

**Welcome to our home.
A region of opportunities.**



Beginning of Investor Day

**WITH
OPENING REMARKS**



Blaž Brodnjak, NLB d.d., CEO

KEYNOTE SPEECH



Marko Čadež, President of the Chamber of Commerce and Industry of Serbia

Presentation:

MACROECONOMIC OVERVIEW OF THE REGION



Richard Grieveson, Deputy Director at Vienna Institute
for International Economic Studies

NLB Investor Day

May 12th 2022, Belgrade

A time of change: Opportunities and challenges for Southeast Europe in the new global economy

Richard Grieveson, wiiw Deputy Director

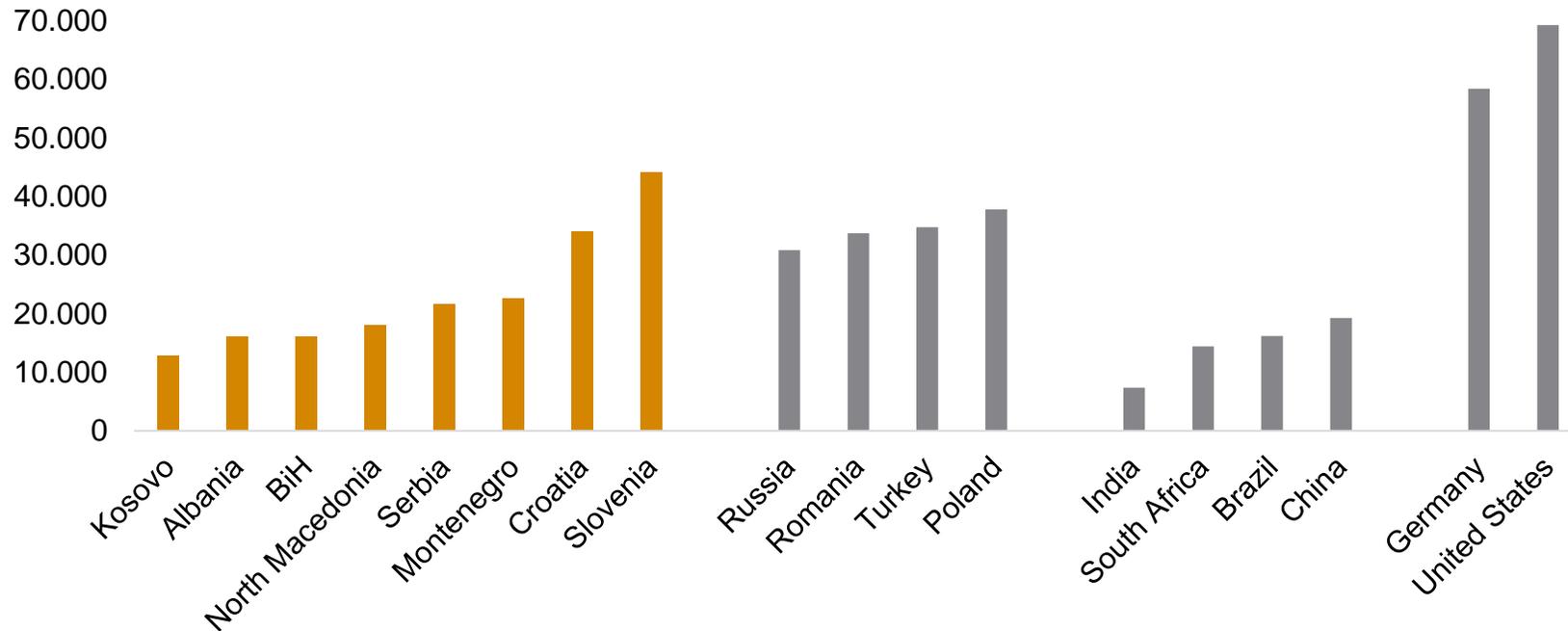
Overview

1. Economic fundamentals and comparisons with regional and global peers
2. Impact of COVID and the Russian invasion of Ukraine on the region's economies
3. Challenges and opportunities in the new global economy

1. Economic fundamentals and comparisons with regional and global peers

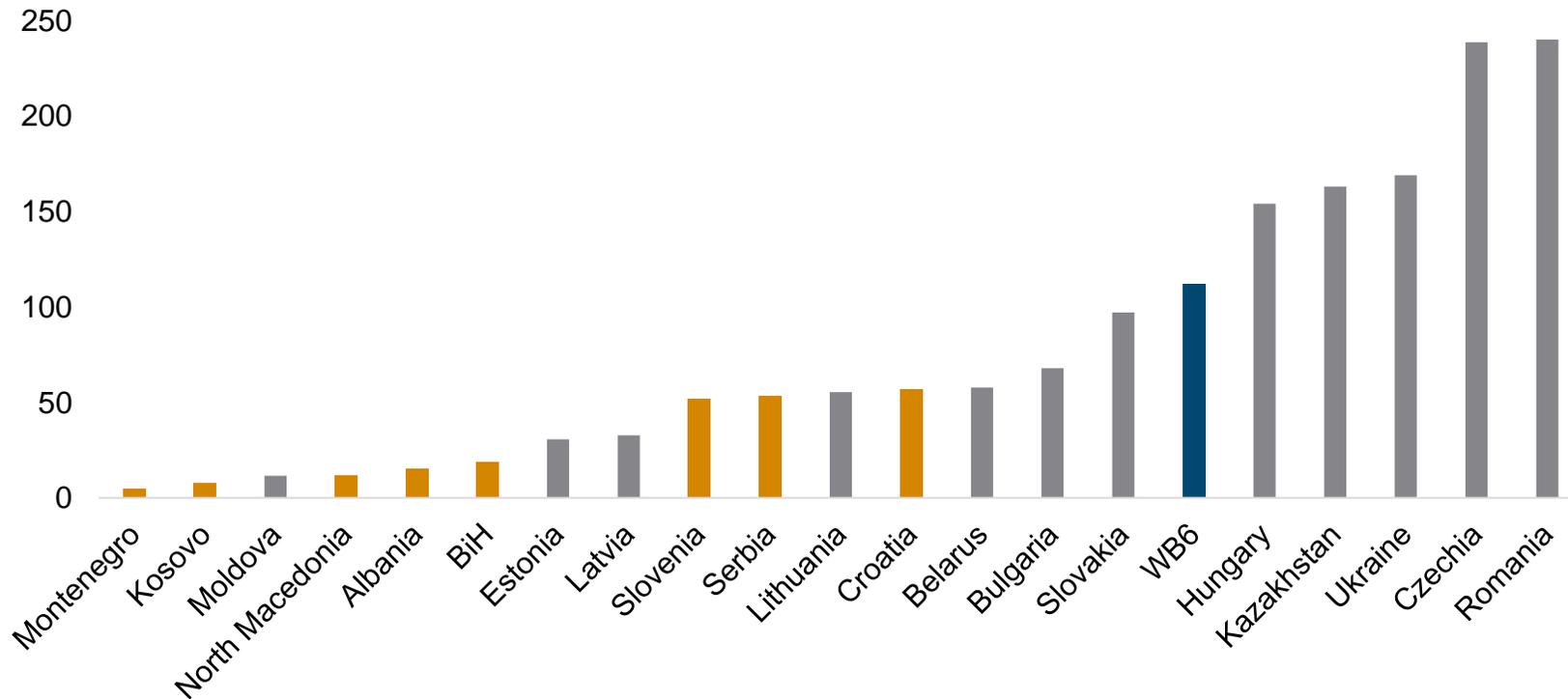
Southeast Europe remains relatively undeveloped by CEE standards, but quite rich in global EM context

GDP per capita, nominal US\$, purchasing power parity, 2021



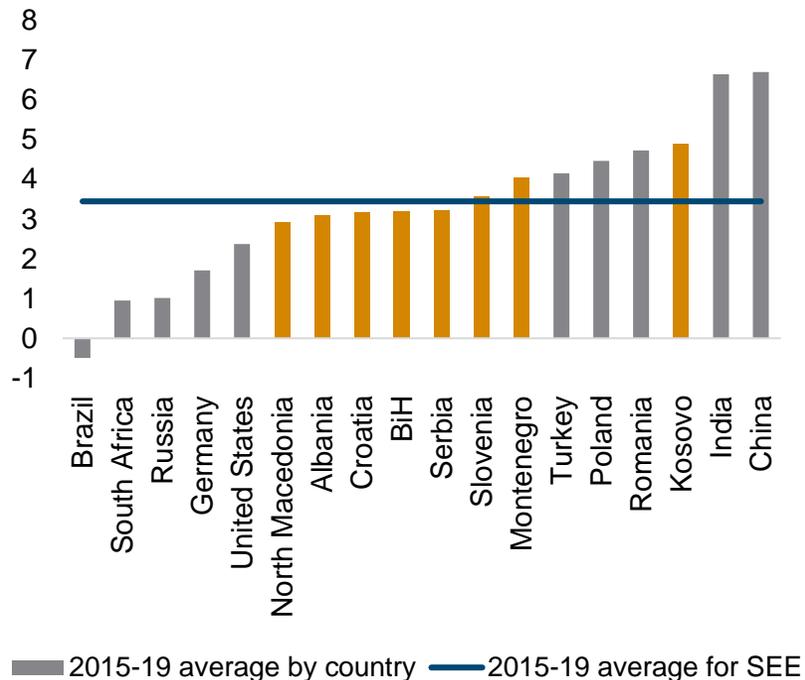
Market size: Mostly small or medium-sized economies in CEE context; WB6 has ~GDP of Slovakia

Nominal GDP, EURbn, 2021

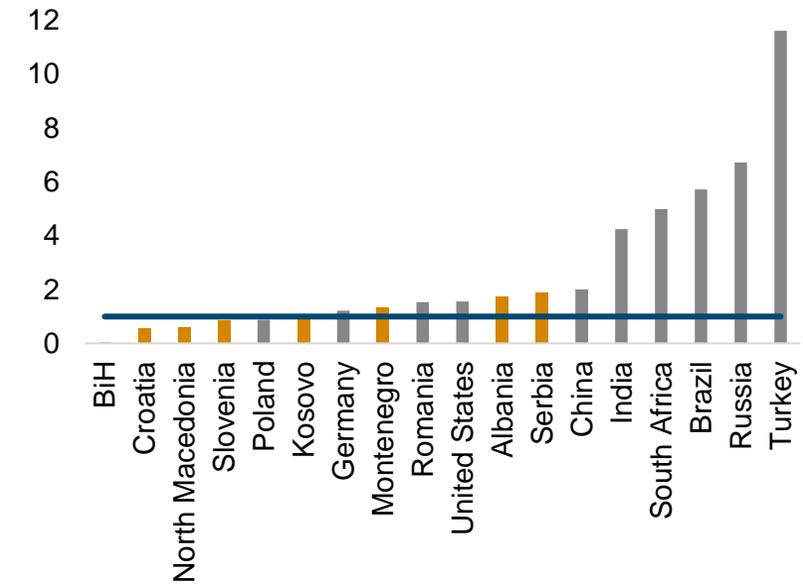


Pre-COVID growth weaker than CEE peers but strong by DM or global EM standards; inflation very low

Real GDP growth, % per year,
2015-19 average

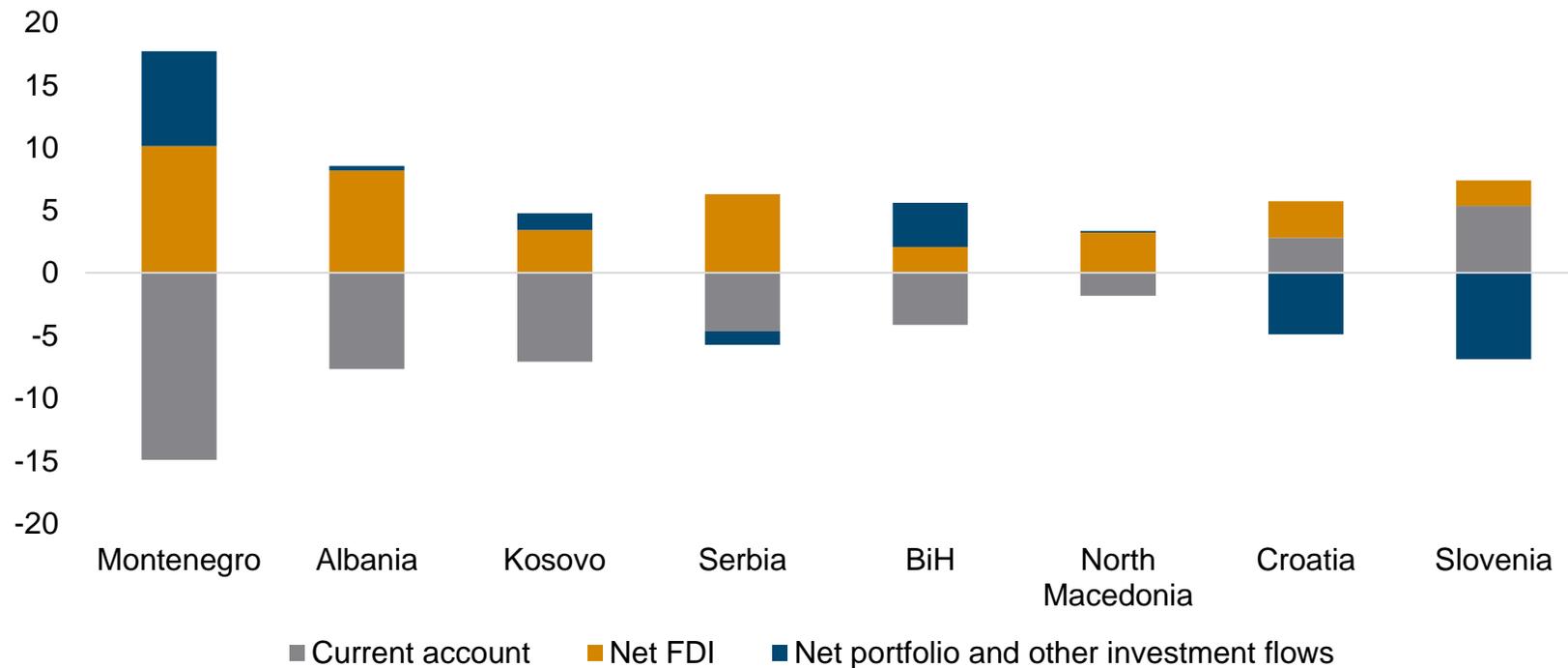


Consumer price inflation, % per
year, 2015-19 average



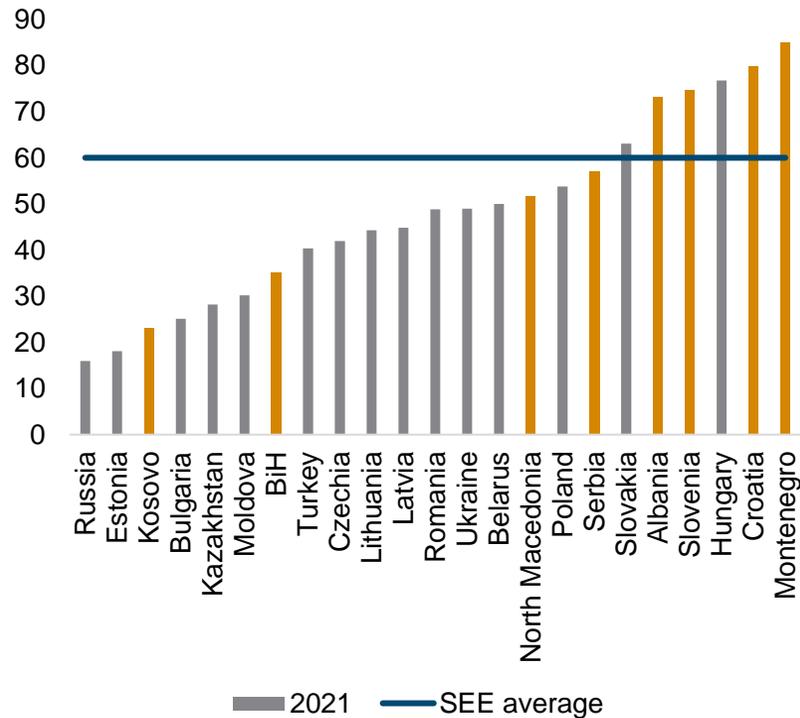
Most countries have weak external competitiveness, but some improving due to success in attracting FDI

Selected parts of the balance of payments, % of GDP, 2015-19 average

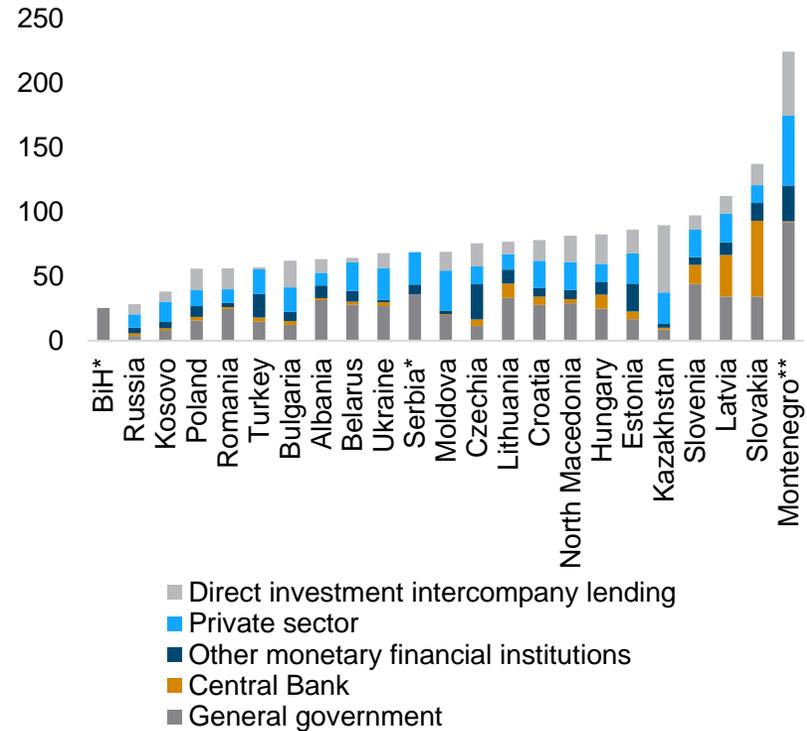


Southeast Europe has high levels of public debt by CEE standards; external debt levels vary widely

Public debt, % of GDP, 2021



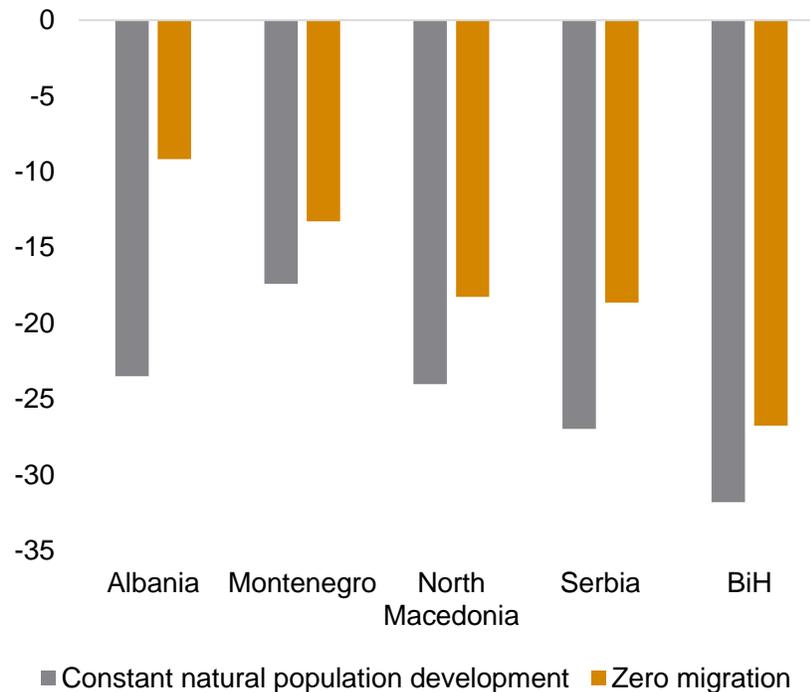
External debt, % of GDP, 2021



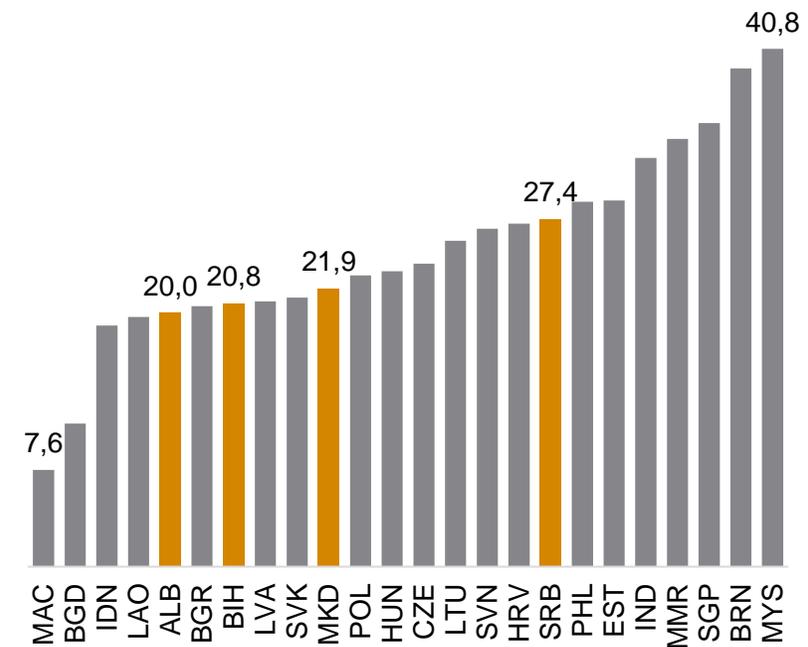
Sources: National sources, wiiw. Notes: *Some external debt data for BiH and Serbia unavailable; data for Montenegro are for 2020.

Labour availability is a challenge for the region, both in terms of overall numbers and quality

Projected change in working-age population, %, 2015-50



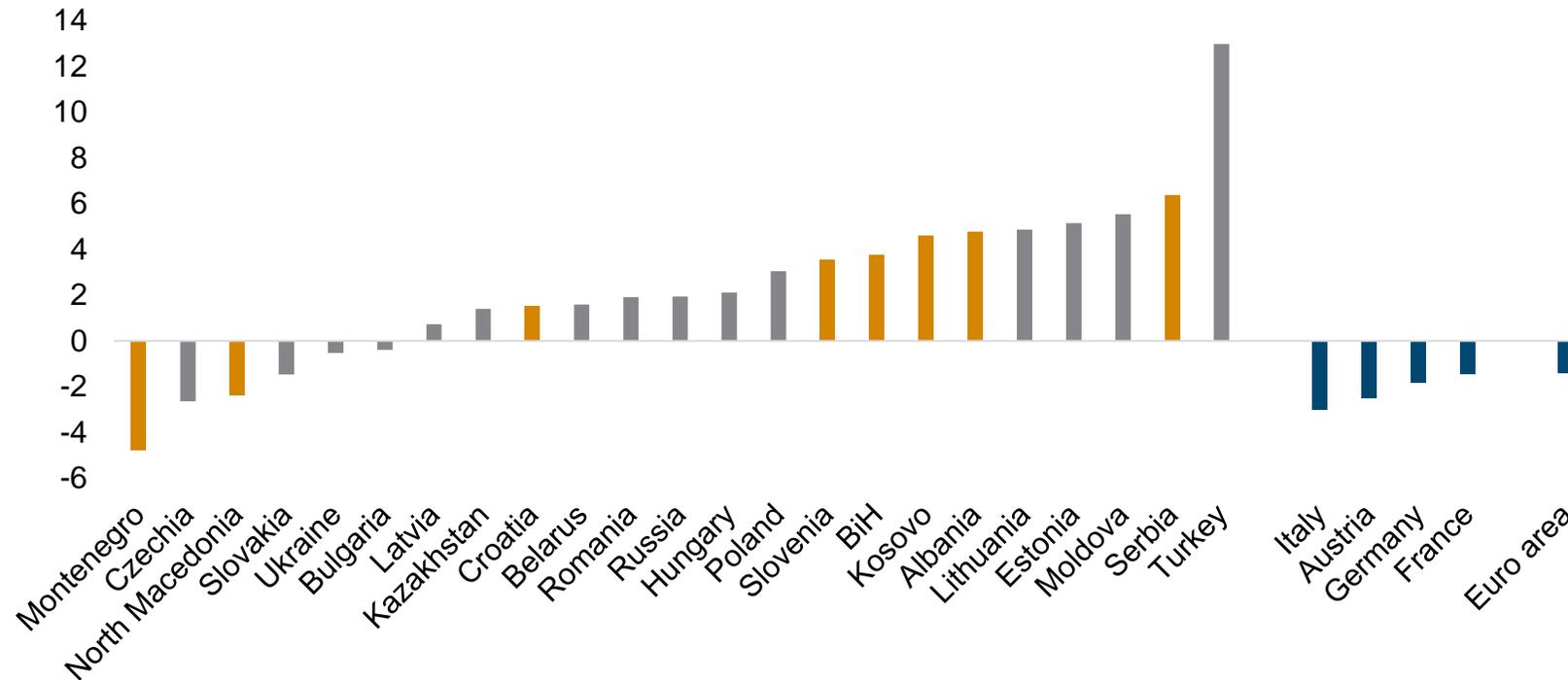
STEM graduates (% of total tertiary graduates), average for 2017-2019



2. Impact of COVID and the Russian invasion of Ukraine on the region's economies

Southeast Europe mostly a relative success story in pandemic, but divergent performance

Cumulative real GDP change in 2020-21, %

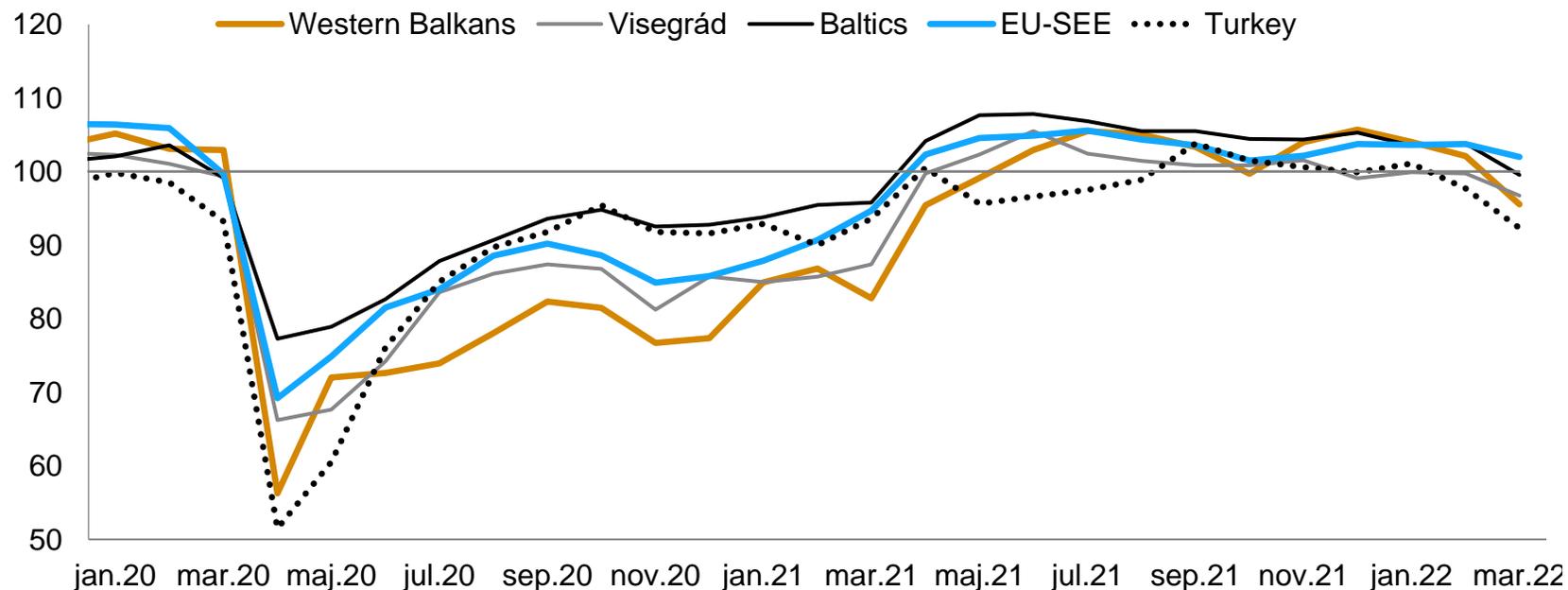


How to explain relatively economic resilience of Southeast Europe?

- Across CEE, economy prioritised over public health from winter 2020.
- Relatively lower share of services in GDP (Montenegro, Croatia exceptions).
- Rapid adaptation to pandemic conditions; each new wave of infections caused smaller economic hit.
- Quick and strong policy response to stimulate economy, especially in Serbia.
- Quicker response from international organisations than after 2008, important especially for region's less developed countries.

But just as recovery was becoming firmly entrenched,
Russia invaded Ukraine, with already clear impact

European Commission economic sentiment indicator, long-term average = 100

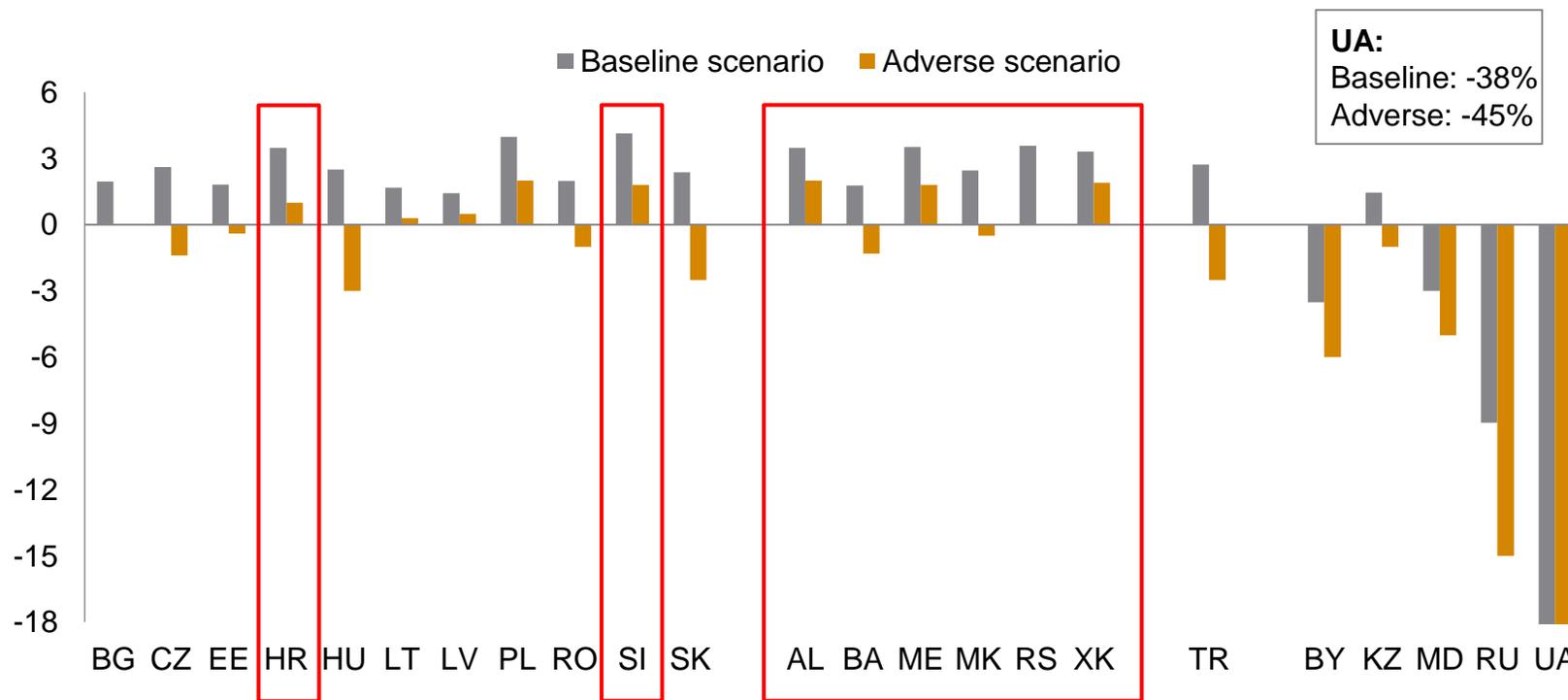


Note: Simple average of each country group. Western Balkans: AL, ME, MK; EU-SEE: BG, HR, RO, SI.

Source: European Commission, Eurostat.

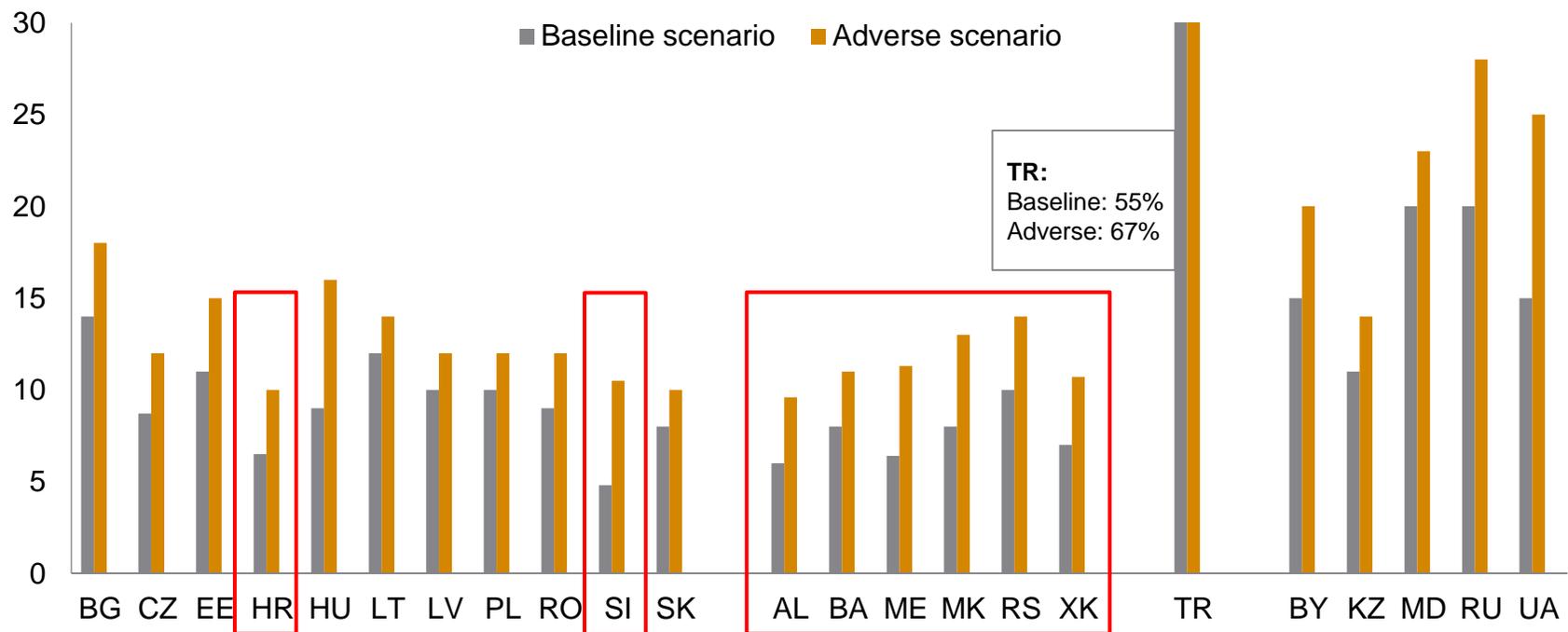
Growth outlook for the whole region is weaker than pre-invasion, and could get worse

Real GDP growth in 2022, in %



Inflation will be high anyway, but much higher if energy supply from Russia is cut

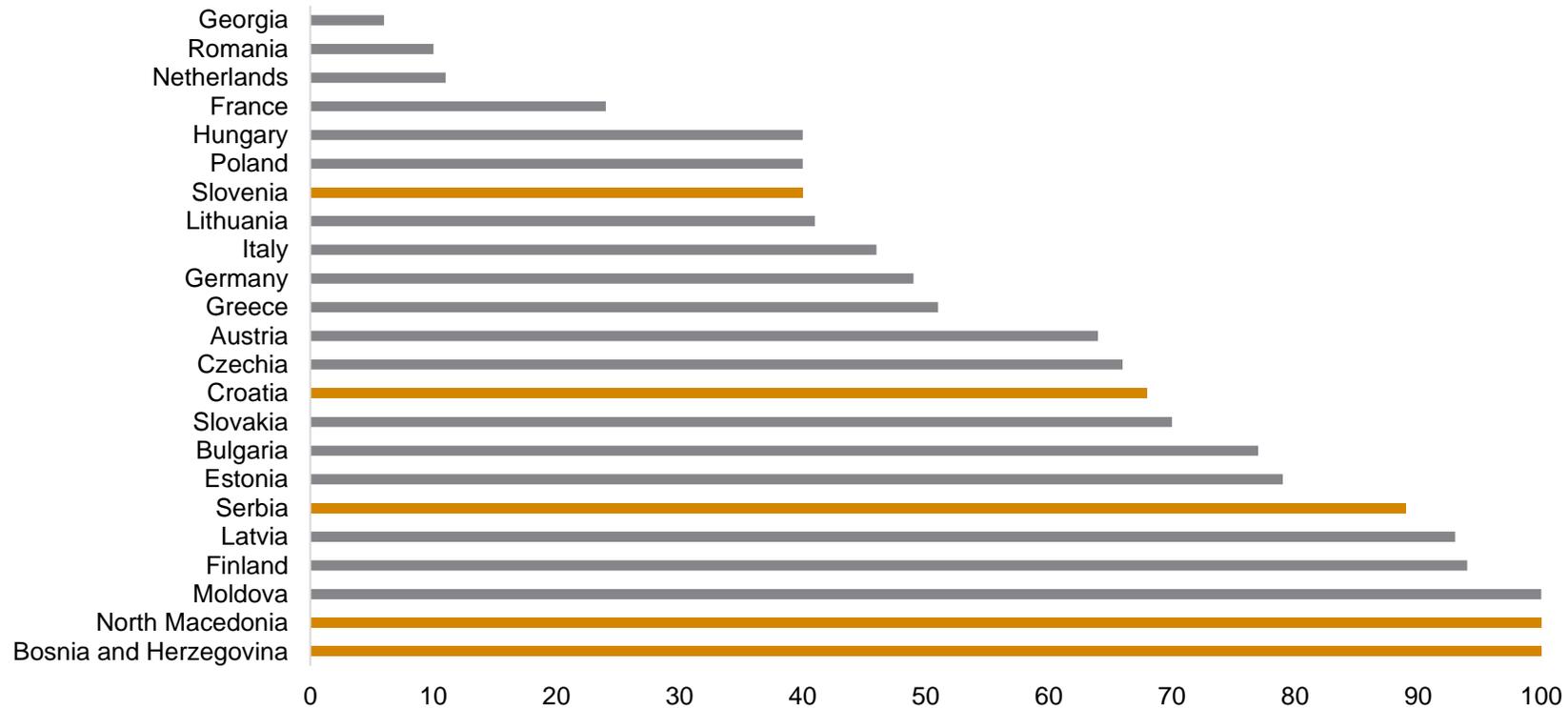
CPI inflation in 2022, %



Source: wiiw forecasts as of 11 April 2022. Note: Adverse scenario = immediate EU embargo on Russian energy.

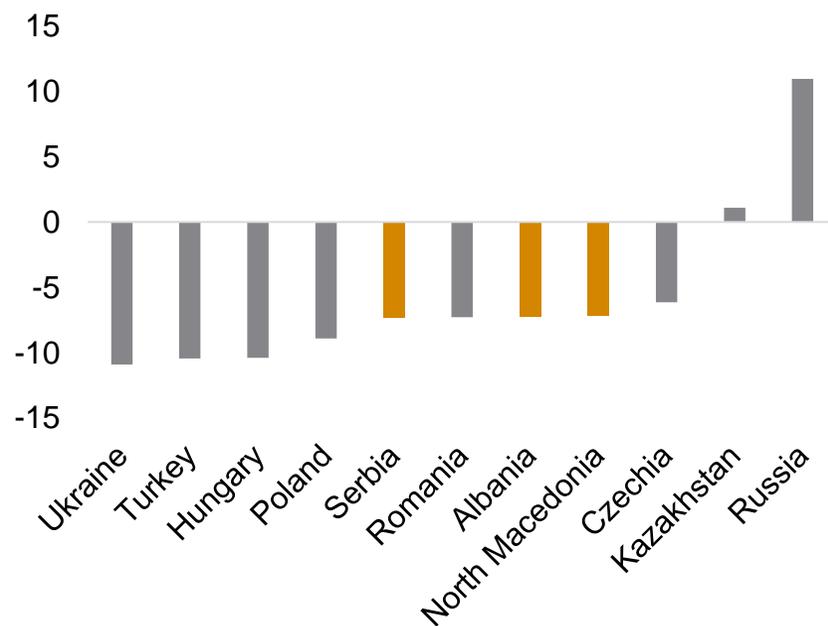
Southeast European countries have some of highest levels of dependence on Russian gas

Share of gas supply from Russia, % of total, 2020

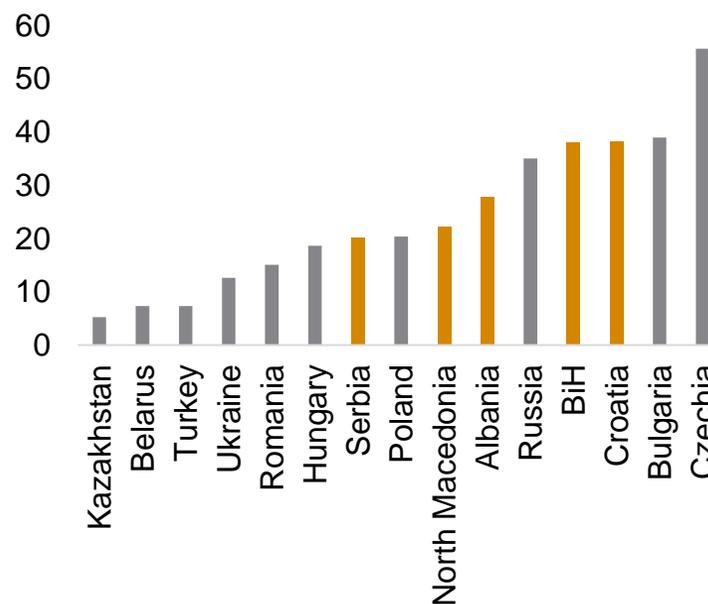


Pressure on exchange rates, but monetary authorities have reacted with higher rates and FX interventions

% change in value of national currency versus US dollar since end-2021

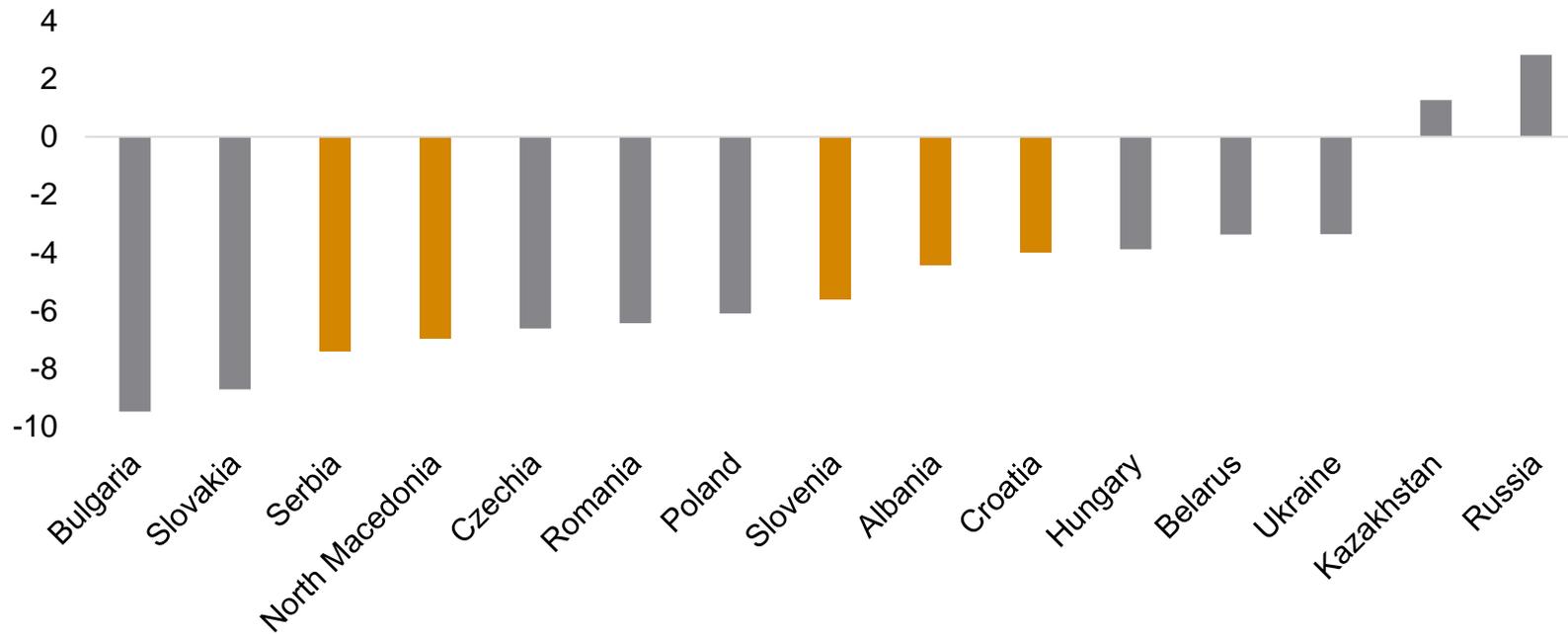


Gross central bank FX reserves, % of GDP, March 2022



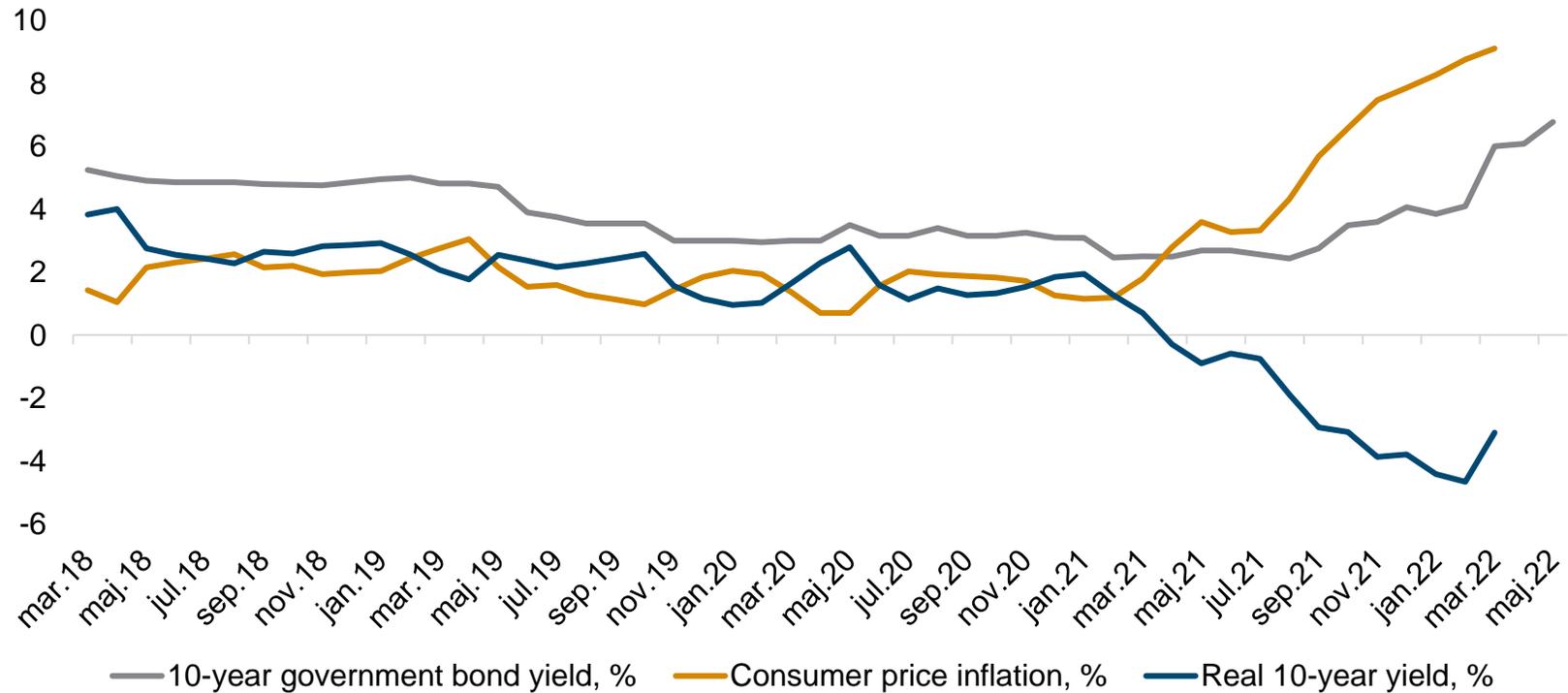
Outside of the former Soviet Union, real rates are still very negative; central banks also wary of tightening in real terms into an economic slowdown

Real interest rate, CPI-adjusted, March 2022



Nominal sovereign yields are rising fast, but real yields still firmly negative: no sign of market panic

Serbian 10-year government bond yields and inflation

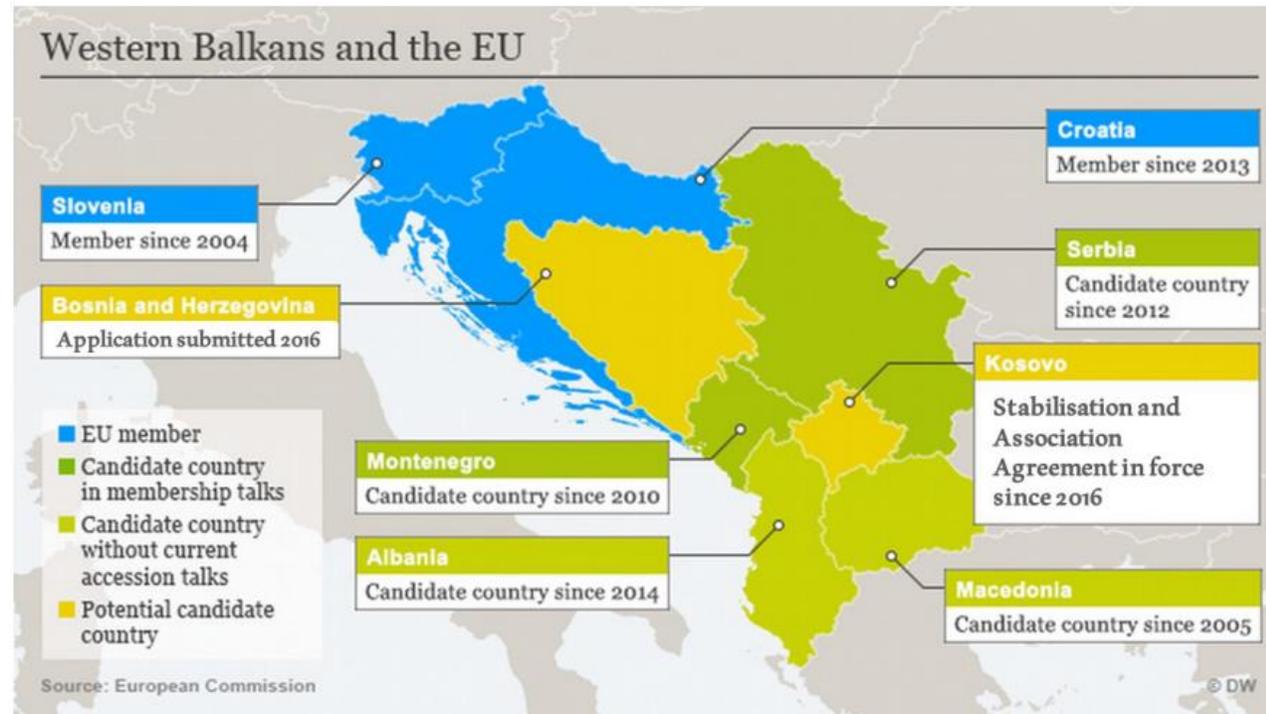


How lasting is the inflation shock?

- It will not disappear quickly, but things should look much better by 2023
- Central banks have reacted with higher nominal interest rates and will stay on this course
- Meanwhile high inflation will eat into real incomes, reducing inflationary pressure from the demand side
- Labour is not organised like in the 1970s, so a multi-year wage-price spiral seems unlikely
- But major uncertainty: distrust strong predictions in either direction.

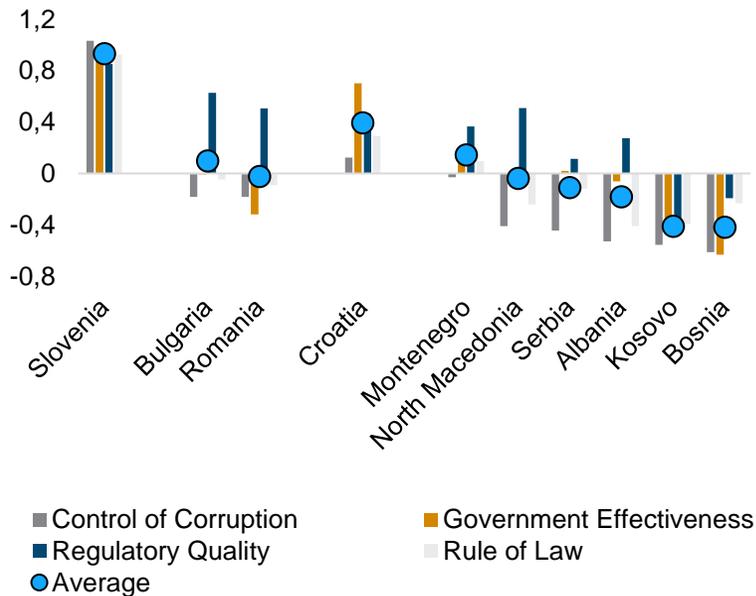
3. Challenges and opportunities in the new global economy

Challenge #1: Stalled EU accession process; 18 years after Thessaloniki, only Slovenia + Croatia have joined the EU

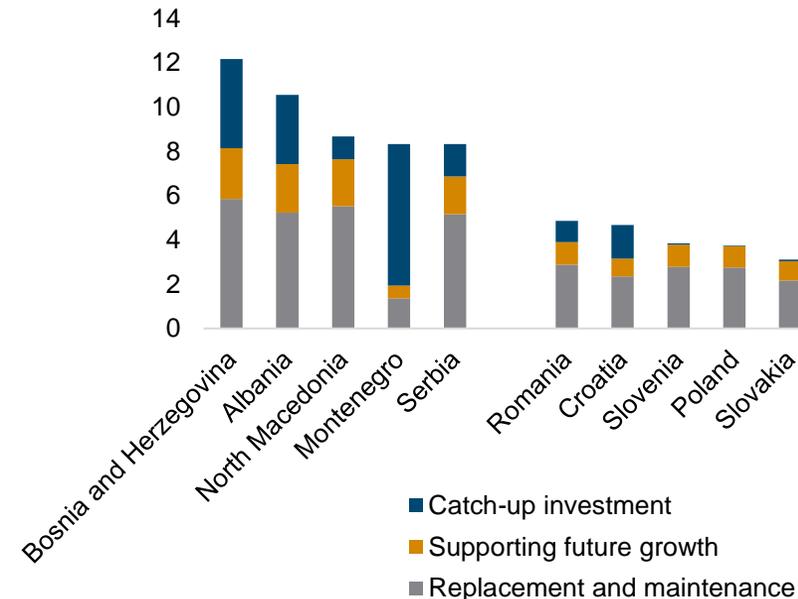


Challenge #2: Fundamental weaknesses including institutions, infrastructure and demographics

World Bank Worldwide Governance Indicators, year of EU accession or 2019



Infrastructure investment needs per year, % of GDP, 2018-22



Challenge #3: The new geopolitics

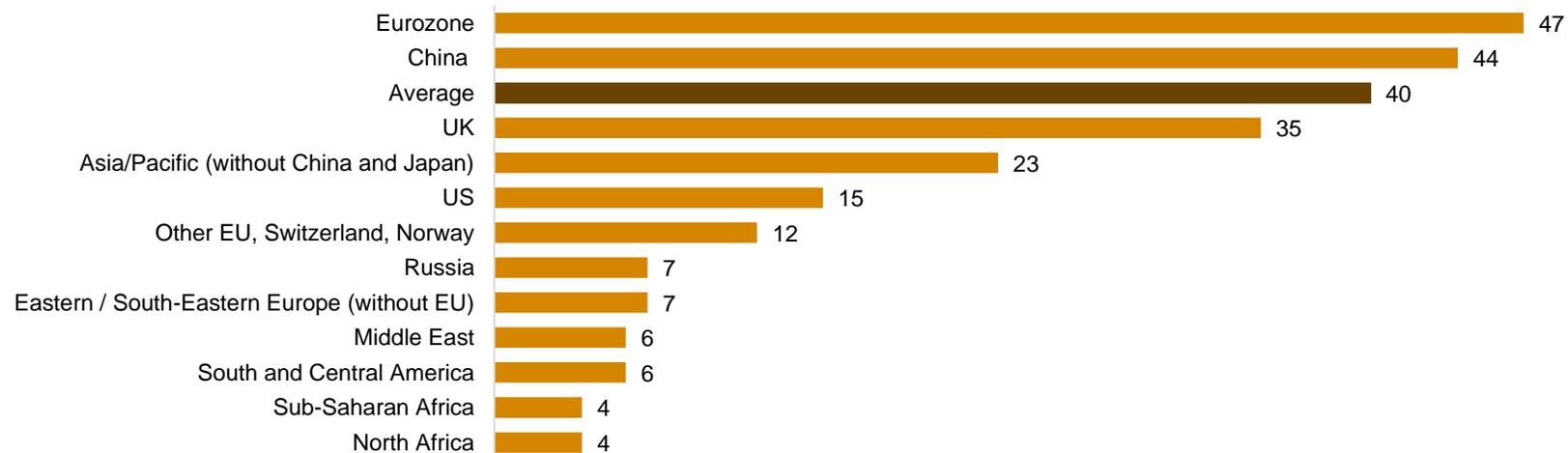
- Russia and China are both important players in the region, and China increasingly so in recent years (e.g. in infrastructure)
- For Southeast Europe, the balancing act between the West and Russia/China is going to be much more difficult in the future
- If forced to pick a side, the economic/financial incentives from the EU are much stronger than from Russia
- But whatever happens, the region will lose from a harder divide between Russia and the West

Challenge #4: The green transition in Southeast Europe

- Transport: Long border waiting times, lack of rail and waterway infrastructure.
- Industry's reliance on fossil fuels: metals, plastics, automotive, chemical processing. Transition away from coal will be hard.
- Carbon prices: Competition with rich EU countries if forced to meet same standards immediately.
- Lack of green financing sources; uncertainty deters necessary long-term investments.
- Low R&D and innovation capabilities.

Opportunity #1: Near-shoring as German firms shorten supply chains due to pandemic and war; 40% have problems with supply chains, and 2/3 of them considering changes

Share of German companies with supply chains problems, by countries/regions (in %)



Can Southeast Europe take advantage? Quite possibly, but they will need to speed up reforms

What German firms already in Southeast Europe like:

- Geographical proximity
- Knowledge of the region
- Relatively low costs

So Southeast Europe has natural advantages to attract near-shoring investment

What is most important for potential new investors:

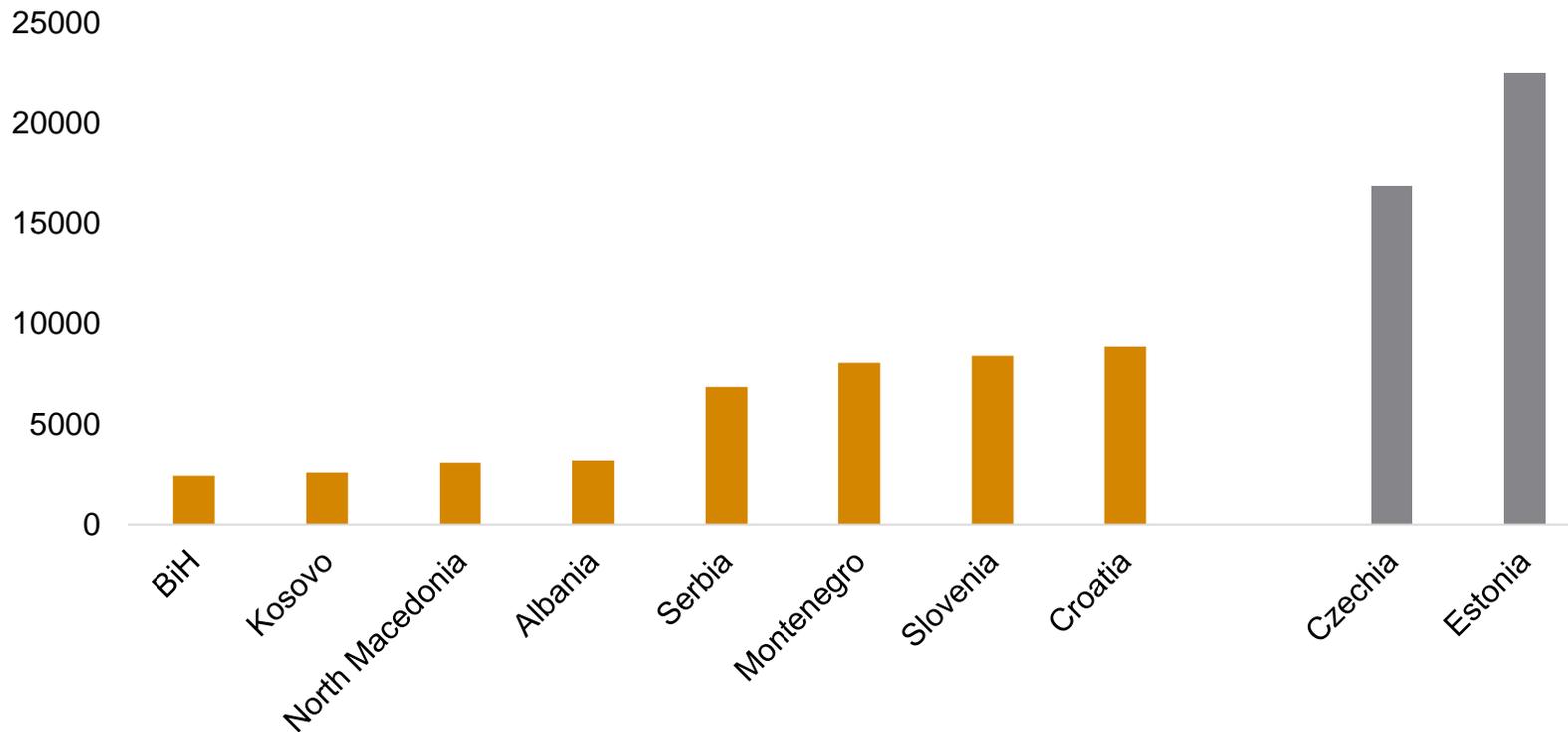
- Availability of skilled labour
- Political stability, good governance and functional institutions
- Both more important than the *level* of wages

What are potential investors in Southeast Europe worried about?

- Weak governance and lack of government support
- Availability of skilled workforce

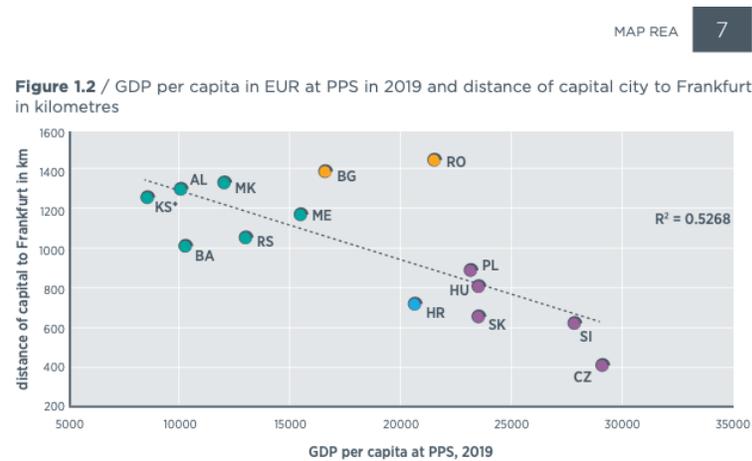
If they can do this and follow the Visegrad + Baltic model, the region has major growth potential

Inward FDI stock per capita, EUR, 2021

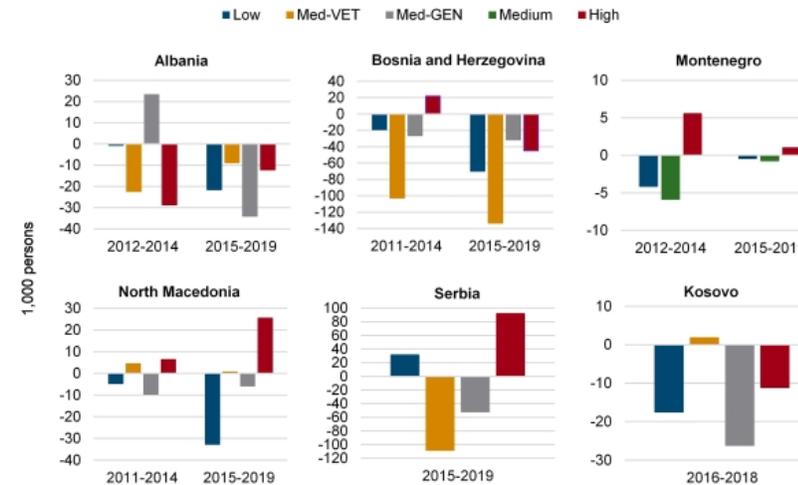


Opportunity #2: Change in Europe's economic geography via digital push?

Impact of distance from Germany on economic development



Cumulative net migration flows by level of education: 2011-2019



Sources: Holzner et al 2020, Leitner 2021, labour force surveys for Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, Serbia, and Kosovo; own calculations.

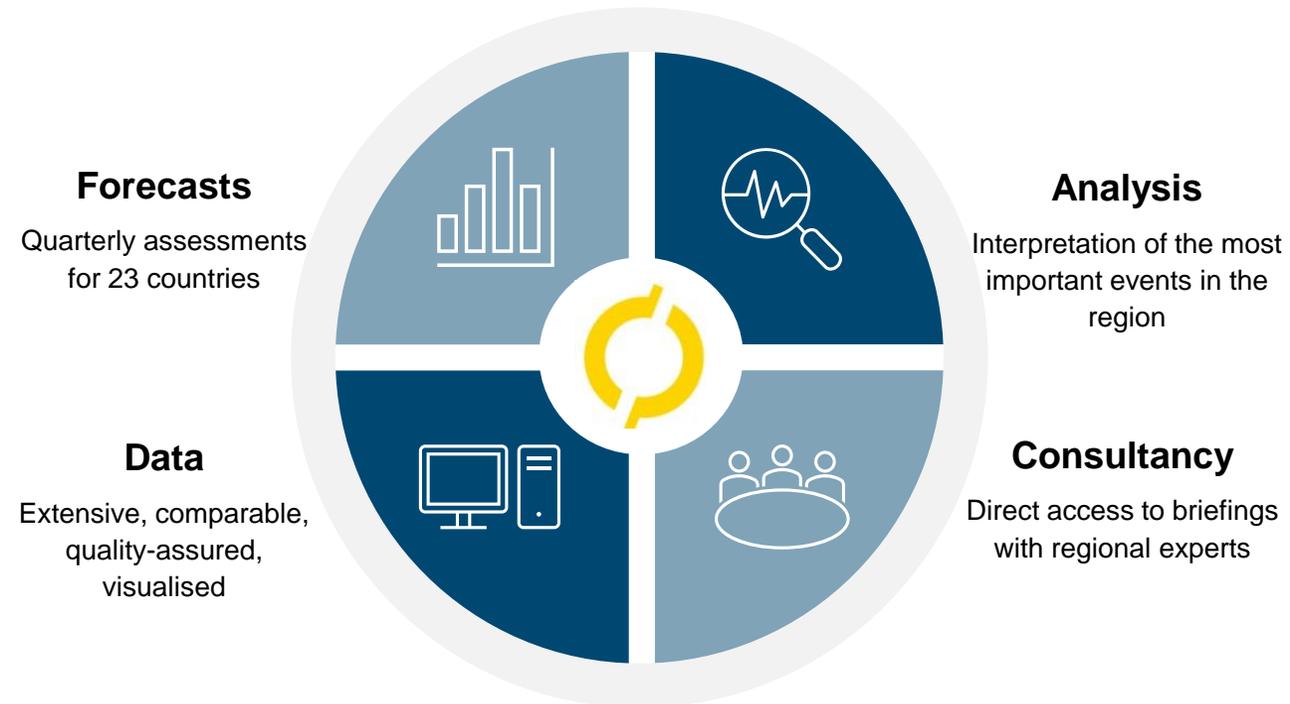
What the non-EU members of the region need:

- A deepening of regional integration initiatives to ease trade between the countries (but be realistic about what this can achieve alone)
- Domestic reforms are crucial to fully capture potential, but also need help from the EU side...
- A much firmer EU accession perspective
- Much deeper economic integration with the EU, even if full membership still some way off
- More access to the EU budget to finance infrastructure upgrading
- Stronger US and EU role to solve constitutional and territorial issues that hold back EU accession and economic development

Conclusions

- In 2020 and 2022, the global economy suffered two major shocks that will cause lasting structural changes.
- Production chains will shorten, inflation is back, and the move towards a multipolar geo-economic order has accelerated.
- Southeast came through pandemic well and was on course for strong recovery before invasion.
- 2022 will be difficult, especially due to inflation, but price growth should moderate from 2023 (major uncertainty around these projections)
- Challenges for the region include stalled EU accession, governance, demographics, the new geopolitics and the green transition.
- But near-shoring and digitalisation present major opportunities, if policymakers at the local and EU level enact the right measures.

wiiw membership package: making sense of the noise in CEE



Full details: [wiiw membership](#).

Thank you for your attention!

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Further reading:

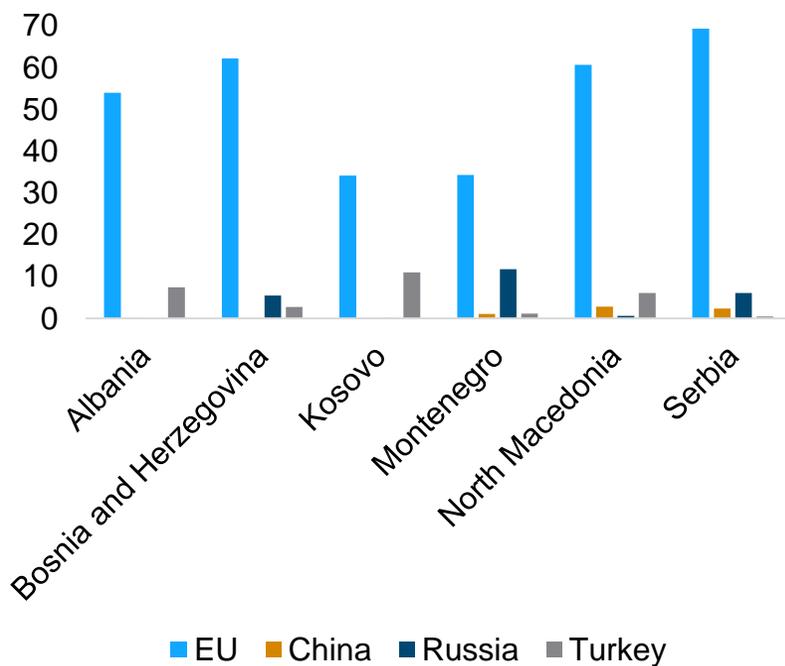
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- Grieveson, R., Holzner, M. and Vukšić, G. (2020), 'Regional Economic Cooperation in the Western Balkans: The Role of Stabilization and Association Agreements, Bilateral Investment Treaties and Free Trade Agreements in Regional Investment and Trade Flows', *Eastern European Economics*, Vol. 59, Issue 1, 23 December, pp. 3-24. [Link](#).
- Grieveson, R. and Holzner, M. (2021), 'Convergence of Non-EU Countries in the CESEE Region', in: Michael Landesmann and István P. Székely (eds), *Does EU Membership Facilitate Convergence? The Experience of the EU's Eastern Enlargement - Volume I: Overall Trends and Country Experiences*, Chapter 9, Studies in Economic Transition, Palgrave Macmillan, February, pp. 285-322. [Link](#).
- Grieveson, R. (2020), 'Covid-19 Fallout in the Western Balkans: Old Problems, New Challenges, and Looking for Opportunities in the Post-Pandemic World', in: Valeska Esch and Viktoria Palm (eds), *The Covid-19 Pandemic in the Western Balkans: Consequences and Policy Approaches*, Aspen Institute Germany, pp. 101-105. [Link](#).
- Grieveson, R. (2020), 'The Western Balkans between the EU, US, Russia and China: the Role of Finance and Investment', in: Franco Delneri, Paolo Garonna and Federica Seganti (eds), *Investment and Finance for the Post-Covid Recovery in Eastern Europe: The Role of Banking, Insurance and Finance*, LUISS University Press, April, pp. 231-237. [Link](#).
- Grieveson, R., Grübler, J. and Holzner, M. (2018), 'Western Balkans EU Accession: Is the 2025 Target Date Realistic?', *wiiw Policy Note/Policy Report*, No. 22, Vienna, May. [Link](#).
- Holzner, M. and Grieveson, R. (2018), 'Investment in the Western Balkans', *wiiw Policy Note/Policy Report*, No. 27, Vienna, November. [Link](#).
- Holzner, M., Hanzl-Weiss, D., Mara, I. and Pichler, D. (2020), 'Multi-annual Action Plan for a Regional Economic Area (MAP REA) in the Western Balkans', in: Bojana Zorić (eds), *Regional Cooperation Council, Diagnostic Report*, December. [Link](#).
- Jovanovic et. al. (2021), 'Getting Stronger After COVID-19: Nearshoring Potential in the Western Balkans', *wiiw Research Report* No. 453, Vienna, May. [Link](#).
- Leitner, S. (2021), 'Net Migration and its Skill Composition in the Western Balkan Countries between 2010 and 2019: Results from a Cohort Approach Analysis', *wiiw Working Paper* No. 197, Vienna, March. [Link](#).
- Reiter, O. and Stehrer, R. (2020), 'Value Chain Integration of the Western Balkan Countries and Policy Options for the Post-COVID-19 Period', *wiiw Policy Note/Policy Report*, No. 48, Vienna, March. [Link](#).

Growth forecasts and revisions – baseline scenario

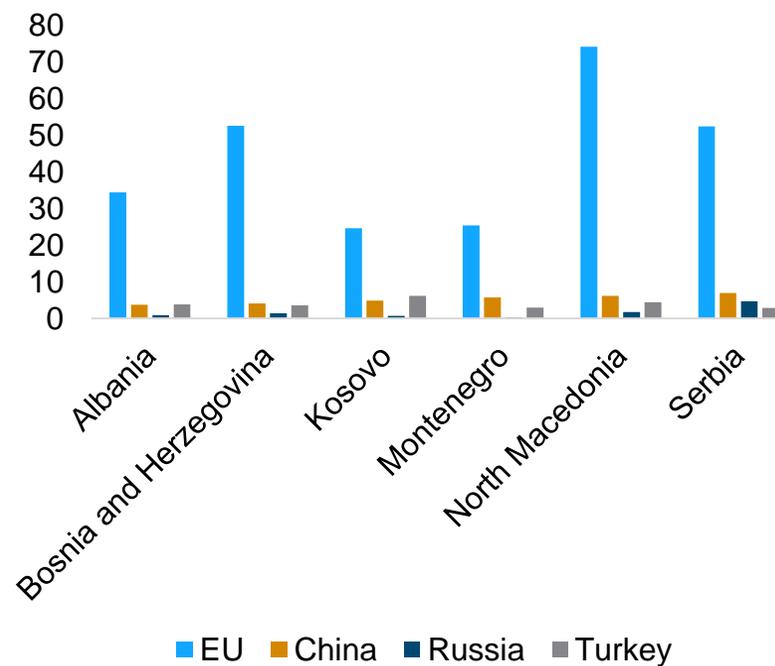
		Forecast, %			Revisions, pp		
		2022	2023	2024	2022	2023	2024
EU-CEE	BG	2.0	3.7	3.5	↓ -1.8	↑ 0.2	⇒ 0.0
	CZ	2.6	3.5	4.2	↓ -1.4	↓ -0.1	↑ 0.6
	EE	1.8	3.4	3.1	↓ -1.7	↓ -0.6	↓ -0.2
	HR	3.5	4.0	3.1	↓ -1.2	↓ -0.1	↓ -0.2
	HU	2.5	3.9	4.5	↓ -2.0	↓ -0.1	↑ 0.8
	LT	1.7	2.8	2.6	↓ -2.0	↓ -0.5	↓ -0.3
	LV	1.4	2.2	2.3	↓ -2.9	↓ -1.4	↓ -0.7
	PL	4.0	3.5	3.6	↓ -0.9	↓ -1.4	↓ -0.7
	RO	2.0	3.5	4.5	↓ -2.3	↓ -1.0	↓ -0.3
	SI	4.1	3.3	2.8	⇒ 0.0	⇒ 0.0	↓ -0.2
	SK	2.4	3.1	3.0	↓ -1.5	↓ -0.6	↓ -0.3
Western Balkans	AL	3.5	3.7	3.9	↓ -0.7	↓ -0.3	↑ 0.1
	BA	1.8	2.3	2.3	↓ -0.7	↓ -0.5	↓ -0.3
	ME	3.5	3.7	3.3	↓ -1.0	↑ 0.7	↑ 0.6
	MK	2.5	2.7	2.7	↓ -1.0	↓ -0.5	↓ -0.3
	RS	3.6	3.4	3.4	↓ -1.3	↓ -1.1	↓ -0.6
	XK	3.3	3.7	3.9	↓ -1.0	↓ -0.3	↓ -0.1
Turkey	TR	2.7	2.8	3.2	↓ -0.8	↓ -0.7	↓ -0.8
CIS+UA	BY	-3.5	1.6	2.0	↓ -4.5	↓ -0.4	⇒ 0.0
	KZ	1.5	3.2	4.0	↓ -2.7	↓ -1.2	↓ -0.1
	MD	-3.0	3.0	4.0	↓ -7.0	↓ -1.5	↓ -0.5
	RU	-9.0	-1.5	1.0	↓ -11.0	↓ -3.0	↓ -0.5
	UA	-38.0	5.0	13.0	↓ -41.5	↑ 1.5	↑ 9.0

Impact of the war: Existing economic integration is strongly with EU

Inward FDI stock by source, % of total, 2019

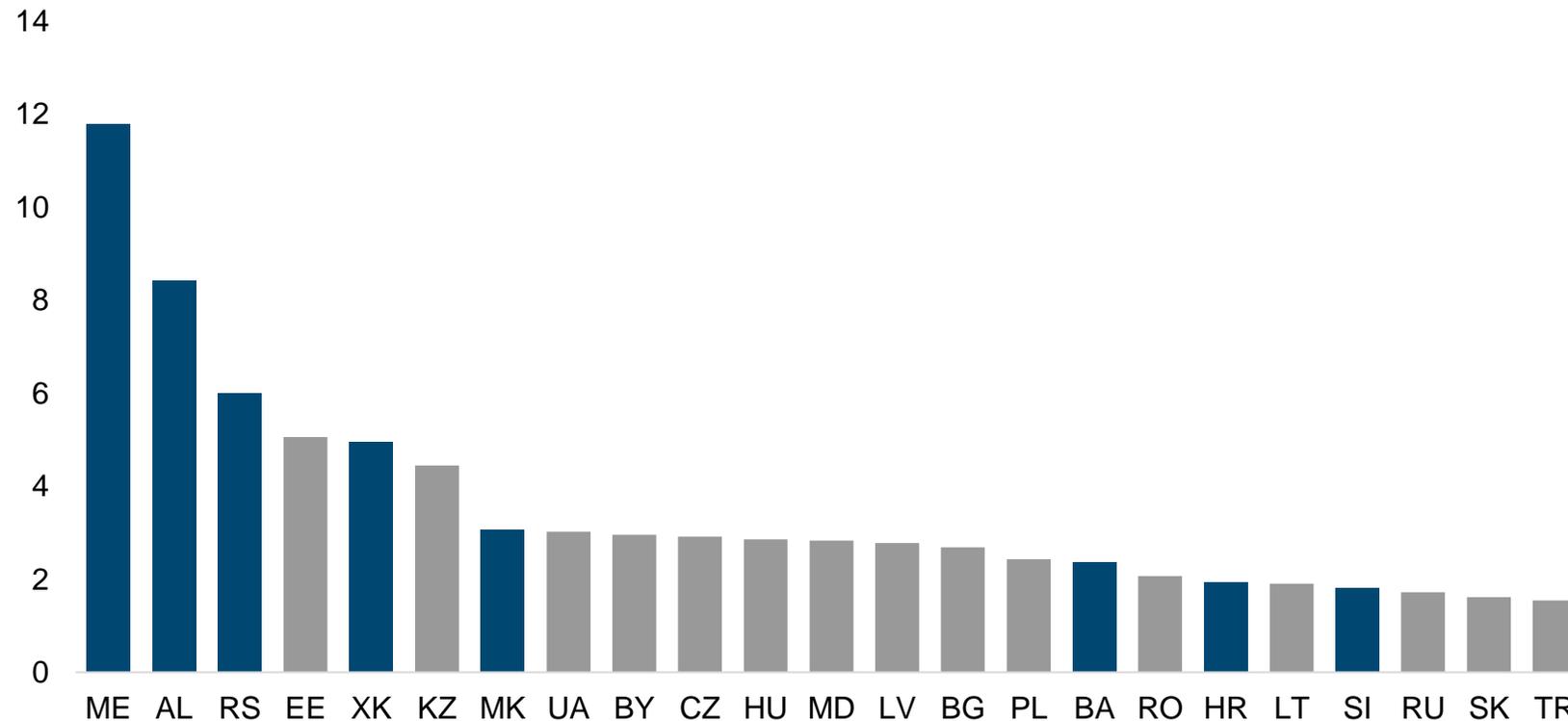


Exports + imports by source, % of GDP, 2019



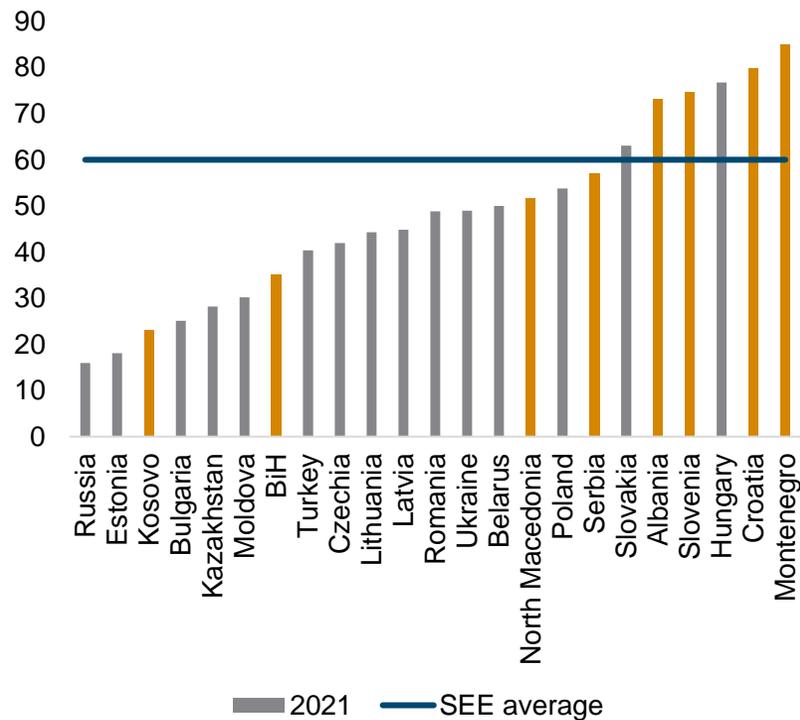
Southeast Europe is already a success story of the past decade in terms of attracting FDI

FDI inflows in CESEE economies during 2010-2019 (% of GDP)

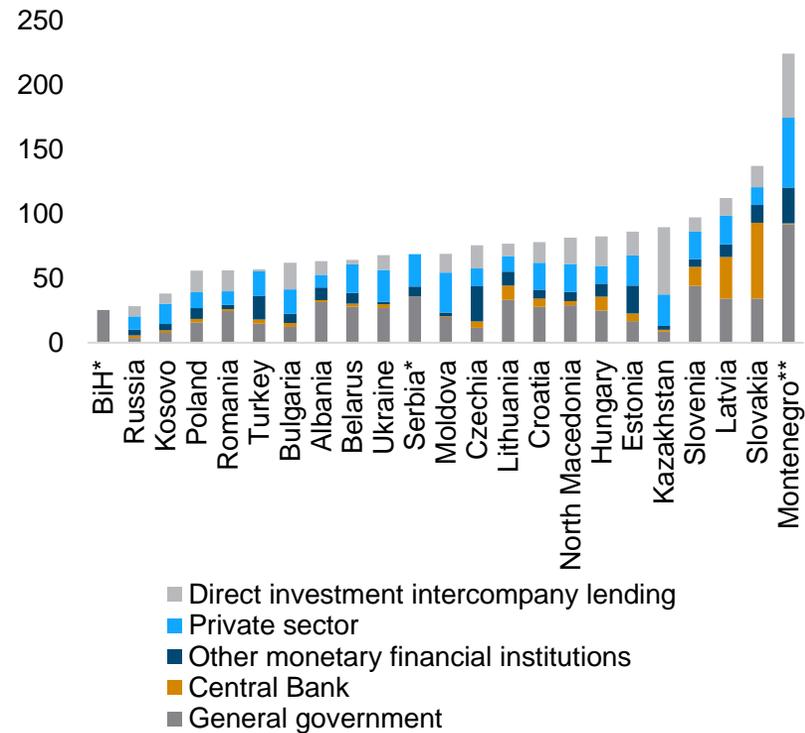


Some countries have high levels of public debt by CEE standards; external debt levels mostly lower

Public debt, % of GDP, 2021



External debt, % of GDP, 2021



Sources: National sources, wiiw. Notes: *Some external debt data for BiH and Serbia unavailable; data for Montenegro are for 2020.

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Round table:

ATTRACTIVENESS OF THE REGION AS AN INVESTMENT OPPORTUNITY



Aleš Ipavec, Ljubljana Stock Exchange, CEO

Samuel Goodacre, J.P. Morgan, Executive Director and Head of the CEEMEA Banks team

Matko Maravić, Intercapital, CEO

Richard Grieveson, Deputy Director at Vienna Institute for International Economic Studies

Victor Erch, Redwheel, Analyst in the Emerging and Frontier Markets team



Coffee break

Round table:

REGION OF SUCCESS



Emil Tedeschi, Atlantic Grupa, CEO

Živko Mukaetov, Alkaloid AD Skopje, CEO

Andrej Sovrović, Delta Holding, Member of the Executive Board

Matija Bitenc, Petrol, CFO

Fabris Peruško, Fortenova, CEO

Aleksandar Kostić, Vice President of MK Group and Board Member of AEC Banking Group

Dušan Milićević, Comtrade System Integration, CEO

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Fireside chat:

PRESENTING NEW MANAGEMENT BOARD MEMBERS



Antonio Argir, NLB d.d., Member of the NLB Management Board, responsible for Group governance, payments and innovations

Andrej Lasič, NLB d.d., Chief Marketing Officer for Corporate Banking

Hedvika Usenik, NLB d.d., Chief Marketing Officer for Retail Banking

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Round table:

OPPORTUNITIES IN SERBIA



Vlastimir Vuković, NLB Komercijalna banka, Chief Executive Officer

Dubravka Đedović, NLB Komercijalna banka, Member of the Executive Board for corporate and investment banking

Dejan Janjatović, NLB Komercijalna banka, Deputy Chief Executive Officer, CRO

Dragiša Stanojević, NLB Komercijalna banka, Member of the Executive Board for IT and banking operations

Igor Stebernak, NLB Komercijalna banka, Advisor to the Executive Board



Lunch break

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STRATEGY AND SUSTAINABLE FUTURE



Blaž Brodnjak, NLB d.d., CEO

Archibald Kremser, NLB d.d., CFO

Hedvika Usenik, NLB d.d., Chief Marketing Officer for Retail Banking



Strategy and Sustainable Future

NLB's Investor day 2022

Blaž Brodnjak, CEO

Archibald Kremser, CFO

Hedvika Usenik, CMO for Retail Banking

May 12th, 2022

NLB Group

Strategy and sustainable future

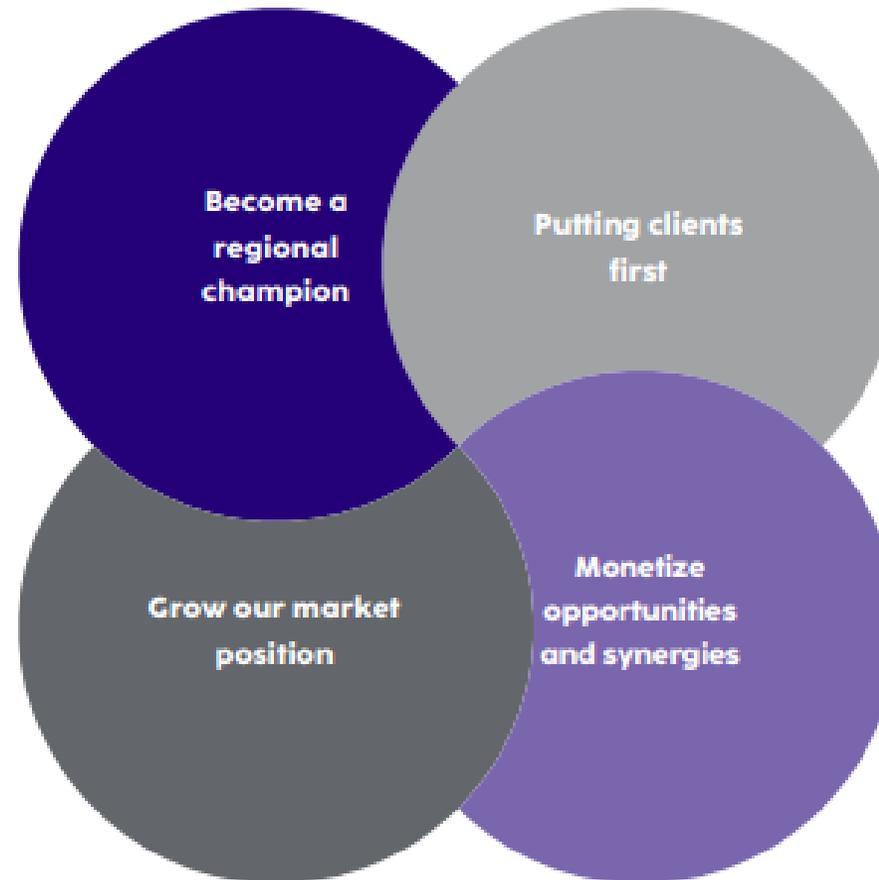
Finishing Integration of Komercijalna banka, Beograd

Promoting the ESG agenda

Creating new business expansion opportunities

Monitoring and increasing stakeholder value

Becoming a great place to work



Digitizing distribution channels

Supporting clients' expansion

Adding new financial products

Building strong customer support

Continuing strategic transformation initiatives

Establishing diversified horizontal businesses

Hedvika Usenik

CMO for Retail Banking

Client & Digital



Our ambitions are supported with a clear game plan

Key goals

- Grow retail and SME lending
- Increase and diversify fee income
- Transform business model
- Focus on customer experience

Actions to get us there

- Increase loan penetration and market shares
- Focus on cross and up-sell and diversification of fee structure
- Execute payments strategy
- Execute channel strategy

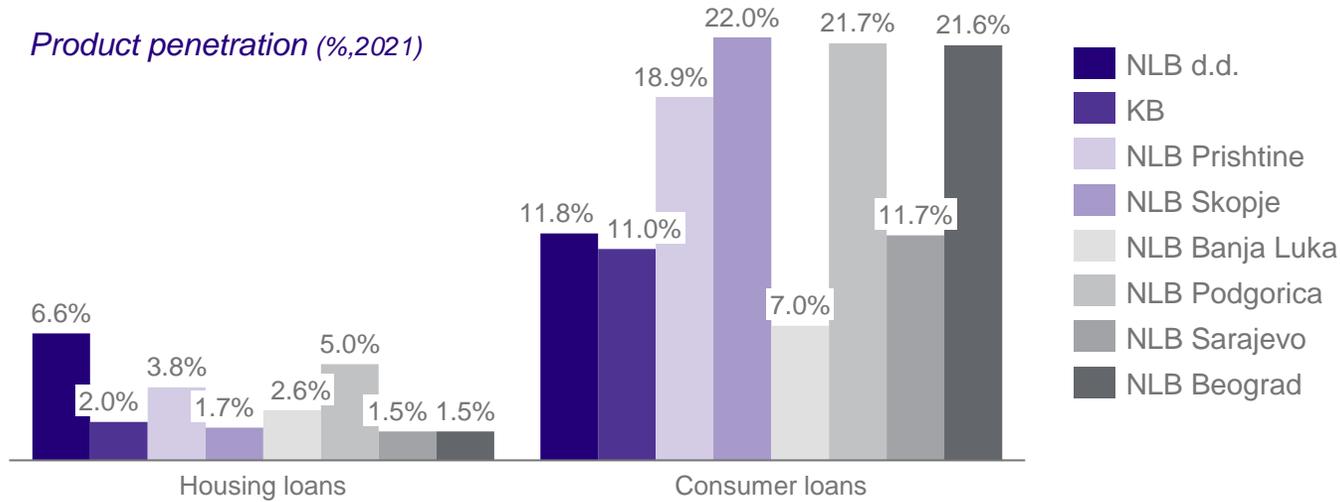
KPIs by 2025

- 55 % active digital penetration on group level
- Higher share of fee business to total income in strategic foreign markets
- Increased branch productivity

Grow retail lending

Opportunity to grow retail loans on the back of disparities in housing and consumer loan penetration throughout our region

Product penetration (% 2021)



- Penetration of housing loans in subsidiaries has room to grow.
- Low leverage in private sector in our home region shows immense catch-up potential.

Domestic credit to private sector (as % of GDP, 2020, selected countries)

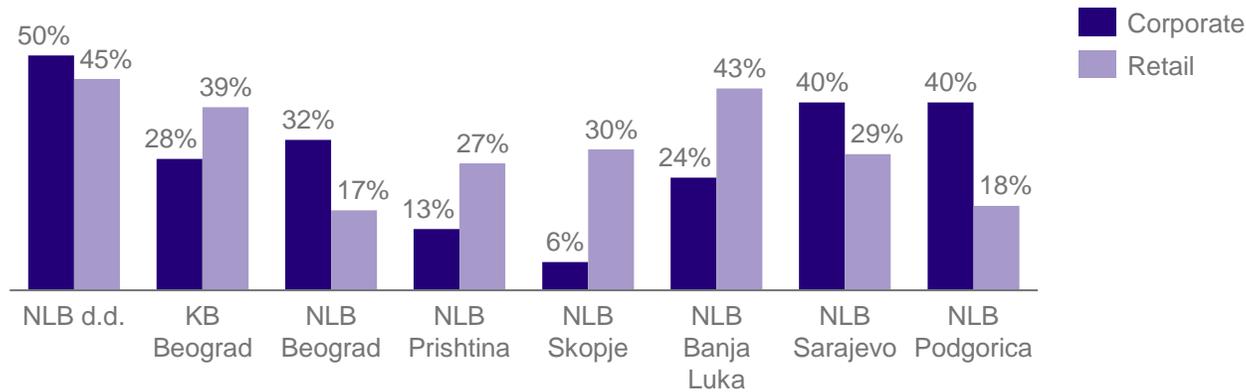


Source: The World bank

Grow and diversify fee income

Structure and level of fee income in Slovenia presents an ambition for other markets

Share of fee business in revenue for the segment (% , 2021)

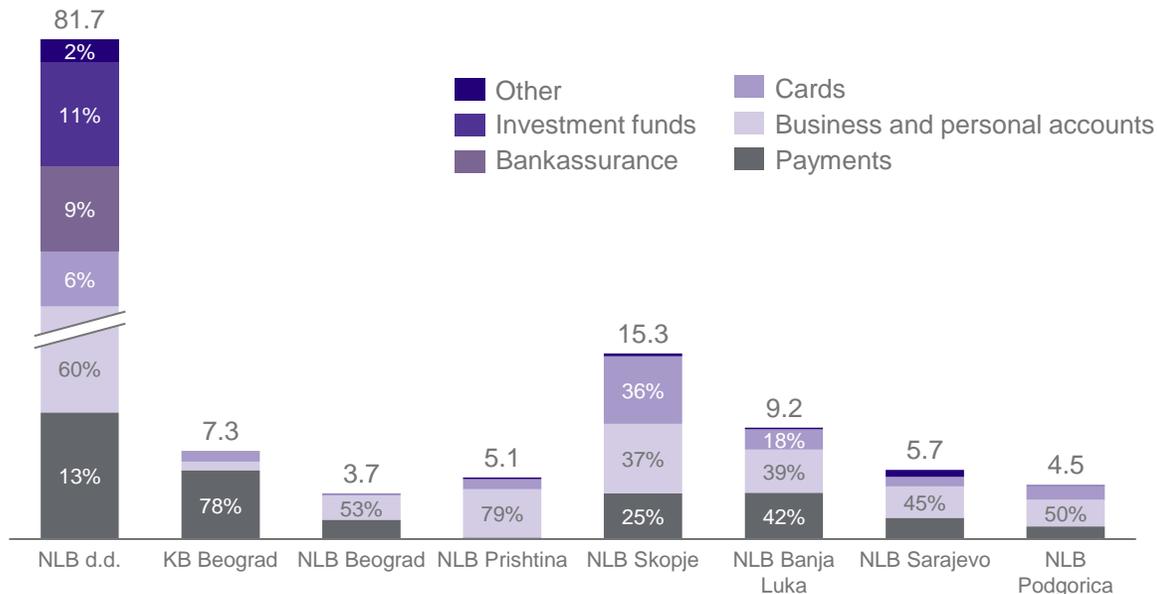


At group level, fee income already presents 37 % of recurring net operating income.

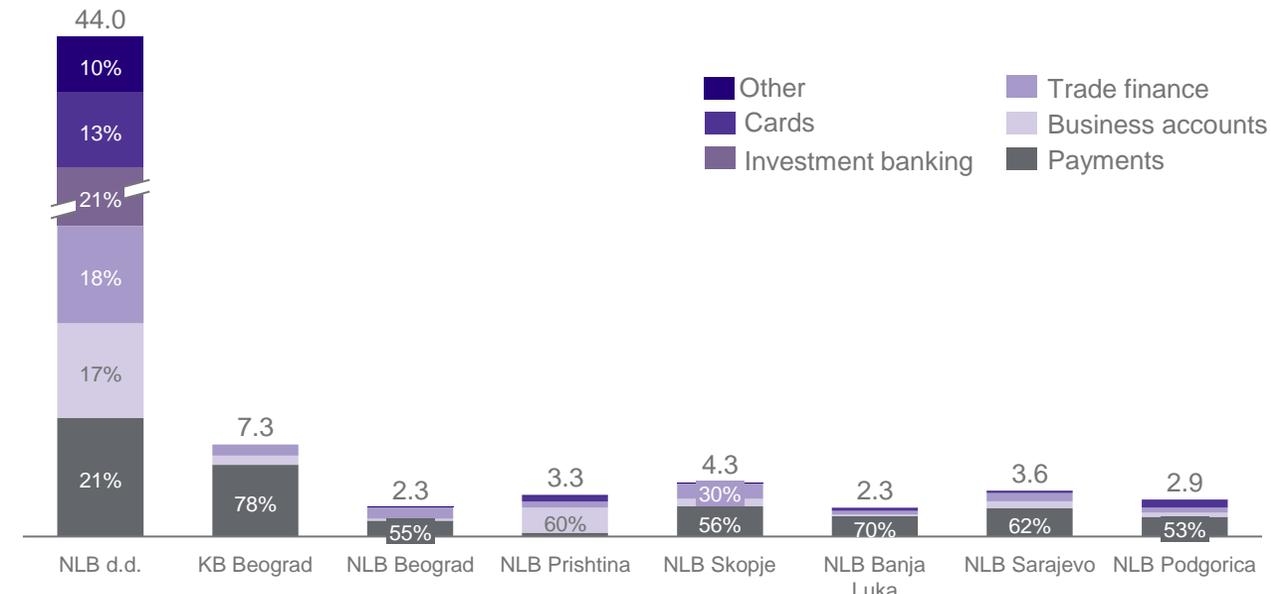
Our ambition is to diversify fee income with:

- increasing income from **stable income sources** (such as income from business and personal accounts) and
- from **value added products** (such as bankassurance, investments funds and investment banking).

Structure of retail fee business (EURm and %, 2021)



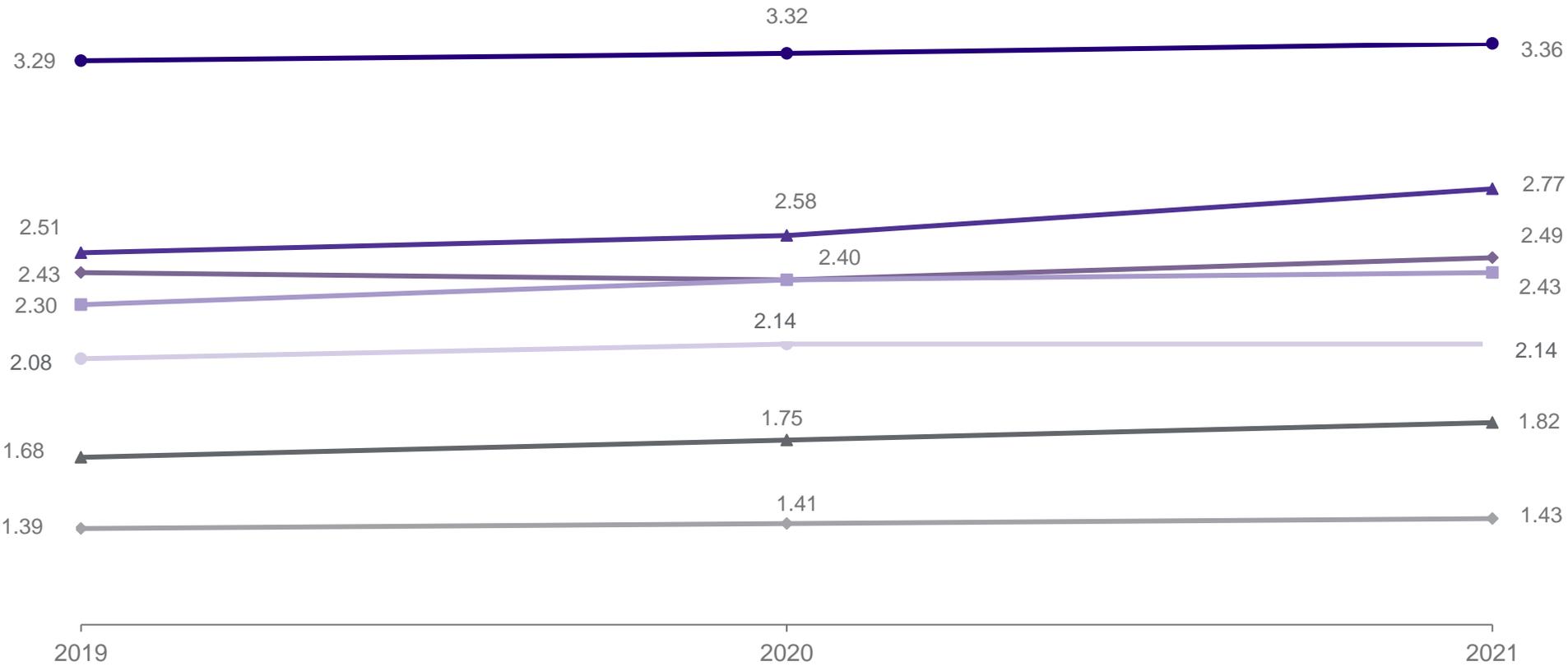
Structure of corporate fee business (EURm and %, 2021)



Grow and diversify fee income

Opportunity to grow CSI in all markets

Retail Cross Sell Index (CSI) by market



Premium clients 4.7 CSI



Housing loans 6.6 CSI



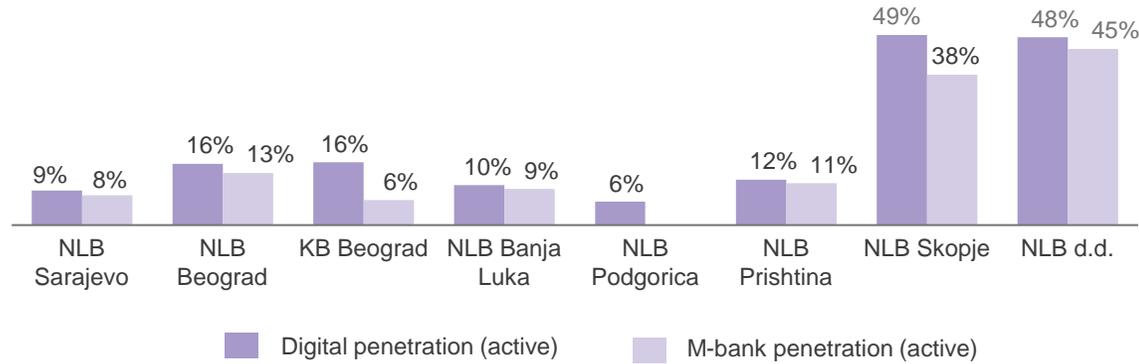
Private banking 5.78 CSI



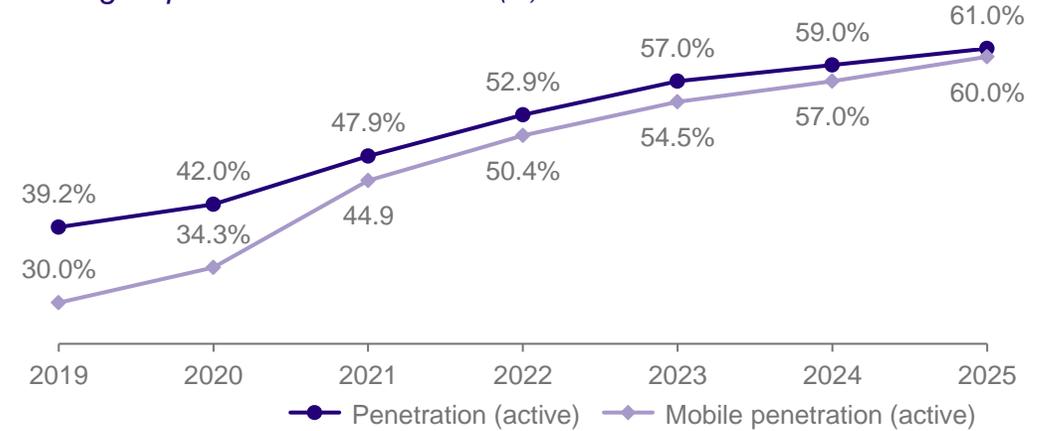
Transform business model

Further digitalisation is vital to cost containment and matching UX with challenger banks

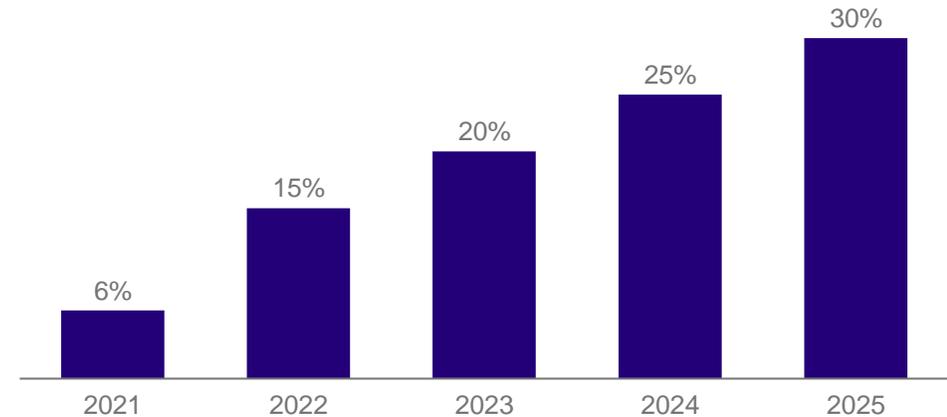
Digital penetration (%), 2021



Digital penetration in Slovenia (%)



Share of closed contracts via digital (%)

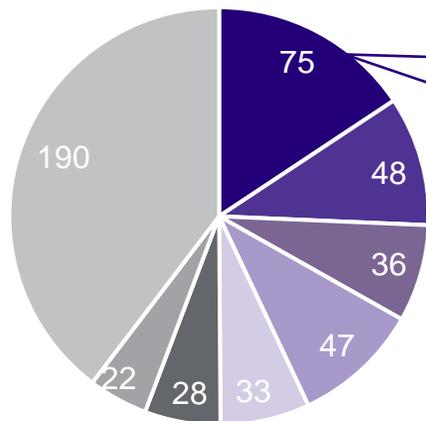


Target – increase active digital penetration at NLB group by 2025 to 55%

Transform business model

Do more (better results) with less (smaller branch network with higher share of advisors)

- NLB d.d.
- NLB Banka Skopje
- NLB Banka Sarajevo
- NLB Banka Banja Luka
- NLB Banka Prishtina
- NLB Banka Beograd
- NLB Banka Podgorica
- KB Group



NLB d.d.	2019	2020	2021	2022P	2023P	2024P	2025P
Total number of branches	93	81	75	71	66	66	63
Number of cash transactions (m)	2.80	1.90	1.70	1.60	1.40	1.30	1.20
Number of employees in branches	941	894	800	745	685	645	605
Share of employees with full licenses	33%	36%	43%	47%	50%	54%	57%

Transactions can take up to 50% of distribution network's resources.

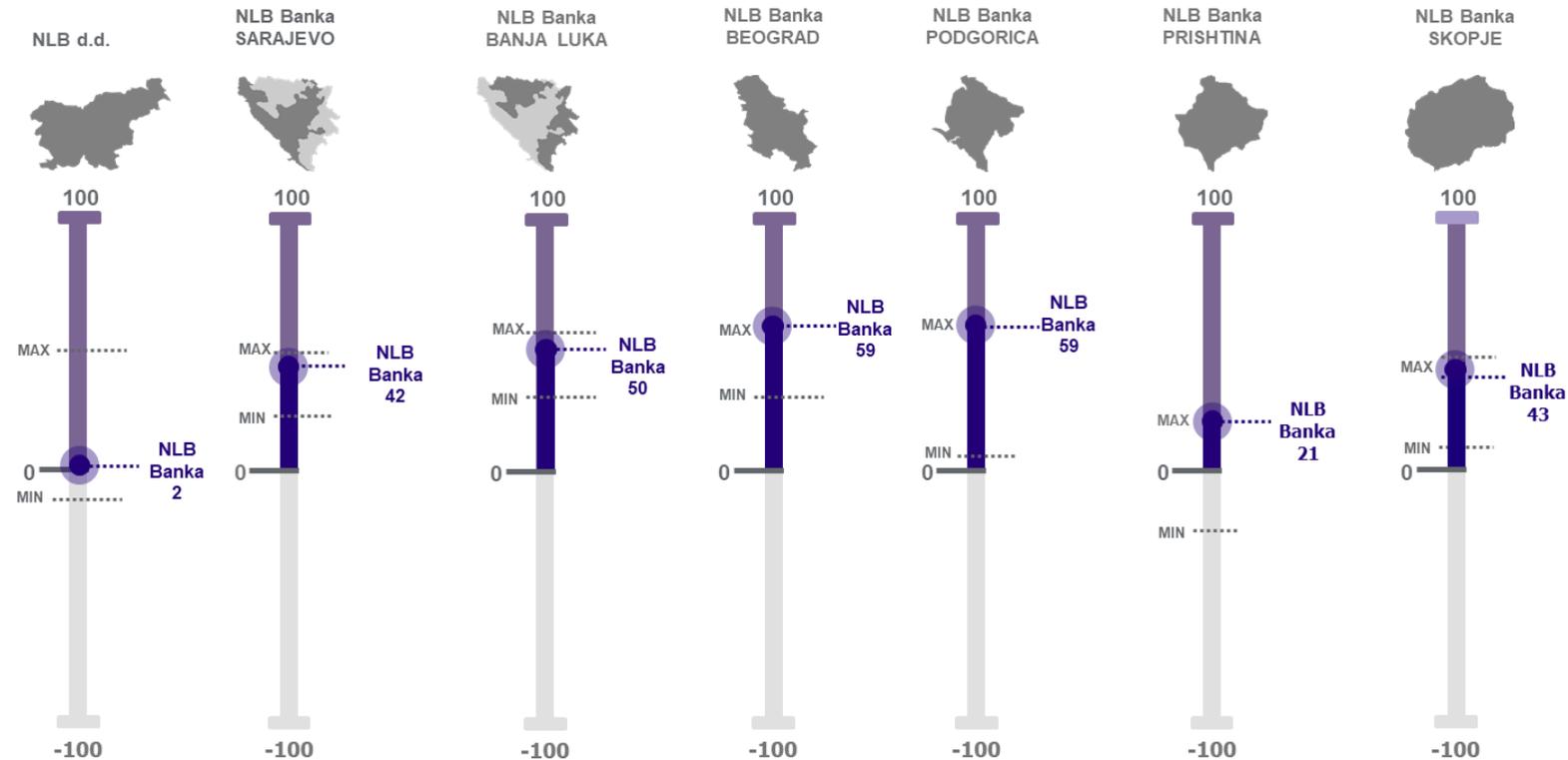
Key ambitions:

- Enhance advisory role of branches
- Redirect clients to digital channels (win-win)
- Significantly decrease volume of cash transactions
- Focus on value adding activities
- Footprint optimization and cashless initiatives

Focus on customer experience

High client satisfaction supporting further growth opportunities

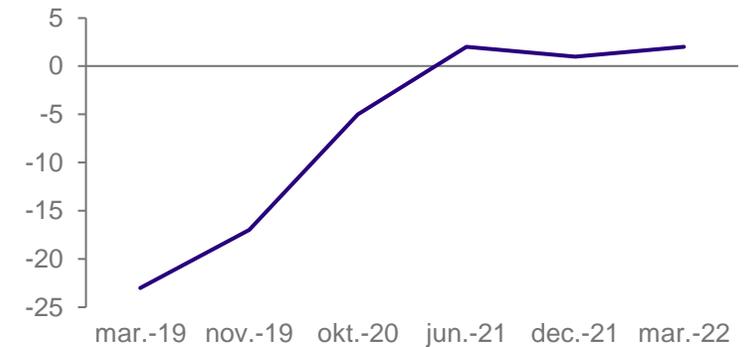
Client Satisfaction / NPS Position of the NLB



Turnaround in Slovenian client satisfaction in the past few years has been remarkable, yet current level indicates further room for improvement.

We are also tracking transactional NPS, helping us to customize and tailor services to better fit client demands and expectations

NPS Slovenia



Archibald Kremser

CFO

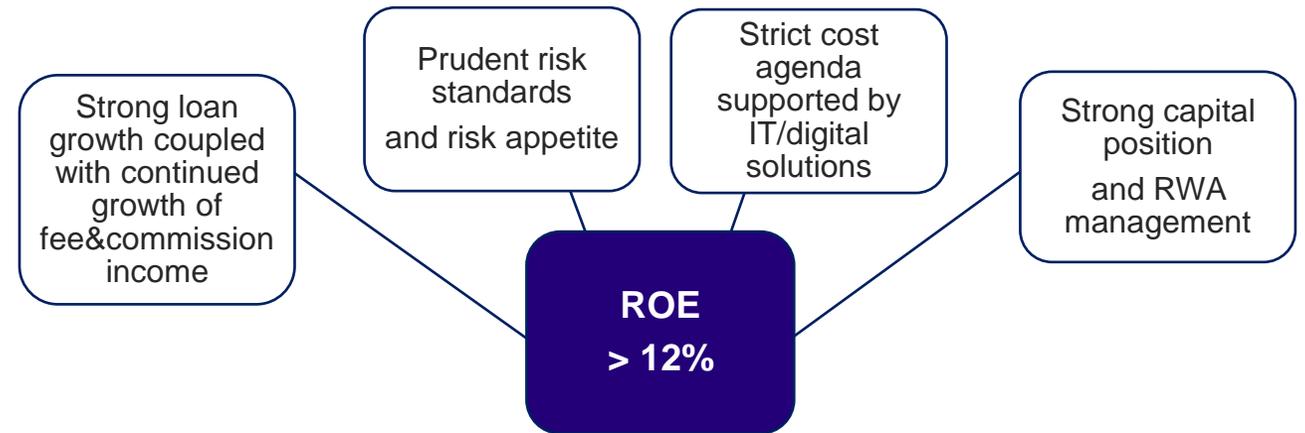
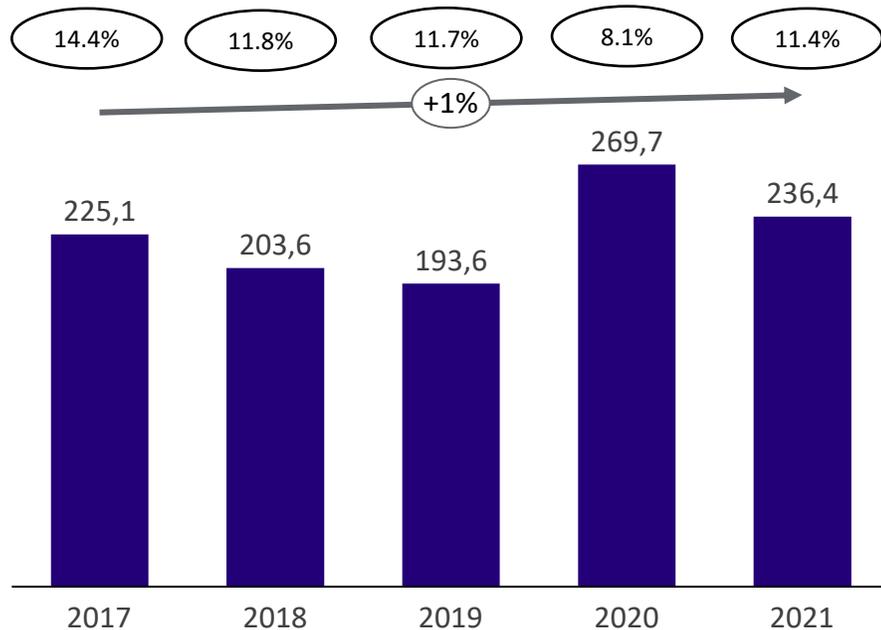


Our 2025 Ambition

Creating value for all our stakeholders with regular profit to exceed EUR 300 million in 2025

Profit after tax of NLB Group (in EUR million) / ROE after tax (in %)⁽ⁱ⁾

ROE a.t.



⁽ⁱ⁾ Komercijalna Banka group included from 2021 on.

Our 2025 Ambition

Dividend & Growth

Maintaining stable dividend growth and at the same time leaving room for organic growth and M&A

Creating value for all our stakeholders with regular profit to exceed EUR 300 million in 2025



EUR 100 million contribution from Serbian market



EUR 500 million total capital return through cash dividends between 2022 and 2025



Capacity for EUR 1.5 bln RWA tactical M&A



Outlook*

	Performance in Q1 2022	2022 ⁽³⁾	2023
Regular income	EUR 173.0 million	~ EUR 690 million	> EUR 700 million
Costs	EUR 102.7 million ⁽¹⁾	Costs in range of 2021	~ EUR 400 million
Cost of risk	-17 bps	30 bps ⁽⁴⁾	30-50 bps
Loan growth	14% (4% w/o N Banka)	High single digit loan growth	High single-digit loan growth
Dividend	/	EUR 100 million ⁽⁵⁾	EUR 110 million
ROE a.t.	12.0%	~ 10%, (ROE normalized ⁽²⁾ : 12%)	> 10% (ROE normalized ⁽²⁾ : > 12%)

*Outlook does not include Nbanka (except for the CoR)

Notes:

- (1) Including integration costs;
- (2) ROE normalized = Result a.t. w/o minority shareholder profit divided by consumed capital. Consumed capital computed as 13.06% of average RWA reduced for minority shareholder capital contribution;
- (3) If legal remedies against the adopted law in February 2022 concerning loan agreements in Swiss francs concluded by banks operating in Slovenia (including NLB) and individuals are unsuccessful, the Bank estimated a negative pre-tax effect on the operations of NLB and NLB Group should not exceed EUR 70 - 75 million (not more than EUR 100 million if N Banka is included);
- (4) Includes 8 bps of technical adjustment due to N Banka and excludes potential incremental major disruption(s).
- (5) The Management and Supervisory Board of NLB d.d. will propose to the Shareholders at the Shareholders meeting on June 20th, 2022 that EUR 50 million shall be paid out to the shareholders as dividend, which amounts to EUR 2.50 gross per share.

Blaž Brodnjak

CEO



Committed to

Environmental

Social

Governance

best practices

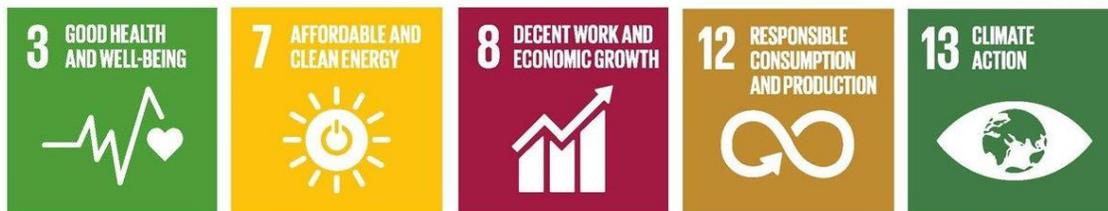


NLB is a signatory of UN Principles for Responsible Banking and follows ESG requirements set out by MIGA and EBRD...



First Slovenian bank signatory of **UN Principles for Responsible banking** in September 2020

Committed to the **Paris Climate Agreement** and the **UN Sustainable Development Goals**, especially



European Bank
for Reconstruction and Development



We want to do even more...which is why today, NLB will become a signatory of UNEP FI Net Zero Banking Alliance



What are we Committing to?

The **Commitment Statement** is a pre-requisite for joining the Net-Zero Banking Alliance and is signed by a bank's CEO. All banks that have signed the commitment will:

1. **Transition** the operational and attributable GHG emissions from their lending and investment portfolios to align with pathways to net-zero by 2050 or sooner.
2. **Within 18 months** of joining, set 2030 targets (or sooner) and a 2050 target, with intermediary targets to be set every 5 years from 2030 onwards.
3. **Banks' first 2030 targets** will focus on priority sectors where the bank can have the most significant impact, ie. the most GHG-intensive sectors within their portfolios, with further sector targets to be set within 36 months.
4. **Annually publish** absolute emissions and emissions intensity in line with best practice and within a year of setting targets, disclose progress against a board-level reviewed transition strategy setting out proposed actions and climate-related sectoral policies.
5. **Take a robust approach** to the role of offsets in transition plans.



Net-Zero Banking Alliance Industry-led, UN-convened

is pleased, together with other peer bank signatories, to commit to:

- transition all operational and attributable GHG emissions from our lending and investment¹ portfolios to align with pathways to net-zero by mid-century, or sooner, including CO₂ emissions reaching net-zero at the latest by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100. This approach will take into account the best available scientific knowledge, including the findings of the IPCC, so we commit to review and (if necessary) revise our targets at least every five years after the target is set.²
 - GHG emissions here refer to banks' Scope 1, 2 and 3 emissions. Banks' Scope 3 emissions should include their clients' Scope 1 and 2 and Scope 3 emissions, where significant, and where data allow.
- use decarbonisation scenarios which: are from credible and well-recognised sources; are no/low overshoot; rely conservatively on negative emissions technologies; and to the extent possible, minimise misalignment with other Sustainable Development Goals. We will provide a rationale for the scenario(s) chosen.
- prioritise our efforts where we have, or can have, the most significant impact, i.e. the most GHG-intensive and GHG-emitting sectors within our portfolios, which are key to the transition to a net-zero carbon economy.
- use the bank-led UNEP FI Guidelines for Climate Target Setting for Banks³ ("Guidelines") to set scenario-based intermediate targets for 2030, or sooner, for priority GHG-intensive and GHG-emitting sectors.

¹ By the time net zero is achieved, all material attributable emissions will be covered. But at present, this refers to on-balance sheet investment and lending activities with the exclusion of on-balance sheet securities held for client facilitation and market-making purposes (as opposed to held for investment). Off-balance sheet activities, including facilitated capital markets activities, will be considered in the next version of bank-led UNEP FI Guidelines for Climate Target Setting for Banks. Banks may choose to include capital markets activity in target setting in advance of a revision of the Guidelines.

² This commitment exclusively focuses on banking activities. Where entities within the group structure carry out other types of business such as insurance, pensions funds, or asset management, it may be appropriate for those entities to follow alternative net-zero frameworks.

³ The Guidelines apply on a comply-or-explain basis.

- publish annually and share with UNEP FI for review, to monitor consistency with the UN Race to Zero criteria and evidence that action is being taken in line with the commitments made here:
 - progress against absolute emissions and/or emissions intensity targets following relevant international and national GHG emissions reporting protocols and/or climate portfolio alignment methodologies;
 - progress against a board-level reviewed transition strategy setting out proposed actions and climate-related sectoral policies; and
 - disclosure for key sectors will be made within one year of setting of the target.
- contribute to the ongoing development of the Guidelines.

We will meet this commitment through:

- facilitating the necessary transition in the real economy through prioritising client engagement, and offering products and services to support clients' transition;
- engaging on corporate and industry (financial and real economy) action, as well as public policies, to help support a net-zero transition of economic sectors in line with science and giving consideration to associated social impacts; and
- supporting innovation, the near-term deployment of existing viable technologies, and scaling up the financing of credible, safe, and high-quality climate solutions that are compatible with other Sustainable Development Goals.

In implementing and reaching targets for all Scopes of emissions, offsets can play a role to supplement decarbonisation in line with climate science. The reliance on carbon offsetting for achieving end-state net zero should be restricted to carbon removals to balance residual emissions where there are limited technologically or financially viable alternatives to eliminate emissions. Offsets should always be additional and certified.

This Commitment recognises the vital role of banks in supporting the transition of the real economy to net-zero emissions, but we will only succeed in achieving this objective if our clients and other stakeholders also play their part. We make this Commitment with the expectation that governments will follow through on their own commitments to ensure that the objectives of the Paris Agreement are met.

Signature

Blaž Brodnjak, NLB d.d., CEO

Archibald Kremser, NLB d.d., CFO



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Archibald Kremser, NLB d.d., CFO



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Coffee break

**Welcome to our home.
A region of opportunities.**



1Q 2022 RESULTS WEBCAST



Blaž Brodnjak, NLB d.d., CEO
Archibald Kremser, NLB d.d., CFO
Andreas Burkhardt, NLB d.d., CRO



NLB Group Webcast

Q1 2022 Results

NLB Group

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NLB is regulated by The Bank of Slovenia i.e. "Banka Slovenije, Slovenska 35, 1505 Ljubljana, Slovenia" and by The Securities Market Agency i.e. "Agencija za trg vrednostnih papirjev, Poljanski nasip 6, 1000 Ljubljana, Slovenia.

Executive Summary

Excellent performance supported by N Banka acquisition

Q1 2022 Key Highlights

- **Profit a.t.** of EUR 231.5 million due to one-off effects from the acquisition of N Banka. However, noteworthy Q1 result was recorded also with recurring profit before provisions reaching EUR 70.3 million or 29% QoQ and 28% YoY growth.
- EUR 1,531.1 million increase of the Group's **gross loans to customers** YtD, with EUR 1,132.7 million increase due to the acquisition of N Banka and strong growth of individual and corporate loan book; impressive new housing loans production compensated reduction in interest rates, and supported growth of net interest income.
- **Net fee and commission income** growth continues with strong momentum – YoY recorded a 17% growth without N Banka contribution
- EUR 4.9 million **net released impairments and provisions for credit risk**
- EUR 4.9 million **net released impairments and provisions for credit risk** (without EUR 8.9 million of 12-month expected credit losses were recognised at acquisition date for the performing portfolio for N Banka).

- **Positive trends in asset quality continued**, resulting in a further decline of the NPL ratio and negative cost of risk. Direct and indirect exposure of NLB Group toward Russia and Ukraine is moderate.
- **Cost of risk (-17 bps) remains negative**. Acquired N Banka contributed to its increase, otherwise other members of the Group experienced positive effects due to successful NPL resolution.
- **The capital position was above regulatory requirements** (TCR of 15.8%, 1.9 p.p. lower YtD). Acquisition of N Banka, which resulted in higher RWA on one side and lower capital due to negative revaluation adjustments on the other, had a negative impact on the capital position. Capital consumption of N Banka will be fully funded with inclusion of its negative goodwill into capital.

Key Events

- **S&P Rating:** On 11 May, 2022 S&P upgraded NLB to BBB with stable outlook.
- **Management Board change:** On 20 January, the Supervisory Board appointed Hedvika Usenik, Antonio Argir and Andrej Lasič as members of the Management Board, thus expanding it to six members in total.

Key Developments



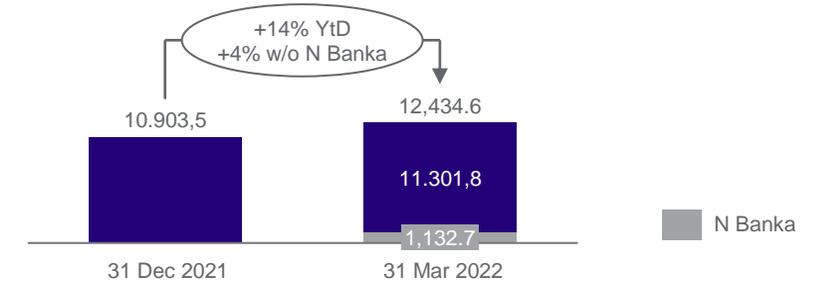
Key performance indicators of NLB Group

Impressive recurring performance with strong loan production

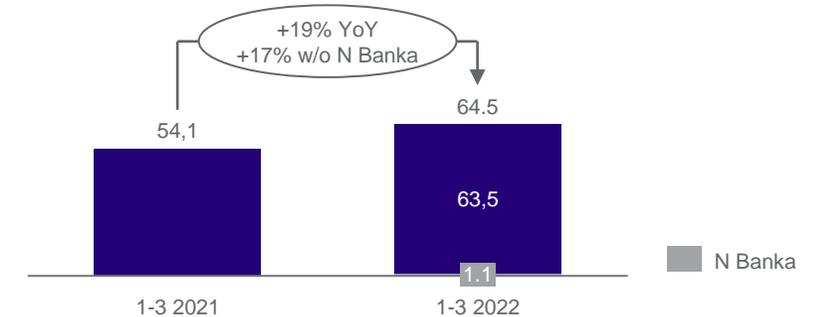
in EUR million / % / bps

	Q1 2022	Q4 2021	Q1 2021	Change YoY	Change QoQ
Key Income Statement Data					
Net operating income	174.5	167.0	154.0	13%	4%
Net interest income	107.8	107.0	97.5	11%	1%
Net non-interest income	66.7	60.0	56.5	18%	11%
o/w Net fee and commission income	64.5	64.6	54.1	19%	0%
Total costs	-102.7	-118.2	-96.6	-6%	13%
Result before impairments and provisions	71.8	48.8	57.5	25%	47%
Impairments and provisions	-4.4	-16.5	15.5	-	73%
Impairments and provisions for credit risk	-4.0	1.8	16.0	-	-
Other impairments and provisions	-0.4	-18.3	-0.5	22%	98%
Negative goodwill	172.8	0.0	0.0	-	-
Result after tax	231.5	30.9	64.6	-	-
Key Financial Indicators					
Return on equity after tax (ROE a.t.) ^(iv)	12.0%	13.0%	-1.0 p.p.		
Return on assets after tax (ROA a.t.) ^(iv)	1.2%	1.3%	-0.1 p.p.		
Net interest margin (on interest bearing assets)	2.07%	2.09%	-0.02 p.p.		
Operational business margin ⁽ⁱ⁾	3.32%	3.25%	0.07 p.p.		
Cost to income ratio (CIR)	58.9%	62.7%	-3.8 p.p.		
Cost of risk net (bps) ^(ii, iv)	-17	-78	61		
	31 Mar 2022	31 Dec 2021	31 Mar 2021	Change YtD	Change YoY
Key Financial Position Statement Data					
Total assets	23,019.1	21,577.5	19,959.0	7%	15%
Gross loans to customers	12,434.6	10,903.5	10,208.2	14%	22%
Net loans to customers	12,108.7	10,587.1	9,824.5	14%	23%
Deposits from customers	18,525.8	17,640.8	16,732.1	5%	11%
Equity (w without non-controlling interests)	2,254.4	2,078.7	2,014.1	8%	12%
Other Key Financial Indicators					
LTD ⁽ⁱⁱⁱ⁾	65.4%	60.0%	58.7%	5.3 p.p.	6.6 p.p.
Total capital ratio	15.8%	17.8%	16.1%	-1.9 p.p.	-0.2 p.p.
Total risk exposure amount (RWA)	13,843.4	12,667.4	12,615.1	9%	10%
Employees					
Number of employees	8,475	8,185	8,725	290	-250

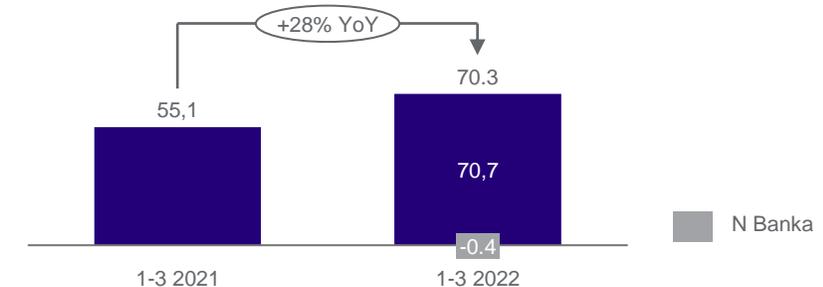
Gross loans to customers (in EURm)



Net fee and commission income (in EURm)



Recurring result before impairments and provisions (in EURm)

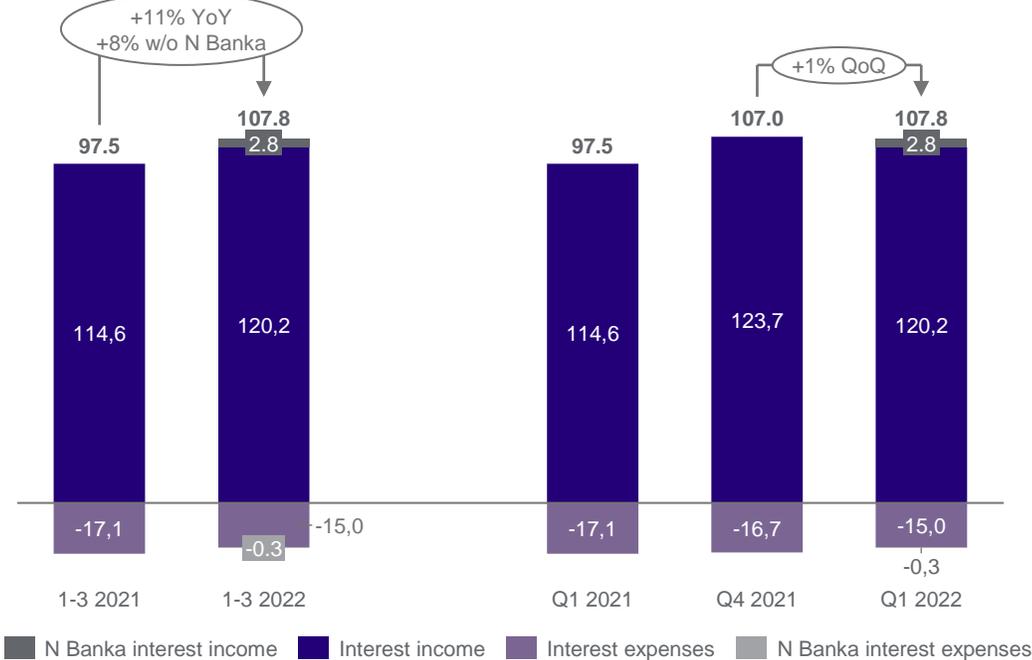


Notes: (i) Operational business net income annualized / average assets. (ii) Cost of risk = credit impairments and provisions (annualized level) / average net loans to customers. (iii) LTD = Net loans to customers / deposits from customers. (iv) ROE and ROA for 2022 calculated without negative goodwill from acquisition of N Banka and effects of EUR 8.9 million of 12-month expected credit losses recognised at acquisition date for performing portfolio for N Banka not annualized; for CoR 2022 calculation effects of EUR 8.9 million of 12-month expected credit losses recognised at acquisition date for performing portfolio for N Banka not annualized.

Net interest income

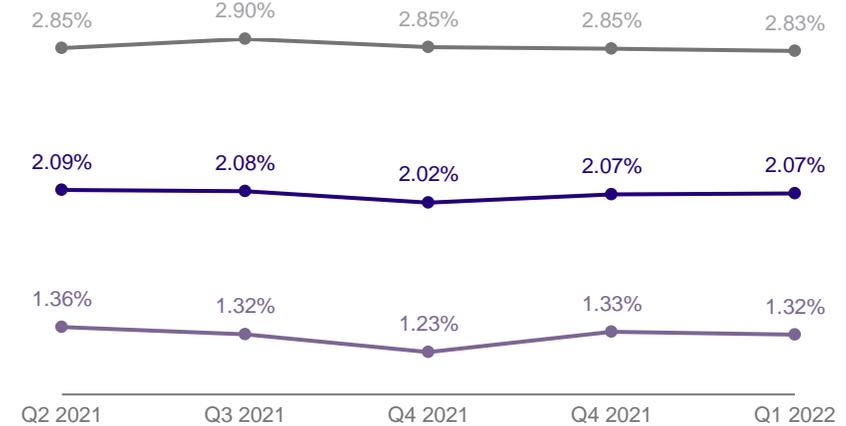
Strong loan growth contributed to NII growth

Net interest income of NLB Group (in EURm)

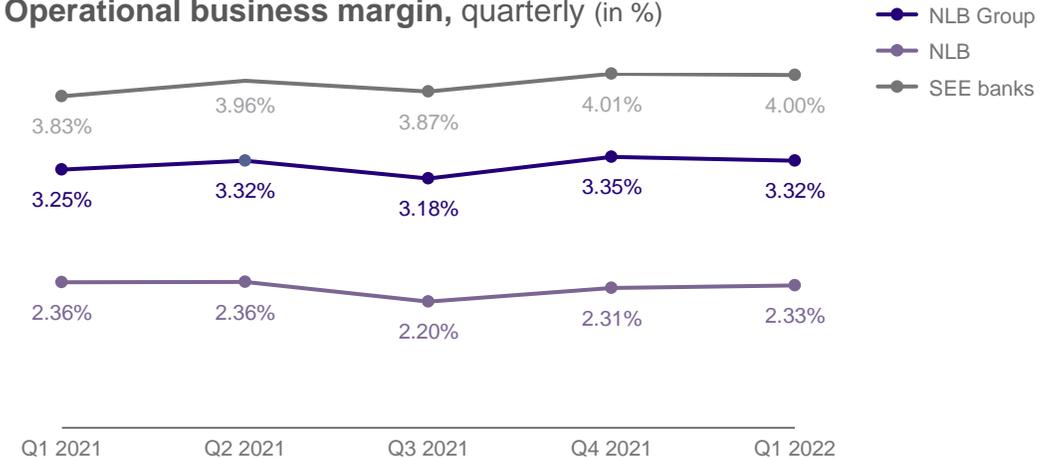


- Higher interest income due to higher volume of loans.
- Lower interest expenses YoY:
 - TLTRO financing with ECB at very favourable interest rate of -1% p.a.,
 - decrease in other member banks due to lower interest rates for customer deposits.
- On the QoQ basis the interest income and expenses were lower due to lower interest rates on loans and some outflow of deposits in SEE banking members, due to war in Ukraine (conservative behaviour of customers).
- Continued pressure on net interest margins in all bank members.

Net interest margin, quarterly (in %)



Operational business margin, quarterly (in %)

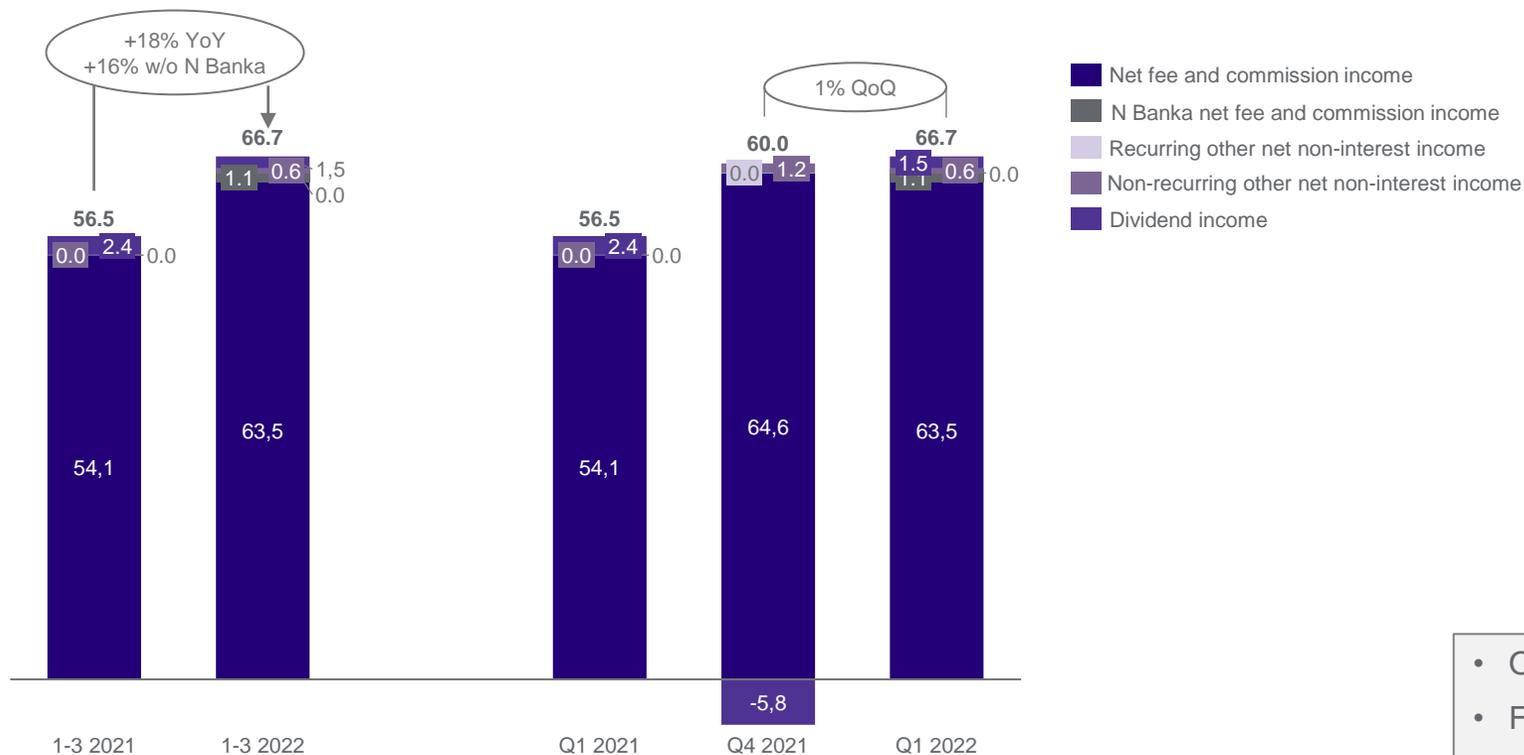


The net interest margin of 2.07% was 0.02 p.p. lower YoY, while operational business margin of 3.32% increased 0.07 p.p. YoY, due to higher operating business net income growth (backed by the net fee and commission growth) compared to the net interest income growth.

Net non-interest income

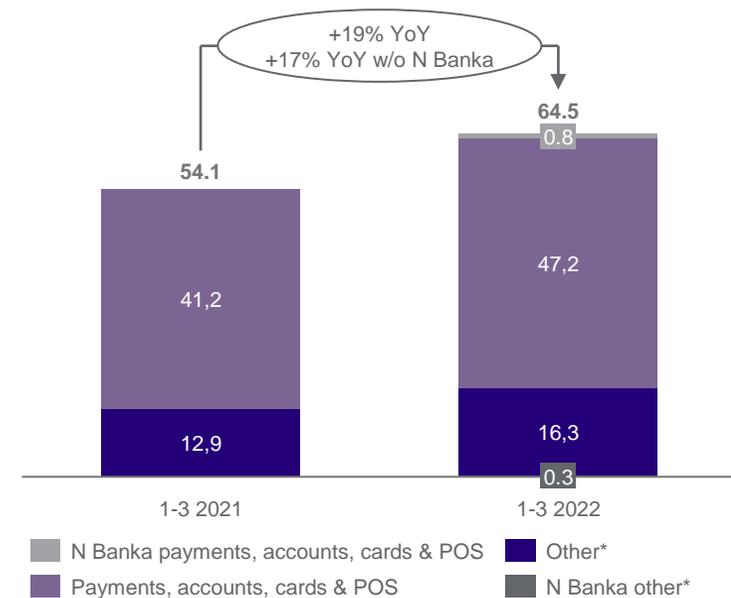
Outstanding growth of F&C income

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



- Net fee and commission income increased by EUR 9.4 million YoY w/o N Banka contribution

Net fee and commission income (in EUR million)

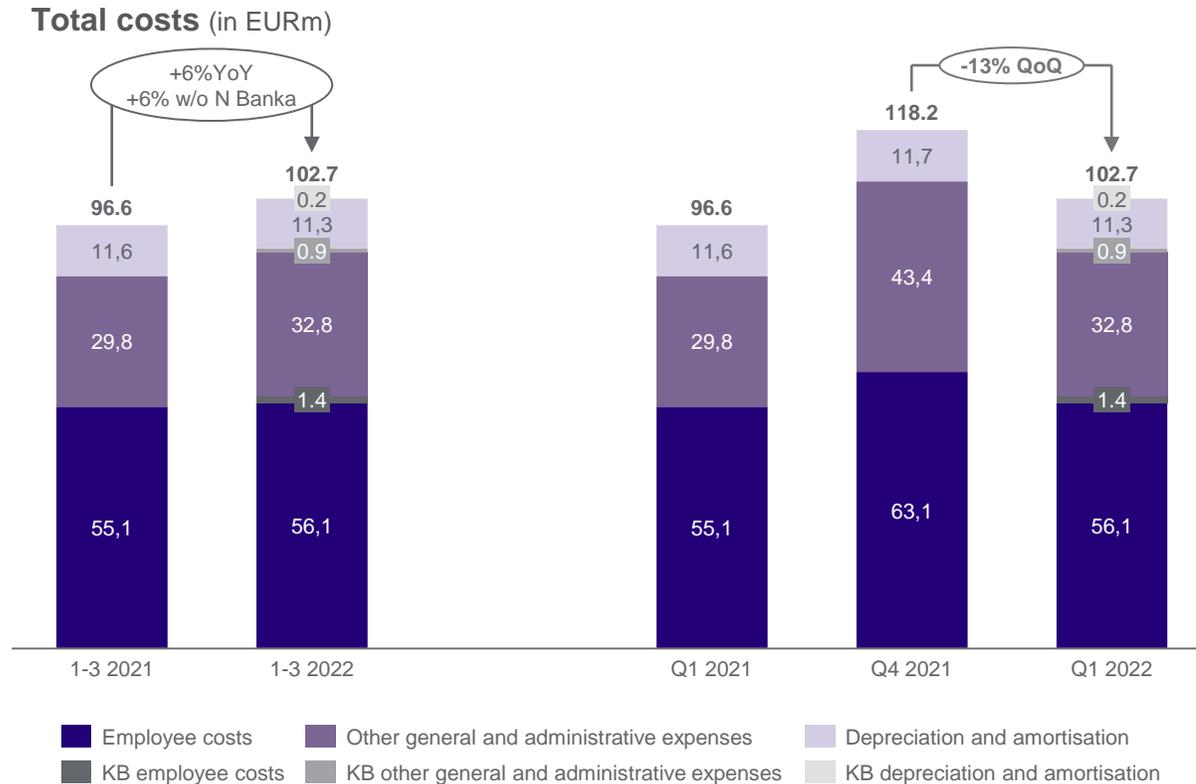


*Other includes investment funds, guarantees, investment banking, insurance products and other services.

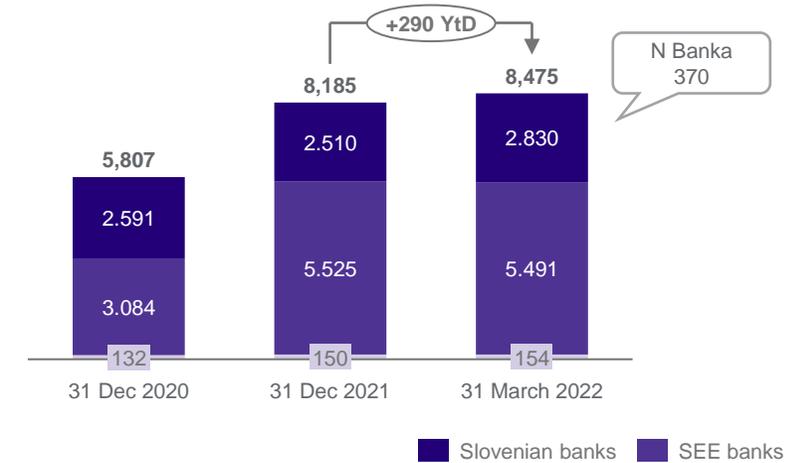
- Outstanding result in payment transactions and related services
- Fee for high balances in the amount of EUR 2.6 million in NLB
- Higher net fees from asset management and bancassurance

Continuous cost discipline

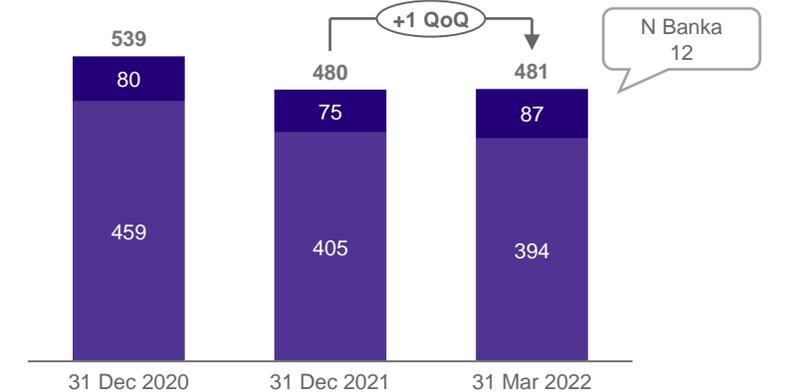
Costs under control



of employees



of branches

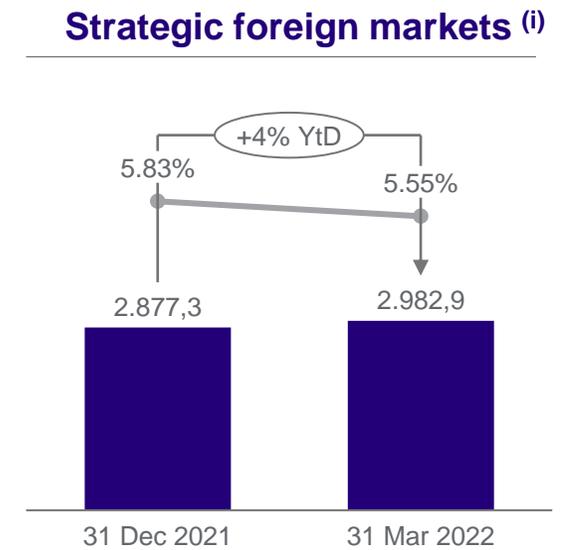


- Without N Banka's contribution the costs increased YoY for EUR 3.6 million due to an increase in the Bank and in most of the Group SEE banking members.
- The highest increase of EUR 3.0 million was recorded in the Bank, mainly due to higher employee costs, costs of marketing (because of the acquisition in Slovenia and merger in Serbia), costs of services and operating costs (higher energy prices).
- Continuation of strategic initiatives on a Group level (channel strategy, digitalisation, paperless, lean process, branch network optimisation etc.) to optimize the sustainable cost base going forward.

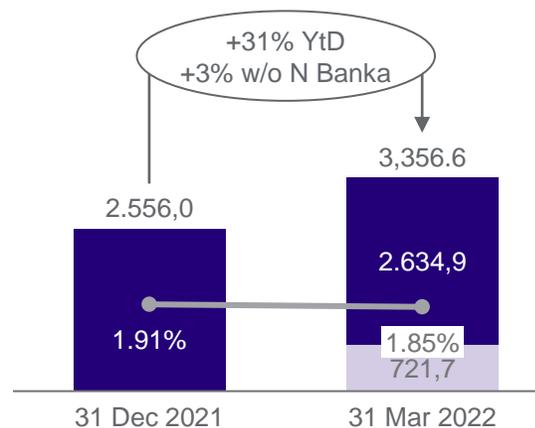
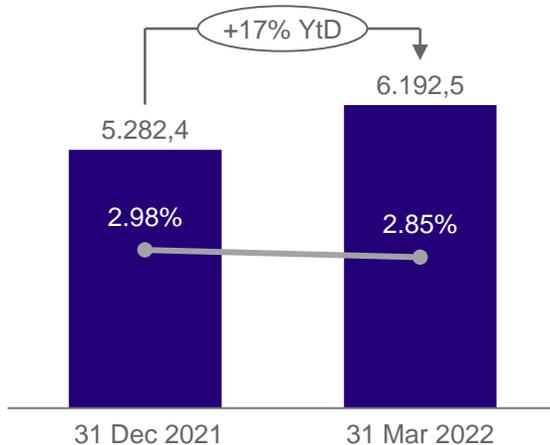
Loan dynamics

Strong loan production across all markets

Gross loans to individuals



Gross loans to corporate & state

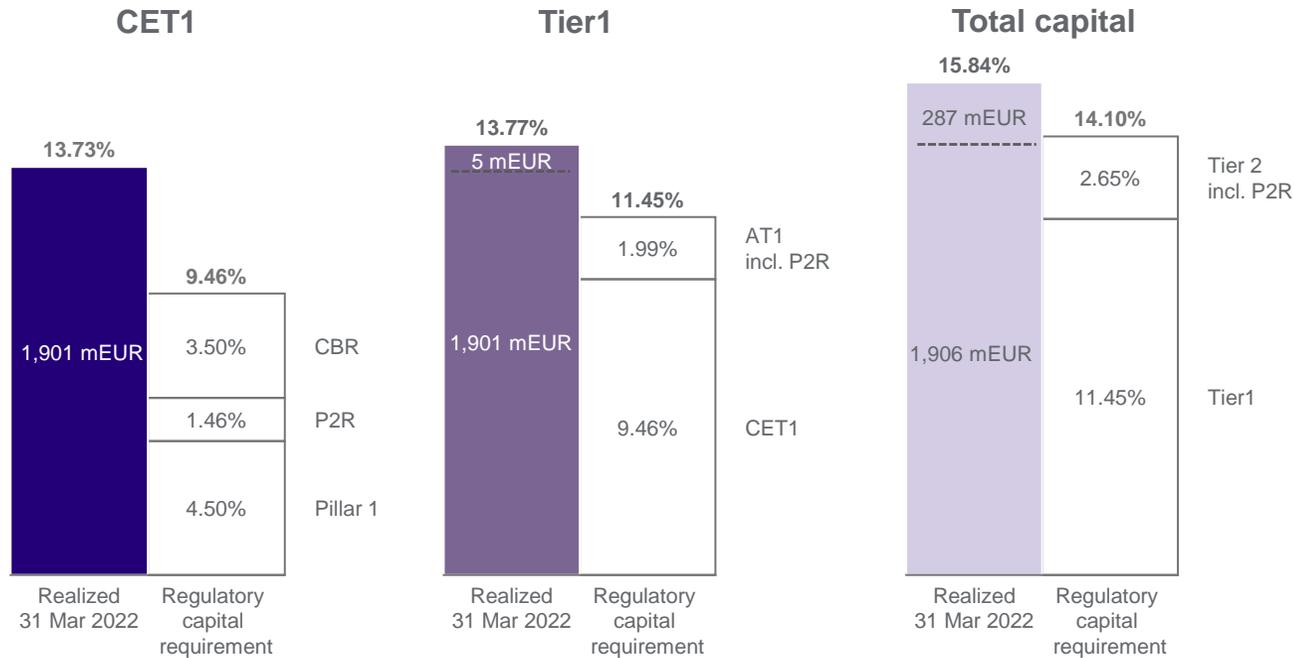


N Banka Gross loans Interest rates

Note: (i) On stand alone basis; (ii) Includes NLB and N Banka; interest rates only for NLB.

Capital

Capital position enabling further growth and substantial dividend distribution



The Overall Capital Requirement (OCR) is 14.25% for the Bank on a consolidated basis, consisting of:

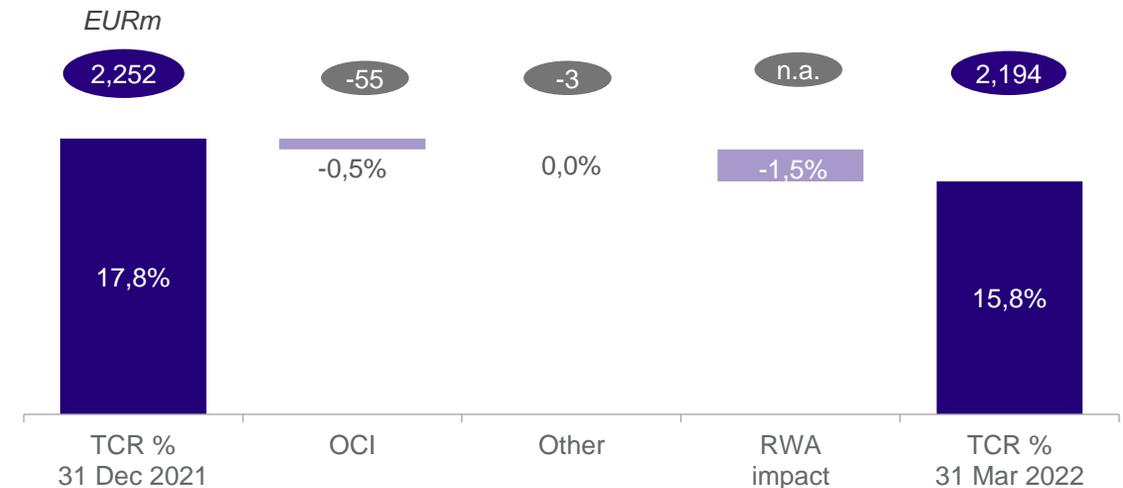
- 10.75% TSCR (8% P1R and 2.75% P2R); and
- 3.5% CBR (2.5% Capital Conservation Buffer, 1% O-SII Buffer and 0% Countercyclical Buffer).

Pillar 2 Guidance is set at 1.00%.

In February 2022, the ECB issued a **new SREP decision** for NLB under which it has reduced the Pillar 2 Requirement **from 2.75% to 2.60%** while Pillar 2 guidance remains at 1.00%. New SREP decision applies as of 1 March 2022.

As at 31 March 2022, the **TCR** for the Group stood at 15.8% (or 1.9 p.p. lower than as at 31 December 2021), and the **CET1 ratio** for the Group stood at 13.7% (1.7 p.p. lower than as at 31 December 2021). The lower total capital adequacy derives from higher RWA (EUR 1,176.0 million from the end of 2021) and lower capital (EUR 58.5 million from the end of 2021). The capital is lower mainly due to negative revaluation adjustments (EUR 55.5 million from the end of 2021) on FVOCI.

TCR evolution YtD



Asset Quality

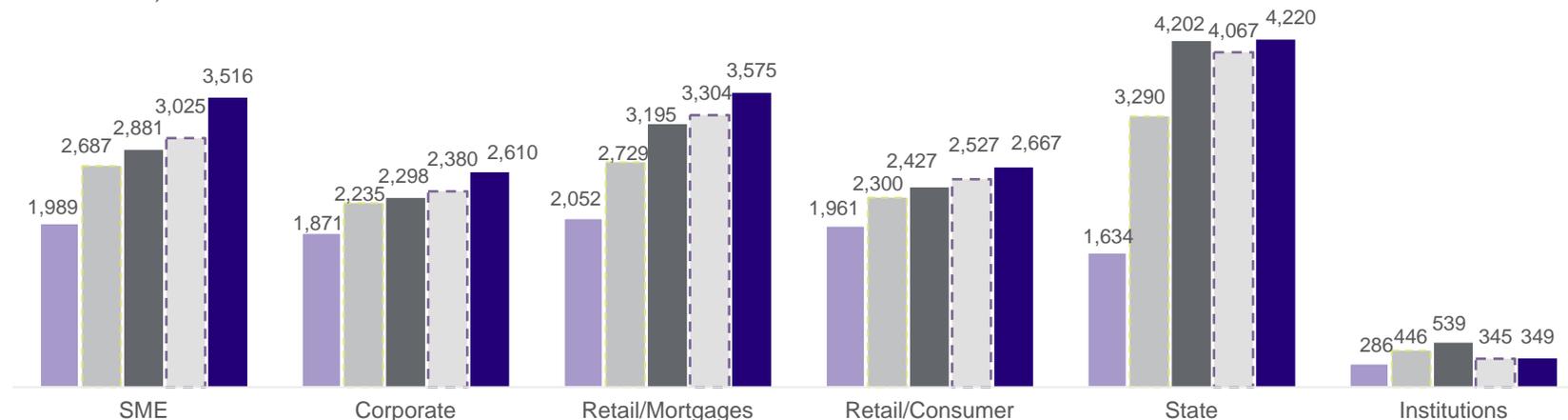
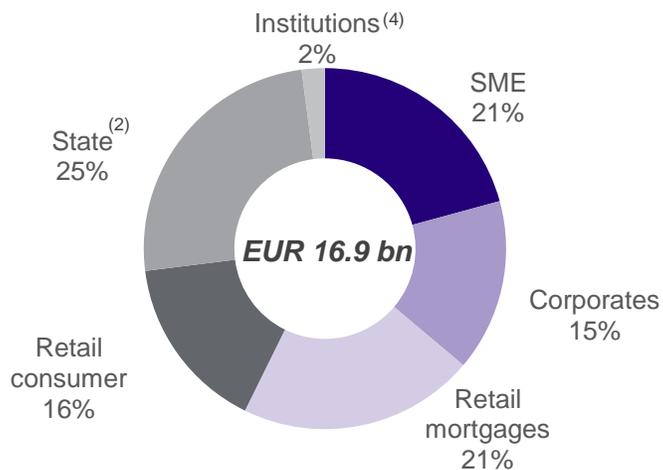


Asset Quality – NLB Group

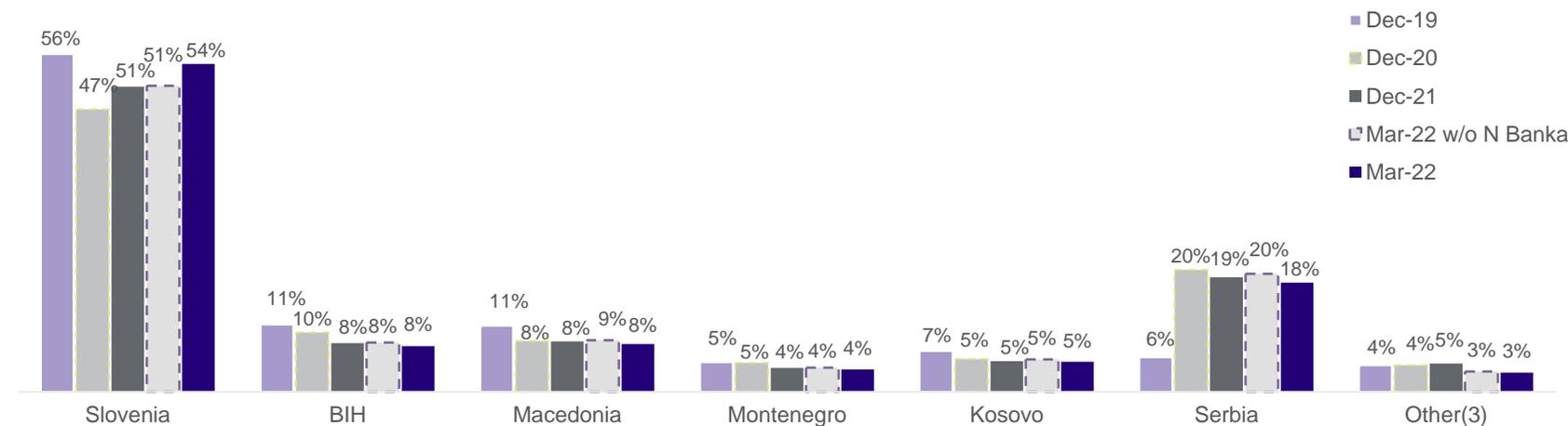
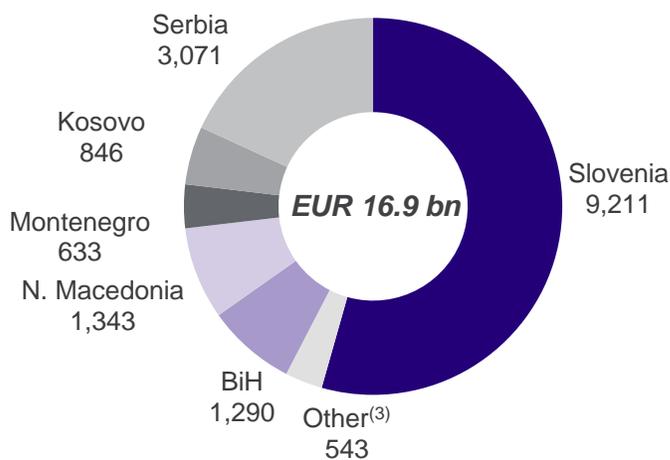
Diversified credit portfolio, focused on core markets

■ Dec-19
■ Dec-20
■ Dec-21
■ Mar-22 w/o N Banka
■ Mar-22

Credit portfolio⁽¹⁾ by segment (Group, 31 Mar 2022, % and EURm)



Credit portfolio⁽¹⁾ by geography (Group, 31 Mar 2022, % and 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.

(4) Institutions include Deposit-taking corporations except the central bank (mainly commercial banks) and Financial auxiliaries

NLB Group Assets Quality

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

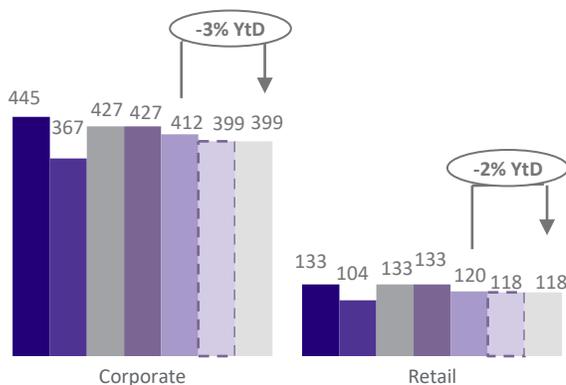
Loan portfolio by stages (in EUR million)

	Credit portfolio									Provisions and FV changes for credit portfolio					
	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	16,038.3	94.7%	1,400.3	517.6	3.1%	-14.8	381.2	2.3%	9.8	80.9	0.5%	32.5	6.3%	213.6	56.0%
o/w Corporate	5,482.0	89.5%	956.5	399.2	6.5%	-12.9	245.2	4.0%	3.4	58.3	1.1%	24.7	6.2%	135.0	55.1%
o/w Retail	5,987.7	95.9%	616.6	118.3	1.9%	-1.9	136.0	2.2%	6.3	21.0	0.4%	7.8	6.6%	78.6	57.8%
o/w State	4,219.5	100.0%	17.1	-	-	-	-	-	-	1.3	0.0%	-	-	-	-
o/w Institutions	349.1	100.0%	-189.9	-	-	-	-	-	-	0.3	0.1%	-	-	-	-

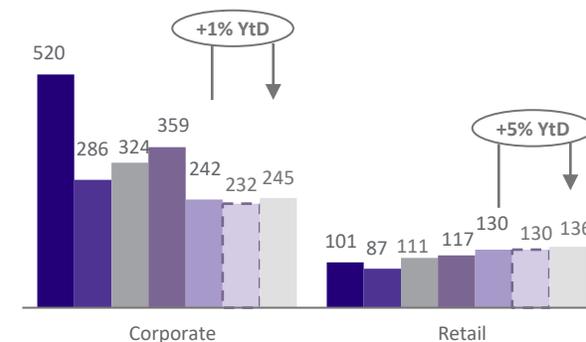
Stage 1 by segment (in EUR million)



Stage 2 by segment (in EUR million)



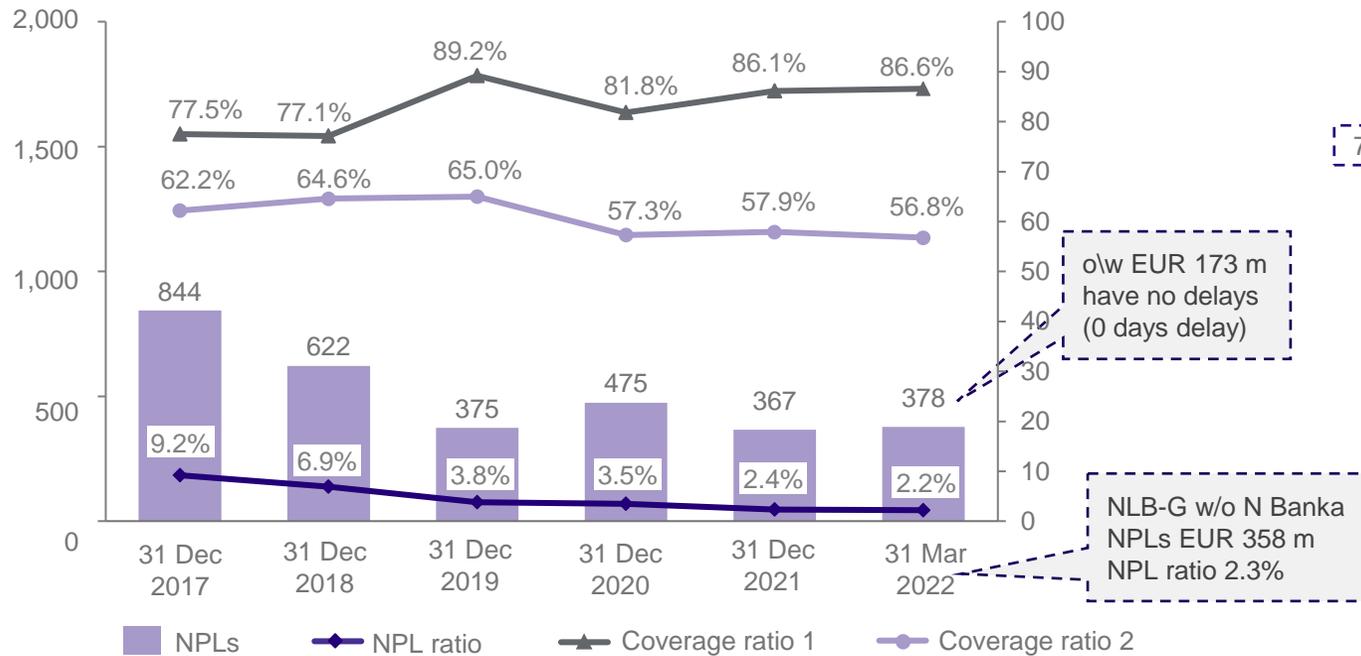
Stage 3 by segment (in EUR million)



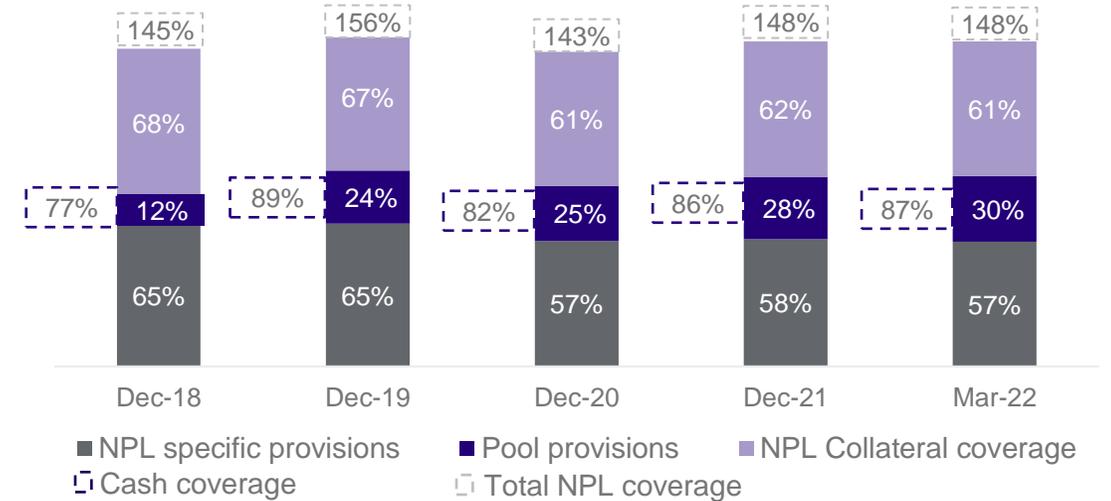
Asset Quality – NLB Group

NPL ratio is further decreasing. NPLs are fully covered by provisions and collateral

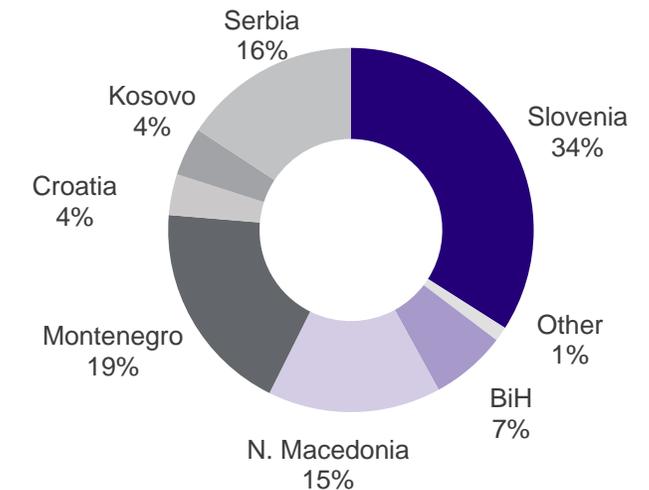
Gross NPL ratio within the planned framework (Group, EURm)



NPL cash and collateral coverage⁽¹⁾ (Group, %)



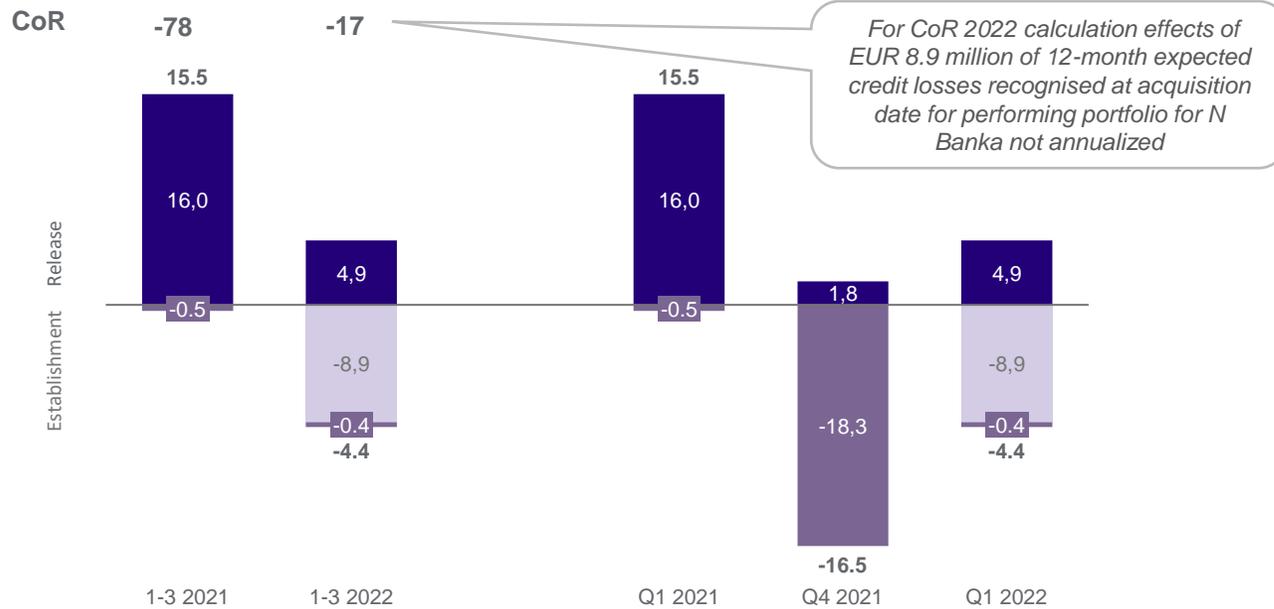
NPL by geography (Group, 31 Mar 2022)



- The Group's decisive approach to NPL management puts a strong emphasis on restructuring and use of other active NPL management tools. In Q1 NPLs increased as a new NPLs from the acquired N Banka were recognized. Otherwise, favourable NPL movement, mostly due to repayments.
- NPL ratio** decreased by 0.1 p.p to the level of 2.2%, **NPE ratio** reduced by 0.1 p.p. to 1.6%, while **coverage ratio** (CR1) increased to 86.6%. Further, the Group's NPL coverage ratio (CR2) stands at 56.8%, which is above the EU average as published by the EBA (44.5 % for Q4 2021).

Impairments and provisions⁽ⁱ⁾

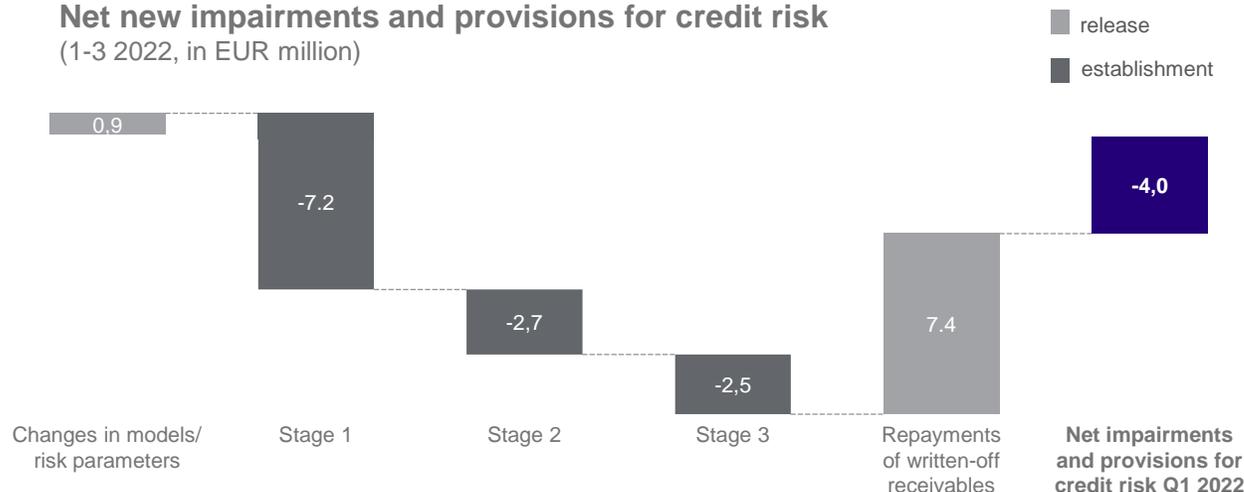
Solid asset quality performance continues



- N Banka 12 month expected credit losses recognised at acquisition date
- Impairments and provisions for credit risk
- Other impairments and provisions

- Net impairments and provisions for credit risk **were released in the amount of EUR 4.9 million**, scattered across markets without material concentration in any member. First quarter on asset quality front does not indicate any worsening of the business environment. On the other hand **EUR 8.9 million of 12-month expected credit losses were recognised at acquisition date for performing portfolio for N Banka**.
- Cost of risk was negative, -17 bps.

Net new impairments and provisions for credit risk (1-3 2022, in EUR million)



- In Q1 2022 net impairments and provisions established in the amount of EUR 4 million (including EUR 8.9 million ECL from N Banka).
- Impairments and provisions by stages are established by the inflow of asset into each stage:
 - In Stage 1 for performing portfolio of N Banka,
 - in Stage 2 and 3 for clients where deterioration of credit quality was detected.
- Release of impairments and provisions triggered by:
 - partial repayments of written off receivables ,
 - minor change in risk parameters (release of conservativity buffer).
- New macroeconomic forecasts will be incorporated in H1 2022.

Note: 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).

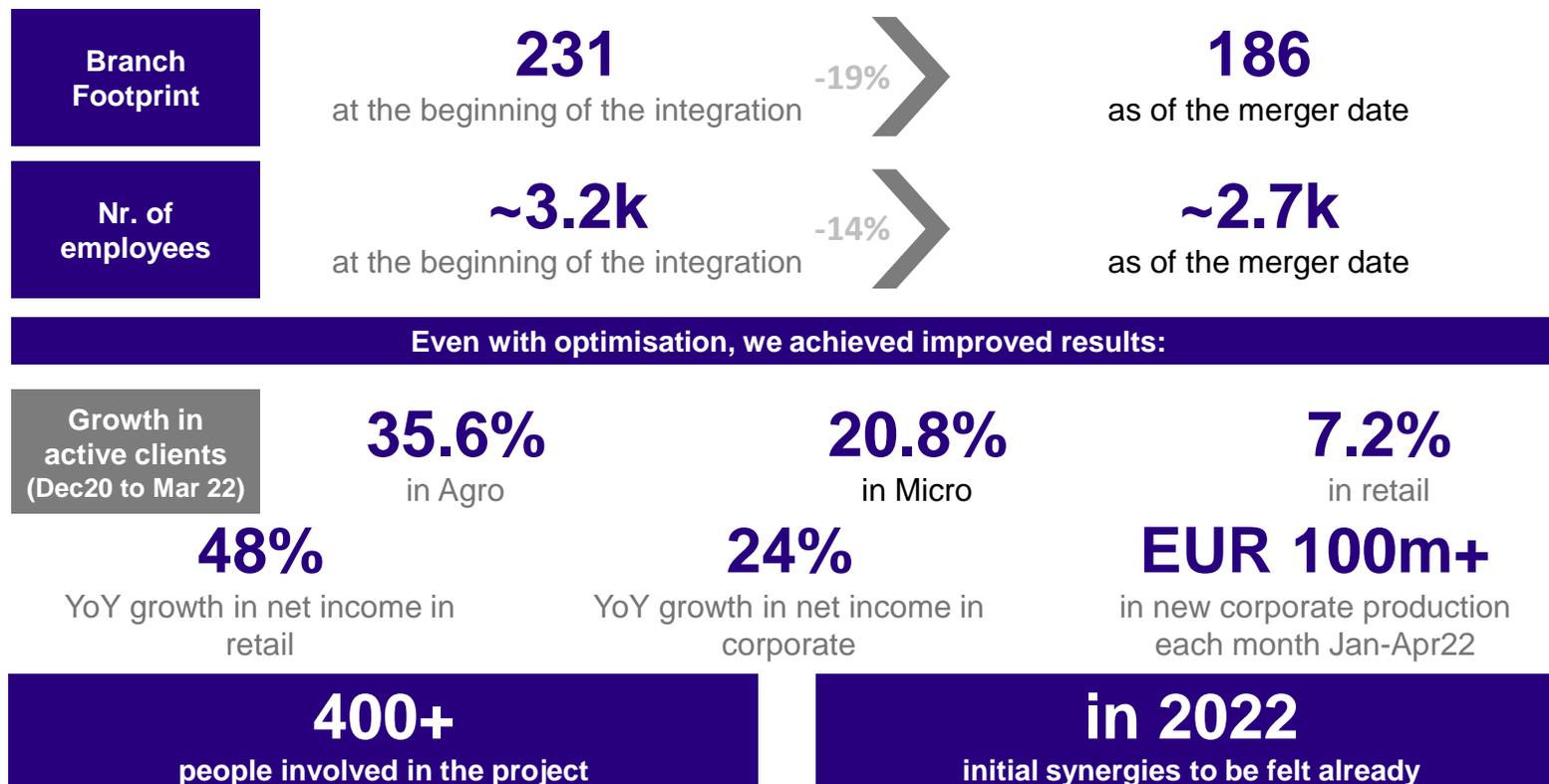
KB Integration



On 29.4.2022 NLB and KB became NLB Komercijalna banka

The merger set a new benchmark in what a successful integration looks like

After the merger, the **total assets** of NLB Komercijalna banka amount to **EUR 4.7 billion**. The **loan portfolio has increased by 23%** and now amounts to **EUR 2.6 billion**. The combined bank now has a wide **network of 186 branches** – one of the largest in Serbia – offering services, knowledge, and advice to **more than one million clients**



Sberbank banka acquisition



As a complement to NLB's Slovenian franchise and as contribution to financial stability of Slovenian banking system NLB acquired Sberbank Slovenia in March 2022

After the stabilisation period and rebranding to N Banka d.d. we are entering into the integration process



Legal and M&A process

- Regulatory approvals of the acquisition obtained
- First consolidation of N Banka and its subsidiary Privatinvest d.o.o. into NLB Group as per 31 March 2022.



Corporate Governance

- General Assembly on 11 April 2022 appointed new Supervisory Board of the Banka
- The third member of the Management Board licensed in March 2022 and the fourth one appointed in April 2022.



Clients

- Access to NLB Group ATM network for N Banka's clients has been granted free of charge.
- Complementary NLB d.d. offer and relationship support of NLB d.d. to ensure quality of service for clients and prevent churn due to payments/card related problems



Employees

- NLB is committed to setup comprehensive HR approach based on: talent identification (valuable employees to be kept in new organization), sizing estimation for joint bank (based on international benchmarks) and smart optimization approach (step by step, targeted, per function process)



Marketing & communication

- From 12 April 2022 the Bank starts operating under the name of N Banka d.d.
- Full scope rebranding started immediately after the General Assembly. HQ, web page, e- and m-banking, bank's domain, ATMs rebranded, rebranding of branches in progress.



Harmonisation & integration

- Guidelines for harmonization of processes and new limits for better control over critical tasks have been adopted by N Banka in April 2022.
- NLB d.d. is in the process of the post-acquisition due diligence. Our strategic objective is to integrate N Banka in efficient and optimal way, becoming again leading bank on Slovenian market.

Outlook



Outlook*

	Performance in Q1 2022	2022 ⁽³⁾	2023
Regular income	EUR 173.0 million	~ EUR 690 million	> EUR 700 million
Costs	EUR 102.7 million ⁽¹⁾	Costs in range of 2021	~ EUR 400 million
Cost of risk	-17 bps	30 bps ⁽⁴⁾	30-50 bps
Loan growth	14% (4% w/o N Banka)	High single digit loan growth	High single-digit loan growth
Dividend	/	EUR 100 million ⁽⁵⁾	EUR 110 million
ROE a.t.	12.0%	~ 10%, (ROE normalized ⁽²⁾ : 12%)	> 10% (ROE normalized ⁽²⁾ : > 12%)

*Outlook does not include Nbanka (except for the CoR)

Notes:

- (1) Including integration costs;
- (2) ROE normalized = Result a.t. w/o minority shareholder profit divided by consumed capital. Consumed capital computed as 13.06% of average RWA reduced for minority shareholder capital contribution;
- (3) If legal remedies against the adopted law in February 2022 concerning loan agreements in Swiss francs concluded by banks operating in Slovenia (including NLB) and individuals are unsuccessful, the Bank estimated a negative pre-tax effect on the operations of NLB and NLB Group should not exceed EUR 70 - 75 million (not more than EUR 100 million if N Banka is included);
- (4) Includes 8 bps of technical adjustment due to N Banka and excludes potential incremental major disruption(s).
- (5) The Management and Supervisory Board of NLB d.d. will propose to the Shareholders at the Shareholders meeting on June 20th, 2022 that EUR 50 million shall be paid out to the shareholders as dividend, which amounts to EUR 2.50 gross per share.

Investor Relations details

For any further questions please refer to Investor Relations.

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More information available at:

<https://www.nlb.si/financial-reports>



Thank You!

Q&A



**Welcome to our home.
A region of opportunities.**



FROM THE REGION TO THE WORLD: GLOBAL SUCCESS STORIES



Vlade Divac, former professional basketball player and philanthropist

Mic Melanšek, Chief marketing and creative officer, Cofounder of Hooray studios d.o.o.

Rade Šerbedžija, actor, director and musician

CLOSING REMARKS



Blaž Brodnjak, NLB d.d., CEO



Thank you for being
part of **NLB Investor day**