



# **NLB Group FY 2021 Unaudited Results**

24th February 2022



Hello everyone, thank you for your patience and welcome to the Management Board of NLB Webcast where they will present the key highlights and business performance of NLB group for 2021. Today presenters are Blaž Brodnjak, CEO, Archibald Kremser, CFO, Andreas Burkhardt, CRO. This presentation will be followed by the Q&A session. If you would like to ask a question you can do it any time during the event. If you are joined via the Webcast please use question tab located above the slides. If you have joined via conference call please press star followed by 1 on your telephone keypad. Before we go on we would like to draw your attention to the disclaimer on slide 2 of the presentation. So by this I pass the word to Mr. Brodnjak, please go ahead.

Blaž Brodnjak: Thank you very much. It is difficult to hold a call in such circumstances obviously and talk about performance of the bank in last year while your hearts are with suffering people somewhere else, but so be it. We are pretty much very happy actually with last years' performance and the trends have been continuing this year as well. So this has been in many many dimensions a breakthrough year for the banking group turning positive incline perception, winning awards such as the advertiser of the year, such as the stock of the year in last year and so on. Continuing strong digitisation agenda and the ESG agenda as one of the peer pioneers definitely in the region, but above all delivering very robust recurring result in practically all client dimensions. For example just the growth of the market share in housing loans in Slovenia has been at the level of 1.9 percentage points in a single year which is enormous achievement. We have been growing market shares also in consumer lending despite the total book has been decreasing given the macroprudential restrictions from the Bank of Slovenia, but generally NLB has been improving its market position. And this was similar in corporate lending in Slovenia and other markets also in the region. So very strong organic evolution, very good progress also in delivering the integration of banks in Serbia, in the meantime selling obviously one bank in Republika Srpska and successfully integrating already banks in Montenegro. So delivering practically in all dimensions also the revenue and being still rational when it comes to cost. Clearly couple of one-offs in the last quarter which we announced related to the integration and restructuring efforts in Serbia on one side and on the other hand certain legal challenges coming from the region, but all within managed more or less dimensions. There have been obviously some surprises coming beyond the balance sheet dates, such as for example introduction of the Swiss Franc law in Slovenia which will be challenged as of Monday in front of the Constitutional Court of Slovenia and we would have high hopes that this law would at least get suspended if not then fully annulled, but clearly we need to sit and wait how this plays out. Otherwise NLB has been very solidly positioned from recurring as mentioned organic evolution and more or less analysing eventual opportunities, depending on the outcome on Swiss Franc law actually of course defining the potential capacity for inorganic growth. From recurring and organic evolution very strong opportunities ahead of us we believe. And of course, not simply ignoring what is happening today and in last days of course certain instabilities are lying in front of us, but any such instability in crisis on the other hand can also of course introduce certain opportunities which the bank might of course actively address. So just as a short summary very strong year, especially in recurring result terms in both clients' segments in practically all geographies and significant breakthroughs in public recognition. The bank has again become the most reputable



bank in Slovenia which is one of the really important milestones given the fact that we have been you know more or less an anchor point for negative publicity for a decade and now actually there has been very very limited negative publicity around NLB Group and furthermore being recognised as I said before pioneer in ESG efforts and digitisation efforts again. So from this point of view very solid performance and I mentioned the beginning of the year is pretty strong as well. Of course, we now have high hopes that we will see stability in Europe when it comes to the Ukrainian situation on one side and of course with that related impacts on the energy pricing and availability of energy sources and so on, but on the other hand again for the region of South-eastern Europe we would hope there would be no material implications rather even more opportunities to position itself within the global re-shift of supply chains. By that I would pass the word to Archibald to guide you through the key numbers. Andreas will speak about asset quality and then I will wrap up at the end and of course we will be available for any questions. Thank you.

Archibald Kremser: Thank you Blaž. Well in a nutshell financially speaking NLB Group had a great year in all dimensions, much as that we fundamentally strengthen the underlying business performance with visible improvements on all key business lines from retail, corporate and importantly growing revenues in these areas, both interest and non-interest income. On top of that we also very successfully progressed in the integration of KB Group and actually even absorbed the restructuring charges, a large part of the restructuring charges with extraordinary income both from Serbia, but very much still from NPL resolution resolve throughout the year. So in this sense also Q4 was extraordinary both in positive terms. Also in booking finally the announced restructuring charges in relation to KB. And so in this sense Q4 was of course affected and burdened with these restructuring charges, both the straight restructuring charges and as well the effect from the divestment of the KB subsidiary in Bosnia. But by and large it was really a great financial performance and we are really particularly proud that the underlying business performance is robust, strong and giving really rise to hope for more to come as we are absolutely programmed for growth. Of course important pillar in revenues interest income and clearly all eyes on the rates environment also of course from our side. In this sense we are also slightly optimistic that finally the long term low environment to some extent is over, we are starting to reprice assets also on the regular business side, retail and corporate of course. You see a relatively stable margin and operational business margin evolution throughout the year, slight uptick in Q4 with realisation of small contribution from TLTRO repayments, but nothing material, but robust performance on the main business lines and that is something we are really very very proud of. You see this in the absolute numbers, both interest income and non-interest income. Very solid growth, if you look 10 percent even without Serbia growth in fee and commission income is I think really impressive result, so congratulations to the colleagues in Business achieving this impressive performance. Fee and commission income 15 percent actually YoY result KB. Overall of course non-interest income is effected year by divestment of certain assets in Q4 in particular of course you see the effects of the sale of KB Banja Luka in this number, but very very robust fundamental business performance. On the cost side again if you take out seasonal effects and one-off charges we are very very solidly performing with cost containment as we call it and that means we finance the necessary investments in skill and

technology through rationalisation efforts that are continuing as we speak and you see in front of yourself a quite visible reduction already from both staff and branch count. This is of course something that will continue. Q4 in itself we have of course some seasonal effects, so Q4 is traditionally a bit more cost heavy with cost recognitions. On the other side bonus payments are being recognised in this quarter, of course they are subject to performance, but this year was a great performance so you see a bit of an uptick in this sense of variable HR cost element, but by and large the underlying cost remains very strong and of course that is continued focus going forward. Not to repeat the essence of very solid business growth, you see it here pretty much in all dimensions, especially I think noteworthy the very strong growth of retail books in excess of double digits. What makes us particularly happy also visibly in Slovenia of course with main contributions coming from the mortgage market or housing market and still a relatively benign development in consumer finance given restrictions in Slovenia. Also I think noteworthy is now visible growth also in Serbia and you see also a quite healthy development both on retail and corporate even in the double digits, retail in high single digits and here of course we expect acceleration going forward. All other markets from our point of view really very very nicely performing both retail and corporate and in this sense we actually visibly exceeded our guidance of Group level growth on the loan side. Capital unchanged, very strong position, well in excess of, of course, regulatory and risk appetite needs and obviously there is no immediate need to engage in capital measures, but we are indeed considering to even stock up on our current strong position to be simply ready for all growth opportunities, be it organic or not organic. By that I would pass the word to Andreas on asset quality.

Andreas Burkhardt: Thank you Archibald. As mentioned already by Blaž at the beginning, I mean this was a good year and it was also a good year for asset quality. The distribution between the countries you know a little bit uptick last year here for Slovenia, Blaž mentioned strong development here. On the segmentation obviously here also clearly visible is the good performance for retail mortgage loans. And if we come to staging actually it continued what we saw throughout the entire period now. The impact of Covid in reality is very limited, so first of all the stage development is very moderate and on the other side also what we had before Covid in the rating system proved to be really robust and reliable indicator because if you map it to ratings the portfolio behaved also very very in line with what you would have predicted. When we talk NPLs, last year was again I have to say pretty successful in a sense that we were solving a lot of old cases, actually to a surprising extent almost, so we ended up with non-performing loans of EUR 367 million that is 2.4% whereas we have to say that some 40% of that are without zero delays. And as you know already cash coverage and general collateral coverage is strong and this obviously also didn't change last year. In last year we have been releasing provisions on net base, so credit risk provisions that is minus 41 bps that is quite a change to the previous year, in 2020 we saw some Covid impact obviously. And you remember we had there 62 bps cost of risk, so positive. By the way that is wrong in the chart, our Investor Relations will correct that so that is missing in the comparison. But again 2021 was very good and on the other side we had some restructuring charges and legal provisions, Archibald already mentioned it before, but overall obviously still a very good result from here. With this I am closing the risk part for now

and would hand actually back over once again to Archibald for some more details on KB integration.

Archibald Kremser: Thank you Andreas. Well speaking of KB the preparation for our big milestone in April are in full swing these days. Clearly is now very much focus on technical pieces because many other elements are in place, so the legal merger is pretty much prepared. HR integration is to a good extent not implemented obviously, but prepared, so we have a robust setup here. And all key appointments are identified. Of course we have been running already quite visible headcount reduction, so that is to some extent continuing and will continue also after the merger. We are already in deep preparation for the post-merger phase with substantial improvement of the process environment, in particular with focus on branches that is a project we just launched. Obviously will immediately after the merger start heavily investing in digital enhancements of the business. So plenty of things have happened, plenty of things still to happen, but of course at the moment fully focus on the technical integration and making sure this process runs smoothly. You know we had one successful merger already in Montenegro on the same or similar technical platform, so in this sense we are quite confident that we are in charge of the process. But still it is a complex exercise and of course there is no margin for error, so we are really putting a lot of emphasis in the efforts both from the colleagues on the ground as well as external support. The equation on the financial side hasn't changed much, so in this sense I am not going to dwell too much, you know this slide, we are pretty much at 50% of the charge rate in terms of integration costs and we don't expect bigger surprises. Actually if anything we have been positively surprised, especially also from NPL resolution coming actually better than expected in particular from the Serbian book. So in this sense still not every box ticked off, but a lot of confidence in the process and of course all eyes on realising the potential in this for us very important market. By that I will hand off to Blaž on the outlook.

Blaž Brodnjak: Thank you Archibald. I mean in this uncertain time it is of course now difficult to fully stick to what you are saying since no one knows how this Ukrainian situation is going to play out. Our hopes lie with you know South-eastern Europe not really being affected beside eventual shortages of gas supply or some other you know commodity shocks, but generally we have been actually the beneficiaries of the insourcing of global supply chains back to Europe and there has been significant demand for production capacities throughout the entire region of ex-Yugoslavia and of course we are very well positioned to simply be part of this shift. So what we are showing here obviously is assuming normalisation and is assuming clearly you know normal recurring evolution, finalised integration in Serbia and this is clearly purely organic scenario. There has been another uncertainty when it comes to the results which is directly linked to the Swiss Franc law just adopted in Slovenia and coming to force tomorrow. So there will be filings for suspension of the law and Constitutional assessments from the banks following on Monday already and as mentioned there would be high hopes that there would be at least a suspension which would potentially of course not require provisioning and by that of course no impact to be it P&L capital and of course capacity for you know growth and dividend pay-outs. So this scenario assumes pretty normal evolution, so Swiss Franc issue will not jeopardise by



any means capital adequacy of the bank and of course the bank can still afford to pay out dividends. On the other hand clearly we have by that subdued potential for the growth through the M&A and more aggressively eventually then you know was so far perceived as the plan scenario. So in this respect I believe this is a solid enough indication of what we plan in sense of pretty much normal environment and by that we believe this is still a very strong performance. We are talking about normalised ROEs of 12% clearly, we have to understand that there is significant dividend stock potential and that there is still significant clearly stock of capital available for growth which we do see and feel. So practically double digit growth of retail books across the board and corporate demand picking up. And especially in Serbia after beyond the integration we really already are seeing the growth, but we would see even significantly higher chance for growth. And then allowing obviously for better results in terms of bottom line and of course dividend pay-out capacity on one side, but of course further leverage to the growth. Our agenda of efficiencies and digitisation and of course the entire shift towards the digital not only channels, but hopefully also higher usage of our services through these channels. And then of course ESG component is becoming more and more dominant, so in this respect the bank will be focusing on this territory and will be you know communicating pretty ambitious roadmap with committed deliverables from this roadmap and by that we believe we will be really improving quality of lives in the region and of course also conditions for conducting business in the same part of the world which we call home. By that I would wrap up the presentation and would kindly invite everyone to the investor day, the first ever in history consciously organised in Belgrade on 12 of May. This should cater for easier logistics given of course the connections of Belgrade with the world on one side, but we believe it is worthwhile showing everyone you know the most promising market and Belgrade itself being the largest city in the region on one side, but very propulsive growth indicators and prospects. And then of course Serbian market as such after the acquisition of KB becoming besides Slovenia actually the second most important with very very solid growth opportunities. And we are welcoming you all and inviting you and hopefully you will be able to take time and see us live in Belgrade. By that we are coming to the Q&A session. In the meantime obviously our PR team and IR team is available to any of your subsequent questions or clarifications, but of course we will gladly be responding to eventual ones right now. Thank you.

Thank you. If anyone would like to register a question please press star followed by 1 on your telephone keypad if you have joined the conference call. If you would like to withdraw your question press star followed by 2. If you want to ask a question please ensure that you are unmuted locally. And we will come to Webcast questions after. Our first question is from Simon from Citibank. Simon, your line is open, please go ahead.

Simon: Hi, thank you very much for the call and well done on the results. I guess my first question is really on your dividend payments outlook. I think you have given pretty specific guidance for a 100 million out of this year, well last year earnings and a 110, but given that your SREP ratio has come down and you have quite a bit of headroom do you think you could pay out higher

dividend than that if I don't know maybe in the future things come out better than expected? If you could comment on that that would be very helpful, thank you.

Blaž Brodnjak: This depends a bit on the growth opportunities. So we believe that the pay out of dividends as signalled has been pretty high, especially the correction of the price is happening, but on the other hand this crisis as I mentioned at the beginning might introduce certain opportunities that we have not been thinking of before. So there might be some other strategic or non-strategic investors in the region reconsidering their position which might introduce certain opportunities for M&A also for the NLB Group. There is nothing concrete as we speak, but in the upcoming months situation might unfold a bit. So the dividend pay-out is in direct relation with the assessed growth opportunities for you know value accretive improvement of the market position and by that of course also midterm and long term benefit of stakeholders. So this would be the general principle, it is too early to talk about dividend and of course we are committing to what we are communicating here and more would only be more or less considered in case we wouldn't see any more relevant opportunities for value accretive growth. Yet we do believe that we have significant opportunity to grow both organically and eventually through M&A. That would be my view, Archibald you might add something?

Archibald Kremser: Nothing to add other than it is consistent if you remember with our original announcement for the 2023 period with accumulated dividend flow of 300 million. In this sense we didn't change anything. And as Blaž said already at that time it was clear that both positive and negative events could happen, I mean Swiss Franc is of course burden if you look at it if it comes to effect. Also we strongly believe it shouldn't come to effect, but it could become a burden on one side and on the other side as Blaž said that would be good use of capital still. So in this sense I think we are consistent and leaving room for manoeuvre.

Simon: In longer term you used to have pay-out ratio target of 70% so is that kind of off the table for now?

Archibald Kremser: I mean listen, we have a target capitalisation ratio and that guides our thinking to a large extent, it is just short of 16%. Of course you know if we were sustainably above target we would increase also pay-out ratio if what Blaž said there is no other use for capital of course there is no need to retain it. So it is a bit of a balancing act which is why quite early on we said we put on the cumulative cash target and this is what for the time being we still believe we can stick to. But of course we will not be slave to numbers, we will always act rational and in the interest of shareholders. At the moment there is no news if you want and so we simply stick to current outlook. We are by the way working of course on maybe more elaborated view on that for the investor day which for sure will be a forum to discuss this also live with our investors hopefully.

Simon: Ok that is my main question, thank you very much.

Thank you very much. Our next question is from Mehmet from J.P. Morgan. Mehmet, your line is open, please go ahead.

Mehmet: Hi, thank you very much for the presentation and thank you for taking my question as well. I just have one question on your interest rate sensitivity which you have very helpfully provided on slide 27. Can I please ask what you have assumed in your guidance for 2022 and 2023 in terms of the ECB interest rates? And secondly is this sensitivity relating to the whole Group, so also parallel shift in countries such as Serbia and so on or is this just Euro zone? Thank you very much.

Archibald Kremser: So in essence this is always of course a Group view and ECB there is no specific move of ECB envisaged here. What we typically do is look at the Euribor positions and Euribor sensitivities and this is pretty much what you see reflected in these numbers. So no specific ECB moves.

Mehmet: Ok and would you have any colour on what percent, I mean what the sensitivity would be just from the ECB?

Archibald Kremser: If you look at our cash position it becomes very much straight forward, I mean there is roughly let us say short of 2 billion position that is sensitive directly to ECB and so you run the numbers.

Mehmet: Great, thank you. And just to confirm in your guidance there is no interest rate moves assumed for now by the ECB?

Archibald Kremser: No ECB moves no.

Mehmet: Ok great, thank you very much.

Blaž Brodnjak: Just as information there is 3 billion approximately long Euribor position as well and you can make your math as well here.





Archibald Kremser: In short as all other banks and that is why I was mentioning on the rates environment, I mean so far we have survived and actually been growing rates revenues even in this extremely challenging rates environment. Now rates environment might recover somehow and for us of course predominantly that is an opportunity. The risk we are watching is you know no sudden moves, we wouldn't like to see sudden moves, you know rates inflation or any of the other indicators because turmoil and volatility is nothing none of us would like. But if there was a gradual increase of rate environment of course for all banks that is great news including us. So that is for sure ROE upside in a range of 100 bps easily.

Mehmet: Ok, thank you very much.

As a reminder if anyone would like to register question via telephone line please press star followed by 1 on your telephone keypad now. We have no further questions from the telephone line so I will move over to the Webcast questions. First question is from Miha from Slovenia and it reads to what extent is NLB Group exposed to Ukraine and Russia? How are you planning to protect NLB Group against economical and geopolitical consequences of the war in Ukraine?

Blaž Brodnjak: Andreas, will you?

Andreas Burkhardt: Sure. Obviously we are not directly working in these countries, so that is one major point. Secondly our client base is relatively mildly exposed directly to these countries. Of course you have the one client who has some Russian ownership, partially you have next client who is doing some business there. We are following that of course very very closely, also related to potential sanctions which we now don't see and direct impact at all, but we are following that very closely. At the moment it looks like that the direct impact will be very very mild. Of course what is the next sensitivity is now what will go on with energy prices, with other commodities and so on? We saw already in the last period here some turmoil you could almost say or some changes already for that reason and of course also for Covid and all the supply chain interruptions which you see here. We are following that very closely, so for the time being I can just say it looks all very very controlled and very controllable. Of course you know not everything which might evolve we can predict today, but for our Group if the situation doesn't further evolve than we see it right now, so on top of that then the impact on our Group should be from that perspective rather mild.

Thank you. Next question is from Antun from Allianz Croatia and it reads could you please provide more details to the following three topics: Swiss Franc exposure, Tier 2 bond issuance and the potential exposure to Russian owned businesses and individuals?

Blaž Brodnjak: Well indirectly we responded to majority of these issues. So Swiss Franc has been dimension to 70 to 75 million provisioning threat in brackets and this would be one-off obviously operational burden, but at the same time also P&L implication, but this by no means shakes up capital adequacy nor liquidity position of the banking group. There might be some other banks that are more effected in relative terms, but NLB of course can sustain that. It does reduce midterm development potential, this is clearly something that I mentioned before as well. So Ukrainian situation was explained a bit by Andreas and I cannot add much more, so we have to sit and wait what this really means in indirect terms. So what will be food pricing, commodity pricing, energy pricing and so on that is then of course having indirect implications to the businesses yet this is partially offset by the fact that order books of the businesses from the region as I mentioned have been full given the insourcing shift of supply chains and turmoil in some other countries in Europe can even provide more opportunities unfortunately as much as it is painful for someone on the other side it might bring more opportunities to this region as well. The Tier 2 instrument we basically have been considering for a while, markets have been extremely volatile as we speak, so we have consciously decided to continue, because we are not in distress, we are not in immediate need of capital. This would be raised you know in principle to actually address the three topics, one is frontloading the expiring lines in a couple of years, so there is no immediate need. The MREL dimension clearly is something that of course comes on top and if we are issuing an instrument that also ticks MREL box it is killing two flies. And of course the third is to provide additional boost to capital. So there is no immediate pressure, but we have been more or less ready, so as soon as we see the markets allow something like that we might consider opening the book. So this is not something that has been forgotten, it might come. We might even think of in case of further improvement of tax environment because in Slovenia we have seen actually you know not at arm's length or level plain field taxation of AT1 instruments. So there has been some progress in potentially withdrawing or removing the hurdle of taxation and we might then of course start thinking of potentially adding AT1 which would serve again the purpose of on one side optimising capital, on the other side clearly boosting the capital for growth and ticking as well the MREL boxes that helps additionally. So we have the plans, but we are in no desperate need, so we will simply here be rational. And as long as the situation doesn't stabilise you wouldn't see us there, but if it stabilises a bit and there is a favourable window of opportunity we might go for it.

Archibald Kremser: And no business with Russian individuals.

Blaž Brodnjak: Or Ukrainian.

Thank you. Next question from the Webcast comes from Jovan from Raiffeisen. The question reads update on retroactive CHF law, Euro 70-75 million has not been included in ROE guidance, is that right?

Blaž Brodnjak: That is right. I have mentioned the outlook that this is one-off we still believe we can avoid. If this hits the books of course this would be one-off very likely Q2 hit, but that is something that is premature at this point of time. We have high hopes this would not crystallise.

Thank you. Our next question is also from Jovan and it reads do you still stick to your 100 million net profit from Serbia from 2024?

Blaž Brodnjak: We believe so.

Thank you. Next question is from Gašper from Slovenia and it reads good job on the results, can you tell us how Q1 is looking so far?

Blaž Brodnjak: I mentioned what I could mention. So I said we see strong recurring trends and we cannot say more than that so we are happy about first two months.

Thank you. Our next question is from Jovan and it reads have you been stress tested by BoS last year or recently? If yes can you please share the impact on capital? Thank you.

Blaž Brodnjak: Andreas, would you or Archibald?

Andreas Burkhardt: Sure. So the stress test results in the recent years have continuously be improving in a sense of impact, impact is getting milder and milder. Here of course key parameter is also the continuously reducing NPL numbers. What obviously this year will be a very interesting exercise and I am sure you know that is the Euro wide ESG stress testing. I think here the point is simply that ECB was jumping pretty quick then finally on that boat, so obviously that gives us at the moment a lot of work and we will see what we get from that? That is now less a question which will directly influence us this year, but it is going actually on the one side in the direction we anyhow want to go, so we give a lot of emphasis from our side to ESG topics. On the other side it is of course still new and a little bit unusual exercise, so that will be interesting one and obviously not expecting here any drama, especially since this will be an interesting exercise actually for the whole banking industry in Europe, but that is something which is imminent obviously this year.

Thank you. We have another question on the telephone line. This is from Mladen from Erste, so I will open your line Mladen, please go ahead.

Mladen: Thank you gentleman for the call, for the information. Congratulations on the results. I was wondering if you could just remind us on the timeline for this Swiss Franc law? So you said on Friday it becomes active, on Monday banks will file injunction motion, so what is the timeline for further? Should everything be over as I understood previously in two months or maybe earlier or maybe later?

Blaž Brodnjak: The law is pretty ambitious in terms of your obligation to deliver the new contracts or annexes and then the payment. So this is more or less a matter of 3 months all together give or take. In this respect we are filing immediately once the law comes into force which is Monday. There will be two injunctions coming from various pools of banks and we would be hoping that also ECB and Bank of Slovenia clearly opine on something that is eating into the mandate of the ECB and is against the legal order of European legal order beside being retroactive and so on. So there are many many boxes this law is breaching. My hope is that the Constitutional Court would act immediately with at least opining on whether to suspend or not to suspend and this we would hope to be happening in a matter of days or latest weeks and not months. Once suspended this might then mean years for clarity because Constitutional Court might take enough time and even consult with the European institutions and so on to really properly understand all dimensions and this might really take time. So we would hope for suspension, but in case of no suspension we would more or less within 3 months have a clear view and clear position whether we need to pay and we will simply need to pay in Q2 and then of course provisioning would be happening in Q2 very likely and this would be practically impossible to avoid. In case of suspension of the law of course provisioning would not necessarily happen, but this is something we need still to talk about with auditors, but at the end of the day we believe it should not.

Mladen: Ok, so there is no kind of a legal deadline for the Constitutional Court to give the final word on the thing?

Blaž Brodnjak: There is no formal deadline, especially not for final word. Given such unclarity and you know practically even regarding the implementations there are conflicting regulations of the law. The banks on one side should be pulling of the contracts and annexes and then there is the GDPR legislation which actually prevents and prohibits banks from holding any of this information for more than 10 years and the law is actually effecting loans originated 18 to 12 years ago. So it is really so ridiculously written that it is very difficult to even perform and execute, so we would hope that Constitutional Court from the difficulty of the execution point of view, solely from this besides this being in our opinion counter-constitutional against the European legal order at least immediately suspend the law. And then of course they could take time, there is no deadline, but theoretically they could rule very fast, it is in the hands of Constitutional Court and the banks of course will not stop there. So even if Constitutional Court validated the law we

would go for European justice. We simply believe this is against the legal order of European Union and the spirit of European Monetary Union and it is eating into the mandate of ECB and so on beside of course socialising the cost from the budgetary perspective because if in case the banks won then in European instances which I would believe would be the final case eventually this would then eat directly into taxpayers. So this is really a ridiculous law, but it is what it is and we have to live with it. We will deliver operationally and also monetary if needed, but we will not stop fighting. So even if we had to pay and provision this year we would continue fighting on European courts and potentially be reimbursed in years from now with hopefully penalty interest.

Mladen: Thank you very much. Maybe just are there any updates, news from potential entries into Croatian market?

Blaž Brodnjak: Unfortunately, I had high hopes, it was pretty public because the Prime Ministers and other high state officials have been publicly mentioning our meetings, so I had high hopes that you know Slovenia and Croatia have matured enough in the meantime to be able to put legacy issues aside, but unfortunately we have not simply come to this point. So I am not sure whether there is anything until the elections or beyond the elections, so we at this point of time cannot count on being able to enter into Croatian market unfortunately.

Mladen: Ok, thank you very much, all the best.

Blaž Brodnjak: Thank you.

Thank you. We have our final question by the Webcast from Beidi from Rohatyn Group which reads can you comment on macroeconomic impact from possible energy shortage in light of post Russia Ukraine issues?

Blaž Brodnjak: Well that is the real question what shortage in gas supply and pricing of this energent and other energents will mean for potentially disruption or continuation of the production? Luckily the heating season is going to gradually fade out, so hope for some warmer weather soon, so that the total quantities of gas coming into Slovenia would not be compromised. There is clearly solid dependency on Russian supplies, but there are also other streams, Ukrainian related streams, so we would hope that Russia would not discontinue with the supply. Of course it remains to be seen how European Commission and generally within the sanctioning eventual reactions would address this issue and how this could impact eventually the predictability and reliability of the supplies and especially the pricing? So, so far there have been gas terminals also closer, there is of course African capacities and so on, it is a mix of it and it is



difficult to really properly give the full information about that and properly understand the whole thing, but there have been certain doubts on supplies in the past and it didn't crystallise in a radical form, so we would hope it wouldn't this time around as well.

Thank you very much. This is all the questions we have today, so I will hand back over for any closing remarks.

Blaž Brodnjak: Thank you very much to everyone for hanging in there with us today on such a specific day. So our hearts and minds are with the people suffering at this time, we hate to see that in 2022, we hoped it would not be possible anymore, it is obviously. But generally when it comes to our business we are happy about how it has been evolving, NLB has been positioning itself as a regional champion and we do have potential, we do have ambition and the capacity to actually get there. So we are closely monitoring all the growth opportunities to actually pursue and address them in value accretive way. If there were not sufficient ones we would consider of course awarding our shareholders via dividends. In parallel we pursue both and we believe we have still been attractive investment opportunity, so let us stay healthy, let us stay alive more or less and all the best.