

Ladies and gentlemen, the management board of NLB welcomes you to the webcast where they will present to you unaudited FY 2020 data and the acquisition of Komercialna banka. Today's presenters are Blaž Brodnjak, CEO, Archibald Kremser, CFO, Andreas Burkhard, CRO, and Petr Brunclik, COO. This presentation will be followed by the Q&A session. If you would like to ask the question, you can do it anytime during this event, if you have joined via the webcast, please use the question tab located above the slides, if you have joined by the conference call press 1 on your telephone keypad. Before we go on, we would like to draw your attention to the disclaimer on slide 2 of the presentation. With this I pass the word to Mr. Brodnjak.

Good afternoon. It's one of the rare moments in one's career, to be able to address public, I guess, I'm proud and happy for what we achieved actually in the year that has ended and it's both in terms of how we performed in standalone business, how we actually supported our communities, clients and took care of our employees, and above all how we actually performed, because at the end of the day it turned out to be actually - given the circumstances - a very successful year. And this is true, both, for standalone business, where we really coped with pandemic effects very, very well, and on the other hand we successfully actually concluded one of the most meaningful transactions in the history of the group. And being said, saying that, this is of course the acquisition of Komercialna banka in Serbia. We've been for two months now, into the, into the bank, and so far, the integration process has been on the way, consolidation has been completed, no negative surprises, material surprises has been actually acknowledged, by that confirming that this was really transformational change, game changing decision, and it was a proper one to take, and practically for the synergies and the effects coming from it, we have also properly evaluated the business and accounted for. What is also very important to mention at this point, is that even after the acquisition we have maintained and resumed a potential to pay out the significant dividends, and that's something that is promise to our stakeholders and something you want to really resume to as soon as possible and approve by the regulators. A bit more details on why we believe that the deal with Komercialna banka is actually really transformational. By that we're positioning our group to top three position in the largest market in our region, we were so far clearly not positioned very well, but with this acquisition our market share is exceeding 12%, by that we're in all six countries of our presence, a top three player and that's unique market position to hold, and we're proud of that, and this enables us to elaborate on what we've been doing so far in a consistent way, also in a Serbian market and also in the markets where Komercialna banka has been operating as well, since then we have straightened our position in the Republika Srpska and Montenegro. Clearly Komercialna banka is a very complementary business to NLB group it is actually a strong retail franchise, very, very robust, strong on liquidity, and it's just coming on really as an idea actually, a top add on our operation, not only in Serbia, as said, but really to become also a regional hub, for elaborating our development, and opportunities, in terms of too development, common platform development. Belgrade and Serbia are a very vibrant IT market, we have by that also access to talent, and we have become much more attractive story to talents in a whole region. To before acquisition clearly, we have been not really strongly positioned, but after that we're actually now banking with close to one million clients in Serbia alone, and by that we're significantly improving our position in the entire region. What is very, very important, is we believed firmly after first two months actually we actually stick to this belief even more, even stronger, and this was a very, very creative acquisition and so a value for our shareholders, but also for our business development, and as a strong screen board if you wish, for our operations in the entire region. When we're talking about concrete numbers, actually we believe this is the

hundred million euro business to become, in terms of bottom line real creation value in terms of earning per share, add more than 30% we believe that there are images of twenty plus million, and this is really improving our efficiency, and all of that is well provided for in terms of also accounting, so the consolidation has been showing through the negative goodwill and other elements, so far, recognized in terms of matching standards of NLB, when it comes to risk management practices and principles and 'fair?' evaluations and so on. So it's all provided for, and we are very confident that this is really a very, very solid base for the future, and we have published in the meantime also the intention actually to buy out the minorities, so it's a bit less than 17% minority shares still outstanding, and Komercialna banka is listed in Belgrade stock exchange, so we intend actually to publish the public offer, once we get regulatory consensus. And by that hope to of course come to even above 90% ownership, enabling actually also a squeeze-out operation. By that we're assuming full control and of course also the intensive integration process into the group. When it comes to our capacity and ability, I'm really, really confident that the NLB is back in terms of pay-out capacity, so we have already EMR 92 million for this year, which is 70% of last year's profit to be paid out this year, of course subject to approvals from the regulatory bodies: ECB and Bank of Slovenia. In the meantime, the ban from the Bank of Slovenia has changed into the recommendation following the decisions of the European Central bank. By that we more or less already are allowed to pay-out 25 million. At the upcoming general assembly, we would suggest 25 million to be paid out and the residual we hope to be able to pay out still this year for the extraordinary general assembly in the second half of the year. And of course, when it comes to the midterm ambition, we believe we have resumed actually a very solid stable dividend pay-out capacity for the upcoming three years, we would really want to pay in excess of 300 million, which is if you put it to the dividend per share, at least five euros per share, prices is actually providing a very concrete value proposition for investors, and this is now of course being put in absolute terms. So, this is much more tangible than 70% of something. So that something that we want to show you more ambition on one side, we want to show on the other side what we're concretely talking about, and we believe that there's a significant value for you as investors in this proposition. By that I would pass the word to Archibald to give you a bit more details on acquisition alone and some other details on our group's performance and Archibald will then pass the word to also Petr to give you some insight to our operation, Andreas will talk about, clearly, asset quality and cost of risk and I'll then come back, so Archibald, the floor is yours, thank you.

Thank you, Blaž. A little bit of flash on the acquisition itself. Komercialna banka ended year regularly with decent results, and I think the main message from this slide number nine is no surprises really, as Blaž has indicated, no surprise on the consolidation, no surprise on the capital front, crucially and of course no real surprise on the income statement. What you see here is the group effect, and importantly the negative goodwill, with the material amount, something in the range of 140 million, might go up or down a little bit, we're still finetuning intangible assets, but by and large basically confirming due diligence findings, and on the capital side, importantly this is of course crucial for the dividend capacity Blaž was mentioning, but also of course as a basis for the dividend plan from the results 2020, and of course going forward, which has been of course driven much more by future results, but very, very strong capital basis, and in essence confirming what we expected from the due diligence. Now actually about to be testified by the auditors and as a fact no surprises the message here. On the next slide you will see the capital details to breakdowns, and crucially post consolidation very comfortable buffers, but for thresholds of course regulatory needs, including the pillar to guidance and the management buffer and crucially for the year end, it already envisages the dividend pay-out in the range of 70% of the 2020 results, and in the amount mentioned by Blaž in excess of some 90 million euros. So, that is I think a very, very solid putting from the capital

side. As said before, no real surprises in the consolidation process, and importantly still upside from the negative goodwill, which is not recognized and is expected to be consolidated throughout the course of the year. No surprises expected on that side either, but as we said before, this requires of course scrutiny by the regulator, it will go through regulatory approval process, from the accounting point of view, the work is fine large done. It will be finished when we publish the audited results, and as said before is in the range of some 140 million euros, give or take. So obviously this will add to the capital base, and by that also provide a solid basis for also the medium-term dividend capacity of the group. Blaž mentioned already, we went in the market with the takeover bid for minorities. This is a bit of an investment we're willing to take. We are publishing details of the transaction any time soon. The price is of course regulated by Serbian securities law, but there's no surprise expected, and obviously we aim for takeover of all minorities. So, in this sense this is clearly our commitment to well current shareholders still but also out shareholders in KB, we believe that it's a good deal for both sides, and of course, we would like to conclude this exercise as soon as possible. On the asset itself, Blaž mentioned, we're with foot on the ground, actually, Blaž, myself are in the board also directly represented, what makes us very, very comfortable, we have very strong core team already in place from day one. Plus closing up the transaction. And this is in essence a team that was leading the NLB Belgrade story in the past. You see Vlastimir, our CEO, CMO, for retail Dejan, our CRO. This are the two individuals that very much were driving growth in Serbia so far, and of course are very, very comfortable in doing this now, with the bigger asset, Komercijalna banka, but same recipe. So, that's in essence the core team, complemented by the current COO Dragiša, who is very experienced in Serbia in particular, helping leading Komercijalna banka IT OPs so far, and of course it's going to be instrumentally making sure we have the safe pair of hands also in the integration process. The board, governance is complemented by key individuals from the group and also really select handpicked independents. So, we really believe, we have a very, very strong team set up here, and thus can be also comfortably looking to the integration process, which of course have to take place in three markets. This is the roadmap laid out in its basics, and the main element, there's obviously the leading merge as I mentioned. That has its own regulatory dynamic, obviously will require approval from the local regulator. And then of course crucially the HR piece, IT piece, the, and all the efforts that we immediately have started already, on kickstarting sales and as Blaž calls Komercijalna banka sleeping beauty - wake up to prince. So that's ongoing as we speak, and of course all of this is mapped out to some extent, we have... We're just in the process of also on-boarding some external support, helping and structuring running the project, pacing us. We have very, very ambitious target, in the integration, but also on the business, so we want to make sure, that this is happening with no surprise and no hiccups. And Petr will add a few words on where we stand on the IT, and of course flash out the little bit the significance of Serbia's IT host as such. Petr, please.

Good afternoon, also from my side. As it was already mentioned, the integration is going on, we feel very good about the integration, for the retail, what we will do, we will migrate the NLB Belgrade bank into the KB bank, which is a larger bank, where we will basically take those systems or platforms where we feel good about and that are better solutions into the KB architecture. And this includes for instance new digital banking platform that we're working on and we would like to develop much further in the group. We feel good about the integration, because both banks are basically running the same core banking system, which makes the integration quite easier for the subsidiary banks, also the integration should not be that hard. Here we will migrate basically KB into the NLB. At the same time, because we're running different standards on different levels so we will run let's say integration project of the new entities into our NLB group standards, where we will be basically consolidating the platforms and technologies, which is mainly targeting to have a common infrastructure, to have the same

collaboration tools, to harden security and to align the governance, IT governance processes and basically all processes within IT. On both sides, we have quite strong teams, and also, we will support the integration from our group competence in Belgrade, which was already spoken about. Belgrade is a fantastic market for the IT talent, so that's why we're actually growing our GCC IT hub in the Belgrade, which will be supporting basically the integration. Guys are already working on it, and later on we will definitely grow our GCC in Belgrade to become a regional IT hub for the whole NLB group and for all the countries. So, we are hiring resources for the project and it is running smoothly so far. And now let me pass onto Andreas.

Once back to me.

Sorry.

One second still. Thanks Petr, crucially maybe just to conclude this, we're planning to be done with the merger basically early next year, so that's Q1, possibly in the course of Q2. Next year will be very, very ambitious in the pining and pacing but crucially we will of course not wait for the merger to start with immediate activation of KB. Also, the revenue and the cost side will be very ambitious in business planning, in essence as per due diligence as previously communicated have been confirmed, we have actually increased our ambition after that process and of course it's mostly cost driven. You will remember that our current operation has roughly costed 20 million, it's not a big surprise that we will basically end in the ball part of synergy in that amount; against which we have integration costs, that are roughly on one to two times the synergies. Of course, that includes also a significant investment into IT upgrade. Serbia is an important market for us in terms of IT function, so in this sense we consider this investment well taken and in essence also investment into the future. Synergies as mentioned mostly cost based. Roughly to 20 million, mentioned before. What it's not here on that slide is synergies from our subs?? They are in essence incremental upside in the range of some eight million, give or take. And of course, again, coming from the baseline plan that we will integrate all operation in the existing businesses. That concludes the item on KB update, of course will be open for questions. Quick word on results. Blaž has mentioned all the highlights already. Very, very solid 2020 performance, very strong Q4, moderate costs of risk dynamic, Andreas will elaborate on that. We have fully cost of risk now with 60 bips net. That includes of course some effect from NPL resolution, a basically a normalised number is in the range of 80 bips without NPL resolutions. Our rest of the results given the Covid circumstances extremely strong performance, provision, fee and commission income, something that we're particularly proud of, we kept flat, that's I think an achievement in itself, because of course this figure was directly implicated, especially in the lockdown period. Costs, extreme discipline, I think shown by us a year on year 4% improvement. Some of it will be reversed and will talk about that in the guidance, but absolute discipline on cost in crucial for going forward and all the investments we keep mentioning, especially in IT but also in upskilling, new skills, new digital skills, that we basically employed throughout the group, will be funded by savings somewhere else. Overall performance as mentioned very, very strong, this is results excluding KB, 140 million roughly, ROE in the range of 8%, so that's a very, very solid performance in the covid year, and of course we have an eye on margin and margin dynamics. This is of course currently still on the pressure from both liquidity and capital position, but of course from now on this capital will be employed in KB, in particular in Serbia in particular, and of course we expect reversing in the trend here. We approach a balance sheet size of 20 billion, so that's starting to be meaningful and certainly is indicating a very scalable operation. In terms of P&L dynamics, I'm not going to read out all that, you'll see in the disclosures. What we're particularly proud of is what I indicated before, strong performance in core revenues, particular fee and commission, but also

load revenues are actually up. If you look at the core loan revenues and all of that in covid circumstances. So, we have certain one-of effect, in particular you will remember we diversified our life insurance business and also took advantage of some of the market volatility in the first half year, also contributing visibly. I think most importantly we're focused on core revenue dynamics, and as I said before, we have basically managed a stable performance in Slovenia, slight growth in our subsidiaries and corporate basically flattish, and have importantly now added some 1,5 billion euros in loan exposures in Serbia, and of course that's going to be the basis for future growth in particular. By that I would hand off to Andreas, give you more insides into asset quality and also where we stand on Covid.

Yeah, Archibald, thank you. As mentioned, the risk development in 2020 I would actually describe as moderate and as almost positive surprise, which especially in Q4 we saw, well actually very robust developments. If I go further a little bit to the moratoriums. You see here already on slide 19, the entire group, so including Komercialna banka banks, where we have total exposure in moratoria of 2.4 million but almost 2 billion already expired. So, the outstanding amounts that actually did moratoriums which are still ongoing and that's some 472 million euro. On this maybe worth mentioning, on the expired moratoriums, so this 1.96 million approximately 2.9% have been defaulting, so stage three, at that point of time I have to say majority not with more than 90 days past due, but we don't expect them to pay, and honestly speaking that's also quite moderate. And especially what's good to see here is that defaults are also behaving logically with the pre-Covid ratings, so lower ratings before Covid happened triggered considerably more defaults than higher rating, and that's actually what you would expect. On the remaining - on page 20 - on the remaining moratoria you see that we have actually relatively solid path in stage two and also not so small number in stage three. And here obviously that's our conservative view on that part of the portfolio because obviously here you would not see any delays by definition because the moratoria are still ongoing, so that's really our expectation how we look on it. So, on this long end of the moratoria we have actually taken, I believe, a quite conservative stand on how that would develop. I have to say that for the expired moratoria we have rather made, well more positive than negative surprises, but obviously this are the longest ones, so we feel here that it's appropriate also to be in that way conservative. Overall asset quality I mean what is very good news if you ask me, is that in 2020 our NPL volume, total volume, only increased by 60 million, without KB, and you see here that including KB at least 400 million net. We had actually quite vivid inflow in the NPL pocket, but we also had a very successful NPL resolution as mentioned by Archibald before, that the contributed positively to our NPL with more than 20 bps, so that's one of the main reasons why the net cost of risk is relatively moderate. Also, what you have to say is that from the 470 million NPLs by end of last year, 195 million, I'm sorry with zero delays. So obviously one part of them is still moratoria or recently expired moratoria, which we have already put in NPL, but the bigger part is actually still previously restructured clients, which our performantly we're expecting to perform, but which for different kind of reasons have not been put in a heal status yet. Also what you can see on that slide, is that our coverage ration per end of the year have somehow dropped, and that's due to the fact that the initial recognition by IFRS of the MPM portfolio in Serbia, is of net amounts and that obviously influences the overall coverage but it's obviously still a very solid coverage. What you can see here is on the right part of that slide, obviously some 49 million, actually, impairment and provisioned from the credit risk in the bank in 2020, and of top of that, 13.4 million which is influenced by the Komercialna banka and then other impairments in provisions that are primarily legal provisions. So, cost of risk net I think Archibald mentioned it already is 62 bps, that's obviously still a standalone figure, including Komercialna banka as Archibald also said it's 74 bps. Yeah, but last but not least, very briefly once again on Komercialna. Of course, the initial recognition is here fair value, so

NPLs are looked net, so what we're really expecting to receive back still. And that's why at that point of time we have only stage one and stage three, because we just acquired the bank at the end of the year. The stage two by local understanding of Komercialna banka, actually pretty similar to what we have here in the group. So, depending on how you look on it, with central bank or without central bank exposures, if you take central banks in it's actually 3.2% stage two. So, also relatively moderate, but here in our group figures obviously you cannot see that, because there's the initial recognition at fair value. Obviously later on we will have opportunity for Q&A but for the time being now, I'm handing back to Blaž, thank you.

Thank you, Andreas. I guess that so far we realized that you know this has been extraordinary year and what has been really very important to stress is that KB has really been transformational and now just to add that, not only because of more than 30% of you know earnings per share, but also given the client access and given really now a strategic positioning of systemic regional group holding top three position in practically in all of our markets. We have been really focusing last year especially on clients, so what KB is now again accelerating is things we have now really establish ourselves in the Serbian market so strongly, to really accelerate a digitalisation agenda, so definitely we would hope to be able to introduce beside in Slovenia, you know all the novelties that we're working now currently, and we have really done a significant, we achieved a dividend breakthrough actually last year, especially in Slovenia. So, practically you can now bank with NLB fully online, with 90% of the services. You can get an overdraft, you can get credit card, you can get cash, you can open an account obviously, and onboard you cannot still do is a mortgage related housing loan, but you can do it more or less very effectively and also through the contact centre. You can do all of that besides only housing loans with mortgage behind. So also regular housing loans without the mortgage you can actually do now as of beginning of march also through the contact centre 24/7. So, this is something that is really breakthrough in terms of our client experience offering, and the same we want to deliver also in Serbia, LPC??, legislation, regulation is there already in Serbia, so this is going to be our prime focus, but of course, we don't want to neglect the other markets in the region. So, we would really want to expand what we have been delivering so far in Slovenia, also to other markets, through the common platform, which is going to be implemented in couple of years. So we're now by that really delivering on what we're claiming, we have been claiming for some years and this is really to become a leading financial institution, one of the leading financial institutions, not only focusing on banking clearly, but being a universal provider of financial services, a strong asset management offering, a strong bank assurance offering, and in Slovenia our market shares can be increasing still as we speak in terms of a life insurance, in terms of clearly sale of any insurance product, through banking channel, especially in asset management to increase our market shares to above 35% already mutual fund business in Slovenia and we want to use and replicate this success more or less to other markets as well. Of course not only, we are not only speaking for market shares, we're speaking above all for client experience and by that of course also defend the position of the incumbent, and of course disruptive environment but we believe that homework in Slovenia has been to the important extend done, and has been in progress, and in other markets it is to be followed the same way, and by that we will definitely be - I'm absolutely convinced - able to further strengthen the position, to really leverage on the position, and become not only one of the most successful financial institutions, but above all one of the most meaningful companies in the region. Because of course within our EAG?? context, we have really been sincerely authentically dealing with the quality of life. Mainly we have seen exodus of population from this region in last years. We want and need to show the light in the end of the tunnel, to young population, especially to intellectual part of the society to stay here and create here, and Serbia have been a very positive environment for that, there has been an access really to talent pool, especially

when it comes to IT development, when it comes to data management profiles, which we desperately need clearly, and we're investing in consciously. So, we're as we speak, recruiting tens of actually data scientists and IT developers, into the group contact centre in Belgrade, and in other hubs as well, and by that we elaborate the digitalisation. And above all this the acquisition has really accompany our efforts by really providing this acquisitioning value, and despite investment significantly now, if you see, nevertheless a just out of four million investment, but there is clear, still clear retain capacity to pay the meaningful, really meaningful sound dividends. And that's something what we are committing to, and this is fact really still subject to regulatory approvals, but from our understanding of the business, we firmly believe we can really be, you know, we are able to pay-out 92 million this year, and we of course will do everything to be able to afford more than 300 million in the becoming three years. I was mentioning the breakthrough in terms of digitalisation and this is going both ways, so two clients, significantly elevating the experience, really significantly. You can sign practically any contract with NLB in Slovenia through mobile phone. No paper, no discussion with anyone, just electronically, and that's an enormous advantage, compare to any other competitor here, and you can do that 24/7. You can require any transaction to be done via mobile app and it's done and you just get a contract into your mobile app to sign, and that's 24/7 supported by the video chat. So we have actually been really fighting back when it comes to disruption, when it comes to Fintech universe, we're discussing strategic partnerships in terms of of course instant payments schemes, Slovenian banking system, has put in place an industry wide instant payment scheme that's going to go live in becoming months, and in the region we see many opportunities for further strategic partnerships of such nature with other strategic investors in the banking universe here. We have in above all really been taking very, very good care of our employees. So, we really introduced protective measures, we really, you know, over the significant distress and uncertainty the, all, practically all managers of NLB group have consciously voluntarily reduced fixed salaries to partly help the ones that were the most handicapped, and partly contribute to the capital retention into the group. So, this was really 15% cut into the fixed salaries of course significant cut of almost elimination of bonuses which was actually voluntarily measure of the managerial society of NLB group, showing the commitment, showing devotion, showing responsibility. And for that we can really adding this to the entire community by really supporting significant activities here through donations, through actually providing advertising space to the businesses, local businesses that have been, having a meaningful sustainable business models, and that we're enormously proud of. Coming back to the outlook, I mentioned it already, so this is now in a more concrete absolute terms what we commit to, I have been listening to the complaints, NLB is not showing clear plans, so we don't really feel the business, so there's a change in how we want to communicate what we want to achieve, is a very concrete set of targets for 2021, very concrete set of numbers for 2023, and we believe that that this is achievable and we will do everything possible to actually deliver that and by that really show to you, that you know your trust into our stock, into us as a team is not only justified but is actually a lucrative preposition. And of course, in case of any further questions we're here to respond to them immediately and there's a investor relation team that is always available to you, and by that I would invite for any questions and we would do our very best to respond appropriately. Thank you very much again and looking forward to your questions.

Thank you very much ladies and gentleman, if you would like to ask a question, and have joined via the webcast, please use the question tab located above the slides. If you have joined via the conference call, please press star one on your telephone keypad. Our first question is from Sam Goodacre of JP Morgan, your line is now open, please go ahead.

Good afternoon, and thank you very much gentleman for the call, I have got two questions. The first is on the earning increase from KB. So, am I right in understanding that effectively you're talking of a 30% increase in earnings already in 2022? So that is business as usual, purely from consolidating the business and benefiting from the earnings generated currently by KB and therefor the synergies come later on. But given this run rate does it also imply that the integration costs are largely absorbed in 2021, and lastly on KB you're alluding to a 100 million profit from Serbia by 2024. I think, even excluding the synergies, that implies you know materially higher earnings growth in Serbia than other parts of the group. So just to get your view on that. And my second question... do you want to take that first, or should I get the second question too on dividends?

Go ahead, please the second one and then we'll try to respond for the first one Archibald, and I'll see what you have second.

Ok, so it's purely on the more than 300 million communitive dividends to be paid in the next three years. I think given the contribution of KB that implies you know back in the envelope less than 70% pay-out. So is that what you are confirming today, that I mean obviously still a very stellar divvy, but you're willing to deviate from the 70% pay-out you targeted historically? Thank you.

Archibald, will you do the first one?

Yeah. So, thanks for the question. I mean the answer is yes, we're very, very ambitious in planning in Serbia. I think Blaž has mentioned we want to see a magic three-digit number in terms of contribution coming from Serbia for the group. So, that's goal we're focused on, and yes, majority of the burden will be born in this year, so we will book as much restructuring charges as reasonably possible this year. There might be some leftovers left, next year, and obviously we anticipate our you know activation measures to succeed. So, it is an ambitious plan. We have if you want put it on the table plain and simple we don't, as Blaž said, we want to simplify the message also for investors. And on dividends, I mean this is I think, first being very specific for this year, in terms of cash dividends, subject to regulator. So, part of that is approved, part of it is still of course debated by regulators themselves, but from our point of view it's available and payable. We have provided for in the capital base and so it's really just a subject for regulators coinventing. And the mid-term perspective 300 million, I mean, again it is just pertinent in excess of 300 million. So, in a way sets a floor and an ambition, and puts a specific number out there, arguably to... you know subject to regular business development. Sut we believe that this ambition and this basically also in line with speaking with the previous 70% pay-out ratio. So, it is just meant to be more specific, more concrete, and I hope I answered the question.

It does, yes. But just a clarification there for. So, the 300 million does not include the 92 million that you intend to pay this year, i.e. the dividends to be paid out of 2021 to 2023 profit?

I mean roughly it's a 100 million per year, give or take. This year a bit less, subsequently a bit more.

OK, perfect, thank you. Look it seems really exciting time in your journey, so I'm... well done with everything and thank you for all of the info you've given us.

Thank you very much.

Thank you, Sam, we believe our time is coming indeed, and you know this as said, minimum 300 million. Which will still allow even protentional opportunities come in our way, you know, we were talking about Albania, we were talking about potential other markets as well, so we want to keep significant dividend pay-out, nevertheless, right. OK, looking forward to other questions.

We have no further telephone questions, so I will move on to the webcast. Our first question is from Jakob from Ciera??: Given the fact that you intend to buy out the rest of minorities in KB, do you plan to extra capital initiative like issuing more tier two?

The answer is no. That's fully provided for. The impact from the transaction, you've seen that in the presentation, actually it's marginal. We talked some 30 bps on the capital ratio so we're more than provided for that extend.

Excellent, thank you. Our next question is from Jovan of RBI. He has several questions. The first is how to achieve euro 100 million net profit in Serbia, from now 25 to 30 million. If taking into account costs and achieve of euro 20 million. Which risk costs have you assumed and which level of interest rates and which loan growth do you expect certain risks from clients out-loan in KB?

Quick answer is, I mean we obviously have ambitious revenue growth target. We want revenue to be growing in the high single digits. We want obviously costs to go down significantly. I mean if you look at the banks of comparable size, we talk about headcounts of 2000 plus or minus. So, we certainly want to be in that bold part number, in terms of headcounts, and eventually the... well margin environment in Serbia is still providing for manifest of 3% margin. So, we talked 3.5% give or take. Costs of risk roughly 60, 70 bps, and that's basic element of the... let's say assumptions that lead us to you know to come to the 100 million magic target. And I think it is magic target as Blaž said, this is really a meaningful transformative acquisition so we want to put all the energy to make this a success and I think we have the bank, we have the brand, we have the team, and we have the technology to make that happen. And Serbia as was mentioned also is a particularly receptive environment for digital approaches. So, we think we really have all the cards in our hands to make this a success.

Thank you. Second question is: how do you explain very low share of stage two loans, as of 2020 of just 5% or even 4% if including KB, which is notably less than 10%. What do you expect from KB asset quality after moratoria expired?

Yeah, I guess that's a question to me. So, first of all, I mean the stage two is relatively low also to one fact, because the calculation here is including central bank exposures as you know this at the moment is a considerable figure. So, just to give you a comparison, the group including KB has approximately 9% stage two of its corporate portfolio at this point of time. Now I mean, what we have seen so far and this we should also say is that from this 1.96 million euros exposures, which expired, which is including the big, big part of the KB moratoriums, we have seen very, very moderate development. So, I think I briefly mentioned, we had 2.9% default rate, from this exposure, and we had also a very moderate move into stage two. So, here especially also both of our own rating scale and also KB rating scale what is also good news is that the portfolios behaved as we would expect them to behave. So, low rating clients defaulted most. Now, on the remaining moratoria there's almost no exposure from Komercijalna banka anymore. Actually, the Serbian moratoria entirely expired, but that is already included in what

I just mentioned, so there's just a small portion still in Banja Luka and in Podgorica if we're talking about Komercijalna banka. Yes, I would say that for this part, I'm not sure if I answered your question fully. Aha, that was a question from the chat, so yeah, so far so good.

Thank you. The third question is: in your risk off guidance for 2021 and 40 to 60 by 2023. What are the assumptions for further workouts as legacy cases? What is the main drive as a significant reduction of midterm risk cost, as your previous guidance of 90 bps plus or minus?

Well, I mean this is, I mean that maybe also a little bit of a misunderstanding. So, first for 2021. I mean for 2021 obviously we're still expecting elevated cost of risk, so we for sure want to stay in the channel of range which we have given, which is maximum 90 bps cost of risk, Let's see how successful we are this year with NPL resolution. I mean this is the one thing which is always a little bit hard to predict, so here honestly speaking, in 2020 we had a positive surprise, this was very, very successful, which actually in Covid year I would not have exactly expected. So, even if we don't see any special outcome, here from the NPL resolution, I would nevertheless expect us in 2021 to stay within this maximum 90 bps; hopefully a little bit below, but for sure not above. Now for 2023 that's supposed to be average normal year, and we never indicated that we would on average be at 90 bps cost of risk, that's actually the upper end, so 2023 from that perspective should be a normal year, with inflows of NPL with resolutions of NPL and with regular cost of risk, that should be a regular year and that's why we're indicating 40 to 60 bps, which would be an expected outcome for a normal year.

Thank you, and finally the question is about deployment of surplus capital, further M&A appetite in case of dividend restrictions and after consolidating KB. You mentioned this earlier in Albania.

Yeah, we have been for some years, actually messaging that in terms of business development we're interested actually in rounding up our operations in the so-called Western Balkans as the only player actually covering universally all the markets. Albania is a definitely for us an appealing story, we see quite some international investors exiting, which we see actually as an opportunity, because the competitive landscape is changing quickly. And you know, there might be only a couple of international investors, and that's something that we see is coming our way, we see suggestions of course we're now fully focusing of Komercijalna's integration and we would not touch ground on such opportunity until we feel very, very confident, and fully, you know, in line with, that you know the integration will be successfully closed. And once we see this in reach. But in coming years definitely Albania is an appealing opportunity for us. We have been signalling also that we might have interest to enter the Croatian market in this way, but for this, we need a resolution of the political dispute still. I mentioned a couple of that there, if at any point of time in the last 30 years, there has been a chance, actually is now, because in the second half of this year, Slovenia will be presiding the Council of Europe, and since we have for the first time in 20 years on both sides of Slovenian and Croatian border, actually political part is from the same family in European constellation. And this is a solid chance... we see actually a progress here and we see certain agreements which will enable NLB to enter Croatian market. If this were possible, we would actually be the only international financial group covering the entire market of ex-Yugoslavia plus Albania, and this are very comparable markets with very comparable past. But you know very strong ties still, and there's an idea, I'm sure you know, of this mini Schengen initiative, which would be opening up the full economic cone of Western Balkans. So, six countries. But I see a significant value in Croatia and Slovenia joining something like this, as per the Scandinavian model, and by that of course we could be really only present platform supporting the, you know the supply chains through

trade finance, through you know international payments, you know boosting and supporting local companies and businesses. It's difficult for us to bank with multinationals, because they have group treasuries, clearly, and you know they're dealing with big global bank, but you know, when it comes to local businesses, that have, you know been branching out to other countries in the region neighbourhood, we're natural partner, really a natural choice, and we see a significant potential opportunity. The direction, and that's why we would see, we would look at eventual opportunities to actually acquire something in Albania, meaningfully, cautiously, prudently, not jumping to conclusions, but you know that's something we would look at definitely, and then Croatia, and there might be of course some complimentary product, which is some, you know, some so far established Fintech companies in the region. We might look into for potential partnerships, potential partnerships on strategic platforms, with other strategic players, so that's all open. And this latter category would not materially eat into our capital consumption, but that might be something we might want to somehow entrepreneurially address, but not taking any excessive risks on board.

Thank you. We have a further telephone question. So we will be taking that next from Simon Ellis of Citi Bank. Your line is now open, please go ahead.

Oh, hi, thanks, thanks a lot. I joined slightly late, so I just want to clarify a few things. Firstly, the 13.4 million provision for Komercialna banka. That was taken in through the P&L, is that right? I just want to make sure that that was the case.

Yes.

So that... so excluding that from the provision line you get kind of the underline provision figure for the group ex KB? OK. My other questions would be, just on the capital position. Can you give us the capital walk from the first quarter to fourth quarter, I guess the stand alone, because I was surprised that it went up above 19%. What was driving that increase over the quarter? That was my first question. I think it was 18.3 I think at the end of the third quarter, right? CET1 and it has gone up to 19,1 excluding KB?

So, on the capital front, that was really not the price. We have basically in excess of 20%. In Q3 we consolidated KB operation, with risk of 3.5 billion, we had a few tactical risk asset optimisations, that we implemented. We are still in the process of continuing on some of them, so we have this media programme that we're rolling out to markets, we are preparing the same now for KB as we did for the other markets. So, really no surprise on that one and of course we in the meantime consolidate all minorities, so maybe that's your reconciliation position. So, we already consolidate all minorities including the ones from Komercialna banka, as we speak.

OK. And my last question would just be on costs. So, I see you have quite aggressive costs targets for the next year. Can you just elaborate a bit on how you're going to get there and what's the underline costs excluding KB that you're looking for this year?

The baseline plan on costs for the rest of the group is stabilised, so we will clearly keep pressures from some of the investment activities. We invest crucially in technology and people. And that is happening across all geographies but with the preference in Slovenia and Serbia. Serbia is a very, let's say attractive labour markets for us, both from the costs but more importantly from a talent point of view. It's just a bigger population, and it's very tech-literate population. So we will keep investing in that space, and we will create resources for doing that by saving costs on other places, so that's clearly everything linked to automation you have seen us pretty active in

Slovenia, with reducing branch-footprint and headcount, and we will keep doing that. So, one funds the other in essence, and of course on KB there's a relatively attractive and immediate synergy play in preparation; we've indicated the details. That is an ambitious also headcount plan, for Serbia in particular. I've indicated order of magnitude here so all this in combination I think you'll see us being very, very disciplined on costs but keep investing in various matters. So, that's a continuous trade-off we're running and will keep running for the next couple of years.

OK, and just sorry on the integration costs, the 32.2 million...

Yeah, that's...

Is this for this year, or what's the time...

I mean, to extend we can - as said before - we will pocket all in this year. I mean there are some technicalities involved, some of it is IT upgrade, so I mean IT upgrades are so to some extent, whatever it's expendable we will expand. So, on majority of integration, yes, in that ear.

OK. Thank you so much, that's all from me, my apologies that I joined a bit late and I have missed some of these things.

Never mind.

Thank you.

Welcome.

Thank you, Simon, we have a follow up question from Sam Goodacre of JP Morgan. Your line is now open, please go ahead.

Thank you, just a quick data clarification. On page 10, you mentioned your minimum capital requirement of 15.25. Could you describe is that the 14.25 total capital ratio requirement plus the 1% pillar 2 g-buffer, or am I misunderstanding that? And just the next question is...

Yes.

... it is, OK. And so, your management sort of target remains 15.75?

Yes, that's a 50 bps management buffer, yes.

Yeah. Perfect, thanks very much.

You're welcome.

Our next question is from the webcast from Mladen of Erste. There are three questions. The first being: If successful, could the ___ for the remaining shares in NLB KB Serbia, ___ the same idea for minority shareholders in North Macedonia also?

For the time being our focus is on Serbia, so there are no immediate plans to anything similar in Macedonia.

Thank you, the second is: Could you give us a hint on dynamics of amortization of negative goodwill?

Well the negative goodwill is a... a part of it, so that's the intangible asset as they're called, but that's a relatively small position. And so, the amortization basically follows the effort asset categories, so from intangibles that's something in the range of five years, and of course the rest is mostly the difference between prevalent purchase price. So, the extend that difference is unchanged, this position is unchanged.

Thank you. And finally, what would be the first step in normalising 31.37% first half of 2020 unconsolidated total capital ratio of KB?

Sorry, can you come again.

Absolutely. What would be the first step in normalising 31,37% first half of 2020 unconsolidated total capital ratio of KB?

Well, the main steps are clearly adding risk weighted assets in terms of long growth. That's the main ambition, and of course then there's a dynamic in play with regards to subsidiaries of KB. The bank in Belgrade entity with subsidiaries which also consume visibly risk weighted assets locally, so we are still finalising details of the tactics. Let's say step plans of how to deal with the subsidiaries. Clearly the ambition is eventually to merch them into local operations, that would provide further risk weighted asset relief, and of course to the extent possible provide dividend capacity for KB. So at KB if any other entity will for us be a dividend paying bank, and so are the other subsidiaries. So, in the sense they are no different.

Thank you. We have two questions from Konstantin of Macedonia. As a shareholder of the NLB Banka I would like to ask some questions. First, could you please announce the price of the buyback of KB shares for minority shareholders according to the notice of the announcement of the takeover intention. Is it possible to exchange KB shares for NLB shares in non-cash form, and on minority shareholder of KB as well as NLB banka?

In terms of the takeover bid will be announced soon. I can't comment anything earlier so that's because it's still a subject to regulator's approval. But don't expect any exotic things. This is a straight takeover bid; in essence we offer cash for shares of Komercialna banka.

Thank you, and secondly please clarify the principals of the company's dividend policy for year 2021 to 2022.

I think we've outlined it very precisely already. For 2021 we have put up a cash number, that's an ambition subject to partial ECB approval, and local regulatory approval, locally meaning Slovenia. And the ambition here is to pay-out the 92 million that's 70% of last year's profit. This is fully accommodated for in the capital base that is published, and... but subsequent years we have outlined a cash accumulated ambition amounting to 300 million over the next three years. As I mentioned before that roughly is 100 million give or take, for approximately 70% each and every year, and of course following profit dynamics, and subject to no big negative surprises, no big negative development, not yet envisaged, and that's the gist of it. I think it's relatively straight forward.

Thank you. Our next question is a follow up from Jakob from Ciara?? Do you expect change in your capital requirement post acquisition, extra, extra systemically important financial intuition buffer etc.

We have as of now no indication for that happening. As you know there is an annual SREP dialog with the regulator, and of course we will do our best to convince that we're good manager of the risks we're taking, and so we hope that there's no change but ultimately it's ECB's call and to some extent also the local, Slovene regulator's call. Some of the buffer requirements are set by the local level, but we will do our best to convince the regulator that there is no need for them.

I mean Serbia has been in a very good shape, if you compare it to the other economies now during Covid. Serbia practically lost just a bit more than 4% of GDP and is just one notch to south of investment race, so this is a very, very promising market, larger FDIs per capita, in the couple of previous years. So, very similar is business environment actually and actually what we're doing there is simply strengthening our position in a very solid way with a franchise that is fully, fully self-funded. I mean we're talking about low 50% right of LTD, and you know as Archibald said before, somehow a sleeping beauty so we actually don't expect any penalisation of that fact.

Thank you. Our next question is from Roman from Prince Street Capital. What level of interest's rate for the euro zone do you assume in your forecast, more specifically do you assume interest rate height at some point during the forecast period or for rates to remain at current levels?

We're very conservative here, we don't expect big movements, upswings in rates. I'm talking euro rate.

Our next question is from Karlo from Alliance Invest. Thank you on the presentation. What are your expectations on interest margin on bearing assets in 2021? How sensitive are your interest's margins to EUR __ Euribor and what is the impact on your P&L interests margin change by 10 bps?

We don't expect much movement on margins on rates as such as I said before, we're of course offering from the continuous influx of deposits and that inflates our balance sheet and we're to some extent forced to put this into partially negative yielding asset, so that's the main pressure point of our __ overall. What has to be noted is that we're quite successfully converting some of the pressure to incremental fee income and we have been public by saying that the part of that we will now start order the retail. We've done that successfully on the corporate deposit side, we will start doing that now for large retail deposits, i.e. exceeding 250k initially, possibly going even down later this year. So, in a way to combine the equation that's why we will increasingly also put out what we call intermediation margin - a target at increasingly... this is a combine equation. It's not just net interest income, it's also fee and commission income and other recurring income position, so we're increasingly focused on a combine margin and the essence we're seeing that combine margin over the next couple of years go up again, as we first increased our ... improved balanced sheet structure and start, and continue with our very ambitious fee and commission programme. You've seen us in a Covid year, keeping fee and commissions flat, which is a remarkably achievement and just speaks to the strengths of our franchise and also to some extent to our pricing power. We see plenty of potential in Serbia, so in this sense we're on that intermediation margin as I call it quite

optimistic that we can grow this.

Excellent, thank you very much. Due to time constraints we will be taking no further questions so I will hand back to our host.

OK, so to wrap it up, I would like to thank you very much indeed for hanging in there with us. As I said in the beginning, it is one of the rare moments in one's career, when you can really appear very confident, feeling strong and being proud to the extend we are actually as a team. I'm talking about the combined team of actually all the group managers, and also I believe also more and more of every single employee, we have been demonstrating in last period that we're not only a systemically important company but the one that takes this with a responsibility, and does the things that matter. And by that besides being a very successful financial institution can become one meaningful business in the whole region and one of the most desirable employers in this region. So, from this end, thank you very much for the shown trust by believing in us, believing in our bank, by actually buying our stock, being loyal to our story and sticking with us. Our time is still to come. And we're really excited about the future. Thank you very much, and until next meeting stay healthy, stay well, and be strong. Thank you.