

# NLB Group Presentation

## H1 2021 Results

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# Executive Summary

## H1 2021 Highlights

- GDP growth pick-up in the region in 2Q laid foundation to achieve strong profitability – ROE at 13.8%
- Strong performance of bankassurance and asset management products
- Increased use of digital channels
- Strengthened capital and liquidity position ensuring capital return and continued growth opportunities
- ECB ban on dividend lifted – dividend ambition reaffirmed
- Integration process of KB well underway
- Strategic focus on ESG

## H1 2021 business results

- Profit a.t. amounted to EUR 139.8 million with visible contribution from Komercijalna Banka group
- Strong loan growth (4% YoY), with record high new production of housing loans
- Strong growth of net fee and commission income (+40% YoY and +15% YoY w/o KB) on the back of clients' liquidity
- EUR 136.7 million of net inflows in NLB Skladi (YoY doubled production)
- Non-recurring income from two legacy cases in the total amount of EUR 23.7 million
- Positive impact of the release of impairments and provisions for credit risk (EUR 30.7 million in H1)
- Continuous cost discipline
- Good asset quality trends and decisive workout approach resulting in decreased CoR guidance for 2021



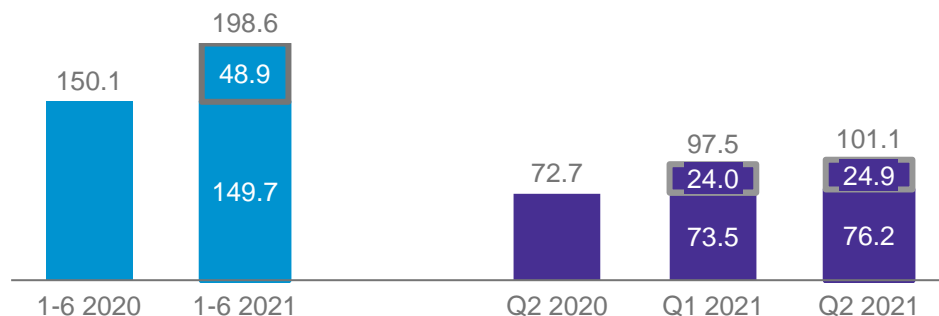
# Key Developments



# Revenues and Cost Dynamics

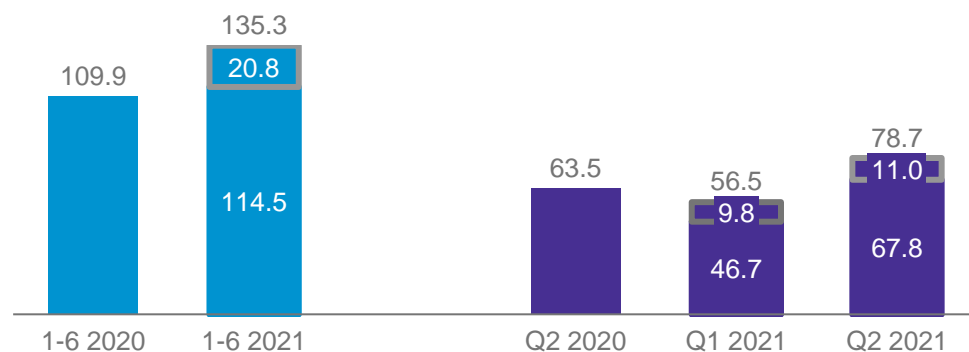
## Strong operating income and negative CoR

**Net interest income** (Group, EURm)

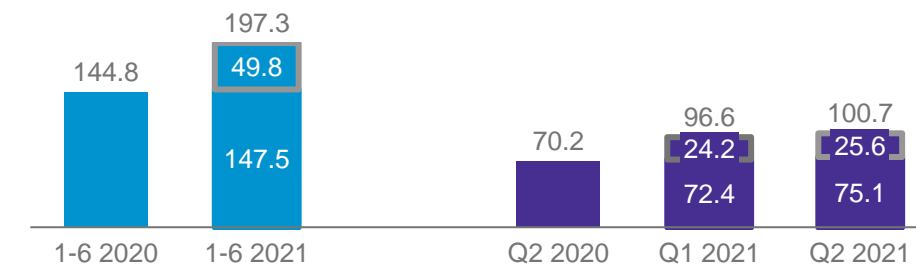


**Net non-interest income** (Group, EURm)

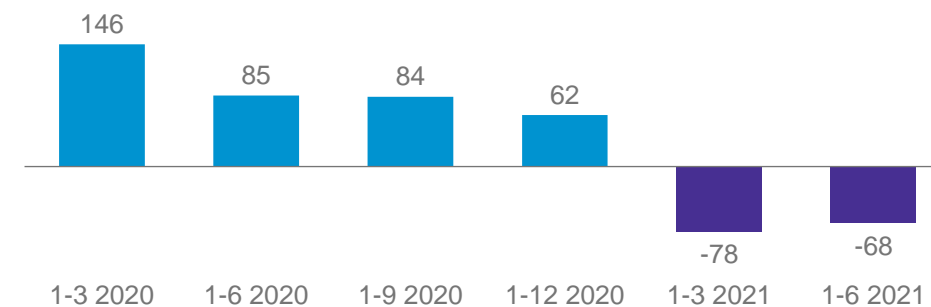
KB contribution



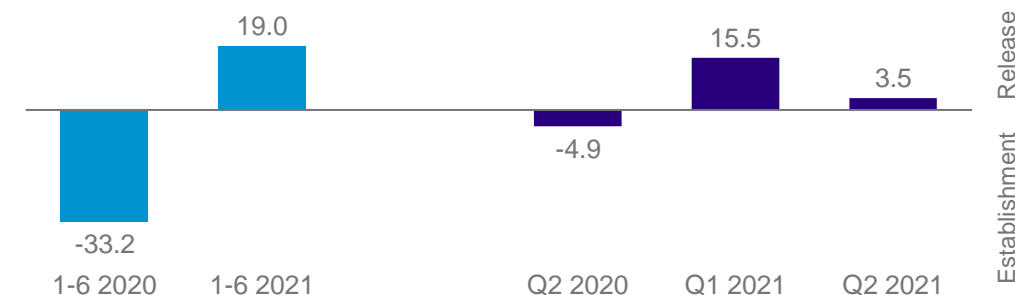
**Costs** (Group, EURm)



**Cost of risk<sup>(1)</sup>** (Group, bps)



**Net impairments and provisions** (Group, EURm)

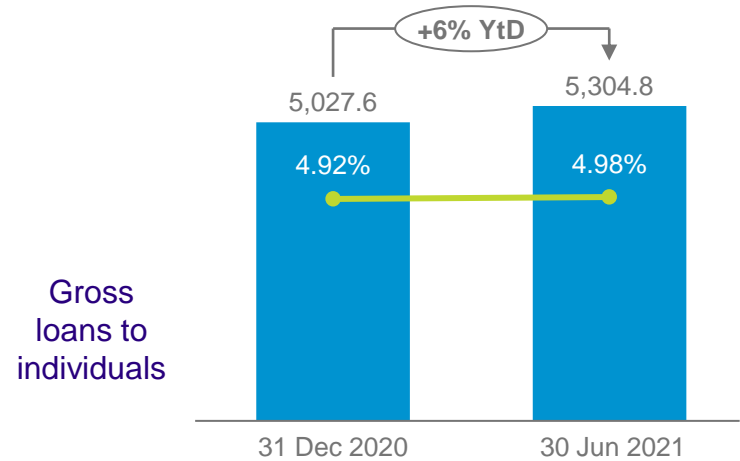


Release  
Establishment

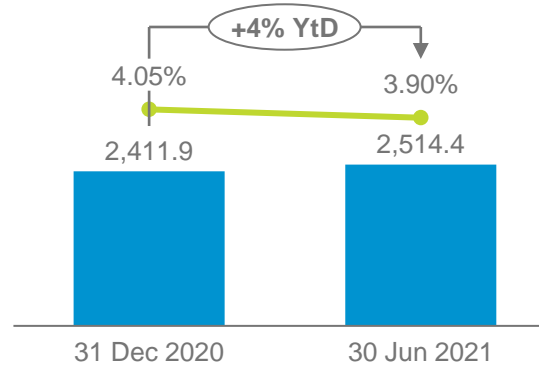
# Strong contribution of Loan Dynamics by all banks

## Positive performance from retail and corporate

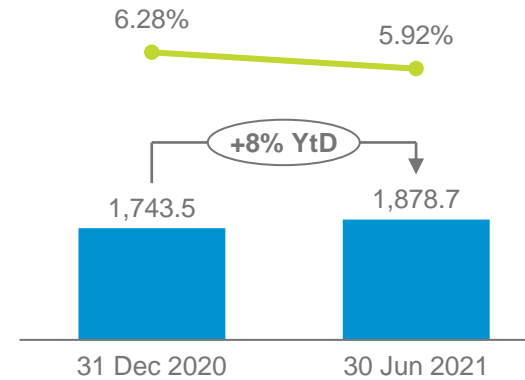
**NLB Group**



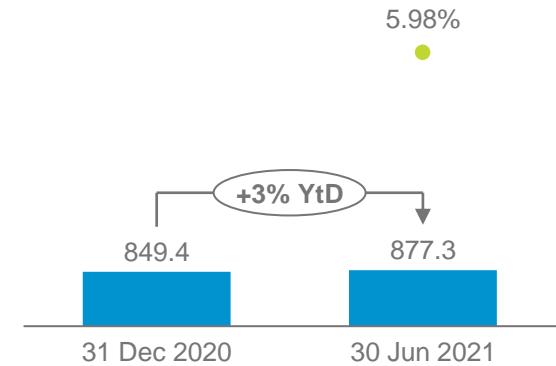
**NLB d.d.<sup>(1)</sup>**



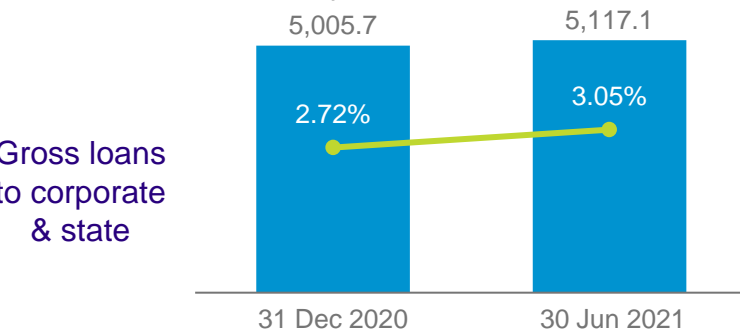
**Strategic foreign markets  
w/o KB<sup>(1)</sup>**



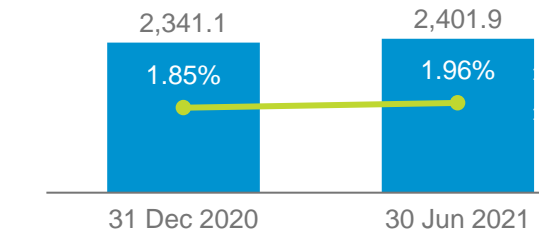
**KB banks<sup>(1)</sup>**



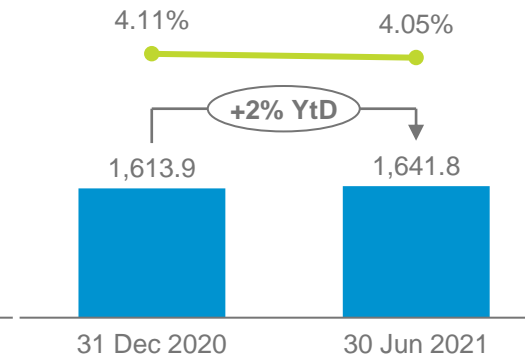
**+2% YtD**



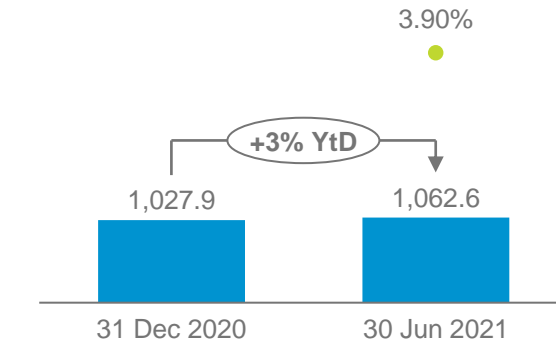
**+3% YtD**



**4.11%**



**3.90%**

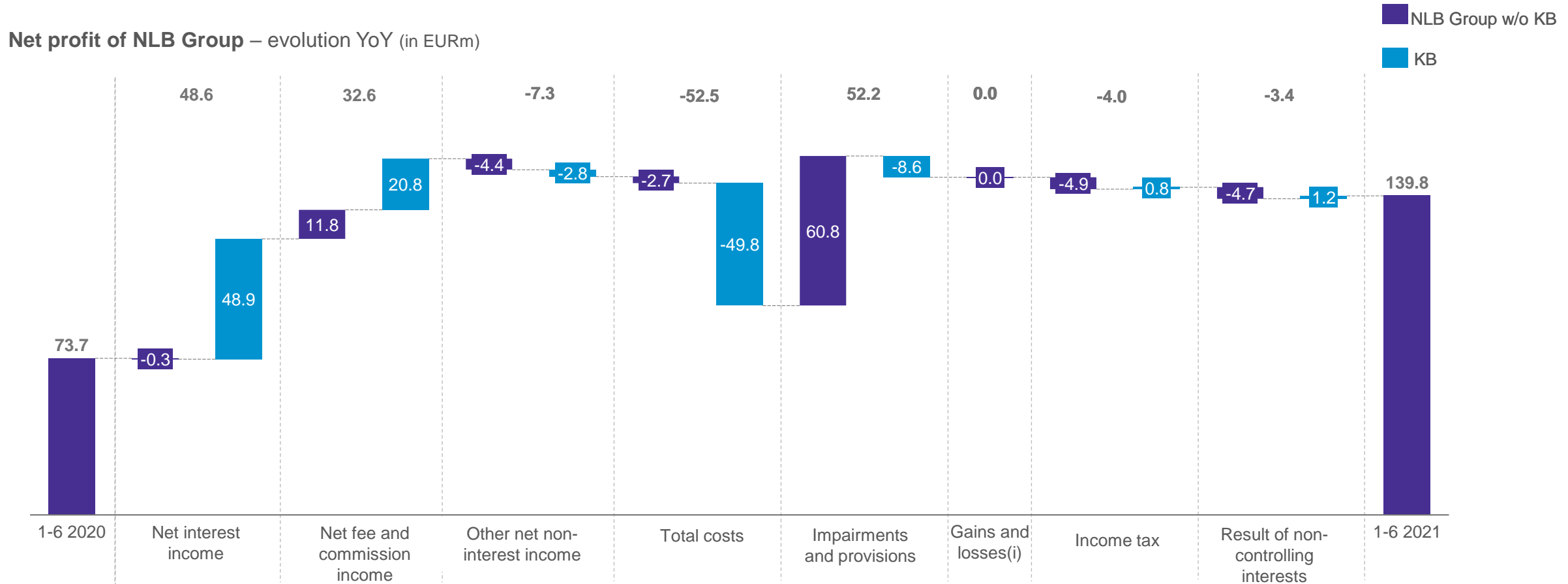


■ Gross loans ● Interest rates



# Operating Income Performance Resilient Despite COVID-19

Strong underlying results backed by contribution from KB, F&C income and loan loss releases

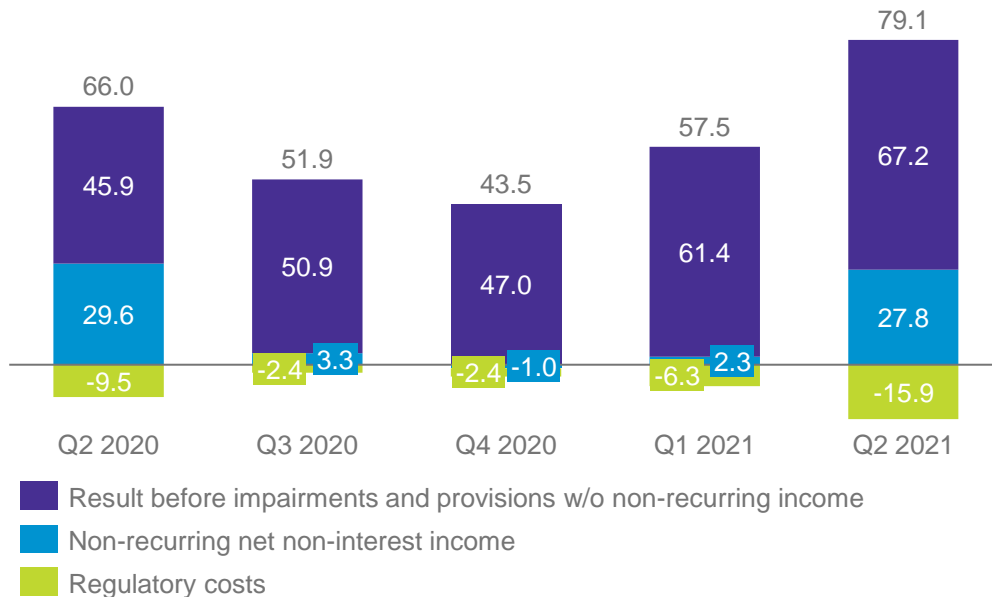


In 1-6 2021, NLB Group generated **EUR 139.8 million of profit after tax**, EUR 66.1 million higher YoY, o/w EUR 8.0 million from KB. Main reasons for increase are **contribution from KB** and **release of impairments and provisions** in the amount of EUR 19.0 million, mostly due to repayment of several exposures, changes in the credit ratings, and changed parameters for forming collective impairments and provisions related to more favourable macroeconomic forecasts.

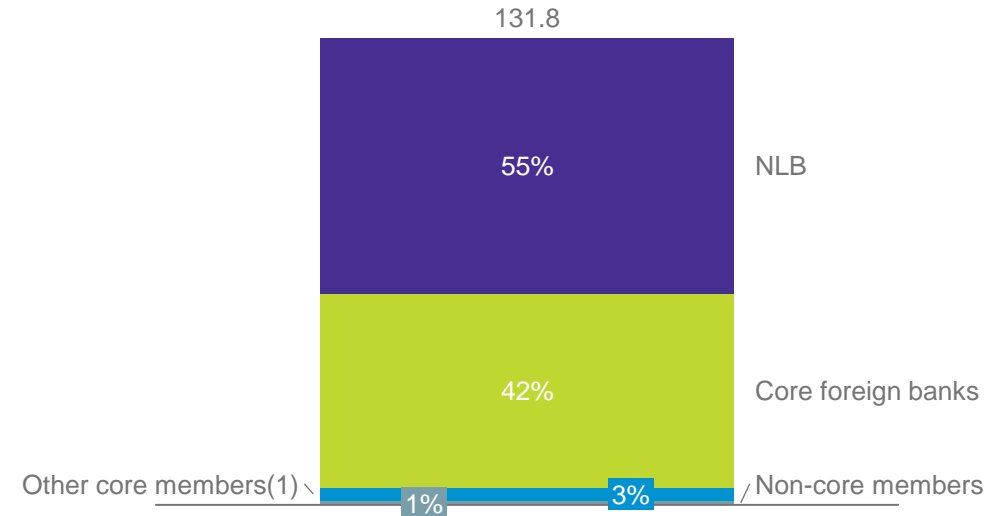
# Income Statement

Strong bottom due to effective liquidity management and one-offs

Result before impairments and provisions (Group, EURm)



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



Result before impairments and provisions EUR 79.1 million, EUR 21.4 million higher YoY, EUR 4.3 million without KB contribution, as a result of:

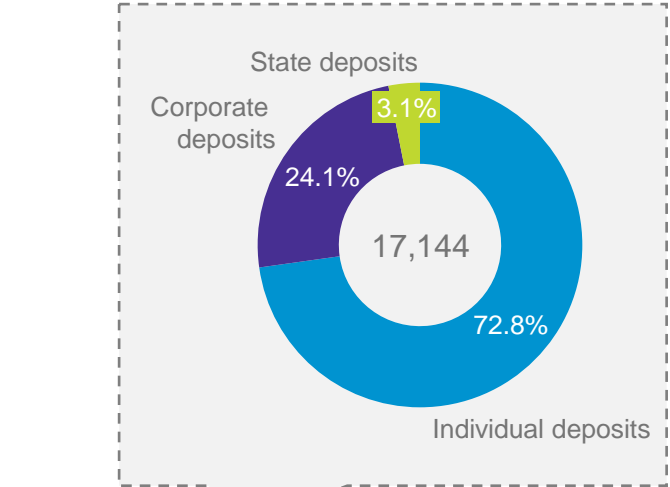
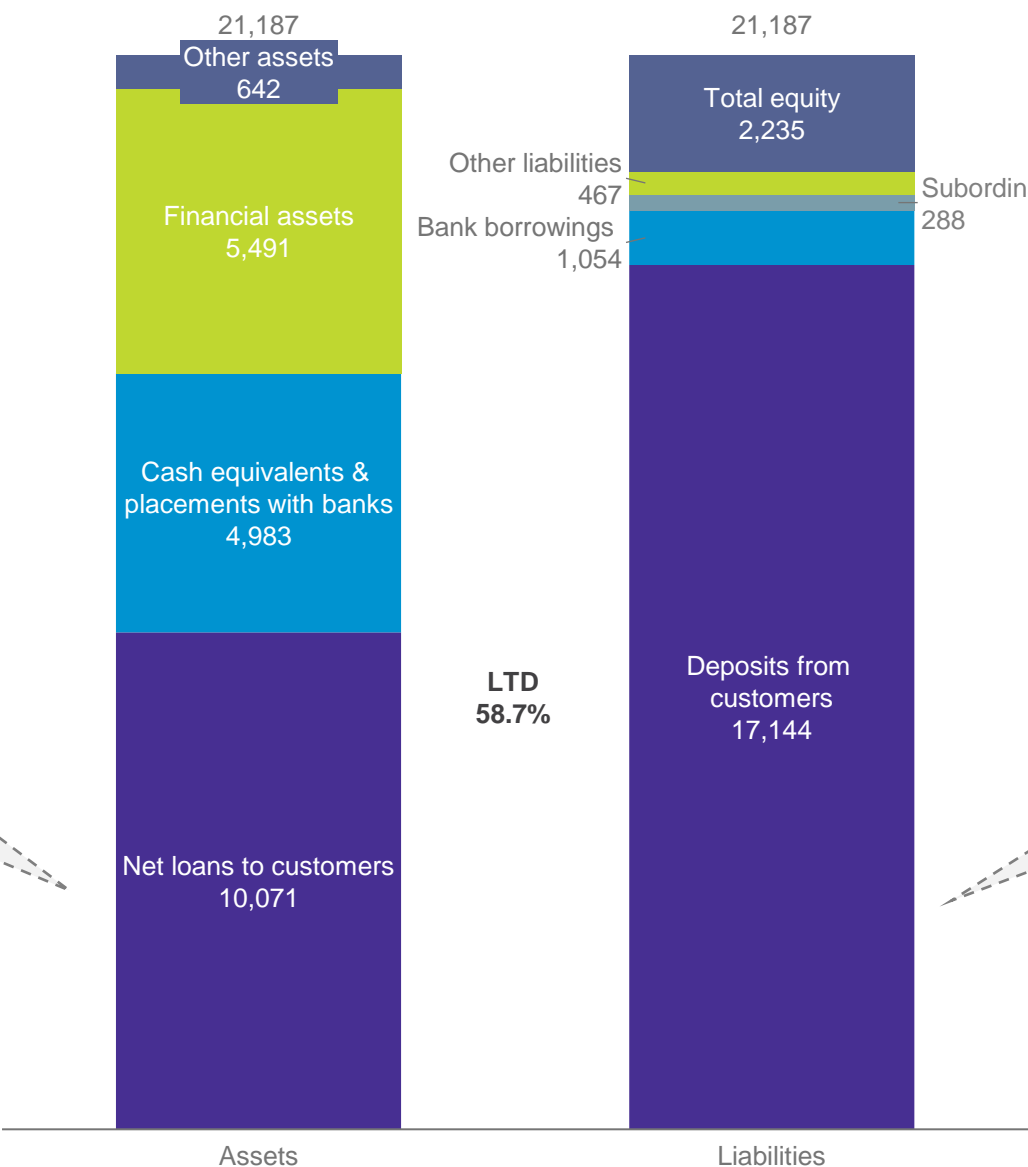
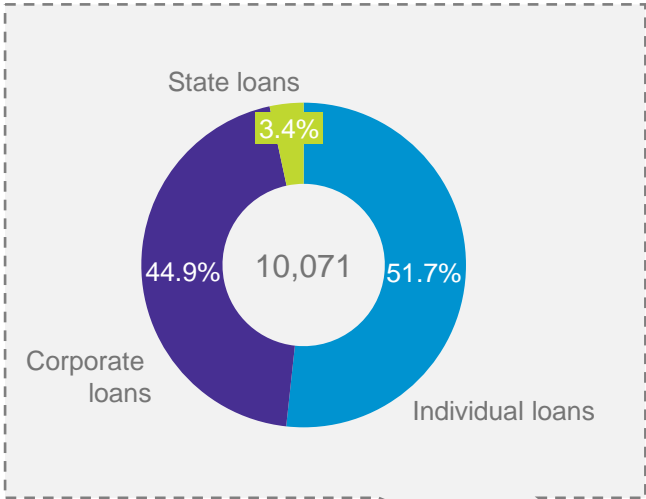
- Stable net interest income without KB group contribution and impacted by excess liquidity which determined consequent higher volume of cash and balances with central banks, with low or negative interest rates. Interest income stayed on the same level YoY without KB group contribution, based on higher volumes and increased market shares in loan book compensating the reduction in interest rates.
- Payment of regulatory costs in the Bank (EUR 2.0 million for SRF and EUR 7.5 million for DGS).
- Non-recurring valuation income in the amount of EUR 14.7 million from repayment of exposure, classified as non-performing, and EUR 9.0 million other operation income from the settlement of legal dispute; comparable to H1 2020 level, with the sale of NLB Vita and debt securities.
- Net fee and commission income increased in all banks, in the Bank mostly due to repricing of packages, deposit fee for high balances, higher net fees from asset management and card business, and payment of fees for organization of syndicated loans.



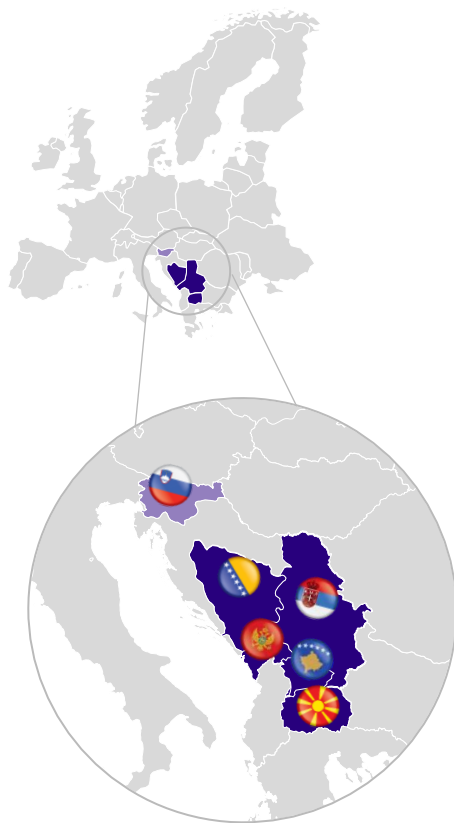
# Balance Sheet Structure – NLB Group








## Deposit driven balance sheet

(30 Jun 2021, in EURm)



# NLB Group – performance indicators across SEE countries



Slovenia	North Macedonia	Bosnia and Herzegovina		Kosovo	Montenegro		Serbia		NLB Group	
										
NLB, Ljubljana	NLB Banka, Skopje	NLB Banka, Banja Luka	KB, Banja Luka	NLB Banka, Sarajevo	NLB Banka, Prishtina	NLB Banka, Podgorica	KB, Podgorica	NLB Banka, Beograd	KB, Beograd	
Data on stand-alone basis										Consolidated data*
77.1	22.5	9.9	0.1	4.4	12.4	6.9	-1.0	4.2	11.9	139.8
12,331	1,656	886	272	657	917	556	155	717	4,089	21,187
10.4%	18.7%	19.1%	0.7%	9.6%	23.7%	19.5%	-9.4%	11.1%	3.8%	13.8%
1.34%	3.11%	2.47%	2.38%	2.88%	3.75%	4.11%	4.40%	3.37%	3.36%	2.09%
58.4%	43.1%	44.8%	81.6%	56.4%	33.3%	55.2%	80.1%	74.1%	70.1%	59.1%
51.6%	75.2%	64.0%	75.8%	80.6%	76.2%	86.8%	82.5%	112.8%	50.1%	58.7%
2.1%	5.2%	1.5%	1.7%	4.0%	1.8%	5.3%	5.6%	1.6%	1.5%	2.9%
/	87.0%	99.85%	0.002% <sup>(9)</sup>	97.3%	81.2%	99.8%	<sup>(8)</sup>	100%	88.3%	/
79	50	47	19	36	34	19	10	28	200	293 <sup>(7)</sup>
669,524	409,856	217,046	47,260	128,696	217,605	67,742	27,700	145,870	1,031,567	1,856,339 <sup>(7)</sup>
25.9%	16.7% <sup>(4)</sup>	19.1% <sup>(2,4)</sup>	5.5% <sup>(2,4)</sup>	5.1% <sup>(3, 4)</sup>	17.3%	11.7% <sup>(5)</sup>	3.2%	1.7% <sup>(4)</sup>	10.0% <sup>(6)</sup>	/

Note: Financial data as of June 2021.

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

(1) Calculated on the basis of interest bearing assets; (2) Market share in the Republic of Srpska; (3) Market share in the Federation of BiH; (4) Data for market share as of 31 Mar 2021; (5) Data for market share as of 31 May 2021; (6) Preliminary data; (7) Total number of branches and active clients for the Group do not include data for Komercijalna Banka group banks due to different definitions; (8) KB, Podgorica is not owned directly by NLB d.d., but indirectly (by KB, Beograd - in 100%); (9) KB, Banja Luka is only 0.002% owned directly by NLB d.d. and 99.998% by KB, Beograd.



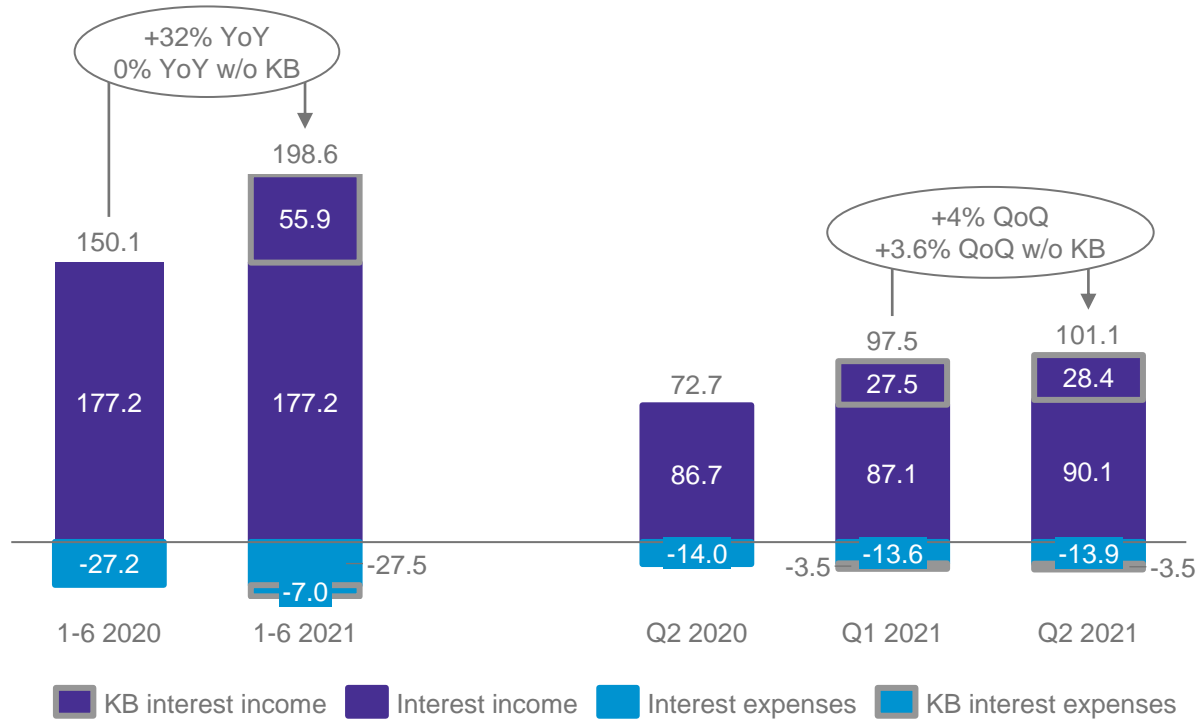
# Business Performance



# Net interest income

Stable NII and NIM despite low rates and increased liquidity, while operational business margin is increasing

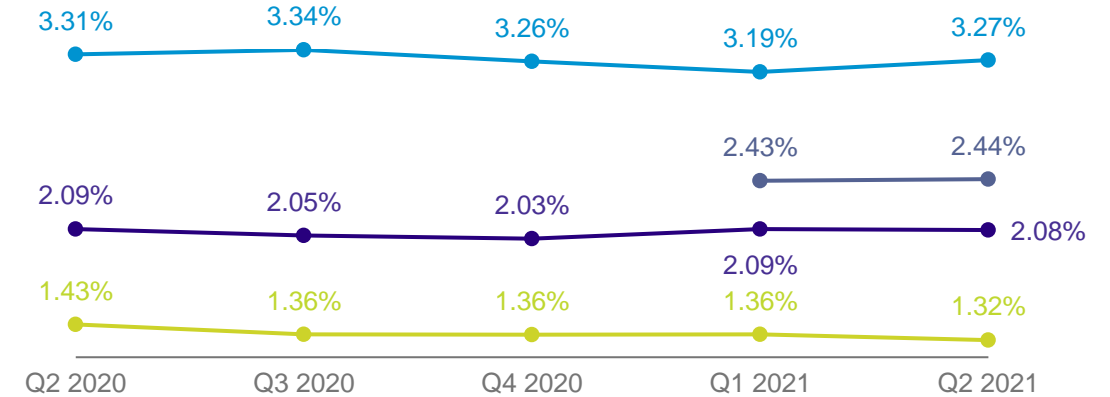
Net interest income of NLB Group (in EURm)



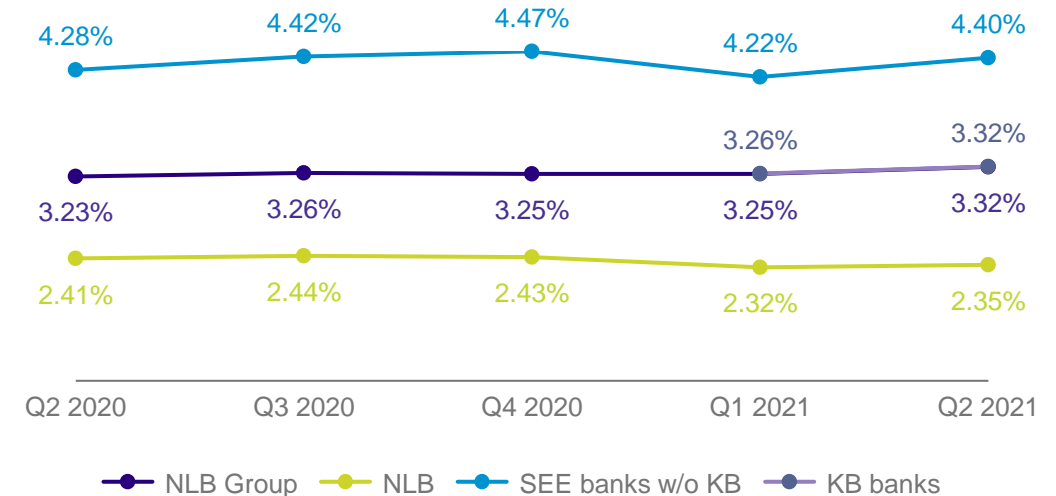
Same level of interest income YoY and increase QoQ based predominately on strong loan growth.

Quarterly NIM at 2.08%, while operational business margin shows signs of a pick-up, based on strong fee and commission income trends.

Net interest margin, quarterly (in %)



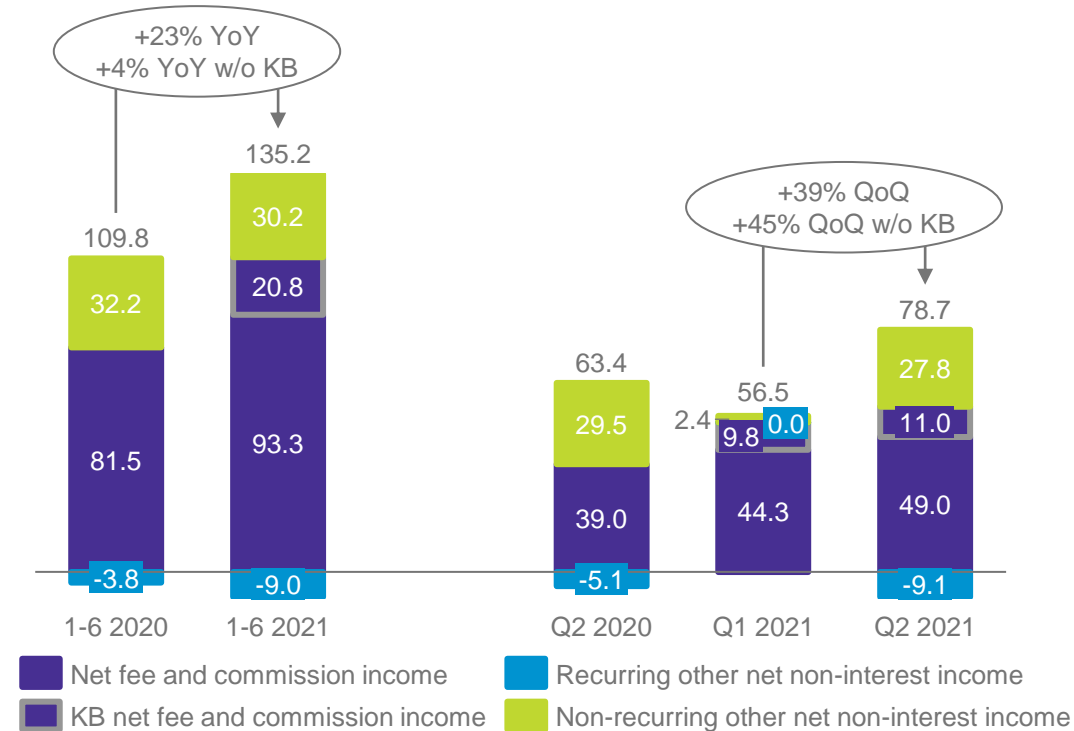
Operational business margin, quarterly (in %)



# Net non-interest income

Liquidity transformation fuels impressive growth of fee and commission income

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

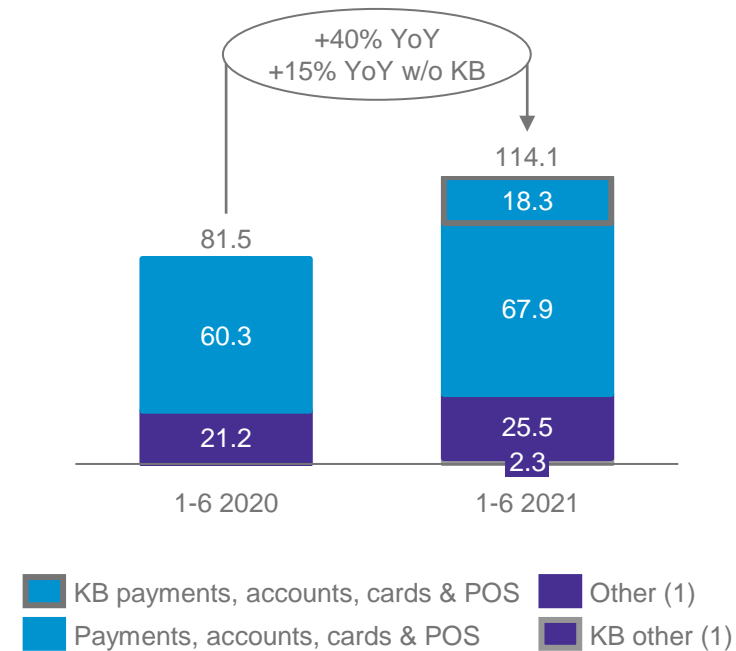


## Non-recurring net non-interest income:

- EUR 14.7 million from repayment of exposure, classified as non-performing;
- EUR 9.0 million from the settlement of legal dispute.

One off regulatory charges (EUR 2.0 million for SRF and EUR 7.5 million for DGS).

Net fee and commission income (in EURm)



Strong income generation from basic accounts (attributable also to high deposit fees).

Higher net fees from asset management and bankassurance: EUR 4.2 million increase YoY.

Higher net fees from card business (easing of COVID-19 restrictions).

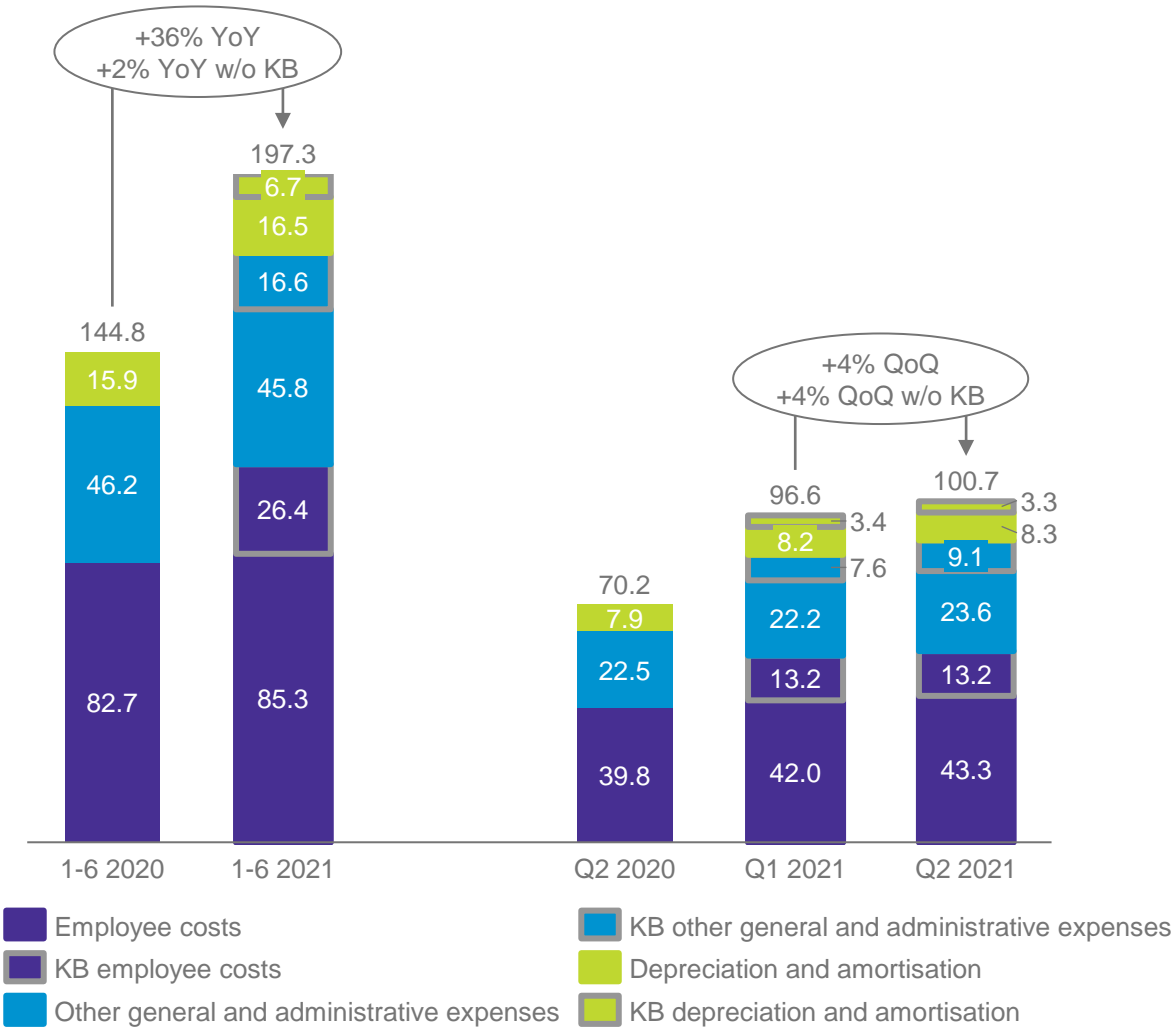
Arrangement fees for organization of syndicated loans.



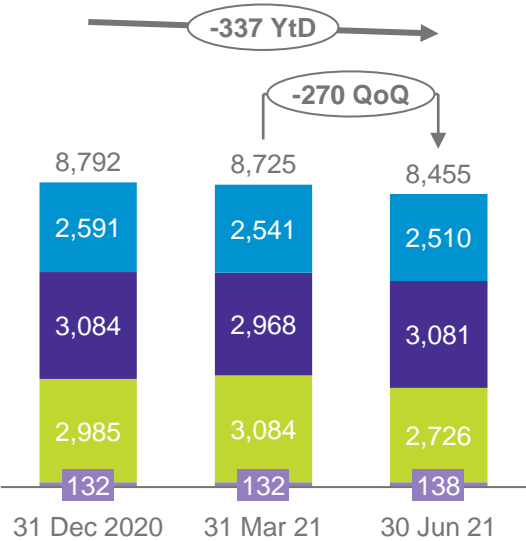
# Continuous cost discipline

## Cost optimization plans on track with further reduction of number of employees and branch network

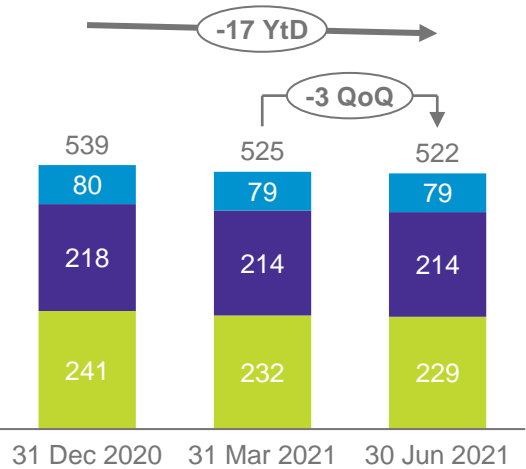
Total costs (in EURm)



# of employees



# of branches



NLB SEE banks w/o KB KB other

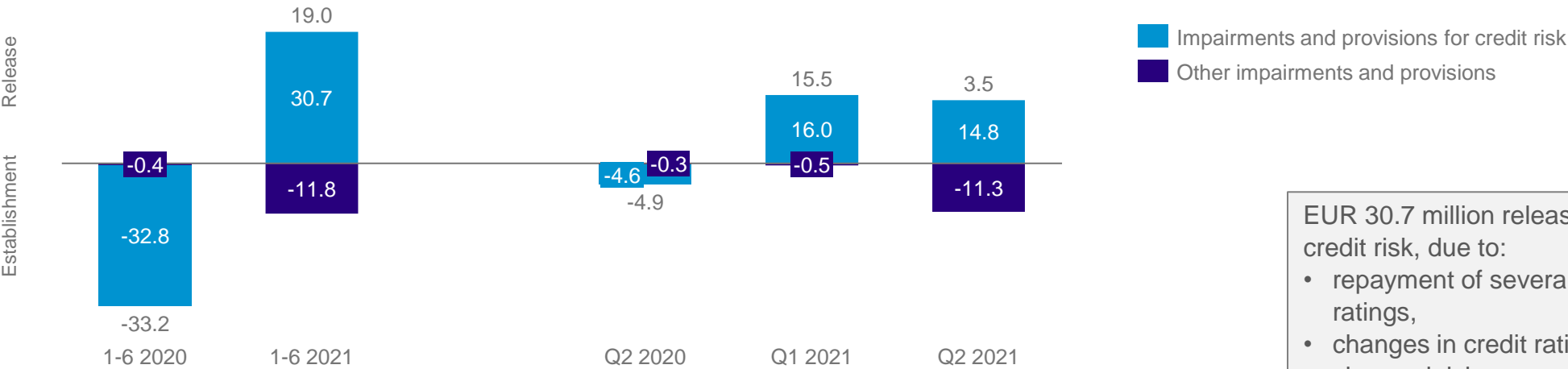
In NLB d.d. costs were EUR 2.3 million lower YoY, mostly due to positive effects from cost optimisation projects.

Several strategic initiatives on a Group level (channel strategy, digitalisation, paperless, lean process, branch network optimisation etc.) to maintain the sustainable cost base going forward.



# Release of Impairments and Provisions leads to negative Cost of risk and improved CoR guidance for 2021

Impairments and provisions (in EURm)



EUR 30.7 million release of impairments and provisions for credit risk, due to:

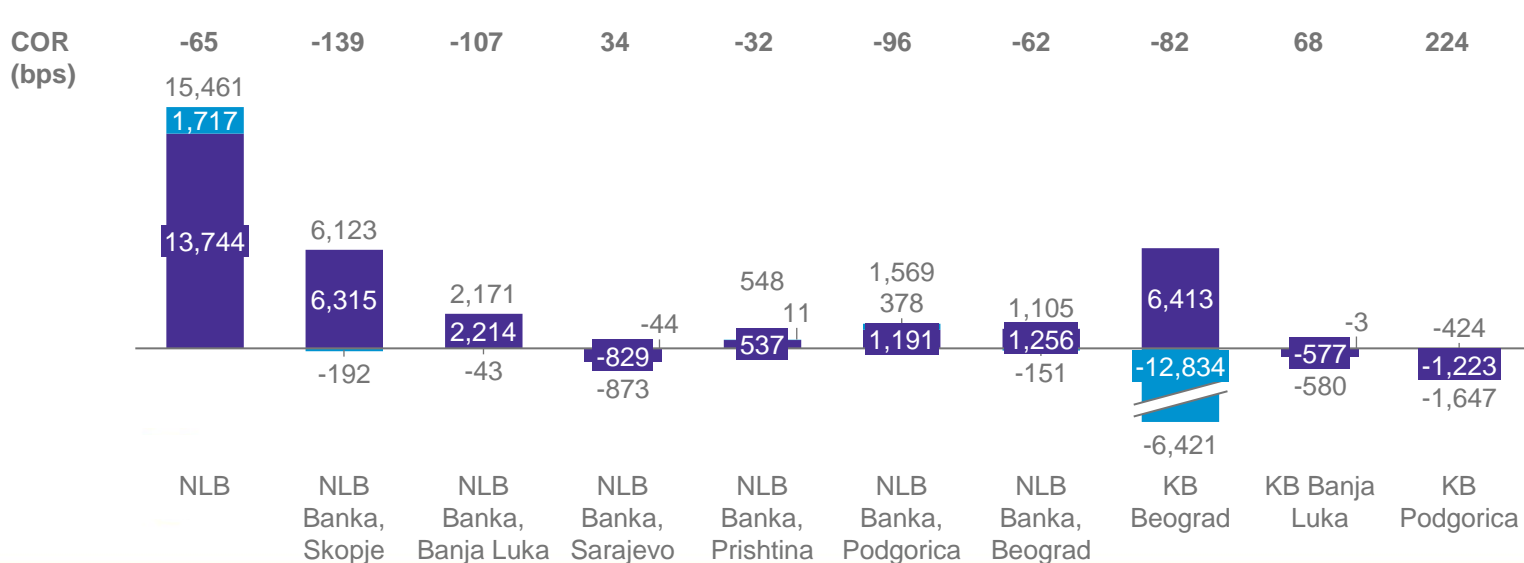
- repayment of several exposures and changes in credit ratings,
- changes in credit rating,
- changed risk parameters for forming collective impairments and provisions related to more favourable macroeconomic forecasts.

Other impairments and provisions, mostly in KB Beograd:

- EUR 7.7 million of restructuring provisions,
- EUR 5.0 million of provisions for legal risk .

Cost of risk -68 bps.

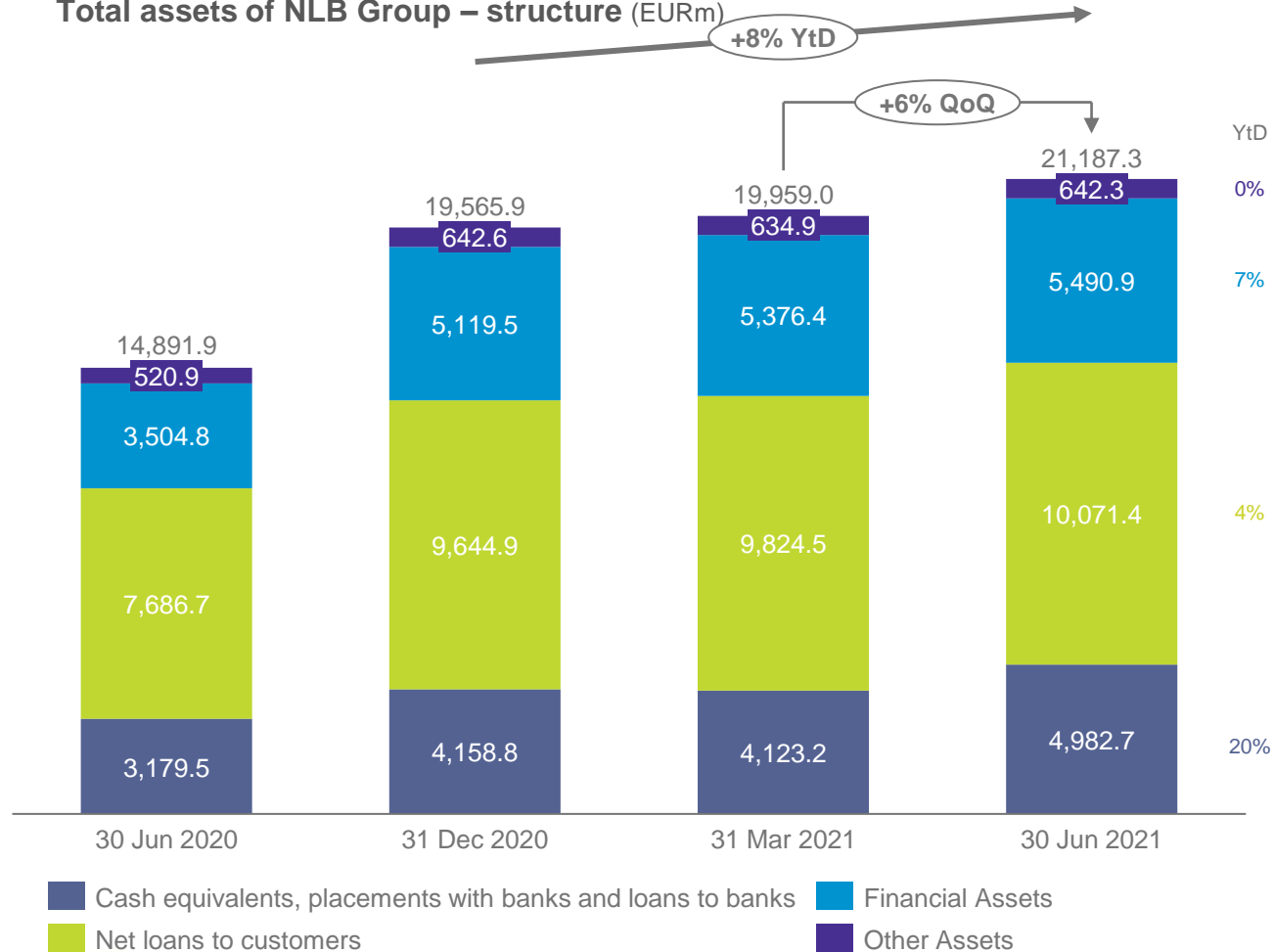
Credit impairments and provisions <sup>(1)</sup> and CoR by company – contribution (in EURm)



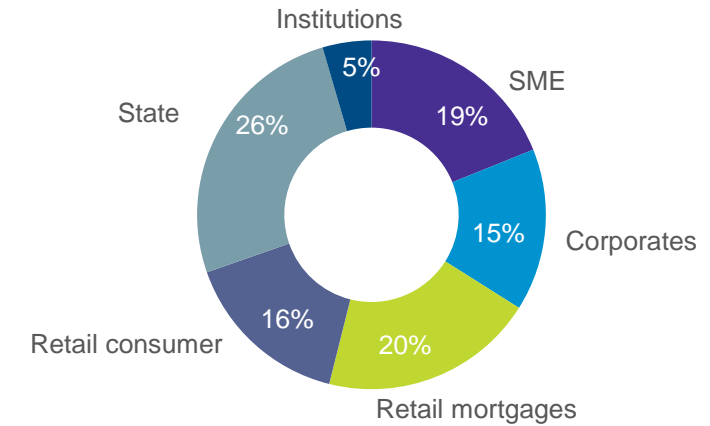
# NLB Group Assets

The net liquidity from deposit inflow mainly placed with the Central bank and into securities

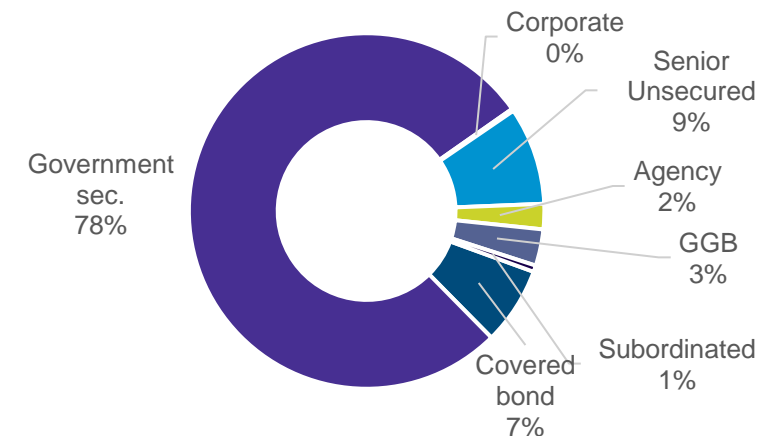
Total assets of NLB Group – structure (EURm)



Credit portfolio by segment <sup>(1)</sup> (Group, 30 Jun 2021)



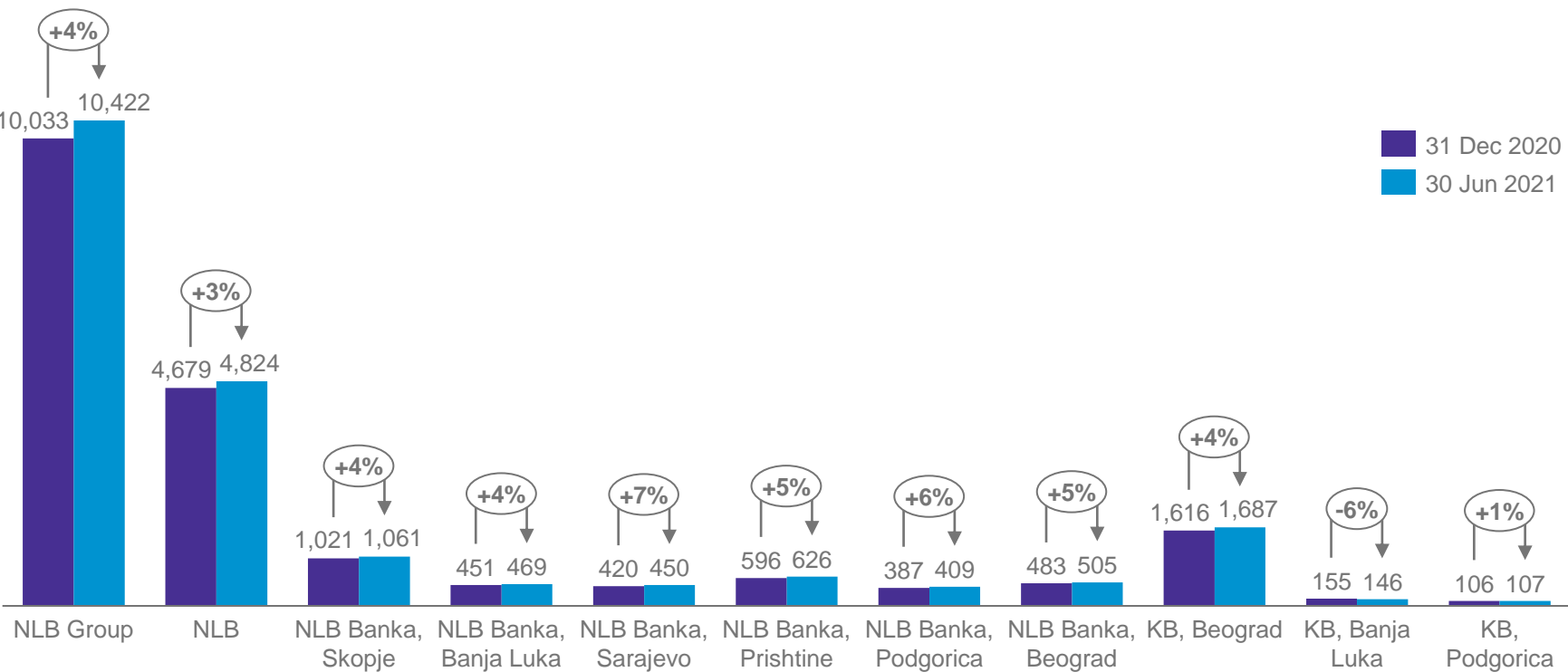
Banking book portfolio by asset class <sup>(1)</sup> (Group, 30 Jun 2021)



# NLB Group Assets – Loan portfolio

## Strong growth of loan portfolio

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

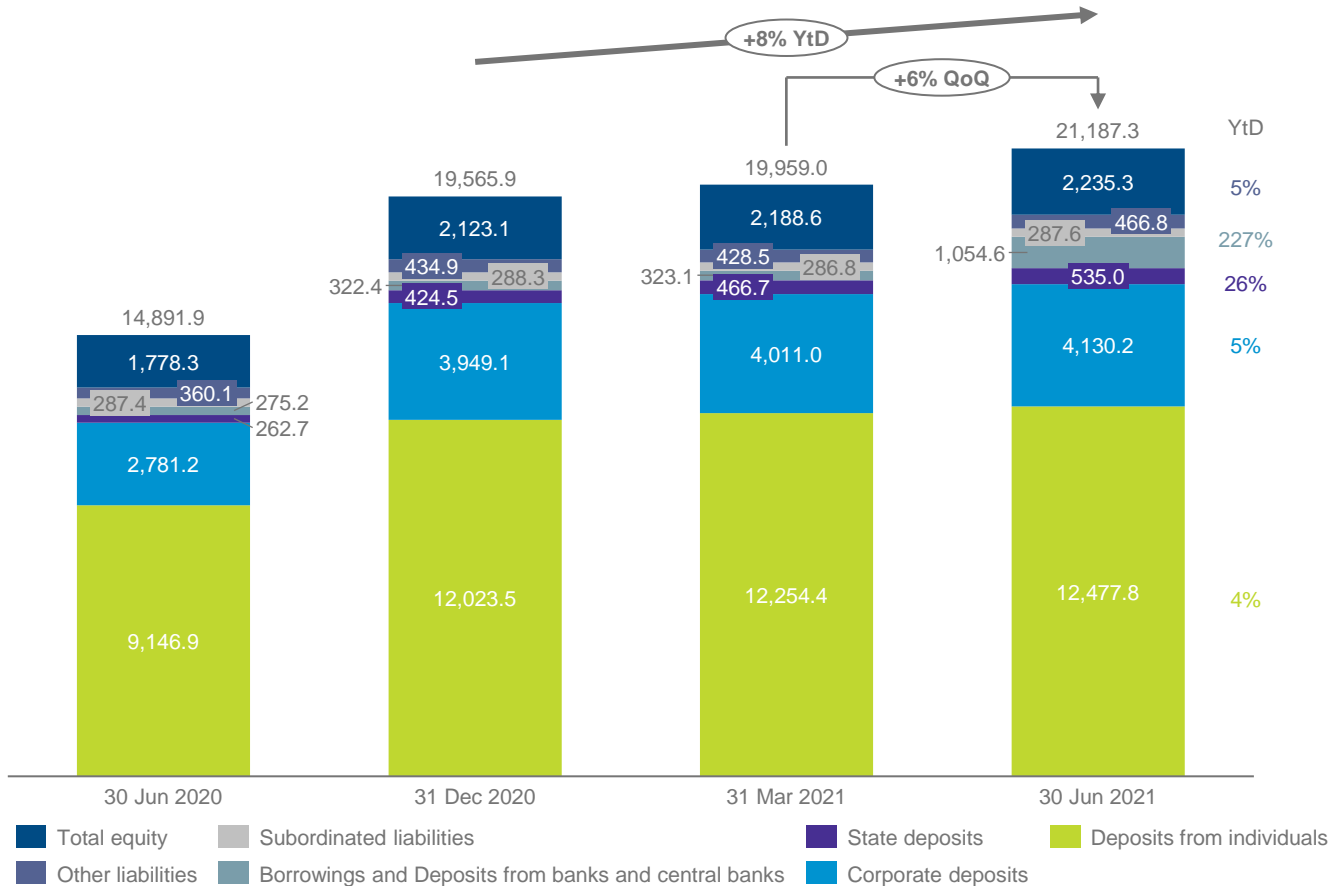


Strong **gross loan growth** in most bank members.

# NLB Group Liabilities and Equity

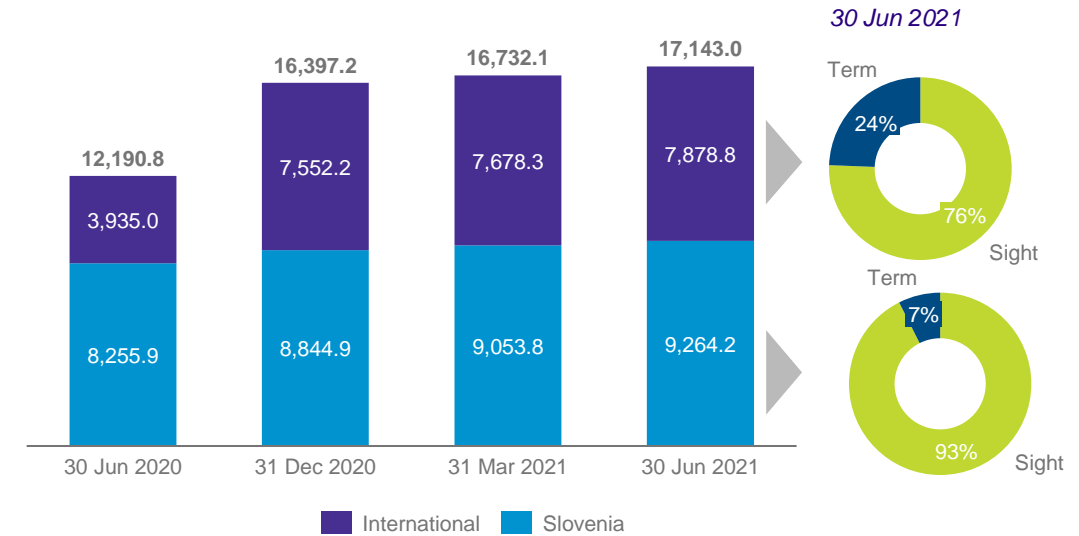
Strong deposit growth continues, driven mainly by retail deposits

Deposits accounting for 81% of funding (Group, EURm)

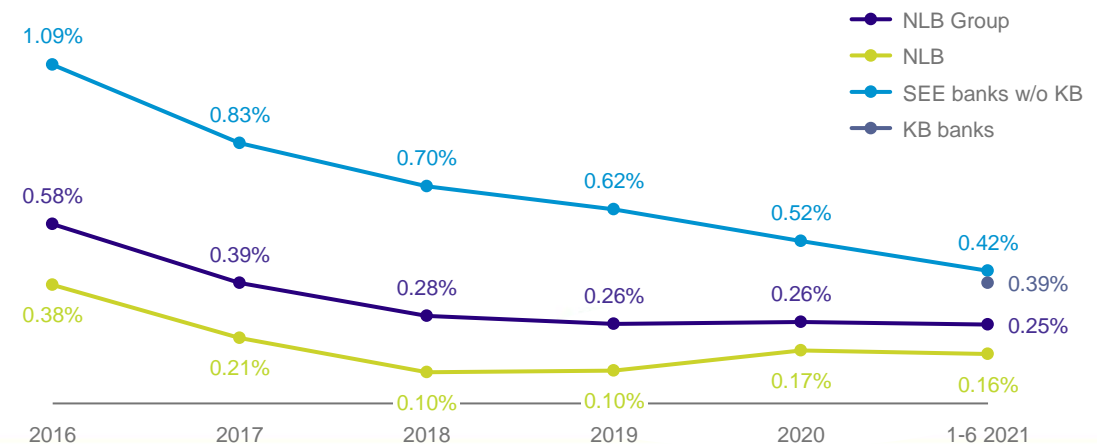


- Primarily deposit funded
- Participation in liquidity-providing operation by ECB (TLTRO III)
- Due to low interest rates, sight deposits prevailing

Deposit split (Group, EURm)



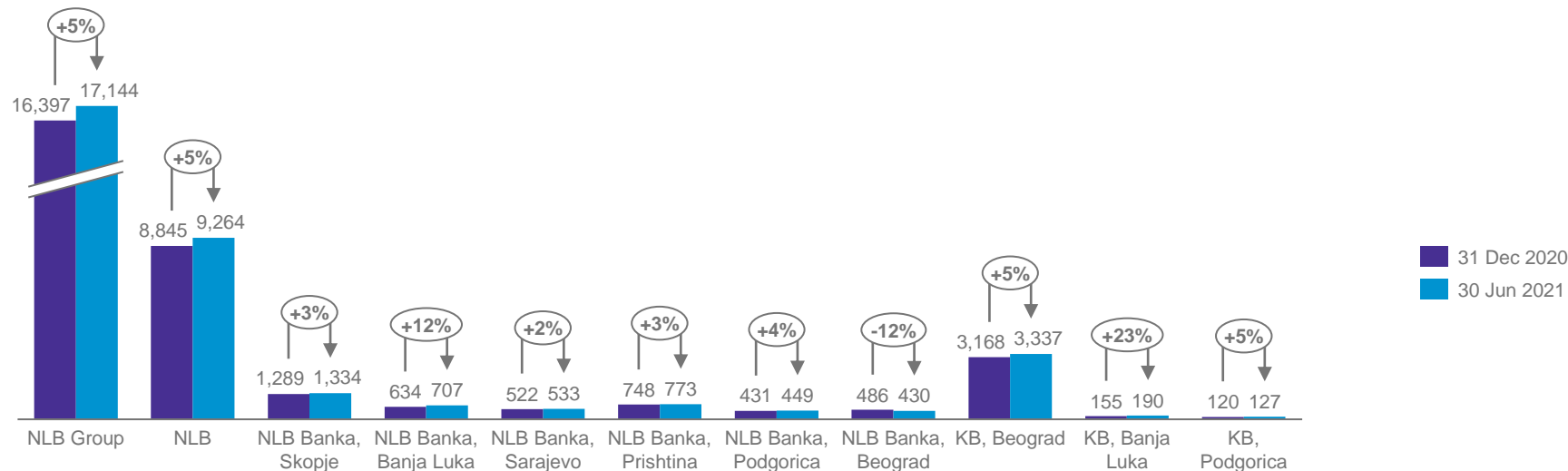
Average cost of funding (%)



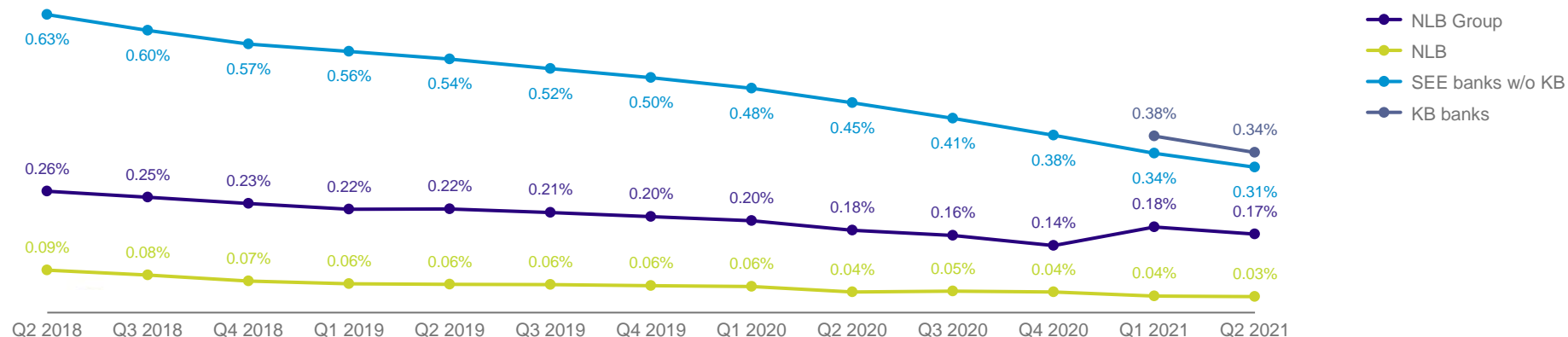
# NLB Group Liabilities

## Increasing deposit base with decreasing interest rate

Deposits from customers by strategic member – contribution (EURm)



Decreasing deposit interest rates (%)\*

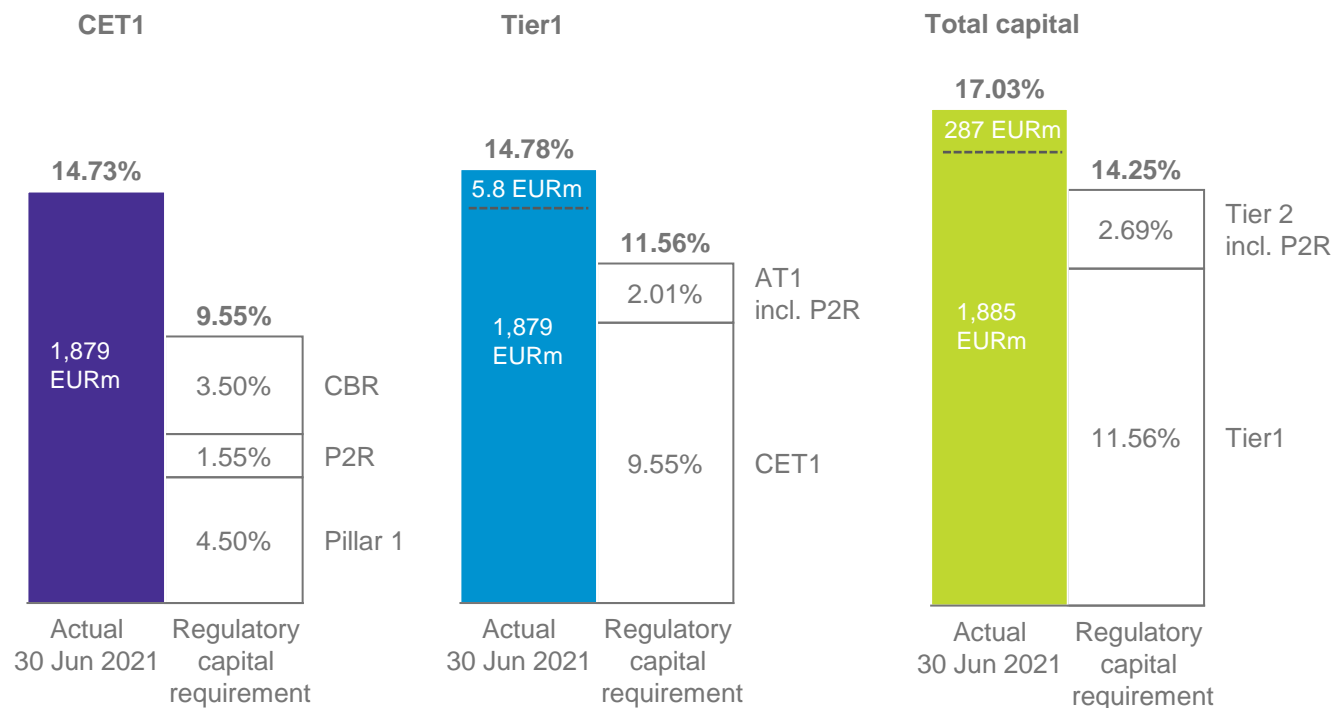


**Deposits** increased overall in the Group, despite low interest rate environment. Decrease was recorded only in NLB Banka, Beograd.

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

# Capital

Strengthened capital position ensuring dividend payout and continued growth opportunities



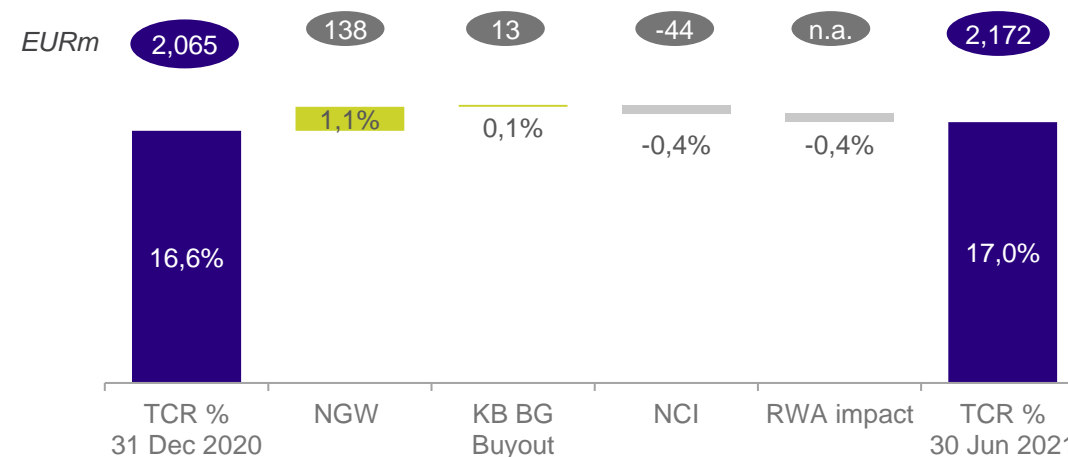
As at 30 June 2021, the **CET1** ratio stood at 14.7% (0.6 p.p. YtD increase) and the **Total capital ratio** for the Group stood at 17.0%, 0.4 p.p. Increase in capital mainly due to inclusion of Negative Goodwill (EUR 137.9 million) in retained earnings.

ECB 2021 stress testing: in adverse scenario NLB Group ranked between 6-22 place (based on disclosed ranges) from 51 mid-sized banks tested by ECB. Under adverse scenario, CET1 ratio (fully loaded) would fall by maximum 483 bps (published range 300-599 bps) after three years without mitigation measures from the year-end 2020. The average fall of 51 medium sized banks tested by ECB was 680 bps.

**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%.





# RWA structure

## RWA optimization activities underway

### RWA OPTIMIZATION ACTIONS:

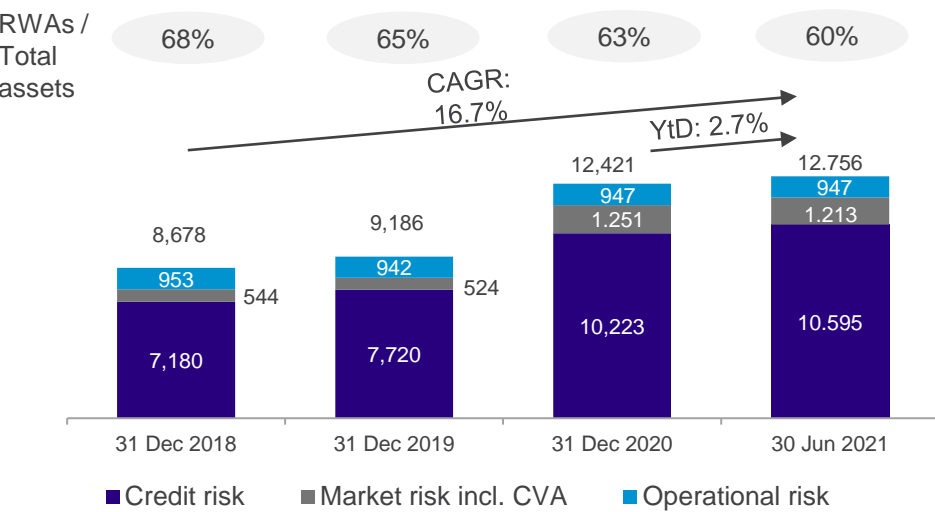
- Decrease in KB trading book;
- Banking book portfolio optimization;
- Credit risk optimization through further engagement with MIGA;
- Third country equivalence framework expected to be confirmed by EC for Bosnia and Herzegovina and Northern Macedonia.

**RWA for credit risk** increased EUR 372.5 million YtD: new production of retail and corporate loans and with investments in selected Tier 2 instruments.

As a result of **RWA optimization** actions some subsidiaries shifted part of their liquid assets from the central governments or CB to low risk weighted commercial banks (the largest RWA decrease is observed at Komercijalna Banka Beograd).

The decrease in **RWA for market risks** and credit value adjustments (CVA) (EUR 37.9 million) is mainly the result of decreased TDI risk in the amount of EUR 79.4 million (a consequence of closing position of Traded debt instruments in Komercijalna Banka Beograd). RWA on FX risk increased by EUR 41.1 million mainly to more open positions in domestic currencies of non-euro subsidiary banks.

RWA structure (in EURm)



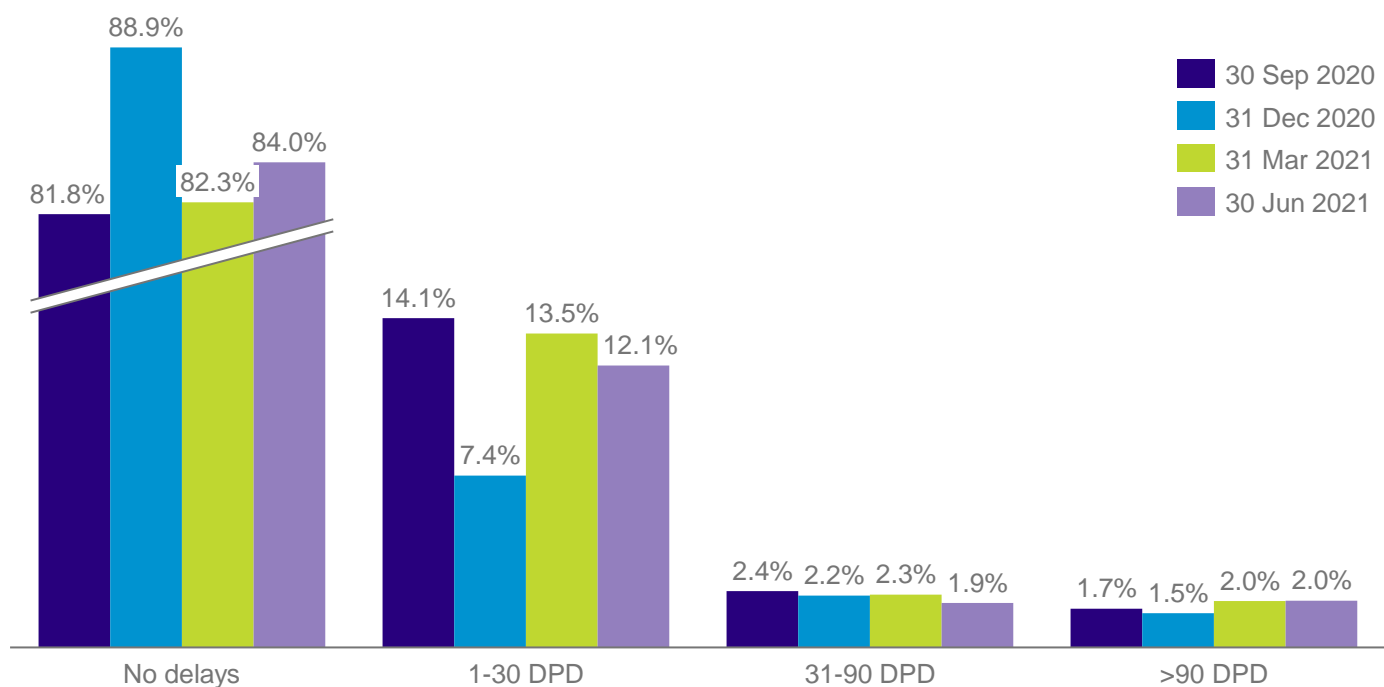


## Asset Quality

# Decisive and Supportive Response to COVID-19

Vast majority of moratoria already expired, out of which only 2% show delays of more than 90 days

% of DPD in total expired moratoria



By the end Q2 2021 89% of the granted moratoria already expired, leaving the outstanding moratorium exposure amount at EUR 237 million (i.e. 1.6% of relevant book).

Duration of remaining moratoriums is very short – more than 90,9% will expire in next six months.

Stage distribution shows cautious and forward-looking risk assessment.

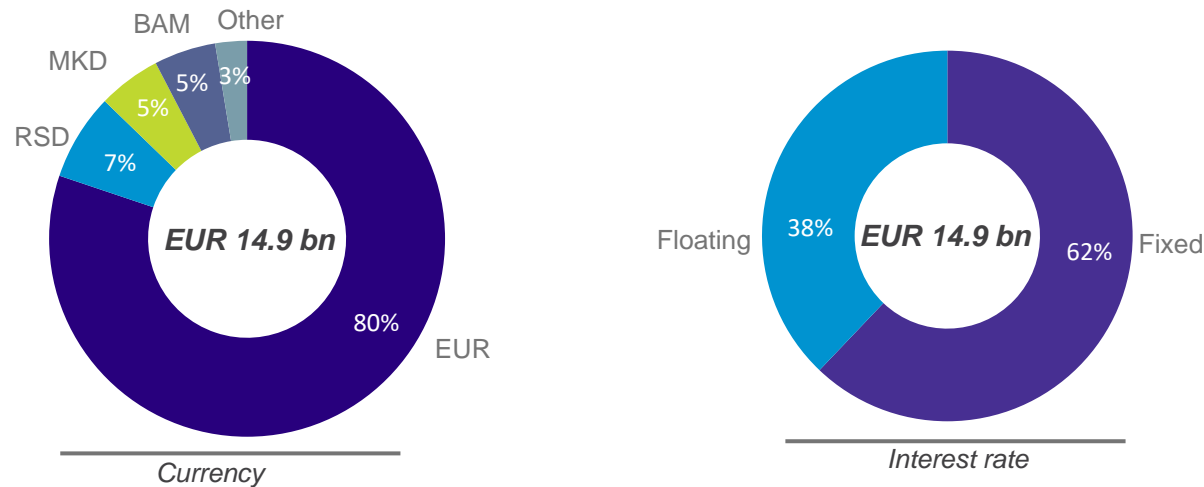
Percentage of non-expired exposure	Duration of outstanding moratoriums		
	<= 3 months	> 3 months	
		<= 6 months	> 6 months
	74.3%	16.6%	9.1%

Stage distribution		
	Non-financial corp.	Households
Stage 1	45.9%	69.7%
Stage 2	31.5%	21.1%
Stage 3	22.6%	9.2%

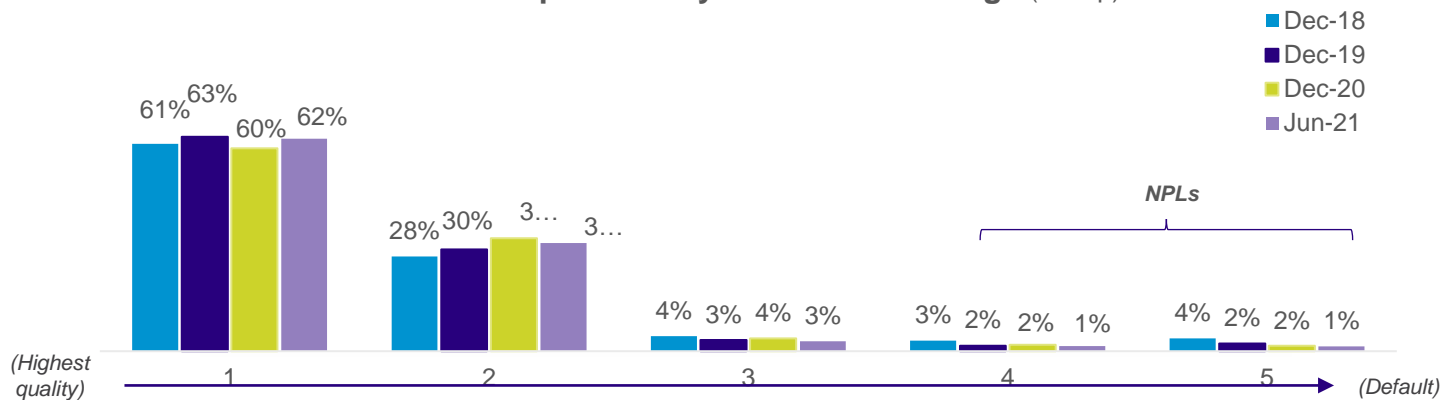
# Asset Quality – NLB Group

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

Credit portfolio<sup>(1)</sup> by currency and interest rate type (Group, 30 Jun 2021)



Favourable structure of credit portfolio by client credit ratings (Group)<sup>(2)</sup>



Source: Company information

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

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

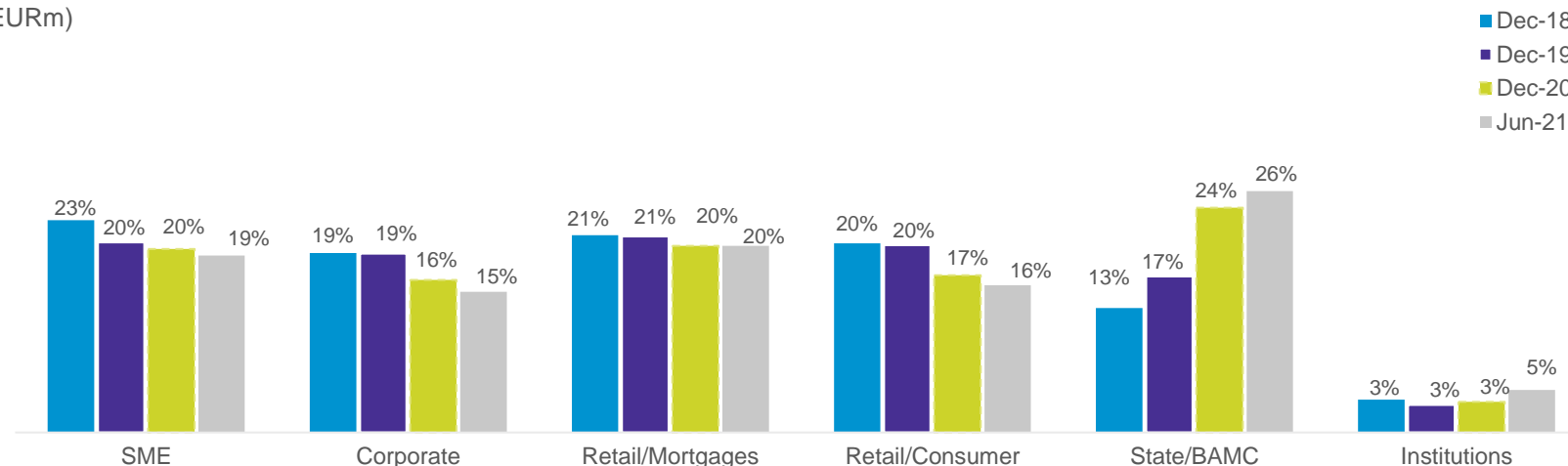
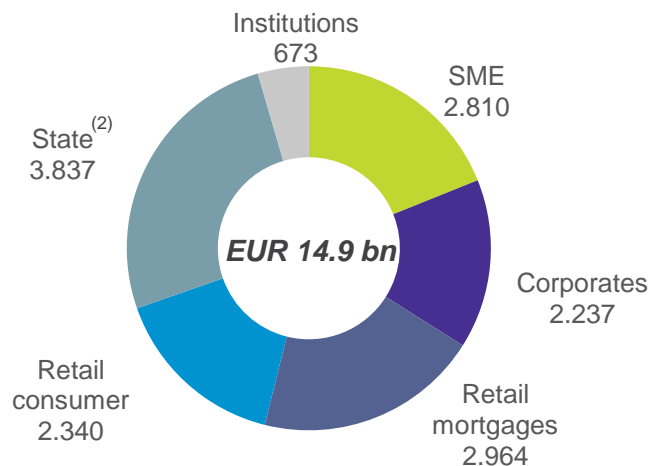
Great emphasis is also placed on **active monitoring of credit portfolio** for early detection of possible credit deterioration:

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

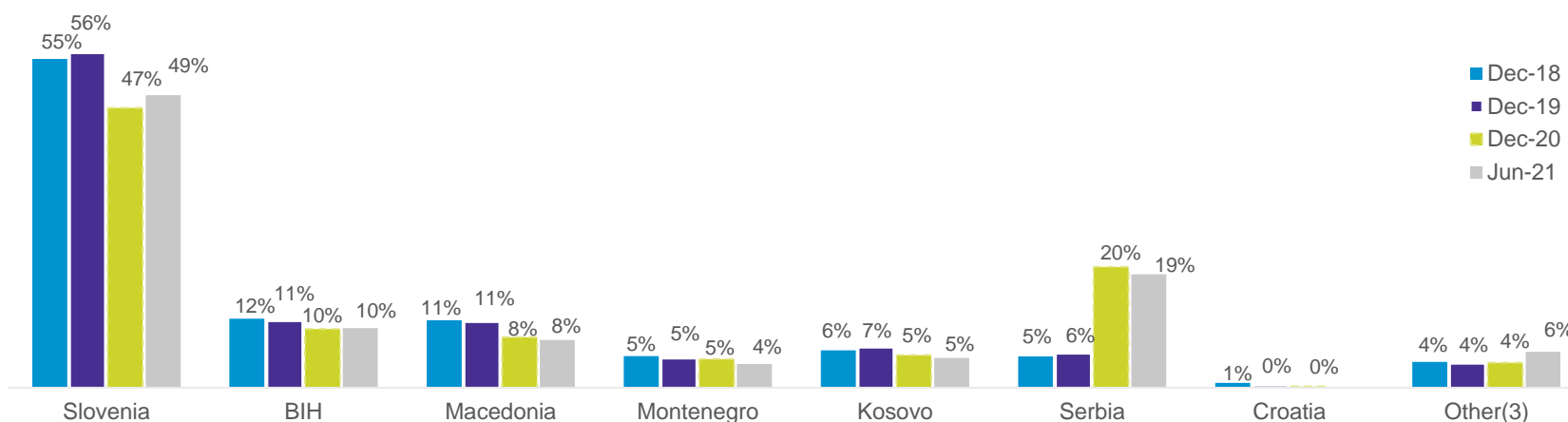
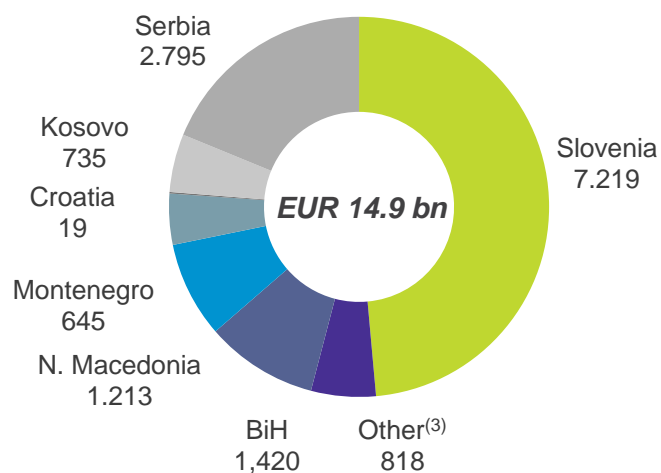
# Asset Quality – NLB Group

No large concentration in any specific industry or client segment

**Credit portfolio<sup>(1)</sup> by segment** (Group, 30 Jun 2021, EURm)



**Credit portfolio<sup>(1)</sup> by geography** (Group, 30 Jun 2021, EURm)

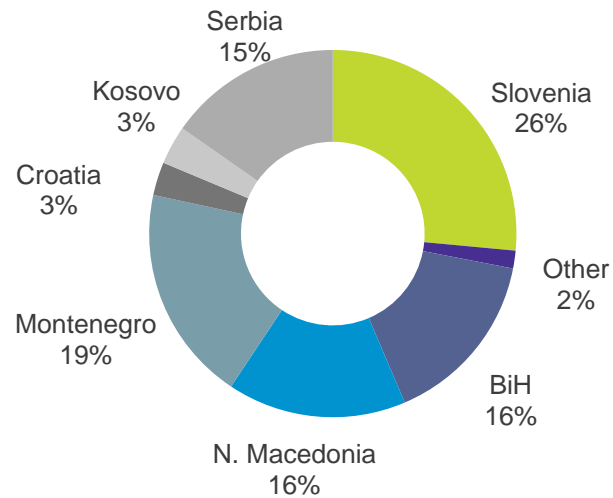




# Asset Quality – NLB Group

## NPLs fully covered by provisions and collateral

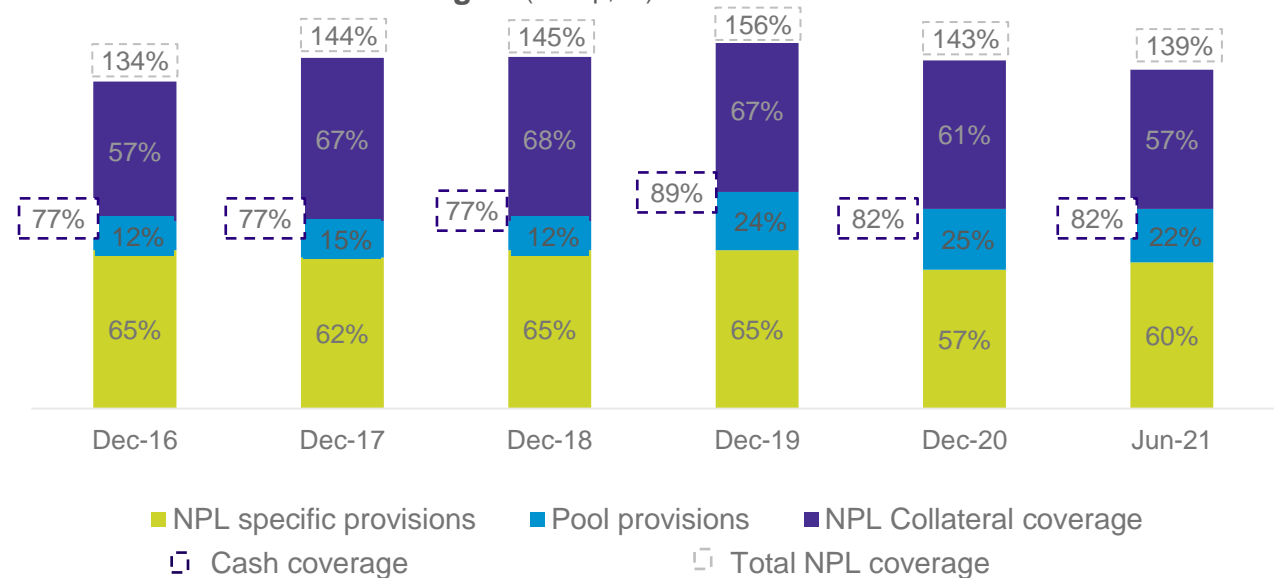
**NPL by geography** (Group, 30 Jun 2021)



**Top 20 NPLs** (Group, 30 Jun 2021)



**NPL cash and collateral coverage<sup>(1)</sup>** (Group, %)



An important Group strength is the NPL cash coverage (CR1), which remains high at 81.9%. Further, the Group's NPL coverage ratio (CR2) stands at 59.9%, which is well above the EU average as published by the EBA (44.7 % for Q1 2021).

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

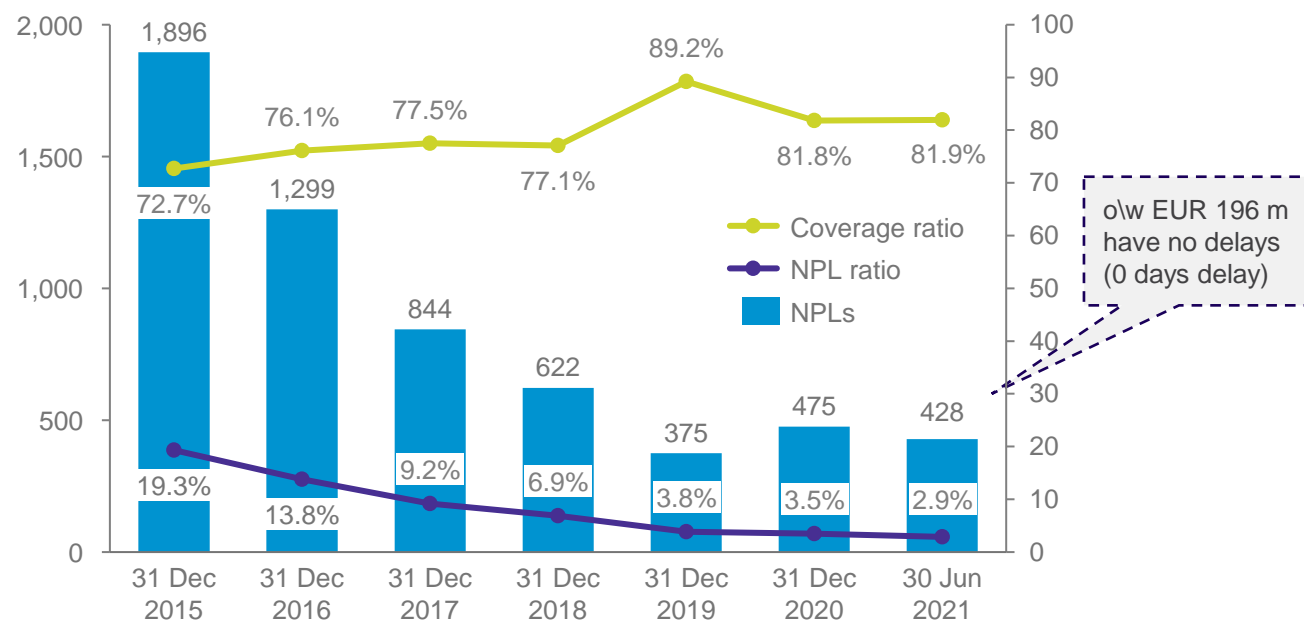
NPL cash coverage with NPL specific provisions improved in H1 2021 mainly due to repayments of some restructured NPL exposures, while reduction in pool provisions is a result of more favourable macroeconomic forecasts used in the provisioning scenarios.



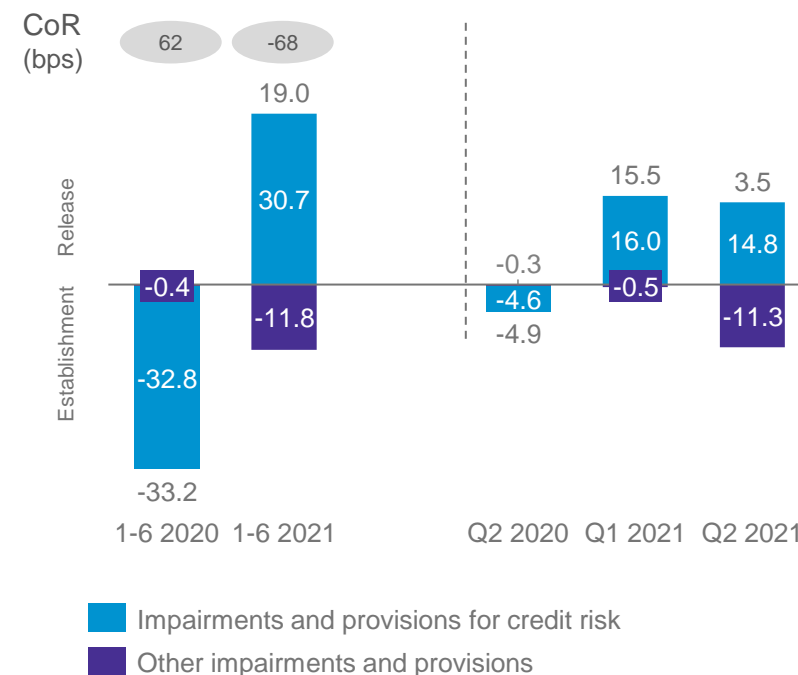
# Release of Impairments and Provisions leads to negative Cost of risk

Good asset quality and decisive workout driving CoR guidance for 2021 down to 20 - 40 bps

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



Impairments and provisions (Group, EURm)



**Cost of risk** was negative in H1 2021, **-68 bps**, due to repayment of several exposures, rating upgrades of certain clients (given improved business outlook and financial strength) and changed parameters for collective impairments and provisions related to more favourable macroeconomic forecasts.

**Other impairments and provisions**, mostly in KB Beograd: EUR 7.7 million of restructuring provisions (HR optimization), EUR 5.0 million of provisions for legal risk.

The Group's decisive approach to NPL management puts a strong emphasis on restructuring and use of other active NPL management tools, such as foreclosure of collateral, the sale of claims and pledged assets. In H1 visible results with NPLs decreasing, mostly due to repayment by one of the large corporate clients.

**NPL ratio** decreased by 0.6 p.p to the level of 2.9%, while **NPE ratio** reduced by 0.3 p.p. to 2.0%, while coverage ratio remained stable.

# Asset Quality – NLB Group

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

Credit portfolio<sup>(1)</sup> by Stage (Group, 30 Jun 2021, EURm)

	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
<b>Total NLB Group</b>	<b>13,810.5</b>	<b>92.9%</b>	<b>1,159.7</b>	<b>619.8</b>	<b>4.2%</b>	<b>59.7</b>	<b>431.6</b>	<b>2.9%</b>	<b>-44.1</b>	<b>63.1</b>	<b>0.5%</b>	<b>31.9</b>	<b>5.1%</b>	<b>255.7</b>	<b>59.2%</b>
o/w Corporate	4,259.1	84.4%	123.4	482.6	9.6%	55.9	305.2	6.0%	-53.4	44.1	1.0%	24.1	5.0%	185.3	60.7%
o/w Retail	5,041.2	95.0%	262.0	137.2	2.6%	3.9	126.3	2.4%	9.2	17.2	0.3%	7.8	5.7%	70.3	55.6%
o/w State	3,837.0	100.0%	546.9	-	-	-	0.1	0.0	0.1	1.4	0.0%	-	-	0.1	0.9
o/w Institutions	673.1	100.0%	227.4	-	-	-	-	-	-	0.3	0.0%	-	-	-	-

The portfolio quality remains very stable with increasing Stage 1 exposures and a relatively low percentage of NPL loans. An increase of Stage 2 exposures is the result of moderate credit quality deterioration related with COVID-19 pandemic. The latter also impacted on the growth of new exposures in Stage 3. Nevertheless, the volume of non-performing loans in the corporate segment decreased due to successful recovery of non-performing loans (mainly with restructured measures).



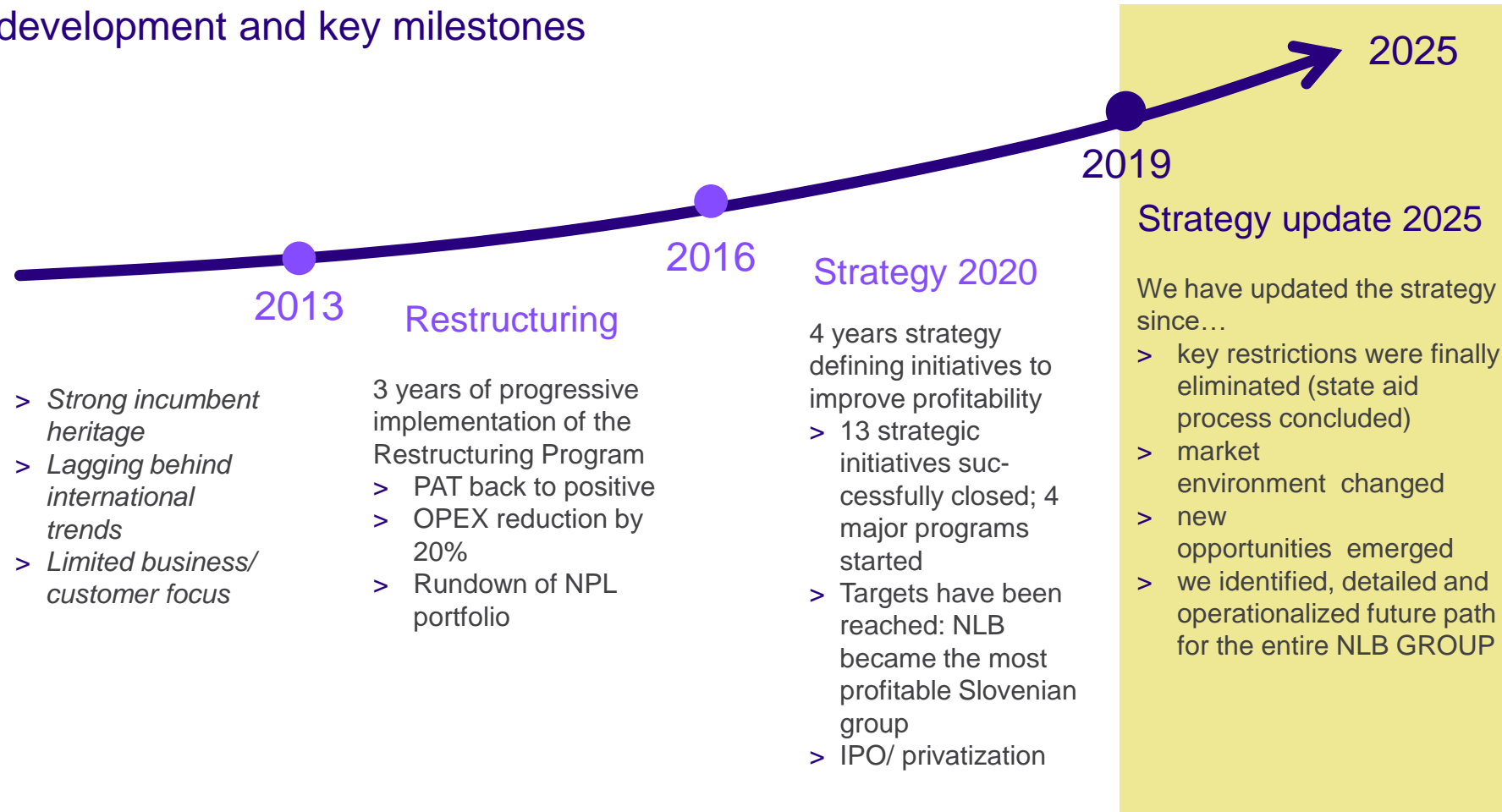
# Strategy & ESG



NLB Group

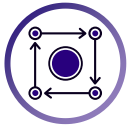
# NLB went through difficult times – and the new strategy is now focusing on the entire NLB Group

## Historical development and key milestones



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

## Foundations to benefit from



### Strong market positions

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



### Regional roots

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



### Positive brand perception at subsidiaries

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



### Recent successes, local innovation

Good recent performance, acknowledged innovations (digital) in Slovenia



### Untapped opportunities

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



# Track record of innovation

The pioneer of banking innovation in Slovenia



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



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



First Slovenian bank implementing **Flik P2M (Person to Merchant)** at all POSes



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



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

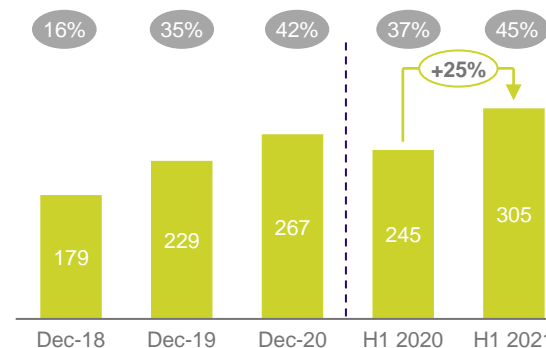


First Slovenian bank to offer **card management** functionalities and biometric recognition to **confirm online purchases** in **mobile wallet**

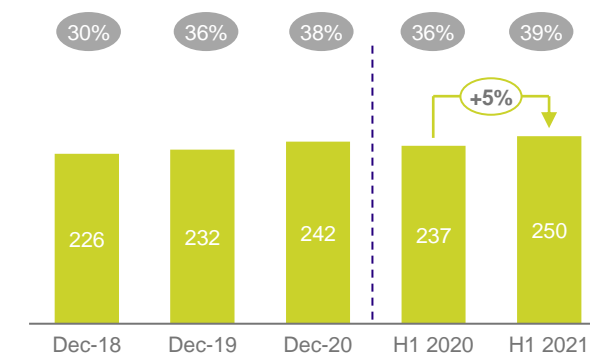


## Demonstrated success in moving to digital

Mobile bank users<sup>(1)</sup> ('000s)

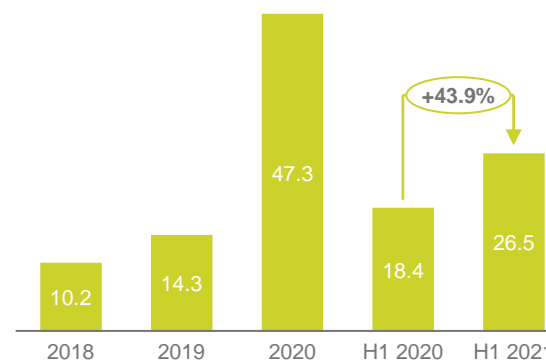


Online bank users<sup>(1)</sup> ('000s)

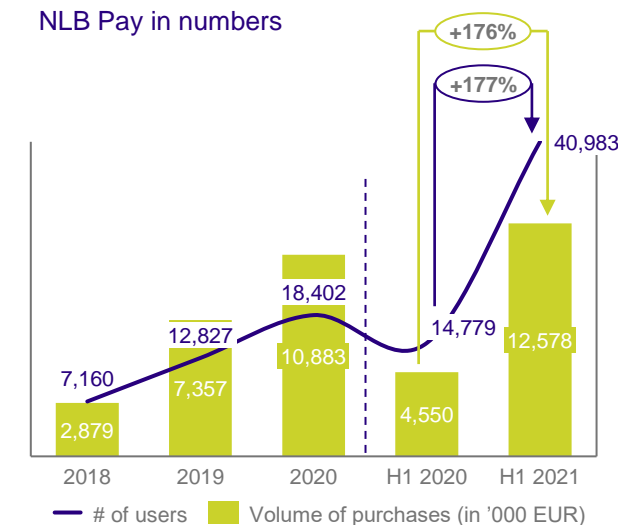


% Penetration of client base

E-commerce purchases (EURm)



NLB Pay in numbers





# NLB's Dive Towards a Higher Integration of ESG and Sustainability in its Business Model

- **Key priority is to address the topic of sustainable development** and to accelerate the integration of ESG factors and upcoming EU legislation and all related changes that affect its business model.

## Key Milestones:

- **General**
  - **Sustainability Report for the year 2020 published**
  - **Group Sustainability Framework** in final phase. Indicative disclosure in September 2021.
- **Environment & Social**
  - **Establishment of the ESMS** (Environmental and Social Management System), in NLB d.d. and six banking subsidiaries based on the contractual agreements with MIGA and EBRD.
  - Transparency exercise kicked aimed at **an extensive impact analysis of its portfolios** in alignment with the **UNEP FI Principles of Responsible Banking**. The impact analysis (with materiality assessment and KPIs setting) will be finished by Dec 2021.
  - As of second half 2021 particular focus on **financing renewable energy and energy efficiency projects**.
  - **GHG emissions measurements** will be carried out (goal: to report on scope 1 & 2 emissions of the bank as of 31.12.2021).
    - In 2022 a report on the banks' own Scope 1, Scope 2 and Non-Category 15 Scope 3 (e.g., from business travel emissions (baseline 2020) => with the target: carbon neutrality in bank's own operations well before 2050.
    - In 2023 a report on bank's lending and investment activities (Scope 3, Category 15) => target is aligned with the Paris Agreement and will support the transition towards a net-zero economy by 2050.
  - **NLB Group Sustainability training program** was developed, and it is in the process of implementation throughout the Group.
- **Governance**
  - **Integration of ESG together with upgraded risk-related internal documents for NLB d.d. and NLB Group** (Lending Policy for Non-Financial Companies, Environmental and Social Transaction Categorization Methodology Framework, Policy Environmental and Social Transaction Categorization Framework, Manual MIGA Performance Standards in NLB Group, MIGA E&S Process Instructions in NLB Group).
  - **ESG related HR reinforcement** (Risk stream and Sustainability Team).

# Group Sustainability Implementation Roadmap, primarily fully-functional by year end

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

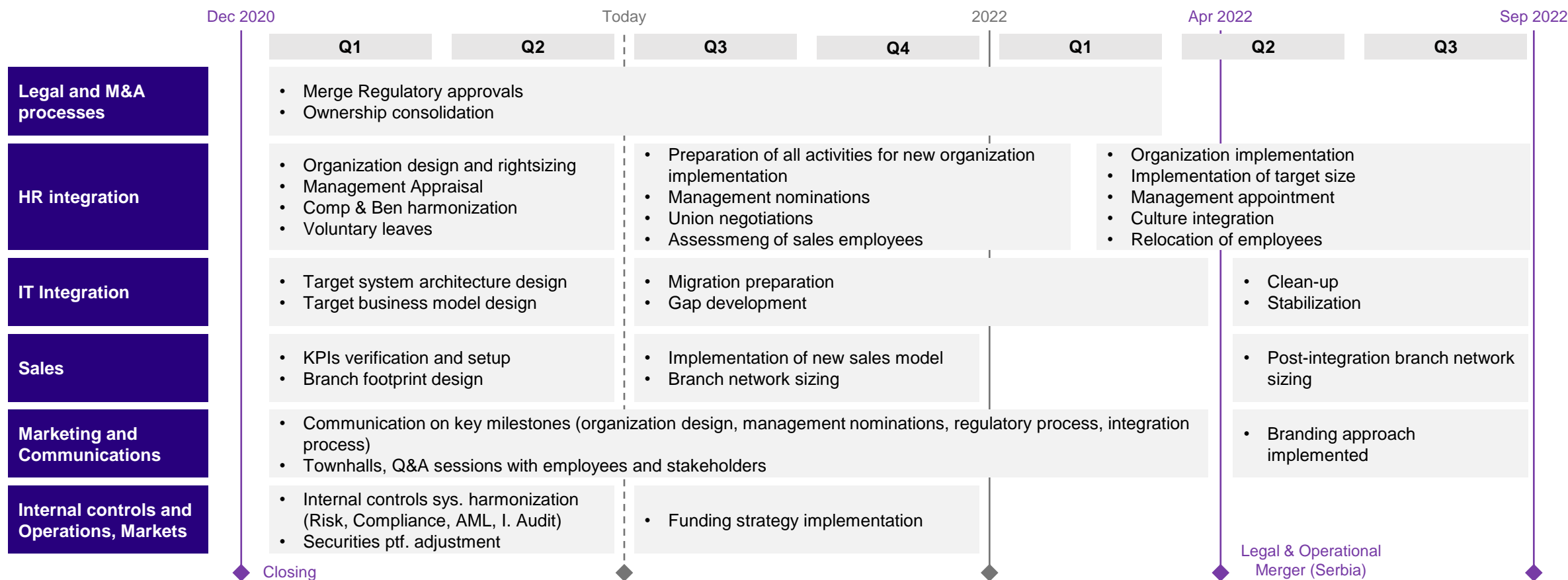


# KB Integration



# Planned Integration in Serbia by Q2 2022

Synergies fully achieved by the end of 2023





# KB integration: Fully on track

All activities well on track and according to the integration plan



## Legal and M&A processes

- > **NLB BG squeeze out process was finalised** and NLB d.d. now has 100% ownership of NLB Banka Beograd.
- > In H1 2021 NLB d.d. **increased additionally ownership in KB BG** to 88.23% of ordinary shares (86.70% of total capital).

- > Merger Regulatory approvals – **activities are ongoing in accordance with the plan**, and the documentation is being prepared for submission of application to NBS for merger approval by mid of January 2022.

Merger agreement is being drafted and is expected to be finalised during the first half of October 2021.

General Assembly of both Serbian banks is expected to take place in the second half of December 2021.

- > Substantial increase of **legal disputes from retail customers** in Serbian subsidiaries on previously charged loan fees. The Group believes this is unsubstantiated, also supported by explicit statements of the National Bank of Serbia. NLB and other foreign investors have joined IMF in asking authorities to find a remedy to this unattainable situation.

## HR integration

- > **1st wave of HR optimization (Voluntary leaves program)** in KB BG carried out in May 2021. Target reduction 380 FTEs by EoY 2021 (2/3 already finalized by the end of June 2021).
- > **Management selection process is ongoing**, and will be finalized by the end of 2021 for B-1 and end of Feb 2022 for B-2.
- > **New organisation design proposal will be adopted by September.** Expected to modernize and optimize management structure

## IT Integration

- > IT critical path identified, and detailed planning accomplished. **Integration date confirmed for Apr 2022**
- > Fully on track, and **key activities are ongoing** – product parameterization, data migration scripts development, test plan for first data migration cycle, and IT security measures for strengthening Bank's IT network:
  - Critical resources were ensured
  - Procurement process for infrastructure modernisation is in progress (Server infrastructure expected to be upgraded by Oct)

# KB integration: Fully on track

All activities well on track, unleashing unidentified solo potential in Serbia



## Sales

- Main **KPIs** identified and currently consolidated though local budgeting projections
- **Branch network footprint:** As per June 2021 combined network of KB BG and NLB BG counts 222\*. Activities related to network optimization and potential cooperation with Post of Serbia (more than 1.900 points in Serbia) are in progress.
  - 3 waves of branch closures, reducing number of branches to 160:
    - 1<sup>st</sup> (Q3 21): closing 14 branches
    - 2<sup>nd</sup> (Q1/Q2 22): closing 34 branches
    - 3<sup>rd</sup> (post-merger): closing 14 branches

\*excluding branches of KB BG in Kosovska Mitrovica

## Marketing and Communications

- **Welcome package** has been introduced (new customers, cash loan, housing loan, free ATM withdrawal within NLB group) and is currently on air with dedicated product campaigns for housing loans.
- **Brand centre for an unified brand has been established** (Brandbook). New brand design for KB was announced and presented on June 1st. Full rebranding is expected to be completed by the merger date.
- **Internal communication** is well ongoing, and follows all key milestones:
  - Status update of the Project,
  - Voluntary leaves,
  - Specialised branch for mortgage lending,
  - Branches optimization,
  - Tariff adjustments, etc.

## Internal controls and Operations, Markets

- **Alignments with Group standards have been achieved in all the critical areas** in:
  - Risk
  - Compliance
  - Internal Audit
- **AML** – internal system controls have been harmonised in the scheduled timeframe. Upgrades to AML systems are ongoing according to plan (by YE21):
  - Customer screening
  - Domestic payments screening
  - Foreign payments screening
  - Transaction monitoring, and
  - Customer risk rating

# Key sales achievements of Komercijalna Banka Beograd – Highly satisfactory results in Retail and Corporate segments



## Highlights for H1 2021

### Retail

- Total **retail disbursements** have increased for **42 EURm** in absolute and 5% in relative terms YoY
- Total **loan production** reached **211 EURm** (25% increase in monthly averages compared to FY20)
- Total **loan production exceeded production** realized in the same period of the **previous year by 57 EURm**, (+37% YoY)
  - Total production of **cash loans** equals **105 EURm** (52% increase in monthly averages compared to FY20)
  - Total production of **housing loans** equals **39 EURm** (14% increase in monthly averages compared to FY20)
- After implementation of offering and organizational changes in housing loans, **monthly production reached ~8 EURm**

#### The most important activities



Business  
network  
optimization



Tariff  
improvement  
of Kombank



Optimization  
of credit  
process



New digital  
service:  
*KomBank Pay*



New digital  
*Online cash  
kredit*

### Corporate

- **Loans portfolio recorded growth** in Corporate segment in amount of **33.7 EURm** (5% growth), of which in SME segment **24.1 EURm** (15% growth YtD)
- **LoG and LoC business** recorded **16% income growth** compared to the same period last year
- **Off-balance portfolio grew** by 8.4 EURm (11% growth YtD) in Corporate segment and by 9.8 EURm in SME segment.
- **Deposits recorded 7% growth** in comparison to beginning of the year.

#### The most important activities



Optimization  
of credit  
process



Product  
offering  
enhancements



Overall stream  
processes  
streamlining



Tariff  
optimization  
of Kombank



# Integration Costs for all 3 markets largely in line with the initial forecasts

Integration costs expected to be fully covered with expected synergies by the end of 2023

Revised integration costs (bottom-up) 1.7 EURm higher vs. Initial forecasts

Integration costs (EURm) by market (pre-tax)

		Initial forecasts	Revised integration costs	Diff.
Belgrade & NLB d.d.	Total	31.2	32.0	0.8
Banja Luka	Total	3.8	3.9	0.1
Podgorica	Total	3.2	4.0	0.8
<b>TOTAL</b>		<b>38.2</b>	<b>40.0</b>	<b>1.7</b>

Revised integration costs come as a result of detailed master planning in all 3 countries, assuming:

- Belgrade integration to be realized as anticipated, until April 2022
- Podgorica and Banja Luka to integrate by the end of 2021 and H1 2022 respectively (vs. Q3 2022 in initial forecasts for both markets)

28.9 EURm of run-rate synergies expected to kick in by the end of 2023

Synergies (EURm) by market (pre-tax)

		Amount (Run-rate 2023)	% of total
	Cost synergies	19.3	66.7%
Belgrade	Income synergies / attrition	1.3	4.5%
	<b>Total</b>	<b>20.6</b>	<b>71.2%</b>
Banja Luka	<b>Total</b>	<b>4.7</b>	<b>16.3%</b>
Podgorica	<b>Total</b>	<b>3.6</b>	<b>12.5%</b>
<b>TOTAL</b>		<b>28.9</b>	<b>100.0%</b>

According to current planning, full synergy potential to be reached by the end of 2023

- Belgrade by the end of 2023
- Banja Luka by end of 2022
- Podgorica by the end of 2021





# Outlook

Outlook	H1 2021	2021	2023
Regular income	EUR 303.7 million	Exceeding EUR 600 million	Exceeding EUR 700 million
Costs	EUR 197.3 million <sup>(1)</sup>	Initial increase in cost base in the year 2021, costs projected around EUR 430 million including integration costs.	Costs below EUR 400 million
CoR	- 68 bps	<b>20 - 40 bps</b>	40-60 bps
Loan growth	4% YtD	Mid-single digit loan growth	High single-digit CAGR 2021-2023
Dividend	EUR 12 million	EUR 92.2 million	Cummulative more than EUR 300 million in 2021-2023 <sup>(2)</sup>
ROE	13.8% (a.t.)	High single digit	> 10% (RORAC <sup>(3)</sup> > 12%)

# Appendixes



Appendix	Page Count
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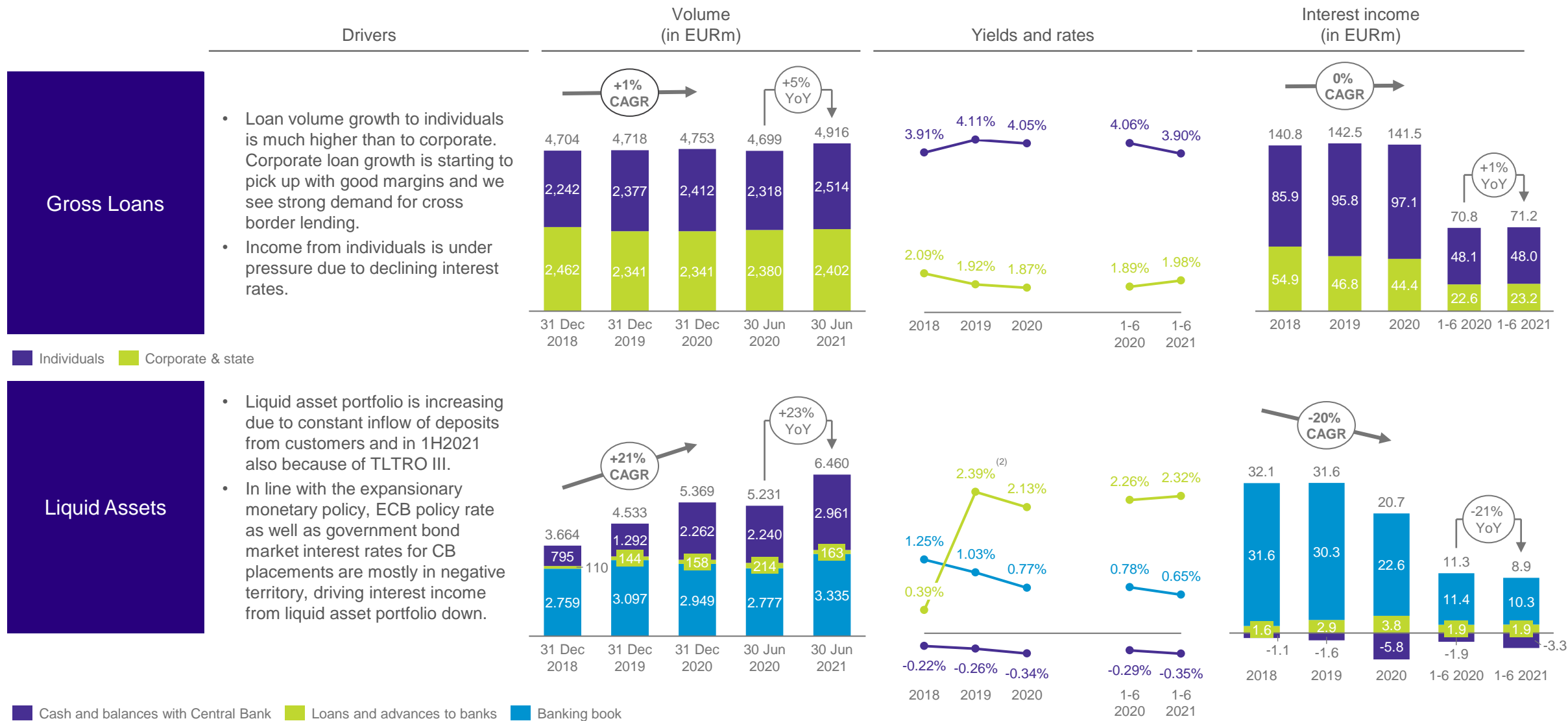




# Appendix 1:

## Business Performance

# Interest income drivers – NLB d.d. <sup>(1)</sup>



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

# Interest expense drivers – NLB d.d.<sup>(1)</sup>

## Deposits

- Deposit base is increasing also because of the COVID-19 crisis. NLB strives to limit this growth with introduction of high balance deposit fees (for individual deposits since April 2021).
- Cost of deposit funding has been declining in past years and is now close to zero which is reflected in decreasing interest expenses.

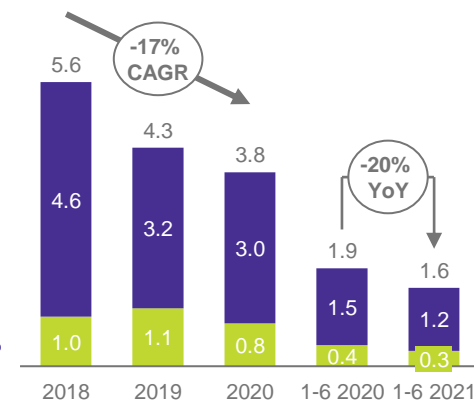
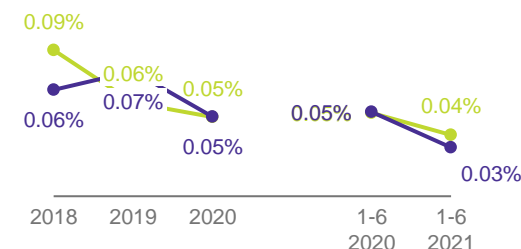
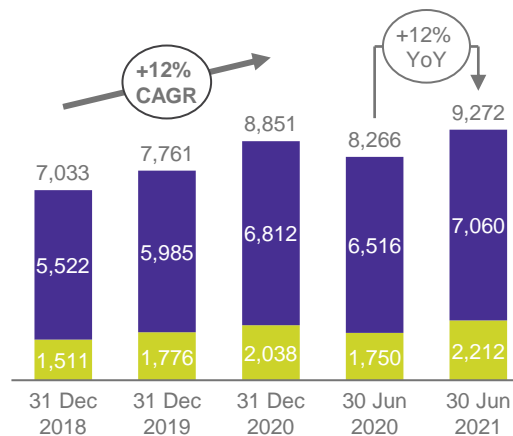
Drivers

Volume  
(in EURm)

Rates

Interest expense  
(in EURm)

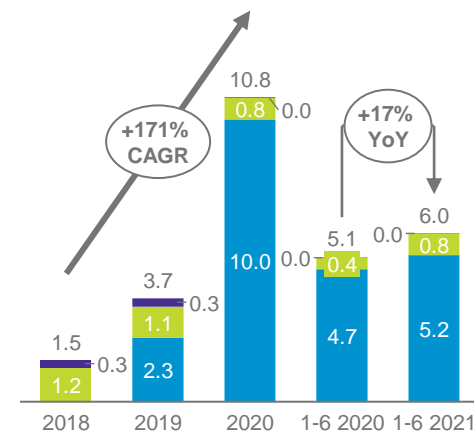
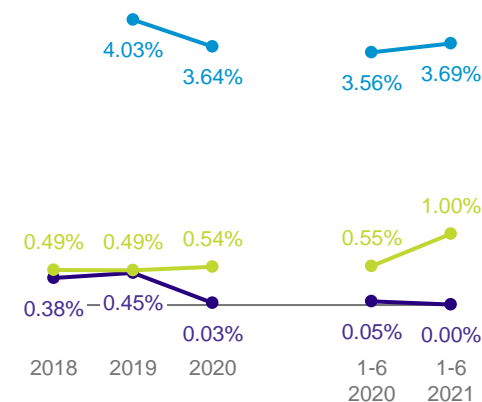
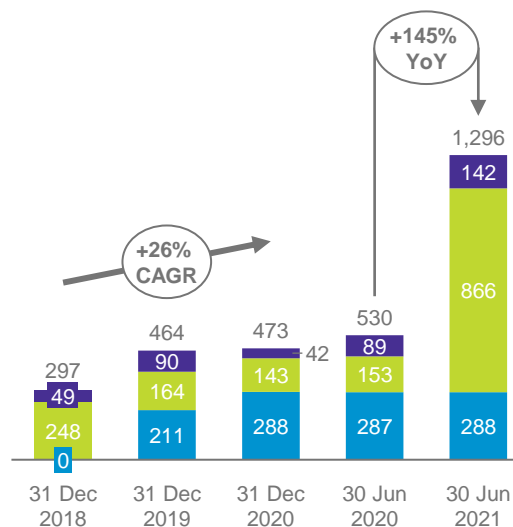
■ Individuals ■ Corporate & state



## Wholesale Funding

- In order to comply with MREL requirement coming into force in 2022 and to optimize capital structure, the Bank raised T2 eligible subordinated debt at average interest rate 3.69% which drove funding costs higher.
- Rising average cost of borrowings from banks and interest expenses due to paid fee for prepayment of SID loans in the amount of EUR 0.5 million.
- TLTROs from ECB in the amount of EUR 750 million at a favourable costs (negative IR) encourages them to lend to businesses and customers in euro area.

■ Deposits from banks ■ Borrowing from banks ■ Subordinated liabilities



Note: (1) On stand alone basis.



# Interest income drivers – Strategic foreign banks w/o KB<sup>(1)</sup>

## Drivers

## Volume (in EUR million)

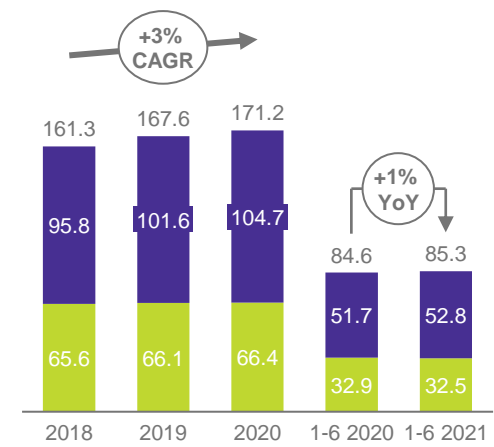
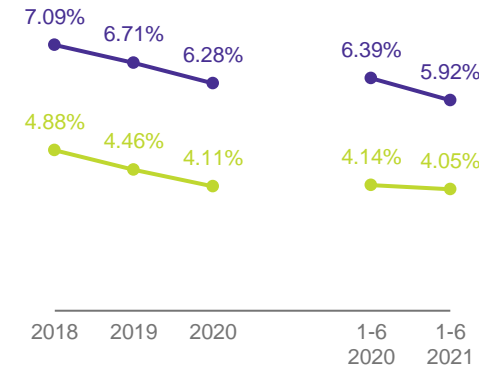
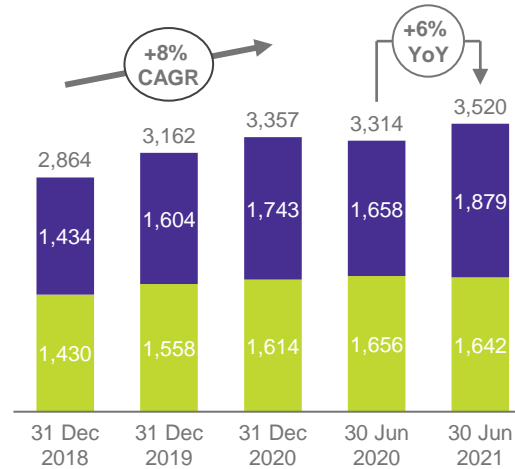
## Yields and rates

## Interest income (in EUR million)

### Gross Loans

- Continued growth in loan volume especially to individuals.
- Increasing interest income due to increase in loan volumes and despite decreasing loan yields.

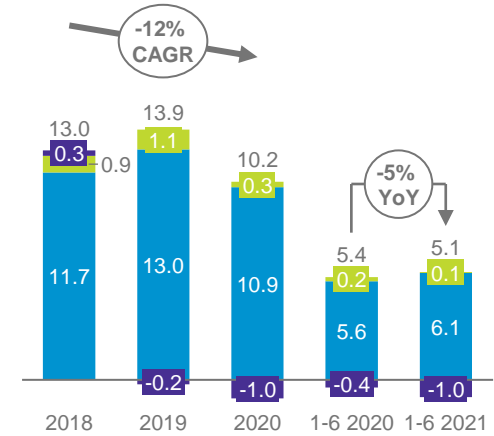
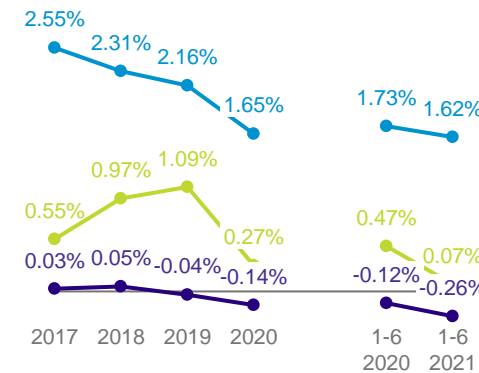
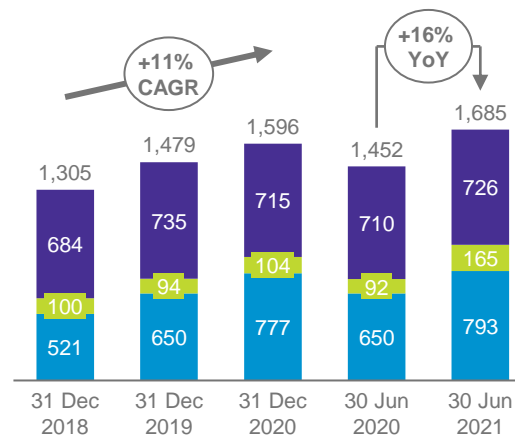
■ Individuals ■ Corporate & state



### Liquid Assets

- Income derives mainly from banking book securities portfolio and is under pressure because of lower yields despite increasing volume.
- Negative interest rates for balances with CB and mainly also for loans to banks are driving interest income from liquid asset portfolio down.
- Increase of banking book due to abundant liquidity in the banks.

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



# Interest expenses drivers – Strategic foreign banks w/o KB<sup>(1)</sup>

## Drivers

## Volume (in EUR million)

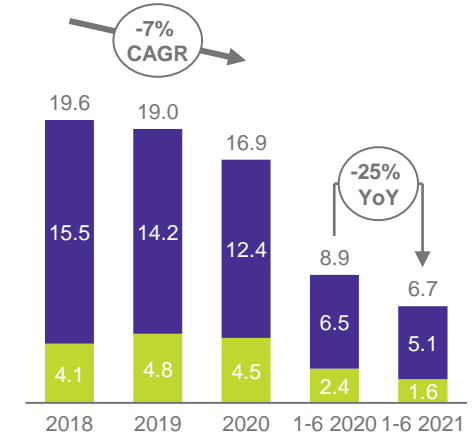
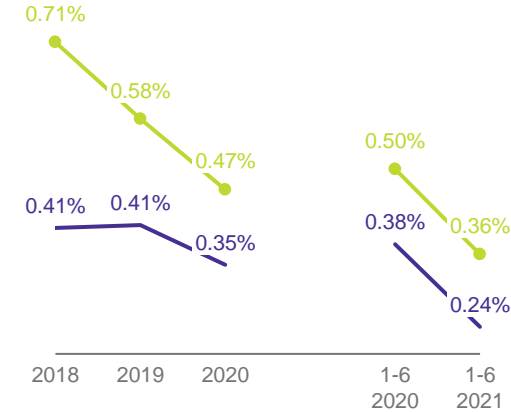
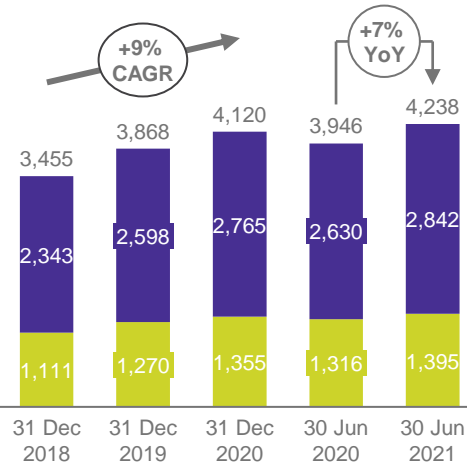
## Yields and rates

## Interest expense (in EUR million)

### Deposits

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

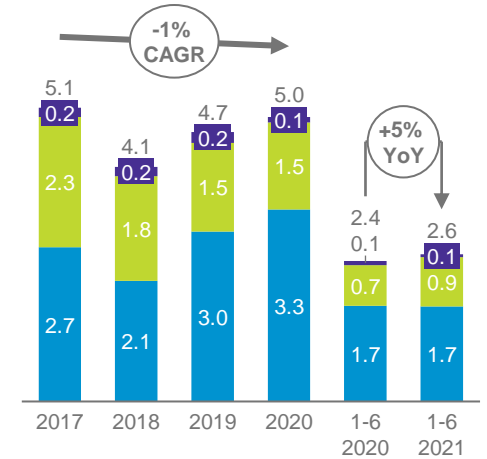
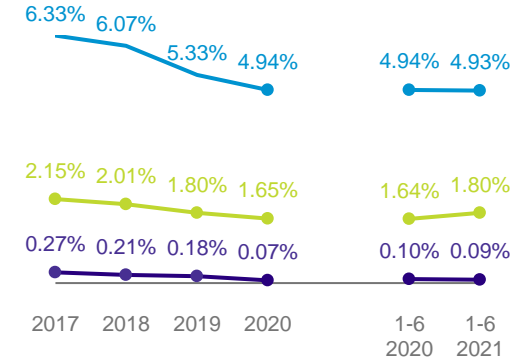
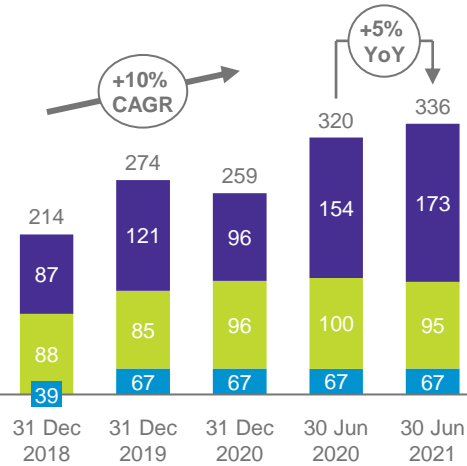
■ Individuals ■ Corporate & state



### Wholesale Funding

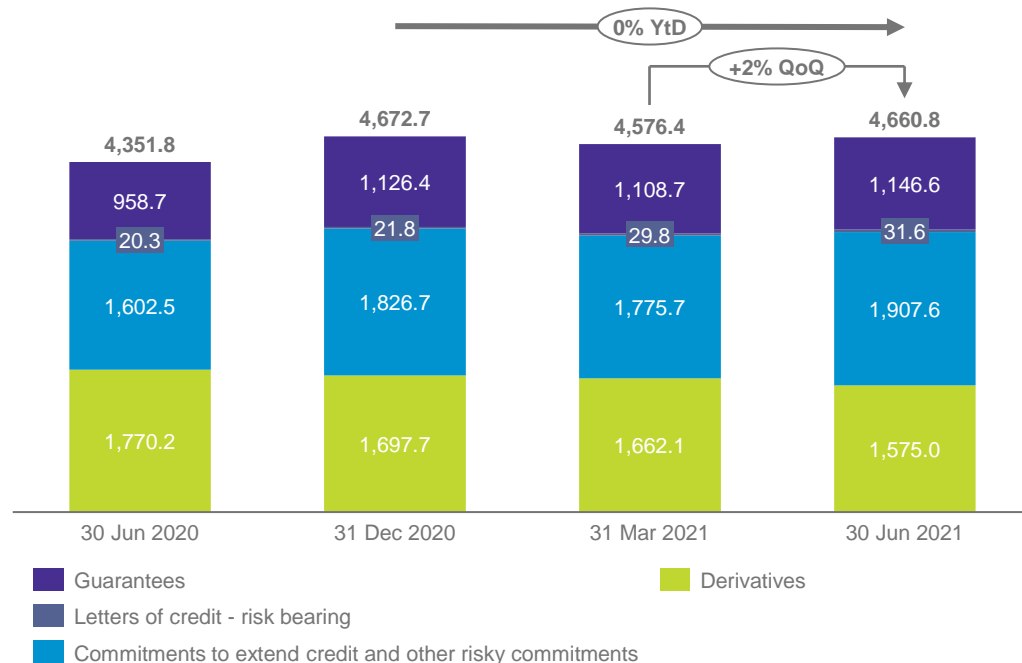
- Most of wholesale funding for managing of structural liquidity and optimization of capital structure.

■ Deposits from banks ■ Borrowings ■ Subordinated debt



# Off-balance sheet items

Off-balance sheet items of NLB Group – structure (in EURm)



## Commitments to extend credit and other risky commitments

in mio EUR	30 Jun 2020	31 Dec 2020	31 Mar 2021	30 Jun 2021
Loans	832.1	789.3	743.0	814.9
Overdrafts Retail	324.8	306.8	306.0	327.7
Overdrafts Corporate	195.7	199.9	189.9	198.1
Cards	300.7	302.0	306.6	310.1
Komercijalna Banka Group	0.0	308.4	288.1	294.2
Other	-50.6	-80.0	-57.9	-37.0
<b>Total</b>	<b>1,602.7</b>	<b>1,826.4</b>	<b>1,775.6</b>	<b>1,908.0</b>

- Majority in loans are from Corporate (99% on 30 June 2021)
- Majority in cards are from Retail (89% on 30 June 2021)
- Other include also inter company relations

## Derivatives

in mio EUR	30 Jun 2020	31 Dec 2020	31 Mar 2021	30 Jun 2021
FX derivatives with customers	227.4	228.1	175.6	161.4
o/w NLB	246.6	206.2	190.8	191.0
Interest rate derivatives with customers	924.9	841.3	777.0	718.4
o/w NLB	924.9	844.7	759.0	708.5
FX derivatives - hedging (NLB)	14.4	13.5	95.5	74.3
Interest rate derivatives - hedging (NLB)	562.7	575.0	575.0	574.8
Options (NLB)	40.7	39.8	39.1	46.1
<b>Total</b>	<b>1,770.2</b>	<b>1,697.7</b>	<b>1,662.1</b>	<b>1,575.0</b>

Majority of NLB Group derivatives are concluded by NLB either for hedging of the banking book or for trading with customers.

## Business with customers

- Customers are mainly using plain vanilla FX and Interest rate derivatives for hedging of their business model. Both interest rate derivatives and FX derivatives have declined in last year. Mainly due to lack of interest from clients in the current IR environment which prefer fixed rate loan or open IR position over derivative hedging. Exception were Interest rate options which slightly increased.

## Hedging

- NLB is concluding interest rate swaps in line with fair value hedge accounting rules. Micro and macro hedges are used for hedging of fixed rate loan portfolio and micro Interest rate swaps are used for the purpose of securities hedging. In last year no new hedges were concluded due to sufficient risk appetite and negative effect of swap.
- FX swaps used for short term liquidity hedging increased in last H1 mainly due to placement of foreign currency.

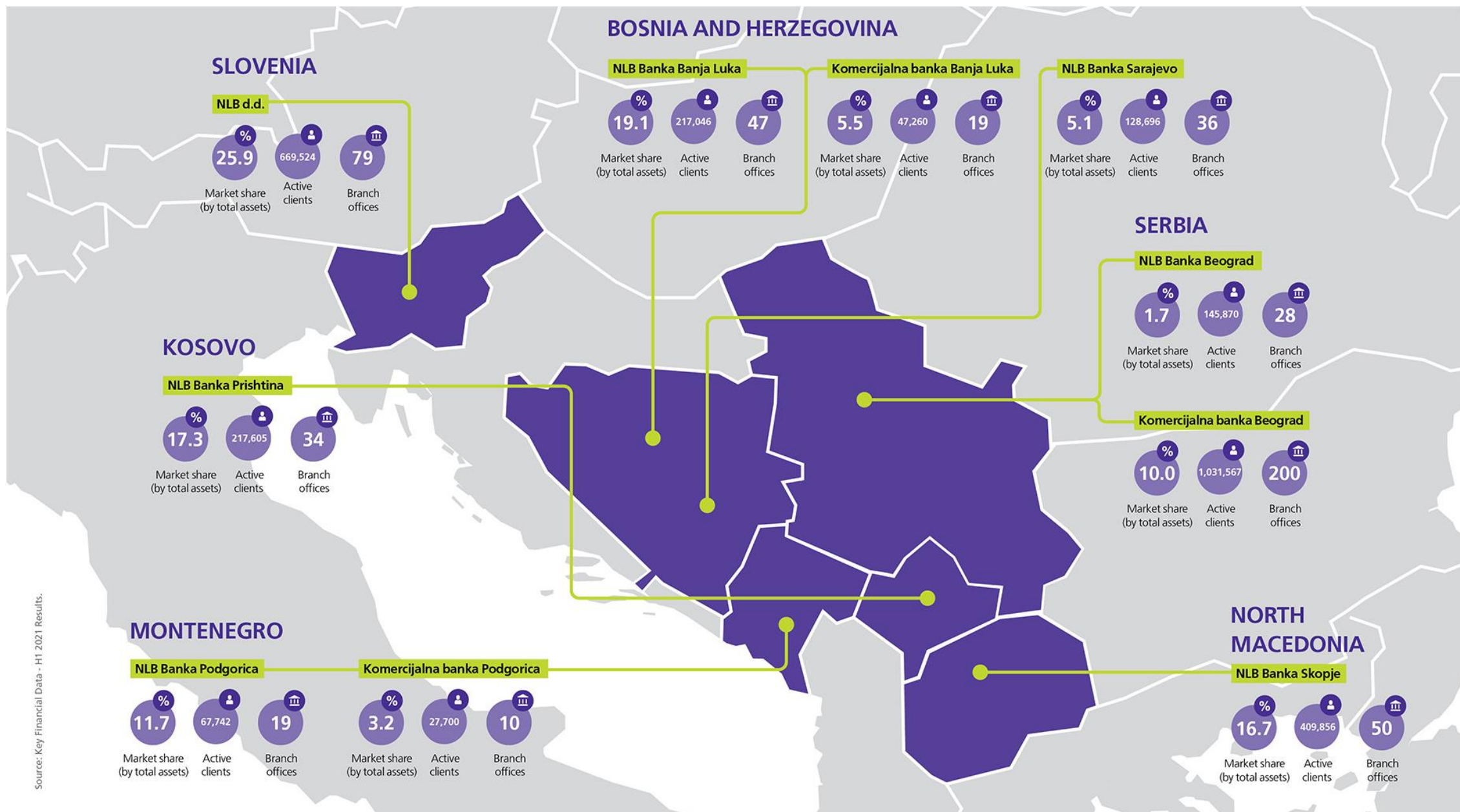


## Appendix 2:

### Segment Analysis



# Acquisition in Our Home Market



Source: Key Financial Data - H1 2021 Results.

# NLB Group business segments

	Retail banking in Slovenia	Corporate and investment banking in Slovenia	Strategic foreign markets	Financial markets in Slovenia	Non-core members
	<b>Retail</b> <b>Micro</b> <b>NLB Skladi</b> <b>Bankart<sup>(1)</sup></b> <b>NLB Lease&amp;Go (retail clients)</b>	<b>Key corporates</b> <b>SME corporates</b> <b>Cross Border corporates</b> <b>Investment banking and custody</b> <b>Restructuring&amp;workout</b> <b>NLB Lease&amp;Go (corporate clients)</b>	<b>NLB Banka, Skopje</b> <b>NLB Banka, Banja Luka</b> <b>NLB Banka, Sarajevo</b> <b>NLB Banka, Prishtina</b> <b>NLB Banka, Podgorica</b> <b>NLB Banka, Beograd</b> <b>Komercijalna Banka, Beograd</b> <b>Komercijalna Banka, Banja Luka</b> <b>Komercijalna Banka, Podgorica</b> <b>Kombank INvest, Beograd</b>	<b>Treasury activities</b> <b>Trading in financial instruments</b> <b>Asset and liabilities management (ALM)</b>	<b>REAM</b> <b>Leasing (except NLB Lease&amp;Go)</b> <b>NLB Srbija</b> <b>NLB Crna Gora</b>
	<ul style="list-style-type: none"> <li>• Largest retail banking group in Slovenia by loans and deposits.</li> <li>• #1 in private banking and asset management</li> <li>• Focused on upgrading customer digital experience and satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>• Market leader in corporate banking with focus on advisory and long-term strategic partnerships</li> <li>• Market leader in Investment Banking and Custody services</li> <li>• Regional know-how and experience in Corporate Finance and #1 lead organiser for syndicated loans in Slovenia</li> <li>• Strong trade finance operations and other fee-based business</li> <li>• Market leader at FX and interest rate hedges</li> </ul>	<ul style="list-style-type: none"> <li>• Leading SEE franchise with nine subsidiary banks and one investment fund company</li> <li>• The only international banking group with exclusive focus on the SEE region</li> </ul>	<ul style="list-style-type: none"> <li>• Maintaining stable funding base</li> <li>• Management of well diversified liquidity reserves</li> <li>• Managing interest rate positions with responsive pricing policy</li> </ul>	<ul style="list-style-type: none"> <li>• Assets booked non-core subsidiaries funded via NLB</li> <li>• Controlled wind-down of remaining assets, including collection of claims, liquidation of subsidiaries and sale of assets</li> </ul>
(Jun 2021, in EURm)					
Profit b.t.	20.6	56.2	72.9	7.3	-0.4
Total assets	2,619	2,140	9,715	6,251	117
% of total assets <sup>(2)</sup>	12%	10%	46%	30%	1%
CIR	70.7%	34.8%	60.3%	35.5%	164.1%
Cost of risk (bp)	21	-153	140	/	-868



# Retail Banking in Slovenia

in EUR million  
consolidated

## Retail Banking in Slovenia

	1-6 2021	1-6 2020	Change YoY		Q2 2021	Q1 2021	Q2 2020	Change QoQ
Net interest income	38.6	41.7	-3.0	-7%	19.7	19.0	20.4	4%
Net interest income from Assets <sup>(i)</sup>	40.0	38.8	1.2	3%	20.4	19.6	19.0	4%
Net interest income from Liabilities <sup>(i)</sup>	-1.3	2.9	-4.2	-	-0.7	-0.6	1.4	-2%
Net non-interest income	39.4	45.1	-5.7	-13%	16.7	22.7	26.5	-26%
o/w Net fee and commission income	45.8	39.7	6.1	15%	24.0	21.8	20.4	10%
<b>Total net operating income</b>	<b>78.1</b>	<b>86.8</b>	<b>-8.7</b>	<b>-10%</b>	<b>36.4</b>	<b>41.7</b>	<b>46.8</b>	<b>-13%</b>
Total costs	-55.2	-56.1	1.0	2%	-28.5	-26.6	-27.6	-7%
<b>Result before impairments and provisions</b>	<b>22.9</b>	<b>30.6</b>	<b>-7.8</b>	<b>-25%</b>	<b>7.8</b>	<b>15.0</b>	<b>19.3</b>	<b>-48%</b>
Impairments and provisions	-2.7	-5.6	3.0	53%	-3.4	0.7	-1.1	-
Net gains from investments in subsidiaries, associates, and JVs <sup>i</sup>	0.4	0.4	0.0	-1%	0.3	0.1	0.2	121%
<b>Result before tax</b>	<b>20.6</b>	<b>25.4</b>	<b>-4.8</b>	<b>-19%</b>	<b>4.8</b>	<b>15.8</b>	<b>18.4</b>	<b>-70%</b>

	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Jun 2020	Change YtD		Change YoY		Change QoQ
Net loans to customers	2,534.9	2,463.1	2,415.4	2,322.0	119.5	5%	212.9	9%	3%
Gross loans to customers	2,570.6	2,497.9	2,450.7	2,350.5	119.9	5%	220.1	9%	3%
Housing loans	1,666.8	1,581.8	1,534.7	1,450.7	132.2	9%	216.2	15%	5%
Interest rate on housing loans	2.40%	2.40%	2.51%	2.52%	-0.11 p.p.		-0.12 p.p.		0.00 p.p.
Consumer loans	643.0	648.0	651.7	661.5	-8.7	-1%	-18.5	-3%	-1%
Interest rate on consumer loans	6.66%	6.64%	6.43%	6.32%	0.23 p.p.		0.34 p.p.		0.02 p.p.
Other	260.7	268.0	264.3	238.3	-3.6	-1%	22.4	9%	-3%
Deposits from customers	7,644.9	7,495.4	7,356.8	7,005.8	288.1	4%	639.1	9%	2%
Interest rate on deposits	0.03%	0.03%	0.04%	0.05%	-0.01 p.p.		-0.02 p.p.		0.00 p.p.
Non-performing loans (gross)	54.8	52.3	52.4	43.0	2.3	4%	11.7	27%	5%

	1-6 2021	1-6 2020	Change YoY
Cost of risk (in bps)	21	48	-27
CIR	70.7%	64.7%	6.0 p.p.
Interest margin	1.55%	1.85%	-0.30 p.p.

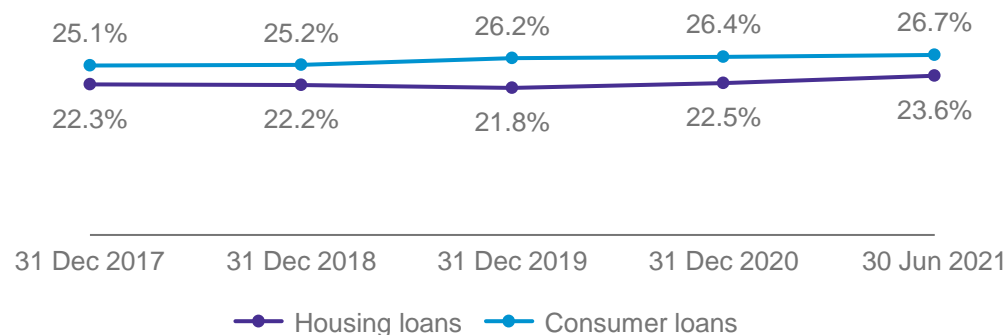
<sup>(i)</sup> Net interest income from assets and liabilities with the use of FTP.

- Reduction of the **retail deposits margin** after transfer price (FTP) in the amount of EUR 4.1 million YoY.
- The **interest income** from loans to individuals EUR 0.8 million higher YoY; higher volume of housing loans and higher interest margins on consumer loans, due to higher volume of new production compared to H1 2020 and higher share of loans with risk premium and quick loans in the portfolio; lower volume and interest margins on overdrafts.
- Lower **net non-interest income**, EUR 5.7 million (13%) YoY, due to gains made from the sale of the joint venture NLB Vita in Q2 2020.
- Higher **net fee and commission income** (EUR 6.1 million or 15%) related mostly to package repricing and higher net fees from asset management (record high net inflows into NLB Skladi in H1 2021, EUR 136.7 million) and card business (easing of COVID-19 restrictions). In April NLB started to charge deposit fee for high balances to restrain the deposit inflow, divert extra liquidity to other financial products (mutual funds, investments) and compensate for the negative interest rates charged for the balances at the central bank (EUR 81 thousand in Q2 2021).
- Net impairments and provisions** were established in the amount of EUR 2.7 million, due to changes in risk parameters.
- Record **new production of housing loans** in Q2 2021 EUR 156.0 million (EUR 262.3 million in H1 2021, EUR 116.2 million in H1 2020).
- Deposits from customers** increased by EUR 288.1 million (4%) YtD, due to lower consumption YtD (post COVID-19 recovery noticed in May and June) and holiday payments.
- As of 30 June, exposures subject to COVID-19 moratorium are equal to EUR 17 million (1% of the total retail exposure).

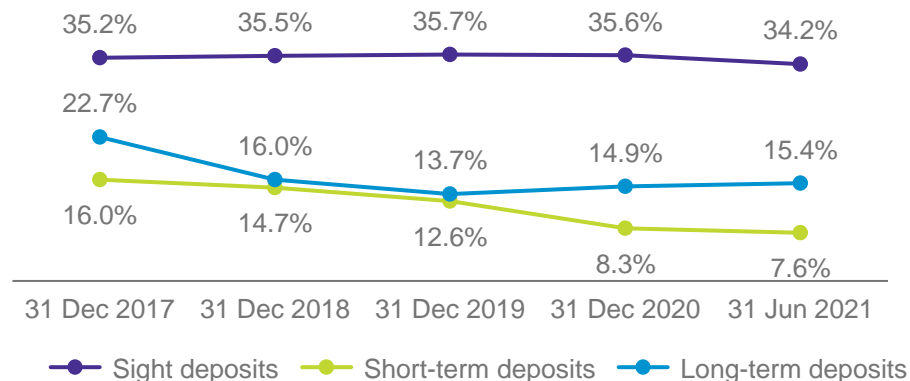
# Retail banking in Slovenia

## High and stable market shares across products

Market share of net loans to individuals in Slovenia

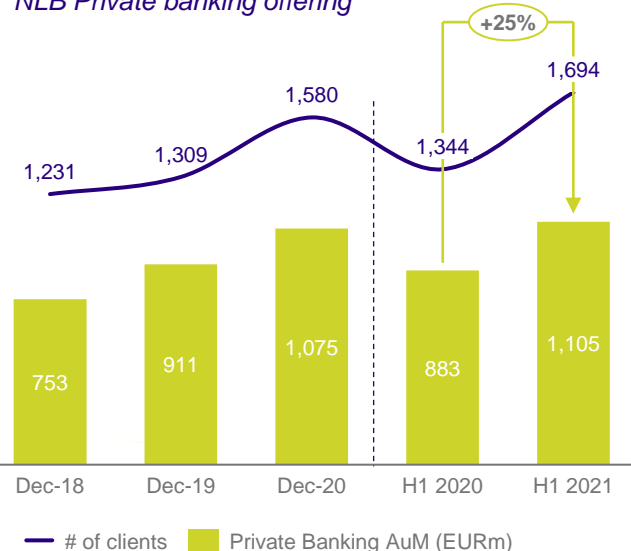


Market share of deposits from individuals in Slovenia

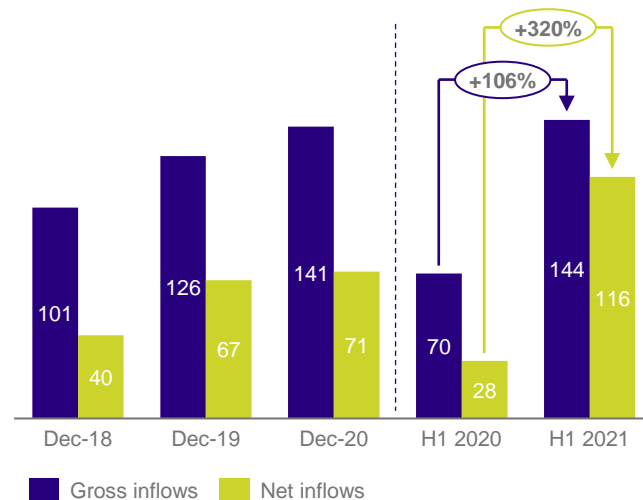


### Upside from fee generating products

NLB Private banking offering



NLB Skladi mutual funds inflows (EURm)



- Further extending set of products and services offered to clients using digital channels, among them also Contact Centre becoming a sales channel. M-wallet NLB Pay enables confirmation of online purchases thus replacing SMS OTP authentication.
- #1 player in Private Banking<sup>(1)</sup>
  - Leading position being strengthened by reaching an important milestone of over EUR 1 billion of assets under management.
- # 1 player in Slovenian asset management<sup>(2)</sup>
  - AuM of 1,920.6 EURm as of 30 June 2021 including investments in mutual funds and discretionary portfolios
  - Market share of NLB Skladi at mutual funds in Slovenia equals 36.4% as of 30 June 2021
- Bankassurance business
  - Life: selling Vita insurance products
  - Non-life: beside Vita insurance products also partnership with #2 non-life company Generali

# Corporate and Investment banking in Slovenia

in EUR million  
consolidated

## Corporate and Investment Banking in Slovenia

	1-6 2021	1-6 2020	Change YoY		Q2 2021	Q1 2021	Q2 2020	Change QoQ
Net interest income	17.9	17.9	0.0	0%	8.9	9.0	8.5	-1%
Net interest income from Assets <sup>(i)</sup>	20.4	18.7	1.7	9%	10.3	10.2	9.0	1%
Net interest income from Liabilities <sup>(i)</sup>	-2.5	-0.8	-1.7	-	-1.3	-1.2	-0.4	-12%
Net non-interest income	43.6	20.7	22.9	111%	31.9	11.7	9.8	172%
o/w Net fee and commission income	19.7	16.1	3.5	22%	10.2	9.5	7.4	8%
<b>Total net operating income</b>	<b>61.6</b>	<b>38.6</b>	<b>23.0</b>	<b>60%</b>	<b>40.8</b>	<b>20.7</b>	<b>18.4</b>	<b>97%</b>
Total costs	-21.4	-20.5	-0.9	-5%	-11.0	-10.4	-10.0	-6%
<b>Result before impairments and provisions</b>	<b>40.1</b>	<b>18.1</b>	<b>22.0</b>	<b>121%</b>	<b>29.8</b>	<b>10.3</b>	<b>8.4</b>	<b>189%</b>
Impairments and provisions	16.1	-9.3	25.3	-	5.1	11.0	0.4	-54%
<b>Result before tax</b>	<b>56.2</b>	<b>8.9</b>	<b>47.4</b>	<b>-</b>	<b>34.9</b>	<b>21.3</b>	<b>8.8</b>	<b>63%</b>

	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Jun 2020	Change YtD		Change YoY		Change QoQ
Net loans to customers	2,153.2	2,103.3	2,047.1	2,053.8	106.0	5%	99.4	5%	2%
Gross loans to customers	2,244.9	2,217.4	2,167.5	2,168.2	77.4	4%	76.8	4%	1%
Corporate	2,100.5	2,066.9	2,006.4	2,005.3	94.1	5%	95.2	5%	2%
Key/SME/Cross Border Corporates	1,940.6	1,875.2	1,827.6	1,842.0	113.0	6%	98.6	5%	3%
Interest rate on Key/SME/Cross Border Corporates loans	1.82%	1.80%	1.79%	1.81%	0.03 p.p.		0.01 p.p.		0.02 p.p.
Investment banking	0.1	0.1	0.2	0.2	-0.1	-38%	-0.1	-38%	0%
Restructuring and Workout	123.5	164.4	160.8	162.2	-37.3	-23%	-38.7	-24%	-25%
NLB Lease&Go	36.3	27.1	17.8	0.8	18.5	104%	35.5	-	34%
State	144.1	150.2	160.7	162.5	-16.5	-10%	-18.4	-11%	-4%
Interest rate on State loans	2.45%	3.34%	2.20%	2.45%	0.25 p.p.		0.00 p.p.		-0.89 p.p.
Deposits from customers	1,618.9	1,558.0	1,487.4	1,248.5	131.4	9%	370.4	30%	4%
Interest rate on deposits	0.04%	0.04%	0.06%	0.06%	-0.02 p.p.		-0.02 p.p.		0.00 p.p.
Non-performing loans (gross)	111.8	154.2	156.0	136.0	-44.2	-28%	-24.2	-18%	-27%

	1-6 2021	1-6 2020	Change YoY
Cost of risk (in bps)	-153	87	-241
CIR	34.8%	53.0%	-18.2 p.p.
Interest margin	1.85%	2.05%	-0.20 p.p.

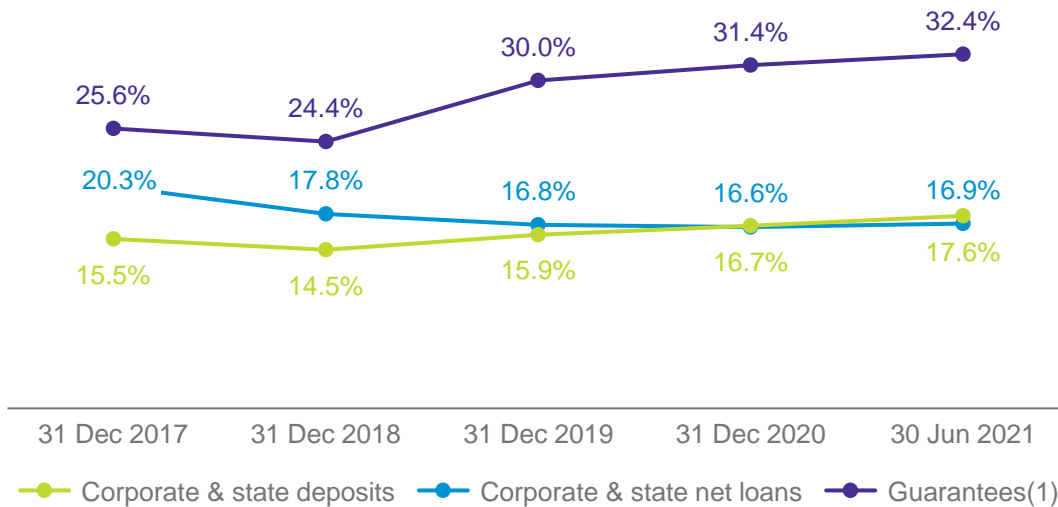
<sup>(i)</sup> Net interest income from assets and liabilities with the use of FTP.

- Reduction of the **corporate and state deposits margin** after transfer price (FTP) in the amount of EUR 1.6 million YoY.
- The **interest income** from loans to corporate and state was EUR 0.8 million higher, due to slightly higher interest margin and average loan volume.
- Non-recurring net non-interest** valuation income in the amount of EUR 12.9 million from repayment of exposure, classified as non-performing, and EUR 8.6 million other operation income from the settlement of legal dispute.
- Higher **net fee and commission income** YoY, mostly due to higher deposit fee for high balances (EUR 3.4 million in H1 2021, EUR 1.9 million higher YoY) and payment of fees for organization of syndicated loans (cca EUR 1 million).
- Total costs** increased YoY, due to higher IT costs (licences) and employee costs (post COVID-19 continuation of payments into pension funds).
- Net impairments and provisions** were established in the amount of EUR 21.4 million due to repayment of several exposures, changes in credit ratings, and changed parameters for collective impairments and provisions related to more favourable macroeconomic forecasts.
- The volume of **loans to corporate** therefore increased by EUR 94.1 million YtD, mostly due to newly approved syndicated loans and increased volumes to Cross Border Corporates and NLB Lease&Go.
- The **Investment Banking and Custody** recorded non-interest income in the amount of EUR 5.9 million and increased by EUR 0.8 million YoY, due to arrangement fees for organization of syndicated loans. The total value of assets under custody increased YoY (30 June 2020 EUR 15.5 million) but decreased YtD and amounted to EUR 15.8 billion (2020 YE: EUR 16.2 billion).
- Exposures subject to non-expired COVID-19 moratorium in the segment of Non-financial corporations amount to EUR 102 million as of 30 June 2021. Apart from moratoriums, the Bank provided additional liquidity by granting new loans to creditworthy clients to help them with the specific situation due to COVID-19 in the amount of EUR 29.5 million.

# Corporate & Investment Banking in Slovenia

## High market shares across products

Market shares - evolution and position on the market



- Largest bank in the country with high capacity to lend to and service large clients serving over 9,000 corporate clients as of 30 June 2021.
- Cross-border financing is becoming more and more important.
- Digital transformation is bringing new opportunities for addressing customers and adaptation of sales channels.
- Competitive advantage in SME market due to largest branch network fueled the growth in Mid Corporate and Small Enterprises.
- Leading Slovenian bank in the field of trade finance with products that support the export economy.
- Investment Banking being successful organizer of syndicated loans, and organizer of issuance of instruments on debt capital markets.

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

**13.1 k**

POS terminals

**36.7% market share**

in merchant acquiring

**EUR 15.8 bn**

assets under custody



# Strategic Foreign Markets

in EUR million  
consolidated

## Strategic Foreign Markets

	1-6 2021	1-6 2020	Change YoY			Q2 2021	Q1 2021	Q2 2020	Change QoQ
			o/w KB contribution						
Net interest income	130.0	78.6	51.5	48.9	66%	66.7	63.3	38.7	5%
Interest income	147.5	90.6	56.9	56.0	63%	75.5	72.0	44.6	5%
Interest expense	-17.5	-12.1	-5.4	-7.1	-45%	-8.7	-8.8	-5.9	0%
Net non-interest income	48.8	25.2	23.5	18.0	93%	27.2	21.6	12.2	26%
o/w Net fee and commission income	48.8	25.6	23.2	20.7	91%	25.5	23.3	12.3	10%
<b>Total net operating income</b>	<b>178.8</b>	<b>103.8</b>	<b>75.0</b>	<b>67.0</b>	<b>72%</b>	<b>93.9</b>	<b>84.9</b>	<b>50.9</b>	<b>11%</b>
Total costs	-107.9	-53.3	-54.6	-49.9	-102%	-55.6	-52.3	-25.8	-6%
<b>Result before impairments and provisions</b>	<b>70.9</b>	<b>50.5</b>	<b>20.4</b>	<b>17.1</b>	<b>41%</b>	<b>38.3</b>	<b>32.6</b>	<b>25.2</b>	<b>17%</b>
Impairments and provisions	2.0	-17.8	19.8	-8.6	-	0.1	1.9	-3.8	-93%
Negative goodwill (KB)		0.0							
<b>Result before tax</b>	<b>72.9</b>	<b>32.7</b>	<b>40.2</b>	<b>8.5</b>	<b>123%</b>	<b>38.4</b>	<b>34.5</b>	<b>21.3</b>	<b>11%</b>
o/w Result of minority shareholders	6.6	3.2	3.4	1.2	108%	2.9	3.8	2.0	-24%

	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Jun 2020	Change YtD		Change YoY		Change QoQ
Net loans to customers	5,281.9	5,144.3	5,052.4	3,165.3	229.5	5%	2,116.6	67%	3%
Gross loans to customers	5,460.3	5,329.5	5,234.8	3,314.4	225.5	4%	2,145.9	65%	2%
Individuals	2,756.1	2,647.6	2,592.9	1,658.2	163.2	6%	1,097.9	66%	4%
Interest rate on retail loans	5.94%	5.99%	6.28%	6.39%	-0.34 p.p.		-0.45 p.p.		-0.05 p.p.
Corporate	2,519.4	2,486.9	2,443.7	1,540.6	75.6	3%	978.8	64%	1%
Interest rate on corporate loans	4.04%	3.96%	4.15%	4.21%	-0.12 p.p.		-0.17 p.p.		0.08 p.p.
State	184.8	195.0	198.1	115.6	-13.3	-7%	69.2	60%	-5%
Interest rate on state loans	3.40%	3.53%	3.53%	3.12%	-0.13 p.p.		0.27 p.p.		-0.14 p.p.
Deposits from customers	7,878.8	7,678.3	7,552.2	3,935.0	326.5	4%	3,943.8	100%	3%
Interest rate on deposits	0.34%	0.34%	0.43%	0.46%	-0.09 p.p.		-0.12 p.p.		0.00 p.p.
Non-performing loans (gross)	198.6	202.9	195.0	126.3	3.6	2%	72.3	57%	-2%

	1-6 2021	1-6 2020	Change YoY
Cost of risk (in bps)	140	116	24
CIR	60.3%	51.4%	9.0 p.p.
Interest margin	2.87%	3.37%	-0.49 p.p.

- Higher **net interest income** without Komercijalna Banka group contribution was higher YoY (EUR 2.5 million) due to higher volumes and despite a lower interest margin.
- Net fee and commission income** and total costs increased YoY in all bank members.
- Net release of **impairments and provisions for credit risk** in the amount of EUR 15.3 million, mainly due to repayment of written off receivables in NLB Banka, Skopje and Komercijalna Banka, Beograd (over EUR 6 million in each).
- Establishment of restructuring provisions (EUR 7.7 million) and provisions for legal risk (EUR 3.4 million) in Q2 2021 in KB Beograd.
- Gross loans to customers** increased by EUR 225.5 million (4%) YtD, with most material increase in housing loans. The increase of loan portfolio is visible in most of the member banks; the largest increases were recorded in Komercijalna Banka, Beograd (EUR 70.9 million) and NLB Banka, Skopje (EUR 39.6 million), while Komercijalna Banka, Banja Luka recorded a decrease (EUR 9.7 million).
- Deposits from customers** increased by EUR 326.5 million YtD, increase was recorded in all member banks, except NLB Banka, Beograd.
- Various moratorium schemes were implemented (opt-in, opt-out), the amount of exposures with remaining non-expired moratorium at the end of H1 is EUR 119 million. Furthermore, additional liquidity by granting new loans to help with the specific situation due to COVID-19 crisis was approved with outstanding amount of EUR 89.2 million.

# Financial Markets in Slovenia

in million EUR  
consolidated

## Financial Markets in Slovenia

	1-6 2021	1-6 2020	Change YoY		Q2 2021	Q1 2021	Q2 2020	Change QoQ	
Net interest income	11.7	11.3	0.5	4%	5.7	6.1	4.7	-6%	
o/w ALM <sup>(1)</sup>	6.2	8.4	-2.2	-26%	2.9	3.3	3.4	-12%	
Net non-interest income	-0.7	15.4	-16.1	-	0.0	-0.7	14.3	-	
<b>Total net operating income</b>	<b>11.1</b>	<b>26.7</b>	<b>-15.7</b>	<b>-59%</b>	<b>5.7</b>	<b>5.3</b>	<b>19.0</b>	<b>7%</b>	
Total costs	-3.9	-3.6	-0.3	-9%	-2.0	-1.9	-1.7	-9%	
<b>Result before impairments and provisions</b>	<b>7.1</b>	<b>23.1</b>	<b>-16.0</b>	<b>-69%</b>	<b>3.7</b>	<b>3.5</b>	<b>17.3</b>	<b>6%</b>	
Impairments and provisions	0.1	0.0	0.1	-	0.8	-0.6	0.0	-	
<b>Result before tax</b>	<b>7.3</b>	<b>23.1</b>	<b>-15.9</b>	<b>-69%</b>	<b>4.4</b>	<b>2.8</b>	<b>17.3</b>	<b>56%</b>	

	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Jun 2020	Change YtD		Change YoY		Change QoQ
Balances with Central banks	2,656.0	1,772.3	1,998.1	1,991.0	657.9	33%	665.0	33%	50%
Banking book securities	3,335.5	3,288.9	2,945.8	2,774.0	389.7	13%	561.5	20%	1%
Interest rate on banking book securities	0.65%	0.67%	0.77%	0.78%	-0.12 p.p.		-0.13 p.p.		-0.02 p.p.
Wholesale funding	866.3	143.4	143.5	152.5	722.8	-	713.8	-	-
Interest rate on wholesale funding	1.00%	0.52%	0.54%	0.56%	0.46 p.p.		0.44 p.p.		0.48 p.p.
Subordinated liabilities	287.6	286.8	288.3	287.4	-0.8	0%	0.2	0%	0%
Interest rate on subordinated liabilities	3.69%	3.69%	3.64%	3.56%	0.05 p.p.		0.13 p.p.		0.00 p.p.

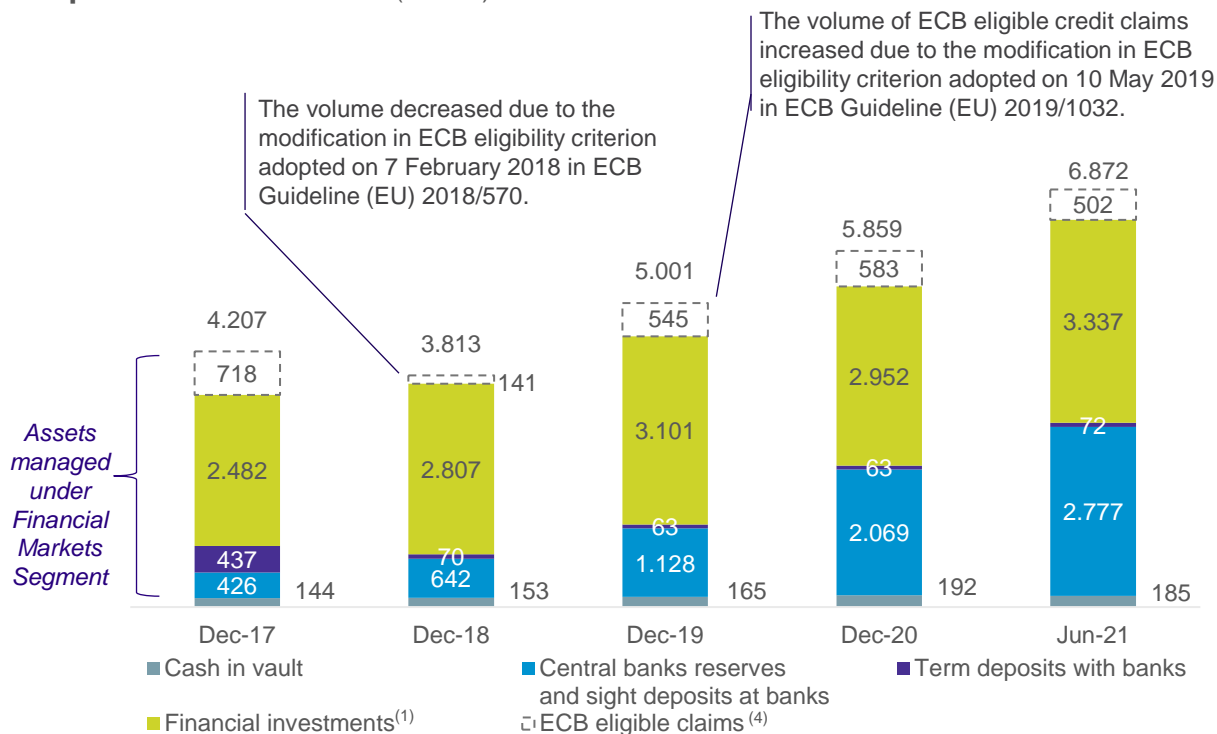
<sup>(1)</sup> Net interest income from assets and liabilities with the use of FTP.

- **Net interest income** was EUR 0.5 million (4%) higher YoY, mostly due to changed FTP policy which transferred the burden of marginal deposits to retail and corporate segment to de-stimulate the deposit collection. Otherwise, the revenues from banking book securities are YoY lower due to significantly lower reinvestment yields and excess liquidity, additionally reflected in negative effect from higher placements with Central bank at negative interest rates.
- ALM result declined mainly because of significantly lower FTP on banking book securities and balances with central bank.
- Lower **net non-interest income**, EUR 16.1 million YoY, due to sale of debt securities in H1 2020.
- Increase in **balances with central banks** (EUR 657.9 million YtD) partially due to participation on ECB's liquidity providing operation TLTRO-III, where the obtained funds were temporarily placed on the account with CB and and increased **banking book securities** by EUR 389.7 million or 13%. Debt securities bought were mainly placed in short-term T-bills due to lower risk factors.
- **Wholesale funding** amount increased due to TLTRO-III secured borrowing, while the interest rate on. Wholesale funding increased predominantly due to fees associated with prepayment of certain long-term funding sources



# Financial markets in Slovenia

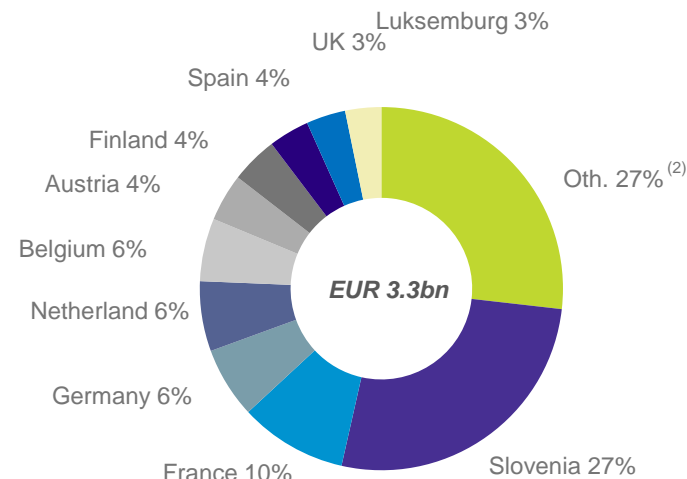
## Liquid assets evolution (EURm)



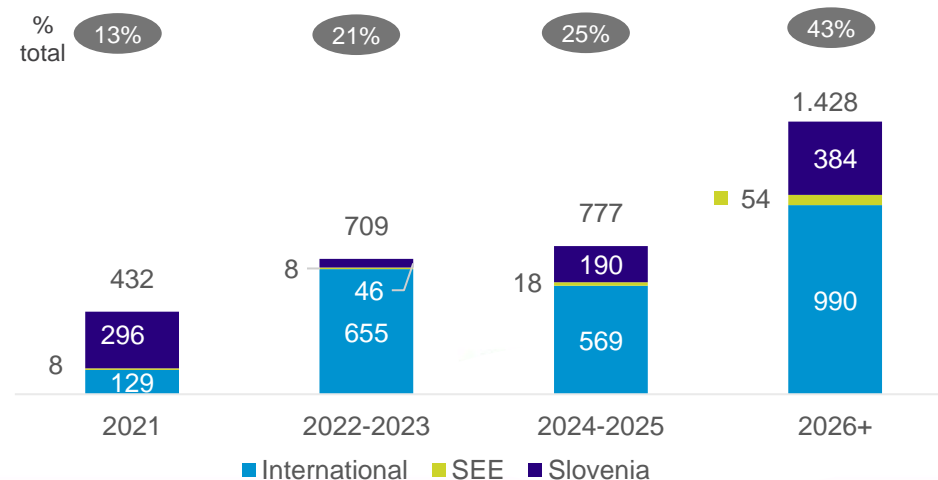
## Well positioned and funded division

- Strong liquidity buffer provides solid base for future core growth consisting of liquid assets which are not encumbered for operational or regulatory purposes
- Banking book securities portfolio is well diversified in terms of asset class and geography to minimize concentration risk, and is invested predominantly in high quality issuers on prudent tenors
- Liquidity ratios (as of 30 Jun 2021): LCR 338% (NLB d.d.) and 273% (NLB Group); NSFR (preliminary) 178% (NLB d.d.) and 190% (NLB Group).

## Well diversified banking book by geography (30 Jun 2021)



## Maturity profile of banking book securities<sup>(3)</sup> (30 Jun 2021, EURm)



# Non-Core Members

in EUR millions  
consolidated

## Non-Core Members

	1-6 2021	1-6 2020	Change YoY		Q2 2021	Q1 2021	Q2 2020	Change QoQ
Net interest income	0.4	0.7	-0.3	-47%	0.1	0.2	0.3	-43%
Net non-interest income	2.9	1.9	1.0	49%	2.2	0.6	0.9	-
<b>Total net operating income</b>	<b>3.3</b>	<b>2.6</b>	<b>0.6</b>	<b>23%</b>	<b>2.4</b>	<b>0.9</b>	<b>1.2</b>	<b>169%</b>
Total costs	-5.4	-6.5	1.1	17%	-2.8	-2.5	-3.1	-12%
<b>Result before impairments and provisions</b>	<b>-2.1</b>	<b>-3.8</b>	<b>1.7</b>	<b>45%</b>	<b>-0.4</b>	<b>-1.6</b>	<b>-1.8</b>	<b>73%</b>
Impairments and provisions	1.7	-0.1	1.9	-	1.0	0.8	0.1	31%
<b>Result before tax</b>	<b>-0.4</b>	<b>-4.0</b>	<b>3.6</b>	<b>91%</b>	<b>0.5</b>	<b>-0.9</b>	<b>-1.7</b>	<b>-</b>

	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Jun 2020	Change YtD		Change YoY		Change QoQ
<b>Segment assets</b>	<b>116.7</b>	<b>124.8</b>	<b>131.2</b>	<b>150.5</b>	<b>-14.5</b>	<b>-11%</b>	<b>-33.8</b>	<b>-22%</b>	<b>-6%</b>
Net loans to customers	34.8	40.7	45.0	58.4	-10.2	-23%	-23.6	-40%	-13%
Gross loans to customers	79.3	90.1	95.0	128.5	-15.7	-17%	-49.2	-38%	-12%
Investment property and property & equipment received for repayment of loans	67.0	68.6	70.2	74.5	-3.2	-5%	-7.5	-10%	-2%
Other assets	14.9	15.4	16.0	17.6	-1.1	-7%	-2.7	-15%	-3%
Non-performing loans (gross)	62.7	70.2	71.3	95.9	-8.6	-12%	-33.3	-36%	-11%

	1-6 2021	1-6 2020	Change YoY
Cost of risk (in bps)	-868	18	-886
CIR	164.1%	244.7%	-80.63 p.p.

- A decrease of the **total assets** of the segment YtD (EUR 14.5 million) in line with the divestment strategy.
- Increase of **net operating income**, of which due to EUR 0.4 million positive effect attributable to the segment from the settlement of legal dispute.
- The segment recorded a EUR 0.4 million of **loss before tax**.

# Other

in EUR millions  
consolidated

## Other

	1-6 2021	1-6 2020	Change YoY		Q2 2021	Q1 2021	Q2 2020	Change QoQ
<b>Total net operating income</b>	<b>3.3</b>	<b>2.5</b>	<b>0.8</b>	<b>32%</b>	<b>1.9</b>	<b>1.4</b>	<b>0.4</b>	<b>36%</b>
Total costs	-5.7	-5.9	0.2	3%	-2.0	-3.7	-2.7	45%
<b>Result before impairments and provisions</b>	<b>-2.3</b>	<b>-3.3</b>	<b>1.0</b>	<b>30%</b>	<b>-0.1</b>	<b>-2.2</b>	<b>-2.3</b>	<b>96%</b>
Impairments and provisions	1.7	-0.4	2.1	-	-0.1	1.8	-0.5	-
<b>Result before tax</b>	<b>-0.6</b>	<b>-3.7</b>	<b>3.1</b>	<b>83%</b>	<b>-0.2</b>	<b>-0.4</b>	<b>-2.8</b>	<b>55%</b>


- Higher **total net operating income** due to increase of income from vault, real estate management and management fees.
- EUR 2.3 million of **total costs** (EUR 0.1 million lower YoY), related mostly to IT, cash transport, external realization, and costs, regarding vacant business premises.
- **Net impairments and provisions** released in the amount of EUR 1.7 million, due to successful closure of legal procedure in Q1.




## Appendix 3: Macro Overview


# NLB Group – Macro overview


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


Slovenia 	EUR
GDP (EURbn)	46.7
<b>Real GDP growth (%)</b>	<b>-4.6</b>
Population (m)	2.1
Household indebtedness <sup>(1)</sup>	22.9%
Credit ratings (S&P / Moody's / Fitch)	AA- / A3 / A

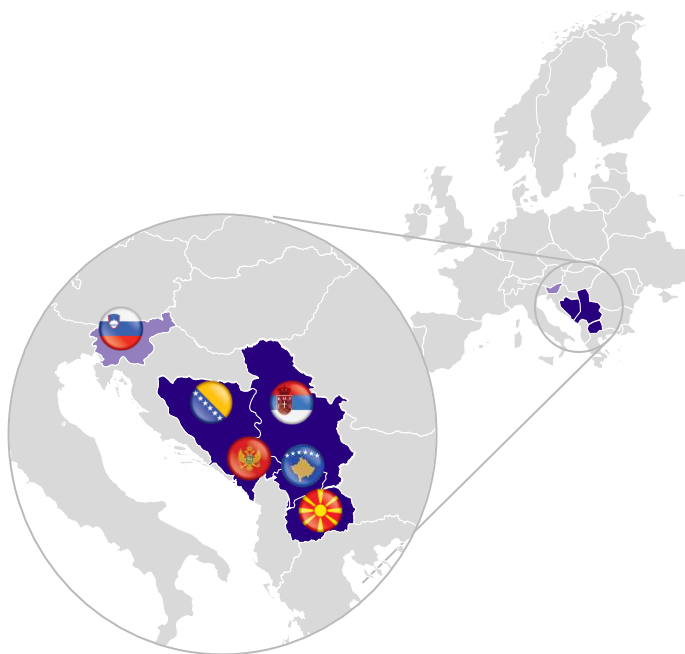
Bosnia and Herzegovina <sup>(2)</sup> 	EUR <sup>(3)</sup>
GDP (EURbn)	17.4
<b>Real GDP growth (%)</b>	<b>-4.5</b>
Population (m)	3.3
Household indebtedness <sup>(1)</sup>	29.1%
Credit ratings (S&P / Moody's / Fitch)	B / B3 / n.a.

Montenegro 	EUR
GDP (EURbn)	4.1
<b>Real GDP growth (%)</b>	<b>-15.3</b>
Population (m)	0.6
Household indebtedness <sup>(1)</sup>	33.6%
Credit ratings (S&P / Moody's / Fitch)	B / B1 / n.a.

Serbia 	RSD
GDP (EURbn)	47.0
<b>Real GDP growth (%)</b>	<b>-1.7</b>
Population (m)	6.9
Household indebtedness <sup>(1)</sup>	22.7%
Credit ratings (S&P / Moody's / Fitch)	BB+ / Ba2 / BB+

Kosovo 	EUR
GDP (EURbn)	6.9
<b>Real GDP growth (%)</b>	<b>-1.7</b>
Population (m)	1.8
Household indebtedness <sup>(1)</sup>	17.3%
Credit ratings (S&P / Moody's / Fitch)	n.a. / n.a. / n.a.

North Macedonia 	MKD
GDP (EURbn)	10.8
<b>Real GDP growth (%)</b>	<b>-5.2</b>
Population (m)	2.1
Household indebtedness <sup>(1)</sup>	28.1%
Credit ratings (S&P / Moody's / Fitch)	BB- / n.a. / BB+



# Macro Overview

## Economic data

- The pandemic and its associated restrictions weighed on economies in Q1 2021. The swift recovery started in Q2 2021 and picked up pace at the end of the quarter mainly due to improving health situation and easing of containment measures.
- Revival in domestic and foreign demand should be the main economic growth drivers in the Group's region.

## Fiscal data

- The cost of mitigating the pandemic will continue to be felt in 2021 and public finances are set to remain significantly in deficit.
- Fiscal deficits and public debts are expected to remain at elevated levels due to fiscal measures adopted to mitigate the economic and social impact of the Covid-19 crisis, coupled with a rise in public investment.

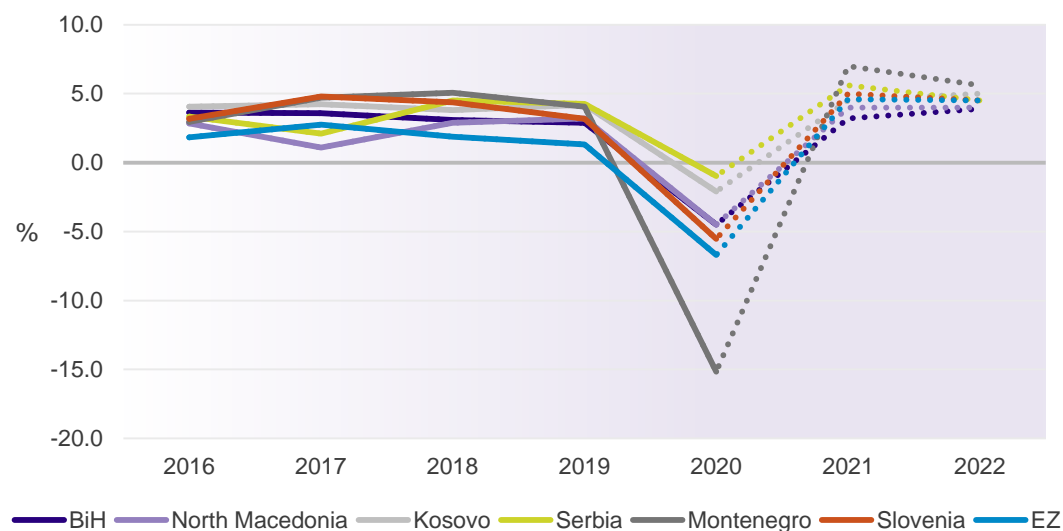
## Monetary data

- Monetary policy stance remained accommodative throughout H1 2021 to support economic recovery.
- ECB's monetary policy stance is expected to remain accommodative over the forecast horizon.
- In H1 2021, growth in loans dynamics improved while growth in deposits remained at elevated levels.



# Macro Overview – Economic data

## Real GDP growth, %



### KEY FINDINGS:

In Q1 2021, containment measures restrained business activity and household spending, making private consumption the main drag on growth. However, dynamics of economic growth differed among countries of the Group region with Slovenia, Serbia, BiH and Kosovo recording economic growth while GDP in Montenegro and N. Macedonia contracted.

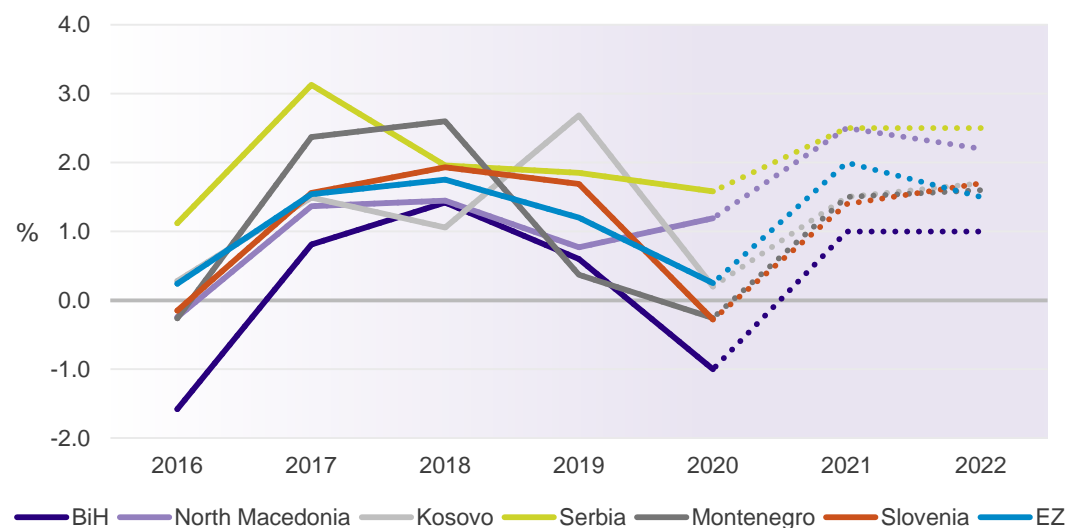
Swift recovery in activity and consumer confidence starting in Q2 2021 should reflect in fast GDP growth over the summer. The **Group's region** is seen **growing 4.9% on average in 2021**.

Real GDP growth, %	2016	2017	2018	2019	2020	2021	2022
Bosnia and Herzegovina	3.6	3.6	3.1	2.9	-4.5	3.2	3.9
North Macedonia	2.8	1.1	2.9	3.2	-4.5	4.0	4.0
Kosovo	4.1	4.2	3.8	4.2	-2.1	4.5	5.0
Serbia	3.3	2.1	4.5	4.2	-1.0	5.6	4.5
Montenegro	2.9	4.7	5.1	4.1	-15.2	7.0	5.6
Slovenia	3.2	4.8	4.4	3.2	-5.5	5.0	4.5
Eurozone	1.8	2.7	1.9	1.3	-6.7	4.6	4.5

Sources: FocusEconomics, NLB Forecasts for 2021 and 2022

# Macro Overview – Economic data

## Average inflation rate, %



### KEY FINDINGS:

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

In 2021, **inflationary pressures** are expected due to rising energy and commodity prices, production bottlenecks and input shortages, capacity constraints and supply-demand imbalances. **Inflation could turn out higher** in case stated inflationary pressures drivers are more persistent and their outcome is to larger extent passed through to consumers.

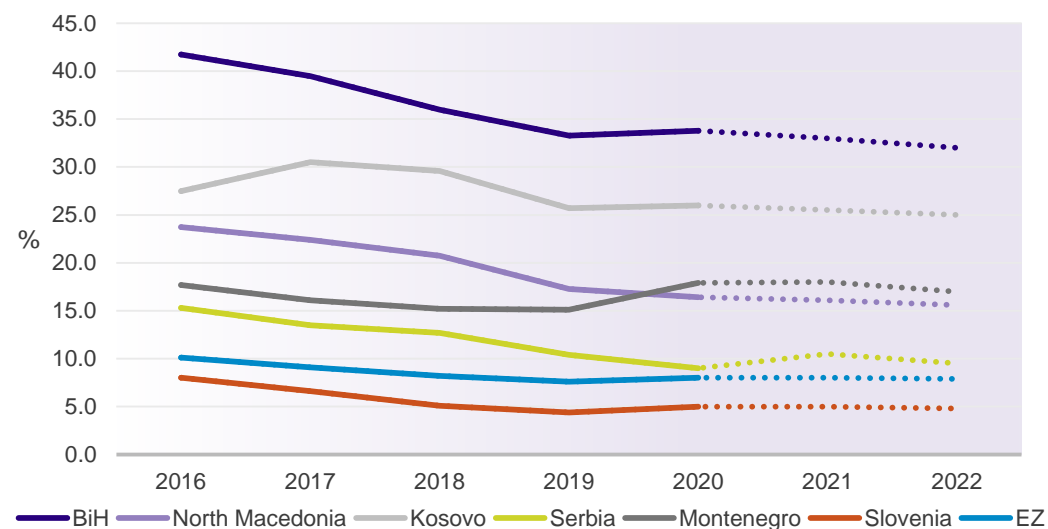
Average inflation rate, %	2016	2017	2018	2019	2020	2021	2022
Bosnia and Herzegovina	-1.6	0.8	1.4	0.6	-1.0	1.0	1.0
North Macedonia	-0.2	1.4	1.4	0.8	1.2	2.5	2.2
Kosovo	0.3	1.5	1.1	2.7	0.2	1.5	1.7
Serbia	1.1	3.1	2.0	1.9	1.6	2.5	2.5
Montenegro	-0.3	2.4	2.6	0.4	-0.3	1.5	1.6
Slovenia	-0.2	1.6	1.9	1.7	-0.3	1.4	1.7
Eurozone	0.2	1.5	1.8	1.2	0.3	2.0	1.5

Sources: FocusEconomics, NLB Forecasts for 2021 and 2022

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

# Macro Overview – Economic data

## Unemployment rate, %



### KEY FINDINGS:

**Labour market conditions** differed among countries of the Group Region. In Montenegro and Serbia labour market conditions deteriorated resulting in projected increase of the unemployment rate in 2021. In other countries of the Group region, the effect on the labour market was mild and it is expected to remain so. Therefore, with the revival in economic activity, overall labour market conditions are expected to improve.

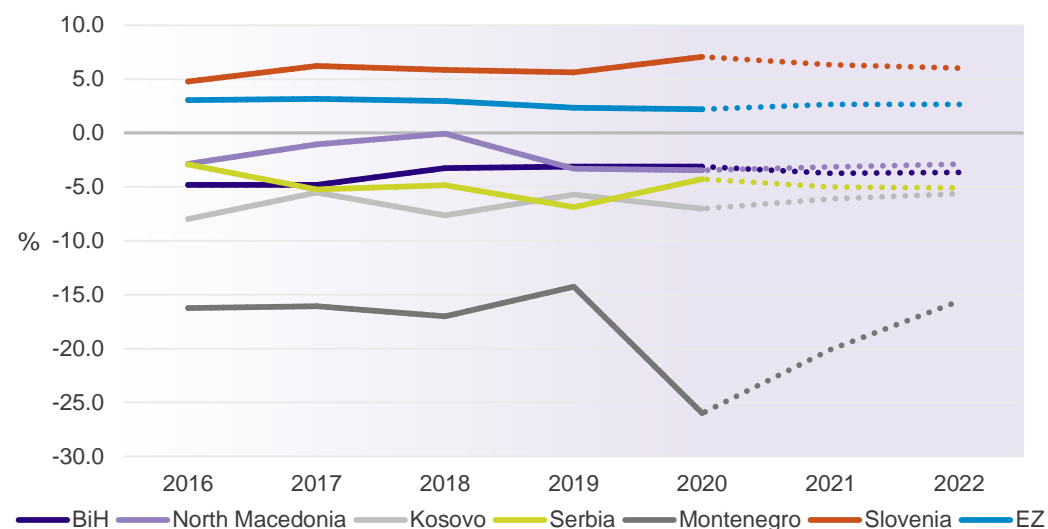
Unemployment rate, %	2016	2017	2018	2019	2020	2021	2022
Bosnia and Herzegovina	41.7	39.5	36.0	33.3	33.8	33.0	32.0
North Macedonia	23.7	22.4	20.7	17.3	16.4	16.1	15.6
Kosovo	27.5	30.5	29.6	25.7	26.0	25.5	25.0
Serbia	15.3	13.5	12.7	10.4	9.0	10.5	9.5
Montenegro	17.7	16.1	15.2	15.1	17.9	18.0	17.0
Slovenia	8.0	6.6	5.1	4.4	5.0	5.0	4.8
Eurozone	10.1	9.1	8.2	7.6	8.0	8.0	7.9

Sources: FocusEconomics, NLB Forecasts for 2021 and 2022

Note: Registered unemployment data used for BiH

# Macro Overview – Economic data

## Current account, % GDP



### KEY FINDINGS:

The recovery in foreign demand is driving export growth while import demand reflects rising domestic demand, and to some extent in several countries of the Group's region also import-dependent export production.

In general, **current accounts** will be largely dependent on the extent of economic rebound in the EU, the main export destination for the Group's region. Developments with respect to remittances and FDI inflows, important factors for several countries of the Group region, should be yet another determinants of current account balances.

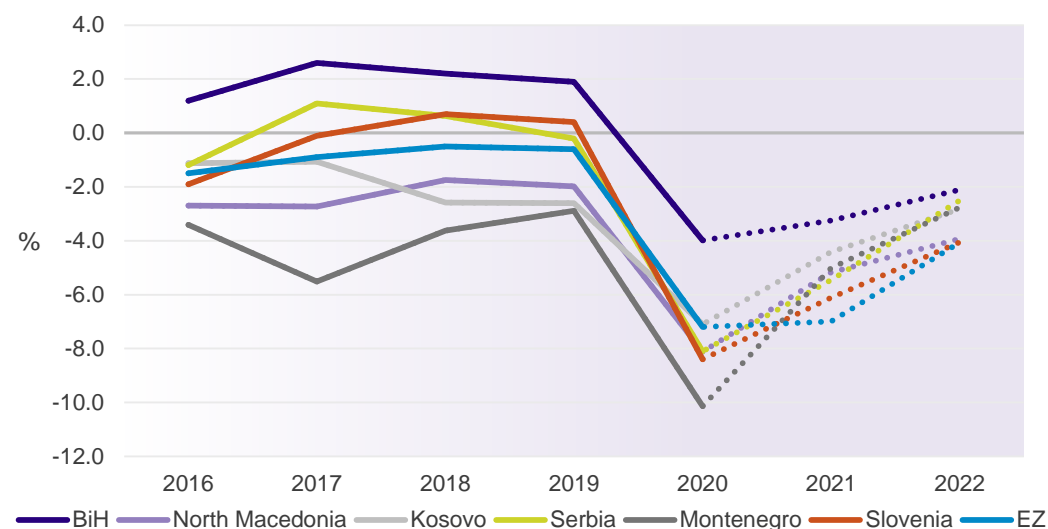
Current Account, % GDP	2016	2017	2018	2019	2020	2021	2022
Bosnia and Herzegovina	-4.8	-4.8	-3.3	-3.1	-3.1	-3.7	-3.6
North Macedonia	-2.9	-1.0	-0.1	-3.3	-3.5	-3.1	-2.9
Kosovo	-8.0	-5.5	-7.6	-5.7	-7.0	-6.1	-5.6
Serbia	-2.9	-5.2	-4.8	-6.9	-4.3	-5.0	-5.1
Montenegro	-16.2	-16.1	-17.0	-14.3	-26.0	-20.1	-15.6
Slovenia	4.8	6.2	5.8	5.6	7.1	6.3	6.0
Eurozone	3.0	3.2	3.0	2.3	2.2	2.7	2.7

Sources: FocusEconomics

Note: Consensus Forecasts for 2021 and 2022

# Macro Overview – Fiscal data

## Fiscal Balance, % GDP



### KEY FINDINGS:

**Fiscal balances** are expected to be driven by fiscal measures adopted to mitigate the economic and social impact of the Covid-19 crisis. Fiscal revenues are expected to recover with the recovery in economic activity, though, while fiscal support measures, and for some countries of the Group's region also increase in public investment, are expected to weigh on fiscal expenditures.

Fiscal balance, % GDP	2016	2017	2018	2019	2020	2021	2022
Bosnia and Herzegovina	1.2	2.6	2.2	1.9	-4.0	-3.2	-2.1
North Macedonia	-2.7	-2.7	-1.8	-2.0	-8.1	-5.2	-3.9
Kosovo	-1.1	-1.1	-2.6	-2.6	-7.1	-4.4	-2.8
Serbia	-1.2	1.1	0.6	-0.2	-8.1	-5.5	-2.5
Montenegro	-3.4	-5.5	-3.6	-2.9	-10.1	-5.0	-2.8
Slovenia	-1.9	-0.1	0.7	0.4	-8.4	-6.1	-4.0
Eurozone	-1.5	-0.9	-0.5	-0.6	-7.2	-7.0	-4.1

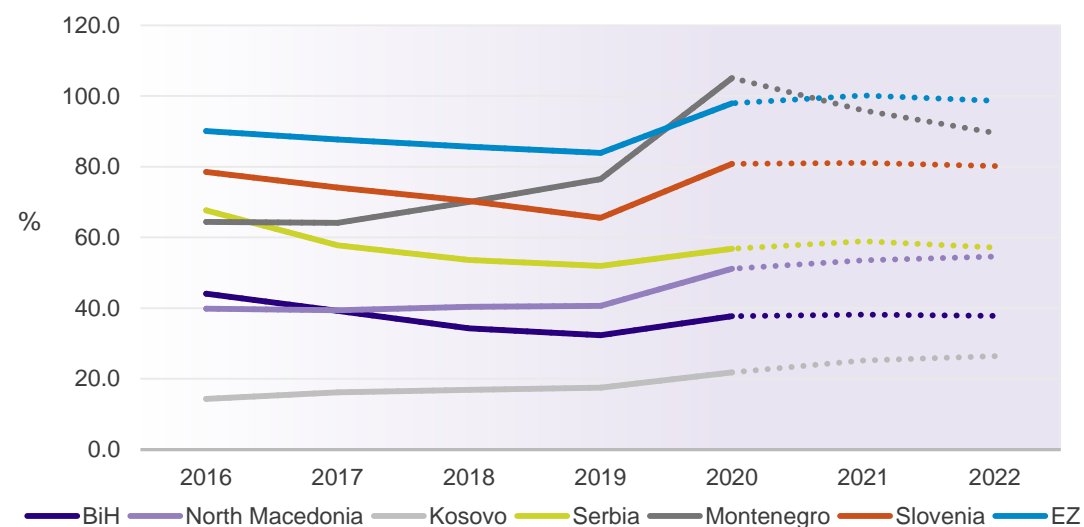
Sources: FocusEconomics

Note: 2020 data estimated for BiH; Consensus Forecasts for 2021 and 2022



# Macro Overview – Fiscal data

## Public Debt, % GDP



### KEY FINDINGS:

In line with ongoing fiscal support measures and fiscal balances development, **public debts** are expected to remain at elevated levels in 2021 after the increase in 2020 resulting from fiscal measures adopted to mitigate the economic and social impact of the Covid-19 crisis.

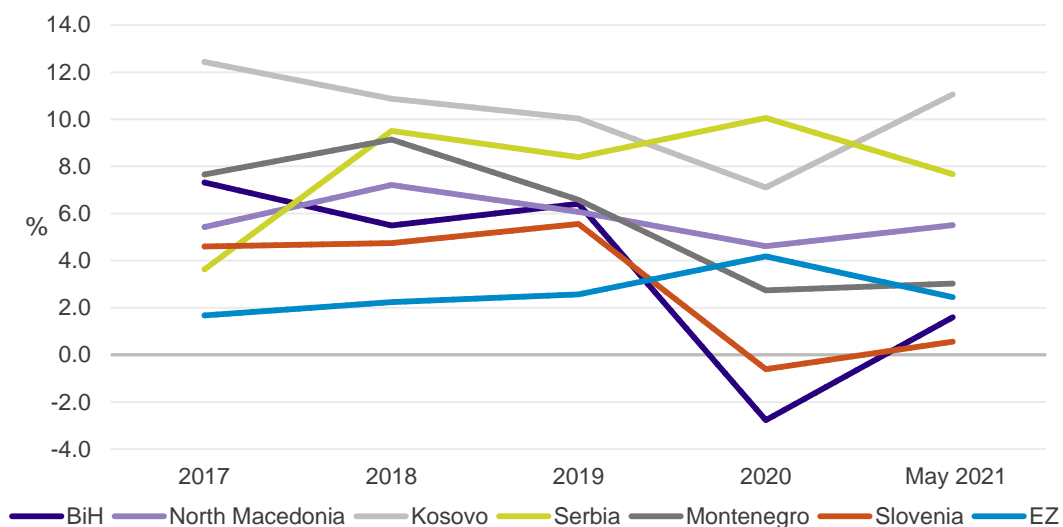
Public debt, % GDP	2016	2017	2018	2019	2020	2021	2022
Bosnia and Herzegovina	44.1	39.2	34.3	32.4	37.8	38.2	37.8
North Macedonia	39.9	39.4	40.4	40.7	51.2	53.6	54.6
Kosovo	14.4	16.2	16.9	17.5	21.8	25.2	26.4
Serbia	67.7	57.8	53.6	52.0	56.8	59.0	57.2
Montenegro	64.4	64.2	70.1	76.5	105.1	95.9	89.5
Slovenia	78.5	74.1	70.3	65.6	80.8	81.1	80.2
Eurozone	90.1	87.7	85.7	83.9	98.0	100.2	98.6

Sources: FocusEconomics

Note: 2020 data estimated for BiH; Consensus Forecasts for 2021 and 2022

# Macro Overview – Monetary data

## Loans growth (NFC + Households), %



### KEY FINDINGS:

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

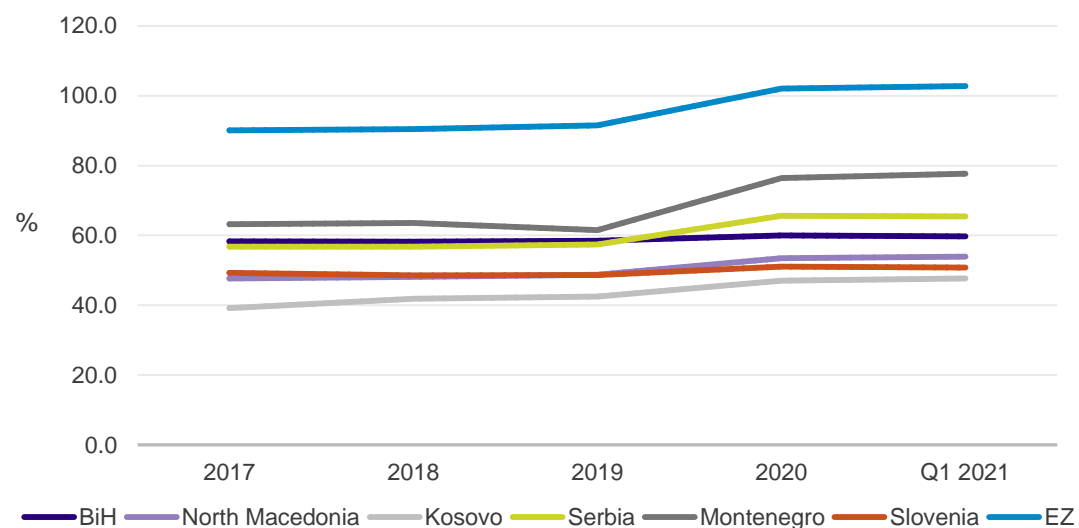
In the last months, the decreasing loan growth trend, that has established in majority of countries in 2020 and has continued at the start of the year, has reversed in general and loan growth dynamics have started to paint a brighter picture.

Loan growth (NFC + Households), %	2016	2017	2018	2019	2020	May 2021
Bosnia and Herzegovina	3.8	7.3	5.5	6.4	-2.8	1.6
North Macedonia	-0.1	5.4	7.2	6.1	4.6	5.5
Kosovo	10.6	12.4	10.9	10.0	7.1	11.1
Serbia	5.5	3.6	9.5	8.4	10.1	7.7
Montenegro	5.4	7.7	9.1	6.6	2.7	3.0
Slovenia	1.8	4.6	4.7	5.6	-0.6	0.6
Eurozone	1.7	1.7	2.2	2.6	4.2	2.5

Sources: National Central Banks, ECB, Own calculations

# Macro Overview – Monetary data

## Total Loans (NBS), % GDP



### KEY FINDINGS:

In 2020, **loans to GDP ratios** have been largely affected by economic implications of COVID-19 outbreak.

In Q1 2021, diverging dynamics in loans to GDP ratios were recorded by countries of the Group's region, depending on the prevailing driver of the respective ratio in the quarter, i.e. either GDP growth or loans growth dynamics.

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

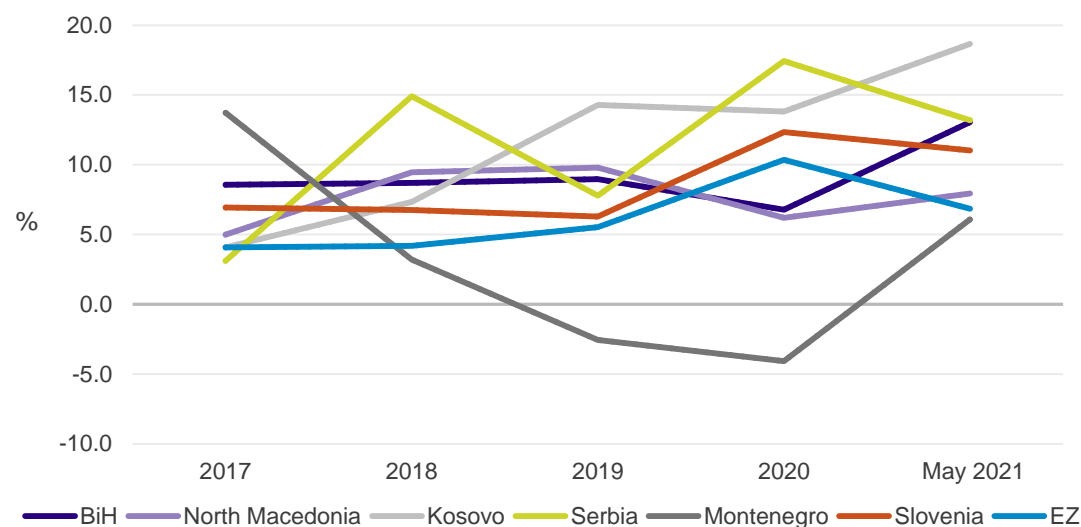
Total Loans as % of GDP	2016	2017	2018	2019	2020	Q1 2021
Bosnia and Herzegovina	57.3	58.3	58.2	58.5	60.0	59.7
North Macedonia	47.0	47.6	48.1	48.7	53.4	53.9
Kosovo	37.1	39.2	41.9	42.5	47.0	47.7
Serbia	58.7	56.8	56.8	57.4	65.7	65.5
Montenegro	62.1	63.2	63.6	61.5	76.4	77.7
Slovenia	49.4	49.3	48.5	48.7	51.1	50.8
Eurozone	90.9	90.1	90.5	91.6	102.1	102.8

Sources: National Central Banks, ECB, Own calculations

Note: Eurozone Total loans includes only NFC + Households loans

# Macro Overview – Monetary data

## Deposits growth (NFC + Households), %



### KEY FINDINGS:

In general, large inflow of deposits was recorded last year.

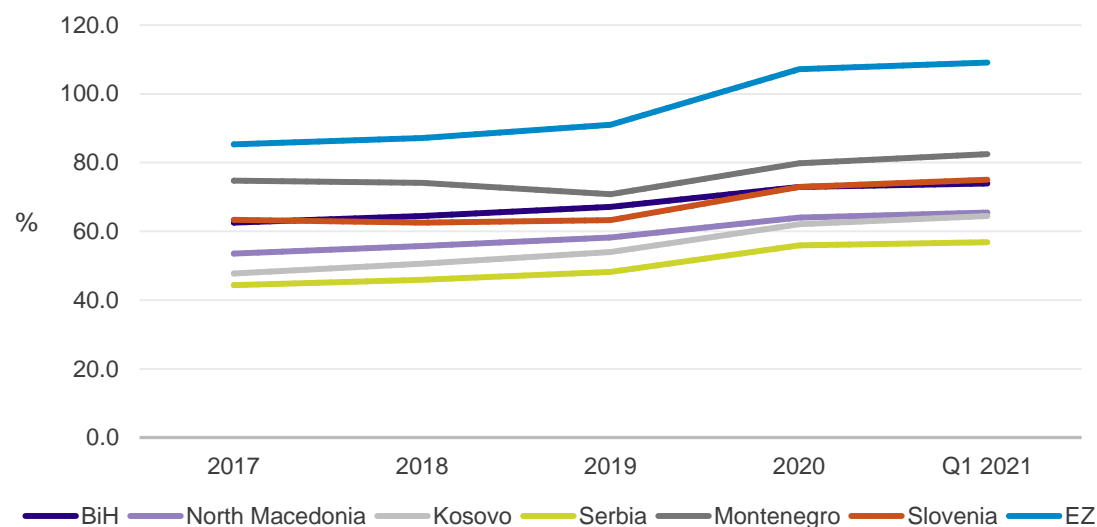
In the first five months of 2021, the trend of recording high **deposit growth** figures continued. Even in Montenegro, after recording a negative growth rate in deposits in 2020, the trend of decreasing growth in deposits reversed in the last months.

Deposit growth (NFC + Households), %	2016	2017	2018	2019	2020	May 2021
Bosnia and Herzegovina	7.8	8.6	8.7	9.0	6.8	13.0
North Macedonia	5.4	5.0	9.5	9.8	6.2	7.9
Kosovo	8.7	4.1	7.3	14.3	13.8	18.7
Serbia	11.5	3.1	14.9	7.8	17.4	13.2
Montenegro	10.5	13.7	3.2	-2.5	-4.1	6.1
Slovenia	7.1	6.9	6.8	6.3	12.3	11.0
Eurozone	4.6	4.1	4.2	5.5	10.3	6.8

Sources: National Central Banks, ECB, Own calculations

# Macro Overview – Monetary data

## Total Deposits (NBS), % GDP



### KEY FINDINGS:

In Q1 2021, **deposits to GDP ratio** grew in the Group's region as strong growth in deposits continued also in 2021, following a pick-up in 2020. The growth in deposits was the prevailing factor of rising deposits to GDP ratios. The latter more than offset the effect of the growth in GDP.

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

Total Deposits as % of GDP	2016	2017	2018	2019	2020	Q1 2021
Bosnia and Herzegovina	59.0	62.6	64.5	67.1	72.9	74.0
North Macedonia	52.5	53.6	55.7	58.2	64.0	65.5
Kosovo	47.5	47.8	50.6	54.0	62.1	64.5
Serbia	45.1	44.3	45.9	48.2	55.9	56.8
Montenegro	72.2	74.8	74.1	70.8	79.8	82.5
Slovenia	63.7	63.4	62.5	63.3	72.9	75.1
Eurozone	84.0	85.3	87.1	91.0	107.2	109.2

Sources: National Central Banks, ECB, Own calculations

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





# Appendix 4:

## Financial Statements

# NLB Group Income Statement (1/2)

(EURm)	1-6 2021	1-6 2020	YoY	Q2 2021	Q1 2021	Q2 2020	QoQ
Interest and similar income	233.1	177.2	32%	118.5	114.6	86.7	3%
Interest and similar expense	-34.5	-27.2	-27%	-17.4	-17.1	-14.0	-2%
Net interest income	198.6	150.1	32%	101.1	97.5	72.7	4%
Fee and commission income	155.4	111.1	40%	81.5	73.8	53.3	10%
Fee and commission expense	-41.3	-29.6	-39%	-21.6	-19.7	-14.2	-9%
Net fee and commission income	114.1	81.5	40%	59.9	54.1	39.0	11%
Dividend income	0.1	0.1	-39%	0.0	0.0	0.1	-
Net income from financial transactions	26.0	24.3	7%	20.8	5.3	20.5	-
Other operating income	-4.9	4.1	-	-2.0	-2.8	3.9	28%
<b>Total net operating income</b>	<b>333.9</b>	<b>260.0</b>	<b>28%</b>	<b>179.9</b>	<b>154.0</b>	<b>136.2</b>	<b>17%</b>
Employee costs	-111.7	-82.7	-35%	-56.5	-55.1	-39.8	-2%
Other general and administrative expenses	-62.4	-46.2	-35%	-32.6	-29.8	-22.5	-10%
Depreciation and amortisation	-23.2	-15.9	-46%	-11.6	-11.6	-7.9	0%
<b>Total costs</b>	<b>-197.3</b>	<b>-144.8</b>	<b>-36%</b>	<b>-100.7</b>	<b>-96.6</b>	<b>-70.2</b>	<b>-4%</b>
<b>Result before impairments and provisions</b>	<b>136.6</b>	<b>115.2</b>	<b>19%</b>	<b>79.1</b>	<b>57.5</b>	<b>66.0</b>	<b>38%</b>
Impairments and provisions for credit risk	30.7	-32.8	-	14.8	16.0	-4.6	-7%
Other impairments and provisions	-11.8	-0.4	-	-11.3	-0.5	-0.3	-
Gains less losses from capital investments in subsidiaries, associates and joint ventures	0.4	0.4	-1%	0.3	0.1	0.2	121%
Negative goodwill	-	-	-	-	-	-	-
<b>Result before tax</b>	<b>156.0</b>	<b>82.4</b>	<b>89%</b>	<b>82.9</b>	<b>73.1</b>	<b>61.3</b>	<b>13%</b>
Income tax	-9.6	-5.5	-73%	-4.8	-4.7	-3.9	-2%
Result of non-controlling interests	6.6	3.2	108%	2.9	3.8	2.0	-24%
<b>Result after tax attributable to owners of the parent</b>	<b>139.8</b>	<b>73.7</b>	<b>90%</b>	<b>75.2</b>	<b>64.6</b>	<b>55.4</b>	<b>16%</b>

# NLB Group Income Statement (2/2)

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

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

# NLB Group Statement of Financial Position

(EURm)	30 Jun 2021	31 Dec 2020	YtD
<b>ASSETS</b>			
Cash and balances with Central Banks and other demand deposits at banks	4,739.4	3,961.8	20%
Financial instruments	5,490.9	5,119.5	7%
<i>o/w Trading Book</i>	13.5	84.9	-84%
<i>o/w Non-trading Book</i>	5,477.4	5,034.7	9%
Loans and advances to banks (net)	243.4	197.0	24%
<i>o/w gross loans</i>	243.6	197.1	24%
<i>o/w impairments</i>	-0.2	-0.1	-55%
Loans and advances to customers	10,071.4	9,644.9	4%
<i>o/w gross loans</i>	10,421.8	10,033.3	4%
- Corporates	4,772.7	4,631.7	3%
- State	344.4	374.0	-8%
- Individuals	5,304.8	5,027.6	6%
<i>o/w impairments and valuation</i>	-350.4	-388.4	10%
Investments in associates and JV	8.4	8.0	5%
Goodwill	3.5	3.5	0%
Other intangible assets	52.1	58.1	-10%
Property, plant and equipment	243.8	249.1	-2%
Investment property	53.3	54.8	-3%
Other assets	281.1	268.9	5%
<b>Total Assets</b>	<b>21,187.3</b>	<b>19,565.9</b>	<b>8%</b>

(EURm)	30 Jun 2021	31 Dec 2020	YtD
<b>LIABILITIES &amp; EQUITY</b>			
Deposits from banks and central banks	78.0	72.6	7%
Deposits from customers	17,143.0	16,397.2	5%
- Corporates	4,130.2	3,949.1	5%
- State	535.0	424.5	26%
- Individuals	12,477.8	12,023.5	4%
Borrowings	976.6	249.8	-
Subordinated liabilities	287.6	288.3	0%
Other liabilities	466.8	434.9	7%
<b>Total Liabilities</b>	<b>18,952.0</b>	<b>17,442.8</b>	<b>9%</b>
Shareholders' Equity	2,091.4	1,952.8	7%
Non Controlling Interests	143.8	170.3	-16%
<b>Total Equity</b>	<b>2,235.3</b>	<b>2,123.0</b>	<b>5%</b>
<b>Total Liabilities &amp; Equity</b>	<b>21,187.3</b>	<b>19,565.9</b>	<b>8%</b>