



**Report of the Management Board of NLB d.d. for the General Meeting of Shareholders of NLB d.d.**

**ON THE REASONS FOR AND THE PURPOSE OF ACQUISITION, THE TOTAL NUMBER, THE MINIMUM ISSUE PRICE AND THE PROPORTION OF THE ACQUIRED SHARES AND THE VALUE OF THE ACQUIRED SHARES OF NLB d.d.**

The Management Board of Nova Ljubljanska banka d.d., Ljubljana adopted this Report on the reasons for and the purpose of acquisition, the total number, the minimum issue price and the proportion of the acquired shares and the value of the acquired shares of NLB d.d. (hereinafter: the Report) with the purpose of presenting it to the General Meeting of Shareholders of NLB d.d. in accordance with the provision of the third paragraph of Article 247 of the Companies Act (ZGD-1).

As NLB d.d.'s shares are listed on a regulated market, in accordance with the regulations NLB d.d. has to award and pay to its employees who, in the scope of their competences or work tasks and activities, could have a material impact on the NLB d.d.'s risk profile (hereinafter: Identified Staff) a part of variable remuneration in own shares (provided that such variable remuneration exceeds a certain level). In view of the above NLB d.d. expected that it would need own shares.

For that reason and with the aim of ensuring own shares for the payment of variable remuneration to the employees of NLB d.d. in the form of own shares, on 10 June 2019 the General Meeting of Shareholders of NLB d.d. adopted a resolution by which it authorised the Management Board of NLB d.d. to buy up to 36,542 own shares in the period of 36 months from the adoption of this resolution by means of transactions made on the regulated market, with a maximum deviation of the price of NLB d.d. share (up or down) of no more than 4 % from the closing price of NLB d.d. share on the regulated market as at the last trading day prior to the purchase. The total percentage of shares acquired on the basis of this authorisation, together with the own shares already in possession of NLB d.d., may not exceed 10% of NLB d.d. share capital (2,000,000 shares). As NLB d.d. would be acquiring own shares on a regulated market, all the shareholders would be treated equally.

The reason for the intended acquisition of own shares was the requirement of item 7 of the first paragraph of Article 170 of the Banking Act (ZBan-2), pursuant to which NLB d.d. has to award and pay a part of variable remuneration to its Identified Staff in own shares. On 22 November 2016 the Bank of Slovenia issued the Guidelines in relation to the application of the principle of proportionality in the implementation of remuneration policies (usmeritve v zvezi z uporabo načela sorazmernosti pri izvajanju politik prejemkov) in accordance with which the total variable remuneration of an Identified Staff which does not exceed EUR 50,000.00 gross in a particular year, as a rule does not represent variable remuneration for the purposes of the abovementioned stipulation of ZBan-2.

NLB d.d. would be acquiring own shares for the purpose of paying to its Identified Staff a part of variable remuneration in own shares in accordance with the requirements of regulations.

NLB d.d. applied for the permission of ECB for the acquisition of own shares, however, before NLB d.d. received such permission, the coronavirus epidemic broke out. Already at the start of the said pandemic the Management Board of NLB d.d. proactively decided that any decisions on the variable remuneration within the NLB Group were postponed until the end of November 2020 and the Supervisory Board of NLB d.d. agreed. After that the Decision of the Bank of Slovenia (hereinafter: the BoS) on macro-prudential restriction of distributions of profits of banks (Sklep o makrobonitetni omejitvi razdelitev dobičkov bank) was published in the Official Gazette of the Republic of Slovenia No. 49/20, dated 10 April 2020, which temporarily prohibits banks from (among other) repurchasing or purchasing own shares and from paying of the variable part of the remuneration or establishing of obligations to pay the variable part of the remuneration to Identified Staff. The said macroprudential measure is valid for one year from its publication in the Official Gazette of the Republic of Slovenia. However, in the event of a significant reduction in risks, the BoS may cancel the measure prematurely (or prolong its validity if the risks increase).



Considering the above, from 10 June 2019 when the General Meeting of Shareholders of NLB d.d. granted to the Management Board of NLB d.d. the authorisation for the acquisition of own shares until the date of preparation of this Report NLB d.d. hasn't bought any own shares.

Ljubljana, 4 May 2020

Management Board of NLB d.d.