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Based on Article 23 of the Articles of Association of Nova Ljubljanska banka d.d., Ljubljana, the Supervisory Board hereby adopts the following

## **Remuneration Policy for the Members of the Supervisory Board of NLB d.d. and the Members of the Management Board of NLB d.d.**

**Version 3, general internal document**

1. Introductory provisions
2. General principles
3. The role of stakeholders in the process of adopting and supervising the implementation of the Remuneration Policy
4. Contribution of the Remuneration Policy to the promotion of the business strategy, long-term development and sustainability of NLB d.d.
5. Definition of the members of a Management body as identified employees or employees performing special work
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## **Chronology of amendments**

<b>Version</b>	<b>Date</b>	<b>Description</b>
1.	15/10/2021	Version 1
2.	19/10/2022	Version 2, adoption by the Supervisory Board of NLB d.d.
3.	12/12/2022	Consultative vote on approval at the General Meeting of Shareholders of NLB d.d.
4.	26/10/2023	Version 3, adoption by the Supervisory Board of NLB d.d.
5.	11/12/2023	Consultative vote on approval at the General Meeting of Shareholders of NLB d.d.

## **1. Introductory provisions**

### **Article 1**

This Article states the principal amendments to the Remuneration Policy for the Members of the Supervisory Board of NLB d.d. and the Members of the Management Board of NLB d.d. (hereinafter: the Remuneration Policy or the Policy) in chronological order:

The significant changes of the second version compared to the first version of the Remuneration Policy were the following:

- the stakeholders' (Management Board, Remuneration Committee, Risk Committee, Supervisory Board, General Meeting, Compliance and Integrity, Internal Audit) roles in the process of adopting and supervising the implementation of the Remuneration Policy have been defined in further detail; in the process of awarding guaranteed variable remuneration, retention bonus and variable part of salary;
- the Policy defines in more detail the components of the fixed and variable parts of the remuneration of the Management Board members with predefined maximum values of individual remuneration;
- the possibility of covering or reimbursing the difference in tax liabilities of the new Management Board member arising from his/her income, received in the past, in case he/she becomes a Slovenian tax resident - the purpose of this is the Bank's ability to cover the difference in tax liabilities of the new member of a Management board arising from his/her income, received in the past, as a result of him/her acquiring the status of Slovenian tax resident;
- the possibility of granting a personnel housing loan to a Management Board member under the same conditions as apply to key personnel under the collective agreement;
- the maximum permitted amount of the gross monthly salary of a member of the Management Board is determined in relation to the average gross monthly salary of a member of senior management of NLB d.d.;
- the maximum amount of the variable part of the salary (performance bonus) of a Management Board member for an individual business year has increased to 9 salaries for the period from 01/01/2023 onwards;
- the guaranteed variable remuneration is more clearly defined, together with the maximum possible amount;
- a new definition of the possibility of retention bonus;
- an explanation has been included about how the award and payment of a part of variable remuneration in the form of the Bank's shares or instruments the value of which is linked to the value of the Bank's share contributes to the Bank's long-term development;
- the goals of the Management Board members are specified in more detail by area;
- the provision of the policy relating to the compensation for early discontinuation of the term of office of a Management Board member and the compensation for non-competition of a Management Board member is aligned with Directive 2013/36/EU of 2 July 2021 (EBA/GL/2021/04, hereinafter: EBA Guidelines) at the compensation for non-competition of a Management Board member the limit of its amount is more clearly defined.

The significant changes of the third version compared to the second version of the Remuneration Policy are the following:

- the provisions on the remuneration of the Supervisory Board members have been updated taking into account the resolutions passed by the General Meeting of Shareholders of NLB d.d. adopted on 19/06/2023;
- a long-term performance bonus has been introduced, the maximum amount of which is 3 average gross monthly salaries of a Management Board member for an accrual period, i.e. financial year; the subsequent performance period, in which the fulfilment of additional performance criteria is measured, is 3 years from awarding;
- the performance criteria have been amended accordingly due to the introduction of the long-term performance bonus;

- in accordance with the second version of the Remuneration Policy, a part of the variable part of the salary was always deferred, while the third version of the Remuneration Policy stipulates that the variable part of the salary (short-term or long-term performance bonus) of a Management Board member for an accrual period (i.e. financial year) is not deferred, if, together with their other variable remunerations taken into account when calculating the ratio between variable and fixed remuneration for the respective accrual period (i) does not exceed EUR 50,000.00 gross; and (ii) is no greater than one third of their total remuneration for the respective accrual period
- clarifying short-term incentive structure by providing clear evaluation grid and weights
- the timeline with key milestones in relation to STI and LTI in the form of an illustrative chart is added to the Policy as Appendix 1.

## **Article 2**

The basic principles of remuneration policies serve as a framework for all employees at NLB d.d., and this Remuneration Policy is part of that framework.

The remuneration of other employees who are not members of the Supervisory Board or members of the Management Board is regulated in separate remuneration policies and other documents.

The provisions of this Remuneration Policy regulate the remuneration system for the members of the Supervisory Board and the Management Board.

The provisions of this Remuneration Policy are harmonised with the Companies Act (ZGD-1), the Banking Act (ZBan-3), the Employment Relationships Act (ZDR-1) and other relevant Slovenian and EU regulations, as well as with the EBA Guidelines, with NLB d.d. herewith pursuing the principle of proportionality, taking into account the size, the internal organisation as well as the nature, scope and complexity of the Bank's activities.

## **Article 3**

The Policy provides clear guidelines for prudent remuneration in accordance with the above regulations and documents, with the aim of ensuring prudent and efficient risk management.

## **Article 4**

This Policy is based on the principle of equal payment for equal work or work of the same value for the employed men and women, and is therefore gender-neutral.

## **Article 5**

The terms used in this Policy shall have the following meaning:

<u>"accrual period"</u>	means the period of time before award of the variable remuneration in which the performance of a Management Board member is assessed and measured in order to determine their variable remuneration; accrual period related to STI or LTI is one financial year;
<u>"Audit Committee"</u>	means the Audit Committee of the Supervisory Board;
<u>"award"</u>	means the granting of variable remuneration for a specific accrual period, independently of the actual point in time when the awarded amount is paid;

<u>“basic salary”</u>	is the basic monthly salary of an individual Management Board member;
<u>“Bank” or “Institution”</u>	means Nova Ljubljanska banka d.d., Ljubljana;
<u>“bonus”</u>	is defined as any benefit in kind provided to the employee by the employer;
<u>“bonus pool”</u>	means the maximum amount of variable remuneration which can be awarded in the award process set at the level of the institution or an institution’s business unit;
<u>“business year”</u>	is equal to a calendar year.
<u>“Compliance and Integrity” or “SPKI”</u>	means the Bank’s organisational unit responsible for compliance and integrity of the Bank;
<u>“deferral period”</u>	is the period for which NLB d.d. defers the payment of the variable part of the remuneration of the Management Board member. The deferral period starts upon the payment of the non-deferred part of the variable remuneration and lasts at least 5 years. In this period the Management Board member is not the legal owner of the variable part of the remuneration awarded;
<u>“fixed part of salary”</u>	is the part of the salary comprised of base gross salary, bonuses and allowances (except for performance bonus);
<u>“fixed remuneration”</u>	means payments or benefits for staff which comply with the conditions for its award set out in section 7 of EBA Guidelines;
<u>“gender pay gap”</u>	means the difference between the average gross hourly rate of a man and a woman employee expressed as a percentage of the average gross hourly rate of male employee;
<u>“General Meeting”</u>	means the General Meeting of Shareholders of the Bank;
<u>“gross salary”</u>	consists of the basic salary of a Management Board member and the length of service bonus (in accordance with Collective Agreement), and constitutes fixed remuneration;
<u>“identified employees” or “employees performing special work”</u>	are members of a Management body and employees who can significantly impact the risk profile of NLB d.d. and/or the NLB Group in the scope of their tasks and activities;
<u>“instruments”</u>	mean shares, instruments or other contracts under Item 3 of the second paragraph of Article 190 of the ZBan-3 or that fall within one of the two categories referred to in Article 94(1)(l) of Directive 2013/36/EU;
<u>“Internal Audit”</u>	means the Bank’s organisational unit responsible for internal audit of the Bank;
<u>“long-term performance bonus” or “long-term incentive” or “LTI”</u>	is the part of the variable part of the salary which is contingent on the fulfilment of the performance criteria, set for the accrual period and on the fulfilment of the additional performance criteria, set for the subsequent performance period (see definition “subsequent performance period” below in this Article; details in Article 19);
<u>“malus”</u>	means an arrangement (in this Remuneration Policy, in the employment contract or in another document)

	that permits the institution to reduce the value/amount of all or part of non-deferred or deferred part of LTI or the deferred part of other variable remuneration based on ex post risk adjustments before it has vested;
<u>“Management Board”</u>	means the Bank’s Management Board;
<u>“Management Body”</u>	means the Bank’s Supervisory Board or Management Board;
<u>“other employment-related income”</u>	is all other remuneration that is defined in the applicable labour law regulations (such as holiday allowance, severance pay, jubilee awards, solidarity aid, etc.) and related to the employment relationship;
<u>“reimbursement of expenses”</u>	represents reimbursement of commuting costs, meal allowance, reimbursement for the use of own assets for working from home and related material expenses, and other reimbursement of costs based on internal documents of the Bank;
<u>“remuneration”</u>	comprises all forms of direct or indirect financial and non-financial payments and benefits to which members of a management body and/or employees are entitled based on their contracts concluded with the Bank or another entity in the same group;
<u>“Remuneration Committee”</u>	means the Remuneration Committee of the Supervisory Board;
<u>“retention bonus”</u>	means variable remuneration awarded on the condition that the Management Board member stay in the institution for a predefined period of time;
<u>“retention period”</u>	means a period of time after the maturity of the variable remuneration that has been awarded in instruments for payment, during which they cannot be transferred;
<u>“return of variable remuneration” or “clawback”</u>	means an arrangement (in this Remuneration Policy, in the employment contract or in another document) under which a Management Board member has to return (a part of) the variable remuneration paid in the past or which has already vested to the institution, but not yet paid to the Management Board member, under certain conditions;
<u>“Risk Committee”</u>	means the Risk Committee of the Supervisory Board;
<u>“routine employment package”</u>	means ancillary components of remuneration that are obtainable for a wide population of employees or employees in specified functions based on predetermined selection criteria, including, for example, healthcare, child care facilities or proportionate regular pension contributions on top of the mandatory regime and travel allowance;
<u>“salary bonus”</u>	is defined by the labour law regulations applicable at the time and is considered fixed remuneration; the performance bonus does not count as a salary bonus;
<u>“salary compensation”</u>	is the allowance received by a Management Board member because of their absence from work for the reasons defined by labour law regulations applicable at the time and is therefore considered fixed remuneration;

<u>“senior management ”</u>	Means natural persons who perform executive functions in the Bank and are responsible to the Management Board for managing day to day business of the Bank (Management Board – 1 level)
<u>“shareholder”</u>	means a person who owns shares in an institution or, depending on the legal form of an institution, other owners or members of the institution;
<u>“share-linked instruments”</u>	mean those instruments whose value is based on the value of the stock and that have the share value as a reference point, e.g. stock appreciation rights, types of synthetic shares;
<u>“short-term performance bonus” or “short-term incentive” or “STI”</u>	is the part of the variable part of the salary which is contingent on the fulfilment of the performance criteria, set for the accrual period, but is not contingent on the fulfilment of the additional performance criteria, set for the subsequent performance period (see definition “subsequent performance period” below in this Article; details in Article 19)
<u>“Supervisory Board”</u>	means the Bank’s Supervisory Board;
<u>“subsequent performance period”</u>	means the period of time after the award of the LTI, during which the fulfilment of the additional performance criteria by a Management Board member is assessed or measured for the purpose of LTI being due for payment; the subsequent performance period begins when the LTI is awarded and lasts for 3 years; during the subsequent performance period, the Management Board member is not the legal owner of the awarded LTI;
<u>“underrepresented gender”</u>	represents the underrepresented female or male gender;
<u>“variable remuneration”</u>	means any remuneration which is not fixed;
<u>“variable part of the salary” or “performance bonus”</u>	is the part of the salary that depends on predetermined and measurable performance criteria and business results of NLB d.d. and the NLB Group; it consists of a short-term performance bonus and a long-term performance bonus;
<u>“vesting”</u>	means the effect by which the Management Board member becomes the legal owner of the variable remuneration awarded, independent of the instrument that is used for the payment or if the payment is subject to additional retention periods or clawback arrangements;
<u>“voluntary supplementary pension insurance (PDPZ)”</u>	is voluntary supplementary pension insurance that the Bank pays for all its employees, except for those employees who do not wish to join the pension scheme (written statement from the employee);

## **2. General principles**

### **Article 6**

The Remuneration Policy shall be consistent with the goals of NLB d.d. and the NLB Group, the business strategy of NLB d.d. and the NLB Group, the organisational culture and values, long-term interests, the environmental, social and governance (ESG) factors, the measures to prevent conflicts of interest, the risk profile and the risk appetite.

The Remuneration Policy has been designed so as not to stimulate the members of management bodies to assume non-proportionally high risks or risks that exceed the ability of NLB d.d. and/or the NLB Group to assume risks, taking into account all risks, including reputational risks and risks resulting from mis-selling or unethical selling of products or other unethical or non-compliant behaviour.

NLB d.d. shall ensure that the Remuneration Policy is compatible with adequate and efficient risk management and that it stimulates such management.

In terms of payment of the variable remuneration the Remuneration Policy takes into account the fulfilment of obligations or achievement of goals referring to capital or liquidity and helps achieve and maintain a sound capital base.

The proposal for the Remuneration Policy shall be approved by the Management Board and the Remuneration Committee. The Remuneration Policy shall be adopted by the Supervisory Board, and then submitted to the vote of the General Meeting for approval. The Bank shall submit the Remuneration Policy to the General Meeting to vote on it upon any major amendment, and in any case at least every four years. The voting on the Remuneration Policy by the General Meeting is of a consultative nature.

### **Article 7**

Conflicts of interests arising from the Remuneration Policy and award of remuneration should be mitigated appropriately, including by establishing objective award criteria based on the internal reporting system, appropriate controls and the four eyes principle. Compliance with the rules of the Remuneration Policy, taking into account of all the regulations binding on the Bank, ensures that conflicts of interest arising from the payment of variable or fixed remuneration in instruments are identified in advance and managed. The Remuneration Policy further ensures that no material conflicts of interest arise for management body members in control functions.



### **3. The role of stakeholders in the process of adopting and supervising the implementation of the Remuneration Policy**

#### **Article 8**

##### **Management Board of NLB d.d.**

Within the scope of its powers, the Management Board ensures, inter alia, the adequacy of remuneration practices that are consistent with prudent and effective risk management as well as that they are thus managed, that they encourage such management and are gender-neutral.

The members of the Management Board and the Supervisory Board are responsible for preparing the remuneration report in accordance with Article 294.b of the ZGD-1.

##### **Remuneration Committee of the Supervisory Board of NLB d.d.**

The Remuneration Committee is an advisory body of the Supervisory Board and shall also have the duty to:

1. carry out expert and independent assessment of the remuneration policies and practices and, on that basis, drafts initiatives for the measures related to the improvement in the management of the Bank's risks, capital and liquidity;
2. prepare proposals for the decisions of the Supervisory Board in relation to remuneration, including those affecting the Bank's risks and their management;
3. support and advise the Supervisory Board in formulating the Remuneration Policy, including that such Remuneration Policy is gender-neutral and supports equal treatment of members of the management bodies.

When preparing the decisions from the previous paragraph, the Remuneration Committee takes into account the long-term interests of the shareholders, investors and other stakeholders.

##### **Risk Committee of the Supervisory Board of NLB d.d.**

The Risk Committee is an advisory body of the Supervisory Board and shall also have the duty to:

1. advise on the Bank's general present and future risk appetite and on the risk management strategy;
2. help to supervise the senior management regarding the implementation of the risk management strategy;
3. without interfering with the duties of the Remuneration Committee, check whether the incentives provided by the remuneration system take into account the risk, capital, liquidity and probability and schedule of the Bank's revenues, in order to design prudential remuneration policies and practices.

##### **Supervisory Board of NLB d.d.**

Within the scope of its powers the Supervisory Board inter alia, adopts and supervises the implementation of the general principles of the Remuneration Policy.

In accordance with the EBA Guidelines, the Supervisory Board is responsible for adopting and maintaining the Remuneration Policy and for supervising its implementation to ensure that it is fully implemented.

The members of the Management Board and the Supervisory Board are responsible for preparing the remuneration report in accordance with Article 294.b of the ZGD-1.

### **General Meeting of NLB d.d.**

The Bank submits the Remuneration Policy to the General Meeting to vote on it upon any major amendment, and in any case at least every four years. The voting on the Remuneration Policy by the General Meeting is of a consultative nature. If the General Meeting fails to approve the proposed Remuneration Policy, the Bank at the next meeting proposes an amended Remuneration Policy for voting.

The General Meeting has the right to advisory vote on the remuneration report for the last business year.

### **NLB Compliance and Integrity**

The Compliance and Integrity shall analyse how this Policy affects the Bank's compliance with the regulations, other policies of the Bank and its risk appetite, and shall report all identified compliance risks and non-compliance issues to the Management Board and the Supervisory Board. The Remuneration Committee and the Supervisory Board shall take into account the findings of the SPKI in the process of adopting this Policy and amendments to it, and in the processes of its review and supervision.

### **Internal Audit of NLB d.d.**

A central review of the compliance with the regulations, NLB Group policies, procedures and internal rules shall be performed by the Internal Audit, assessing whether the overall remuneration policies, practices and processes:

- a) operate as intended (in particular, that approved policies, procedures and internal rules are being complied with; that the remuneration pay outs are appropriate, in line with the business strategy; and that the risk profile, long-term objectives and other goals of the Bank are adequately reflected);
- b) are compliant with national and international regulations, principles and standards; and
- c) are consistently implemented, are compliant with the principles and restrictions under Article 190 of the ZBan-3 and do not limit the Bank's ability to maintain or restore a sound capital base of the Bank or the NLB Group.

The table below shows the role of individual process stakeholders related to the adoption and implementation of the Remuneration Policy of NLB d.d.:

Activity	Management Board	SPKI	Remuneration Committee	Risk Committee	Supervisory Board	Internal Audit	General Meeting
Adoption of and amendments to the Remuneration Policy	Prepares a draft policy and forwards it to the Remuneration Committee	Checks the compliance of the Policy in the event of changes and reports to the Supervisory Board	Formulates a draft policy or proposed amendments and submits them to the Supervisory Board	Checks the adequacy of the policy in relation to risk management	Adopts the policy	-	Consultation voting after the adoption at the Supervisory Board - in the case of material amendments or at least every four years
Monitoring and supervising the implementation  Remuneration report	Provides a comprehensive and independent review of the compliance of remuneration at least once a year  The members of the Management Board and the Supervisory Board are responsible for preparing the remuneration report in accordance with Article 294.b of the ZGD-1.	Checks the implementation of the Remuneration Policy as part of the general control tasks at the second level	Checks the compliance of the Policy at least once a year	-	Checks the compliance of the Policy at least once a year  The members of the Management Board and the Supervisory Board are responsible for preparing the remuneration report in accordance with Article 294.b of the Companies Act (ZGD-1), which is reviewed by the auditor.	Carries out audits of the implementation of the Remuneration Policy in accordance with the internal audit plan	Holds advisory vote on the remuneration report for the last business year.

#### **4. Contribution of the Remuneration Policy to the promotion of the business strategy, long-term development and sustainability of NLB d.d.**

##### **Article 9**

Efficient management of risks and capital at all levels is crucial for maintaining a profitable operation of the NLB Group over the long run.

The variable remuneration depends on the results achieved that are directly connected with the achievement of the goals of the NLB Group and NLB d.d. and the goals of each individual, and is awarded and paid in the form of money and/or instruments. These goals are intended for the achievement of long-term generation of value and sustainable results, and combine the financial goals with the environmental, social and governance goals.

##### Article 9a

The NLB Group contributes to sustainable financing by including environmental, social and governance (ESG) risks in its business strategies, the risk management framework and internal governance. Thus, the ESG risk management follows the ECB and EBA guidelines and it is included in all relevant processes.

Sustainable operation refers to the management of direct ESG impacts, while ensuring ethical and efficient operation. Our goal to improve sustainable operation is to be achieved by measuring, managing and reporting on the performance in accordance with the applicable EU regulations and UN Convened Net-Zero Banking Alliance commitments signed by the Bank.

#### **5. Definition of the members of a Management body as identified employees or employees performing special work**

##### **Article 10**

In accordance with the ZBan-3, the members of a Management body are identified employees or employees performing special work.

A Management body member cannot be exempted from the application of this Remuneration Policy.

## **6. Remuneration of the members of the Supervisory Board**

### **Article 11**

In relation to their function of a member of the Supervisory Board, a member of the Supervisory Board may only receive remuneration that is compliant with the relevant resolutions of the General Meeting. The General Meeting may determine and change the remuneration of the members of the Supervisory Board independently from this Remuneration Policy, and may change, repeal or replace any of its resolutions in relation to the remuneration of the Supervisory Board members at any time, or adopt a new resolution in relation to the remuneration of the Supervisory Board members.

At the time when the Supervisory Board adopted this Remuneration Policy, the Bank's Articles of Association contained the following provision (last paragraph of Article 16 of the Articles of Association of the Bank):

"The Supervisory Board members are entitled to a remuneration for performing their function and/or attendance fees for their membership in the Supervisory Board and the committees of the Supervisory Board, which are determined in accordance with respective applicable resolution by the General Meeting, and to reimbursement of travel expenses, meal allowance and accommodation costs up to the amount provided by the regulations governing reimbursement of costs related to work and other income from employment."

At the time when the Supervisory Board adopted this Remuneration Policy, the resolution adopted by the General Meeting of 21/10/2019 was relevant for the remuneration of the Supervisory Board members other than workers' representatives, which was amended by a Resolution of the General Meeting of 19/06/2023 and reads:

"Point 2: Determination of payments of the members of the Supervisory Board of NLB d.d. and its committees

The members of the Supervisory Board shall receive for the performance of the office a payment of EUR 69,000.00 gross per member annually ("basic remuneration"). The Chair of the Supervisory Board shall be entitled to a bonus for the performance of this function amounting to 25% of the basic remuneration, while the Deputy Chair of the Supervisory Board shall be entitled to a bonus for the performance of the function amounting to 15% of the basic remuneration (hereinafter both bonuses referred to as "bonus").

The members of the committees of the Supervisory Board shall receive an extra payment for performing the function of a member of the committee, which for an individual member of the committee amounts to 10% of the basic remuneration ("extra remuneration") and shall be paid for membership in no more than two committees, even if an individual member of the Supervisory Board is a member of more than two committees. In addition to the extra remuneration, the chair of a committee shall also be entitled to an additional extra payment amounting to 15% of the basic remuneration ("additional extra remuneration"), with the additional extra remuneration being paid for the performance of the function of the chair of the committee in no more than one committee, even if an individual member of the Supervisory Board performs this function in more than one committee.

The members of Supervisory Boards shall receive the basic remuneration, bonus, extra remuneration and additional extra remuneration in proportional monthly payments to which they shall be entitled for as long as they perform the function. The monthly payment shall amount to one-twelfth of the above stated annual amounts. If they perform the function for less than one month, they shall be entitled to the proportional payment calculated based on the number of days they perform the particular function.

The Supervisory Board members shall be entitled to the reimbursement of travel expenses, daily allowances and costs of overnight accommodation related to their work in the Supervisory Board up to

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the amount specified in the regulations on reimbursement of work-related expenses and other income not included in the tax base. Accommodation expenses shall be reimbursed if the permanent or temporary residence of a Supervisory Board member or a member of a Supervisory Board committee is at least 100 kilometres away from the place of work and when a Supervisory Board member is unable to return as there is no public transport connection scheduled or for other objective reasons.

The Supervisory Board members shall not be entitled to any benefits exceeding the provision of the conditions for smooth work of the Supervisory Board (payment of insurance premiums, except for liability insurance, company car, company flat and fuel). The members of the Supervisory Board shall be entitled to benefits providing for or improving the conditions or methods of their work (ICT equipment, professional training, visits to institutions, organisations and bodies and liability insurance), accounting for the actual needs of the company and the individual needs of the members of the Supervisory Board, as decided by the Supervisory Board.

On the day this resolution is adopted, the resolution on the determination of the Supervisory Board of NLB d.d. and Supervisory Board Committee members' attendance fees which was adopted at the 22<sup>nd</sup> Annual General Meeting of NLB d.d. on 11/06/2013, shall cease to apply."

At the time when the Supervisory Board adopted this Remuneration Policy, the resolution adopted by the General Meeting of 15/06/2020 was relevant for the remuneration of the Supervisory Board members who are workers' representatives, which was amended by a Resolution of the General Meeting of 19/06/2023 and so amended reads:

"Point 8: Determination of the payments to the members of the Supervisory Board of NLB d.d. who are workers' representatives

The remuneration of an individual member of the Supervisory Board representing the interests of employees ("workers' representatives") for the performance of the function amounts to EUR 69,000 gross per year ("basic remuneration"), less the gross amount of basic salary as set in the employment contract of a workers' representative in case of employment in NLB d.d. or another member of the NLB Group ("basic salary") in a particular year.

For membership in the committees of the Supervisory Board, workers' representatives shall receive an extra payment for performing the function of a member of the committee, which for an individual member of the committee shall amount to 10% of the basic remuneration ("extra remuneration") and shall be paid for membership in no more than two committees, even if a workers' representative is a member of more than two committees.

The monthly payment shall be calculated by reducing 1/12 of the basic remuneration in the amount of EUR 5,750 gross (potentially increased by 1/12 of the extra remuneration) by the basic salary from employment in NLB d.d. or in another member of the NLB Group in a particular month. If the basic salary in a particular month exceeds EUR 5,750 (increased by any extra remuneration), the monthly payment in the following month shall be reduced by the basic salary in excess of this amount.

If they perform the function for less than one month, they shall be entitled to the proportional payment calculated based on the number of days they perform the particular function.

Workers' representatives shall be entitled to a reimbursement of travel expenses and costs of overnight accommodation related to their work in the Supervisory Board up to the amount specified in the regulations on reimbursement of work-related expenses and other income not included in the tax base. Accommodation expenses shall be reimbursed if the permanent or temporary residence of a worker's representative or a worker's representative who is a member of a Supervisory Board committee is at least 100 kilometres away from the place of work and when they are unable to return as there is no public transport connection scheduled or for other objective reasons.

Worker's representatives shall not be entitled to any benefits exceeding the provision of the conditions for smooth work of the Supervisory Board (payment of insurance premiums (excluding liability insurance), company car, company flat, fuel). Worker's representatives shall be entitled to benefits providing for or improving the conditions or methods of their work (ICT equipment, professional training, visits to institutions, organisations and bodies and liability insurance), accounting for the actual needs of the Bank and the worker's representative's individual needs as decided by the Supervisory Board.

The resolution Determination of the payments to the members of the Supervisory Board of NLB d.d. and its Committees adopted at the 34th General Meeting of Shareholders of NLB d.d. held on 21/10/2019 shall not apply to the workers' representatives."

All remuneration of the members of the Supervisory Board defined in the above-mentioned resolutions of the General Meeting shall constitute fixed remuneration.

## **7. Remuneration of the members of the Management Board**

### **Article 12**

When remunerating its Management Board members the Bank follows the principles of:

1. appropriate remuneration (remuneration of the Management Board members is comparable with the trend of salaries on the market and competitive to the remuneration of the Management Board members in comparable international institutions);
2. linking remuneration to performance (achieving or exceeding the set objectives is appropriately remunerated, which should also be reflected in the amount of the variable remuneration)

The basic remuneration of a Management Board member shall consist of:

- A fixed part of the salary, which reflects the relevant professional experience, responsibilities and duties of a member of the Management Board, as defined in the job description of the member of the Management Board which is part of the recruitment conditions. The fixed part of the salary of a member of the Management Board was determined based on the international benchmark of comparable banks with regard to the function/area covered by an individual member of the Management Board.
- A variable part of the salary, which reflects sustainable and risk-adjusted performance and performance that is better than expected and defined in the job description of the Management Board member which is part of the recruitment conditions. The amount of the variable part of the salary of a Management Board member depends on:
  - the achievement of the financial goals of the NLB Group;
  - the achievement of the financial or development goals in areas within the competence of the Management Board member;
  - the personal goals of the Management Board member.

The variable part of the salary is divided into STI and LTI.

For the term of office of a member of the Management Board, the Bank can arrange the following components of the fixed part of the remuneration:

Component	Maximum value
<b>Salary:</b>	
Gross monthly salary	The gross monthly salary of a Management Board member may amount to up to 8 times the average gross monthly salary of a member of the senior management of NLB d.d. (calculated based on the gross monthly salary of all members of the senior management of NLB d.d.) in the preceding financial year; for the calculation in line with this provision, the gross monthly salary of a members of the senior management of NLB d.d. comprises the base salary and the length of service bonus.
<b>Other income and reimbursement of expenses:</b>	
Holiday allowance under the conditions defined by the relevant regulations and collective agreements	In the amount as specified in line with the relevant regulations and collective agreements with the currently applicable resolutions of the Bank relating to the payment of holiday allowance (pursuant to the valid Collective agreement for NLB d.d. and according to the Labour Law applicable at the time of adoption of this Policy, the minimum holiday allowance is 80% of the average gross salary in the Republic of Slovenia).
Family separation allowance if the member of the Management Board performs work outside the place where they reside with their family and due to the requirements of the company lives separately from their family when performing their duties.	In the amount which, according to the currently applicable provisions regulating the tax treatment of reimbursement of costs and other income from employment, is not included in the tax base of income based on employment relationship.
Travel and accommodation expenses in relation to the business trips of the Management Board member	Air transport within the EU in economy class and outside the EU in business class; top class accommodation;
Round trips of the member of the Management Board or their close family members to the country defined in the employment contract of the member of the Management Board	In the amount of up to 24 round trips in each calendar year where the maximum cost of each round trip can amount to the cost of an airline return ticket in economy class. Trips made with a company car are not included in this quota.
Compensation for the use of own assets and material costs related to working from home	In the amount defined by the Bank's relevant internal acts
<b>Other benefits which the Bank may provide, cover, or reimburse the costs related to them, as agreed with the member of the Management Board:</b>	
Company car provided by the Bank, which can be used by the member of the Management Board for business and private purposes, where the Bank at its own expense provides services included in the total rental cost (TRC).	The total rental cost (TRC <sup>1</sup> ) for a member of the Management Board must not exceed EUR 1,800.00 per month. The segment of vehicles for members of the Management Board shall include vehicles from the middle up to the highest segment as defined by the relevant internal acts of the Bank.
Company car with a driver for business purposes	The Bank shall provide at the request of the Management Board member.

<sup>1</sup> The TRC limit is defined based on a four-year lease and an annual limit kilometres travelled to 18,000 (the mileage may be exceeded by a maximum of 5,000 kilometres); if a higher amount of kilometres travelled is required, the TRC shall be re-calculated based on an application and the defined limits. Included services: amortisation and depreciation, financing, energy/fuel, vehicle registration, annual vehicle tax, insurance, service and maintenance, tires, monthly carwash, RV (residual value) – the value of the vehicle at the end of the lease period, fleet management fee, 24-hour roadside assistance (basic), replacement vehicle (basic for regular servicing).



Company mobile phone of the highest price range and an annual budget	Annual spending limit up to EUR 5,640.00, if exceeded the member of the Management Board shall report to the Supervisory Board at the end of the year.
Parking space at the location of work	At the market price for renting a parking space.
Appropriate accommodation for the Management Board member in Ljubljana (permanent hotel room or apartment) including the related expenses and the cost of the real estate agent and security deposit for renting the apartment	Total monthly accommodation costs may not exceed EUR 5,000.00. In addition to the costs referred to in the previous sentence, the Bank covers the costs of the real estate agent and the security deposit for renting the apartment at the market price.
Business card	The Management Board member shall use a business card as a means of payment for business-related costs.
Entertainment allowance	In accordance with the annual financial plan of the Bank approved by the Supervisory Board.
Training of the Management Board member in relation to their job	In the framework of the Bank's annual financial plan approved by the Supervisory Board
Membership fees and expenses related to the membership of the Management Board member in professional associations and costs of literature and publications related to the job and/or the duties of the Management Board member	The total costs referred to in this provision per Management Board member shall not exceed EUR 10,000.00 in a single calendar year.
The possibility of a preventive medical check-up once in each calendar year	At the market price.
Possibility of treatment and rehabilitation at a health resort if so recommended by a specialist doctor	At the market price.
Collective accident insurance for usual insurance cases at the Bank's discretion. The Bank shall define the beneficiaries of the insurance of the Management Board member as persons defined by the Management Board member.	The monthly insurance premium for the insurance of the Management Board member shall amount to no more than EUR 100.00.
Health insurance for the Management Board member abroad as selected by the Management Board member at their own discretion	Total value of EUR 6,000.00 in each calendar year. The Bank shall cover (or compensate the Management Board member if they paid these themselves) also any applicable taxes, contributions and other duties that must be paid based on the Bank's payments under this provision.
Additional or supplementary health insurance	In an amount providing the highest possible coverage of medical expenses (including above-standard services and medical services abroad), with a monthly insurance premium for a Management Board member up to EUR 100.
Premiums for the collective voluntary supplementary pension insurance	Up to the amount of the maximum amount for which the Bank can claim a tax relief.
Liability insurance (D&O) – the Bank may arrange with the Management Board member in the context of their employment contract or in a separate document that the Bank provides the liability (claim) insurance for the Management Board member due to any incorrect conduct (actions or omissions) in the function as Management Board member as well as against claims made against the Management Board member based on their function as Management Board member (D&O insurance) in the scope and amount in line with international practice (hereinafter: liability insurance); these claims may also include civil or criminal proceedings, minor offence proceedings and other legal proceedings against the	Insurance premium according to the market price, other payments by the Bank up to the amount defined in this provision on the D&O insurance.

<p>Management Board member; the costs of defence against such claims and the costs of preparation of the defence of possible claims are also included here. The Bank may arrange with the Management Board member within the framework allowed by regulations that in case that an individual (possible or actual) claim against the Management Board member as defined in the previous sentence or the defence (or preparation of defence) against it are not covered by the liability insurance (e.g. due to the retained amount in the liability insurance or because the Bank did not provide liability insurance), the Bank covers the claim or the costs of defence (or preparation of defence) against it, up to the amount defined in the previous sentence. The Bank can also arrange with the Management Board member that the Bank covers (or compensate the Management Board member if they paid these themselves) also any applicable taxes, contributions and other duties that must be paid based on the Bank's payments under the previous sentence.</p>	
<p>Costs of tax consulting ordered by the Management Board member at their own discretion</p>	<p>Total value of EUR 2,000.00 in each calendar year. The Bank shall cover (or compensate the Management Board member if they paid these themselves) also any applicable taxes, contributions and other duties that must be paid based on the Bank's payments under this provision.</p>
<p>Education and care expenses for the children of the Management Board member (kindergarten, primary and secondary school) if the latter move to the Republic of Slovenia with the member assuming the function from abroad</p>	<p>In accordance with international educational programmes offered in the Republic of Slovenia. The Bank shall cover (or compensate the Management Board member if they paid these themselves) also any applicable taxes, contributions and other duties that must be paid based on the Bank's payments under this provision.</p>
<p>Payment of the difference of tax duties of the Management Board member – for a Management Board member who acquires resident status in the Republic of Slovenia pursuant to tax regulations, the Bank during their term of office as Management Board member covers or compensates the part of their tax duties that arise from their variable remuneration paid by the former employer based on their employment with that former employer, which due to their resident status in the Republic of Slovenia pursuant to tax regulations exceeds the tax duties that the Management Board member would have from these variable pays if they did not change their resident status pursuant to the tax regulations to resident of the Republic of Slovenia.</p>	<p>In the amount of the difference of tax duties of the Management Board member as described in this provision. The Bank shall cover (or compensate the Management Board member if they paid these themselves) also any applicable taxes, contributions and other duties that must be paid based on the Bank's payments under this provision.</p>
<p>Employee housing loan – the Bank can grant an employee housing loan to a member of the Management Board under the same conditions as those applying to key personnel under the collective agreement, while these conditions and criteria are determined by an internal act.</p>	<p>In line with relevant internal acts of the Bank.</p>

Unless defined otherwise for the individual type of expenses in the table above, the Bank reimburses the costs that the Management Board member has during their term of office in relation to the fulfilment of their responsibilities (including, but not limited to, daily allowances and other travel expenses), in line with the provisions of relevant regulations, collective agreements or the Bank's internal acts. Unless the table above regulates the payment in a different manner, the Bank reimburses the Management Board member for the costs of meals during work, for transportation to and from work, and costs incurred when performing certain tasks and duties on business trips in the manner and amount as defined by the relevant regulations, collective agreements or internal acts of the Bank.

For the term of office of a member of the Management Board, the Bank can arrange the following components of the variable part of the remuneration:

<b>Component</b>	<b>Maximum value</b>
STI in line with this Remuneration Policy	For a respective accrual period (financial year) no more than 9 average gross monthly salaries of the Management Board member, whereby the average gross monthly salary of a Management Board member shall be calculated in accordance with Article 17 of this Policy
LTI in line with this Remuneration Policy	For a respective accrual period (financial year) no more than 3 average gross monthly salaries of the Management Board member, whereby the average gross monthly salary of a Management Board member shall be calculated in accordance with Article 17 of this Policy
Guaranteed variable remuneration in line with this Remuneration Policy	In the maximum amount as specified in this Policy
Retention bonus in line with this Remuneration Policy	In the maximum amount as specified in this Policy
Compensation for early termination of the term of office in line with this Remuneration Policy	In the maximum amount as specified in this Policy
Compensation for the non-competition period in line with this Remuneration Policy	In the maximum amount as specified in this Policy

The Bank can also arrange with the Management Board member that the Bank covers (or compensate the Management Board member if they paid these themselves) also any applicable taxes, contributions and other duties related to the handover of the variable remuneration in instruments to the Management Board member and/or any taxes, contributions and other duties related to the payment of liabilities from these instruments.

The ratio of gross salary of the Management Board member to maximum variable part of the salary of the same Management Board member is 1:1.

The sum of variable remunerations of an individual Management Board member which is factored into in the calculation of the ratio between the variable and fixed remuneration for an individual business year in line with this Policy must not exceed 100% of the sum of fixed remunerations of the same Management Board member for this business year.

**Article 13**

**Guaranteed variable remuneration**

The guaranteed variable remuneration can be allocated or specified in the employment contract only to a new Management Board member upon employment, prior to the beginning of the first performance period, and only for the first year of employment in accordance with the Bank’s long-term interests, provided that the Bank’s capital base is sound and strong.

The guaranteed variable remuneration of a new Management Board member hereunder can amount up to 1.5 times their gross monthly salary defined in their employment contract.

The guaranteed variable remuneration hereunder is not included in the calculation of the ratio between the fixed and variable components of the total remuneration for the first performance period. The provisions of this Policy on malus, retention and clawback do not apply to the guaranteed variable remuneration under this article. Regardless of the other provisions laid down in this Policy, the total amount of the variable remuneration hereunder shall be paid in cash and shall not be deferred.

Table: Overview of activities and roles of stakeholders in case of awarding the guaranteed variable remuneration

<b>Activity</b>	<b>Remuneration Committee</b>	<b>Supervisory Board</b>	<b>Risk Committee</b>
<b>Awarding of the guaranteed variable remuneration</b>			
<b>Awarding of the guaranteed variable remuneration to a new Management Board member</b>	Proposes the awarding of the guaranteed variable remuneration for adoption at the Bank’s Supervisory Board	Awards the guaranteed variable remuneration	Participates in the process

**Article 14**

**Retention bonus**

The retention bonus can be awarded to a Management Board member if the Bank has a legitimate interest to award it with the aim of retaining the Management Board member, i.e. in the event of restructuring, liquidation, following a change of control or to ensure completion of large projects or initiatives. The Bank defines the reasons for allocating the retention bonus, the period in which it is assumed that the reason for such allocation exists, the conditions for allocating the retention bonus (including the performance criteria) and the date or the event after which the Bank will establish whether the retention conditions have been successfully completed. The retention bonus is only allocated once all the retention conditions and applicable performance conditions have been fulfilled.

When assessing whether a Management Board member is entitled to be allocated the retention bonus, the Bank must, at minimum, consider the risk that such member might decide to leave the Bank, the reasons why retaining them is vital to the Bank, the consequence of the member leaving the Bank and whether the amount of the allocated retention bonus was required and proportional for the purpose of retaining such Management Board member.

In relation to the retention bonus, the conditions or the performance criteria set by the Bank for them, the provisions of this remuneration policy on the variable part of the salary in relation to the adjustment

to performance and risk before awarding the bonus, any subsequent adjustment to risks, allocation and payment in instruments, deferral, retention, malus, and clawback shall apply mutatis mutandis to the provisions of Article 22, Article 23 (except its third paragraph), Article 24, Article 25, Article 26 (except its second and third paragraph), Article 27 and Article 28 of this Remuneration Policy.

When calculating the ratio of variable and fixed remuneration, the retention is taken into account as a variable remuneration and is divided into annual amounts for each year of the retention period calculated on the linear proportional basis. If the exact length of the retention period is not known in advance, the Bank defines the period and documents it depending on the circumstances and the adopted measures which justify the payment of the retention bonus. The calculation of the ratio must be based on a certain period.

The maximum amount of the retention bonus is limited in such a way that together with other types of variable remuneration taken into account in the calculation of the variable to fixed remuneration ratio it must not exceed 100% of the fixed remuneration of the Management Board member.

Table: Overview of activities and roles of stakeholders in case of awarding the retention bonus

<b>Activity</b>	<b>Remuneration Committee</b>	<b>Supervisory Board</b>	<b>Risk Committee</b>
<b>Definition of terms and conditions for awarding a retention bonus</b>			
<b>Definition of terms and conditions for awarding a retention bonus</b>	Prepares the proposal of the terms and conditions of the retention bonus and presents it to the Supervisory Board for adoption	Adopts the terms and conditions for awarding a retention bonus	Participates in defining the terms and conditions according to the Bank's risk management strategy and the Bank's risk appetite
<b>Monitoring and assessing at the completion of the retention period</b>			
<b>Monitoring and assessing the meeting of conditions for awarding the retention bonus</b>	Determines whether the terms and conditions to award of the retention bonus are fulfilled and proposes to the Supervisory Board the appropriate decision	Confirms the determination whether the terms and conditions to award the retention bonus are fulfilled	Checks whether the risk management criteria have been considered in determining whether the conditions to award for the retention bonus are fulfilled
<b>Period</b>	At the end of the retention period	At the end of the retention period	At the end of the retention period
<b>Awarding of the retention bonus</b>			
<b>awarding of the retention bonus to a Management Board member</b>	Prepares a proposal for awarding the retention bonus and submits it to the Supervisory Board	Awards the retention bonus	
<b>Period</b>	After fulfilling the terms and conditions for awarding the retention bonus	After fulfilling the terms and conditions for awarding the retention bonus	

### **Article 15**

The employment contract of a member of the Management Board shall be concluded for a specified period of time, for full-time employment, under the terms and conditions set out in the employment contract. The duration of employment shall be set until the termination of the term of office of the Management Board member.

The term of office of the Management Board member may terminate:

- on the date of expiry of the term of office of the Management Board member;
- due to the resignation of the Management Board member based on a written resignation statement submitted at least three months prior to the effective date of the resignation, whereby this deadline can be shortened by agreement between the contracting parties;
- due to recall of a Management Board member for reasons specified in the ZGD-1 with immediate effect (without a notice period);
- due to recall of a Management Board member based on the decision of the competent court, the Bank of Slovenia or other authority of jurisdiction.

### **Article 16**

If part of the variable remuneration of a certain member of the Management Board consists of ordinary or preference shares of the Bank, or instruments related to shares or equal non-cash instruments, the variable remuneration shall be set according to the criteria whereby the Bank ensures compatibility with a prudent and efficient risk management.

The Supervisory Board shall determine the instruments to be used for part of the variable remuneration of the Management Board member in accordance with the regulations applicable at the time.

Unless the Supervisory Board decides otherwise, the part of the variable remuneration of the Management Board member consisting of instruments shall be awarded and paid, under the terms and conditions of this Policy, in instruments whose value is based on the value of the share of NLB d.d. (with these instruments not giving any dividends or other yields).

By awarding and paying, in the cases specified by this Remuneration Policy, a part of variable remuneration of a Management Board member in the form of NLB d.d. shares or instruments the value of which is linked to the value of the NLB share, and subject to the award period and the conditions regarding the holdership of the instruments after they have been acquired, as specified herein (STI and/or LTI of a Management Board member for each accrual period (business year)) shall be awarded (or it is decided that they would not be awarded) no later than three months after the adoption of the Annual Report of the NLB Group for the respective accrual period (business year); the Management Board member may only transfer the instruments with the Bank's approval that can only be issued after the expiry of a three-year period from acquisition), the Bank guarantees and stimulates the Management Board members to pursue long-term business and development goals when managing the Bank, which support the Bank's strategy and long-term sustainability of operations.

With prudent management and governance of the Bank, a long-term growth is pursued, which is amongst others reflected in the value of the NLB d.d. share that follows the performance results. Therefore, the Bank's goals must be set in a reasonable and strategic manner so as to enable higher and consistent growth of revenues and ensure further growth and strengthening of the Bank.

## **8. Basis for calculating the amount of STI or LTI**

### **Article 17**

The basis for the calculation of the amount of the STI or LTI of a member of the Management Board for the period of a specific term of office in an accrual period is the average (monthly) gross salary of that Management Board member for the period of their term of office in this accrual period.

For the purposes of the preceding paragraph, the average gross monthly salary of the Management Board member for the period of their specific term of office in a certain accrual period shall be calculated by dividing the sum of the gross monthly salaries paid to the Management Board member for the period of a specific term of office in that accrual period in accordance with their employment contract by the number of months of such term of office in this accrual period.

## **9. Calculation of planned funds for variable remuneration**

### **Article 18**

When planning, the labour costs for the members of the Bank's Management Board shall be included in the labour cost plan which is approved by the Supervisory Board every year.

The calculation of the funds needed for the payment of the variable remuneration in accordance with the Remuneration Policy shall be made according to the bottom-up approach and shall be based on the following:

- the envisaged number of the members of the Management Board in an individual business year,
- the average gross monthly salary of an individual member of the Management Board in an individual business year,
- the estimate of the variable remuneration of an individual member of the Management Board,
- given the estimated amount of variable remuneration of a Management Board member, which is taken into account in calculating the ratio between variable and fixed remuneration for a particular business year, the variable remuneration in instruments is additionally recalculated for such variable remuneration which is estimated to exceed EUR 50,000.00 gross and/or comprise more than a third of their total remuneration for the respective business year,
- the calculation of the bonus for the variable remuneration paid to the Management Board members in instruments and consideration of the increase in costs due to the calculation of duties in accordance with the Personal Income Tax Act (ZDoh-2).

The amount of planned variable remuneration, as specified in the preceding paragraph, represents the planned funds for the payment of variable remuneration to the members of the Management Board.

## **10. Performance criteria**

### **Article 19**

The members of the Management Board are entitled to STI and/or LTI based on their achievement of financial and non-financial performance criteria under the terms and conditions of this Policy.

The financial performance indicators arise from the strategic plan of the NLB Group and are, in line with the strategic orientations, oriented towards growth and optimisations, and support the implementation of the strategy and strategic projects and goals arising from the ESG Guidelines.

The non-financial performance indicators arise from the activities supporting long-term changes reflected in the method of operation and approach to clients, supporting changes in the corporate culture, and supporting the values of the Bank and the employees, thus supporting the long-term stability and development orientation of the Bank.

The specific goals, key performance indicators, criteria and methodology for establishing the performance of the Management Board members shall be set by the Bank's Supervisory Board for each individual accrual period and each individual subsequent performance period within the boundaries set out in this Remuneration Policy.

The following targets in the ratios given below shall be used for assessing the performance of a member of the Management Board in an accrual period (for both STI and LTI)

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

Notwithstanding the preceding paragraph, the following targets in the ratios given below shall be used for assessing the performance of the Chief Risk Officer (CRO) in an accrual period (for both STI and LTI):

- financial goals of the NLB Group 20%;
- goals of the risk management function (CRO) 60%; the goals in this indent are independent from the performance of the business areas that the member of the Management Board supervises;
- personal goals of the member of the Management Board 20%.



The tables below contain more detailed definitions of goals of each Management Board member for an accrual period:

**Goals of the President of the Management Board (CEO)**

GOALS	CRITERIA	1	2	3	4	WEIGHTS
<b>Financial goals of the NLB Group*</b>		not achieved	partially achieved	Achieved	Exceeded	<b>50%**</b>
Net revenues (to budget)	Target	> - 3.5%	= - 3,5% < 0%	= 0 % to = +3,5%	> +3.5%	Up to 15%
Cost/income ratio (CIR)	Target	> + 200 bps	= > 0 bp to = + 200 bps	= 0 bps to - 200 bps	> -200 bps	Up to 10%
Return on equity after tax (ROE a.t.), normalised	Target	> - 150 bps	= - 150 bps to < 0 bps	= 0 bps to + 100 bps	> +100 bps	Up to 15%
Cost of risk	Target	> + 20bps	= + 5 bps to > + 20 bps	= + 5 bps to - 5 bps	> - 5 bps	Up to 5%
Other financial goals in accordance with the annual plan approved by the Supervisory Board (e.g. net fees and commission income, operational business margin...)	Realization of the KPI's according to the planned value in % or in bps					Up to 15%

\* All relevant KPI's, targets and measures for each member of the Management Board shall be disclosed in Annual Remuneration Report

\*\*1. depending on individual board member. 2. in process of annual goal setting specific weights can be adjusted in order to incorporate market environment and strategic goals of the NLB Group.

Goals in the areas covered by the President of the Management Board	CRITERIA	30%
Implementation of the NLB Group strategy	Implementation of the NLB Group Strategy in accordance with the project plan, deadlines, and strategic initiatives and in accordance with the project budget	5% - 10%**
Implementation of the environmental, social and governance (ESG) goals agreed in the sustainability implementation plan in the areas that fall under the responsibility of the President of the Management Board	Implementation of the ESG goals and criteria set every year by SB for the areas that fall under responsibility of the President of the Management Board (e.g. reducing of CO2, targets link to the DEI, gender pay gap, etc...)	5% - 10%
Achieving the customer satisfaction index	Enhancing/remaining customer satisfaction index according to the yearly plan set by SB	5% -10%
Other strategic goals of the President of the Management Board, which are set by the Supervisory Board for each year	Other strategic goals of the President of the Management Board linked to the acquisition opportunities, strategic partnerships, etc...	10% - 15%
<b>Personal goals</b>		<b>20%</b>
Acting in accordance with the NLB Group values	Encouraging NLB Group values implementation (employees' development, encouraging entrepreneurship and improving lives) and enhancing organisational culture in NLB Group	5%
Achieving the employee engagement	Enhancing/remaining employees rate response according to the yearly plan set by SB	5%
Employee development	According to the planned activities (development plans linked to the future skill set, managing performance management, concern for employees career development, retaining talents , etc...)	5%
Personal development of the President of the Management Board member	According to the personal development plan confirmed on the SB and based on the qualitative assessment interview with the relevant SB Committee/SB	5%

## Goals of the Management Board member in charge of finance (CFO)

GOALS	TARGETS	1	2	3	4	WEIGHTS
<b>Financial goals of the NLB Group*</b>		not achieved	partially achieved	Achieved	Exceeded	<b>50%**</b>
Net revenues	Target	> - 3.5%	= - 3,5% < 0%	= 0 % to = +3,5%	> +3.5%	Up to 15%
Cost/income ratio (CIR)	Target	> + 200 bps	= > 0 bps to = + 200 bps	= 0 bps to - 200 bps	> -200 bps	Up to 15%
Return on equity after tax (ROE a.t.), normalised	Target	> - 150 bps	= - 150 bps to < 0 bps	= 0 bps to + 100 bps	> +100 bps	Up to 15%
Cost of risk	Target	> + 20bps	= + 5 bps to > + 20 bps	= + 5 bps to - 5 bps	> - 5 bps	Up to 5%
Other financial goals in accordance with the annual plan approved by the Supervisory Board (e.g. net fees and commission income, operational business margin...)	Realization of the KPI's according to the planned value in % or in bps					Up to 10%

\* All relevant KPI's, targets and measures for each member of the Management Board shall be disclosed in Annual Remuneration Report

\*\*1. depending on individual board member. 2. in process of annual goal setting specific weights can be adjusted in order to incorporate market environment and strategic goals of the NLB Group.

Goals in the areas covered by the member of the Management Board	TARGETS	30%
Implementation of the NLB Group strategy in the area under the responsibility of the Management Board member	Implementation of the strategy in the area of the responsible member of the board in accordance with the project plan and deadlines as well as strategic initiatives and within the framework of the project budget	5% - 10%
Implementation of the environmental, social and governance (ESG) goals agreed in the sustainability implementation plan in the areas that fall under the responsibility of the member of the Management Board	Implementation and monitoring of ESG goals in accordance with the criteria set for the areas under the authority of the board member (such as: CO2 reduction, energy efficiency, etc.)	5% - 10%
Achieving the customer satisfaction index	Enhancing/remaining customer satisfaction index according to the yearly plan set by SB	5% -10%
Other strategic goals of the Management Board member, which are set by the Supervisory Board for each year	The objectives set annually by the SB linked to the improvement of the area that fall under the responsibility of the member of the Management Board	10% - 15%
<b>Personal goals</b>		<b>20%</b>
Acting in accordance with the NLB Group values	Encouraging NLB Group values implementation (employees' development, encouraging entrepreneurship and improving lives) and enhancing organisational culture in NLB Group	5%
Achieving the employee engagement	Enhancing/remaining rate response according to the yearly plan set by SB	5%
Employee development	According to the planned activities (development plans linked to the future skill set, managing performance management, concern for employee's career development, retaining talents, etc...)	5%
Personal development of the Management Board member	According to the personal development plan confirmed on the SB and based on the qualitative assessment interview with the relevant SB Committee/SB	5%

**Goals of the Management Board member in charge of risks (CRO)**

GOALS	TARGETS	1	2	3	4	WEIGHTS
<b>Financial goals of the NLB Group*</b>		not achieved	partially achieved	Achieved	Exceeded	<b>20%</b>
Cost/income ratio (CIR)	Target	> + 200 bps	= > 0 bps to = + 200 bps	= 0 bps to - 200 bps	> -200 bps	10%
Return on equity after tax (ROE a.t.), normalised	Target	> - 150 bps	= - 150 bp to < 0 bps	= 0 bps to + 100 bps	> +100 bps	10%

\* All relevant KPI's, targets and measures for each member of the Management Board shall be disclosed in Annual Remuneration Report

Goals of the CRO function	TARGETS				60%	
cost of risk		1	2	3	4	30%
		not achieved	partially achieved	Achieved	Exceeded	
	Target	> + 20bps	= + 5 bps to > + 20 bps	= + 5 bps to - 5 bps	> - 5 bps	
Implementation of the Risk Strategy of the NLB Group	Implementation of the risk strategy within the framework of certain risk limits				Up to 10%	
Implementation of the environmental, social and governance (ESG) goals agreed in the sustainability implementation plan in the areas that fall under the responsibility of the member of the Management Board	Implementation and monitoring of ESG goals in accordance with the criteria set for the areas under the authority of the board member linked to the risk area				Up to 10%	
Other strategic goals in the area of risks, which are set by the Supervisory Board for each year	The objectives set annually by the SB linked to the improvement of the area that fall under the responsibility of the member of the Management Board				Up to 20%	
<b>Personal goals</b>					<b>20%</b>	
Acting in accordance with the NLB Group values	Encouraging NLB Group values implementation (employees' development, encouraging entrepreneurship and improving lives) and enhancing organisational culture in NLB Group				5%	
Achieving the employee engagement	Enhancing/remaining rate response according to the yearly plan set by SB				3%	
Employee development	According to the planned activities (development plans linked to the future skill set, managing performance management, concern for employee's career development, retaining talents etc...)				3%	
Personal development of the Management Board member	According to the personal development plan confirmed on the SB and based on the qualitative assessment interview with the relevant SB Committee/SB				5%	
Achieving the customer satisfaction index	Enhancing/remaining customer satisfaction index according to the yearly plan set by SB				4%	

**Goals of a board member who does not hold the position of CEO, CFO or CRO:**

GOALS	target s	1	2	3	4	WEIGHTS
<b>Financial goals of the NLB Group*</b>		not achieved	partially achieved	Achieved	Exceeded	<b>50%**</b>
Net revenues	To target	> - 3.5%	= - 3,5% < 0%	= 0 % to = +3,5%	> +3.5%	Up to 15%
Cost/income ratio (CIR)	To target	> + 200 bps	= > 0 bps to = + 200 bps	= 0 bps to - 200 bps	> -200 bps	Up to 10%
Return on equity after tax (ROE a.t.), normalised	To target	> - 150 bps	= - 150 bps to < 0 bps	= 0 bps to + 100 bps	> +100 bps	Up to 15%
Cost of risk	To target	> + 20bps	= + 5 bps to > + 20 bps	= + 5 bps to - 5 bps	> - 5 bps	0% - 5%
Other financial goals in accordance with the annual plan approved by the Supervisory Board (e.g. net fees and commission income, operational business margin...)	Realization of the KPI's according to the planned value in % or in bps					Up to 25%

\* All relevant KPI's, targets and measures for each member of the Management Board shall be disclosed in Annual Remuneration Report

\*\*1. depending on individual board member. 2. in process of annual goal setting specific weights can be adjusted in order to incorporate market environment and strategic goals of the NLB Group.

<b>Goals in the areas covered by the member of the Management Board</b>		<b>30%</b>
financial or development goals in the area falling under the responsibility of the Management Board member	The objectives related to the development of the individual area of the responsible member of the board assessed by the SB	10% - 15%
Implementation of the environmental, social and governance (ESG) goals in the areas that fall under the responsibility of the member of the Management Board	Implementation of ESG goals in accordance with the criteria as defined for the areas under the responsibility of the board member (growth of green lending portfolio etc...)	5%-10%
Other strategic goals of the Management Board member, which are set by the Supervisory Board for each year	The objectives set annually by the SB linked to the improvement of the area that fall under the responsibility of the member of the Management Board	0% - 10%
Achieving the customer satisfaction index	Enhancing/remaining customer satisfaction index according to the yearly plan set by SB	5%
<b>Personal goals</b>		<b>20%</b>
Acting in accordance with the NLB Group values	Encouraging NLB Group values implementation (employees' development, encouraging entrepreneurship and improving lives) and enhancing organisational culture in NLB Group	5%
Achieving the employee engagement	Enhancing/remaining rate response according to the yearly plan set by SB	5%
Employee development	According to the planned activities (development plans linked to the future skill set, managing performance management, concern for employee's career development, retaining talents etc...)	5%
Personal development of the Management Board member	According to the personal development plan confirmed on the SB and based on the qualitative assessment interview with the relevant SB Committee/SB	5%

### **LTI – Performance criteria**

Upon separate assessment at the end of the subsequent performance period the LTI is adjusted for realised performance over the same period and applying the quantitative evaluation logic as per Article 22 to the set of LTI performance criteria.

The following targets in the ratios given below shall be used to determine the performance of an individual member of the Management Board during the subsequent performance period (i.e. to determine the fulfilment of additional performance criteria for the payment of LTI):

1. relative total shareholder return (RTSR) – 50%

The target for the RTSR for the NLB share in comparison to selected financial institutions is intended to strengthen the sustainable performance of the NLB share. The RTSR links the interest of the Management Board with interests of shareholders. In addition, the RTSR provides a relative measurement of performance to the relevant peers.

Total shareholder return (TSR) is calculated by adding a company's change in share price and total dividend per share (DPS) during the subsequent performance period, and then dividing the result by the share price at the beginning of the subsequent performance period.

In order to calculate the RTSR, an indicator of exceeding is determined based on the results of peer group banks and is determined by the bank's Supervisory Board. Relevant NLB peer group used as the basis for calculating the RTSR comprises of following banks: Unicredit, OTP, RBI (Raiffeisen Bank International), Erste Group, Intesa, Addiko.

If in subsequent performance period (3 years) the TSR is zero or negative, the member of the Management Board forfeits his/her right to LTI, while upon objective assessment of specific circumstances, the Supervisory Board can still consider relative benchmark performance as guidance for a potential partial payout.

2. goals that derive from the bank's long-term strategy and are related to the sustainability and development of the bank and are linked to the promotion of organizational culture, employee development and customer relations and are determined by the supervisory board 50%.

These goals are set by the supervisory board for a long-term period with the aim of promoting long-term stability and sustainable development of the bank.

Notwithstanding the preceding provisions in regards to determine the performance of an individual member of the Management Board during the subsequent performance period, the following targets in the ratios given below shall be used for assessing the performance of the Chief Risk Officer (CRO) in the subsequent performance period (i.e. for determining the fulfilment of additional performance criteria for the payment of LTI):

1. relative total shareholder return (RTSR) as defined above and as determined by the supervisory board 20%;
2. cost of risk 60%;
3. goals that derive from the bank's long-term strategy and are related to the sustainability and development of the bank and are linked to the promotion of organizational culture, employee development and customer relations and are determined by the supervisory board 20%.

Table: Targets to determine performance LTI during the subsequent performance period

<b>Targets for LTI</b>	<b>CRITERIA</b>	<b>WEIGHT</b>
1. relative total shareholder return (RTSR)	the performance indicator is determined to what extent it is expected to exceed the results of other comparable banks, which is determined for each period by the supervisory board	50% (20% for CRO)
2. goals that derive from the bank's long-term strategy and are related to the sustainability and development of the bank and are linked to the promotion of organizational culture, employee development and customer relations	goals set by the supervisory board for a long-term period with the aim of promoting long-term stability and sustainable development of the bank	50% (20% for CRO)
Cost of risk (for CRO only)	average realised negative deviation of CoR relative to plan established for STI over subsequent performance period	60%

All relevant KPI's, targets and measures for each member of the Management Board shall be disclosed in Annual Remuneration Report.

A Management Board member is not entitled to STI or LTI for a specific accrual period if they fail to achieve their personal goals for that accrual period (overall assessment of personal goals is 1), regardless of whether the financial goals of the NLB Group, other financial goals and other goals in the areas that fall within the competence of that Management Board member for that accrual period have been achieved or not.

**The general rules related to the award and payment of variable remuneration**

**Article 20**

The award and payment of the variable remuneration (also the deferred part) to a Management Board member shall depend on adjustment criteria which result from risk management through the system for monitoring performance based on KPI & KRI targets at the level of the NLB Group.

The criteria applied shall include compliance with the adopted policies, methodologies, orientations, regulators' and auditors' requirements as well as authorisations linked to the work of the Management Board member.

The award of STI and LTI is regulated in detail in Articles 23, 24 and 25, the payment in Article 26 and the subsequent risk-adjustment in Article 28 of this Policy.

When assessing the performance of the members of the Management Board, the Supervisory Board also takes into account the interim situation on the local, regional as well as global banking and economic markets and the achievement of the goals of the members of the Management Board, taking into account their activities in pursuing the Bank's best interest.

Variable remuneration shall not be awarded or paid out when the effect would be that the capital base of the Bank would no longer be sound. If the soundness of the capital base could be at risk due to

allocating and paying the variable remuneration, the Bank must take the following measures within the required scope and by reasonably applying Articles 23 to 26 and 28 hereof:

- reduce the bonus pool for the previous accrual period (business year), even down to zero, and appropriately consider such reduction when awarding the variable remuneration for the previous accrual period (business year);
- use the necessary measures to adjust the performance, particularly the maluses for the reduction of previously awarded but not paid LTI and 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 the subsequent business years to strengthen the Bank's capital base.

## **11. Setting goals and monitoring the performance of Management Board members**

### **Article 21**

The Supervisory Board shall follow the set goals and achieving of KPIs at regular meetings under items on quarterly and half-annual results, and also regularly monitor the achievement of important KPIs and the Business strategy, as well as the IT strategy.

The financial and business plan for NLB d.d. and the NLB Group shall be defined and approved by the Supervisory Board. The goals shall reflect part of the risk management, as well as the defined business strategy, which shall be divided into several projects with very clear goals and KPIs.

The specific goals for STI and LTI shall be set prior to the start of the accrual period to which they refer.

The specific goals are set by taking into account the adopted risk appetite and risk strategy defining the risk appetite in the framework of KPI & KRI targets.

Table: Overview of the role of individual stakeholders in the process of setting goals and awarding STI and LTI to the members of the Management Board

Activity	Management Board	Remuneration Committee	Supervisory Board	Risk Committee
<b>Definition of goals</b>				
<b>Definition of goals for Management Board members</b>	Prepares proposal of goals and forwards it to the Remuneration Committee	Aligns and proposes the goals of the Management Board members for adoption by the Supervisory Board	Adopts the goals	Participates in setting targets according to the Bank's risk management strategy and the Bank's risk appetite
Period	October - November	October - November	December	October - November
<b>Monitoring and assessing</b>				
<b>Monitoring and assessing the achievement of the goals of the Management Board members</b>	Submits a self-assessment to the Remuneration Committee	Aligns the assessment of goal achievement	Confirms the assessment of the achievement of the goals	Checks whether the risk management criteria have been taken into account in the assessment of the achievement of the goals
Period	February - March	March - April	April	March - April
<b>Awarding STI and/or LTI</b>				
<b>Awarding STI and/or LTI to Management Board members</b>		Prepares a proposal for awarding STI and/or LTI and submits it to the Supervisory Board	Awards STI and/or LTI	Checks whether the risk management criteria have been appropriately taken into account in the awarding of STI and/or LTI
<b>Target period</b>		April - May	April - May	

Goals for the Management Board members are set by the Supervisory Board in November/December including feedback on development progress and future individual development plans.



## 12. Scale for assessing the achievement of the goals of Management Board members

### Article 22

To assess the achievement of the goals in an accrual period and to determine the amount of awarded STI and/or LTI of Management Board member, a 4-grade scale is used for the overall assessment for STI and/or LTI (and for each individual criterion before that), as follows:

Table 1: Scale for assessing the achievement of goals

OVERALL ASSESSMENT	Descriptive assessment	OVERALL	The amount of STI and/or LTI
4	All goals are exceeded		Above 80% to including 100% of the maximum STI and/or LTI
3	The goals are achieved		Above 60% to including 80% of the maximum STI and/or LTI
2	The goals are partly achieved		Above 40% to including 60% of the maximum STI and/or LTI
1	The goals are not achieved		The Management Board member is not entitled to STI and/or LTI

This Article applies mutatis mutandis to assessing the achievement of additional performance criteria in the subsequent performance period.

## 13. Awarding STI and/or LTI

### Article 23

The Management Board members shall be entitled to STI and/or LTI for a particular accrual period which shall be awarded and/or paid based on their meeting of the financial and non-financial performance criteria and other terms and conditions specified in this Policy.

For the members of the Management Board, the decision whether the performance criteria were met shall be made by the Supervisory Board.

The Supervisory Board allocates STI and/or LTI for each accrual period (i.e. business year) to the Management Board members (or decides not to allocate it) no later than three months after the adoption of the annual report of the NLB Group for such accrual period (i.e. business year).

In the event of exceptional economic uncertainty or other extraordinary circumstances (in the past, such uncertainty and extraordinary circumstances arose due to the spread of COVID-19) that could jeopardise the solid capital base of the Bank and/or the NLB Group in the future, the Supervisory Board may postpone the decision on awarding and/or paying the variable remuneration (or part thereof) to the Management Board member until such exceptional circumstances cease.

Pursuant to the first and the second paragraphs of this Article, prior to awarding STI and/or LTI to a member of the Management Board, the Supervisory Board shall make an adjustment of STI and/or LTI to performance and risks, taking into account the relevant performance criteria and the adjustment criteria laid down in other Articles of this Policy as well as the criteria listed in the table below. The table below presents the cases where the Supervisory Board reduces the amount of STI and/or LTI of the Management Board member (possibly even down to zero) before the award due to prior risk adjustment. If reduction to zero is not mandatory according to the table below, the Supervisory Board shall determine the reduction of STI and/or LTI with regard to the circumstances of each case.

No.	Circumstances	Mandatory reduction of STI and/or LTI to zero	Reduction of STI and/or LTI, potentially to zero
1.	The performance of the Bank and/or NLB Group shows material negative trends that result from the decisions adopted by the member of the Management Board in their function as a member of the Management Board in the accrual period to which STI and/or LTI refers	X	
2.	Fraud or abuse by the member of the Management Board	X	
3.	Severe violations of the Bank's regulations or internal documents by the member of the Management Board	X	
4.	The conduct of the member of the Management Board shows signs of a criminal offence	X	
5.	The conduct of the member of the Management Board in the accrual period to which STI and/or LTI refers show signs of a minor offence		X
6.	An action of the member of the Management Board in the accrual period to which STI and/or LTI refers reduces or damages the Bank's reputation		X
7.	Violation of obligations arising from the employment relationship by the member of the Management Board in the accrual period to which STI and/or LTI refers		X
8.	Uneconomical practices of the member of the Management Board in their function as a member of the Management Board which are intentional or arise from severe negligence in the accrual period to which STI and/or LTI refers, causing material damage to the Bank and/or the NLB Group	X	
9.	An action of the member of the Management Board in the accrual period to which STI and/or LTI refers results in a conflict of interest with the Bank's business interests	X	
10.	Corruptive actions of the member of the Management Board resulting in or increasing the non-transparency in the adoption of business decisions	X	
11.	Involvement of the member of the Management Board in their function as a member of the Management Board in or their responsibility as a member of the Management Board for actions leading to significant losses for the Bank and/or the NLB Group	X	

12.	The fit & proper assessment of the member of the Management Board is negative		X
13.	The conduct of the member of the Management Board is in contravention of the Code of Conduct of the NLB Group		X
14.	The Bank's and/or the NLB Group's solid capital base could be at risk due to awarding and/or paying the variable remuneration		X
15.	Considering the financial position of the Bank as a whole and/or of the NLB Group as a whole, STI and/or LTI would not be sustainable		X
16.	The financial performance of the Bank and/or the NLB Group and/or the area within the competence of the Management Board member is poor or negative		X
17.	The Bank and/or the NLB Group and/or the area within the competence of the Management Board member experience(s) significant failure in risk management		X
18.	The actions of the member of the Management Board in the accrual period to which STI and/or LTI refers contributed to the Bank being imposed a regulatory fine		X

Note: The cases in which an individual option can be used are marked with a cross.

The amount of the variable remuneration to be awarded, its composition, the share of variable remuneration to be deferred and the period of deferral pursuant to this Remuneration Policy shall be determined by the Supervisory Board for each member of the Management Board.

## **14. Determining the composition of STI and LTI**

### **Article 24**

If this is in accordance with regulations, STI or LTI of a member of the Management Board for an individual accrual period shall be awarded in cash, provided that it (i) does not exceed EUR 50,000.00 gross together with their other variable remuneration, which is taken into account in calculating the ratio between variable and fixed remuneration for the accrual period, and (ii) is not higher than one-third of their total remuneration for the respective accrual period. However, if that is not in accordance with regulations, it shall be awarded by applying, mutatis mutandis, the second paragraph of this Article.

If STI or LTI of a member of the Management Board for an individual accrual period, together with their other variable remuneration, which is taken into account in calculating the ratio between variable and fixed remuneration for the accrual period, (i) exceeds EUR 50,000.00 gross and/or (ii) is higher than one-third of their total remuneration for the respective accrual period, at least 50% of it must consist of instruments, and the member of the Management Board may only transfer these instruments upon the Bank's permission, which may only be issued after at least three years have passed since the acquisition. The provision of the previous sentence thus relates to the non-deferred and the deferred part of STI and LTI from the previous sentence.

## **15. Deferral of part of STI and/or LTI**

### **Article 25**

If STI or LTI of a member of the Management Board for an individual accrual period (i) does not exceed EUR 50,000.00 gross together with their other variable remuneration, which is taken into account in calculating the ratio between variable and fixed remuneration for the accrual period, and (ii) is not higher than one-third of their total remuneration for the respective accrual period, no part of that STI or LTI shall be deferred, if that is in accordance with the regulations. However, if that is not in accordance with regulations, the second paragraph of this Article shall apply *mutatis mutandis*.

If STI or LTI of a member of the Management Board for an individual accrual period, together with their other variable remuneration, which is taken into account in calculating the ratio between variable and fixed remuneration for the respective accrual period, (i) exceeds EUR 50,000.00 gross and/or (ii) is higher than one-third of their total remuneration for the respective accrual period, at least 50% of that STI or LTI (or at least 60%, if together with other variable remuneration of this Management Board member, which is taken into account in calculating the ratio between variable and fixed remuneration for the respective accrual period, it exceeds 15-times the average annual gross remuneration in NLB d.d. for the accrual period (i.e. business year) prior to being awarded), it shall be deferred for at least 5 years from the date when the non-deferred part of that STI or LTI is paid.

## **16. Payment of STI and/or LTI**

### **Article 26**

The decision whether all the conditions for the payment of STI and/or LTI to the members of the Management Board have been met shall be adopted by the Supervisory Board.

The non-deferred part of STI shall be paid no later than three months after the adoption of the Annual Report of the NLB Group for the accrual period (i.e. business year) to which that STI refers, provided also that the Supervisory Board has awarded STI to the members of the Management Board for the said accrual period.

The non-deferred part of LTI shall be paid under the terms and conditions laid down in this Policy, no later than three months after the adoption of the Annual Report of NLB d.d. for the business year prior to the business year in which the subsequent performance period expires, but not prior to the expiry of subsequent performance period. Before payment of the non-deferred part of the awarded LTI, the Supervisory Board shall assess the achievement of additional performance criteria of the Management Board member in the subsequent performance period, applying *mutatis mutandis* Article 22 hereof, and, based on this assessment as well as other reasons for ex-post risk adjustment prior to the payment falling due as determined in Article 28 of this Policy (for deferred part of LTI), the Supervisory Board shall, if needed, perform an ex-post adjustment of the amount of the monetary part of LTI or the number or value of the instruments that make up the LTI (possibly to zero), applying *mutatis mutandis* the provisions of Article 28 hereof on *malus*.

The deferred part of STI or LTI shall be paid in proportion. It shall be paid under the terms and conditions of this Policy, in fifths, as follows:

- the first fifth of the deferred part of STI or LTI (as applicable) shall be paid no later than three months after one year has passed from the payment of the non-deferred part of STI or LTI (as applicable), provided the following conditions have been cumulatively met before the first fifth of the deferred part of STI or LTI (as applicable) is paid: (i) one year has passed since the payment of the non-deferred part of STI or LTI (as applicable); and (ii) the annual report of the NLB Group has been adopted for the business year preceding the business

year in which one year has elapsed since the payment of the non-deferred part of STI or LTI (as applicable); and (iii) the Supervisory Board decides on the payment of the part of the deferred part of STI or LTI (as applicable) referred to in this indent;

- the second fifth of the deferred part of STI or LTI (as applicable) shall be paid no later than three months after two years have passed from the payment of the non-deferred part of STI or LTI (as applicable) , provided the following conditions have been cumulatively met before the second fifth of the deferred part of STI or LTI (as applicable) is paid: (i) two years have passed since the payment of the non-deferred part of STI or LTI (as applicable); and (ii) the annual report of the NLB Group has been adopted for the business year preceding the business year in which two years have elapsed since the payment of the non-deferred part of STI or LTI (as applicable) ; and (iii) the Supervisory Board decides on the payment of the part of the deferred part of STI or LTI (as applicable) referred to in this indent;
- the third fifth of the deferred part of STI or LTI (as applicable) shall be paid no later than three months after three years have passed from the payment of the non-deferred part of STI or LTI (as applicable) , provided the following conditions have been cumulatively met before the third fifth of the deferred part of STI or LTI (as applicable) is paid: (i) three years have passed since the payment of the non-deferred part of STI or LTI (as applicable) ; and (ii) the annual report of the NLB Group has been adopted for the business year preceding the business year in which three years have elapsed since the payment of the non-deferred part of STI or LTI (as applicable) ; and (iii) the Supervisory Board decides on the payment of the part of the deferred part of STI or LTI (as applicable) referred to in this indent;
- the fourth fifth of the deferred part of STI or LTI (as applicable) shall be paid no later than three months after four years have passed from the payment of the non-deferred part of STI or LTI (as applicable) , provided the following conditions have been cumulatively met before the fourth fifth of the deferred part of STI or LTI (as applicable) is paid: (i) four years have passed since the payment of the non-deferred part of STI or LTI (as applicable) ; and (ii) the annual report of the NLB Group has been adopted for the business year preceding the business year in which four years have elapsed since the payment of the non-deferred part of STI or LTI (as applicable) ; and (iii) the Supervisory Board decides on the payment of the part of the deferred part of STI or LTI (as applicable) referred to in this indent;
- the fifth fifth of the deferred part of STI or LTI (as applicable) shall be paid no later than three months after five years have passed from the payment of the non-deferred part of STI or LTI (as applicable) , provided the following conditions have been cumulatively met before the fifth fifth of the deferred part of STI or LTI (as applicable) is paid: (i) five years have passed since the payment of the non-deferred part of STI or LTI (as applicable) ; and (ii) the annual report of the NLB Group has been adopted for the business year preceding the business year in which five years has elapsed since the payment of the non-deferred part of STI or LTI (as applicable) ; and (iii) the Supervisory Board decides on the payment of the part of the deferred part of STI or LTI (as applicable) referred to in this indent.

If the Supervisory Board defines a deferral period that is longer than 5 years, the previous paragraph applies mutatis mutandis.

Before paying the portion of the deferred part of STI or LTI (as applicable) from each indent of the paragraph before last, the Supervisory Board shall re-assess the performance (in case of LTI also the performance related to additional performance criteria set for the respective LTI) and the risks assumed and, if necessary, adjust this portion of the deferred part of STI or LTI (as applicable) , taking into account the adjustment criteria based on KPI & KRI targets as well as the criteria specified in the table in Article 28 hereof. When assessing the conduct of the members of the Management Board, the Supervisory Board shall apply the principle of zero tolerance (i.e. every circumstance from the table in Article 28 hereof shall be treated in accordance with this table).

**Article 27**

A member of the Management Board is entitled to STI and/or LTI only in proportion to the actual duration of their employment as a member of the Management Board in the accrual period to which the STI or LTI (as applicable) refers. Furthermore, a member of the management board is entitled to LTI only in proportion to the actual time of his employment as a member of the management board during the subsequent performance period, which relates to this LTI and, if the member of the management board ceases to be employed as a member of the management board before the end of the subsequent performance period, LTI shall be reduced proportionally before payment.

**17. Malus and return of STI and/or LTI**

**Article 28**

The table below sets out the cases in which the Supervisory Board reduces the amount of the portion of the deferred part of STI or LTI (as applicable) to be paid out in cash to the member of the Management Board, or the number or value of the instruments constituting an individual portion of the deferred part of STI or LTI (as applicable) (potentially to zero). If reduction to zero is not mandatory according to the table below, the Supervisory Board shall determine the reduction of an individual portion of the deferred part of STI or LTI (as applicable) on the basis of the circumstances of each case.

No.	Circumstances	Mandatory reduction of a portion of the deferred part of STI or LTI (as applicable) to zero	Reduction of a portion of the deferred part of STI or LTI (as applicable), potentially to zero
1.	The performance of the Bank and/or NLB Group in the deferral period shows material negative trends that result from the decisions adopted by the member of the Management Board in their function as a member of the Management Board in the accrual period to which STI or LTI (as applicable) refers	X	
2.	Fraud or abuse by the member of the Management Board	X	
3.	Severe violations of the Bank's regulations or internal documents by the member of the Management Board	X	
4.	The conduct of the member of the Management Board shows signs of a criminal offence	X	
5.	The conduct of the member of the Management Board in the accrual period to which STI or LTI (as applicable) refers show signs of a minor offence		X
6.	An action of the member of the Management Board in the accrual period to which STI or LTI (as applicable) refers reduces or damages the Bank's reputation		X
7.	The nullity of the annual report is established with a binding effect and the		X

	grounds for nullity refer to the items or facts on which the STI or LTI (as applicable) is based		
8.	Violation of obligations arising from the employment relationship by the member of the Management Board in the accrual period to which STI or LTI (as applicable) refers		X
9.	Uneconomical practices of the member of the Management Board in their function as a member of the Management Board which are intentional or arise from severe negligence in the accrual period to which STI or LTI (as applicable) refers, causing material damage to the Bank and/or the NLB Group	X	
10.	An action of the member of the Management Board in the accrual period to which STI or LTI (as applicable) refers results in a conflict of interest with the Bank's business interests	X	
11.	Corruptive actions of the member of the Management Board resulting in or increasing the non-transparency in the adoption of business decisions	X	
12.	It is established in a special auditor's report that the criteria for defining the variable part of the salary were applied incorrectly or that the critical accrual, financial and other data and indicators were incorrectly established or applied		X
13.	STI or LTI (as applicable) has not been awarded in accordance with this Policy		X
14.	A new fact is revealed that could change the decision on the award or the amount of STI or LTI (as applicable)		X
15.	Involvement of the member of the Management Board in or their responsibility as a member of the Management Board for actions leading to significant losses for the Bank and/or the NLB Group	X	
16.	The fit & proper assessment of the member of the Management Board is negative		X
17.	The conduct of the member of the Management Board is in contravention of the Code of Conduct of the NLB Group		X
18.	The solid capital base of the Bank and/or the NLB Group could be at risk due to paying the variable remuneration		X
19.	Considering the financial position of the Bank as a whole and/or of the NLB		X

	Group as a whole, STI or LTI (as applicable) is not sustainable		
20.	The financial performance of the Bank and/or the NLB Group and/or the area within the competence of the Management Board member is poor or negative		X
21.	The Bank and/or the NLB Group and/or the area within the competence of the Management Board member experience(s) significant failure in risk management		X
22.	The actions of the member of the Management Board in the accrual period to which STI or LTI (as applicable) refers contributed to the Bank being imposed a regulatory fine		X

Note: The cases in which an individual option can be used are marked with a cross.

If the relevant circumstances are not sufficiently clear to allow for deciding on whether a portion of the deferred part of STI or LTI (as applicable) of the Management Board member is to be paid out or not, or the amount that is to be paid, the Supervisory Board can decide that such portion of STI or LTI shall not fall due upon initially set maturity and it may defer the decision on whether, in what amount and when it is to be paid until the relevant circumstances are clarified. In the case referred to in the previous sentence, the Supervisory Board decides whether the portion of the deferred part of STI or LTI (as applicable) is to be paid or not, the amount that is to be paid and when, once the relevant circumstances have been sufficiently clarified.

If a circumstance from item 7, 12, 15 or 16 of the table in this Article 28 hereof occurs or is revealed and a part of the (non-deferred or deferred part of the) STI or LTI (as applicable) has already been paid, the Bank has the right to demand, within a period of 3 years from the payment of this part of STI or LTI, that the member of the Management Board return such part of STI or LTI (as applicable), partially or in full, with mutatis mutandis application of the table in this Article 28 hereof. Furthermore, the Bank has the right to demand, within a period of 3 years from the payment of a part of STI or LTI (as applicable), that the member of the Management Board return such part of STI or LTI (as applicable), partially or in full, if it is established after the payment that the member of the Management Board significantly contributed to poor or negative financial performance of the Bank or used fraud or took any other intentional action or caused, through gross negligence, material losses to the Bank. In relation to STI and/or LTI of the member of the Management Board (or an individual part of STI and/or LTI of the member of the Management Board), the decision in accordance with this paragraph shall be taken by the Supervisory Board.



## **18. Compensation for early termination of the term of office/employment, compensation for the non-competition period and pension benefits**

### **Article 29**

#### **1. Compensation for early discontinuation of the term of office of a member of the Management Board**

Pursuant to point 8 of the second paragraph of Article 190 of the ZBan-3, payment to an individual in connection with early termination of their employment contract shall reflect the performance of that individual during a specific period and shall not reward them for failures or possible breaches at the Bank. According to the above it may not be stipulated in the contract on the employment of a member of the Management Board with the Bank that a member of the Management Board is entitled to a compensation for early termination of the term of office if they are dismissed by the Supervisory Board due to (i) a severe violation of the obligations; or (ii) the inability to manage business; or (iii) due to a vote of non-confidence issued by the General Meeting of the Bank, except in the case such vote of no confidence is obviously ungrounded. Furthermore, it may not be stipulated in the contract on the employment of a member of the Management Board with the Bank that a member of the Management Board is entitled to a compensation for early termination of the term of office (i) if they are re-employed by the Bank or the NLB Group after the termination of the term of office; or (ii) in the event of a regular termination of the term of office. It may be stipulated in the contract on the employment of a member of the Management Board with the Bank that a member of the Management Board is entitled to a compensation for early termination of the term of office only if dismissed for other business or economic reasons, in which case the proposal of the President of the Management Board for the dismissal of a member of the Management Board can be considered 'other business or economic reason' (the second paragraph of Article 23 of the Bank's Articles of Association) and in case the member of the Management Board resigns (in such case, they can only be entitled to a compensation for early termination of the term of office if so decided by the Supervisory Board). The compensation for early termination of the term of office from the previous sentence, stipulated in the contract on the employment of a member of the Management Board with the Bank, may not exceed the amount which is calculated using the following general formula: gross monthly salary of such member of the Management Board, payable on the basis of the month prior to the termination of the term of office, multiplied by 12.

Prior to the payment, the Supervisory Board may reduce (whereby it takes into account the relevant circumstances) the compensation for early discontinuation of the term of office of a member of the Management Board (even to zero) due to:

1. unsuccessful performance of the Bank, when the total amount of severance pay for employees is determined, taking into account the Bank's capital base, and if the following circumstances exist:
  - a. when the Bank is granted state aid or is subject to early intervention or resolution measures pursuant to the Resolution and Compulsory Winding-Up of Banks Act (ZRPPB-1); or
  - b. if a request has been filed for the initiation of regular insolvency proceedings of the Bank, as defined in Article 2(1)(47) of the Directive 2014/59/EU; or
  - c. where significant losses lead to the situation that the institution no longer has a sound capital base and, following this, the business area is sold or the business activity is reduced.
2. unsuccessful performance of the Management Board member, if the following circumstances exist:
  - a. where the relevant member of the Management body no longer meets appropriate standards of fitness and propriety; or
  - b. where the relevant Management Board member participated in or is responsible for conduct which resulted in significant losses for the Bank;
  - c. where the relevant Management Board member acts contrary to internal rules, values or procedures based on intent or gross negligence.

In the sense of point 172 b (i) and point 167 of the EBA Guidelines, the compensation for early termination of the term of office is not considered in the calculation of the ratio between the variable and fixed components of the remuneration and it is not subject to deferment and payment in instruments. The details of the compensation for early termination of the term of office are defined in the contract on the employment of a member of the Management Board with the Bank.

## **2. Compensation for the non-competition period for the members of the Management Board**

If a competition clause is included in the contract on the employment of a Management Board member and applies after the termination of employment under that employment contract, a compensation for such competition ban may be agreed in the employment contract for the period after the termination of employment thereunder in which such ban applies. Such compensation for the non-competition period may not exceed the amount of the gross salary of that member of the Management Board for the month preceding termination of his/her employment under such employment contract for each month in which such ban applies. In the sense of point 172 b (ii) of the EBA Guidelines, the compensation for the non-competition period hereunder is not considered in the calculation of the ratio between the variable and fixed components of the remuneration and it is not subject to deferment and payment in instruments. The details of the compensation for the non-competition period hereunder are defined in the employment contract.

## **3. Pension benefits**

The Bank shall pay for the members of the Management Board the maximum premium of collective voluntary supplementary pension insurance within the tax relief bracket as set forth in the Pension and Disability Insurance Act, which amounts to EUR 2,904.00 annually in 2022. Therefore, this type of the Management Board members' income is not considered discretionary, it is included in the routine employment package and considered fixed income.

The Bank shall examine the most appropriate options in relation to potential provision of additional pension benefits for the members of the Management Board.

## **19. Restriction of personal insurance against risks**

### **Article 30**

A member of the Management Board may not use personal hedging strategies or remuneration- and liability-related insurance to undermine the risk alignment effects embedded in their variable remuneration. Every year, a Management Board member must also sign a written commitment in the sense of this paragraph separately from this Remuneration Policy and their employment contract, and hand it over to the Bank.

## **20. Transitional and final provisions**

### **Article 31**

This Remuneration Policy shall be adopted by the Supervisory Board. This Remuneration Policy shall be submitted to the General Meeting of Shareholders of NLB d.d. for a vote of approval which is of a consultative nature and this Remuneration Policy shall enter into force upon the conclusion of voting of the General Meeting of Shareholders of NLB d.d., irrespective of the outcome of the vote, and shall apply as of 01/01/2024 to the remuneration of the members of the Supervisory Board and the members of the Management Board which refers to the period as of 01/01/2024 and, in respect of such remuneration of the Supervisory Board members of NLB d.d. and the Management Board members of NLB d.d., it shall supersede the Remuneration Policy for the Members of the Supervisory Board of NLB d.d. and the Members of the Management Board of NLB d.d. (Version 2, general internal document).

This Remuneration Policy shall be published in the Register of internal documents and in the application EDMS\_OfficePoint.

## **21. Reference documents**

### **Article 32**

Companies Act (ZGD-1)

Banking Act (ZBan-3)

Regulation on internal governance arrangements, the management body and the internal capital adequacy assessment process for banks and savings banks.

Regulation on the reporting of certain facts and circumstances relating to banks and savings banks

Guidelines on sound remuneration policies under Directive 2013/36/EU (EBA/GL/2021/04 of 02/07/2021)

Recovery and Compulsory Dissolution of Credit Institutions Act (ZRPPB-1)

## **22. Statement of the administrator of the internal act on the harmonization and approval of the internal act**

*The custodian of the internal act assures that the internal act has been submitted for review, harmonization and approval to all organizational units in the Bank to which the proposed internal act or its changes impact and is also confirmed by them. The internal act is harmonized with them in such a way that its content is clear, consistent with other internal acts of the Bank and is not in conflict with other internal acts in the Bank.*

## **23. Preparation and review**

<b>Name and surname</b>	<b>Preparation/Review</b>
Mojca Cigler, Nevenka Peteh	Preparation
Vida Tomažič, Rok Praprotnik	Review
Vesna Vodopivec	Review

Ljubljana, 26/10/2023

Primož Karpe  
Chairman of the Supervisory Board



Appendix 1: Timeline for STI and LTI

	DECEMBER 2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
	<p>SETTING financial and non-financial GOALS for the ACCRUAL period (financial and business year from 1.1. to 31.12.) - used for STI and LTI</p> <p>SETTING ADDITIONAL PERFORMANCE CRITERIA FOR LTI for SUBSEQUENT PERFORMANCE PERIOD</p>	<p>ACCRUAL PERIOD</p>	<p>ASSESSMENT OF ACHIEVEMENT OF GOALS AS SET FOR ACCRUAL PERIOD</p> <p>AWARDING STI - MAX 9 SALARIES and LTI – MAX 3 SALARIES =&gt; TOGETHER UP TO 12 SALARIES</p>									
	DEFERRAL PERIOD											
STI		<p>VESTING OF NON-DEFERRED STI - 50% of awarded STI (50% CASH, 50% INSTRUMENTS)</p>	<p>VESTING OF 1/5 of deferred STI (1/5 CASH, 1/5 INSTRUMENTS)</p>	<p>VESTING OF 2/5 of deferred STI (1/5 CASH, 1/5 INSTRUMENTS)</p>	<p>VESTING OF 3/5 of deferred STI (1/5 CASH, 1/5 INSTRUMENTS)</p>	<p>VESTING OF 4/5 of deferred STI (1/5 CASH, 1/5 INSTRUMENTS)</p>	<p>VESTING OF 5/5 of deferred STI (1/5 CASH, 1/5 INSTRUMENTS)</p>					
	SUBSEQUENT PERFORMANCE PERIOD (for LTI)											
LTI					<p>ASSESSMENT OF ADDITIONAL PERFORMANCE CRITERIA (LTI)</p> <p>VESTING OF NON-DEFERRED LTI - 50% of awarded LTI (50% CASH, 50% INSTRUMENTS)</p>	DEFERRAL PERIOD						
					<p>VESTING OF 1/5 of deferred LTI (1/5 CASH, 1/5 INSTRUMENTS)</p>	<p>VESTING OF 2/5 of deferred LTI (1/5 CASH, 1/5 INSTRUMENTS)</p>	<p>VESTING OF 3/5 of deferred LTI (1/5 CASH, 1/5 INSTRUMENTS)</p>	<p>VESTING OF 4/5 of deferred LTI (1/5 CASH, 1/5 INSTRUMENTS)</p>	<p>VESTING OF 5/5 of deferred LTI (1/5 CASH, 1/5 INSTRUMENTS)</p>			