

The logo for NLB's 70th anniversary, featuring the letters 'NLB' in a bold, white, sans-serif font, followed by the number '70' in a larger, stylized white font. The entire logo is enclosed within a white circular border. The background of the cover is a vibrant blue with abstract, wavy patterns and a halftone dot pattern in the lower half.

NLB

Pillar III Disclosures for the 2025

NLB

Contents

1. Key highlights	4
Statement of Management of Risk	6
2. Introduction	10
3. Scope of application	12
4. Capital and capital requirements	16
4.1. Capital Adequacy	16
4.2. Detailed presentation of capital elements	19
4.3. Risk-weighted exposure	20
4.4. MREL requirement – Key metrics of own funds and eligible liabilities	22
4.5. Summary of the approach for assessing the internal capital needed for current and planned activities	27
4.6. Capital instruments included in the capital	28
4.7. Risk factors	28
4.8. Capital buffers – Countercyclical buffer	31
5. Risk management, objectives, and policies	34
5.1. General information on risk management, objectives, and policies	34
5.2. The number of directorships held by members of the Management Body	47
5.3. The recruitment policy for the selection of the Management Body and their actual knowledge, skills, and expertise	47
5.4. The policy on diversity with regard to selection of members of the management body, its objectives, and any relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved	50
6. Credit risk and general information on CRM	52
6.1. General qualitative information on credit risk	52
6.2. Credit risk quality	56
6.3. Non-performing and forborne exposures	57
6.4. Credit risk mitigation techniques	62
7. Credit risk – standardised approach	66
8. Exposure to counterparty credit risk	71
8.1. Goals and Principles of Counterparty Credit Risk Management	71
8.2. Risk mitigation – netting and collaterals	72
8.3. Internal capital allocation and definition of credit limits for CCR exposures	72
8.4. Securing of collateral and establishing of reserves	72
8.5. Wrong-way risk management	72
8.6. Downgrading impacts on collateralisation	73
9. Exposure to market risk	75
9.1. Goals and principles of market risk management	75
9.2. Policies for hedging or mitigating risk	77
10. Credit valuation adjustment risk	80
11. Interest rate risk on positions not included in the trading book	81
11.1. A description of how the institution defines IRRBB for purposes of risk control and measurement	81
11.2. A description of the institution’s overall IRRBB management and mitigation strategies	81

11.3.	The periodicity of the calculation of the institution's IRRBB measures, and a description of the specific measures that the institution uses to gauge its sensitivity to IRRBB	81
11.4.	A description of the interest rate shock and stress scenarios that the institution uses to estimate changes in the economic value and in net interest income (if applicable)	82
11.5.	A description of the key modelling and parametric assumptions different from those used for disclosure of template EU IRRBB1 (if applicable)	82
11.6.	A high-level description of how the Institution hedges its IRRBB, as well as the associated accounting treatment (if applicable)	82
11.7.	A description of key modelling and parametric assumptions used for the IRRBB measures in template EU IRRBB1 (if applicable)	82
11.8.	Explanation of the significance of the IRRBB measures and of their significant variations since previous disclosures	82
11.9.	Any other relevant information regarding the IRRBB measures disclosed in template EU IRRBB1 (optional)	83
11.10.	Disclosure of the average and longest repricing maturity assigned to non-maturity deposits	83
12.	Liquidity risk management, requirements, and LCR	84
13.	Unencumbered assets	93
14.	Operational risk management	95
14.1.	Approaches for the assessment of own funds requirements for operational risk	95
14.2.	Description of other internal approaches and methodologies in the area of operational risk	97
15.	ESG risks	99
15.1.	Introduction	99
15.2.	Environmental risk	101
15.3.	Social risks	117
15.4.	Governance risk	123
15.5.	Credit quality of exposures	126
15.6.	Energy efficiency of the collateral	131
15.7.	Alignment metrics	133
15.8.	Exposures to top 20 carbon-intensive firms	133
15.9.	Exposures subject to physical risk	134
15.10.	Green Asset Ratio (GAR)	136
16.	Leverage ratio	143
17.	Appendices	147
17.1.	Appendix 1	147
17.2.	Appendix 2	147
17.3.	Appendix 3	147
17.4.	Appendix 4	151
17.5.	Appendix 5	152
17.6.	Appendix 6	153
17.7.	Appendix 7	154
17.8.	Appendix 8	155

1. Key highlights

(Articles 435 1.e and 1.f, 438 b, and 447 of CRR)

Table 1 – EU KM Key metrics template of NLB Group (hereafter 'the Group')

		31.12.2025	30.09.2025	30.06.2025	31.03.2025	31.12.2024
		a	b	c	d	e
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	3,011,596	2,801,169	2,802,766	2,788,768	2,785,818
2	Tier 1 capital	3,396,703	2,885,704	2,887,038	2,874,602	2,872,352
3	Total capital	3,925,585	3,413,854	3,415,245	3,402,000	3,411,258
Risk-weighted exposure amounts						
4	Total risk exposure amount	19,509,811	19,116,570	18,608,244	18,124,929	18,216,105
4a	Total risk exposure pre-floor	19,509,811	19,116,570	18,608,244	18,124,929	-
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	15.44%	14.65%	15.06%	15.39%	15.29%
5b	Common Equity Tier 1 ratio considering unfloored TREA (%)	15.44%	14.65%	15.06%	15.39%	-
6	Tier 1 ratio (%)	17.41%	15.10%	15.51%	15.86%	15.77%
6b	Tier 1 ratio considering unfloored TREA (%)	17.41%	15.10%	15.51%	15.86%	-
7	Total capital ratio (%)	20.12%	17.86%	18.35%	18.77%	18.73%
7b	Total capital ratio considering unfloored TREA (%)	20.12%	17.86%	18.35%	18.77%	-
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 (%)	0.80%	0.80%	0.78%	0.76%	0.52%
EU 9a	Systemic risk buffer (%)	0.08%	0.08%	0.08%	0.08%	0.11%
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 (%)	4.63%	4.63%	4.61%	4.59%	4.38%
EU 11a	Overall capital requirements (%)	14.75%	14.75%	14.73%	14.71%	14.50%
12	CET1 available after meeting the total SREP own funds requirements (%)	9.75%	7.51%	7.92%	8.27%	8.18%
Leverage ratio						
13	Total exposure measure	32,988,911	31,945,235	31,052,333	30,351,912	29,082,843
14	Leverage ratio (%)	10.30%	9.03%	9.30%	9.47%	9.88%
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 (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%	3.00%	3.00%

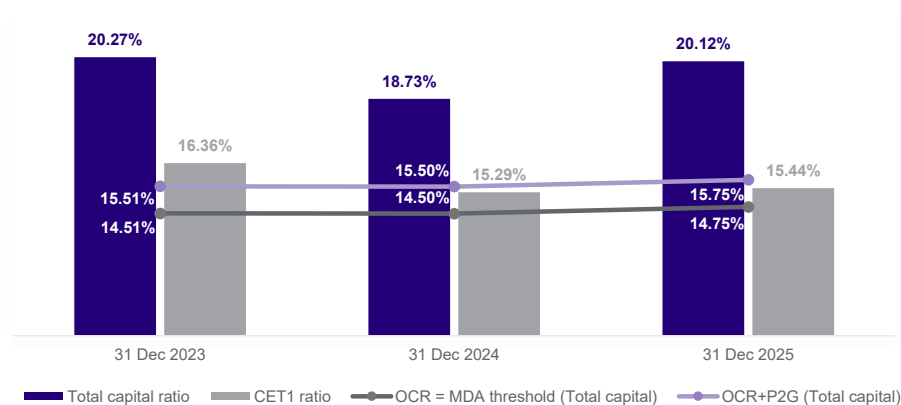
		31.12.2025	30.09.2025	30.06.2025	31.03.2025	31.12.2024
		a	b	c	d	e
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value-average)	6,310,337	6,173,362	6,334,011	6,584,777	6,792,546
EU 16a	Cash outflows - Total weighted value	3,703,232	3,599,041	3,493,814	3,414,235	3,376,826
EU 16b	Cash inflows - Total weighted value	533,085	519,638	499,589	480,040	492,233
16	Total net cash outflows (adjusted value)	3,170,147	3,079,403	2,994,225	2,934,196	2,884,593
17	Liquidity coverage ratio (%)	199.40%	200.60%	211.95%	225.28%	236.32%
Net Stable Funding Ratio						
18	Total available stable funding	26,204,406	25,058,468	24,478,892	23,884,082	23,461,035
19	Total required stable funding	16,008,558	15,595,502	15,135,418	14,461,039	14,001,121
20	NSFR ratio (%)	163.69%	160.68%	161.73%	165.16%	167.57%

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

Figure 1: Total capital and capital ratio evolution YoY of NLB Group



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



Statement of Management of Risk

(Article 435 1.e and 1.f of CRR)

NLB d.d.'s Management Board and Supervisory Boards provide herewith a concise statement of the risk management according to Article 17 of the Decision on Internal Governance Arrangements, the Management body and the Internal Capital Adequacy Assessment Process for Banks and Savings banks (*Official Gazette of the RoS, no. 73/15 and 115/2021*), Regulation (EU) 575/2013, article 435 (Risk management objectives and policies), point (e) and (f), as well as EBA Guidelines on Internal Governance (EBA/GL/2021/05) and EBA Guidelines on Disclosure requirements (EBA/GL/2016/11).

Risk management 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 take into account European banking regulations, the regulations adopted by the Bank of Slovenia, the current EBA guidelines, and relevant good banking practices. The Group follows EU regulations, and its subsidiaries operating outside Slovenia are also compliant with the rules set by local regulators. The Group places great importance on risk culture and awareness of all relevant risks across the entire Group. Maintaining risk awareness is ingrained in the Group's business and risk strategy. The business and operating environment relevant to the Group's operations is changing, with trends such as sustainability, social responsibility, governance, changing customer behaviour, emerging technologies, competitors, and increasing regulatory requirements. Respectively, risk management continuously adapts to detect and manage emerging risks.

The Group uses the "three lines of defence framework" as an important element of its internal governance, in which the Risk management function acts as a second line of defence. The Group has enhanced overall corporate governance, as reflected in lower SREP requirements in recent years. A robust and comprehensive Risk Management framework is defined and organised with regard to the Group's business and risk profile, based on a forward-looking perspective to meet internally set strategic objectives and all external requirements. The proactive risk management and control system is primarily based on Risk appetite and Risk strategy, which are consistent with the Group's business strategy, and focused on early risk identification and efficient risk management. Set governance and different risk management tools enable adequate oversight of the Group's risk profile, proactively support its business operations and its management by incorporating escalation procedures and using appropriate mitigation measures when necessary. In this respect, the Group is continually enhancing and complementing the existing methods and processes in all risk management segments.

The Group introduced its Group Strategy 2030, which equally prioritises revenue generation through best practices such as housing financing, bancassurance, consumer finance, trade finance, transition finance, and payments, as well as the transformation of the Group into the leading operating platform in the region through rigorous simplification and digitalisation, while maintaining its prudent risk practices. In this respect, particular emphasis is given to ongoing monitoring of regulatory compliance, ICT (information and communication technology) and operational risks, and on their corresponding mitigation to maintain the established Group's reputation.

The Group is engaged in contributing to sustainable finance by incorporating environmental, social and governance (ESG) risks into its business strategies, risk management framework and internal governance arrangements. With the adoption of the NLB Group Sustainability programme, the Group implemented sustainability elements across three pillars: sustainable finance, sustainable operations, and contribution to society. The goal of this strategic, organisation-wide initiative is to ensure sustainable financial performance of the Group by considering ESG risks and opportunities in its operations, and to actively contribute to a more balanced and inclusive economic and social system. Thus, sustainable finance integrates ESG criteria into the Group's business and investment decisions for the lasting benefit of the Group's clients and society. Moreover, NLB, as a member of the former UN Net-Zero Banking Alliance, publicly disclosed its Net-Zero commitment and corresponding targets. With this, the Bank continues to align its lending and investment portfolio with net-zero emissions by 2050.

The NLB Group Sustainability Committee oversees the integration of ESG factors into the Group's business model. The management of ESG risks aligns with the Group's overall risk management framework, namely the credit approval process, the collateral evaluation process and related credit portfolio management. It follows ECB and EBA guidelines, with a tendency towards their comprehensive integration into all relevant processes. Consequently, management of these risks is also integrated into the BCP, operational, liquidity, and market risk management framework. The

availability of ESG data in the region where the Group operates remains limited. Nevertheless, the Group established a process for obtaining relevant ESG-related data from its clients, which is a prerequisite for adequate decision-making and the corresponding proactive management of ESG risks.

The Group plans a prudent risk profile, optimal capital utilisation, and profitable operations in the long run, while considering the risks assumed. The Business strategy, the Risk appetite, the Risk strategy and the key internal risk policies of NLB Group, approved by the Management and Supervisory Boards, specify the strategic objectives and guidelines concerning risk assumption, the approaches and methodologies of monitoring, measuring, mitigating, and managing all types of risk at different relevant levels. Moreover, the main strategic risk guidelines are consistently integrated into regular business strategy reviews, the budgeting process and other strategic decisions, thereby ensuring informed decision-making. The Group regularly monitors its target risk appetite profile and internal capital allocation, representing the key components of proactive management. Risk limits usage and potential deviations from limits or target values are regularly reported to the respective committees and/or the Management Board of the Bank, the Risk Committee of the Supervisory Board, and the Supervisory Board of the Bank.

Additionally, the Group established a comprehensive stress-testing framework and other early warning systems across different risk areas, with the intention of contributing to the setting and pursuing the Group's business strategy, supporting ongoing decision-making, strengthening existing internal controls, and enabling timely responses when necessary. The stress-testing framework covers all material risk types, ESG-related risks, and various relevant stress scenarios or sensitivity analyses, according to the vulnerability of the Group's business model. Stress-testing plays an important role in assessing the Group's resilience to stressed circumstances, namely from a profitability, capital adequacy, and forward-looking liquidity perspective. As such, it is embedded into the Group's Risk management system, namely Risk appetite, ICAAP, ILAAP, and Recovery plan, as an important component of sound risk management. In addition to internal stress-testing, the Group, as a systemically important bank, also participates in the ECB's regulatory stress test exercises.

The Group is the largest Slovenian banking and financial group with an important presence in the SEE region. In accordance with its new Strategy 2030, the Bank intends to be the leading bank in SEE and aims to provide international best practices across its customers while building an operating platform based on digital services, while maintaining its prudent risk practices. The Group continues strengthening its market position in its home region, actively participating in market growth and consolidation, and promoting the ESG agenda. The Group has a well-diversified business model. Efficient risk and capital management is crucial for the Group to sustain long-term profitable operations. Based on the Group's business strategy, credit risk is the dominant risk category, followed by credit spread risk in the banking book portfolio, interest rate risk in the banking book, liquidity risk, operational and ICT risks, market risk, and other non-financial risks. The Group integrates and manages ESG risks within the established risk management framework, where the aforementioned risk is one of the risk drivers of the existing type of risks, such as credit, liquidity, market, and operational risk. Regular risk identification and assessment are performed within the ICAAP and ILAAP processes to ensure their overall control and effective risk management on an ongoing basis.

Managing risks and capital efficiently at all levels is crucial to the Group's sustained long-term profitable operations. Management of credit risk, representing the Group's most important risk, focuses on taking moderate risks – a diversified credit portfolio, adequate credit portfolio quality, a sustainable cost of risk, and ensuring an optimal return considering the risks assumed. The liquidity risk tolerance is low. The Group must maintain an appropriate level of liquidity at all times to meet its short-term liabilities, even if a specific stress scenario is realised. Further, to minimise this risk, the Group pursues an appropriate structure of sources of financing. The Group limited exposure to credit spread risk arising from the valuation risk of debt securities portfolio servicing as liquidity reserves, to the medium level. The Group's basic orientation to managing interest rate risk is to limit unexpected negative effects on revenues and capital arising from changes in market interest rates, and, therefore, a medium tolerance for this risk is stated. Moreover, in 2025, the Group further enhanced the existing interest rate risk management practices and IT platform. When assuming operational risk, the Group maintains the orientation that such risk must not significantly impact its operations. Risk appetite for operational risks is low to medium, with a focus on mitigation actions for important risks and on key risk indicators serving as an early warning system. To adequately manage ICT risks and ensure compliance with the requirements of the Digital Operational Resilience Act (DORA), a dedicated second line of defence within the risk management function and ITC risk management framework has been established. Special attention is given to their regular and comprehensive monitoring and mitigation. The conclusion of transactions in derivative financial instruments at NLB d.d. is primarily limited to servicing customers and hedging the Bank's own positions. In the area of currency risk, the Group

thus aims for low to moderate exposure. Based on the environmental and climate risk assessment, the impact of these risks is estimated to be low, except for transition risk in the credit risk area, which is assessed as low to medium. The tolerance for all other risk types, including non-financial risks, is set with a focus on minimising their possible impacts on the Group's operations.

The main NLB Group Risk Appetite Statement objectives are as follows:

- preservation of regulatory and internal capital adequacy,
- fulfilment of MREL requirement,
- maintenance of low leverage,
- maintenance of a solid liquidity position and stable customers' deposits as the main funding base,
- improvement in the quality of the credit portfolio, sufficient NPL coverage, sustainable credit risk volatility, sustainable cost of risk across the economic cycle, limited Stage 2 exposures, sustainable industry and individual concentration, sustainable exposure to cross-border, leverage transactions, M&A, real estate financing and specialised lending,
- diversification of risk in exposures to banks and sovereigns,
- limited exposure to interest rate and credit spread risk,
- limited exposure to foreign exchange risk,
- limited tolerance to net losses from operational and ICT risk,
- sustainable exposure to ESG risks, including a portfolio decarbonisation strategy based on NZBA-aligned targets.

Values of the most important risk appetite indicators of the Group as at the end of year 2025, reflecting the interconnection between strategic business orientations, risk strategy and targeted risk appetite profile, were as follows:

- Total capital ratio 20.1%,
- Tier 1 capital ratio 17.4%,
- Common Equity Tier 1 ratio (CET1) 15.4%,
- MREL ratio 43.8%,
- Leverage ratio 10.3%,
- Cost-of-risk 29 bps,
- The share of non-performing exposure (NPE %) by EBA 1.4%,
- Non-performing loans coverage ratio (NPL CR) 49.4%,
- Loan-to-deposit ratio (LTD) 76.3%,
- LCR 199.2%,
- NSFR 163.7%,
- EVE sensitivity (worst scenario) -2.7% of capital,
- Transactional FX risk 0.3% of capital,
- No new financing of coal mining and coal-fired electricity generation (0 EUR),
- Net losses from operational risk 5.4% of the capital requirement for operational risk.

Sustainable ESG financing in accordance with the Environmental and Social Management System (ESMS) is integrated into the Group's risk appetite and overall risk management framework. Following the transition of the former Net Zero Banking Alliance to the guidance framework, the NLB Group's climate strategy remains unchanged and is addressed in the Group's Risk Appetite. Emission-based targets have been set for Power Generation, Iron & Steel, Road Freight Corporates, and Leasing. These were complemented by financing targets for Residential and Commercial Real Estate, Leasing (Passenger Cars), and client engagement targets for Agriculture and Road Freight Transport, while, for the Oil & Gas, Cement, and Aluminium sectors, origination guidelines were set.

The Group's credit portfolio continued to exhibit high quality and remained well diversified, despite ongoing geopolitical tensions and more adverse than anticipated macroeconomic trends. The resilience of the Group region contributed to maintaining non-performing ratios at a sustainable level, although some increase in NPLs was identified, predominantly in the corporate sector in Slovenia. As an important strength, their coverage ratio remained above the EU average. In 2025, the Bank observed a deterioration in the creditworthiness of a few larger companies operating in the steel, metal, and automotive industries. The weakening of financial indicators and intensified sector-specific headwinds contributed to a recognised risk of default. As a result, several exposures migrated to Stage 3 in accordance with IFRS 9 impairment requirements. Nevertheless, the cost of risk stood at 29 bps, staying within the 2025 expected range. The Group

continues to monitor macroeconomic and geopolitical factors closely, remains very prudent in identifying any increase in credit risk at an early stage in accordance with the Early Warning System, and is proactive in NPL management.

The Group stayed well capitalised and well above the risk appetite at both the Group and banking member levels. The Group's liquidity position also remained solid, with liquidity indicators high above the regulatory requirements, indicating its low tolerance for this risk. Significant attention was paid to the structure and concentration of liquidity reserves, while also considering the potential adverse market movements. Investment activity continued with a balanced approach to identifying attractive market opportunities while pursuing well-managed credit spread and interest rate risk, as well as capital consumption. In addition, the Group reduced the net interest income sensitivity in 2025. Interest rate risk exposure remained moderate and stayed well within the risk appetite tolerance. Consequently, the Group concluded 2025 as self-funded, with strong liquidity and a very solid capital position, demonstrating the Group's financial resilience.

In May 2025, the merger of NLB Lease&Go, leasing, Ljubljana and Summit Leasing Slovenija, Ljubljana occurred. The merged entity operates under the name NLB Lease&Go, leasing, Ljubljana and has become the leading provider of leasing services on the Slovenian market. Otherwise, during 2025, there were no other transactions of sufficiently material nature to impact on NLB Group's risk profile or distribution of the risks on the Group level.

A Condensed Statement of the management of risk is also published on the NLB intranet with the aim of strict adherence of the Banks' employees to the daily operations of the Bank, as regards the definition and importance of a consistent tendency of the adopted risks, and ways to take into account when adopting its daily business decisions.

Ljubljana, 9 April 2026

Management Board of the NLB d.d.



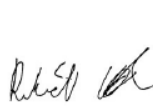
Hedvika Usenik
Member



Andrej Lasič
Member



Archibald Kremser
Member



Reinhard Höll
Member



Peter Andreas Burkhardt
Member

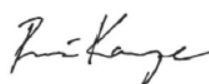


Antonio Argir
Member



Blaž Brodnjak
Chief Executive Officer

Supervisory Board of NLB d.d.



Primož Karpe
Chairman

2. Introduction

The purpose of this Report is to provide disclosures as required by the global regulatory framework for capital and liquidity, established by the Basel Committee on Banking Supervision (BCBS). On the European level, these are implemented in the disclosure requirements as laid down in Part Eight of Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation, hereafter 'CRR'), and Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the Capital Requirements Directive, hereafter 'CRD'). The CRR applies directly to EU member states, while the CRD requires implementation through national legislation. On 27 June 2019, an amendment to the CRR (Regulation (EU) No. 2019/876) and an amendment to the CRD (Directive (EU) 2019/878) were published. On 19 June 2024, the latest amendment to the CRR (Regulation (EU) No. 2024/1623 – CRR3) and to the CRD (Directive (EU) 2024/1616 – CRD6) were published, both mainly effective from 1 January 2025 onwards.

Moreover, there was issued the Commission Implementing Regulation (EU) 2024/3172 of 29 November 2024 laying down implementing technical standards for the application of Regulation (EU) 575/2013 of the European Parliament and of the Council concerning public disclosures by institutions of the information referred to in Part Eight, Titles II and III of that Regulation, and repealing the Commission Implementing Regulation (EU) 2021/637, effective from 1 January 2025 (Pillar 3 Disclosure).

Regulation (EU) 2021/637 shall continue to apply until the new Fundamental Review of the Trading Book (FRTB) framework enters into force, in accordance with Article 15 and Annexes XXIX and XXX, pursuant to Article 16 of Regulation (EU) 2024/3172, with reference to market risk disclosure.

The following regulations are applicable as well: (i) the European Commission Regulatory Technical Standards (RTS) or Implementation Technical Standards (ITS) issued on the proposal of the EBA and (ii) the guidelines issued by the EBA with reference to Pillar III disclosure, time to time in force.

In February 2025, the EBA published its Implementing Technical Standards (ITS) on the Pillar 3 data hub (P3DH), which centralises prudential disclosures by institutions through a single electronic access point on the EBA website from June 2025. The EBA ITS also provides a transitional period (for the reference dates of 30 June, 30 September and 31 December 2025) in which the institutions can proceed with the publication of the Pillar 3 disclosure on their website and, subsequently, meet the requirement to submit the information to EBA in the technical format requested by the ITS.

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

- Pillar 1 contains mechanisms and requirements for financial institutions to calculate 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 in light of their risks. Risks not considered under Pillar 1 are considered under this Pillar;
- Pillar 3 intends 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 the data disclosed in this document are due to rounding.

Areas covered

In accordance with Pillar 3 requirements, the areas covered by the Group's Pillar 3 disclosures include the Group's CRD6 capital requirements and resources, credit risk, counterparty credit risk, market risk, operational risk, liquidity risk, encumbered and unencumbered assets, non-performing and forborne exposures, ESG risks, and the leverage ratio. The Bank will publish the Group's remuneration disclosures no later than two months after the date on which the Annual

Report is published (Article 434.3 of CRR). In accordance with Article 45i (3) a and c of BRRD, summary information about Bank's Minimum Requirement for own funds and Eligible Liabilities (MREL) are also disclosed.

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

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

Thus, the disclosures relating to other approaches, such as the IRB approach, securitisation, the advanced measurement approach for operational risk, and disclosures related to internal models for the calculation of market risk capital requirements not used by the NLB Group are not applicable. In addition, disclosures relating to transactions the Group is currently not involved in are not applicable and, therefore, not disclosed in this report.

Frequency of disclosures and media

CRD6 requires the Group to disclose information quarterly (CRR Article 433a). To ensure effective communication of the Group's business and risk profile, the Group also pays particular attention to the possibility of providing information more frequently than annually. A separate Pillar 3 document is also published quarterly on Bank's website [Financial Reports \(nlbgroup\)](#), following the Bank's Annual or Interim Reports for NLB Group disclosure.

Verifications and source of information

The Pillar 3 disclosures are subject to a robust internal control and governance process, as outlined in the Policy of Disclosures on risk and capital management for the NLB Group. The Policy was adopted by the Management Board of NLB d.d. (hereafter 'NLB' or 'the Bank') and acknowledged by the Risk Committee. The key elements of this policy are:

- identification of roles and responsibilities of the departments involved in the process of producing the disclosures,
- identification of the information to be published (in accordance with CRR Articles 432 and 433),
- instructions for departments' contributions and related controls,
- consolidation of the disclosure contributions and related controls,
- approval of disclosures by the Management Board.

Verification of information included in the disclosures is subject to strict internal control and management procedures. The persons in charge of individual contents are responsible for primary controls. Quantitative reports must be submitted in individual templates and precisely aligned with the information disclosed in the annual report or the reports prepared for the regulator (Corep and Finrep). Members of the Capital management group also review the unaudited Pillar 3 report.

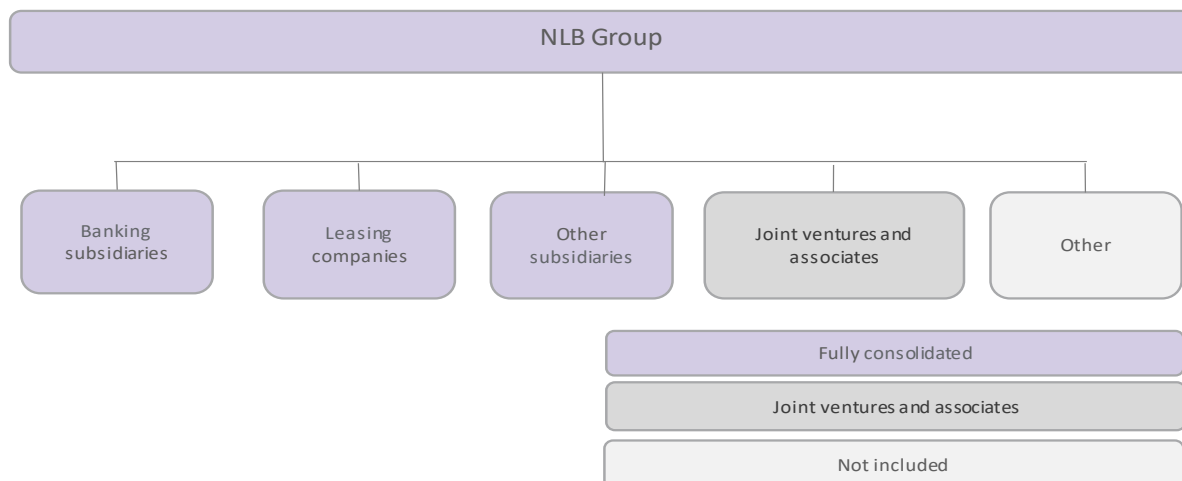
It should be noted that while some quantitative information in this document is based on financial data from the 2025 NLB Group Annual Report, other quantitative data is sourced from regulatory reporting (Finrep and Corep) and calculated in accordance with regulatory requirements. Pillar 3 quantitative data is thus not always directly comparable with the quantitative data contained in the 2025 NLB Group Annual 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) is an 'EU parent bank' and therefore 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



A significant subsidiary of the Group that exceeds 10% of the Group's RWA is NLB Komercijalna banka a.d. Beograd (hereafter: 'Komercijalna Banka, Beograd').

Table EU CC2 presents the main differences between the basis of consolidation and carrying values reported in the 2025 NLB Group Annual Report and under the scope of regulatory consolidation.

The differences between the scope of consolidation for regulatory and accounting purposes (pursuant to the IFRS) of the Group (entity by entity) as at 31 December 2025 are shown in Table EU LI3 (disclosed in Appendix 4). 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 31 December 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 regulatory consolidation (which would otherwise require the proportional consolidation method in accordance with CRD) due to their immateriality in accordance with CRR. In the accounting consolidation, the net assets of the Prvi Faktor Group using the equity method amount to zero.

More details are disclosed in the 2025 NLB Group Annual Report – note 5.12.d Analysis by type of investment in associates and joint ventures (page 475).

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

31.12.2025		Balance sheet as	Under regulatory	Reference
		in published financial statements	scope of consolidation	to rows in CC1
		a	b	c
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements				
1	Cash, cash balances at central banks and other demand deposits at banks	4,371,798	4,371,797	
2	Financial assets held for trading	4,552	4,552	
3	Non-trading financial assets mandatorily at fair value through profit or loss	21,706	21,706	
4	Financial assets measured at fair value through other comprehensive income	2,744,384	2,744,384	72
5	Financial assets measured at amortised cost			
6	- debt securities	4,317,154	4,317,154	72
7	- loans and advances to banks	404,532	404,532	
8	- loans and advances to customers	18,705,474	18,706,426	
9	- other financial assets	170,741	170,320	
10	Derivatives - hedge accounting	85,114	85,114	
11	Fair value changes of the hedged items in portfolio hedge of interest rate risk	(13,768)	(13,768)	
12	Investments in subsidiaries	-	3,463	
13	Investments in associates and joint ventures	14,137	14,137	73
14	Tangible assets			
15	Property and equipment	331,255	327,919	
16	Investment property	24,370	24,370	
17	Intangible assets	115,871	114,539	
18	Goodwill	8,069	8,069	8
19	Other intangible assets	107,802	106,470	8
20	Current income tax assets	27	24	
21	Deferred income tax assets	108,251	108,226	75
22	that rely on future profitability and do not arise from temporary differences	-	-	10
23	that rely on future profitability and arise from temporary differences	108,251	108,226	part of 75
24	Other assets	63,856	63,390	
25	Non-current assets held for sale	5,378	5,378	
26	Total assets	31,474,832	31,473,663	
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements				
27	Financial liabilities held for trading	4,555	4,555	
28	Financial liabilities measured at fair value through profit or loss	13,648	13,595	
29	Financial liabilities measured at amortised cost			
30	- deposits from banks and central banks	98,758	98,758	
31	- borrowings from banks and central banks	166,775	166,775	
32	- due to customers	24,509,880	24,512,850	
33	- borrowings from other customers	113,216	113,216	
34	- debt securities issued	2,099,220	2,099,220	46
35	- other financial liabilities	362,649	362,620	
36	Derivatives - hedge accounting	2,898	2,898	
37	Provisions	100,236	100,171	
38	Current income tax liabilities	20,969	20,939	
39	Deferred income tax liabilities	425	425	
40	Other liabilities	121,269	120,845	
41	Total liabilities	27,614,498	27,616,867	
Shareholders' Equity				
42	Share capital	200,000	200,000	1
43	Share premium	871,378	871,378	1
44	Other equity instruments	386,107	386,107	31
45	Accumulated other comprehensive income	(314)	148	3
46	Profit reserves	186,332	186,332	3
47	Retained earnings	2,138,073	2,134,073	2
		3,781,576	3,778,038	
48	Non-controlling interests	78,758	78,758	5; 34; 48
49	Total shareholders' equity	3,860,334	3,856,796	
50	Total liabilities and shareholders' equity	31,474,832	31,473,663	

Table 3 – EU L1 – Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories of NLB Group

31.12.2025		Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items			Not subject to capital requirements or subject to deduction from capital
				Subject to the credit risk framework	Subject to the CCR framework	Subject to the market risk framework	
				a	b	c	
1	Cash, cash balances at central banks, and other demand deposits at banks	4,371,798	4,371,797	4,371,797	-	-	-
2	Financial assets held for trading	4,552	4,552	-	4,552	4,552	-
3	Non-trading financial assets mandatorily at fair value through profit or loss	21,706	21,706	19,732	-	1,974	-
4	Financial assets measured at fair value through other comprehensive income	2,744,384	2,744,384	2,744,384	-	-	-
5	Financial assets measured at amortised cost						
6	- debt securities	4,317,154	4,317,154	4,320,553	-	-	(3,399)
7	- loans and advances to banks	404,532	404,532	404,532	-	-	-
8	- loans and advances to customers	18,705,474	18,706,426	18,706,426	-	-	-
9	- other financial assets	170,741	170,320	170,320	-	-	-
10	Derivatives - hedge accounting	85,114	85,114	-	85,114	-	-
11	Fair value changes of the hedged items in portfolio hedge of interest rate risk	(13,768)	(13,768)	-	-	-	-
12	Investments in subsidiaries	-	3,463	3,463	-	-	-
13	Investments in associates and joint ventures	14,137	14,137	14,137	-	-	-
14	Tangible assets						
15	Property and equipment	331,255	327,919	327,919	-	-	-
16	Investment property	24,370	24,370	24,370	-	-	-
17	Intangible assets	115,871	114,539	34,597	-	-	79,942
18	Current income tax assets	27	24	24	-	-	-
19	Deferred income tax assets	108,251	108,226	47,627	-	-	60,599
20	Other assets	63,856	63,390	63,390	-	-	-
21	Non-current assets held for sale	5,378	5,378	5,378	-	-	-
22	TOTAL ASSETS	31,474,832	31,473,663	31,258,649	89,666	6,526	137,142
23	Financial liabilities held for trading	4,555	4,555	-	4,555	4,555	-
24	Financial liabilities measured at fair value through profit or loss	13,648	13,595	-	-	-	-
25	Financial liabilities measured at amortised cost						
26	- deposits from banks and central banks	98,758	98,758	-	-	-	-
27	- borrowings from banks and central banks	166,775	166,775	-	-	-	-
28	- due to customers	24,509,880	24,512,850	-	-	-	-
29	- borrowings from other customers	113,216	113,216	-	-	-	-
30	- subordinated liabilities	2,099,220	2,099,220	-	-	-	-
31	- other financial liabilities	362,649	362,620	-	-	-	-
32	Derivatives - hedge accounting	2,898	2,898	-	2,898	-	-
33	Provisions	100,236	100,171	-	-	-	-
34	Current income tax liabilities	20,969	20,939	-	-	-	-
35	Deferred income tax liabilities	425	425	-	-	-	-
36	Other liabilities	121,269	120,845	-	-	-	-
37	TOTAL LIABILITIES	27,614,498	27,616,867	-	7,453	4,555	-
38	EQUITY AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT						
39	Share capital	200,000	200,000	-	-	-	-
40	Share premium	871,378	871,378	-	-	-	-
41	Other equity instruments	386,107	386,107	-	-	-	-
42	Accumulated other comprehensive income	(314)	148	-	-	-	-
43	Profit reserves	186,332	186,332	-	-	-	-
44	Retained earnings	2,138,073	2,134,073	-	-	-	-
		3,781,576	3,778,038	-	-	-	-
45	Non-controlling interests	78,758	78,758	-	-	-	-
46	TOTAL EQUITY	3,860,334	3,856,796	-	-	-	-
47	TOTAL LIABILITIES AND EQUITY	31,474,832	31,473,663	-	7,453	4,555	-

Table 3 (EU LI1) provides the reconciliation of the accounting consolidated financial statements as presented in the 2025 NLB Group Annual Report (Audited Financial Statements of the Group pursuant to the IFRS as adopted by the European Union) with the regulatory consolidated financial statements. Certain assets can be subject to multiple RWA frameworks. The details of items not subject to capital requirement, or subject to deduction from capital, or explanation of differences with the comparative period are explained below:

- None of the Group's investments in subsidiaries, associated companies, and jointly controlled companies represents a deduction from capital. The total amount of investments that could become deductions from capital is relatively low and remains below the statutory thresholds;
- In accordance with CRR article 36 (b), and Regulation (EU) 2020/2176, software assets are partially a deduction item from capital and partially included in RWA calculation;
- Valuations of hedged items in fair value hedge relationships are excluded from positions, subject to credit risk.

Any current or foreseen material, practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries is disclosed in Appendix 5.

Table 4 – EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements of NLB Group

31.12.2025	Total	Items subject to			
		Credit risk framework	Securitisation framework	CCR framework	Market risk framework
		a	b	c	d
1 Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)	31,354,841	31,258,649	-	89,666	6,526
2 Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)	(12,008)	-	-	(7,453)	(4,555)
3 Total net amount under the scope of prudential consolidation	31,342,833	31,258,649	-	82,213	1,971
4 Off-balance-sheet amounts	6,364,954	6,364,954	-	-	-
5 Differences in valuations	(43,327)	-	-	(43,327)	-
6 Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7 Differences due to consideration of provisions	-	-	-	-	-
8 Differences due to the use of credit risk mitigation techniques (CRMs)	-	-	-	-	-
9 Differences due to credit conversion factors	-	-	-	-	-
10 Differences due to Securitisation with risk transfer	-	-	-	-	-
11 Other differences	-	-	-	-	-
12 Exposure amounts considered for regulatory purposes	37,664,460	37,623,603	-	38,886	1,971

Table 4 (EU LI2) presents the carrying values of items, subject to credit risk, CRR and market risk framework (see Table 3 – EU LI1), other items (potential liabilities from financial and non-financial guarantees, commitments to extend credit, and credit replacement value for derivative financial instruments), and adjustment of the derivative valuation, together presenting the total exposure considered for regulatory purposes.

4. Capital and capital requirements

4.1. Capital Adequacy (Article 438 b of CRR)

The European banking capital legislation – CRD6, 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 added on top of TSCR – breaching the CBR does not constitute a breach of the capital requirement. Still, it triggers limitations on the payment of dividends and other distributions from capital. Some buffers are prescribed by law for all banks, and others 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 a capital restoration plan).

Table 5 – Capital requirements and buffers of NLB Group

		2025	2024
Pillar 1 (P1R)	CET1	4.5%	4.5%
	AT1	1.5%	1.5%
	T2	2.0%	2.0%
Pillar 2 (SREP req. - P2R)	CET1	1.19%	1.19%
	Tier 1	1.59%	1.59%
	Total Capital	2.12%	2.12%
Total SREP Capital requirement (TSCR)	CET1	5.69%	5.69%
	Tier 1	7.59%	7.59%
	Total Capital	10.12%	10.12%
Capital conservation buffer	CET1	2.50%	2.50%
O-SII buffer	CET1	1.25%	1.25%
Systemic risk buffer	CET1	0.08%	0.11%
Countercyclical buffer	CET1	0.80%	0.52%
Combined buffer requirement (CBR)		4.63%	4.38%
Overall capital requirement (OCR) = MDA threshold	CET1	10.32%	10.07%
	Tier 1	12.22%	11.97%
	Total Capital	14.75%	14.50%
Pillar 2 Guidance (P2G)	CET1	1.00%	1.00%
OCR + P2G	CET1	11.32%	11.07%
	Tier 1	13.22%	12.97%
	Total Capital	15.75%	15.50%

As at 31 December 2025, the Group's Overall Capital Requirement (OCR) on a consolidated basis was 14.75%, which is slightly higher (by 0.25%) than at the end of 2024, due to an increase in the Combined buffer requirement (higher Countercyclical Buffer and lower Systemic Risk Buffer).

The OCR comprises the following components:

- Total SREP Capital Requirement (TSCR): 10.12%, which includes 8.00% Pillar 1 requirements and 2.12% Pillar 2 requirements (P2R).
- Combined Buffer Requirement (CBR): 4.63%, consisting of 2.50% Capital Conservation Buffer, 1.25% O-SII Buffer, 0.80% Countercyclical Buffer (CCyB)¹ and 0.08% Systemic Risk Buffer.²

In addition to the mandatory capital requirements, the regulator has recommended a Pillar 2 Guidance (P2G) at 1.0% of Common Equity Tier 1 (CET1), which the Group maintains as a safeguard against severe economic stress scenarios.

Key developments during the year

In 2025, capital rates across the Group region changed as follows:

- The countercyclical capital buffer rate increased in Slovenia from 0.5% to 1.0%, and in North Macedonia from 1.25% to 1.75%. Montenegro introduced a 0.5% countercyclical buffer in April 2025, and a 2% buffer in Kosovo, in July of 2025. As of December 2025, the Group CCyB buffer was 0.80%, reflecting all CCyB rates of countries to which the Group is exposed.
- In January 2025, the sectoral systemic risk buffer for retail exposures, secured by residential real estate, decreased from 1.0% to 0.5%. Consequently, the Systemic Risk Buffer was 0.08% in December 2025, with no changes in the third or fourth quarters.

Future changes in capital requirements

- Effective 1 January 2026, Bank received a new SREP decision on a consolidated basis for 2025. The Pillar 2 Requirement was reduced by 0.02 pp to 2.10%, reflecting an improved SREP assessment. The Pillar 2 Guidance (P2G) was also lowered from 1.0% to 0.75%.
- The Group CCyB is expected to increase due to new CCyB requirements in North Macedonia, Montenegro, Serbia, and Croatia.

The Group has continued to strengthen and optimise its capital position, maintaining capital ratios well above regulatory and strategic requirements. In line with the Group Strategy 2030 Impact Ambition, the Group remains comfortably above its strategic capital targets, with CET1 and TCR thresholds of 13% and 15%, respectively, and maintains a substantial buffer above the MDA trigger level.

Table 6: Buffers to maximum distributable amount (MDA)

31.12.2025		
CET1	Actual	15.44%
	Requirement	10.32%
	Buffer	5.12%
AT1	Actual	1.97%
	Requirement	1.90%
	Shortfall	0.00%
T2	Actual	2.71%
	Requirement	2.53%
	Shortfall	0.00%
MDA Buffer		5.12%

¹ The Bank of Slovenia has increased the countercyclical capital buffer for exposures in Slovenia from 0.5% to 1.0%. The level of the countercyclical capital buffer for the Group is also affected by all other CCyBs where the Group is exposed.

² The Bank of Slovenia has made it mandatory for banks to maintain a systemic risk buffer for sectoral exposures. The required rate is 0.5% for all retail exposures to natural persons.

Table 7 – Capital adequacy of NLB Group

	31.12.2025	31.12.2024
Paid up capital instruments	200,000	200,000
Share premium	871,378	871,378
Retained earnings	1,630,578	1,385,040
Current result	226,573	256,973
Accumulated other comprehensive income	148	(19,197)
Other reserves	186,332	186,332
Minority interest	43,668	38,480
Prudential filters: Additional Valuation Adjustments (AVA)	(2,965)	(2,606)
(-) Goodwill	(8,069)	(8,069)
(-) Other intangible assets	(71,873)	(65,420)
(-) Deferred tax assets	(60,599)	(51,667)
(-) Insufficient coverage for non-performing exposures	(3,575)	(5,426)
COMMON EQUITY TIER 1 CAPITAL (CET1)	3,011,596	2,785,818
Capital instruments eligible as AT1 Capital	382,000	82,000
Minority interest	3,107	4,534
Additional Tier 1 capital	385,107	86,534
TIER 1 CAPITAL	3,396,703	2,872,352
Capital instruments and subordinated loans eligible as T2 capital	522,921	533,421
Minority interest	5,961	5,485
Tier 2 capital	528,882	538,906
TOTAL CAPITAL	3,925,585	3,411,258
Risk exposure amount for credit risk	16,161,846	14,508,398
Risk exposure amount for market risks	1,564,295	1,505,108
Risk exposure amount for CVA	16,754	16,613
Risk exposure amount for operational risk	1,766,916	2,185,986
TOTAL RISK EXPOSURE AMOUNT (RWA)	19,509,811	18,216,105
Common Equity Tier 1 Ratio	15.44%	15.29%
Tier 1 Ratio	17.41%	15.77%
Total Capital Ratio	20.12%	18.73%

As at 31 December 2025, the Group's TCR stood at 20.1% (1.4 pp increase YoY), while the CET1 ratio stood at 15.4% (0.1 pp increase YoY). The higher total capital adequacy primarily derives from a capital increase (EUR 514.3 million YoY), which counterbalanced the RWA increase of EUR 1,293.7 million YoY. The Group's capital was strengthened mainly through the inclusion of part of the 2025 profit (EUR 226.6 million) and the issuance of an AT1 instrument (EUR 300.0 million).

The drivers behind the differences between the RWAs in 2025 are explained in Chapter 4.3. Risk-weighted exposure in Table 9 – EU OV1 – An Overview of Risk-weighted exposure amounts of NLB Group.

Dividend distribution

The total cumulative payout for the year amounted to EUR 257.2 million. The dividend payout was structured into two tranches. The first instalment of EUR 128.6 million was paid in June 2025, followed by a second instalment of the same amount, EUR 128.6 million, in December 2025.

4.2. Detailed presentation of capital elements

(Article 437 a, d, e, and f of CRR)

Table 8 provides a detailed breakdown of the calculation of the Group's capital at the end of 2025. 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 8 – EU CC1 – Composition of regulatory own funds of NLB Group

31.12.2025		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	1,857,151	part of 47
3	Accumulated other comprehensive income (and other reserves)	186,480	part of 45 + 46
5	Minority interest (amount allowed in consolidated CET1)	43,668	part of 48
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	3,158,677	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(2,965)	
8	Intangible assets (net of related tax liability) (negative amount)	(79,942)	18 + part of 19
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(60,599)	22
27a	Other regulatory adjustments	(3,575)	
27a1	Deduction item related to insufficient coverage for non-performing exposures	(3,575)	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(147,081)	
29	Common Equity Tier 1 (CET1) capital	3,011,596	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	382,000	part of 44
31	of which: classified as equity under applicable accounting standards	382,000	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	3,107	part of 48
36	Additional Tier 1 (AT1) capital before regulatory adjustments	385,107	
44	Additional Tier 1 (AT1) capital	385,107	
45	Tier 1 capital (T1= CET1 + AT1)	3,396,703	
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	5,961	part of 48
51	Tier 2 (T2) capital before regulatory adjustments	528,882	
58	Tier 2 (T2) capital	528,882	
59	Total capital (TC = T1 + T2)	3,925,585	
60	Total risk exposure amount	19,509,811	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital ratio	15.44%	
62	Tier 1 capital ratio	17.41%	
63	Total capital ratio	20.12%	

31.12.2025		Source based on	
		Amounts	reference numbers (CC2 column b)
		a	b
64	Institution CET1 overall capital requirements	10.32%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.80%	
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	9.44%	
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)	98,237	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)	14,137	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)	47,627	21

4.3. Risk-weighted exposure

(Article 438 d and 445 of 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 is 8% of the individual risk's total exposure.

In 2025, the Group's RWA for credit risk (lines 2 and 7 in Table 9) increased by EUR 1,653.4 million YoY, driven by changes to EU regulatory rules that came into force on 1 January 2025 (approximately EUR 311.7 million) and portfolio development (approximately EUR 1,341.6 million).

Portfolio growth in 2025 contributed to an RWA increase, primarily within corporates and retail, where a large part of the loans is at least partially secured by real estate. RWA was also affected by higher placements with central banks not included on the EBA third-party equivalence list, as well as by increased EUR-denominated assets held with central banks outside the EU. Part of the liquidity surplus was reallocated to commercial bank deposits and to newly purchased bank-issued bonds, resulting in a slight increase in RWA.

The increase in RWAs for market risks and Credit Value Adjustments (CVA) by EUR 59.3 million YoY (lines 10 and 20 in Table 9) was primarily driven by higher RWAs for FX risk of EUR 58.9 million. This increase mainly reflects more open positions in the domestic currencies of non-euro subsidiary banks.

The Group's operational risk exposure decreased by EUR 419.1 million YoY (line EU 24 in Table 9) due to a new standardised methodology under CRR 3 and a consequently lower Business Indicator and Marginal Coefficient (from 15% to 12% up to EUR 1 billion). The calculation was predominantly influenced by the Asset and Financial Components.

Table 9 shows the detailed composition of the Group's risk-weighted exposure amounts at the end of 2025, September 2025, and 2024, as well as its own fund (capital) requirements at the end of 2025.

Table 9 – EU OV1 – An Overview of Risk-weighted exposure amounts of NLB Group

		Total risk exposure amounts (TREA)			Total own funds requirement
		31.12.2025	30.09.2025	31.12.2024	31.12.2025
		a	b	b-3	c
1	Credit risk (excluding CCR)	16,137,646	15,811,615	14,472,920	1,291,012
2	Of which the standardised approach	16,137,646	15,811,615	14,472,920	1,291,012
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	24,200	25,229	35,478	1,936
7	Of which the standardised approach	24,200	25,229	35,478	1,936
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	16,754	18,172	16,613	1,340
10a	Of which the standardised approach (SA)	-	-	16,613	-
10b	Of which the basic approach (F-BA and R-BA)	16,754	18,172	-	1,340
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 1,250% / deduction	-	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	1,564,295	1,631,058	1,505,108	125,144
21	Of which the Alternative standardised approach (A-SA)	-	-	-	-
21a	Of which the Simplified standardised approach (S-SA)	1,564,295	1,631,058	1,505,108	125,144
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	1,766,916	1,630,496	2,185,986	141,353
24a	Exposures to crypto-assets	-	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	160,713	160,713	171,060	12,857
26	Output floor applied (%)	-	-	-	
27	Floor adjustment (before application of transitional cap)	-	-	-	
28	Floor adjustment (after application of transitional cap)	-	-	-	
29	Total	19,509,811	19,116,570	18,216,105	1,560,785

4.4. MREL requirement – Key metrics of own funds and eligible liabilities

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

This template summarises 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 at the resolution group level (i.e., NLB Resolution Group, consisting of the Bank and other members of the Group, excluding banks).

As at 1 January 2025, the Bank had to comply with the MREL requirement on a consolidated basis at the resolution group level, with a 30.66% of Total Risk Exposure Amount (TREA) increased by the applicable Combined Buffer Requirement (CBR), and a 10.69% of the Total Exposure Measure (TEM). As at 20 March 2025, the Bank must comply with new MREL requirements:

- 29.93% of TREA, increased for applicable CBR (4.78% on 31 December 2025),
- 11.24% of TEM.

As at 31 December 2025, the MREL ratio was 43.83% of TREA, compared with the requirement of 34.71% of TREA (with CBR). Thus the Bank had a MREL surplus of EUR 991 million above its MREL requirement. Expressed as a percentage of the TEM, the Bank ratio was 23.34%, while the requirement was 11.24%.

Table 10 – EU KM2: Key metrics – MREL and, where applicable, the G-SII requirement for own funds and eligible liabilities for NLB Group

31.12.2025		Minimum requirement for own funds and eligible liabilities (MREL)
		a
Own funds and eligible liabilities, ratios, and components		
1	Own funds and eligible liabilities	4,692,160
EU-1a	Of which own funds and subordinated liabilities	3,187,160
2	Total risk exposure amount of the resolution group (TREA)	10,705,729
3	Own funds and eligible liabilities as a percentage of TREA (row1/row2)	43.83%
EU-3a	Of which own funds and subordinated liabilities	29.77%
4	Total exposure measure of the resolution group	20,107,230
5	Own funds and eligible liabilities as percentage of the total exposure measure	23.34%
EU-5a	Of which own funds or subordinated liabilities	15.85%
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%

Disclosure of own funds and eligible liabilities (Article 437a CRR and Article 45i(3)(b) BRRD)

This section provides detailed information on the composition of the Bank's own funds and eligible liabilities, their main features, their ranking in the creditor hierarchy and their maturities. It covers the disclosures required by Article 437a CRR and point (b) of Article 45i (3) BRRD.

Composition of own funds and eligible liabilities

As at 31 December 2025, the Bank's available own funds and eligible liabilities amounted to EUR 4,692.2 million, consisting of EUR 3,187.2 million of own funds (CET1, AT1 and Tier 2 bonds), and EUR 1,505.0 million of eligible deposits and liabilities. The Bank predominantly fulfils the MREL requirement with capital, 32.1% of the MREL capacity is fulfilled with eligible liabilities (MREL eligible liabilities (bonds) and MREL deposits).

Table 11 – EU TLAC1 – Composition of MREL requirement for own funds and eligible liabilities

31.12.2025		Minimum requirement for own funds and eligible liabilities (MREL)	Memo item: Amounts eligible for the purposes of MREL, but not TLAC
		a	c
Own funds, eligible liabilities and adjustments			
1	Common Equity Tier 1 capital (CET1)	2,282,239	-
2	Additional Tier 1 capital (AT1)	382,000	-
6	Tier 2 capital (T2)	522,921	-
11	Own funds for the purpose of Articles 92a CRR and 45 BRRD	3,187,160	-
Own funds and eligible liabilities: Non-regulatory capital elements			
13	Eligible liabilities that are not subordinated to excluded liabilities (not grandfathered pre cap)	1,505,000	-
17	Eligible liabilities items before adjustments	1,505,000	1,505,000
Own funds and eligible liabilities: Adjustments to non-regulatory capital elements			
18	Own funds and eligible liabilities items before adjustments	4,692,160	4,692,160
22	Own funds and eligible liabilities after adjustments	4,692,160	-
EU-22a	Of which own funds and subordinated	3,187,160	-
Risk-weighted exposure amount and leverage exposure measure of the resolution group			
23	Total risk exposure amount	10,705,729	-
24	Total exposure measure	20,107,230	-
Ratio of own funds and eligible liabilities			
25	Own funds and eligible liabilities (as a percentage of total risk exposure amount)	43.83%	-
EU-25a	Of which own funds and subordinated	29.77%	-
26	Own funds and eligible liabilities (as a percentage of total exposure measure)	23.34%	-
EU-26a	Of which own funds and subordinated	15.85%	-
27	CET1 (as a percentage of TREA) available after meeting the resolution group's requirements	21.32%	-

Main features of eligible liabilities instruments

Share capital amounts to EUR 200 million. The Bank's share capital comprises 20,000,000 no-par-value ordinary registered shares, each with a value of EUR 10. All issued shares are fully paid, and there are no unissued authorised shares. Components of Own Funds are disclosed in Chapter 4.2. 'Detailed Presentation of Capital Elements.'

As at 31 December 2025, 8.1% of the volume of own funds and eligible liabilities represented by instruments of additional capital (AT1 notes) were issued in the amount of EUR 382 million. AT1 notes of EUR 82 million has no scheduled maturity date but has the option for early redemption of the notes in a period between 5 and 5.5 years from its issuance date. AT1 notes of EUR 300 million has no scheduled maturity date but has the option for early redemption of the notes 5 years from its issuance date. The currency of the issued notes is the Euro.

As at 31 December 2025, 11.1% of the volume of own funds and eligible liabilities consisted of subordinated Tier 2 bonds, totalling EUR 522.9 million, which are classified as instruments of additional capital, with an original maturity of 10 years and the possibility of early redemption of the notes after five years. Their currency is the Euro.

As at 31 December 2025, the Bank had a total of EUR 1,500.0 million of senior unsecured bonds with maturities of one to five years, and a total of EUR 5 million of MREL-eligible deposits with maturities above one year.

A description of the main features of all Bank's issued bonds being eligible for MREL purposes is published on the Bank's website ([Fixed Income](#)) and in Appendix 3.

Ranking in the creditor hierarchy and maturity

(Article 230 of the Resolution and Compulsory Winding-Up of Banks Act (ZRPPB-1))

The following table provides a simplified overview of the reverse ranking of liabilities in an insolvency proceeding under Slovenian law for MREL reporting purposes.

Table 12 – A simplified overview of the reverse ranking of liabilities in an insolvency proceeding under Slovenian law for the MREL reporting purposes

Rank	Label of the claims
1	Claims from items of Common Equity Tier 1 instruments
2	Subordinated claims that under a contractual arrangement between the parties are repaid after the repayment of the claims referred to in points 10 to 3 in the event of compulsory winding-up proceedings against the bank
3	Unsecured claims for debt securities that fulfil all the following conditions: <ul style="list-style-type: none"> - their original contractual maturity is at least one year - they do not have embedded derivatives, and are themselves not derivatives - the relevant contractual documentation or prospectus explicitly states in connection with their issuance that, in the event of compulsory winding-up proceedings against the bank, claims from these instruments are repaid after claims referred to in points 10 to 4, and before subordinated claims referred to in point 2
4	Unsecured claims other than debt instruments from point 3
5	Bank deposits which are not deemed to be eligible or claims referred to in point 8, including: <ul style="list-style-type: none"> - deposits by banks and investment firms and other financial institutions made on their behalf and for their account, - deposits by insurance undertakings, reinsurance undertakings and insurance holding companies, - deposits by undertakings for collective investment in transferable securities, including investment undertakings of the closed-ended type, - deposits by pension funds and pension companies, - deposits by governments and central banks, and deposits by entities that are direct or indirect users of the state budget, - deposits by local communities and deposits by direct and indirect users of the budgets of local communities
6	Other eligible deposits not covered by points 9 or 7
7	Eligible deposits by depositors who are natural persons or legal persons that meet the criteria for micro, small and medium-sized enterprises as defined by the law governing companies, in amounts exceeding guaranteed deposits, including deposits that could be deemed eligible had they not been paid into a subsidiary of a third-country bank
8	Claims with original maturity of less than seven days, held by: <ul style="list-style-type: none"> - an institution other than those belonging to the same group, or - payment or settlement systems or operators of or participants in these systems if the claims arise from the resolution entity's participation in a payment or settlement system and the settlement in such system is subject to the final settlement of orders in the event of insolvency or other membership termination procedure, as defined by the law governing payment services and systems or the law governing the financial instruments market
9	Guaranteed deposits
10	Preferred claims Payments from the bankruptcy estate to settle the outstanding costs of compulsory liquidation proceedings and costs of bankruptcy proceedings

As at 31 December 2025, the Bank had the following composition of capital items and qualifying liabilities, as shown in following table, with which it meets the MREL requirement.

Table 13 – The composition of capital items and qualifying liabilities with which it meets the MREL requirement

Type of instrument	Classification of repayment in ordinary insolvency proceedings
Common Equity Tier 1 instruments: Ordinary shares (ISIN SI0021117344)	Junior to all other liabilities.
Additional Tier 1 instruments: Additional Tier 1 notes (ISIN SI0022104275) Additional Tier 1 notes (ISIN XS3227899989)	Senior to the Common Equity Tier 1 Instruments and junior to all other liabilities.
Tier 2 instruments: Subordinated Tier 2 notes (ISIN XS2413677464) Subordinated Tier 2 notes (ISIN XS2750306511)	Senior to the Common Equity Tier 1 instruments, Additional Tier 1 instruments, and junior to all other liabilities.
Unsecured and unsubordinated claims arising from debt instruments: Senior preferred bond (ISIN XS2641055012) Senior preferred bond (ISIN XS2825558328) Senior preferred bond (ISIN XS2972971399)	Senior to the Tier 2 Instruments and junior to all liabilities referred to in second paragraph of Article 230 of ZRPPB-1, points 1 to 7.
Other unsecured and unsubordinated claims: MREL eligible deposits (referred to in second paragraph, point 6, article 230):	Senior to the Other unsecured and unsubordinated claims and junior to all liabilities referred to in second paragraph of Article 230 of ZRPPB-1, points 1 to 5.

Table 14 – TLAC 3b – Creditor ranking of NLB Group

31.12.2025		Insolvency ranking				
		1 (most junior)	2	4	5	Sum 1 to 10
1	Description of insolvency rank	Claims from items of Common Equity Tier 1 instruments	Subordinated claims that under a contractual arrangement between the parties are repaid after the repayment of the claims referred to in points 10 to 3 in the event of compulsory winding-up proceedings against the bank	Unsecured claims other than debt instruments from point 3	Bank deposits that are not deemed to be eligible, or claims referred to in point 8, including: – deposits by banks and investment firms and other financial institutions made on their behalf and for their account, – deposits by insurance undertakings, reinsurance undertakings and insurance holding companies, – deposits by undertakings for collective investment in transferable securities, including investment undertakings of the closed-ended type, – deposits by pension funds and pension companies, – deposits by governments and central banks, and deposits by entities that are direct or indirect users of the state budget, – deposits by local communities and deposits by direct and indirect users of the budgets of local communities	
5	Own funds and liabilities potentially eligible for meeting MREL	2,282,239	904,921	1,500,000	5,000	4,692,160
6	of which residual maturity ≥ 1 year < 2 years	-	-	500,000	5,000	505,000
7	of which residual maturity ≥ 2 year < 5 years	-	-	1,000,000	-	1,000,000
8	of which residual maturity ≥ 5 years < 10 years	-	522,921	-	-	522,921
9	of which residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-	-	-
10	of which perpetual instruments	2,282,239	382,000	-	-	2,664,239

4.5. Summary of the approach for assessing the internal capital needed for current and planned activities

(Article 438 a of CRR)

The Group's Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) meet the CRR requirements, the guidelines of the ECB and EBA, and good banking practices. Additionally, banking members operating in other SEE countries follow their own local regulation requirements. Moreover, the ICAAP process is comprehensively integrated into the Group's overall risk management system to ensure proactive support for informed decision-making.

The most important goal of the ICAAP is to ensure adequate capital and sustainability at all times. The purpose of the implementation of the ICAAP process is to have in place sound, effective, and comprehensive strategies and processes to assess and maintain on an ongoing basis the amount, types, and distribution of internal capital that is considered adequate to cover the nature and level of the risks to which the Group is or might be exposed. The ICAAP plays a key role in maintaining the Group's adequate capitalisation. Prudent and conservative assumptions are built into two complementary internal perspectives to ensure the continuity of this contribution.

From an economic perspective, the Group manages its capital adequacy by ensuring that all its risks are adequately covered by internal capital. In this perspective, the Group covers a full universe of risks that may have a material impact on its risk profile. It is based on risk identification and materiality, providing a comprehensive view of risks. Moreover, economic risks and losses affect internal capital immediately and to their full extent under a point-in-time view. Some of those risks, or related risks, may also partially or fully materialise later under the normative perspective through accounting losses, reductions in own funds, or prudential provisions.

A normative perspective is a multi-year forward-looking assessment of the Group that demonstrates its ability to meet all its capital-related requirements, as defined by the regulator and the Group's risk appetite. Within these capital constraints, the Group defines its management buffer above regulatory and supervisory requirements, including internal capital requirements, to allow it to sustainably follow its business strategy. A normative perspective includes several stress scenarios and a reverse stress test. From a baseline perspective, the Group's goal is to maintain its overall capital requirement (OCR), including the management buffer, at all times. From a stress perspective, the Group's goal is to maintain its total SREP requirement (TSCR), which is always increased by the management buffer and also fulfilled during prolonged downturns that may imply serious capital depletion.

Both perspectives mutually inform each other. The economic perspective shows how risks are covered with internal capital. In contrast, the normative perspective represents a potential reduction in internal capital in a forward-looking context, which also influences the economic perspective. Outcomes from the normative perspective inform economic risk quantification and, if they do not adequately capture the risks arising from the considered adverse scenarios, adjust or complement them.

Moreover, the ICAAP process is an integral input to business strategy, defining growth options, considering the risks involved, and directing the sustainable allocation of disposable capital under normal and stressed conditions. The ICAAP is incorporated into capital planning, the risk assessment of new products, and other relevant changes to support proactive strategic decision-making in the Group.

The ICAAP process, as such, provides a robust risk management framework (from the organisational and methodological points of view) on an ongoing, forward-looking basis. Risk identification is embedded at a very early stage, focusing on efficient risk management and mitigation to ensure the prudent and economic use of its capital. The ICAAP outcomes support the Group's proactive risk management through limits in monitoring and reporting, adequate risk assessment, and measurement.

4.6. Capital instruments included in the capital

(Articles 437 b and c of CRR)

In 2025, the Group's capital consisted of all three elements of capital (i.e., Common Equity Tier 1 capital, Tier 1 capital, and Tier 2 capital). The shares of the parent entity, NLB, are included in Common Equity Tier 1 capital; the AT1 notes issued in 2022 and 2025 are included in Tier 1 capital; and the subordinated Tier 2 notes issued in 2022 and 2024 by the Bank are included in Tier 2 capital. All three elements of capital also include Minority Capital (Non-controlling interest).

AT1 notes are disclosed in the 2025 NLB Group Annual Report in note 5.21, Other equity instruments issued (page 501), and subordinated liabilities are disclosed in note 5.15.c) Debt securities issued (page 495). Details on the main characteristics of the capital instruments are disclosed in Appendix 3.

4.7. 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,
- a worsened interest rate outlook/persistence of high inflation,
- energy and commodity price volatility,
- increasing unemployment,
- geopolitical uncertainties,
- potential cyber-attacks,
- litigation risks,
- regulatory, other legislative, and tax measures impacting the banks.

In 2025, economic growth in the euro area economy remained modest, while the economies of other countries in the Group's region demonstrated a steady recovery. Household consumption, supported by targeted investments, was the main driver of growth, benefiting from easing inflationary pressures. Governments continued to play a stabilising role through consistent public spending, while private investments gained momentum in certain sectors. Lending growth, which peaked in 2024, remained strong. Nevertheless, persistent inflationary pressures, rising unemployment, lower-than-expected GDP growth, and geopolitical and other uncertainties could lead to a slowdown in private consumption and investment growth.

Credit risk typically increases during periods of economic slowdown. Throughout 2025, the Group's credit portfolio remained high-quality and well-diversified despite ongoing geopolitical tensions and more challenging macroeconomic conditions. The resilience of the Group's region helped maintain non-performing ratios at a sustainable level, with the coverage ratio above the EU average. However, a slight increase in NPLs was identified. In 2025, the Bank observed a deterioration in the creditworthiness of a few larger companies operating in the steel and automotive industries. Weakening financial indicators and intensified sector-specific headwinds contributed to the recognition of an "unlikely-to-pay" risk. As a result, several exposures migrated to Stage 3 in accordance with IFRS 9 impairment requirements. The Group continues to closely monitor macroeconomic and geopolitical developments, applying a prudent approach to identifying increased credit risk at an early stage in accordance with the Early Warning System, and maintaining a proactive stance in NPL management.

The Group remained well capitalised throughout the year and well above the risk appetite at both the Group and banking member levels. Its liquidity position also remained solid, with liquidity indicators well above the regulatory requirements, indicating the Group's low tolerance for this risk. The Group's investment strategy for its bond portfolio held for liquidity purposes adapts to expected market trends in line with the set risk appetite. Investment activity continued with a balanced approach to identifying attractive market opportunities while managing credit spreads, interest rate risk, and capital consumption. Geopolitical uncertainties contributed to heightened volatility in financial markets, particularly through shifts in credit spreads, interest rates, and foreign exchange rates. The Group closely monitors its prominent bond portfolio, mostly sovereigns, and carefully manages it by incorporating adequate early warning systems to limit potential regulatory capital sensitivity.

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 market 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 position, and financial condition.

Special attention is paid to the continuous provision of services to clients, their monitoring, simplification, and digitalisation, while maintaining prudent risk practices and corresponding prevention of cyber-attacks, other ICT risks, and potential fraud events. The Group has established internal controls and additional measures to facilitate adequate risk management. However, these measures may not always entirely prevent possible adverse effects.

Cyber risk represents an increasingly important operational risk for the Group, particularly in light of the continued digitalisation of banking services, the growing reliance on complex IT environments, and the use of external technology and service providers. Cyber threats may originate from both external actors and internal sources. They may include ransomware attacks, distributed denial-of-service (DDoS) attacks targeting digital banking services, business email compromises, data breaches involving customer information, payment fraud attempts, and potential vulnerabilities associated with legacy systems or digital channels. Such events could lead to disruptions in business operations, temporary unavailability of services to clients, loss or compromise of sensitive data, financial losses, legal claims, regulatory consequences, and reputational damage. The Group therefore continuously strengthens its cyber risk management framework and implements a range of preventive, detective, and response measures, including enhanced monitoring of IT systems and networks, regular vulnerability assessments and testing, effective incident response and recovery procedures, and employee awareness activities. These measures aim to ensure the protection of critical systems and data, maintain the continuity of banking services, and support compliance with applicable regulatory and supervisory requirements.

With regard to litigation risk, the Bank has observed a shift in case law in recent years, particularly in the more recent period, where outcomes are generally more favourable to consumers. This trend is evident in litigation concerning loan processing fees and loan insurance premiums in Serbia, as well as CHF litigation-related cases in Slovenia. In the latter, the number of proceedings initiated against the Bank has risen, as anticipated. Although the current CHF-related litigation is not considered material, the Bank continues to closely monitor all developments.

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

The SEE region represents the Group's most significant geographic area of operations outside Slovenia, and its economic conditions are therefore crucial to the Group's operational performance and financial results. Any regional instability or economic deterioration could adversely affect the Group's financial condition.

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 IFRS 9 provisioning by testing relevant macroeconomic scenarios to reflect current circumstances and their future impacts. The Group established multiple scenarios (i.e., baseline, optimistic, and

severe) for the Expected Credit Losses (ECL) calculation, aiming to create a unified projection of macroeconomic and financial variables aligned with the Bank's consolidated outlook for economic development in the SEE region. The Group identified three possible scenarios, each with an associated probability of occurrence, for forward-looking risk provisioning under IFRS 9. These IFRS 9 macroeconomic scenarios incorporate the forward-looking and probability-weighted aspects of the ECL impairment calculation. Both features are subject to change whenever material changes in the expected future economic environment are identified and were not embedded in previous forecasts.

The baseline macroeconomic scenario predicts subtrend growth for major economies, including the U.S., China, India, and the euro area, without a significant recession in the mid-term. In the euro area, consumer confidence and private consumption are expected to support growth, while government spending remains focused on recovery efforts and addressing structural challenges. The ECB is expected to maintain a gradual approach to interest rate cuts. Although trade tensions and U.S. tariffs continue to pose risks, a recovery in risk sentiment is expected, and global trade developments are likely to benefit the euro area overall.

The alternative macroeconomic scenarios are based on plausible mid-term drivers of economic development. The optimistic alternative scenario reflects supply-driven positive developments: alleviated geopolitical tensions, technological advancements, and stable energy prices, all of which strengthen supply conditions and support robust economic growth. The global economy benefits from the Ukraine-Russia ceasefire, while the euro area is supported by a well-functioning labour market, favourable global trade conditions, and coordinated monetary policies among major central banks, with only mild adverse effects from U.S. tariffs. The ECB's expected easing cycle stabilises rates and lending conditions. Politics in Europe has reached a consensus, supported by a coordinated but gradual green transition, further boosting production potential.

The severe alternative scenario demonstrates supply-driven bleak developments. It is characterised by the U.S. pressure campaign against Iran, further complicating relations with China over the Taiwan question, posing a threat to the global economy and financial system, and leading to a breakdown in confidence. The war in Ukraine shows no signs of meaningful resolution. Persistent supply chain problems and rising energy prices pose challenges for the euro area, further hindering economic growth amid supply shortages. Labour shortages, trade barriers, and price competition induced by U.S. tariff measures add to the pressure, prolonging economic insecurity. In this environment, the ECB faces difficulties managing high and persistent inflation and weak supply-demand dynamics, exacerbated by the U.S. monetary policy's loss of credibility, increased financial market uncertainty, and a slowdown in trade channels due to heightened FX volatility.

The NLB Group formed three probable scenarios with an associated probability of occurrence for forward-looking assessment of risk provisioning under IFRS 9. The 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.

On this basis, for the year 2025, the NLB Group assigned weights of 20%-60%-20% (with alternative scenarios receiving 20% each and the baseline scenario receiving 60%) as a starting point. Based on the economic situation, the Bank and NLB Banka, Banja Luka adjusted the weight for the severe scenario at 30% and reduced the optimistic scenario weight to 10%, while the baseline remained at the starting point. NLB Komercijalna Banka, Beograd adjusted the weight for the severe scenario at 40% and reduced the optimistic scenario weight to 0%. All other members have maintained assigned weights of 20%-60%-20%.

The Group has established a comprehensive internal stress-testing framework and early warning systems across various risk areas with built-in risk factors relevant to the Group's business model. The stress-testing framework is fully integrated into key internal processes, including 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. Together with recovery plan indicators, the stress-testing framework supports 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 available to the Group are determined by various internal policies and applied as needed. The selection and application of mitigation measures follow a structured three-layer approach, considering the

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

4.8. Capital buffers – Countercyclical buffer

(Article 440 of CRR)

On 1 January 2016, the Bank of Slovenia introduced a macroprudential measure: a countercyclical capital buffer intended to protect the banking sector from losses potentially caused by cyclical economic risks. 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 lending conditions 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 total risk exposure (in exceptional cases, also more) and depends on the amount of risk in the system.

Table 15 – EU CCyB2 – Amount of bank-specific countercyclical capital buffer for NLB Group

31.12.2025	
Total risk exposure amount	19,509,811
Institution specific countercyclical buffer rate	0.80%
Institution specific countercyclical buffer requirement	156,502

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 and declared a new increase to 1.0% of the total risk exposure, where the requirement must be fulfilled from 1 January 2025 onwards. The required buffer for exposures in Slovenia as at 31 December 2025 was 1.0%. To define the buffer rate, the Bank of Slovenia followed the methodologies of the BCBS and the ESRB, as well as 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 and BIS websites, refreshed quarterly. In contrast, the buffer rate for credit exposures to countries not listed on that page or prescribed by the Bank of Slovenia or a competent authority of that country is 0%. Counter-cyclical capital rates have generally been set at 0%, except for Denmark, Iceland, and Norway which, as at 31 December 2025, had a countercyclical capital rate of 2.5%; Bulgaria, Kosovo, the Netherlands, Sweden, and the United Kingdom had 2.0%; Armenia and North Macedonia had 1.75%, Estonia, Croatia, Ireland, and Slovakia had 1.5%; the Czech Republic had 1.25%; Australia, Belgium, Cyprus, France, Korea, Romania, Lithuania, Latvia, Poland, Hungary, and Georgia had 1.0%; Germany had 0.75%; and Hong Kong, Luxembourg, Chile, Spain, Montenegro, Azerbaijan, Russia, and Albania had 0.5%, and Greece had 0.25%.

A calculation of the bank-specific countercyclical capital buffer is made at both the individual and consolidated levels. The Bank defines the geographic distribution of exposures, which are subject to the calculation of the capital requirement for credit risk using the standardised approach and the special risk or risk of non-payment, and to migrations of exposures from the trading book. If the Bank's exposures represent less than 2% of its total risk-weighted exposures, those 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 16 – EU CCyB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer of NLB Group

31.12.2025	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	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
Country	a	g	h	i	j	k	l	m
Slovenia	9,157,965	498,326	-	-	498,326	6,229,075	44.42%	1.00%
Serbia	4,022,998	246,267	-	-	246,267	3,078,338	21.95%	-
Rep. of North Macedonia	1,747,013	96,988	-	-	96,988	1,212,350	8.64%	1.75%
Bosnia and Herzegovina	1,516,720	93,615	-	-	93,615	1,170,188	8.34%	-
Kosovo	1,214,535	78,497	-	-	78,497	981,213	7.00%	2.00%
Montenegro	853,804	55,272	-	-	55,272	690,900	4.93%	0.50%
Croatia	174,452	10,632	-	-	10,632	132,900	0.95%	1.50%
France	111,102	8,885	-	-	8,885	111,063	0.79%	1.00%
Luxembourg	87,734	6,182	-	-	6,182	77,275	0.55%	0.50%
Germany	66,196	2,660	-	-	2,660	33,250	0.24%	0.75%
Netherlands	58,872	3,783	-	-	3,783	47,288	0.34%	2.00%
Austria	57,813	4,853	-	-	4,853	60,663	0.43%	-
United States	55,570	4,134	-	-	4,134	51,675	0.37%	-
Italy	30,751	2,426	-	-	2,426	30,325	0.22%	-
Belgium	28,696	1,837	-	-	1,837	22,963	0.16%	1.00%
United Kingdom	27,026	2,154	-	-	2,154	26,925	0.19%	2.00%
Spain	21,175	1,667	-	-	1,667	20,838	0.15%	0.50%
Poland	19,777	2,369	-	-	2,369	29,613	0.21%	1.00%
Switzerland	15,470	1,001	-	-	1,001	12,513	0.09%	-
Czech Republic	2,488	185	-	-	185	2,313	0.02%	1.25%
Sweden	931	64	-	-	64	800	0.01%	2.00%
Malta	399	20	-	-	20	250	0.00%	-
Ireland	398	31	-	-	31	388	0.00%	1.50%
Slovakia	285	14	-	-	14	175	0.00%	1.50%
China	193	12	-	-	12	150	0.00%	-

31.12.2025	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	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
Country	a	g	h	i	j	k	l	m
Australia	146	5	-	-	5	63	0.00%	1.00%
Russian Federation	116	5	-	-	5	63	0.00%	0.50%
Venezuela	103	2	-	-	2	25	0.00%	-
Iceland	99	2	-	-	2	25	0.00%	2.50%
Latvia	86	5	-	-	5	63	0.00%	1.00%
Norway	81	2	-	-	2	25	0.00%	2.50%
Hungary	68	4	-	-	4	50	0.00%	1.00%
United Arab Emirates	57	1	-	-	1	13	0.00%	-
Cameroon	55	5	-	-	5	63	0.00%	-
Israel	37	3	-	-	3	38	0.00%	-
Mauritius	37	2	-	-	2	25	0.00%	-
Canada	31	2	-	-	2	25	0.00%	-
Brazil	28	2	-	-	2	25	0.00%	-
Turkey	21	1	-	-	1	13	0.00%	-
Albania	19	1	-	-	1	13	0.00%	0.50%
Bulgaria	18	1	-	-	1	13	0.00%	2.00%
Monaco	13	1	-	-	1	13	0.00%	-
Kuwait	12	1	-	-	1	13	0.00%	-
Cyprus	10	-	-	-	-	-	0.00%	1.00%
Thailand	10	1	-	-	1	13	0.00%	-
Other	60	-	-	-	-	-	0.00%	-
Total	19,273,407	1,121,916	-	-	1,121,916	14,023,950	100.00%	

5. Risk management, objectives, and policies

5.1. General information on risk management, objectives, and policies

(Articles 435.1 a, b, c and d, and 435.2 e of CRR)

The Group is the largest banking and financial group in Slovenia, with an important presence in the SEE region, namely Serbia, Bosnia and Herzegovina, North Macedonia, Kosovo, and Montenegro. The Group, as at 31 December 2025, comprises the Bank, the parent entity in Slovenia, subsidiary banks and leasing companies in SEE, several companies for ancillary services (asset management, real estate management, etc.), and a limited number of non-core subsidiaries in a controlled wind-down. Such a structure enables a long-standing presence in Slovenia and the SEE region, ensuring strategic and systemic positions on the markets where the Group operates.

The Group has a leading position in selected SEE markets with significant growth potential, and focuses mainly on corporate and retail lending. In line with its new Strategy 2030, the Bank intends to be the leading bank in SEE, driven by sustainable growth and operational excellence. Moreover, the Strategy equally prioritises revenue generation and transforming the Bank into the leading operating platform in the region through rigorous simplification and digitalisation, while maintaining prudent risk practices. The Group is committed to developing a culture of client focus, risk awareness, integrity, efficient organisation, sustainable financing, and social responsibility. The trust of the Group's clients, employees, shareholders, and the society in which it works is seen by the Group as a profound responsibility.

Strong lending growth continued in 2025. The Group's credit portfolio maintained high quality and remained well diversified, despite ongoing geopolitical tensions and more adverse-than-anticipated macroeconomic trends. The resilience of the Group region's markets helped maintain on-performing ratios at a sustainable level. However, a moderate increase in NPLs was identified, predominantly in the corporate sector in Slovenia. As an important strength, their coverage ratio remained above the EU average. In 2025, the Bank observed a deterioration in the creditworthiness of a few larger companies operating in the steel, metal, and automotive industries. The weakening of financial indicators and intensified sector-specific headwinds contributed to a recognised risk of default. As a result, several exposures migrated to Stage 3 in accordance with IFRS 9 impairment requirements. Nevertheless, the cost of risk remained at 27 bps, staying within the 2025 expected range. The Group continues to monitor macroeconomic and geopolitical circumstances closely, remaining very prudent in identifying any increase in credit risk at an early stage in accordance with the Early Warning System and being proactive in NPL management.

The Group stayed well capitalised and well above the risk appetite at both the Group and banking member levels. The Group's liquidity position also remained strong, with liquidity indicators well above regulatory requirements, indicating its low tolerance for this risk. Considerable attention was paid to the structure and concentration of liquidity reserves, while also considering the potential for adverse market movements. Investment activity continued with a balanced approach to identifying attractive market opportunities while managing credit spread and interest rate risks, as well as capital consumption. In 2025, the Group reduced net interest income sensitivity and interest rate risk exposure remained moderate and stayed well within the risk appetite tolerance.

The Group places great importance on the risk culture and on awareness of all relevant risks across the entire Group. Maintaining risk awareness is ingrained in the Group's strategy. Risk management in the Group is implemented in accordance with the established internal policies and procedures that comply with European banking regulations, the regulations adopted by the Bank of Slovenia, ECB and EBA guidelines, and relevant good banking practices. The Group follows EU regulations, and its subsidiaries operating outside Slovenia are also compliant with the rules set by local regulators. The business and operating environment relevant to the Group's operations is changing, driven by trends such as sustainability, social responsibility, governance, changing customer behaviour, digital operational resilience, emerging technologies, and competitors, as well as increasing regulatory requirements. Respectively, risk management continuously adapts to detect and manage new potential emerging risks.

In accordance with its business model and strategy, the Group aims to maintain a prudent risk profile, optimal capital utilisation, and profitable operations in the long run, while considering the risks it assumes. The Group Risk Management Framework is defined and organised in accordance with the Group's strategy and set risk profile, with a forward-looking perspective to meet internal objectives and all external requirements. The Group's Risk management framework supports business decision-making at strategic and operating levels, comprehensive steering, and proactive risk management by incorporating:

- Risk Appetite and Risk Strategy orientations;
- A yearly review of strategic goals, budgeting, and the capital planning process;

- The internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP) process;
- Recovery plan and resolution activities;
- Other internal stress-testing capabilities, early warning systems and regular risk analysis;
- Regulatory and internal management reporting.

The Group is engaged in contributing to sustainable finance by incorporating environmental, social, and governance (ESG) risks into its business strategies, risk management framework, and internal governance arrangements. With the adoption of the NLB Group Sustainability Policy, the Group implemented the main sustainability elements into its business model. The goal of this strategic, organisation-wide initiative is to ensure sustainable financial performance of the Group by considering ESG risks and opportunities in its operations, and to actively contribute to a more balanced and inclusive economic and social system. Thus, sustainable finance integrates ESG criteria into the Group's business and investment decisions for the lasting benefit of the Group's clients and society. Moreover, the Bank, as a member of the former UN Net-Zero Banking Alliance, published its Net-Zero Disclosure report with corresponding targets. With this, the Bank continues to align its lending and investment portfolio with net-zero emissions by 2050.

The Group's Sustainability Committee oversees the integration of ESG factors into the Group's business model and corresponding operations. The management of ESG risks addresses the Group's overall credit approval process, collateral evaluation process, and related credit portfolio management. It follows ECB and EBA guidelines, aiming to integrate them into all relevant processes fully. The availability of ESG data in the region where the Group operates remains limited. Nevertheless, the Group has established a process for obtaining relevant ESG-related data from its clients, which is a prerequisite for adequate decision-making.

Risk appetite

NLB Group's Risk Appetite Statement is a strategic statement that defines the maximum level of risk the Group is willing to assume or avoid, based on its risk-bearing capacity, to achieve its strategic business objectives. Risk appetite is defined through qualitative assertions and quantitative measures. Qualitative statements define key risk principles for risk management, while quantitative metrics provide directions for risk steering from a forward-looking perspective on capital, liquidity, and risk-return optimisation. As such, the risk appetite codifies the Group's existing risk culture, principles, objectives, and measures.

The Group is the largest Slovenian banking and financial group with an important presence in the SEE region. In accordance with its new Strategy 2030, the Group intends to be the leading bank in SEE. It aims to provide international best practices for all its customers and to build an operating platform based on digital services, while maintaining its prudent risk practices. The Group continues strengthening its market position in its home region, actively participating in market growth and consolidation, and promoting the ESG agenda. The Group has a well-diversified business model. Based on the Group's strategy, credit risk is the dominant risk category, followed by credit spread risk, interest rate risk, operational risk, liquidity risk, market risk, and other non-financial risks. The Group integrates and manages ESG risk within the established risk management framework, where the aforementioned risk is one of the risk drivers of the existing types of risks, such as credit, liquidity, market, and operational risk. Regular risk identification and assessment are performed within the ICAAP process to ensure overall control and effective risk management on an ongoing basis. In addition, internal capital and liquidity consumption are integrated into an overall risk management system to ensure proactive support for informed decision-making at the strategic and operational levels.

Managing risks and capital efficiently at all levels is crucial to the Group's sustained, long-term, profitable operations. The management of credit risk, representing the Group's most important risk, focuses on taking moderate risks – a diversified credit portfolio, adequate credit portfolio quality, a sustainable cost of risk, and an optimal return given the risks assumed. The liquidity risk tolerance is low. The Group must always maintain an appropriate level of liquidity to meet its short-term liabilities, even if a specific stress scenario is realised. Furthermore, to minimise this risk, the Group pursues an appropriate structure for its financing sources. The Group's limited exposure to credit spread risk, arising from the valuation risk of debt securities used to service liquidity reserves, is at a medium level. The Group's basic orientation in the management of interest rate risk is to limit the unexpected negative effects on revenues and capital that would arise from changes in market interest rates; therefore, a medium tolerance for this risk is stated. Moreover, in 2025, the Group further enhanced the existing interest rate risk management practices and IT platform. When assuming operational risk, the Group pursues the orientation that such risk must not significantly impact its operations. Risk appetite for operational risks is low to moderate, with a focus on mitigation actions for key risks and on key risk indicators as an early warning system. To adequately manage ICT risks and ensure compliance with the requirements of the Digital Operational Resilience Act (DORA), a dedicated second line of defence within the risk management

function and ITC risk management framework is established. Special attention is given to their regular and comprehensive monitoring and mitigation. The conclusion of transactions in derivative financial instruments at the Bank is primarily limited to servicing customers and hedging the Bank's own positions. In the area of currency risk, the Group thus aims for low to moderate exposure. Based on the environmental and climate risk assessment, the impact of these risks is estimated to be low, except for transition risk in the credit risk area, which is assessed as low to medium. The tolerance for all other risk types, including non-financial risks, is low with a focus on minimising their possible impacts on the Group's operations.

The main Group risk appetite objectives are disclosed in the Statement of Management of Risk. The values of the most important risk appetite indicators of the Group, reflecting the interconnection between strategic business orientations, risk strategy, and targeted risk appetite profile, are also disclosed in the Statement of Management of Risk on page 6.

The Group established a risk appetite limit framework (key risk indicators and selected relevant triggers) to support its strategic objectives. A comprehensive consistency check and the validation of the risk appetite limit framework are regularly performed within the ICAAP and ILAAP processes. The Group regularly monitors its target risk appetite profile, representing the key component of the risk mitigation process. Thus, the set risk profile enables comprehensive and detailed monitoring, proactive management, steering, and mitigation. Limit usage and potential deviations from limits or target values are regularly reported to the respective committees and/or the Management Board of the Bank, the Risk Committee of the Supervisory Board, and the Supervisory Board of the Bank.

Risk management, hedging, and mitigation

Managing risks and capital efficiently is crucial to the Group's sustained, long-term, profitable operations. The robust risk management framework is comprehensively integrated into decision-making, steering, and mitigation processes within the Group.

The key goal of the Group's Risk Management is to proactively assess, monitor, and manage risks across the Group. A sound and holistic understanding of risk management is embedded into the entire organisation, focusing on risk identification at a very early stage, efficient risk management, and mitigation of risks to ensure the prudent use of its capital, to maintain an adequate MREL level and liquidity structure, and to ensure related corresponding buffers support the financial resilience of the Group.

Key risk management guidelines of the Group are defined by its Risk Appetite and Risk Strategy, in accordance with its business model and a forward-looking perspective. They are regularly revised and enhanced. The Strategy of NLB Group, the Risk Appetite, and Risk Strategy guidelines, and the key internal policies of the Group – which are approved by the Management and Supervisory Boards – specify the strategic goals, risk appetite guidelines, approaches, and methodologies for monitoring, measuring, and managing all types of risk to meet internal objectives and all external requirements. In addition, the main strategic risk guidelines are integrated into the annual business plan review and budgeting process.

Risk management focuses on managing and mitigating risks in line with the Group's Risk Appetite and Risk Strategy, representing the foundation of the Group's Risk Management framework. Within these frameworks, the Group monitors a range of risk metrics to ensure its risk profile aligns with its risk appetite. The use of risk limits and potential deviations from limits and target values are regularly steered and reported to the respective committees and/or the Management Board of the Bank. The Management Board regularly reviews the comprehensive Risk Report, the Risk Committee of the Supervisory Board, and the Supervisory Board of the Bank. The banking subsidiaries within the Group have adopted a similar, consistent approach to monitor their target risk profiles. Additionally, the Group has established early warning systems across different risk areas to strengthen existing internal controls and ensure timely responses when necessary.

To support an efficient credit risk mitigation process, the Group applies a single set of standards to retail and corporate loan collateral, aiming to optimise capital consumption. The Group applies a cash-flow-based credit policy that considers the client's repayment capacity when approving or extending a loan or other credit exposure. The received collateral represents a secondary source of repayment. In the area of project finance, experts monitor the project in relevant phases to ensure compliance with requested conditions and criteria before each disbursement. A project's financial status is regularly monitored and reported to the respective committees.

The Group has a system for monitoring and reporting collateral at fair (market) value in accordance with the International Valuation Standards (IVS). The Collateral Management Policy also defines requirements regarding collateral enforceability and lists acceptable and eligible types of collateral. The eligibility of different types of collateral, by type and ratio, in accordance with prudent lending criteria, is further defined in internal lending guidelines. The credit

portfolio and collateral structure, including concentrations, and other relevant analyses, are regularly reported to the respective committees. In the retail segment, special focus is placed on the monitoring of fulfilment of relevant macro-prudential guidelines (such as DSTI, LTV, and LTI). The Group has also established guidelines for prudent foreign exchange (FX) lending across the different SEE markets where the Group members operate, given that market practices vary and business strategies differ.

The management of ESG risks is integrated into the Group's overall credit approval process and related credit portfolio management. Sustainable financing is implemented in accordance with the Group's ESMS. Besides addressing ESG risks in all relevant stages of the credit-granting process, relevant ESG criteria were also considered in the collateral evaluation process. During the transaction approval process, collecting ESG data at the KYC stage was established. A regulatory compliance check is the next important step and verifies that a client is adhering to applicable laws, regulations, and standards. If the transaction is classified as a high E&S risk, a strict deviation management process is in place to ensure enhanced risk assessment. During a project's lifetime, ESG risk monitoring is established to assess each risk's impact and develop a strategy for mitigating it. With that, the Group ensures that the risks are adequately addressed and that any changes or newly emerged risks are identified and addressed.

In addition, the Group carefully considers potential reputational and liability risks arising from the sustainable financing of its clients. Special attention is given to approving new products and monitoring the fulfilment of relevant criteria by the clients. Additional key risk indicators have been addressed, serving as an early warning system for ESG risks. Also, physical risks, as part of ESG risks under operational risk, are addressed in the Group's business continuity management (BCM). As such, BCM is carried out to protect lives, goods, and reputation. Business continuity plans include relevant ESG risks. They are prepared for use in the event of natural disasters, IT disasters, and environmental impacts to mitigate their consequences.

The Group's profitability is to a large extent based on its net interest income. For that reason, stabilising net interest income is an important goal of the Group when managing interest rate risk, and the Group monitors its interest rate sensitivity from both income and economic value perspectives. All Group members manage their interest rate risk positions proactively in accordance with relatively conservative policies and limits. When hedging market risks, specifically interest rate risk and foreign exchange risk, in line with the set risk appetite, the Group follows the principle of a natural hedge or using derivatives in line with hedge accounting principles.

The Group has defined and detailed its Standards for Liquidity Risk Management, in which regulatory and internally developed measures, approaches, and stress test capabilities are continuously monitored, controlled, managed, and further developed in line with the latest banking practices. Additionally, all banking members have established a Contingency Plan that focuses on measures for overcoming potential temporary and/or long-term liquidity disruptions.

The Group operates its main business activities in euros, while the subsidiary banks, in addition to their domestic currencies, also partly operate in euros, which is the Group's reporting currency. The Group's net open foreign exchange position from transactional risk is relatively low and proactively managed daily. Regarding the structural FX positions on a consolidated basis, assets and liabilities held in foreign operations are converted into euros at the closing FX rate on the balance sheet date. FX differences arising from the translation of foreign operations are recognised in other comprehensive income, and therefore affect the Group's equity.

Through comprehensive identification of operational risks, potential future losses are identified, estimated, and managed in the most efficient way, where the Group follows the guideline that such risks may not significantly influence its operations. The major operational risks are actively managed through measures to reduce and mitigate them in accordance with risk appetite, primarily by improving established controls within relevant internal processes. Special attention is dedicated to a scenario-based analysis and the related prevention measures for high-severity, low-frequency events, including relevant topical risks. Furthermore, key risk indicators, serving as an early warning system for the broader field of operational risks, are established to further strengthen existing internal controls and respond promptly.

Stress-testing

Stress-testing is an important part of risk management in the Group, as alerts to unexpected adverse outcomes arise from a wide range of risks and provide an indication of the financial resources (capacity) that might be needed to absorb losses if large shocks occur.

The Group established a comprehensive internal stress-testing programme and other early warning systems in different risk areas with the intention to:

- contribute to setting and pursuing the Group's Strategy;
- support decision-making on an ongoing basis;
- strengthen the existing internal controls and respond on time when necessary.

The stress-testing programme comprises all major stress-testing types – different stress scenarios, reverse stress tests, and sensitivity analysis. The stress-testing framework is developed and conducted at the Group level, based on the vulnerability of its business model. It includes all material, existing and potential, risk types stemming from the Group's current risk profile, macroenvironment, and geopolitical circumstances – which also includes a forward-looking perspective. In addition, partial stress test exercises are carried out, such as a per-individual risk type and selected portfolio level.

The Group conducts a “bottom-up” stress-testing approach. It comprises group-wide stress tests based on the presumption of severe, yet plausible, stress scenarios (e.g., macroeconomic downturns, geopolitical circumstances, and other idiosyncratic events) and other relevant scenario analyses.

Stress-testing plays an important role in assessing the Group's resilience under stressed circumstances. As such, it is embedded into the Group's risk management system and represents an important component of sound risk management. In addition, stress-testing is integrated into the Risk Appetite, ICAAP, ILAAP, Recovery Plan, and Budgeting process to determine how severe unexpected changes in the business and macro environments might affect the Group's capital adequacy, MREL or liquidity position. Furthermore, stress test results are considered as an important element when setting the risk appetite, target liquidity position, capital allocation, and other risk limits.

The Group established a clear governance process for stress testing. The stress-testing programme is developed by the senior management (under the responsibility of the Risk Management function) and approved and monitored by the Management Board. Stress-testing results at the Group level are regularly discussed in the respective Committees, the Management Board, and the Supervisory Board, and are used to support business decisions and capital and liquidity planning. Moreover, stress-testing exercises contribute to proactive management of the Group's overall risk profile, namely its capital and liquidity positions, using a forward-looking perspective, and to the selection of risk management actions as mitigation when necessary.

In addition to internal stress test approaches, the Group also participates in regulatory stress test exercises. The ECB conducts, in cooperation with the EBA, overall ECB stress-testing exercises (which assume very unfavourable market conditions and cover all material risk types to test capital adequacy resilience in such circumstances) and thematic ECB stress-testing exercises (partial stress tests focusing on a selected specific risk type). Qualitative outcomes of regulatory stress test exercises are included in the determination of the Pillar 2 requirement (P2R), that is as an element of risk governance and in the setting of the Pillar 2 Guidance (P2G).

As a systemically important institution, the Group was included in the 2025 EBA EU-wide and ECB SSM Stress Test exercise. This EU-wide stress test is designed to assess the resilience of the European banking sector in the current, uncertain, and changing macroeconomic environment, namely the aggravation of geopolitical tensions, which has led to a severe decline in GDP. The ECB published the aggregate results at the beginning of August 2025. The final results of the bottom-up stress test confirmed that, even under unfavourable market conditions defined by the EBA and the ECB, the Group maintains sufficient capital resilience. Under the adverse scenario, the CET1 ratio (fully loaded) would decline by less than 300 bps after three years without mitigation measures. The qualitative results of the exercise were incorporated into the ECB's determination of capital requirements, namely the setting of the Pillar 2 Guidance (P2G) requirement, which decreased from 100 bps to 75 bps.

The uniform stress-testing programme, which includes internally developed models, stress scenarios, and sensitivity analysis, is constantly revised and complemented. As part of this, the Group established an internal ESG stress-testing framework to identify the most relevant financial vulnerabilities arising from climate risk. This concept was further enhanced by considering available ESG-related data. Such a stress-testing framework is the subject of a regular

internal validation cycle and related procedures, within which the Group has established a comprehensive validation framework. Moreover, the Group supports a robust validation governance process and controls over applied selected risk approaches and internal models.

The table below sketches risk categories, types of stress tests, their frequency, corresponding stress test applications, and the relevant decision-making bodies where the results are discussed and approved.

Table 17 – Scope of stress-testing exercises on the level of NLB Group

Risk category	Stress test type	Stress test application	Decision-making body	Frequency
CREDIT RISK				
stress-testing segment: credit portfolio				
Credit risk - default & migration risk	Scenario analysis	Strategy & budgeting, ICAAP, RP	RICO, MB, SB	Quarterly, Yearly
Individual concentration	Herfindahl-Hirschman Index (HHI)	Strategy & budgeting, ICAAP, RP	RICO, MB, SB	
Industry concentration		Strategy & budgeting, ICAAP, RP	RICO, MB, SB	
Internal IRB - Sensitivity of risk components (PD, EAD, LGD, maturity)	Sensitivity analysis	Strategy & budgeting, ICAAP, RP	RICO, MB, SB	
FX Lending	Sensitivity analysis (PD change)	Strategy & budgeting, ICAAP, RP	RICO, MB, SB	
ECL (Expected credit losses)	Scenario analysis	IFRS 9 Methodology	MB	
NPL reduction	Sensitivity analysis	NPL Strategy	MB, SB	Yearly
OPERATIONAL RISK				
stress testing segment: potential loss events				
Operational risk losses modelling	Sensitivity analysis	Strategy & budgeting, ICAAP, RP, other internal ST	OpRC, MB, SB	Quarterly, Yearly
High risk low frequency analysis	Scenario analysis	RP, other internal ST	OpRC, MB, SB	Yearly (more frequently if necessary)
MARKET RISK				
stress-testing segment: overall FX position, trading positions, exposures to sovereigns and banks				
Foreign exchange (FX) risk	Scenario analysis, Sensitivity analysis	Strategy & budgeting, ICAAP, RP, internal ST	ALCO, MB, SB	Monthly / Quarterly
Market risks	Sensitivity analysis	Strategy & budgeting, ICAAP, internal ST	ALCO, MB, SB	Quarterly
CVA risk	Sensitivity analysis	Strategy & budgeting, ICAAP, internal ST	ALCO, MB, SB	Quarterly
EWS for exposures to sovereigns and banks - stressed credit spread	Sensitivity analysis	Internal ST	ALCO, MB, SB	Daily / Monthly
IRRBB				
stress-testing segment: overall interest rate position in banking book				
IR risk in banking book	Scenario analysis, Sensitivity analysis	Strategy & budgeting, ICAAP, RP, internal ST	ALCO, MB, SB	Monthly / Quarterly
Credit spread risk / valuation risk	Scenario analysis, Sensitivity analysis	Strategy & budgeting, ICAAP, RP, internal ST	ALCO, MB, SB	Monthly / Quarterly
LIQUIDITY RISK				
stress-testing segment: overall liquidity position or relevant liquidity subsegments				
Liquidity risk: overall liquidity position	Scenario analysis, Reverse stress test	Strategy & budgeting, ICAAP, ILAAP, RP, internal ST	ALCO, MB, SB	Monthly / Quarterly
Liquidity risk: intraday liquidity	Scenario analysis	ILAAP; internal ST	ALCO	Monthly

BUSINESS AND STRATEGIC RISK				
stress-testing segment: budget projections				
Potential losses referring to business and strategic risk	Scenario analysis based on expert knowledge	Strategy & Budgeting, ICAAP, internal ST	MB, SB	Yearly
ESG RISKS				
stress-testing segment: selected transitional and physical risks				
Transition risk on macro-financial level	Scenario analysis	Strategy & Budgeting, ICAAP, internal ST	MB, SB	Yearly
Physical risk on macro-financial level	Scenario analysis	Strategy & Budgeting, ICAAP, internal ST	MB, SB	Yearly
Other environmental risks on macro-financial level	Scenario analysis	Strategy & Budgeting, ICAAP, internal ST	MB, SB	Yearly

Risk measurement and reporting systems

As a systemic banking group, the Group is subject to the Single Supervisory Mechanism (SSM), which is supervised by the Joint Supervisory Team (JST) of the ECB and the Bank of Slovenia. The Group complies with ECB regulations, and Group subsidiaries operating outside Slovenia also comply with the rules set by local regulators. A third-party equivalent was approved in Serbia, Bosnia and Herzegovina, and North Macedonia, thereby aligning local regulation with CRR rules. About capital adequacy, in accordance with the provisions of the CRD6, the Group applies a standardised approach to credit, market, and operational risk. Since 1 January 2025, the calculation of risk-weighted assets for credit and operational risk has been based on the CRR3 regulation.

Across the Group, risks are assessed, monitored, managed, or mitigated uniformly, as defined in the Group's Risk management standards, also considering the specifics of the markets in which individual Group members operate. For the purposes of measuring exposure to credit risk, liquidity risk, interest rate, and credit spread risk in the banking book, operational risk, market risk, ESG, and non-financial risks, in addition to the prescribed regulations, the Group uses internal methodologies and approaches that enable more detailed monitoring and management of risks. These internal methodologies are aligned with ECB, EBA, and Basel guidelines, as well as best practices in banking methodologies.

As for risk reporting, the Group's internal guidelines reflect, in addition to internal requirements, the substance and frequency of reporting required by the Bank of Slovenia and the ECB. In addition, each member of the Group also complies with the requirements of its local regulations. Risk reporting is carried out in the form of standardised reports, pursuant to risk management policies based on common methodologies for measuring and harmonising exposure to risks, a uniform database structure within the Data Warehouse (DWH), comprehensive data quality assurance, and automated report preparation, which ensures the quality of reports and reduces the possibility of errors.

The Data and IT system

Risk data are calculated and stored in the Group DWH, and are collected from the Bank and other Group members' DWH. The established process provides integrated information in a common reference structure that business users can access in a consistent, subject-oriented format. Data are regularly checked and validated. Data used for internal risk assessment, management, and reporting are the same as those used by the Group for regulatory reporting. In doing so, that, the Group complies with the BCBS 239 principles and the ECB Guide on effective risk data aggregation and risk reporting.

The Group has established a robust data governance programme that aligns with the goals and objectives of the Group's risk management function. The Group's data governance and data quality framework consists of identifying risks, developing policies and controls for data confidentiality, integrity, accuracy, and availability, and executing second-line of defence controls by an independent validation unit under the responsibility of the Group Data Governance Officer. This framework covers agreed service level standards for both in-house and outsourced data-related processes.

Corporate governance in relation to risk management and internal controls

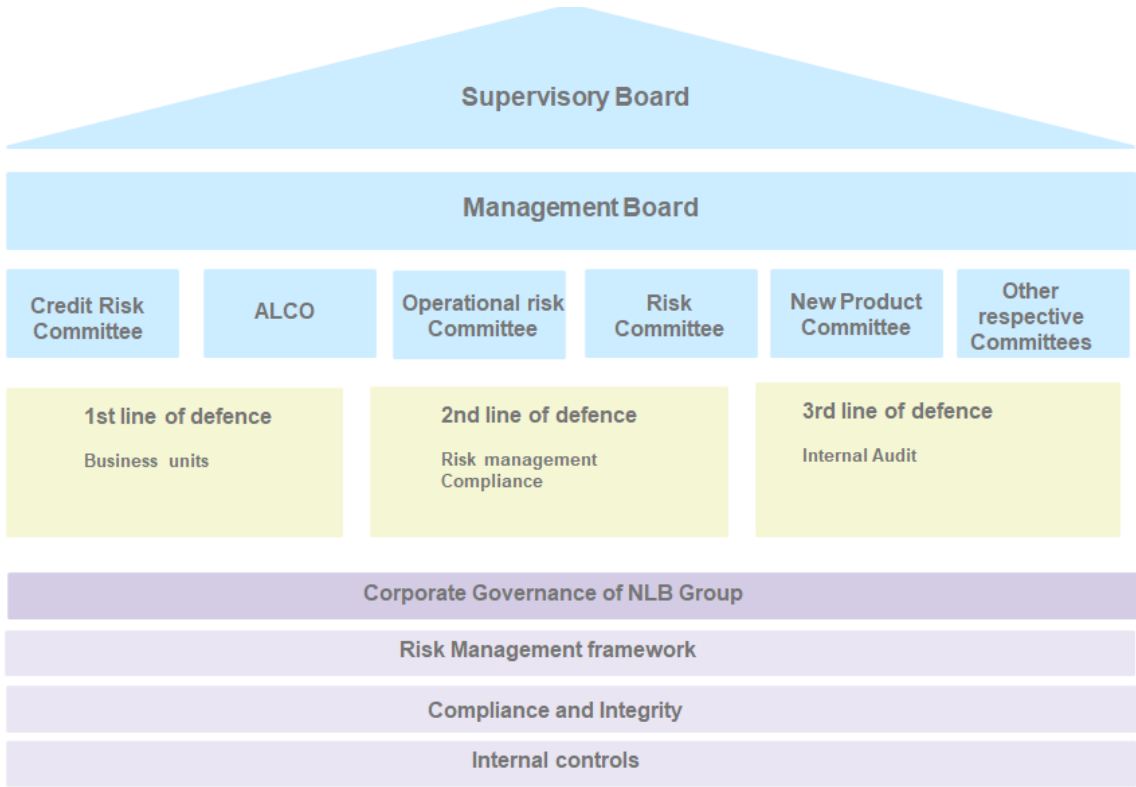
The Group established a corporate governance framework based on the principles of sound and responsible governance, in accordance with the applicable legislation of the Republic of Slovenia, particularly the provisions of the Companies Act (ZGD-1) and the Banking Act (ZBan), the Regulation on Internal Governance Arrangements, the Management Body, and the Internal Capital Adequacy Assessment Process for Banks and Savings Banks, the EBA

Guidelines on internal governance, the EBA Guidelines on the assessment of the suitability of members of the Management Body, and key function holders, as well as the EBA Guidelines on remuneration practices. Several layers of management, as shown in the diagram below, provide cohesive risk management governance in the Group.

A robust and comprehensive internal governance system at the level of the Group was developed, encompassing the following:

- a clear organisational structure with precisely defined, transparent, and consistent internal processes and authorisation levels;
- incorporation of main strategic risk guidelines into the Group’s Strategy, financial and budgeting process, and other relevant decision-making;
- effective risk management processes for identifying, measuring, assessing, managing, monitoring, and mitigating risks, including risk appetite, risk strategy, ICAAP, ILAAP, the recovery plan, resolution and the reporting of risks to which the Group is exposed or could be exposed in its operations;
- adequate internal control mechanisms, which also include appropriate administrative and accounting procedures;
- appropriate remuneration policies and practices that are in line with prudent and effective risk management, and also promote sound risk management.

Figure 4 – Corporate Governance in NLB Group



The Group uses the ‘three lines of defence (3 LoD) framework’ as an important element of its internal governance. The three lines of defence principle provides a clear division of activities. Moreover, it defines roles and responsibilities for risk management at different levels of the Group.

Figure 5 – Three lines of defence framework of NLB Group



Within this framework, business units serve as the first line of defence, with primary responsibility for day-to-day risk management. In addition, they are accountable for identifying and managing risks arising from their client activities within the risk appetite framework or other risk management limits. They also ensure that adequate internal controls are in place to mitigate risk.

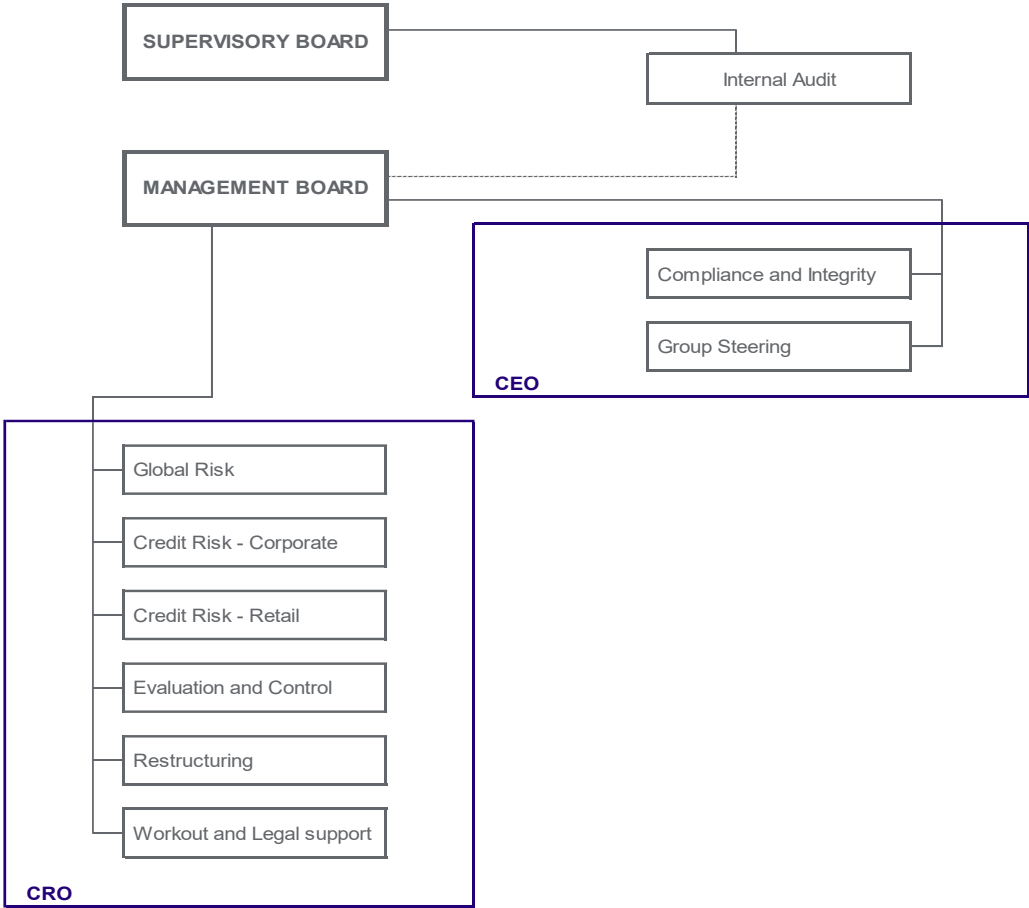
Risk Management and Compliance comprise the second line of defence. Risk management defines rules for risk appetite, risk strategy, other risk policies and guidelines, risk monitoring, and risk management. Some units within the Chief Risk Officer area (in relation to underwriting, restructuring, and workout decisions) are analysing and co-deciding on the risks identified by the business, thereby assuming responsibility for the analysis and the risks. However, a specialised risk management function within Global Risk covers the overarching aspects of risk management, namely ensuring compliance with a set risk appetite or other risk management limits. Its mandate is to increase focus on holistic risk management and cross-risk oversight, further to enhance risk steering and mitigation across the whole Group. Beyond monitoring the fulfilment of legal and regulatory requirements, Compliance, representing the second line of defence, is also concerned with the ethics and integrity within the whole Group. The compliance area also covers DPO, AML, and CISO functions.

An Internal Audit represents the third line of defence. It reviews key risks referring to the Group’s operations. It provides an independent and comprehensive supervision of the internal control system, including risk management activities performed by both the first and second lines of defence.

The tasks and responsibilities of Global Risk, Compliance (which also covers the information security function in accordance with the BoS regulation), and Internal Audit are set out in accordance with the ZBan, under which all such functions are independent and have direct access to the Bank’s Supervisory Board. During 2025, there were no material changes in functions presenting the second and third line of defence of the internal control framework (Global Risk, Compliance, and Internal Audit in the Bank).

Risk management organisation in the Bank

Figure 6 – Risk management organisation in the Bank



The responsibilities of the respective specific risk management bodies in the Group are described below.

Management Board and its working bodies

The Management Board of the Bank leads, presents, and acts in the name of the Bank individually and on its own responsibility, and has authority in accordance with law and the Act of the Bank itself.

To achieve appropriate and effective performance management, the Management Board has established an adequate system of risk management, internal audit, and corporate governance. The Management Board of the Bank is a working body that manages its business process and adopts key management decisions. Additional working bodies of the Management Board, where risk-related issues are the subject of discussion and decision-making, are the:

- The Corporate Credit Committee determines credit ratings, decides on client reclassifications, and approves commercial banking investment transactions and limits beyond the directors’ competencies. The Committee adopts decisions on investment transactions in commercial banking within the statutory powers of corporate banking in the Bank (including all companies, banks, and financial institutions), operations with clients in intensive care, and NPL. As a rule, committee meetings are convened once a week.
- The Assets and Liabilities Management Committee (NLB/NLB Group ALCO) monitors conditions in the macroeconomic environment. It analyses the balance sheet, changes to, and trends in, the assets and liabilities of the Bank and the Group companies, and drafts resolutions and issues guidelines for achieving the structure of the Bank’s and the Group’s balance sheets. Committee meetings are generally convened once a month.
- The NLB Operational Risk Committee is responsible for monitoring, guiding, and supervising operational risk management in the Bank and transferring this methodology to the Group members. As a rule, the Committee meets once every two months.
- The Change the Bank Committee is responsible for adopting decisions related to the development portfolio to transform the Bank, as well as decisions associated with adopting the development guidelines. As a rule, the Committee meets once a month.

- The Risk Committee monitors and periodically reviews matters related to risk and commercial risk, and prepares materials for the Management Board to make decisions. As a rule, committee meetings are convened quarterly or more frequently.
- The Group Real Estate Management Committee gives opinions on the acquisition/purchase price of real property and additional investments in real property provided as collateral for NPL, the selling price of its own real property, and the acquisition/purchase price for the real property mortgaged in the sale of receivables. As a rule, Committee meetings are convened once a week.
- The Sales Committee adopts decisions on managing the product and service range and client relations in sales. As a rule, Committee meetings are convened once a week.
- The Private Individual Credit Committee decides on the approval of loans and other investment proposals that deviate from standard banking products and services and that represent additional risks for the Bank. As a rule, meetings are convened when necessary.

Supervisory Board and its working bodies

The Supervisory Board of the Bank is composed of members who are appointed and recalled by the General Meeting of the Bank. Its task is to monitor and supervise the management of the Bank and its operations.

There are five working committees of the Supervisory Board, namely:

- Risk Committee monitors and drafts resolutions for the Supervisory Board in all areas at risk relevant to the Bank's operations. It consults on the current and future risk appetite and risk management strategy, and it helps exercise control over senior management regarding their implementation. Information on the Risk Committee and the number of times it has met is disclosed in Appendix 1.
- Audit Committee monitors and prepares draft resolutions for the Supervisory Board on financial reporting, internal control and risk management, internal audit, compliance, external audit, and supervises the implementation of regulatory measures.
- The Operations and IT Committee monitors and prepares draft resolutions for the Supervisory Board on the implementation of the strategy for the IT, Information Security, and Operations area. Additionally, the Committee monitors key Operations and IT performance and service quality indicators, key Operations and IT projects/initiatives, and operating risks in the areas of IT, Information Security, and Operations.
- The Nomination Committee drafts proposed resolutions for the Supervisory Board concerning the appointment and dismissal of members of the Management and Supervisory Boards, evaluates the performance of the Management and Supervisory Boards, and assesses the knowledge, skills, and experience of individual members of the Management Board as a whole. The Committee proposes amendments to the Management Board's policy on the selection and appointment of suitable candidates for senior management of the Bank.
- The Remuneration Committee carries out expert and independent assessments of remuneration policies and practices, and on this basis formulates initiatives for measures related to improving the management of the Bank's risks, capital, and liquidity, prepares proposals for decisions of the Supervisory Board in relation to remuneration, and supervises the remuneration of senior management performing risk management and compliance functions.

The Risk management role in the Group

The risk management framework is comprehensively integrated into the decision-making, monitoring, steering, reporting, and mitigation processes across the Group to support its business operations proactively. The risk management function in the Group oversees the management, assessment, and monitoring of risks within the Bank, serving as the parent entity in Slovenia and the competence centre for subsidiary banks, leasing companies, and a number of non-core subsidiaries in a controlled wind-down.

Risk management and the corresponding steering on the Group level is performed through a clear organisational structure with defined roles and responsibilities. The organisation and delineation of competencies is designed to prevent conflicts of interest, and to ensure a transparent and documented decision-making process – subject to an appropriate upward and downward flow of information. The Competence line Risk Management in the Bank is, by encompassing several professional areas (Global Risk, Credit Risk – Corporate, Credit Risk – Retail, Evaluation and Control), in charge of setting and monitoring the Group's Risk Management policies, setting limits, overseeing the harmonisation, regular monitoring of risk exposures, and limits based on centralised reporting at the Group level.

The centralised monitoring of risks aims to establish standardised and systemic approaches to risk management and, therefore, a comprehensive overview of the Group's and each member's statement of financial position. Risk monitoring for Group members is centralised within an independent/or separate organisational unit. All members of the

Group included in the Group's financial statements report their exposure to risks to the competent organisational units within the risk management competence line. These organisational units then report all relevant risk information to the Management Board, the Assets and Liabilities Committee (ALCO), the Risk Committee (RICO), the Risk Committee of the Supervisory Board, and the Supervisory Board itself.

The credit ratings of clients that are materially important to the Group and the issuing of credit risk opinions are centralised via the Credit Committee of the Bank. The process follows the co-decision principle, in which the Credit Committee of the respective Group member first approves its decision, followed by the Credit Committee of the Bank giving its opinion. The same principle and process also apply to the issuance of credit exposures for the Group's materially important clients.

The Group members' management pursues the Group's strategic goals and monitors, manages, and mitigates the risks assumed in accordance with the set limits, targets, and other guidelines established at the Group level. In compliance with the Group's risk management policies, the risk management function within each Group member is separated from the business function (first line of defence) to maintain the objectivity required for assessing business decisions. The organisational unit responsible for managing risks directly reports to the Management Board and its committees (Credit Committee, ALCO, RICO, and the Operational Risk Committee), which in turn report to the Supervisory Board (Risk Committee of the Supervisory Board or Board of Directors).

Compliance and Integrity in the Group and the Bank

Compliance and Integrity in the Group, in its role as an internal control function, performs control activities with respect to the following main areas:

- anti-money laundering, counter-terrorist financing, and restrictive measures (sanctions) separately for the Bank and the Group level;
- information security and data protection, separately for the Bank and the Group level;
- personal data protection;
- regulatory compliance management;
- prevention of fraud and conducting related internal investigations;
- physical and technical security;
- development of compliance risk methodologies, and setting and monitoring ethics and integrity standards;
- harmonisation of policies and practices within the Group (Competence line Compliance and Integrity).

In close cooperation with various organisational units, Compliance and Integrity assists in assessing and managing compliance risks across operations in the Bank and the Group.

The main activities of the Compliance and Integrity Department are:

- Taking care of the design, adoption, and implementation of basic compliance-relevant policies. Especially important in this context is the NLB Group Code of Conduct, which sets standards for conduct and serves as a basis for building a risk culture within the Bank and the Group. It clearly sets a zero-tolerance policy for all forms of harmful conduct and is consistently implemented across the Group.
- Managing anti-money laundering, counter-terrorist financing, and restrictive measures (sanctions) system on the levels of the Bank and the Group.
- Identification of new regulations relevant to the Bank and monitoring their implementation. To manage regulatory risk, the Bank has in place a regulatory compliance management system to handle changes in the legal environment. This system is managed centrally by the Compliance and Integrity Department, while implementation processes are decentralised. This means that organisational units responsible for areas affected by changes in applicable regulations prepare action plans and lead implementation processes, thereby ensuring compliance. The Compliance and Integrity Department oversees the effects of the relevant regulatory changes and the status of implementation.
- Providing advisory services on compliance-related issues to other organisational units of the Bank or other Group members.
- Conducting compliance checks in areas at compliance risk, through compliance reviews, identification of shortcomings in this regard, issuing of compliance recommendations, and monitoring of their implementation.
- Identifying and assessing risks associated with compliance and integrity that occur in the daily operations of the Bank, in particular processes for the development of (new) products and services, projects (IT and other projects), organisational and HR changes, and other changes which can have a significant impact on the Bank's operations.

- Participation in assessing the suitability of key functions holders in the Bank and the Group, as well as members of the Management and the Supervisory Boards of the Bank.
- Setting information security standards and monitoring their implementation, identification of information security threats and building appropriate mitigation measures at the levels of the Bank and the Group.
- Performing the task of a Data Protection Officer (DPO), through a specifically nominated person, in accordance with the General Data Protection Regulation (GDPR).
- Setting physical and technical security standards and monitoring their implementation, identifying physical and technical security threats, and building appropriate mitigation measures.
- Managing the system for the reporting of suspected harmful practices (directing the system for reporting on violations through different channels, including anonymous whistleblowing) and conducting internal investigations of the reported cases.
- Conducting regular annual comprehensive assessment of the risks for compliance and integrity at the Bank and the Group levels within the ECRA process (Enterprise compliance and integrity risk assessment).
- Providing compliance communication, training, workshops, and targeted surveys for employees and the implementation of activities for strengthening the culture of assuming and managing the risks of compliance and integrity in the Bank and the Group.
- Providing relevant and comprehensive reporting on compliance topics and risks to the Management and Supervisory Board of the Bank.
- Managing the Compliance and Integrity Competence Line for ensuring the same standards throughout the Group, with higher requirements for the strategic members of the Group.

At the Group level, binding standards in the field of compliance and integrity are defined, which regulate policies, rules, and procedures for each member of the Group and must be implemented by each member. In this way, the Group provides a unified and harmonised approach to risk compliance management in this area, which Compliance and Integrity regularly review as part of its regular activities (i.e., onsite visits, offsite checks, quarterly reporting, extraordinary reporting, escalation procedures, and strict binding rules, standards, and methodologies).

The compliance functions of other Group members are thus organised and are functioning basically in the same way, and with the same tasks and responsibilities as the Compliance and Integrity Department of the Bank – of course taking into consideration all local regulatory, business, and risk specifics of individual Group members, as well as their business line reporting to the Compliance and Integrity Department of the Bank.

Internal Audit

Internal Audit reviews key risk areas in the Group's operations, advises management at all levels, and deepens the Bank's understanding of its operations. Internal auditing is an independent, objective assurance and advisory service designed to add value and improve the Bank's operations, which is primarily responsible to the Supervisory Board of the Bank and its Audit Committee, and secondarily to the Management Board of the Bank. It helps accomplish the Bank's objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management, and control processes. Internal Audit strengthens the Bank's ability to create, protect, and sustain value by providing the Management and Supervisory Boards with independent, risk-based, and objective assurance, advice, insight, and foresight.

The independent and impartial audit function is performed with due care and diligence, in accordance with professional principles, the hierarchy of Internal Audit rules, the internal rules governing Internal Audit's operations, and applicable laws and regulations.

Internal Audits serve as an advisory tool for the systematic and professional assessment of the success of the Group's risk management procedures, control system, and governance of the Group operations. Following a risk-based methodology, Internal Audit prepares the yearly audit plan, which has been approved by the Management Board, with the consent of the Supervisory Board. On that basis, the Internal Audit serves as an impartial guide to the Management and Supervisory Boards regarding the areas within the Bank and the Group with the highest risk, to help ensure these risks are managed appropriately. Internal Audit also conducts "Group Audits," in which internal auditors from Group members participate to provide assurance at the Group level and to provide additional expertise and assistance. The quality review of the internal audit service for all members of the Group is also guaranteed.

The Internal Audit dedicates significant resources to verifying whether audit recommendations have been fulfilled, providing training and consultancy to management, and promoting the assurance of high-quality, professional operations of the internal audit function. The Internal Audit introduces the uniform rules of operation as part of the

internal audit function and supervises compliance with these rules across the entire Group. The Internal Audit and other internal audit services in the Group operate in accordance with the Global Internal Audit Standards (in force from 9 January 2025), the ZBan-3, or other relevant laws which regulate the operations of a member.

5.2. The number of directorships held by members of the Management Body

(Article 435 2.a of CRR)

Table 18 – The number of directorships held by members of the Management Body

Director	Number of directorships	External directorships as counted under Article 91(3) and 91(4) of Directive 2013/36/EU
Blaž Brodnjak	2	President of the Supervisory Board of the Bank Association of Slovenia, Member of the Board of Directors of Basketball Club Cedevita Olimpija, Member of the EBF Board of the European Banking Federation, Member of the Management Board of the Foundation for the Pediatric Clinic in Ljubljana
Peter Andreas Burkhardt	2	None
Archibald Kremser	2	None
Antonio Argir	3	President of the Board of Directors of Macedonian-Slovenian Business Club
Andrej Lasič	3	Deputy President of the Supervisory Board of the Bank Association of Slovenia
Hedvika Usenik	3	Member of Management Board of the Institute for Economic Research, Member of Management Board British–Slovenian Chamber of Commerce
Reinhard Höll	1	None

Details on the functions held by members of the Management Body are disclosed in the 2025 NLB Group Annual Report, in the Corporate Governance chapter (page 121).

5.3. The recruitment policy for the selection of the Management Body and their actual knowledge, skills, and expertise

(Articles 435 2.b of CRR)

The last amendment the Policy on the selection of suitable candidates for members of the Management Board of NLB d.d. and Policy on the selection of suitable candidates for members of the Supervisory Board of NLB d.d. (Management Body) were adopted in 2025 due to the amendments in the ZGD (Companies Act). With these two Policies, the framework for the selection and appointment of suitable Management Body candidates is set. The framework is defined with the selection process policy, with the goal of the Management Body as a whole to possess the whole spectrum of relevant knowledge, skills, and experience required for the in-depth understanding of the Bank's strategy and challenges, and the risks to which it is exposed. The policy sets out the process of selecting suitable candidates for Management Body members, which is composed of several steps, and the professional criteria of selection and expertly managed procedures of candidate selection enabling the bodies of the Bank to lay the grounds for selection and perform due diligence in accordance with the highest ethical standards and care in the selection of suitable candidates for Management Body members. This will also ensure that the Bank's Management Body is composed of individuals who have a balanced range of skills, knowledge, and experience about the strategic goals and challenges, and who possess the appropriate qualifications as a team considering the size, complexity, and risk profile of the Bank. Expertly and transparently managed processes are not only in the Bank's interest, but also in the interest of the selected candidates because they dispel doubts about their expertise, qualification, independence, references, and whether they are the right choice.

Candidates for members of the Management Body of the Bank may only be persons who meet the legally prescribed conditions for a Management Board member under the above regulations and the criteria set out below.

Beside all legal and statutory set conditions, candidates for Management Body member need to have adequate experience, skills, expertise, and competences, including their individual personal integrity and ability to dedicate adequate time to carry out their duties in view of possible other candidate's activities outside the Bank. By this, the candidates are able to carry out their duties diligently, responsibly, effectively, as well as define and determine the

values of the Bank and strategy of its operations in order to follow the objectives of its long-term success and to ensure they are in line with the Bank's best interests and highest ethical standards of its management. Management Body candidates need to demonstrate the ability of constructively critical cooperation when addressing the most important issues of the Bank with the objective of the continuous pursuit of the Bank's best interest, and with this the ability of active involvement in the Bank's operations and its risk management. Also, Management Body candidates must subordinate their personal interests, the partial interest of third parties, as well as interests which could arise from the candidate's past functions or other activities, economic, professional, and private relationships (including the Management and Supervisory Boards members), which could by any means influence decision-making in the Bank's best interest.

In the case of any circumstances which could lead to conflict of interest and consequently jeopardise the adopting of independent decisions in the best interest of the Bank, such conflicts should be disclosed in the selection process, and a member should accept full responsibility to take timely measures to eliminate such conflicts of interest. During the Management Body member selection process, recommendations of both genders being appropriately represented are followed.

The selection of Management Body members should strive for the Management Board to have all the necessary expertise, knowledge, skills, and experience at their disposal for successfully managing or supervising the Bank. The composition of the Management Body must be such so as to achieve collective suitability, which is shown in:

- different levels of experience, age, education, and expert knowledge at the level of individual Management Body members, and consequently, at the level of the entire Management Body;
- knowledge of the local, regional, and, if appropriate, the global economic market, as well as the characteristics of the legal and regulatory environment, considering the international experience of individual members of the Management Body;
- a suitable method of communication, cooperation, and critical judgement or discussion in the process of decision-making, to which contribute the characteristics of every member; and
- appropriate gender representation.

Selection procedure of the candidate for the Supervisory Board

Once a year, the Supervisory Board assesses its composition, performance, potential conflicts of interest of individual members, the performance of individual members, and the Supervisory Board as a whole, in addition to the efficiency and performance of cooperation with the Management Board. The Supervisory Board also performs a self-assessment of its collective suitability. If it establishes that the number of the members of the Supervisory Board is inappropriate or that the number of the members of the Supervisory Board must be increased, or that certain knowledge, skills, and experience are lacking, or that the members in the Supervisory Board are no longer qualified to perform this function because they do not meet the required conditions, or because one or several members are unsuitable and thus the Supervisory Board as a whole no longer meets the required collective suitability, the Nomination Committee shall inform the persons about who holds the shares or other rights representing significant stakes who informed the Bank about this situation. The Supervisory Board shall invite the addressees to examine the candidates for Supervisory Board members who meet the conditions prescribed by the applicable regulations.

The Assembly decides on the appointment and recall of members of the Supervisory Board on the proposal of the Supervisory Board with prior consideration of candidates at the Nomination Committee, which must consider all proposed candidates and prepare a justification for its proposal. Besides the content set out below a justification for rejecting non-selected candidates must be included.

The procedure consists of the following steps:

- identification of the need to search for and nominate a candidate for Supervisory Board member,
- definition of the profile,
- search for candidates,
- selection of the candidates,
- fit & proper assessment of the candidates,
- proposal for appointment of a candidate,
- appointment of a candidate as a Supervisory Board member.

In 2025, the process of selection and nomination started, as the term of office of the two current members of the Supervisory Board had expired. One of them being a Work representative.

Islam Zekry was reappointed as a member of the Supervisory Board for another mandate at the 44th General Meeting of the Bank held on 16 June 2025. The Workers Council nominated a new candidate, Tatjana Jamnik Skubic, for a member of the Supervisory Board as Work representative. Tatjana Jamnik Skubic began her term on 25 August 2025, after the Bank of Slovenia and European Central Bank approved her appointment to this function, to which she was appointed on 29 May 2025 from the Workers Council.

On the basis of the Employee Participation in Management Act in 2020, employee's representatives of the Bank can be appointed as members of the Supervisory Board of the Bank – which is one of the rights of employee co-management. The interests of employees are represented by two employee representatives on the Supervisory Board. The appointment of employee representatives for the members of the Supervisory Board brings additional diversity at all levels, as their diverse work experience and knowledge of the Bank's operations can contribute to greater risk management, compliance, and transparency of the Bank's operations.

The selection procedure of the candidate for the Management Board

Once a year, the Supervisory Board assesses the composition of the Management Board, their performance, potential conflicts of interest of individual members, the performance of individual members, and the Management Board as a whole, as well as its efficiency.

If it establishes that the number of the members of the Management Board is inappropriate or that the number of the members of the Management Board must be increased, or that certain knowledge, skills, and experience are lacking, or that the members in the Management Board are no longer qualified to perform this function because they do not meet the required conditions, or because one or several members are unsuitable and thus the Management Board as a whole no longer meets the required collective suitability, the Nomination Committee informs the Supervisory Board, who then starts the selection procedure. The procedure consists of the following steps:

- identification of the need to search for and appoint a candidate to be the Bank's Management Board member,
- definition of the profile,
- search for candidates,
- selection of the candidates,
- fit & proper assessment of the candidates,
- proposal for the appointment of a candidate,
- appointment of a candidate for the Management Board member role.

In 2025, the process of nomination of new, additional Member of the Management Board started, to add the knowledge, skills, and experience to the Management Board. Reinhard Höll, as CTO (Chief Transformation Officer) was appointed on the function on 3 June 2025, after the appointment on the 1st Supervisory Board Meeting in 2025 held on 20 February 2025.

Among the members of the Management Board responsibilities are divided as follows: the President of the Board is responsible for the Executive Area, one Member of the Board is responsible for the Area of Risk, one Member of the Board is responsible for the Financial Area of the Bank and for Procurement and Data area, one Member of the Board is responsible for the Area Business with Large Companies, one Member of the Board is responsible for Retail and Private Banking, one Member of the Board is responsible for Management of the Group and the Field of Operational Business, and one Member of the Board is responsible for the Transformation Office, the Bank's Back Office and the IT Area.

5.4. The policy on diversity with regard to selection of members of the management body, its objectives, and any relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved

(Article 435.2 c of CRR)

The Bank amended the Diversity Policy in 2025, including provisions from the new EU Directive on gender balance, which was implemented into the Slovenian Companies Act (ZGD-1) in December 2024. This policy ensures that Bank's leadership is composed in a way that strengthens good governance, supports long-term strategic goals, and reflects the Group's commitment to fairness, inclusion, and a balanced representation.

The main changes of the Diversity Policy relate to the Bank's commitment that it will follow the target of 40% of the underrepresented gender in the Supervisory Board. According to these changes and changes in the number of members of the Management Board, the target for gender representation was adjusted for 2025. The Diversity Policy concurrently establishes a framework to promote diversity across the following dimensions:

- Gender diversity: ensuring a balanced pool of candidates during recruitment, promoting adequate gender representation in management. If two candidates for the management body meet all criteria and gender representation targets are unmet, the underrepresented gender will be selected.
- Age Diversity/Generational Diversity: attracting candidates across age groups to reflect its demographics, balancing younger and older members in management.
- Professional competencies, Skills and Experience: ensuring diverse knowledge, skills, and experience of the management body and senior management, adhering to criteria like experience, reputation, the management of potential conflicts of interest, available time, and independence.
- Continuity: maintaining a suitable ratio between existing and new members by not changing all members of the management body or senior management simultaneously when their mandates expire.
- Representation of Foreign Nationals and International Experience: ensuring that the management body and senior management have international experience in different areas.
- Personal integrity: the management body and senior management must demonstrate high personal integrity and follow the NLB Group Code of Conduct.
- Geographical provenance: seeking diverse geographical backgrounds in the management body and senior management to ensure a suitable knowledge of the culture, market characteristics, and legal framework in the areas where the Group operates.
- Target representation of the management body is achieved through a predetermined replacement plan and by fulfilling the roles as defined by the Articles of Association. In line with the Diversity Policy, the conditions and required profiles for management roles are established before appointments and various recruitment pathways are used to attract a wide range of candidates. Bank regularly monitors the achievement of target representation.
- While the Companies Act is binding only to the Bank, its principles are included in the Diversity Policies of NLB Group's banking members.
- Following the provisions of the Diversity Policy, the Bank determined that the proportion of gender balance it aims to achieve is at least 40% representation of the underrepresented gender (i.e., women) among the members of the supervisory body.

The Bank plans to maintain high levels of professional knowledge, international experience, continuity, and personal integrity across its Supervisory and Management Boards, with medium-high emphasis on geographical provenance and a balanced age structure as shown in following table.

Table 19 – The structure of the Supervisory Board and Management Board of NLB

	Supervisory Board of NLB		Management Board of NLB		
	2025	Plan for 2025	2025	Plan for 2025	
Wide range of knowledge, skills, and professional experience	High	High	High	High	
International experience of the members in different areas	Medium High	Medium High	Medium High	Medium High	
Continuity of composition of the management body	High	High	High	High	
Personal integrity	High	High	High	High	
Geographical provenance	Medium High	Medium High	Medium High	Medium High	
Age structure	20-30	0	0	0	
	30-40	0	0	0	
	40-50	1	1	2	2
	50-60	6	6	5	5
	60+	3	3	0	0
Share of women	40%	40%	14%	14%	
	4 of 10 members		1 of 7 members		

6. Credit risk and general information on CRM

6.1. General qualitative information on credit risk

(Article 435.1 a, b, c, and d of CRR)

In addition to the information disclosed in Section 5.1 (General information on risk management, objectives, and policies), specifics related to credit risk are disclosed below.

Credit risk management strategies and policies

The Group's lending strategy focuses on its core markets of retail, SME, and selected corporate business activities within the region and EU. On the Slovenian market, the focus is on providing appropriate solutions for retail, medium-sized companies, and small enterprise segments, whereas on the corporate segment, the Bank established cooperation with selected corporate clients that have a good and sustainable business model, growth potential, competent management, a long-term sustainable funding structure, and an increasingly adequate long-term ESG strategy. All other banking members in the SEE region where the Group is present are universal banks, mainly focused on the retail, medium-sized companies, and small enterprise segments. Their primary goal is to provide comprehensive services to clients by applying prudent Risk Management principles. The credit portfolio remains well-diversified, and there is no large concentration in any specific industry or client segment. In addition, with the acquisition of the SLS Group, the Group strengthened its leasing position in the Slovenian market and entered the Croatian market.

The Group remains very prudent in identifying any increase in credit risk, as well as proactive in the area of NPL management. The Group is oriented towards appropriate credit portfolio diversification to avoid large concentration. The Group carefully monitors its loan portfolio and new approved loans from different aspects, from default risk to migration and FX lending risk. Due to extensive experience gained in the last few years in dealing with clients with financial difficulties, resulting primarily from legacy portfolios, the Group has developed an extensive knowledge base both in the prevention of financial difficulties for clients, to restructure viable clients in case of need, and to efficiently work out exposures with no realistic recovery prospects. Furthermore, The Group increased a focus on ESG risk management, which is incorporated into the Group's overall credit approval process and the related credit portfolio management.

Credit Risk appetite

With the aim of maintaining the medium-term and long-term sustainability of operations, the Group strives to maintain the adequate quality of the credit portfolio, and increase profitability based on a concept of optimising the ratio between the return and the assumed risks. While maintaining a balanced overall risk profile, the Bank continues to foster the development of small companies to support their evolution into a robust backbone of target market economies. The Group communicates its risk appetite through standardised risk parameters (such as NPL, cost of risk, and NPL coverage), as well as to parameters reflecting the Group's portfolio specifics. Great emphasis is placed on monitoring the concentration risk (industry, single client/group of related persons, industries with high emission intensity) to avoid exposure to excessive risk. More detailed guidelines concerning the credit portfolio's quality and its concentration are defined in NLB Group Risk Strategy and NLB Group Risk Appetite, whereby the target values and limits are the subject of regular, at least quarterly monitoring.

Credit risk management and mitigation

In its operations, the Group is exposed to credit risk or the risk of losses due to the failure of a debtor to settle its liabilities with the Group. For that reason, it proactively and comprehensively monitors and assesses the aforementioned risk. In that process, the Group follows the IFRS, regulations issued by the ECB or the Bank of Slovenia, and the EBA guidelines. This area is governed in detail by the internal methodologies and procedures set out in internal acts.

As part of the Group's corporate governance, regular reviews of the business practices and the credit portfolios of Group members are performed. Hereby, the Bank ensures that the credit risk management of those entities that function in accordance with Group's risk management standards in order to ensure meaningfully uniform procedures at the consolidated level.

The Group manages credit risk using different approaches:

- **Risk Assessment and monitoring:**

At the level of the individual customer/group of customers appropriate procedures are followed in various phases of the relationship with a customer prior to, during, and after the conclusion of an agreement. Prior to concluding an agreement, a customer's performance, financial position, and past cooperation with the Bank are assessed. To objectively assess a client's operation, internal scoring models for particular client segments or product types have been developed. It is also important to secure high-quality collateral, even though it does not affect a customer's credit rating. This is followed by various forms of monitoring a customer, in particular an assessment of its ability to generate sufficient cash flows for the regular settlement of its liabilities and contractual obligations. In this part of the credit process, regular monitoring of clients within the Early Warning System (EWS) is important. In the case of client default, restructuring or work-out is initiated depending on the severity of the client's position.

- **Performance Measurement and Reporting:**

The quality and trends in the credit portfolio, including on-balance and off-balance sheet exposures, are actively monitored and analysed at the level of the overall portfolio of the Group and single banking entities. Comprehensive analyses are regularly performed to assure monitoring of the portfolio quality through time and to identify any breach of limits or targets. Great emphasis is placed on the evolution of portfolio structure in terms of client segmentation, credit rating structure, structure by stages (based on IFRS 9), and NPL ratios. Furthermore, the coverage of NPL is an important indicator of potential future losses that is closely monitored. Apart from analysing the portfolio as a whole, the quality of new loans production is monitored to test the conservativity of the lending standards, which should ensure the portfolio quality is maintained within the Group's Risk Appetite. Regular reporting to senior management and the board ensures transparency and informed decision-making.

- **Stress-testing and Scenario Analysis:**

Regular stress-testing and scenario analysis are conducted to assess the resilience of credit portfolio under different economic conditions. These exercises help in identifying vulnerabilities and formulating contingency plans.

Beside default risk, portfolio management is also focused on monitoring single name and industry concentration, migration, and FX lending risk. Additionally, from an ESG view the Group analyses and monitors its credit portfolio by using heat maps and setting Net Zero targets for selected industries. Such an approach enables different views over the Group's corporate portfolio from physical and transition risk perspectives.

Capital requirements for credit risk at the Group level within the first pillar are calculated according to the standardised approach, while within the second pillar an internal IRB approach is used to estimate the RWA for default, migration, and FX lending risk. At the same time, the single name concentration add-on is based on the Granularity adjustment methodology and industry concentration add-on is estimated based on the HHI concentration indexes.

Starting on 1 January 2025, the calculation of risk weighted assets for credit risk is based on CRR3 regulation. The bank continues to use the Standardised Approach, the key changes compared to the previous regulation are in the area of Credit Conversion factors, FX lending to private individuals, in the area of Real Estate Financing, in Specialised lending, and in Equity exposures.

The Group is constantly developing a wide range of advanced approaches, supported by mathematical and statistical models in the area of credit risk assessment in line with best banking practises to further enhance existing risk management tools. The internal IRB approach to the capital consumption calculation, as well as the IFRS9 approach to estimate the cost of risk have been incorporated into the profitability calculation for new financing.

In order to detect exposures with increased risk, the Group established several measures, including the introduction of an early warning system and a loan watch committee. The restructuring approaches built in the past are focused on the early warning detection of clients with potential financial difficulties and their proactive resolving. These approaches encompass the systematic usage of standardised tools for the timely restructuring of exposures.

Structure and organisation of the credit risk management and control function

The credit risk management function in the Bank is organised within the Risk stream, headed by the member of the Management Board responsible for the risk area (CRO). The credit risk management function is performed by Global Risk. The Global Risk is in functional and organisational terms separate from other functions in the risk stream (in relation to underwriting, restructuring, and workout decisions) where business decisions are adopted, and where a

potential conflict of interest may arise. The head of the risk management function has direct access to the Management Board, and at the same time unhindered and independent access to the Supervisory Board.

The risk management function is organised in a way that the head of the risk management function obtains the information (and must be informed) by the directors of other OUs in the Bank and the Group members (primarily directors within risk area) about all major risks and circumstances that influence or could influence the specific development of risks and the risk profile of the Bank and the Group. The head of the risk management function thus ensures that all major risks in the Bank and the Group are identified and reported. In the Group members, the risk management function is organised according to the local legislation and the Group's guidelines, as defined in "Risk Management Standards in NLB Group." The guidelines on risk management provide the Group members with the main principles, with which they must align their business policies, organisation, work procedures, and reporting system.

Credit process

The general principles of lending to non-financial clients in the Group are:

- The Group only finances clients that it knows (KYC) and trusts, and only those acting according to ethical and moral values, conducting legal business, and transparently disclosing their operations.
- The Group only finances clients with a sufficient level of anticipated free cash flow, as the primary source of repayment. Furthermore, credit approval is not based only on client's financial statements, but a comprehensive analysis is done by also considering the client's industry specifics, future cash flow generation capability, the references and competences of owners and management bodies, and critical judgement of future financial plans.
- The received collateral cannot influence the client's creditworthiness assessment. The accepted collateral represents a secondary source of repayment as a risk mitigation tool.
- In the case of restructuring, the Group primarily follows restructuring criteria and measures with the aim to optimally resolving the client's financial difficulties. Before restructuring, a detailed analysis is performed testing the client's viability to reach sustainable financial indebtedness in the mid-term and the willingness to cooperate in the restructuring process. For corporate clients, different economic options are tested and the option that maximises the NPV for the Group is selected.

More detailed principles and rules are defined in NLB Group's Risk Strategy, Lending Policy, and Standard Criteria and procedures.

For materially important clients of the Group, the credit ratings and the issuance of credit risk opinions are centralised. The process follows the co-decision principle in which the credit committee of the respective group member first approves their decision, followed by the opinion of the Credit Committee of the Bank. The resolution of the Credit Committee of NLB is made on the basis of all available documentation, including a non-binding rating opinion prepared by the underwriting department of the Bank (Credit risk – Corporate). This same principle and process is also set for the issuing of exposures for materially important clients of the Group.

As part of the credit granting process, the Administration of the credit and documentary business ensures that all contractual covenants are met, before the funds are actually transferred, including the minimum pre-conditions regarding collateral. By following strict procedures before the credit transfer, the Group makes sure to have credit risk mitigation measures in place for the case of repayment problems.

Restructuring and collection

The Group banking members have an early warning system in place for identifying increased credit risk and thus, in a systematic manner, select the clients with high credit risk for inclusion on the watch list in the early stage, or for commencing the process of restructuring. An action plan is compiled for such clients, and its implementation is regularly monitored with the aim of implementing the measures for the improvement of the client's financial position.

In the segment of restructuring, the Group performs different measures in order to ensure financial and business restructuring of the clients, with the purpose to proactively prevent them from becoming non-performing clients, while in contrast, it performs different restructuring measures with already non-performing clients when the client's business model is assessed as viable. The focus is on a fast and active approach in order to start resolving the client's financial difficulties in the early stages. Minimum activities for the Group members are set in the standards, "Restructuring and Non-performing loan management in the Group."

Those clients whose business model is not assessed as viable and do not meet the criteria for restructuring, are transferred to the Work-out and Recovery Unit. In line with the relevant methodologies that regulate legal collection

area, clients must be transferred from the sales segments into a special and separate unit for managing non-performing loans in the process of work-out, while the sales units must focus only on the healthy part of the credit portfolio.

Within the framework of NPL management, the Group uses a wide range of possible collection measures. The principal mission in the work-out area is to optimally resolve the collection of unpaid claims through (out of) court and by conducting litigation, which also requires constant professional and ethical communication with third parties. Another approach to resolve NPL is the liquidation of collateral, where the Bank established a group of real-estate management specialists to enable optimal recovery. Furthermore, individual or package sales of claims are performed, and finally the unpaid part of facilities is written-off based on Bank of Slovenia guidelines or similar regulations on subsidiaries home markets. The Group's goal is to achieve the maximum value of repayments and thus minimise the losses with the existing NPL portfolio.

Targets for NPL movements defined in the yearly budget are regularly monitored and revised at least on a yearly basis.

Methods used for determining general and specific credit risk adjustments are described in the 2025 NLB Group Annual Report – note 2.14. Allowances for financial assets (page 420).

Internal control assessment in the credit risk function

The Internal Audit regularly monitors and reviews the area of credit risk management, based on identified and assessed risks in the process of planning audits and regulatory required reviews.

In 2025, the Internal Audit performed several reviews in the area of credit risk management and mitigation. As main strengths, the Internal Audit observed significant progress in the bank's end-to-end lending modernisation, with receivables purchasing, online retail loans, and pre-qualified corporate lending now largely digital and automated. Stronger process controls and clear ownership support faster, more consistent decisions across products. Client experience has improved without compromising risk discipline. These improvements provide a strong base for sustainable growth and stable operations.

Collateral governance is being upgraded to address valuation discipline, eligibility criteria, and data quality across banking members. Annual revaluation practices and documentation standards are being tightened. Internal reporting is moving toward a more unified and automated approach to reduce error risk. Group-wide harmonisation supports consistent collateral treatment and capital accuracy. Processes for identifying connected clients are established and applied to significant exposures, and further improvements are focused on data integrity and on ensuring consistent assessment and documentation of justified exceptions. Source-system alignment and operational consistency are being strengthened to reduce manual handling.

Before the merger of Summit Leasing and NLB Lease&Go, Internal Audit conducted a review of the consumer-loan originating process to ensure the alignment of risk and operational standards. Summit Leasing has strengthened governance and process discipline, supported by clearer ownership and enhanced data-quality controls. Workflow transparency and reduced manual handling contribute to more consistent decisions. These improvements support stable operations and position the integrated business for sustainable growth.

A non-performing loan position remains stable within the risk appetite, supported by prudent provisioning and strong oversight. Improved early-collection capabilities contribute to portfolio resilience. Reporting on portfolio quality is being sharpened to strengthen transparency. These actions ensure a structured and disciplined approach to managing credit deterioration. Forbearance capabilities have advanced significantly, supported by full automation of retail status labelling and enhanced monitoring tools. Automation for legal entities is being expanded while business rules and data are refined. Early-collection capacity has also been raised through system enhancements, new dashboards, and coordinated client communications via phone, digital banking notifications, email, and written reminders. These measures enable more timely identification and treatment of early signs of risk. Individual provisioning practices are assessed as adequate, with calculations authorised and documented. Work is progressing to update internal instructions, ensure timely recognition for non-performing clients, and strengthen audit trails. Templates and supporting tools are being refined to improve evidence and re-performance. These improvements strengthen confidence in provision adequacy. Early-warning indicators and unlikely-to-pay triggers are being enhanced to improve timeliness. All measures are part of a remediation roadmap already in progress and aligned with ECB supervisory communications.

The Internal Audit also identified certain possibilities for improvements in the credit risk management process. The Group strengthened its model-risk framework, advancing validations and documentation, and reinforcing lifecycle governance. Basel III/CRR 3 readiness progressed through system upgrades, refreshed operating rules and product

documentation, targeted training, and clarified responsibilities to ensure consistent implementation across platforms. A continuously changing and extremely complex regulatory environment was identified as one of the major challenges for the Bank/Group. The identified shortcomings were addressed with adequate audit recommendations to responsible organisation units. The implementation of recommendations is regularly followed and reported.

Compliance in credit risk function

The NLB Group Code of Conduct (<https://www.nlb.si/code-of-conduct>) obliges all employees within the Bank and other Group members to follow internal rules and procedures, as well as to comply with relevant regulatory requirements, *inter alia* also in the area of managing credit risk. Therefore, they must respect the rules regulating the credit processes, the rules arising from the investment policies regarding natural persons and legal entities, including limits set to manage credit risk. They must also respect the core principles and values that are prescribed by the NLB Group Code of Conduct. The latter stipulates, *inter alia*, that the Bank and other Group members have zero tolerance for misconduct related to fraud or other types of harmful behaviour, including breaches of limits and other risk management-related measures to ensure business within the risk management policies and procedures on a daily basis.

The system of internal controls in the Bank and other core members of the Group also includes the close integration of the compliance function into credit risk management processes in terms of preventing harmful practices, improving the control environment to manage compliance and integrity risks, identifying and assessing risks in specific financing processes, and in the context of investigations into reported suspected harmful conduct.

During 2025, Compliance and Integrity closely cooperated with credit risk management in supporting the identification and management of compliance and integrity risk, as well as reputation risk related to proposed investments of the Bank, including AML/CTF, personal data protection, and information security risks. These assessments are also an integral part of major changes of the Bank's business or internal processes (usually managed through a project management approach) to enable the Bank to foresee risks related to changes in credit risk management policies, processes, and methodologies (this approach is followed for other risks, as well). The same approach to manage credit risks, compliance risks, and other types of risks is followed when assessing risks related to new or existing products that the Bank offers to its clients, i.e. before introducing a new product or when regularly assessing the existing products and services of the Bank.

Furthermore, as part of fraud prevention and management, Compliance and Integrity monitors all information communicated in relation to any deviations from standard procedures, and is actively involved in the conduct of investigations, corrective actions, and issuing recommendations to eliminate any irregularities detected and possible damage in cases with suspicious of fraudulent or other types of harmful behaviour. This approach was also used in 2025 as a standard procedure for compliance functions in the Group.

6.2. Credit risk quality

(Article 442 c and g of CRR)

Table 20 – EU CR1-A – Maturity of exposures of NLB Group

31.12.2025		Net exposure value					Total
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	
		a	b	c	d	e	f
1	Loans and advances	14,273	2,654,057	5,607,330	10,793,310	212,308	19,281,278
2	Debt securities	-	1,360,683	2,802,986	2,803,738	-	6,967,407
3	Total	14,273	4,014,740	8,410,316	13,597,048	212,308	26,248,685

31.12.2024		Net exposure value					Total
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	
		a	b	c	d	e	
1	Loans and advances	1,144	2,470,643	5,332,343	8,965,649	190,897	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	10,810,125	190,897	23,157,562

At the end of 2025, 51.8% of net on-balance exposure had remaining maturity of “Over five years,” followed by the “One year to five years” category with 32.0%, and the “Up to one year” category with 15.3%. In the last year, the highest increase was noticed in the “Over five years” category.

Table 21 – EU CQ7 – Collateral obtained by taking possession and execution processes of NLB Group

31.12.2025		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
		a	b
1	Property, plant, and equipment (PP&E)	1,118	(104)
2	Other than PP&E	37,435	(5,813)
3	Residential immovable property	4,194	(1,000)
4	Commercial immovable property	29,867	(4,665)
5	Movable property (auto, shipping, etc.)	3,374	(148)
8	Total	38,553	(5,917)

6.3. Non-performing and forbore exposures

(Article 442 a, b, c, d, 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 forbore 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 22 – EU CQ4 – Quality of non-performing exposures by geography of NLB Group

31.12.2025	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					
	Total	Total	Of which defaulted			
Exposures	a	b	c	e	f	g
1 On-balance-sheet	26,649,698	479,697	479,697	(406,930)		-
2 Slovenia	9,730,013	317,107	317,107	(186,126)		-
3 Serbia	4,997,812	48,315	48,315	(61,715)		-
4 North Macedonia	2,085,852	27,813	27,813	(43,410)		-
5 Bosnia and Herzegovina	1,748,684	19,115	19,115	(44,353)		-
6 Kosovo	1,266,798	23,719	23,719	(34,035)		-
7 Montenegro	908,232	22,062	22,062	(21,713)		-
8 Other countries	5,912,307	21,566	21,566	(15,578)		-
9 Off-balance-sheet	6,192,386	19,260	19,260		(20,200)	
10 Slovenia	3,386,952	15,579	15,579		(8,853)	
11 Serbia	1,677,432	2,313	2,313		(3,801)	
12 North Macedonia	337,740	450	450		(2,373)	
13 Bosnia and Herzegovina	352,795	68	68		(2,614)	
14 Kosovo	111,303	236	236		(594)	
15 Montenegro	197,395	614	614		(1,797)	
16 Other countries	128,769	-	-		(168)	
17 Total	32,842,084	498,957	498,957	(406,930)	(20,200)	-

Table 23 – 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	419,493
3 Outflows from non-performing portfolios	(279,922)
4 Outflows due to write-offs	(61,143)
5 Outflow due to other situations	(218,778)
6 Final stock of non-performing loans and advances	478,899

Table 24 – EU CQ3 – Credit quality of performing and non-performing exposures by past due days of NLB Group

		Gross carrying amount/nominal amount											Of which defaulted
		Performing exposures			Non-performing exposures								
		Total	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Total	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	
a	b	c	d	e	f	g	h	i	j	k	l		
005	Cash balances at central banks and other demand deposits	3,790,713	3,790,671	42	-	-	-	-	-	-	-	-	-
010	Loans and advances	19,199,824	19,124,306	75,518	478,899	310,490	37,058	41,006	51,076	18,086	6,191	14,992	478,899
020	Central banks	91,464	91,155	309	-	-	-	-	-	-	-	-	-
030	General governments	844,810	844,740	70	499	404	78	-	3	-	3	11	499
040	Credit institutions	354,767	354,730	37	25	25	-	-	-	-	-	-	25
050	Other financial corporations	213,545	213,458	87	207	10	5	-	23	-	-	169	207
060	Non-financial corporations	7,271,299	7,258,257	13,042	300,645	219,125	15,270	18,083	24,821	8,782	4,105	10,459	300,645
070	Of which SMEs	4,717,871	4,705,589	12,282	153,124	84,941	14,355	8,074	22,409	8,781	4,105	10,459	153,124
080	Households	10,423,939	10,361,966	61,973	177,523	90,926	21,705	22,923	26,229	9,304	2,083	4,353	177,523
090	Debt securities	6,970,177	6,970,177	-	798	798	-	-	-	-	-	-	798
100	Central banks	9,733	9,733	-	-	-	-	-	-	-	-	-	-
110	General governments	5,045,389	5,045,389	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	1,705,291	1,705,291	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	192,286	192,286	-	798	798	-	-	-	-	-	-	798
140	Non-financial corporations	17,478	17,478	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	6,173,126			19,260								19,260
160	Central banks	121			-								-
170	General governments	218,039			21								21
180	Credit institutions	89,712			-								-
190	Other financial corporations	35,856			23								23
200	Non-financial corporations	4,971,041			17,394								17,394
210	Households	858,357			1,822								1,822
220	Total	36,133,840	29,885,154	75,560	498,957	311,288	37,058	41,006	51,076	18,086	6,191	14,992	498,957

Table 25 – EU CR1 – Performing and non-performing exposures and related provisions of NLB Group

31.12.2025	Gross carrying amount/nominal amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					Collateral and financial guarantees received			
	Performing exposures			Non-performing exposures		Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Accumulated partial write-off	On performing exposures	On non-performing exposures	
	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	3,790,713	3,790,713	-	-	-	(931)	(931)	-	-	-	-	461,500	-
010	Loans and advances	19,199,824	18,038,145	1,155,465	478,899	463,621	(156,838)	(88,569)	(69,816)	(240,607)	(234,258)	(7,329)	9,217,736	149,231
020	Central banks	91,464	91,464	-	-	-	(2)	(2)	-	-	-	-	-	-
030	General governments	844,810	835,617	9,193	499	499	(3,766)	(3,032)	(734)	(499)	(499)	-	121,490	1
040	Credit institutions	354,767	354,750	17	25	25	(280)	(280)	-	(19)	(19)	-	111	-
050	Other financial corporations	213,545	213,044	501	207	207	(1,028)	(1,026)	(2)	(202)	(202)	(1,341)	35,618	4
060	Non-financial corporations	7,271,299	6,754,544	513,103	300,645	290,929	(58,546)	(39,181)	(20,017)	(124,242)	(121,054)	(5,988)	3,595,098	107,049
070	Of which SMEs	4,717,871	4,377,068	337,871	153,124	147,676	(41,605)	(29,531)	(12,727)	(80,787)	(79,734)	(5,744)	2,803,566	59,633
080	Households	10,423,939	9,788,726	632,651	177,523	171,961	(93,216)	(45,048)	(49,063)	(115,645)	(112,484)	-	5,465,419	42,177
090	Debt securities	6,970,177	6,969,107	962	798	798	(8,687)	(8,652)	(35)	(798)	(798)	-	263,316	-
100	Central banks	9,733	9,733	-	-	-	(4)	(4)	-	-	-	-	-	-
110	General governments	5,045,389	5,044,319	962	-	-	(7,412)	(7,377)	(35)	-	-	-	-	-
120	Credit institutions	1,705,291	1,705,291	-	-	-	(893)	(893)	-	-	-	-	167,132	-
130	Other financial corporations	192,286	192,286	-	798	798	(191)	(191)	-	(798)	(798)	-	96,184	-
140	Non-financial corporations	17,478	17,478	-	-	-	(187)	(187)	-	-	-	-	-	-
150	Off-balance-sheet exposures	6,173,126	6,042,818	130,066	19,260	15,852	(14,070)	(12,411)	(1,659)	(6,130)	(6,114)		721,798	3,102
160	Central banks	121	121	-	-	-	-	-	-	-	-		-	-
170	General governments	218,039	217,866	173	21	21	(506)	(506)	-	(9)	(9)		18	-
180	Credit institutions	89,712	89,712	-	-	-	(21)	(21)	-	-	-		1,320	-
190	Other financial corporations	35,856	35,705	151	23	23	(63)	(63)	-	(6)	(6)		3,366	-
200	Non-financial corporations	4,971,041	4,863,055	107,766	17,394	14,017	(11,722)	(10,329)	(1,393)	(5,618)	(5,612)		670,072	2,454
210	Households	858,357	836,359	21,976	1,822	1,791	(1,758)	(1,492)	(266)	(497)	(487)		47,022	648
220	Total	36,133,840	34,840,783	1,286,493	498,957	480,271	(180,526)	(110,563)	(71,510)	(247,535)	(241,170)	(7,329)	10,664,350	152,333

Table 26 –EU CQ1 – Credit quality of forborne exposures of NLB Group

31.12.2025	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	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures	Total	Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
		Total	Of which defaulted	Of which impaired				
	a	b	c	d	e	f	g	h
1 Loans and advances	124,348	229,827	229,827	229,827	(17,293)	(104,740)	128,678	62,927
3 General governments	1,073	138	138	138	(140)	(138)	-	-
5 Other financial corporations	-	168	168	168	-	(168)	-	-
6 Non-financial corporations	56,060	185,932	185,932	185,932	(3,053)	(75,699)	92,631	52,864
7 Households	67,215	43,589	43,589	43,589	(14,100)	(28,735)	36,047	10,063
9 Loan commitments given	631	629	629	629	5	143	585	86
10 Total	124,979	230,456	230,456	230,456	(17,288)	(104,597)	129,263	63,013

Table 27 – EU CQ5 – Credit quality of loans and advances to non-financial corporations by industry of NLB Group

31.12.2025	Gross carrying amount / nominal amount		Accumulated impairment
	Total	Of which defaulted	
	a	c	e
1 Agriculture, forestry and fishing	150,042	3,331	(3,179)
2 Mining and quarrying	38,742	320	(399)
3 Manufacturing	1,990,939	190,697	(82,874)
4 Electricity, gas, steam and air conditioning supply	616,399	48	(4,523)
5 Water supply	69,954	9,276	(2,838)
6 Construction	852,655	12,367	(13,310)
7 Wholesale and retail trade	1,618,274	21,788	(24,279)
8 Transport and storage	563,912	21,536	(14,304)
9 Accommodation and food service activities	285,672	12,171	(7,934)
10 Information and communication	226,849	2,260	(6,589)
11 Financial and insurance activities	104,630	64	(598)
12 Real estate activities	463,632	6,934	(7,323)
13 Professional, scientific and technical activities	287,327	12,808	(8,202)
14 Administrative and support service activities	171,992	4,817	(2,662)
15 Public administration and defense, compulsory social security	4,995	5	(256)
16 Education	16,205	97	(989)
17 Human health services and social work activities	57,426	259	(547)
18 Arts, entertainment and recreation	16,593	361	(396)
19 Other services	35,706	1,506	(1,586)
20 Total	7,571,944	300,645	(182,788)

6.4. Credit risk mitigation techniques

(Article 453 b, c, e, f, and g of CRR)

Credit protection policy

The Group applies a single set of standards to retail and corporate loan collateral, as developed by the Group members in accordance with regulatory requirements. The master document regulating loan collateral in the Group is the Loan Collateral Policy in NLB and NLB Group. The Policy has been adopted by the Management Board of the Bank. The Policy represents the basic principles that the Group's employees must consider when signing, evaluating, monitoring, and reporting collateral, with the aim of reducing credit risk.

In line with the policy, the primary source of loan repayment is the debtor's solvency, and the accepted collateral is a secondary source of repayment in case the debtor ceases to repay the contractual obligations.

The Group prioritises accepting collateral that meets the requirements of European regulations for reducing capital requirements (Basel III), thereby achieving both improved credit risk management and more rational use of capital. In accordance with Basel III, collateral may consist of pledged deposits, government guarantees, bank guarantees, debt securities issued by central governments or central banks, bank debt securities, and real-estate mortgages (the real estate must be, beside other criteria, located in the EEA or in the countries with third party equivalent status for the effect on capital to be recognised).

Loans made to companies and sole proprietors may be secured by other forms of collateral as well (for example, a lien on movable property, a pledge of an equity stake, investment coupons, collateral by pledged/assigned receivables, etc.) if it is assessed that the collateral could generate a cash flow if it were needed as a secondary source of payment. If there is a lower probability that this type of collateral would generate a cash flow, the Group takes a conservative approach and accepts the collateral while reporting its value as zero.

On 1 January 2025, the revised regulation (Basel III) came into effect, introducing changes primarily in the area of real estate-backed collateral. Consequently, in 2025, in the Group we intensively worked on aligning the existing collateral portfolio with Basel standards, with a significant portion of the work focused on adapting to the new prudent valuation criteria for real estate. The goal of the Group's adaptation is to establish such collateral and monitoring in the application support system so that we can fully utilise regulatory opportunities to realise capital savings.

Among the more significant activities, we can also highlight the efforts to migrate collateral (and loans) of natural persons to the unified (core) system, which we previously used for loans granted to legal entities. The goal of the migration will be to optimise operations and increase the transparency of loans and collateral.

The processes for valuing collateral

In accordance with the law, the Group monitors and reports collateral at market value. Additionally, in line with the amended legislation in 2025 regarding real estate collateral, it has established a system for determining the prudent value (or prudent valuation) of real estate.

'Prudent value' is a conservative estimate of value defined by the Basel Standards (Basel III) and represents a value equal to or lower than the current market value, as it takes into account a safety margin for periods of potential market fluctuations. The basis for determining the prudent value of real estate is market value, based on the assessment of the risk that the current market price of the property may be significantly higher than the value that would be sustainable over the term of the loan. Such an assessment is based on the cyclical nature of the real estate market and takes into account factors such as the macroeconomic cycle and where the real estate market is in that cycle, the extent of excess supply of a particular type of real estate, population trends, changes in the microenvironment, the loan term, and the location (area) of the property.

The market and prudent value of real estate used as collateral is obtained from valuation reports of licensed appraisers. The market value of movable property is obtained from valuation reports of licensed appraisers or from sales agreements. Both, the valuation reports and sales agreements must not be older than one year. In the Bank and members of the Group, most reports of external real estate appraisers are verified. Controls are performed by internal appraisers. The subject of verification is the content, value, scope, and format of the report, its compliance with international valuation standards, and the estimated value. If they notice deviations, they estimate the needed correction of the value of the external valuation (in %) and correct the value of the external valuation. The value adjustment can only be negative and can be applied only in a limited range. For the purposes of business decisions and the calculation of the necessary impairments and provisions, additional deductions (haircuts) are applied to the eventual adjusted market value, depending on the type of collateral. These haircuts for the purpose of liquidation value are in the range between 30 and 70% for real estate, depending on the type of real estate and location, for movables they range between 50 and 100%, depending on the type of movable.

The market value of financial instruments held by the Group is obtained from the organised market – such as the stock exchange, for listed financial instruments or determined in accordance with the internal methodology for unlisted financial instruments (such collateral is used exceptionally and on a small scale in loans granted to companies and sole proprietors).

The Bank has compiled a reference list of licensed real estate appraisers for real estate. All appraisals must be made for the purpose of secured lending and in accordance with the international valuation standards (IVS, EVS, or RICS). Appraisals related to retail loans are generally only ordered from appraisers with whom the Bank has a contract for real-estate valuations. For corporate loans, appraisals are usually submitted by clients. If a client submits an appraisal that is not made by an appraiser included on the Bank's reference list, the Bank's expert department which employs certified real estate appraisers in construction with licences granted by the Slovenian Ministry of Justice, and certified real-estate value appraisers with licences granted by the Slovenian Institute of Auditors, will verify the appraisal. The expert department is also responsible for reviewing valuations of real estate serving as collateral for large loans.

Other Group members obtain valuations from in-house appraisers and outsourced appraisers, all possessing the necessary licences. The Group has compiled a reference list of appraisers for valuations of real estate located outside

the Republic of Slovenia. Appraisals must be made in accordance with the international valuation standards, and for larger exposures, real-estate evaluations must also be reviewed by an internal licensed appraiser with knowledge of the local real-estate market. If the appraisal does not correspond to the international valuation standards, or if the value adjustment is greater than a certain limit, the appraisal is rejected as inadequate.

When assuring collateral, the Group follows the internal regulations which define the minimum security or pledge ratios. The Group strives to obtain collateral with a higher value than the underlying exposure (depending on the borrower's rating, loan maturity, etc.) with the aim of reducing negative consequences resulting from any major swings in the market prices of the assets used as collateral. If real estate, movable property, and financial instruments serve as collateral, the Group's lien on such assets should be top ranking. Exceptionally, where the value of the mortgaged real estate is large enough, the lien can have a different priority order.

The Group monitors the value of collateral during the loan repayment period in accordance with the mandatory periods and internal instructions. For example, the value of collateral using mortgaged real estate is monitored annually, either by preparing individual assessments or by using the internal methodology for preparing an own value appraisal of real estate, based either on public records and indexes of real-estate value published by the relevant government authorities (the Surveying and Mapping Authority in the Republic of Slovenia) or on analyses carried out. The value of pledged movable property is monitored once a year (in the Bank automated, with a straight-line depreciation over the period of the remaining useful life).

The main types of collateral taken by the Group

The Group accepts different forms of material and personal security as loan collateral.

Material loan collateral gives the right in the case where the debtor (borrower) defaults on their contractual obligations to sell specific property to recover claims, keep specific non-cash property or cash, or reduces or offsets the amount of exposure against the counterparty's debt to the Bank.

The Group accepts the following material types of loan collaterals:

- Collateral in the form of business and residential real estate: land, buildings, and individual parts of buildings in a storeyed property intended for living in or performing a business activity, such as land in the area foreseen for construction, apartments, residential buildings, garages and holiday homes, business premises, industrial buildings, offices, shops, hotels, branches and warehouses, forests, parking spaces, etc. The objects can be completed or under construction. Priority is given to property where the pledge right of the Bank is entered in the first place and real estate is already owned by the debtor and/or the pledger. For real estate, there must be a market, and it must be redeemable within a reasonable time.
- Collateral in the form of movable property: priority is given to the types of movable property, that are highly likely to be sold in the event of execution, and the funds received are used to repay the collateralised claims (their market value must be estimated with considerable reliability). Among the appropriate types of movable property, the Bank includes motor vehicles, agricultural machinery, construction machinery, production lines and series-produced machines, and some custom-made production machines.
- Collateral by a pledge of financial assets (bank deposits or cash-like instruments, debt securities of different issuers, investment fund units, equity securities, or convertible bonds):
 - Cash receivable collateral: bank deposits and savings with the Bank are appropriate in domestic and foreign currency;
 - Debt and equity securities: bonds and shares which, according to the Bank's assessment, are suitable for securing investments and are traded on a regulated market (marketable securities of higher-quality Slovenian and foreign issuers);
 - The pledge of investment coupons of mutual funds managed by management companies (a priority company NLB Skladi, asset management d.o.o.) and are, according to the Bank assessment, suitable for insurance of investments.
- Pledge of an equity stake: non-marketable capital shares with a credit rating of at least B are adequate.
- Pledge or assignment of receivables as collateral: cash receivables must have longer maturities than the maturity of the investment and they must not be due and not paid.
- Other material forms of loan collateral (e.g., life insurance policies pledged to the Bank): the Bank accepts products of Vita, the life insurance company – pledge of an investment life insurance policy and a life insurance policy with a guaranteed return that includes savings, in addition to insurance.

Personal loan collateral is a method for reducing credit risk whereby a third party undertakes to pay the debt in case of the primary debtor (borrower) defaulting.

The Group accepts the following types of personal loan collateral:

- Joint and several guarantees by retail and corporate clients: for the collateralisation of private individuals' loans, employees, or pensioners are adequate guarantors. They must not be in the process of personal bankruptcy. They are responsible for fulfilling the debtor's obligations for loans with a repayment period not exceeding 60 months. For the collateralisation of legal entities investments, legal entities (in particular those with an external credit rating provided by eligible credit rating agencies), or private individuals are adequate guarantors;
- Bank guarantees;
- Government guarantees (e.g., of the Republic of Slovenia);
- Guarantees by national and regional development agencies with which the Bank has a contract on the acceptance of guarantees (e.g., the Slovenian Enterprise Fund);
- Other types of personal loan collateral.

Loans are very often secured by a combination of collateral types.

The general recommendations on loan collateral are specified in the internal instructions and include the elements specified below. The decision on the type of collateral and the coverage of the loan by collateral depends on the client's creditworthiness (credit ranking), loan maturity, and varies depending on whether the loan is granted to a retail or a corporate client.

The Bank has also created in the area of real-estate loan collateral, an 'online' connection with the Surveying and Mapping Authority in the Republic of Slovenia which allows direct and immediate verification of the existence of property.

The Group strives to ensure the best possible collateral for long-term loans, in particular mortgages where possible. As a result, the mortgaging of real estate is the most frequent form of loan collateral of corporate and retail clients. In corporate exposures, the next most frequent forms of collateral are government and corporate guarantees, while in retail loans, it is guarantors.

The prevailing types of collateral used as CRM are government guarantees and cash deposits. The Bank does not use credit derivatives to manage capital requirements. The low volume of eligible collateral shows the low concentration from a CRM point of view.

Table 28 – EU CR3 – CRM techniques – Disclosure of the use of credit risk mitigation technique of NLB Group

31.12.2025	Unsecured carrying amount	Secured carrying amount			
		Total	of which secured by collateral	of which secured by financial guarantees	
				Total	of which secured by credit derivatives
a	b	c	d	e	
1 Loans and advances	14,102,469	9,366,967	9,015,110	351,857	-
2 Debt securities	6,707,659	263,316	-	263,316	-
3 Total	20,810,128	9,630,283	9,015,110	615,173	-
4 of which non-performing exposures	330,466	149,231	134,567	14,664	-
5 of which defaulted	330,466	149,231	-	-	-

At the end of 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.

7. Credit risk – standardised approach

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

As at 1 January 2025, a new CRR3 regulation for calculating RWA for credit risk went into effect. The bank continues to use the Standardised Approach and applies the new calculation principles. The key changes compared to the previous regulation are in the area of Credit Conversion factors, FX lending to private individuals, in the area of Real Estate Financing, in Specialised lending, and in Equity exposures.

Calculation of the capital requirement considers the effect of loan collaterals as a secondary source of repayment. The Group uses a simple calculation method for collaterals. According to this methodology, the capital requirement is calculated depending on the segment of clients, their credit quality (in case ECAI was nominated for the segment and an external credit rating is available, this rating is used; otherwise, an internal rating is considered), and the quality of collateral which must be adequately evaluated and at the same time satisfy the prescribed minimum requirements.

In recent years, some of the non-EU countries where the Group is present have adopted the EU regulations and have been assigned a third-party equivalence status, which provides a level playing field in terms of central government risk and application of certain types of collateral in the capital requirement for credit risk.

For the calculation of capital requirement for credit risk, the Group nominated the S&P Rating for corporates, while Moody's rating is applied for institutions and central government or central bank. Both agencies were estimated to be an eligible external credit assessment institution, at the same time the mapping to the credit quality steps was determined by the EBA.

The weight for each category of exposure is determined based on the CRR. In exposure categories for which a credit assessment institution was designated, the weight is assigned based on the financial instrument's rating. If such a rating is not available, the higher of the weights applying to long-term credit rating of the debtor or other financial instruments of the same debtor or country is used.

For categories where the rating does not impact the risk weight, the weight is assigned according to the prescribed legislation, meaning that it is assigned based on specific rules applying to the respective exposure category.

Table 29 presents credit exposures calculated under the Standardised Approach and the effects of credit risk mitigation (CRM) techniques. The disclosure includes gross exposures before the application of CRM, adjustments resulting from eligible collateral and guarantees, and the final exposures that form the basis for the calculation of RWA.

In 2025, the RWA of the Group for credit risk increased by EUR 1,653.4 million, driven by the impact of the revised EU regulatory framework effective as of 1 January 2025 (approx. EUR +311.7 million) and by portfolio developments (approx. EUR +1,341.7 million). Portfolio growth contributed to higher RWA primarily within the corporate and retail segments, where a significant share of loans is at least partially secured by real estate. A smaller increase also resulted from newly recognised defaults. RWA was further affected by higher placements with central banks that are not included on the EBA third-country equivalence list (Montenegro and Kosovo), as well as additional EUR-denominated assets held with the central banks of North Macedonia and Serbia. These increases were partly offset by reductions in EUR-denominated assets held with the central bank of Bosnia and Herzegovina, the maturity of certain government bonds (most notably those issued by the Republic of Serbia and North Macedonia), and the maturity of subordinated instruments issued by institutions. A portion of the liquidity surplus was reallocated to commercial bank deposits and newly purchased bank-issued bonds, resulting in a minor additional increase in RWA. The last column shows the RWA density, i.e. the average risk weight for each customer segment. Due to the above-mentioned changes in the exposure structure, this indicator decreased from 50.1% at the end of 2024 to 49.3% at the end of 2025.

Table 29 – EU CR4 – standardised approach – Credit risk exposure and CRM effects of NLB Group

31.12.2025		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	8,456,425	200,153	8,386,129	92,257	926,375	10.93%
2	Non-central government public sector entities	786,930	34,749	783,721	6,771	137,688	17.42%
EU 2a	Regional governments or local authorities	599,983	11,462	599,983	1,066	101,471	16.88%
EU 2b	Public sector entities	186,947	23,288	183,739	5,705	36,217	19.12%
3	Multilateral development banks	229,029	-	690,529	-	-	-
EU 3a	International organisations	585,070	-	599,844	1,770	-	-
4	Institutions	1,556,953	144,058	1,513,778	59,378	470,329	29.90%
5	Covered bonds	234,718	-	234,718	-	24,885	10.60%
6	Corporates	3,512,370	2,973,656	3,213,682	639,081	3,526,695	91.54%
6.1	Of which: Specialised Lending	234,695	46,687	209,790	13,667	223,686	100.10%
7	Subordinated debt exposures and equity	116,811	-	116,811	-	166,547	142.58%
EU 7a	Subordinated debt exposures	57,062	-	57,062	-	85,593	150.00%
EU 7b	Equity	59,748	-	59,748	-	80,954	135.49%
8	Retail exposures	6,952,356	2,087,435	6,915,798	561,674	5,345,134	71.48%
9	Secured by mortgages on immovable property and ADC exposures	7,433,133	886,280	7,423,850	168,976	4,751,833	62.58%
9.1	Secured by mortgages on residential immovable property - non IPRE	4,438,853	31,947	4,437,447	5,542	2,043,546	45.99%
9.2	Secured by mortgages on residential immovable property - IPRE	33,534	6,369	33,531	2,548	30,345	84.11%
9.3	Secured by mortgages on commercial immovable property - non IPRE	2,086,176	645,675	2,078,301	95,889	1,535,914	70.64%
9.4	Secured by mortgages on commercial immovable property - IPRE	385,452	3,602	385,452	1,441	335,371	86.68%
9.5	Acquisition, Development and Construction (ADC)	489,119	198,687	489,119	63,557	806,657	145.95%
10	Exposures in default	238,265	13,131	223,198	3,736	272,622	120.13%
EU 10a	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
EU 10b	Collective investment undertakings (CIU)	75,116	25,493	75,116	25,493	47,237	46.95%
EU 10c	Other items	1,081,474	-	1,081,474	-	492,502	45.54%
12	Total	31,258,649	6,364,954	31,258,649	1,559,137	16,161,846	49.25%

Table 30 – EU CR5 – Standardised Approach of NLB Group

31.12.2025		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	7,297,480	-	89,310	193,923	40,062	-	-	-	-
2	Non-central government public sector entities	478,932	-	-	-	182,675	-	-	-	-
EU 2a	Regional governments or local authorities	353,561	-	-	-	182,520	-	-	-	-
Eu 2b	Public sector entities	125,371	-	-	-	155	-	-	-	-
3	Multilateral development banks	690,529	-	-	-	-	-	-	-	-
EU 3a	International organisations	601,614	-	-	-	-	-	-	-	-
4	Institutions	-	-	-	-	650,726	605,002	-	54,783	-
5	Covered bonds	-	-	-	218,892	12,437	-	-	-	-
6	Corporates	-	32,453	-	-	618	-	-	-	-
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	-	-	-	-	2,848,284	5,902	513	-	219
9.1	Secured by mortgages on residential immovable property - non IPRE	-	-	-	-	2,847,576	-	-	-	-
9.1.1	no loan splitting applied	-	-	-	-	-	-	-	-	-
9.1.2	loan splitting applied (secured)	-	-	-	-	2,847,576	-	-	-	-
9.1.3	loan splitting applied (unsecured)	-	-	-	-	-	-	-	-	-
9.2	Secured by mortgages on residential immovable property - IPRE	-	-	-	-	708	5,902	513	-	219
9.3	Secured by mortgages on commercial immovable property - non IPRE	-	-	-	-	-	-	-	-	-
9.3.1	no loan splitting applied	-	-	-	-	-	-	-	-	-
9.3.2	loan splitting applied (secured)	-	-	-	-	-	-	-	-	-
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	588,973	-	-	-	-	-	-	-	-
EU 11c	Total	9,657,528	32,453	89,310	412,814	3,734,801	610,904	513	54,783	219

31.12.2025		Risk weight								
		50%	60%	70%	75%	80%	90%	100%	105%	110%
		j	k	l	m	n	o	p	q	r
Exposure classes										
1	Central governments or central banks	68,075	-	-	-	-	-	741,062	-	-
2	Non-central government public sector entities	55,402	-	-	-	-	-	73,483	-	-
EU 2a	Regional governments or local authorities	-	-	-	-	-	-	64,967	-	-
EU 2b	Public sector entities	55,402	-	-	-	-	-	8,516	-	-
3	Multilateral development banks	-	-	-	-	-	-	-	-	-
EU 3a	International organisations	-	-	-	-	-	-	-	-	-
4	Institutions	245,979	-	-	11,465	-	-	5,201	-	-
5	Covered bonds	-	-	-	-	-	-	-	-	-
6	Corporates	30,512	-	-	249,494	-	-	3,385,985	-	-
6.1	Of which: Specialised Lending	-	-	-	-	-	-	69,756	-	-
7	Subordinated debt exposures and equity	-	-	-	-	-	-	45,611	-	-
EU 7a	Subordinated debt exposures	-	-	-	-	-	-	-	-	-
EU 7b	Equity	-	-	-	-	-	-	45,611	-	-
8	Retail exposures	-	-	-	7,467,622	-	-	9,850	-	-
9	Secured by mortgages on immovable property and ADC exposures	2,360	740,230	200,536	1,857,831	-	67,823	1,216,244	20,777	17,190
9.1	Secured by mortgages on residential immovable property - non IPRE	944	-	-	1,572,137	-	-	22,332	-	-
9.1.1	no loan splitting applied	-	-	-	1,023,838	-	-	17,067	-	-
9.1.2	loan splitting applied (secured)	-	-	-	-	-	-	-	-	-
9.1.3	loan splitting applied (unsecured)	944	-	-	548,299	-	-	5,265	-	-
9.2	Secured by mortgages on residential immovable property - IPRE	-	69	-	2,278	-	-	-	20,777	-
9.3	Secured by mortgages on commercial immovable property - non IPRE	1,416	740,161	-	283,416	-	-	1,149,197	-	-
9.3.1	no loan splitting applied	-	-	-	210,908	-	-	700,016	-	-
9.3.2	loan splitting applied (secured)	-	740,161	-	-	-	-	-	-	-
9.3.3	loan splitting applied (unsecured)	1,416	-	-	72,508	-	-	449,181	-	-
9.4	Secured by mortgages on commercial immovable property - IPRE	-	-	200,536	-	-	67,823	-	-	17,190
9.5	Acquisition, Development and Construction (ADC)	-	-	-	-	-	-	44,714	-	-
10	Exposures in default	-	-	-	-	-	-	135,561	-	-
EU 10a	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
EU 10b	Collective investment undertakings (CIU)	-	-	-	-	-	-	36,306	-	-
EU 10c	Other items	-	-	-	-	-	-	492,502	-	-
EU 11c	Total	402,327	740,230	200,536	9,586,413	-	67,823	6,141,805	20,777	17,190

31.12.2025		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	-	848	47,628	-	-	-	-	8,478,386	8,478,386
2	Non-central government public sector entities	-	-	-	-	-	-	-	790,492	790,492
EU 2a	Regional governments or local authorities	-	-	-	-	-	-	-	601,049	601,049
Eu 2b	Public sector entities	-	-	-	-	-	-	-	189,443	189,443
3	Multilateral development banks	-	-	-	-	-	-	-	690,529	690,529
EU 3a	International organisations	-	-	-	-	-	-	-	601,614	601,614
4	Institutions	-	-	-	-	-	-	-	1,573,156	180,543
5	Covered bonds	-	-	-	-	-	-	3,389	234,718	12,437
6	Corporates	153,701	-	-	-	-	-	-	3,852,763	3,513,065
6.1	Of which: Specialised Lending	153,701	-	-	-	-	-	-	223,456	223,456
7	Subordinated debt exposures and equity	-	57,062	14,137	-	-	-	-	116,811	116,811
EU 7a	Subordinated debt exposures	-	57,062	-	-	-	-	-	57,062	0
EU 7b	Equity	-	-	14,137	-	-	-	-	59,748	59,748
8	Retail exposures	-	-	-	-	-	-	-	7,477,472	7,477,472
9	Secured by mortgages on immovable property and ADC exposures	-	614,919	-	-	-	-	-	7,592,826	7,592,826
9.1	Secured by mortgages on residential immovable property - non IPRE	-	-	-	-	-	-	-	4,442,989	4,442,989
9.1.1	no loan splitting applied	-	-	-	-	-	-	-	1,040,905	1,040,905
9.1.2	loan splitting applied (secured)	-	-	-	-	-	-	-	2,847,576	2,847,576
9.1.3	loan splitting applied (unsecured)	-	-	-	-	-	-	-	554,507	554,507
9.2	Secured by mortgages on residential immovable property - IPRE	-	5,612	-	-	-	-	-	36,079	36,079
9.3	Secured by mortgages on commercial immovable property - non IPRE	-	-	-	-	-	-	-	2,174,190	2,174,190
9.3.1	no loan splitting applied	-	-	-	-	-	-	-	910,924	910,924
9.3.2	loan splitting applied (secured)	-	-	-	-	-	-	-	740,161	740,161
9.3.3	loan splitting applied (unsecured)	-	-	-	-	-	-	-	523,105	523,105
9.4	Secured by mortgages on commercial immovable property - IPRE	-	101,344	-	-	-	-	-	386,892	386,892
9.5	Acquisition, Development and Construction (ADC)	-	507,962	-	-	-	-	-	552,676	552,676
10	Exposures in default	-	91,374	-	-	-	-	-	226,935	226,935
EU 10a	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
EU 10b	Collective investment undertakings (CIU)	-	-	-	-	-	-	64,303	100,608	100,608
EU 10c	Other items	-	-	-	-	-	-	-	1,081,474	1,070,997
EU 11c	Total	153,701	764,202	61,765	-	-	-	67,692	32,817,786	30,795,654

Allocation of exposures to risk-weight buckets under the Standardised Approach Exposures after CRM and CCF are allocated to individual risk-weight buckets in accordance with the rules of the Standardised Approach:

1. Buckets with lower risk weights:

- 0% risk weight: predominantly applied to exposures to central governments and central banks.
- 20% and 50% risk weights: applied to institutions, with the applicable bucket depending on:
 - the external credit rating, and
 - the original maturity of the exposure.
- 20% risk weight: exposures secured by residential real estate.
- 75% risk weight: exposures in the retail segment.

2. Standard risk weight - 100% risk weight: applied to all other exposures that do not meet the criteria for a lower risk weight.

3. Higher risk weights:

A 150% risk weight is applied to: ADC CRE and ADC RRE not High-Quality exposures, IPRE exposures with insufficient real-estate collateral, subordinated instruments, non-performing exposures (NPE) where the coverage by provisions does not exceed 20%.

4. Key changes in 2025:

The most significant increases in certain risk-weight buckets were the result of the implementation of the EU Basel III regulation, in particular the introduction of a new 40% CCF for binding offers. The 40% CCF effect was also reflected in the corporate and retail banking segments.

8. Exposure to counterparty credit risk

8.1. Goals and Principles of Counterparty Credit Risk Management

(Article 435.1 a, b, c, and d of CRR)

Management of Counterparty Credit Risk

Counterparty Credit Risk (CCR) arises when the Group engages in derivative transactions with a counterparty for instruments like exchange-traded (futures) and OTC derivatives (forwards, swaps traded off the exchange), or due to long settlement transactions (meaning that a delivery date is later than the earliest of the market standard for the particular transaction). The purpose of entering into the derivatives is to support corporate customers and financial institutions in their management of financial exposures. This is managed within Investment Banking and Custody, Financial Markets, and Evaluation and Control. Financial Markets also use derivatives to protect cash flows and fair values of financial assets and liabilities of the Group.

CCR is defined as the risk that the counterparty to a transaction may default before the settlement of the transaction. CCR is a particular case of a general credit risk and creates a bilateral risk of loss, therefore, the market value of the transaction can be positive or negative to either counterparty of the transaction. The market value is uncertain and can vary over time with the movement of underlying market factors. CCR exposure is estimated considering the effect of a period of stress and the collateral management practices.

Limits for counterparty exposures are set in the regular credit process. Evaluation and Control identifies, measures, reports, and follows up on the Group's counterparty credit risk. The risk is measured daily, and deviations are reported quarterly to the ALCO.

The CCR for OTC derivatives is the product of 1.4 times the sum of relevant replacement cost and potential future exposure resulting from potential future changes in market values (FX prices, interest rates, etc.). A dedicated IT solution is in place for monitoring, along with a customisation made to meet specific needs. It enables us to monitor CCR on a real-time basis, a deal-by-deal level, as well as on a Group level by an individual counterparty or counterparty group. Limits must be reviewed before any transaction is agreed upon and confirmed.

In settling the concluded financial transactions, the Group is exposed to the settlement risk which is a risk that one of the parties would not (be able to) meet its liabilities arising from the transactions in accordance with the agreed conditions, after the counterparty has already met its part of the obligations. The tolerance towards the assumptions of the settlement risk is exceptionally low. The Group has adopted internal regulations and a system of performing settlements, as well as a system of control mechanisms for the management of settlement risk. The standardised approach is used to determine the regulatory capital charge for the settlement risk.

Organisation

Credit risks from derivatives are fully integrated into the general credit risk management system. CCR risk is measured and monitored on a daily basis by the independent risk management unit, Evaluation and Control. Global Risk is responsible for the calculation of own fund requirements for CCR risk according to the standardised approach.

Risk Measurement and control of CCR

CCR risk is monitored and controlled at the transaction level, as well as at the client level. The market value of derivative transactions fluctuates during the term to maturity, and so for this reason the uncertainties of future market conditions have to be taken into consideration when measuring credit exposure to derivatives.

For the calculation of regulatory capital for counterparty credit risk, the Group uses a standardised approach for the derivatives. Currently, the Group uses the Simplified Standardised Method according to the regulation.

Credit valuation adjustment (CVA) and debit valuation adjustment (DVA)

Counterparty credit risk in derivatives affects the Bank's profit and loss through credit/debit valuation adjustments (CVA/DVA), reflecting the credit risk associated with the derivative positions. These adjustments depend on the credit rating and/or credit spread of a certain client. The Group uses the standardised approach to calculate the regulatory capital requirement for CVA. Where collateral exists, it is taken into consideration when the CVA/DVA is calculated. The calculation is done on a monthly basis. The DVA is not recognised in the Profit or Loss Statement, but only calculated for internal purposes.

8.2. Risk mitigation – netting and collaterals

(Article 439 b of CRR)

The Group mitigates CCR risk from derivatives using close-out netting agreements such as the ISDA Master Agreement, the Global Master Repurchase Agreement (GMRA), and the Slovenian Framework Agreement. Along with these agreements, collateral agreements (e.g., ISDA Credit Support Annex) are in place to substantially reduce credit risk arising out of derivatives transactions. In addition to this, 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 the European Market Infrastructure Regulation (EMIR).

8.3. Internal capital allocation and definition of credit limits for CCR exposures

(Article 439 a of CRR)

The CCR exposures of the Group are not material, thus the Group sets aside capital for CCR exposures within Internal Capital Adequacy Assessment (Pillar 2). Internal capital for counterparty credit exposures is calculated by stress-testing CVA where the additional shock on PDs is applied. In addition, there is a set of internal credit limits in place for CCR exposure which are guided by the internal policies and methodologies.

The Group has instructions for determining derivative financial instrument limits in place. There is a set of guidelines in use when concluding derivative transactions with clients. Each client has to have a limit in place, and all transactions are concluded by using the contract. Only standard interest and foreign exchange derivatives can be subject to a proposal and/or approval. The limit is treated as an arrangement decided in line with the credit process. Only clients rated as in the A and B credit rating group, and clients classified as CCC rating class are suitable for new limits. To approve the new limits, the underlying pre-conditions have to be met as follows: the primary business has to have a sustainable cash flow, the client has to be able to cover derivatives exposure and any potential negative effect, and the derivative is subject to support primary business transactions.

The Group has an important risk management tool in place, which is an early warning system for exposures towards banking groups, sovereigns, and international corporates. The respective exposures are limited by the risk appetite, monitored, and reported to the senior management and Supervisory Board on a regular basis.

8.4. Securing of collateral and establishing of reserves

(Article 439 b of CRR)

Framework agreements signed with the relevant counterparty provide the ability to collect collateral for the purpose of reducing CCR. As mentioned in previous chapters, the Group calculates the net positive market value for individual counterparty exposure on a daily basis and as a result, collateral is adjusted accordingly. For most framework agreements only cash is eligible collateral. Where other forms of collateral are possible, haircuts are applied as per the credit rating of such collateral along with the days to maturity. If securities are an eligible collateral form, only top-rated bonds are permitted. All this results in the fact that the Group only considers top-rated collateral, and so we do not create any additional reserves to mitigate CCR.

8.5. Wrong-way risk management

(Article 439 c of CRR)

In accordance with risk mitigation techniques in place (real-time monitoring, framework agreements, collateral agreements, daily margining process, CVA/DVA calculation, etc.), the Group does not find wrong-way risk exposures as material.

8.6. Downgrading impacts on collateralisation

(Article 439 e, f, g, h, and I and Article 444 e of CRR)

Framework agreements covering derivatives transactions usually do not have provisions that would reflect any additional collateral posting due to a credit rating change of the Group. Therefore, downgrading impacts on collateralisation are not material.

Table 31 – EU CCR1 – Analysis of CCR exposure by approach for NLB Group

31.12.2025	Replace-	Potential	EEPE	Alpha used for	Exposure	Exposure	Exposure	RWEA
	ment cost	future		computing	value pre-	value post-		
	(RC)	exposure		regulatory	CRM	CRM		
	a	(PFE)	c	exposure value	e	f	g	h
EU-1	-	-		-	-	-	-	-
EU-2	4,381	28,718		1.4	46,339	46,339	46,339	23,551
1	-	-		1.4	-	-	-	-
2			-	-	-	-	-	-
2a			-		-	-	-	-
2b			-		-	-	-	-
2c			-		-	-	-	-
3					-	-	-	-
4					-	-	-	-
5					-	-	-	-
6 Total					46,339	46,339	46,339	23,551

Table 32 – EU CCR3 – Standardised Approach – CCR exposures by regulatory exposure class and risk weights of NLB Group

31.12.2025		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	7,287,348	-	89,310	193,923	40,062	68,075	-	-	741,067	849	38,582	8,459,215
2	Regional government or local authorities	353,561	-	-	-	182,520	-	-	-	64,967	1,973	-	603,021
3	Public sector entities	125,371	-	-	-	488	57,762	-	-	15,870	3	-	199,493
4	Multilateral development banks	690,529	-	-	-	-	-	-	-	-	-	-	690,529
5	International organisations	601,614	-	-	-	-	-	-	-	-	-	-	601,614
6	Institutions	-	-	-	218,892	663,781	252,450	-	11,465	6,379	42,684	670,774	1,866,424
7	Corporates	-	32,453	-	-	1,258	24,041	7,228	249,494	2,676,394	112,092	172,952	3,275,913
8	Retail	10,131	-	-	-	2,846,692	-	193,308	9,325,453	2,144,627	606,602	913,288	16,040,102
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	588,973	-	-	-	-	-	-	-	492,502	-	-	1,081,474
11	Total	9,657,528	32,453	89,310	412,814	3,734,801	402,327	200,536	9,586,413	6,141,805	764,202	1,795,596	32,817,786

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	-	-	-	463,593	-	-	1,008,898
11	Total	9,024,507	-	-	167,418	1,002,148	1,132,227	-	8,189,063	6,090,599	827,847	2,528,598	28,962,408

9. Exposure to market risk

(Article 445 of CRR)

Market risk is the risk that the Bank's earnings and/or economic value may be negatively affected by changes in market rates and parameters that effect on- and off-balance sheet positions (e.g., changes in foreign exchange rates, fluctuations in interest rates, credit spreads, equity prices, implied volatilities, and market liquidity). Market risks predominately arise from the Bank's core business activities in the banking book and the liquidity portfolio needed to support these activities.

Table 33 – EU MR1 – Market risk under the standardised approach of NLB Group

		31.12.2025
		RWEAs
		a
	Outright products	-
1	Interest rate risk (general and specific)	7,625
2	Equity risk (general and specific)	7,895
3	Foreign exchange risk	1,548,775
4	Commodity risk	-
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation (specific risk)	-
9	Total	1,564,295

9.1. Goals and principles of market risk management

(Article 435.1 a, b, c, and d of CRR)

The objectives and risk management policy

The key objectives of the Group Market Risk Management as an independent risk function are to:

- regularly identify, evaluate, and assess all material market risk;
- monitor, manage, control, and steer market risk;
- define limits for trading activities consistent with the Group's Risk Appetite Statement, NLB Group Risk Strategy, and business strategy in order to align top-down management targets with bottom-up business initiatives;
- ensure that the Group business lines do not expose the Bank to unacceptable losses outside of the risk appetite, and to contribute to income stability via independent identification, assessment, and understanding of market risk;
- constantly develop and upgrade market risk models and methodologies, including stress-testing and early warning systems.

Market Risk Management aims to accurately measure all types of market risks by a comprehensive set of risk metrics reflecting economic and regulatory requirements. To achieve this objective, market risk management works closely with business lines and other control and support groups.

The Group's strategy is to secure cost-efficient funding from several diversified sources with an emphasis on ensuring of a long-term stable deposit basis, not to be exposed to large refinancing risk, and arrange lending with assurance of optimised risk-adjusted profitability. This gives rise to foreign exchange risk and structural interest risk due to mismatches in the Bank's assets and liabilities in terms of currency composition, maturity profile, and interest rate characteristics.

The Bank's security portfolio held for liquidity purposes is exposed to interest rate risk and credit spread risk, for example potential decline in market value due to a perceived change in credit quality of the issuers of the securities held in the portfolio.

Regarding market risks in the trading book, the Group pursues a low-risk appetite for market risk in the trading book. The exposure to trading (according to the CRR) is only allowed to be carried by the parent Bank as the main entity of the Group and is very limited. Nevertheless, the Bank intends to further maintain a small trading portfolio, mainly to monitor market signals in the global markets and to service clients. Respectively, it does not constitute a material risk to the Group's operations, while its tolerance for interest rate and credit spread risk in trading book is very low.

Structure and organisation

Financial Markets (Trading, Treasury, and ALM) and Investment Banking and Custody together with Global Risk, and Evaluation and Control, manage market risk in the Group. Investment Banking and Custody is responsible for customer sales, Financial Markets is responsible for short- and long-term funding activities and investments for the Group's own account, for asset and liability management, liquidity portfolio collateral account portfolios, as well as other banking activities. These Competence Lines are responsible for managing the risk under the framework (principally through limits) as set by the Management Board and controlled by the ALCO.

The Group Market Risk Management operates under the three lines of defence framework, as described in Section 5.1. (General information on risk management, objectives, and policies).

In order to effectively manage the Group's market risks, the organisational structure allows the making of clear distinctions between market risk methods and risk models, valuations, and reporting. Market Risk is organised in the following units:

- Global Risk is responsible for defining rules on Risk Appetite, Risk Strategy, Global Standards and Policies, and for the financial risk reporting coherence and coordination across the Group, as well as development of the ICAAP/ILAAP.
- The Market and Liquidity Unit of Global Risk is responsible for governing and checking the Group's market and liquidity risk, parameterisation of the internal VaR limit system, calculation of capital requirement for the trading book position, the improvements and development of methodologies, as well as for internal and regulatory stress-testing and reporting to senior management and external reporting for regulatory purposes.
- Control and Evaluation is responsible for monitoring trading activities and its compliance, designing stop-loss limits, controlling credit counterparty exposures, and evaluating the financial instruments and additional valuation adjustments for managerial P&L.

The key responsibility of Global Risk is overseeing and controlling Group Market Risk through the assessment of strategies, policies, and the proposal of relevant risk limits and regulation. The department manages a coordination of the market risk operations of the banking subsidiaries, according to NLB Group Risk Management Standards and integrates the risk culture throughout the Group. Additionally, it formulates and modifies Group Methodologies and the Market Risk Measurement Framework and considers the recommendations of regulators and the market's best practices. The department ensures compliance of the market risk management with applicable laws and regulations.

The existing organisational structure assures a functional capability of governance, alignment, and monitoring market risk activities at an integrated portfolio level with dedicated and specialised risk managers, and so contributes to bring management processes in line with the best international practices.

Global Risk provides independent oversight of all significant market risks, as well as supporting the ALCO and the Financial Markets with risk measurement, analysis, daily monitoring, and reporting.

Risk measurement and control

The Management Board of the Bank sets strategic objectives for exposing itself to market risk, which is aligned with the risk appetite and intended to create value for shareholders and to hold an adequate level of capital related to market risk. The committee responsible for market risk is the Group ALCO.

The Group ALCO monitors and addresses the risk profile and area of asset and liability of the Group. It is engaged in monitoring and analysing the developments in the global markets, changes, and trends associated with the risk profile, balance sheet structure, financial statements of the Group, and formulating conclusions and guidance to achieve the target balance sheet structure.

As regards the trading activities, the most significant market risks identified are interest rate risk (together with basis risk), credit spread risk, and foreign exchange risk. Market risk from trading activities is managed and monitored daily within the trading market risk framework, which includes all the derivative book and the bond trading book. A prudent limit and control structure is in use. Market risk is guided by separate policies and methodologies, such as the Trading Book Market Risk Policy, the IRRBB Policy, and the FX Risk Policy.

Proper control is exercised over all elements in the process of market risk measurement and monitoring, including collection and delivery of data about positions, market factors, key pre-conditions, calculation of the risk amount, and reporting of risk exposure via appropriate chains of rights and responsibilities.

In relation to the market risk framework, several key risk metrics complementary to each other are reported in order to measure and monitor businesses:

- Market risk models for limit-setting: value at risk (VaR), stressed value at risk (CVaR), and a basis point value approach (BPV) for a trading book;
- Stress-testing: portfolio stress-testing, and event risk scenarios;
- Other market metrics: sensitivities.

The impact of larger market disruptions on the portfolio's present value is quantified by stress-testing. The scenarios used are calibrated to historically observed market data and defined by hypothetical, but plausible parameter changes. Scenario analyses are performed for interest rates, FX rates, credit spread, and share price. Daily back-testing is employed to identify and analyse the potential exceedance of the value at risk.

To manage market risk, internal limits are set that correspond to the NLB Group Risk Profile to thereby prevent market risk from exceeding our ability to withstand losses based on our financial strength represented by capital. The risk appetite towards market risk is low.

The amount of market risk in the trading book is limited by a value at risk (VaR) that may arise to close relevant positions. With the VaR model, the Bank seeks to approximate the changes in value the Bank's value would experience in response to changes in the underlying risk factors. VaR identifies the probability that losses will be greater than a pre-specified threshold level. The Bank estimates VaR with a variance-covariance method. The VaR measure is computed daily with a 10-day holding period at a 99% confidence level.

For banking activities, the position limits are based on interest rate sensitivity using a basis point value approach (BPV). It assumes a parallel curve shift by 200 bps and NII sensitivity of 50 bps.

9.2. Policies for hedging or mitigating risk (Article 435.1 d of CRR)

The Group separately identifies, measures, monitors, and controls market risk for the banking and trading book. Hedges of positions are separated on these two books.

The trading book items are directly recognised in the income statement. The Group has BPV, VaR, and stop-loss limits in place, and open positions are managed within those limits.

When hedging interest rate risk in the banking book, the Group applies hedge accounting principles in most cases. Within that process, the Group regularly measures hedge effectiveness of hedges monthly. Hedging in the banking book is well-documented, where a description is given of the: reasons for hedging, a description of the hedged risk, hedged items, and derivatives; the hedge accounting method (fair value hedge or cash flow hedge); the method for measuring effectiveness of the hedge; and how the results of hedges are recognised in the Group's financial statements.

Data Management and Reporting

Evaluation and Control provides and maintains data quality in the front office system for market data in a trading book and utilises tools to control accuracy of report results. The Back Office provides and maintains data input and quality in reporting systems for market data in a banking book. Global Risk is responsible for defining a reporting structure and calculation methodology. The Bank uses a centralised system for providing market data.

Global Risk reports timely, accurate, and material market risk data internally and externally. There is close alignment with the front and middle office to assess market risk at the integral level. This overall view is essential to inform management discussions that seek alignment between portfolios and the integrated risk appetite.

An adequate internal reporting system reflecting the Group's exposure to market risk consists of:

- Daily measurement and limit control of the market risk in a trading book (VaR, sensitivity, stop-loss limit, and P&L reporting to the Management);
- Weekly Report on the interest rate risk from the banking book;
- Comprehensive monthly and quarterly reports including Risk Reports and Stress-testing Results to Group ALCO and own funding requirements for market risk in the trading book;
- Stress-testing.

External reporting is as follows:

- Capital requirements based on the standardised approach,
- Quarterly report to the regulators.

Own funds requirement for Market Risk

Global Risk monitors exposures and addresses risk issues and concentrations of certain exposures under a specific Market Risk Standardised Approach (MRSA). The MRSA is used to determine the regulatory capital charge for the market risk of the trading book as set out in the CRR.

In the standardised approach for market risk, arising from position risk involving interest rate risk and derivatives, the minimum capital requirement is expressed in terms of two separately calculated charges. The capital charge for specific risk is modelled to protect against adverse movements in the price of an individual security due to factors related to the individual issuer. The capital charge for a general market risk is designed to measure the risk of loss arising from the changes in the market. In the case of foreign currency risk, the methods involved include measuring the exposure in a single currency position and measuring the risk inherent in a Bank's mix of long and short positions in different currencies. For the capital requirements due to the general position risk at the Group, a maturity-based approach is used. Share price risk is not relevant for the Group.

Global Risk quarterly assesses and computes additional own fund requirements within Pillar II for market risk in the trading book (internal capital). It is computed for a position with respect to FX risk and interest rate risk in the trading book. The purpose of an ICAAP is to determine the adequate capitalisation of the Bank, given the risks endured, as well as future risks arising from growth, new markets, and expansion of the product portfolio.

Compliance with the Article 104 of CRR regarding Inclusion in the Trading Book

Compliance with an Article 104 of the CRR is ensured by appropriate policies and is regularly reviewed. The definition of the trading book is included in the Separation of Trading and Banking Book Policy.

Trading Book

The Trading Book includes the positions in financial instruments held either with trading intent or to hedge other elements of the Trading Book itself. Trade separation to the Banking and Trading book is done based on the content. The risk that the value of a financial instrument changes over time is determined by the following standard market risk factors: credit spreads, equity risk, interest rate risk, and foreign exchange risk.

Banking Book

The main components of market risk in the Banking Book are:

- credit spread risk,
- interest rate risk,
- foreign currency risk.

More precisely, the different and complementary perspectives involve:

- an Economic value (EVE) perspective,
- an Earnings at Risk (EaR) perspective.

Compliance with the Article 105 of CRR regarding Prudent Valuation

All trading positions are valued according to the prudent valuation specified in Article 105 of CRR. Valuation is done on a real-time basis, as well as via end-of-day procedures. Senior management is being briefed on a regular basis, as well. All procedures are standardised and well-documented. The prudent valuation is set in the Financial Instruments Evaluation Methodology and other internal operational guides. Valuation adjustments are made where applicable (e.g., low liquid assets). On a daily level, different types of controls are performed to ensure that real-time data gathered for valuation purposes are appropriate.

10. Credit valuation adjustment risk

(Article 445(a) of CRR)

Table 34 – EU CVA 1 – Credit valuation adjustment risk under the Reduced Basic Approach (R-BA)

31.12.2025		Components of Own Funds Requirements	Own funds requirements
		a	b
1	Aggregation of systematic components of CVA risk	3,336	
2	Aggregation of idiosyncratic components of CVA risk	1,400	
3	Total		16,754

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 is 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.

CVA risk management framework and governance

(Article 445a (2) of CRR)

The Group manages CVA risk within its overall risk management framework. Responsibility for identifying, measuring, monitoring, and controlling CVA risk rests with the relevant risk management and control functions. The framework includes regular assessment of counterparty credit quality and exposures, prudent valuation adjustments based on observable market data, internal limits, and ongoing risk reporting. Senior management is involved through regular review of CVA-related risk reporting and oversight of the Group's counterparty risk profile within the established risk governance process.

The CVA risk management framework is supported by internal policies, procedures and controls, and is overseen by relevant independent risk control functions. Data and inputs used for CVA risk assessment are subject to control processes intended to ensure appropriate independence from the business lines. Given the limited and non-complex nature of the Group's derivatives portfolio, CVA risk is assessed as low.

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

(Article 448 of CRR)

11.1. A description of how the institution defines IRRBB for purposes of risk control and measurement

The Group supervises and manages exposure to interest rate risk in accordance with Risk Appetite and Risk Strategy of NLB Group, based on recommendations of the European Central Bank, the Basel Committee on Banking Supervision, and the European Banking Association. Interest rate risk includes all on- and off-balance sheet assets and liabilities of the banking book. It considers positions in each material currency.

Exposure to interest rate risk in the Group is measured and monitored within a framework of interest rate risk management policy that establishes consistent methodologies, limit systems, and behavioural and modelling assumptions. The Group manages interest rate risk exposure through the application of two complementary sensitivity measurement techniques, an earnings approach, and an economic value approach.

Optionality risk is mainly derived from behavioural options, reflected in prepayments, withdrawals, demand deposits, and embedded options such as caps and floors. Moreover, considering expected cash flows, non-performing exposures, as well as off-balance sheet items are also considered when measuring interest rate risk exposure.

11.2. A description of the institution's overall IRRBB management and mitigation strategies

Interest rate risk is closely measured, monitored, and managed within approved risk limits and controls. Interest rate risk management in the Group is decentralised under strict monitoring by the Bank as the parent bank. All core members of the Group (banking members) actively measure, monitor, and manage interest rate risk exposure.

In the case that the Group would approach to exceed/exceed EVE, NII, or the Credit spread limit, the Financial Markets Unit would propose measures for restoring positions within prescribed limits as responsible for the preparation of mitigation measures which are subject to approval by Assets and Liability Management Committee. The latter is also responsible for approving the Interest Rate Risk Management Policy of NLB Group, making strategic decisions concerning interest rate risk management, establishing an internal control mechanism, and analysing the findings of audit services.

The Group uses internal models in order to manage business risks and support business decisions. To prevent model misbehaviour, the Bank performs model revisions at least once per year, while data suitability and back-testing are performed more frequently depending on the data frequency. Internal models are used as an additional support to the decision-making process, together with expert judgment and a knowledge of risks and positions.

11.3. The periodicity of the calculation of the institution's IRRBB measures, and a description of the specific measures that the institution uses to gauge its sensitivity to IRRBB

The Group measures and monitors exposure on monthly basis or more frequently in case of need. Standardised reporting on individual and consolidated levels is done on a monthly basis. Results and exposure to interest rate risk are reported to the Assets and Liability Committee and the Supervisory Board. Limits for each banking member of the Group are included in the Risk Appetite.

The main risk measures that the Group uses are:

- Sensitivity measures of interest income, which is calculated based on future cash flows and income, where repricing and reinvestments are measured by different interest rate scenarios based on pricing strategies and stress scenarios (+/-50 bps, +/- 100 bps), assuming constant or dynamic balance sheet in a 1-to-3-year period;
- Economic value measures which calculate the effect of changes in interest rates on the economic value of banking book assets, liabilities, and off-balance sheet items under different scenarios;
- Credit Spread measures;
- Earning at Risk measure;
- Basis risk measurement.

11.4. A description of the interest rate shock and stress scenarios that the institution uses to estimate changes in the economic value and in net interest income (if applicable)

The Group regularly measures interest rate risk exposure in the banking book under various standardised and additional scenarios of changes in the level and shape of interest rate yield curve. Applying stress and shock scenarios in interest rates volatility is an integral part of the Group's IRRBB management. The Group also prepares interest rate shock scenarios to capture parallel and non-parallel gap risks for EVE and NII for each currency separately for which the institution has material positions.

11.5. A description of the key modelling and parametric assumptions different from those used for disclosure of template EU IRRBB1 (if applicable)

Key modelling and parametric assumptions of the behavioural models used for internal measurement system are the same used to generate the regulatory exposure in EU IRRBB1 template.

11.6. A high-level description of how the Institution hedges its IRRBB, as well as the associated accounting treatment (if applicable)

The Group manages interest rate positions and stabilises its interest rate margin primarily with the pricing policy and a fund transfer pricing policy. The Group also manages interest rates risk by using plain vanilla derivative financial instruments (interest rate swaps, overnight index swaps, cross currency swaps, and forward rate agreements), most of which are treated according to hedge accounting rules.

11.7. A description of key modelling and parametric assumptions used for the IRRBB measures in template EU IRRBB1 (if applicable)

An integral part of the measurement of interest rate risk are behavioural and modelling assumptions that consider all standardised requirements. Optionality risk is mainly derived from behavioural options, reflected in prepayments and withdrawals, and embedded options such as caps and floors.

- The Group has a methodology in place for calculating the conditional prepayment rate (CPR) for each portfolio of homogeneous prepayment-exposed loan products denominated in each currency, under all prescribed interest rate scenarios.
- Part of non-maturing deposits, which is considered as a core part is allocated long-term by using replicating portfolio approach. In line with BCBS and EBA guidelines, the Bank also takes into consideration the average maturity per category of sight deposits.
- Expected cash flows, non-performing exposures, as well as off-balance sheet items are also considered when measuring interest rate risk exposure.

11.8. Explanation of the significance of the IRRBB measures and of their significant variations since previous disclosures

The Group's exposure to interest rate risk is moderate and arises mainly from banking book positions. Since previous disclosure, the Bank upgraded some methodologies in line with regulatory requirements. Main upgrades refer to methodology of determination and allocation of core deposits, methodology for treatment of positions with prepayment, and methodology of credit spread risk in the banking book.

11.9. Any other relevant information regarding the IRRBB measures disclosed in template EU IRRBB1 (optional)

The scenarios used in the EU IRRBB1 template related to the changes of the economic value of equity correspond to the scenarios of the EBA/RTS/2022/10. To compute the change in the forecasted net interest income, the Bank uses the same parallel shock up/down scenarios applied for computing the change in economic value of equity (+/- 200 bps).

11.10. Disclosure of the average and longest repricing maturity assigned to non-maturity deposits

The average repricing maturity assigned for non-maturity deposits is 4.02 years. The longest repricing maturity assigned to non-maturity deposits is 25 years.

Table 35 – 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	
	31.12.2025	30.06.2025	31.12.2025	30.06.2025
	a	b	c	d
Parallel up	-6.98%	-5.78%	2.97%	3.55%
Parallel down	0.49%	-1.42%	-4.05%	-4.76%
Steepener	0.85%	1.41%		
Flattener	-2.18%	-3.76%		
Short rates up	-3.67%	-4.22%		
Short rates down	1.99%	2.50%		

12. Liquidity risk management, requirements, and LCR

(Article 435.1 a, b, c and d, and 451a of CRR)

Liquidity Risk Management Framework

Liquidity Risk Management is considered as one of the most important risks, and is consequently managed very deliberately. Liquidity Risk Management of the Group is defined as the capacity to meet its cash flows and obligations without incurring potential losses that are not aligned with its risk appetite. Adequate liquidity is dependent upon the Group's ability to efficiently meet both expected and unexpected cash flows and collateral needs without adversely affecting daily operations and the financial position of the Group. The primary role of liquidity risk management is to assess the need for funds to meet obligations and ensure the availability of cash or collateral to fulfil those needs on time by coordinating the various sources of funds available to the Group under normal and stressed conditions.

Liquidity risk is related to funding liquidity risk (the Group's liquidity on the liabilities side) and market liquidity risk (liquidity reserves on the assets side). On the liabilities side, liquidity risk can result in a loss if the Group is unable to settle all of its liabilities, or when the Bank, because of its incapacity to provide sufficient funds to settle its obligations, is forced to provide the necessary funds at a cost which significantly exceeds the normal cost. On the assets side, the liquidity risk is related to the market value of liquidity reserves and arises in the case of a significant reduction of market value of an individual financial instrument and may result in the insufficient value of liquidity reserves to cover the Bank's liquidity needs.

Strategies and processes in the management of liquidity risk

The Group has set up a comprehensive and robust Liquidity Risk Management Framework which enables a reliable process for identifying, measuring, monitoring, and controlling liquidity risk in the short and long terms. The Group defined the risk appetite towards liquidity risk wherein the tolerance was determined as low. It is in line with the Group's business strategy and aligned with the most important strategic business, financial, and risk objectives.

The Group identified key liquidity risk drivers, set the limit system framework, liquidity score, designed liquidity stress-testing scenarios, prepared a liquidity contingency plan, and determined the appropriate level of the high-quality liquid assets. The Group has active strategies and clearly defined measurable tolerances to manage liquidity and funding risk, which were established through the Liquidity risk management policy of NLB Group.

Furthermore, the Group defines liquidity risk tolerance with several indicators such as LCR, NSFR, and LTD. The respective risk-bearing capacity is accordingly considered in the Group's daily operations and in financial planning activities. The goal of the Group is to be able to fulfil internal and regulatory liquidity requirements at any point of time.

The LCR is designed to ensure that financial institutions have the necessary assets on hand to ride out short-term liquidity disruptions. The Group is required to hold an amount of highly liquid assets, such as cash and bonds equal to or greater than the potential net cash outflows over a 30-day period. Under the Basel regulation, an LCR of 100% is required.

The NSFR requires banks to maintain a stable funding profile in relation to the composition of assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the probability that disruptions to the Group's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress.

Furthermore, the Group established the ILAAP process with the aim of ensuring the robust management of liquidity risk and comprehensive internal liquidity adequacy assessment on solo and consolidated levels. The Group strategic guidelines for liquidity risk are aligned with the Risk Appetite and the Risk Strategy, while elaborated into more details in an internal liquidity policy. At the operational level, it describes how liquidity management is executed, supported, and controlled in the Group.

More detailed rules, limits, guidelines, and competences related to risk management are defined in the individual internal guidelines, policies, and rules on the level of the Group (e.g., NLB Group Risk Management Standards), or on the level of each individual member of the Group. Due to local specifics (macroeconomic conditions, requirements of the local regulation), some sets also include more detailed guidelines for bank members of the Group, but nevertheless, all Group members follow the uniform key risk guidelines at the Group level established by the parent Bank.

Regarding the management of liquidity risk, the Group has rules and a system of responsibility specified in:

- Definition of the risk profile and risk appetite at the level of the Group,
- The ILAAP process in NLB Group,
- Liquidity Risk Management Policy of NLB Group with appendices,
- NLB Group Risk Management Standards and Guidelines for managing liquidity risk in the Group,
- Operating instructions and lists of work procedures in the Bank's liquidity management,
- Rules of Procedure of the Assets and Liabilities Committee of NLB Group,
- Rules of procedure of the Liquidity Management of the NLB Group,
- Assets and Liabilities Management Policy of NLB Group,
- Funds Transfer Pricing – manual.

Structure and organisation of the liquidity risk management function

Liquidity governance is established in a way that enables a reliable process for identifying, measuring, monitoring, and controlling liquidity risk. Ensuring the appropriate volume of liquidity and the management of liquidity reserves in the Group is carried out in a decentralised manner in accordance with the requirements of the local regulations and the applicable internal guidelines and policies inside the Group.

The Management Board is obliged to define the Group's risk appetite as a framework for the determination of the method of managing liquidity risk in the Group. The Management is also responsible for adopting decisions in the area of liquidity management, ordinarily through membership and participation in the work of the ALCO. In addition, it also is responsible for the establishment of appropriate procedures for the measurement, management, supervision, and reporting in the area of liquidity risk management.

The committee responsible for liquidity risk management of the Group is the Group ALCO Committee. ALCO adopts decisions concerning liquidity risk management and provides guidelines, defines the structural and income criteria in order to ensure an adequate volume of liquid investments, sets up the basic criteria for the structure of Bank sources, establishes internal control mechanisms in the field of liquidity risk management and analyses the findings of audit services in this area, approves and revises the Liquidity Risk Management Policies, approves and revises the Liquidity Contingency Plan, and ensures its implementation in the case of activation.

The Liquidity Risk in the Group is managed in several departments as follows:

- **The Global Risk, Market, and Liquidity Risk Unit** is responsible for setting liquidity risk appetite and risk capacity bearing, and the Liquidity Risk Management Framework by establishing policies, methodologies, and limits on solo and consolidated levels. Global Risk independently controls and measures liquidity risk, reports liquidity risk independently to senior management, the Supervisory Board, and regulators. Global Risk prepares the ILAAP with other relevant departments, monitors daily data, monitors deposits from early withdrawals, performs a set of liquidity stress tests, prepares Minimal Liquidity Standards of the Group, and delegates the implementation of methodologies in banking members, etc.
- **The Financial Markets, Assets, & Liabilities Management (ALM) Unit** is responsible for adopting liquidity management decisions compliant with the policies and limits. The ALM Unit is responsible for internal transfer pricing and long-term borrowings on the capital markets. ALM prepares dynamic liquidity projections and several simulations, taking care of the rational use of the Group's secondary liquidity reserves, and regularly reports to ALCO.
- **The Financial Markets, Trading, and Treasury Unit** is responsible for managing the debt securities portfolio, providing liquidity within a single day, derivatives for the needs of liquidity in a certain currency and placing liquidity surpluses on the interbank market, preparing the Group's liquidity based on the plan of transactions, and others.

A description of the degree of centralisation of liquidity management and interaction between the Group's units

All core members of the Group (banking members) are self-funded. Intragroup funding is provided only to non-core members that are in the process of disinvestment. Liquidity risk management is under strict monitoring by the Bank as a parent bank. Reporting to the Bank by all Group members is done on a daily and monthly basis.

Scope and nature of liquidity risk reporting and measurement systems

The Group identifies and manages several types of liquidity risk, such as market liquidity risk, operational, structural, and intraday liquidity risk, stressed liquidity risk, funding concentration risk, and foreign exchange liquidity risk.

The Group implemented different tools for measuring liquidity risk in the form of maturity structures, stress tests, and the stability of sight deposits, liquidity projections of future cash flows, a scoring model, and other relevant indicators. Internal methodological approaches enable monitoring liquidity on the operating (including intraday liquidity), as well as the structural levels, including the definition of a crisis plan and liquidity management in exceptional circumstances. Liquidity risk management is continuously reviewed, and the liquidity situation regularly evaluated.

The Group measures and manages its liquidity in three stages: current exposure and compliance, forward-looking and stress-testing, and liquidity in exceptional circumstances. Overall assessment of the liquidity position of the Group (including all three stages) is assessed in the ILAAP process.

Global Risk monthly calculates internal liquidity ratios on a solo level for the Bank and reports them to the Assets and Liabilities Committee of the Group. Limits and warning levels are defined for each liquidity ratio, separately for core (banking members) members, and for the consolidated level. Global Risk in the Bank as a parent bank determines internal liquidity ratios, limits, and warning levels for other banking members. However, a banking member can set their own limit levels differently only if required by local regulations, and if these limits are stricter than levels prescribed by the parent bank. For other banking members of the Group, internal liquidity ratios are monitored monthly and reported quarterly to the ALCO, including results on the consolidated level. Reports on the liquidity risk management are submitted to senior management, ALCO, the Supervisory Board, and regulators on a regular basis.

Global Risk reports liquidity risk such as:

- Monthly Reports to ALCO (Calculations of internal liquidity ratios and monitoring results for other group members, Results of the Scoring Model, Results of Liquidity Reserves, Liquidity Gaps, Stability of Sight Deposits, Results of the Regular Liquidity Stress tests, and preparing simulations in case of sudden realisation of unexpected outflows, and Results of the Intraday Liquidity Stress Tests),
- Monthly Reports to the Central Bank (LCR, ALM metrics),
- Quarterly Reports to the ALCO and the Supervisory Board,
- Quarterly Reports to the Central Bank (asset encumbrance, NSFR ratio).

Policies for hedging and mitigating the liquidity risk, and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants

The Group mitigates liquidity risk in several ways, such as planning liquidity needs for different periods, maintaining enough liquidity reserves, monitoring early warning indicators, performing stress-testing, and updating the Liquidity Contingency Plan for an extreme circumstance.

Global Risk conducts liquidity stress tests and reverse stress tests on a monthly basis. The Group performs stress tests under three types of scenarios (assets-side, liabilities-side, and combined) and two intensities (adverse and extreme). Based on the results of these stress tests, the minimum amounts of unencumbered liquidity reserves are determined for each banking member that it must hold in order to cover potential unexpected outflows. The minimum requirement is defined as the amount of liquidity reserves, that would allow the bank to survive a three-month adverse combined stress scenario.

In planning cash flows, the Group must consider several possible situations or scenarios, which have different impacts on the Bank's liquidity. The first projection of cash flows must be prepared in the so-called "normal" or current circumstances in which the Group operates and satisfies daily requirements for liquid funds (baseline scenario, assumptions used according to the budget). A second projection of cash flows is prepared based on the first basic projection and considers the deterioration of current circumstances. Fewer inflows and more outflows from the Group's operations are foreseen, as well as a deteriorated situation in fundraising, and the negative effects of the debt securities' credit quality which represent the largest part of liquidity reserves, a so-called 'moderate scenario.' Furthermore, the Group prepares adverse scenarios, considering additional deterioration of liquidity situation of the Bank and future cash flows.

Dynamic liquidity projections are prepared monthly or, if necessary, more often. Static liquidity gaps are prepared by the Global Risk, Market, and Liquidity Risk. Dynamic liquidity projections are prepared by the Financial Markets, and Assets and Liabilities Management. In the projection of cash flows, the real assumptions and information on new transactions from business plans and the known business events are also included. Assets and Liabilities Management presents the dynamic liquidity projections to the ALCO, which then adopts the necessary decisions for successful management of the Bank's liquidity in the future, based on the presented results.

The Group has developed a methodology for intraday liquidity stress-testing in order to define the minimum level of liquidity reserves that have to be held for intraday liquidity purposes.

The purpose of the Liquidity Contingency Plan (LCP) is to establish guidelines for liquidity management in stressed circumstances. The objective of the LCP is timely identification of potential problems, drafting proposals, and finding resolutions for performing activities in stressed circumstances. The LCP is prepared on a standalone basis, considering only the liquidity stress of the Bank. Each banking member of the Group has its own document describing potential funding sources and roles and responsibilities of units and decision-makers in times of stressed circumstances.

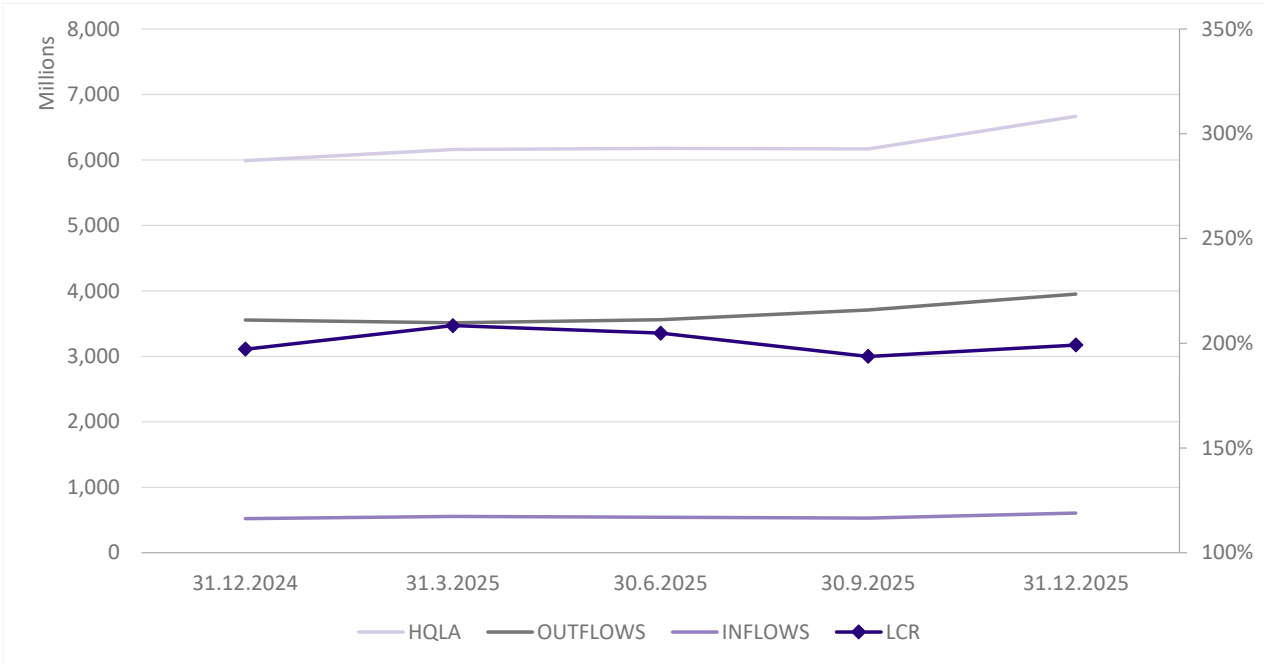
In an early warning system (EWS), warning limits for liquidity indicators are defined for each banking member of the Group. The main goal of a warning limit is to prevent any indicator from exceeding in the future and to activate at an early stage a warning that a member is moving towards the limit. If the Bank or a banking member exceeds the limit, this would result in a higher Liquidity Score of that bank, which is closely correlated with the Liquidity Contingency Plan activation. If the LCP is activated, there are detailed activities defined in the plan that would enable the Bank or a member to restore its liquidity position. Additionally, a Recovery Plan has been set up on the Group level, where detailed recovery options are defined and would enable the Group to recover from liquidity run-off shock back to normal business.

The Group maintains the appropriate level of liquidity reserves in the form of cash and other highly liquid and unencumbered assets that are available in a relatively short time. Liquidity reserves enable the settling of overdue liabilities within a predefined short period of stressed liquidity situation. Unencumbered assets represent a high-quality liquid assets (HQLA) and other liquid assets, like non-LCR eligible marketable debt securities bought for the Bank's own name and account, and ECB eligible credit claims. At the end of December 2025, the Group had 31.84% of unencumbered liquidity reserves in total assets (33.19% at the end of 2024).

Liquidity coverage ratio

The Group holds a very strong liquidity position at the Group (and at individual members level) level, which is well above the risk appetite. In 2025, the LCR of the Group ranged between 184% and 212% (199% as of 31 December 2025). The surplus of HQLA is at a very high level in the Group, ranging between EUR 2.91 billion and EUR 3.39 billion in the past year (EUR 3.32 billion as at 31 December 2025).

Figure 7: Movement of LCR and inputs to LCR calculation of NLB Group



In Q1 2025, the LCR showed an increasing trend, followed by a steady downward trajectory in second quarter of 2025 due to higher loans to customers and an increase in financial investments. This declining trend continued into the third quarter; however, the final quarter of the year showed a notable stabilisation and a slight upward movement by year-

end. Despite these mid-year fluctuations, the Group continues to maintain a significant liquidity surplus, with the LCR remaining consistently and well above the regulatory minimum and the internal risk appetite of 140%.

Moreover, when calculating consolidated LCR (on the level of the Group) specific rules needs to be considered, 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 8: LCR: Structure of HQLA (in%) of NLB Group

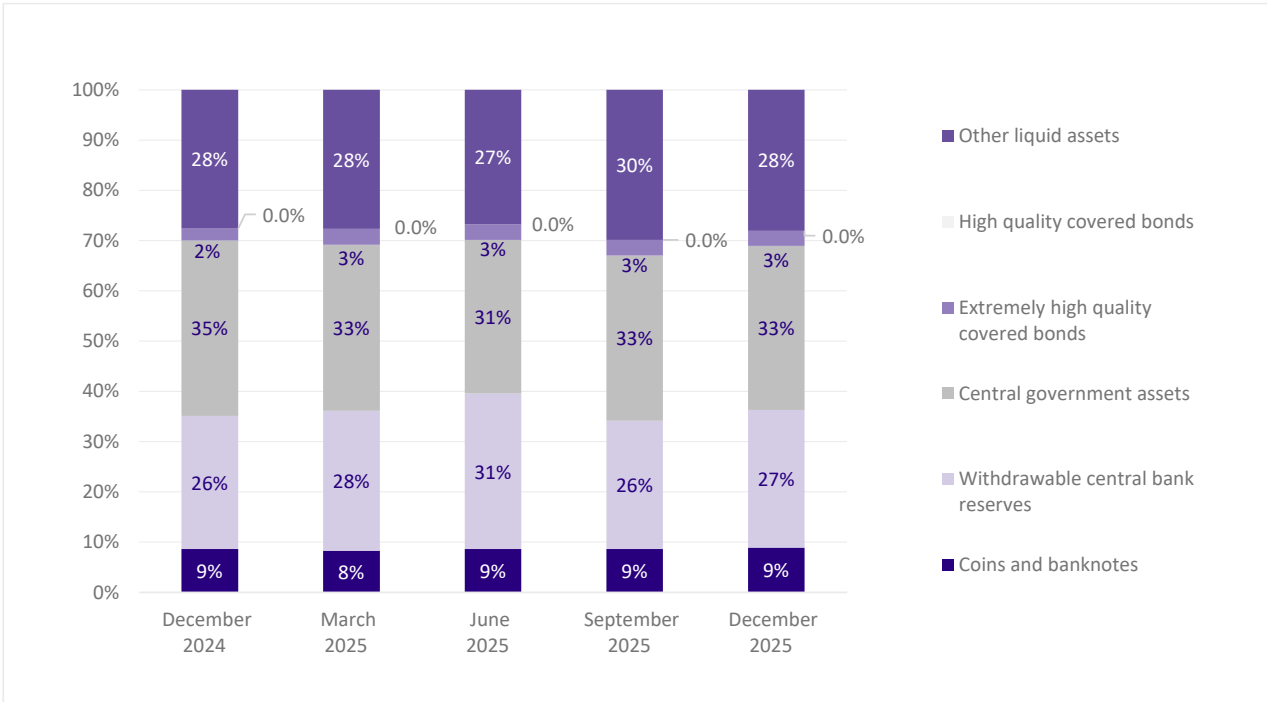


Figure 9: LCR: Structure of outflows (in %) of NLB Group

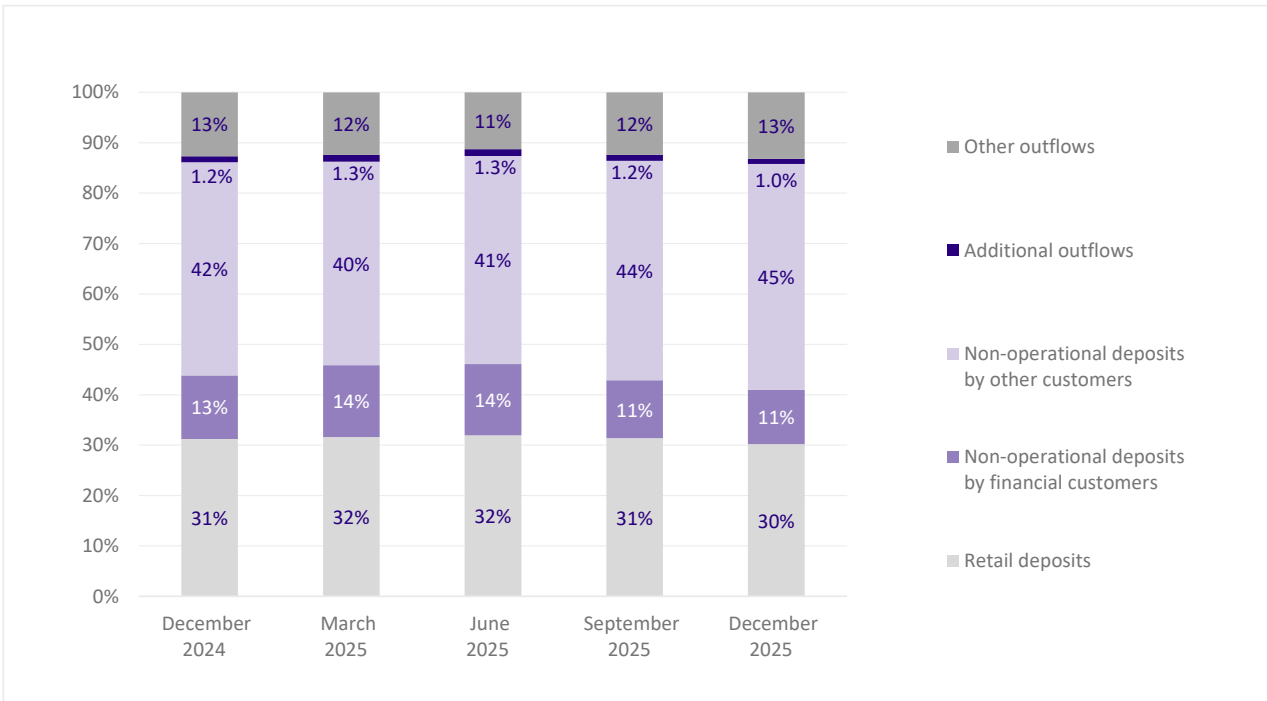
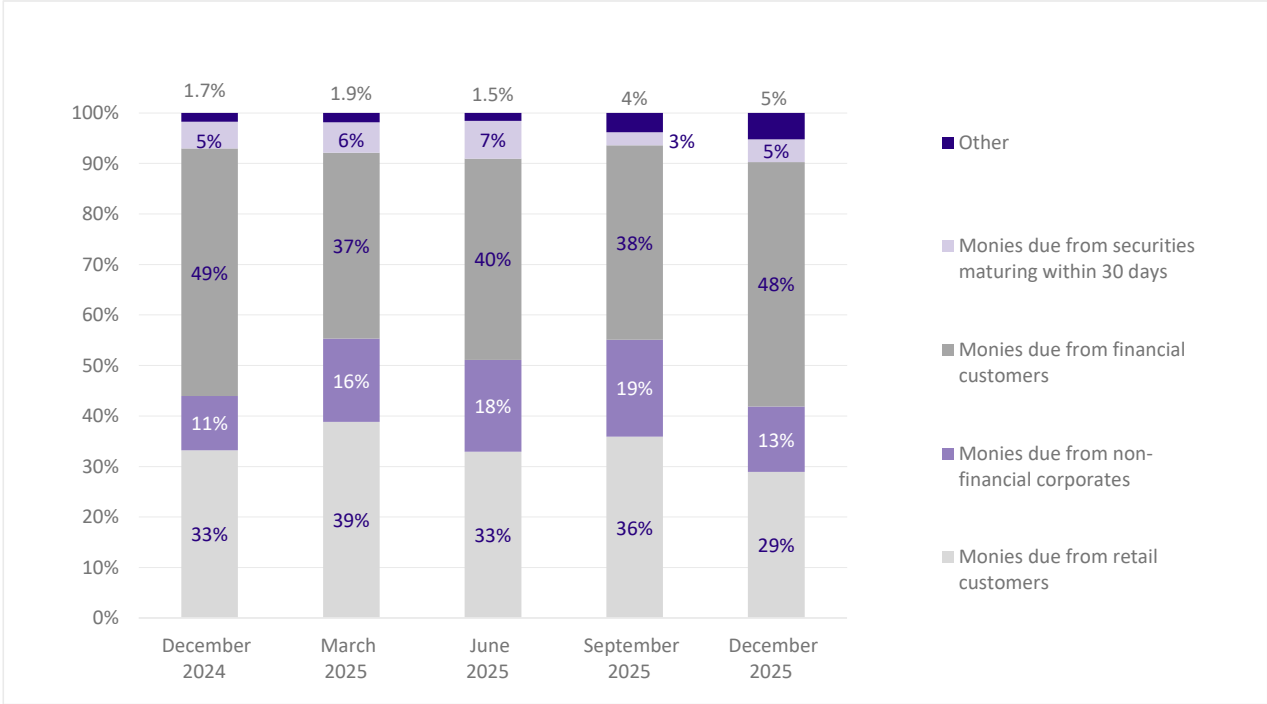


Figure 10: LCR: Structure of inflows (in %) of NLB Group



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 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 2025, the top 30 counterparties provided 3.4% of the total liabilities, mostly in retail, while the top 30 counterparties in the Bank provided also 3.4% of the total liabilities.

High-level description of the composition of the institution’s HQLA

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

The tables below illustrate the values and data for each of the four calendar quarters of the year 2025 (January – March, April – June, July – September, and October – December). 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 36 – EU LIQ1 – Quantitative information of LCR of NLB Group (in EUR millions)

EU 1a	Quarter ending on	Total unweighted value (average)				Total weighted value (average)			
		31.12.2025	30.09.2025	30.06.2025	31.03.2025	31.12.2025	30.09.2025	30.06.2025	31.03.2025
		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)					6,310,337	6,173,362	6,334,011	6,584,777
Cash-outflows									
2	Retail deposits and deposits from small business customers, of which:	18,364,247	18,014,956	17,670,528	17,364,106	1,145,764	1,124,992	1,106,225	1,096,084
3	Stable deposits	13,263,154	13,015,549	12,765,497	12,524,107	663,158	650,777	638,275	626,205
4	Less stable deposits	4,096,115	4,012,741	3,942,433	3,934,171	482,607	474,214	467,950	469,879
5	Unsecured wholesale funding	4,383,835	4,201,976	4,035,379	3,891,038	2,037,128	1,967,733	1,903,619	1,837,223
7	Non-operational deposits (all counterparties)	4,373,777	4,193,344	4,026,747	3,884,079	2,027,069	1,959,102	1,894,987	1,830,264
8	Unsecured debt	10,058	8,632	8,632	6,959	10,058	8,632	8,632	6,959
10	Additional requirements	2,397,124	2,408,583	2,392,039	2,395,923	238,045	240,583	239,901	241,156
11	Outflows related to derivative exposures and other collateral requirements	43,785	45,015	45,975	46,836	43,785	45,015	45,975	46,836
13	Credit and liquidity facilities	2,353,339	2,363,568	2,346,064	2,349,087	194,260	195,569	193,927	194,319
14	Other contractual funding obligations	378,326	351,410	314,683	269,375	179,478	163,665	142,987	140,221
15	Other contingent funding obligations	1,871,677	1,851,566	1,826,935	1,783,872	102,817	102,069	101,082	99,551
16	TOTAL CASH OUTFLOWS					3,703,232	3,599,041	3,493,814	3,414,235
Cash-inflows									
18	Inflows from fully performing exposures	809,285	788,488	759,592	721,419	508,422	495,239	476,793	459,036
19	Other cash inflows	24,662	24,399	22,796	21,004	24,662	24,399	22,796	21,004
20	TOTAL CASH INFLOWS	533,085	519,638	499,589	742,423	533,085	519,638	499,589	480,040
EU-20c	Inflows subject to 75% cap	533,085	519,638	499,589	742,423	533,085	519,638	499,589	480,040
						TOTAL ADJUSTED VALUE			
21	LIQUIDITY BUFFER					6,310,337	6,173,362	6,334,011	6,584,777
22	TOTAL NET CASH OUTFLOWS					3,170,147	3,079,403	2,994,225	2,934,196
23	LIQUIDITY COVERAGE RATIO					199.40%	200.60%	211.95%	225.28%

Table 37 – EU LIQ2 – Net Stable Funding Ratio of NLB Group

31.12.2025	Unweighted value by residual maturity				Weighted value	
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr		
	a	b	c	d		
Available stable funding (ASF) Items						
1	Capital items and instruments	-	-	-	3,925,585	3,925,585
2	<i>Own funds</i>	-	-	-	3,925,585	3,925,585
4	Retail deposits		18,513,463	355,826	280,471	17,976,712
5	<i>Stable deposits</i>		14,086,461	191,147	146,254	13,709,982
6	<i>Less stable deposits</i>		4,427,002	164,679	134,217	4,266,730
7	Wholesale funding:		5,136,177	190,378	1,968,933	4,301,369
9	<i>Other wholesale funding</i>		5,136,177	190,378	1,968,933	4,301,369
11	Other liabilities:	7,453	1,094,637	-	740	740
12	<i>NSFR derivative liabilities</i>	7,453				
13	<i>All other liabilities and capital instruments not included in the above categories</i>		1,094,637	-	740	740
14	Total available stable funding (ASF)					26,204,406
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					105,977
17	Performing loans and securities:		3,384,517	2,237,209	14,896,989	14,633,791
20	<i>Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:</i>		2,138,835	1,606,445	7,305,707	13,142,091
21	<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>		47,869	49,591	511,489	2,538,574
22	<i>Performing residential mortgages, of which:</i>		535,094	534,643	6,125,112	-
23	<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>		118,432	115,730	3,138,885	-
24	<i>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</i>		710,588	96,121	1,466,170	1,491,700
26	Other assets:	-	540,542	30,610	622,916	1,038,536
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>		13,829	-	-	11,754
29	<i>NSFR derivative assets</i>		91,832	-	-	91,832
30	<i>NSFR derivative liabilities before deduction of variation margin posted</i>		445	-	-	22
31	<i>All other assets not included in the above categories</i>		434,436	30,610	622,916	934,928
32	Off-balance sheet items		4,332,975	-	-	230,254
33	Total RSF					16,008,558
34	Net Stable Funding Ratio					163.69%

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 31 December 2025, the aggregate liabilities in RSD represented 7.7% 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.

13. Unencumbered assets

(Article 443 of CRR)

General narrative information on asset encumbrance

Asset encumbrance presents an important aspect of liquidity risk management. The Group regularly monitors and reports on asset encumbrance. The increase in the volume of encumbered assets contributes to higher liquidity risk and the risk of financing, since an institution with encumbered assets has fewer available assets for pledging, used as a liquidity reserve for unexpected liquidity needs (e.g., approved credit lines, margin calls on derivatives).

The Group must ensure that it has at every moment enough high-quality liquid assets, so it is able to meet all liquidity needs. Possible operations for asset encumbrance:

- pledge of securities,
- repo transactions via interbank or ECB funding,
- derivatives trading (CSA contracts),
- issue of covered bonds,
- financing on capital and interbank markets.

Monthly reports on the Group's asset encumbrance are submitted to ALCO by the Financial Markets (for each banking member and on a consolidated level), while the Global Risk (Market and Liquidity Risk) quarterly reports are submitted to the Bank of Slovenia on solo and consolidated levels.

In the Group, all assets that are pledged are reported as encumbered assets. Regarding a transparent way of reporting, the Group has no example of giving the pledge which then would not be included in AE reporting. There is also no difference between the regulatory consolidation scope and liquidity requirements on an IFRS consolidated basis.

At the structural level, the goal of liquidity management is to achieve such a structure of the Group's balance sheet that will ensure the Group's long-term stability and liquidity based on the criteria of long-term maturity match, forms, and concentration of the sources of financing.

In alignment with Liquidity Risk Management Policy, the unencumbered liquidity reserves include high quality liquid assets (HQLA) and other liquid assets, like non-LCR eligible marketable debt securities bought for the Bank's own name and account, and credit claims eligible for CB-secured funding operations. HQLA represents cash and withdrawable central bank reserves without a minimum reserve requirement, government, and other LCR-eligible debt securities. They must be free of encumbrance and easily converted into cash.

The Group holds an adequate amount of unencumbered HQLA that can be converted easily and immediately into cash. The Group can use those stocks of assets as a source of contingent funds that are available to fill funding gaps between cash inflows and outflows at any time during a 30-day stress period. According to Basel III, the Group demonstrates monthly that its LCR ratio – HQLA divided by total net cash outflows – is always greater than 100% (199% at the end of December 2025) which indicates that the Group would not need any additional liquidity to withstand cash outflows during a "significant stress scenario" lasting 30 days. Also, from this point of view, there is no need to carry a greater extent of encumbered assets. However, all assets that have been pledged are treated and reported as encumbered.

The Group has a strong liquidity position, with all internal liquidity indicators and liquidity reserves high and well above required standards.

As at 31 December 2025, the Group and the Bank had a large share of unencumbered assets. On the Group level, the amount of encumbered assets equalled EUR 1.6 million, which presented 5% of its total assets.

Most of encumbered assets consist of loans on demand (EUR 1.5 million) and debt securities (EUR 94 million). The Group members are self-funded and have a strong liquidity position, so, the Bank has the majority of encumbered assets within the Group.

The amount of encumbered assets is denominated in EUR currency, which is the most significant currency of the Group. There are no other significant currencies of AE to be reported.

The values of asset encumbrance are calculated as the median of the end-of-period values from ITS AE (F 32) reporting for each of the four quarters in a year (used for display in tables 38 to 40).

Table 38 – EU AE1 – Encumbered and unencumbered assets of NLB Group

31.12.2025		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA	
		Total	HQLA	Total	HQLA	Total	HQLA	Total	HQLA
		010	030	040	050	060	080	090	100
010	Assets of the disclosing institution	1,535,537	123,197			28,445,520	5,126,611		
030	Equity instruments	1,189	-	1,189	-	115,500	-	115,500	-
040	Debt securities	123,197	123,197	116,848	116,848	6,461,500	4,665,752	6,438,876	4,624,710
050	of which: covered bonds	4,780	4,780	4,589	4,589	242,348	239,475	238,154	235,668
060	of which: securitisations	-	-	-	-	-	-	-	-
070	of which: issued by general governments	110,686	110,686	105,937	105,937	4,660,979	3,510,175	4,637,640	3,476,624
080	of which: issued by financial corporations	19,987	19,987	19,090	19,090	1,779,500	1,108,515	1,783,509	1,103,187
090	of which: issued by non-financial corporations	-	-	-	-	21,110	64,403	21,314	64,392
120	Other assets	1,344,435	-			21,917,615	449,907		

Table 39 – EU AE2 – Collateral received and own debt securities issued of NLB Group

31.12.2025		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
		Fair value of collateral received or own debt securities issued available for encumbrance		Fair value of collateral received or own debt securities issued available for encumbrance	
		Total	of which notionally eligible EHQLA and HQLA	Total	of which EHQLA and HQLA
		010	030	040	060
250	Total collateral received and own debt securities issued	1,535,537	123,197		

Table 40 – EU AE3 – Sources of encumbrance of NLB Group

31.12.2025		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	030
010	Carrying amount of selected financial liabilities	55,534	63,176

14. Operational risk management

(Article 446 of CRR)

14.1. Approaches for the assessment of own funds requirements for operational risk

The capital requirement for operational risk at the Group level is calculated using the standardised approach, at the level of the Group and the Bank.

Table 41 – EU OR1 – Operational risk losses of NLB Group

	31.12.2025	31.12.2024	31.12.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016	Ten-year average	
	a	b	c	d	e	f	g	h	i	j	k	
Using €20,000 threshold												
1	Total amount of operational risk losses net of recoveries (no exclusions)	6,530	18,233	32,925	11,518	17,315	19,360	14,890	4,355	14,376	13,005	15,251
2	Total number of operational risk losses	83	87	83	79	72	83	85	65	39	33	71
3	Total amount of excluded operational risk losses	-	-	-	-	-	-	-	-	-	-	-
4	Total number of excluded operational risk events	-	-	-	-	-	-	-	-	-	-	-
5	Total amount of operational risk losses net of recoveries and net of excluded losses	6,530	18,233	32,925	11,518	17,315	19,360	14,890	4,355	14,376	13,005	15,251
Using €100,000 threshold												
6	Total amount of operational risk losses net of recoveries (no exclusions)	5,963	17,408	32,338	10,702	16,945	18,142	14,015	3,006	13,588	12,442	14,455
7	Total number of operational risk losses	36	30	34	30	31	42	47	27	17	16	31
8	Total amount of excluded operational risk losses	-	-	-	-	-	-	-	-	-	-	-
9	Total number of excluded operational risk events	-	-	-	-	-	-	-	-	-	-	-
10	Total amount of operational risk losses net of recoveries and net of excluded losses	5,963	17,408	32,338	10,702	16,945	18,142	14,015	3,006	13,588	12,442	14,455

Table 42 – EU OR2 – Business Indicator, components and subcomponents of NLB Group

		31.12.2025	31.12.2024	31.12.2023	Average value
		a	b	c	d
BI and its subcomponents					
1	Interest, lease and dividend component (ILDC)				
EU 1	ILDC related to the individual institution/consolidated Group (excluding entities considered by Article 314(3))				
1a	Interest and lease income	1,201,908	1,188,898	994,177	1,128,328
1b	Interest and lease expense	307,843	270,677	181,350	253,290
1c	Total assets/Asset component	30,620,574	27,241,336	25,331,086	27,730,999
1d	Dividend income/ dividend component	191	116	169	159
2	Services component (SC)				
2a	Fee and commission income	469,474	435,289	398,746	434,503
2b	Fee and commission expense	126,824	122,360	120,780	123,321
2c	Other operating income	20,491	16,223	18,428	18,381
2d	Other operating expense	20,168	29,449	52,181	33,933
3	Financial component (FC)				
3a	Net profit or loss applicable to trading book (TB)	35,560	28,180	33,313	32,351
3b	Net profit or loss applicable to banking book (BB)	1,676	200	243	706
EU 3c	Approach followed to determine the TB/BB boundary (PBA or accounting approach)				
4	Business Indicator (BI)				
5	Business indicator component (BIC)				

Disclosure on the BI:

		a
6a	BI gross of excluded divested activities	0
6b	Reduction in BI due to excluded divested activities	0
EU 6c	Impact in BI of mergers/acquisitions	43,561

Table 43 – EU OR3 – Operational risk own funds requirements and risk exposure amounts of NLB Group

31.12.2025		a
1	Business Indicator Component (BIC)	141,353
EU 1	Alternative Standardised Approach (ASA) Own Funds	-
3	Minimum Required Operational Risk Own Funds Requirements (OROF)	141,353
4	Operational Risk Exposure Amounts (REA)	1,766,916

14.2. Description of other internal approaches and methodologies in the area of operational risk

When assuming operational risks, the Group follows the guideline that such risks may not materially impact its operations and, therefore, the risk appetite for operational risks is low to moderate. The Group has set up a system of collecting loss events, identification, assessment, and management of operational risks, all with the aim of ensuring quality management of operational risks. This is particularly valid in strategic banking members of the Group.

All the Group banking members monitor risk appetite limits for operational risk. The upper tolerance limit is defined as the limit amount of net loss that an individual member still allows in its operations. If the sum of net loss exceeds the tolerance limit, a special treatment of major loss events is required and, when necessary, additional measures for the prevention or mitigation of the same or similar loss events are taken. The warning and critical limit of loss events are also defined, which in case of exceeding require escalation procedures and acceptance of possible additional risk management measures. In addition, the Bank does not allow certain risks in its business – for them a so-called 'zero tolerance' was defined.

For monitoring, some specific more important key risk indicators that could show a possible increase of an operational risk, the Bank developed a specific methodology as an early warning system. Such risks are periodically monitored in different business areas, and the results are discussed at the Operational Risk Committee. The latter represents the highest decision-making authority in the area of operational risk management. Relevant operational risk committees were also appointed at other Group banking members. The Management Board serves in this role at other subsidiaries. The main task of the aforementioned bodies is to discuss the most significant operational risks and loss events, and to monitor and support the effective management of operational risks including their mitigation within an individual entity. All Group entities that are included in the consolidation, have adopted relevant documents that are in line with the Group standards. In banking members, these documents are in line with the development of operational risk management and are regularly updated. The whole Group uses uniform software support, which is also regularly upgraded.

In 2025, the Group reported lower net operational losses arising from loss events than in the previous year, remaining within established operational risk tolerance limits. Certain litigation costs were mainly due to systemic issues, such as litigation risk (e.g., cases related to loan processing fees and loan insurance premiums in Serbia). For other realised operational losses, banking members of the Group performed a comprehensive analysis and defined adequate mitigation measures to prevent or minimise such events in the future.

In general, considerable attention is paid to reporting loss events, their mitigation measures, and defining operational risks in all segments. The major operational risks are actively managed with the measures taken to reduce them. To treat major loss events appropriately and as soon as possible, the Bank introduced an escalation scale for reporting bigger or more important loss events to the top levels of decision-making. Additional attention is paid to the reporting of potential loss events in order to improve the internal controls, and thus minimise those and similar events. An operational risk profile is prepared once a year based on the operational risk identification. Through comprehensive identification of operational risks, possible future losses are identified, estimated, and appropriately managed. Furthermore, key risk indicators (KRIs), addressed for ESG risks, serve as an early warning system with the aim of improving business and supporting processes, as well enabling a prompt response.

Special emphasis is put on the most topical risks, among which in particular are those with a low probability of occurrence and very high potential financial influence. For this purpose, the Bank has developed the methodology of stress-testing for operational risk. With regards to modelling data on loss events the Bank uses the gamma distribution

technique, which proved to be the most suitable. From an economic perspective, the aim is to ensure the necessary capital for materially important risks that could happen extremely rarely. Consequently, data on realised loss events are used with a confidence interval of 99.9%. Moreover, some add-ons are added for specific current and significant risks. In a normative view, a 90% confidence level is used for more plausible, but still severe events which would be absorbed through P&L.

Apart from losses already included in the loss event database, the Bank could also experience one-off and unpredictable extreme events. The list of such potentially high severity, low-frequency events is updated yearly, based on current risks in the Bank's environment or past realised events in the banking industry. For those possible and topical events, scenario analyses are prepared. The cyber-attack scenario as an umbrella scenario was further divided into five more detailed scenarios for different types of such attacks. The results show that the most significant loss could be derived from the following potential events: possible difficulties operating electronic banking channels, anti-money laundering, cyber-attacks, and legal risks. For these scenarios, existent controls were additionally revised, while for identifying potential deficiencies, mitigation measures were defined.

15. ESG risks

(Article 449 (a) of CRR)

15.1. Introduction

The Group's medium-term strategy encompasses strategic ambitions related to sustainability, including environmental, social, and governance 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:

- Regulations, guidelines, and recommendations of the regulator European Central Bank (ECB) and national supervisor Bank of Slovenia in regards to ESG risks, in particular the Guide on climate-related and environmental risks.
- Regulations, guidelines, and recommendations of the European Banking Authority (EBA), aimed at the financial sector to redirect financial flows towards green investments, consolidate the role of sustainable approaches in risk management, improve transparency, and strengthen long-term thinking in operations,
- 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. 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.
- The Principles for Responsible Banking – United Nations Environment – Finance Initiative (UNEP FI), thus committing to the UN Sustainable Development Goals (United Nations Development Programme) and the Paris Climate Agreement. The Group integrates these commitments into its operations, financing, investments, and societal contributions across the region. The Group was also a member of the UNEP FI Net-Zero Banking Alliance (NZBA), which ceased operations and its commitments were transformed into a guidance framework in October 2025. However, the Group's climate strategy remains unchanged, along with its commitment to align the financing activities with decarbonisation and to achieve climate resilience.
- International frameworks in the area of respect for human rights, including the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, OECD Guidelines.

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, the UNEP FI Principle for Responsible Banking, and Taskforce for Climate Related Financial Disclosures (TCFD), were included in reporting. In 2024, the Group published its inaugural Sustainability Statement which replaced previous reports, while still integrating various aforementioned frameworks. It was 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. In 2025, the Group published the second consolidated Sustainability Statement, compliant with CSRD and ESRS.

The Sustainability 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, its update conducted in 2025, and some additional to provide 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 the Standard Rulebook on sustainability management, which are mandatory for every Group financial core members, and in the adjusted versions for all other 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.

The general objectives that the Group pursues within all three pillars, are described in the following chapters. In addition to the 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 NLB Group’s efforts and progress on its sustainability journey have been recognised by Morningstar Sustainalytics, and S&P Global Ratings, two of the world’s leading independent providers of ESG research, ratings and data.

Morningstar Sustainalytics 2024: 10.5 Lowrisk	S&P Global Ratings 2025: 59 points
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Morningstar Sustainalytics provides an ESG Risk Rating that measures the degree of a company’s unmanaged ESG risk. The rating focuses on how much ESG risk could still materially impact enterprise value after considering how effectively the company manages those risks. Sustainalytics uses a 0–50 ESG Risk Rating scale, where lower scores indicate less unmanaged ESG risk. Ratings are categorised as Negligible (0–9.99), Low (10–19.99), Medium (20–29.99), High (30–39.99), and Severe (40+). Overall, the 2022–2025 period shows a total improvement of 7.2 points (from 17.7 to 10.5).

The latest scoring (provided in 2025 for the year 2024) ranked the Group as 42nd among 1,027 rated banks, positioning it in the top 5th percentile and among the 432 highest rated companies in Europe. This achievement placed the Group among the Top-rated companies in Europe and the Top-rated banks globally.

S&P Global Ratings evaluates ESG risks and opportunities within its broader Corporate Sustainability Assessment (CSA) and uses the S&P Global ESG Score, which ranges from 0 to 100, where 100 represents the best possible performance. Overall, the 2022–2025 period shows a total improvement of 14 points (from 45 to 59), confirming the NLB Group’s accelerating progress and reinforcing its ambition to maintain strong ESG performance in the banking sector.

Further insights: For details on sustainability approach, progress, and the management of impacts, risks, and opportunities please refer to the 2025 NLB Group Sustainability Statement (as a part of integrated NLB Group Annual Report).

15.2. Environmental risk

15.2.1. 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 with 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.

These goals and related activities apply for all the Group members in all countries of operations.

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.

These goals and related activities apply for the Group banking members and leasing companies in all countries of operations, and are detailed in the chapter Sustainable finance.

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.

Care for employees and environmental responsibility apply for all the Group banking members, while other areas are relevant in particular for the Group banking members.

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 2025, the Group continued with the development and integration of the comprehensive Net-Zero Climate Strategy, which 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 emissions caused by its operational activities.

In line with the Group's commitment to a climate-positive future (i.e. fostering a mindset of proactive positive impact, rather than merely reducing harm) and its Net-Zero ambition, the Group officially joined the UNEP FI Net-Zero Banking Alliance (NZBA) in May 2022. In 2023 the Group disclosed the first round of targets aligned with NZBA guidelines in the [Our Net-Zero Commitment](#) report, while in 2025 the targets were expanded and disclosed in the [Advancing Our Net-Zero Commitment](#) report. The mentioned targets and strategies are integral part of NLB Group Transition Plan prepared in line with EBA Guidelines on the management of environmental, social and governance (ESG) risks.

Financed emissions, falling under GHG Protocol Scope 3 Category 15, account for 99.9% of total emissions within the Group, making them the primary focus of our emissions reduction targets. This approach highlights the pivotal role of portfolio emissions in achieving the Group's long-term climate goals.

The Group uses science-based scenario pathways to limit global warming to 1.5°C, and does not rely on offsets when meeting its 2030 sector targets. Instead, the Group focuses on monitoring industry standards for offsets as they evolve. Targets, developed under internal risk supervision and executive approval, are aligned with NZBA guidance and will be reviewed every five years to remain consistent with international agreements and national goals.

The Group's Net-Zero Portfolio Strategy, which covers financed emissions (Scope 3, Category 15), addresses lending activities that include clients' Scope 1 and Scope 2 emissions. Initial emission reduction targets were set in 2023, focusing on the identified priority sectors under the established baseline, including high-emission industries and key areas of financial exposure, as detailed in chapter E1-3 Decarbonisation actions and levers, where prioritisation is explained.

With the second round of target-setting, the Group has applied a broader lens to target-setting metrics, exploring a range of target types beyond emission-based targets alone. For certain sectors, data limitations, heterogeneity of activities, or methodological inconsistencies make emissions metrics insufficient, and their non-use has been duly justified. Instead, a combination of target types tailored to each segment's maturity and exposure profile has been developed, in line with the NZBA guidance. The second-round targets include emission-based targets aligned with sectoral decarbonisation trajectories, quantitative financing targets to support credible transition plans and low-carbon activities, and client engagement targets supported by structured assessments and data collection.

For residential and commercial real estate, the Bank actively monitors portfolio performance in Slovenia instead of setting formal emission targets, due to dependence on regulatory, infrastructure, and stakeholder factors beyond Bank's control.

The effectiveness of the NLB Group Transition Plan is regularly monitored and reported through the Group's governance bodies. 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.

Operational emissions targets

The NLB Group Operational Emission Strategy trajectories are in line with Paris Agreement pathways and follow the EU target proposals to reduce emissions by 55% by 2030 in addition to becoming climate-neutral by 2050.

To support this ambition, in 2025 the Group set a target to achieve a 75% decrease in operational CO₂ emissions by 2030 compared to the baseline year 2021, and including all the Group members. This target 75% hence exceeds the EU's proposed 55% reduction pathway for the same period, whereas the highest emission reduction is to be achieved in electricity usage.

Building on its long-term commitment to reducing operational emissions, the Group is implementing and further enhancing a range of initiatives that directly support the achievement of its strategy and targets.

Further insights in NLB Group Net Zero Disclosure Report, available on the Bank's website or NLB Group Sustainability Statement

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 finance

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 mentioned targets are integral part of NLB Group Transition Plan prepared in line with EBA Guidelines on the management of ESG risks.

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 CO₂/m²), and at least 20% of new production in top-rated mortgages (EPC class A & B) in Slovenia by 2030. In 2025, an additional commitment of new production in top-rated mortgages (EPC class A & B) in Group was set (Table 44).

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 2025, the Group achieved EUR 1,545 million, or 81%, of its total EUR 1.9 billion commitment in green financing by 2030. This includes EUR 954 million (70%) of the EUR 1.37 billion target for Corporate and Investment Banking. Retail Banking has achieved its target of EUR 528 million by reaching EUR 592 million (112%), which has exceeded expectations.

In the reporting year, the Group continued to promote energy-efficient buildings through its lending activities. In the commercial real estate segment, 24% of newly approved loans were allocated to the most energy-efficient commercial buildings (<50 kg CO₂/m²), below the annual target. The result was largely impacted by a single higher-intensity transaction, which has a defined transition plan to reduce carbon intensity to the targeted level by 2030.

In the retail real estate (RRE) segment, 42% of new mortgage loans in Slovenia were classified in the highest energy performance classes (A and B energy performance certificates), exceeding the annual ambition of 20% reflecting strong momentum in energy-efficient lending.

Table 44: Green Financing Commitments and Progress (outstanding stock volume) at the end of 2025

Segment	Description	Target 2030	Target Coverage	2025	2025 Relative to Target
Corporate and Investment Banking Green Transition Financing	Renewable Energy Projects				
	Green Building Financing				
	Energy Efficiency Projects	1,370,000	Group	953,815	70%
	Clean Transportation Projects				
	Pollution Prevention and Water Treatment				
	Sustainable Water and Wastewater Management				
Retail Banking Green Transition Financing	Renewable Energy Financing				
	Green Building Financing				
	Energy Efficiency Financing	528,000	Group	591,587	112%
	Clean Transportation Financing				
Total Green Transition Financing^[1]		1,900,000	Group	1,545,402	81%
Commitment to Finance Energy-Efficient Commercial buildings	Share of financing of new production in most energy efficient commercial buildings (<50kg CO2/m ²)	30%	NLB	24%	82%
Commitment to Finance Energy-Efficient Mortgages	Share of financing of new production in top-rated mortgages (A & B EPC class)	20%	NLB	42%	Targets set in FY 2025, subject to future monitoring
		12%	NLB KB Beograd		
		10%	NLB Banka, Banja Luka		
		5%	NLB Banka, Sarajevo		
		6%	NLB Banka, Skopje		
Target Share of Low-Carbon Vehicles in Leasing Portfolio	Share of BEV/PHEV vehicles in Leasing passenger vehicle fleet by 2030	12%	NLB Lease&Go, Ljubljana		
Commitment to Finance Sustainable Agriculture	Financing for farmers and upstream agricultural corporates in Slovenia and Serbia, aligned with the NLB Sustainable Agriculture Framework.	75,000	NLB Group		

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. In addition, NLB funds launched Alternative investment fund Green Transition I, Specialised investment fund (established in 2024, and became operational in 2025) promotes environmental characteristics by investing in projects that enhance energy efficiency and generate electricity from renewable energy sources and any other projects related to the energy transition, provided that good governance practices are observed

At the end of 2025, net asset value of Sub-fund NLB Funds – Equity Socially Responsible Global Advanced Markets and Sub-fund NLB Funds – Equity Environmental stood at EUR 127.2 million and EUR 22 million, respectively.

Leasing

The year 2025 marks an important milestone in the leasing segment as Summit Leasing Slovenija and NLB Lease&Go merged in July. The NLB Lease&Go group now consists of four leasing companies in the region (beside NLB Lease&Go Ljubljana also NLB Lease&Go Beograd, NLB Lease&Go Skopje and Mobil Leasing Zagreb) and a subsidiary NLB Car&Go, which operates the platform *doberavto.si* and enhance the Group's ability to support circular principles through the resale of pre-owned vehicles. Sustainability remains a core priority for the leasing companies, with NLB Lease&Go Ljubljana acting as the central sustainability coordinator, green financing and compliance with regulatory requirements. NLB Lease&Go Ljubljana has introduced a comprehensive framework for monitoring green investments and aligning internal acts with NLB Group policies. 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 2025, NLB Leasing Group green financing new production amounted to EUR 34.6 million.

Green bond

With the issuance of the green bond in June 2023 in line with the GBF, the Bank committed to strive to allocate the full amount of the green bond (EUR 500 million) within 36 months after bond issuance (target amount), i.e. by 27 June 2026. 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 second Allocation in Impact report was published in June 2025 on data as at 31 March, 2025. The report reveals that the portfolio of eligible assets amounted to EUR 615 million (thus exceed the target), with 2,909 financings granted. With respect to green bonds and relating commitment to allocate EUR 500 million of eligible projects, full allocation was achieved and reported with the second Allocation and Impact Report.

Further insights:

- NLB Green Bond Framework, available in the Bank's webpage. [Read full document](#)
- NLB Green Bond Impact and Allocation report, available in the Bank's webpage. [nlb-allocation-and-impact-report-june2025.pdf](#)
- 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 (Environmental and Social Management System), 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 Policies related to climate change mitigation and adaptation sub-chapter of 2025 NLB Group Sustainability Statement (as a part of integrated NLB Group Annual Report).

15.2.2. 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 2025, management bodies addressed (discussed and/or made resolutions at their sessions) several ESG-related topics (including climate and other environmental), within their respective area of responsibility, whether stand-alone or in connection with broader strategic topics. Key topics included (but not limited to) the Group's net-zero disclosure report and business strategy, operational carbon footprint measurement and related measures to reduce environmental impact and further improve energy efficiency. In 2025 the Bank's Management Board also reviewed and approved the updated DMA, Sustainability Statement and report of internal audit on sustainability assessment.

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.
- Collective decision-making bodies that provide decision-making support to the whole Management Board: Corporate Credit Committee, Assets and Liabilities Management Committee of the NLB Group, NLB Operational Risk Committee, Change the Bank Committee, Risk Committee, Group Real Estate Management Committee, Sales Committee, Retail Credit Committee, etc.
- 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, Risk Committee, Nomination Committee, Remuneration Committee, and the Operations and IT Committee.

If there is a case where environmental risks are identified that could affect the Groups business model, operations, or performance, that 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 2025, concrete targets have been included in their performance plans, and were part of the Management Board members' individual assessments, as follows:

- CEO of the Bank: 30% weighting
- Other members of the Bank's Management Board: from 25–35% weighting

In addition, the Long-Term Incentive (LTI) plan for 2026 – 2028 for the Bank's Management Board was approved by the Supervisory Board in January 2025. The plan defines the following non-financial targets with 50% weighting in the overall LTI plan:

- linked to organisational culture, employee development: decrease in gender pay gap, decrease in actual and desired organisational culture,
- linked to customer relations: reaching the sustainable loan portfolio target by 2028.

15.2.3. 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 an 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 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 follows the UN NZBA guidance.

- 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 updated the materiality assessment of physical risk as of 31 December 2025. Key findings were as follows:

- Short-term exposure to physical risk is not material; however, however frequency and severity of events 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-term. 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 risk) 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 18% under the RCP 8.5 scenario, which is slightly higher as in the year 2024.

The Group updated the materiality assessment of transition risk as of 31 December 2025. 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 the materiality assessment is the mid-term horizon. Using UNEP-FI methodology for classification of transition risk, only 5% of the corporate portfolio is allocated to the high-risk bucket and 10% to the moderately high-risk bucket. 39% 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 a sectoral perspective, exposures assessed as above-moderate are concentrated in the manufacturing sector, wholesale and retail trade, construction, and electricity generation activities in Slovenia and Serbia. In Kosovo and other jurisdictions of the Group, these exposures are assessed as less material. For the identified sectors, direct and indirect emission-related cost drivers significantly contribute to elevated transition-risk scores, while needed capital expenditure further increase the overall vulnerability to transition risk.
- At the country level, the lowest transition-risk exposure is observed in Slovenia, whereas the highest exposure is identified in Serbia, notwithstanding that the applied UNEP-FI methodology is not country-specific. In the other Group markets outside Slovenia, a delayed transition trajectory is anticipated, resulting in lower risk in the short term but a higher materiality of transition risk in the medium term due to accelerated alignment requirements.

The Group also updated the materiality assessment of other environmental risk as of 31 December 2025. Key findings were as follows:

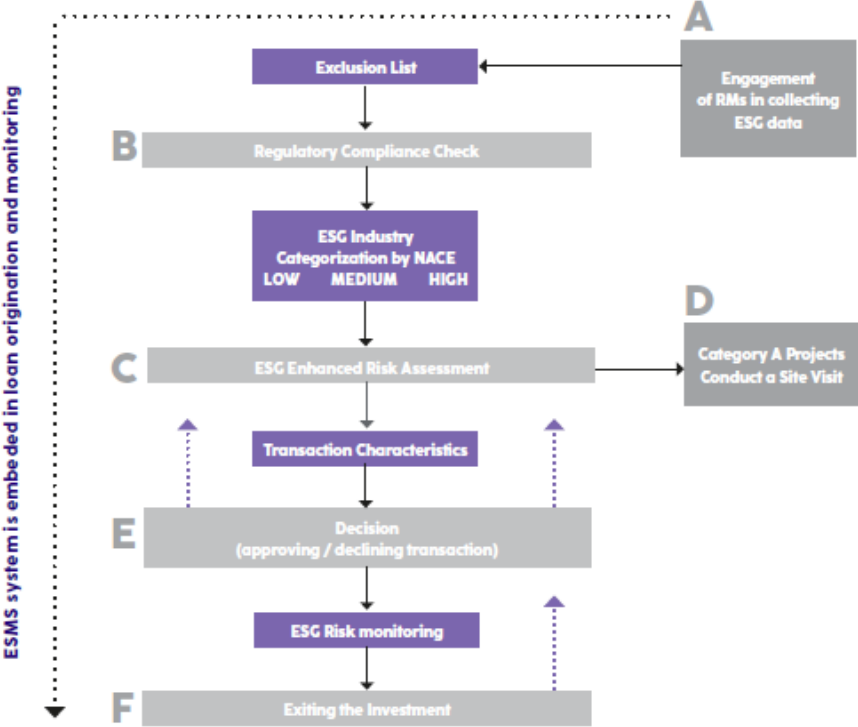
- Short-term exposure to other environmental risks is assessed as not material, although the level of risk is expected to gradually increase and reach its peak in the medium-term horizon.
- Over the medium-term horizon, other environmental risk is assessed as moderately low.
- In contrast to transition risk, other environmental risk is not expected to decline in the long-term horizon.
- Seventeen per cent of the portfolio is classified within the high or moderately high environmental-risk categories, of which 8% is assigned to the high-risk category. A further 27% of the exposure is assessed as moderate risk, while the remaining 56% is allocated to the low or moderately low risk categories. The distribution of exposures across risk categories remains consistent with the previous assessment, indicating no material change in the Group's other environmental risk profile.

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 framework encompasses the credit approval process, credit portfolio management, and collateral valuation.

A key component of the Group's risk assessment and monitoring framework is the Environmental and Social Management System (ESMS), the primary objective of which is to identify and manage the Group's exposure to ESG risks arising from its clients' activities, while promoting responsible environmental and social business practices. The ESMS is fully integrated into the Group's loan origination and monitoring processes and is regularly updated to reflect material developments, regulatory requirements, and evolving ESG standards.

Figure 11: 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 Bank’s 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 2025 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-zero³ emissions economy by 2050. NLB Group Transition Plan prepared in line with EBA Guidelines on the management of environmental, social and governance (ESG) risks integrating already set targets and metrics for climate risk adaptation and mitigation. The Transition Plan outlines how the Group integrates climate-related and broader sustainability considerations into its business model, risk management framework, governance structures, and strategic decision-making. It serves as a forward-looking roadmap that connects our long-term net-zero commitment with concrete near- and medium-term actions, aligned with evolving regulatory requirements and market expectations. It ensures the Bank's resilience to environmental, social, and governance ESG risks, particularly those associated with the shift toward a climate-neutral economy by 2050, in line with the EU objectives.

The Transition Plan provides a comprehensive strategic framework for managing ESG risks across the Group, serving both as an operational roadmap and as a core source document for regulatory disclosures. 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 and second part of its Net-Zero Portfolio Strategy, the Group has set emissions intensity targets for high-emitting sectors, specifically power generation, road freight transport and iron & steel, while focusing on financing commitments and tracking portfolio intensity progress for residential and commercial real estate, in line with NZBA guidance 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.

³ 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 science-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)

These targets are integral part of NLB Group Transition Plan prepared in line with EBA Guidelines on the management of environmental, social and governance (ESG) risks.

To achieve its 2030 Net-Zero 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.

The NLB Group's Net-Zero Portfolio Strategy, which covers financed emissions (Scope 3, Category 15), addresses lending activities that include clients' Scope 1 and Scope 2 emissions. Initial emission reduction targets were set in 2023, focusing on the identified priority sectors under the established baseline, including high-emission industries and key areas of financial exposure.

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. In the second round of target setting, additional targets were established for other key sectors, namely Road Freight Transport, Passenger Car Leasing, and Agriculture. Addressing the identified sectors by steering financing activities through the set targets and origination guidelines represents the key lever to achieve emission reductions.

With the second round of target-setting, the Group has applied a broader lens to target-setting metrics, exploring a range of target types beyond emission-based targets alone. For certain sectors, data limitations, heterogeneity of activities, or methodological inconsistencies make emissions metrics insufficient, and their non-use has been duly justified. Instead, a combination of target types tailored to each segment's maturity and exposure profile has been developed, in line with the NZBA guidance. The second-round targets include emission-based targets aligned with sectoral decarbonisation trajectories, quantitative financing targets to support credible transition plans and low-carbon activities, and client engagement targets supported by structured assessments and data collection. For residential and commercial real estate the Bank actively monitors portfolio performance in Slovenia instead of setting formal emission targets, due to dependence on regulatory, infrastructure, and stakeholder factors beyond Bank's control.

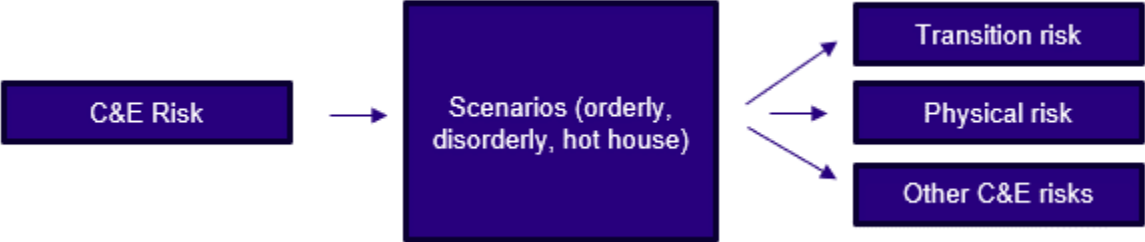
The Bank is committed to engaging clients in these sectors to implement decarbonization plans, including expanding renewable energy capacity, adopting low-emission technologies, and financing energy-efficient real estate projects. The Group's capital allocation strategy supports sector-specific decarbonization 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.

Further insights: please refer to the Transition plan for climate change mitigation sub-chapter of 2025 NLB Group Sustainability Statement (as a part of integrated NLB Group Annual Report) and Sub-chapter Transition finance, described in chapter above (c) of this report (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 (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 (developed in cooperation with the Bank Association of Slovenia as market standard). 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 sector specific questionnaires. In the questionnaire, the clients must provide ESG-relevant data and information (such as GHG emissions, water consumption, energy consumption, work-related accidents) 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 due diligence of the clients. Within the due diligence process, clients need to clarify whether the company implemented policies and mitigators 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 available public registers in Slovenia and the region. 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 the chapter, Risk management and internal controls over sustainability reporting in 2025 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 ° 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 the aim of reaching 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.

The Group has 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 the Bank and other Group members.

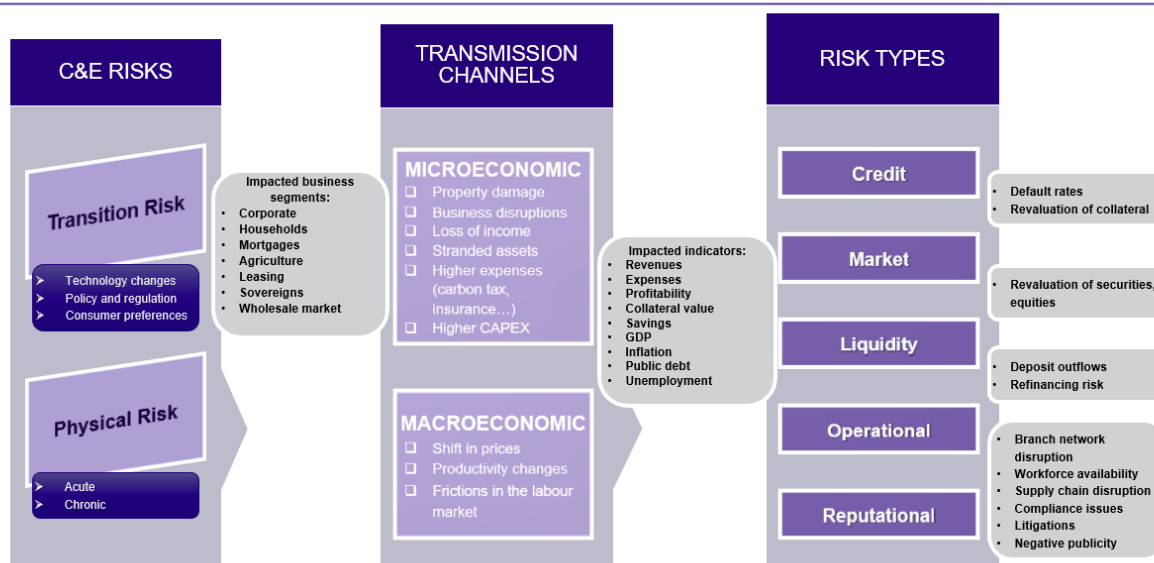
Further insights:

- Chapter Policies related to climate change mitigation and adaptation in 2025 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:

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

15.3. Social risks

15.3.1. 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 within each sustainability pillar are outlined in the rest 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 within New Horizon 2030 business strategy (% of active digital users in total number of clients), which are as follows:

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

At the end of 2025, the digital penetration in the Group stood at 61.6%. Digital penetration is growing in all banking members and is progressing towards the goal of 80% in 2030.

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% compared to the 2024 baseline value 29%. At the end of 2025, the percentage was 28%.
- 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% compared to the 2024 baseline value 39%. At the end of 2025, the percentage was 42%.

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, is stipulated in the overarching Sustainability Policy, and complemented with other domain-specific Group's internal acts.

The Environmental and Social Transaction Policy Framework represents the principal policy within the Bank and the Group for mitigating and reducing activities with adverse social impacts in client engagements. It defines the manner in which the Group assesses and manages environmental and social (E&S) risks associated with transactions, while promoting responsible E&S management practices among its 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 ESG 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 or low 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.

15.3.2. 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, and (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 2025, 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 in chapter Integration of sustainability-related performance in incentive schemes in the 2025 NLB Group Sustainability Statement (as a part of integrated NLB Group Annual Report) and chapter Remuneration policy as separate part of 2025 Basel Pillar III Disclosures.

15.3.3. 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).

I. 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 & 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, the NLB Group Code of Conduct, the 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.

15.4. Governance risk

15.4.1. Business strategy and process

The Group considers governance risks as those related to its own governance and clients' practices. This may include, but 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 rest 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.

15.4.2. 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 and the (factors and risk) management framework, respectively. In 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 Bank's 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 2025 NLB Group Sustainability Statement (as a part of integrated NLB Group Annual Report) the chapter, 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 to rectify managing counterparties' governance risks.

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, and ESG classification as high risk, and clients with an exposure above EUR 10 million and ESG 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 2025 NLB Group Sustainability Statement (as a part of integrated NLB Group Annual Report):
 - Chapter Risk management and internal controls over sustainability reporting
 - Chapter Governance of sustainability-related impacts, risks, and opportunities

15.5. 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 questionnaires);
- 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 12: Calculation of financed emissions

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

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

Sector/subsector	Gross carrying amount				
	a	b	c	d	e
31.12.2025					
	Total	Of which exposures towards companies excluded from EU Paris-aligned Benchmarks**	Of which environmentally sustainably (CCM)	Of which stage 2 exposures	Of which non-performing exposures
1 Exposures towards sectors that highly contribute to climate change*	6,050,784	178,669	105,610	322,659	259,500
2 A - Agriculture, forestry and fishing	149,845	-	-	12,065	3,328
3 B - Mining and quarrying	38,742	2,393	-	2,767	320
4 B.05 - Mining of coal and lignite	1,139	1,139	-	1,139	-
5 B.06 - Extraction of crude petroleum and natural gas	1,254	1,254	-	1,254	-
6 B.07 - Mining of metal ores	324	-	-	-	-
7 B.08 - Other mining and quarrying	36,024	-	-	374	319
8 B.09 - Mining support service activities	1	-	-	-	1
9 C - Manufacturing	1,992,720	-	5,350	159,002	190,706
10 C.10 - Manufacture of food products	522,117	-	-	10,570	4,205
11 C.11 - Manufacture of beverages	34,910	-	-	468	787
12 C.12 - Manufacture of tobacco products	25,485	-	-	-	-
13 C.13 - Manufacture of textiles	12,934	-	-	1,055	25
14 C.14 - Manufacture of wearing apparel	38,039	-	-	1,522	263
15 C.15 - Manufacture of leather and related products	5,187	-	-	277	1,056
16 C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	54,078	-	-	9,768	6,167
17 C.17 - Manufacture of paper and paperboard	37,181	-	-	3,073	3,758
18 C.18 - Printing and reproduction of recorded media	41,684	-	-	1,003	2,478
19 C.19 - Manufacture of coke and refined petroleum products	277	-	-	-	-
20 C.20 - Production of chemicals and chemical products	89,943	-	-	14,824	25
21 C.21 - Manufacture of pharmaceutical products and pharmaceutical preparations	76,247	-	-	34	-
22 C.22 - Manufacture of rubber products	86,473	-	-	2,983	785
23 C.23 - Manufacture of other non-metallic mineral products	112,182	-	-	53,467	7,243
24 C.24 - Manufacture of basic metals	242,247	-	4,584	12,793	84,780
25 C.25 - Manufacture of fabricated metal products, except machinery and equipment	195,393	-	766	17,930	35,807
26 C.26 - Manufacture of computer, electronic and optical products	33,195	-	-	1,383	320
27 C.27 - Manufacture of electrical equipment	115,629	-	-	3,315	26
28 C.28 - Manufacture of machinery and equipment n.e.c.	85,162	-	-	9,469	5,436
29 C.29 - Manufacture of motor vehicles, trailers and semi-trailers	93,013	-	-	7,394	34,508
30 C.30 - Manufacture of other transport equipment	6,519	-	-	80	11
31 C.31 - Manufacture of furniture	44,190	-	-	3,162	2,228
32 C.32 - Other manufacturing	19,417	-	-	1,944	21
33 C.33 - Repair and installation of machinery and equipment	21,218	-	-	2,488	777
34 D - Electricity, gas, steam and air conditioning supply	620,603	55,214	100,260	1,311	48
35 D35.1 - Electric power generation, transmission and distribution	546,573	31,589	100,260	1,311	45
36 D35.11 - Production of electricity	288,888	-	-	1,253	44
37 D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	23,625	23,625	-	-	-
38 D35.3 - Steam and air conditioning supply	50,405	-	-	-	3
39 E - Water supply; sewerage, waste management and remediation activities	67,252	-	-	3,756	9,276
40 F - Construction	866,907	-	-	63,115	12,375
41 F.41 - Construction of buildings	541,492	-	-	40,966	6,298
42 F.42 - Civil engineering	125,810	-	-	4,170	1,372
43 F.43 - Specialised construction activities	199,605	-	-	17,979	4,705
44 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	1,645,283	101,923	-	58,431	21,854
45 H - Transportation and storage	564,138	19,139	-	22,173	21,529
46 H.49 - Land transport and transport via pipelines	318,676	19,139	-	16,992	20,924
47 H.50 - Water transport	1,613	-	-	677	4
48 H.51 - Air transport	3,231	-	-	54	39
49 H.52 - Warehousing and support activities for transportation	225,572	-	-	2,654	522
50 H.53 - Postal and courier activities	15,046	-	-	1,796	40
51 I - Accommodation and food service activities	275,921	-	-	26,923	12,179
52 L - Real estate activities	105,294	-	-	39	64
53 Exposures towards sectors other than those that highly contribute to climate change*	1,542,101	-	-	194,187	41,145
54 K - Financial and insurance activities	212,446	-	-	92,314	869
55 Exposures to other sectors (NACE codes J, M - U)	1,053,734	-	-	74,950	28,097
56 TOTAL	7,592,885	178,669	105,610	516,846	300,645

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

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

Sector/subsector	f	g	h
	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
31.12.2025	Total	Of which Stage 2 exposures	Of which non-performing exposures
1 Exposures towards sectors that highly contribute to climate change*	(146,595)	(9,135)	(105,294)
2 A - Agriculture, forestry and fishing	(3,177)	(510)	(1,864)
3 B - Mining and quarrying	(399)	(174)	(35)
4 B.05 - Mining of coal and lignite	(75)	(75)	-
5 B.06 - Extraction of crude petroleum and natural gas	(92)	(92)	-
6 B.07 - Mining of metal ores	-	-	-
7 B.08 - Other mining and quarrying	(231)	(7)	(34)
8 B.09 - Mining support service activities	(1)	-	(1)
9 C - Manufacturing	(82,868)	(4,884)	(69,311)
10 C.10 - Manufacture of food products	(5,581)	(402)	(2,490)
11 C.11 - Manufacture of beverages	(577)	(20)	(192)
12 C.12 - Manufacture of tobacco products	(368)	-	-
13 C.13 - Manufacture of textiles	(153)	(70)	(21)
14 C.14 - Manufacture of wearing apparel	(427)	(57)	(262)
15 C.15 - Manufacture of leather and related products	(570)	(16)	(534)
16 C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	(3,042)	(361)	(2,378)
17 C.17 - Manufacture of paper and paperboard	(2,190)	(89)	(1,898)
18 C.18 - Printing and reproduction of recorded media	(1,185)	(15)	(869)
19 C.19 - Manufacture of coke and refined petroleum products	(3)	-	-
20 C.20 - Production of chemicals and chemical products	(752)	(67)	(17)
21 C.21 - Manufacture of pharmaceutical products and pharmaceutical preparations	(241)	-	-
22 C.22 - Manufacture of rubber products	(1,284)	(117)	(716)
23 C.23 - Manufacture of other non-metallic mineral products	(7,246)	(1,568)	(5,323)
24 C.24 - Manufacture of basic metals	(21,729)	(454)	(20,965)
25 C.25 - Manufacture of fabricated metal products, except machinery and equipment	(13,620)	(690)	(12,275)
26 C.26 - Manufacture of computer, electronic and optical products	(504)	(32)	(281)
27 C.27 - Manufacture of electrical equipment	(438)	(34)	(1)
28 C.28 - Manufacture of machinery and equipment n.e.c.	(2,647)	(746)	(1,660)
29 C.29 - Manufacture of motor vehicles, trailers and semi-trailers	(17,903)	(13)	(17,646)
30 C.30 - Manufacture of other transport equipment	(46)	(2)	(9)
31 C.31 - Manufacture of furniture	(1,830)	(103)	(1,464)
32 C.32 - Other manufacturing	(148)	(13)	(21)
33 C.33 - Repair and installation of machinery and equipment	(384)	(15)	(289)
34 D - Electricity, gas, steam and air conditioning supply	(4,519)	(87)	(12)
35 D35.1 - Electric power generation, transmission and distribution	(4,326)	(87)	(9)
36 D35.11 - Production of electricity	(2,980)	(81)	(8)
37 D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	(54)	-	-
38 D35.3 - Steam and air conditioning supply	(139)	-	(3)
39 E - Water supply; sewerage, waste management and remediation activities	(2,837)	(71)	(2,489)
40 F - Construction	(13,442)	(1,532)	(5,874)
41 F.41 - Construction of buildings	(8,012)	(916)	(3,173)
42 F.42 - Civil engineering	(1,447)	(49)	(606)
43 F.43 - Specialised construction activities	(3,983)	(567)	(2,095)
44 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	(24,450)	(1,530)	(13,564)
45 H - Transportation and storage	(14,300)	(347)	(12,130)
46 H.49 - Land transport and transport via pipelines	(13,363)	(243)	(11,935)
47 H.50 - Water transport	(27)	(19)	(1)
48 H.51 - Air transport	(58)	(3)	(29)
49 H.52 - Warehousing and support activities for transportation	(694)	(52)	(139)
50 H.53 - Postal and courier activities	(158)	(30)	(26)
51 I - Accommodation and food service activities	(7,854)	(1,811)	(4,733)
52 L - Real estate activities	(603)	-	(15)
53 Exposures towards sectors other than those that highly contribute to climate change*	(36,380)	(10,230)	(18,948)
54 K - Financial and insurance activities	(5,585)	(4,642)	(504)
55 Exposures to other sectors (NACE codes J, M - U)	(22,941)	(3,777)	(13,711)
56 TOTAL	(182,975)	(19,365)	(124,242)

Sector/subsector	i	j	k
	GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO ₂ equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting
31.12.2025	Total	Of which Scope 3 financed emissions	
1 Exposures towards sectors that highly contribute to climate change*	8,276,990	7,087,619	30%
2 A - Agriculture, forestry and fishing	140,899	83,780	18%
3 B - Mining and quarrying	78,722	69,101	29%
4 B.05 - Mining of coal and lignite	41,568	40,302	-
5 B.06 - Extraction of crude petroleum and natural gas	6,505	5,968	100%
6 B.07 - Mining of metal ores	-	-	-
7 B.08 - Other mining and quarrying	30,649	22,831	28%
8 B.09 - Mining support service activities	-	-	-
9 C - Manufacturing	2,802,798	2,381,062	42%
10 C.10 - Manufacture of food products	468,766	379,391	51%
11 C.11 - Manufacture of beverages	16,344	11,316	31%
12 C.12 - Manufacture of tobacco products	6,060	2,855	21%
13 C.13 - Manufacture of textiles	26,974	23,573	34%
14 C.14 - Manufacture of wearing apparel	10,340	9,309	83%
15 C.15 - Manufacture of leather and related products	1,271	923	-
16 C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	49,035	41,680	-
17 C.17 - Manufacture of paper and paperboard	31,422	20,331	10%
18 C.18 - Printing and reproduction of recorded media	16,245	13,333	21%
19 C.19 - Manufacture of coke and refined petroleum products	2,377	1,956	-
20 C.20 - Production of chemicals and chemical products	202,710	163,822	17%
21 C.21 - Manufacture of pharmaceutical products and pharmaceutical preparations	16,070	12,184	94%
22 C.22 - Manufacture of rubber products	115,591	95,731	20%
23 C.23 - Manufacture of other non-metallic mineral products	112,561	60,418	29%
24 C.24 - Manufacture of basic metals	464,090	330,797	86%
25 C.25 - Manufacture of fabricated metal products, except machinery and equipment	260,979	243,865	16%
26 C.26 - Manufacture of computer, electronic and optical products	16,756	15,396	29%
27 C.27 - Manufacture of electrical equipment	620,286	606,942	60%
28 C.28 - Manufacture of machinery and equipment n.e.c.	125,416	120,212	8%
29 C.29 - Manufacture of motor vehicles, trailers and semi-trailers	127,371	121,606	34%
30 C.30 - Manufacture of other transport equipment	18,259	17,735	33%
31 C.31 - Manufacture of furniture	17,491	12,522	13%
32 C.32 - Other manufacturing	8,791	8,183	-
33 C.33 - Repair and installation of machinery and equipment	67,593	66,982	8%
34 D - Electricity, gas, steam and air conditioning supply	365,201	106,232	67%
35 D35.1 - Electric power generation, transmission and distribution	257,172	49,508	63%
36 D35.11 - Production of electricity	153,990	12,560	49%
37 D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	54,097	54,048	100%
38 D35.3 - Steam and air conditioning supply	53,932	2,676	99%
39 E - Water supply, sewerage, waste management and remediation activities	48,915	31,412	26%
40 F - Construction	722,745	692,619	8%
41 F.41 - Construction of buildings	126,040	113,672	10%
42 F.42 - Civil engineering	68,699	57,221	9%
43 F.43 - Specialised construction activities	528,006	521,726	0.2%
44 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	3,754,041	3,629,484	11%
45 H - Transportation and storage	362,130	92,474	37%
46 H.49 - Land transport and transport via pipelines	320,124	63,072	11%
47 H.50 - Water transport	657	447	-
48 H.51 - Air transport	7,437	7,430	-
49 H.52 - Warehousing and support activities for transportation	29,931	19,367	75%
50 H.53 - Postal and courier activities	3,981	2,158	15%
51 I - Accommodation and food service activities	107,976	49,949	4%
52 L - Real estate activities	1,539	1,455	29%
53 Exposures towards sectors other than those that highly contribute to climate change*			
54 K - Financial and insurance activities			
55 Exposures to other sectors (NACE codes J, M - U)			
56 TOTAL	8,686,682	7,394,827	26%

	l	m	n	o	p
Sector/subsector					
31.12.2025					
	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
1 Exposures towards sectors that highly contribute to climate change*	4,120,680	1,544,163	323,591	62,350	4
2 A - Agriculture, forestry and fishing	99,694	49,793	252	106	4
3 B - Mining and quarrying	23,816	3,105	11,816	5	5
4 B.05 - Mining of coal and lignite	1,139	-	-	-	3
5 B.06 - Extraction of crude petroleum and natural gas	1,254	-	-	-	-
6 B.07 - Mining of metal ores	324	-	-	-	5
7 B.08 - Other mining and quarrying	21,099	3,105	11,816	4	6
8 B.09 - Mining support service activities	-	-	-	1	9
9 C - Manufacturing	1,256,082	687,030	15,571	34,037	4
10 C.10 - Manufacture of food products	232,410	285,695	2,911	1,101	5
11 C.11 - Manufacture of beverages	27,423	7,285	198	4	3
12 C.12 - Manufacture of tobacco products	25,146	339	-	-	-
13 C.13 - Manufacture of textiles	12,413	461	-	60	2
14 C.14 - Manufacture of wearing apparel	19,760	17,842	429	8	3
15 C.15 - Manufacture of leather and related products	4,992	194	-	1	2
16 C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	36,788	14,958	2,181	151	4
17 C.17 - Manufacture of paper and paperboard	28,980	8,197	-	4	3
18 C.18 - Printing and reproduction of recorded media	25,585	13,602	2,349	148	5
19 C.19 - Manufacture of coke and refined petroleum products	277	-	-	-	1
20 C.20 - Production of chemicals and chemical products	31,235	58,698	-	10	4
21 C.21 - Manufacture of pharmaceutical products and pharmaceutical preparations	25,332	50,912	-	3	6
22 C.22 - Manufacture of rubber products	52,210	30,241	3,008	1,014	4
23 C.23 - Manufacture of other non-metallic mineral products	79,285	32,892	-	5	3
24 C.24 - Manufacture of basic metals	189,782	26,503	-	25,962	4
25 C.25 - Manufacture of fabricated metal products, except machinery and equipment	148,923	41,007	3,994	1,469	3
26 C.26 - Manufacture of computer, electronic and optical products	29,926	3,246	-	23	2
27 C.27 - Manufacture of electrical equipment	106,231	6,633	501	2,264	2
28 C.28 - Manufacture of machinery and equipment n.e.c.	51,176	32,693	-	1,293	4
29 C.29 - Manufacture of motor vehicles, trailers and semi-trailers	69,774	23,238	-	1	3
30 C.30 - Manufacture of other transport equipment	4,605	1,914	-	-	3
31 C.31 - Manufacture of furniture	28,143	15,958	-	89	4
32 C.32 - Other manufacturing	7,981	11,364	-	72	5
33 C.33 - Repair and installation of machinery and equipment	17,705	3,158	-	355	3
34 D - Electricity, gas, steam and air conditioning supply	159,454	218,259	224,636	18,254	9
35 D35.1 - Electric power generation, transmission and distribution	115,230	188,456	224,636	18,251	10
36 D35.11 - Production of electricity	91,338	126,813	70,677	60	8
37 D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	23,625	-	-	-	2
38 D35.3 - Steam and air conditioning supply	20,599	29,803	-	3	3
39 E - Water supply, sewerage, waste management and remediation activities	48,693	9,692	8,813	54	5
40 F - Construction	684,831	148,827	30,864	2,385	3
41 F.41 - Construction of buildings	447,444	70,303	23,590	155	3
42 F.42 - Civil engineering	108,369	12,638	4,690	113	3
43 F.43 - Specialised construction activities	129,018	65,886	2,584	2,117	3
44 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	1,343,211	266,514	30,012	5,546	3
45 H - Transportation and storage	449,982	110,679	1,627	1,850	3
46 H.49 - Land transport and transport via pipelines	258,723	57,914	311	1,728	3
47 H.50 - Water transport	1,560	52	-	1	2
48 H.51 - Air transport	3,186	-	-	45	1
49 H.52 - Warehousing and support activities for transportation	172,031	52,204	1,316	21	3
50 H.53 - Postal and courier activities	14,482	509	-	55	3
51 I - Accommodation and food service activities	91,933	153,370	30,101	517	6
52 L - Real estate activities	54,917	50,264	-	113	5
53 Exposures towards sectors other than those that highly contribute to climate change*	755,707	574,008	202,842	9,544	5
54 K - Financial and insurance activities	181,403	27,027	1,599	2,417	4
55 Exposures to other sectors (NACE codes J, M - U)	482,371	393,611	171,142	6,610	6
56 TOTAL	4,876,387	2,118,171	526,433	71,894	4

15.6. 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 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, and 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 46 – Template 2: Banking book – Indicators of potential Climate change transition risk: Loans collateralised by immovable property – Energy efficiency of the collateral of NLB Group

Counterparty sector	Total gross carrying amount amount							Total gross carrying amount amount							Without EPC label of collateral	
	Level of energy efficiency (EP score in kWh/m ² of collateral)							Level of energy efficiency (EPC label of collateral)							Of which level of energy efficiency estimated *	
	Total	0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G	Total	
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
1 Total EU area	3,506,731	1,967,750	445,655	138,758	17,084	6,021	6,014	106,372	318,111	386,905	367,575	194,878	134,325	92,138	1,906,427	51.5%
2 Of which Loans collateralised by commercial immovable property	1,036,222	585,417	70,867	10,613	691	213	508	7,822	13,625	70,702	33,577	45,107	34,816	13,052	817,521	55.0%
3 Of which Loans collateralised by residential immovable property	2,461,499	1,381,430	374,623	128,145	16,393	5,808	5,506	98,550	304,437	315,874	333,308	149,771	99,509	79,086	1,080,964	49.2%
4 Of which Collateral obtained by taking possession: residential and commercial immovable properties	9,010	903	165	-	-	-	-	-	49	329	690	-	-	-	7,942	0.0%
5 Of which Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	980,978	729,921	191,383	59,674	-	-	-	-	-	-	-	-	-	-	980,978	100.0%
6 Total non-EU area	4,190,742	1,531	423	108	-	-	-	-	3	305	44	254	20	58	4,190,058	0.0%
7 Of which Loans collateralised by commercial immovable property	1,987,543	-	-	-	-	-	-	-	-	-	-	-	-	-	1,987,543	0.0%
8 Of which Loans collateralised by residential immovable property	2,176,658	1,442	423	108	-	-	-	-	3	305	44	165	20	58	2,176,063	0.1%
9 Of which Collateral obtained by taking possession: residential and commercial immovable properties	26,541	89	-	-	-	-	-	-	-	-	-	89	-	-	26,452	0.0%
10 Of which Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	1,378	1,126	202	50	-	-	-	-	-	-	-	-	-	-	1,378	100.0%

* (EP score in kWh/m² of collateral)

15.7. Alignment metrics

Table 47 – Template 3: Banking book – Indicators of potential Climate change transition risk: Alignment metrics of NLB Group for 31. December 2025

	Sector	NACE Sectors (a minima)	Portfolio gross carrying amount	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	235,461	0.169 tCO ₂ e/MWh	2024	2	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	95,840	0.880 tCO ₂ e/tonne	2024	(18)	Not available
8	Chemicals	-	-	-	-	-	-

^{***} PIT distance to 2030 NZE2050 scenario in % (for each metric)

15.8. Exposures to top 20 carbon-intensive firms

Table 48 – Template 4: Banking book – Indicators of potential Climate change transition risk: Exposures to top 20 carbon-intensive firms on 31 December 2025 of NLB Group

	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	1,254	0.02%	N/A	1	1

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

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

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

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

15.9. 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 49 – Template 5: Banking book - Indicators of potential Climate change physical risk: Exposures subject to physical risk of NLB Group

31.12.2025	Gross carrying amount													
	of which exposures sensitive to impact from climate change physical events											Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	Total	Breakdown by maturity bucket					Average weighted maturity	of which exposures sensitive to impact from acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Total			
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Total					of which Stage 2 exposures		Of which non-performing exposures	
a	b	c	d	e	f	g	i	k	l	m	n	o		
1 A - Agriculture, forestry and fishing	149,845	81,794	46,817	100	98	4	128,810	10,091	3,075	(2,751)	(412)	(1,688)		
2 B - Mining and quarrying	38,742	22,267	3,105	11,816	4	5	37,192	2,644	319	(390)	(171)	(34)		
3 C - Manufacturing	1,992,719	70,645	25,144	3,500	23	3	99,311	3,539	4,296	(4,434)	(294)	(3,403)		
4 D - Electricity, gas, steam and air conditioning supply	620,603	55,105	116,709	60,078	38	8	231,931	783	27	(2,280)	(59)	(6)		
5 E - Water supply; sewerage, waste management and remediation activities	67,252	20,184	7,847	5,976	9	5	34,016	429	9,256	(2,614)	(3)	(2,482)		
6 F - Construction	866,907	58,479	16,968	13,734	59	5	89,240	894	1,432	(1,723)	(46)	(609)		
7 G - Wholesale and retail trade, repair of motor vehicles and motorcycles	1,425,817	2,792	835	8,106	2	11	11,735	25	5	(119)	(1)	(3)		
8 H - Transportation and storage	564,139	10,439	6,436	-	-	4	16,875	1,840	36	(272)	(43)	(20)		
9 L - Real estate activities	105,294	-	-	-	-	-	-	-	-	-	-	-		
10 Loans collateralised by residential immovable property	4,639,223	35,279	11,148	78,074	35,721	14	160,222	6,130	2,138	(1,385)	(164)	(958)		
11 Loans collateralised by commercial immovable property	3,040,836	93,495	27,662	9,362	184	5	130,703	32,414	38,311	(17,001)	(1,432)	(15,467)		
12 Repossessed colaterals	34,669	-	-	-	-	-	-	-	-	-	-	-		

15.10.Green Asset Ratio (GAR)

In line with the requirements set out under the EU Taxonomy Regulation and the associated Pillar 3 disclosure framework, the Group reports its Green Asset Ratio ('GAR') as the primary indicator of the proportion of Taxonomy-aligned exposures within its banking book. The GAR reflects the share of assets financing economic activities that meet the EU Taxonomy's technical screening criteria for contributing to environmental objectives, as well as complying with Do-No-Significant-Harm and minimum safeguards provisions. This metric enhances transparency and enables market participants to assess the extent to which the Group's lending activities support the transition toward a more sustainable and climate-resilient economy.

While the GAR provides a harmonised, regulatory measure of Taxonomy alignment, it should not be interpreted as a comprehensive representation of the Group's overall transition-financing efforts. A significant part of the Group's portfolio – such as exposures to smaller enterprises and non-EU counterparties – remains outside the current scope of the Taxonomy and is therefore excluded from the GAR calculation. As a result, the GAR does not fully capture the actual volume of financing supporting environmentally sustainable or transitioning activities.

Furthermore, the accuracy and completeness of reported Taxonomy alignment rely on information disclosed by counterparties. Many clients are still at an early stage of their own sustainability journeys and may face challenges in assessing or reporting their Taxonomy-eligibility or alignment. This data dependency inherently influences the Group's reported metrics and may not fully reflect the long-term trajectory of the portfolio toward environmental sustainability. Accordingly, the GAR should be interpreted together with the complementary qualitative and quantitative indicators presented in the Pillar 3 report. These additional disclosures provide a more holistic view of the Group's strategy, governance framework, and ongoing efforts to support clients in their transition and to scale sustainable finance in line with regulatory expectations and market developments.

Our calculation approach:

- Green asset ratio, GAR, is calculated as identified Taxonomy-aligned assets (numerator), divided by total assets, eligible for EU Taxonomy, covered by the KPI (denominator). Exposures towards central banks, central governments, 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 and non-financial undertakings will not publish their Taxonomy-aligned information for the 2025 financial year until mid-2026, they cannot be incorporated into this year's disclosure (data available on 31 December 2025 is used).
- For the assessment of Taxonomy-related key performance indicators (KPIs) for non-financial undertakings, the Group relies on publicly available information disclosed by counterparties subject to the Corporate Sustainability Reporting Directive (CSRD). These entities are required to report on their EU Taxonomy eligibility and alignment. Accordingly, the Group uses the counterparties' reported percentages of Taxonomy-eligible and Taxonomy-aligned turnover as the primary basis for determining the Taxonomy status of exposures to such non-financial corporates.
- To determine households' eligibility for KPIs, we considered the entire portfolio of mortgage loans, with assets subject to energy efficiency rules and motor vehicle loans. For alignment KPIs on the households' portfolio, we focused on the "Acquisition and ownership of buildings" parameter and "Transport by motorbikes, passenger cars and light commercial vehicles" parameter under Delegated Regulation 2021/2139 (excluding the "Renovation of existing buildings" under Delegated Regulation 2021/2139) 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.
 - For motor vehicles specific emissions of CO₂, as defined in Article 3(1), point (h), of Regulation (EU) 2019/631, are zero (battery electric vehicles - BEV).

Table 50 – Template 6: Summary of key performance indicators (KPIs) on the Taxonomy-aligned exposures on NLB Group

31.12.2025	KPI			% coverage (over total assets)*
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	
GAR stock	1.59%	-	1.59%	69.84%
GAR flow	0.92%	-	0.92%	62.04%

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

Table 50 provides summary information for the GAR indicators, shown in tables 51 and 52. 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 31 December 2025.

On 31 December 2025, the Group's GAR was 1.59% of total covered assets, which is explained by exposures contributing to the climate change mitigation objective.

Table 51 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).

Total eligible assets for climate mitigation are about EUR 4,918 million, with an alignment level of about EUR 346 million. In detail:

- out of EUR 689 million exposures to non-financial corporates, which are within the GAR calculation scope, EUR 173 million are considered eligible (25.1% of exposure to non-financial corporates) and EUR 106 million aligned (15.2% of exposure to non-financial corporates);
- the financial corporates portfolio, which falls within the GAR calculation scope, is EUR 2,688 million; the eligible portfolio amounts to EUR 327 million (originating from debt securities), 12.2% of the financial corporates portfolio;
- the household portfolio, which falls within the GAR calculation scope, amounts to EUR 4,371 million, with an eligibility and alignment level of EUR 4,371 million and EUR 156 million, respectively. The eligibility level is 100% and the alignment is 3.6% (being the main limitation for inclusion the availability of timely EPC and flood risk data, as reported in template 2 – Table 46).

Table 51 – Template 7: Mitigating actions: Assets for the calculation of GAR

Disclosure reference date 31.12.2025		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	8,799,300	4,918,008	346,221	-	766	100,258
2	Financial corporations	2,687,642	326,582	37,090	-	-	-
3	Credit institutions	2,213,733	326,582	37,090	-	-	-
4	Loans and advances	508,442	-	-	-	-	-
5	Debt securities, including UoP	1,705,291	326,582	37,090	-	-	-
6	Equity instruments	-	-	-	-	-	-
7	Other financial corporations	473,909	-	-	-	-	-
8	of which investment firms	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-
11	Equity instruments	-	-	-	-	-	-
12	of which management companies	11,684	-	-	-	-	-
13	Loans and advances	299	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-
15	Equity instruments	11,385	-	-	-	-	-
16	of which insurance undertakings	12,315	-	-	-	-	-
17	Loans and advances	4,220	-	-	-	-	-
18	Debt securities, including UoP	7,693	-	-	-	-	-
19	Equity instruments	402	-	-	-	-	-
20	Non-financial corporations (subject to NFRD disclosure obligations)	688,610	172,667	105,610	-	766	100,258
21	Loans and advances	683,848	172,557	105,610	-	766	100,258
22	Debt securities, including UoP	4,762	110	-	-	-	-
23	Equity instruments	-	-	-	-	-	-
24	Households	5,155,752	4,418,759	203,521	-	-	-
25	of which loans collateralised by residential immovable property	4,370,983	4,370,983	155,745	-	-	-
26	of which building renovation loans	-	-	-	-	-	-
27	of which motor vehicle loans	784,769	47,776	47,776	-	-	-
28	Local governments financing	267,296	-	-	-	-	-
29	Housing financing	-	-	-	-	-	-
30	Other local governments financing	267,296	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	35,551	-	-	-	-	-
32	TOTAL GAR ASSETS	8,834,851	4,918,008	346,221	-	766	100,258
Assets excluded from the numerator for GAR calculation (covered in the denominator)							
33	EU Non-financial corporations (not subject to NFRD disclosure obligations)	2,924,413					
34	Loans and advances	2,917,004					
35	Debt securities	6,342					
36	Equity instruments	1,067					
37	Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)	3,979,875					
38	Loans and advances	3,971,093					
39	Debt securities	6,375					
40	Equity instruments	2,407					
41	Derivatives	71,346					
42	On demand interbank loans	-					
43	Cash and cash-related assets	582,015					
44	Other assets (e.g. Goodwill, commodities etc.)	5,445,723					
45	TOTAL ASSETS IN THE DENOMINATOR (GAR)	21,838,223					
Other assets excluded from both the numerator and denominator for GAR-calculation							
46	Sovereigns	5,687,703					
47	Central banks exposure	3,738,260					
48	Trading book	6,526					
49	TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR	9,432,489					
50	TOTAL ASSETS	31,270,712					

Disclosure reference date 31.12.2025		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	-	-	-	-	-
2	Financial corporations	-	-	-	-	-
3	Credit institutions	-	-	-	-	-
4	Loans and advances	-	-	-	-	-
5	Debt securities, including UoP	-	-	-	-	-
6	Equity instruments	-	-	-	-	-
7	Other financial corporations	-	-	-	-	-
8	of which investment firms	-	-	-	-	-
9	Loans and advances	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-
11	Equity instruments	-	-	-	-	-
12	of which management companies	-	-	-	-	-
13	Loans and advances	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-
15	Equity instruments	-	-	-	-	-
16	of which insurance undertakings	-	-	-	-	-
17	Loans and advances	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-
19	Equity instruments	-	-	-	-	-
20	Non-financial corporations (subject to NFRD disclosure obligations)	-	-	-	-	-
21	Loans and advances	-	-	-	-	-
22	Debt securities, including UoP	-	-	-	-	-
23	Equity instruments	-	-	-	-	-
24	Households					
25	of which loans collateralised by residential immovable property					
26	of which building renovation loans					
27	of which motor vehicle loans					
28	Local governments financing	-	-	-	-	-
29	Housing financing	-	-	-	-	-
30	Other local governments financing	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-
32	TOTAL GAR ASSETS	-	-	-	-	-
Assets excluded from the numerator for GAR calculation (covered in the denominator)						
33	EU Non-financial corporations (not subject to NFRD disclosure obligations)					
34	Loans and advances					
35	Debt securities					
36	Equity instruments					
37	Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)					
38	Loans and advances					
39	Debt securities					
40	Equity instruments					
41	Derivatives					
42	On demand interbank loans					
43	Cash and cash-related assets					
44	Other assets (e.g. Goodwill, commodities etc.)					
45	TOTAL ASSETS IN THE DENOMINATOR (GAR)					
Other assets excluded from both the numerator and denominator for GAR-calculation						
46	Sovereigns					
47	Central banks exposure					
48	Trading book					
49	TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR					
50	TOTAL ASSETS					

Disclosure reference date 31.12.2025		TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
		Of which environmentally sustainable (Taxonomy-aligned)				
				Of which specialised lending	Of which transitional/a daptation	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	4,918,008	346,221	-	766	100,258
2	Financial corporations	326,582	37,090	-	-	-
3	Credit institutions	326,582	37,090	-	-	-
4	Loans and advances	-	-	-	-	-
5	Debt securities, including UoP	326,582	37,090	-	-	-
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)	172,667	105,610	-	766	100,258
21	Loans and advances	172,557	105,610	-	766	100,258
22	Debt securities, including UoP	110	-	-	-	-
23	Equity instruments	-	-	-	-	-
24	Households	4,418,759	203,521	-	-	-
25	of which loans collateralised by residential immovable property	4,370,983	155,745	-	-	-
26	of which building renovation loans	-	-	-	-	-
27	of which motor vehicle loans	47,776	47,776	-	-	-
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	4,918,008	346,221	-	766	100,258
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 52 – Template 8: GAR (%)

31.12.2025		Disclosure reference date: KPIs on stock															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					Proportion of total assets covered
% (compared to total covered assets in the denominator)		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					
		Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable					
		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	22.52%	1.59%	-	-	0.46%	-	-	-	-	-	22.52%	1.59%	-	0.00%	0.46%	69.84%
2	Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	22.52%	1.59%	-	-	0.46%	-	-	-	-	-	22.52%	1.59%	-	0.00%	0.46%	28.14%
3	Financial corporations	1.50%	0.17%	-	-	-	-	-	-	-	-	1.50%	0.17%	-	-	-	8.59%
4	Credit institutions	1.50%	0.17%	-	-	-	-	-	-	-	-	1.50%	0.17%	-	-	-	7.08%
5	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.52%
6	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.04%
8	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.04%
9	Non-financial corporations subject to NFRD disclosure obligations	0.79%	0.48%	-	-	0.46%	-	-	-	-	-	0.79%	0.48%	-	0.00%	0.46%	2.20%
10	Households	20.23%	0.93%	-	-	-	-	-	-	-	-	20.23%	0.93%	-	-	-	16.49%
11	of which loans collateralised by residential immovable property	20.02%	0.71%	-	-	-	-	-	-	-	-	20.02%	0.71%	-	-	-	13.98%
12	of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	of which motor vehicle loans	0.22%	0.22%	-	-	-	-	-	-	-	-	0.22%	0.22%	-	-	-	2.51%
14	Local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.85%
15	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Other local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.85%
17	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.11%

31.12.2025		Disclosure reference date T: KPIs on flows															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
% (compared to total covered assets in the denominator)		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					
		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	13.84%	0.92%	-	-	-	-	-	-	-	13.84%	0.92%	-	-	-	62.04%	
2	Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	13.84%	0.92%	-	-	-	-	-	-	-	13.84%	0.92%	-	-	-	19.73%	
3	Financial corporations	0.41%	0.04%	-	-	-	-	-	-	-	0.41%	0.04%	-	-	-	6.93%	
4	Credit institutions	0.41%	0.04%	-	-	-	-	-	-	-	0.41%	0.04%	-	-	-	6.59%	
5	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.35%	
6	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
7	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01%	
8	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01%	
9	Non-financial corporations subject to NFRD disclosure obligations	0.47%	0.09%	-	-	-	-	-	-	-	0.47%	0.09%	-	-	-	0.56%	
10	Households	12.97%	0.78%	-	-	-	-	-	-	-	12.97%	0.78%	-	-	-	11.10%	
11	of which loans collateralised by residential immovable property	12.68%	0.50%	-	-	-	-	-	-	-	12.68%	0.50%	-	-	-	7.87%	
12	of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
13	of which motor vehicle loans	0.28%	0.28%	-	-	-	-	-	-	-	0.28%	0.28%	-	-	-	3.23%	
14	Local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.13%	
15	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
16	Other local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.13%	
17	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

Table 52 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 31 December 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 51), the percentage of eligibility on the stock is 22.52%, and the alignment is 1.59%.

16. 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 53 – Leverage ratio of NLB Group

	31.12.2025	30.06.2025	31.12.2024
Tier 1 capital	3,396,703	2,887,038	2,872,352
Total leverage exposures	32,988,911	31,047,934	29,082,843
Leverage ratio	10.30%	9.30%	9.88%

The leverage ratio of the Group as at 31 December 2025 amounted to 10.30%, 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 31 December 2025 increased in comparison with the end of June 2025, by 1.0 p.p. as a result of higher value of the total leverage exposure in the amount of EUR 1,941 million and the increase of the capital by EUR 510 million. The increase in the total leverage exposure was influenced by increase of on-balance exposures at the end of December 2025, which rose by EUR 1,892 million, especially to exposures secured by mortgage, retail, and corporates, while off-balance sheet exposures increased by EUR 51 million. Compared to June 2025, derivative exposures decreased by EUR 1.9 million, their share in the total exposure measures remains very low.

As at 31 December 2025, the leverage exposure was mainly driven by on-balance sheet exposures (94.75%), and other off-balance sheet exposure (5.11%), the rest exposure arose from derivatives and was not significant. Among on-balance sheet exposures, the most significant were exposures treated as sovereigns (28.46%), exposures secured by mortgages of immovable properties (23.67%), retail exposures (22.14%), and exposures to corporates (11.19%).

Table 54 – EU LR2 – LRCom – Leverage ratio common disclosure for NLB Group

		CRR leverage ratio exposures		
		a	b	c
		31.12.2025	30.06.2025	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)	31,401,163	29,489,331	27,964,720
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	0	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	0	-	-
5	(General credit risk adjustments to on-balance sheet items)	0	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(143,506)	(123,342)	(127,762)
7	Total on-balance sheet exposures (excluding derivatives, SFTs)	31,257,657	29,365,989	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	63,827	62,601	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)	(18,310)	(15,159)	(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	45,517	47,442	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	6,321,327	5,932,278	5,602,440
20	(Adjustments for conversion to credit equivalent amounts)	(4,635,590)	(4,297,775)	(4,403,337)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	0	-	-
22	Off-balance sheet exposures	1,685,737	1,634,503	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
		31.12.2025	30.06.2025	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	3,396,703	2,887,038	2,872,352
24	Total exposure measure	32,988,911	31,047,934	29,082,843
Leverage ratio				
25	Leverage ratio (%)	10.30%	9.30%	9.88%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	10.30%	9.30%	9.88%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	10.24%	9.30%	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)	32,988,911	31,047,934	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)	32,988,911	31,047,934	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) (%)	10.30%	9.30%	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) (%)	10.30%	9.30%	9.88%

Table 55 – EU LR1 – LRSum – Summary reconciliation of accounting assets and leverage ratio exposures for NLB Group

		31.12.2025
		a
1	Total assets as per published financial statements	31,474,832
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(1,169)
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	0
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	0
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)	0
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	135,183
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)	1,685,737
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	(305,672)
13	Total exposure measure	32,988,911

Table 56 – EU LR3 – LRSpI – Split-up of on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures) for NLB Group

		31.12.2025	31.12.2024
		a	b
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	31,401,163	27,964,720
EU-2	Trading book exposures	1,974	10,682
EU-3	Banking book exposures, of which:	31,399,189	27,954,037
EU-4	Covered bonds	234,718	203,234
EU-5	Exposures treated as sovereigns	8,935,286	7,889,595
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	537,097	768,438
EU-7	Institutions	2,142,022	1,689,842
EU-8	Secured by mortgages of immovable properties	7,433,133	3,035,417
EU-9	Retail exposures	6,952,356	7,731,141
EU-10	Corporate	3,512,370	4,409,055
EU-11	Exposures in default	238,265	119,986
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	1,413,942	2,107,329

17. Appendices

17.1. Appendix 1

Information on whether or not the institution has set up a separate risk committee and the number of times the Risk Committee has met

(Article 435.2 d of CRR)

The Bank has the Risk Committee as an advisory body of the Supervisory Board. Eight meetings of the Risk Committee were held in 2025.

17.2. Appendix 2

Statement regarding internal controls and procedures

(Article 431 3 of CRR)

The undersigned

CERTIFY


that, pursuant to the Part Eight of Regulation (EU) No 575/2013 article 431 paragraph 3, disclosures have been prepared in accordance with the Policy of Disclosures on risk and capital management in the NLB Group and in accordance with agreed internal control processes.

Ljubljana, 24 March 2026


Anica Knavs
General Manager
Financial Accounting
and Administration


Igor Zalar
General Manager
Global Risk


Archibald Kremser
Member of the
Management Board


Andreas Burkhardt
Member of the
Management Board

17.3. Appendix 3

Capital instruments main features templates

(Article 437 b and c of CRR)

The ordinary shares are fully included in the Common Equity Tier 1 capital of the Group. The shares meet all the conditions for inclusion in the capital as stated under the relevant provisions of CRR.

Table 57 – The main characteristics of the capital instruments of the Bank

1	Issuer	NOVA LJUBLJANSKA BANKA d.d., Ljubljana	NOVA LJUBLJANSKA BANKA d.d., Ljubljana
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN: SI0021117344	ISIN: XS3227899989
2a	Public or private placement	Public	Public
3	Governing law(s) of the instrument	Slovenian law	German law, save for the provisions in paragraphs (1) to (5) of § 2 (Status) which shall be governed by Slovenian law.
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A	No
Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1	Additional Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1	Additional Tier 1
6	Eligible at solo/(sub-)consolidated/solo&(sub-)	Solo and Consolidated	Solo and (Sub-)Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary share	Additional Tier 1 instrument (CRR, Article 52)
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting)	EUR 1,071.8 million	EUR 300 million
9	Nominal amount of instrument (in EUR)	No par value shares – 20,000,000 shares	EUR 300,000,000
EU-9a	Issue price	EUR 77.55	100%
EU-9b	Redemption price	N/A	100%
10	Accounting classification	Shareholders' equity	Shareholders' equity
11	Original date of issuance	18.12.2013	26.11.2025
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	First call date: 26 November 2030 Regulatory event call: yes Tax event call: yes Redemption amount: current principal amount
16	Subsequent call dates, if applicable	N/A	Annually, on each 26 November, commencing on 26 November 2031
Coupons / dividends			
17	Fixed or floating dividend/coupon	N/A	Fixed
18	Coupon rate and any related index	N/A	Interest rate means annual interest rate, which amounts to: (i) 6.5% from and including 26.11.2025 to but excluding 26.11.2030, (ii) for each subsequent 5-year period (i.e. reset on 26.11.2030 and each fifth anniversary thereof), the sum of reference rate (5y MS), applicable on the second T2 business day prior to relevant reset date, and a margin of 4.076%.
19	Existence of a dividend stopper	N/A	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A	No
22	Noncumulative or cumulative	N/A	Noncumulative
23	Convertible or non-convertible	N/A	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	N/A	Yes
31	If write-down, write-down trigger(s)	N/A	Trigger: (i) the Group CET 1 Capital Ratio and/or (ii) the Issuer CET 1 Capital Ratio falls below 5.125% Authorities: European Central Bank, directly or through an agent appointed by it (contractual approach); Single Resolution Board (statutory approach).
32	If write-down, full or partial	N/A	Fully or Partially
33	If write-down, permanent or temporary	N/A	Temporary
34	If temporary write-down, description of write-up mechanism	N/A	NLB may, at its sole discretion, effect a reversal of a write-down by writing up the current principal amount in whole or in part up to a maximum of the original principal amount, provided that a positive profit has been recorded for each of NLB d.d. and the NLB Group and write-up is applied on a pro rata basis among loss absorbing written down instruments.
34a	Type of subordination (only for eligible liabilities)	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	1. (claims from Common Equity Tier 1 items)	2.3 Subordinated claims that under a contractual arrangement between the parties are repaid after the repayment of the claims referred to in points 10 to 3 in the event of compulsory winding-up proceedings against the bank - claims from instruments issued by the bank that meet the criteria for the bank's Additional Tier 1 instruments.
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1 instruments	Tier 2 Instruments and any instruments or obligations which rank pari passu with Tier 2 Instruments.
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	https://www.nlb.si/shares https://www.nlb.si/public-offering-of-shares	Nova Ljubljanska banka d.d. Notes – NOVAL J 6 1/2 PERP

1	Issuer	NOVA LJUBLJANSKA BANKA d.d., Ljubljana	NOVA LJUBLJANSKA BANKA d.d., Ljubljana
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN: SI0022104275	ISIN: XS2413677464
2a	Public or private placement	Private placement	Public
3	Governing law(s) of the instrument	Slovenian law	German law, with the exception of status of the notes which is governed in accordance with Slovenian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	No	No
Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1	Tier 2
5	Post-transitional CRR rules	Additional Tier 1	Tier 2
6	Eligible at solo/(sub-)consolidated/solo&(sub-)consolidated	Solo and Consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 instrument (CRR, Article 52)	Tier 2 instruments (CRR, Article 63)
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	EUR 82 million	EUR 222.921 million
9	Nominal amount of instrument (in EUR)	EUR 82,000,000	EUR 225,000,000
EU-9a	Issue price	100%	99,076%
EU-9b	Redemption price	100%	100%
10	Accounting classification	Equity instrument in accordance with IAS 32	Liability - amortised cost
11	Original date of issuance	23.9.2022	28.11.2022
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	28.11.2032
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Optional call date: each business day in the period 23.9.2027-23.3.2028 Contingent call dates: - if the issuer fails to obtain regulatory permission by 23.3.2023, - early redemption for regulatory reasons, - early redemption due to change in applicable tax treatment of the Notes. Redemption amount equals to current principal amount plus accrued interest.	Optional call date: 28.11.2027; Contingent call dates: - if the issuer fails to obtain regulatory permission by 31.3.2023, - early redemption for regulatory reasons, - early redemption due to change in applicable tax treatment of the Notes. Redemption amount equals to 100% of principal amount plus accrued and unpaid interest.
16	Subsequent call dates, if applicable	23 September of each year, commencing on 23 September 2028	No
Coupons / dividends			
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	Interest rate means annual interest rate, which amounts to: (i) 9.721% up to but excluding 23.3.2028, (ii) from and including 23.3.2028, the sum of reference rate (5y MS), applicable on reset interest date, and margin of 7.200%.	Interest rate means annual interest rate, which amounts to: (i) 10.75% up to but excluding 28.11.2027, (ii) from and including 28.11.2027, the sum of reference rate (5y MS), applicable on reset interest date, and margin of 8.298%.
19	Existence of a dividend stopper	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory
21	Existence of step up or other incentive to	No	No
22	Noncumulative or cumulative	Noncumulative	N/A
23	Convertible or non-convertible	Nonconvertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	Yes	No
31	If write-down, write-down trigger(s)	If it has been determined that: (i) the NLB Group CET 1 Capital Ratio fall to an amount that is lower than 5.125%; and/or (ii) the NLB d.d. CET 1 Capital Ratio fall to an amount that is lower than 5.125%.	N/A
32	If write-down, full or partial	Fully or Partially	N/A
33	If write-down, permanent or temporary	Temporary	N/A
34	If temporary write-down, description of write-up mechanism	NLB may, at its sole discretion, effect a reversal of a write-down by writing up the current principal amount of bonds in whole or in part up to a maximum of the original principal amount, provided that a positive profit has been recorded for each of NLB d.d. and the NLB Group.	N/A
34a	Type of subordination (only for eligible	N/A	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	2.3 (claims from instruments that qualify as AT1 instruments)	2.2 (claims from instruments that qualify as Tier 2 instruments)
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2 Instruments	Eligible liabilities instruments
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	Nova Ljubljanska banka d.d. Notes – NLB28	Nova Ljubljanska banka d.d. Notes – NOVALJ 10 3/4 11/28/32

1	Issuer	NOVA LJUBLJANSKA BANKA d.d., Ljubljana
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN: XS2750306511
2a	Public or private placement	Public
3	Governing law(s) of the instrument	German law, save for the provisions in paragraphs (1) to (4) of § 2 (Status) which shall be governed by, and shall be construed exclusively in accordance with, Slovenian law
3a	Contractual recognition of write down and conversion powers of resolution authorities	No
Regulatory treatment		
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2
5	Post-transitional CRR rules	Tier 2
6	Eligible at solo/(sub-)consolidated/solo&(sub-)consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 instruments (CRR, Article 63)
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	EUR 300 million
9	Nominal amount of instrument (in EUR)	EUR 300,000,000
EU-9a	Issue price	100%
EU-9b	Redemption price	100%
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	24.1.2024
12	Perpetual or dated	Dated
13	Original maturity date	24.1.2034
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Optional call date: 24.1.2029; Contingent call dates: - if the issuer fails to obtain regulatory permission by 30.6.2024, - early redemption for regulatory reasons, - early redemption due to change in applicable tax treatment of the Notes. Redemption amount equals to 100% of principal amount plus accrued and unpaid interest.
16	Subsequent call dates, if applicable	No
Coupons / dividends		
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	Interest rate means annual interest rate, which amounts to: (i) 6.875% up to but excluding 24.1.2029, (ii) from and including 24.1.2029, the sum of reference rate (5y MS), applicable on reset determination date, and margin of 4.230%.
19	Existence of a dividend stopper	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to	No
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	Nonconvertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible	N/A
EU-34b	Ranking of the instrument in normal insolvency proceedings	2.2 (claims from instruments that qualify as T2 instruments)
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Eligible liabilities instruments
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	Nova Ljubljanska banka d.d. Notes – NOVA LJ 6 7/8 01/24/34

17.4. Appendix 4

Outline of the differences in the scopes of consolidation (entity by entity) of NLB Group (Article 436 b of CRR)

Table 58 – EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity) of NLB Group

31.12.2025	Method of accounting consolidation	Method of prudential consolidation			Description of the entity
		Full consolidation	Equity method	Neither consolidated nor deducted	
Name of the entity					
a	b	c	e	f	h
NLB Banka a.d., Skopje	Full consolidation	X			Banking
NLB Banka a.d., Podgorica	Full consolidation	X			Banking
NLB Banka a.d., Banja Luka	Full consolidation	X			Banking
NLB Banka sh.a., Priština	Full consolidation	X			Banking
NLB Banka d.d., Sarajevo	Full consolidation	X			Banking
NLB Komercijalna banka a.d. Beograd	Full consolidation	X			Banking
NLB Fondovi a.d. Beograd	Full consolidation	X			Asset management
NLB Srbija d.o.o., Beograd	Full consolidation	X			Real estate
NLB Skladi d.o.o., Ljubljana	Full consolidation	X			Asset management
NLB Crna gora d.o.o., Podgorica	Full consolidation	X			Finance
NLB Lease&Go d.o.o., Ljubljana	Full consolidation	X			Finance
NLB Lease&Go d.o.o., Skopje	Full consolidation	X			Finance
NLB Lease&Go d.o.o., Beograd	Full consolidation	X			Finance
NLB Fondovi a.d., Skopje	Full consolidation	X			Asset management
PRO-REM d.o.o., Ljubljana "v likvidaciji"	Full consolidation	X			Real estate
NLB Real Estate d.o.o., Beograd	Full consolidation	X			Real estate
NLB Real Estate d.o.o., Podgorica	Full consolidation	X			Real estate
NLB Real Estate d.o.o., Ljubljana	Full consolidation	X			Real estate
NLB InterFinanz AG, Zurich "in likvidation"	Full consolidation	X			Finance
NLB InterFinanz Beograd "u likvidaciji"	Full consolidation	X			Finance
LHB AG, Frankfurt	Full consolidation	X			Finance
Mobil Leasing d.o.o., Zagreb	Full consolidation	X			Finance
NLB MUZA Zavod za upravljanje kulturne dediščine, Ljubljana	Full consolidation			X	Cultural heritage management
NLB DigIT d.o.o., Beograd	Full consolidation			X	IT services
NLB Car&Go d.o.o., Ljubljana	Full consolidation			X	Digital business
Prvi Faktor, Beograd "u likvidaciji"	Equity method			X	Finance
Prvi Faktor, Ljubljana "v likvidaciji"	Equity method			X	Finance
Prvi Faktor, Zagreb "u likvidaciji"	Equity method			X	Finance
Bankart d.o.o., Ljubljana	Equity method		X		Card processing

Entities that are neither consolidated nor deducted are:

- in accordance with Article 19 of the CRR (this refers on members of Prvi Faktor Group),
- or because it is entity operating in the area of other activities (NLB MUZA *Zavod za upravljanje kulturne dediščine* –the Cultural Heritage Management Institute, NLB DigIT and NLB Car&Go).

17.5. Appendix 5

Material, practical, or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries

(Article 436 f and g of CRR)

In the Group, there are no substantial practical or legal impediments to the prompt transfer of capital or repayment of liabilities between the parent undertaking and its subsidiaries. In the case of a capital transfer provided by the Bank, it is necessary to follow the provisions regarding the minimum capital in accordance with CRR and the ZBan-3. For subsidiary banks, the provisions regarding liquidity, capital adequacy, and the level of capital to cover all risks are also considered, all in accordance with local legislation.

In asset management, company (NLB Skladi) provisions regarding capital adequacy and the level of capital to cover all risks arise from the Law on Investment Funds and Management Companies.

For several non-core companies that are in the liquidation process, there is a restriction according to the local Companies Law stipulating that during the duration of the liquidation process dividends are not paid out nor are assets disbursed to stakeholders until all claims are paid. The liquidation process can be concluded after all the court disputes are ended and the assets that are to be distributed to stakeholders, but exceed the subscribed share capital of a stakeholder, are considered as a dividend.

There are also contractual impediments that are to be considered and arise from subordinated loans that the Bank granted to its subsidiary banks, namely NLB Banka a.d., Skopje, NLB Banka a.d. Banja Luka, NLB Banka Podgorica, NLB Banka sh.a. Prishtina, NLB Banka a.d. Sarajevo and NLB Komercijalna Banka a.d., Beograd. According to the nature of the subordinated loan, it can be repaid after claims arising from all priority obligations are settled and to the extent permitted by the rest of the Bank's assets in the bankruptcy or liquidation procedure.

There are also practical constraints on the distribution of dividends, as payouts require the prior approval of the respective local regulators in Kosovo, Montenegro, Serbia and Bosnian Republika Srpska.

All Group subsidiaries not included in the prudential consolidation met the minimum capital requirements as at 31 December 2025.

17.6. Appendix 6

List of all disclosures required under Part 8 of CRR

Article	Chapter	Page
431.3	17.2	147
435.1 a)	5.1, 6.1, 8.1, 9.1, 12	34, 52, 71, 75, 84
b)	5.1, 6.1, 8.1, 9.1, 12	34, 52, 71, 75, 84
c)	5.1, 6.1, 8.1, 9.1, 12	34, 52, 71, 75, 84
d)	5.1, 6.1, 8.1, 9.1, 9.2, 12	34, 52, 71, 75, 77, 84
e)	1	6
f)	1	6
435.2 a)	5.2	47
b)	5.3	47
c)	5.4	50
d)	17.1	147
e)	5.1	34
436 a)	3	12
b)	3, 17.4	13, 151
c)	3	13
d)	3	13
e)	/	/
f)	17.5	152
g)	17.5	152
h)	/	/
437 a)	4.2	19
b)	4.6, 17.3	27, 147
c)	4.6, 17.3	27, 147
d)	4.2	19
e)	4.2	19
f)	4.2	19
437a	/	/
438 a)	4.5	27
b)	1, 4.1	4, 16
c)	/	/
d)	4.3	20
da)	/	/
e)	/	/
f)	/	/
g)	/	/
h)	/	/
439 a)	8.3	72
b)	8.2, 8.4	72
c)	8.5	72
d)	8.6	73
e)	/	/
f)	8.6	73
g)	8.6	73
h)	8.6	73
i)	/	/
j)	/	/
k)	/	/
l)	8.6	73
m)	/	/

Article	Chapter	Page
440 a)	4.8	31
b)	4.8	31
441	/	/
442 a)	6.3	57
b)	6.3	57
c)	6.2, 6.3	56, 57
d)	6.3	57
e)	6.3	57
f)	6.3	57
g)	6.2	56
443	13	93
444 a)	7	66
b)	7	66
c)	7	66
d)	7	66
e)	7, 8.6	66, 73
445	9	75
445a	10	80
446	14	95
447	1, 4.4	4, 22
448.1 a)	11	81
b)	11	81
c)	/	/
d)	11	81
e)	11	81
f)	11	81
g)	11	81
448.2	/	/
449	/	/
449a	15	99
449b	/	/
450	separate disclosure	
451	16	143
451a	12	84
451b	/	/
452	/	/
453 a)	/	/
b)	6.4	62
c)	6.4	62
d)	/	/
e)	6.4	62
f)	6.4	62
g)	6.4, 7	62, 66
h)	7	66
i)	7	66
j)	/	/
454	/	/
455	/	/

17.7. Appendix 7

Overview of non-applicable disclosures

The following table provides an overview of the templates (from Commission Implementing Regulation (EU) 2024/3172) not covered by the Disclosure Report with an explanation of reasons for non-disclosure.

	Template	Reason
1	EU INS1 Insurance participations	Group doesn't possess any insurance which is not deducted from own funds
2	EU INS2 Financial conglomerates information on own funds and capital adequacy ratio	Group doesn't fulfil conditions to be classified as financial conglomerate
3	EU CMS1 Comparison of modelled and standardised risk weighted exposure amounts at risk level	Internal approaches are not in use
4	EU CMS2 Comparison of modelled and standardised risk weighted exposure amounts for credit risk at asset class level	Internal approaches are not in use
5	EU PV1 Prudent valuation adjustments (PVA)	Group doesn't use a core approach
6	EU CR2a Changes in the stock of non-performing loans and advances and related net accumulated recoveries	Non-performing exposures below 5%
7	EU CQ2 Quality of forbearance	Non-performing exposures below 5%
8	EU CQ4 Quality of non-performing exposures by geography (col. b and d)	Non-performing exposures below 5%
9	EU CQ5 Credit quality of loans and advances by industry (columns b and d)	Non-performing exposures below 5%
10	EU CQ6 Collateral valuation - loans and advances	Non-performing exposures below 5%
11	EU CQ8 Collateral obtained by taking possession and execution processes – vintage breakdown	Non-performing exposures below 5%
12	EU CR6-A Scope of the use of IRB and SA approaches	Internal approaches are not in use
13	EU CR6 IRB approach – Credit risk exposures by exposure class and PD range	Internal approaches are not in use
14	EU CR7 IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques	Internal approaches are not in use
15	EU CR7-A IRB approach – Disclosure of the extent of the use of CRM techniques	Internal approaches are not in use
16	EU CR8 RWEA flow statements of credit risk exposures under the IRB approach	Internal approaches are not in use
17	EU CR9 IRB approach – Back-testing of PD per exposure class (fixed PD scale)	Internal approaches are not in use
18	EU CR9.1 EU CR9.1 – IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1 CRR)	Internal approaches are not in use
19	EU CR10 Specialised lending and equity exposures under the simple riskweighted approach	Internal approaches are not in use
20	EU CCR4 IRB approach – CCR exposures by exposure class and PD scale	Internal approaches are not in use
21	EU CCR5 Composition of collateral for CCR exposures	Collateral in CCR exposures is not in use
22	EU CCR6 Credit derivatives exposures	Group doesn't use credit derivatives
23	EU CCR7 RWEA flow statements of CCR exposures under the IMM	Internal approaches are not in use
24	EU CCR8 Exposures to CCPs	Indirect clearing arrangement with a clearing member is established.
25	EU SEC1 Securitisation exposures in the non-trading book	Securitisation is not in use
26	EU SEC2 Securitisation exposures in the trading book	Securitisation is not in use
27	EU SEC3 Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor	Securitisation is not in use
28	EU SEC4 Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor	Securitisation is not in use
29	EU SEC5 Exposures securitised by the institution - Exposures in default and specific credit risk adjustments	Securitisation is not in use
30	EU MR2 Market risk under the alternative internal model approach (AIMA)	Internal approaches are not in use
31	EU MR3 Market risk under the simplified standardised approach (SSA)	Not in force yet
32	EU CVA2 Credit valuation adjustment risk under the Full Basic Approach	Group doesn't use Full Basic Approach
33	EU CVA3 Credit valuation adjustment risk under the Standardised Approach	Group doesn't use Standardised Approach
34	EU CVA4 RWA flow statements of credit valuation adjustment risk under the Standardised Approach	Group doesn't use Standardised Approach
35	ESG 9 Template 9 – BTAR	Due to voluntary nature of the disclosure
36	ESG 10 Template 10 – Other climate change mitigating actions that are not covered in the EU Taxonomy	Empty template
37	EU CAE1 EU CAE1 – Exposures to crypto-assets	Group doesn't have crypto-assets

17.8. Appendix 8 Abbreviations

A-IMA	Alternative Internal model approach	ILO	International Labour Organization
A-IRB	Advanced Internal ratings-based approach	IMM	Internal model method
A-SA	Alternative standardised approach	IPRE	Income producing real estate
ADC	Land acquisition, Development, and Construction	IRB	Internal ratings-based approach
ALCO	Asset and Liability Committee	IRRBB	Interest rate risk in the banking book
ALM	Asset and Liability Management	ISDA	International Swaps and Derivatives Association
AML	Anti-Money Laundering	ISIN	International Securities Identification Number
ASF	Available stable funding	IT	Information Technology
AT1	Additional Tier 1 capital	IVS	International Valuation Standards
AVA	Additional Valuation Adjustments	JST	Joint Supervisory Team
BB	Banking book	KPI	Key Performance Indicator
BCBS	Basel Committee on Banking Supervision	KRI	Key Risk Indicator
BCM	Business continuity management	KYC	Know your customer
BCP	Business Continuity Plan	LCP	Liquidity Contingency Plan
BEV	Battery Electric Vehicle	LCR	Liquidity coverage ratio
BI	Business Indicator	LEED	Leadership in Energy and Environmental Design
BIC	Business Indicator Component	LEI	Legal Entity Identifier
BIS	Bank for International Settlements	LGD	Loss given default
BoS	Bank of Slovenia	LRE	Leverage Ratio Exposure
BPV	Basis point value	LTD	Loan-to-deposit
BREEMAM	Building Research Establishment Environmental Assessment Methodology	LTI	Loan-to-income / Long term incentive
BRRD	Bank Recovery and Resolution Directive	LTV	Loan-to-value
C&E	Climate and environmental	M&A	Mergers and acquisitions
CB	Central Bank	MB	Management Board
CBR	Combined buffer requirement	MDA	Maximum Distributable Amount
CCA	Climate change adaptation	MIGA	Multilateral Investment Guarantee Agency
CCF	Credit conversion factor	MREL	Minimum Requirement for own funds and Eligible Liabilities
CCM	Climate change mitigation	MRSA	Market Risk Standardised Approach
CCP	Central Counterparty	NACE	Nomenclature of Economic Activities
CCR	Counterparty credit risk	NFRD	Non-Financial Reporting Directive
CCYB	Countercyclical capital buffer	NGFS	Network for Greening the Financial System
CEO	Chief Executive Officer	NII	Net interest income
CET1	Common equity tier 1 capital	NPE	Non Performing Exposures
CISO	Chief Information Security Officer	NPL	Non Performing Loans
CIU	Collective investment undertakings	NPL CR	Non-performing Loans Coverage Ratio
CO₂	Carbon dioxide	NSFR	Net Stable Funding Ratio
CPR	Conditional prepayment rate	NZBA	Net Zero Banking Alliance
CRD	Capital Requirements Directive	NZE	Net Zero Emissions
CRD6	Capital Requirements Directive and Regulation	NZEB	Nearly Zero-energy Buildings
CRE	Commercial real estate	O-SII	Other systemically important institutions
CRM	Credit Risk Mitigation	OCI	Other comprehensive income
CRO	Chief risk officer	OCR	Overall capital requirement
CRR	Capital Requirements Regulation	OECD	Organisation for Economic Co-operation and Development
CSA	Credit Support Annex	OpRC	Operational Risk Committee
CSD	Central Securities Depositories	OROF	Operational Risk Own Funds
CSR	Corporate Sustainability Reporting	OTC	Over-the-counter
CSRD	Corporate Sustainability Reporting Directive	OU	Organisational unit
CTO	Chief Transformation Officer	P&L	Profit and Loss
CTF	Combating the Financing of Terrorism	P1R	Pillar 1 Requirement
CVA	Credit valuation adjustment	P2R	Pillar 2 Requirement
CVaR	Conditional Value at Risk	P2G	Pillar 2 Guidance
DDoS	Distributed denial-of-service	P3DH	Pillar 3 Data Hub
DEI	Diversity, Equity and Inclusion	PBA	Prudential Boundary Approach
DMA	Double Materiality Assessment	PCAF	Partnership for Carbon Accounting Financials
DPO	Data Protection Officer	PD	Probability of default
DORA	Digital Operational Resilience Act	PFE	Potential Future Exposure
DSTI	Debt service-to-income	PHEV	Plug-in Hybrid Electric Vehicle
DVA	Debit Valuation Adjustments	PP&E	Property, plant and equipment
DWH	Data Warehouse	R-BA	Reduced Basic Approach
E&S	Environmental and social	RC	Replacement cost
EAD	Exposure at default	RCP	Representative Concentration Pathways
EaR	Earnings at Risk	RICO	Risk Committee
EBA	European Banking Authority	RICS	Royal Institution of Chartered Surveyors
EBRD	European Bank for Reconstruction and Development	RE	Real estate

ECAI	External Credit Assessment Institutions	REA	Risk Exposure Amount
ECB	European Central Bank	RP	Recovery plan
ECL	Expected Credit Losses	RRE	Residential Real Estate
ECRA	Enterprise compliance and integrity risk assessment	RSF	Required stable funding
EEPE	Effective Expected Positive Exposure	RTS	Regulatory Technical Standard
EHQLA	Extremely High-quality Liquid Assets	RWA	Risk-weighted assets
EMIR	European Market Infrastructure Regulation	RWEA	Risk weighted exposure amount
EPC	Energy performance certificat	S-SA	Simplified standardised Approach
ESG	Environmental, social and governance	SA	Standardised Approach
ESMS	Environmental and Social Management System	SB	Supervisory Board
ESRB	European Systemic Risk Board	SC	Services component
ESRS	European Sustainability Reporting Standards	SEC-ERBA	Securitization External ratings-based approach
EU	European Union	SEC-IRBA	Securitization Internal ratings-based approach
EVE	Economic Value of Equity	SEC-SA	Securitization Standardised Approach
EVS	European Valuation Standards	SEE	Southeast Europe
EWS	Early Warning System	SFDR	Sustainable Finance Disclosure Regulation
F-BA	Full basic approach	SFT	Securities Financing Transactions
F-IRB	Foundation Internal ratings-based approach	SME	Small Medium Enterprise
FC	Financial component	SREP	Supervisory Review and Evaluation Process
FRTB	Fundamental Review of the Trading Book	SSM	Single Supervisory Mechanism
FX	Foreign Exchange	ST	Stress test
GAR	Green Asset Ratio	T1	Tier 1 (capital)
GBF	Green Bond Framework	T2	Tier 2 (capital)
GDP	Gross Domestic Product	TB	Trading book
GDPR	General Data Protection Regulation	TC	Total Capital
GFANZ	Glasgow Financial Alliance for Net Zero	TCDF	Taskforce for Climate Related Financial Disclosures
GHG	Greenhouse Gas	TCR	Total Capital ratio
GMRA	Global Master Repurchase Agreement	TEM	Total Exposure Measure
G-SII	Global systemically important institutions	TLAC	Total loss-absorbing capacity
HHI	Herfindahl-Hirschman Index	TREA	Total risk exposure amount
HQLA	High-quality liquid assets	TSCR	Total SREP capital requirement
HR	Human Resources	UN	United Nations
ICAAP	Internal Capital Adequacy Assessment Process	UNEP FI	United Nations Environment Programme Finance Initiative
ICMA	International Capital Market Association	UN PRB	United Nations Principles of Responsible Banking
ICT	Information and Communication Technology	VaR	Value at risk
IEA	International Energy Agency	ZBan-4	Banking Act
IFRS	International Financial Reporting Standards	ZGD-1	Companies Act
ILAAP	Internal Liquidity Adequacy Assessment Process	ZRPPB-1	Law on Rescue and Forced Cessation of Banks
ILDC	Interest, lease and dividend component	WEO	World Energy Outlook