

PRESENTATION OF REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD OF NLB d.d. AND MEMBERS OF THE MANAGEMENT BOARDS OF NLB d.d., NLB BANKA AD SKOPJE, NLB BANKA a.d. BANJA LUKA AND NLB BANKA sh.a., PRISHTINA AND RELATED STIPULATIONS OF REMUNERATION POLICIES OF THE ENUMERATED COMPANIES FOR THE GENERAL MEETING OF SHAREHOLDERS OF NLB d.d.

1. INTRODUCTION

This document includes a presentation of the remuneration of the members of the Supervisory Board of NLB d.d. and members of the Management Boards of NLB d.d. and its three largest subsidiaries (measured by the revenues of individual subsidiaries) - NLB Banka AD Skopje, NLB Banka a.d. Banja Luka and NLB Banka sh.a., Prishtina, and related provisions of the remuneration policies of these companies.

2. PRESENTATION OF REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD OF NLB d.d.

Paid remuneration of members of the Supervisory Board of NLB d.d. in the period from 1 January 2020 to 31 December 2020 are disclosed in the Information on remuneration.

3. PRESENTATION OF REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARDS IN THE BUSINESS YEAR 2020

3.1. Remuneration of members of the Management Board of NLB d.d.

Remuneration of members of the Management Board of NLB d.d., actually paid in the financial year 2020, is shown in Annex 1.

In the employment contracts relating to the current term of office of the members of the Management Board of NLB d.d. the amounts of gross monthly earnings (fixed remuneration) are agreed as shown in Annex 1.

The average gross monthly salary paid in the companies in the NLB Group in the financial year 2020 was EUR 2,728.

At the time of preparation of this presentation the variable part of the salary for the financial year 2020 has not yet been awarded to the members of the Management Board of NLB d.d.

Other rights from employment contracts of members of the Management Board of NLB d.d. (hereinafter also: members of the Management Board) for the financial year 2020 are:

- the rights described in the Annex 1;
- at the request of a member of the Management Board of NLB d.d. provide the driver of the company car when the company car is used for official purposes;
- NLB d.d. covers or reimburses the costs payable in connection with the training of a member of the Management Board in connection with employment; these activities are determined at the annual interview of the member of the Management Board;
- NLB d.d. covers or reimburses membership fees and expenses payable in connection with the membership of a member of the Management Board in professional associations of which he is the president or a member and in connection with the purchase of literature and periodicals determined from time to time by the member of the Management Board ;
- if recommended by a specialist doctor, NLB d.d. ensures, at its own expense, that a member of the Management Board has the possibility of spa treatment and rehabilitation;
- NLB d.d. provides, at its own expense, accident insurance for a member of the Management Board for ordinary insurance cases, whereby the monthly insurance premium for insurance against a member of the Management Board does not exceed EUR 75;
- NLB d.d. at its own expense, pays or reimburses to the member of the Management Board premiums for supplementary health insurance, which offers the largest possible coverage of the costs of medical services (including above-standard services and medical services abroad);

- NLB d.d. provides liability insurance for a member of the Management Board due to his / her misconduct as a member of the Management Board;
- In the employment contracts of members of the Management Board of NLB d.d. who are foreigners, also some of the following rights are stipulated:
 - o NLB d.d. reimburses to the member of the Management Board of NLB d.d. travel expenses up to a maximum of 24 economy class return air tickets per year for family visits;
 - o NLB d.d. at its own expense, provides the member of the Management Board with appropriate accommodation in Ljubljana (permanent hotel room or apartment), including the associated costs;
 - o NLB d.d. pays to the member of the Management Board a monthly separation allowance if he / she performs work and resides outside the place where the family resides.

In the event of termination of the term of office of a member of the Management Board due to recall for other business and economic reasons, NLB d.d. pays the member of the Management Board compensation in the amount of his gross salary, payable in relation to the month before the termination, multiplied by 12, as compensation for the early termination of the term of office; the member of the Management Board is not entitled to the payment of compensation for early termination of the term of office if he / she is re-employed in NLB d.d. or in the NLB Group after the termination of the term of office.

3.2. Remuneration of members of the Management Board of NLB Banka AD Skopje

Remuneration of members of the Management Board of NLB Banka AD Skopje, actually paid in the financial year 2020, is shown in Annex 2.

The amount of fixed monthly remuneration, as defined by the management contracts of the members of the Management Board of NLB Banka AD Skopje can be seen in Annex 2.

During the preparation of this presentation, NLB d.d. does not yet have data on the awarding of the variable part of the salary for the financial year 2020 to the members of the Management Board of NLB Banka AD Skopje.

Other rights from the management contracts of the members of the Management Board of NLB Banka AD Skopje for the financial year 2020 are:

- the rights described in Annex 2;
- holiday allowance;
- a severance package in case of retirement respectively the Collective Agreement;
- monthly allowance for voluntary additional pension insurance;
- management medical examination once per year/executive health screen;
- anniversary reward respectively the Collective Agreement;
- premium for insurance in case of death, invalidity, or temporary incapacity for work separation allowance and health insurance;
- allowance for annual premium for travel insurance abroad with assistance;
- company car for both business and private purposes;
- costs for a mobile phone;
- training and education;
- representation for business;
- reimbursement of membership fees in professional organizations;
- additional benefits (e.g. expat packages).

The severance payment is regulated with managerial agreements and it is applied when there is a cancellation of the Managerial agreement of the member of the Management Board of NLB Banka AD Skopje by NLB Banka AD Skopje with no fault by the member of the Management Board of NLB Banka AD Skopje, because of these following cases: losing of the confidence in the work of the member of the Management Board of NLB Banka AD Skopje (negative flows on the operation caused by the behavior of the member, failure to achieve operational results, breach of the contractual and other liabilities, breach of the mobility obligation, negative assessment of the reputation/exemplarity and in other legally defined cases).

In this case of cancellation of the agreement with no fault by the member of the Management Board of NLB Banka AD Skopje, NLB Banka AD Skopje shall offer him an employment agreement for another workplace suitable to his professional background, know-how and professional experience. If the member of the Management Board of NLB Banka AD Skopje rejects the offered employment agreement for another suitable workplace in NLB Banka AD Skopje or in another member of NLB Group, the employment relation ceases. In such case he shall be entitled to a severance package in the amount of 6 monthly gross salaries, and as basis his last salary paid out shall be taken.

3.3. Remuneration of the members of the Management Board of NLB Banka a.d. Banja Luka

Remuneration of members of the Management Board of NLB Banka a.d. Banja Luka, actually paid in the financial year 2020, is shown in Annex 3.

The amount of fixed monthly remuneration of the members of the Management Board of NLB Banka a.d. Banja Luka, as stipulated in their managerial contracts is shown in Annex 3.

At the time of preparation of this presentation, NLB d.d. does not yet have data on the awarding of the variable part of the salary for the financial year 2020 to the members of the Management Board of NLB Banka a.d. Banja Luka.

Other rights from management contracts of members of the Management Board of NLB Banka a.d. Banja Luka for the business year 2020 are:

- the rights described in the Annex 3;
- holiday allowance;
- a severance package in case of retirement respectively the RS Labour Act;
- monthly allowance for voluntary additional pension insurance;
- management medical examination once per year/executive health screen;
- jubilar reward respectively the RS Labour Act;
- premium for insurance in case of death, invalidity, or temporary incapacity for work separation allowance and health insurance;
- allowance for annual premium for travel insurance abroad with assistance (related to one MB member who is a Slovenian citizen);
- company car for both business and private purposes;
- costs for a mobile phone;
- training and education;
- representation for business;
- additional benefits.

The severance payment is regulated with managerial agreements and it is applied when there is a cancelation of the Managerial agreement of the member of the Management Board of NLB Banka a.d. Banja Luka by NLB Banka a.d. Banja Luka with no fault by the member of the Management Board of NLB Banka a.d. Banja Luka, because of these following cases: losing of the confidence in the work of the member of the Management Board of NLB Banka a.d. Banja Luka (negative flows on the operation caused by the behaviour of the member of the Management Board of NLB Banka a.d. Banja Luka, failure to achieve operational results, breach of the contractual and other liabilities, breach of the mobility obligation, negative assessment of the reputation/exemplarity and in other legally defined cases).

In this case of cancellation of the agreement with no fault by the member of the Management Board of NLB Banka a.d. Banja Luka, NLB Banka a.d. Banja Luka shall offer him an employment agreement for another workplace suitable to his professional background, know-how and professional experience. If the member of the Management Board of NLB Banka a.d. Banja Luka rejects the offered employment agreement for another suitable workplace in NLB Banka a.d. Banja Luka or in another member of NLB Group, the employment relation ceases. In such case he shall be entitled to a severance package in the amount of 6 monthly salaries, and as the basis his last salary paid out shall be taken.

3.4. Remuneration of members of the Management Board of NLB Banka sh.a., Priština

Remuneration of members of the Management Board of NLB Banka sh.a., Priština, actually paid in the financial year 2020, is shown in Annex 4.

The amount of fixed monthly remuneration, as determined by the management contracts of the members of the Management Board of NLB Banka sh.a., Prishtina, is shown in Annex 4.

At the time of preparation of this presentation, NLB d.d. does not yet have data on the awarding of the variable part of the salary for the financial year 2020 to the members of the Management Board of NLB Banka sh.a., Prishtina.

Other rights from the management contracts of the members of the Management Board of NLB Banka sh.a., Prishtina for the financial year 2020 are shown in Annex 4.

The maximum amount of severance pay is determined in the individual contract of an individual member of the Management Board of NLB Banka sh.a., Prishtina, namely 6 monthly salaries.

4. PRESENTATION OF THE REMUNERATION POLICY FOR THE MEMBERS OF THE MANAGEMENT BOARD OF NLB d.d.

4.1. The maximum amount of the basic (fixed) payment and the criteria / reasons for determining the basic (fixed) payment in the management contracts

Fixed remuneration of each individual member of the Management Board of NLB d.d. is determined by the Supervisory Board of NLB d.d. on the basis of a benchmark analysis for the relevant position in the Management Board of NLB d.d. and according to the market, after negotiations and in agreement with this member of the Management Board of NLB d.d.

Fixed remuneration of an individual member of the Management Board of NLB d.d. is set out in his employment contract and is shown in the Annex 1.

- ##### **4.2. The maximum allowed amount of variable remuneration and the system of criteria for determining variable remuneration, such as: common criteria for all members and individual criteria for each member of the Management Board of NLB d.d., criteria by lots:**
- a. quantitative criteria defined by various economic and financial indicators (e.g. return on equity (ROE), EBITDA margin, net financial debt / EBITDA)**
 - b. qualitative criteria defining business objectives (e.g. successful acquisition, reorganization carried out, IT renewal, increase in market share)**

Variabilne prejemke članov Uprave NLB d.d. urejajo Politika prejemkov za zaposlene s posebno naravo dela (8. izdaja, v nadaljevanju: Politika prejemkov NLB d.d. ali Politika prejemkov) ter njihove pogodbe o zaposlitvi. Politiko prejemkov je Nadzorni svet NLB d.d. sprejel dne 29.11.2019, v skladu z Zakonom o bančništvu (Ur. l. RS št. 25/15 s spremembami in dopolnitvami, v nadaljevanju: ZBan-2).

V zvezi z variabilnimi prejemki članov Uprave NLB d.d. Politika prejemkov upošteva relevantne predpise določa naslednje bistvene elemente:

Variable remuneration of the members of the Management Board of NLB d.d. is regulated by the Remuneration Policy for the Employees Performing Special Work (Version 8, hereinafter: NLB d.d. Remuneration Policy or Remuneration Policy) and their employment contracts. The Remuneration Policy was adopted by the Supervisory Board of NLB d.d. on 29 November 2019 in accordance with the Banking Act (Official Gazette of the Republic of Slovenia No. 25/15, as amended, hereinafter: ZBan-2).

With regard to variable remuneration of members of the Management Board of NLB d.d. the Remuneration Policy, taking into account the relevant regulations, sets out the following essential elements:

4.2.1. Criteria for determining the performance of the members of the Management Board of NLB d.d.

As a rule, in November the Supervisory Board of NLB d.d. approves the financial and business plan for NLB d.d. and the NLB Group, which is in accordance with the provisions of the Remuneration Policy. The objectives reflect a part of risk management, as well as the defined business strategy, which is divided into several projects with very clear objectives and KPIs. In the goals of the members of the Management Board

of NLB d.d. and other employees with a special nature of work, a goal is also set on the basis of the code of ethics, namely that the expected behaviors are in accordance with this code. Also, when setting or monitoring of objectives also changes of external circumstances are taken into account. E.g. Due to the changed circumstances and due to the management of the COVID situation, the goals of the NLB Group were adjusted accordingly in the goals, set for 2020.

To determine the performance of an individual member of the Management Board of NLB d.d. as a rule, the following objectives apply, in the following proportions:

- financial goals of the NLB Group 50%;
- financial goals in the areas covered by the member of the Management Board of NLB d.d. 30%;
- personal goals of the member of the Management Board of NLB d.d. 20%.

The goals of an individual member of the Management Board of NLB d.d. for an individual business year and performance criteria for members of the Management Board of NLB d.d. are determined by the Supervisory Board of NLB d.d. The objectives from the previous sentence must be of a financial and non-financial nature.

The maximum possible amount of the variable part of the salary of a member of the Management Board of NLB d.d. in accordance with the Remuneration Policy for an individual financial year is 8 salaries (ZBan-2 otherwise limits the variable remuneration of each individual to 100% of the fixed remuneration of that individual).

Based on and in addition to the criteria from the Remuneration Policy, the Supervisory Board of NLB d.d. determines more detailed common and individual criteria for determining the variable remuneration of members of the Management Board of NLB d.d. The financial objectives and quality criteria for the development of corporate social responsibility are the same for all members of the Management Board of NLB d.d.

Objectives of the Management Board of NLB d.d. in 2020 were divided into financial, non-financial and personal goals as listed below and were determined for individual members of the Management Board according to their responsibilities:

Financial performance indicators (achievement of the planned values):

- Net profit after tax
- Return on equity (ROE) after tax
- Total revenues
- Total costs
- Cost/Income Ratio (CIR)
- Net cost of risk
- Achievement of the planned value of the share of non-performing exposures (NPE ratio according to the EBA definition)
- specific financial KPI's for each member of the Management Board

Non-financial indicators:

- Strategy-implementation
- ESG strategy definition and implementation
- Improved RWA allocation logic (incl. external IRB benefit analysis)
- further AML enhancement
- stabilization of team in Credit Risk area
- Profitability Metrics
- Group IT strategy definition and roll-out
- Cybersecurity backlog

Specific award of variable remuneration to an individual member of the Management Board of NLB d.d. for an individual financial year is based on a detailed examination of his fulfillment of the set goals for an individual financial year and all other relevant circumstances by the Supervisory Board of NLB d.d.

4.3. Definition of quality criteria for the development of corporate social responsibility of NLB d.d.

The NLB Group has an important socially and environmentally responsible mission, which it demonstrates with a responsible attitude towards its stakeholders: its employees, customers, owners and suppliers, and the environment in which it operates.

With the adoption of the NLB Group Sustainability program, including the sustainability strategy at the end of 2020, NLB d.d. has moved from the raising awareness phase to the phase of actively implementing sustainability elements into the business model. The goal of this organization-wide initiative is to ensure the sustainable financial performance of NLB d.d. by considering social and environmental risks and opportunities in its operations and to actively contribute to a more balanced and inclusive economic and social system.

The key pillars of the socially responsible operations of the NLB Group are caring for its employees and protection of lawfulness and integrity, as well as the promotion of entrepreneurship, increasing financial literacy and mentorship, humanitarian activities, support to professional and youth sports, and the protection of cultural heritage.

In recent years, NLB d.d. has signed Framework Agreements with the European Bank for Reconstruction and Development (EBRD) and in 2020 the Contract of Guarantees with the Multilateral Investment Guarantee Agency (MIGA). Based on this, NLB d.d. and/or NLB Group subsidiaries are obliged to develop its Environmental and Social Management System (ESMS) and comply with certain E&S requirements. In 2020, considerable progress was made in the area of establishing a basic mechanism for E&S screening. Also, the ESMS Officers were appointed in the NLB Group banking subsidiaries. Further actions to strengthen ESMS are in progress.

In 2020, NLB d.d., as the first bank from Slovenia, committed itself to the financial initiative of the United Nations Environment Program (UNEP FI) for Responsible Banking.

UN Principles for Responsible Banking is a unique framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement. NLB d.d. is expected to publish the first reporting and self-assessment on the UN Principles for Responsible Banking within 18 months of becoming a signatory. Within a maximum of four years, NLB d.d. must fully implement the required steps regarding impact analysis, target-setting & implementation, and accountability.

More about the approach of NLB d.d. to sustainable banking can be found in [the NLB Group Sustainability Report for 2020](#), which includes information on the three pillars of the NLB Group sustainability, respecting human rights, fighting against corruption and bribery, GRI Standards, and 2021 Sustainability Roadmap.

4.4. The system of relations (weights) between individual groups of criteria and other conditions for fulfilling the criteria for the right to payment of variable remuneration, method of payment (deferred payments), regulation of reimbursement of remuneration, possibility of discretion of the Supervisory Board of NLB d.d. in assessing the right (the right that in certain cases, regardless of the achieved joint assessment of the success of a member of the Management Board of NLB d.d., the Supervisory Board of NLB d.d. decides that he/she does not receive variable remuneration or that he/she is entitled to a lower or higher amount than according to performance appraisals) and other potentially important elements of the policy of determining variable remuneration

In accordance with the ZBan-2, the Guidelines of the Bank of Slovenia regarding the application of the principle of proportionality in the implementation of remuneration policies of 22 November 2016 and the Remuneration Policy of NLB d.d., the following main rules apply to the awarding and payment of variable remuneration to members of the Management Board of NLB d.d.:

The awarding and payment of variable remuneration (including deferred part) to a member of the Management Board depends on adjustment criteria resulting from risk management through the

performance monitoring system based on KPI & KRI objectives at the level of the NLB Group and NLB d.d. Compliance with the adopted policies, methodologies, guidelines, requirements of regulators and auditors, and powers related to the work of a member of the Management Board are considered as criteria. The awarding of variable remuneration is regulated in more detail in Article 19, the payment in Article 20, and the subsequent adjustment to risk in Article 21 of the NLB d.d. Remuneration Policy.

A member of the Management Board is not entitled to the variable part of the salary for a certain business year if he does not achieve personal goals for that business year, regardless of whether the goals of NLB d.d. or the NLB Group for this financial year were achieved or not.

In assessing the work performance of members of the Management Board, the Supervisory Board of NLB d.d. also takes into account the year-on-year situation of the local, regional as well as global banking and economic market and assesses the achievement of the goals of the members of the Management Board taking into account their activities of pursuing the best interests of NLB d.d.

No variable remuneration is awarded or paid out if by doing so the strength of the capital base of NLB d.d. would be jeopardized. If it is established that the awarding and / or payment of variable remuneration would endanger the strength of the capital base of NLB d.d., NLB d.d. takes the following measures to the extent necessary:

- reduces the budget of variable remuneration for the previous financial year, it can also reduce it to zero and take the reduction into account when awarding variable remuneration for the previous financial year;
- applies the necessary performance adjustment measures, in particular malus, to reduce the variable remuneration already awarded but not yet paid;
- reduces the variable remuneration already paid by applying agreements on the reimbursement of variable remuneration;
- uses the net profit of the institution for the previous financial year and, if possible, for the current and subsequent financial years for the purpose of strengthening the capital base of NLB d.d.

The decision on whether all conditions for the payment of the variable part of the salary to the members of the Management Board are met is made by the Supervisory Board of NLB d.d.

If it does not exceed EUR 50,000.00 gross, the variable remuneration of a member of the Management Board for an individual financial year is awarded and paid in cash.

If the variable remuneration of a member of the Management Board for an individual financial year exceeds EUR 50,000.00 gross, in accordance with the regulations in force on the day of preparation of this presentation, at least 50 percent of such variable remuneration must be composed of NLB d.d. shares, whereby the member of the Management Board may transfer such shares only if consented by NLB d.d., provided that such consent can be issued only after the expiration of at least two years from the acquisition of NLB d.d. shares (this applies to both the non-deferred and the deferred part of the variable remuneration).

At least 40 percent of the variable remuneration of a member of the Management Board awarded for an individual financial year (or at least 60 percent if it is extremely high) is deferred for a period of at least 3 and maximum 5 years from the day the non-deferred part of this variable remuneration is paid.

Before the payment of the deferred part of the variable remuneration to the member of the Management Board, the Supervisory Board of NLB d.d. re-evaluates the performance and risks and, if necessary, adjusts the deferred part of the variable remuneration, taking into account the adjustment criteria based on KPI & KRI objectives and the criteria listed in Article 21 of the Remuneration Policy.

If the circumstances of the case are not sufficiently clarified to enable a decision on whether the deferred part of the variable remuneration is paid or not, or in what amount it should be paid, the Supervisory Board of NLB d.d. decides that the deferred part of the variable remuneration is not yet due at its original due date and that the decision on whether or not the deferred part of the variable remuneration is paid or in what amount it is paid and when, is postponed until the circumstances are clarified.

NLB d.d. may, within 3 years from the payment of part of the variable remuneration, request the member of the Management Board to reimburse this part of the variable remuneration, in part or in full, if after its payment it is established that the member of the Management Board has significantly contributed to poor or negative financial performance, or by committing fraud or other intentional acts or acts of gross negligence caused large losses to NLB d.d., or that a circumstance from point 7, 12, 15 or 16 of the table from Article 21 of the Remuneration Policy has occurred or is disclosed.

4.5. Other types of possible awards for the members of the Management Board of NLB d.d. and their maximum allowable amount

The Remuneration policy or employment contracts of members of the Management Board of NLB d.d. do not provide for other types of rewards.

4.6. Determination of the maximum allowed amount and conditions for payment of severance pay to the members of the Management Board of NLB d.d.

Types, amount and conditions of payment of severance pay to members of the Management Board of NLB d.d. are shown in point 3.1 above and Annex 1.

4.7. Other rights and benefits of the members of the Management Board of NLB d.d.

Other rights and benefits of members of the Management Board of NLB d.d. are shown in point 3.1 above and Annex 1.

4.8. Payment arrangements for members of the Management Board of NLB d.d. who perform the function of a member of the Supervisory Board or other tasks in a subsidiary (whether the payment is included in the basic remuneration of a member of the Management Board of NLB d.d. or is an additional payment)

Members of the Management Board of NLB d.d. do not receive remuneration for performing the functions of members of Supervisory Boards or other tasks in subsidiaries.

4.9. Explanation of how the Remuneration Policy of NLB d.d. and its use when concluding contracts with members of the Management Board of NLB d.d. ensure (and how it is taken into account in determining remuneration) that the total remuneration is in appropriate proportion to the tasks of the members of the Management Board of NLB d.d. and with the financial condition of NLB d.d., in order to promote the long-term sustainability of NLB d.d. and to ensure that remuneration is consistent with the results achieved

The Supervisory Board of NLB d.d. ensured the adequacy of fixed remuneration of members of the Management Board of NLB d.d. by determining the fixed remuneration of each individual member of the Management Board of NLB d.d. on the basis of a benchmark analysis for the relevant position in the Management Board of NLB d.d. and according to the market, after negotiations and in agreement with this member of the Management Board of NLB d.d.

The Supervisory Board of NLB d.d. ensures the adequacy of variable remuneration of members of the Management Board of NLB d.d. by determining their maximum amount in the employment contract of an individual member of the Management Board of NLB d.d. and in the Remuneration Policy, taking into account all relevant regulations (including the Companies Act and ZBan-2) and the relevant EU regulations and the Guidelines on prudent remuneration policies in accordance with Articles 74 (3) and 75 (2) of Directive 2013 / 36 / EU and disclosures in accordance with Article 450 of Regulation (EU) no. 575/2013 (EBA / GL / 2015/22). As explained above, NLB d.d. provides for the possibility of non-awarding or non-payment of variable remuneration in the event that this would jeopardize the strength of the capital base of NLB d.d., as well as reduction of variable remuneration before its awarding and reduction of deferred variable remuneration before payment, and the possibility of using malus or clawback.

5. PRESENTATION OF THE REMUNERATION POLICY FOR THE MEMBERS OF THE MANAGEMENT BOARD OF NLB BANKA AD SKOPJE

5.1. The maximum amount of the basic (fixed) payment and the criteria / reasons for determining the basic (fixed) payment in the management contracts

The Remuneration Policy of NLB Banka AD Skopje doesn't regulate the maximum of the basic (fixed) payment of the members of its Management Board. This payment is regulated with the managerial agreement, expressed as monthly net amount.

NLB Banka AD Skopje pays all taxes and contributions related to the payment of the salary in accordance with the local legislation, and if the legislation, the tax rate or the amount of the contributions change, the gross amount of the salary shall change in a way that the net amount of the salary remains unchanged.

Determination of the basic (fixed) payment reflects the position, relevant professional experience, and responsibilities at the NLB Banka AD Skopje, as described in the job description of the member of its Management Board, which is part of the recruitment conditions. It follows the trends of the payments of the managers in the country and it is negotiated with the members of the Management Board of NLB Banka AD Skopje.

5.2. The maximum allowed amount of variable remuneration and the system of criteria for determining variable remuneration, such as: common criteria for all members and individual criteria for each member of the Management Board of NLB Banka AD Skopje, criteria by lots:

- a. quantitative criteria defined by various economic and financial indicators (e.g. return on equity (ROE), EBITDA margin, net financial debt / EBITDA)**
- b. qualitative criteria defining business objectives (e.g. successful acquisition, reorganization carried out, IT renewal, increase in market share)**

The maximum possible amount of the variable part of the salary of a member of the Management Board of NLB Banka AD Skopje for each business year is 6 basic (fixed) monthly salaries.

The basis for the calculation of the amount of the variable part of the salary of a member of the Management Board of NLB Banka AD Skopje for each business year is the average (monthly) gross salary of such member of the Management Board of NLB Banka AD Skopje for the period of his term of office in this business year.

The criteria for determining the performance of the members of the Management Board of NLB Banka AD Skopje are the following:

- NLB Group goals (common criteria for all members of the Management Board of NLB Banka AD Skopje),
- goals of NLB Banka AD Skopje (partly common criteria for all members of the Management Board of NLB Banka AD Skopje),
- personal goals (different for each member of the Management Board of NLB Banka AD Skopje).

The goals must be financial and non-financial determined and defined by SMART method. The goals of each member of the Management Board of NLB Banka AD Skopje for each individual year and the performance criteria are determined by the Supervisory Board of NLB Banka AD Skopje.

As quantitative criteria are determined:

- Net profit;
- RORAC;
- Total net revenues;
- Total costs;
- Net cost of risk;
- NPL share by EBA.

Qualitative criteria are defined as General KPIs for all members of the Management Board of NLB Banka AD Skopje and Specific KPIs for each member. General KPIs for all members of the Management Board of NLB Banka AD Skopje are determined as:

- transformation and digitalization (improved productivity, increase the penetration rate of digital users);
- implementation of the strategy;
- ESG Strategy.

5.3. Definition of quality criteria for the development of corporate social responsibility of NLB Banka AD Skopje

Caring for the common good is one of the highest priorities in the value system of NLB Banka AD Skopje and is an integral part of the strategy and NLB Banka AD Skopje pays attention to social responsibility and protection of the interests of all parties.

By supporting projects in culture, sports, science, education and the environment, children and youth, NLB Banka AD Skopje strives to contribute to the life quality of individuals, families, institutions and organizations in the wider environment.

In the case of social and environmental policy at the level of the NLB Group, last year NLB Banka AD Skopje continued the implementation of socially responsible operation of the projects and the processes, unification of monitoring and deciding on sponsorships and donations.

In December 2020, in accordance with the social and environmental policy at the level of the NLB Group, NLB Banka AD Skopje conducted a revision of the existing internal act - Methodology for social and environmental responsibility which was adopted on 22 May 2019.

The following changes have been made for that purpose:

- Adaptation of the methodology with the 17 key Sustainable Development Goals of United Nations. At least 40% of the Sponsorships and Donations budget should be spent on projects that can be included in any of these 17 objectives for Sustainable Development.
- Adjustment in the decision-making process for sponsorships and donations in a way that 80% of all sponsorships and donations are to be approved by Sponsorships and Donations Approval Team (working groups).
- According to the request, 80% of the budget for sponsorships and donations to be approved on the level of the Approval Team, the amount of sponsorships and donations was changed and increased at different levels.

In 2020, NLB Banka AD Skopje successfully completed 25 projects in various areas of social responsibility. NLB Banka AD Skopje also supported 16 sports entities (national sports federations, sports clubs and active athletes) with voucher-based donations awarded by the Agency for Youth and Sports using tax exemptions.

5.4. The system of relations (weights) between individual groups of criteria and other conditions for fulfilling the criteria for the right to payment of variable remuneration, method of payment (deferred payments), regulation of reimbursement of remuneration, possibility of discretion of the Supervisory Board of NLB Banka AD Skopje in assessing the right (the right that in certain cases, regardless of the achieved joint assessment of the success of a member of the Management Board of NLB Banka AD Skopje, the Supervisory Board of NLB Banka AD Skopje decides that he/she does not receive variable remuneration or that he/she is entitled to a lower or higher amount than according to performance appraisals) and other potentially important elements of the policy of determining variable remuneration

The system of relations (weights) between individual groups of criteria and other conditions for fulfilling the criteria for the right to payment of variable remuneration for each business year is determined in the Remuneration Policy of NLB Banka AD Skopje and it is given below:

Determination of the amount of the variable part of the salary for Member of Management Board for each business year

Assessment of performance	Goals of the NLB Group	Goals of the NLB Banka AD Skopje	Personal goals
5 – all goals exceeded	up to 2 salaries	up to 2 salaries	up to 2 salaries
4 – most of the goals exceeded	up to 1.5 salaries	up to 1.5 salaries	up to 1.5 salaries
3 – goals achieved	up to 1 salary	up to 1 salary	up to 1 salary
2 – goals partly not achieved	0	0	0
1 – goals not achieved	0	0	0

A member of the Management Board of NLB Banka AD Skopje is not entitled to the variable part of the salary for a specific business year if he/she fails to achieve his/her personal goals for that year, regardless of the fact whether the goals of NLB Group and NLB Banka AD Skopje that year have been achieved or not.

For the members of the Management Board of NLB Banka AD Skopje, the amount of the variable remuneration to be awarded, its composition, the share of variable part of the remuneration to be deferred and the period of payment deferment pursuant to the Remuneration Policy of NLB Banka AD Skopje shall be determined by the Supervisory Board of NLB Banka AD Skopje.

The basis for the calculation of the amount of the variable part of the salary of a member of the Management Board of NLB Banka AD Skopje for each business year is his/her average (monthly) gross salary for the period of his/her term of office in this business year.

According to the Remuneration Policy of NLB Banka AD Skopje and the principle of proportionality, if variable part of the salary does not exceed EUR 50,000.00 gross and if that is permitted by the applicable regulations, the variable remuneration of a member of the Management Board of NLB Banka AD Skopje for an individual business year is awarded and paid in cash.

If the variable remuneration of a member of the Management Board of NLB Banka AD Skopje for an individual business year exceeds EUR 50,000.00 gross and if that is mandatory according to the relevant regulations, at least 50% of such amount must consist of instruments; a member of the Management Board of NLB Banka AD Skopje may only transfer such instruments with the NLB d.d. and/or NLB Banka AD Skopje approval which cannot be issued before the expiry of two years after the acquisition. The provision of the previous sentence thus relates to the non-deferred and the deferred part of the variable remuneration from the previous sentence.

If that is mandatory according to the relevant regulations, 50% of the variable remuneration of a member of the Management Board of NLB Banka AD Skopje awarded for an individual business year must be deferred for a period of 3 years of the day on which the non-deferred part of such variable remuneration is paid.

Prior to the payment of the deferred part of the variable remuneration to a member of the Management Board of NLB Banka AD Skopje, the Supervisory Board of NLB Banka AD Skopje assesses the performance and the assumed risks and, if necessary, adjusts the deferred part of the variable remuneration, taking into account the adjustment criteria based on the KPI&KRI goals, and the criteria specified in the Remuneration Policy of NLB Banka AD Skopje.

The Remuneration Policy of NLB Banka AD Skopje stipulates the right of reimbursement of remuneration when a certain circumstance occurs or is revealed after the (non-deferred or deferred) part of the variable remuneration has already been paid. Namely, in the said circumstances NLB Banka AD Skopje has the right to demand, within a period of 3 years from the payment of the part of the variable remuneration, that the member of the Management Board of NLB Banka AD Skopje returns such part of variable remuneration, partially or in full. Furthermore, NLB Banka AD Skopje has the right to demand, within a period of 3 years from the payment of the part of the variable remuneration, that a member of the Management Board of NLB Banka AD Skopje returns such part of variable remuneration, partially or in full, if it is established after the payment that the member of the Management Board of NLB Banka AD Skopje significantly contributed to poor or negative financial performance of NLB Banka AD Skopje or committed fraud or caused by any other intentional action or through gross negligence, great losses to NLB Banka AD Skopje.

Prior to awarding variable remuneration to an individual member of the Management Board of NLB Banka AD Skopje, the Supervisory Board of NLB Banka AD Skopje makes an adjustment of such variable remuneration to performance and risks, taking into account the adjustment criteria based on the KPI and KRI goals, and the defined criteria in the Remuneration Policy of NLB Banka AD Skopje.

5.5. Other types of possible awards for the members of the Management Board of NLB Banka AD Skopje and their maximum allowable amount

There are no other awards.

5.6. Determination of the maximum allowed amount and conditions for payment of severance pay to the members of the Management Board of NLB Banka AD Skopje

The types, amount and conditions of payment of severance pay to the members of the Management Board of NLB Banka AD Skopje are set out in point 3.2 above and Annex 2.

5.7. Other rights and benefits of the members of the Management Board of NLB Banka AD Skopje

Other rights and benefits of members of the Management Board of NLB Banka AD Skopje are set out in point 3.2 above and Annex 2.

5.8. Explanation of how the Remuneration Policy of NLB Banka AD Skopje and its use when concluding contracts with members of the Management Board of NLB Banka AD Skopje ensure (and how it is taken into account in determining remuneration) that the total remuneration is in appropriate proportion to the tasks of the members of the Management Board of NLB Banka AD Skopje and with the financial condition of NLB Banka AD Skopje, in order to promote the long-term sustainability of NLB Banka AD Skopje and to ensure that remuneration is consistent with the results achieved

The Remuneration Policy of NLB Banka AD Skopje and its implementation ensure that total remuneration is in appropriate proportion to the tasks and responsibilities of members of the Management Board of NLB Banka AD Skopje, with the financial situation of NLB Banka AD Skopje, sustainability of operations of NLB Banka AD Skopje to ensure compliance of remuneration with the achieved results.

Namely, the Supervisory Board of NLB Banka AD Skopje independently and collectively decides on the variable remuneration of each member of the Management Board of NLB Banka AD Skopje. The achievement of the financial aims of NLB Banka AD Skopje is particularly taken into account when assessing the performance of the members of the Management Board of NLB Banka AD Skopje.

The Risk Management Committee of the Supervisory Board of NLB Banka AD Skopje makes regular assessment if the remuneration system is taking into account the risk profile of NLB Banka AD Skopje and its solvency, liquidity and profitable position, including identified compliance risks and issues of non-compliance.

Also, variable remuneration shall not be awarded or paid out when the effect would be that the capital base of NLB Banka AD Skopje and/or NLB Group would no longer be sound. If the soundness of the capital base could be at risk due to allocating and paying the variable remuneration, NLB Banka AD Skopje shall take the following measures within the required scope:

- reduce the variable bonus pool for the previous business year, even down to zero and appropriately consider such reduction when awarding the variable remuneration for the previous business year.
- use the necessary measures to adjust the performance, particularly the maluses for the reduction of previously awarded but not paid deferred variable remuneration
- reduce the previously paid remuneration based on the agreement on the return of variable remuneration.
- use the net profit of the institution for the previous business year and potentially for the current and subsequent business years to strengthen the capital base of NLB Banka AD Skopje.

Reimbursement of remuneration is also stipulated in the Remuneration Policy of NLB Banka AD Skopje.

6. PRESENTATION OF THE REMUNERATION POLICY FOR THE MEMBERS OF THE MANAGEMENT BOARD OF NLB BANKA a.d. BANJA LUKA

6.1. The maximum amount of the basic (fixed) payment and the criteria / reasons for determining the basic (fixed) payment in the management contracts

The Remuneration Policy of NLB Banka a.d. Banja Luka doesn't regulate the maximum of the basic (fixed) payment. This payment is regulated with the managerial agreement, expressed as monthly gross amount.

NLB Banka a.d. Banja Luka pays all taxes and contributions related to the payment of the salary in accordance with the local legislation, and if the legislation, the tax rate or the amount of the contributions change, the gross amount of the salary shall change in a way that the net amount of the salary remains unchanged.

Determination of the basic (fixed) payment reflects the position, relevant professional experience, and responsibilities at NLB Banka a.d. Banja Luka, as described in the job description of the member of its Management Board, which is part of the recruitment conditions and the employment contract. It follows the trends of the payments of the managers in the country and it is negotiated with the Management Board of NLB Banka a.d. Banja Luka.

6.2. The maximum allowed amount of variable remuneration and the system of criteria for determining variable remuneration, such as: common criteria for all members and individual criteria for each member of the Management Board of NLB Banka a.d. Banja Luka, criteria by lots:

- a. **quantitative criteria defined by various economic and financial indicators (e.g. return on equity (ROE), EBITDA margin, net financial debt / EBITDA)**
- b. **qualitative criteria defining business objectives (e.g. successful acquisition, reorganization carried out, IT renewal, increase in market share)**

The maximum possible amount of the variable part of the salary of a member of the Management Board of NLB Banka a.d. Banja Luka for each business year is 6 basic (fixed) monthly salaries.

The basis for the calculation of the amount of the variable part of the salary of a member of the Management Board of NLB Banka a.d. Banja Luka for each business year is the average (monthly) gross salary of such member of the Management Board of NLB Banka a.d. Banja Luka for the period of his term of office in this business year.

The criteria for determining the performance of the members of the Management Board of NLB Banka a.d. Banja Luka are the following:

- NLB Group goals (common criteria for all members of the Management Board of NLB Banka a.d. Banja Luka),
- goals of NLB Banka a.d. Banja Luka (partly common criteria for all members of the Management Board of NLB Banka a.d. Banja Luka),
- personal goals. (different for each member of the Management Board of NLB Banka a.d. Banja Luka).

The goals must be financial and non-financial determined and defined by SMART method. The goals of each member of the Management Board of NLB Banka a.d. Banja Luka for each individual year and the performance criteria are determined by the Supervisory Board of NLB Banka a.d. Banja Luka.

As quantitative criteria are determined:

- Net profit;
- RORAC;
- Total net revenues;
- Total costs;
- Net cost of risk;
- NPL share by EBA.

Qualitative criteria are defined as General KPIs for all members of the Management Board of NLB Banka a.d. Banja Luka and Specific KPIs for each member. General KPIs for all members of the Management Board of NLB Banka a.d. Banja Luka are determined as:

- transformation and digitalization (improved productivity, increase the penetration rate of digital users);
- implementation of the strategy;
- ESG Strategy.

6.3. Definition of quality criteria for the development of corporate social responsibility of NLB Banka a.d. Banja Luka

Caring for the common good is one of the highest priorities in the value system of NLB Banka a.d. Banja Luka and is an integral part of the strategy and NLB Banka a.d. Banja Luka pays attention to social responsibility and protection of the interests of all parties.

By supporting projects in culture, sports, science, education and the environment, children and youth, NLB Banka a.d. Banja Luka strives to contribute to the life quality of individuals, families, institutions and organizations in the wider environment.

In the case of social and environmental policy at the level of the NLB Group, last year NLB Banka a.d. Banja Luka continued the implementation of socially responsible operation of the projects and the processes, unification of monitoring and deciding on sponsorships and donations.

In December 2020, in accordance with the social and environmental policy at the level of the NLB Group, NLB Banka a.d. Banja Luka conducted a revision of the existing internal act - Methodology for social and environmental responsibility which was adopted in January 2021.

The following changes have been made for that purpose:

- Adaptation of the methodology with the 17 key Sustainable Development Goals of United Nations. At least 40% of the Sponsorships and Donations budget should be spent on projects that can be included in any of these 17 objectives for Sustainable Development.
- Adjustment in the decision-making process for sponsorships and donations in a way that 80% of all sponsorships and donations are to be approved by Sponsorships and Donations Approval Team (working groups).
- According to the request, 80% of the budget for sponsorships and donations to be approved on the level of the Approval Team, the amount of sponsorships and donations was changed and increased at different levels.

In 2020, NLB Banka a.d. Banja Luka successfully completed several projects and donations in various areas of social responsibility. The most important are:

- Donation for the Solidarity Fund of the Republic of Srpska;
- Donation to the Association of Medical Doctors;
- The month of savings and Children's rights;
- Support to the humanitarian action "S ljubavlju hrabrim srcima" (With love to brave hearts) to establish the first Human Milk Bank in RS;
- Snow volleyball tournament supported by NLB Banka a.d. Banja Luka.

6.4. The system of relations (weights) between individual groups of criteria and other conditions for fulfilling the criteria for the right to payment of variable remuneration, method of payment (deferred payments), regulation of reimbursement of remuneration, possibility of discretion of the Supervisory Board of NLB Banka a.d. Banja Luka in assessing the right (the right that in certain cases, regardless of the achieved joint assessment of the success of a member of the Management Board of NLB Banka a.d. Banja Luka, the Supervisory Board of NLB Banka a.d. Banja Luka decides that he/she does not receive variable remuneration or that he/she is entitled to a lower or higher amount than according to performance appraisals) and other potentially important elements of the policy of determining variable remuneration

The system of relations (weights) between individual groups of criteria and other conditions for fulfilling the criteria for the right to payment of variable remuneration for each business year is determined in the Remuneration Policy of NLB Banka a.d. Banja Luka and it is given below:

Determination of the amount of the variable part of the salary for Member of Management Board for each business year			
Assessment of performance	Goals of the NLB Group	Goals of the NLB Banka a.d. Banja Luka	Personal goals
5 – all goals exceeded	up to 2 salaries	up to 2 salaries	up to 2 salaries
4 – most of the goals exceeded	up to 1.5 salaries	up to 1.5 salaries	up to 1.5 salaries
3 – goals achieved	up to 1 salary	up to 1 salary	up to 1 salary
2 – goals partly not achieved	0	0	0
1 – goals not achieved	0	0	0

A member of the Management Board of NLB Banka a.d. Banja Luka is not entitled to the variable part of the salary for a specific business year if he/she fails to achieve his/her personal goals for that year, regardless of the fact whether the goals of NLB Group and NLB Banka a.d. Banja Luka that year have been achieved or not.

The basis for the calculation of the amount of the variable part of the salary of a member of the Management Board of NLB Banka a.d. Banja Luka for each business year is the average (monthly) gross salary of such member of the Management Board of NLB Banka a.d. Banja Luka for the period of his/her term of office in this business year.

According to the Policy and the principle of proportionality, if variable part of the salary does not exceed EUR 50,000.00 gross and if that is permitted by the applicable regulations, the variable remuneration of a member of the Management Board of NLB Banka a.d. Banja Luka for an individual business year is awarded and paid in cash.

If the variable remuneration of a member of the Management Board of NLB Banka a.d. Banja Luka for an individual business year exceeds EUR 50,000.00 gross and if that is mandatory according to the relevant regulations, at least 50% of such amount must consist of instruments; the member of the Management Board of NLB Banka a.d. Banja Luka may only transfer such instruments with the NLB d.d. and/or NLB Banka a.d. Banja Luka approval which cannot be issued before the expiry of two years after the acquisition. The provision of the previous sentence thus relates to the non-deferred and the deferred part of the variable remuneration.

If that is mandatory according to the relevant regulations, 50% of the variable remuneration of a member of the Management Board of NLB Banka a.d. Banja Luka awarded for an individual business year must be deferred for a period of 3 years of the day on which the non-deferred part of such variable remuneration is paid.

Prior to the payment of the deferred part of the variable remuneration to a member of the Management Board of NLB Banka a.d. Banja Luka, the Supervisory Board of NLB Banka a.d. Banja Luka assesses the performance and the assumed risks and, if necessary, adjusts the deferred part of the variable remuneration, taking into account the adjustment criteria based on the KPI&KRI goals, and the criteria specified in the Remuneration Policy of NLB Banka a.d. Banja Luka.

The Remuneration Policy of NLB Banka a.d. Banja Luka stipulates the right of reimbursement of remuneration when a certain circumstance occurs or is revealed after the (non-deferred or deferred) part of the variable remuneration has already been paid. Namely, in the said circumstances NLB Banka AD Skopje has the right to demand, within a period of 3 years from the payment of the part of the variable remuneration, that the member of the Management Board of NLB Banka a.d. Banja Luka returns such part of variable remuneration, partially or in full. Furthermore, NLB Banka a.d. Banja Luka has the right to demand, within a period of 3 years from the payment of the part of the variable remuneration, that the member of the Management Board of NLB Banka a.d. Banja Luka returns such part of variable remuneration, partially or in full, if it is established after the payment that the member of the Management Board of NLB Banka a.d. Banja Luka significantly

contributed to poor or negative financial performance of NLB Banka a.d. Banja Luka or committed fraud or caused by any other intentional action or through gross negligence, great losses to NLB Banka a.d. Banja Luka.

Prior to awarding variable remuneration to an individual member of the Management Board of NLB Banka a.d. Banja Luka, the Supervisory Board of NLB Banka a.d. Banja Luka makes an adjustment of such variable remuneration to performance and risks, taking into account the adjustment criteria based on the KPI and KRI goals, and the defined criteria in the Remuneration Policy of NLB Banka a.d. Banja Luka.

6.5. Other types of possible awards for the members of the Management Board of NLB Banka a.d. Banja Luka and their maximum allowable amount

There are no other awards.

6.6. Determination of the maximum allowed amount and conditions for payment of severance pay to the members of the Management Board of NLB Banka a.d. Banja Luka

The types, amount and conditions of payment of severance pay to the members of the Management Board of NLB Banka a.d. Banja Luka are set out in point 3.3 above and Annex 3.

6.7. Other rights and benefits of the members of the Management Board of NLB Banka a.d. Banja Luka

Other rights and benefits of members of the Management Board of NLB Banka a.d. Banja Luka are set out in point 3.3 above and Annex 3.

6.8. Explanation of how the Remuneration Policy of NLB Banka a.d. Banja Luka and its use when concluding contracts with members of the Management Board of NLB Banka a.d. Banja Luka ensure (and how it is taken into account in determining remuneration) that the total remuneration is in appropriate proportion to the tasks of the members of the Management Board of NLB Banka a.d. Banja Luka and with the financial condition of NLB Banka a.d. Banja Luka, in order to promote the long-term sustainability of NLB Banka a.d. Banja Luka and to ensure that remuneration is consistent with the results achieved

The Remuneration Policy of NLB Banka a.d. Banja Luka and its implementation ensures that total remuneration is in appropriate proportion to the tasks and responsibilities of members of the Management Board of NLB Banka a.d. Banja Luka, with the financial situation of NLB Banka a.d. Banja Luka, sustainability of the operations of NLB Banka a.d. Banja Luka to ensure compliance of remuneration with the achieved results.

Namely, the Supervisory Board of NLB Banka a.d. Banja Luka independently and collectively decides on the variable remuneration of each member of the Management Board of NLB Banka a.d. Banja Luka. The achievement of the financial aims of NLB Banka a.d. Banja Luka is particularly taken into account when assessing the performance of the members of the Management Board of NLB Banka a.d. Banja Luka.

The Risk Management Committee of the Supervisory Board of NLB Banka a.d. Banja Luka makes regular assessment if the remuneration system is taking into account the risk profile of NLB Banka a.d. Banja Luka and its solvency, liquidity and profitable position, including identified compliance risks and issues of non-compliance.

Also, variable remuneration shall not be awarded or paid out when the effect would be that the capital base of NLB Banka a.d. Banja Luka and/or NLB Group would no longer be sound. If the soundness of the capital base could be at risk due to allocating and paying the variable remuneration, NLB Banka a.d. Banja Luka shall take the following measures within the required scope:

- reduce the variable bonus pool for the previous business year, even down to zero and appropriately consider such reduction when awarding the variable remuneration for the previous business year.

- use the necessary measures to adjust the performance, particularly the maluses for the reduction of previously awarded but not paid deferred variable remuneration.
- reduce the previously paid remuneration based on the agreement on the return of variable remuneration.
- use the net profit of the institution for the previous business year and potentially for the current and subsequent business years to strengthen the capital base of NLB Banka a.d. Banja Luka.

Reimbursement of remuneration is also stipulated in the Remuneration Policy of NLB Banka a.d. Banja Luka.

7. PRESENTATION OF THE REMUNERATION POLICY FOR THE MEMBERS OF THE MANAGEMENT BOARD OF NLB BANKA sh.a., PRIŠTINA

7.1. The maximum amount of the basic (fixed) payment and the criteria / reasons for determining the basic (fixed) payment in the management contracts

Determination of the basic (fixed) payment must be made because it is stipulated by law. Salary – bonus or income of any level expressed in cash for the employee. (Article 55 in conjunction with Article 3, item 1.13 of the Labour Law).

The amount of basic (fixed) payment of each member of the Management Board of NLB Banka sh.a., Prishtina is regulated with the managerial agreement.

7.2. The maximum allowed amount of variable remuneration and the system of criteria for determining variable remuneration, such as: common criteria for all members and individual criteria for each member of the Management Board of NLB Banka sh.a., Prishtina, criteria by lots:

- quantitative criteria defined by various economic and financial indicators (e.g. return on equity (ROE), EBITDA margin, net financial debt / EBITDA)**
- qualitative criteria defining business objectives (e.g. successful acquisition, reorganization carried out, IT renewal, increase in market share)**

Pursuant to Article 14 of the Remuneration Policy of NLB Banka sh.a., Prishtina, each of the president and members of the Management Board of NLB Banka sh.a., Prishtina is entitled to variable remuneration for each business year in the maximum amount of 6 basic (fixed) monthly salaries.

7.2.1. Quantitative criteria are defined as 50% of realized KPIs

Operational KPIs (financial):

- Profit before impairments and provisions (recurring);
- RORAC a.t.;
- Dividend payout*.

7.2.2. Qualitative criteria are defined as 50% of realized KPIs:

Additional KPI applying for the Covid-19 crisis period:

To ensure effective continuity of the operations of NLB Banka sh.a., Prishtina within extraordinary Covid-19 circumstances, especially with further focus on damage prevention (resilience of portfolio, minimizing transfer of portfolio to NPL and cost of risk, effectiveness of restructuring measures, cost control...)

Business Transformation KPIs:

- Transformation and digitalization

7.3. Definition of quality criteria for the development of corporate social responsibility of NLB Banka sh.a., Prishtina

Specific qualitative criteria for the development of corporate social responsibility are defined in individual KPIs.

As part of the NLB Group and as a bank operating in Kosovo, NLB Banka sh.a., Prishtina has an important mission for society and social responsibility for the environment in which it operates, in addition to achieving good financial results, NLB Banka sh.a., Prishtina also contributes to a quality life for all citizens. It has a responsible attitude towards shareholders, employees, customers and the whole society.

Sustainable operations refer to managing direct ESG (Environmental, Social, Governance) impacts of NLB Banka sh.a., Prishtina, ensuring it operates ethically and efficiently. Its approach to improving sustainable operations is to measure, manage and report performance in alignment with EU NFRD (EU Non-financial reporting directive) and UNEP FI (United Nations Environment Programme Finance Initiative.). Sustainable finance integrates ESG criteria into business and investment decisions of NLB Banka sh.a., Prishtina for the lasting benefit of its clients and society.

NLB Banka sh.a., Prishtina has implemented the #HelpFrame project to support micro and small businesses in recovering from the pandemic and in business development by giving them advertising space on TV channels, information portals, social networks, billboards and citylight all over Kosovo. From this project, 20 local businesses have benefited from all over Kosovo. These businesses are active in the production, trade, services, agriculture and they bring innovative projects for environmental protection and social welfare.

Activities related to Humanitarian solidarity

- NLB Banka sh.a., Prishtina donates 10 oxygen generator machines to University Hospital and Clinical Service of Kosovo thus contributing to the relief of public health emergency caused by COVID-19;
- Seeing the difficult conditions and challenges that the University Clinical Center of Kosovo is facing, NLB Banka sh.a., Prishtina has donated medical equipment and medicines in the amount of €19,765 to the Anesthesiology Clinic where patients with the most severe condition caused by Covid-19 are treated, Pediatric Clinic, Infectious Diseases Clinic and the Central Pharmacy at UCCK;
- Taking into consideration the difficult situation created as a result of the global pandemic Covid-19, NLB Banka sh.a., Prishtina bought flour which was donated twice a year to families living in poverty. The flour was distributed by the Humanikos association;
- NLB Banka sh.a., Prishtina has also supported families from minority communities who have children aged 0-6 with a donation made through Caritas;
- NLB Banka sh.a., Prishtina has donated for the recovery of Burbuqe Berisha (director and Director of the National Theatre of Kosovo, diagnosed with cancer) and Nora Saraçi (27-year-old girl from Mitrovica and diagnosed with acute leukaemia aml.);
- Donation to the "Autism" association on a monthly basis;
- Donation to the inter-municipal association of the blind, Prishtine, for the realization of monthly activities;
- Purchase of end of the year postcards made by children from "Down Syndrome Kosovo" Association and purchase "SOS Children Villages" Association.

Culture and environment

Client environment care - with the approval of lending policies and procedures, NLB Banka sh.a., Prishtina has prevented the financing of clients' projects which could risk the pollution of environment.

Cultural and sport activities

As a result of the global pandemic, many sports activities for 2020 have been suspended. However, NLB Banka sh.a., Prishtina has continued to support and sponsor traditional sports activities.

- On February 16th the Traditional Chess Tournament "Anniversary of Independence" was organized.
- On November 2nd 2020 the eighth Memorial Chess Tournament "Mustafë Ibrahim" was held.
- NLB Banka sh.a., Prishtina is a sponsor of Football Club "FC Prishtina".
- NLB Banka sh.a., Prishtina has sponsored also the activities of Swimming Sports Club "H2O".

7.4. The system of relations (weights) between individual groups of criteria and other conditions for fulfilling the criteria for the right to payment of variable remuneration, method of payment (deferred payments), regulation of reimbursement of remuneration, possibility of discretion of the Board of Directors of NLB Banka sh.a., Prishtina in

assessing the right (the right that in certain cases, regardless of the achieved joint assessment of the success of a member of the Management Board of NLB Banka sh.a., Prishtina, the Board of Directors of NLB Banka sh.a., Prishtina decides that he/she does not receive variable remuneration or that he/she is entitled to a lower or higher amount than according to performance appraisals) and other potentially important elements of the policy of determining variable remuneration

This is determined in the Remuneration Policy of NLB Banka sh.a., Prishtina as well as in the individual KPIs which are agreed upon between the Board of Directors of NLB Banka sh.a., Prishtina and the Management Board of NLB Banka sh.a., Prishtina.

7.5. Other types of possible awards for the members of the Management Board of NLB Banka sh.a., Prishtina and their maximum allowable amount

N/A

7.6. Determination of the maximum allowed amount and conditions for payment of severance pay to the members of the Management Board of NLB Banka sh.a., Prishtina

It is determined by an individual contract of the member of the Management Board of NLB Banka sh.a., Prishtina (Article 17) in the maximum of 6 monthly salaries.

7.7. Other rights and benefits of the members of the Management Board of NLB Banka sh.a., Prishtina

Other rights and benefits of members of the Management Board of NLB Banka sh.a., Prishtina are set out in Annex 4.

7.8. Explanation of how the Remuneration Policy of NLB Banka sh.a., Prishtina and its use when concluding contracts with members of the Management Board of NLB Banka sh.a., Prishtina ensure (and how it is taken into account in determining remuneration) that the total remuneration is in appropriate proportion to the tasks of the members of the Management Board of NLB Banka sh.a., Prishtina and with the financial condition of NLB Banka sh.a., Prishtina, in order to promote the long-term sustainability of NLB Banka sh.a., Prishtina and to ensure that remuneration is consistent with the results achieved

The Remuneration Policy of NLB Banka sh.a., Prishtina is based on quantitative and qualitative criteria which are in line with the realization of the objectives set out in the strategy of NLB Banka sh.a., Prishtina as well as the business plan of NLB Banka sh.a., Prishtina for the period of 1 and 5 years.

Annexes:

[\[Annex 1\]](#)

[\[Annex 2\]](#)

[\[Annex 3\]](#)

[\[Annex 4\]](#)