

NLB Group Presentation

Q1 2021 Results

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Executive Summary

Q1 2021 Highlights

- Integration process of KB well underway
- Takeover Bid Concluded (NLB holding 88% of ordinary shares)
- Further support to our clients and employees across the region to help them mitigate effects of COVID-19
- Strong performance of bankassurance and asset management products
- Increased use of digital channels
- Increased focus on ESG
- Petr Brunclík, COO, left the bank for personal reasons - smooth transition
- 36th General Meeting of NLB d.d. on 14 June 2021

Q1 2021 business results

- Strong underlying results backed by contribution from KB and loan loss releases
- Solid loan growth YTD
- Strong capital and liquidity position
- Continuous cost discipline
- Negative CoR, given good asset quality trends and decisive workout approach
- COVID-19 situation shows improvements - Slovenia & SEE region
- Stable macroeconomic outlook throughout the region
- Serbia outperforming on Macro projection (Q1)



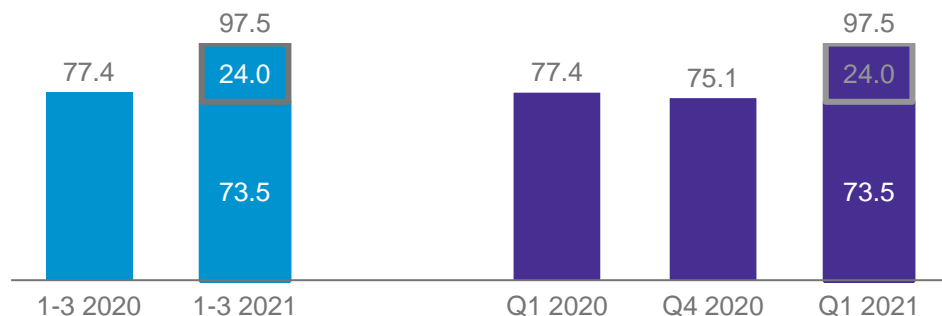
Key Developments



Revenues and Cost Dynamics

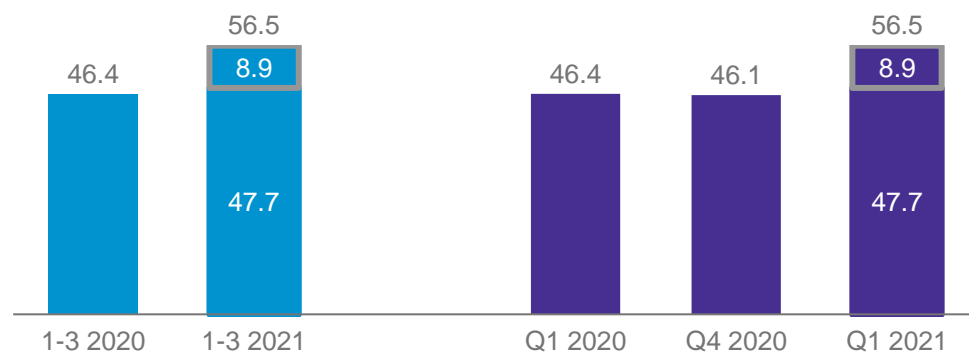
Strict cost discipline and negative CoR

Net interest income (Group, EURm)

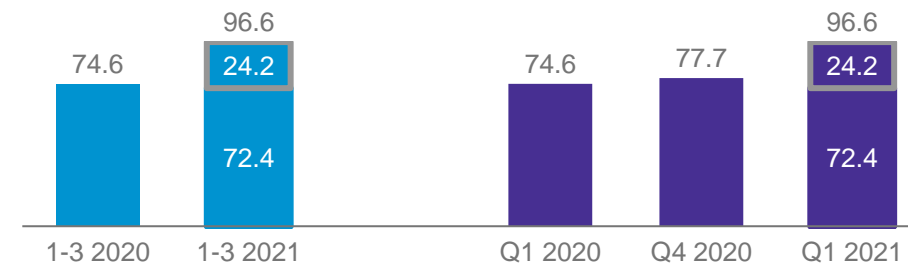


Net non-interest income (Group, EURm)

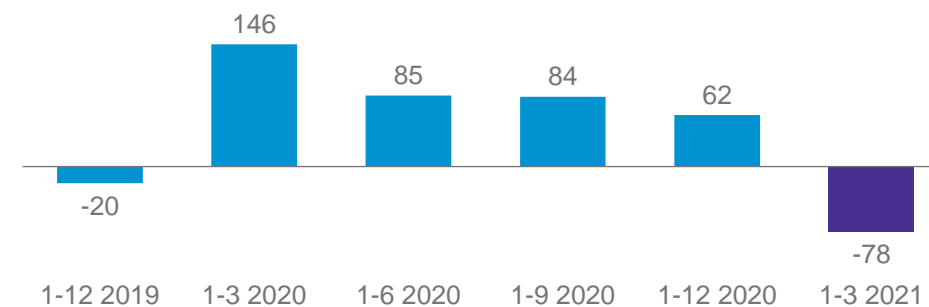
KB contribution



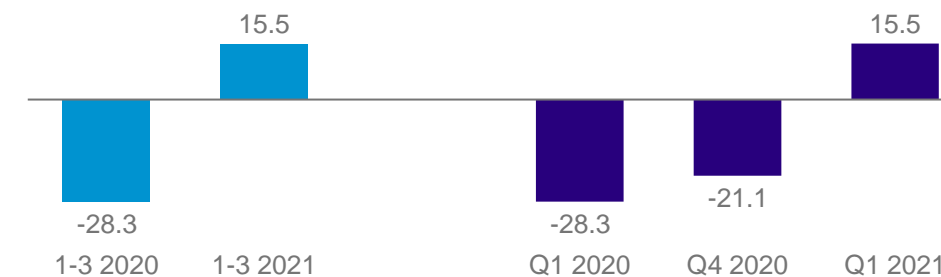
Costs (Group, EURm)



Cost of risk⁽¹⁾ (Group, bps)



Net impairments and provisions (Group, EURm)

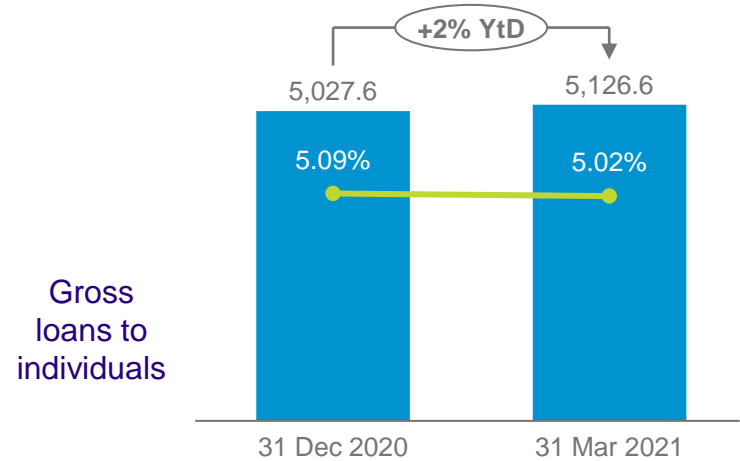


Establishment Release

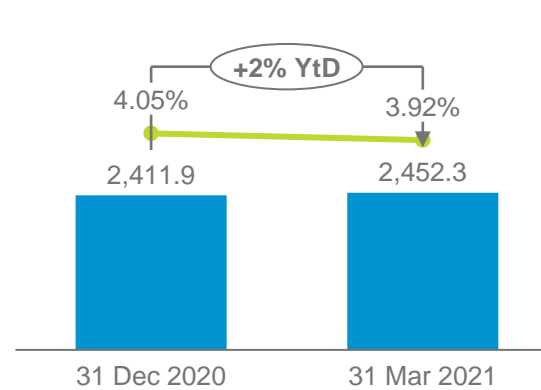
Loan Dynamics

Solid loan growth with both retail and corporate loans increasing

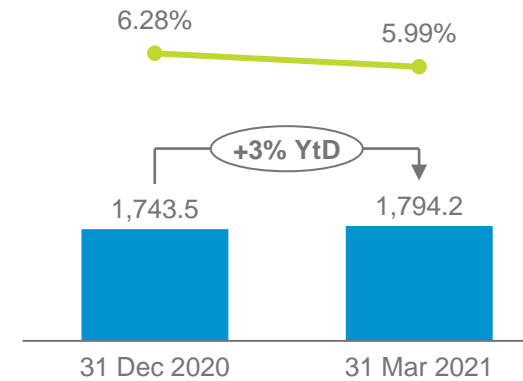
NLB Group



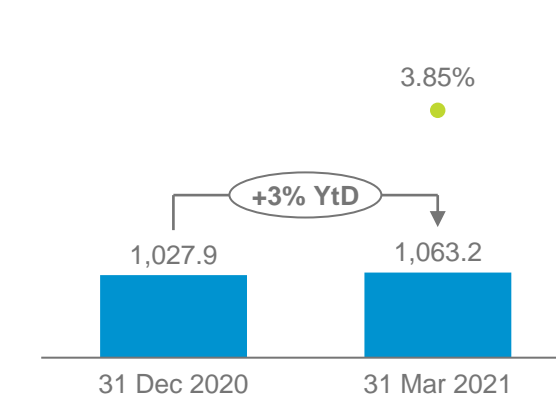
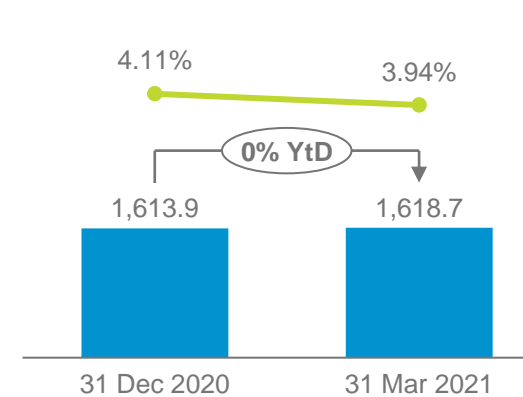
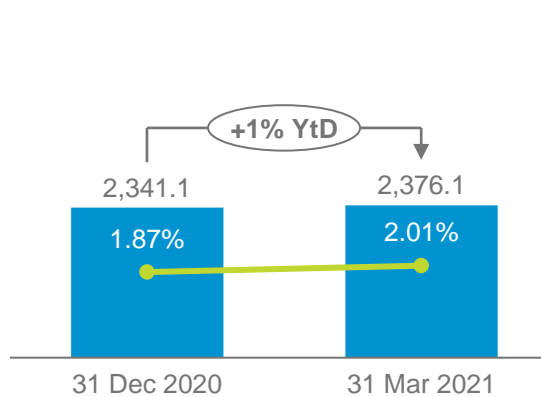
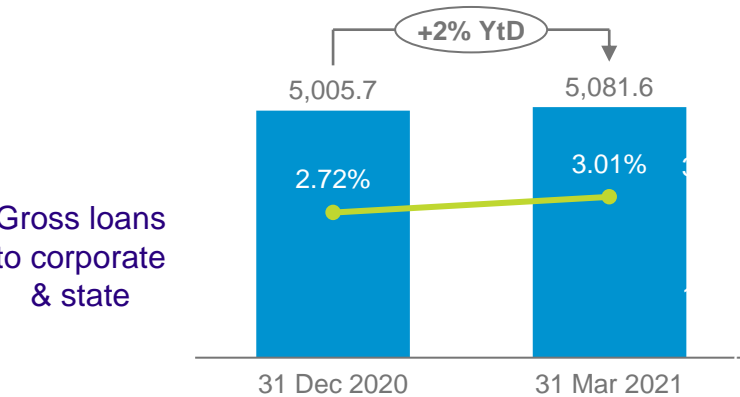
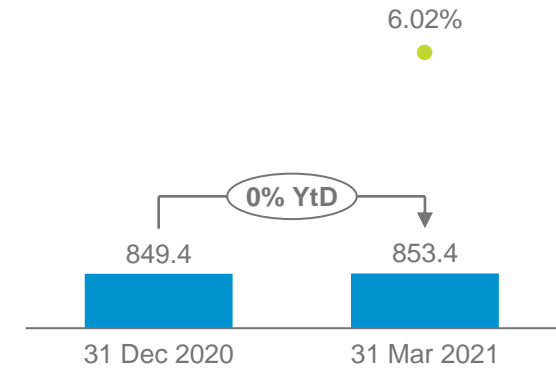
NLB d.d.⁽¹⁾



Strategic foreign markets w/o KB⁽¹⁾



KB banks⁽¹⁾



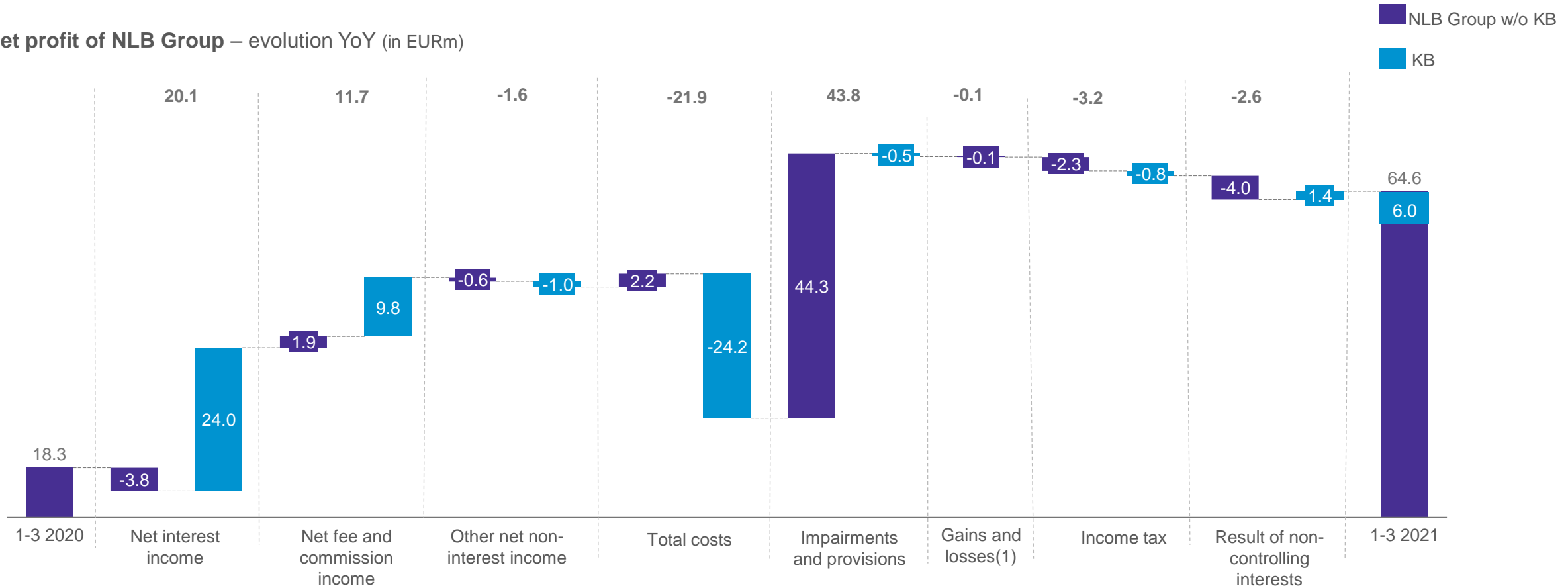
■ Gross loans ● Yields

Note: (1) On stand alone basis.

Operating Income Performance Resilient Despite COVID-19

Strong underlying results backed by contribution from KB and loan loss releases

Net profit of NLB Group – evolution YoY (in EURm)

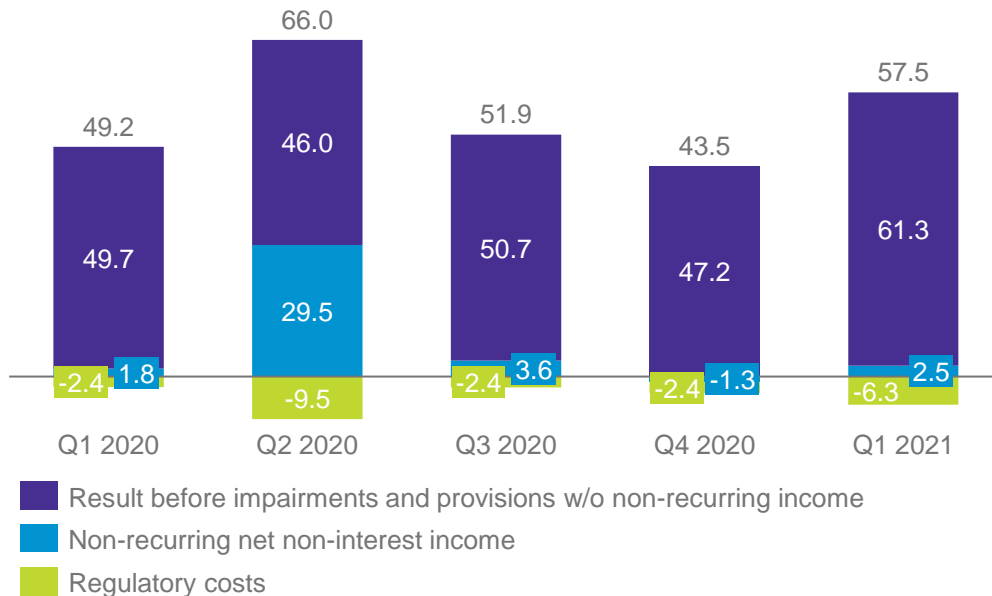


In 1-3 2021, NLB Group generated **EUR 64.6 million of profit after tax**, EUR 46.3 million higher YoY, o/w EUR 6.0 million from KB. Main reasons for increase are **contribution from KB** and **release of impairments and provisions** - release of net impairments and provisions in the amount of EUR 15.5 million, mostly due to repayment of several exposures and changes in the credit ratings in NLB, while in Q1 2020 establishment of EUR 28.3 million, due to changed macroeconomic parameters, that incorporated estimated impacts of COVID-19 outbreak.

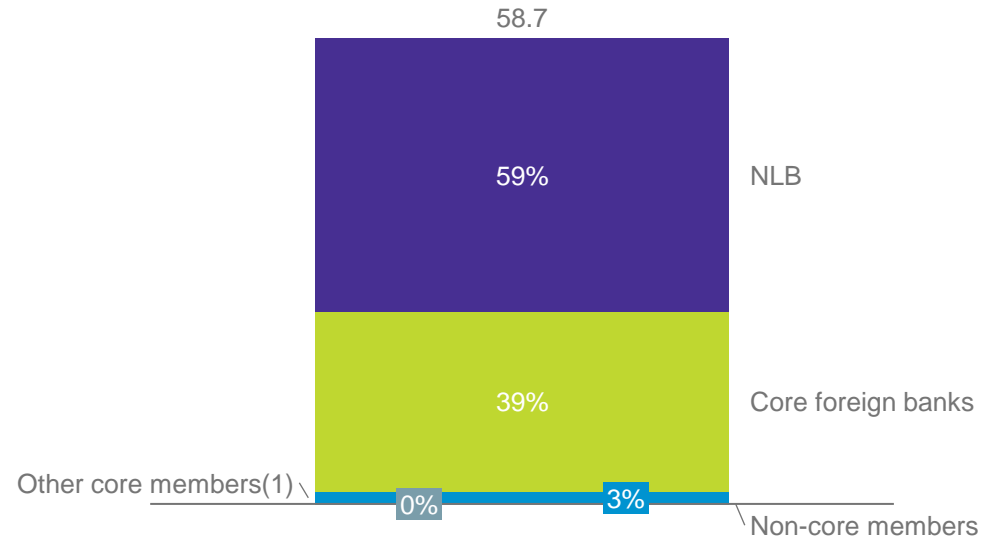
Income Statement

Bottom line affected primarily by COVID-19 related provisions

Result before impairments and provisions (Group, EURm)



Contribution to the NLB Group consolidated result a.t. (EURm)



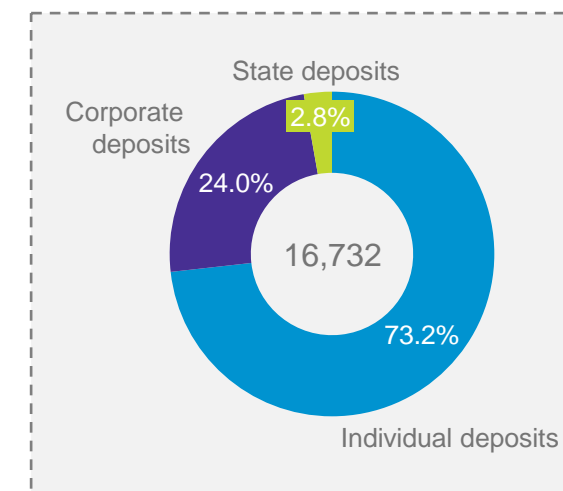
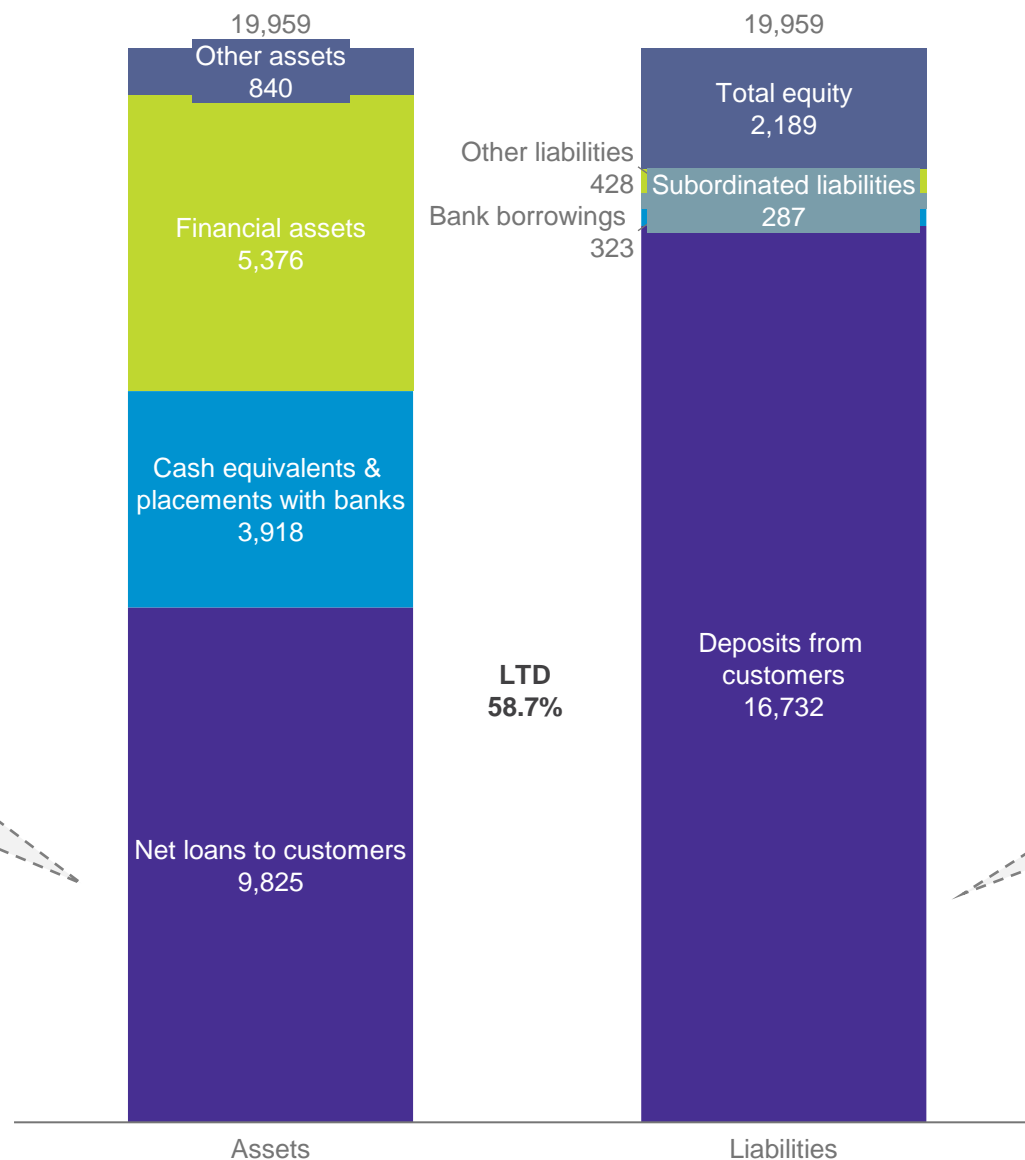
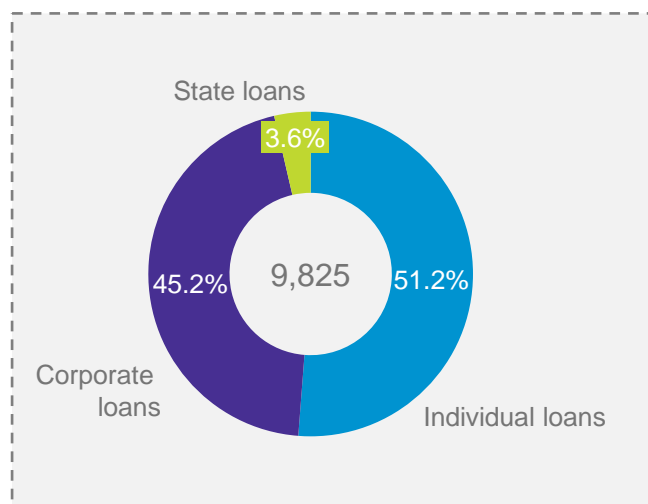
In 1-3 2021, NLB Group generated EUR 64.6 million of profit after tax, EUR 46.3 million higher YoY, o/w EUR 6.0 million from KB, as a result of:

- Net interest income increased due to the contribution of the Komercijalna Banka group (EUR 24.0 million), while it decreased in most other Group banks, in particular in the Bank (EUR 3.5 million YoY), due to lower yields of reinvested debt securities and higher volume of cash and balances with the central bank. The pressure on net interest margins in the Bank and member banks in SEE continues.
- Net fee and commission income increased YoY in NLB mostly due to repricing of packages; in other members on the same level YoY.
- Total costs decreased YoY in the Bank (EUR 3.1 million) and in Non-core members (EUR 0.7 million), while other bank members recorded an increase.
- Release of net impairments and provisions in the amount of EUR 15.5 million, mostly due to repayment of several exposures and changes in the credit ratings in NLB, while in Q1 2020 establishment of EUR 28.3 million, due to changed macroeconomic parameters, that incorporated estimated impacts of COVID-19 outbreak.

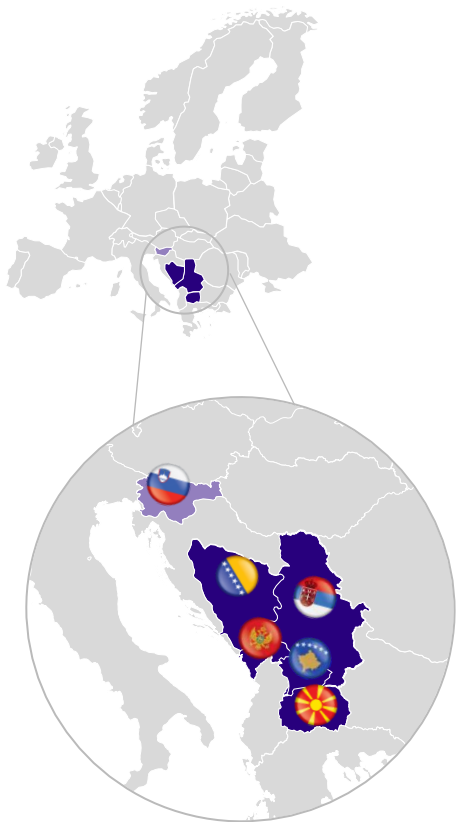
Balance Sheet Structure – NLB Group








Deposit driven balance sheet

(31 Mar 2021, in EUR million)



NLB Group – performance indicators across SEE countries



	Slovenia  NLB, Ljubljana	North Macedonia  NLB Banka, Skopje	Bosnia and Herzegovina  NLB Banka, Banja Luka	Kosovo  NLB Banka, Prishtina	Montenegro  NLB Banka, Podgorica	Serbia  NLB Banka, Beograd	NLB Group  Consolidated data*				
Data on stand-alone basis											
Result after tax (EURm)	39.3	9.7	3.9	-0.3	2.0	5.7	2.1	0.2	1.6	8.3	64.6
Total assets (EURm)	11,338	1,624	838	247	648	898	537	157	671	3,947	19,959
RoE a.t.	10.7%	16.6%	15.4%	-3.2%	8.8%	22.5%	12.2%	3.4%	8.8%	6.1%	13.0%
Net interest margin⁽¹⁾	1.36%	3.11%	2.31%	2.59%	2.83%	3.72%	4.02%	4.73%	3.39%	2.33%	2.09%
CIR (cost/income ratio)	62.1%	44.1%	48.3%	85.4%	61.5%	33.4%	62.7%	71.0%	74.2%	69.3%	62.7%
LTD net	51.6%	73.0%	65.8%	89.6%	79.3%	74.5%	86.8%	86.3%	101.9%	51.1%	58.7%
NPL ratio	3.0%	4.9%	2.2%	1.4%	4.6%	2.2%	5.7%	4.1%	1.6%	1.6%	3.5%
NLB ownership (%)	/	87.0%	0.002% ⁽⁸⁾	83.2%	97.3%	81.2%	99.8%	⁽⁷⁾	99.9%	83.2% ⁽⁶⁾	/
Branches (#)	79	50	47	19	36	34	19	10	28	203	293 ⁽⁵⁾
Active clients (#)	666,313	411,267	215,919	46,815	129,427	222,588	65,210	15,614	139,358	871,331	1,850,082 ⁽⁵⁾
Market share by total assets (%)	24.6%	16.5%	18.4% ^(2,4)	5.3% ^(2,4)	5.3% ^(3,4)	17.3%	11.6%	3.4% ⁽⁴⁾	1.9%	9.9%	/

Note: Financial data as of March 2021.

*Consolidated data. Including non-core members and other activities and other core members.

(1) Calculated on the basis of interest bearing assets; (2) Market share in the Republic of Srpska; (3) Market share in the Federation of BiH; (4) Data for market share as of 31 Dec 2020; (5) Total number of branches and active clients for the Group do not include data for Komercijalna Banka group banks due to different definitions; (6) In April NLB acquired additional ordinary shares in a takeover bid by increasing the stake to 88%; (7) KB PG is not owned directly by NLB d.d., but indirectly (by KB BG - in 100%). (8) KB BL is only 0,002% owned directly by NLB d.d. and 99,998% by KB BG.



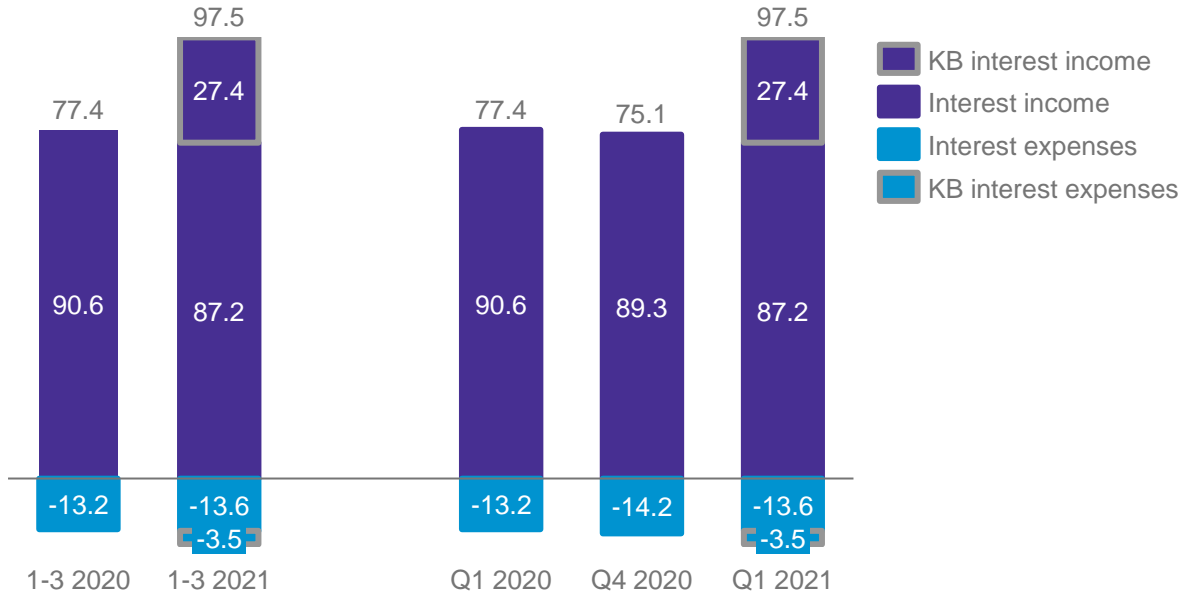
Business Performance



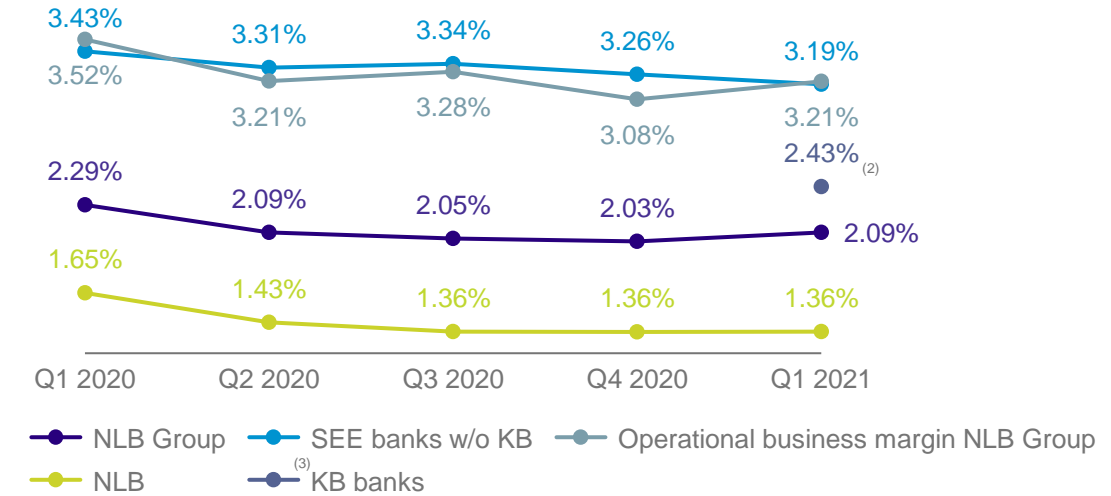
Net interest income & net interest margin

Deposit growth and lower reinvestment yields pressuring NIM

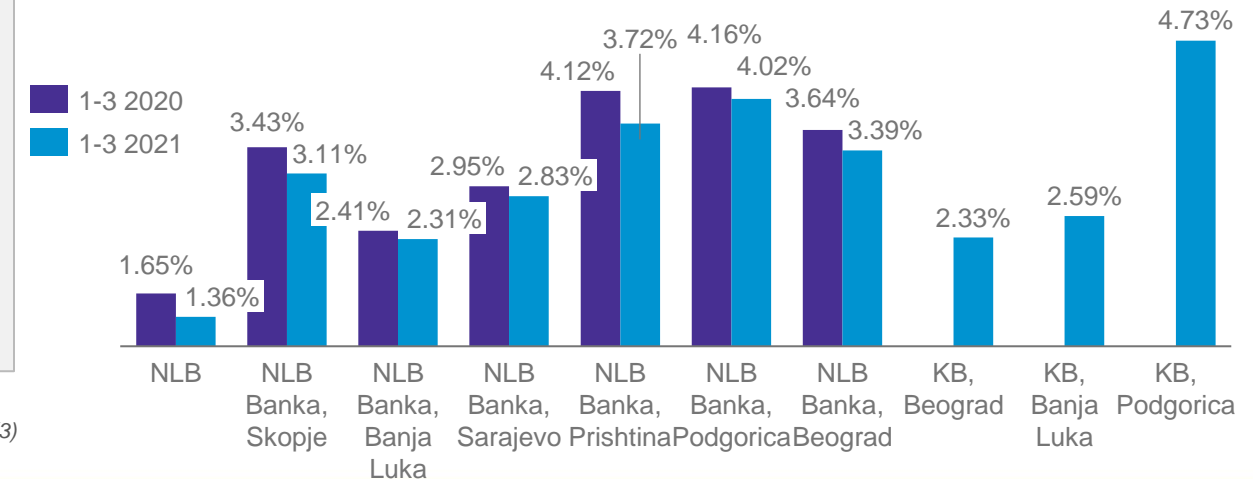
Interest income (Group, EURm)



Net interest margin⁽¹⁾ (%)



Net interest margin in bank members (in %)



Interest income impacted by:

- reinvestment of debt securities with lower yields
- higher cash volumes and balances with the central bank (bearing negative interest)
- continued pressure on interest rates

Interest expenses impacted by:

- increase → Tier 2 instruments in NLB
- decrease → lower interest rates despite increased volume

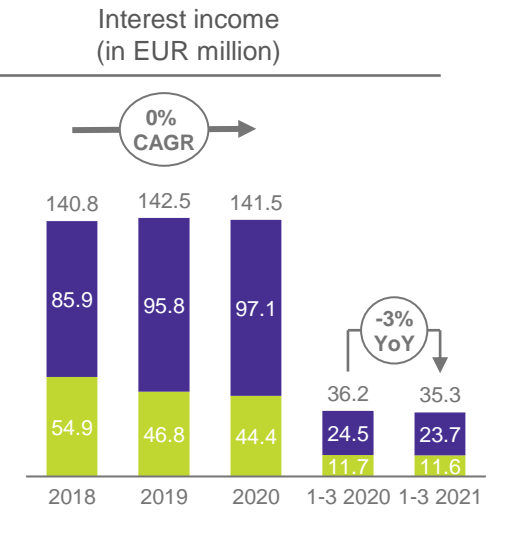
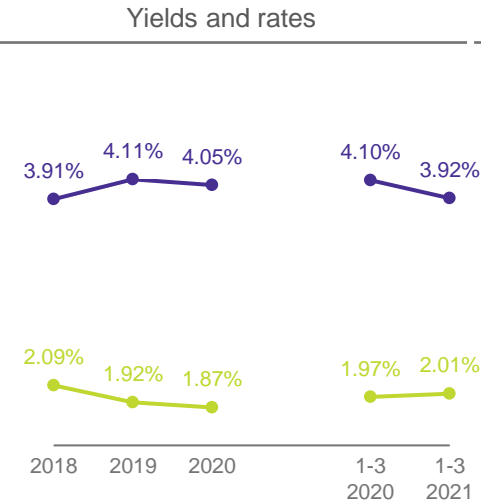
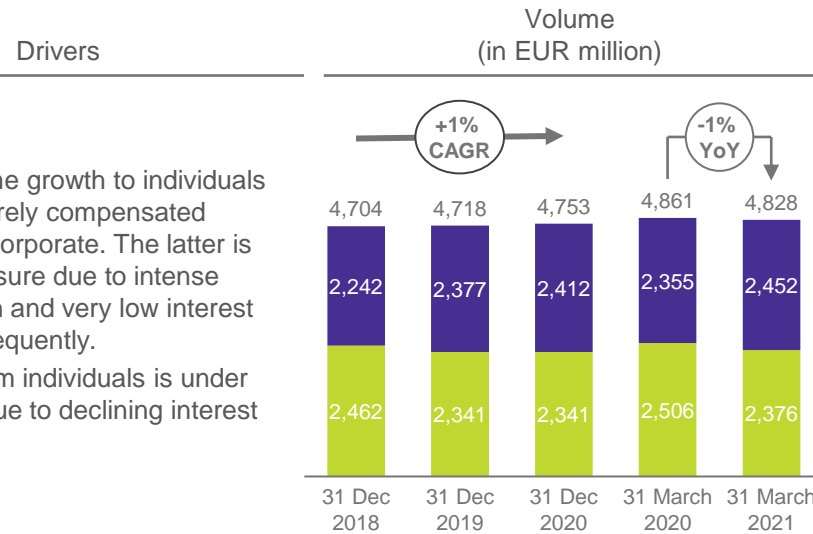
Note: (1) Calculated on the basis of interest bearing assets; (2) Interest margin of Komercijalna Banka group without consideration of consolidation adjustments was 2.88% (see explanation of consolidation adjustments under Figure 1); (3) Komercijalna Banka group included in NLB Group net interest margin from 2021 on.

Interest income drivers – NLB d.d. (1)

Gross Loans

- Loan volume growth to individuals almost entirely compensated decline in corporate. The latter is under pressure due to intense competition and very low interest rates consequently.
- Income from individuals is under pressure due to declining interest rates.

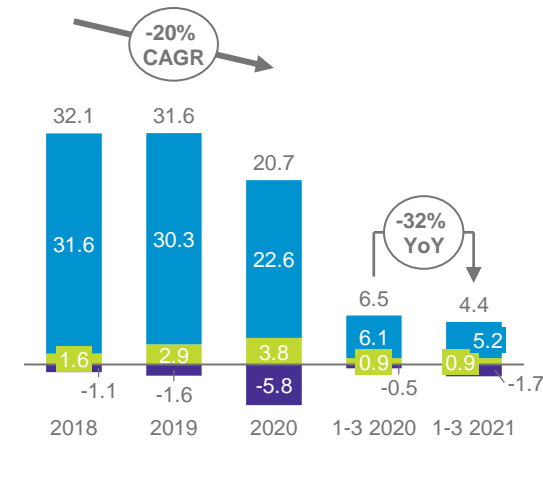
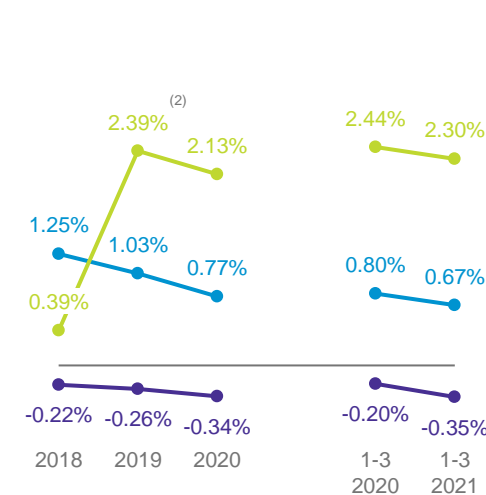
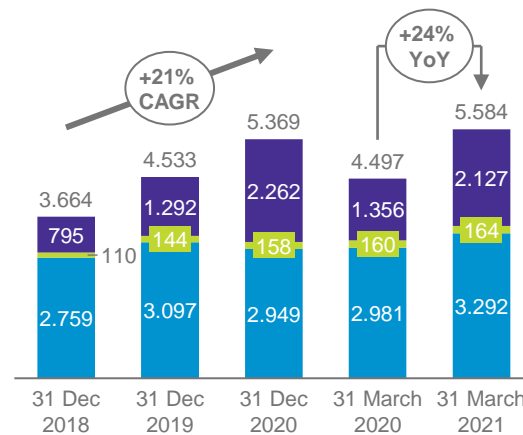
■ Individuals ■ Corporate & state



Liquid Assets

- Liquid asset portfolio is increasing due to constant inflow of non banking sector deposits which are hard to be invested into loans to customers in the whole amount due to intense competition.
- In line with expansionary monetary policy, ECB policy rate as well as government bond market interest rates for CB placements are mostly in negative territory, driving interest income from liquid asset portfolio down.

■ Cash and balances with Central Bank ■ Loans and advances to banks ■ Banking book



Note: (1) On stand alone basis; (2) Growth of interest rate due to issued subordinated loans to subsidiaries.

Interest expense drivers – NLB d.d.⁽¹⁾

Drivers

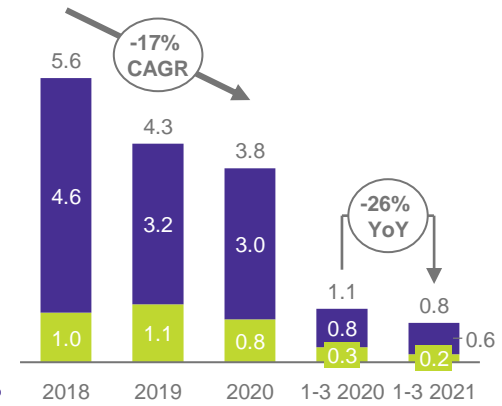
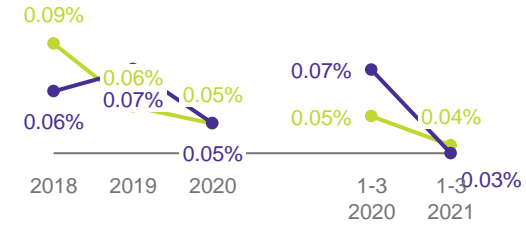
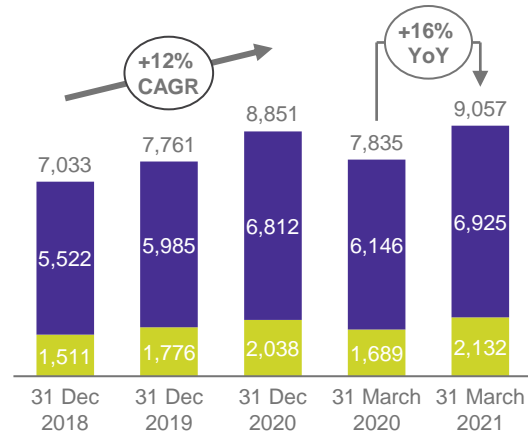
Volume (in EUR million)

Rates

Interest expense (in EUR million)

Deposits

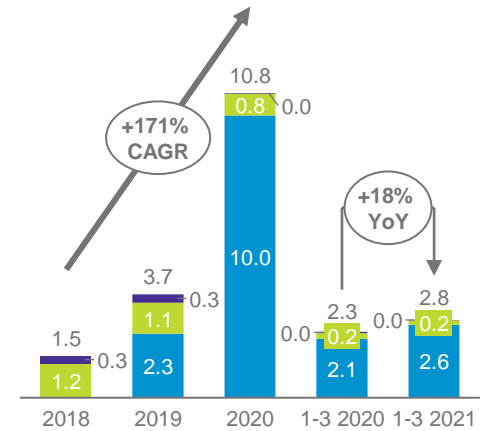
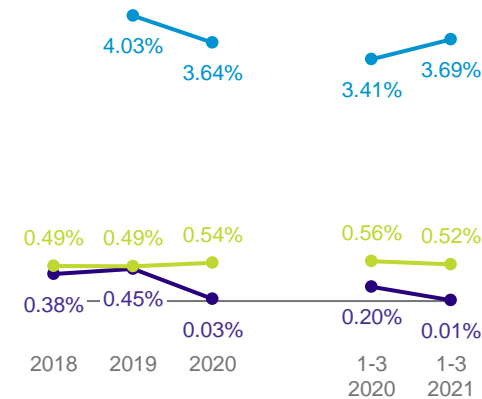
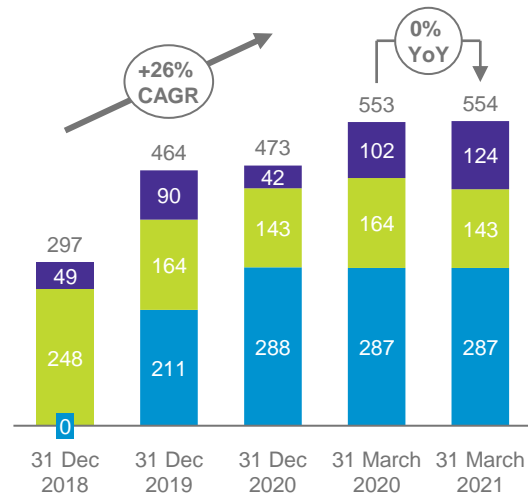
- Deposit base is increasing despite the COVID-19 crisis. Due to lack of investment opportunities, NLB strives to limit this growth. Corporate deposits are already managed with high balance deposit fee, while for individual deposit balances fee was introduced in April 2021.
- Cost of deposit funding has been declining in past years and is now close to zero which is reflected in decreasing interest expenses.



■ Individuals ■ Corporate & state

Wholesale Funding

- In order to comply with MREL requirement coming into force in 2022 and to optimize capital structure, the Bank raised T2 eligible subordinated debt at average interest rate 3.62%.
- Even though subordinated debt was raised under favorable market conditions it is still driving average cost of funding materially higher, which is reflected in interest expenses.



■ Deposits from banks ■ Borrowing from banks ■ Subordinated liabilities

Interest income drivers – Strategic foreign banks w/o KB⁽¹⁾

Gross Loans

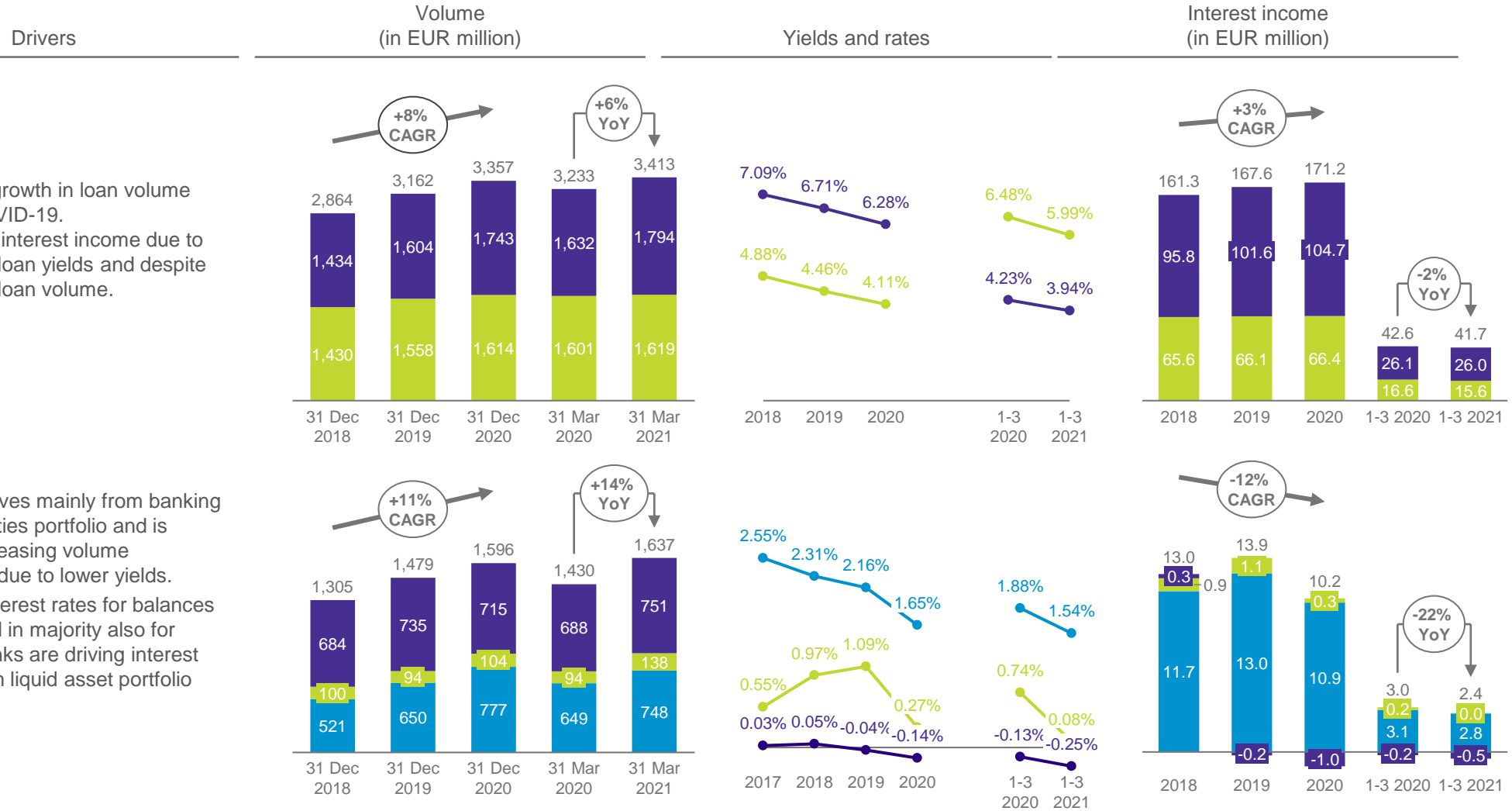
- Continued growth in loan volume despite COVID-19.
- Decreasing interest income due to decreasing loan yields and despite increase of loan volume.

■ Individuals ■ Corporate & state

Liquid Assets

- Income derives mainly from banking book securities portfolio and is despite increasing volume decreasing due to lower yields.
- Negative interest rates for balances with CB and in majority also for loans to banks are driving interest income from liquid asset portfolio down.

■ Cash and balances with Central Bank ■ Loans and advances to banks ■ Banking book



Note: (1) On stand alone basis.

Interest expenses drivers – Strategic foreign banks w/o KB⁽¹⁾

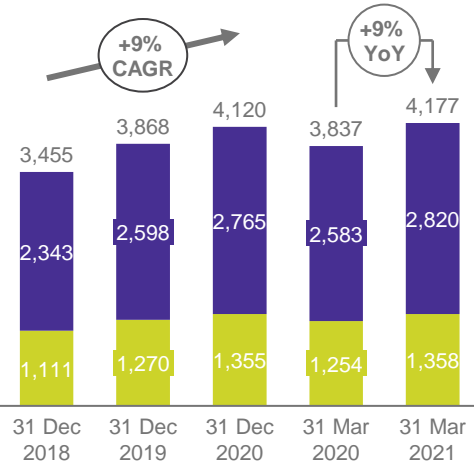
Deposits

- Continued growth in deposit volumes, therefore increase of liquid assets.
- Sight deposits with lower interest rates prevailing.
- Decrease in interest expenses due to decrease in deposit rates.

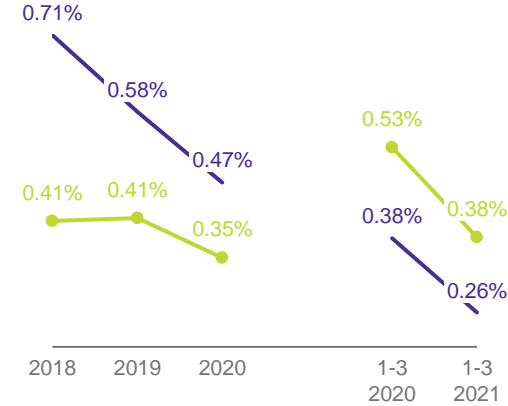
Individuals Corporate & state

Drivers

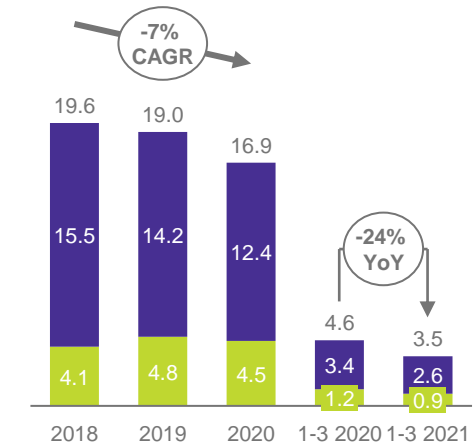
Volume (in EUR million)



Yields and rates



Interest expense (in EUR million)

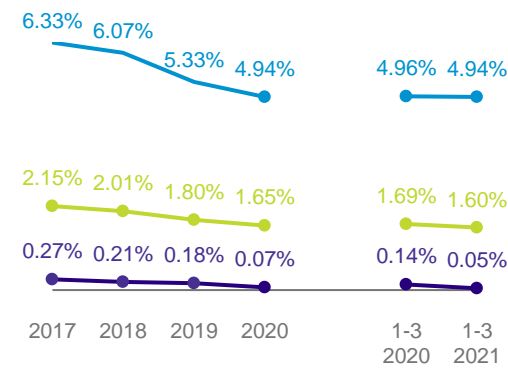
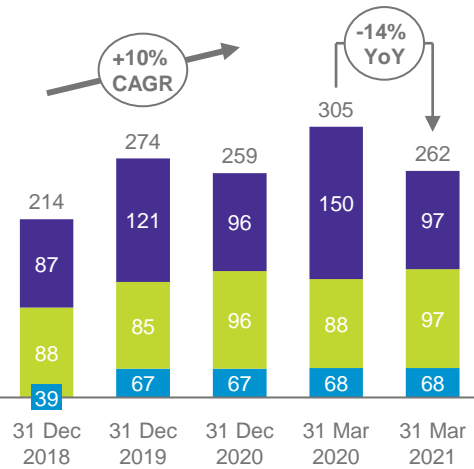


Wholesale Funding

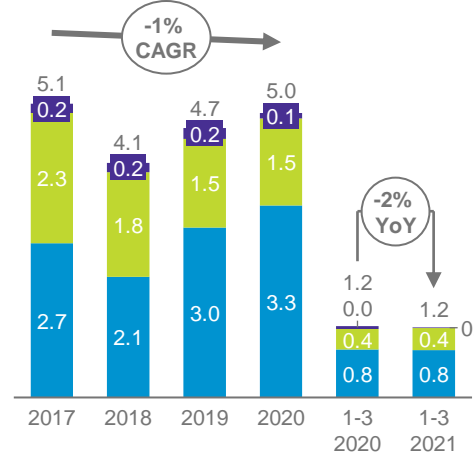
- Most of wholesale funding for managing of structural liquidity and optimization of capital structure.

Deposits from banks Borrowings Subordinated debt

Drivers

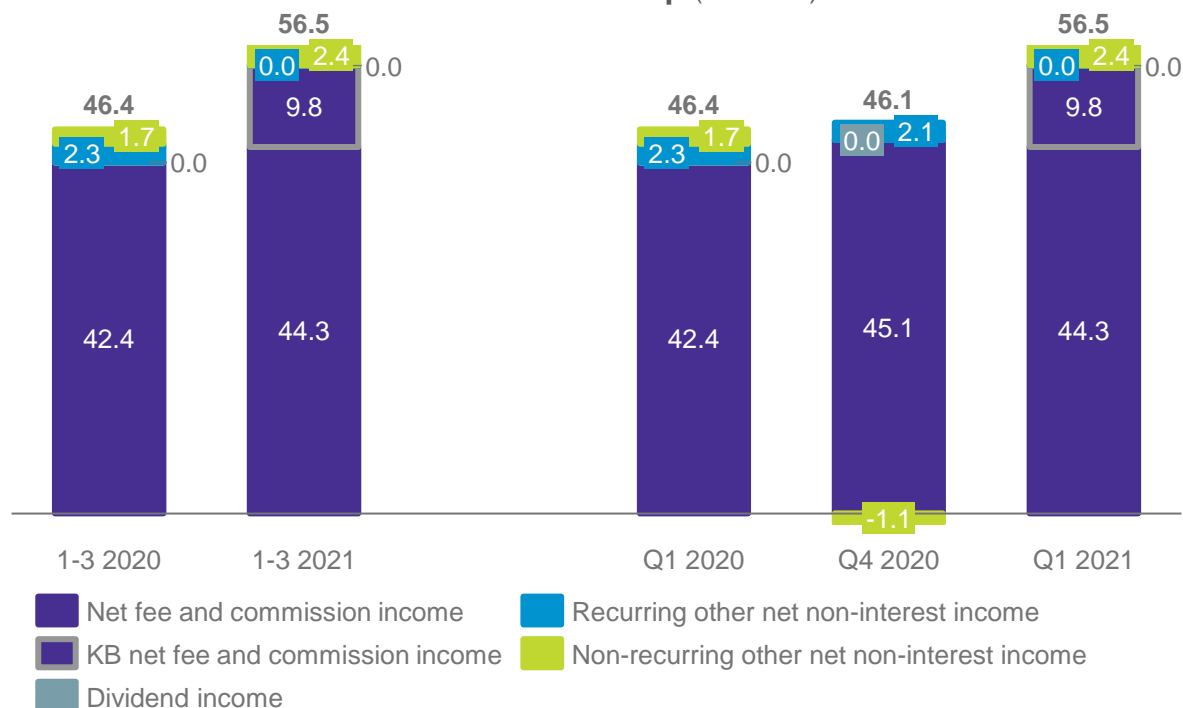


Drivers

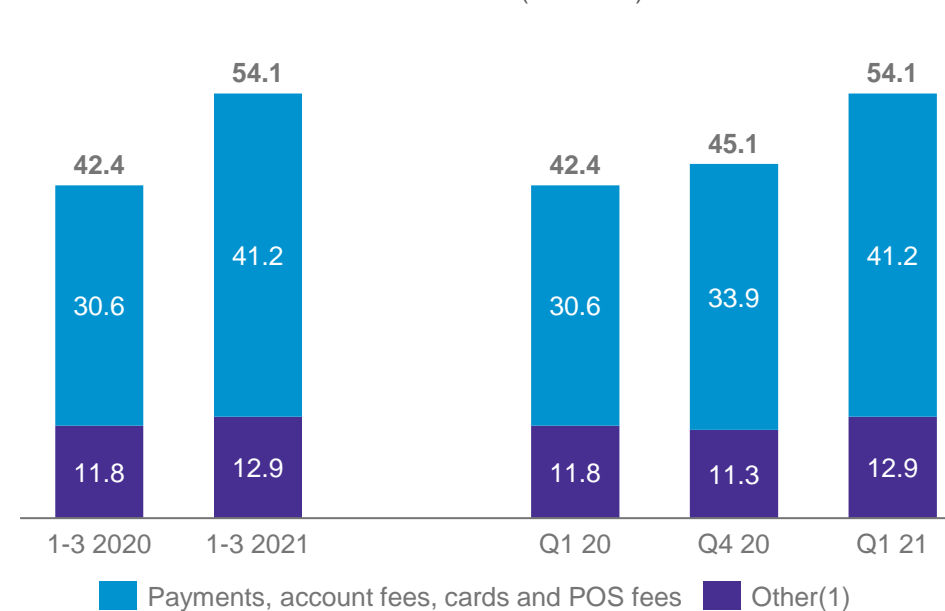


Net Fees and Commissions **increased**

Net non-interest income of the NLB Group (in EURm)



Net fee and commission income (in EURm)



Recurring net non-interest income split

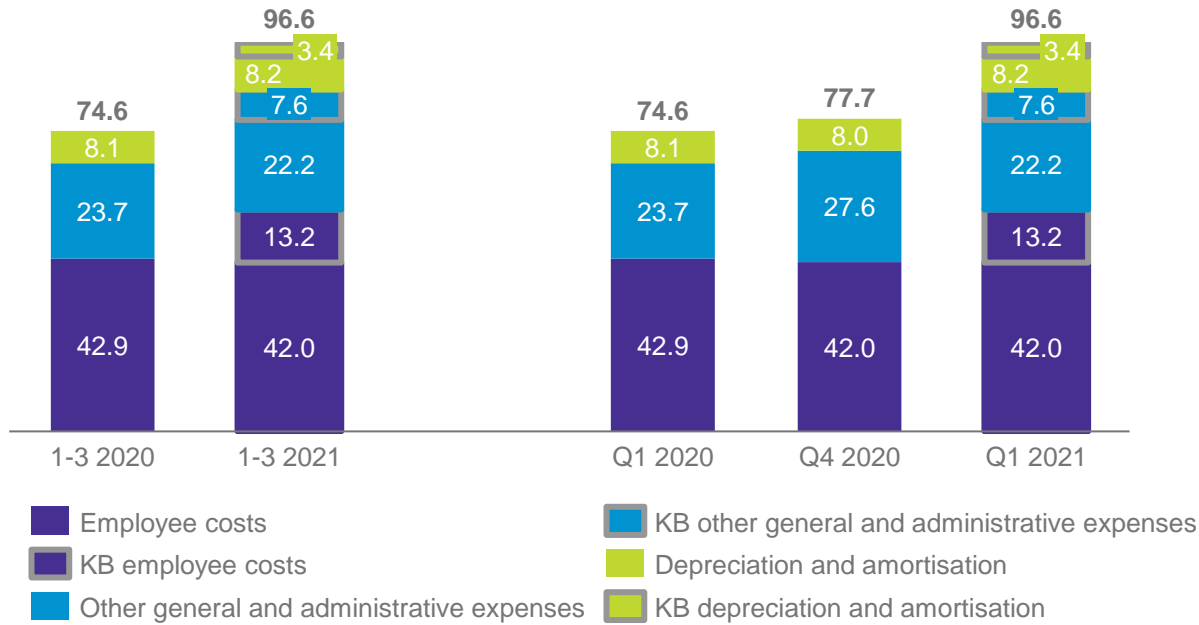
in EUR million	Realization		Change YoY		KB contribution
	1-3 2021	1-3 2020			
Recurring net non-interest income	54.2	44.7	9.5	11.5	21%
Net fee and commission income	54.1	42.4	11.7	9.8	28%
Dividends income	0.0	0.0	0.0	0.0	0%
Net income from financial transactions (Fees from Exchange differences)	4.1	2.8	1.3	1.3	48%
Net other income	-4.1	-0.5	-3.6	0.4	-
- external realization (IT, cash logistics)	0.9	1.0	-0.1	0.0	-7%
- rents	1.3	0.9	0.4	0.4	47%
- regulatory charges (SRF, DGS)	-6.3	-2.4	-3.9	0.0	-66%

Net fee and commission income:

- NLB EUR 1.5 million increase YoY → repricing of packages, higher net fees from asset management, and higher deposit fee for high balances.
- Other bank members same level YoY.
- QoQ decrease in all SEE bank members.

Total Costs: Lower employee and G&A costs (w/o KB) show positive effects of cost optimization projects

Costs (in EURm)



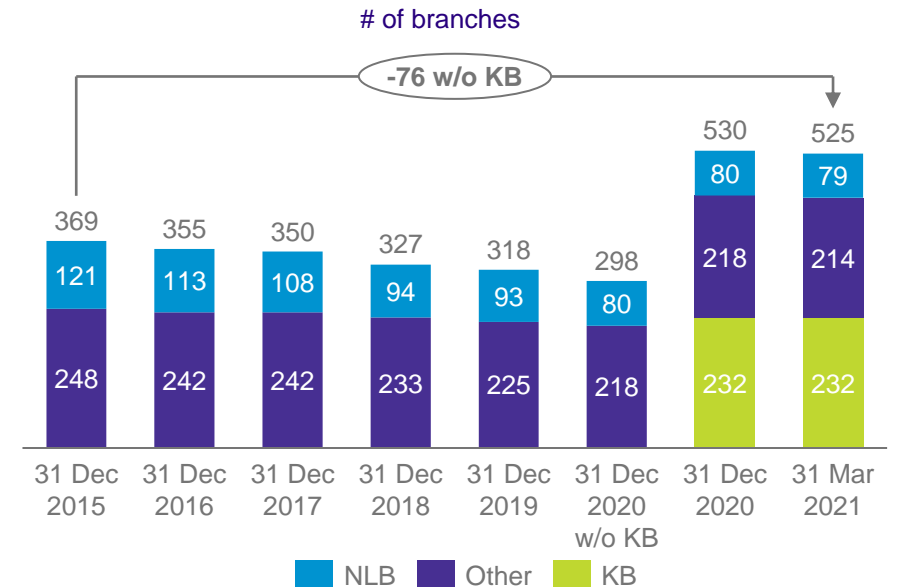
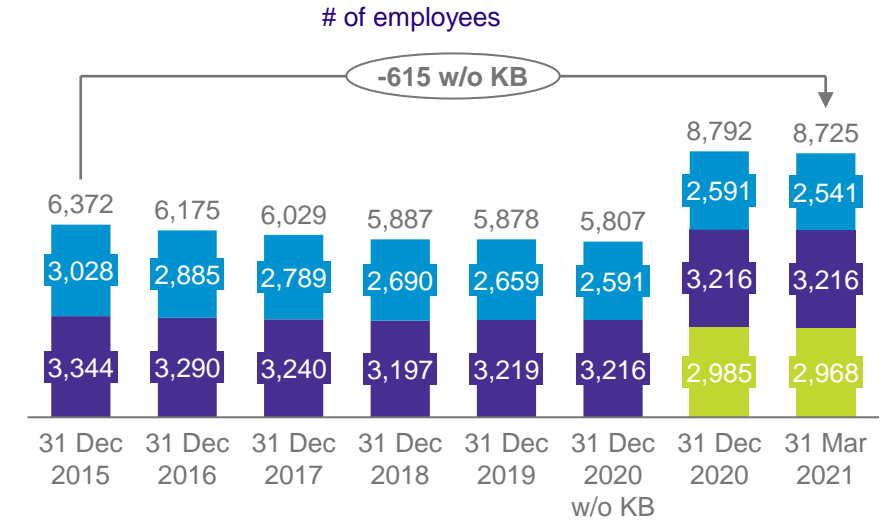
EUR 3.1 million lower in NLB → lower employee costs and positive effects from cost optimization projects (optimized cash handling, paperless project).

EUR 0.7 million lower in Non-core members.

QoQ decrease of G&A costs due to cost optimization projects and cash logistic.

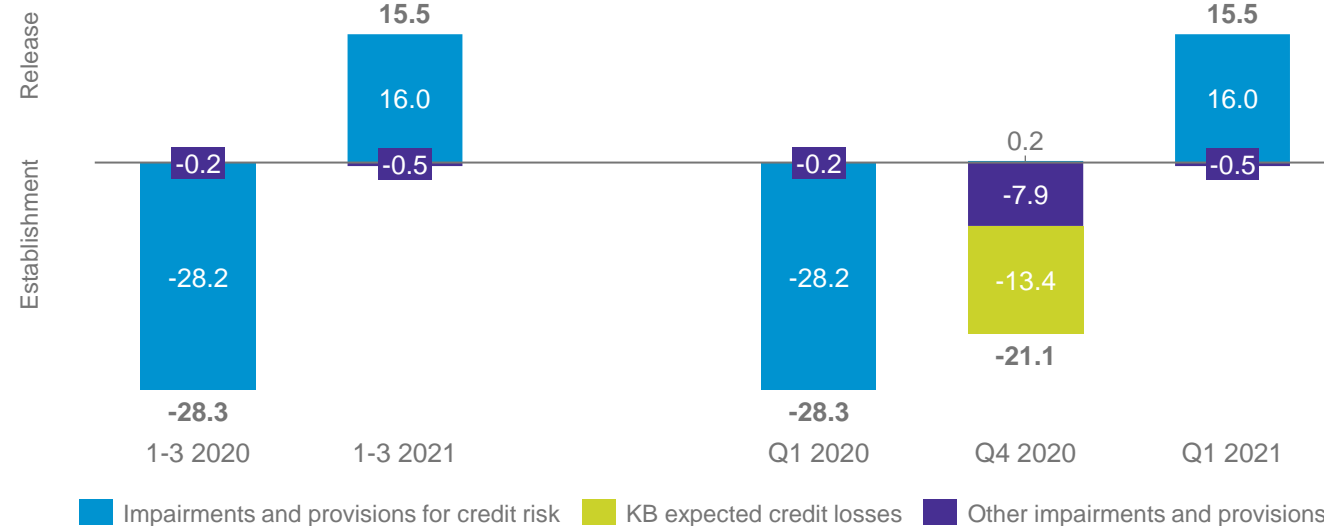
CIR: 62.7%.

Effective rationalization of headcount and network



Release of Impairments and Provisions, negative Cost of risk

Impairments and provisions (in EUR m)



Most releases in NLB:

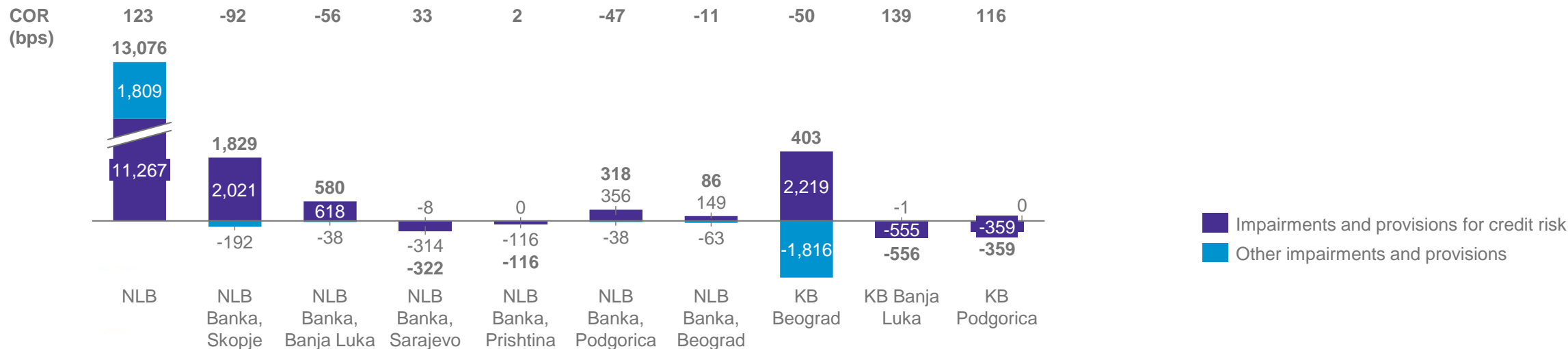
- Repayment of several exposures and changes in credit ratings in the Bank.
- EUR 1.8 million for legal risk, due to successful closure of legal procedure.

Release in most members:

- EUR 1.8 million in NLB Banka, Skopje.
- EUR 0.8 million in KB Beograd, EUR 2.2 million released for credit risk due to successful resolution of NPLs and EUR 1.7 million established for legal risk.

Cost of risk -78 bps.

Credit impairments and provisions ⁽¹⁾ and CoR by company – contribution (in EURm)

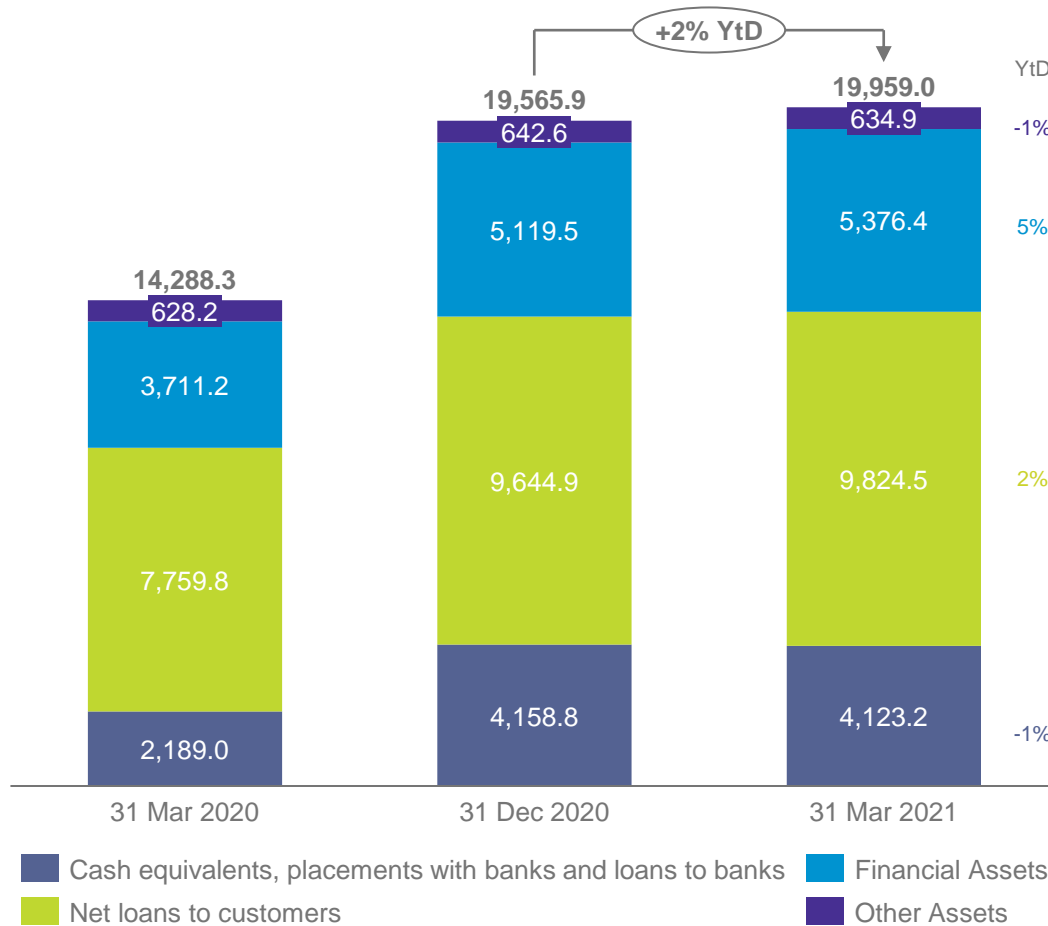


Note: (1) Credit impairments and provisions are used for calculation of CoR and represent major part of impairments and provisions for credit risk (include also credit impairments and provisions for other financial assets);

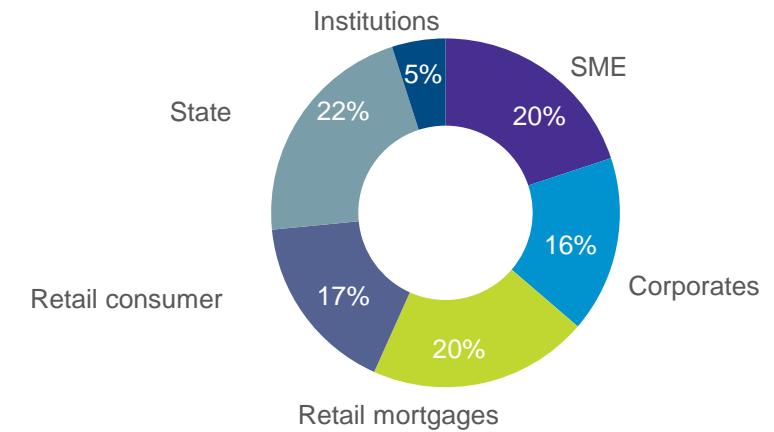
NLB Group Assets

The net liquidity from continued inflow of deposits from individuals placed with the Central bank

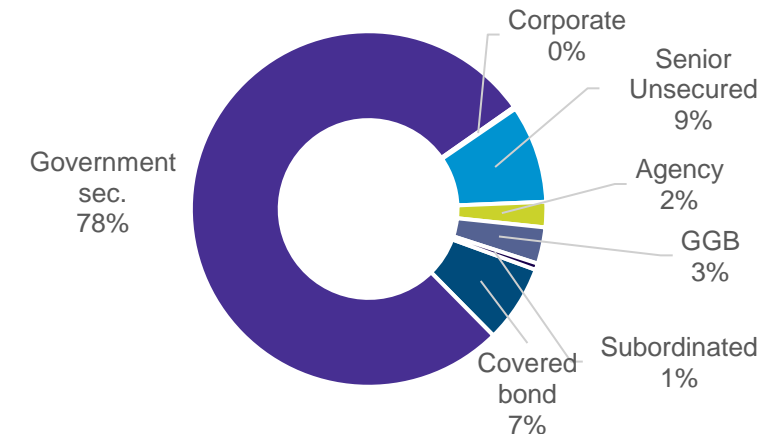
Total assets of NLB Group – structure (EURm)



Credit portfolio by segment ⁽¹⁾ (Group, 31 Mar 2021)



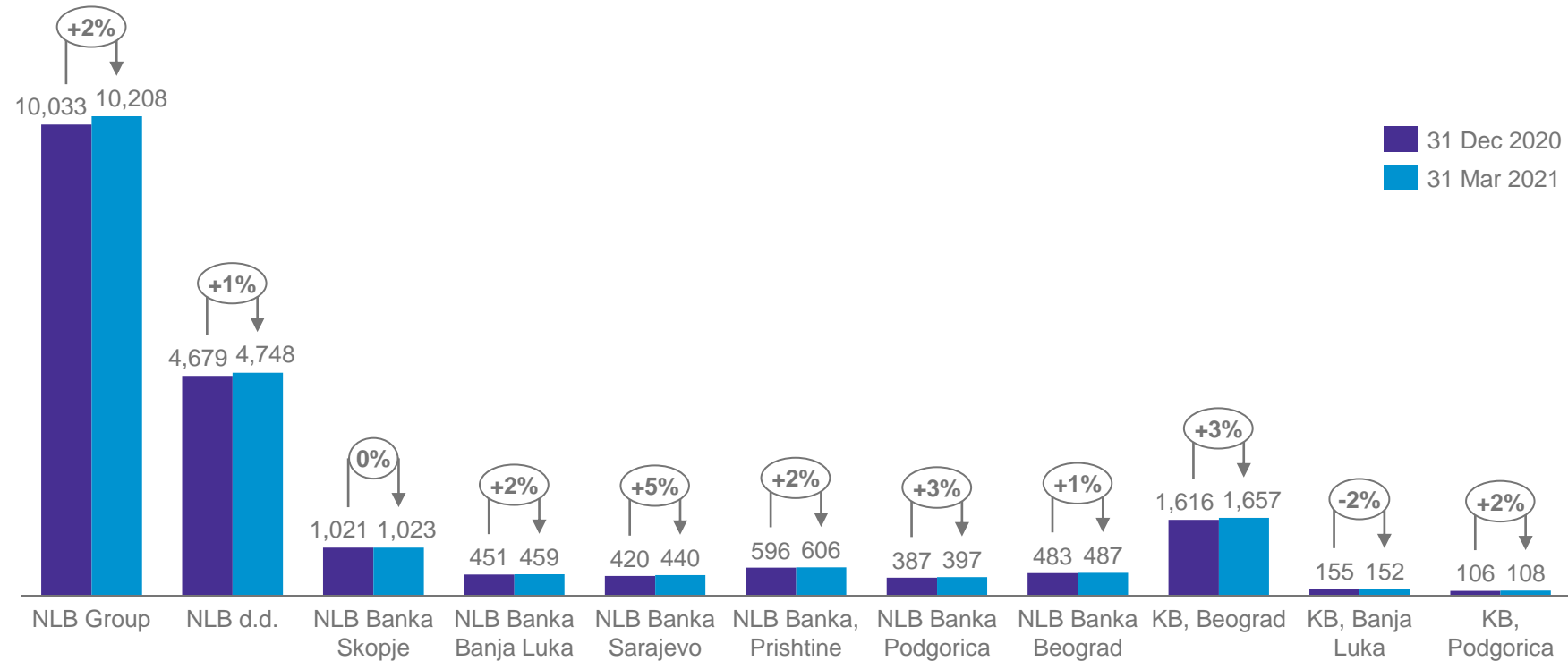
Banking book portfolio by asset class ⁽¹⁾ (Group, 31 Mar 2021)



NLB Group Assets – Loan portfolio

Growth of loan portfolio due to loan growth in all banks and KB acquisition

Gross loans to customers by strategic member – contribution (EURm)

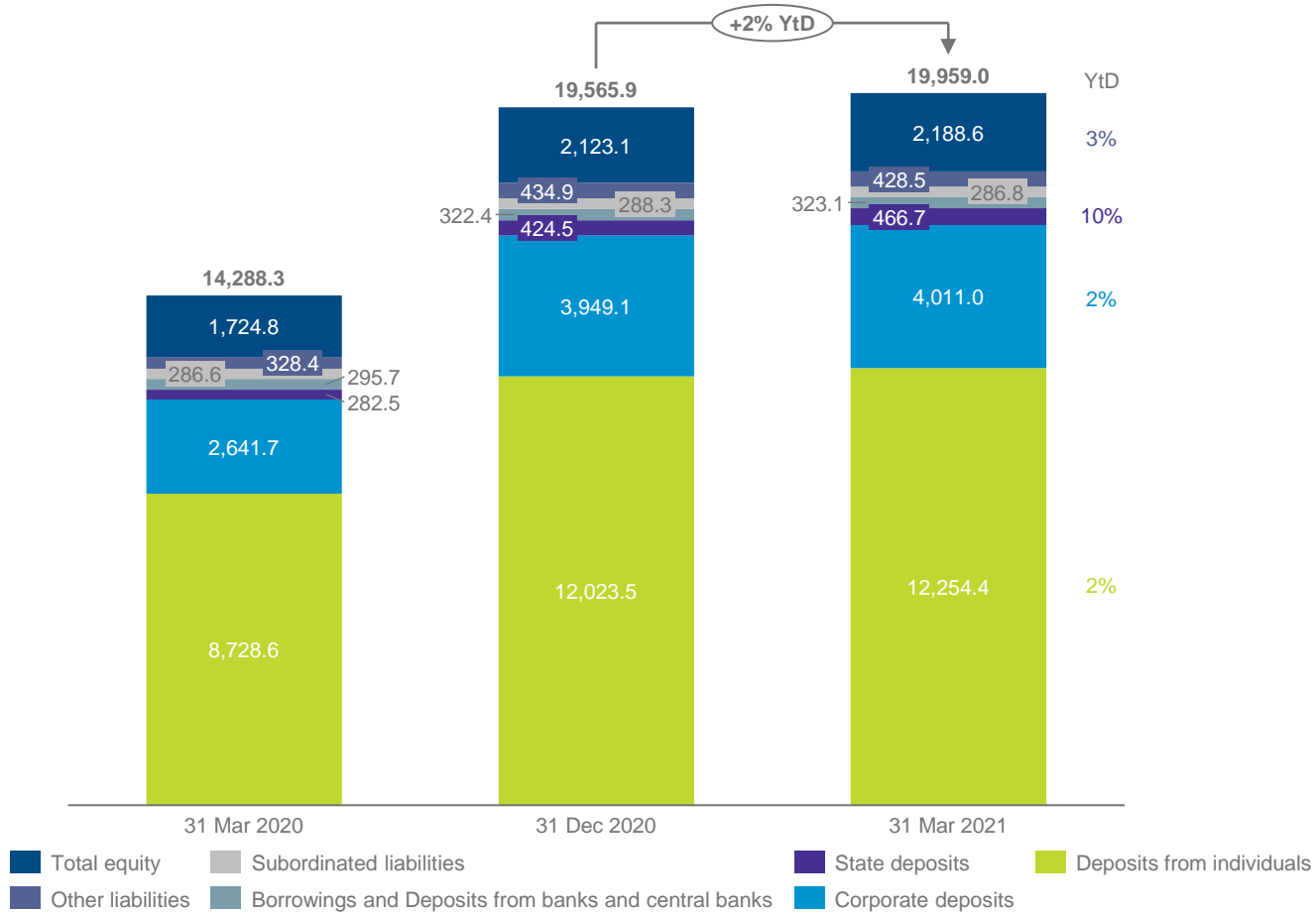


Gross loan growth in most foreign banks.

NLB Group Liabilities and Equity

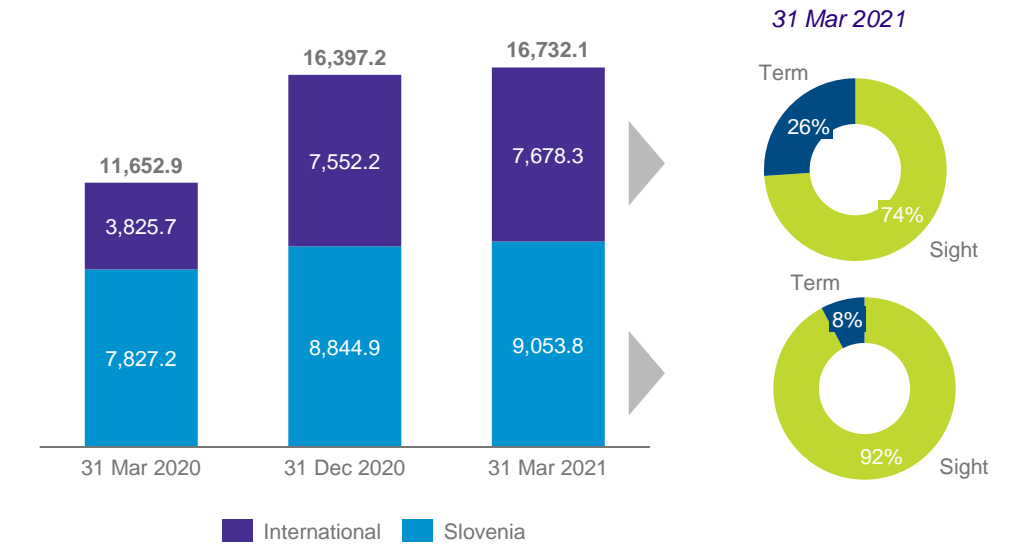
Strong deposit growth continues, driven mainly by individuals

Deposits accounting for 84% of funding (Group, EURm)

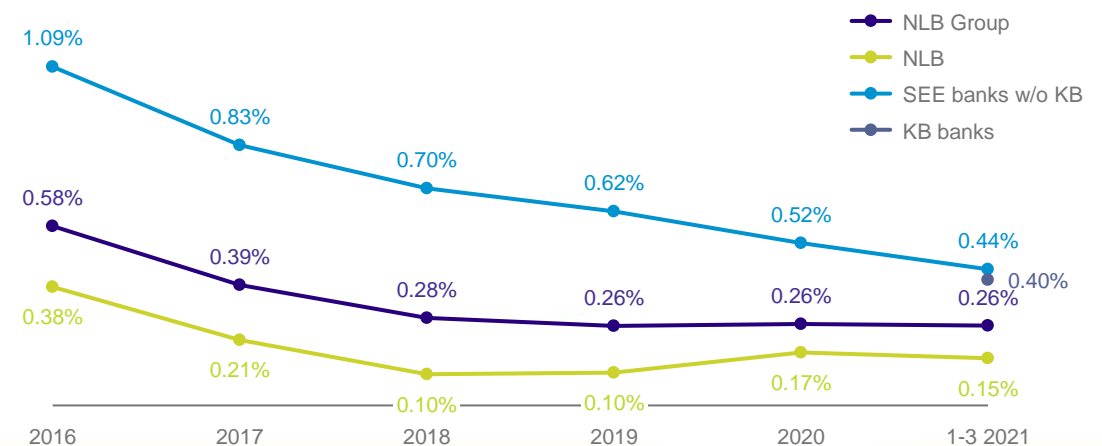


- Primarily deposit funded
- Due to low interest rates, sight deposits prevailing

Deposit split (Group, EURm)



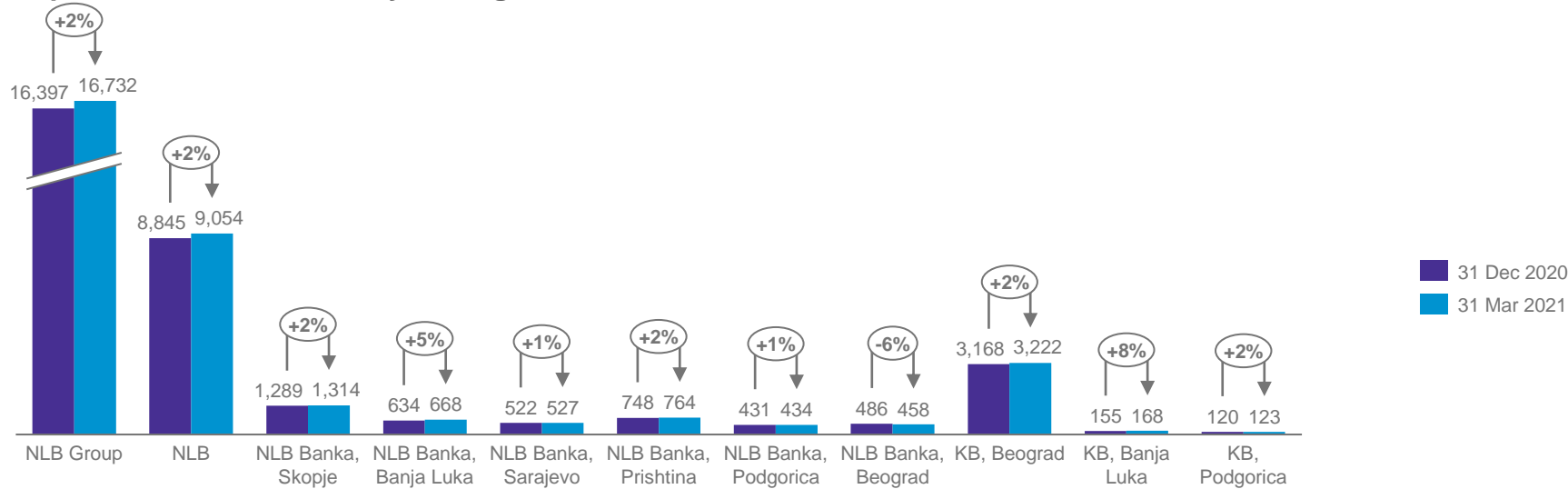
Average cost of funding (%)



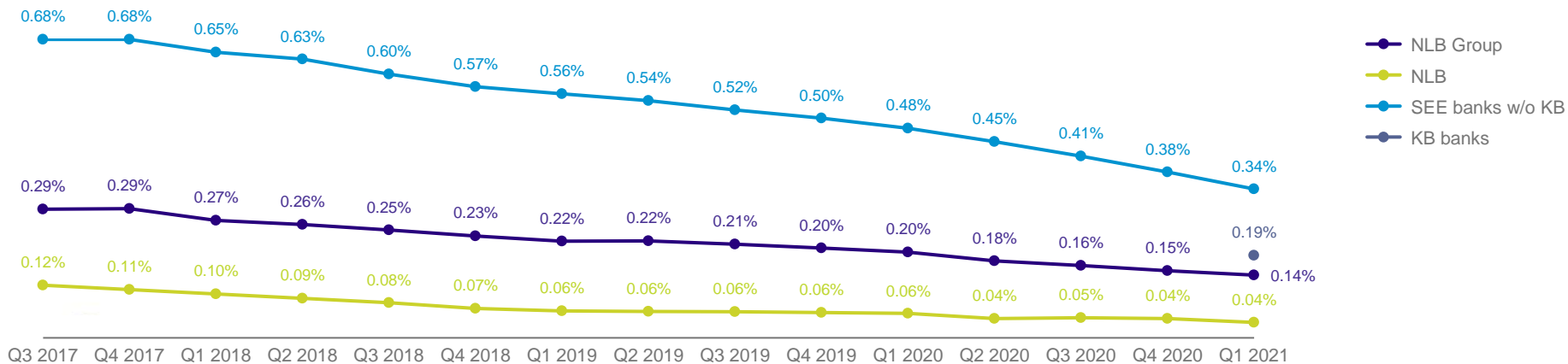
NLB Group Liabilities

Increasing deposit base with decreasing interest rate

Deposits from customers by strategic member – contribution (EURm)



Decreasing deposit interest rates (%)*



Deposit increased overall in the Group, despite low interest rate environment. Decrease was recorded only in NLB Banka, Beograd.

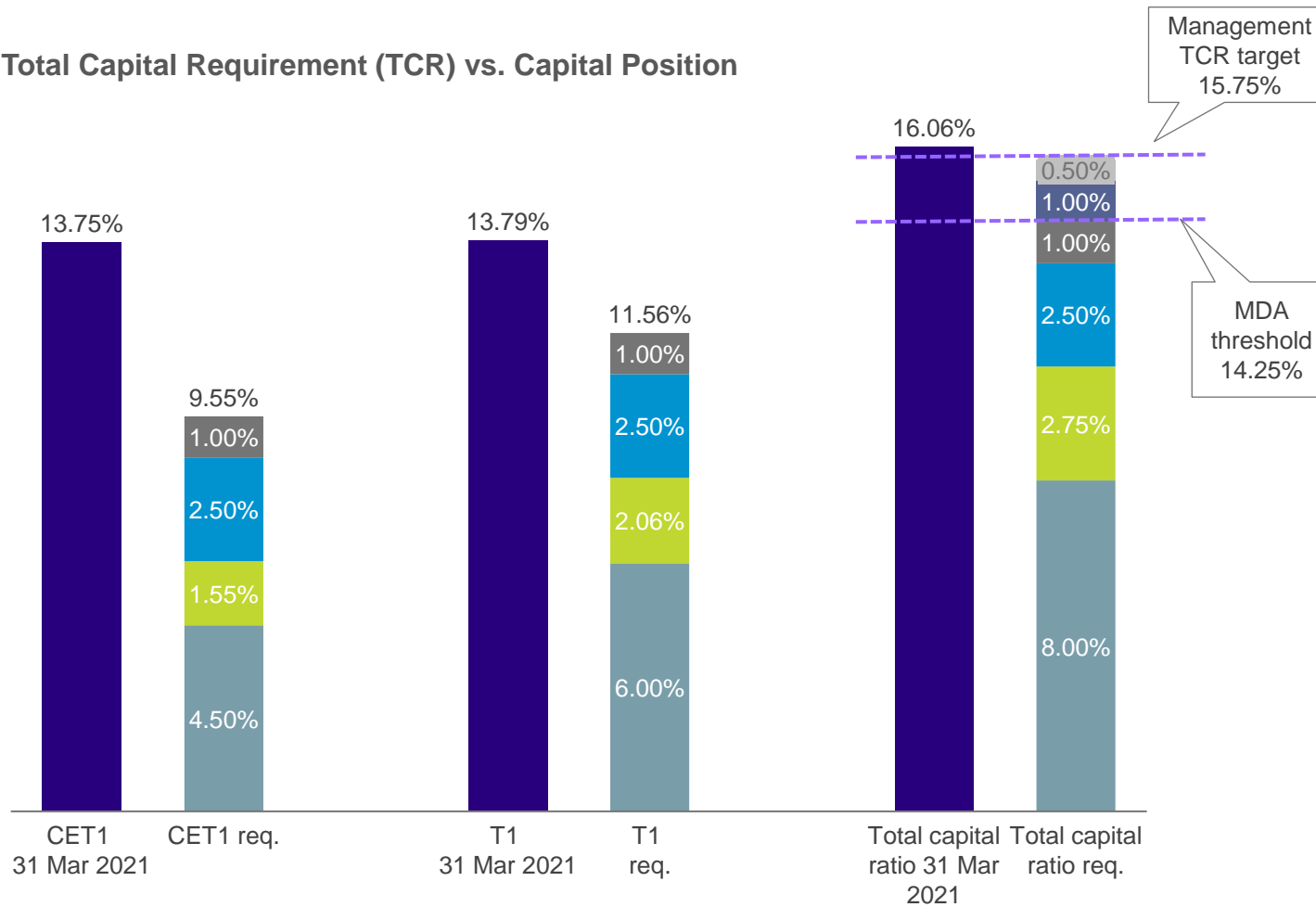
NLB charges **fee on deposits volume** to both corporate and individual customers.

*Quarterly data for the stock of deposits from customers

Strong capital position

To further increase due to NGW inclusion

Total Capital Requirement (TCR) vs. Capital Position



Actual P1 req. P2 req. Capital conservation buffer OSII buffer P2G MB

Capital position above all regulatory requirements including P2G.

Unchanged **Overall capital requirement (OCR)** of 14.25% on a consolidated basis in 2021.

Capital decreased EUR 44.6 million YtD due to decrease of NCI – Minority interest in the amount of EUR 42.6 million, of which EUR 43.0 million due to Komercijalna Banka, Beograd takeover bid, after obtaining ECB approval. If as of 30 September 2021 NLB does not own 100% of Komercijalna banka, Beograd shares, the remaining part of minority interest will be included back into capital.

Negative goodwill, acknowledged by the ECB (EUR 138 mil or 110 bps), will be included in the regulatory capital after the General Meeting of shareholders, which will be held in June.

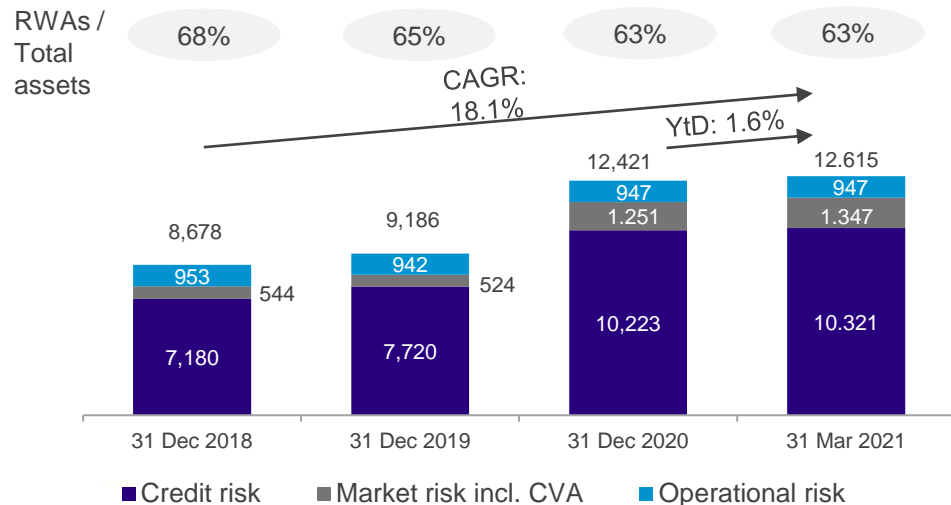
RWA structure

RWA optimization actions underway

RWA OPTIMIZATION ACTIONS:

- Decrease in KB trading book;
- Banking book portfolio optimization;
- Credit risk optimization through further engagement with MIGA;
- Third country equivalence framework for Bosnia and Herzegovina and Northern Macedonia.

RWA structure (in EURm)



RWA for credit risk increased EUR 97.6 million YtD: new production of retail and corporate loans and with investments in selected Tier 2 instruments.

As a result of **RWA optimization** actions some subsidiaries decreased RWA (Komercijalna Banka, Beograd EUR -49.4 million, NLB Banka, Podgorica EUR -20.1 million, NLB Banka, Prishtina EUR -19.5 million). RWA reduction is mostly result of matured government bonds and lower deposits with Central Banks.

The increase in **RWA for market risks** and credit value adjustments (CVA) (EUR 96.4 million) is mainly due to opening FX positions in RSD due to KB takeover.



Asset Quality

NLB Group Assets by Industry & Sectors

Portfolio diversification reduces risk, no large concentration in any specific industry

Corporate credit portfolio⁽¹⁾ (Group, 31 Mar 2021, EURthousand)

Corporate sector by industry	Credit portfolio	%
Accommodation and food service activities	143,429	3%
Act. of extraterritorial org. and bodies	5	0%
Administrative and support service activities	118,945	2%
Agriculture, forestry and fishing	289,920	6%
Arts, entertainment and recreation	22,260	0%
Construction industry	373,691	7%
Education	13,527	0%
Electricity, gas, steam and air condition	272,950	5%
Finance	188,808	4%
Human health and social work activities	48,497	1%
Information and communication	228,176	5%
Manufacturing	1,000,775	20%
Mining and quarrying	80,221	2%
Professional, scientific and techn. act.	190,524	4%
Public admin., defence, compulsory social.	217,481	4%
Real estate activities	226,110	5%
Services	12,913	0%
Transport and storage	592,122	12%
Water supply	41,871	1%
Wholesale and retail trade	944,606	19%
Other	382	0%
Total Corporate sector	5,007,213	100%

Main manufacturing activities	Credit portfolio	%
Manufacture of food products	151,684	3%
Manufacture of basic metals	127,912	3%
Manufacture of electrical equipment	126,542	3%
Manufacture of fabricated metal products, except machinery and equipment	123,005	2%
Manufacture of rubber and plastic products	64,870	1%
Manufacture of other non-metallic mineral products	54,458	1%
Other manufacturing activities	352,305	7%
Total manufacturing activities	1,000,775	20%

Main wholesale and retail trade activities	Credit portfolio	%
Wholesale trade, except of motor vehicles and motorcycles	542,769	11%
Retail trade, except of motor vehicles and motorcycles	291,034	6%
Wholesale and retail trade and repair of motor vehicles and motorcycles	110,803	2%
Total wholesale and retail trade	944,606	19%

Decisive Response to COVID-19

By the end Q1 2021 78% of moratoria expired

(in mio EUR)

NLB Group member	Covid - 19 Moratorium					
	Exposure	o/w expired by 31 Mar. 2021	Outstanding amount	Relevant book	% of Relevant book	% of Relevant book (excl. expired moratoriums)
NLB d.d.	522,5	182,6	340,0	6.707,8	7,8%	5,1%
NLB Banka, Skopje	216,7	205,1	11,6	882,2	24,6%	4,2%
NLB Banka, Banja Luka	3,0	2,8	0,2	90,9	3,3%	0,5%
NLB Banka, Sarajevo	157,4	157,4	0,0	2.613,8	6,0%	1,3%
NLB Banka, Prishtina	20,1	16,9	3,1	66,0	30,4%	6,4%
NLB Banka, Podgorica	317,9	263,8	54,1	1.059,7	30,0%	2,7%
NLB Banka, Beograd	32,6	25,5	7,1	85,6	38,1%	2,0%
NLB Leasing d.o.o. - v likv., Ljubljana	238,0	188,2	49,8	1.646,9	14,5%	0,7%
Komercijalna banka a.d., Beograd	707,0	673,4	33,6	2.483,4	28,5%	1,4%
Komercijalna banka a.d., Banja Luka	38,5	34,9	3,5	262,6	14,6%	0,4%
Komercijalna banka a.d., Podgorica	30,8	30,0	0,8	102,7	30,0%	2,7%
NLB Group	2.284,4	1.780,6	503,8	13.794,6	16,6%	3,7%

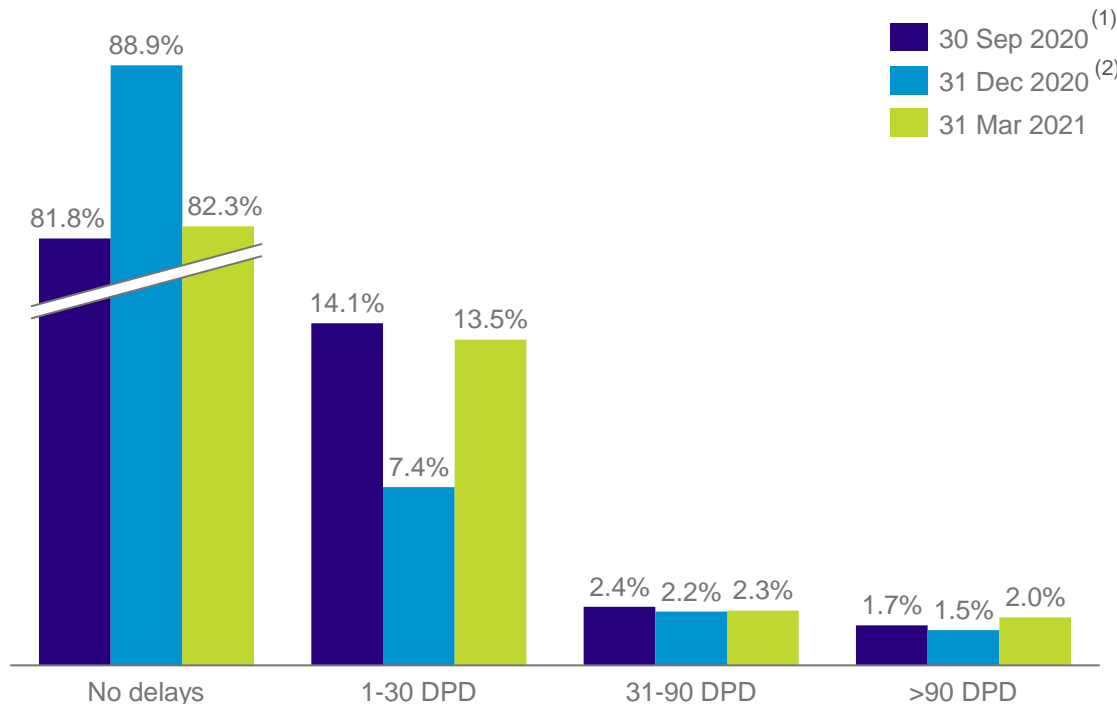
On **NLB Group level (including Komercijalna Banka group) EUR 2,284 million moratorium approved**, 46% to Non-financial corporations and 53% to Households. Moratoria were granted for the period between 3 to 12 months. **By the end Q1 2021 78% of the granted moratoria already expired.**

In Slovenia EUR 525.5 million moratoriums have been approved with outstanding amount EUR 340.1 million at the end of Q1 2021 and represents less than 5% of the total portfolio. Banks in Strategic Foreign Markets have approved EUR 1,758.8 million moratoriums, more than half of them in Serbian Banks as a result of COVID-19 related measures taken at the state level. **91% of the approved moratoriums approved in Strategic Foreign Markets have already expired by the end of Q1 2021.**

Performance of Portfolio where Moratoria expired

More than 82% of expired moratoria clients have no delays

% of DPD in total expired moratoria



PERFORMANCE OF EXPIRED PORTFOLIO – encouraging trends:

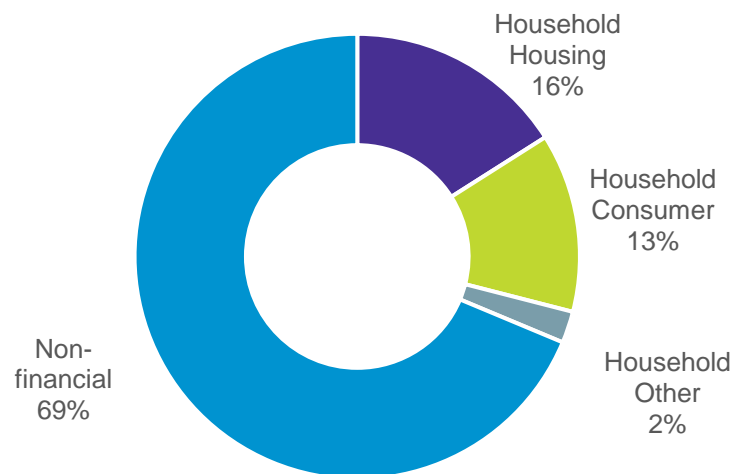
Out of expired portfolio, we observe that more than 82% of exposure have no problems with servicing their obligations.

Among the non-performing exposures, 62% are in the unlikely to pay or less than 90 days category, indicating that asset quality is behaving as expected and prepared for.

Performance of Remaining Moratorium Overview

Exposures with remaining moratoria are closely monitored

Structure of non-expired loans under moratorium (31 Mar 2021, in %)



Stage distribution

Non-financial corp. Households

Stage 1	52.5%	62.7%
Stage 2	35.4%	30.8%
Stage 3	12.0%	6.5%

Duration of outstanding moratoriums

> 3 months

	<= 3 months	<= 6 months	> 6 months
Percentage of non-expired exposure	75.6%	15.5%	8.9%

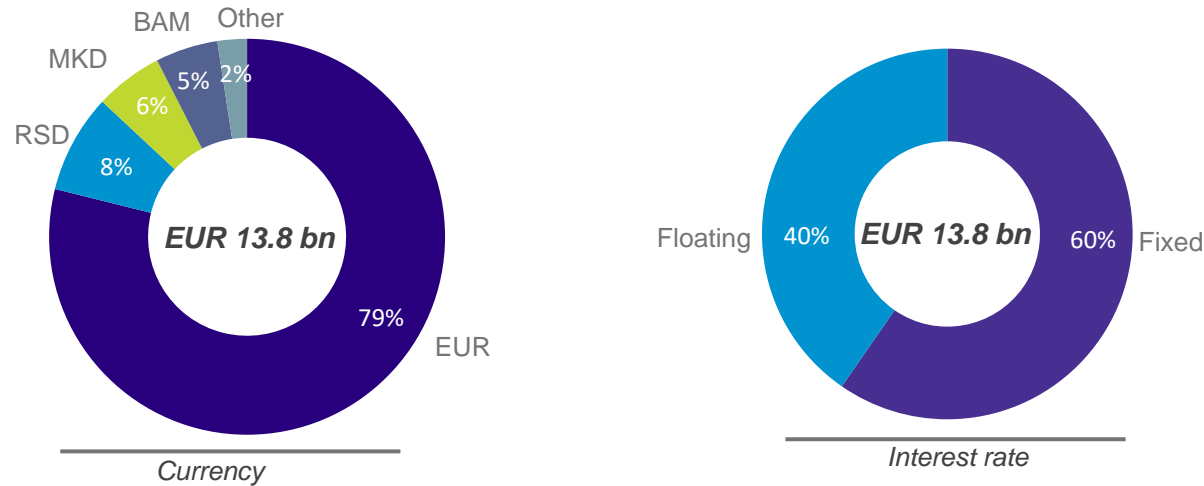
REMAINING MORATORIUM OVERVIEW – solid coverage, small remaining exposure and short duration

- Duration of remaining moratoriums is very short – more than 91% or EUR 459 million of exposure will expire by Q3 2021.
- Structure of the moratorium exposure still outstanding consists of one thirds to households and two thirds to non-financial corporations.
- Coverage ratio at 6.5% for total non-expired portfolio is double than coverage ratio for total exposure under moratoriums and what is normal for loan portfolio.

Asset Quality – NLB Group

Diversified credit portfolio, focused on core markets and cautious risk taking

Credit portfolio⁽¹⁾ by currency and interest rate type (Group, 31 Mar 2021)



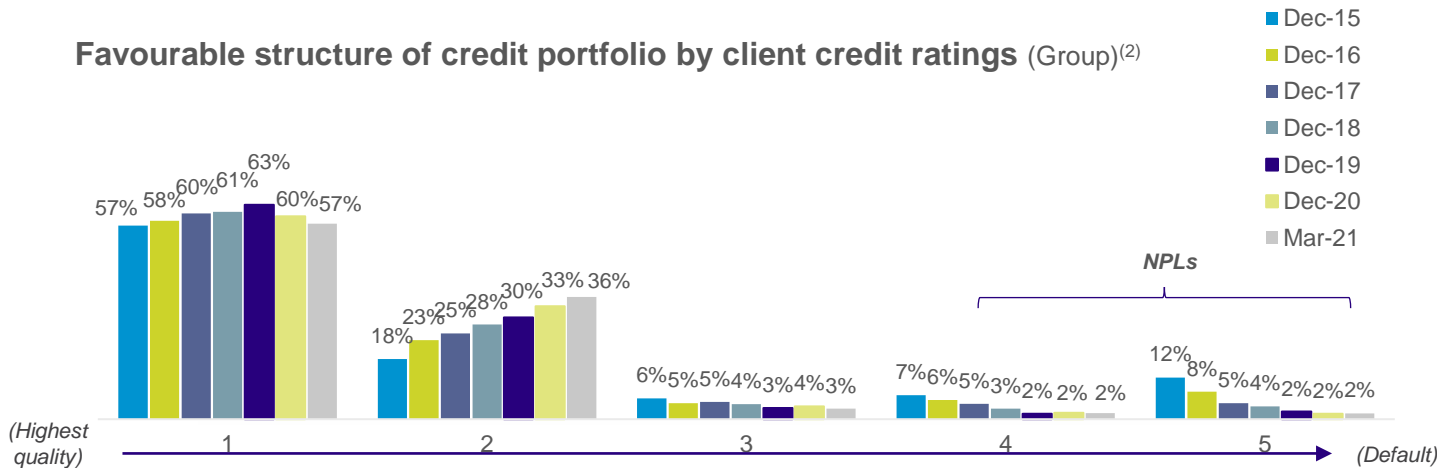
No large concentration in any specific industry or client segment

Lending strategy focuses primarily on its core markets of retail, SME and selected corporate business activities

Great emphasis is also placed on **active monitoring of credit portfolio** for early detection of possible credit deterioration:

- Early warning system for detecting increased credit risk
- Close monitoring of clients with COVID-19 moratoria
- Intensive and proactive handling of problematic customers
- Cautious lending policy
- The Group is **actively present** on the market, financing existing and new creditworthy clients.

Favourable structure of credit portfolio by client credit ratings (Group)⁽²⁾



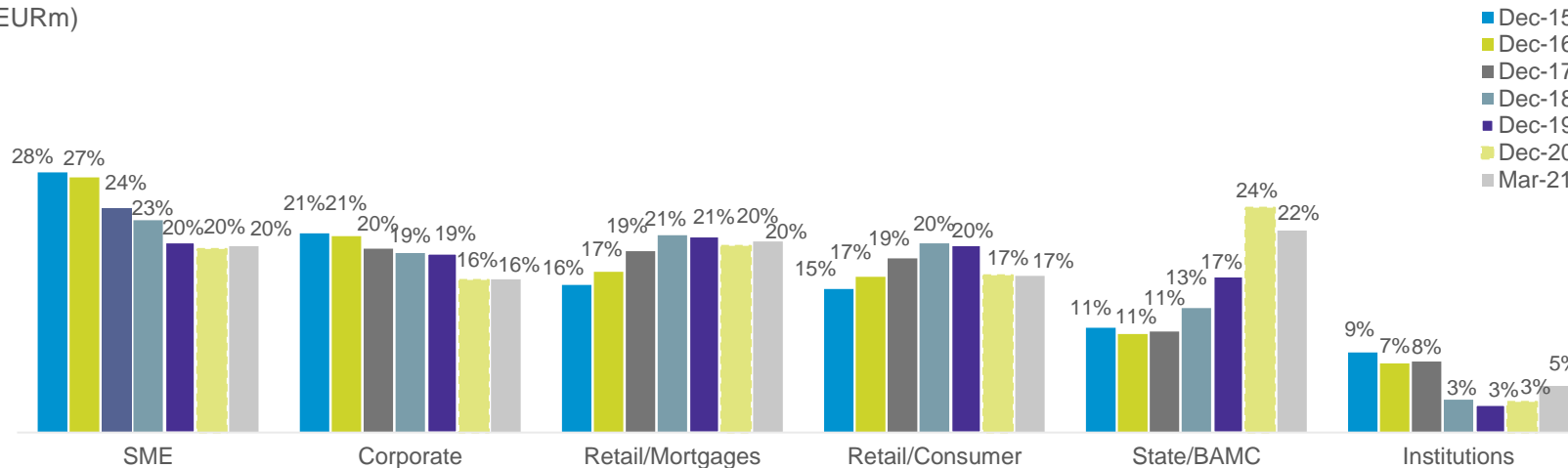
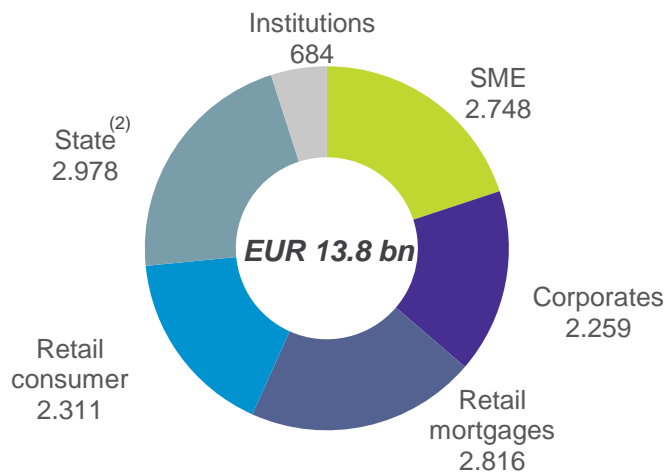
Source: Company information

Note: (1) Credit portfolio also includes advances to banks and central banks; (2) Rating A, B and C are performing exposures. Rating A: investment grade clients with high financial stability; Rating B: clients with high ability to repay their obligations, a significant aggravation of the economic environment would cause problems to them; Rating C: performing clients with increased level of risk who may encounter problems with settlement of liabilities in the future; Rating D and E are NPLs: Default clients (article 178 of CRR), including clients in delay >90days and other clients considered 'unlikely to pay' with delays below 90 days. Numbers may not add up to 100% due to rounding.

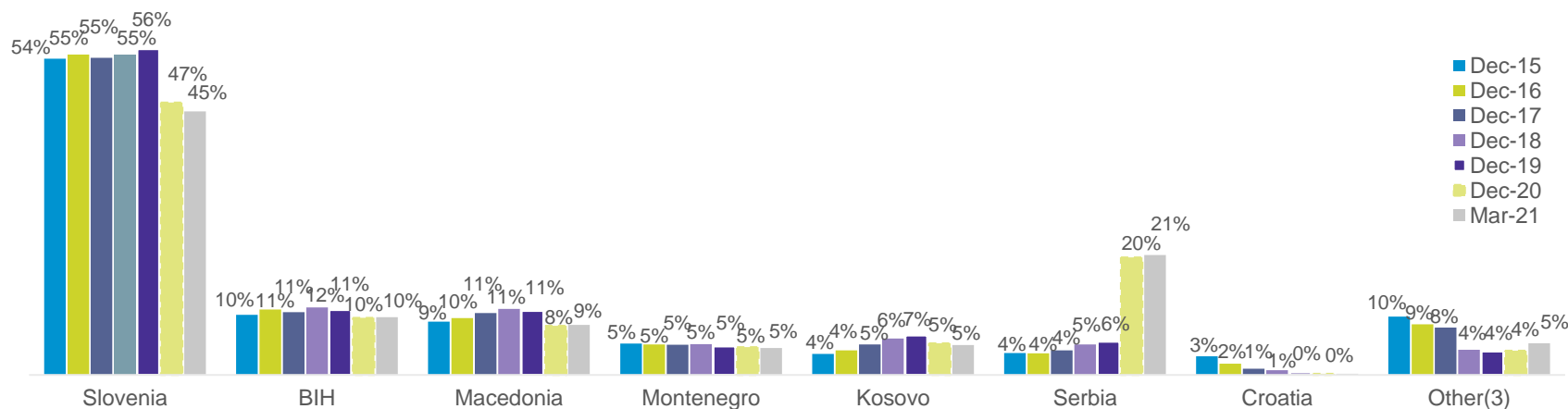
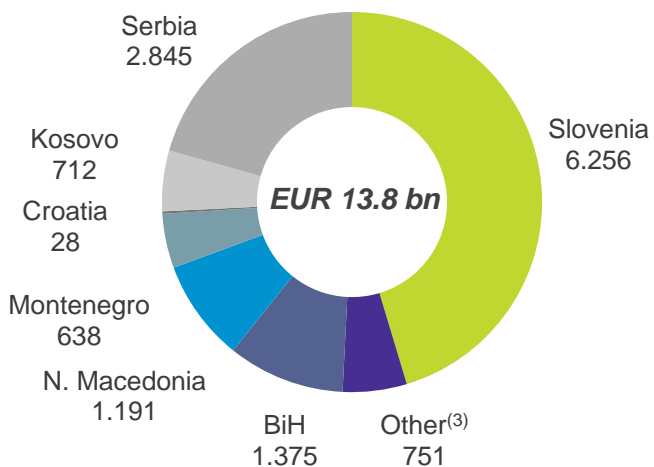
Asset Quality – NLB Group

Diversified credit portfolio, focused on core markets and cautious risk taking

Credit portfolio⁽¹⁾ by segment (Group, 31 Mar 2021, EURm)



Credit portfolio⁽¹⁾ by geography (Group, 31 Mar 2021, EURm)



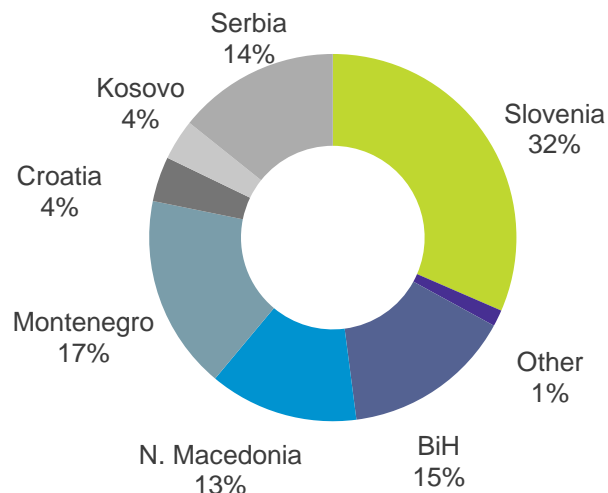
Source: Company information

Note: (1) Credit portfolio also includes advances to banks and central banks; (2) State includes exposures to central banks; (3) The largest part represent EU members.

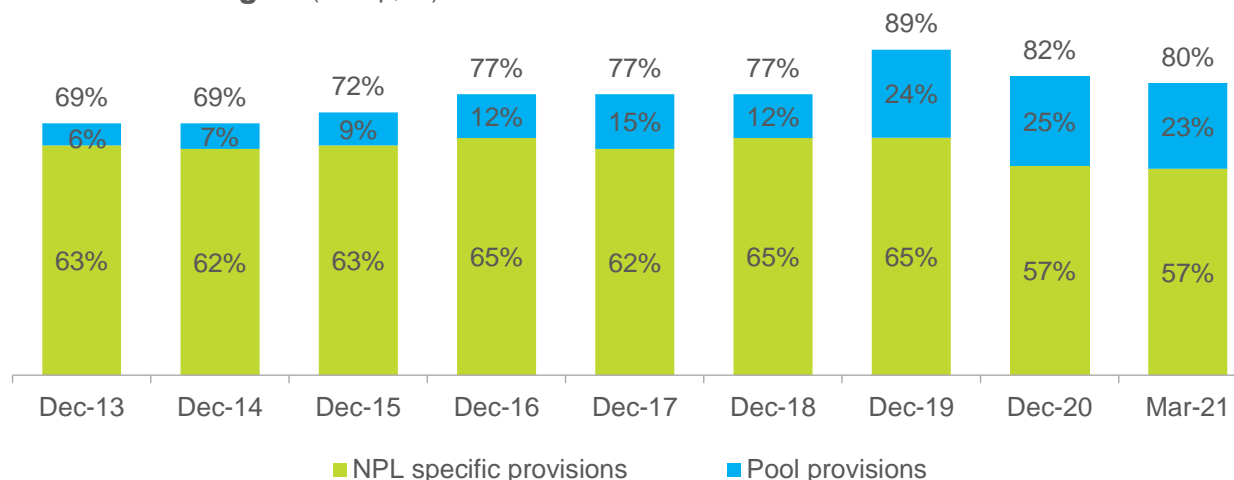
Asset Quality – NLB Group

NPLs fully covered by provisions and collateral

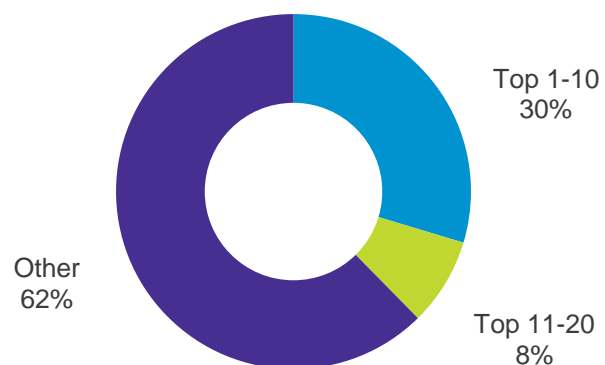
NPL by geography (Group, 31 Mar 2021)



NPL cash coverage⁽¹⁾ (Group, %)



Top 20 NPLs (Group, 31 Mar 2021)



An important Group strength is the NPL cash coverage (CR1), which remains high at 80.0%. Further, the Group's NPL coverage ratio (CR2) stands at 56.6%, which is well above the EU average as published by the EBA.

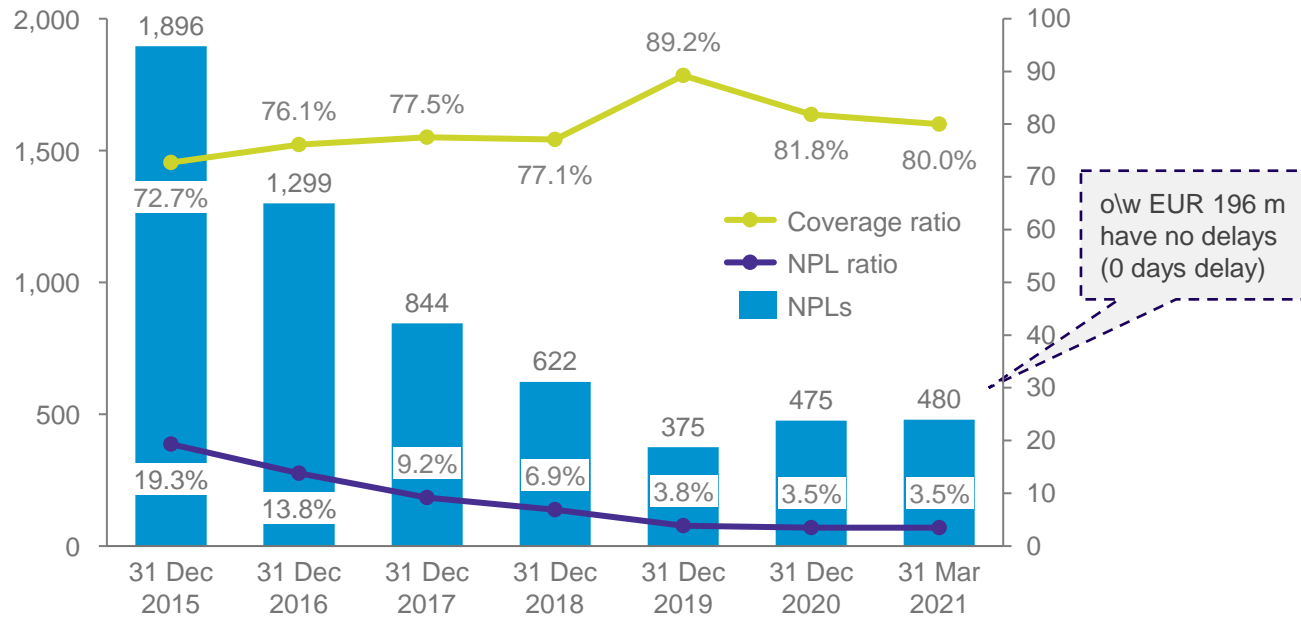
The decrease in coverage indicators in Q4 2020 was influenced by the special treatment of NPLs from acquired entities. NPLs of KB Banks were initially recognised at fair value, without any additional credit loss allowances.

NPL cash coverage reduction in Q1 2021 mainly due to repayments and improved credit quality of some performing clients.

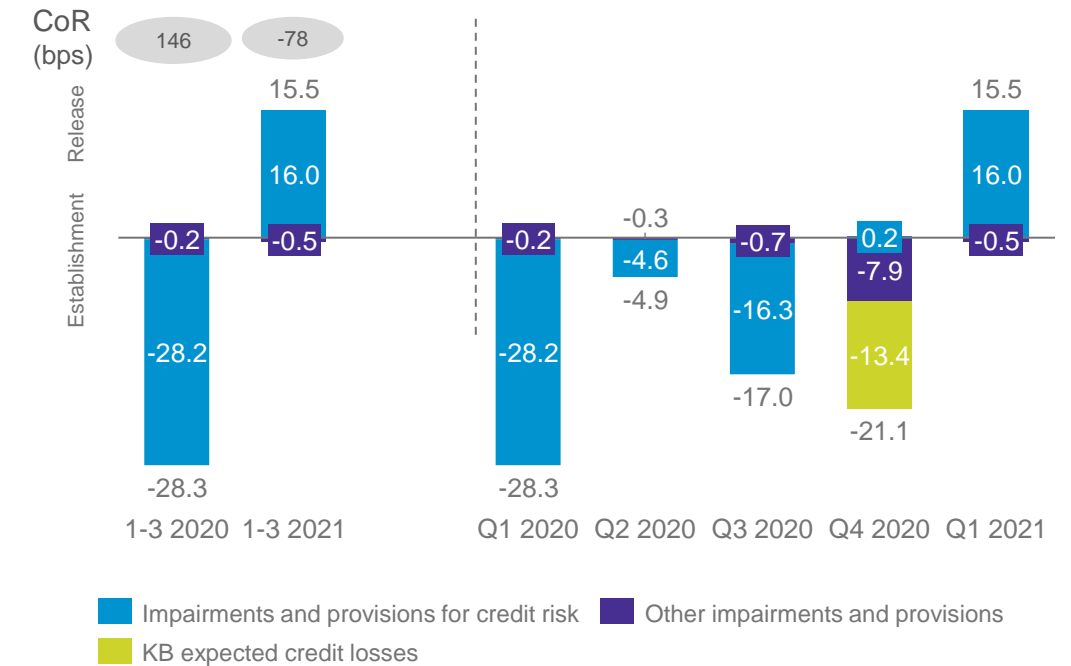
Asset Quality and CoR

Good asset quality, decisive workout and credit rating changes leading to negative CoR

Gross NPL ratio within the planned framework (Group, EURm)



Impairments and provisions (Group, EURm)



Cost of risk was negative in Q1 2021, **-78 bps**, due to credit risk releases coming from repayment of several exposures or changed credit ratings in Key clients and Restructuring and Workout, and a number of smaller ones. Cost of risk in 2021 is now **expected to outperform the current outlook range** (70-90 bps); including potential one-off effects.

Material non-performing exposure that was restructured in 2014, and was classified as non-performing, was repaid on 23 April 2021. The effect on NLB Group will be a reduction of non-performing loans in the amount of EUR 40.8 million and a positive valuation impact of EUR 14.6 million in the income statement.

In Q1 **NPL inflow** was within the planned framework. More than half of the NPL inflow was observed in retail segment, while from geographical perspective, almost a third of new NPLs derived from Serbia (consolidation with NLBG rating methodology in newly acquired bank).

NPL ratio remained at last year's level at 3.5%, as well as **NPE ratio** at 2.3%.

Coverage ratio reduced at the end of 2020 due to recognition of loans from KB at fair value.

Asset Quality – NLB Group

High % of Stage 1 Loan portfolio (measured at amortized cost & FVTPL)

Credit portfolio⁽¹⁾ by Stage (Group, 31 Mar 2021, EURm)

(EURm)	Stage1			Stage2			Stage3 & FVTPL			Stage1		Stage2		Stage3 & FVTPL	
	Credit portfolio	Share of Total	YTD change	Credit portfolio	Share of Total	YTD change	Credit portfolio	Share of Total	YTD change	Provision Volume	Provision Coverage	Provision Volume	Provision Coverage	Provisions & FV changes	Coverage with provisions and FV changes
Total NLB Group	12,736.8	92.3%	86.0	576.7	4.2%	16.7	482.2	3.5%	6.5	75.7	0.6%	37.3	6.5%	270.7	56.1%
o/w Corporate	4,208.4	84.0%	72.8	436.2	8.7%	9.4	362.6	7.2%	4.0	48.4	1.1%	29.0	6.7%	210.0	57.9%
o/w Retail	4,866.5	94.9%	87.2	140.5	2.7%	7.2	119.7	2.3%	2.5	25.8	0.5%	8.3	5.9%	60.8	50.8%
o/w State	2,977.7	100.0%	-312.4	-	-	-	-	-	-	1.2	0.0%	-	-	-	-
o/w Institutions	684.3	100.0%	238.5	-	-	-	-	-	-	0.3	0.1%	-	-	-	-

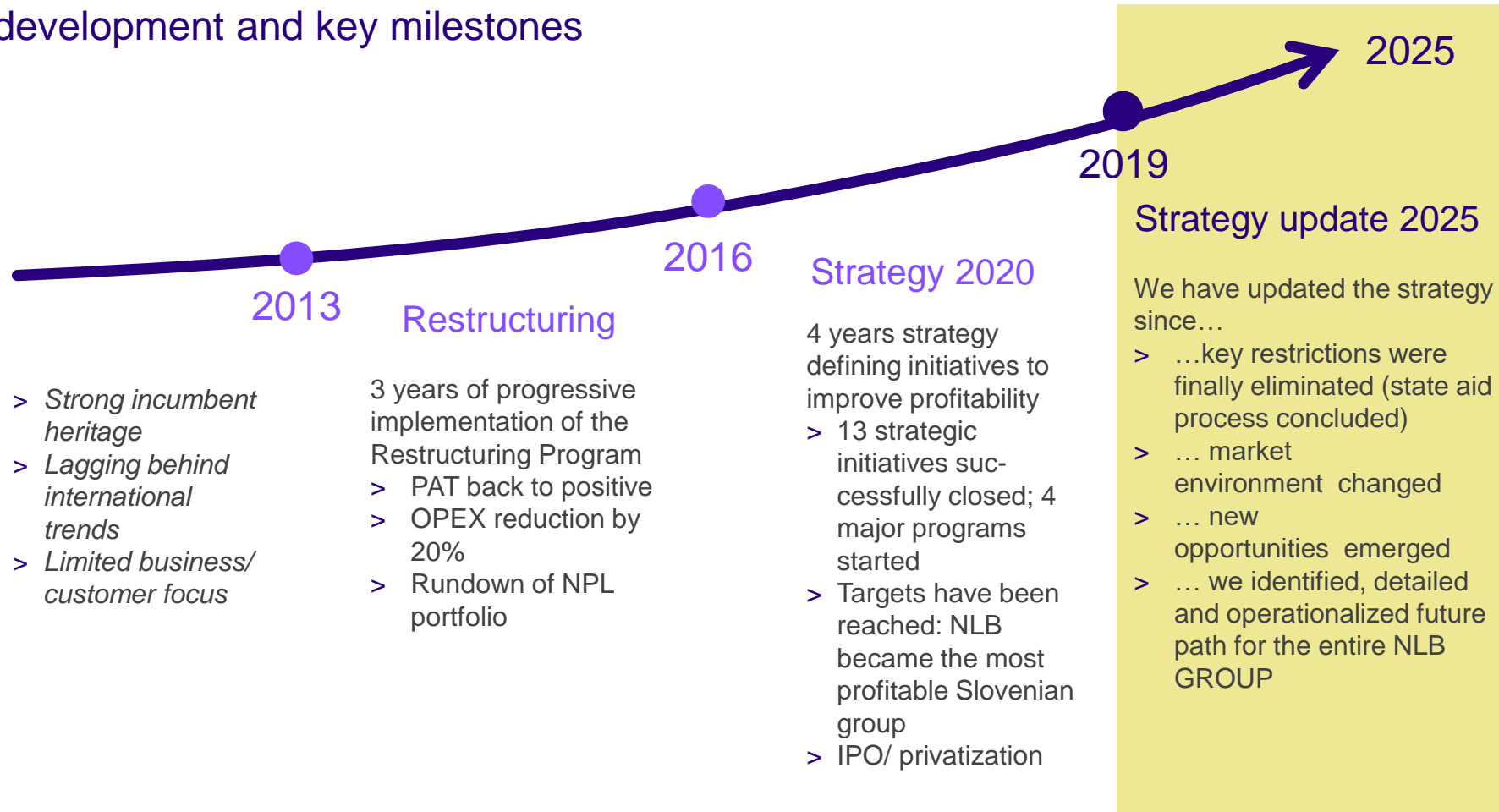


Strategy & ESG



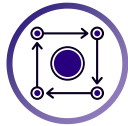
NLB went through difficult times – and the new strategy is now able to focus on entire NLB Group

Historical development and key milestones



We are a successful, geographical niche player with strong foundations to build on

Foundations to benefit from



Strong market positions

Above 10% market share in 5/6 countries with high entry barriers. Wide coverage and accessibility



Regional roots

The only cross-regional player with local HQ: market knowledge and image



Positive brand perception at subsidiaries

High brand equity (except for Slovenia, due to the turbulences in the past years)



Recent successes, local innovation

Good recent performance, acknowledged innovations (digital) in Slovenia



Untapped opportunities

Plentiful untapped potential to be exploited in various market segments and in operations

Track record of innovation

The pioneer of banking innovation in Slovenia



First Slovenian bank enabling **24/7 opening of personal account** and the only bank with **full digital signing** of documents in **M-bank**



First Slovenian bank sending cards' **PIN via SMS**



First Slovenian bank to launch **chat and video call** functionalities and the only bank with **multichannel 24/7 support**



Only bank with **fully mobile express loan capabilities** (Consumer & SME)



First Slovenian bank to offer **card management** functionalities and biometric recognition to **confirm online purchases** in **mobile wallet**

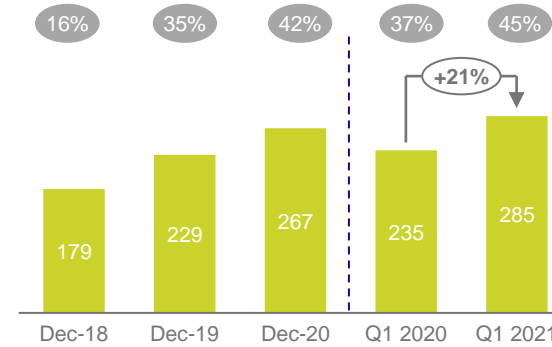


M-bank Klikin is **top-ranked financial app** on Google Play

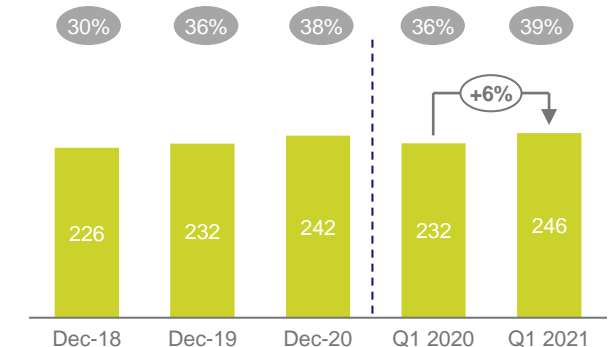


Demonstrated success in moving to digital

Mobile bank users⁽¹⁾ ('000s)

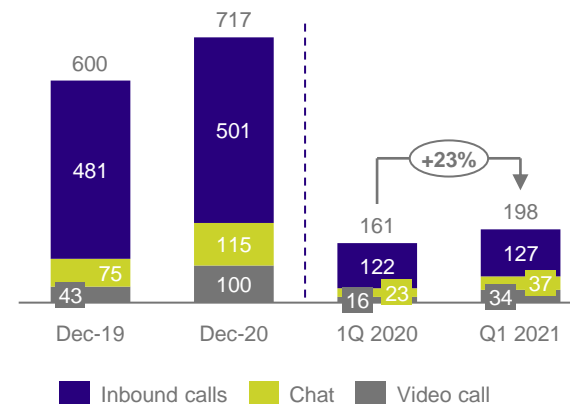


Online bank users⁽¹⁾ ('000s)

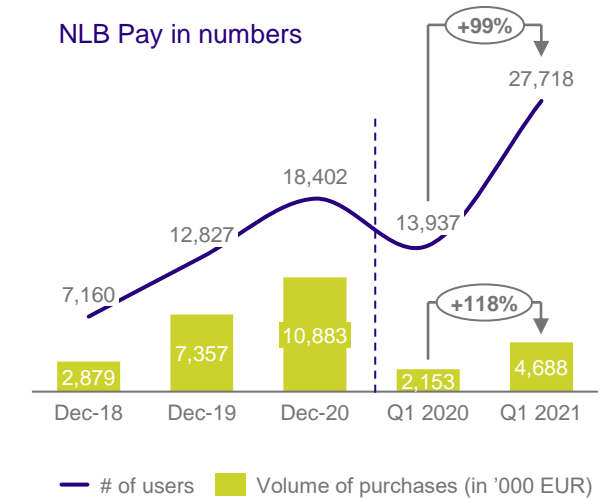


% Penetration of client base

Contact Centre contacts ('000s)



NLB Pay in numbers



2020 Sustainability Performance Highlights (1/2)

NLB Group embarked on the path of intensive integration of sustainability into its operations, so in 2020 we prepared an extensive sustainability program and first [NLB Group sustainability report](#). In previous years, we issued annual reports on social responsibility.

Sustainability program: NLB Group prepared its first Sustainability program & started developing an extensive Environmental and Social Management System (ESMS) in line with EBRD and MIGA environmental and social requirements.

Sustainability governance: NLB Group started developing sustainability governance (Sustainability Coordinator and ESMS Officers being appointed).

UN Principles for Responsible banking: NLB Group became a signatory to the UN Principles for Responsible banking.

56% of female managers: At the end of the year, women represented 56% of all management positions. 49% of women at the first management level (B-1), 55% of women at the second management level (B-2), 60% of women at the third management level (B-3). Women represent 31% of all Supervisory and Management Board Members.

Helped 274 small local businesses: #HelpFrame project intensively addressed the Bank's environmental and social role in all markets of NLB Group, as our goal is to establish a regional sustainability program. 83 companies from Slovenia are presented through the project and 274 from NLB Group.

Up to 10% lower electricity consumption: We continued with the reduction of electricity consumption, which was 10% lower than in 2019 in NLB d.d. In NLB Group, core members, compared to previous years, the volume did not change drastically, except for Sarajevo and Belgrade, where it decreased between 6 and 9.8%.



2020 Sustainability Performance Highlights (2/2)

Up to 35% lower paper usage: We also continued with paper usage reduction. In NLB d.d., compared to 2019, the amount of paper use decreased by 35% (from 27 to 18 pages per employee per working day). In NLB Group, core members the quantity by individual members decreased between 15 to 23%.

Inclusion and equal opportunities: NLB Group is committed to inclusion and equal opportunities. In 2020 the proportion of staff with disabilities stood at 2%.

6,800 training programs: By the end of the year 4,769 employees participated in standard internal training programs and 2,029 employees participated on external training courses

Non-discrimination: We have a policy of zero tolerance to any form of discrimination and violence. In reporting period, we had 1 incident of discrimination, which was resolved in February 2020 and there has not been any signs of mobbing.

28% vehicles CO2 emissions: Our CO2 emissions, related to the use of company cars and vault vehicles, decreased by 28%.

69% of female employees: At the end of 2020, NLB Group employed 69% of women and 31% of men.

307 new employees: NLB Group hired 307 new employees, of which 39.7% were younger than 30 years, 57% were between 30 and 50 years old, and 3.3% were older than 50 years. Altogether, 42% of the newly employed were men and 58% women. 97% of new hires were hired from local community.

No corruption: The anticorruption policy and procedures were revised in second half of 2020. There were no confirmed cases of corruption in 2020.

International tax standards: The NLB conducts its tax operations in line with the purpose and the requirements of the relevant legislation and in accordance with the international standards (e.g. OECD guidelines).

Q1 2021 Sustainability Main Achievements

NLB Group published its first Sustainability Report for the year 2020 and plans to further develop this report with data-driven approach to the topic.

For the better understanding of the business environment the NLB Group started developing an extensive impact analysis of its portfolios in alignment with the **UNEP FI Principles of Responsible Banking**. The results of the NLB Group impact analysis will enable a better understanding of climate-related and environmental risks and will be implemented into business decisions of the bank.

The NLB Group has established the basis for a comprehensive ESMS (Environmental and Social Management System), based on the contractual agreements with MIGA, and therefore implemented E&S performance standards into its credit-granting process.

Adoption of Environmental and Social Transaction and Methodology Framework in NLB d.d. and NLB Group.

NLB Group has partially incorporated ESG risks as drivers of existing risk categories into its existing risk management framework. However, based on newly defined ESG strategic orientations (activities are in progress and planned to be concluded at YE 2021) further enhancements of managing, monitoring and mitigating of these risks will be performed.

2021 NLB's Sustainability Implementation Roadmap

Sustainability implementation focus	Task	Deadline
CSR	Upgrading CSR activities with UN SDGs	ongoing
Sustainability in finance - regulatory landscape	Gap analysis of expected regulatory requirements from EU with the necessary activities and timelines – presentation to internal public	Jan. 2021
Climate-related and environmental risk management – Credit Risk	Adopting Environmental and Social Credit Policy Framework and Environmental and Social Risk Categorization Methodology Framework	Q1 2021
Sustainable/Green Product Portfolio – Retail	<ul style="list-style-type: none"> ➤ Development and implementation of new digital/green package for young clients ➤ Further upgrade of „Green housing loan“ ➤ Additional reducing of paper documentation, proactively encouraging the use of digital channels ➤ Humanitarian organizations exempt from paying commission 	Q1 2021
Sustainable/Green Product Portfolio – Corporate	<ul style="list-style-type: none"> ➤ Development and implementation of „Sustainable loan for legal entities“ ➤ Proactively encouraging the use of digital channels 	Q2 2021
Investments in sustainable/green securities	Green bonds analysis & addressing possible moves into listed and unlisted funds in the area of green infrastructure investments	Q2 2021
Business Strategy	Upgrading business strategy with UN SDGs and ESG factors orientation	Q2 2021
MIGA	Implementation of the MIGA E&S Standards together with E&S management system	August 2021
UN PRB	Step 1: Impact Analysis (materiality matrix included)	Sept. 2021
UN PRB	Step 2: Target Setting & Implementation (5-year targets for 8 sustainability pillars included)	Dec. 2021
ESG disclosures and reporting	Implementation of ECB climate-related and environmental disclosures and reporting guidelines	Dec. 2021
Climate-related and environmental risk management – Global Risk	Implementation of requirements defined in ECB Guide on climate-related and environmental risks in NLB Group Risk Management Framework in cooperation with Strategy, CMO and Credit Risk	Dec. 2021
Sustainability Corporate Governance	Establishment of the NLB Sustainability Corporate Governance model	Dec. 2021
The EQUATOR Principles	Decision on becoming a signatory of the EQUATOR Principles	Dec. 2021
UN PRB	Step 3: Reporting and accountability	Feb. 2022
EBRD	EBRD E&S requirements implemented	April 2023



Digital Transformation



NLB's Digital Journey to provide a backbone for Channel Strategy

Selected Key Pillars to deliver Channel strategy:



Decrease physical footprint ⇒ *Decrease N° of branches*



In branches upgrade quality of advice and value adding service
⇒ *Decrease of cash transactions*



Increase penetration of digital channels ⇒ *Mobile penetration rate*

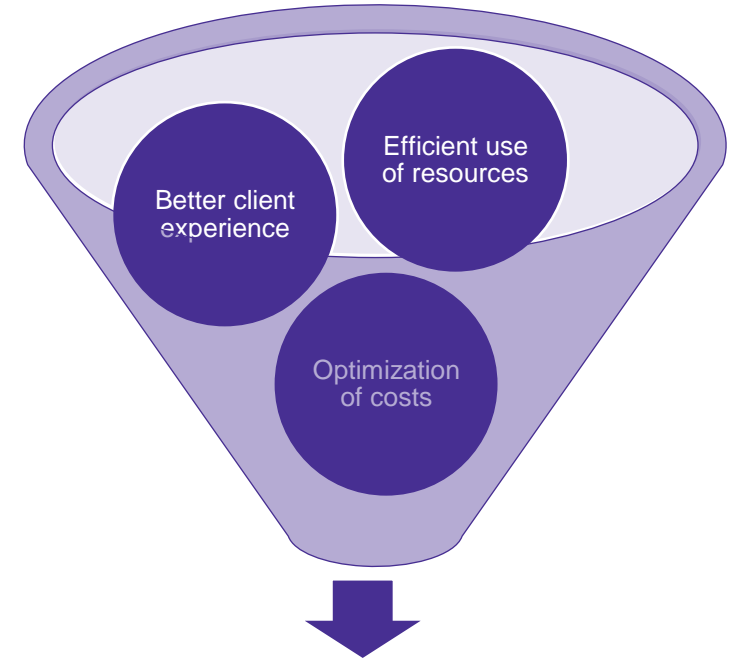


Proactively moving sales of simpler products to digital channels and contact center ⇒ *N° of sold products through CC*



Enhance contact center's capabilities to support increased digital sales and contracting for simpler products

- The presented Channel Strategy is for domestic market as Channel Strategy for subsidiary banks is being prepared.
- Strategic foreign markets where NLB currently operates are specific and each market requires customised approach and targets on delivering same set of KPIs.
- Client needs and expectations are considered together with differences in each market position of subsidiary bank.

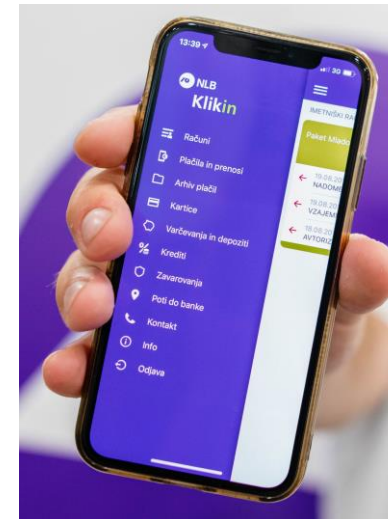
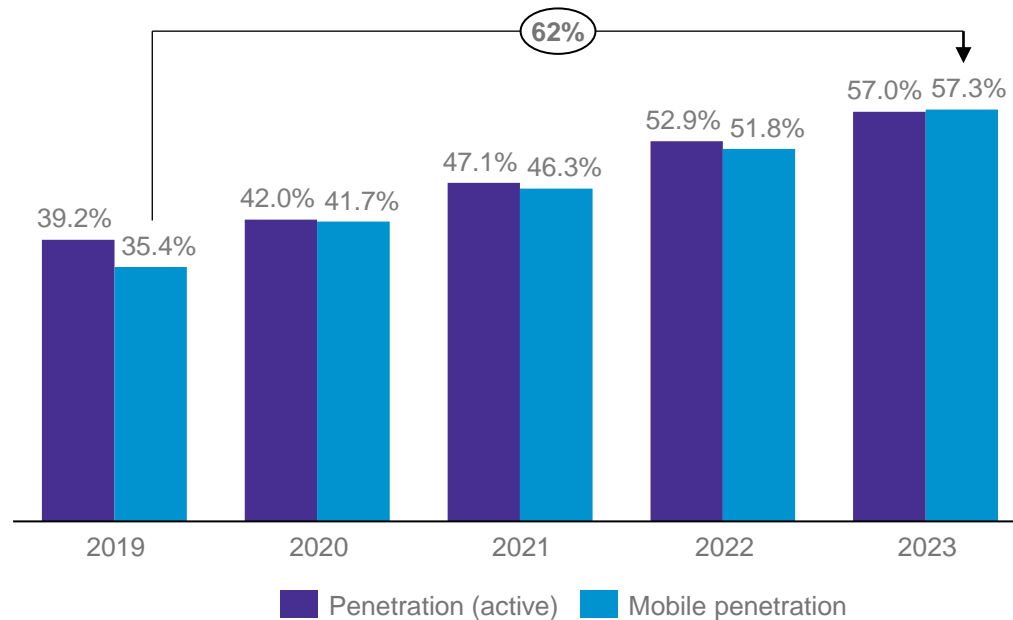


Through improved value proposition for our clients we are increasing value for our shareholders

Increasing digital adoption – benefits for clients and for bank

- Mobile penetration⁽¹⁾ is based on convenience and added functionalities expected to outgrow digital penetration in the next few years. **Mobile penetration increased 6,3 percentage points in 2020** based on 2019 and **additional 3,4 percentage points in 1Q2021**.
- Growth in 2021 and beyond should be stimulated by new digital bank switch to digital users (no more web vs. mobile as new digital offering should be launched by the year end 2021).
- We expect importance of digital channels to increase and not only by increase of demand to contract but also through contract via digital.

Digital penetration



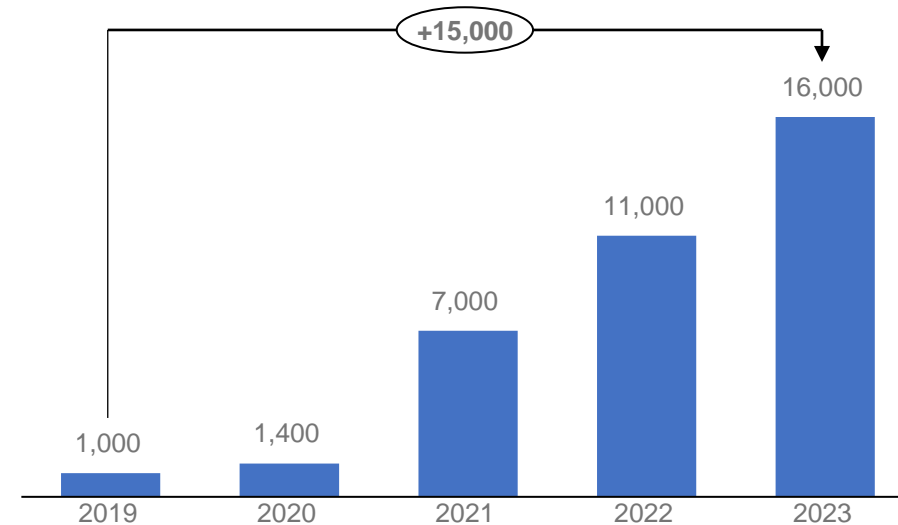
Contact Center – to support digital transformation and to become a strong sales channel for simple products

Functional and empowered **Contact center** enables the bank:

- To be available **24/7/365**,
- Increase **Cross & Up-sell and sale conversion rates** on out- and inbound contacts,
- To build a strong outbound capacity,
- Enhance on-boarding with opening business account via **Video call and automation of the process** for opening personal account via Video call



of sold products (contracts)

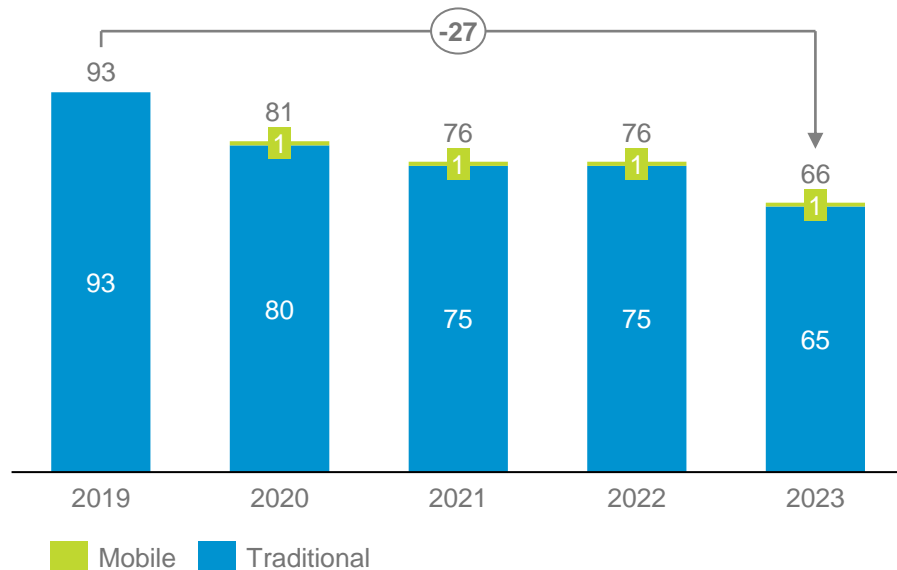


Branch Network – optimisation of footprint and redirecting of clients

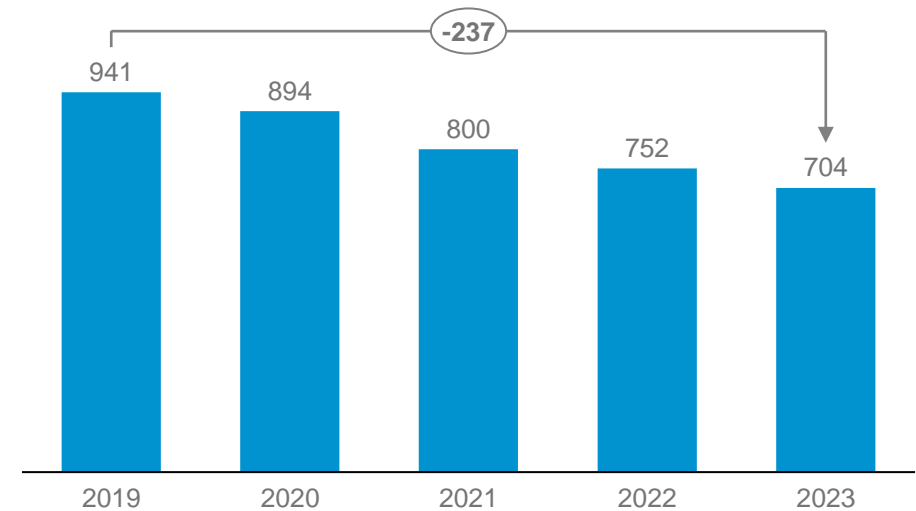
We have identified two key tasks with optimisation of branch network:

- 1. Further reduce branch network** – savings on headcount reduction to be partly reinvested to digital solutions, training and education of branch staff, enhancing contact centre capabilities and additional remuneration.

of branches in Slovenia



of employees in branches in Slovenia



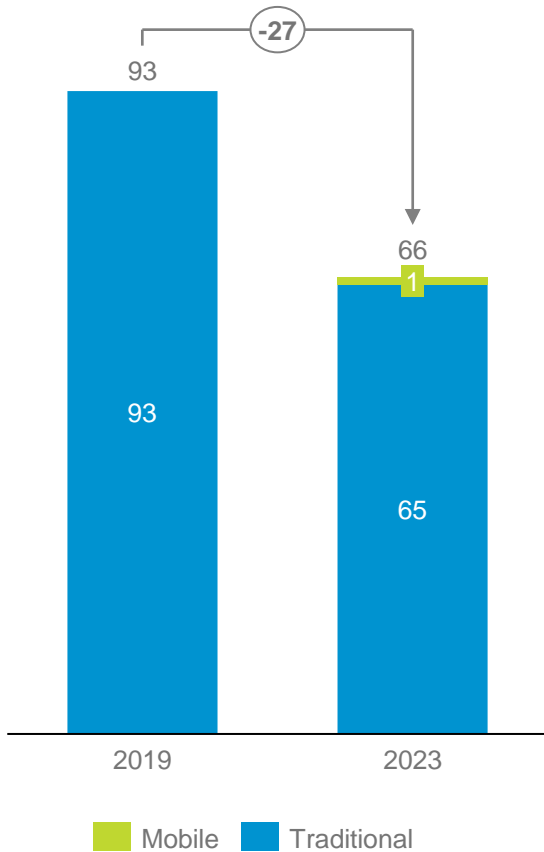
- 2. Increase number and qualification of personnel** that can offer value added service for clients:

- Through employee education, licensing and training
- Increasing sales of products with higher value added (personal finance management, asset management, insurance products and also housing loans)

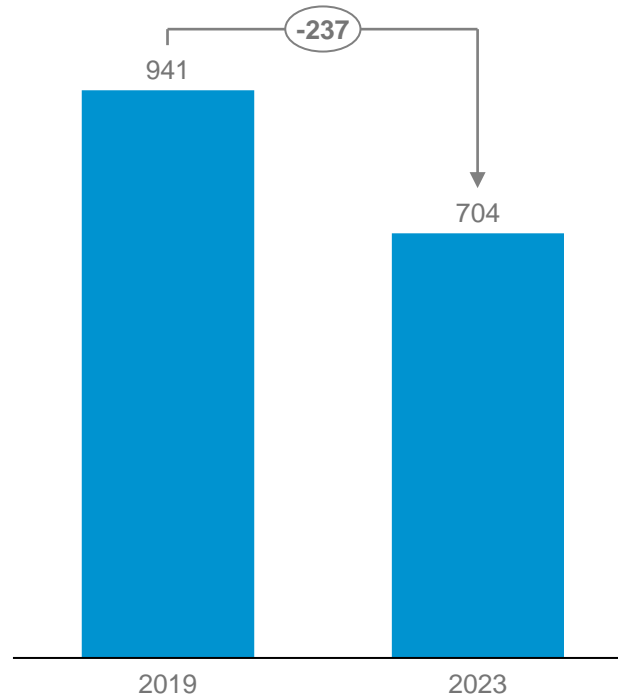


NLB's Digital Journey: Summary of KPI's

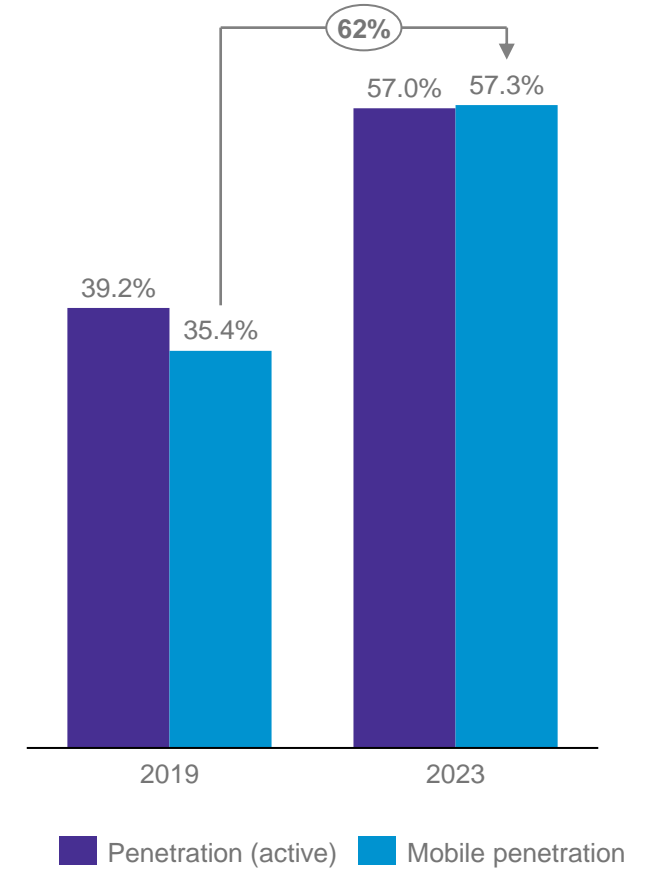
of branches in Slovenia



of employees in branches in Slovenia



Digital penetration





Outlook

Outlook

1Q 2021

2021

2023

Regular income	EUR 154 million	Exceeding EUR 600 million	Exceeding EUR 700 million
Costs	EUR 96.6 million	Initial increase in cost base in the year 2021, costs projected around EUR 430 million including restructuring charges.	Costs below EUR 400 million
CoR	- 78 bps	70-90 bps (including potential one-offs expected to outperform CoR guidance)	40-60 bps
Loan growth	2% YtD	Mid-single digit loan growth	High single-digit CAGR 2021-2023
Dividend	n.a.	EUR 92.2 million	Cummulative more than EUR 300 million in 2021-2023
ROE	13.0 % (a.t.)	High single digit	> 10% (RORAC ⁽¹⁾ > 12%)

Appendixes

Appendix 1: Segment Analysis	53
Appendix 2: Macro Overview	65
Appendix 3: Financial Statements	78

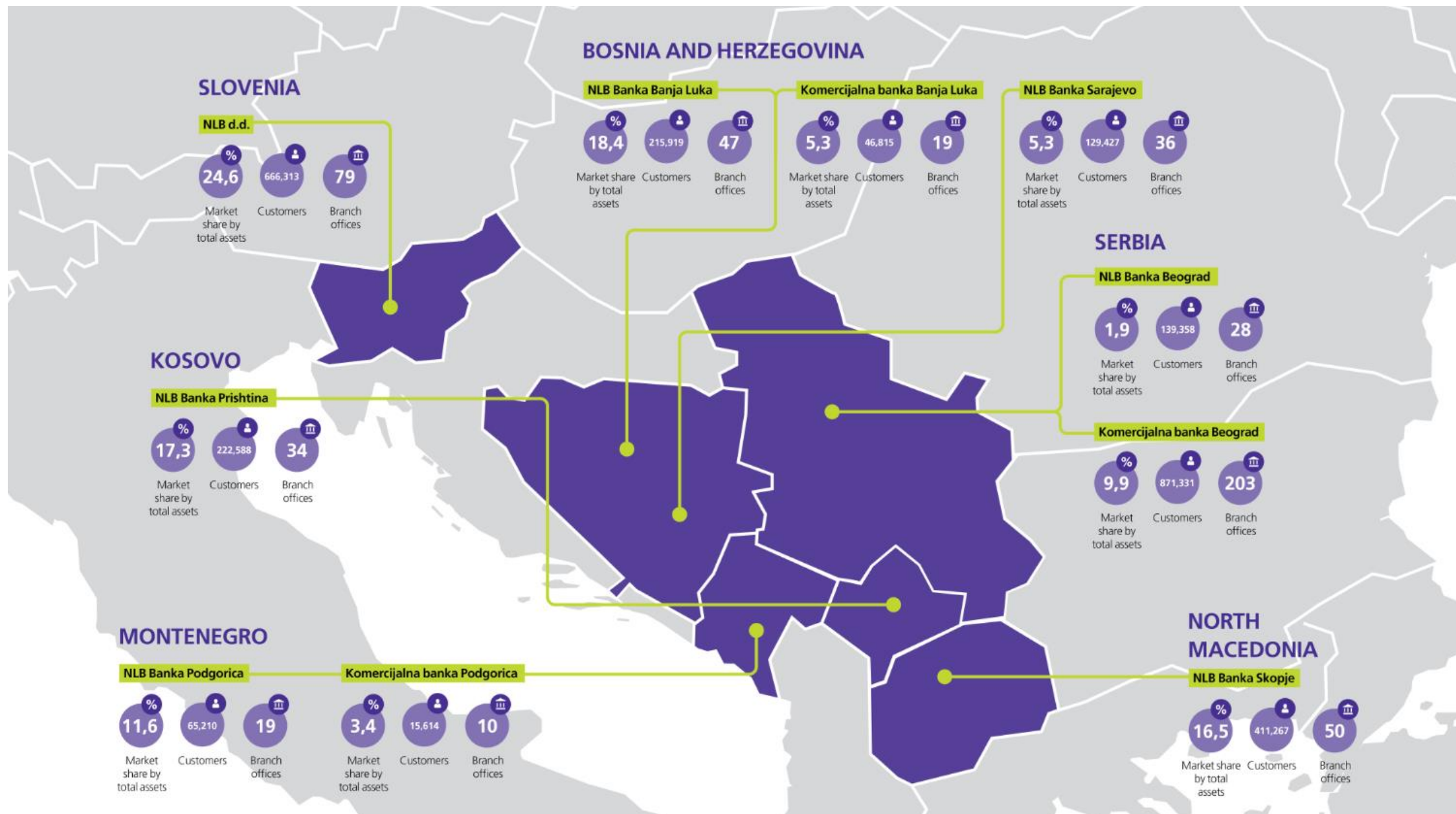




Appendix 1

Segment Analysis

Acquisition in Our Home Market



NLB Group business segments

	Retail banking in Slovenia	Corporate and investment banking in Slovenia	Strategic foreign markets	Financial markets in Slovenia	Non-core members
	Retail Micro NLB Skladi Bankart⁽¹⁾ NLB Lease&Go (retail clients)	Key corporates SME corporates Cross Border corporates Investment banking and custody Restructuring&workout NLB Lease&Go (corporate clients)	NLB Banka, Skopje NLB Banka, Banja Luka NLB Banka, Sarajevo NLB Banka, Prishtina NLB Banka, Podgorica NLB Banka, Beograd Komercijalna Banka, Beograd Komercijalna Banka, Banja Luka Komercijalna Banka, Podgorica Kombank INvest, Beograd	Treasury activities Trading in financial instruments Asset and liabilities management (ALM)	REAM Leasing (except NLB Lease&Go) NLB Srbija NLB Crna Gora
	<ul style="list-style-type: none"> • Largest retail banking group in Slovenia by loans and deposits. • #1 in private banking and asset management • Focused on upgrading customer digital experience and satisfaction 	<ul style="list-style-type: none"> • Market leader in corporate banking with focus on advisory and long-term strategic partnerships • Market leader in Investment Banking and Custody services • Regional know-how and experience in Corporate Finance and #1 lead organiser for syndicated loans in Slovenia • Strong trade finance operations and other fee-based business • Market leader at FX and interest rate hedges 	<ul style="list-style-type: none"> • Leading SEE franchise with nine subsidiary banks and one investment fund company • The only international banking group with exclusive focus on the SEE region 	<ul style="list-style-type: none"> • Maintaining stable funding base • Management of well diversified liquidity reserves • Managing interest rate positions with responsive pricing policy 	<ul style="list-style-type: none"> • Assets booked non-core subsidiaries funded via NLB • Controlled wind-down of remaining assets, including collection of claims, liquidation of subsidiaries and sale of assets
(Mar 2021, in EURm)					
Profit b.t.	15.8	21.3	34.5	2.8	-0.9
Total assets	2,544	2,099	9,431	5,373	125
% of total assets ⁽²⁾	13%	11%	47%	27%	1%
CIR	64.0%	50.1%	61.6%	35.2%	285.8%
Cost of risk (bp)	-12	-212	116	/	-704

Retail Banking in Slovenia

in EUR million
consolidated

Retail Banking in Slovenia

	1-3 2021	1-3 2020	Change YoY		Q1 2021	Q4 2020	Q1 2020	Change QoQ
Net interest income	19.0	21.3	-2.3	-11%	19.0	19.5	21.3	-3%
Net interest income from Assets ⁽ⁱ⁾	19.6	19.8	-0.2	-1%	19.6	20.0	19.8	-2%
Net interest income from Liabilities ⁽ⁱ⁾	-0.6	1.5	-2.1	-	-0.6	-0.5	1.5	-9%
Net non-interest income	22.7	18.6	4.1	22%	22.7	22.4	18.6	1%
o/w Net fee and commission income	21.8	19.3	2.6	13%	21.8	21.7	19.3	1%
Total net operating income	41.7	39.9	1.7	4%	41.7	41.9	39.9	-1%
Total costs	-26.6	-28.6	1.9	7%	-26.6	-30.1	-28.6	11%
Result before impairments and provisions	15.0	11.4	3.7	32%	15.0	11.8	11.4	27%
Impairments and provisions	0.7	-4.6	5.3	-	0.7	-6.1	-4.6	-
Net gains from investments in subsidiaries, associates, and JVs ¹	0.1	0.2	-0.1	-40%	0.1	0.0	0.2	-
Result before tax	15.8	7.0	8.8	126%	15.8	5.7	7.0	177%

	31 Mar 2021	31 Dec 2020	31 Mar 2020	Change YtD		Change YoY	
Net loans to customers	2,463.1	2,415.4	2,357.4	47.7	2%	105.7	4%
Gross loans to customers	2,497.9	2,450.7	2,387.5	47.2	2%	110.4	5%
Housing loans	1,581.8	1,534.7	1,435.4	47.1	3%	146.3	10%
Interest rate on housing loans	2.40%	2.51%	2.51%	-0.11 p.p.		-0.11 p.p.	
Consumer loans	648.0	651.7	679.6	-3.7	-1%	-31.5	-5%
Interest rate on consumer loans	6.64%	6.43%	6.35%	0.21 p.p.		0.29 p.p.	
Other	268.0	264.3	272.5	3.7	1%	-4.4	-2%
Deposits from customers	7,495.4	7,356.8	6,618.3	138.6	2%	877.1	13%
Interest rate on deposits	0.03%	0.04%	0.05%	-0.01 p.p.		-0.02 p.p.	
Non-performing loans (gross)	52.3	52.4	43.0	-0.1	0%	9.3	22%

	1-3 2021	1-3 2020	Change YoY
Cost of risk (in bps)	-12	77	-89
CIR	64.0%	71.6%	-7.6 p.p.
Interest margin	1.54%	1.91%	-0.37 p.p.

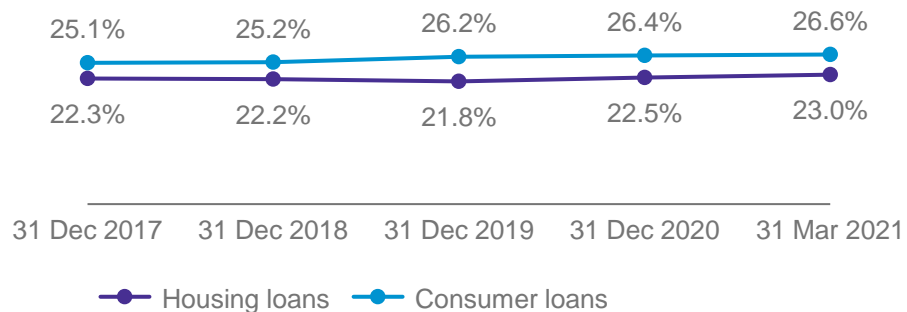
⁽ⁱ⁾ Net interest income from assets and liabilities with the use of FTP.

- The segment's **profit before tax** amounted to EUR 15.8 million, EUR 8.8 million increase YoY; this increase is mostly related to higher impairments for credit losses in Q1 2020 due to COVID-19 outbreak and lower costs.
- Net interest income** was 11% lower YoY. Due to the overliquidity of the Bank, the policy to de-stimulate the deposit collection triggered the retail deposits margin after transfer price (FTP) reduction in the amount of EUR 2.1 million YoY. The interest income from loans to individuals was EUR 0.2 million lower YoY due to lower interest margin and lower portfolio of consumer loans and overdrafts, which was partially compensated with higher volumes of housing loans despite higher volumes. From 2020 on, the COVID-19 outbreak affected the new production of loans to individuals, as well as a change of legislation in the last quarter of 2019 that tightened the measures in consumer and housing lending. Despite that and as a result of several activities (marketing campaigns, individualised preapproved loan campaigns, and process improvements), consumer lending has not recorded a more substantial drop (EUR 3.7 million YtD and a EUR 31.5 million YoY decrease), while the production of new housing loans was EUR 51.2 million higher compared to Q1 2020 (Q1 2021: EUR 106.2 million). Housing loans recorded an increase in the portfolio (EUR 47.1 million YtD and EUR 146.3 million YoY), also as a result of intensive marketing campaigns and changes in pricing policy. A decrease of balances was recorded in the portfolio of overdrafts (EUR 17.6 million YoY), while cards recorded a slight increase (EUR 5.3 million YoY).
- The segment recorded the **net non-interest income** of EUR 22.7 million, a EUR 4.1 million (22%) increase YoY, mostly due to higher net fee and commission income (EUR 2.6 million or 13%) related mostly to package repricing and higher net fees from asset management.
- Lower costs by EUR 1.9 million (7%), due to lower employee costs (lower no. of employees) and lower G&A costs (optimized cash handling, paperless project).
- Net impairments and provisions** were released in the amount of EUR 0.7 million, while in Q1 2020 additional credit impairments and provisions related to the COVID-19 outbreak were established.
- Deposits from customers** increased by EUR 138.6 million (2%) YtD and EUR 877.1 million (13%) YoY, due to lower consumption and social transfers related to COVID-19 outbreak.
- Exposures subject to COVID-19 moratorium were concluded in the amount of EUR 124.9 million (4.9 % of the total retail exposure).

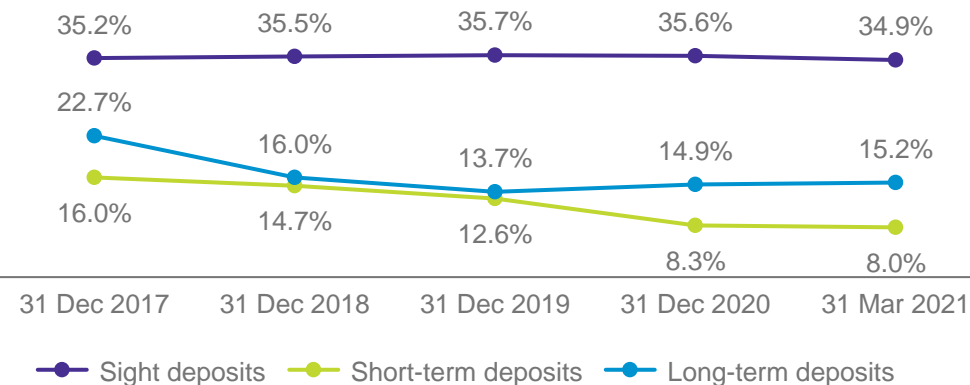
Retail banking in Slovenia

High and stable market shares across products

Market share of net loans to individuals in Slovenia

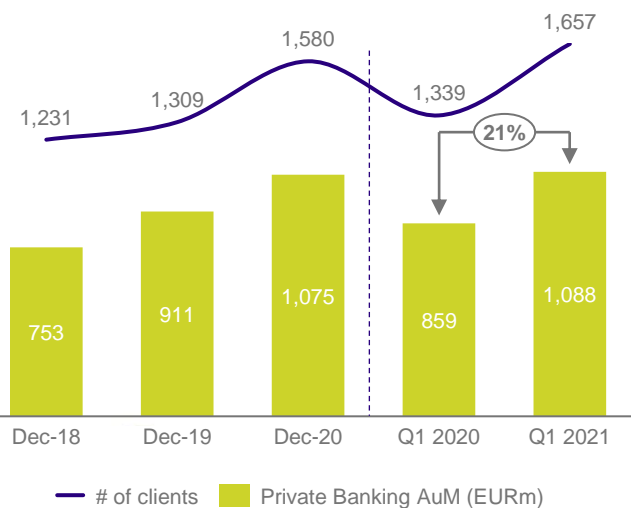


Market share of deposits from individuals in Slovenia

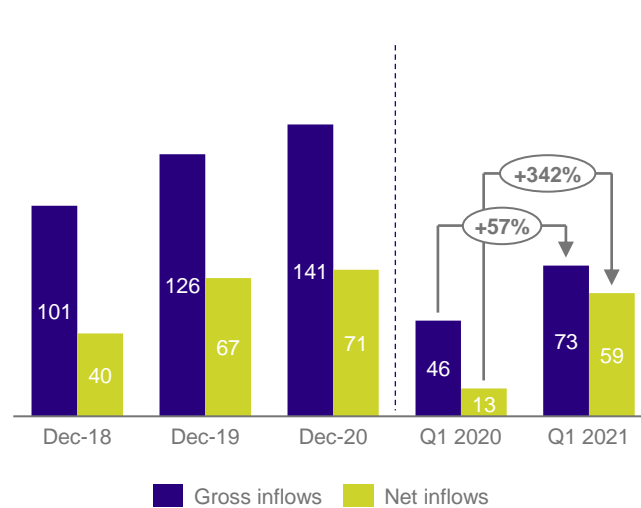


Upside from fee generating products

NLB Private banking offering



NLB Skladi mutual funds inflows (EURm)



- Further extending set of products and services offered to clients using digital channels, among them also Contact Centre becoming a sales channel. M-wallet NLB Pay enables confirmation of online purchases thus replacing SMS OTP authentication.
- #1 player in Private Banking⁽¹⁾
 - Leading position being strengthened by reaching an important milestone of over EUR 1 billion of assets under management.
- # 1 player in Slovenian asset management⁽²⁾
 - AuM of 1,771.5 EURm as of 31 March 2021 including investments in mutual funds and discretionary portfolios
 - Market share of NLB Skladi at mutual funds in Slovenia equals 35.7% as of 31 March 2021
- Bankassurance business
 - Life: selling Vita insurance products
 - Non-life: beside Vita insurance products also partnership with #2 non-life company Generali

Corporate and Investment banking in Slovenia

in EUR million
consolidated

Corporate and Investment Banking in Slovenia

	1-3 2021	1-3 2020	Change YoY	Q1 2021	Q4 2020	Q1 2020	Change QoQ	
Net interest income	9.0	9.4	-0.4	-4%	9.0	8.4	9.4	7%
Net interest income from Assets ⁽ⁱ⁾	10.2	9.7	0.4	4%	10.2	9.6	9.7	6%
Net interest income from Liabilities ⁽ⁱ⁾	-1.2	-0.4	-0.8	-	-1.2	-1.2	-0.4	1%
Net non-interest income	11.7	10.9	0.9	8%	11.7	10.6	10.9	10%
o/w Net fee and commission income	9.5	8.7	0.7	9%	9.5	8.4	8.7	13%
Total net operating income	20.7	20.2	0.5	2%	20.7	19.0	20.2	9%
Total costs	-10.4	-10.5	0.1	1%	-10.4	-11.3	-10.5	8%
Result before impairments and provisions	10.3	9.7	0.6	6%	10.3	7.8	9.7	33%
Impairments and provisions	11.0	-9.7	20.7	-	11.0	15.8	-9.7	-30%
Result before tax	21.3	0.0	21.3	-	21.3	23.5	0.0	-9%

	31 Mar 2021	31 Dec 2020	31 Mar 2020	Change YtD	Change YoY
Net loans to customers	2,103.3	2,047.1	2,168.8	56.2	3%
Gross loans to customers	2,217.4	2,167.5	2,287.5	49.9	2%
Corporate	2,066.9	2,006.4	2,124.0	60.5	3%
Key/SME/Cross Border Corporates	1,875.2	1,827.6	1,962.4	47.7	3%
Interest rate on Key/SME/Cross Border Corporates loans	1.80%	1.79%	1.82%	0.01 p.p.	-0.02 p.p.
Investment banking	0.1	0.2	0.2	-0.1	-38%
Restructuring and Workout	164.4	160.8	161.4	3.6	2%
NLB Lease&Go	27.1	17.8	9.3	52%	-
State	150.2	160.7	163.1	-10.5	-7%
Interest rate on State loans	3.34%	2.20%	3.24%	1.14 p.p.	0.10 p.p.
Deposits from customers	1,558.0	1,487.4	1,203.5	70.5	5%
Interest rate on deposits	0.04%	0.06%	0.07%	-0.02 p.p.	-0.03 p.p.
Non-performing loans (gross)	154.2	156.0	145.5	-1.8	-1%

	1-3 2021	1-3 2020	Change YoY
Cost of risk (in bps)	-212	185	-396
CIR	50.1%	51.9%	-1.8 p.p.
Interest margin	1.91%	2.19%	-0.27 p.p.

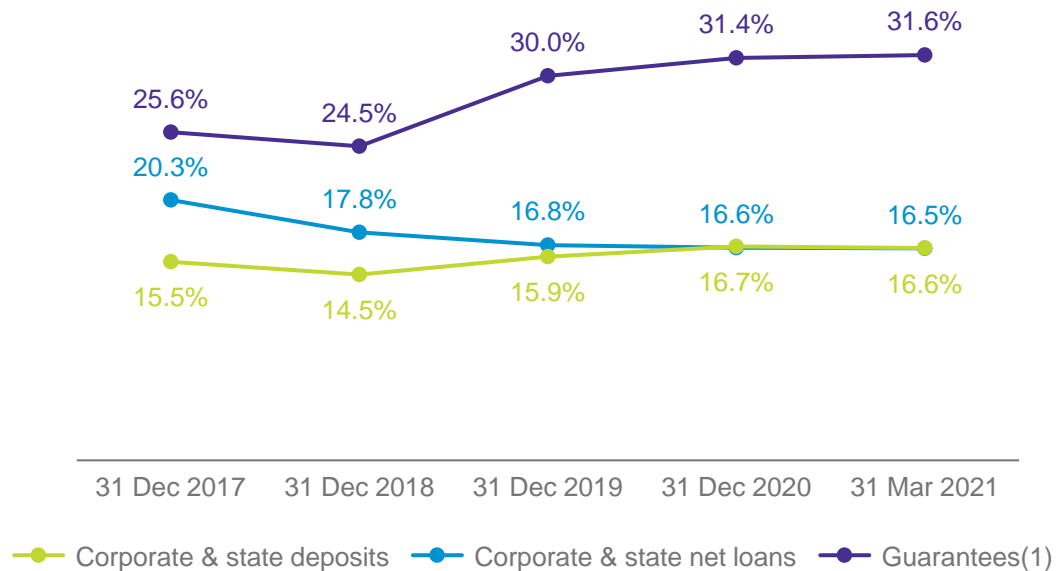
⁽ⁱ⁾ Net interest income from assets and liabilities with the use of FTP.

- The segment's **profit before tax** was EUR 21.3 million, while a year before it was close to 0. The lower result last year was due to establishment of credit impairments and provisions related to COVID-19 outbreak. The **profit before impairments and provisions** recorded 6% increase YoY, mostly due to increased net fee and commission income.
- Net interest income** decreased by EUR 0.4 million YoY. Due to overliquidity of the Bank, the policy to de-stimulate the deposit collection triggered the corporate and state deposits margin after transfer price (FTP) reduction in the amount of EUR 0.8 million YoY. The interest income from loans to corporate and state was EUR 0.3 million higher YoY due to a slightly higher interest margin but lower average loan volume. Despite that, the volume of loans to corporate increased by EUR 60.5 million YtD, mostly due to increased volumes to Cross-border corporates and NLB Lease&Go.
- Net fee and commission income** recorded 9% increase YoY, mostly due to higher deposit fee for high balances.
- Total costs** stayed on the same level YoY.
- Net impairments and provisions** were released in the amount of EUR 11.0 million due to repayment of several exposures and changes in credit ratings. Substantial establishment in Q1 2020 was related to the COVID-19 outbreak.
- The **Investment Banking and Custody** recorded non-interest income in the amount of EUR 3.1 million and decreased by EUR 0.1 million YoY. The total value of assets under custody increased to EUR 16.4 billion (2020 YE: EUR 16.2 billion).
- Exposures subject to COVID-19 moratorium in the segment of Non-financial corporations were concluded in the amount of EUR 428.5 million (22.0 % of the total corporate exposure).

Corporate & Investment Banking in Slovenia

High market shares across products

Market shares - evolution and position on the market



- Largest bank in the country with high capacity to lend to and service large clients serving over 9,000 corporate clients as of 31 March 2021.
- Digital transformation is bringing new opportunities for addressing customers and adaptation of sales channels.
- Competitive advantage in SME market due to largest branch network fueled the growth in Mid Corporate and Small Enterprises.
- Investment Banking being successful organizer of syndicated loans, and organizer of issuance of instruments on debt capital markets.

Strong local corporate fee business, across merchant acquiring, investment banking and custody services

13.8 k
POS terminals

38.2% market share
in merchant acquiring

EUR 16.5 bn
assets under custody

Strategic Foreign Markets

in EUR million
consolidated

Strategic Foreign Markets

	1-3 2021	1-3 2020	Change YoY			Q1 2021	Q4 2020	Q1 2020	Change QoQ
			o/w KB contribution						
Net interest income	63.3	39.8	23.5	24.0	59%	63.3	40.1	39.8	58%
Interest income	72.0	46.0	26.0		57%	72.0	45.6	46.0	58%
Interest expense	-8.8	-6.2	-2.6		-4%	-8.8	-5.5	-6.2	-6%
Net non-interest income	21.6	13.0	8.6	8.9	66%	21.6	10.4	13.0	101%
o/w Net fee and commission income	23.3	13.3	10.0	9.8	75%	23.3	14.7	13.3	58%
Total net operating income	84.9	52.8	32.0	32.8	61%	84.9	188.4	52.8	-55%
Total costs	-52.3	-27.6	-24.7	-24.2	-90%	-52.3	-29.2	-27.6	-79%
Result before impairments and provisions	32.6	25.3	7.3		29%	32.6	159.2	25.3	-89%
Impairments and provisions	1.9	-13.9	15.8	-0.5	-	1.9	-25.9	-13.9	-
Negative goodwill (KB)	0.0				-		137.9		-
Result before tax	34.5	11.3	23.1	8.2	-	34.5	133.3	11.3	-74%
o/w Result of minority shareholders	3.8	1.2	2.6	1.4	-	3.8	-1.1	1.2	-

	31 Mar 2021	31 Dec 2020	31 Mar 2020	Change YtD		Change YoY	
Net loans to customers	5,144.3	5,052.4	3,086.7	92.0	2%	2,057.7	67%
Gross loans to customers	5,329.5	5,234.8	3,232.9	94.7	2%	2,096.5	65%
Individuals	2,647.6	2,592.9	1,632.3	54.7	2%	1,015.3	62%
Interest rate on retail loans	6.00%	6.28%	6.48%	-0.28 p.p.		-0.48 p.p.	
Corporate	2,486.9	2,443.7	1,494.8	43.2	2%	992.1	66%
Interest rate on corporate loans	3.95%	4.15%	4.29%	-0.20 p.p.		-0.34 p.p.	
State	195.0	198.1	105.9	-3.2	-2%	89.1	84%
Interest rate on state loans	3.33%	3.53%	3.34%	-0.20 p.p.		-0.01 p.p.	
Deposits from customers	7,678.3	7,552.2	3,825.7	126.1	2%	3,852.6	101%
Interest rate on deposits	0.44%	0.43%	0.48%	0.02 p.p.		-0.03 p.p.	
Non-performing loans (gross)	202.9	195.0	111.5	7.8	4%	91.3	82%

	1-3 2021	1-3 2020	Change YoY
Cost of risk (in bps)	116	181	-65
CIR	61.6%	52.1%	9.4 p.p.
Interest margin	2.85%	3.43%	-0.58 p.p.

- The segment's **profit before tax** was EUR 34.5 million, of which EUR 8.2 million from Komercijalna Banka group. The main YoY difference in impairments and provisions established in Q1 2020 due to the COVID-19 outbreak and released in the net amount of EUR 1.9 million in Q1 2021.
- Net interest income** slightly lower YoY (EUR 0.5 million without Komercijalna Banka group contribution) due to a lower interest margin and despite higher volumes.
- Net non-interest income** decreased by EUR 0.3 million YoY without Komercijalna Banka group contribution, while net fee and commission income slightly increased (EUR 0.1 million).
- Total costs** were slightly increasing in bank members. Cost to income ratio below 50% was achieved by NLB Banka, Prishtina (33.4%), NLB Banka, Skopje (44.1%) and NLB Banka, Banja Luka (48.3%).
- Net impairments and provisions** released in the amount of EUR 1.9 million, while establishment of EUR 13.9 million in Q1 2020, mostly related to COVID-19 outbreak.
- Gross loans to customers** increased by EUR 94.7 million (2%) YtD due to an increase in gross loans in most of the subsidiary banks; the largest YtD increases were recorded in Komercijalna Banka, Beograd (EUR 41.1 million or 3%), NLB Banka, Sarajevo (EUR 19.7 million or 5%), and NLB Banka, Podgorica (EUR 10.7 million or 3%).
- Deposits from customers** increased by EUR 126.1 million YtD, due to increase in all banks, except NLB Banka, Beograd.
- In the Strategic Foreign Markets, various moratorium schemes were implemented (opt-in, opt-out), the total amount of moratorium outstanding was EUR 1,758.8 million. Moratorium maturity is normally 3-6 months. Furthermore, additional liquidity by granting new loans to help with the specific situation due to COVID-19 crisis was approved with outstanding amount of EUR 88.4 million.

Financial Markets in Slovenia

in million EUR
consolidated

Financial Markets in Slovenia

	1-3 2021	1-3 2020	Change YoY		Q1 2021	Q4 2020	Q1 2020	Change QoQ
Net interest income	6.1	6.5	-0.5	-7%	6.1	6.6	6.5	-8%
o/w ALM ⁽ⁱ⁾	3.3	5.0	-1.8	-35%	3.3	4.4	5.0	-25%
Net non-interest income	-0.7	1.2	-1.9	-	-0.7	0.2	1.2	-
Total net operating income	5.3	7.7	-2.4	-31%	5.3	6.8	7.7	-21%
Total costs	-1.9	-1.9	0.0	0%	-1.9	-2.0	-1.9	4%
Result before impairments and provisions	3.5	5.8	-2.4	-41%	3.5	4.8	5.8	-26%
Impairments and provisions	-0.6	0.0	-0.6	-	-0.6	0.0	0.0	-
Result before tax	2.8	5.8	-3.0	-51%	2.8	4.8	5.8	-41%

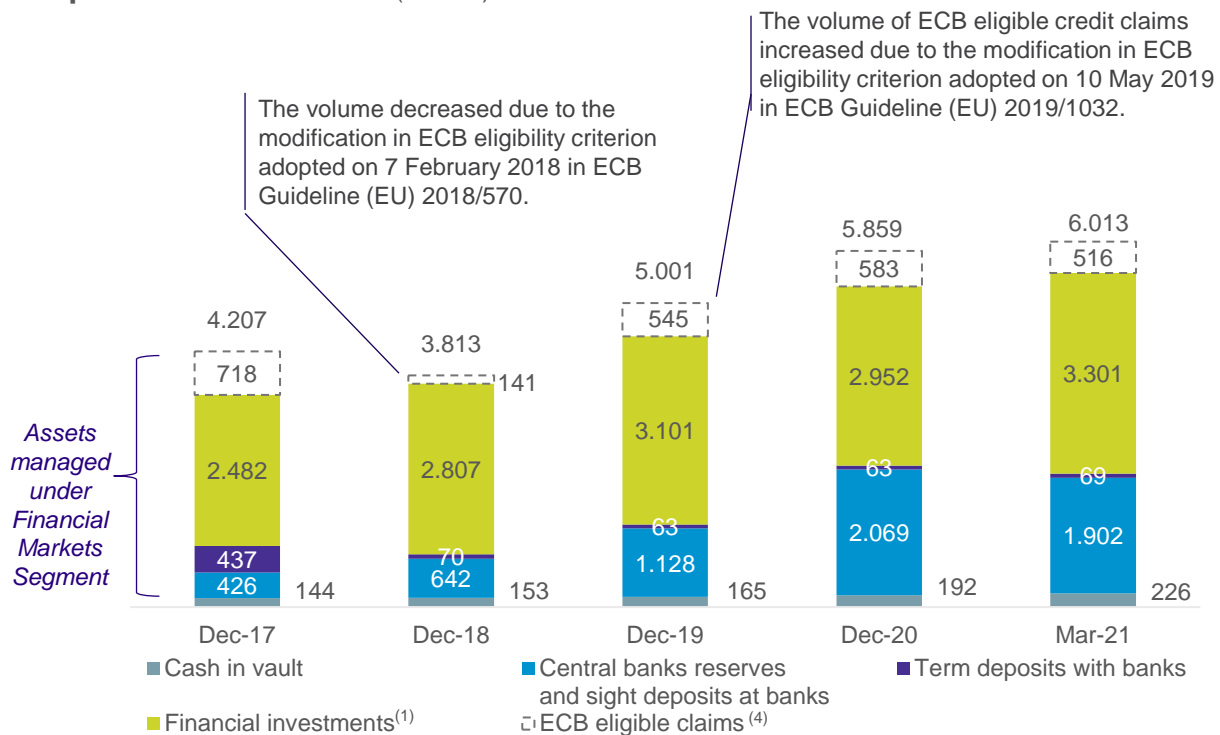
	31 Mar 2021	31 Dec 2020	31 Mar 2020	Change YtD		Change YoY	
Balances with Central banks	1,772.3	1,998.1	1,082.0	-225.7	-11%	690.3	64%
Banking book securities	3,288.9	2,945.8	2,977.5	343.2	12%	311.5	10%
<i>Interest rate on banking book securities</i>	<i>0.67%</i>	<i>0.77%</i>	<i>0.80%</i>	<i>-0.10 p.p.</i>		<i>-0.13 p.p.</i>	
Wholesale funding	143.4	143.5	161.5	-0.1	0%	-18.1	-11%
<i>Interest rate on wholesale funding</i>	<i>0.52%</i>	<i>0.54%</i>	<i>0.57%</i>	<i>-0.02 p.p.</i>		<i>-0.05 p.p.</i>	
Subordinated liabilities	286.8	288.3	286.6	-1.5	-1%	0.2	0%
<i>Interest rate on subordinated liabilities</i>	<i>3.69%</i>	<i>3.64%</i>	<i>3.41%</i>	<i>0.05 p.p.</i>		<i>0.28 p.p.</i>	

⁽ⁱ⁾ Net interest income from assets and liabilities with the use of FTP.

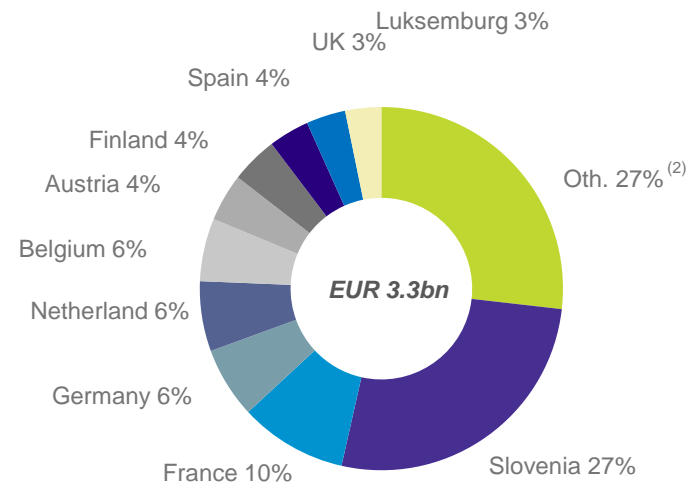
- **Net interest income** was EUR 0.5 million (7%) lower YoY, mostly due to lower yields on securities despite higher volume and higher balances with central banks bearing negative interests.
- Lower **net non-interest income**, EUR 1.9 million YoY, due to sale of debt securities in Q1 2020.
- **Balances with central banks** decreased EUR 225.7 million YtD partially due to the transfer of funds to nostro account (purchase of additional equity of Komercijalna Banka group) and an increase of **banking book securities** by EUR 343.2 million or 12%. Debt securities bought were mainly placed in short-term T-bills due to lower risk factors.

Financial markets in Slovenia

Liquid assets evolution (EURm)



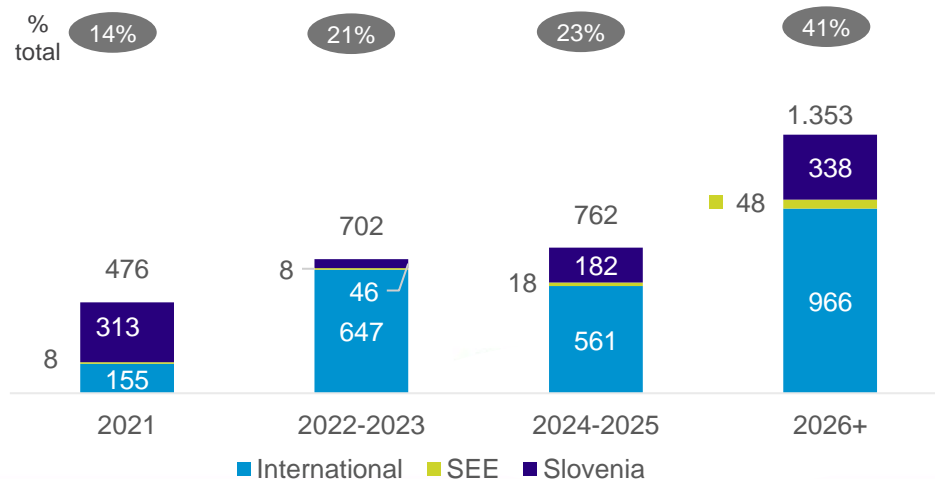
Well diversified banking book by geography (31 Mar 2021)



Well positioned and funded division

- Strong liquidity buffer provides solid base for future core growth consisting of liquid assets which are not encumbered for operational or regulatory purposes
- Banking book securities portfolio is well diversified in terms of asset class and geography to minimize concentration risk, and is invested predominantly in high quality issuers on prudent tenors
- Liquidity ratios (as of 31 Mar 2021): LCR 333% (NLB d.d.) and 262% (NLB Group); NSFR (preliminary) 162% (NLB d.d.) and 166% (NLB Group)

Maturity profile of banking book securities⁽³⁾ (31 Mar 2021, EURm)



Note: Numbers refer to NLB d.d. only; (1) Incl. trading and banking book securities; (2) Includes other European countries, USA, Canada, Kazakhstan, Israel and Russian Federation; (3) Including state guaranteed bonds; (4) Loans booked under segment Corporate Banking Slovenia.

Non-Core Members

in EUR millions
consolidated

Non-Core Members

	1-3 2021	1-3 2020	Change YoY		Q1 2021	Q4 2020	Q1 2020	Change QoQ
Net interest income	0.2	0.4	-0.1	-37%	0.2	0.3	0.4	-6%
Net non-interest income	0.6	1.0	-0.4	-37%	0.6	1.4	1.0	-52%
Total net operating income	0.9	1.4	-0.5	-37%	0.9	1.6	1.4	-45%
Total costs	-2.5	-3.4	0.9	26%	-2.5	-3.1	-3.4	19%
Result before impairments and provisions	-1.6	-2.0	0.4	18%	-1.6	-1.5	-2.0	-7%
Impairments and provisions	0.8	-0.2	1.0	-	0.8	2.5	-0.2	-70%
Result before tax	-0.9	-2.2	1.3	60%	-0.9	1.0	-2.2	-

	31 Mar 2021	31 Dec 2020	31 Mar 2020	Change YtD	Change YoY
Segment assets	124.8	131.2	158.7	-6.4	-5%
Net loans to customers	40.7	45.0	60.2	-4.3	-10%
Gross loans to customers	90.1	95.0	130.9	-4.9	-5%
Investment property and property & equipment received for repayment of loans	68.6	70.2	74.5	-1.5	-2%
Other assets	15.4	16.0	24.0	-0.6	-3%
Non-performing loans (gross)	70.2	71.3	93.4	-1.1	-2%

	1-3 2021	1-3 2020	Change YoY
Cost of risk (in bps)	-704	116	-820
CIR	285.8%	242.8%	42.9 p.p.

- **Total assets** of the segment decreased YtD (EUR 6.4 million) in line with the divestment strategy of the non-core segment, hence EUR 0.5 million decrease of the **net operating income**.
- The segment recorded a EUR 0.9 million of **loss before tax**.

Other

in EUR millions
consolidated

Other

	1-3 2021	1-3 2020	Change YoY		Q1 2021	Q4 2020	Q1 2020	Change QoQ
Total net operating income	1.4	2.2	-0.8	-35%	1.4	2.6	2.2	-45%
Total costs	-3.7	-3.2	-0.5	-16%	-3.7	-3.2	-3.2	-16%
Result before impairments and provisions	-2.3	-1.0	-1.3	-124%	-2.3	-0.6	-1.0	-
Impairments and provisions	1.8	0.1	1.7	-	1.8	-7.5	0.1	-
Result before tax	-0.5	-0.9	0.4	48%	-0.5	-8.1	-0.9	94%


- The segment Other recorded EUR 0.5 million of **loss before tax**, EUR 0.4 million increase YoY, mostly due to release of impairments and provisions.
- EUR 3.7 million of **total costs** (EUR 0.5 million lower YoY), related mostly to IT, cash transport, external realization, and costs, regarding vacant business premises.
- **Net impairments and provisions** released in the amount of EUR 1.8 million, EUR 1.7 million increase YoY, due to successful closure of legal procedure.




Appendix 2: Macro Overview

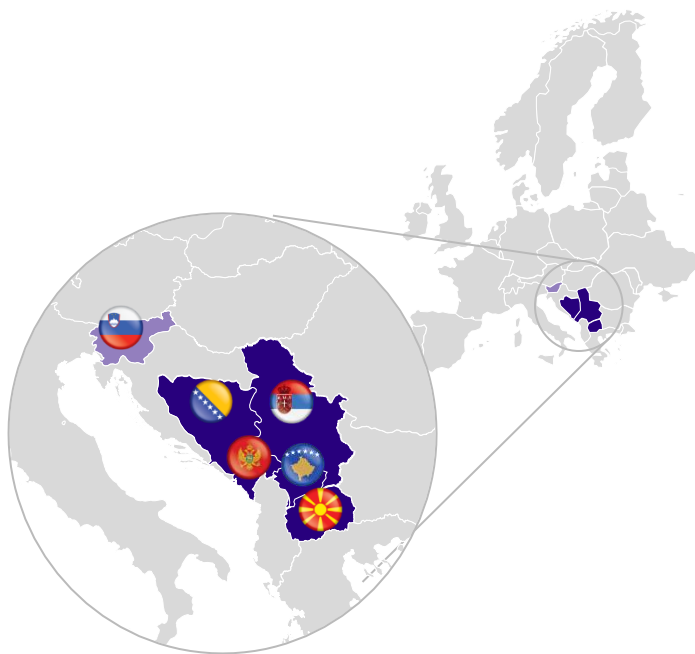
NLB Group – Macro overview


NLB d.d. & 6 subsidiary banks operate in Slovenia (EU member) & 5 SEE countries (convergence to EU)


Slovenia 	EUR
GDP (EURbn)	46.3
Real GDP growth (%)	-5.5
Population (m)	2.1
Household indebtedness ⁽¹⁾	23.2%
Credit ratings (S&P / Moody's / Fitch)	AA- / A3 / A


Bosnia and Herzegovina ⁽²⁾ 	EUR ⁽³⁾
GDP (EURbn)	17.4
Real GDP growth (%)	-4.5
Population (m)	3.3
Household indebtedness ⁽¹⁾	29.2%
Credit ratings (S&P / Moody's / Fitch)	B / B3 / n.a.

Montenegro 	EUR
GDP (EURbn)	4.2
Real GDP growth (%)	-15.2
Population (m)	0.6
Household indebtedness ⁽¹⁾	33.3%
Credit ratings (S&P / Moody's / Fitch)	B / B1 / n.a.



Serbia 	RSD
GDP (EURbn)	46.5
Real GDP growth (%)	-1.0
Population (m)	6.9
Household indebtedness ⁽¹⁾	22.7%
Credit ratings (S&P / Moody's / Fitch)	BB+ / Ba2 / BB+

Kosovo 	EUR
GDP (EURbn)	6.8
Real GDP growth (%)	-3.9
Population (m)	1.8
Household indebtedness ⁽¹⁾	17.3%
Credit ratings (S&P / Moody's / Fitch)	n.a. / n.a. / n.a.

North Macedonia 	MKD
GDP (EURbn)	10.8
Real GDP growth (%)	-4.5
Population (m)	2.1
Household indebtedness ⁽¹⁾	27.9%
Credit ratings (S&P / Moody's / Fitch)	BB- / n.a. / BB+

Macro Overview

Economic data

- The pandemic and its associated restrictions continued to weigh on economies in Q1 2021. However, the economic situation is expected to gradually improve when the pandemic is put under control and restrictions are relaxed.
- Economic growth in the Group's region should be underpinned by the revival in domestic and foreign demand.

Fiscal data

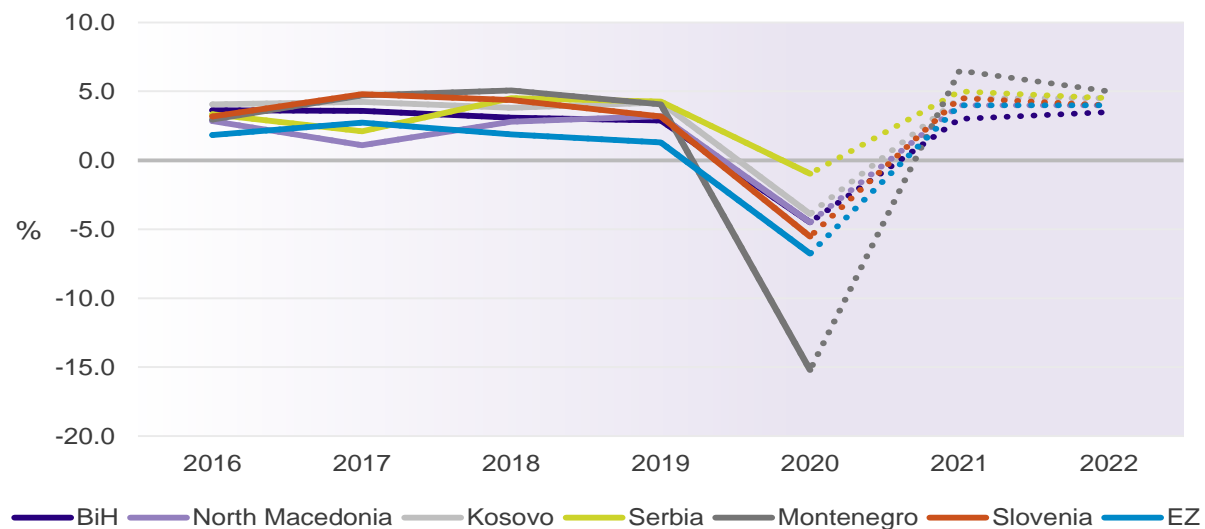
- The cost of mitigating the pandemic will continue to be felt in 2021 although pressures on public finances are expected to ease.
- Fiscal deficits are expected to narrow and public debts are expected to be affected by narrowing fiscal deficits and the economic rebound, although set to remain elevated in comparison to pre-pandemic levels.

Monetary data

- The monetary policy stance have not changed in Q1 2021.
- Divergence between the growth in deposits and the credit growth persisted in Q1 2021, although different dynamics in countries in the Group's region were recorded in this regard.

Macro Overview – Economic data

Real GDP growth, %



KEY FINDINGS:

Economic implications of the Covid-19 pandemic differed between countries of the Group's region due to underlying differences in features of economies. The lowest annual contraction was registered by **Serbia**, while the highest contraction was experienced by **Montenegro**.

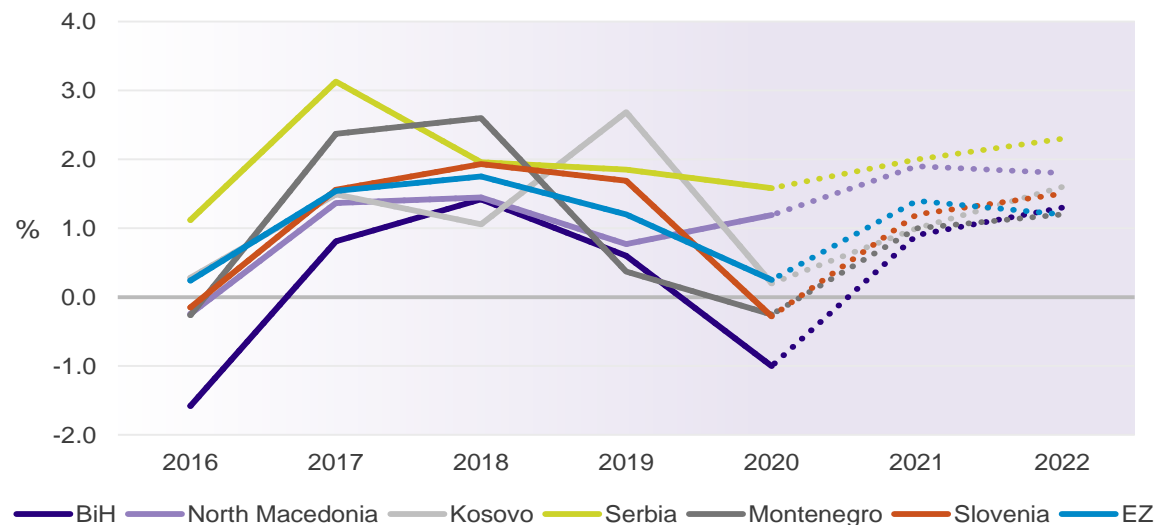
The **Group's region** is seen growing 4.6% on average this year.

Real GDP growth, %	2016	2017	2018	2019	2020	2021	2022
Bosnia and Herzegovina	3.6	3.6	3.1	2.9	-4.5	3.0	3.5
North Macedonia	2.8	1.1	2.8	3.2	-4.5	4.0	4.0
Kosovo	4.1	4.2	3.8	4.2	-3.9	4.5	4.5
Serbia	3.3	2.1	4.5	4.2	-1.0	5.0	4.5
Montenegro	2.9	4.7	5.1	4.1	-15.2	6.5	5.0
Slovenia	3.2	4.8	4.4	3.2	-5.5	4.5	4.0
Eurozone	1.8	2.7	1.9	1.3	-6.6	4.0	4.0

Sources: FocusEconomics, NLB Forecasts for 2021 and 2022

Macro Overview – Economic data

Average inflation rate, %



KEY FINDINGS:

In 2020, **inflation fell** in countries of the **Group's region**, mainly because of downward pressure on consumer prices due to depressed domestic demand.

In 2021, **inflation is expected to rise** on the back of temporary factors' effects as well as the reopening of economies and rapid rebound. Disrupted global supply chains pose additional upside inflationary risk.

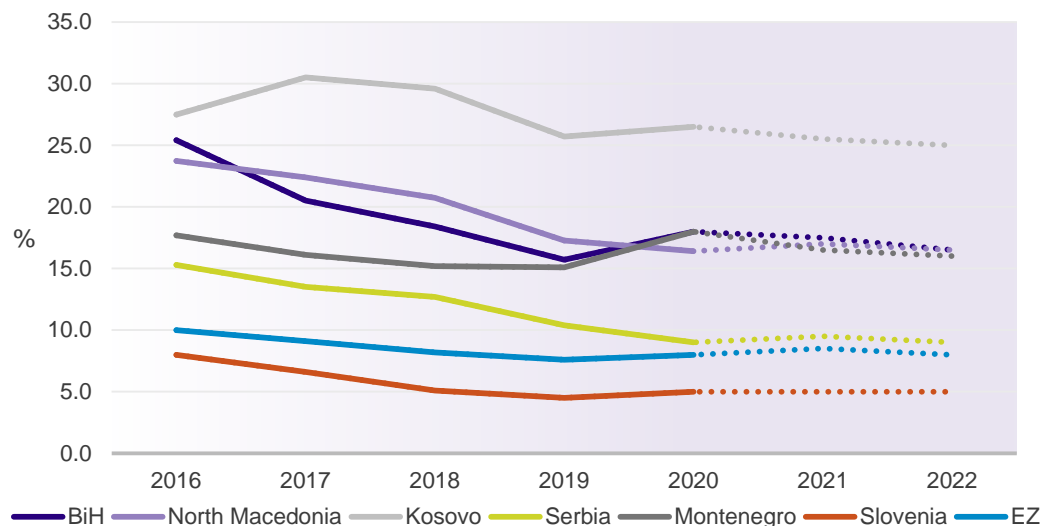
Average inflation rate, %	2016	2017	2018	2019	2020	2021	2022
Bosnia and Herzegovina	-1.6	0.8	1.4	0.6	-1.0	0.9	1.3
North Macedonia	-0.2	1.4	1.4	0.8	1.2	1.9	1.8
Kosovo	0.3	1.5	1.1	2.7	0.2	1.0	1.6
Serbia	1.1	3.1	2.0	1.9	1.6	2.0	2.3
Montenegro	-0.3	2.4	2.6	0.4	-0.3	1.0	1.2
Slovenia	-0.2	1.6	1.9	1.7	-0.3	1.2	1.5
Eurozone	0.2	1.5	1.8	1.2	0.3	1.4	1.2

Sources: FocusEconomics, NLB Forecasts for 2021 and 2022

Note: HICP for Slovenia, Kosovo and Eurozone, other CPI

Macro Overview – Economic data

Unemployment rate, %



KEY FINDINGS:

The COVID-19 shock had only a moderate effect on **unemployment rate** as deeper labour market effects have been prevented by different jobs retention schemes masking the real impact of the crisis on the labour market.

Potential lagged effects when support schemes end cloud the 2021 labour market outlook.

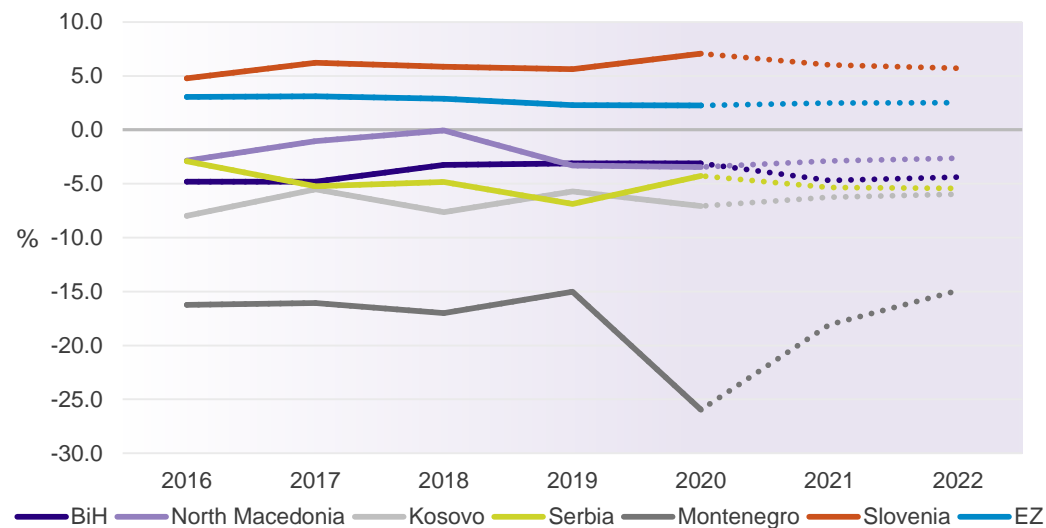
Unemployment rate, %	2016	2017	2018	2019	2020	2021	2022
Bosnia and Herzegovina	25.4	20.5	18.4	15.7	18.0	17.5	16.5
North Macedonia	23.7	22.4	20.7	17.3	16.4	17.0	16.5
Kosovo	27.5	30.5	29.6	25.7	26.5	25.5	25.0
Serbia	15.3	13.5	12.7	10.4	9.0	9.5	9.0
Montenegro	17.7	16.1	15.2	15.1	18.0	16.5	16.0
Slovenia	8.0	6.6	5.1	4.5	5.0	5.0	5.0
Eurozone	10.0	9.1	8.2	7.6	8.0	8.5	8.0

Sources: FocusEconomics, NLB Forecasts for 2021 and 2022

Note: Data for 2020 estimated for BiH, Kosovo and Montenegro.

Macro Overview – Economic data

Current account, % GDP



KEY FINDINGS:

In 2020, **current accounts** worsened or remained virtually intact in some countries of the Group's region, while in others improvements were recorded, depending on the underlying features of economies.

The COVID-19 shock affects external trade in the Group's region and current accounts are poised to be affected by the path of recovery in external and domestic demand.

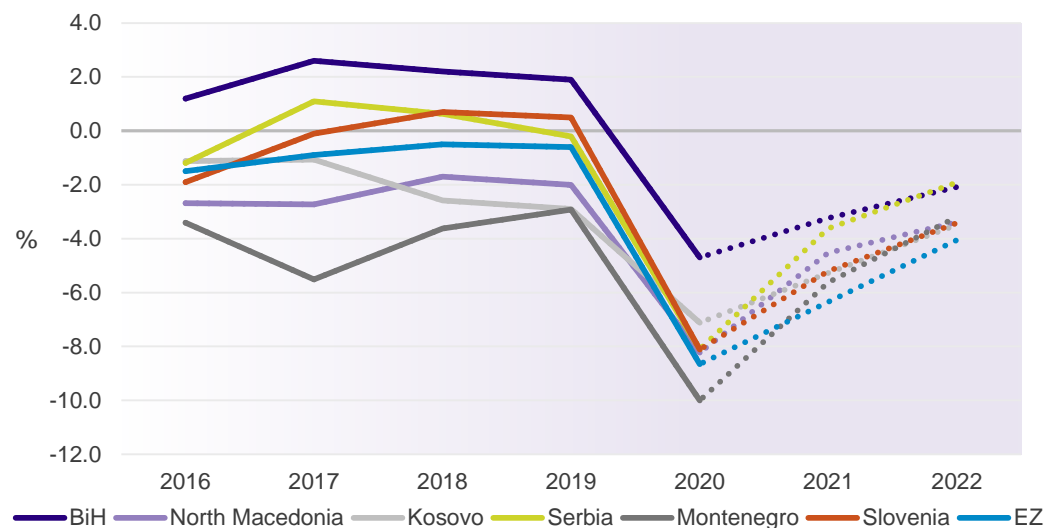
Current Account, % GDP	2016	2017	2018	2019	2020	2021	2022
Bosnia and Herzegovina	-4.8	-4.8	-3.3	-3.1	-3.1	-4.7	-4.4
North Macedonia	-2.9	-1.0	-0.1	-3.3	-3.5	-2.9	-2.6
Kosovo	-8.0	-5.5	-7.6	-5.7	-7.1	-6.2	-6.0
Serbia	-2.9	-5.2	-4.8	-6.9	-4.3	-5.3	-5.4
Montenegro	-16.2	-16.1	-17.0	-15.0	-26.0	-18.1	-14.9
Slovenia	4.8	6.2	5.8	5.6	7.1	6.0	5.7
Eurozone	3.0	3.1	2.9	2.3	2.3	2.5	2.5

Sources: FocusEconomics

Note: Consensus Forecasts for 2021 and 2022

Macro Overview – Fiscal data

Fiscal Balance, % GDP



KEY FINDINGS:

Fiscal balances were in 2020 affected by implementation of fiscal measures aimed at cushioning Covid-19 economic implications.

In 2021, fiscal deficits are expected to narrow due to growth-induced rise in budget revenues, gradual unwinding of pandemic-related emergency measures and projected rebound in economic activity.

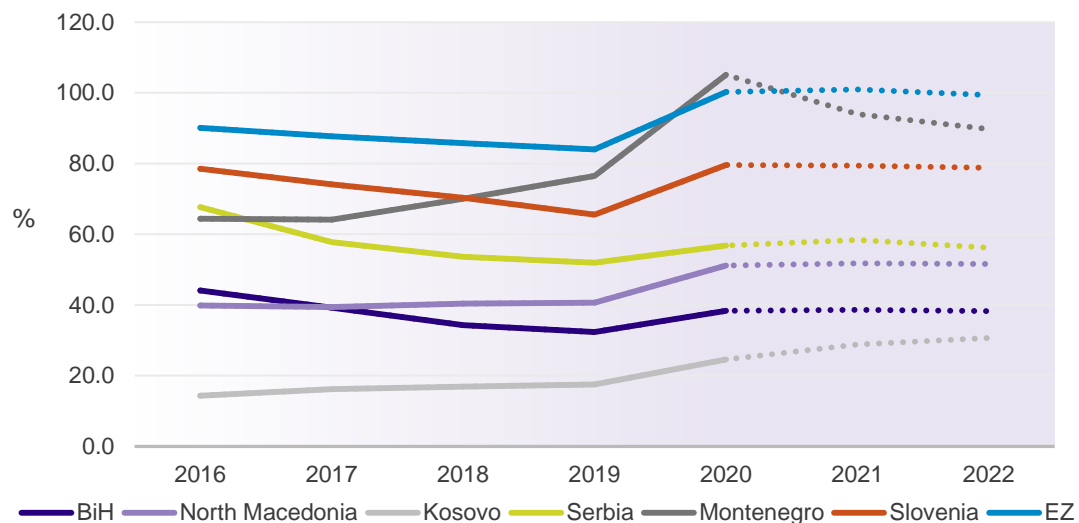
Fiscal balance, % GDP	2016	2017	2018	2019	2020	2021	2022
Bosnia and Herzegovina	1.2	2.6	2.2	1.9	-4.7	-3.2	-2.1
North Macedonia	-2.7	-2.7	-1.7	-2.0	-8.2	-4.5	-3.4
Kosovo	-1.1	-1.1	-2.6	-2.9	-7.1	-5.3	-3.5
Serbia	-1.2	1.1	0.6	-0.2	-8.1	-3.6	-1.9
Montenegro	-3.4	-5.5	-3.6	-2.9	-10.0	-5.6	-3.2
Slovenia	-1.9	-0.1	0.7	0.5	-8.1	-5.2	-3.4
Eurozone	-1.5	-0.9	-0.5	-0.6	-8.7	-6.3	-4.1

Sources: FocusEconomics

Note: Data for 2020 estimated for Eurozone, Slovenia, BiH and Kosovo; Consensus Forecasts for 2021 and 2022

Macro Overview – Fiscal data

Public Debt, % GDP



KEY FINDINGS:

In 2020, **public debts** were, similarly to fiscal balances, affected by implementation of fiscal measures aimed at cushioning Covid-19 economic implications.

The cost of mitigating the pandemic will continue to be felt in 2021 and public debts are expected remain elevated in comparison to pre-pandemic levels.

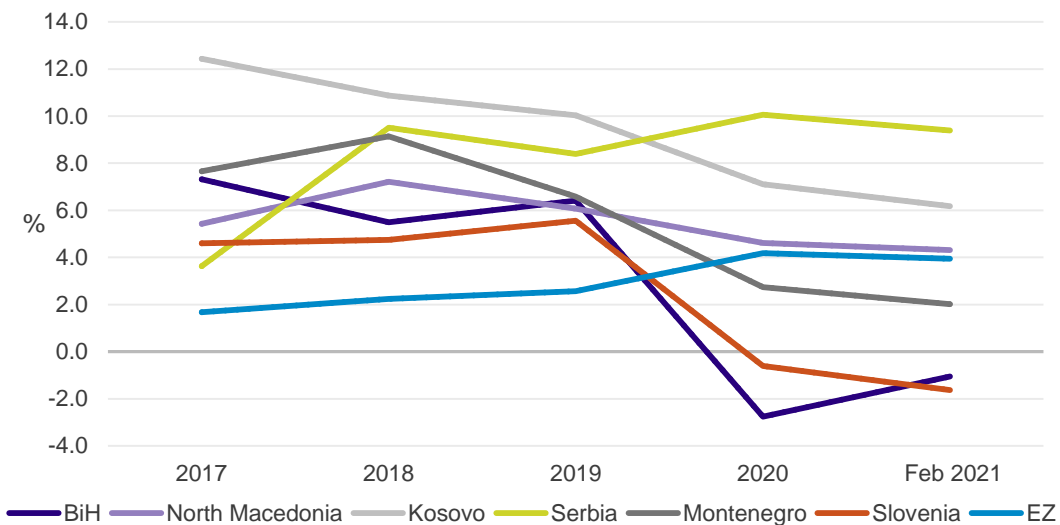
Public debt, % GDP	2016	2017	2018	2019	2020	2021	2022
Bosnia and Herzegovina	44.1	39.2	34.3	32.4	38.3	38.6	38.3
North Macedonia	39.9	39.4	40.4	40.7	51.2	51.8	51.6
Kosovo	14.4	16.2	16.9	17.5	24.6	28.8	30.7
Serbia	67.7	57.8	53.6	52.0	56.8	58.4	56.2
Montenegro	64.4	64.2	70.1	76.5	105.1	94.0	89.8
Slovenia	78.5	74.1	70.3	65.6	79.6	79.5	78.8
Eurozone	90.1	87.7	85.8	84.0	100.2	101.0	99.3

Sources: FocusEconomics

Note: Data for 2020 estimated for Eurozone, Slovenia, BiH and Kosovo; Consensus Forecasts for 2021 and 2022

Macro Overview – Monetary data

Loans growth (NFC + Households), %



KEY FINDINGS:

In 2020, **loan growth** exhibited diverging degrees of resilience to adverse effects of weakened economies on the banking systems in the Group's region.

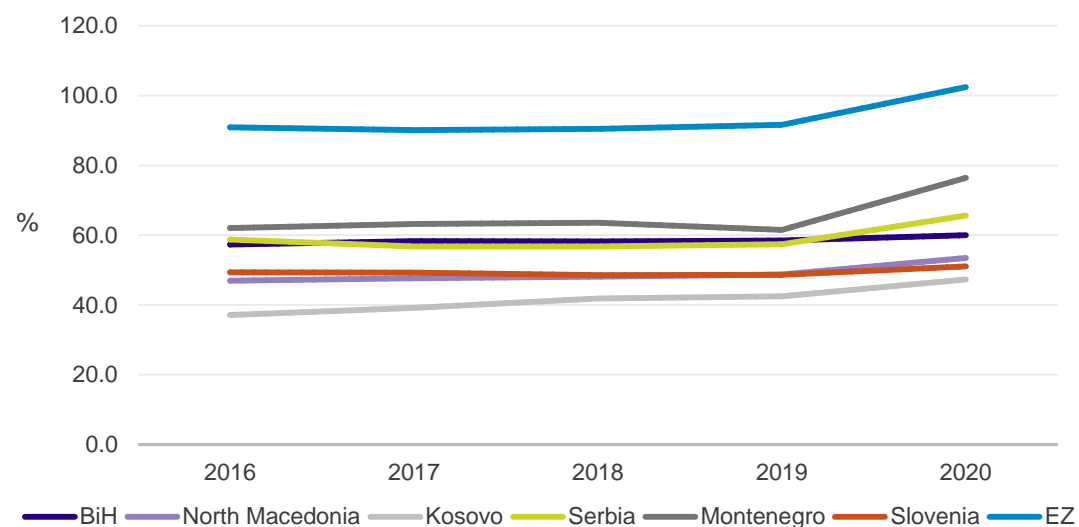
In the first two months of 2021, the decreasing loan growth trend, that was already established in majority of countries in 2020, continues, with BiH being an exception.

Loan growth (NFC + Households), %	2016	2017	2018	2019	2020	Feb 2021
Bosnia and Herzegovina	3.8	7.3	5.5	6.4	-2.8	-1.1
North Macedonia	-0.1	5.4	7.2	6.1	4.6	4.3
Kosovo	10.6	12.4	10.9	10.0	7.1	6.2
Serbia	5.5	3.6	9.5	8.4	10.1	9.4
Montenegro	5.4	7.7	9.1	6.6	2.7	2.0
Slovenia	1.8	4.6	4.7	5.6	-0.6	-1.6
Eurozone	1.7	1.7	2.2	2.6	4.2	3.9

Sources: National Central Banks, ECB, Own calculations

Macro Overview – Monetary data

Total Loans (NBS), % GDP



KEY FINDINGS:

In 2020, **loans to GDP ratios** have been largely affected by economic implications of COVID-19 outbreak. Increases in loans to GDP ratios were due to substantial drops in GDP, while the effect of growth in loans was not that profound since it slowed in general.

Entire Group's region is below Eurozone average, boding well for growth potential.

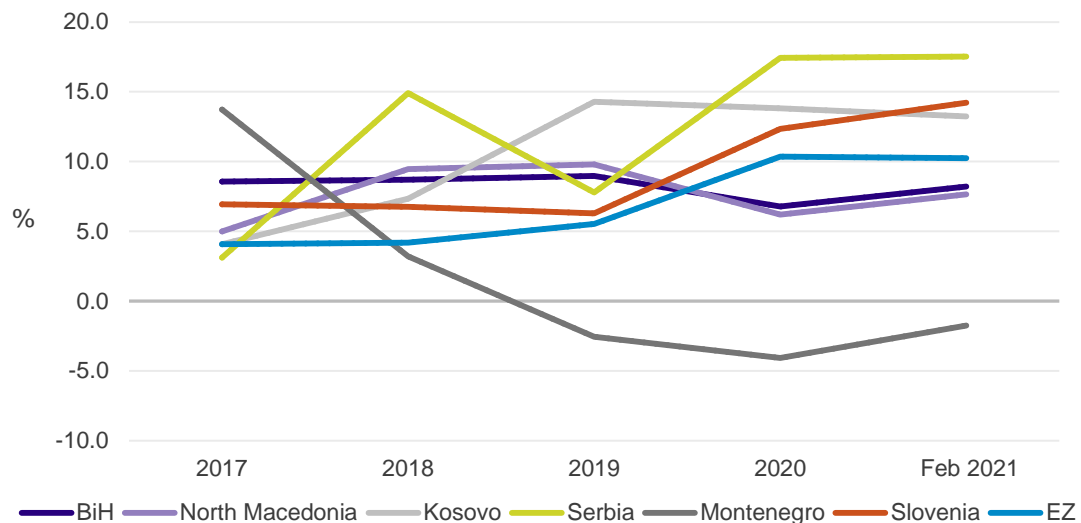
Total Loans as % of GDP	2015	2016	2017	2018	2019	2020
Bosnia and Herzegovina	58.9	57.3	58.3	58.2	58.5	60.0
North Macedonia	49.8	47.0	47.6	48.1	48.7	53.4
Kosovo	34.9	37.1	39.2	41.9	42.5	47.3
Serbia	57.5	58.7	56.8	56.8	57.4	65.7
Montenegro	67.8	62.1	63.2	63.6	61.5	76.4
Slovenia	52.3	49.4	49.3	48.5	48.7	51.1
Eurozone	91.4	90.9	90.1	90.5	91.7	102.4

Sources: National Central Banks, ECB, Own calculations

Note: Eurozone Total loans includes only NFC + Households loans

Macro Overview – Monetary data

Deposits growth (NFC + Households), %



KEY FINDINGS:

In 2020, there were differences in **deposit growth** dynamics between countries in the Group's region.

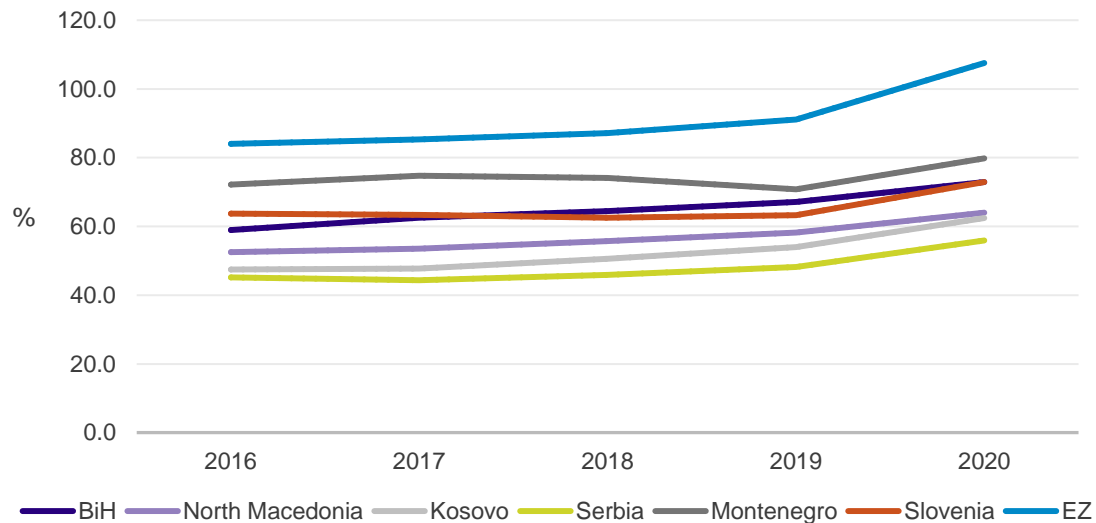
In the first two months of 2021, the trend of recording high growths in deposits continued and even Montenegro recorded lower outflow of deposits.

Deposit growth (NFC + Households), %	2016	2017	2018	2019	2020	Feb 2021
Bosnia and Herzegovina	7.8	8.6	8.7	9.0	6.8	8.2
North Macedonia	5.4	5.0	9.5	9.8	6.2	7.7
Kosovo	8.7	4.1	7.3	14.3	13.8	13.2
Serbia	11.5	3.1	14.9	7.8	17.4	17.5
Montenegro	10.5	13.7	3.2	-2.5	-4.1	-1.8
Slovenia	7.1	6.9	6.8	6.3	12.3	14.2
Eurozone	4.6	4.1	4.2	5.5	10.3	10.2

Sources: National Central Banks, ECB, Own calculations

Macro Overview – Monetary data

Total Deposits (NBS), % GDP



KEY FINDINGS:

In 2020, **deposits to GDP ratio** grew in the Group's region as a result of inflow of deposits and significant drop in GDP.

Montenegro recorded deposits to GDP ratio above its peers in the Group's region despite being the only country with negative growth in deposits.

The share of deposits in GDP across the Group's region is lower than in the Eurozone.

Total Deposits as % of GDP	2015	2016	2017	2018	2019	2020
Bosnia and Herzegovina	57.5	59.0	62.6	64.5	67.1	72.9
North Macedonia	53.4	52.5	53.6	55.7	58.2	64.0
Kosovo	46.1	47.5	47.8	50.6	54.0	62.5
Serbia	42.7	45.1	44.3	45.9	48.2	55.9
Montenegro	72.4	72.2	74.8	74.1	70.8	79.8
Slovenia	65.5	63.7	63.4	62.5	63.3	72.9
Eurozone	82.1	84.0	85.3	87.1	91.1	107.6

Sources: National Central Banks, ECB, Own calculations

Note: Eurozone Total deposits includes only NFC + Households deposits; For Montenegro, deposits data excludes deposits with Invest Bank and Atlas Bank, according to CBCG



Appendix 3

Financial Statements

NLB Group Income Statement (1/2)

(EURm)	1-3 2021	1-3 2020	YoY	Q1 2021	Q4 2020	Q1 2020	QoQ
Interest and similar income	114.6	90.6	27%	114.6	89.3	90.6	28%
Interest and similar expense	-17.1	-13.2	-30%	-17.1	-14.2	-13.2	-20%
Net interest income	97.5	77.4	26%	97.5	75.1	77.4	30%
Fee and commission income	73.8	57.8	28%	73.8	60.7	57.8	22%
Fee and commission expense	-19.7	-15.4	-28%	-19.7	-15.6	-15.4	-27%
Net fee and commission income	54.1	42.4	28%	54.1	45.1	42.4	20%
Dividend income	0.0	0.0	0%	0.0	0.0	0.0	57%
Net income from financial transactions	5.3	3.8	39%	5.3	2.0	3.8	166%
Other operating income	-2.8	0.2	-	-2.8	-1.0	0.2	-177%
Total net operating income	154.0	123.8	24%	154.0	121.2	123.8	27%
Employee costs	-55.1	-42.9	-28%	-55.1	-42.0	-42.9	-31%
Other general and administrative expenses	-29.8	-23.7	-26%	-29.8	-27.6	-23.7	-8%
Depreciation and amortisation	-11.6	-8.1	-44%	-11.6	-8.0	-8.1	-46%
Total costs	-96.6	-74.6	-29%	-96.6	-77.7	-74.6	-24%
Result before impairments and provisions	57.5	49.2	17%	57.5	43.5	49.2	32%
Impairments and provisions for credit risk	16.0	-28.2	-	16.0	-13.2	-28.2	-
Other impairments and provisions	-0.5	-0.2	-157%	-0.5	-7.9	-0.2	94%
Gains less losses from capital investments in subsidiaries, associates and joint ventures	0.1	0.2	-40%	0.1	0.0	0.2	-
Negative goodwill	-	-	-	-	137.9	-	-
Result before Tax	73.1	21.0	-	73.1	160.2	21.0	-54%
Income tax expense	-4.7	-1.6	-	-4.7	3.8	-1.6	-
Non Controlling Interests	3.8	1.2	-	3.8	-1.1	1.2	-
Net Profit Attributable to Shareholders	64.6	18.3	-	64.6	165.1	18.3	-61%

NLB Group Income Statement (2/2)

Individual results of entities in Komercijalna banka group can be notably different as their contribution to NLB Group result due to initial recognition of acquired assets and assumed liabilities at fair value, as required by IFRS 3. This effects mostly the following P&L items:

- Impairment of financial instruments: some IFRS 9 methodological differences between NLB Group and Komercijalna banka group were already taken into account when calculating fair values at initial recognition (such as hair-cuts for collaterals for non-performing exposures), while in Komercijalna banka group this harmonisation is taking place during year 2021.
- Net interest income: most of securities measured at fair value through other comprehensive income were acquired at a premium from NLB Group perspective, therefore their yield to maturity is lower than in Komercijalna banka standalone financial statements. Additionally, also differences between fair values of loans and deposits and their book values in Komercijalna banka at the time of acquisition are being amortised through net interest income.
- Realised gains/losses on derecognition of financial instruments: from NLB Group perspective, securities were acquired at their fair value at the time of acquisition, while from Komercijalna banka group perspective they were acquired at different, mostly lower values. Consequently, realised result on derecognition of these securities in NLB Group is different than in Komercijalna banka standalone financial statements.
- Amortisation and depreciation: At closing, NLB Group recognised in its consolidated financial statements additional intangible assets (trade name and core deposits) which are now being amortised in the period of 5 years. Additionally, there are some differences in depreciation due to recognition of real estate at fair value, which was in some cases different than net book value in Komercijalna banka standalone financial statements.
- Income taxes: deferred taxes recognised on all consolidation adjustments.

NLB Group Statement of Financial Position

(EURm)	31 Mar 2021	31 Dec 2020	YtD
ASSETS			
Cash and balances with Central Banks and other demand deposits at banks	3,918.2	3,961.8	-1%
Financial instruments	5,376.4	5,119.5	5%
<i>o/w Trading Book</i>	75.1	84.9	-11%
<i>o/w Non-trading Book</i>	5,301.3	5,034.7	5%
Loans and advances to banks (net)	205.0	197.0	4%
<i>o/w gross loans</i>	205.1	197.1	4%
<i>o/w impairments</i>	-0.2	-0.1	-18%
Loans and advances to customers	9,824.5	9,644.9	2%
<i>o/w gross loans</i>	10,208.2	10,033.3	2%
- Corporates	4,720.8	4,631.7	2%
- State	360.8	374.0	-4%
- Individuals	5,126.6	5,027.6	2%
<i>o/w impairments and valuation</i>	-383.7	-388.4	1%
Investments in associates and JV	8.1	8.0	2%
Goodwill	3.5	3.5	0%
Other intangible assets	54.7	58.1	-6%
Property, plant and equipment	247.3	249.1	-1%
Investment property	54.4	54.8	-1%
Other assets	266.9	268.9	-1%
Total Assets	19,959.0	19,565.9	2%

(EURm)	31 Mar 2021	31 Dec 2020	YtD
LIABILITIES & EQUITY			
Deposits from banks and central banks	71.9	72.6	-1%
Deposits from customers	16,732.1	16,397.2	2%
- Corporates	4,011.0	3,949.1	2%
- State	466.7	424.5	10%
- Individuals	12,254.4	12,023.5	2%
Borrowings	251.1	249.8	1%
Subordinated liabilities	286.8	288.3	-1%
Other liabilities	428.5	434.9	-1%
Total Liabilities	17,770.5	17,442.8	2%
Shareholders' equity	2,014.1	1,952.8	3%
Non Controlling Interests	174.5	170.3	2%
Total Equity	2,188.6	2,123.0	3%
Total Liabilities & Equity	19,959.0	19,565.9	2%