

Report of the Supervisory Board of NLB d.d. on the results of the examination of the NLB Group Annual Report 2021

Pursuant to the provisions of the Companies Act (ZGD-1) and the relevant Corporate Governance Code for Listed Companies¹, the Supervisory Board of NLB d.d. (hereinafter: **NLB** or **the Bank**) compiled the written report for the General Meeting of Shareholders of NLB.

1.) Report of the Supervisory Board of NLB on the results of examining the NLB Group Annual Report 2021 the proposal for the allocation of distributable profit

Pursuant to the provisions of Article 282 of ZGD-1 and Article 34 of the Articles of Association of Nova Ljubljanska banka d.d., Ljubljana (hereinafter: **the NLB Articles of Association**), the Supervisory Board must check the Annual Report and the proposal for the allocation of distributable profit presented by the Management Board. The Supervisory Board must compile a written report for the General Meeting of shareholders on the findings of the examination referred to above.

a) NLB Group Annual Report for 2021

The Supervisory Board of NLB acknowledged the unaudited data on the operations of the NLB Group in 2021 on its session dated 24/02/2022 and the Audit Committee on its session dated 23/02/2022. According to the unaudited data for 2021, the NLB Group performed successfully in 2021 and recorded a record-high profit in the amount of EUR 236.4 million, which is a considerable growth compared to the year before, without considering the accounting effects of the purchase of Komercijalna Banka a.d., Beograd (further in text: Komercijalna banka Beograd).

On its session dated 14 April 2022, the Supervisory Board of NLB discussed the NLB Group Annual Report 2021 and the attached Auditor's report prepared by the company Ernst & Young, Revizija, poslovno svetovanje d.o.o., Ljubljana (hereinafter: **Ernst & Young**). **The Supervisory Board of NLB examined the NLB Group Annual Report 2021.**

The audited financial data for 2021 shows that remarkable performance of NLB Group in 2021 led to a record high profit of EUR 236.4 million – a substantial growth from the previous year when excluding the effects from the acquisition of Komercijalna Banka, Beograd ("KB"). Strong GDP growth in the region exceeding 6%, backed by the revival in domestic demand, created a supportive environment for NLB Group's activities. The Group achieved important milestones along the integration process of Komercijalna Banka, Beograd, namely the successful merger of the Komercijalna Banka subsidiary in Montenegro as well as the divestiture of Komercijalna Banka, Banja Luka.

Revenue growth momentum continued and accelerated in 2021, with net interest income growing by 37% YoY (excluding KB 4.0%) as a function of strong loan growth and a meaningful contribution from Komercijalna Banka group (EUR 98.5 million). Amid the continuously challenging margin environment throughout the region, the Group recorded net interest income growth in domestic and foreign markets as volume growth helped to more than offset the impact from lower rates. The contribution to net interest income from liquid assets remains subdued and impacted by (still) low rates in the euro area.

Net non-interest income in 2021 was meaningfully marked with non-recurring items (EUR 26.0 million), but contributions declined when compared to the previous year (EUR 33.7 million). Impressive growth in net fee and commission income, up 39% YoY, further added to the NLB Group's remarkable performance in 2021. Strong demand for investment products, such as asset management products and bancassurance, and at the same time strong income generation from activities correlated to general business activity (such as payments), led to an increase in fee and commission income. The NLB Group managed to keep costs within the guidance, importantly impacted by integration costs of Komercijalna Banka Group. NLB remains a highly desired employer in the region and manages to

¹ *Slovenian Corporate Governance Code for Listed Companies (October 2016, valid as of 01/01/2017), The Bank will use the amended recommendations of the said code for the first time when preparing the Corporate governance statement for the business year 2022.*

partially mitigate labour cost inflation with sourcing employees from the region and proactive approach to employment.

The Group recorded 9% loan growth in 2021, thus exceeding the full year guidance. Loans to individuals recorded double digit growth throughout the group (12%/13% excluding impact of Komercijalna Banka, Banja Luka sale), driven by remarkable production of housing loans in Slovenia and the healthy demand for consumer loans in strategic foreign markets. Deposits increased by EUR 1,243.6 million in 2021 on a group level. Deposits from individuals increased by a mere 5%, indicating that individuals migrated part of their savings to alternative investments (e.g., mutual funds and bancassurance).

Strengthened liquidity and capital position, with a CET1 ratio at 15.5% and TCR at 17.8% ensure a comfortable capacity for an ambitious shareholder pay-out and continued drive for growth opportunities. Despite substantial growth, the Group has managed to maintain RWA close to 2020 levels, helped by EBA's third party equivalent list for Northern Macedonia and BiH, and by two MIGA guarantees.

Net interest (2.07%) and operational business margin (3.28%) have stabilised with TLTRO recognition of interest income in Q4 having a marginal positive impact in the last quarter. The cost-to-income ratio increased by four percentage points YoY (to 62.3%) including the effects of the KB integration process.

Extraordinary results from workout of the legacy NPL book including material contributions from KB on top of a benign credit environment led to a EUR 35.8 million net release of impairments and provisions for credit risk – ending the year at minus 41 bps cost of risk. The Group established EUR 27.1 million of other impairments and provisions, of which EUR 14.8 million for HR restructuring charges in Serbia and the rest mostly from litigation charges in Serbia (although the recent dynamic is much more favourable).

b) Auditor's Report

Immediately after the drafting, the Management Board submitted the NLB Group Annual Report 2021 to the Supervisory Board. Since it must be audited as well, the Auditor's Report of the company Ernst & Young was attached with the report as well. Furthermore, the Management Board also attached with the NLB Group Annual Report 2021 the proposal for the allocation of distributable profit, which will be submitted to the General Meeting².

The NLB Group Annual Report for 2021 comprises the business report with the audited financial statements of NLB, consolidated financial statements of the NLB Group and the auditor's opinion. In the auditor's opinion, the enclosed individual and the consolidated financial statements in all material respects give a true and fair view of the financial position of NLB and the NLB Group as at 31/12/2021, the same as individual and consolidated income statement, and individual and consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union. It was also established based on the audit of the business report that the information contained in the business section of the annual report is consistent with the audited financial statements of the Bank and the NLB Group.

The Supervisory Board of NLB³ also acknowledged the report of the auditing company Ernst&Young to the NLB Group Annual Report 2021 and had no comments.

Following a detailed examination and final verification⁴ of the NLB Group Annual Report 2021, the Supervisory Board of NLB had no comments and approved the report, which means that the said report is adopted.

² In line with the provisions of Article 272 of the ZGD-1 (paragraph 3), the Management Board must submit the annual report to the Supervisory Board immediately after its compilation. If it must be audited, it needs to be presented together with the auditor's report. The management board must attach to the annual report the proposal for the use of the profit for appropriation which it will submit to the general meeting.

³ in accordance with the second paragraph of Article 282 of the ZGD-1;

⁴ in accordance with the second paragraph of Article 282 of the ZGD-1;

c) Proposal for the appropriation of the accumulated profit

Pursuant to the provisions of the first paragraph of Article 282 of ZGD-1, the NLB Supervisory Board also examined the NLB Management Board's proposal for the use of NLB's distributable profit for the financial year 2021 and approved it.

The distributable profit of NLB as of 31 December 2021 amounts to EUR 458,266,602.05 and consists of net profit for 2021 in the amount of EUR 208,421,094.37, the transfer of valuation gains upon the derecognition of equity financial instruments measured at fair value through other comprehensive income in the amount of EUR 53,288.25 and retained earnings from previous financial years in the amount of EUR 249,792,219.43.

The distributable profit in the amount of EUR 458,266,602.05 shall be allocated as follows:

- the part in total amount of EUR 50,000,000.00 shall be paid out to the shareholders as dividend, which amounts to EUR 2.50 gross per share,
- the part in the amount of EUR 408,266,602.05 shall remain undistributed and become part of the profit brought forward.

d) Examination of the management of the company during the business year⁵

The Supervisory Board of NLB regularly and thoroughly monitored and supervised the Bank's and the Group's operations in accordance with its powers and competence pursuant to the applicable legislation (ZGD-1, ZBan-3) and the Bank's Articles of Association. In the function of ensuring efficient supervision over the management of the Bank and the NLB Group, it acted with the diligence of a good businessman and with the powers vested in it by the applicable legislation. In 2021, the Supervisory Board of NLB held seven regular and twelve correspondence meetings.

In addition to the powers conferred upon the Supervisory Board under the ZBan-3 and the ZGD-1, the Supervisory Board gave consent to the decisions of the Management Board of the Bank pursuant to the provisions of Article 24 of the Articles of Association in the following cases:

- drafting the Bank's business policy;
- drawing up the Bank's financial plan;
- setting up the internal control system organisation;
- drawing up the annual action plan of the Internal Audit;
- conclusion of legal transactions that would result in the large exposure of the Bank to individual client or a group of related persons;
- conclusion of transactions resulting in the exposure of the Bank to persons in a special relationship with the Bank;
- writing off ordinary receivables;
- borrowing by raising loans, or issuing bonds or subordinated debt instruments;
- giving approval for the appointment and dismissal of the head of Internal Audit; and
- other matters pursuant to the regulations.

Pursuant to the provisions of the NLB Articles of Association, the Supervisory Board additionally:

- supervised the appropriateness of the procedures and the efficiency of operation of the Internal Audit and other control functions (risks, compliance);
- discussed the findings of the Bank of Slovenia or the ECB and other supervisory bodies;
- explained to the General Meeting their opinion on the internal auditors' annual report and on the Management Board's annual report;
- adopted and supervised the implementation of the general principles of remuneration policies;

in all this it acted in accordance with the highest ethical standards of management, considering the prevention of conflict of interests. The scope of checking the Bank is defined in the next chapter of this report (Activities of the Supervisory Board during the year).

⁵ in accordance with the second paragraph of Article 282 of the ZGD-1, the Supervisory Board must indicate in the report how and to what extent it examined the management of the company during the business year;

2.) Report in accordance with the relevant recommendations of the Slovenian Corporate Governance Code for Listed Companies

In this section of the report, the Supervisory Board gives a report regarding the matters to be included in the report based on the recommendations of the Slovenian Corporate Governance Code for Listed Companies⁶ which is the reference governance code for the NLB.

a) Activities of the Supervisory Board during the year

At its 1st regular meeting on 14/01/2021, the Supervisory Board of NLB acknowledged the NLB Group Strategy implementation progress report, the NLB Group's Sustainability report, the Matthew Project (Komerčijalna banka Beograd) and the ECB's letter concerning the COVID-19 pandemic.

At the second regular meeting on 18/02/2021, the Supervisory Board of NLB focused primarily on the operations of the NLB Group in 2020 and acknowledged the draft Annual Report of the NLB Group for 2020. It adopted the NLB Corporate Governance Statement. It also acknowledged the procedures related to the process of integrating Komerčijalna banka Beograd and the reports of the Bank's expert services, and gave approval to the relevant transactions, as required. The Supervisory Board of NLB adopted the revised plan of the NLB Group and NLB for 2021 and acknowledged the financial projections for the 2022–2025 period. Furthermore, the Supervisory Board acknowledged the Comprehensive opinion of the Internal Audit for 2020 for NLB and the companies in the NLB Group and acknowledged of the appointment of the Director of the Compliance and Integrity and the appointment of the Director of the Global Risk. The Supervisory Board approved the material Annual Self-assessment of the employees performing special work and approved the proposal for the training of the members of the Supervisory Board of NLB for 2021.

At its 3rd meeting on 8 April 2021, the Supervisory Board adopted the NLB Group Annual Report for 2020 and the NLB Group's Sustainability Report for 2020. The results of the Group have shown solidity and resilience of our sustainable business model, since profit after tax amounted to EUR 269.7 million, being significantly affected by the takeover of Komerčijalna banka Beograd, with the positive impact of goodwill in the amount of EUR 137.9 million. The Supervisory Board also approved the proposal of the Management Board to convene the 36th General Meeting of NLB on 14 June 2021, which decided on the proposal for the allocation of distributable profit for 2020, appointment of a new member of the Supervisory Board and proposed amendments and supplements to the Articles of Association of Nova Ljubljanska banka.

At its meeting on 21/04/2021, the Supervisory Board of NLB established that the term of office of the Management Board Member Petr Brunclík, COO, would be terminated on 30/06/2021 based on the Agreement on early termination of the term of office and mutually terminated employment contract.

At the 4th regular meeting on 11/05/2021, the Supervisory Board of NLB approved the Report of the NLB Group for the first quarter of 2021. Despite the Covid-19 pandemic the NLB Group had had a very successful first quarter in 2021. The Group generated EUR 64.6 million of profit after tax (EUR 64.6 million more than in the same period of 2020), thus proving that knowledge, experience, prudent business decisions and actions based on sustainable principles can yield good results even in a difficult economic environment. The Supervisory Board of NLB approved the Assessment of collective suitability of the Supervisory Board and acknowledged the analysis of the self-assessment of the SB's work in 2021.

At its 5th meeting on 24/06/2021, the Supervisory Board acknowledged the NLB Group Strategy implementation progress report. It also acknowledged the upgrade of the documentary framework (crediting orientation) in the ESG area and the proposal of the Sustainable Framework of the NLB Group. It approved the 2021 self-assessment action plan.

⁶ Recommendation no. 12.11 of the Slovenian Corporate Governance Code for Listed Companies (applicable since 01/01/2017): The report shall give a detailed and true view of the activities of the Supervisory Board during the year. In addition to the statutory contents, the report of the Supervisory Board to the General Meeting should also include relevant information on the internal organisation of the Supervisory Board, on the resolution of the conflicts of interest and on procedures for the operation of the Supervisory Board including the indication of how much the self-assessment has contributed to improving the work of the Supervisory Board.

At the 6th meeting on 12/08/2021, the Supervisory Board discussed the operations of the Group in the first six months and approved the Interim Report 2021. The results namely showed that the Group was on a good path to achieve the 2021 forecasts. In the first half of 2021, the NLB Group realised profit after tax in the amount of EUR 139.8 million (EUR 66.1 million more than in the same period of the previous year), thanks to a significant contribution of the Komercijalna banka Group. The Supervisory Board gave consent to the Policy Internal controls system.

On 15/10/2021, the Supervisory Board adopted the Remuneration Policy for the Members of the Supervisory Board of NLB and the Members of the Management Board of NLB and approved the publication of the agenda and proposed resolutions to be passed at the 37th General Meeting of NLB in December 2021.

At its 7th meeting on 11/11/2021, the Supervisory Board of NLB acknowledged the Report on the operations the NLB Group in the January-September 2021 period. It adopted the Plan of the NLB Group and for 2022 and acknowledged the financial projections for the 2023–2025 period. It issued its consent to the Action Plan of the Internal Audit for 2022 and the long-term plan and acknowledged the Action Plan of the Compliance and Integrity for 2022. The Supervisory Board acknowledged the Rules of Procedure of the newly founded NLB Group Sustainability Committee and the Policy for Selecting Suitable Candidates for the Member of the Bank's Supervisory Board and approved the Assessment of collective suitability of the Supervisory Board. It agreed with the borrowing by NLB in the form of issuing and selling subordinated Tier 2 bonds and acknowledged the Report of the NLB Worker's Council on the situation in worker participation in management.

On 26/11/2021, the Supervisory Board adopted the Employee Remuneration Policy of NLB and the NLB Group.

During the year, the Supervisory Board adopted periodic reports of the Global Risk, Internal Audit, Compliance and IT, and issued approval to the transactions with persons in special relationship with the Bank and to the conclusion of legal transactions in accordance with Article 170 of the Banking Act.

b) Internal organisation of the Supervisory Board

Pursuant to the amended Articles of Association of NLB in 2020, which allowed for the participation of workers in the Bank's management bodies, the Supervisory Board is composed of 12 members, of which eight representatives of shareholders and four representatives of employees (elected and appointed by the NLB Workers' Council).

Committees of the Supervisory Board

In its work, the Supervisory Board of NLB received professional assistance from its five operational committees, namely the Audit Committee, the Risk Committee, the Nomination Committee, the Remuneration Committee, and the Operations and IT Committee. The Supervisory Board committees operate as consultative bodies of the Supervisory Board of NLB and discuss the materials and proposals of the Management Board for the meetings of the Supervisory Board, prepare the proposed resolutions for the Supervisory Board, implement them, and perform other expert tasks for the Supervisory Board.

Each committee is composed of at least three members of the Supervisory Board of NLB. Their areas of activity and scope of authorities, composition, functioning, and other issues are regulated by the rules of procedure of individual committees adopted by the Supervisory Board of NLB. The workers' representative is appointed to the committees of the Supervisory Board by the Workers' Council of the Bank.

Audit Committee

The Audit Committee monitors and prepares draft resolutions for the Supervisory Board on accounting reporting, internal control and risk management, internal audit, compliance and external audit, and supervises the implementation of the regulatory measures.

Risk Committee

The Risk Committee monitors and drafts resolutions for the Supervisory Board in all areas of risk relevant to the Bank's operations. It is consulted on the current and future risk appetite and the risk management strategy, and it helps carry out control over senior management concerning implementation of the risk management strategy.

Nomination Committee

The Nomination Committee drafts proposed resolutions for the Supervisory Board of NLB concerning the appointment and dismissal of the Management Board members, recommends candidates for Supervisory Board members, recommends to the Supervisory Board of NLB the dismissal of the members of the Management Board of NLB and the Supervisory Board of NLB (shareholder representatives), prepares the content of executive employment contracts for the President and members of the Management Board of NLB, evaluates the performance of the Management Board of NLB and the Supervisory Board of NLB, and assesses the knowledge, skills and experience of individual members of the Management Board of NLB and Supervisory Board of NLB and the bodies as whole.

Remuneration Committee

The Remuneration Committee carries out expert and independent assessments of the remuneration policies and practices and formulates initiatives for measures related to improving the management of the Bank's risks, capital, and liquidity; prepares proposals for remuneration-related decisions of the Supervisory Board of NLB; and supervises the remuneration of senior management performing the risk management and compliance functions.

Operational and IT Committee

The Operational and IT Committee monitors and prepares draft resolutions for the Supervisory Board of NLB with the following principal tasks: monitoring the implementation of the IT Strategy, Information Security Strategy and Operational Strategy, monitoring the key operations and the key performance indicators of IT and the service quality indicators, monitoring of key risks in the area of operations, IT and security, monitoring recommendations for ensuring and increasing the level of information/cyber security issued by the Chief Information Security Officer (CISO), discussing the report on potential violations, events and incidents in the area of information security and monitoring the implementation of the target operational model in the IT area, the security operating system, the competence centre and the operations.

c) Conflict of interest management

The Supervisory Board of NLB acts in accordance with the highest ethical standards of management, considering the prevention of conflicts of interest. The conflict of interests is regulated by Article 6 of the Rules of Procedure of the Supervisory Board (September 2019). Each member of the Management Board and the Supervisory Board must avoid any circumstances that could lead to a conflict of interests. Should such circumstances arise, the conflict must be immediately disclosed in accordance with the legislation and the Slovenian Corporate Governance Code for Listed Companies and propose or adopt the necessary measures to eliminate the conflict of interests.

In the previous year, the Supervisory Board detected ten potential conflicts of interests which were treated and managed with maximum diligence. When deciding on individual issues at the meetings of the Supervisory Board of NLB, its members followed the general rules of corporate governance concerning conflicts of interests by informing the Supervisory Board of NLB about the existence of conflict of interests in advance in each case. Throughout the year, the members of the Supervisory Board of NLB adopted preventive measures to prevent potential conflict of interest that could affect their decisions, they did not adopt specific materials, did not participate in the discussions of particular topics or were excluded from the discussion or adoption of a decision about an issue.

All members of the Supervisory Board shall sign a special statement of independence in which they express their position on the fulfilment of the criteria on the conflicts of interest specified in Annex B to the Slovenian Corporate Governance Code for Listed Companies. In the Statement they also state

whether they consider themselves to be independent. If they have any potential conflict of interest and they consider themselves to be independent, they define in the Statement why they think this conflict of interest is not permanent and relevant in accordance with this Code. In the Statement they also explicitly state that they are professionally competent for the work in the Supervisory Board and that they have enough experience and know-how for such work. Signed statements are published on the Bank's website. It is published on the Bank's website (www.nlb.si/corporate-governance).

d) Operating procedures of the Supervisory Board

The operating procedures, method of work, convening of meetings and other matters relevant to its work are covered by the Rules of Procedure of the Supervisory Board of NLB. Among other, the said Rules of Procedure also regulate the content of the "Welcome Package" for the new members of the Supervisory Board who assume the position, the elections of the chair and deputy chair of the Supervisory Board, the committees and ad hoc working bodies for the special tasks, the rotation of members among the committees, conflict of interest management, organisation of regular, extraordinary and correspondence meetings, attendance at meetings, preparation of materials for adopting decisions, defining the language of the meeting, method of voting at the meeting, recording and storing the minutes, recording of meetings, storing documentation.

Method of work, convocation of meetings and other procedures important for the work of individual committees of the Supervisory Board are regulated by individual Rules of Procedure of such committees. As a rule, committees shall operate in meetings that may be confidential if the chair decides so. As a rule, the Committee shall meet before each meeting of the Supervisory Board. In exceptional cases the chair of the Committee may convene an extraordinary or correspondence meeting of the Committee. The Committee meeting shall develop according to the agenda items, as announced by the Chair at the Committee meeting at the latest. The Committee shall discuss each item of the agenda and draw up proposals for resolutions for the Supervisory Board. The resolutions shall be finalised and submitted to the Supervisory Board members before the Supervisory Board meeting that follows the Committee meeting. Committee meeting shall be minuted. The Secretariat shall distribute the draft unapproved minutes of the Committee meetings among the members of the Committee to review it and supplement it if needed, and based on received comments and or supplements, the Secretariat shall prepare a clean copy of the minutes. The clean copy shall, as a rule, be approved at the next meeting of the Committee or at one of the subsequent meetings. After approval, the minutes are signed by the Chair of the Committee.

e) Self-assessment by the Supervisory Board

In April 2021, the Supervisory Board carried out the self-assessment of its work and the results were discussed at the meeting in May 2021. Based on the discussion, the proposed action plan with 7 key activities was approved in June 2021. Three specific tasks were defined with the aim of improving the work of the SB (cooperation in the preparation of the annual plan of training, obtaining additional knowledge and access to the Udemy application for training and the preparation of the Rules of procedure for appointing a new member of the Supervisory Board) while other activities were related to the upgrading of the Diversity policy and remuneration of the Supervisory Board members - employee representatives, and timely delivery of the material for the Supervisory Board.

Pursuant to the approved action plan, most activities in 2021 were implemented and successfully completed and the report on the implementation of the action plan is being prepared and will be adopted at one of the next meetings of the Supervisory Board. The Supervisory Board also adopted the decision that the self-assessment of the Audit Committee and the Supervisory Board would be carried out annually, since the required improvements outlined in the self-assessment process significantly contributed to the improvement of their work.

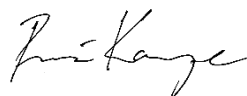
f) Position of the Supervisory Board on the Corporate Governance Statement of NLB⁷

The Statement on corporate governance of NLB is drafted in accordance with the provisions of the fifth paragraph of Article 70 of the ZGD-1. The Supervisory Board of NLB discussed the NLB Corporate Governance Statement of NLB at its second regular meeting on 24 February 2022 and had no additional comments to it. The NLB Corporate Governance Statement was unanimously adopted. The said statement is a part of the business report of the NLB Group Annual Report 2021 and is also published separately on the Bank's website (www.nlb.si/corporate-governance) as well as on the website of the Ljubljana Stock Exchange (seonet.ljse.si).

Conclusions:

- 1. The Supervisory Board of NLB examined the NLB Group Annual Report 2021. The Supervisory Board of NLB also acknowledged the report of the auditing company Ernst&Young to the NLB Group Annual Report 2021 and had no comments to it.**
- 2. In line with the above, the Supervisory Board has no comments regarding the NLB Group Annual Report 2021 and therefore approves the NLB Group Annual Report 2021. The NLB Group Annual Report 2021 is thus adopted.**
- 3. The Supervisory Board also examined the proposal of the Management Board for the allocation of distributable profit for 2021 and approved it.**
- 4. The Supervisory Board hereby proposes to the General Meeting of Shareholders to acknowledge the Report of the Supervisory Board of NLB on the results of the examination of the 2021 NLB Group Annual Report.**

Ljubljana, 14 April 2022



Supervisory Board of NLB

Primož Karpe
Chairman of the Supervisory Board

⁷ *In line with the Recommendation no. 5 of the Slovenian Corporate Governance Code for Listed Companies, the company must include in its business report in the scope of its annual report also the Statement on the corporate governance of the company and the Supervisory Board must adopt a position regarding the statement in the Report on the work of the Supervisory Board in the scope of adopting the annual report.*