

# NLB Group Presentation

Virtual Non-deal Roadshow

June 2021

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## Group **Overview**



# NLB's Management Board

Experienced team with proven track record of achieving strategic objectives

**CEO**



**Blaž Brodnjak**

More than 20 years of experience at managerial positions on all levels of international banking groups.

**CRO**



**Andreas Burkhardt**

19 years of experience in the area of banking, especially in the area of Central Europe.

**CFO**



**Archibald Kremser**

More than 20 years of experience in the financial services industry in Austria, CEE, and SEE

# Our Vision, Mission and Strategic Focus



Together we **will take care of the financial needs** of our clients and will impact the quality of life in our region.

We will be **improving quality of life** in our home region.



The Group values and understands its home region and **strives to improve and develop** it for all generations.



Become **regional champion**

Putting **clients first**

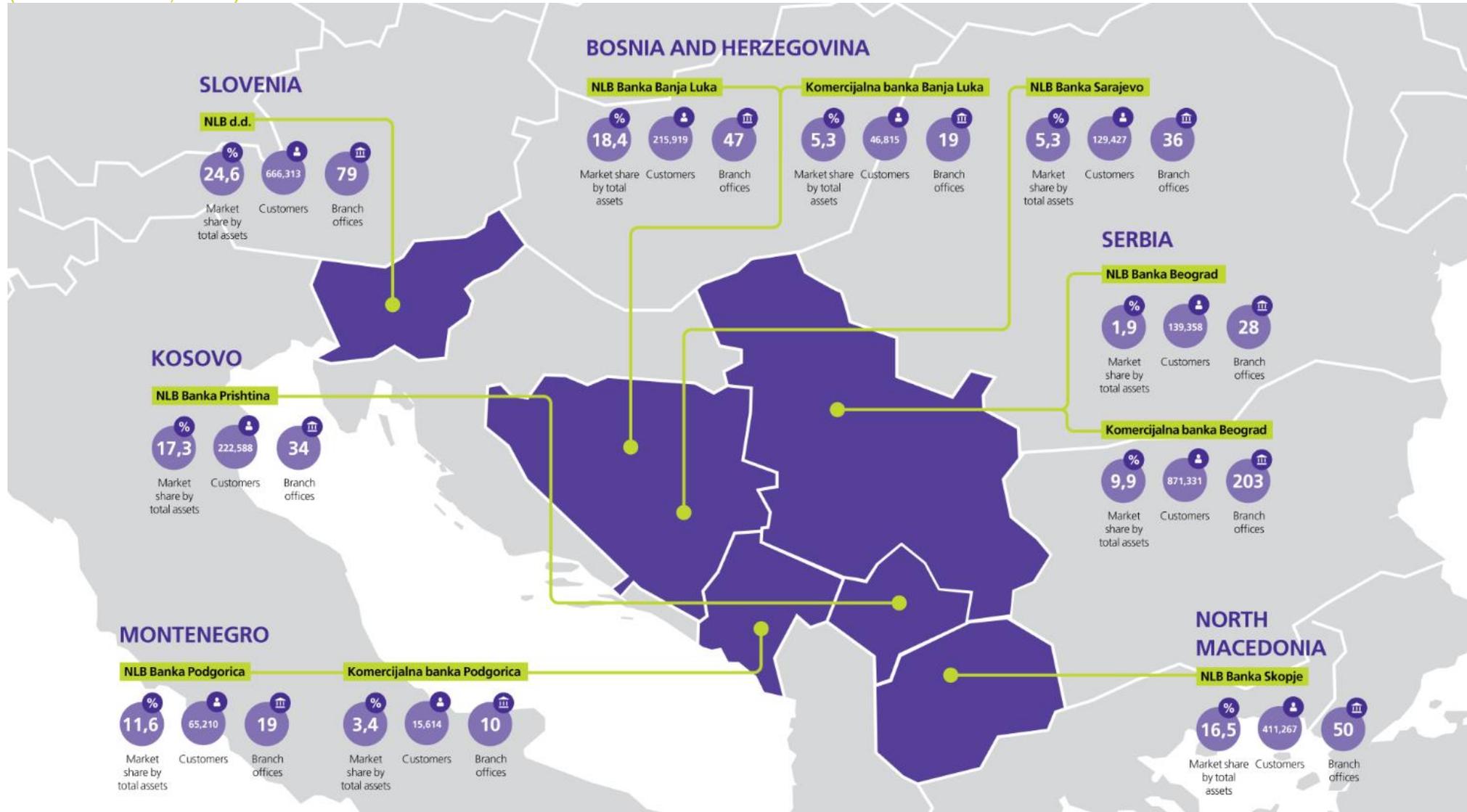
Defend our market position

Exploit **opportunities and synergies**

# NLB group today

## Strong market position and consistent approach to the region

(as at March 31, 2021)



# NLB Group – performance indicators across SEE countries

	 Slovenia NLB, Ljubljana	 North Macedonia NLB Banka, Skopje	 Bosnia and Herzegovina NLB Banka, Banja Luka    KB, Banja Luka    NLB Banka, Sarajevo			 Kosovo NLB Banka, Prishtina	 Montenegro NLB Banka, Podgorica    KB, Podgorica		 Serbia NLB Banka, Beograd    KB, Beograd	 NLB Group Consolidated data*	
As at March 31, 2021	Data on stand-alone basis										
<b>Result after tax (EURm)</b>	<b>39.3</b>	<b>9.7</b>	<b>3.9</b>	<b>-0.3</b>	<b>2.0</b>	<b>5.7</b>	<b>2.1</b>	<b>0.2</b>	<b>1.6</b>	<b>8.3</b>	<b>64.6</b>
<b>Total assets (EURm)</b>	11,338	1,624	838	247	648	898	537	157	671	3,947	19,959
<b>RoE a.t.</b>	10.7%	16.6%	15.4%	-3.2%	8.8%	22.5%	12.2%	3.4%	8.8%	6.1%	13.0%
<b>Net interest margin<sup>(1)</sup></b>	1.36%	3.11%	2.31%	2.59%	2.83%	3.72%	4.02%	4.73%	3.39%	2.33%	2.09%
<b>CIR (cost/income ratio)</b>	62.1%	44.1%	48.3%	85.4%	61.5%	33.4%	62.7%	71.0%	74.2%	69.3%	62.7%
<b>LTD net</b>	51.6%	73.0%	65.8%	89.6%	79.3%	74.5%	86.8%	86.3%	101.9%	51.1%	58.7%
<b>NPL ratio</b>	3.0%	4.9%	2.2%	1.4%	4.6%	2.2%	5.7%	4.1%	1.6%	1.6%	3.5%
<b>NLB ownership (%)</b>	/	87.0%	0.002% <sup>(8)</sup>	83.2%	97.3%	81.2%	99.8%	<sup>(7)</sup>	99.9%	83.2% <sup>(6)</sup>	/
<b>Branches (#)</b>	79	50	47	19	36	34	19	10	28	203	293 <sup>(5)</sup>
<b>Active clients (#)</b>	666,313	411,267	215,919	46,815	129,427	222,588	65,210	15,614	139,358	871,331	1,850,082 <sup>(5)</sup>
<b>Market share by total assets (%)</b>	24.6%	16.5%	18.4% <sup>(2,4)</sup>	5.3% <sup>(2,4)</sup>	5.3% <sup>(3,4)</sup>	17.3%	11.6%	3.4% <sup>(4)</sup>	1.9%	9.9%	/

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

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

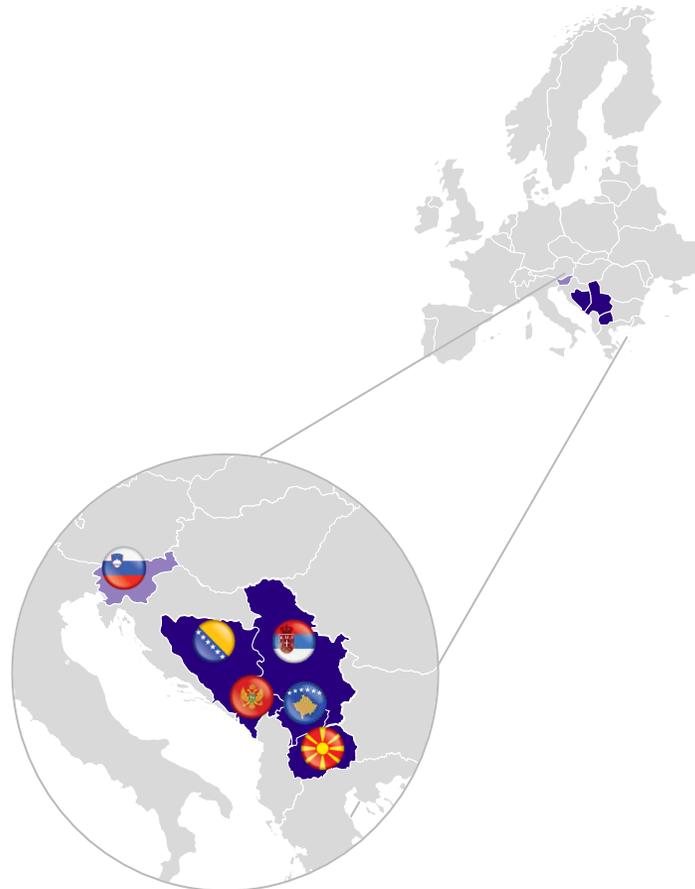
# Macroeconomic snapshot

## Developing region with strong expected recovery

Slovenia 	EUR
GDP (EURbn) / GDP per capita (EUR)	46.3 / 22,088
Real GDP growth 2020 (%)	-5.5
Real GDP growth 2021E (%)	4.5
Population (m)	2.1
Credit ratings (S&P / Moody's / Fitch)	AA- / A3 / A

Bosnia and Herzegovina <sup>(2)</sup> 	EUR <sup>(1)</sup>
GDP (EURbn) / GDP per capita (EUR)	17.4 / 5,472
Real GDP growth (%)	-4.5
Real GDP growth 2021E (%)	3.0
Population (m)	3.3
Credit ratings (S&P / Moody's / Fitch)	B / B3 / n.a.

Montenegro 	EUR
GDP (EURbn) / GDP per capita (EUR)	4.2 / 6,731
Real GDP growth (%)	-15.2
Real GDP growth 2021E (%)	6.5
Population (m)	0.6
Credit ratings (S&P / Moody's / Fitch)	B / B1 / n.a.



Serbia 	RSD
GDP (EURbn) / GDP per capita (EUR)	46.5 / 6,699
Real GDP growth (%)	-1.0
Real GDP growth 2021E (%)	5.0
Population (m)	6.9
Credit ratings (S&P / Moody's / Fitch)	BB+ / Ba2 / BB+

Kosovo 	EUR
GDP (EURbn) / GDP per capita (EUR)	6.8 / 3,801
Real GDP growth (%)	-3.9
Real GDP growth 2021E (%)	4.5
Population (m)	1.8
Credit ratings (S&P / Moody's / Fitch)	n.a. / n.a. / n.a.

North Macedonia 	MKD
GDP (EURbn) / GDP per capita (EUR)	10.8 / 5,188
Real GDP growth (%)	-4.5
Real GDP growth 2021E (%)	4.0
Population (m)	2.1
Credit ratings (S&P / Moody's / Fitch)	BB- / n.a. / BB+

# Banking landscape overview

Underpenetrated and fragmented markets offer further potentials to grow organically and through M&A

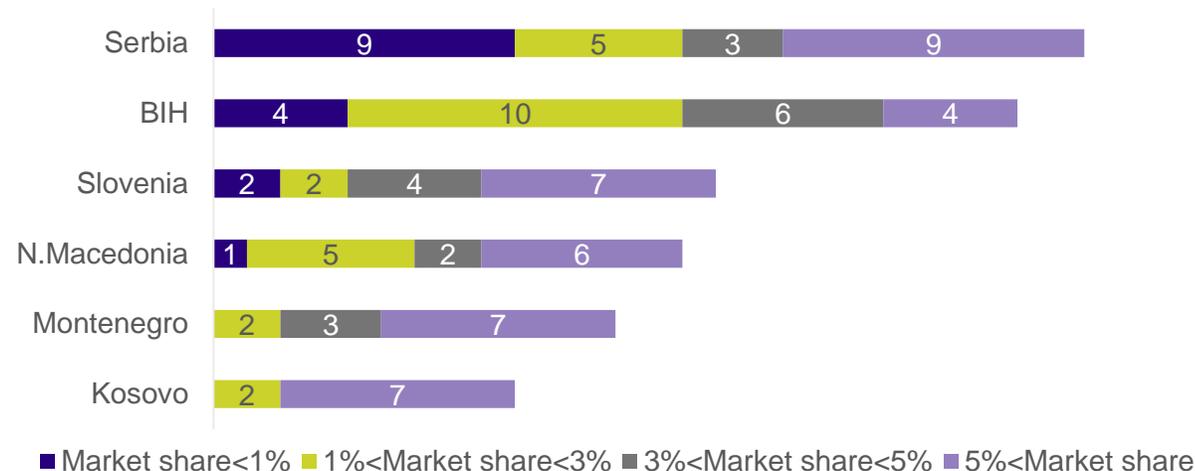
## Credit to households and non-financial corporations

(as % of GDP)



## Number of banks in respective countries within market share bracket

(as at 2019)



## Merger & Acquisition deals in the region

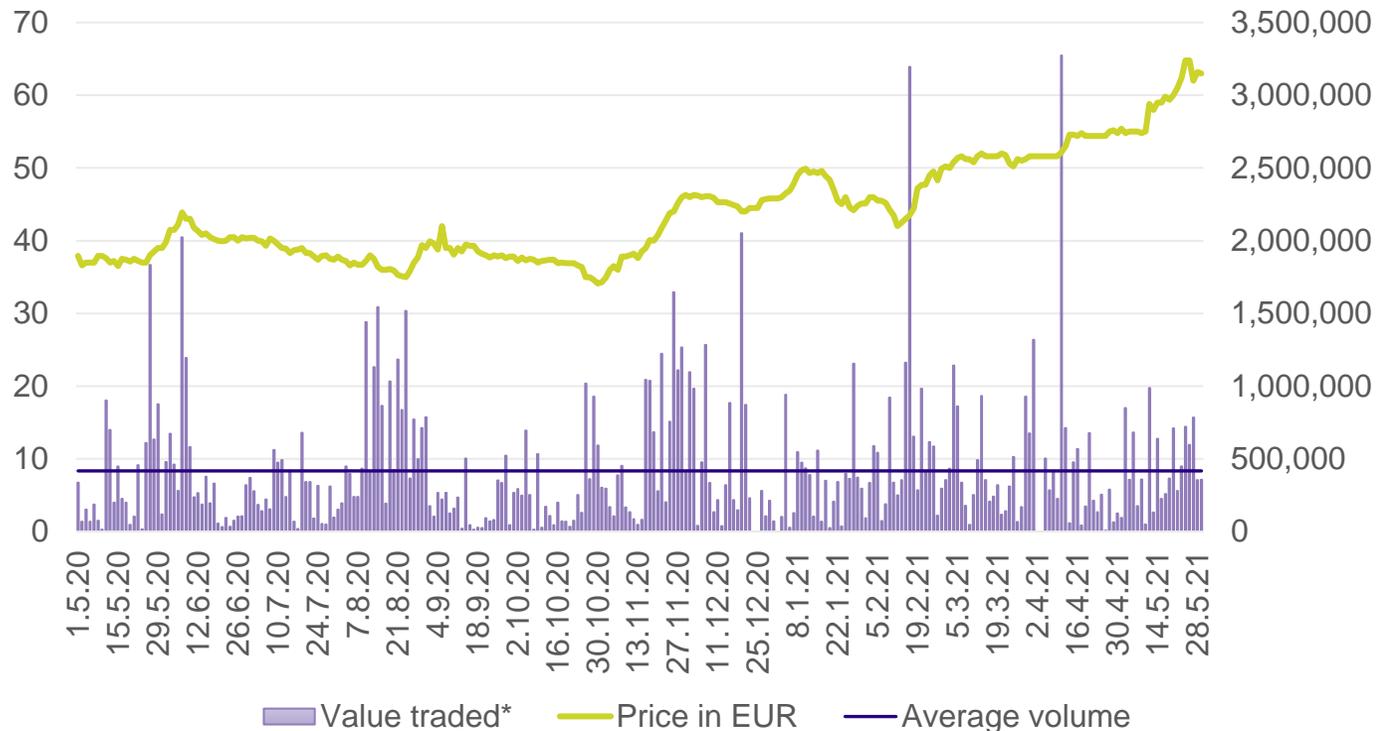
Country	Year	Target	Buyer	% Acquired	Deal Value in EUR mn	Seller
Slovenia	2020	Abanka	NKBM	100.0%	511	Slovenian State
Slovenia	2019	SKB Banka	OTP	99.7%	n.a.	Société Générale
Slovenia	2016	NKBM	Apollo GM, EBRD	100.0%	250	Slovenian State
Croatia	2017	SocGen Splitska Banka	OTP	100.0%	n.a.	Société Générale
Croatia	2015	Addiko Bank	Advent International, EBRD	100.0%	200	Heta Asset Resolution
Serbia	2020	Komercijalna Banka	NLB	83.2%	387	Serbian State
Serbia	2019	SocGen Banka Srbija	OTP	100.0%	n.a.	Société Générale
Serbia	2018	Piraeus Bank	Direktna Banka	100.0%	58	Piraeus Bank
Serbia	2017	Vojvodanska Banka	OTP	100.0%	125	National Bank of Greece

# Shareholder information

The Bank shares are listed on the Prime Market sub-segment of the Ljubljana Stock Exchange and the GDRs, representing shares, are listed on the Main Market of the London Stock Exchange. **Five GDRs represent one share of NLB.**

The Bank's shares **are included in several indices** such as: SBITOP (local), FTSE Frontier, MSCI Frontier, S&P Eastern Europe, STOXX Balkan Total Index, STOXX Eastern Europe 300 Banks and others.

## Share Performance



## Shareholder structure (as at 31.12.2020):

Shareholder	% of Shares
Bank of NY Mellon on behalf of the GDR holders	58.85
of which Schroders Plc	>5 and <10
of which Brandes Investment Partners	>5 and <10
of which EBRD	>5 and <10
Republic of Slovenia	25 + 1 share

## Analyst coverage:

Company	Prime Analyst
Citi	Simon Nellis
Deutsche Bank	Kazim Andac
InterCapital Securities	Dino Durrigl
JP Morgan	Samuel Goodacre
Raiffeisen Bank International	Jovan Sikimić
Wood & Company	Alex Boulougouris

\* Value traded: average value traded on Ljubljana and London Stock Exchanges

# Transformation into Modern Bank



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



Cost optimization: **reducing branch footprint**



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

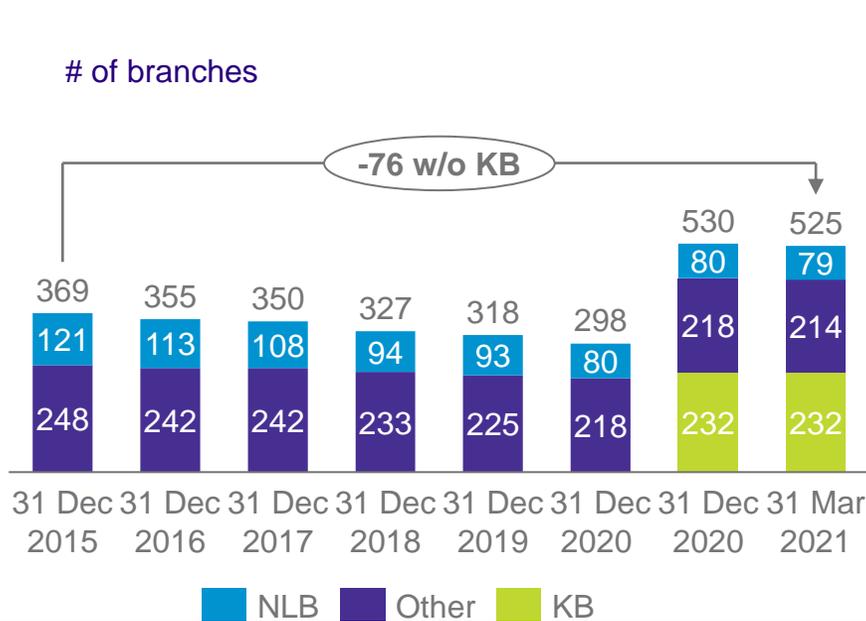


Only bank with **fully mobile express loan capabilities** (Consumer & SME)

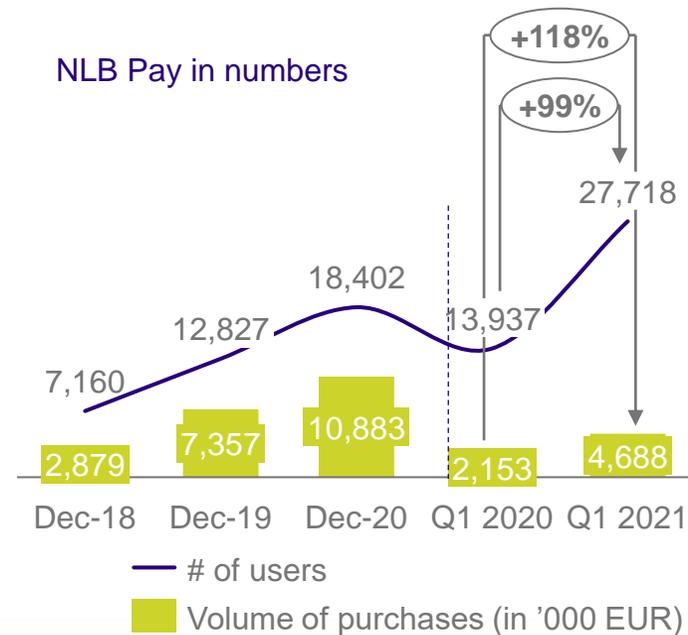


First Slovenian bank to offer **card management** functionalities and biometric recognition to **confirm online purchases** in **mobile wallet**

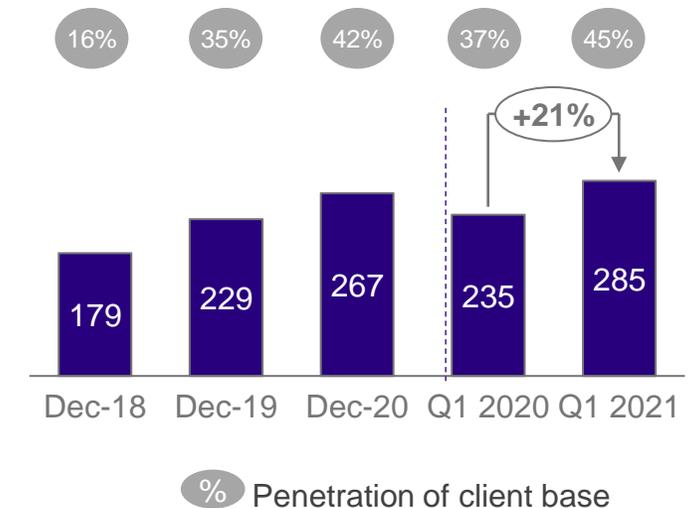
# of branches



NLB Pay in numbers



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



Note: All figures are for Slovenia; (1) Individual users (Klikin and NLB Klik)

# Sustainability

ESG is not something we do, it is something we are





## Key Financials



# NLB Group: Key Financials

in EUR million / % / bps	1-12 2020	1-12 2019	1-3 2021	Change YoY
<b>Key Income Statement Data</b>				
Net operating income <sup>(i)</sup>	504.5	517.2	154.0	-2%
Net interest income	299.6	318.5	97.5	-6%
Net non-interest income	204.9	198.7	56.5	3%
Total costs <sup>(i)</sup>	-293.9	-305.0	-96.6	4%
Result before impairments and provisions	210.5	212.2	57.5	-1%
Impairments and provisions	-71.4	-1.0	15.5	-
Negative goodwill	137.9		0.0	-
Result after tax	269.7	193.6	64.6	39%
<b>Key Financial Indicators</b>				
Return on equity after tax (ROE a.t.)	8.1%	11.7%	13.0%	-3.6 p.p.
Return on assets after tax (ROA a.t.)	1.0%	1.5%	1.3%	-0.5 p.p.
Interest margin (on interest bearing assets)	2.11%	2.48%	2.09%	-0.4 p.p.
Operational business margin <sup>(ii)</sup>	3.32%	3.77%	3.21%	-0.5 p.p.
Cost-to-income ratio (CIR) <sup>(iii)</sup>	58.3%	59.0%	62.7%	-0.7 p.p.
Cost of risk net (bps) <sup>(iv)</sup>	62	-20	-78	82

in EUR million / %	31 Mar 2021	31 Dec 2020	31 Mar 2020	Change YoY
<b>Key Financial Position Statement Data</b>				
Total assets	19,959.0	19,565.9	14,288.3	40%
Gross loans to customers	10,208.2	10,033.3	8,125.6	26%
Net loans to customers	9,824.5	9,644.9	7,759.8	27%
Deposits from customers	16,732.1	16,397.2	11,652.9	44%
Equity (without non-controlling interests)	2,014.1	1,952.8	1,678.9	20%
<b>Other Key Financial Indicators</b>				
LTD <sup>(vii)</sup>	58.7%	58.8%	66.6%	-7.9 p.p.
Common Equity Tier 1 Ratio	13.7%	14.1%	15.4%	-1.7 p.p.
Total capital ratio	16.1%	16.6%	18.5%	-2.5 p.p.
Total risk weighted assets	12,615.1	12,421.0	9,226.7	37%
NPL volume <sup>(viii)</sup>	479.5	474.7	393.5	22%
NPL ratio (internal def.) <sup>(ix)</sup>	3.5 %	3.5 %	3.9 %	-0,5 p.p.

(i) Data for 2019 are adjusted to changed schemes prescribed by the Bank of Slovenia (relocation of some items from net other income to other general and administrative expenses).

(ii) Net income from operational business (NII - Tier 2 costs + Net fee and commission income + Recurring net income from financial operations) / Average total assets.

(iii) CIR is adjusted to changed schemes prescribed by the Bank of Slovenia.

(iv) Credit impairments and provisions (annualised level) / average net loans to non-banking sector

(vii) LTD = Net loans to customers / deposits from customers.

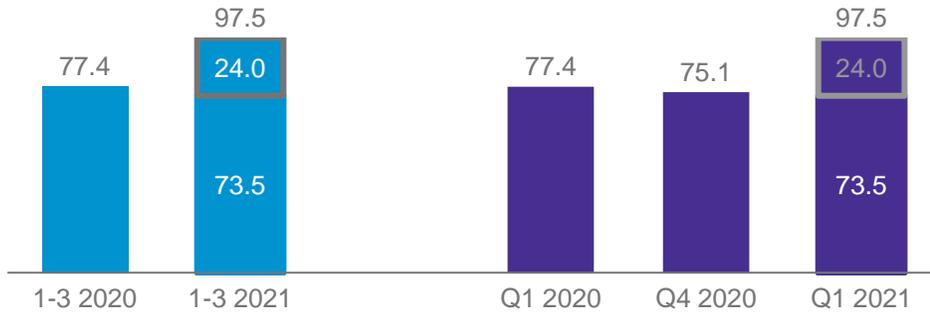
(viii) Non-performing loans include loans to D and E rated clients, namely loans at least 90 days past due, or loans unlikely to be repaid without recourse to collateral (before deduction of loan loss allowances).

(ix) NPL ratio as per internal definition is calculated as follows: (i) Numerator: total gross non-performing loans; (ii) Denominator: total gross loans.

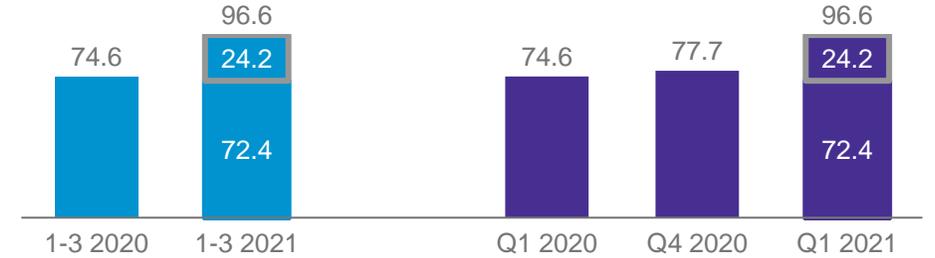
# Revenues and Cost Dynamics

## Strict cost discipline and negative CoR

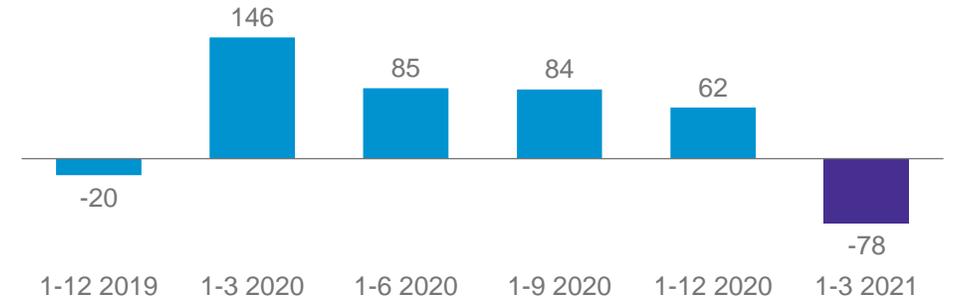
Net interest income (Group, EURm)



Costs (Group, EURm)

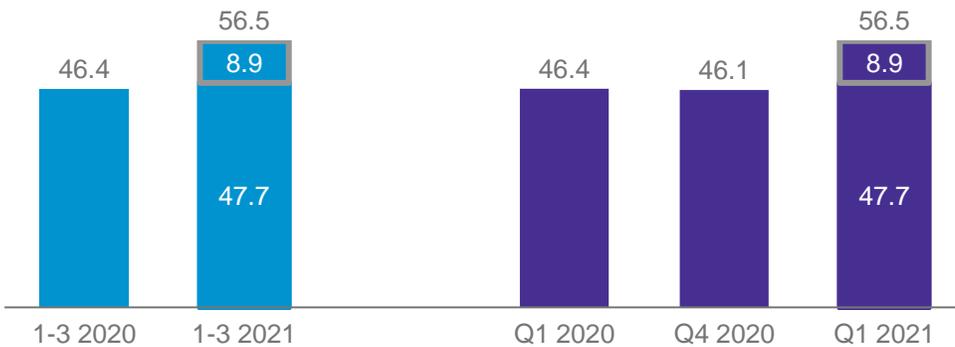


Cost of risk<sup>(1)</sup> (Group, bps)

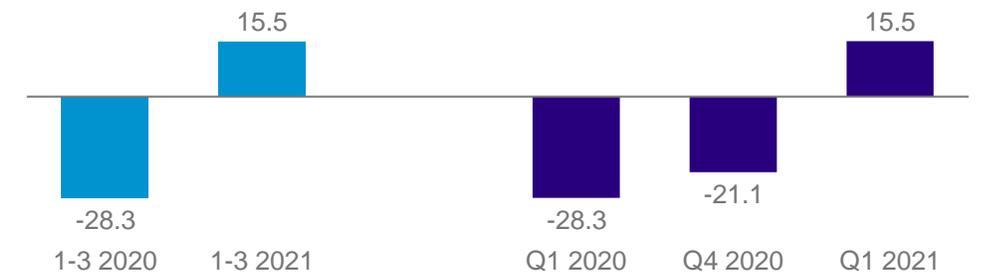


Net non-interest income (Group, EURm)

KB contribution



Net impairments and provisions (Group, EURm)

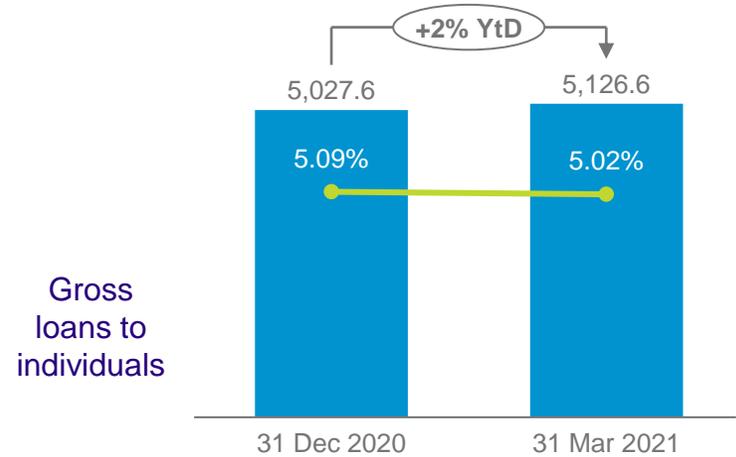


Note (1) Cost of risk = credit impairments and provisions (annualised level) / average net loans to customers;

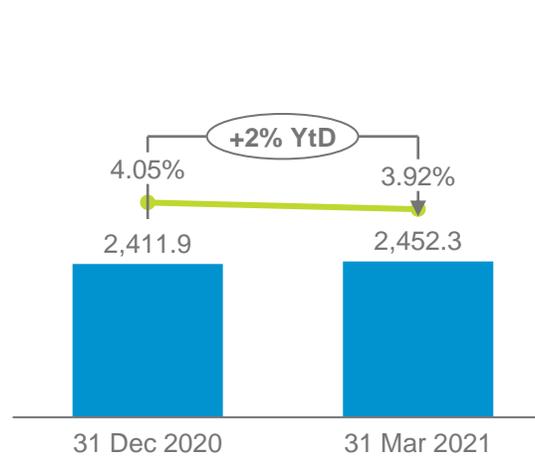
# Loan Dynamics

Solid loan growth with both retail and corporate loans increasing

NLB Group



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



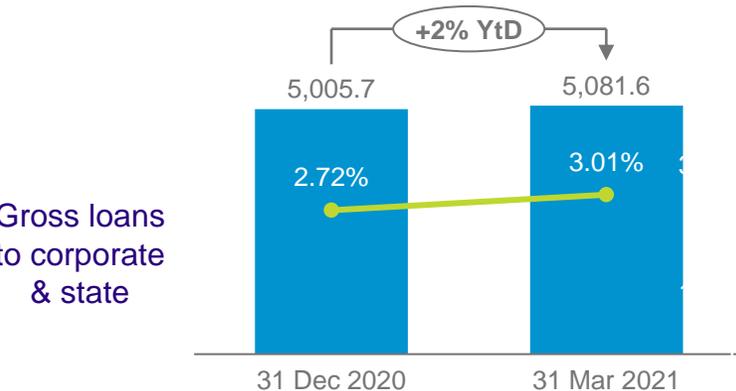
Strategic foreign markets  
w/o KB<sup>(1)</sup>



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



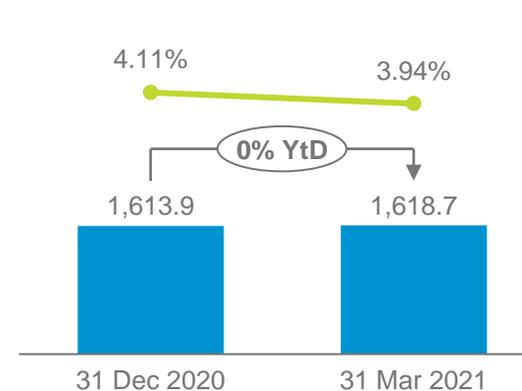
NLB Group



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



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



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



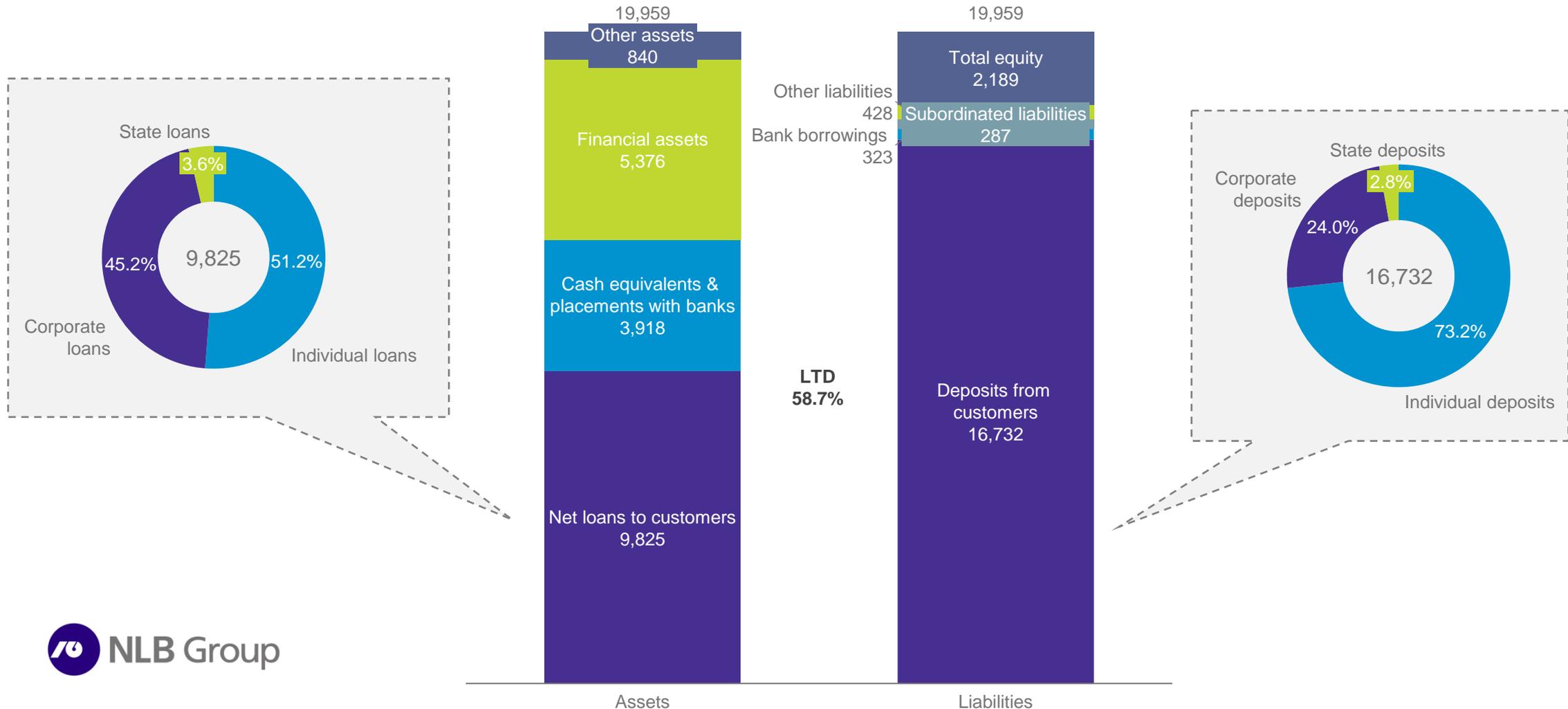
Gross loans Yields

Note: (1) On stand alone basis.

# Balance Sheet Structure – NLB Group

## Deposit driven balance sheet

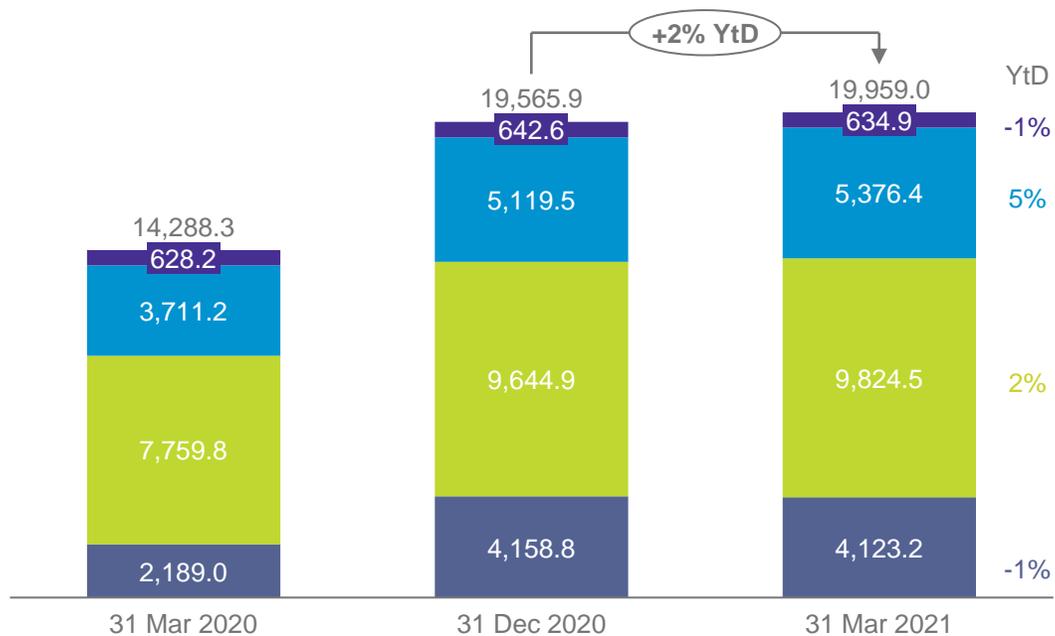
(31 Mar 2021, in EUR million)



# NLB Group Assets

Diversified structure of credit portfolio & inflow of deposits placed with the Central bank

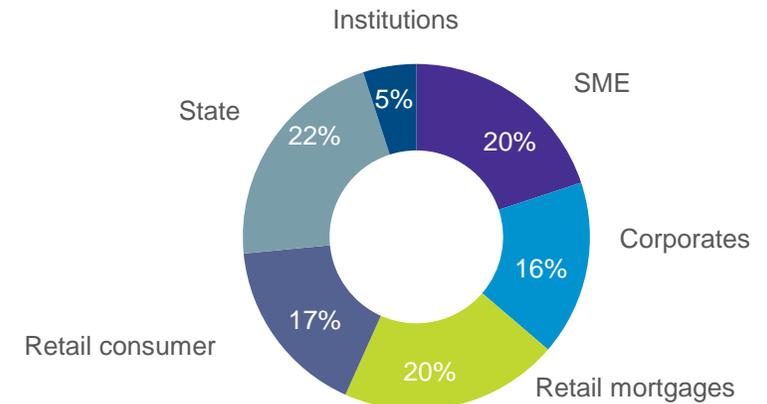
Total assets of NLB Group – structure (EURm)



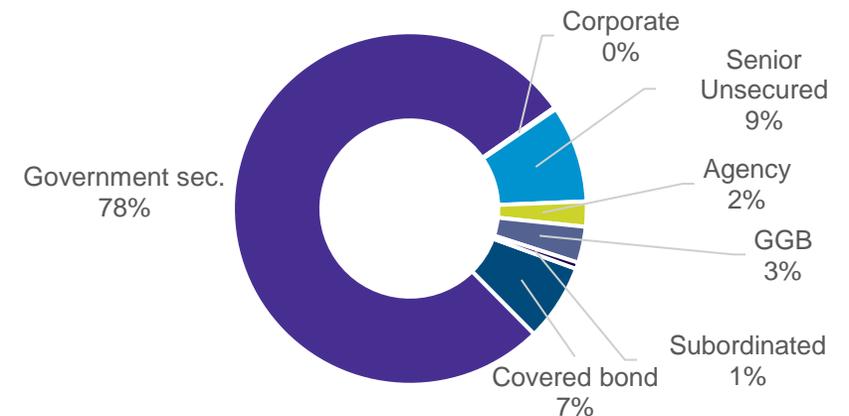
■ Cash equivalents, placements with banks and loans to banks
 ■ Other Assets  
■ Net loans to customers  
■ Financial Assets



Credit portfolio by segment <sup>(1)</sup> (Group, 31 Mar 2021)



Banking book portfolio by asset class <sup>(1)</sup> (Group, 31 Mar 2021)



Notes: (1) Including data for Komercijalna banka.

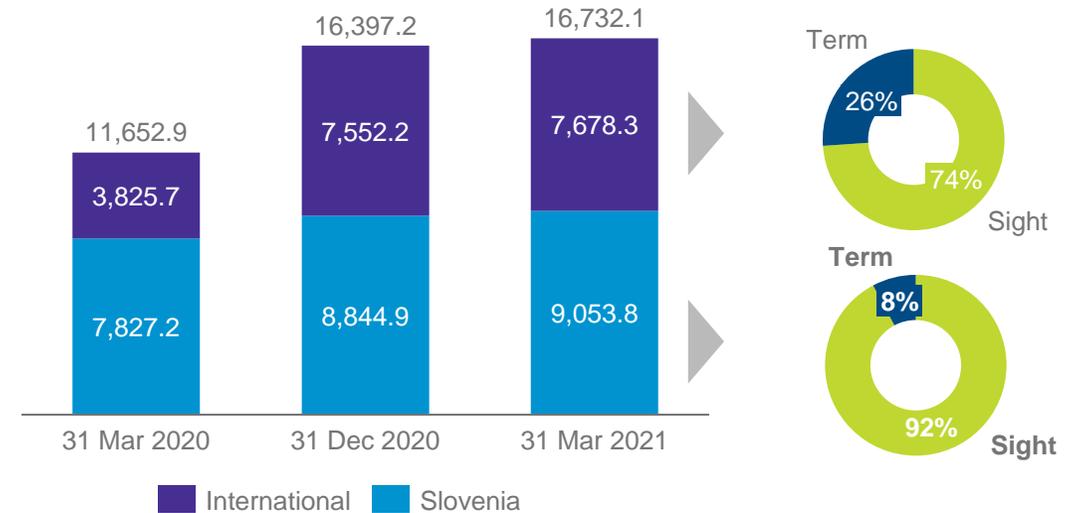
# NLB Group Liabilities and Equity

Strong deposit growth continues, driven mainly by individuals

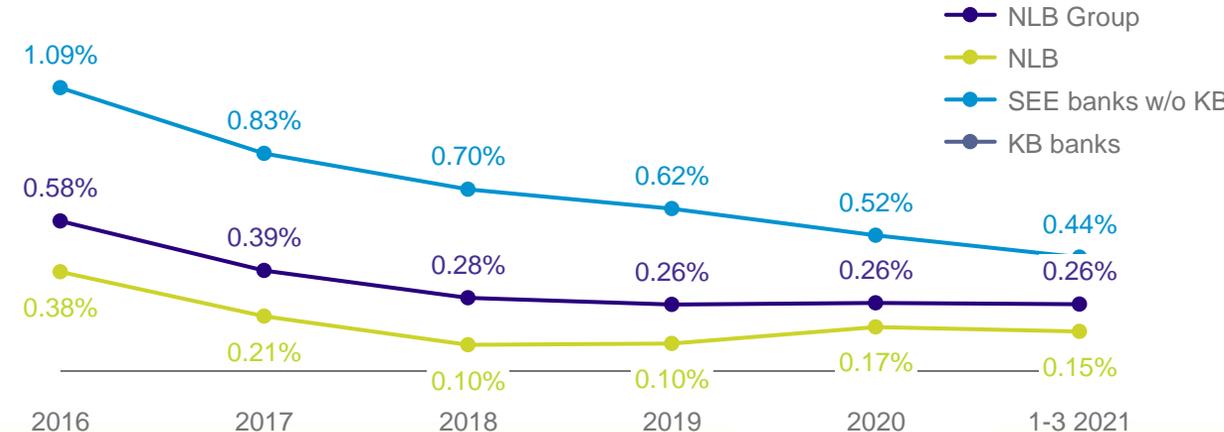
Deposits accounting for 84% of funding (Group, EURm)



Deposit split (Group, EURm)



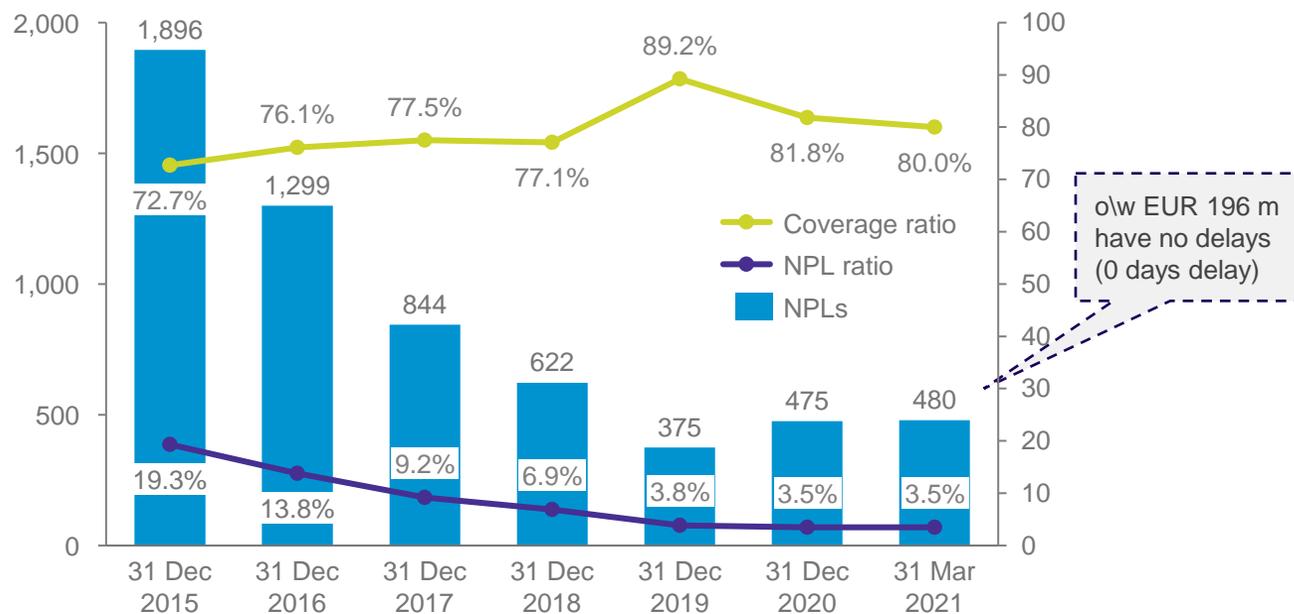
Average cost of funding (%)



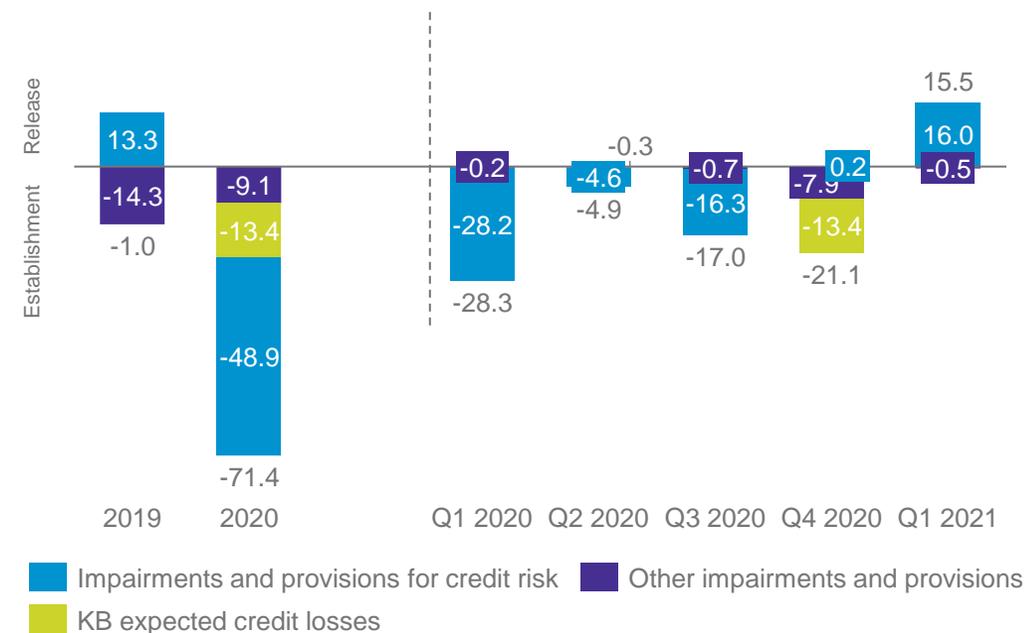
# Asset Quality and CoR

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

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



Impairments and provisions (Group, EURm)



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

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

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

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

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

# Decisive Response to COVID-19

By the end Q1 2021 78% of moratoria expired

(in mio EUR)

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

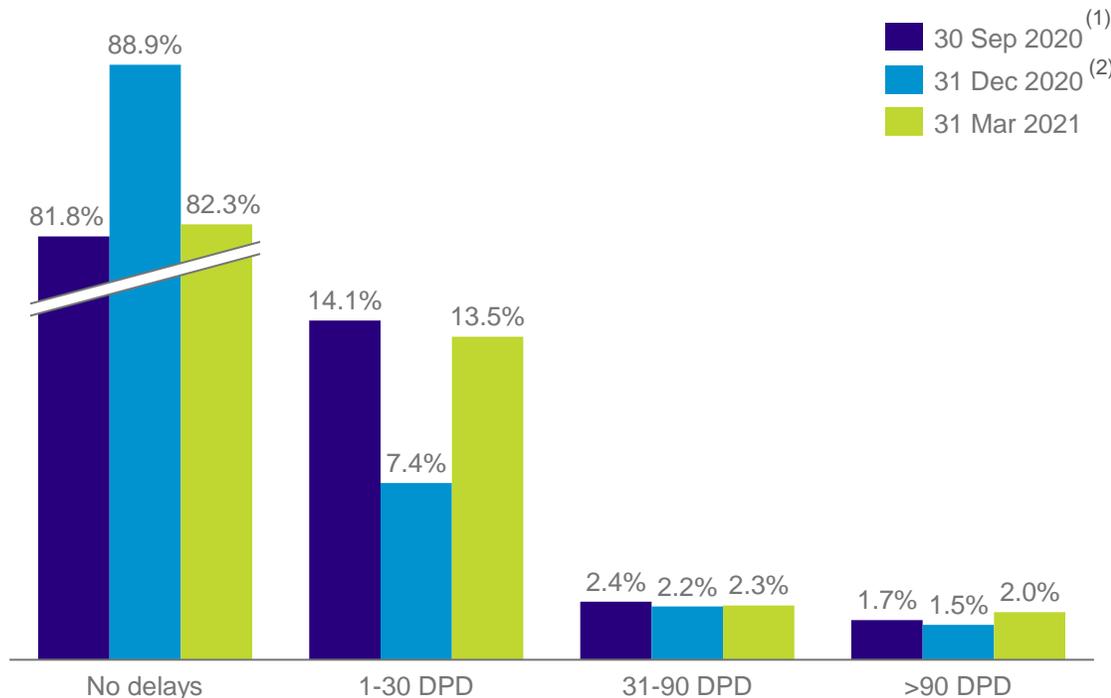
On **NLB Group level (including Komercijalna Banka group) EUR 2,284 million moratorium approved**, 46% to Non-financial corporations and 53% to Households. Moratoria were granted for the period between 3 to 12 months. **By the end Q1 2021 78% of the granted moratoria already expired.**

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

# Performance of Portfolio where Moratoria expired

More than 82% of expired moratoria clients have no delays

% of DPD in total expired moratoria



## PERFORMANCE OF EXPIRED PORTFOLIO – encouraging trends:

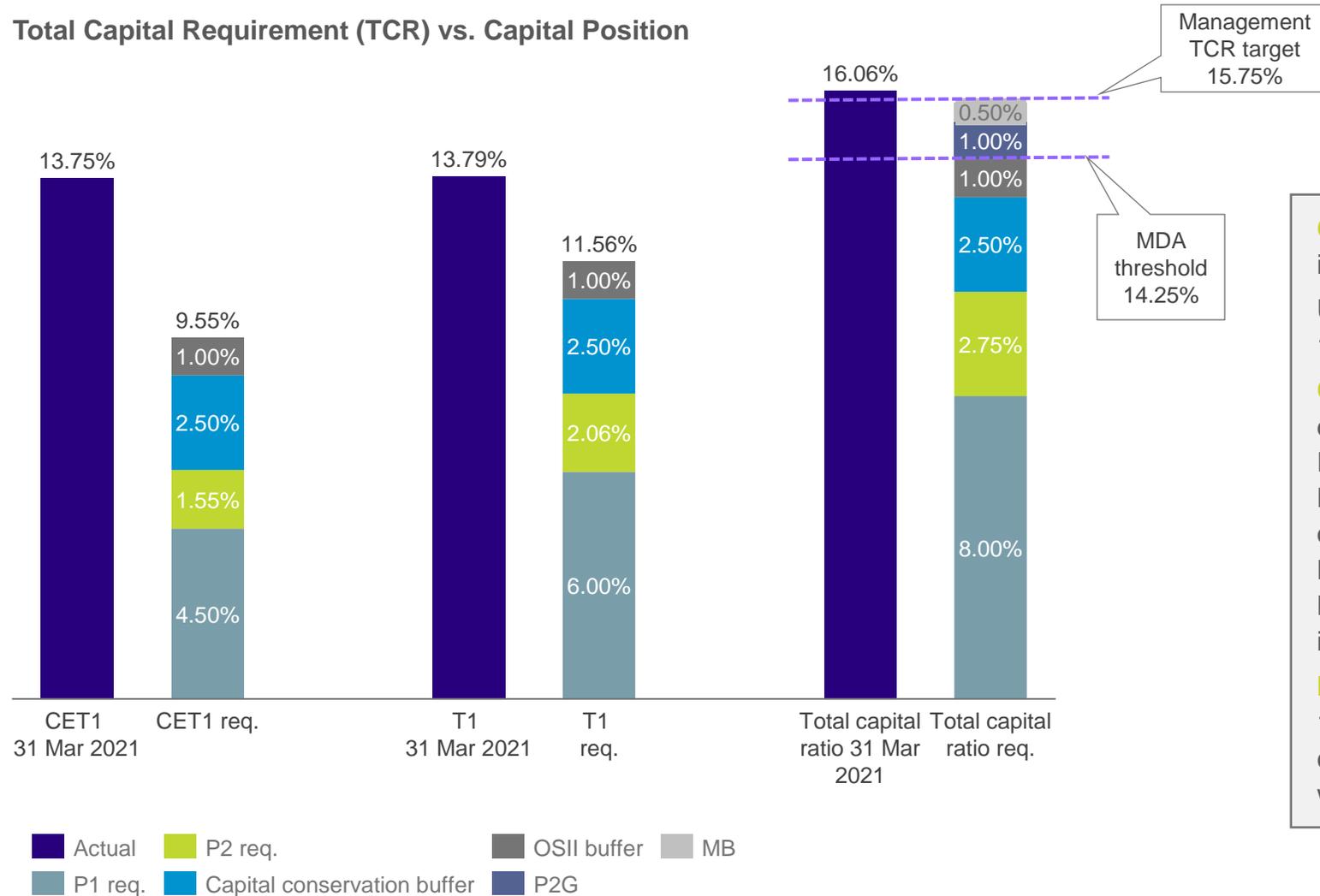
Out of expired portfolio, we observe that more than 82% of exposure have no problems with servicing their obligations.

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

# Strong capital position

Increase due to NGW inclusion to further support strong growth ambitions

Total Capital Requirement (TCR) vs. Capital Position



**Capital position** above all regulatory requirements including P2G.

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

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

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



## Acquisition of Komercijalna banka – **Becoming a Regional Champion**

# Transformational Deal: Becoming Leading Player in SEE

## Franchise value enhancing transaction in Serbia



KB strengthens our position as one of Serbia's leading financial services provider.

KB enhances NLB Group's market share and presence across the country

	Before acquisition	After acquisition
Market share by total assets <sup>(1)</sup> %	1.9%	over 12%
No. of branches 	28	231



KB supports growth capacity and funding flexibility with stable core deposits and strong capital position.

KB adds new customer relationships as well as delivers our comprehensive range of products and services to an expanded customer base

	Before acquisition	After acquisition
No. of active clients 	141,866	991,354

# EPS Accretive Acquisition from 2022

New business opportunities to generate additional revenues

Strong enhancement of shareholder returns. EPS accretive >30% (2022 run-rate)



Strong contribution of Serbian market to Group's a.t. profit ~ EUR 100 million in 2024



Post merger after tax synergies quantified at EUR 21 million p.a. At run-rate in 2022



Increased efficiency CIR lower by 250 bps from 2023



Approximately 2/3 of integration costs (EUR 31.2 million) will occur in the first year



Planned integration of two banks in Serbia by Q2 2022



# Dividend Capacity Remains a Key Driver to our Equity Story

Dividend distribution in 2021 – 2023 exceeding EUR 300 million

## 2021 Dividend:

- approval received for EUR 25 million as per ECB's limitation currently in place;
- ambition to distribute 70% of 2020 group profit excl. NGW – **EUR 92.2 million.**

Ambition to distribute in **excess of EUR 300 million** in **2021-2023**



## Closing Remarks

# Outlook

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

# Additional Information

Access our financial reports, presentations, webcasts, key financials and other relevant information [here](#).

If you have any questions or would like to have further information, please contact our team:

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## Financial Reports

Select year: 2020 ▼

### Annual Report

[Annual Report 2020 \(PDF file\)](#)  
[Annual Report 2020 \(XBRL Zip file\)](#)  
[Annual Report 2020 \(XBRL viewer\)](#)  
[Pillar 3 Disclosures - December 2020](#)

### Interim Reports

[Interim Report - September 2020](#)  
[Pillar 3 Disclosures - September 2020](#)  
[Interim Report - June 2020](#)  
[Pillar 3 Disclosures - June 2020](#)  
[Interim Report - March 2020](#)  
[Pillar 3 Disclosures - March 2020](#)

### Presentations

[NLB Group Presentation - FY 2020 Results](#)  
[NLB Group Presentation - Key Unaudited FY2020 Data](#)

### Key Financials

[Key Financial Data - FY 2020 Results](#)  
[Key Financial Data - Q3 2020 Results](#)

### Webcasts

[Key Unaudited FY2020 Data Presentation \(Video\)](#)  
[Transcript of the Key Unaudited FY2020 Data Webcast Presentation](#)