



Advancing Our Net-Zero Commitment

NLB Group Net-Zero Disclosure Report
Second Round of Portfolio Targets

July 2025

NLB

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Data and approach limitations

Limitations of data and approach are important components to consider

NLB Group acknowledges the complexities inherent in establishing, evaluating, and monitoring sectoral decarbonisation targets. **In this second round of NZBA target setting**, the Bank has further strengthened its approach by focusing on material sectors and refining its monitoring capabilities in alignment with NZBA guidelines. For the purpose of the NZBA project, **“NLB Group” refers to all banking members of the Group and includes the NLB Lease&Go leasing portfolio in Slovenia, while “NLB” refers specifically to NLB d.d. Ljubljana.**

Sector and Scenario Selection

Building on its first round of NZBA target setting, which focused on power generation and iron & steel, NLB Group has expanded its targets in the second round to include **emission intensity targets for the leasing portfolio of passenger cars and the road freight corporates portfolio**. These sectors were selected where **exposure, emissions materiality, and data availability allow for meaningful target setting and effective portfolio steering**, ensuring a phased and structured approach to advancing the Group’s decarbonisation commitments.

NLB Group uses the IEA NZE 2050 scenario as the foundation for its sector targets in power generation and iron & steel, reflecting a commitment to align with a 1.5°C global warming pathway under a scenario recognised as credible and ambitious. This approach reflects the urgency of addressing climate change while conservatively considering the role of negative emissions technologies, acknowledging uncertainties around their scalability, particularly in the SEE region.

For **Road freight corporates**, NLB Group has applied the Slovenian National Energy and Climate Plan (NECP) to reflect the specificities of its core geographies. The **“with existing measures” (OU) scenario has been selected over the “with additional measures” (DU) scenario** due to the current maturity of decarbonisation levers within the sector and operational realities of clients.

For **Leasing passenger cars**, NLB Lease & Go, Ljubljana has adopted the **NECP “with additional measures” (DU) scenario** to guide its decarbonisation pathway, recognising the advanced availability of low-emission technologies in the sector. The baseline and target trajectory were calculated using the **Slovenian OPSI database**, a comprehensive national vehicle registry maintained by the Ministry of Infrastructure, allowing for accurate baseline setting and the application of NECP DU projected reductions.

For **Commercial and Residential Real Estate**, although formal emissions-based targets have not been set, **NLB monitors portfolio alignment using the SBTi 1.5°C pathway, consistent with the IEA NZE 2050 scenario, to track portfolio trajectories in Slovenia.**

For **Residential Real Estate**, the **SBTi Residential Multi-family scenario was applied for the Slovenian geography**, while for **Commercial Real Estate**, the **SBTi Retail Shopping Mall scenario was used, noting that trajectories for retail shopping malls and offices are highly similar**. This approach enables NLB to track emissions performance in the real estate portfolio while maintaining readiness to advance target setting as data quality and regulatory frameworks evolve.

NLB Group will **not utilise offsets to achieve its 2030 NZBA sector targets** but will monitor and contribute to the development of industry standards for offsets as they emerge. The Group will engage with clients to encourage the development of net-zero strategies, which may involve using carbon credits for residual emissions in line with scientific guidance.

Governance and Review

Targets are developed under the supervision of internal risk functions and approved at the executive level. Consistent with NZBA guidelines, NLB Group will review its targets at least every five years or in response to significant updates in international agreements or national climate goals, ensuring continued alignment with evolving climate science and policy. NLB Group will publish annual progress updates in its sustainability reports and continue to build internal capabilities for tracking and monitoring these targets.

Key Dependencies & Data Limitations

NLB Group applies the **Partnership for Carbon Accounting Financials (PCAF) methodology** for financed emissions measurement and disclosure, using it to establish baselines and inform target setting. The Bank acknowledges ongoing data challenges, including inconsistent emissions reporting by clients and limited data for consumer-related assets across the region. NLB is committed to continuously improving its climate data capabilities by expanding data sources and partnering with institutions and think-tanks to enhance data quality and availability.

The Group’s targets are established with recognition of critical dependencies on external factors, including regulatory frameworks, policy measures, infrastructure developments, and client readiness, which are essential for achieving net-zero ambitions, particularly in high-emitting sectors such as housing and transport. NLB Group actively supports public policy developments in Slovenia and the region and will continue partnering with businesses and key industry players to facilitate the transition. These sector-specific dependencies and limitations are further detailed within the following sector disclosures, ensuring transparency and accountability in NLB Group’s ongoing NZBA-aligned decarbonisation

Portfolio Coverage

Comprehensive Coverage Across Corporate, Leasing, and Mortgage Portfolios

NLB Group has taken a phased, sector-informed approach to implementing NZBA-aligned targets.

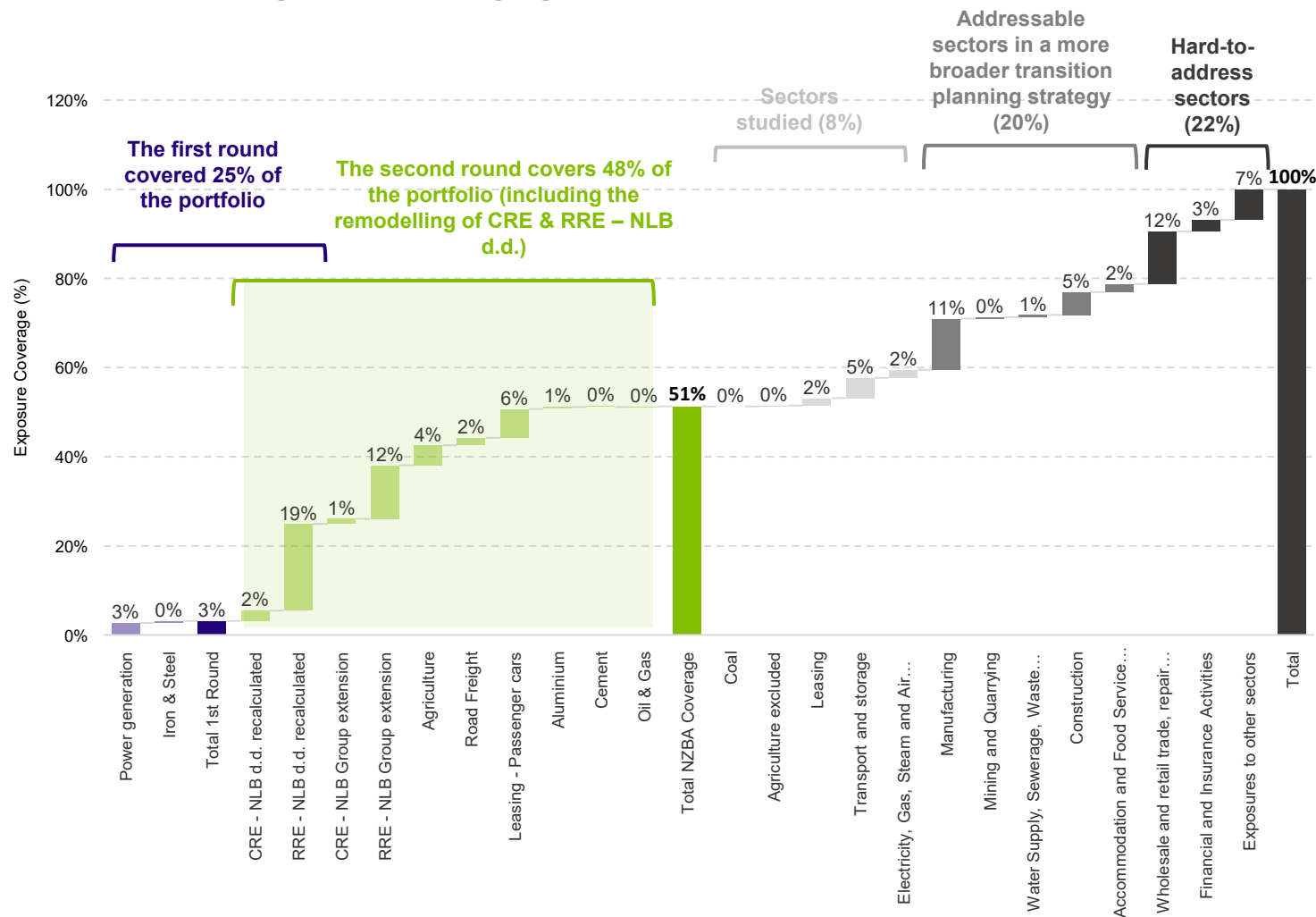
The included scope comprises the corporate credit portfolio, the leasing portfolio exposure in Slovenia, and the retail mortgage portfolio, ensuring that the NZBA exercise captures the most material segments of the Group's lending activities in alignment with transition objectives.

Based on the Group's portfolio structure as at year-end 2023, the **first round of NZBA target setting covered 25% of cumulative portfolio exposure**, focusing on carbon-intensive sectors with robust data availability and clear decarbonisation pathways.

The **second round covers 48% of the portfolio**, driven by the remodelling of **Commercial and Residential Real Estate (CRE & RRE) baseline and decarbonisation pathway and the inclusion of additional sectors such as agriculture, road freight transport, and leasing of passenger vehicles**, reflecting growing transition relevance. Under the second round of target development, **an additional 8% of the portfolio was analysed to assess its potential for alignment with NZBA pathways**. A further **20% of the portfolio is considered addressable within a broader strategic context**, covering lower-emission or less data-mature sectors such as logistics and services. The remaining **22% of the portfolio is classified as hard-to-address at this stage due to structural constraints or data limitations**, with ongoing efforts to evaluate opportunities for future alignment where feasible.

Together, the first and second rounds have extended coverage to 51% of NLB Group's portfolio exposure, ensuring a structured and phased alignment with NZBA commitments.

This tiered approach enables comprehensive coverage across NLB Group's corporate, leasing, and mortgage portfolios, aligning decarbonisation efforts with sector-specific dynamics and regulatory expectations.



Climate Targets for Net-Zero

Emission, Financing & Engagement Targets Aligned with NLB's Net-Zero Commitment

In this second NZBA target-setting round, NLB Group has applied a **broadier lens to target-setting metrics**, exploring a range of target types beyond emissions-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 NZBA recommendations. These 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.

This approach **lays the groundwork for transition planning**, going beyond NZBA compliance. NLB Group has structured its transition planning to proactively address the regulatory expectations, embedding transition considerations at the core of its banking activities. Through integrated exposure mapping, sector-specific decarbonisation pathways, and client-level strategies, this work strengthens both regulatory alignment and the Group's internal steering capacity.

To ensure that **ambition is aligned with business reality**, NLB Group has also established a set of origination guidelines as a pragmatic counterpart to its quantitative targets. Grounded in leading market practices and tailored to sector-specific dynamics, these guidelines are designed with operational feasibility in mind. They provide a structured framework for engaging clients on transition topics while identifying financing opportunities aligned with the Group's strategic objectives.

Sector		Round	Metrics / KPIs	Coverage
Power Generation	Emission-based target	Round 1	Emission Intensity in tCO2e/MWh	NLB Group
Iron & Steel	Emission-based target	Round 1	Emission Intensity in tCO2e/t steel	NLB Group
Commercial Real Estate*	Financing target	Round 1	Share of new production in most energy efficient commercial buildings (<50 kg CO2e/m2)	NLB, Ljubljana
	Emission-based monitoring*	Round 2	EPC based Emission Intensity in kgCO2e/m2	NLB, Ljubljana
Residential Real Estate*	Financing target	Round 2	Share of new production in top-rated mortgages (A&B EPC class)	NLB Group
	Emission-based monitoring*	Round 2	EPC based Emission Intensity in kgCO2e/m2	NLB, Ljubljana
Road Freight Corporates	Emission-based target	Round 2	Physical intensity gCO2e/tkm	NLB Group
	Client engagement target	Round 2	Share of clients engaged	NLB Group
Leasing (Passenger Cars)	Emission-based target	Round 2	Physical Intensity gCO2e/km	NLB Lease&Go, Ljubljana
	Financing target	Round 2	Share of BEV/PHEV financing	NLB Lease&Go, Ljubljana
Agriculture	Client engagement target	Round 2	Share of clients engaged	NLB, Ljubljana & NLB KB, Beograd
	Financing target	Round 2	Mio € of new production	NLB, Ljubljana & NLB KB, Beograd
Oil & Gas			Based on client reduction of absolute GHG emissions	
Cement	Origination Guidelines	Round 2	Based on client emission intensity (kgCO2e/ton Cement)	NLB Group
Aluminium			Based on emission intensity (tCO2e/ton Aluminium)	

* NLB actively monitors portfolio performance in Slovenia instead of setting formal emission targets, due to dependence on regulatory, infrastructure, and stakeholder factors beyond NLB's control.

Emission-Based Targets

Intensity-Based Targets Aligned with Net-Zero and Sector-Specific Science-Based Pathways

NLB Group has set emission reduction targets where feasible, guided by sector maturity, data availability, and the methodological approaches developed under the NZBA framework.

In sectors where decarbonisation pathways are well-defined, where clients can provide reliable emissions or activity data, and where credible climate scenarios are available, NLB Group has established clear physical intensity targets to support its climate transition objectives. In other sectors, where current market conditions or data limitations do not yet allow for meaningful target setting, the Group has focused on strengthening client engagement, improving data collection processes, and aligning origination practices with transition objectives.

Emission intensity targets have been set for Power Generation, Iron & Steel, Road Freight Corporates, and Leasing Passenger Cars, reflecting NLB's commitment to aligning its portfolio with credible decarbonisation pathways where clear data and methodologies are available.

For Commercial and Residential Real Estate, the Group has established clear financing targets while **actively steering its Slovenian portfolio in line with emission intensity pathways rather than setting formal targets.**

This approach recognises the sector's dependence on **external factors such as regulatory frameworks, infrastructure decarbonisation, district heating improvements, and broader stakeholder collaboration** required to achieve net-zero outcomes.

NLB is actively reporting on its efforts within its Commercial and Residential Real Estate portfolio in Slovenia, supporting clients in **improving the energy performance of their properties through targeted financing solutions**. **Clear metrics are integrated into the Group's reporting** to demonstrate its commitment to decarbonising the real estate sector while transparently tracking progress toward net-zero objectives.

Sector	Details			GHG Baseline		Performance		GHG 2030 Targets		Target Coverage
	Scope(s) included	Scenario used	Unit of measurement	Baseline Year	Baseline	FY 2023	FY 2023 relative to baseline	2030 Target	Relative to baseline	
Power Generation	1 and 2	IEA NZE	t CO2e/Mwh	2021	0,232	0.201	-13%	0,165	-29%	NLB Group
Iron & Steel	1 and 2	IEA NZE	t CO2e/t	2021	0,600	0.839	40%**	1,070	/	NLB Group
Road Freight Corporates	1	NECP OU	gCO2e/tkm	2023	54,5	Set in Round 2, subject to future monitoring		49,5	-9%	NLB Group
Leasing Passenger Cars	1	NECP DU	gCO2e/km	2023	150,8			130,0	-14%	NLB Lease&Go, Ljubljana
Commercial Real Estate*	1 and 2	IEA NZE, SBTi	kg CO2e/m2	2023	77,6	Remodelled in Round 2, subject to future monitoring		35,6	-54%	NLB, Ljubljana
Residential Real Estate*	1 and 2	IEA NZE, SBTi	kg CO2e/m2	2023	37,1			17,2	-54%	NLB, Ljubljana

* NLB actively monitors portfolio performance in Slovenia instead of setting formal emission targets, due to dependence on regulatory, infrastructure, and stakeholder factors beyond its control. Emission intensity reductions of 14% in Residential Real Estate and 53% in Commercial Real Estate were achieved under the balance sheet approach, but in Round 2, the baselines were remodelled using a portfolio-weighted methodology.

** The increase of emission intensity in the Iron & Steel portfolio is primarily due to the unavailability of some client Scope 2 emissions data at the time of baseline calculation

Financing Commitments

Driving Real-Economy Transition Through Targeted Financing

NLB Group has established **clear financial metrics and targets** to support its **strategic ambition of contributing to the real-economy transition** through its financing activities and internal operations. These metrics align with the Group's overarching **sustainability objectives**, including **reducing emissions across financing activities** and **mobilising capital for sustainable finance**. The targets reflect the Group's commitment to advancing its transition plan, with a focus on **renewable energy, green buildings, energy efficiency, and sustainable transportation**. NLB Group classifies activities as green using the **EU Taxonomy**, its **Green Bond Framework**, and **MIGA and EBRD green frameworks**, considering a transaction green if it meets at least one criterion under these frameworks.

The Group has committed a total of **EUR 1.9 billion in transition financing by 2030**, divided between **Retail Banking and Corporate and Investment Banking**, focusing on **renewable energy, sustainable infrastructure, and energy efficiency**.

Additionally, **NLB has committed to financing a 30% share of new production in the most energy-efficient commercial buildings (<50 kg CO₂/m²)**. At the same time, **the Group is supporting new production in top-rated residential mortgages (EPC class A & B)** across key markets, where regulatory context and market maturity allow, with targets set at **12% for NLB KB Beograd, 10% for NLB Banka Banja Luka, 5% for NLB Banka Sarajevo, 6% for NLB Banka Skopje, and 20% for NLB**, where the ambition was raised from 15% based on solid interim progress.

NLB Lease&Go in Slovenia aims to reach a **12% share of battery electric and plug-in hybrid vehicles (BEV/PHEV) in its leasing passenger vehicle fleet by 2030**, supporting clean transportation. The Group has also committed **EUR 75 million to financing farmers and upstream agricultural corporates in Slovenia and Serbia** under the **NLB Group Sustainable Agriculture Framework**, further supporting **sustainable agriculture and the low-carbon transition** in the region.

NLB Group Green Transition Financing Commitment					
Segment	Description	Target 2030	Target Coverage	FY 2024	FY 2024 Relative to Target
Corporate and Investment Banking Green Transition Financing	Financing for renewable energy, green buildings, clean transport, energy-efficient technologies, and sustainable water and pollution prevention projects that support the low-carbon transition.	EUR 1,370 mio	NLB Group	EUR 701 mio	51%
Retail Banking Green Transition Financing	Financing for solar power plants, energy-efficient buildings (EPC A & B), energy renovations and equipment, and zero-emission electric vehicles to support the low-carbon transition.	EUR 528 mio	NLB Group	EUR 327 mio	62%
Total NLB Group Green Transition Financing		EUR 1,900 mio	NLB Group	EUR 1,028 mio	54%

Financing Commitments Across Sectors					
Segment	Description	Target 2030	Target Coverage	FY 2024	FY 2024 Relative to Target
Commitment to Finance Energy-Efficient Commercial buildings	Share of financing of new production in most energy efficient commercial buildings (<50kg CO2/m2)	30%	NLB, Ljubljana	85%	283%
Commitment to Finance Energy-Efficient Mortgages	Share of financing of new production in top-rated mortgages (A & B EPC class)	20%*	NLB, Ljubljana	27%	135%
		12%	NLB KB, Beograd	Targets set in FY 2025	
		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.	EUR 75 mio	NLB Group		



Client Engagement Targets

Driving Climate Maturity Through Engagement

NLB Group recognises that robust client engagement is essential for improving data quality, supporting client transition readiness, and advancing portfolio decarbonisation within its NZBA commitments, while acknowledging that achieving meaningful progress depends not only on its own commitments but also on the climate maturity and readiness of its clients.

Across many sectors, particularly in agriculture, road freight transport, and downstream processing, **client maturity on climate topics remains limited**, with low awareness of decarbonisation pathways, scarce emissions reporting, and minimal target-setting to date. Initial pilot engagements, such as the climate questionnaire deployed with selected clients in 2025, confirmed these limitations, revealing low disclosure of operational and emissions data, and limited integration of climate considerations into business strategies.

These maturity gaps present challenges for setting meaningful, steerable emissions-based targets across parts of the portfolio, as current baselines often rely on proxies and incomplete data. Despite these constraints, **NLB Group remains committed to supporting its clients in building climate maturity through structured engagement, transparent dialogue, and the gradual integration of climate considerations into client discussions and financing decisions.** By focusing on portfolio coverage targets and capacity-building initiatives, the Group aims to enable its clients to better understand their climate risks and opportunities, laying the groundwork for future alignment with net-zero objectives while ensuring a responsible and practical approach to transition financing.

Sector / Segment		Description
Road Freight	Corporates	100% of clients > 1 M€ by 2027
		100% of new clients > 500k€ from 2026
		50% of clients > 500k€ by 2030
Agriculture	Individual Farmers	100% of existing clients > 100k€ by 2028
		100% of new clients > 100k€ from 2026
	Corporates	100% of clients > 1M€ by 2028
		100% of new clients > 1M€ from 2026

Transport

Transport Strategy Centred on Road Freight and Passenger Vehicles

In alignment with its NZBA commitments, **NLB Group has set a physical intensity target and a portfolio coverage target for the Road Freight corporates segment**, while **NLB Lease&Go, Ljubljana has set physical intensity and financing targets for its leasing passenger car portfolio**. These targets have been established considering the materiality of exposures and their alignment with NLB Group’s strategy to support clients in their climate transition while responsibly managing transition risks and capturing financing opportunities.

The **Road Freight corporates segment was prioritised within corporate exposures** due to its climate materiality and homogeneity, while the **Leasing segment focuses on passenger cars**, which represent a significant portion of the leasing portfolio and provide direct decarbonisation levers.

Materiality analysis of portfolio per value chain segment and geography

Corporate financing			All geographies		
Considering all subsidiaries <u>except</u> NLB Lease&Go			Exposure (%)	Scope 1&2 (%)	Scope 3 (%)
Operation	Road	Freight	18%	67%	45%
		Passenger	5%	5%	3%
	Rail		6%	7%	4%
	Air		2%	16%	6%
	Water		8%	1%	6%
	Other		49%	3%	18%
Production			13%	1%	17%

Retained: 18% of Exposure / 67 % of total GHG emissions (S1+S2) (+NLB Lease & Go Corporate)

Excluded

For scenario selection, **Slovenia’s National Energy and Climate Plan** has been used, applying the **“with existing measures” (OU) scenario for the Road Freight corporates segment** and the **“with additional measures” (DU) scenario for the Leasing passenger car portfolio**. The **OU scenario** assumes the continuation of existing legislative and financial measures, providing a realistic and grounded pathway reflecting the current decarbonisation pace of the freight sector, while the **DU scenario** incorporates additional policy measures aligned with Slovenia’s 1.5°C ambition, reflecting stronger decarbonisation potential within the passenger vehicle sector.

This **scenario framework ensures that NLB Group’s target-setting approach remains credible**, grounded in sectoral realities, and aligned with the evolving NZBA guidance, while maintaining the Group’s commitment to **actively support its clients in the transition to a low-carbon economy**.

Leasing		Slovenia
		Exposure (%)
Lease & Go Ljubljana	Passenger Vehicles	15%
	Freight & Other	10%
Summit Leasing	Passenger Vehicles	61%
	Freight & Other	14%

Retained for leasing: 76%

Part of it retained for corporate: Focused on road freight companies



Road Freight Corporates

Facilitating Road Freight Decarbonisation Through Client Engagement

NLB Group is advancing the decarbonisation of its road freight corporates portfolio through a clear focus on client engagement and portfolio coverage.

The bank has set a **portfolio coverage target** for road freight corporates to engage **100% of clients with exposures above EUR 1 million by 2027**, **100% of new clients with exposures above EUR 0.5 million from 2026**, and **50% of clients with exposures above EUR 0.5 million by 2030** through the climate questionnaire process, ensuring the integration of climate considerations into client dialogues and credit processes.

These targets have been established for clients representing **63% of the segment's exposure**, providing a robust basis for monitoring and supporting the transition within the portfolio.

For clients with exposures above EUR 1 million, **an emission-based target has been set, covering 47% of the segment**. This target is expressed in **physical intensity, measured in grams of CO₂ equivalent per ton-kilometre (gCO₂e/tkm)**, aligning with the standard activity metric in freight transport to capture the emissions efficiency of goods movement.

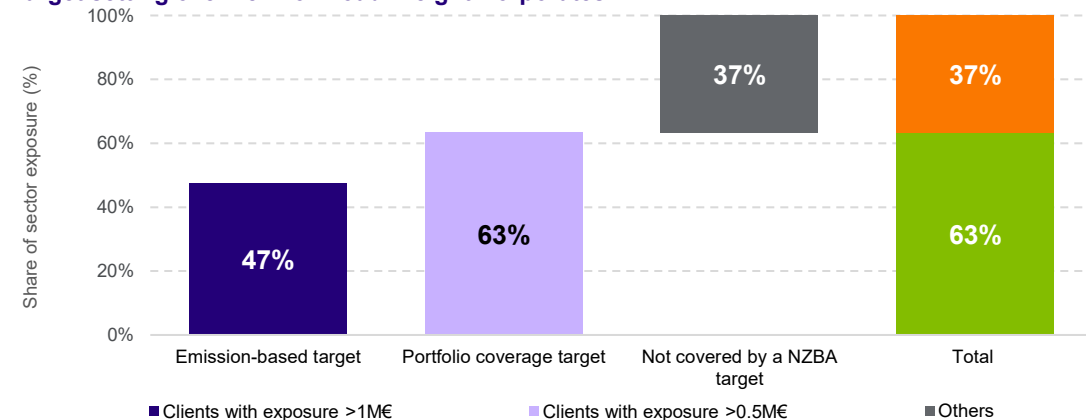
The target trajectory is anchored in the “**with existing measures**” (OU) scenario of the **Slovenian National Energy and Climate Plan**, reflecting current technological availability and the pace of decarbonisation within the sector while recognising the operational realities of clients across NLB's geographies.

From a **2023 baseline of 54.5 gCO₂e/tkm**, calculated using a combination of direct client data and estimations, the target is set at **49.5 gCO₂e/tkm by 2030**, representing a **reduction of 9.2% across the covered portfolio**.

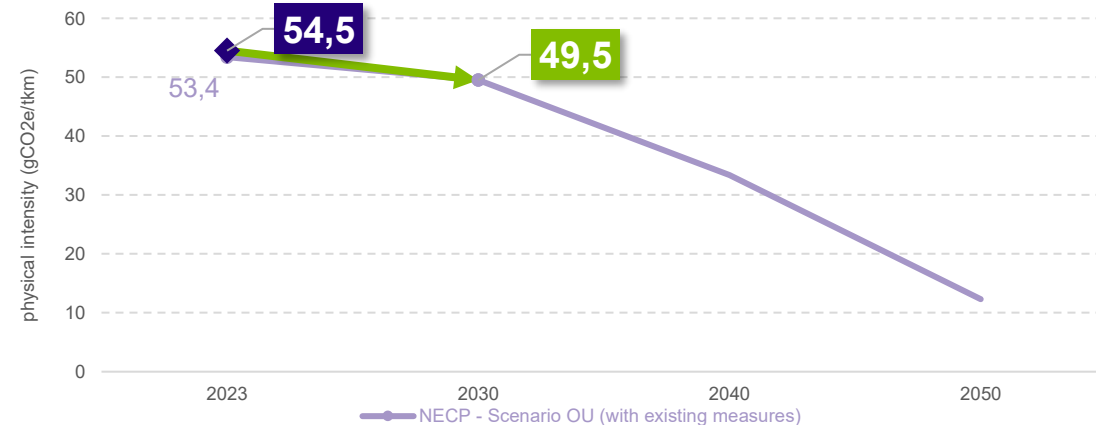
Implementation of this target relies on **structured client engagement to gather high-quality operational data and to facilitate discussions on financing the investments necessary for transitioning to lower emission intensity fleets**.

This approach is further supported by **origination guidelines that foster engagement and financing opportunities** while maintaining a “no data, no deal” principle and ensuring alignment with decarbonisation objectives consistent with regional NGFS (Network for Greening the Financial System) aligned pathways.

Target setting overview for Road Freight Corporates



Road Freight physical intensity (gCO₂e/tkm)



Leasing

Focus on Passenger Vehicles, the Core of the Leasing Portfolio Through Steering Based on WLTP Metrics

NLB Lease&Go Ljubljana has set emission-based and financing targets for its leasing passenger car portfolio, covering 76% of the leasing segment's exposure in Slovenia. This high level of portfolio coverage reflects NLB's commitment to supporting the climate transition while responsibly managing transition risks and capturing financing opportunities within its leasing operations.

The **emission-based target** is set at 130 gCO₂e/km under the WLTP (regulatory norm) by 2030, representing a 13.5% reduction from the 2023 baseline of 150.8 gCO₂e/km.

The target trajectory is anchored in the “**with additional measures**” (DU) scenario from Slovenia's **National Energy and Climate Plan**, reflecting the advanced state of decarbonisation technologies within the passenger vehicle sector, the high concentration of the leasing portfolio in Slovenia, and the bank's ability to influence the decarbonisation pathway within this segment.

The **WLTP metric** (Worldwide Harmonized Light Vehicles Test Procedure), while slightly underestimating real-world emissions, offers the advantage of being a regulatory standard available for all new vehicles, ensuring consistency in measurement and disclosure while aligning with portfolio alignment best practices.

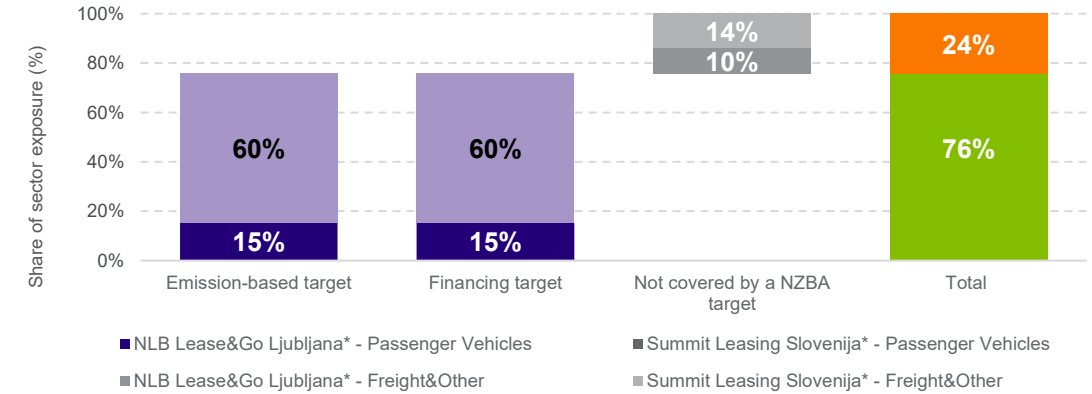
Alongside the emissions target, **NLB Lease&Go, Ljubljana has set a financing target to increase the share of exposure of low-carbon vehicles within the leasing portfolio, aiming for a 12% exposure share by 2030**, corresponding to 10% share of vehicles of the portfolio being battery electric vehicles (BEVs) or plug-in hybrid electric vehicles (PHEVs) in the passenger car portfolio. The financing target is dependent on the Slovenian passenger car market following the NECP projected pathway.

This reflects the growing role of hybrid and electric vehicle technologies in the transition towards lower-emission mobility, with **mild hybrids (MHEVs), full hybrids (HEVs), PHEVs, and BEVs each contributing to reductions in emission intensity**, supporting a structured progression towards the 2030 decarbonisation objectives.

Implementation of these targets will be underpinned by **the development of targeted financing solutions, and the integration of climate considerations into product development and commercial strategies.**

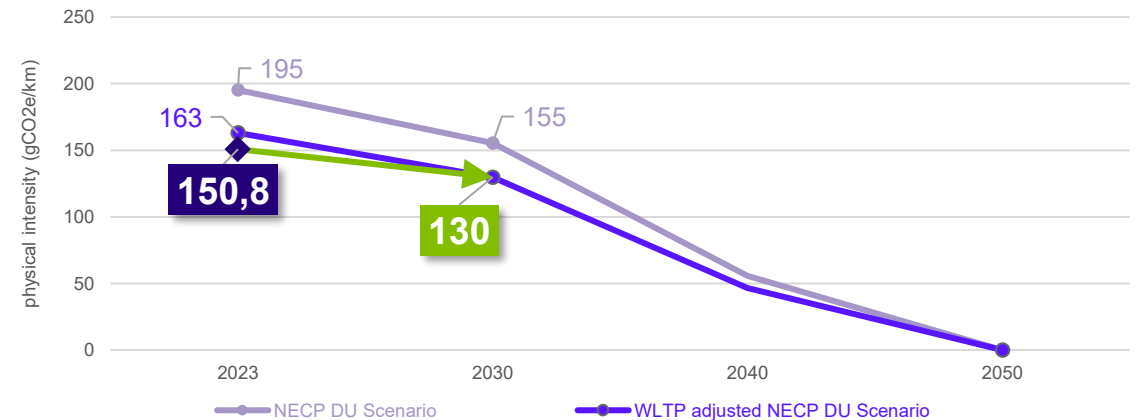
Through this focused and pragmatic approach, **NLB Lease & Go, Ljubljana aims to drive meaningful emissions reductions within its leasing passenger car portfolio while maintaining alignment with its NZBA commitments and supporting the broader decarbonisation of mobility within the region.**

Target setting overview for Leasing



* As of 1 July 2025, NLB Lease&Go and Summit Leasing Slovenija have merged and now operate as a single entity under the name NLB Lease&Go.

Passenger cars physical intensity (gCO₂e/km)



Real Estate

Baseline Remodelling with a Portfolio Weighted Approach

NLB has remodelled its portfolio monitoring framework for Commercial and Residential Real Estate to align with its NZBA commitments and strengthen the integration of climate considerations into portfolio management.

This remodelling is anchored in the adoption of the **Portfolio Weight Approach** for baseline and target calculation, ensuring that the **full surface area and emissions of each building are accurately accounted for within the portfolio**, regardless of ownership structures. This approach **replaces the less stable balance sheet approach** and aligns with **leading practices recommended by NZBA**, while ensuring **coherence with methodologies applied across other sectors within NLB's target-setting framework**, including **Power, Iron & Steel, Road Freight Transport, and Leasing**.

To calculate emission intensity, NLB applies a **weighted average of CO₂ emissions across multiple collaterals linked to each exposure**, prioritizing official emissions data from energy performance certificates (EPC) where available. The **portfolio baseline is then determined as a weighted average**, reflecting the relative share of each exposure within the overall portfolio.

This remodelling extends to target trajectory setting, where NLB has integrated 1.5°C SBTi and 2°C CRREM scenarios to **define decarbonisation pathways in line with internationally recognised frameworks**. For **Commercial Real Estate**, the **1.5°C SBTi Retail Shopping Mall trajectory** has been selected to guide monitoring, while for **Residential Real Estate**, the **1.5°C SBTi Residential Multi-family pathway** is applied, ensuring consistency with available data and the characteristics of the Bank's portfolio.

Portfolio weight approach

$$\begin{array}{c} \text{Commercial real estate portfolio emissions intensity (kgCO}_2\text{e/m}^2\text{/y)} \\ \text{Portfolio indicator} \end{array} = \sum_{\text{Counterparty}} \left[\begin{array}{c} \text{Counterparty emissions intensity (kgCO}_2\text{e/m}^2\text{/y) (whether it is secured or unsecured)} \\ \text{Mortgage indicator} \end{array} \right] * \left[\frac{\begin{array}{c} \text{Bank secured or unsecured financing (e.g., €/\$/¥/£)} \\ \sum_{\text{Counterparty}} \begin{array}{c} \text{Bank secured or unsecured financing (e.g., €/\$/¥/£)} \end{array} \end{array} \right] \begin{array}{c} \text{Attribution factor} \end{array}$$

Commercial Real Estate

Mandatory EPC Collection Supporting Climate-Aligned Commercial Real Estate Financing

NLB Group is advancing the decarbonisation of its Commercial Real Estate portfolio by setting clear financing targets, strengthening origination guidelines, and enhancing emissions monitoring in alignment with its **NZBA commitments**.

The **CRE Origination Guidelines for NLB** apply a **class-based approach**, allocating financing across defined classes with corresponding emissions ranges and gradually adjusting these allocations over time to ensure a **consistent downward emissions trajectory**.

In **Slovenia**, the bank has **extended its 30% financing target** to include underperforming buildings with robust transition plans, following newly developed origination guidelines. This approach enables the **financing of building stock renovation** with projected performance improvements while ensuring the achievement of targets even under pessimistic scenarios and maintaining alignment with **climate transition objectives**.

While a formal emissions-based target has not been set due to the dependence on **passive decarbonisation of infrastructure and government measures** to achieve decarbonisation targets, NLB **actively monitors the physical emission intensity** of its CRE portfolio in Slovenia to strive for alignment with its **transition trajectory**.

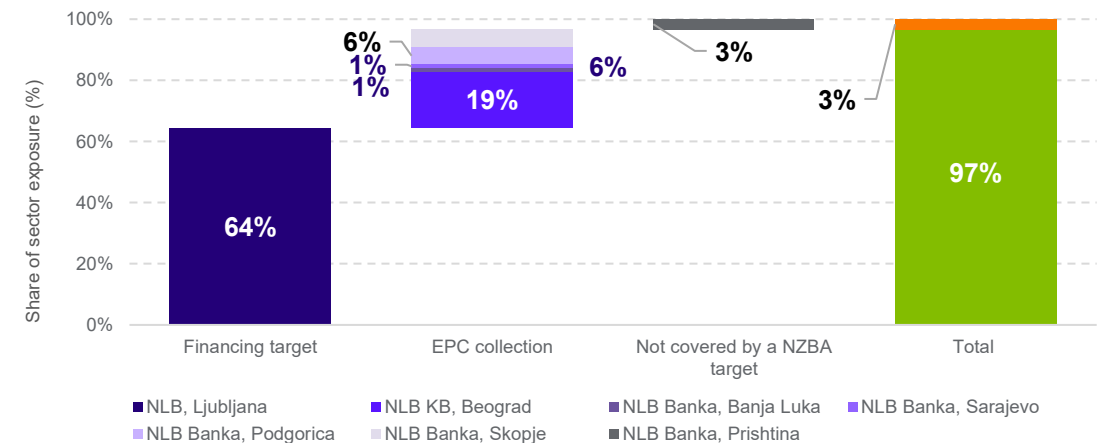
Under the **SBTiT scenario**, the pathway envisions an average energy efficiency of **1.6 kg CO₂/m² by 2050**, with an **interim target of 35.6 kg CO₂/m² by 2030**, based on a remodelled **2023 baseline of 77.6 kg CO₂/m²**. **Financing is not extended to underperforming properties exceeding emissions thresholds unless a credible transition plan is in place**, supporting **disciplined risk management**.

In **other geographies**, the extension of a financing target has not been implemented due to **portfolio concentration and varying levels of regulatory readiness** across subsidiaries.

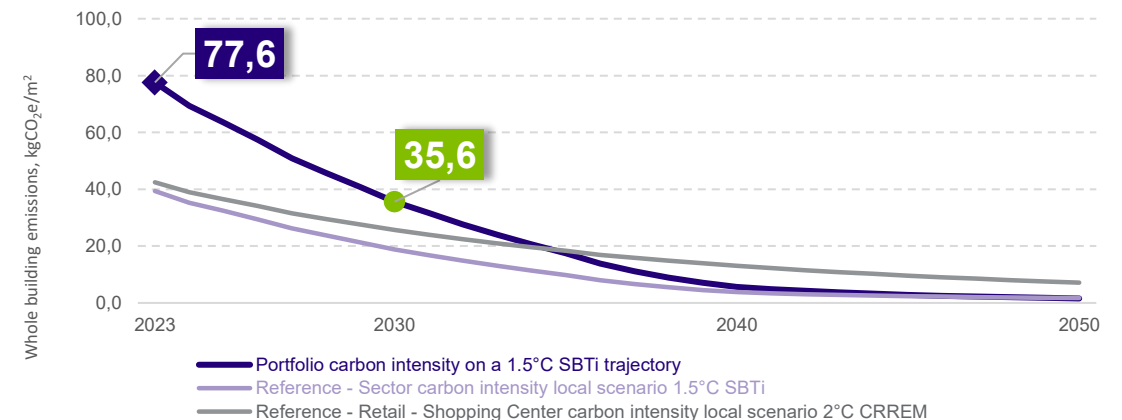
However, at the **Group level**, **mandatory EPC data collection** has been established for all new Commercial Real Estate transactions exceeding EUR 0.5 million, covering both new constructions and the refinancing of existing properties. This requirement applies to all Group entities, with a **best-effort approach** in geographies where regulatory limitations exist.

Through these measures, NLB has ensured that its **Commercial Real Estate portfolio supports the climate transition while maintaining prudent credit risk management and striving for alignment with recognised decarbonisation pathways**.

Non-emissions-based targets coverage for CRE



NLB, Ljubljana Emission Intensity for CRE (whole building emissions, kgCO₂e/m²)



Residential Real Estate

Financing Commitment for Top-Rated Mortgages Extended Across Group Members

NLB Group is strengthening its contribution to the decarbonisation of the residential housing sector by increasing its focus on energy-efficient housing finance and improving data transparency across its Residential Real Estate (RRE) portfolio.

In Slovenia, NLB has increased its financing target for top-rated mortgages (A & B EPC class) from 15% to 20%, reflecting the bank's commitment to supporting the transition of the housing stock while aligning with national climate goals.

Beyond Slovenia, new financing targets have been set in four additional markets, with ambitions of 12% in A&B-rated mortgages in KB Beograd by 2030, 10% in Banja Luka, 5% in Sarajevo, and 6% in Skopje. These targets are tailored to each subsidiary's capacity to support energy-efficient housing, leveraging existing portfolio strengths and verified EPC data to ensure a pragmatic yet ambitious approach.

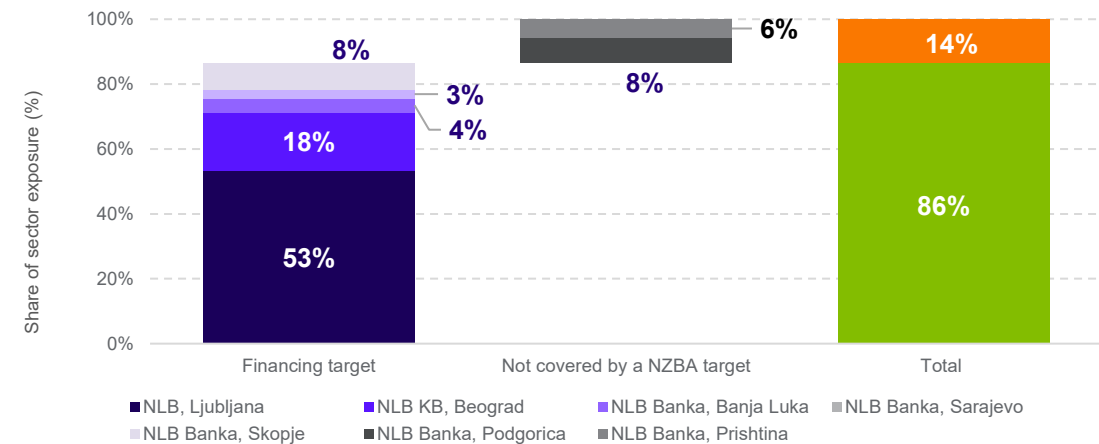
To build a robust foundation for transition planning, NLB Group plans a structured EPC collection process within its subsidiaries wherever regulatory conditions allow, aiming to enhance the bank's understanding of the energy performance of its housing portfolio. By focusing on systematic data collection without imposing binding targets, NLB avoids potential competitiveness impacts in markets where EPC issuance may face delays while progressively enhancing its readiness for future alignment with net zero targets. It should be noted that the regulatory context for EPC is evolving, and as the Group operates in markets outside the European Union, a gradual evolution of practices will be necessary to reflect the different stages of market maturity across its geographies.

Considering the diverse EPC regulatory environments and current portfolio baselines across its markets, NLB Group has chosen to prioritise financing targets over physical emission intensity targets for RRE at this stage, ensuring flexibility while advancing the green housing finance agenda across the Group.

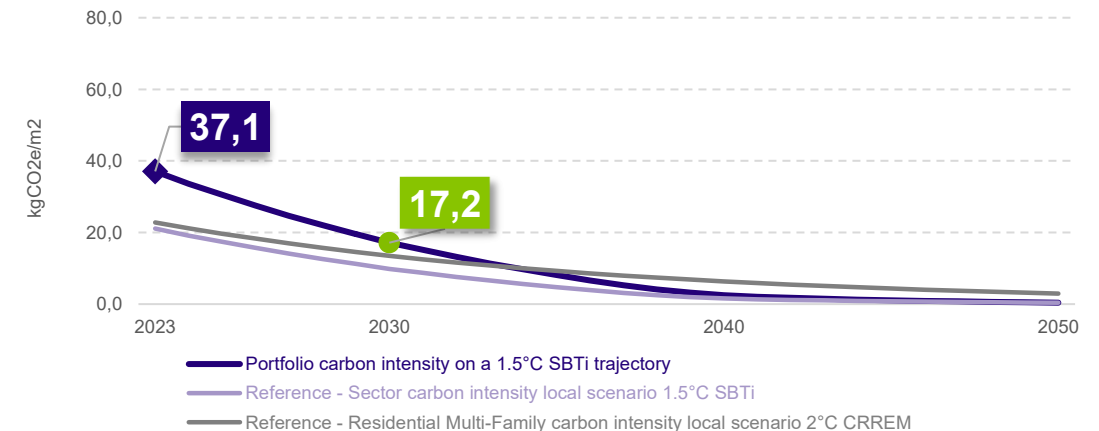
In Slovenia, while no formal emissions-based target has been set, NLB continues to monitor the emissions performance of its RRE portfolio to align progressively with its net zero pathway. Under the SBTi scenario, the residential portfolio is expected to reach an average energy efficiency of 0.4 kg CO₂/m² by 2050, with an interim milestone of 17.2 kg CO₂/m² by 2030 from a remodelled 2023 baseline of 37.1 kg CO₂/m².

Through these initiatives, NLB Group is expanding its role in supporting the transition of the residential housing sector while maintaining sound risk management and advancing its NZBA commitments across its operating markets.

Non-emissions-based target coverage for RRE



NLB, Ljubljana Emission Intensity for RRE (whole building emissions, kgCO₂e/m²)



Agriculture

Prioritising Upstream and Processing in Agriculture in Slovenia and Serbia

The agriculture sector presents **unique complexities for target-setting**, including high climate, biodiversity, and socio-economic relevance, a wide variety of commodities and value chain segments, and **low data maturity** due to limited emissions reporting and the evolving state of accounting methodologies for FLAG (Forestry, Land, and Agriculture) emissions.

To address these challenges, NLB Group conducted a **materiality analysis**, prioritising **Upstream and Processing segments across Slovenia and Serbia** where emissions are most material, operational leverage is highest, and decarbonisation opportunities can be effectively supported.

Retail and Trade segments, with lower emissions and limited upstream influence, are lower priority within the strategy.

Materiality analysis of portfolio per value chain segment and geography

	Slovenia			Serbia			Other countries		
	Exposure (%)	Scope 1&2 (%)	Scope 3 (%)	Exposure (%)	Scope 1&2 (%)	Scope 3 (%)	Exposure (%)	Scope 1&2 (%)	Scope 3 (%)
Upstream	3%	3%	1%	25%	24%	8%	3%	8%	4%
Trade	5%	0%	5%	5%	2%	12%	9%	2%	11%
Processing	8%	8%	10%	15%	21%	16%	12%	11%	9%
Retail	3%	2%	4%	5%	10%	11%	7%	9%	8%

Retained: 51% of exposure / 27 % of S1+S2 emissions and 26% of S3 emissions, as the most material agriculture emissions are located in farmers S1+S2 emissions and downstream players S3.1 emissions

Excluded

NLB Group's NZBA agriculture focus on **Serbia and Slovenia reflects the concentration of portfolio exposure and emissions in these markets, ensuring materiality and effective leverage in advancing the sector's transition**. By prioritising these geographies, the Group retains in scope **51% of portfolio exposure, 27% of Scope 1 and 2 emissions, and 26% of Scope 3 emissions**, enabling targeted engagement and monitoring across Individual Farmers, Upstream Corporates, and Downstream Processing Corporates

NLB Group prioritises **client engagement and sustainable agriculture financing over emissions-based targets for individual farmers due to data limitations**, while supporting sustainable agri-financing and client engagement for Upstream Corporates in line with its proposed framework. For Downstream Processing Corporates, efforts focus on **improving emissions data coverage**. Across all segments, NLB is committed to **enhancing data quality and engagement to support the agriculture sector's transition while maintaining prudent risk management in line with NZBA objectives**.



Agriculture

Advancing sustainable agriculture through a dedicated financing framework and proactive client engagement

NLB Group is advancing its approach to the decarbonisation of the Agriculture sector by developing a Sustainable Agriculture Financing Framework, strengthening origination guidelines, and enhancing client engagement in alignment with its NZBA commitments.

The Sustainable Agriculture Financing Framework will serve as a structured foundation for supporting sustainable agriculture loans and guiding origination in the upstream value chain, with a focus on Slovenia and Serbia.

NLB has set a financing target of EUR 75 million by 2030 for individual farmers and upstream corporates in these geographies, reflecting its commitment to financing sustainable agricultural practices while supporting the sector's climate transition.

Given the challenges of data collection and the fragmented nature of the portfolio, NLB Group cannot currently set a public emissions-based target for agriculture but will focus on portfolio coverage and financing targets to support client transition efforts.

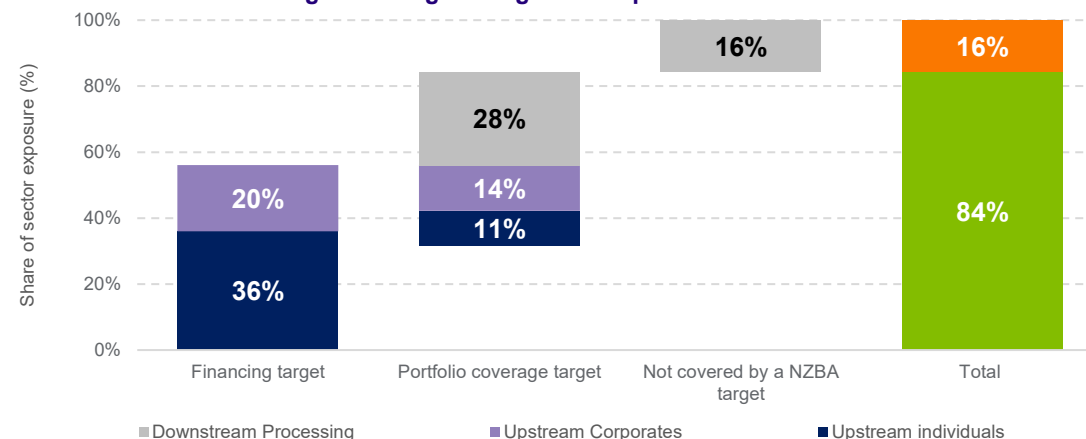
The Group has defined client engagement targets of 100% for existing clients with exposures above EUR 100,000 by 2028, and 100% of new clients above the same threshold from 2026 for Individual Farmers.

For upstream & downstream processing corporates, the target is set at 100% engagement for clients above EUR 1 million by 2028, and for all new clients above this threshold from 2026.

For corporates, NLB Group will monitor an internal emissions-based target aligned with national trajectories. This will be supported by continuous baseline refinement through partnerships with external providers, to reduce reliance on burdensome questionnaires and enhance accuracy over time.

Through these measures, NLB Group aims to strengthen its role in supporting the transition of the agriculture sector while maintaining prudent credit risk management and aligning its practices with recognised decarbonisation pathways and NZBA commitments.

Non-emissions-based target coverage for Agriculture production



Commitment to finance at least

€75m

by 2030 for farmers and upstream corporates in Slovenia and Serbia, aligned with the NLB Sustainable Agriculture Framework

Sectors with Limited Exposure

Maturity-Based Origination Guidelines for Climate-Aligned Lending

NLB Group is adopting a maturity-scale approach to support operational origination guidelines for NZBA priority sectors with currently limited exposure, specifically Aluminium, Cement, and Oil & Gas, ensuring that new deals and business align with the Group's climate objectives and NZBA commitments. This approach is in line with recommendations from the Glasgow Financial Alliance for Net Zero (GFANZ).

This approach goes beyond quantitative targets, enabling the Group to assess and classify companies based on their transition readiness — from no alignment to full alignment with net-zero standards — reflecting increasing levels of credibility and integration of climate objectives into core business strategies.



The maturity scale provides a structured basis for differentiated engagement strategies, moving beyond binary inclusion or exclusion decisions. By assessing where a company stands on its transition journey, NLB Group can tailor its screening, origination, and portfolio monitoring practices, prioritising dialogue, technical support, or escalation actions according to maturity level and progress toward credible net-zero alignment.

This framework includes categorising companies across multiple maturity levels, defining origination rules based on these levels, and developing targeted engagement and transition planning actions for each category.

A practical decision tree supports onboarding decisions for new clients, enabling NLB Group to proactively engage with prospective clients to enhance their climate maturity. The guidelines are intended to be updated with time, ahead of the 2030 milestone, to reflect evolving market conditions, including the expected greater availability and commercial viability of decarbonisation technologies.

Maturity F
Lack of data

Maturity E
Disclosure

Maturity D
First actions

Maturity C
Targets

Maturity B
Transition plan

Maturity A
Alignment

* [Transition planning | Glasgow Financial Alliance for Net Zero](#)

Aluminium

Limited Aluminium Sector Exposure Managed Through Origination Constraints

As of **31 December 2023**, **NLB Group's exposure to the aluminium sector is highly limited and concentrated**, involving only two clients, neither of which meets the Sustainable Aluminium Finance Framework's* production threshold. Considering applicable frameworks, sector guidelines, and the Group's portfolio composition, **NLB's financial and climate materiality in the aluminium sector is negligible**.

Given that **over 75% of emissions in the aluminium sector originate from aluminium production (NACE code 24.42)** and that the International Aluminium Institute's climate scenario focuses on this segment, aluminium production represents the only relevant activity for climate alignment. The **Sustainable Aluminium Finance Framework** recommends prioritising primary and recycled aluminium production, encouraging the setting of decarbonisation targets for producers with a minimum capacity of **250 kt of cast primary or recycled aluminium per year**. Accordingly, portfolio decarbonisation efforts should centre on aluminium producers that meet these thresholds.

As such, **NLB is not in a position to set a climate alignment target for the aluminium sector under the NZBA second-round target-setting exercise**.

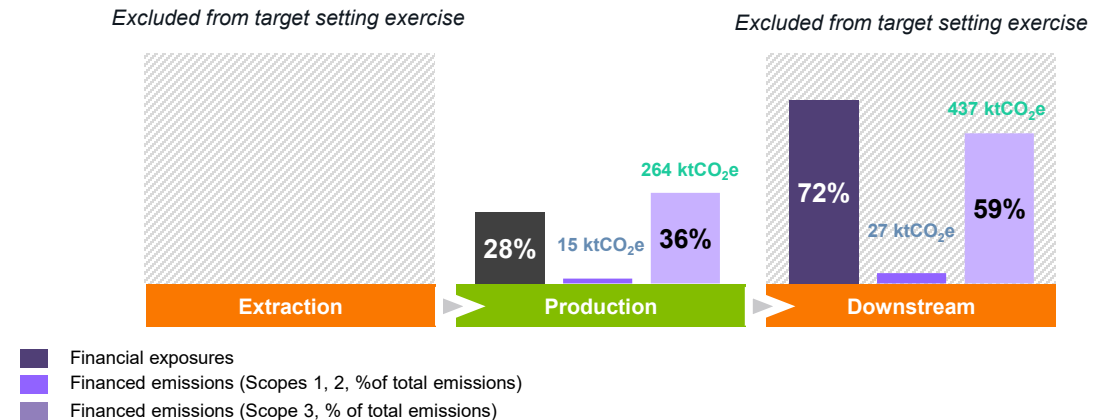
To avoid misinterpretation, it is important to clarify that **NLB Group's exposure is primarily to downstream subsectors of the aluminium value chain**. These segments are highly diverse and heterogeneous, and currently there are **no applicable climate scenarios** available to support the setting of climate alignment targets. Consequently, these exposures fall outside the scope of NZBA target setting.

NLB Group's **emissions baseline for aluminium production, as of 31 December 2023, is 0.576 tCO₂ per tonne of aluminium produced, significantly below the 2023 European average of 6.3 tCO₂ per tonne for primary aluminium production**. This reflects NLB's current client base, which is increasingly focused on **secondary aluminium production, a process with lower carbon emissions**.

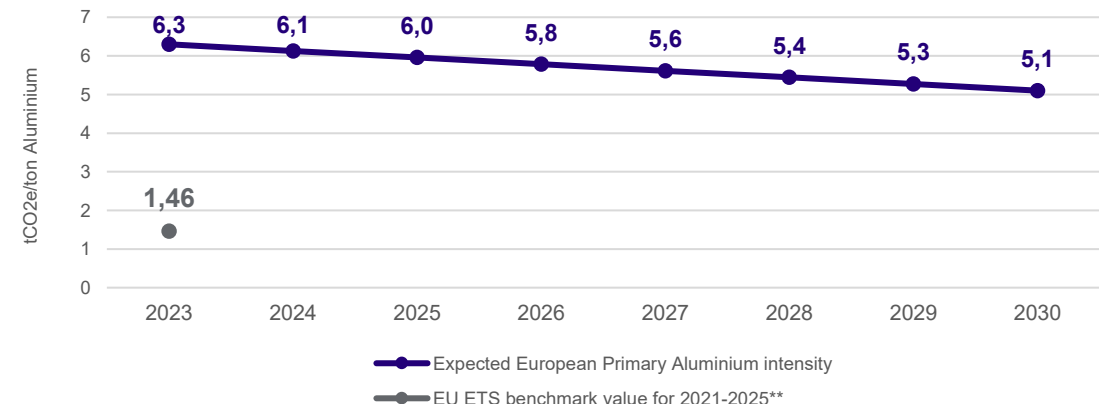
NLB recognises that its portfolio may evolve, particularly as European aluminium demand is expected to increase by **around 30% by 2040*****, driven by clean technologies such as solar panels and electric vehicles.

To prepare for this, **NLB has developed origination guidelines for client selection aligned with international frameworks and sector decarbonisation standards, ensuring the Group is equipped to support the sector's transition where relevant**. For companies without science-based targets, NLB applies emission intensity thresholds to guide financing decisions, with financing withheld beyond these limits to ensure alignment with credible decarbonisation pathways. These thresholds are based on the 2023 European average for primary aluminium (6.3 tCO₂/t), adjusted to reflect the net-zero trajectory under the International Aluminium Institute (IAI) scenario.

NLB Group portfolio analysis of Aluminium segments



Quantitative origination threshold for companies producing primary aluminium



* [Sustainable Aluminium Finance Framework](#)

** [European Aluminium](#)

Cement

Origination-Based Portfolio Management in Absence of Cement Production Exposure

Based on portfolio exposure data as of 31 December 2023, NLB's exposure to cement production equals zero. Considering the existing frameworks and guidelines for the sector and NLB Group's current portfolio, **NLB Group's financial and climate materiality in the cement sector is non-existent.**

Given that approximately 90% of emissions in the cement sector come from clinker and cement production (NACE codes 23.51 and 23.65), and that the IEA Net Zero Emissions scenario for the sector focuses on this segment, it is the only relevant segment for the alignment exercise. **The portfolio decarbonisation target for the cement sector should therefore focus on cement production.**

To avoid any misinterpretation of NLB Group's portfolio, it is worth mentioning that **NLB Group is exposed to extraction and downstream subsectors of the cement value chain.** However, climate alignment targets **cannot be set for these subsectors** as there is no climate scenario available for such diversified and heterogeneous segments of the value chain, and they are **out of scope for the NZBA target-setting exercise.**

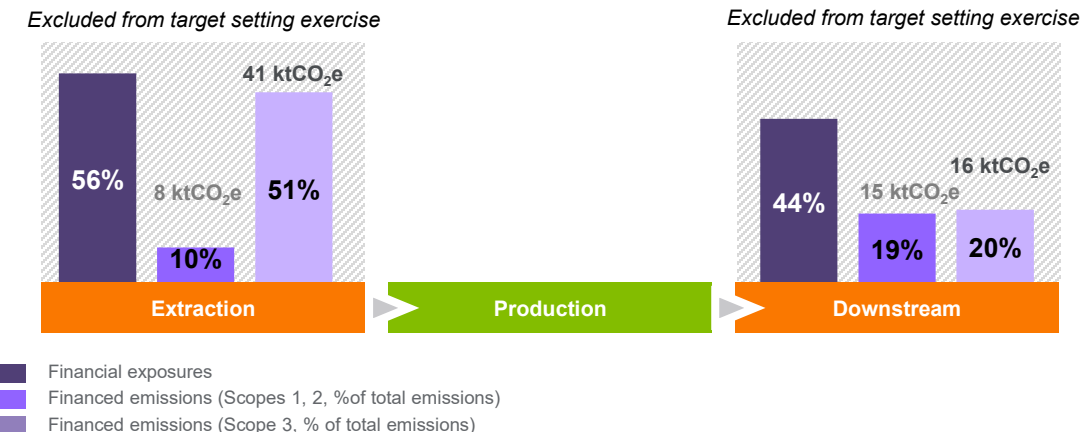
As such, **NLB Group is not in a position to set a climate alignment target for the cement sector under the NZBA second-round target-setting exercise.**

Conscious of the necessity to keep the carbon intensity of its future cement production portfolio in line with the IEA NZE scenario by 2030, NLB Group has developed origination guidelines to carefully select potential new clients. This is based on an objective and systematic methodology reflecting international framework recommendations and the current state of the art in sectoral decarbonisation (current average carbon intensity benchmarks, available decarbonisation technologies). These origination guidelines will be updated over time as the 2030 milestone approaches to account for future market conditions (e.g., more mature and commercially viable decarbonisation technologies). **The origination guidelines are structured around a maturity scale approach for assessing potential customers and are inspired by the Glasgow Financial Alliance for Net Zero (GFANZ).**

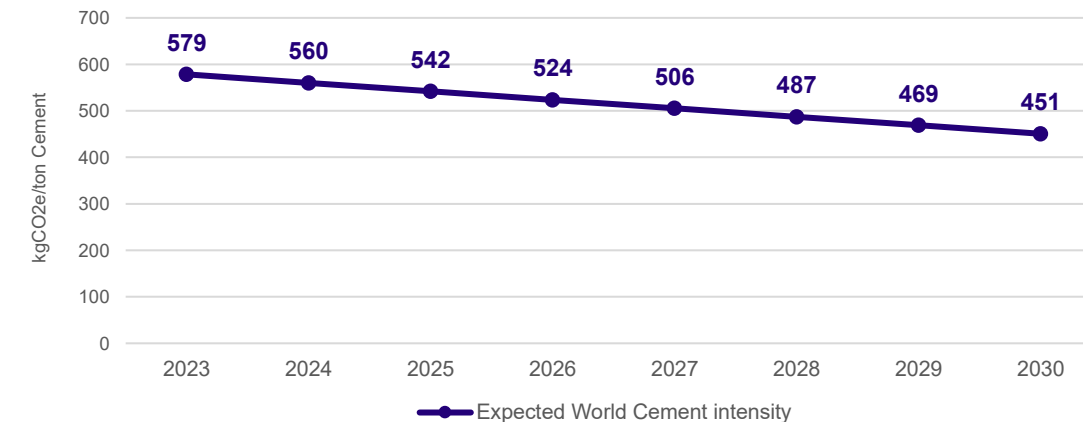
A practical decision tree will guide new client onboarding approval decisions and help NLB Group proactively engage with potential clients to improve their climate maturity. As part of this approach, **relevant emissions thresholds are applied based on the expected world cement intensity from the IEA Net Zero Emissions (NZE) scenario (WEO 2024)**, ensuring intensity values are assessed for companies without science-based targets. Beyond these thresholds, financing is not extended to ensure the alignment of the portfolio with credible decarbonisation pathways.

With this approach, NLB Group is equipped with a robust and implementable portfolio steering tool, establishing the basis for a transition plan in this sector.

NLB Group portfolio analysis of Cement segments



Quantitative origination threshold for companies producing cement



Oil & Gas

Prioritising Exploration & Production in Oil & Gas Portfolio Alignment

Based on the **International Energy Agency (IEA) Net Zero Emissions scenario** and **NZBA recommendations for target setting in the Oil & Gas sector**, alignment targets should focus on **Exploration & Production activities**.

As of **31 December 2023**, **NLB Group's exposure to the Oil & Gas sector is limited**, representing a **very small share relative to the Group's balance sheet**, and is concentrated on three segments: **trade of gas, the extraction of crude petroleum, and transport via pipeline**. In line with NZBA guidelines, **oil & gas trading activities are excluded from the target scope** due to low operational emissions and limited decarbonisation leverage. For **pipeline transport activities**, NZBA guidelines leave inclusion optional, noting their theoretical potential for decarbonisation, which remains limited in the regional context. Considering these guidelines, **only the Exploration & Production segment would be relevant for target setting**. However, **NLB Group's exposure in this segment is concentrated with a single client**, making it **too limited to set a meaningful and representative climate alignment target under the NZBA second-round target-setting exercise**.

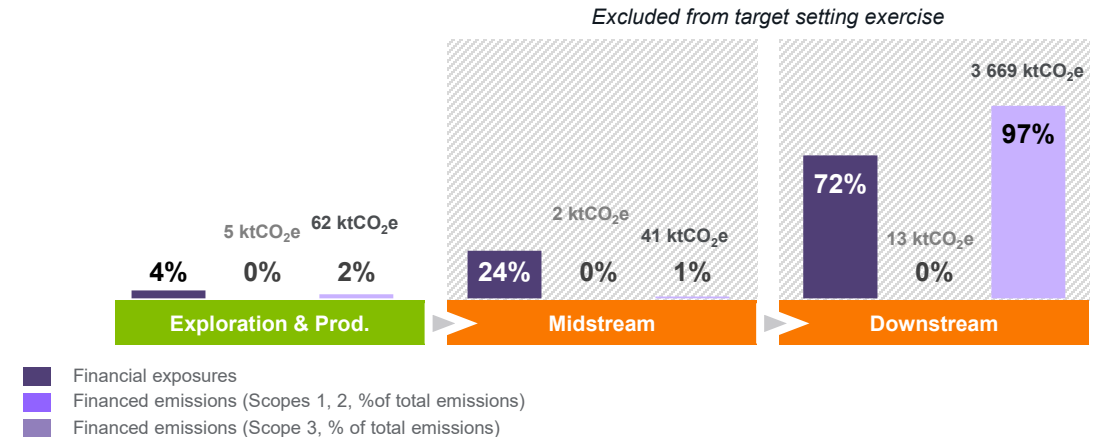
Thus, **NLB Group is not able to set a climate alignment target for the Oil & Gas sector as part of the NZBA 2nd round target-setting exercise**.

NLB Group explicitly excludes financing for upstream oil exploration, particularly those involving **unconventional fossil fuels** such as tar sands, shale oil & gas, Arctic drilling, and ultra-deep-water extraction, **and development projects** except in rare cases where proceeds are exclusively dedicated to emission reductions (e.g., flaring mitigation in existing fields). These activities are deemed incompatible with credible transition pathways due to their high environmental risks and carbon intensity and are therefore included on the Group's **ESG Exclusion List**.

For eligible segments, **NLB Group applies 2030 absolute emissions reduction thresholds** based on the **IEA NZE (WEO 2024) scenario** to evaluate prospective clients' **transition readiness**. **Clients exceeding these thresholds**, depending on their **Oil & Gas sub-sector**, are **not financed**, ensuring alignment with **credible decarbonisation pathways**.

To operationalise this approach, **NLB Group has developed origination guidelines** that define clear criteria for **client engagement** and **financing eligibility**. These guidelines are aligned with **international frameworks** such as the IEA's *Net Zero Transitions* report and incorporate a **maturity-scale assessment** inspired by the **Glasgow Financial Alliance for Net Zero (GFANZ)**, supported by a **decision tree** for consistent onboarding decisions.

NLB Group portfolio analysis of Oil & Gas segments



Expected absolute emission reduction for O&G in the IEA NZE (Scope 3.11)

