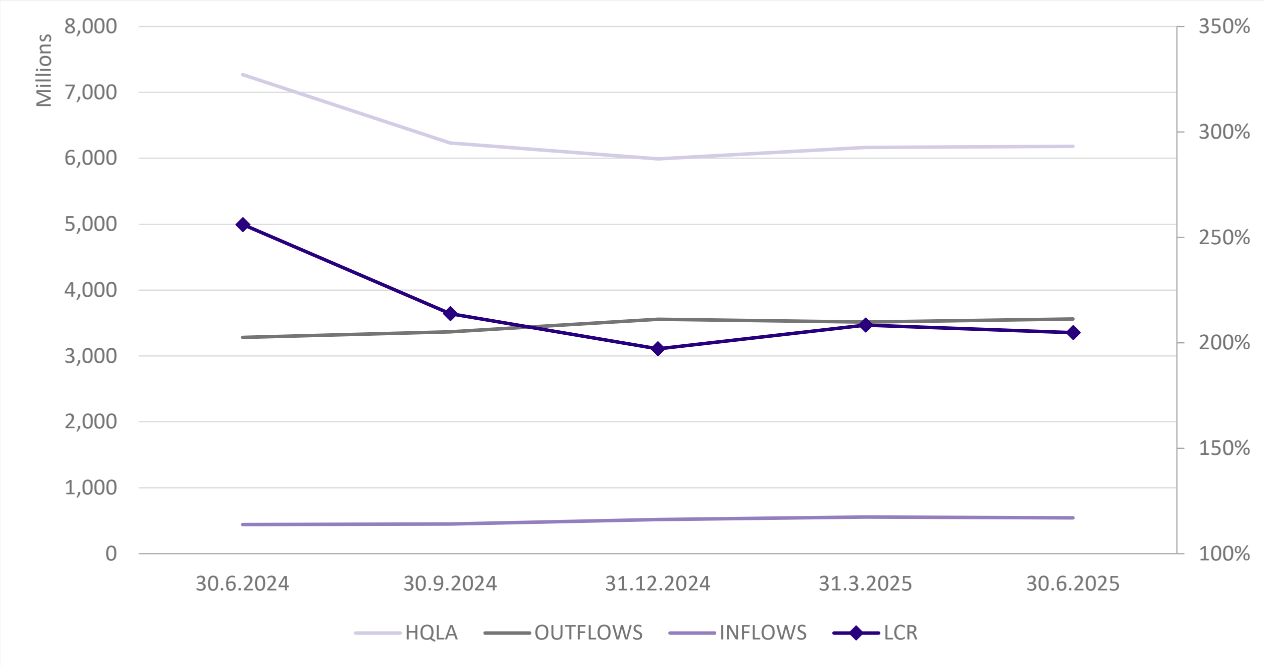
10. Liquidity

(Article 451a of CRR)

Liquidity coverage ratio

The Group holds a very strong liquidity position at the Group (and individual subsidiary bank) level, which is well above the risk appetite. In 2025, the LCR of the Group ranged between 196% and 256% (205% as of 30 June 2025). The surplus of HQLA is at a very high level in the Group, ranging between EUR 2.89 billion and EUR 4.43 billion in the past year (EUR 3.16 billion as at 30 June 2025).

Figure 4: Movement of LCR and inputs to LCR calculation of NLB Group



The LCR trend slightly declined towards the end of 2024, mostly attributed to the acquisition of Summit Leasing in September, which led to a temporary decline in the liquidity buffer. Additionally, in December 2024 the second tranche of a dividend payment were performed, which impacted the liquidity buffer. Despite this, the decrease is not considered alarming, as the Group continue to maintain a significant liquidity surplus. Moreover, in Q2 2025 slightly increasing trend is observed.

Moreover, when calculating consolidated LCR (on the level of the Group) specific rules needs to be consider, whereby from each Group banking member only HQLA in the amount of its net liquidity outflows in the specific currency can be included in the calculation of consolidated LCR.

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

Figure 5: LCR: Structure of HQLA (in %) of NLB Group

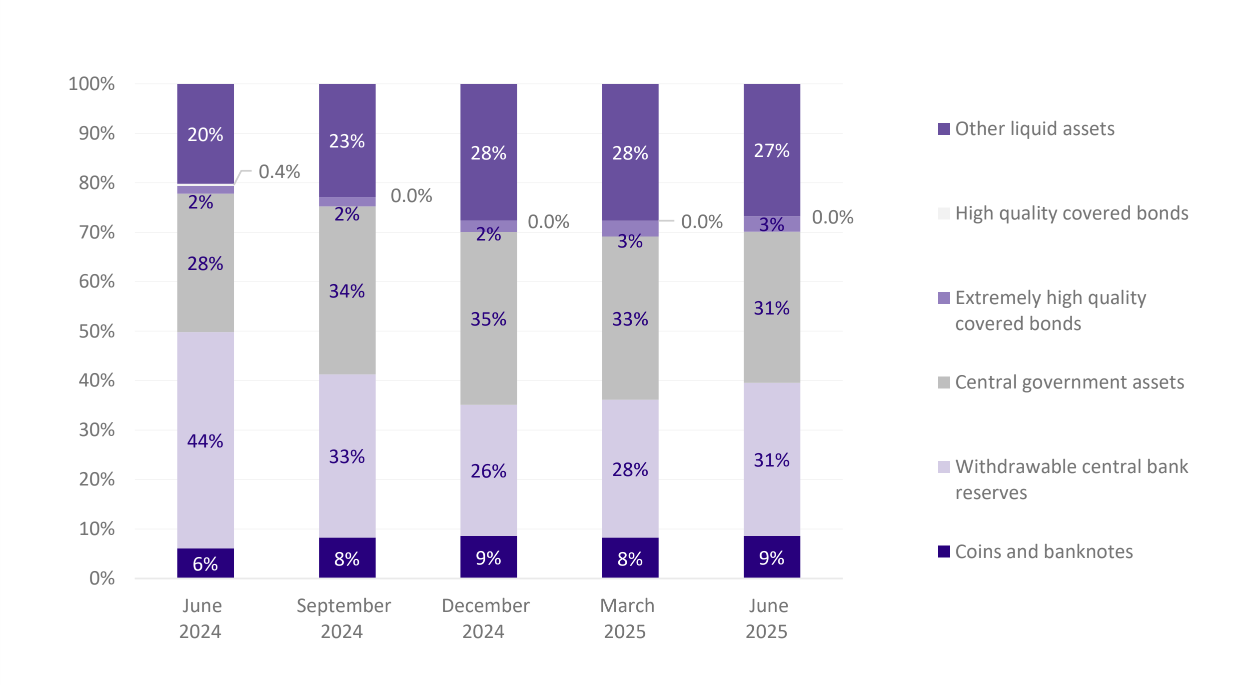


Figure 6: LCR: Structure of outflows (in %) of NLB Group

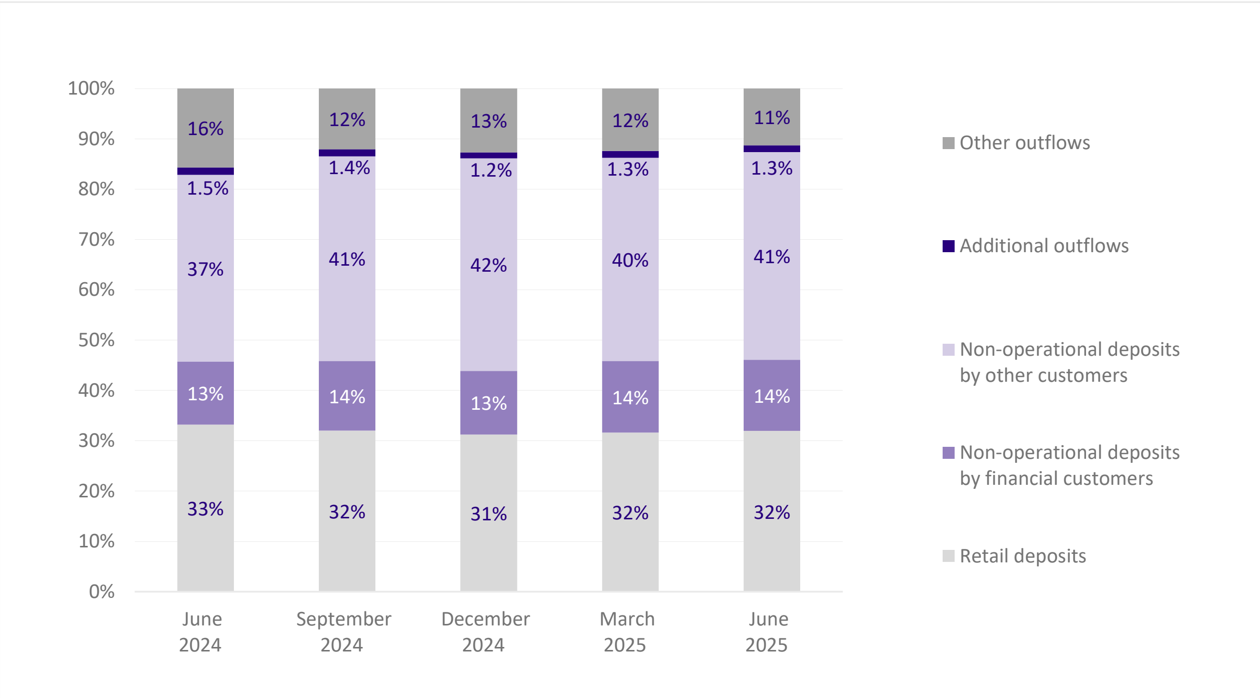
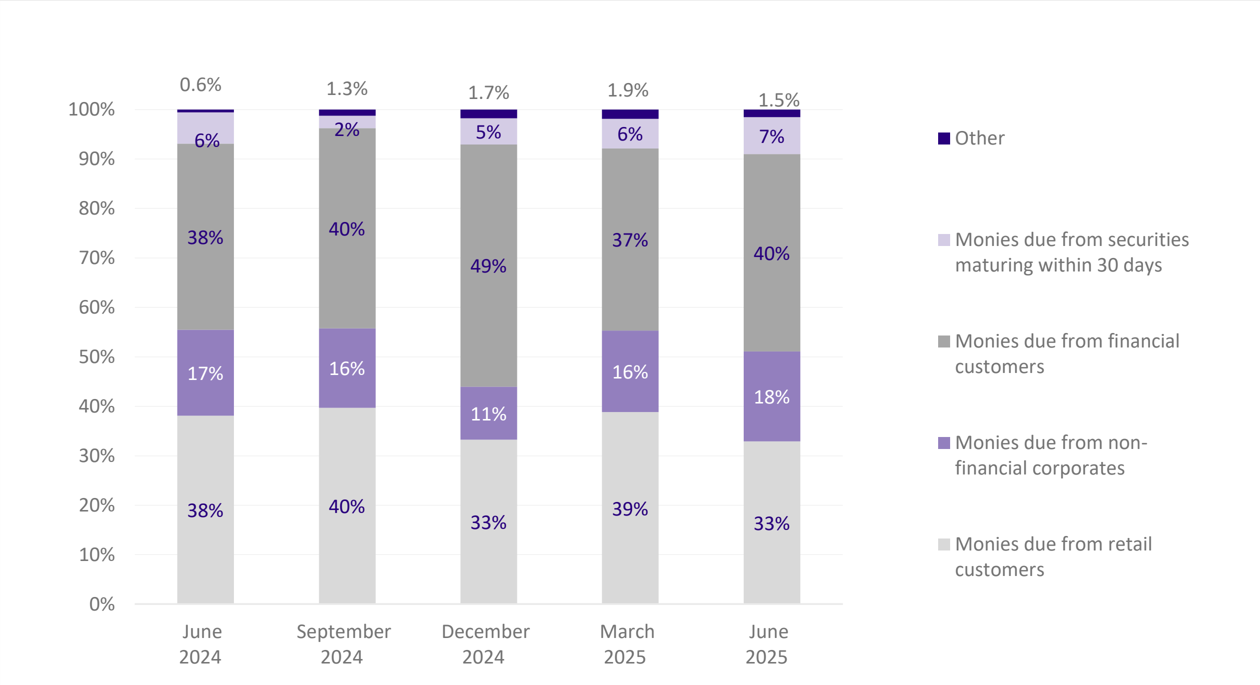


Figure 7: LCR: Structure of inflows (in %) of NLB Group



Concentration of funding and liquidity sources

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

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

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

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

On the Group level, at the end of first half of 2025, the top 30 counterparties provided 3.2% of the total liabilities, mostly in retail, while the top 30 counterparties in the Bank provided 3.3% of the total liabilities.

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

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

Derivative exposures and potential collateral calls

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

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

Currency mismatch in the LCR

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

In the Group, there are no currency mismatches in the LCR. The LCR indicator is fulfilled in all currencies because the Group has sufficient liquidity reserves in all currencies where the potential outflows could happen. The most significant currency of the Group is euro currency. Additionally, the Group reports LCR in a second significant currency, which is in Serbian dinar (RSD). As at 30 June 2025, the aggregate liabilities in RSD represented 7.3% of total liabilities of the Group, therefore, RSD qualified as a significant currency.

Other items in the LCR calculation that are not captured in the LCR disclosure table

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

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

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

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

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	**Quarter ending on**	**30.06.2025**	**31.03.2025**	**31.12.2024**	**30.09.2024**	**30.06.2025**	**31.03.2025**	**31.12.2024**	**30.09.2024**
		a	b	c	d	e	f	g	h
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
High-quality liquid assets									
1	Total high-quality liquid assets (HQLA)					6,334	6,793	6,793	6,997
Cash-outflows									
2	Retail deposits and deposits from small business customers, of which:	17,671	17,364	17,082	16,825	1,106	1,096	1,090	1,079
3	*Stable deposits*	12,765	12,524	12,330	12,157	638	626	617	608
4	*Less stable deposits*	3,942	3,934	3,946	3,908	468	470	474	471
5	Unsecured wholesale funding	4,035	3,891	3,807	3,740	1,904	1,837	1,801	1,776
7	*Non-operational deposits (all counterparties)*	4,027	3,884	3,801	3,735	1,895	1,830	1,795	1,770
8	*Unsecured debt*	9	7	7	6	9	7	7	6
10	Additional requirements	2,392	2,396	2,376	2,328	240	241	239	235
11	Outflows related to derivative exposures and other collateral requirements	46	47	48	48	46	47	48	48
13	*Credit and liquidity facilities*	2,346	2,349	2,328	2,280	194	194	192	187
14	Other contractual funding obligations	315	269	270	262	143	140	147	149
15	Other contingent funding obligations	1,827	1,784	1,749	1,705	101	100	99	97
16	**TOTAL CASH OUTFLOWS**					**3,494**	**3,414**	**3,377**	**3,335**
Cash-inflows									
18	Inflows from fully performing exposures	760	721	731	758	477	459	470	492
19	Other cash inflows	23	21	22	19	23	21	22	19
20	**TOTAL CASH INFLOWS**	**782**	**742**	**753**	**777**	**500**	**480**	**492**	**511**
EU-20c	***Inflows subject to 75% cap***	**782**	**742**	**753**	**777**	**500**	**480**	**492**	**511**
						TOTAL ADJUSTED VALUE			
21	**LIQUIDITY BUFFER**					**6,334**	**6,585**	**6,793**	**6,997**
22	**TOTAL NET CASH OUTFLOWS**					**2,994**	**2,934**	**2,885**	**2,824**
23	**LIQUIDITY COVERAGE RATIO**					**211.95%**	**225.28%**	**236.32%**	**247.91%**

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

	30.06.2025	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
		a	b	c	d	e
	Available stable funding (ASF) Items					
1	**Capital items and instruments**	**-**	**-**	**-**	**3,416,378**	**3,416,378**
2	*Own funds*	-	-	-	3,416,378	3,416,378
4	**Retail deposits**		**17,662,282**	**437,781**	**242,648**	**17,223,837**
5	*Stable deposits*		13,518,669	303,961	119,842	13,251,341
6	*Less stable deposits*		4,143,613	133,820	122,806	3,972,496
7	**Wholesale funding:**		**4,516,853**	**220,305**	**1,895,723**	**3,839,106**
9	*Other wholesale funding*		4,516,853	220,305	1,895,723	3,839,106
11	**Other liabilities:**	**10,374**	**1,167,769**	**-**	**704**	**704**
12	*NSFR derivative liabilities*	10,374				
13	*All other liabilities and capital instruments not included in the above categories*		1,167,769	-	704	704
14	**Total available stable funding (ASF)**					**24,480,025**
	Required stable funding (RSF) Items					
15	**Total high-quality liquid assets (HQLA)**					**296,075**
17	**Performing loans and securities:**		**3,036,970**	**2,311,623**	**13,823,524**	**13,747,844**
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		2,035,918	1,632,565	6,635,691	12,355,813
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		27,609	26,791	380,462	2,102,710
22	*Performing residential mortgages, of which:*		516,947	519,729	5,791,857	-
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		89,153	106,301	2,662,272	-
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		484,105	159,329	1,395,976	1,392,031
26	**Other assets:**	**-**	**465,545**	**21,096**	**558,216**	**878,130**
29	*NSFR derivative assets*				80,992	80,992
30	*NSFR derivative liabilities before deduction of variation margin posted*				12,945	647
31	*All other assets not included in the above categories*		371,608	21,096	558,216	796,491
32	**Off-balance sheet items**		**4,103,830**	**-**	**-**	**213,540**
33	**Total RSF**					**15,135,589**
34	**Net Stable Funding Ratio**					**161.74%**

11. ESG risks

(Article 449 (a) of CRR)

11.1. Introduction

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

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

Sustainability reporting

The Group has a strong tradition of sustainability reporting, which has evolved significantly over the years. Until 2020, the Group published CSR or non-financial reports guided by the GRI framework. In subsequent years, additional frameworks like Pillar III, EU Taxonomy, UNEP FI Principle for Responsible Banking, Net Zero Banking Alliance and Taskforce for Climate Related Financial Disclosures, were included in reporting. In 2023, the Group started preparation activities to comply with the new CSRD and ESRS requirements effective from the fiscal year 2024.

The 2024 Sustainability Statement replaced previous reports, while still integrating various above-mentioned frameworks. It is prepared in accordance with the EU Corporate Sustainability Reporting Directive (CSRD) and ESRS as transposed to the Slovenian Companies Act (ZGD-1) in December 2024, and the disclosure requirements related to Article 8 of the EU Taxonomy and underlying delegated acts. The report is a result of extensive collaboration across the Group.

The statement aims to provide stakeholders with information on the Group's material impacts on people and the environment, and the effect of sustainability matters on the Group's development, performance, and position. It includes material matters from the 2024 Double Materiality Assessment and additional insights for consistency with previous reports.

Policies

Based on the aforementioned frameworks, the Group has developed a comprehensive internal governance and documentary framework (policies) which encompasses internal policies, manuals, and other internal acts addressing sustainability-related impacts, risks, and opportunities. The sustainability governance is stipulated in the Sustainability Policy, and Standard Rulebook on sustainability management, which are mandatory for all the Group core financial members. Both documents demonstrate a clear top-down and bottom-up process for sustainability governance, including climate change aspects, that extends from individual business units and countries to the management bodies. The Bank also updated other sustainability-related internal documents in various business areas in line with regulatory and other developments, which were discussed and approved by the Management Body. These developments are monitored regularly by the Sustainability Unit, Compliance and Integrity, as well as within specific business areas, and are promptly implemented in the internal governance framework. Together with the rulebook, the sustainability policy also establishes overarching and forward-looking sustainability-related principles and objectives, as well as governance and management rules and procedures to integrate sustainability and ESG factors in the Group's business model and processes.

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

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

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

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

ESG Risk Rating
The Group's efforts and progress on its sustainability journey have been recognised by Morningstar Sustainalytics, one of the world's leading independent ESG research, ratings and data firms, which has comprehensively assessed the financial materiality of risks stemming from the Group's environmental, social, and governance issues. In 2022, the Group received its first ESG Risk Rating, becoming the first bank with headquarters and an exclusive strategic interest in SEE that has obtained this rating, as well as the first among the companies listed on the Ljubljana Stock Exchange. From the start, the Group's ESG Risk Rating has been assessed as low and has constantly improved. In 2024, the Group recorded a significant 5.4-point improvement, achieving an overall ESG Risk Rating of 10.5 points. The Group ranked 42nd among 1,027 rated banks, positioning it in the top 5th percentile and among 432 highest rated companies in Europe. This achievement placed the Group among the top-rated companies in Europe and the top-rated banks globally.

Further insights: For details on sustainability approach, progress, and the management of impacts, risks, and opportunities please refer to the 2024 NLB Group Sustainability Statement (as a part of integrated NLB Group Annual Report).

11.2. Environmental risk

11.2.1. Business strategy and processes

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

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

Environmental factors and risks are included in the Group's business strategy New Horizon 2030 and implemented through the Group Sustainability Policy and its established sustainability pillars. The general objectives that the Group pursue withing each sustainability pillar are outlined in the remaining part of this chapter.

Sustainable operations:

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

Sustainable finance:

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

Contribution to society:

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

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

The Group has consistently taken proactive measures to address environmental risks and to minimise the environmental impact of its portfolio and operations. In 2021, the Group took an important step by implementing a coal exclusion policy, prohibiting the financing of new coal-fired power plants. In addition, the Group is active in the financing of renewable energy projects and promotes energy efficiency throughout its operations. In 2024, the Group continued with the development and integration of the comprehensive Net-Zero Climate Strategy which and established that the Climate Change Committee would steer the implementation of the strategy. The Group also continued to focus on its environmental impact, especially by doing qualitative assessments of operational emissions and adopted its first Operational Emissions Net-Zero Strategy, which defines the steps and necessary activities in climate change mitigation and adaptation in its own operations.

In 2025, the Group expanded its climate strategy by establishing the second round of Net-Zero portfolio targets, building on the initial set of targets disclosed in 2023 and further aligning its financing activities with science-based decarbonisation pathways.

This strategic approach outlined in the Group’s comprehensive Net-Zero Climate Strategy focuses on two core levers:

- Net-Zero Portfolio Strategy – Aligning financing activities with Net-Zero objectives by setting science-based targets for priority sectors, steering capital towards sustainable activities, and engaging with clients on their transition pathways.
- Operational Emissions Net-Zero strategy – Reducing the Group’s direct and indirect operational emissions mainly through energy efficiency measures, procurement of zero-emission electricity, and optimization of business travel and home office.

As part of its commitment under the Net-Zero Banking Alliance (NZBA) to reduce financed emissions across its lending and investment portfolio, the Group published its first Net Zero Disclosure Report in December 2023, setting 2030 intermediate targets for four key carbon-intensive sectors: power generation, iron and steel, commercial real estate, and residential real estate. These initial targets were accompanied by the development and adoption of the NLB Group Transition Plan (see Sustainability Statement, Chapter E1 Climate Change, NLB Group Annual Report 2024), which laid the foundation for and supported the creation of transaction-level decision-making guidelines to steer climate-aligned lending and portfolio management.

Building on this foundation, the Group has set the second stage of Net-Zero sector-level targets in Q2 2025, expanding coverage to additional carbon-intensive sectors, including agriculture, road freight transport, and leasing, alongside updated baselines and pathways for commercial and residential real estate. These targets have been set in alignment with NZBA commitments and include a combination of emission-based, financing, and client engagement targets tailored to each sector's maturity and data availability.

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

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

In terms of the environmental impact, stemming from its own operations, the Group has set the following targets:

- in line with UNEP FI NZBA: to reach net-zero GHG emission balance in its own operations the latest by 2050;
- in line with the UNEP FI PRB Impact Analysis, Impact area Resource efficiency – Security:
  - Share of electricity from zero-carbon sources: 75% by 2030;
  - Paper consumption (No. of prints): 50% decrease by 2025 compared to its baseline year 2019.

Further insights in NLB Group Net Zero Disclosure Report, available on the Bank's website: Read full report.

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

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

Transition plan
The inaugural Net-Zero Disclosure Report, aligned with the Group's 2030 strategy, New Horizons, sets a clear path for the Group's ambition to become a leader in transition finance and a regional ESG front-runner.

The Group has established clear financial metrics and targets to support its broader strategic ambition of contributing to the real-economy transition, through both financing activities and its internal operational goals. These metrics are aligned with the Group's overarching sustainability objectives, including the reduction of emissions in its financing activities and the mobilisation of capital for sustainable finance. The financial targets set by the Group reflect its commitment to advance its transition plan's strategic ambition, with a focus on key sectors such as renewable energy, green buildings, energy efficiency, and sustainable transportation. The Group classifies activities as 'green' using the EU Taxonomy, NLB Green Bond Framework, and MIGA and EBRD standards, where a transaction is considered green if it meets at least one criterion under these frameworks.

The Group has committed a total of EUR 1.9 billion in transition financing by 2030, with the pledge divided between Retail Banking and Corporate and Investment Banking Green Transition Financing, focusing on renewable energy, sustainable infrastructure, and energy efficiency projects. In addition, the Bank has committed to financing at least 30% of new production in the most energy-efficient commercial buildings (<50 kg CO_2/m^2), and at least 15% of new production in top-rated mortgages (EPC class A & B) in Slovenia by 2030.

The Group monitors progress against financial targets quarterly, with planned annual public disclosures against set commitments, which is presented in the table below.

By the end of 2024, the Group had achieved EUR 1,028 million, or 54%, of its total EUR 1.9 billion commitment in green financing by 2030. This includes EUR 701 million (51%) of the EUR 1.37 billion target for Corporate and Investment Banking and EUR 327 million (62%) of the EUR 528 million target for Retail Banking.

Additionally, the Bank exceeded its targets in energy-efficient buildings, with 85% of new commercial buildings meeting the highest energy-efficiency standards, and 27% of new mortgages being energy-efficient, surpassing the 15% target.

Following the second round of NZBA target setting, the Bank has in 2025 raised its ambition for supporting energy-efficient residential housing in Slovenia by increasing the financing target for top-rated mortgages (EPC class A & B) from 15% to 20% of new production by 2030. In addition to this enhanced ambition, financing targets for energy-efficient housing have been extended across the Group members, reflecting growing strategic alignment across the region. Specifically, new targets have been introduced for: NLB Komercijalna banka Beograd (12%), NLB Banka Banja Luka (10%), NLB Banka Sarajevo (5%), and NLB Banka Skopje (6%), tailored to each market's maturity and regulatory context. This expanded coverage demonstrates the Group's commitment to advancing the decarbonisation of the housing sector while aligning with its broader net-zero objectives.

The second round of target setting introduced new decarbonisation commitments across Leasing, Road Freight, and Agriculture. For leasing and road freight, the Group established both emissions and financing targets, supported by structured client engagement and scenario-based pathways. In the agriculture sector, the Group introduced dedicated financing and client engagement targets, aligned with its Sustainable Agriculture Framework, to facilitate transition efforts in key markets and strengthen emissions monitoring.

All newly established sectoral targets from the second round will be incorporated into the next iteration of the Group's Transition Plan, ensuring strategic coherence, improved monitoring, and alignment with NZBA guidelines.

Table 26: Green Financing Commitments and Progress (outstanding stock volume) at the end of 2024

Segment	Description		Target 2030	Target Coverage	FY 2024	FY 2024 Relative to Target
Corporate and Investment Banking Green Transition Financing	Renewable Energy Projects	Solar, wind, hydro, geothermal, bioenergy, and related infrastructure	EUR 1,370 million	NLB Group	EUR 701 million	51%
	Green Building Financing	EPC A, NZEB, LEED Gold, BREEAM Excellent				
	Energy Efficiency Projects	Manufacturing of batteries, electric heat pumps, and other energy-efficient technologies				
	Clean Transportation Projects	Rail and low-carbon transport infrastructure				
	Pollution Prevention and Water Treatment	Pollution prevention and water treatment projects				
	Sustainable Water and Wastewater Management	Projects focused on sustainable water and wastewater management				
Retail Banking Green Transition Financing	Renewable Energy Financing	Solar power plants	EUR 528 million	NLB Group	EUR 327 million	62%
	Green Building Financing	Financing of energy-efficient buildings (EPC A & B, where available). Target: 15% of new production in A & B EPC class by 2030				
	Energy Efficiency Financing	Energy renovations and installation of energy-efficient equipment (e.g., heat pumps, lights)				
	Clean Transportation Financing	Zero-emission vehicles powered by electricity (cars and light commercial vehicles)				
Commitment to Finance Energy-Efficient Commercial buildings	Financing at least 30% of new production in most energy efficient commercial buildings (<50kg CO2/m2) in Slovenia by 2030		**30%**	NLB	**85%**	283%
Commitment to Finance Energy-Efficient Mortgages	Financing at least 15% of new production in top-rated mortgages (A & B EPC class) in Slovenia by 2030		**20%**	NLB	**27%**	135%

EU Taxonomy aligned activities
The Group has developed a structured approach to monitor and progressively increase its share of taxonomy-aligned revenues in line with its sustainability commitments and regulatory expectations.

Asset management
NLB funds, asset management as a member of the Group, offers two sub-funds which promote environmental and social characteristics and adhere to Article 8 of Regulation SFDR ((EU) 2019/2088. At the end of 2024, net asset value of Sub-fund NLB Funds – Equity Socially Responsible Global Advanced Markets and Sub-fund NLB Funds – Equity Environmental stood at EUR 128.5 million and EUR 22.5 million, respectively.

Leasing
NLB Leasing Group finances sustainable vehicles in the region of the Group operation, smaller sustainable projects in the field of renewable energy production, in particular solar power plants. At the end of 2024, NLB Leasing Group green financing amounted to EUR 14.2 million.

Green bond
In June 2023, the Bank issued its inaugural green bond in a benchmark size of EUR 500 million. The proceeds shall be used in line with NLB Green Bond Framework which is aligned with ICMA principles. The Group can finance or refinance existing or future projects in the fields of renewable energy, energy efficiency, green buildings, clean transport, the sustainable management of water and wastewater, and pollution prevention and control. The eligibility criteria – as outlined in the use of proceeds section of NLB Green Bond Framework – consider the EU Taxonomy Regulation and the EU Taxonomy Climate Delegated Act with the intention to apply them on a best-efforts basis.
The Bank committed to strive to allocate the full amount of the green bond (EUR 500 million) within 36 months after issuance (target amount), i.e. by 26 June 2026. The first Allocation in Impact report was published in June 2024 on data as at 31 March 2024. The report reveals that the portfolio of eligible assets amounted to EUR 341 million, with 943 loans granted. The report underwent a limited assurance review performed by Sustainalytics (Morningstar). The second Allocation and Impact Report was published in June 2025 and is accessible on the NLB website. The report reveals that the portfolio of eligible assets amounted to EUR 615 million, with 2,909 loans granted.

Further insights:
- NLB Green Bond Framework, available in the Bank's webpage: Read full document;
- NLB Green Bond Impact and Allocation report;
- Calculation of Green Asset Ratio in line with EU Taxonomy in the Chapter 14.9. in this report.

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

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

The Group also established ESMS, which is the mechanism for environmental and social screening of current or potential financing applications against the MIGA's and the EBRD Exclusion List, as well as applicable environmental and social laws. Through ESMS, environmental and social risks are integrated in NLB Group's Risk Appetite Statement, and the management of these risks addresses the Group's overall credit approval process and related credit portfolio management.

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

Further insights:
- This report: sections l), m), and n) where ESMS and other processes, activities, and tools to mitigate and reduce environmental risks are presented;
- The 3.3 Policies related to climate change mitigation and adaptation sub-chapter of 2024 NLB Group Sustainability Statement (as a part of integrated NLB Group Annual Report).

11.2.2. Governance

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

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

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

In H1 2025 and by the date of publication of this report, management bodies addressed (discussed and/or made resolutions at their sessions) several ESG-related topics (including climate and other environmental), within their respective area of responsibility, whether stand-alone or in connection with broader strategic topics. Key topics are related (but not limited to) the Group's net-zero disclosure report and business strategy.

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

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

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

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

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

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

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

Third line of defence
The third level of control is performed by the internal audit function, which assesses and regularly checks the completeness, functionality, and adequacy of the internal control system. Internal audit is completely independent of

both the first- and second-level control functions. Sustainability and ESG matters are part of the Audit Universe, which is a comprehensive overview of all activities subject to internal audit. As such, it is integrated in the regular annual planning process of the Bank and other Group members.

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

To assist and advise in sustainability implementation process, as well as to execute individual tasks within powers of the Management Body, there are several bodies (committees) in place.

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

Committees of the Bank's Management Board:

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

Committees of the Bank's Supervisory Board:

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

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

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

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

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

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

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

In 2024, concrete targets have been included in their performance plans, and were part of the Management Board members' individual assessments, as follows:
- the Bank's CEO: 45% weighting
- Other Members of the Bank's Management Board: from 26% to 38% weighting.

11.2.3. Risk management

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

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

Assessment was performed for short-term, medium-term and long-term periods. While studies and scenarios mainly project temperature and climate change until the year 2100, and that climate change is a slow and gradual process, the Group has defined the time horizons for assessment of climate risks as follows:

- Short term: until 2030;
- Mid-term: 2030–2050;
- Long-term: 2050–2100.

Such assessment can then be used in the budget, forecast or stress test process based on the defined time perimeter and maturity of the exposure.

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

Further insight in the Sub-chapter Materiality Assessment, described in combined chapter below (l, m, and n) of this report (2025 H1 Basel Pillar III Disclosures).

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

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

l. Processes to identify, measure, and monitor activities and exposures (and collateral where applicable) sensitive to environmental risks, covering relevant transmission channels
m. Activities, commitments, and exposures contributing to mitigate environmental risks

n. Implementation of tools for identification, measurement, and management of environmental risks

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

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

1.Materiality assessment

The Group performs materiality assessment in the following steps:

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

The Group performed the materiality assessment of physical risk as at 31 December 2024. Key findings were as follows:

- Short-term exposure to physical risk is not material; however, it is expected to increase gradually due to climate change.
- Over the medium-term horizon, the level of physical risk is assessed as moderately low.
- Over the long-term horizon, considering the RCP 2.6 scenario, the level of physical risk is higher, although still at the moderately low level. Considering the RCP 8.5 scenario, the level of physical risk over the long-term is increased and assessed as moderate.
- From the materiality perspective we can conclude that floods and drought are currently the only material risk driver in certain industries and regions. Other events are not material from financial perspective, though they cannot be completely neglected. Chronic risk is also not determined as a material risk in the short- and medium-terms. From the perspective of direct corporate exposure, mostly the agriculture sector in some countries is materially exposed to physical risk (high and moderately high level of drought) in the mid-term horizon. Vulnerability to physical risk in other industries is less material. Within the short- and medium-term horizon, no exposure is allocated to the high-risk bucket. Considering the long-term horizon, 7% of the corporate portfolio is allocated to the high-risk bucket under the RCP 2.6 scenario and 17% under the RCP 8.5 scenario, which remains on the same level as in the year 2023.

The Group performed the materiality assessment of transition risk as at 31 December 2024. Key findings were as follows:

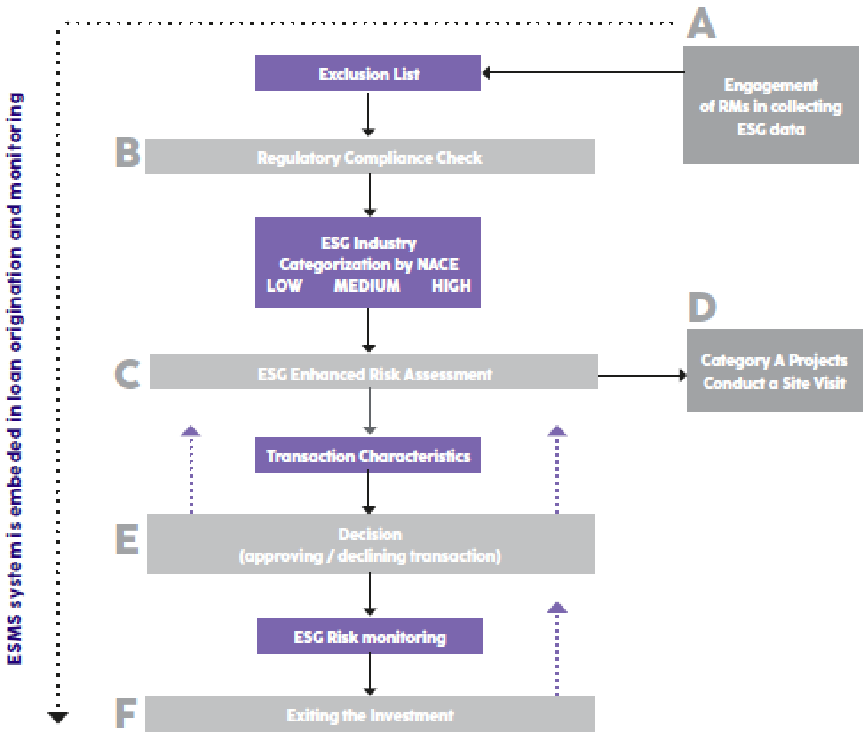
- Transition risk is already recognised as a material risk driver and is expected to reach its peak over the mid-term horizon.
- Over the short-term horizon, the level of transition risk is assessed as moderately low.
- Over the mid-term horizon, the level of transition risk will increase to moderate level.
- Over the long-term horizon, the level of transition risk is expected to start decreasing.
- As such, exposure to transition risk over the long-term horizon is less material therefore the focus of materiality assessment is the mid-term horizon. Using UNEP-FI methodology for classification of transition risk, only 4% of the corporate portfolio is allocated to the high-risk bucket and 11% to the moderately high-risk bucket. 40% of the

portfolio is allocated to the low or moderately low risk bucket and the remaining part is allocated to the moderate-risk bucket.
- From the industry view perspective, above-moderate exposures are in manufacturing, the wholesale and retail trade, and the construction and electricity production sectors in Slovenia and Serbia. Less material are such exposures in Kosovo and other countries. For these sectors, direct and indirect emission cost factors are contributing to the above-average risk score, although many industries will also be heavily impacted by Capital Expenditure needs (higher, above average, CAPEX risk score). Country-wise, the overall transition risk is the lowest in Slovenia and highest in Serbia, even though the UNEP-FI methodology is not country specific. In countries other than Slovenia (the rest of the Group), we expect delayed transition. This means lower short-term risk and faster transition in the mid-term period, and so higher risk in mid-term period.

The Group also performed the materiality assessment of other environmental risk as at 31 December 2024. Key findings were as follows:
- Short-term exposure to other environmental risk is not material; however, it is expected to gradually increase and will reach its peak in the mid-term horizon.
- Over the medium-term horizon, the level of other environmental is assessed as moderately low.
- In the contrast to transition risk, other environmental risk is not expected to decrease in the long-term.
- ENCORE methodology (combined with EBRD methodology) was applied to the corporate portfolio. Seventeen per cent of the portfolio is allocated to above-moderate risk level, of which 8% is allocated to high-risk bucket. 26% of exposure is allocated to moderate risk level and the remaining 57% is allocated to the low or moderately low risk bucket.

2. ESMS – Environmental and Social Risk Management System
The Group has implemented tools for the identification, measurement, and management of ESG risks within its overall credit risk management framework. This includes the credit approval process, credit portfolio management, and collateral evaluation process. A comprehensive risk assessment and monitoring mechanism in the Group is the ESMS, whose main objectives are to identify and manage the Group's exposure to the ESG risks of its clients and to promote their good environmental and social business practices. The system is fully embedded in the Group's loan origination and monitoring processes and is regularly updated with any material factors or procedures in line with ESG-related developments and requirements.

Figure 8: Key steps of the transaction approval process



Key steps of the transaction approval process:

- The process follows the co-decision principle, in which the credit committee of the respective group member first approves their decision, following which the NLB Credit Committee gives their opinion,
- ESG data collection is integrated into our KYC procedures. We collect different ESG data through questionnaires and direct communication with clients based on ESG initial risk of transaction, type of transaction, and the value of the transaction. ESG data collection is also an integral part of monitoring procedures of transactions and clients and raises awareness about ESG risks among our clients.
- Once it is confirmed that the transaction is not on the exclusion list, a Regulatory Compliance Check is conducted. This check ensures that the client complies with relevant laws, regulations, and standards, including environmental and health and safety regulations, planning permissions, operating licenses, and permits.
- For transactions identified as having high environmental or social risk, an enhanced risk assessment is carried out:
  - during the annual review of the client, provided the exposure and ESG risk level thresholds are met, and
  - when a new transaction proposal is made, under the following conditions:
    - new loans are related to project finance with a total project value exceeding EUR 10 million,
    - financing applications pertain to secondary market transactions or syndicated loans where the bank's participation is below 25% of the total loan value,
    - a new loan exceeds EUR 3 million, has a maturity of at least 36 months, and the client meets the ESG review threshold at the annual review.
- Throughout the project's duration, ESG risk monitoring is established to evaluate the impact of each risk and develop mitigation strategies. This ensures that risks are adequately managed and that any changes or new risks are promptly identified and addressed.
- If a client fails to comply with the ESG requirements of the investment, we assess the situation to determine the best course of action. This may involve exiting the investment or implementing measures to mitigate the risk of non-compliance. We consider potential financial losses, legal consequences, and reputational damage, as well as our overall ESG strategy and how exiting the investment might affect our ESG goals.

3. Collateral management

Real estate plays a pivotal role in discussions regarding the transition to a carbon-neutral economy. The integration of environmental and social factors into collateral management, particularly valuations, considers the asset's lifetime and are therefore relevant for medium- to long-term horizons. In internal valuations, the energy efficiency of buildings and physical risks are of significant importance.

The Group's ESG risk management within the collateral evaluation process focuses on real estate climate transition risk, physical risks and also environmental aspects. The identification and materiality of specific ESG risks for real estate in collateral are assessed using the Methodology for assessment of Environmental Risks in NLB Group. In large commercial real estate transactions, environmental aspects are incorporated into the ESG Due diligence process (Part of the Bank's ESMS) covering environmental risks such as climate change, emissions, and waste. Going forward, we will continue to enhance our risk reporting and monitoring framework.

4. Operational and reputation risks

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

Further insights in ESG Risks in credit risk management, sub-chapter 7.7. ESG risk management in the 2024 NLB Group Sustainability Statement (as a part of integrated NLB Group Annual Report).

5. Transition Plan

The Group acknowledges the pivotal role it plays in supporting the transition to a net-zero[1] emissions economy by 2050. As part of this strategic ambition, the Group aims to allocate capital and expertise to sectors aligned with credible transition plans while decarbonizing both its operations and its financing activities.

The Group is committed to driving the transition to a Net-Zero economy by 2050, reducing emissions from its own operations and supporting clients in high-impact sectors through its Net-Zero portfolio strategy. Financed emissions (Scope 3, Category 15 under the GHG Protocol) make up the vast majority of the Group's carbon footprint, making them the core focus of its transition strategy. Reducing these emissions through targeted measures, client engagement, and climate-positive financing is essential to achieving net-zero commitments and management of the impact of transitioning to a low-carbon and climate-resilient economy.

Similar to Net-Zero portfolio strategy, Operational emissions Net-Zero strategy focuses on the Group's own emissions, which result from the operational activities of the Group. As part of its commitment to achieving net zero before 2050, the Group aligns its emission reduction plans and strategies with the principles of the Paris Agreement.

As the first part of its Net-Zero Portfolio Strategy, the Group has set emissions intensity targets for high-emitting sectors, specifically power generation and iron & steel, while focusing on financing commitments and tracking portfolio intensity progress for residential and commercial real estate, in line with its NZBA commitment to mitigate climate risks. These targets are benchmarked against science-based sectoral pathways to ensure alignment with a 1.5°C trajectory as per the NZBA target-setting guidelines. The Bank's approach is iterative, reflecting the dynamic nature of sectoral decarbonization, data availability, and market developments.

To achieve its 2030 NZBA sector targets, the Bank does not rely on offsets but instead focuses on sector-specific decarbonization levers, including client engagement, portfolio alignment with credible net-zero pathways, and financing solutions that drive low-carbon transitions.

Target development follows a structured governance framework with executive oversight and cross-functional collaboration. Targets are reviewed at least every five years to ensure ongoing alignment with evolving climate science, regulatory developments, and international commitments. Annual disclosures will track progress, while continuous enhancements in data quality, internal monitoring systems, and client engagement strategies will support the Group's climate transition efforts.

Through a baselining exercise, the Bank has identified key decarbonization levers in carbon-intensive sectors central to its financed emissions baseline, with approximately 95% of emissions concentrated in six sectors. For the initial Net-Zero targets, the Group has set objectives for four priority sectors – Iron & Steel, Power Generation, Residential Real Estate, and Commercial Real Estate – which together contribute around 50% of financed emissions. Agriculture and Transport, previously excluded from the initial targets due to data challenges, will be integrated into the next iteration of the NLB Group Transition Plan, following the establishment of sector targets in the second round.

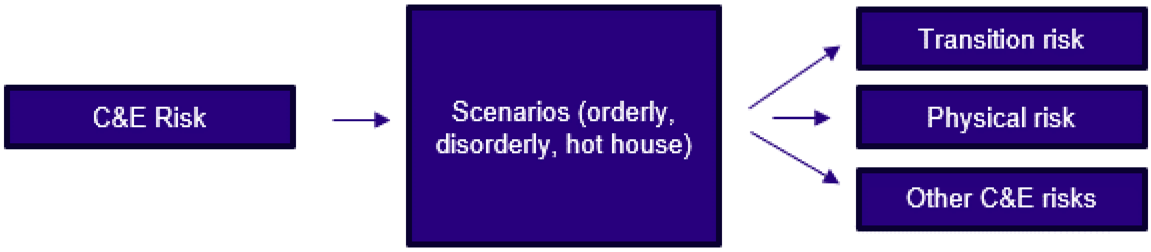
The Bank is committed to engaging clients in these sectors to implement decarbonization plans, including expanding renewable energy capacity, adopting low-emission technologies, and financing energy-efficient real estate projects. The Group's capital allocation strategy supports sector-specific decarbonization objectives and integrates policies such as coal exclusions. However, the Bank's role is limited, as net-zero requires collective action. Clients must take steps towards decarbonization, and governments need to establish frameworks and policies to guide the transition. Decarbonizing the industrial energy mix is crucial, with carbon capture and storage infrastructure playing a key role in sectors like steel production. In residential and commercial real estate, national energy mixes influence efficiency milestones, especially in regions where fossil fuels still dominate electricity production. For instance, Slovenia's coal-fired TEŠ power plant is scheduled for decommissioning by 2033. Additionally, homeowner engagement in energy efficiency measures, such as retrofitting and energy-saving investments, is critical. This progress relies on consumer willingness and financial capacity, as well as external factors like energy price volatility, which can affect consumption patterns. Ultimately, joint efforts from all stakeholders are needed for meaningful progress.

[1] GFANZ defines net zero as the state when anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals. Organisations are considered to have reached a state of net zero when they reduce their GHG emissions following scienced-based pathways, with any remaining GHG emissions attributable to that organisation being fully neutralised, either within the value chain or through purchase of valid offset credits. (https://assets.bbhub.io/company/sites/63/2022/06/GFANZ_ Recommendations-and-Guidance on-Net-zero-Transition-Plans-for the-Financial-Sector_June2022.pdf

Further insights: please refer to the 3.1 Transition plan for climate change mitigation sub-chapter of 2024 NLB Group Sustainability Statement (as a part of integrated NLB Group Annual Report) and Sub-chapter Transition plan, described in chapter above (c) of this report (H1 2025 Basel Pillar III Disclosures).

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

The Group established its own ESG stress-testing concept to identify the most relevant financial vulnerabilities stemming from climate risk, which is constantly further enhanced by considering available ESG-related data. The stress-testing considers three NGFS II long-term scenarios (orderly, disorderly, hot house world), encompassing transition, physical and other environmental risks associated with each scenario. The combined stress test incorporates all above mentioned risks until 2050. This entails a permanent impact from transition risk and projected one-time events of physical and other environmental risks. These scenarios have been used coherently within credit and liquidity risk.



Transition risk refers to an institution's financial loss that can result, directly or indirectly, from the adjustment process towards a lower-carbon and more environmentally sustainable economy. Physical risk encompasses financial impact of a changing climate, including more frequent extreme weather events, gradual climate changes, and environmental degradation. At this stage, impacts of drought and flood, representing most material risk drivers, were considered. In addition, factors such as water stress, biodiversity loss, habitat destruction, and resource scarcity refer to other environmental risks.

Such a stress-testing framework is the subject of a regular internal validation cycle and related procedures where the Group established comprehensive validation framework. Specifically, the Group supports a robust validation governance process and controls over applied selected risk approaches and internal models.

As a systemically important institution, the Group was included into 2022 ECB Climate Stress test exercise. By performing this exercise, ECB assessed how banks are prepared for dealing with financial and economic shocks stemming from climate risk. The aggregate results of the exercise were publicly disclosed, whereby the Group's overall results were within the range of average peer results.

Further insights in the chapter, General information on risk management, objectives, and policies, sub-chapter Stress-testing are in this report (H1 2025 Pillar III Disclosures).

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

The availability of ESG data in the region where the Group operates is still lacking. Nevertheless, the Group made a significant progress in obtaining relevant ESG-related data from its clients, being a prerequisite for adequate decision-making and corresponding proactive management of ESG risks. For the purpose of calculating a credit portfolio, GHG emissions for larger corporate clients where the Group initiated direct Scope 1 & 2 & 3 data gathering processes, and whereas for SME and micro segments, the Group developed its own proxies in cooperation with an external expert. The Group puts great emphasis on further progress in the area of ESG data collection. In addition, the Group is engaged in collecting and analysing different transition and physical risk relevant data, and we are using publicly available climate change studies relevant for the region where the Group operates in our long-term projections.

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

Climate transition and physical risks of the collateral are evaluated through energy performance data of real estate and collateral location data. The energy efficiency assessment is based on EPCs, which are requested from clients or, if available, sourced from public registers in Slovenia. Additional actions and enhancements of established processes will continue to be implemented to further increase EPC data availability throughout the Group, including sharing best practices such as Optical Character Recognition solutions. However, improving EPC coverage within the Group, particularly for existing collateral stock, remains a challenge. This is due to the lack of access to a harmonised central database for EPCs in the region, limiting the entities' capabilities to reach the level of improvement achievable in countries with established central databases. Up-to-date information on physical risks is gathered and considered in the assessment of the evaluated asset.

Further insights in Chapter 2.7 Risk management and internal controls over sustainability reporting in 2024 NLB Group Sustainability Statement (as a part of integrated NLB Group Annual Report).

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

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

Our primary goal is to limit the global temperature rise to 1.5 degrees Celsius. To achieve this, we firstly have established risk appetite limits for coal mining, which means no new financing will be provided for coal-related industries. With aim to reach zero exposure to coal by 2030, no new direct financing will be allocated to thermal coal mining or coal-fired electricity generation capacity, including any transitional enhancements.

As part of its commitment to Net Zero Banking Alliance (NZBA), the Group has also set targets for Power generation; Iron&Steel, Commercial Real Estate, Residential Real Estate; Agriculture and Road Freight portfolio in alignment with the International Energy Agency (IEA) Net Zero Emissions (NZE) scenario outlined in the World Energy Outlook 2022 (WEO 22) pathway. These targets are science-based and set at the Group level.

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

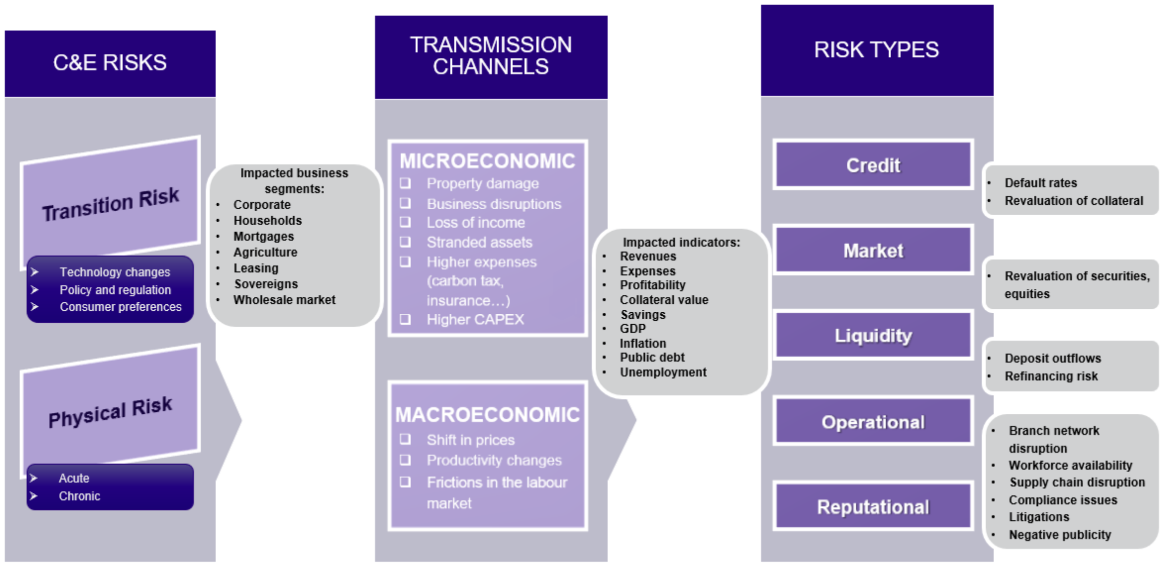
The full list of cross-sectoral and sector-specific prohibited (exclusion list), restricted, and normal activities from the ESG perspective, including MIGA and EBRD requirements, that the Group adheres to in the financing decisions and process is comprehensively defined in the NLB Group Lending Policy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

Further insights:
- Chapter, 3.3 Policies related to climate change mitigation and adaptation in 2024 NLB Group Sustainability Statement (as a part of integrated NLB Group Annual Report);
- the Exclusion list on the Bank's webpage: www.nlb.si/exclusion-list.

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

The Group conducts materiality assessment as part of its overall risk identification process to determine the level of transition, physical and other environmental risk to which it is exposed. This process involves identifying environmental risk factors, relevant transmission channels, and assessing their materiality and impact on the Group's financial performance over the short, medium, and long term. The link between environmental risks and credit risk, liquidity and funding risk, market risk, operational risk, and reputational risk is analysed through the transmission channel framework.

LINK BETWEEN ENVIRONMENTAL RISKS AND FINANCIAL RISKS THROUGH TRANSMISSION CHANNELS



Transmission channels represent the casual pathways linking environmental risk drivers to the financial risks faced by banks and the banking sector. They can also be viewed as the mechanisms (e.g., counterparties and invested assets) through which climate change manifests as a source of financial risk. This analysis follows the study published by the Bank for International Settlements (BIS), Climate-related risk drivers and their transmission channels. The BIS paper suggests that environmental risk drivers translate into traditional financial risk categories rather than representing a new type of risk. The Group adopts this approach, mapping environmental risks to credit risk, market risk, liquidity risk, operational risk, and reputational risk.

Transmission channels are classified into microeconomic or macroeconomic categories. Microeconomic transmission channels allow environmental risk drivers to impact banks' financial risks either directly or indirectly – for example, through their counterparties or (financial) assets. The Bank has analysed various potential impacts of environmental risk drivers on its performance, including how these drivers affect clients, which segments are impacted, the effects at both micro and macro levels, key financial indicators for affected clients, and the financial risk categories where impacts are expected.

Regarding credit risk, physical, transition, and other environmental risks primarily affect credit portfolios, corporate bonds, and real estate collateral. Environmental risks can influence the revenues and expenses of clients and impact the market value of collateral and other client assets. This, in turn, can lead to a higher probability of default and an increased loss given default, affecting the Bank's financial performance. These potential impacts are addressed through materiality assessments and resilience analyses, including stress testing.

For market and liquidity risks, physical, transition, and other environmental risks primarily affect liquidity reserves, wholesale funding, and the household and corporate deposit base. Physical risks may trigger deposit withdrawals, impacting the Bank's liquidity position (e.g., LCR, NSFR, and LTD ratios). Additionally, physical risks—such as shocks following natural disasters – can increase market volatility, affecting the market value of securities measured at fair value. Transition risks may also lead to deposit withdrawals, but these effects are typically gradual and less material. Both physical and transition risks can increase funding costs, thereby affecting profitability.

In terms of operational risk, physical risks can damage premises and equipment, directly affecting the Bank's profitability. Transition risks may lead to additional expenses from potential penalties or litigations due to non-compliance with regulatory requirements or contractual obligations. These risks can also impact reputational risk, which may further affect the Bank's performance.

Further insights:

- regarding materiality assessment process and outcomes, please refer to sections (n) and (j);
- regarding resilience analysis (stress test outcome and estimated impact of environmental risk on capital and liquidity risk profile), please refer to section (o).

11.3. Social risks

11.3.1. Business strategy and processes

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

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

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

Sustainable operations:

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

Sustainable finance:

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

Contribution to society:

- to ensure that each CSR activity contributes to socially-related UN Sustainable Development Goals,
- to create added value by focusing on genuine societal needs and actively responding to these societal needs by managing appropriate initiatives, sponsorships, donations, and other partnerships, including those related to education, financial literacy and mentoring, sustainable and inclusive entrepreneurship, supporting youth, female and disabled sports, and philanthropy.

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

By the impact analysis that the Group executed within UN PRB framework, the third Impact area, i.e., *Inclusive and healthy economies* was defined. In 2024, the Group reviewed and upgraded related target to increase digital penetration (% of active digital users in total number of clients), which are as follows:

- to reach 55% digital penetration by 2025,
- to reach 80% digital penetration by 2030.

At the end of 2024, the digital penetration in the Group stood at 56.4%.

At the Group, we also recognise the challenges of social and financial inclusion of specific and vulnerable stakeholders (such as women, elderly citizens, youth, etc.) as well as a need to support clients, organisations, and projects which address important social challenges.

In 2024, the Group reaffirmed its commitment to financial literacy and inclusion by enhancing target setting and further developing relevant initiatives. In line with UNEP – FI methodology the Bank as the parent bank defined the baseline and set two concrete goals to be achieved by 2030 for the impact area Financial health & Inclusion, which focuses on savings and investment plans as key priority area:

- By year 2030, the Bank will increase the percentage of young clients (18–27 years) with products related to long-term savings and/or investment plans by 15 %.
- By year 2030, the Bank will increase the percentage of 27+ age up to retirement clients with products related to long-term savings and/or investment plans by 15 %.

Targets for other banks in the region will be developed in the future. Also, the Group will gradually develop additional specific and meaningful targets for key financial health and inclusion initiatives. In addition, the Group aims to complement our green offer with social financing. Thus, the Group will additionally create a social impact and contribute to a more inclusive and just society in the region of its operation.

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

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

The Environmental and Social Transaction Policy Framework is the most relevant policy within the Bank and the Group for mitigating and reducing socially harmful activities in client engagements. It establishes how the Group assesses and manages E&S risks associated with transactions while promoting responsible E&S management practices among clients.

In alignment with this policy, clients' strategies for mitigating socially harmful activities and other social risks are incorporated into the screening (due diligence) process within the Group's ESMS.

Furthermore, the Group follows a strict exclusion policy, aligned with MIGA's thresholds, ensuring that the institution does not finance activities associated with controversial industries, including tobacco, gambling, unsustainable forestry, and hazardous waste. Additionally, the Group banking members do not approve transactions related to weapons production, forced evictions, harmful labour practices, and fossil fuel exploration.

Additional restrictions apply to industries posing high environmental and social risks, including thermal coal mining, large-scale fur production, and hazardous fishing practices. Through this framework, the Group strengthens its commitment to responsible banking by integrating environmental and social considerations into its decision-making processes.

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

Data for assessing social risk management are collected via a questionnaire (developed in cooperation with the Bank Association of Slovenia). The questionnaire is part of the ESMS due diligence process for clients with the exposure above EUR 5 million and E&S classification as high risk and clients with the exposure above EUR 15 million and E&S classification as medium risk. Within the process, clients have to clarify whether the company put in place policies relating to the social aspects of operations. Questions refer to (but are not limited to) following areas: impact on community/society, employee relationships, customer protection and product responsibility, human rights. Clients are also obliged to report on social incidents, and the Bank manages incidents through an established ESMS system.

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

11.3.2. Governance

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

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

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

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

- **Activities towards the community and society**
  At the Group, we actively contribute towards wider socio-economic development through our corporate social responsibility activities with an overarching focus on education in the communities where we operate. As a parent bank, the Bank has established an internal policy which defines key areas of social and environmental responsibility of the Bank and the Group's members in terms of their contribution to society. It defines rules and procedures for managing sponsorship, donations, and other partnerships with the Group's stakeholders. In addition to taking care of the Group's employees, the key pillars of the Group's socially responsible behaviour are promoting entrepreneurship, financial literacy, and mentoring, support for world-class and youth sports, humanitarianism, and the protection of cultural heritage.
- **Employee relations and labour standards**
  The Group continuously embeds sustainability matters and ESG factors into human resource management and organisation. We are not only adhering to labour-related regulations; we are committed to investing in employee development, building a diverse and inclusive workplace environment, and seeking to improve the employee experience constantly. In recent years, we have established respective internal HR documents, rules and procedures, initiatives, and practices to assess HR–related risks and opportunities, manage human resources, and ensure human capital development. The key internal document is the Human Resources Development and Organisation Strategy, which defines the basic areas and activities of activities within the Group, in the field of human resources, education, and organisation. The policy is complemented with the Standards for Human Resources Business Line in the Group, which is meant to set up the standards of operation and harmonisation of the operations in the Group members. In addition to this overarching policy, the Group has established several domain-specific policies which tackle key human resources risks and opportunities in specific domains, such as talent management and retention, training and development, prevention of mobbing and harassment, diversity, family-friendly measures, remuneration, and others.
- **Customer protection and product responsibility**
  The Group members review new products and marketing policies before offering them to ensure that clients can have full confidence in the Group's products and services. The review is done by specific committees, i.e., Committee for new and existing products in the Bank and equivalent committees in other Group members. The committee in the Bank oversees approving and monitoring products while also focusing on risks related to the product and the method of managing those risks. The review process applies to all new and existing products and services, and involves key control functions, including Compliance and Integrity, to ensure that the products and services are compliant with all applicable laws, regulations, as well as ethical standards. In the new revised version of the form, ESG risks are added as obligatory category to specify product features from an ESG perspective and appropriate management of possible ESG risks. The Group members provide information to clients in compliance with regulations, local legislation related to customer rights, guidelines, and codes of professional associations. Thus, the Group provides impartial, clear, and non-misleading information, by using the appropriate communication channels to clients. The Group is committed to responsible lending, by offering clients financial products in

accordance with their needs and income profile, and to educate them about all aspects of a product, including potential negative consequences and risks.

- **Human rights**
  The Group has established the Policy for Respecting Human Rights. The policy describes the Group’s commitment to respect human rights in line with the highest international standards. The policy aims to systematically monitor respect for human rights in all business areas, prevent human rights abuses in the context of banking business, and mitigate risks in this respect. The policy contributes to a common understanding among employees of respecting human rights in relations with all Group stakeholders internally (employees) and externally (customers, suppliers, and other stakeholders).
- **Supply chain**
  Additionally, social risk screening in the supply chain is part of the Group’s supplier selection and regular assessment process as stipulated in the Standard Procurement in the members of the Group, the purpose of which is to ensure a uniform and transparent procurement procedure (including performing the business activities in line with standards of conduct required by the NLB Group Code of Conduct, and the minimum principles of ethical, social, and environmental conduct that the Group expects from all its suppliers). Among others, the supplier is required to disclose whether it respects/considers social factors such as respect of human rights, free choice of employment, prohibition of child labour, prohibition of undeclared work, prohibition of discrimination, right to adequate pay, right to adequate working time, right to trade unions, the right to human personality and dignity, the right to health and safety, and the right to diversity.

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

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

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

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

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

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

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

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

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

Further insights:
- Chapter 2.5 Integration of sustainability-related performance in incentive schemes in the 2024 NLB Group Sustainability Statement (as a part of integrated NLB Group Annual Report);
- Chapter 16. Remuneration policy in this report (2024 Basel Pillar III Disclosures).

11.3.3. Risk management

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

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

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

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

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

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

Key topics that are subject to screening are:

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

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

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

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

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

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

As part of its risk management framework, the bank identifies and monitors social risks that may impact its financial and non-financial risk exposures. Social risks, which include issues such as labour rights, community relations, customer welfare, and societal expectations, can influence credit, market, liquidity, operational, and reputational risks. The following outlines the key transmission mechanisms and their impact on the bank's risk profile:

Credit Risk
Social risks may affect the creditworthiness of borrowers and counterparties, increasing the likelihood of defaults or financial losses. Borrowers engaged in socially controversial practices or industries may face financial instability due to regulatory fines, litigation, or loss of public support. In addition, sectors such as fossil fuels, tobacco, or those with labour-intensive practices may experience reduced demand or stricter regulations, impacting their ability to meet financial obligations. For example, borrowers facing social unrest or negative public attention may encounter operational disruptions that impair their repayment capacity.

Market Risk
Social risk can drive market volatility and revaluation of assets, particularly in sectors sensitive to societal concerns. Securities or equities linked to socially controversial activities may experience significant market declines due to investor concerns or regulatory changes. The growing emphasis by investors on ESG criteria may also lead to divestment from sectors deemed socially harmful, resulting in shifts in asset valuations. A regulatory change imposing stricter labour laws, for instance, could negatively impact the market value of bonds in labour-intensive industries.

Liquidity Risk
Social risks can disrupt the bank's ability to meet short-term obligations due to funding or cash flow challenges. Perceived involvement in socially harmful activities can lead to deposit outflows or reduced investor confidence, affecting liquidity positions. Borrowers facing social risks, such as labour disputes or community protests, may also experience cash flow constraints, delaying loan repayments. For example, social unrest in a region may disrupt banking operations, making liquidity management more challenging.

Operational Risk
Social risks can disrupt the bank's internal operations, third-party relationships, or customer service. Issues such as labour disputes, a lack of diversity, or inadequate workplace policies can affect employee satisfaction, productivity, or retention, while unethical practices by vendors or partners can expose the bank to compliance risks or operational disruptions. Furthermore, failure to address customer grievances or claims of discriminatory practices may lead to legal challenges and operational inefficiencies. For instance, a lawsuit alleging discriminatory lending practices could require significant operational resources to resolve, potentially impacting service delivery.

Reputational Risk
Social risks are closely linked to reputational risk, which can influence customer trust, investor confidence, and market positioning. Association with socially harmful activities may lead to public criticism, reduced customer loyalty, or loss of market share. Negative media coverage of the bank's role in financing or supporting socially controversial projects can

attract regulatory attention and harm its brand. For example, public backlash against projects perceived to harm local communities may result in reputational damage and increased operational costs.

The management of social risks is incorporated into the Group's overall credit approval, procurement, and outsourcing processes. With respect to social risk, the Group, in collaboration with financial institutions (EBRD and MIGA), adheres to strict social policies and integrates the assessment of social risks into its risk management framework, ensuring the identification, evaluation and mitigation of potential adverse impacts:

- Categorisation of Social Risks: To enhance the understanding and management of social risks, the Group classifies material risks into following key areas: Health & Safety, Labor and Community. Health and safety risks include workplace accidents, exposure to hazardous substances and fire safety concerns. Labor-related risks cover child labour, working conditions and issues related to migrant workers. Community risks encompass product safety, cultural heritage protection and community displacement.
- Strict Exclusion Policy: In addition to environmental considerations, the Group does not finance activities related to forced evictions, exploitative or harmful child labour or forced labour (defined among prohibited lending activities, including also other activities such as gambling, production of or trade in weapons, etc.). In the area of procurement and outsourcing activities certain minimum standards referring to key social risk factors need to be fulfilled.

Companies the Group collaborates with, either as financiers or service providers, are thoroughly reviewed through due diligence process in accordance with the established ESMS which in specific cases includes onsite inspections. Part of the ESMS system are questions to collect information on various social aspects of the financed entity (human rights, local community relations, own workforce including labour rights and health and safety, and value chain) to understand social risks, The due diligence process assesses the acceptability of the financed entity's practices, and also takes place periodically throughout the collaboration period. Potential violations are also detected through the so-called early warning system, which identifies public information and client incident reporting as part of the mentioned ESMS.

Besides, the Group collects information regarding any incident or accident that could have a significant adverse business impact within the established incident reporting. This includes incidents such as significant social, labour, health and safety, workplace accidents, or violent labour disputes. The collected information is used to mitigate risks and improve the risk management framework. Such incidents are also reported to EBRD and MIGA. When violations of human rights are identified by official institutes, the Group performs a comprehensive revision of client's rating assessment. This process ensures that the Group's operations align with ethical standards and contribute to the protection of human rights.

Social risk, arising from the Group's sustainable finance activities and other operations, is important though not financially material. On the portfolio level, the Group's exposure towards clients from high-risk industrial sectors according to EBRD classification is low, as well there are no major reported incidents or other identified material social risk deficiencies. The Group assesses social risks arising from clients' operations and its corresponding impacts and promotes good social risk management practices in the client's operations.

Additionally, from the perspective of reputational and operational risk the Group approached the issue of modern slavery comprehensively, from multiple perspectives. Our efforts are based on key policies such as the Policy on respect for Human Rights Policy, NLB Group Code of Conduct, Prevention of Harassment and Mobbing at Work policy, the Supplier Standard at NLB Group, and other relevant regulations. These documents also clearly define procedures for taking action when there are suspicions of potential violations within the entire Group value chain. The Group consistently advocates for zero tolerance toward all forms of human rights violations, especially torture and slavery, including modern slavery in all its forms. Among employees, various preventive mechanisms are in place to prevent workplace mobbing and harassment, and employees also have access to complaint mechanisms (workers' council, unions, anonymous or direct complaint possible, in-person or through digital channels), through which they can always report any potential violations or suspicions.

11.4. Governance risk

11.4.1. Business strategy and process

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

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

Sustainable operations:

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

Sustainable finance:

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

Contribution to society:

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

11.4.2. Governance and Risk Management

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

The Group has implemented a comprehensive sustainability governance framework (top-down and bottom-up). As the highest management and governance bodies, the Management and the Supervisory Boards are responsible for managing and supervising the implementation of governance considerations (factors and risk) management framework, respectively. In H1 2025, both boards addressed (discussed and/or made resolutions) several ESG-related (including governance) considerations, within their respective area of responsibility, whether stand-alone or in connection with broader strategic topics. Key governance topics addressed were related to compliance, integrity, KPIs and plans, reporting, remuneration, and performance assessment, and DEI – diversity, equity, and inclusion, and the gender pay gap.

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

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

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

Further insights please refer to the 2024 NLB Group Sustainability Statement (as a part of integrated NLB Group Annual Report) Chapter, 2.3.3 Governance of sustainability-related impacts, risks, and opportunities.

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

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

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

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

c. Institution's integration in governance arrangements and the governance performance of their counterparties

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

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

In particular, to monitor client's governance performance, the Bank uses a questionnaire (developed in cooperation with the Bank Association of Slovenia). The questionnaire is part of the ESMS due diligence process for clients with the exposure above EUR 5 million, an ESG classification as high risk, and clients with an exposure above EUR 15 million and E&S classification as medium risk, and which is used to assess the client's arrangements as follows: ethical aspects of governance (including anti-corruption and bribery considerations, related measures, trainings, and education, avoiding conflict of interest),

- strategy and risk management (including business continuity plan, protection of personal data),
- diversity of the Management and Supervisory Boards,
- transparency of the customer's reporting on past emissions performance across all relevant scopes.

Further insights:

- For more information, please refer to the 2024 NLB Group Sustainability Statement (as a part of integrated NLB Group Annual Report):
    - Chapter 2.7 Risk management and internal controls over sustainability reporting;
    - Chapter 2.3.3 Governance of sustainability-related impacts, risks, and opportunities.

11.5. Credit quality of exposures

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

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

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

The Group uses the following data sources regarding GHG emission data:

- Data provided by the clients (use of questionaries);
- Published annual or sustainability reports;
- Use of proxies for Scope 1, 2, and 3 emissions for clients with no reported/published data.

Financed emissions are calculated according to the relevant Partnership for Carbon Accounting Financials (PCAF) Standard, using the formula below:

Figure 9: Calculation of financed emissions

$$\text{Financed emissions} = \sum_i \underbrace{\text{Attribution factor}_i}_{\frac{\text{Outstanding amount}_i}{\text{Total equity + debt}_i}} \times \text{Emissions}_i \quad \text{(with i = borrower or investee)}$$

The attribution factor is calculated as Gross carrying amount / (short term + long term financial debt + equity). Only on-balance sheet exposure is considered in the attribution formula, as defined in the PCAF standard.

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

in EUR million

		a	b	c	d	e
	Sector/subsector	**Gross carrying amount**				
	30.06.2025	**Total**	**Of which exposures towards companies excluded from EU Paris-aligned Benchmarks****	**Of which environmentally sustainable (CCM)**	**Of which stage 2 exposures**	**Of which non-performing exposures**
1	**Exposures towards sectors that highly contribute to climate change***	6,324	163	142	439	146
2	A - Agriculture, forestry and fishing	137	-	-	14	4
3	B - Mining and quarrying	45	9	-	10	-
4	*B.05 - Mining of coal and lignite*	1	1	-	1	-
5	*B.06 - Extraction of crude petroleum and natural gas*	8	8	-	8	-
6	*B.07 - Mining of metal ores*	-	-	-	-	-
7	*B.08 - Other mining and quarrying*	35	-	-	1	-
8	*B.09 - Mining support service activities*	-	-	-	-	-
9	C - Manufacturing	1,804	-	5	204	41
10	*C.10 - Manufacture of food products*	279	-	-	25	2
11	*C.11 - Manufacture of beverages*	26	-	-	-	1
12	*C.12 - Manufacture of tobacco products*	26	-	-	-	-
13	*C.13 - Manufacture of textiles*	15	-	-	1	-
14	*C.14 - Manufacture of wearing apparel*	51	-	-	1	-
15	*C.15 - Manufacture of leather and related products*	19	-	-	-	2
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	53	-	-	14	3
17	*C.17 - Manufacture of paper and paperboard*	41	-	-	6	-
18	*C.18 - Printing and reproduction of recorded media*	38	-	-	3	1
19	*C.19 - Manufacture of coke and refined petroleum products*	-	-	-	-	-
20	*C.20 - Production of chemicals and chemical products*	44	-	-	3	-
21	*C.21 - Manufacture of pharmaceutical products and pharmaceutical preparations*	79	-	-	-	-
22	*C.22 - Manufacture of rubber products*	77	-	-	3	1
23	*C.23 - Manufacture of other non-metallic mineral products*	112	-	-	10	4
24	*C.24 - Manufacture of basic metals*	217	-	5	69	11
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	187	-	1	48	7
26	*C.26 - Manufacture of computer, electronic and optical products*	38	-	-	1	-
27	*C.27 - Manufacture of electrical equipment*	184	-	-	5	-
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	105	-	-	8	1
29	*C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	100	-	-	1	4
30	*C.30 - Manufacture of other transport equipment*	6	-	-	-	-
31	*C.31 - Manufacture of furniture*	45	-	-	4	2
32	*C.32 - Other manufacturing*	41	-	-	1	-
33	*C.33 - Repair and installation of machinery and equipment*	20	-	-	2	1
34	D - Electricity, gas, steam and air conditioning supply	644	31	123	1	-
35	*D35.1 - Electric power generation, transmission and distribution*	559	-	99	1	-
36	*D35.11 - Production of electricity*	41	-	-	-	-
37	*D35.2 - Manufacture of gas; distribution of gaseous fuels through mains*	31	31	-	-	-
38	*D35.3 - Steam and air conditioning supply*	54	-	24	-	-
39	E - Water supply; sewerage, waste management and remediation activities	71	-	-	9	-
40	F - Construction	665	-	-	44	10
41	*F.41 - Construction of buildings*	356	-	-	27	5
42	*F.42 - Civil engineering*	104	-	-	4	1
43	*F.43 - Specialised construction activities*	205	-	-	12	4
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	1,532	103	-	57	31
45	H - Transportation and storage	597	20	14	22	26
46	*H.49 - Land transport and transport via pipelines*	315	20	14	15	25
47	*H.50 - Water transport*	2	-	-	1	-
48	*H.51 - Air transport*	3	-	-	-	-
49	*H.52 - Warehousing and support activities for transportation*	265	-	-	4	1
50	*H.53 - Postal and courier activities*	12	-	-	2	-
51	I - Accommodation and food service activities	267	-	-	31	19
52	L - Real estate activities	565	-	-	47	15
53	**Exposures towards sectors other than those that highly contribute to climate change***	903	-	-	131	23
54	K - Financial and insurance activities	86	-	-	2	-
55	Exposures to other sectors (NACE codes J, M - U)	817	-	-	129	23
56	TOTAL	7,227	163	142	571	169

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

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

in EUR million

	Sector/subsector 30.06.2025	f	g	h
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		Total	Of which Stage 2 exposures	Of which non-performing exposures
1	**Exposures towards sectors that highly contribute to climate change***	(126)	(15)	(83)
2	A - Agriculture, forestry and fishing	(4)	(1)	(2)
3	B - Mining and quarrying	(1)	(1)	-
4	*B.05 - Mining of coal and lignite*	-	-	-
5	*B.06 - Extraction of crude petroleum and natural gas*	-	-	-
6	*B.07 - Mining of metal ores*	-	-	-
7	*B.08 - Other mining and quarrying*	-	-	-
8	*B.09 - Mining support service activities*	-	-	-
9	C - Manufacturing	(38)	(9)	(21)
10	*C.10 - Manufacture of food products*	(3)	(1)	-
11	*C.11 - Manufacture of beverages*	-	-	-
12	*C.12 - Manufacture of tobacco products*	-	-	-
13	*C.13 - Manufacture of textiles*	-	-	-
14	*C.14 - Manufacture of wearing apparel*	-	-	-
15	*C.15 - Manufacture of leather and related products*	-	-	-
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	(2)	(1)	(1)
17	*C.17 - Manufacture of paper and paperboard*	(1)	-	-
18	*C.18 - Printing and reproduction of recorded media*	(1)	-	-
19	*C.19 - Manufacture of coke and refined petroleum products*	-	-	-
20	*C.20 - Production of chemicals and chemical products*	-	-	-
21	*C.21 - Manufacture of pharmaceutical products and pharmaceutical preparations*	-	-	-
22	*C.22 - Manufacture of rubber products*	(1)	-	(1)
23	*C.23 - Manufacture of other non-metallic mineral products*	(4)	-	(3)
24	*C.24 - Manufacture of basic metals*	(8)	(3)	(4)
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	(8)	(3)	(5)
26	*C.26 - Manufacture of computer, electronic and optical products*	-	-	-
27	*C.27 - Manufacture of electrical equipment*	(1)	-	-
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	(2)	(1)	(1)
29	*C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	(3)	-	(3)
30	*C.30 - Manufacture of other transport equipment*	-	-	-
31	*C.31 - Manufacture of furniture*	(1)	-	(1)
32	*C.32 - Other manufacturing*	-	-	-
33	*C.33 - Repair and installation of machinery and equipment*	-	-	-
34	D - Electricity, gas, steam and air conditioning supply	(4)	-	-
35	*D35.1 - Electric power generation, transmission and distribution*	(4)	-	-
36	*D35.11 - Production of electricity*	-	-	-
37	*D35.2 - Manufacture of gas; distribution of gaseous fuels through mains*	-	-	-
38	*D35.3 - Steam and air conditioning supply*	-	-	-
39	E - Water supply; sewerage, waste management and remediation activities	(1)	-	-
40	F - Construction	(10)	(1)	(5)
41	*F.41 - Construction of buildings*	(6)	-	(3)
42	*F.42 - Civil engineering*	(1)	-	-
43	*F.43 - Specialised construction activities*	(3)	-	(2)
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	(31)	(1)	(23)
45	H - Transportation and storage	(14)	-	(12)
46	*H.49 - Land transport and transport via pipelines*	(13)	-	(12)
47	*H.50 - Water transport*	-	-	-
48	*H.51 - Air transport*	-	-	-
49	*H.52 - Warehousing and support activities for transportation*	(1)	-	-
50	*H.53 - Postal and courier activities*	-	-	-
51	I - Accommodation and food service activities	(11)	(1)	(9)
52	L - Real estate activities	(14)	(1)	(10)
53	**Exposures towards sectors other than those that highly contribute to climate change***	(22)	(6)	(12)
54	K - Financial and insurance activities	(1)	-	-
55	Exposures to other sectors (NACE codes J, M - U)	(21)	(6)	(12)
56	TOTAL	(148)	(22)	(95)

in EUR million

	Sector/subsector 30.06.2025	i	j	k
		GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting
		Total	Of which Scope 3 financed emissions	
1	**Exposures towards sectors that highly contribute to climate change***	10,675,457	9,316,502	20%
2	A - Agriculture, forestry and fishing	180,972	119,203	-
3	B - Mining and quarrying	114,170	101,831	40%
4	*B.05 - Mining of coal and lignite*	14,376	13,625	-
5	*B.06 - Extraction of crude petroleum and natural gas*	58,185	53,622	100%
6	*B.07 - Mining of metal ores*	-	-	-
7	*B.08 - Other mining and quarrying*	41,608	34,583	28%
8	*B.09 - Mining support service activities*	2	1	-
9	C - Manufacturing	3,013,265	2,553,443	27%
10	*C.10 - Manufacture of food products*	319,792	269,224	7%
11	*C.11 - Manufacture of beverages*	17,447	13,042	-
12	*C.12 - Manufacture of tobacco products*	20,024	16,622	-
13	*C.13 - Manufacture of textiles*	17,023	11,661	6%
14	*C.14 - Manufacture of wearing apparel*	32,444	30,465	-
15	*C.15 - Manufacture of leather and related products*	16,634	11,906	41%
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	44,981	36,507	-
17	*C.17 - Manufacture of paper and paperboard*	42,848	28,636	-
18	*C.18 - Printing and reproduction of recorded media*	23,632	21,026	-
19	*C.19 - Manufacture of coke and refined petroleum products*	525	250	-
20	*C.20 - Production of chemicals and chemical products*	54,304	34,839	31%
21	*C.21 - Manufacture of pharmaceutical products and pharmaceutical preparations*	15,719	8,801	66%
22	*C.22 - Manufacture of rubber products*	135,230	119,491	21%
23	*C.23 - Manufacture of other non-metallic mineral products*	159,211	82,142	20%
24	*C.24 - Manufacture of basic metals*	863,596	688,215	67%
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	570,077	544,390	18%
26	*C.26 - Manufacture of computer, electronic and optical products*	71,240	69,893	25%
27	*C.27 - Manufacture of electrical equipment*	238,200	214,224	64%
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	167,392	159,320	7%
29	*C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	127,477	122,010	48%
30	*C.30 - Manufacture of other transport equipment*	4,298	4,007	-
31	*C.31 - Manufacture of furniture*	29,036	26,781	-
32	*C.32 - Other manufacturing*	20,690	19,203	-
33	*C.33 - Repair and installation of machinery and equipment*	21,443	20,788	-
34	D - Electricity, gas, steam and air conditioning supply	561,929	276,198	41%
35	*D35.1 - Electric power generation, transmission and distribution*	429,829	250,238	38%
36	*D35.11 - Production of electricity*	143,147	9,421	-
37	*D35.2 - Manufacture of gas; distribution of gaseous fuels through mains*	24,477	23,643	-
38	*D35.3 - Steam and air conditioning supply*	107,623	2,317	97%
39	E - Water supply; sewerage, waste management and remediation activities	214,207	160,811	28%
40	F - Construction	544,143	512,371	11%
41	*F.41 - Construction of buildings*	240,264	223,463	18%
42	*F.42 - Civil engineering*	132,656	124,707	10%
43	*F.43 - Specialised construction activities*	171,223	164,201	0.1%
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	4,855,776	4,742,969	10%
45	H - Transportation and storage	1,050,874	752,076	38%
46	*H.49 - Land transport and transport via pipelines*	767,479	519,592	11%
47	*H.50 - Water transport*	10,926	8,917	-
48	*H.51 - Air transport*	76,605	38,214	-
49	*H.52 - Warehousing and support activities for transportation*	176,119	166,980	72%
50	*H.53 - Postal and courier activities*	19,745	18,374	-
51	I - Accommodation and food service activities	88,119	56,156	-
52	L - Real estate activities	52,003	41,445	8%
53	**Exposures towards sectors other than those that highly contribute to climate change***	480,679	432,757	9%
54	K - Financial and insurance activities	85,380	84,232	35%
55	Exposures to other sectors (NACE codes J, M - U)	395,298	348,525	22%
56	TOTAL	11,156,136	9,749,259	19%

in EUR million

	Sector/subsector 30.06.2025	l <= 5 years	m > 5 year <= 10 years	n > 10 year <= 20 years	o > 20 years	p Average weighted maturity
1	**Exposures towards sectors that highly contribute to climate change***	4,314	1,492	460	59	3
2	A - Agriculture, forestry and fishing	92	37	8	-	4
3	B - Mining and quarrying	27	6	12	-	5
4	*B.05 - Mining of coal and lignite*	1	-	-	-	4
5	*B.06 - Extraction of crude petroleum and natural gas*	8	-	-	-	1
6	*B.07 - Mining of metal ores*	-	-	-	-	5
7	*B.08 - Other mining and quarrying*	17	5	12	-	6
8	*B.09 - Mining support service activities*	-	-	-	-	2
9	C - Manufacturing	1,325	447	7	25	3
10	*C.10 - Manufacture of food products*	205	72	1	1	3
11	*C.11 - Manufacture of beverages*	17	9	-	-	4
12	*C.12 - Manufacture of tobacco products*	26	-	-	-	1
13	*C.13 - Manufacture of textiles*	14	1	-	-	2
14	*C.14 - Manufacture of wearing apparel*	28	23	-	-	3
15	*C.15 - Manufacture of leather and related products*	12	7	-	-	4
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	37	13	2	-	4
17	*C.17 - Manufacture of paper and paperboard*	33	8	-	-	3
18	*C.18 - Printing and reproduction of recorded media*	23	15	1	-	4
19	*C.19 - Manufacture of coke and refined petroleum products*	-	-	-	-	2
20	*C.20 - Production of chemicals and chemical products*	32	13	-	-	3
21	*C.21 - Manufacture of pharmaceutical products and pharmaceutical preparations*	29	50	-	-	6
22	*C.22 - Manufacture of rubber products*	54	20	3	1	4
23	*C.23 - Manufacture of other non-metallic mineral products*	79	32	-	-	4
24	*C.24 - Manufacture of basic metals*	164	37	-	16	4
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	147	39	-	1	3
26	*C.26 - Manufacture of computer, electronic and optical products*	35	2	-	-	2
27	*C.27 - Manufacture of electrical equipment*	173	8	-	4	2
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	89	15	-	-	2
29	*C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	71	28	-	-	3
30	*C.30 - Manufacture of other transport equipment*	4	2	-	-	3
31	*C.31 - Manufacture of furniture*	22	22	-	-	4
32	*C.32 - Other manufacturing*	17	24	-	-	4
33	*C.33 - Repair and installation of machinery and equipment*	15	5	-	-	3
34	D - Electricity, gas, steam and air conditioning supply	216	148	261	19	-
35	*D35.1 - Electric power generation, transmission and distribution*	163	116	261	19	-
36	*D35.11 - Production of electricity*	36	-	5	-	4
37	*D35.2 - Manufacture of gas; distribution of gaseous fuels through mains*	31	-	-	-	2
38	*D35.3 - Steam and air conditioning supply*	21	33	-	-	4
39	E - Water supply; sewerage, waste management and remediation activities	47	16	8	-	4
40	F - Construction	523	120	17	5	3
41	*F.41 - Construction of buildings*	288	53	13	2	3
42	*F.42 - Civil engineering*	91	10	2	-	2
43	*F.43 - Specialised construction activities*	144	57	2	3	3
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	1,273	231	21	7	3
45	H - Transportation and storage	480	113	2	2	3
46	*H.49 - Land transport and transport via pipelines*	255	58	-	2	3
47	*H.50 - Water transport*	2	-	-	-	2
48	*H.51 - Air transport*	3	-	-	-	1
49	*H.52 - Warehousing and support activities for transportation*	208	55	1	-	3
50	*H.53 - Postal and courier activities*	12	-	-	-	3
51	I - Accommodation and food service activities	93	159	14	-	6
52	L - Real estate activities	240	215	109	-	6
53	**Exposures towards sectors other than those that highly contribute to climate change***	564	317	13	8	4
54	K - Financial and insurance activities	41	45	-	-	5
55	Exposures to other sectors (NACE codes J, M - U)	523	272	13	8	4
56	TOTAL	4,879	1,809	472	67	3

11.6. Energy efficiency of the collateral

The purpose of this template is to measure the energy efficiency of the loans collateralised with commercial and residential immovable property, and of repossessed real estate collaterals, in terms of their consumption as expressed in kWh/m2 and/or their energy performance certificates (EPCs). With the aim of promoting the energy efficiency of buildings, the Energy Performance of Buildings Directive (2010/31/EU) and the Energy Efficiency Directive (2012/27/EU) introduced EPCs in Europe. Following their entry into force, these certificates are compulsory for the sale and rental of immovable property in the Eurozone. Energy performance certificates provide relevant information to banks on energy efficiency of buildings in collateral and exposure to climate transition risk, so EPC data collection initiative is in action. The Group used different sources and methods to obtain data on EPC of the real estate in collateral as the Group is present on EU and non-EU markets.

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

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

In other non-EU countries multiple difficulties were discovered during the EPC data collection initiative, improving EPC coverage within the Group, particularly for existing collateral stock, remains a challenge. In some countries, EPCs are not established in the local legislation (e.g., Kosovo), while in others EPCs do exist but are not enforced by local law. The Bank proactively acts on those markets that official and proxy calculations of EPC and other energy performance documents are obtained where possible. All missing EPCs in the Bank and the Group portfolio are periodically modelled based on available characteristics of real estate in collateral (specifically for each country). Additional actions and enhancements of established processes will continue to be implemented to further increase EPC data availability throughout the Group, including sharing best practices such as Optical Character Recognition solutions.

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

in EUR million

	Counterparty sector 30.06.2025	Total gross carrying amount amount							Total gross carrying amount amount								
			Level of energy efficiency (EP score in kWh/m² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
		Total	0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G	Total	Of which level of energy efficiency estimated *
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
1	**Total EU area**	3,303	1,234	306	90	11	4	3	39	166	268	239	115	60	48	2,368	30.1%
2	Of which Loans collateralised by commercial immovable property	1,010	252	19	4	1	-	-	-	6	44	8	13	2	1	936	21.5%
3	Of which Loans collateralised by residential immovable property	2,285	981	287	86	10	4	3	39	160	224	230	102	58	47	1,424	35.9%
4	Of which Collateral obtained by taking possession: residential and commercial immovable properties	9	1	-	-	-	-	-	-	-	-	1	-	-	-	8	0.0%
5	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	712	527	141	44	-	-	-								712	100.0%
6	**Total non-EU area**	4,008	1	-	-	-	-	-	-	-	-	-	-	-	-	4,008	0.0%
7	Of which Loans collateralised by commercial immovable property	1,964	-	-	-	-	-	-	-	-	-	-	-	-	-	1,964	0.0%
8	Of which Loans collateralised by residential immovable property	2,022	1	-	-	-	-	-	-	-	-	-	-	-	-	2,022	0.0%
9	Of which Collateral obtained by taking possession: residential and commercial immovable properties	22	-	-	-	-	-	-	-	-	-	-	-	-	-	22	0.0%
10	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	1	1	-	-	-	-	-								1	100.0%

* (EP score in kWh/m² of collateral)

11.7. Alignment metrics

Table 29 – Template 3: Banking book – Indicators of potential Climate change transition risk: Alignment metrics of NLB Group at 30 June 2025

in EUR millions

	Sector	NACE Sectors (a minima)	Portfolio gross carrying amount (Mn EUR)	Alignment metric	Year of reference	Distance to IEA NZE2050 in %***	Target (year of reference + 3 years)
	a	b	c	d	e	f	g
1	Power	D 35.11	282	0.104 tCO$_2$e/MWh	2023	(37)	Not available
2	Fossil fuel combustion	-	-	-	-	-	-
3	Automotive	-	-	-	-	-	-
4	Aviation	-	-	-	-	-	-
5	Maritime transport	-	-	-	-	-	-
6	Cement, clinker and lime production	-	-	-	-	-	-
7	Iron and steel, coke, and metal ore production	C 24.10	79	0.814 tCO$_2$e/tonne	2023	(24)	Not available
8	Chemicals	-	-	-	-	-	-

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

11.8. Exposures to top 20 carbon-intensive firms

Table 30 – Template 4: Banking book – Indicators of potential Climate change transition risk: Exposures to top 20 carbon-intensive firms of NLB Group at 30 June 2025

in EUR million

	Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	Of which environmentally sustainable (CCM)	Weighted average maturity	Number of top 20 polluting firms included
	a	b	c	d	e
1	8	0.11%	N/A	1	1

*For counterparties among the top 20 carbon emitting companies in the w orld

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

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

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

11.9. Exposures subject to physical risk

The purpose of this template is to identify exposures subject to acute and chronic physical risk, including exposures collateralised by immovable property, exposures by the business sector, and foreclosed assets. The perimeter Gross Carrying Amount includes exposures in the banking book, including loans and advances, debt securities and equity instruments not held-for-trading and not held-for-sale.

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

For loans collateralised by commercial or residential real estate (RE) a specific tool for assessing flood risk based on national (Slovenian) flood risk zones was developed – determining flood risk with matching the micro-location of real estate in collateral with official flood exposure zones. For all collaterals in our portfolio, flood risk (high, moderate high, moderate, moderate low, low) was determined, as exposures sensitive to impact from acute climate change events collateral in the High and Moderately high flood risk bucket was included. Other physical risks in Slovenia are assessed as not material to Bank's collateral exposure. Through a procedure of valuation of the collateral, an external appraiser is obliged to identify in which (in majority) flood risk the RE is located. The front office recognises the identification of the flood risk and takes measures if necessary, according to the business rule. For example, if a flood risk is identified as moderate, a certain insurance policy must be conditioned prior approving the loan. For the Group members, a similar exercise with the same IT tool is ongoing using EU flood exposure maps. For each collateral, coordinates will be determined and compared with a flood risk map.

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

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

in EUR million

30.06.2025		Gross carrying amount											
			of which exposures sensitive to impact from climate change physical events										
	Total	Breakdown by maturity bucket					of which exposures sensitive to impact from acute climate change events	Of which Stage 2 exposu-res	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity				Total	of which Stage 2 exposu-res	Of which non-performing exposures
	a	b	c	d	e	f	g	i	k	l	m	n	o
1	A - Agriculture, forestry and fishing	137	82	30	8	-	47	120	13	3	(4)	(1)	(2)
2	B - Mining and quarrying	45	27	6	12	-	63	45	10	-	(1)	(1)	-
3	C - Manufacturing	1,804	3	-	-	-	25	3	-	-	-	-	-
4	D - Electricity, gas, steam and air conditioning supply	644	13	39	122	-	120	174	1	-	(2)	-	-
5	E - Water supply; sewerage, waste management and remediation activities	71	21	5	1	-	33	26	9	-	(1)	-	-
6	F - Construction	665	-	-	-	-	-	-	-	-	-	-	-
7	G - Wholesale and retail trade, repair of motor vehicles and motorcycles	1,532	-	-	-	-	-	-	-	-	-	-	-
8	H - Transportation and storage	597	-	-	-	-	-	-	-	-	-	-	-
9	L - Real estate activities	565	-	-	-	-	-	-	-	-	-	-	-
10	Loans collateralised by residential immovable property	4,285	4	9	57	24	205	93	5	1	-	-	-
11	Loans collateralised by commercial immovable property	3,020	25	8	-	-	49	33	8	-	-	-	-
12	Repossessed colaterals	34	-	-	-	-	-	-	-	-	-	-	-

11.10. Green Asset Ratio (GAR)

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

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

Our calculation approach:

- Green asset ratio, GAR, is calculated as identified Taxonomy-aligned assets (numerator), divided by total assets, eligible for taxonomy, covered by the KPI (denominator). Exposures towards central banks, central governments, supranational and the Bank's trading portfolio are excluded from both the numerator and denominator (not covered by the KPI). Exposures to regional and local public authorities and entities controlled by states, where the use of proceeds is unknown, are also excluded from the numerator and denominator of the KPI.
- Since most financial counterparties will not publish their Taxonomy-aligned information for the 2024 financial year until 2025, it cannot be incorporated into this year's disclosure. Similarly, a comparable constraint is evident regarding Taxonomy eligibility concerning the four new environmental objectives, with both financial and non-financial counterparties obligated to disclose official information on Taxonomy eligibility starting in 2025 for the 2024 financial year.
- To assess Taxonomy-related KPIs for non-financial undertakings (NFRD-corporates are corporates which fall under the non-financial reporting requirements, including Taxonomy reporting requirements), publicly available information on the percentage of eligibility and alignment of turnover-based (Turnover) of the counterparties is used.
- To determine households' eligibility for KPIs, we considered the entire portfolio of mortgage loans, with assets subject to energy efficiency rules. For alignment KPIs on the households' portfolio, we focused on the "Acquisition and ownership of buildings" parameter under Delegated Regulation 2021/2139 (excluding the "Renovation of existing buildings" parameter under Delegated Regulation 2021/2139, and "Motor vehicles" due to a lack of specific information related to the identification of "green loans") to assess a significant contribution to climate change mitigation:

    - For buildings built before 31 December 2020, the building shall be rated at least an energy performance class A. Alternatively, the building shall be placed in the upper 15% of the national or regional building stock, expressed as an operational primary energy demand and demonstrated by appropriate evidence that includes at least a comparison between the performance of the asset in question and that of the national or regional stock built before 31 December 2020, and differentiates at least between residential and non-residential buildings.
    - For buildings constructed after 31 December 2020, the building shall meet the criteria set out in Section 7.1 of the Annex to the Delegated Act (Construction of new buildings) that are relevant at the time of purchase.

Table 32 – Template 6: Summary of key performance indicators (KPIs) on the Taxonomy-aligned exposures on NLB Group

30.06.2025	KPI			% coverage (over total assets)*
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	
GAR stock	1.46%	0.03%	1.49%	69.71%
GAR flow	1.14%	-	1.14%	58.95%

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

Table 32 provides summary information for the GAR indicators, shown in tables 33 and 34. GAR represents the level of alignment of the Group's assets for the climate change mitigation (CCM) and climate change adaptation (CCA) objective, according to the European taxonomy (Regulation 2020/852, in line with articles 10 and 11). So, in this report, we are disclosing the green assets ratio for two climate objectives (out of six). The indicators are represented at the stock level on balance sheet assets as at 30 June 2025.

On 30 June 2025, the Group's GAR was 1.49% of total covered assets and is slightly higher as December 2024 (1.34%). In all main categories we have slightly more aligned assets (financial corporations - several banks are publishing slightly greater alignment with taxonomy, companies - mostly electric companies, households - retail and leasing slightly higher numbers).

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

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

in EUR million

	Disclosure reference date 30.06.2025	Total gross carrying amount	Climate Change Mitigation (CCM)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)			
					Of which specialised lending	Of which transitional	Of which enabling
		a	b	c	d	e	f
	GAR - Covered assets in both numerator and denominator						
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	7,618	4,554	299	-	1	54
2	**Financial corporations**	2,456	314	37	-	-	-
3	Credit institutions	2,010	314	37	-	-	-
4	Loans and advances	413	-	-	-	-	-
5	Debt securities, including UoP	1,597	314	37	-	-	-
6	Equity instruments	-	-	-		-	-
7	Other financial corporations	446	-	-	-	-	-
8	of which investment firms	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-
11	Equity instruments	-	-	-		-	-
12	of which management companies	8	-	-	-	-	-
13	Loans and advances	0	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-
15	Equity instruments	8	-	-		-	-
16	of which insurance undertakings	11	-	-	-	-	-
17	Loans and advances	2	-	-	-	-	-
18	Debt securities, including UoP	8	-	-	-	-	-
19	Equity instruments	0	-	-		-	-
20	**Non-financial corporations (subject to NFRD disclosure obligations)**	756	203	142	-	1	54
21	Loans and advances	752	203	142	-	1	54
22	Debt securities, including UoP	5	-	-	-	-	-
23	Equity instruments	-	-	-		-	-
24	**Households**	4,185	4,037	120	-	-	-
25	of which loans collateralised by residential immovable property	4,022	4,022	106	-	-	-
26	of which building renovation loans	-	-	-	-	-	-
27	of which motor vehicle loans	163	15	15	-	-	-
28	**Local governments financing**	220	-	-	-	-	-
29	Housing financing	-	-	-	-	-	-
30	Other local governments financing	220	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	34	-	-	-	-	-
32	**TOTAL GAR ASSETS**	**7,652**	**4,554**	**299**	**-**	**1**	**54**
	Assets excluded from the numerator for GAR calculation (covered in the denominator)						
33	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**	2,748					
34	Loans and advances	2,740					
35	Debt securities	6					
36	Equity instruments	1					
37	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**	3,723					
38	Loans and advances	3,707					
39	Debt securities	14					
40	Equity instruments	2					
41	Derivatives	63					
42	On demand interbank loans	-					
43	Cash and cash-related assets	536					
44	Other assets (e.g. Goodwill, commodities etc.)	5,751					
45	**TOTAL ASSETS IN THE DENOMINATOR (GAR)**	**20,473**					
	Other assets excluded from both the numerator and denominator for GAR-calculation						
46	Sovereigns	5,210					
47	Central banks exposure	3,677					
48	Trading book	8					
49	**TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR**	**8,896**					
50	**TOTAL ASSETS**	**29,369**					

in EUR million

	Disclosure reference date 30.06.2025	Climate Change Adaptation (CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)			
				Of which environmentally sustainable (Taxonomy-aligned)		
				Of which specialised lending	Of which transitional	Of which enabling
		g	h	i	j	k
	GAR - Covered assets in both numerator and denominator					
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	5	5	-	-	-
2	**Financial corporations**	-	-	-	-	-
3	Credit institutions	-	-	-	-	-
4	Loans and advances	-	-	-	-	-
5	Debt securities, including UoP	-	-	-	-	-
6	Equity instruments	-	-		-	-
7	Other financial corporations	-	-	-	-	-
8	of which investment firms	-	-	-	-	-
9	Loans and advances	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-
11	Equity instruments	-	-		-	-
12	of which management companies	-	-	-	-	-
13	Loans and advances	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-
15	Equity instruments	-	-		-	-
16	of which insurance undertakings	-	-	-	-	-
17	Loans and advances	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-
19	Equity instruments	-	-		-	-
20	**Non-financial corporations (subject to NFRD disclosure obligations)**	5	5	-	-	-
21	Loans and advances	5	5	-	-	-
22	Debt securities, including UoP	-	-	-	-	-
23	Equity instruments	-	-		-	-
24	**Households**					
25	of which loans collateralised by residential immovable property					
26	of which building renovation loans					
27	of which motor vehicle loans					
28	**Local governments financing**	-	-	-	-	-
29	Housing financing	-	-	-	-	-
30	Other local governments financing	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-
32	**TOTAL GAR ASSETS**	**5**	**5**	**-**	**-**	**-**
	Assets excluded from the numerator for GAR calculation (covered in the denominator)					
33	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**					
34	Loans and advances					
35	Debt securities					
36	Equity instruments					
37	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**					
38	Loans and advances					
39	Debt securities					
40	Equity instruments					
41	Derivatives					
42	On demand interbank loans					
43	Cash and cash-related assets					
44	Other assets (e.g. Goodwill, commodities etc.)					
45	**TOTAL ASSETS IN THE DENOMINATOR (GAR)**					
	Other assets excluded from both the numerator and denominator for GAR-calculation					
46	Sovereigns					
47	Central banks exposure					
48	Trading book					
49	**TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR**					
50	**TOTAL ASSETS**					

in EUR million

	Disclosure reference date 30.06.2025	TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)			
				Of which specialised lending	Of which transitional/adaptation	Of which enabling
		l	m	n	o	p
	GAR - Covered assets in both numerator and denominator					
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	4,559	305	-	1	54
2	**Financial corporations**	314	37	-	-	-
3	Credit institutions	314	37	-	-	-
4	Loans and advances	-	-	-	-	-
5	Debt securities, including UoP	314	37	-	-	-
6	Equity instruments	-	-		-	-
7	Other financial corporations	-	-	-	-	-
8	of which investment firms	-	-	-	-	-
9	Loans and advances	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-
11	Equity instruments	-	-		-	-
12	of which management companies	-	-	-	-	-
13	Loans and advances	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-
15	Equity instruments	-	-		-	-
16	of which insurance undertakings	-	-	-	-	-
17	Loans and advances	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-
19	Equity instruments	-	-		-	-
20	**Non-financial corporations (subject to NFRD disclosure obligations)**	208	147	-	1	54
21	Loans and advances	208	147	-	1	54
22	Debt securities, including UoP	-	-	-	-	-
23	Equity instruments	-	-		-	-
24	**Households**	4,037	120	-	-	-
25	of which loans collateralised by residential immovable property	4,022	106	-	-	-
26	of which building renovation loans	-	-	-	-	-
27	of which motor vehicle loans	15	15	-	-	-
28	**Local governments financing**	-	-	-	-	-
29	Housing financing	-	-	-	-	-
30	Other local governments financing	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-
32	**TOTAL GAR ASSETS**	**4,559**	**305**	**-**	**1**	**54**
	Assets excluded from the numerator for GAR calculation (covered in the denominator)					
33	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**					
34	Loans and advances					
35	Debt securities					
36	Equity instruments					
37	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**					
38	Loans and advances					
39	Debt securities					
40	Equity instruments					
41	Derivatives					
42	On demand interbank loans					
43	Cash and cash-related assets					
44	Other assets (e.g. Goodwill, commodities etc.)					
45	**TOTAL ASSETS IN THE DENOMINATOR (GAR)**					
	Other assets excluded from both the numerator and denominator for GAR-calculation					
46	Sovereigns					
47	Central banks exposure					
48	Trading book					
49	**TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR**					
50	**TOTAL ASSETS**					

Table 34 – Template 8: GAR (%)

	30.06.2025	Disclosure reference date: KPIs on stock															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of total assets covered
			Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
	% (compared to total covered assets in the denominator)			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/ adaptation	Of which enabling	
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
1	GAR	22.24%	1.46%	-	0.01%	0.26%	0.03%	0.03%	-	-	-	22.27%	1.49%	-	0.01%	0.26%	69.71%
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	22.24%	1.46%	-	0.01%	0.26%	0.03%	0.03%	-	-	-	22.27%	1.49%	-	0.01%	0.26%	25.94%
3	Financial corporations	1.54%	0.18%	-	-	-	-	-	-	-	-	1.54%	0.18%	-	-	-	8.36%
4	Credit institutions	1.54%	0.18%	-	-	-	-	-	-	-	-	1.54%	0.18%	-	-	-	6.84%
5	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.52%
6	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.03%
8	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.04%
9	Non-financial corporations subject to NFRD disclosure obligations	0.99%	0.69%	-	0.01%	0.26%	0.03%	0.03%	-	-	-	1.02%	0.72%	-	0.01%	0.26%	2.58%
10	Households	19.72%	0.59%	-	-	-						19.72%	0.59%	-	-	-	14.25%
11	of which loans collateralised by residential immovable property	19.64%	0.52%	-	-	-						19.64%	0.52%	-	-	-	13.69%
12	of which building renovation loans	-	-	-	-	-						-	-	-	-	-	-
13	of which motor vehicle loans	0.07%	0.07%	-	-	-						0.07%	0.07%	-	-	-	0.56%
14	Local government financing	-	-	-	-	-						-	-	-	-	-	0.75%
15	Housing financing	-	-	-	-	-						-	-	-	-	-	-
16	Other local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.75%
17	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-						-	-	-	-	-	0.12%

	30.06.2025	Disclosure reference date T: KPIs on flows															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of total new assets covered
			Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
	% (compared to total covered assets in the denominator)			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/ adaptation	Of which enabling	
		q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af
1	GAR	16.41%	1.14%	-	-	-	-	-	-	-	-	16.41%	1.14%	-	-	-	58.95%
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	16.41%	1.14%	-	-	-	-	-	-	-	-	16.41%	1.14%	-	-	-	19.01%
3	Financial corporations	3.29%	0.38%	-	-	-	-	-	-	-	-	3.29%	0.38%	-	-	-	9.64%
4	Credit institutions	3.29%	0.38%	-	-	-	-	-	-	-	-	3.29%	0.38%	-	-	-	8.77%
5	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.87%
6	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01%
9	Non-financial corporations subject to NFRD disclosure obligations	0.32%	0.31%	-	-	-	-	-	-	-	-	0.32%	0.31%	-	-	-	0.82%
10	Households	12.80%	0.45%	-	-	-						12.80%	0.45%	-	-	-	8.21%
11	of which loans collateralised by residential immovable property	12.72%	0.37%	-	-	-						12.72%	0.37%	-	-	-	7.50%
12	of which building renovation loans	-	-	-	-	-						-	-	-	-	-	-
13	of which motor vehicle loans	0.08%	0.08%	-	-	-						0.08%	0.08%	-	-	-	0.71%
14	Local government financing	-	-	-	-	-						-	-	-	-	-	0.33%
15	Housing financing	-	-	-	-	-						-	-	-	-	-	-
16	Other local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.33%
17	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-						-	-	-	-	-	-

Table 34 provides the eligibility and alignment levels of: loans and advances, debt securities, and equity instruments, for the different portfolios, compared to total assets, with detailed information for the stock as at 30 June 2025. The covered total assets include exposures towards financial and non-financial corporations, households, local government financing and other exposures (e.g., derivatives, on-demand interbank loans, liquidity, goodwill). The difference from total banking assets is related to exposures towards states, central banks, trading book.

In light of the methodology described for template 7 (Table 33), the percentage of eligibility on the stock is 22.27%, and the alignment is 1.49%.

12. Leverage ratio

(Article 451 of CRR)

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

Table 35 – Leverage ratio of NLB Group

	30.06.2025	31.03.2025	31.12.2024
Tier 1 capital	2,887,038	2,874,602	2,872,352
Total leverage exposures	31,047,934	30,351,912	29,082,843
Leverage ratio	**9.30%**	**9.47%**	**9.88%**

The leverage ratio of the Group as at 30 June 2025 amounted to 9.30%, which is well above the 3% threshold defined by the BCBS. The ratio highly exceeds minimum requirement, consequently the risk of excessive leverage for the Group is not material. The Group's business model supports a low leverage risk appetite. In order to assure a limited risk appetite for leverage, the Group follows different indicators to identify reasons for past changes and potential future threats. The leverage ratio is also included in an early warning system, as a recovery plan indicator where certain limits for a case of any excess of defined triggers are set. The notification system is defined as well. The leverage ratio is regularly and quarterly monitored and reported to Capital Management Group, and the Management and Supervisory Board of the Bank. Moreover, the leverage ratio is also integrated in a stress tests framework with the aim of maintaining an adequate level of capital even if extraordinary circumstances would occur. If the leverage ratio remains stable under stressed conditions, the risk of a forced reduction of the Bank's assets can be assessed as low.

The leverage ratio as at 30 June 2025 decreased in comparison with the end of December 2024, by 0.6 p.p. as a result of higher value of the total leverage exposure in the amount of EUR 1,529 million and the increase of the capital by EUR 15 million. The increase in the total leverage exposure was influenced by increase of on-balance exposures at the end of June 2025, which rose by EUR 1,525 million, especially to sovereigns and exposures secured by immovables, while off-balance sheet exposures increased by EUR 435 million. Compared to December 2024, derivative exposures decreased by EUR 20 million, their share in the total exposure measures remains very low.

As at 30 June 2025, the leverage exposure was mainly driven by on-balance sheet exposures (94.58%), and other off-balance sheet exposure (5.26%), the rest exposure arose from derivatives and was not significant. Among on-balance sheet exposures, the most significant were exposures treated as sovereigns (28.6%), 23.9% to exposures secured by mortgages of immovable properties, retail exposures (22.4%) and exposures to corporates (11.2%).

Table 36 – EU LR2 – LRCom – Leverage ratio common disclosure for NLB Group

		CRR leverage ratio exposures		
		a	b	c
		30.06.2025	**31.03.2025**	**31.12.2024**
On-balance sheet exposures (excluding derivatives and SFTs)				
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	29,489,331	28,580,390	27,964,720
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(123,342)	(127,285)	(127,762)
7	**Total on-balance sheet exposures (excluding derivatives, SFTs)**	**29,365,989**	**28,453,105**	**27,836,958**
Derivative exposures				
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	-	-	-
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	-	-	-
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-	-
EU-9b	Exposure determined under Original Exposure Method	62,601	58,096	82,322
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	(15,159)	(12,982)	(35,540)
11	Adjusted effective notional amount of written credit derivatives	-	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-	-
13	**Total derivative exposures**	**47,442**	**45,114**	**46,782**
Securities financing transaction (SFT) exposures				
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-	-
16	Counterparty credit risk exposure for SFT assets	-	-	-
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-	-
17	Agent transaction exposures	-	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-	-
18	**Total securities financing transaction exposures**	**-**	**-**	**-**
Other off-balance sheet exposures				
19	Off-balance sheet exposures at gross notional amount	5,932,278	5,877,093	5,602,440
20	(Adjustments for conversion to credit equivalent amounts)	(4,297,775)	(4,023,400)	(4,403,337)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)	-	-	-
22	**Off-balance sheet exposures**	**1,634,503**	**1,853,693**	**1,199,103**
Excluded exposures				
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) and point (ca) of Article 429a(1) CRR)	-	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-	-	-

		CRR leverage ratio exposures		
		a	b	c
		30.06.2025	**31.03.2025**	**31.12.2024**
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-	-
EU-22k	(Excluded exposures to shareholders according to Article 429a (1), point (da) CRR)	-	-	-
EU-22l	(Exposures deducted in accordance with point (q) of Article 429a(1) CRR)	-	-	-
EU-22m	**(Total exempted exposures)**	**-**	**-**	**-**
Capital and total exposure measure				
23	Tier 1 capital	2,887,038	2,874,602	2,872,352
24	**Total exposure measure**	**31,047,934**	**30,351,912**	**29,082,843**
Leverage ratio				
25	**Leverage ratio (%)**	**9.30%**	**9.47%**	**9.88%**
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	9.30%	9.47%	9.88%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	9.30%	9.47%	9.88%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-
EU-26b	of which: to be made up of CET1 capital (%)	-	-	-
27	Leverage ratio buffer requirement (%)	3.00%	3.00%	3.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%
Choice on transitional arrangements and relevant exposures				
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Fully phased in	Fully phased in	Fully phased in
Disclosure of mean values				
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	-	-	-
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-	-
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	31,047,934	30,351,912	29,082,843
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	31,047,934	30,351,912	29,082,843
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) (%)	9.30%	9.47%	9.88%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) (%)	9.30%	9.47%	9.88%

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

		30.06.2025
		a
1	**Total assets as per published financial statements**	**29,573,029**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(2,212)
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	126,252
9	Adjustment for securities financing transactions (SFTs)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1,634,503
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) and point (ca) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	(283,638)
13	**Total exposure measure**	**31,047,934**

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

		30.06.2025	31.12.2024
		a	b
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**29,489,331**	**27,964,720**
EU-2	Trading book exposures	1,531	10,682
EU-3	Banking book exposures, of which:	29,487,801	27,954,037
EU-4	Covered bonds	224,240	203,234
EU-5	Exposures treated as sovereigns	8,443,611	7,889,595
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	476,629	768,438
EU-7	Institutions	1,892,772	1,689,842
EU-8	Secured by mortgages of immovable properties	7,049,006	3,035,417
EU-9	Retail exposures	6,618,338	7,731,141
EU-10	Corporate	3,327,725	4,409,055
EU-11	Exposures in default	126,660	119,986
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	1,328,820	2,107,329

13. Appendices

13.1. Appendix 1: MREL requirement

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

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

As at 30 June 2025, the Bank must comply with MREL requirement on a consolidated basis at Resolution Group level of 29.93% of Total Risk Exposure Amount (TREA) increased by applicable Combined Buffer Requirement (CBR) and 11.24% of the Total Exposure Measure (TEM – leverage exposure).

As of 30 June 2025, the MREL ratio was 41.85% as percentage of TREA compared to the requirement of 34.73% of TREA (with CBR). This means the Bank has a MREL surplus of EUR 728 million above its MREL requirement. Expressed as percentage of the Leverage exposure, the Bank ratio was 22.12%, while the requirement is 11.24% of Leverage exposure.

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

	30.06.2025	Minimum requirement for own funds and eligible liabilities (MREL)
		a
	Own funds and eligible liabilities, ratios, and components	
1	Own funds and eligible liabilities	4,280,118
EU-1a	Of which own funds and subordinated liabilities	2,728,133
2	Total risk exposure amount of the resolution group (TREA)	10,226,062
3	Own funds and eligible liabilities as a percentage of TREA (row1/row2)	41.85%
EU-3a	Of which own funds and subordinated liabilities	26.68%
4	Total exposure measure of the resolution group	19,347,708
5	Own funds and eligible liabilities as percentage of the total exposure measure	22.12%
EU-5a	Of which own funds or subordinated liabilities	14.10%
	Minimum requirement for own funds and eligible liabilities (MREL)	
EU-7	MREL requirement expressed as percentage of the total risk exposure amount	29.93%
EU-9	MREL requirement expressed as percentage of the total exposure measure	11.24%

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

Article	Chapter	Page
437 a)	4.2	10
438 d)	4.3	12
da)	4.3	12
e)	/	/
f)	/	/
g)	/	/
h)	/	/
439 e)	/	/
f)	6	27
g)	6	27
h)	6	27
i)	/	/
j)	/	/
k)	/	/
l)	6	27
440 a)	4.5	16
b)	4.5	16
442 c)	5.1, 5.2	18
e)	5.2	18
f)	5.2	18
g)	5.1	18
444 e)	5.4, 6	23, 27
445	7	30
447	1	3
448.1 a)	9	32
b)	9	32
449 j)	/	/
449 k)	/	/
449 l)	/	/
449a	11	39
449b	/	/
451(1) a)	12	81
451(1) b)	12	81
451a (2)	10	33
451a (3)	10	33
452 g)	/	/
453 f)	5.3	22
g)	5.4	23
h)	5.4	23
i)	5.4	23
j)	/	/
455(2) a)	/	/
b)	/	/
c)	/	/

13.3. Appendix 3
Abbreviations

A-IMA	Alternative Internal model approach
A-IRB	Advanced Internal ratings-based approach
A-SA	Alternative standardised approach
ADC	Land acquisition, Development, and Construction
ALCO	Asset and Liability Committee
ASF	Available stable funding
AT1	Additional Tier 1 capital
AVA	Additional Valuation Adjustments
BCBS	Basel Committee on Banking Supervision
BCP	Business Continuity Plan
BIS	Bank for International Settlements
BREEAM	Building Research Establishment Environmental Assessment Methodology
BRRD	Bank Recovery and Resolution Directive
C&E	Climate and environmental
CAPEX	Capital Expenditure
CB	Central Bank
CBR	Combined buffer requirement
CCA	Climate change adaptation
CCF	Credit conversion factor
CCM	Climate change mitigation
CCP	Central Counterparty
CCR	Counterparty credit risk
CCYB	Countercyclical capital buffer
ILO	International Labour Organization
IMM	Internal model method
IPRE	Income producing real estate
ISDA	International Swaps and Derivatives Association
KPI	Key Performance Indicator
KYC	Know your customer
LCR	Liquidity coverage ratio
LEED	Leadership in Energy and Environmental Design
LEI	Legal Entity Identifier
LGD	Loss given default
LTD	Loan-to-deposit
M&A	Mergers and acquisitions
MDA	Maximum Distributable Amount
MDB	Multilateral development banks
MIGA	Multilateral Investment Guarantee Agency
MREL	Minimum Requirement for own funds and Eligible Liabilities
NACE	Nomenclature of Economic Activities
NFRD	Non-Financial Reporting Directive
NGFS	Network for Greening the Financial System
NPL	Non Performing Loans
NSFR	Net Stable Funding Ratio
NZBA	Net Zero Banking Alliance
NZE	Net Zero Emissions

CEO	Chief Executive Officer
CET1	Common equity tier 1 capital
CIU	Collective investment undertakings
CO^2	Carbon dioxide
CRD	Capital Requirements Directive
CRD V	Capital Requirements Directive and Regulation
CRE	Commercial real estate
CRM	Credit Risk Mitigation
CRR	Capital Requirements Regulation
CSD	Central Securities Depositories
CSR	Corporate Sustainability Reporting
CSRD	Corporate Sustainability Reporting Directive
CVA	Credit valuation adjustment
DEI	Diversity, Equity and Inclusion
E&S	Environmental and social
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
ECAI	External Credit Assessment Institutions
ECB	European Central Bank
ECL	Expected Credit Losses
EEPE	Effective Expected Positive Exposure
EMIR	European Market Infrastructure Regulation
ENCORE	Exploring Natural Capital Opportunities, Risks and Exposure
EPC	Energy performance certificat
ESG	Environmental, social and governance
ESMS	Environmental and Social Management System
ESRB	European Systemic Risk Board
ESRS	European Sustainability Reporting Standards
EU	European Union
F-BA	Full basic approach
F-IRB	Foundation Internal ratings-based approach
FX	Foreign Exchange
GAR	Green Asset Ratio
GDP	Gross Domestic Product
GFANZ	Glasgow Financial Alliance for Net Zero
GHG	Greenhouse Gas
GMRA	Global Master Repurchase Agreement
G-SII	Global systemically important institutions
HfT	Held for trading
HQLA	High-quality liquid assets
HR	Human Resources
ICAAP	Internal Capital Adequacy Assessment Process
ICMA	International Capital Market Association
IEA	International Energy Agency
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
NZEB	Nearly Zero-energy Buildings
O-SII	Other systemically important institutions
OCI	Other comprehensive income
OCR	Overall capital requirement
OECD	Organisation for Economic Co-operation and Development
OFR	Own Funds Requirements
P1R	Pillar 1 Requirement
P2R	Pillar 2 Requirement
P2G	Pillar 2 Guidance
PCAF	Partnership for Carbon Accounting Financials
PD	Probability of default
PFE	Potential Future Exposure
PP&E	Property, plant and equipment
PSE	Public Sector Entity
R-BA	Reduced Basic Approach
RC	Replacement cost
RCP	Representative Concentration Pathways
RE	Real estate
RRE	Residential Real Estate
RSF	Required stable funding
RWA	Risk-weighted assets
RWEA	Risk weighted exposure amount
S-SA	Simplified standardised Approach
SA	Standardised Approach
SEC-ERBA	Securitization External ratings-based approach
SEC-IRBA	Securitization Internal ratings-based approach
SEE	Southeast Europe
SFDR	Sustainable Finance Disclosure Regulation
SFT	Securities Financing Transactions
SME	Small Medium Enterprise
SREP	Supervisory Review and Evaluation Process
SSA	Simplified standardised approach
T1	Tier 1 (capital)
T2	Tier 2 (capital)
TC	Total Capital
TCR	Total Capital ratio
TEM	Total Exposure Measure
TREA	Total risk exposure amount
TSCR	Total SREP capital requirement
UoP	Use-of-proceeds
UN	United Nations
UNEP FI	United Nations Environment Programme Finance Initiative
UN PRB	United Nations Principles of Responsible Banking
VaR	Value at risk
ZGD-1	Companies Act
WEO	World Energy Outlook