



NLB Group Presentation

3Q 2018 Results



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NLB's Management Board



BLAŽ BRODNJAK



*Chief Executive Officer (CEO)
Chief Marketing Officer (CMO)*

- Led NLB's restructuring since Dec-12
- Over 19 years of experience in financial services, including senior positions at Bawag, Raiffeisen, Triglav and Hypo Alpe Adria



ARCHIBALD KREMSE



Chief Financial Officer (CFO)

- Led NLB's restructuring since Jul-13
- Over 19 years of experience in financial services, including senior positions at Ernst & Young and Dexia-Kommunalkredit Group



ANDREAS BURKHARDT



Chief Risk Officer (CRO)

- Led NLB's restructuring since Sep-13
- Over 19 years experience in financial services, including senior positions at Volksbank



LÁSZLÓ PELLE



Chief Operating Officer (COO)

- Joined NLB in Oct-16
- Over 21 years experience in financial services, including senior positions at Erste, HSBC and Citigroup

✓ *Team has led NLB's restructuring since 2013*

✓ *Over 80 years of combined experience in financial services*

✓ *Proven track record in the CEE banking sector*

NLB Group

From restructuring phase to growth phase



NLB d.d. 100% state owned bank

November 2018 – NLB d.d. is a public company



London

Stock Exchange Group

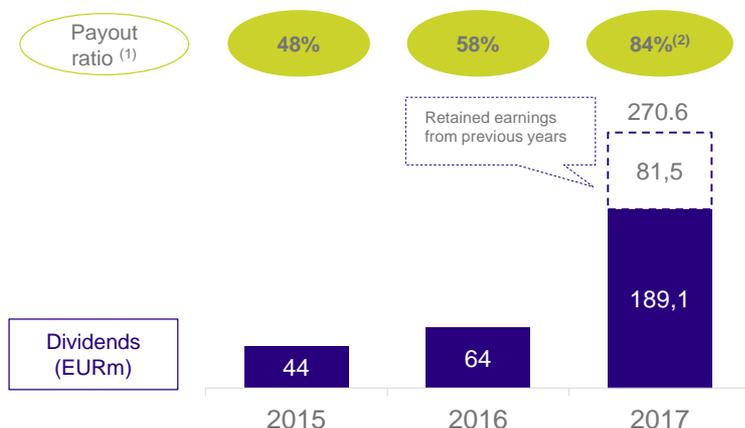
Main market subsegment
GDRs (Ticker: NLBR)



LJUBLJANSKA BORZA
LJUBLJANA Stock Exchange

Prime market subsegment
Ordinary shares (Ticker: NLB)

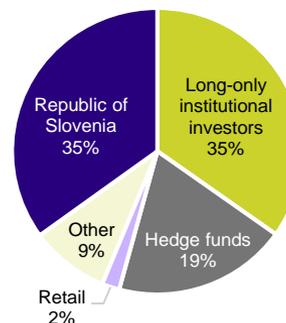
Regular dividends



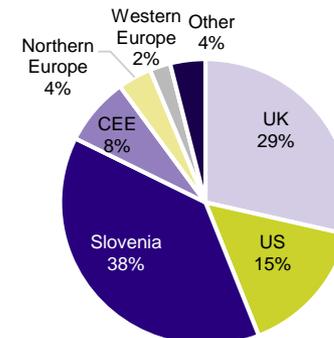
Note: (1) Calculated on Profit after tax from NLB Group in previous year (whole NLB d.d. result paid out); (2) Payout calculated based on dividend for FY'17 profit. Total dividend paid for 2017 amounted to EUR 270.6 million (EUR 189.1m of profit for 2017 and EUR 81.5m of retained profit from previous years) i.e. dividend payout 120%.

Shareholder structure⁽¹⁾

By Investor type



Geographical structure



Note: (1) as of 14 November 2018 (listing date); pre-stabilisation

Medium term NLB Group targets⁽¹⁾

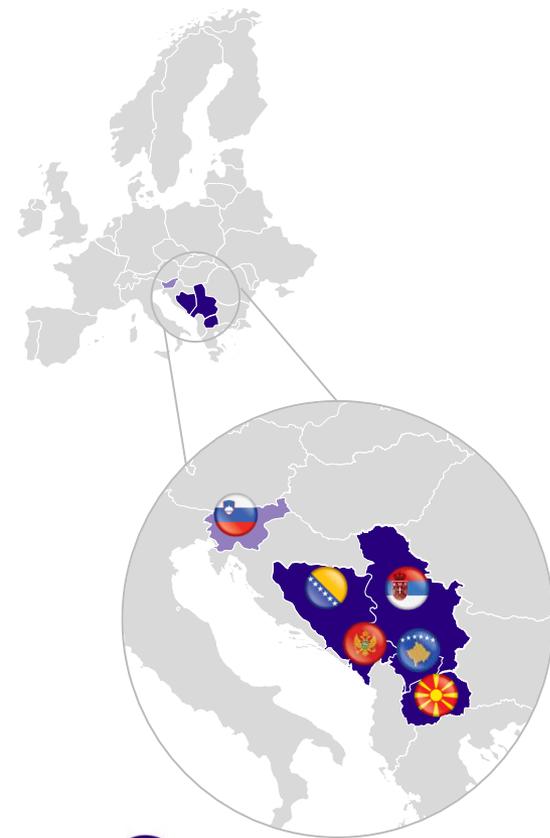
	Q3'18	Medium term
NIM	2.5%	>2.7% ⁽⁵⁾
Loans to deposits ratio	69%	<95%
Total capital ratio	16.9%	~17.0%
Cost-income ratio	57.0%	~50%
Cost of risk ⁽²⁾	-45 bps	<90bps ⁽⁶⁾
Return on equity (RoE)	11.9%	~12.0%
Dividend payout	84% ⁽⁴⁾	~70% ⁽⁷⁾
NPE ratio ⁽³⁾	5.3%	3.0 – 4.0%

Note: (1) Target set by NLB management as a part of their financial projections for 2019-2023; (2) Calculated as credit impairments and provisions over average net loans to NBS; (3) Based on EBA definition; (4) Payout calculated based on dividend for FY'17 profit. Total dividend paid for 2017 amounted to EUR 270.6 million (EUR 189.1m of profit for 2017 and EUR 81.5m of retained profit from previous years) i.e. dividend payout 120%. (5) NIM target subject to expected interest rate changes. (6) CoR < 90bps should be read as NLB Group's limit that should not be exceeded even in deteriorated economic conditions. (7) NLB intends to distribute dividends subject to maintaining at least 17.0% total capital ratio.

NLB Group – Top position across target SEE countries

Unified brand across 6 countries

- ✓ Leading franchise in the region based on total assets, compared to other banks present in the same countries, with network of 349 branches and 1.8m active clients in Slovenia and SEE region
- ✓ The only international banking group with exclusive focus on the region
- ✓ Independent, well capitalised, self-funded and profitable subsidiaries



	Slovenia  NLB d.d., Ljubljana	Macedonia  NLB Banka Skopje	Bosnia and Herzegovina  NLB Banka Banja Luka	Kosovo  NLB Banka Prishtina	Montenegro  NLB Banka Podgorica	Serbia  NLB Banka Beograd	NLB Group	
	Data on stand-alone basis							Cons. data*
NLB ownership (%)	/	87%	99.85%	97%	81%	99.83%	99.99%	/
No. of branches (#)	108 ⁽⁴⁾	54	57	38	43	18	31	349
Market ⁽¹⁾ share %	23.5%	15.9%	17.6% ⁽²⁾	5.1% ⁽³⁾	16.5%	11.0%	1.5%	/
Profit after tax (EURm)	134.6	33.3	11.7	7.4	11.2	7.7	6.4	158.3
Net interest margin %	1.9%	4.0%	2.7%	3.2%	4.4%	4.0%	5.1%	2.5%
Cost/ income %	50.7%	32.9%	45.0%	54.9%	36.5%	51.8%	74.5%	57.0%
Loans/ Deposits % (net)	64.6%	81.0%	66.8%	76.2%	82.1%	75.6%	101.2%	69.1%
NPL ratio %	6.3%	4.5%	3.5%	6.1%	2.5%	7.5%	2.7%	7.6%
RoE a.t.	12.2%	24.3%	18.0%	13.3%	21.9%	15.3%	13.2%	11.9%
Total assets (EURm)	9,036	1,270	711	565	645	485	439	12,784

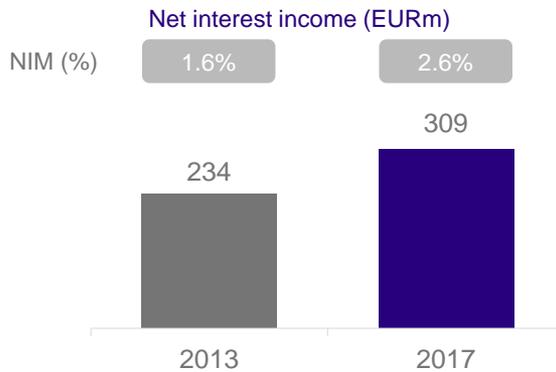
Note: Financial data as of Sep-2018.

* Consolidated data. Including non-core (2% of total assets as per 30.9.2018), other activities (2% of total assets as per 30.9.2018) and other core members.

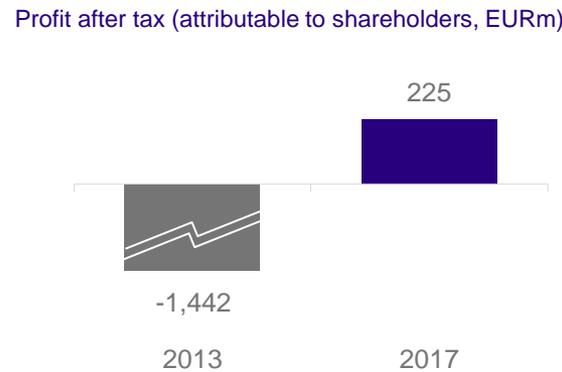
(1) Market share based on total assets, as of Sep-2018.; (2) Market share in Republic of Srpska as of Jun-2018.; (3) Market share in Federation of BiH as of Jun-2018.; (4) 15 outlets to be closed by Jun-19

From restructuring phase to growth phase

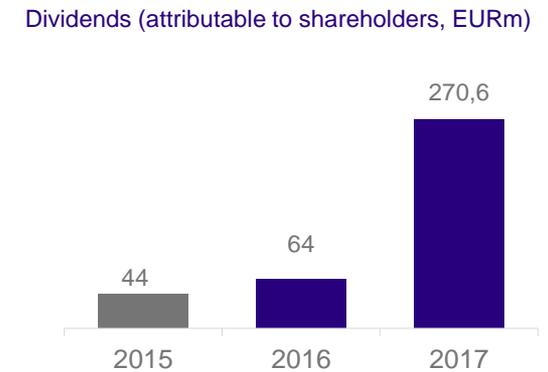
Enhancement of organic income



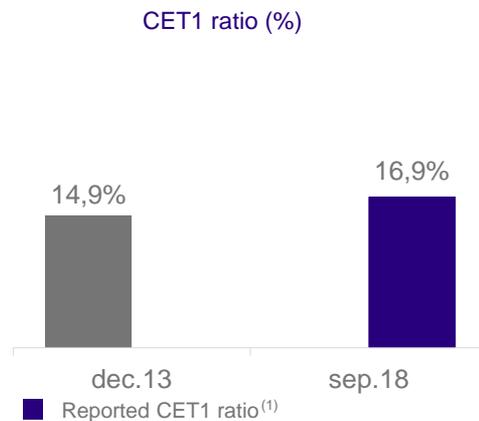
Return to solid profitability



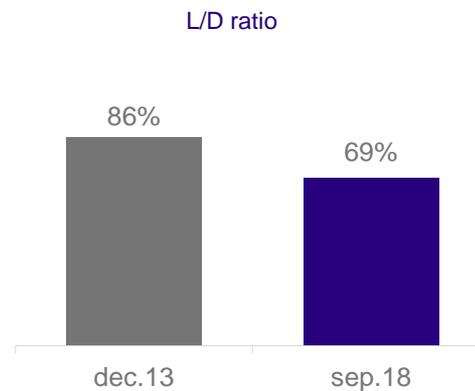
Restarted dividends to shareholders



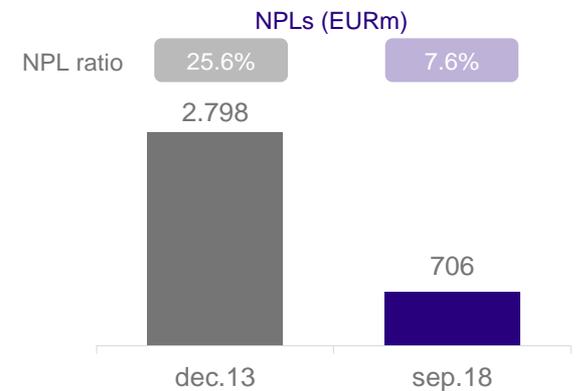
Strong capital position



Robust liquidity position



Resolved legacy of non-performing loans



Overview of NLB Group

Key figures – P/L

in EUR million / % / bps	1-9 2018	1-9 2017	Change YoY	Q3 18	Q2 18	Q3 17
Key Income statement data (in EUR million)						
Net operating income	369.0	365.3	1%	125.9	112.7	124.2
Net interest income	231.9	228.7	1%	80.2	76.7	80.1
Net non-interest income	137.1	136.6	0%	45.7	36.0	44.1
Costs	-210.4	-207.8	1%	-70.4	-70.6	-68.8
Result before impairments and provisions	158.6	157.4	1%	55.5	42.1	55.4
Impairments and provisions	19.0	37.3	-49%	4.6	11.6	11.7
Result after tax	158.3	184.0	-14%	53.5	47.2	66.1
Key financial indicators						
Return on equity after tax (ROE a.t.)	11.9%	15.9%	-3.9 p.p.			
Return on assets after tax (ROA a.t.)	1.7%	2.0%	-0.4 p.p.			
RORAC a.t. ¹	15.9%	21.0%	-5.1 p.p.			
Interest margin (on interest bearing assets) ²	2.53%	2.54%	-0.01 p.p.	2.59%	2.52%	2.67%
Interest margin (on total assets - BoS ratio)	2.48%	2.54%	-0.06 p.p.	2.53%	2.46%	2.67%
Cost-to-income ratio (CIR)	57.0%	56.9%	0.1 p.p.	55.9%	62.6%	55.4%
Cost-to-income ratio (CIR) normalised ³	58.7%	58.5%	0.3 p.p.	55.4%	62.6%	56.1%
Cost of Risk Net (bps) ⁴	-45	-70	26 b.p.			

Notes:

¹ RORAC a.t. = profit a.t./average capital requirement normalized at 15.38% RWA for 2018 and onwards, 14.75% before

² Further analyses of interest margins are based on interest bearing assets

³ Without non-recurring revenues and restructuring costs

⁴ Cost of risk NET = Credit impairments and provisions (annualised level) /average net loans to non-banking sector

Overview of NLB Group

Key figures – B/S

	30 Sept 2018	31 Dec 2017	30 Sept 2017	Change YoY	Change YtD
Key financial position statement data (in EUR million)					
Total assets	12,784	12,238	12,008	6%	4%
Loans to customers (gross)	7,619	7,641	7,788	-2%	0%
Loans to customers (net)	7,081	6,994	6,989	1%	1%
o/w Key business activities	6,654	6,425	6,386	4%	4%
Deposits from customers	10,247	9,879	9,672	6%	4%
Total equity (exc. Non Controlling Interests)	1,844	1,654	1,611	15%	12%
Other key financial indicators					
LTD (Loans to customers/Deposits from customers) ¹	69.1%	70.8%	72.3%	-3.2 p.p.	-1.7 p.p.
Common Equity Tier 1 Ratio*	16.9%	15.9%	16.3%	0.6 p.p.	1.0 p.p.
Total capital ratio*	16.9%	15.9%	16.3%	0.6 p.p.	1.0 p.p.
Total risk exposure amount (RWA)	8,607	8,546	8,128	6%	1%
NPL - Gross (in EUR million)	706	844	1,089	-35%	-16%
NPL coverage ratio 1 ²	76.4%	77.5%	77.5%	-1.1 p.p.	-1.2 p.p.
NPL coverage ratio 2 ³	65.5%	62.2%	65.6%	-0.1 p.p.	3.4 p.p.
Share of non-performing loans (NPL) in all loans	7.6%	9.2%	11.9%	-4.3 p.p.	-1.7 p.p.
NPE ratio ⁴	5.3%	6.7%	8.3%	-3.0 p.p.	-1.4 p.p.
Employees					
Number of employees	5,951	6,029	6,090	-2.3%	-1.3%

Notes:

¹ Net loans to customers /Deposits from customers

² NPL Coverage ratio 1 = Coverage of gross non-performing loans with impairments for all loans

³ NPL Coverage ratio 2 = Coverage of gross non-performing loans with impairments for non-performing loans

⁴EBA definition

*31 Dec 2017 envisaging dividend payment in 100% of net profit after tax of the Bank (EUR 189 million)

30 Sep 2018 after dividend pay-out (EUR -271 million), but including 1H 2018 result (EUR 109 million)

EC Commitments

Pursuant to **EC decision of 10 August 2018**, NLB and RoS must comply with certain commitments until specified deadlines.

Risk management and credit policies commitment (minimum specified RoE on either individual loan or each client relationship): currently ceased to apply due to divestment of more than 50% plus one share of the RoS shareholding in NLB, but could apply again from a specified date on and until RoS reduces its shareholding in NLB to the Blocking Minority.

NLB must also comply with the following:

- **issue Tier 2 instrument** by end of 2019, except in case of severe market disruptions (when approval of the Commission is needed for non-issuance of the instrument), to investors who are totally independent from RS;
- **close 15 outlets in Slovenia** by end of June 2019;
- if RoS does not reduce its shareholding in NLB to Blocking Minority until end of 2018, NLB has to **divest its insurance subsidiary NLB Vita** by a specified deadline.

Commitments valid until 31 December 2019:

- NLB will not acquire any stake in any undertaking (**acquisition ban**).
- RoS will:
 - allocate all of the seats and voting rights on the SB and its committees to independent experts;
 - ensure each state-owned bank remains a separate economic unit with independent powers of decision;
 - ensure non-discrimination of non-state-owned companies.

Commitments valid until RoS reduces its shareholding in NLB to Blocking Minority, except for Monitoring Trustee commitment which applies until end of 2019):

- **Reduction of Costs**: capped at EUR 297.7 million;
- **Divestment of Non-core Subsidiaries**: NLB will not re-enter business and activities which it had to divest;
- **Bans of Advertising and Aggressive commercial strategies**;
- **Capital Repayment Mechanism**: based on audited year-end accounts, NLB will pay to its shareholders for each fiscal year in form of dividend at least the amount of net income for such fiscal year, subject to regulations and capital requirement on the consolidated level;
- **Monitoring Trustee**;
- **Divestiture Trustee**.

Other commitments set out in 2013 EC decision (e.g. ban on cross-border business, reduction of balance sheet) no longer apply.



Investment highlights

Investment highlights of NLB Group

National champion in Slovenia and among top players in targeted SEE markets



Investment highlights of NLB Group

National champion in Slovenia and among top players in targeted SEE markets



1

The largest banking and financial group in Slovenia, with unique track record in innovation

- ✓ 108 branches⁽¹⁾ and 23.5%⁽¹⁾ market share (by total assets), supported by innovative web and mobile apps
- ✓ Leading provider of asset management⁽²⁾ and a growing player in life insurance

2

Leading positioning in high-growth SEE markets

- ✓ SEE markets of ca 15m population⁽³⁾, with GDP growth above Eurozone average
- ✓ Profitable and self-funded banks with Top 3 market share in 3 of 6 markets and 1,137k active clients

3

Diversified credit portfolio, free of legacy issues

4

Sustainable profitability delivered by a customer-centric business model

5

Self-funded, well capitalised franchise with growth potential, supporting attractive future dividend payout

6

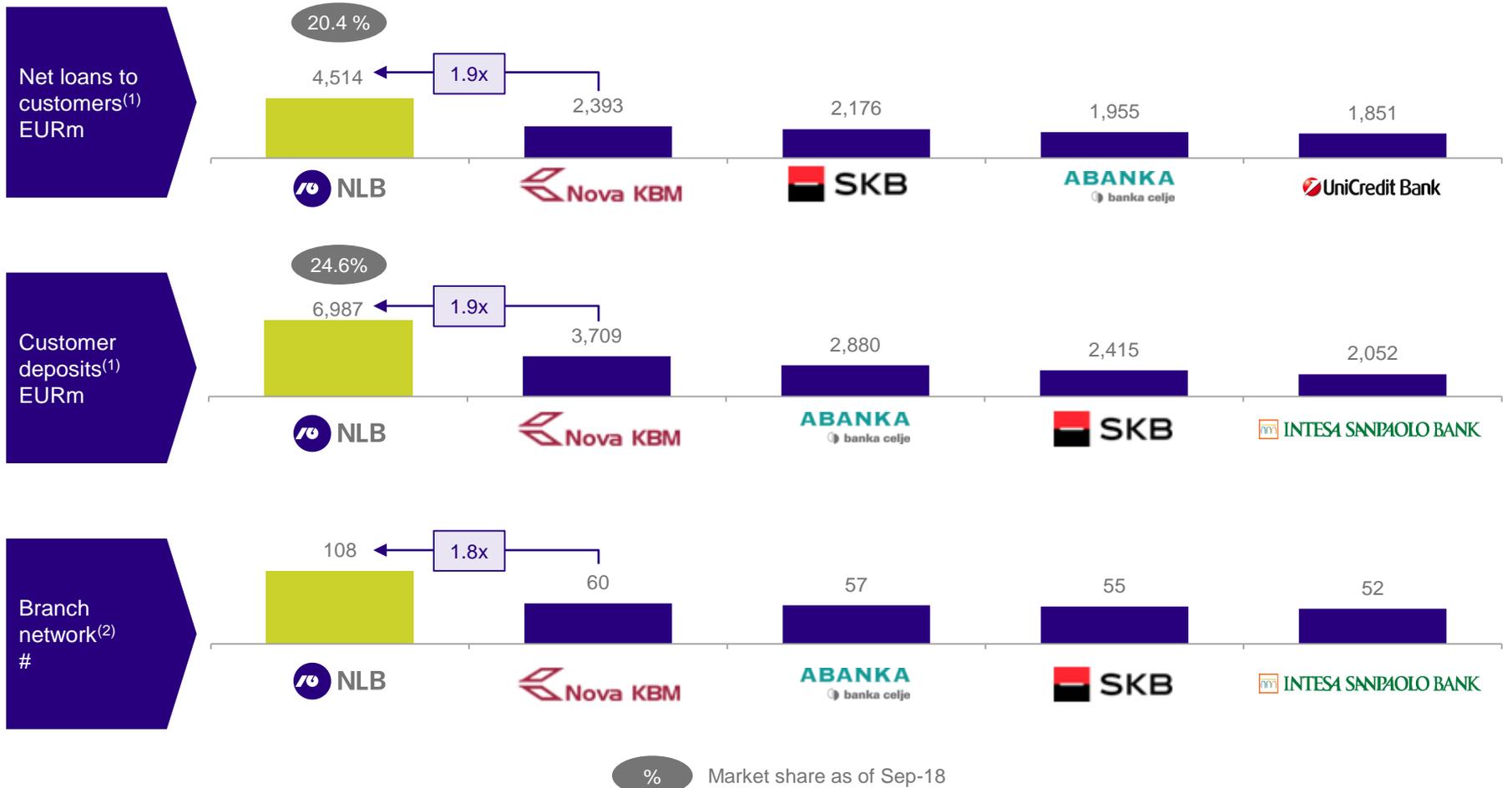
Clear path going forward



Note: (1) As of Sep-18; (2) By AuM. Source: Slovenia Fund Management Association; (3) Excluding Slovenia

1 Dominant player in the Slovenian banking sector

Leading player across products in Slovenia



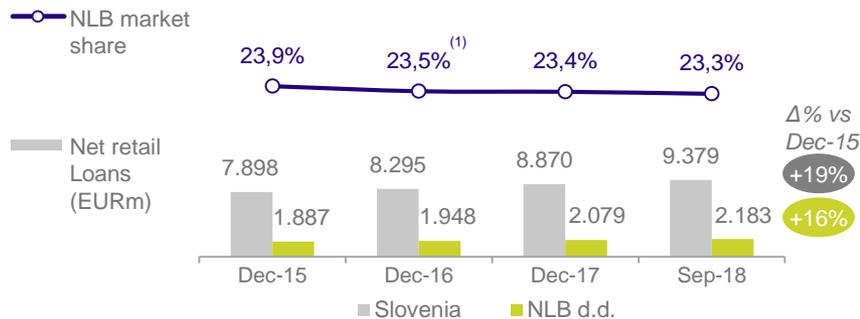
Source: Net loans, deposits and branches as per Company information; Market shares calculated based on respective aggregates of Bank Of Slovenia
 Note: (1) Net loans and deposits from non-banking sector for NLB as of 30 Sep 2018, other banks as at 30 June 2018 (latest available); (2) Branches: NLB as at 30 Sep 2018; other banks as at 31 December 2017

1 Dominant player in the Slovenian banking sector

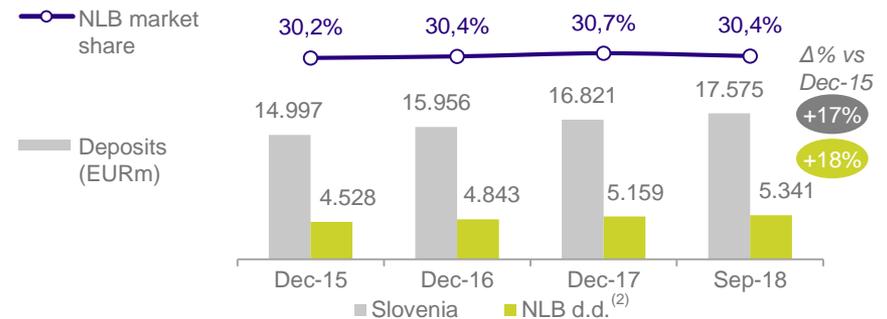
Retail banking

High and stable market shares across products in Retail segment

Retail net loans in Slovenia

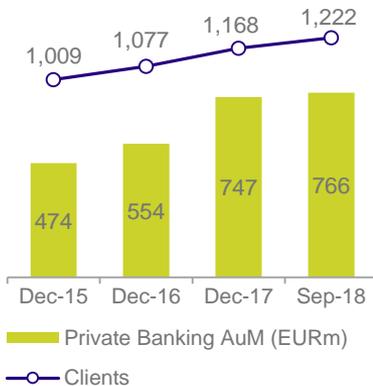


Retail deposits in Slovenia

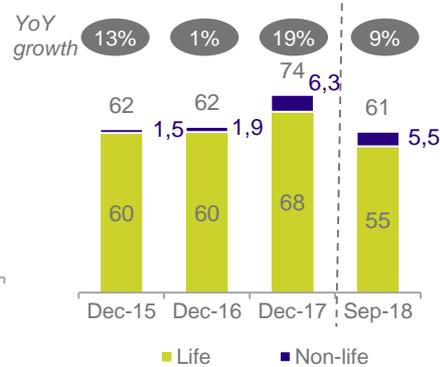


Upside from fee generating products

NLB Private banking offering



NLB Bankassurance GWP (EURm)



- Improving macro and low household indebtedness (21% GDP in 2015) driving retail banking growth
- #1 player in Private Banking⁽³⁾
 - Limited competition and strong cross-selling capabilities with Bankassurance and asset management
- # 1 player in Slovenian asset management⁽⁴⁾; market share of NLB Skladi at mutual funds in Slovenia equals 31.5% as of Sep-18
 - AuM of EUR 1.27bn as of Sep-18 including investments in mutual funds and discretionary portfolios
- Growing Bankassurance business across products
 - Life: NLB Vita has reached 14.8% market share by GWP, becoming #3 largest player in the Slovenian market as of Sep-18
 - Non-life: Solid growth, in partnership with #3 non-life company (Generali)



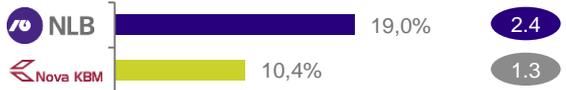
Source: Bank of Slovenia (retail loans and deposits), Company information, Slovenian Fund Management Association
 Note: All figures refer to full year ending 31-Dec unless stated otherwise; (1) Excluding the NPL sale effect of EUR 27m net; (2) Excludes deposits of foreign persons; (3) Company information; (4) By AuM (Slovenian Fund Management Association)

1 Dominant player in the Slovenian banking sector

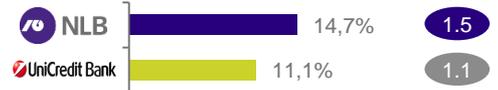
Corporate banking

Leading market share across products⁽²⁾

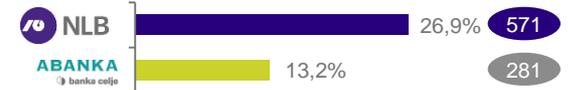
#1 in corporate and state loans



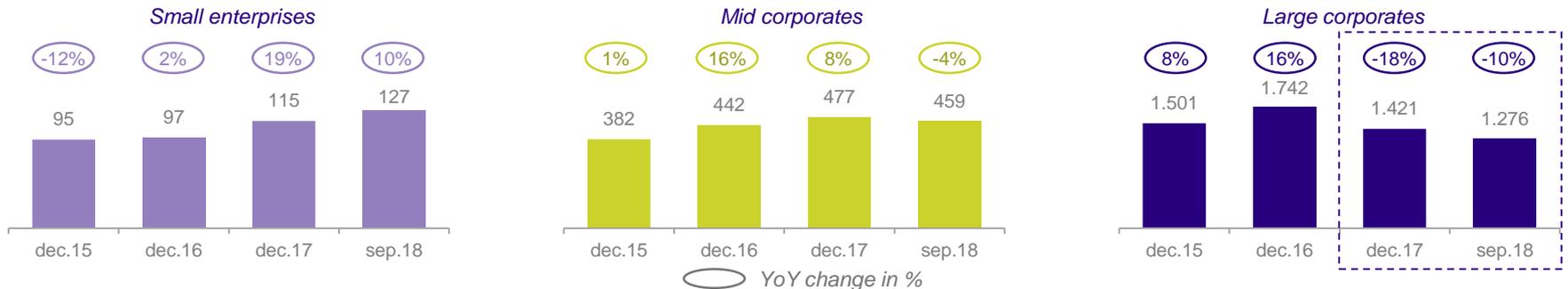
#1 in corporate and state deposits



#1 in guarantees and letters of credit



Strong growth in Key business lines⁽¹⁾ (gross loans, EURm)



- Largest bank in the country with high capacity to lend to and service large clients
 - Serves over 19k corporate clients as of Sep-18
- Competitive advantage in SME market due to largest branch network fueled the growth in Mid Corporate and Small Enterprises
- Large Corporate portfolio has declined since 2016 mainly due to EC commitments that impose:
 - RoE targets, affecting NLB ability to participate in recent issuance by State-owned enterprises and high rated corporate clients⁽⁵⁾
 - Additional restrictions on cross-border lending (released in Aug-18), leasing and factoring have impacted new business opportunity
- Once the restrictions are lifted NLB would be able to explore these and other opportunities to restore a healthy growth in Large Corporate segment

Unparalleled corporate fee business, across merchant acquiring, investment banking and custody services

12.8k⁽³⁾

POS terminals

36% mkt share⁽³⁾

in merchant acquiring

EUR 16.1bn

assets under custody⁽⁴⁾



Source: Bank of Slovenia, Company information

Note: All figures refer to full year ending 31-Dec unless stated otherwise; (1) Key business excludes restructuring and workout; (2) As of Jun-18; (3) As of Sep-18; (4) Investment banking & Custody as of Jun-18; (5) Based on NLB internal credit rating

1 Unique track record of innovation

The pioneer of banking innovation in Slovenia



First Slovenian bank to launch **contactless cards**



First Slovenian bank to launch **contactless ATMs**



First Slovenian bank to launch **chat and video call** helpdesk functionalities



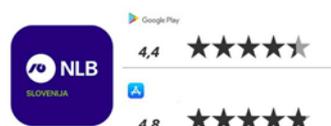
Only bank with **omnichannel 24/7 support** (through phone, chat and video call)



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



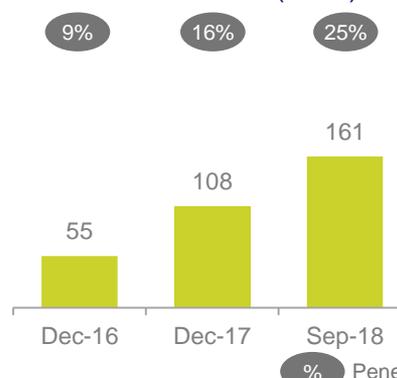
Top-ranked financial apps on App Store and Google Play



Note: All figures are for Slovenia
(1) Individual users (Klikin and NLB Klik); (2) Average for total period of implementation from Dec-17 to Sep-18

Demonstrated success in moving to digital

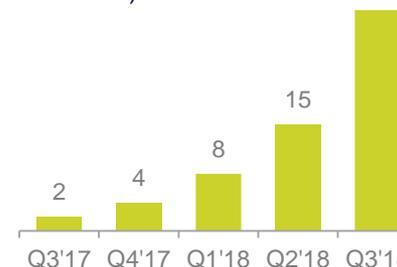
Mobile bank users⁽¹⁾ ('000s)



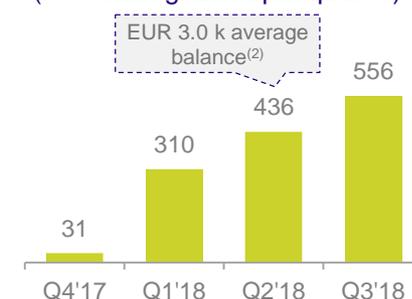
Online bank users⁽¹⁾ ('000s)



Increased use of chat and video call functionality ('000s of contacts)



Express loans through mobile app (# of loans granted per quarter)



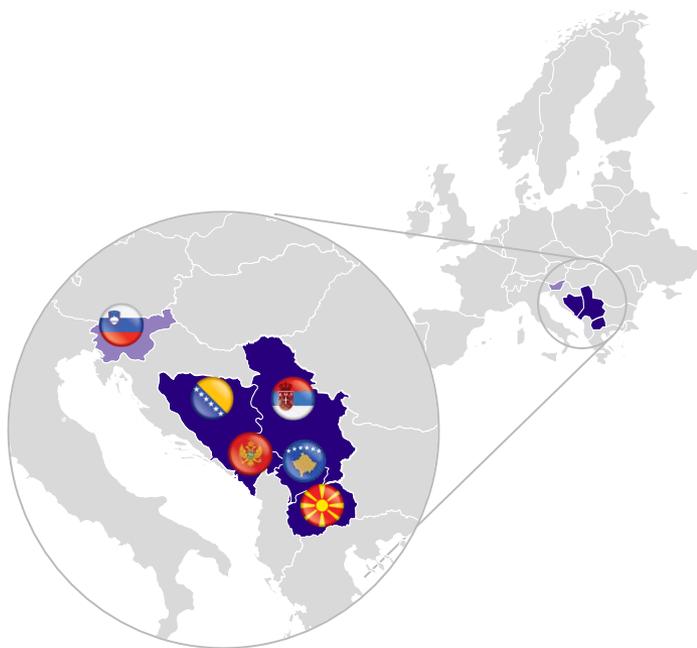
2 NLB Group – Leading Franchise in High Growth SEE Markets

NLB d.d. & 6 subsidiary banks operate in Slovenia (EU member) & 5 SEE countries (convergence to EU)

Slovenia 	EUR
GDP (EURbn)	43.0
Real GDP growth (%)	4.9
Population (m)	2.1
Household indebtedness ⁽⁴⁾	22%
Credit ratings (S&P / Moody's / Fitch)	A+ / Baa1 / A-

Bosnia and Herzegovina ⁽²⁾ 	EUR ⁽³⁾
GDP (EURbn) ⁽¹⁾	16.3
Real GDP growth (%)	3.1
Population (m)	3.5
Household indebtedness ⁽⁴⁾	28%
Credit ratings (S&P / Moody's / Fitch)	B / B3 / n.a.

Montenegro 	EUR
GDP (EURbn)	4.2
Real GDP growth (%)	4.3
Population (m)	0.6
Household indebtedness ⁽⁴⁾	27%
Credit ratings (S&P / Moody's / Fitch)	B+ / B1 / n.a.



Serbia 	RSD
GDP (EURbn) ⁽¹⁾	36.8
Real GDP growth (%)	1.9
Population (m)	7.0
Household indebtedness ⁽⁴⁾	20%
Credit ratings (S&P / Moody's / Fitch)	BB / Ba3 / BB

Kosovo 	EUR
GDP (EURbn)	6.4
Real GDP growth (%)	4.2
Population (m)	1.8
Household indebtedness ⁽⁴⁾	14%
Credit ratings (S&P / Moody's / Fitch)	n.a. / n.a. / n.a.

Macedonia 	MKD
GDP (EURbn) ⁽¹⁾	10.1
Real GDP growth (%)	0.0
Population (m)	2.1
Household indebtedness ⁽⁴⁾	23%
Credit ratings (S&P / Moody's / Fitch)	BB- / n.a. / BB

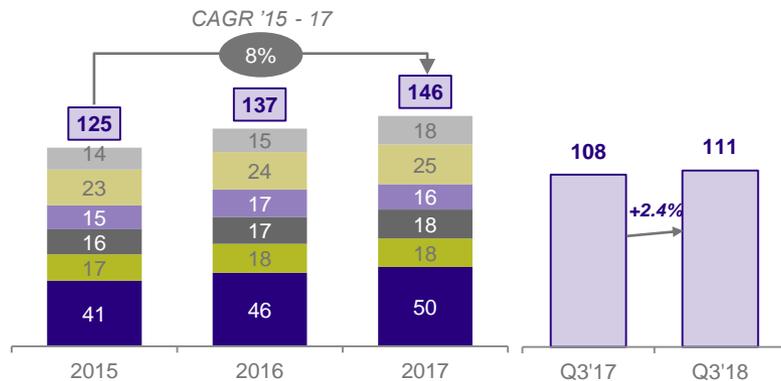


Source: IMF, World Bank, Central banks data, National Statistics Offices, CEIC Data, Focus Economics, Trading Economics

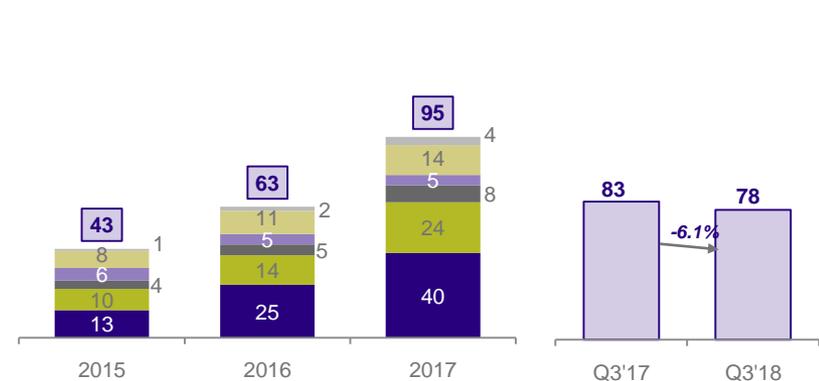
Note: Figures FY2017, growth rates as of 2017 vs 2016, unless specified otherwise; (1) Converted at average FX rate for 2017; (2) Bosnia and Herzegovina is comprised of 2 entities, The Federation of Bosnia and Herzegovina and Republika Srpska; (3) Official currency is BAM – Bosnia-Herzegovina Convertible Mark, pegged to EUR; (4) Own calculation.

2 Consistent volume and revenue growth in banking subsidiaries

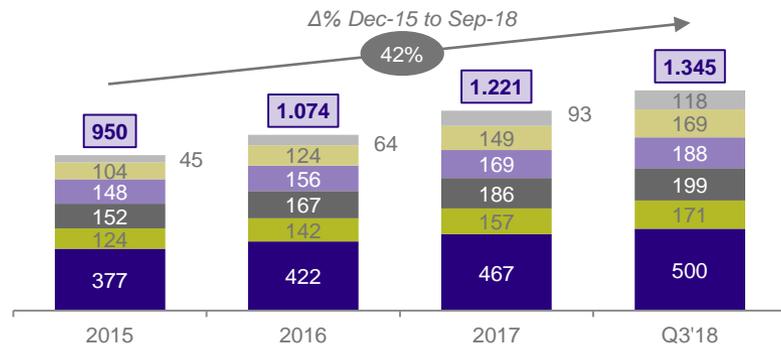
Net interest income (EURm)



Profit after tax (EURm)



Net retail loans (EURm)



Net corporate loans⁽³⁾ (EURm)



- Macedonia
- Montenegro
- BiH – RS⁽¹⁾
- BiH – Fed⁽²⁾
- Kosovo
- Serbia
- Total SEE

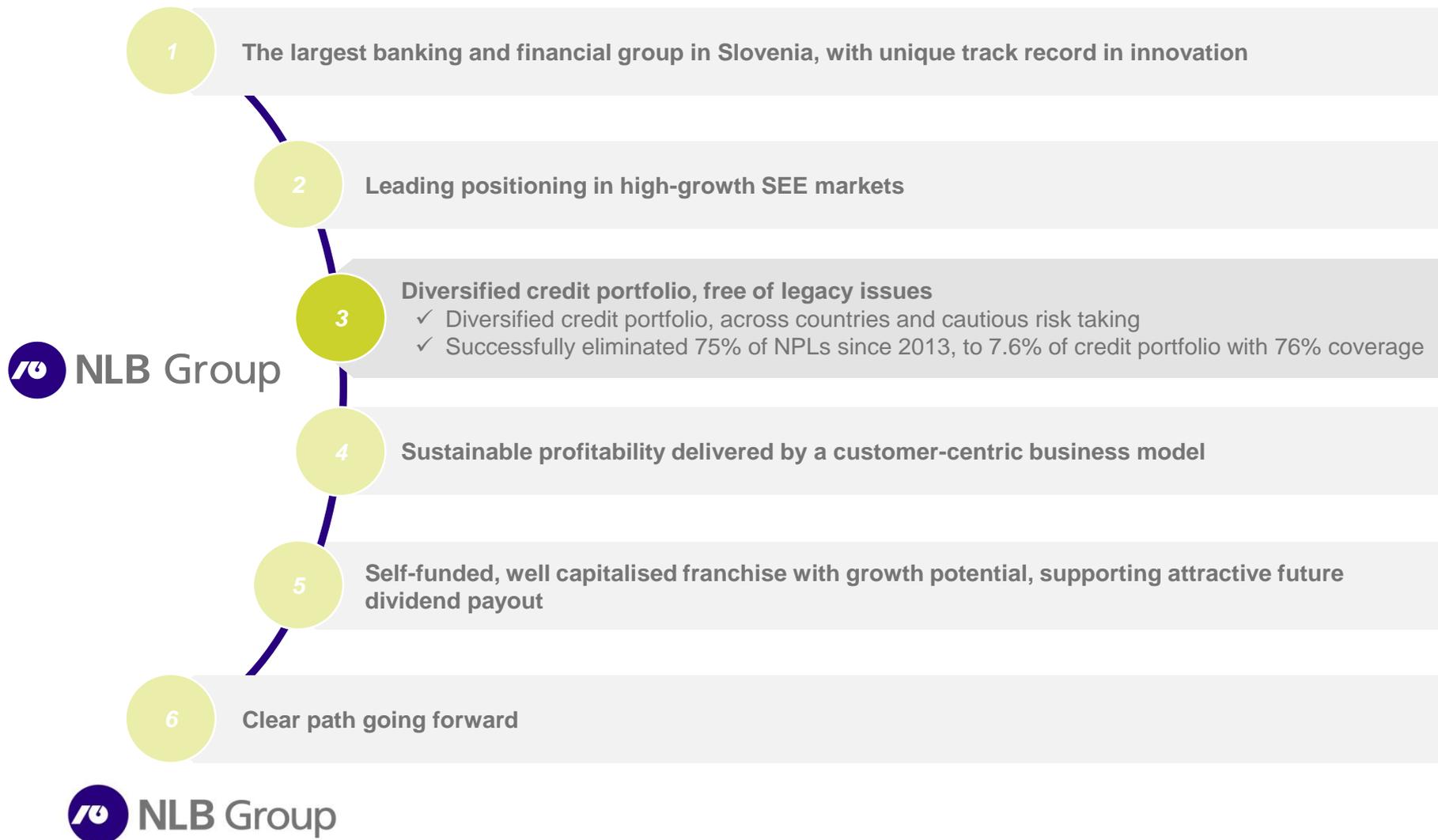


Source: Company disclosure

Note: Figures represent simple sum of individual financials from core foreign banks only (SPV in Serbia and Montenegro are excluded) excluding consolidation adjustments; (1) Republika Srpska; (2) Federation of BiH; (3) State loans are included

Investment highlights of NLB Group

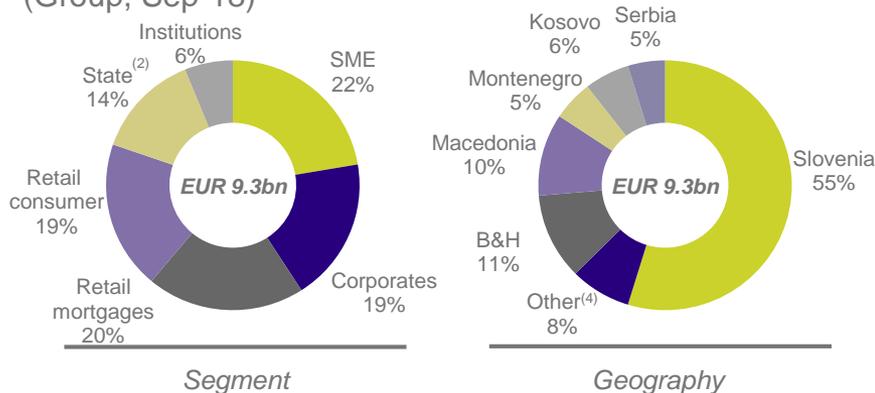
National champion in Slovenia and among top players in targeted SEE markets



3 Diversified credit portfolio

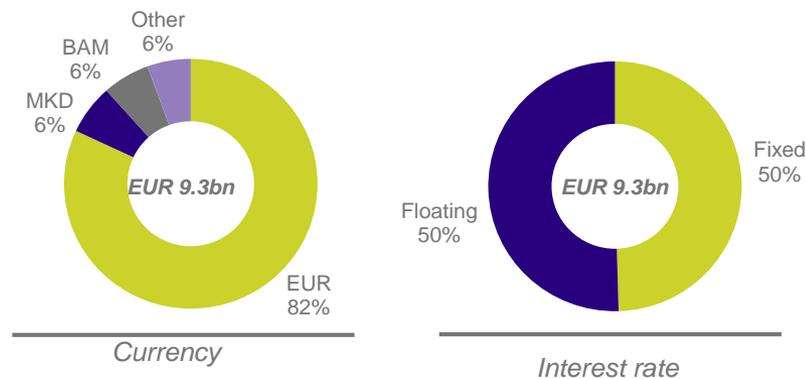
Focused on its core markets and cautious risk taking

Credit portfolio⁽¹⁾ by segment and geography (Group, Sep-18)

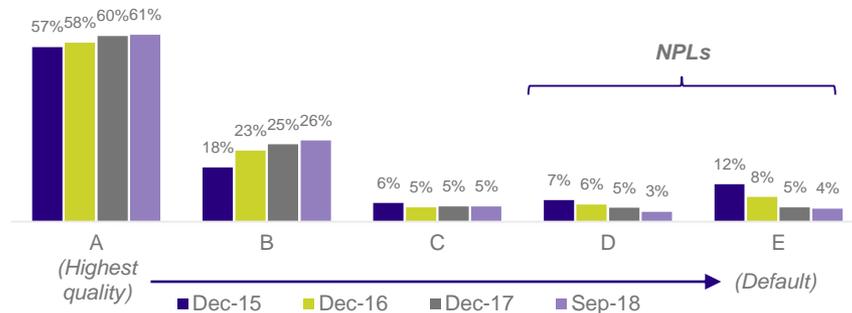


- **No large concentration** in any specific industry or client segment
- **NLB's lending strategy** focuses on its core markets of retail, SME and selected corporate business activities
- Great emphasis is also placed on **further improvement of credit portfolio**
 - Intensive and proactive handling of problematic customers
 - Changes in the credit process
 - Early warning system for detecting increased credit risk

Credit portfolio⁽¹⁾ by currency and rate type (Group, Sep-18)



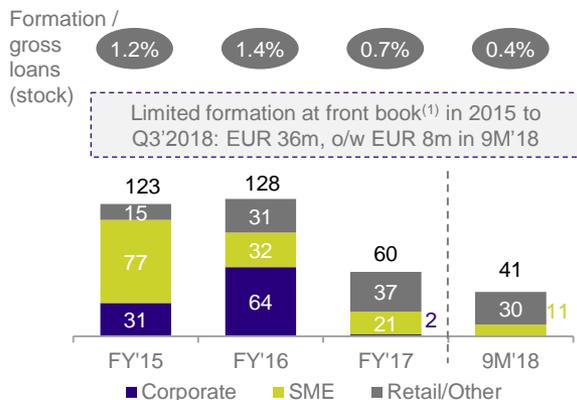
Improving structure of credit portfolio by client credit ratings (Group)⁽³⁾



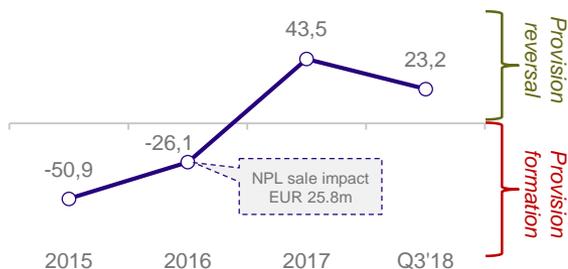
3 NLB has achieved a turnaround in asset quality

Further improvements driven by active NPL management and economic recovery

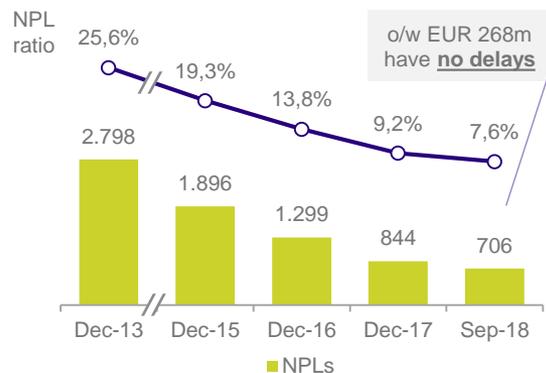
Gross NPL formation has been low since 2014 (Group, EURm)



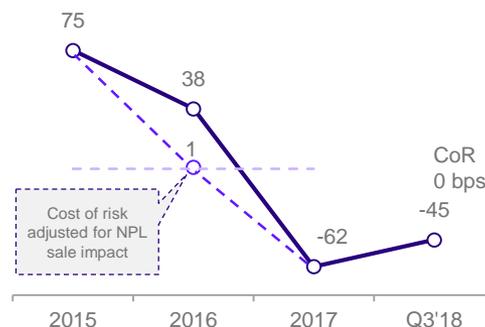
Low NPL formation drove normalisation of loan provisions (Group, EURm)⁽²⁾



Active workout drove gross NPL ratio down despite falling loan volumes (Group, EURm)



Record low cost of risk (Group, bps)⁽³⁾



Reduction of NPLs remains a key focus

- Gross NPLs at Group level reduced by EUR 139m in 9M'18
- Positive momentum expected through active portfolio management and macro recovery

High coverage of NPLs

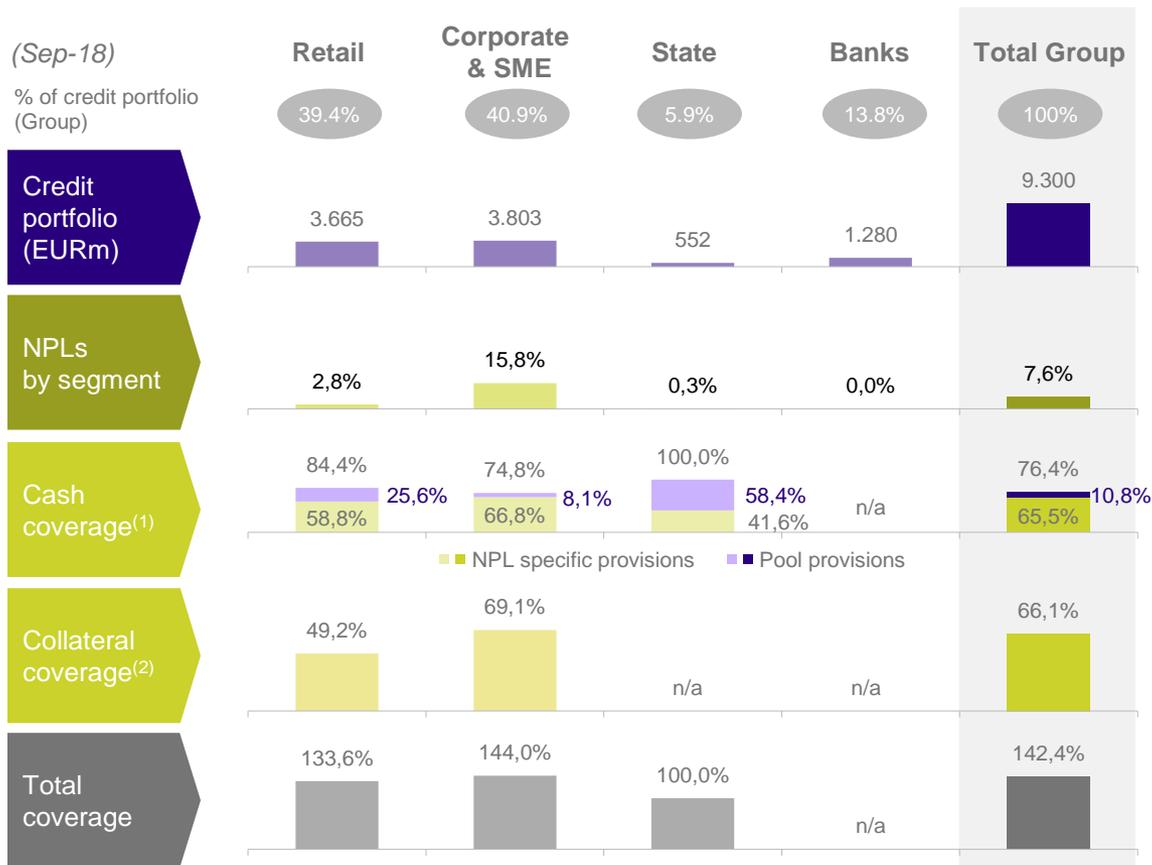
- Coverage ratio remained high in Sep-18 at 76% despite release of pool provisions in H1'17 and YE'17 post IFRS9 implementation
- Total coverage ratio (cash and collateral) remained high in Sep-18 at 142%

Active approach to NPL management

- Strong emphasis on restructuring (over 60% of NPLs in restructuring process), with increasing use of other active NPL management tools (foreclosure of collateral, sale of claims, active marketing and sale of pledged assets)

3 NPLs fully covered by provisions and collateral

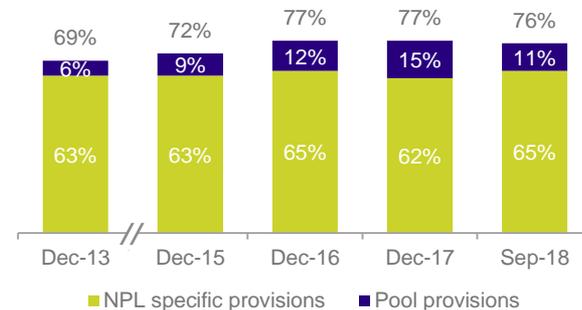
- ✓ NPL ratio remains high in Corporate and SME segments (15.8%); 10 p.p. reduction since December 2016
- ✓ Total coverage exceeds 100% across segments



Corporate & SME NPLs by industry (Sep-18)



High NPL cash coverage (Group, %)



Source: Company information

Note: Credit portfolio reconciliation with IFRS Gross loans and advances presented in Appendix A;

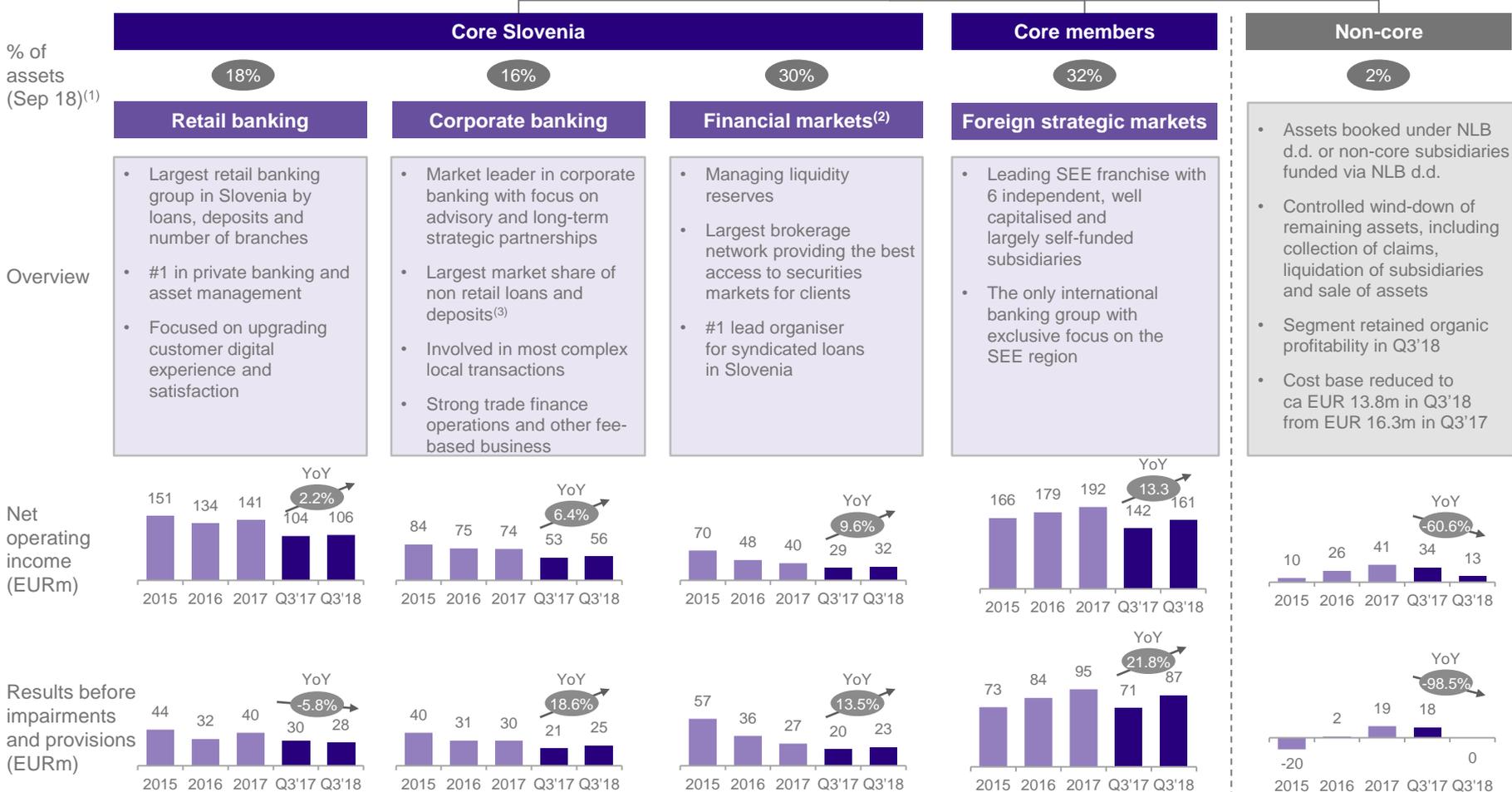
(1) Cash coverage calculated including both individual and pool provisions; (2) Calculated based on collateral capped at NPL exposure; (3) Corporate legacy loans were granted before 1 Jan 2014

Investment highlights of NLB Group

National champion in Slovenia and among top players in targeted SEE markets



4 Group refocused on profitable activities

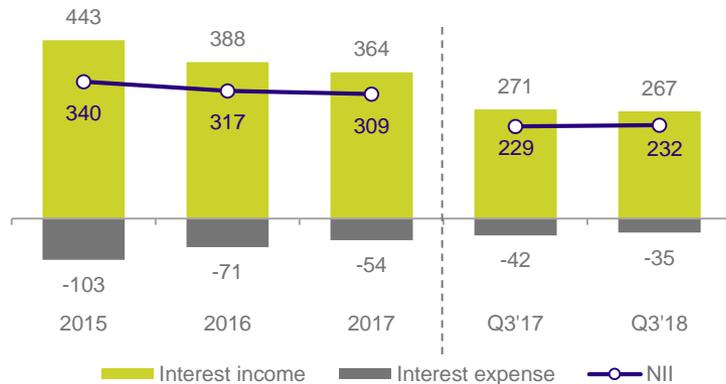


Source: Company information

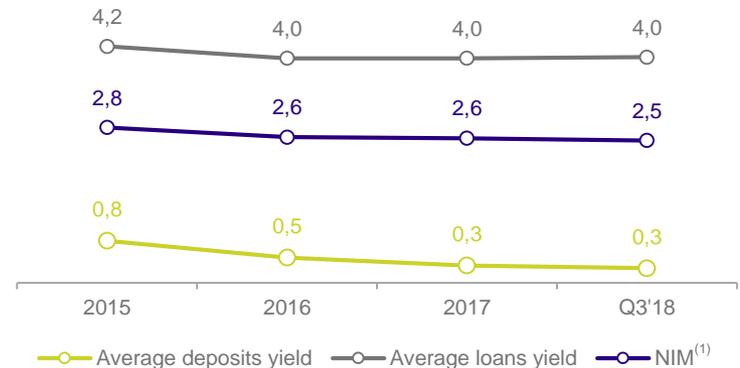
Note: (1) Other activities 2%; (2) All figures include Investment Banking; (3) As per Bank of Slovenia and internal calculations as of 30-Jun-2018

4 Strong revenue performance driven by stable NIM and resilient fee income

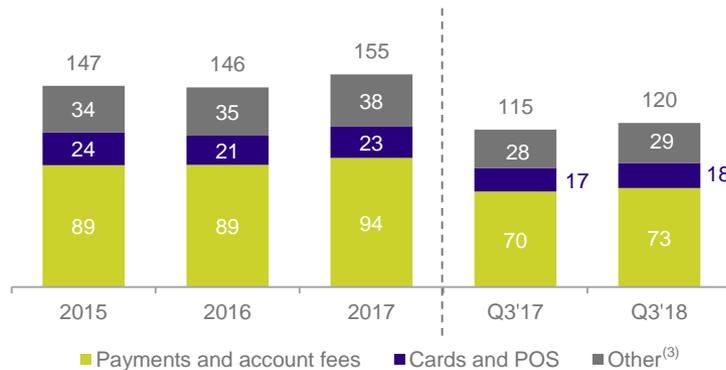
Lower reinvestment rate compared to assets maturing resulting in decreasing net interest income (Group, EURm)



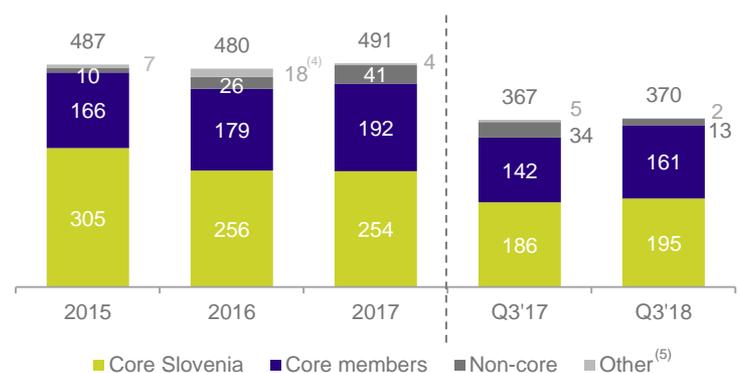
Stable NIM (Group, %)



Net fee income growing y-o-y supported by improvement in ancillary products, payments and account fees (Group, EURm)



International supporting revenue in the core operations (Group, EURm)⁽²⁾

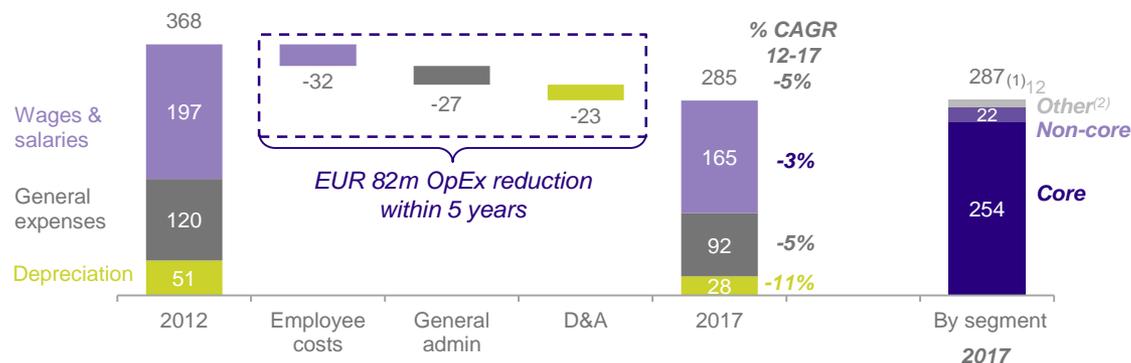


Source: Company information

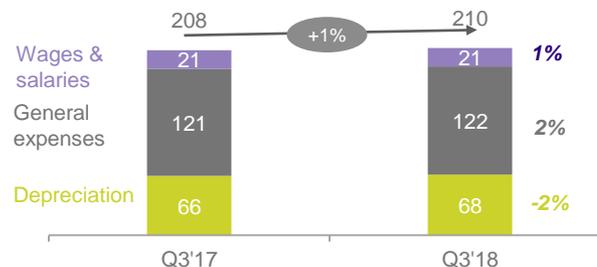
Note: (1) Based on interest bearing assets; (2) The sum of net revenues and costs of the segments is greater than items from the consolidated income statement of the NLB Group, difference results from the activities between the segments which are netted on the Group level. Consolidation adjustment amounts to EUR 1.4m in Q3'18, EUR 1.9m in Q3'17, EUR 2.5m in 2017; EUR 4.0m in 2016 and EUR 3.9m in 2015; (3) Includes investment funds, guarantees, investment banking, insurance products and other services; (4) Includes income from sale of Visa share; (5) Other activities include categories in Bank whose operating results cannot be allocated to individual segments. They include revenues from external activities (IT and Cash services for other banks)

4 Continuous cost reduction since 2012

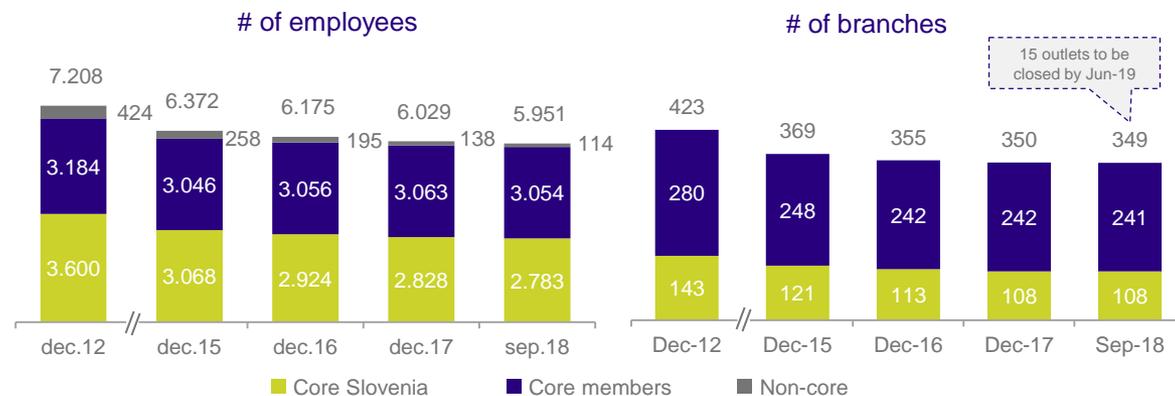
Operating expenses reduction (Group, EURm)



...with stable costs in Q3'18 (Group, EURm)



Employees and branches evolution – stronger rationalisation in tougher Slovenia market (#)



- Headcount dropped by 17% over 2012-Q3'18 driven primarily by Slovenia core & non-core
- Ongoing closures of unprofitable branches
- Ongoing initiatives to retain customers from closed branches by offering relocation at attractive terms to next closest branch
- In the period between 2012 and 2017 non-staff expenses decreased by 30% (e.g. optimisation of procurement management, optimisation of premises, decrease of non-core cost base due to divestments)



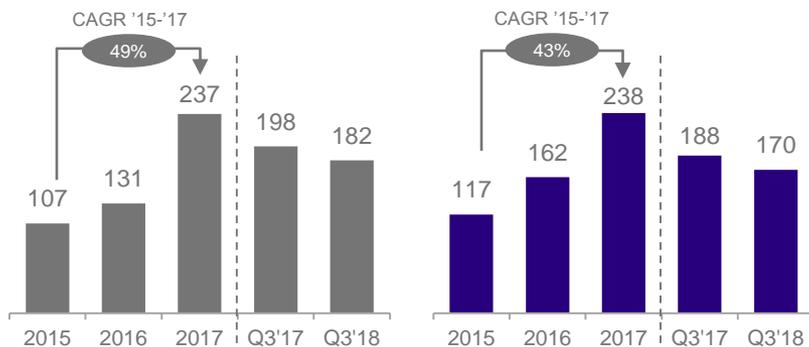
Note: (1) The sum of costs of the segments is greater than items from the consolidated income statement of the NLB Group, difference results from the activities between the segments which are netted on the Group level. Consolidation adjustment amounts to EUR 2.5m in 2017; (2) Costs that cannot be allocated to other segments and consist mainly from restructuring costs and expenses of vacant business premises

4 Double-digit increase in profit before tax since 2015

Normalising NLB Group profit before tax (Group, EURm)

Reported PBT

Normalised PBT



	2015	2016	2017	Q3'17	Q3'18
Profit before tax	106.8	130.6	237.3	198.4	181.7

1	Exceptional items	-7.1	13.2	12.3	12.3	11.7
2	NPL Sale		-29.9			
	Restructuring provisions		-10.6	-8.6		
	Performance rewards			-3.0		
3	Restructuring expenses	-3.5	-3.8	-1.8	-1.5	-0.5
	Total one-off items	-10.6	-31.2	-1.1	10.8	11.2

Profit before tax – normalised	117.3	161.8	238.4	187.6	170.5
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Pre-provision profit	185.6	186.2	203.9	157.4	158.6
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Pre-provision profit – normalised	196.2	180.9	195.5	146.6	147.4
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One-off items

1 Exceptional items:

2018:

- EUR 12.2m gain on sale of the NLB Nov penziski fond, Skopje
- EUR 0.5 loss on sale of 28.13% minority stake in Skupna pokojninska družba

2017:

- EUR 9.5m sale of non-core equity participation
- EUR 1.2m a court settlement with Zavarovalnica Triglav
- EUR 1.6m the sale of Czech factoring company

2016:

- EUR 7.8m gain on sale of Visa Europe to Visa Inc.
- EUR 5.5m success fee and gain on sale of equity investments

2015:

- EUR -10.6m exchange difference on CHF
- EUR 5.2m gain on sale of Republic on Slovenia bonds
- EUR -1.7m other items

2 Other items:

2017:

- EUR -3.0m performance rewards in NLB d.d.
- EUR -8.6m restructuring provisions

2016:

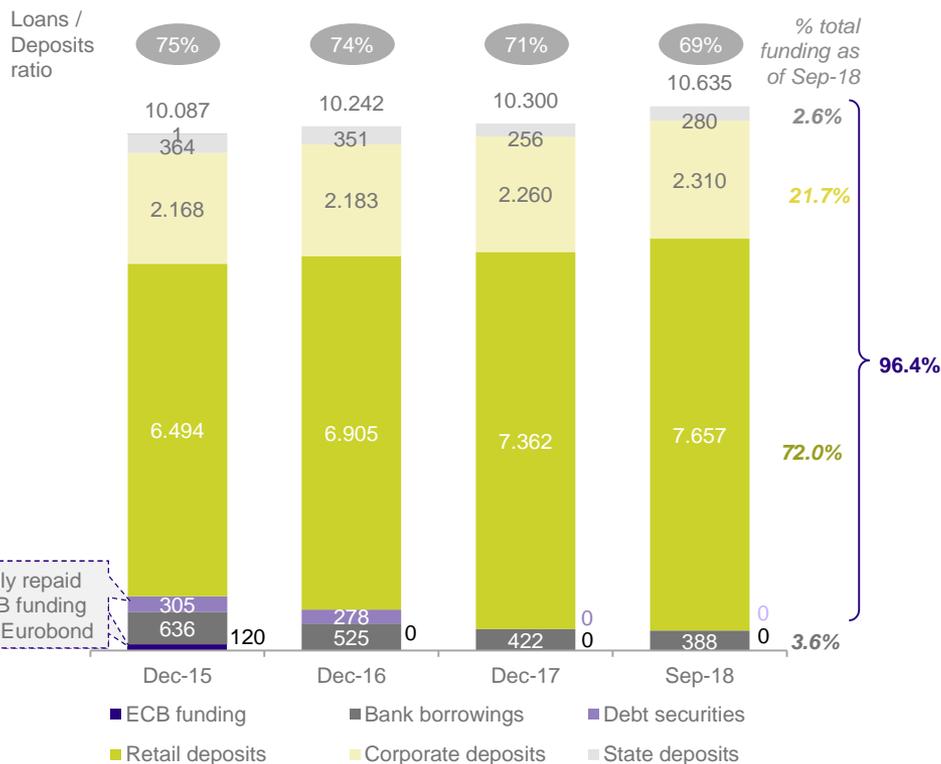
- EUR -10.6m restructuring provisions
- EUR -29.9m NPL sale impact: EUR -4.1m reduction of net interest income and EUR -25.8m additional loan loss provisions following the NPL portfolio sale

3 Restructuring expenses:

- Expenses related to fulfillment of commitments towards EC (non-core disposal, compliance, EC procedures, NPL wind-down, cost reduction program)

5 Funding structure driven by stable and price insensitive deposit base

Deposits accounting for 96% of funding (Group, EURm)



Deposit split (Group, EURm)



Decreasing average cost of funding (%)



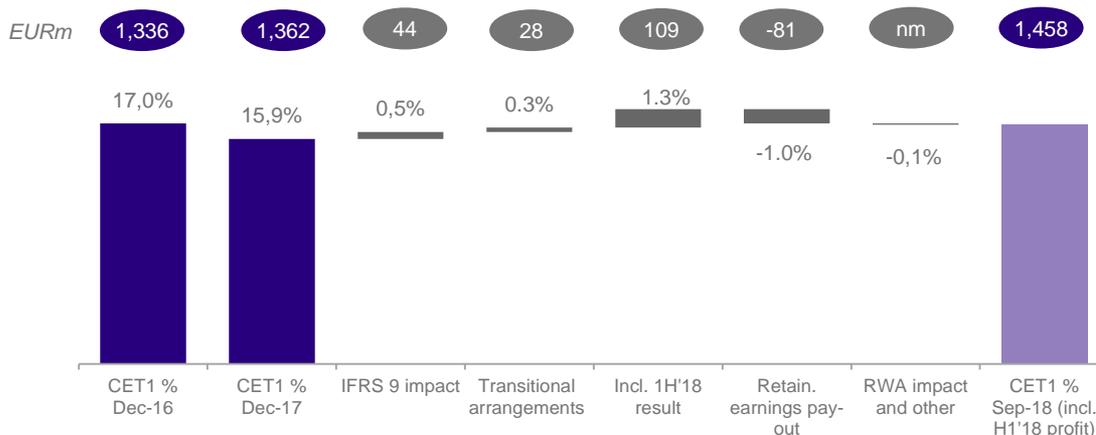
- NLB benefits from Multiple Point Entry approach for MREL requirement
- MREL requirement of 17.4% of total liabilities and own funds of resolution group⁽¹⁾ to be complied by March 2019, to be covered by CET1, existing MREL-eligible senior debt and other eligible liabilities



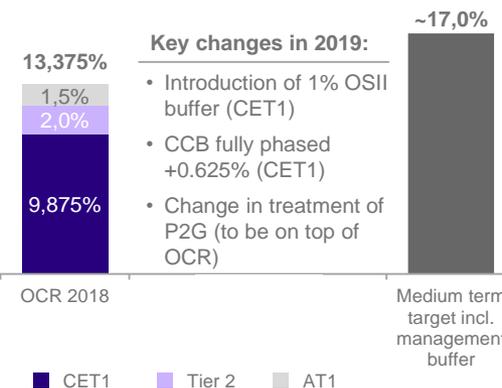
Source: Company information
 Note: (1) Consists of NLB d.d plus non-banking entities

5 Well-capitalised franchise...

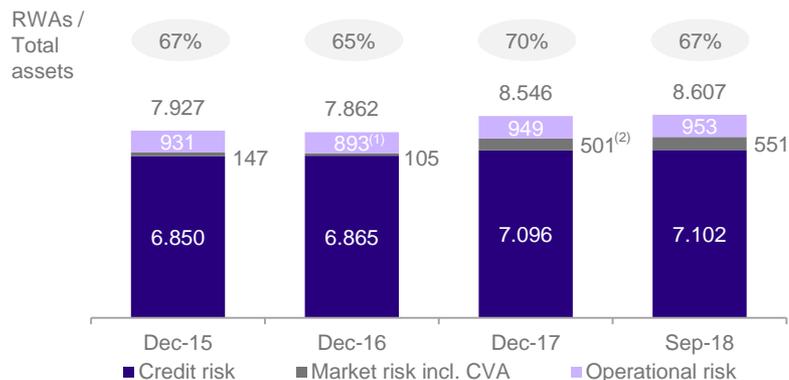
Capital position fully reflective of IFRS9 impact, with very low reliance on DTAs (Group, EURm)



Well above regulatory requirements and NLB's management target (% , Group)



RWA structure (EURm)



- **Highest quality capital, CET1 only**, reaching 16.9% on Group level in Sep-18 (after dividend payout and inclusion of H1'18 profit)
- **Comfortable buffers** against 2018 regulatory requirements of 13.375% OCR
- NLB medium term target of 17% total capital ratio
- In line with EC commitments, NLB is required to distribute dividends in the amount of at least the net income, provided that its regulatory requirements (including buffers and guidance) remain exceeded by a buffer of at least 100bps. Post privatisation of 75%-1 stake, this commitment no longer applies
- NLB intends to issue a **Tier 2 instrument by end of 2019** as part of new EC commitments (subject to market conditions), as such deploying its capital optimisation potential



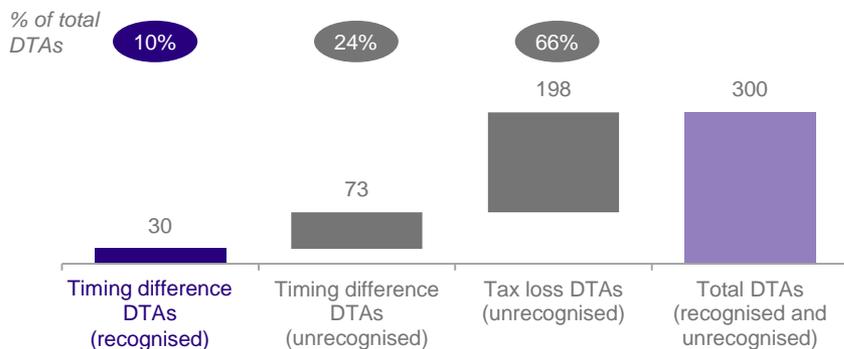
Note: (1) Decrease of RWA for operating risk in 2016 is a reflection of declining net interest income in 2013 vs 2012. Given RWA for operating risk are calculated based on past three-year average this impacted the decline in 2016; (2) Increase of RWA for market risk since December 2016 is a result of inclusion of FX structural position of SEE subsidiaries;

5 ... with a strong dividend potential

Solid dividend distribution (NLB d.d., EURm)

	2015	2016	2017
NLB d.d. profit	44	64	189
o/w dividends from subsidiaries, associates and joint ventures to NLB d.d.	14	29	58
NLB Group profit after tax	92	110	225
NLB Group dividend to shareholder (paid in year after) ⁽¹⁾	44	64	270.6
Implied payout ratio⁽²⁾ (%)	48%	58%	84%⁽⁵⁾

Majority of DTAs are unrecognised, offering significant upside potential (NLB d.d., EURm, Sep-18)



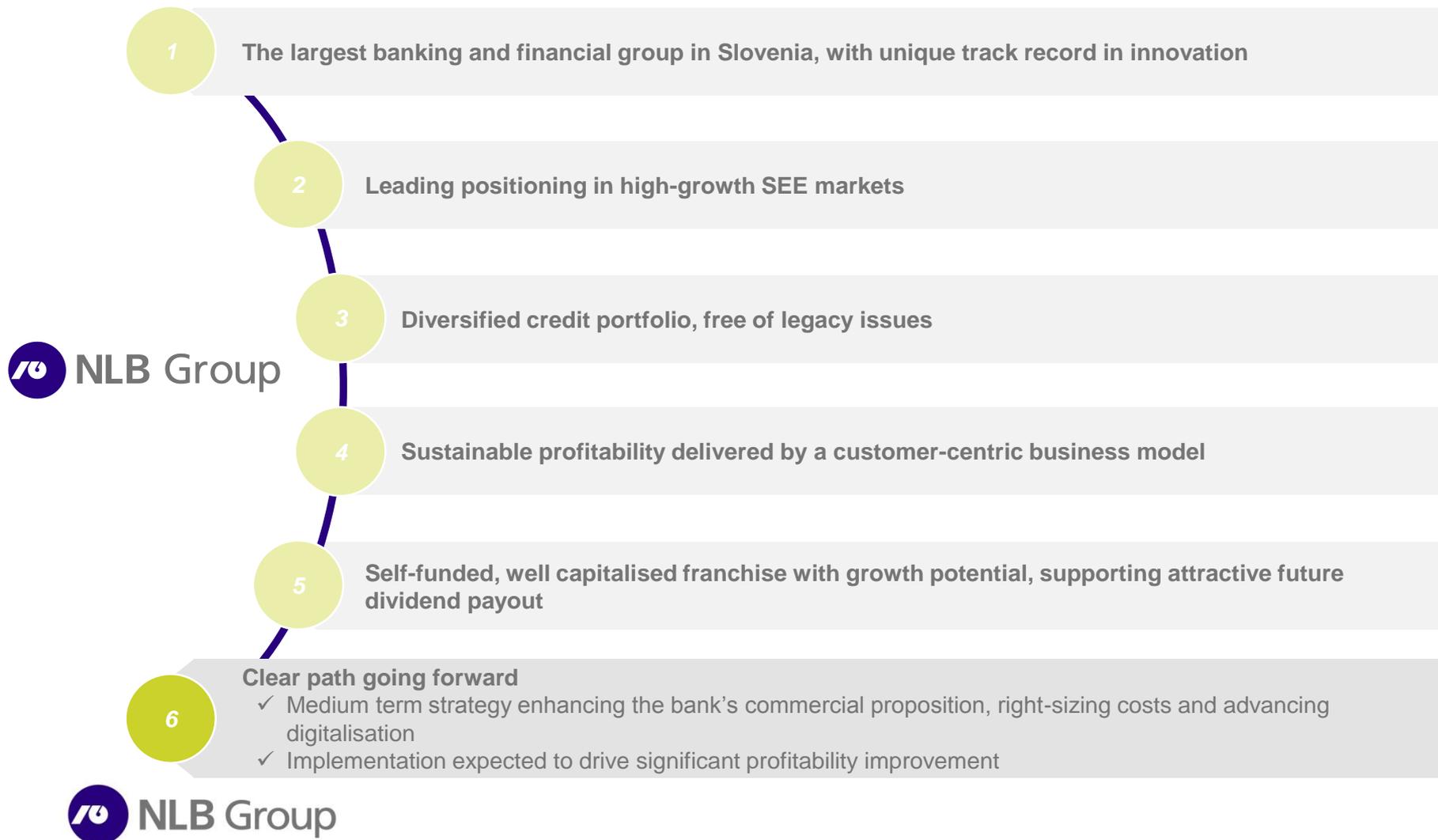
Note: (1) 2017 dividend including €81m undistributed earnings from previous years (subject to ECB approval)

(2) Calculated on Profit after tax from NLB Group in previous year (whole NLB d.d. result paid out); (3) Tax base calculated excluding subsidiary dividends; (4) Potential to create new tax loss if tax base drops below 0 as a result of timing difference utilisation; (5) 2017 payout (84%) calculated based on dividend for FY'17 profit. Total dividend paid for 2017 amounted to EUR 270.6 million (EUR 189.1m of profit for 2017 and EUR 81.5m of retained profit from previous years) i.e. dividend payout 120%.

- NLB has been paying dividends since 2015 increasing payout year on year
- In September 2018, NLB applied for formal approval with ECB to pay-out dividends in the total amount of EUR 270.6m, including profit for fiscal year 2017 and previous years' undistributed earnings; and NLB paid dividends on 22 October 2018.
- At present, NLB is subject to new EC commitments ensuring that the dividends payable are:
 - at least the amount of the **net income of NLB d.d.**;
 - subject to the regulatory limitations; and
 - provided that its regulatory requirements (including buffers and guidance) remain exceeded by **a buffer of at least 100 basis points**
- NLB intends to distribute dividends subject to maintaining **at least 17.0% total capital ratio**, which NLB estimates is equivalent of a distribution of **approximately 70% of its consolidated group profit in the medium term**
- Unrecognised DTAs offering additional dividend potential with no time limitation through:
 - Timing difference DTAs: Reduction of NLB d.d. annual tax base⁽³⁾ in the whole amount of the timing difference⁽⁴⁾
 - Tax loss DTAs: Reduction of NLB d.d. annual tax base by up to 50%⁽³⁾
 - Additional benefit from recognition of currently unrecognised DTAs, subject to projected utilisation plan (based on conservative assumptions)
 - Demonstrated impact, with effective tax rate reduced to 8% (group average 2015 – 2017)

Investment highlights of NLB Group

National champion in Slovenia and among top players in targeted SEE markets



6 Clear strategy to address current challenges

Key challenges

Sector and regulation	Macro	Social and consumer	Products and technology
<ul style="list-style-type: none"> Regulatory interventions Further complexity through new regulations (MREL, Basel IV) Market consolidation 	<ul style="list-style-type: none"> Low interest rate environment Potential political and geopolitical risks Potential economic slowdown 	<ul style="list-style-type: none"> More demanding and knowledgeable clients Preference for digital channels 	<ul style="list-style-type: none"> Product competition from new, lower-cost entrants (fintech) Enhanced customer insights through sophisticated data management Impact of social media

Key priorities

<p>Focus on customer experience</p> <ul style="list-style-type: none"> ✓ Omni-channel product distribution ✓ Partnership programmes ✓ End-to-end customer solutions 
<p>Optimised product offering</p> <ul style="list-style-type: none"> ✓ Pricing optimisation ✓ Simplified product offering ✓ Further focus on fee-based products 
<p>Simplicity champion</p> <ul style="list-style-type: none"> ✓ Operational optimisation ✓ Right sizing workforce ✓ IT transformation 

<p>Enhanced distribution</p> <ul style="list-style-type: none"> ✓ Migration to digital channels ✓ Sales process optimisation ✓ Improved customer insight 
<p>Improved risk management</p> <ul style="list-style-type: none"> ✓ Optimised risk processes ✓ Improved risk modelling ✓ Streamlined risk governance 
<p>Regional specialist</p> <ul style="list-style-type: none"> ✓ Exclusive strategic interest in and unique understanding of the region ✓ Consistent strategy across markets 

6 Medium-term objectives

Delivering growth, sustainable returns and attractive payout to shareholders

Drivers and opportunities

Improving macro environment	<ul style="list-style-type: none"> ✓ Strong economic growth in Slovenia and international markets ✓ Improved consumer confidence ✓ Rebound from low interest rate environment leading to recovery of sector profitability
Attractive industry sector outlook	<ul style="list-style-type: none"> ✓ Strong growth retail and SME segments business ✓ Rebound in corporate lending following sector wide balance sheet clean up ✓ Opportunities in fee business
Revenue initiatives	<ul style="list-style-type: none"> ✓ Redefined pricing and sales approach ✓ Innovative product offering and channel development ✓ Focus on selective lending growth
Focus on costs	<ul style="list-style-type: none"> ✓ Improved risk management ✓ Cost base reduction and increase in operating efficiency

Medium-term targets set in 2018⁽¹⁾

	Q3'18	Medium term
NIM	2.5%	>2.7% ⁽⁵⁾
Loans to deposits ratio	69%	<95%
Total capital ratio	16.9%	~17.0%
Cost-income ratio	57.0%	~50%
Cost of risk ⁽²⁾	-45 bps	<90bps ⁽⁶⁾
Return on equity (RoE)	11.9%	~12.0%
Dividend payout	84% ⁽⁴⁾	~70% ⁽⁷⁾
NPE ratio ⁽³⁾	5.3%	3.0 – 4.0%

Investment highlights of NLB Group

National champion in Slovenia and among top players in targeted SEE markets

 NLB Group

1

The largest banking and financial group in Slovenia, with unique track record in innovation

- ✓ 108 branches⁽¹⁾ and 23.5%⁽¹⁾ market share (by total assets), supported by innovative web and mobile apps
- ✓ Leading provider of asset management⁽²⁾ and a growing player in life insurance

2

Leading positioning in high-growth SEE markets

- ✓ SEE markets of ca 15m population⁽³⁾, with GDP growth above Eurozone average
- ✓ Profitable and self-funded banks with Top 3 market share in 3 of 6 markets and 1,137k active clients

3

Diversified credit portfolio, free of legacy issues

- ✓ Diversified credit portfolio, across countries and cautious risk taking
- ✓ Successfully eliminated 75% of NPLs since 2013, to 7.6% of credit portfolio with 76% coverage

4

Sustainable profitability delivered by a customer-centric business model

- ✓ Business successfully refocused on core activities
- ✓ Profitability growth driven by stable NIM, resilient fee income and successful cost-cutting

5

Self funded, well capitalised franchise with growth potential, supporting attractive future dividend payout

- ✓ Funding base comprising primarily of low cost deposits from loyal client base
- ✓ Solid CET1 ratio, well above regulatory requirements
- ✓ Strong capital generation and capital optimisation initiatives supporting dividend payout

6

Clear path going forward

- ✓ Medium term strategy enhancing the bank's commercial proposition, right-sizing costs and advancing digitalisation
- ✓ Implementation expected to drive significant profitability improvement

 NLB Group

Note: (1) As of Sep-18; (2) By AuM. Source: Slovenia Fund Management Association; (3) Excluding Slovenia



Appendix A:

IT and digital

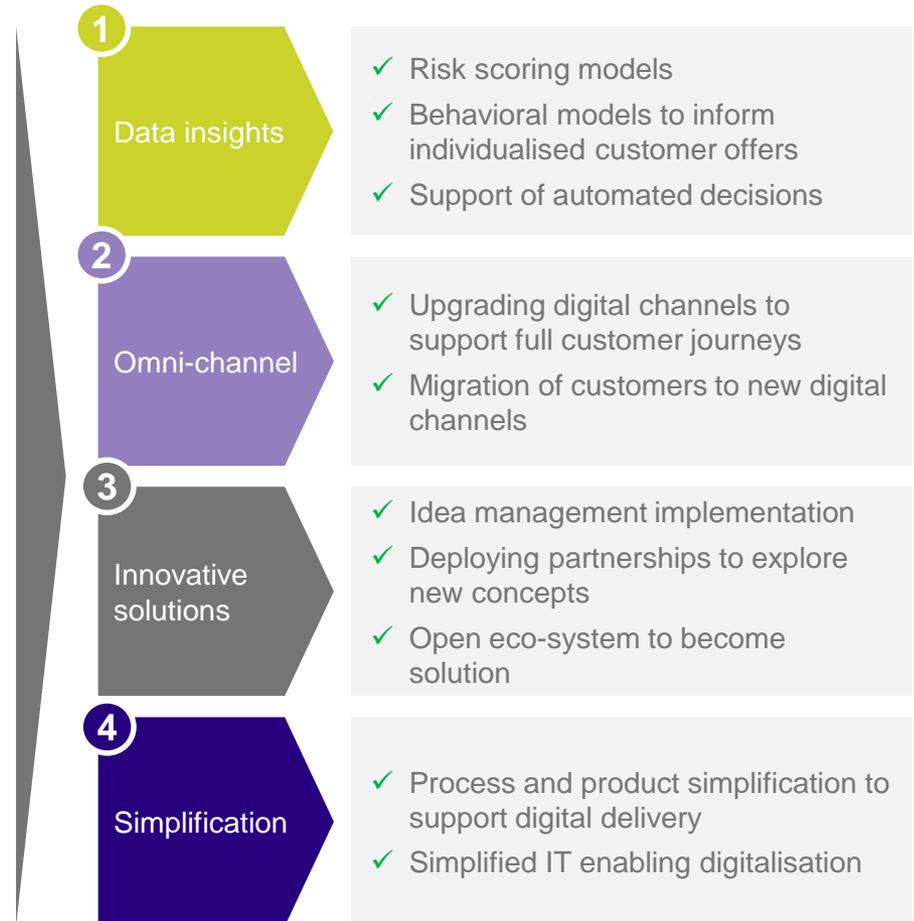
Medium-term objectives in IT and Digital

Leverage digital and data to enhance our business model

Strategic objectives

Improve customer insight	<ul style="list-style-type: none">✓ Data collection✓ Data extrapolation✓ Advanced analytics
Enhance customer experience	<ul style="list-style-type: none">✓ Increase customer satisfaction✓ Create new business opportunities
Increase innovation capacity	<ul style="list-style-type: none">✓ Agile development✓ Pull ideas driven by customer demands✓ Empowering employees
Optimise operations	<ul style="list-style-type: none">✓ Full (paperless) digitalisation of processes✓ Increased process automation✓ Reduction in cost-to-serve✓ Concentration on value adding activities (advisory, sales)

Strategic initiatives



NLB Group synergy opportunities

Group synergies are being addressed in all functional areas

IT competence center

- Established predominantly for subsidiary banks
- Core banking maintenance and development operating since the beginning of 2018
- Additional support with common teams is being added:
 - Solution for loan origination and approval process roll-out in 5 subsidiary banks
 - ESB roll-out in 4 subsidiary banks
 - CRM capability assessment followed by roll-out in 5 banks

Process (System) competences

- Introduction of lean principles is underway
- Loan origination and approval process is being mapped in all 6 subsidiary banks with aim to define a standard regional process
- Standard and KPI definition is completed for payment processing and cash transactions
- Basic KPI framework is being defined for common core processes

IT regionalisation activities

- SIEM⁽¹⁾ and SOC⁽²⁾ set up in Ljubljana are near completion
- IT capability assessment in the NLB GROUP is in progress
- Communications and data center activities are underway
- Aiming to avail an enabling group infrastructure architecture

Procurement

- Regional standards in procurement were implemented in 2010
- Systematic approach to cost optimisation through Non-FTE cost optimisation project was introduced in September 2015
- Central sourcing in strategic sourcing categories is in place

By actively working on Group synergies, NLB Group wants to leverage on costs (scale), speed of implementation and knowledge sharing



Note: (1) Security information and event management
(2) Security operations center



Appendix B:

Macro Overview

Macro Overview

Economic data

- Most countries are likely to grow at around 3.5% - 4% if supported by loose monetary conditions, fiscal easing and solid domestic demand.
- Inflation is likely to remain within target ranges throughout the region.
- Mounting political risks could add to uncertainty.

Fiscal data

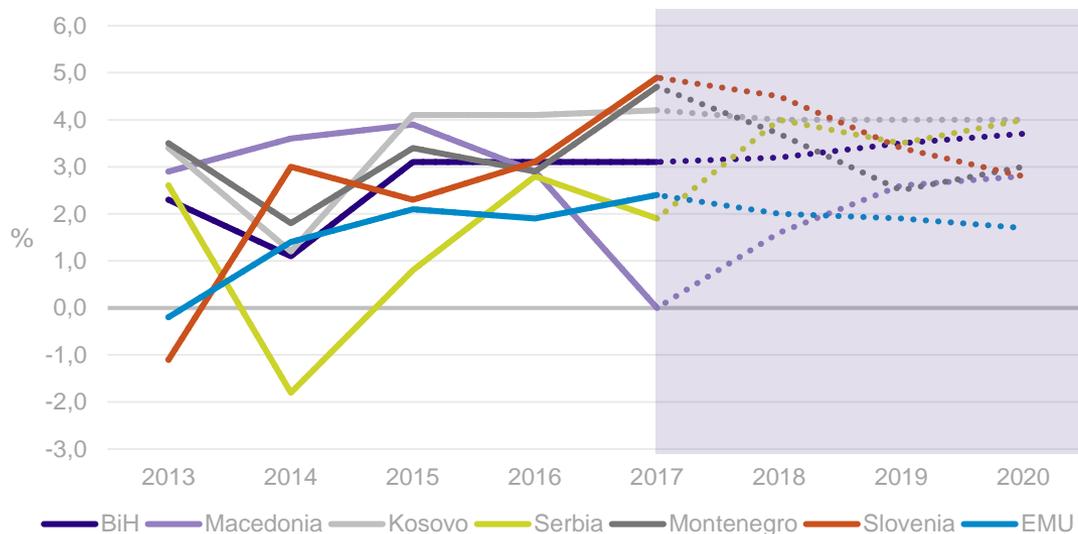
- Environment for necessary reforms seen slightly improved.
- Fiscal imbalances should not aggravate general government borrowing position and public debt seems manageable, nevertheless caution still recommended.
- Large current account deficits and geographical contagion are important drivers to capital flows.

Monetary data

- Positive momentum for higher lending volumes seen ahead.
- As loan to deposit ratios remain firm, a future expansion of the regional banking sectors should not be capped from a refinancing perspective.
- A more pronounced slowdown in Europe or larger capital outflows from EM would reverse favorable trends in the region.

Macro Overview – Economic data

Real GDP growth, %



KEY FINDINGS:

Following a year of stagnation, the **Macedonian economy** is expected to recover over the next two years, gradually catching up with regional peers in the SEE.

Serbian real GDP growth also used to lag behind slightly, but with better prospects in the future.

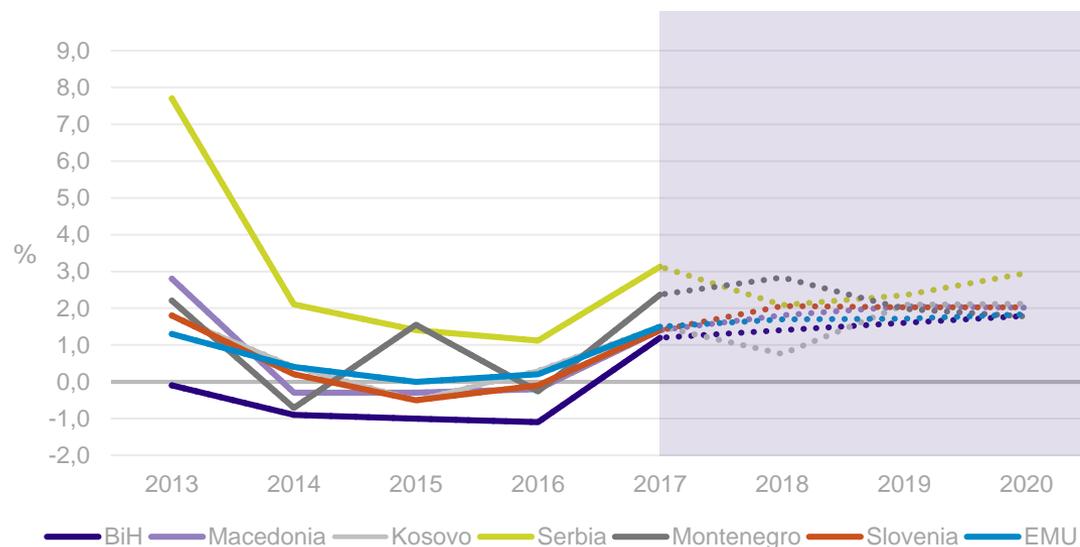
Overall, real GDP growth in the region will remain strong, well above the EMU.

Real GDP growth, %	2013	2014	2015	2016	2017	2018	2019	2020
BiH	2.3	1.1	3.1	3.1	3.1	3.2	3.5	3.7
Macedonia	2.9	3.6	3.9	2.9	0.0	1.6	2.6	2.8
Kosovo	3.4	1.2	4.1	4.1	4.2	4.0	4.0	4.0
Serbia	2.6	-1.8	0.8	2.8	1.9	4.0	3.5	4.0
Montenegro	3.5	1.8	3.4	2.9	4.7	3.7	2.5	3.0
Slovenia	-1.1	3.0	2.3	3.1	4.9	4.5	3.4	2.8
EMU	-0.2	1.4	2.1	1.9	2.4	2.0	1.9	1.7

Sources: National Statistical Offices, IMF WEO Database October 2018, Eurostat

Macro Overview – Economic data

Average inflation rate, CPI %



KEY FINDINGS:

There seems to be a favourable inflation development in all countries. Minor pressures noted in **Serbia**, yet with no material impact on the local currency.

CPI continues to be driven by exogenous factors.

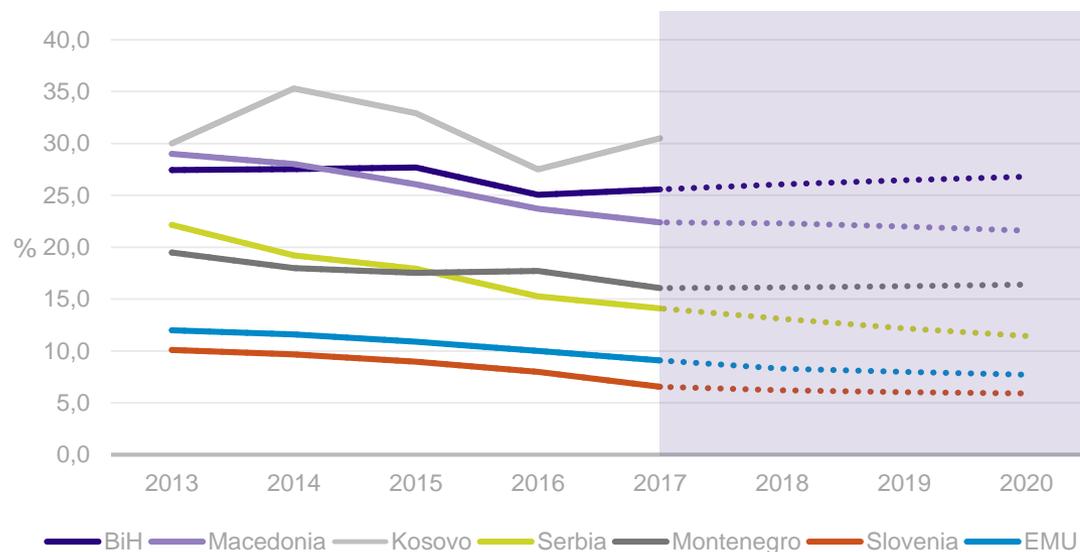
The inflation rates are projected to remain stable close to 2.0 %.

Average inflation rate, %	2013	2014	2015	2016	2017	2018	2019	2020
BiH	-0.1	-0.9	-1.0	-1.1	1.2	1.4	1.6	1.8
Macedonia	2.8	-0.3	-0.3	-0.2	1.4	1.8	2.0	2.0
Kosovo	1.8	0.4	-0.5	0.3	1.5	0.8	2.1	2.1
Serbia	7.7	2.1	1.4	1.1	3.1	2.1	2.3	3.0
Montenegro	2.2	-0.7	1.5	-0.3	2.4	2.8	2.0	1.8
Slovenia	1.8	0.2	-0.5	-0.1	1.4	2.1	2.0	2.0
EMU	1.3	0.4	0.0	0.2	1.5	1.7	1.7	1.8

Sources: National Statistical Offices, IMF WEO Database October 2018, Eurostat

Macro Overview – Economic data

Unemployment rate, ILO



KEY FINDINGS:

Despite strong growth, unemployment is projected to stay at relatively high levels across the whole region.

The only country with significant improvement is **Serbia**, while in **BiH** and **Montenegro** even increase in unemployment is foreseen.

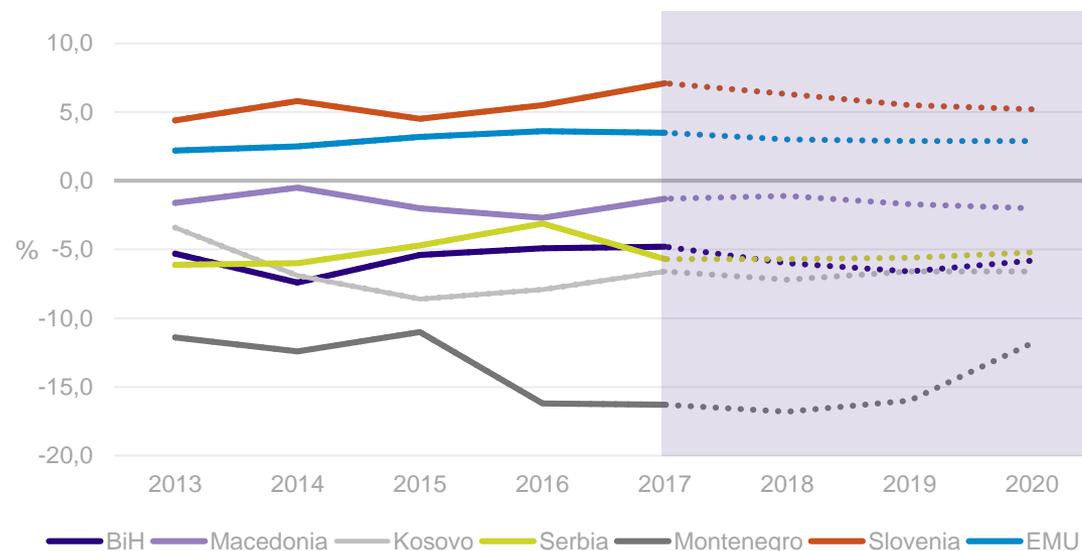
Official unemployment rate seems to be affected by various factors such as shrinking labour force on one side and permanent unemployment on the other.

Unemployment rate, %	2013	2014	2015	2016	2017	2018	2019	2020
BiH	27.5	27.5	27.7	25.1	25.6	26.1	26.5	26.8
Macedonia	29.0	28.0	26.1	23.7	22.4	22.3	22.0	21.6
Kosovo	30.0	35.3	32.9	27.5	30.5	n.a.	n.a.	n.a.
Serbia	22.2	19.2	17.9	15.3	14.1	13.1	12.2	11.5
Montenegro	19.5	18.0	17.5	17.7	16.1	16.1	16.2	16.4
Slovenia	10.1	9.7	9.0	8.0	6.6	6.2	6.0	5.9
EMU	12.0	11.6	10.9	10.0	9.1	8.3	8.0	7.7

Sources: ILO, IMF WEO Database October 2018, Kosovo Agency of Statistics

Macro Overview – Economic data

Current account, % GDP



KEY FINDINGS:

Huge difference between countries due to various reasons. CA deficit being covered either by capital inflows or remittances.

Montenegro continues to underperform heavily in the region.

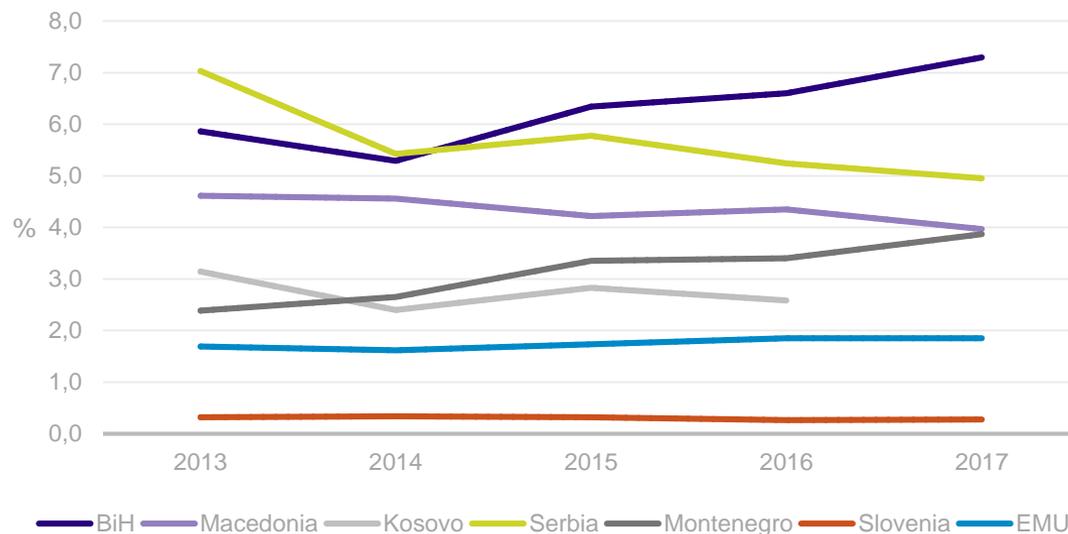
Mounting political risk might pile pressure on regional economies and in general no reduction of current account deficit can be expected in the near future.

Current Account, % GDP	2013	2014	2015	2016	2017	2018	2019	2020
BiH	-5.3	-7.4	-5.4	-4.9	-4.8	-6.0	-6.6	-5.8
Macedonia	-1.6	-0.5	-2.0	-2.7	-1.3	-1.1	-1.7	-2.0
Kosovo	-3.4	-6.9	-8.6	-7.9	-6.6	-7.2	-6.6	-6.6
Serbia	-6.1	-6.0	-4.7	-3.1	-5.7	-5.7	-5.6	-5.2
Montenegro	-11.4	-12.4	-11.0	-16.2	-16.3	-16.8	-16.0	-11.8
Slovenia	4.4	5.8	4.5	5.5	7.1	6.3	5.5	5.2
EMU	2.2	2.5	3.2	3.6	3.5	3.0	2.9	2.9

Sources: National Statistical Offices, IMF WEO Database October 2018, Eurostat

Macro Overview – Economic data

Total reserves, import coverage in months



KEY FINDINGS:

Total reserves expressed as import coverage in months remain stable and seems sufficient.

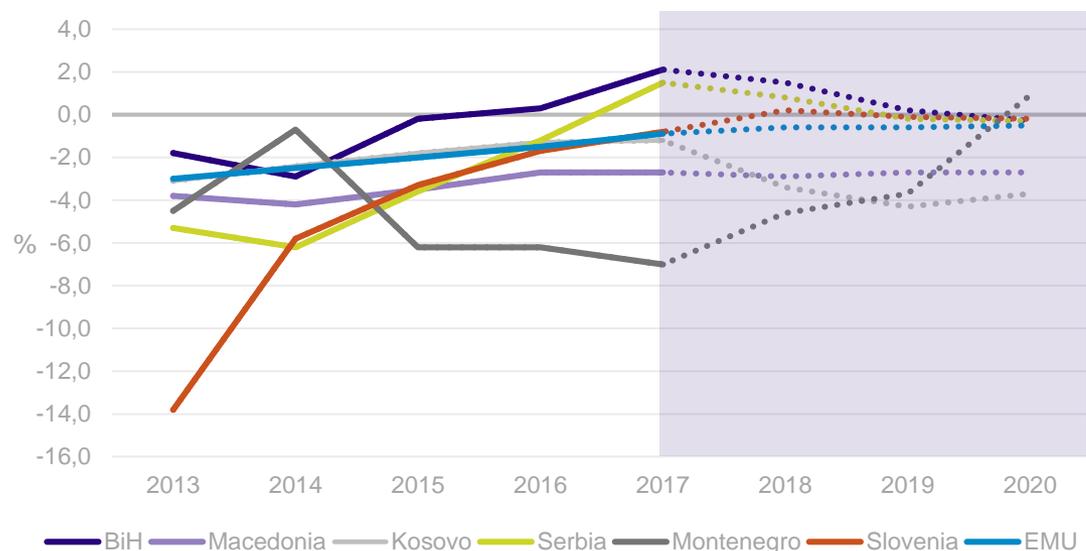
Favorable trendline adds to the stability of foreign exchange rate in **Serbia**, **Macedonia**, and **BiH**. Unless major geopolitical tensions realize; stable currency regimes remain our baseline scenario.

Total reserves, import coverage in months	2013	2014	2015	2016	2017
BiH	5.9	5.3	6.3	6.6	7.3
Macedonia	4.6	4.6	4.2	4.4	4.0
Kosovo	3.1	2.4	2.8	2.6	n.a.
Serbia	7.0	5.4	5.8	5.2	5.0
Montenegro	2.4	2.7	3.4	3.4	3.9
Slovenia	0.3	0.3	0.3	0.3	0.3
EMU	1.7	1.6	1.7	1.9	1.9

Sources: The World Bank

Macro Overview – Fiscal data

Fiscal Balance, % GDP



KEY FINDINGS:

A slight deterioration in the fiscal performance throughout the region expected for 2019-20.

BiH and Serbia are expected to keep balanced public finances, while budget deficit will stay at relatively high levels in Macedonia, Kosovo, and Montenegro.

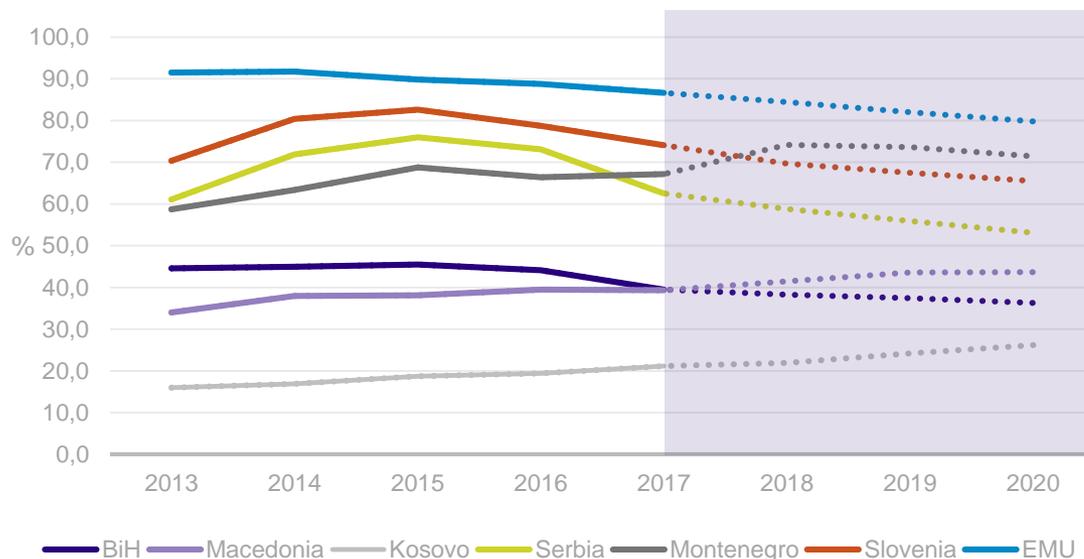
General government interest expenditure continued to fall in 2018 all over the place.

Fiscal balance, % GDP	2013	2014	2015	2016	2017	2018	2019	2020
BiH	-1.8	-2.9	-0.2	0.3	2.1	1.5	0.2	-0.3
Macedonia	-3.8	-4.2	-3.5	-2.7	-2.7	-2.9	-2.7	-2.7
Kosovo	-3.1	-2.4	-1.8	-1.3	-1.2	-3.4	-4.3	-3.7
Serbia	-5.3	-6.2	-3.6	-1.2	1.5	0.8	-0.2	-0.3
Montenegro	-4.5	-0.7	-6.2	-6.2	-7.0	-4.6	-3.7	0.9
Slovenia	-13.8	-5.8	-3.3	-1.7	-0.8	0.2	-0.1	-0.2
EMU	-3.0	-2.5	-2.0	-1.5	-0.9	-0.6	-0.6	-0.5

Sources: IMF WEO Database October 2018, Eurostat

Macro Overview – Fiscal data

Public Debt, % GDP



KEY FINDINGS:

Public debt varies intensively between the countries.

Slow convergence of public indebtedness is projected. Reduction of public debt is expected in **BiH**, **Montenegro**, and **Serbia** while an increase is forecasted for **Macedonia** and **Kosovo**.

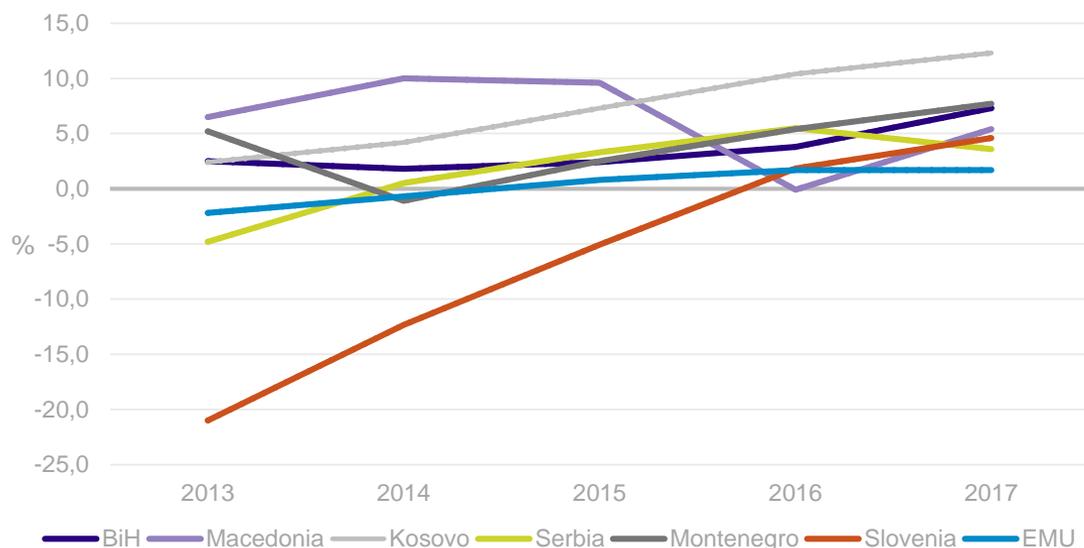
In case of the later it's more about the base effect than of expansionary fiscal policy.

Public debt, % GDP	2013	2014	2015	2016	2017	2018	2019	2020
BiH	44.6	45.0	45.5	44.1	39.5	38.3	37.4	36.3
Macedonia	34.0	38.0	38.1	39.5	39.3	41.5	43.6	43.7
Kosovo	16.0	16.9	18.7	19.4	21.2	21.9	24.2	26.2
Serbia	61.1	71.9	76.0	73.1	62.5	58.8	55.9	53.1
Montenegro	58.7	63.4	68.8	66.4	67.2	74.2	73.6	71.4
Slovenia	70.4	80.3	82.6	78.6	73.6	69.7	67.5	65.5
EMU	91.5	91.7	89.8	88.8	86.6	84.4	82.0	79.8

Sources: IMF WEO Database October 2018

Macro Overview – Monetary data

Loans growth (NFIs + Households), %



KEY FINDINGS:

Encouraging prints of credit growth in both corporate and retail segment, much higher than in EMU.

Among SEE peers **Kosovo** is the leader with double-digit loan growth.

Serbia is lagging behind with 3.6 % growth, although with solid growth in retail lending (cash loans).

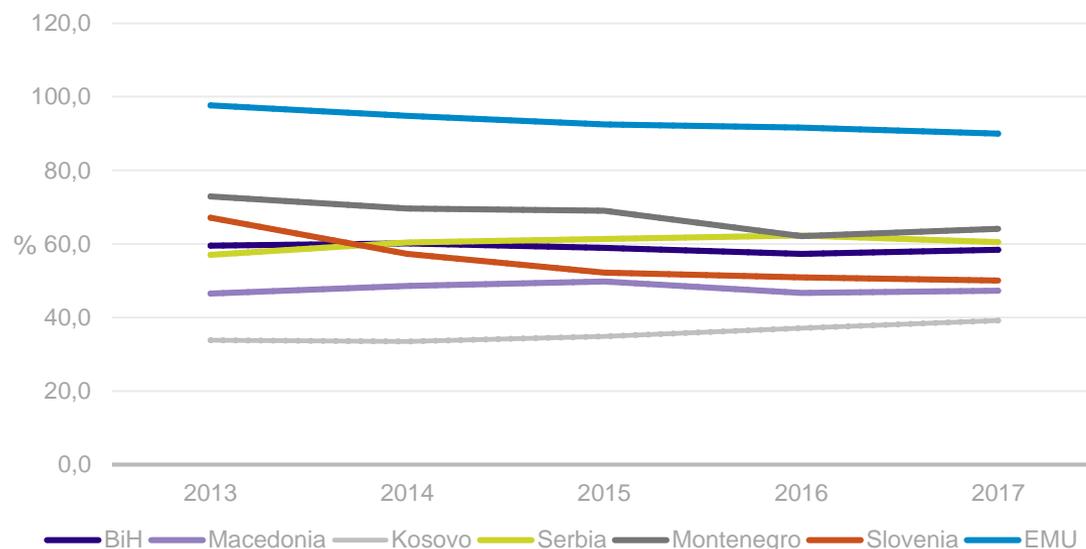
In **BiH**; healthy loan dynamics was fueled by rising demand and more proactive banking sector approach.

Loan growth (NFI + Households), %	2013	2014	2015	2016	2017
BiH	2.5	1.8	2.4	3.8	7.3
Macedonia	6.5	10.0	9.6	-0.1	5.4
Kosovo	2.4	4.2	7.3	10.4	12.3
Serbia	-4.8	0.5	3.3	5.5	3.6
Montenegro	5.2	-1.1	2.5	5.4	7.7
Slovenia	-21.0	-12.4	-5.1	1.8	4.6
EMU	-2.2	-0.7	0.8	1.7	1.7

Sources: National Central banks, ECB, Own calculations

Macro Overview – Monetary data

Total Loans (NBS), % GDP



KEY FINDINGS:

Entire region way below EMU average with an excellent growth potential.

Stable loan to GDP ratio in **BiH**, **Macedonia** and **Serbia**.

In **Slovenia** and **Montenegro** share of loans in GDP exhibits negative trend, however stabilized last year.

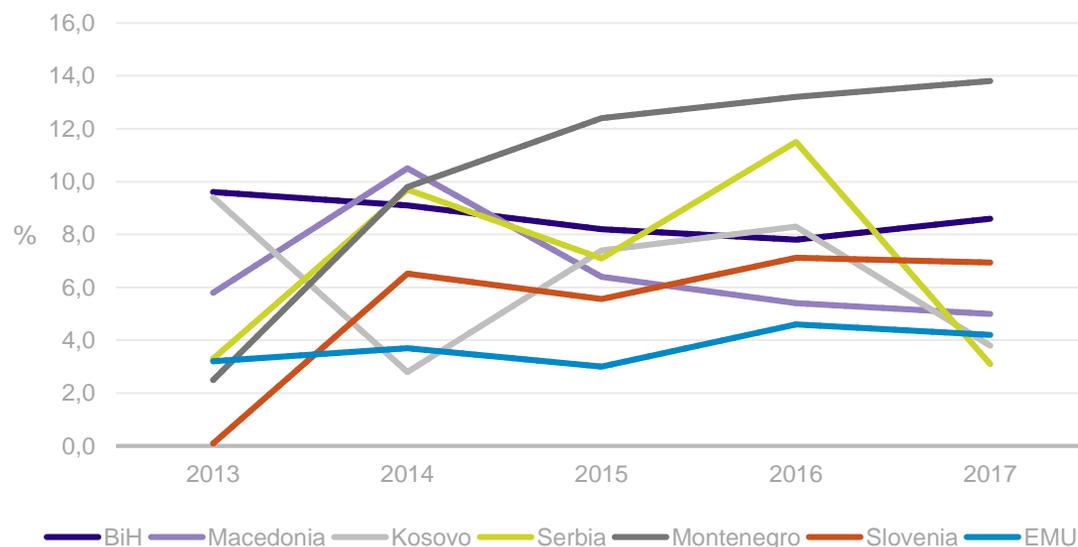
In **Kosovo** share of loans is steadily increasing, still the lowest among peers, though

Total loans, % GDP	2013	2014	2015	2016	2017
BiH	59.8	60.2	59.0	57.5	58.8
Macedonia	47.1	49.3	50.9	47.6	48.3
Kosovo	33.9	33.8	35.0	37.4	39.6
Serbia	57.0	61.0	62.3	62.7	60.5
Montenegro	71.8	68.5	66.4	61.1	63.7
Slovenia	67.2	57.3	52.2	50.9	50.1
EMU	97.7	94.8	92.5	91.6	90.0

Sources: Bank for International Settlements, National Central banks, Own calculations

Macro Overview – Monetary data

Deposits growth (NFIs + Households), %



KEY FINDINGS:

There are substantial differences in deposit growth numbers.

Montenegro has the highest growth with 13.8 % and is far ahead of the rest.

On the other end of the spectrum, Serbia (+3.1 %) and Kosovo (+3.8 %) have slower deposit growth than EMU.

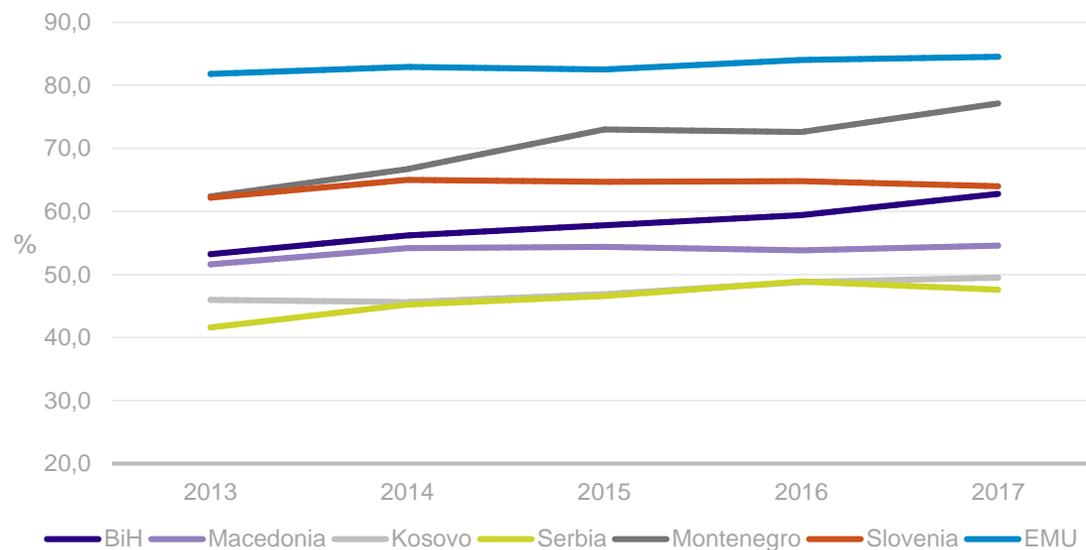
Underdeveloped capital markets participating importantly to deposit growth record.

Deposit growth (NFI + Households), %	2013	2014	2015	2016	2017
BiH	9.6	9.1	8.2	7.8	8.6
Macedonia	5.8	10.5	6.4	5.4	5.0
Kosovo	9.4	2.8	7.4	8.3	3.8
Serbia	3.3	9.7	7.1	11.5	3.1
Montenegro	2.5	9.8	12.4	13.2	13.8
Slovenia	0.1	6.5	5.6	7.1	6.9
EMU	3.2	3.7	3.0	4.6	4.2

Sources: National Central banks, ECB, Own calculations

Macro Overview – Monetary data

Total Deposits (NBS), % GDP



KEY FINDINGS:

Stable deposit to GDP ratio in **Macedonia** and **Slovenia**. Growing trend in the rest of the region with highest increase in **Montenegro**.

Across the whole region the share of deposits in GDP is lower than in EMU.

Total deposits, % GDP	2013	2014	2015	2016	2017
BiH	53.2	56.2	57.8	59.4	62.8
Macedonia	51.6	54.2	54.4	53.8	54.6
Kosovo	46.0	45.6	46.9	48.8	49.5
Serbia	41.6	45.2	46.6	48.9	47.6
Montenegro	62.4	66.7	73.0	72.6	77.1
Slovenia	62.2	65.0	64.7	64.8	64.0
EMU	81.8	82.9	82.5	84.0	84.5

Sources: ECB, National Central banks, Eurostat, Own calculations

Note: EMU Total deposits to GDP includes only NFI + Households deposits



Appendix C:

Financial statements

Key financial data and performance

NLB Group (1/2)

	FY'15	FY'16	FY'17	Q3'17	Q3'18
Net interest income	340	317	309	229	232
Net fee and commission income	147	146	155	115	120
Income from financial operations	4	20	27	22	12
Other Income	-8	-7	-3	-1	5
Operating Income	483	476	488	365	369
Staff costs	-163	-165	-164	-121	-122
General expenses	-103	-96	-92	-66	-68
Depreciation and amortisation expenses	-32	-28	-28	-21	-20
Operating expenses	-298	-290	-285	-208	-210
Pre Provision Income	185	186	204	157	159
Extraordinary measures	0	0	0	0	0
Impairment losses on credit risk	-51	-26	43	37	23
Other ⁽¹⁾	-32	-35	-14	0	-4
Gains/Losses on subsidiaries, associates and JVs	4	5	4	4	4
Profit / (Loss) before income tax	107	131	237	198	182
Income Tax	-11	-15	-4	-7	-17
Profit/ (Loss) after income tax	95	116	233	191	165
Profit / (Loss) attributable to shareholders	92	110	225	184	158



Source: Company information

Note: (1) Includes other provisions and impairments of FA at FV through OCI

Key financial data and performance

NLB Group (2/2)

	Dec-15	Dec-16	Dec-17	Sept-18
ASSETS				
Cash and balances with Central Banks	1,162	1,299	1,256	1,557
Financial instruments ⁽¹⁾	2,973	2,863	3,045	3,278
Loans and advances to banks (net)	432	436	510	402
Loans and advances to customers	6,693	6,912	6,913	7,081
Investments in associates and JV	40	43	44	38
Intangible assets	39	34	35	31
PP&E	208	197	188	183
Other assets	275	255	245	214
Total Assets	11,822	12,039	12,238	12,784
LIABILITIES & EQUITY				
Deposits from banks	58	42	41	43
Deposits from customers	9,026	9,439	9,879	10,247
Borrowings	578	482	381	345
ECB funding	120	0	0	0
Securities and other liabilities	589	549	249	264
Total Liabilities	10,371	10,513	10,550	10,899
Shareholders' funds	1,423	1,495	1,654	1,844
Non Controlling Interests	28	30	35	40
Total Equity	1,450	1,526	1,688	1,885
Total Liabilities & Equity	11,822	12,039	12,238	12,784



Source: Company information

Note: (1) Includes debt securities, equity securities and derivatives

Key financial data and performance

NLB d.d. (1/2)

	FY'15	FY'16	FY'17	Q3'17	Q3'18
Net interest income	208	175	159	116	118
Net fee and commission income	98	95	99	73	75
Income from financial operations	9	13	17	15	7
Other Income	12	29	56	48	55
Operating Income	327	313	330	252	255
Staff costs	-102	-103	-104	-76	-76
General expenses	-64	-59	-54	-39	-40
Depreciation and amortisation expenses	-21	-19	-18	-13	-13
Operating expenses	-187	-181	-176	-128	-129
Pre Provision Income	140	132	154	124	126
Extraordinary measures	0	0	0	0	0
Impairment losses on credit risk	-28	-15	41	21	18
Other ⁽¹⁾	-60	-49	-11	0	0
Gains/Losses on associates and JVs	-	-	-	-	-
Profit / (Loss) before income tax	52	68	185	145	144
Income Tax	-8	-4	4	0	-9
Profit/ (Loss) after income tax	44	64	189	145	135

Key financial data and performance

NLB d.d (2/2)

	Dec-15	Dec-16	Dec-17	Sept-18
ASSETS				
Cash and balances with Central Banks	497	617	570	821
Financial instruments ⁽¹⁾	2,482	2,380	2,542	2,761
Loans and advances to banks (net)	345	408	462	380
Loans and advances to customers	4,826	4,844	4,588	4,514
Investments in associates and JV	353	347	357	355
Intangible assets	30	23	24	21
PP&E	95	90	87	84
Other assets	80	68	83	100
Total Assets	8,707	8,778	8,713	9,036
LIABILITIES & EQUITY				
Deposits from banks	97	75	72	58
Deposits from customers	6,298	6,617	6,812	6,987
Borrowings	416	343	266	257
ECB funding	120	0	0	0
Securities and other liabilities	534	478	182	199
Total Liabilities	7,465	7,513	7,332	7,501
Shareholders' funds	1,242	1,265	1,381	1,535
Non Controlling Interests	0	0	0	0
Total Equity	1,242	1,265	1,381	1,535
Total Liabilities & Equity	8,707	8,778	8,713	9,036

SEE banks continuing solid performance in Q3'18

- ✓ Profitability improvement across all markets in SEE, with 18% pre-provision income growth y-o-y
- ✓ Growing credit portfolio in all markets, with aggregate deposits balance marginally up q-o-q
- ✓ Reversal of pool provisions represents EUR 12m of total PBT increase

	NLB Banka Skopje		NLB Banka Banja Luka		NLB Banka Sarajevo		NLB Banka Prishtina		NLB Banka Podgorica		NLB Banka Beograd		Total core banks ⁽¹⁾		
															
B/S (EURm)	Dec-17	Sep-18	Dec-17	Sep-18	Dec-17	Sep-18	Dec-17	Sep-18	Dec-17	Sep-18	Dec-17	Sep-18	Dec-17	Sep-18	Δ
Total assets	1,236	1,270	670	711	531	565	584	645	457	485	371	439	3,849	4,116	7%
Net loans to NBS	797	819	349	378	333	347	387	456	265	297	239	306	2,370	2,603	10%
Deposits from NBS	1,005	1,011	533	566	428	455	507	556	360	391	260	302	3,093	3,282	6%
P&L (EURm)	Q3'17	Q3'18	Q3'17	Q3'18	Q3'17	Q3'18	Q3'17	Q3'18	Q3'17	Q3'18	Q3'17	Q3'18	Q3'17	Q3'18	Δ
NII ⁽²⁾	37.7	36.3	13.6	13.5	13.5	13.1	18.2	20.1	12.2	13.2	13.1	14.8	108.4	110.9	2%
NNII ⁽²⁾	9.7	20.0	7.0	8.0	5.4	6.1	3.3	3.8	4.0	4.3	1.1	2.8	30.5	44.9	47%
OpEx	-17.4	-18.5	-9.1	-9.7	-10.1	-10.5	-8.2	-8.7	-9.0	-9.0	-11.7	-13.1	-65.5	-69.6	6%
PPI	30.0	37.7	11.5	11.8	8.8	8.6	13.3	15.2	7.2	8.4	2.6	4.5	73.3	86.3	18%
PAT	38.0	33.3	20.1	11.7	5.3	7.4	11.0	11.2	4.2	7.7	4.1	6.4	82.8	77.8	-6%
Ratios	Q3'17	Q3'18	Q3'17	Q3'18	Q3'17	Q3'18	Q3'17	Q3'18	Q3'17	Q3'18	Q3'17	Q3'18			
L/D	79%	81%	63%	67%	78%	76%	79%	82%	70%	76%	104%	101%			
NIM	5.0%	4.0%	2.8%	2.7%	3.5%	3.2%	4.9%	4.4%	4.1%	4.0%	6.2%	5.1%			
C/I	37%	33%	44%	45%	54%	55%	38%	36%	56%	52%	74%	75%			
RoE ⁽³⁾	36%	24%	33%	18%	11%	13%	23%	22%	7%	15%	10%	13%			



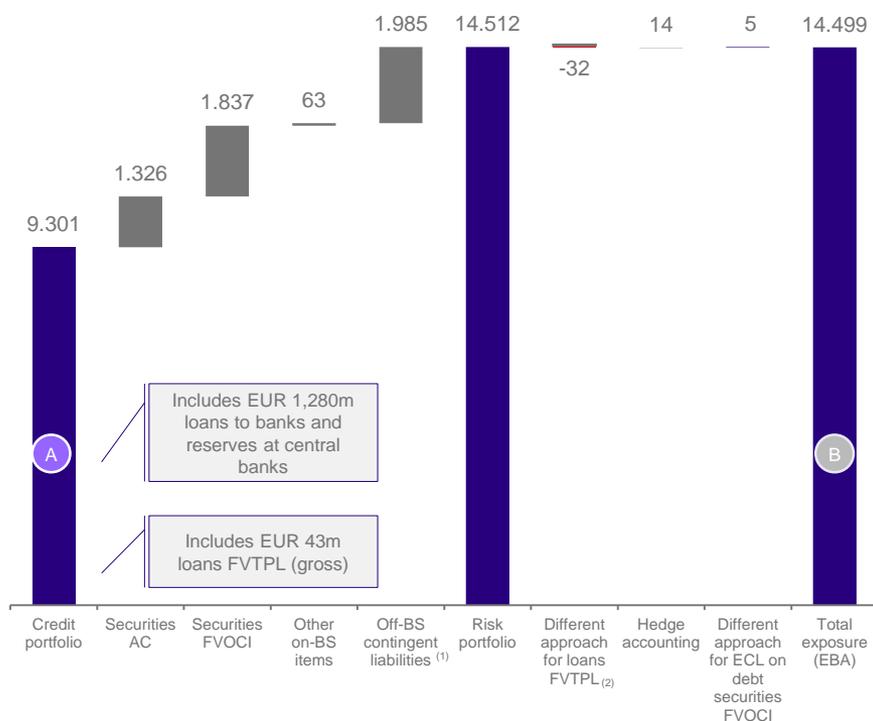
Appendix D:

Asset quality

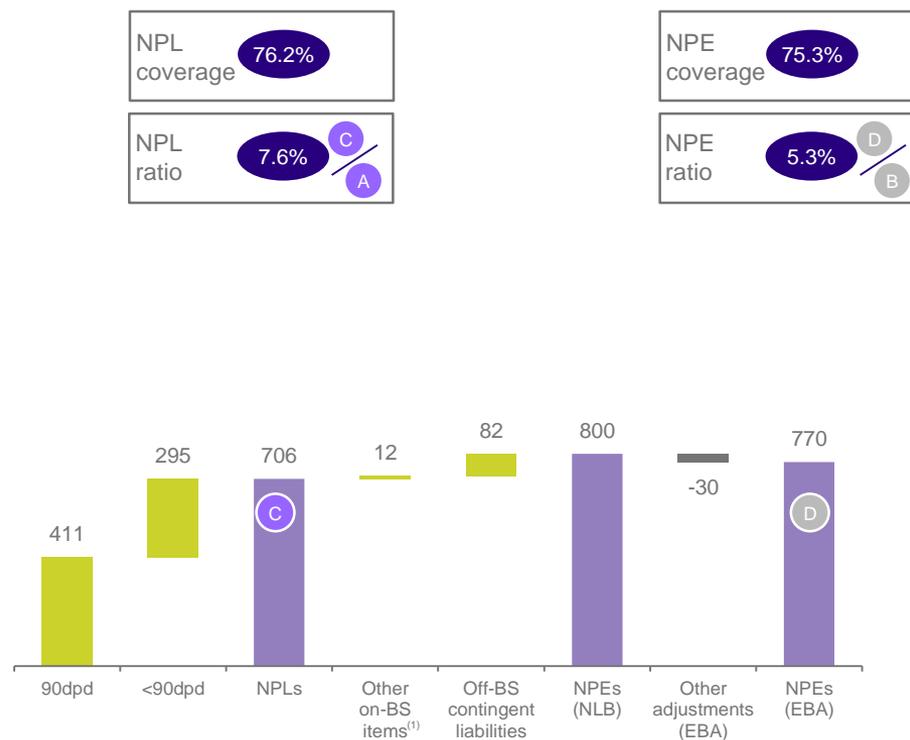
Overview of asset quality metrics

- ✓ NLB's prudent NPL definition includes >90dpd loans and other loans to borrowers considered "unlikely-to-pay" with delays below 90 days, with categorisation on borrower level
- ✓ 90dpd loans correspond to 4.5% of credit portfolio

Credit portfolio to exposures bridge (Group, Sep-18, EURm)

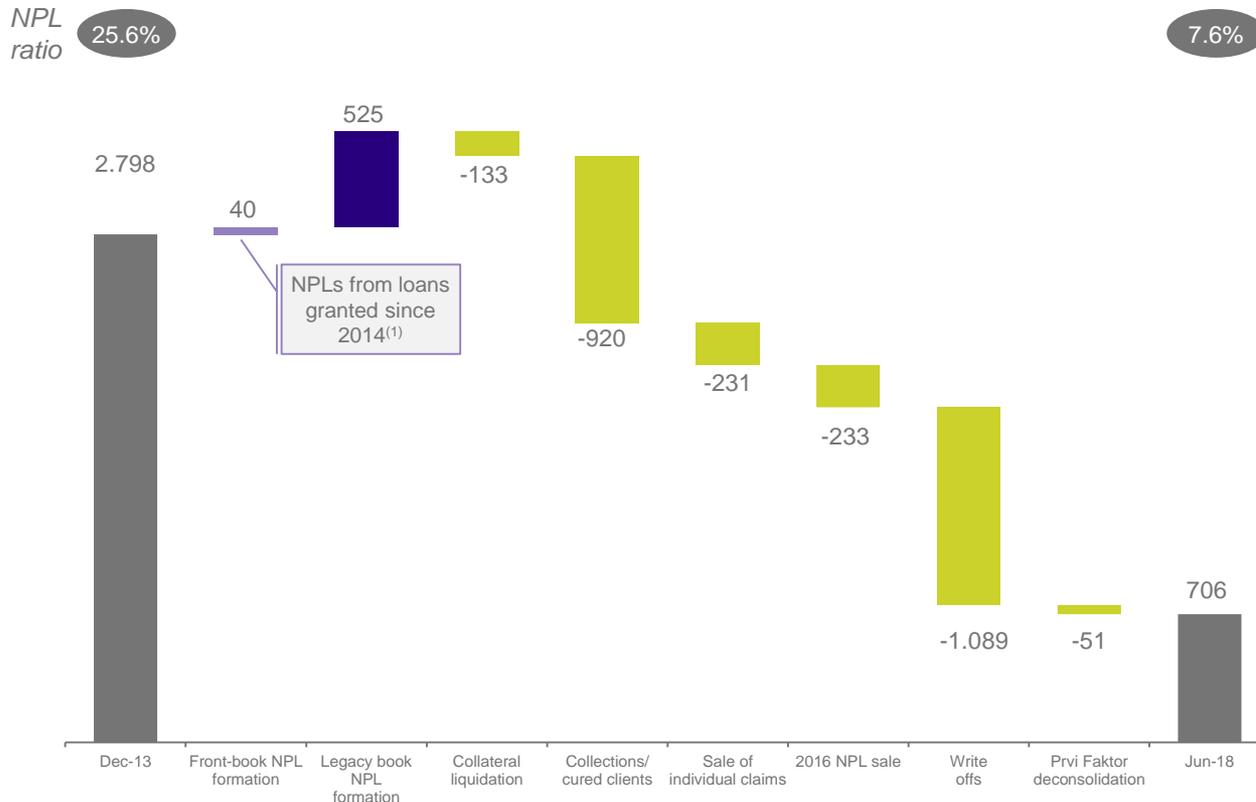


NPLs to NPEs bridge (Group, Sep-18, EURm)



Demonstrated impact to asset quality

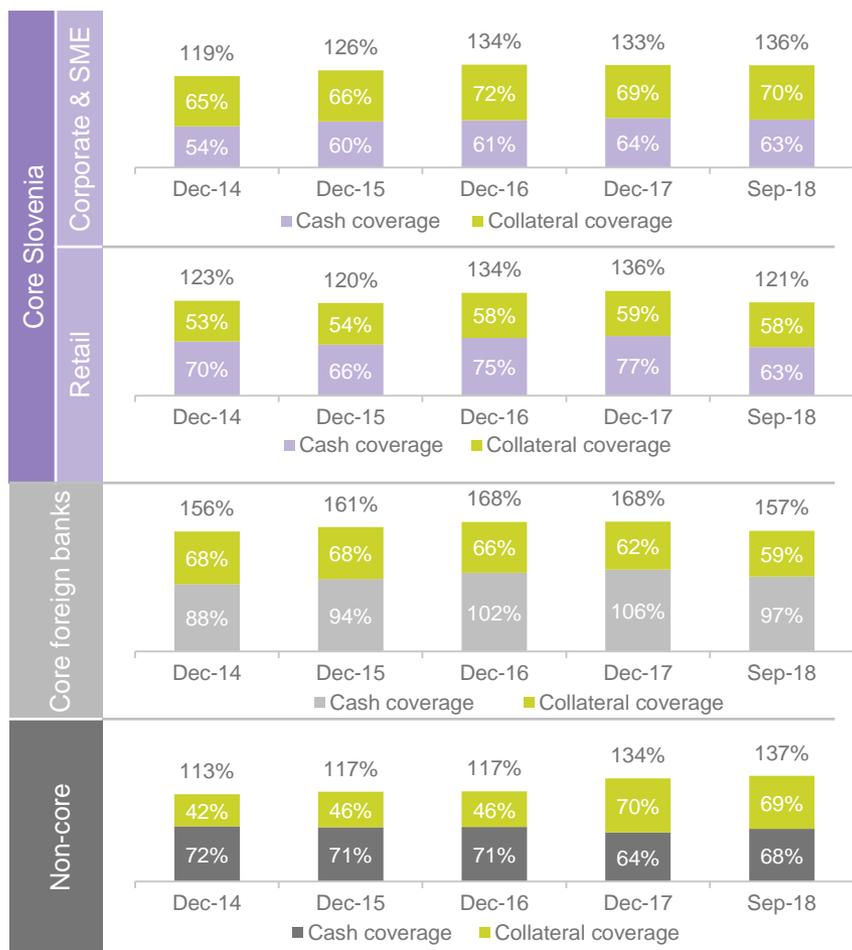
Impact on NPL ratio (Dec-13 to Sep-18, Group, EURm)



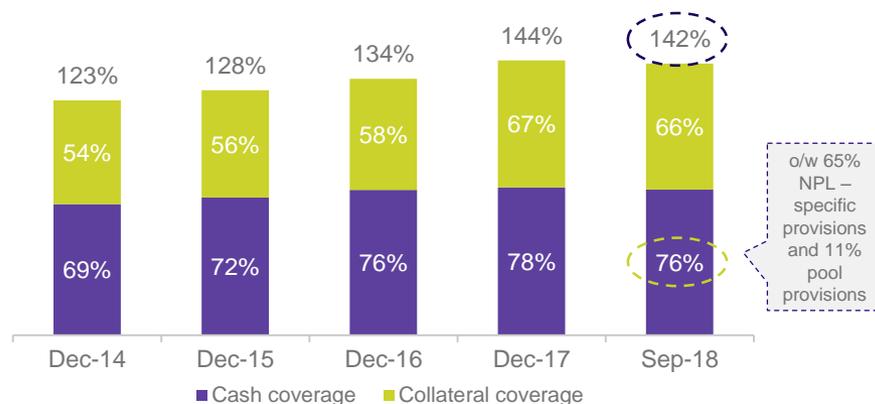
Comments

- Cured clients, collections and collateral liquidation contributed 40% of NPL stock reduction since Dec-13
- Sale of NPL portfolio in Q2'16 contributed 9% of this reduction
- Write-off following strict restructuring and workout process
- Besides NPL resolution, NLB Group has demonstrated solid progress with resolving off-balance exposures, resulting in sizeable P&L contribution in 2016, 2017 and H1'18
- Very low NPL formation since 2014

NPL cash and total coverage remain high at 76% and 142%, respectively, in Sep-18



Coverage for the Group (%)



Comments

- ✓ NPL coverage increasing since Dec-14 across key business segments of NLB Group, reaching 76% in Sep-18 (Group), with total coverage of 142% when including collateral
- ✓ NPLs of Core foreign banks 97% covered with provisions
- ✓ Total coverage well above 100% in all key segments