Ladies and gentleman, the Management Board of NLB welcomes you to the webcast where they will present Q1 2021 results. Today's presenters are Blaž Brodnjak, CEO, Archibald Kremser, CFO and Andreas Burkhardt, CRO. This presentation will be followed by Q&A session. If you would like to ask a question you can do this anytime during this event. If you have joined by the webcast please use the question tab located above the slides. If you have joined by the conference call please press star 1 on your telephone keypad. Before we go on we would like you to draw your attention to disclaimer on slide 2 of the presentation. By this I pass the word to Mr. Brodnjak.

Thank you very much and a warm welcome everyone to the quarterly performance call of the NLB Group. I'm very happy to report a very solid quarter this time around, in spite of all the uncertainties related to the Covid situation still. We see solid improvements both in health terms in Slovenia and also in the region, but above all also in business terms. So it is really something that is giving us the confidence that this year is going to be quite a strong year and in Q1, basically, we exceeded some of the expectations. There is a very solid ongoing result, recurring result. And what I'm specifically happy about, that the integration process of Komercijalna banka has been well underway. We are really working hard now to accelerate further this process and to be able to, within 12 months, fully integrate the business in Serbia. We have published, as I'm sure you noticed, the takeover bid, we've reached 88% ownership so far. We keep offering to minority shareholders, but this does not impact, in any way, or ambition to actually perform the integration. We have been really continuously seamlessly providing services, there is significant focus on the part of digitisation, but above all, given the situation, of course obviously a significant support to the businesses in the region. We have re-launched the help frame initiative, which is a very relevant ESG measure. On the other hand, as we announced, we have introduced the high-balance fees for retail deposits. In combination obviously to relatively shallow pool of alternative investment opportunities for retail clients as well. We saw some progress in moving assets, actually re-routing assets into bancassurance and especially asset management products, we see a very strong production there, and it continues in Q2. We announced publicly we are reducing the threshold from 250.000 EUR to 100.000 EUR as of July 1, so we expect further strong development in this direction. We have really been able to further improve the penetration in digital usage. I'm really happy to see on a monthly basis strong progress here. Our contact centra has also been equipped with a closing capacity – within a month, they will practically be able to close any transaction apart from the mortgage-related housing loan. And that's really an ongoing favour of client experience. And we have just re-emphasised and gave additional boost and push to the entire ESG territory, with quite ambitious roadmap actually, to implement the whole universe of it. I'm actually sad that our colleague from the Board Petr Brunclík decided to leave the Board for personal reasons. But I assure you that the situation is fully under control, so other Board members have been used to such a situation in the last years and have assumed full control and we continue with undisturbed business operations. Furthermore, the teams on B1 and B2 level have been very solidly equipped and motivated to deliver on the ambitious digitalisation on one side but of course efficiency improvement programme as a whole. We have published the upcoming general assembly, the Annual General Meeting, to take place on the 14th of June. We have also published the dividend suggestion. On the other hand, coming back to the results, a bit more concrete, Archibald will give you of course a bit more flesh to it. We have really been already seeing the contribution of Komercijalna banka, just confirming that this was a really transformational decision. It was really a very meaningful one. We are very confident that in the coming years there is going to be a strong delivery through the of course activation, commercialisation of the bank, going back to clients. We see really a significant potential for a double-digit growth, especially of retail books. And we have shown in the first quarter that we have been able to grow actually the retail book also in Slovenia, and the corporate is also showing significant progress in cross-border lending, and leasing has started showing the first results. So the things we have been talking about are actually delivering on the expectation. We have kept, obviously, a very strong capital position and liquidity has of course been further strengthened. There has been still a net influx of deposits in Q1. We saw in March a bit more stable mode of this development, given the fact that the Slovenian economy finally started reopening and as of today, practically almost close to the full opening, reopening of the society, hotels and restaurants have reopened also inside, of course following certain restrictions in terms of distancing and in terms of being either vaccinated, infected or having a test in place. But generally, there is life, you see it in the streets, they are again lively, so there is hope returning. When we are talking about the general state of the economy, especially the production part and the export related part, we have a very strong quarter behind us, there is growth of exports, there is even higher growth of exports and imports obviously, so there is strong surplus in trade balance on one side. You know, this is really at the levels that are significantly above the 2019 levels, even pre-Covid levels. So we are very confident that Slovenia is in a good shape and we are ready for a significant rebound. We have even experienced in Q1 negative cost of risk so we see a solid development of a couple of assets and collections coming from these assets in terms of various cores, from P&L recognition. Some of these trends have been continuing also as we speak. We are quite confident that this year's cost of risk is going to be – and Andreas is going to give you more flesh at a reasonable level. On the other hand, as I was mentioning, the situation has been improving also not only physically, so the opening, but also mentally. People really feel much more empowered at once, on the other hand they are much more positive, so we are hoping for the normal summer that is really going to give a significant boost to the sentiment, and then hopefully private consumption to follow otherwise strong robust trends coming from the corporate section. The macroeconomic outlook has been stable throughout the whole region and we are happy, specifically about the development in Serbia, a very robust picture coming out of Serbia, and that's of course our future growth market, so we are obviously well positioned to be a beneficiary of this growth. I mentioned just shortly the dividends. Of course, we have published, as said, the general assembly convocation, and we have suggested what has so far been possible, given the regulatory restrictions we keep the ambition to still within this year we will hopefully be able to pay 92 million i.e. in last quarter then adding the incremental decision, so another AGM called. There is discrepancy in views coming from the ECB and Bank of Slovenia, Bank of Slovenia somehow following the standalone parent bank logic which we believe is professionally not consistent but generally is the case so far. So the proposed resolution for the AGM is actually dual payment as soon as the residual so far not being allowed by the Bank of Slovenia would be allowed and then we would hope obviously for the residual, so the entire 92 million to be paid out this year. The Q1 result is supporting this, furthermore it is you know giving us hope that the whole year is going to be very very solid and of course we are even more convinced that the midterm ambition in terms of dividend pay-out of in excess of 300 million actually now within two good years until July 2023 will be possible. By that I would hand over to Archibald to guide you through more details and then Andreas will follow on the asset quality.

Thank you Blaž, welcome from my side. I will guide you through range of key financials as usually and of course then look very much forward to your questions. As Blaž said actually a very robust Q1 performance in all dimensions, revenues, costs and of course especially the cost of risk. You see also here the first quarter with Komercijalna Banka contributing and meaningful contribution actually in the range as we have expected clearly with a lot of upside still to come, so this is early days, as Blaž said integration is getting going, but more importantly business activation and cost measures are being set as we speak, but of course will take some time to trickle through results and I can assure you we are online with developments in Serbia and the team almost on a daily basis. So Blaž and myself are in the Board as you know, so keep a very very close eye on all of these dynamics. On the various P&L positions you see that really recurring income is stable, slightly up even without KB and of course KB adding very meaningfully already. Same on cost, very strict cost discipline, we will come to more details on that. And very reassuringly even let us say at the end of Covid and comparing to the pre-Covid quarter last year we have a pretty stable pre-provision result and of course also on this the visible contribution already of KB. Breaking it a bit down you can see that we have still a bit of a pressure on interest income, of course offset with contributions from KB. We offset that and Blaž indicated the way we do it. Fee commission income very strong focus and very good and nice positive developments, especially in Slovenia with the asset management franchise and of course we expect here more to come given what is already announced as further measures on the deposit side which are of course in this a continuous pressure on NIM in paricular. Costs as I said we are really really focused keeping costs under control and of course heavily working on the whole let us say re-work of the operating model. There are plenty of projects on the way that keep direct check on costs, but also make sure that structurally we set the right measures to in essence help transition the bank to a more and more digital operating model. And of course that over time will put all physical cost base, physical footprints, branch network, headcounts in front and back of course under continuous review. So that is a never ending story. In KB we are of course accelerating some of these aspects, in particular headcount, to some extent branch networks that are already under review. We have started first voluntary leave offers in KB which we see very positively accepted by the bank, so we expect contributions here to kick in relatively fast. Andreas will give you more details on the very positive impairment provision dynamics. And that overall as was said a very very strong Q1 and more importantly very solid basis and good outlook for the whole year. So we are really proud of this quarter and are very optimistic looking into the rest of the year. You see also NIM for the first time since quite a while I can report that we have an uptick in NIM. That is really good to see and we are again confident that there is more to come. We have really all operations now very much focused on loan growth, in particular of course KB which as predicted and discussed is of course having its expected positive impact. We also for the first time show you here that the quarterly dynamics on so called operating margin overall and similar dynamics this includes of course the fee and commission income. And so overall broadly speaking stable and positive dynamics on many different elements in a continued challenging environments. So of course this is all against the backdrop of hugely challenging environment overall given the rates dynamic. Cost I mentioned is continuous focus and we see here the various components including breakdowns of KB in particular what KB added to the cost base. And as said before apart from KB which is running a special cost reduction program as we speak, of course the rest of the Group is in a continued effort to keep an eye on all dimensions of cost. Blaž mentioned digitalisation is more or less in full swing and of course we expect over time this to substantially change our whole setup and appearance, not that we will end up being bank with many physical outlets, but the design and cost base of that outlets will be changing significantly over time. You see this basically happening gradually because these are structural costs and not that easy to touch, but we are on a very good way and will continue on that path as I said in an accelerated way also for KB. Loan dynamics, we are very happy to report that we see growth in all segments, corporate, retail in basically all parts of the Group. KB is as indicated a bit flattish on individuals, but that is soon to change and we hear that monthly production volumes are actually developing very very nice, so we are confident that for the full year we will be able to show also very positive dynamics here. So overall we see loan demand very healthy, picking up in all markets, especially housing is always a bright spot, there is really big demand across all geographies for that product and of course NLB will and continues to establish itself here as a leading player in that key product segment for us. On capital very important topic for us of course given post KB acquisition we show a very solid capital adequacy in the range of 16.1, so nicely above target and that fully accommodates for the temporary I should say decrease in capital on the minority interests of KB which we fully took out temporarily until this so called takeover bid is concluded. And then we expect actually a part of that minorities to be added back, as Blaž said below 90 percent, so for the time being we assume these minorities will at least partially assumed to be part of our Group capital base. And of course very importantly negative goodwill is yet to come, you see in the range of 110 bips. We expect this to be included upon recognition of result and distribution of results by the upcoming AGM. This is already aligned with the regulator, so more or less a done deal. And also speaking of capital risk weighted asset dynamics that is something of course we keep watching very very closely. And there is a continuous stream of activities trying to control and optimise our risk weighted asset composition and risk weighted asset drivers, importantly also for the so called MREL requirement, so for us really a key metric to watch. And on the positive note there is still good news to come, we look forward and anticipate that equivalence treatments are kicking in somewhere this year for Bosnia and Herzegovina and Macedonia and that is as you know subject to equivalence regimes being enacted that is a process run through EBA and EC eventually. You have seen that kicking in for Serbia end of last year and we expect similar developments for these two markets, so that is coming up. In other words on the capital side actually quite some solid buffers are still to come which of course is very important to underpin our dividend ambitions and of course our ability to deploy capital in efficient ways. By that I would pass on to Andreas to give you more flesh on cost of risk and asset quality.

Thank you Archibald. I guess one main point was mentioned already by both colleagues. So first quarter we saw release of some 15 million provisions, so positive contribution in cost of risk. That was obviously a little bit of a surprise in a sense that we saw both very positive effects from NPL resolutions both on balance and off-balance and so far we also don't see any unexpected surprises on a negative side, but I will tell you more later on. So maybe first here now on the moratoriums. By end of March 78 percent of the moratoria have expired which were originally at the peak 16 percent of our portfolio including here as you see obviously already KB banks whereas the big big part of that has expired by end of December, so we have already some grip on that. From the remaining 500 million actually now these days in March, April, so end March and April especially a lot of it has expired. What you can see is from the expired moratoria 82 percent have zero days delays, so they are repaying fully regular. Then you have a certain chunk which is actually having delays, but slight delays. And then obviously you see the more problematic ones with up to 90 days past due and default category which is all together some 4 percent of that portfolio. I have to say on staging it looks a little bit different because there is a little bit more Stage 3 than you would see combined from these last two categories which tells you that here we are also conservative. So far I have to say this portfolio actually behaves very much in line with expectations, o previously better rated clients have no delays, clients which we saw critical so we staged them have certain problems, but not all of them. Overall also here on that part no negative surprises whatsoever for the time being. And then we have remaining moratoria per end of March here obviously, so 70 percent of companies and the rest is households. I mean this is obviously now the long end of the moratoria, so many of these moratoria are 12 months moratoria which primarily were given here in Slovenia and these long end of the moratoria we see simply more critical. So if you see here the staging then we are between 30 and 35 percent already on Stage 2 and from 6 to 12 percent on Stage 3, so I would say here we are even more conservative. Obviously now whether it is conservative enough or too conservative we will see in next coming months. We obviously keep watching these clients especially closely, but let us see. So far also here we have a good feeling that we did the right thing and more we will see in the next couple of months, but our view on these clients anyhow became already quite conservative I would say. Overall in the bank I mean one point was mentioned, so the release of provisions of 15.5 million net for the reasons I explained already and overall a very stable stock of NPLs with 480 million per end of March. You have to see here that quite high portion, so 196 million actually have zero days delays. This for big portion are of course still clients which were in the past restructured and which we didn't heal yet, but which are simply paying and of course these days to a certain extent also clients which we foresaw that they would have problems after the moratoria are simply also paying. I would say that is maybe big picture view. Overall this tells us also of course considering what I said before that we saw these positive surprises, but so far we don't see negative ones, but certain one-offs are still expected to come and it is very realistic that we may outperform our cost of risk guidance which we have originally given of 70 to 90 bips, so we might be better than that and I guess for such times and such circumstances as mentioned by the colleagues before that is actually a very good news and that proofs that the bank obviously also in the last years was conservative enough and doing some things right. And of course as a CRO one, two years after Covid has passed I will say this with additional confidence, but so far whatever we can see honestly speaking we should be very very happy. With this I would conclude my part for now and hand back to Blaž Brodnjak. Thank you.

Thank you Andreas. There are some slides that are anyhow publicly available so I would not stick to them necessarily. What I just mentioned at the beginning we are full-fledged on the agenda of digitalisation all over, so within ESG of course paperless initiatives, but generally also when it comes to client experience we plan to introduce a new frontend platform more or less as an E-bank and M-bank for the retail clients this year and we are well advanced in Friends&Family version already and you know we are actually the only bank in the market of 24/7 availability for practically almost all services. I mentioned before very soon in a month any client of NLB will be able to close any business actually online 24/7 without having to come to the branch. You can already now submit any request for any service and sign any contract with NLB through the mobile app more or less with biometrics. So that is a revolution of client experience and we of course plan to replicate this throughout the entire Group obviously as soon as integration is done in Serbia, Serbia would be of course focused market in also the digitalisation there is most advance, legislation is ready, so of course we want to show then immediately after Slovenia very strong progress in Serbia as well. It is happening practically all over the place, so we are actually moving clients to mobile usage, we are moving clients also to E usage and more or less 24/7 chat and video-chat functionality and we are really happy with these trends. The Contact Centre has really you know been having now already closing capacity as I mentioned, so you actually can at 2 o'clock at night close more or less almost all services even if you are not using mobile as end to end digitalised solution you can actually reach us for personal interaction and not being dependent on the branch opening hours. That is really a facilitating feature for you know mid-term optimisation of the channels and that is really something that is enabling this now, of course we are planning for higher migration still from clients, so many clients still prefer you know physical meetings in branches, but we furthermore position the branches in advisory hub and less and less as transaction service to our clients. Archibald mentioned and I will just reiterate, so we are further of course working on efficiencies, clearly in Slovenia in mid-term we are looking at further reductions, but this is true also of course also for the whole region. Archibald also mentioned already successful first wave in Serbia of envisaged rationalisation in terms of of course number of employees and the voluntary regime actually has shown really good success in first wave and will show also quick results in the upcoming months once we actually deploy it. The KPIs here are improving as we speak, so you know digital penetration is moving really and of course we have higher ambitions and we really are pushing towards this migration in a more accelerated way even. When it comes to the outlook and the numbers we have changed our way of positioning the results, recently when we were talking about the annual results and more or less we guide in this direction still. So Andreas gave you a picture that given the developments in Q1 and Q2 and positive effects coming from various corners in terms of accounting recognition not necessarily all our ... as cost of risk, but coming from various corners, successful collection, successful resolution of some legal disputes and so on is actually catering for a likelihood of course to outperform the cost of risk, but more relevant I would say guidance is on return, so mid-single digit return that is sorry high single digit return for this year and that is something that we believe is a very solid performance. Q1 is definitely showing strong path towards that. And of course what we keep to is the dividend suggestions and we believe it is justified and possible to pay these amounts actually hopefully already this year for the 2021 portion, but for sure we believe that it should be possible then until 2023 so in actually good two years to pay-out this excess of 300 million. By that I would wrap up to allow for questions and we are now fully available for them obviously. So, so far very solid outcomes, very very confident picture and we believe that the macro picture is solid and is improving even, so some other industries that have been fully locked down for quite some time have been reopening gradually and it has positive trends, so it seems that towards the end of June we might have full opening and then normal summer and this would be really mentally a significant boost to private sentiment and consumption that is then going to assist obviously already so far robust trends in production. Thank you very much and gladly responding to your questions.

Ladies and gentleman if you would like to ask a question please use the question tab located above the slides . If you have joined by the conference call please press star 1 on telephone keypad. If you choose to … your question please press star followed by 2. we have had two questions coming in by the webcast from Jasper from Slovenia. Question one, first congratulation on great results and my question is regarding outstanding shares of KB. Is there any plan for KB to do buybacks or something else to get over 90 percent? The second question is can you tell us if there is any new development in M&A plans Albania ETC?

Archibald, will you do the KB part and I do the other one?

So Blaž said quite specifically we have still an order outstanding, so we are happy to buy it to whoever is willing to sell, but obviously that requires willing sellers. From our point of view if it happens fine, if it doesn't happen also ok. So that was for us just a hand extended to minorities and so we are now progressing of course with the merger plans and once the current order expires we will simply proceed. So on M&A plans I pass back to Blaž.

Thank you Archibald. So when it comes to further M&A plans I would really now reiterate what we have been saying once we feel really confident about integration in Serbia. So we are not jumping now to another opportunity just overnight. We see significant chance for us to actually feeling very very well at the end of the year and confident to be able to onboard another project once we have full visibility on expected closing of integration in Serbia. So far we are feeling well, so far we feel confident we are going to actually meet these targets and this might mean that towards the end of the year, in the beginning of next year we might start exploring further opportunities. We mentioned on couple of occasions that Albania might be the next market we might consider. And we definitely hope that there would be a stage you know when there will be a political agreement between Slovenian and Croatian governments that you know we might be then thinking of entering this or other way Croatian market though not through a large acquisition.

Thank you. We have had a question coming through on the telephone line from RBI. Please go ahead, your line is open.

Hello, thank you for the call, I just have one or two questions. First of all on KB on your Excel spreadsheet there is shown that KB NPL ratio is very low at 1.6 percent and very low coverage. I mean the question is how recurring is this or whether there are some accounting issues here that actually I don't understand why it is so low? And the next one would be on cost of risk, I mean I am not sure whether you can explain a bit what was really the amount of releases and whether you took some additional risk costs for your underlined portfolio apart from these releases that you had?

Maybe first on the first question, I mean obviously KB in the Group accounting their NPL portfolio was initially recognised at fair value. So here you see fair value amounts which is blurring a little bit the whole picture,. I mean if you see the whole Group then this was you know reducing our coverage ratios as a Group and this is then supposed to normalise over time because obviously the fair value exposure will more and more expire and hopefully not too many, but some new NPLs will come in. So this is to a good extent accounting question as you already mentioned, but at the same time of course KB if you see them retroactively they have in the last years actually done also a lot on NPL resolution, so their NPL levels are really quite reasonable. I also have to say that so far we have not seen any negative surprises which honestly speaking from my point of view is a big recognition also to the due diligence work of our internal team especially in late 2019 because it looks like we got what we expected to get and that is actually very good news. On cost of risk, so the second question, in quarter 1 there were quite some items from off-balance sheet which released provisions, so basically we solved it while it was already booked off-balance. On the other side we had on balance items NPLs which were resolved and here we also saw a positive contribution, so with other words they were usually resolved through better value than what was still in our books. And thirdly cost of risk from regular activities in the first quarter were very low, honestly speaking that is generally not really unexpected. So quarter 1 the cost of risk from such regular items usually is the lowest in the year, I mean we are trying to get it as steady as possible during the year, but that is the fact of life. So here usually figures are low, but they were also low in this last quarter which given circumstances is of course also positive news.

Thank you. If I may add just a follow up on that? You also specified some one-off which materialised in the second quarter 14 point something million, is it also elated to further risk cost release in the second quarter and do you expect as you said that you planned to outperform the guidance, so can we expect even something on top of that?

On top of what I said already that we might outperform the guidance that is too early days I would say. I mean we are still in a Covid year, it is relatively early, so let us be also a little bit prudent.

I also didn't say specifically that it would be quarter 2, but true is yes, we are expecting certain one-off items and not all of this you will probably, I mean if the one-off items are the ones we are expecting you will not all of that see by cost of risk release because we also have one bigger fair value exposure which we expect to resolve, so this you would see in the P&L and you would also see it in the NPL reduction, but not in the cost of risk change. And we also see one or two items otherwise which might contribute and as Mr. Brodnjak also mentioned also on the legal side we have now one, two cases where we still may see some outcome which is better than expected, so it is coming from a couple of sides actually. At the moment I would say again I think the message I gave was already quite optimistic, more than that it is simply too early days because what you also have to realise is that all of these things are only true when you have the money on the account, so they are for sure still uncertainties.

Ok, thank you.

Thank you.

Thank you, we have had a question coming through on the webcast from Matjaž what is the purpose of two dividends instead of one? NLB d.d. holders will have to pay unnecessary cost of up to 3 cents for each 12 cents of dividend they receive.

So we tried to pace it in a way that is possible, so we don't want of course keep shareholders waiting you know until it is clear that we can pay the entire 25 million, but you know 25 million has been more or less green-lighted by ECB given their approach of dividend pay-out logic assuming capital adequacy on the Group level, whereby Bank of Slovenia applied the stand alone parent bank level which we believe is professionally inconsistent and this was actually the only possible way to actually within one AGM decision regulated in a way that it is paid out in two payments, but nevertheless on one decision. Archibald, you might want to add something?

I mean to the cost we are obviously very conscious of cost and efficiency of such transactions and to our best knowledge there is no incremental cost to shareholders for such a payment. So we actually assume this is cost neutral and in this sense I don't see an immediate disadvantage for shareholders. But we are very much let us say looking in all dimensions of such decisions and in our perception the dividend split as suggested is the best solution for all parties.

And we would hope for the of course repeated then AGM in Q4 for the residual up to 92 million.

Thank you. We have had another question through the webcast from Victor. When should we expect the bulk of one-off integration cost we have taken during 2021? Q1 cost performance looks strong, is there any chance of outperformance to combine to cost guidance for 2021 and 2022?

Archibald?

So on the cost I mean we have put quite specific cost ambition for this year that would include pretty much all of the restructuring charges. Now accounting of these charges follows the accounting logic so I cannot assure you that indeed of all these restructuring charges can be booked, our ambition is to book whatever we can that is in the magnitude of 30 million euro. I think we have indicated that the HR part of the restructuring process goes pretty much so far as planned, actually we are almost exceeding our ambitions here. So in this sense outperforming the cost guidance to some extent is possibly underperforming on our ambition to book restructuring charges to the largest extent in terms of timing. In terms of spending the money we think we have sized this restructuring process sensibly, so we believe the numbers are what they are. On the rest of the Group we have indicated that we are very very let us say prudent in spending decisions, we are getting really focused on each and every penny overall and more importantly on setting the stage for a structural optimising of the cost base. That has mostly to do with getting our digital agenda out, we are really excited that we have now pretty much all the building blocks in place in the bank. In terms of digital agenda we have the data, we have the analytical capabilities, we increasingly have the headcount working on these analytical capabilities, we built digital channels, Blaž mentioned the Contact Centre. So all the building blocks are gradually coming to play and in this sense we are now also progressing very well with our preparation for real estate rationalisation. Clearly Covid has taught us all a lesson of what works, what doesn’t work so well in terms of remote work. So we will also have a hybrid model in place for us and have gradually the office base of course then being addressed as I mentioned. So all this in the next 1 to 2 years, so there is plenty of cost agenda we work on structurally, we are very conscious and cautious on the run rate spend and KB is a matter of whether we can book everything this year or next year? We believe the guidance 430 million for now still holds.

Thank you. We have had another question from Victor. Having been in control of KB for a number of months what has been surprising to you? Anything that has been better or worse than expectations? How should we think about KB’s growth in 2021 and 2022?

I touched this I guess during the previous addresses, so we are feeling very confident, no significant negative surprises. We have actually introduced first common joint campaigns communication wise and of course also product wise, so we have become price competitive and we see already very significant production, in March actually this was a record production of all times in KB when it comes to consumer loans for example. And we have introduced the welcome package and we have really reactivated the sales. With the beginning of Q2 we introduced clear KPIs and performance related variable remuneration to the sales staff. So we are really feeling comfortable and I mentioned actually double digit growth and that is something that we really believe in and should come and this is true for retail book and corporate loan book and by that offset partially liquidity reserves placements. So we are enthusiastic and excited about the whole thing and we really give big hopes and bets on this to deliver what we were talking about once specifically introducing the case. Serbia should bring 100 million contribution to the Group and that is something we are counting on. Archibald, you might add something?

Nothing to add really.

Thank you. We have had another question coming through from Henry. Page 24 of the presentation says loan growth of high single digit through 2023, what is normalised growth once you remove the noise of acquisition and Covid? What do you think the long term growth of the business is?

We cannot really be concretely specific here, what we have some hopes for is that the Bank of Slovenia would remove certain hurdles here which is restriction of retail lending obviously with very strict criteria on credit worthiness of households. So this could facilitate significantly you know quick growth in retail in Slovenia, but generally you know high single digit is something that is solid. I mean if you look at Q1 this year of close to 2 percent practically we are reaching this already and if we keep the momentum this is something that we are talking about. If there was release of these restrictions from Bank of Slovenia there might be possibility to grow quicker otherwise this is simply something that we count on. Given the sentiment, given that it is significantly improving as we speak and then really depending on the usage especially of overdrafts and credit cards once private consumption resumes and this is all booked obviously under cash lending, the consumer lending we might see some nevertheless bigger boost in consumer lending. Otherwise we have had our really conscious focus to be market leader in retail lending in housing and consumer. We are top 3 banks in 6 countries and that counts. And we have the size, we are putting actually all the pieces of the puzzle together in Slovenia and I must say that I am specifically proud that in last 6 months on average we have been practically without exception originating higher portion of the entire new production in the market than our market share is, so we have been continuously growing market shares in housing and consumer loans in Slovenia and that is our strategy also in other markets. So assuming that market allows you know more we would be benefiting from it I am sure, but so far we believe that high single digit is reasonable and achievable.

Thank you. We have a question coming from Mladen. Thank you for the call and congratulation on Q1 2021 results. Where do you want to see loan portfolio structure of KB in terms of retail versus corporate and when? Do you plan to reintroduce dividend policy for KB?

Maybe I do the balance split and then Archibald the dividend. So in principle what I believe in is that you know there is huge potential in both and corporate is more or less a bigger number business. So KB is completely under-represented in corporate business in Serbia if you look at the market share in deposits you know we are talking about 17 percent market share in retail deposits, but you know lending market shares are below 10 percent, both in housing and consumer. So just bringing it into natural position is giving enormous potential, but when we are talking about top 700 corporate in Serbia you know we are barely present and this is something that is on the other side of course offering significant opportunity to grow. And if you do both things right you could have a balance picture as we are looking at you know in Slovenia and some other markets as well. So of course primary focus is retail, SME, but there is significant opportunity also and especially given the very very strong and robust liquidity of KB access to of course obviously very sticky deposit base we could be a company in corporate sector in Serbia as well, so public infrastructure projects, municipality level projects and so on, especially focusing on energy efficiency improvements and renewable. So we have the potential, we have the fire power, it is on us to actually you know do the relationship stuff right and actually you know then address the need and demand, but we are there.

Maybe on the dividend on KB, I mean we don't comment on dividend policies of listed entity that is not you know NLB itself, but by and large you know that of course rationally speaking you would expect that KB once the whole integration process concludes and that is somewhere next year in our perception of course we would expect that you know a regular profit is going to be generated at some point and Blaž mentioned ambition levels and of course as with any other operation part of the profit is returned to the shareholders, but it is not on us and it is too early to be more specific.

Thank you very much. We have a follow up question on telephone line from RBI. Please go ahead, your line is open.

This is my last on KB as well and it seems that there was a kind of sharp margin drop in the first quarter compared to 2020. I mean the question is where do you see the bottom and then what would be your guidance let us say for this year on KB level? Thank you.

Maybe a quick answer from my side. KB was originally positioned as a market leader in FX deposit taking, so that is euro deposits in retail and they actually ran deliberate campaigns in the Covid months towards the end of the Covid period to keep up market share in euro deposits and they actually did that at quite some expense and that was eating into the margin. We immediately stopped that upon resuming control on the asset and so of course we expect now with picking up of retail production for the margins to recover. You know that KB runs a quite low LTD ratio in the 50's, low 50's, so upon normalisation of that ratio we would see margins closer to where we see it in other bank, but I cannot be more specific. You know that Serbia operates at substantially higher margin than of course rest of the Group and so we are hopeful that we can benefit to the fullest extent with the combination of the measures I mentioned.

Ok, appreciate, thank you.

We have no further questions so I will hand over to Mr. Brodnjak.

Thank you very much. I will just reiterate what I said, we are feeling very well, we are feeling confident, sentiment is improving throughout the region, macro prospect seems really robust. I just saw that the prospects for Slovenian growth this year has improved 4.9 percent coming from one corner. So it seems that 2022 would already be a recovery level year and this means that we are well equipped and well positioned to take benefits out of it. So the unemployment rate has decreased now to more or less already almost to pre-Covid level and you know once we reopen entirely I would see actually back to full employment situation here in the country seeking for talent all over the place and really then significant confidence and boost of sentiment of private consumption and that is something that we really believe is going to then bring another value to us. So overall we believe it is very well positioned story to harvest yield in coming years, we stick to dividend guidance, we stick to high single digit ROE guidance and so far so good this year. Talking to you soon after presenting the H1 results which we believe are going to be very robust as well. Thank you very much and take care and see you.